Çelebi Ground Handling Inc.
Annual Report 2016

CONTENTS

MESSAGE FROM THE BOARD OF DIRECTORS

Esteemed customers, shareholders and employees,

Having espoused it as its primary principle to create demand rather than fulfilling it and to lead the market it creates since its incorporation in 1958, Çelebi Ground Handling has successfully remained the industry's leader over this long period of time.

Underpinning this success are the dynamic corporate culture capable of taking action quickly according to evolving market conditions, the ability to constantly monitor and embrace the innovations in the industry, and proactive customer relations developed in the light of a customer-oriented approach to service.

2016 went down in the records as an active and fluctuating year.

Before presenting our annual report representing the 2016 performance of Çelebi Ground Handling for your review, we would like touch upon the current developments in the world economy in the reporting period.

The Fed's anticipated lift-off decision came in December.

Particularly the global financial crisis of 2008 bared how powerful the steering influence of the preferred policies of the US Federal Reserve (the Fed) can be upon the course of the world economy. The same situation was experienced in the aftermath of the Fed's FOMC (Federal Open Market Committee) meeting held on 14 December 2016, where policy rate was hiked by 0.50 basis points and projections were revised. Putting aside the lift-off decision that had long been priced by the markets, the embedded surprise was manifested in the Fed's revised economic projection for 2017. The Fed updated the targeted interest rate for year-end 2017 upwards by 25 basis points to 1.375% and made it public for the international arena that it could resort to three rate hikes instead of two.

The markets were quick to react to the Fed's altered projections for 2017; while long-term interest rates took an upturn, the US dollar rapidly appreciated in the world markets, particularly against the currencies of emerging countries.

Inflation expectations grew upon election of Donald Trump as the US president.

Having drawn the attention with his rhetoric and promises during the election campaign, Trump's win in the November election led to fluctuations and concerns on a global scale, even if they were short-lived.

While the economy policies he will pursue remain as burning questions, Donald Trump's decisions may well affect the future of the US economy, and are also prone to be telling on the decisions the Fed will adopt in 2017 and thereafter, and therefore on global economy and trade. The future growth rate of the US will be repressed, if Trump, who is talking about reassessing commercial relations particularly with Mexico and China and of exiting international conventions such as NAFTA, turns to measures that will potentially narrow down the trade volume and the labor market. Such a development could lead to a new phase of stagnation in the worldwide trade and global economy via foreign trade and financial markets.

In January 2017, the euro area inflation went up to 1.8%.

For the first time since 2008 that marked the onset of the global crisis, the euro area economy attained a growth rate that is higher than that of the US economy in 2016. While the US economy expanded by 1.6%, the euro area ended the year with a growth rate of 1.7%.

Despite the structural issues of the Italian banking system, the long-going financial crisis in Greece and the UK referendum outcome pointing at that country's exiting the EU membership (Brexit), economic activity in the euro area remained stable and recovery continued.

Also the annual inflation carried on with its upturn in line with the targets of the European Central Bank (ECB) in the euro area. In January 2017, inflation came to its highest of the past four years with 1.8%. According to Eurostat data released in December 2016, seasonally adjusted unemployment also went down to its lowest level since July 2009.

With 3.2% and 4%, respectively, Spain and Ireland lent strong support to the 2016 performance of the euro area that has been on a 14-quarter growth streak. Designated as the most important economic power of the area, Germany's growth gained momentum and came to 1.9%.

The IMF preserved its growth estimates for the world economy.

In the World Economic Outlook update published on 16 January 2017, the IMF kept its forecasts for the world economy unchanged. In the same report, however, the IMF revised its 2017 and 2018 projections for developed countries by 0.1 and 0.2 points, respectively.

0.4-point upgrade for the 2018 US economic growth projection by the IMF is noteworthy, which cited the growth-focused policies of the Trump administration as the main reason for its revised growth projection for the US economy. The IMF underlined that economic activity lost pace, even if somewhat, in emerging countries and announced in October 2016 that it is anticipating a weaker-than-expected growth performance. The same report increased China's 2017 growth projection from 6.2% to 6.5% in line with the anticipated incentives.

Çelebi Ground Handling successfully minimized the effects of economic and industrial challenges thanks to its strong prediction ability and accurate strategies.

In the twelve months to end-December 2016, our Company serviced 167,518 flights in Turkey, which figure represents a 20.2% decrease YoY (January-December 2015: 209,986 flights in total). The discontinuation of the ramp service provided to Pegasus Airlines at Sabiha Gökçen Airport as of 31 May 2016 was among the factors that brought about this reduction. Excluding the number of Pegasus Airlines' flights serviced in the relevant period, the decrease in the number of total flights emerges as 5.9% as compared with 2015 (January-December 2016 SAW-PGT: 26,335 flights; January-December 2015 SAW-PGT 59,919: flights).

Having booked TL 709,524,691 in consolidated net turnover, down by 3.11% as compared with the 2015 figure of TL 732,278,323, Çelebi Ground Handling registered consolidated gross profit of TL 166,409,227, down by 22.83% in 2016 (2015: TL 215,649,774). The Company's operating profit, on the other hand, was registered as TL 58,925,319 (2015 operating profit: TL 121,272,860).

We have sustained the stable performance of our overseas operations and proven once again that we are a global actor.

Çelebi Ground Handling adeptly reflects the know-how, experience and service quality it possesses in the India market where it has been active for many years. Our subsidiary, Celebi Ground Handling Delhi Private Limited that started providing service at the Delhi Indira Gandhi International Airport from June 2010 opened its second station in that country in 2015, and started activities at Sardar Vallabhbhai Patel International Airport in Ahmedabad, as well.

In the January-December 2015 period, Çelebi Ground Handling Delhi Private Limited serviced 8,327 aircraft at Delhi and Ahmedabad airports, and increased the number of serviced flights to 11,809 in the 12 months to end-2016, with a remarkable growth rate of 41.82%. Having renewed its contracts with the Saudi Arabian Airlines and Etihad Cargo in the last quarter of 2016, Çelebi earned the right to offer service to these airlines for another three years.

Located in the Delhi Indira Gandhi International Airport in India, our subsidiary Celebi Delhi Cargo Terminal Management India Pvt. Ltd. has been providing cargo warehouse and handling services on an area of 77,000 m^2 since November 2009. The cargo handling quantity went up by 1.5% from 395,853 tons in 2015 to 401,833 tons at end-2016.

Our subsidiary that started providing service at the Mumbai (Bombay) Chhatrapati Shivaji International Airport in India in July 2009, Celebi NAS serviced 20,408 flights in 2015. The number of flights that went up to 27,149 in 2016 indicates at 33.03% growth. Having renewed its contracts with Saudi Arabian Airlines and Etihad Cargo in the last quarter of 2016, Celebi NAS earned entitlement to offer service to these airlines for another three years.

Operating in Hungary as our Company's first venture abroad, Çelebi Ground Handling Hungary serviced 19,576 flights during 2015 and upped this figure by 4% to 20,370 in 2016. Our Company started offering service to Air Canada from June 2016.

After Çelebi Ground Handling Hungary began operating out of its new warehouse located outside the airport in January 2011, the company began offering handling for land haulage and air cargo of Qatar Cargo in the reporting period. In the same period, Silkway Cargo ended its flights. The cargo handling service provided went up by 10.8% from 48,419 tons in 2015 to 53,680 tons in 2016.

Our second representative in Europe, Celebi Cargo GmbH started operations on 10 January 2011 to offer air cargo storage and handling services in the storage/warehouse facilities in the International Frankfurt Airport Cargo City. While the services rendered during 2015 had reached 263,202 tons, the same suffered a 21.85% decrease in the 12 months to end-2016 and total cargo handling went down to 205,704 tons. The main reasons underlying the reduced quantity of cargo handled include the expiration of the contract with Qatar Airways on 4 July 2016, reduced quantity of cargo transported by Saudi Arabian Airlines as compared with the previous year and the expiration of the contract with the said airline on 8 November 2016.

We have set our roadmap that will carry us to our future growth and profitability targets.

Throughout its corporate history, Çelebi has successfully survived and created value during times of volatility, as well as through the growth phases of the economy.

Our market experience and know-how serve as our strongest foothold of our ability to ensure sustainable growth. This experience and know-how, coupled with our prediction skill, guide us to accurately manage risk in diverse countries and business lines where we operate and to grow our shareholders' equity, while the initiatives we realize in our business processes ready us for the current economic environment and sharpen our competitive edges.

Based on its awareness that our industry moves forward by the day, our Company possesses a vision that aims to render change continuous and manage it. Our primary goals include being a strategy-focused organization, creating a business excellence model that relies on total quality management concept, ensuring that this model is customer-driven, enhancing employee satisfaction and productivity, and generating increased revenues.

I would like to extend my gratitude to our shareholders, customers and business partners for their support, and to all Çelebi employees for all that they contribute to our Company.

Very truly yours,

ÇELEBİ GROUND HANDLING INC.

Can Çelebioğlu

Chairman

BOARD OF DIRECTORS - 2016 ANNUAL REPORT

I- OVERVIEW

1. FIELD OF ACTIVITY

Çelebi Hava Servisi A.Ş. (Çelebi Ground Handling Inc., "the Company") was the first privately-owned ground handling services company in the Turkish aviation industry and has been in business since 1958. The Company carries out its activities under the Çelebi Holding organization. The Company is registered with the Capital Markets Board of Turkey (CMB) and its shares began trading in Borsa Istanbul (BIST) on November 18th, 1996. The Company's principal business activity consists of providing domestic and foreign airlines and air cargo companies with ground handling services (representation, traffic, ramp, cargo, flight operations, and similar services) and refueling services. The Company's operations take place in Turkey at total 30 stations located in Adana, Ankara, Antalya, Bingöl, Bodrum, Bursa Yenişehir, Çorlu, Dalaman, Diyarbakır, Erzurum, İstanbul, İzmir, Isparta, Kars, Kayseri, Malatya, Mardin, Samsun, Trabzon, Van, Denizli, Hatay, Kahramanmaraş, Erzincan, Balıkesir Edremit, Çanakkale, Iğdır, Kocaeli and Hakkari airports which are under the control of State Airports Authority ("DHMI") and in İstanbul Sabiha Gökçen Airport which is under the control of Airport Administration and Aviation Industries ("HEAŞ").

The Company is registered with the İstanbul Trade Registry (192002-139527). Its address of record is:

Çelebi Ground Handling Inc.

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

The Company's website is located at the address www.celebihandling.com. The internet address for the Company's investor relations is www.celebiyatirimci.com.

2. BOARD OF DIRECTORS, AUDITORS, COMMITTEES AND SENIOR MANAGEMENT

The Company's Board of Directors is formed of the following members:

Name	Position	Independent Member or Not
Can Çelebioğlu	Chairman	Non-independent Member
İsak Antika	Vice Chairman	Non-independent Member
Canan Çelebioğlu	Board Member	Non-independent Member
Turgay Kuttaş	Board Member	Non-independent Member
Mehmet Murat Çavuşoğlu	Board Member	Non-independent Member
Mehmet Yağız Çekin	Board Member	Non-independent Member
Feyzi Onur Koca	Board Member	Independent Member
İlter Turan	Board Member	Independent Member

The members of the Board of Directors have been elected for one year at the Ordinary General Meeting convened on 20 April 2016 until the next Ordinary General Meeting.

According to the provisions of Corporate Governance Principles and the Company's articles of incorporation, İlter Turan and Feyzi Onur Koca, whose candidacy for independent membership on the Board of Directors has been deemed appropriate, have been elected as Independent Board Members to serve a term of office of 1 (one) year (for the period between the two Ordinary General Meetings).

The members of our Company's Board of Directors are nominated and elected from among individuals possessing the high level of knowledge and skills, the qualifications, specific experience and background in accordance with the Company's articles of incorporation. All our Board members have the capability to read and analyze financial statements and reports, as well as the necessary basic knowledge of legal regulations governing the Company in respect of its long-term acts and transactions, and have the means and commitment to participate in all Board of Directors meetings planned for the relevant fiscal year.

According to "Article 8- Representing and Binding the Company" of the Company's articles of incorporation, the Company is administered and externally represented by the Board of Directors. Pursuant to Article 367 of the Turkish Commercial Code (TCC), the Board of Directors may delegate management, in part or in whole (excluding the Non-Delegable Duties and Powers of the Board of Directors as stipulated by Article 375 of the TCC), to one or more Board of Directors members or third parties. The Board of Directors may also delegate the power to represent, jointly or individually, to one or more senior executives of the Company who are not members of the Board under Article 370 of the TCC. The individuals with the power to represent and bind the Company and the ways they may do so are determined by the Board and duly registered and announced. In order for any documents issued by the Company or for any contracts that are entered into to be valid, they must be signed, below the Company's legal name, by an individual or by individuals authorized to do so by the Board of Directors. Pursuant to Article 1526 of the TCC, the transactions carried out by the Company may be done so with the secure electronic signatures of the individuals possessing the power to represent.

The authorities and responsibilities of our Company's Board members and managers are stated in signature circular IX setting down the powers to represent and bind the Company that was registered by the İstanbul Trade Registry on 18 August 2015 and announced as having been registered in issue 8890 of the Turkish Trade Registry Gazette dated 24 August 2015.

As per the assignment of duties among the Board Members elected at the Ordinary General Meeting of 20 April 2016, the Company's Board of Directors decided to elect Mr. Can Çelebioğlu as the Chairman and Mr. İsak Antika as Vice Chairman of the Board.

At the Ordinary General Meeting held on 20 April 2016, the shareholders having management control over the Company, members of the Board of Directors, senior executives and their spouses and relatives by blood and marriage unto the second degree have been authorized, as per Article 395 of the Turkish Commercial Code (TCC), to enter into transactions that are of a nature that might lead to conflict of interest with the Company or its subsidiaries, and deal with the Company on their own or others' behalf; no transactions took place within the scope of the said authorization granted during the reporting period.

Auditors

In a resolution passed on 25 March 2016, the Board of Directors voted to recommend the appointment of Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (Ernst & Young) as the Company's independent auditor to be charged with independently auditing the Company's consolidated financial statements for 2016 and 2017 in compliance with Turkish Commercial Code and Capital Markets Board rules and regulations pertaining to the independent auditing of such statements prior to their public disclosure. At the annual general meeting of the Company held on 20 April 2016, a majority of shareholders approved the appointment of Ernst & Young as the Company's independent auditor.

Corporate Governance, Audit, and Early Detection of Risk Committees

Of those who were elected to seats on the Board of Directors at the 20 April 2016 annual general meeting of the Company, it has been decided at the Board of Directors meeting dated 21 April 2015, to elect Feyzi Onur Koca and İlter Turan as members of the Audit Committee, to elect Mehmet Yağız Çekin and Feyzi Onur Koca as members of the Corporate Governance Committee, and to elect Turgay Kuttaş and İlter Turan as members of the Risk Detection Committee, within the framework both of the applicable clause of Capital Markets Board Communiqué X:22 Concerning Independent Auditing Standards In Capital Markets and of the applicable provisions of Capital Markets Board Corporate Governance Communiqué II-17.1.

Senior Management

The names of the executives who served at the Company during 2016 are presented below:

Name	Title	Effective from	Joined the Company in
Osman Yılmaz	Chief Executive Officer	2016	1993
Deniz Bal	Financial Affairs Director	2013	2003
Bekir Güneş	Sales & Marketing Director	2014	2009
Gökçen Dervişoğlu	Human Resources Director	2015	2015

Mr. Atilla Korkmazoğlu, who had been serving as our Company's CEO since 17 March 2015 in tandem with his post as the President of Ground Handling and Cargo (EMEA) at Çelebi Havacılık Holding A.Ş. that is the majority shareholder in our Company, has handed over his post as the CEO of our Company on 17 May 2016 to Mr. Osman Yılmaz, who had been reporting to him as the CEO of Celebi Ground Handling Hungary, our Company's subsidiary in Hungary.

Investor Relations Unit and Coordination of Corporate Governance Practices

Within the framework of our Company's efforts to achieve full compliance with the provisions of Article 11 of the Capital Markets Board's Corporate Governance Communiqué Serial II: 17-1 with the circular number 2014/04 and dated 03 January 2014 and to ensure their strict implementation:

- There is an Investor Relations Unit, which handles exercising of shareholding rights at our Company that is listed on the Borsa İstanbul (BIST). This unit reports to the Board of Directors and maintains communication between the Board of Directors and shareholders. In this context, Deniz Bal, who is the Company's Financial Affairs Director and who was entitled to receive a "Capital Market Activities Advanced Level License" and "Corporate Governance Rating Expertise License", served during the reporting period as the head of Investor Relations Unit. (Tel: +90-216-666 6767, e-mail: deniz.bal@celebiaviation.com)
- Tolga Akdoğan, a full-time employee of the Company who holds both "Advanced Capital Market Operations" and "Corporate Governance Rating Specialist" licenses, was appointed to the position of "Investor Relations Unit Employee" during the reporting period. (Tel: +90-216-666 6767, e-mail: tolga.akdogan@celebiaviation.com)
- Deniz Bal, who holds both "Advanced Capital Market Operations" and "Corporate Governance Rating Specialist" licenses and was serving in the capacity of Investor Relations Unit Manager, was charged during the reporting period with the additional duties of fulfilling obligations arising from capital market laws and regulations, of coordinating corporate governance practices, and of reporting on such matters to the Company's general manager.

Information on General Meeting

Information on the Company's General Meetings held in the 1 January 2016 and 31 December 2016 period is disclosed under "4 - General Meetings" of the Corporate Governance Principles Compliance Report.

Financial Rights Provided to the Members of the Governing Body and Senior Managers

The Company designated its consolidated senior management team as the members of the Board of Directors, the Chief Executive Officer and Directors. The breakdown of the benefits provided to senior managers is presented in the table below:

	1 January-31 December 2016	1 January-31 December 2015
Short-term benefits to senior managers	9,319,867	8,508,190
	9,319,867	8,508,190

3. NATURE AND VALUE OF ISSUED CAPITAL MARKET INSTRUMENTS

As of 31 December 2016, our Company's issued capital amounted to TL 24,300,000. Our Company's capital structure on 31 December 2016 and 31 December 2015 was as follows:

Shareholders	(%)	31 December 2016	(%)	31 December 2015
Çelebi Havacılık Holding A.Ş.	78.36	19,042,115	77.36	18,797,553
Others	21.64	5,257,885	22.64	5,502,447
	100.00	24,300,000	100.00	24,300,000

Ultimate Non-Corporate Controlling Shareholders

The names of our Company's ultimate non-corporate controlling shareholders, who have been identified purged of all cross-shareholding interests, and their shareholding interests in the Company are presented below:

Shareholders	31 December 2016 (%)	31 December 2015 (%)
Zeus Aviation Services Investments B.V.	39.18	39.18
Can Çelebioğlu	19.59	19.59
Canan Çelebioğlu	19.59	19.59
Others	21.64	21.64
	100.00	100.00

The Company's articles of incorporation contain no provisions pertaining to special voting rights. However the shares representing the Company's issued capital are divided into three classes designated "A", "B", and "C" and only those who hold "A" and "B" shares are entitled to designate candidates for seats on the Company's Board of Directors and Board of Statutory Auditors.

The Company acquired none of its own shares during the period beginning on 1 January 2016 and ending on 31 December 2016.

4. INFORMATION ON PERSONNEL AND HUMAN RESOURCES POLICY

The average number of personnel employed by the Company as at 31 December 2016 is 4,387 (31 December 2015: 4,835 people).

The average number of personnel, including the subcontractor personnel was 12,270 and 11,648 people on 31 December 2016 and 31 December 2015, respectively.

Average Number of Employees of the Group (Consolidated)	January-December 2016	January-December 2015
Çelebi Hava Servisi A.Ş. ("Company")	4,387	4,835
Celebi Ground Handling Hungary	550	602
Celebi Nas (India)	2,862	2,164
Celebi Delhi Cargo (India, including subcontractor personnel)	2,922	2,791
Celebi Delhi Ground Handling (India)	1,273	875
Celebi Cargo GmbH (Germany, including subcontractor personnel)	276	381
Total	12,270	11,648

There is no collective bargaining agreement at our Company; our employees are provided with all legal social rights under the Labor Law and applicable current legislation, besides salaries, overtime payments, lunch and transportation service.

Human Resources ("HR") Policy

With a view to rendering the Company's image before the society and its employees continuous, as well as its success, the Company's HR Committee oversees and develops all human resources practices that are supported by documentation and systems, and the resulting HR culture.

Our station managers are responsible for ensuring that Company-established HR policies are adhered to in all areas of their individual accountability without regard for language, race, religion, creed, or sex. Station managers also act as employee representatives and among their basic responsibilities are keeping employees informed about Company decisions and developments that may affect them.

There has never been a single instance of a complaint from anyone about discrimination among employees at our Company, which takes all due care to ensure that its personnel are not subjected to any kind of physical, mental, or emotional abuse whatsoever.

Supporting participation, teamwork, enterprise, creativity, and productivity, making our Company an employer which people prefer to work for in Turkey and which treats its personnel like one big happy family and strives to keep it that way are the foundation stones of the Çelebi HR policy.

The Elements that Underlie Human Resources Policies:

Supporting participation, teamwork, enterprise, creativity, and productivity, making our Company an employer which people prefer to work for in Turkey and which treats its personnel like one big happy family and strives to keep it that way.

Human Resources Systems

Selection and Placement

- Recruitment Process
- Orientation

Performance Management

- Objectives and Competency Management
- Compensation

Career Management

Training

- Coaching
- Career Planning
- Personal Development Training

Compensation Management

Corporate Development Activities

- Corporate Culture, Vision, Mission
- Employee Satisfaction Applications
- Regulation Studies
- Organization Studies
- Data-Processing Infrastructure

Selection and Placement

Recruitment Process/Creation of a Group-wide Pool of Candidates

The main principle in recruitment and placement is obtaining the human resource needs in a most efficient and most rapid way with the principle of "the right person for the right job". In this context the personnel needs are determined in accordance with the Company's goals and strategies in the frame of human resources planning, and the profile that the position needs is stated on the ground of the job definition and competencies. Human Resources personnel control whether the vacancy is placed in the budget when the request for a new employee comes. The position planning has to be conducted carefully, with special attention to efficiency. The Human Resources Department and Division Managers share the responsibility of recruiting personnel who are suitable for Company mission and vision, who can perform the responsibilities of the job, who can adapt to the work conditions, who have the required competencies, and who at the least have the qualifications the job necessitates. Giving the opportunities primarily to all Çelebi employees for the jobs at the Company and Group companies suitable for their career development and potential is our recruiting policy. In the frame of this policy, a candidate information bank has been constituted in our Group companies and each day this bank becomes a databank all our Group companies can use. The program used in this purpose in the Holding structure is planned to turn into an integrated program connected to the other human resources processes.

Candidate Databank

The candidate databank includes the applications of the potential candidates that Çelebi employees suggest, candidates directly applying by sending CVs or filling the application form, people responding to an advertisement or announcement, applications collected during career days at various universities, applications from private training courses and education establishments with whom we plan to develop cooperation, and digital applications via electronic environment. The priority sequence followed in recruitment and selecting employees is:

- The employees apply to internal announcement,
- Candidates suggested by Çelebi personnel,
- Candidates who has applied directly or to an advertisement before,
- Candidates called by advertisement,
- Candidates directed to the Group by outsourcing consultancy firms.

Success Factors Recruitment Module was introduced, and a portal for posting vacant positions and allowing candidates to create profiles was designed on the Çelebi corporate website. This represents the initiation of the steps for the creation of a Company database on the recruitment side.

All recruitment processes are performed in accordance to the recruitment and placement regulations by the human resources departments of the affiliated companies.

Also foreign languages, general skills tests and personality profiles prepared by the professional organizations for candidate selection are used. Reference control is conducted for the candidates who are found suitable for the job.

Orientation

Newly-hired employees are put through an orientation program in which they are informed about the Company's mission, vision, principles, and policies as well as about Çelebi Group companies, their areas of activity, and their working conditions.

Performance Management

Performance Evaluation

Performance evaluation system is carried out in order to ensure the existence of an environment suitable for the attainment of Company goals; identify and improve competency levels and priorities; support promotion, rotation, and career planning functions; strengthen relationships between subordinate and superior; develop management competencies in managers; and speed up the flow of information at all levels provide through feedback.

Once a year all our employees are given a performance evaluation by our Performance Evaluation System that has been designed to ensure that evaluations are made according to objective criteria defined according to required competencies. Objective-based evaluation criteria have been included in the performance evaluation system in addition to the performance-based evaluations to which is assistant managers/supervisors and senior managers are subject.

The Company implements 360-degree performance management system, which serves to transform performance appraisals into a more objective system where not only managers evaluate their subordinates, but different stakeholders evaluate one another. In a step expanding the coverage of the system, supervisors at stations were also started to be evaluated in the 360-degree performance management system in 2015. The implementation continued during 2016 as well.

Our Company uses the "SAP Performance Appraisal System" which enables electronic conduct of the performance assessment implementation. Theoretical and practical training sessions for the Performance Appraisal System have been offered in 2016, as they were in previous years, and the system continues to be employed successfully.

Rewarding Performance

Based on the results of the annual performance appraisal, employees with outstanding performances are rewarded also in 2016 as previous years, with bonuses corresponding to a certain ratio of their annual salaries.

Career Management

The objective of career planning has been to create a candidate pool from internal sources and enable placement of candidates from that pool to vacant positions at Çelebi Ground Handling as well as synchronizing the employees' and the Company's expectations. Also in 2016, senior executives were trained and assigned for ground handling operation in Mumbai and Delhi in India, as well as in Hungary, Frankfurt and Austria. These executives have been assigned to critical roles.

In this context in all our companies:

- Career maps are designed in accordance with the competency and qualification scales drawn formerly and trainings and rotations at each career step are continuously followed.
- For critical positions a back-up strategy is being developed.

With a view to vesting the career management function in a more systematic structure, "Improvement Committees" and "Talent Management" are in place and operate successfully at the Headquarters and our stations.

These committees hold annual meetings to:

- ensure a realistic succession plan,
- identify eligible employees for critical roles,
- determine, develop and follow-up employees with a high-potential,
- review and control employee profile.

From the last quarter of 2016, work on modules was initiated to provide corporate memory and active database via the Success Factors in relation to Career and Talent Management.

The employees are offered promotion/rotation opportunities within the frame of the criteria set for promotions from within. Position requirements are first announced to Çelebi Ground Handling employees, who are given priority in assessment. The first implementations of the deliverables of the "Talent Management" project were started in the first half of 2016 and communication was carried out with Company employees. During 2016, progress and high potential pools were created in relation to the new system particularly for the stations, and development programs therefor were enforced.

The rates of promotion from within the Company were 90.91% in 2013, 92% in 2014 and 71% in 2015. The rate of promotion in January-December 2016 was 72%.

Training

Çelebi sets different levels of studies related to training and development programs. These parameters are intended to help determine and improve the areas to be developed, especially related to knowledge, skills and behavioral characteristics which all Çelebi jobs necessitate, and in order to prepare the employees for future responsibilities.

The Human Resources Department develops annual plans for personal and professional development training programs that are determined on a need basis, as well as compulsory trainings identified by the Directorate General of Civil Aviation (DGCA).

Personal and professional development trainings are determined for staff members proposed at the Performance Appraisal Outcomes and Development Panel conducted annually across the Company, and then incorporated in the plan.

Training time per employee was 11.43 days in the January-December 2016 period (2015: 13.04 days).

All training reports are accessible via the SAP system. Training budget planning and reporting are performed periodically by the HR on the basis of these records.

Stations are provided with access to all training documents, technical training modules, exams, Company guidelines/ procedures and regulations via E-forms.

All operational technical training programs are given by internal trainers. All documents, training modules and tests used for training are updated and announced biennially in a refreshing session held with internal trainers.

Agreements are made with professional training consultancy firms for personal and professional development training (Presentation Techniques, Teamwork, Management Skills, etc.)

Ongoing since 2015, the first phase of the e-learning project that will provide remote access to the compulsory refresher training programs covered in the training instructions of the Directorate General of Civil Aviation (DGCA) will be brought to completion as of November 2016. Ramp Safety and Apron Rules Refresher Training, for which the approval of the DGCA has been obtained, will be made available to employees as an e-learning program. Work is in progress at full speed for the platform, which will offer personal development training, as well as operational refresher trainings.

Compensation Management

Within the frame of the compensation system at Çelebi Ground Handling, a remuneration scale has been formulated in line with the Company's vision and objectives, based on the prevailing market conditions and the developments in the aviation industry, which is designed to ensure consistency across the Company and reflected the realities mentioned above. If two people are doing the same job, in other words, if there is no difference in the value of their work in terms of content, time, resources and position profile, etc., the value of the job done is the same even if the personal traits and skills of the two people are different.

Headquarters remuneration scale is formed periodically, by making a comparison with the data obtained from salary survey companies and by including the results from these surveys as well. These criteria are taken as basis also when determining the remunerations of senior executives taking place in the Headquarters remuneration scale.

Salaries are determined according to the titles in the organizational structure, but are based on a tariff in connection with the magnitudes of stations and restricted seniority. Salaries are updated annually making use of market surveys.

Performance bears an impact upon an employee's income in the form of a year-end bonus paid only in the case of performance above expectations.

An employee who gets a passing grade in the exam given for positions that compel knowledge of a foreign language receives a foreign language allowance in addition to the current base salary. Apart from foreign language allowance, drivers are paid vehicle bonuses depending on the type of vehicle they drive.

Corporate Development Activities

Employee Satisfaction Practices

The Company measures the level of employee satisfaction and loyalty, organizes meetings at branches and units, and devises action plans in an effort to boost employee satisfaction and loyalty based on which related efforts are carried out.

Regulation Studies

Existing HR and training regulations that are currently in use are regularly reviewed and revised to ensure that they satisfy needs. In addition, joint projects are also carried out to develop new regulations for operational or other issues as circumstances dictate.

Organization Studies

Organizational structures are reviewed, revised, and standardized to maximize their effectiveness and ability to satisfy needs. Particular attention is given to ensuring that any organizational changes are tracked and made known throughout the Company. Determining hierarchical levels and revising roles in light of existing conditions is a prime consideration in all HR policies.

Communication

For the purposes of fostering a participatory style of management and providing all employees secure and safe working conditions, personnel are kept informed about issues concerning the Company's financial standing, compensation, career development, training, health, and similar at meetings on every occasion where it is possible to convey such messages. Feedback from personnel in the form of attitudes, opinions, suggestions, and complaints are used as input in subsequent activities. Aiming to secure the involvement of all Company employees so as to allow more efficient assessment and utilization of employee opinions, the suggestion development system continued to be used successfully during 2016.

Employee Safety

Our Company has a management system that provides employees with a safe and healthy working environment, and carries out risk assessments that identify the threats and risks to which employees may be exposed. The system is also engaged in activities to reduce risk/threat levels through measures that are to be taken, complies with the requirements of the labor law, develops and implements programs to achieve occupational health and safety objectives, and continuously monitors occupational health and safety performance. In addition, the Company's 30 stations and the headquarters have been certified with OHSAS 18001 certification.

Social Activities

For several years now, our employees' children visit their parents' work places and treat themselves to a fun day filled with various activities organized at the stations in honor of April 23rd National Sovereignty and Children's Day. In 2015, the scope of the event extended to the Headquarters.

Events similar to motivational meetings organized for our employees at stations are started to be held at the Headquarters as well. In another social activity launched for the Headquarters employees in 2015 in addition to celebratory gatherings, employees get together with the HR in biweekly organizations. The series "Coffee is a Mere Excuse to Enjoy a Great Chat with the HR" provides the setting for the employees to chat with the HR.

At the same time, Çelebi anniversary and seniority-plaque ceremonies began to be conducted to recognize whole-multiples of five years' service with the Company in honor of long-serving station and headquarters personnel, which was repeated in 2015 paving the way for an annual event. The seniority-plaque ceremonies were organized at the headquarters and stations once again in 2016. The ceremonies also give employees a chance to show off their performing talents.

Çelebice is an in-house publication for Çelebi personnel. Every issue contains features such as "Çelebi Traveler", in which employees tell about a trip or vacation they have taken, as well as articles in which employees describe their hobbies and similar interests. The magazine plans to continue running such features in its future issues.

II- FINANCIAL RIGHTS PROVIDED TO THE MEMBERS OF THE GOVERNING BODY AND SENIOR MANAGEMENT

At the 20 April 2016 annual general meeting of the Company, shareholders approved the payment of a monthly fee/ honorarium of TL 5,000 to the independent members of the Company's board and also voted not to pay any fees or other honoraria to board members who are elected to represent Class A and Class B shareholders. Payments were made to the Company's independent directors in 2016 pursuant to this resolution.

No member of the Board of Directors has any outstanding obligations towards the Company that were carried forward from 2015. No member of the Board of Directors was given a loan or paid an advance by the Company in 2016. As of 31 December 2016, the Company was not owed anything (whether as an advance paid or otherwise) by any member of the Board of Directors.

No Company manager has any outstanding obligations towards the Company that were been carried forward from 2015. Salary advances paid to Company managers in 2016 totaled TL 65,000. As of 31 December 2016, the Company was owed TL 20,505 in salary advances by its managers.

There are no loans made by the Company to its Board members or managers whose terms have been extended or otherwise improved; no sums have been lent to them as personal loans through third parties; neither have they been granted any form of surety such as guarantees etc. on their behalf.

III- RESEARCH AND DEVELOPMENT ACTIVITIES

5. OPERATIONAL EFFICIENCY

Introduced at the Company to help achieve increased efficiency and zero-error planning of operations, the "Resource Planning, Work Schedule Generation and Real-Time Control System (Inform-GroundStar) continues to be used successfully at İstanbul, Antalya, and Sabiha Gökçen stations. Training programs were organized for Inform users for the system upgrade and the new version is slated for introduction at the stations as of 1 January 2017.

"Operational Teams Restructuring" initiated within 2016 is intended to measure operation times so as to update service standards, and to reorganize the duties and responsibilities of operational personnel, as well as their business conduct, in a manner to secure increased operational efficiency.

With its installation finalized, the E-SCF (Electronic Service Charge Form) project has been completed as at year-end 2015 and was started to be used actively during 2016.

In order to improve operational efficiency, some of the ramp personnel at our stations were hired on a part-time basis; following suit of 2015, the practice was carried out successfully also in 2016.

The Management Cockpit project was launched for ensuring regular online monitoring of operational efficiency and performance indicators by the station, and it is planned to be finalized by year-end.

Within the frame of the Global ERP project, it is aimed to update and improve the implementation and reporting processes for enhancing the technical system infrastructure and increasing employee performance via the SAP software; the project is targeted to go live by early 2017.

An "Equipment Management System" project was initiated in 2014 with the aims of making more productive use of equipment and of achieving economies in costs such as fuel, scheduling, time, and maintenance by managing the equipment park more effectively. With its first phase completed during 2015, the project continued in 2016.

Our Company adopts the quality systems preferred in the civil aviation world, and employs AHS 1000 and IATA AHM 804 measurement systems. These systems determine and report measurable quality criteria, and serve to enable more efficient operation and increased operational productivity of airliners and ground handlers. These systems allow identification of the problematic step along the service process and taking necessary corrective action accordingly. Customer dissatisfaction arising during the service is monitored at all stations and necessary action and improvement steps are taken immediately for the customer complaints received. In addition, regular internal audits are conducted semi-annually by the Quality Department at all of our stations in an effort to prevent possible customer dissatisfaction, and corrective actions in relation to negative aspects identified by these audits are carried out by the stations.

IV- THE COMPANY'S ACTIVITIES AND MATERIAL DEVELOPMENTS IN ACTIVITIES

6. THE RELEVANT SECTOR, 2016 ACTIVITIES AND PERFORMANCE

The World and Turkish Economy in 2016

In the World...

Oil prices...

At its ordinary meeting of 30 November 2016, OAPEC passed a decision to reduce oil output in order to rebalance the oil market, and announced that the decision would be effective from January 2017. The support extended to this decision from non-member oil exporting countries led by Russia, besides its ratification by 14 OAPEC-member countries led to an upturn in oil prices in the aftermath of the meeting. Having floated in the USD 40-50 interval in the third quarter of 2016, crude oil prices exceeded the USD 50 mark in the last quarter of the year.

Inflation and Growth...

Increased inflation observed in developed countries in the fourth quarter stemmed from the economic activity outlook that represented a more positive performance and increased oil prices. The US dollar tended to appreciate in parallel with the expansionary economy policies intended to be implemented following the US presidential election in November 2016 and the expectations regarding the Fed's policy steps. While it is possible to witness a limited increase in the inflation rates of the euro area, as well, in line with the moderate rise in energy prices, Japan is anticipated to see an inflation rate lagging behind the target for some more time in the medium term. On the other hand, it is projected that inflation in the UK will remain below the targeted 2% in 2017 and 2018 and that it will approach the target thereafter because of the depreciation of the British pound due to the vagueness surrounding the relationships between the UK and the EU following the Brexit. The factors that could potentially pose an upward risk for global inflation are considered to include possible rises in commodity prices and primarily in oil prices; imminent expansionary economy policies in the US, potential value losses to be suffered by the local currencies of emerging countries in connection with the expectations regarding the Fed's decision concerning rates, and restrictive decisions about foreign trade on a global scale.

Following the US presidential election held in November 2016, uncertainties relating to global economy persisted at an increasing extent. In that period, long-term interest rates in developed countries went upwards, while capital flows to emerging countries weakened. Increased possibility of the enforcement of protective policies by the US following the elections poses a downside risk upon growth and employment rates of emerging countries. In addition, strengthened possibility of the implementation of expansionary fiscal policy by the US might lead to an acceleration of rate hikes by the Fed and in turn, further tightening of financial terms for emerging countries.

In Turkey...

Exchange Rates...

In the last quarter of 2016, exchange rate volatilities of emerging country currencies followed a fluctuating course. The exchange rates showed a rapid rise due to deteriorated risk perceptions of emerging countries in the aftermath of the US presidential election. Currencies of emerging countries depreciated significantly against the US dollar with the effect of the uncertainties in relation to global economy and of the increased interest rates in developed countries. The Turkish currency, on the other hand, decoupled negatively from other emerging country currencies because of increased domestic vagueness, geopolitical developments and higher energy prices.

Averaging 2.72 in January-December 2015, the US dollar went up to the order of 3.02 in the same period of 2016. Similarly, the exchange rate for euro went up from an average of 3.02 during 2015 to 3.34 on average at year-end 2016. The USD/EUR parity, on the other hand, averaged 1.10 at year-end 2016, while it was 1.11 on average at year-end 2015. According to the CPI-based real effective exchange rate index (2003=100) that measures the value of the Turkish lira against other currencies, the index value, which was 97,49 at year-end 2015, was registered as 92.13 at year-end 2016.

Inflation...

At the end of 2016, consumer inflation went up by 1.25 points on a quarterly basis to 8.53%. Exhibiting a gradually slowing tendency after July, consumer inflation slid down to 7% in November, only to hike in December and come to a level above the uncertainty interval around the inflation target. This was driven by the depreciated Turkish lira, adjustments in taxes, and partial rise in food prices. 8.81% in the January-December 2015 period, inflation (CPI) showed a gradual increase in the 12-months to end-2016 and was registered as 8.53%.

Civil Aviation Industry

In the world...

According to year-end 2016 figures published by the International Air Transport Association (IATA), international passenger traffic (revenue passenger kilometers) in 2016 showed a year-on rise of 6.3% in terms of demand; this strong rise was even above the past 10 year's average of 5.5%. Cargo traffic demand saw a year-on growth of 3.8%. Just like the one in passenger traffic, this increase also outdid the average rise of the past 5 years of 2%.

During 2016, seat capacity grew by 6.2% and average occupancy rate was up by 0.1 point to 80.5%.

In 2016, air connectivity expanded with the addition of over 700 new destinations, and in turn, 3.7 billion passengers traveled safely. The challenge facing the states at this point is to realize the necessary infrastructural, legal and tax regulations in cooperation with the aviation industry in order to respond to this demand.

Highlights of 2016 on a regional basis included the following:

- Asia-Pacific showed a record growth of 8.3% over 2015, which is the second best interregional rise. 7.7% enlargement in capacity led the average rate of occupied seats to inch up by 0.4% to 78.6%.
- Traffic across Europe increased by 4.8%. European carriers compensated the slight decline in the first half of the year particularly with the rise in the second half of the year.
- With 11.8% rate of increase, the Middle East has claimed the highest growth regionally for the fifth year. The capacity grew by 13.7% whereas the rate of occupied seats eroded by 1.3% and declined to 74.7%.
- The demand in North America, on the other hand, stood at a mere 2.6%, while capacity grew by 3.3% and the rate of occupied seats was registered as 81.3%.
- 7.4% growth in Latin America originated from the increased demand for international flights. Capacity was up 4.8% and the rate of occupied seats went up by 1.9% to 81.3%.
- Airlines in the Africa region showed their best performance since 2012 and recorded a growth of 7.4%, whereas capacity remained flat and was registered as 67.7%.

In terms of domestic flights, demand and capacity went up by 5.7% and 5.1%, respectively, and the rate of occupied seats was 82.2%. All domestic markets except Brazil showed rise, whereas India and China have emerged as the top performing markets.

In the cargo sector, there was a year-on growth of 3.8% (ton-kilometers). This rate is almost double the 2% rate of increase observed in the past two years. On the other hand, capacity went up by 5.3%.

All markets in the cargo sector expanded save for the Latin America region. Particularly European carriers accounted for half of the increase in total demand.

With a growth rate of 7.6%, European carriers secured the highest growth among regions. This is proportional to the increased exports particularly ex-Germany and the weakness of Euro.

Save for the record 4.2% decline in Latin America, which has been going on for two years, cargo demand went up in all regions. Africa secured a remarkable increase, when its increase of 13.1% is compared with 4.5% decline in 2015. Asia-Pacific, on the other hand, has taken place among regions showing increased demand for cargo flights with a rise of 2.1%.

In Turkey...

While domestic commercial air traffic increased by 6%, and international commercial air traffic decreased by 7.4% in Turkey in 2016, the overall commercial air traffic was down by 0.2%. During the reporting period, passenger traffic showed 5.8% increase in domestic lines versus 15.5% decrease in international lines. The main reasons for the increases in domestic commercial air and passenger traffic can be cited as the steadily growing demand for seats on domestic lines that got underway when that market was thrown open, growth strategy of Turkish Airlines, and the surge in transit traffic associated with it. Decline in international commercial air and passenger traffic, however, arose from the inception of visa requirement for countries including Libya and Iraq, negative effect of the Russia-originated flights as compared with end-December 2015 due to the political relations between Turkey and Russia, cancelled flights because of the terrorist attack at Atatürk Airport at the end of June, and the implications of the failed coup d'état attempt of July 15th upon the industry.

2016 Activities and Performance

A total of 167,518 flights were serviced by the Company in the Turkish market in 2016, corresponding to a 20.2% YoY decrease over the 2015 figure of 209,986 flights. During 2016, ramp service provided to Pegasus Airlines ended on 31 May 2016. Excluding the number of Pegasus Airlines' flights serviced in the relevant period, the decrease in the number of total flights emerges as 5.9% as compared with 2015 (January-December 2016 SAW-PGT: 26,335 flights; January-December 2015 SAW-PGT 59,919 flights).

Celebi Ground Handling Delhi Private Limited, our subsidiary in India that began serving customers at Delhi Indira Gandhi International Airport from June 2010, serviced 8,327 aircraft at Delhi and Ahmedabad airports in 2015. In 2016, this figure increased by a remarkable 41.82% and reached 11,809 flights. In the last quarter of 2016, Çelebi renewed its contracts with Saudi Arabian Airlines and Etihad Cargo, thus becoming entitled to service these two companies for the next three years.

Our Celebi Delhi Cargo Terminal Management India Pvt. Ltd subsidiary has been providing cargo warehousing and handling services in 77,000 m^2 of space at Delhi International Indira Gandhi Airport since November 2009. While the company had handled 395,583 tons of cargo in 2015, the same went up by 1.5% to 401,833 tons in 2016.

Celebi NAS, another subsidiary that began services at Chhatrapati Shivaji International Airport in Mumbai (Bombay) in July 2009, serviced 20,408 flights during 2015 and increased this figure significantly by 33.03% in 2016 to 27,149 flights. In the last quarter of 2016, Çelebi NAS renewed its contracts with Saudi Arabian Airlines and Etihad Cargo, thus becoming entitled to service these two companies for the next three years.

Çelebi Ground Handling's first international subsidiary, Celebi Ground Handling Hungary served a total of 20,370 flights in 2016, up 4% as compared with 19,576 flights serviced in 2015. As of June, our Company began offering service to Air Canada.

Having started cargo handling operations in January 2011 in its new warehouse located outside the airport, Celebi Ground Handling Hungary started handling of land haulage and air cargo in the previous year. In the same year, Silkway Cargo ended its flights. While the company had provided service for a total of 48,419 tons during 2015, the same rose by 10.8% to 53,680 tons in 2016.

Celebi Cargo GmbH entered operation in 2011 to offer air cargo storage and handling services in its storage facilities at the International Frankfurt Airport's "Cargo City Süd". Having handled 263,201 tons of cargo in 2015, that figure went down by 21.85% to 205,704 tons in 2016. The main reasons behind the year-on decline in tonnage include the expiration of the contract with Qatar Airways as of 4 July 2016, the reduced amount of cargo carried by Saudi Arabian Airlines as compared with the previous year, and the expiration of the contract with that airline as of 8 November 2016.

As at the year ended on 31 December 2016, the Group reached a consolidated net turnover of TL 709,524,691, 3.11% less than in the previous year (2015: TL 732,278,323).

The Group's consolidated gross profit for 2016 was down by 22.83% to TL 166,409,227 (2015: TL 215,649,774). In 2016, the Company posted an operating profit of TL 58,925,319 (2015 operating profit: TL 121,272,860).

7. DEVELOPMENTS IN INVESTMENTS; INVESTMENT INCENTIVES USED

Tangible fixed asset investments realized by the Group during the year ended on 31 December 2016 amounted to TL 20,767,928 (31 December 2015: TL 31,527,810. 48% of this amount consisted of investments in machinery, equipment and appliances, 21% in vehicles, 13% in investments in progress, and 18% in other investments. There are no incentives made available to the Company in relation to its investments in 2016.

Total consolidated investment outlays of the Group in tangible and intangible assets during the twelve months to 31 December 2016 were worth TL 25,924,108. (2015: TL 38,236,071)

8. DIRECT OR INDIRECT ASSOCIATES OF THE COMPANY AND INFORMATION ON SHAREHOLDING THEREIN

The Company holds a 94.8% stake in Çelebi Güvenlik Sistemleri ve Danışmanlık A.Ş. ("Çelebi Security"), a joint stock company engaged in airport terminal security and providing security service to airlines. The liquidation process has been initiated for Çelebi Güvenlik Sistemleri ve Danışmanlık A.Ş. in accordance with the decision of its General Assembly and the company's title has been changed into Çelebi Güvenlik Sistemleri ve Danışmanlık A.Ş. in Liquidation.

The Company also controls 100% stake (HUF 1,000,000,000) in the capital of Celebi Ground Handling Hungary Földi Kiszolgáló Korlátolt Felelősségű Társaság ("CGHH") offering ground handling service at Budapest Airport. 30% share (HUF 300,000,000) in the capital of CGHH has been taken over from Çelebi Havacılık Holding A.Ş. for TL 33,712,020 as of 8 December 2011. The Company's share in CGHH rose to 100%, and CGHH has been consolidated on a line-by-line basis without separating non-controlling shares. This transaction has been accounted for as a shareholders' equity transaction under the shareholders' equity effect resulting from acquisition in the consolidated financial statements. The paid-in capital of CGHH as at 31 December 2016 is HUF 200,000,000.

Within the frame of the procedures concerning the tender put out for the performance of ground handling services for a period of 10 years at the Mumbai Chhatrapati Shivaji International Airport in India, which has been contracted out to a consortium that also included the Company, a company by the name "Celebi NAS Airport Services India Private Limited ("Celebi NAS") has been incorporated on December 12th, 2008 to provide ground handling services at the said airport. Celebi NAS started the operations as of 1 July 2009. Based in the Maharashtra state in Mumbai, India, Celebi NAS has a capital of INR 100,000,000, in which the Company controls 57% stake as a founding partner. The paid-in capital of Celebi NAS is INR 613,705,000 as of 31 December 2016. Besides, INR 228,000,000 has been paid as advance capital by the shareholders in Celebi NAS. Celebi NAS signed a "concession agreement" with Mumbai International Airport Private Limited ("MIAL"), the operator of the Chhatrapati Shivaji International Airport ("CSIA") residing in Mumbai where Celebi NAS operates, concerning the rendering of services regarding air conditioners and generators mounted on passenger boarding bridges in the passenger terminal of that airport. Under the contract, Celebi NAS has been granted the concession rights until May 2036.

The Company established Celebi Delhi Cargo Terminal Management India Private Limited ("Celebi Delhi Cargo") with an initial capital of INR 100,000, in which it controls a 74% share as a founding partner and which will be engaged in the brownfield development, modernization and financing of the existing cargo terminal in the airport in New Delhi, India, and in its operation for a period of 25 years. The paid-in capital of Celebi Delhi Cargo as of 31 December 2016 is INR 1,720,000,000.

Upon winning the contract for the execution of airport ground handling services for a period of 10 years at the Delhi International Airport, a total of INR 1,081,917,000 has been paid in premium share capital to fulfill the funding need of Celebi Ground Handling Delhi Private Limited ("Celebi GH Delhi"), the Company's 74%-owned subsidiary founded on 18 November 2009 with a paid-in capital of INR 18,150,000, through premium capital increase as per the governing legislation in India in order to fulfill the obligations arising from the Concession Agreement concluded with the tender authority and to ensure realization of planned investments.

Celebi GH Delhi participated in Delhi Aviation Services Private Limited ("DASL") by acquiring 16.67% stake in the company at the nominal value; DASL resides in New Delhi, India, has a paid-in capital of INR 250,000,000 and was set up to ensure execution of air conditioning units installed on passenger bridges in the airport's passenger terminal, generator and utility water services in compliance with international standards.

On 25 March 2010, the Company participated as the founding partner with 100% stake in the capital of the company set up with the company name Celebi Ground Handling Europe SL ("Celebi Europe") with a capital of EUR 10,000 in Madrid, Spain, for the purpose of undertaking an overseas venture in the EU countries. Although it has not started operations yet, Celebi Europe holds 100% stake in the capital of the Poland-based company with the name Troy Airport Services ("Troy"), which has not started operations.

On 20 July 2010, the Company took over the entirety of the shares with a nominal value of TL 144,000 held by Çelebi Holding A.Ş., a Çelebi Group company, in Çelebi Cargo Warehouse and Distribution Services Inc. ("Çelebi Cargo") with a paid-in capital of TL 150,000, for a cash price of TL 146,880 (at a price of TL 1.02 for a nominal value of TL 1.00). Çelebi Cargo has been founded on 20 November 2008 to be involved in transport, cargo shipment, cargo storage and distribution activities. Çelebi Cargo is engaged in air cargo storage and handling at the storage/warehouse facility with a covered area of 28,300 m^2 Celebi Cargo GmbH rented in Frankfurt Cargo City Süd located in Frankfurt International Airport. Residing in Frankfurt, Germany, Celebi Cargo GmbH is a wholly owned subsidiary of the Company founded in November 2009, and has a paid-in capital of EUR 11,500,000. The capital of Çelebi Cargo is TL 29,500,000 as of 31 December 2016, which is fully paid-in. A "share purchase agreement" was signed on 18 February 2014 between Celebi Cargo and Aviapartner GmbH, also residing in Frankfurt, Germany, for the transfer of all of the shares of Aviapartner Cargo GmbH ("Aviapartner Cargo"), a wholly-owned subsidiary of Aviapartner GmbH operating in the field of cargo storage and handling at Frankfurt and Hahn International Airports in Germany, for a defined price of EUR 4.6 million to Celebi Cargo, and the final closing protocol regarding the said agreement was executed on 6 March 2015.The official company name of Aviapartner Cargo was changed to Celebi GmbH. Celebi GmbH was taken over by Celebi Cargo with all its assets and liabilities and merged with Celebi Cargo within the framework of the applicable legislation effective in Germany and the merger transactions were completed upon the registration made on 30 October 2014 under the applicable legislation in Germany.

9. INFORMATION ABOUT FINANCIAL STATEMENTS AND REPORTS

The consolidated financial statements of the Group are issued in compliance with the Capital Markets Board of Turkey (CMB) Communiqué Serial: II, No: 14.1 on Principles of Financial Reporting in the Capital Markets, which is published in the Official Gazette no. 28676 and dated: 13 June 2013. In accordance with Article 5 of the communiqué, the Turkish Accounting Standards/Turkish Financial Reporting Standards (TAS/TFRS) released by the Public Oversight Accounting and Auditing Standards Authority (KGK) and the related annexes and comments were taken as a basis in the publication of the consolidated financial statements.

The Group issued its financial statements for the period ending 31 December 2016 in accordance with the Turkish Accounting Standards (TAS) released by the Public Oversight Accounting and Auditing Standards Authority (KGK). Based on a decision passed on 17 March 2005, the CMB announced that the application of inflation accounting would no longer be required for companies operating in Turkey and preparing financial statements in accordance with CMB Financial Reporting Standards effective 1 January 2005. The Company prepared its financial statements in accordance with this decision.

When keeping their accounting records and preparing their mandatory financial statements, the Group and the Group companies located in Turkey conform to the principles and conditions set forth by KGK, as well as the Turkish Commercial Code (TCC), tax legislation, and the requirements of the Uniform Chart of Accounts issued by the Republic of Turkey Ministry of Finance (Ministry of Finance). Prepared in accordance with the Turkish Financial Reporting Standards, consolidated financial statements are issued in Turkish Lira ("TL") based on the historical cost conversion except for the financial assets and liabilities, which are recorded at their fair values. Consolidated financial statements are prepared according to legal records that are based on the historical cost principle, which reflect the necessary corrections and classifications for the purposes of correct representation, in accordance with the Turkish Financial Reporting Standards. The TL is accepted as the Company's functional currency and currency of presentation.

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 functional currency"). Condensed consolidated financial statements are presented in TL, which is the Company's functional and the Group's presentation currency.

There are no assets that are not included in the Company's consolidated financial statements for the year ended 31 December 2016. All matters that could be useful for those who will make use of these financial statements are contained in the financial statements and the footnotes thereto.

Impact of Warehouse Fire on the Consolidated Financial Statements

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

As a result of the fire, goods belonging to third parties were also damaged in addition to the damage to property, plant and equipment and leasehold improvements of the Company. As of 31 December 2016 some of the owners of the goods have applied to the Company and its insurance company for compensation of their losses by filing lawsuits against the Company and via enforcement proceedings.

There are lawsuits and enforcement proceedings initiated against the Company with a total worth of TL 20,318,125, under which the Company is a joint respondent with others (General Directorate of State Airports Authority (in Turkish: DHMİ), other warehouse operators, insurers) for an amount of TL 8,802,666 and under which it is the sole respondent for an amount of TL 11,515,459.

The Company held a fully-paid insurance policy of USD 1,500,000 to cover the value of goods. This amount was registered as revenue as of 31 December 2013 and collected in full from the insurance company.

For covering the legal claims arising out of the cargo warehouse fire that broke out on 24 May 2006, the Company management decided to utilize its insurance policy with a cover of USD 10,000,000 under the funds set up with the State Airports Authority (DHMİ) and the other warehouse operator within the frame of the terms set out in the "Sharing Agreement" executed by and between the said parties. The said agreement has been set up to cover the joint claims in relation to losses arising as a result of the fire that occurred at the warehouse.

As of 31 December 2016, 225 lawsuits with an invoice value of TL 150,162,508 (USD 42,669,501) to which the Fund Companies are a party have been settled amicably at TL 88,999,069 (USD 252,289,574), which amount has been paid to the claimants.

Negotiations are currently ongoing within the scope of the Fund for a total of 11 claims for which no agreement has yet been reached by and between the fund and other claimants. The total value of these claims amounts to USD 3,977,010. The balance of USD 14.6 million is expected to cover the settlement of all claims against all Fund participants, for which negotiations are still in progress.

Along the same lines, the Company management believes that all of the legal claims against the Company may be settled amicably within the scope of the collected insurance policy and the balance in the fund set up. Since no negative developments occurred in relation to the Company's possible liabilities that would change the points declared in the past period, no provisions have been set aside in the consolidated financial statements dated 31 December 2016.

The Companies Incorporated into Consolidation

The Company's consolidated financial statements for the period ending 31 December 2016 include the results of the Company, Celebi Nas, CGHH, Çelebi Security in Liquidation, Celebi Delhi Cargo, Celebi GH Delhi, Çelebi Cargo, and Celebi Cargo GmbH, which are jointly referred to as the "Group".

10. DONATIONS

In the year ending 31 December 2016, the Group's donations and grants to various foundations, associations, chambers, public institutions and organizations amounted to TL 452,651.

V- FINANCIAL STANDING

11. KEY FINANCIAL RATIOS

The key ratios showing our Company's financial structure, profitability, and debt-servicing were calculated on the basis of the consolidated financial statements dated 31 December 2016 and 31 December 2015 mentioned above.

	31 December 2016	31 December 2015
Current Ratio (Current Assets/Current Liability)	0.77	0.98
Cash Ratio (Cash Assets/Current Liabilities)	0.28	0.53
Short-Term Liabilities/Total Liabilities	46.52%	49.48%
External Resources/Shareholders' Equity	578.31%	370.89%

	31 December 2016	31 December 2015
Average Collection Time	42.47	32.22
Gross Profit Margin	23.45%	29.45%
Operating Profit (Loss)/Net Sales Revenues	8.30%	16.56%
Operating Profit (Loss)/Total Assets	8.54%	17.85%
EBITDA/Net Sales Revenues	19.29%	25.13%

Current Ratio and Cash Ratio: The current ratio was registered as 0.77, due to 18.57% reduction in current assets although there was 3.31% rise in short-term liabilities. The decline in the cash ratio from 0.53 to 0.28 stemmed from a 45.42% decline in cash and cash equivalents but an only 3.31% rise in short-term liabilities as compared with 31 December 2015.

Short-Term Liabilities/Total Liabilities: This ratio went down from 49.48% to 46.52% in the 12-months to end-2016 as a result of a 3.31% rise in the short-term component of total liabilities combined with a 16.36% rise in the long-term liabilities as compared with year-end 2015.

External Resources/Shareholders' Equity: This ratio increased as a result of a 29.52% YoY decline in shareholders' equity at end-2016 while liabilities went up by 9.90% in the same period.

Average Collection Time: Average collection time was up from 32.22 days 42.47 due to a 3.11% reduction in net sales revenues despite an average rise of 27.71% in commercial receivables as compared with 31 December 2015.

Gross Profit Margin: Although there was a 5.13% increase in the cost of sales as compared with 31 December 2015, 3.11% decrease in net sales revenues drove gross profit margin from 29.45% down to 23.45%.

Operating Profit (Loss)/Net Sales Revenues: As a result of a 3.11% decline in net sales revenues combined with a 51.41% decrease in operating profit, the ratio of operating profit to net sales revenues slid down from 16.56% to 8.3%.

Operating Profit (Loss)/Total Assets: Despite 1.53% expansion in total assets, 51.41% contraction in operating profit pulled the ratio of operating profit to total assets down from 17.85% to 8.54%.

EBITDA/Net Sales Revenues: A 3.11% decline in net sales revenues combined with a 25.65% decrease in earnings before interest, taxes, depreciation, and amortization caused the EBITDA/net sales revenues ratio to go down from 25.13% to 19.29%.

12. INFORMATION ABOUT PRODUCTION AND SALES OF GOODS AND SERVICES

The number of aircraft serviced by our Company in the year ended 31 December 2016 is stated below:

Number of Aircraft Serviced	2016	2015*	2014	2016-2015 %	2015-2014 %
International Flights	64,067	89,652	86,805	-28.5	3.3
Domestic Flights	103,451	120,334	106,237	-14.0	13.3
Turkey Total	167,518	209,986	193,042	-20.2	8.8
Hungary	20,370	19,576	19,570	4.1	0.0
India	38,958	28,735	18,174	35.6	58.1
Grand Total	226,846	258,297	230,786	-12.2	11.9

* Number of PGT flights from Sabiha Gökçen Airport (SAW) in June-December 2015: 37,340

Weight of cargo handled by the Company in 2016:

	31.12.2016				31.12.2015			
Group (Consolidated)	Express Cargo	Domestic	WT (Import)	WT (Export)	Express Cargo*	Domestic	WT (Import)	WT (Export)
Çelebi Ground Handling Inc.			40,422	64,717			49,373	67,300
Celebi Delhi Cargo (India)	45,044	43,804	149,559	163,427	26,865	43,341	156,589	169,059
Celebi GHH (Hungary)			25,453	28,228			24,367	24,052
Celebi Cargo GmbH (Germany)			89,948	115,756			115,874	147,328
Total Ton	45,044	43,804	305,381	372,127	26,865	43,341	346,203	407,739

* Delhi Cargo launched express cargo service in April 2015.

13. DIVIDEND POLICY AND TIMING

On 8 April 2014 our Company's Board of Directors passed a resolution to approve the revision of the Company's Dividend Policy pursuant to the requirements of Capital Markets Board Dividend Communiqué II-19.1, which went into effect with its publication in issue 28891 of Resmi Gazete dated 23 January 2014; to publicly disclose this revision; and to submit this revised Dividend Policy for the consideration and approval of shareholders at the upcoming annual general meeting. At the annual general meeting held on 8 May 2014, the Board of Directors resolution concerning the Dividend Policy passed on 8 April 2014 was discussed and unanimously approved by shareholders.

Çelebi Ground Handling Inc. Dividend Policy

- Taking our Company's medium- and long-term strategies, its investment and financing policies, and its profitability and cash situation into account and in the absence of any extraordinary developments in our Company's investment and/or financing needs and/or occurrences in its industry or the economy, at least 50% of net distributable profit shall be paid out as a dividend. When determining the dividend rate, attention shall be given to medium- and long-term investments that may require short-term cash outflows, material events that affect our Company's financial structure, and significant developments in the sector and/or in the economy and/or in markets.
- Dividends whose payment has been decided upon may take the form of cash, of bonus shares, or of some mix of the two.
- Dividend and payment-timing Board of Directors resolutions shall be in compliance both with this Dividend Policy and with currently applicable laws, regulations, and administrative provisions and then publicly disclosed. Board of Directors dividend and payment-timing proposals shall be considered and decided upon by shareholders convened in a general assembly. The payment of dividends shall begin within thirty days of the date of the general meeting at which the decision to pay them is taken and in all cases within statutorily-mandated periods of time. The Board of Directors may decide to have dividends paid in installments provided that a general assembly of shareholders shall have authorized it to do so.
- Provided that a general assembly of shareholders shall have authorized it to do so, the Board of Directors may decide to have advances paid against dividends and may effect the payment of such advances subject always to the Capital Markets Law and Capital Markets Board regulations and decisions and to the Company's own articles of association.

With the decision of the Board of Directors on 1 April 2016, our financial statements, prepared on the basis of our legal books of account dated 31 December 2015, show a net current profit of TL 80,491,719.59 remaining after the deduction of all taxes and other legal obligations.

Since there is no prior year loss that needs to be deducted from the net profit for the period and no first legal reserves that need to be set aside pursuant to the Turkish Commercial Code (TCC), the net distributable profit that can be paid out as a dividend on the basis of our legal books of account was TL 80,491,719.59.

According to our Company's independently-audited consolidated financial statements dated 31 December 2015 prepared in accordance with Turkish Accounting Standards & Turkish Financial Reporting Standards (TMS/TFRS) and in CMB-specified formats pursuant to the requirements of CMB Communiqué II:14.1 Concerning Financial Reporting Principles In Capital Markets, the net current profit remaining after the deduction of taxes and other statutory obligations amounts to TL 83,058,187.

Within the framework of CMB legislation, since there is no Prior Year Loss that needs to be deducted from the Net Profit for the Period and no first legal reserves that need to be set aside pursuant to the Turkish Commercial Code (TCC), the net distributable profit is TL 83,058,187.

Accordingly, the Board of Directors has resolved with the majority of present votes to submit the following matters for the consideration and approval of shareholders at the annual general meeting to be convened on 20 April 2016:

That TL 80,068,500.00 of the TL 83,058,187.00 that descends as net current profit in the Company's consolidated financial statements dated 31 December 2015 be distributed as indicated below and that the remaining TL 2,989,687.00 be retained in the Company as extraordinary reserves;

ÇELEBİ HAVA SERVİSİ A.Ş. Profit Distribution Table for 2015 (TL)

	According to CMB legislation	According to legal records
Net Profit for the Period	101,837,213.00	99,213,834.40
Prior Year Loss (-)	0	0
General Legal Reserves	0	0
Taxes (-)	20,435,300.00	18,722,114.81
Net Distributable Profit for the Period	83,058,187.00	80,491,719.59
First Dividend to Shareholders	1,215,000.00	1,215,000.00
Second Dividend to Shareholders	71,685,000.00	71,685,000.00
General Legal Reserves	7,168,500.00	7,168,500.00
Transferred to Extraordinary Reserves	2,989,687.00	423,219.59

That, in compliance with CMB regulations pertaining to profit distributions and with respect to the period beginning on 01 January 2015 and ending on 31 December 2015:

- Shareholders who are resident corporate entities and shareholders who are non-resident corporate entities but earn dividends through a place of business or permanent representative based in Turkey will be paid a 300.00% cash dividend corresponding to TL 3.0000 gross (which is equal to TL net) for each share of stock with a nominal value of TL 1.00 that they hold;
- Other shareholders will be paid a 300.00% cash dividend corresponding to TL 3.00 gross for each share of stock with a nominal value of TL 1.00 that they hold, which amount is equal to a 255.00% cash dividend corresponding to TL 2.55 net for each share of stock with a nominal value of TL 1.00 that they hold; 27 April 2016 will be set as the dividend payment date.
- The decision of the Board of Directors was ratified at the ordinary general meeting convened on 20 April 2016 and dividend payments were made.

14. MISSION, VISION AND STRATEGIC OBJECTIVES

Mission

To be the global solution partner, adding value to its shareholders while correctly perceiving the needs of airport users and sustaining quality.

Vision

With a team fully identified with the collective "Çelebi spirit", being an internationally leading and trustworthy company that creates changes in its sector and produces value for all stakeholders.

Strategic Objectives

The strategic objectives of Çelebi Ground Handling are to maintain its position as the leader of the ground handling services sector in Turkey, to take part in ventures in ground handling services and terminal management and operations inside/outside Turkey.

Our Values

- Respect for the individual: We believe in the worth of each and every person and strive to make people feel that they are worthwhile. We accept individual differences and listen to and respect individual ideas. We give people opportunities to see the added value that they create and we support their efforts to develop themselves professionally.
- Commitment to the rules of ethics: Each one of us is a trustworthy, reputable, and self-respecting individual. For this reason, individually and as a company we are bound by ethical values in business and social life and we believe in the merits of fulfilling our promises in a timely manner, of producing high-quality results that are correct and reliable, and of acting in accordance with established beliefs, rules, and ways of thinking.
- Development: The development of our Company lies in the development of the individuals who make it up. For this reason, we believe first of all that we need to identify our own limitations and then acknowledge our responsibility for developing ourselves individually in order to overcome those limitations. "Development" is not understood exclusively in the professional dimension: we believe in the necessity of developing ourselves so as to improve our social skills as well. Telling others what we know and have seen, and sharing what we have with others makes us richer as well. We assume the duty of each other's development and guarantee our individual development through the people that we train to take our own places. Our commitment to development encourages us to constantly review how we do our work and perform our services and to strive to come up with methods that are more effective, productive, and straightforward.
- Teamwork: We believe in the need to complement each other in our efforts to maximize our individual successes and contributions. We strive in mutual assistance and solidarity with our shared goals, responsibilities, and sensitivities and with our rational and respectful professionalism. We are aware that the successes we achieve are the products of a team effort and with our collective "Çelebi spirit"; each of us feels the same sense of responsibility as individuals for the ensuing results.
- Success and result focus: As a team we strive to achieve our objectives without losing focus; make every necessary effort at every point to achieve results; maintain our discipline and determination to work until those results have been achieved. We take pleasure in working and in creating value. Each and every result and success we achieve is exciting for us.

Our Responsibilities

- To our team: Each of us is responsible for building a company that every member of our team can take pride in working for, for achieving a degree of cooperation that extends over many years, for creating a pleasant and calm work environment as one big family.
- To our investors: We fulfill our responsibilities towards our investors by creating a company which possesses the financial strength to guarantee its continued existence and which successful domestic and foreign firms will undertake joint projects with and whose shares are sought after by the public.
- To our sector: We see ourselves as having a responsibility to take our sector forwards and contribute proactively towards raising the standards of its services.
- To society: We believe we have a responsibility to improve the levels of health and education and also to inculcate a sense of environmental awareness in the society in which we live and we engage in an effort to make a difference, starting with ourselves.

VI- RISKS AND AN ASSESSMENT BY THE GOVERNING BODY

15. BASIC FINANCIAL RISKS AND MANAGEMENT POLICIES

Due to the nature of its activities, the Group is focused on managing various financial risks including the effect of changes in exchange and interest rates. By its risk management program, the Group aims to minimize the potential negative effect to be caused by the volatilities in the markets.

Risk management is carried out within the frame of policies approved by the Board of Directors. The tasks of planning risk management, overseeing its operations and effectiveness, and ensuring that the internal audit team carries out its activities within the framework of the risk management plan are the duty of the Audit Committee, which has been set up by a Board of Directors resolution pursuant to CMB regulations and of the Corporate Governance Committee pursuant to the CMB Communiqué on the Determination and Implementation of Corporate Governance Principles. The Audit Committee formulates a risk management and internal audit system capable of minimizing the risks that the Company could be exposed to and takes such measures as are needed to ensure that the system functions reliably. The Corporate Governance Committee sets up the necessary mechanisms for the early detection of operational and financial risks, implementation of necessary actions in relation to identified risks, and management of risk, and takes the necessary steps for their healthy operation.

Interest Rate Risk

The Company is exposed to interest rate risk due to the effect of the changes in interest rates on interest-bearing assets and liabilities. This risk is managed through balancing assets and liabilities that are sensitive to interest rates. Within the frame of its principle to manage risk with natural actions consisting of balancing the maturities of assets and liabilities sensitive to interest rates, the Company management utilizes its interest-bearing assets in matching-term investments. In addition, the Company protects itself from the interest risk arising from floating-rate bank loans through limited use of interest rate swap agreements that take place among derivative instruments as and when deemed necessary.

Liquidity Risk

The cash flow, made up of repayment times and amounts of loans, is managed in view of the amount of free cash flow to be generated by the Group on its activities. Therefore, while the option of debt repayment with the cash generated on activities when necessary is kept available on one hand, sufficient number of reliable and high-quality lending resources are kept accessible on the other.

Credit Risk

Credit risk consists of cash and cash equivalents, deposits held with banks, and customers exposed to credit risk that cover uncollected receivables.

With respect to the management of the credit risk concerning its receivables from customers, the Company identifies a risk limit individually for each customer (excluding related parties) using bank and other guarantees, and the customer carries out its business transactions so as not to exceed this risk limit. In the absence of these guarantees or in cases where they are required to be exceeded, transactions are carried out within internal limits set by procedures.

Exchange Rate Risk

Taking into consideration the significantly volatile course adopted in the past by the Turkish Lira against major foreign currencies and its over-valuation, the Group espoused a conservative monetary position and financial risk management policy. The Group is exposed to exchange rate risk due to its operations conducted in numerous currency units. Efforts are spent to keep the ratio of the amount of positions of these currencies among themselves or against Turkish Lira to total shareholders' equity within certain limits. To this end, foreign currency position is continually analyzed, and the exchange rate risk is managed using balance sheet transactions, or when necessary, off-balance sheet derivative instruments.

Capital Risk

The Company's goals in managing the capital is to be able to ensure the continuity of the Company's activities to sustain the optimum capital structure for the purpose of providing returns for its shareholders and benefits for its other stakeholders, and for minimizing the cost of capital. The Company's shareholders may, to the extent allowed by the CMB legislation, alter the amount of dividends paid to shareholders, return the capital to shareholders, issue new shares and sell its assets to decrease indebtedness in order to preserve or reformulate the capital structure. Along with the other companies in the sector, the Company monitors the capital by utilizing the debt/capital ratio, which is net indebtedness divided by total capital. Net debt is total debt less cash and cash-equivalent assets and deferred tax liabilities. Total capital is the shareholders' equity and net debt as shown in the balance sheet.

VII- OTHER MATTERS

16. CHANGES TO THE ARTICLES OF INCORPORATION AND COMPANY POLICIES

Changes to the Articles of Incorporation

Based on the Company's Board of Directors resolution passed on 22 February 2016, it was decided that:

"Article 6 – Capital and Type of Share Certificates" of the Company's articles of incorporation be amended so that the Company can remain within the registered capital system; that all necessary formalities be handled for making such amendment; that upon receipt of necessary permissions from the related authorities, the amendment to the articles of incorporation be included in the agenda of the first general meeting to be convened and be laid down for the approval of the Company's shareholders.

The amendment to "Article 6 – Capital and Type of Share Certificates" of the Company's Articles of Incorporation has been ratified at the Company's Ordinary General Meeting convened on 20 April 2016 and the said amendment was registered with İstanbul Trade Registry on 22 April 2016 and promulgated in the Turkish Trade Registry Gazette issue 9064 dated 28 April 2016.

The amended wording of the Articles of Incorporation is quoted below:

- The Company has adopted the registered capital system in accordance with the provisions of the Capital Market Law, and switched to the aforementioned system based on the Capital Markets Board of Turkey (CMB) permission dated 21 March 2000 and numbered 30/435.
- The Company's registered capital is TL 100,000,000 (one hundred million Turkish Liras), divided into 10,000,000,000 (ten billion) shares each with a nominal value of TL 0.01 (one Kurush).
- The permission granted by the CMB for the authorized capital is valid from 2016 through 2020 (5 years). Even if the authorized capital so permitted is not reached by the end of 2020, in order for the Board of Directors to pass a capital increase decision after 2020, it is mandatory to get authorization from the General Assembly of Shareholders for a new period of time, which should not be any longer than 5 years, upon getting permission from the CMB for the previously permitted or a new maximum capital amount. In the absence of the said authorization, capital increases may not be carried out by way of a Board of Directors resolution.
- The Company's issued capital is TL 24,300,000 (twenty-four million three hundred thousand Turkish Liras) divided into 2,430,000,000 (two billion four hundred thirty million) shares each with a nominal value of TL 0.01 (one Kurush).

Out of the issued capital;

- TL 88,822.25 (eighty-eight thousand eight hundred twenty-two Turkish Liras and twenty-five Kurush) has been fully paid in cash,
- TL 2,700,000 (two million seven hundred thousand Turkish Liras) has been covered from dividends paid out as bonus shares
- Whereas the remaining TL 21,511,177.75 (twenty-one million five hundred eleven thousand one hundred and seventy-seven Turkish Liras and seventy-five Kurush) was covered through capitalization of internal resources made up of as follows:
- TL 8,670,185.42 (eight million six hundred seventy thousand one hundred and eighty-five Turkish Liras and forty-two Kurush) from revaluation of fixed assets,
- TL 240,992.33 (two hundred forty thousand nine hundred ninety-two Turkish Liras and thirty-three Kurush) from Extraordinary Reserves,
- TL 12,600,000.00 (twelve million six hundred thousand Turkish Liras) from Inflation Adjustment Differences in Shareholders' Equity.

Capitalized dividends and shares issued to represent internal resources have been distributed as bonus shares to shareholders pro rata their shareholding.

The table below shows the distribution of shares divided into Classes A, B and C that represent the issued capital.

Class	Type	Quantity	Amount (TL)
A	Registered	972,000,000	9,720,000
B	Registered	267,300,000	2,673,000
B	Bearer	256,500,000	2,565,000
C	Bearer	934,200,000	9,342,000
Total		2,430,000,000	24,300,000

The issued capital of the Company is TL 24,300,000 and has been fully paid free from collusion.

The Company's capital may be increased or decreased when necessary, subject to the provisions of the Turkish Commercial Code and the Capital Market legislation.

When it deems necessary, the Board of Directors is authorized to increase the issued capital by issuing new shares up to the registered capital, and to pass decisions for issuing premium stock or shares below their nominal values through restricting the rights of privileged shareholders and through restricting the new share acquisition right of shareholders. The authority to restrict new share acquisition right may not be exercised in a manner to result in inequality.

Shares representing the capital are followed-up in dematerialized form within the frame of dematerialization principles.

Company Policies

On 8 April 2014 our Company's Board of Directors passed a resolution to approve the revision of the Company's Dividend Policy pursuant to the requirements of Capital Markets Board Dividend Communiqué II-19.1, which went into effect with its publication in issue 28891 of Trade Registry Gazette dated 23 January 2014; to publicly disclose this revision; and to submit this revised Dividend Policy for the consideration and approval of shareholders at the upcoming annual general meeting. At the annual general meeting held on 8 May 2014, this revised Dividend Policy was unanimously approved by shareholders.

On 11 April 2014 our Company's Board of Directors passed a resolution to approve the revision of the Company's Remuneration Policy pursuant to the requirements of CMB Corporate Governance Communiqué II-17.1, which went into effect with its publication in issue 28871 of Trade Registry Gazette dated 3 January 2014; to publicly disclose this revision; and to submit this revised Remuneration Policy for the information of shareholders at the upcoming annual general meeting. At the annual general meeting held on 8 May 2014, shareholders were informed about this revised Remuneration Policy.

17. EVENTS AFTER THE FINANCIAL STATEMENT DATE

Since the Company Board of Directors passed a decision on 20 January 2017 to raise Çelebi Cargo's fully paid-in capital of TL 30,000,000 to TL 114,000,00, it has been decided to participate in the capital in the amount of TL 84,000,000, which is the amount incremented in cash due to this capital increase, by exercising its preemptive rights corresponding to its equity stake of 99.97% held in the Company capital, and to pay the amount(s) in accordance with the provisions of the articles of incorporation of the Company, in the capital increase of which it is participating, and with the Board of Directors decisions. The portion of TL 21,000,000 of the payments made on account of participation in the said capital increase has been paid on 20 January 2017, and the portion of TL 62,927,000 on 14 February 2017.

18. PROFIT DISTRIBUTION PROPOSAL OF THE BOARD OF DIRECTORS

Our financial statements prepared on the basis of our legal books of account dated 31 December 2016 show a net current profit in the amount of TL 28,034,840.88 remaining after the deduction of all taxes and other legal obligations.

Since there is no Prior Year Loss that needs to be deducted from the Net Profit for the Period and no first legal reserves that needs to be set aside pursuant to the Turkish Commercial Code (TCC), the net distributable profit that can be paid out as a dividend on the basis of our legal books of account is TL 28,034,840.88.

The net profit for the period, after the deduction of tax and legal liabilities, in our consolidated financial statements dated 31 December 2016 that were prepared in accordance with the formats specified by CMB and in the Turkish Accounting Standards/Turkish Financial Reporting Standards (TAS/TFRS) pursuant to the Capital Markets Board of Turkey (CMB) Communiqué Serial: II, No: 14.1 on the "Principles of Financial Reporting in the Capital Markets", and which have been audited by independent organizations, amounted to TL 26,836,035.00.

Within the framework of CMB legislation, since there is no Prior Year Loss that needs to be deducted from the Net Profit for the Period and no first legal reserves that needs to be set aside pursuant to the Turkish Commercial Code (TCC), the net distributable profit is TL 26,836,035.00.

Accordingly the Board of Directors has resolved to submit the following matters for the consideration and approval of shareholders at the annual general meeting to be convened on 20 April 2016:

The entirety of the Net Profit for the Period in the amount of TL 26,836,035.00 descended in the Company's Consolidated Financial Statements dated 31 December 2016 and the portion of TL 6,454,965.00 of prior year profits be distributed as follows:

ÇELEBİ HAVA SERVİSİ A.Ş. Profit Distribution Table for 2016 (TL)

	According to CMB legislation	According to legal records
Net Profit for the Period	26,836,035.00	28,034,840.88
Prior Year Loss (-)	0.00	0.00
General Legal Reserves	0.00	0.00
Net Distributable Profit for the Period	26,836,035.00	28,034,840.88
First Dividend to Shareholders	1,215,000.00	1,215,000.00
Second Dividend to Shareholders	23,291,850.00	23,291,850.00
General Legal Reserves	5,868,150.00	5,868,150.00
Net Profit for the Period	2,916,000.00	2,916,000.00
- Profit for the Period	2,329,185.00	2,329,185.00
- Other Funds for Distribution	586,815.00	586,815.00
Transferred to Extraordinary Reserves	0.00	1,198,805.88

That, in compliance with CMB regulations pertaining to profit distributions and with respect to the period beginning on 1 January 2016 and ending on 31 December 2016:

- Shareholders who are resident corporate entities and shareholders who are non-resident corporate entities but earn dividends through a place of business or permanent representative based in Turkey will be paid a 125.00% cash dividend corresponding to TL 1.25 gross (which is equal to TL net) for each share of stock with a nominal value of TL 1.00 that they hold;
- Other shareholders will be paid a 125.00% cash dividend corresponding to TL 1.25 gross for each share of stock with a nominal value of TL 1.00 that they hold, which amount is equal to a 106.25% cash dividend corresponding to TL 1.0625 net for each share of stock with a nominal value of TL 1.00 that they hold;
- 20 April 2017 will be set as the dividend payment date.

Very truly yours,

ÇELEBİ HAVA SERVİSİ A.Ş.
BOARD OF DIRECTORS

CONTENTS

1. Statement of Compliance with Corporate Governance Principles

In the fiscal year ending 31 December 2016, the Company worked as necessary to achieve full compliance and complete implementation of the Corporate Governance Principles published by CMB, and efforts continued to achieve compliance, understanding and implementation of these principles.

Pursuant to the CMB's Communiqué No: 17.1, dated 3 January 2014 on the Corporate Governance, in 2015, all structural revisions and principles have been fully implemented that were stipulated as compulsory in the said Communiqué, including amending the Company's articles of incorporation, setting up the Committees specified in the principles, restructuring Company organs as stipulated, developing the infrastructure needed so that announcements are made subject to the principles.

We hereby declare that efforts will be persisted to achieve significant compliance with these principles.

Part I- Investors

2. Investor Relations Unit and Coordination of the Corporate Governance Implementation

Our Company carried out the following activities within the frame of the efforts to achieve full compliance and complete implementation of the provisions of Article 11 related to the CMB Corporate Governance Communiqué Serial: II No: 17.1:

- An Investor Relations Unit is set up, which works for the exercise of shareholding rights at our Company whose shares are traded on the Borsa İstanbul (BİST). This Unit reports to the Board of Directors and maintains the communication between shareholders and the Board of Directors. During the reporting period, Deniz Bal, who functions as the Financial Affairs Director at the Company and who holds "Capital Market Activities Advanced Level License" and "Corporate Governance Rating Expertise" license served on this Unit. (Tel: +90-216-666 6767, e-mail: deniz.bal@celebiaviation.com)
- Tolga Akdoğan, a full-time employee of the Company who holds both "Capital Markets Advanced Level" and "Corporate Governance Rating Specialist" licenses, was appointed to the position of "Investor Relations Unit Employee" during the reporting period. (Tel: +90-216-666 6767, e-mail: tolga.akdogan@celebiaviation.com)
- Deniz Bal, who holds both "Capital Markets Advanced Level" and "Corporate Governance Rating Specialist" licenses and serves in the capacity of Investor Relations Unit Manager, performed the additional duties of fulfilling obligations arising from capital market laws and regulations, of coordinating corporate governance practices, and of reporting on such matters to the Company's general manager during the reporting period.

3. Shareholders' Exercise of Their Right to Obtain Information

During the reporting period, there were a limited number of verbal requests made by our Company's shareholders and investors for information about the performance of our Company's shares on the BİST, about the amounts and timings of dividend payments and share capital increases, about investments in progress, and about publicly disclosed financial statements and their footnotes. These requests were responded verbally and/or to in light of any information that had previously been publicly disclosed by means of special circumstance announcements within the framework of CMB regulations and on the basis of information provided in the "Questions and Answers" section of the Company's corporate website.

Shareholders' electronic access to information concerning the exercise of their rights through the Company's corporate website at www.celebihandling.com and investor relations website at www.celebiyatirimci.com was at the level stipulated in the corporate governance principles announced by the Capital Markets Board. At the same time, developments related to shareholders' exercise of their rights were also publicly disclosed by means of special circumstance announcements as required by CMB regulations and through newspaper announcements as required by law.

Moreover, in 2016, 13 informational meetings were held so as to keep brokers and analysts well informed on the Company's activities and financial performance.

A request to have a special auditor appointed is not an individual right provided for under our Company's articles of incorporation. There were no requests for the appointment of a special auditor in 2016.

4. General Meetings

General meetings held during the reporting period	Date	% of shares in attendance	Meeting announcements and invitations
Ordinary General Meeting	20 April 2016	86.21%	Place, date, time and agenda of the Annual General Meeting were announced via: 1- Material event disclosure placed on the Public Disclosure Platform (KAP) on 28 March 2016 2- Announcements published in the 29 March 2016 issue of the Turkish Trade Registry Gazette no: 9042 and the Milliyet newspaper dated 29 March 2016 3- Announcement on the Company's website 4- Letters sent to registered shareholders 5- Announcement made through the Electronic General Meeting system

The Company's annual general meeting was held on 20 April 2016 during which the following resolutions were passed:

- The Board of Directors' annual report and the independent auditors' report are approved.
- The financial statements for the fiscal year 2015 are approved.
- TL 80,068,500.00 of the TL 83,058,187 that descends as net current profit in the Company's consolidated financial statements dated 31 December 2015 will be distributed as indicated below and that the remaining TL 2,989,687.00 will be retained in the Company as extraordinary reserves;

In this framework, in compliance with CMB regulations pertaining to profit distribution and with respect to the period beginning on 1 January 2014 and ending on 31 December 2015:

- Shareholders who are resident corporate entities and shareholders who are non-resident corporate entities but earn dividends through a place of business or permanent representative based in Turkey will be paid a 300.00% cash dividend corresponding to TL 3.00 gross (which is equal to TL net) for each share of stock with a nominal value of TL 1.00 that they hold;
- Other shareholders will be paid a 300.00% cash dividend corresponding to TL 3.00 gross for each share of stock with a nominal value of TL 1.00 that they hold, which amount is equal to a 255.00% cash dividend corresponding to TL 2.55 net for each share of stock with a nominal value of TL 1.00 that they hold, and that 27 April 2016 will be set as the dividend payment date.

- The members of the Board of Directors and the Company's statutory auditors are acquitted of their fiduciary responsibilities.
- Board of Directors members Can Çelebioğlu, İsak Antika, Canan Çelebioğlu, Mehmet Murat Çavuşoğlu, Mehmet Yağız Çekin, and Turgay Kuttaş, whose terms of office have expired, are elected to serve as board members for a period of one year (the period between two consecutive annual general meetings).
- Feyzi Onur Koca and Adil İlter Turan are elected to serve as independent board members for a period of one year (the period between two consecutive annual general meetings).
- Independent board members are to be paid a monthly fee/honorarium of gross TL 5.000.00 but no such fees or honoraria are to be paid to board members other than the independent ones.
- Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi ("Ernst&Young") is designated as the independent audit firm ("Auditor") to carry out the independent audit of the financial statements for 2016 fiscal year and other activities falling under the arrangements in the said laws.
- "Article 6 – Capital and Type of Share Certificates" of the Company's articles of incorporation is to be amended.
- An upper limit of TL 500,000.00 is set on charitable donations that are to be made by the Company during 2016 (1 January 2016 – 31 December 2016).
- Shareholders holding management control, the members of the Board of Directors, senior executives and their spouses and relatives by blood or marriage unto the second degree have been authorized, as per Article 395 of the Turkish Commercial Code no. 6102, to deal in transactions with the Company and its subsidiaries that might lead to conflict of interest, and to deal with the Company on their own or others' behalf.

Information was also provided to shareholders about;

- the guarantees, pledges, and mortgages granted and the revenues and benefits received by the Company to/from third parties during 2015 fiscal year,
- related-party transactions engaged in 2015 fiscal year, and
- TL 309,474.85 worth of charitable donations to various foundations, associations, professional chambers, and public agencies and organizations during the period beginning on 01 January 2015 and ending on 31 December 2015.

Participation in general meetings

The Ordinary General Meeting held on 20 April 2016 was attended by shareholders responding either in person or in proxy to invitations sent out, as well as by two members of the Company's Board of Directors, senior managers, Company's Investor Relations Unit personnel, and representatives of a number of media organizations.

Entries in the shareholders' register

There is no period of time stipulated in the Company's articles of incorporation in which the holders of registered shares must have entries made in the shareholders' register in order to take part in general meetings. The provisions of the Turkish Commercial Law (TCC) governing such matters are complied with by the Company. Shares corresponding to more than 99% of our Company's capital have been duly registered as required by Capital Markets Board regulations. Shares belonging to our shareholders are retained in custody in the investor subaccounts of our Company as issuer and/or of brokerage concerns held by the Central Registry Agency.

Information announced to shareholders

With regard to the agenda of the Annual General Meeting on 20 April 2016, the Board of Directors membership candidate list, the Board of Directors' annual report for 2015 calendar year, the Company's remuneration policy, the resolution for profit distribution for 2015 calendar year and amendment of "Article 6- Representing and Binding the Company" of the articles of incorporation were all made available to shareholders and other stakeholders for their review through the Electronic General Meeting system and the Company's website on the date on which the general meeting was announced.

Shareholders' exercise of their right to ask questions at general meetings

The shareholders exercised their right to ask questions at the ordinary general meeting held on 20 April 2016, these questions were answered by the Company board members and executives that attended the meeting.

Motions made by shareholders at general meetings

During the Annual General Meeting on 20 April 2016, a total of 9 resolutions as listed below were made by shareholders, three of which were accepted unanimously and six were accepted by majority of votes:

- While the annual report of the Board of Directors was made available for shareholders to examine before the general meeting and handed out to those present at the meeting, and because the 'profit distribution' section of the annual report is also to be read during the discussion of item 7 on the agenda, the general meeting agrees that it would suffice to read the Independent Auditors' Report on the consolidated financial statements for the discussion of item 3 on the agenda.
- While the annual report of the Board of Directors was made available for shareholders to examine before the general meeting and handed out to those present at the meeting, the general meeting agrees that it would suffice to read the opinion section of the Independent Auditors' Report on the annual report of the Board of Directors for the discussion of item 4 on the agenda.
- While the balance sheet and income statement included in the annex to the annual report were made available for shareholders to examine before the general meeting and both were handed out to those present at the meeting, the general meeting agrees that a reading of the main headings of both balance sheet and income statement would suffice for the discussion of item 5 on the agenda.
- A decision is to be made for acquittal of the members of the Board of Directors who served during the reporting period.
- A decision is to be made for the acquittal of the auditors who served during the reporting period.
- The candidates designated to serve as members of the Board of Directors until the next ordinary general meeting are hereby elected; Mrs. Canan Çelebioğlu, Mr. Mehmet Murat Çavuşoğlu, Mr. Mehmet Yağız Çekin and Mr. Turgay Kuttaş are to be elected as board members representing Group A shareholders (Çelebi Havacılık Holding A.Ş.) and Mr. Can Çelebioğlu and Mr. İsak Antika as board members representing Group B shareholders.
- Feyzi Onur Koca and Adil İlter Turan are to be elected as independent Board members to serve until the next Annual General Meeting to be held to fill the seats of independent Board members, whose terms of office expired.
- Elected independent board members are to be paid remuneration, while board members elected to represent Group A and B shareholders shall not be paid any wages for this period.
- An upper limit of TL 500,000.00 is set on charitable donations that are to be made by the Company during 2016.

Action taken to facilitate participation in general meetings

To facilitate participation in general meetings, a material event disclosure concerning them is made as required by CMB regulations while invitations announcing the meetings are published within the framework of the provisions of TCC and the Company's articles of incorporation at least twenty-four days before the meeting date in the Turkish Trade Registry Gazette and one newspaper published in the place where our headquarters are located and announced in our Company's internet site. Media organizations are also contacted to have the meeting announced in the press and electronic media.

Availability of general meeting minutes for inspection by shareholders

After they have been registered in accordance with applicable laws, regulations, and administrative provisions, general meeting minutes are published in the Turkish Trade Registry Gazette and are always available for the inspection of stakeholders at our Company's headquarters and on its corporate website.

Presentation of information to shareholders regarding the amount and recipients of grants and donations during the reporting period under a dedicated agenda item in the general meeting

At the Ordinary General Meeting held on 20 April 2016, information has been presented to shareholders about the donations and grants made during the reporting period to various foundations, associations, chambers, public institutions and organizations amounting TL 309,475.

While there is no specific policy for donations and grants that is approved by the General Assembly of Shareholders, grants and donations are made subject to the provisions of Article 3.9 of the Company's articles of incorporation, which reads "Donations and grants may be made to social foundations, associations, universities and similar institutions and public institutions subject to the principles set forth in the CMB legislation, by providing information to the shareholders at the general meeting and by complying with the public disclosure obligation pursuant to the Capital Market Legislation."

5. Voting Rights and Minority Rights

According to our Company's articles of incorporation, none of our Company's shares incorporate special voting rights. Three categories ("A", "B", and "C") of shares have been issued representing the Company's capital. Of these, only the owners of "A" and "B" shares have the right to designate candidates to be elected as Company directors and statutory auditors.

There are no reciprocal shareholding interests between our Company and our corporate entity shareholders.

Minority shareholdings interests are not represented in the Company's administration because there is are no minority shareholders who have been designated as candidates in elections for Company directors or statutory auditors and elected to such positions.

The Company's articles of incorporation contain no provisions concerning the representation of minority shareholding interests on the Board of Directors or governing the accumulated voting method.

6. Entitlement to Dividends

Special rights concerning participation in the Company's profits

There are no special rights concerning anyone's participation in the Company's profits.

Dividend payment policy

On 8 April 2014 our Company's Board of Directors passed a resolution to approve the revision of the Company's Dividend Policy pursuant to the requirements of Capital Markets Board Dividend Communiqué II-19.1, which went into effect with its publication in issue 28891 of Trade Registry Gazette dated 23 January 2014; to publicly disclose this revision; and to submit this revised Dividend Policy for the consideration and approval of shareholders at the upcoming annual general meeting. At the annual general meeting held on 8 May 2014, the Board of Directors resolution concerning the Dividend Policy passed on 8 April 2014 was discussed and unanimously approved by shareholders.

Çelebi Ground Handling Inc. Dividend Policy

- Taking our Company's medium- and long-term strategies, its investment and financing policies, and its profitability and cash situation into account and in the absence of any extraordinary developments in our Company's investment and/or financing needs and/or occurrences in its industry or the economy, at least 50% of net distributable profit shall be paid out as a dividend. When determining the dividend rate, attention shall be given to medium- and long-term investments that may require short-term cash outflows, material events that affect our Company's financial structure, and significant developments in the sector and/or in the economy and/or in markets.
- Dividends whose payment has been decided upon may take the form of cash, of bonus shares, or of some mix of the two.
- Dividend and payment-timing Board of Directors resolutions shall be in compliance both with this Dividend Policy and with currently applicable laws, regulations, and administrative provisions and then publicly disclosed. Board of Directors dividend and payment-timing proposals shall be considered and decided upon by shareholders convened in a general assembly. The payment of dividends shall begin within thirty days of the date of the general meeting at which the decision to pay them is taken and in all cases within statutorily-mandated periods of time. The Board of Directors may decide to have dividends paid in installments provided that a general assembly of shareholders shall have authorized it to do so.
- Provided that a general assembly of shareholders shall have authorized it to do so, the Board of Directors may decide to have advances paid against dividends and may effect the payment of such advances subject always to the Capital Markets Law and Capital Markets Board regulations and decisions and to the Company's own articles of association.

With the decision of the Board of Directors on 1 April 2016, our financial statements, prepared on the basis of our legal books of account dated 31 December 2014, show a net current profit of TL 80,491,719.59 remaining after the deduction of all taxes and other legal obligations.

Since there is no prior year loss that needs to be deducted from the net profit for the period and no first legal reserves that need to be set aside pursuant to the Turkish Commercial Code (TCC), the net distributable profit that can be paid out as a dividend on the basis of our legal books of account was TL 80,491,719.59.

According to our Company's independently-audited consolidated financial statements dated 31 December 2015 prepared in accordance with Turkish Accounting Standards & Turkish Financial Reporting Standards (TMS/TFRS) and in CMB-specified formats pursuant to the requirements of CMB Communiqué II:14.1 Concerning Financial Reporting Principles In Capital Markets, the net current profit remaining after the deduction of taxes and other statutory obligations amounts to TL 83,058,187.00.

Within the framework of CMB legislation, since there is no Prior Year Loss that needs to be deducted from the Net Profit for the Period and no first legal reserves that need to be set aside pursuant to the Turkish Commercial Code (TCC), the net distributable profit is TL 83,058,187.00.

Accordingly the Board of Directors has resolved with the majority of present votes to submit the following matters for the consideration and approval of shareholders at the annual general meeting to be convened on 20 April 2016:

- That TL 80,068,500.00 of the TL 83,058,187.00 that descends as net current profit in the Company's consolidated financial statements dated 31 December 2015 be distributed as indicated below and that the remaining TL 2,989,687.00 be retained in the Company as extraordinary reserves;

ÇELEBİ HAVA SERVİSİ A.Ş. Profit Distribution Table for 2015 (TL)

	According to CMB legislation	According to legal records
Net Profit for the Period	101,837,213.00	99,213,834.40
Prior Year Loss (-)	0	0
General Legal Reserves	0	0
Taxes (-)	20,435,300.00	18,722,114.81
Net Distributable Profit for the Period	83,058,187.00	80,491,719.59
First Dividend to Shareholders	1,215,000.00	1,215,000.00
Second Dividend to Shareholders	71,685,000.00	71,685,000.00
General Legal Reserves	7,168,500.00	7,168,500.00
Transferred to Extraordinary Reserves	2,989,687.00	423,219.59

In this framework, in compliance with CMB regulations pertaining to profit distribution and with respect to the period beginning on 01 January 2015 and ending on 31 December 2015:

- Shareholders who are resident corporate entities and shareholders who are non-resident corporate entities but earn dividends through a place of business or permanent representative based in Turkey will be paid a 300.00% cash dividend corresponding to TL 3.0000 gross (which is equal to TL net) for each share of stock with a nominal value of TL 1.00 that they hold;
- Other shareholders will be paid a 300.00% cash dividend corresponding to TL 3.00 gross for each share of stock with a nominal value of TL 1.00 that they hold, which amount is equal to a 255.00% cash dividend corresponding to TL 2.55 net for each share of stock with a nominal value of TL 1.00 that they hold, and
- 27 April 2016 will be set as the dividend payment date.

At the annual general meeting held on 20 April 2016, all of the above resolutions have been ratified and dividends payments have been made.

7. Transfer of Shares

The Company's articles of incorporation contain no provisions restricting the transfer of shareholding interests.

Part II- Public Disclosure and Transparency

8. Disclosure Policy

Pursuant to the provision of Article 23 of the CMB Communiqué Serial: VIII, No: 54 on the Principles of Public Disclosure of Material Events and within the frame of efforts carried out to achieve full compliance with the Corporate Governance Principles published by the CMB, and to fully implement the same, the Company's Board of Directors resolved on April 30th, 2009 to approve the Information Policy developed by the Company's General Management, to post it on the corporate website and present it for the information of shareholders at the immediately following general meeting. Enforced as of the same date, the Company Information Policy aims at communicating the Company's past performance and future expectations within the frame of generally accepted accounting principles and CMB provisions, on the principles of completeness, fairness, accuracy, timeliness and intelligibility, making them equally available to all "stakeholders" such as national/foreign shareholders, stakeholders, investors and capital market institutions, and targets to maintain an active and transparent communication and to ensure that necessary information and disclosures other than trade secrets are made available to all stakeholders including shareholders, investors, employees and customers in a timely, accurate, complete, and intelligible manner, easily accessible at low cost.

The Company's "Information Policy" can be accessed at the corporate website at www.celebiyatirimci.com under the main heading "Information".

During 2016, Deniz Bal was responsible for the execution of the Information Policy, who functions as the head of the Investor Relations Unit at the Company and who holds "Capital Market Activities Advanced Level License" and "Corporate Governance Rating Expertise License". In addition, Tolga Akdoğan, a full-time employee of the Company who holds both "Advanced Capital Market Operations" and "Corporate Governance Rating Specialist" licenses, was appointed to the position of "Investor Relations Unit Employee" during the reporting period.

9. Company Internet Site and its Content

The address of our corporate website is www.celebihandling.com and the address of Investor Relations is www.celebiyatirimci.com. There is an English version of the Company's website and the whole content is available in English.

Presence on the corporate website of information stipulated in the corporate governance principles published by CMB

Information	Availability
Commercial registry information	Yes
Current partnership and management structure	Yes
Detailed information about preferential share rights	Yes
Current form of the Company's articles of incorporation together with dates and numbers of trade registry gazettes in which amendments were published	Yes
Special circumstance announcements	Yes
Annual reports	Yes
Periodic financial statements and reports	Yes
Prospectuses and public offering circulars	n/a
General meeting agendas	Yes
General meeting attendance rosters and minutes	Yes
Proxy form	Yes
Mandatory information forms prepared for proxy solicitation or tender offers	n/a
Minutes of Board of Directors meetings whose decisions might have a material impact on the capital market instruments issued by the Company	Yes
Frequently-asked questions/Requests for information, questions, and warnings made to the Company/The Company's responses to them	Yes

Stakeholders are presently able to access some information in electronic format on our Company's corporate website at www.celebihandling.com and on Investor Relations website at www.celebiyatirimci.com.

10. Annual Report

The Annual Report of the Company's Board of Directors covers the information specified in the CMB Communiqué dated January 03rd, 2014, Serial: II No: 17.1 on the Corporate Governance.

Part III- Stakeholders

11. Keeping Stakeholders Informed

Based on the Company's Board of Directors decision passed on March 19th, 2009, pursuant to the provision of Article 7 of the CMB Communiqué Serial: IV No: 41 on the Principles to be Complied with by Joint Stock Companies Subject to the Capital Market Law, and within the frame of efforts carried out to ensure achievement of full compliance by the Company with the Corporate Governance Principles published by the CMB and to fully implement the same, the Company set up an Investor Relations Unit, which will handle exercising of shareholding rights at our Company that is listed on the BIST, which reports to the Board of Directors, and which will maintain communication between the Board of Directors and shareholders. In this context, Deniz Bal, who has earned the "Capital Market Activities Advanced Level License" and who presently functions as the Financial Affairs Director at the Company was appointed as the head of the Investor Relations Unit as a full-time manager responsible for the fulfillment of the Company's obligations arising from the capital market legislation, coordination of corporate governance practices and reporting thereon to the Board of Directors, and he carried out his duty during 2016.

In 2016, for the purpose of informing stakeholders, our Company's executive director and other members of management gave interviews that appeared in the press and electronic media, took part in TV programs and discussions, and made press statements. Detailed information about the Company and its investments was provided in the course of such appearances and announcements.

12. Stakeholder Participation in Management

Airport ground handling services are a part of the civil aviation industry and as such they are a business that imposes stringent demands on specialization and expertise whose rules are specifically spelled out by international aviation agencies and organizations. Partaking in the management of a company engaged in this sector requires expertise in a variety of different areas and for that reason, no significant steps have been taken in the direction of involving the Company's employees, the majority of which are blue-collar workers, in the Company's management.

In matters involving non-technical issues such as employee rights and human resources policies on the other hand, individual workplace meetings are held regularly and at least once a year during which employees' views on the conduct of work and Company practices are solicited. Changes are made where necessary in light of such views and feedback is provided.

13. Human Resources Policy

Our Company Human Resources policy is presented in section "4. Information on Personnel and Human Resources Policy" of our Company's annual report for 2016.

14. Rules of Ethics and Social Responsibility

The vision and mission statements that have been adopted by the Company are included in its every publication, on its corporate website, and on the Company intranet. Besides, two publications (Corporate Culture and Our Policies) that have been put out by the Company contain the principles that must apply and to which every employee must adhere in all dealings with Company personnel and outside parties. Copies of these publications are given to every newly hired employee during his orientation.

Every year Company meetings are held in which Company directors and the general manager take part for the purposes of informing senior, middle, and lower management about the Company's ethical values, and short, medium, and long-term strategy within the framework of the mission and vision statements and ensuring that such matters are conveyed through them to all lower-echelon employees.

Regulation on the Code of Ethical Conduct, which is entitled "Code of Ethical Conduct" is posted on our Company's website at www.celebiyatirimci.com.

Compliance with the European Union ("EU") Environmental Norms

When procuring new equipment, our Company only purchases items that comply with EU environmental norms. Our Company fully complies with all EU standards governing the prevention of noise and pollution.

Sectoral Responsibility Projects

There is not as yet a particularly great public awareness of the civil aviation industry in our country and for this reason, our Company gives special importance to supporting its sector to promote awareness and appreciation, and to help attract high-quality human resources to the industry.

To this end, the Company directly supports and sponsors:

- Sectoral movies about civil aviation
- The "Career Days" event held each year at the Eskişehir College of Civil Aviation
- The congresses, seminars, and training projects of aviation industry professional organizations.

On the other hand, the Company established cooperation with the Ministry of Transport and Erzincan University to set up a School of Civil Aviation under the university. Under the project, a school building is constructed with a floor area of 4,000 m^2 and a covered area of 15,000 m^2 holding 30 classrooms for a student body of 1,500. The official opening of the Erzincan Ali Cavit Çelebioğlu Civil Aviation Academy, construction of which was completed in September 2010, took place ahead of the 2011-2012 academic year. Education continued at the academy during 2015-2016 academic year, and the number of enrolled students reached 246.

The Environment and Nature

Our Company has an Environment Management System (EMS) that has been developed in order to systematically reduce or eliminate the harm that is or may be caused to the environment. Our Company's EMS aims at identifying environmental factors and at controlling such factors in order to minimize their environmental impact and to improve environmental performance during all the stages from the design of services to their presentation to the customers.

The Environment Management System has been awarded ISO 14001:2004 certification at headquarters offices and at İstanbul Atatürk, Antalya, İzmir, Bodrum, Dalaman and Ankara stations by TSE. With this certification, we declare that we shall:

- Carry out programs to minimize our waste and achieve compliance with laws and regulations.
- Carry out programs to minimize resource use.
- Coordinate efforts aimed at more environment-friendly production.

Aware of the need and responsibility on the part of people to use the natural resources they require to maintain a good way of life in a renewable way, which is to say mindfully of future generations as well, our Company engages in the following activities to achieve optimum use of natural resources and to minimize pollution.

Combat against Climate Change

- Voluntary calculation and disclosure of our carbon footprint under the Carbon Disclosure Project (CDP),
- Purchasing and using, to the extent possible, electric-powered vehicles (tractors, ladders, push-back, etc.) instead of fossil-fueled vehicles used for apron services,
- Having annual flue gas analysis conducted by accredited organizations and keeping sources of carbon emission under control.

Efficiency of Natural Resources

- Sorting at source the recyclable (paper, plastic, etc.) and recoverable (waste batteries, toners/cartridges, electronic waste, etc.) waste generated by our Company and having them recycled/recovered via licensed facilities,
- Having high calorific value waste such as waste oil, end-of-life tires that result from activities disposed of at licensed incinerators and ensuring energy recovery,
- Reducing building electricity consumption by using photocell systems and high energy-efficient light bulbs for buildings,
- Reducing building water consumption by using photocell sanitary fittings in lavatories in buildings.

Waste Management

- Having wastewater analyses regularly conducted by accredited organizations and keeping sources of wastewater under control,
- Having the hazardous waste resulting from our activities, which do not have an economic value, moved and disposed of by firms licensed by the Ministry of Environment and Urbanization, thus preventing damage to the environment thereby.

Being an "an environmentally-sensitive company in the aviation sector" with its implementations, our Company focused on an approach that will preserve and improve the quality of living of its employees and customers in its environment policy.

Waste generated by the business units of our Company is delivered to firms licensed by the Ministry of Environment and Urbanization for disposal/recovery.

Every year, our waste inventory is calculated for reviewing our environmental performance, which is then reported to third parties in the form of "Environmental Performance Reports".

The types of waste delivered in 2016 to licensed firms for ensuring safe disposal and their quantities are presented below

Recycling:

Waste paper - 22.5 tons

Scrap metal - 31.5 tons

Electronic waste - 254 kg

Waste plastic and glass - 133 kg

Recovery:

Waste accumulators - 32.2 tons

Waste toners/cartridges - 281 kg

Waste batteries - 138.2 kg

Energy Recovery:

Waste oil - 28.9 tons

End-of-life tires - 23.9 tons

Contaminated fabric and packaging - 44.8 tons

Furthermore, the following have been delivered to licensed firms for safe disposal:

Waste oil filters - 2,037 kg

Fluorescent lamps - 182 kg

Pressurized spray can waste - 242 kg

Medical waste - 87 kg

Mud in tank bottoms - 542 kg

Waste de-icing liquid - 47.6 tons

The project "Green Airport" launched in 2009 by the T.R. Ministry of Transport, Maritime Affairs and Communications, Directorate General of Civil Aviation (DGCA) in an effort to systematically reduce and eliminate the actual or potential damage caused to the environment by establishments operating in airports was carried on in 2016. Last year, the Adana Station earned "Green Company" certification, increasing the total number of our certified stations to 7. Incentive mechanisms stemming from this certification entitled the Company to a total discount of EUR 366,450 on our license costs in 2016.

Çelebi Ground Handling has placed the principle of carrying out its operations efficiently and in an environmentally friendly manner as a part of its mission; and it has been fulfilling the necessary requirements for many years. In 2015, the Company received the ISO 14064 verification auditing services from TSE for the purpose of developing its own programs to manage greenhouse gas (GHG) emissions. Following the verification audit, the Company's stations in İstanbul Atatürk, İzmir, Antalya, Bodrum, Dalaman and Ankara were certified according to the ISO 14064 standard.

Under the Carbon Disclosure Project (CDP) initiated by investors representing assets worth USD 100 trillion worldwide, Çelebi Ground Handling has been annually disclosing data on its greenhouse gas emissions and energy consumption, as well as risks and opportunities associated with climate change, to the CDP.

In 2016, we have participated in the CDP and become one of the 5,800 companies worldwide representing 58% of the total world market capital. Our participation in this platform will continue in the period ahead, and it is planned to complete the reporting relating to the previous year until June 2017.

There are no environment-related lawsuits filed against our Company on account of harm caused to the environment in 2016.

General Social Responsibility Projects

Health services: Our Company has been supporting the Lokman Hekim Health Foundation since 1986. Based in Gebze-Beylikbağı outside İstanbul, this foundation serves low-income people who are in need of health services without any concern for material gain.

Educational Support: The Company and its employees extended active support to various educational projects. Employees representing the Company took part in the 38th İstanbul marathon organized in November 2016. The funds raised by the employees who ran the marathon for the benefit of TOÇEV, a foundation working to enable underprivileged but willing students to continue with their education, were contributed to the educational activities planned to be provided by TOÇEV to students who need financial support for their education.

Part IV- The Board of Directors

15. Structure and Formation of the Board of Directors

According to "Article 7 - Board of Directors" of our Company's articles of incorporation, the Company's affairs and administration are conducted by an eight-member Board of Directors; six of these members are elected by the General Assembly of Shareholders (four of them from among candidates nominated by a majority of Class A shareholders and two of them by a majority of Class B shareholders) and two independent members are elected by the General Assembly of Shareholders from amongst nominees satisfying the independence criteria. The number, qualifications, nomination and election of independent members who will serve on the Board of Directors are governed by the CMB requirements in relation to corporate governance. Company directors are elected for a maximum term of office of three years. A director whose term of office expires may be reelected.

A director who represents a corporate-entity shareholder must notify the Company if his relationship with that entity terminates, whereupon his seat on the board is vacated.

If a vacancy occurs in the Board's membership before a term of office expires, the remaining directors will chose a new member from among candidates designated by a majority of shareholders of the same class as put the departing member up as a candidate. If the seat of an independent member is vacated, then new member will be elected within the frame of CMB requirements, which will be laid down for approval at the next General Meeting. A member elected to the Board in this way will complete the remaining term of the departing director.

The Board of Directors will set up the Audit Committee and Corporate Governance Committee, Nomination Committee, Early Detection of Risk Committee and Compensation Committee to ensure healthy performance of its duties and responsibilities, in line with the Company's current circumstances and needs. If separate Nomination Committee and Compensation Committee are not created due to the structure of the Board of Directors, then these functions will be fulfilled by the Corporate Governance Committee.

Formation, decision-making process, duties and operating principles of committees are defined in detail and publicly disclosed by the Board of Directors in accordance with the compulsory Corporate Governance Principles of the CMB and in view of the provisions of the articles of incorporation. The Board of Directors may, at any time, revise the duties and operating scopes of committees and it may also make the necessary replacements in their memberships.

According to "Article 8- Representing and binding the company" of our articles of incorporation, the Company is administered and represented by the Board of Directors. The Board of Directors may delegate some or all of its powers to represent and administer the Company to executive directors and/or to managers who are not members of the Board. The individuals with the power to represent and bind the Company and the ways they may do so are determined by the Board and duly registered and announced. In order for any documents issued by the Company or for any contracts that are entered into to be valid, they must be signed, below the Company's legal name, by an individual or by individuals authorized to do so by the Board of Directors.

Members of the Board of Directors elected by shareholders at the Ordinary General Meeting held on 20 April 2016 and their resumes are presented below.

Name	Position	Independent Member or Not
Can Çelebioğlu	Chairman	Non-independent Member
İsak Antika	Vice Chairman	Non-independent Member
Canan Çelebioğlu	Board Member	Non-independent Member
Mehmet Murat Çavuşoğlu	Board Member	Non-independent Member
Mehmet Yağız Çekin	Board Member	Non-independent Member
Turgay Kuttaş	Board Member	Non-independent Member
Feyzi Onur Koca	Board Member	Independent Member
İlter Turan	Board Member	Independent Member

Can Çelebioğlu

Company/Title	Çelebi Hava Servisi - Chairman of the Board	
	Çelebi Havacılık Holding - Chairman of the Board	
Education	Boğaziçi University/Business Administration	
Experience	1982-	Çelebi Hava Servisi - Chairman of the Board
	1982-1996	Çelebi Hava Servisi - General Manager
	1995-	Çelebi Holding - Chairman of the Board
	1983-1995	Çe-Tur Çelebi Turizm Ticaret - Chairman of the Board
	2007-2013	Çelebi Marina ve Yat İşletmeciliği - Chairman of the Board
	1996-	Çelebi Hizmet Gıda İşletmeleri Turizm - Deputy Chairman of the Board
	1997-	Çelebi Güvenlik Sistemleri ve Danışmanlık - Deputy Chairman of the Board
	2005-	Çelebi Otelcilik ve Turizm İşletmeciliği - Deputy Chairman of the Board
	2004-	Çelebi Yatırım Danışmanlık - Chairman of the Board
	1996-	Çelebi Hizmet Restorant İşletmeleri - Chairman of the Board
Foreign Language	English	
E-mail	canc@celebiaviation.com	

İsak Antika

Company/Title	Çelebi Hava Servisi - Deputy Chairman of the Board
	Çelebi Havacılık Holding - Deputy Chairman of the Board
Education	Boğaziçi University/MBA
Experience	Çelebi - Vice Chairman of the Board
	Actera Group - Managing Partner
	Antika Partners - Managing Partner
	JP Morgan Investment Banking - President
Foreign Language	English
E-mail	isak.antika@acteragroup.com

Canan Çelebioğlu

Company/Title	Çelebi Hava Servisi - Member of the Board of Directors	
	Çelebi Havacılık Holding - Member of the Board of Directors	
Education	İstanbul University/Business Administration	
Experience	2002-2003	Çelebi Hava Servisi - CEO
	1996-	Çelebi Holding - Deputy Chairperson of the Board
	1982-	Çelebi Hava Servisi - Deputy Chairperson of the Board
Foreign Language	English	
E-mail	canan.celebioglu@celebiaviation.com	

Mehmet Murat Çavuşoğlu

Company/Title	Çelebi Hava Servisi - Member of the Board of Directors
	Çelebi Havacılık Holding - Member of the Board of Directors
Education	Harvard University/MBA
	Stanford University /MS Engineering Economic Systems
	Virginia University /BS Electrical Engineering
Experience	Çelebi - Member of the Board of Directors
	Actera Group - Managing Partner
	Southeast Europe Equity Fund - General Manager
	Taurus Capital Partners - Principal
	Fiba Group - CEO
	Goldman Sachs - M&A & Corporate and Finance
Foreign Language	English
E-mail	murat.cavusoglu@acteragroup.com

Mehmet Yağız Çekin		
Company/Title	Çelebi Havacılık Holding - Member of the Board of Directors	
Education	Virginia Tech./MBA	
	Boğaziçi University/BS Mechanical Engineering	
Experience	Actera Group - Partner	
	Southeast Europe Equity Fund - General Manager	
	Taurus Capital Partners - Principal	
	Global Menkul Değerler - Investment Banking	
Foreign Language	English	
E-mail	yagiz.cekin@acteragroup.com	

Turgay Kuttaş		
Company/Title	Çelebi Havacılık Holding - Member of the Executive Board	
Education	İstanbul University/Tourism	
Experience	2007-	Çelebi Havacılık Holding - Advisor
	2004-2007	Pegasus - Chief Operational Officer (COO)
	1999-2004	Havaş - Member of the Board of Directors
	1997-1999	Circle International - Turkey Director
	1994-1997	Havaş - Assistant General Manager (Operations)
	1986-1994	Çelebi Holding - Member of the Board of Directors
Foreign Language	English	
E- mail	turgay.kuttas@celebiaviation.com	

Feyzi Onur Koca		
Company/Title	Çelebi Hava Servisi - Member of the Board of Directors (Independent)	
Education	Boğaziçi University/Electrical Engineering	
Experience	2012-	G4S Güvenlik Hizm. A.Ş. - General Manager
	2005-2012	Parker İklim Kontrol Sistemleri A.Ş. - General Manager
	2004-2005	Touch Group Plc. (London) - Group Chief Operating Officer (COO)
	2002-2004	Lanark Resources Ltd. - Founding Partner
	2002-2004	Capex Industries Ltd. - International Sales Coordinator
	1991-2001	Jotun Boya Sanayi Ticaret A.Ş. - Regional Director - Europe
Foreign Language	English	
E-mail	kocalar@tnn.net	

İlter Turan		
Company/Title	Çelebi Hava Servisi - Member of the Board of Directors (Independent)	
Education	Oberlin College/BA Political Sciences	
	Columbia University/MA Political Sciences	
	İstanbul University/Ph.D. Political Sciences	
Experience	1998-2001	İstanbul Bilgi University/Rector
	1993-1998	Koç University/Professor
	1992-1993	International Relations/President
	1984-1993	İstanbul University/Faculty of Political Sciences, Professor
	1976-1984	İstanbul University/Faculty of Economics, Political Sciences Professor
	1974-1976	İstanbul University/Faculty of Literature
	1973-1974	Turkish Armed Forces/Sub-Lieutenant
	1970-1972	İstanbul University/Faculty of Political Sciences, Associate Professor
	1966-1970	İstanbul University/Instructor
Foreign Language	English	

The Members of the Board of Directors have been elected to serve a term of office of one year at the Ordinary General Meeting convened on 20 April 2016, until the next Ordinary General Meeting.

In accordance with the Company's Corporate Governance Principles and Articles of Incorporation, İlter Turan and Feyzi Onur Koca, who were approved for their candidacy of membership of the independent Board of Directors, were elected as independent Board members to serve a term of office of one year (the period between the two General Meetings).

"Declaration of Independence" by the independent Board directors is presented below:

I hereby declare that;

1. I stand for serving as an "Independent Member" on the Board of Directors of Çelebi Hava Servisi Anonim Şirketi ("the Company") within the scope of the criteria stipulated by the Corporate Governance Principles of the CMB legislation;
2. I have not held a seat on the Company's Board of Directors for more than six years in the past ten years;
3. Employment, capital or material commercial relationship, either direct or indirect, has not been established in the past five years between corporate entities with which any related party of the Company or shareholders holding, directly or indirectly, 5% or more share in the Company's capital is related with respect to management or capital, and myself, my spouse and my relations by blood or marriage up to third degree,
4. I have not worked for or served as a member on the boards of directors of any company conducting, under a contract, the Company's activities or organization in part or in whole, and particularly the firms performing the audit, rating and consultancy of the Company, in the past five years,
5. I was not a shareholder, employee or board member for any company supplying service or product of material quantity to the Company in the past five years,
6. I hold less than 1% share in the Company's capital and these are not preferential shares/I hold no share in the Company's capital,
7. I possess the professional education, knowledge and experience for due performance of the duties I will assume in connection with being an independent board member,
8. I am not a full-time employee of public institutions and establishments as at the date of nomination,
9. I am considered to be a resident of Turkey as for the purposes of Income Tax Law,
10. I am capable of making positive contributions to the Company's operations, maintaining my independence in possible conflicts of interest between the Company's shareholders, making decisions freely taking into consideration the rights of stakeholders, and I possess strong ethical standards, professional credibility and experience that are necessary to do that,
11.I will forthwith notify any event that prejudices my independence, if applicable, to the Board of Directors for public disclosure of the same,
12. I will not demand any compensation from the Company apart from Board of Directors compensation and attendance fee,
13. I will dedicate sufficient amount of time to be able to follow up the operation of the Company's affairs and to fully meet the requirements of the duties I undertake.

At the Company's Ordinary General Meeting held on 20 April 2016, shareholders holding management control, the members of the Board of Directors, senior executives and their spouses and relatives by blood or marriage unto the second degree have been authorized, as per Article 395 of the Turkish Commercial Code, to deal in transactions with the Company and its subsidiaries that might lead to conflict of interest, and to deal with the Company on their own or others' behalf.

16. Operating Principles of the Board of Directors

Determining the agenda for board meetings

Agendas for Board of Directors meetings may be determined in three different ways. The chairman may determine the agenda on the basis of suggestions received from Company directors; the Company's General Manager may determine the agenda himself; the agenda for the next Board meeting may be determined during a Board meeting that is in progress.

Number of board meetings during the reporting period

The Company's Board of Directors convened 91 times during 2016.

Meeting and decision quorums and methods and processes for summoning the meeting

The secretariat of the chairman of the Board of Directors keeps Company directors informed about meeting times and agendas by means of reports sent out regularly prior to the meeting. In 2016, 66 meetings convened with the attendance of 6 board members, 22 with 7 members, and 3 with 8 members.

Whether the questions posed by Directors and dissenting members' reasonable and detailed objections during the meeting are entered into the record

The questions posed by the Company directors during the meeting are not entered into record.

The ability of Company directors to exercise special voting rights or veto board decisions

Our Company's articles of incorporation do not vest any Company director with special voting rights or the ability to veto board decisions.

17. Numbers, Structures and Independence of Committees within the Board of Directors

On 20 April 2016, the Company's Board of Directors decided to appoint the following board members - who were elected in the Annual General Meeting for the 2015 reporting period - to the following positions in accordance with the related provisions of the Capital Markets Board's Communiqué on Corporate Governance Principles: Feyzi Onur Koca and İlter Turan as members of the Audit Committee, Mehmet Yağız Çekin and Feyzi Onur Koca as members of the Corporate Governance Committee, and Turgay Kuttaş and İlter Turan as members of the Early Detection of Risk Committee.

Since there are two independent members on the Company's Board of Directors, Feyzi Onur Koca serves both on the Audit Committee and the Corporate Governance Committee pursuant to the CMB Communiqué on Governance Principles, which states "All members of the Audit Committee and the heads of other committees are to be elected from among independent board members".

Likewise, İlter Turan, one of the other independent members on the Company's Board of Directors serves both on the Audit Committee and the Early Detection of Risk Committee. The Company's Audit Committee convened nine times during 2016 at which times they interviewed the Company's managers and checked whether or not our publicly disclosed financial statements accurately reflected the true standing of our operational results and whether or not the accounting principles adhered to by the Company were in compliance with CMB laws and regulations. They reached the conclusion that financial statements were correct and had been prepared in accordance with such requirements.

The Company's Corporate Governance Committee convened three times during 2016. The Committee works to determine and remedy non-conformities, if any, with the relevant articles of the CMB Communiqué on the Determination and Implementation of Corporate Governance Principles, reviews the activities of the Company's Investor Relations Unit with respect to their responsibilities arising from the legislation, and spends efforts to detect the Company's operational and financial risks, take necessary steps for identified risks, and manage risk.

The Company's Early Detection of Risk Committee convened six times in 2016 and took the necessary measures in strengthening the early detection of the causes that could threaten the existence of the Company, its development and the continuity of the business unit. The Committee also applied the necessary measures and remedies in this regard, in the management of the risk.

During 2016, there were no related party transactions or transactions of a material nature, which had been laid down for the approval of independent Board members, nor were there any such transactions that were not approved and thus laid down for the approval of the General Assembly of Shareholders.

18. Risk Management and Internal Control Mechanism

The planning, conduct, functioning, and oversight of the effectiveness of risk management and internal control and the conduct of the internal control team's activities within the framework of the plan are the responsibility of the Audit Committee that has been set up by a Board of Directors resolution and as per article 28/A added to CMB communiqué X: 16. The Audit Committee creates a risk management and internal audit system capable of minimizing the impact of the risks that the Company may be exposed to and takes such measures as needed to ensure that this system functions reliably.

19. Strategic Objectives of the Company

The Company's Strategic Objectives are described under the section "Company's Mission, Vision and Strategic Objectives" in the 2016 Annual Report.

20. Financial Rights

In the Annual General Meeting convened on 20 April 2016, the decision was taken to pay a gross monthly remuneration of TL 5,000 to each of the independent board member and to pay no remuneration to those board members who were elected to represent Group A and B Shareholders. In this context, remunerations were paid to independent board members in 2016.

The Company's Board members have no debts carried forward from 2015; no Board member was lent money (advances on salaries) in 2016. There are no receivables (advances on salaries) to be paid by the Board members as of 31 December 2016.

The Company executives have no debts carried forward from 2016. Salary advances paid to Company managers in 2016 totaled TL 65,000. As of 31 December 2016, the Company was owed TL 20,505 in salary advances by its managers.

The terms of the loans made to Board members and executives were not prolonged nor were their conditions improved; no credit was extended to them under the rubric of personal loan nor were they provided with any guarantees such as surety through any third party.

INFORMATION ON RELATIONS WITH CONTROLLING AND AFFILIATED COMPANIES PURSUANT TO ARTICLE 199 OF THE TURKISH COMMERCIAL CODE

Necessary explanations regarding the transactions the Company carried out with related parties in the 01.01.2016-31.12.2016 fiscal year are provided under note 26 to the consolidated financial statements for the 01.01.2016-31.12.2016 fiscal year.

In all transactions the Company carried out with its controlling company or the subsidiaries of the controlling company in 2016, an appropriate counter-performance was provided in each transaction according to the conditions and state known to us at the time the transaction and/or the action was realized/taken or avoided; there were no actions taken or avoided which might potentially cause loss to the Company, and hence, there are no transactions or actions that would require equalization within this scope.

ACKNOWLEDGEMENT OF RESPONSIBILITY

BOARD OF DIRECTORS DECISION ESPOUSING THE FINANCIAL STATEMENTS AND ANNUAL REPORTS

DECISION DATE : 13.03.2017

DECISION NUMBER : 2017/15

ACKNOWLEDGEMENT OF RESPONSIBILITY PURSUANT TO THE CMB COMMUNIQUÉ NO: II-14.1, ARTICLE 9

We hereby represent that;

a. we have examined the independently audited consolidated financial statements which have been approved by our Company's Board of Directors decision dated 10.03.2017 and numbered 2017/20, and by the Audit Committee decision no. 2017/01 dated 10.03.2017, which are prepared pursuant to the CMB Communiqué No: II-14.1, article 9 on Principles of Financial Reporting in Capital Markets and drawn up in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS"), and the Board of Directors' Annual Report for the year ended 31 December 2015,

b. to the best of our knowledge we have with respect to our positions and responsibilities in the Company, these financial statements and annual report contain no misrepresentations on material matters or no omissions whose absence could be misleading as of the date on which the statement was made; and

c. to the best of our knowledge we have with respect to our positions and responsibilities in the Company, the financial statements drawn up in accordance with the CMB Communiqué No: II-14.1, article 9 on Principles of Financial Reporting in Capital Markets -inclusive of those subject to consolidation- represent a true and fair view of the Company's assets, liabilities, financial status and profit/loss, and that the annual report presents a fair view of the development and performance of the business -inclusive of those subject to consolidation-, the Company's financial standing, and the key risks and uncertainties it is exposed to.

Yours sincerely,

ÇELEBİ GROUND HANDLING INC.

Deniz BAL	Osman YILMAZ	Feyzi Onur KOCA	İlter TURAN
Financial Affairs Director	CEO	Audit Committee Member	Audit Committee Member

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - 31 DECEMBER 2016 AND INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITORS' REPORT

Building a better working world

Güney Bağımsız Denetim ve SMMM A.Ş.
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Ticaret Sicil No: 479920
Mersis No: 0-4350-3032-6000017

To the Board of Directors of Çelebi Hava Servisi A.Ş.;

Independent auditors' report on the consolidated financial statements

We have audited the accompanying consolidated statement of financial position of Çelebi Hava Servisi A.Ş. ("the Company") and its subsidiaries (together "the Group") as of December 31, 2016 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' 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.

Group Management's Responsibility for the Financial Statements

Group's management is responsible for the preparation and fair presentation of financial statements in accordance with the Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") of Turkey and for such internal controls as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to error and/or fraud.

Independent Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey and standards on auditing issued by POA. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Independent audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The independent audit procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments; the Company's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design independent audit procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Group and its internal control system. Our independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our audit opinion.

Güney Bağımsız Denetim ve
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Mersis No: 0-4350-3032-6000017

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of "Çelebi Hava Servisi A.Ş. and its subsidiaries" as of December 31, 2016 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards.

Reports on Other Responsibilities Arising From 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 March 13, 2017.

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 January 1 - December 31, 2016 and financial statements are not in compliance with the code 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.

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

Ethem Kutucular, SMMM
Partner

March 13, 2017
Istanbul, Turkey

CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - 31 DECEMBER 2016 AND INDEPENDENT AUDITOR'S REPORT

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2016

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

	Notes	Current year Audited December 31, 2016	Prior year Audited December 31, 2015
ASSETS			
Current Assets			
Cash and cash equivalents	4	65.477.817	127.924.804
Financial Investments		10.721.807	11.674.131
-Restricted cash	5	10.721.807	11.674.131
Trade receivables		94.556.073	75.114.004
- Due from related parties	8	1.038.242	1.219.662
- Trade receivables, third parties	8	93.517.831	73.894.342
Other receivables		8.275.515	18.394.870
- Other receivables from related parties	9	-	11.134.547
-Other receivables from third parties	9	8.275.515	7.260.323
Inventories	10	11.195.832	9.844.188
Prepaid expenses	15	14.862.907	12.740.151
Current tax assets	28	2.418.139	878.985
Other current assets	14	4.100.361	3.281.523
Total current assets		211.608.451	259.852.656
Non-current assets			
Financial investments	5	3.636.923	1.848.860
Other long-term receivables		25.257.152	18.923.786
- Due from third parties	9	25.257.152	18.923.786
Investments accounted by equity method	6	40.033.913	26.204.104
Property, plant and equipment	11	156.759.806	155.669.255
Intangible assets		169.728.079	150.866.395
- Goodwill	12	32.556.051	26.182.142
- Other intangible assets	12	137.172.028	124.684.253
Prepaid expenses	15	21.419.166	19.434.304
Deferred tax asset	28	42.357.043	31.983.592
Other non-current assets	14	19.021.995	14.646.588
Total non-current assets		478.214.077	419.576.884
Total assets		689.822.528	679.429.540

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2016

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

	Notes	Current year Audited December 31, 2016	Prior year Audited December 31, 2015
LIABILITIES			
Current liabilities			
Financial liabilities	7	24.956.512	40.435.153
Short term portion of long term financial liabilities	7	128.529.170	124.091.036
Trade payables		69.127.896	55.042.896
- Due to related parties	8	6.574.559	5.523.304
- Trade payable, third parties	8	62.553.337	49.519.592
Employee benefit obligations	17	25.002.485	22.234.755
Other payables		6.919.820	5.333.880
- Other payables, third parties	9	6.919.820	5.333.880
Deferred income	16	5.611.035	3.041.038
Current income tax liabilities	28	247.310	2.849.926
Short-term provisions		7.570.376	7.246.798
- Provisions for employee benefits	13	5.859.458	5.759.871
- Other provisions	13	1.710.918	1.486.927
Other current liabilities	14	5.606.013	4.528.514
Total current liabilities		273.570.617	264.803.996
Non-Current Liabilities			
Financial liabilities	7	169.091.081	157.976.034
Other payables	9	9.091.878	7.462.171
Provisions		21.540.508	17.437.933
- Provisions for employee benefits	13	21.540.508	17.437.933
Deferred tax liabilities	28	5.825.508	5.943.110
Other non-current liabilities	14	109.006.172	81.521.037
Total non-current liabilities		314.555.147	270.340.285
Total liabilities		588.125.764	535.144.281
EQUITY			
Equity attributable to equity holders of the parent		87.487.517	132.939.742
Paid-in capital	18	24.300.000	24.300.000
Other accumulated comprehensive income/(expense) not to be reclassified to profit or loss		(16.076.250)	(8.493.178)
- Actuarial gain/(loss) arising from defined benefit plans		(16.076.250)	(8.493.178)
Other accumulated comprehensive income/(expense) to be reclassified to profit or loss		22.781.040	14.586.228
- Foreign currency translation differences		22.781.040	14.586.228
Restricted reserves	18	40.181.456	33.012.956
Retained earnings		(10.534.764)	(13.524.451)
Net profit/(loss) for the year		26.836.035	83.058.187
Non-controlling interest		14.209.247	11.345.517
Total equity		101.696.764	144.285.259
Total liabilities and equity		689.822.528	679.429.540

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

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

	Notes	Current year Audited January 1 - December 31, 2016	Prior year Audited January 1 - December 31, 2015
CONTINUING OPERATIONS			
Net Sales	19	709.524.691	732.278.323
Cost of sales (-)	19	(543.115.464)	(516.628.549)
GROSS PROFIT	19	166.409.227	215.649.774
General administrative expenses (-)	21	(104.949.972)	(97.290.939)
Other income from operating activities	22	8.429.655	14.860.102
Other expenses from operating activities (-)	23	(10.963.591)	(11.946.077)
OPERATING PROFIT		58.925.319	121.272.860
Income from investment activities	24	1.481.129	6.337.247
Expenses from investment activities (-)	25	(295.060)	(422.117)
Income from associates	6	7.781.721	5.315.128
OPERATING INCOME BEFORE FINANCIAL INCOME/(EXPENSE)		67.893.109	132.503.118
Financial income	26	24.668.179	29.135.023
Financial expense (-)	27	(54.145.006)	(59.800.928)
PROFIT BEFORE TAX		38.416.282	101.837.213
Tax income/expense		(10.876.557)	(20.435.300)
Taxes on income	28	(13.172.856)	(24.165.608)
Deferred tax income/(expense)	28	2.296.299	3.730.308
NET INCOME		27.539.725	81.401.913
Attributable to:			
Non-controlling interest		703.690	(1.656.274)
Equity holders of the parent		26.836.035	83.058.187
		27.539.725	81.401.913
Earnings per share (TL)	29	0,011	0,034

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

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

	Notes	Current year Audited December 31, 2016	Prior year Audited December 31, 2015
Net income		27.539.725	81.401.913
Other comprehensive income			
Not to be reclassified to profit or loss			
- Defined benefit obligation actuarial gains/(losses)		(9.307.236)	(9.265.005)
Shares from equity accounted investees regarding to other comprehensive income not to be reclassified to profit of loss			
- Defined benefit obligation actuarial gains/(losses) from equity accounted investees		(189.920)	202.444
Taxes regarding to other comprehensive income not to be reclassified to profit or loss			
- Tax on defined benefit obligation Actuarial gains/(losses)		1.861.447	1.853.001
- Tax on defined benefit obligation actuarial differences from equity accounted investees		37.984	(40.489)
To be reclassified to profit or loss			
- Currency translation differences		10.369.505	12.279.899
Other comprehensive income/(expense)		2.771.780	5.029.850
Total comprehensive income		30.311.505	86.431.763
Total comprehensive income attributable to:			
Non-controlling interest		2.863.730	413.566
Equity holders of the parent		27.447.775	86.018.197
		30.311.505	86.431.763

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

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

			Other comprehensive income/(expense) not to be reclassified to profit or loss	Other comprehensive income/(expense) to be reclassified to profit or loss	Retained Earnings					
	Notes	Share Capital	Actuarial gain/(loss) arising from defined benefit plans	Cumulative Translation Differences	Restricted Reserves	Retained Earnings	Net profit/(loss) for the year	Equity attribute table to equity holders of the parent	Non- controlling interest	Total equity
Balances at January 1, 2015		24.300.000	(1.243.129)	4.376.169	28.274.456	(14.753.489)	54.567.538	95.521.545	10.931.951	106.453.496
Transfers to retained earnings		-	-	-	-	54.567.538	(54.567.538)	-	-	-
Total comprehensive income/(expense)										
Net profit/(Loss) for the period		-	-	-	-	-	83.058.187	83.058.187	(1.656.274)	81.401.913
Other comprehensive income/(expense)		-	(7.250.049)	10.210.059	-	-	-	2.960.010	2.069.840	5.029.850
Dividends (Note 18)		-	-	-	4.738.500	(53.338.500)	-	(48.600.000)	-	(48.600.000)
Balances at December 31, 2015		24.300.000	(8.493.178)	14.586.228	33.012.956	(13.524.451)	83.058.187	132.939.742	11.345.517	144.285.259

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

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

			Other comprehensive income/(expense) not to be reclassified to profit or loss	Other comprehensive income/(expense) to be reclassified to profit or loss	Retained Earnings					
	Notes	Share Capital	Actuarial gain/(loss) arising from defined benefit plans	Cumulative Translation Differences	Restricted Reserves	Retained Earnings	Net profit/(loss) for the year	Equity attribute table to equity holders of the parent	Non- controlling interest	Total equity
Balances at January 1, 2016		24.300.000	(8.493.178)	14.586.228	33.012.956	(13.524.451)	83.058.187	132.939.742	11.345.517	144.285.259
Transfers to retained earnings		-	-	-	-	83.058.187	(83.058.187)	-	-	-
Total comprehensive income/(expense)										
Net profit/(Loss) for the period		-	-	-	-	-	26.836.035	26.836.035	703.690	27.539.725
Other comprehensive income/(expense)		-	(7.583.072)	8.194.812	-	-	-	611.740	2.160.040	2.771.780
Dividends(Note 18)		-	-	-	7.168.500	(80.068.500)	-	(72.900.000)	-	(72.900.000)
Balances at December 31, 2016		24.300.000	(16.076.250)	22.781.040	40.181.456	(10.534.764)	26.836.035	87.487.517	14.209.247	101.696.764

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2016

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

	Notes	Current year Audited January 1- December 31, 2016	Prior year Audited January 1- December 31, 2015
A. Cash flows from operating activities		50.452.073	108.102.441
Profit/loss before tax for the period		27.539.725	81.401.913
Adjustment for reconciliation of profit/(loss) before taxation		26.295.507	42.252.991
Adjustment related depreciation and amortisation expense	11,12	36.347.836	34.796.680
Adjustments related impairment (Cancellation)	12	2.419.851	-
Adjustment related to provisions		7.901.552	8.548.063
- Adjustment related to provisions for employee benefits		7.704.310	8.217.747
- Adjustments related other provisions (Cancellations)		197.242	330.316
Adjustments related to interest income and expense	26, 27	11.645.634	17.998.833
- Adjustment related to interest income		(5.824.390)	(4.203.352)
- Adjustment related to interest expense		17.470.024	22.202.185
Adjustment related to unrealized related toeing currency translation differences		(33.928.134)	(28.295.627)
Adjustment related to tax (income) expense		10.876.557	20.435.300
Adjustment related to increase/decrease in joint ventures are accounted by the equity method	6	(7.781.721)	(5.315.128)
Adjustment related to (profit) on sales of property, plant and equipment, net		(1.186.068)	(5.915.130)
Changes in working capital		25.791.369	14.043.884
Increase/decrease in financial investments		952.324	270.561
Adjustment related to increase/decrease in trade receivables		(19.494.445)	(17.025.385)
-Increase/decrease in due from related parties		181.420	(527.728)
-Increase/decrease in due from third parties		(19.675.865)	(16.497.657)
Adjustment related to increase/decrease in other receivables related with operations		(1.408.256)	(2.721.944)
Adjustment related to increase/decrease in inventories		(1.351.644)	(1.463.115)
Increase/decrease in prepaid expenses		(4.107.618)	(2.908.230)
Adjustment related to increase/decrease in trade payables		14.085.000	9.195.111
-Increase/decrease in due to related parties		1.051.255	882.430
-Increase/decrease in due to third parties		13.033.745	8.312.681
Increase/decrease in payables related to employee benefits		2.767.730	3.334.545
Adjustment related to increase/decrease in other payables related with operations		34.348.278	25.362.341
Cash flows from operating activities		79.626.601	137.698.788
Retirement liability paid	13	(10.947.937)	(4.911.773)
Other provisions paid		-	(13.260)
Tax payments/returns		(18.226.591)	(24.671.314)

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2016

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

	Notes	Current year Audited January 1- December 31, 2016	Prior year Audited January 1- December 31, 2015
B. Cash flows from investing activities		(29.034.297)	(9.899.379)
Cash outflows due to purchase of shares or capital increase of associates and/or joint ventures		(4.987.426)	-
Cash inflows from the sale of property, plant and equipment and intangible asset		1.877.237	28.336.692
- Cash inflows from the sale of property, plant and equipment	11	1.808.773	28.336.692
- Cash inflows from the sale of intangible assets	12	68.464	-
Cash outflows from the purchase of property, plant and equipment and intangible asset		(25.924.108)	(38.236.071)
- Cash outflows from the purchase of property, plant and equipment		(20.767.928)	(31.527.810)
- Cash outflows from the purchase of intangible asset		(5.156.180)	(6.708.261)
C. Cash flows from financing activities		(84.422.927)	(47.726.171)
Cash inflows from financial liabilities		248.116.298	72.054.599
Cash outflows due to debt payments		(247.501.626)	(51.281.816)
Dividend paid		(72.900.000)	(48.600.000)
Interest paid		(18.010.156)	(24.111.598)
Interest received		5.872.557	4.212.644
BEFORE THE EFFECT OF CHANGE IN FOREIGN CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		(63.005.151)	50.476.891
D. Impact of foreign currency translation differences		606.331	3.685.183
Net increase/decrease in cash and cash equivalents		(62.398.820)	54.162.074
E. Cash and cash equivalents at beginning of period		127.859.563	73.697.489
Cash and cash equivalents at end of period	4	65.460.743	127.859.563

The accompanying notes are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS OF THE GROUP

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

The company is registered in Capital Markets Board "CMB" and has been listed in Borsa Istanbul "BIST" since November 18, 1996. As of December 31, 2016, the Company's free float rate is 21,64% (December 31, 2015: 21,64%).

The address of the Company is as follows:

Anel İş Merkezi Saray Mahallesi Site Yolu Sokak No: 5 Kat: 9

34768 Ümraniye/İstanbul

The average number of employees working for the Group for the year ended December 31, 2016 is 12.278 (December 31, 2015: 11.648).

Information About Subsidiaries and Equity Accounted Investees:

The Company was informed of winning the tender offer and participates in the Celebi Tanacsado Korlatolt Felelossegu Tarsasag" ("Celebi Kft") company that was founded on September 22, 2006 as founding shareholder for the realization of the abovementioned 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 Kiszolgalo Korlatolt Felelossegu Tarsasag ("CGHH").

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

As of December 31, 2016, total paid in capital of CGHH is 200.000.000 Hungarian forint.

Within the framework of the tender relating to provide ground handling services for 10 years period in Mumbai Chhatrapati Shivaji International Airport in India which resulted in favour of the consortium in which the Company takes part, a joint venture company has been established on December 12, 2008 with a capital of 100.000.000 Indian Rupee and the title of "Celebi Nas Airport Services India Private Limited ("Celebi Nas") resident in Maharashtra, Mumbai India to provide ground handling services. The Company, as co-founder, has a 57% stake in Celebi Nas and the capital of the company is amounting to 613.705.000 Indian Rupee. Also 228.000.000 Indian Rupee has been paid as capital advance which has been registered by Celebi Nas' partners yet. On April 8, 2015, Celebi Nas has signed a "concession agreement" with Mumbai International Airport Private Limited ("MIAL"), the operator of the CSIA International Airport in which Celebi Nas operates. The content of the agreement covers the rendering of services regarding air conditioners and generators mounted on passenger boarding bridges in the passenger terminal of the mentioned airport. Celebi Nas has been granted the concession rights until May 2036 within the scope of the concession agreement.

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

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

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

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

Çelebi Kargo Depolama ve Dağıtım Hizmetleri A.Ş. ("Çelebi Kargo") was established on November 20, 2008 in order to carry out transportation, load transfer, cargo storage and distribution activities. Celebi Cargo GmbH (Celebi Cargo), a subsidiary of Çelebi Kargo having a prepaid capital at an amount of €11.500.000 and which is a resident in Germany established in November 2009, rented store/warehouse facilities located at International Frankfurt Airport Cargo (Frankfurt Cargo Süd) and carrying out activities in air cargo storage and handling. The capital of Çelebi Kargo is TL 29.500.000 as of December 31, 2016 and all its capital is paid.

As of December 31, 2016, the consolidated financial statements of the Company include the Company, Celebi Nas, CGHH, Çelebi Güvenlik in Liquidation, Celebi Delhi Cargo, Celebi GH Delhi, Çelebi Kargo and Celebi Cargo (collectively, referred to as the "Group").

These consolidated financial statements for the period January 1 -December 31, 2016 have been approved for issue by the Board of Directors on March 13, 2017 and signed by Osman Yılmaz (Deputy General Manager) and Deniz Bal (Financial Affairs Director) on behalf of Board of Directors.

Subsidiaries:

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

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

Investments Accounted by Equity Method:

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

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

Affiliates:

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

Affiliates	Country of incorporation	Geographical segment	Nature of business
DASPL	India	India	Ground handling services

2.1. Basis of presentation

2.1.1 Financial reporting standards

The Group's consolidated financial statements and disclosures have been prepared in accordance with the communiqué numbered II-14,1 "Communiqué on the Principles of Financial Reporting In Capital Markets" (the Communiqué) announced by the Capital Markets Board ("CMB") (hereinafter will be referred to as "the CMB Reporting Standards") on 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 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 the group companies established in Turkey, maintain their books of account and prepare their statutory financial statements ("Statutory Financial Statements") in accordance with rules and principles published by POA, the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. These consolidated financial statements have been prepared under the historical cost convention except for available for sale financial assets that are carried at fair value. These consolidated financial statements are based on the statutory records with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the Turkish Financial Reporting Standards. Company's functional and presentation currency is accepted as TL.

Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in TL, which are the functional currency of the Company and the presentation currency of the Group. As of December 31, 2016, the currency of subsidiaries has shown below.

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

Going Concern

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

ÇELEBİ HAVA SERVİSİ A.Ş.

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

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, 2016 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, 2016. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2016 are as follows:

TFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)

TFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in TFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in TFRS 3 and other TFRSs except for those principles that conflict with the guidance in this TFRS. In addition, the acquirer shall disclose the information required by TFRS 3 and other TFRSs for business combinations. The amendments did not have an impact on the financial position or performance of the Group.

TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to TAS 16 and TAS 38)

The amendments to TAS 16 and TAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments did not have an impact on the financial position or performance of the Group.

TAS 16 Property, Plant and Equipment and TAS 41 Agriculture (Amendment) - Bearer Plants

TAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in TAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of TAS 41, measured at fair value less costs to sell. The amendment is not applicable for the Group and did not have an impact on the financial position or performance of the Group.

TAS 27 Equity Method in Separate Financial Statements (Amendments to TAS 27)

Public Oversight Accounting and Auditing Standards Authority (POA) of Turkey issued an amendment to TAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either at cost, in accordance with IFRS 9 or using the equity method defined in TAS 28.

The entity must apply the same accounting for each category of investments. The amendment is not applicable for the Group and did not have an impact on the 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)

Amendments issued to TFRS 10 and TAS 28, to address the acknowledged inconsistency between the requirements in TFRS 10 and TAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in TFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. The amendment is not applicable for the Group and did not have an impact on the financial position or performance of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

TFRS 10, TFRS 12 and TAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)

Amendments issued to TFRS 10, TFRS 12 and TAS 28, to address the issues that have arisen in applying the investment entities exception under TFRS 10 Consolidated Financial Statements. The amendment is not applicable for the Group and did not have an impact on the financial position or performance of the Group.

TAS 1: Disclosure Initiative (Amendments to TAS 1)

The amendments issued to TAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. These amendments did not have significant impact on the notes to the consolidated financial statements of the Group.

Annual Improvements to TAS/TFRSs

Annual Improvements to TFRSs - 2012-2014 Cycle

POA issued, Annual Improvements to TFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan
- IFRS 7 Financial Instruments: Disclosures - clarifies that i) the assessment of servicing contracts that includes a fee for the continuing involvement of financial assets in accordance with IFRS 7; ii) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report
- IAS 19 Employee Benefits - clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located
- IAS 34 Interim Financial Reporting -clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report.

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

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

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

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 effective date is January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

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 January 1, 2018, with early application permitted by applying all requirements of the standard. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard. The Group is in the process of assessing the impact of the standard 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 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

Annual Improvements - 2010-2012 Cycle

IFRS 13 Fair Value Measurement

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

IFRS 16 Leases

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

IAS 7 Statement of Cash Flows (Amendments)

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

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

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

a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;

b. share-based payment transactions with a net settlement feature for withholding tax obligations; and

c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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

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

The IASB issued amendments to IAS 40 'Investment Property'. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

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

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

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

Annual Improvements to IFRSs - 2014-2016 Cycle

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

- IFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some IFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after January 1, 2018.
- IFRS 12 Disclosure of Interests in Other Entities: This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are to be applied for annual periods beginning on or after January 1, 2017.

- Through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying IFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

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

2.1.3 Financial statements of joint ventures operating in foreign countries

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

2.1.4 Basis of Consolidation

a) The consolidated financial statements include the accounts of the parent company. Çelebi Hava, its Subsidiaries and its Joint ventures (collectively referred to as the "Group") on the basis set out in sections (b), to (f) below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with CMB Financial Reporting Standards applying uniform accounting policies and presentation. The results of Subsidiaries and Joint ventures are included or excluded from their effective dates of acquisition or disposal respectively.

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

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

The table below sets out all Subsidiaries and demonstrates their shareholding structures:

	Direct and indirect shareholding by Çelebi Hava and its Subsidiaries(%)	
Subsidiary	December 31, 2016	December 31, 2015
Çelebi Güvenlik In Liquidation (2)	94,8	94,8
CGHH	100,0	100,0
Celebi Delhi Cargo	74,0	74,0
Celebi GH Delhi	74,0	74,0
Celebi Spain (1)	100,0	100,0
Çelebi Kargo	99,9	99,9
Celebi Cargo	99,9	99,9

(1) As of December 31, 2016 Celebi Spain has directly and indirectly 100% voting right. However, Celebi Spain has not been consolidated in consolidated financial statements by reason that the company operations have not started. It has been recognized as financial assets available for sale at cost and reflected in the financial statements (Note 5).

(2) Pursuant to the resolution taken in the Ordinary General Assembly meeting, of Çelebi Güvenlik with a capital of TL 1.906.736, participated by the Company at the rate of 94,8%, the liquidation process started as of December 31, 2013 and the title of the Company was changed into Çelebi Güvenlik Sistemleri ve Danışmanlık A.Ş.in Liquidation. As of December, 2016, since Çelebi Güvenlik Sistemleri ve Danışmanlık A.Ş.in Liquidation did not constitute any materiality on the consolidated financial statements of the Group, no additional presentation was made in the financial statements within the scope of IFRS 5 Assets Held for Sale and Discontinued Operations.

c) The Group categorized the sales and purchase of its subsidiaries' shares transactions as transactions between group shareholders except parent company. Therefore, for the addition share purchase from other than parent company, the Group records the difference between cost of purchase and book value of asset of subsidiary's purchased portion under shareholders' equity. For the share sales to other than parent company, the Group records the income or loss as a result of the difference between sales price and book value of asset of subsidiary's sold portion under shareholders' equity.

d) Joint ventures are accounted by the equity method.

	Direct and indirect shareholding by Çelebi Hava (%)	
Investments Accounted by Equity Method	December 31, 2016	December 31, 2015
Celebi Nas	57,00%	55,00%

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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2.2. Changes in accounting policies

2.2.1 Comparative information

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

The Group presented the consolidated statement of financial position as of December 31, 2016 comparatively with the consolidated statement of financial position as of December 31, 2015, presented the consolidated statement of comprehensive income, comprehensive income consolidated statement of cash flows and consolidated statement of changes in equity for the period ended December 31, 2016 comparatively with the consolidated financial statements for the year ended December 31, 2015.

2.3 Summary of Significant Accounting Policy Changes

The significant accounting policies applied in the preparation of these consolidated financial statements are summarized below. These accounting policies are applied on a consistent basis for the comparative balances and results, unless otherwise indicated.

2.3.1 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).

2.3.2 Revenue

Revenues are the invoiced values of trading goods sold and services given. Revenues are recognized on an accrual basis at the time the Group sells a product to the customer, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group at the fair value of considerations received or receivable. Rent income is recorded on an accrual basis, while interest income is recorded on an effective interest yield method basis. Dividend income is recorded as income as of the collection right transfer date.

In case of the Group sells on credit and does not acquired any interest throughout the maturity term or applies the lower interest rate than market interest rate and thus the transaction involves an effective financing process, the fair value of the provision for the sale is calculated by discounting the present value of receivables. The difference between the fair value and the nominal amount of the consideration is recognized as financial income in accordance with effective rate (internal efficiency).

According to the concession agreement signed by Celebi Delhi Cargo and Delhi International Airport Private Limited ("DIAL") on August 24, 2009, 36% of the income, except for income resulting from IFRIC 12, is generated from the operation of the cargo terminal in the airport in New Delhi for 25 years, belongs to DIAL and this amount is indicated in the consolidated financial statements by netting off against the sales income of Celebi Delhi Cargo.

According to concession agreement signed by Celebi GH Delhi and Delhi International Airport Private Limited ("DIAL") on June 2, 2010, comparatively higher amount among 15% of the income which is generated from the airport ground services provided in the airport in New Delhi for 10 years or 12,75% of income based on price ceiling determined by DIAL, belongs to DIAL and this amount is indicated in the consolidated financial statements by netting off against the sales income of Celebi GH Delhi.

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.

2.3.3 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.

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

	Useful Lives (Years)
Machinery and equipment	3-20
Motor vehicles	5
Furniture and fixtures	2-15
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.

2.3.4 Intangible Assets

Intangible assets are comprised of trademark licenses, patents, Build-Operate-Transfer investments, customer relations and computer software.

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) Commercial Business Licenses (Rights)

Commercial business licenses are carried at cost in financial statement. Commercial business licenses have a limited useful life and are measured at cost less accumulated amortization. The estimated useful (19 years) lives for amortization of licenses for commercial operation cost is calculated using the straight line method.

c) Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relations have a finite useful life (5-7 years) and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life of the customer relationship. Where there is any indication that a contractual customer relationships may be impaired, the carrying value of asset is tested for impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

d) 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.

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e) 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 IFRIC 12 "Service Concession Agreements" for the agreements listed below.

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

The operator shall account for revenue and costs relating to construction or upgrade services in accordance with "Construction Contracts" IAS 11.

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 IAS 37 ("Provisions, Contingent Liabilities and Contingent Assets").

The amortization of the leasehold improvements related with the construction of the terminal has been conducted using the straight-line method based on the operation period of the terminal.

Celebi Nas	11 years
Celebi Delhi Cargo	25 years
Celebi GH Delhi	10 years

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 amount of INR 1.380.275.921 deposit had been paid in total.

Celebi Nas

Operating rights agreement regarding ground services of airport in Mumbai, India for 11 years had been signed on November 14, 2008. The amount of INR 210.000.000 had been paid as a deposit. As of December 31, 2016 INR 72.500.000 of the deposit amount had been returned back.

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 amount of INR 77.500.000 as deposit has been paid.

Celebi GH Delhi

Ground services agreement for 10 years regarding airport in Delhi city of India has been signed on June 2, 2010. INR 400.000.000 deposit has been paid.

According to these concession agreements, the Group has capitalized the differences between the paid deposit and its today's value as Build-Operate-Transfer investment and amortized them during the periods of concession agreements (Note 12).

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2.3.5 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.

2.3.6 Impairment of Assets

At each reporting date, the Group assesses whether there is any indication that an asset other than deferred tax asset, intangible assets with indefinite useful lives, financial assets at fair value and goodwill 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.

2.3.7 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.

The Company compares borrowing costs arising from foreign currency borrowings for Residuum Upgrading Project with functional currency equivalent borrowing's interests and capitalizes borrowing costs by using cumulative approach in its financial statements.

2.3.8 Financial Instruments

Trade receivables

Trade receivables that are created by way of providing goods or services directly to a debtor are carried at amortized cost using the effective interest method.

A credit risk provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other income.

Financial assets

Financial assets are initially recognized in the consolidated financial statements at their acquisition costs including the operational costs. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale in accordance with the requirements of IAS 39, "Financial Instruments". These are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

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The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of financial assets classified as available for sale, a significant or prolonged decline in the fair value of the assets below its cost is considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value- is removed from "Financial Assets Fair Value Reserve" in equity and the remained amount recognized as loss in the comprehensive income statement of the period.

The unrealized gains and losses arising from changes in the fair value of available-for-sale securities are recognized in "Financial Assets Fair Value Reserve" in equity. Gains and losses previously recognized in "Financial Assets Fair Value Reserve" are transferred to the statement of income when such available-for-sale financial assets are derecognized.

Available-for-sale assets that do not have a quoted market price in active markets and whose fair value cannot be measured reliably, the fair value of these assets are determined by using valuation techniques. These valuation techniques include taking as a basis the current transactions compatible with market conditions and other similar investment tools and the discount cash flow analyses considering the conditions specific for the company invested in.

For investments as subsidiaries that are excluded from the scope of consolidation on the grounds of materiality where there is no quoted market price and where a reasonable estimate of fair value cannot be determined since other methods are inappropriate and unworkable, they are carried at cost less any impairment in value.

2.3.9 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.

2.3.10 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 IFRS 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 income 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".

Fair value changes of contingent consideration that arise from business combinations occurred before January 1, 2010 are adjusted against goodwill.

IFRS 3 "Business Combinations", which is effective for the periods beginning January 1, 2010, is applied for business combinations realized in 2010.

The revised IFRS 3 introduces a number of changes in the accounting for business combinations which will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. Such changes include the expensing of acquisition-related costs and recognizing subsequent changes in fair value of contingent consideration in the profit or loss (rather than by adjusting goodwill).

2.3.11 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 income.

2.3.12 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.

2.3.13 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).

2.3.14 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 material, 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.

2.3.15 Leases

Financial leases

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 leases

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.

2.3.16 Related Parties

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

Parties are considered related to the Company if;

(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).

2.3.17 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 such as; ground handling services, airport security services, airport terminal operating and cargo and warehouse services.

2.3.18 Taxes on Income

Current and deferred income tax

Taxes on income for the period comprise of current tax and the change in the deferred income taxes. Current taxes on income comprise tax payable calculated on the basis of expected taxable income for the period using the tax rates enacted at the balance sheet date and any adjustment in taxes payable for previous periods.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date (Note 28).

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

When the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and there is a legally enforceable right to offset current tax assets against current tax liabilities, deferred tax assets and deferred tax liabilities are offset accordingly.

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2.3.19 Employee Benefits

Employment termination benefits, as required by the Turkish Labour Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees, termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service.

Provision which is allocated by using defined benefit pension's current value is calculated by using prescribed liability method. All actuarial profits and losses are recognized in consolidated statements of income.

2.3.20 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 operating 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.

2.3.21 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.

2.3.22 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.

2.3.23 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.

2.3.24 Derivative financial instruments and hedging activities

The Group uses foreign currency forward contracts to decrease its foreign exchange position and as of December 31, 2016 and 2015, it carries these instruments at their market value in its consolidated financial statements. The Group uses its year-end market rates and interest rates to calculate the market value of the foreign exchange forward contracts. In accordance with TAS 39 (Financial instruments: Recognition and Measurement), they are defined as held for trading and classified in the account of current liabilities (financial liabilities) in the consolidated financial statements and the changes in their fair value are reflected on the income statement.

2.4 Critical Accounting Estimates and Assumptions

The preparation of 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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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(a) Goodwill impairment tests

As explained in Note 2.3.6 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. The recoverable amount of the cash generating unit has been determined based on the fair value less costs to sell calculations. These calculations include certain estimations and assumptions. As a result of the impairment tests performed with the use of the above assumptions, no impairment was detected in the goodwill amount as of December 31, 2016.

(b) Impairment of intangible assets

According to the accounting policy stated in Note 2.3.4, the intangible non-current assets are shown with their net value after the deduction of the accumulated depreciation, if any, and the value subtracted from the acquisition costs. As a result of the valuation studies performed at the purchase of 100% of CGHH and Celebi GMBH shares, "Customer Relations" has been considered as an identifiable asset by the Group and shown under the intangible non-current assets. The total amount of "Customer Relations" related to CGHH is amortized over the estimated useful life of 7 years. The entire amount of "Customer Relations" for Celebi GMBH is subjected to impairment and the effect is reflected in the financial statements.

(c) Provisions

In accordance with the accounting policy mentioned in Note 2.3.14, 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, 2016 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 2.3.18, 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, 2016, 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) Unused deferred tax income

Deferred tax asset is booked where there is a probability that a tax advantage can be gained in future periods.

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

Celebi Delhi Cargo, subsidiary of the Group resident in India, has concluded 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 in scope of aforementioned arrangement and concession arrangement signed by Çelebi Nas, which is subsidiary of the Group subject to joint control and resident in India, on April 8, 2015, are recognized in scope of International Financial Reporting Interpretations Committee 12 (IFRIC 12) Service Concession Arrangements.

Estimates, which are used by the Group during the application of IFRIC 12, are summarized as follows:

i) The Group has made a provision at an amount of TL 18.987.963 in its consolidated financial statements for mandatory replacement investments, which are anticipated to be realized in following years, as of December 31, 2016 (December 31, 2015: TL 12.634.604). The aforementioned provision is the discounted amount of mandatory replacement expenditures which shall be made in the following years to December 31, 2016 and its current value is calculated through using average 8,04% (December 31, 2015: 8,04%) as per years.

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ii) Amount of Concession Rights (Royalty), designated in intangible fixed assets, is determined through adding profit margin applied to construction services in identical nature in the market over the costs which shall be incurred by the Group for the development and modernization of cargo terminal in scope of abovementioned concession arrangement as of inception date to the investments. The aforementioned costs are included in intangible fixed assets with their discounted values. Profit margin is applied as 2% (December 31, 2015: 2%) while discount rate is applied as 7,25% (December 31, 2015: 7,25) for the year ending as of December 31, 2016.

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:

Note 2.4 (f) - Application of profit margin to construction costs made in scope of IFRIC 12 "Service Concession Arrangements"

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

Note 11 and 12 - Tangible and Intangible fixed assets

Note 12 - Intangible fixed assets

Note 17 - Payables in scope of employee benefits

Note 28 - Tax assets and liabilities

Note 8 - Trade receivables and payables

NOTE 3 - SEGMENT REPORTING

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

The management considers the Group within the views named geographic and operational segments. They are assessing the Group's performance on an operating segment basis; Ground Handling Services, Security Services, Cargo and Warehouse Services. Reportable operating segment revenues are Ground Handling Services, Cargo and Warehouse Services. The management assesses the performance of the operating segments based on a measure of EBITDA after offsetting amount that does not have any cash-flow effect, regarding to operating leasing are excluded, IFRIC 12 effect expense, prepaid allocation cost, retirement pay liability and unused vacation provision and impairment of fixed assets. EBITDA (earnings before interest taxes depreciation and amortization) calculation table is submitted below as a supporting annotation which is not deemed compulsory by TFRS and it is not an accompanying part of financial statements according to TFRS.

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The segment information provided to the board of directors as of December 31, 2016 is as follows:

January 1 - December 31, 2016

	Operation Groups			
	Ground Handling Services	Cargo And Warehouse Services	Consolidation Adjustments	Consolidated
Revenue - net	482.844.099	226.918.831	(238.239)	709.524.691
Cost of sales	(339.138.568)	(203.976.896)	-	(543.115.464)
Gross profit	143.705.531	22.941.935	(238.239)	166.409.227
Deduction: General administrative expenses	(81.389.583)	(24.288.053)	727.664	(104.949.972)
Addition: Depreciation and amortization	23.839.738	12.508.099	-	36.347.837
Addition: Operating lease equalization	48.521	8.462.665	-	8.511.186
Addition: Effect of IFRIC 12 shares	-	3.445.158	-	3.445.158
Addition: Prepaid allocation cost expense	1.155.072	-	-	1.155.072
Addition: Retirement pay liability and unused vacation provisions	4.935.468	863.114	-	5.798.582
Addition: Impairment of fixed assets	-	2.419.851	-	2.419.851
Addition: Effect of EBITDA to investments accounted by equity method	17.674.895	35.469	-	17.710.364
EBITDA	109.969.642	26.388.238	489.425	136.847.305

The segment information provided to the board of directors as of December 31, 2015 is as follows:

	Operation Groups			
	Ground Handling Services	Cargo And Warehouse Services	Consolidation Adjustments	Consolidated
Revenue - net	517.546.429	214.971.074	(239.180)	732.278.323
Cost of sales	(338.136.260)	(178.546.194)	53.905	(516.628.549)
Gross profit	179.410.169	36.424.880	(185.275)	215.649.774
Deduction: General administrative expenses	(77.515.894)	(20.168.003)	392.958	(97.290.939)
Addition: Depreciation and amortization	23.181.779	11.614.901	-	34.796.680
Addition: Operating lease equalization	(2.701)	8.750.937	-	8.748.236
Addition: Effect of IFRIC 12 shares	-	3.555.463	-	3.555.463
Addition: Prepaid allocation cost expense	1.155.072	-	-	1.155.072
Addition: Retirement pay liability and unused vacation provisions	3.879.361	2.360.057	-	6.239.418
Addition: Effect of EBITDA to investments accounted by equity method	10.971.796	223.539	-	11.195.335
EBITDA	141.079.582	42.761.774	207.683	184.049.039

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

	January 1- December 31, 2016	January 1- December 31, 2015
EBITDA for reported segments	136.847.305	184.049.039
Depreciation and amortization	(36.347.837)	(34.796.680)
Operating lease equalization	(8.511.186)	(8.748.236)
Effect of IFRIC 12	(3.445.158)	(3.555.463)
Other operating income	8.429.655	14.860.102
Other operating expenses (-)	(10.963.591)	(11.946.077)
Addition: Prepaid allocation cost expense	(1.155.072)	(1.155.072)
Retirement pay liability and unused vacation provisions	(5.798.582)	(6.239.418)
Addition: Impairment of fixed assets	(2.419.851)	-
EBITDA effect of equity accounted investees	(17.710.364)	(11.195.335)
Operating profit	58.925.319	121.272.860
Share of profit from equity accounted inventees	7.781.721	5.315.128
Income from investment activities	1.481.129	6.337.247
Expenses from investment activities (-)	(295.060)	(422.117)
Financial income	24.668.179	29.135.023
Financial expenses (-)	(54.145.006)	(59.800.928)
Income before tax	38.416.282	101.837.213

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

Total Assets:	December 31, 2016	December 31, 2015
Turkey	404.896.011	377.662.693
India	252.460.685	213.107.603
Hungary	77.377.440	67.505.023
Germany	38.612.847	42.261.792
Segment assets (*)	773.346.983	700.537.111
Unallocated assets	99.454.034	142.457.176
Deduction: Inter-segment elimination	(183.225.799)	(163.564.747)
Total assets as per consolidated financial statements	689.575.218	679.429.540

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

Total liabilities	December 31, 2016	December 31, 2015
Turkey	67.667.198	64.109.564
India	169.727.436	128.065.173
Hungary	12.951.773	9.030.370
Germany	40.973.943	18.536.415
Segment liabilities (*)	291.320.350	219.741.522
Unallocated liabilities	328.402.271	328.445.333
Less: Inter-segment elimination	(31.844.167)	(13.042.574)
Total liabilities as per consolidated financial statements	587.878.454	535.144.281

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

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Geographical Segments

Geographical Analysis for the period January 1 - December 31, 2016

	Turkey	Hungary	India	Germany	Total Combined	Intersegment Adjustment	Total
Revenue	406.575.372	91.892.586	134.714.831	76.255.134	709.437.923	86.768	709.524.691
Cost of sales	(280.234.974)	(60.302.628)	(111.472.493)	(91.105.369)	(543.115.464)	-	(543.115.464)
Gross profit	126.340.398	31.589.958	23.242.338	(14.850.235)	166.322.459	86.768	166.409.227
General administrative expenses	(67.361.371)	(11.841.473)	(16.259.052)	(9.802.246)	(105.264.142)	314.170	(104.949.972)
Other operating income/expense (net)	208.897	5.755	248.694	(2.611.424)	(2.148.078)	(385.858)	(2.533.936)
Operating profit/(loss)	59.187.924	19.754.240	7.231.980	(27.263.905)	58.910.239	15.080	58.925.319

Geographical Analysis for the interim period January 1 - December 31, 2015

	Turkey	Hungary	India	Germany	Total Combined	Intersegment Adjustment	Total
Revenue	467.126.909	76.339.952	105.958.415	82.920.269	732.345.545	(67.222)	732.278.323
Cost of sales	(290.548.816)	(50.451.747)	(97.013.862)	(78.668.029)	(516.682.454)	53.905	(516.628.549)
Gross profit	176.578.093	25.888.205	8.944.553	4.252.240	215.663.091	(13.317)	215.649.774
General administrative expenses	(66.143.375)	(10.113.419)	(11.281.452)	(9.972.165)	(97.510.411)	219.472	(97.290.939)
Other operating income/expense (net)	3.169.776	(8.183)	522.898	(469.915)	3.214.576	(300.551)	2.914.025
Operating profit/(loss)	113.604.494	15.766.603	(1.814.001)	(6.189.840)	121.367.256	(94.396)	121.272.860

NOTE 4 - CASH AND CASH EQUIVALENTS

	December 31, 2016	December 31, 2015
Cash	439.801	225.838
Banks	65.038.016	127.698.966
- time deposit	46.375.184	99.953.497
- demand deposit	18.662.832	27.745.469
	65.477.817	127.924.804

Effective interest rates on TL, EUR, USD and INR denominated time deposits at December 31, 2016 are 10,5%, 1,40%, 1,90%, 4,47%. (December 31, 2015: TL 9,27%, EUR 2,39%, USD 1,93%, INR 5,00%). The maturity days on TL, EUR, USD and INR denominated time deposits as of December 31, 2016 20-60 days, 1-14 days and 1-30 days for INR, EUR and USD respectively, 1-35 day for TL. (December 31, 2015: INR 20-60 days, TL, EUR 1-14 days and for USD 1-3 days).

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The analysis of cash and cash equivalents in terms of consolidated statements of cash flows at December 31, 2016 and December 31, 2015 are as follows:

	December 31, 2016	December 31, 2015
Cash and banks	65.477.817	127.924.804
Less: Interest Accruals	(17.074)	(65.241)
	65.460.743	127.859.563

NOTE 5 - FINANCIAL INVESTMENTS

	December 31, 2016	December 31, 2015
Restricted cash(*)	10.721.807	11.674.131
	10.721.807	11.674.131

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

Available-for-sale assets:

	Percentage of shares %	December 31, 2016 TL	Percentage of shares %	December 31, 2015 TL
DASPL	25,00	3.616.398	16,66	1.828.335
Celebi Spain (*)	100,00	20.525	100,00	20.525
		3.636.923		1.848.860

(*) As at December 31, 2016, Celebi Spain is not material for the Group's financial statements at cost due to the failure and the company's operations have not started yet after deduction of depreciation not been consolidated in the consolidated financial statements and accounted for as available-for-sale financial assets are reflected in the financial statements.

NOTE 6 - EQUITY ACCOUNTED INVESTEES

	%	December 31, 2016	%	December 31, 2015
Çelebi Nas	57,0	40.033.913	55,0	26.204.104
	57,0	40.033.913	55,0	26.204.104

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

	December 31, 2016	December 31, 2015
As of 1 January	26.204.104	17.141.793
Share on profit/loss	7.781.721	5.315.128
Currency translation differences	4.795.325	3.585.228
Actuarial gains/losses fund from retirement plans	(151.936)	161.955
Equity effect on additional share purchase (Note 12)	1.404.699	-
As of 31 December	40.033.913	26.204.104

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Profit/loss from investments accounted under equity method:

	1 January- 31 December 2016	1 January- 31 December 2015
Çelebi Nas	7.781.721	5.315.128
	7.781.721	5.315.128

Summary statement of equity accounted investees:

	December 31, 2016	December 31, 2015
Total Assets	85.963.091	86.928.078
Total Liabilities	45.929.177	39.284.251
	January 1- December 31, 2016	January 1- December 31, 2015
Total Revenue (*)	72.487.072	55.109.336
Profit/(Loss) for the period	14.148.584	9.663.869

(*)Income amount as a part of IFRIC 12 amounting to TL 28.881.201 is included for the period of 1 January - 31 December 2016.(January 1 - December 31, 2015: None)

NOTE 7 - SHORT TERM AND LONG TERM FINANCIAL LIABILITIES

Short term borrowings:

	December 31, 2016		
	Effective Interest rate (%)	Original Amount	TL
Short-term financial liabilities			
EUR Borrowings	1,70 - 3,35	5.500.000	20.404.450
INR Borrowings	10,60-12,00	84.486.669	4.385.703
Total short term credits			24.790.153
Short-term finance lease obligations			
Short-term finance lease obligations - USD		24.307	85.540
Short-term finance lease obligations - EUR		21.785	80.819
Total short-term finance lease obligations			166.359
Total short-term borrowings			24.956.512

Short-term portion of long-term borrowings

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

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Long-term financial liabilities

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

Long-term finance lease obligations

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

Short-term financial liabilities

	December 31, 2015		
	Effective Interest Rate (%)	Original Amount	TL
Short term borrowings			
INR borrowings	9,75 - 10,50	134.900.000	5.919.412
EUR borrowings	2,20 - Euribor+5,50	10.238.279	32.533.156
Total short term credits			38.452.568

Short-term finance lease obligations

Short-term finance lease obligations - USD	21.924	63.746
Short-term finance lease obligations - EUR	603.864	1.918.839
Total short-term finance lease obligations		1.982.585
Total short-term borrowings		40.435.153

Short-term portion of long-term borrowings

Interest expense accrual - INR		10.140.383	444.960
Interest expense accrual - EUR		299.508	951.718
Interest expense accrual - TL		470.690	470.690
INR borrowings	9,75% - 10,50%	562.418.911	24.678.942
EUR borrowings	2,20% - Euribor+5,50%	22.830.037	72.544.726
TL borrowings	11,35%	25.000.000	25.000.000
Short-term portion of total long term borrowings:			124.091.036
Total short term liabilities:			164.526.189

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	December 31, 2015		
	Effective Interest Rate (%)	Original Amount	TL
INR borrowings	10,75 - 11,35	997.609.184	43.775.091
EUR borrowings	2,50 - Euribor+5,15	35.130.111	111.629.440
			155.404.531

Long-term finance lease obligations

Long-term finance lease obligations - USD	2.926	8.508
Long-term finance lease obligations - EUR	806.582	2.562.995
Total long-term finance lease obligations		2.571.503
Total long-term financial liabilities		157.976.034
Total financial liabilities		322.502.223

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

	December 31, 2016	December 31, 2015
Less than 3 months	24.755.015	25.655.914
Between 3-12 months	128.730.665	138.870.275
Between 1-5 years	169.091.083	157.976.034
	322.576.763	322.502.223

The redemption schedules of long-term bank borrowings as of December 31, 2016 and December 31, 2015 are as follows:

	December 31, 2016	December 31, 2015
Between 1-2 years	57.028.113	68.585.560
Between 2-3 years	83.839.945	63.245.697
Between 3-4 years	28.009.745	21.825.594
4 years and more	-	1.747.680
	168.877.803	155.404.531

The redemption schedules of financial lease obligations as of December 31, 2016 and December 31, 2015 are as follows:

	December 31, 2016			December 31, 2015		
	Minimum lease Payments	Interest	Total obligation	Minimum lease Payments	Interest	Total obligation
Less than 1 year	182.497	(16.138)	166.359	2.184.069	(201.484)	1.982.585
Between 1-2 years	96.535	(9.338)	87.197	1.965.181	(90.546)	1.874.635
Between 2-3 years	92.631	(4.633)	87.998	701.360	(4.492)	696.868
Between 3-4 years	38.597	(514)	38.083	-	-	-
	410.260	(30.623)	379.637	4.850.610	(296.522)	4.554.088

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES

	December 31, 2016	December 31, 2015
Short-term trade receivables		
Due from third parties	96.514.411	76.828.591
Less: Provision for doubtful receivables	(2.996.580)	(2.934.249)
Trade receivables from third parties (net)	93.517.831	73.894.342
Due from related parties (Note 30)	1.038.242	1.219.662
Total short-term trade receivables	94.556.073	75.114.004

The maturities of trade receivables are generally less than 45 days (December 31, 2015: less than 45 days).

Foreign currency amounts in the Company's trade receivables are presented in Note 31.

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

Movement of provision for doubtful receivables is as follows:

	December 31, 2016	December 31, 2015
Opening balance	2.934.385	3.142.514
Additional provisions booked in current period	9.819	61.326
Foreign currency translation differences	79.125	103.614
Collections and reversal of provisions	(26.749)	-
Delete of non-collectable receivables	-	(373.205)
Closing balance	2.996.580	2.934.249

Credit risks exposed by the Group for each financial instrument type as of December 31, 2016 and 2015 are shown below:

	Trade receivables		Other receivables		
December 31, 2016	Related Party	Other	Related Party	Other	Bank deposits (*)
The maximum of credit risk exposed at the reporting date	1.038.242	93.517.831	-	33.532.667	65.038.016
-Credit risk covered by guarantees	-	*3.085.994*	-	-	-
Net carrying value of financial assets either are not due or not impaired	1.038.242	59.461.370	-	33.532.667	65.038.016
Net carrying value of financial assets which are overdue but not impaired	-	34.056.461	-	-	-
- Amount of risk covered by guarantees	-	*1.521.441*	-	-	-
Net carrying value of impaired assets	-	2.996.580	-	-	-
- Overdue (gross carrying value)	-	*(2.996.580)*	-	-	-
- Impairment amount (-)	-	-	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

(*) Including restricted cash.

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	Trade receivables		Other receivables		
December 31, 2015	Related Party	Other	Related Party	Other	Bank deposits (*)
The maximum of credit risk exposed at the reporting date	1.219.662	73.894.342	11.134.547	26.184.109	127.698.966
- Credit risk covered by guarantees	-	*4.153.427*	-	-	-
Net carrying value of financial assets either are not due or not impaired	1.219.662	44.603.413	11.134.547	26.184.109	127.698.966
Net carrying value of financial assets which are overdue but not impaired	-	29.290.929	-	-	-
- Amount of risk covered by guarantees	-	*2.116.057*	-	-	-
Net carrying value of impaired assets					
- Overdue (gross carrying value)	-	*2.934.249*	-	-	-
- Impairment amount (-)	-	*(2.934.249)*	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

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, 2016	December 31, 2015
Overdue 1 month	9.854.813	17.113.353
Overdue 1-3 months	14.691.727	8.883.125
Overdue 3-12 months	7.067.233	2.286.152
Overdue 1-5 years	2.442.688	1.008.299
	34.056.461	29.290.929

Credit risk covered by guarantees of overdue receivables that are not impaired including receivables from related parties as of December 31, 2016 is 1.521.441 TL. (December 31, 2015: 2.116.057)

Short-term trade payables

	December 31, 2016	December 31, 2015
Trade payables to third parties	51.433.834	38.556.970
Accrued liabilities	11.119.503	10.962.622
Total trade payables to third parties	62.553.337	49.519.592
Due to third parties (Note 30)	6.574.559	5.523.304
Total trade payables	69.127.896	55.042.896

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NOTE 9 - OTHER RECEIVABLES AND PAYABLES

	December 31, 2016	December 31, 2015
Other short-term receivables		
Receivables from Tax Office	7.646.992	6.308.072
Deposits and guarantees given	628.188	893.685
Other short-term receivables	335	58.566
Total trade payables to third parties	8.275.515	7.260.323
Other short-term receivables from related parties (Note 30)	-	11.134.547
Total short-term other receivables	8.275.515	18.394.870

	December 31, 2016	December 31, 2015
Other long-term receivables from third parties		
Deposits and guarantees given (*)	25.257.152	18.923.786
	25.257.152	18.923.786

(*) As of December 31, 2016, the amount which was given for Group's subsidiaries and joint ventures in India, the Celebi GH Delhi, Celebi Delhi Cargo amounting to TL 15.450.137 (December 31, 2015: TL 8.481.462) and TL 9.555.325 (December 31, 2015: TL 5.060.111) as a deposit to the local authorities, companies and the amount which was shown in banks as blockage.

	December 31, 2016	December 31, 2015
Other short-term payables		
Other short-term payables (*)	6.762.769	5.216.776
Deposits received	157.051	117.104
	6.919.820	5.333.880

(*) As of December 31, 2016; TL 6.142.490 of other short-term payables (December 31, 2015: TL 3.966.746) Celebi Delhi Cargo, a subsidiary of the Company in India, the other partner Delhi International Airport Private Limited (DIAL) debts arising from the concession contract.

	December 31, 2016	December 31, 2015
Other long-term payables		
Deposits and guarantees received	9.091.878	7.462.171
	9.091.878	7.462.171

NOTE 10 - INVENTORIES

	December 31, 2016	December 31, 2015
Trade goods	1.800.844	1.236.339
Other inventories (*)	9.394.988	8.607.849
	11.195.832	9.844.188

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

ÇELEBİ HAVA SERVİSİ A.Ş.

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

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

	Opening January 1, 2016	Additions	Disposals	Transfers(**)	Foreign Currency Translation Differences	Closing December 31, 2016
Cost						
Plant, machinery and equipment	238.658.955	10.058.941	(2.535.596)	533.776	9.107.750	255.823.826
Motor vehicles	41.167.274	4.303.806	(820.908)	-	6.936.585	51.586.757
Furniture and fixtures	24.294.745	1.849.867	(501.864)	22.989	930.225	26.595.962
Leasehold improvements (*)	116.862.759	1.836.407	(600.483)	1.650.597	1.271.179	121.020.459
Construction in Progress	1.229.010	2.718.907	(134.356)	(2.207.362)	733.857	2.340.056
	422.212.743	20.767.928	(4.593.207)	-	18.979.596	457.367.060
Accumulated depreciation						
Plant, machinery and equipment	(154.978.810)	(15.268.537)	2.369.123	-	(5.892.812)	(173.771.036)
Motor vehicles	(30.287.426)	(1.730.663)	781.347	-	(4.953.801)	(36.190.543)
Furniture and fixtures	(19.915.766)	(1.764.562)	501.084	-	(607.031)	(21.786.275)
Leasehold improvements (*)	(61.361.486)	(7.355.546)	318.948	-	(461.316)	(68.859.400)
	(266.543.488)	(26.119.308)	3.970.502	-	(11.914.960)	(300.607.254)
Net book value	155.669.255					156.759.806

(*) The land plots where the stations and cargo buildings were constructed by the Group in the airports within which it operates were rented from the DHMI and other local authority. The station and cargo buildings on this land were constructed by the Group and recorded under the tangible assets of the Group as leasehold improvements. As of December 31, 2016 the net book value of these stations was TL 45.724.000. The lease contract signed by the Group and the DHMI is valid for one year and the agreement is renewed every year. The agreement is renewed automatically. The Group amortizes these station buildings over 15 years which correspond to their economic lives. If the DHMI does not renew the lease contract within this period, the Group may have to amortize the relevant leasehold improvements over a shorter period.

Depreciation expense for the period ended December 31, 2016 in the amount of TL 25.615.205 and TL 504.103 are respectively included in cost of sales and operating expenses.

There are net book value TL 336.773 worth of financial leasing assets in plant, machinery and equipment as of December 31, 2016.

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Movements in property, plant and equipment for the period ended December 31, 2015 are as follows:

	Opening January 1, 2015	Additions	Disposals	Transfers(**)	Foreign Currency Translation Differences	Closing December 31, 2015
Cost						
Plant, machinery and equipment	233.681.575	22.120.320	(1.115.306)	(22.439.644)	6.412.010	238.658.955
Motor vehicles	34.368.703	374.307	(770.449)	2.721.845	4.472.868	41.167.274
Furniture and fixtures	21.856.759	1.664.839	(67.339)	294.661	545.825	24.294.745
Leasehold improvements (*)	104.380.345	2.425.453	(806.136)	9.995.426	867.671	116.862.759
Construction in Progress	10.720.355	4.942.891	-	(14.486.926)	52.690	1.229.010
	405.007.737	31.527.810	(2.759.230)	(23.914.638)	12.351.064	422.212.743
Accumulated depreciation						
Plant, machinery and equipment	(139.418.906)	(14.156.846)	1.092.235	1.058.432	(3.553.725)	(154.978.810)
Motor vehicles	(25.738.416)	(2.015.207)	770.449	-	(3.304.252)	(30.287.426)
Furniture and fixtures	(17.829.918)	(1.834.110)	62.415	-	(314.153)	(19.915.766)
Leasehold improvements (*)	(55.534.188)	(6.787.778)	412.459	816.945	(268.924)	(61.361.486)
	(238.521.428)	(24.793.941)	2.337.558	1.875.377	(7.441.054)	(266.543.488)
Net book value	166.486.309					155.669.255

(*) The land plots where the stations and cargo buildings were constructed by the Group in the airports within which it operates were rented from the DHMI and other local authority. The station and cargo buildings on this land were constructed by the Group and recorded under the tangible assets of the Group as leasehold improvements. As of December 31, 2015 the net book value of these stations was TL 45.596.708. The lease contract signed by the Group and the DHMİ is valid for one year and the agreement is renewed every year. The agreement is renewed automatically. The Group amortizes these station buildings over 15 years which correspond to their economic lives. If the DHMI does not renew the lease contract within this period, the Group may have to amortize the relevant leasehold improvements over a shorter period.

(**) For the detail of purchase of Celebi GmbH please refer to Note 12.

(***) Due to the apron widening works conducted by DHMİ as a solution to the increasing passenger traffic at Atatürk Airport, the Company evacuated its service buildings to hand them over to DHMİ in accordance with the provisions of the lease and moved into the new service buildings constructed in the area allotted by DHMİ on July 1, 2014. The net book value of the investments regarding the service buildings evacuated/handed over to DHMİ recognized in special expenses item as of the handing-over date is TL 7.872.903 which has been classified in expense from investment activities

Depreciation expense for the period ended December 31, 2015 in the amount of TL 20.753.304 and TL 2.171.566 are respectively included in cost of sales and operating expenses.

There are net book value TL 6.648.830 worth of financial leasing assets in plant, machinery and equipment as of 31 December 2015.

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NOTE 12 - INTANGIBLE ASSETS

Other Intangible Assets

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

	Opening January 1, 2016	Additions	Disposals	Impairment	Foreign Currency Translation Differences	Closing December 31, 2016
Cost						
Rights	11.162.357	-	(473.808)	-	-	10.688.549
Customer relations	44.457.702	-	-	(4.537.230)	7.865.354	47.785.826
Software	11.442.585	2.131.986	-	-	774.635	14.349.206
Concession rights (**)	84.351.019	3.024.194	-	-	15.898.652	103.273.865
Build-operate-transfer investments (*)	68.531.044	-	-	-	12.207.201	80.738.245
	219.944.707	5.156.180	(473.808)	(4.537.230)	36.745.842	256.835.691
Accumulated depreciation						
Rights	(3.337.446)	(1.215.802)	405.344	-	-	(4.147.904)
Customer relations	(21.133.357)	(3.943.811)	-	-	(4.471.053)	(29.548.221)
Software	(41.990.989)	(453.725)	-	2.117.379	(7.458.491)	(47.785.826)
Concession rights (**)	(9.088.375)	(1.048.214)	-	-	(634.598)	(10.771.187)
Build-operate-transfer investments (*)	(19.710.287)	(3.566.976)	-	-	(4.133.262)	(27.410.525)
	(95.260.454)	(10.228.528)	405.344	2.117.379	(16.697.404)	(119.663.663)
Net book value	124.684.253					137.172.028

(*) TL 49.105.296 which is difference between discounted present value of deposits paid with interest rate, 11,46%, and the deposit amounting to INR 1.374.428.822, paid in accordance with the concession agreement on the development, modernization, finance and 25-year operation of the cargo terminal in the airport in New Delhi, India has been capitalized as a Build-Operate-Transfer investment and it will be amortized in 25 years until operations end in Delhi International Airport. In addition, TL 4.222.725 which is difference between discounted present value of deposit paid with interest rate, 10,82%, and the deposit amounting to INR 400.000.000 paid in accordance with the concession agreement on the development, modernization, finance and 10-year operation of the cargo terminal in the airport in New Delhi, India, has been capitalized as a Build-Operate-Transfer investment and it will be amortized in 10 years until operations end in Delhi International Airport.

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

Amortization expense for the period ended 31 December 2016 in the amount of TL 1.022.086 and TL 9.206.442 are included in operating expenses and cost of sales.

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Other Intangible Assets

Movements in intangible assets for the period ended December 31, 2015 are as follows:

	Opening January 1, 2015	Additions	Disposals	Transfers	Foreign Currency Translation Differences	Closing December 31, 2015
Cost						
Rights	11.162.357	-	-	-	-	11.162.357
Customer relations	39.672.954	-	-	-	4.784.748	44.457.702
Software	9.906.772	1.054.072	-	39.371	442.370	11.442.585
Concession rights (**)	68.658.512	2.010.141	-	-	13.682.366	84.351.019
Build-operate-transfer investments (*)	53.621.156	3.644.048	-	-	11.265.840	68.531.044
	183.021.751	6.708.261	-	39.371	30.175.324	219.944.707
Accumulated depreciation						
Rights	(2.119.894)	(1.219.672)	-	-	2.120	(3.337.446)
Customer relations	(36.386.065)	(819.843)	-	-	(4.785.081)	(41.990.989)
Software	(7.604.993)	(1.128.294)	-	-	(355.088)	(9.088.375)
Concession rights(**)	(14.579.261)	(3.538.683)	-	-	(3.015.413)	(21.133.357)
Build-operate-transfer investments (*)	(13.495.057)	(3.296.247)	-	-	(2.918.983)	(19.710.287)
	(74.185.270)	(10.002.739)	-	-	(11.072.445)	(95.260.454)
Net book value	108.836.481					124.684.253

(*) TL 36.192.751 which is difference between discounted present value of deposit paid with interest rate, 11,46%, and the deposit amounting to INR 1.200.000.000, additionally INR 78.148.352 paid in accordance with the concession agreement on the development, modernization, finance and 25-year operation of the cargo terminal in the airport in New Delhi, India, has been capitalized as a Build-Operate-Transfer investment and it will be amortized in 25 years until operations end in Delhi International Airport. In addition, TL 6.001.405 which is difference between discounted present value of deposit paid with interest rate, 10,82%, and the deposit amounting to INR 400.000.000 paid in accordance with the concession agreement on the development, modernization, finance and 10-year operation of the cargo terminal in the airport in New Delhi, India, has been capitalized as a Build-Operate-Transfer investment and it will be amortized in 10 years until operations end in Delhi International Airport.

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

Amortization expense for the period ended 31 December 2015 in the amount of TL 674.519 and TL 7.305.012 are included in operating expenses and cost of sales.

Goodwill

Positive goodwill at December 31, 2016 and December 31, 2015 is as follows

	December 31, 2016	December 31, 2015
Goodwill due to acquisition of CGHH	28.060.700	23.738.281
Celebi Nas due to acquisition of additional share	2.705.387	910.723
Goodwill due to acquisition of Celebi GmbH	1.789.964	1.533.138
	32.556.051	26.182.142

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Goodwill due to acquisition of CGHH

Goodwill details relating to the acquisition of CGHH at December 31, 2016 are below:

	December 31, 2016	December 31, 2015
1 January	23.738.281	20.934.547
Foreign Currency Translation Differences	4.322.419	2.803.734
Goodwill	28.060.700	23.738.281

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

	December 31, 2016
Ground handling services - Hungary	28.060.700

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

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

Discount rate	9,40%

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

As a result of impairment tests performed under above assumptions, no impairment was detected in the goodwill amount as of December 31, 2016.

Goodwill from purchasing 4% shares of Celebi Nas

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

Goodwill from purchasing 2% shares of Celebi Nas

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

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

	31 December 2016
Ground handling services - India	2.705.387

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

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The Group management determined the budgeted gross profit margin by taking into consideration for the previous performance of the Company and the market growth expectations. The 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, 2016.

Goodwill from purchasing of Celebi GmbH

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

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

	December 31, 2016	December 31, 2015
January 1	1.533.138	1.360.940
Foreign currency translation differences	256.826	172.198
Goodwill	1.789.964	1.533.138

Goodwill ımpairment test

	December 31, 2016
Warehouse and cargo services - Germany	1.789.964

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 cash flow forecasts for the next 5 years have been used which are based on approved annual budgets and strategic projections of the management representing the best estimate of future performance.

The Group management determined the budgeted gross profit margin by taking into consideration for the previous performance of the Company and the market growth expectations. The 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, 2016.

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NOTE 13 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

a) Short term provisions

Other short-term provisions

	December 31, 2016	December 31, 2015
Provision for litigation and obligation	1.593.633	1.486.927
Other debt provisions	117.285	-
	1.710.918	1.486.927

	Provision for litigation	Other Provisions	Total
1 January 2016	1.486.927	-	1.486.927
Increase during the year	106.706	117.285	223.991
31 December 2016	1.593.633	117.285	1.710.918

	Provision for litigation	Other Provisions	Total
1 January 2015	857.992	-	857.992
Increase during the year	906.927	-	906.927
Payments during the year	(13.260)	-	(13.260)
Cancelled	(264.732)		(264.732)
31 December 2015	1.486.927	-	1.486.927

Short-term provision for employee benefits

	December 31, 2016	December 31, 2015
Provision for employee termination benefits	1.382.749	1.828.866
Provision for unused vacation	4.476.709	3.931.005
	5.859.458	5.759.871

b) Long-term provisions

Long-term provision for employee benefits

	December 31, 2016	December 31, 2015
Provision for employee termination benefits	21.540.508	17.437.933

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

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

Since the legislation was changed on May 23, 2002, there are certain transitional provisions relating to length of service prior to retirement. The amount payable at December 31, 2016 consists of one month's salary limited to a maximum of TL 4.297,21 (December 31, 2015: TL 3.828,37) for each year of service.

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

According to regulations in India, the Company is required to pay termination benefits to each employee in its subsidiaries and joint ventures who has completed five year of service, who is called up for military service, who achieves the retirement age, who early retires, or who dies. Total employee termination benefit liability is calculated by 15 days per year of service for the current period ended at December 31, 2016 and the liability is limited to INR 350.000 per employee. Employee termination benefit liability is calculated by estimating the present value of the future probable obligation to the employees of the group in its subsidiaries that are registered in Turkey arising from the retirement of the employees, IFRS requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans.

The principal assumption is that the liability ceiling for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Since the Group calculates the reserve for employment termination benefits every six months the maximum amount of TL 4.426,16 which is effective from January 1, 2017 (January 1, 2016: TL 4.092,53) has been taken into consideration in the calculations. Movements in the provision for employment termination benefits are as follows:

	December 31, 2016	December 31, 2015
As of January 1	23.197.804	12.479.826
Paid during the year	(10.947.937)	(4.911.773)
Increase/decrease during the year	5.018.545	4.825.348
Used during the period	(4.542.104)	(3.844.628)
Service Cost	3.229.651	4.172.295
Interest Cost	1.325.457	772.594
Actuarial gain/loss	9.259.427	9.267.578
Foreign currency translation differences	859.123	436.564
End of the period	27.399.966	23.197.804

Contingent assets and liabilities of the Group

	December 31, 2016	December 31, 2015
Guarantees received:		
Guarantee letters	7.962.854	6.982.270
Guarantee checks	1.563.011	3.352.571
Guarantee notes	1.051.737	912.759
	10.577.602	11.247.600

	December 31, 2016	December 31, 2015
Guarantees given:		
Collateral	323.427.969	327.205.391
Guarantee letters	152.677.599	110.822.778
Share pledge	16.164.938	15.097.257
	492.270.506	453.125.426

The Company has contingent assets amounting to TL 1.645.130 (December 31, 2015: TL 1.478.896), due to the legal cases in favor of the Company and contingent liabilities amounting to TL 26.343.631 due to the legal cases and enforcement proceedings against the Company as of December 31, 2016 (2015: TL 21.705.417). TL 20.318.125 portion of contingent liabilities are comprised of legal cases and enforcement proceedings related with the fire in warehouse (Note 33) in which Company is a sole defendant and co-defendant with the DHMI, other warehouse management companies and insurance companies (December 31, 2015: TL 17.710.757).

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The details of collaterals, pledges and mortgages ("CPM") of the Company at December 31, 2016 and December 31, 2015 are as follows:

		December 31, 2016		December 31, 2015	
Collaterals, pledges and mortgages given by the Company	Currency	Amount	TL equivalent	Amount	TL equivalent
A. CPM given on behalf of the Company's legal personality			110.907.857		55.891.829
	TL	9.281.049	9.281.049	6.984.425	6.984.425
	EUR	14.791.417	54.874.678	3.339.975	10.613.104
	USD	2.383.397	8.387.650	2.210.500	6.427.250
	INR	588.287.788	30.538.019	598.287.785	26.252.868
	HUF	651.662.000	7.826.461	552.576.969	5.614.182
B. CPM given on behalf of fully consolidated subsidiaries			381.362.650		397.233.597
	EUR	32.500.000	120.571.750	27.696.667	88.008.928
	USD	11.869.102	41.769.744	18.892.196	54.930.949
	INR	4.219.247.851	219.021.156	5.795.207.850	254.293.720
C. CPM given for continuation of its economic activities on behalf of third parties		-	-	-	-
D Total amount of other CPM		-	-	-	-
i. Total amount of CPM given on behalf of the majority shareholder		-	-	-	-
ii. Total amount of CPM given to on behalf of other group companies which are not in scope of B and C		-	-	-	-
iii. Total amount of CPM given on behalf of third Parties which are not in scope of C		-	-	-	-
			492.270.507		453.125.426

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

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NOTE 14 - OTHER ASSETS AND LIABILITIES

	December 31, 2016	December 31, 2015
Other current assets		
Deferred Value-added tax ("VAT")	3.473.828	2.885.888
Advances given to personnel	408.328	377.260
Other	218.205	18.375
	4.100.361	3.281.523

	December 31, 2016	December 31, 2015
Other non-current assets		
Prepaid taxes and funds (*)	19.018.753	14.643.346
Other	3.242	3.242
	19.021.995	14.646.588

(*) The amount consist of prepaid taxes and funds, which can be offset in more than 1 year period, of Celebi GH Delhi and Celebi Delhi Cargo as of December 31, 2016 amounting to TL 3.994.399 (December 31, 2015: TL 3.174.910) and TL 15.024.354 (December 31, 2015: TL : 11.468.436).

	December 31, 2016	December 31, 2015
Other current liabilities		
Taxes and funds payable	2.921.626	1.821.000
Rent equalization reserves	1.394.029	1.399.131
Other miscellaneous payables and liabilities	1.290.358	1.308.383
	5.606.013	4.528.514

	December 31, 2016	December 31, 2015
Other non-current liabilities		
Provision for operational leasing equalization (*)	83.560.283	62.533.074
Maintenance obligation liability	25.445.889	18.987.963
	109.006.172	81.521.037

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

NOTE 15 - PREPAID EXPENSES

	December 31, 2016	December 31, 2015
Short-term prepaid expenses		
Prepaid expenses (*)	9.714.535	8.466.970
Advances given	5.148.372	4.273.181
	14.862.907	12.740.151

	December 31, 2016	December 31, 2015
Long-term prepaid expenses		
Prepaid expenses (*)	17.697.284	16.587.126
Advances given for fixed assets	3.721.882	2.847.178
	21.419.166	19.434.304

(*) TL 16.171.008 (December 31, 2015: TL 17.326.080) of total prepaid expenses consist of long-term prepaid rent expenses in an airport in which Celebi Hava operates.

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NOTE 16 - DEFERRED INCOME

	December 31, 2016	December 31, 2015
Short-term Deferred Income		
Order advances received	3.768.438	3.041.038
Short term deferred revenues calculated based on IFRIC12	1.842.597	-
	5.611.035	3.041.038

NOTE 17 - LIABILITIES FOR EMPLOYEE BENEFITS

	December 31, 2016	December 31, 2015
Wages and salaries payable	10.267.141	9.926.745
Social security withholdings payment	8.576.262	4.997.840
Premium and bonus payable accruals	6.159.082	7.310.170
	25.002.485	22.234.755

NOTE 18 - EQUITY

Share Capital

As of December 31, 2016, 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, 2015: 2.430.000.000).

At December 31, 2016 and December 31, 2015, the shareholding structure of the Group is stated in historical amounts below:

	December 31, 2016		December 31, 2015	
Shareholders	Amount	Share %	Amount	Share %
Çelebi Havacılık Holding A.Ş. (ÇHH)	19.042.115	78,36	19.042.115	78,36
Other	5.257.885	21,64	5.257.885	21,64
	24.300.000	100,00	24.300.000	100,00

Restricted Reserves

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital.

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

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

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

The amount of restricted reserves is TL 40.181.456 as of December 31, 2016 (December 31, 2015: TL 33.012.956).

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Listed companies distribute dividend in accordance with the Communique No. II-19.1 issued by the CMB which is effective from February 1, 2014. Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The Communique does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on interim financial statement of the Company.

In the financial year 2016, the Company has paid dividend amounting to TL 72.900.000 from the 2015 distributable consolidated profit of the period to shareholders. The gross dividend per share is TL 0.034 full. (December 31, 2015: TL 48.600.000 dividend was paid to shareholders from the 2014 distributable consolidated profit of the period.)

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

NOTE 19 - REVENUE AND COST OF SALES

	January 1- December 31, 2016	January 1- December 31, 2015
Ground handling services	491.254.209	523.706.583
Cargo and warehouse services income	214.474.572	205.786.495
Revenue in the context of IFRIC 12	2.045.051	1.219.696
Rental revenue not related to aviation	15.587.914	12.399.336
Less: Returns and discounts	(13.837.055)	(10.833.787)
Sales revenue- net	709.524.691	732.278.323
Cost of sales	(543.115.464)	(516.628.549)
Gross profit	166.409.227	215.649.774

NOTE 20 - EXPENSES BY NATURE

	January 1- December 31, 2016	January 1- December 31, 2015
Personnel expenses	(288.196.569)	(293.800.515)
Payments to authorities and terminal managements (*)	(123.560.463)	(121.179.307)
Equipment repair, maintenance, fuel and security expenses	(57.698.453)	(55.977.608)
Depreciation and amortization expenses	(36.347.837)	(34.796.680)
Cost of sales(***)	(3.930.713)	(4.117.017)
Insurance premiums	(4.804.381)	(4.048.361)
Expense in the context of IFRIC 12 (**)	(5.490.209)	(4.775.159)
Travel and transportation expenses	(4.498.497)	(4.253.111)
Consultancy expenses (****)	(53.170.215)	(48.429.673)
Other expenses	(70.368.099)	(42.542.057)
	(648.065.436)	(613.919.488)

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

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

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

(****) TL 41.748.480 of aforementioned expenses consists of contribution shares of holding company expenses.

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NOTE 21 - GENERAL ADMINISTRATIVE EXPENSES

	January 1- December 31 2016	January 1- December 31 2015
Consultancy expenses	(52.581.406)	(47.973.398)
Personnel expenses	(34.081.264)	(31.219.140)
Depreciation and amortization	(1.524.052)	(2.660.487)
Travel and transportation expenses	(3.569.149)	(2.848.542)
Equipment repair, maintenance, fuel and security expenses	(4.953.040)	(3.610.280)
Payments to authorities and terminal managements	(4.696.895)	(4.119.812)
Insurance premiums	(657.071)	(607.378)
Taxes and other fees	(433.685)	(319.724)
Other expenses	(2.453.410)	(3.932.178)
	(104.949.972)	(97.290.939)

NOTE 22 - OTHER OPERATING INCOME

	January 1- December 31 2016	January 1- December 31 2015
Foreign exchange gains	4.688.548	10.645.333
Cancelation of provisions	1.033.583	2.952.379
Income from insurance claims	98.473	181.587
Other incomes	2.609.051	1.080.803
	8.429.655	14.860.102

NOTE 23 - OTHER OPERATING EXPENSE

	January 1- December 31 2016	January 1- December 31 2015
Foreign exchange losses	(2.274.307)	(6.263.935)
Provision expenses	(613.165)	(893.667)
Donation expenses	(452.651)	(309.475)
Expenses and compensation for damage (*)	(306.237)	(389.178)
Administrative fine	(1.152.474)	-
Other expenses	(6.164.757)	(4.089.822)
	(10.963.591)	(11.946.077)

NOTE 24 - INCOME FROM INVESTMENT ACTIVITIES

	January 1- December 31 2016	January 1- December 31 2015
Income from the sale of fixed assets	1.481.129	6.337.247
	1.481.129	6.337.247

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NOTE 25 - EXPENSE FROM INVESTMENT ACTIVITIES

	January 1- December 31 2016	January 1- December 31 2015
Loss from the sale of fixed assets	(295.060)	(422.117)
	(295.060)	(422.117)

NOTE 26 - FINANCIAL INCOME

	31 December 2016	31 December 2015
Foreign exchange gains	16.960.127	22.460.542
Interest income	5.824.390	4.203.352
Other financial income	1.883.662	2.471.129
	24.668.179	29.135.023

NOTE 27 - FINANCIAL EXPENSES

	January 1- December 31 2016	January 1- December 31 2015
Foreign exchange losses	(32.114.422)	(32.968.488)
Interest expenses	(17.470.024)	(22.202.185)
Financial expenses incurred under scope of IFRIC 12	(1.826.367)	(792.799)
Other financial expenses	(2.734.193)	(3.837.456)
	(54.145.006)	(59.800.928)

NOTE 28 - TAX ASSETS AND LIABILITIES

	31 December 2016	31 December 2015
Current period corporate tax provision	14.084.821	24.383.758
Less: prepaid corporate tax expense	(16.255.650)	(22.412.817)
Current tax liability - net (*)	(2.170.829)	1.970.941
Deferred tax assets	42.357.043	31.983.592
Deferred tax liabilities	(5.825.508)	(5.943.110)
Deferred tax assets/(liability) - net	36.531.535	26.040.482

(*) Current tax assets and current period corporate income tax of the Group is shown separately in the balance sheet.

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

In Turkey, the corporation tax rate is 20% (December 31, 2015: 20%). Corporation tax rate is applicable on the total income of companies after adjusting for certain disallowable expenses, income tax exemptions and income tax deductions.

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

In India, the corporate tax rate is 34,6% in Mumbai (2015: 33,99%), 34,6% in Delhi for fiscal year 2016 (2015: 32,45%). Corporation tax rate is applicable on the total income of companies after adjusting for certain disallowable expenses, income tax exemptions (participation exemption, investment allowance exemption, etc.) and income tax deductions (like research and development expenses).

In Germany, the corporate tax rate is 31,925% for fiscal year 2016 (2015: 31,925%). Corporation tax rate is applicable on the total income of companies after adjusting for certain disallowable expenses, income tax exemptions (participation exemption, investment allowance exemption, etc.) and income tax deductions (like research and development expenses).

Tax expense for the periods end December 31, 2016 and 2015 is presented below:

	December 31, 2016	December 31, 2015
- Current year corporate tax	(13.172.856)	(24.165.608)
- Deferred tax income/(expense)	2.296.299	3.730.308
Current year tax expense - net	(10.876.557)	(20.435.300)

Reconciliation of tax expenses stated in consolidated statements of income of the periods ended at December 31, 2016 and 2015 is as follows:

	2016	2015
Profit before tax	38.416.282	101.837.213
Expected tax expense according to parent company tax rate (20%)	(7.683.256)	(20.367.443)
Differences in tax rates of subsidiaries	(4.323.319)	(1.813.796)
Expected tax expense of the Group	(12.006.575)	(22.181.239)
Non-deductible expenses	(379.205)	(215.666)
Discounts	3.085.017	3.175.770
Tax payables even if loss declared on statutory records (*)	(1.706.104)	(1.257.775)
Other	130.310	43.610
Current period tax expense of the Group	(10.876.557)	(20.435.300)

(*) 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.

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Deferred Taxes

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

The analysis of cumulative temporary differences and the related deferred tax assets and liabilities in respect of items for which deferred income tax has been provided as at December 31, 2016 and December 31, 2015 using the enacted tax rates are as follows:

	Deferred tax base		Deferred tax assets/(liabilities)	
	December 31 2016	December 31 2015	December 31 2016	December 31 2015
Deferred tax assets				
Non-deductible financial losses (*)	-	-	-	-
Personnel bonus accrual	(2.429.158)	(4.389.128)	485.832	877.826
Accrued sales commissions	(4.097.579)	(3.426.064)	819.516	685.213
Provision for employment termination benefits	(18.187.995)	(15.232.387)	3.637.599	3.046.477
Provision for operational leasing equalization	(83.143.756)	(61.933.496)	28.774.391	21.433.943
Provision for unused vacation	(2.907.717)	(2.563.795)	581.543	512.759
Provision for legal claims	(1.593.633)	(1.486.927)	318.727	297.385
Net difference between the tax base and carrying amount of property plant and equipment and intangible assets	(25.971.397)	(20.574.749)	8.988.181	7.120.509
Other	(14.083.860)	(8.347.983)	4.609.902	3.383.049
	(152.415.095)	(117.954.529)	48.215.691	37.357.161
Net off			(5.858.648)	(5.373.569)
Deferred tax assets			42.357.043	31.983.592

(*) Tax receivable consisting of accumulated financial losses is reflected to records provided that it is mostly possible that a sufficient financial profit shall be obtained in future periods. Deferred tax receivable at an amount of TL 9.749.479 (December 31, 2015: TL 10.532.510) as of December 31, 2016 is not reflected to statements since Celebi GH Delhi have the possibility not to benefit from a part or whole of their financial losses at an amount of TL 28.161.406 (December 31, 2015: TL 32.462.659) in a foreseeable period.

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	Deferred tax base		Deferred tax assets/(liabilities)	
	December 31 2016	December 31 2015	December 31 2016	December 31 2015
Deferred tax liabilities				
Net difference between the tax base and carrying amount of property plant and equipment and intangible assets	62.357.049	57.428.876	(11.684.156)	(11.316.679)
	62.357.049	57.428.876	(11.684.156)	(11.316.679)
Net off			5.858.648	5.373.569
Deferred tax liabilities			(5.825.508)	(5.943.110)
Deferred tax asset, net			36.531.535	26.040.482

Deferred tax movement table is as below:

	January 1- December 31, 2016	January 1- December 31, 2015
January 1	26.040.482	15.974.616
Foreign currency translation difference	6.333.644	4.479.984
Current period deferred tax income/(expense)	2.296.299	3.730.308
Actuarial gain/(loss) arising from defined benefit plans	1.861.110	1.855.574
December 31	36.531.535	26.040.482

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.

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

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

	January 1- December 31 2016	January 1- December 31 2015
Net profit/(loss) attributable to the equity holders of the parent	26.836.035	83.058.187
Weighted average number of shares with 1 Full TL face value each	2.430.000.000	2.430.000.000
Earnings/(losses) per share (Full TL)	0,011	0,034

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NOTE 30 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

i) Balances with related parties

Short term receivables from related parties

	December 31, 2016	December 31, 2015
Celebi Spain	556.269	412.903
Celebi Ground Services Austria	172.296	432.646
ÇHH	4.919	82.774
Other	304.758	291.339
	1.038.242	1.219.662

Due to related parties

	December 31, 2016	December 31, 2015
ÇHH (*)	5.001.248	4.809.810
Celebi Nas	1.093.663	156.448
Ce-Tur	479.549	556.103
Other	99	943
	6.574.559	5.523.304

(*) As of December 31, 2016, the related amount consists of legal, financial, human resources, management, corporate communication, procurement, business development services provided to the Group by ÇHH along with business development projects run by ÇHH on behalf and on account of the Group and expense projections.

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ii) Transactions with related parties

	January 1- December 31, 2016	January 1- December 31, 2015
Miscellaneous sales to related parties		
Celebi Ground Services Austria	1.487.730	2.611.848
ÇHH	160.836	342.641
Ce-Tur	178.649	81.916
Other	920.795	342.133
	2.748.010	3.378.538

	January 1- December 31, 2016	January 1- December 31, 2015
Employee and customer transportation expenses payable to related parties		
Ce-Tur	4.297.616	6.103.631
Contribution to holding expenses (*)		
CHH	41.748.480	41.299.292

(*) Contribution paid to Çelebi Havacilik Holding A.Ş. for services received such as legal counseling, financial consultancy and human resource consultancy provided to Çelebi Hava Servisi A.Ş. by Çelebi Havacilik Holding A.Ş. These expenses are distributed consistently between periods and Çelebi Havacilik Holding A.Ş.'s subsidiaries using the allocation keys constituted by taking the personnel count, company's turnover and size of assets into consideration.

	December 31, 2016	December 31, 2015
Other purchases from related parties (*)		
ÇHH	5.283.963	3.173.140
Çe-Tur	1.112.520	1.139.063
Other	5.543	2.037
	6.402.026	4.314.240

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

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ii) Transactions with related parties

Collaterals given in favor of related parties for borrowings as of December 31, 2016 and December 31, 2015 are as follows:

December 31, 2016	Euro	INR	Total TL
CGHH [2]	11.550.000	-	42.849.345
Celebi Nas [1]	-	91.080.000	4.727.963
Celebi Delhi Cargo [3]	-	2.596.085.280	134.762.687
Celebi Delhi GH [4]	-	1.032.082.571	53.575.406
Celebi Cargo GmbH [5]	21.951.591	-	77.722.405

December 31, 2015	Euro	INR	Total TL
CGHH [2]	11.550.000	-	68.260.940
Celebi Nas [1]	-	91.080.000	3.335.350
Celebi Delhi Cargo [3]	-	2.713.540.000	99.373.497
Celebi Delhi GH [4]	-	1.470.587.850	49.595.852
Celebi Cargo GmbH [5]	16.146.667	-	41.313.854

(1) 55% of shares corresponding to 30% part of shares of total shares owned by the Company is pledged on behalf of the Bank related to long-term project financing consisting of cash at an amount of INR 1.145.000 which was concluded between Celebi Nas and an Indian resident bank.

(2) CGHH has concluded a contract for project financing loan at an amount of EUR 11.550.000 in cash in scope of refinancing of its current loans and guarantee is given to related banks by the Company for the aforementioned loan. The balance of the loan is EUR 7.850.000 as of December 31, 2016 with the repayments of the loan in question.

(3) Guarantee at an equivalent amount to the loan amount is given to aforementioned banks for the financial liabilities sourcing from agreements concluded with related banks regarding long term cash project loan at an amount of INR 2.380.100.000 concluded between Celebi Delhi Cargo and two India resident banks and 26.06% portion of the shares having a nominal value of INR 828.800.000 at a ratio of 74% of the total shares owned by the Company are pledged on behalf of the bank. Cash loan risk amount in related banks is INR 788.948.316 as of December 31, 2016.

(4) Guarantee and a letter of guarantee at an amount of INR 449.131.975 is given to aforementioned banks in lieu for cash and non-cash loan amounts for the financial liabilities sourcing from contracts concluded related to long-term project financing package consisting of cash and non-cash loans at an amount of INR 476.744.721 and INR 551.000.000 respectively signed between Celebi Delhi GH and banks resident in India. Additionally, a portion corresponding to 32,3% of participation stocks of the Company in Celebi Delhi GH at a ratio of 74% are pledged on behalf of related banks. Cash loan risk amount in related banks is INR 423.054.572 as of December 31, 2016.

(5) Guarantee at an equivalent amount to the cash loan amount is given to aforementioned bank for the financial liabilities sourcing from cash and non-cash loan agreement at an amount of EUR 19.950.000 and EUR 2.000.000 respectively, concluded between Celebi Delhi Cargo and banks which are residents of Germany. The balance of the aforementioned loan is EUR 17.005.692 with respect to repayments made as of December 31, 2016.

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Key management compensation:

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

	January 1- December 31, 2016	January 1- December 31, 2015
Short-term employee benefits provided to senior management	9.319.867	8.508.190
	9.319.867	8.508.190

NOTE 31 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial risk management

The Group focused to manage miscellaneous financial risks including foreign currency exchange rates and interest rates because of activities of the Group. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects.

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, 2016 and 2015 are as follows:

	December 31, 2016	December 31, 2015
Fixed interest rate financial instruments		
Financial Assets		
- Cash and cash equivalents	*57.096.991*	*110.473.584*
Financial Liabilities	322.576.763	202.383.557
Floating interest rate financial instruments		
Financial liabilities	-	120.118.666

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

If other variables are kept constant, interest expense due to financial liabilities would have been either TL 349.400 higher or lower if the interest rates were 2% more or less at December 31, 2016. (December 31, 2015: TL 444.044).

Expected re-pricing and maturity dates have not been presented with an additional statement due to agreement maturity dates of financial assets and liabilities excluding borrowings received are in line with the expected re-pricing and maturity dates.

Maturity analysis of the bank borrowing based on re-pricing dates as of December 31, 2015 and 2014 are presented at Note 7.

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. These risks are monitored by credit ratings and by limiting the aggregate risk from any individual counterparty (except related parties) (Note 8).

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 when 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 169.091.083 as of December 31, 2016 (December 31, 2015: TL 157.976.034) (Note 7).

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

December 31, 2016	Carrying value	Total contractual cash outflow	Less than 3 months	3-12 months	1-5 years
Non derivative financial liabilities					
Financial liabilities	322.576.763	345.383.047	28.987.298	130.793.607	185.602.142
Trade payables					
-Related party	6.574.559	6.574.559	6.574.559	-	-
-Other	62.553.337	62.553.337	-	62.553.337	-
Other liabilities	16.011.698	16.011.698	-	6.919.820	9.091.878

December 31, 2015	Carrying value	Total contractual cash outflow	Less than 3 months	3-12 months	1-5 years
Non derivative financial liabilities					
Financial liabilities	322.502.223	347.864.719	20.925.606	144.041.670	182.897.443
Trade payables					
-Related party	5.523.304	5.523.304	5.523.304	-	-
-Other	49.519.592	49.519.592	49.519.592	-	-
Other liabilities	12.796.051	12.796.051	-	5.333.880	7.462.171

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

Currency risk

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

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

As of December 31, 2016, other things being constant, if the TL was to appreciate/depreciate by 10% against the USD, foreign exchange gains/losses resulting from trade receivables and payables, cash and cash equivalents and advances received and given would increase/decrease net income by TL 608.922 (December 31, 2015: TL 5.568.772).

As of December 31, 2016, other things being constant, if the TL was to appreciate/depreciate by 10% against the EUR, foreign exchange gains/losses resulting from trade receivables and payables, cash and cash equivalents and advances received and given would increase/decrease net income by TL (19. 778.353) (31 December 2015: TL (16.151.563)).

As of December 31, 2016, other things being constant, if the TL was to appreciate/depreciate by 10% against the GBP, foreign exchange gains/losses resulting from trade receivables and payables, cash and cash equivalents and advances received and given would increase/decrease net income by TL (37.235) (December 31, 2015: TL (2.406)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

Foreign currency denominated assets and liabilities of the Group as of December 31, 2016 and 2015 are as follows:

	December 31, 2016	December 31, 2015
Assets denominated in foreign currency	101.518.523	141.571.321
Liabilities denominated in foreign currency (-)	(293.583.323)	(247.423.293)
Net balance sheet position	(192.064.800)	(105.851.972)

The table below summarizes TL equivalent of the Group's foreign currency denominated assets and liabilities as of December 31, 2016 and December 31, 2015:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

December 31, 2015	TL Equivalent (Functional Currency)	USD	EUR	GBP
1. Trade receivables	42.922.640	1.719.648	11.947.932	(10.035)
2. Monetary financial assets	96.264.919	18.061.203	13.670.831	72.019
3. Other	1.726.844	-	543.443	-
4. Current Assets(1+2+3)	140.914.403	19.780.851	26.162.206	61.984
5. Other	656.918	-	206.734	-
6. Non-current assets (5)	656.918	-	206.734	-
7. Total assets (4+6)	141.571.321	19.780.851	26.368.940	61.984
8. Trade payables	23.247.650	603.531	6.672.390	67.579
9. Financial liabilities	108.012.182	21.924	33.971.688	-
10. Other monetary liabilities	1.962.518	-	617.610	-
11. Current liabilities (8+9+10)	133.222.350	625.455	41.261.688	67.579
12. Financial liabilities	114.200.943	2.926	35.936.693	-
14. Non-current liabilities (12+13)	114.200.943	2.926	35.936.693	-
15. Total liabilities (11+14)	247.423.293	628.381	77.198.381	67.579
16. Net foreign currency asset/(liability) position (7-15)	(105.851.972)	19.152.470	(50.829.441)	(5.595)
17. Net monetary foreign currency asset/(liability) Position (7-15)	(105.851.972)	19.152.470	(50.829.441)	(5.595)

Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

The table below summarizes TL equivalent of export and import amounts for the years ended

December 31, 2016 and 2015:

	January 1- December 31 2016	January 1- December 31 2015
Total export amount	11.039.935	28.890.216
Total import amount	10.231.494	18.213.730

Capital risk management

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

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

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

The ratio of net debt/(equity + net debt) at December 31, 2016 and 2015 is as follows:

	December 31, 2016	December 31, 2015
Total financial liabilities	322.576.763	322.502.223
Less: Cash and cash equivalents	(65.477.817)	(127.924.804)
Less: Restricted cash	(10.721.807)	(11.674.131)
Net debt	246.377.139	182.903.288
Equity	101.696.764	144.285.259
Equity + net debt	348.073.903	327.188.547
Net debt/(Equity + net debt) ratio	0,71	0,56

NOTE 32 - FINANCIAL INSTRUMENTS

Fair value estimation

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

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

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

The Group's assets and liabilities quantified as fair values at December 31, 2016 and December 31, 2015 are as below:

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

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

December 31, 2015	Level 1	Level 2	Level 3	Total
Assets	-	-	1.848.860	1.848.860
Available for sale financial assets (Note 5)	-	-	1.848.860	1.848.860

December 31, 2015	Level 1	Level 2	Level 3	Total
Liabilities	-	-	-	-
Other financial liabilities	-	-	-	-

NOTE 33 - DISCLOSURE OF OTHER MATTERS REQUIRED FOR THE PURPOSE OF UNDERSTANDING AND INTERPRETING THE CONSOLIDATED FINANCIAL STATEMENTS

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

As a result of the fire, goods belonging to third parties were also damaged in addition to the damage to property, plant and equipment and leasehold improvements of the Company. As of December 31, 2016 some of the owners of the goods have applied to the Company and its insurance company for compensation of their losses by filing lawsuits against the Company and via enforcement proceedings.

There are legal cases and enforcement proceedings under way: this comprises legal cases and enforcement proceedings amounting to TL 8.802.666 (Note 13) in which the Company is a co-defendant along with the DHMI, other warehouse management companies and insurance companies; and legal cases and enforcement proceedings amounting to TL 11.515.459 in which the Company is the sole defendant. Total legal cases and enforcement proceedings is TL 20.318.125.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

As of March 13, 2017, 225 lawsuits with value of TL 150.162.508 (USD 42.669.501) to which the Fund Companies have been a side and which has an invoice value of TL 88.999.069 (USD 25.289.574) has been settled amicably paid to the claimants.

Negotiations regarding 11 requests, which cannot reach an agreement yet, between the fund and other claimants are still going on. The invoice value of the aforementioned requests is USD 3.977.010 and remaining part available in fund currently amounting to USD 14.6 million is managed against all the fund parties but it is anticipated that the aforementioned amount shall be sufficient for the settlement of all requests whose negotiations are still going on.

In view of the foregoing, the Company believes that all legal claims faced may be settled as part of the insurance policy collected and the fund formed. Since there are no further development which adversely affects the matters disclosed in past, the Company has not booked any provision in consolidated financial statements dated December 31, 2016.

NOTE 34 - SUBSEQUENT EVENTS

The management of the Company, on January 20, 2017, decided to raise the fully paid shares of Celebi Kargo from the amount of TL 30.000.000 to TL 114.000.000 and hence, it was decided that the amount TL 84.000.000 raised in cash to be participated corresponding to 99,97% shares of the Company by using the priority rights and the amount to be paid according to the articles of agreement of the participated Company and board of directors' decisions. The amount TL 21.000.000 which is the portion of the payments to be made in the consequence of the aforementioned capital increase was realized on January 20, 2017, and TL 62.972.000 on February 14, 2017.

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