

# **Çelebi Hava Servisi A.Ş. and its Subsidiaries**

**Consolidated financial statements  
for the period January 1 – December 31, 2016  
and independent auditor's report**

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF  
INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH**

To the Board of Directors of Çelebi Hava Servisi Anonim Şirketi;

**Independent auditors' report on the consolidated financial statements**

We have audited the accompanying consolidated statement of financial position of Çelebi Hava Servisi Anonim Şirketi ("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.

***Opinion***

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Çelebi Hava Servisi Anonim Şirketi 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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF  
INDEPENDENT AUDITOR'S REPORT  
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**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

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**ÇELEBİ HAVA SERVİSİ A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

		<i>Current year</i>	<i>Prior year</i>
		<i>Audited</i>	<i>Audited</i>
	<b>Notes</b>	<b>December 31, 2016</b>	<b>December 31, 2015</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
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
<b>Total current assets</b>		<b>211.608.451</b>	<b>259.852.656</b>
<b>Non-current assets</b>			
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
<b>Total non-current assets</b>		<b>478.214.077</b>	<b>419.576.884</b>
<b>Total assets</b>		<b>689.822.528</b>	<b>679.429.540</b>

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

**ÇELEBİ HAVA SERVİSİ A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

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

		<i>Current year</i>	<i>Prior year</i>
		<i>Audited</i>	<i>Audited</i>
	Notes	December 31, 2016	December 31, 2015
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Financial liabilities	7	24.956.512	40.435.153
<b>Short term portion of long term financial liabilities</b>	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
<b>Total current liabilities</b>		<b>273.570.617</b>	<b>264.803.996</b>
<b>Non-Current Liabilities</b>			
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
<b>Total non-current liabilities</b>		<b>314.555.147</b>	<b>270.340.285</b>
<b>Total liabilities</b>		<b>588.125.764</b>	<b>535.144.281</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>		<b>87.487.517</b>	<b>132.939.742</b>
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
<b>Non-controlling interest</b>		<b>14.209.247</b>	<b>11.345.517</b>
<b>Total equity</b>		<b>101.696.764</b>	<b>144.285.259</b>
<b>Total liabilities and equity</b>		<b>689.822.528</b>	<b>679.429.540</b>

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

**ÇELEBİ HAVA SERVİSİ A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016**

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

		<i>Current year</i>	<i>Prior year</i>
		<i>Audited</i>	<i>Audited</i>
	<b>Notes</b>	<b>January 1 - December 31 2016</b>	<b>January 1 - December 31 2015</b>
<b>CONTINUING OPERATIONS</b>			
Net Sales	19	709.524.691	732.278.323
Cost of sales (-)	19	(543.115.464)	(516.628.549)
<b>GROSS PROFIT</b>	<b>19</b>	<b>166.409.227</b>	<b>215.649.774</b>
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)
<b>OPERATING PROFIT</b>		<b>58.925.319</b>	<b>121.272.860</b>
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
<b>OPERATING INCOME BEFORE FINANCIAL INCOME/(EXPENSE)</b>		<b>67.893.109</b>	<b>132.503.118</b>
Financial income	26	24.668.179	29.135.023
Financial expense (-)	27	(54.145.006)	(59.800.928)
<b>PROFIT BEFORE TAX</b>		<b>38.416.282</b>	<b>101.837.213</b>
<b>Tax income/ expense</b>		<b>(10.876.557)</b>	<b>(20.435.300)</b>
Taxes on income	28	(13.172.856)	(24.165.608)
Deferred tax income/(expense)	28	2.296.299	3.730.308
<b>NET INCOME</b>		<b>27.539.725</b>	<b>81.401.913</b>
<b>Attributable to:</b>			
Non-controlling interest		703.690	(1.656.274)
Equity holders of the parent		26.836.035	83.058.187
		<b>27.539.725</b>	<b>81.401.913</b>
Earnings per share (TL)	29	0,011	0,034

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

**ÇELEBİ HAVA SERVİSİ A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

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

	<i>Current year</i>	<i>Prior year</i>
	<i>Audited</i>	<i>Audited</i>
Notes	December 31, 2016	December 31, 2015
<b>Net income</b>	<b>27.539.725</b>	<b>81.401.913</b>
<b>Other comprehensive income</b>		
<b>Not to be reclassified to profit or loss</b>		
- 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)
<b>To be reclassified to profit or loss</b>		
- Currency translation differences	10.369.505	12.279.899
<b>Other comprehensive income/(expense)</b>	<b>2.771.780</b>	<b>5.029.850</b>
<b>Total comprehensive income</b>	<b>30.311.505</b>	<b>86.431.763</b>
<b>Total comprehensive income attributable to:</b>		
Non-controlling interest	2.863.730	413.566
Equity holders of the parent	27.447.775	86.018.197
	<b>30.311.505</b>	<b>86.431.763</b>

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



CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED  
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (See note 2.5)

**ÇELEBİ HAVA SERVİSİ A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

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

	Notes	Share Capital	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		Equity attribute table to equity holders of the parent	Non- controlling interest	Total equity	
			Actuarial gain/(loss) arising from defined benefit plans	Cumulative Translation Differences	Restricted Reserves	Retained Earnings				Net profit / (loss) for the year
<b>Balances at January 1, 2015</b>		<b>24.300.000</b>	<b>(1.243.129)</b>	<b>4.376.169</b>	<b>28.274.456</b>	<b>(14.753.489)</b>	<b>54.567.538</b>	<b>95.521.545</b>	<b>10.931.951</b>	<b>106.453.496</b>
Transfers to retained earnings		-	-	-	-	54.567.538	(54.567.538)	-	-	-
<b>Total comprehensive income/(expense)</b>										
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
<b>Dividends (Note 18)</b>		-	-	-	4.738.500	(53.338.500)	-	(48.600.000)	-	(48.600.000)
<b>Balances at December 31, 2015</b>		<b>24.300.000</b>	<b>(8.493.178)</b>	<b>14.586.228</b>	<b>33.012.956</b>	<b>(13.524.451)</b>	<b>83.058.187</b>	<b>132.939.742</b>	<b>11.345.517</b>	<b>144.285.259</b>

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED  
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (See note 2.5)

**ÇELEBİ HAVA SERVİSİ A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

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

	Notes	Share Capital	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		Equity attribute table to equity holders of the parent	Non- controlling interest	Total equity	
			Actuarial gain/(loss) arising from defined benefit plans	Cumulative Translation Differences	Restricted Reserves	Retained Earnings				Net profit / (loss) for the year
<b>Balances at January 1, 2016</b>		<b>24.300.000</b>	<b>(8.493.178)</b>	<b>14.586.228</b>	<b>33.012.956</b>	<b>(13.524.451)</b>	<b>83.058.187</b>	<b>132.939.742</b>	<b>11.345.517</b>	<b>144.285.259</b>
Transfers to retained earnings		-	-	-	-	83.058.187	(83.058.187)	-	-	-
<b>Total comprehensive income/(expense)</b>										
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
<b>Dividends(Note 18)</b>		-	-	-	7.168.500	(80.068.500)	-	(72.900.000)	-	(72.900.000)
<b>Balances at December 31, 2016</b>		<b>24.300.00</b>	<b>(16.076.250)</b>	<b>22.781.040</b>	<b>40.181.456</b>	<b>(10.534.764)</b>	<b>26.836.035</b>	<b>87.487.517</b>	<b>14.209.247</b>	<b>101.696.764</b>

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

**ÇELEBİ HAVA SERVİSİ A.Ş. AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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

		Current year	Prior year
		Audited	Audited
		January 1-	January 1-
		December 31, 2016	December 31, 2015
<b>A. Cash flows from operating activities</b>		<b>50.452.073</b>	<b>108.102.441</b>
<b>Profit/loss before tax for the period</b>		<b>27.539.725</b>	<b>81.401.913</b>
<b>Adjustment for reconciliation of profit/(loss) before taxation</b>			
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)
<b>Changes in working capital</b>		<b>25.791.369</b>	<b>14.043.884</b>
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
<b>Cash flows from operating activities</b>		<b>79.626.601</b>	<b>137.698.788</b>
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 form an integral part of these consolidated financial statements.

**ÇELEBİ HAVA SERVİSİ A.Ş. AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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

		<i>Current year</i>	<i>Prior year</i>
		<i>Audited</i>	<i>Audited</i>
		January 1– December 31, 2016	January 1– December 31, 2015
	Notes		
<b>B. Cash flows from investing activities</b>		<b>(29.034.297)</b>	<b>(9.899.379)</b>
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)
<b>C. Cash flows from financing activities</b>		<b>(84.422.927)</b>	<b>(47.726.171)</b>
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
<b>BEFORE THE EFFECT OF CHANGE IN FOREIGN CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS</b>		<b>(63.005.151)</b>	<b>50.476.891</b>
<b>D. Impact of foreign currency translation differences</b>		<b>606.331</b>	<b>3.685.183</b>
<b>Net increase/decrease in cash and cash equivalents</b>		<b>(62.398.820)</b>	<b>54.162.074</b>
<b>E. Cash and cash equivalents at beginning of period</b>		<b>127.859.563</b>	<b>73.697.489</b>
<b>Cash and cash equivalents at end of period</b>	4	<b>65.460.743</b>	<b>127.859.563</b>

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

**ÇELEBİ HAVA SERVİSİ A.Ş. AND ITS SUBSIDIARIES**  
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**NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS OF THE GROUP**

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

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

Within the framework of the tender relating to provide ground handling services for 10 years period in Mumbai Chhatrapati Shivaji International Airport in India which resulted in 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 Kargo GmbH (Celebi Kargo), a subsidiary of Çelebi Kargo having a prepaid capital at an amount of €1.500.000 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.

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

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:

<b><u>Subsidiary</u></b>	<b><u>Country of incorporation</u></b>	<b><u>Geographical segment</u></b>	<b><u>Nature of business</u></b>
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:**

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

**ÇELEBİ HAVA SERVİSİ A.Ş. AND ITS SUBSIDIARIES**  
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**NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**

Affiliates:

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

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

**2.1. Basis of presentation**

**2.1.1 Financial reporting standards**

The Group’s consolidated financial statements and disclosures have been prepared in accordance with the communiqué numbered II-14,1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (the Communiqué) announced by the Capital Markets Board (“CMB”) (hereinafter will be referred to as “the CMB Reporting Standards”) on 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.



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

**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.

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

**Going Concern**

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

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

**The new standards, amendments and interpretations**

The accounting policies adopted in preparation of the 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.

**ÇELEBİ HAVA SERVİSİ A.Ş. AND ITS SUBSIDIARIES**  
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**NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**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.

**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.

**ÇELEBİ HAVA SERVİSİ A.Ş. AND ITS SUBSIDIARIES**  
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**NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**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.

**ÇELEBİ HAVA SERVİSİ A.Ş. AND ITS SUBSIDIARIES**  
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**NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**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.

**ÇELEBİ HAVA SERVİSİ A.Ş. AND ITS SUBSIDIARIES**  
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**NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**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.

**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.

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

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

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.

**ÇELEBİ HAVA SERVİSİ A.Ş. AND ITS SUBSIDIARIES**  
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**NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**Annual Improvements to IFRSs - 2014-2016 Cycle (continued)**

- 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.

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- 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.

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

Subsidiary	Direct and indirect shareholding by Çelebi Hava and its Subsidiaries(%)	
	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.



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

<u>Investments Accounted by Equity Method</u>	<u>Direct and indirect shareholding by Celebi Hava (%)</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>
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.

**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.

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**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.

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**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.

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

	<u>Useful Lives (Years)</u>
Machinery and equipment	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.

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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.

*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.

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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.

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**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.

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.

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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.



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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.

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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.

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- (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.

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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.

**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.

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**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:

**(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.

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*(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.

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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.
- 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

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**2.5 Convenience translation into English of consolidated financial statements**

The accounting principles described in Note 2 to the consolidated financial statements (defined as Turkish Financial Reporting Standards) differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January and 31 December 2005 and the presentation of the basic financial statements and the notes to them.

**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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**NOTE 3 - SEGMENT REPORTING (Continued)**

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

**January 1 – December 31, 2016**

	<b>Operation Groups</b>		<b>Consolidation</b>	
	<b>Ground Handling Services</b>	<b>Cargo And Warehouse Services</b>	<b>Adjustments</b>	<b>Consolidated</b>
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)
<b>Gross profit</b>	<b>143.705.531</b>	<b>22.941.935</b>	<b>(238.239)</b>	<b>166.409.227</b>
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
<b>EBITDA</b>	<b>109.969.642</b>	<b>26.388.238</b>	<b>489.425</b>	<b>136.847.305</b>

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

	<b>Operation Groups</b>		<b>Consolidation</b>	
	<b>Ground Handling Services</b>	<b>Cargo And Warehouse Services</b>	<b>Adjustments</b>	<b>Consolidated</b>
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)
<b>Gross profit</b>	<b>179.410.169</b>	<b>36.424.880</b>	<b>(185.275)</b>	<b>215.649.774</b>
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
<b>EBITDA</b>	<b>141.079.582</b>	<b>42.761.774</b>	<b>207.683</b>	<b>184.049.039</b>

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**NOTE 3 - SEGMENT REPORTING (Continued)**

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

	<b>January 1- December 31, 2016</b>	<b>January 1- December 31, 2015</b>
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)
<b>Operating profit</b>	<b>58.925.319</b>	<b>121.272.860</b>
Share of profit from equity accounted investees	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)
<b>Income before tax</b>	<b>38.416.282</b>	<b>101.837.213</b>

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.

<b>Total Assets:</b>	<b>December 31, 2016</b>	<b>December 31, 2015</b>
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
<b>Segment assets (*)</b>	<b>773.346.983</b>	<b>700.537.111</b>
Unallocated assets	99.454.034	142.457.176
Deduction: Inter-segment elimination	(183.225.799)	(163.564.747)
<b>Total assets as per consolidated financial statements</b>	<b>689.575.218</b>	<b>679.429.540</b>

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

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**NOTE 3 - SEGMENT REPORTING (Continued)**

<b>Total liabilities</b>	<b>December 31, 2016</b>	<b>December 31, 2015</b>
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
<b>Segment liabilities (*)</b>	<b>291.320.350</b>	<b>219.741.522</b>
Unallocated liabilities	328.402.271	328.445.333
Less: Inter-segment elimination	(31.844.167)	(13.042.574)
<b>Total liabilities as per consolidated financial statements</b>	<b>587.878.454</b>	<b>535.144.281</b>

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

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**NOTE 3 - SEGMENT REPORTING (Continued)**

**Geographical Segments**

**Geographical Analysis for the period 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)
<b>Operating profit / (loss)</b>	<b>59.187.924</b>	<b>19.754.240</b>	<b>7.231.980</b>	<b>(27.263.905)</b>	<b>58.910.239</b>	<b>15.080</b>	<b>58.925.319</b>

**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
<b>Operating profit / (loss)</b>	<b>113.604.494</b>	<b>15.766.603</b>	<b>(1.814.001)</b>	<b>(6.189.840)</b>	<b>121.367.256</b>	<b>(94.396)</b>	<b>121.272.860</b>

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**NOTE 4 - CASH AND CASH EQUIVALENTS**

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
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
	<b>65.477.817</b>	<b>127.924.804</b>

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).

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:

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

**NOTE 5 - FINANCIAL INVESTMENTS**

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Restricted cash(*)	10.721.807	11.674.131
	<b>10.721.807</b>	<b>11.674.131</b>

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

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**NOTE 5 - FINANCIAL INVESTMENTS (continued)**

*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
		<b>3.636.923</b>		<b>1.848.860</b>

(\*) 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 INVESTEEES**

	%	December 31, 2016	%	December 31, 2015
Çelebi Nas	57,0	40.033.913	55,0	26.204.104
	<b>57,0</b>	<b>40.033.913</b>	<b>55,0</b>	<b>26.204.104</b>

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

	December 31, 2016	December 31, 2015
<b>As of 1 January</b>	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	-
<b>As of 31 December</b>	<b>40.033.913</b>	<b>26.204.104</b>

**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
	<b>7.781.721</b>	<b>5.315.128</b>

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**NOTE 6 - EQUITY ACCOUNTED INVESTEEES (continued)**

**Summary statement of equity accounted investees:**

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Total Assets	85.963.091	86.928.078
Total Liabilities	45.929.177	39.284.251
	<b>January 1- December 31, 2016</b>	<b>January 1- December 31, 2015</b>
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:*

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

*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
<b>Total short-term finance lease obligations</b>		<b>166.359</b>
<b>Total short-term borrowings</b>		<b>24.956.512</b>

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**NOTE 7 – SHORT TERM AND LONG TERM FINANCIAL LIABILITIES (continued)**

*Short-term portion of long-term borrowings*

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

*Long-term financial liabilities*

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

*Long-term finance lease obligations*

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

*Short-term financial liabilities*

	December 31, 2015		TL
	Effective Interest Rate (%)	Original Amount	
<i>Short term borrowings</i>			
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
<b>Total short term credits</b>			<b>38.452.568</b>



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**NOTE 7 – SHORT TERM AND LONG TERM FINANCIAL LIABILITIES (continued)**

*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
<b>Total short-term finance lease obligations</b>		<b>1.982.585</b>
<b>Total short-term borrowings</b>		<b>40.435.153</b>

*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
<b>Short-term portion of total long term borrowings:</b>			<b>124.091.036</b>
<b>Total short term liabilities:</b>			<b>164.526.189</b>

	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
			<b>155.404.531</b>

*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
<b>Total long-term finance lease obligations</b>		<b>2.571.503</b>
<b>Total long-term financial liabilities</b>		<b>157.976.034</b>
<b>Total financial liabilities</b>		<b>322.502.223</b>

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
	<b>322.576.763</b>	<b>322.502.223</b>

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

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

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
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
	<b>168.877.803</b>	<b>155.404.531</b>

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

	<b>December 31, 2016</b>			<b>December 31, 2015</b>		
	<b>Minimum lease Payments</b>	<b>Interest</b>	<b>Total obligation</b>	<b>Minimum lease Payments</b>	<b>Interest</b>	<b>Total obligation</b>
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	-	-	-
	<b>410.260</b>	<b>(30.623)</b>	<b>379.637</b>	<b>4.850.610</b>	<b>(296.522)</b>	<b>4.554.088</b>

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**NOTE 8 - TRADE RECEIVABLES AND PAYABLES**

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

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:

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
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)
<b>Closing balance</b>	<b>2.996.580</b>	<b>2.934.249</b>

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**NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)**

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

December 31, 2016	Trade receivables		Other receivables		Bank deposits (*)
	Related Party	Other	Related Party	Other	
<b>The maximum of credit risk exposed at the reporting date</b>	<b>1.038.242</b>	<b>93.517.831</b>	-	<b>33.532.667</b>	<b>65.038.016</b>
<i>-Credit risk covered by guarantees</i>	-	<b>3.085.994</b>	-	-	-
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	-	-	-
<i>- Amount of risk covered by guarantees</i>	-	<b>1.521.441</b>	-	-	-
Net carrying value of impaired assets	-	2.996.580	-	-	-
<i>- Overdue (gross carrying value)</i>	-	<b>(2.996.580)</b>	-	-	-
<i>- Impairment amount (-)</i>	-	-	-	-	-
<i>- Amount of risk covered by guarantees</i>	-	-	-	-	-

(\*) Including restricted cash.

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**NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)**

December 31, 2015	Trade receivables		Other receivables		Bank deposits (*)
	Related Party	Other	Related Party	Other	
<b>The maximum of credit risk exposed at the reporting date</b>	<b>1.219.662</b>	<b>73.894.342</b>	<b>11.134.547</b>	<b>26.184.109</b>	<b>127.698.966</b>
- <i>Credit risk covered by guarantees</i>	-	<i>4.153.427</i>	-	-	-
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	-	-	-
- <i>Amount of risk covered by guarantees</i>	-	<i>2.116.057</i>	-	-	-
Net carrying value of impaired assets	-	-	-	-	-
- <i>Overdue (gross carrying value)</i>	-	<i>2.934.249</i>	-	-	-
- <i>Impairment amount (-)</i>	-	<i>(2.934.249)</i>	-	-	-
- <i>Amount of risk covered by guarantees</i>	-	-	-	-	-

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**NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)**

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

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
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
	<b>34.056.461</b>	<b>29.290.929</b>

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**

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

**NOTE 9 - OTHER RECEIVABLES AND PAYABLES**

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
<b>Other short-term receivables</b>		
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
<b>Total trade payables to third parties</b>	<b>8.275.515</b>	<b>7.260.323</b>
<b>Other short-term receivables from related parties (Note 30)</b>	<b>-</b>	<b>11.134.547</b>
<b>Total short-term other receivables</b>	<b>8.275.515</b>	<b>18.394.870</b>

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**NOTE 9 - OTHER RECEIVABLES AND PAYABLES (continued)**

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
<b>Other long-term receivables from third parties</b>		
Deposits and guarentees given (*)	25.257.152	18.923.786
	<b>25.257.152</b>	<b>18.923.786</b>

(\*) 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.

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

(\*) 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.

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

**NOTE 10 – INVENTORIES**

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

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

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**NOTE 11 - PROPERTY, PLANT AND EQUIPMENT**

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

	Opening January 1, 2016	Additions	Disposals	Transfers(**)	Foreign Currency Translation Differences	Closing December 31, 2016
<b>Cost</b>						
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
	<b>422.212.743</b>	<b>20.767.928</b>	<b>(4.593.207)</b>	<b>-</b>	<b>18.979.596</b>	<b>457.367.060</b>
<b>Accumulated depreciation</b>						
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)
	<b>(266.543.488)</b>	<b>(26.119.308)</b>	<b>3.970.502</b>	<b>-</b>	<b>(11.914.960)</b>	<b>(300.607.254)</b>
<b>Net book value</b>	<b>155.669.255</b>					<b>156.759.806</b>

(\*) 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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**NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)**

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
<b>Cost</b>						
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
	<b>405.007.737</b>	<b>31.527.810</b>	<b>(2.759.230)</b>	<b>(23.914.638)</b>	<b>12.351.064</b>	<b>422.212.743</b>
<b>Accumulated depreciation</b>						
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)
	<b>(238.521.428)</b>	<b>(24.793.941)</b>	<b>2.337.558</b>	<b>1.875.377</b>	<b>(7.441.054)</b>	<b>(266.543.488)</b>
<b>Net book value</b>	<b>166.486.309</b>					<b>155.669.255</b>

(\*) 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 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.

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

(\*\*\*) Due to the apron widening works conducted by DHMI as a solution to the increasing passenger traffic at Atatürk Airport, the Company evacuated its service buildings to hand them over to DHMI in accordance with the provisions of the lease and moved into the new service buildings constructed in the area allotted by DHMI on July 1, 2014. The net book value of the investments regarding the service buildings evacuated/handed over to DHMI 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
<b>Cost</b>						
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
	<b>219.944.707</b>	<b>5.156.180</b>	<b>(473.808)</b>	<b>(4.537.230)</b>	<b>36.745.842</b>	<b>256.835.691</b>
<b>Accumulated depreciation</b>						
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)
	<b>(95.260.454)</b>	<b>(10.228.528)</b>	<b>405.344</b>	<b>2.117.379</b>	<b>(16.697.404)</b>	<b>(119.663.663)</b>
<b>Net book value</b>	<b>124.684.253</b>					<b>137.172.028</b>

(\*) 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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**NOTE 12 – INTANGIBLE ASSETS (Continued)**

**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
<b>Cost</b>						
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
	<b>183.021.751</b>	<b>6.708.261</b>	<b>-</b>	<b>39.371</b>	<b>30.175.324</b>	<b>219.944.707</b>
<b>Accumulated depreciation</b>						
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)
	<b>(74.185.270)</b>	<b>(10.002.739)</b>	<b>-</b>	<b>-</b>	<b>(11.072.445)</b>	<b>(95.260.454)</b>
<b>Net book value</b>	<b>108.836.481</b>					<b>124.684.253</b>

(\*) 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.

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**NOTE 12 - INTANGIBLE ASSETS (Continued)**

**Goodwill**

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

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
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
	<b>32.556.051</b>	<b>26.182.142</b>

**Goodwill due to acquisition of CGHH**

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

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

*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

	<b>December 31, 2016</b>
<b>Ground handling services - Hungary</b>	<b>28.060.700</b>

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;

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

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

**NOTE 12 - INTANGIBLE ASSETS (Continued)**

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**Goodwill from purchasing 4% shares of Celebi Nas**

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

**Goodwill from purchasing 2% shares of Celebi Nas**

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

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

**Ground handling services – India**

**31 December 2016**  
**2.705.387**

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

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

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

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**NOTE 12 - INTANGIBLE ASSETS (Continued)**

**Goodwill from purchasing of Celebi GmbH**

A “share purchase agreement” was signed on February 18, 2014 between Celebi Cargo GmbH, a subsidiary of Çelebi Kargo Depolama ve Dağıtım Hizmetleri A.Ş. registered in Frankfurt, Germany, 100% of the capital of which is owned by Çelebi Kargo Depolama ve Dağıtım Hizmetleri A.Ş., in which the Company participates at the rate of 99,97%, and Aviapartner GmbH, also registered in Frankfurt, Germany, for the transfer of all of the shares of Aviapartner Cargo GmbH (Aviapartner Cargo) operating in Frankfurt and Hahn International Airports in Germany in cargo storage and handling, 100% of the capital of which is owned by Aviapartner GmbH for EUR 4.459.283 (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 GbmH which is calculated with net asset is follows:

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

*Goodwill impairment test*

**Warehouse and cargo services – Germany**

**December 31, 2016**  
**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**

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

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

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

**Short-term provision for employee benefits**

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

**ÇELEBİ HAVA SERVİSİ A.Ş.**  
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**NOTE 13 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES**  
**(Continued)**

**b) Long-term provisions**

**Long-term provision for employee benefits**

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
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.

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.



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

The principal assumption is that the liability ceiling for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Since the Group calculates the reserve for employment termination benefits every six months the maximum amount of TL 4.426,16 which is effective from 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
<b>As of January 1</b>	<b>23.197.804</b>	<b>12.479.826</b>
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
<b>End of the period</b>	<b>27.399.966</b>	<b>23.197.804</b>

**Contingent assets and liabilities of the Group**

	December 31, 2016	December 31, 2015
<b>Guarantees received:</b>		
Guarantee letters	7.962.854	6.982.270
Guarantee checks	1.563.011	3.352.571
Guarantee notes	1.051.737	912.759
	<b>10.577.602</b>	<b>11.247.600</b>
<b>Guarantees given:</b>		
Collateral	323.427.969	327.205.391
Guarantee letters	152.677.599	110.822.778
Share pledge	16.164.938	15.097.257
	<b>492.270.506</b>	<b>453.125.426</b>

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

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
<b>A.CPM given on behalf of the Company’s legal personality</b>			<b>110.907.857</b>		<b>55.891.829</b>
	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>B. CPM given on behalf of fully consolidated subsidiaries</b>			<b>381.362.650</b>		<b>397.233.597</b>
	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
<b>C. CPM given for continuation of its economic activities on behalf of third parties</b>		-	-	-	-
<b>D Total amount of other CPM</b>		-	-	-	-
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		-	-	-	-
			<b>492.270.507</b>		<b>453.125.426</b>

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

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**NOTE 14 - OTHER ASSETS AND LIABILITIES**

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

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

- (\*) 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).

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
<b>Other current liabilities</b>		
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
	<b>5.606.013</b>	<b>4.528.514</b>

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

- (\*) 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.

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**NOTE 15 – PREPAID EXPENSES**

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
<b>Short-term prepaid expenses</b>		
Prepaid expenses (*)	9.714.535	8.466.970
Advances given	5.148.372	4.273.181
	<b>14.862.907</b>	<b>12.740.151</b>
	<b>December 31, 2016</b>	<b>December 31, 2015</b>
<b>Long-term prepaid expenses</b>		
Prepaid expenses (*)	17.697.284	16.587.126
Advances given for fixed assets	3.721.882	2.847.178
	<b>21.419.166</b>	<b>19.434.304</b>

(\*) 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.

**NOTE 16 – DEFERRED INCOME**

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

**NOTE 17 – LIABILITIES FOR EMPLOYEE BENEFITS**

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
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
	<b>25.002.485</b>	<b>22.234.755</b>

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**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:

Shareholders	December 31, 2016		December 31, 2015	
	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
	<b>24.300.000</b>	<b>100,00</b>	<b>24.300.000</b>	<b>100,00</b>

**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 Communiqué”) 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).

Listed companies distribute dividend in accordance with the Communiqué 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 Communiqué 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.)

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**NOTE 18 - EQUITY (Continued)**

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

**NOTE 19 – REVENUE AND COST OF SALES**

	<b>January 1- December 31 2016</b>	<b>January 1- December 31 2015</b>
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)
<b>Sales revenue- net</b>	<b>709.524.691</b>	<b>732.278.323</b>
<b>Cost of sales</b>	<b>(543.115.464)</b>	<b>(516.628.549)</b>
<b>Gross profit</b>	<b>166.409.227</b>	<b>215.649.774</b>

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**NOTE 20 - EXPENSES BY NATURE**

	<b>January 1- December 31 2016</b>	<b>January 1- December 31 2015</b>
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)
	<b>(648.065.436)</b>	<b>(613.919.488)</b>

(\*) 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.

**NOTE 21 - GENERAL ADMINISTRATIVE EXPENSES**

	<b>January 1- December 31 2016</b>	<b>January 1- December 31 2015</b>
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)
	<b>(104.949.972)</b>	<b>(97.290.939)</b>

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**NOTE 22 – OTHER OPERATING INCOME**

	<b>January 1- December 31 2016</b>	<b>January 1- December 31 2015</b>
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
	<b>8.429.655</b>	<b>14.860.102</b>

**NOTE 23 - OTHER OPERATING EXPENSE**

	<b>January 1- December 31 2016</b>	<b>January 1- December 31 2015</b>
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)
	<b>(10.963.591)</b>	<b>(11.946.077)</b>

**NOTE 24 – INCOME FROM INVESTMENT ACTIVITIES**

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



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**NOTE 25 - EXPENSE FROM INVESTMENT ACTIVITIES**

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

**NOTE 26 - FINANCIAL INCOME**

	<b>January 1- December 31 2016</b>	<b>January 1- December 31 2015</b>
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
	<b>24.668.179</b>	<b>29.135.023</b>

**NOTE 27 - FINANCIAL EXPENSES**

	<b>January 1- December 31 2016</b>	<b>January 1- December 31 2015</b>
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)
	<b>(54.145.006)</b>	<b>(59.800.928)</b>

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**NOTE 28 - TAX ASSETS AND LIABILITIES**

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

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

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).

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**NOTE 28 - TAX ASSETS AND LIABILITIES (Continued)**

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

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

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

	<b>2016</b>	<b>2015</b>
<b>Profit before tax</b>	<b>38.416.282</b>	<b>101.837.213</b>
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)
<b>Expected tax expense of the Group</b>	<b>(12.006.575)</b>	<b>(22.181.239)</b>
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
<b>Current period tax expense of the Group</b>	<b>(10.876.557)</b>	<b>(20.435.300)</b>

(\*) 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.

**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.

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**NOTE 28 - TAX ASSETS AND LIABILITIES (Continued)**

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
<b>Deferred tax assets</b>				
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)
<b>Deferred tax assets</b>			<b>42.357.043</b>	<b>31.983.592</b>

(\*) 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.

	Deferred tax base		Deferred tax assets / (liabilities)	
	December 31 2016	December 31 2015	December 31 2016	December 31 2015
<b>Deferred tax liabilities</b>				
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
<b>Deferred tax liabilities</b>			<b>(5.825.508)</b>	<b>(5.943.110)</b>
<b>Deferred tax asset, net</b>			<b>36.531.535</b>	<b>26.040.482</b>

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**NOTE 28 - TAX ASSETS AND LIABILITIES (Continued)**

Deferred tax movement table is as below:

	<b>January 1– December 31, 2016</b>	<b>January 1– December 31, 2015</b>
<b>January 1</b>	<b>26.040.482</b>	<b>15.974.616</b>
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
<b>December 31</b>	<b>36.531.535</b>	<b>26.040.482</b>

**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:

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

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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**

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

**Due to related parties**

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

(\*) 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.

ii) **Transactions with related parties**

	<b>January 1- December 31 2016</b>	<b>January 1- December 31 2015</b>
<b>Miscellaneous sales to related parties</b>		
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
	<b>2.748.010</b>	<b>3.378.538</b>

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**NOTE 30 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)**

	<b>January 1- December 31, 2016</b>	<b>January 1- December 31, 2015</b>
<b>Employee and customer transportation expenses payable to related parties</b>		
Ce-Tur	4.297.616	6.103.631
<b>Contribution to holding expenses (*)</b>		
ÇHH	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.

	<b>January 1- December 31 2016</b>	<b>January 1- December 31 2015</b>
<b>Other purchases from related parties (*)</b>		
ÇHH	5.283.963	3.173.140
Çe-Tur	1.112.520	1.139.063
Other	5.543	2.037
	<b>6.402.026</b>	<b>4.314.240</b>

- (\*) 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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**NOTE 30 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

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:

<b>December 31, 2016</b>	<b>Euro</b>	<b>INR</b>	<b>Total TL</b>
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

<b>December 31, 2015</b>	<b>Euro</b>	<b>INR</b>	<b>Total TL</b>
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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**NOTE 30 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

**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
	<b>9.319.867</b>	<b>8.508.190</b>

**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
<b>Fixed interest rate financial instruments</b>		
Financial Assets		
- Cash and cash equivalents	57.096.991	110.473.584
Financial Liabilities	322.576.763	202.383.557
<b>Floating interest rate financial instruments</b>		
Financial liabilities	-	120.118.666

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).

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**NOTE 31 - FINANCIAL RISK MANAGEMENT (Continued)**

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).

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**NOTE 31 - FINANCIAL RISK MANAGEMENT (Continued)**

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

<b>December 31, 2016</b>	<b>Carrying value</b>	<b>Total contractual cash outflow</b>	<b>Less than 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>
<b>Non derivative financial liabilities</b>					
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

<b>December 31, 2015</b>	<b>Carrying value</b>	<b>Total contractual cash outflow</b>	<b>Less than 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>
<b>Non derivative financial liabilities</b>					
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

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**NOTE 31 - FINANCIAL RISK MANAGEMENT (Continued)**

*Currency risk*

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

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**NOTE 31 - FINANCIAL RISK MANAGEMENT (Continued)**

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

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

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:

<b>December 31, 2016</b>	<b>TL Equivalent (Functional Currency)</b>	<b>USD</b>	<b>EUR</b>	<b>GBP</b>
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	-
<b>4. Current Assets(1+2+3)</b>	<b>101.349.100</b>	<b>2.649.900</b>	<b>24.801.414</b>	<b>2.965</b>
5. Other	169.423	-	45.668	-
<b>6. Non-current assets (5)</b>	<b>169.423</b>	<b>-</b>	<b>45.668</b>	<b>-</b>
<b>7. Total assets (4+6)</b>	<b>101.518.523</b>	<b>2.649.900</b>	<b>24.847.082</b>	<b>2.965</b>
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	-
<b>11. Current liabilities (8+9+10)</b>	<b>155.176.270</b>	<b>859.012</b>	<b>40.909.943</b>	<b>89.178</b>
12. Financial liabilities	138.407.053	60.604	37.250.000	-
13. Other monetary liabilities	-	-	-	-
<b>14. Non-current liabilities (12+13)</b>	<b>138.407.053</b>	<b>60.604</b>	<b>37.250.000</b>	<b>-</b>
<b>15. Total liabilities (11+14)</b>	<b>293.583.323</b>	<b>919.616</b>	<b>78.159.943</b>	<b>89.178</b>
<b>16 Net foreign currency asset/(liability) position (7-15)</b>	<b>(192.064.800)</b>	<b>1.730.284</b>	<b>(53.312.861)</b>	<b>(86.213)</b>
<b>17. Net monetary foreign currency asset/(liability) Position (7-15)</b>	<b>(192.064.800)</b>	<b>1.730.284</b>	<b>(53.312.861)</b>	<b>(86.213)</b>

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**NOTE 31 - FINANCIAL RISK MANAGEMENT (Continued)**

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	-
<b>4. Current Assets(1+2+3)</b>	<b>140.914.403</b>	<b>19.780.851</b>	<b>26.162.206</b>	<b>61.984</b>
5. Other	656.918	-	206.734	-
<b>6. Non-current assets (5)</b>	<b>656.918</b>	<b>-</b>	<b>206.734</b>	<b>-</b>
<b>7. Total assets (4+6)</b>	<b>141.571.321</b>	<b>19.780.851</b>	<b>26.368.940</b>	<b>61.984</b>
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	-
<b>11. Current liabilities (8+9+10)</b>	<b>133.222.350</b>	<b>625.455</b>	<b>41.261.688</b>	<b>67.579</b>
12. Financial liabilities	114.200.943	2.926	35.936.693	-
<b>14. Non-current liabilities (12+13)</b>	<b>114.200.943</b>	<b>2.926</b>	<b>35.936.693</b>	<b>-</b>
<b>15. Total liabilities (11+14)</b>	<b>247.423.293</b>	<b>628.381</b>	<b>77.198.381</b>	<b>67.579</b>
<b>16. Net foreign currency asset/(liability) position (7-15)</b>	<b>(105.851.972)</b>	<b>19.152.470</b>	<b>(50.829.441)</b>	<b>(5.595)</b>
<b>17. Net monetary foreign currency asset/(liability) Position (7-15)</b>	<b>(105.851.972)</b>	<b>19.152.470</b>	<b>(50.829.441)</b>	<b>(5.595)</b>

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**NOTE 31 - FINANCIAL RISK MANAGEMENT (Continued)**

The table below summarizes TL equivalent of export and import amounts for the years ended December 31, 2016 and 2015:

	<b>January 1- December 31 2016</b>	<b>January 1- December 31 2015</b>
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:

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
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

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**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:

<b>December 31, 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Assets	-	-	3.636.923	3.636.923
Available for sale financial assets (Note 5)	-	-	3.636.923	3.636.923
<b>December 31, 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Liabilities	-	-	-	-
Other financial liability	-	-	-	-
<b>December 31, 2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Assets	-	-	1.848.860	1.848.860
Available for sale financial assets (Note 5)	-	-	1.848.860	1.848.860
<b>December 31, 2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Liabilities	-	-	-	-
Other financial liabilities	-	-	-	-



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**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.

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.

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**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.