

Çelebi Hava Servisi Anonim Şirketi

**January 1 – September 30, 2017 interim condensed
consolidated financial statements**

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

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

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

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

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2017

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

		<i>Unaudited</i>	<i>Audited</i>
	Notes	September 30, 2017	December 31, 2016
ASSETS			
Current Assets			
Cash and cash equivalents	4	130.009.701	65.477.817
Financial investments		18.380.417	10.721.807
- Restricted bank balances	5	18.380.417	10.721.807
Trade receivables		128.227.435	94.556.073
- Due from related parties	8	1.420.345	1.038.242
- Due from third parties	8	126.807.090	93.517.831
Other receivables		8.285.524	8.275.515
- Due from third parties	9	8.285.524	8.275.515
Inventories	10	12.156.003	11.195.832
Prepaid expenses	15	23.375.170	14.862.907
Current income tax assets	24	116.707	2.418.139
Other current assets	14	998.941	4.100.361
Total current assets		321.549.898	211.608.451
Non-current assets			
Financial assets	5	20.528	3.636.923
Other long-term receivables		31.337.355	25.257.152
- Due from third parties	9	31.337.355	25.257.152
Investments accounted by using the equity method	6	56.007.179	42.739.300
Property, plant and equipment	11	152.689.714	156.759.806
Intangible assets		191.410.013	167.022.692
- Goodwill	12	33.564.764	29.850.664
- Other intangible assets	12	157.845.249	137.172.028
Prepaid expenses	15	17.602.675	21.419.166
Deferred tax assets	24	48.768.596	42.357.043
Other non-current assets	14	18.504.258	19.021.995
Total non-current assets		516.340.318	478.214.077
Total assets		837.890.216	689.822.528

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

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

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2017

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

		<i>Unaudited</i>	<i>Audited</i>
	Notes	September 30, 2017	December 31, 2016
LIABILITIES			
Short-term liabilities			
Short-term financial liabilities	7	2.472.636	24.956.512
Short-term portion of long term financial liabilities	7	115.394.956	128.529.170
Trade payables		75.416.035	69.127.896
- Due to related parties	8	5.709.387	6.574.559
- Due to third parties	8	69.706.648	62.553.337
Liabilities for employee benefits	17	37.628.449	25.002.485
Other payables		8.706.222	6.919.820
- Due to third parties	9	8.706.222	6.919.820
Deferred income	16	5.710.562	5.611.035
Current income tax liabilities	24	10.690.855	247.310
Short-term provisions		10.367.555	7.570.376
- Provisions for employee benefits	13	8.773.922	5.859.458
- Other provisions	13	1.593.633	1.710.918
Other short-term liabilities	14	7.287.294	5.606.013
Total short-term liabilities		273.674.564	273.570.617
Long-term liabilities			
Long-term financial liabilities	7	255.995.683	169.091.081
Other payables		11.328.821	9.091.878
- Due to third parties	9	11.328.821	9.091.878
Long term provisions		22.059.532	21.540.508
- Provisions for employee benefits	13	22.059.532	21.540.508
Deferred tax liabilities	24	6.368.320	5.825.508
Other long-term liabilities	14	122.531.575	109.006.172
Total long-term liabilities		418.283.931	314.555.147
Total liabilities		691.958.495	588.125.764
EQUITY			
Equity attributable to equity holders of the parent		136.353.826	87.487.517
Share Capital	18	24.300.000	24.300.000
Other comprehensive income/(expense) not to be reclassified to profit or loss		(20.119.413)	(16.076.250)
- Actuarial gain/(loss) arising from defined benefit plans		(20.119.413)	(16.076.250)
Other comprehensive income/(expense) to be reclassified to profit or loss		28.689.708	22.781.040
- Currency translation differences		28.689.708	22.781.040
Restricted reserves	18	40.181.456	40.181.456
Retained earnings		(14.386.953)	(10.534.764)
Net profit/(loss) for the year		77.689.028	26.836.035
Non-controlling interest		9.577.895	14.209.247
Total equity		145.931.721	101.696.764
Total liabilities and equity		837.890.216	689.822.528

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

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

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE NINE MONTHS INTERIM PERIOD ENDED SEPTEMBER 30, 2017**

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

		<i>Unaudited</i>		<i>Unaudited</i>	
		January 1 – September 30, 2017	July 1 – September 30, 2017	January 1 – September 30, 2016	July 1 – September 30, 2016
Continuing operations					
Revenue	19	690.981.665	281.946.197	539.827.581	194.032.149
Cost of sales (-)	19	(473.643.262)	(174.057.129)	(403.744.344)	(136.571.626)
Gross profit	19	217.338.403	107.889.068	136.083.237	57.460.523
General administrative expenses (-)	21	(95.403.223)	(31.836.601)	(76.271.843)	(23.850.538)
Other operating income		16.027.550	2.550.062	7.253.227	2.719.791
Other operating expenses (-)		(11.393.590)	(20.341)	(7.624.528)	(173.902)
Operating profit		126.569.140	78.582.188	59.440.093	36.155.874
Income from investment activities		448.937	772	1.017.499	652.919
Expense from investment activities (-)		(428.864)	(1.426)	(2.497.173)	(2.479.177)
Income from investments accounted by using the equity method	6	6.477.274	2.826.213	4.918.573	1.900.188
Operating profit before financial income/(expenses), net		133.066.487	81.407.747	62.878.992	36.229.804
Financial income	22	12.266.898	3.136.475	11.300.393	4.580.517
Financial expense (-)	23	(45.213.093)	(14.729.857)	(29.977.728)	(11.682.604)
Profit before tax from continuing operations		100.120.292	69.814.365	44.201.657	29.127.717
Income tax expense					
Current tax expense	24	(24.022.804)	(14.871.175)	(13.076.058)	(6.859.173)
Deferred tax income/(expense)	24	2.709.034	289.177	1.662.485	225.594
Net profit for the period		78.806.522	55.232.367	32.788.084	22.494.138
Attributable to:					
Non-controlling interest		1.117.494	900.460	541.221	567.094
Equity holders of the parent		77.689.028	54.331.907	32.246.863	21.927.044
		78.806.522	55.232.367	32.788.084	22.494.138
Earnings per share (Kr)	25	0,032	0,022	0,013	0,009

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

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ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE NINE MONTHS INTERIM PERIOD ENDED SEPTEMBER 30, 2017

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

	<i>Unaudited</i>		<i>Unaudited</i>	
	January 1 – September 30, 2017	July 1 – September 30, 2017	January 1 – September 30, 2016	July 1 – September 30, 2017
Net profit for the period	78.806.522	55.232.367	32.788.084	22.494.138
Other comprehensive income/(expense) not to be reclassified to profit or loss				
- Actuarial gain/(loss) arising from defined benefit plans	(4.070.528)	(1.364.429)	(6.676.332)	(1.386.703)
Other comprehensive income/(expense) to be reclassified to profit or loss				
- Currency translation differences	6.193.269	2.635.017	1.692.646	3.131.602
Other comprehensive income/(expense)	2.122.741	1.270.588	(4.983.686)	1.744.899
Total comprehensive income	80.929.263	56.502.955	27.804.398	24.239.037
Attributable to:				
Non-controlling interest	1.374.730	888.957	812.299	1.104.929
Equity holders of the parent	79.554.533	55.613.998	26.992.099	23.134.108
	80.929.263	56.502.955	27.804.398	24.239.037

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ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE NINE MONTHS INTERIM PERIOD ENDED SEPTEMBER 30, 2017**

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

	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 attributable to equity holders of the parent	Non- controlling interest	Total equity
		Actuarial gain/(loss) arising from defined benefit plans	Currency translation differences	Restricted Reserves	Retained earnings/(lo sses)	Net profit for the period			
Balances at January 1, 2017	24.300.000	(16.076.250)	22.781.040	40.181.456	(10.534.764)	26.836.035	87.487.517	14.209.247	101.696.764
Transfers	-	-	-	-	26.836.035	(26.836.035)	-	-	-
Dividend distribution	-	-	-	-	(30.375.000)	-	(30.375.000)	-	(30.375.000)
Adjustments relates to previous years (*)	-	-	-	-	1.206.775	-	1.206.775	-	1.206.775
Transactions with non-controlling interest (**)	-	-	-	-	(1.519.999)	-	(1.519.999)	(6.034.249)	(7.554.248)
Contribution to capital increases of non-controlling interests	-	-	-	-	-	-	-	28.167	28.167
Other comprehensive income									
- Currency translation differences	-	-	5.908.668	-	-	-	5.908.668	284.601	6.193.269
- Actuarial gain/(loss) arising from defined benefit plans	-	(4.043.163)	-	-	-	-	(4.043.163)	(27.365)	(4.070.528)
Total other comprehensive income	-	(4.043.163)	5.908.668	-	-	-	1.865.505	257.236	2.122.741
Net profit for the period	-	-	-	-	-	77.689.028	77.689.028	1.117.494	78.806.522
Total comprehensive income/(expense)	-	(4.043.163)	5.908.668	-	-	77.689.028	79.554.533	1.374.730	80.929.263
Balances at September 30, 2017	24.300.000	(20.119.413)	28.689.708	40.181.456	(14.386.953)	77.689.028	136.353.826	9.577.895	145.931.721

(*) Çelebi GH Delhi, a subsidiary of the Group, acquired additional 8,33% shares of DASPL. Following the acquisition, as of September 30, 2017, the DASPL, which has been started to be accounted with equity method, purchased shares from retained earnings for the years ended 31 December 2016 and prior years, are presented in line named adjustments relates to previous years (Note 6).

(**) Çelebi Hava Servisi Anonim Şirketi acquired an additional 25.9% share of Çelebi Ground Handling Delhi on May 22, 2017 (Note 2).

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

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ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE NINE MONTHS INTERIM PERIOD ENDED SEPTEMBER 30, 2016**

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

	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 attributable to equity holders of the parent	Non-controlling interest	Total Equity
		Actuarial gain/(loss) arising from defined benefit plans	Currency translation differences	Restricted reserves	Retained earnings	Net profit for the year			
Balances at 1 January 2016	24.300.000	(8.493.178)	14.586.228	33.012.956	(13.524.451)	83.058.187	132.939.742	11.345.517	144.285.259
Transfers	-	-	-	-	83.058.187	(83.058.187)	-	-	-
Dividend distribution	-	-	-	7.168.500	(80.068.500)	-	(72.900.000)	-	(72.900.000)
Other comprehensive income									
- Currency translation differences	-	-	1.421.568	-	-	-	1.421.568	271.078	1.692.646
- Actuarial gain/(loss) arising from defined benefit plans	-	(6.676.332)	-	-	-	-	(6.676.332)	-	(6.676.332)
Total other comprehensive income	-	(6.676.332)	1.421.568	-	-	-	(5.254.764)	271.078	(4.983.686)
Net profit for the period	-	-	-	-	-	32.246.863	32.246.863	541.221	32.788.084
Total comprehensive income/(expense)	-	(6.676.332)	1.421.568	-	-	32.246.863	26.992.099	812.299	27.804.398
Balances at September 30, 2016	24.300.000	(15.169.510)	16.007.796	40.181.456	(10.534.764)	32.246.863	87.031.841	12.157.816	99.189.657

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FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTH INTERIM PERIOD ENDED SEPTEMBER 30, 2017**

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

		<i>Unaudited</i>	<i>Unaudited</i>
		January 1 –	January 1 –
		September 30,	September 30,
	Notes	2017	2016
A. Cash flows from operating activities		130.150.912	74.707.560
Net profit for the period		78.806.522	32.788.084
Adjustment related to reconciliation of net profit for the period		80.962.277	56.918.196
Adjustment related depreciation and amortisation expense	11, 12	28.848.809	26.272.115
Adjustments related impairment/(reversal)		-	2.369.038
Adjustment related to provisions		5.388.800	4.033.886
- Adjustment related to provisions for employee benefits		5.388.800	4.033.886
Adjustment related to interest income and expenses	22, 23	10.725.361	8.882.015
- Adjustment related to interest income		(3.184.554)	(3.773.628)
- Adjustment related to interest expenses		13.909.915	12.655.643
Adjustment related to unrealized related to foreing currency translation differences		21.182.884	7.386.468
Adjustment related to tax (income)/expense		21.313.770	11.413.573
Adjustment related to increase/decrease in investments accounted using the equity method	6	(6.477.274)	(4.918.573)
Adjustment related to (gain)/loss on sale of property, plant and equipment, net		(20.073)	1.479.674
Changes in working capital		(10.840.666)	1.991.311
(Increase)/decrease in financial investments		(7.285.965)	(56.832)
(Increase)/decrease in trade receivables		(33.671.362)	(20.590.441)
- (Increase)/decrease in due from related parties		(382.103)	305.442
- (Increase)/decrease in due from third parties		(33.289.259)	(20.895.883)
Increase/decrease in other receivables		(2.471.055)	7.798.354
Increase/decrease in inventories		(960.171)	(1.233.746)
Increase/decrease in prepaid expenses		(4.695.772)	(3.763.890)
Increase/decrease in trade payables		6.288.139	7.629.877
- Increase/(decrease) in due to related parties		(865.172)	35.721
- Increase/(decrease) in due to third parties		7.153.311	7.594.156
Increase/(decrease) in liabilities related to employee benefits		12.625.964	(1.156.574)
Increase/decrease in other payables		19.329.556	13.420.297
Cash flows from operating activities		148.928.133	91.697.591
Payments related to provisions for to empoloyee benefit		(6.988.405)	(7.543.876)
Payments related to other provisions		(117.285)	(34.499)
Tax (payments)/returns		(11.671.531)	(9.411.656)

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

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ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTH INTERIM PERIOD ENDED SEPTEMBER 30, 2016
(CONTINUED)

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

	<i>Unaudited</i>	<i>Unaudited</i>
	January 1 – September 30, 2017	January 1 – September 30, 2016
Notes		
B. Cash flows from investing activities	(43.088.941)	(17.468.537)
Cash outflow on purchase of shares or capital increase of associate and/or joint ventures	(7.554.249)	-
Cash inflows from sale of property, plant and equipment and intangible assets	512.124	(1.324.519)
- Cash inflows from the sale of property, plant and equipment	512.124	(1.324.519)
Cash outflows from the purchase of property, plant and equipment and intangible asset	(36.046.816)	(16.144.018)
- Cash outflows from purchase of property, plant and equipment	(13.204.593)	(13.530.363)
- Cash outflows from purchase of intangible assets	(22.842.223)	(2.613.655)
C. Cash flows from financing activities	(10.996.733)	(101.344.728)
Cash inflows from borrowings	118.733.532	3.533.216
Cash outflows due to payments of borrowings	(88.629.904)	(23.095.929)
Dividend paid	(30.375.000)	(72.900.000)
Interests paid	(13.909.915)	(12.655.643)
Interests received	3.184.554	3.773.628
Net increase/(decrease) in cash and cash equivalents before the effect of change in currency translation differences	76.065.238	(44.105.705)
D. Impact of currency translation differences on cash and cash equivalents	(11.547.228)	(5.969.612)
Net increase/decrease in cash and cash equivalents	64.518.010	(50.075.317)
E. Cash and cash equivalents at beginning of period	65.460.743	127.859.564
Cash and cash equivalents at end of period	4 129.978.750	77.784.244

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

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED SEPTEMBER 30, 2017

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

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS OF THE GROUP

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

The company is registered in Capital Markets Board "CMB" and has been listed in Borsa İstanbul "BIST" since November 18, 1996. As of September 30, 2017, free float rate of the company is 21,6%. (December 31, 2016: 21,6%).

The registered address of the Company is as follows:
Anel İş Merkezi Saray Mahallesi Site Yolu Sokak No:5 Kat:9
34768 Ümraniye / İstanbul

Group includes its subsidiaries, joint venture and associate. The average number of employees employed by the Group for the period ended at September 30, 2017 is 12.580 (December 31, 2016: 12.278).

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

- *Subsidiaries:*

Subsidiaries of the Group is as below:

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

(*) As of September 30, 2017 Çelebi Spain has no operational activity and is inactive.

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED SEPTEMBER 30, 2017

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

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

The Company has won the tender offer for the acquisition of the shares of Budapest Airport Handling Kereskedelmi és Szolgáltatató Korlátolt Felelőségi Társaság ("BAGH") who is providing ground handling services at Budapest Airport. In order to complete the realization of the share transfer, the Company has established Celebi Tanácsadó Korlátolt Felelőségi Társaság ("Celebi Kft") on September 22, 2006 by participating as the founding partner. On October 26, 2006, Celebi Kft acquired all of the shares of BAGH and trade name of BAGH has been changed to Celebi Ground Handling Hungary Foldi Kiszolgáló Korlátolt Felelőségi Társaság ("CGHH"). On October 31, 2017, Celebi Kft has been taken over by CGHH, where the Company has 70% ownership, with all its assets and liabilities and merger transactions have been completed after the completion of the legal process carried out within the legal framework effective in Hungary. In 2011, the Company has acquired 30% shares of CGHH from Çelebi Havacılık Holding A.Ş. for a consideration of 33.712.020 TL and reached an ownership rate of 100%. As of September 30, 2017, the share capital of CGHH is 200.000.000 Hungary Forint.

On, May 6, 2009, in order to carry out the activities of development, modernization and the operation for 25 years of the existing cargo terminal of the airport in New Delhi ("Brownfield"), India, a company with a trade name of Celebi Delhi Cargo Terminal Management India Private Limited ("Celebi Delhi Cargo") is established with a share capital of 100.000 Indian Rupee. The Company has participated as the founding partner with an ownership rate of 74%. The share capital of Celebi Delhi Cargo is 1.120.000.000 Indian Rupee.

As a result of the winning the tender opened for the operating the ground handling services at Delhi International Airport for a 10 years period, with respect to the related legal framework, the Company has made a premium capital increase amounting to 1.248.377.000 Indian Rupee on its subsidiary of Çelebi Ground Handling Delhi Private Limited ("Celebi GH Delhi"), which is established on November 18, 2009 with a share capital of 18.150.000 Indian Rupee with a 74% of ownership, in order to fulfill the requirements to meet the obligations and make the planned investments outlined in the Concession Agreement signed between Celebi GH Delhi and the tender authority. On May 22, 2017, the Company has acquired 25,9% share of Çelebi GH Delhi and reached an ownership rate of 99,9%. Çelebi GH Delhi has signed a concession agreement to provide ground handling services at Coshin International Airport for 7 years period, 5 years of which is fixed and 2 years is extensible.

Çelebi Kargo Depolama ve Dağıtım Hizmetleri A.Ş. ("Çelebi Kargo") was established on November 20, 2008 to carry out transportation, cargo storage and distribution activities. Celebi Cargo GmbH ("Celebi Cargo"), the subsidiary of Çelebi Kargo with a 100% ownership, was established on November 2009 and has share capital amounting to 32.100.000EUR, rented storage and warehouse facilities at International Frankfurt Airport Cargo (Frankfurt Cargo City Süd) and carry out flight cargo storage and handling services. As of September 30, 2017, the paid share capital of Çelebi Cargo is 114.000.000TL.

On March 25, 2010, the Company participated as a founding partner to the Celebi Ground Handling Spain S.L.U ("Celebi Spain") with a capital of 10.000 Euro and an ownership rate of 100% as a founding partner for the purpose of entrepreneurship in abroad including European Union. Çelebi Spain has not yet started its operations and has a non-operational subsidiary in Poland with an ownership of 100% shares, the trade name of which is Troy Airport Services ("Troy").

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED SEPTEMBER 30, 2017

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

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

- *Joint venture:*

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

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

In the sequel of winning the tender of rendering ground handling services for a 10 years period in Mumbai Chhatrapati Shivaji International Airport (CSIA) in Mumbai, India by the consortium in which the Company takes part, a joint venture of the Company has been established on December 12, 2008 with a capital of 100.000.000 Indian Rupee with the trade name of "Celebi Nas Airport Services India Private Limited ("Celebi Nas") resident in Maharashtra, Mumbai, India. The Company has participated as the founding partner in Celebi Nas and has 57% shareholding where the share capital of Celebi Nas is 552.000.000 Indian Rupee. A premium capital increase of 228.000.000 Indian Rupee has been paid by the shareholders of Celebi Nas in previous years. Although the Company has 57% shareholding, in accordance with the conditions in Articles of Association signed between the Company and the counterparty shareholder, Celebi Nas is accounted using the equity method and treated as a joint venture. On April 8, 2017, Celebi Nas has signed a "concession agreement" with Mumbai International Airport Private Limited ("MIAP"), the operator of the CSIA International Airport, for rendering services of air conditioners and generators mounted on passenger boarding bridges in the passenger terminal. With this agreement, Celebi Nas has been granted the concession rights until May, 2036.

- *Associate:*

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

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

Çelebi GH Delhi, a subsidiary of the Group, has participated in establishment of Delhi Aviation Services Private Limited ("DASPL") with a shareholding of 16,66%, a company resident in New Delhi, India and dealing with rendering services of air conditioners, water providing systems and generators mounted on passenger boarding bridges with international standards established with a share capital of DASPL is 250.000.000 Indian Rupee. On November 14, 2016, Çelebi GH Delhi, has acquired 8,33% of additional shares of DASPL and reached a shareholding rate of 24,9%. The Group has accounted DASPL by using the equity method in its consolidated financial statements.

As of September 30, 2017, the interim condensed consolidated financial statements of the Group contains the Company, Celebi Nas, CGHH, Tasfiye halinde Çelebi Güvenlik, Celebi Delhi Cargo, Celebi GH Delhi, Çelebi Kargo, DASPL and Celebi Cargo (all together will be referred as "the Group").

Interim condensed consolidated financial statements of the Group for the period ended January 1 – September 30, 2017 has been approved for the issuance by the Board of Directors on November 9, 2017 and signed by Osman Yılmaz, the General Manager, and Deniz Bal, the Accounting and Finance Director, on behalf of Board of Directors.

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED SEPTEMBER 30, 2017

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of presentation

2.1.1 Financial reporting standards

The consolidated financial statements of the Group have been prepared in accordance with Turkish Accounting Standards/Turkish Financial Reporting Standards (“TAS/TFRS”) promulgated by the Public Oversight Accounting and Auditing Standards Authority (“POA”) that are set out in the 5th article of the communiqué numbered II-14.1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the Capital Markets Board (“CMB”) on 13 June 2013 and published in Official Gazette numbered 28676.

The Group prepared its interim condensed consolidated financial statements for the period ended September 30, 2017 in accordance with the Turkish Accounting Standard 34 Interim Financial Reporting. Interim condensed consolidated financial statements of the Group does not include all relevant disclosures and notes that are required to be disclosed in annual financial statements, accordingly these interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2016.

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 consolidated financial statements of the Group have been prepared in accordance with this decision.

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

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

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED SEPTEMBER 30, 2017

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Functional and Presentation Currency

Financial statement items included in the financial statements of each Group entities are measured using the currency of the primary economic environment in which such entities operate. The condensed consolidated financial statements are presented in TL, which are the functional currency of the Company and the presentation currency of the Group. As of September 30, 2017, the functional currencies of the Group entities as below:

<u>Company</u>	<u>Functional currency</u>
Tasfiye halinde Çelebi Güvenlik	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)
DASPL	Indian Rupee (INR)

Going Concern

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

2.1.2 Amendments in International Financial Reporting Standards (IFRS)

The new standards, amendments and interpretations

The accounting policies applied in the preparation of the condensed consolidated financial statements as of January 1 – September 30 2017 are consistent with those applied in the preparation of the consolidated financial statements of previous year except for the new standards and amended TFRS standards which are valid as of January 1, 2017 and TFRIC interpretations summarized below.

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

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the interim consolidated financial statements or not early adopted by the Group 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).

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED SEPTEMBER 30, 2017

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

TFRS 15 Revenue from Contracts with Customers

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.

TFRS 9 Financial Instruments

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018, 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.

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

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED SEPTEMBER 30, 2017

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 amendments are effective immediately.

Annual Improvements - 2011 - 2013 Cycle

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 standard is not applicable for the Group and will not have an impact on the 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 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.

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED SEPTEMBER 30, 2017

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

IFRS 4 Insurance Contracts (Amendments)

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

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

These amendments are to be applied for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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.

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED SEPTEMBER 30, 2017

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

TFRYK 22 Foreign Currency Transactions and Advance Consideration

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

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

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the 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.
- IAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying IFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after 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.

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED SEPTEMBER 30, 2017

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

TFRYK 23 Uncertainty over Income Tax Treatments

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

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

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

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

The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. IFRS 17 will become effective for annual reporting periods beginning on or after January 1, 2021; early application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED SEPTEMBER 30, 2017

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

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

2.1.3 Basis of Consolidation

- a) The consolidated financial statements include the accounts of the parent, Çelebi Hava, its Subsidiaries, Joint venture and the Associate (collectively referred to as the “Group”) on the basis set out in sections (b), to (f) below. The financial statements of the companies included in the scope of consolidation have been in accordance with TFRS by applying uniform accounting policies and by making necessary adjustments and reclassifications as of the date of the consolidated financial statements. The operational results of the subsidiaries, joint venture and associate are included or excluded in accordance with the acquisition of disposal transactions on their effective dates of acquisitions or disposals.
- 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 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 merger 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 exceeding 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. 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.
- c) The direct and indirect ownership interests held by the Group in its subsidiaries are provided below, the direct and indirect ownership interest is equal with the proportion of effective interest.

Subsidiary	Ownership interest (%)	
	September 30, 2017	December 31, 2016
Çelebi Güvenlik in liquidation ⁽²⁾	94,8	94,8
CGHH	100,0	100,0
Celebi Delhi Cargo	74,0	74,0
Celebi GH Delhi	99,9	74,0
Celebi Spain ⁽¹⁾	100,0	100,0
Çelebi Kargo	99,9	99,9
Celebi Cargo	99,9	99,9

- (1) As of September 30, 2017, The Group has 100% directly and indirectly ownership interest of Çelebi Spain who is inactive and is not significant to the consolidated financial statements of the Group. Accordingly, Celebi Spain is not consolidated in the consolidated financial statements and accounted as available for sale financial asset (Note 5).
- (2) Pursuant to the resolution of Ordinary General Assembly meeting of Çelebi Güvenlik which have a capital of TL 1.906.736 and participated by the Company with an ownership rate of 94,8%, the liquidation process started as of December 31, 2013 and trade name of the Company was changed into Tasiye halinde Çelebi Güvenlik. As of September 30, 2017, since Tasfiye halinde Çelebi Güvenlik is not significant to the consolidated financial statements of the Group, no additional presentation was made in accordance with IFRS 5 Assets Held for Sale and Discontinued Operations.

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED SEPTEMBER 30, 2017

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

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

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

e) Joint venture and the associate of the Group are accounted using the equity method.

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

Joint venture	Ownership interest (%)	
	September 30, 2017	December 31, 2016
Çelebi Nas	57,00	57,00

Associate	Ownership interest (%)	
	September 30, 2017	December 31, 2016
DASPL	24,99	24,99

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

Financial asset	Ownership interest (%)	
	September 30, 2017	December 31, 2016
Çelebi Spain	100,00	100,00

2.2. Changes in accounting policies, estimates and errors

2.2.1 Comparatives and adjustment of prior periods' financial statements

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

The Group presented the consolidated statement of financial position as of September 30, 2017 comparatively with the consolidated statement of financial position as of December 31, 2016, presented the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the period January 1 - September 30, 2017 comparatively with the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the period January 1 - September 30, 2016.

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED SEPTEMBER 30, 2017

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

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

Cost of additional share purchases of Celebi Nas by the Group arising from additional share purchases in previous years, amounting to 2.705.387 TL, which are recognised in goodwill in the consolidated statement of financial position as of December 31, 2016 is reclassified under investments accounted by using the equity method in the accompanying consolidated statement of financial position.

Income from delay interest charges to the customers amounting to TL 506.232, accounted in financial income for the period January 1 - September 30, 2016, is reclassified to other operating income in the accompanying consolidated statement of profit or loss.

2.3 Changes in significant accounting policies and estimates

Condensed consolidated financial statements for the period ended September 30, 2017, have been prepared in accordance with IAS 34, the IFRS standard on interim financial reporting. Furthermore, accounting policies applied in the preparation of condensed consolidated financial statements as of September 30, 2017 are consistent with the accounting policies used for the preparation of consolidated financial statements for the year ended December 31, 2016. Thus, these condensed consolidated financial statements should be read together with the consolidated financial statements for the year ended December 31, 2016.

If changes in accounting estimates are related to only one period, they are recognised in the period when the changes are applied; if changes in estimates are related to future periods, they are recognised both in the period where the change is applied and in future periods prospectively. The Group doesn't have any significant changes in accounting policy and accounting estimates in the current period.

The useful life of the equipments used by the Group at an airport where the concession rights has been obtained has been reassessed and the useful life has been increased by revising the estimates. This change in useful lives resulted in a decrease of TL 1.052.136 in the total depreciation in the current period compared to the previous period.

NOTE 3 - SEGMENT REPORTING

The Group management determines the operating segments based on the reports analysed by the board of directors, and found effective in strategically decision taking.

The Group management assesses the Group by geographic and operational segments. The Group management assesses the Group's performance on an operating segment basis as: Ground Handling Services, Security Services, Cargo and Warehouse Services. Since the revenue of the Group is recognised from these operating segments, Ground Handling Services, Security Services and Cargo and Warehouse Services are determined as operating segments. The Group management assess the operational performance of the segments by deducting non-cash operating lease equalisation, effect of TFRYK 12 shares, current period portion of prepaid expenses on area assignments, retirement pay liability and unused vacation rights provisions from earnings before interest and taxes ("EBITDA").

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

NOTE 3 - SEGMENT REPORTING (Continued)

The segment information provided to the board of directors as of September 30, 2017 is as follows:

January 1 - September 30, 2017	Reportable segments			Consolidated
	Ground handling services	Cargo and warehouse services	Consolidation adjustments	
Revenue	457.303.724	236.120.548	(2.442.607)	690.981.665
Cost of sales	(302.019.615)	(173.827.043)	2.203.396	(473.643.262)
Gross profit	155.284.109	62.293.505	(239.211)	217.338.403
General administrative expenses	(67.426.951)	(28.418.300)	442.028	(95.403.223)
Addition: Depreciation and amortization	18.444.979	10.403.830	-	28.848.809
Addition: Operating lease equalization	(124.997)	7.379.256	-	7.254.259
Addition: Effect of TFRYK 12	-	4.663.347	-	4.663.347
Addition: Prepaid expenses on area assignment	866.304	-	-	866.304
Addition: Retirement pay liability and unused vacation rights provisions (*)	4.676.889	878.223	-	5.555.112
Effect of investments accounted using the equity method	20.489.831	(601.979)	-	19.887.852
EBITDA	132.210.164	56.597.882	202.817	189.010.863

July 1 - September 30, 2017	Reportable segments			Consolidated
	Ground handling services	Cargo and warehouse services	Consolidation adjustments	
Revenue	198.109.532	86.082.824	(2.246.159)	281.946.197
Cost of sales	(121.283.350)	(54.420.047)	1.646.268	(174.057.129)
Gross profit	76.826.182	31.662.777	(599.891)	107.889.068
General administrative expenses	(22.954.138)	(9.109.190)	226.727	(31.836.601)
Addition: Depreciation and amortization	6.718.199	3.905.799	-	10.623.998
Addition: Operating lease equalization	(50.480)	2.338.374	-	2.287.894
Addition: Effect of TFRYK 12	-	783.450	-	783.450
Addition: Prepaid expenses on area assignment	288.768	-	-	288.768
Addition: Retirement pay liability and unused vacation rights provisions (*)	962.413	337.924	-	1.300.337
Effect of investments accounted using the equity method	7.259.587	(245.714)	-	7.013.873
EBITDA	69.050.531	29.673.420	(373.164)	98.350.787

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

NOTE 3 - SEGMENT REPORTING (Continued)

The segment information provided to the board of directors as of September 30, 2016 is as follows:

January 1 - September 30, 2016	Reportable Segments			Consolidated
	Ground handling services	Cargo and warehouse services	Consolidation adjustments	
Revenue	372.847.752	167.174.413	(194.584)	539.827.581
Cost of sales	(255.963.329)	(147.781.015)	-	(403.744.344)
Gross profit	116.884.423	19.393.398	(194.584)	136.083.237
General administrative expenses	(59.380.352)	(17.418.572)	527.081	(76.271.843)
Addition: Depreciation and amortization	17.944.792	8.327.323	-	26.272.115
Addition: Operating lease equalization	(28.650)	6.214.804	-	6.186.154
Addition: Effect of TFRYK 12	-	2.381.302	-	2.381.302
Addition: Prepaid expenses on area assignment	866.304	-	-	866.304
Addition: Retirement pay liability and unused vacation rights provisions (*)	4.283.568	-	-	4.283.568
Effect of investments accounted by equity method	12.676.268	49.753	-	12.726.021
EBITDA	93.246.353	18.948.008	332.497	112.526.858

July 1 - September 30, 2016	Reportable Segments			Consolidated
	Ground handling services	Cargo and warehouse services	Consolidation adjustments	
Revenue	141.966.255	52.084.806	(18.912)	194.032.149
Cost of sales	(86.439.268)	(50.132.358)	-	(136.571.626)
Gross profit	55.526.987	1.952.448	(18.912)	57.460.523
General administrative expenses	(19.146.272)	(4.753.478)	49.212	(23.850.538)
Addition: Depreciation and amortization	6.548.424	2.225.278	-	8.773.702
Addition: Operating lease equalization	(18.525)	2.027.038	-	2.008.513
Addition: Effect of TFRYK 12	-	524.971	-	524.971
Addition: Prepaid expenses on area assignment	288.768	-	-	288.768
Addition: Retirement pay liability and unused vacation rights provisions (*)	551.216	-	-	551.216
Effect of investments accounted by equity method	4.699.422	4.675	-	4.704.097
EBITDA	48.450.020	1.980.932	30.300	50.461.252

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

NOTE 3 - SEGMENT REPORTING (Continued)

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

	January 1 – September 30, 2017	July 1 – September 30, 2017	January 1 – September 30, 2016	July 1 – September 30, 2016
EBITDA for reported segments	189.010.863	98.350.787	112.526.858	50.461.252
Depreciation and amortization	(28.848.809)	(10.623.998)	(26.272.115)	(8.773.702)
Operating lease equalization	(7.254.259)	(2.287.894)	(6.186.154)	(2.008.513)
Effect of TFRYK 12	(4.663.347)	(783.450)	(2.381.302)	(524.971)
Other operating income	16.027.550	2.550.062	7.253.227	2.719.791
Other operating expenses (-)	(11.393.590)	(20.341)	(7.624.528)	(173.902)
Addition: Prepaid expenses on area assignment	(866.304)	(288.768)	(866.304)	(288.768)
Retirement pay liability and unused vacation rights provisions	(5.555.112)	(1.300.337)	(4.283.568)	(551.216)
Effect of investments equity accounted using the equity method	(19.887.852)	(7.013.873)	(12.726.021)	(4.704.097)
Operating profit	126.569.140	78.582.188	59.440.093	36.155.874
Share of profit from equity accounted investees	6.477.274	2.826.213	4.918.573	1.900.188
Income from investment activities	448.937	772	1.017.499	652.919
Expenses from investment activities(-)	(428.864)	(1.426)	(2.497.173)	(2.479.177)
Financial income	12.266.898	3.136.475	11.300.393	4.580.517
Financial expenses (-)	(45.213.093)	(14.729.857)	(29.977.728)	(11.682.604)
Income before tax	100.120.292	69.814.365	44.201.657	29.127.717

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 condensed consolidated financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

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NOTE 3 - SEGMENT REPORTING (Continued)

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

Total Assets

	September 30, 2017	December 31, 2016
Turkey	531.507.856	406.090.754
India	307.421.267	253.668.293
Hungary	90.922.884	77.377.440
Germany	21.694.174	38.628.635
Segment assets (*)	951.546.181	775.765.122
Unallocated assets	161.185.898	99.454.036
Less: Inter-segment elimination	(274.841.863)	(185.396.630)
Total assets as per consolidated financial statements	837.890.216	689.822.528

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

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

Total liabilities

	September 30, 2017	December 31, 2016
Turkey	103.843.574	68.861.941
India	194.330.603	170.935.044
Hungary	13.454.291	12.951.773
Germany	18.322.105	40.989.731
Segment liabilities (*)	329.950.573	293.738.489
Unallocated liabilities	380.231.595	328.402.271
Less: Inter-segment elimination	(18.223.673)	(34.014.996)
Total liabilities as per consolidated financial statements	691.958.495	588.125.764

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

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

NOTE 3 - SEGMENT REPORTING (Continued)

Geographical Segments

Geographical segment analysis of the operating profit / (loss) for the interim period ended January 1 – September 30, 2017 is as follows:

	Turkey	Hungary	India	Germany	Total Combined	Inter-segment elimination	Total
Revenue	391.374.983	91.105.262	159.513.976	51.018.455	693.012.676	(2.031.011)	690.981.665
Cost of sales	(235.476.996)	(59.808.190)	(130.953.257)	(49.607.230)	(475.845.673)	2.202.411	(473.643.262)
Gross profit	155.897.987	31.297.072	28.560.719	1.411.225	217.167.003	171.400	217.338.403
General administrative expenses	(53.075.144)	(12.263.563)	(19.842.054)	(10.251.949)	(95.432.710)	29.487	(95.403.223)
Other operating income / expenses (net)	2.401.082	196.597	1.281.162	944.036	4.822.877	(188.917)	4.633.960
Operating profit / (loss)	105.223.925	19.230.106	9.999.827	(7.896.688)	126.557.170	11.970	126.569.140

Geographical segment analysis of the operating profit / (loss) for the interim period ended July 1 – September 30, 2017 is as follows:

	Turkey	Hungary	India	Germany	Total Combined	Inter-segment elimination	Total
Revenue	180.108.303	33.252.520	53.426.081	17.185.489	283.972.393	(2.026.196)	281.946.197
Cost of sales	(98.149.977)	(21.094.767)	(41.375.541)	(15.082.647)	(175.702.932)	1.645.803	(174.057.129)
Gross profit	81.958.326	12.157.753	12.050.540	2.102.842	108.269.461	(380.393)	107.889.068
General administrative expenses	(17.832.928)	(4.465.801)	(6.260.361)	(3.284.019)	(31.843.109)	6.508	(31.836.601)
Other operating income / expenses (net)	1.519.403	(183.133)	507.294	313.776	2.157.340	372.381	2.529.721
Operating profit / (loss)	65.644.801	7.508.819	6.297.473	(867.401)	78.583.692	(1.504)	78.582.188

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NOTE 3 - SEGMENT REPORTING (Continued)

Geographical Segments

Geographical segment analysis of the operating profit / (loss) for the interim period ended January 1 – September 30, 2016 is as follows:

	Turkey	Hungary	India	Germany	Total Combined	Inter-segment elimination	Total
Revenue	318.896.010	66.387.729	93.908.648	60.593.125	539.785.512	42.069	539.827.581
Cost of sales	(214.164.391)	(43.171.094)	(77.757.663)	(68.651.196)	(403.744.344)	-	(403.744.344)
Gross profit	104.731.619	23.216.635	16.150.985	(8.058.071)	136.041.168	42.069	136.083.237
General administrative expenses	(49.155.916)	(8.137.976)	(12.351.545)	(6.872.923)	(76.518.360)	246.517	(76.271.843)
Other operating income / expenses (net)	88.647	(258.351)	1.550.440	(1.420.393)	(39.657)	(331.644)	(371.301)
Operating profit / (loss)	55.664.350	14.820.308	5.349.880	(16.351.387)	59.483.151	(43.058)	59.440.093

Geographical segment analysis of the operating profit / (loss) for the interim period ended April 1 – September 30, 2016 is as follows:

	Turkey	Hungary	India	Germany	Total Combined	Inter-segment elimination	Total
Revenue	120.117.500	23.911.808	33.769.580	16.172.207	193.971.095	61.054	194.032.149
Cost of sales	(70.917.407)	(14.842.396)	(27.966.495)	(22.845.328)	(136.571.626)	-	(136.571.626)
Gross profit	49.200.093	9.069.412	5.803.085	(6.673.121)	57.399.469	61.054	57.460.523
General administrative expenses	(15.841.125)	(2.720.492)	(4.229.544)	(1.036.084)	(23.827.245)	(23.293)	(23.850.538)
Other operating income / expenses (net)	560.891	(245.003)	396.646	1.155.069	1.867.603	678.286	2.545.889
Operating profit / (loss)	33.919.859	6.103.917	1.970.187	(6.554.136)	35.439.827	716.047	36.155.874

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NOTE 4 - CASH AND CASH EQUIVALENTS

	September 30, 2017	December 31, 2016
Cash	5.577.797	439.801
Bank	124.431.904	65.038.016
- Time deposit	94.036.885	46.375.184
- Demand deposit	30.395.019	18.662.832
	130.009.701	65.477.817

As of September 30, 2017, effective interest rates on TL, EUR, USD and INR denominated time deposits are 13,50%, 1,60%, 2,80% respectively. (December 31, 2016: TL 10,05%, EUR 1,40%, USD 1,90%, INR 4,47%). The maturity days of EUR and USD denominated time deposits as of September 30, 2017 are 1-14 days and 1-3 days respectively and 3 days for TL (December 31, 2016: INR 20-60 days, EUR 1-14 days, USD 1-30 days, TL 1-35 days).

The analysis of cash and cash equivalents presented in terms consolidated statement of cash flows as at September 30, 2017 and December 31, 2016 are as follows:

	September 30, 2017	December 31, 2016
Cash and banks	130.009.701	65.477.817
Less: Interest Accruals	(30.951)	(17.074)
	129.978.750	65.460.743

NOTE 5 – FINANCIAL ASSETS

Restricted Bank Balances:

	September 30, 2017	December 31, 2016
Restricted bank balances (*)	18.380.417	10.721.807
	18.380.417	10.721.807

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

Available-for-sale financial assets:

	September 30, 2017		December 31, 2016	
	%	TL	%	TL
DASPL (**)	-	-	24,99	3.616.398
Celebi Spain (*)	100,00	20.528	100,00	20.525
		20.528		3.636.923

(*) As at September 30, 2017, Celebi Spain, which is non-operational, is not significant to the consolidated financial statements of the Group, accordingly accounted as available for sale financial assets with the cost amount less impairment, if any, in the consolidated financial statements of the Group.

(**) DASPL, an associate of Celebi GH Delhi, a subsidiary of the Group, has started to be accounted by using the equity method following the purchase of 8,33% additional shares.

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NOTE 6 – INVESTMENT ACCOUNTED USING THE EQUITY METHOD

	%	September 30, 2017	%	December 31, 2016
Çelebi Nas	57,00	50.446.157	57,00	42.739.300
DASPL (*)	24,99	5.561.022	-	-
		56.007.179		42.739.300

(*) DASPL, an associate of Celebi GH Delhi, has started to be accounted by using the equity method following the purchase of 8,33% additional shares.

The movements of investments accounted with equity method during the periods ended September 30 are as follows:

	September 30, 2017	September 30, 2016
As of January 1	42.739.300	26.204.104
Share of profit / loss	6.477.274	4.918.573
Currency translation differences	2.325.786	579.260
Transfers to investments accounted by using the equity method (*)	3.616.398	-
Actuarial gains/losses from defined benefit plans	(13.854)	(3.519)
Equity effect on acquisition of additional shares (*)	1.206.775	-
Dividend payments (**)	(344.500)	-
As of September 30	53.485.069	31.698.418

(*) DASPL, an associate of Celebi GH Delhi, a subsidiary of the Group, has started to be accounted by using the equity method following the purchase of 8,33% additional shares.

(**) The portion of CGH Delhi from DASPL's dividend payments to its shareholders from its retained earnings .

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

	1 January- September 30, 2017	1 January- September 30, 2016
Çelebi Nas	5.817.718	4.918.573
DASPL	659.556	-
	6.477.274	4.918.573

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

NOTE 6 – INVESTMENT ACCOUNTED USING THE EQUITY METHOD (CONTINUED)

Summary of financial statements of Çelebi Nas is as follows:

	September 30, 2017	December 31, 2016
Total Assets	167.824.787	85.963.091
Total Liabilities	84.069.045	45.929.177
	January 1 - September 30, 2017	January 1 - September 30, 2016
Revenue	82.583.703	88.450.640
Net profit / (loss) for the period	10.206.521	8.942.860

Summary of financial statements of DASPL is as follows:

	September 30, 2017	December 31, 2016
Total Assets	34.599.001	43.176.571
Total Liabilities	11.246.836	21.840.887
	January 1 - September 30, 2017	January 1 - September 30, 2016
Revenue	25.553.337	18.685.456
Net profit / (loss) for the period	2.642.037	3.911.873

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NOTE 7 - SHORT TERM AND LONG TERM FINANCIAL LIABILITIES

Short term financial liabilities:

		September 30, 2017	
	Effective interest rate (%)	Original balance	TL
<i>Short term borrowings:</i>			
INR Borrowings	8,55 - 10,00	39.589.332	2.156.035
			2.156.035
<i>Short-term finance lease obligations</i>			
USD finance lease obligations	11,20	24.940	88.588
INR finance lease obligations	9,10	4.186.798	228.013
			316.601
Total short term financial liabilities			2.472.636

Short-term portion of long-term financial liabilities:

		September 30, 2017	
	Effective interest rate (%)	Original balance	TL
<i>Short-term portion of long-term borrowings</i>			
Interest expense accrual – EUR	-	508.190	2.130.536
Interest expense accrual – INR	-	5.622.237	306.187
INR borrowings	8,55 - 10,00	153.467.444	8.357.852
EUR borrowings	2,20 - 2,75	24.950.000	104.600.381
Total short-term portion of total long term financial liabilities			115.394.956

Long-term financial liabilities:

		September 30, 2017	
	Effective interest rate (%)	Original balance	TL
<i>Long term borrowings:</i>			
INR Borrowings	8,55 - 10,00	1.068.313.496	58.180.353
EUR Borrowings	2,20 - 2,75	45.425.000	190.439.770
			248.620.123
<i>Long-term finance lease obligations:</i>			
USD finance lease obligations	11,20	41.872	148.733
INR finance lease obligations	9,10	132.699.725	7.226.827
			7.375.560
Total long-term financial liabilities			255.995.683
Total financial liabilities			373.863.275

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

Short term financial liabilities:

		December 31, 2016	
	Effective interest rate (%)	Original balance	TL
<i>Short term borrowings:</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
			24.790.153
<i>Short-term finance lease obligations</i>			
USD finance lease obligations	11,20	24.307	85.540
EUR finance lease obligations	11,20	21.785	80.819
			166.359
Total short term financial liabilities			24.956.512

Short-term portion of long-term financial liabilities:

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

Long-term financial liabilities:

		December 31, 2016	
	Effective interest rate (%)	Original balance	TL
<i>Long term borrowings:</i>			
INR Borrowings	10,75 - 11,35	591.100.520	30.684.028
EUR Borrowings	2,20 - 2,75	37.250.000	138.193.775
			168.877.803
<i>Long-term finance lease obligations:</i>			
USD finance lease obligations	11,2	60.604	213.278
			213.278
Total long-term financial liabilities			169.091.081
Total financial liabilities			322.576.763

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

The redemption schedules of financial liabilities of the Group are as follows:

	September 30, 2017	December 31, 2016
Less than three months	55.519.833	24.755.015
Between 3-12 months	62.347.759	128.730.665
Between 1-5 years	255.995.683	169.091.083
	373.863.275	322.576.763

The redemption schedules of long-term borrowings as of September 30, 2017 and December 31, 2016 are as follows:

	September 30, 2017	December 31, 2016
Between 1-2 years	82.226.887	57.028.113
Between 2-3 years	138.242.265	83.839.945
Between 3-4 years	5.128.984	28.009.745
4 years and more	23.021.987	-
	248.620.123	168.877.803

The redemption schedules of financial lease obligations as of September 30, 2017 and December 31, 2016 are as follows:

	September 30, 2017			December 31, 2016		
	Minimum lease payments	Interest	Total obligation	Minimum lease payments	Interest	Total obligation
Less than 1 year	1.006.174	(689.573)	316.601	182.497	(16.138)	166.359
Between 1-2 years	1.024.103	(680.251)	343.852	96.535	(9.338)	87.197
Between 2-3 years	839.653	(547.117)	292.536	92.631	(4.633)	87.998
Between 3-4 years	836.596	(567.521)	269.075	38.597	(514)	38.083
4 years and more	10.486.012	(4.015.915)	6.470.097	-	-	-
	14.192.538	(6.500.377)	7.692.161	410.260	(30.623)	379.637

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables

	September 30, 2017	December 31, 2016
Due from third parties	129.984.743	96.514.411
Less: Provision for doubtful receivables	(3.177.653)	(2.996.580)
Trade receivables from third parties (net)	126.807.090	93.517.831
Due from related parties (Note 26)	1.420.345	1.038.242
Total short-term trade receivables	128.227.435	94.556.073

The Group assesses the possibility of collection of its trade receivables by taking into consideration the previous experience, the guarantees obtained and other objective information. The Group accounts provision for doubtful receivables for the non-collectible receivables which the Group obtained objective information. Group management does not foresee any additional provision for doubtful receivables recorded as of September 30, 2017.

Movements of provision for doubtful receivables is as follows:

	September 30, 2017	September 30, 2016
January 1	2.996.580	2.934.385
Additions in current year	118.443	8.484
Currency translation differences	62.630	30.690
Collections and write offs	-	(26.749)
Closing balance	3.177.653	2.946.810

Short-term trade payables

	September 30, 2017	December 31, 2016
Due to third parties	57.536.377	51.433.834
Accruals	12.170.271	11.119.503
Total trade payables to third parties	69.706.648	62.553.337
Due to related parties (Note 26)	5.709.387	6.574.559
Total short term trade payables	75.416.035	69.127.896

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NOTE 9 - OTHER RECEIVABLES AND PAYABLES

Other short-term receivables

	September 30, 2017	December 31, 2016
Receivables from tax office	7.636.896	7.646.992
Deposits and guarantees given	648.628	628.523
Other receivables from third parties	8.285.524	8.275.515

Other long term receivables

	September 30, 2017	December 31, 2016
Deposits and guarantees given (*)	31.337.355	25.257.152
	31.337.355	25.257.152

(*) Deposits and guarantees given predominantly consists of the deposits given by the subsidiaries of the Group, Celebi GH Delhi and Celebi Delhi Cargo, to the local authorities and companies amounting to TL 19.962.120 (December 31, 2016: TL 15.540.137) ve TL 11.495.700 (December 31, 2016: TL 9.555.325).

Other short-term payables

	September 30, 2017	December 31, 2016
Other short-term payables (*)	8.563.217	6.762.769
Deposits received	143.005	157.051
	8.706.222	6.919.820

(*) As of September 30, 2017, TL 7.908.303 of other short-term payables (December 31, 2016: TL 6.142.490) are the payables of Celebi Delhi Cargo, a subsidiary of the Group, to its shareholder of Delhi International Airport Private Limited'e (DIAL) due to the concession contract signed between the parties.

Other long-term payables

	September 30, 2017	December 31, 2016
Deposits received	11.328.821	9.091.878
	11.328.821	9.091.878

NOTE 10 - INVENTORIES

	September 30, 2017	December 31, 2016
Trade goods	2.511.885	1.800.844
Other inventories (*)	9.644.118	9.394.988
	12.156.003	11.195.832

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

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment for the period ended September 30, 2017 are as follows:

	Opening January 1, 2017	Additions	Disposals	Transfers	Currency translation differences	Closing September 30, 2017
Cost						
Plant, machinery and equipment	255.823.826	9.407.817	(10.660.032)	4.648.541	4.138.520	263.358.672
Motor vehicles	51.586.757	150.768	(91.896)	1.835.526	5.117.723	58.598.878
Furniture and fixtures	26.595.962	529.832	(1.558.129)	(1.024.015)	674.232	25.217.882
Leasehold improvements (*)	121.020.459	1.527.915	(1.510.682)	(2.240.714)	884.500	119.681.478
Construction in progress	2.340.056	2.111.408	-	(3.189.938)	189.348	1.450.874
	457.367.060	13.727.740	(13.820.739)	29.400	11.004.323	468.307.784
Accumulated depreciation						
Plant, machinery and equipment	(173.771.036)	(13.105.506)	10.261.994	(765.762)	(2.996.728)	(180.377.038)
Motor vehicles	(36.190.543)	(1.800.745)	31.312	(131.310)	(3.513.697)	(41.604.983)
Furniture and fixtures	(21.786.275)	(1.071.507)	1.581.310	370.472	(452.674)	(21.358.674)
Leasehold improvements (*)	(68.859.400)	(4.544.786)	1.454.072	(25.947)	(301.314)	(72.277.375)
	(300.607.254)	(20.522.544)	13.328.688	(552.547)	(7.264.413)	(315.618.070)
Net book value	156.759.806					152.689.714

(*) The land plots where the stations and cargo buildings were constructed by the Group in the airports where it operates were rented from the DHMI and other local authorities. The station and cargo buildings on this land were constructed by the Group and recorded under the tangible assets of the Group as leasehold improvements. As of September 30, 2017 the net book value of these stations is TL 43.275.385. The lease contract signed by the Group and the DHMI is valid for one year and the agreement is renewed every year. The Group amortizes these station buildings over 15 years which correspond to their economic lives.

Depreciation expense for the period ended September 30, 2017 in the amount of TL 18.514.619 and TL 2.007.925 are respectively included in cost of sales and operating expenses.

There are net book value of plant, machinery and equipment amounting TL 310.987 are purchased via financial leasing as of September 30, 2017.

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in property, plant and equipment for the period ended September 30, 2016 are as follows:

	Opening January 1, 2016	Additions	Disposals	Transfers	Currency translation differences	Closing September 30, 2016
Cost						
Plant, machinery and equipment	238.658.955	6.571.396	(985.036)	522.568	2.111.887	246.879.770
Motor vehicles	41.167.274	3.118.455	(177.263)	-	2.404.460	46.512.926
Furniture and fixtures	24.294.745	667.183	(83.567)	22.506	324.291	25.225.158
Leasehold improvements (*)	116.862.759	953.806	-	1.615.937	375.132	119.807.634
Construction in Progress	1.229.010	2.219.523	-	(2.161.011)	78.927	1.366.449
	422.212.743	13.530.363	(1.245.866)	-	5.294.697	439.791.937
Accumulated depreciation						
Plant, machinery and equipment	(154.978.810)	(11.225.442)	848.354	-	(1.298.580)	(166.654.478)
Motor vehicles	(30.287.426)	(1.204.857)	158.963	-	(1.630.918)	(32.964.238)
Furniture and fixtures	(19.915.766)	(1.349.159)	83.394	-	(210.397)	(21.391.928)
Leasehold improvements (*)	(61.361.486)	(5.096.139)	-	-	(123.132)	(66.580.757)
	(266.543.488)	(18.875.597)	1.090.711	-	(3.263.027)	(287.591.401)
Net book value	155.669.255					152.200.536

(*) The land plots where the stations and cargo buildings were constructed by 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 September 30, 2016 the net book value of these stations was TL 47.962.072. The lease contract signed by the Group and the DHMI is valid for one year and the agreement is renewed every year. The Group amortizes these station buildings over 15 years which correspond to their economic lives.

Depreciation expense for the period ended September 30, 2016 in the amount of TL 12.071.554 and TL 387.841 are respectively included in cost of sales and operating expenses.

There are net book value of plant, machinery and equipment amounting TL 5.775.001 are purchased via financial leasing as of September 30, 2016.

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NOTE 12 - INTANGIBLE ASSETS

Other Intangible Assets

Movements in intangible assets for the period ended September 30, 2017 are as follows:

	Opening January 1, 2017	Additions	Transfers	Currency translation differences	Closing September 30, 2017
Cost					
Rights	10.688.549	-	(625.839)	-	10.062.710
Customer relations	47.785.826	-	-	5.941.490	53.727.316
Software	14.349.206	1.017.586	596.438	414.707	16.377.937
Concession rights (**)	103.273.865	17.546.456	-	4.252.962	125.073.283
Build-operate-transfer investments (*)	80.738.245	3.755.035	-	4.746.152	89.239.432
	256.835.691	22.319.077	(29.401)	15.355.311	294.480.678
Accumulated depreciation					
Rights	(4.147.904)	104.911	552.547	-	(3.490.446)
Customer relations	(47.785.826)	-	-	(5.941.490)	(53.727.316)
Software	(10.771.187)	(1.050.977)	-	(552.135)	(12.374.299)
Concession rights (**)	(29.548.221)	(3.918.827)	-	(1.404.524)	(34.871.572)
Build-operate-transfer investments (*)	(27.410.525)	(3.461.372)	-	(1.299.899)	(32.171.796)
	(119.663.663)	(8.326.265)	552.547	(9.198.048)	(136.635.429)
Net book value	137.172.028				157.845.249

(*) The difference amounting to TL 52.960.737 between the discounted value of the deposit payment made amounting to INR 1.453.873.935 which is discounted with a discount rate of 11,46%, within the scope of the concession agreement signed for the development, modernization and the operation for 25 years of the existing cargo terminal of the New Delhi Airport, India is recognised as build-operate-transfer investment and will be amortised during the concession period of 25 years. In addition, the difference amounting to TL 4.107.209 between the discounted value of the deposit payment made amounting to INR 400.000.000 which is discounted with a discount rate of 10,82%, within the scope of the concession agreement signed for rendering ground handling services for 10 years in New Delhi Airport, India is recognised as build-operate-transfer investment and will be amortised during the concession period of 10 years.

(**) Concession rights include fixed assets investments made within the scope of the concession agreement signed between Celebi Delhi and DIAL in accordance with TFRYK 12 and TFRYK 4. As of September 30, 2017, concession rights include finance lease assets with a net book value of TL 7.446.254.

Amortization expense for the period ended September 30, 2017 in the amount of TL 1.123.465 and TL 7.202.800 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 September 30, 2016 are as follows:

	Opening January 1, 2016	Additions	Impairment	Currency Translation Differences	Closing September 30, 2016
Cost					
Rights	11.162.357	-	-	-	11.162.357
Customer relations	44.457.702	-	(4.441.956)	3.117.668	43.133.414
Software	11.442.585	1.176.755	-	268.523	12.887.863
Concession rights	84.351.019	1.436.900	-	1.901.848	87.689.767
Build-operate-transfer investments (*)	68.531.044	-	-	1.506.735	70.037.779
	219.944.707	2.613.655	(4.441.956)	6.794.774	224.911.180
Accumulated depreciation					
Rights	(3.337.446)	(911.851)	-	-	(4.249.297)
Customer relations	(41.990.989)	(649.237)	2.072.918	(3.045.483)	(43.612.791)
Software	(9.088.375)	(570.585)	-	(225.861)	(9.884.821)
Concession rights	(21.133.357)	(2.667.234)	-	(536.873)	(24.337.464)
Build-operate-transfer investments (*)	(19.710.287)	(2.597.611)	-	(500.651)	(22.808.549)
	(95.260.454)	(7.396.518)	2.072.918	(4.308.868)	(104.892.922)
Net book value	124.684.253				120.018.258

- (*) The difference amounting to TL 41.637.743 between the discounted value of the deposit payment made amounting to INR 1.374.428.822 which is discounted with a discount rate of 11,46%, within the scope of the concession agreement signed for the development, modernization and the operation for 25 years of the existing cargo terminal of the New Delhi Airport, India is recognised as build-operate-transfer investment and will be amortised during the concession period of 25 years. In addition, the difference amounting to TL 4.048.136 between the discounted value of the deposit payment made amounting to INR 400.000.000 which is discounted with a discount rate of 10,82%, within the scope of the concession agreement signed for rendering ground handling services for 10 years in New Delhi Airport, India is recognised as build-operate-transfer investment and will be amortised during the concession period of 10 years.

Amortization expense for the period ended September 30, 2016 in the amount of TL 509.744 and TL 4.529.274 are included in operating expenses and cost of sales.

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NOTE 12 - INTANGIBLE ASSETS (Continued)

Goodwill

Goodwill as of September 30, 2017 and December 31, 2016 is as follows:

	September 30, 2017	December 31, 2016
Goodwill due to acquisition of CGHH	31.542.002	28.060.700
Goodwill due to acquisition of Celebi GmbH	2.022.762	1.789.964
	32.071.514	29.850.664

- Goodwill due to acquisition of CGHH

Goodwill details relating to the acquisition of CGHH at September 30, 2017 are as below:

	September 30, 2017	December 31, 2016
1 January	28.060.700	23.738.281
Currency translation differences	3.481.302	4.322.419
Goodwill	31.542.002	28.060.700

Goodwill impairment test

The Group tests goodwill at least once a year for the risk of impairment. A valuation report prepared by an independent valuation firm is used for the testing of goodwill impairment.

	September 30, 2017
Ground handling services - Hungary	31.542.002

The recoverable value of the related cash generating unit has been determined by having the use value calculations. For the purposes of these calculations, 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. The growth rate used in the projections to be realized after 7 years ensured as 1%. The fair value is determined in of Euro terms and converted into Hungarian Forint with the exchange rates at the statement of financial position date. Therefore, the fair value amount is affected by the fluctuations in the exchange currencies.

Other significant assumptions used in the fair value calculations are as follows;

Discount rate	9,40%
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The Group management determines its budget by taking into consideration for the previous performance and the market growth expectations. The weighted average growth rates used are in line with the estimated growth rates of the industry. The discount rates used are the before tax discount rates and includes the Company specific risk factors.

As of September 30, 2017, as a result of analysis made by the Group, no impairment was identified in the goodwill amount.

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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 registered company in Frankfurt, Germany and is a subsidiary with an ownership rate of 100% of Çelebi Kargo Depolama ve Dağıtım Hizmetleri A.Ş., a subsidiary of the Group with an ownership rate of 99,97% and Aviapartner GmbH, also registered in Frankfurt, Germany, for the transfer of 100% of shares of Aviapartner Cargo GmbH (Aviapartner Cargo) operating in Frankfurt and Hahn International Airports in Germany in cargo storage and handling operations, for a consideration of EUR 4.459.283 (TL 13.604.381). The memorandum regarding the finalizing the acquisition consideration was signed on March 6, 2014 and an acquisition adjustment of EUR 362.003 (TL 1.021.102) was included in the acquisition consideration. The trade name of Aviapartner Cargo was changed as Celebi GmbH on April 30, 2015 and Celebi GmbH was taken over by Celebi Cargo with all its assets and liabilities and legal merger procedures was completed on October 30, 2014.

Goodwill identified on identifiable net assets of Celebi GmbH is below:

	September 30, 2017	December 31, 2016
1 January	1.789.964	1.533.138
Currency translation differences	232.798	256.826
Goodwill	2.022.762	1.789.964

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 used for the testing of goodwill impairment.

	September 30, 2017
Warehouse and cargo services – Germany	2.022.762

The recoverable value of the related cash generating unit has been determined by having the use value calculations. For the purposes of these calculations, 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 determines its budget by taking into consideration for the previous performance and the market growth expectations. The weighted average growth rates used are in line with the estimated growth rates of the industry. The discount rates used are the before tax discount rates and includes the Company specific risk factors.

As of September 30, 2017, as a result of analysis made by the Group, no impairment was identified in the goodwill amount.

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NOTE 13- PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

a) Short term provisions

Other short-term provisions

	September 30, 2017	December 31, 2016
Provision for litigations and compensations	1.593.633	1.593.633
Provision for other liabilities	-	117.285
	1.593.633	1.710.918

Movements of other short-term provisions for the period are as follows:

	Provision for litigations and compensations	Provision for other liabilities	Total
1 January 2017	1.593.633	117.285	1.710.918
Payments during the year	-	(117.285)	(117.285)
September 30, 2017	1.593.633	-	1.593.633

Short-term provision for employee benefits

	September 30, 2017	December 31, 2016
Provision for employee termination benefits (*)	3.250.998	1.382.749
Provision for unused vacation rights	5.522.924	4.476.709
	8.773.922	5.859.458

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

b) Long-term provisions:

Long-term provision for employee benefits

	September 30, 2017	December 31, 2016
Provision for employee termination benefits	22.059.532	21.540.508
	22.059.532	21.540.508

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

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

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

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

Since the legislation was changed on May 23, 2002, there are certain transitional provisions relating to length of service prior to retirement. The amount payable as at September 30, 2017 consists of one month’s salary limited to a maximum of 4.732,48 (December 31, 2016: TL 4.297,21) for each year of service.

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

In accordance with local regulations in India, the Group is required to make employee termination benefit payments to each employee in its subsidiaries, joint ventures and associate, who has completed five year of service, who is called up for military service, who achieves the retirement age, who early retires, or who dies. Total employee termination benefit liability is calculated by 15 days per year of service for the current period ended at September 30, 2017 and the liability is limited to INR 350.000 per employee.

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

Since the Group calculates the reserve for employment termination benefits every six months the maximum amount of TL 4.732,48 which is effective from January 1, 2017 (December 31, 2016: TL 4.297,21) has been taken into consideration in the calculations. Movements in the provision for employment termination benefits and unused vacation provisions are as follows:

	September 30, 2017	September 30, 2016
January 1	27.399.966	23.197.804
Payments of provisions during the year	(6.988.405)	(7.543.876)
Increase in to vacation pay liability during the year	4.799.400	3.536.402
Unused vacation rights used during the period	(3.443.758)	(2.639.184)
Service cost of employee termination benefits	2.281.718	1.932.615
Interest cost of employee termination benefits	1.472.939	994.093
Actuarial (gain)/loss	4.876.858	8.331.650
Currency translation differences	434.736	213.476
As of period end	30.833.454	28.022.980

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

b) Contingent assets and liabilities

Guarantess received and given as of September 30, 2017 are as follows:

	September 30, 2017	December 31, 2016
Guarantees received:		
Guarantee letters	6.006.411	7.962.854
Guarantee cheques	1.396.925	1.563.011
Guarantee notes	1.140.666	1.051.737
	8.544.002	10.577.602
Guarantees given:		
Collaterals (*)	152.677.670	323.427.969
Guarantee letters	125.795.823	152.677.599
Pledged shares (*)	23.829.463	16.164.939
	302.302.956	492.270.507

(*) TL 176.507.133 of the collaterals given and pledged shares are given to the banks for the loans borrowed by the subsidiaries and joint venture of the Group (December 31, 2016: TL 313.637.806) (Note 26).

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

As of September 30, 2017, the Company has contingent assets amounting to TL 517.397 (December 31, 2016: TL 472.232) due to the litigations in progress in favor of the Company and contingent liabilities amounting to TL 26.347.558 (December 31, 2016: TL 26.343.631) due to the legal cases and enforcement proceedings in progress against the Company. TL 20.514.867 TL of the contingent liabilities are comprised of litigations and enforcement proceedings related with the fire incident happened in the Warehouse, in which the Company is sole and co-defendant with other defendants (the DHMI, other warehouse management companies and insurance companies) (December 31, 2016: TL 20.318.125).

The cargo building located at Ataturk Airport ("AHL") Terminal C in which the Company carries out cargo - warehouse operations was damaged by a fire incident on May 24, 2006 where goods belonging to third parties and property, plant and equipment and leasehold improvements of the Company were also damaged. 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.

For the purpose of compensating joint legal claims caused by the fire incident, a Fund has been set up by the participation of the Company, other warehouse management companies and insurance companies. As of the date of the issuance of the financial statements, as a result of the works performed by the Fund, 227 legal cases with an invoice amount of TL 151.724.765 (USD 42.714.103) has been negotiated and comprised for an amount of TL 89.958.618 (USD 25.325.475) and paid to the complainants.

Negotiations between the Fund and other claimants regarding remaining 13 claims for which reconciliation has not been met are still on-going. The invoice amount of these claims is USD 3.745.720 and the remaining amount in the Fund amounting to USD 14,7 million is anticipated to be sufficient for the settlement of all the claims for which negotiations have not yet been completed.

The Company management is in the opinion that, all legal claims related to fire incident those have not been compromised yet, would be able to reconciled by the Fund established and the insurances collected. Accordingly, as of September 30, 2017, no provision has been booked in the condensed consolidated financial statements of the Group.

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

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

The details of collaterals, pledges, guarantees and mortgages (“CPGM”) of the Company as of September 30, 2017 and December 31, 2016 are as follows:

			September 30, 2017		December 31, 2016
CPGM given by the Company	Currency	Amount	TL Equivalent	Amount	TL Equivalent
A. CPGM given on behalf of the Company’s legal personality			121.916.236		110.907.857
	TL	9.551.146	9.551.146	9.281.049	9.281.049
	EUR	7.919.244	33.200.639	14.791.417	54.874.678
	USD	2.210.500	7.851.917	2.383.397	8.387.650
	INR	1.147.839.828	62.511.356	588.287.788	30.538.019
	HUF	651.939.000	8.801.176	651.662.000	7.826.461
B. CPGM given on behalf of fully consolidated subsidiaries			180.386.720		381.362.650
	EUR	11.600.000	48.631.840	32.500.000	120.571.750
	USD	1.092.196	3.879.589	11.869.102	41.769.744
	INR	2.348.059.000	127.875.293	4.219.247.851	219.021.156
C. CPGM given for continuation of its economic activities on behalf of third parties		-	-	-	-
D. Total amount of other CPGM given		-	-	-	-
i. Total amount of CPGM given on behalf of the majority shareholder		-	-	-	-
ii. Total amount of CPGM given to behalf of the majority shareholder group companies which are not in scope B and C		-	-	-	-
iii. Total amount of CPGM given on behalf of third parties which are not in scope C		-	-	-	-
			302.302.956		492.270.507

The Company does not obtain any benefit from CPGM given to third parties.

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NOTE 14 - OTHER ASSETS AND LIABILITIES

Other current assets

	September 30, 2017	December 31, 2016
Deferred VAT	625.941	3.473.828
Advances given to personnel	373.000	408.328
Other	-	218.205
	998.941	4.100.361

Other non-current assets

	September 30, 2017	December 31, 2016
Prepaid taxes and funds (*)	18.501.016	19.018.753
Other	3.242	3.242
	18.504.258	19.021.995

(*) As of September 30, 2017, prepaid taxes and funds which can be offset more than 1 year, belong to Celebi GH Deli and Celebi Delhi Cargo with an amount of TL 7.089.787 (December 31, 2016: TL 3.994.399) and TL 11.411.229 respectively (December 31, 2016: TL 15.024.354).

Other current liabilities

	September 30, 2017	December 31, 2016
Taxes and funds payable	2.822.993	2.921.626
Provision for operational leasing equalization (*)	1.985.614	1.394.029
Liability for maintenance obligation	934.344	-
Other	1.544.343	1.290.358
	7.287.294	5.606.013

Other non-current liabilities

	September 30, 2017	December 31, 2016
Provision for operational leasing equalization (*)	94.518.968	83.560.283
Liability for maintenance obligation	28.012.607	25.445.889
	122.531.575	109.006.172

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

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NOTE 15 - PREPAID EXPENSES

Short-term prepaid expenses

	September 30, 2017	December 31, 2016
Prepaid expenses	17.374.983	9.714.535
Advances given	6.000.187	5.148.372
	23.375.170	14.862.907

Long-term prepaid expenses

	September 30, 2017	December 31, 2016
Prepaid expenses	14.663.095	17.697.284
Advances given for fixed assets	2.939.580	3.721.882
	17.602.675	21.419.166

NOTE 16 - DEFERRED INCOME

Short-term deferred income

	September 30, 2017	December 31, 2016
Advances received	4.633.942	3.768.438
Deferred income in accordance with TFRYK 12	1.076.620	1.842.597
	5.710.562	5.611.035

NOTE 17 - LIABILITIES FOR EMPLOYEE BENEFITS

	September 30, 2017	December 31, 2016
Wages and salaries payable	12.869.468	10.267.141
Social security withholdings payable	15.402.356	8.576.262
Premium and bonus payable accruals	9.356.625	6.159.082
	37.628.449	25.002.485

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NOTE 18 – SHAREHOLDER’S EQUITY

Share Capital

As of September 30, 2017, the authorized share capital of the Group is TL 24.300.000 comprising of 2.430.000.000 registered shares with a face value each of 1 Kr (December 31, 2016: 2.430.000.000).

At September 30, 2017 and December 31, 2016, the shareholding structure of the Group as below:

Shareholders	September 30, 2017		December 31, 2016	
	Amount	Share %	Amount	Share%
Çelebi Havacılık Holding A.Ş. (ÇHH)	19.042.115	78,36	19.042.115	78,36
Other	5.257.885	21,64	5.257.885	21,64
	24.300.000	100,00	24.300.000	100,00

Restricted reserves (legal reserves)

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

In accordance with the communique numbered II-14,1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communique”) published in Official Gazette dated June 13, 2013 numbered 28676, the “Paid-in capital”, “Restricted reserves” and “Share premiums” should be stated at their amounts in the legal records. The differences arising in the valuations during the application of the 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 TAS. Inflation adjustment to share capital have no other use other than being transferred to share capital.

As of September 30, 2017, the amount of restricted reserves is TL 40.181.456 (December 31, 2016: TL 40.181.456).

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from February 1, 2015. Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The 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 instalments and advance dividend can be paid in accordance with profit on interim financial statement of the Company.

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NOTE 18 - EQUITY (CONTINUED)

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

At the Ordinary General Assembly Meeting of the Company held on April 24, 2017, it was resolved; to distribute the full amount of net profit for the period constituted in the consolidated financial statements of the Group amounting to TL 26.836.035 as of December 31, 2016 and to distribute TL 6.454.965 of retained earnings in accordance with the local regulations of CMB, to the legally obligated tax payers and to the limited taxpayer who are receiving dividend by an office resident in Turkey or by resident representative, for an amount of TL 1.2500 gross dividend corresponding to per share with a nominal amount of TL 1.00 and for an amount of TL 1.0625 net dividend corresponding to per share with a nominal amount of TL 1.00. Cash dividend payments were completed as of April 24, 2016.

NOTE 19 - REVENUE AND COST OF SALES

	January 1 - September 30, 2017	July 1- September 30, 2017	January 1- September 30, 2016	July 1- September 30, 2016
Ground handling services	458.720.415	195.168.170	377.333.075	144.271.331
Cargo and warehouse services	213.339.915	82.220.460	159.839.178	49.467.954
Rental revenue not related to aviation	10.676.142	862.602	-	-
Revenue in the context of TFRYK 12	20.501.378	8.399.470	11.294.847	3.883.383
Less: Returns and discounts	(12.256.185)	(4.704.505)	(8.639.519)	(3.590.519)
Revenue	690.981.665	281.946.197	539.827.581	194.032.149
Cost of sales	(473.643.262)	(174.057.129)	(403.744.344)	(136.571.626)
Gross profit	217.338.403	107.889.068	136.083.237	57.460.523

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED SEPTEMBER 30, 2017

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NOTE 20 - EXPENSES BY NATURE

	January 1 - September 30, 2017	July 1- September 30, 2017	January 1 - September 30, 2016	July 1- September 30, 2016
Personnel expenses	(274.172.880)	(96.642.166)	(238.957.088)	(77.909.841)
Payments to authorities and terminal managements (*)	(110.974.576)	(48.804.240)	(94.992.738)	(34.713.484)
Equipment repair, maintenance, fuel and security expenses	(49.666.338)	(17.906.858)	(41.057.776)	(13.738.308)
Consultancy expenses (****)	(41.583.656)	(13.235.552)	(38.677.873)	(12.400.250)
Depreciation and amortization	(28.848.809)	(10.623.998)	(26.272.115)	(8.773.702)
Expense in the context of TFRYK 12 (**)	(15.339.489)	(1.646.052)	(2.381.302)	(524.971)
Insurance expenses	(4.172.682)	(1.429.020)	(3.604.796)	(1.117.654)
Travel and transportation expenses	(3.283.547)	(1.167.948)	(2.906.434)	(977.430)
Cost of goods sold (***)	(2.392.658)	(282.392)	(2.877.593)	(335.055)
Other expenses	(38.611.850)	(14.155.504)	(28.288.471)	(9.931.467)
	(569.046.485)	(205.893.730)	(480.016.186)	(160.422.162)

- (*) Payments to authorities and terminal managements are comprised of royalty, rental facilities and check-in desks within the airport area, work licenses, and similar expenses.
- (**) Expense in the context of TFRYK 12 are comprised of construction costs calculated under scope of TFRYK 12 and provisions for other liabilities within the frame of concession agreement.
- (***) Cost of goods sold are comprised of de-icing and spare part cost
- (****) TL 31.621.656 of the consultancy expenses are comprised of share of holding company expenses.

NOTE 21 - GENERAL ADMINISTRATIVE EXPENSES

	January 1 - September 30, 2017	July 1- September 30, 2017	January 1 - September 30, 2016	July 1- September 30, 2016
Consultancy expenses	(41.319.229)	(13.172.399)	(38.264.964)	(12.229.284)
Personnel expenses	(35.145.809)	(11.950.530)	(25.581.198)	(7.202.808)
Equipment repair, maintenance, fuel and security expenses	(5.939.601)	(2.628.639)	(3.285.020)	(1.376.207)
Payments to authorities and terminal managements (*)	(4.067.961)	(1.382.536)	(3.321.987)	(1.024.389)
Depreciation and amortization	(3.131.390)	(1.186.826)	(1.302.878)	(405.293)
Travel and transportation expenses	(2.374.888)	(708.227)	(2.330.528)	(829.981)
Other expenses	(2.399.288)	(461.561)	(1.705.933)	(303.241)
	(95.403.223)	(31.836.601)	(76.271.843)	(23.850.538)

- (*) Payments to authorities and terminal managements are comprised to rent expenses and other expenses due to rental facilities.

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NOTE 22 - FINANCIAL INCOME

	January 1 - September 30, 2017	July 1- September 30, 2017	July 1 - September 30, 2016	July 1- September 30, 2016
Foreign exchange gains	6.200.055	65.176	6.879.121	3.145.466
Interest income	3.184.554	1.154.390	3.773.628	1.224.525
Other financial income	2.882.289	1.916.909	647.644	210.526
	12.266.898	3.136.475	11.300.393	4.580.517

NOTE 23 - FINANCIAL EXPENSES

	January 1 - September 30, 2017	July 1- September 30, 2017	January 1 - September 30, 2016	July 1- September 30, 2016
Foreign exchange losses	(13.909.915)	(4.388.349)	(12.655.643)	(4.278.892)
Interest expenses	(27.382.939)	(8.706.501)	(14.265.589)	(6.783.588)
Financial expenses incurred under scope of TFRYK 12	(174.648)	(57.624)	(879.221)	(296.399)
Other financial expenses	(3.745.591)	(1.577.383)	(2.177.275)	(323.725)
	(45.213.093)	(14.729.857)	(29.977.728)	(11.682.604)

NOTE 24 - TAX ASSETS AND LIABILITIES

	September 30, 2017	December 31, 2016
Current period corporate tax provision	24.416.508	14.084.821
Less: prepaid corporate taxes	(13.842.360)	(16.255.650)
Current income tax liability - net (*)	10.574.148	(2.170.829)
Deferred tax assets	48.768.596	42.357.043
Deferred tax liabilities	(6.368.320)	(5.825.508)
Deferred tax assets – net	42.400.276	36.531.535

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

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NOTE 24 - TAX ASSETS AND LIABILITIES (Continued)

Income tax

Turkish tax legislation does not permit a parent company file a consolidated tax return where subsidiaries, joint venture and associate is consolidated. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis for the Companies included in the scope of consolidation.

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

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

In India, the corporate tax rate is 34,6 % in Mumbai (2016: 34,6%) and 34,6% (2016: 34,6%) in Delhi for the fiscal year of 2017. Corporation tax rate is applicable on the total income of companies after adjusting for certain disallowable expenses, income tax exemptions (participation exemption, investment allowance exemption, etc.) and income tax deductions (like research and development expenses).

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

For the periods ended on September 30, 2017 and September 30, 2016, tax expenses of the Group are as follows:

	January 1 - September 30, 2017	July 1 - September 30, 2017	January 1 - September 30, 2016	July 1 - September 30, 2016
- Current year corporate tax	(24.022.804)	(14.871.175)	(13.076.058)	(6.859.173)
- Deferred tax income/(expense)	2.709.034	289.177	1.662.485	225.594
	(21.313.770)	(14.581.998)	(11.413.573)	(6.633.579)

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NOTE 24 - TAX ASSETS AND LIABILITIES (Continued)

Deferred taxes

The Group calculates deferred tax assets and liabilities on temporary differences on statement of financial position items arising from different valuation of financial statements prepared in accordance with CMB regulations and tax basis. In general, such temporary differences are resulted from accounting of income and expenses in different reporting periods in accordance with Tax regulations and CMB accounting standards. The currently enacted tax rates introduced for the calculation temporary differences those will be utilized in the following periods for Turkey, Hungary, Germany and India are 20%, 9% or 10%, 29,65% and 34,6% respectively.

The details of cumulative temporary differences and the related deferred tax assets and liabilities calculated with currently enacted tax rates as at September 30, 2017 and December 31, 2016 are as follows:

	Cumulative temporary differences		Deferred tax assets / (liabilities)	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Deferred tax assets				
Personnel bonus accrual	(2.508.886)	(2.429.158)	501.777	485.832
Accrued sales commissions	(1.112.527)	(4.097.579)	222.505	819.516
Provision for employment termination benefits	(19.538.107)	(18.187.995)	3.907.621	3.637.599
Provision for operational leasing equalization	(94.518.965)	(83.143.756)	32.711.123	28.774.391
Provision for unused vacation rights	(3.587.038)	(2.907.717)	717.408	581.543
Provision for legal claims and compensations	(1.593.633)	(1.593.633)	318.727	318.727
Net difference between the tax base and Adjustments related to property plant and equipment and intangible assets	(31.073.627)	(25.971.397)	10.753.961	8.988.181
Other	(14.308.091)	(14.083.860)	5.490.121	4.609.902
	(168.240.874)	(152.415.095)	54.623.243	48.215.691
Net off			(5.854.647)	(5.858.648)
Deferred tax assets			48.768.596	42.357.043
Deferred tax liabilities				
Adjustments related to property plant and equipment and intangible assets	65.669.282	62.357.049	(12.222.967)	(11.684.156)
Net off			5.854.647	5.858.648
Deferred tax liabilities			(6.368.320)	(5.825.508)
Deferred tax assets, net			42.400.276	36.531.535

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NOTE 24 - TAX ASSETS AND LIABILITIES (Continued)

Movements of deferred taxes are as below:

	January 1 – September 30, 2017	January 1 – September 30, 2016
January 1	36.531.535	26.040.482
Currency translation differences	2.169.777	724.700
Charge for the current period	2.709.034	1.662.485
Actuarial gain / (loss) arising from defined benefit plans	989.930	1.658.834
As of period end	42.400.276	30.086.501

NOTE 25 - EARNINGS PER SHARE

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

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

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

	January 1 - September 30, 2017	July 1 - September 30, 2017	January 1 - September 30, 2016	July 1 - September 30, 2016
Net profit / (loss) attributable to the equity holders of the parent	77.689.028	54.331.908	32.246.863	21.927.044
Weighted average number of shares with 1 KR face value each	2.430.000.000	2.430.000.000	2.430.000.000	2.430.000.000
Earnings per share (Kr)	0,03	0,02	0,01	0,01

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NOTE 26 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Details of amounts due from and due to related parties as of reporting 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

	September 30, 2017	December 31, 2016
Celebi Spain ⁽³⁾	628.616	556.269
Celebi Ground Services Austria ⁽²⁾	237.185	172.296
ÇHH ⁽¹⁾	136.778	4.919
Other	417.766	304.758
	1.420.345	1.038.242

Short term payables to related parties

	September 30, 2017	December 31, 2016
ÇHH ^{(1) (*)}	4.097.442	5.001.248
DASPL ⁽⁵⁾	658.206	-
Çelebi Nas ⁽⁴⁾	274.893	1.093.663
Çe-Tur ⁽⁶⁾	678.846	479.549
Other	-	99
	5.709.387	6.574.559

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

(*) As of September 30, 2017, the related amount consists of legal, financial, human resources, management, corporate communication, procurement, business development services provided to the Group by ÇHH along with expenses invoiced within the scope of business development projects run by ÇHH on behalf and on account of the Group.

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

ii) Significant transactions with related parties

	January 1 - September 30, 2017	July 1 - September 30, 2017	January 1 - September 30, 2016	July 1 - September 30, 2016
Miscellaneous sales to related parties				
Celebi Ground Handling Services Austria (2)	1.059.968	311.238	1.222.914	285.877
ÇHH (1)	166.139	58.883	145.097	44.934
Other	328.984	99.314	989.470	174.746
	1.555.091	469.435	2.357.481	505.557
Employee and transportation expenses paid to related parties				
Çe-Tur (4)	2.849.159	897.421	2.945.944	439.110
Contribution to holding expenses (*)				
ÇHH (1)	31.621.656	10.153.497	31.975.987	10.080.160
Other purchases from related parties (*)				
DASPL(3)	2.833.374	528.853	-	-
ÇHH (1) (*)	2.870.854	1.070.117	1.935.043	623.822
Other	1.636.628	468.975	1.172.709	732.390
	7.340.856	2.067.945	3.107.752	1.356.212

- (1) Parent company
(2) Subsidiary of the Group
(3) Associate of the Group
(4) Other related party

(*) Other purchases from ÇHH that are comprised of expenses directly related to the Company that are business development projects and tenders executed and followed up ÇHH.

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

As of September 30, 2017 and December 31, 2016, collaterals given in favour of the subsidiaries and joint venture of the Group for the loans borrowed by them are as follow:

September 30, 2017	EUR	INR	Total TL
CGHH (2)	11.550.000	-	48.422.220
Celebi Nas (1)	-	94.392.000	5.140.588
Celebi Delhi Cargo (3)	-	336.000.000	18.298.560
Celebi Delhi GH (4)	-	1.917.667.000	104.436.145
Celebi Cargo GmbH (5)	50.000	-	209.620
	11.600.000	2.348.059.000	176.507.133
December 31, 2016	EUR	INR	Total TL
CGHH (2)	11.550.000	-	42.849.345
Celebi Nas (1)	-	91.080.000	4.727.963
Celebi Delhi Cargo (3)	-	2.596.085.280	134.762.687
Celebi Delhi GH (4)	-	1.032.082.571	53.575.406
Celebi Cargo GmbH (5)	21.951.591	-	77.722.405
	33.501.591	3.719.247.851	313.637.806

- (1) Within the scope of the long-term project finance and working capital loan agreement signed between Celebi Nas and a bank resident in India amounting to INR 1.145.000.000 cash and INR 845.000.000 non-cash, 30% of the 57% shares of Celebi Nas owned by the Company has been pledged in favor of the lender bank to fulfill financial obligations arising from the agreement. As of September 30, 2017, the risk of the cash loan in the respective bank is amounting to INR 747.788.395.
- (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. The remaining balance of the loan is EUR 6.275.000 as of September 30, 2017
- (3) Within the scope of the long-term project finance and working capital loan agreement signed between Celebi Delhi Cargo and a bank resident in India amounting to INR 850.000.000, 30% of shares of Celebi Delhi Cargo owned by the Company has been pledged in favor of the lender bank to fulfill financial obligations arising from the agreement. As of September 30, 2017, the risk of the cash loan in the respective bank is amounting to INR 824.008.864.
- (4) Within the scope of the long-term project finance and working capital loan agreement signed between Celebi Delhi GH and banks resident in India amounting to INR 709.500.00 cash and INR 1.201.000.000 non-cash, 30% of shares of Celebi GH Delhi owned by the Company has been pledged in favor of the lender banks to fulfill financial obligations arising from the agreement. As of September 30, 2017, the risk of the cash loan in the respective banks is amounting to INR 461.397.827.
- (5) In order to fulfill the financial obligations arising from the loan agreements signed between Celebi Cargo GmbH and banks resident in Germany, a guarantee of EUR 50.000 is given by the Company to the lender banks.

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NOTE 26 - 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. Key management compensation comprised of salaries, wages, bonuses, social security contributions and other benefits provided to key management of the Group:

	January 1 - September 30, 2017	July 1 - September 30, 2017	January 1 - September 30, 2016	July 1 - September 30, 2016
Short-term key management compensation	9.539.449	3.165.549	7.179.671	2.194.440
	9.539.449	3.165.549	7.179.671	2.194.440

NOTE 27 – NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS

Financial risk management

The Group’s activities expose it to a variety of financial risks, including foreign currency exchange rates and interest rates. The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group

Risk management is carried out in accordance with the policies approved by Board of Directors.

The Group has evaluated the impacts of the risk exposed to and has made necessary disclosures for foreign exchange risk by taking into consideration the respective significant of foreign exchange risk among interest rate risk, liquidity risk and credit risk.

Foreign exchange risk

The Group is exposed to foreign exchange risk due to its operations in several different currencies. The main principle in management of this risk to keep the foreign exchange position in the optimum level to have the risk exposure in the lowest level.

For this respect, the proportion of the positions of foreign currencies among each other or against Turkish Lira to the shareholders’ equity is aimed to be kept under pre-determined limits. When necessary, derivative financial instruments are used to manage foreign exchange risk. In this respect, the Group’s primary method is utilizing forward foreign currency transactions. The Group is exposed to foreign exchange rate risk mainly for EUR and USD.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED SEPTEMBER 30, 2017

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NOTE 27 – NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

Foreign currency denominated assets and liabilities of the Group as of September 30, 2017 and December 31, 2016 are as follows:

	September 30, 2017	December 31, 2016
Assets denominated in foreign currency	185.948.321	101.518.523
Liabilities denominated in foreign currency (-)	(325.368.609)	(293.583.323)
Net balance sheet position	(139.420.288)	(192.064.800)

The table below summarizes foreign currency denominated assets and liabilities of the Group as of September 30, 2017 and December 31, 2016:

September 30, 2017	TL Equivalent	USD	EUR	GBP
1. Trade receivables	86.208.539	3.218.654	17.835.979	-
2. Monetary financial assets (including cash and bank)	99.317.808	12.099.992	13.437.328	584
3. Other	272.439	-	64.984	-
4. Current Assets (1+2+3)	185.798.786	15.318.646	31.338.291	584
5. Other	149.535	-	35.668	-
6. Non-current assets (5)	149.535	-	35.668	-
7. Total assets (4+6)	185.948.321	15.318.646	31.373.959	584
8. Trade payables	24.698.837	653.189	5.259.803	68.968
9. Financial liabilities	106.819.518	24.940	25.458.193	-
10. Other monetary liabilities	3.261.750	-	778.015	-
11. Short-term liabilities (8+9+10)	134.780.105	678.129	31.496.011	68.968
12. Financial liabilities	190.588.504	41.872	45.425.000	-
13. Other monetary liabilities	-	-	-	-
14. Long-term liabilities (12+13)	190.588.504	41.872	45.425.000	-
15. Total liabilities (11+14)	325.368.609	720.001	76.921.011	68.968
16. Net foreign currency asset/(liability) position (7-15)	(139.420.288)	14.598.645	(45.547.052)	(68.384)
17. Net monetary foreign currency asset/(liability) position (7-15)	(139.420.288)	14.598.645	(45.547.052)	(68.384)

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NOTE 27 – NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS
(Continued)

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

As of September 30, 2017, other conditions held being constant, if the TL was to appreciate/depreciate by 10% against 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 614.614 (December 31, 2016: TL 608.922).

As of September 30, 2017, other things held 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 22.350.884) (December 31, 2016: (TL 19.778.538)).

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED SEPTEMBER 30, 2017

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NOTE 27 – NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

Capital risk management

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

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

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

The debt / equity ratio as of September 30, 2017 and December 31, 2016 is as follows:

	September 30, 2017	December 31, 2016
Total financial liabilities	373.863.275	322.576.763
Less: Cash and cash equivalents	(130.009.701)	(65.477.817)
Less: Restricted cash	(18.380.417)	(10.721.807)
Net debt	225.473.157	246.377.139
Shareholder's equity	145.931.721	101.696.764
Total capital invested	371.404.878	348.073.903
Debt / equity ratio	0,61	0,71

NOTE 28 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

Following methods and assumptions were used to estimate the fair value of the financial instruments for which is practicable to estimate fair value:

Financial Assets

The carrying values of financial assets including cash and cash equivalents and trade receivables which are accounted with their costs are estimated to be their fair values since they are short term.

Financial Liabilities

The fair values of trade receivables and financial liabilities are estimated to be their fair values.

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NOTE 28 - FINANCIAL INSTRUMENTS (Continued)

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 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 September 30, 2017 and December 31, 2016 are as below:

September 30, 2017	Level 1	Level 2	Level 3	Total
Assets				
Available for sale financial assets (Note 5)	-	-	20.528	20.528
December 31, 2016	Level 1	Level 2	Level 3	Total
Available for sale financial assets (Note 5)	-	-	3.636.923	3.636.923

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

None

NOTE 30 - SUBSEQUENT EVENTS

None