

Çelebi Hava Servisi Anonim Şirketi

Condensed consolidated financial statements for the interim period 1 January – 30 September 2020 and review report

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

TABLE OF CONTENTS	PAGE
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	1-2
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS.....	3
CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME.....	4
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY	5-6
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	7-8
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.....	9-55
NOTE 1 ORGANIZATIONS AND NATURE OF OPERATIONS OF THE GROUP.....	9-12
NOTE 2 BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS .	12-20
NOTE 3 SEGMENT REPORTING.....	20-23
NOTE 4 CASH AND CASH EQUIVALENTS	24
NOTE 5 FINANCIAL INVESTMENTS.....	24
NOTE 6 INVESTMENTS ACCOUNTED BY USING THE EQUITY METHOD.....	25-26
NOTE 7 SHORT-TERM AND LONG-TERM FINANCIAL LIABILITIES.....	27-29
NOTE 8 TRADE RECEIVABLES AND PAYABLES.....	30
NOTE 9 OTHER RECEIVABLES AND PAYABLES.....	30-31
NOTE 10 INVENTORIES	31
NOTE 11 PROPERTY, PLANT AND EQUIPMENT	32-33
NOTE 12 RIGHT-OF-USE ASSETS	34-35
NOTE 13 INTANGIBLE ASSETS	36-38
NOTE 14 PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES	38-41
NOTE 15 OTHER ASSETS AND LIABILITIES	42
NOTE 16 PREPAID EXPENSES.....	43
NOTE 17 DEFERRED INCOME.....	43
NOTE 18 LIABILITIES FOR EMPLOYEE BENEFITS	43
NOTE 19 EQUITY	44
NOTE 20 REVENUE AND COST OF SALES	45
NOTE 21 FINANCIAL INCOME.....	45
NOTE 22 FINANCIAL EXPENSES.....	45
NOTE 23 TAX ASSETS AND LIABILITIES.....	46-48
NOTE 24 EARNINGS PER SHARE	48
NOTE 25 RELATED PARTY DISCLOSURES.....	49-51
NOTE 26 NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS	52-55
NOTE 27 FINANCIAL INSTRUMENTS	55
NOTE 28 SUBSEQUENT EVENTS.....	55

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2020

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

		<i>Not Audited</i>	<i>Audited</i>
	Notes	30 September 2020	31 December 2019
ASSETS			
Current assets			
Cash and cash equivalents	4	583.952.878	209.130.875
Financial investments		21.303.604	57.747.115
-Restricted cash	5	21.303.604	57.747.115
Trade receivables		223.206.412	216.999.043
-Due from related parties	8	4.883.112	3.873.386
-Due from third parties	8	218.323.300	213.125.657
Other receivables		121.213.114	103.432.569
-Due from related parties	9	37.881.438	26.647.884
-Due from third parties	9	83.331.676	76.784.685
Inventories	10	19.605.293	16.524.734
Prepaid expenses	16	54.515.215	29.502.211
Current tax assets	23	1.000.691	6.456.151
Other current assets	15	13.408.300	16.389.181
Total current assets		1.038.205.507	656.181.879
Non-current assets			
Financial investments	5	334.290	334.290
Other receivables		152.445.605	117.972.173
-Due from related parties	9	93.600.298	81.497.007
-Due from third parties	9	58.845.307	36.475.166
Investments accounted using equity method	6	159.575.802	129.954.118
Property, plant and equipment	11	499.758.803	457.159.082
Right-of-use assets	12	535.500.640	428.056.013
Intangible assets		351.059.413	285.431.765
-Goodwill	13	72.380.844	60.932.266
-Other intangible assets	13	278.678.569	224.499.499
Prepaid expenses	16	8.018.940	20.038.235
Deferred tax asset	23	154.651.460	102.587.821
Other non-current assets	15	25.008.078	21.874.312
Total non-current assets		1.886.353.031	1.563.407.809
Total assets		2.924.558.538	2.219.589.688

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

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2020

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

		<i>Not Audited</i>	<i>Audited</i>
	Notes	30 September 2020	31 December 2019
LIABILITIES			
Current liabilities			
Short-term financial liabilities	7	260.672.323	21.421.438
Short-term portion of long-term financial liabilities	7	406.855.209	441.030.490
Short-term lease payables	7	147.536.502	93.959.280
Trade payables		155.984.247	134.699.626
-Due to related parties	8	7.036.252	21.948.013
-Due to third parties	8	148.947.995	112.751.613
Employee benefit obligations	18	58.926.662	53.986.507
Other payables		86.924.985	18.401.711
-Due to related parties	9	57.712.500	-
-Due to third parties	9	29.212.485	18.401.711
Deferred income	17	23.011.753	17.032.046
Current tax liability	23	30.454.435	7.569.141
Short-term provisions		30.598.991	23.779.048
-Provisions for employee benefits	14	23.632.013	16.996.522
-Other short-term provisions	14	6.966.978	6.782.526
Other current liabilities	15	22.747.280	8.860.670
Total current liabilities		1.223.712.387	820.739.957
Non-current liabilities			
Long-term financial liabilities	7	506.370.702	339.762.727
Payables from long-term leases	7	580.697.097	364.787.559
Other payables		21.202.027	16.806.306
-Other long-term payables to third parties	9	21.202.027	16.806.306
Long-term provisions		32.396.871	28.354.292
-Provisions related to employee benefits	14	32.396.871	28.354.292
Deferred tax liability	23	27.071.954	21.497.424
Other non-current liabilities	15	78.575.484	55.204.459
Total non-current liabilities		1.246.314.135	826.412.767
Total liabilities		2.470.026.522	1.647.152.724
EQUITY			
Equity attributable to equity holders of the parent			
Paid-in capital	19	24.300.000	24.300.000
Accumulated other comprehensive income or expenses that will not be reclassified subsequently to profit or loss		(24.559.824)	(24.024.964)
-Gains / (losses) on remeasurement of defined benefit plans		(24.559.824)	(24.024.964)
Accumulated other comprehensive income or expenses that will be reclassified subsequently to profit or loss		295.534.420	136.376.158
-Foreign currency translation differences		295.534.420	136.376.158
Restricted reserves	19	74.387.906	63.387.956
Prior years' profit (losses)		192.120.125	117.783.967
Net profit / (loss) for the period		(204.173.528)	192.355.079
Non-controlling interests		96.922.917	62.258.768
Total equity		454.532.016	572.436.964
Total liabilities and equity		2.924.558.538	2.219.589.688

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

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

**CONDENSED CONSOLIDATED FINANCIAL STATEMENT OF PROFIT OR LOSS
FOR THE INTERIM PERIOD OF 1 JANUARY – 30 SEPTEMBER 2020**

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

		<i>Not Audited</i>	<i>Not Audited</i>	<i>Not Audited</i>	<i>Not Audited</i>
	Notes	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
CONTINUING OPERATIONS					
Revenue	20	1.106.897.254	453.845.974	1.421.348.102	581.712.034
Cost of sales (-)	20	(835.743.959)	(288.281.690)	(989.583.237)	(355.054.574)
GROSS PROFIT / (LOSS)	20	271.153.295	165.564.284	431.764.865	226.657.460
General administrative expenses (-)		(149.279.667)	(49.223.277)	(170.647.765)	(65.051.982)
Other operating income		360.363.347	201.040.698	47.280.893	(13.019.799)
Other operating expenses (-)		(340.212.955)	(194.607.280)	(63.969.444)	(37.348.014)
OPERATING PROFIT / (LOSS)		142.024.020	122.774.425	244.428.549	111.237.665
Income from investment activities		3.191.086	189.210	2.846.497	629.681
Expenses from investment activities (-)		(1.399.125)	(64.476)	(263)	-
Income from investments accounted by equity method		(4.226.941)	(235.386)	16.446.463	9.285.796
OPERATING PROFIT / (LOSS) BEFORE FINANCE EXPENSE		139.589.040	122.663.773	263.721.246	121.153.142
Financial income	21	107.615.146	59.758.346	36.760.108	20.767.534
Financial expenses (-)	22	(432.109.134)	(222.248.346)	(110.514.164)	26.785.806
PROFIT / (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		(184.904.948)	(39.826.227)	189.967.190	168.706.482
Tax income / (expense)		(6.044.980)	(419.202)	(23.953.697)	(34.252.291)
Current tax expense	23	(38.318.871)	(19.010.330)	(48.848.360)	(36.745.669)
Deferred tax income / (expense)	23	32.273.891	18.591.128	24.894.663	2.493.378
PROFIT / (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		(190.949.928)	(40.245.429)	166.013.493	134.454.191
Profit / (Loss) for the Period Attributable to:					
Non-controlling interests		13.223.600	6.070.272	3.502.123	2.718.575
Equity holder of the Parent		(204.173.528)	(46.315.701)	162.511.370	131.735.616
		(190.949.928)	(40.245.429)	166.013.493	134.454.191
Earnings per share (Kr)	24	(0,084)	(0,019)	0,067	0,54

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

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE INTERIM PERIOD OF 1 JANUARY – 30 SEPTEMBER 2020**

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

	<i>Not Audited</i>	<i>Not Audited</i>	<i>Not Audited</i>	<i>Not Audited</i>
	1 January- 30 September 2020	1 July- 30 September 2020	1 January- 30 September 2019	1 July- 30 September 2019
Net profit for the period	(190,949,928)	(40,245,429)	166,013,493	134,454,191
Items that will not be reclassified to profit or loss				
-Gains / (losses) on remeasurement of defined benefit plans	(394.160)	(55.176)	(62.206)	(62.206)
Shares from other comprehensive income of investments accounted through equity method that will not be reclassified to profit or loss				
-Gain / (losses) on remeasurement of defined benefit plans of investments accounted using the equity method	(256.881)	(9.083)	329.091	(15.445)
Taxes related to other comprehensive income that will not be reclassified to profit or loss				
-Gains / (losses) on remeasurement of defined benefit plans, tax effect	24.528	3.214	-	-
- Shares from other comprehensive income of investments valued by equity method that will not be reclassified to profit or loss, tax effect	66.045	2.336	(84.610)	3.971
Items that will be reclassified to profit or loss				
-Foreign currency translation differences	179.310.448	121.393.019	14.441.067	(26.674.497)
Other comprehensive income / (expense)	178.749.980	121.334.310	14.623.342	(26.748.177)
Total comprehensive income	(12.199.948)	81.088.881	180.636.835	107.706.014
Total comprehensive income attributable to:				
Non-controlling interests	33.350.178	19.799.058	4.427.672	446.510
Equity holders of the parent	(45.550.126)	61.289.823	176.209.163	107.259.504
	(12.199.948)	81.088.881	180.636.835	107.706.014

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

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE INTERIM PERIOD OF 30 SEPTEMBER 2020

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

	Accumulated other comprehensive income and expenses that will not be reclassified subsequently to profit or loss	Accumulated other comprehensive income and expenses that will be reclassified subsequently to profit or loss	Retained earnings		Equity attributable to equity holders of the parent		Non-controlling interests	Total equity	
	Share capital	Gains / (losses) on remeasurement of defined benefit plans	Foreign currency translation differences	Restricted reserves	Prior years' profit / (losses)	Net profit / (loss) for the period			
As of 1 January 2020	24.300.000	(24.024.964)	136.376.158	63.387.956	117.783.967	192.355.079	510.178.196	62.258.768	572.436.964
Transfers	-	-	-	10.999.950	181.355.129	(192.355.079)	-	-	-
Dividend distribution (*)	-	-	-	-	(105.705.000)	-	(105.705.000)	-	(105.705.000)
Purchase of subsidiary shares (**)	-	-	-	-	(1.313.971)	-	(1.313.971)	1.313.971	-
Other comprehensive income / (expense)									
-Foreign currency translation difference	-	-	159.158.262	-	-	-	159.158.262	20.152.186	179.310.448
-Losses on remeasurement of defined benefit plans	-	(534.860)	-	-	-	-	(534.860)	(25.608)	(560.468)
Total other comprehensive income	-	(534.860)	159.158.262	-	-	-	158.623.402	20.126.578	178.749.980
Net profit for the period	-	-	-	-	-	(204.173.528)	(204.173.528)	13.223.600	(190.949.928)
Total comprehensive income / (expense)	-	(534.860)	159.158.262	-	-	(204.173.528)	(45.550.126)	33.350.178	(12.199.948)
As of 30 September 2020	24.300.000	(24.559.824)	295.534.420	74.387.906	192.120.125	(204.173.528)	357.609.099	96.922.917	454.532.016

(*) It has been decided to be paid to the Company's shareholders in two instalments as TL 47.992.500 on 31 August 2020 and TL 57.712.500 on 1 October 2020.

(**) The related amount consists of the equity effect of capital increase to KSU. The capital increase consists of the payment by the Company amounting to Euro 1.297.017 and was made by premium capital increase under the legislation in India and the Company's shareholding rate in KSU reached to 57,65%.

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

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE INTERIM PERIOD OF 30 SEPTEMBER 2020

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

	Accumulated other comprehensive income and expenses that will not be reclassified subsequently to profit or loss		Accumulated other comprehensive income and expenses that will be reclassified subsequently to profit or loss		Retained earnings				
	Share capital	Gains / (losses) on remeasurement of defined benefit plans	Foreign currency translation differences	Restricted reserves	Prior years' profit / (losses)	Net profit / (loss) for the period	Equity attributable to the equity holders of the parent	Non-controlling interests	Total equity
As of 1 January 2019	24.300.000	(24.478.059)	97.242.555	50.630.456	(16.019.346)	204.583.956	336.259.562	16.827.952	353.087.514
Transfers	-	-	-	12.757.500	191.826.456	(204.583.956)	-	-	-
Dividend distribution	-	-	-	-	(128.803.767)	-	(128.803.767)	-	(128.803.767)
Purchase of subsidiary shares	-	-	-	-	(403.147)	-	(403.147)	14.416.443	14.013.296
Effect of first-time adoption of TFRS 16 (*)	-	-	-	-	71.183.770	-	71.183.770	24.699.987	95.883.757
Other comprehensive income / (expense)									
-Foreign currency translation difference	-	-	13.515.455	-	-	-	13.515.455	925.612	14.441.067
-Losses on remeasurement of defined benefit plans	-	182.338	-	-	-	-	182.338	(63)	182.275
Total other comprehensive income	-	182.338	13.515.455	-	-	-	13.697.793	925.549	14.623.342
Net profit for the period	-	-	-	-	-	162.511.370	162.511.370	3.502.123	166.013.493
Total comprehensive income / (expense)	-	182.338	13.515.455	-	-	162.511.370	176.209.163	4.427.672	180.636.835
As of 30 September 2019	24.300.000	(24.295.721)	110.758.010	63.387.956	117.783.966	162.511.370	454.445.581	60.372.054	514.817.635

(*) The effect related to reversal of provision for offsetting operational lease made under TAS 17 in prior periods has been recorded in prior years' profit.

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

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE INTERIM PERIOD OF 1 JANUARY – 30 SEPTEMBER 2020

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

		<i>Current Period</i>	<i>Prior Period</i>
		<i>Not Audited</i>	<i>Not Audited</i>
		1 January – 30 September 2020	1 January – 30 September 2019
	Notes		
A. Cash flows from operating activities		312.302.280	243.234.891
Net profit for the period		(190.949.928)	166.013.493
Adjustments for reconciliation of net profit/loss for the period		463.231.019	178.262.579
Adjustments related to depreciation and amortization expenses	11,12,13	114.565.509	91.696.258
Adjustments related to impairment (reversal)		11.973.217	20.798.318
Adjustments related to provisions		11.962.820	15.867.089
- Adjustments related to provisions for employee benefits		11.962.820	15.867.089
Adjustments related to interest income and expenses		50.296.221	33.394.842
- Adjustments related to interest income		(20.807.669)	(11.760.240)
- Adjustments related to interest expenses		71.103.890	45.155.082
Adjustments related to unrealized foreign currency translation differences		267.352.417	11.845.072
Adjustments related to tax (income) expenses		6.044.980	23.953.697
Adjustments related to undistributed profit of investments that are accounted by the equity method	6	4.226.941	(16.446.463)
Adjustments related to gains/losses on disposal of non-current assets		(3.191.086)	(2.846.234)
Changes in working capital		56.974.129	(70.141.279)
Decrease (increase) in financial investments		35.842.597	(5.886.392)
Adjustments related to increase/decrease in trade receivables		(19.624.611)	(104.866.320)
-Decrease/increase in due from related parties		(1.009.726)	(623.008)
-Decrease/increase in due from third parties		(18.614.885)	(104.243.312)
Adjustments related to increase/decrease in other receivables related to operations		(29.070.017)	2.300.770
Adjustments related to increase/decrease in inventories		(3.080.559)	(1.820.209)
Decrease (increase) in prepaid expenses		(12.993.709)	822.113
Adjustments related to increase/decrease in trade payables		21.284.621	24.134.960
-Increase (decrease) in due to related parties		(14.911.761)	10.694.938
-Increase (decrease) in due to third parties		36.196.382	13.440.022
Increase (decrease) in payables related to employee benefits		4.940.155	24.265.281
Adjustments related to increase/decrease in other payables related to operations		59.675.652	(9.091.482)
Cash flows generated from operations		329.255.220	274.134.793
Payments related to provisions for employee benefits	14	(7.346.087)	(11.096.421)
Payments related to other provisions	14	(1.047.363)	(444.978)
Tax returns (payments)	23	(8.559.490)	(19.358.503)

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

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE INTERIM PERIOD OF 1 JANUARY – 30 SEPTEMBER 2020**

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

		<i>Current Period</i>	<i>Prior Period</i>
		<i>Not Audited</i>	<i>Not Audited</i>
		1 January – 30 September 2020	1 January – 30 September 2019
	Notes		
B. Cash flows from investing activities		(34.983.570)	(138.384.933)
Cash outflows due to purchase of share or capital increase of associates and/or joint ventures	13	-	(13.923.000)
Cash inflows from sale of property, plant and equipment and intangible assets		4.589.449	16.125.512
-Cash inflows from sale of property, plant and equipment		4.530.727	5.952.572
-Cash inflows from sale of intangible assets		58.722	10.172.940
Cash outflows from purchase of property, plant and equipment and intangible assets		(56.522.609)	(149.647.839)
-Cash outflows from purchase of property, plant and equipment		(41.176.975)	(137.458.144)
-Cash outflows from purchase of intangible assets		(15.345.634)	(12.189.695)
Cash inflows from cash advances and debts given to related parties		16.949.590	9.060.394
C. Cash flows from financing activities		(18.948.864)	(104.731.263)
Lease payments		(58.478.547)	(55.108.190)
Cash inflows from financial liabilities		597.563.053	274.809.158
Cash outflows due to debt payments		(499.961.784)	(199.517.830)
Dividends paid		(47.992.500)	(128.803.767)
Interest paid		(30.886.755)	(7.870.874)
Interest received		20.807.669	11.760.240
Dividends received		-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF FOREIGN CURRENCY TRANSLATION DIFFERENCES		258.369.846	118.695
D. Impact of foreign currency translation differences		115.851.243	29.181.014
Net increase/decrease in cash and cash equivalents		374.221.089	29.299.709
E. Cash and cash equivalents at the beginning of the period		208.942.627	196.730.773
Cash and cash equivalents at the end of the period	4	583.163.716	226.030.482

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

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

NOTE 1 - ORGANIZATION AND NATURE OPERATIONS OF THE GROUP

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

The Company is registered in Capital Markets Board ("CMB") and has been listed in Borsa İstanbul ("BIST") since 18 November 1996. The percentage of shares which are publicly traded is 10,09% (31 December 2019: 10,09%).

The address of the Company is as follows:

Tayakadın Mahallesi Nuri Demirağ Caddesi No: 39
Arnavutköy / İstanbul

The average number of employees working for the Group for the period ended 30 September 2020 is 10.436 (31 December 2019: 13.475).

Information on Subsidiaries, Joint Ventures, and Associate:

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

- Subsidiaries of the Group are as below:

<u>Subsidiary</u>	<u>Registered country</u>	<u>Geographical region</u>	<u>Nature of business</u>
CGHH	Hungary	Hungary	Ground handling services
Celebi Delhi Cargo	India	India	Warehouse and cargo services
CASI	India	India	Ground handling services
Çelebi Kargo	Turkey	Turkey	Warehouse and cargo services
Celebi Cargo	Germany	Germany	Warehouse and cargo services
Celebi Spain (*)	Spain	Spain	Ground handling services
Celebi Tanzania (*)	Tanzania	Tanzania	Ground handling services
Celebi GH India Private Limited (*)	India	India	Ground handling services
KSU (**)	India	India	Ground handling services

(*) As of 30 September 2020, Celebi Spain, Celebi GH India Private Limited and Celebi Tanzania have no operational activity.

(**) The company signed a partnership agreements with Mr. Ashwani Khanna and Ms. Zaheda Khanna to become a 50% partner in KSU Aviation Pvt Ltd ("KSU"), a company established in India on 8 May 2019, to provide "taxiing" services to aircrafts in India. For this purpose, a capital payment of 320 million Indian Rupees (approximately EUR 4,25 million) is made by the Company on 20 May 2019.

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

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

The Company won the tender offer on acquisition of Budapest Airport Handling Kereskedelmi es Szolgaltato Korlatolt Felelőssegi Tarsasag ("BAGH") which provides ground handling service in Budapest Airport, and participated in the Celebi Tanacsado Korlatolt Felelőssegi Tarsasag ("Celebi Kft") that was founded on 22 September 2006 as founding shareholder for the realization of the above mentioned share transfer. Celebi Kft acquired all the shares of BAGH on 26 October 2006 and the trade name of BAGH has been changed to Celebi Ground Handling Hungary Foldi Kiszolgalo Korlatolt Felelőssegi Tarsasag ("CGHH"). Celebi Kft was taken over by CGHH with all assets and liabilities and merger transactions have been completed at 31 October 2007 in accordance with the legal framework effective in Hungary. Since Celebi Kft owned 100% of CGHH shares before the merger, the Company's share has remained 70% in CGHH share capital. At 2011, shares representing 30% of CGHH were purchased from Çelebi Havacılık Holding Anonim Şirketi for a consideration of TL 33.712.020. As of 30 September 2020, paid-in capital of CGHH is Hungarian Forint 200.000.000.

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

As a result of the winning the tender for providing ground handling services at Delhi International Airport for a 10 years period in order to fulfill the requirements to meet the obligations and make the planned investments outlined in the Concession Agreement signed between Celebi GH Delhi and the tender to authority, under the legal legislation in India, the Company has made a premium capital increase amounting to Indian Rupee 1.327.757.000 on its subsidiary of Çelebi Ground Handling Delhi Private Limited ("Celebi GH Delhi"), which was established on 18 November 2009 with a shareholding rate of 74%. On 22 May 2017, the Company acquired 25,9% share of Çelebi GH Delhi and reached to an ownership rate of 99,9% and a share capital of Indian Rupee 24.430.000. The Company currently operates ground handling services in New Delhi, Ahmedabad, Cochin, Bangalore and Hyderabad Airports in India as part of the ongoing concession agreements. On 15 March 2018, the Company's title was changed to Celebi Airport Services India Private Limited ("CASI"). CASI will continue to deliver ground handling services at Delhi International Airport for 10 years subsequent to the termination of the existing concession agreement with the authority given on 9 December 2019.

Çelebi Kargo Depolama ve Dağıtım Hizmetleri A.Ş. ("Çelebi Kargo") was established on 20 November 2008 to carry out transportation, cargo storage and distribution activities. Celebi Cargo GmbH ("Celebi Cargo"), the subsidiary of Çelebi Kargo with a 100% ownership, was established on November 2009 and has share capital amounting to EUR 32.100.000, rented storage and warehouse facilities at International Frankfurt Airport Cargo (Frankfurt Cargo City Süd) and carry out flight cargo storage and handling services. As of 30 September 2020, the paid share capital of Çelebi Kargo is TL 109,000,000.

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

The Company signed a partnership agreements with Mr. Ashwani Khanna and Ms. Zaheda Khanna to become a 50% partner in KSU Aviation Pvt Ltd ("KSU"), a company established in India on 8 May 2019, to provide "taxiing" services to aircrafts in India. For this purpose, a capital payment of 320 million Indian Rupees (approximately EUR 4,25 million) is made by the Company on 20 May 2019. Capital payment amounting to Indian Rupee 100,000,000 needed by KSU to make the foreseen investments was made by making premium capital increase under legal legislation in India, and thus the Company became a shareholder at the rate of 57,65% of KSU.

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

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

- Joint venture:

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

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

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

- Associate

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

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

Celebi GH Delhi, a subsidiary of the Group, has participated in establishment of Delhi Aviation Services Private Limited ("DASPL") with a shareholding of 16,66%, DASPL is resident in New Delhi, India and operating in rendering services of air conditioners, water providing systems and generators mounted on passenger boarding bridges with international standards established with a share capital is Indian Rupee 250.000.000. On 14 November 2016, Celebi GH Delhi, has acquired 8,33% of additional shares of DASPL and reached to a shareholding rate of 24,99%. The Group accounts DASPL by using the equity method in its condensed consolidated financial statements.

As of 30 September 2020, the condensed consolidated financial statements of the Group contains the Company, Celebi Nas, CGHH, Celebi Güvenlik in liquidation, Celebi Delhi Cargo, CASI, Celebi Kargo, DASPL, Celebi Cargo and KSU (all together will be referred as "the Group").

Condensed consolidated financial statements of the Group for the period ended 1 January – 30 September 2020 has been approved for the issuance by the Board of Directors on 9 November 2020 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 INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

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

Covid-19 Effects

Due to the crisis and pandemic situation caused by the Covid-19 virus, which spread worldwide, although measures were taken by governments to stop domestic and international flights between March and May, borders were opened in certain regions in the following months in June-September period and flights started. In this context, services were delivered for international flights for the operations of Turkey and Hungary. Although there have been mainly domestic flights in the Indian market, limited number of flights have been made to certain countries as a result of the mutual agreements made by the Indian government with various countries. Besides, the Warehouse and Cargo Services division was much less affected by the pandemic process, and they served in their normal activities under changing conditions.

The Group Management has ceased all non-urgent expenditures, postponed investments and directed employees to paid and unpaid leave since March. In order to reduce fixed costs, the supports provided by the governments of the countries in which the Group operates were evaluated, necessary applications were made and various supports were used. In addition, waiver, discount or postponement of license and lease payments was provided with airport operators and country aviation authorities. The Group Management closely monitors cash flow in order to maintain the strength of its liquidity position.

As of the reporting date, the Covid-19 pandemic has come to the fore again in the countries where the Group operates. The direction of the economic indicators related to this pandemic can be predicted more positively or more clearly compared to the period when the pandemic first broke out. The progress in vaccines developed against Covid-19 is expected to have positive effects on the aviation industry. While preparing the interim condensed consolidated financial statements as at 30 September 2020, the Group Management evaluated the possible effects of the COVID-19 pandemic and reviewed the estimates and assumptions used in the preparation of the interim condensed consolidated financial statements. In this study, especially the collection performance of trade receivables, the possible impairment assumptions for fixed assets and the cash flows planned to be generated from the operations are evaluated.

NOTE 2 – BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of Presentation

2.1.1 Financial Reporting Standards

The Group's condensed consolidated financial statements and disclosures have been prepared in accordance with the communiqué numbered II-14,1 "Communiqué on the Principles of Financial Reporting In Capital Markets" (the Communiqué) announced by the Capital Markets Board ("CMB") on 13 June 2013 which is published on Official Gazette numbered 28676, and according to Article 5 of the Communiqué, financial statements are prepared in accordance with the Turkish Financial Reporting Standards ("TFRS") issued by Public Oversight Accounting and Auditing Standards Authority ("POA") and appendix and interpretations related to them.

The Group has presented its condensed financial statements for the period ended 30 September 2020 according to Turkish Accounting Standards No. 34 Interim Financial Reporting.

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

The Company and its Subsidiaries registered in Turkey maintain their books of account and prepare their statutory financial statements in accordance with the principles and standards issued by POA, Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance of Turkey ("Ministry of Finance"). 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.

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

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

2.1. Basis of Presentation (Continued)

2.1.1 Financial Reporting Standards (Continued)

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

Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates. The 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 30 September 2020, the currency of subsidiaries is shown below.

<u>Company</u>	<u>Currency</u>
CGHH	Hungarian Forint (HUF)
Celebi Delhi Cargo	Indian Rupee (INR)
CASI	Indian Rupee (INR)
Celebi Nas	Indian Rupee (INR)
Çelebi Kargo	Turkish Lira (TL)
Celebi Cargo GmbH	Euro (EUR)
DASPL	Indian Rupee (INR)
KSU	Indian Rupee (INR)
Çelebi Tanzania	Tanzanian Shilling (TZS)

Going Concern

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

2.1.2 New and Amended Turkish Financial Reporting Standards

a) Amendments that are mandatorily effective from 2020

Amendments to TFRS 3	<i>Definition of a Business</i>
Amendments to TAS 1 and TAS 8	<i>Definition of Material</i>
Amendments to TFRS 9, TAS 39 and TFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to TFRS 16	<i>COVID-19 Related Rent Concessions</i>
Amendments to Conceptual Framework	<i>Amendments to References to the Conceptual Framework in TFRSs</i>

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

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

2.1. Basis of Presentation (Continued)

2.1.2 New and Amended Turkish Financial Reporting Standards (Continued)

a) Amendments that are mandatorily effective from 2020 (Continued)

Amendments to TFRS 3 *Definition of a Business*

The definition of “business” is important because the accounting for the acquisition of an activity and asset group varies depending on whether the group is a business or only an asset group. The definition of “business” in TFRS 3 Business Combinations standard has been amended. With this change:

- By confirming that a business should include inputs and a process; clarified that the process should be essential and that the process and inputs should contribute significantly to the creation of outputs.
- The definition of a business has been simplified by focusing on the definition of goods and services offered to customers and other income from ordinary activities.
- An optional test has been added to facilitate the process of deciding whether a company acquired a business or a group of assets.

Amendments to TAS 1 and TAS 8 *Definition of Material*

The amendments in Definition of Material (Amendments to TAS 1 and TAS 8) clarify the definition of ‘material’ and align the definition used in the Conceptual Framework and the standards.

Amendments to TFRS 9, TAS 39 and TFRS 7 *Interest Rate Benchmark Reform*

The amendments clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

Amendments to TFRS 16 *COVID-19 Related Rent Concessions*

The changes in COVID-19 Related Rent Concessions (Amendment to TFRS 16) brings practical expedient which allows a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change,
- any reduction in lease payments affects only payments originally due on or before 30 June 2021 and
- there are no substantive changes to other terms and conditions of the lease.

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

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

2.1. Basis of Presentation (Continued)

2.1.2 New and Amended Turkish Financial Reporting Standards (Continued)

a) Amendments that are mandatorily effective from 2020 (Continued)

Amendments to TFRS 16 COVID-19 Related Rent Concessions (Continued)

The amendment is effective for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted.

The Group has applied the practical expedient to all rent concessions that have met the above criteria. There were no COVID-19-related rent concessions prior to 1 January 2020.

Amendments to References to the Conceptual Framework in TFRSs

The references to the Conceptual Framework revised the related paragraphs in TFRS 2, TFRS 3, TFRS 6, TFRS 14, TAS 1, TAS 8, TAS 34, TAS 37, TAS 38, TFRS Interpretation 12, TFRS Interpretation 19, TFRS Interpretation 20, TFRS Interpretation 22, and TAS Interpretation 32. The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

b) New and revised TFRSs in issue but not yet effective

The Group has not yet adopted the following standards and amendments and interpretations to the existing standards:

TFRS 17

Amendments to TAS 1

Amendments to TFRS 3

Amendments to TAS 16

Amendments to TAS 37

Annual Improvements to 2018-2020 Cycle

Insurance Contracts

Classification of Liabilities as Current or Non-Current

Reference to the Conceptual Framework

Property, Plant and Equipment – Proceeds before Intended Use

Onerous Contracts – Cost of Fulfilling a Contract

Amendments to TFRS 1, TFRS 9 and TAS 41

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020**

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

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

2.1. Basis of Presentation (Continued)

2.1.2 New and Amended Turkish Financial Reporting Standards (Continued)

b) New and revised TFRSs in issue but not yet effective (Continued)

TFRS 17 Insurance Contracts

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 supersedes TFRS 4 Insurance Contracts as of 1 January 2021.

Amendments to TAS 1 Classification of Liabilities as Current or Non-Current

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2022 and earlier application is permitted.

Amendments to TFRS 3 Reference to the Conceptual Framework

The amendments update an outdated reference to the Conceptual Framework in TFRS 3 without significantly changing the requirements in the standard.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated *Conceptual Framework*) at the same time or earlier.

Amendments to TAS 16 Property, Plant and Equipment – Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Amendments to TAS 37 Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

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

2.1. Basis of Presentation (Continued)

2.1.2 New and Amended Turkish Financial Reporting Standards (Continued)

b) New and revised TFRSs in issue but not yet effective (Continued)

Annual Improvements to TFRS Standards 2018-2020

Amendments to TFRS 1 *First-time adoption of Turkish Financial Reporting Standards*

The amendment permits a subsidiary that applies paragraph D16(a) of TFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to TFRSs.

Amendments to TFRS 9 *Financial Instruments*

The amendment clarifies which fees an entity includes in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

Amendments to TAS 41 *Agriculture*

The amendment removes the requirement in paragraph 22 of TAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in TFRS 13.

The amendments to TFRS 1, TFRS 9, and TAS 41 are all effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

The impact of the related standards, changes and improvements on the consolidated financial position and performance of the Group is evaluated.

2.1.3 Financial Statements of Joint Ventures Operating in Foreign Countries

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

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

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

2.1. Basis of Presentation (Continued)

2.1.4 Basis of Consolidation

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

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

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

2.1. Basis of Presentation (Continued)

2.1.4 Basis of Consolidation (Continued)

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

Subsidiary	Ownership interest (%)	
	30 September 2020	31 December 2019
CGHH	100,0	100,0
Celebi Delhi Cargo	74,0	74,0
CASI	99,9	99,9
Celebi GH India Private Limited	100,0	100,0
Celebi Spain ⁽¹⁾	100,0	100,0
Çelebi Kargo	100,0	99,9
Celebi Cargo	99,9	99,9
KSU	57,6	50,0
Celebi Tanzania ⁽²⁾	65,0	65,0

- (1) As of 31 March 2019 Celebi Spain has directly and indirectly 100% voting right. However, Celebi Spain has not been consolidated in condensed consolidated financial statements by reason of being immaterial for the consolidated financial statements as the company's operations have not started (Note 5).
- (2) The Company acquired 65% of Celebi Tanzania Aviation Services Limited ("Celebi Tanzania"), established in Darusselam, Tanzania to participate to the concession auctions to provide ground handling service. Its share capital is amounting to Tanzanian Shilling 100 million (approximately USD 40 thousand). The Company has not started its operations yet.
- e) The Group categorized the sales and purchase of its subsidiaries' shares transactions as transactions between group shareholders except parent company. Therefore, for the addition share purchase from other than parent company, the Group records the difference between cost of purchase and book value of asset of subsidiary's purchased portion under shareholders' equity. For the share sales to other than parent company, the Group records the income or loss as a result of the difference between sales price and book value of asset of subsidiary's sold portion under shareholders' equity.
- f) Joint venture and the associate of the Group are accounted by using the equity method.

Joint venture	Ownership interest (%)	
	30 September 2020	31 December 2019
Çelebi Nas	57,00	57,00

Associate	Ownership interest (%)	
	30 September 2020	31 December 2019
DASPL	24,99	24,99

- g) 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.

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

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

2.2. Changes in Muhasebe Politikalarında Değişiklikler

2.2.1 Comparative Information

The condensed consolidated financial statements of the Group have been prepared comparatively with the prior period in order to evaluate financial position and performance trends.

The Group presented the condensed consolidated statement of financial position as of 30 September 2020 comparatively with the condensed consolidated statement of financial position as of 31 December 2019, presented the condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of cash flows and condensed consolidated statement of changes in equity for the period ended 30 September 2020 comparatively with the condensed consolidated financial statements for the interim period ended 30 September 2019.

The Group paid concession right fee amounting to TL 141.478.042 in its consolidated statement of profit or loss as of 30 September 2019 in accordance with the rates determined in Celebi Delhi Cargo and CASI's concession agreements and the amounts netted under income from operating the related cargo terminal and income from ground handling services generated from the related airports were recognized under cost of sales.

As of 31 December 2019, deposits and guarantees amounting to TL 33.030.068 given by CASI to the airport authority, presented under other long-term receivables in the consolidated statement of financial position, have been classified to other short-term receivables.

2.3. Summary of Significant Accounting Policies

Condensed consolidated financial statements for the period ended 30 September 2020, have been prepared in compliance with TAS 34, the TFRS standard on interim financial reporting. Furthermore, condensed consolidated financial statements as of 30 September 2020 have been prepared applying accounting policies which are consistent with the accounting policies used for the preparation of consolidated financial statements for the year ended 31 December 2019. Thus, these condensed consolidated financial statements must be evaluated together with the consolidated financial statements for the year ended 31 December 2019.

If changes in accounting estimates relate only for one period, changes are applied only in the current period but if changes in estimates relate more than one period, changes are applied both in the current and following periods prospectively. Significant estimates used in preparing the condensed financial statements for the period ended on 30 September 2020 are consistent with those used in preparing the consolidated financial statements in the Consolidated for the year ended 31 December 2019. Significant accounting errors are applied retrospectively and the prior period financial statements are restated.

NOTE 3 – SEGMENT REPORTING

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

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

NOTE 3 – SEGMENT REPORTING (Continued)

The segment information provided to the board of directors as of 30 September 2020 is as follows :

	Operation Groups			
	Ground	Cargo and Warehouse	Consolidation	After
	Handling	Services	Adjustments	Consolidation
1 January- 30 September 2020				
Revenue	482.526.380	631.650.691	(7.279.817)	1.106.897.254
Cost of sales	(398.825.575)	(444.363.181)	7.444.797	(835.743.959)
Gross profit	83.700.805	187.287.510	164.980	271.153.295
General administrative expenses	(105.236.981)	(44.152.263)	109.577	(149.279.667)
Addition: Depreciation and amortization	65.731.839	48.833.670	-	114.565.509
Addition: TFRIC 4-12 effect shares	-	7.266.724	-	7.266.724
Addition: Retirement pay liability and unused vacation provisions	9.972.233	2.553.827	-	12.526.060
EBITDA effect of investments accounted by using equity method	11.471.750	(1.123.363)	-	10.348.387
EBITDA	65.639.646	200.666.105	274.557	266.580.308
Lease expenses under TFRS 16	(61.857.336)	(12.739.562)	-	(74.596.898)
EBITDA (Except for effect of new and revised accounting policies)	3.782.310	187.926.543	274.557	191.983.410
	Operation Groups			
	Ground	Cargo and Warehouse	Consolidation	After
	Handling	Services	Adjustments	Consolidation
1 July - 30 September 2020				
Revenue	200.968.586	255.771.880	(2.894.492)	453.845.974
Cost of sales	(116.537.160)	(174.506.206)	2.761.676	(288.281.690)
Gross profit	84.431.426	81.265.674	(132.816)	165.564.284
General administrative expenses	(32.327.358)	(16.998.420)	102.501	(49.223.277)
Addition: Depreciation and amortization	14.854.822	25.122.433	-	39.977.255
Addition: TFRIC 4-12 effect shares	-	3.442.984	-	3.442.984
Addition: Retirement pay liability and unused vacation provisions	2.848.898	802.776	-	3.651.674
EBITDA effect of investments accounted by using equity method	4.206.308	(290.080)	-	3.916.228
EBITDA	74.014.096	93.345.367	(30.315)	167.329.148
Lease expenses under TFRS 16	(21.284.721)	(4.726.497)	-	(26.011.218)
EBITDA (Except for effect of new and revised accounting policies)	52.729.375	88.618.870	(30.315)	141.317.930

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

NOTE 3 – SEGMENT REPORTING (Continued)

The segment information provided to the board of directors as of 30 September 2019 is as follows :

	Operation Groups			After Consolidation
	Ground Handling Services	Cargo and Warehouse Services	Consolidation Adjustments	
1 January - 30 September 2019				
Revenue	917.693.595	507.861.512	(4.207.005)	1.421.348.102
Cost of sales	(604.243.826)	(389.541.896)	4.202.485	(989.583.237)
Gross profit	313.449.769	118.319.616	(4.520)	431.764.865
General administrative expenses	(135.774.840)	(35.362.229)	489.304	(170.647.765)
Addition: Depreciation and amortization	62.561.683	29.134.575	-	91.696.258
Addition: TFRIC 4-12 effect shares	-	6.236.806	-	6.236.806
Addition: Retirement pay liability and unused vacation provisions	13.108.686	3.453.885	-	16.562.571
EBITDA effect of investments accounted by using equity method	37.283.873	(149.275)	-	37.134.598
EBITDA	290.629.171	121.633.378	484.784	412.747.333
Lease expenses under TFRS 16	(44.073.825)	(10.649.449)	-	(54.723.274)
EBITDA (Except for effect of new and revised accounting policies)	246.555.346	110.983.929	484.784	358.024.059
	Operation Groups			After Consolidation
	Ground Handling Services	Cargo and Warehouse Services	Consolidation Adjustments	
1 July - 30 September 2019				
Revenue	399.357.742	183.157.540	(803.248)	581.712.034
Cost of sales	(281.031.283)	(138.058.830)	1.035.539	(355.054.574)
Gross profit	181.326.459	45.098.710	232.291	226.657.460
General administrative expenses	(52.525.087)	(11.759.270)	(767.625)	(65.051.982)
Addition: Depreciation and amortization	22.062.953	10.213.565	-	32.276.518
Addition: TFRIC 4-12 effect shares	-	2.317.224	-	2.317.224
Addition: Retirement pay liability and unused vacation provisions	3.335.327	835.009	-	4.170.336
EBITDA effect of investments accounted by using equity method	13.485.526	2.903	-	13.488.429
EBITDA	167.685.178	46.708.141	(535.334)	213.857.985
Lease expenses under TFRS 16	(14.580.417)	(3.532.207)	-	(18.112.624)
EBITDA (Except for effect of new and revised accounting policies)	153.104.761	43.175.934	(535.334)	195.745.361

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

NOTE 3 – SEGMENT REPORTING (Continued)

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

	1 January – 30 September 2020	1 July – 30 September 2020	1 January – 30 September 2019	1 July – 30 September 2019
EBITDA for reported segments	266.580.308	167.329.148	412.747.333	213.857.985
Depreciation and amortization	(114.565.509)	(39.977.255)	(91.696.258)	(32.276.518)
TFRIC 4-12 effect	(7.266.724)	(3.442.984)	(6.236.806)	(2.317.224)
Retirement pay liability and unused vacation provisions	(12.526.060)	(3.651.674)	(16.562.571)	(4.170.336)
Other operating income	360.363.347	201.040.698	47.280.893	(13.019.799)
Other operating expenses (-)	(340.212.955)	(194.607.280)	(63.969.444)	(37.348.014)
EBITDA effect of investments accounted by using equity method	(10.348.387)	(3.916.228)	(37.134.598)	(13.488.429)
Operating profit	142.024.020	122.774.425	244.428.549	111.237.665
Income from investment activities	3.191.086	189.210	2.846.497	629.681
Expenses from investment activities (-)	(1.399.125)	(64.476)	(263)	-
Financial income	107.615.146	59.758.346	36.760.108	20.767.534
Financial expenses (-)	(432.109.134)	(222.248.346)	(110.514.164)	26.785.806
Income from investments accounted by equity method	(4.226.941)	(235.386)	16.446.463	9.285.796
Income before tax	(184.904.948)	(39.826.227)	189.967.190	168.706.482

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

NOTE 4 – CASH AND CASH EQUIVALENTS

	30 September 2020	31 December 2019
Cash	930.705	823.603
Banks	583.022.173	208.307.272
- time deposit	366.371.239	140.368.872
- demand deposit	216.650.934	67.938.400
	583.952.878	209.130.875

Effective interest rates on TL, EUR, USD and INR denominated time deposits at 30 September 2020 are 11,50%, 0,25%, 1,99%, 3,00-5,00% (31 December 2019: 11,22%, EUR 0,14%, USD 1,83%, INR 6%). The maturity days on TL, EUR, USD and INR denominated time deposits as of 30 September 2020 are 1 day for TL, 10-90 days for Indian Rupee, 1 day for EUR, and 5 days for USD (31 December 2019: 1 days for TL, USD and EUR and 10-90 days for INR).

The analysis of cash and cash equivalents in terms of consolidated statements of cash flows at 30 September 2020 and 30 September 2019 are as follows:

	30 September 2020	30 September 2019
Cash on hand and cash at banks	583.952.878	226.283.905
Less: Interest accruals	(789.162)	(253.423)
	583.163.716	226.030.482

NOTE 5 – FINANCIAL INVESTMENTS

Restricted Bank Balances:

	30 September 2020	31 December 2019
Restricted bank balances (*)	21.303.604	57.747.115
	21.303.604	57.747.115

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

Financial investments at fair value through other comprehensive income:

	Percentage of shares %	30 September 2020 TL	Percentage of shares %	31 December 2019 TL
Celebi Spain (*)	100,00	166.650	100,00	166.650
Celebi Tanzania (*)	100,00	167.640	100,00	167.640
		334.290		334.290

(*) As of 30 September 2020, since Celebi Spain and Celebi GH India Limited are not material in terms of the Group's condensed consolidated financial statements and as the related subsidiaries have not started their operations yet, they have not been recognized in the condensed consolidated financial statements, but have been recognized as financial investments at fair value through other comprehensive income after deducting impairment losses, if any, from cost and presented in the condensed consolidated financial statements.

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020**

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

NOTE 6 – INVESTMENTS ACCOUNTED BY USING THE EQUITY METHOD

	Percentage of shares%	30 September 2020	Percentage of shares%	31 December 2019
Çelebi Nas	57,00	147.724.546	57,00	121.198.646
DASPL	24,99	11.851.256	24,99	8.755.472
		159.575.802		129.954.118

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

	30 September 2020	30 September 2019
As of 1 January	129.954.118	95.725.908
Shares of profit/loss	(4.226.941)	16.446.463
Foreign currency translation differences	34.039.461	5.590.033
Losses on remeasurement of defined benefit plans	(190.836)	244.481
As of 30 September	159.575.802	118.006.885

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

	1 January- 30 September 2020	1 January- 30 September 2019
Çelebi Nas	(4.746.916)	15.934.411
DASPL	519.975	512.052
	(4.226.941)	16.446.463

Summary of financial statements of the investment accounted by using the equity method:

Summary of financial statements of Çelebi Nas is as follows:

	30 September 2020	31 December 2019
Total Assets	480.567.012	397.992.569
Total Liabilities	226.147.431	190.109.655
	1 January- 30 September 2020	1 January - 30 September 2019
Revenue	114.784.739	147.381.663
Profit / (Loss) for the Period	(8.327.922)	27.907.295

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

NOTE 6 – INVESTMENTS ACCOUNTED BY USING THE EQUITY METHOD (Continued)

Summary of financial statements of the investment accounted by using the equity method (Continued)

Summary of financial statements of DASPL is as follows:

	30 September 2020	31 December 2019
Total Assets	55.836.795	41.245.139
Total Liabilities	6.890.364	4.690.905
	1 January- 30 September 2019	1 January- 30 September 2019
Revenue	24.380.662	32.068.961
Profit for the Period	2.080.732	2.049.026

NOTE 7 – SHORT-TERM AND LONG-TERM FINANCIAL LIABILITIES

Short-term borrowings:

			30 September 2020
	Effective interest rate (%)	Original balance	TL
<i>Short-term borrowings</i>			
EUR borrowings	11,20	13.250.000	120.947.325
TL borrowings	7,00-15,00	139.724.998	139.724.998
Total short-term borrowings			260.672.323

Short-term finance lease obligations:

EUR finance lease obligation		11.329.407	103.415.958
TL finance lease obligation		9.985.428	9.985.428
INR finance lease obligation		98.636.501	10.452.510
HUF finance lease obligation		946.547.002	23.682.606
Total short-term finance lease obligations (*)			147.536.502

			30 September 2020
	Effective interest rate (%)	Original balance	TL
<i>Short-term portion of long-term borrowings:</i>			
Interest expense accrual – EUR		615.030	5.614.051
Interest expense accrual –INR		39.106.606	4.144.127
Interest expense accrual –TL		1.961.736	1.961.736
EUR borrowings	1,50-5,75	30.251.395	276.137.759
TL borrowings	17,50	79.500.000	79.500.000
INR borrowings	8,10 – 9,75	372.723.752	39.497.536
Total short-term portion of long-term borrowings			406.855.209
Total short-term liabilities:			815.064.034

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

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

Long-term financial liabilities:

			30 September 2020
	Effective interest rate (%)	Original balance	TL
Loans in Indian Rupee	8,10 – 9,75	1.095.072.549	116.044.838
Loans in Euro	1,50-5,75	39.474.355	360.325.864
Loans in Turkish Lira	9,95-16,00	30.000.000	30.000.000
			506.370.702

Long-term finance lease obligations:

Long-term finance lease obligations – EUR	45.080.853	411.502.530
Long-term finance lease obligations – TL	9.331.041	9.331.041
Long-term finance lease obligations – INR	235.988.619	25.007.714
Long-term finance lease obligations – FT	5.389.920.544	134.855.812

Total long-term finance lease obligations (*) **580.697.097**

(*) Long-term lease payables consist of the discounted lease amounts in accordance with TFRS 16 effective as of 1 January 2019.

Total long-term financial liabilities **1.087.067.799**

Total financial liabilities **1.902.131.833**

Short-term financial liabilities:

			31 December 2019
	Effective interest rate (%)	Original balance	TL
<i>Short-term borrowings:</i>			
INR Borrowings	8,80-9,75	227.352.736	18.943.030
TL Borrowings	-	2.478.408	2.478.408
			21.421.438

Short-term finance lease obligations:

USD finance lease obligations	10.822	64.283
INR finance lease obligations	89.336.618	7.443.527
EUR finance lease obligations	11.107.981	73.874.736
TL finance lease obligations	8.503.315	8.503.315
HUF finance lease obligations	202.456.213	4.073.419

Total short-term financial liabilities(*) **93.959.280**

(*) TL 93.894.997 of short-term lease payables consists of the discounted lease amounts in accordance with TFRS 16 effective as of 1 January 2019.

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

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

Short-term portion of long-term financial liabilities:

		31 December 2019	
	Effective interest rate (%)	Original balance	TL
<i>Short-term portion of long-term borrowings</i>			
Interest expense accrual – EUR	-	604.175	4.018.126
Interest expense accrual –INR	-	5.456.673	454.650
INR borrowings	8,80-9,75	339.723.728	28.305.781
EUR borrowings	2,20-5,25	61.385.730	408.251.933
Total short-term portion of long-term financial liabilities:			441.030.490
Total short-term liabilities:			556.411.208

Long-term financial liabilities:

		31 December 2019	
	Effective interest rate (%)	Original balance	TL
<i>Long term borrowings:</i>			
INR Borrowings	8,80-9,75	1.130.285.862	94.175.418
EUR Borrowings	2,20-5,25	36.927.091	245.587.309
			339.762.727
<i>Long-term finance lease obligations:</i>			
INR finance lease obligations		271.545.091	22.625.137
EUR finance lease obligations		49.205.234	327.244.330
TL finance lease obligations		11.488.327	11.488.327
HUF finance lease obligations		170.465.457	3.429.765
Total payables from long-term leases			364.787.559
Total long-term borrowings			704.550.286
Total borrowings			1.260.961.494

The redemption schedules of financial liabilities of the Group as at 30 September 2020 and 31 December 2019 are as follows:

	30 September 2020	31 December 2019
Less than 3 months	152.729.888	98.210.046
Between 3-12 months	666.793.406	458.201.162
Between 1-5 years	764.941.859	455.983.261
More than 5 years	317.666.680	248.567.025
	1.902.131.833	1.260.961.494

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

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

The redemption schedules of long-term bank borrowings as of 30 September 2020 and 31 December 2019 are as follows:

	30 September 2020	31 December 2019
Between 1-2 years	277.096.749	162.905.267
Between 2-3 years	177.996.800	90.106.238
Between 3-4 years	21.730.090	61.726.140
4 years and more	29.547.063	25.025.082
	506.370.702	339.762.727

As of 30 September 2020 and 31 December 2019, the maturity dates for lease payables are as follows:

	30 September 2020	31 December 2019
Less than 1 year	147.536.502	93.959.280
1 to 5 years	263.030.421	116.220.534
More than 5 years	317.666.676	248.567.025
	728.233.599	458.746.839

NOTE 8 – TRADE RECEIVABLES AND PAYABLES

	30 September 2020	31 December 2019
Due from third parties	265.979.018	249.583.427
Less: Provision for doubtful receivables	(47.655.718)	(36.457.770)
Trade receivables from third parties (net)	218.323.300	213.125.657
Due from related parties (Note 25)	4.883.112	3.873.386
Total short-term trade receivables	223.206.412	216.999.043

Movements of provision for doubtful receivables is as follows:

	30 September 2020	31 December 2019
Opening balance	36.457.770	12.329.145
Additional provisions in current period	11.973.217	20.798.318
Foreign currency translation differences	1.444.025	62.799
Collections and cancelled provisions	(2.219.294)	(913.254)
Closing balance	47.655.718	32.277.008

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

NOTE 8 – TRADE RECEIVABLES AND PAYABLES (Continued)

Short-term trade payables

	30 September 2020	31 December 2019
Trade payables to third parties	122.808.416	98.608.967
Accrued liabilities	26.139.579	14.142.646
Total trade payables to third parties	148.947.995	112.751.613
Due to related parties (Note 25)	7.036.252	21.948.013
Total short-term trade payables	155.984.247	134.699.626

NOTE 9 – OTHER RECEIVABLES AND PAYABLES

Other short-term receivables

	30 September 2020	31 December 2019
Receivables from tax office	16.638.617	7.306.028
Deposits and guarantees given	4.170.759	36.150.657
Other miscellaneous receivables (*)	62.522.300	33.328.000
Other short-term receivables from third parties	83.331.676	76.784.685
Other receivables from related parties (Note 25)	37.881.438	26.647.884
Total short-term other receivables	121.213.114	103.432.569

Other long-term receivables

	30 September 2020	31 December 2019
Deposits and guarantees given (**)	58.845.307	36.475.166
Other long-term receivables from third parties	58.845.307	36.475.166
Due from related parties (Note 25)	93.600.298	81.497.007
Total long-term other receivables	152.445.605	117.972.173

(*) Other receivables consist of short-term loan amounting to INR 590.000.000 given by Delhi Cargo to GMR Infrastructure Limited.

(**) As of 30 September 2020, deposits and guarantees given predominantly consist of the deposits given by the subsidiaries of the Group, CASI and Celebi Delhi Cargo, to the local authorities and companies amounting to TL 20.539.241 (31 December 2019: TL 27.144.908) and TL 37.743.326 (31 December 2019: TL 41.951.946), and restricted amounts at banks.

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

NOTE 9 – OTHER RECEIVABLES AND PAYABLES (Continued)

Other short-term payables

	30 September 2020	31 December 2019
Other short-term payables (*)	22.300.208	15.532.722
Deposits and guarantees received	6.912.277	2.868.989
	29.212.485	18.401.711
Other payables to related parties (Note 25)	57.712.500	-
Total short-term other payables	86.924.985	18.401.711

(*) As of 30 September 2020, TL 20.403.425 of other short-term payables (31 December 2019: TL 13.489.143) are the payables of Çelebi Delhi Cargo, a subsidiary of the Group, to its shareholder of Delhi International Airport Private Limited (DIAL) due to the concession contract signed between the parties.

Other long-term payables

	30 September 2020	31 December 2019
Deposits and guarantees received	21.202.027	16.806.306
	21.202.027	16.806.306

NOTE 10 – INVENTORIES

	30 September 2020	31 December 2019
Trade goods	2.835.273	3.200.070
Other inventories (*)	16.770.020	13.324.664
	19.605.293	16.524.734

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

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020**

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

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment for the period ended 30 September 2020 are as follows:

	Opening 1 January 2020	Additions	Disposals	Transfers	Foreign currency translation differences	Closing 30 September 2020
Cost						
Plant, machinery and equipment	421.874.528	31.474.534	(1.959.681)	5.147.269	52.930.033	509.466.683
Motor vehicles	109.354.697	1.895.360	(3.737.363)	498.395	25.297.672	133.308.761
Furniture and fixtures	55.331.330	3.591.553	(16.354)	399.817	2.924.439	62.230.785
Leasehold improvements	204.766.495	3.485.972	-	(99.787)	3.750.857	211.903.537
Construction in progress	6.941.410	729.556	-	(5.945.694)	1.114.275	2.839.547
	798.268.460	41.176.975	(5.713.398)	-	86.017.276	919.749.313
Accumulated depreciation						
Plant, machinery and equipment	(222.190.447)	(21.745.939)	1.865.623	-	(23.897.077)	(265.967.840)
Motor vehicles	(65.138.374)	(4.706.952)	2.500.426	-	(15.724.842)	(83.069.742)
Furniture and fixtures	(21.577.390)	(5.059.965)	7.708	-	(1.551.896)	(28.181.543)
Leasehold improvements	(32.203.167)	(8.361.819)	-	-	(2.206.399)	(42.771.385)
	(341.109.378)	(39.874.675)	4.373.757	-	(43.380.214)	(419.990.510)
Net book value	457.159.082					499.758.803

Depreciation expense for the period ended 30 September 2020 in the amount of TL 38.126.211 and TL 1.748.464 are respectively included in cost of sales and operating expenses.

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020**

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

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in property, plant and equipment for the interim period ended 30 September 2019 are as follows:

	Opening 1 January 2019	Additions	Disposals	Transfers	Foreign currency translation differences	Closing 30 September 2019
Cost						
Plant, machinery and equipment	313.225.567	48.988.780	(5.987.414)	46.757.247	5.492.854	408.477.034
Motor vehicles	92.226.743	7.936.474	(94.307)	576.659	(207.655)	100.437.914
Furniture and fixtures	29.989.578	2.297.174	(1.089.046)	26.333.267	(58.221)	57.472.752
Leasehold improvements	124.977.420	2.655.291	(4.184.217)	152.775.422	174.728	276.398.644
Construction in progress	156.979.027	75.580.425	-	(227.475.268)	689.286	5.773.470
	717.398.335	137.458.144	(11.354.984)	(1.032.673)	6.090.992	848.559.814
Accumulated depreciation						
Machinery, plant and equipment	(209.073.132)	(15.861.502)	2.955.431	(1.661)	(2.873.533)	(224.854.397)
Motor vehicles	(59.784.991)	(3.408.391)	87.489	76.642	55.771	(62.973.480)
Furniture and fixture	(24.497.064)	(2.876.356)	1.057.538	(112)	76.889	(26.239.105)
Leasehold improvements	(102.237.970)	(9.691.815)	4.148.188	-	(80.352)	(107.861.949)
	(395.593.157)	(31.838.064)	8.248.646	74.869	(2.821.225)	(421.928.931)
Net book value	321.805.178					426.630.883

Depreciation expense for the period ended 30 September 2019 in the amount of TL 30.289.359 and TL 1.548.705 are respectively included in cost of sales and operating expenses.

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

NOTE 12 – RIGHT-OF-USE ASSETS

Movements in right-of-use assets for the period ended 30 September 2020 are as follows:

	Opening adjustments 1 January 2020	Additions	Foreign currency translation differences	Closing 30 September 2020
Cost				
Buildings and land	435.309.266	129.404.666	45.436.020	610.149.952
Machinery, plant and equipment	45.760.572	-	1.206.440	46.967.012
Motor vehicles	7.905.523	-	637.716	8.543.239
	488.975.361	129.404.666	47.280.176	665.660.203
Accumulated depreciation				
Buildings and land	(35.982.511)	(37.916.493)	(11.557.803)	(85.456.807)
Machinery, plant and equipment	(21.490.992)	(16.228.730)	(593.863)	(38.313.585)
Motor vehicles	(3.445.845)	(2.653.312)	(290.012)	(6.389.169)
	(60.919.348)	(56.798.535)	(12.441.678)	(130.159.561)
Net book value	428.056.013			535.500.642

Depreciation expense for the period ended 30 September 2020 in the amount of TL 57.798.535 is included in cost of sales.

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

NOTE 12 – RIGHT-OF-USE ASSETS (Continued)

Movements in right-of-use assets for the period ended 30 September 2019 are as follows:

	Opening adjustment 1 January 2019	Additions	Transfers	Foreign currency translation differences	Closing 30 September 2019
Cost					
Building and land	466.900.211	-	13.860.864	1.935.838	482.696.913
Plant, machinery and equipment	46.856.511	-	-	109.005	46.965.516
Vehicles	7.696.591	-	-	(23.186)	7.673.405
	521.453.313	-	13.860.864	2.021.657	537.335.834
Accumulated depreciation					
Building and land	-	(24.640.169)	-	211.633	(24.428.536)
Plant, machinery and equipment	-	(15.932.524)	-	17.127	(15.915.397)
Vehicles	-	(2.513.619)	-	19.982	(2.493.637)
	-	(43.086.312)	-	-	248.742
Net book value	521.453.313				521.453.313

Depreciation expense for the period ended 31 December 2019 in the amount of TL 42.790.363 and TL 295.949 are respectively included in cost of sales and operating expenses.

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

NOTE 13 – INTANGIBLE ASSETS

Other Intangible Assets

Movements in intangible assets for the period ended 30 September 2020 are as follows:

	Opening 1 January 2020	Additions	Disposals	Transfers	Foreign currency translation differences	Closing 30 September 2020
Cost						
Rights	10.445.953	1.200	(56.920)	-	-	10.390.233
Software	31.148.869	1.220.930	-	-	2.943.444	35.313.243
Concession rights	191.789.236	3.084.693	-	-	52.663.947	247.537.876
Build-operate-transfer investments (*)	160.438.380	-	(131.378)	(23.876.456)	-	188.838.131
	393.822.438	4.306.823	(188.298)	(23.876.456)	55.607.391	482.079.483
Accumulated depreciation						
Rights	(4.883.496)	(445.178)	56.920	-	-	(5.271.754)
Concession rights	(76.938.820)	(8.927.227)	-	-	(22.440.975)	(108.307.022)
Software	(19.200.403)	(2.000.923)	-	-	(2.191.780)	(23.393.106)
Build-operate-transfer investments (*)	(68.300.220)	(6.518.971)	72.656	23.876.456	(15.558.953)	(66.429.032)
	(169.322.939)	(17.892.299)	129.576	23.876.456	(40.191.708)	(203.400.914)
Net book value	224.499.499					278.678.569

(*) TL 107.926.636 which is difference between discounted present value of deposits paid with interest rate, 11,46%, and the deposit amounting to INR 1.762.120.403, paid in accordance with the concession agreement on the development, modernization, finance and 25-year operation of the cargo terminal in the airport in New Delhi, India has been capitalized as a Build-Operate-Transfer investment and it will be amortized in 25 years until operations end in Delhi International Airport. In addition, TL 14.482.463 which is difference between discounted present value of deposit paid with interest rate, 10,82%, and the deposit amounting to INR 252.500.000 paid in accordance with the concession agreement on the development, modernization, finance and 10-year operation of the cargo terminal in the airport in New Delhi, India, has been capitalized as a Build-Operate-Transfer investment and it will be amortized in 10 years until operations end in Delhi International Airport

Amortization expense for the period ended 30 September 2020 in the amount of TL 1.832.907 and TL 16.059.392 are included in operating expenses and cost of sales respectively.

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

NOTE 13 – INTANGIBLE ASSETS (Continued)

Other Intangible Assets (Continued)

Movement of intangible assets for the interim accounting period ended 30 September 2019 is as follows:

	Opening 1 January 2019	Additions	Disposals	Transfers	Foreign currency translation differences	Closing 30 September 2019
Cost						
Rights	10.150.600	2.166	-	121.909	-	10.274.675
Computer software	22.471.782	5.155.620	(36.370)	910.764	(51.097)	28.450.699
Concession rights (**)	181.239.638	2.356.114	(11.368.560)	-	12.045.712	184.272.904
Build-operate-transfer (*)	140.626.194	4.675.795	-	-	9.324.966	154.626.955
	354.488.214	12.189.695	(11.404.930)	1.032.673	21.319.581	377.625.233
Accumulated depreciation						
Rights	(4.273.249)	(447.622)	-	(74.869)	-	(4.795.740)
Computer software	(16.653.564)	(1.994.910)	7.880	-	35.915	(18.604.679)
Concession rights (**)	(60.736.114)	(7.962.737)	1.224.110	-	(4.024.474)	(71.499.215)
Build-operate-transfer (*)	(53.716.625)	(6.366.613)	-	-	(3.551.953)	(63.635.191)
	(135.379.552)	(16.771.882)	1.231.990	(74.869)	(7.540.512)	(158.534.825)
Net carrying value	219.108.662					219.090.408

(*) TL 87.854.967 which is difference between discounted present value of deposits paid with interest rate, 11,46%, and the deposit amounting to INR 1.762.120.403, paid in accordance with the concession agreement on the development, modernization, finance and 25-year operation of the cargo terminal in the airport in New Delhi, India has been capitalized as a Build-Operate-Transfer investment and it will be amortized in 25 years until operations end in Delhi International Airport. In addition, TL 3.137.113 which is difference between discounted present value of deposit paid with interest rate, 10,82%, and the deposit amounting to INR 452.500.000 paid in accordance with the concession agreement on the development, modernization, finance and 10-year operation of the cargo terminal in the airport in New Delhi, India, has been capitalized as a Build-Operate-Transfer investment and it will be amortized in 10 years until operations end in Delhi International Airport

(**) Refers to fixed asset expenditures made within within the scope of the concession agreement signed between DIAL Celebi Delhi Cargo and are recognized in accordance with TFRIC 12.

Amortization expense for the period ended 30 September 2020 in the amount of TL 1.516.349 and TL 15.255.533 are included in operating expenses and cost of sales respectively.

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

NOTE 13 – INTANGIBLE ASSETS (Continued)

Goodwill

Goodwill at 30 September 2020 and 31 December 2019 is as follows:

	30 September 2020	31 December 2019
Goodwill due to acquisition of CGHH	58.457.844	47.009.266
Goodwill due to acquisition of KSU	13.923.000	13.923.000
	72.380.844	60.932.266

As of 30 September 2020, movement of goodwill is as follows:

	30 September 2020	30 September 2019
As of January 1	60.932.159	43.925.159
Goodwill due to acquisition of KSU	-	13.923.000
Foreign currency translation differences	11.448.685	(794.391)
Goodwill	72.380.844	57.053.768

NOTE 14 – PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

a) Short-term Provisions

Other short-term provisions

	30 September 2020	31 December 2019
Provision for litigation and obligation	6.966.978	6.782.526
	6.966.978	6.782.526

Movements of other short-term provisions for the period 1 January - 30 September 2020 are as follows:

	30 September 2020	30 September 2019
As of 1 January	6.782.526	5.942.066
Addition during the year	1.027.003	319.152
Payments during the year	(1.047.363)	(444.978)
Reversal of provision	204.812	(1.388.134)
Currency translation differences	-	68.541
As of the end of the period	6.966.978	4.496.647

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

NOTE 14 – PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

a) Short-term Provisions (continued)

Short-term provision for employee benefits

	30 September 2020	31 December 2019
Provision for employment termination benefits (*)	13.439.674	9.056.853
Provision for unused vacation	10.192.339	7.939.669
	23.632.013	16.996.522

(*) 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:

	30 September 2020	31 December 2019
Provision for employment termination benefits	32.396.871	28.354.292
	32.396.871	28.354.292

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

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

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

Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement. The amount payable at 30 September 2020 consists of one month's salary limited to a maximum of TL 7.117,17 (31 December 2019: TL 6.379,86) 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.

Turkish Financial Reporting Standards 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.

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

NOTE 14 – PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Since the Group calculates the reserve for employment termination benefits every six months the maximum amount of TL 7.117,17 which is effective from 1 July 2019 (1 January 2020: TL 6.730,15) has been taken into consideration in the calculations. Movements in the provision for employment termination benefits are as follows:

The provisions for employee benefits for the period between 1 January 2020 and 30 September 2020 are as follows :

	30 September 2020	30 September 2019
As of 1 January	37.411.145	33.429.403
Payments of provisions during the period	(7.029.485)	(10.444.281)
Actuarial gain/loss	394.161	62.206
Service cost of employee termination benefits	8.190.413	11.916.201
Interest cost of employee termination benefits	2.094.125	2.215.708
Currency translation differences	4.776.186	451.864
Balance at the end of the period	45.836.545	37.631.101

The provisions for unused vacation rights for the period between 1 January 2020 and 30 September 2020 are as follows:

	30 September 2020	30 September 2019
As of 1 January	7.939.669	6.512.563
Payments of provisions during the period	(316.602)	(652.140)
Increase in unused vacation rights during the period	6.574.480	6.198.850
Usage of vacation rights during the year	(4.921.807)	(4.463.733)
Currency translation differences	916.599	(10.660)
Balance at the end of the period	10.192.339	7.584.880

a) Contingent assets and liabilities of the Group

Guarantees received:	30 September 2020	31 December 2019
Guarantee letters	29.120.601	20.894.918
Guarantee cheques	2.144.297	1.554.302
Guarantee notes	5.180.362	1.660.231
	36.445.260	24.109.451
Guarantees given:	30 September 2020	31 December 2019
Guarantee letters	197.491.417	228.155.587
Collaterals (*)	247.398.296	194.493.126
Pledged shares (*)	45.608.640	35.860.261
	490.498.353	458.508.974

(*) Collaterals and pledged shares amounting to TL 293.006.936 consist of collaterals given to the Group's subsidiaries and joint venture partners (31 December 2019: TL 230.353.387) (Note 25).

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

NOTE 14 – PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

The litigations and claims those generate contingent assets and liabilities to the Group as of 30 September 2020 are as follows:

As of 30 September 2020, the Group has contingent liabilities amounting to TL 32.728.467 (31 December 2019: TL 25.733.093) due to the legal cases and enforcement proceedings in progress against the Group.

The details of collaterals, pledges and mortgages of the Group at 30 September 2020 and 31 December 2019 are as follows:

	30 September 2020		31 December 2019	
	Amount	TL Equivalent	Amount	TL Equivalent
CPGM given by the Group				
A. CPGM given on behalf of the Group's legal personality		193.809.914		221.667.725
TL	16.524.980	16.524.980	20.764.450	20.764.450
EUR	7.991.786	72.949.822	8.196.902	54.514.316
USD	2.210.500	17.259.584	2.210.500	13.130.812
INR	703.482.252	74.548.014	1.478.482.252	123.187.141
HUF	500.700.000	12.527.514	500.547.000	10.071.006
B. CPGM given on behalf of fully consolidated subsidiaries		296.688.439		236.841.250
EUR	50.000	456.405	50.000	332.530
USD	471.504	3.681.503	1.092.196	6.487.863
INR	2.760.692.000	292.550.531	2.760.692.000	230.020.857
		490.498.353		458.508.975

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

NOTE 15 – OTHER ASSETS AND LIABILITIES

Other Current Assets

	30 September 2020	31 December 2019
Advances given to personnel	359.205	393.864
Deferred VAT	13.049.095	15.995.317
	13.408.300	16.389.181

Other Non-current Assets

	30 September 2020	31 December 2019
Prepaid taxes and funds (*)	25.004.836	21.869.317
Other	3.242	4.995
	25.008.078	21.874.312

(*) The amount consist of prepaid taxes and funds, which can be offset in more than 1 year period, of Celebi GH Delhi and Celebi Delhi Cargo amounting to TL 7.382.192 (31 December 2019: TL 12.913.213) and TL 17.602.498 (31 December 2019: TL 8.956.104).

Other Current Liabilities

	30 September 2020	31 December 2019
Taxes and funds payable	21.658.547	7.500.525
Maintenance obligation liability	1.069.392	840.821
Other	19.341	519.234
	-	
	22.747.280	8.860.670

Other Non-current Liabilities

	30 September 2020	31 December 2019
Deferred income from insurance compensation	19.452	-
Maintenance obligation liability	78.557.300	55.204.459
	78.576.752	55.204.459

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

NOTE 16 – PREPAID EXPENSES

Short-term prepaid expenses

	30 September 2020	31 December 2019
Prepaid expenses	34.290.914	15.603.148
Advances given	20.224.301	13.899.063
	54.515.215	29.502.211

Long-term prepaid expenses

	30 September 2020	31 December 2019
Prepaid expenses	4.280.936	7.485.435
Advances given for fixed assets	3.738.004	12.552.800
	8.018.940	20.038.235

NOTE 17 – DEFERRED INCOME

Short-term deferred income

	30 September 2020	31 December 2019
Advances received	22.869.381	15.995.712
Deferred income	142.372	1.036.334
	23.011.753	17.032.046

NOTE 18 – LIABILITIES FOR EMPLOYEE BENEFITS

	30 September 2020	31 December 2019
Wages and salaries payable	17.483.660	28.708.503
Bonus payable accruals	26.123.156	19.749.811
Social security withholdings payable	15.319.846	5.528.193
	58.926.662	53.986.507

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

NOTE 19 - EQUITY

Share Capital

As of 30 September 2020, the authorized share capital of the Group is TL 24.300.000 comprising of TL 2.430.000.000 registered shares with a face value each of 1 Kr (31 December 2019: 2.430.000.000 shares).

At 30 September 2020 and 31 December 2019, the shareholding structure of the Group is stated in historical amounts below:

Shareholders	30 September 2020		31 December 2019	
	Amount	Share %	Amount	Share%
Çelebi Havacılık Holding A.Ş. (ÇHH)	21.848.528	89,91	21.848.528	89,91
Other	2.451.472	10,09	2.451.472	10,09
	24.300.000	100,00	24.300.000	100,00

Restricted Reserves

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

In accordance with the communique numbered II-14,1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") published in Official Gazette dated 13 June 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) must be associated:

- 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 30 September 2020, the amount of restricted reserves is TL 74.387.906 (31 December 2019: TL 63.387.956).

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from 1 February 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.

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.

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020**

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

NOTE 20 – REVENUE AND COST OF SALES

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Ground handling services	467.843.426	190.567.296	925.198.901	405.197.601
Revenue from cargo and warehouse services	618.086.484	252.733.501	487.363.249	176.971.610
Rental revenue not related to aviation	66.472.385	31.604.402	43.577.985	14.100.478
Revenue in the context of TFRIC 12	3.084.693	1.095.562	2.356.114	486.833
Less: Returns and discounts	(48.589.734)	(22.154.787)	(37.148.147)	(15.044.487)
Revenue	1.106.897.254	453.845.974	1.421.348.102	581.712.034
Cost of sales	(835.743.959)	(288.281.690)	(989.583.237)	(355.054.574)
Gross profit	271.153.295	165.564.284	431.764.865	226.657.460

NOTE 21 - FINANCIAL INCOME

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Foreign exchange gains	81.441.268	45.975.063	16.175.226	13.240.316
Interest income	20.807.669	11.265.818	11.760.240	5.393.783
Other financial income	5.366.209	2.517.465	8.824.642	2.133.435
	107.615.146	59.758.346	36.760.108	20.767.534

NOTE 22 - FINANCIAL EXPENSES

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Foreign exchange losses	(221.383.966)	(115.650.394)	(22.763.807)	43.709.738
Interest expenses	(42.606.669)	(20.460.297)	(27.029.683)	(9.238.942)
Financial expenses incurred within the scope of TFRS 16 (*)	(161.101.971)	(83.639.987)	(51.362.729)	(5.559.274)
Other financial expenses	(7.016.528)	(2.497.668)	(9.357.945)	(2.125.716)
	(432.109.134)	(222.248.346)	(110.514.164)	26.785.806

(*) Consists of expenses that are not realized and that do not cause cash outflow under TFRS 16.

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

NOTE 23 - TAX ASSETS AND LIABILITIES

	30 September 2020	31 December 2019
Current period corporate tax provision	36.900.244	39.814.770
Less: prepaid corporate tax expense	(7.446.500)	(38.701.780)
Current tax liability, net (*)	29.453.744	1.112.990
Deferred tax assets	154.651.460	102.587.821
Deferred tax liabilities	(27.071.954)	(21.497.424)
Deferred tax assets, net	127.579.506	81.090.397

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

Income Tax

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

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

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

The corporate tax in India has been reduced from 34,6% to 25,17% as of 1 April 2019, and companies may choose to apply either rate (2019: 29,12% - 34,94%).

In Germany, the corporate tax rate is 31,925% for fiscal year 2020 (2019: 31,925%). The corporate tax rate is applicable on the total income of companies after adjusting for certain disallowable expenses, income tax exemptions (affiliation privilege, investment allowance exemption, etc.) and income tax deductions (like research and development expenses).

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

NOTE 23 - TAX ASSETS AND LIABILITIES (Continued)

Income Tax (continued)

For the periods ended on 30 September 2020 and 2019, tax expenses of the Group are as follows:

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
- Current period corporate tax	(38.318.871)	(19.010.330)	(48.848.360)	(36.745.669)
- Deferred tax income	32.273.891	18.591.128	24.894.663	2.493.378
Current tax income (expense) - net	(6.044.980)	(419.202)	(23.953.697)	(34.252.291)

Deferred Taxes

The Group considers the differences arising from different valuation of the financial statements prepared in accordance with CMB regulations in the calculation of deferred tax assets and liabilities. The differences mainly arise due to the different accounting of income and expenses in line with Tax Laws and CMB Accounting Standards in different periods. In accordance with the method of liabilities based on subsequent differences, the rates for deferred revenue asset and liabilities are 22%, 9% or 10%, 31,925% and 34,94% for Turkey, Hungary, Germany, India respectively.

The analysis of cumulative temporary differences and the related deferred tax assets and liabilities in respect of items for which deferred income tax has been provided as at 30 September 2020 and 31 December 2019 using the enacted tax rates are as follows:

	Total temporary differences		Deferred tax assets (liabilities)	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019
Deferred tax assets				
Personnel bonus accrual	(330.328)	(8.820.516)	72.672	2.139.716
Accrued sales commissions	(30.789.307)	(16.284.769)	6.773.648	3.582.649
Provision for employment termination benefits	(24.954.651)	(27.383.829)	5.006.034	5.837.091
Provision for operational leasing equalization	-	-	-	-
Provision for unused vacation rights	(5.794.879)	(5.488.641)	1.274.873	1.289.051
Provision for litigation and indemnity	(6.240.746)	(5.620.527)	1.372.964	1.236.516
Adjustments related to property plant and equipment and intangible assets	(148.187.338)	(90.167.381)	37.580.288	23.023.203
Investment incentives	(149.369.314)	(149.369.314)	32.861.248	32.861.249
Deferred tax income calculated over unused previous years' losses	(72.719.937)	(52.982.680)	23.143.120	16.861.738
TFRS 16 adjustments	(171.141.071)	(40.602.474)	34.228.214	8.120.495
Other	(55.645.919)	(36.158.100)	12.338.399	7.636.113
Deferred tax assets			154.651.460	102.587.821

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020**

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

NOTE 23 - TAX ASSETS AND LIABILITIES (Continued)

Deferred Taxes (continued)

	Total temporary differences		Deferred tax assets / (liabilities)	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019
Deferred tax liabilities				
Adjustments related to property plant and equipment and intangible assets	147.608.538	110.734.573	(26.364.528)	(20.779.724)
Income accrual	1.613.611	1.514.675	(354.994)	(333.230)
Other	1.762.158	1.922.354	(352.432)	(384.471)
Deferred tax liabilities			(27.071.954)	(21.497.425)
Deferred tax assets, net			127.579.507	81.090.396

Deferred tax movement table is as follows:

	30 September 2020	30 September 2019
As of 1 January	81.090.397	92.662.869
Foreign currency translation differences	14.190.691	4.795.544
Deferred tax income / (expenses) for the current period	32.273.891	24.894.663
Losses / gains on remeasurement of defined benefit plans	24.528	-
Reversal of provision for operational leasing equalization	-	(53.838.645)
As of 30 September	127.579.507	68.514.431

NOTE 24 - EARNINGS PER SHARE

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

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

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

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Net profit attributable to the parent company	(204.173.528)	(46.315.701)	162.511.370	131.735.616
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)	(0,084)	(0,019)	0,067	0,054

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

NOTE 25 - RELATED PARTY DISCLOSURES

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

i) Balances with related parties

Short-term receivables from related parties

	30 September 2020	31 December 2019
Çelebi Nas ⁽³⁾	2.012.563	1.419.418
Çelebi Havacılık Holding ⁽¹⁾	1.672.730	1.337.241
Celebi Ground Handling Services Austria ⁽²⁾	368.689	876.980
Other	829.130	239.747
	4.883.112	3.873.386

Other receivables from related parties

	30 September 2020	31 December 2019
Çelebi Havacılık Holding ^{(1) (*)}	131.481.736	108.144.891
	131.481.736	108.144.891

Payables to related parties

	30 September 2020	31 December 2019
Çelebi Havacılık Holding ^{(1) (**)}	2.719.636	3.678.836
Çe-Tur Çelebi Turizm Tic. A.Ş. ⁽⁵⁾	1.507.282	1.897.163
DASPL ⁽⁴⁾	2.803.402	1.582.792
Çelebi Nas ⁽³⁾	2.776	8.920.569
CGSA ⁽⁵⁾	-	5.865.231
Other	3.156	3.427
	7.036.252	21.948.018

Other payables to related parties

	30 September 2020	31 December 2019
Çelebi Havacılık Holding ^{(1) (***)}	51.890.232	-
Other shareholders ^{(5) (***)}	5.822.268	-
	57.712.500	-

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

(*) The related amount is comprised of the ÇHH's group loan receivable from CGHH amounting to EUR 20.000.000 with 30 June 2023 maturity and 3,95% interest rate. TL 37.881.438 of the total amount has a maturity of less than one year

(**) As of 30 September 2020, the related amount consists of legal, financial, human resources, management, corporate communication, procurement, business development services provided to the Group by ÇHH along with business development projects run by ÇHH on behalf and on account of the Group and expense projections.

(***) The related amount is comprised of the Company's payables to the shareholders pursuant to the decision of dividend distribution of 2019. It has been decided to pay the dividend in two instalments as TL 47.992.500 on 31 August 2020 and TL 57.712.500 on 1 October 2020.

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

NOTE 25 - RELATED PARTY DISCLOSURES (Continued)

ii) Significant Transactions with related parties

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Miscellaneous sales to related parties				
Çelebi Havacılık Holding ⁽¹⁾	3.979.847	1.360.522	297	-
Celebi Ground Handling Services Austria ⁽²⁾	-	-	1.200.400	-
Other	782.373	379.290	247.324	20.803
	4.762.220	1.739.812	1.448.021	20.803
Employee and customer transportation expenses paid to related parties				
Çe-Tur Çelebi Turizm Tic. A.Ş. ⁽⁴⁾	539.622	184.696	14.846.764	5.411.638
Kamil Koç ⁽⁴⁾	-	-	6.189.530	2.405.914
	539.622	184.696	21.036.294	7.817.552
Contribution to holding expenses (*)				
Çelebi Havacılık Holding ⁽¹⁾	58.178.103	19.239.481	62.622.933	19.525.530
Other purchases from related parties				
DASPL	7.957.585	2.866.784	4.710.972	46.988
Çelebi Havacılık Holding ⁽¹⁾	2.643.706	984.204	3.852.468	981.736
Other	1.909.450	42.292	4.366.054	422.247
	12.510.741	3.893.280	12.929.494	1.450.971

(1) Parent company

(2) Subsidiary of the Group

(3) Associate of the Group

(4) Other related party

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

NOTE 25 - RELATED PARTY DISCLOSURES (Continued)

As of 30 September 2020 and 31 December 2019, collaterals given in favour of the subsidiaries and joint venture of the Group for the loans borrowed by them are as follows:

	EUR	INR	Total TL
30 September 2020			
Celebi Nas ⁽¹⁾	-	94.392.000	10.002.720
Celebi Delhi Cargo ⁽²⁾	-	336.000.000	35.605.920
CASI ⁽³⁾	-	2.330.300.000	246.941.891
Celebi Cargo GmbH ⁽⁴⁾	50.000	-	456.405
	50.000	2.760.692.000	293.006.936
31 December 2019			
Celebi Nas ⁽¹⁾	-	94.392.000	7.864.741
Celebi Delhi Cargo ⁽²⁾	-	336.000.000	27.995.520
CASI ⁽³⁾	-	2.330.300.000	194.160.596
Celebi Cargo GmbH ⁽⁴⁾	50.000	-	332.530
	50.000	2.760.692.000	230.353.387

- (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 2.345.000.000 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 30 September 2020, the risk of the cash loan in the respective bank is amounting INR 1.208.283.898.
- (2) Guarantee at an equivalent amount to the loan amount is given to aforementioned banks for the financial liabilities sourcing from agreements concluded with related banks regarding long term cash project loan at an amount of cash INR 1.200.000.000 and non-cash INR 100.000.000 concluded between Celebi Delhi Cargo and an India resident bank and 30% portion of the owned by the Company are pledged on behalf of the bank. As of 30 September 2020, the risk of the cash loan in the respective bank is amounting INR 710.673.618.
- (3) Celebi Airport Services has a borrowing amounting to INR 1.619.300.000 cash and INR 711.000.000 non-cash within the scope of the long-term project finance and working capital loan agreement signed between The Company and a bank resident in India. As of 30 September 2020, the risk of the cash loan in the respective bank is amounting to INR 758.522.240.
- (4) In order to fulfill the financial obligations arising from the loan agreements signed between Celebi Cargo GmbH and banks resident in Germany, a guarantee of EUR 50.000 is given by the Company to the lender banks.

Key management compensation:

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

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Short-term employee benefits to key management	20.306.157	9.116.542	18.862.189	3.672.137

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

NOTE 26 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Currency risk

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

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

As of 30 September 2020, other things being constant, if the TL was to appreciate/depreciate by 10% against the USD, foreign exchange gains/losses resulting from trade receivables and payables, cash and cash equivalents and advances received and given would decrease/increase net income by TL 8.936.102 (2019: TL 7.576.176).

As of 30 September 2020, other things being constant, if the TL was to appreciate/depreciate by 10% against the Euro, foreign exchange gains/losses resulting from trade receivables and payables, cash and cash equivalents and advances received and given would increase/decrease net income by TL 85.485.139 (2019: TL 74.462.567).

As of 30 September 2020, other things being constant, if the TL was to appreciate/depreciate by 10% against the GBP, the net profit/loss arising from foreign exchange gains/losses resulting over net foreign currency position in this currency would increase/decrease by TL 20.869 (2019: TL 27.554).

Foreign currency denominated assets and liabilities of the Group as of 30 September 2020 and 31 December 2019 are as follows:

	30 September 2020	31 December 2019
Assets denominated in foreign currency	542.083.912	404.309.071
Liabilities denominated in foreign currency (-)	(1.307.365.584)	(1.072.897.411)
Net balance sheet position (*)	(765.281.672)	(668.588.370)

(*) TL 489.860.164 of the liabilities denominated in foreign currencies consist of the lease amounts discounted in accordance with TFRS 16 effective as of 1 January 2019.

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020**

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

**NOTE 26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS
(Continued)**

The table below summarizes TL equivalent of the Group’s foreign currency denominated assets and liabilities as of 30 September 2020 and 31 December 2019:

30 September 2020	TL Equivalent	USD	EUR	GBP
1. Trade Receivables	113.147.387	1.746.130	10.901.897	-
2. Monetary Financial Assets (Cash, Bank Accounts)	286.079.773	10.606.357	22.156.286	101.740
3. Other	49.256.457	392.027	5.060.143	600
4. Current Assets (1+2+3)	448.483.617	12.744.514	38.118.326	102.340
5. Other	93.600.295	-	10.254.083	-
6. Non-Current Assets (5)	93.600.295	-	10.254.083	-
7. Total Assets (4+6)	542.083.912	12.744.514	48.372.409	102.340
8. Trade Payables	28.275.021	1.061.436	2.188.989	600
9. Financial Liabilities	493.169.819	-	54.027.653	-
10. Other Monetary Liabilities	2.672.303	238.275	-	80.935
11. Current Liabilities (8+9+10)	524.117.143	1.299.711	56.216.642	81.535
12. Financial Liabilities	783.248.441	-	85.806.295	-
13. Other Monetary Liabilities	-	-	-	-
14. Non-Current Liabilities (12+13)	783.248.441	-	85.806.295	-
15. Total Liabilities (11+14)	1.307.365.584	1.299.711	142.022.937	81.535
16. Net Foreign Currency Asset/(Liability) Position (7-15)	(765.281.672)	11.444.803	(93.650.528)	20.805
17. Net Monetary Foreign Currency Asset/(Liability) Position (7-15)	(765.281.672)	11.444.803	(93.650.528)	20.805

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

NOTE 26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Cont'd)

31 December 2019	TL Equivalent	USD	EUR	GBP
1. Trade Receivables	119.430.203	4.277.207	14.137.482	-
2. Monetary Financial Assets	164.847.605	9.652.518	16.048.135	100.301
3. Other	38.534.259	115.584	5.690.865	-
4. Current Assets (1+2+3)	322.812.067	14.045.309	35.876.482	100.301
5. Other	81.497.004	-	12.254.083	-
6. Non-Current Assets (5)	81.497.004	-	12.254.083	-
7. Total Assets (4+6)	404.309.071	14.045.309	48.130.565	100.301
8. Trade Payables	36.244.739	1.045.158	4.516.328	-
9. Financial Liabilities	471.109.730	10.822	70.827.511	-
10. Other Monetary Liabilities	6.625.397	235.254	710.236	64.868
11. Short-Term Liabilities (8+9+10)	513.979.866	1.291.234	76.054.075	64.868
12. Financial Liabilities	558.917.575	-	84.040.173	-
13. Other Monetary Liabilities	-	-	-	-
14. Long-Term Liabilities (12+13)	558.917.575	-	84.040.173	-
15. Total Liabilities (11+14)	1.072.897.441	1.291.234	160.094.248	64.868
16. Net Foreign Currency Asset/(Liability) Position (7-15)	(668.588.370)	12.754.075	(111.963.683)	35.433
17. Net Monetary Foreign Currency Asset/(Liability) Position (7-15)	(668.588.370)	12.754.075	(111.963.683)	35.433

Capital risk management

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

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

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

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD OF 1 JANUARY - 30 SEPTEMBER 2020

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

NOTE 26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Cont'd)

Capital risk management (Cont'd)

The ratio of net debt / (equity+net debt) at 30 September 2020 and 31 December 2019 is as follows:

	30 September 2020	31 December 2019
Total financial liabilities (*)	1.902.131.833	1.260.961.494
Less: Cash and cash equivalents	(583.163.716)	(209.130.875)
Less: Restricted cash	(21.303.604)	(57.747.115)
Net debt (*)	1.297.664.513	994.083.504
Shareholder's equity	454.532.016	572.436.964
Capital invested	1.752.196.529	1.566.708.716
Net debt / capital invested	0,74	0,63

(*) As of 30 September 2020, TL 728.233.599 of the net debt consists of the lease amounts discounted in accordance with TFRS 16 effective as of 1 January 2019.

NOTE 27 - FINANCIAL INSTRUMENTS

Fair value estimation

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

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

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

Group's assets and liabilities measured fair value at 30 September 2020 and 31 December 2019 are as follows:

30 September 2020	Level 1	Level 2	Level 3	Total
Assets				
Financial investments at fair value through other comprehensive income (Note 5)	-	-	334.290	334.290
31 December 2019	Level 1	Level 2	Level 3	Total
Assets				
Financial investments at fair value through other comprehensive income (Note 5)	-	-	334.290	334.290

NOTE 28 - SUBSEQUENT EVENTS

None.