Çelebi Hava Servisi A.Ş.
Annual Report 2017

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MESSAGE FROM THE BOARD OF DIRECTORS

Esteemed customers, shareholders, business partners and employees,

Boasting a solid institutional experience, know-how and discipline, Çelebi Ground Handling successfully executed its strategies and sustained its consistent performance once again in 2017. The effective management, marketing and sales activities of the Company translated into highly satisfactory turnover and profit figures.

On the brink of celebrating its 60th anniversary, our Company captured leadership in the sector once again on the back of the importance attached to investing in new technology and human, combined with its flexibility and dynamism.

Our experience and know-how in the market make up our strongest foothold enabling us to sustain our growth. These qualities serve as our guiding light in correctly managing the risk and increasing our shareholders' equity in different countries and business lines we are engaged in, while the implementations we realize in our business processes ready us for today's economic environment and strengthen our competitive superiorities.

Despite the pressure exerted by global geopolitical tensions, an optimistic atmosphere dominated the markets in 2017.

Undeniably, the events that take place in our country and around the world have a substantial impact upon the performance of Çelebi Ground Handling, which is a global actor. Based on this fact, we would like to briefly touch upon the highlights of the developments in the Turkish and world economies during the reporting period.

Despite the pressure exerted by global geopolitical tensions, an optimistic atmosphere dominated the markets owing to the expansion in the worldwide trade volume and the revival in global economy.

Inflation rates around the world remained low albeit the solid global growth outlook and the upward move in commodity prices stemming particularly from energy prices. These conditions allowed a predictable pace in the normalization of the monetary policies of developed countries.

In the USA, who had her hands full with a busy political and economic agenda, the support lent by consumption outlays to growth was considered as a positive development although the fourth quarter growth figure at 2.6% remained well below the projections basically because of the negative performance of net exports. The US Federal Reserve (the Fed) was able to stick to its rate hike policy without leading to liquidity problems in global markets.

The euro area registered the fastest growth of the past decade with a rate of 2.5% in 2017. Having carried on with its asset buying program also in 2017, the European Central Bank (ECB) is anticipated to maintain its expansionary stance even if at a more limited level by keeping the interest rates low until end-September 2018.

China, which is an emerging country, has also been the scene to similar developments, and the Chinese economy gained momentum in the last quarter of 2017, capturing a year-end growth rate of 6.8%. The stronger performance displayed by the Chinese economy, which sped up for the first time in the past seven years with the contribution of exports, signaled that the country is gradually moving away from the crisis environment.

In 2017, the Turkish economy attained a growth that outdid the projections.

According to the chain volume index, the Turkish economy surpassed the projections with a growth rate of 11.1% year-on-year in the third quarter of 2017, and thus, displayed the strongest growth performance of the past six years. Gross Domestic Product (GDP) by Production went up by 24.2% in current prices in the third quarter of the reporting period and amounted to TL 827 billion.

Inflation followed an upward course throughout the year.

Consumer inflation stood at 11.92% at the end of 2017 due to the depreciated Turkish currency against the foreign currency basket and to the increased import prices particularly in that of oil. During this period when CPI excluding unprocessed food, alcoholic beverages and tobacco products was higher than predictions, food inflation reached 13.79%, a figure well above the projections. Other main expense groups that showed high increase were various goods and services with 12.77%, household furniture with 12.74% and healthcare with 11.90%.

Domestic producer prices index (D-PPI), on the other hand, rose by 15.47% in the twelve months to December 2017 and by 15.82% on the basis of the 12-month average.

The foreign trade deficit tended to expand.

The expansion observed in foreign trade deficit throughout 2017 ended in a surge by 36.8%, and foreign trade deficit amounted to USD 76.7 billion as at year-end. In this period, fast growth of imports was driven by the strong performance in domestic economic activity and higher oil prices as a result of the decisions adopted to support the economy and the course of gold trade. On the other hand, improved external demand particularly on the part of European countries positively affected the exports volume in the reporting period.

Based on the foreign trade data released by TurkStat, exports grew by 10.2% to USD 157 billion and imports by 17.7% to USD 234 billion in 2017. The ratio of exports to imports declined to 67.2% at the end of 2017.

In 2017 that was characterized as a year of recovery for the Turkish economy, our Company captured the targets it had set and sustained its upward growth performance.

The solid financial results we attained in 2017 when we authored further achievements show much more than our power in reflecting the experience we have garnered during our 60-year journey and attest to the accuracy of the strategies we implement.

In 2017, our consolidated net turnover increased by 29.35% year-on-year to TL 917.8 million, and our consolidated gross profit grew by 61.35% to TL 268.5 million. We booked TL 86.4 million in profit for the period.

As at year-end 2017 when our Company's total assets reached TL 836 million, total shareholders' equity was worth TL 168.9 million.

We have completed an operating period when the operational results we have achieved partially overlapped with our successful financial performance in 2017. Based on our operations that are exposed to the direct impact of a variety of internal and external factors, the number of flights we have serviced in Turkey in 2017 was 132,046.

Representing a decline by 21.2% as compared with 2016, this result stemmed from the terminated ramp services we used to provide to Pegasus Airlines in Sabiha Gökçen Airport and the discontinuation of flights by Borajet Company in April 2017. On our overseas operations, on the other hand, we have registered 2% increase in the flights we serviced in Hungary and 4% in India.

We have attained pleasing results on our operations in the international arena.

Celebi Ground Handling Delhi Pvt. Ltd., our subsidiary in India that has been operating at Delhi Indira Gandhi International Airport since June 2010, serviced 15,046 aircraft at Delhi and Ahmedabad airports in 2017, translating into a year-on rise by 27.41%. In keeping with Çelebi's strategy to grow in different parts of India, Celebi Ground Handling Delhi made attempts to provide ground handling services in the new airport being constructed in the city of Kannur in India. The necessary agreements for operating license are at the signature stage and preparations for the project are in progress.

Celebi Delhi Cargo Terminal Management India Pvt. Ltd., our subsidiary providing cargo warehousing and handling services at Delhi International Indira Gandhi Airport, handled 522,322 tons of cargo in 2017, 29.98% higher than what it was in 2016.

Celebi Nas, another subsidiary that began services at Chhatrapati Shivaji International Airport in Mumbai (Bombay) in India in July 2009, serviced 25,473 flights in the January-December 2017 period.

Çelebi Ground Handling's first international subsidiary, Celebi Ground Handling Hungary increased the number of flights it serviced to 20,755, up by 2.04%, with the effect of the increased number of flights by Ryanair, one of its major clients.

Within the scope of its cargo/warehouse operations initiated in January 2011, Celebi Ground Handling Hungary secured a 20.48% increase in the twelve months to end-December 2017, and provided service for a total of 64,672 tons. The main drivers behind the higher amount of cargo handled were the restarted cargo flights by Qatar Airways and the increased amount of cargo carried by Turkish Airlines.

Offering air cargo storage and handling services in its storage/warehouse facilities at the International Frankfurt Airport's Cargo City, Celebi Cargo GmbH provided service for 131,224 tons as at year-end 2017, down by 36.21% year-on-year. The main reasons behind the year-on decline in tonnage include the expiration of the contracts with Qatar Airways and Saudi Arabian Airlines in 2016.

Çelebi Ground Handling will continue to exhibit a consistent performance in the coming years thanks to its many years of know-how.

Our long-term strategy prescribes growth steps that will improve our competitive strength in all aspects. Committed to keep capitalizing on the potential presented by the markets with a proactive approach, our Company targets to progress through new initiatives, to reflect the possibilities offered by the Turkish economy on its performance on the back of correct strategies, and to outgrow the sector's averages in 2018 and thereafter.

In spite of the rapidly changing market dynamics and the challenges introduced by the intensive competitive environment, Çelebi Ground Handling will sustain its goal of being the preferred business partner in international markets, as well as preserving its leadership and market share in the local market in the future as well, drawing on its experience of approximately 60 years, robust financial structure and the hard work of its experienced employees.

On behalf of the Board of Directors and myself, I would like to thank our shareholders, customers and business partners for their support, and all Çelebi employees for their commitment and hard work.

Very truly yours,

ÇELEBİ GROUND HANDLING INC.

Can Çelebioğlu

Chairman

I- OVERVIEW

1. FIELD OF ACTIVITY

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

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

Çelebi Ground Handling Inc.

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

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

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

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

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

The members of the Board of Directors have been elected for one year at the Ordinary General Meeting convened on 20 April 2017 until the next Ordinary General Meeting.

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

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

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

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

As per the assignment of duties among the Board Members elected at the Ordinary General Meeting of 20 April 2017, the Company's Board of Directors decided to elect Mr. Can Çelebioğlu as the Chairman and Mr. İsak Antika as Vice Chairman of the Board.

At the Ordinary General Meeting held on 20 April 2017, the shareholders having management control over the Company, members of the Board of Directors, senior executives and their spouses and relatives by blood and marriage unto the second degree have been authorized, as per Article 395 of the Turkish Commercial Code (TCC), to enter into transactions that are of a nature that might lead to conflict of interest with the Company or its subsidiaries, and deal with the Company on their own or others' behalf; no transactions took place within the scope of the said authorization granted during the reporting period.

Auditors

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

Corporate Governance, Audit, and Early Detection of Risk Committees

Of those who were elected to seats on the Board of Directors at the 20 April 2017 annual general meeting of the Company, it has been decided at the Board of Directors meeting dated 21 April 2015, to elect Feyzi Onur Koca and İlter Turan as members of the Audit Committee, to elect Mehmet Yağız Çekin and Feyzi Onur Koca as members of the Corporate Governance Committee, and to elect our Company's Financial Affairs Director Deniz Bal, Turgay Kuttaş and Adil İlter Turan as members of the Risk Detection Committee, within the framework both of the applicable clause of Capital Markets Board Communiqué X:22 Concerning Independent Auditing Standards In Capital Markets and of the applicable provisions of Capital Markets Board Corporate Governance Communiqué II-17.1.

Senior Management

The names of the executives who served at the Company during 2017 are presented below:

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

Investor Relations Unit and Coordination of Corporate Governance Practices

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

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

Information on General Meetings

General meetings held during the reporting period	Date	% of shares in attendance	Meeting announcements and invitations
Ordinary General Meeting	20 April 2017	83.42%	Place, date, time and agenda of the Annual General Meeting were announced via: 1- Material event disclosure placed on the Public Disclosure Platform (KAP) on 29 March 2017 2- Announcements published in the 30 March 2017 issue of the Turkish Trade Registry Gazette no: 9295 and the Milliyet newspaper dated 30 March 2017 3- Announcement on the Company's website 4- Letters sent to registered shareholders 5- Announcement made through the Electronic General Meeting system

The Company's annual general meeting was held on 20 April 2017 during which the following resolutions were passed:

- The Board of Directors' annual report and the independent auditors' report are approved.
- The financial statements for the fiscal year 2016 are approved.
- The entirety of the TL 26,836,035.00 that descends as net current profit in the Company's consolidated financial statements dated 31 December 2016 will be distributed as indicated below;

In this framework, in compliance with CMB regulations pertaining to profit distribution and with respect to the period beginning on 1 January 2016 and ending on 31 December 2016:

- Shareholders who are resident corporate entities and shareholders who are non-resident corporate entities but earn dividends through a place of business or permanent representative based in Turkey will be paid a 125.00% cash dividend corresponding to TL 1.2500 gross (which is equal to TL net) for each share of stock with a nominal value of TL 1.00 that they hold;

- Other shareholders will be paid a 125.00% cash dividend corresponding to TL 1.2500 gross for each share of stock with a nominal value of TL 1.00 that they hold, which amount is equal to a 125.00% cash dividend corresponding to TL 1.0625 net for each share of stock with a nominal value of TL 1.00 that they hold, and that 27 April 2017 will be set as the dividend payment date.

- The members of the Board of Directors and the Company's statutory auditors are acquitted of their fiduciary responsibilities.
- Board of Directors members Can Çelebioğlu, İsak Antika, Canan Çelebioğlu, Mehmet Murat Çavuşoğlu, Mehmet Yağız Çekin, and Turgay Kuttaş, whose terms of office have expired, are elected to serve as board members for a period of one year (the period between two consecutive annual general meetings).

- Feyzi Onur Koca and Adil İlter Turan are elected to serve as independent board members for a period of one year (the period between two consecutive annual general meetings).
- Independent board members are to be paid a monthly fee/honorarium of gross TL 5.500.00 but no such fees or honoraria are to be paid to board members other than the independent ones.
- Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi ("Ernst&Young") is designated as the independent audit firm ("Auditor") to carry out the independent audit of the financial statements for 2017 fiscal year and other activities falling under the arrangements in the said laws.
- An upper limit of TL 500,000.00 is set on charitable donations that are to be made by the Company during 2017 (1 January 2017-31 December 2017).
- Shareholders holding management control, the members of the Board of Directors, senior executives and their spouses and relatives by blood or marriage unto the second degree have been authorized, as per Article 395 of the Turkish Commercial Code no. 6102, to deal in transactions with the Company and its subsidiaries that might lead to conflict of interest, and to deal with the Company on their own or others' behalf.

Information was also provided to shareholders about;

- the guarantees, pledges, and mortgages granted and the revenues and benefits received by the Company to/from third parties during 2016 fiscal year,
- related-party transactions engaged in 2016 fiscal year, and
- TL 452,651.00 worth of charitable donations to various foundations, associations, professional chambers, and public agencies and organizations during the period beginning on 01 January 2016 and ending on 31 December 2016.

Participation in general meetings

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

Entries in the shareholders' register

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

Information announced to shareholders

With regard to the agenda of the Annual General Meeting on 20 April 2017, the Board of Directors membership candidate list, the Board of Directors' annual report for 2016 calendar year, the Company's remuneration policy, and the resolution for profit distribution for 2015 calendar year were all made available to shareholders and other stakeholders for their review through the Electronic General Meeting system and the Company's website on the date on which the general meeting was announced.

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

The shareholders exercised their right to ask questions at the ordinary general meeting held on 20 April 2017, these questions were answered by the Company board members and executives that attended the meeting.

Motions made by shareholders at general meetings

During the Annual General Meeting on 20 April 2017, a total of 9 resolutions as listed below were made by shareholders, three of which were accepted unanimously and six were accepted by majority of votes:

- While the annual report of the Board of Directors was made available for shareholders to examine before the general meeting and handed out to those present at the meeting, and because the 'profit distribution' section of the annual report is also to be read during the discussion of item 7 on the agenda, the general meeting agrees that it would suffice to read the Independent Auditors' Report on the consolidated financial statements for the discussion of item 3 on the agenda.
- While the annual report of the Board of Directors was made available for shareholders to examine before the general meeting and handed out to those present at the meeting, the general meeting agrees that it would suffice to read the opinion section of the Independent Auditors' Report on the annual report of the Board of Directors for the discussion of item 4 on the agenda.
- While the balance sheet and income statement included in the annex to the annual report were made available for shareholders to examine before the general meeting and both were handed out to those present at the meeting, the general meeting agrees that a reading of the main headings of both balance sheet and income statement would suffice for the discussion of item 5 on the agenda.
- A decision is to be made for acquittal of the members of the Board of Directors who served during the reporting period.
- A decision is to be made for the acquittal of the auditors who served during the reporting period.
- The candidates designated to serve as members of the Board of Directors until the next ordinary general meeting are hereby elected; Mrs. Canan Çelebioğlu, Mr. Mehmet Murat Çavuşoğlu, Mr. Mehmet Yağız Çekin and Mr. Turgay Kuttaş are to be elected as board members representing Group A shareholders (Çelebi Havacılık Holding A.Ş.) and Mr. Can Çelebioğlu and Mr. İsak Antika as board members representing Group B shareholders.
- Feyzi Onur Koca and Adil İlter Turan are to be elected as independent Board members to serve until the next Annual General Meeting to be held to fill the seats of independent Board members, whose terms of office expired.
- Elected independent board members are to be paid remuneration, while board members elected to represent Group A and B shareholders shall not be paid any wages for this period.
- An upper limit of TL 500,000.00 is set on charitable donations that are to be made by the Company during 2017.

Action taken to facilitate participation in general meetings

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

Availability of general meeting minutes for inspection by shareholders

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

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

At the Ordinary General Meeting held on 20 April 2017, information has been presented to shareholders about the donations and grants made during the reporting period to various foundations, associations, chambers, public institutions and organizations amounting TL 452,651.00.

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

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

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

	1 January-31 December 2017	1 January-31 December 2016
Short-term benefits to senior managers	12,520,801	8,819,527
Post-departure benefits	-	500,340
	12,520,801	9,319,867

3. NATURE AND VALUE OF ISSUED CAPITAL MARKET INSTRUMENTS

As of 31 December 2017, our Company's issued capital amounted to TL 24,300,000. Our Company's capital structure on 31 December 2017 and 31 December 2016 was as follows:

Shareholders	(%)	31 December 2017	(%)	31 December 2016
Çelebi Havacılık Holding A.Ş.	78.36	19,042,115	77.36	18,797,553
Others	21.64	5,257,885	22.64	5,502,447
	100.00	24,300,000	100.00	24,300,000

Ultimate Non-Corporate Controlling Shareholders

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

Shareholders	31 December 2017 (%)	31 December 2016 (%)
Zeus Aviation Services Investments B.V.	39.18	39.18
Can Çelebioğlu	19.59	19.59
Canan Çelebioğlu	19.59	19.59
Others	21.64	21.64
	100.00	100.00

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

The Company acquired none of its own shares during the period beginning on 1 January 2017 and ending on 31 December 2017.

4. INFORMATION ON PERSONNEL

The average number of personnel employed by the Company as at 31 December 2017 is 3,966 (31 December 2016: 4,387 people).

The average number of personnel, including the subcontractor personnel was 12,657 and 12,270 people on 31 December 2017 and 31 December 2016, respectively.

Average Number of Employees of the Group (Consolidated)	January-December 2017	January-December 2016
Çelebi Hava Servisi A.Ş. ("Company")	3,966	4,387
Celebi Ground Handling Hungary	631	550
Celebi Nas (India)	2,813	2,862
Celebi Delhi Cargo (India, including subcontractor personnel)	3,371	2,922
Celebi Delhi Ground Handling (India)	1,610	1,273
Celebi Cargo GmbH (Germany, including subcontractor personnel)	266	276
Total	12,657	12,270

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

At the 20 April 2017 annual general meeting of the Company, shareholders approved the payment of a monthly honorarium of TL 5,500 to the independent members of the Company's board and also voted not to pay any other honoraria to board members who are elected to represent Class A and Class B shareholders. Payments were made to the Company's independent directors in 2017 pursuant to this resolution.

No member of the Board of Directors has any outstanding obligations towards the Company that were carried forward from 2016. No member of the Board of Directors was given a loan or paid an advance by the Company in 2017. As of 31 December 2017, the Company was not owed anything (whether as an advance paid or otherwise) by any member of the Board of Directors.

As of 31 December 2016, the Company was owed TL 20,505 in salary advances by its managers and this amount was paid in full within the January-December period.

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

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

5. THE RELEVANT SECTOR, 2016 ACTIVITIES AND PERFORMANCE

Civil Aviation Industry

In the world...

According to year-end 2017 figures published by the International Air Transport Association (IATA), passenger traffic in 2017 showed a year-on rise of 7.6%. This figure is above the past 10 year's average annual growth rate of 5.5% released by the IATA.

Based on IATA data, 2017 capacity increased by 6.3% and average occupancy rate went up to 81.4%.

According to IATA, the economic situation that presented a strong and recuperating view at the onset of 2017 carried on in the same vein toward the end of the year. Although the basic economic outlook was of a supportive nature, increased cost inputs particularly that of fuel oil will probably put pressure on low ticket prices in 2018.

Cargo traffic demand saw a year-on growth of 9% in 2017, more than double the 2016 annual growth rate of 3.6%.

In 2017, cargo carrying capacity went up by 3%, registering the lowest capacity increase since 2012. From another angle, the rise in demand tripled the capacity growth.

The expansion in air cargo traffic demand in 2017 was double the growth figures of worldwide trade (4.3%). This significant performance was a result of the increased global demand that stemmed from the rapid stock replenishment of exporter companies that undertake production.

The breakdown of passenger transport traffic by regions presents the following:

Overall, passenger traffic picked up by 7.9% in 2017 as compared with 2016. Passenger capacity increased by 6.4% and reached 80.6%.

Asia-Pacific showed a growth of 9.4% over 2016. In addition, seat capacity enlarged by 7.9% and the average rate of occupied seats picked up by 1.1% to 79.6%.

There was a year-on growth of 8.2% in the Europe region. Seat capacity grew by 6.1%, whereas average rate of occupied seats went up by 1.6% to 84.4%. With these figures, Europe once again owned the best interregional performance.

North America has seen the highest increase in demand since 2011, and traffic grew by 4.8% over 2016. Capacity grew by 4.5%, while average rate of occupied seats inched up by 0.3% to 81.7%.

Relatively strong economic base supported the departing passengers demand. Notwithstanding, the number of passengers that declined because of visa and immigration restrictions, combined with bad weather conditions, came to point of support.

Latin America region attained the highest growth figure since 2011 and went up by 9.3% year-on. However, the upturn slowed down toward the end of the year because of the hurricanes in 2017, which also decreased the rate of travels to/from the USA. Capacity was up 8% and the rate of occupied seats was second interregionally at 82.1%.

Last, passenger traffic in Africa increased 7.5% as compared with 2016. Capacity grew by nearly half of the rise in demand and went up 3.6%.

With a year-on growth rate of 6.6% in passenger traffic, the Middle East has been the only region with decelerated growth as compared with 2016. It can also be suggested that this market was gravely affected by the ban of electronic devices on board the flights to some countries including the US and the UK, and the US ban on flights from/to certain countries in the region. While capacity increased by 6.4%, average rate of occupied seats was up 0.1% to 74.7%.

When we look at cargo transport by regions:

Asia-Pacific region showed a 5.6% growth in the twelve months to December 2017. On the other hand, capacity went up 2.2%, which contributed to a year-on rise by 7.8%.

In the North America region, the rise in demand was in the order of 5.4%. This figure positively contributed to the annual increase of 7.9%.

Attaining a rapid expansion in December, Africa produced a growth of 15.6%, which positively contributed to the annual growth rate of 24.8%. These ratios made Africa the highest-grower interregionally. This rise stemmed mainly from 64% commercial growth in the Asian traffic.

There was a yearly expansion of 8.1% in the Middle East, whereas capacity increased by 4.7% as compared with December 2016 and cargo volume picked up by 6.3%.

In Turkey...

While domestic commercial air traffic and international commercial air traffic increased by 3.2% and decreased by 6.2%, respectively, in Turkey in 2017, the overall commercial air traffic was up by 4.5%. During the reporting period, passenger traffic showed 6.9% increase in domestic lines and 17.1% increase in international lines. The reasons underlying the increased domestic and international commercial airlines and domestic and international passenger traffic in this period included the mended relationships between Turkey and Russia, the rise in the number of Russian tourists, and the positive developments in the country's tourism and economy.

2017 Activities and Performance

A total of 132,046 flights were serviced by the Company in the Turkish market in 2017, corresponding to a 21.2% YoY decrease over the 2016 figure of 167,518 flights. During 2016, ramp service provided to Pegasus Airlines ended on 31 May 2016. Excluding the number of Pegasus Airlines' flights serviced in the relevant period, the decrease in the number of total flights in 2017 emerges as 6.5% as compared with 2016 (January-December 2016 SAW-PGT: 26,335 flights).

Celebi Ground Handling Delhi Private Limited, our subsidiary in India that began serving customers at Delhi Indira Gandhi International Airport from June 2010, serviced 11,809 aircraft at Delhi and Ahmedabad airports in 2016. In 2017, this figure increased by 27.41% and reached 15,046 flights. In addition, in keeping with the strategy to grow in different parts of India, Celebi Ground Handling Delhi made attempts to provide ground handling services in the new airport being constructed in the city of Kannur. The necessary permissions and agreements for operation are at the signature stage and preparations are in progress in parallel with the inception of activities at the airport.

Our Celebi Delhi Cargo Terminal Management India Pvt. Ltd subsidiary has been providing cargo warehousing and handling services in 77,000 m^2 of space at Delhi International Indira Gandhi Airport since November 2009. While the company had handled 401,833 tons of cargo in 2016, the same went up by 29.98% to 522,322 tons in 2016.

Celebi NAS, another subsidiary that began services at Chhatrapati Shivaji International Airport in Mumbai (Bombay) in July 2009, serviced 27,149 flights during 2016 and 25,743 flights during 2017.

Çelebi Ground Handling's first international subsidiary, Celebi Ground Handling Hungary served a total of 20,755 flights in 2017, up 2.04% as compared with 20,370 flights serviced in 2016. The main reason behind this rise is the increased number of flights by Ryanair.

Celebi Ground Handling Hungary started cargo handling operations in January 2011 in its new warehouse located outside the airport. While the company had provided service for a total of 53,680 tons during 2016, the same rose by 20.48% to 64,672 tons in 2017. The rise in the cargo quantity was driven mainly by the restarted cargo flights by Qatar Airways, and the growth in the amount of cargo transported by Turkish Airlines.

Celebi Cargo GmbH entered operation in 2011 to offer air cargo storage and handling services in its storage facilities at the International Frankfurt Airport's "Cargo City Süd". Having handled 205,704 tons of cargo in 2016, that figure went down by 36.21% to 131,224 tons in 2017. The main reasons behind the year-on decline in tonnage include the expiration of the contracts with Qatar Airways and Saudi Arabian Airlines as of 4 July 2016 and 8 November 2016, respectively.

As at the year ended on 31 December 2017, the Group reached a consolidated net turnover of TL 917,789,633, 29.35% higher than in the previous year (2016: TL 709,524,691).

The Group's consolidated gross profit for 2017 was up by 61.35% to TL 268,496,164 (2015: TL 166,409,227). In 2017, the Company posted an operating profit of TL 148,362,023 (2016 operating profit: TL 58,925,319).

6. DEVELOPMENTS IN INVESTMENTS; INVESTMENT INCENTIVES USED

Tangible fixed asset investments realized by the Group during the year ended on 31 December 2017 amounted to TL 19,610,527 (31 December 2016: TL 20,767,928). 58% of this amount consisted of investments in machinery, 24% in investments in progress equipment and appliances, 9% in leasehold improvements, 3% in vehicles, and 6% in fixtures. There are no incentives made available to the Company in relation to its investments in 2017.

Total consolidated investment outlays of the Group in tangible and intangible assets during the twelve months to 31 December 2017 were worth TL 44,678,508. (2016: TL 25,924,108)

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

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

The Company has been awarded the contract for the acquisition of the shares in Budapest Airport Handling Kereskedelmi es Szolgaltato Korlátolt Felelősségű Társaság ("BAGH"), a company which has been providing ground handling service at Budapest Airport, and participated as the founding partner in Celebi Tanacsado Korlátolt Felelősségű Társaság ("Celebi Kft"), which has been incorporated on 22 September 2006 to perform the said share transfer. On 26 October 2006, Celebi Kft acquired the shares in BAGH in their entirety and the company name of BAGH was changed to Celebi Ground Handling Hungary Földi Kiszolgáló Korlátolt Felelősségű Társaság ("CGHH").

Celebi Kft has been taken over by CGHH, in which the Company held 70% stake, together with all of its assets and liabilities, and merged with CGHH on 31 October 2007 under the provisions of the applicable legislation in Hungary. In 2011, shares representing 30% of CGHH's capital have been acquired from Çelebi Ground Handling for an amount of TL 33,712,020, bringing the Company's share in CGHH to 100%.

As at 31 December 2017, the paid in capital of CGHH is HUF 200,000,000.

Within the frame of the procedures concerning the tender put out for the performance of ground handling services for a period of 10 years at the Mumbai Chhatrapati Shivaji International Airport in India, which has been contracted out to a consortium that also included the Company, a company by the name "Celebi NAS Airport Services India Private Limited ("Celebi NAS") has been incorporated on December 12th, 2008 to provide ground handling services at the said airport. Celebi NAS started the operations as of 1 July 2009. Based in the Maharashtra state in Mumbai, India, Celebi NAS has a capital of INR 100,000,000, in which the Company controls 57% stake as a founding partner. The paid-in capital of Celebi NAS is INR 552,000,000 as of 31 December 2017. Besides, INR 228,000,000 has been paid as advance capital by the shareholders in Celebi NAS. Celebi NAS signed a "concession agreement" with Mumbai International Airport Private Limited ("MIAL"), the operator of the Chhatrapati Shivaji International Airport ("CSIA") residing in Mumbai where Celebi NAS operates, concerning the rendering of services regarding air conditioners and generators mounted on passenger boarding bridges in the passenger terminal of that airport. Under the contract, Celebi NAS has been granted the concession rights until May 2036.

The Company established Celebi Delhi Cargo Terminal Management India Private Limited ("Celebi Delhi Cargo") with an initial capital of INR 100,000, in which it controls a 74% share as a founding partner and which will be engaged in the brownfield development, modernization and financing of the existing cargo terminal in the airport in New Delhi, India, and in its operation for a period of 25 years. The paid-in capital of Celebi Delhi Cargo as of 31 December 2017 is INR 1,120,000,000.

Upon winning the contract for the execution of airport ground handling services for a period of 10 years at the Delhi International Airport, a total of INR 1,081,917,000 has been paid in premium share capital to fulfill the funding need of Celebi Ground Handling Delhi Private Limited ("Celebi GH Delhi"), the Company's 74%-owned subsidiary founded on 18 November 2009 with a paid-in capital of INR 18,150,000, through premium capital increase as per the governing legislation in India in order to fulfill the obligations arising from the Concession Agreement concluded with the tender authority and to ensure realization of planned investments. Through the acquisition of 25.9% of shares in Celebi GH Delhi on 22 May 2017, the Company's share in Celebi GH Delhi's capital reached 99.9%. Celebi GH Delhi executed a concession agreement for a total period of 7 years, including a potential 2-year extension on a definitive 5-year period, to provide ground handling service at Cochin International Airport in India.

Celebi GH Delhi, a subsidiary of the Group, participated in DASPL by acquiring 16.66% stake in the company. DASPL resides in New Delhi, India, has a paid-in capital of INR 250,000,000 and was set up to ensure execution of air conditioning units installed on passenger bridges in the airport's passenger terminal, generator and utility water services in compliance with international standards. On 14 November 2016, Celebi GH Delhi acquired an additional 8.33% share in DASPL, and the Group's shareholding interest in DASPL rose to 24.9%. The Group began to recognize DASPL in its consolidated financial statements by equity method.

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

Çelebi Cargo is engaged in air cargo storage and handling at the storage/warehouse facility in Frankfurt Cargo City Süd located in Frankfurt International Airport. Çelebi Cargo rented the facility from Celebi Cargo GmbH ("Celebi Cargo"). Residing in Frankfurt, Germany, Celebi Cargo GmbH is a wholly owned subsidiary of the Company founded in November 2009, and has a paid-in capital of EUR 32,100,000. The capital of Çelebi Cargo is TL 114,000,000 as of 31 December 2017, which is fully paid-in.

8. INFORMATION ABOUT FINANCIAL STATEMENTS AND REPORTS

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

The Group issued its summary consolidated financial statements for the period ending 31 December 2017 in accordance with the Turkish Accounting Standards (TAS) 34 Financial Reporting Standard. The summary consolidated financial statements of the Group do not include all of the explanations and notes that year-end financial statements are required to cover, and thus, they should be taken into consideration together with the Group's consolidated financial statements dated 31 December 2016.

By a decision it has adopted on 17 March 2005, the CMB announced that publicly-floated companies operating in Turkey are not obliged to implement inflation accounting effective 1 January 2005. The Company prepared its consolidated financial statements in accordance with this decision.

When keeping their accounting records and preparing their mandatory financial statements, the Group and the Group companies located in Turkey conform to the principles and conditions set forth by KGK, as well as the Turkish Commercial Code (TCC), tax legislation, and the requirements of the Uniform Chart of Accounts issued by the Republic of Turkey Ministry of Finance (Ministry of Finance). The accounting records and financial statements of the subsidiaries, joint venture and associate operating in foreign countries, on the other hand, have been drawn up in accordance with the laws and regulations applicable in the countries where they are active. Consolidated financial statements for the latest period are based on the statutory records of the Company, its subsidiaries, JV and associate, and have been issued to incorporate the required adjustments and reclassifications for the purpose of fair presentation pursuant to the Turkish Financial Reporting Standards. Assets and liabilities of consolidated foreign partnerships have been translated into Turkish lira using the exchange rate on the date of the consolidated financial condition statement, whereas income and expenses have been translated using the average exchange rate. Exchange differences resulting from the closing and the use of average exchange rate are followed up under the FC translation differences account under shareholders' equity.

These consolidated financial statements drawn up in accordance with the Turkish Financial Reporting Standards have been issued in Turkish lira on the basis of historic cost principle, apart from the valuations resulting from the differences between the financial assets and liabilities shown at their fair values and book value versus fair value of fixed assets that arise during business combinations.

Impact of Warehouse Fire on the Consolidated Financial Statements

The warehouse of the Company located at Atatürk Airport ("AHL") Terminal C in which the Company carries out cargo - warehouse operations was damaged by a fire that broke out on 24 May 2006. As a result of the fire, goods belonging to third parties were damaged and some of the owners of the goods have applied to the Company and its insurance company for compensation of their losses by filing lawsuits against the Company and via enforcement proceedings.

Within the frame of the efforts of the fund established to cover the joint claims for the damages sustained with the participation of our Company and other warehouse operators and DHMI insurers, 227 lawsuits to which Fund Companies are party with a total value of TL 161,113,325 (USD 42,714,103) were amicably settled for an amount of TL 95,525,158 (USD 25,325,475) and paid to plaintiffs.

Negotiations are currently ongoing for five claims for which no agreement has yet been reached by and between the Fund and other claimants. The total value of these claims amounts to USD 3,745,720. The balance of USD 14.6 million is expected to cover the settlement of all claims against all Fund participants, for which negotiations are still in progress. On the other hand, it is envisaged that the statute of limitations has expired and thus no new claims will be made given the fact that more than 10 years have elapsed since the date of the incident.

The contingent liabilities of the Company in relation to the warehouse fire within the scope of the lawsuits and enforcement proceedings where the company is an individual defendant or co-defendant (with DHMI, Other Warehouse Operators, Insurance Companies) is TL 11,574,964 (31 December 2016: TL 20,318,125). The Company management believes that all legal claims faced but not yet amicably settled may still be amicably settled under the insurance policy collected and the fund formed. Hence, the Company has not booked any provision in summary consolidated financial statements dated 31 December 2017.

The Companies Incorporated into Consolidation

The Company's consolidated financial statements for the period ending 31 December 2017 include the results of the Company, Celebi Nas, CGHH, Çelebi Security in Liquidation, Celebi Delhi Cargo, Celebi GH Delhi, Çelebi Cargo, DASPL and Celebi Cargo GmbH, which are jointly referred to as the "Group".

9. DONATIONS

In the year ending 31 December 2017, the Group's donations and grants to various foundations, associations, chambers, public institutions and organizations amounted to TL 330,775.00.

IV - FINANCIAL STANDING

10. KEY FINANCIAL RATIOS

The key ratios showing our Company's financial structure, profitability, and debt-servicing were calculated on the basis of the consolidated financial statements dated 31 December 2017 and 31 December 2016 mentioned above.

	31 December 2017	31 December 2016
Current Ratio (Current Assets/Current Liability)	1.39	0.77
Cash Ratio (Cash Assets/Current Liabilities)	0.62	0.28
Short-Term Liabilities/Total Liabilities	30.51%	46.52%
External Resources/Shareholders' Equity	395.12%	578.31%

	31 December 2017	31 December 2016
Average Collection Time	41.16	42.47
Gross Profit Margin	29.25%	23.45%
Operating Profit (Loss)/Net Sales Revenues	16.17%	8.43%
Operating Profit (Loss)/Total Assets	17.75%	8.67%
EBITDA/Net Sales Revenues	26.10%	19.29%

11. INFORMATION ABOUT PRODUCTION AND SALES OF GOODS AND SERVICES

The number of aircraft serviced by our Company in the year ended 31 December 2017 is stated below:

Number of Aircraft Serviced	2017	2016*	2015	2017-2016 %	2016-2015 %
International Flights	54,372	64,067	89,652	-15.1	-28.5
Domestic Flights	77,674	103,451	120,334	-24.9	-14.0
Turkey Total	132,046	167,518	209,986	-21.2	-20.2
Hungary	20,785	20,370	19,576	2.0	4.1
India	40,519	38,958	28,735	4.0	35.6
Grand Total	193,350	226,846	258,297	-14.8	-12.2

* The ramp service provided to Pegasus Airlines at Sabiha Gökçen Airport ended on 31 May 2016. The number of Pegasus Airlines flights serviced at Sabiha Gökçen Airport in the period from January through May 2016 within the number of total flights serviced in Turkey was 26,335 versus 59,919 throughout January-December 2015 period.

Weight of cargo handled by the Company in 2017:

Group (Consolidated)	31 December 2017 Express Cargo	Domestic	WT (Import)	WT (Export)	31 December 2016 Express Cargo*	Domestic	WT (Import)	WT (Export)
Çelebi Ground Handling Inc.	-	-	38,935	65,628	-	-	40,422	64,717
Celebi Delhi Cargo (India)	51,599	105,057	177,668	187,998	45,044	43,804	149,559	163,427
Celebi GHH (Hungary)	-	-	31,521	33,151	-	-	25,453	28,228
Celebi Cargo GmbH (Germany)	-	-	51,086	80,139	-	-	89,948	115,756
Total Ton	51,599	105,057	299,210	366,915	45,044	43,804	305,381	372,127

12. DIVIDEND POLICY AND TIMING

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

Çelebi Ground Handling Inc. Dividend Policy

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

With the decision of the Board of Directors on 1 April 2017, our financial statements, prepared on the basis of our legal books of account dated 31 December 2016, show a net current profit of TL 28,034,840.88 remaining after the deduction of all taxes and other legal obligations.

Since there is no prior year loss that needs to be deducted from the net profit for the period and no general legal reserves that need to be set aside pursuant to the Turkish Commercial Code (TCC), the net distributable profit that can be paid out as a dividend on the basis of our legal books of account was TL 28,034,840.88.

According to our Company's independently-audited consolidated financial statements dated 31 December 2016 prepared in accordance with Turkish Accounting Standards & Turkish Financial Reporting Standards (TMS/TFRS) and in CMB-specified formats pursuant to the requirements of CMB Communiqué II:14.1 Concerning Financial Reporting Principles In Capital Markets, the net current profit remaining after the deduction of taxes and other statutory obligations amounts to TL 26,836,035.00.

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

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

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

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

That, in compliance with CMB regulations pertaining to profit distributions and with respect to the period beginning on 01 January 2016 and ending on 31 December 2016:

- Shareholders who are resident corporate entities and shareholders who are non-resident corporate entities but earn dividends through a place of business or permanent representative based in Turkey will be paid a 125.00% cash dividend corresponding to TL 1.2500 gross (which is equal to TL net) for each share of stock with a nominal value of TL 1.00 that they hold;

- Other shareholders will be paid a 125.00% cash dividend corresponding to TL 1.2500 gross for each share of stock with a nominal value of TL 1.00 that they hold, which amount is equal to a 106.25% cash dividend corresponding to TL 1.0625 net for each share of stock with a nominal value of TL 1.00 that they hold; 27 April 2017 will be set as the dividend payment date.

- The decision of the Board of Directors was ratified at the ordinary general meeting convened on 20 April 2017 and dividend payments were made.

13. MISSION AND VISION

Mission

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

Vision

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

Strategic Objectives

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

V - RISKS AND AN ASSESSMENT BY THE GOVERNING BODY

14. BASIC FINANCIAL RISKS AND MANAGEMENT POLICIES

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

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

Interest Rate Risk

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

Liquidity Risk

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

Credit Risk

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

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

Exchange Rate Risk

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

Capital Risk

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

VI - OTHER MATTERS

15. CHANGES TO THE ARTICLES OF INCORPORATION AND COMPANY POLICIES

No changes occurred to the Company's articles of incorporation in the period from 1 January until 31 December 2017.

16. EVENTS AFTER THE FINANCIAL STATEMENT DATE

On 2 February 2018, MIAL notified that the tender put out for the continuation of the ground handling services privilege of Celebi Nas Airport Services India Pvt. Ltd. for a period of 10 (ten) years from 1 January 2020 until 31 December 2029 was finalized in favor of Celebi Nas Airport Services India Pvt. Ltd. Now, Celebi Nas Airport Services India Pvt. Ltd. will be executing a concession agreement until no later than 15 March 2018 with MIAL after obtaining any approvals or permits or licenses that it is required to obtain under the applicable laws and regulations in India.

17. PROFIT DISTRIBUTION PROPOSAL OF THE BOARD OF DIRECTORS

Our financial statements prepared on the basis of our legal books of account dated 31 December 2017 show a net current profit in the amount of TL 63,979,498.12 remaining after the deduction of all taxes and other legal obligations.

Since there is no Prior Year Loss that needs to be deducted from the Net Profit for the Period and no first legal reserves that needs to be set aside pursuant to the Turkish Commercial Code (TCC), the net distributable profit that can be paid out as a dividend on the basis of our legal books of account is TL 63,979,498.12.

The net profit for the period, after the deduction of tax and legal liabilities, in our consolidated financial statements dated 31 December 2017 that were prepared in accordance with the formats specified by CMB and in the Turkish Accounting Standards/Turkish Financial Reporting Standards (TAS/TFRS) pursuant to the Capital Markets Board of Turkey (CMB) Communiqué Serial: II, No: 14.1 on the "Principles of Financial Reporting in the Capital Markets", and which have been audited by independent organizations, amounted to TL 85,361,608.00.

Within the framework of CMB legislation, since there is no Prior Year Loss that needs to be deducted from the Net Profit for the Period and no first legal reserves that needs to be set aside pursuant to the Turkish Commercial Code (TCC), the net distributable profit is TL 85,361,608.00.

The entirety of the Net Profit for the Period in the amount of TL 85,361,608.00 descended in the Company's Consolidated Financial Statements dated 31 December 2017 be distributed as follows:

ÇELEBİ HAVA SERVİSİ A.Ş. Profit Distribution Table for 2017 (TL)

	According to CMB legislation	According to legal records
Net Profit for the Period	85,361,608.00	63,979,498.12
Prior Year Loss (-)	0.00	0.00
General Legal Reserves	0.00	0.00
Net Distributable Profit for the Period	85,361,608.00	63,979,498.12
First Dividend to Shareholders	1,215,000.00	1,215,000.00
Second Dividend to Shareholders	75,330,000.00	57,058,634.65
Other Funds for Distribution	0.00	18,271,365.35
General Legal Reserves	7,533,000.00	7,533,000.00
- Profit for the Period	7,533,000.00	5,705,863.47
- Other Funds for Distribution	0.00	1,827,136.53
Transferred to Extraordinary Reserves	1,283,608.00	(20,098,501.88)

That, in compliance with CMB regulations pertaining to profit distributions and with respect to the period beginning on 1 January 2017 and ending on 31 December 2017:

- Shareholders who are resident corporate entities and shareholders who are non-resident corporate entities but earn dividends through a place of business or permanent representative based in Turkey will be paid a 315.00% cash dividend corresponding to TL 3.1500 gross (which is equal to TL net) for each share of stock with a nominal value of TL 1.00 that they hold;
- Other shareholders will be paid a 315.00% cash dividend corresponding to TL 3.1500 gross for each share of stock with a nominal value of TL 1.00 that they hold, which amount is equal to a 267.75% cash dividend corresponding to TL 2.6775 net for each share of stock with a nominal value of TL 1.00 that they hold;
- 26 April 2018 will be set as the dividend payment date.

Very truly yours,

ÇELEBİ HAVA SERVİSİ A.Ş.
BOARD OF DIRECTORS

Appendix-1 CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. Statement of Compliance with Corporate Governance Principles

In the fiscal year ending 31 December 2017, the Company worked as necessary to achieve full compliance and complete implementation of the Corporate Governance Principles published by CMB, and efforts continued to achieve compliance, understanding and implementation of these principles.

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

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

Part I- Investors

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

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

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

3. Shareholders' Exercise of Their Right to Obtain Information

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

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

Moreover, in 2017, 9 informational meetings were held so as to keep brokers and analysts well informed on the Company's activities and financial performance.

A request to have a special auditor appointed is not an individual right provided for under our Company's articles of incorporation. There were no requests for the appointment of a special auditor in 2017.

4. General Meetings

General meetings held during the reporting period	Date	% of shares in attendance	Meeting announcements and invitations
Ordinary General Meeting	20 April 2017	83.42%	Place, date, time and agenda of the Annual General Meeting were announced via: 1- Material event disclosure placed on the Public Disclosure Platform (KAP) on 29 March 2017 2- Announcements published in the 30 March 2017 issue of the Turkish Trade Registry Gazette no: 9295 and the Milliyet newspaper dated 30 March 2017 3- Announcement on the Company's website 4- Letters sent to registered shareholders 5- Announcement made through the Electronic General Meeting system

The Company's annual general meeting was held on 20 April 2017 during which the following resolutions were passed:

- The Board of Directors' annual report and the independent auditors' report are approved.
- The financial statements for the fiscal year 2016 are approved.
- The entirety of the Net Profit for the Period in the amount of TL 26,836,035.00 descended in the Company's Consolidated Financial Statements dated 31 December 2016 and the portion of TL 6,454,965.00 of prior year profits be distributed as follows:

In this framework, in compliance with CMB regulations pertaining to profit distribution and with respect to the period beginning on 1 January 2016 and ending on 31 December 2016:

- Shareholders who are resident corporate entities and shareholders who are non-resident corporate entities but earn dividends through a place of business or permanent representative based in Turkey will be paid a 125.00% cash dividend corresponding to TL 1.2500 gross (which is equal to TL net) for each share of stock with a nominal value of TL 1.00 that they hold;
- Other shareholders will be paid a 125.00% cash dividend corresponding to TL 1.2500 gross for each share of stock with a nominal value of TL 1.00 that they hold, which amount is equal to a 125.00% cash dividend corresponding to TL 1.0625 net for each share of stock with a nominal value of TL 1.00 that they hold, and that 27 April 2017 will be set as the dividend payment date.

- The members of the Board of Directors and the Company's statutory auditors are acquitted of their fiduciary responsibilities.
- Board of Directors members Can Çelebioğlu, İsak Antika, Canan Çelebioğlu, Mehmet Murat Çavuşoğlu, Mehmet Yağız Çekin, and Turgay Kuttaş, whose terms of office have expired, are elected to serve as board members for a period of one year (the period between two consecutive annual general meetings).
- Feyzi Onur Koca and Adil İlter Turan are elected to serve as independent board members for a period of one year (the period between two consecutive annual general meetings).
- Independent board members are to be paid a monthly fee/honorarium of gross TL 5.500.00 but no such fees or honoraria are to be paid to board members other than the independent ones.
- Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi ("Ernst&Young") is designated as the independent audit firm ("Auditor") to carry out the independent audit of the financial statements for 2017 fiscal year and other activities falling under the arrangements in the said laws.
- An upper limit of TL 500,000.00 is set on charitable donations that are to be made by the Company during 2017 (1 January 2017 – 31 December 2017).
- Shareholders holding management control, the members of the Board of Directors, senior executives and their spouses and relatives by blood or marriage unto the second degree have been authorized, as per Article 395 of the Turkish Commercial Code no. 6102, to deal in transactions with the Company and its subsidiaries that might lead to conflict of interest, and to deal with the Company on their own or others' behalf.

Information was also provided to shareholders about;

- the guarantees, pledges, and mortgages granted and the revenues and benefits received by the Company to/from third parties during 2016 fiscal year,
- related-party transactions engaged in 2016 fiscal year, and
- TL 452,651.00 worth of charitable donations to various foundations, associations, professional chambers, and public agencies and organizations during the period beginning on 01 January 2016 and ending on 31 December 2016.

Participation in general meetings

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

Entries in the shareholders' register

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

Information announced to shareholders

With regard to the agenda of the Annual General Meeting on 20 April 2017, the Board of Directors membership candidate list, the Board of Directors' annual report for 2016 calendar year, the Company's remuneration policy, and the resolution for profit distribution for 2015 calendar year were all made available to shareholders and other stakeholders for their review through the Electronic General Meeting system and the Company's website on the date on which the general meeting was announced.

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

The shareholders exercised their right to ask questions at the ordinary general meeting held on 20 April 2017, these questions were answered by the Company board members and executives that attended the meeting.

Motions made by shareholders at general meetings

During the Annual General Meeting on 20 April 2017, a total of 9 resolutions as listed below were made by shareholders, three of which were accepted unanimously and six were accepted by majority of votes:

- While the annual report of the Board of Directors was made available for shareholders to examine before the general meeting and handed out to those present at the meeting, and because the 'profit distribution' section of the annual report is also to be read during the discussion of item 7 on the agenda, the general meeting agrees that it would suffice to read the Independent Auditors' Report on the consolidated financial statements for the discussion of item 3 on the agenda.
- While the annual report of the Board of Directors was made available for shareholders to examine before the general meeting and handed out to those present at the meeting, the general meeting agrees that it would suffice to read the opinion section of the Independent Auditors' Report on the annual report of the Board of Directors for the discussion of item 4 on the agenda.
- While the balance sheet and income statement included in the annex to the annual report were made available for shareholders to examine before the general meeting and both were handed out to those present at the meeting, the general meeting agrees that a reading of the main headings of both balance sheet and income statement would suffice for the discussion of item 5 on the agenda.
- A decision is to be made for acquittal of the members of the Board of Directors who served during the reporting period.
- A decision is to be made for the acquittal of the auditors who served during the reporting period.
- The candidates designated to serve as members of the Board of Directors until the next ordinary general meeting are hereby elected; Mrs. Canan Çelebioğlu, Mr. Mehmet Murat Çavuşoğlu, Mr. Mehmet Yağız Çekin and Mr. Turgay Kuttaş are to be elected as board members representing Group A shareholders (Çelebi Havacılık Holding A.Ş.) and Mr. Can Çelebioğlu and Mr. İsak Antika as board members representing Group B shareholders.
- Feyzi Onur Koca and Adil İlter Turan are to be elected as independent Board members to serve until the next Annual General Meeting to be held to fill the seats of independent Board members, whose terms of office expired.
- Elected independent board members are to be paid remuneration, while board members elected to represent Group A and B shareholders shall not be paid any wages for this period.
- An upper limit of TL 500,000.00 is set on charitable donations that are to be made by the Company during 2017.

Action taken to facilitate participation in general meetings

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

Availability of general meeting minutes for inspection by shareholders

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

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

At the Ordinary General Meeting held on 20 April 2017, information has been presented to shareholders about the donations and grants made during the reporting period to various foundations, associations, chambers, public institutions and organizations amounting TL 452,651.00.

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

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

5. Voting Rights and Minority Rights

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

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

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

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

6. Entitlement to Dividends

Special rights concerning participation in the Company's profits

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

Çelebi Ground Handling Inc. Dividend Policy

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

With the decision of the Board of Directors on 1 April 2017, our financial statements, prepared on the basis of our legal books of account dated 31 December 2016, show a net current profit of TL 28,034,840.88 remaining after the deduction of all taxes and other legal obligations.

Since there is no prior year loss that needs to be deducted from the net profit for the period and no general legal reserves that need to be set aside pursuant to the Turkish Commercial Code (TCC), the net distributable profit that can be paid out as a dividend on the basis of our legal books of account was TL 28,034,840.88.

According to our Company's independently-audited consolidated financial statements dated 31 December 2016 prepared in accordance with Turkish Accounting Standards & Turkish Financial Reporting Standards (TMS/TFRS) and in CMB-specified formats pursuant to the requirements of CMB Communiqué II:14.1 Concerning Financial Reporting Principles In Capital Markets, the net current profit remaining after the deduction of taxes and other statutory obligations amounts to TL 26,836,035.00.

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

Accordingly the Board of Directors has resolved with the majority of present votes to submit the following matters for the consideration and approval of shareholders at the annual general meeting to be convened on 20 April 2017:

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

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

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

That, in compliance with CMB regulations pertaining to profit distributions and with respect to the period beginning on 01 January 2016 and ending on 31 December 2016:

- Shareholders who are resident corporate entities and shareholders who are non-resident corporate entities but earn dividends through a place of business or permanent representative based in Turkey will be paid a 125.00% cash dividend corresponding to TL 1.2500 gross (which is equal to TL net) for each share of stock with a nominal value of TL 1.00 that they hold;
- Other shareholders will be paid a 125.00% cash dividend corresponding to TL 1.2500 gross for each share of stock with a nominal value of TL 1.00 that they hold, which amount is equal to a 106.25% cash dividend corresponding to TL 1.0625 net for each share of stock with a nominal value of TL 1.00 that they hold; 27 April 2017 will be set as the dividend payment date.
- The decision of the Board of Directors was ratified at the ordinary general meeting convened on 20 April 2017 and dividend payments were made.

7. Transfer of Shares

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

Part II- Public Disclosure and Transparency

8. Disclosure Policy

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

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

During 2017, Deniz Bal was responsible for the execution of the Information Policy, who functions as the head of the Investor Relations Unit at the Company and who holds "Capital Market Activities Advanced Level License" and "Corporate Governance Rating Expertise License". In addition, Tolga Akdoğan, a full-time employee of the Company who holds both "Advanced Capital Market Operations" and "Corporate Governance Rating Specialist" licenses, was appointed to the position of "Investor Relations Unit Employee" during the reporting period.

9. Company Internet Site and its Content

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

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

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

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

10. Annual Report

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

Part III- Stakeholders

11. Keeping Stakeholders Informed

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

In 2017, for the purpose of informing stakeholders, our Company's executive director and other members of management gave interviews that appeared in the press and electronic media, took part in TV programs and discussions, and made press statements. Detailed information about the Company and its investments was provided in the course of such appearances and announcements.

12. Stakeholder Participation in Management

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

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

13. Human Resources Policy

Our Company Human Resources policy is presented in section "4. Information on Personnel and Human Resources Policy" of our Company's annual report for 2017.

14. Rules of Ethics and Social Responsibility

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

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

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

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

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

Sectoral Responsibility Projects

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

To this end, the Company directly supports and sponsors:

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

On the other hand, the Company established cooperation with the Ministry of Transport and Erzincan University to set up a School of Civil Aviation under the university. Under the project, a school building is constructed with a floor area of 4,000 m^2 and a covered area of 15,000 m^2 holding 30 classrooms for a student body of 1,500. The official opening of the Erzincan Ali Cavit Çelebioğlu Civil Aviation Academy, construction of which was completed in September 2010, took place ahead of the 2011-2012 academic year. Education continued at the academy during 2016-2017 academic year, and the number of enrolled students reached 261.

The Environment and Nature

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

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

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

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

Combat against Climate Change

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

Efficiency of Natural Resources

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

Waste Management

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

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

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

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

The project "Green Airport" launched in 2009 by the T.R. Ministry of Transport, Maritime Affairs and Communications, Directorate General of Civil Aviation (DGCA) in an effort to systematically reduce and eliminate the actual or potential damage caused to the environment by establishments operating in airports was carried on in 2017. Last year, the Erzincan Station earned "Green Company" certification, increasing the total number of our certified stations to 8. Incentive mechanisms stemming from this certification entitled the Company to a total discount of EUR 366,450 on our license costs in 2017.

Çelebi Ground Handling has placed the principle of carrying out its operations efficiently and in an environmentally friendly manner as a part of its mission; and it has been fulfilling the necessary requirements for many years. In 2017, the Company received the ISO 14064 verification auditing services from TSE for the purpose of developing its own programs to manage greenhouse gas (GHG) emissions. Following the verification audit, the Company's stations in İstanbul Atatürk, İzmir, Antalya, Bodrum, Dalaman, Ankara, Adana and Erzincan were certified according to the ISO 14064 standard.

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

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

There are no environment-related lawsuits filed against our Company on account of harm caused to the environment in 2017.

General Social Responsibility Projects

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

Educational Support: The Company and its employees extended active support to various educational projects. Employees representing the Company took part in the 39th İstanbul marathon organized in November 2017. The funds raised by the employees who ran the marathon for the benefit of TOÇEV, a foundation working to enable underprivileged but willing students to continue with their education, were contributed to the educational activities planned to be provided by TOÇEV to students who need financial support for their education.

Part IV- The Board of Directors

15. Structure and Formation of the Board of Directors

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

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

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

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

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

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

Members of the Board of Directors elected by shareholders at the Ordinary General Meeting held on 20 April 2017 and their resumes are presented below.

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

Can Çelebioğlu

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

İsak Antika

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

Canan Çelebioğlu

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

Mehmet Murat Çavuşoğlu

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

Mehmet Yağız Çekin

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

Turgay Kuttaş

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

Feyzi Onur Koca

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

İlter Turan

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

The Members of the Board of Directors have been elected to serve a term of office of one year at the Ordinary General Meeting convened on 20 April 2017, until the next Ordinary General Meeting.

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

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

I hereby declare that;

1. I stand for serving as an "Independent Member" on the Board of Directors of Çelebi Hava Servisi Anonim Şirketi ("the Company") within the scope of the criteria stipulated by the Corporate Governance Principles of the CMB legislation;

2. I have not held a seat on the Company's Board of Directors for more than six years in the past ten years;

3. Employment, capital or material commercial relationship, either direct or indirect, has not been established in the past five years between corporate entities with which any related party of the Company or shareholders holding, directly or indirectly, 5% or more share in the Company's capital is related with respect to management or capital, and myself, my spouse and my relations by blood or marriage up to third degree,

4. I have not worked for or served as a member on the boards of directors of any company conducting, under a contract, the Company's activities or organization in part or in whole, and particularly the firms performing the audit, rating and consultancy of the Company, in the past five years,

5. I was not a shareholder, employee or board member for any company supplying service or product of material quantity to the Company in the past five years,

6. I hold less than 1% share in the Company's capital and these are not preferential shares/I hold no share in the Company's capital,

7. I possess the professional education, knowledge and experience for due performance of the duties I will assume in connection with being an independent board member,

8. I am not a full-time employee of public institutions and establishments as at the date of nomination,

9. I am considered to be a resident of Turkey as for the purposes of Income Tax Law,

10. I am capable of making positive contributions to the Company's operations, maintaining my independence in possible conflicts of interest between the Company's shareholders, making decisions freely taking into consideration the rights of stakeholders, and I possess strong ethical standards, professional credibility and experience that are necessary to do that,

11. I will forthwith notify any event that prejudices my independence, if applicable, to the Board of Directors for public disclosure of the same,

12. I will not demand any compensation from the Company apart from Board of Directors compensation and attendance fee,

13. I will dedicate sufficient amount of time to be able to follow up the operation of the Company's affairs and to fully meet the requirements of the duties I undertake.

At the Company's Ordinary General Meeting held on 20 April 2017, shareholders holding management control, the members of the Board of Directors, senior executives and their spouses and relatives by blood or marriage unto the second degree have been authorized, as per Article 395 of the Turkish Commercial Code, to deal in transactions with the Company and its subsidiaries that might lead to conflict of interest, and to deal with the Company on their own or others' behalf.

16. Operating Principles of the Board of Directors

Determining the agenda for board meetings

Agendas for Board of Directors meetings may be determined in three different ways.

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

Number of board meetings during the reporting period

The Company's Board of Directors convened 82 times during 2017.

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

The secretariat of the chairman of the Board of Directors keeps Company directors informed about meeting times and agendas by means of reports sent out regularly prior to the meeting. In 2017, 51 meetings convened with the attendance of 6 board members, 26 with 7 members, and 5 with 8 members.

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

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

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

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

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

On 20 April 2017, the Company's Board of Directors decided to appoint the following board members - who were elected in the Annual General Meeting for the 2016 reporting period - to the following positions in accordance with the related provisions of the Capital Markets Board's Communiqué on Corporate Governance Principles: Feyzi Onur Koca and İlter Turan as members of the Audit Committee, Mehmet Yağız Çekin and Feyzi Onur Koca as members of the Corporate Governance Committee, and Turgay Kuttaş and İlter Turan as members of the Early Detection of Risk Committee.

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

Likewise, İlter Turan, one of the other independent members on the Company's Board of Directors serves both on the Audit Committee and the Early Detection of Risk Committee. The Company's Audit Committee convened seven times during 2017 at which times they interviewed the Company's managers and checked whether or not our publicly disclosed financial statements accurately reflected the true standing of our operational results and whether or not the accounting principles adhered to by the Company were in compliance with CMB laws and regulations. They reached the conclusion that financial statements were correct and had been prepared in accordance with such requirements.

The Company's Corporate Governance Committee convened five times during 2017. The Committee works to determine and remedy non-conformities, if any, with the relevant articles of the CMB Communiqué on the Determination and Implementation of Corporate Governance Principles, reviews the activities of the Company's Investor Relations Unit with respect to their responsibilities arising from the legislation, and spends efforts to detect the Company's operational and financial risks, take necessary steps for identified risks, and manage risk.

The Company's Early Detection of Risk Committee convened six times in 2017 and took the necessary measures in strengthening the early detection of the causes that could threaten the existence of the Company, its development and the continuity of the business unit. The Committee also applied the necessary measures and remedies in this regard, in the management of the risk.

During 2017, there were no related party transactions or transactions of a material nature, which had been laid down for the approval of independent Board members, nor were there any such transactions that were not approved and thus laid down for the approval of the General Assembly of Shareholders.

18. Risk Management and Internal Control Mechanism

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

19. Strategic Objectives of the Company

The Company's Strategic Objectives are described under the section "Company's Mission, Vision and Strategic Objectives" in the 2017 Annual Report.

20. Financial Rights

In the Annual General Meeting convened on 20 April 2017, the decision was taken to pay a gross monthly remuneration of TL 5,500 to each of the independent board member and to pay no remuneration to those board members who were elected to represent Group A and B Shareholders. In this context, remunerations were paid to independent board members in 2017.

The Company's Board members have no debts carried forward from 2015; no Board member was lent money (advances on salaries) in 2017. There are no receivables (advances on salaries) to be paid by the Board members as of 31 December 2017.

The Company executives have no debts carried forward from 2017. No salary advances were paid to Company managers in 2017. As of 31 December 2017, the Company was not owed any salary advances by its managers.

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

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

Necessary explanations regarding the transactions the Company carried out with related parties in the 01.01.2017-31.12.2017 fiscal year are provided under note 26 to the consolidated financial statements for the 01.01.2017-31.12.2017 fiscal year.

In all transactions the Company carried out with its controlling company or the subsidiaries of the controlling company in 2017, an appropriate counter-performance was provided in each transaction according to the conditions and state known to us at the time the transaction and/or the action was realized/taken or avoided; there were no actions taken or avoided which might potentially cause loss to the Company, and hence, there are no transactions or actions that would require equalization within this scope.

ACKNOWLEDGEMENT OF RESPONSIBILITY

BOARD OF DIRECTORS DECISION ESPOUSING THE FINANCIAL STATEMENTS AND ANNUAL REPORTS

DECISION DATE : 12.03.2018

DECISION NUMBER : 2018/20

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

We hereby represent that;

a. we have examined the independently audited consolidated financial statements which have been approved by our Company's Board of Directors decision dated 12.03.2018 and numbered 2018/20, and by the Audit Committee decision no. 2018/01 dated 12.03.2018, which are prepared pursuant to the CMB Communiqué No: II-14.1, article 9 on Principles of Financial Reporting in Capital Markets and drawn up in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS"), and the Board of Directors' Annual Report for the year ended 31 December 2017,

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

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

Yours sincerely,

ÇELEBİ GROUND HANDLING INC.

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

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

CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 – DECEMBER 31, 2017 AND INDEPENDENT AUDITOR'S REPORT

Building a better working world

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To the Shareholders of Çelebi Hava Servisi Anonim Şirketi

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Çelebi Hava Servisi Anonim Şirketi (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Accounting Standards (TAS).

2) Basis for Opinion

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

3) Key Audit Matters

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

Key Audit Matter	How the key audit matter is handled in the audit
"Service Concession Arrangements" and "Build Operate Transfer Investments" recognised within the scope of International Financial Reporting Interpretations Committee 12 ("IFRIC")	
As explained in Note 2 in the accompanying consolidated financial statements as of December 31, 2017, the Group has "Service Concession Arrangements" and "Build Operate Transfer Investments" in the countries where its subsidiaries continue their operations. A service concession arrangement is an arrangement whereby a government or other public sector body contracts with a private operator to develop (or upgrade), operate and maintain the grantor's infrastructure. During the arrangement period, the operator receives income from the services provided. The party that recognizes the concession, controls the infrastructure investment and the contractor will eventually be transferred to the party that recognizes the operator's infrastructure investment. The Group has applied the intangible asset model within the scope of IFRIC 12 "Service Concession Agreements" in the related agreements because the Group has the right to demand compensation from the users for the infrastructure investment subject to the service concession agreement, and intangible assets arising from "Concession Rights" and "Build-operate-transfer investments" are recognised at the account of intangible assets and are amortized during the contract term. In addition, contracted maintenance or modernization, obligations in the framework of service concession contracts are recognized in accordance with the Turkish Accounting Standard ("TAS") 37 "Provisions, Contingent Liabilities and Contingent Assets". As disclosed in Note 12, the net book value of the "Concession Rights" accounted by the Group under intangible assets as of December 31, 2017, is TL 98.787.492 and the net book value of "Build-operate-transfer investments" is TL 60.657.250, and as disclosed in Note 14 "Maintenance obligation liability" accounted under other non-current liabilities is TL 34.148.213. "Concession rights", "Build-operate-transfer investments" and "Maintenance obligation liability" which are recognized within the scope of such agreements are significant for the audit due to the complexity of such transactions and the judgement and assumptions included, and accordingly, they have been determined as key audit matter by us.	The "Concession Rights" accounted by the Group is recognized on the fixed asset expenditures made by Celebi Delhi Cargo, a subsidiary of the Group, under the concession agreement signed with Delhi International Airport Private Limited. In addition, the maintenance obligation liability accounted by the Group is recognized for the mandatory renewal investments estimated to be realized in the following years within the scope of "Build-operate-transfer investments" concession agreement signed by Çelebi Delhi Cargo, for the development, modernization, financing and operation of the existing cargo terminal at the New Delhi Airport of India for a period of 25 years. Investments accounted by the Group within the scope of the "Build-operate-transfer investments" are recognised by discounting the payments made by Çelebi Ground Handling Delhi, a subsidiary of the Group, in accordance with the concession agreement signed by Çelebi Ground Handling Delhi, for providing ground handling services in New Delhi Airport of India for a period of 10 years with the discount rate specified in the agreement. The audit procedures we have applied includes examination of terms and conditions of the contracts specified above, testing of expenditures made within the scope of the agreements in terms of appropriateness and timely accounting, evaluation of the useful lifes and residual values, examination of the assumptions included in the calculations, testing of the amortization amounts, review of the renewal investments estimated to be made in the following years and evaluation of the discount rates applied for discounting these liabilities, comparison of estimated amounts with the actual amounts, verification of the deposits paid under the contract through related documents, review of the certain assumptions applied on the calculation and review of the useful lifes of the recognized intangible assets. In addition to above, we reviewed and evaluated the appropriateness relevance of the disclosures and explanatory notes provided in the consolidated financial statements.

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The operations of Istanbul Atatürk International Airport will be terminated with the opening of Istanbul New Airport	
As explained in Note 1 in the accompanying financial statements as of December 31, 2017, the parent company, Çelebi Hava Servisi Anonim Şirketi, provides ground handling services, cargo services, and warehouse operations services for domestic and foreign airlines and private cargo companies at Istanbul Atatürk International Airport. As explained in Note 11 in the accompanying financial statements as of 31 December 2017, a tender for the construction of the third airport was made in Istanbul on 3 May 2013. Following the tender, the Joint Venture Group who won the tender, started to investment operations in Istanbul New Airport and it was announced by the General Directorate Of State Airports Authority to terminate commercial flights from Istanbul Atatürk Airport starting from November 2018, after Istanbul New Airport starts its operations. The company will continue its operations at the new airport. Due to the uncertainty about the termination date of the cargo warehouse and general aviation operations at Ataturk Airport, the Group management has reviewed the useful lives of the intangible assets classified as leasehold improvements with a net book value amounting to TL 26.450.379 in the consolidated financial statements that the Company uses to fulfil its services provided in İstanbul Atatürk Airport by taking into consideration the net present value of the estimated future cash flows to be received in the near future. And, it has been resolved by the Group management that, there is no need to change the useful life of such assets and no need for recognition of impairment. Due to the effect of a possible impairment on such immovable assets on the consolidated financial statements of the Group, we have determined the matter as a key audit matter.	The audit procedures we applied includes the determination of the property, plant, and equipment and the assessment of the significance of the net book value of such property, plant and equipment to the consolidated financial statements of the Group as of December 31, 2017, the follow up of developments regarding the date of start of the operations of Istanbul New Airport, and the audit procedures, including the estimation and determination of impairment losses that may arise in accordance with the start date, as well as judgments and assessments over the consolidated financial statements regarding the matter.
Going concern of a subsidiary	
Celebi Cargo GmbH, a subsidiary of the Group operating in Germany, Frankfurt, has paid-in capital of EUR 32.100.000, who rented storage and warehouse facilities at International Frankfurt Airport Cargo and carry out flight cargo storage and handling services. As of December 31, 2017, by taking into consideration of its previous year's losses and current period loss, Çelebi Cargo GmbH has lost almost all of its paid-in capital. Previous year's losses and current period loss of Çelebi Cargo GmbH with other relevant factors requires the assessment of ability of going concern of the Çelebi Cargo GmbH. Group management has prepared a restructuring plan, within the scope of the consultancy services received for the restructuring of Çelebi Cargo GmbH, put into practice the plan starting from February 2017. In addition, in order to support the operation of Celebi Cargo GmbH and finance the liquidity requirements, Group management has provided a subordinated loan limit of EUR 2.450.000 which is entitled to several conditions as maintaining existing customers, having new customers, reducing personnel expenses, maintaining the restructuring process in an effective manner and etc., and lended EUR 1.000.000 of the limit on June 13, 2017. Due to the significance of the matter, the matter is determined as a key audit matter.	The audit procedures we performed includes examination of the restructuring plan prepared by the Group management with the assistance of a the consultancy firm and examination and inquiry of the measures taken by the Group management to improve the operational results of Çelebi Cargo GmbH in the following periods, evaluation of the effects of the measures taken until December 31, 2017 on the financial results of Çelebi Cargo GmbH, evaluation of the loan amount borrowed and the payment plan of the subordinated loan agreement signed with Çelebi Cargo GmbH and the repayment capacity of Çelebi Cargo GmbH, by reviewing the estimated future cash flows and financial performance estimations for the following years, comparison of the estimations with previous year's actual results and evaluation of assumptions used in the calculations.

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

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

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

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

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

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

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

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

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

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

Building a better working world

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

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

B) Report on Other Legal and Regulatory Requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on March 12, 2018.

2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period January 1, - December 31, 2017 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.

3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

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

Kaan Birdal, SMMM
Partner

March 12, 2018
İstanbul, Türkiye

CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - 31 DECEMBER 2017 AND INDEPENDENT AUDITOR'S REPORT

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2017

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

	Notes	*Audited* December 31, 2017	*Audited* December 31, 2016
ASSETS			
Current Assets			
Cash and cash equivalents	4	113.572.241	65.477.817
Financial Investments		13.369.356	10.721.807
-Restricted cash	5	13.369.356	10.721.807
Trade receivables		118.040.117	94.556.073
- Due from related parties	8	1.702.170	1.038.242
- Due from third parties	8	116.337.947	93.517.831
Other receivables		8.439.720	8.275.515
- Due from third parties	9	8.439.720	8.275.515
Inventories	10	12.461.996	11.195.832
Prepaid expenses	15	14.727.192	14.862.907
Current income tax assets	28	1.583.721	2.418.139
Other current assets	14	1.160.953	4.100.361
Total current assets		**283.355.296**	**211.608.451**
Non-current assets			
Financial investments	5	20.527	3.636.923
Other long-term receivables		34.828.278	25.257.152
- Due from third parties	9	34.828.278	25.257.152
Investments accounted using the equity method	6	64.991.304	42.739.300
Property, plant and equipment	11	155.619.737	156.759.806
Intangible assets		203.913.858	167.022.692
- Goodwill	12	34.112.091	29.850.664
- Other intangible assets	12	169.801.767	137.172.028
Prepaid expenses	15	21.402.819	21.419.166
Deferred tax asset	28	54.043.004	42.357.043
Other non-current assets	14	17.867.363	19.021.995
Total non-current assets		**552.686.890**	**478.214.077**
Total assets		**836.042.186**	**689.822.528**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2017

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

	Notes	*Audited* December 31, 2017	*Audited* December 31, 2016
LIABILITIES			
Current liabilities			
Short-term financial liabilities	7	1.069.729	24.956.512
Short term portion of long term financial liabilities	7	57.766.719	128.529.170
Trade payables		77.397.349	64.457.496
- Due to related parties	8	11.262.592	7.004.765
- Due to third parties	8	66.134.757	57.452.731
Employee benefit obligations	17	28.208.863	25.002.485
Other payables		8.642.998	6.919.820
- Due to third parties	9	8.642.998	6.919.820
Deferred income	16	10.765.786	10.281.435
Current income tax liabilities	28	439.410	247.310
Short-term provisions		13.975.285	7.570.376
- Provisions for employee benefits	13	8.801.865	5.859.458
- Other provisions	13	5.173.420	1.710.918
Other current liabilities	14	5.288.645	5.606.013
Total current liabilities		**203.554.784**	**273.570.617**
Non-current Liabilities			
Long-term financial liabilities	7	282.516.358	169.091.081
Other payables		12.532.767	9.091.878
- Due to third parties	9	12.532.767	9.091.878
Long-term provisions		22.006.598	21.540.508
- Provisions for employee benefits	13	22.006.598	21.540.508
Deferred tax liabilities	28	5.646.811	5.825.508
Other non-current liabilities	14	138.701.411	109.006.172
Deferred income	16	2.228.283	-
Total non-current liabilities		**463.632.228**	**314.555.147**
Total liabilities		**667.187.012**	**588.125.764**
SHAREHOLDER'S EQUITY			
Equity attributable to equity holders of the parent		**158.880.032**	**87.487.517**
Paid-in capital	18	24.300.000	24.300.000
Other accumulated comprehensive income/(expense) not to be reclassified to profit or loss		(18.927.043)	(16.076.250)
- Actuarial gain/(loss) arising from defined benefit plans		(18.927.043)	(16.076.250)
Other accumulated comprehensive income/(expense) to be reclassified to profit or loss		42.350.965	22.781.040
- Foreign currency translation differences		42.350.965	22.781.040
Restricted reserves	18	43.097.456	40.181.456
Retained earnings		(17.302.954)	(10.534.764)
Net profit/ (loss) for the year		85.361.608	26.836.035
Non-controlling interest		**9.975.142**	**14.209.247**
Total shareholder's equity		**168.855.174**	**101.696.764**
Total liabilities and shareholder's equity		**836.042.186**	**689.822.528**

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

CONSOLIDATED FINANCIAL STATEMENT OF PROFIT OR LOSS FOR THE PERIOD OF 1 JANUARY – 31 DECEMBER 2017

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

	Notes	*Audited* January 1 - December 31, 2017	*Audited* January 1 - December 31, 2016
CONTINUING OPERATIONS			
Net Sales	19	917.789.663	709.524.691
Cost of sales (-)	19	(649.293.500)	(543.115.464)
GROSS PROFIT	19	268.496.163	166.409.227
General administrative expenses (-)	21	(125.392.966)	(104.949.972)
Other income from operating activities	22	22.521.334	9.282.012
Other expenses from operating activities (-)	23	(17.262.508)	(10.963.591)
OPERATING PROFIT		148.362.023	59.777.676
Income from investment activities	24	1.113.674	1.481.129
Expenses from investment activities (-)	25	(2.454.859)	(295.060)
Income from investments accounted by using the equity method	6	11.527.783	7.781.721
OPERATING INCOME BEFORE FINANCIAL INCOME/(EXPENSE)		158.548.621	68.745.466
Financial income	26	19.701.438	23.815.822
Financial expenses (-)	27	(70.866.589)	(54.145.006)
PROFIT BEFORE TAX		107.383.470	38.416.282
Tax expense		(20.982.295)	(10.876.557)
Taxes on income	28	(25.914.945)	(13.172.856)
Deferred tax income/(expense)	28	4.932.650	2.296.299
NET PROFIT FOR THE PERIOD		86.401.175	27.539.725
Attributable to:			
Non-controlling interest		1.039.567	703.690
Equity holders of the parent		85.361.608	26.836.035
		86.401.175	27.539.725
Earnings per share (Kr)	29	0,035	0,011

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD OF 1 JANUARY – 31 DECEMBER 2017

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

	Notes	*Audited* January 1- December 31, 2017	*Audited* January 1- December 31, 2016
Net profit for the period		86.401.175	27.539.725
Not to be reclassified to profit or loss			
- Actuarial gain/(loss) arising from defined benefit obligation		(3.389.969)	(9.307.236)
Shares from investments accounted using the equity method regarding to other comprehensive income/ (expense not to be reclassified to profit or loss)			
- Defined benefit obligation actuarial gains/(losses) from investments accounted using the equity method		(193.487)	(189.920)
Taxes regarding to other comprehensive income/ (expense) not to be reclassified to profit or loss			
- Tax on defined benefit obligation Actuarial gains/(losses)		679.414	1.861.447
- Tax on defined benefit obligation actuarial differences from equity accounted investees		49.746	37.984
Other comprehensive income/ (expense) to be reclassified to profit or loss			
- Foreign currency translation differences		20.305.838	10.369.505
Other comprehensive income/(expense)		17.451.542	2.771.780
Total comprehensive income		103.852.717	30.311.505
Attributable to:			
Non-controlling interest		1.771.977	2.863.730
Equity holders of the parent		102.080.740	27.447.775
		103.852.717	30.311.505

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE PERIOD OF 1 JANUARY – 31 DECEMBER 2017

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

		Other comprehensive income/(expense) not to be reclassified to profit or loss	Other comprehensive income/(expense) to be reclassified to profit or loss	
	Paid-in capital	Actuarial gain/(loss) arising from defined benefit plans	Foreign currency translation differences	Restricted Reserves
Balances at January 1, 2017	24.300.000	(16.076.250)	22.781.040	40.181.456
Transfers	-	-	-	-
Dividend distrıbution	-	-	-	2.916.000
Adjustments relates to previous years (*)	-	-	-	-
Transactions with non-controlling interest (**)	-	-	-	-
Contribution to capital increases of non-controlling interests	-	-	-	-
Other comprehensive income				
- Foreign currency translation differences	-	-	19.569.925	-
- Actuarial gain/(loss) arising from defined benefit plans	-	(2.850.793)	-	-
Total other comprehensive income	-	(2.850.793)	19.569.925	-
Net profit for the period	-	-	-	-
Total comprehensive income/(expense)	-	(2.850.793)	19.569.925	-
Balances at December 31, 2017	24.300.000	(18.927.043)	42.350.965	43.097.456

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

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

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

Accumulated Profits				
Retained earnings	Net profit/ (loss) for the year	Equity attribute table to equity holders of the parent	Non- controlling interest	Total shareholder'sequity
(10.534.764)	26.836.035	87.487.517	14.209.247	101.696.764
26.836.035	(26.836.035)	-	-	-
(33.291.001)	-	(30.375.001)	-	(30.375.001)
1.206.775	-	1.206.775	-	1.206.775
(1.519.999)	-	(1.519.999)	(6.034.249)	(7.554.248)
-	-	-	28.167	28.167
-	-	19.569.925	735.913	20.305.838
-	-	(2.850.793)	(3.503)	(2.854.296)
-	-	16.719.132	732.410	17.451.542
-	85.361.608	85.361.608	1.039.567	86.401.175
-	85.361.608	102.080.740	1.771.977	103.852.717
(17.302.954)	85.361.608	158.880.032	9.975.142	168.855.174

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE PERIOD OF 1 JANUARY – 31 DECEMBER 2016

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

		Other comprehensive income/(expense) not to be reclassified to profit or loss	Other comprehensive income/(expense) to be reclassified to profit or loss	
	Paid-in capital	Actuarial gain/(loss) arising from defined benefit plans	Foreign currency translation differences	Restricted Reserves
Balances at January 1, 2016	24.300.000	(8.493.178)	14.586.228	33.012.956
Transfers	-	-	-	-
Dividend distrıbution	-	-	-	7.168.500
Adjustments relates to previous years (*)	-	-	-	-
Transactions with non-controlling interest (**)	-	-	-	-
Contribution to capital increases of non-controlling interests	-	-	-	-
Other comprehensive income				
- Currency translation differences	-	-	8.194.812	-
- Actuarial gain/(loss) arising from defined benefit plans	-	(7.583.072)	-	-
Total other comprehensive income	-	(7.583.072)	8.194.812	-
Net profit for the period	-	-	-	-
Total comprehensive income/(expense)	-	(7.583.072)	8.194.812	-
Balances at December 31, 2016	24.300.000	(16.076.250)	22.781.040	40.181.456

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

Accumulated Profits				
Retained earnings	Net profit/ (loss) for the year	Equity attribute table to equity holders of the parent	Non- controlling interest	Total shareholder's equity
(13.524.451)	83.058.187	132.939.742	11.345.517	144.285.259
83.058.187	(83.058.187)	-	-	-
(80.068.500)	-	(72.900.000)	-	(72.900.000)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	8.194.812	2.174.693	10.369.505
-	-	(7.583.072)	(14.653)	(7.597.725)
-	-	611.740	2.160.040	2.771.780
-	26.836.035	26.836.035	703.690	27.539.725
-	26.836.035	27.447.775	2.863.730	30.311.505
(10.534.764)	26.836.035	87.487.517	14.209.247	101.696.764

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD OF 1 JANUARY – 31 DECEMBER 2017

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

	Notes	Audited January 1- December 31, 2017	Audited January 1- December 31, 2016
A. Cash flows from operating activities		183.518.445	50.452.074
Net period profit/ loss		86.401.175	27.539.725
Adjustment for reconciliation of net for the period profit/ loss		112.369.980	26.295.508
Adjustment related depreciation and amortisation expense	11, 12	38.492.674	36.347.837
Adjustments related impairment (reversals)	12	1.985.128	2.419.851
Adjustment related to provisions		12.132.118	7.901.552
for			
- Adjustment related to provisions employee benefits		9.253.288	7.704.310
- Adjustments related other provisions (reversals)		2.878.830	197.242
Adjustments related to interest income and expense	22, 23	13.521.801	11.645.634
- Adjustment related to interest income		(4.792.257)	(5.824.390)
- Adjustment related to interest expense		18.314.058	17.470.024
Adjustment related to unrealized related foreign exchange translation differences		37.427.690	(33.928.134)
Adjustment related to tax (income) expense		20.982.295	10.876.557
Adjustment related to undistributed profit of investments are accounted by the equity method	6	(11.527.783)	(7.781.721)
Adjustment related to (gain/ loss) on sales of property, plant and equipment, net		(643.943)	(1.186.068)
Changes in working capital		20.852.074	25.791.369
Increase/decrease in financial investments		(2.798.302)	952.324
Adjustment related to increase/decrease in trade receivables		(26.602.988)	(19.494.445)
-Increase/decrease in due from related parties		(663.928)	181.420
-Increase/decrease in due from third parties		(25.939.060)	(19.675.865)
Adjustment related to increase/decrease in other receivables related with operations		(5.641.290)	(1.408.256)
Adjustment related to increase/decrease in inventories		(1.266.164)	(1.351.644)
Increase/decrease in prepaid expenses		152.062	(4.107.618)
Adjustment related to increase/decrease in trade payables		12.939.852	14.085.000
-Increase/decrease in due to related parties		4.257.827	1.051.255
-Increase/decrease in due to third parties		8.682.025	13.033.745
Increase/decrease in payables related to employee benefits		3.206.378	2.767.730
Adjustment related to increase/decrease in other payables related with operations		40.862.526	34.348.278
Cash flows from operating activities		219.623.229	79.626.602
Payment related to provisions for employee benefit		(9.913.189)	(10.947.937)
Payments related to other provision		(117.285)	-
Tax payments/returns		(26.074.310)	(18.226.591)

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD OF 1 JANUARY – 31 DECEMBER 2017

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

	Notes	Audited January 1– December 31, 2017	Audited January 1– December 31, 2016
B. Cash flows from investing activities		(50.247.321)	(29.034.297)
Cash outflows due to purchase of shares or capital increase of associates and/or joint ventures		(7.554.249)	(4.987.426)
Cash inflows from the sale of property, plant and equipment and intangible asset		935.439	1.877.237
- Cash inflows from the sale of property, plant and equipment		935.439	1.808.773
- Cash inflows from the sale of intangible assets		-	68.464
Cash outflows from the purchase of property, plant and equipment and intangible asset		(44.678.511)	(25.924.108)
- Cash outflows from the purchase of property, plant and equipment	11	(19.002.860)	(20.767.928)
- Cash outflows from the purchase of intangible asset	12	(25.675.651)	(5.156.180)
Dividend received		1.050.000	-
C. Cash flows from financing activities		(62.548.449)	(84.422.927)
Cash inflows from financial liabilities		130.949.500	248.116.298
Cash outflows due to debt payments of financial liabilities		(149.601.147)	(247.501.626)
Dividend paid		(30.375.001)	(72.900.000)
Interest paid		(18.314.058)	(18.010.156)
Interest received		4.792.257	5.872.557
Net increase/ decrease in cash and cash equivalents, before the effect of foreign currency translation differences		70.722.675	(63.005.150)
D. Impact of foreign currency translation differences		(22.779.003)	606.330
Net increase/decrease in cash and cash equivalents		47.943.672	(62.398.820)
E. Cash and cash equivalents at beginning of period		65.460.743	127.859.563
Cash and cash equivalents at end of period	4	113.404.415	65.460.743

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017

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

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS OF THE GROUP

Çelebi Hava Servisi Anonim Şirketi (referred as the "Company" or "Çelebi Hava") established in 1958 as the first private ground handling service company in the Turkish aviation sector. The Company provides ground handling services (representation, traffic, ramp, cargo, flight operations and aircraft maintenance etc), fuel supplies to domestic and foreign airlines and private cargo companies, cargo services and warehouse operations. The Company operates in İstanbul Atatürk, İstanbul Sabiha Gökçen, İzmir, Ankara, Adana, Antalya, Dalaman, Bodrum, Çorlu, Bursa Yenişehir, Diyarbakır, Erzurum, Kayseri, Samsun, Trabzon, Van, Malatya, Kars, Mardin, Denizli, Hatay, Kahramanmaraş, Isparta, Erzincan, Çanakkale, Balıkesir Edremit, Iğdır, Kocaeli, Bingöl, Hakkari airports, which are under the control of the State Airports Administration ("DHMI") and Istanbul Sabiha Gokcen airport which is under the control of the Airport Administration and Aviation Industries A.Ş. ("HEAS"). The company is 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 Istanbul "BIST" since November 18, 1996. As of December 31, 2017, the Company's free float rate is 21,64% (December 31, 2016: 21,64%).

The address of the Company is as follows:

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

The Group consists of the Company and its subsidiaries, joint ventures and associate. The average number of employees employed by the Group for the year ended December 31, 2017 is 12.657 (December 31, 2016: 12.278).

Information on Subsidiaries, Joint Ventures, and Associate:

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

Subsidiaries of the Group are as below:

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

(*) As of December 31, 2017 Çelebi Spain has no operational activity.

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

As of December 31, 2017, total paid in capital of CGHH is 200.000.000 Hungarian forint.

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

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

As a result of the winning the tender for providing ground handling services at Delhi International Airport for a 10 years period in order to fulfill the requirements to meet the obligations and make the planned investments outlined in the Concession Agreement signed between Celebi GH Delhi and the tender to authority, the Company has made a premium capital increase amounting to 1.248.210.540 Indian Rupee on its subsidiary of Çelebi Ground Handling Delhi Private Limited ("Celebi GH Delhi"), which is established on November 18, 2009 with a share capital of 23.890.000 Indian Rupee with a shareholding rate of 74%. On May 22, 2017, the Company acquired 25,9% share of Çelebi GH Delhi and reached to an ownership rate of 99,9%. Çelebi GH Delhi has signed a concession agreement to provide ground handling services at Cochin International Airport for 7 years period, 5 years of which is fixed and 2 years is extensible.

Çelebi Kargo Depolama ve Dağıtım Hizmetleri A.Ş. ("Çelebi Kargo") was established on November 20, 2008 to carry out transportation, cargo storage and distribution activities. Celebi Cargo GmbH ("Celebi Cargo"), the subsidiary of Çelebi Kargo with a 100% ownership, was established on November 2009 and has share capital amounting to EUR 32.100.000, rented storage and warehouse facilities at International Frankfurt Airport Cargo (Frankfurt Cargo City Süd) and carry out flight cargo storage and handling services. As of December 31, 2017, the paid share capital of Çelebi Kargo is TL 114.000.000.

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

Joint venture:

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

Joint Venture	Registered Country	Geographical region	Nature of business
Celebi Nas	India	India	Ground handling services

In the sequel of winning the tender of rendering ground handling services for a 10 years period in Mumbai Chhatrapati Shivaji International Airport (CSIA) in Mumbai, India by the consortium in which the Company takes part, a joint venture of the Company has been established on December 12, 2008 with the trade name of "Celebi Nas Airport Services India Private Limited ("Celebi Nas") resident in Maharashtra, Mumbai, India. The Company has participated as the founding partner in Çelebi Nas and has 57% shareholding where the share capital of Çelebi Nas is 552.000.000 Indian Rupee. A premium capital increase of 228.000.000 Indian Rupee has been paid by the shareholders of Çelebi 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, Çelebi Nas is accounted using the equity method and treated as a joint venture. On April 8, 2015, Çelebi 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.

Associate:

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

Associate	Registered Country	Geographical region	Nature of business
DASPL	India	India	Ground handling services

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

As of December 31, 2017, the consolidated financial statements of the Group contains the Company, Celebi Nas, CGHH, Tasfiye halinde Çelebi Güvenlik, Celebi Delhi Cargo, Celebi GH Delhi, Çelebi Kargo, DASPL and Celebi Cargo (all together will be referred as "the Group").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017

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

Consolidated financial statements of the Group for the period ended January 1 – December 31, 2017 has been approved for the issuance by the Board of Directors on March 12, 2018 and signed by Osman Yılmaz, the General Manager, and Deniz Bal, the Accounting and Finance Director, on behalf of Board of Directors.

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of presentation

2.1.1 Financial reporting standards

The Group's consolidated financial statements and disclosures have been prepared in accordance with the communiqué numbered II-14,1 "Communiqué on the Principles of Financial Reporting In Capital Markets" (the Communiqué) announced by the Capital Markets Board ("CMB") on June 13, 2013 which is published on Official Gazette numbered 28676. In accordance with article 5th of the CMB Reporting Standards, companies should apply Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS"/ "TFRS") and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA").

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

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

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

Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in TL, which are the functional currency of the Çelebi Hava and the presentation currency of the Group. As of December 31, 2017, the currency of Group's entities are as below.

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

Going Concern

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

2.1.2 Amendments in International Financial Reporting Standards (IFRS)

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2017 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2017. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2017:

TAS 7 Statement of Cash Flows (Amendments)

In December 2017, POA issued amendments to TAS 7 'Statement of Cash Flows'. The amendments are intended to clarify TAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. When the Group first applies those amendments, it is not required to provide comparative information for preceding periods. Group disclosed additional information in the accompanying consolidated financial statements.

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

In December 2017, POA issued amendments to TAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are retrospectively applied for annual periods beginning on or after January 1, 2017.

Annual Improvements to TFRSs - 2014-2016 Cycle

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

- TFRS 12 Disclosure of Interests in Other Entities: This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with TFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The amendments did not have an impact on the financial position or performance of the Group.

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

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

TFRS 15 Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 effective date is January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required.

Group's airport ground handling and cargo and warehouse services generally involve more than one performance obligation, however, such performance obligations are clearly distinct and can be fulfilled separately and independently. Additionally, the performance obligations are priced separately according to the tariffs determined in terms of airport ground handling services. In addition, in various sales contracts of the Group, there are special discount conditions defined specifically for the customers, as quota discounts or discounts for serving more than one service. However, the Group management periodically calculates and account the required reserves and accruals for the special discount conditions. The Group management believes that the new standard will not have a significant impact on the Group's financial position or performance.

TFRS 9 Financial Instruments

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted by applying all requirements of the standard. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard. The Group has performed an impact assessment for TFRS 9.

This assessment is based on existing information and may be subject to further analysis or changes from additional supportable information. The Group does not expect any significant effect on the statement of financial position or shareholders' equity due to the classification and measurement requirements of TFRS 9. Financial assets measured at fair value are expected to continue to be measured at fair value. Loans and receivables are held to provide contingent cash flows and lead to cash flows from principal and interest. The Group has analyzed the contingent cash flow characteristics of these financial instruments and decided that they should be presented at amortized cost in accordance with TFRS 9. Therefore, reclassification of these financial instruments will not be applicable. Nevertheless, the Group continues to carry out an assessment of the expected credit loss in accordance with the credit risk arising from its receivables.

TFRS 4 Insurance Contracts (Amendments)

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

TFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation issued by POA on December 2017 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

In December 2017, POA issued amendments to TFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

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

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

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

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

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

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

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

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

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

In December 2017, POA issued amendments to TAS 40 'Investment Property '. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

Annual Improvements to TFRSs - 2014-2016 Cycle

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

- TFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some TFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after 1 January 2018.
- TAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying TFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017

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

iii) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

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

IFRS 16 Leases

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

IFRIC 23 Uncertainty over Income Tax Treatments

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

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

(a) whether an entity considers uncertain tax treatments separately;

(b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;

(c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and

(d) how an entity considers changes in facts and circumstances.

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

IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

In October 2017, the IASB issued minor amendments to IFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

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

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

Annual Improvements – 2015–2017 Cycle

In December 2017, the IASB announced *Annual Improvements to IFRS Standards 2015–2017 Cycle*, containing the following amendments to IFRSs:

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

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

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

On 7 February 2018, the IASB published Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" to harmonise accounting practices and to provide more relevant information for decision-making. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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.

2.1.4. Basis of Consolidation

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

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

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

Subsidiary		Ownership interest (%)
	December 31, 2017	December 31, 2016
Tasfiye halinde Çelebi Güvenlik [2]	94,8	94,8
CGHH	100,0	100,0
Celebi Delhi Cargo	74,0	74,0
Celebi GH Delhi	99,9	74,0
Celebi Spain [1]	100,0	100,0
Çelebi Kargo	99,9	99,9
Celebi Cargo	99,9	99,9

[1] As of December 31, 2017, The Group has 100% directly and indirectly ownership interest of Çelebi Spain who is inactive and is not significant to the consolidated financial statements of the Group. Accordingly, Celebi Spain is not consolidated in the consolidated financial statements and accounted as available for sale financial asset (Note 5).

[2] Pursuant to the resolution of Ordinary General Assembly meeting of Çelebi Güvenlik which have a capital of TL 1.906.736 and participated by the Company with an ownership rate of 94,8%, the liquidation process started as of December 31, 2013 and trade name of the Company was changed into Tasiye halinde Çelebi Güvenlik. As of December 31, 2017, since Tasfiye halinde Çelebi Güvenlik is not significant to the consolidated financial statements of the Group, no additional presentation was made in accordance with IFRS 5 Assets Held for Sale and Discontinued Operations.

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

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

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

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

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

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

Financial investment		Ownership interest (%)
	December 31, 2017	December 31, 2016
Çelebi Spain	100,00	100,00

2.2. Changes in accounting policies

2.2.1 Comparative information

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

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

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

Income from delay interest charges to the customers amounting to TL 852.357, accounted in financial income for the period January 1 - December 31, 2016, is reclassified to other operating income in the accompanying consolidated statement of profit or loss.

Trade payables amounting to TL 430.206 which is accounted in due to third parties in the consolidated statement of financial position as of December 31, 2016 is reclassified to due to related parties in the accompanying consolidated statement of financial position.

2.3 Summary of Significant Accounting Policy Changes

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

2.3.1 Cash and Cash Equivalents

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

2.3.2 Revenue

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

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

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

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

Since the gross revenue of CGHH is not subjected to concession fee payment to authorities, revenue of CGHH has not been net-off in the consolidated financial statements.

2.3.3 Property, plant and equipment

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

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

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

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

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

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

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

The economic useful lives of the equipment for the equipment of the Group uses at an airport where concession right has obtained has been reassessed and economic life has been increased by changing estimates. This increase in useful lives resulted in a decrease of TL 723.290 in total depreciation in the current period compared to the previous period.

2.3.4 Intangible Assets

a) Goodwill

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

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

b) Contractual customer relationships

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

c) Computer software

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

d) Service Concession Arrangements & Build Operate – Transfer Investment

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

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

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

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

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

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

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

Celebi Nas	12 years
Celebi Delhi Cargo	25 years
Celebi GH Delhi	10 years

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

Celebi Delhi Cargo

An Agreement regarding improvement, modernization, financing and 25 years finite operating rights of the airport located in Delhi city of India has been signed on August 24, 2009. The deposit amount of INR 1.453.873.935 was paid in total.

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Celebi Nas

Operating rights agreement providing ground services of airport in Mumbai, India for 11 years was signed on November 14, 2008. The amount of INR 210.000.000 paid as a deposit. As of December 31, 2017 INR 82.500.000 of the deposit amount had been recovered back.

Celebi Nas has signed a "concession agreement" with Mumbai International Airport Private Limited ("MIAL"), the operator of the CSIA International Airport in which Celebi Nas operates. The content of the agreement covers the rendering of services regarding air conditioners and generators mounted on passenger boarding bridges in the passenger terminal of the mentioned airport. Celebi Nas has been granted the concession rights until May 2036 within the scope of the concession agreement. The deposit amount of INR 150.000.000 as deposit was paid.

Celebi GH Delhi

An agreement for providing ground handling services for a period of 10 years at the airport in Delhi city of India has been signed on June 2, 2010 and INR 400.000.000 deposit has been paid. Additionally, a deposit amounting of INR 52,500,000 has been paid within the scope of the concession agreement signed for providing services at Cochin International Airport for 5 + 2 years.

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

2.3.5 Inventories

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

2.3.6 Impairment of Assets

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

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

2.3.7 Financial Liabilities and Borrowing Costs

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

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

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2.3.8 Financial Instruments

Trade receivables

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

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

Financial assets

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

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of financial assets classified as available for sale, a significant or prolonged decline in the fair value of the assets below its cost is considered as an indicator that the assets are impaired. If there is such evidence for available-for-sale financial assets, the cumulative loss which has been transferred from shareholder's equity to comprehensive income statement of the period measured by deducting fair values losses from the difference between the acquisition cost and the current fair value that is related to this financial asset which is previously recognized in profit/loss, and is reflected as an expense on the comprehensive income statement of the period.

The unrealized gains and losses arising from changes in the fair value of available-for-sale securities are recognized in equity. Gains and losses previously recognized in equity are transferred to the statement of profit or loss when such available-for-sale financial assets are derecognized.

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

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

2.3.9 Trade Payables

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

2.3.10 Business Combinations and Goodwill

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

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

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

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

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

2.3.11 Foreign Currency Transactions

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

2.3.12 Earnings per Share

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

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

2.3.13 Subsequent Events

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

2.3.14 Provisions, Contingent Liabilities and Contingent Assets

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

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

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

2.3.15 Leases

Financial lease

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

Operational lease

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

2.3.16 Related Parties

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

(a) A person or a close member of that person's family is related to a reporting entity if that person

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.3.17 Segment Reporting

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

2.3.18 Taxes on Income

Current Tax Expense and Deferred Tax

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

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

Income Tax

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

According to Turkish tax legislation, legal or business centers institutions in Turkey is subject to corporate tax. The corporate tax rate in Turkey is 20%, however, according to Provisional Article 10 added to the Corporate Tax Act, the 20% corporate tax rate, will be applied as 22% for the corporate earnings of the institutions in the taxation periods of 2018, 2019 and 2020 (accounting periods for the institutions appointed for the special accounting period). The corporate tax rate is applied to the net corporate income to be deducted from deduction of exemptions and reductions in tax laws and an addition of expenses not subject to deduction according to tax legislation. The corporate tax is declared until the evening of the twenty-fifth day of the fourth month following the year in which it is relevant and paid until the end of the relevant month. However, According to the Turkish tax legislation, legal or business centers institutions in Turkey, 20% over the quarterly profit (22% for taxable year 2018, 2019 and 2020) provisional tax is calculated and the corresponding period of the second month until the 14th day declare the results of the relevant period and pay the temporary tax calculated until the evening of the seventeenth day. The temporary tax paid during the year belongs to that year and is deducted from the corporate tax that will be calculated over the tax declaration of the corporations that will be given in the following year. If the amount of tax paid remained despite offsetting, tax paid can be deducted from this amount can be received in cash. As of December 31, 2017, and 2016, the tax provision has been set aside under the current tax legislation.

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

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

Turkish tax legislation does not permit a parent company, its subsidiaries, to file a tax return on its consolidated financial statements. Therefore, the tax liabilities of the Group's consolidated financial statements are calculated separately for all companies included in the scope of consolidation. The taxes payable on the statement of financial position as of December 31, 2017, and December 31, 2016, are netted off for each Subsidiary and are separately classified in the Consolidated Financial Statements.

Deferred Tax

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

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

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

As of January 1, 2018, due to the fact that the tax rate for 2018, 2019 and 2020 has been changed to 22%, as of December 31, 2017, the deferred tax calculation used a tax rate of 22% for temporary differences expected to be realized and settled within 3 years (in 2018, 2019 and 2020). However, 20% tax rate is used for the current differences expected and expected to be incurred after 2020 since the tax rate applicable for post-2020 corporations is 20%.

Turkish tax legislation does not permit a parent company, its subsidiaries, to file a tax return on its consolidated financial statements. Therefore, the tax liabilities of the Group's consolidated financial statements are calculated separately for all companies included in the scope of consolidation. The taxes payable on the statement of financial position as of December 31, 2017, and December 31, 2016, are netted off for each Subsidiary and are separately classified in the Consolidated Financial Statements.

2.3.19 Employee Benefits

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

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

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

After the legislative amendment on May 23, 2002, some transition process items related to the previous service period before retirement were issued. The amount payable consists of one month's salary for each year of service and is limited to TL 4,732.48 as of 31 December 2017 (31 December 2016: TL 4,297.21).

<u>Provision for unused vacation rights</u>

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

2.3.20 Statement of Cash Flows

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

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

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

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

2.3.21 Dividends

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

2.3.22 Paid-in Capital

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

2.3.23 Offsetting

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

2.3.24 Derivative financial instruments

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

2.4 Critical Accounting Estimates and Assumptions

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

(a) Goodwill impairment tests

As explained in Note 2.3.4 the Group performs impairment tests on goodwill annually at December 31 or more frequently if events or changes in circumstances indicate that it might be impaired. As of December 31, 2017, the identified impairment has been recorded as a result of analysis made by Group.

(b) Impairment of intangible assets

According to the accounting policy stated in Note 2.3.4. the intangible assets are disclosed with their net value after the deduction of the accumulated depreciation, if any, and the value subtracted from the acquisition costs.

(c) Provisions

In accordance with the accounting policy mentioned in Note 2.3.14, provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when reliable estimate can be made of the amount of the obligation. In this context, the Group has evaluated the legal proceedings and damage claims raised against in courts as at December 31, 2017 and for the ones where the Group estimates a probability of losing the cases in courts, necessary provisions are accounted for in the consolidated financial statements (Note 13).

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

In accordance with the accounting policy mentioned in Note 2.3.18, a provision is made for the tax liability of current year calculated with tax rates which are valid on the balance sheet date over the portion of period income estimated based on period results of the Group as of balance sheet date. Tax legislation of jurisdictions, in which the subsidiaries and subsidiaries subject to joint control of the Group operates, are subject to different interpretations and may be amended. In this scope, interpretation of tax legislation by tax authorities related to operations of subsidiaries and subsidiaries subject to joint control of the Group may differ from the interpretation of the management. Therefore, transactions may be interpreted in a different manner by tax authorities and the Group may be exposed to additional tax, fines and interest payments.

As of December 31, 2017, the Group has reviewed possible tax fines which may source from its subsidiaries and subsidiaries subject to joint control and has not considered to make any provisions.

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

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

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

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

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

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

(i) The Group has made a provision at an amount of TL 34.148.213 in its consolidated financial statements for mandatory replacement investments, which are anticipated to be realized in following years, as of December 31, 2017 (December 31, 2016: TL 25.445.889). The aforementioned provision is the discounted amount of mandatory replacement expenditures which shall be made in the following years to December 31, 2017 and its current value is calculated through using average 8,04% (December 31, 2016: 8,04%) as per years.

ii) Amount of Concession Rights, designated in intangible assets, is determined through adding profit margin applied to construction services in identical nature in the market over the costs which shall be incurred by the Group for the development and modernization of cargo terminal in scope of abovementioned concession arrangement as of inception date to the investments. The aforementioned costs are included in intangible assets with their discounted values. Profit margin is applied as 2% (December 31, 2016: 2%) while discount rate is applied as 7,25% (December 31, 2016: 7,25) for the year ending as of December 31, 2017.

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

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

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

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

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

Note 11 and 12 - Property, plant and equipment and Intangible assets

Note 12 - Intangible assets

Note 17 - Employee benefit obligations

Note 28 - Tax assets and liabilities

Note 8 - Trade receivables and payables

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NOTE 3 - SEGMENT REPORTING

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

The management considers the Group within the views named geographic and operational segments. They are assessing the Group's performance on an operating segment basis; Ground Handling Services, Security Services, Cargo and Warehouse Services. Reportable operating segment revenues are Ground Handling Services, Cargo and Warehouse Services. The management assesses the performance of the operating segments based on a measure of EBITDA after offsetting amount that does not have any cash-flow effect, regarding to operating leases are excluded, IFRIC 4-12 expense effect, prepaid allocation cost, retirement pay liability and unused vacation provision and impairment of fixed assets.

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

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

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

	Operation Groups			
January 1 – December 31, 2016	Ground Handling Services	Cargo and Warehouse Services	Consolidation Adjustments	Consolidated
Revenue-net	482.844.099	226.918.831	(238.239)	709.524.691
Cost of sales	(339.138.568)	(203.976.896)	-	(543.115.464)
Gross profit	143.705.531	22.941.935	(238.239)	166.409.227
General administrative expenses	(81.389.583)	(24.288.053)	727.664	(104.949.972)
Addition: Depreciation and amortization	23.839.738	12.508.099	-	36.347.837
Addition: Operating lease equalization	48.521	8.462.665	-	8.511.186
Addition: Effect of IFRIC 4-12 shares	-	3.445.158	-	3.445.158
Addition: Prepaid allocation cost expense	1.155.072	-	-	1.155.072
Addition: Retirement pay liability and unused vacation provisions	4.935.468	863.114	-	5.798.582
Addition: Impairment of fixed assets	-	2.419.851	-	2.419.851
Effect to investments accounted by using equity method on EBITDA	17.674.895	35.469	-	17.710.364
EBITDA	109.969.642	26.388.238	489.425	136.847.305

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

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

	January 1- December 31, 2017	January 1- December 31, 2016
EBITDA for reported segments	238.564.832	136.847.305
Depreciation and amortization	(38.492.674)	(36.347.837)
Operating lease equalization	(9.195.684)	(8.511.186)
Effect of IFRIC 4-12	(6.854.881)	(3.445.158)
Other operating income	22.521.334	9.282.012
Other operating expenses (-)	(17.262.508)	(10.963.591)
Addition: Prepaid allocation cost expense	(1.155.072)	(1.155.072)
Retirement pay liability and unused vacation provisions	(9.735.295)	(5.798.582)
Addition: Impairment of fixed assets	-	(2.419.851)
EBITDA effect of investments accounted using the equity method	(30.028.029)	(17.710.364)
Operating profit	148.362.023	59.777.676
Share of profit from investments accounted using the equity method	11.527.783	7.781.721
Income from investment activities	1.113.674	1.481.129
Expenses from investment activities (-)	(2.454.859)	(295.060)
Financial income	19.701.438	23.815.822
Financial expenses (-)	(70.866.589)	(54.145.006)
Profit before tax	107.383.470	38.416.282

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

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

Total Assets

	December 31, 2017	December 31, 2016
Turkey	517.942.130	406.090.754
India	330.186.664	253.668.293
Hungary	93.293.540	77.377.440
Germany	28.236.749	38.628.635
Segment assets (*)	969.659.083	775.765.122
Unallocated assets (*)	142.598.016	99.454.035
Deduction: Inter-segment elimination	(276.214.913)	(185.396.629)
Total assets as per consolidated financial statements	836.042.186	689.822.528

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

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

Total liabilities

	December 31, 2017	December 31, 2016
Turkey	88.793.858	68.861.941
India	210.816.171	170.935.044
Hungary	17.252.212	12.951.773
Germany	22.526.078	40.989.731
Segment liabilities (*)	339.388.319	293.738.489
Unallocated liabilities (*)	346.999.617	328.402.270
Deduction: Inter-segment elimination	(19.200.924)	(34.014.995)
Total liabilities as per consolidated financial statements	667.187.012	588.125.764

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

Geographical region

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

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

Geographical segment analysis of the operating profit/ (loss) for the period January 1 – December 31, 2016 is as follows:

	Turkey (*)	Hungary	India	Germany	Total Combined	Intersegment Adjustment	Total
Revenue	406.575.372	91.892.586	134.714.831	76.255.134	709.437.923	86.768	709.524.691
Cost of sales	(280.234.974)	(60.302.628)	(111.472.493)	(91.105.369)	(543.115.464)	-	(543.115.464)
Gross profit	126.340.398	31.589.958	23.242.338	(14.850.235)	166.322.459	86.768	166.409.227
General administrative expenses	(67.361.371)	(11.841.473)	(16.259.052)	(9.802.246)	(105.264.142)	314.170	(104.949.972)
Other operating income/ expenses - net	1.061.254	5.755	248.694	(2.611.424)	(1.295.721)	(385.858)	(1.681.579)
Operating profit/ (loss)	60.040.281	19.754.240	7.231.980	(27.263.905)	59.762.596	15.080	59.777.676

*Profit/ loss amounts related to rent operations of Çelebi Hava starting in April 2017 in Frankfurt are included in total.

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NOTE 4 - CASH AND CASH EQUIVALENTS

	December 31, 2017	December 31, 2016
Cash	276.193	388.366
Banks	106.670.336	65.038.016
- time deposit	75.185.656	46.375.184
- demand deposit	31.484.680	18.662.832
Other (Liquid fund)	6.625.712	51.435
	113.572.241	65.477.817

As of December 31, 2017, effective interest rates on TL, EUR, USD and INR denominated time deposits are 14,20%, 1,60%, 3,20% and 5,25% respectively. (December 31, 2016: TL 9,27%, EUR 2,39%, USD 1,93%, INR 5,00%). As of December 31, 0217 the maturity days of denominated time deposits are 4 days for TL, EUR and USD and 10 days for INR (December 31, 2016: INR 20-60 days, TL, EUR 1-14 days, USD 1-3 days).

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

	December 31, 2017	December 31, 2016
Cash and banks	106.946.529	65.426.382
Other	6.625.712	51.435
Less: Interest accruals	(167.826)	(17.074)
	113.404.415	65.460.743

NOTE 5 - FINANCIAL INVESTMENTS

Restricted Bank Balances:

	December 31, 2017	December 31, 2016
Restricted bank balances (*)	13.369.356	10.721.807
	13.369.356	10.721.807

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

Available-for-sale financial assets:

	December 31, 2017		December 31, 2016	
	%	TL	%	TL
DASPL (**)	-	-	24,99	3.616.398
Celebi Spain (*)	100,00	20.527	100,00	20.525
		20.527		3.636.923

(*) As at December 31, 2017, Celebi Spain, which is non-operational, is not significant to the consolidated financial statements of the Group, accordingly accounted as available for sale financial assets with the cost amount less impairment, if any, in the consolidated financial statements of the Group.

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

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NOTE 6 - INVESTMENT ACCOUNTED BY USING THE EQUITY METHOD

	%	December 31, 2017	%	December 31, 2016
Çelebi Nas	57,00	59.201.097	57,00	42.739.300
DASPL (*)	24,99	5.790.207	-	-
		64.991.304		42.739.300

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

The movements of investments accounted using the equity method during the periods ended December 31, 2017 and December 31, 2016 are as follows:

	December 31, 2017	December 31, 2016
As of January 1	42.739.300	26.204.104
Share of profit/ loss	11.527.783	7.781.721
Currency translation differences	7.094.789	4.795.325
Transfers to investments accounted by using the equity method (*)	3.616.398	2.705.387
Shares from retained earnings	1.206.775	-
Actuarial gains/losses from defined benefit plans	(143.741)	(151.936)
Equity effect on acquisition of additional shares	-	1.404.699
Dividend payments (**)	(1.050.000)	-
As of December 31	64.991.304	42.739.300

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

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

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

	January 1- December 31, 2017	January 1- September 31, 2016
Çelebi Nas	10.487.861	7.781.721
DASPL	1.039.922	-
	11.527.783	7.781.721

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

Summary of financial statements of Çelebi Nas is as follows:

	December 31, 2017	December 31, 2016
Total Assets	187.460.245	150.812.440
Total Liabilities	88.344.963	80.577.504

	January 1 - December 31, 2017	January 1 - December 31, 2016
Revenue	119.575.076	127.170.302
Net profit/ (loss) for the period	18.399.756	14.148.584

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Summary of financial statements of DASPL is as follows:

	December 31, 2017	December 31, 2016
Total Assets	39.007.085	43.176.571
Total Liabilities	15.647.774	21.840.887

	January 1 - December 31, 2017	January 1 - December 31, 2016
Revenue	23.642.807	21.381.646
Net profit/ (loss) for the period	4.161.350	4.014.252

NOTE 7 - SHORT TERM AND LONG TERM FINANCIAL LIABILITIES

Short term financial liabilities:

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

Short-term portion of long-term financial liabilities:

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

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Long-term financial liabilities:

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

Short term financial liabilities:

	December 31, 2016		
	Effective interest rate (%)	Original balance	TL
Short term borrowings:			
EUR Borrowings	1,70 - 3,35	5.500.000	20.404.450
INR Borrowings	10,60 - 12,00	84.486.669	4.385.703
			24.790.153
Short-term finance lease obligations			
USD finance lease obligations	11,20	24.307	85.540
EUR finance lease obligations	11,20	21.785	80.819
			166.359
Total short term financial liabilities			24.956.512

Short-term portion of long-term financial liabilities:

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

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Long-term financial liabilities:

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

The redemption schedules of financial liabilities of the Group as at December 31, 2017 and December 31, 2016 are as follows:

	December 31, 2017	December 31, 2016
Less than 3 months	2.207.104	24.755.017
Between 3-12 months	56.629.344	128.730.665
Between 1-5 years	282.516.358	169.091.081
	341.352.806	322.576.763

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

	December 31, 2017	December 31, 2016
Between 1-2 years	126.364.283	57.028.113
Between 2-3 years	115.045.922	83.839.945
Between 3-4 years	8.515.482	28.009.745
4 years and more	24.731.716	-
	274.657.403	168.877.803

The remaining repricing periods for the Group's floating interest rate borrowings as at 31 December 2017 and 31 December 2016 are as follows:

	December 31, 2017	December 31, 2016
Less than 3 months	798.057	10.655.100
Between 3-12 months	10.188.865	20.065.172
Between 1-5 years	127.677.878	73.347.879
	138.664.800	104.068.151

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

	December 31, 2017			December 31, 2016		
	Minimum financial lease payments	Interest	Total obligation	Minimum financial lease payments	Interest	Total obligation
Less than 1 year	1.083.939	(741.123)	342.816	182.497	(16.138)	166.359
Between 1-2 years	1.071.564	(712.847)	358.717	96.535	(9.338)	87.197
Between 2-3 years	1.006.845	(683.659)	323.186	92.631	(4.633)	87.998
Between 3-4 years	958.718	(656.630)	302.088	38.597	(514)	38.083
4 years and more	11.832.572	(4.957.608)	6.874.964	-	-	-
	15.953.638	(7.751.867)	8.201.771	410.260	(30.623)	379.637

Movement of financial liabilities for the period ended December 31, 2017 is as follows:

	2017
As of January 1	322.576.763
Addition in current year	130.949.500
Principal and interest payments	(149.841.942)
Change in exchange differences	37.427.690
Change in interest accruals	240.795
As of December 31	341.352.806

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables

	December 31, 2017	December 31, 2016
Due from third parties	122.450.352	96.514.411
Less: Provision for doubtful receivables	(6.112.405)	(2.996.580)
Trade receivables from third parties (net)	116.337.947	93.517.831
Due from related parties (Note 30)	1.702.170	1.038.242
Total short-term trade receivables	118.040.117	94.556.073

The Group assesses the possibility of collection of its trade receivables by taking into consideration the previous experience, the guarantees obtained and other objective information. The Group accounts provision for doubtful receivables for the non-collectible receivables which the Group obtained objective information. Group management does not foresee any additional provision for doubtful receivables recorded as of December 31, 2017.

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Movements of provision for doubtful receivables is as follows:

	December 31, 2017	December 31, 2016
Opening balance	2.996.580	2.934.385
Foreign currency translation differences	240.114	79.125
Collections and provision reversals	(3.119)	(26.749)
Additional provisions in current period	2.878.830	9.819
Closing balance	6.112.405	2.996.580

Credit risks exposed by the Group for each financial instrument type as of December 31, 2017 and 2016 are shown below:

	Trade receivables		Other receivables		
December 31, 2017	Related party	Other	Related party	Other	Bank deposits (*)
The maximum of credit risk exposed at the reporting date	1.702.170	116.337.947	-	41.492.374	120.039.692
- Amount of risk covered by guarantees	-	*5.820.013*	-	-	-
Net carrying value of financial assets which are not due or not impaired	1.702.170	73.333.624	-	41.492.374	120.039.692
Net carrying value of financial assets which are overdue but not impaired	-	43.004.323	-	-	-
- Amount of risk covered by guarantees	-	*5.009.731*	-	-	-
Net carrying value of impaired assets	-	6.112.405	-	-	-
- Overdue (gross carrying value)	-	-	-	-	-
- Impairment amount (-)	-	(6.112.405)	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

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

	Trade receivables		Other receivables		
December 31, 2016	Related party	Other	Related party	Other	Bank deposits (*)
The maximum of credit risk exposed at the reporting date	1.038.242	93.517.831	-	33.532.667	75.759.823
- Amount of risk covered by guarantees	-	*3.085.994*	-	-	-
Net carrying value of financial assets which are not due or not impaired	1.038.242	59.461.370	-	33.532.667	75.759.823
Net carrying value of financial assets which are overdue but not impaired	-	34.056.461	-	-	-
- Amount of risk covered by guarantees	-	*1.521.441*	-	-	-
Net carrying value of impaired assets	-	2.996.580	-	-	-
- Overdue (gross carrying value)	-	*(2.996.580)*	-	-	-
- Impairment amount (-)	-	-	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

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

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

	December 31, 2017	December 31, 2016
Overdue 1 month	17.121.644	9.854.813
Overdue 1-3 months	15.489.682	14.691.727
Overdue 3-12 months	6.648.675	7.067.233
Overdue 1-5 years	3.744.322	2.442.688
	43.004.323	34.056.461

Credit risk covered by guarantees of overdue receivables that are not impaired as of December 31, 2017 is 5.009.731 TL. (December 31, 2016: 1.521.441)

Short term trade payables

	December 31, 2017	December 31, 2016
Trade payables to third parties	58.964.865	46.333.228
Accrued liabilities	7.169.892	11.119.503
Total trade payables to third parties	66.134.757	57.452.731
Due to third parties (Note 30)	11.262.592	7.004.765
Total trade payables	77.397.349	64.457.496

NOTE 9 - OTHER RECEIVABLES AND PAYABLES

	December 31, 2017	December 31, 2016
Receivables from tax office	6.037.026	7.646.992
Deposits and guarantees given	2.402.694	628.523
	8.439.720	8.275.515

Other long term receivables

	December 31, 2017	December 31, 2016
Deposits and guarantees given (*)	34.828.278	25.257.152
	34.828.278	25.257.152

(*) As of December 31, 2017, deposits and guarantees given predominantly consists of the deposits given by the subsidiaries of the Group, Celebi GH Delhi and Celebi Delhi Cargo, to the local authorities and companies amounting to TL 21.905.228 (December 31, 2016: TL 15.540.137) and TL 12.819.338 (December 31, 2016: TL 9.555.325).

Other short-term payables

	December 31, 2017	December 31, 2016
Other short-term payables (*)	8.487.809	6.762.769
Deposits and guarantees received	155.189	157.051
	8.642.998	6.919.820

(*) As of December 31, 2017, TL 8.183.852 of other short-term payables (December 31, 2016: TL 6.142.490) are the payables of Celebi Delhi Cargo, a subsidiary of the Group, to its shareholder of Delhi International Airport Private Limited (DIAL) due to the concession contract signed between the parties.

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Other long-term payables

	December 31, 2017	December 31, 2016
Deposits and guarantees received	12.532.767	9.091.878
	12.532.767	9.091.878

NOTE 10 – INVENTORIES

	December 31, 2017	December 31, 2016
Merchandises	3.068.338	1.800.844
Other inventories (*)	9.393.658	9.394.988
	12.461.996	11.195.832

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

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

	Opening January 1, 2017	Additions	Disposals	Transfers (**)	Currency Translation Differences	Closing December 31, 2017
Cost						
Plant, machinery and equipment	255.823.826	11.407.233	(1.685.853)	(3.102.300)	8.510.714	270.953.620
Motor vehicles	51.586.757	520.854	(542.773)	3.323.343	9.483.208	64.371.389
Furniture and fixtures	26.595.962	1.079.967	(142.908)	(2.216.763)	943.609	26.259.867
Leasehold improvements (*)	121.020.459	1.852.837	(33.316)	(3.458.228)	1.363.497	120.745.249
Construction in progress	2.340.056	4.749.636	-	(5.708.546)	290.929	1.672.075
	457.367.060	19.610.527	(2.404.850)	(11.162.494)	20.591.957	484.002.200
Accumulated depreciation						
Plant, machinery and equipment	(173.771.036)	(16.825.328)	1.473.403	7.491.532	(5.819.647)	(187.451.076)
Motor vehicles	(36.190.543)	(2.495.701)	444.752	(131.310)	(6.571.026)	(44.943.828)
Furniture and fixtures	(21.786.275)	(1.516.938)	181.861	1.857.062	(660.752)	(21.925.042)
Leasehold improvements (*)	(68.859.400)	(6.094.118)	13.338	1.337.539	(459.876)	(74.062.517)
	(300.607.254)	(26.932.085)	2.113.354	10.554.823	(13.511.301)	(328.382.463)
Net book value	156.759.806					155.619.737

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

A tender for the construction of the third airport was made in Istanbul on May 2013. Following the bid, the joint venture group started to invest in Istanbul New Airport and it was announced by the General Directorate of State Airports Authority to terminate commercial flights from Istanbul Atatürk Airport starting from November 2018, after Istanbul New Airport started its activities. Due to the uncertainty about the final date of the Group's cargo warehouse and general aviation activities at Ataturk Airport, the Group has made a net book value of TL 26,450,397, which it has continued to use to fulfill the services in the consolidated financial statements, have reviewed their useful life and have decided that no amendment is required.

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

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

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

	Opening January 1, 2016	Additions	Disposals	Transfers (**)	Foreign Currency Translation Differences	Closing December 31, 2016
Cost						
Plant, machinery and equipment	238.658.955	10.058.941	(2.535.596)	533.776	9.107.750	255.823.826
Motor vehicles	41.167.274	4.303.806	(820.908)	-	6.936.585	51.586.757
Furniture and fixtures	24.294.745	1.849.867	(501.864)	22.989	930.225	26.595.962
Leasehold improvements (*)	116.862.759	1.836.407	(600.483)	1.650.597	1.271.179	121.020.459
Construction in progress	1.229.010	2.718.907	(134.356)	(2.207.362)	733.857	2.340.056
	422.212.743	20.767.928	(4.593.207)	-	18.979.596	457.367.060
Accumulated depreciation						
Plant, machinery and equipment	(154.978.810)	(15.268.538)	2.369.123	-	(5.892.811)	(173.771.036)
Motor vehicles	(30.287.426)	(1.730.663)	781.347	-	(4.953.801)	(36.190.543)
Furniture and fixtures	(19.915.766)	(1.764.562)	501.084	-	(607.031)	(21.786.275)
Leasehold improvements (*)	(61.361.486)	(7.355.546)	318.948	-	(461.316)	(68.859.400)
	(266.543.488)	(26.119.309)	3.970.502	-	(11.914.959)	(300.607.254)
Net book value	155.669.255					156.759.806

(*) The land plots where the stations and cargo buildings were constructed by the Group in the airports where it operates were rented from the DHMI and other local authorities. The station and cargo buildings on this land were constructed by the Group and recorded under the tangible assets of the Group as leasehold improvements. As of December 31, 2016 the net book value of these stations is TL 45.724.000. The lease contract signed by the Group and the DHMI is valid for one year and the agreement is renewed every year. The Group amortizes these station buildings over 15 years which correspond to their economic lives.

Depreciation expense for the period ended December 31, 2017 in the amount of TL 25.615.205 and TL 504.104 are respectively included in cost of sales and operating expenses.

The net book value of plant, machinery and equipment amounting TL 336.773 are purchased by financial leasing as of December 31, 2017.

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NOTE 12 – INTANGIBLE ASSETS

Other Intangible Assets

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

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

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

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

Amortization expense for the period ended 31 December 2017 in the amount of TL 1.547.141 and TL 10.013.447 are included in operating expenses and cost of sales respectively.

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

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

(*) The difference amounting to TL 49.105.296 between the discounted value of the deposit payment made amounting to INR 1.374.428.822 which is discounted with a discount rate of 11,46%, within the scope of the concession agreement signed for the development, modernization and the operation for 25 years of the existing cargo terminal of the New Delhi Airport, India is recognised as build-operate-transfer investment and will be amortised during the concession period of 25 years. In addition, the difference amounting to TL 4.222.725 between the discounted value of the deposit payment made amounting to INR 400.000.000 which is discounted with a discount rate of 10,82%, within the scope of the concession agreement signed for rendering ground handling services for both 10 years in New Delhi Airport, India is recognised as build-operate-transfer investment and will be amortised during the concession period of 10 years.

Amortization expense for the period ended 31 December 2017 in the amount of TL 1.022.086 and TL 9.206.442 are included in operating expenses and cost of sales.

Goodwill

Positive goodwill at December 31, 2017 and December 31, 2016 is as follows:

	December 31, 2017	December 31, 2016
Goodwill due to acquisition of CGHH	34.112.091	28.060.700
Goodwill due to acquisition of Celebi Cargo	-	1.789.964
	34.112.091	29.850.664

Goodwill due to acquisition of CGHH

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

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Goodwill details relating to the acquisition of CGHH at December 31, 2017 and 2016 are below:

	December 31, 2017	December 31, 2016
January 1	28.060.700	23.738.281
Foreign currency translation differences	6.051.391	4.322.419
Goodwill	34.112.091	28.060.700

Goodwill Impairment Test

The group tests goodwill at least once a year for the risk of impairment. A valuation report prepared by an independent valuation firm is based on for ordinary goodwill impairment test

	December 31, 2017
Ground handling services - Hungary	34.112.091

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

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

Discount rate	9,40%

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

As a result of impairment tests performed under above assumptions, no impairment was detected in the goodwill amount as of December 31, 2017.

Goodwill due to acquisition of Celebi Cargo

A "share purchase agreement" was signed on February 18, 2014 between Celebi Cargo GmbH, a registered company in Frankfurt, Germany and is a subsidiary with an ownership rate of 100% of Çelebi Kargo Depolama ve Dağıtım Hizmetleri A.Ş., a subsidiary of the Group with an ownership rate of 99,97% and Aviapartner GmbH, also registered in Frankfurt, Germany, for the transfer of 100% of shares of Aviapartner Cargo GmbH (Aviapartner Cargo) operating in Frankfurt and Hahn International Airports in Germany in cargo storage and handling operations, for a consideration of EUR 4.459.283 (TL 13.604.381). The memorandum regarding the finalizing the acquisition consideration was signed on March 6, 2014 and an acquisition adjustment of EUR 362.003 (TL 1.021.102) was included in the acquisition consideration. The trade name of Aviapartner Cargo was changed as Celebi Cargo on April 30, 2015 and Celebi Cargo was taken over by Celebi Cargo with all its assets and liabilities and legal merger procedures was completed on October 30, 2014.

	December 31, 2017	December 31, 2016
January 1	1.789.964	1.533.138
Impairment (Note 25)	(1.985.128)	-
Currency translation differences	195.164	256.826
Goodwill	-	1.789.964

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Goodwill Impairment Test

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

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

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

As of December 31, 2017, provision is made by calculating impairment as a result of analysis of the Group.

NOTE 13 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

a) Short term provisions

Other short-term provisions

	December 31, 2017	December 31, 2016
Provision for litigation and indemnity	5.173.420	1.593.633
Other debt provisions	-	117.285
	5.173.420	1.710.918

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

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

Movements of other short term provisions for the periods ended December 31, 2016 is as follows:

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

Short-term provision for employee benefits

	December 31, 2017	December 31, 2016
Provision for employee termination benefits (*)	3.962.186	1.382.749
Provision for unused vacation rights	4.839.679	4.476.709
	8.801.865	5.859.458

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

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b) Long-term provisions

Long-term provision for employee benefits

	December 31, 2017	December 31, 2016
Provision for employee termination benefits	22.006.598	21.540.508
	22.006.598	21.540.508

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

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

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

Since the legislation was changed on May 23, 2002, there are certain transitional provisions relating to length of service prior to retirement. The amount payable as at December 31, 2017 consists of one month's salary limited to a maximum of 4.4.732,48 (December 31, 2016: TL 4.297,21) for each year of service.

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

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

TAS/TFRS 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.

Group calculates the reserve for employment termination benefits every six months the maximum amount of TL 5.001,76 which is effective from January 1, 2018 (January 1, 2017: TL 4.426,16) has been taken into consideration in the calculations.

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

	December 31, 2017	December 31, 2016
As of January 1	22.923.257	19.266.799
Payments of provisions during the year	(9.289.759)	(10.218.207)
Increase in employment termination benefits during the year	480.714	(579.936)
Service cost of employee termination benefits	6.068.928	3.229.651
Interest cost of employee termination benefits	1.963.918	1.325.457
Actuarial (gain)/loss	3.327.543	9.259.427
Currency translation differences	494.183	640.065
As of period end	25.968.784	22.923.256

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

	December 31, 2017	December 31, 2016
January 1	4.476.709	3.931.005
Payments of provisions during the year	(623.429)	(729.730)
Increase in unused vacation rights during the year	5.036.527	5.598.481
Usage of vacation rights during the year	(4.242.529)	(4.542.104)
Currency translation differences	192.401	219.058
As of period end	4.839.679	4.476.710

c) Contingent assets and liabilities

Guarantees received and given as of December 31, 2017 and 2016 are as follows:

Guarantees received:

	December 31, 2017	December 31, 2016
Guarantee letters	8.142.691	7.962.854
Guarantee cheques	9.354.905	1.563.011
Guarantee notes	1.209.627	1.051.737
	18.707.223	10.577.602

Guarantees given:

	December 31, 2017	December 31, 2016
Guarantee letters	138.796.462	152.677.599
Collaterals (**)	113.136.325	323.427.969
Pledged shares (*)	25.859.737	16.164.938
	277.792.524	492.270.506

(*) TL 138.958.882 of the collaterals given and pledged shares are given to the banks for the loans borrowed by the subsidiaries and joint venture of the Group (December 31, 2016: TL 313.637.806) (Note 30).

(**) As of December 31, 2016, TL 25.955.000 of the collaterals are given to the MIAL.

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

As of December 31, 2017, the Group has contingent liabilities amounting to TL 26.467.434 (December 31, 2016: TL 26.343.631) due to the legal cases and enforcement proceedings in progress against the Group. TL 11.574.964 TL of the contingent liabilities are comprised of litigations and enforcement proceedings related with the fire incident happened in the Warehouse, in which the Company is sole and co-defendant with other defendants (DHMI, other warehouse management companies and insurance companies) (December 31, 2016: TL 20.318.125).

The cargo building located at Ataturk Airport ("AHL") Terminal C in which the Company carries out cargo - warehouse operations was damaged by a fire incident on May 24, 2006 where goods belonging to third parties and property, plant and equipment and leasehold improvements of the Company were also damaged. Some of the owners of the goods have applied to the Company and its insurance company for compensation of their losses by filing lawsuits against the Company and via enforcement proceedings.

For the purpose of compensating joint legal claims caused by the fire incident, a Fund has been set up by the participation of the Group, other warehouse management companies and also insurance companies of DHMI. As of the date of the issuance of the financial statements, as a result of the works performed by the Fund, 227 legal cases with an invoice amount of TL 161.113.325 (USD 42.714.103) has been negotiated and comprised for an amount of TL 95.525.158 (USD 25.325.475) and paid to the complainants.

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Negotiations between the Fund and other claimants regarding remaining 5 claims for which reconciliation has not been met are still on-going. The invoice amount of these claims is USD 3.745.720 and the remaining amount in the Fund amounting to USD 14,6 million is anticipated to be sufficient for the settlement of all the claims for which negotiations have not yet been completed. On the other hand, since more than 10 years have passed since the event took place, it is projected that the time-out will expire and a new demand will not be met.

The Company management is in the opinion that, all legal claims related to fire incident those have not been compromised yet, would be able to reconciled by the Fund established and the insurances collected. Accordingly, as of December 31, 2017, no provision has been booked in the consolidated financial statements of the Group.

The details of collaterals, pledges, guarantees and mortgages ("CPGM") of the Company at December 31, 2017 and December 31, 2016 are as follows:

		December 31, 2017		December 31, 2016	
CPGM given by the Group		Amount	TL Equivalent	Amount	TL Equivalent
A. CPGM given on behalf of the Group's legal personality			134.676.808		110.907.857
	TL	13.238.634	13.238.634	9.281.049	9.281.049
	EUR	7.919.244	35.759.346	14.791.417	54.874.678
	USD	2.210.500	8.337.785	2.383.397	8.387.650
	INR	1.147.839.828	67.837.334	588.287.788	30.538.019
	HUF	650.939.000	9.503.709	651.662.000	7.826.461
B. CPGM given on behalf of fully consolidated subsidiaries			143.115.716		381.362.649
	EUR	50.000	225.775	32.500.000	120.571.750
	USD	1.092.196	4.119.654	11.869.102	41.769.744
	INR	2.348.059.000	138.770.287	4.219.247.851	219.021.155
C. CPGM given for continuation of its economic activities on behalf of third parties		-	-	-	-
D Total amount of other CPGM		-	-	-	-
i. Total amount of CPGM given on behalf of the majority shareholder		-	-	-	-
ii. Total amount of CPGM given to on behalf of other group companies which are not in scope of B and C		-	-	-	-
iii. Total amount of CPGM given on behalf of third Parties which are not in scope of C		-	-	-	-
		-	277.792.524		492.270.506

NOTE 14 - OTHER ASSETS AND LIABILITIES

Other current assets

	December 31, 2017	December 31, 2016
Advances given to personnel	624.358	408.328
Deferred VAT	536.595	3.473.828
Other	-	218.205
	1.160.953	4.100.361

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Other non current assets

	December 31, 2017	December 31, 2016
Prepaid taxes and funds (*)	17.864.121	19.018.753
Other	3.242	3.242
	17.867.363	19.021.995

(*) As of December 31, 2017, prepaid taxes and funds which can be offset more than 1 year, belong to Celebi GH Delhi and Celebi Delhi Cargo with an amount of TL 6.963.935 (December 31, 2016: TL 3.994.399) and TL 10.900.186 respectively (December 31, 2016: TL 11.468.354).

Other current liabilities

	December 31, 2017	December 31, 2016
Taxes and funds payable	2.502.021	2.921.626
Provision for operational leasing equalization (*)	1.083.260	1.394.029
Other	1.703.364	1.290.358
	5.288.645	5.606.013

Other non current liabilities

	December 31, 2017	December 31, 2016
Provision for operational leasing equalization (*)	104.553.198	83.560.283
Maintenance obligation liability	34.148.213	25.445.889
	138.701.411	109.006.172

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

NOTE 15 – PREPAID EXPENSES

Shor-term prepaid expenses

	December 31, 2017	December 31, 2016
Prepaid expenses	11.818.319	9.714.535
Advances given	2.908.873	5.148.372
	14.727.192	14.862.907

Long-term prepaid expenses

	December 31, 2017	December 31, 2016
Prepaid expenses	14.695.876	17.697.284
Advances given for fixed assets	6.706.943	3.721.882
	21.402.819	21.419.166

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NOTE 16 – DEFERRED INCOME

Short-term deferred income

	December 31, 2017	December 31, 2016
Other advances received	9.573.837	8.438.838
Deferred income	1.191.949	1.842.597
	10.765.786	10.281.435

Long-term deferred income

	December 31, 2017	December 31, 2016
Deferred income	2.228.283	-
	2.228.283	-

NOTE 17 - LIABILITIES FOR EMPLOYEE BENEFITS

	December 31, 2017	December 31, 2016
Wages and salaries payable	12.413.866	10.267.141
Bonus payable accruals	10.478.790	6.159.082
Social security withholdings payable	5.316.207	8.576.262
	28.208.863	25.002.485

NOTE 18 - EQUITY

Share Capital

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

At December 31, 2017 and December 31, 2016, the shareholding structure of the Group is stated in historical amounts below:

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

Restricted Reserves

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code. 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.

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

- If the difference is arising from the valuation of "Paid-in capital" and not yet been transferred to capital should be classified under the "Inflation adjustment to share capital";
- If the difference is arising from valuation of "Restricted reserves" and "Share premium" and the amount has not been subject to dividend distribution or capital increase, it shall be classified under "Retained earnings",

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

As of December 31, 2017, the amount of restricted reserves is TL 42.350.965 (December 31, 2016: TL 40.181.456).

Listed companies distribute dividend in accordance with the Communique No. II-19.1 issued by the CMB which is effective from February 1, 2015. Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communique does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable instalments and advance dividend can be paid in accordance with profit on interim financial statement of the Company.

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

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

NOTE 19 – REVENUE AND COST OF SALES

	January 1-December 31 2017	January 1-December 31 2016
Ground handling services	590.466.433	491.254.209
Revenue from cargo and warehouse services	305.854.137	211.905.052
Rental revenue not related to aviation	29.466.378	18.157.434
Revenue in the context of IFRIC 12	14.232.822	2.045.051
Less: Returns and discounts	(22.230.107)	(13.837.055)
Revenue- net	**917.789.663**	**709.524.691**
Cost of sales	**(649.293.500)**	**(543.115.464)**
Gross profit	**268.496.163**	**166.409.227**

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NOTE 20 - EXPENSES BY NATURE

	January 1- December 31 2017	January 1- December 31 2016
Personnel expenses	(374.124.672)	(313.728.192)
Payments to authorities and terminal managements (*)	(151.031.749)	(123.560.463)
Technical maintenance of equipment, fuel and security expenses	(66.589.861)	(57.698.453)
Consultancy expenses (****)	(59.621.827)	(53.170.215)
Depreciation and amortization expense	(38.492.674)	(36.347.837)
Expenses within the scope of IFRIC 12 (**)	(22.044.628)	(5.490.209)
Insurance expense	(5.151.012)	(4.804.381)
Travel and transportation expense	(4.783.458)	(4.498.497)
Cost of sales (***)	(2.916.300)	(3.930.713)
Other expenses	(49.930.285)	(44.836.476)
	(774.686.466)	(648.065.436)

(*) Payments to authorities and terminal managements are composed of royalty, rental facilities and check-in desks within the airport area, working licenses and similar expenses, office rental expenses and other miscellaneous expenses related to utilization of office area.

(**) Aforementioned expenses are composed of construction costs calculated in accordance with IFRIC 12 and provisions for other liabilities within the scope of concession agreement.

(***) Aforementioned expenses are composed of sales and utilization cost of de-icing and spare part inventories.

(****) TL 45.463.882 of the consultancy expenses are comprised of share of holding company expenses. (31.12.2016: TL 41.748.480)

NOTE 21 - GENERAL ADMINISTRATIVE EXPENSES

	January 1- December 31 2017	January 1- December 31 2016
Consultancy expenses	(59.236.933)	(52.581.406)
Personnel expenses	(41.853.677)	(34.081.264)
Technical maintenance of equipment, fuel and security expenses	(6.657.930)	(4.953.040)
Payments to authorities and terminal managements	(5.564.660)	(4.696.895)
Depreciation and amortization expense	(3.827.311)	(1.526.189)
Travel and transportation expense	(3.432.889)	(3.569.149)
Insurance expense	(731.106)	(657.071)
Other expenses	(4.088.460)	(2.884.958)
	(125.392.966)	(104.949.972)

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

NOTE 22 - OTHER OPERATING INCOME

	January 1- December 31 2017	January 1- December 31 2016
Foreign exchange gains from operating activities	11.968.502	4.688.548
Delay interest charge from operating activities	2.807.704	852.357
Provision reversal income	1.276.315	1.033.583
Income from insurance claims	314.795	98.473
Other incomes	6.154.018	2.609.051
	22.521.334	9.282.012

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NOTE 23 - OTHER OPERATING EXPENSE

	January 1-December 31 2017	January 1-December 31 2016
Foreign exchange losses from operating activities	(5.553.242)	(2.274.307)
Litigation and indemnity provision expenses	(3.515.068)	(613.165)
Provision for doubtful receivable	(2.878.830)	(9.819)
Administrative fine	(654.796)	(1.152.474)
Donation expenses	(330.755)	(452.651)
Damage and indemnity expenses	(58.969)	(306.237)
Other expenses	(4.270.848)	(6.154.938)
	(17.262.508)	(10.963.591)

NOTE 24 – INCOME FROM INVESTMENT ACTIVITIES

	January 1-December 31 2017	January 1-December 31 2016
Profit from the sale of fixed assets	1.113.674	1.481.129
	1.113.674	1.481.129

NOTE 25 - EXPENSES FROM INVESTMENT ACTIVITIES

	January 1-December 31 2017	January 1-December 31 2016
Loss from the sale of fixed assets	(469.731)	(295.060)
Goodwill impairment (Note 12)	(1.985.128)	-
	(2.454.859)	(295.060)

NOTE 26 - FINANCIAL INCOME

	January 1-December 31 2017	January 1-December 31 2016
Foreign exchange gains	11.426.064	16.960.127
Interest income	4.792.257	4.972.033
Other financial income	3.483.117	1.883.662
	19.701.438	23.815.822

NOTE 27 - FINANCIAL EXPENSES

	January 1-December 31 2017	January 1-December 31 2016
Foreign exchange losses	(48.853.754)	(32.114.422)
Interest expenses	(18.314.058)	(17.470.024)
Financial expenses incurred within the scope of IFRIC 4-12	(854.423)	(1.826.367)
Other financial expenses	(2.844.354)	(2.734.193)
	(70.866.589)	(54.145.006)

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NOTE 28 - TAX ASSETS AND LIABILITIES

	December 31, 2017	December 31, 2016
Current period corporate tax provision	27.100.828	14.084.821
Less: prepaid corporate taxes	(28.245.139)	(16.255.650)
Current income tax liability - net (*)	(1.144.311)	(2.170.829)
Deferred tax assets	54.043.004	42.357.043
Deferred tax liabilities	(5.646.811)	(5.825.508)
Deferred tax assets - net	48.396.193	36.531.535

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

Income tax

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

In Turkey, the corporate tax rate is 20% (will be 22% for taxation periods of 2018, 2019 and 2020) (December 31, 2016: %20). The corporate tax rate is applied to the net corporate income to be deducted from deduction of exemptions and reductions in tax laws and an addition of expenses not subject to deduction according to tax legislation.

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

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

In Germany, the corporate tax rate is 31,925% for fiscal year 2017 (2016: 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).

For the periods ended on December 31, 2017 and December 31, 2016, tax expenses of the Group are as follows:

	December 31, 2017	December 31, 2016
- Current period corporate tax	(25.914.945)	(13.172.856)
- Deferred tax income/(expense)	4.932.650	2.296.299
	(20.982.295)	(10.876.557)

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Reconciliation of tax expenses presented in consolidated statements of income for the periods ended at December 31, 2017 and December 31, 2016 are as follows:

	2017	2016
Profit before tax in the financial statements	107.383.470	38.416.282
Expected tax expense according to parent company tax rate (20%)	(21.476.694)	(7.683.256)
Differences in tax rates of subsidiaries	(2.111.968)	(4.323.319)
Expected tax expense of the Group	(23.588.662)	(12.006.575)
Non-deductible expenses	(496.748)	(379.205)
Reductions	4.054.129	3.085.017
Other tax payables liabilities (*)	(1.340.781)	(1.706.104)
Other	389.767	130.310
Current period tax expense of the Group	(20.982.295)	(10.876.557)

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

Deferred Taxes

The Group calculates deferred tax assets and liabilities on temporary differences on statement of financial position items arising from different evaluation of financial statements prepared in accordance with CMB and statutory accounting standards. In general, such temporary differences are resulted from accounting of income and expenses in different reporting periods in accordance with Tax laws and CMB accounting standards. Rates for deferred tax assets and liabilities calculated by liability method over temporary differences to be realized in future periods are 20% or 22%, 9% or 10%, 31,92% and 34,6% for Turkey, Hungary, Germany and India respectively.

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

	Deferred tax base		Deferred tax assets/ (liabilities)	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Deferred tax assets				
Personnel bonus accrual	(4.001.712)	(2.429.158)	800.342	485.832
Accrued sales commissions	(5.215.095)	(4.097.579)	1.043.019	819.516
Provision for employment termination benefits	(19.443.266)	(18.187.995)	3.888.653	3.637.599
Provision for operational leasing equalization	(104.553.193)	(83.143.756)	36.183.769	28.774.391
Provision for unused vacation rights	(3.243.079)	(2.907.717)	648.616	581.543
Provision for litigation and indemnity	(3.909.080)	(1.593.633)	781.816	318.727
Adjustments related to property plant and equipment and intangible assets	(46.998.133)	(38.922.290)	16.265.114	13.470.226
Other	(4.287.865)	(1.132.967)	1.927.768	127.857
	(191.651.423)	(152.415.095)	61.539.097	48.215.691
Net off			(7.496.093)	(5.858.648)
Deferred tax assets			54.043.004	42.357.043

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	Deferred tax base		Deferred tax assets/ (liabilities)	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Deferred tax liabilities				
Adjustments related to property plant and equipment and intangible assets	68.452.540	62.357.049	(12.696.468)	(11.684.156)
Other	2.232.181	-	(446.436)	-
			(13.142.904)	(11.684.156)
Net off			7.496.093	5.858.648
Deferred tax liabilities			(5.646.811)	(5.825.508)
Deferred tax assets, net			48.396.193	36.531.535

The table of deferred tax movement is as follows:

	January 1 – December 31, 2017	January 1 – December 31, 2016
January 1, 2017	36.531.535	26.040.482
Foreign currency translation differences	6.257.249	6.333.644
Deferred tax income/ (expenses) for the current period	4.932.650	2.296.299
Recognized in other comprehensive income	674.759	1.861.110
December 31, 2017	48.396.193	36.531.535

NOTE 29 - EARNINGS PER SHARE

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

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

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

	January 1- December 31, 2017	January 1- December 31, 2016
Net profit/ (loss) attributable to the parent company	85.361.608	26.836.035
Weighted average number of shares with 1 KR face value each	2.430.000.000	2.430.000.000
Earnings/ (loss) per share (Kr)	0,035	0,011

NOTE 30 - RELATED PARTY DISCLOSURES

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

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i) Balances with related parties

Short term receivables from related parties

	December 31, 2017	December 31, 2016
Celebi Spain [3]	677.062	556.269
Celebi Ground Services Austria [2]	262.445	172.296
Çelebi Havacılık Holding [1]	196.885	4.919
Other	565.778	304.758
	1.702.170	1.038.242

Short term payables to related parties

	December 31, 2017	December 31, 2016
Çelebi Havacılık Holding [1] [*]	9.145.704	5.001.248
Kamil Koç [6]	655.760	430.206
Çe-Tur Çelebi Turizm Tic. A.Ş.[6]	616.959	479.549
DASPL [5]	457.736	-
Çelebi Nas [4]	303.300	1.093.663
Other	83.133	99
	11.262.592	7.004.765

[1] Parent company
[2] Subsidiary of the Group
[3] Non-operational asset available for sale of the Group
[4] Joint venture of the Group
[5] Associate of the Group
[6] Other related party
[*] As of December 31, 2017, the related amount consists of legal, financial affairs, human resources, management, corporate communication, procurement, IT and business development services received from ÇHH and expenses invoiced within the scope of business development projects run by ÇHH on behalf and on account of the company.

ii) Significant transactions with related parties

	January 1- December 31, 2017	January 1- December 31, 2016
Miscellaneous sales to related parties		
Celebi Ground Handling Services Austria [2] [*]	1.441.785	1.487.730
Çelebi Havacılık Holding [1]	233.628	160.836
DASPL [3]	299.869	-
Other	245.008	1.099.444
	2.220.290	2.748.010

*Relevant amount consists of fixed asset sales to CGSA.

	January 1- December 31, 2017	January 1- December 31, 2016
Employee and customer transportation expenses paid to related parties		
Çe-Tur Çelebi Turizm Tic. A.Ş. [4]	3.491.125	4.297.616
Contribution to holding expenses [*]		
Çelebi Havacılık Holding [1]	45.463.882	41.748.480

[*] Contribution paid to Çelebi Havacılık Holding includes services received from Çelebi Havacılık Holding to Çelebi Hava such as legal, financial, human resource, management, business development, corporate communication, procurement, IT consultancy.

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	January 1- December 31, 2017	January 1- December 31, 2016
Other purchases from related parties (*)		
Çelebi Havacılık Holding (1) (*)	4.459.115	5.283.963
DASPL (3) (**)	3.980.308	-
Celebi Nas (***)	2.217.959	-
Çe-Tur Çelebi Turizm Tic. A.Ş. (4)	16.281	1.112.520
Other	155.842	5.543
	10.829.505	6.402.026

(1) Parent company

(2) Subsidiary of the Group

(3) Associate of the Group

(4) Other related party

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

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

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

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

December 31, 2017	EUR	INR	Total TL
Celebi Nas (1)	-	94.392.000	5.578.567
Celebi Delhi Cargo (3)	-	336.000.000	19.857.600
Celebi Delhi GH (4)	-	1.917.667.000	113.334.120
Celebi Cargo GmbH (5)	50.000	-	188.595
	50.000	2.348.059.000	138.958.882

December 31, 2016	EUR	INR	Total TL
CGHH (2)	11.550.000	-	42.849.345
Celebi Nas (1)	-	91.080.000	4.727.963
Celebi Delhi Cargo (3)	-	2.596.085.280	134.762.687
Celebi Delhi GH (4)	-	1.032.082.571	53.575.406
Celebi Cargo GmbH (5)	21.951.591	-	77.722.405
	33.501.591	3.719.247.851	313.637.806

(1) Within the scope of the long-term project finance and working capital loan agreement signed between Celebi Nas and a bank resident in India amounting to INR 1.145.000.000 cash and INR 845.000.000 non-cash, 30% of the 57% shares of Celebi Nas owned by the Company has been pledged in favor of the lender bank to fulfill financial obligations arising from the agreement. As of December 31, 2017, the risk of the cash loan in the respective bank is amounting to INR 690.078.790.

(2) CGHH has concluded a contract for project financing loan at an amount of EUR 11.550.000 in cash in scope of refinancing of its current loans. The remaining balance of the loan is EUR 7.850.000 as of December 31, 2016.

(3) Within the scope of the long-term project finance and working capital loan agreement signed between Celebi Delhi Cargo and a bank resident in India amounting to INR 850.000.000, 30% of shares of Celebi Delhi Cargo owned by the Company has been pledged in favor of the lender bank to fulfill financial obligations arising from the agreement. As of December 31, 2017, the risk of the cash loan in the respective bank is amounting to INR 775.842.090.

(4) Within the scope of the long-term project finance and working capital loan agreement signed between Celebi Delhi GH and banks resident in India amounting to INR 709.500.00 cash and INR 1.201.000.000 non-cash, 30% of shares of Celebi GH Delhi owned by the Company has been pledged in favor of the lender banks to fulfill financial obligations arising from the agreement. As of December 31, 2017, the risk of the cash loan in the respective banks is amounting to INR 409.625.816.

(5) In order to fulfill the financial obligations arising from the loan agreements signed between Celebi Cargo GmbH and banks resident in Germany, a guarantee of EUR 50.000 is given by the Company to the lender banks.

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Key management compensation:

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

	January 1- December 31, 2017	January 1- December 31, 2016
Short-term key management compensation	12.520.801	8.819.527
Post-employment benefits	-	500.340
	12.520.801	9.319.867

NOTE 31 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial risk management

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

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

Interest rate risk

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

Interest rate positions of the Group at December 31, 2017 and December 31, 2016 are as follows:

	December 31, 2017	December 31, 2016
Fixed interest rate financial instruments		
Financial Assets	88.555.012	57.096.991
- Cash and cash equivalents	*88.555.012*	*57.096.991*
Financial Liabilities	202.688.006	218.508.612
Floating interest rate financial instruments		
Financial liabilities	138.664.800	104.068.151

If other variables are kept constant and the interest rates were 1% higher/ lower, interest expense due to financial liabilities would have been TL 183.141 higher or lower at December 31, 2017. (December 31, 2016: TL 174.700).

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

Credit risk

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

Liquidity risk

Cash flow generated through amount and term of borrowing back payments is managed by considering the amount of unreserved cash flow from its operations. Hence, on one hand it is possible to pay debts with the cash generated from operating activities if necessary and on the other hand sufficient and reliable sources of high quality loans are accessible. The Group has long-term financial liabilities amounted TL 282.516.358 as of December 31, 2017 (December 31, 2016: TL 169.091.081) (Note 7).

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

			Contractual			
December 31, 2017	Book value	Total cash out flow	Less than 3 months	3-12 months	1-5 years	More than 5 years
Non derivative financial liabilities						
Financial liabilities	341.352.806	382.225.752	7.003.936	66.863.548	288.377.590	19.980.678
Trade payables						
- Related party	11.262.592	11.262.592	11.262.592	-	-	-
- Other	66.134.757	66.134.757	6.224.743	59.910.014	-	-
Other liabilities	21.175.765	21.175.765	303.957	8.339.041	12.532.767	-

			Contractual			
December 31, 2016	Book value	Total cash out flow	Less than 3 months	3-12 months	1-5 years	More than 5 years
Non derivative financial liabilities						
Financial liabilities	322.576.763	345.383.047	28.987.298	130.793.607	185.602.142	-
Trade payables						
- Related party	7.004.765	7.004.765	7.004.765	-	-	-
- Other	57.452.731	57.452.731	-	57.452.731	-	-
Other liabilities	16.011.698	16.011.698	-	6.919.820	9.091.878	-

Currency risk

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

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

As of December 31, 2017, other things being constant, if the TL was to appreciate/depreciate by 10% against the USD, the net profit/loss arising from foreign exchange gains/losses resulting over net foreign currency position in this currency would have been TL 2.342.731 (December 31, 2016: TL 5.568.772).

As of December 31, 2017, other things being constant, if the TL was to appreciate/depreciate by 10% against the EUR, the net profit/loss arising from foreign exchange gains/losses resulting over net foreign currency position in this currency would have been TL 17.959.677 (December 31, 2016: TL (16.151.563)).

As of December 31, 2017, other things being constant, if the TL was to appreciate/depreciate by 10% against the GBP, the net profit/loss arising from foreign exchange gains/losses resulting over net foreign currency position in this currency would have been TL 14.973 (December 31, 2016: TL (2.406)).

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

	December 31, 2017	December 31, 2016
Assets denominated in foreign currency	146.441.525	101.518.523
Liabilities denominated in foreign currency (-)	(302.760.718)	(293.583.323)
Net balance sheet position	(156.319.193)	(192.064.800)

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

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

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

Capital risk management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the debt/ equity ratio.

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

The net debt/ (equity + net debt) ratio as of December 31, 2017 and December 31, 2016 is as follows:

	December 31, 2017	December 31, 2016
Total financial liabilities	341.352.806	322.576.763
Less: Cash and cash equivalents	(113.572.241)	(65.477.817)
Less: Restricted cash	(13.369.356)	(10.721.807)
Net debt	214.411.209	246.377.139
Shareholder's equity	168.855.174	101.696.764
Capital invested	383.266.383	348.073.903
Net debt/ capital invested	0,56	0,71

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NOTE 32 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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

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

Financial Assets

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

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

Financial Liabilities

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

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

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

The fair value measurement hierarchy table as of December 31, 2017 is as follows:

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets				
Available for sale financial assets (Note 5)	-	-	20.527	20.527

December 31, 2017	Level 1	Level 2	Level 3	Total
Liabilities				
Other financial liabilities	-	-	-	-

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

December 31, 2016	Level 1	Level 2	Level 3	Total
Liabilities				
Other financial liabilities	-	-	-	-

NOTE 33 - SUBSEQUENT EVENTS

Mumbai International Airport Private Limited ("MIAL"), on February 2, 2018, has informed that the proposed tender has been concluded in favor of Celebi Nas for the grant of ground handling services of Celebi Nas Airport Services India Pvt. Ltd for the ten (10) years from 1 January 2020 to 31 December 2029. In the future, Celebi Nas will sign a concession contract with MIAL no later than March 15, 2018, after obtaining any approval or license or licenses required under the applicable laws and regulations in India.

The Group has participated in a tender opened by MIAL, the international airport operator of Chhatrapati Shivaji International Airport ("CSIA"), resident in Mumbai, India which is related to development, maintenance of international cargo terminal at CSIA airport, operating and managing for 19 (nineteen) years until 2 May 2036, as a consortium with a ratio of 59%. According to the report made by Mial to the Group, the tender has been concluded in favor of a tenderer outside the Group.

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