

Çelebi Hava Servisi Anonim Şirketi

Condensed consolidated financial statements for the interim period January 1 – 30 September 2018 and review report

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

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

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ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

		<i>Current year</i>	<i>Prior year</i>
		<i>Not Reviewed</i>	<i>Audited</i>
	Notes	September 30, 2018	December 31, 2017
ASSETS			
Current Assets			
Cash and cash equivalents	4	256.389.996	113.572.241
Financial Investments		29.194.580	13.369.356
-Restricted cash	5	29.194.580	13.369.356
Trade receivables		266.054.077	118.040.117
- Due from related parties	8	2.193.383	1.702.170
- Due from third parties	8	263.860.694	116.337.947
Other receivables		33.031.144	8.439.720
-Due from third parties	9	33.031.144	8.439.720
Inventories	10	14.744.127	12.461.996
Prepaid expenses	15	33.297.114	14.727.192
Current income tax assets	22	216.729	1.583.721
Other current assets	14	3.558.540	1.160.953
Total current assets		636.486.307	283.355.296
Non-current assets			
Financial investments	5	20.527	20.527
Other long-term receivables		199.010.379	34.828.278
- Due from related parties	9	139.010.000	-
- Due from third parties	9	60.000.379	34.828.278
Investments accounted using the equity method	6	108.933.549	64.991.304
Property, plant and equipment	11	255.605.119	155.619.737
Intangible assets		294.947.968	203.913.858
- Goodwill	12	50.023.279	34.112.091
- Other intangible assets	12	244.924.689	169.801.767
Prepaid expenses	15	64.765.846	21.402.819
Deferred tax asset	22	92.196.461	54.043.004
Other non-current assets	14	19.842.906	17.867.363
Total non-current assets		1.035.322.755	552.686.890
Total assets		1.671.809.062	836.042.186

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

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

		<i>Current year</i>	<i>Prior year</i>
		<i>Not Reviewed</i>	<i>Audited</i>
	Notes	September 30, 2018	December 31, 2017
LIABILITIES			
Current liabilities			
Financial liabilities	7	6.036.690	1.069.729
Short term portion of long term financial liabilities	7	176.098.295	57.766.719
Trade payables		132.788.892	77.397.349
- Due to related parties	8	11.250.215	11.262.592
- Trade payable, third parties	8	121.538.677	66.134.757
Employee benefit obligations	17	56.831.956	28.208.863
Other payables		14.028.902	8.642.998
- Other payables, third parties	9	14.028.902	8.642.998
Deferred income	16	14.378.345	10.765.786
Current income tax liabilities	22	7.806.723	439.410
Short-term provisions		19.553.742	13.975.285
- Provisions for employee benefits	13	13.304.819	8.801.865
- Other provisions	13	6.248.923	5.173.420
Other current liabilities	14	10.513.613	5.288.645
Total current liabilities		438.037.158	203.554.784
Non-Current Liabilities			
Financial liabilities	7	637.048.699	282.516.358
Other payables		19.101.879	12.532.767
- Other payables, third parties	9	19.101.879	12.532.767
Provisions		23.566.827	22.006.598
- Provisions for employee benefits	13	23.566.827	22.006.598
Deferred tax liabilities	22	5.928.086	5.646.811
Other non-current liabilities	16	1.334.321	2.228.283
Deferred revenue	14	203.231.173	138.701.411
Total non-current liabilities		890.210.985	463.632.228
Total liabilities		1.328.248.143	667.187.012
EQUITY			
Equity attributable to equity holders of the parent			
Paid-in capital	18	24.300.000	24.300.000
Other accumulated comprehensive income/(expense) not to be reclassified to profit or loss		(21.222.658)	(18.927.043)
- Actuarial gain/(loss) arising from defined benefit plans		(21.222.658)	(18.927.043)
Other accumulated comprehensive income/(expense) to be reclassified to profit or loss		137.391.937	42.350.965
- Foreign currency translation differences		137.391.937	42.350.965
Restricted reserves	18	50.630.456	43.097.456
Retained earnings		(16.019.346)	(17.302.954)
Net profit/ (loss) for the year		151.410.479	85.361.608
Non-controlling interest		17.070.051	9.975.142
Total equity		343.560.919	168.855.174
Total liabilities and equity		1.671.809.062	836.042.186

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

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

CONDENSED CONSOLIDATED FINANCIAL STATEMENT OF PROFIT OR LOSS FOR THE INTERIM PERIOD OF 1 JANUARY – 30 SEPTEMBER 2018

(Tutarlar aksi belirtilmedikçe Türk Lirası (“TL”) olarak ifade edilmiştir.)

	Notes	<i>Not Reviewed</i>		<i>Not Reviewed</i>	
		January 1- September 30, 2018	July 1- September 30, 2018	January 1- September 30, 2017	July 1- September 30, 2017
CONTINUING OPERATIONS					
Revenue (net)	19	1.004.210.608	462.828.884	690.981.665	281.946.197
Cost of sales (-)	19	(628.806.783)	(261.888.554)	(473.643.262)	(174.057.129)
GROSS PROFIT	19	375.403.825	200.940.330	217.338.403	107.889.068
General administrative expenses (-)		(120.342.966)	(43.479.091)	(95.403.223)	(31.836.601)
Other operating income		221.909.001	150.315.875	16.027.550	2.550.062
Other operating expenses (-)		(203.309.633)	(124.973.367)	(11.393.590)	(20.341)
OPERATING PROFIT		273.660.227	182.803.747	126.569.140	78.582.188
Income from investment activities		2.915.531	1.063.826	448.937	772
Expense from investment activities (-)		(347.435)	(137.121)	(428.864)	(1.426)
Income from investments accounted by equity method	6	16.303.170	7.009.040	6.477.274	2.826.213
OPERATING PROFIT / (LOSS) BEFORE FINANCIAL INCOME / (EXPENSE)		292.531.493	190.739.492	133.066.487	81.407.747
Financial income	20	81.722.836	49.606.148	12.266.898	3.136.475
Financial expense (-)	21	(214.452.216)	(145.520.229)	(45.213.093)	(14.729.857)
INCOME BEFORE TAX		159.802.113	94.825.411	100.120.292	69.814.365
Income tax expense		(5.815.549)	(678.834)	(21.313.770)	(14.581.998)
Current tax expense	22	(21.325.584)	(12.558.640)	(24.022.804)	(14.871.175)
Deferred tax income/(expense)	22	15.510.035	11.879.806	2.709.034	289.177
NET INCOME/ (EXPENSE)		153.986.564	94.146.577	78.806.522	55.232.367
Attributable to:					
Non-controlling interest		2.576.085	1.077.672	1.117.494	900.460
Equity holder of the parent		151.410.479	93.068.905	77.689.028	54.331.907
		153.986.564	94.146.577	78.806.522	55.232.367
Earnings / (losses) per share (Full TL)	23	0,062	0,039	0,032	0,022

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

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE INTERIM PERIOD OF 1 JANUARY – 30 SEPTEMBER 2018

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

	<i>Not Reviewed</i>		<i>Not Reviewed</i>	
	January 1-September 30, 2018	July 1-September 30, 2018	January 1-September 30, 2017	July 1-September 30, 2017
Net profit for the period	153.986.564	94.146.577	78.806.522	55.232.367
Not to be reclassified to profit or loss				
- Actuarial gain/(loss) arising from defined benefit obligation				
Shares from investments accounted using the equity method regarding to other comprehensive income / (expense) not to be reclassified to profit of loss	(2.726.250)	(577.460)	(4.070.528)	(1.364.429)
- Defined benefit obligation actuarial gains/(losses) from investments accounted using the equity method	(23.064)	(2.029)	-	-
Taxes regarding to other comprehensive income / (expense) not to be reclassified to profit or loss				
- Tax on defined benefit obligation Actuarial gains/(losses)	435.916	105.873	-	-
- Tax on defined benefit obligation actuarial differences from equity accounted investees	5.930	522	-	-
Other comprehensive income / (expense) to be reclassified to profit or loss				
- Foreign currency translation differences	99.571.649	73.258.410	6.193.269	2.635.017
Other comprehensive income/(expense)	97.264.181	72.785.316	2.122.741	1.270.588
Total comprehensive income	251.250.745	166.931.893	80.929.263	56.502.955
Attributable to:				
Non-controlling interest	7.094.909	4.217.394	1.374.730	888.957
Equity holders of the parent	244.155.836	162.714.499	79.554.533	55.613.998
	251.250.745	166.931.893	80.929.263	56.502.955

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

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE INTERIM PERIOD OF 1 JANUARY – 30 SEPTEMBER 2018

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

	Other comprehensive income/(expense) not to be reclassified to profit or loss	Other comprehensive income/(expense) to be reclassified to profit or loss		Retained earnings					
	Share Capital	Actuarial gain/(loss) arising from defined benefit plans	Cumulative Translation Differences	Restricted Reserves	Retained Earnings	Net profit/(loss) for the year	Equity attribute table to equity holders of the parent	Non-controlling interest	Total equity
Balances at 1 January 2018	24.300.000	(18.927.043)	42.350.965	43.097.456	(17.302.954)	85.361.608	158.880.032	9.975.142	168.855.174
Transfers	-	-	-	-	85.361.608	(85.361.608)	-	-	-
Dividend distribution	-	-	-	7.533.000	(84.078.000)	-	(76.545.000)	-	(76.545.000)
Other comprehensive income									
- Change in foreign currency translation differences	-	-	95.040.972	-	-	-	95.040.972	4.530.677	99.571.649
- Change in Actuarial gain/(loss) arising from defined benefit plans	-	(2.295.615)	-	-	-	-	(2.295.615)	(11.853)	(2.307.468)
Total other comprehensive income	-	(2.295.615)	95.040.972	-	-	-	92.745.357	4.518.824	97.264.181
Net profit/(loss) for the period	-	-	-	-	-	151.410.479	151.410.479	2.576.085	153.986.564
Total comprehensive income/(expense)	-	(2.295.615)	95.040.972	-	-	151.410.479	244.155.836	7.094.909	251.250.745
Balances at 30 September 2018	24.300.000	(21.222.658)	137.391.937	50.630.456	(16.019.346)	151.410.479	326.490.868	17.070.051	343.560.919

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

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE INTERIM PERIOD OF 1 JANUARY – 30 SEPTEMBER 2018

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

		Other comprehensive income/(expense) not to be reclassified to profit or loss	Other comprehensive income/(expense) to be reclassified to profit or loss		Retained earnings				
	Share Capital	Actuarial gain/(loss) arising from defined benefit plans	Cumulative Translation Differences	Restricted Reserves	Retained Earnings	Net profit/(loss) for the year	Equity attribute table to equity holders of the parent	Non- controlling interest	Total equity
Balances at 1 January 2017	24.300.000	(16.076.250)	22.781.040	40.181.456	(10.534.764)	26.836.035	87.487.517	14.209.247	101.696.764
Transfers	-	-	-	-	26.836.035	(26.836.035)	-	-	-
Dividend distribution	-	-	-	-	(30.375.000)	-	(30.375.000)	-	(30.375.000)
Adjustments relates to previous years (*)	-	-	-	-	1.206.775	-	1.206.775	-	1.206.775
Transactions with non-controlling interest (**)	-	-	-	-	(1.519.999)	-	(1.519.999)	(6.034.249)	(7.554.248)
Contribution to capital increases of non-controlling interests	-	-	-	-	-	-	-	28.167	28.167
Other comprehensive income									
- Change in foreign currency translation Differences	-	-	5.908.668	-	-	-	5.908.668	284.601	6.193.269
- Change in Actuarial gain/(loss) arising from defined benefit plans	-	(4.043.163)	-	-	-	-	(4.043.163)	(27.365)	(4.070.528)
Total other comprehensive income	-	(4.043.163)	5.908.668	-	-	-	1.865.505	257.236	2.122.741
Net profit/(loss) for the period	-	-	-	-	-	77.689.028	77.689.028	1.117.494	78.806.522
Total comprehensive income/(expense)	-	(4.043.163)	5.908.668	-	-	77.689.028	79.554.533	1.374.730	80.929.263
Balances at 30 September 2017	24.300.000	(20.119.413)	28.689.708	40.181.456	(14.386.953)	77.689.028	136.353.826	9.577.895	145.931.721

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

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

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

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE INTERIM PERIOD OF 1 JANUARY – 30 SEPTEMBER 2018

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

		Not Reviewed January 1- September 30, 2018	Not Reviewed January 1- September 30, 2018
	Notes		
A. Cash flows from operating activities		85.287.540	130.150.912
Profit/loss before tax for the period		153.986.564	78.806.522
Adjustment for reconciliation of profit/(loss) before taxation			
Adjustment related depreciation and amortisation expense	11, 12	205.222.412	80.962.277
Adjustment related impairment (reversals)		33.451.793	28.848.809
Adjustment related to provisions		4.761.994	-
- Adjustment related to provisions for employee benefits		7.773.696	5.388.800
Adjustments related to interest income and expense	22,23	7.773.696	5.388.800
- Adjustment related to interest income		10.035.852	10.725.361
- Adjustment related to interest expense		(6.135.648)	(3.184.554)
Adjustment related to unrealized related toeing currency translation differences		16.171.500	13.909.915
Adjustment related to tax (income) expense		162.254.794	21.182.884
Adjustment related to increase/decrease in joint ventures are accounted by the equity method		5.815.549	21.313.770
Adjustment related to (profit) on sales of property, plant and equipment	6	(16.303.170)	(6.477.274)
		(2.568.096)	(20.073)
Changes in working capital		(257.919.147)	(10.840.666)
Increase/decrease in financial investments		(15.821.323)	(7.285.965)
Adjustment related to increase/decrease in trade receivables		(293.264.571)	(33.671.362)
-Increase/decrease in due from related parties		(139.501.213)	(382.103)
-Increase/decrease in due from third parties		(153.763.358)	(33.289.259)
Adjustment related to increase/decrease in other receivables related with operations		(54.136.656)	(2.471.055)
Adjustment related to increase/decrease in inventories		(2.282.131)	(960.171)
Increase/decrease in prepaid expenses		(61.932.949)	(4.695.772)
Adjustment related to increase/decrease in trade payables		55.391.544	6.288.139
-Increase/decrease in due to related parties		(12.377)	(865.172)
-Increase/decrease in due to third parties		55.403.921	7.153.311
Increase/decrease in payables related to employee benefits		28.623.093	12.625.964
Adjustment related to increase/decrease in other payables related with operations		85.503.846	19.329.556
Cash flows from operating activities		101.289.829	148.928.133
Payment related to provisions for employee benefit		(8.499.398)	(6.988.405)
Payments related to other provision		-	(117.285)
Tax payments/returns		(7.502.891)	(11.671.531)

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

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE INTERIM PERIOD OF 1 JANUARY – 30 SEPTEMBER 2018

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

	Not Reviewed January 1- September 30, 2018	Not Reviewed January 1- September 30, 2018
B. Cash flows from investing activities	(116.990.702)	(43.088.941)
Cash outflows due to purchase of shares or capital increase of associates and/or joint ventures	-	(7.554.249)
Cash inflows from the sale of property, plant and equipment and intangible asset	7.255.886	512.124
- Cash inflows from the sale of property, plant and equipment	7.255.886	512.124
Cash outflows from the purchase of property, plant and equipment and intangible asset	(124.246.588)	(36.046.816)
- Cash outflows from the purchase of property, plant and equipment	(103.113.451)	(13.204.593)
- Cash outflows from the purchase of intangible asset	(21.133.137)	(22.842.223)
C. Cash flows from financing activities	152.657.907	(10.996.733)
Cash inflows from financial liabilities	335.167.131	118.733.532
Cash outflows due to debt payments	(102.298.417)	(88.629.904)
Dividend paid	(76.545.001)	(30.375.000)
Interest paid	(11.080.204)	(13.909.915)
Interest received	6.135.648	3.184.554
Dividends received	1.278.750	-
Net increase / decrease in cash and cash equivalents, before the effect of foreign currency translation differences	120.954.745	76.065.238
D. Impact of foreign currency translation differences	21.866.911	(11.547.231)
Net increase/decrease in cash and cash equivalents	142.821.656	64.518.007
E. Cash and cash equivalents at beginning of period	113.404.415	65.460.743
Cash and cash equivalents at end of period	4	256.226.071
		129.978.750

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

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

(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, 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, Uşak airports, which are under the control of the State Airports Administration (“DHMI”) and İstanbul Sabiha Gokcen airport which is under the control of the Airport Administration and Aviation Industries A.Ş. (“HEAS”). The company is controlled by Çelebi Havacılık Holding Anonim Şirketi, the parent company which is jointly controlled by Çelebioğlu Family and Zeus Aviation Services Investments B.V.

The company is registered in Capital Markets Board “CMB” and has been listed in Borsa İstanbul “BIST” since November 18, 1996. As of September 30, 2018, the Company’s free float rate is 21,64% (December 31, 2017: 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 period ended September 30, 2018 is 13.024 (December 31, 2017: 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:

<u>Subsidiary</u>	<u>Registered Country</u>	<u>Geographical region</u>	<u>Nature of business</u>
CGHH	Hungary	Hungary	Ground handling services
Celebi Delhi Cargo	India	India	Warehouse and cargo services
Celebi Airport Services India	India	India	Ground handling services
Çelebi Kargo	Turkey	Turkey	Warehouse and cargo services
Celebi Cargo	Germany	Germany	Warehouse and cargo services
Celebi Spain (*)	Spain	Spain	Ground handling services
Tasfiye halinde Çelebi Güvenlik	Turkey	Turkey	Security services

(*) As of September 30, 2018 Çelebi Spain has no operational activity.

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

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

- Subsidiaries of the Group (Continued):

The Company won the tender offer on acquisition of Budapest Airport Handling Kereskedelmi és Szolgáltatató Korlátolt Felelőségi Társaság ("BAGH") which provides ground handling service in Budapest Airport, and participated in the Celebi Tanácsadó Korlátolt Felelőségi Társaság ("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 Kiszolgáló Korlátolt Felelőségi Társaság ("CGHH"). Celebi Kft was 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.

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. The name of Company has been changed as Celebi Airport Services India Private Limited ("CASI") on March 15, 2018.

The tender regarding ground handling services for 10 years period at Begaluru Kempegoga International Airport by Bangalore International Airport Limited ("BIAL"), the operator of Begaluru Kempega International Airport Limited, resident in Bangalore, India, has been concluded in favor of CASI, and on May 2, 2018, the CASI signed the concession contract and obtained the right to be one of three companies licensed to provide ground handling services to third parties at the Begaluru International Airport in Kempega.

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

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

- Subsidiaries of the Group (Continued):

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. Celebi Spain has no operational activity.

- Joint venture:

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

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

In the sequel of winning the tender of rendering ground handling services for a 10 years period in Mumbai Chhatrapati Shivaji International Airport (CSIA) in Mumbai, India by the consortium in which the Company takes part, a joint venture of the Company has been established on 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. Additionally, the 10 (ten) years ground handling concession right of Celebi NAS for have been carrying out ground handling service operations in CSIA international airport since 2009 has been ended on December 2019. Celebi Nas participated in the tender held by the CSIA international airport operator MIAL for the extension of the concession right from January 1, 2020 to December 31, 2029 for 10 (ten) years and proposal is presented to MIAL in January 29, 2018. The concession right agreement between Celebi Nas and the contracting authority MIAL is signed on May 19, 2018. Thus, Celebi Nas, the subsidiary of Çelebi, will provide ground handling services for an additional 10 (ten) years from 1 January 2020 to 31 December 2029 following the conclusion of the current concession period on December 31, 2018 at CSIA airport in Mumbai, India.

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

- *Associate:*

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

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

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 interim condensed consolidated financial statements.

As of September 30, 2018, the interim condensed consolidated financial statements of the Group contains the Company, Celebi Nas, CGHH, Tasfiye halinde Çelebi Güvenlik, Celebi Delhi Cargo, Celebi GH Delhi, Çelebi Kargo, DASPL and Celebi Cargo (all together will be referred as "the Group").

Interim condensed consolidated financial statements of the Group for the period ended January 1 – September 30, 2018 has been approved for the issuance by the Board of Directors on August 17, 2018 and signed by Osman Yılmaz, the General Manager, and Deniz Bal, the Accounting and Finance Director, on behalf of Board of Directors.

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

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

2.1. Basis of presentation

2.1.1 Financial reporting standards

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

The Group prepared its interim condensed consolidated financial statements for the period ended September 30, 2018 in accordance with the Turkish Accounting Standard 34 Interim Financial Reporting. Interim condensed consolidated financial statements of the Group does not include all relevant disclosures and notes that are required to be disclosed in annual financial statements, accordingly these interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2017.

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

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

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

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

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

Functional and Presentation Currency

Financial statement items included in the financial statements of each Group entities are measured using the currency of the primary economic environment in which such entities operate. The condensed consolidated financial statements are presented in TL, which are the functional currency of the Company and the presentation currency of the Group. As of September 30, 2018, the functional currencies of the Group entities as below:

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

Going Concern

The Group prepared its interim condensed 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 interim condensed consolidated financial statements as at September 30, 2018 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, 2018. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

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

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the interim condensed 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 16 Leases

In April 2018, POA has published a new standard, TFRS 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. TFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

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

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.

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. The Group will wait until the final amendment to assess the impacts of the changes.

TFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in “TAS 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.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

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

ii) **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.

Annual Improvements – 2011–2013 Cycle

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

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

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 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.

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 interpretation on financial position or performance of the Group.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

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

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

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

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

2.1.4 Basis of Consolidation (continued)

- 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 (%)	
	September 30, 2018	December 31, 2017
Tasfiye halinde Çelebi Güvenlik ⁽²⁾	94,8	94,8
CGHH	100,0	100,0
Celebi Delhi Cargo	74,0	74,0
CASI	99,9	99,9
Celebi Spain ⁽¹⁾	100,0	100,0
Çelebi Kargo	99,9	99,9
Celebi Cargo	99,9	99,9

- (1) As of September 30, 2018, The Group has 100% directly and indirectly ownership interest of Celebi Spain who is inactive and is not significant to the interim condensed consolidated financial statements of the Group. Accordingly, Celebi Spain is not consolidated in the interim condensed consolidated financial statements and accounted as financial investment over cost value (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 Tasfiye halinde Çelebi Güvenlik. As of September 30, 2018, since Tasfiye halinde Çelebi Güvenlik is not significant to the interim condensed 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 (%)	
	September 30, 2018	December 31, 2017
Çelebi Nas	57,00	57,00

Associate	Ownership interest (%)	
	September 30, 2018	December 31, 2017
DASPL	24,99	24,99

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

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

2.1.4 Basis of Consolidation (continued)

- 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 (%)	
	September 30, 2018	December 31, 2017
Celebi Spain	100,00	100,00

2.2. Changes in accounting policies

2.2.1 Comparatives and adjustment of prior periods' financial statements

The current period interim condensed 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 interim condensed consolidated statement of financial position as of September 30, 2018 comparatively with the consolidated statement of financial position as of December 31, 2017, presented the condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of cash flows and condensed consolidated statement of changes in equity for the period ended September 30, 2018 comparatively with the condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of cash flows and condensed consolidated statement of changes in equity for the period ended September 30, 2017.

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

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

2.3 Changes in significant accounting policies and estimates

Condensed consolidated financial statements for the period ended September 30, 2018, have been prepared in accordance with IAS 34, the IFRS standard on interim financial reporting. Furthermore, accounting policies applied in the preparation of condensed consolidated financial statements as of September 30, 2018 are consistent with the accounting policies used for the preparation of consolidated financial statements for the year ended December 31, 2017 except for the new TFRS 9 – Financial Instruments and TFRS 15 – Revenue from Contracts with Customers standards, which are valid as of 1 January 2018. Thus, these condensed consolidated financial statements should be read together with the consolidated financial statements for the year ended December 31, 2017.

Impacts on condensed consolidated financial statements

The group has applied TFRS 9 – Financial Instruments and TFRS 15 – Revenue from Contracts with Customers effective from 1 January 2018 and the effects of the financial statements in the condensed consolidated financial statements are explained below.

In the application of TFRS 9 Financial Instruments Standard, the group have benefited from an exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes.

The Group has assessed the impact of TFRS 15- Revenue from Contracts with Customers on consolidated financial statements. The amendment will not have a significant impact on the financial position or performance of the Group.

The statement of financial position of 30 September 2018 of the application of TFRS 9 and the results for the six month interim period for the same date are presented below.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

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

2.3 Changes in significant accounting policies and estimates (continued)

Condensed consolidated statement of financial position

	September 30, 2018	IFRS 9 Impact	September 30, 2018 (Excluded impact)
ASSETS			
Current Assets			
Cash and cash equivalents	256.389.996	-	256.389.996
Financial Investments	29.194.580	-	29.194.580
-Restricted cash	29.194.580	-	29.194.580
Trade receivables	266.054.077	3.285.011	269.339.088
- Due from related parties	2.193.383	-	2.193.383
- Due from third parties	263.860.694	3.285.011	267.145.705
Other receivables	33.031.144	-	33.031.144
-Due from third parties	33.031.144	-	33.031.144
Inventories	14.744.127	-	14.744.127
Prepaid expenses	33.297.114	-	33.297.114
Current income tax assets	216.729	-	216.729
Other current assets	3.558.540	-	3.558.540
Total current assets	636.486.307	3.285.011	639.771.318
Non-current assets			
Financial investments	20.527	-	20.527
Other long-term receivables	199.010.379	-	199.010.379
- Due from related parties	139.010.000	-	139.010.000
- Due from third parties	60.000.379	-	60.000.379
Investments accounted using the equity method	108.933.549	-	108.933.549
Property, plant and equipment	255.605.119	-	255.605.119
Intangible assets	294.947.968	-	294.947.968
- Goodwill	50.023.279	-	50.023.279
- Other intangible assets	244.924.689	-	244.924.689
Prepaid expenses	64.765.846	-	64.765.846
Deferred tax asset	92.196.461	(253.688)	91.942.773
Other non-current assets	19.842.906	-	19.842.906
Total non-current assets	1.035.322.755	(253.688)	1.035.069.067
Total assets	1.671.809.062	3.031.323	1.674.840.385

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

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

2.3 Changes in significant accounting policies and estimates (continued)

Condensed consolidated statement of financial position (continued)

	September 30, 2018	IFRS 9 Impact	September 30, 2018 (Excluded impact)
LIABILITIES			
Current liabilities			
Financial liabilities	6.036.690	-	6.036.690
Short term portion of long term financial liabilities	176.098.295	-	176.098.295
Trade payables	132.788.892	-	132.788.892
- Due to related parties	11.250.215	-	11.250.215
- Trade payable, third parties	121.538.677	-	121.538.677
Employee benefit obligations	56.831.956	-	56.831.956
Other payables	14.028.902	-	14.028.902
- Other payables, third parties	14.028.902	-	14.028.902
Deferred income	14.378.345	-	14.378.345
Current income tax liabilities	7.806.723	-	7.806.723
Short-term provisions	19.553.742	-	19.553.742
- Provisions for employee benefits	13.304.819	-	13.304.819
- Other provisions	6.248.923	-	6.248.923
Other current liabilities	10.513.613	-	10.513.613
Total current liabilities	438.037.158	-	438.037.158
Non-Current Liabilities			
Financial liabilities	637.048.699	-	637.048.699
Other payables	19.101.879	-	19.101.879
- Other payables, third parties	19.101.879	-	19.101.879
Provisions	23.566.827	-	23.566.827
- Provisions for employee benefits	23.566.827	-	23.566.827
Deferred tax liabilities	5.928.086	-	5.928.086
Other non-current liabilities	1.334.321	-	1.334.321
Deferred revenue	203.231.173	-	203.231.173
Total non-current liabilities	890.210.985	-	890.210.985
Total liabilities	1.328.248.143	-	1.328.248.143
EQUITY			
Equity attributable to equity holders of the parent	326.490.868	3.031.323	329.522.191
Ödenmiş sermaye	24.300.000	-	24.300.000
Kar veya zararda yeniden sınıflandırılmayacak birikmiş diğer kapsamlı gelirler veya giderler	(21.222.658)	-	(21.222.658)
-Tanımlanmış fayda planları yeniden ölçüm kayıpları	(21.222.658)	-	(21.222.658)
Kar veya zararda yeniden sınıflandırılacak birikmiş diğer kapsamlı gelirler veya giderler	137.391.937	446.005	137.837.942
-Yabancı para çevrim farkları	137.391.937	446.005	137.837.942
Kardan ayrılan kısıtlanmış yedekler	50.630.456	-	50.630.456
Geçmiş yıllar zararları	(16.019.346)	-	(16.019.346)
Net dönem karı	151.410.479	2.585.318	153.995.797
Non-controlling interest	17.070.051	-	17.070.051
Total equity	343.560.919	3.031.323	346.592.242
Total liabilities and equity	1.671.809.062	3.031.323	1.674.840.385

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

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

2.3 Changes in significant accounting policies and estimates (continued)

(ii) Condensed consolidated statement of profit or loss

	January 1- September 30, 2018	IFRS 9 Impact	September 30, 2018 (Excluded impact)
CONTINUING OPERATIONS			
Revenue (net)	1.004.210.608	-	1.004.210.608
Cost of sales (-)	(628.806.783)	-	(628.806.783)
GROSS PROFIT	375.403.825	-	375.403.825
General administrative expenses (-)	(120.342.966)	-	(120.342.966)
Other operating income	221.909.001	-	221.909.001
Other operating expenses (-)	(203.309.633)	2.839.007	(200.470.626)
OPERATING PROFIT	273.660.227	2.839.007	276.499.234
Income from investment activities	2.915.531	-	2.915.531
Expense from investment activities (-)	(347.435)	-	(347.435)
Income from investments accounted by equity method	16.303.170	-	16.303.170
OPERATING PROFIT / (LOSS) BEFORE FINANCIAL INCOME / (EXPENSE)	292.531.493	2.839.007	295.370.500
Financial income	81.722.836	-	81.722.836
Financial expense (-)	(214.452.216)	-	(214.452.216)
INCOME BEFORE TAX	159.802.113	2.839.007	162.641.120
Income tax expense	(5.815.549)	(253.688)	(6.069.237)
Current tax expense	(21.325.584)	-	(21.325.584)
Deferred tax income/(expense)	15.510.035	(253.688)	15.256.347
NET INCOME/ (EXPENSE)	153.986.564	2.585.319	156.571.883
Attributable to:			
Non-controlling interest	2.576.085	-	2.576.085
Equity holder of the parent	151.410.479	2.585.319	153.995.798
	153.986.564	2.585.319	156.571.883

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

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

2.3 Changes in significant accounting policies and estimates (continued)

(iii) TFRS 9 Financial Instruments Standard

Classification and Measurement

Group classifies its financial assets in three categories of financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit of loss. The classification of financial assets is determined considering the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The appropriate classification of financial assets is determined at the time of the purchase. TFRS 9 removes loans and receivables and available-for-sale financial asset categories included in the current TAS 39 standard.

Changes regarding the classification of financial assets and liabilities in terms of TFRS 9 are summarised below. Related changes in classification do not result in changes in measurement of the financial assets and liabilities.

	Classification under TAS 39	Classification under TFRS 9
Financial assets		
Cash and cash equivalents	Loans and receivables	Amortised cost
Financial asset	Held-to-maturity	Amortised cost
Financial asset	Available for sale	Fair value through other comprehensive income
Derivative instruments	Fair value through profit or loss	Fair value through profit or loss
Trade receivables	Loans and receivables	Amortised cost
Other receivables	Loans and receivables	Amortised cost
Financial liabilities		
Borrowings	Amortised cost	Amortised cost
Trade payables	Amortised cost	Amortised cost
Derivative instruments	Fair value through profit or loss	Fair value through profit or loss
Other payables	Amortised cost	Amortised cost

Impairment

The Group allocates impairment provision for the following financial assets according to the expected credit loss model:

- Trade receivables
- Cash and cash equivalents
- Financial investments

The Group uses the simplified approach in TFRS 9 to calculate the expected credit losses of such financial assets. This method requires the recognition of expected life-time losses for all trade receivables.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

2.3 Changes in significant accounting policies and estimates (continued)

(iv) Changes in accounting policies

Revenue Recognition

Revenue is recognized on accrual basis at the fair value of the return received or receivable from sales of goods and services. Net sales represent the invoiced value of deliverables and realized services, excluding sales discounts and rebates. If there is an important financing component in the sales, the fair value is determined by discounting future collections with the interest rate included in the financing component. The difference is recognized in the related periods as other income from the main operations on an accrual basis.

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.

Dividend Income

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

Financial Assets

Classification

Group classifies its financial assets in three categories of financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit of loss. The classification of financial assets is determined considering the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The appropriate classification of financial assets is determined at the time of the purchase.

Financial assets are not reclassified after initial recognition except when the Group's business model for managing financial assets changes; in the case of a business model change, subsequent to the amendment, the financial assets are reclassified on the first day of the following reporting period.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

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

2.3 Changes in significant accounting policies and estimates (continued)

Recognition and Measurement

"Financial assets measured at amortized cost " are non-derivative financial assets held within the scope of a business model aimed at collecting contractual cash flows and with cash flows including interest payments arising solely on principal and principal balance at specific dates under contractual terms. Group's financial assets are accounted at the amortized cost include items such as "cash and cash equivalents", "trade receivables", "other receivables" and "financial investments". Related assets are initially recognized at fair value in the financial statements; in subsequent accounting, measured at amortized cost using the effective interest rate method. Gains and losses resulting from the valuation of non-derivative financial assets measured at amortized cost are recognized in the consolidated income statement.

"Financial assets at fair value through other comprehensive income" are non derivative financial assets that are held in the context of business model aimed at collecting contractual cash flows and selling financial assets, and cash flows include interest payments solely at principal and principal balance on contractual terms. Any gains or losses arising from the related financial assets are recognized in other comprehensive income except for impairment losses, gains or losses and exchange rate differences income or expenses. In the case of the sale of assets, the valuation differences classified as other comprehensive income are classified as retained earnings.

"Financial assets at fair value through profit or loss" are financial assets measured at amortized cost other than financial assets at fair value through comprehensive income. The resulting gains and losses from the valuation of such assets are recognized in the consolidated income statement.

Financial Statement Exclusion

The Group derecognizes the financial assets when it terminates the rights related to the cash flows due to the contract or when the related rights are transferred through a purchase and sale of all risks and rewards related to the financial asset. Any rights created or held by financial assets transferred by the Group are recognized as a separate asset or liability.

Impairment

The impairment of financial assets and contractual assets is calculated using the "expected credit loss" (ECL) model. The impairment model applies to amortized cost financial assets and contractual assets.

In the case of financial asset has a low credit risk at the reporting date, the Group can determine that the credit risk of the financial asset has not increased significantly. However, the lifetime ECL measurement (simplified approach) is always valid for commercial receivables and contract assets, without significant financing.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

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

2.3 Changes in significant accounting policies and estimates (continued)

Changes in accounting estimates

If changes in accounting estimates are related to only one period, they are recognised in the period when the changes are applied; if changes in estimates are related to future periods, they are recognised both in the period where the change is applied and in future periods prospectively. Significant accounting errors are applied retrospectively and the prior period financial statements are restated.

The useful life of some part of equipments used by the Group has been reassessed and the changed estimation of useful life. As a result of change, TL 1.821.166 less depreciation expense is calculated and the effect is reflected in the current period.

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, Terminal Construction and Management. Reportable operating segment revenues are Ground Handling Services, Security Services, Terminal Construction and Management and Cargo and Warehouse Services. The management assesses the performance of the operating segments based on a measure of EBITDA after IFRIC 12 effect and expense offsetting amount that does not have any cash-flow effect, regarding to operating leasing are excluded.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

NOTE 3 - SEGMENT REPORTING (Continued)

The segment information provided to the board of directors as of 30 September 2018 is as follows :

	Operation Groups			
	Ground Handling Services	Cargo and Warehouse Services	Consolidation Adjustments	Consolidated
January 1 – September 30, 2018				
Revenue	682.639.634	325.262.796	(3.691.822)	1.004.210.608
Cost of sales	(414.696.269)	(216.884.489)	2.773.975	(628.806.783)
Gross profit	267.943.365	108.378.307	(917.847)	375.403.825
General administrative expenses	(93.540.887)	(27.694.270)	892.191	(120.342.966)
Addition: Depreciation and amortization	20.056.338	13.395.455	-	33.451.793
Addition: Operating lease equalization	(205.715)	7.625.923	-	7.420.208
Addition: Effect of IFRIC 4-12	-	3.378.705	-	3.378.705
Addition: Prepaid allocation cost expense	866.304	-	-	866.304
Addition: Retirement pay liability and unused vacation provisions	6.334.988	2.297.589	-	8.632.577
EBITDA effect of equity accounted investees	32.153.803	(607.070)	-	31.546.733
EBITDA	233.608.196	106.774.639	(25.656)	340.357.179

	Operation Groups			
	Ground Handling Services	Cargo and Warehouse Services	Consolidation Adjustments	Consolidated
July 1 – September 30, 2018				
Revenue	334.774.849	128.357.503	(303.468)	462.828.884
Cost of sales	(180.566.848)	(81.450.043)	128.337	(261.888.554)
Gross profit	154.208.001	46.907.460	(175.131)	200.940.330
General administrative expenses	(33.747.774)	(9.747.242)	15.925	(43.479.091)
Addition: Depreciation and amortization	6.731.788	4.990.232	-	11.722.020
Addition: Operating lease equalization	(104.048)	2.872.908	-	2.768.860
Addition: Effect of IFRIC 4-12	-	1.454.558	-	1.454.558
Addition: Prepaid allocation cost expense	288.768	-	-	288.768
Addition: Retirement pay liability and unused vacation provisions	1.951.982	968.705	-	2.920.687
EBITDA effect of equity accounted investees	12.188.430	45.710	-	12.234.140
EBITDA	141.517.147	47.492.331	(159.206)	188.850.272

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

NOTE 3 - SEGMENT REPORTING (Continued)

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

	Operation Groups			Consolidated
	Ground Handling Services	Cargo and Warehouse Services	Consolidation Adjustments	
January 1 – September 30, 2017				
Revenue-net	457.303.724	236.120.548	(2.442.607)	690.981.665
Cost of sales	(302.019.615)	(173.827.043)	2.203.396	(473.643.262)
Gross profit	155.284.109	62.293.505	(239.211)	217.338.403
General administrative expenses	(67.426.951)	(28.418.300)	442.028	(95.403.223)
Addition: Depreciation and amortization	18.444.979	10.403.830	-	28.848.809
Addition: Operating lease equalization	(124.997)	7.379.256	-	7.254.259
Addition: Effect of IFRIC 4-12 shares	-	4.663.347	-	4.663.347
Addition: Prepaid allocation cost expense	866.304	-	-	866.304
Addition: Retirement pay liability and unused vacation provisions	4.676.889	878.223	-	5.555.112
EBITDA effect of equity accounted investees	20.489.831	(601.979)	-	19.887.852
EBITDA	132.210.164	56.597.882	202.817	189.010.863

	Operation Groups			Consolidated
	Ground Handling Services	Cargo and Warehouse Services	Consolidation Adjustments	
July 1 – September 30, 2017				
Revenue-net	198.109.532	86.082.824	(2.246.159)	281.946.197
Cost of sales	(121.283.350)	(54.420.047)	1.646.268	(174.057.129)
Gross profit	76.826.182	31.662.777	(599.891)	107.889.068
General administrative expenses	(22.954.138)	(9.109.190)	226.727	(31.836.601)
Addition: Depreciation and amortization	6.718.199	3.905.799	-	10.623.998
Addition: Operating lease equalization	(50.480)	2.338.374	-	2.287.894
Addition: Effect of IFRIC 4-12 shares	-	783.450	-	783.450
Addition: Prepaid allocation cost expense	288.768	-	-	288.768
Addition: Retirement pay liability and unused vacation provisions	962.413	337.924	-	1.300.337
EBITDA effect of equity accounted investees	7.259.587	(245.714)	-	7.013.873
EBITDA	69.050.531	29.673.420	(373.164)	98.350.787

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

NOTE 3 - SEGMENT REPORTING (Continued)

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

	January 1- September 30, 2018	July 1- September 30, 2018	January 1- September 30, 2017	July 1- September 30, 2017
EBITDA for reported segments	340.357.179	188.850.272	189.010.863	98.350.787
Depreciation and amortization	(33.451.793)	(11.722.020)	(28.848.809)	(10.623.998)
Operating lease equalization	(7.420.208)	(2.768.860)	(7.254.259)	(2.287.894)
Effect of IFRIC 4-12	(3.378.705)	(1.454.558)	(4.663.347)	(783.450)
Addition: Prepaid allocation cost expense	221.909.001	150.315.875	16.027.550	2.550.062
Retirement pay liability and unused vacation provisions	(203.309.633)	(124.973.367)	(11.393.590)	(20.341)
Other operating income	(866.304)	(288.768)	(866.304)	(288.768)
Other operating expenses (-)	(8.632.577)	(2.920.687)	(5.555.112)	(1.300.337)
EBITDA effect of equity accounted investees	(31.546.733)	(12.234.140)	(19.887.852)	(7.013.873)
Operating profit	273.660.227	182.803.747	126.569.140	78.582.188
Income from investment activities	16.303.170	7.009.040	6.477.274	2.826.213
Expenses from investment activities(-)	2.915.531	1.063.826	448.937	772
Financial income	(347.435)	(137.121)	(428.864)	(1.426)
Financial expenses (-)	81.722.836	49.606.148	12.266.898	3.136.475
Income from investments accounted by equity method	(214.452.216)	(145.520.229)	(45.213.093)	(14.729.857)
Income before tax	159.802.113	94.825.411	100.120.292	69.814.365

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.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

NOTE 3 - SEGMENT REPORTING (Continued)

The reconciliation between geographical segment assets and total assets stated in consolidated financial statements, is as follows:

Total Assets

	September 30, 2018	December 31, 2017
Turkey	723.446.772	517.942.130
India	555.800.229	330.186.664
Hungary	312.193.482	93.293.540
Germany	50.451.597	28.236.749
Segment assets (*)	1.641.892.080	969.659.083
Unallocated assets (*)	291.415.845	142.598.016
Deduction: Inter-segment elimination	(261.498.863)	(276.214.913)
Total assets as per condensed consolidated financial statements	1.671.809.062	836.042.186

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

The reconciliation between geographical segment liabilities and total liabilities stated in consolidated financial statements, is as follows:

Total liabilities

	September 30, 2018	December 31, 2017
Turkey	144.898.710	88.793.858
India	302.718.804	210.816.171
Hungary	28.890.013	17.252.212
Germany	29.407.956	22.526.078
Segment liabilities (*)	505.915.483	339.388.319
Unallocated liabilities (*)	825.111.770	346.999.617
Deduction: Inter-segment elimination	(2.779.110)	(19.200.924)
Total liabilities as per condensed consolidated financial statements	1.328.248.143	667.187.012

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

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

NOTE 3 - SEGMENT REPORTING (Continued)

Geographical region

Geographical segment analysis of the operating profit / (loss) for the interim period January 1 – September 30, 2018 is as follows:

	Turkey	Hungary	India	Germany	Total Combined	Intersegment Adjustment	Total
Revenue	547.274.589	150.484.124	225.044.123	84.262.472	1.007.065.308	(2.854.700)	1.004.210.608
Cost of sales	(298.216.512)	(96.646.989)	(176.427.827)	(60.284.010)	(631.575.338)	2.768.555	(628.806.783)
Gross profit	249.058.077	53.837.135	48.616.296	23.978.462	375.489.970	(86.145)	375.403.825
General administrative expenses	(71.858.324)	(17.542.624)	(19.494.231)	(11.498.152)	(120.393.331)	50.365	(120.342.966)
Other operating income / expense (net)	18.056.433	728.902	(51.259)	(160.364)	18.573.712	25.656	18.599.368
Operating profit / (loss)	195.256.186	37.023.413	29.070.806	12.319.946	273.670.351	(10.124)	273.660.227

Geographical segment analysis of the operating profit / (loss) for the interim period July 1 – September 30, 2018 is as follows:

	Turkey	Hungary	India	Germany	Total Combined	Intersegment Adjustment	Total
Revenue	274.259.045	65.257.789	90.735.216	32.879.063	463.131.113	(302.229)	462.828.884
Cost of sales	(129.642.104)	(39.965.890)	(71.248.502)	(21.159.538)	(262.016.034)	127.480	(261.888.554)
Gross profit	144.616.941	25.291.899	19.486.714	11.719.525	201.115.079	(174.749)	200.940.330
General administrative expenses	(24.954.239)	(7.220.408)	(7.064.806)	(4.251.515)	(43.490.968)	11.877	(43.479.091)
Other operating income / expense (net)	23.911.696	228.386	(251.622)	1.294.843	25.183.303	159.205	25.342.508
Operating profit / (loss)	143.574.398	18.299.877	12.170.286	8.762.853	182.807.414	(3.667)	182.803.747

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

NOTE 3 - SEGMENT REPORTING (Continued)

Geographical region

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

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

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

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

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

NOTE 4 - CASH AND CASH EQUIVALENTS

	September 30, 2018	December 31, 2017
Cash	780.747	276.193
Banks	246.475.212	106.670.336
- time deposit	170.024.804	75.185.656
- demand deposit	76.450.408	31.484.680
Other (Liquid fund)	9.134.037	6.625.712
	256.389.996	113.572.241

Effective interest rates on TL, EUR, USD and INR denominated time deposits at September 30, 2018 are 23,21%, 1,20%, %3,28 %, 5,91% (December 31, 2017: TL 14,20%, EUR 1,60%, USD 3,20%, INR 5,25%). The maturity days on TL, EUR, USD and INR denominated time deposits as of September 30, 2018 3 days for TL, EUR and USD respectively, 10 days for INR. (December 31, 2017: 4 days for TL, EUR and USD and 10 days for INR).

The analysis of cash and cash equivalents in terms of consolidated statements of cash flows at September 30, 2018 and December 31, 2017 are as follows:

	September 30, 2018	September 30, 2017
Cash and banks	285.584.576	130.009.701
Less: Interest accruals	(163.925)	(30.951)
	285.420.651	129.978.750

NOTE 5 - FINANCIAL INVESTMENTS

Restricted Bank Balances:

	September 30, 2018	December 31, 2017
Restricted bank balances (*)	29.194.580	18.380.417
	29.194.580	18.380.417

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

Available-for-sale financial assets:

	September 30, 2018		December 31, 2017	
	%	TL	%	TL
Celebi Spain (*)	100,00	20.527	100,00	20.527
		20.527		20.527

(*) As at September 30, 2018, 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.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

NOTE 6 - INVESTMENT ACCOUNTED BY USING THE EQUITY METHOD

	%	September 30, 2018	%	December 31, 2017
Çelebi Nas	57,00	99.189.983	57,00	59.201.097
DASPL	24,99	9.743.566	24,99	5.790.207
		108.933.549		64.991.304

The movements of investments accounted using the equity method during the interim periods ended September 30, 2018 and September 30, 2017 are as follows:

	September 30, 2018	September 30, 2017
As of January 1	64.991.304	42.739.300
Share of profit / loss	16.303.170	6.477.274
Currency translation differences	28.934.959	2.325.786
Transfers to investments accounted by using the equity method (*)	-	3.616.398
Actuarial gains/losses from defined benefit plans	(17.134)	-
Shares from retained earnings (*)	-	1.206.775
Dividend payments	(1.278.750)	(344.500)
As of December 31	108.933.549	56.007.179

(*) 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.

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

	January 1- September 30, 2018	January 1- September 30, 2017
Çelebi Nas	14.371.596	5.817.718
DASPL	1.931.574	659.556
	16.303.170	6.477.274

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

NOTE 6 - EQUITY ACCOUNTED INVESTEEES(Devamı)

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

Summary of financial statements of Çelebi Nas is as follows:

	September 30, 2018	December 31, 2017
Total Assets	388.481.226	187.460.245
Total Liabilities	219.210.001	88.344.963
	January 1 - September 30, 2018	January 1 - September 30, 2017
Revenue	128.063.446	82.583.703
Net profit / (loss) for the period	25.213.324	10.206.521

Summary of financial statements of DASPL is as follows:

	September 30, 2018	December 31, 2017
Total Assets	49.078.510	39.007.085
Total Liabilities	14.469.801	15.647.774
	January 1 - September 30, 2018	January 1 - September 30, 2017
Revenue	29.665.891	25.553.337
Net profit / (loss) for the period	11.666.694	2.642.037

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

NOTE 7 – SHORT TERM AND LONG TERM FINANCIAL LIABILITIES

Short term financial liabilities:

		September 30, 2018	
	Effective interest rate (%)	Original balance	TL
Short term borrowings:			
INR Borrowings	10,00	66.927.067	5.536.207
			5.536.207
Short-term finance lease obligations			
USD finance lease obligations	11,20	24.672	147.791
INR finance lease obligations	9,10	4.263.685	352.692
			500.483

Short-term portion of long-term financial liabilities:

		September 30, 2018	
	Effective interest rate (%)	Original balance	TL
Short-term portion of long-term borrowings:			
INR borrowings	8,55 - 10,00	382.424.456	31.634.151
EUR borrowings	2,20 - 3,86	20.784.712	144.464.144
Total short-term portion of total long term financial liabilities			176.098.295
Total short term financial liabilities			182.134.985

Long-term financial liabilities:

		September 30, 2018	
	Effective interest rate (%)	Original balance	TL
Long term borrowings:			
INR Borrowings	8,55 - 10,00	1.024.856.250	84.776.109
EUR Borrowings	2,20 - 3,86	77.888.932	541.367.022
			626.143.131
Long-term finance lease obligations:			
USD finance lease obligations	11,20	17.199	103.026
INR finance lease obligations	9,10	130.591.659	10.802.542
			10.905.568
Total long-term financial liabilities			637.048.699
Total financial liabilities			819.183.684

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

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

Short term financial liabilities:

		December 31, 2017	
	Effective interest rate (%)	Original balance	TL
<i>Short term borrowings:</i>			
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

Short-term portion of long-term financial liabilities:

		December 31, 2017	
	Effective interest rate (%)	Original balance	TL
<i>Short-term portion of long-term borrowings</i>			
INR borrowings	8,55 - 13,00	177.407.800	10.484.801
EUR borrowings	2,20 - 2,75	10.471.026	47.281.918
Total short-term portion of total long term financial liabilities			57.766.719
Total short term financial liabilities			58.836.448

Long-term financial liabilities:

		December 31, 2017	
	Effective interest rate (%)	Original balance	TL
<i>Long term borrowings:</i>			
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
<i>Long-term finance lease obligations:</i>			
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

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

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

The redemption schedules of financial liabilities of the Group as at September 30, 2018 and December 31, 2017 are as follows:

	September 30, 2018	December 31, 2017
Less than 3 months	13.800.410	2.207.104
Between 3-12 months	168.334.575	56.629.344
Between 1-5 years	637.048.699	282.516.358
	819.183.684	341.352.806

The redemption schedules of long-term borrowings as at September 30, 2018 and December 31, 2017 are as follows:

	September 30, 2018	December 31, 2017
Between 1-2 years	358.429.860	126.364.283
Between 2-3 years	82.747.408	115.045.922
Between 3-4 years	75.577.345	8.515.482
4 years and more	109.388.518	24.731.716
	626.143.131	274.657.403

The redemption schedules of financial lease obligations as at September 30, 2018 and December 31, 2017 are as follows:

	September 30, 2018			December 31, 2017		
	Minimum financial lease payments	Interest	Total obligation	Minimum financial lease payments	Interest	Total obligation
Less than 1 year	1.509.478	(1.008.995)	500.483	1.083.939	(741.123)	342.816
Between 1-2 years	1.440.192	(967.093)	473.099	1.071.564	(712.847)	358.717
Between 2-3 years	1.323.781	(928.561)	395.220	1.006.845	(683.659)	323.186
Between 3-4 years	1.312.380	(889.559)	422.821	958.718	(656.630)	302.088
4 years and more	15.890.005	(6.275.577)	9.614.428	11.832.572	(4.957.608)	6.874.964
	21.475.836	(10.069.785)	11.406.051	15.953.638	(7.751.867)	8.201.771

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

Short term trade receivables

	September 30, 2018	December 31, 2017
Due from third parties	267.567.758	122.450.352
Notes receivable from third parties	6.193.977	-
Less: Provision for doubtful receivables	(9.901.041)	(6.112.405)
Trade receivables from third parties (net)	263.860.694	116.337.947
Due from related parties (Note 24)	2.193.383	1.702.170
Total short-term trade receivables	266.054.077	118.040.117

Movements of provision for doubtful receivables is as follows:

	September 30, 2018	September 30, 2017
As of January 1	6.112.405	2.996.580
Foreign currency translation differences	1.478.617	62.630
Collections and provision reversals	(2.451.975)	-
Additional provisions in current period	4.761.994	118.443
As of September 30	9.901.041	3.177.653

Short-term trade payables

	September 30, 2018	December 31, 2017
Trade payables to third parties	119.134.469	58.964.865
Accrued liabilities	2.404.208	7.169.892
Total trade payables to third parties	121.538.677	66.134.757
Due to third parties (Note 24)	11.250.215	11.262.592
Total trade payables	132.788.892	77.397.349

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

NOTE 9 - OTHER RECEIVABLES AND PAYABLES

Other short term receivables

	September 30, 2018	December 31, 2017
Receivable from tax office	28.568.656	6.037.026
Deposits and guarantees given	4.462.488	2.402.694
	33.031.144	8.439.720

Other long term receivables

	September 30, 2018	December 31, 2017
Deposits and guarantees given (*)	60.000.379	34.828.278
	60.000.379	34.828.278
Due from related parties(Note 24)	139.010.000	-
	199.010.379	34.828.278

(*) As of 30 September 2018, the amount which was given for Group's subsidiaries and joint ventures in India, CASI, Celebi Delhi Cargo, Celebi Nas amounting to TL 37.003.398 (31 December 2017: TL 21.905.228) and TL 22.617.706 (31 December 2017: TL 12.819.338) as a deposit to the local authorities, companies and the amount which was shown in banks as blockage.

Other short-term payables

	September 30, 2018	December 31, 2017
Other short-term payables (*)	13.688.550	8.487.809
Deposits and guarantees received	340.352	155.189
	14.028.902	8.642.998

(*) As of September 30, 2018, TL 12.452.274 of other short-term payables (December 31, 2017: TL 8.183.852) are the payables of Celebi Delhi Cargo, a subsidiary of the Group, to its shareholder of Delhi International Airport Private Limited'e (DIAL) due to the concession contract signed between the parties.

Other long-term payables

	September 30, 2018	December 31, 2017
Deposits and guarantees received	19.101.879	12.532.767
	19.101.879	12.532.767

NOTE 10 – INVENTORIES

	September 30, 2018	December 31, 2017
Merchandises	2.275.737	3.068.338
Other inventories (*)	12.468.390	9.393.658
	14.744.127	12.461.996

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

ÇELEBİ HAVA SERVİSİ ANONİM ŞİRKETİ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in property, plant and equipment for the interim period ended September 30, 2018 are as follows:

	Opening January 1, 2018	Additions	Disposals	Transfers	Currency Translation Differences	Closing September 30, 2018
Cost						
Plant, machinery and equipment	270.953.620	12.730.031	(7.213.556)	523.887	29.831.513	306.825.495
Motor vehicles	64.371.389	4.162.660	(287.898)	140.971	27.336.241	95.723.363
Furniture and fixtures	26.259.867	1.922.092	(18.307)	15.420	2.730.181	30.909.253
Leasehold improvements (*)	120.745.249	1.331.139	(1.223)	84.083	3.502.385	125.661.633
Construction in progress	1.672.075	83.105.815	-	(946.591)	519.254	84.350.553
	484.002.200	103.251.737	(7.520.984)	(182.230)	63.919.574	643.470.297
Accumulated depreciation						
Plant, machinery and equipment	(187.451.076)	(11.235.680)	2.527.553	43.941	(20.106.436)	(216.221.698)
Motor vehicles	(44.943.828)	(2.326.013)	287.896	-	(18.942.422)	(65.924.367)
Furniture and fixtures	(21.925.042)	(1.345.310)	17.745	-	(1.973.374)	(25.225.981)
Leasehold improvements (*)	(74.062.517)	(4.680.870)	-	-	(1.749.745)	(80.493.132)
	(328.382.463)	(19.587.873)	2.833.194	43.941	(42.771.977)	(387.865.178)
Net book value	155.619.737					255.605.119

(*) The land plots where the stations and cargo buildings were constructed by Çelebi Hava Servisi A,Ş in the airports within which it operates were rented from the DHMI and other local authority. The station and cargo buildings on this land were constructed by the Group and recorded under the tangible assets of the Group as leasehold improvements. As of 30 September 2018 the net book value of these stations was TL 40.291.573. The lease contract signed by the Group and the DHMI is valid for one year and the agreement is renewed every year. The agreement is renewed automatically. The Group amortizes these station buildings over 15 years which correspond to their economic lives.

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 25.214.841, 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 30 September 2018 in the amount of TL 17.838.704 and TL 1.749.169 are respectively included in cost of sales and operating expenses.

There are net book value TL 213.328 worth of financial leasing assets in plant, machinery and equipment as of September 30 2018.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

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

Depreciation expense for the period ended 30 September 2018 in the amount of TL 18.514.619 and TL 2.007.925 are respectively included in cost of sales and operating expenses.

There are net book value TL 310.987 worth of financial leasing assets in plant, machinery and equipment as of 30 September 2017.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

NOTE 12 - INTANGIBLE ASSETS

Other Intangible Assets

Movements in other intangible assets for the period ended September 30, 2018 are as follows:

	Opening January 1, 2018	Additions	Transfers	Currency translation differences	Closing September 30, 2018
Cost					
Rights	10.150.600	-	-	-	10.150.600
Customer relations	58.113.650	-	-	27.155.405	85.269.055
Software	16.914.994	1.874.012	191.414	3.202.139	22.182.559
IFRIC 4-12 (**)	138.195.764	5.371.419	-	56.375.127	199.942.310
Build-operate-transfer investments (*)	96.831.439	13.740.233	-	43.901.402	154.473.074
	320.206.447	20.985.664	191.414	130.634.073	472.017.598
Accumulated depreciation					
Rights	(3.639.336)	(6.955)	(43.941)	-	(3.690.232)
Customer relations	(58.113.650)	-	-	(27.155.405)	(85.269.055)
Software	(13.069.233)	(1.803.507)	-	(2.893.802)	(17.766.542)
IFRIC 4-12 (**)	(39.408.272)	(7.158.920)	-	(17.273.606)	(63.840.798)
Build-operate-transfer investments (*)	(36.174.189)	(4.894.538)	-	(15.457.555)	(56.526.282)
	(150.404.680)	(13.863.920)	(43.941)	(62.780.368)	(227.092.909)
Net book value	169.801.767				244.924.689

(*) TL 75.167.299 which is difference between discounted present value of deposits paid with interest rate 11,46%, and the deposit amounting to INR 1.691.135.905, paid in accordance with the concession agreement on the development, modernization, finance and 25-year operation of the cargo terminal in the airport in New Delhi, India has been capitalized as a Build-Operate-Transfer investment and it will be amortized in 25 years until operations end in Delhi International Airport. In addition, TL 5.372.496 which is difference between discounted present value of deposit paid with interest rate 10,82%, and the deposit amounting to INR 452.500.000 paid in accordance with the concession agreement on the development, modernization, finance and 10-year operation of the cargo terminal in the airport in New Delhi, India, has been capitalized as a Build-Operate-Transfer investment and it will be amortized in 10 years until operations end in Delhi International Airport.

(**) Refers to fixed asset expenditures made within within the scope of the concession agreement signed between DIAL Celebi Delhi Cargo and are recognized in accordance with IFRIC 12 and IFRIC 4. As of 30 September 2018 there are financial lease assets in the concession rights with the net book value of TL 10.609.597.

Amortization expense for the period ended 30 September 2018 in the amount of TL 1.150.298 and TL 12.713.622 are included in operating expenses and cost of sales.

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

NOTE 12 – INTANGIBLE ASSETS (Continued)

Other Intangible Assets

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

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

(*) TL 52.960.737 which is difference between discounted present value of deposit paid with interest rate 11,46%, and the deposit amounting to INR 1.453.873.935 which is paid in accordance with the concession agreement on the development, modernization, finance and 25-year operation of the cargo terminal in the airport in New Delhi, India, has been capitalized as a Build-Operate-Transfer investment and it will be amortized in 25 years until operations end in Delhi International Airport. In addition, TL 4.107.209 which is difference between discounted present value of deposit paid with interest rate 10,82%, and the deposit amounting to INR 400.000.000 paid in accordance with the concession agreement on the development, modernization, finance and 10-year operation of the cargo terminal in the airport in New Delhi, India, has been capitalized as a Build-Operate-Transfer investment and it will be amortized in 10 years until operations end in Delhi International Airport.

(**) Refers to fixed asset expenditures made within within the scope of the concession agreement signed between DIAL Celebi Delhi Cargo and are recognized in accordance with IFRIC 12 and IFRIC 4. As of 30 September 2017 there are financial lease assets in the concession rights with the net book value of TL 7.446.254.

Operating expenses for the period ended 30 September 2018 in the amount of TL 1.123.465 and TL 7.202.800 are included in cost of sales.

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NOTE 12 - INTANGIBLE ASSETS (Continued)

Goodwill

Positive goodwill at September 30, 2018 and December 31, 2017 is as follows:

	September 30, 2018	December 31, 2017
Goodwill due to acquisition of CGHH	50.023.279	34.112.091
	50.023.279	34.112.091

- *Goodwill due to acquisition of CGHH*

Goodwill details relating to the acquisition of CGHH at September 30, 2018 and 2017 are below:

	September 30, 2018	September 30, 2017
As of January 1	34.112.091	28.060.700
Foreign currency translation differences	15.911.188	3.481.302
As of September 30	50.023.279	31.542.002

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NOTE 13 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

a) Short term provisions

Other short-term provisions

	September 30, 2018	December 31, 2017
Provision for litigation and indemnity	6.248.923	5.173.420
	6.248.923	5.173.420

Movements of other short term provisions is as follows:

	Provision for litigation
January 1, 2018	5.173.420
Reversal of provision	(180.769)
Currency translation differences	684.700
Addition during the year	571.572
September 30, 2018	6.248.923

Short-term provision for employee benefits

	September 30, 2018	December 31, 2017
Provision for employee termination benefits (*)	6.130.018	3.962.186
Provision for unused vacation rights	7.174.801	4.839.679
	13.304.819	8.801.865

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

b) Long-term provisions

Long-term provision for employee benefits

	September 30, 2018	December 31, 2017
Provision for employee termination benefits	23.566.827	22.006.598
	23.566.827	22.006.598

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

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

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

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

Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement. The liability is not funded, as there is no funding requirement.

According to regulations in India, the Company is required to pay termination benefits to each employee in its subsidiaries and joint ventures who has completed five year of service, who is called up for military service, who achieves the retirement age, who early retires, or who dies. Total employee termination benefit liability is calculated by 15 days per year of service for the current period ended at 30 September 2018 and the liability is limited to INR 350.000 per employee.

Employee termination benefit liability is calculated by estimating the present value of the future probable obligation to the employees of the group in its subsidiaries that are registered in Turkey arising from the retirement of the employees, IFRS requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans.

The amount payable at 30 September 2018 consists of one month's salary limited to a maximum of TL 5.434,42 TL (31 December 2017: TL 5.001,71) for each year of service.

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

	2018	2017
As of January 1	25.968.784	22.923.257
Payments of provisions during the year	(8.007.594)	(6.543.033)
Service cost of employee termination benefits	4.545.844	2.281.718
Interest cost of employee termination benefits	1.520.231	1.472.939
Actuarial (gain)/loss	2.401.265	4.876.858
Currency translation differences	3.268.315	298.791
As of September 30	29.696.845	25.310.530

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

	2018	2017
As of January 1	4.839.679	4.476.709
Payments of provisions during the year	(491.803)	(445.371)
Increase in unused vacation rights during the year	5.368.941	4.799.400
Usage of vacation rights during the year	(3.303.852)	(3.443.759)
Currency translation differences	761.836	135.945
As of September 30	7.174.801	5.522.924

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

c) Contingent assets and liabilities

Guarantess received and given as of September 30, 2018 and December 31, 2017 are as follows:

	September 30, 2018	December 31, 2017
Guarantee letters	36.379.087	8.142.691
Guarantee cheques	1.558.927	9.354.905
Guarantee notes	1.689.540	1.209.627
	39.627.554	18.707.223
Guarantee letters	206.373.936	138.796.462
Collaterals (*)	151.683.765	113.136.325
Pledged shares (*)	35.602.026	25.859.737
	393.659.727	277.792.524

(*) Collaterals and pledged shares amounting to TL 187.878.645 consist of collaterals given to the Group's subsidiaries and joint venture partners. (31 December 2017: 138.958.882 TL) (Note 24).

The litigations and claims those generate contingent assets and liabilities to the Group as of September 30, 2018 are as below:

As of September 30, 2018, the Group has contingent liabilities amounting to TL 32.240.333 (December 31, 2017: TL 26.467.434) due to the legal cases and enforcement proceedings in progress against the Group. TL 12.080.864 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, 2017: TL 11.574.964).

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, 228 legal cases with an invoice amount of TL 256.689.672 (USD 42.851.603) has been negotiated and comprised for an amount of TL 152.034.119 (USD 25.380.475) and paid to the complainants.

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 3.608.220 and the remaining amount in the Fund amounting to USD 14,5 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 September 30, 2018, no provision has been booked in the consolidated financial statements of the Group.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

The details of collaterals, pledges, guarantees and mortgages ("CPGM") of the Company at September 30, 2018 and December 31, 2017 are as follows:

CPGM given by the Group	September 30, 2018		December 31, 2017	
	Amount	TL Equivalent	Amount	TL Equivalent
A. CPGM given on behalf of the Group's legal personality		199.831.464		134.676.808
TL	16.445.698	16.445.698	13.238.634	13.238.634
EUR	5.616.164	39.035.149	7.919.244	35.759.346
USD	2.210.500	13.241.338	2.210.500	8.337.785
INR	1.368.334.369	113.188.619	1.147.839.828	67.837.334
HUF	837.022.897	17.920.660	650.939.000	9.503.709
B. CPGM given on behalf of fully consolidated subsidiaries		193.828.263		143.115.716
EUR	50.000	347.525	50.000	225.775
USD	1.092.196	6.542.472	1.092.196	4.119.654
INR	2.259.892.000	186.938.266	2.348.059.000	138.770.287
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	-	-	-	-
	-	393.659.727	-	277.792.524

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

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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NOTE 14 - OTHER ASSETS AND LIABILITIES

Other current assets

	September 30, 2018	December 31, 2017
Deferred VAT	2.858.455	536.595
Advances given to personnel	557.696	624.358
Other	142.389	-
	3.558.540	1.160.953

Other non current assets

	September 30, 2018	December 31, 2017
Prepaid taxes and funds (*)	19.839.664	17.864.121
Other	3.242	3.242
	19.842.906	17.867.363

(*) As of September 30, 2018, 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 8.856.254 (December 31, 2017: TL 6.963.935) and TL 10.983.410 respectively (December 31, 2017: TL 10.900.186).

Other current liabilities

	September 30, 2018	December 31, 2017
Taxes and funds payable	5.383.462	2.502.021
Provision for operational leasing equalization (*)	770.489	1.083.260
Maintenance obligation liability	1.802.973	-
Other	2.556.689	1.703.364
	10.513.613	5.288.645

Other non current liabilities

	September 30, 2018	December 31, 2017
Provision for operational leasing equalization (*)	156.040.713	104.553.198
Maintenance obligation liability	47.190.460	34.148.213
	203.231.173	138.701.411

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

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

NOTE 15 – PREPAID EXPENSES

Shor-term prepaid expenses

	September 30, 2018	December 31, 2017
Prepaid expenses	26.230.621	11.818.319
Advances given	7.066.493	2.908.873
	33.297.114	14.727.192

Long-term prepaid expenses

	September 30, 2018	December 31, 2017
Prepaid expenses	12.861.875	14.695.876
Advances given for fixed assets	51.903.971	6.706.943
	64.765.846	21.402.819

NOTE 16 – DEFERRED INCOME

Short-term deferred income

	September 30, 2018	December 31, 2017
Other advances received	13.186.396	9.573.836
Deferred income	1.191.949	1.191.950
	14.378.345	10.765.786

Long-term deferred income

	September 30, 2018	December 31, 2017
Deferred income	1.334.321	2.228.283
	1.334.321	2.228.283

NOTE 17 - LIABILITIES FOR EMPLOYEE BENEFITS

	September 30, 2018	December 31, 2017
Wages and salaries payable	18.126.208	12.413.866
Bonus payable accruals	17.663.932	10.478.790
Social security withholdings payable	21.041.816	5.316.207
	56.831.956	28.208.863

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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NOTE 18 - EQUITY

Share Capital

As of September 30, 2018, 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, 2017: 2.430.000.000).

At September 30, 2018 and December 31, 2017, the shareholding structure of the Group is stated in historical amounts below:

Shareholders	September 30, 2018		December 31, 2017	
	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.

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 communique (such as differences arising from inflation adjustment):

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

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

As of September 30, 2018, the amount of restricted reserves is TL 50.630.456 (December 31, 2017: TL 43.097.456).

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.

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NOTE 18 - EQUITY (Continued)

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

At the Ordinary General Assembly Meeting of the Group held on April 19, 2018, 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 85.361.608 as of December 31, 2017 and to distribute TL 84.078.000 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 3.1500 gross dividend corresponding to per share with a nominal amount of TL 1.00 and for an amount of TL 2.6775 net dividend corresponding to per share with a nominal amount of TL 1.00. Cash dividend payments were completed as of April 30, 2018.

NOTE 19 – REVENUE AND COST OF SALES

	January 1- September 30, 2018	July 1- September 30, 2018	January 1- September 30, 2017	July 1- September 30, 2017
Ground handling services	677.755.992	334.890.634	458.720.415	195.168.170
Revenue from cargo and warehouse services	311.637.120	124.281.840	213.339.915	82.220.460
Rental revenue not related to aviation	31.721.186	13.568.599	10.676.142	862.602
Revenue in the context of IFRIC 12	5.371.419	959.443	20.501.378	8.399.470
Less: Returns and discounts	(22.275.109)	(10.871.632)	(12.256.185)	(4.704.505)
Revenue- net	1.004.210.608	462.828.884	690.981.665	281.946.197
Cost of sales	(628.806.783)	(261.888.554)	(473.643.262)	(174.057.129)
Gross profit	375.403.825	200.940.330	217.338.403	107.889.068

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

NOTE 20 - FINANCIAL INCOME

	January 1- September 30, 2018	July 1- September 30, 2018	January 1- September 30, 2017	July 1- September 30, 2017
Foreign exchange gains	71.727.640	45.882.463	6.200.055	65.176
Interest income	6.135.648	2.732.044	3.184.554	1.154.390
Other financial income	3.859.548	991.641	2.882.289	1.916.909
	81.722.836	49.606.148	12.266.898	3.136.475

NOTE 21 - FINANCIAL EXPENSES

	January 1- September 30, 2018	July 1- September 30, 2018	January 1- September 30, 2017	July 1- September 30, 2017
Foreign exchange losses	(16.171.500)	(7.038.515)	(13.909.915)	(4.388.349)
Interest expenses	(191.211.032)	(136.512.261)	(27.382.939)	(8.706.501)
Financial expenses incurred within the scope of IFRIC 12	(1.214.778)	(497.646)	(174.648)	(57.624)
Other financial expenses	(5.854.906)	(1.471.807)	(3.745.591)	(1.577.383)
	(214.452.216)	(145.520.229)	(45.213.093)	(14.729.857)

NOTE 22 - TAX ASSETS AND LIABILITIES

	September 30, 2018	December 31, 2017
Current period corporate tax provision	16.237.196	27.100.828
Less: prepaid corporate tax expense	(8.647.202)	(28.245.139)
Current tax liability – net	7.589.994	(1.144.311)
Deferred tax assets	92.196.461	54.043.004
Deferred tax liabilities	(5.928.086)	(5.646.811)
Deferred tax assets / (liability) - net	86.268.375	48.396.193

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

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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NOTE 22 - TAX ASSETS AND LIABILITIES (Continued)

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

In Turkey, the corporate tax rate is 22% (will be 22% for taxation periods of 2019 and 2020) (December 31, 2017: %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 (2017: 34,6%) and 34,6% (2017: 34,6%) in Delhi for the fiscal year of 2018. 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 2018 (2017: 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 September 30, 2018 and December 31, 2017, tax expenses of the Group are as follows:

	January 1- September 30, 2018	July 1- September 30, 2018	January 1- September 30, 2017	July 1- September 30, 2017
- Current period corporate tax	(21.325.584)	(12.558.640)	(24.022.804)	(14.871.175)
- Deferred tax income /(expense)	15.510.035	11.879.806	2.709.034	289.177
	(5.815.549)	(678.834)	(21.313.770)	(14.581.998)

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NOTE 22 - TAX ASSETS AND LIABILITIES (Continued)

Deferred Taxes

The Group calculates deferred tax assets and liabilities on temporary differences on statement of financial position items arising from different 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 September 30, 2018 and December 31, 2017 are as follows:

	Deferred tax base		Deferred tax assets / (liabilities)	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Deferred tax assets				
Personnel bonus accrual	(2.537.012)	(4.001.712)	558.143	800.342
Accrued sales commissions	(9.625.777)	(5.215.095)	2.117.671	1.043.019
Provision for employment termination Benefits	(18.372.669)	(19.443.266)	3.674.534	3.888.653
Provision for operational leasing Equalization	(155.588.595)	(104.553.193)	54.368.879	36.183.769
Provision for unused vacation rights	(4.289.648)	(3.243.079)	943.723	648.616
Provision for litigation and indemnity	(4.294.505)	(3.909.080)	944.791	781.816
Adjustments related to property plant and equipment and intangible assets	(69.455.409)	(46.998.133)	24.270.498	16.265.114
Investment incentives ^(*)	(58.179.832)	-	12.799.563	-
Other	(6.710.550)	(4.287.865)	1.159.699	1.927.768
			100.837.501	61.539.097
Net off			(8.641.040)	(7.496.093)
Deferred tax assets			92.196.461	54.043.004
Deferred tax liabilities				
Adjustments related to property plant and equipment and intangible assets	74.788.942	68.452.540	(13.453.487)	(12.696.468)
Other	5.262.026	2.232.181	(1.115.639)	(446.436)
			(14.569.126)	(13.142.904)
Net off			8.641.040	7.496.093
Deferred tax liabilities			(5.928.086)	(5.646.811)
Deferred tax assets, net			86.268.375	48.396.193

(*) The Company has a large scale investment incentive certificate for its investments in Istanbul New Airport. Within the scope of this incentive, up to 25% of the investments, corporate tax will be paid with 50% discount. As a result of this incentive certificate, the Company has earned TL 20.518.568 tax deduction from investments amounting to TL 82.074.272 until 30 September 2018, TL 7.719.005 of this amount has been deducted from tax expense and the remaining amount of TL 12.799.563 has been disclosed as deferred tax asset in financial statements.

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NOTE 22 - TAX ASSETS AND LIABILITIES (Continued)

The table of deferred tax movement is as follows:

	January 1 – September 30, 2018	January 1 – September 30, 2017
As of January 1	48.396.195	36.531.535
Foreign currency translation differences	21.881.892	2.169.777
Deferred tax income / (expenses) for the current period	15.510.035	2.709.034
Recognized in other comprehensive income	480.253	989.930
As of September 30	86.268.375	42.400.276

NOTE 23 - 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- Eylül 30, 2018	April 1- Eylül 30, 2018	January 1- Eylül 30, 2017	April 1- Eylül 30, 2017
Net profit / (loss) attributable to the parent company	151.410.479	93.068.905	77.689.028	54.331.907
Weighted average number of shares with 1 KR face value each	2.430.000.000	2.430.000.000	2.430.000.000	2.430.000.000
Earnings / (loss) per share (Kr)	0,06	0,03	0,03	0,02

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NOTE 24 - RELATED PARTY DISCLOSURES

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

i) Balances with related parties

Short term receivables from related parties

	September 30, 2018	December 31, 2017
Celebi Ground Services Austria ⁽²⁾	392.626	262.445
Celebi Spain ⁽³⁾	1.042.170	677.062
Çelebi Havacılık Holding ⁽¹⁾	302.863	196.885
Çelebi Nas ⁽⁴⁾	370.180	525.689
Other	85.544	40.089
	2.193.383	1.702.170

Long term receivables from related parties

	September 30, 2018	December 31, 2017
Çelebi Havacılık Holding ⁽¹⁾	139.010.000	-
	139.010.000	-

Payables to related parties

	September 30, 2018	December 31, 2017
Çelebi Havacılık Holding ^{(1) (*)}	8.538.762	9.145.704
Kamil Koç ⁽⁶⁾	688.095	655.760
DASPL ⁽⁵⁾	890.282	457.736
Çelebi Nas ⁽⁴⁾	240.599	303.300
Çe-Tur Çelebi Turizm Tic. A.Ş. ⁽⁶⁾	854.254	616.959
Other	38.223	83.133
	11.250.215	11.262.592

- (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 September 30, 2018, 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.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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NOTE 24 - RELATED PARTY DISCLOSURES (Continued)

ii) Significant transactions with related parties

	January 1- September 30, 2018	July 1- September 30, 2018	January 1- September 30, 2017	July 1- September 30, 2017
Miscellaneous sales to related parties				
Celebi Ground Handling Services Austria ^{(2) (*)}	5.589.770	3.505.265	1.059.968	311.238
ÇHH ⁽¹⁾	208.602	64.543	166.139	58.883
Other	460.627	112.112	328.984	99.314
	6.258.999	3.681.920	1.555.091	469.435

	January 1- September 30, 2018	July 1- September 30, 2018	January 1- September 30, 2017	July 1- September 30, 2017
Employee and customer transportation expenses paid to related parties				
Kamil Koç ⁽⁴⁾	3.899.051	1.817.705	-	-
Çe-Tur ⁽⁴⁾	5.871.140	2.184.021	2.849.159	897.421
	9.770.191	4.001.726	2.849.159	897.421

	January 1- September 30, 2018	July 1- September 30, 2018	January 1- September 30, 2017	July 1- September 30, 2017
Contribution to holding expenses (*)				
ÇHH ⁽¹⁾	46.300.785	16.276.749	31.621.656	10.153.497

(*) Contribution paid to ÇHH includes services received from ÇHH to Çelebi Hava such as legal, financial, human resource, management, business development, corporate communication, procurement, IT consultancy.

	January 1- September 30, 2018	July 1- September 30, 2018	January 1- September 30, 2017	July 1- September 30, 2017
Other purchases from related parties (*)				
ÇHH ^{(1) (*)}	4.436.659	2.359.725	2.870.854	1.070.117
DASPL ⁽³⁾	4.781.042	2.082.553	2.833.374	528.853
Diğer	1.795.670	203.360	1.636.628	468.975
	11.013.371	4.645.638	7.340.856	2.067.945

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

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

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NOTE 24 - RELATED PARTY DISCLOSURES (Continued)

As of September 30, 2018 and December 31, 2017, collaterals given in favour of the subsidiaries and joint venture of the Group for the loans borrowed by them are as follow:

September 30, 2018	EUR	INR	Total TL
Celebi Nas ⁽¹⁾	-	94.392.000	7.808.106
Celebi Delhi Cargo ⁽²⁾	-	336.000.000	27.793.920
CASI ⁽³⁾	-	1.836.667.000	151.929.094
Celebi Cargo GmbH ⁽⁴⁾	50.000	-	347.525
		2.267.059.000	187.878.645
December 31, 2017	EUR	INR	Total TL
Celebi Nas ⁽¹⁾	-	94.392.000	5.578.567
Celebi Delhi Cargo ⁽²⁾	-	336.000.000	19.857.600
CASI ⁽³⁾	-	1.917.667.000	113.334.120
Celebi Cargo GmbH ⁽⁴⁾	50.000	-	188.595
	50.000	2.348.059.000	138.958.882

- (1) Within the scope of the long-term project finance and working capital loan agreement signed between Celebi Nas and a bank resident in India amounting to INR 2.345.000.000 cash and INR 845.000.000 non-cash, 30% of the 57% shares of Celebi Nas owned by the Company has been pledged in favor of the lender bank to fulfill financial obligations arising from the agreement. As of September 30, 2018, the risk of the cash loan in the respective bank is amounting to INR 1.747.110.49.
- (2) 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 cash INR 1.200.000.000 and non-cash INR 100.000.000, 30% of shares of Celebi Delhi Cargo owned by the Company has been pledged in favor of the lender bank to fulfill financial obligations arising from the agreement. As of September 30, 2018, the risk of the cash loan in the respective bank is amounting to INR 961.826.111.
- (3) Within the scope of the long-term project finance and working capital loan agreement signed between CASI and a bank resident in India amounting to cash INR 1.118.500.000 and non-cash INR 711.000.000, 30% of shares of Celebi Delhi Cargo owned by the Company has been pledged in favor of the lender bank to fulfill financial obligations arising from the agreement. As of September 30, 2018, the risk of the cash loan in the respective bank is amounting to INR 647.237.015.
- (4) In order to fulfill the financial obligations arising from the loan agreements signed between Celebi Cargo GmbH and banks resident in Germany, a guarantee of EUR 50.000 is given by the Company to the lender banks.

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NOTE 24 - RELATED PARTY DISCLOSURES (Continued)

Key management compensation:

The Group has determined key management personnel as members of board of directors, general manager and vice general managers. Key management compensation includes salaries, bonuses, social security contributions and other benefits provided to key management of the Group:

	January 1- September 30, 2018	July 1- September 30, 2018	January 1- September 30, 2017	July 1- September 30, 2017
Short-term key management compensation	12.821.545	4.142.462	9.539.449	3.165.549
	12.821.545	4.142.462	9.539.449	3.165.549

NOTE 25 - 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.

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.

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NOTE 25 - FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency denominated assets and liabilities of the Group as of September 30, 2018 and December 31, 2017 are as follows:

	September 30, 2018	December 31, 2017
Assets denominated in foreign currency	628.645.543	146.441.525
Liabilities denominated in foreign currency (-)	(784.424.313)	(302.760.718)
Net balance sheet position	(155.778.770)	(156.319.193)

The table below summarizes TL equivalents of foreign currency denominated assets and liabilities of the Group as of September 30, 2018 and December 31, 2017:

September 30, 2018	TL Equivalent	USD	EUR	GBP
1. Trade receivables	198.988.633	6.616.276	22.927.245	-
2. Monetary financial assets	235.962.340	6.013.495	28.565.036	179.180
3. Other	54.305.295	4.712.657	3.751.606	-
4. Current Assets (1+2+3)	489.256.268	17.342.428	55.243.887	179.180
5. Other	139.389.275	-	20.054.568	-
6. Non-current assets (5)	139.389.275	-	20.054.568	-
7. Total assets (4+6)	628.645.543	17.342.428	75.298.455	179.180
8. Trade payables	85.486.070	3.665.533	9.140.075	90
9. Financial liabilities	144.611.931	24.672	20.784.712	-
10. Other monetary liabilities	13.551.301	152.058	1.745.768	64.868
11. Short-term liabilities (8+9+10)	243.649.302	3.842.263	31.670.555	64.958
12. Financial liabilities	541.470.047	17.199	77.888.932	-
13. Other monetary liabilities	-	-	-	-
14. Long-term liabilities (12+13)	541.470.047	17.199	77.888.932	-
15. Total liabilities (11+14)	785.119.349	3.859.462	109.559.487	64.958
16. Net foreign currency asset/(liability) position (7-15)	(156.473.806)	13.482.966	(34.261.032)	114.222
17. Net monetary foreign currency asset/(liability) position (7-15)	(156.473.806)	13.482.966	(34.261.032)	114.222

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NOTE 25 - FINANCIAL RISK MANAGEMENT (Continued)

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)

As of September 30, 2018, 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 8.076.566 (December 31, 2017: TL 4.685.462).

As of September 30, 2018, 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 23.813.130 (December 31, 2017: TL 35.919.354).

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NOTE 25 - FINANCIAL RISK MANAGEMENT (Continued)

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 September 30, 2018 and December 31, 2017 is as follows:

	September 30, 2018	December 31, 2017
Total financial liabilities	819.183.684	341.352.806
Less: Cash and cash equivalents	(256.389.996)	(113.572.241)
Less: Restricted cash	(29.194.580)	(13.369.356)
Net debt	533.599.108	214.411.209
Shareholder's equity	343.560.919	168.855.174
Capital invested	877.160.027	383.266.383
Net debt / capital invested	0,61	0,56

NOTE 26 - 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

Since most of the cash equivalents and trade receivables are short term assets, it is projected that their nominal value are equal to their fair value.

Financial Liabilities

It is projected that nominal value of short term payables and financial liabilities, are equal to their fair value.

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NOTE 26 - FINANCIAL INSTRUMENTS (Continued)

Fair value estimation

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

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

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

Group's assets and liabilities measured fair value at September 30, 2018 and December 31, 2017 are as follows:

September 30, 2018	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
Assets				
Available for sale financial assets (Note 5)	-	-	20.527	20.527

NOTE 27 - OTHER MATTERS TO BE DISCLOSED IN TERMS OF SIGNIFICANT EFFECT ON FINANCIAL STATEMENTS OR MAKE FINANCIAL STATEMENTS CLEAR, INTERPRETABLE AND UNDERSTANDABLE.

None.

NOTE 28 – SUBSEQUENT EVENTS

- Between the dates of 11.10.2018 and 31.10.2018, Çelebi Havacılık Holding purchased 1.025.718 shares of the CHS which are listed on the stock exchange. After the transactions, Çelebi Havacılık Holding's share in the capital of the CHS has reached to 82.58%.
- CHS has started to serve in Istanbul New Airport as of November 1, 2018 for the services consist of airborne separation, 400 Hz., PCA (Pre Air Air) and related operational services and bridge services which covers the maintenance of bridges, within the scope of the contract signed with IGA Airport Management Corporation, for 10 years.