

**TÜRK HAVA YOLLARI ANONİM  
ORTAKLIĞI AND ITS SUBSIDIARIES**

Condensed Consolidated Interim  
Financial Statements As At and For  
The Nine-Month Period  
Ended 30 September 2015

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Condensed Consolidated Interim Balance Sheet as at 30 September 2015**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

<b>ASSETS</b>	<b>Notes</b>	<b>Not Reviewed</b>	<b>Audited</b>
		<b>30 September 2015</b>	<b>31 December 2014</b>
<b>Current Assets</b>			
Cash and Cash Equivalents	6	1,156	635
Financial Investments	7	-	87
Trade Receivables			
-Trade Receivables From Non-Related Parties		485	456
Other Receivables			
-Other Receivables from Related Parties	10	2	3
-Other Receivables from Non-Related Parties	11	1,306	1,196
Derivative Financial Instruments	29	107	152
Inventories		264	195
Prepaid Expenses		77	60
Current Income Tax Assets	27	9	8
Other Current Assets		21	39
<b>TOTAL CURRENT ASSETS</b>		<b>3,427</b>	<b>2,831</b>
<b>Non-Current Assets</b>			
Financial Investments		1	1
Other Receivables			
-Other Receivables from Non-Related Parties	11	957	1,059
Investments Accounted by Using Equity Method	4	242	227
Investment Property		36	36
Property and Equipment	12	11,252	9,201
Intangible Assets			
- Other Intangible Assets	13	63	71
- Goodwill	3	12	12
Prepaid Expenses		409	308
<b>TOTAL NON-CURRENT ASSETS</b>		<b>12,972</b>	<b>10,915</b>
<b>TOTAL ASSETS</b>		<b>16,399</b>	<b>13,746</b>

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

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Condensed Consolidated Interim Balance Sheet as at 30 September 2015**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

		<u>Not Reviewed</u>	<u>Audited</u>
<b>LIABILITIES</b>	<b>Notes</b>	<b>30 September 2015</b>	<b>31 December 2014</b>
<b>Current Liabilities</b>			
Short-Term Portion of Long-Term Borrowings	8 and 14	756	613
Other Financial Liabilities	9	30	19
Trade Payables			
-Trade Payables to Related Parties	10	132	148
-Trade Payables to Non-Related Parties		581	514
Payables Related to Employee Benefits		93	128
Other Payables			
-Other Payables to Non-Related Parties		80	71
Derivative Financial Instruments	29	482	427
Deferred Income		18	10
Passenger Flight Liabilities	19	1,325	1,398
Current Tax Provision	27	-	1
Short-Term Provisions			
-Provisions for Employee Benefits	15	51	58
-Other Provisions	15	15	16
Other Current Liabilities		226	264
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,789</b>	<b>3,667</b>
<b>Non- Current Liabilities</b>			
Long-Term Borrowings	8 and 14	6,752	5,318
Trade Payables			
- Trade Payables to Non-Related Parties		-	1
Other Payables			
-Other Payables to Non-Related Parties		12	14
Deferred Income		21	14
Long-Term Provisions			
-Provisions for Employee Benefits	17	110	127
Deferred Tax Liability		904	655
<b>TOTAL NON- CURRENT LIABILITIES</b>		<b>7,799</b>	<b>6,129</b>
<b>Equity</b>			
Share Capital	20	1,597	1,597
Items That Will Not Be Reclassified to Profit or Loss			
-Actuarial (Losses) on Retirement Pay Obligation	20	( 10)	( 10)
Items That Are or May Be Reclassified to Profit or Loss			
-Foreign Currency Translation Differences	20	( 84)	( 47)
-Fair Value (Losses) on Hedging Instruments Entered into for Cash Flow Hedges	20	( 164)	( 185)
Restricted Profit Reserves	20	36	36
Previous Years Profit	20	2,559	1,714
Net Profit for the Period		877	845
<b>TOTAL EQUITY</b>		<b>4,811</b>	<b>3,950</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>16,399</b>	<b>13,746</b>

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

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Condensed Consolidated Interim Statement of Profit or Loss**  
**For the Nine-Month Period Ended 30 September 2015**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

		Not Reviewed	Not Reviewed	Not Reviewed	Not Reviewed
		1 January -	1 July -	1 January -	1 July -
	Notes	30 September 2015	30 September 2015	30 September 2014	30 September 2014
<b>PROFIT OR LOSS</b>					
Sales Revenue	21	8,054	3,265	8,540	3,318
Cost of Sales (-)	22	( 6,276)	( 2,241)	( 6,856)	( 2,448)
<b>GROSS PROFIT</b>		<b>1,778</b>	<b>1,024</b>	<b>1,684</b>	<b>870</b>
General Administrative Expenses (-)	23	( 199)	( 64)	( 201)	( 66)
Marketing and Sales Expenses (-)	23	( 847)	( 278)	( 838)	( 267)
Other Operating Income	24	191	33	71	18
Other Operating Expenses (-)	24	( 29)	( 13)	( 22)	( 17)
<b>OPERATING PROFIT BEFORE INVESTMENT ACTIVITIES</b>		<b>894</b>	<b>702</b>	<b>694</b>	<b>538</b>
Income from Investment Activities	25	55	21	54	25
Expenses from Investment Activities	25	( 1)	( 1)	( 16)	( 12)
Share of Investments' Profit / Loss Accounted by					
Using The Equity Method	4	79	67	67	47
<b>OPERATING PROFIT</b>		<b>1,027</b>	<b>789</b>	<b>799</b>	<b>598</b>
Financial Income	26	427	9	233	273
Financial Expenses (-)	26	( 265)	( 181)	( 140)	( 59)
<b>PROFIT BEFORE TAX</b>		<b>1,189</b>	<b>617</b>	<b>892</b>	<b>812</b>
<b>Tax (Expense)</b>		<b>( 312)</b>	<b>( 146)</b>	<b>( 169)</b>	<b>( 177)</b>
Current Tax (Expense)	27	( 2)	( 2)	( 4)	-
Deferred Tax (Expense)	27	( 310)	( 144)	( 165)	( 177)
<b>PROFIT FOR THE PERIOD</b>		<b>877</b>	<b>471</b>	<b>723</b>	<b>635</b>

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Condensed Consolidated Interim Statement of Other Comprehensive Income**  
**For the Nine-Month Period Ended 30 September 2015**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

		<u>Not Reviewed</u>	<u>Not Reviewed</u>	<u>Not Reviewed</u>	<u>Not Reviewed</u>
		1 January -	1 July -	1 January -	1 July -
	Notes	30 September 2015	30 September 2015	30 September 2014	30 September 2014
<b><u>OTHER COMPREHENSIVE INCOME</u></b>					
<b>Items That May Be Reclassified Subsequently To Profit or Loss</b>					
Currency Translation Adjustment		( 16)	( 120)	63	42
Fair Value Gains on Hedging Instruments Entered into for Cash Flow Hedges		( 37)	( 8)	( 11)	( 13)
Fair Value Gains/(Loss) Hedging Instruments of Investment Accounted by Using the Equity Method Entered into for Cash Flow Hedges		26	( 140)	92	71
Income Tax Relating to Items That May Be Reclassified Subsequently to Profit or Loss		-	-	1	( 2)
<b>Items That Will Not Be Reclassified Subsequently To Profit or Loss</b>		( 5)	28	( 19)	( 14)
Actuarial Gains/(Losses) on Retirement Pay Obligation of Investments Accounted by Using the Equity Method		-	-	1	1
Income Tax Relating to Items That Will Not Be Reclassified Subsequently to Profit or Loss		-	-	-	-
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>( 16)</b>	<b>( 120)</b>	<b>64</b>	<b>43</b>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>861</b>	<b>351</b>	<b>787</b>	<b>678</b>
Basic Earning Per Share (Full US Cents)	28	0.64	0.34	0.52	0.46
Diluted Earning Per Share (Full US Cents)	28	0.64	0.34	0.52	0.46

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

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Condensed Consolidated Interim Statement of Changes in Equity**  
**For the Nine-Month Period Ended 30 September 2015**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

	Items That Will Not Be Reclassified Subsequently To Profit or Loss		Items That May Be Reclassified Subsequently To Profit or Loss			Retained Earnings		Total Equity
	Share Capital	Actuarial (Losses) Retirement Pay Obligation	Foreign Currency Translation Differences	Fair Value Gains/ (Losses) on Hedging Instruments Entered Into For Cash Flow Hedges	Restricted Profit Reserves	Previous Years Profit	Net Profit for The Period	
<b>As of 31 December 2014</b>	<b>1,597</b>	<b>(10)</b>	<b>(47)</b>	<b>(185)</b>	<b>36</b>	<b>1,714</b>	<b>845</b>	<b>3,950</b>
Transfers	-	-	-	-	-	845	(845)	-
Total comprehensive income /(loss)	-	-	(37)	21	-	-	877	861
<b>As of 30 September 2015</b>	<b>1,597</b>	<b>(10)</b>	<b>(84)</b>	<b>(164)</b>	<b>36</b>	<b>2,559</b>	<b>877</b>	<b>4,811</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Condensed Consolidated Interim Statement of Changes in Equity**  
**For the Nine-Month Period Ended 30 September 2015**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

	Items That Will Not Be Reclassified Subsequently To Profit or Loss	Items That May Be Reclassified Subsequently To Profit or Loss			Retained Earnings			Total Equity
	Actuarial (Losses) Retirement Pay Obligation	Foreign Currency Translation Differences	Fair Value Gains/ (Losses) on Hedging Instruments Entered Into For Cash Flow Hedges	Restricted Profit Reserves	Previous Years Profit	Net Profit for The Period		
<b>Share Capital</b>								
<b>As of 31 December 2013</b>	<b>1,597</b>	<b>(6)</b>	<b>(32)</b>	<b>(47)</b>	<b>36</b>	<b>1,357</b>	<b>357</b>	<b>3,262</b>
Transfers	-	-	-	-	-	357	(357)	-
Total comprehensive income /(loss)	-	1	(11)	74	-	-	723	787
<b>As of 30 September 2014</b>	<b>1,597</b>	<b>(5)</b>	<b>(43)</b>	<b>27</b>	<b>36</b>	<b>1,714</b>	<b>723</b>	<b>4,049</b>

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

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Condensed Consolidated Interim Statement of Cash Flows**  
**For the Nine-Month Period Ended 30 September 2015**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

		Not Reviewed	Not Reviewed
	Notes	1 January- 30 September 2015	1 January- 30 September 2014
Profit for the Period		877	723
<b>Adjustments to reconcile cash flows generated from operating activities:</b>			
Adjustments for Depreciation and Amortization	12 and 13	658	549
Adjustments for Provisions for Employee Benefits	17	19	15
Adjustments for Provisions, Net	15	14	29
Adjustments for Interest Income	25 and 26	(25)	(26)
(Gain)/Loss on Sales of Fixed Assets	25	(2)	16
Adjustment for Component and Repairable Spare parts	12	42	-
Share of Investments' (Profit) Accounted for Using The Equity Method	4	(79)	(67)
Adjustments for Interest Expense	26	120	126
Change in Manufacturers' Credit		4	(2)
Unrealized Foreign Exchange Translation Differences		(334)	(376)
Tax Expense	27	312	169
Change in Fair Value of Derivative Instruments	26	124	3
<b>Operating profit before working capital changes</b>		<b>1,730</b>	<b>1,159</b>
Adjustments for Change in Trade Receivables		(29)	(108)
Adjustments for Change in Other Short Term and Long Term Other Receivables		(189)	76
Adjustments for Change in Inventories		(69)	(21)
Adjustments for Change in Other Current and Non- Current Assets and Prepaid Expenses		(100)	(134)
Adjustments for Change in Short Term and Long Term Trade Payables		50	72
Adjustments for Change in Short Term and Long Term Payables Related to Operations and Deferred Income		(55)	(34)
Adjustments for Change in Passenger Flight Liabilities		(73)	223
<b>Cash Flows Generated From Operating Activities</b>		<b>1,265</b>	<b>1,233</b>
Payment of Retirement Pay Liabilities	17	(7)	(13)
Taxes (Paid)/Received	27	(1)	3
<b>Net Cash Generated From Operating Activities</b>		<b>1,257</b>	<b>1,223</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds From Sale of Property Equipment and Intangible Assets		4	8
Interest Received		25	14
Payments for Property and Equipment and Intangible Assets (*)	12 and 13	(517)	(353)
Prepayments for the Purchase of Aircrafts		182	35
Change in Financial Investments,Net		87	(94)
Dividends Received		28	19
<b>Net Cash Used In Investing Activities</b>		<b>(191)</b>	<b>(371)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of Financial Lease Liabilities		(449)	(389)
Increase in Other Financial Liabilities,Net		11	3
Interest Paid		(107)	(108)
<b>Net Cash Used In Financing Activities</b>		<b>(545)</b>	<b>(494)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>521</b>	<b>358</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>635</b>	<b>627</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>1,156</b>	<b>985</b>

(\*) 2,228 USD portion of property and equipment and intangible assets purchases in total of 2,745 USD for the period ended 30 September 2015 was financed through finance leases. (30 September 2014: 1,422 USD portion of property and equipment and intangible assets purchases in total of 1,775 USD was financed through finance leases.)

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



**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Nine-Month Period Ended 30 September 2015**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**1. COMPANY ORGANIZATION AND ITS OPERATIONS**

Türk Hava Yolları Anonim Ortaklığı (the “Company” or “THY”) was incorporated in Turkey in 1933. As of 30 September 2015 and 31 December 2014, the shareholders and their respective shareholdings in the Company are as follows:

	<u>30 September 2015</u>	<u>31 December 2014</u>
Republic of Turkey Prime Ministry Privatization Administration	% 49.12	% 49.12
Other (publicly held)	% 50.88	% 50.88
Total	<u>% 100.00</u>	<u>% 100.00</u>

The number of employees working for the Company and its subsidiaries (together the “Group”) as of 30 September 2015 are 26,988 (full) (31 December 2014: 25,126 (full)). The average number of employees working for the Group for the nine-month period ended 30 September 2015 and 2014 are 25,850 (full) and 23,906 (full) respectively. The Company is registered in İstanbul, Turkey and its head office address is as follows:

Türk Hava Yolları A.O. Genel Yönetim Binası, Atatürk Havalimanı, 34149 Yeşilköy İSTANBUL.

The Company’s stocks have been traded on Borsa İstanbul (BIST) since 1990.

Subsidiaries and Joint Ventures

The table below sets out the consolidated subsidiaries of the Group as of 30 September 2015 and 31 December 2014:

<u>Name of the Company</u>	<u>Principal Activity</u>	<u>Ownership Rate</u>		<u>Country of Registration</u>
		<u>30 September 2015</u>	<u>31 December 2014</u>	
THY Teknik A.Ş. (THY Teknik) (*)	Aircraft Maintenance Services	100%	100%	Turkey
THY Habom A.Ş. (THY Habom) (Note:3)	Aircraft Maintenance Services	-	100%	Turkey
THY Aydın Çıldır Havalimanı İşletme A.Ş. (THY Aydın Çıldır)	Training & Airport Operations	100%	100%	Turkey

(\*) In the Extraordinary General Assembly Meeting of THY Teknik A.Ş. dated 22 May 2015, it was decided to merge with THY Habom A.Ş. The merge was carried out under legal structure of THY Teknik A.Ş. by transferring all assets, liabilities, rights and obligations. The merge was registered and published on at 10 June 2015.

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Nine-Month Period Ended 30 September 2015**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**1. COMPANY ORGANIZATION AND ITS OPERATIONS (cont'd)**

Subsidiaries and Joint Ventures (cont'd)

The table below sets out joint ventures of the Company as of 30 September 2015 and 31 December 2014:

Company Name	Country of Registration and Operations	Ownership Share	Voting Power	Principal Activity
Güneş Ekspres Havacılık A.Ş. (Sun Express)	Turkey	50%	50%	Aircraft Transportation
THY DO&CO İkrâm Hizmetleri A.Ş. (Turkish DO&CO)	Turkey	50%	50%	Catering Services
P&W T.T. Uçak Bakım Merkezi Ltd. Şti. (TEC)□	Turkey	49%	49%	Maintenance Services
TGS Yer Hizmetleri A.Ş. (TGS)	Turkey	50%	50%	Ground Services
THY OPET Havacılık Yakıtları A.Ş. (THY Opet)□	Turkey	50%	50%	Aviation Fuel Services
Goodrich Thy Teknik Servis Merkezi Ltd. Şti. (Goodrich)	Turkey	40%	40%	Maintenance Services
Uçak Koltuk Sanayi ve Ticaret A.Ş. (Uçak Koltuk)	Turkey	50%	50%	Cabin Interior Products
TCI Kabin İçi Sistemleri San ve Tic. A.Ş. (TCI)	Turkey	50%	50%	Cabin Interior Products
Türkbine Teknik Gaz Türbinleri Bakım Onarım A.Ş. (Türkbine Teknik)	Turkey	50%	50%	Maintenance Services
Vergi İade Aracılık A.Ş.	Turkey	30%	30%	VAT Return and Consultancy

The Group owns 49%, 40% and 30% equity shares of TEC, Goodrich and Vergi İade Aracılık A.Ş. respectively. However, based on the contractual arrangements between the Group and the other respective investors, decisions about the relevant activities of the arrangements require both the Group and the other respective investor agreement. Thus, the Group concluded that it has joint control over TEC, Goodrich and Vergi İade Aracılık A.Ş..

**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

**2.1 Basis of Presentation**

Statement of Compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB).

The condensed consolidated interim financial statements as at and for the nine-month period ended 30 September 2015 have been prepared in accordance with IAS 34 “Interim Financial Reporting”. They do not include all of the information required for complete annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2014.

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Nine-Month Period Ended 30 September 2015**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)**

**2.1 Basis of Presentation (cont'd)**

**Statement of Compliance (cont'd)**

Board of Directors has approved the condensed consolidated interim financial statements as of 30 September 2015 on 6 November 2015. General Assembly and the related regulatory bodies have the authority to modify the financial statements.

**Basis of Preparation**

The condensed consolidated interim financial statements, except for investment property and derivative financial instruments, have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

**Adjustment of Financial Statements in Hyperinflationary Periods**

As of 1 January 2005, "IAS 29: Financial Reporting in Hyperinflationary Economies" was no longer applied henceforward.

**Functional and Reporting Currency**

*Functional currency*

The condensed consolidated interim financial statements of the Group are presented in US Dollars, which is the presentation currency of the Company.

Although the currency of the country in which the Company is domiciled is Turkish Lira (TL), the Company's functional currency is determined as US Dollar. US Dollar is used to a significant extent in, and has a significant impact on, the operations of the Company and reflects the economic substance of the underlying events and circumstances relevant to the Company. Therefore, the Company uses the US Dollar in measuring items in its financial statements and as the reporting currency. All currencies other than the currency selected for measuring items in the consolidated financial statements are treated as foreign currencies. Accordingly, transactions and balances not already measured in US Dollar have been premeasured in US Dollar in accordance with the relevant provisions of IAS 21 (the Effects of Changes in Foreign Exchange Rates).

Except where otherwise indicated, all values are rounded the nearest million (US Dollar 000,000).

**Basis of the Consolidation**

- a. The condensed consolidated interim financial statements include the accounts of the parent company, THY, its Subsidiaries and its Joint Ventures on the basis set out in sections (b) below. Financial statements of the subsidiaries and affiliates are adjusted where applicable in order to apply the same accounting policies. All transactions, balances, profit and loss within the Group are eliminated during consolidation.

## **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)**

### **2.1 Basis of Presentation (cont'd)**

#### **Basis of the Consolidation (cont'd)**

- b. The Group has ten joint ventures (Note: 1). These joint ventures are economical activities whereby decisions about strategic finance and operating policy are jointly made by the consensus of the Group and other investors. The affiliates are controlled by the Group jointly, and are accounted for by using the equity method. Under the equity method, joint ventures are initially recognized at cost and adjusted to recognize any distributions received impairments in the joint ventures and the Company's share of the profit or loss after the date of acquisition. Joint ventures' losses that exceed the Group's share are not recognized, unless the Company has incurred legal or constructive obligations on behalf of the joint venture.

#### **Business Combinations**

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control occurs when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquire; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognized in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

### **2.2 Changes and Errors in Accounting Estimates**

The significant estimates and assumptions used in preparation of these condensed consolidated interim financial statements as at 30 September 2015 are same with those used in the preparation of the Group's consolidated financial statements as at and for the year ended 31 December 2014.

## **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)**

### **2.3 Summary of Significant Accounting Policies**

The accounting policies used in preparation of condensed consolidated interim financial statements as at 30 September 2015 are consistent with those used in the preparation of consolidated statements for the year ended 31 December 2014.

### **2.4 New and Revised Standards and Interpretations**

#### **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 condensed consolidated interim 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, after the new standards and interpretations become in effect.

#### *IFRS 9 Financial Instruments – Classification and measurement*

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2018. Phase 1 of this new IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

#### *IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortization*

The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. The amendments are effective for annual periods beginning on after 1 January 2016, and are to be applied prospectively. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

#### *IFRS 11 – Accounting for acquisition of interests in joint operations*

The amendments clarify whether IFRS 3 Business Combinations applies when an entity acquires an interest in a joint operation that meets that standard's definition of a business. The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

#### *IFRS 9 Financial Instruments – Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 - (2013)*

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging transactions.

## **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)**

### **2.4 New and Revised Standards and Interpretations (cont'd)**

#### **Standards issued but not yet effective and not early adopted (cont'd)**

##### *IFRS 9 Financial Instruments – Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 - (2013) (cont'd)*

Further, the new standard removes the 1 January 2015 effective date of IFRS 9. The new version of IFRS 9 issued after IFRS 9 (2013) introduces the mandatory effective date of 1 January 2018 for IFRS 9, with early adoption permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

##### *IFRS 9 Financial Instruments (2014)*

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

##### *IFRS 14 Regulatory Deferral Accounts*

IASB has started a comprehensive project for Rate Regulated Activities in 2012. As part of the project, IASB published an interim standard to ease the transition to IFRS for rate regulated entities. The standard permits first time adopters of IFRS to continue using previous GAAP to account for regulatory deferral account balances. The interim standard is effective for financial reporting periods beginning on or after 1 January 2016, although early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

##### *IFRS 15 Revenue from Contracts with customers*

The standard replaces existing IFRS and US GAAP guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. The standard is effective for annual periods beginning on or after 1 January 2017, with early adoption permitted under IFRS. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

##### *Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)*

The amendments address the conflict between the existing guidance on consolidation and equity accounting. The amendments require the full gain to be recognized when the assets transferred meet the definition of a “business” under IFRS 3 Business Combinations. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

## **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)**

### **2.4 New and Revised Standards and Interpretations (cont'd)**

#### **Standards issued but not yet effective and not early adopted (cont'd)**

##### *Equity method in separate financial statements (Amendments to IAS 27)*

The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures, but also for subsidiaries. The amendments apply retrospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

##### *Disclosure Initiative (Amendments to IAS 1)*

The narrow-focus amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. In most cases the amendments respond to overly prescriptive interpretations of the wording in IAS 1. The amendments relate to the following: materiality, order of the notes, subtotals, accounting policies and disaggregation. The amendments apply for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

##### *Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)*

Before the amendment, it was unclear how to account for an investment entity subsidiary that provides investment-related services. As a result of the amendment, intermediate investment entities are not permitted to be consolidated. So where an investment entity's internal structure uses intermediates, the financial statements will provide less granular information about investment performance – i.e. less granular fair values of, and cash flows from, the investments making up the underlying investment portfolio.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

##### *Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)*

Due to difficulties associated with the fair value measurement of bearer plants that are no longer undergoing biological transformation bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. The amendments are effective for annual periods beginning on or after 1 January 2016. Early adoption is permitted. Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

#### **Improvements to IFRSs**

The IASB issued Annual Improvements to IFRSs - 2012–2014 Cycle. The amendments are effective as of 1 January 2016. Earlier application is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

## **2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)**

### **2.4 New and Revised Standards and Interpretations (cont'd)**

#### **Annual Improvements to IFRSs – 2012–2014 Cycle**

##### *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*

The amendments clarify the requirements of IFRS 5 when an entity changes the method of disposal of an asset (or disposal group) and no longer meets the criteria to be classified as held-for-distribution.

##### *IFRS 7 Financial Instruments: Disclosures*

IFRS 7 is amended to clarify when servicing arrangement are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)*.

##### *IAS 19 Employee Benefits*

IAS 19 has been amended to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

##### *IAS 34 Interim Financial Reporting*

IAS 34 has been amended to clarify that certain disclosure, if they are not included in the notes to interim financial statements, may be disclosed “elsewhere in the interim financial report” – i.e. incorporated by cross-reference from the interim financial statements to another part of the interim financial report (e.g. management commentary or risk report).

### **2.5 Determination of Fair Values**

Various accounting policies and explanations of the Group necessitate to determinate the fair value of both financial and non-financial assets and liabilities. If applicable, additional information about assumptions used for determination of fair value are presented in notes particular to assets and liabilities.

Evaluation methods in terms of levels are described as follows:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets and obligations.
- Level 2: Variables obtained directly (via prices) or indirectly (by deriving from prices) which are observable for similar assets and liabilities other than quoted prices mentioned in Level 1.
- Level 3: Variables which are not related to observable market variable for assets and liabilities (unobservable variables).



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**3. BUSINESS COMBINATIONS**

**Acquisition of 100% shares of MNG Teknik Uçak Bakım Hizmetleri Anonim Şirketi and merger with Habom Havacılık Bakım Onarım ve Modifikasyon A.Ş. (HABOM)**

The share purchase agreement for the acquisition of all shares of MNG Teknik Uçak Bakım Hizmetleri Anonim Şirketi ("MNG Teknik") by Türk Hava Yolları Anonim Ortaklığı was signed between parties on 22 May 2013 having obtained the approval of the Competition Authority.

In the Extraordinary General Assembly Meeting of MNG Teknik dated 29 August 2013, it was decided to merge with Habom Havacılık Bakım Onarım ve Modifikasyon A.Ş. (HABOM), which is under common control.

This merger was carried out under legal structure of MNG Teknik via transfer of all assets, liabilities, rights and obligations of HABOM to MNG Teknik. As a result of the merger, the company's title was registered as THY HABOM A.Ş. on 13 September 2013.

	<b>Pre- acquisition value</b>	<b>Fair value adjustment</b>	<b>Acquisition value</b>
Property and equipment	53	2	55
Intangible assets	-	15	15
Trade and other receivables	2	-	2
Other current assets	3	-	3
Cash and cash equivalents	-	-	-
Financial debts	(41)	-	(41)
Trade and other payables	(14)	-	(14)
Other liabilities	(7)	-	(7)
Deferred tax liabilities	-	(1)	(1)
<b>Identifiable assets and liabilities</b>	<b>(4)</b>	<b>16</b>	<b>12</b>
<b>Goodwill arising from acquisition</b>			<b>12</b>
Cash consideration paid			24
Cash and cash equivalents acquired			-
<b>Net cash outflow arising from acquisition</b>			<b>24</b>

Under IFRS 3, intangible assets recognised arising from the acquisition of MNG Teknik is stated below:

	<b>30 September 2015</b>
Company licenses	10
Rent contract	5
Total intangible assets recognized at the acquisition	<b>15</b>

The incremental cash flows and change in cash flows methods are used in determining the fair values of company licenses and lease contract, respectively. Substitute cost method is used in determining the fair value of property and equipment. Pre-acquisition values are calculated in accordance with IFRS just before the acquisition date.

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**4. INVESTMENTS ACCOUNTED BY USING THE EQUITY METHOD**

The joint ventures accounted for using the equity method are as follows:

	<u>30 September 2015</u>	<u>31 December 2014</u>
Sun Express	103	61
Turkish DO&CO	48	52
TGS	36	42
THY Opet	24	40
TEC	24	22
Turkbine Teknik	2	4
TCI	3	4
Uçak Koltuk	1	1
Goodrich	1	1
Vergi İade Aracılık (*)	-	-
	<u>242</u>	<u>227</u>

(\*) The Group's share in its shareholders' equity is less than 1 million USD.

Financial information for Sun Express as of 30 September 2015 and 2014 are as follows:

	<u>30 September</u>	<u>31 December</u>
	<u>2015</u>	<u>2014</u>
Total assets	919	631
Total liabilities	714	510
Shareholders'equity	205	121
Group's share in joint venture's shareholders' equity	103	61

  

	<u>1 January -</u>	<u>1 July -</u>	<u>1 January -</u>	<u>1 July -</u>
	<u>30 September 2015</u>	<u>30 September 2015</u>	<u>30 September 2014</u>	<u>30 September 2014</u>
Revenue	954	467	1,036	487
Profit/ (loss) for the period	90	105	51	63
Group's share in joint venture's profit for the period	45	53	26	32

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**4. INVESTMENTS ACCOUNTED BY USING THE EQUITY METHOD (cont'd)**

Financial information for Turkish DO&CO as of 30 September 2015 and 2014 are as follows:

	<b>30 September 2015</b>	<b>31 December 2014</b>
Total assets	170	172
Total liabilities	73	69
Shareholders'equity	97	103
Group's share in joint venture's shareholders' equity	48	52

  

	<b>1 January - 30 September 2015</b>	<b>1 July - 30 September 2015</b>	<b>1 January - 30 September 2014</b>	<b>1 July - 30 September 2014</b>
Revenue	287	101	278	104
Profit for the period	27	9	24	7
Group's share in joint venture's profit for the period	13	4	12	3

Financial information for TGS as of 30 September 2015 and 2014 are as follows:

	<b>30 September 2015</b>	<b>31 December 2014</b>
Total assets	135	140
Total liabilities	64	56
Shareholders'equity	71	84
Group's share in joint venture's shareholders' equity	36	42

  

	<b>1 January - 30 September 2015</b>	<b>1 July - 30 September 2015</b>	<b>1 January - 30 September 2014</b>	<b>1 July - 30 September 2014</b>
Revenue	192	72	202	78
Profit for the period	20	11	26	12
Group's share in joint venture's profit for the period	10	5	13	6

By the protocol and capital increase dated on 17 September 2009, 50% of TGS' capital, which has a nominal value of 4 USD, was acquired by HAVAŞ for 77 USD and a share premium at an amount of 73 USD has arisen in the TGS's capital. Because the share premium is related to the 5-year service contract between the Company and TGS, the Company's portion (50%) of the share premium under the shareholders' equity of TGS was recognized as 'Deferred Income' to be amortized during the contract period and amortization was completed at the end of 2014.

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**4. INVESTMENTS ACCOUNTED BY USING THE EQUITY METHOD (cont'd)**

Financial information for THY Opet as of 30 September 2015 and 2014 are as follows:

			<b>30 September 2015</b>	<b>31 December 2014</b>
Total assets			245	303
Total liabilities			198	223
Shareholders'equity			47	80
Group's share in joint venture's shareholders' equity			24	40
	<b>1 January - 30 September 2015</b>	<b>1 July - 30 September 2015</b>	<b>1 January - 30 September 2014</b>	<b>1 July - 30 September 2014</b>
Revenue	1,394	453	2,177	869
Profit for the period	20	12	36	16
Group's share in joint venture's profit for the period	10	6	18	8

Financial information for TEC as of 30 September 2015 and 2014 are as follows:

			<b>30 September 2015</b>	<b>31 December 2014</b>
Total assets			129	129
Total liabilities			80	84
Shareholders'equity			49	45
Group's share in joint venture's shareholders' equity			24	22
	<b>1 January - 30 September 2015</b>	<b>1 July - 30 September 2015</b>	<b>1 January - 30 September 2014</b>	<b>1 July - 30 September 2014</b>
Revenue	163	52	162	64
Profit for the period	8	2	1	(3)
Group's share in joint venture's profit/(loss) for the period	4	1	-	(2)

Financial information for Turkbine Teknik as of 30 September 2015 and 2014 are as follows:

			<b>30 September 2015</b>	<b>31 December 2014</b>
Total assets			5	6
Total liabilities			-	(1)
Shareholders'equity			5	7
Group's share in joint venture's shareholders' equity			2	4

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**4. INVESTMENTS ACCOUNTED BY USING THE EQUITY METHOD (cont'd)**

Financial information for Turbine Teknik as of 30 September 2015 and 2014 are as follows (cont'd):

	<u>1 January - 30 September 2015</u>	<u>1 July - 30 September 2015</u>	<u>1 January - 30 September 2014</u>	<u>1 July - 30 September 2014</u>
Revenue	1	-	1	1
Profit for the period	-	-	-	-
Group's share in joint venture's profit/(loss) for the period	-	-	-	-

Financial information for TCI as of 30 September 2015 and 2014 are as follows:

	<u>30 September 2015</u>	<u>31 December 2014</u>
Total assets	14	13
Total liabilities	7	5
Shareholders'equity	7	8
Group's share in joint venture's shareholders' equity	3	4

	<u>1 January - 30 September 2015</u>	<u>1 July - 30 September 2015</u>	<u>1 January - 30 September 2014</u>	<u>1 July - 30 September 2014</u>
Revenue	5	3	3	-
(Loss) for the period	(6)	(4)	(4)	-
Group's share in joint venture's (loss) for the period	(3)	(2)	(2)	-

Financial information for Uçak Koltuk as of 30 September 2015 and 2014 are as follows:

	<u>30 September 2015</u>	<u>31 December 2014</u>
Total assets	15	11
Total liabilities	12	9
Shareholders'equity	3	2
Group's share in joint venture's shareholders' equity	1	1

	<u>1 January - 30 September 2015</u>	<u>1 July - 30 September 2015</u>	<u>1 January - 30 September 2014</u>	<u>1 July - 30 September 2014</u>
Revenue	4	1	6	-
Profit/ (loss) for the period	-	1	(1)	(2)
Group's share in joint venture's profit/(loss) for the period	-	-	-	-

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**4. INVESTMENTS ACCOUNTED BY USING THE EQUITY METHOD (cont'd)**

Financial information for Goodrich as of 30 September 2015 and 2014 are as follows:

	<b>30 September 2015</b>	<b>31 December 2014</b>
Total assets	4	3
Total liabilities	3	2
Shareholders'equity	1	1
Group's share in joint venture's shareholders' equity	1	1

	<b>1 January - 30 September 2015</b>	<b>1 July - 30 September 2015</b>	<b>1 January - 30 September 2014</b>	<b>1 July - 30 September 2014</b>
Revenue	7	3	7	2
Profit for the period	-	-	-	(1)
Group's share in joint venture's profit/(loss) for the period	-	-	-	-

Share of investments' profit/(loss) accounted by using the equity method are as follows:

	<b>1 January - 30 September 2015</b>	<b>1 July - 30 September 2015</b>	<b>1 January - 30 September 2014</b>	<b>1 July - 30 September 2014</b>
Sun Express	45	53	26	32
Turkish DO&CO	13	4	12	3
TGS	10	5	13	6
THY Opet	10	6	18	8
TEC	4	1	-	(2)
TCI	(3)	(2)	(2)	-
	<u>79</u>	<u>67</u>	<u>67</u>	<u>47</u>

**5. SEGMENTAL REPORTING**

Group management makes decisions regarding resource allocation to segments based upon the results and the activities of its air transport and aircraft technical maintenance services segments for the purpose of segments' performance evaluation. The Group's main activities can be summarized as follows:

Air Transport ("Aviation")

The Group's aviation activities consist of mainly domestic and international passenger and cargo air transportation.

Technical Maintenance Services ("Technical")

The Group's technical activities consist of mainly aircraft repair and maintenance services and providing technical and infrastructure support related to aviation sector.

The detailed information about the sales revenue of the Group is given in Note 21.

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**5. SEGMENTAL REPORTING (cont'd)**

**5.1 Total Assets and Liabilities**

	<b>30 September 2015</b>	<b>31 December 2014</b>
Total Assets		
Aviation	16,216	13,677
Technical	1,165	1,110
Total	17,381	14,787
Less: Eliminations due to consolidation	(982)	(1,041)
Total assets in consolidated financial statements	16,399	13,746

	<b>30 September 2015</b>	<b>31 December 2014</b>
Total Liabilities		
Aviation	11,451	9,732
Technical	509	477
Total	11,960	10,209
Less: Eliminations due to consolidation	(372)	(413)
Total liabilities in consolidated financial statements	11,588	9,796

**5.2 Profit / (Loss) before Tax**

Segment Results:

<b>1 January - 30 September 2015</b>	<b>Aviation</b>	<b>Technic</b>	<b>Inter-segment elimination</b>	<b>Total</b>
Sales to External Customers	7,929	125	-	8,054
Inter-Segment Sales	29	543	(572)	-
Revenue	7,958	668	(572)	8,054
Cost of Sales (-)	(6,347)	(501)	572	(6,276)
Gross Profit	1,611	167	-	1,778
Administrative Expenses (-)	(133)	(71)	5	(199)
Marketing and Sales Expenses (-)	(844)	(3)	-	(847)
Other Operating Income	209	27	(45)	191
Other Operating Expenses (-)	(51)	(18)	40	(29)
Operating Profit Before Investment Activities	792	102	-	894
Income from Investment Activities	55	-	-	55
Expenses from Investment Activities	(1)	-	-	(1)
Share of Investments' Profit Accounted by Using The Equity Method	76	3	-	79
Operating Profit	922	105	-	1,027
Financial Income	436	1	(10)	427
Financial Expense (-)	(266)	(9)	10	(265)
Profit Before Tax	1,092	97	-	1,189

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**5. SEGMENTAL REPORTING (cont'd)**

**5.2 Profit / (Loss) before Tax (cont'd)**

<b>1 January - 30 September 2014</b>	<b>Aviation</b>	<b>Technic</b>	<b>Inter-segment elimination</b>	<b>Total</b>
Sales to External Customers	8,387	153	-	8,540
Inter-Segment Sales	22	434	(456)	-
Revenue	8,409	587	(456)	8,540
Cost of Sales (-)	(6,834)	(473)	451	(6,856)
Gross Profit	1,575	114	(5)	1,684
Administrative Expenses (-)	(133)	(81)	13	(201)
Marketing and Sales Expenses (-)	(835)	(4)	1	(838)
Other Operating Income	70	12	(11)	71
Other Operating Expenses (-)	(15)	(10)	3	(22)
Operating Profit Before Investment Activities	662	31	1	694
Income from Investment Activities	54	-	-	54
Expenses from Investment Activities	(16)	-	-	(16)
Share of Investments' Profit Accounted by Using The Equity Method	67	-	-	67
Operating Profit	767	31	1	799
Financial Income	238	2	(7)	233
Financial Expense (-)	(139)	(8)	7	(140)
Profit Before Tax	866	25	1	892

**5.3 Investment Operations**

<b>1 January - 30 September 2015</b>	<b>Aviation</b>	<b>Technic</b>	<b>Inter-segment elimination</b>	<b>Total</b>
Purchase of property and equipment and intangible assets	2,607	138	-	2,745
Current period depreciation and amortization change	581	77	-	658
Investments accounted by using the equity method	214	28	-	242

  

<b>1 January - 30 September 2014</b>	<b>Aviation</b>	<b>Technic</b>	<b>Inter-segment elimination</b>	<b>Total</b>
Purchase of property and equipment and intangible assets	1,653	122	-	1,775
Current period depreciation and amortization change	496	53	-	549
Investments accounted by using the equity method	192	28	-	220



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**6. CASH AND CASH EQUIVALENTS**

	<u>30 September 2015</u>	<u>31 December 2014</u>
Cash	2	2
Banks – Time deposits	1,028	503
Banks – Demand deposits	104	114
Other liquid assets	22	16
	<u>1,156</u>	<u>635</u>

Details of the time deposits as of 30 September 2015 are as follows:

<u>Amount</u>	<u>Currency</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>30 September 2015</u>
146	TL	13.11%	October 2015	48
609	USD	0.50% - 2.50%	November 2015	609
329	EUR	1.60% - 2.00%	December 2015	371
				<u>1,028</u>

Details of the time deposits as of 31 December 2014 are as follows:

<u>Amount</u>	<u>Currency</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>31 December 2014</u>
364	TL	8.90% - 14.50%	February 2015	158
72	USD	0.80% - 3.20%	January 2015	72
223	EUR	0.50% - 2.90%	February 2015	273
				<u>503</u>

**7. FINANCIAL INVESTMENTS**

Short-term financial investments are as follows:

	<u>30 September 2015</u>	<u>31 December 2014</u>
Time deposits with maturity more than 3 months	-	87

Time deposit with maturity of more than 3 months as of 31 December 2014 is as follows:

<u>Amount</u>	<u>Currency</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>31 December 2014</u>
200	TL	10.54%	April 2015	87

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**8. BORROWINGS**

Short term portions of long term borrowings are as follows:

	<u><b>30 September 2015</b></u>	<u><b>31 December 2014</b></u>
Finance lease obligations (Note: 14)	756	613

Long term borrowings are as follows:

	<u><b>30 September 2015</b></u>	<u><b>31 December 2014</b></u>
Finance lease obligations (Note: 14)	6,752	5,318

**9. OTHER FINANCIAL LIABILITIES**

Short-term other financial liabilities of the Group are as follows:

	<u><b>30 September 2015</b></u>	<u><b>31 December 2014</b></u>
Other financial liabilities	30	19

Other financial liabilities consist of overnight interest-free borrowings from banks obtained for settlement of monthly tax and social security premium payments.

**10. RELATED PARTY TRANSACTIONS**

Other short-term receivables from related parties are as follows:

	<u><b>30 September 2015</b></u>	<u><b>31 December 2014</b></u>
Turkish DO&CO (*)	2	3

(\*) The amounts are dividend receivables of 2014 and 2013 respectively as of 30 September 2015 and 31 December 2014.

Short-term trade payables to related parties that are accounted by using the equity method are as follows:

	<u><b>30 September 2015</b></u>	<u><b>31 December 2014</b></u>
THY Opet	63	82
Turkish DO&CO	34	27
Sun Express	12	14
TGS	11	15
TEC	10	10
Goodrich	1	-
TCI	1	-
	<u>132</u>	<u>148</u>

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**10. RELATED PARTY TRANSACTIONS (cont'd)**

Transactions with related parties for the nine-month period ended 30 September 2015 and 2014 are as follows:

a) Sales to related parties:

	<u>1 January - 30 September 2015</u>	<u>1 July - 30 September 2015</u>	<u>1 January - 30 September 2014</u>	<u>1 July - 30 September 2014</u>
Sun Express	27	8	53	16
TEC	17	6	10	3
TGS	4	1	8	3
THY Opet	1	1	1	1
Turkish DO&CO	1	-	1	-
Turkbine Teknik Gaz	-	-	1	1
	<u>50</u>	<u>16</u>	<u>74</u>	<u>24</u>

b) Purchases from related parties:

	<u>1 January - 30 September 2015</u>	<u>1 July - 30 September 2015</u>	<u>1 January - 30 September 2014</u>	<u>1 July - 30 September 2014</u>
THY Opet	1,204	430	1,762	639
Turkish DO&CO	255	90	250	90
Sun Express	195	72	257	89
TGS	157	52	153	55
TEC	118	45	157	66
Goodrich	5	3	-	-
	<u>1,934</u>	<u>692</u>	<u>2,579</u>	<u>939</u>

Transactions between the Group and Sun Express are related to wet lease and seat sales operations; transactions between the Group and Turkish DO&CO are related to catering services; transactions between the Group and TGS are related to ground services; transactions between the Group and TEC are related to engine maintenance services and transactions between the Group and THY Opet are related to the supply of aircraft fuel. Receivables from related parties are not collateralized and maturity of trade receivables is 30 days.

The total amount of salaries and other short term benefits provided for the Board Members, General Manager and Deputy General Managers are 2 USD (1 January-30 September 2014: 3 USD).

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**11. OTHER RECEIVABLES**

Other short-term receivables from non-related parties as of 30 September 2015 and 31 December 2014 are as follows:

	<b>30 September 2015</b>	<b>31 December 2014</b>
Predelivery payments made for aircrafts	1,058	990
Receivables from technical purchases	132	124
Bank deposits with transfer limitations (*)	61	20
Value added tax receivables	40	48
Receivables from pilots for flight training	11	12
Receivables from employees	1	1
Other receivables	3	1
	<u>1,306</u>	<u>1,196</u>

(\*) As of 30 September 2015, the balance of this account includes bank deposits in Morocco, Ethiopia, Ghana, Bangladesh, Sudan, Uzbekistan, Egypt, Argentina, Algeria, Greece and Ukraine.

Other long-term receivables from non-related parties as of 30 September 2015 and 31 December 2014 are as follows:

	<b>30 September 2015</b>	<b>31 December 2014</b>
Predelivery payments made for aircrafts	406	650
Interest and commodity swap agreement deposits	322	192
Receivables related to investment certificates	148	140
Receivables from pilots for flight training	61	59
Deposits and guarentees given	14	11
Bank deposits with transfer limitations (*)	5	6
Other receivables	1	1
	<u>957</u>	<u>1,059</u>

(\*) As of 30 September 2015, the balance of this account includes bank deposits in Syria.

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**12. PROPERTY AND EQUIPMENT**

	Land, Land improvements and buildings	Technical equipments simulators and vehicles	Other equipments, and fixtures	Aircrafts	Spare engines	Components and repairable spare parts	Leasehold improvements	Construction in progress	Total
<b><u>Cost</u></b>									
Opening balance at 1 January 2015	164	284	144	11,301	459	346	446	111	13,255
Additions	5	12	21	2,417	74	101	9	98	2,737
Transfer	6	-	1	40	-	-	-	(47)	-
Disposals	-	(2)	(5)	(10)	-	(48)	-	-	(65)
Closing balance at 30 September 2015	175	294	161	13,748	533	399	455	162	15,927
<b><u>Accumulated Depreciation</u></b>									
Opening balance at 1 January 2015	47	125	90	3,430	163	132	67	-	4,054
Depreciation charge	7	16	15	513	24	45	23	-	643
Disposals	-	(1)	(5)	(10)	-	(6)	-	-	(22)
Closing balance at 30 September 2015	54	140	100	3,933	187	171	90	-	4,675
Net book value 30 September 2015	121	154	61	9,815	346	228	365	162	11,252
Net book value 31 December 2014	117	159	54	7,871	296	214	379	111	9,201

As at 30 September 2015, carrying value of the aircrafts and spare engines acquired through finance leases is 9,422 USD (31 December 2014: 7,379 USD)

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**12. PROPERTY AND EQUIPMENT (cont'd)**

	Land improvements and buildings	Technical equipments simulators and vehicles	Other equipments, and fixtures	Aircrafts	Spare engines	Components and repairable spare parts	Leasehold improvements	Construction in progress	Total
<b><u>Cost</u></b>									
Opening balance at 1 January 2014	116	230	161	9,883	365	263	98	559	11,675
Additions	1	55	16	1,476	77	60	57	25	1,767
Transfers (*)	-	-	-	-	-	-	286	(292)	(6)
Transfers between accounts	-	(5)	5	(5)	5	-	-	-	-
Disposals	-	(5)	(46)	(140)	(9)	(15)	-	-	(215)
Closing balance at 30 September 2014	117	275	136	11,214	438	308	441	292	13,221
<b><u>Accumulated Depreciation</u></b>									
Opening balance at 1 January 2014	44	109	117	3,102	115	103	42	-	3,632
Depreciation charge	2	16	14	436	24	30	17	-	539
Transfers between accounts	-	(1)	1	(4)	4	-	-	-	-
Disposals	-	(3)	(45)	(128)	(5)	(10)	-	-	(191)
Closing balance at 30 September 2014	46	121	87	3,406	138	123	59	-	3,980
Net book value 30 September 2014	71	154	49	7,808	300	185	382	292	9,241

(\*) Tangible assets amounting to 6 USD is transferred to intangible assets.

As at 30 September 2014, carrying value of the aircrafts and spare engines acquired through finance leases is 7,282 USD

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**13. OTHER INTANGIBLE ASSETS**

	<b>Slot Rights and Acquired Technical Licenses</b>	<b>Other Rights</b>	<b>Other Intangible Assets</b>	<b>Total</b>
<b><u>Cost</u></b>				
Opening balance at 1 January 2015	23	121	5	149
Additions	-	8	-	8
Disposals	-	(2)	-	(2)
Closing balance at 30 September 2015	<u>23</u>	<u>127</u>	<u>5</u>	<u>155</u>
<b><u>Accumulated Amortization</u></b>				
Opening balance at 1 January 2015	-	77	1	78
Amortization charge	-	15	-	15
Disposals	-	(1)	-	(1)
Closing balance at 30 September 2015	<u>-</u>	<u>91</u>	<u>1</u>	<u>92</u>
Net book value at 30 September 2015	<u>23</u>	<u>36</u>	<u>4</u>	<u>63</u>
Net book value at 31 December 2014	<u>23</u>	<u>44</u>	<u>4</u>	<u>71</u>

	<b>Slot Rights and Acquired Technical Licenses</b>	<b>Other Rights</b>	<b>Other Intangible Assets</b>	<b>Total</b>
<b><u>Cost</u></b>				
Opening balance at 1 January 2014	23	90	5	118
Additions	-	8	-	8
Transfers	-	6	-	6
Closing balance at 30 September 2014	<u>23</u>	<u>104</u>	<u>5</u>	<u>132</u>
<b><u>Accumulated Amortization</u></b>				
Opening balance at 1 January 2014	-	65	-	65
Amortization charge	-	9	1	10
Closing balance at 30 September 2014	<u>-</u>	<u>74</u>	<u>1</u>	<u>75</u>
Net book value at 30 September 2014	<u>23</u>	<u>30</u>	<u>4</u>	<u>57</u>

The Group considers slot rights and licenses obtained by purchase of MNG Teknik and included in other rights above amounting to 10 USD at cost as intangible assets having indefinite useful lives since they do not have expiry dates and usable in the foreseeable future.

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**14. LEASING TRANSACTIONS**

Maturities of finance lease obligations are as follows:

	<b>30 September 2015</b>	<b>31 December 2014</b>
Less than 1 year	898	736
Between 1 – 5 years	3,443	2,848
Over 5 years	4,006	3,067
	<u>8,347</u>	<u>6,651</u>
Less: Future interest expenses	(839)	(720)
Principal value of future rentals stated in financial statements	<u>7,508</u>	<u>5,931</u>
	<b>30 September 2015</b>	<b>31 December 2014</b>
Interest Range:		
Floating rate obligations	4,080	3,176
Fixed rate obligations	3,428	2,755
	<u>7,508</u>	<u>5,931</u>

The Group leased certain of its aircrafts and spare engines under finance leases. The lease term is 10-12 years. The Group has options to purchase related assets for an insignificant amount at the end of lease terms. The Group's obligations under finance leases are secured by the lessors' title to the leased asset.

As of 30 September 2015, the US Dollars, Euro, JPY and Swiss Franc denominated lease obligations' weighted average interest rates are 3.18% (31 December 2014: 3.69%) for the fixed rate obligations and 1.01% (31 December 2014: 0.98%) for the floating rate obligations.

**15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**

Short-term provisions as of 30 September 2015 and 31 December 2014 are as follows:

(a) Short-term provisions for employee benefits

	<b>30 September 2015</b>	<b>31 December 2014</b>
Provisions for unused vacation	<u>51</u>	<u>58</u>

Changes in the provisions during 30 September 2015 and 2014 periods are set out below:

	<b>1 January - 30 September 2015</b>	<b>1 January - 30 September 2014</b>
Provisions at the beginning of the year	58	30
Provisions for the current period	10	28
Foreign currency translation differences	(17)	(3)
Provisions at the end of the period	<u>51</u>	<u>55</u>

The Group recognizes an obligation for unused vacation days based on salaries of employees at the end of each reporting period.



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**15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)**

(b) Other short-term provisions:

	<u>30 September 2015</u>	<u>31 December 2014</u>
Provisions for legal claims	<u>15</u>	<u>16</u>

Changes in the provisions for legal claims during 30 September 2015 and 2014 periods are set out below:

	<u>1 January - 30 September 2015</u>	<u>1 January - 30 September 2014</u>
Provisions at the beginning of the year	16	14
Provisions for the current period	6	4
Provisions released	(2)	(3)
Foreign currency translation differences	(5)	(1)
Provisions at the end of the period	<u>15</u>	<u>14</u>

The Group recognizes provisions for lawsuits against itself due to its operations. The law suits against the Group are usually reemployment law suits by former employees or related to damaged luggage or cargo. The estimate has been made on the basis of the legal advices. These amounts have not been discounted for the purpose of measuring the provision for legal claims, because the effect is not material. It is expected that provision amount will be paid within one year.

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**16. COMMITMENTS**

- a) Guarantees/Pledges/Mortgages (“GPM”) given by the Group: Amount of letter of guarantees given as of 30 September 2015 is 63 USD (31 December 2014: 58 USD).

	<b>30 September 2015</b>		<b>31 December 2014</b>	
	<b>Original currency amount</b>	<b>USD equivalent</b>	<b>Original currency amount</b>	<b>USD equivalent</b>
A. Total amounts of GPM given on the behalf of its own legal entity	-	63	-	58
-Collaterals				
TL	34	11	27	11
EUR	11	13	8	10
USD	36	36	35	35
Other	-	3	-	2
B. Total amounts of GPM given on the behalf of subsidiaries that are included in full consolidation	-	-	-	-
C. Total amounts of GPM given in order to guarantee third party debts for routine trade operations	-	-	-	-
D. Total amounts of other GPM given	-	-	-	-
i. Total amount of GPM given on behalf of the Parent	-	-	-	-
ii. Total amount of GPM given on behalf of other group companies not covered in B and C	-	-	-	-
iii. Total amount of GPM given on behalf of third parties not covered in C	-	-	-	-
		<u>63</u>		<u>58</u>

The ratio of other GPM given by the group to its equity is 0% as of 30 September 2015 (31 December 2014: 0%)

- b) Operational lease obligations: The detail of the Group’s operational lease obligations related to aircrafts is as follows:

	<b>30 September 2015</b>	<b>31 December 2014</b>
Less than 1 year	217	190
Between 1 – 5 years	557	530
More than 5 years	131	96
	<u>905</u>	<u>816</u>

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**16. COMMITMENTS (cont'd)**

c) Other operational lease debts :

The Group has operational lease agreements for 15 years related to the land for the aircraft maintenance hangar and building and for 23 years related to the land for the aircraft maintenance hangar. The liabilities of the Group related to these lease agreements are as follows:

	<u>30 September 2015</u>	<u>31 December 2014</u>
Less than 1 year	5	5
Between 1 – 5 years	21	24
More than 5 years	37	47
	<u>63</u>	<u>76</u>

d) Aircraft purchase commitments:

To be delivered between the years 2013-2021, the Group signed a contract for 259 aircrafts with a list price value of 34.7 billion US Dollars (full). 2 of these aircrafts were delivered in 2013, 10 were delivered in 2014 and 30 were delivered in the first nine-month period of 2015. The Group has made an advance payment of 1.5 billion US Dollars (full) relevant to these purchases as of 30 September 2015.

**17. EMPLOYEE BENEFITS**

Provisions for long-term retirement pay liability as of 30 September 2015 and 31 December 2014 is comprised of the following:

	<u>30 September 2015</u>	<u>31 December 2014</u>
Provisions for retirement pay liability	110	127

Provisions for retirement pay liability is recorded as follows:

Under Labor Law effective in Turkey, it is an obligation to make legal retirement pay to employees whose employment is terminated in certain ways. Also, according to Article 60 of Social Security Law numbered 506 which was revised by the laws 2422, dated 6 March 1981 and numbered 4447, dated 25 August 1999, it is an obligation to make legal retirement pay to those who entitled to receive retirement pay when leaving their work. Some transfer provisions related to employment conditions prior to retirement are removed from the Law by the revise made on 23 May 2002.

Retirement pay liability is subject to a ceiling of US Dollar 1,258 (full) as of 30 September 2015 (1 January 2015: US Dollar 1,164 (full)).

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**17. EMPLOYEE BENEFITS (cont'd)**

Retirement pay liability is not subject to any funding legally. Provisions for retirement pay liability are calculated by estimating the present value of probable liability that will arise due to retirement of employees.

IAS 19 (“Employee Benefits”) stipulates the progress of company’s liabilities by use of actuarial valuation methods under defined benefit plans. Actuarial assumptions used in calculation of total liabilities are described as follows:

The key assumption is that maximum liability amount increases in accordance with the inflation rate for every service year. Provisions in the accompanying condensed consolidated interim financial statements as of 30 September 2015 are calculated by estimating present value of liabilities due to retirement of employees. Provisions in the relevant balance sheet dates are calculated with the assumptions of 5.50% annual inflation rate (31 December 2014: 5.50%) and 9.00% interest rate (31 December 2014: 9.00%). Estimated amount of non-paid retirement pay retained in the Company due to voluntary leaves is assumed as 2.35% (31 December 2014: 2.40%). Ceiling for retirement pay is revised semi-annually. Ceiling amount of US Dollar 1,258 (full) in effect as of 30 September 2015 is used in the calculation of Group’s provisions for retirement pay liability.

Movement in the provisions for retirement pay liability is as follows:

	<b>1 January - 30 September 2015</b>	<b>1 January - 30 September 2014</b>
Provisions at the beginning of the year	127	117
Service charge for the year	19	15
Interest charges	3	3
Payments	(7)	(13)
Foreign currency translation difference	(32)	(8)
Provisions at the end of the period	<u>110</u>	<u>114</u>

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**18. EXPENSES BY NATURE**

Expenses by nature for the nine-month period ended 30 September 2015 and 2014 are as follows:

	<b>1 January - 30 September 2015</b>	<b>1 July - 30 September 2015</b>	<b>1 January - 30 September 2014</b>	<b>1 July - 30 September 2014</b>
Fuel expenses	2,290	814	2,941	1,061
Personnel expenses	1,225	405	1,262	431
Depreciation expenses	658	233	549	191
Ground services expenses	465	164	468	165
Passenger services and catering expenses	441	158	419	156
Air traffic control expenses	379	141	405	144
Aircraft maintenance expenses	339	132	306	103
Airport expenses	308	113	311	108
Commissions and incentives	267	92	276	91
Wet lease expenses	224	87	309	117
Reservation systems expenses	171	52	169	52
Operating lease expenses	151	54	122	45
Advertisement and promotion expenses	124	38	103	29
Service expenses	46	15	41	16
Rents	42	16	38	12
Insurance expenses	27	9	25	10
IT & communication expenses	27	9	28	8
Taxes and duties	25	9	18	7
Transportation expenses	23	9	17	8
Utility expenses	8	2	5	1
Consultancy expenses	9	3	8	3
Systems use and associateship expenses	5	1	4	1
Membership fees	4	2	4	1
Other expenses	64	25	67	21
	<u>7,322</u>	<u>2,583</u>	<u>7,895</u>	<u>2,781</u>

**19. PASSENGER FLIGHT LIABILITIES**

Passenger flight liability is as follows;

	<b>30 September 2015</b>	<b>31 December 2014</b>
Flight liability generating from ticket sales	1,071	1,203
Flight liability generating from Frequent flyer program	254	195
	<u>1,325</u>	<u>1,398</u>

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**20. SHAREHOLDERS' EQUITY**

The ownership structure of the Group's share capital is as follows:

	Class	%	30 September		31 December	
			2015	%	2014	%
Republic of Turkey Prime Ministry Privatization Administration	A, C	49.12	678	49.12	678	
Other (publicly held)	A	50.88	702	50.88	702	
Paid-in capital (Turkish Lira)			1,380		1,380	
Inflation adjustment on share capital (Turkish Lira) (*)			1,124		1,124	
Historic capital (Turkish Lira) (**)			2,504		2,504	
Historic capital (USD Equivalent) (**)			1,597		1,597	

(\*) Inflation adjustment on share capital represents indexation of historical capital payments based on inflation indices until 31 December 2004.

(\*\*) Historic capital amounts are represented in Millions.

As of 30 September 2015, the Group's issued and paid-in share capital consists of 137,999,999,999 Class A shares and 1 Class C share, all with a par value of Kr 1 each. These shares are registered. The Class C share belongs to the Republic of Turkey Prime Ministry Privatization Administration and has the following privileges:

Articles of Association 7: Positive vote of the board member representing class C share with Board's approval is necessary for transfer of shares issued to the name.

Articles of Association 10: The Board of Directors consists of nine members of which one member has to be nominated by the class C shareholder and the rest eight members has to be elected by class A shareholders.

Articles of Association 14: The following decisions of the Board are subject to the positive vote of the class C Shareholder:

- Decisions that will negatively affect the Company's mission Defined in Article 3.1. of the Articles of Association,
- Suggesting change in the Articles of Association at General Assembly,
- Increasing share capital,
- Approval of transfer of the shares issued to the name and their registration to the "Share Registry",
- Every decision or action which directly or indirectly put the Company under commitment over 5% of its total assets of the latest annual financial statements prepared for Capital Market Board (this sentence will expire when the Company's shares held by Turkish State decrease under 20%).
- Decisions relating to merges and liquidation,
- Decisions cancelling flight routes or significantly decreasing frequency of flight routes, not including the ones that cannot even recover their operational expenses, subject to the market conditions.

## **20. SHAREHOLDERS' EQUITY (cont'd)**

### **Restricted Profit Reserves**

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

### **Foreign Currency Translation Differences**

Currency translation differences under equity arise from Group's joint ventures accounted under equity method which have functional currencies other than USD.

### **Distribution of Dividends**

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from 1 February 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with their dividend policy or articles of associations. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on financial statements of the company.

### **Gains/Losses from Cash Flow Hedges**

Hedge gain/losses against cash flow risk arise from the accounting of the changes in the fair values of effective derivative financial instruments designated against financial risks of future cash flows under equity. Total of deferred gain/loss arising from hedging against financial risk are accounted in profit or loss when the hedged item impacts profit or loss.

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**21. REVENUE**

Breakdown of gross profit is as follows:

	<b>1 January - 30 September 2015</b>	<b>1 July - 30 September 2015</b>	<b>1 January - 30 September 2014</b>	<b>1 July - 30 September 2014</b>
Passenger revenue				
Scheduled	7,149	2,941	7,578	2,992
Unscheduled	48	28	71	38
Total passenger revenue	<u>7,197</u>	<u>2,969</u>	<u>7,649</u>	<u>3,030</u>
Cargo revenue				
Carried by passenger aircraft	415	142	403	133
Carried by cargo aircraft	293	101	309	99
Total cargo revenue	<u>708</u>	<u>243</u>	<u>712</u>	<u>232</u>
Total passenger and cargo revenue	<u>7,905</u>	<u>3,212</u>	<u>8,361</u>	<u>3,262</u>
Technical revenue	125	44	153	48
Other revenue	24	9	26	8
Net sales	<u>8,054</u>	<u>3,265</u>	<u>8,540</u>	<u>3,318</u>
Cost of sales (-)	<u>(6,276)</u>	<u>(2,241)</u>	<u>(6,856)</u>	<u>(2,448)</u>
Gross profit	<u><u>1,778</u></u>	<u><u>1,024</u></u>	<u><u>1,684</u></u>	<u><u>870</u></u>

Breakdown of total passenger and cargo revenue by geography is as follows:

	<b>1 January - 30 September 2015</b>	<b>1 July - 30 September 2015</b>	<b>1 January - 30 September 2014</b>	<b>1 July - 30 September 2014</b>
- Europe	2,414	1,002	2,772	1,133
- Far East	1,774	675	1,822	655
- Middle East	1,039	441	1,032	393
- America	975	393	913	370
- Africa	630	250	703	257
Total international flights	<u>6,832</u>	<u>2,761</u>	<u>7,242</u>	<u>2,808</u>
Domestic flights	<u>1,073</u>	<u>451</u>	<u>1,119</u>	<u>454</u>
Total passenger and cargo revenue	<u><u>7,905</u></u>	<u><u>3,212</u></u>	<u><u>8,361</u></u>	<u><u>3,262</u></u>



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**22. COST OF SALES**

Breakdown of the cost of sales is as follows:

	<b>1 January - 30 September 2015</b>	<b>1 July - 30 September 2015</b>	<b>1 January - 30 September 2014</b>	<b>1 July - 30 September 2014</b>
Fuel expenses (Note:26)	2.289	813	2.941	1.061
Personnel expenses	939	313	946	330
Depreciation expenses	610	215	513	176
Ground services expenses	465	164	468	165
Passenger services and catering expenses	441	158	419	156
Air traffic control expenses	379	141	405	144
Aircraft maintenance expenses (Note:24)	339	132	306	103
Airport expenses	308	113	311	108
Wet lease expenses	224	87	309	117
Operating lease expenses	151	54	122	45
Insurance expenses	26	8	24	9
Service expenses	25	8	23	9
Transportation expenses	23	9	17	8
Rents	21	9	17	5
Taxes and duties	10	5	8	3
Utility expenses	4	1	3	1
Other expenses	22	11	24	8
	<u>6.276</u>	<u>2.241</u>	<u>6.856</u>	<u>2.448</u>

**23. GENERAL ADMINISTRATIVE EXPENSES AND MARKETING AND SALES EXPENSES**

Breakdown of general administrative expenses is as follows:

	<b>1 January - 30 September 2015</b>	<b>1 July - 30 September 2015</b>	<b>1 January - 30 September 2014</b>	<b>1 July - 30 September 2014</b>
Personnel expenses	93	29	106	34
Depreciation expenses	43	16	31	13
IT & communication expenses	21	7	22	6
Service expenses	14	5	12	5
Rents	7	2	7	2
Systems use and associateship expenses	5	1	4	1
Utility expenses	4	1	2	-
Consultancy expenses	2	-	3	1
Taxes and duties	1	1	1	1
Insurance expenses	1	1	1	1
Other general administrative expenses	8	1	12	2
	<u>199</u>	<u>64</u>	<u>201</u>	<u>66</u>

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**23. GENERAL ADMINISTRATIVE EXPENSES AND MARKETING AND SALES EXPENSES (cont'd)**

Breakdown of marketing and sales expenses is as follows:

	<b>1 January - 30 September 2015</b>	<b>1 July - 30 September 2015</b>	<b>1 January - 30 September 2014</b>	<b>1 July - 30 September 2014</b>
Commissions and incentives	267	92	276	91
Personnel expenses	193	63	210	67
Reservation systems expenses	171	52	169	52
Advertisement and promotion expenses	124	38	103	29
Taxes and duties	14	3	9	3
Rents	14	5	14	5
Service expenses	7	2	6	2
Consultancy expenses	7	3	5	2
IT & communication expenses	6	2	6	2
Depreciation expenses	5	2	5	2
Membership fees	4	2	4	1
Fuel expenses	1	1	-	-
Other marketing and sales expenses	34	13	31	11
	<u>847</u>	<u>278</u>	<u>838</u>	<u>267</u>

**24. OTHER OPERATING INCOME / EXPENSES**

Breakdown of other operating income is as follows:

	<b>1 January - 30 September 2015</b>	<b>1 July - 30 September 2015</b>	<b>1 January - 30 September 2014</b>	<b>1 July - 30 September 2014</b>
Foreign exchange gains from operational activities, net (*)	98	4	11	-
Manufacturers' credits	49	15	12	8
Insurance, indemnities, penalties income	17	6	15	3
Provisions released	8	2	8	-
Non- interest income from banks	5	2	4	2
Rent income	3	2	1	-
TGS share premium (Note: 4)	-	-	5	2
Other operating income	11	2	15	3
	<u>191</u>	<u>33</u>	<u>71</u>	<u>18</u>

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**24. OTHER OPERATING INCOME / EXPENSES (cont'd)**

Breakdown of other operating expenses is as follows:

	<b>1 January - 30 September 2015</b>	<b>1 July - 30 September 2015</b>	<b>1 January - 30 September 2014</b>	<b>1 July - 30 September 2014</b>
Provisions (**)	14	6	8	4
Indemnity and penalty expenses	3	1	3	1
Rediscount interest expenses	-	-	3	2
Foreign exchange losses from operational activities, net (*)	-	-	-	6
Other operating expenses	12	6	8	4
	<b>29</b>	<b>13</b>	<b>22</b>	<b>17</b>

(\*) Foreign exchange gains from operational activities, amounting to 6 USD, which was disclosed under “Other Operating Income” in the interim period 1 January – 30 June 2014 is reclassified to foreign exchange losses from operational activities which is disclosed under “Other Operating Expense” in the interim period 1 January – 30 September 2014.

(\*\*) Obsolete stock provision amounting to 2 USD, which was disclosed under “Other Operating Expense” in the interim period 1 January – 30 June 2014 is reclassified to aircraft maintenance expenses, which is disclosed under “Cost of Sales” in the interim period 1 January – 30 September 2014.

**25. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES**

Breakdown of income from investment activities is as follows:

	<b>1 January - 30 September 2015</b>	<b>1 July - 30 September 2015</b>	<b>1 January - 30 September 2014</b>	<b>1 July - 30 September 2014</b>
Income from investment incentives	46	16	42	15
Interest income from financial investment	6	3	12	10
Gain on sale of fixed assets	3	2	-	-
	<b>55</b>	<b>21</b>	<b>54</b>	<b>25</b>

Breakdown of expense from investment activities is as follows:

	<b>1 January - 30 September 2015</b>	<b>1 July - 30 September 2015</b>	<b>1 January - 30 September 2014</b>	<b>1 July - 30 September 2014</b>
Loss on sale of fixed assets	1	1	16	12

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**26. FINANCIAL INCOME/ EXPENSES**

Breakdown of financial income is as follows:

	<b>1 January - 30 September 2015</b>	<b>1 July - 30 September 2015</b>	<b>1 January - 30 September 2014</b>	<b>1 July - 30 September 2014</b>
Foreign exchange gains from financial activities (*)	408	-	219	273
Interest income	13	5	14	-
Rediscount interest income from repayments of aircrafts (**)	6	4	-	-
	<u>427</u>	<u>9</u>	<u>233</u>	<u>273</u>

Breakdown of financial expenses is as follows:

	<b>1 January - 30 September 2015</b>	<b>1 July - 30 September 2015</b>	<b>1 January - 30 September 2014</b>	<b>1 July - 30 September 2014</b>
Fair value losses on derivative financial instruments (***)	124	111	3	8
Finance lease interest expenses	117	40	118	39
Aircraft financing expenses	12	2	7	3
Interest expenses on employee benefits	3	-	3	1
Foreign exchange losses on financial activities (*)	-	25	-	-
Rediscount interest expense from repayments of aircrafts (**)	-	-	5	7
Other financial expenses	9	3	4	1
	<u>265</u>	<u>181</u>	<u>140</u>	<u>59</u>

(\*) Foreign exchange losses from financial activities, amounting to 25 USD, which was disclosed under “Financial Expense” in the interim period 1 July – 30 September 2015 is netted off with foreign exchange gains from financial activities that is disclosed under “Financial Income” in the interim period 1 January-30 September 2015.

In addition foreign exchange losses from financial activities, amounting to 54 USD, which was disclosed under ‘Financial Expense’ in the interim period 1 January-30 June 2014 is netted off with foreign exchange gains from financial activities that is disclosed under “Financial Income” in the interim period 1 January-30 September 2014.

(\*\*) Rediscount interest income from repayments of aircrafts, amounting to 2 USD, which was disclosed under “Financial Income” in the interim period 1 January-30 June 2014 is reclassified to rediscount interest expense from repayments of aircrafts that is disclosed under “Financial Expenses” in the interim period 1 January-30 September 2014.

(\*\*\*) Fair value gains amounting to 1 USD and fair value losses amounting to 5 USD on fuel derivative instruments, which was disclosed under “Cost of Sales” in the interim period 1 January – 30 June 2015 and 2014 respectively, is reclassified to fair value losses on derivative financial instruments, which is disclosed under “Financial Expense” in the interim period 1 January – 30 September 2015 and 2014.

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**27. TAX ASSETS AND LIABILITIES**

Breakdown of assets related to current tax is as follows:

	<u>30 September 2015</u>	<u>31 December 2014</u>
Prepaid taxes	9	8

Tax liability is as follows:

	<u>30 September 2015</u>	<u>31 December 2014</u>
Provisions for corporate tax	-	5
Prepaid taxes and funds	-	(4)
Tax liability	-	1

Tax expense is as follows:

	<u>1 January - 30 September 2015</u>	<u>1 July - 30 September 2015</u>	<u>1 January - 30 September 2014</u>	<u>1 July - 30 September 2014</u>
Current period tax expense	2	2	4	-
Deferred tax expense	310	144	165	177
Tax expense	312	146	169	177

Tax effect related to other comprehensive income is as follows:

	<u>1 January - 30 September 2015</u>			<u>1 January - 30 September 2014</u>		
	Amount before tax	Tax expense	Amount after tax	Amount tax	Tax expense	Amount after tax
Changes in foreign currency translation difference	(37)	-	(37)	(11)	-	(11)
Change in cash flow hedge reserve	26	(5)	21	93	(19)	74
Change in actuarial losses from retirement pay obligation	-	-	-	1	-	1
Other comprehensive income	(11)	(5)	(16)	83	(19)	64

There is no taxation effect for the changes in foreign currency translation difference that is included in other comprehensive income.

**Corporate Tax**

The effective tax rate is 20%.

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate is also 20%. Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

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**27. TAX ASSETS AND LIABILITIES (cont'd)**

*Corporate Tax (cont'd)*

Furthermore, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

*Income Withholding Tax*

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding tax is in use since 22 July 2006. Commencing from 22 July 2006, the rate has been changed to 15% from 10% upon the Council of Ministers' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

*Deferred Tax*

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes and they are given below.

For calculation of deferred tax asset and liabilities, the corporate tax rate of 20% is used.

In Turkey, the companies cannot declare a consolidated tax return; therefore, subsidiaries that have deferred tax assets position were not netted off against subsidiaries that have deferred tax liabilities position and disclosed separately.

Breakdown of the deferred tax assets / (liabilities) is as follows:

	<b>30 September 2015</b>	<b>31 December 2014</b>
Fixed assets	(1,168)	(884)
Provisional income	(34)	(14)
Fair value corrections of business combinations	(1)	(1)
Tax loss carried forward	48	24
Income and expense accruals	44	48
Prepaid expenses and deferred revenues	39	34
Miles accruals	46	32
Change in fair value of derivative instruments	75	55
Provisions for employee benefits	22	25
Provisions for unused vacation	10	11
Long-term lease obligations	4	5
Allowance for doubtful receivables	3	5
Provision for impairment of inventories	3	2
Other	5	3
Deferred tax liabilities	<u>(904)</u>	<u>(655)</u>

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**27. TAX ASSETS AND LIABILITIES (cont'd)**

*Deferred Tax (cont'd)*

The changes of deferred tax liability for interim periods 1 January – 30 September 2015 and 2014 are as follows:

	<b>1 January - 30 September 2015</b>	<b>1 January - 30 September 2014</b>
Opening balance at 1 January	655	518
Deferred tax expense	310	165
Tax expense from hedging reserves	5	18
Foreign currency translation difference	(66)	(19)
Deferred tax liability at the end of the period	<u>904</u>	<u>682</u>

Reconciliation with current tax charge for interim periods 1 January – 30 September 2015 and 2014 are as follows:

	<b>1 January - 30 September 2015</b>	<b>1 July - 30 September 2015</b>	<b>1 January - 30 September 2014</b>	<b>1 July - 30 September 2014</b>
Profit from operations before tax	<u>1,189</u>	<u>617</u>	<u>892</u>	<u>812</u>
Domestic income tax rate of 20%	238	124	178	162
Taxation effects on:				
- income from investment certificates	(9)	(4)	(8)	(4)
- non-deductible expenses	2	-	1	-
- foreign currency translation difference	103	40	32	28
- equity method	(16)	(14)	(13)	(9)
- adjustment for prior year loss	(6)	-	(21)	-
Tax charge in statement of profit or loss	<u>312</u>	<u>146</u>	<u>169</u>	<u>177</u>

**28. EARNINGS PER SHARE**

Earnings per share disclosed in the condensed consolidated interim financial statements of profit or loss and other comprehensive income is determined by dividing the net income by the weighted number of shares that have been outstanding during the period concerned.

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

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**28. EARNINGS PER SHARE (cont'd)**

Earnings per share are calculated by dividing net profit by weighted average number of shares outstanding in the relevant period.

Number of total shares and calculation of earnings per share at 1 January – 30 September 2015 and 2014:

	<b>1 January - 30 September 2015</b>	<b>1 July - 30 September 2015</b>	<b>1 January - 30 September 2014</b>	<b>1 July - 30 September 2014</b>
Number of shares outstanding at 1 January (in full)	138,000,000,000	138,000,000,000	138,000,000,000	138,000,000,000
New bonus shares issued (in full)	-	-	-	-
Number of shares outstanding at 30 September (in full)	<u>138,000,000,000</u>	<u>138,000,000,000</u>	<u>138,000,000,000</u>	<u>138,000,000,000</u>
Weighted average number of shares outstanding during the period (in full)	<u>138,000,000,000</u>	<u>138,000,000,000</u>	<u>138,000,000,000</u>	<u>138,000,000,000</u>
Net profit for period	877	471	723	635
Basic profit per share (Full US Cents) (*)	0.64	0.34	0.52	0.46

(\*) Basic and diluted earnings per share are the same as there are no dilutive potential ordinary shares.

**29. DERIVATIVE FINANCIAL INSTRUMENTS**

Breakdown of derivative financial assets and liabilities of the Group as of 30 September 2015 and 31 December 2014 are as follows:

<u>Derivative financial assets</u>	<b><u>30 September 2015</u></b>	<b><u>31 December 2014</u></b>
Cross currency rate swap agreements	91	138
Derivative instruments for interest rate cash flow hedge	10	12
Derivative instruments for fuel prices cash flow hedge	6	2
	<u>107</u>	<u>152</u>
	<u>107</u>	<u>152</u>
<u>Derivative financial liabilities</u>	<b><u>30 September 2015</u></b>	<b><u>31 December 2014</u></b>
Derivative instruments for fuel prices cash flow hedge	370	358
Derivative instruments for interest rate cash flow hedge	70	68
Cross currency rate swap agreements	42	1
	<u>482</u>	<u>427</u>
	<u>482</u>	<u>427</u>



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**30. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS**

Foreign currency risk management

Transactions in foreign currencies expose the Group to foreign currency risk. The foreign currency denominated assets and liabilities of monetary and non-monetary items are as follows:

	30 September 2015					
	USD EQUIVALENT	TL	EUR	GBP	JPY	OTHER
1.Trade Receivables	417	93	101	23	5	195
2a.Monetary Financial Assets	621	78	459	4	6	74
2b.Non Monetary Financial Assets	-	-	-	-	-	-
3.Other	364	215	62	10	3	74
<b>4.Current Assets (1+2+3)</b>	<b>1,402</b>	<b>386</b>	<b>622</b>	<b>37</b>	<b>14</b>	<b>343</b>
5.Trade Receivables	-	-	-	-	-	-
6a.Monetary Financial Assets	-	-	-	-	-	-
6b.Non Monetary Financial Assets	-	-	-	-	-	-
7.Other	69	5	55	-	-	9
<b>8.Non Current Assets (5+6+7)</b>	<b>69</b>	<b>5</b>	<b>55</b>	<b>-</b>	<b>-</b>	<b>9</b>
<b>9.Total Assets (4+8)</b>	<b>1,471</b>	<b>391</b>	<b>677</b>	<b>37</b>	<b>14</b>	<b>352</b>
10.Trade Payables	459	247	152	9	1	50
11.Financial Liabilities	543	30	316	-	177	20
12a.Other Liabilities, Monetary	497	369	103	1	21	3
12b.Other Liabilities, Non Monetary	66	66	-	-	-	-
<b>13.Current Liabilities (10+11+12)</b>	<b>1,565</b>	<b>712</b>	<b>571</b>	<b>10</b>	<b>199</b>	<b>73</b>
14.Trade Payables	-	-	-	-	-	-
15.Financial Liabilities	4,983	-	2,533	-	2,226	224
16a.Other Liabilities, Monetary	7	-	5	-	-	2
16b.Other Liabilities, Non Monetary	110	110	-	-	-	-
<b>17.Non Current Liabilities (14+15+16)</b>	<b>5,100</b>	<b>110</b>	<b>2,538</b>	<b>-</b>	<b>2,226</b>	<b>226</b>
<b>18.Total Liabilities (13+17)</b>	<b>6,665</b>	<b>822</b>	<b>3,109</b>	<b>10</b>	<b>2,425</b>	<b>299</b>
<b>19.Net asset / liability position of off-balance sheet derivatives (19a-19b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
19a.Off-balance sheet foreign currency derivative assets	-	-	-	-	-	-
19b.Off-balance sheet foreigncurrency derivative liabilities	-	-	-	-	-	-
<b>20.Net foreign currency asset/(liability) position (9-18+19)</b>	<b>(5,194)</b>	<b>(431)</b>	<b>(2,432)</b>	<b>27</b>	<b>(2,411)</b>	<b>53</b>
<b>21.Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(5,451)</b>	<b>(475)</b>	<b>(2,549)</b>	<b>17</b>	<b>(2,414)</b>	<b>(30)</b>
<b>22.Fair value of foreign currency hedged financial assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>23.Hedged foreign currency assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>24.Hedged foreign currency liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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**30. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)**

Foreign currency risk management (cont'd)

	31 December 2014					
	USD EQUIVALENT	TL	EUR	GBP	JPY	OTHER
1.Trade Receivables	421	73	115	43	7	183
2a.Monetary Financial Assets	649	268	288	2	1	90
2b.Non Monetary Financial Assets	-	-	-	-	-	-
3.Other	393	289	55	10	2	37
<b>4.Current Assets (1+2+3)</b>	<b>1,463</b>	<b>630</b>	<b>458</b>	<b>55</b>	<b>10</b>	<b>310</b>
5.Trade Receivables	-	-	-	-	-	-
6a.Monetary Financial Assets	-	-	-	-	-	-
6b.Non Monetary Financial Assets	-	-	-	-	-	-
7.Other	61	2	50	-	-	9
<b>8.Non Current Assets (5+6+7)</b>	<b>61</b>	<b>2</b>	<b>50</b>	<b>-</b>	<b>-</b>	<b>9</b>
<b>9.Total Assets (4+8)</b>	<b>1,524</b>	<b>632</b>	<b>508</b>	<b>55</b>	<b>10</b>	<b>319</b>
10.Trade Payables	449	232	148	10	2	57
11.Financial Liabilities	411	19	282	-	110	-
12a.Other Liabilities, Monetary	428	331	68	1	21	7
12b.Other Liabilities, Non Monetary	74	74	-	-	-	-
<b>13.Current Liabilities (10+11+12)</b>	<b>1,362</b>	<b>656</b>	<b>498</b>	<b>11</b>	<b>133</b>	<b>64</b>
14.Trade Payables	-	-	-	-	-	-
15.Financial Liabilities	3,690	-	2,219	-	1,471	-
16a.Other Liabilities, Monetary	13	1	7	-	-	5
16b.Other Liabilities, Non Monetary	127	127	-	-	-	-
<b>17.Non Current Liabilities (14+15+16)</b>	<b>3,830</b>	<b>128</b>	<b>2,226</b>	<b>-</b>	<b>1,471</b>	<b>5</b>
<b>18.Total Liabilities (13+17)</b>	<b>5,192</b>	<b>784</b>	<b>2,724</b>	<b>11</b>	<b>1,604</b>	<b>69</b>
<b>19.Net asset / liability position of off-balance sheet derivatives (19a-19b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
19a.Off-balance sheet foreign currency derivative assets	-	-	-	-	-	-
19b.Off-balance sheet foreigncurrency derivative liabilities	-	-	-	-	-	-
<b>20.Net foreign currency asset/(liability) position (9-18+19)</b>	<b>(3,668)</b>	<b>(152)</b>	<b>(2,216)</b>	<b>44</b>	<b>(1,594)</b>	<b>250</b>
<b>21.Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(3,921)</b>	<b>(242)</b>	<b>(2,321)</b>	<b>34</b>	<b>(1,596)</b>	<b>204</b>
<b>22.Fair value of foreign currency hedged financial assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>23.Hedged foreign currency assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>24.Hedged foreign currency liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the Nine-Month Period Ended 30 September 2015**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**30. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)**

Foreign currency risk management (cont'd)

Foreign currency sensitivity

The Group is exposed to foreign exchange risk primarily from EURO, JPY, TL and GBP. The following table details the Group's sensitivity to a 10% increase and decrease in EURO, JPY, TL and GBP. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis include only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Company where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss with a same effect on equity.

	<b>30 September 2015</b>	
	<b>Profit / (Loss)</b>	
	If foreign currency appreciated 10 %	If foreign currency depreciated 10 %
	<u>                    </u>	<u>                    </u>
1- TL net asset / liability	(43)	43
2- Part hedged from TL risk (-)	-	-
3- TL net effect (1+2)	<u>(43)</u>	<u>43</u>
4- Euro net asset / liability	(243)	243
5- Part hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	<u>(243)</u>	<u>243</u>
7- JPY net asset / liability	(241)	241
8- Part hedged from JPY risk (-)	-	-
9- JPY net effect (7+8)	<u>(241)</u>	<u>241</u>
10- GBP net asset / liability	3	(3)
11- Part hedged from GBP risk (-)	-	-
12- GBP net effect (10+11)	<u>3</u>	<u>(3)</u>
13- Other foreign currency net asset / liability	5	(5)
14- Part hedged other foreign currency risk (-)	-	-
15- Other foreign currency net effect (13+14)	<u>5</u>	<u>(5)</u>
<b>TOTAL (3 + 6 + 9 + 12 + 15)</b>	<u><u>(519)</u></u>	<u><u>519</u></u>

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the Year Ended 31 December 2014**

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**30. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)**

Foreign currency risk management (cont'd)

Foreign currency sensitivity (cont'd)

	<b>31 December 2014</b>	
	<b>Profit / (Loss)</b>	
	If foreign currency appreciated 10 %	If foreign currency depreciated 10 %
	<u>                    </u>	<u>                    </u>
1- TL net asset / liability	(15)	15
2- Part hedged from TL risk (-)	-	-
3- TL net effect (1+2)	<u>(15)</u>	<u>15</u>
4- Euro net asset / liability	(222)	222
5- Part hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	<u>(222)</u>	<u>222</u>
7- JPY net asset / liability	(159)	159
8- Part hedged from JPY risk (-)	-	-
9- JPY net effect (7+8)	<u>(159)</u>	<u>159</u>
10- GBP net asset / liability	4	(4)
11- Part hedged from GBP risk (-)	-	-
12- GBP net effect (10+11)	<u>4</u>	<u>(4)</u>
13- Other foreign currency net asset / liability	25	(25)
14- Part hedged other foreign currency risk (-)	-	-
15- Other foreign currency net effect (13+14)	<u>25</u>	<u>(25)</u>
<b>TOTAL (3 + 6 + 9 + 12 + 15)</b>	<u><u>(367)</u></u>	<u><u>367</u></u>