

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

Condensed Consolidated Interim  
Financial Statements As at and For  
The Nine-Month Period  
Ended 30 September 2018

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Condensed Consolidated Interim Balance Sheet as at 30 September 2018**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

		<u>Not Reviewed</u>	<u>Audited</u>
<b>ASSETS</b>	<b>Notes</b>	<b>30 September 2018</b>	<b>31 December 2017</b>
<b>Current Assets</b>			
Cash and Cash Equivalents	5	2,728	1,891
Financial Investments	6	-	195
Trade Receivables			
-Trade Receivables From Non-Related Parties		655	592
Other Receivables			
-Other Receivables from Related Parties	9	3	-
-Other Receivables from Non-Related Parties	10	1,229	319
Derivative Financial Instruments	28	228	203
Inventories		166	193
Prepaid Expenses		187	119
Current Income Tax Assets	26	28	32
Other Current Assets		66	87
<b>TOTAL CURRENT ASSETS</b>		<b>5,290</b>	<b>3,631</b>
<b>Non-Current Assets</b>			
Financial Investments	6	185	51
Other Receivables			
-Other Receivables from Non-Related Parties	10	699	619
Investments Accounted by Using Equity Method	3	362	320
Property and Equipment	12	13,221	13,002
Intangible Assets			
- Other Intangible Assets	13	65	66
- Goodwill		12	12
Prepaid Expenses		695	496
<b>TOTAL NON-CURRENT ASSETS</b>		<b>15,239</b>	<b>14,566</b>
<b>TOTAL ASSETS</b>		<b>20,529</b>	<b>18,197</b>

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

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Condensed Consolidated Interim Balance Sheet as at 30 September 2018**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

<b>LIABILITIES</b>	<b>Notes</b>	<b>Not Reviewed</b>	<b>Audited</b>
		<b>30 September 2018</b>	<b>31 December 2017</b>
<b>Current Liabilities</b>			
Short Term Borrowings	7	1,110	744
Short-Term Portion of Long-Term Borrowings	7 and 14	1,101	983
Other Financial Liabilities	8	14	16
Trade Payables			
-Trade Payables to Related Parties	9	199	168
-Trade Payables to Non-Related Parties		788	687
Payables Related to Employee Benefits		118	200
Other Payables			
-Other Payables to Related Parties	9	-	7
-Other Payables to Non-Related Parties		62	65
Derivative Financial Instruments	28	171	128
Deferred Income	11	1,168	1,016
Current Tax Provision	26	29	12
Short-Term Provisions			
-Provisions for Employee Benefits	15	51	41
-Other Provisions	15	14	22
Other Current Liabilities		193	208
<b>TOTAL CURRENT LIABILITIES</b>		<b>5,018</b>	<b>4,297</b>
<b>Non- Current Liabilities</b>			
Long-Term Borrowings	7 and 14	8,011	7,339
Other Payables			
-Other Payables to Non-Related Parties		66	83
Deferred Income	11	53	42
Long-Term Provisions			
-Provisions for Employee Benefits	17	91	128
Deferred Tax Liability	26	1,176	962
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>9,397</b>	<b>8,554</b>
<b>Equity</b>			
Share Capital	19	1,597	1,597
Items That Will Not Be Reclassified to Profit or Loss			
-Actuarial (Losses) on Retirement Pay Obligation	19	( 15)	( 15)
Items That Are or May Be Reclassified to Profit or Loss			
-Foreign Currency Translation Differences	19	( 175)	( 108)
-Fair Value Gains on Hedging Instruments Entered into for Cash Flow Hedges	19	172	61
-Gains on Remeasuring FVOCI	19	( 16)	1
Restricted Profit Reserves	19	36	36
Previous Years Profit	19	3,760	3,551
Net Profit for the Period		755	223
<b>TOTAL EQUITY</b>		<b>6,114</b>	<b>5,346</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>20,529</b>	<b>18,197</b>

The accompanying notes are an integral part of these consolidated 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 2018**

(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 2018	30 September 2018	30 September 2017	30 September 2017
<b>PROFIT OR LOSS</b>					
Revenue	20	9,869	3,929	8,203	3,606
Cost of Sales (-)	21	( 7,501)	( 2,648)	( 6,328)	( 2,356)
<b>GROSS PROFIT</b>		<b>2,368</b>	<b>1,281</b>	<b>1,875</b>	<b>1,250</b>
General Administrative Expenses (-)	22	( 204)	( 64)	( 204)	( 65)
Marketing and Sales Expenses (-)	22	( 998)	( 321)	( 852)	( 297)
Other Operating Income	23	114	50	167	64
Other Operating Expenses (-)	23	( 131)	( 55)	( 30)	( 13)
<b>OPERATING PROFIT BEFORE INVESTMENT ACTIVITIES</b>		<b>1,149</b>	<b>891</b>	<b>956</b>	<b>939</b>
Income from Investment Activities	24	155	115	156	47
Expenses from Investment Activities	24	( 1)	( 1)	( 1)	-
Share of Investments' Profit Accounted by Using The Equity Method	3	128	96	106	84
<b>OPERATING PROFIT</b>		<b>1,431</b>	<b>1,101</b>	<b>1,217</b>	<b>1,070</b>
Financial Income	25	55	35	41	10
Financial Expenses (-)	25	( 583)	( 273)	( 948)	( 229)
<b>PROFIT BEFORE TAX</b>		<b>903</b>	<b>863</b>	<b>310</b>	<b>851</b>
<b>Tax Expense</b>		<b>( 148)</b>	<b>( 149)</b>	<b>( 47)</b>	<b>( 154)</b>
Current Tax Expense	26	( 54)	( 21)	( 39)	( 15)
Deferred Tax Expense	26	( 94)	( 128)	( 8)	( 139)
<b>NET PROFIT FOR THE PERIOD</b>		<b>755</b>	<b>714</b>	<b>263</b>	<b>697</b>

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

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Condensed Consolidated Interim Statement of Other Comprehensive Income**  
**For the Nine-Month Period Ended 30 September 2018**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

		<u>Not Reviewed</u>	<u>Not Reviewed</u>	<u>Not Reviewed</u>	<u>Not Reviewed</u>
	<u>Notes</u>	<u>1 January - 30 September 2018</u>	<u>1 July - 30 September 2018</u>	<u>1 January - 30 September 2017</u>	<u>1 July - 30 September 2017</u>
<b><i>OTHER COMPREHENSIVE INCOME</i></b>					
<b>Items That May Be Reclassified Subsequently To</b>					
<b>Profit or Loss</b>		<b>27</b>	<b>( 68)</b>	<b>( 40)</b>	<b>14</b>
Currency Translation Adjustment		( 67)	( 31)	5	4
(Losses) / Gains on Remeasuring FVOCI		( 22)	( 12)	1	-
Fair Value Gains / (Losses) on Hedging Instruments					
Entered into for Cash Flow Hedges		125	( 38)	( 45)	14
Fair Value Gains / (Losses) Hedging Instruments of					
Investment Accounted by Using the Equity Method					
Entered into for Cash Flow Hedges		13	2	( 12)	( 1)
Related Tax of Other Comprehensive Income		( 22)	11	11	( 3)
<b>Items That Will Not Be Reclassified Subsequently To</b>					
<b>Profit or Loss</b>		<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>
Actuarial Gains on Retirement Pay Obligation		-	-	1	-
Related Tax of Other Comprehensive Income		-	-	-	-
<b>OTHER COMPREHENSIVE INCOME / (EXPENSE)</b>					
<b>FOR THE PERIOD</b>		<b>27</b>	<b>( 68)</b>	<b>( 39)</b>	<b>14</b>
<b>TOTAL COMPREHENSIVE INCOME</b>					
<b>FOR THE PERIOD</b>		<b>782</b>	<b>646</b>	<b>224</b>	<b>711</b>
<b>Basic Gain Per Share (Full US Cents)</b>	27	0.55	0.52	0.19	0.51
<b>Diluted Gain Per Share (Full US Cents)</b>	27	0.55	0.52	0.19	0.51

The accompanying notes are an integral part of these consolidated 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 2018**  
(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 on Hedging Instruments Entered Into For Cash Flow Hedges	Gains / (Losses) on Remeasuring FVOCI	Restricted Profit Reserves	Previous Years Profit	Net Profit for The Period	
<b>As of 1 January 2018</b>	<b>1,597</b>	<b>(15)</b>	<b>(108)</b>	<b>61</b>	<b>1</b>	<b>36</b>	<b>3,551</b>	<b>223</b>	<b>5,346</b>
Adjustment on initial application of IFRS 15	-	-	-	-	-	-	(7)	-	(7)
Adjustment on initial application of IFRS 9	-	-	-	-	-	-	(7)	-	(7)
<b>Restated As of 1 January 2018</b>	<b>1,597</b>	<b>(15)</b>	<b>(108)</b>	<b>61</b>	<b>1</b>	<b>36</b>	<b>3,537</b>	<b>223</b>	<b>5,332</b>
Transfers	-	-	-	-	-	-	223	(223)	-
Total comprehensive income	-	-	(67)	111	(17)	-	-	755	782
<b>As of 30 September 2018</b>	<b>1,597</b>	<b>(15)</b>	<b>(175)</b>	<b>172</b>	<b>(16)</b>	<b>36</b>	<b>3,760</b>	<b>755</b>	<b>6,114</b>

The accompanying notes are an integral part of these consolidated 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 2018**  
(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	Gains on Remeasuring FVOCI	Restricted Profit Reserves	Previous Years Profit	Net (Loss) for The Period	
<b>As of 1 January 2017</b>	<b>1,597</b>	<b>(11)</b>	<b>(106)</b>	<b>20</b>	<b>-</b>	<b>36</b>	<b>3,628</b>	<b>(77)</b>	<b>5,087</b>
Transfers	-	-	-	-	-	-	(77)	77	-
Total comprehensive income	-	1	5	(46)	1	-	-	263	224
<b>As of 30 September 2017</b>	<b>1,597</b>	<b>(10)</b>	<b>(101)</b>	<b>(26)</b>	<b>1</b>	<b>36</b>	<b>3,551</b>	<b>263</b>	<b>5,311</b>

The accompanying notes are an integral part of these consolidated 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 2018**

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

		<u>Not Reviewed</u> <u>1 January -</u> <u>30 September 2018</u>	<u>Not Reviewed</u> <u>1 January -</u> <u>30 September 2017</u>
	Notes		
Net Profit for the period		755	263
<b>Adjustments to Reconcile Profit / (Loss)</b>			
Adjustments for Depreciation and Amortisation Expense	12 and 13	807	758
Adjustments for Provisions Related with Employee Benefits	15 and 17	26	22
Adjustments for Provisions for Payables	15	-	4
Adjustments for Reversal of Probable Risks		(3)	(6)
Adjustments for Interest Income	24 and 25	(62)	(90)
Adjustments for Interest Expense	17 and 25	205	154
Adjustments For Unrealised Foreign Exchange Losses		(46)	530
Adjustments for Manufacturers' Credits	11	1	3
Adjustments for Fair Value (Gains) / Losses on Derivative Financial Instruments	25	4	16
Adjustments for Undistributed Profits of Associates	3	(128)	(106)
Adjustments for Tax Income	26	148	47
Adjustments for Gains Arised From Sale of Tangible Assets	24	(4)	(48)
Adjustments for Losses Arised from Sale of Other Non-Current Assets		23	14
<b>Operating Profit Before Changes in Working Capital</b>		<b>1,726</b>	<b>1,561</b>
Increase in Trade Receivables from Non Related Parties		(63)	(192)
Increase in Other Non-Related Party Receivables Related with Operations	10	(198)	(37)
Adjustments for Decrease in Inventories		27	4
Adjustments for (Increase) in Prepaid Expenses		(267)	(11)
Increase in Trade Payables to Related Parties	9	31	16
Increase in Trade Payables to Non-Related Parties		101	202
Adjustments for Decrease in Payables Due to Employee Benefits (Decrease) / Increase in Other Operating Payables to Non-Related Parties		(82)	(2)
Increase in Deferred Income	11	148	287
Decrease / (Increase) in Other Assets Related with Operations		21	(53)
<b>Cash Flows From Operations</b>		<b>1,416</b>	<b>1,805</b>
Payments for Provisions Related with Employee Benefits	17	(9)	(11)
Income taxes paid	26	(33)	(3)
<b>Net Cash From Operating Activities</b>		<b>1,374</b>	<b>1,791</b>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>			
Cash Receipts Proceed From Sales of Property, Plant and Equipment		15	941
Cash Payments From Purchasing of Property, Plant and Equipment (*)	12 and 13	(757)	(551)
Cash Payments From Purchasing of Other Long-term Assets	6	61	(3)
Other Cash Advances and Loans		(819)	370
Dividends Received		31	18
Interest Received	24 and 25	62	88
<b>Net Cash Flows / (Used In) Investing Activities</b>		<b>(1,407)</b>	<b>863</b>
<b>CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES</b>			
Proceeds From Loans	7	1,691	5
Payments of Finance Lease Liabilities	7	( 681)	(1,597)
Interest Paid		( 138)	(99)
Other (Outflows) / Inflows of Cash	8	(2)	14
<b>Net Cash Used in Financing Activities</b>		<b>870</b>	<b>(1,677)</b>
<b>Net Change in Cash and Cash Equivalents</b>		<b>837</b>	<b>977</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>1,891</b>	<b>1,466</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	5	<b>2,728</b>	<b>2,443</b>

(\*) USD 302 portion of property and equipment and intangible assets purchases in total of USD 1,059 for the period ended 30 September 2018 was financed through finance leases. (30 September 2017: USD 385 portion of property and equipment and intangible assets purchases in total of USD 936 was financed through finance leases.)

The accompanying notes are an integral part of these consolidated 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 2018

(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 2018 and 31 December 2017, the shareholders and their respective shareholdings in the Company are as follows:

	<u>30 September 2018</u>	<u>31 December 2017</u>
Turkey Wealth Fund (*)	% 49.12	% 49.12
Republic of Turkey Treasury and Finance Ministry Privatization Administration (*)	-	-
Other (publicly held)	% 50.88	% 50.88
Total	<u>% 100.00</u>	<u>% 100.00</u>

(\*) Republic of Turkey Prime Ministry Privatization is changed as Republic of Turkey Treasury and Finance Ministry Privatization Administration. 49.12% share of the Company and its subsidiaries (together the “Group”) owned by Republic of Turkey Treasury and Finance Ministry Privatisation Administration has been transferred to Sovereign Wealth Fund of Turkey as of 3 February 2017. Sovereign Wealth Fund of Turkey, whose capital fully belongs to the Republic of Turkey, Treasury and Finance Ministry Privatisation Administration, is a state owned entity being affiliated to the Presidency of The Republic of Turkey. Aforementioned share transfer will not lead to any change on the current management structure, business strategy, policies and commercial decisions of the Group.

The number of employees working for the Group as of 30 September 2018 is 33,580 (31 December 2017: 31,510). The average number of employees working for the Group for the period ended 30 September 2018 and 2017 are 32,453 and 30,548 respectively. The Company is registered in İstanbul, Turkey and its head office address is as follows:

Türk Hava Yolları A.O. Genel Yönetim Binası, Yeşilköy Mahallesi, Havaalanı Caddesi No: 3/1  
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 2018 and 31 December 2017:

<u>Name of the Company</u>	<u>Principal Activity</u>	<u>Ownership Rate</u>		<u>Country of Registration</u>
		<u>30 September 2018</u>	<u>31 December 2017</u>	
THY Teknik A.Ş. (THY Teknik)	Aircraft Maintenance Services	100%	100%	Turkey
THY Uçuş Eğitim ve Havalimanı İşletme A.Ş.	Training & Airport Operations	100%	100%	Turkey
THY Havaalanı Gayrimenkul Yatırım ve İşletme A.Ş.	Airport Investment	100%	100%	Turkey
THY Uluslararası Yatırım ve Taşımacılık A.Ş. (*)	Cargo and Courier Transportation	100%	100%	Turkey

(\*) The association was established in September 2018 to operate in the fields of cargo and courier transportation by the Board of Directors.

**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 2018**  
(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 2018 and 31 December 2017:

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
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 2018 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 2017.

Board of Directors has approved the condensed consolidated interim financial statements as of 30 September 2018 on 7 November 2018. General Assembly and the related regulatory bodies have the authority to modify the 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 2018**  
(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)**

**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 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.
- b. The Group has nine 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.

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

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

#### **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 and for the period ended 30 September 2018 except for described below are same with those used in the preparation of the Group's consolidated financial statements as at and for the year ended 31 December 2017.

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

The accounting policies used in preparation of condensed consolidated interim financial statements as at 30 September 2018 except for described below are consistent with those used in the preparation of consolidated statements for the year ended 31 December 2017. The changes in accounting policies are also expected to be reflected in the Company's financial statements as at and for the year ending 31 December 2018.

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

**2.3 Summary of Significant Accounting Policies (cont'd)**

The Group has initially adopted IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* from 1 January 2018.

The effect of initially applying these standards is mainly attributed to the following:

- recognition of ticket breakage revenue after the scheduled flight date;
- recognition of ticket reissue revenue with the scheduled flight date;
- an increase in impairment losses recognized on financial assets.

**IFRS 15 Revenue From Contracts With Customers**

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretation. The Group has initially adopted IFRS 15 *Revenue from Contracts with Customers* with a date of initial application of 1 January 2018. As a result, the Group has changed its accounting policy for revenue recognition as detailed below.

The Group has applied IFRS 15 using the cumulative effect method – by recognizing the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Therefore, the comparative information presented for 2017 has not been restated and continues to be as previously reported under IAS 18 and IAS 11 and related interpretations. The details of the significant changes and quantitative impact of the changes are set out below.

*Rendering of services:*

Revenue is measured at the fair value of the consideration received or to be received. Passenger fares and cargo revenues are recognized as operating revenue when the transportation service is provided. Tickets sold but not used (unflown) yet are recognized as passenger flight liabilities. IFRS 15 does not have a material effect on the Group's financial statements and accounting policies.

The Group develops estimates using historical statistics and data for unredeemed tickets. Total estimated unredeemed tickets are recognized as operating revenue. The data used for the estimate/forecast for the amount of unredeemed tickets is revised under the IFRS 15 and provisional ticket breakage revenue is recognized/calculated with the tickets not flown on the scheduled flight date. Change fee revenue is recognized at the time of the flight (service provided) and not at the time of sale as per previous practice. Agency commissions relating to the passenger revenue are recognized as expense when the transportation service is provided.

The following table summarizes the impact, net of tax, of transition to IFRS 15 on retained earnings at 1 January 2018.

<b>Retained Earnings</b>	<b>Notes</b>	<b>Impact of adopting IFRS 15 at 1 Jan 2018</b>
Decrease of Expired Ticket Revenue	(a)	7
Decrease of Ticket Reissue Revenue	(b)	2
Related Tax		(2)
<b>Impact at 1 January 2018</b>		<b>7</b>

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

**2.3 Summary of Significant Accounting Policies (cont'd)**

**IFRS 15 Revenue From Contracts With Customers (cont'd)**

The following tables summarize the impacts of adopting IFRS 15 on the Group's interim statement of financial position as at 30 September 2018 and its interim statement of profit or loss. There was no material impact on the Group's interim statement of cash flows and OCI for the nine month period ended 30 September 2018.

**Impact on the condensed consolidated interim statement of financial position**

<b>30 September 2018</b>	<b>Notes</b>	<b>As Reported</b>	<b>Adjustment</b>	<b>Amounts without adoption of IFRS 15</b>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>		<b>5,290</b>	-	<b>5,290</b>
<b>NON-CURRENT ASSETS</b>		<b>15,239</b>	-	<b>15,239</b>
<b>TOTAL ASSETS</b>		<b>20,529</b>	-	<b>20,529</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>		<b>5,018</b>	<b>31</b>	<b>4,987</b>
Deferred Income	(a), (b)	1,168	31	1,137
<b>NON-CURRENT LIABILITIES</b>		<b>9,397</b>	-	<b>9,397</b>
<b>EQUITY</b>		<b>6,114</b>	<b>( 31)</b>	<b>6,145</b>
Previous Years Profit	(a), (b)	3,760	( 7)	3,767
Net Profit / (Loss) for the Period	(a), (b)	755	( 24)	779
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>20,529</b>	-	<b>20,529</b>

**Impact on the condensed interim consolidated statement of profit or loss**

<b>30 September 2018</b>	<b>Notes</b>	<b>As Reported</b>	<b>Adjustment</b>	<b>Amounts without adoption of IFRS 15</b>
<b>PROFIT OR LOSS</b>				
Revenue	(a), (b)	9,869	( 22)	9,891
<b>GROSS PROFIT</b>		<b>2,368</b>	<b>( 22)</b>	<b>2,390</b>
<b>OPERATING PROFIT / (LOSS)</b>				
<b>BEFORE INVESTMENT</b>				
<b>ACTIVITIES</b>		<b>1,149</b>	-	<b>1,149</b>
<b>OPERATING PROFIT / (LOSS)</b>		<b>1,431</b>	-	<b>1,431</b>
<b>PROFIT / (LOSS) BEFORE TAX</b>		<b>903</b>	<b>( 22)</b>	<b>925</b>
Tax Expense		( 148)	( 2)	( 146)
Deferred Tax (Expense) / Income	(a), (b)	( 94)	( 2)	( 92)
<b>NET PROFIT / (LOSS)</b>				
<b>FOR THE PERIOD</b>		<b>755</b>	<b>( 24)</b>	<b>779</b>

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

**2.3 Summary of Significant Accounting Policies (cont'd)**

**IFRS 15 Revenue From Contracts With Customers (cont'd)**

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's services are set out below.

**a) Expired Ticket Revenue**

Tickets for which the passenger is not expected to exercise their rights under the ticket contract with the Group will expire. Tickets that expire unused represent unexercised passenger rights and are often referred to as passenger ticket breakage. The Group recognizes breakage (or unexercised rights) as revenue. Since the break date of these specific tickets can not be identified ultimately, the Group estimates and recognizes the expected breakage amount by using historical data and trends. The data used for the estimation for the amount of unredeemed tickets is revised under the IFRS 15 and provisional ticket breakage revenue is calculated with the tickets not flown on their scheduled flight date. The impacts of the changes over the breakage calculation method are an increase in the liabilities and a decrease in the revenue and equity.

**b) Ticket Reissue Revenue**

Each fare type that the Group issues will have its own conditions attached, which may include it being restricted, non-upgradeable or non-refundable. This means that if passengers need to make a change to their booking, cancel flights or buy replacement tickets then a change fee may apply. Under previous standards the Group recognize change fees as revenue when a passenger request a change and pays the fee. With the adoption of IFRS 15 the change service is not considered distinctly because the customer cannot benefit from it without taking the flight. Although the change service is provided in advance of the flight, the benefit from it is not provided until the customer takes the flight. As a result, the change fee is recognized as revenue together with the original ticket sale on the date of travel. The impacts of the changes are an increase in the liabilities and a decrease in the revenue and equity.

**IFRS 9 Financial Instruments**

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

The following table summarizes the impact, net of tax, of transition to IFRS 9 on the opening balance of reserves, retained earnings.

	<b>Impact of adopting IFRS 9 on opening balance</b>
<b>Retained Earnings</b>	
Recognition of expected credit losses under IFRS 9	9
Related tax	(2)
<b>Impact at 1 January 2018</b>	<b>7</b>

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

### **2.3 Summary of Significant Accounting Policies (cont'd)**

#### **IFRS 9 Financial Instruments (cont'd)**

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized for the FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized for the at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.



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

### 2.3 Summary of Significant Accounting Policies (cont'd)

#### IFRS 9 Financial Instruments (cont'd)

The following accounting policies apply to the subsequent measurement of financial assets.

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
<b>Financial assets at amortized cost</b>	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
<b>Debt investments at FVOCI</b>	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
<b>Equity investments at FVOCI</b>	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements, as described further below.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at 1 January 2018.

	<b>Original classification under IAS 39</b>	<b>New classification under IFRS 9</b>	<b>Original carrying amount under IAS 39</b>	<b>New carrying amount under IFRS 9</b>
<b>Financial assets</b>				
Trade and other receivables	Loans and receivables	Amortized cost	2,589	2,584
Cash and cash equivalents	Loans and receivables	Amortized cost	2,621	2,620
Corporate debt securities	Available for sale	FVOCI-debt instrument	195	195
Interest rate swaps used for hedging	Fair value – hedging instrument	Fair value – hedging instrument	4	4
Forward exchange contracts used for hedging	Fair value – hedging instrument	Fair value – hedging instrument	20	20
<b>Total financial assets</b>			<b>5,429</b>	<b>5,423</b>

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

### **2.3 Summary of Significant Accounting Policies (cont'd)**

#### **IFRS 9 Financial Instruments (cont'd)**

The corporate debt securities categorized as available-for-sale under IAS 39 are held by the Group's treasury unit in a separate portfolio to provide interest income, but may be sold to meet liquidity requirements arising in the normal course of business. The Group considers that these securities are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling securities. The corporate debt securities mature in one to two years and the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets have therefore been classified as financial assets at FVOCI under IFRS 9.

Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost. An increase of USD 7 in the allowance for impairment over these receivables was recognized in opening retained earnings at 1 January 2018 on transition to IFRS 9.

#### **Impairment of Financial Assets**

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The financial assets at amortized cost consist of trade receivables, cash and cash equivalents, and corporate debt securities.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company measures loss allowances at an amount equal to lifetime ECLs. The Company has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held).

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

**2.3 Summary of Significant Accounting Policies (cont'd)**

**IFRS 9 Financial Instruments (cont'd)**

**Impairment of Financial Assets (cont'd)**

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

**Measurement of ECLs**

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

**Credit-impaired financial assets**

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

**Presentation of impairment**

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is recognized in OCI, instead of reducing the carrying amount of the asset.

Impairment losses related to trade and other receivables are presented separately in the statement of profit or loss and OCI. As a result, the Company reclassified impairment gains amounting to USD 6, recognized under IAS 39, from 'other operating expenses and other operating income' to 'impairment loss on trade receivables' in the statement of profit or loss and OCI for the nine months ended 30 September 2018.

**Impact of the new impairment model**

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an additional impairment allowance as follows.

<b>Loss allowance as at 31 December 2017 under IAS 39</b>	<b>75</b>
Additional impairment recognized at 1 January 2018 on;	
Trade and other receivables as at 31 December 2017	8
Cash and cash equivalents as at 31 December 2017	1
<b>Loss allowance as at 31 December 2017 under IFRS 9</b>	<b>84</b>

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

**2.3 Summary of Significant Accounting Policies (cont'd)**

**IFRS 9 Financial Instruments (cont'd)**

**Trade Receivables and Contract Assets**

The following analysis provides further detail about the calculation of ECLs related to trade receivables and contract assets on the adoption of IFRS 9. The Company considers the model and some of the assumptions used in calculating these ECLs as key sources of estimation uncertainty.

The ECLs were calculated based on actual credit loss experience over the past two years. The Company performed the calculation of ECL rates separately for trade and other receivables.

Exposures within each group were segmented based on common credit risk characteristics such as credit risk grade, delinquency status, geographic region, age of relationship.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 30 September 2018.

<u>Maturity Ranges</u> <u>As of 30.09.2018</u>	<u>Weighted Average</u> <u>Lost Rate</u>	<u>Gross Carrying</u> <u>Amount</u>	<u>Impairment Loss</u> <u>Allowance</u>
Current	0.09%	589	1
1-30 days past due	0.66%	49	-
30-90 days past due	1.44%	12	-
90-360 days past due	2.35%	20	-
More than 1 year past due	84.10%	2	2
		<u>672</u>	<u>3</u>

The following table provides information about the exposure to credit risk and ECLs for time deposits, other receivables and debt to securities as at 30 September 2018.

<u>Equivalent to External</u> <u>Credit Rating</u>	<u>Weighted Average</u> <u>Lost Rate</u>	<u>Gross Carrying</u> <u>Amount</u>	<u>Impairment Loss</u> <u>Allowance</u>
AA2	0.02%	1,506	-
BA3	0.05%	2,766	1
B2	1.5%	121	2
		<u>4,393</u>	<u>3</u>

**Transition**

The Company has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

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

### **2.3 Summary of Significant Accounting Policies (cont'd)**

#### **IFRS 9 Financial Instruments (cont'd)**

##### **Non-Derivative Financial Instruments and Hedge Accounting**

As of 2018, financial lease liabilities in Japanese Yen, Swiss Frank and Euro for investment financing are designated as cash flow hedge against foreign exchange rate risk due to highly probable future foreign currency revenues. Unrealized foreign exchange differences arising from the financial lease liabilities are recognized in other comprehensive income.

### **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 consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

##### **Amendments to IFRS 9 - Prepayment features with negative compensation**

On 12 October 2017, IASB has issued amendments to IFRS 9 to clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. Under IFRS 9, a prepayment option in a financial asset meets this criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include 'reasonable additional compensation' for early termination of the contract. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IFRS 9.

##### **Amendments to IAS 28- Long-term Interests in Associates and Joint Ventures**

On 12 October 2017, IASB has issued amendments to IAS 28 to clarify that entities also apply IFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. An entity applies IFRS 9 to such long-term interests before it applies related paragraphs of IAS 28. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 28.

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

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

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

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

*The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA (cont'd)*

#### **IFRS 16 Leases**

On 13 January 2016, IASB issued the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to IAS 40 *Investment Properties*. IFRS 16 *Leases* eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15 Revenue from Contracts with Customers. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

#### **IFRIC 23 –Uncertainty Over Income Tax Treatments**

On 17 June 2017, IASB issued IFRIC 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. IFRIC 23 is effective from 1 January 2019 with earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRIC 23.

#### *Annual Improvements to IFRSs 2015-2017 Cycle*

##### **Improvements to IFRSs**

IASB issued Annual Improvements to IFRSs - 2015–2017 Cycle. The amendments are effective as of 1 January 2019. Earlier application is permitted. The Group does not expect that application of these improvements to IFRSs will have significant impact on its consolidated financial statements.

#### *IFRS 3 Business Combinations and IFRS 11 Joint Arrangements*

IFRS 3 and IFRS 11 are amended to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.

#### *IAS 12 Income Taxes*

IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income (OCI) or equity.

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

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

#### *Annual Improvements to IFRSs 2015-2017 Cycle (cont'd)*

##### **Improvements to IFRSs (cont'd)**

###### *IAS 23 Borrowing Costs*

IAS 23 is amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool.

##### **Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement**

On 7 February 2018, IASB issued Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs. A company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI). The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 19.

##### **The revised Conceptual Framework**

The revised Conceptual Framework issued on 28 March 2018 by the IASB. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the Board in developing IFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no IFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the Board with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no IFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

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

**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).

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

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

	<u>30 September 2018</u>	<u>31 December 2017</u>
Sun Express	164	105
TEC	66	56
THY Opet	47	54
Turkish DO&CO	44	60
TGS	32	36
Uçak Koltuk	4	4
TCI	3	3
Goodrich	2	2
Vergi İade Aracılık (*)	-	-
	<u>362</u>	<u>320</u>

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

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

	<u>1 January - 30 September 2018</u>	<u>1 July - 30 September 2018</u>	<u>1 January - 30 September 2017</u>	<u>1 July - 30 September 2017</u>
Sun Express	50	63	50	59
TEC	10	3	11	5
THY Opet	41	16	28	12
Turkish DO&CO	9	3	10	5
TGS	18	10	10	6
Uçak Koltuk	-	1	-	-
TCI	-	-	(3)	(3)
	<u>128</u>	<u>96</u>	<u>106</u>	<u>84</u>



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

Financial information for Sun Express as of 30 September 2018 and 2017 are as follows:

			<b>30 September 2018</b>	<b>31 December 2017</b>
Total assets			1,489	1,439
Total liabilities			1,161	1,229
Shareholders'equity			328	210
Group's share in joint venture's shareholders' equity			164	105
	<b>1 January - 30 September 2018</b>	<b>1 July - 30 September 2018</b>	<b>1 January - 30 September 2017</b>	<b>1 July - 30 September 2017</b>
Revenue	1,190	601	994	533
Profit for the period	100	125	99	118
Group's share in joint venture's profit for the period	50	63	50	59

Financial information for TEC as of 30 September 2018 and 2017 are as follows:

			<b>30 September 2018</b>	<b>31 December 2017</b>
Total assets			240	163
Total liabilities			105	49
Shareholders'equity			135	114
Group's share in joint venture's shareholders' equity			66	56
	<b>1 January - 30 September 2018</b>	<b>1 July - 30 September 2018</b>	<b>1 January - 30 September 2017</b>	<b>1 July - 30 September 2017</b>
Revenue	403	128	373	144
Profit for the period	20	6	21	8
Group's share in joint venture's profit for the period	10	3	11	5

Financial information for THY Opet as of 30 September 2018 and 2017 are as follows:

			<b>30 September 2018</b>	<b>31 December 2017</b>
Total assets			677	616
Total liabilities			583	509
Shareholders'equity			94	107
Group's share in joint venture's shareholders' equity			47	54

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

Financial information for THY Opet as of 30 September 2018 and 2017 are as follows (cont'd):

	<b>1 January - 30 September 2018</b>	<b>1 July - 30 September 2018</b>	<b>1 January - 30 September 2017</b>	<b>1 July - 30 September 2017</b>
Revenue	1,779	721	1,222	521
Profit for the period	81	31	55	22
Group's share in joint venture's profit for the period	41	16	28	12

Financial information for Turkish DO&CO as of 30 September 2018 and 2017 are as follows:

	<b>30 September 2018</b>	<b>31 December 2017</b>
Total assets	136	180
Total liabilities	48	60
Shareholders'equity	88	120
Group's share in joint venture's shareholders' equity	44	60

	<b>1 January - 30 September 2018</b>	<b>1 July - 30 September 2018</b>	<b>1 January - 30 September 2017</b>	<b>1 July - 30 September 2017</b>
Revenue	219	71	211	85
Profit for the period	19	7	20	9
Group's share in joint venture's profit for the period	9	3	10	5

Financial information for TGS as of 30 September 2018 and 2017 are as follows:

	<b>30 September 2018</b>	<b>31 December 2017</b>
Total assets	105	127
Total liabilities	42	55
Shareholders'equity	63	72
Group's share in joint venture's shareholders' equity	32	36

	<b>1 January - 30 September 2018</b>	<b>1 July - 30 September 2018</b>	<b>1 January - 30 September 2017</b>	<b>1 July - 30 September 2017</b>
Revenue	220	76	195	78
Profit for the period	36	21	19	12
Group's share in joint venture's profit for the period	18	10	10	6

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

Financial information for Uçak Koltuk as of 30 September 2018 and 2017 are as follows:

			<b>30 September</b>	<b>31 December</b>
			<b>2018</b>	<b>2017</b>
Total assets			16	16
Total liabilities			7	8
Shareholders'equity			9	8
Group's share in joint venture's shareholders' equity			4	4
	<b>1 January -</b>	<b>1 July -</b>	<b>1 January -</b>	<b>1 July -</b>
	<b>30 September 2018</b>	<b>30 September 2018</b>	<b>30 September 2017</b>	<b>30 September 2017</b>
Revenue	8	4	8	2
Loss for the period	-	1	(1)	-
Group's share in joint venture's profit for the period	-	1	-	-

Financial information for TCI as of 30 September 2018 and 2017 are as follows:

			<b>30 September</b>	<b>31 December</b>
			<b>2018</b>	<b>2017</b>
Total assets			15	10
Total liabilities			10	4
Shareholders'equity			5	6
Group's share in joint venture's shareholders' equity			3	3
	<b>1 January -</b>	<b>1 July -</b>	<b>1 January -</b>	<b>1 July -</b>
	<b>30 September 2018</b>	<b>30 September 2018</b>	<b>30 September 2017</b>	<b>30 September 2017</b>
Revenue	8	5	3	1
Loss for the period	(1)	-	(2)	(1)
Group's share in joint venture's loss for the period	-	-	(1)	(1)

Financial information for Goodrich as of 30 September 2018 and 2017 are as follows:

			<b>30 September</b>	<b>31 December</b>
			<b>2018</b>	<b>2017</b>
Total assets			8	7
Total liabilities			4	3
Shareholders'equity			4	4
Group's share in joint venture's shareholders' equity			2	2

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

Financial information for Goodrich as of 30 September 2018 and 2017 are as follows (cont'd):

	<u>1 January - 30 September 2018</u>	<u>1 July - 30 September 2018</u>	<u>1 January - 30 September 2017</u>	<u>1 July - 30 September 2017</u>
Revenue	12	3	11	3
Profit for the period	1	1	1	-
Group's share in joint venture's profit for the period	-	-	-	-

**4. 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 20.

**4.1 Total Assets and Liabilities**

Total Assets	<u><b>30 September 2018</b></u>	<u><b>31 December 2017</b></u>
Aviation	20,493	18,085
Technical	1,252	1,256
Total	<u>21,745</u>	<u>19,341</u>
Less: Eliminations due to consolidation	<u>(1,216)</u>	<u>(1,144)</u>
Total assets in consolidated financial statements	<u><u>20,529</u></u>	<u><u>18,197</u></u>
Total Liabilities	<u><b>30 September 2018</b></u>	<u><b>31 December 2017</b></u>
Aviation	14,521	12,874
Technical	268	363
Total	<u>14,789</u>	<u>13,237</u>
Less: Eliminations due to consolidation	<u>(374)</u>	<u>(386)</u>
Total liabilities in consolidated financial statements	<u><u>14,415</u></u>	<u><u>12,851</u></u>

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

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

Segment Results:

<b>1 January - 30 September 2018</b>	<b>Aviation</b>	<b>Technic</b>	<b>Inter-segment elimination</b>	<b>Total</b>
Sales to External Customers	9,703	166	-	9,869
Inter-Segment Sales	38	733	(771)	-
Revenue	9,741	899	(771)	9,869
Cost of Sales (-)	(7,605)	(667)	771	(7,501)
Gross Profit	2,136	232	-	2,368
Administrative Expenses (-)	(148)	(56)	-	(204)
Marketing and Sales Expenses (-)	(993)	(6)	1	(998)
Other Operating Income	132	7	(25)	114
Other Operating Expenses (-)	(143)	(12)	24	(131)
Operating Profit Before Investment Activities	984	165	-	1,149
Income from Investment Activities	155	-	-	155
Expenses from Investment Activities	(1)	-	-	(1)
Share of Investments' Profit Accounted by Using The Equity Method	118	10	-	128
Operating Profit	1,256	175	-	1,431
Financial Income	57	-	(2)	55
Financial Expense (-)	(611)	26	2	(583)
Profit Before Tax	702	201	-	903

<b>1 January - 30 September 2017</b>	<b>Aviation</b>	<b>Technic</b>	<b>Inter-segment elimination</b>	<b>Total</b>
Sales to External Customers	8,078	125	-	8,203
Inter-Segment Sales	31	646	(677)	-
Revenue	8,109	771	(677)	8,203
Cost of Sales (-)	(6,437)	(562)	671	(6,328)
Gross Profit	1,672	209	(6)	1,875
Administrative Expenses (-)	(148)	(64)	8	(204)
Marketing and Sales Expenses (-)	(850)	(3)	1	(852)
Other Operating Income	168	24	(25)	167
Other Operating Expenses (-)	(26)	(26)	22	(30)
Operating (Loss) / Profit Before Investment Activities	816	140	-	956
Income from Investment Activities	156	-	-	156
Expenses from Investment Activities	(1)	-	-	(1)
Share of Investments' Loss Accounted by Using The Equity Method	96	10	-	106
Operating (Loss) / Profit	1,067	150	-	1,217
Financial Income	45	3	(7)	41
Financial Expense (-)	(947)	(8)	7	(948)
Profit Before Tax	165	145	-	310

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

**4.3 Investment Operations**

<b>1 January - 30 September 2018</b>	<b>Aviation</b>	<b>Technic</b>	<b>Inter-segment elimination</b>	<b>Total</b>
Purchase of property and equipment and intangible assets	932	127	-	1,059
Current period depreciation and amortization change	695	112	-	807
Investments accounted by using the equity method	293	69	-	362

  

<b>1 January - 30 September 2017</b>	<b>Aviation</b>	<b>Technic</b>	<b>Inter-segment elimination</b>	<b>Total</b>
Purchase of property and equipment and intangible assets	859	77	-	936
Current period depreciation and amortization change	656	102	-	758
Investments accounted by using the equity method	277	55	-	332

**5. CASH AND CASH EQUIVALENTS**

	<b>30 September 2018</b>	<b>31 December 2017</b>
Cash	2	2
Banks – Time deposits	2,621	1,768
Banks – Demand deposits	105	116
Other liquid assets	-	5
	<b>2,728</b>	<b>1,891</b>

Details of the time deposits as of 30 September 2018 are as follows:

<b>Amount</b>	<b>Currency</b>	<b>Effective Interest Rate</b>	<b>Maturity</b>	<b>30 September 2018</b>
2,276	TL	19.67% - 28.49%	December 2018	386
903	USD	4.04% - 7.36%	November 2018	906
1,142	EUR	2.05% - 4.40%	December 2018	1,329
				<b>2,621</b>

Details of the time deposits as of 31 December 2017 are as follows:

<b>Amount</b>	<b>Currency</b>	<b>Effective Interest Rate</b>	<b>Maturity</b>	<b>31 December 2017</b>
153	TL	11.41% - 12.58%	January 2018	41
141	USD	2.87% - 3.53%	March 2018	142
1,322	EUR	1.60% - 2.34%	March 2018	1,585
				<b>1,768</b>

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**6. FINANCIAL INVESTMENTS**

Short-term financial investments are as follows:

	<u>30 September 2018</u>	<u>31 December 2017</u>
Time deposits with maturity more than 3 months	-	195

Time deposit with maturity of more than 3 months as of 31 December 2017 is as follows:

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 December 2017</u>
162	EUR	1.68% - 1.93%	May 2018	195

Long-term financial investments are as follows:

	<u>30 September 2018</u>	<u>31 December 2017</u>
Financial assets		
- FVOCI	168	50
- FVTPL	16	-
Other	1	1
	<u>185</u>	<u>51</u>

Details of FVOCI as of 30 September 2018 is as follows:

	<u>30 September 2018</u>	<u>31 December 2017</u>
FVOCI		
- Treasury bills	118	17
- Eurobonds	50	33
	<u>168</u>	<u>50</u>

Period remaining to contractual maturity dates for FVOCI as of 30 September 2018 is as follows:

	<u>30 September 2018</u>	<u>31 December 2017</u>
Less than 1 year	20	-
1 to 5 years	73	-
Over 5 years	75	50
	<u>168</u>	<u>50</u>

	<u>30 September 2018</u>	<u>31 December 2017</u>
FVTPL		
- Stocks	16	-

	<u>30 September 2018</u>	<u>31 December 2017</u>
Undated	16	-

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**7. BORROWINGS**

Short-term borrowings are as follows:

	<u>30 September 2018</u>	<u>31 December 2017</u>
Short-term borrowings	1,110	744

Short-term borrowings as of 30 September 2018 is as follows:

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>30 September 2018</u>
759	EUR	0.40% - 0.75%	February 2019	880
230	USD	2.30%	October 2018	230
				<u>1,110</u>

Short-term borrowings as of 31 December 2017 is as follows:

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 December 2017</u>
400	USD	1.64% - 2.30%	October 2018	400
288	EUR	0.40% - 0.75%	December 2018	344
				<u>744</u>

Short-term portions of long-term borrowings are as follows:

	<u>30 September 2018</u>	<u>31 December 2017</u>
Finance lease obligations (Note: 14)	931	954
Bank borrowings	170	29
	<u>1,101</u>	<u>983</u>

Long-term borrowings are as follows:

	<u>30 September 2018</u>	<u>31 December 2017</u>
Finance lease obligations (Note: 14)	6,761	7,259
Bank borrowings	1,250	80
	<u>8,011</u>	<u>7,339</u>

Details of bank borrowings as of 30 September 2018 and 31 December 2017 are as follows:

	<u>30 September 2018</u>	<u>31 December 2017</u>
Less than 1 year	170	29
Between 1 – 5 years	1,250	80
	<u>1,420</u>	<u>109</u>

<u>Amount</u>	<u>Currency</u>	<u>Interest Rate</u>	<u>Effective Interest Rate</u>	<u>Payment Period</u>	<u>30 September 2018</u>
508	EUR	Fixed	4.00% - 4.60%	May'19 - June'23	590
715	EUR	Floating	Euribor + 2.45% - Euribor + 3.50%	Feb'19 - July'23	830
					<u>1,420</u>



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**7. BORROWINGS (cont'd)**

Details of bank borrowings as of 30 September 2018 and 2017 are as follows (cont'd):

<u>Amount</u>	<u>Currency</u>	<u>Interest Rate Type</u>	<u>Effective Interest Rate</u>	<u>Payment Period</u>	<u>31 December 2017</u>
91	EUR	Floating	Euribor + 2.45%	Feb'18-Sep' 21	109

Reconciliation of liabilities arising from financing activities:

	<u>2017</u>	<u>Reimbursement of financial debt</u>	<u>Non-cash Changes</u>	<u>New financial debt</u>	<u>2018</u>
Lease Liabilities	8,213	(819)	(4)	302	7,692
Bank Borrowings	853	(363)	(14)	2,054	2,530
	<u>9,066</u>	<u>(1,182)</u>	<u>(18)</u>	<u>2,356</u>	<u>10,222</u>

**8. OTHER FINANCIAL LIABILITIES**

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

	<u>30 September 2018</u>	<u>31 December 2017</u>
Other financial liabilities	14	16

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

**9. RELATED PARTY TRANSACTIONS**

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

	<u>30 September 2018</u>	<u>31 December 2017</u>
Turkish DO&CO	2	-
TCI	1	-
	<u>3</u>	<u>-</u>

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

	<u>30 September 2018</u>	<u>31 December 2017</u>
THY Opet	-	7

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

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

	<u>30 September 2018</u>	<u>31 December 2017</u>
THY Opet	103	77
TEC	36	36
Turkish DO&CO	23	28
Sun Express	22	8
TGS	13	16
Goodrich	2	1
TCI	-	2
	<u>199</u>	<u>168</u>

Transactions with related parties for the period ended 30 September 2018 and 2017 are as follows:

**a) Sales to related parties:**

	<u>1 January - 30 September 2018</u>	<u>1 July - 30 September 2018</u>	<u>1 January - 30 September 2017</u>	<u>1 July - 30 September 2017</u>
Sun Express	28	3	19	6
TEC	19	6	9	4
TGS	3	1	4	1
Uçak Koltuk	2	-	-	-
Turkish DO&CO	1	-	1	-
	<u>53</u>	<u>10</u>	<u>33</u>	<u>11</u>

**b) Purchases from related parties:**

	<u>1 January - 30 September 2018</u>	<u>1 July - 30 September 2018</u>	<u>1 January - 30 September 2017</u>	<u>1 July - 30 September 2017</u>
THY Opet	1,424	529	1,005	395
TEC	215	61	171	40
Turkish DO&CO	209	69	187	74
TGS	199	64	176	65
Sun Express	133	46	125	44
Goodrich	10	3	7	2
Other	5	2	2	-
	<u>2,195</u>	<u>774</u>	<u>1,673</u>	<u>620</u>

Transactions between the Group and THY Opet are related to the supply of aircraft fuel; transactions between the Group and Turkish DO&CO are related to catering services; transactions between the Group and Sun Express are related to wet lease and seat sales operations; transactions between the Group and TGS are related to ground services and transactions between the Group and TEC are related to engine maintenance services. 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 USD 2 (1 January- 30 September 2017: USD 3).

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**10. OTHER RECEIVABLES**

Other short-term receivables from non-related parties as of 30 September 2018 and 31 December 2017 are as follows:

	<b>30 September 2018</b>	<b>31 December 2017</b>
Predelivery payments made for aircrafts	782	117
Receivables from technical purchases	129	71
Bank deposits with transfer limitations (*)	115	55
Value added tax receivables	78	54
Receivables from sale of financial investments	75	-
Receivables from pilots for flight training	17	16
Receivables from employees	1	1
Other receivables	32	5
	<u>1,229</u>	<u>319</u>

(\*)As of 30 September 2018, the balance of this account includes bank deposits in Morocco, Ethiopia, Bangladesh, Egypt, Algeria, Nigeria, Senegal, Niger, Mali, Republic of Cote D'ivoire, Burkina Faso, Eritrea, Mozambique, Bolivarian Republic of Venezuela, Republic of Cameroon, Republic of Chad, Republic of Sudan, Gabon, Somalia, Pakistan, Benin and Iran. (As of 31 December 2017, the balance of this account includes bank deposits in Morocco, Ethiopia, Bangladesh, Egypt, Algeria, Nigeria, Senegal, Niger, Mali, Republic of Cote D'ivoire, Burkina Faso, Eritrea, Mozambique, Bolivarian Republic of Venezuela, Republic of Cameroon, Republic of Chad, Gabon and Benin.)

Other long-term receivables from non-related parties as of 30 September 2018 and 31 December 2017 are as follows:

	<b>30 September 2018</b>	<b>31 December 2017</b>
Predelivery payments made for aircrafts	377	247
Receivables related to investment certificates	195	256
Receivables from pilots for flight training	108	101
Deposits and guarentees given	13	9
Bank deposits with transfer limitations (**)	6	6
	<u>699</u>	<u>619</u>

(\*\*) As of 30 September 2018, the balance of this account includes bank deposits in Syria.

**11. DEFERRED INCOME**

Deferred income is as follows:

	<b>30 September 2018</b>	<b>31 December 2017</b>
Passenger flight liabilities	1,141	1,000
Other short-term deferred income	27	16
	<u>1,168</u>	<u>1,016</u>

Passenger flight liability is as follows:

	<b>30 September 2018</b>	<b>31 December 2017</b>
Flight liability generating from ticket sales	882	763
Flight liability generating from frequent flyer program	259	237
	<u>1,141</u>	<u>1,000</u>

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**11. DEFERRED INCOME (cont'd)**

Other short-term deferred income is as follows:

	<u>30 September 2018</u>	<u>31 December 2017</u>
Advances received	12	10
Unearned bank protocol revenue accruals	10	1
Deferred finance income	5	5
	<u>27</u>	<u>16</u>

Long-term deferred income is as follows:

	<u>30 September 2018</u>	<u>31 December 2017</u>
Deferred finance income	37	40
Gross manufacturer's credits	31	31
Accumulated depreciation of manufacturer's credit	(30)	(29)
Unearned bank protocol revenue accruals	15	-
	<u>53</u>	<u>42</u>

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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 2018	222	376	187	16,398	648	551	520	334	19,236
Additions	72	36	11	542	61	93	9	230	1,054
Transfer (*)	-	1	-	10	8	-	14	(35)	(2)
Disposals	-	(15)	(2)	(85)	(5)	(72)	(6)	-	(185)
Closing balance at 30 September 2018	294	398	196	16,865	712	572	537	529	20,103
<b><u>Accumulated Depreciation</u></b>									
Opening balance at 1 January 2018	78	204	132	5,138	225	285	172	-	6,234
Depreciation charge	8	26	17	605	35	73	35	-	799
Disposals	-	(4)	(2)	(85)	(5)	(49)	(6)	-	(151)
Closing balance at 30 September 2018	86	226	147	5,658	255	309	201	-	6,882
Net book value at 30 September 2018	208	172	49	11,207	457	263	336	529	13,221
Net book value at 31 December 2017	144	172	55	11,260	423	266	348	334	13,002

(\*) Tangible assets amounting to USD 2 are transferred to intangible assets.

As of 30 September 2018, carrying value of the aircrafts and spare engines acquired through finance leases is USD 10,604 (31 December 2017: USD 10,826)

Depreciation and amortization expenses are recognized in cost of sales is amounting to USD 771 (30 September 2017: USD 714), general administrative expenses is amounting to USD 31 (30 September 2017: USD 40) and marketing and sales expenses is amounting to USD 5 (30 September 2017: USD 4).

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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 2017	218	367	176	16,279	608	539	500	235	18,922
Additions	-	6	6	676	71	68	2	102	931
Transfer	4	-	3	23	-	-	-	(31)	(1)
Disposals	-	(7)	(2)	(1,000)	(44)	(37)	-	-	(1,090)
Closing balance at 30 September 2017	222	366	183	15,978	635	570	502	306	18,762
<b><u>Accumulated Depreciation</u></b>									
Opening balance at 1 January 2017	66	177	112	4,549	204	203	135	-	5,446
Depreciation charge	9	22	17	574	31	65	28	-	746
Disposals	-	(3)	(2)	(141)	(14)	(23)	-	-	(183)
Closing balance at 30 September 2017	75	196	127	4,982	221	245	163	-	6,009
Net book value at 30 September 2017	147	170	56	10,996	414	325	339	306	12,753
Net book value at 31 December 2016	152	190	64	11,730	404	336	365	235	13,476

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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 2018	44	148	5	197
Additions	-	5	-	5
Transfers	-	2	-	2
Closing balance at 30 September 2018	<u>44</u>	<u>155</u>	<u>5</u>	<u>204</u>
<b><u>Accumulated Amortization</u></b>				
Opening balance at 1 January 2018	-	130	1	131
Amortization charge	-	8	-	8
Closing balance at 30 September 2018	<u>-</u>	<u>138</u>	<u>1</u>	<u>139</u>
Net book value at 30 September 2018	<u>44</u>	<u>17</u>	<u>4</u>	<u>65</u>
Net book value at 31 December 2017	<u>44</u>	<u>18</u>	<u>4</u>	<u>66</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 2017	44	140	5	189
Additions	-	5	-	5
Transfers	-	1	-	1
Closing balance at 30 September 2017	<u>44</u>	<u>146</u>	<u>5</u>	<u>195</u>
<b><u>Accumulated Amortization</u></b>				
Opening balance at 1 January 2017	-	115	1	116
Amortization charge	-	12	-	12
Closing balance at 30 September 2017	<u>-</u>	<u>127</u>	<u>1</u>	<u>128</u>
Net book value at 30 September 2017	<u>44</u>	<u>19</u>	<u>4</u>	<u>67</u>
Net book value at 31 December 2016	<u>44</u>	<u>25</u>	<u>4</u>	<u>73</u>

The Group considers slot rights and licenses obtained by purchase of MNG Teknik and included in other rights above amounting to USD 10 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 2018</b>	<b>31 December 2017</b>
Less than 1 year	1,079	1,105
Between 1 – 5 years	3,691	3,718
Over 5 years	3,587	4,189
	<u>8,357</u>	<u>9,012</u>
Less: Future interest expenses	(665)	(799)
Principal value of future rentals stated in financial statements	<u>7,692</u>	<u>8,213</u>
	<b>30 September 2018</b>	<b>31 December 2017</b>
Interest Range:		
Floating rate obligations	4,812	4,979
Fixed rate obligations	2,880	3,234
	<u>7,692</u>	<u>8,213</u>

The Group acquired certain portion of its aircrafts and spare engines through finance leases. The lease terms are between 10 to 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 2018, the US Dollars, Euro, JPY and Swiss Franc denominated lease obligations' weighted average interest rates are 2.73% (31 December 2017: 2.77%) for the fixed rate obligations and 1.64% (31 December 2017: 1.48% ) for the floating rate obligations.

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

Short-term provisions as of 30 September 2018 and 31 December 2017 are as follows:

Short-term provision for employee benefits is as follows:

	<b>30 September 2018</b>	<b>31 December 2017</b>
Provisions for unused vacation	<u>51</u>	<u>41</u>

Changes in the provisions for the years ended 30 September 2018 and 2017 are set out below:

	<b>1 January - 30 September 2018</b>	<b>1 January - 30 September 2017</b>
Provisions at the beginning of the period	41	44
Provisions for the current period	32	4
Provisions released	(20)	-
Foreign currency translation differences	(2)	(1)
Provisions at the end of the period	<u>51</u>	<u>47</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)**

Other short-term provision is as follows:

	<u>30 September 2018</u>	<u>31 December 2017</u>
Provisions for legal claims	<u>14</u>	<u>22</u>

Changes in the provisions for legal claims for the years ended 30 September 2018 and 2017 are set out below:

	<u>1 January - 30 September 2018</u>	<u>1 January - 30 September 2017</u>
Provisions at the beginning of the period	22	17
Provisions for the current period	2	5
Provisions released	(2)	(1)
Foreign currency translation differences	(8)	-
Provisions at the end of the period	<u>14</u>	<u>21</u>

The Group recognizes provisions for lawsuits against itself due to its operations. The lawsuits against the Group are usually reemployment lawsuits by former employees or related to damaged luggage or cargo. The estimates have been made on the basis of the legal advices. 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 letters of guarantees given as of 30 September 2018 is USD 1,191. (31 December 2017: USD 859).

	<b>30 September 2018</b>		<b>31 December 2017</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	-	1,191	-	859
-Collaterals				
TL	36	6	34	9
EUR	775	900	326	391
USD	275	275	451	451
Other	-	10	-	8
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>1,191</u>		<u>859</u>

The ratio of other GPM (“D”) given by the group to its equity is 0% as of 30 September 2018 (31 December 2017: 0%)

b) Operational lease obligations: The breakdown of operational lease obligations related to aircrafts is as follows:

	<b>30 September 2018</b>	<b>31 December 2017</b>
Less than 1 year	499	359
Between 1 – 5 years	1,178	950
More than 5 years	909	757
	<u>2,586</u>	<u>2,066</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 another operational lease agreement 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:

	<b>30 September 2018</b>	<b>31 December 2017</b>
Less than 1 year	4	4
Between 1 – 5 years	18	20
More than 5 years	18	23
	<u>40</u>	<u>47</u>

d) Aircraft purchase commitments:

To be delivered between the years 2018-2023, the Group signed an agreement for 230 aircrafts, (220 of aircrafts are contractual and 10 of them are optional) with a list price value of 37.4 billion US Dollars (full). The Group has made an advance payment of 1,199 million US Dollars (full) relevant to these purchases as of 30 September 2018.

**17. EMPLOYEE BENEFITS**

Provisions for long-term retirement pay liability as of 30 September 2018 and 31 December 2017 is comprised of the following:

	<b>30 September 2018</b>	<b>31 December 2017</b>
Provisions for retirement pay liability	<u>91</u>	<u>128</u>

Provisions for retirement pay liability are 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 assumptions and calculations are changed in line with the revise made on 8 May 2008, which altered age of retirement.

Retirement pay liability is subject to an upper limit of monthly US Dollar 907 (full) as of 30 September 2018. (31 December 2017: US Dollar 1,326 (full)).

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.

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

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 consolidated financial statements as of 30 September 2018 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 7.00% annual inflation rate (31 December 2017: 7.00%) and 12.00% interest rate (31 December 2017: 12.00%). Estimated amount of non-paid retirement pay retained in the Company due to voluntary leaves is assumed as 2.59% (31 December 2017: 2.64%). Ceiling for retirement pay is revised semi-annually. Ceiling amount of US Dollar 907 (full) which is in effect since 30 September 2018 is used in the calculation of Group’s provision for retirement pay liability.

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

	<b>1 January - 30 September 2018</b>	<b>1 January - 30 September 2017</b>
Provisions at the beginning of the period	128	113
Service charge for the period	14	18
Interest charges	8	3
Actuarial loss / (gain)	-	(1)
Payments	(9)	(11)
Foreign currency translation difference	(50)	(3)
Provisions at the end of the period	<u>91</u>	<u>119</u>

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**18. EXPENSES BY NATURE**

Expenses by nature for the nine-month period ended 30 September 2018 and 2017 are as follows:

	<b>1 January - 30 September 2018</b>	<b>1 July - 30 September 2018</b>	<b>1 January - 30 September 2017</b>	<b>1 July - 30 September 2017</b>
Fuel expenses	2,785	1,061	2,099	815
Personnel expenses	1,300	407	1,243	431
Depreciation and amortisation expenses	807	271	758	251
Aircraft maintenance expenses	569	202	430	154
Ground services expenses	546	180	483	184
Passenger services and catering expenses	423	143	388	150
Air traffic control expenses	419	149	378	149
Airport expenses	391	139	352	140
Commissions and incentives	335	114	275	104
Operating lease expenses	251	84	238	85
Reservation systems expenses	205	64	186	64
Wet lease expenses	200	78	146	58
Advertisement and promotion expenses	126	37	93	29
Service expenses	54	16	52	18
Rents	53	17	50	18
IT & communication expenses	35	10	35	12
Insurance expenses	35	12	35	11
Taxes and duties	33	5	31	7
Transportation expenses	24	7	22	8
Consultancy expenses	22	8	10	3
Systems use and associateship expenses	8	3	7	3
Utility expenses	6	1	6	2
Membership fees	5	2	5	2
Other expenses	71	23	62	20
	<b>8,703</b>	<b>3,033</b>	<b>7,384</b>	<b>2,718</b>

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**19. SHAREHOLDERS' EQUITY**

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

	Class	%	30 September		31 December	
			2018	%	2017	
Turkey Wealth Fund (*)	A	49.12	678	49.12	678	
Republic of Turkey Treasury and Finance Ministry Privatization Administration (*)	C	-	-	-	-	
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	

(\*) 1,644 (full) shares belonging to various private shareholders were not taken into consideration when the Group was included to the privatization program in 1984. Subsequently, these shares were registered on behalf of Privatization Administration according to Articles of Association of the Group, approved by the decision of the Turkish Republic High Planning Board on 30 October 1990.

49.12% share of the Group owned by Republic of Turkey Treasury and Finance Ministry Privatisation Administration has been transferred to Sovereign Wealth Fund of Turkey as of 3 February 2017. Sovereign Wealth Fund of Turkey, whose capital fully belongs to the Republic of Turkey, Treasury and Finance Ministry Privatization Administration, is a state owned entity being affiliated to the Presidency of The Republic of Turkey. Aforementioned share transfer will not lead to any change on the current management structure, business strategy, policies and commercial decisions of the Group.

(\*\*) 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 of Turkish Lira.

As of 30 September 2018, 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 Treasury and Finance 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,

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

Articles of Association 14: The following decisions of the Board are subject to the positive vote of the class C Shareholder (cont'd):

- c) Increasing share capital,
- d) Approval of transfer of the shares issued to the name and their registration to the "Share Registry",
- e) 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%.)
- f) Decisions relating to merges and liquidation,
- g) 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.

### **Restricted Profit Reserves**

Turkish Commercial Code (TCC) stipulates that the general 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. Additionally, not limited with 20% of paid-in share capital, the general legal reserve is appropriated at the rate of 10% per annum of all cash dividends in excess of 5% of the paid-in share capital. Under TCC, the legal reserves can only be used to offset losses, to sustain business when conditions get worse, to prevent unemployment 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 in accordance 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.

### **Actuarial Differences on Defined Benefit Plans**

As a result of the adoption of IAS 19 (2011), all actuarial differences are recognized immediately in other comprehensive income.

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**19. SHAREHOLDERS' EQUITY (cont'd)**

**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.

**20. REVENUE**

Breakdown of gross profit is as follows:

	<b>1 January - 30 September 2018</b>	<b>1 July - 30 September 2018</b>	<b>1 January - 30 September 2017</b>	<b>1 July - 30 September 2017</b>
Passenger revenue				
Scheduled	8,407	3,413	7,061	3,160
Unscheduled	58	38	64	47
Total passenger revenue	8,465	3,451	7,125	3,207
Cargo revenue				
Carried by passenger aircraft	598	199	518	193
Carried by cargo aircraft	590	205	405	150
Total cargo revenue	1,188	404	923	343
Total passenger and cargo revenue	9,653	3,855	8,048	3,550
Technical revenue	167	55	125	48
Other revenue	49	19	30	8
Net sales	9,869	3,929	8,203	3,606
Cost of sales (-)	(7,501)	(2,648)	(6,328)	(2,356)
Gross profit	2,368	1,281	1,875	1,250

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

	<b>1 January - 30 September 2018</b>	<b>1 July - 30 September 2018</b>	<b>1 January - 30 September 2017</b>	<b>1 July - 30 September 2017</b>
- Europe	2,876	1,202	2,338	1,109
- Far East	2,270	829	1,874	740
- Middle East	1,120	480	997	466
- America	1,361	535	1,062	438
- Africa	935	373	730	304
Total international flights	8,562	3,419	7,001	3,057
Domestic flights	1,091	436	1,047	493
Total passenger and cargo revenue	9,653	3,855	8,048	3,550



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**21. COST OF SALES**

Breakdown of the cost of sales is as follows:

	<b>1 January - 30 September 2018</b>	<b>1 July - 30 September 2018</b>	<b>1 January - 30 September 2017</b>	<b>1 July - 30 September 2017</b>
Fuel expenses	2,785	1,061	2,099	815
Personnel expenses	997	308	962	336
Depreciation and amortisation expenses	771	259	714	238
Aircraft maintenance expenses	569	202	430	154
Ground services expenses	546	180	483	184
Passenger services and catering expenses	423	143	388	150
Air traffic control expenses	419	149	378	149
Airport expenses	391	139	352	140
Operating lease expenses	251	84	238	85
Wet lease expenses	200	78	146	58
Insurance expenses	34	12	34	11
Rents	29	10	25	9
Transportation expenses	24	7	22	8
Service expenses	23	7	22	8
Taxes and duties	11	3	10	3
IT & communication expenses	4	1	5	2
Utility expenses	4	1	3	1
Other expenses	20	4	17	5
	<u>7,501</u>	<u>2,648</u>	<u>6,328</u>	<u>2,356</u>

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

Breakdown of general administrative expenses is as follows:

	<b>1 January - 30 September 2018</b>	<b>1 July - 30 September 2018</b>	<b>1 January - 30 September 2017</b>	<b>1 July - 30 September 2017</b>
Personnel expenses	82	25	83	27
Depreciation and amortisation expenses	31	10	40	12
IT & communication expenses	26	8	25	8
Service expenses	22	7	22	7
Consultancy expenses	15	6	4	1
Rents	8	2	10	4
Systems use and associateship expenses	8	3	7	3
Utility expenses	2	-	3	1
Insurance expenses	1	-	1	-
Taxes and duties	1	-	2	1
Other general administrative expenses	8	3	7	1
	<u>204</u>	<u>64</u>	<u>204</u>	<u>65</u>

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

Breakdown of marketing and sales expenses is as follows:

	<b>1 January - 30 September 2018</b>	<b>1 July - 30 September 2018</b>	<b>1 January - 30 September 2017</b>	<b>1 July - 30 September 2017</b>
Commissions and incentives	335	114	275	104
Personnel expenses	221	74	198	68
Reservation systems expenses	205	64	186	64
Advertisement and promotion expenses	126	37	93	29
Taxes and duties	21	2	19	3
Rents	16	5	15	5
Service expenses	9	2	8	3
Consultancy expenses	7	2	6	2
IT & communication expenses	5	1	5	2
Membership fees	5	2	5	2
Depreciation and amortisation expenses	5	2	4	1
Other marketing and sales expenses	43	16	38	14
	<u>998</u>	<u>321</u>	<u>852</u>	<u>297</u>

**23. OTHER OPERATING INCOME / EXPENSES**

Breakdown of other operating income is as follows:

	<b>1 January - 30 September 2018</b>	<b>1 July - 30 September 2018</b>	<b>1 January - 30 September 2017</b>	<b>1 July - 30 September 2017</b>
Manufacturers' credits	53	38	35	14
Insurance, indemnities, penalties income	27	13	39	13
Non- interest income from banks	8	3	6	2
Provisions released	6	2	13	1
Turnover premium from suppliers	4	1	4	1
IFRS 9 Adjustment	3	-	-	-
Rediscount interest income	3	2	-	-
Rent income	2	-	7	2
Delay interest income	-	-	2	1
Foreign exchange gains from operational activities, net	-	-	57	29
Other operating income	8	(9)	4	1
	<u>114</u>	<u>50</u>	<u>167</u>	<u>64</u>

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

Breakdown of other operating expenses is as follows:

	<b>1 January - 30 September 2018</b>	<b>1 July - 30 September 2018</b>	<b>1 January - 30 September 2017</b>	<b>1 July - 30 September 2017</b>
Foreign exchange losses from operational activities, net	108	61	-	-
Provisions	7	2	20	11
Indemnity and penalty expenses	6	-	3	2
IFRS 9 Adjustment	-	1	-	-
Other operating expenses	10	(9)	7	-
	<u>131</u>	<u>55</u>	<u>30</u>	<u>13</u>

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

Breakdown of income from investment activities is as follows:

	<b>1 January - 30 September 2018</b>	<b>1 July - 30 September 2018</b>	<b>1 January - 30 September 2017</b>	<b>1 July - 30 September 2017</b>
Gain on sale of financial investments	100	100	2	-
Income from investment incentives	43	13	46	11
Interest income from financial investment	7	1	59	35
Gain on sale of fixed assets	5	1	49	1
	<u>155</u>	<u>115</u>	<u>156</u>	<u>47</u>

Breakdown of expense from investment activities is as follows:

	<b>1 January - 30 September 2018</b>	<b>1 July - 30 September 2018</b>	<b>1 January - 30 September 2017</b>	<b>1 July - 30 September 2017</b>
Loss on sale of fixed assets	1	1	1	-

**25. FINANCIAL INCOME/ EXPENSES**

Breakdown of financial income is as follows:

	<b>1 January - 30 September 2018</b>	<b>1 July - 30 September 2018</b>	<b>1 January - 30 September 2017</b>	<b>1 July - 30 September 2017</b>
Interest income	55	31	29	9
Rediscount interest income from repayments of aircrafts	-	-	2	-
Other financial incomes	-	4	10	1
	<u>55</u>	<u>35</u>	<u>41</u>	<u>10</u>

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**25. FINANCIAL INCOME/ EXPENSES (cont'd)**

Breakdown of financial expenses is as follows:

	<b>1 January - 30 September 2018</b>	<b>1 July - 30 September 2018</b>	<b>1 January - 30 September 2017</b>	<b>1 July - 30 September 2017</b>
Foreign exchange losses on financial activities, net	350	172	744	210
Finance lease interest expenses	173	64	153	52
Rediscount interest expense from repayments of aircrafts	24	1	-	-
Aircraft financing expenses	14	9	26	4
Interest expenses on employee benefits	8	2	3	1
Fair value losses on derivative financial instruments, net	4	25	16	(40)
Other financial expenses	10	-	6	2
	<b>583</b>	<b>273</b>	<b>948</b>	<b>229</b>

**26. TAX ASSETS AND LIABILITIES**

Breakdown of assets related to current tax is as follows:

	<b>30 September 2018</b>	<b>31 December 2017</b>
Prepaid taxes	28	32

Tax liability is as follows:

	<b>30 September 2018</b>	<b>31 December 2017</b>
Provisions for corporate tax	54	49
Prepaid taxes and funds	(25)	(37)
Corporate tax liability	29	12

Tax expense is as follows:

	<b>1 January - 30 September 2018</b>	<b>1 July - 30 September 2018</b>	<b>1 January - 30 September 2017</b>	<b>1 July - 30 September 2017</b>
Current period tax expense	54	21	39	15
Deferred tax (income) / expense	94	128	8	139
Tax income	148	149	47	154

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

Tax effect related to other comprehensive income is as follows:

	1 January - 30 September 2018			1 January - 30 September 2017		
	Amount before tax	Tax expense	Amount after tax	Amount before tax	Tax expense	Amount after tax
Changes in foreign currency translation difference	( 67)	-	( 67)	5	-	5
Change in cash flow hedge reserve	138	( 27)	111	( 57)	11	( 46)
Gains on Remeasuring FVOCI	( 22)	5	( 17)	1	-	1
Change in actuarial losses from retirement pay obligation	-	-	-	1	-	1
Other comprehensive income	49	( 22)	27	( 50)	11	( 39)

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 22%. In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, "Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 30 June 2018 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate tax rate is also 22%. Losses can be carried forward for offset against future taxable income for 5 years. However, losses cannot be carried back for offset against profits from previous periods.

According to the Corporate Tax Law, 75% of the capital gains arising from the sale of immovable properties and investments owned for at least two years are exempted from corporate tax on the condition that such gains are reflected in the equity until the end of the fifth year following the sale. The remaining 25% of such capital gains are subject to corporate tax. However, according to the amendments by Law numbered 7061, this rate is reduced from 75% to 50% with regard to immovable properties and tax declarations starting from 2018 will be calculated using 50% for immovable properties.

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

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

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for dividend receiving companies who are Turkish residents and Turkish branches of foreign companies. Income withholding tax rate is 15%. 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 22% 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 they are disclosed separately.

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

	<b>30 September 2018</b>	<b>31 December 2017</b>
Fixed assets	(1,992)	(1,539)
Adjustments for passenger flight liabilities	(102)	(126)
Change in fair value of derivative instruments	(13)	(17)
Tax loss carried forward	739	537
Income and expense for future years	67	74
Accruals for expenses	46	48
Miles accruals	38	35
Provisions for employee benefits	19	24
Provisions for unused vacation	8	1
Other	14	1
Deferred tax liabilities	<u>(1,176)</u>	<u>(962)</u>

The changes of deferred tax liability for the period ended 1 January – 30 September 2018 and 2017 are as follows:

	<b>1 January - 30 September 2018</b>	<b>1 January - 30 September 2017</b>
Opening balance at 1 January	962	955
Adjustments for changes in accounting policies	(4)	-
Restated deferred tax liability at the beginning of the period	958	955
Foreign currency translation difference	102	(11)
Deferred tax income	94	8
Tax expense / (income) from hedging reserves	25	(9)
Tax income from FVOCI	(3)	(3)
Deferred tax liability at the end of the period	<u>1,176</u>	<u>940</u>

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

Reconciliation with current tax charge for year period 1 January – 30 September 2018 and 2017 are as follows:

	<b>1 January - 30 September 2018</b>	<b>1 July - 30 September 2018</b>	<b>1 January - 30 September 2017</b>	<b>1 July - 30 September 2017</b>
<u>Reconciliation of effective tax charge</u>				
Gain from operations before tax	903	863	310	851
Domestic income tax rate of 22%	(199)	(190)	(62)	(170)
Taxation effects on:				
- investments accounted by using the equity method	26	19	21	17
- expense from investment certificates	9	3	9	2
- foreign currency translation difference	18	29	(12)	(3)
- adjustment for prior year loss	2	(1)	(3)	-
-effect of change in the deferred tax rate	(4)	(9)	-	-
Tax income in statement of loss	<u>(148)</u>	<u>(149)</u>	<u>(47)</u>	<u>(154)</u>

**27. EARNINGS PER SHARE**

Earnings per share disclosed in the consolidated 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.

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

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

Number of total shares and calculation of earnings per share at 1 January – 30 September 2018 and 2017:

	<b>1 January - 30 September 2018</b>	<b>1 July - 30 September 2018</b>	<b>1 January - 30 September 2017</b>	<b>1 July - 30 September 2017</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
Number of shares outstanding at 30 September (in full)	138,000,000,000	138,000,000,000	138,000,000,000	138,000,000,000
Weighted average number of shares outstanding during the period (in full)	138,000,000,000	138,000,000,000	138,000,000,000	138,000,000,000
Net profit for the period	755	714	263	697
Basic profit per share (Full US Cents) (*)	0.55	0.52	0.19	0.51
Diluted profit per share (Full US Cents) (*)	0.55	0.52	0.19	0.51

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

**28. DERIVATIVE FINANCIAL INSTRUMENTS**

Breakdown of derivative financial assets and liabilities of the Group as of 30 September 2018 and 31 December 2017 are as follows:

<u>Derivative financial assets</u>	<b><u>30 September 2018</u></b>	<b><u>31 December 2017</u></b>
Derivative instruments for fuel prices cash flow hedge	204	184
Derivative instruments for cross currency rate cash flow hedge	20	15
Derivative instruments for interest rate cash flow hedge	4	4
	<u>228</u>	<u>203</u>
 <u>Derivative financial liabilities</u>	 <b><u>30 September 2018</u></b>	 <b><u>31 December 2017</u></b>
Derivative instruments for cross currency rate cash flow hedge	124	78
Derivative instruments for interest rate cash flow hedge	33	46
Derivative instruments for fuel prices cash flow hedge	14	4
	<u>171</u>	<u>128</u>



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**29. 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 as monetary and non-monetary items are below:

	<b>30 September 2018</b>					
	<b>USD EQUIVALENT</b>	<b>TL</b>	<b>EUR</b>	<b>JPY</b>	<b>CHF</b>	<b>OTHER</b>
1.Trade Receivables	388	50	117	6	16	199
2a.Monetary Financial Assets	1,908	478	1,381	3	1	45
2b.Non Monetary Financial Assets	-	-	-	-	-	-
3.Other	559	205	165	10	6	173
<b>4.Current Assets (1+2+3)</b>	<b>2,855</b>	<b>733</b>	<b>1,663</b>	<b>19</b>	<b>23</b>	<b>417</b>
5.Trade Receivables	-	-	-	-	-	-
6a.Monetary Financial Assets	518	518	-	-	-	-
6b.Non Monetary Financial Assets	-	-	-	-	-	-
7.Other	311	195	103	-	-	13
<b>8.Non Current Assets (5+6+7)</b>	<b>829</b>	<b>713</b>	<b>103</b>	<b>-</b>	<b>-</b>	<b>13</b>
<b>9.Total Assets (4+8)</b>	<b>3,684</b>	<b>1,446</b>	<b>1,766</b>	<b>19</b>	<b>23</b>	<b>430</b>
10.Trade Payables	680	456	167	-	3	54
11.Financial Liabilities	1,917	13	1,662	221	21	-
12a.Other Liabilities, Monetary	41	4	31	1	1	4
12b.Other Liabilities, Non Monetary	65	65	-	-	-	-
<b>13.Current Liabilities (10+11+12)</b>	<b>2,703</b>	<b>538</b>	<b>1,860</b>	<b>222</b>	<b>25</b>	<b>58</b>
14.Trade Payables	-	-	-	-	-	-
15.Financial Liabilities	6,685	-	4,597	1,924	164	-
16a.Other Liabilities, Monetary	14	7	5	-	-	2
16b.Other Liabilities, Non Monetary	91	91	-	-	-	-
<b>17.Non Current Liabilities (14+15+16)</b>	<b>6,790</b>	<b>98</b>	<b>4,602</b>	<b>1,924</b>	<b>164</b>	<b>2</b>
<b>18.Total Liabilities (13+17)</b>	<b>9,493</b>	<b>636</b>	<b>6,462</b>	<b>2,146</b>	<b>189</b>	<b>60</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 foreign currency derivative liabilities	-	-	-	-	-	-
<b>20.Net foreign currency asset/(liability) position (9-18+19)</b>	<b>(5,809)</b>	<b>810</b>	<b>(4,696)</b>	<b>(2,127)</b>	<b>(166)</b>	<b>370</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>(6,523)</b>	<b>566</b>	<b>(4,964)</b>	<b>(2,137)</b>	<b>(172)</b>	<b>184</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>145</b>	<b>-</b>	<b>145</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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**29. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)**

*Foreign currency risk management (cont'd)*

	31 December 2017					
	USD EQUIVALENT	TL	EUR	JPY	CHF	OTHER
1.Trade Receivables	567	125	114	3	7	318
2a.Monetary Financial Assets	1,945	57	1,838	4	2	44
2b.Non Monetary Financial Assets	-	-	-	-	-	-
3.Other	369	142	102	7	5	113
<b>4.Current Assets (1+2+3)</b>	<b>2,881</b>	<b>324</b>	<b>2,054</b>	<b>14</b>	<b>14</b>	<b>475</b>
5.Trade Receivables	-	-	-	-	-	-
6a.Monetary Financial Assets	-	-	-	-	-	-
6b.Non Monetary Financial Assets	-	-	-	-	-	-
7.Other	107	4	94	-	-	9
<b>8.Non Current Assets (5+6+7)</b>	<b>107</b>	<b>4</b>	<b>94</b>	<b>-</b>	<b>-</b>	<b>9</b>
<b>9.Total Assets (4+8)</b>	<b>2,988</b>	<b>328</b>	<b>2,148</b>	<b>14</b>	<b>14</b>	<b>484</b>
10.Trade Payables	538	363	138	-	2	35
11.Financial Liabilities	721	16	478	207	20	-
12a.Other Liabilities, Monetary	958	793	145	19	1	-
12b.Other Liabilities, Non Monetary	63	63	-	-	-	-
<b>13.Current Liabilities (10+11+12)</b>	<b>2,280</b>	<b>1,235</b>	<b>761</b>	<b>226</b>	<b>23</b>	<b>35</b>
14.Trade Payables	-	-	-	-	-	-
15.Financial Liabilities	5,818	-	3,543	2,096	179	-
16a.Other Liabilities, Monetary	14	9	5	-	-	-
16b.Other Liabilities, Non Monetary	128	128	-	-	-	-
<b>17.Non Current Liabilities (14+15+16)</b>	<b>5,960</b>	<b>137</b>	<b>3,548</b>	<b>2,096</b>	<b>179</b>	<b>-</b>
<b>18.Total Liabilities (13+17)</b>	<b>8,240</b>	<b>1,372</b>	<b>4,309</b>	<b>2,322</b>	<b>202</b>	<b>35</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 foreign currency derivative liabilities	-	-	-	-	-	-
<b>20.Net foreign currency asset/(liability) position (9-18+19)</b>	<b>(5,252)</b>	<b>(1,044)</b>	<b>(2,161)</b>	<b>(2,308)</b>	<b>(188)</b>	<b>449</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>(5,537)</b>	<b>(999)</b>	<b>(2,357)</b>	<b>(2,315)</b>	<b>(193)</b>	<b>327</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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**29. 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 TL, EURO, JPY and CHF. The following table details the Group's sensitivity to a 10% increase and decrease in TL, EURO, JPY and CHF. 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. The Group accounted investment loans in scope of cash flow hedge accounting and foreign exchange income/expense arising from these loans are recognized in equity. 10% increase and decrease effect of foreign exchange rates are calculated with the same method and the calculated foreign exchange gains/losses are presented as hedged portion in the foreign exchange sensitivity table. Furthermore, the hedged portion of foreign exchange gains/losses via forwards and cross currency swap transactions is classified as the amount hedged against USD in the statement of exchange rate sensitivity analysis.

	<b>30 September 2018</b>			
	<b>Profit / (Loss)</b>		<b>Equity</b>	
	If foreign currency appreciated 10 %	If foreign currency depreciated 10 %	If foreign currency appreciated 10 %	If foreign currency depreciated 10 %
1- TL net asset / liability	81	(81)	-	-
2- Part hedged from TL risk (-)	-	-	-	-
3- TL net effect (1+2)	81	(81)	-	-
4- Euro net asset / liability	53	(53)	(523)	523
5- Part hedged from Euro risk (-)	(15)	15	-	-
6- Euro net effect (4+5)	38	(38)	(523)	523
7- JPY net asset / liability	(94)	94	(119)	119
8- Part hedged from JPY risk (-)	-	-	-	-
9- JPY net effect (7+8)	(94)	94	(119)	119
10- CHF net asset / liability	1	(1)	(18)	18
11- Part hedged from CHF risk (-)	-	-	-	-
12- CHF net effect (10+11)	1	(1)	(18)	18
13- Other foreign currency net asset / liability	37	(37)	-	-
14- Part hedged other foreign currency risk (-)	-	-	-	-
15- Other foreign currency net effect (13+14)	37	(37)	-	-
<b>TOTAL (3 + 6 + 9 + 12 + 15)</b>	<b>63</b>	<b>(63)</b>	<b>(660)</b>	<b>660</b>

**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 2018**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**29. 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 2017</b>			
	<b>Profit / (Loss)</b>		<b>Equity</b>	
	If foreign currency appreciated 10 %	If foreign currency depreciated 10 %	If foreign currency appreciated 10 %	If foreign currency depreciated 10 %
	<u>10 %</u>	<u>10 %</u>	<u>10 %</u>	<u>10 %</u>
1- TL net asset / liability	(104)	104	-	-
2- Part hedged from TL risk (-)	-	-	-	-
3- TL net effect (1+2)	<u>(104)</u>	<u>104</u>	<u>-</u>	<u>-</u>
4- Euro net asset / liability	(216)	216	-	-
5- Part hedged from Euro risk (-)	-	-	-	-
6- Euro net effect (4+5)	<u>(216)</u>	<u>216</u>	<u>-</u>	<u>-</u>
7- JPY net asset / liability	(231)	231	-	-
8- Part hedged from JPY risk (-)	-	-	-	-
9- JPY net effect (7+8)	<u>(231)</u>	<u>231</u>	<u>-</u>	<u>-</u>
10- CHF net asset / liability	(19)	19	-	-
11- Part hedged from CHF risk (-)	-	-	-	-
12- CHF net effect (10+11)	<u>(19)</u>	<u>19</u>	<u>-</u>	<u>-</u>
13- Other foreign currency net asset / liability	45	(45)	-	-
14- Part hedged other foreign currency risk (-)	-	-	-	-
15- Other foreign currency net effect (13+14)	<u>45</u>	<u>(45)</u>	<u>-</u>	<u>-</u>
<b>TOTAL (3 + 6 + 9 + 12 + 15)</b>	<u><u>(525)</u></u>	<u><u>525</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

**30. EVENTS AFTER THE BALANCE SHEET DATE**

None.

**31. OTHER ISSUES AFFECTING FINANCIAL STATEMENTS MATERIALLY OR NECESSARY TO MAKE FINANCIAL STATEMENTS SOUND, INTERPRETABLE AND UNDERSTANDABLE**

None.