TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Condensed Consolidated Interim
Financial Statements As at and For
The Six-Month Period
Ended 30 June 2019

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Independent Auditors' Report on Review of Interim Financial Information

To the Board of Directors of
Türk Hava Yolları Anonim Ortaklığı

Introduction

We have reviewed the accompanying condensed consolidated balance sheet of Türk Hava Yolları Anonim Ortaklığı ("the Company) and its Subsidiaries (collectively referred to as the "Group") as at 30 June 2019, the condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended, and notes to the interim financial information ("the condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2019 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative

Gökhan Atılgan,SMMM
Partner
8 August 2019
Istanbul, Turkey

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

ASSETS	**Notes**	**Reviewed 30 June 2019**	**Audited 31 December 2018**
Non-Current Assets			
Financial Investments	6	84	86
Other Receivables			
-Third Parties	10	772	1,004
Investments Accounted by Using Equity Method	3	353	358
Property and Equipment	12	14,493	13,918
Right of Use Assets	12	1,497	-
Intangible Assets			
- Other Intangible Assets	13	80	82
- Goodwill		12	12
Prepaid Expenses		930	767
TOTAL NON-CURRENT ASSETS		**18,221**	**16,227**
Current Assets			
Cash and Cash Equivalents	5	1,372	1,636
Financial Investments	6	511	519
Trade Receivables			
-Related Parties	9	1	2
-Third Parties		676	568
Other Receivables			
-Related Parties	9	32	3
-Third Parties	10	1,665	1,178
Derivative Financial Instruments	28	53	57
Inventories		254	190
Prepaid Expenses		132	192
Current Income Tax Assets	26	28	61
Other Current Assets		123	99
TOTAL CURRENT ASSETS		**4,847**	**4,505**
TOTAL ASSETS		**23,068**	**20,732**

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 June 2019
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

LIABILITIES	Notes	Reviewed 30 June 2019	Audited 31 December 2018
Equity			
Share Capital	19	1,597	1,597
Items That Will Not Be Reclassified to Profit or Loss			
-Actuarial (Losses) on Retirement Pay Obligation	19	(39)	(35)
Items That Are or May Be Reclassified to Profit or Loss			
-Foreign Currency Translation Differences	19	(170)	(160)
-Fair Value Gains on Hedging Instruments Entered into for Cash Flow Hedges	19	71	-
-Gains on Remeasuring FVOCI	19	(4)	(6)
Restricted Profit Reserves	19	36	36
Previous Years Profit	19	4,495	3,760
Net (Loss) / Profit for the Period		(203)	753
Equity of the Parent		**5,783**	**5,945**
Non-Controlling Interests (*)		-	-
TOTAL EQUITY		**5,783**	**5,945**
Non- Current Liabilities			
Long-Term Borrowings	7 and 14	8,369	8,239
Long Term Lease Liabilities	7 and 14	1,196	-
Other Payables			
-Third Parties		33	36
Deferred Income	11	129	65
Long-Term Provisions			
-Provisions for Employee Benefits	17	133	130
-Other Provisions		55	
Deferred Tax Liability	26	1,059	1,138
TOTAL NON-CURRENT LIABILITIES		**10,974**	**9,608**
Current Liabilities			
Short Term Borrowings	7	1,205	1,099
Short-Term Portion of Long-Term Borrowings	7 and 14	1,417	1,270
Short Term Portion of Lease Liabilities	7 and 14	268	-
Other Financial Liabilities	8	19	6
Trade Payables			
-Related Parties	9	106	231
-Third Parties		896	791
Payables Related to Employee Benefits		181	199
Other Payables			
-Third Parties		67	78
Derivative Financial Instruments	28	110	196
Deferred Income	11	1,738	1,047
Short-Term Provisions			
-Provisions for Employee Benefits	15	45	39
-Other Provisions	15	13	16
Other Current Liabilities		246	207
TOTAL CURRENT LIABILITIES		**6,311**	**5,179**
TOTAL LIABILITIES AND EQUITY		**23,068**	**20,732**

(*) The non-controlling share in the assets and results of subsidiaries for the year are separately classified as "non-controlling interest" in the consolidated statements of financial position and consolidated statements of profit or loss.

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 Six-Month Period Ended 30 June 2019
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

PROFIT OR LOSS	Notes	Reviewed 1 January - 30 June 2019	Not Reviewed 1 April - 30 June 2019	Reviewed 1 January - 30 June 2018	Not Reviewed 1 April - 30 June 2018
Revenue	20	5,949	3,181	5,940	3,177
Cost of Sales (-)	21	(5,257)	(2,753)	(4,853)	(2,506)
GROSS PROFIT		**692**	**428**	**1,087**	**671**
General Administrative Expenses (-)	22	(145)	(73)	(140)	(69)
Marketing and Sales Expenses (-)	22	(740)	(345)	(677)	(335)
Other Operating Income	23	100	45	65	40
Other Operating Expenses (-)	23	(42)	(40)	(77)	(90)
OPERATING (LOSS) / PROFIT BEFORE INVESTMENT ACTIVITIES		**(135)**	**15**	**258**	**217**
Income from Investment Activities	24	87	57	40	19
Expenses from Investment Activities	24	(79)	(52)	-	-
Share of Investments' Profit Accounted by Using The Equity Method	3	8	23	32	29
OPERATING (LOSS) / PROFIT		**(119)**	**43**	**330**	**265**
Financial Income	25	26	12	45	44
Financial Expenses (-)	25	(223)	(88)	(335)	(162)
(LOSS) / PROFIT BEFORE TAX		**(316)**	**(33)**	**40**	**147**
Tax Income / (Expense)		**113**	**59**	**1**	**(20)**
Current Tax Expense	26	(4)	5	(33)	(18)
Deferred Tax Income / (Expense)	26	117	54	34	(2)
NET (LOSS) / PROFIT FOR THE PERIOD		**(203)**	**26**	**41**	**127**

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

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

		Reviewed	Not Reviewed	Reviewed	Not Reviewed
OTHER COMPREHENSIVE INCOME	**Notes**	**1 January - 30 June 2019**	**1 April - 30 June 2019**	**1 January - 30 June 2018**	**1 April - 30 June 2018**
Items That May Be Reclassified Subsequently To Profit or Loss		**63**	**(129)**	**95**	**246**
Currency Translation Adjustment		(10)	-	(36)	(37)
(Losses) / Gains on Remeasuring FVOCI		2	3	(10)	(10)
Fair Value Gains / (Losses) on Hedging Instruments Entered into for Cash Flow Hedges		90	(162)	163	363
Fair Value Gains / (Losses) Hedging Instruments of Investment Accounted by Using the Equity Method Entered into for Cash Flow Hedges		1	(4)	11	12
Related Tax of Other Comprehensive Income		(20)	34	(33)	(82)
Items That Will Not Be Reclassified Subsequently To Profit or Loss		**(4)**	**(5)**	**-**	**-**
Actuarial Losses on Retirement Pay Obligation		(5)	(6)	-	-
Related Tax of Other Comprehensive Income		1	1	-	-
OTHER COMPREHENSIVE INCOME / (EXPENSE) FOR THE PERIOD		**59**	**(134)**	**95**	**246**
TOTAL COMPREHENSIVE (EXPENSE) / INCOME FOR THE PERIOD		**(144)**	**(108)**	**136**	**373**
Basic (Loss) / Gain Per Share (Full US Cents)	27	(0.15)	0.02	0.03	0.09
Diluted (Loss) / Gain Per Share (Full US Cents)	27	(0.15)	0.02	0.03	0.09

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 Six-Month Period Ended 30 June 2019
(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				
	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 Loss for The Period	Equity Holders of the Parent	Non-controlling Interests	Total Equity
As of 1 January 2019	**1,597**	**(35)**	**(160)**	**-**	**(6)**	**36**	**3,760**	**753**	**5,945**	**-**	**5,945**
Adjustment on initial application of IFRS 16	-	-	-	-	-	-	(18)	-	**(18)**	-	(18)
As of 1 January 2019	**1,597**	**(35)**	**(160)**	**-**	**(6)**	**36**	**3,742**	**753**	**5,927**	**-**	**5,927**
Transfers	-	-	-	-	-	-	753	(753)	-	-	-
Total comprehensive income	-	(4)	(10)	71	2	-	-	(203)	(144)	-	(144)
As of 30 June 2019	**1,597**	**(39)**	**(170)**	**71**	**(4)**	**36**	**4,495**	**(203)**	**5,783**	**-**	**5,783**

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

(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				
	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 Loss for The Period	Equity Holders of the Parent	Non-controlling Interests	Total Equity
As of 1 January 2018	**1,597**	**(15)**	**(108)**	**61**	**1**	**36**	**3,551**	**223**	**5,346**	**-**	**5,346**
Adjustment on initial application of IFRS 15	-	-	-	-	-	-	(7)	-	(7)	-	(7)
Adjustment on initial application of IFRS 9	-	-	-	-	-	-	(7)	-	(7)	-	(7)
Restated As of 1 January 2018	**1,597**	**(15)**	**(108)**	**61**	**1**	**36**	**3,537**	**223**	**5,332**	**-**	**5,332**
Transfers	-	-	-	-	-	-	223	(223)	-	-	-
Total comprehensive income	-	-	(36)	139	(8)	-	-	41	136	-	136
As of 30 June 2018	**1,597**	**(15)**	**(144)**	**200**	**(7)**	**36**	**3,760**	**41**	**5,468**	**-**	**5,468**

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

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

	Notes	Reviewed 30 June 2019	Reviewed 30 June 2018
Net (Loss) / Profit for the period		(203)	41
Adjustments to Reconcile Profit / (Loss)			
Adjustments for Depreciation and Amortisation Expense	12 and 13	736	536
Adjustments for Provisions Related with Employee Benefits	15 and 17	24	22
Adjustments for Provisions for Payables	15	(2)	1
Adjustments for Reversal of Probable Risks		8	(5)
Adjustments for Interest Income	24 and 25	(51)	(30)
Adjustments for Interest Expense	17 and 25	133	138
Adjustments For Unrealised Foreign Exchange Gains		(142)	(69)
Adjustments for Manufacturers' Credits	14	-	1
Adjustments for Fair Value Losses / (Gains) on Derivative Financial Instruments	25	16	(21)
Adjustments for Undistributed Profits of Associates	3	(8)	(32)
Adjustments for Tax Income	26	(113)	(1)
Adjustments for Losses / (Gains) Arised From Sale of Tangible Assets	24	76	(4)
Adjustments for Losses Arised from Sale of Other Non-Current Assets	12	24	20
Operating Profit Before Changes in Working Capital		**498**	**597**
Decrease in Trade Receivables from Related Parties		1	-
Increase in Trade Receivables from Non Related Parties		(116)	(59)
Decrease / (Increase) in Other Non-Related Party Receivables Related with Operations	10	18	(135)
Adjustments for Increase in Inventories		(64)	(11)
Adjustments for Increase in Prepaid Expenses		(118)	(147)
(Decrease) / Increase in Trade Payables to Related Parties	9	(125)	4
Increase in Trade Payables to Non-Related Parties		105	27
Adjustments for Decrease in Payables Due to Employee Benefits		(18)	(57)
Increase in Other Operating Payables to Non-Related Parties		160	26
Increase in Deferred Income	11	818	735
(Increase) / Decrease in Other Assets Related with Operations		(24)	19
Cash Flows From Operations		**1,135**	**999**
Payments for Provisions Related with Employee Benefits	17	(5)	(7)
Income taxes (paid) / refund	26	(37)	26
Net Cash From Operating Activities		**1,093**	**1,018**
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES			
Cash Receipts Proceed From Sales of Property, Plant and Equipment		20	14
Cash Payments From Purchasing of Property, Plant and Equipment (*)	12 and 13	(685)	(482)
Cash Receipts / (Payments) From Purchasing of Other Long-term Assets	6	10	(24)
Other Cash Advances and Loans		(302)	(658)
Dividends Received		-	31
Interest Received	24 and 25	51	30
Net Cash Flows Used In Investing Activities		**(906)**	**(1,089)**
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES			
Proceeds From Loans	7	1,040	1,304
Payments of Loans		(754)	-
Payments of Finance Lease Liabilities	7	(469)	(477)
Payments of Lease Liabilities		(166)	-
Interest Paid		(115)	(97)
Other Cash Inflows	8	13	-
Net Cash Used in Financing Activities		**(451)**	**730**
Net Change in Cash and Cash Equivalents		**(264)**	**659**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**1,636**	**1,891**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	**1,372**	**2,550**

(*) USD 590 portion of property and equipment and intangible assets purchases in total of USD 1,275 for the period ended 30 June 2019 was financed through finance leases. (30 June 2018: USD 0 portion of property and equipment and intangible assets purchases in total of USD 482 was financed through finance leases.)

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

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

1. GROUP ORGANIZATION AND ITS OPERATIONS

Türk Hava Yolları Anonim Ortaklığı (the "Company" or "THY") was incorporated in Turkey in 1933. As of 30 June 2019 and 31 December 2018, the shareholders and their respective shareholdings in the Company are as follows:

	30 June 2019	31 December 2018
Turkey Wealth Fund	49.12 %	49.12 %
Republic of Turkey Treasury and Finance Ministry Privatization Administration	-	-
Other (publicly held)	50.88 %	50.88 %
Total	100.00 %	100.00 %

The number of employees working for the Group as of 30 June 2019 is 37,776 (31 December 2018: 35,205). The average number of employees working for the Group for the periods ended 30 June 2019 and 2018 are 36,964 and 32,025 respectively. The Group 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 shares 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 June 2019 and 31 December 2018:

		Ownership Rate		Country of
Name of the Company	Principal Activity	30 June 2019	31 December 2018	Registration
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
Cornea Havacılık Sistemleri San. Ve Tic. A.Ş. (**)	Software System Maintenance Services	80%	80%	Turkey

(*) The subsidiary was established in September 2018 to operate in the fields of cargo and courier transportation by the respective resolution of the Board of Directors.
(**)The subsidiary was established in October 2018 to operate in the fields of software system maintenance by the respective resolution of the Board of Directors.

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

1. GROUP ORGANIZATION AND ITS OPERATIONS (cont'd)

Subsidiaries and Joint Ventures (cont'd)

The table below sets out joint ventures of the Group as of 30 June 2019 and 31 December 2018:

Company Name	Country of Registration and Operations	Ownership Share and Voting Power 30 June 2019	31 December 2018	Principal Activity
Güneş Ekspres Havacılık A.Ş. (Sun Express)	Turkey	50%	50%	Aircraft Transportation
THY DO&CO İkram 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
Air Albania	Albania	49%	49%	Aircraft Transportation
We World Express Ltd.	Hong Kong	45%	-	Cargo and Courier Transportation

The Group owns 49%, 49%, 45%, 40% and 30% equity shares of TEC, Air Albania, We World Express, 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, Air Albania, We World Express, Goodrich and Vergi İade Aracılık A.Ş..

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance

The consolidated 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 six-month period ended 30 June 2019 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 2018.

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

2.1 Basis of Presentation (cont'd)

Statement of Compliance (cont'd)

Board of Directors has approved the condensed consolidated interim financial statements as of 30 June 2019 on 8 August 2019. General Assembly and the related regulatory bodies have the authority to modify the statutory financial statements.

Basis of Preparation

The condensed consolidated interim financial statements, except for 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 consolidated financial statements of the Group are presented in US Dollars, which is the functional currency of the Group.

Although the currency of the country in which the Group is domiciled is Turkish Lira (TL), the Group'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 Group and reflects the economic substance of the underlying events and circumstances relevant to the Group. Therefore, the Group uses the US Dollar in measuring items in its financial statements and as the functional 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 remeasured 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 consolidated 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 joint ventures 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 eleven 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 joint ventures 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 Group'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 Group 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)

Basis of Consolidation (cont'd)

c. The non-controlling share in the assets and results of subsidiaries for the year are separately classified as "non-controlling interest" in the consolidated statements of financial position and consolidated statements of profit or loss.

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 June 2019 except for described *2.3 summary of significant accounting policies* are same with those used in the preparation of the Group's consolidated financial statements as at and for the year ended 31 December 2018.

The financial statements of the Group are prepared comparatively with the prior period in order to enable the determination of the financial situation and performance trends. In order to comply with the presentation of the current period financial statements, comparative information is reclassified when necessary and significant differences are disclosed. The Group has made the following reclassifications in the prior period financial statements in order to comply with the presentation of the current period financial statements.

-Short term deferred income amounting to USD 5 included for the year 1 January- 31 December 2018 is classified to long term deferred income.

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

2.3 Summary of Significant Accounting Policies

The accounting policies adopted in preparation of the interim consolidated financial statements as at 30 June 2019 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of January 1, 2019. The effects of these standards and interpretations on the Company / the Group's financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at January 1, 2019 are as follows:

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.

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of 'low-value' assets (e.g., personal computers, office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognises an asset representing the right to use the underlying asset (i.e., the right-of-use asset) and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. Lessees are required to recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

Lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Under these circumstances, the lessee recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Transition to IFRS 16:

The Group adopted IFRS 16 using the modified retrospective approach. The Group elected to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group therefore did not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Group elected to use the exemptions applicable to the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

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

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

2.3 Summary of Significant Accounting Policies (cont'd)

IFRS 16 Leases (cont'd)

Transition to IFRS 16 (cont'd):

Impact on the consolidated statement of financial position (increase/(decrease)) as at 1 January 2019:

Assets	
Property, plant and equipment (Right-of-use assets)	1,638
Prepaid expenses	(13)
Total assets	**1,625**
Liabilities	
Lease liabilities	1,595
Redelivery maintenance liabilities	30
Deferred tax liabilities	8
Total liabilities	**1,633**
Net impact on equity	**(8)**

The standard is applied for annual periods beginning on or after 1 January 2019.

Also in relation to those leases under IFRS 16, the Group has recognized depreciation and interest costs, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognized USD 155 depreciation charges and USD 28 interest costs from these leases.

Set out below are the new accounting policies of the Group upon adoption of IFRS 16:

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Group applies the depreciation policy mentioned in IAS 16 for the depreciation of the right of use assets. If the lessor transfers the ownership of the leased asset to the Group at the end of the lease term or the right of use asset cost indicates that the Group will use a purchase option, the recognized right-of-use assets are depreciated from the commencement of the lease until the end of underlying asset's useful life. In other cases, the right-of-use asset is depreciated on a straight-line basis beginning from the commencement date over the shorter of its estimated useful life or the lease term.

Right-of-use assets are subject to impairment.

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

2.3 Summary of Significant Accounting Policies (cont'd)

IFRS 16 Leases (cont'd)

Transition to IFRS 16 (cont'd):

Aircraft;

For the aircraft operating lease agreements, the lease term corresponds to the non-cancellable duration of the agreements signed except in cases where the Group is reasonably certain of exercising either an extension option or an early termination option which is included in the agreement. For each currency, Group's incremental borrowing rate is used to determine the lease liability. IFRS 16 requires including maintenance costs in the right of use asset. According to that, the Group decides whether the maintenance cost is capitalized to the right of use asset by analyzing whether the maintenance cost is avoidable or unavoidable. The Group is obliged to return leased aircraft and their engines according to the redelivery condition which is set in the lease agreement. The Group needs to either maintain the aircraft so that it meets the agreed redelivery condition or settle the difference in cash to the lessor if the condition of the aircraft and its engines differs from the agreed redelivery condition. Maintenance costs can be divided into two groups; costs that incur independent of the usage of the aircraft / leasing period and costs that incur dependent on the usage of the aircraft / leasing period. Costs depending on the usage of the aircraft are not included as part of the right of use asset cost.

Real estate and other leases;

For lease agreements, the lease term corresponds to the non-cancellable duration of the agreements signed except in cases where the Group is reasonably certain of exercising either an extension option or an early termination option which is included in the agreement. For each currency Group's incremental borrowing rate is used to determine the lease liability. Service agreements which relate to the usage of airports and terminals do not qualify as lease arrangements under IFRS 16. In the agreements, the lessor has the right to substitute the leased area with another area, meaning that these agreements do not qualify as leasing contract under IFRS 16. As an exception to this, there are specific lounge areas which are dedicated for the use of the Group and therefore, these are included in the lease agreements.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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

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

2.3 Summary of Significant Accounting Policies (cont'd)

IFRS 16 Leases (cont'd)

Transition to IFRS 16 (cont'd):

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

The following table summarizes the impact, deferred tax, of transition to IFRS 16 on retained earnings at 1 January 2019:

Redelivery maintenance prior year affect	
Redelivery maintenance liabilities	23
Deferred tax liabilities	(5)
Retained earnings	**18**

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:

IFRS 17 Insurance Contracts

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly globally accepted standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. IFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 17.

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

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

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

IFRS 4 has been amended by IASB to reduce the impact of the differing effective dates of the new insurance contracts standard and IFRS 9. These amendments to IFRS 4 provide two optional solutions for insurers to reduce concerns about implementations: i) when applying IFRS 9 by insurers to its financial assets, an insurer will be permitted to reclassify the difference between profit or loss and other comprehensive income and the amounts recognised in profit or loss under IFRS 9 and those that would have been reported under IAS 39; or ii) an optional temporary exemption from applying IFRS 9 for companies whose activities are predominantly connected with insurance before January 1, 2021. These companies will be permitted to continue to apply existing requirements for financial instruments in IAS 39. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IFRS 4.

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.

Amendments to IAS 1 and IAS 8 - Definition of Material

In October 2018 the IASB issued Definition of Material (Amendments to IAS 1 and IAS 8). The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. The amended "definition of material "was added to the important definition and it was stated that this expression could lead to similar results by not giving and giving misstating information. In addition, with this amendment, the terminology used in its definition of material has been aligned with the terminology used in the Conceptual Framework for Financial Reporting (Version 2018). Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 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 1 and IAS 8.

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

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

Amendments to IFRS 3 - Definition of a Business

Determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. The IASB has issued amendments to IFRS 3 Business Combinations to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. With this amendments confirmed that a business must include inputs and a process, and clarified that the process shall be substantive and the inputs and process must together significantly contribute to creating outputs. It narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a concentration test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IFRS 3.

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).

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

3. INVESTMENTS ACCOUNTED BY USING THE EQUITY METHOD

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

	30 June 2019	31 December 2018
Sun Express	122	136
THY Opet	64	58
TEC	56	62
Turkish DO&CO	54	53
TGS	43	39
Uçak Koltuk	6	5
TCI	5	3
Goodrich	3	2
Vergi İade Aracılık	-	-
	353	358

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

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
THY Opet	11	5	25	19
TGS	8	6	8	7
Turkish DO&CO	6	3	6	3
Uçak Koltuk	2	2	(1)	(1)
Goodrich	1	1	-	-
Vergi İade Aracılık	-	-	-	-
TEC	(6)	-	7	1
Sun Express	(14)	6	(13)	-
	8	23	32	29

Financial information for Sun Express as of 30 June 2019 and 2018 are as follows:

	30 June 2019	31 December 2018
Total assets	2,016	1,350
Total liabilities	1,773	1,079
Shareholders'equity	243	271
Group's share in joint venture's shareholders' equity	122	136

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Revenue	555	360	589	357
Loss for the period	(28)	11	(25)	-
Group's share in joint venture's (loss) / profit for the period	(14)	6	(13)	-

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

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

Financial information for THY Opet as of 30 June 2019 and 2018 are as follows:

	30 June 2019	31 December 2018
Total assets	455	621
Total liabilities	328	504
Shareholders'equity	127	117
Group's share in joint venture's shareholders' equity	64	58

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Revenue	635	167	1,058	580
Profit for the period	21	10	50	38
Group's share in joint venture's profit for the period	11	5	25	19

Financial information for TEC as of 30 June 2019 and 2018 are as follows:

	30 June 2019	31 December 2018
Total assets	219	189
Total liabilities	105	62
Shareholders'equity	114	127
Group's share in joint venture's shareholders' equity	56	62

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Revenue	218	129	275	126
Profit for the period	(13)	-	14	2
Group's share in joint venture's (loss) / profit for the period	(6)	-	7	1

Financial information for Turkish DO&CO as of 30 June 2019 and 2018 are as follows:

	30 June 2019	31 December 2018
Total assets	190	168
Total liabilities	82	62
Shareholders'equity	108	106
Group's share in joint venture's shareholders' equity	54	53

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

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

Financial information for Turkish DO&CO as of 30 June 2019 and 2018 are as follows (cont'd):

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Revenue	163	91	148	77
Profit for the period	12	7	12	6
Group's share in joint venture's profit for the period	6	3	6	3

Financial information for TGS as of 30 June 2019 and 2018 are as follows:

	30 June 2019	31 December 2018
Total assets	176	130
Total liabilities	90	52
Shareholders'equity	86	78
Group's share in joint venture's shareholders' equity	43	39

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Revenue	166	96	144	78
Profit for the period	17	14	15	13
Group's share in joint venture's profit for the period	8	6	8	7

Financial information for Uçak Koltuk as of 30 June 2019 and 2018 are as follows:

	30 June 2019	31 December 2018
Total assets	28	25
Total liabilities	17	15
Shareholders'equity	11	10
Group's share in joint venture's shareholders' equity	6	5

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Revenue	17	7	4	3
Profit / (Loss) for the period	3	3	(1)	-
Group's share in joint venture's profit / (loss) for the period	2	2	(1)	(1)

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

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

Financial information for TCI as of 30 June 2019 and 2018 are as follows:

	30 June 2019	31 December 2018
Total assets	19	17
Total liabilities	8	11
Shareholders'equity	11	6
Group's share in joint venture's shareholders' equity	5	3

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Revenue	7	3	3	2
Loss for the period	-	(1)	(1)	-
Group's share in joint venture's (loss) / profit for the period	-	-	-	-

Financial information for Goodrich as of 30 June 2019 and 2018 are as follows:

	30 June 2019	31 December 2018
Total assets	11	10
Total liabilities	4	5
Shareholders'equity	7	5
Group's share in joint venture's shareholders' equity	3	2

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Revenue	13	6	9	4
Profit for the period	2	1	-	-
Group's share in joint venture's profit for the period	1	1	-	-

4. SEGMENT 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:

<u>Air Transport ("Aviation")</u>

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

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

4. SEGMENT REPORTING (cont'd)

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 revenue of the Group is given in Note 20.

4.1 Total Assets and Liabilities

Total Assets	**30 June 2019**	**31 December 2018**
Aviation	22,945	20,638
Technical	1,418	1,326
Total	24,363	21,964
Less: Eliminations due to consolidation	(1,295)	(1,232)
Total assets in consolidated financial statements	23,068	20,732

Total Liabilitites	**30 June 2019**	**31 December 2018**
Aviation	17,285	14,883
Technical	314	291
Total	17,599	15,174
Less: Eliminations due to consolidation	(314)	(387)
Total liabilitites in consolidated financial statements	17,285	14,787

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

4. SEGMENT REPORTING (cont'd)

4.2 Profit / (Loss) before Tax

Segment Results:

1 January - 30 June 2019	**Aviation**	**Technic**	**Inter-segment elimination**	**Total**
Sales to External Customers	5,799	150	-	5,949
Inter-Segment Sales	23	511	(534)	-
Revenue	5,822	661	(534)	5,949
Cost of Sales (-)	(5,300)	(491)	534	(5,257)
Gross Profit	522	170	-	692
Administrative Expenses (-)	(101)	(46)	2	(145)
Marketing and Sales Expenses (-)	(738)	(3)	1	(740)
Other Operating Income	99	9	(8)	100
Other Operating Expenses (-)	(39)	(8)	5	(42)
Operating (Loss) / Profit Before Investment Activities	(257)	122	-	(135)
Income from Investment Activities	86	1	-	87
Expenses from Investment Activities	(78)	(1)	-	(79)
Share of Investments' Loss Accounted by Using The Equity Method	14	(6)	-	8
Operating (Loss) / Profit	(235)	116	-	(119)
Financial Income	36	-	(10)	26
Financial Expense (-)	(239)	6	10	(223)
(Loss) / Profit Before Tax	(438)	122	-	(316)

1 January - 30 June 2018	**Aviation**	**Technic**	**Inter-segment elimination**	**Total**
Sales to External Customers	5,828	112	-	5,940
Inter-Segment Sales	24	481	(505)	-
Revenue	5,852	593	(505)	5,940
Cost of Sales (-)	(4,917)	(441)	505	(4,853)
Gross Profit	935	152	-	1,087
Administrative Expenses (-)	(101)	(40)	1	(140)
Marketing and Sales Expenses (-)	(673)	(4)	-	(677)
Other Operating Income	59	15	(9)	65
Other Operating Expenses (-)	(68)	(17)	8	(77)
Operating Profit Before Investment Activities	152	106	-	258
Income from Investment Activities	40	-	-	40
Share of Investments' Loss Accounted by Using The Equity Method	25	7	-	32
Operating Profit	217	113	-	330
Financial Income	32	15	(2)	45
Financial Expense (-)	(333)	(4)	2	(335)
(Loss) / Profit Before Tax	(84)	124	-	40

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

4. SEGMENT REPORTING (cont'd)

4.3 Investment Operations

1 January - 30 June 2019	Aviation	Technic	Inter-segment elimination	Total
Purchase of property and equipment and intangible assets	1,094	181	-	1,275
Current period depreciation and amortization charge	510	71	-	581
Investments accounted by using equity method	292	61	-	353

1 January - 30 June 2018	Aviation	Technic	Inter-segment elimination	Total
Purchase of property and equipment and intangible assets	400	82	-	482
Current period depreciation and amortization charge	462	74	-	536
Investments accounted by using equity method	231	66	-	297

5. CASH AND CASH EQUIVALENTS

	30 June 2019	31 December 2018
Cash	2	2
Banks – Time deposits	1,280	1,570
Banks – Demand deposits	90	64
	1,372	1,636

Details of the time deposits as of 30 June 2019 are as follows:

Amount	Currency	Effective Interest Rate	Maturity	30 June 2019
39	TL	21.75% - 23.50%	July 2019	7
90	USD	2.76% - 2.80%	July 2019	90
1,037	EUR	1.20% - 1.53%	July 2019 - September 2019	1,183
				1,280

Details of the time deposits as of 31 December 2018 are as follows:

Amount	Currency	Effective Interest Rate	Maturity	31 December 2018
1,718	TL	19.98% - 24.70%	January 2019 - March 2019	335
232	USD	3.57% - 5.92%	January 2019	233
871	EUR	2.54% - 3.60%	January 2019 - March 2019	1,002
				1,570

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

6. FINANCIAL INVESTMENTS

Short-term financial investments are as follows:

	30 June 2019	31 December 2018
Fair value through other comprehensive income (FVOCI)		
- Governmet debt securities	84	90
- Corporate debt securities	9	26
Fair value through profit and loss (FVTPL)		
- Equity securities	16	17
Time deposits with maturity more than 3 months	402	386
	511	519

Time deposit with maturity more than 3 months as of 30 June 2019 is as follows:

Amount	Currency	Effective Interest Rate	Maturity	30 June 2019
353	EUR	1.20% - 1.32%	October 2019 - December 2019	402

Time deposit with maturity more than 3 months as of 31 December 2018 is as follows:

Amount	Currency	Effective Interest Rate	Maturity	31 December 2018
500	TRY	23.28% - 23.99%	April 2019	98
251	EUR	3.28% - 3.08%	April 2019	288
				386

Long-term financial investments are as follows:

	30 June 2019	31 December 2018
FVOCI		
- Governmet debt securities	48	45
- Corporate debt securities	36	40
Other	-	1
	84	86

Period remaining to contractual maturity dates for FVOCI as of 30 June 2019 and 2018 is as follows:

	30 June 2019	31 December 2018
Less than 1 year	93	116
1 to 5 years	3	8
Over 5 years	81	77
	177	201

	30 June 2019	31 December 2018
FVTPL		
- Equity securities	16	17

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

7. BORROWINGS

Short-term borrowings are as follows:

	30 June 2019	31 December 2018
Bank borrowings	1,205	1,099

Short-term borrowings as of 30 June 2019 is as follows:

Amount	Currency	Effective Interest Rate	Maturity	30 June 2019
1,059	EUR	0.40% - 0.75%	February 2020	1,205

Short-term borrowings as of 31 December 2018 is as follows:

Amount	Currency	Effective Interest Rate	Maturity	31 December 2018
959	EUR	0.40% - 0.75%	December 2019	1,099

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

	30 June 2019	31 December 2018
Finance lease obligations (Note: 14)	1,064	980
Bank borrowings	353	290
	1,417	1,270

Long-term borrowings are as follows:

	30 June 2019	31 December 2018
Finance lease obligations (Note: 14)	7,029	7,006
Bank borrowings	1,340	1,233
	8,369	8,239

Details of bank borrowings as of 30 June 2019 and 2018 are as follows:

	30 June 2019	31 December 2018
Less than 1 year	353	290
Between 1 – 5 years	1,340	1,233
	1,693	1,523

Amount	Currency	Interest Rate Type	Effective Interest Rate	Payment Period	30 June 2019
765	EUR	Fixed	4.00% - 4.60%	August'19 - April'24	871
723	EUR	Floating	Euribor + 2.45% - Euribor + 3.50%	July'19 - July'23	822
					1,693

Amount	Currency	Interest Rate Type	Effective Interest Rate	Payment Period	31 December 2018
623	EUR	Fixed	4.00% - 4.60%	May'19 - June'23	714
706	EUR	Floating	Euribor + 2.45% - Euribor + 3.50%	Jan'19 - July'23	809
					1,523

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

7. BORROWINGS (cont'd)

Reconciliation of liabilities arising from financing activities:

	31 December 2018	Payment	Non-cash Changes	Additions	30 June 2019
Lease Liabilities	7,986	(558)	101	564	8,093
Bank Borrowings	2,622	(781)	17	1,040	2,898
	10,608	(1,339)	118	1,604	10,991

Reconciliation of lease liabilities:

	1 January 2019	Payment	Non-cash Changes	Additions	30 June 2019
Aircraft	1,534	(160)	26	12	1,412
Property	55	(6)	(1)	-	48
Other	6	(1)	(1)	-	4
	1,595	(167)	24	12	1,464

8. OTHER FINANCIAL LIABILITIES

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

	30 June 2019	31 December 2018
Other financial liabilities	19	6

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

9. RELATED PARTIES

Short-term trade receivables from related parties are as follows:

	30 June 2019	31 December 2018
Posta ve Telgraf Teşkilatı A.Ş (PTT)	1	1
Other (*)	-	1
	1	2

(*) Related parties of which amounts are less than USD 1 are classified as other.

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

	30 June 2019	31 December 2018
TGS	29	-
Turkish DO&CO	2	2
TCI	1	1
	32	3

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

9. RELATED PARTIES (cont'd)

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

	30 June 2019	31 December 2018
TGS	32	19
THY Opet	24	95
Turkish DO&CO	23	35
TEC	14	60
Sun Express	11	19
Goodrich	1	2
TCI	1	1
	106	231

Transactions with related parties for the period ended 30 June 2019 and 2018 are as follows:

a) Sales to related parties:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Sun Express	20	9	25	12
TEC	14	11	13	6
TGS	3	2	2	1
PTT	2	-	2	-
Goodrich	1	-	-	-
Air Albania	1	1	-	-
Uçak Koltuk	-	-	2	2
Turkish DO&CO	-	-	1	1
	41	23	45	22

b) Purchases from related parties:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
THY Opet	533	127	895	487
TGS	153	86	135	75
Turkish DO&CO	152	82	140	73
TEC	109	54	154	64
Sun Express	84	51	87	41
Goodrich	10	4	7	3
Uçak Koltuk	3	2	-	-
Other	1	1	3	3
	1,045	407	1,421	746

Details of the financial assets and liabilities for related parties as of 30 June 2019 and 2018 are as follows:

	30 June 2019	31 December 2018
Financial investments	915	1,529
Debt securities	9	25
Equity share	3	4
Banks – Demand deposits	3	2
Bank credit	(124)	(115)
Letter of credit	(1,034)	(862)
	(228)	583

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

9. RELATED PARTIES (cont'd)

Details of the financial investments and time deposits deposited at related parties as of 30 June 2019 and 2018 are as follows:

Amount	Currency	Effective Interest Rate	Maturity	30 June 2019
17	TL	19.98%	July 2019	3
11	USD	2.76%	July 2019	11
791	EUR	1.20%	July 2019 - November 2019	901
				915

Amount	Currency	Effective Interest Rate	Maturity	31 December 2018
1,310	TL	23.28% - 24.70%	April 2019	297
1,072	EUR	2.54% - 3.62%	May 2019	1,232
				1,529

Interest income from related parties:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Türkiye Halk Bankası A.Ş.	17	11	14	8
Ziraat Bankası A.Ş.	1	1	1	1
	18	12	15	9

Interest expense to related parties:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Ziraat Bankası A.Ş.	3	2	-	-

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, seat sales operations and maintenance services; transactions between the Group and TGS are related to ground services; transactions between the Group and TEC are related to engine maintenance services; transactions between the Group and PTT are related to cargo transportation; transactions between the Group and Halk Bankası and Ziraat Bankası are related to banking services and transactions between the Group and Türk Telekom are related to advertising and telecommunication 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 June 2018: USD 2).

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

10. OTHER RECEIVABLES

Other short-term receivables from third parties as of 30 June 2019 and 2018 are as follows:

	30 June 2019	31 December 2018
Predelivery payments made for aircrafts	1,325	809
Receivables from technical purchases	142	118
Bank deposits with transfer limitations (*)	119	90
Value added tax receivables	56	134
Receivables from pilots for flight training	20	19
Others	3	8
	1,665	1,178

(*)As of 30 June 2019, 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 Angola, Republic of Cameroon, Republic of Chad, Republic of Sudan, Gabon, Somalia, Benin, Republic of Kenya, Republic of Zimbabwe and Iran. (As of 31 December 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, Republic of Kenya, Republic of Zimbabwe, Iran and Benin.)

Other long-term receivables from third parties as of 30 June 2019 and 2018 are as follows:

	30 June 2019	31 December 2018
Predelivery payments made for aircrafts	291	505
Receivables related to investment certificates	259	238
Receivables from pilots for flight training	130	114
Deposits and guarentees given	48	47
Interest and commodity swap agreement deposits	38	94
Bank deposits with transfer limitations (**)	6	6
	772	1,004

(**) As of 30 June 2019, the balance of this account includes bank deposits in Syria.

11. DEFERRED INCOME

Deferred income is as follows:

	30 June 2019	31 December 2018
Passenger flight liabilites	1,682	1,002
Other short-term deferred income	56	45
	1,738	1,047

Passenger flight liability is as follows:

	30 June 2019	31 December 2018
Flight liability generating from ticket sales	1,438	741
Flight liability generating from frequent flyer program	244	261
	1,682	1,002

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

11. DEFERRED INCOME (cont'd)

Other short-term deferred income is as follows:

	30 June 2019	31 December 2018
Advances received	35	24
Deferred finance income	11	11
Unearned bank protocol revenue accruals	10	10
	56	45

Long-term deferred income is as follows:

	30 June 2019	31 December 2018
Advances from sale of financial investments	80	5
Deferred finance income	42	47
Gross manufacturer's credits	31	31
Accumulated depreciation of manufacturer's credit	(31)	(30)
Unearned bank protocol revenue accruals	7	12
	129	65

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

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
Cost									
Opening balance at 1 January 2019	303	429	214	17,491	738	583	531	718	21,007
Additions	-	13	16	807	60	113	8	252	1,269
Transfer (*)	-	3	1	56	20	-	31	(111)	-
Disposals	-	(4)	(2)	(724)	(35)	(59)	(17)	-	(841)
Closing balance at 30 June 2019	303	441	229	17,630	783	637	553	859	21,435
Accumulated Depreciation									
Opening balance at 1 January 2019	89	235	151	5,835	267	310	202	-	7,089
Depreciation charge	6	18	13	445	28	43	20	-	573
Disposals	-	(2)	(2)	(632)	(33)	(35)	(16)	-	(720)
Closing balance at 30 June 2019	95	251	162	5,648	262	318	206	-	6,942
Net book value at 30 June 2019	208	190	67	11,982	521	319	347	859	14,493
Net book value at 31 December 2018	214	194	63	11,656	471	273	329	718	13,918

As of 30 June 2019, carrying value of the aircrafts and spare engines acquired through finance leases is USD 11,281 (31 December 2018: USD 10,892)

Depreciation and amortization expenses are recognized in cost of sales is amounting to USD 707 (30 June 2018: USD 512), general administrative expenses is amounting to USD 26 (30 June 2018: USD 21) and marketing and sales expenses is amounting to USD 3 (30 June 2018: USD 3) in total of USD 736 as of 30 June 2019 (30 June 2018: USD 536).

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

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
Cost									
Opening balance at 1 January 2018	222	376	187	16,398	648	551	520	334	19,236
Additions	71	27	8	114	58	60	8	134	480
Transfer	-	1	-	7	8	-	14	(32)	(2)
Disposals	-	(14)	(2)	(55)	(2)	(54)	(6)	-	(133)
Closing balance at 30 June 2018	293	390	193	16,464	712	557	536	436	19,581
Accumulated Depreciation									
Opening balance at 1 January 2018	78	204	132	5,138	225	285	172	-	6,234
Depreciation charge	6	17	11	401	22	48	26	-	531
Disposals	-	(4)	(2)	(55)	(2)	(34)	(6)	-	(103)
Closing balance at 30 June 2018	84	217	141	5,484	245	299	192	-	6,662
Net book value at 30 June 2018	209	173	52	10,980	467	258	344	436	12,919
Net book value at 31 December 2017	144	172	55	11,260	423	266	348	334	13,002

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

12. PROPERTY AND EQUIPMENT (cont'd)

Right of Use

	Aircraft	Real Estate	Other	Total
Cost				
Opening balance at 1 January 2019	1,576	56	6	1,638
Additions	14	-	-	14
Closing balance at 30 June 2019	1,590	56	6	1,652
Accumulated Depreciation				
Opening balance at 1 January 2019	-	-	-	-
Depreciation charge	149	5	1	155
Closing balance at 30 June 2019	149	5	1	155
Net book value at 30 June 2019	1,441	51	5	1,497

13. INTANGIBLE ASSETS

	Slot rights and acquired technical licenses	Rights	Other intangible assets	Total
Cost				
Opening balance at 1 January 2019	44	175	5	224
Additions	-	6	-	6
Closing balance at 30 June 2019	44	181	5	230
Accumulated Amortization				
Opening balance at 1 January 2019	-	141	1	142
Amortization charge	-	8	-	8
Closing balance at 30 June 2019	-	149	1	150
Net book value at 30 June 2019	44	32	4	80
Net book value at 31 December 2018	44	34	4	82

	Slot rights and acquired technical licenses	Rights	Other intangible assets	Total
Cost				
Opening balance at 1 January 2018	44	148	5	197
Additions	-	2	-	2
Transfers	-	2	-	2
Closing balance at 30 June 2018	44	152	5	201
Accumulated Amortization				
Opening balance at 1 January 2018	-	130	1	131
Amortization charge	-	5	-	5
Closing balance at 30 June 2018	-	135	1	136
Net book value at 30 June 2018	44	17	4	65
Net book value at 31 December 2017	44	18	4	66

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

13. INTANGIBLE ASSETS (cont'd)

The Group considers slot rights and licenses received throught the acquisition of MNG Teknik and accounted such assets as intangible assets at an amount of USD 10 with indefinite useful lives as these assets do not have any expiry date and are usable in the foreseeable future.

14. LEASING TRANSACTIONS

Maturities of lease obligations are as follows:

	Future Minimum Lease Payments	Interest	Present Values of Minimum Lease Payments
	30 June 2019	30 June 2019	30 June 2019
Less than 1 year	319	(51)	268
Between 1 – 5 years	870	(163)	707
Over 5 years	543	(54)	489
	1,732	(268)	1,464

Maturities of finance lease obligations are as follows:

	Future Minimum Lease Payments		Interest		Present Values of Minimum Lease Payments	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Less than 1 year	1,194	1,127	(143)	(147)	1,051	980
Between 1 – 5 years	3,729	3,741	(342)	(359)	3,387	3,382
Over 5 years	3,777	3,733	(122)	(109)	3,655	3,624
	8,700	8,601	(607)	(615)	8,093	7,986

	30 June 2019	31 December 2018
Interest Range:		
Floating rate obligations	4,997	5,020
Fixed rate obligations	3,096	2,966
	8,093	7,986

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 June 2019, the US Dollars, Euro, JPY and Swiss Franc denominated lease obligations' weighted average interest rates are 2.51% (31 December 2018: 2.66%) for the fixed rate obligations and 1.44% (31 December 2018: 1.56%) for the floating rate obligations.

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

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions as of 30 June 2019 and 2018 are as follows:

Short-term provision for employee benefits is as follows:

	30 June 2019	**31 December 2018**
Provisions for unused vacation	45	39

Changes in the provisions for the period ended 30 June 2019 and 2018 are set out below:

	1 January - 30 June 2019	**1 January - 30 June 2018**
Provisions at the beginning of the period	39	41
Provisions for the current period	148	15
Provisions released	(138)	(4)
Foreign currency translation differences	(4)	(8)
Provisions at the end of the period	45	44

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

Other short-term provision is as follows:

	30 June 2019	**31 December 2018**
Provisions for legal claims	13	16

Changes in the provisions for legal claims for the period ended 30 June 2019 and 2018 are set out below:

	1 January - 30 June 2019	**1 January - 30 June 2018**
Provisions at the beginning of the period	16	22
Provisions for the current period	2	2
Provisions released	(4)	(1)
Foreign currency translation differences	(1)	(4)
Provisions at the end of the period	13	19

The Group provides with provisions for lawsuits initiated against itself due to its operations. The lawsuits initiated 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.

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

16. COMMITMENTS

a) Guarantees/Pledges/Mortgages ("GPM") given by the Group: Amount of letters of guarantees given as of 30 June 2019 is USD 1,396 (31 December 2018: USD 1,179).

	30 June 2019		31 December 2018	
	Original currency amount	**USD equivalent**	**Original currency amount**	**USD equivalent**
A. Total amounts of GPM given on the behalf of its own legal entity	-	1,396	-	1,179
-Collaterals				
TL	48	8	38	7
EUR	1,173	1,335	976	1,118
USD	43	43	45	45
Other	-	10	-	9
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	-	-	-	-
		1,396		1,179

The ratio of other GPM ("D") given by the group to its equity is 0% as of 30 June 2019 (31 December 2018: 0%)

As at 30 June 2019, the letters of guarantee are given to various authorities (i.e. various banks and vendors.)

b) 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 37,400 US Dollars. The Group has made an advance payment of 1,642 US Dollars relevant to these purchases as of 30 June 2019.

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

17. EMPLOYEE BENEFITS

Provisions for retirement pay liability as of 30 June 2019 and 2018 is comprised of the following:

	30 June 2019	31 December 2018
Provision for retirement pay liability	133	130

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 1,109 (full) (equivalent of TL 6,380 (full)) as of 30 June 2019. (31 December 2018: US Dollar 1,144 (full) equivalent of TL 6,018 (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.

IAS 19 ("Employee Benefits") stipulates the progress of the Group'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 June 2019 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 10.00% annual inflation rate (31 December 2018: 10.00%) and 14.00% interest rate (31 December 2018: 14.00%). Estimated amount of non-paid retirement pay retained in the Group due to voluntary leaves is assumed as 2.47% (31 December 2018: 2.63%). Ceiling for retirement pay is revised semi-annually. Ceiling amount of US Dollar 1,109 (full) which is in effect since 30 June 2019 is used in the calculation of Group's provision for retirement pay liability.

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

	1 January - 30 June 2019	1 January - 30 June 2018
Provision at the beginning of the period	130	128
Service charge for the period	9	12
Interest charges	6	6
Actuarial loss	5	-
Payments	(5)	(7)
Foreign currency translation difference	(12)	(21)
Provision at the end of the period	133	118

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

18. EXPENSES BY NATURE

Expenses by nature for the period ended 30 June 2019 and 2018 are as follows:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Fuel expenses	1,836	981	1,724	920
Personnel expenses	1,041	524	893	441
Depreciation and amortisation charges	736	376	536	267
Ground services expenses	391	202	366	191
Aircraft maintenance expenses	384	192	367	197
Passenger services and catering expenses	298	157	280	135
Airport expenses	285	163	252	134
Air traffic control expenses	263	140	270	140
Commissions and incentives	258	116	221	117
Reservation systems expenses	144	71	141	73
Wet lease expenses	140	76	122	57
Advertisement and promotion expenses	88	41	89	37
Rents	42	20	36	19
Service expenses	40	21	38	17
Taxes and duties	32	7	28	9
Insurance expenses	27	14	23	11
IT & communication expenses	22	11	28	15
Transportation expenses	20	10	17	9
Operating lease expenses	19	9	167	82
Consultancy expenses	10	5	14	10
Systems use and associateship expenses	4	2	5	2
Membership fees	3	3	3	1
Utility expenses	2	2	2	1
Other expenses	57	28	48	25
	6,142	3,171	5,670	2,910

19. SHAREHOLDERS' EQUITY

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

(Millions of TL)	Class	%	30 June 2019	%	31 December 2018
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
Share capital (Turkish Lira)			2,504		2,504
Share 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 Company, approved by the decision of the Turkish Republic High Planning Board on 30 October 1990.

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

As of 30 June 2019, Registered paid-in share capital of the Company comprised 137,999,999,999 Class A shares and 1 Class C share, all with a par value of Kr 1 each. 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 of Directors are subject to the positive vote of the class C Shareholder:

a) Decisions that will negatively affect the Group's mission Defined in Article 3.1. of the Articles of Association,

b) Suggesting change in the Articles of Association at General Assembly,

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 Group 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 Group's shares held by Turkish State decrease under 20%.)

19. SHAREHOLDERS' EQUITY (cont'd)

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

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 Group'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, provisions for unused vacation, legal claims and retirement pay liability 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 Group.

Actuarial Differences on Defined Benefit Plans

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

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.

As of 2019, financial lease liabilities in Japanese Yen, Swiss Frank and Euro for investment financing are designated as cash flow hedge against exchange rate risk due to highly probable future same foreign currency revenues. Group's revenue denominated in Euro and Swiss Frank covered borrowings of such foreign currency, Japanese Yen revenue covered %51 of borrowings. In this context, exchange differences arising from such these loans repayment are taken to equity and recognized in other comprehensive income.

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

20. REVENUE

Breakdown of gross profit is as follows:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Passenger revenue				
Scheduled	4,951	2,680	4,994	2,696
Unscheduled	20	16	20	15
Total passenger revenue	4,971	2,696	5,014	2,711
Cargo revenue				
Carried by passenger aircraft	355	174	399	208
Carried by cargo aircraft	444	219	385	190
Total cargo revenue	799	393	784	398
Total passenger and cargo revenue	5,770	3,089	5,798	3,109
Technical revenue	150	80	112	51
Other revenue	29	12	30	17
Net sales	5,949	3,181	5,940	3,177
Cost of sales (-)	(5,257)	(2,753)	(4,853)	(2,506)
Gross profit	692	428	1,087	671

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

International flights	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
- Europe	1,616	902	1,674	924
- Far East	1,473	767	1,441	747
- Middle East	661	347	640	342
- America	887	484	826	461
- Africa	570	285	562	280
Total	5,207	2,785	5,143	2,754
Domestic flights	563	304	655	355
Total passenger and cargo revenue	5,770	3,089	5,798	3,109

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

21. COST OF SALES

Breakdown of the cost of sales is as follows:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Fuel expenses	1,836	981	1,724	920
Personnel expenses	813	412	689	343
Depreciation and amortisation charges	707	362	512	255
Ground services expenses	391	202	366	191
Aircraft maintenance expenses	384	192	367	197
Passenger services and catering expenses	298	157	280	135
Airport expenses	285	163	252	134
Air traffic control expenses	263	140	270	140
Wet lease expenses	140	76	122	57
Rents	33	15	19	10
Insurance expenses	26	14	22	11
Transportation expenses	20	10	17	9
Operating lease expenses	19	9	167	82
Service expenses	17	9	16	7
Taxes and duties	7	3	8	4
IT & communication expenses	2	1	6	4
Other expenses	16	7	16	7
	5,257	2,753	4,853	2,506

22. GENERAL ADMINISTRATIVE EXPENSES AND MARKETING AND SALES EXPENSES

Breakdown of general administrative expenses is as follows:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Personnel expenses	66	33	57	26
Depreciation and amortisation charges	26	13	21	11
IT & communication expenses	16	8	18	9
Service expenses	16	8	15	7
Consultancy expenses	6	3	9	7
Systems use and associateship expenses	4	2	5	2
Utility expenses	2	2	2	1
Insurance expenses	1	-	1	-
Taxes and duties	1	1	1	1
Rents	-	-	6	3
Other general administrative expenses	7	3	5	2
	145	73	140	69

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

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

Breakdown of marketing and sales expenses is as follows:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Commissions and incentives	258	116	221	117
Personnel expenses	162	79	147	72
Reservation systems expenses	144	71	141	73
Advertisement and promotion expenses	88	41	89	37
Taxes and duties	24	3	19	4
Rents	9	5	11	6
Service expenses	7	4	7	3
Consultancy expenses	4	2	5	3
IT & communication expenses	4	2	4	2
Depreciation and amortisation charges	3	1	3	1
Membership fees	3	3	3	1
Other marketing and sales expenses	34	18	27	16
	740	345	677	335

23. OTHER OPERATING INCOME / EXPENSES

Breakdown of other operating income is as follows:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Manufacturers' credits	56	22	15	7
Insurance, indemnities, penalties income	18	13	14	7
Provisions released	6	1	4	2
Non- interest income from banks	5	2	5	2
Rediscount interest income	4	1	1	2
Rent income	3	2	2	1
Turnover premium from suppliers	2	-	3	2
Delay interest income	1	1	-	-
IFRS 9 Adjustment	-	-	4	2
Other operating income	5	3	17	15
	100	45	65	40

Breakdown of other operating expenses is as follows:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Foreign exchange losses from operational activities, net	15	21	47	69
Provisions	13	10	5	2
Indemnity and penalty expenses	3	2	6	5
Other operating expenses	11	7	19	14
	42	40	77	90

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

24. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

Breakdown of income from investment activities is as follows:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Income from investment incentives	44	31	30	14
Interest income from financial investment	35	21	6	3
Gain on sale of financial investments	5	3	-	-
Gain on sale of fixed assets	3	2	4	2
	87	57	40	19

Breakdown of expense from investment activities is as follows:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Loss on sale of fixed assets	79	52	-	-

25. FINANCIAL INCOME/ EXPENSES

Breakdown of financial income is as follows:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Interest income	16	-	24	13
Rediscount interest income from repayments of aircrafts	10	7	-	-
Fair value gains on derivative financial instruments, net	-	5	21	31
	26	12	45	44

Breakdown of financial expenses is as follows:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Interest expense from financial activities	99	50	109	55
Foreign exchange losses on financial activities, net	61	24	178	77
Interest expense from leasing liabilities	28	13	-	-
Fair value losses on derivative financial instruments, net	16	-	-	-
Aircraft financing expenses	10	(3)	5	2
Interest expenses on employee benefits	6	3	6	3
Rediscount interest expense from repayments of aircrafts	-	-	23	13
Other financial expenses	3	1	14	12
	223	88	335	162

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

26. TAX ASSETS AND LIABILITIES

Breakdown of assets related to current tax is as follows:

	30 June 2019	31 December 2018
Prepaid taxes	28	61

Tax expense is as follows:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Current period tax expense	4	(5)	33	18
Deferred tax (income) / expense	(117)	(54)	(34)	2
Tax income	(113)	(59)	(1)	20

Tax effect related to other comprehensive income is as follows:

	1 January - 30 June 2019			1 January - 30 June 2018		
	Amount before tax	Tax expense	Amount after tax	Amount before tax	Tax expense	Amount after tax
Changes in foreign currency translation difference	(10)	-	(10)	(36)	-	(36)
Change in cash flow hedge reserve	91	(20)	71	174	(35)	139
Gains on Remeasuring FVOCI	2	-	2	(10)	2	(8)
Change in actuarial losses from retirement pay obligation	(5)	1	(4)	-	-	-
Other comprehensive income	78	(19)	59	128	(33)	95

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 Article 91 of 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 2019 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.

The tax legislation provides for a temporary tax of 22% (2018: 22%) to be calculated and paid based on earnings generated for each quarter for the period ended 30 June 2019. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. With the amendment to the Law, tax rate for temporary tax is set to 22% for the years 2018, 2019 and 2020.

26. TAX ASSETS AND LIABILITIES (cont'd)

Corporate Tax (cont'd)

In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate-entity basis.

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. However, losses cannot be carried back for offset against profits from previous periods. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

According to the Corporate Tax Law, 75% of the capital gains arising from the sale of immoveable properties and participation shares 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.

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.

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

26. TAX ASSETS AND LIABILITIES (cont'd)

Deferred Tax (cont'd)

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

	30 June 2019	31 December 2018
Fixed assets	(2,188)	(1,910)
Adjustments for passenger flight liabilities	(157)	(150)
Tax loss carried forward	721	674
Lease obligations	293	-
Income and expense for future years	102	92
Accruals for expenses	69	48
Miles accruals	32	35
Provisions for employee benefits	27	27
Change in fair value of derivative instruments	13	31
Provisions for unused vacation	10	8
Other	19	7
Deferred tax liabilities	(1,059)	(1,138)

The changes of deferred tax liability for the period ended 1 January – 30 June 2019 and 2018 are as follows:

	1 January - 30 June 2019	1 January - 30 June 2018
Opening balance at 1 January	1,138	962
Adjustments for changes in accounting policies	(5)	(4)
Restated deferred tax liabilitity at the beginning of the year	1,133	958
Foreign currency translation difference	22	40
Tax expense from hedging reserves	21	35
Tax income from FVOCI	-	(2)
Deferred tax income	(117)	(34)
Deferred tax liability at the end of the period	1,059	997

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

26. TAX ASSETS AND LIABILITIES (cont'd)

Deferred Tax (cont'd)

Reconciliation with current tax charge for the period 1 January – 30 June 2019 and 2018 are as follows:

Reconciliation of effective tax charge	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
(Loss)/Profit from operations before tax	(316)	(33)	40	147
Tax rate of 22%	70	8	(8)	(29)
Taxation effects on:				
- foreign currency translation difference	33	28	(12)	(6)
- investment incentive	18	12	-	-
- expense from investment certificates	9	6	6	3
- investments accounted by using the equity method	2	5	7	6
- effect of the change in the defered tax rate	-	-	5	-
- non deductible expenses	(4)	-	-	-
- adjustment for prior year loss	(15)	-	3	6
Tax charge in statement of loss	113	59	1	(20)

27. EARNINGS PER SHARE

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

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.

Number of total shares and calculation of earnings per share at 1 January – 30 June 2019 and 2018:

	1 January - 30 June 2019	1 January - 30 June 2018
Number of shares outstanding at 1 January (in full)	138,000,000,000	138,000,000,000
Number of shares outstanding at 30 June (in full)	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
Net (loss) / profit for the period	(203)	41
Basic (loss) / profit per share (Full US Cents) (*)	(0.15)	0.03
Diluted (loss) / profit per share (Full US Cents) (*)	(0.15)	0.03

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

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

28. DERIVATIVE FINANCIAL INSTRUMENTS

Breakdown of derivative financial assets and liabilities of the Group as of 30 June 2019 and 2018 are as follows:

Derivative financial assets	**30 June 2019**	**31 December 2018**
Derivative instruments not subject to hedge accounting	35	17
Derivative instruments for fuel prices cash flow hedge	12	34
Derivative instruments for cross currency rate cash flow hedge	6	6
	53	57

Derivative financial liabilities	**30 June 2019**	**31 December 2018**
Derivative instruments for interest rate cash flow hedge	45	34
Derivative instruments for fuel prices cash flow hedge	35	118
Derivative instruments for cross currency rate cash flow hedge	20	36
Derivative instruments not subject to hedge accounting	10	8
	110	196

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

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:

	30 June 2019					
	USD EQUIVALENT	**TL**	**EUR**	**JPY**	**CHF**	**OTHER**
1.Trade Receivables	551	82	108	3	10	348
2a.Monetary Financial Assets	1,784	112	1,618	3	2	49
2b.Non Monetary Financial Assets	-	-	-	-	-	-
3.Other	494	87	213	11	6	177
4.Current Assets (1+2+3)	**2,829**	**281**	**1,939**	**17**	**18**	**574**
5.Trade Receivables	-	-	-	-	-	-
6a.Monetary Financial Assets	488	488	-	-	-	-
6b.Non Monetary Financial Assets	-	-	-	-	-	-
7.Other	444	263	170	-	-	11
8.Non Current Assets (5+6+7)	**932**	**751**	**170**	**-**	**-**	**11**
9.Total Assets (4+8)	**3,761**	**1,032**	**2,109**	**17**	**18**	**585**
10.Trade Payables	718	443	232	-	3	40
11.Financial Liabilities (*)	2,453	19	2,173	240	21	-
12a.Other Liabilities, Monetary	83	33	44	1	-	5
12b.Other Liabilities, Non Monetary	79	79	-	-	-	-
13.Current Liabilities (10+11+12)	**3,333**	**574**	**2,449**	**241**	**24**	**45**
14.Trade Payables	-	-	-	-	-	-
15.Financial Liabilities (*)	7,234	-	5,221	1,864	149	-
16a.Other Liabilities, Monetary	33	26	6	-	-	1
16b.Other Liabilities, Non Monetary	133	133	-	-	-	-
17.Non Current Liabilities (14+15+16)	**7,400**	**159**	**5,227**	**1,864**	**149**	**1**
18.Total Liabilities (13+17)	**10,733**	**733**	**7,676**	**2,105**	**173**	**46**
19.Net asset / liability position of off-balance sheet derivatives (19a-19b)	**-**	**-**	**-**	**-**	**-**	**-**
19a.Off-balance sheet foreign currency derivative assets	-	-	-	-	-	-
19b.Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-	-
20.Net foreign currency asset/(liability) position (9-18+19)	**(6,972)**	**299**	**(5,567)**	**(2,088)**	**(155)**	**539**
21.Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a -14-15-16a)	**(7,698)**	**161**	**(5,950)**	**(2,099)**	**(161)**	**351**
22.Fair value of foreign currency hedged financial assets	-	-	-	-	-	-
23.Hedged foreign currency assets	**615**	-	**615**	-	-	-
24.Hedged foreign currency liabilities	-	-	-	-	-	-

(*) Net foreign exchange position of Group is mainly due to long term foreign currency borrowings denominated in Euro, Japanese Yen, Swiss Frank to funds its investments. Group uses these long term foreign currency borrowings to manage the risk of exchange differences with highly probable future foreign currency revenues. The USD equivalent of these borrowings amount to 7,280 USD as of 30 June 2019 (31 December 2018: USD 6,853).

(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)

	31 December 2018					
	USD EQUIVALENT	**TL**	**EUR**	**JPY**	**CHF**	**OTHER**
1.Trade Receivables	485	70	122	4	9	280
2a.Monetary Financial Assets	1,903	540	1,313	2	2	46
2b.Non Monetary Financial Assets	-	-	-	-	-	-
3.Other	567	225	158	10	6	168
4.Current Assets (1+2+3)	**2,955**	**835**	**1,593**	**16**	**17**	**494**
5.Trade Receivables	-	-	-	-	-	-
6a.Monetary Financial Assets	302	302	-	-	-	-
6b.Non Monetary Financial Assets	-	-	-	-	-	-
7.Other	461	238	212	-	-	11
8.Non Current Assets (5+6+7)	**763**	**540**	**212**	**-**	**-**	**11**
9.Total Assets (4+8)	**3,718**	**1,375**	**1,805**	**16**	**17**	**505**
10.Trade Payables	678	458	164	-	2	54
11.Financial Liabilities	2,209	1	1,956	232	20	-
12a.Other Liabilities, Monetary	109	67	39	1	-	2
12b.Other Liabilities, Non Monetary	89	89	-	-	-	-
13.Current Liabilities (10+11+12)	**3,085**	**615**	**2,159**	**233**	**22**	**56**
14.Trade Payables	-	-	-	-	-	-
15.Financial Liabilities	6,966	-	4,882	1,926	158	-
16a.Other Liabilities, Monetary	12	6	4	-	-	2
16b.Other Liabilities, Non Monetary	130	130	-	-	-	-
17.Non Current Liabilities (14+15+16)	**7,108**	**136**	**4,886**	**1,926**	**158**	**2**
18.Total Liabilities (13+17)	**10,193**	**751**	**7,045**	**2,159**	**180**	**58**
19.Net asset / liability position of off-balance sheet derivatives (19a-19b)	**-**	**-**	**-**	**-**	**-**	**-**
19a.Off-balance sheet foreign currency derivative assets	-	-	-	-	-	-
19b.Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-	-
20.Net foreign currency asset/(liability) position (9-18+19)	**(6,475)**	**624**	**(5,240)**	**(2,143)**	**(163)**	**447**
21.Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(7,284)**	**380**	**(5,610)**	**(2,153)**	**(169)**	**268**
22.Fair value of foreign currency hedged financial assets	-	-	-	-	-	-
23.Hedged foreign currency assets	**168**	**-**	**168**	**-**	**-**	**-**
24.Hedged foreign currency liabilities	-	-	-	-	-	-

(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)

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 Group 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.

	30 June 2019			
	Profit / (Loss)		**Equity**	
	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	30	(30)	-	-
2- Part hedged from TL risk (-)	-	-	-	-
3- TL net effect (1+2)	30	(30)	-	-
4- Euro net asset / liability	62	(62)	(619)	619
5- Part hedged from Euro risk (-)	(62)	62	-	-
6- Euro net effect (4+5)	-	-	(619)	619
7- JPY net asset / liability	(112)	112	(97)	97
8- Part hedged from JPY risk (-)	-	-		
9- JPY net effect (7+8)	(112)	112	(97)	97
10- CHF net asset / liability	1	(1)	(17)	17
11- Part hedged from CHF risk (-)	-	-	-	-
12- CHF net effect (10+11)	1	(1)	(17)	17
13- Other foreign currency net asset / liability	54	(54)	-	-
14- Part hedged other foreign currency risk (-)	-	-	-	-
15- Other foreign currency net effect (13+14)	54	(54)	-	-
TOTAL (3 + 6 + 9 + 12 + 15)	(27)	27	(733)	733

(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)

	31 December 2018			
	Profit / (Loss)		Equity	
	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	62	(62)	-	-
2- Part hedged from TL risk (-)	-	-	-	-
3- TL net effect (1+2)	62	(62)	-	-
4- Euro net asset / liability	44	(44)	(568)	568
5- Part hedged from Euro risk (-)	(17)	17	-	-
6- Euro net effect (4+5)	27	(27)	(568)	568
7- JPY net asset / liability	(114)	114	(100)	100
8- Part hedged from JPY risk (-)	-	-	-	-
9- JPY net effect (7+8)	(114)	114	(100)	100
10- CHF net asset / liability	2	(2)	(18)	18
11- Part hedged from CHF risk (-)	-	-	-	-
12- CHF net effect (10+11)	2	(2)	(18)	18
13- Other foreign currency net asset / liability	45	(45)	-	-
14- Part hedged other foreign currency risk (-)	-	-	-	-
15- Other foreign currency net effect (13+14)	45	(45)	-	-
TOTAL (3 + 6 + 9 + 12 + 15)	22	(22)	(686)	686

30. EVENTS AFTER THE BALANCE SHEET DATE

Within the scope of fuel activities carried out at Istanbul Airport, negotiations have started for IGA Istanbul Havalimanı Akaryakıt Hizmetleri A.Ş., which is responsible for the operation of fuel supply facilities, to become a 25% shareholder through capital increase.