TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Condensed Interim Financial Statements
For the Six-Month Period Ended 30 June 2018
with Independent Auditor's Review Report

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Table of contents

KPMG Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
İş Kuleleri Kule 3 Kat:2-9
Levent 34330 İstanbul
Tel +90 212 316 6000
Fax +90 212 316 6060
www.kpmg.com.tr

Review Report on Interim Condensed Financial Information

To the Board of Directors of Türk Hava Yolları Teknik Anonim Şirketi,

Introduction

We have reviewed the accompanying condensed statement of financial statement of Türk Hava Yolları Teknik Anonim Şirketi (the "Company") as at 30 June 2018, the condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with Turkish Accounting Standards 34 *Interim Financial Reporting* ("TAS 34") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with 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 the 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 interim financial information is not prepared, in all material respects, in accordance with TAS 34 *Interim Financial Reporting.*

Emphasis of Matter

We draw attention to Note 18 to the condensed interim financial information which describes the large-scale operations with related parties of the Company. For the period 1 January – 30 June 2018, 85% of sales are realized with the related companies. Our conclusion is not qualified in respect of this matter.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member of KPMG International Cooperative

Gökhan Atılgan, SMMM
Partner
8 August 2018
İstanbul, Turkey

INDEX **PAGE**

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ
Condensed Balance Sheet as at 30 June 2018
(All amounts are expressed in TL.)

ASSETS	**Notes**	**Reviewed 30 June 2018**	**Audited 31 December 2017**
Current Assets			
Cash and Cash Equivalents	3	18.637.583	11.410.411
Trade Receivables		1.267.214.904	1.282.615.818
- Trade Receivables From Related Parties	*18*	*1.075.727.927*	*1.143.125.609*
- Trade Receivables From Non-Related Parties	*4*	*191.486.977*	*139.490.209*
Other Receivables		2.545.029	1.802.756
- Other Receivables From Related Parties	*18*	*1.639.501*	*1.341.909*
- Other Receivables From Non-Related Parties		*905.528*	*460.847*
Inventories	5	2.038.297.487	1.689.692.781
Prepaid Expenses	11	82.789.091	44.733.022
Other Current Assets		410.545	15.837
TOTAL CURRENT ASSETS		**3.409.894.639**	**3.030.270.625**
Non-Current Assets			
Financial Investments		1.485.025	1.485.025
Equity Accounted Investees	6	299.319.722	220.562.603
Property and Equipment	7	1.794.301.924	1.499.185.819
Intangible Assets		19.864.941	14.409.324
-Other Intangible Assets	*8*	*19.864.941*	*14.409.324*
Prepaid Expenses	11	14.076.181	12.904.891
TOTAL NON-CURRENT ASSETS		**2.129.047.793**	**1.748.547.662**
TOTAL ASSETS		**5.538.942.432**	**4.778.818.287**

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

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ
Condensed Balance Sheet as at 30 June 2018
(All amounts are expressed in TL.)

	Notes	Reviewed 30 June 2018	Audited 31 December 2017
Current Liabilities		**1.226.222.042**	**1.320.198.413**
Other Financial Liabilities		16.334	240.946
Trade Payables		337.867.843	367.807.757
- Trade Payables to Related Parties	*18*	*40.539.321*	*58.781.800*
- Trade Payables to Non-Related Parties	*4*	*297.328.522*	*309.025.957*
Payables Related to Employee Benefits		118.147.638	151.894.550
Other Payables		102.270.753	258.076.242
- Other Payables to Related Parties	*18*	*2.182.296*	*94.400.926*
- Other Payables to Non-Related Parties		*100.088.457*	*163.675.316*
Deferred Income	11	507.735.590	445.256.585
Current Tax Liability	16	88.014.178	46.738.166
Short-term Provisions		69.587.530	48.066.614
- Provisions for Employee Benefits	*10*	*24.003.549*	*19.816.701*
- Other Short-term Provisions	*10*	*45.583.981*	*28.249.913*
Other Current Liabilities		2.582.176	2.117.553
Non-Current Liabilities		**332.221.588**	**411.628.730**
Other Payables		-	174.087.689
- Other Payables to Related Parties	*18*	-	*174.087.689*
Long-term Provisions		120.326.178	*107.328.996*
- Provisions for Employee Benefits	*10*	*120.326.178*	*107.328.996*
Deferred Tax Liability	16	211.895.410	130.212.045
EQUITY			
Equity Attributable to Equity Holders of the Parent		**3.980.498.802**	**3.046.991.144**
Share Capital	12	960.850.000	960.850.000
Adjustment to Share Capital		84.081	84.081
Accumulated Other Comprehensive Income or Expenses Not To Be Reclassified to Profit or Loss		10.198.465	15.143.884
- Actuarial Losses from Defined Pension Plans		*10.198.465*	*15.143.884*
Accumulated Other Comprehensive Income or Expenses To Be Reclassified to Profit or Loss		2.025.393.763	1.350.230.063
- Foreign Currency Translation Differences	*12*	*2.025.393.763*	*1.350.230.063*
Restricted Profit Reserves	12	64.258.023	27.152.358
Retained Earnings		649.444.524	390.002.053
Net Profit for the Period		270.269.946	303.528.705
TOTAL LIABILITIES AND EQUITY		**5.538.942.432**	**4.778.818.287**

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

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ
Condensed Statement of Profit or Loss and Other Comprehensive Income
For the Six Months Period Ended 30 June 2018
(All amounts are expressed in TL.)

	Notes	**Reviewed 1 January - 30 June 2018**	**Reviewed 1 January - 30 June 2017**
Revenue	13	2.447.252.891	1.768.799.737
Cost of Sales (-)	13	(1.862.137.470)	(1.386.253.554)
GROSS PROFIT		**585.115.421**	**382.546.183**
General Administrative Expenses (-)	14	(163.850.751)	(162.372.613)
Marketing and Sales Expenses (-)		(17.156.399)	(7.484.472)
Research and Development Expenses (-)		(6.747.940)	(5.809.691)
Impairment Loss on Trade and Other Receivables		2.093.267	11.855.855
Other Operating Income	15	16.709.816	21.891.864
Other Operating Expenses (-)	15	(27.811.657)	(17.230.561)
OPERATING PROFIT		**388.351.757**	**223.396.565**
Loss from Investing Activities		(4.185)	(41.963)
Share of Investments' Profit Accounted by Using the Equity Method	6	27.379.390	23.995.437
OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)		**415.726.962**	**247.350.039**
Financial Income		58.815.872	805.659
Financial Expenses (-)		(14.731.580)	(20.875.261)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**459.811.254**	**227.280.437**
Tax Expense of Continuing Operations		**(189.541.308)**	**(40.495.445)**
- Current Tax Expense	16	(134.639.752)	(85.975.612)
- Deferred Tax (Expense)/Benefit	16	(54.901.556)	45.480.167
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**270.269.946**	**186.784.992**
OTHER COMPREHENSIVE INCOME			
Not To Be Reclassified to Profit or Loss		**(4.945.419)**	**6.057.172**
Actuarial (Losses)/Gains From Defined Pension Plans		(6.340.281)	7.571.465
Tax Benefit of Actuarial (Losses)/Benefit From Defined Pension Plans		1.394.862	(1.514.293)
To Be Reclassified to Profit or Loss		**675.163.700**	**(16.441.223)**
Currency Translation Differences		567.304.049	(27.266.746)
Currency Translation Differences of Equity Accounted Investees		107.859.651	10.825.523
OTHER COMPREHENSIVE INCOME		**670.218.281**	**(10.384.051)**
TOTAL COMPREHENSIVE INCOME		**940.488.227**	**176.400.941**

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

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ
Condensed Statement of Changes in Equity
For the Six-Month Period Ended 30 June 2018
(All amounts are expressed in TL.)

			Accumulated Other Comprehensive Income or Expenses Not To Be Reclassified to Profit or Loss	Accumulated Other Comprehensive Income or Expenses To Be Reclassified to Profit or Loss		Retained Earnings		
	Paid Share Capital	**Adjustment to Share Capital**	**Acturial (Losses) / Gain From Defined Pension Plans**	**Currency Translation Differences**	**Restricted Profit Reserves**	**Retained Earnings**	**Net Profit for the Period**	**Total Equity**
Balances as at 1 January 2017	**960.850.000**	**84.081**	**5.381.036**	**1.148.978.860**	**13.084.833**	**119.764.698**	**284.304.880**	**2.532.448.388**
Transfers	-	-	-	-	14.067.525	270.237.355	(284.304.880)	-
Total Comprehensive Income	-	-	6.057.172	(16.441.223)	-	-	186.784.992	176.400.941
Balance as at 30 June 2017	**960.850.000**	**84.081**	**11.438.208**	**1.132.537.637**	**27.152.358**	**390.002.053**	**186.784.992**	**2.708.849.329**
Balances as at 1 January 2018	**960.850.000**	**84.081**	**15.143.884**	**1.350.230.063**	**27.152.358**	**390.002.053**	**303.528.705**	**3.046.991.144**
Adjustment on initial application of TFRS 9	-	-	-	-	-	(6.980.569)	-	(6.980.569)
Adjusted balance as at 1 January 2018	**960.850.000**	**84.081**	**15.143.884**	**1.350.230.063**	**27.152.358**	**383.021.484**	**303.528.705**	**3.040.010.575**
Transfers	-	-	-	-	37.105.665	266.423.040	(303.528.705)	-
Total Comprehensive Income	-	-	(4.945.419)	675.163.700	-	-	270.269.946	940.488.227
Balance as at 30 June 2018	**960.850.000**	**84.081**	**10.198.465**	**2.025.393.763**	**64.258.023**	**649.444.524**	**270.269.946**	**3.980.498.802**

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

	Notes	Reviewed 1 January - 30 June 2018	Reviewed 1 January - 30 June 2017
Profit for the period		**270.269.946**	**186.784.992**
Adjustments to Reconcile Cash Flow Generated From Operating Activities:			
Adjustments for depreciation and amortization	5,7,8	214.339.797	217.412.991
Adjustments for provisions, net	10	20.045.227	7.958.228
Adjustments for provisions for inventories	5	4.884.045	24.136.694
Adjustments for provisions for employee benefits	10	13.370.708	20.984.557
Adjusments for provisions for doubtful receivables	4	(2.093.267)	(11.855.855)
Adjustments for interest income and expenses		14.577.459	20.830.702
Adjustments for discount for receivables and payables		691.922	108.149
Unrealized foreign exchange and translation differences		350.809.961	(12.974.936)
Loss on sale of property, plant and equipment		4.185	41.963
Share of Investment's profit accounted by using the equity method	6	(27.379.390)	(23.995.437)
Adjustments for deferred tax expense/(benefit)	16	54.901.556	(45.480.167)
Adjustments for tax expense	16	134.639.752	85.975.612
Operating Profit Before Working Capital Changes		**1.049.061.901**	**469.927.492**
Adjustments for increase in inventories		(461.843.363)	(182.479.569)
Adjustments for increase in trade receivables		16.802.259	231.411.108
Adjustments for deccrease in other receivables		(742.273)	(732.888)
Adjustments for decrease in other current assets		(394.708)	(86.011)
Adjustments for decrease in trade payables and due to related parties		(29.939.914)	(32.350.733)
Adjustments for decrease in other payables and due to related parties		(63.586.859)	(22.488.953)
Adjustments for decrease in prepaid expense		(39.227.359)	(4.883.689)
Adjustments for increase in deferred income		62.479.005	6.490.611
Adjustments in payables related to employee benefits		(33.746.912)	(4.559.881)
Adjustments for increase in other current and non current liabilities		464.623	46.902
Cash Flows Generated From Operating Activities		**499.326.400**	**460.294.390**
Interest received		154.121	44.559
Taxes paid		(108.486.150)	(48.221.007)
Employee benefit indemnity paid	10	(6.713.807)	(8.824.068)
Net Cash Generated From Operating Activities		**384.280.564**	**403.293.874**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property and equipment	7	111.020	(8.791)
Purchase of property and equipment	7	(95.388.298)	(18.467.657)
Purchase of intangible assets	8	(6.955.588)	(1.328.964)
Net cash used in investing activities		**(102.232.866)**	**(19.805.412)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(8.289.595)	(19.136.476)
Adjustments for decrease in other payables to realated parties		(266.306.319)	(366.063.711)
(Decrease)/ increase in financial borrowings		(224.612)	15.899.945
Net Cash (Used In)/ From Financing Activities		**(274.820.526)**	**(369.300.242)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**7.227.172**	**14.188.220**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**11.410.411**	**5.756.721**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**18.637.583**	**19.944.941**

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

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

Türk Hava Yolları Teknik Anonim Şirketi ("THY Teknik" or the "Company") was incorporated on 23 May 2006 with the purpose to bring the Company to an important technical maintenance base in the area in air transport sector and to provide maintenance and repair services to civil aviation sector and every kind of technical and infrastructural assistance related with the airlines sector.

Total number of average employees working for the Company for the six month period ended 30 June 2018 is 7.565 (31 December 2017: 6.799). Total number of employees working for the company as at 30 June 2018 is 7.828 (31 December 2017: 7.435).

	30 June 2018	31 December 2017
Administrative staff	1.981	1.928
Production staff	5.847	5.507
Total	**7.828**	**7.435**

The company is registered in Turkey and its head office address is as follows:
Sanayi Mahallesi Havaalanı İçyolu Caddesi
Sabiha Gökçen Havaalanı Sitesi Giriş.Kapısı No:1/1 Pendik/İSTANBUL

Associates

As at 30 June 2018 and 31 December 2017, associates accounted by using equity method and participation rate of the Company in these associates are as below:

		Participation Rate		
Name of the Company	Principal Activity	30 June 2018	31 December 2017	Country of Registration
P&W T.T. Uçak Bakım Merkezi Limited Şirketi ("TEC")	Technical Maintenance	49%	49%	Turkey
Goodrich THY Teknik Servis Merkezi Limited Şirketi ("Goodrich")	Technical Maintenance	40%	40%	Turkey
TCI Kabiniçi Sistemleri Sanayi ve Ticaret Anonim Şirketi ("TCI")	Cabin Interior	20%	20%	Turkey

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Preparation of Financial Statements

Accompanying financial statements are prepared in accordance with Turkish Accounting Standards ("TAS") published by Public Oversight Accounting and Auditing Standards Authority ("POA"). TAS consist of Turkish Accounting Standards, Turkish Financial Reporting Standards ("TFRS") and related addendums and interpretations to these standards.

For the six month period ended 30 June 2018, the Company prepared its condensed interim financial statements in accordance with the Turkish Accounting Standard 34 "Interim Financial Reporting".

Interim condensed financial statements of the Company do not include all the information and disclosures required in the annual financial statements, therefore should be read in conjunction with the Company's annual financial statements as at 31 December 2017.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.1 Basis of Presentation *(continued)*

Preparation of Financial Statements *(continued)*

Condensed financial statements are the first financial statements for which TFRS 15 and TFRS 9 applied. The changes in significant accounting policies are explained in note 2.3.

The Company's statement of financial position as at 30 June 2018 and statement of profit or loss and other comprehensive income for the six month period ended were authorized for issue by the Board of Directors of the Company on 8 August 2018.

Adjustment of Financial Statements in Hyperinflationary Periods

As per the 17 March 2005 dated, 11/367 numbered decree of CMB, companies engaged in Turkey and those of which prepare their financial statements in accordance with the CMB Accounting Standards (including IAS/IFRS exercisers), use of inflationary accounting standards have been discontinued effective from 1 January 2005. Accordingly, "Financial Reporting Standards in Hyperinflationary Economies", ("IAS 29") was no longer applied henceforward.

Basis of Measurements

All financial statements have been prepared on historical cost basis principal.

Functional and Reporting Currency

Functional Currency

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

Translation to the presentation currency

The Company's presentation currency is TL. The US Dollar financial statements of the Company are translated into TL as the following methods under TAS 21 "The Effects of Foreign Exchange Rates":

(a) Assets and liabilities in the balance sheet are translated into TL at the prevailing US Dollar buying exchange rates of the Central Bank of Turkish Republic;

(b) The statement of profit or loss and other comprehensive income is translated into TL by using the monthly average US Dollar exchange rates;

(c) All differences are recognized as a separate equity item under exchange differences.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.2 Changes in significant accounting policies

Except as described below, the accounting policies applied in these interim condensed financial statements are the same as those applied in the Company’s financial statements as at and for the year ended 31 December 2017.

The changes in accounting policies are also expected to be reflected in the Company’s financial statements as at and for the year ending 31 December 2018.

The Company has initially adopted TFRS 9 Financial Instruments and TFRS 15 Revenue from Contracts with Customers from 1 January 2018. Although there are other standards which are effective from 1 January 2018, these standards do not have any significant effect on the Company's financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

General model for revenue recognition

TFRS 15 requires revenue recognition for all contracts with customers to follow the five-step approach to revenue recognition.

Step 1: Identifying the contract

A contract exists only if it is legally enforceable, the collection of the consideration is probable, the rights to goods and services and payment terms can be identified, the contract has commercial substance; and the contract is approved and the parties are committed to their obligations.

If either contracts were negotiated as a single commercial package, or consideration in one contract depends on the other contract or goods or services (or some of the goods or services) are a single performance obligation the Company accounts the contracts as a single contract.

Step 2: Identifiying the performance obligations

The Company defines ‘performance obligation’ as a unit of account for revenue recognition. The Company assesses the goods or services promised in a contract with a customer and identifies as a performance obligation either a good or service that is distinct; or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. A contract may contain promises to deliver a series of distinct goods or services that are substantially the same. At contract inception, an entity determines whether the series of goods or services is a single performance obligation.

Step 3: Determining the transaction price

In order to determine the transaction price, the Company assesses how much consideration it expects to be entitled to by fulfilling the contract. In arriving at the assessment, the Company considers variable elements of consideration, as well as the existence of a significant financing component.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.2 Changes in significant accounting policies *(continued)*

IFRS 15 Revenue from Contracts with Customers *(continued)*

General model for revenue recognition *(continued)*

Step 3: Determining the transaction price *(continued)*

Significant financing component

The Company revises the promised amount of consideration for the effect of a significant financing component to the amount that reflects what the cash selling price of the promised good or service.
As a practical expedient, the Company does not adjust the transaction price for the effects of a significant financing component if, at contract inception, the entity expects the period between customer payment and the transfer of goods or services to be one year or less. In cases where advance for the services are received and the payment scheme is broadly aligned with the Company's performance throughout the period, the Company concludes that the period between performance and payment is never more than 12 months, therefore the expedient is applied.

Variable consideration

The Company identifies items such as price concessions, incentives, performance bonuses, completion bonuses, price adjustment clauses, penalties, discounts, credits or similar items may result in variable consideration if there is any in a customer contract.

Step 4: Allocating the transaction price to performance obligations

If distinct goods or services are delivered under a single arrangement, then the consideration is allocated based on relative stand-alone selling prices of the distinct goods or services (performance obligations). If directly observable stand-alone selling prices are not available, the total consideration in the service contracts is allocated based on their expected cost plus a margin.

Step 5: Recognition of revenue

The Company recognises revenue over-time if any of the following conditions is met:
- customer simultaneously receives and consumes the benefits as the entity performs, or
-the customer controls the asset as the entity creates or enhances it, or
- Company's performance does not create an asset for which the entity has an use; and alternative there is a right to payment for performance to date.

For each performance obligation that is satisfied over time, an entity selects a single measure of progress, which depicts the transfer of control of the goods or services to the customer. The Company uses a method that measures the work performed reliably. The Company uses cost incurred to measure the progress towards to completion of the project where the input method is used and uses units transferred to measure the progress towards to completion of the project where the output method is used. If a performance obligation is not satisfied over time, then the Company recognise revenue at the point in time at which it transfers control of the good or service to the customer.

The Company recognises a provision in accordance with TAS 37 "Provisions, Contingent Liabilities and Contingent Assets" when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.2 Changes in significant accounting policies *(continued)*

TFRS 15 Revenue from Contracts with Customers *(continued)*

Step 5: Recognition of revenue *(continued)*

Contract modifications

The Company recognises a contract modification as a separate contract if the modification results in a promise to deliver additional goods or services that are distinct and an increase in the price of the contract by an amount of consideration that reflects the entity's stand-alone selling price of those goods or services adjusted to reflect the circumstances of the contract. If the goods or services are distinct, then the entity accounts for the modification as if it were a termination of the existing contract and the creation of a new contract. If the modification to the contract does not add distinct goods or services, then the entity accounts for it on a combined basis with the original contract, as if the additional goods or services were part of the initial contract.

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Company's various goods and services are set out below:

Type of product/service	Nature, timing of satisfaction of performance obligations, significant payment terms	Nature of change in accounting policy
Revenue From Sales of Product	The Company generates its revenue from the sale of materials. Revenue is recognized when the significant risk of and reward ownership has been transferred to the counter party. Invoices are usually payable within 1 year.	Under TAS 18, revenue for these contracts or orders was recognized when a reasonable estimate of the returns could be made, provided that all other criteria for revenue recognition were met. If a reasonable estimate could not be made, then revenue recognition was deferred until the return period lapsed or a reasonable estimate of returns could be made. There has been no significant impact in the financial statements resulting from the sale of products due to the application of TFRS 15 accounting policies.
Revenue From Aircraft Maintanance Services	Revenue is recognized overtime as these services are provided. Invoices for aircraft maintenance services are issued on a monthly basis and usually payable within 30 days.	IFRS 15 did not have a significant impact on the Company's accounting policies.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.2 Changes in significant accounting policies *(continued)*

TFRS 9 Financial Instruments

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

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

	Impact of adopting TFRS on opening balance
Retained Earnings	
Recognition of expected credit losses under TFRS 9	8.949.448
Related tax	(1.968.879)
Impact at 1 January 2018	**6.980.569**

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

Classification and measurement of financial assets and financial liabilities

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

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

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

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.2 Changes in significant accounting policies *(continued)*

TFRS 9 Financial Instruments *(continued)*

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

All financial assets not classified as measured at amortised for the FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised for the at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. The following accounting policies apply to the subsequent measurement of financial assets.

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.2 Changes in significant accounting policies *(continued)*

TFRS 9 Financial Instruments *(continued)*

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

	Original classification under TAS 39	New classification under TFRS 9	Original carrying amount under TAS 39	New carrying amount under TFRS 9
Financial assets				
Trade and other receivables	Loans and receivables	Amortised cost	152.798.416	143.848.968
Cash and cash equivalents	Loans and receivables	Amortised cost	11.410.411	11.410.411
Total financial assets			**164.208.827**	**155.259.379**

Trade and other receivables that were classified as loans and receivables under TAS 39 are now classified at amortised cost. An increase of TL 8.949.448 in the allowance for impairment over these receivables was recognised in opening retained earnings at 1 January 2018 on transition to TFRS 9.

Impairment of financial assets

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

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

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

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

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.2 Changes in significant accounting policies (continued)

TFRS 9 Financial Instruments *(continued)*

Impairment of financial assets *(continued)*

The Company has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 360 days past due.

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

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

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

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

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

Credit-impaired financial assets

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

Presentation of impairment

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

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

Impairment losses related to trade and other receivables are presented separately in the statement of profit or loss and OCI. As a result, the Company reclassified impairment income amounting to TL 11.855.855, recognised under TAS 39, from 'other operating expenses and other operating income' to 'impairment loss on trade and other receivables' in the statement of profit or loss and OCI for the six month ended 30 June 2017.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(CONTINUED)*

2.2 Changes in significant accounting policies *(continued)*

TFRS 9 Financial Instruments *(continued)*

Impairment of financial assets *(continued)*

Impact of the new impairment model

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

Loss allowance as at 31 December 2017 under TAS 39	103.820.029
Additional impairment recognised at 1 January 2018 on;	
Trade and other receivables as at 31 December 2017	8.949.448
Loss allowance as at 1 January 2018 under TFRS 9	**112.769.477**

Trade receivables and contract assets

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

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

Exposures within each group were segmented based on common credit risk characheristic such as credit risk grade, geographic region and industry for wholesale customers, and delinquency status, geographic region, age of relationship and type of product purchased fro other customers.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets for other customers as at 1 January 2018.

	Weighted-average loss rate %	**Gross carrying amount**	**Loss allowance**
Current (not past due)	2,85	78.339.480	2.234.387
1-30 days past due	4,88	36.943.901	1.804.323
31-90 days past due	7,78	22.695.371	1.764.585
91-180 days past due	16,25	10.612.783	1.725.031
+180 days past due	33,78	4.206.881	1.421.122
		152.798.416	**8.949.448**

The methodology described above has also been used at the end of the interim reporting period.

Transition

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.3 New and Revised Standards and Interpretations

Standards issued but not yet effective and not early adopted

New standards, interpretations and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Company has not early adopted are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, after the new standards and interpretations become in effect.

TFRS 16 Leases

On 16 April 2018, POA issued the new leasing standard which will replace TAS 17 Leases, TFRS Interpretation 4 Determining Whether an Arrangement Contains a Lease, TAS Interpretation 15 Operating Leases – Incentives, and TAS Interpretation 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to TAS 40 Investment Properties. TFRS 16 Leases eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts TFRS 15 "Revenue from Contracts" with customers. The Company is assessing the potential impact on its financial statements resulting from the application of TFRS 16.

TFRS Interpretation 23 –Uncertainty Over Income Tax Treatments

On 24 May 2018, POA issued TFRS Interpretation 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. TAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. TFRS Interpretation 23 provides requirements that add to the requirements in TAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. The Interpretation is effective from 1 January 2019 with earlier application is permitted. The Company is assessing the potential impact on its financial statements resulting from the application of TFRS Interpretation 23.

Amendments to TFRS 9 - Prepayment features with negative compensation

On December 2017, POA has issued amendments to TFRS 9 to clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of TFRS 9. Under TFRS 9, a prepayment option in a financial asset meets this criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include 'reasonable additional compensation' for early termination of the contract.

The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to TFRS 9.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.3 New and Revised Standards and Interpretations *(continued)*

Amendments to TAS 28- Long-term Interests in Associates and Joint Ventures

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

The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to TAS 28.

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

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

Annual Improvements to IFRSs 2015-2017 Cycle

Improvements to IFRSs

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

IFRS 3 Business Combinations and *IFRS 11 Joint Arrangements*

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

IAS 12 Income Taxes

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

IAS 23 Borrowing Costs

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.3 New and Revised Standards and Interpretations *(continued)*

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

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement

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

The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to IAS 19.

The Revised Conceptual Framework

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

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 Company is assessing the potential impact on its financial statements resulting from the application of the amendments to IFRS 17.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.4 Determination of Fair Values

Various accounting policies and explanations of the Company 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: Specific (uncorrected) prices in active markets for identical assets and obligations;
- Level 2: Directly (via prices) or indirectly (via producing from prices) variables which are observable for assets and liabilities and apart from specific prices mentioned in Level 1;
- Level 3: Variables which are not related to observable market variable for assets and liabilities (unobservable variables).

3. CASH AND CASH EQUIVALENTS

As at 30 June 2018 and 31 December 2017, cash and cash equivalents comprised the following:

	30 June 2018	31 December 2017
Cash	60.731	-
Banks-(demand deposits)	707.425	1.604.137
Banks-(time deposits)	17.869.427	9.806.274
	18.637.583	**11.410.411**

As at 30 June 2018 and 31 December 2017, the details of time deposits comprised the following:

Principal	Currency	Opening date	Interest rate	Maturity	30 June 2018
1.267.000	TL	29 June 2018	%15,51	2 July 2018	1.267.000
69.000	Euro	29 June 2018	%0,10	2 July 2018	366.335
3.560.000	USD	29 June 2018	%0,50	2 July 2018	16.236.092
					17.869.427

Principal	Currency	Opening date	Interest rate	Maturity	31 December 2017
4.232.000	TL	29 December 2017	%13,42	2 January 2018	4.232.000
405.000	Euro	29 December 2017	%0,25	2 January 2018	1.828.778
993.000	USD	29 December 2017	%0,50	2 January 2018	3.745.496
					9.806.274

4. TRADE RECEIVABLES AND PAYABLES

As at 30 June 2018 and 31 December 2017, trade receivables from non-related comprised the following:

	30 June 2018	31 December 2017
Trade receivables	296.205.502	221.228.422
Notes receivables	16.583.465	22.204.014
Discount on receivables	(1.111.919)	(122.198)
Provision for doubtful receivables	(120.190.071)	(103.820.029)
	191.486.977	**139.490.209**

4. TRADE RECEIVABLES AND PAYABLES *(continued)*

For the period ended 30 June 2018 and 2017, the movement of provision for doubtful receivables comprised the following:

	1 January - 30 June 2018	**1 January - 30 June 2017**
Provision at the beginning of the period	103.820.029	112.855.047
Adjustment on initial application of TFRS 9 (*)	8.949.448	-
Foreign currency translation	9.513.861	324.825
Current period charge of TFRS 9	2.486.485	-
Current period charge	1.275.608	2.768.025
Collections during period	(5.855.360)	(14.623.880)
P**rovision at the end of the period**	**120.190.071**	**101.324.017**

(*) The Company has initially applied TFRS 9 at 1 January 2018 under the transition method chosen, comperative information is not restated.

As at 30 June 2018 ve 31 December 2017, trade payables to non-related parties comprised the following:

	30 June 2018	**31 December 2017**
Trade payables	262.526.415	277.696.690
Expense accruals	34.802.107	31.329.267
	297.328.522	**309.025.957**

5. INVENTORIES

As at 30 June 2018 ve 31 December 2017, inventories comprised the following:

	30 June 2018	**31 December 2017**
Components and repairable spare parts	2.451.223.200	1.975.288.095
Technical equipment inventories	832.763.039	689.446.523
Scrap equipment inventories	118.977.483	100.895.629
Technical equipment inventories in transit	119.753.608	94.234.469
Provision for impairment of inventories (-)	(119.753.608)	(94.234.469)
Accumulated depreciation of components and repairable spare parts (-)	(1.364.666.235)	(1.075.937.466)
	2.038.297.487	**1.689.692.781**

For the period ended 30 June 2018 and 2017, the movement of provision for impairment of inventories is as follows:

	1 January – 30 June 2018	**1 January – 30 June 2017**
Provision at the beginning of the period	94.234.469	67.790.879
Foreign currency translation	20.635.094	(3.508)
Current period charge	4.884.045	24.136.694
Provision at the end of the period	**119.753.608**	**91.924.065**

5. INVENTORIES *(continued)*

For the period ended 30 June 2018, the movement of components and repairable spare parts comprised the following:

Cost	**Components and repairable spare parts**
Opening balance 1 January 2018	1.975.288.095
Foreign currency translation	413.082.863
Additions	213.426.915
Disposals	(150.574.673)
Closing balance 30 June 2018	**2.451.223.200**
Accumulated depreciation	
Opening balance 1 January 2018	1.075.937.466
Foreign currency translation	231.638.423
Current charge for the period	108.354.612
Disposals	(51.264.266)
Closing balance 30 June 2018	**1.364.666.235**
Net book value 30 June 2018	**1.086.556.965**

For the period ended 30 June 2017, the movement of components and repairable spare parts comprised the following:

Cost	**Components and repairable spare parts**
Opening balance 1 January 2017	1.764.194.842
Foreign currency translation	(6.065.798)
Additions	135.662.666
Disposals	(57.628.515)
Closing balance 30 June 2017	**1.836.163.195**
Accumulated depreciation	
Opening balance 1 January 2017	714.430.667
Foreign currency translation	(6.028.548)
Current charge for the period	128.337.560
Disposals	(27.263.362)
Closing balance 30 June 2017	**809.476.317**
Net book value 30 June 2017	**1.026.686.878**

6. SHARES IN OTHER ENTITIES

As at 30 June 2018 and 31 December 2017, shares in other entities comprised the following:

	30 June 2018	**31 December 2017**
TEC	287.644.905	210.445.886
Goodrich	4.660.794	5.722.120
TCI	7.014.023	4.394.597
	299.319.722	**220.562.603**

For the period ended 30 June 2018 and 2017, the shares of investment profit/(losses) accounted for using the equity method comprised the following:

	1 January – 30 June 2018	**1 January – 30 June 2017**
TEC	27.774.420	23.686.352
Goodrich	182.894	1.019.107
TCI	(577.924)	(710.022)
	27.379.390	**23.995.437**

7. PROPERTY AND EQUIPMENT

For the period ended 30 June 2018, the movement of property and equipment comprised the following:

	Machinery and Equipment	Vehicles	Furniture and Fixtures	Other Tangible Assets	Construction in Progress	Leasehold Improvements	Total
Cost							
Opening balance 1 January 2018	539.523.714	30.512.552	115.621.323	12.576.336	56.874.146	1.625.894.573	2.381.002.644
Foreign currency translation	112.828.098	6.380.949	24.179.352	2.630.031	11.893.826	340.015.813	497.928.069
Additions	58.848.200	2.818.227	7.019.334	2.062.904	22.087.660	2.551.973	95.388.298
Disposals	(66.183)	(536.673)	(460.392)	-	-	-	(1.063.248)
Transfers	2.162.476	-	-	-	(67.266.466)	65.103.990	-
Closing balance 30 June 2018	**713.296.305**	**39.175.055**	**146.359.617**	**17.269.271**	**23.589.166**	**2.033.566.349**	**2.973.255.763**
Accumulated depreciation							
Opening balance 1 January 2018	330.609.586	23.233.630	77.655.640	7.078.371	-	443.239.598	881.816.825
Foreign currency translation	73.065.382	5.007.674	17.080.994	1.597.515	-	99.391.863	196.143.428
Current charge for the period	33.857.072	1.758.213	7.653.386	1.009.208	-	57.663.750	101.941.629
Disposals	(59.295)	(476.276)	(412.472)	-	-	-	(948.043)
Closing balance 30 June 2018	**437.472.745**	**29.523.241**	**101.977.548**	**9.685.094**	**-**	**600.295.211**	**1.178.953.839**
Net book value 1 January 2018	**208.914.128**	**7.278.922**	**37.965.683**	**5.497.965**	**56.874.146**	**1.182.654.975**	**1.499.185.819**
Net book value 30 June 2018	**275.823.560**	**9.651.814**	**44.382.069**	**7.584.177**	**23.589.166**	**1.433.271.138**	**1.794.301.924**

7. PROPERTY AND EQUIPMENT *(continued)*

For the period ended at 30 June 2017, the movement of property and equipment comprised the following :

	Machinery and Equipment	Vehicles	Furniture and Fixtures	Other Tangible Assets	Construction in Progress	Leasehold Improvements	Total
Cost							
Opening balance 1 January 2017	464.924.415	26.500.898	99.815.353	10.380.743	8.141.031	1.452.128.089	2.061.890.529
Foreign currency translation	(1.598.541)	(91.117)	(343.194)	(35.693)	(27.991)	(4.992.825)	(7.089.361)
Additions	10.075.886	-	3.749.061	755.579	1.651.988	2.235.143	18.467.657
Disposals	(11.732)	(209.027)	(16.695)	-	-	-	(237.454)
Transfers (*)	1.109.809	279.769	5.556	(187.003)	(1.225.815)	-	(17.684)
Closing balance 30 June 2017	**474.499.837**	**26.480.523**	**103.210.081**	**10.913.626**	**8.539.213**	**1.449.370.407**	**2.073.013.687**
Accumulated depreciation							
Opening balance 1 January 2017	262.245.979	18.746.923	61.839.274	5.101.138	-	320.196.763	668.130.077
Foreign currency translation	(1.700.458)	(119.777)	(424.587)	(43.854)	-	(2.796.451)	(5.085.127)
Current charge for the period	22.613.935	1.737.505	6.012.693	749.420	-	47.975.155	79.088.708
Disposals	(12.162)	(177.054)	(15.066)	-	-	-	(204.282)
Transfers	-	4.834	-	(4.834)	-	-	-
Closing balance 30 June 2017	**283.147.294**	**20.192.431**	**67.412.314**	**5.801.870**	**-**	**365.375.467**	**741.929.376**
Net book value 1 January 2017	**202.678.436**	**7.753.975**	**37.976.079**	**5.279.605**	**8.141.031**	**1.131.931.326**	**1.393.760.452**
Net book value 30 June 2017	**191.352.543**	**6.288.092**	**35.797.767**	**5.111.756**	**8.539.213**	**1.083.994.940**	**1.331.084.311**

(*) For the six month period ended 30 June 2017, construction in progres amounting to TL 17.684 transferred to intangible assets.

8. INTANGIBLE ASSETS

For the period ended 30 June 2018, the movement of intangible assets comprised the following:

	Rights
Cost	
Opening balance 1 January 2018	95.604.723
Foreign currency translation	19.993.374
Additions	6.955.588
Closing balance 30 June 2018	**122.553.685**
Accumulated amortization	
Opening balance 1 January 2018	81.195.399
Foreign currency translation	17.449.789
Current charge for the period	4.043.556
Closing balance 30 June 2018	**102.688.744**
Net book value 1 January 2018	**14.409.324**
Net book value 30 June 2018	**19.864.941**

For the period ended 30 June 2017, the movement of intangible assets comprised the following:

	Rights
Cost	
Opening balance 1 January 2017	80.662.749
Foreign currency translation	(277.340)
Additions	1.328.964
Transfer	17.684
Closing balance 30 June 2017	**81.732.057**
Accumulated amortization	
Opening balance 1 January 2017	57.287.403
Foreign currency translation	(549.917)
Current charge for the period	9.986.723
Closing balance 30 June 2017	**66.724.209**
Net book value 1 January 2017	**23.375.346**
Net book value 30 June 2017	**15.007.848**

9. COMMITMENTS AND CONTINGENTIES

Leasing Agreements:

Leasing agreements periods are 15 and 23 years and related with the aircraft hangar land.

For the period ended 30 June 2018 leasing payment amounting to TL 7.647.535 (30 June 2017: TL 7.207.622) is accounted as rent expense in income statement.

Commitments related to operating leasing that can not be cancelled	**30 June 2018**	**31 December 2017**
Within one year	18.851.410	16.697.583
One- five years	91.775.317	76.497.324
After five years	89.768.742	85.579.317
	200.395.469	**178.774.224**

10. PROVISIONS, CONTINGENTS ASSETS AND LIABILITIES

As at 30 June 2018 and 31 December 2017 short-term provisions are as follows:

(a) Short-term provisions for employee benefits

	30 June 2018	**31 December 2017**
Provisions for unused vacation	24.003.549	19.816.701
	24.003.549	**19.816.701**

For the periods ended 30 June 2018 and 2017 the movements of provision for unused vacation are as follows:

	1 January – 30 June 2018	**1 January – 30 June 2017**
Provision at the beginning of the period	19.816.701	18.746.312
Foreign currency translation	943.143	1.365.445
Current period provision	4.104.278	3.428.346
Reversal of provision for the unused vacation	(860.573)	(1.452.184)
Provision at the end of the period	**24.003.549**	**22.087.919**

(b) Other short-term provisions

	30 June 2018	**31 December 2017**
Provisions for legal claims	31.300.968	28.249.913
Other provisions (*)	14.283.013	-
	45.583.981	**28.249.913**

(*) The Company adopted TFRS 15 in 2018. Other provisions comprise penalties arising from the contracts and deductions according to TFRS 15.

For the periods ended 30 June 2018 and 2017 the movements of other provisions are as follows:

	1 January – 30 June 2018	**1 January – 30 June 2017**
Provision at the beginning of the period	-	-
Charge for the period	14.476.556	-
Foreign currency translation	(193.543)	-
Provision at the end of the period	**14.283.013**	**-**

10. PROVISIONS, CONTINGENTS ASSETS AND LIABILITIES *(continued)*

(b) Other short-term provisions *(continued)*

For the period ended 30 June 2018 and 2017 the movements of provision for legal claims are as follows:

	1 January – 30 June 2018	**1 January – 30 June 2017**
Provision at the beginning of the period	28.249.913	12.479.422
Foreign currency translation	532.546	87.293
Charge for the period	4.263.528	9.551.008
Reversal of provision for the legal claims	(1.745.019)	(3.568.942)
Provision at the end of the period (*)	**31.300.968**	**18.548.781**

(*) As at 30 June 2018, provision for legal claims amounting to TL 22.041.111 is related with reinstatement cases (30 June 2017: TL 10.649.310).

(c) Other long-term provisions for employee benefits

As at 30 June 2018 and 31 December 2017 other long-term provisions for employee benefits are as follows:

	30 June 2018	**31 December 2017**
Retirement pay liability	120.326.178	107.328.996
	120.326.178	**107.328.996**

The movements of provision for employee benefits are as follows:

	1 January – 30 June 2018	**1 January – 30 June 2017**
Provisions at the beginning of the period	107.328.996	91.515.272
Service charge for the period	6.983.873	19.297.230
Interest charges	6.386.835	1.687.327
Payments	(6.713.807)	(8.824.068)
Actuarial loss gain	6.340.281	(7.571.465)
Provisions at the end of the period	**120.326.178**	**96.104.296**

11. PREPAID EXPENSES AND DEFERRED INCOME

As at 30 June 2018 and 31 December 2017, short term prepaid expenses comprised the following:

	30 June 2018	**31 December 2017**
Advances given for orders (*)	76.068.419	29.833.497
Prepaid expenses fot next months (**)	6.720.672	14.899.525
	82.789.091	**44.733.022**

11. PREPAID EXPENSES AND DEFERRED INCOME *(continued)*

As at 30 June 2018 and 31 December 2017, long term prepaid expenses comprised the following:

	30 June 2018	31 December 2017
Prepaid expenses for next years (**)	14.076.181	12.904.891
	14.076.181	**12.904.891**

(*) Advances given for orders comprise advances given for purchasing of trading goods, components and consumables.

(**) As at 30 June 2018, TL 16.609.222 of prepaid expenses comprise costs related with Kıyı Emniyeti Genel Müdürlüğü ("KEGM") in order to hire the land of Devlet Hava Meydanları İşletmesi Genel Müdürlüğü ("DHMİ") (31 December 2017: TL 14.910.481).

As at 30 June 2018 and 31 December 2017, short term deferred income comprised the following:

	30 June 2018	31 December 2017
Advances received	469.416.766	406.871.440
Deferred income	38.318.824	38.385.145
	507.735.590	**445.256.585**

12. SHAREHOLDERS' EQUITY

As at 30 June 2018 and 31 December 2017, the ownership structure of the Company's share capital is as follows:

	%	30 June 2018	%	31 December 2017
THY A.O.	100	960.850.000	100	960.850.000
		960.850.000		**960.850.000**

As at 30 June 2018, the Company's share capital is comprised of 960.850.000 shares issued with par value of TL 1 each (31 December 2017: 960.850.000 shares with par value of TL 1each). These shares are written to the name. The Company is not included in the registered capital system.

Restricted Profit Reserves

Restricted reserves assorted from profit consist of legal reserves.

Turkish Commercial Code (TCC) stipulates that legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital. In 2018, the Company has transferred TL 37.105.665 to restricted profit reserves from retained earnings. As at 30 June 2018, the restricted profit reserve is amounting to TL 64.258.023 (31 December 2017: TL 27.152.358).

Foreign Currency Translation Differences

For the purpose of preparing financial statements and notes, according to TAS 21, monetary items in statutory financial statements is translated to USD using year-end exchange rates, non-monetary items in balance sheet, income/expenses and cash flow are translated to USD by using the exchange rate of the transaction date (historic rate), and currency translation differences are presented under equity. Translation profit/loss from foreign currency transactions is presented under foreign currency exchange losses item under financial expenses in profit or loss and translation profit/loss from trading operations is presented under foreign exchange losses item in operating expenses. As at 30 June 2018, the accumulated foreing currency translation reserve is amounting to TL 2.025.393.763 (31 December 2017: TL 1.350.230.063).

13. REVENUE AND COST OF SALES

For the period ended 30 June 2018 and 2017 revenue is as follows:

	1 January - 30 June 2018	1 January - 30 June 2017
Aircraft maintenance income	1.022.366.792	656.345.136
Pool income	444.836.343	338.841.470
Component maintenance income	386.274.901	300.445.500
Line maintenance income	356.076.765	302.292.399
Engine maintenance income	119.551.885	58.351.637
Equipment sales income	61.959.610	74.975.893
Others	56.186.595	37.547.702
Revenue	**2.447.252.891**	**1.768.799.737**
Cost of sales (-)	(1.862.137.470)	(1.386.253.554)
Gross profit	**585.115.421**	**382.546.183**

For the period ended 30 June 2018 and 2017 cost of sales is as follows:

	1 January - 30 June 2018	1 January - 30 June 2017
Equipment expenses	651.920.406	437.690.338
Personnel expenses	521.791.033	423.374.256
Maintanence expenses	268.968.584	167.211.095
Depreciation and amortisation expenses	178.867.627	169.932.865
Service expenses	138.464.150	128.297.642
Transportaion expenses	62.093.163	38.952.449
Rent expenses	10.959.075	8.171.997
Lighting, heating and water expenses	8.807.685	3.717.247
Others	20.265.747	8.905.665
	1.862.137.470	**1.386.253.554**

14. GENERAL ADMINISTRATIVE EXPENSES

For the period ended 30 June 2018 and 2017 general administrative expenses is as follows:

	1 January - 30 June 2018	1 January - 30 June 2017
Personnel expenses	67.403.191	58.083.558
Depreciation and amortisation expenses	32.408.031	47.283.691
Service expenses	26.482.870	18.667.664
Equipment expenses	5.622.516	6.443.508
Rent expenses	3.893.854	5.217.555
Lighting, heating and water expenses	3.612.793	4.455.286
Others	24.427.496	22.221.351
	163.850.751	**162.372.613**

15. OTHER OPERATING INCOME AND EXPENSES

For the period ended 30 June 2018 and 2017 other operating income is as follows:

	1 January - 30 June 2018	**1 January - 30 June 2017**
Income from free issue materials	3.880.895	41.219
Foreign exchange gain from trade operations, net	2.573.692	1.643.563
Insurance, indemnities and penalties income	2.282.351	1.259.345
Plant maintenance income	1.788.856	1.646.819
Provisions no longer required for legal claims	1.745.019	3.568.942
Late payment interest income of trade receivables	1.062.714	10.383.388
Others	3.376.289	3.348.588
	16.709.816	**21.891.864**

For the periods ended 30 June 2018 ve 2017 other operating expense is as follows:

	1 January - 30 June 2018	**1 January - 30 June 2017**
Punishment costs arising from a contract (*)	10.400.625	-
Provision expense of the legal claims (Note 10)	4.263.528	9.551.008
Expense of not hiring to the job (job security) provisions	1.436.054	320.254
Others	11.711.450	7.359.299
	27.811.657	**17.230.561**

(*) The Company adopted TFRS 15 from 1 January 2018. Other provisions comprise penalties arising from the contracts according to TFRS 15.

16. TAX ASSET AND LIABILITIES

As at 30 June 2018 and 31 December 2017, current tax liabilities comprise the following:

	1 January - 30 June 2018	**1 January - 31 December 2017**
Current corporate tax provision	149.762.162	185.570.906
Prepaid taxes and funds	(61.747.984)	(138.832.740)
Current tax liabilities	**88.014.178**	**46.738.166**

The Company's current tax expense comprises current tax expense and deferred tax expense.

	1 January - 30 June 2018	**1 January - 30 June 2017**
Current period tax expense	(134.639.752)	(85.975.612)
Deferred tax (expense)/ benefit	(54.901.556)	45.480.167
	(189.541.308)	**(40.495.445)**

Corporate Taxes

The Company is subject to Turkish corporate taxes. Provision is recognized in the accompanying financial statements for the estimated charge based on the Company's results for the periods.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rate in 2018 is 22% (2017: 20%).

16. TAX ASSET AND LIABILITIES *(continued)*

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

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

Income Withholding Tax

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

Deferred Tax

The Company 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.

In the calculation of deferred tax asset and liability for the years 2018, 2019 and 2020 the rate of 22 percent is used and in the calculation of temporary differences that will create tax effect after 2021, the rate of 20 percent is used (2017: 22 percent and 20 percent).

As at 30 June 2018 and 31 December 2017, the deferred tax assets and liabilities comprised the following:

	30 June 2018	31 December 2017
Provisions for retirement pay liability	26.471.759	23.612.379
Provision for doubtful receivables	10.509.162	7.072.697
Provision for legal claims	6.886.213	6.214.981
Provisions for vacation pay liability	5.280.781	4.359.674
Inventories	(78.219.011)	(42.439.496)
Fixed assets	(188.738.739)	(132.849.183)
Others	5.914.425	3.816.903
	(211.895.410)	**(130.212.045)**

For the periods ended 30 June 2018 and 2017, the movements of deferred tax liability comprised the following:

	1 January – 30 June 2018	1 January – 30 June 2017
Deferred tax liability at the beginning of the period	130.212.045	203.089.390
Adjustment on initial application of TFRS 9 (*)	1.968.879	-
Foreign currency translation	26.207.792	(531.611)
Deferred tax expense/ (benefit)	54.901.556	(45.480.167)
Actuarial loss/(gain)	(1.394.862)	1.514.293
Deferred tax liability at the end of the period	**211.895.410**	**158.591.905**

(*) The Company has initially applied TFRS 9 as at 1 January 2018, under the transition method chosen, comperative information is not restated.

17. EARNINGS PER SHARE

There is not any equity (dilutive equity instruments) that have reducing effects on the earnings per share. The calculation of weighted average of total shares and earnings per share is as follows:

	1 January– 30 June 2018	**1 January– 30 June 2017**
Number of total outstanding shares as at 1January (in full)	960.850.000	960.850.000
Number of outstanding shares as at 30 June (in full)	960.850.000	960.850.000
Weighted Average number of shares outstanding during the period (in full)	960.850.000	960.850.000
Net profit for the period	270.269.946	186.784.992
Earnings per share (Kr)	**28,13**	**19,44**

18. RELATED PARTY TRANSACTIONS

As at 30 June 2018 and 31 December 2017 trade receivables from related parties are as follows:

	30 June 2018	**31 December 2017**
THY A.O	1.037.034.853	1.125.361.065
Güneş Express Havacılık A.Ş. (“Sun Ekspress”)	27.024.247	10.086.667
THY Uçuş Eğitim ve Havalimanı İşletme A.Ş (“Aydın Çıldır Havalimanı”)	6.952.788	10.448
TEC	2.748.526	6.367.710
TCI	1.122.588	76.949
TGS Yer Hizmetleri A.Ş. (“TGS”)	530.164	1.099.134
Goodrich	127.392	115.717
Others	187.369	7.919
	1.075.727.927	**1.143.125.609**

As at 30 June 2018 and 31 December 2017 other receivables from related parties are as follows:

	30 June 2018	**31 December 2017**
THY A.O.	1.639.501	1.341.909
	1.639.501	**1.341.909**

As at 30 June 2018 and 31 December 2017 trade payables to related parties are as follows:

	30 June 2018	**31 December 2017**
THY A.O.	30.356.056	42.840.034
Goodrich	5.695.032	3.936.939
TGS	1.912.202	1.584.531
TSI Uçak Koltuk	1.704.084	4.528.206
TCI	758.968	5.735.976
THY Opet	-	114.557
Others	112.979	41.557
	40.539.321	**58.781.800**

As at 30 June 2018 and 31 December 2017 short term other payables to related parties are as follows:

	30 June 2018	**31 December 2017**
THY A.O.	2.182.296	94.400.926
	2.182.296	**94.400.926**

18. RELATED PARTY TRANSACTIONS *(continued)*

As at 30 June 2018 and 31 December 2017 long-term other payables to related parties are as follows:

	30 June 2018	31 December 2017
THY A.O.	-	174.087.689
	-	**174.087.689**

For the periods ended 30 June 2018 and 2017, transactions with related parties are as follows:

Sales	1 January-30 June 2018	1 January-30 June 2017
THY A.O.	1.979.281.640	1.495.016.119
Sun Express	66.758.000	53.614.716
TEC	23.783.840	12.928.769
Aydın Çıldır Havalimanı	5.270.111	2.727
Goodrich	1.071.806	615.274
TCI	917.816	274.373
Uçak Koltuk	695.922	579.671
TGS	132.685	437.267
Others	20.464	44.360
	2.077.932.284	**1.563.513.276**

Purchases	1 January-30 June 2018	1 January-30 June 2017
THY A.O.	89.349.166	75.433.360
Goodrich	36.988.185	20.931.034
TCI	11.320.445	2.942.985
TGS	9.409.158	9.667.927
Uçak Koltuk	8.428.026	19.339.901
THY Opet	712.551	502.877
Others	312.712	573.981
	156.520.243	**129.392.065**

Interest Expense	1 January-30 June 2018	1 January-30 June 2017
THY A.O.	8.319.362	19.136.476
	8.319.362	**19.136.476**

Other income	1 January-30 June 2018	1 January-30 June 2017
THY A.O.	-	10.383.388
	-	**10.383.388**

For the period ended 30 June 2018, total amount of salaries and other benefits provided to key management personnel is amounting to TL 1.989.509 (30 June 2017: TL 1.781.456).

19. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS

Foreign Currency Risk Management

As at 30 June 2018 and 31 December 2017, the Company's foreign currency position table comprised the following:

Foreign Currency Position Table

	30 June 2018					31 December 2017				
	TL Equivalent	**TL**	**EUR**	**GBP**	**Other**	**TL Equivalent**	**TL**	**EUR**	**GBP**	**Other**
1. Trade Receivables	53.373.455	20.202.711	33.025.301	90.268	55.175	47.670.674	24.224.355	23.379.872	19.998	46.449
2a. Monetary Financial Assets	2.018.278	1.529.255	404.257	84.767	-	6.409.878	4.450.585	1.841.074	118.220	-
2b.Non-monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
3. Other	39.109.455	8.143.902	29.193.537	1.772.016	-	16.899.489	2.833.407	12.891.611	1.174.472	-
4. Total Current Assets (1+2+3)	**94.501.188**	**29.875.868**	**62.623.095**	**1.947.051**	**55.175**	**70.980.041**	**31.508.347**	**38.112.557**	**1.312.690**	**46.449**
5.Trade Receivables	-	-	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-	-	-
8. Total Non- Current Assets (5)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
9. Total Assets (4+6)	**94.501.188**	**29.875.868**	**62.623.095**	**1.947.051**	**55.175**	**70.980.041**	**31.508.347**	**38.112.557**	**1.312.690**	**46.449**
10. Trade Payables	94.548.841	48.199.825	39.130.446	5.161.210	2.057.360	79.957.822	50.273.923	25.092.318	3.366.439	1.225.142
11. Financial Borrowings	16.334	16.334	-	-	-	240.946	240.946	-	-	-
12a. Other Monetary Liabilities	-	-	-	-	-	-	-	-	-	-
12b. Other Non- Monetary Liabilities	362.867.016	355.730.617	6.546.556	5.391	584.452	336.789.408	333.155.571	3.347.986	7.866	277.985
13. Total Current Liabilities (10+11+12)	**457.432.191**	**403.946.776**	**45.677.002**	**5.166.601**	**2.641.812**	**416.988.176**	**383.670.440**	**28.440.304**	**3.374.305**	**1.503.127**
14. Trade Payables	-	-	-	-	-	-	-	-	-	-
15. Financial Borrowings	-	-	-	-	-	-	-	-	-	-
16a. Other Monetary Liabilities	-	-	-	-	-	-	-	-	-	-
16b. Other Non- Monetary Liabilities	120.326.178	120.326.178	-	-	-	107.328.996	107.328.996	-	-	-
17. Non Current Liabilities (14+15+16)	**120.326.178**	**120.326.178**	**-**	**-**	**-**	**107.328.996**	**107.328.996**	-	-	-
18. Total Liabilities (13+17)	**577.758.369**	**524.272.954**	**45.677.002**	**5.166.601**	**2.641.812**	**524.317.172**	**490.999.436**	**28.440.304**	**3.374.305**	**1.503.127**
19. Net Foreign Currency Asset/ (Liability) Position (9-18)	**(483.257.181)**	**(494.397.086)**	**16.946.093**	**(3.219.550)**	**(2.586.637)**	**(453.337.131)**	**(459.491.089)**	**9.672.253**	**(2.061.616)**	**(1.456.678)**
20. Net Foreign Currency Asset/ (Liability) Position of Monetary Items (1+2-10-11-12)	**(39.173.442)**	**(26.484.193)**	**(5.700.888)**	**(4.986.175)**	**(2.002.185)**	**(26.118.216)**	**(21.839.929)**	**128.627**	**(3.228.221)**	**(1.178.693)**

19. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS *(continued)*

Foreign Currency Risk Management (continued)

Foreign currency sensitivity

The Company is exposed to foreign currency risk due to TL, Euro and GBP (2017: TL, Euro and GBP) exchange rate fluctuations. The following table details the Company's sensitivity to a 10% increase and decrease in TL, Euro and GBP exchange rates. 10% is used in, the reporting of currency risk to the key management and it represents the management's expectation on the potential exchange currency fluctuations. Sensitivity analysis can only made on the year-end outstanding foreign currency denominated monetary items and it shows the year end effects of the 10% of exchange currency fluctuation on the related items. Positive value represents an increase in profit/loss and other equity items.

	30 June 2018 Profit/ (Loss) Before Tax	
	If foreign currency appreciated 10 %	If foreign currency depreciated 10 %
1-TL net asset / liability	(2.648.419)	2.648.419
2-Part of hedged from TL risk (-)	-	-
3-TL net effect (1+2)	(2.648.419)	2.648.419
4-EUR net asset / liability	(570.089)	570.089
5-Part of hedged from EUR risk (-)	-	-
6- EUR net effect (4+5)	(570.089)	570.089
7-GBP net asset / liability	(498.618)	498.618
8-Part of hedged from GBP risk (-)	-	-
9-GBP net effect (7+8)	(498.618)	498.618
10-Other net asset / liability	(200.218)	200.218
11-Part of hedged from other risk (-)	-	-
12-Other net effect (10+11)	(200.218)	200.218
TOTAL (3+6+9+12)	**(3.917.344)**	**3.917.344**

19. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS *(continued)*

Foreign Currency Risk Management (continued)

Foreign currency sensitivity (continued)

	31 December 2017	
	Profit/ (Loss) Before Tax	
	If foreign currency appreciated 10 %	If foreign currency depreciated 10 %
1-TL net asset / liability	(2.183.993)	2.183.993
2-Part of hedged from TL risk (-)	-	-
3-TL net effect (1+2)	(2.183.993)	2.183.993
4-EUR net asset / liability	12.863	(12.863)
5-Part of hedged from EUR risk (-)	-	-
6- EUR net effect (4+5)	12.863	(12.863)
7-GBP net asset / liability	(322.822)	322.822
8-Part of hedged from GBP risk (-)	-	-
9-GBP net effect (7+8)	(322.822)	322.822
10-Other net asset / liability	(117.869)	117.869
11-Part of hedged from other risk (-)	-	-
12-Other net effect (10+11)	(117.869)	117.869
TOTAL (3+6+9+12)	**(2.611.821)**	**2.611.821**

Credit risk management

The risk of financial loss of the Company due to one of the financial instrument parties not meeting the requirements of the agreement is defined as credit risk.

The Company's credit risk is basically related to its trade receivables. The balance shown in the balance sheet is formed by the net amount after deducting the doubtful receivables arisen from the Company management's forecasts based on its previous experience and current economic conditions. Because there are so many customers, the Company's credit risk is dispersed and there is not important credit risk concentration.

	Weighted-average loss rate %	**Gross carrying amount**	**Loss allowance**
Current (not past due)	2,61	109.840.029	2.869.390
1-30 days past due	4,51	45.183.331	2.037.086
31-90 days past due	7,22	38.456.644	2.777.841
91-180 days past due	15,95	7.453.172	1.188.931
+180 days past due	33,92	15.822.012	5.367.552
		216.755.188	**14.240.800**

19. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS *(continued)*

Fair values of financial instruments

30 June 2018	**Loans and receivables**	**Financial liabilities at amortized costs**	**Book value**
Financial assets			
Cash and cash equivalents	18.637.583		18.637.583
Trade receivables	1.267.214.904		1.267.214.904
Other receivables	2.545.029		2.545.029
Financial liabilities			
Financial borrowings		16.334	16.334
Trade payables		337.867.843	337.867.843
Other payables		102.270.753	102.270.753

31 December 2017	**Loans and receivables**	**Financial liabilities at amortized costs**	**Book value**
Financial assets			
Cash and cash equivalents	11.410.411	-	11.410.411
Trade receivables	1.282.615.818	-	1.282.615.818
Other receivables	1.802.756	-	1.802.756
Financial liabilities			
Financial borrowings	-	240.946	240.946
Trade payables	-	367.807.757	367.807.757
Other payables		432.163.931	432.163.931

20. EVENTS AFTER THE BALANCE SHEET DATE

None.