

CONVENIENCE TRANSLATION OF
THE REPORT AND FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

**PEGASUS HAVA TAŐIMACILIĐI
ANONİM ŐİRKETİ AND ITS SUBSIDIARIES**

CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE
THREE-MONTH INTERIM PERIOD ENDED
31 MARCH 2019

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PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 MARCH 2019**

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Not reviewed) 31 March 2019	Prior period (Audited) 31 December 2018
	Notes		
ASSETS			
Current assets		4.209.323.399	4.412.080.391
Cash and cash equivalents	26	2.328.371.342	2.741.044.971
Trade receivables	6	648.224.042	235.514.142
<i>Trade receivables from related parties</i>		-	-
<i>Trade receivables from third parties</i>		648.224.042	235.514.142
Other receivables		248.062.448	479.758.270
<i>Other receivables from related parties</i>	5	449.930	1.580.011
<i>Other receivables from third parties</i>		247.612.518	478.178.259
Derivative financial instruments	21	2.944.479	3.134.337
Inventories		62.117.213	58.182.322
Prepaid expenses	7	878.025.394	847.933.762
Current income tax assets		9.518.008	5.954.024
Other current assets		32.060.473	40.558.563
Non-Current assets		12.702.295.385	9.252.807.145
Other receivables		78.930.336	72.613.409
<i>Other receivables from third parties</i>		78.930.336	72.613.409
Investments accounted by using the equity method	3	43.426.778	39.797.114
Property and equipment	8	8.860.242.422	8.248.203.635
Intangible assets	9	56.010.169	46.859.897
Right of use assets	10	2.532.074.510	-
Prepaid expenses	7	1.131.611.170	845.333.090
TOTAL ASSETS		16.911.618.784	13.664.887.536

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 MARCH 2019**

(Amounts are expressed in TL unless otherwise stated.)

	Notes	Current period (Not reviewed) 31 March 2019	Prior period (Audited) 31 December 2018
LIABILITIES			
Current liabilities		4.324.453.998	3.554.371.119
Short term financial liabilities	22	512.184.400	797.815.861
Short term portion of long term financial liabilities	22	1.354.413.075	659.409.925
Trade payables	6	583.315.967	583.526.242
<i>Trade payables to related parties</i>	5	1.792.081	1.158.564
<i>Trade payables to third parties</i>		581.523.886	582.367.678
Employee benefit obligations		72.104.799	25.641.632
Other payables		41.960.215	24.170.136
<i>Other payables to third parties</i>		41.960.215	24.170.136
Derivative financial instruments	21	34.885.147	189.722.017
Deferred income	7	1.170.937.915	740.526.677
Short term provisions		540.428.462	508.251.575
<i>Short term provisions for employee benefits</i>		30.257.531	79.419.630
<i>Other short term provisions</i>		510.170.931	428.831.945
Other current liabilities		14.224.018	25.307.054
Non-Current liabilities		9.116.990.860	6.395.068.769
Long term financial liabilities	22	6.965.543.751	5.064.858.596
Derivative financial instruments	21	17.051.791	104.993.760
Deferred income	7	191.510.917	121.994.007
Long term provisions		1.494.485.570	624.090.226
<i>Long term provisions for employee benefits</i>		20.665.383	25.019.690
<i>Other long term provisions</i>		1.473.820.187	599.070.536
Deferred tax liabilities		448.398.831	479.132.180
SHAREHOLDERS' EQUITY		3.470.173.926	3.715.447.648
Equity attributable to shareholders' of the parent		3.511.074.765	3.753.058.255
Paid-in share capital	14	102.299.707	102.299.707
Share premiums on capital stock		455.687.025	455.687.025
Effects of business acquisition		31.729.006	31.729.006
Other comprehensive income/expense not to be reclassified to profit or loss			
Actuarial losses on defined benefit plans		(2.132.417)	(2.132.417)
Currency translation differences		2.266.843.119	2.131.817.567
Other comprehensive income/expense to be reclassified to profit or loss			
Currency translation differences		(104.662.896)	(89.760.549)
Hedge fund		(38.974.403)	(221.159.956)
Restricted profit reserves		5.016.306	5.016.306
Retained earnings		1.009.122.596	832.182.941
Net (loss) / profit for the period		(213.853.278)	507.378.625
Non-controlling interest		(40.900.839)	(37.610.607)
TOTAL LIABILITIES AND EQUITY		16.911.618.784	13.664.887.536

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2019

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Not Reviewed) 1 January- 31 March 2019	Prior period (Not Reviewed) 1 January- 31 March 2018
Profit or loss	Notes		
Sales	15	1.765.904.482	1.194.745.297
Cost of sales (-)	15	(1.734.530.669)	(1.237.006.412)
Gross profit / (loss)		31.373.813	(42.261.115)
General administrative expenses (-)	16	(78.094.224)	(57.681.020)
Marketing expenses (-)	16	(64.704.282)	(47.293.890)
Other operating income	17	59.748.857	15.509.866
Other operating expenses (-)	17	(3.919.913)	(443.028)
Operating loss		(55.595.749)	(132.169.187)
Income from investing activities	18	459.873	22.358.368
Share of investments income accounted for using the equity method	3	3.131.104	1.139.921
Operating loss before financial expense		(52.004.772)	(108.670.898)
Financial income	19	31.221.009	19.586.715
Financial expense (-)	19	(216.832.470)	(47.025.115)
Loss before tax		(237.616.233)	(136.109.298)
Tax income		23.102.549	21.381.480
Current tax expense		-	-
Deferred tax income		23.102.549	21.381.480
Loss for the period		(214.513.684)	(114.727.818)
Net profit attributable to:			
Non-controlling interest		(660.406)	(1.790.873)
Shareholders' of the parent		(213.853.278)	(112.936.945)
		(214.513.684)	(114.727.818)
Loss per share (TL)	20	(2,09)	(1,10)
Other comprehensive income			
Items not to be reclassified to profit or loss			
Currency translation differences		135.025.552	172.080.679
Items to be reclassified to profit or loss			
Currency translation differences		(17.532.173)	(7.274.633)
Cash flow hedge		235.596.900	4.113.006
Deferred tax effect		(53.411.347)	(822.601)
Other comprehensive income		299.678.932	168.096.451
Total comprehensive income		85.165.248	53.368.633
Total comprehensive income attributable to:			
Non-controlling interest		(3.290.232)	(2.656.836)
Shareholders' of the parent		88.455.480	56.025.469
		85.165.248	53.368.633

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

(Convenience Translation of The Report and Financial Statements Originally Issued in Turkish)

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2019**

(Amounts are expressed in TL unless otherwise stated.)

				Other comprehensive income items not to be reclassified to profit or loss		Other comprehensive income items to be reclassified to profit or loss			Retained earnings				
	Paid in share capital	Share premiums on capital stock	Effects of business acquisition	Actuarial gains/(losses) on defined benefit plans	Currency translation differences	Currency translation differences	Hedge reserve	Restricted profit reserves	Retained earnings	Net profit/(loss) for the year	Equity attributable to shareholders' of the parent	Non-controlling interest	Shareholders' equity
As at 1 January 2018	102.272.000	455.687.025	29.504.957	(3.305.232)	1.079.050.983	(43.927.223)	23.761.279	5.016.306	355.561.802	502.247.817	2.505.869.714	(21.231.508)	2.484.638.206
Changes in accounting policy (Note 2)	-	-	-	-	-	-	-	-	(18.756.004)	-	(18.756.004)	-	(18.756.004)
Restated total equity as at 1 January 2018	102.272.000	455.687.025	29.504.957	(3.305.232)	1.079.050.983	(43.927.223)	23.761.279	5.016.306	336.805.798	502.247.817	2.487.113.710	(21.231.508)	2.465.882.202
Transfers	-	-	-	-	-	-	-	-	502.247.817	(502.247.817)	-	-	-
Total comprehensive income	-	-	-	-	172.080.679	(6.408.670)	3.290.405	-	-	(112.936.945)	56.025.469	(2.656.836)	53.368.633
As at 31 March 2018	102.272.000	455.687.025	29.504.957	(3.305.232)	1.251.131.662	(50.335.893)	27.051.684	5.016.306	839.053.615	(112.936.945)	2.543.139.179	(23.888.344)	2.519.250.835
As at 1 January 2019	102.299.707	455.687.025	31.729.006	(2.132.417)	2.131.817.567	(89.760.549)	(221.159.956)	5.016.306	832.182.941	507.378.625	3.753.058.255	(37.610.607)	3.715.447.648
Changes in accounting policy (Note 2)	-	-	-	-	-	-	-	-	(330.438.970)	-	(330.438.970)	-	(330.438.970)
Restated total equity as at 1 January 2019	102.299.707	455.687.025	31.729.006	(2.132.417)	2.131.817.567	(89.760.549)	(221.159.956)	5.016.306	501.743.971	507.378.625	3.422.619.285	(37.610.607)	3.385.008.678
Transfers	-	-	-	-	-	-	-	-	507.378.625	(507.378.625)	-	-	-
Total comprehensive income	-	-	-	-	135.025.552	(14.902.347)	182.185.553	-	-	(213.853.278)	88.455.480	(3.290.232)	85.165.248
As at 31 March 2019	102.299.707	455.687.025	31.729.006	(2.132.417)	2.266.843.119	(104.662.896)	(38.974.403)	5.016.306	1.009.122.596	(213.853.278)	3.511.074.765	(40.900.839)	3.470.173.926

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

(Convenience Translation of The Report and Financial Statements Originally Issued in Turkish)

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2019

(Amounts are expressed in TL unless otherwise stated.)

		Current period (Not Reviewed) 1 January- 31 March 2019	Prior period (Not Reviewed) 1 January- 31 March 2018
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period		(214.513.684)	(114.727.818)
Adjustments to reconcile the loss			
Depreciation and amortization	8-9	355.711.042	95.380.152
Adjustments related with impairments		1.897.453	(400.074)
<i>Provision for doubtful receivable</i>		1.897.453	(400.074)
Adjustments related with provisions		7.966.181	51.239.288
<i>Provision for employee benefits</i>		7.804.487	4.200.209
<i>Legal provision</i>		161.694	3.562.279
<i>Change in redelivery provision</i>		-	43.476.800
Interest and commission income	19	103.335.406	20.205.038
Gain on equity investments accounted for using the equity method	3	(3.131.104)	(1.139.921)
Current tax expense		(23.102.549)	(21.381.480)
Other provisions related with investing or financing activities		(6.992.081)	(20.478.439)
Changes in working capital			
Increase in trade receivables		(415.420.744)	(238.011.011)
Increase in other receivables, prepaid expenses and other current assets		(21.333.178)	(38.589.569)
Increase in inventories		(3.934.891)	(5.449.951)
(Decrease) / Increase in trade payables		(210.277)	12.705.207
Increase in deferred income, other payables and other current liabilities		520.953.093	284.411.949
Net cash generated from operating activities		301.224.667	23.763.371
Payment for employee, executive bonus plan and retirement benefits		(62.277.569)	(28.786.957)
Payment for other provisions		(142.982)	(153.324)
		238.804.116	(5.176.910)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of aircraft		-	88.849.440
Proceeds from sale of property, equipment and intangible assets		977.983	22.916
Cash outflows from purchase of property, equipment and intangible assets		(30.643.964)	(46.578.836)
Changes in cash advances and payables		(92.244.431)	(22.727.620)
		(121.910.412)	19.565.900
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in borrowings		-	195.649.400
Repayment of borrowings		(307.226.950)	-
Repayment of principal in financial lease liabilities		(311.094.208)	(74.074.441)
Interest and commission paid		(121.981.592)	(39.304.378)
Interest received		24.715.653	17.367.818
		(715.587.097)	99.638.399
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS BEFORE TRANSLATION EFFECT (A+B+C)			
		(598.693.393)	114.027.389
D. TRANSLATION DIFFERENCES EFFECT ON CASH AND CASH EQUIVALENTS NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)			
		186.019.764	(48.257.762)
		(412.673.629)	65.769.627
E. CASH AND CASH EQUIVALENTS			
AT THE BEGINNING OF THE PERIOD	26	2.741.044.971	1.988.110.247
CASH AND CASH EQUIVALENTS			
AT THE END OF THE PERIOD (A+B+C+D+E)	26	2.328.371.342	2.053.879.874

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

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

(Amounts are expressed in TL unless otherwise stated.)

NOTE 1 - ORGANIZATION AND OPERATIONS OF THE GROUP

Pegasus Hava Taşımacılığı A.Ş. (the “Company” or “Pegasus”) and its subsidiaries (together “the Group”) is a low cost airline. The Group operates under a low cost business model and employs low cost airline business practices which focus on providing affordable, reliable and simple service.

The shareholders and their respective holdings in the Company as of 31 March 2019 and 31 December 2018 are as follows:

	31 March 2019	31 December 2018
Esas Holding A.Ş. (“Esas Holding”)	62,92%	62,92%
Publicly held	34,51%	34,51%
Sabancı Family Members	2,57%	2,57%
Total	100,00%	100,00%

Shares of the Company has been started to be traded in İstanbul Stock Exchange since 26 April 2013, after the book building between the dates of 18-19 April 2013.

The Group’s total number of full time employees as of 31 March 2019 is 5.841 (31 December 2018: 5.621). The address of its principal executive office is Aeropark Yenişehir Mah. Osmanlı Bulvarı No: 11/A Kurtkoy-Pendik İstanbul.

Approval of Financial Statements

Board of Directors has approved the condensed consolidated financial statements as of 31 March 2019 and delegated authority for publishing it on 10 May 2019. General shareholders’ meeting has the authority to modify the financial statements.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance with TAS

The Company and its subsidiaries registered in Turkey maintain their books of account and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code and Tax Legislation.

Subsidiaries that are registered in foreign countries maintain their books of account and prepare their statutory statements in accordance with the prevailing accounting principles and the local currency in their registered countries.

The accompanying financial statements are prepared in accordance with the requirements of Capital Markets Board (“CMB”) Communiqué Serial II, No: 14.1 “Basis of Financial Reporting in Capital Markets”, which were published in the Official Gazette No:28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Accounting Standards / Turkish Financial Reporting Standards and interpretations (“TAS/IFRS”) that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority (“POA”) under Article 5 of the Communiqué. The accompanying consolidated financial statements are presented in accordance with the “Announcement regarding to TAS Taxonomy” which was published on 2 June 2016 by POA and the format and mandatory information recommended by CMB.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 MARCH 2019**

(Amounts are expressed in TL unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation (cont'd)

Statement of Compliance with TAS (cont'd)

The Group has prepared the condensed financial statements and its notes for the interim period ended 31 March 2019 in accordance with TAS 34 “Interim Financial Reporting”. These condensed consolidated interim financial statements do not include all the notes of the type normally included in annual financial statements and therefore, these financial statements are to be read in conjunction with the annual financial statements for the year ended 31 December 2018.

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values. The accompanying condensed consolidated financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with Turkish Accounting Standards.

Functional and Presentation Currency

Although there is no prominent currency affecting revenue and cost of sales, the Group's functional currency is determined as Euro for the reasons that, largest scale of scheduled flight revenue which is the Group's primary operation is generated from European flights, Euro is clearly effective on the financial liabilities of the Group and management reports and budget enabling the Company's management to make executive decisions are prepared in Euro. The functional currency of the Company and its subsidiaries is Euro except Air Manas. The functional currency of Air Manas is US Dollar.

If the legal records are kept in a currency other than the functional currency, the financial statements are initially translated into the functional currency and then translated to the Group's presentation currency, Turkish Lira (“TL”). For the companies in Turkey that book legal records in TL, currency translation from TL to the functional currency Euro is made under the framework described below:

- Monetary assets and liabilities have been converted to the functional currency with the The Central Bank of Turkish Republic (CBRT) foreign exchange buying rate.
- Non-monetary items have been converted into the functional currency at the exchange rates prevailing at the transaction date.
- Profit or loss accounts have been converted into the functional currency using the exchange rates at the transaction date, except for depreciation expenses.
- The capital is followed according to historical costs.

The translation differences resulting from the above mentioned conversions are recorded under financial income / expenses in the statement of profit or loss.

Presentation currency of the Group’s financial statements is TL. Financial Statements have been translated from Euro and US Dollar to TL in accordance with the relevant provisions of TAS 21 (“The Effects of Changes in Foreign Exchange Rates”) as follows:

- Assets and liabilities are translated using the Central Bank of the Republic of Turkey (“TCMB”) Euro buying rate prevailing at the balance sheet date; 31 March 2019: 1 Euro (€) = TL 6,3188, 1 US Dollar (\$) = TL 5,6284 (31 December 2018: 1 Euro (€) = TL 6,0280, 1 US Dollar (\$) = TL 5,2609).
- Income and expenses are translated from Euro to TL at exchange rates at the dates of transactions and translated from US Dollar to TL using the TCMB US Dollar average buying rates.

Translation gains or losses arising from the translations stated above are presented as foreign currency translation reserve under equity. Share capital amount, representing the nominal share capital of the Company, all other equity items are presented in historic TL terms where all translation gains or losses in relation to these balances are accounted under foreign currency translation reserve.

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

(Amounts are expressed in TL unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.1 Basis of Presentation (cont'd)

Comparative Information and Reclassification of Prior Period Financial Statements

Condensed consolidated financial statements of Group are prepared in comparison to prior period in order to identify financial position and performance trends. In order to maintain consistency with current period condensed consolidated financial statements, comparative information is reclassified and significant changes are disclosed if necessary. In the current period, the Group has not made any reclassification in the prior period consolidated financial statements in order to maintain consistency with current period condensed consolidated financial statements.

Basis of Consolidation

The table below sets out the consolidated subsidiaries and participation rate of the Group in these subsidiaries as of 31 March 2019 and 31 December 2018:

<u>Name of the company</u>	<u>Principal activity</u>	<u>Participation rate</u>		<u>Country of registration and operation</u>
		<u>31 March 2019</u>	<u>31 December 2018</u>	
Air Manas (*)	Air transportation	49%	49%	Kyrgyzstan
PHT	Simulator technical support and maintenance	100%	100%	Turkey

(*) In accordance with its rights arising from Air Manas Articles of Association, the Company has the right to control Air Manas operations with 49% shareholding rate and therefore, Air Manas was included in line by line consolidation as a subsidiary as of 31 March 2019 and 31 December 2018.

The table below sets out affiliates and joint ventures then indicates the proportion of ownership interest of the Company in these affiliates and joint ventures as of 31 March 2019 and 31 December 2018:

<u>Name of the company</u>	<u>Principal activity</u>	<u>Participation rate</u>		<u>Country of registration and operation</u>
		<u>31 March 2019</u>	<u>31 December 2018</u>	
Pegasus Uçuş Eğitim Merkezi A.Ş. ("PUEM")	Simulator training	49%	49%	Turkey
Hitit Bilgisayar Hizmetleri A.Ş. ("Hitit Bilgisayar")	Information system solutions	50%	50%	Turkey

2.2 Significant Accounting Policies and Changes

The accounting policies, presentation and methods of computation are consistent with those of the financial year ended 31 December 2018 and corresponding interim reporting period, except for the adoption of new accounting policies for transactions occurred during the three months beginning 1 January 2019.

The Group adopted TFRS 16 Leases for the first time for the period beginning on 1 January 2019.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 MARCH 2019**

(Amounts are expressed in TL unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.2 Significant Accounting Policies and Changes (cont'd)

a) New standards and interpretations applied

(i) TFRS 16 Leases

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

Right of use assets

The Group recognises 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 recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises 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 recognised 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.

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 recognised as expense on a straight-line basis over the lease term.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

(Amounts are expressed in TL unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.2 Significant Accounting Policies and Changes (cont'd)

b) First transition to TFRS 16 Leases standard:

The Group adopted the new standard on the required effective date using the modified retrospective method which requires the recognition of the cumulative effect of initially applying TFRS 16 as at January 1, 2019, to retained earnings and not restate prior years.

The Group applied this standard in the operational aircraft rental agreements, service buildings in the terminals that are used for aviation and ticket sales activities, lands, parking and filling areas, sheds used for storing luggage and cargo of the passengers it carried, office and warehouse rental agreements which it has previously defined as leasing by applying TAS 17 Leases.

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.

Impacts of transition to TFRS 16 are as follows:

	1 January 2019
Operational lease commitments	3.035.450.246
Short term and low value leases (-)	(1.185.154)
Total lease liability	3.034.265.092
Lease liability discounted with alternative borrowing rate (equivalent of TL)	3.034.265.092
- Short term lease liability	599.336.871
- Other short term provisions	37.324.568
- Long term lease liability	1.537.184.788
- Other long term provisions	860.418.865

The details of the right of use assets according to asset types are as follows:

	31 March 2019	1 January 2019
Aircraft	2.481.866.425	2.481.866.425
Field Rental	26.675.304	26.675.304
Building	21.915.770	21.915.770
Other	1.617.011	1.617.011
	2.532.074.510	2.621.216.380

The impact of adoption of TFRS 16 on retained earnings as of 1 January 2019 is stated as below:

	1 January 2019
Assets	
Right of use assets	2.621.216.380
Liabilities	
Lease liabilities	(2.136.521.659)
Redelivery provisions	(897.743.433)
Deferred tax liabilities	82.609.742
Total Liabilities	(2.951.655.350)
Equity	(330.438.970)

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.3 Changes in Accounting Estimates

The same presentation and methods of computation have been followed in these condensed interim consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements as at and for the year ended 31 December 2018.

2.4 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the condensed interim consolidated financial statements as at March 31, 2019 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2019. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

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

TFRS 16 Leases

In April 2018, POA has published a new standard, TFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. TFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted.

The Group has applied this standard with a modified retrospective approach and disclosed the impact on its financial position and performance in Note 2.2.

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

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the interim consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Group will wait until the final amendment to assess the impacts of the changes.

TFRS 17 - The new Standard for insurance contracts

The PAO issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Application of New and Revised Turkish Accounting Standards (TAS) (cont'd)

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

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

Definition of a Business (Amendments to IFRS 3)

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;

- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Definition of Material (Amendments to IAS 1 and IAS 8)

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the , information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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NOTE 3 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The details of investments accounted for using the equity method are as follows:

	31 March 2019	31 December 2018
Joint ventures		
Hitit Bilgisayar	32.522.299	29.695.050
PUEM	10.904.479	10.102.064
	43.426.778	39.797.114

Total profit from investments accounted for using the equity method is as follows:

	1 January- 31 March 2019	1 January- 31 March 2018
Hitit Bilgisayar	2.827.249	728.742
PUEM	303.855	411.179
Net profit	3.131.104	1.139.921

The summarized financial information of the investment accounted by using the equity method is as follows:

PUEM

	31 March 2019	31 December 2018
Current assets	75.473	310.426
Non-current assets	23.480.226	23.292.609
Current liabilities	(1.343.857)	(2.648.532)
Non-current liabilities	(137.997)	(504.980)
Net assets of joint venture	22.073.845	20.449.523
Group's ownership interest in the joint venture	49,40%	49,40%
Group's share in the net assets of the joint venture	10.904.479	10.102.064
	1 January- 31 March 2019	1 January- 31 March 2018
Revenue	2.300.039	2.225.207
Depreciation&amortisation expense	(579.622)	(417.972)
Interest income/(expense), net	(140.276)	(154.542)
Profit for the year	615.092	832.345
Group's ownership interest	49,40%	49,40%
Group's share in the net profit of the joint venture	303.855	411.179

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NOTE 3 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (cont'd)

Hitit Bilgisayar

	31 March 2019	31 December 2018
Current assets	30.796.063	28.644.555
Non-current assets	46.404.730	39.786.447
Current liabilities	(10.127.704)	(10.063.146)
Non-current liabilities	(3.813.515)	(762.780)
Net assets of joint venture	63.259.574	57.605.076
Group's ownership interest in the joint venture	50%	50%
Goodwill	892.512	892.512
Group's share in the net assets of the joint venture	32.522.299	29.695.050
	1 January- 31 March 2019	1 January- 31 March 2018
Revenue	19.075.188	10.879.642
Depreciation&amortisation expense	(1.346.076)	(923.019)
Interest income/(expense), net	(150.369)	(44.848)
Profit for the year	5.654.498	1.457.484
Group's weighted average ownership interest	50%	40%
Group's share in the net profit of the joint venture	2.827.249	728.742

NOTE 4 - SEGMENT REPORTING

The Group is managed as a single business unit that provides low fares airline-related services, including scheduled services, charter services, ancillary services and other services. The Group's Chief Operating Decision Maker is the Board of Directors. The resource allocation decisions are based on the entire network and the deployment of the entire aircraft fleet. The objective in making resource allocation decisions is to maximise consolidated financial results, rather than results on individual routes within the network. All other assets and liabilities have been allocated to the Group's single reportable segment.

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NOTE 5 - RELATED PARTY TRANSACTIONS

The immediate parent and controlling party of the Group is Esas Holding. The Group has a number of operating and financial relationships with its shareholders and other entities owned by its shareholders. There are no set payment terms for any of the related party transactions. The related party receivables and payables resulting from operating activities are generally settled in normal course of business.

(i) Balances with Related Parties:

a) Other receivables from related parties

	31 March 2019	31 December 2018
Balances with joint ventures and subsidiaries:		
PUEM	449.930	1.580.011
	449.930	1.580.011

b) Trade payables to related parties

	31 March 2019	31 December 2018
Balances with joint ventures and subsidiaries:		
Hitit Bilgisayar	1.664.205	1.012.372
Balances with other related parties:		
Esasburda İnşaat Sanayi ve Ticaret A.Ş.	127.876	146.192
	1.792.081	1.158.564

(ii) Significant Transactions with Related Parties:

The significant transactions with Esas Holding consist of the financial guarantee that Esas provides for aircraft acquisitions and their related commissions. The Group records these commissions within finance expense.

The Group also leases their head office building from Esasburda İnşaat Sanayi ve Ticaret A.Ş. ("Esasburda"), another Esas Holding subsidiary, and records rent expense.

The Group receives simulator training services from PUEM for their pilots and generates revenue from labor hire and common area use.

The Group receives software and software support services from Hitit Bilgisayar that provides informations system solutions for transportation industry.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 5 - RELATED PARTY TRANSACTIONS (cont'd)

(ii) Significant Transactions with Related Parties (cont'd):

a) Sale of services

	1 January- 31 March 2019	1 January- 31 March 2018
Transactions with joint ventures and subsidiaries:		
PUEM	299.789	419.855
	299.789	419.855

b) Purchases of goods or services

	1 January- 31 March 2019	1 January- 31 March 2018
Transactions with joint ventures and subsidiaries:		
Hitit Bilgisayar	4.734.703	3.604.367
PUEM	2.300.039	2.225.207
Transactions with other related parties:		
Esasburda	196.816	530.863
Other	-	12.988
	7.253.758	6.373.425

c) Rent expenses

	1 January- 31 March 2019	1 January- 31 March 2018
Esasburda	2.114.444	1.724.218
	2.114.444	1.724.218

d) Surety commission expenses

	1 January- 31 March 2019	1 January- 31 March 2018
Esas Holding (Note 19)	2.872.484	2.238.965
	2.872.484	2.238.965

Commission expenses represent commissions and fees for Esas Holding's guarantee which is provided for financial leases of aircraft. The fee rate is 0,080% of the 115% of the amount guaranteed.

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NOTE 5 - RELATED PARTY TRANSACTIONS (cont'd)

(iii) Compensation of Key Management Personnel:

Key management personnel include members of the board of directors, general managers and assistant general managers. The remuneration of key management paid during the period ended 31 March 2019 and 2018 are as follows:

	1 January- 31 March 2019	1 January- 31 March 2018
Salaries and other short term benefits	13.723.683	4.098.559
Other long term benefits	2.114.002	810.479
	15.837.685	4.909.038

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

Short term trade receivables

The details of short term trade receivables as of 31 March 2019 and 31 December 2018 are as follows:

	31 March 2019	31 December 2018
Trade receivables	254.353.459	183.818.051
Credit card receivables	400.274.970	60.138.676
Income accruals	5.746.053	2.163.918
	660.374.482	246.120.645
Less: Allowance for doubtful receivables	(12.150.440)	(10.606.503)
	648.224.042	235.514.142

The average collection period of trade receivables is approximately 23 days (31 December 2018: 20 days).

Short term trade payables

The details of short term trade payables as of 31 March 2019 and 31 December 2018 are as follows:

	31 March 2019	31 December 2018
Trade payables	252.373.315	404.564.278
Accrued direct operational costs	253.904.275	125.651.810
Other accrued expenses	75.246.296	52.151.590
Due to related parties (Note 5)	1.792.081	1.158.564
	583.315.967	583.526.242

The average credit period of trade payables is approximately 25 days (31 December 2018: 25 days).

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NOTE 7 - PREPAID EXPENSES AND DEFERRED INCOME

The details of prepaid expenses as of 31 March 2019 and 31 December 2018 are as follows:

Short term prepaid expenses

	31 March 2019	31 December 2018
Advances on aircraft purchases	366.046.552	404.326.349
Advances to suppliers	463.340.868	344.837.476
Prepaid aircraft operating lease expenses	11.104.246	46.506.839
Prepaid insurance expenses	16.546.473	26.967.518
Prepaid advertising expenses	633.360	450.732
Other prepaid expenses	20.353.895	24.844.848
	878.025.394	847.933.762

Long term prepaid expenses

	31 March 2019	31 December 2018
Advances on aircraft purchases	868.554.382	663.541.132
Other prepaid expenses	263.056.788	181.791.958
	1.131.611.170	845.333.090

The details of deferred income as of 31 March 2019 and 31 December 2018 are as follows:

Short term deferred income

	31 March 2019	31 December 2018
Passenger flight liabilities	1.076.038.832	677.753.986
Advances received from customers	66.174.362	40.009.174
Other deferred income	28.724.721	22.763.517
	1.170.937.915	740.526.677

The details of passenger flight liabilities as of 31 March 2019 and 31 December 2018 are as follows:

	31 March 2019	31 December 2018
Flight liability from ticket sales	823.243.764	496.132.705
Passenger airport fees received from customers	207.095.081	138.844.563
Flight liability from flight points	45.699.987	42.776.718
	1.076.038.832	677.753.986

Long term deferred income

	31 March 2019	31 December 2018
Income relating to future periods	191.510.917	121.994.007
	191.510.917	121.994.007

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8 - PROPERTY AND EQUIPMENT

31 March 2019	Machinery and equipment	Motor vehicles	Furniture and fixtures	Leasehold improvements	Components, spare engine and repairables	Owned and leased aircraft	Construction in progress	Total
Cost:								
Opening	107.827.347	100.683.168	151.141.325	79.369.370	1.007.485.389	8.977.788.704	3.713.862	10.428.009.165
Additions	47.644	31.102	771.418	-	102.853.716	250.909.825	290.155	354.903.860
Disposals	-	(1.207.597)	(158.593)	-	-	-	-	(1.366.190)
Currency translation differences	5.426.457	4.845.144	7.320.545	53.984.053	52.494.064	395.671.429	189.878	519.931.570
Closing	113.301.448	104.351.817	159.074.695	133.353.423	1.162.833.169	9.624.369.958	4.193.895	11.301.478.405
Accumulated depreciation:								
Opening	(21.043.895)	(23.059.619)	(97.346.345)	(65.504.421)	(204.998.522)	(1.767.852.728)	-	(2.179.805.530)
Depreciation for the year	(1.880.465)	(2.410.911)	(3.870.845)	(1.834.435)	(9.016.937)	(130.747.851)	-	(149.761.444)
Disposals	-	757.423	90.657	-	-	-	-	848.080
Currency translation differences	(1.100.391)	(1.190.698)	(4.838.971)	(3.233.277)	(10.222.446)	(91.931.306)	-	(112.517.089)
Closing	(24.024.751)	(25.903.805)	(105.965.504)	(70.572.133)	(224.237.905)	(1.990.531.885)	-	(2.441.235.983)
Net book value	89.276.697	78.448.012	53.109.191	62.781.290	938.595.264	7.633.838.073	4.193.895	8.860.242.422

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NOTE 8 - PROPERTY AND EQUIPMENT (cont'd)

31 March 2018	Machinery and equipment	Motor vehicles	Furniture and fixtures	Leasehold improvements	Components, spare engine and repairables	Owned and leased aircraft	Construction in progress	Total
Cost:								
Opening	72.526.512	75.261.821	101.564.014	58.525.763	499.675.611	5.106.452.248	3.510.816	5.917.516.785
Additions	1.148.412	(438.966)	1.716.071	10.250	69.727.139	371.328.138	4.535.798	448.026.842
Disposals	-	-	-	-	-	(146.857.556)	-	(146.857.556)
Currency translation differences	5.615.621	5.802.140	7.975.079	4.551.031	41.564.738	434.543.896	451.170	500.503.675
Closing	79.290.545	80.624.995	111.255.164	63.087.044	610.967.488	5.765.466.726	8.497.784	6.719.189.746
Accumulated depreciation:								
Opening	(10.771.676)	(12.180.327)	(62.382.916)	(43.069.275)	(111.270.901)	(1.015.320.632)	-	(1.254.995.727)
Depreciation for the year	(1.304.834)	(1.589.643)	(2.905.996)	(1.577.474)	(10.644.340)	(75.047.163)	-	(93.069.450)
Disposals	-	-	-	-	-	77.272.358	-	77.272.358
Currency translation differences	(878.526)	(1.000.254)	(4.971.573)	(3.413.297)	(9.085.935)	(66.751.355)	-	(86.100.940)
Closing	(12.955.036)	(14.770.224)	(70.260.485)	(48.060.046)	(131.001.176)	(1.079.846.792)	-	(1.356.893.759)
Net book value	66.335.509	65.854.771	40.994.679	15.026.998	479.966.312	4.685.619.934	8.497.784	5.362.295.987

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NOTE 9 - INTANGIBLE ASSETS

31 March 2019	Brand	Software	Total
Cost:			
Opening	4.249.742	116.056.170	120.305.912
Additions	-	10.787.035	10.787.035
Currency translation differences	1.066.313	5.689.872	6.756.185
Closing	5.316.055	132.533.077	137.849.132
Accumulated amortization:			
Opening	(2.461.308)	(70.984.707)	(73.446.015)
Amortization for the year	(200.318)	(4.061.739)	(4.262.057)
Currency translation differences	(576.426)	(3.554.465)	(4.130.891)
Closing	(3.238.052)	(78.600.911)	(81.838.963)
Net book value	2.078.003	53.932.166	56.010.169
31 March 2018			
	Brand	Software	Total
Cost:			
Opening	3.183.429	66.414.193	69.597.622
Additions	-	471.920	471.920
Currency translation differences	248.019	5.178.818	5.426.837
Closing	3.431.448	72.064.931	75.496.379
Accumulated amortization:			
Opening	(1.684.564)	(43.424.572)	(45.109.136)
Amortization for the year	(41.276)	(2.269.426)	(2.310.702)
Currency translation differences	(132.860)	(3.460.362)	(3.593.222)
Closing	(1.858.700)	(49.154.360)	(51.013.060)
Net book value	1.572.748	22.910.571	24.483.319

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NOTE 10 – RIGHT OF USE ASSETS

31 March 2019	Field Rental	Building	Aircraft	Other	Total
Cost:					
TFRS 16 opening effects	28.126.554	22.391.742	6.203.373.297	1.881.318	6.255.772.911
Additions	-	-	163.824.632	-	163.824.632
Currency translation differences	1.287.578	1.025.050	120.153.566	86.121	122.552.315
Closing	29.414.132	23.416.792	6.487.351.495	1.967.439	6.542.149.858
Accumulated depreciation:					
TFRS 16 opening effects	-	-	(3.634.556.531)	-	(3.634.556.531)
Depreciation for the period	(2.662.784)	(1.445.717)	(197.235.525)	(343.515)	(201.687.541)
Currency translation differences	(76.044)	(55.305)	(173.693.014)	(6.913)	(173.831.276)
Closing	(2.738.828)	(1.501.022)	(4.005.485.070)	(350.428)	(4.010.075.348)
Net book value	26.675.304	21.915.770	2.481.866.425	1.617.011	2.532.074.510

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NOTE 11 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Litigation

The Group is party to various lawsuits and claims that have been filed against it, the total claims constituted by which, excluding reserved rights for claiming excess amounts, risk of litigation and interest, is TL 26.605.952 as of 31 March 2019 (31 December 2018: TL 26.092.242). These lawsuits and fines have been evaluated by the Group's management and a litigation provision of TL 9.692.256 (31 December 2018: TL 9.673.544) has been provided against claims for which management believes it is probable it will be required to make a payment. These lawsuits consist of guest complaints and claims by the Group's former employees, besides a limited number of commercial claims.

Contingent Liabilities

In addition to the above, in June 2008, the İstanbul Atatürk Airport Customs Directorate imposed a monetary fine against the Group in the amount of TL 545.366 on the grounds that the Group had violated temporary import regime regulations. The monetary fine was challenged before the relevant tax court which ruled against the Group in April 2009, in response to which the Group filed an appeal and refused to make payment, citing amendments in the temporary import regime legislation and providing a letter of credit for the amount of the fine and the accrued interest totaling TL 931.212. In January 2011 the Customs Directorate requested the liquidation of the letter of credit in a motion that was challenged by the Group, which resulted, first, in an injunction decision in February 2011, and later, in the cancellation of the liquidation request in September 2011. The Customs Directorate later appealed the cancellation decision of the tax court. As of 31 March 2019 the appellate review of both lawsuits have been finalized in the Group's favor, whereby the court decision turning down the Group's request for the cancellation of the monetary fines has been overturned and the court decision cancelling the liquidation of the letter of credit by the administration has been upheld. The Group management believes that significant cash outflow is not probable and has not provided any provision for this fine.

Tax Inspection

Company's accounts as well as operations pertaining to year 2010 are inspected and examined in terms of Taxation Laws; and Corporation Tax Inspection Report number 2013-B-228/3, Corporation Tax Withholding Inspection Report number 2013-B-228/5, and Value Added Tax Withholding Tax Inspection Report number 2013-B-228/6 are hereby presented.

Under such Corporation Tax Inspection Report number 2013-B-228/3, it is allegedly stated that deducted amount of TL 1.553.762,38 over the corporation tax return of such lump sum expenses calculated and deducted under scope of the provision of Article 40/1 of Corporation Tax Law over transport proceeds obtained abroad cannot possibly be subjected to any deduction, and further that such portion deducted over the tax return is not related to transport proceeds obtained abroad, while on the other hand it is expressed on the same Report that those minor fixed assets purchased in year 2010, and each to be entered as direct expenses according to Article 313 of Tax Procedures Law are required to be redeemed through amortization, and therefore it is pointed out that TL 76.798,80 as well is to be included in the income of the corporation pertaining to year 2010.

A lawsuit has been filed by the Company, claiming revocation of such determination act with respect to an income difference in the amount of TL 1.630.561,18. Lawsuit filed before Istanbul Tax Court is concluded in favor of the Company. In respect of this judgment, Major Taxpayers Tax Office has appealed in upper court council of state and appeal process has not been concluded yet.

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NOTE 11 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

Tax Inspection (cont'd)

On such Corporation Tax Inspection Report number 2013-B-228/5, it is stated that despite the fact that rental payments of the Company with respect to such aircraft subject matter of financial leasing from the acquisition of the same through financial leasing from companies with legal and principal places of business domiciled abroad, constitute commercial income of the company obtaining the same under scope of business revenues, alleging that such payments are real property capital income under Article 30 of Corporation Tax Law, they are subject to added value tax withholding at the rate of 1% and in the total amount of TL 706.539,70 as per the relevant months of year 2010, and further on the same report, it is stated that such package computer software in the form of commercial commodity, purchased from any company with legal and principal places of business domiciled abroad, is subject to corporation tax withholding at the rate of 10% and in the amount of TL 12.968,63 as non-material right charge within framework of Article 30 of Corporation Tax Law.

Major Taxpayers Tax Office that we are affiliated to, accrued corporation tax withholding in the total amount of TL 719.508 for year 2010 through Tax Fine Notices issued as per the relevant months of year 2010 by basing on the said Tax Inspection Report, and charged tax loss fine in the total amount of TL 1.079.262 on grounds of such tax accrued. Lawsuits have been filed within legal terms granted, before Istanbul Tax Courts as of the respective, with the demand for waiver of the assessments set forth and rescission of any fines accrued. The lawsuits based on the Corporate Tax Law Article 30, claiming that the Company is subject to real property income tax resulting in 1% withholding tax, amounting to TL 706.539,70, for the year 2010 have been concluded in favor of the Company. Such lawsuit filed subject to corporation tax withholding at the rate of 10% and in the amount of TL 12.968,63 as non-material right (royalty) fee is concluded against the Company and such Judgment is brought by the Company to appeal before the Council of State, and the trial process is still ongoing. Under such capacity and in parallel to the relevant opinions of Company's legal advisors and taxation specialists, no provision has been provided therefore, including the periods on the accompanied consolidated financial statements not inspected.

Value Added Tax Inspection Report Number 2013-B-228/6, is based on the allegation that corporation tax withholdings arising on such amounts set forth to be accrued under such Corporation Tax Withholding Inspection Report Number 2013-B-228/5, and corporation tax withholdings anticipated under the said report are at the same time subject to value added tax withholding.

In the aforesaid process, all of the lawsuits filed with the demand for rescission of such fined value added tax assessments imposed in the name of the Company as per respective monthly periods of year 2010, with the claim that the rate of value added tax required to be calculated over corporation tax withholdings claimed as being payable over such leasing payments with respect to aircraft subject matter of financial leasing with the purpose of acquiring the same from companies with legal domiciles as well as principal places of business abroad being 18% are concluded, and such lawsuits filed in tax courts are concluded in favor of the Company. A part of the judgments were subject to appeal by Major Taxpayers Tax Office before Istanbul Tax Court due to their amounts, but in respect of judgment of İstanbul Regional Administrative Court, the appeals has been rejected and lawsuits were concluded in favor of the Company. A part of these lawsuits were brought to appeal before the Council of State due to their amounts, and the trial process is still ongoing.

It is believed that as a result of the said action filed, the principal taxes anticipated to be accrued, including any fines charged thereon, are to be released. Therefore, in parallel to the opinions of the Company's legal advisors as well as taxation specialists, no provision has been provided on the accompanied consolidated financial statements, including the period not inspected.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

(Amounts are expressed in TL unless otherwise stated.)

NOTE 11 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

Tax and Regulatory Environment in Kyrgyzstan

The Kyrgyz Republic has a number of laws related to various taxes imposed by both republican and local governmental authorities. Legislation related to taxes has not been in force for significant period of time, in contrast to more developed market economies and therefore, implementing regulations are often. The accompanying consolidated financial statements consist of management assumptions that are determined by consulting tax and legislative experts.

NOTE 12 - COMMITMENTS

Purchase Commitments

	31 March 2019	31 December 2018
Commitments to purchase aircraft	58.333.996.622	54.525.144.416
Other purchase commitments	8.292.322	7.750.884
	58.342.288.944	54.525.144.416

As of 31 March 2019, the Group holds firm orders for 77 aircraft. In accordance to with agreement the expected deliveries are 13 aircraft in 2019, 13 aircraft in 2020, 19 aircraft in 2021, 12 aircraft in 2022, 10 aircraft in 2023, 10 aircraft in 2024 . The purchase commitments for these aircraft were calculated based on their list prices and actual prices would be typically lower than the list prices.

The Group has provided advances on aircraft purchases amounting TL 1.234.600.934 (31 December 2018: TL 1.067.867.481) and TL 366.046.552 of this amount is reclassified under short term, TL 868.554.382 of this amount is reclassified under long term prepaid expenses (31 December 2018: TL 404.326.349 of this amount is reclassified under short term, TL 663.541.132 of this amount is reclassified under long term prepaid expenses).

The Company as Lessee

Operating Lease Agreements:

Payments recognised as expense:

	1 January- 31 March 2019	1 January- 31 March 2018
Minimum lease payments	-	141.946.619
	-	141.946.619

The non-cancellable operating lease liabilities as of 31 March 2019 is none because of transition to TFRS 16 (31 December 2018:TL 2.986.350.463)

PEGASUS HAVA TAŞIMACILIĞI A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts are expressed in TL unless otherwise stated.)

NOTE 12 - COMMITMENTS (cont'd)

Collaterals-Pledges-Mortgages(“CPM”)

The details of the CPMs given by the Group as of 31 March 2019 is as follows:

31 March 2019	TL TOTAL	USD	EUR	TL	Other
A. Total amounts of CPM given on behalf of its own legal entity					
- <i>Collateral</i>	1.599.331.229	266.777.116	7.135.381	31.619.665	21.096.199
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
B. Total amounts of CPM given on behalf of subsidiaries that are included in full consolidation					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
C. Total amounts of CPM given in order to guarantee third parties debts for routine trade operations (*)					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
D. Total amounts of other CPM given					
i. Total amount of CPM given on behalf of the Parent					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
ii. Total amount of CPM given on behalf of other group companies not covered in B and C					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
iii. Total amount of CPM given on behalf of third parties not covered in C					
- <i>Collateral</i>	-	-	-	-	-
- <i>Pledge</i>	-	-	-	-	-
- <i>Mortgage</i>	-	-	-	-	-
	1.599.331.229	266.777.116	7.135.381	31.619.665	21.096.199

The CPMs given by the Group are consisted of collaterals given to airports and terminals operators, aircraft leasing companies and service suppliers.

The other CPMs given by the Company constitute 0% of the Company’s equity as of 31 March 2019.

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 12 - COMMITMENTS (cont'd)

Collaterals-Pledges-Mortgages(“CPM”) (cont'd)

The details of the CPMs given by the Group as of 31 December 2018 is as follows:

31 December 2018	TL TOTAL	USD	EUR	TL	Other
A. Total amounts of CPM given on behalf of its own legal entity					
<i>-Collateral</i>	1.627.549.630	295.367.519	6.974.381	12.131.918	19.477.163
<i>-Pledge</i>	-	-	-	-	-
<i>-Mortgage</i>	-	-	-	-	-
B. Total amounts of CPM given on behalf of subsidiaries that are included in full consolidation					
<i>-Collateral</i>	-	-	-	-	-
<i>-Pledge</i>	-	-	-	-	-
<i>-Mortgage</i>	-	-	-	-	-
C. Total amounts of CPM given in order to guarantee third parties debts for routine trade operations (*)					
<i>-Collateral</i>	-	-	-	-	-
<i>-Pledge</i>	-	-	-	-	-
<i>-Mortgage</i>	-	-	-	-	-
D. Total amounts of other CPM given					
i. Total amount of CPM given on behalf of the Parent					
<i>-Collateral</i>	-	-	-	-	-
<i>-Pledge</i>	-	-	-	-	-
<i>-Mortgage</i>	-	-	-	-	-
ii. Total amount of CPM given on behalf of other group companies not covered in B and C					
<i>-Collateral</i>	-	-	-	-	-
<i>-Pledge</i>	-	-	-	-	-
<i>-Mortgage</i>	-	-	-	-	-
iii. Total amount of CPM given on behalf of third parties not covered in C					
<i>-Collateral</i>	-	-	-	-	-
<i>-Pledge</i>	-	-	-	-	-
<i>-Mortgage</i>	-	-	-	-	-
	1.627.549.630	295.367.519	6.974.381	12.131.918	19.477.163

The CPMs given by the Group are consisted of collaterals given to airports and terminals operators, aircraft leasing companies and service suppliers.

The other CPMs given by the Company constitute 0% of the Company’s equity as of 31 December 2018.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

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NOTE 13 - EXPENSES BY NATURE

The details of expenses by nature for the years ended 31 March 2019 and 2018 are as follows:

	1 January- 31 March 2019	1 January- 31 March 2018
Jet fuel expenses	636.640.144	438.836.345
Depreciation and amortisation expenses	355.711.042	95.380.152
Personnel expenses	327.611.447	175.693.183
Handling and station fees	142.866.177	97.532.023
Navigation expenses	118.358.926	85.587.095
Maintenance expenses	84.736.966	120.161.479
Landing expenses	61.885.885	41.932.297
Commission expenses	26.922.646	25.387.719
Passenger service and catering expenses	19.919.762	14.503.285
Advertising expenses	17.787.760	9.882.180
Operating lease expenses	-	141.946.619
Other expenses	84.888.420	95.138.945
	1.877.329.175	1.341.981.322

NOTE 14 - SHAREHOLDERS' EQUITY

The Company's shareholding structure as of 31 March 2019 and 31 December 2018 is as follows:

Shareholders:	31 March 2019		31 December 2018	
	(%)	TL	(%)	TL
Esas Holding	62,92	64.353.570	62,92	64.353.570
Publicly held	34,51	35.321.707	34,51	35.321.707
Emine Kamışlı	0,86	874.810	0,86	874.810
Ali İsmail Sabancı	0,86	874.810	0,86	874.810
Kazım Köseoğlu	0,43	437.405	0,43	437.405
Can Köseoğlu	0,43	437.405	0,43	437.405
TL historic capital	100,00	102.299.707	100,00	102.299.707

The Company's share capital consists of 102.299.707 shares of par value TL 1 each (31 December 2018: 102.272.000 shares). All issued shares are fully paid in cash.

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NOTE 15 - SALES AND COST OF SALES

The details of sales and cost of sales for the years ended 31 March 2019 and 2018 are as follows:

Sales:

	1 January- 31 March 2019	1 January- 31 March 2018
Scheduled flight and service revenue	1.741.318.867	1.149.473.156
<i>International flight revenue</i>	797.768.914	510.645.947
<i>Domestic flight revenue</i>	378.383.987	302.016.013
<i>Service revenue</i>	565.165.966	336.811.196
Charter flight and service revenue	7.060.385	20.334.988
<i>Charter flight revenue</i>	6.975.284	19.882.821
<i>Service revenue</i>	85.101	452.167
Other revenue	17.525.230	24.937.153
	1.765.904.482	1.194.745.297

Geographical details of revenue from the scheduled flights are as follows:

	1 January- 31 March 2019	1 January- 31 March 2018
Europe	531.540.671	368.738.608
Domestic	378.383.987	302.016.013
Other	266.228.243	141.907.339
	1.176.152.901	812.661.960

Cost of sales:

	1 January- 31 March 2019	1 January- 31 March 2018
Jet fuel expenses	636.640.144	438.836.345
Depreciation and amortisation expenses	342.229.211	85.353.986
Personnel expenses	274.426.248	147.220.559
Handling and station fees	142.866.177	97.532.023
Navigation expenses	118.358.926	85.587.095
Maintenance expenses	84.736.966	120.161.479
Landing expenses	61.885.885	41.932.297
Passenger service and catering expenses	19.919.762	14.503.285
Operating lease expenses	-	141.946.619
Other expenses	53.467.350	63.932.724
	1.734.530.669	1.237.006.412

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NOTE 16 - GENERAL ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES

	1 January- 31 March 2019	1 January- 31 March 2018
Marketing expenses	64.704.282	47.293.890
General administrative expenses	78.094.224	57.681.020
	142.798.506	104.974.910

The details of general administrative expenses and marketing expenses for the years ended 31 March 2019 and 2018 are as follows (there are no research & development expenses in the periods ended in respective dates):

General administrative expenses:

	1 January- 31 March 2019	1 January- 31 March 2018
Personnel expenses	40.899.455	22.351.303
IT expenses	10.096.927	10.646.357
Depreciation and amortisation expenses	10.804.158	8.116.851
Rent expenses	5.947.277	4.542.021
Consultancy expenses	2.600.379	3.847.143
Legal and notary expenses	1.049.713	1.603.246
Office utility expenses	971.112	763.082
Communication expenses	758.789	471.196
Training expenses	165.156	222.451
Travel expenses	66.159	1.431.412
Other expenses	4.735.099	3.685.958
	78.094.224	57.681.020

Marketing expenses:

	1 January- 31 March 2019	1 January- 31 March 2018
Commission expenses	26.922.646	25.387.719
Advertising expenses	17.787.760	9.882.180
Personnel expenses	12.285.744	6.121.321
Call center expenses	4.151.603	2.964.374
Depreciation and amortisation expenses	2.677.673	1.909.315
Other expenses	878.856	1.028.981
	64.704.282	47.293.890

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

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NOTE 17 - OTHER OPERATING INCOME AND EXPENSES

The details of other operating income and expenses for the years ended 31 March 2019 and 2018 are as follows:

Other operating income:

	1 January- 31 March 2019	1 January- 31 March 2018
Foreign exchange gain from operating activities	58.160.369	15.108.277
Rent income	1.588.488	-
Reversal of doubtful provision	-	176.840
Other income	-	224.749
	59.748.857	15.509.866

Other operating expenses:

	1 January- 31 March 2019	1 January- 31 March 2018
Doubtful receivable allowance expense	1.897.453	-
Penalty expense	1.485.574	-
Other expense	536.886	443.028
	3.919.913	443.028

NOTE 18 - INCOME FROM INVESTING ACTIVITIES

The details of income from investing activities for the years ended 31 March 2019 and 2018 are as follows:

Income from investing activities:

	1 January- 31 March 2019	1 January- 31 March 2018
Income from sale of aircraft	-	22.335.452
Other income	459.873	22.916
	459.873	22.358.368

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

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NOTE 19 - FINANCIAL INCOME AND EXPENSES

The details of financial income and expenses for the years ended 31 March 2019 and 2018 are as follows:

Financial income:

	1 January- 31 March 2019	1 January- 31 March 2018
Interest income	24.228.933	19.586.715
Gain on derivative contracts	6.992.076	-
	31.221.009	19.586.715

Financial expenses:

	1 January- 31 March 2019	1 January- 31 March 2018
Interest expense on financial and operational lease	93.763.537	20.024.566
Foreign exchange loss	89.268.131	4.781.058
Other commission expenses	25.574.253	14.125.948
Interest expense on bank loans	5.354.065	3.402.274
Surety commission expenses	2.872.484	2.238.965
Losses from derivative contracts	-	2.452.304
	216.832.470	47.025.115

NOTE 20 - EARNINGS / LOSS PER SHARE

Earnings/(loss) per share disclosed in the consolidated statements of income are determined by dividing the net income by the weighted number of shares that have been outstanding during the period concerned. Number of total shares and calculation of earnings per share at 31 March 2019 and 2018 are as follows:

	1 January- 31 March 2019	1 January- 31 March 2018
Loss attributable to the shareholders of the parent	(213.853.278)	(112.936.945)
Weighted average number of shares issued in the year	102.299.707	102.272.000
Loss per share	(2,09)	(1,10)

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NOTE 21 - DERIVATIVE INSTRUMENTS

Fair Value of Derivative Instruments

	31 March 2019		31 December 2018	
	Asset	Liability	Asset	Liability
Short term	2.944.479	34.885.147	3.134.337	189.722.017
Long term	-	17.051.791	-	104.993.760
	2.944.479	51.936.938	3.134.337	294.715.777

Explanations related to derivative instruments are disclosed in Note 24.

NOTE 22 - FINANCIAL INSTRUMENTS

Financial Liabilities

The details of financial liabilities as of 31 March 2019 and 31 December 2018 are as follows:

Short term financial liabilities	31 March 2019	31 December 2018
Short term bank borrowings	512.184.400	797.815.861
Short term portion of long term operating lease obligations	613.199.134	-
Short term portion of long term financial lease obligations	741.213.941	659.409.925
	1.866.597.475	1.457.225.786
Long term financial liabilities	31 March 2019	31 December 2018
Long term operating lease obligations	1.478.858.467	-
Long term financial lease obligations	5.486.685.284	5.064.858.596
	6.965.543.751	5.064.858.596

a) Bank Borrowings

The effective interest rates, original currency and TL equivalents of the short term bank borrowings as of 31 March 2019 and 2018 are as follows :

31 March 2019	Weighted average interest rate (%)	Currency	Original amount	TL equivalent
Short term bank borrowings	3,49%	US Dollar	91.000.000	512.184.400
				512.184.400

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NOTE 22 - FINANCIAL INSTRUMENTS (cont'd)

Financial Liabilities (cont'd)

b) Bank Borrowings (cont'd)

31 December 2018	Weighted average interest rate (%)	Currency	Original amount	TL equivalent
Short term bank borrowings	3,29%	US Dollar	149.500.000	786.504.550
Short term bank borrowings	0,00%	TL	11.311.311	11.311.311
				797.815.861

c) Financial ve Operating Lease Liabilities

The details of financial and operating lease liabilities as of 31 March 2019 and 2018 are as follows:

	31 March 2019	31 December 2018
Less than 1 year	1.562.257.740	814.748.155
Between 1 - 5 years	4.639.577.056	3.038.571.214
Over 5 years	3.283.928.614	2.774.021.245
	9.485.763.410	6.627.340.614
Less: Future interest expenses	(1.165.806.584)	(903.072.093)
	8.319.956.826	5.724.268.521

Present value of minimum lease payments of financial lease liabilities are as follows;

	31 March 2019	31 December 2018
Less than 1 year	1.354.413.075	659.409.925
Between 1 - 5 years	3.896.339.488	2.567.916.804
Over 5 years	3.069.204.263	2.496.941.792
	8.319.956.826	5.724.268.521

The Group purchases certain of its handling equipment and aircraft through financial and operating lease arrangements. The average lease term is 4,4 years. For the period ended 31 March 2019, the floating interest rate applicable to Euro-denominated lease obligations, amounting to TL 4.039.818.886, is 1,95% (31 December 2018: 1,64%) and the floating rate applicable to US Dollar-denominated lease obligations, amounting to TL 4.280.137.940, is 5,28% (31 December 2018: 5,54%).

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NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS

Financial Risk Factors

Foreign currency risk management

The Group has significant transactions in non-Euro currencies including, but not limited to, Turkish Lira revenues, non-Euro borrowings and US Dollar fuel purchases. These non-Euro denominated transactions expose the Group to foreign currency risk. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The Group's foreign currency position of monetary and non-monetary assets/liabilities for the period ended 31 March 2019 and 31 December 2018 are as follows:

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**NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS
(cont'd)**

Financial Risk Factors (cont'd)

Foreign currency risk management (cont'd)

31 March 2019	TL Total	USD	TL	GBP	Other
1. Trade receivables	596.151.677	19.809.798	401.324.080	946.144	76.389.785
2a. Monetary financial assets	1.746.043.491	278.854.260	45.686.837	13.840.645	29.326.670
2b. Non monetary financial assets	-	-	-	-	-
3. Other	425.973.669	69.361.358	28.885.471	-	6.694.731
4. CURRENT ASSETS	2.768.168.837	368.025.416	475.896.388	14.786.789	112.411.186
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	77.788.348	12.998.504	324.748	1.000	4.295.485
8. NON CURRENT ASSETS	77.788.348	12.998.504	324.748	1.000	4.295.485
9. TOTAL ASSETS	2.845.957.185	381.023.920	476.221.136	14.787.789	116.706.671
10. Trade payables	307.055.065	28.243.274	91.777.738	158.162	55.152.702
11. Financial liabilities	1.374.201.163	244.154.851	-	-	-
12a. Other liabilities, monetary	646.089.651	97.437.335	93.026.000	54.292	4.249.101
12b. Other liabilities, non monetary	-	-	-	-	-
13. CURRENT LIABILITIES	2.327.345.879	369.835.460	184.803.738	212.454	59.401.803
14. Trade payables	-	-	-	-	-
15. Financial liabilities	3.303.312.744	586.900.850	-	-	-
16a. Other liabilities, monetary	-	-	-	-	-
16b. Other liabilities, non monetary	-	-	-	-	-
17. NON CURRENT LIABILITIES	3.303.312.744	586.900.850	-	-	-
18. TOTAL LIABILITIES	5.630.658.623	956.736.310	184.803.738	212.454	59.401.803
19. Net asset / (liability) position of Off-balance sheet derivatives (19a-19b)	-	-	-	-	-
19.a Off-balance sheet foreign currency derivative assets	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-
20. Net foreign currency asset/(liability) position	(2.784.701.438)	(575.712.390)	291.417.398	14.575.335	57.304.868
21. Net foreign currency asset / (liability) position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(2.862.489.786)	(588.710.894)	291.092.650	14.574.335	53.009.383

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(Amounts are expressed in TL unless otherwise stated.)

**NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS
(cont'd)**

Financial Risk Factors (cont'd)

Foreign currency risk management (cont'd)

31 December 2018	TL Total	USD	TL	GBP	Other
1. Trade receivables	203.609.379	6.214.073	104.613.930	1.001.390	59.641.785
2a. Monetary financial assets	2.275.444.728	408.574.864	87.220.749	3.558.802	15.076.479
2b. Non monetary financial assets	-	-	-	-	-
3. Other	747.506.237	133.909.710	36.206.482	-	6.814.162
4. CURRENT ASSETS	3.226.560.344	548.698.647	228.041.161	4.560.192	81.532.426
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non monetary financial assets	-	-	-	-	-
7. Other	71.519.443	12.951.365	305.815	1.000	3.071.139
8. NON CURRENT ASSETS	71.519.443	12.951.365	305.815	1.000	3.071.139
9. TOTAL ASSETS	3.298.079.787	561.650.012	228.346.976	4.561.192	84.603.565
10. Trade payables	370.983.081	45.345.308	82.165.847	448.588	47.275.737
11. Financial liabilities	997.519.160	187.459.912	11.311.309	-	-
12a. Other liabilities, monetary	574.317.654	96.578.731	63.498.647	38.323	2.473.006
12b. Other liabilities, non monetary	-	-	-	-	-
13. CURRENT LIABILITIES	1.942.819.895	329.383.951	156.975.803	486.911	49.748.743
14. Trade payables	-	-	-	-	-
15. Financial liabilities	1.653.110.816	314.225.858	-	-	-
16a. Other liabilities, monetary	-	-	-	-	-
16b. Other liabilities, non monetary	-	-	-	-	-
17. NON CURRENT LIABILITIES	1.653.110.816	314.225.858	-	-	-
18. TOTAL LIABILITIES	3.595.930.711	643.609.809	156.975.803	486.911	49.748.743
19. Net asset / (liability) position of Off-balance sheet derivatives (19a-19b)	-	-	-	-	-
19.a Off-balance sheet foreign currency derivative assets	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-
20. Net foreign currency asset/(liability) position	(297.850.924)	(81.959.797)	71.371.173	4.074.281	34.854.822
21. Net foreign currency asset / (liability) position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(369.370.367)	(94.911.162)	71.065.358	4.073.281	31.783.683

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**NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS
(cont'd)**

Financial Risk Factors (cont'd)

Foreign currency risk management (cont'd)

Foreign currency sensitivity

The Group is exposed to foreign exchange risk arising primarily with respect to the US Dollar and Turkish Lira.

The following table details the Group's sensitivity to a 10% increase and decrease in US Dollar, and TL. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated items and adjusts their translation at the period end for a 10% change in foreign currency rates.

Foreing currency sensitivity tables as of 31 March 2019 and 31 December 2018 are as follows:

31 March 2019	Profit/(Loss)		Shareholders' equity	
	If foreign currency appreciated 10%	If foreign currency depreciated 10%	If foreign currency appreciated 10%	If foreign currency depreciated 10%
Effect of 10% change in USD rate				
USD net asset / (liability)	(331.350.040)	331.350.040	-	-
Part of hedged from USD risk	-	-	-	-
USD net effect	(331.350.040)	331.350.040	-	-
Effect of 10% change in TL rate				
TL net asset / (liability)	29.109.265	(29.109.265)	350.914.833	(350.914.833)
Part of hedged from TL risk	-	-	-	-
TL net effect	29.109.265	(29.109.265)	350.914.833	(350.914.833)
31 December 2018				
	If foreign currency appreciated 10%	If foreign currency depreciated 10%	If foreign currency appreciated 10%	If foreign currency depreciated 10%
Effect of 10% change in USD rate				
USD net asset / (liability)	(49.931.813)	49.931.813	-	-
Part of hedged from USD risk	-	-	-	-
USD net effect	(49.931.813)	49.931.813	-	-
Effect of 10% change in TL rate				
TL net asset / (liability)	7.106.536	(7.106.536)	393.660.760	(393.660.760)
Part of hedged from TL risk	-	-	-	-
TL net effect	7.106.536	(7.106.536)	393.660.760	(393.660.760)

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NOTE 24 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)

Fair Value of Financial Instruments

31 March 2019	Loans and receivables	Derivative instruments which are reflected at fair value in shareholders' equity	Derivative instruments which are reflected at fair value in profit/loss	Financial liabilities at amortized cost	Carrying amount (*)	Note
Financial assets						
Cash and cash equivalents	2.328.371.342	-	-	-	2.328.371.342	26
Trade receivables	648.224.042	-	-	-	648.224.042	6
- <i>Related party</i>	-	-	-	-	-	
- <i>Other</i>	648.224.042	-	-	-	648.224.042	6
Other receivables	326.992.784	-	-	-	326.992.784	
- <i>Related party</i>	449.930	-	-	-	449.930	5
- <i>Other</i>	326.542.854	-	-	-	326.542.854	
Derivative financial assets	-	-	2.944.479	-	2.944.479	21
Financial liabilities						
Bank borrowings	-	-	-	512.184.400	512.184.400	22
Obligations under financial leases	-	-	-	8.319.956.826	8.319.956.826	22
Trade payables	-	-	-	583.315.967	583.315.967	6
- <i>Related party</i>	-	-	-	1.792.081	1.792.081	5
- <i>Other</i>	-	-	-	581.523.886	581.523.886	
Passenger airport fees liability	-	-	-	207.095.081	207.095.081	7
Derivative financial liabilities	-	51.936.938	-	-	51.936.938	21

(*) The Group's management believes that carrying amount of financial instruments approximates their fair value.

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NOTE 24 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES) (cont'd)

Fair Value of Financial Instruments (cont'd)

31 December 2018	Loans and receivables	Derivative instruments which are reflected at fair value in shareholders' equity	Derivative instruments which are reflected at fair value in profit/loss	Financial liabilities at amortized cost	Carrying amount (*)	Note
Financial assets						
Cash and cash equivalents	2.741.044.971	-	-	-	2.741.044.971	26
Trade receivables	235.514.142	-	-	-	235.514.142	6
- <i>Related party</i>	-	-	-	-	-	
- <i>Other</i>	235.514.142	-	-	-	235.514.142	6
Other receivables	552.371.679	-	-	-	552.371.679	
- <i>Related party</i>	1.580.011	-	-	-	1.580.011	5
- <i>Other</i>	550.791.668	-	-	-	550.791.668	
Derivative financial assets	-	-	3.134.337	-	3.134.337	21
Financial liabilities						
Bank borrowings	-	-	-	797.815.861	797.815.861	22
Obligations under financial leases	-	-	-	5.724.268.521	5.724.268.521	22
Trade payables	-	-	-	583.526.242	583.526.242	6
- <i>Related party</i>	-	-	-	1.158.564	1.158.564	5
- <i>Other</i>	-	-	-	582.367.678	582.367.678	
Passenger airport fees liability	-	-	-	138.844.563	138.844.563	7
Derivative financial liabilities	-	294.715.777	-	-	294.715.777	21

(*) The Group's management believes that carrying amount of financial instruments approximates their fair value.

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NOTE 24 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES) (cont'd)

Fair Value of Financial Instruments (cont'd)

The fair values of financial assets and financial liabilities are determined and grouped as follows:

- Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Level 2: the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- Level 3: the fair value of financial assets and liabilities are determined by the input that does not reflect an actual data observed in the market while finding the fair value of an asset or liability.

Financial assets / (Financial liabilities)	Fair value as at		Fair value hierarchy	Valuation technique	
	31 March 2019	31 December 2018			
Fuel purchase option contracts	(48.003.823)	(218.102.353)	Level 2	Discounted cash flow method	
Fuel purchase forward contracts	(3.933.115)	(76.613.424)	Level 2	Discounted cash flow method	
Interest rate swap contracts	2.944.479	3.134.337	Level 2	Discounted cash flow method	
31 March 2019	Fuel purchase forward contracts	Fuel purchase option contracts	Currency forward contracts	Interest rate swap contracts	Total
Fair value:					
Opening	(76.613.424)	(218.102.353)	-	3.134.337	(291.581.440)
Fair value increase					
Recognized in equity	72.680.309	162.916.591	-	-	235.596.900
Recognized in profit or loss	-	7.181.939	-	(189.858)	6.992.081
Closing	(3.933.115)	(48.003.823)	-	2.944.479	(48.992.459)
Assets	-	-	-	2.944.479	2.944.479
Liabilities	(3.933.115)	(48.003.823)	-	-	(51.936.938)
Total net assets and liabilities	(3.933.115)	(48.003.823)	-	2.944.479	(48.992.459)

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**NOTE 24 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING
DISCLOSURES) (cont'd)**

Fair Value of Financial Instruments (cont'd)

31 December 2018	Fuel purchase forward contracts	Fuel purchase option contracts	Currency forward contracts	Interest rate swap contracts	Total
Fair value:					
Opening	4.034.930	25.666.669	204.227	2.074.015	31.979.841
Fair value increase / (decrease)					
Recognized in equity	(80.648.354)	(235.050.673)	-	-	(315.699.027)
Recognized in profit or loss	-	(8.718.349)	(204.227)	1.060.322	(7.862.254)
Closing	(76.613.424)	(218.102.353)	-	3.134.337	(291.581.440)
Assets	-	-	-	3.134.337	3.134.337
Liabilities	(76.613.424)	(218.102.353)	-	-	-
Total net assets and liabilities	(76.613.424)	(218.102.353)	-	3.134.337	3.134.337

NOTE 25 - EVENTS AFTER BALANCE SHEET DATE

None.

NOTE 26 - EXPLANATIONS RELATED TO STATEMENT OF CASH FLOW

The details of cash and cash equivalents as of 31 March 2019 and 2018 are as follows:

	31 March 2019	31 December 2018
Cash on hand	990.319	956.297
Cash at banks	2.336.349.097	2.750.645.236
- Demand deposits	92.477.216	46.167.431
- Time deposits	2.243.871.881	2.704.477.805
Less: Allowance for impairment under TFRS 9	(8.968.074)	(10.556.562)
	2.328.371.342	2.741.044.971

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NOTE 26 - EXPLANATIONS RELATED TO STATEMENT OF CASH FLOW (cont'd)

The weighted average interest rates of time deposits are as presented below:

31 March 2019	Weighted average interest rates	Total
USD deposits	%3,48	1.571.429.781
EUR deposits	%0,39	556.424.329
TL deposits	%19,91	21.417.036
GBP deposits	%1,00	92.053.233
CHF deposits	%0,20	2.547.502
		2.243.871.881

31 December 2018	Weighted average interest rates	Total
USD deposits	4,42%	2.151.033.661
EUR deposits	0,48%	445.814.851
TL deposits	22,84%	83.070.553
GBP deposits	0,72%	21.104.259
CHF deposits	0,20%	3.454.481
		2.704.477.805

All of the time deposits as of 31 March 2019 and 2018 have maturities less than 90 days.