

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

Condensed Consolidated Interim  
Financial Statements As at and For  
The Nine-Month Period  
Ended 30 September 2020

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Condensed Consolidated Interim Balance Sheet as at 30 September 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

| <b>ASSETS</b>                                 | <b>Notes</b> | <b>Not Reviewed<br/>30 September 2020</b> | <b>Audited<br/>31 December 2019</b> |
|---|--------------|---|-------------------------------------|
| <b>Non-Current Assets</b>                     |              |   |                                     |
| Financial Investments                         | 6            | 83  | 90                                  |
| Other Receivables                             |              |   |                                     |
| -Third Parties                                | 10           | 967                                       | 1,276                               |
| Investments Accounted for Using Equity Method | 3            | 239                                       | 369                                 |
| Property and Equipment                        | 12           | 18,469                                    | 17,261                              |
| Intangible Assets                             |              |   |                                     |
| - Other Intangible Assets                     | 13           | 86  | 82                                  |
| - Goodwill                                    |              | 12  | 12                                  |
| Prepaid Expenses                              |              | 863                                       | 864                                 |
| <b>TOTAL NON-CURRENT ASSETS</b>               |              | <b>20,719</b>                             | <b>19,954</b>                       |
| <b>Current Assets</b>                         |              |   |                                     |
| Cash and Cash Equivalents                     | 5            | 1,263                                     | 2,075                               |
| Financial Investments                         | 6            | 14  | 400                                 |
| Trade Receivables                             |              |   |                                     |
| -Related Parties                              | 9            | 8   | -                                   |
| -Third Parties                                |              | 413                                       | 540                                 |
| Other Receivables                             |              |   |                                     |
| -Related Parties                              | 9            | -   | 28                                  |
| -Third Parties                                | 10           | 1,415                                     | 1,053                               |
| Derivative Financial Instruments              | 28           | 21  | 52                                  |
| Inventories                                   |              | 313                                       | 290                                 |
| Prepaid Expenses                              |              | 146                                       | 149                                 |
| Current Income Tax Assets                     | 26           | 35  | 43                                  |
| Other Current Assets                          |              | 116                                       | 140                                 |
| <b>TOTAL CURRENT ASSETS</b>                   |              | <b>3,744</b>                              | <b>4,770</b>                        |
| <b>TOTAL ASSETS</b>                           |              | <b>24,463</b>                             | <b>24,724</b>                       |

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

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

**Condensed Consolidated Interim Balance Sheet as at 30 September 2020**

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

| <b>LIABILITIES</b>   | <b>Notes</b> | <b>Not Reviewed</b>      | <b>Audited</b>          |
|--|--------------|--------------------------|-------------------------|
|  |              | <b>30 September 2020</b> | <b>31 December 2019</b> |
| <b>Equity</b>  |              |                          |                         |
| Share Capital  | 19           | 1,597                    | 1,597                   |
| Items That Will Not Be Reclassified to Profit or Loss                      |              |                          |                         |
| -Actuarial (Losses) on Retirement Pay Obligation                           | 19           | ( 45)                    | ( 38)                   |
| Items That Are or May Be Reclassified to Profit or Loss                    |              |                          |                         |
| -Foreign Currency Translation Differences                                  | 19           | ( 212)                   | ( 184)                  |
| -Fair Value Gains on Hedging Instruments Entered into for Cash Flow Hedges | 19           | ( 234)                   | 171                     |
| -Gains on Remeasuring FVOCI  | 19           | ( 6)                     | ( 1)                    |
| Restricted Profit Reserves   | 19           | 72                       | 67                      |
| Previous Years Profit  | 19           | 5,246                    | 4,463                   |
| Net (Loss) / Profit for the Period   |              | ( 786)                   | 788                     |
| Equity of the Parent   |              | <b>5,632</b>             | <b>6,863</b>            |
| Non-Controlling Interests  |              | <b>1</b>                 | <b>1</b>                |
| <b>TOTAL EQUITY</b>  |              | <b>5,633</b>             | <b>6,864</b>            |
| <b>Non- Current Liabilities</b>  |              |                          |                         |
| Long-Term Borrowings   | 7 and 14     | 9,860                    | 8,995                   |
| Long Term Lease Liabilities  | 7 and 14     | 1,354                    | 1,271                   |
| Other Payables   |              |                          |                         |
| -Third Parties   |              | 25                       | 37                      |
| Deferred Income  | 11           | 111                      | 120                     |
| Long-Term Provisions   |              |                          |                         |
| -Provisions for Employee Benefits  | 17           | 116                      | 135                     |
| -Other Provisions  |              | 50                       | 45                      |
| Deferred Tax Liability   | 26           | 1,188                    | 1,293                   |
| <b>TOTAL NON-CURRENT LIABILITIES</b>                                       |              | <b>12,704</b>            | <b>11,896</b>           |
| <b>Current Liabilities</b>   |              |                          |                         |
| Short Term Borrowings  | 7            | 1,528                    | 1,241                   |
| Short-Term Portion of Long-Term Borrowings                                 | 7 and 14     | 2,172                    | 1,609                   |
| Short Term Portion of Lease Liabilities                                    | 7 and 14     | 273                      | 256                     |
| Other Financial Liabilities  | 8            | 2                        | 19                      |
| Trade Payables   |              |                          |                         |
| -Related Parties   | 9            | 122                      | 172                     |
| -Third Parties   |              | 712                      | 958                     |
| Payables Related to Employee Benefits                                      |              | 107                      | 160                     |
| Other Payables   |              |                          |                         |
| -Third Parties   |              | 90                       | 98                      |
| Derivative Financial Instruments   | 28           | 142                      | 70                      |
| Deferred Income  | 11           | 655                      | 1,071                   |
| Short-Term Provisions  |              |                          |                         |
| -Provisions for Employee Benefits  | 15           | 22                       | 39                      |
| -Other Provisions  | 15           | 10                       | 13                      |
| Other Current Liabilities  |              | 291                      | 258                     |
| <b>TOTAL CURRENT LIABILITIES</b>   |              | <b>6,126</b>             | <b>5,964</b>            |
| <b>TOTAL LIABILITIES AND EQUITY</b>  |              | <b>24,463</b>            | <b>24,724</b>           |

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

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income**  
**For the Nine-Month Period Ended 30 September 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

|  |              | <b>Not Reviewed</b>      | <b>Not Reviewed</b>      | <b>Not Reviewed</b>      | <b>Not Reviewed</b>      |
|--|--------------|--------------------------|--------------------------|--------------------------|--------------------------|
|  |              | <b>1 January -</b>       | <b>1 July -</b>          | <b>1 January -</b>       | <b>1 July -</b>          |
| <b>PROFIT OR LOSS</b>  | <b>Notes</b> | <b>30 September 2020</b> | <b>30 September 2020</b> | <b>30 September 2019</b> | <b>30 September 2019</b> |
| Revenue  | 20           | 4,962                    | 1,528                    | 9,948                    | 3,999                    |
| Cost of Sales (-)  | 21           | ( 4,873)                 | ( 1,399)                 | ( 8,174)                 | ( 2,917)                 |
| <b>GROSS PROFIT</b>  |              | <b>89</b>                | <b>129</b>               | <b>1,774</b>             | <b>1,082</b>             |
| General Administrative Expenses (-)  | 22           | ( 165)                   | ( 49)                    | ( 222)                   | ( 77)                    |
| Selling and Marketing Expenses (-)   | 22           | ( 515)                   | ( 139)                   | ( 1,104)                 | ( 364)                   |
| Other Operating Income   | 23           | 257                      | 139                      | 142                      | 46                       |
| Other Operating Expenses (-)   | 23           | ( 33)                    | ( 5)                     | ( 50)                    | ( 12)                    |
| <b>OPERATING (LOSS) / PROFIT BEFORE INVESTMENT ACTIVITIES</b>              |              | <b>( 367)</b>            | <b>75</b>                | <b>540</b>               | <b>675</b>               |
| Income from Investment Activities  | 24           | 130                      | 39                       | 116                      | 29                       |
| Expenses from Investment Activities  | 24           | ( 9)                     | ( 9)                     | ( 79)                    | -                        |
| Share of Investments' (Loss) / Profit Accounted by Using The Equity Method | 3            | ( 96)                    | ( 5)                     | 80                       | 72                       |
| <b>OPERATING (LOSS) / PROFIT</b>   |              | <b>( 342)</b>            | <b>100</b>               | <b>657</b>               | <b>776</b>               |
| Financial Income   | 25           | 52                       | 6                        | 55                       | 101                      |
| Financial Expenses (-)   | 25           | ( 628)                   | ( 354)                   | ( 230)                   | ( 79)                    |
| <b>(LOSS) / PROFIT BEFORE TAX</b>  |              | <b>( 918)</b>            | <b>( 248)</b>            | <b>482</b>               | <b>798</b>               |
| <b>Tax Income / (Expense)</b>  |              | <b>132</b>               | <b>116</b>               | <b>( 30)</b>             | <b>( 143)</b>            |
| Current Tax Expense  | 26           | -                        | -                        | -                        | 4                        |
| Deferred Tax Income / (Expense)  | 26           | 132                      | 116                      | ( 30)                    | ( 147)                   |
| <b>NET (LOSS) / PROFIT FOR THE PERIOD</b>                                  |              | <b>( 786)</b>            | <b>( 132)</b>            | <b>452</b>               | <b>655</b>               |

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

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income**  
**For the Nine-Month Period Ended 30 September 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

|  |              | <u>Not Reviewed</u><br>1 January -<br>30 September 2020 | <u>Not Reviewed</u><br>1 July -<br>30 September 2020 | <u>Not Reviewed</u><br>1 January -<br>30 September 2019 | <u>Not Reviewed</u><br>1 July -<br>30 September 2019 |
|--|--------------|---|--|---|--|
| <b><i>OTHER COMPREHENSIVE INCOME</i></b>   | <b>Notes</b> |   |  |   |  |
| <b>Items That May Be Reclassified Subsequently To Profit or Loss</b>   |              | <b>( 438)</b>   | <b>( 197)</b>  | <b>256</b>  | <b>193</b>   |
| Currency Translation Adjustment  |              | ( 28)   | ( 9)   | ( 12)   | ( 2)   |
| Losses on Remeasuring FVOCI  |              | ( 7)  | ( 3)   | 10  | 8  |
| Fair Value (Losses) / Gains on Hedging Instruments Entered into for Cash Flow Hedges   |              | ( 497)  | ( 232)   | 323   | 233  |
| Fair Value (Losses) / Gains Hedging Instruments of Investment Accounted by Using the Equity Method Entered into for Cash Flow Hedges |              | ( 13)   | -  | 5   | 4  |
| Related Tax of Other Comprehensive Income  |              | 107   | 47   | ( 70)   | ( 50)  |
| <b>Items That Will Not Be Reclassified Subsequently To Profit or Loss</b>  |              | <b>( 7)</b>   | <b>-</b>   | <b>( 4)</b>   | <b>-</b>   |
| Actuarial Losses on Retirement Pay Obligation  |              | ( 8)  | -  | ( 5)  | -  |
| Related Tax of Other Comprehensive Income  |              | 1   | -  | 1   | -  |
| <b>OTHER COMPREHENSIVE (EXPENSE) / INCOME FOR THE PERIOD</b>   |              | <b>( 445)</b>   | <b>( 197)</b>  | <b>252</b>  | <b>193</b>   |
| <b>TOTAL COMPREHENSIVE (EXPENSE) / INCOME FOR THE PERIOD</b>   |              | <b>( 1,231)</b>   | <b>( 329)</b>  | <b>704</b>  | <b>848</b>   |
| <b>Basic (Loss) / Gain Per Share (Full US Cents)</b>   | 27           | ( 0.57)   | ( 0.10)  | 0.33  | 0.47   |
| <b>Diluted (Loss) / Gain Per Share (Full US Cents)</b>   | 27           | ( 0.57)   | ( 0.10)  | 0.33  | 0.47   |

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

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Condensed Consolidated Interim Statement of Changes in Equity**  
**For the Nine-Month Period Ended 30 September 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

|                                | Items That Will Not Be Reclassified Subsequently To Profit or Loss |  | Items That May Be Reclassified Subsequently To Profit or Loss |   |                                       | Retained Earnings          |                       |                                  |                              |                           |              |
|--------------------------------|--|--|---|---|---------------------------------------|----------------------------|-----------------------|----------------------------------|------------------------------|---------------------------|--------------|
|                                | Share Capital  | Actuarial (Losses) Retirement Pay Obligation | Foreign Currency Translation Differences                      | Fair Value Gains on Hedging Instruments Entered Into For Cash Flow Hedges | Gains / (Losses) on Remeasuring FVOCI | Restricted Profit Reserves | Previous Years Profit | Net Gain / (Loss) for The Period | Equity Holders of the Parent | Non-controlling Interests | Total Equity |
| <b>As of 1 January 2020</b>    | <b>1,597</b>   | <b>(38)</b>                                  | <b>(184)</b>  | <b>171</b>  | <b>(1)</b>                            | <b>67</b>                  | <b>4,463</b>          | <b>788</b>                       | <b>6,863</b>                 | <b>1</b>                  | <b>6,864</b> |
| Transfers                      | -  | -  | -   | -   | -                                     | -                          | 788                   | (788)                            | -                            | -                         | -            |
| Total comprehensive income     | -  | (7)  | (28)  | (405)   | (5)                                   | 5                          | (5)                   | (786)                            | (1,231)                      | -                         | (1,231)      |
| <b>As of 30 September 2020</b> | <b>1,597</b>   | <b>(45)</b>                                  | <b>(212)</b>  | <b>(234)</b>  | <b>(6)</b>                            | <b>72</b>                  | <b>5,246</b>          | <b>(786)</b>                     | <b>5,632</b>                 | <b>1</b>                  | <b>5,633</b> |

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

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Condensed Consolidated Interim Statement of Changes in Equity**  
**For the Nine-Month Period Ended 30 September 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

|  | Items That Will Not Be Reclassified Subsequently To Profit or Loss |  | Items That May Be Reclassified Subsequently To Profit or Loss |   |                                       | Retained Earnings          |                       |                                  |                              |                           |              |
|--|--|--|---|---|---------------------------------------|----------------------------|-----------------------|----------------------------------|------------------------------|---------------------------|--------------|
|  | Share Capital  | Actuarial (Losses) Retirement Pay Obligation | Foreign Currency Translation Differences                      | Fair Value Gains on Hedging Instruments Entered Into For Cash Flow Hedges | Gains / (Losses) on Remeasuring FVOCI | Restricted Profit Reserves | Previous Years Profit | Net Gain / (Loss) for The Period | Equity Holders of the Parent | Non-controlling Interests | Total Equity |
| <b>As of 1 January 2019</b>                  | <b>1,597</b>   | <b>(35)</b>                                  | <b>(160)</b>  | <b>-</b>  | <b>(6)</b>                            | <b>36</b>                  | <b>3,760</b>          | <b>753</b>                       | <b>5,945</b>                 | <b>-</b>                  | <b>5,945</b> |
| Adjustment on initial application of IFRS 16 | -  | -  | -   | -   | -                                     | -                          | (18)                  | -                                | (18)                         | -                         | (18)         |
| <b>As of 1 January 2019</b>                  | <b>1,597</b>   | <b>(35)</b>                                  | <b>(160)</b>  | <b>-</b>  | <b>(6)</b>                            | <b>36</b>                  | <b>3,742</b>          | <b>753</b>                       | <b>5,927</b>                 | <b>-</b>                  | <b>5,927</b> |
| Transfers                                    | -  | -  | -   | -   | -                                     | -                          | 753                   | (753)                            | -                            | -                         | -            |
| Total comprehensive income                   | -  | (4)  | (12)  | 261   | 7                                     | -                          | -                     | 452                              | 704                          | -                         | 704          |
| <b>As of 30 September 2019</b>               | <b>1,597</b>   | <b>(39)</b>                                  | <b>(172)</b>  | <b>261</b>  | <b>1</b>                              | <b>36</b>                  | <b>4,495</b>          | <b>452</b>                       | <b>6,631</b>                 | <b>-</b>                  | <b>6,631</b> |

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

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Condensed Consolidated Interim Statement of Cash Flows**  
**For the Nine-Month Period Ended 30 September 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

|   |              | <b>Not Reviewed</b>      | <b>Not Reviewed</b>      |
|---|--------------|--------------------------|--------------------------|
|   | <b>Notes</b> | <b>30 September 2020</b> | <b>30 September 2019</b> |
| Net (Loss) / Profit for the period                                  |              | (786)                    | 452                      |
| <b>Adjustments to Reconcile Loss</b>                                |              |                          |                          |
| Adjustments for Depreciation and Amortisation Expense               | 12 and 13    | 1,226                    | 1,123                    |
| Adjustments for Provisions Related with Employee Benefits           | 15 and 17    | 6                        | 24                       |
| Adjustments for Provisions for Payables                             |              | -                        | (1)                      |
| Adjustments for Reversal of Probable Risks                          |              | 11                       | 8                        |
| Adjustments for Interest Income                                     | 24 and 25    | (30)                     | (75)                     |
| Adjustments for Interest Expense                                    | 17 and 25    | 235                      | 202                      |
| Adjustments For Unrealised Foreign Exchange Losses / (Gains)        |              | 109                      | (183)                    |
| Adjustments for Fair Value Gains on Derivative                      |              |                          |                          |
| Financial Instruments   | 25           | (3)                      | (11)                     |
| Adjustments for Undistributed Losses / (Gains) of Associates        | 3            | 96                       | (80)                     |
| Adjustments for Tax (Income) / Expense                              | 26           | (132)                    | 30                       |
| Adjustments for Losses Arised From Sale of Tangible Assets          | 24           | 6                        | 75                       |
| Adjustments for Losses Arised from Sale of                          |              |                          |                          |
| Other Non-Current Assets  | 12           | 20                       | 29                       |
| <b>Operating Profit Before Changes in Working Capital</b>           |              | <b>758</b>               | <b>1,593</b>             |
| Increase in Trade Receivables from Related Parties                  |              | (8)                      | (2)                      |
| Decrease / (Increase) in Trade Receivables from Non Related Parties |              | 120                      | (85)                     |
| Decrease in Other Related Party Receivables Related with Operations | 9            | 28                       | -                        |
| (Increase) / Decrease in Other Non-Related Party Receivables        |              |                          |                          |
| Related with Operations   | 10           | (232)                    | 72                       |
| Adjustments for Increase in Inventories                             |              | (23)                     | (91)                     |
| Adjustments for Decrease / (Increase) in Prepaid Expenses           |              | 4                        | (113)                    |
| (Decrease) in Trade Payables to Related Parties                     | 9            | (50)                     | (135)                    |
| (Decrease) / Increase in Trade Payables to Non-Related Parties      |              | (246)                    | 150                      |
| Adjustments for (Decrease) / Increase in Payables Due to            |              |                          |                          |
| Employee Benefits   |              | (53)                     | 14                       |
| Increase in Other Operating Payables to                             |              |                          |                          |
| Non-Related Parties   |              | 39                       | 159                      |
| (Decrease) / Increase in Deferred Income                            | 11           | (397)                    | 331                      |
| Decrease / (Increase) in Other Assets Related with Operations       |              | 24                       | (22)                     |
| <b>Cash Flows From Operations</b>                                   |              | <b>(36)</b>              | <b>1,871</b>             |
| Payments for Provisions Related with Employee Benefits              | 17           | (13)                     | (8)                      |
| Income taxes (paid)   | 26           | (8)                      | (23)                     |
| <b>Net Cash From Operating Activities</b>                           |              | <b>(57)</b>              | <b>1,840</b>             |
| <b>CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>             |              |                          |                          |
| Cash Receipts Proceed From Sales of Property, Plant and Equipment   |              | 4                        | 20                       |
| Cash Payments From Purchasing of Property, Plant and Equipment (*)  | 12 and 13    | (871)                    | (1,202)                  |
| Cash Receipts From Sales of Other Long-term Assets                  | 6            | 393                      | 406                      |
| Other Cash Advances and Loans                                       | 12           | 179                      | (242)                    |
| Dividends Received  |              | 3                        | 43                       |
| Interest Received   | 24 and 25    | 30                       | 66                       |
| <b>Net Cash Flows Used In Investing Activities</b>                  |              | <b>(262)</b>             | <b>(909)</b>             |
| <b>CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES</b>             |              |                          |                          |
| Proceeds From Loans   | 7            | 1,934                    | 1,501                    |
| Payments of Loans   |              | (1,109)                  | (1,168)                  |
| Payments of Finance Lease Liabilities                               |              | (872)                    | (711)                    |
| Payments of Lease Liabilities                                       |              | (254)                    | (255)                    |
| Interest Paid   |              | (175)                    | (164)                    |
| Other Cash (Outflows) / Inflows                                     | 8            | (17)                     | 19                       |
| <b>Net Cash Used in Financing Activities</b>                        |              | <b>(493)</b>             | <b>(778)</b>             |
| <b>Net Change in Cash and Cash Equivalents</b>                      |              | <b>(812)</b>             | <b>153</b>               |
| <b>CASH AND CASH EQUIVALENTS</b>                                    |              |                          |                          |
| <b>AT THE BEGINNING OF THE PERIOD</b>                               |              | <b>2,075</b>             | <b>1,636</b>             |
| <b>CASH AND CASH EQUIVALENTS</b>                                    |              |                          |                          |
| <b>AT THE END OF THE PERIOD</b>                                     | 5            | <b>1,263</b>             | <b>1,789</b>             |

(\*) USD 1,597 portion of property and equipment and intangible assets purchases in total of USD 2,468 for the period ended 30 September 2020 was acquired through leases. (30 September 2019: USD 1,342 portion of property and equipment and intangible assets purchases in total of USD 2,544 was acquired through leases.)

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



**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Nine-Month Period Ended 30 September 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**1. GROUP ORGANIZATION AND ITS OPERATIONS**

Türk Hava Yolları Anonim Ortaklığı (the “Company” or “THY”) was incorporated in Turkey in 1933. As of 30 September 2020 and 31 December 2019, the shareholders and their respective shareholdings in the Company are as follows:

|  | <u>30 September 2020</u> | <u>31 December 2019</u> |
|--|--------------------------|-------------------------|
| Turkey Wealth Fund   | 49.12 %                  | 49.12 %                 |
| Republic of Turkey Treasury and Finance<br>Ministry Privatization Administration | -                        | -                       |
| Other (publicly held)  | 50.88 %                  | 50.88 %                 |
| Total  | <u>100.00 %</u>          | <u>100.00 %</u>         |

The number of employees working for the Group as of 30 September 2020 is 38,154 (31 December 2019: 38,849). The average number of employees working for the Group for the periods ended 30 September 2020 and 2019 are 38,882 and 37,343 respectively. The Group is registered in İstanbul, Turkey and its head office address is as follows:

Türk Hava Yolları A.O. Genel Yönetim Binası, Yeşilköy Mahallesi, Havaalanı Caddesi No: 3/1  
34149 Yeşilköy İSTANBUL.

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

**Subsidiaries and Joint Ventures**

The table below sets out the consolidated subsidiaries of the Group as of 30 September 2020 and 31 December 2019:

| <u>Name of the Company</u>                              | <u>Principal Activity</u>               | <u>Ownership Rate</u>    |                         | <u>Country of Registration</u> |
|---|---|--------------------------|-------------------------|--------------------------------|
|   |   | <u>30 September 2020</u> | <u>31 December 2019</u> |                                |
| THY Teknik A.Ş.<br>(THY Teknik)                         | Aircraft Maintenance<br>Services        | 100%                     | 100%                    | Turkey                         |
| THY Uçuş Eğitim ve<br>Havalimanı İşletme A.Ş.           | Training & Airport<br>Operations        | 100%                     | 100%                    | Turkey                         |
| THY Havaalanı<br>Gayrimenkul Yatırım ve<br>İşletme A.Ş. | Airport Investment                      | 100%                     | 100%                    | Turkey                         |
| THY Uluslararası<br>Yatırım ve Taşımacılık<br>A.Ş.      | Cargo and Courier<br>Transportation     | 100%                     | 100%                    | Turkey                         |
| Cornea Havacılık<br>Sistemleri San. Ve Tic.<br>A.Ş.     | Software System<br>Maintenance Services | 80%                      | 80%                     | Turkey                         |

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

**Subsidiaries and Joint Ventures (cont'd)**

The table below sets out joint ventures of the Group as of 30 September 2020 and 31 December 2019:

| Company Name   | Country of<br>Registration and<br>Operations | Ownership Share and Voting Power |                  | Principal Activity            |
|--|--|----------------------------------|------------------|-------------------------------|
|  |  | 30 September 2020                | 31 December 2019 |                               |
| Güneş Ekspres Havacılık A.Ş.<br>(Sun Express)                    | Turkey                                       | 50%                              | 50%              | Aircraft<br>Transportation    |
| THY DO&CO İkrâm Hizmetleri A.Ş.<br>(Turkish DO&CO)               | Turkey                                       | 50%                              | 50%              | Catering<br>Services          |
| P&W T.T. Uçak Bakım Merkezi Ltd. Şti. (TEC)                      | Turkey                                       | 49%                              | 49%              | Maintenance<br>Services       |
| TGS Yer Hizmetleri A.Ş. (TGS)                                    | Turkey                                       | 50%                              | 50%              | Ground Services               |
| THY OPET Havacılık Yakıtları A.Ş. (THY Opet)□                    | Turkey                                       | 50%                              | 50%              | Aviation Fuel<br>Services     |
| Goodrich Thy Teknik Servis Merkezi<br>Ltd. Şti. (TNC) (Goodrich) | Turkey                                       | 40%                              | 40%              | Maintenance<br>Services       |
| Uçak Koltuk Sanayi ve Ticaret A.Ş.<br>(Uçak Koltuk)              | Turkey                                       | 50%                              | 50%              | Cabin Interior<br>Products    |
| TCI Kabin İçi Sistemleri San ve Tic. A.Ş. (TCI)                  | Turkey                                       | 50%                              | 50%              | Cabin Interior<br>Products    |
| Vergi İade Aracılık A.Ş.   | Turkey                                       | 30%                              | 30%              | VAT Return and<br>Consultancy |
| Air Albania  | Albania                                      | 49%                              | 49%              | Aircraft<br>Transportation    |
| We World Express Ltd.  | Hong Kong                                    | 45%                              | 45%              | Cargo and<br>Courier          |
| TFS Akaryakıt Hizmetleri A.Ş.                                    | Turkey                                       | 25%                              | -                | Aviation Fuel<br>Services     |

The Group owns 49%, 49%, 45%, 40%, 30% and 25% equity shares of TEC, Air Albania, We World Express Ltd., Goodrich, Vergi İade Aracılık A.Ş. and TFS Akaryakıt Hizmetleri A.Ş. respectively. However, based on the contractual arrangements between the Group and the other respective investors, decisions about the relevant activities of the arrangements require both the Group and the other respective investor agreement. Thus, the Group concluded that it has joint control over TEC, Air Albania, We World Express, Goodrich, Vergi İade Aracılık A.Ş. and TFS Akaryakıt Hizmetleri A.Ş..

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

**2.1 Basis of Presentation**

**Statement of Compliance**

The condensed consolidated interim financial statements as at and for the six-month period ended 30 September 2020 have been prepared in accordance with IAS 34 “Interim Financial Reporting”. They do not include all of the information required for complete annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2019.

Board of Directors has approved the consolidated financial statements as of 30 September 2020 on 4 November 2020. General Assembly and the related regulatory bodies have the authority to modify the statutory financial statements.

**Basis of Preparation**

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

**Adjustment of Financial Statements in Hyperinflationary Periods**

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

**Functional and Reporting Currency**

**Functional currency**

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

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

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

**Basis of Consolidation**

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

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

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

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

- b. The Group has twelve joint ventures (Note: 1). These joint ventures are economical activities whereby decisions about strategic finance and operating policy are jointly made by the consensus of the Group and other investors. The joint ventures are controlled by the Group jointly, and are accounted for using the equity method. Under the equity method, joint ventures are initially recognized at cost and adjusted to recognize any distributions received, impairments in the joint ventures and the Group's share of the profit or loss after the date of acquisition. Joint ventures' losses that exceed the Group's share are not recognized, unless the Group has incurred legal or constructive obligations on behalf of the joint venture.
- c. The non-controlling share in the assets and results of subsidiaries for the year are separately classified as "non-controlling interest" in the consolidated statements of financial position and consolidated statements of profit or loss.

#### **Business Combinations**

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

The Group measures goodwill at the acquisition date as:

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

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

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognized in profit or loss. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

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

The significant estimates and assumptions used in preparation of these condensed consolidated interim financial statements as at and for the period ended 30 September 2020 are consistent with those used in the preparation of the Group's consolidated financial statements as at and for the year ended 31 December 2019.

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

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

The accounting policies used in preparation of condensed consolidated interim financial statements as at 30 September 2020 are consistent with those used in the preparation of consolidated statements for the year ended 31 December 2019.

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

#### **a) Standards, amendments and interpretations applicable as at 30 September 2020:**

**Amendments to IAS 1 and IAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

- i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- ii) clarify the explanation of the definition of material; and
- iii) incorporate some of the guidance in IAS 1 about immaterial information.

**Amendments to IFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

**Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform;** effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

**Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions;** effective from Annual periods beginning on or after 1 June 2020. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

#### **b) Standards, amendments and interpretations that are issued but not effective as at 30 September 2020:**

**IFRS 17, 'Insurance contracts';** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

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

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

#### **b) Standards, amendments and interpretations that are issued but not effective as at 30 September 2020 (cont'd):**

**Amendments to IAS 1, Presentation of financial statements' on classification of liabilities;** effective from 1 January 2022. These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

**A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16;** effective from Annual periods beginning on or after 1 January 2022.

- **Amendments to IFRS 3,** 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- **Amendments to IAS 16,** 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- **Amendments to IAS 37,** 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

**Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2;** effective from Annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.

The new standards, amendments and improvements have no material impacts on the financial position and performance of the Group.

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

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

Evaluation methods in terms of levels are described as follows:

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

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

### **2.6 Impact of Covid-19 Pandemic on Group Activities**

Due to the impact of COVID-19 in the first half of 2020, global air traffic has significantly declined and stringent measures have been taken to slow the expansion of the pandemic. Several constraints were imposed and restrictions continue to have a major impact on global aviation industry.

To mitigate the effect of the pandemic, THY has taken several measures and assesses further developments. The actions taken are listed below:

#### ***Capacity***

After the easing of travel restrictions in summer season, Turkish Airlines increased its domestic and international passenger flights and reached 31% of 2019 capacity in the third quarter. Due to second wave of Covid-19 expectations, many countries started to implement new measures including flight restrictions again. THY is in negotiations with state authorities to open some of closed international destinations depending on the pandemic situation in the corresponding routes. In the last quarter of 2020, THY expects to reach 45% of ASK compared to same period of 2019. Flight plan is being continuously updated according to developments and around 60% decline in passenger number and around 59% decline in ASK are expected in 2020 full year in comparison to 2019. Thanks to lower cost base and wide flight network of THY, the Group expects a faster recovery than its competitors in financial and operational results; especially due to faster recovery in ethnic and opportunistic leisure passenger segments.

#### ***Cargo business***

Cargo operations are continuing at full capacity with freighters and more than 10 wide body passenger aircraft are being utilized for cargo operations. The number of passenger aircraft utilized in cargo operations may also be increased depending on the cargo demand environment and passenger flight restrictions. As a result, 60% increase was recorded in cargo revenues in the third quarter compared to the same period of last year. It is expected that cargo operations will add significantly to total revenue and profit compared to those of the previous year, thanks to increasing unit revenues and declining operational costs led by the drop in fuel prices.

#### ***Government support***

THY is continually communicating with government authorities for alternative scenarios to alleviate the effects arising from the unfavorable environment. In this respect, the Ministry of Finance and Treasury of Turkey gradually introduces economic packages to prevent the impact of the novel coronavirus on Turkish Economy and includes measures for groups and companies.

On 17 April 2020, with the related law entered into force, THY has been put into place the new Short Term Employment status starting from April 1st of 2020, where the employees work on part-time basis without harming ongoing operations and get paid accordingly. As the government provided a reduced-time work law to support Turkish companies, some part of the Group's personnel cost (USD 52 as of 1 September 2020) was covered by government depending on the number of working days. As of 1 September, THY ceased to benefiting from Short Term Employment Incentive.

In addition, Turkish Government introduced a support package for the pandemic. The value-added tax rate is dropped from 18% to 1% for three months with regard to domestic air transportation to support demand via reduced ticket price (until 30 June 2020). Payments of withholding tax and social security premiums of April, May and June 2020 are deferred for six months to the first quarter of 2021. THY deferred a portion of principal and interest payments related to commercial loans at least for three months. Government support package resulted in decrease of cash outflows and led in cash savings.

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

**2.6 Impact of Covid-19 Pandemic on Group Activities (cont'd)**

*Cost reductions*

THY is taking actions to decrease the operational expenses and secure the financial liquidity of the Group. These include reducing or postponing uncommitted capital expenditures, cutting non-urgent and non-operational expenses and discussing with the authorities for possible deferral of fees and tax payments. Some long-term contracts, such as fuel expenses and lease agreements, for three to six months to reduce short-term outflow. THY is renegotiating with service providers to lower fees due to weaker demand environment. Original aircraft delivery plan for 2020- 2021 and related pre-delivery payments are being reevaluated together with OEMs.

*Asset valuation*

Related to the COVID-19 pandemic, THY paid attention to the recoverability of fleet, right of use assets and deferred tax assets and conducted impairment tests under different scenarios. As a result, no impairment related to fleet and right of use assets was recognized. However, the recoverability on deferred tax was revised and a write-off of USD 130 has been recognized.

*Accounting estimates and assumptions*

Due to COVID-19 pandemic, THY reviewed accounting estimates and assumptions.

According to IFRS 9, ECL estimations, especially historical loss rates, for trade receivables was reviewed to include forward-looking information with regard to COVID-19. In addition, estimates used in the calculation of provisions for receivables from pilots for flight training were reviewed to reflect current environment.

Discount rates and inflation rates used in calculations of provisions for employee benefits were revised to incorporate related COVID-19 impact.

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

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

|                         | <u>30 September 2020</u> | <u>31 December 2019</u> |
|-------------------------|--------------------------|-------------------------|
| TEC                     | 62                       | 59                      |
| Sun Express             | 60                       | 166                     |
| Turkish DO&CO           | 44                       | 55                      |
| TGS                     | 29                       | 40                      |
| THY Opet                | 24                       | 33                      |
| Uçak Koltuk             | 6                        | 6                       |
| TCI                     | 5                        | 6                       |
| TFS Akaryakıt           | 4                        | -                       |
| Goodrich                | 4                        | 3                       |
| We World Express        | 1                        | 1                       |
| Vergi İade Aracılık (*) | -                        | -                       |
| Air Albania             | -                        | -                       |
|                         | <u>239</u>               | <u>369</u>              |

(\*) The Group's share in the shareholders' equity of Vergi İade Aracılık is less than USD 1.



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

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

|               | <b>1 January -<br/>30 September 2020</b> | <b>1 July -<br/>30 September 2020</b> | <b>1 January -<br/>30 September 2019</b> | <b>1 July -<br/>30 September 2019</b> |
|---------------|--|---------------------------------------|--|---------------------------------------|
| Turkish DO&CO | 5  | 1                                     | 10                                       | 4                                     |
| TEC           | 1  | -                                     | (12)                                     | (6)                                   |
| Uçak Koltuk   | 1  | -                                     | 2  | -                                     |
| Goodrich      | -  | (1)                                   | 1  | -                                     |
| THY Opet      | -  | 4                                     | 17                                       | 6                                     |
| Air Albania   | -  | -                                     | (1)                                      | (1)                                   |
| TGS           | (1)                                      | (1)                                   | 19                                       | 11                                    |
| TCI           | (1)                                      | -                                     | -  | -                                     |
| TFS Akaryakıt | (3)                                      | 1                                     | -  | -                                     |
| Sun Express   | (98)                                     | (9)                                   | 44                                       | 58                                    |
|               | <u>(96)</u>                              | <u>(5)</u>                            | <u>80</u>                                | <u>72</u>                             |

Financial information for TEC as of 30 September 2020 and 2019 are as follows:

|   | <b>30 September<br/>2020</b> | <b>31 December<br/>2019</b> |
|---|------------------------------|-----------------------------|
| Total assets  | 188                          | 219                         |
| Total liabilities   | 62                           | 99                          |
| Shareholders' equity  | 126                          | 120                         |
| Group's share in joint<br>venture's shareholders'<br>equity | 62                           | 59                          |

|   | <b>1 January -<br/>30 September 2020</b> | <b>1 July -<br/>30 September 2020</b> | <b>1 January -<br/>30 September 2019</b> | <b>1 July -<br/>30 September 2019</b> |
|---|--|---------------------------------------|--|---------------------------------------|
| Revenue   | 312                                      | 85                                    | 252                                      | 34                                    |
| Profit / (Loss) for<br>the period                                     | 2  | 1                                     | (25)                                     | (12)                                  |
| Group's share in joint<br>venture's profit / (loss)<br>for the period | 1  | -                                     | (12)                                     | (6)                                   |

Financial information for Sun Express as of 30 September 2020 and 2019 are as follows:

|   | <b>30 September<br/>2020</b> | <b>31 December<br/>2019</b> |
|---|------------------------------|-----------------------------|
| Total assets  | 1,764                        | 1,865                       |
| Total liabilities   | 1,644                        | 1,533                       |
| Shareholders' equity  | 120                          | 332                         |
| Group's share in joint<br>venture's shareholders'<br>equity | 60                           | 166                         |

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

Financial information for Sun Express as of 30 September 2020 and 2019 are as follows (cont'd):

|   | <u>1 January -<br/>30 September 2020</u> | <u>1 July -<br/>30 September 2020</u> | <u>1 January -<br/>30 September 2019</u> | <u>1 July -<br/>30 September 2019</u> |
|---|--|---------------------------------------|--|---------------------------------------|
| Revenue   | 459                                      | 205                                   | 1,225                                    | 670                                   |
| (Loss) / Profit for<br>the period                                     | (195)                                    | (18)                                  | 89                                       | 117                                   |
| Group's share in joint<br>venture's (loss) / profit<br>for the period | (98)                                     | (9)                                   | 44                                       | 58                                    |

Financial information for Turkish DO&CO as of 30 September 2020 and 2019 are as follows:

|   | <u>30 September<br/>2020</u> | <u>31 December<br/>2019</u> |
|---|------------------------------|-----------------------------|
| Total assets  | 133                          | 190                         |
| Total liabilities   | 45                           | 80                          |
| Shareholders' equity  | 88                           | 110                         |
| Group's share in joint<br>venture's shareholders'<br>equity | 44                           | 55                          |

  

|  | <u>1 January -<br/>30 September 2020</u> | <u>1 July -<br/>30 September 2020</u> | <u>1 January -<br/>30 September 2019</u> | <u>1 July -<br/>30 September 2019</u> |
|--|--|---------------------------------------|--|---------------------------------------|
| Revenue  | 102                                      | 21                                    | 260                                      | 97                                    |
| Profit for the period  | 9  | 2                                     | 20                                       | 8                                     |
| Group's share in joint<br>venture's profit<br>for the period | 5  | 1                                     | 10                                       | 4                                     |

Financial information for TGS as of 30 September 2020 and 2019 are as follows:

|   | <u>30 September<br/>2020</u> | <u>31 December<br/>2019</u> |
|---|------------------------------|-----------------------------|
| Total assets  | 186                          | 172                         |
| Total liabilities   | 128                          | 93                          |
| Shareholders' equity  | 58                           | 79                          |
| Group's share in joint<br>venture's shareholders'<br>equity | 29                           | 40                          |

  

|   | <u>1 January -<br/>30 September 2020</u> | <u>1 July -<br/>30 September 2020</u> | <u>1 January -<br/>30 September 2019</u> | <u>1 July -<br/>30 September 2019</u> |
|---|--|---------------------------------------|--|---------------------------------------|
| Revenue   | 135                                      | 53                                    | 273                                      | 107                                   |
| (Loss) / Profit for<br>the period                                     | (2)                                      | (1)                                   | 38                                       | 21                                    |
| Group's share in joint<br>venture's (loss) / profit<br>for the period | (1)                                      | (1)                                   | 19                                       | 11                                    |

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

Financial information for THY Opet as of 30 September 2020 and 2019 are as follows:

|  | <b>30 September</b>      |                          | <b>31 December</b>       |                          |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
|  | <b>2020</b>              |                          | <b>2019</b>              |                          |
| Total assets   | 163                      |                          | 315                      |                          |
| Total liabilities  | 116                      |                          | 248                      |                          |
| Shareholders' equity   | 47                       |                          | 67                       |                          |
| Group's share in joint<br>venture's shareholders'<br>equity  | 24                       |                          | 33                       |                          |
|  | <b>1 January -</b>       | <b>1 July -</b>          | <b>1 January -</b>       | <b>1 July -</b>          |
|  | <b>30 September 2020</b> | <b>30 September 2020</b> | <b>30 September 2019</b> | <b>30 September 2019</b> |
| Revenue  | 225                      | 84                       | 841                      | 206                      |
| Profit for the period  | 1                        | 9                        | 33                       | 12                       |
| Group's share in joint<br>venture's profit<br>for the period | -                        | 4                        | 17                       | 6                        |

Financial information for Uçak Koltuk as of 30 September 2020 and 2019 are as follows:

|  | <b>30 September</b>      |                          | <b>31 December</b>       |                          |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
|  | <b>2020</b>              |                          | <b>2019</b>              |                          |
| Total assets   | 38                       |                          | 29                       |                          |
| Total liabilities  | 25                       |                          | 18                       |                          |
| Shareholders' equity   | 13                       |                          | 11                       |                          |
| Group's share in joint<br>venture's shareholders'<br>equity  | 6                        |                          | 6                        |                          |
|  | <b>1 January -</b>       | <b>1 July -</b>          | <b>1 January -</b>       | <b>1 July -</b>          |
|  | <b>30 September 2020</b> | <b>30 September 2020</b> | <b>30 September 2019</b> | <b>30 September 2019</b> |
| Revenue  | 19                       | 4                        | 23                       | 6                        |
| Profit for the period  | 1                        | (1)                      | 4                        | 1                        |
| Group's share in joint<br>venture's profit<br>for the period | 1                        | -                        | 2                        | -                        |

Financial information for TCI as of 30 September 2020 and 2019 are as follows:

|   | <b>30 September</b> |  | <b>31 December</b> |  |
|---|---------------------|--|--------------------|--|
|   | <b>2020</b>         |  | <b>2019</b>        |  |
| Total assets  | 16                  |  | 19                 |  |
| Total liabilities   | 7                   |  | 8                  |  |
| Shareholders' equity  | 9                   |  | 11                 |  |
| Group's share in joint<br>venture's shareholders'<br>equity | 5                   |  | 6                  |  |

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

Financial information for TCI as of 30 September 2020 and 2019 are as follows (cont'd):

|  | <u>1 January -<br/>30 September 2020</u> | <u>1 July -<br/>30 September 2020</u> | <u>1 January -<br/>30 September 2019</u> | <u>1 July -<br/>30 September 2019</u> |
|--|--|---------------------------------------|--|---------------------------------------|
| Revenue  | 2  | -                                     | 11                                       | 4                                     |
| Loss for the period                                  | (2)                                      | (1)                                   | -  | -                                     |
| Group's share in joint venture's loss for the period | (1)                                      | -                                     | -  | -                                     |

Financial information for TFS Akaryakıt Hizmetleri as of 30 September 2020 and 2019 are as follows:

|   | <u>30 September<br/>2020</u> | <u>31 December<br/>2019</u> |
|---|------------------------------|-----------------------------|
| Total assets  | 169                          | -                           |
| Total liabilities                                     | 153                          | -                           |
| Shareholders' equity                                  | 16                           | -                           |
| Group's share in joint venture's shareholders' equity | 4                            | -                           |

|   | <u>1 January -<br/>30 September 2020</u> | <u>1 July -<br/>30 September 2020</u> | <u>1 January -<br/>30 September 2019</u> | <u>1 July -<br/>30 September 2019</u> |
|---|--|---------------------------------------|--|---------------------------------------|
| Revenue   | 420                                      | 82                                    | -  | -                                     |
| (Loss) / Profit for the period                                  | (13)                                     | 1                                     | -  | -                                     |
| Group's share in joint venture's (loss) / profit for the period | (3)                                      | 1                                     | -  | -                                     |

Financial information for Goodrich as of 30 September 2020 and 2019 are as follows:

|   | <u>30 September<br/>2020</u> | <u>31 December<br/>2019</u> |
|---|------------------------------|-----------------------------|
| Total assets  | 13                           | 12                          |
| Total liabilities                                     | 4                            | 4                           |
| Shareholders' equity                                  | 9                            | 8                           |
| Group's share in joint venture's shareholders' equity | 4                            | 3                           |

|  | <u>1 January -<br/>30 September 2020</u> | <u>1 July -<br/>30 September 2020</u> | <u>1 January -<br/>30 September 2019</u> | <u>1 July -<br/>30 September 2019</u> |
|--|--|---------------------------------------|--|---------------------------------------|
| Revenue  | 13                                       | 4                                     | 19                                       | 6                                     |
| Profit for the period                                  | 1  | -                                     | 3  | 1                                     |
| Group's share in joint venture's profit for the period | -  | (1)                                   | 1  | -                                     |

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

Financial information for We World Express as of 30 September 2020 and 2019 are as follows:

|   |                          |                          | <b>30 September</b>      | <b>31 December</b>       |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
|   |                          |                          | <b>2020</b>              | <b>2019</b>              |
| Total assets  |                          |                          | 4                        | 4                        |
| Total liabilities   |                          |                          | 1                        | 1                        |
| Shareholders' equity  |                          |                          | 3                        | 3                        |
| Group's share in joint<br>venture's shareholders'<br>equity |                          |                          | 1                        | 1                        |
|   | <b>1 January -</b>       | <b>1 July -</b>          | <b>1 January -</b>       | <b>1 July -</b>          |
|   | <b>30 September 2020</b> | <b>30 September 2020</b> | <b>30 September 2019</b> | <b>30 September 2019</b> |
| Revenue   | 1                        | -                        | -                        | -                        |
| Loss for the period   | -                        | -                        | -                        | -                        |
| Group's share in joint<br>venture's loss<br>for the period  | -                        | -                        | -                        | -                        |

Financial information for Air Albania as of 30 September 2020 and 2019 are as follows:

|   |                          |                          | <b>30 September</b>      | <b>31 December</b>       |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
|   |                          |                          | <b>2020</b>              | <b>2019</b>              |
| Total assets  |                          |                          | -                        | -                        |
| Total liabilities   |                          |                          | -                        | -                        |
| Shareholders' equity  |                          |                          | -                        | -                        |
| Group's share in joint<br>venture's shareholders'<br>equity |                          |                          | -                        | -                        |
|   | <b>1 January -</b>       | <b>1 July -</b>          | <b>1 January -</b>       | <b>1 July -</b>          |
|   | <b>30 September 2020</b> | <b>30 September 2020</b> | <b>30 September 2019</b> | <b>30 September 2019</b> |
| Revenue   | -                        | -                        | 5                        | 5                        |
| Loss for the period   | -                        | -                        | (2)                      | (2)                      |
| Group's share in joint<br>venture's loss<br>for the period  | -                        | -                        | (1)                      | (1)                      |

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**4. SEGMENT REPORTING**

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

Air Transport ("Aviation")

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

Technical Maintenance Services ("Technical")

The Group's technical activities consist of mainly aircraft repair and maintenance services and providing technical and infrastructure support related to aviation sector. The detailed information about the revenue of the Group is given in Note 20.

**4.1 Total Assets and Liabilities**

|  | <b>30 September 2020</b> | <b>31 December 2019</b> |
|--|--------------------------|-------------------------|
| <b>Total Assets</b>                                    |                          |                         |
| Aviation   | 24,328                   | 24,490                  |
| Technical  | 1,523                    | 1,568                   |
| Total  | 25,851                   | 26,058                  |
| Less: Eliminations due to consolidation                | (1,388)                  | (1,334)                 |
| Total assets in consolidated financial statements      | <u>24,463</u>            | <u>24,724</u>           |
| <br>   |                          |                         |
| <b>Total Liabilities</b>                               |                          |                         |
| Aviation   | 18,722                   | 17,825                  |
| Technical  | 373                      | 386                     |
| Total  | 19,095                   | 18,211                  |
| Less: Eliminations due to consolidation                | (265)                    | (351)                   |
| Total liabilities in consolidated financial statements | <u>18,830</u>            | <u>17,860</u>           |

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

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

Segment Results:

| <b>1 January - 30 September 2020</b>                                  | <b>Inter-segment</b> |                |                    | <b>Total</b> |
|---|----------------------|----------------|--------------------|--------------|
|   | <b>Aviation</b>      | <b>Technic</b> | <b>elimination</b> |              |
| Sales to External Customers   | 4,831                | 131            | -                  | 4,962        |
| Inter-Segment Sales   | 21                   | 494            | (515)              | -            |
| Revenue   | 4,852                | 625            | (515)              | 4,962        |
| Cost of Sales (-)   | (4,834)              | (556)          | 517                | (4,873)      |
| Gross Profit  | 18                   | 69             | 2                  | 89           |
| Administrative Expenses (-)   | (108)                | (60)           | 3                  | (165)        |
| Selling and Marketing Expenses (-)                                    | (511)                | (5)            | 1                  | (515)        |
| Other Operating Income  | 250                  | 17             | (10)               | 257          |
| Other Operating Expenses (-)  | (25)                 | (12)           | 4                  | (33)         |
| Operating Loss Before<br>Investment Activities                        | (376)                | 9              | -                  | (367)        |
| Income from Investment Activities                                     | 130                  | -              | -                  | 130          |
| Expenses from Investment Activities                                   | (9)                  | -              | -                  | (9)          |
| Share of Investments' Loss<br>Accounted by Using<br>The Equity Method | (97)                 | 1              | -                  | (96)         |
| Operating Loss  | (352)                | 10             | -                  | (342)        |
| Financial Income  | 58                   | -              | (6)                | 52           |
| Financial Expense (-)   | (636)                | 2              | 6                  | (628)        |
| Loss Before Tax   | (930)                | 12             | -                  | (918)        |

| <b>1 January - 30 September 2019</b>                                    | <b>Inter-segment</b> |                |                    | <b>Total</b> |
|---|----------------------|----------------|--------------------|--------------|
|   | <b>Aviation</b>      | <b>Technic</b> | <b>elimination</b> |              |
| Sales to External Customers   | 9,720                | 228            | -                  | 9,948        |
| Inter-Segment Sales   | 39                   | 753            | (792)              | -            |
| Revenue   | 9,759                | 981            | (792)              | 9,948        |
| Cost of Sales (-)   | (8,227)              | (739)          | 792                | (8,174)      |
| Gross Profit  | 1,532                | 242            | -                  | 1,774        |
| Administrative Expenses (-)   | (155)                | (71)           | 4                  | (222)        |
| Selling and Marketing Expenses (-)                                      | (1,100)              | (5)            | 1                  | (1,104)      |
| Other Operating Income  | 125                  | 21             | (4)                | 142          |
| Other Operating Expenses (-)  | (35)                 | (14)           | (1)                | (50)         |
| Operating Profit Before<br>Investment Activities                        | 367                  | 173            | -                  | 540          |
| Income from Investment Activities                                       | 115                  | 1              | -                  | 116          |
| Expenses from Investment Activities                                     | (78)                 | (1)            | -                  | (79)         |
| Share of Investments' Profit<br>Accounted by Using<br>The Equity Method | 91                   | (11)           | -                  | 80           |
| Operating Profit  | 495                  | 162            | -                  | 657          |
| Financial Income  | 68                   | -              | (13)               | 55           |
| Financial Expense (-)   | (239)                | (4)            | 13                 | (230)        |
| Profit Before Tax   | 324                  | 158            | -                  | 482          |

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

**4.3 Investment Operations**

|  | <b>Aviation</b> | <b>Technic</b> | <b>Inter-segment<br/>elimination</b> | <b>Total</b> |
|--|-----------------|----------------|--------------------------------------|--------------|
| <b>1 January - 30 September 2020</b>                     |                 |                |                                      |              |
| Purchase of property and equipment and intangible assets | 2,318           | 150            | -                                    | 2,468        |
| Current period depreciation and amortization charge      | 1,119           | 107            | -                                    | 1,226        |
| Investments accounted by using equity method             | 166             | 73             | -                                    | 239          |
| <b>1 January - 30 September 2019</b>                     |                 |                |                                      |              |
| Purchase of property and equipment and intangible assets | 2,327           | 261            | -                                    | 2,588        |
| Current period depreciation and amortization charge      | 1,011           | 112            | -                                    | 1,123        |
| Investments accounted by using equity method             | 313             | 56             | -                                    | 369          |

**5. CASH AND CASH EQUIVALENTS**

|                         | <b>30 September 2020</b> | <b>31 December 2019</b> |
|-------------------------|--------------------------|-------------------------|
| Cash                    | 2                        | 1                       |
| Banks – Time deposits   | 1,101                    | 2,000                   |
| Banks – Demand deposits | 160                      | 74                      |
|                         | <u>1,263</u>             | <u>2,075</u>            |

Details of the time deposits as of 30 September 2020 are as follows:

| <b><u>Amount</u></b> | <b><u>Currency</u></b> | <b><u>Effective Interest Rate</u></b> | <b><u>Maturity</u></b> | <b><u>30 September 2020</u></b> |
|----------------------|------------------------|---------------------------------------|------------------------|---------------------------------|
| 2,618                | TL                     | 9.00% - 12.75%                        | November 2020          | 337                             |
| 547                  | USD                    | 1.80% - 2.52%                         | November 2020          | 548                             |
| 176                  | EUR                    | 0.30% - 1.84%                         | October 2020           | 206                             |
| 1,280                | DZD                    | 1.98%                                 | October 2020           | 10                              |
|                      |                        |                                       |                        | <u>1,101</u>                    |

Details of the time deposits as of 31 December 2019 are as follows:

| <b><u>Amount</u></b> | <b><u>Currency</u></b> | <b><u>Effective Interest Rate</u></b> | <b><u>Maturity</u></b> | <b><u>31 December 2019</u></b> |
|----------------------|------------------------|---------------------------------------|------------------------|--------------------------------|
| 2,387                | TL                     | 9.35% - 11.60%                        | January 2020           | 402                            |
| 223                  | USD                    | 1.50% - 1.60%                         | January 2020           | 223                            |
| 1,196                | EUR                    | 0.36% - 0.80%                         | March 2020             | 1,340                          |
| 4,185                | DZD                    | 1.98% - 3.15%                         | March 2020             | 35                             |
|                      |                        |                                       |                        | <u>2,000</u>                   |



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**6. FINANCIAL INVESTMENTS**

Short-term financial investments are as follows:

|   | <u>30 September 2020</u> | <u>31 December 2019</u> |
|---|--------------------------|-------------------------|
| Fair value through profit and loss (FVTPL)            |                          |                         |
| - Equity securities                                   | 14                       | 15                      |
| Fair value through other comprehensive income (FVOCI) |                          |                         |
| - Corporate debt securities                           | -                        | 9                       |
| Time deposits with maturity more than 3 months        | -                        | 376                     |
|   | <u>14</u>                | <u>400</u>              |

Time deposit with maturity more than 3 months as of 31 December 2019 is as follows:

| <u>Amount</u> | <u>Currency</u> | <u>Effective Interest Rate</u> | <u>Maturity</u> | <u>31 December 2019</u> |
|---------------|-----------------|--------------------------------|-----------------|-------------------------|
| 336           | EUR             | 0.24% - 0.40%                  | April 2020      | <u>376</u>              |

Long-term financial investments are as follows:

|                              | <u>30 September 2020</u> | <u>31 December 2019</u> |
|------------------------------|--------------------------|-------------------------|
| FVOCI                        |                          |                         |
| - Government debt securities | 51                       | 49                      |
| - Corporate debt securities  | 31                       | 40                      |
| Other                        | 1                        | 1                       |
|                              | <u>83</u>                | <u>90</u>               |

Period remaining to contractual maturity dates for FVOCI as of 30 September 2020 and 31 December 2019 is as follows:

|                  | <u>30 September 2020</u> | <u>31 December 2019</u> |
|------------------|--------------------------|-------------------------|
| Less than 1 year | -                        | 9                       |
| 1 to 5 years     | 3                        | 3                       |
| Over 5 years     | 79                       | 86                      |
|                  | <u>82</u>                | <u>98</u>               |

|                     | <u>30 September 2020</u> | <u>31 December 2019</u> |
|---------------------|--------------------------|-------------------------|
| FVTPL               |                          |                         |
| - Equity securities | 14                       | 15                      |

**7. BORROWINGS**

Short-term borrowings are as follows:

|                 | <u>30 September 2020</u> | <u>31 December 2019</u> |
|-----------------|--------------------------|-------------------------|
| Bank borrowings | 1,528                    | 1,241                   |

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

|                                      | <u>30 September 2020</u> | <u>31 December 2019</u> |
|--------------------------------------|--------------------------|-------------------------|
| Finance lease obligations (Note: 14) | 1,361                    | 1,118                   |
| Bank borrowings                      | 811                      | 491                     |
| Lease liabilities (Note: 14) (*)     | 273                      | 256                     |
|                                      | <u>2,445</u>             | <u>1,865</u>            |

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

Long-term borrowings are as follows:

|                                      | <u>30 September 2020</u> | <u>31 December 2019</u> |
|--------------------------------------|--------------------------|-------------------------|
| Finance lease obligations (Note: 14) | 7,729                    | 7,274                   |
| Bank borrowings                      | 2,131                    | 1,721                   |
| Lease liabilities (Note: 14) (*)     | 1,354                    | 1,271                   |
|                                      | <u>11,214</u>            | <u>10,266</u>           |

(\*) According to IFRS 16, these amounts are lease liabilities.

Details of bank borrowings as of 30 September 2020 and 31 December 2019 are as follows:

|                     | <u>30 September 2020</u> | <u>31 December 2019</u> |
|---------------------|--------------------------|-------------------------|
| Less than 1 year    | 2,339                    | 1,732                   |
| Between 1 – 5 years | 2,056                    | 1,721                   |
| Over 5 years        | 75                       | -                       |
|                     | <u>4,470</u>             | <u>3,453</u>            |

| <u>Amount</u> | <u>Currency</u> | <u>Interest Rate</u><br><u>Type</u> | <u>Effective Interest Rate</u> | <u>Payment Period</u>     | <u>30 September</u><br><u>2020</u> |
|---------------|-----------------|-------------------------------------|--------------------------------|---------------------------|------------------------------------|
| 700           | TRY             | Fixed                               | 8.5% - 9.25%                   | December 2020 - June 2021 | 90                                 |
| 2,959         | EUR             | Fixed                               | 0.30% - 4.93%                  | October 2020 - April 2026 | 3,460                              |
|               |                 |                                     | Euribor + 2.04% -              |                           |                                    |
| 787           | EUR             | Floating                            | Euribor + 3.77%                | August 2021 - August 2026 | 920                                |
|               |                 |                                     |                                |                           | <u>4,470</u>                       |

| <u>Amount</u> | <u>Currency</u> | <u>Interest Rate</u><br><u>Type</u> | <u>Effective Interest Rate</u> | <u>Payment Period</u>         | <u>31 December</u><br><u>2019</u> |
|---------------|-----------------|-------------------------------------|--------------------------------|-------------------------------|-----------------------------------|
| 2,243         | EUR             | Fixed                               | 0.30% - 4.93%                  | February 2020 - December 2024 | 2,511                             |
|               |                 |                                     | Euribor + 2.03% -              |                               |                                   |
| 841           | EUR             | Floating                            | Euribor + 3.77%                | February 2020 - July 2024     | 942                               |
|               |                 |                                     |                                |                               | <u>3,453</u>                      |

Reconciliation of liabilities arising from financing activities:

|                   | <u>31 December</u><br><u>2019</u> | <u>Payment</u> | <u>Non-cash Changes</u> | <u>New</u><br><u>Leases</u> | <u>30 September</u><br><u>2020</u> |
|-------------------|-----------------------------------|----------------|-------------------------|-----------------------------|------------------------------------|
| Lease Liabilities | 8,392                             | (994)          | 421                     | 1,271                       | <u>9,090</u>                       |

|                   | <u>31 December</u><br><u>2018</u> | <u>Payment</u> | <u>Non-cash Changes</u> | <u>New</u><br><u>Leases</u> | <u>31 December</u><br><u>2019</u> |
|-------------------|-----------------------------------|----------------|-------------------------|-----------------------------|-----------------------------------|
| Lease Liabilities | 7,986                             | (1,149)        | 115                     | 1,440                       | <u>8,392</u>                      |

|                 | <u>31 December</u><br><u>2019</u> | <u>Payment</u> | <u>Non-cash Changes</u> | <u>Cash-in</u> | <u>30 September</u><br><u>2020</u> |
|-----------------|-----------------------------------|----------------|-------------------------|----------------|------------------------------------|
| Bank Borrowings | 3,453                             | (1,162)        | 245                     | 1,934          | <u>4,470</u>                       |

|                 | <u>31 December</u><br><u>2018</u> | <u>Payment</u> | <u>Non-cash Changes</u> | <u>Cash-in</u> | <u>31 December</u><br><u>2019</u> |
|-----------------|-----------------------------------|----------------|-------------------------|----------------|-----------------------------------|
| Bank Borrowings | 2,622                             | (2,340)        | 10                      | 3,161          | <u>3,453</u>                      |

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

In accordance to IFRS 16 reconciliation of lease liabilities:

|          | <u>31 December</u> |                |                         | <u>New</u>    | <u>30 September</u> |
|----------|--------------------|----------------|-------------------------|---------------|---------------------|
|          | <u>2019</u>        | <u>Payment</u> | <u>Non-cash Changes</u> | <u>Leases</u> | <u>2020</u>         |
| Aircraft | 1,466              | (244)          | 42                      | 316           | 1,580               |
| Property | 58                 | (8)            | (3)                     | -             | 47                  |
| Other    | 3                  | (2)            | (1)                     | -             | -                   |
|          | <u>1,527</u>       | <u>(254)</u>   | <u>38</u>               | <u>316</u>    | <u>1,627</u>        |
|          | <u>1 January</u>   |                |                         | <u>New</u>    | <u>31 December</u>  |
|          | <u>2019</u>        | <u>Payment</u> | <u>Non-cash Changes</u> | <u>Leases</u> | <u>2019</u>         |
| Aircraft | 1,534              | (325)          | 52                      | 205           | 1,466               |
| Property | 55                 | (13)           | 2                       | 14            | 58                  |
| Other    | 6                  | (3)            | -                       | -             | 3                   |
|          | <u>1,595</u>       | <u>(341)</u>   | <u>54</u>               | <u>219</u>    | <u>1,527</u>        |

**8. OTHER FINANCIAL LIABILITIES**

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

|                             | <u>30 September 2020</u> | <u>31 December 2019</u> |
|-----------------------------|--------------------------|-------------------------|
| Other financial liabilities | <u>2</u>                 | <u>19</u>               |

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

**9. RELATED PARTIES**

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

|                       | <u>30 September 2020</u> | <u>31 December 2019</u> |
|-----------------------|--------------------------|-------------------------|
| Air Albania           | 6                        | -                       |
| Sun Express           | 1                        | -                       |
| We World Express Ltd. | 1                        | -                       |
|                       | <u>8</u>                 | <u>-</u>                |

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

|     | <u>30 September 2020</u> | <u>31 December 2019</u> |
|-----|--------------------------|-------------------------|
| TGS | -                        | 28                      |

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

|                          | <u>30 September 2020</u> | <u>31 December 2019</u> |
|--------------------------|--------------------------|-------------------------|
| TGS                      | 34                       | 37                      |
| TFS Akaryakıt Hizmetleri | 29                       | -                       |
| TEC                      | 25                       | 55                      |
| Turkish DO&CO            | 21                       | 21                      |
| THY Opet                 | 8                        | 38                      |
| Goodrich                 | 5                        | 2                       |
| Sun Express              | -                        | 19                      |
|                          | <u>122</u>               | <u>172</u>              |

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**9. RELATED PARTIES (cont'd)**

Transactions with related parties for the period ended 30 September 2020 and 2019 are as follows:

**a) Sales to related parties:**

|                       | 1 January -<br>30 September 2020 | 1 July -<br>30 September 2020 | 1 January -<br>30 September 2019 | 1 July -<br>30 September 2019 |
|-----------------------|----------------------------------|-------------------------------|----------------------------------|-------------------------------|
| TEC                   | 35                               | 2                             | 23                               | 9                             |
| Sun Express           | 19                               | 7                             | 28                               | 8                             |
| We World Express Ltd. | 10                               | 6                             | -                                | -                             |
| PTT                   | 3                                | 1                             | 3                                | 1                             |
| TGS                   | 1                                | -                             | 4                                | 1                             |
| Goodrich              | 1                                | -                             | 2                                | 1                             |
| Air Albania           | -                                | -                             | 2                                | 1                             |
| TCI                   | -                                | -                             | 1                                | 1                             |
|                       | <u>69</u>                        | <u>16</u>                     | <u>63</u>                        | <u>22</u>                     |

**b) Purchases from related parties:**

|                          | 1 January -<br>30 September 2020 | 1 July -<br>30 September 2020 | 1 January -<br>30 September 2019 | 1 July -<br>30 September 2019 |
|--------------------------|----------------------------------|-------------------------------|----------------------------------|-------------------------------|
| TFS Akaryakıt Hizmetleri | 399                              | 78                            | -                                | -                             |
| THY Opet                 | 171                              | 56                            | 647                              | 114                           |
| TEC                      | 151                              | 32                            | 130                              | 21                            |
| TGS                      | 132                              | 52                            | 244                              | 91                            |
| Turkish DO&CO            | 96                               | 20                            | 241                              | 89                            |
| Sun Express              | 69                               | 25                            | 137                              | 53                            |
| Goodrich                 | 12                               | 3                             | 16                               | 6                             |
| Uçak Koltuk              | 7                                | 2                             | 5                                | 2                             |
| Air Albania              | 3                                | -                             | -                                | -                             |
| TCI                      | -                                | -                             | 1                                | 1                             |
| Other                    | -                                | -                             | 1                                | -                             |
|                          | <u>1,040</u>                     | <u>268</u>                    | <u>1,422</u>                     | <u>377</u>                    |

Details of the financial assets and liabilities for related parties as of 30 September 2020 and 31 December 2019 are as follows:

|                         | <u>30 September 2020</u> | <u>31 December 2019</u> |
|-------------------------|--------------------------|-------------------------|
| Banks - Time deposits   | 939                      | 1,435                   |
| Financial assets        | 92                       | 104                     |
| Banks - Demand deposits | 1                        | 8                       |
| Financial investments   | -                        | 275                     |
| Bank borrowing          | (307)                    | (312)                   |
|                         | <u>725</u>               | <u>1,510</u>            |

As of 30 September 2020, the amount of letters of guarantee given to the related parties is USD 1,026. (31 December 2019: USD 886)

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**9. RELATED PARTIES (cont'd)**

Details of the financial investments at related parties as of 31 December 2019 are as follows:

| <u>Amount</u> | <u>Currency</u> | <u>Effective Interest Rate</u> | <u>Maturity</u> | <u>31 December 2019</u> |
|---------------|-----------------|--------------------------------|-----------------|-------------------------|
| 246           | EUR             | 0.28% - 0.40%                  | April 2020      | <u>275</u>              |

Details of the time deposits at related parties as of 30 September 2020 and 31 December 2019 are as follows:

| <u>Amount</u> | <u>Currency</u> | <u>Effective Interest Rate</u> | <u>Maturity</u> | <u>30 September 2020</u> |
|---------------|-----------------|--------------------------------|-----------------|--------------------------|
| 2,471         | TL              | 11.05% - 12.75%                | November 2020   | 319                      |
| 514           | USD             | 1.80% - 2.52%                  | November 2020   | 514                      |
| 91            | EUR             | 1.60% - 1.72%                  | October 2020    | 106                      |
|               |                 |                                |                 | <u>939</u>               |

| <u>Amount</u> | <u>Currency</u> | <u>Effective Interest Rate</u> | <u>Maturity</u> | <u>31 December 2019</u> |
|---------------|-----------------|--------------------------------|-----------------|-------------------------|
| 2,381         | TL              | 9.35% - 10.00%                 | January 2020    | 401                     |
| 922           | EUR             | 0.36% - 0.56%                  | March 2020      | 1,033                   |
| 1             | USD             | 1.50%                          | January 2020    | 1                       |
|               |                 |                                |                 | <u>1,435</u>            |

Details of the financial assets at related parties as of 30 September 2020 and 31 December 2019 are as follows:

| <u>Amount</u> | <u>Currency</u> | <u>Effective Interest Rate</u> | <u>Maturity</u>              | <u>30 September 2020</u> |
|---------------|-----------------|--------------------------------|------------------------------|--------------------------|
| 92            | USD             | 4.88% - 8.50%                  | October 2020 -<br>March 2021 | <u>92</u>                |

| <u>Amount</u> | <u>Currency</u> | <u>Effective Interest Rate</u> | <u>Maturity</u>              | <u>31 December 2019</u> |
|---------------|-----------------|--------------------------------|------------------------------|-------------------------|
| 104           | USD             | 3.88% - 8.50%                  | February 2020 -<br>June 2020 | <u>104</u>              |

Details of the bank borrowings at related parties as of 30 September 2020 and 31 December 2019 are as follows:

| <u>Amount</u> | <u>Currency</u> | <u>Effective Interest Rate</u> | <u>Maturity</u> | <u>30 September 2020</u> |
|---------------|-----------------|--------------------------------|-----------------|--------------------------|
| 262           | EUR             | 2.94% - 4.00%                  | December 2024   | <u>307</u>               |

| <u>Amount</u> | <u>Currency</u> | <u>Effective Interest Rate</u> | <u>Maturity</u> | <u>31 December 2019</u> |
|---------------|-----------------|--------------------------------|-----------------|-------------------------|
| 279           | EUR             | 2.94% - 4.00%                  | December 2024   | <u>312</u>              |

**Interest income from related parties:**

|                           | <u>1 January -<br/>30 September 2020</u> | <u>1 July -<br/>30 September 2020</u> | <u>1 January -<br/>30 September 2019</u> | <u>1 July -<br/>30 September 2019</u> |
|---------------------------|--|---------------------------------------|--|---------------------------------------|
| Türkiye Halk Bankası A.Ş. | 12                                       | 7                                     | 34                                       | 17                                    |
| Ziraat Bankası A.Ş.       | -  | -                                     | 1  | -                                     |
|                           | <u>12</u>                                | <u>7</u>                              | <u>35</u>                                | <u>17</u>                             |

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**9. RELATED PARTIES (cont'd)**

**Interest expense to related parties:**

|                     | <u>1 January -<br/>30 September 2020</u> | <u>1 July -<br/>30 September 2020</u> | <u>1 January -<br/>30 September 2019</u> | <u>1 July -<br/>30 September 2019</u> |
|---------------------|--|---------------------------------------|--|---------------------------------------|
| Ziraat Bankası A.Ş. | <u>8</u>                                 | <u>3</u>                              | <u>4</u>                                 | <u>1</u>                              |

Transactions between the Group and THY Opet are related to the supply of aircraft fuel; transactions between the Group and Turkish DO&CO are related to catering services; transactions between the Group and Sun Express are related to wet lease, seat sales operations and maintenance services; transactions between the Group and TGS are related to ground services; transactions between the Group and TEC are related to engine maintenance services; transactions between the Group and PTT are related to cargo transportation; transactions between the Group and Halk Bankası and Ziraat Bankası are related to banking services, transactions between the Group and Türk Telekom are related to advertising and telecommunication services and transactions between the Group and TFS Akaryakıt Hizmetleri A.Ş. are related to the supply of aircraft fuel. Receivables from related parties are not collateralized and maturity of trade receivables is 30 days.

The total amount of salaries and other short-term benefits provided for the Board Members, General Manager and Deputy General Managers are USD 3 (1 January- 30 September 2019: USD 3).

**10. OTHER RECEIVABLES**

Other short-term receivables from third parties as of 30 September 2020 and 31 December 2019 are as follows:

|   | <u>30 September 2020</u> | <u>31 December 2019</u> |
|---|--------------------------|-------------------------|
| Predelivery payments made for aircrafts     | 1,060                    | 778                     |
| Receivables from technical purchases        | 219                      | 168                     |
| Bank deposits with transfer limitations (*) | 58                       | 36                      |
| Receivables from pilots for flight training | 33                       | 24                      |
| Value added tax receivables                 | 31                       | 42                      |
| Others                                      | 14                       | 5                       |
|   | <u>1,415</u>             | <u>1,053</u>            |

(\*)As of 30 September 2020, the balance of this account includes bank deposits in Ethiopia, Bangladesh, Algeria, Nigeria, Senegal, Niger, Mali, Republic of Cote D'ivoire, Burkina Faso, Eritrea, Mozambique, Bolivarian Republic of Venezuela, Republic of Angola, Republic of Cameroon, Republic of Chad, Republic of Sudan, Gabon, Somalia, Benin, Republic of Zimbabwe, Republic of Cuba, Republic of Lebanon and Iran. (As of 31 December 2019, the balance of this account includes bank deposits in Ethiopia, Bangladesh, Algeria, Nigeria, Senegal, Niger, Mali, Republic of Cote D'ivoire, Burkina Faso, Eritrea, Mozambique, Bolivarian Republic of Venezuela, Republic of Angola, Republic of Cameroon, Republic of Chad, Republic of Sudan, Gabon, Somalia, Benin, Republic of Zimbabwe, Argentina, Democratic Republic of the Congo, Republic of Cuba, Republic of Lebanon and Iran)

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**10. OTHER RECEIVABLES (cont'd)**

Other long-term receivables from third parties as of 30 September 2020 and 31 December 2019 are as follows:

|  | <u>30 September 2020</u> | <u>31 December 2019</u> |
|--|--------------------------|-------------------------|
| Receivables related to investment certificates (***) | 336                      | 313                     |
| Predelivery payments made for aircrafts              | 300                      | 761                     |
| Receivables from pilots for flight training          | 184                      | 154                     |
| Interest and commodity swap agreement deposits       | 102                      | -                       |
| Deposits and guarentees given                        | 41                       | 42                      |
| Bank deposits with transfer limitations (**)         | 4                        | 6                       |
|  | <u>967</u>               | <u>1,276</u>            |

(\*\*) As of 30 September 2020, the balance of this account includes bank deposits in Syria.

(\*\*\*) This represents the accrued amount as of 30 September 2020. Total contribution of government incentives related to fleet investments amounts to USD 2.730. See note 2.3 for accounting policy.

**11. DEFERRED INCOME**

**Deferred income is as follows:**

|                                  | <u>30 September 2020</u> | <u>31 December 2019</u> |
|----------------------------------|--------------------------|-------------------------|
| Passenger flight liabilities     | 625                      | 1,032                   |
| Other short-term deferred income | 30                       | 39                      |
|                                  | <u>655</u>               | <u>1,071</u>            |

**Passenger flight liability is as follows:**

|   | <u>30 September 2020</u> | <u>31 December 2019</u> |
|---|--------------------------|-------------------------|
| Flight liability generating from ticket sales           | 405                      | 797                     |
| Flight liability generating from frequent flyer program | 220                      | 235                     |
|   | <u>625</u>               | <u>1,032</u>            |

**Other short-term deferred income is as follows:**

|   | <u>30 September 2020</u> | <u>31 December 2019</u> |
|---|--------------------------|-------------------------|
| Advances received                       | 14                       | 18                      |
| Deferred finance income                 | 11                       | 11                      |
| Unearned bank protocol revenue accruals | 5                        | 10                      |
|   | <u>30</u>                | <u>39</u>               |

**Long-term deferred income is as follows:**

|   | <u>30 September 2020</u> | <u>31 December 2019</u> |
|---|--------------------------|-------------------------|
| Deferred finance income                           | 111                      | 118                     |
| Gross manufacturer's credits                      | 31                       | 31                      |
| Accumulated depreciation of manufacturer's credit | (31)                     | (31)                    |
| Unearned bank protocol revenue accruals           | -                        | 2                       |
|   | <u>111</u>               | <u>120</u>              |

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**12. PROPERTY AND EQUIPMENT**

|  | <b>Land, land<br/>improvements<br/>and buildings</b> | <b>Technical<br/>Equipment,<br/>Simulator<br/>and Vehicles</b> | <b>Other<br/>equipments,<br/>and fixtures</b> | <b>Aircrafts</b> | <b>Spare<br/>engines</b> | <b>Components<br/>and<br/>repairable<br/>spare parts</b> | <b>Leasehold<br/>improvements</b> | <b>Construction<br/>In Progress</b> | <b>Total</b> |
|--|--|--|---|------------------|--------------------------|--|-----------------------------------|-------------------------------------|--------------|
| <b><u>Cost</u></b>                     |  |  |   |                  |                          |  |                                   |                                     |              |
| Opening balance at 1 January 2020      | 948  | 591  | 239   | 20,814           | 826                      | 660  | 183                               | 692                                 | 24,953       |
| Additions                              | 51   | 14   | 4   | 2,058            | 30                       | 82   | 1                                 | 220                                 | 2,460        |
| Transfer (*)                           | 196  | 30   | 1   | 14               | 19                       | -  | 1                                 | (273)                               | (12)         |
| Disposals                              | -  | (1)  | (3)   | (117)            | (9)                      | (45)   | (5)                               | -                                   | (180)        |
| Transfer to Assets held-for-sale       | -  | -  | -   | (19)             | -                        | -  | -                                 | -                                   | (19)         |
| Closing balance at 30 September 2020   | 1,195  | 634  | 241   | 22,750           | 866                      | 697  | 180                               | 639                                 | 27,202       |
| <b><u>Accumulated Depreciation</u></b> |  |  |   |                  |                          |  |                                   |                                     |              |
| Opening balance at 1 January 2020      | 242  | 271  | 173   | 6,317            | 279                      | 315  | 95                                | -                                   | 7,692        |
| Depreciation charge                    | 40   | 34   | 17  | 1,004            | 48                       | 56   | 11                                | -                                   | 1,210        |
| Disposals                              | -  | (1)  | (2)   | (117)            | (9)                      | (25)   | (5)                               | -                                   | (159)        |
| Transfer to Assets held-for-sale       | -  | -  | -   | (10)             | -                        | -  | -                                 | -                                   | (10)         |
| Closing balance at 30 September 2020   | 282  | 304  | 188   | 7,194            | 318                      | 346  | 101                               | -                                   | 8,733        |
| Net book value at 30 September 2020    | 913  | 330  | 53  | 15,556           | 548                      | 351  | 79                                | 639                                 | 18,469       |
| Net book value at 31 December 2019     | 706  | 320  | 66  | 14,497           | 547                      | 345  | 88                                | 692                                 | 17,261       |

(\*) Construction in progress amounting to USD 12 has been transferred to intangible assets.

As of 30 September 2020, the total net book value of the property, plant and equipment acquired by leases is USD 14,446 (31 December 2019: USD 13,618)

Depreciation and amortization expenses are recognized in cost of sales is amounting to USD 1,176 (30 September 2019: USD 1,080 ), general administrative expenses is amounting to USD 44 (30 September 2019: USD 38) and marketing and sales expenses is amounting to USD 6 (30 September 2019: USD 5) in total of USD 1,226 as of 30 September 2020 (30 September 2019: USD 1,123).

The Group's construction in progress balances mainly consist of İstanbul Airport buildings, aircraft modifications, engine maintenance, backup engines, simulators and cargo equipment.



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

|  | Land<br>improvements<br>and buildings | Technical<br>equipments<br>simulators<br>and vehicles | Other<br>equipments,<br>and fixtures | Aircrafts | Spare<br>engines | Components<br>and<br>repairable<br>spare parts | Leasehold<br>improvements | Construction<br>in progress | Total  |
|--|---------------------------------------|---|--------------------------------------|-----------|------------------|--|---------------------------|-----------------------------|--------|
| <b><u>Cost</u></b>                     |                                       |   |                                      |           |                  |  |                           |                             |        |
| Opening balance at 1 January 2019      | 359                                   | 435   | 214                                  | 19,067    | 738              | 583  | 531                       | 718                         | 22,645 |
| Additions                              | 1                                     | 31  | 19                                   | 1,793     | 82               | 152  | 18                        | 483                         | 2,579  |
| Transfer                               | -                                     | 3   | 1                                    | 107       | 20               | -  | 44                        | (176)                       | (1)    |
| Disposals                              | -                                     | (4)   | (3)                                  | (768)     | (42)             | (80)   | (17)                      | -                           | (914)  |
| Closing balance at 30 September 2019   | 360                                   | 465   | 231                                  | 20,199    | 798              | 655  | 576                       | 1,025                       | 24,309 |
| <b><u>Accumulated Depreciation</u></b> |                                       |   |                                      |           |                  |  |                           |                             |        |
| Opening balance at 1 January 2019      | 89                                    | 235   | 151                                  | 5,835     | 267              | 310  | 202                       | -                           | 7,089  |
| Depreciation charge                    | 16                                    | 29  | 19                                   | 907       | 44               | 65   | 31                        | -                           | 1,111  |
| Disposals                              | -                                     | (3)   | (3)                                  | (676)     | (40)             | (51)   | (16)                      | -                           | (789)  |
| Closing balance at 30 September 2019   | 105                                   | 261   | 167                                  | 6,066     | 271              | 324  | 217                       | -                           | 7,411  |
| Net book value at 30 September 2019    | 255                                   | 204   | 64                                   | 14,133    | 527              | 331  | 359                       | 1,025                       | 16,898 |
| Net book value at 31 December 2018     | 214                                   | 194   | 63                                   | 11,656    | 471              | 273  | 329                       | 718                         | 13,918 |

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

Lease assets are as follows:

|   | <b>Aircraft</b> | <b>Spare engines</b> | <b>Real Estate</b> | <b>Vehicles</b> | <b>Total</b>  |
|---|-----------------|----------------------|--------------------|-----------------|---------------|
| <b><u>Cost</u></b>                          |                 |                      |                    |                 |               |
| Opening balance at 1 January 2020           | 17,647          | 165                  | 74                 | 6               | 17,892        |
| Additions                                   | 2,016           | -                    | 1                  | -               | 2,017         |
| Transfer                                    | 10              | -                    | -                  | -               | 10            |
| Disposals                                   | (87)            | -                    | -                  | -               | (87)          |
| Transfers between the accounts (*)          | (593)           | -                    | -                  | -               | (593)         |
| <b>Closing balance at 30 September 2020</b> | <b>18,993</b>   | <b>165</b>           | <b>75</b>          | <b>6</b>        | <b>19,239</b> |
| <b><u>Accumulated Depreciation</u></b>      |                 |                      |                    |                 |               |
| Opening balance at 1 January 2020           | 4,222           | 39                   | 10                 | 3               | 4,274         |
| Depreciation charge                         | 871             | 7                    | 9                  | 2               | 889           |
| Disposals                                   | (87)            | -                    | -                  | -               | (87)          |
| Transfers between the account (*)           | (283)           | -                    | -                  | -               | (283)         |
| <b>Closing balance at 30 September 2020</b> | <b>4,723</b>    | <b>46</b>            | <b>19</b>          | <b>5</b>        | <b>4,793</b>  |
| <b>Net book value at 30 September 2020</b>  | <b>14,270</b>   | <b>119</b>           | <b>56</b>          | <b>1</b>        | <b>14,446</b> |
| <b>Net book value at 31 December 2019</b>   | <b>13,425</b>   | <b>126</b>           | <b>64</b>          | <b>3</b>        | <b>13,618</b> |

(\*) Transfers are mainly consists of aircraft that lease payments have been acquired and ownership has been transferred to the Group.

The Group is still carrying out negotiations with the airport operator company (İGA Havalimanı İşletmesi A.Ş.) regarding the rental areas, rental fee, renting conditions and period for İstanbul Airport. Yet, no agreement is signed and there is no Board Decision about the above mentioned rental matters. Despite the fact that there is a PPP tariff issued by State Airports Authority (DHMI), it does not eliminate the uncertainties regarding rental areas, rental fee, renting conditions and period which are considered as material terms of a contract. Thus, it is not considered as appropriate to consider them under IFRS16 scope and no calculations for assets or liabilities are made concerning the İstanbul Airport rentals at September 2020 financial statements. However, the payments for the areas used at İstanbul Airport are made with reservation according to PPP tariff and they are recorded under expense accounts for the period.

**13. INTANGIBLE ASSETS**

|   | <b>Slot rights<br/>and acquired<br/>technical<br/>licenses (*)</b> | <b>Rights</b> | <b>Other<br/>intangible<br/>assets</b> | <b>Total</b> |
|---|--|---------------|--|--------------|
| <b><u>Cost</u></b>                          |  |               |  |              |
| Opening balance at 1 January 2020           | 44   | 193           | 5                                      | 242          |
| Additions                                   | -  | 8             | -                                      | 8            |
| Transfers                                   | -  | 12            | -                                      | 12           |
| <b>Closing balance at 30 September 2020</b> | <b>44</b>  | <b>213</b>    | <b>5</b>                               | <b>262</b>   |
| <b><u>Accumulated Amortization</u></b>      |  |               |  |              |
| Opening balance at 1 January 2020           | -  | 157           | 3                                      | 160          |
| Amortization charge                         | -  | 16            | -                                      | 16           |
| <b>Closing balance at 30 September 2020</b> | <b>-</b>   | <b>173</b>    | <b>3</b>                               | <b>176</b>   |
| <b>Net book value at 30 September 2020</b>  | <b>44</b>  | <b>40</b>     | <b>2</b>                               | <b>86</b>    |
| <b>Net book value at 31 December 2019</b>   | <b>44</b>  | <b>36</b>     | <b>2</b>                               | <b>82</b>    |

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**13. INTANGIBLE ASSETS (cont'd)**

|  | Slot rights<br>and acquired<br>technical<br>licenses (*) | Rights     | Other<br>intangible<br>assets | Total      |
|--|--|------------|-------------------------------|------------|
| <b><u>Cost</u></b>                     |  |            |                               |            |
| Opening balance at 1 January 2019      | 44   | 175        | 5                             | 224        |
| Additions                              | -  | 9          | -                             | 9          |
| Transfers                              | -  | 1          | -                             | 1          |
| Closing balance at 30 September 2019   | <u>44</u>  | <u>185</u> | <u>5</u>                      | <u>234</u> |
| <b><u>Accumulated Amortization</u></b> |  |            |                               |            |
| Opening balance at 1 January 2019      | -  | 141        | 1                             | 142        |
| Amortization charge                    | -  | 12         | -                             | 12         |
| Closing balance at 30 September 2019   | <u>-</u>   | <u>153</u> | <u>1</u>                      | <u>154</u> |
| Net book value at 30 September 2019    | <u>44</u>  | <u>32</u>  | <u>4</u>                      | <u>80</u>  |
| Net book value at 31 December 2018     | <u>44</u>  | <u>34</u>  | <u>4</u>                      | <u>82</u>  |

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

**14. LEASING TRANSACTIONS**

Resulting from IFRS16, maturities of lease obligations are as follows:

|                     | Future Minimum<br>Lease Payments |                     | Interest             |                     | Present Values of<br>Minimum<br>Lease Payments |                     |
|---------------------|----------------------------------|---------------------|----------------------|---------------------|--|---------------------|
|                     | 30 September<br>2020             | 31 December<br>2019 | 30 September<br>2020 | 31 December<br>2019 | 30 September<br>2020                           | 31 December<br>2019 |
| Less than 1 year    | 327                              | 308                 | (54)                 | (52)                | 273  | 256                 |
| Between 1 – 5 years | 923                              | 891                 | (132)                | (129)               | 791  | 762                 |
| Over 5 years        | 642                              | 597                 | (79)                 | (88)                | 563  | 509                 |
|                     | <u>1,892</u>                     | <u>1,796</u>        | <u>(265)</u>         | <u>(269)</u>        | <u>1,627</u>                                   | <u>1,527</u>        |

Maturities of finance lease obligations are as follows:

|                     | Future Minimum<br>Lease Payments |                     | Interest             |                     | Present Values of<br>Minimum<br>Lease Payments |                     |
|---------------------|----------------------------------|---------------------|----------------------|---------------------|--|---------------------|
|                     | 30 September<br>2020             | 31 December<br>2019 | 30 September<br>2020 | 31 December<br>2019 | 30 September<br>2020                           | 31 December<br>2019 |
| Less than 1 year    | 1,508                            | 1,257               | (147)                | (139)               | 1,361  | 1,118               |
| Between 1 – 5 years | 5,118                            | 4,722               | (319)                | (354)               | 4,799  | 4,368               |
| Over 5 years        | 3,005                            | 2,991               | (75)                 | (85)                | 2,930  | 2,906               |
|                     | <u>9,631</u>                     | <u>8,970</u>        | <u>(541)</u>         | <u>(578)</u>        | <u>9,090</u>                                   | <u>8,392</u>        |

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**14. LEASING TRANSACTIONS (cont'd)**

|                           | <u>30 September 2020</u> | <u>31 December 2019</u> |
|---------------------------|--------------------------|-------------------------|
| Interest Range:           |                          |                         |
| Floating rate obligations | 5,280                    | 5,394                   |
| Fixed rate obligations    | 3,810                    | 2,998                   |
|                           | <u>9,090</u>             | <u>8,392</u>            |

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

Lease term of Group's contracts under IFRS 16 is 1-45 years. As of 30 September 2020 Turkish Lira, the US Dollars, Euro, JPY and Swiss Franc denominated lease obligations' weighted average interest rates are 5.20% (31 December 2019: 5.41%) .

As of 30 September 2020, the US Dollars, Euro, JPY and Swiss Franc denominated lease obligations' weighted average interest rates are 2.14% ( 31 December 2019: 2.37%) for the fixed rate obligations and 1.34% (31 December 2019: 1.29% ) for the floating rate obligations.

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

Short-term provisions as of 30 September 2020 and 31 December 2019 are as follows:

Short-term provision for employee benefits is as follows:

|                                | <u>30 September 2020</u> | <u>31 December 2019</u> |
|--------------------------------|--------------------------|-------------------------|
| Provisions for unused vacation | <u>22</u>                | <u>39</u>               |

Changes in the provisions for the period ended 30 September 2020 and 2019 are set out below:

|   | <u>1 January -<br/>30 September 2020</u> | <u>1 January -<br/>30 September 2019</u> |
|---|--|--|
| Provisions at the beginning of the period | 39                                       | 39                                       |
| Provisions for the current period         | 253                                      | 239                                      |
| Provisions released                       | (258)                                    | (229)                                    |
| Foreign currency translation differences  | (12)                                     | (3)                                      |
| Provisions at the end of the period       | <u>22</u>                                | <u>46</u>                                |

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

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

Other short-term provision is as follows:

|                             | <u>30 September 2020</u> | <u>31 December 2019</u> |
|-----------------------------|--------------------------|-------------------------|
| Provisions for legal claims | <u>10</u>                | <u>13</u>               |

Changes in the provisions for legal claims for the period ended 30 September 2020 and 2019 are set out below:

|   | <u>1 January -<br/>30 September 2020</u> | <u>1 January -<br/>30 September 2019</u> |
|---|--|--|
| Provisions at the beginning of the period | 13                                       | 16                                       |
| Provisions for the current period         | 1  | 3  |
| Provisions released                       | (1)                                      | (4)                                      |
| Foreign currency translation differences  | (3)                                      | (1)                                      |
| Provisions at the end of the period       | <u>10</u>                                | <u>14</u>                                |

The Group provides with provisions for lawsuits initiated against itself due to its operations. The lawsuits initiated against the Group are usually reemployment lawsuits by former employees or related to damaged luggage or cargo. The estimates have been made on the basis of the legal advices.

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**16. COMMITMENTS**

a) Guarantees/Pledges/Mortgages (“GPM”) given by the Group:

Amount of letters of guarantees given as of 30 September 2020 is USD 1,920 (31 December 2019: USD 1,334).

As of 30 September 2020, the letters of guarantee are given to various authorities (i.e. various banks and vendors.)

|   | <b>30 September 2020</b>                |                           | <b>31 December 2019</b>                 |                           |
|---|---|---------------------------|---|---------------------------|
|   | <b>Original<br/>currency<br/>amount</b> | <b>USD<br/>equivalent</b> | <b>Original<br/>currency<br/>amount</b> | <b>USD<br/>equivalent</b> |
| A. Total amounts of GPM given on the behalf of its own legal entity                                 | -                                       | 1,920                     | -                                       | 1,334                     |
| -Collaterals  |   |                           |   |                           |
| TL  | 55                                      | 7                         | 52                                      | 9                         |
| EUR   | 1,560                                   | 1,823                     | 1,131                                   | 1,266                     |
| USD   | 53                                      | 53                        | 49                                      | 49                        |
| Other   | -                                       | 37                        | -                                       | 10                        |
| B. Total amounts of GPM given on the behalf of subsidiaries that are included in full consolidation | -                                       | -                         | -                                       | -                         |
| C. Total amounts of GPM given in order to guarantee third party debts for routine trade operations  | -                                       | -                         | -                                       | -                         |
| D. Total amounts of other GPM given   | -                                       | -                         | -                                       | -                         |
| i. Total amount of GPM given on behalf of the Parent  | -                                       | -                         | -                                       | -                         |
| ii. Total amount of GPM given on behalf of other group companies not covered in B and C             | -                                       | -                         | -                                       | -                         |
| iii. Total amount of GPM given on behalf of third parties not covered in C                          | -                                       | -                         | -                                       | -                         |
|   |   | <u>1,920</u>              |   | <u>1,334</u>              |

The ratio of other GPM (“D”) given by the group to its equity is 0% as of 30 September 2020 (31 December 2019: 0%)

b) Aircraft purchase commitments:

To be delivered between the years 2020-2025, the Group signed an agreement for 180 aircrafts, (170 of aircrafts are contractual and 10 of them are optional) with a list price value of 24,685 US Dollars. The Group has made a predelivery payment of 1,363 US Dollars relevant to these purchases as of 30 September 2020.

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**17. EMPLOYEE BENEFITS**

Provisions for retirement pay liability as of 30 September 2020 and 31 December 2019 is comprised of the following:

|  | <u>30 September 2020</u> | <u>31 December 2019</u> |
|--|--------------------------|-------------------------|
| Provision for retirement pay liability | <u>116</u>               | <u>135</u>              |

Under Labor Law effective in Turkey, it is an obligation to make legal retirement pay to employees whose employment is terminated in certain ways. Also, according to Article 60 of Social Security Law numbered 506 which was revised by the laws 2422, dated 6 March 1981 and numbered 4447, dated 25 August 1999, it is an obligation to make legal retirement pay to those who entitled to receive retirement pay when leaving their work. Some transfer provisions related to employment conditions prior to retirement are removed from the Law by the revise made on 23 May 2002. Retirement pay liability assumptions and calculations are changed in line with the revise made on 8 May 2008, which altered age of retirement.

Retirement pay liability is subject to an upper limit of monthly US Dollar 912 (full) (equivalent of TL 7,117 (full)) as of 30 September 2020. (31 December 2019: US Dollar 1,133 (full) equivalent of TL 6,730 (full)).

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

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

The key assumption is that maximum liability amount increases in accordance with the inflation rate for every service year. Provisions in the accompanying consolidated financial statements as of 30 September 2020 are calculated by estimating present value of liabilities due to retirement of employees. Provisions in the relevant balance sheet dates are calculated with the assumptions of 7.80% annual inflation rate (31 December 2019: 7.65%) and 11.90% interest rate (31 December 2019: 12.00%). Estimated amount of non-paid retirement pay retained in the Group due to voluntary leaves is assumed as 2.50% (31 December 2019: 2.62%). Ceiling for retirement pay is revised semi-annually. Ceiling amount of US Dollar 912 (full) which is in effect since 30 September 2020 is used in the calculation of Group’s provision for retirement pay liability.

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

|  | <u>1 January -<br/>30 September 2020</u> | <u>1 January -<br/>30 September 2019</u> |
|--|--|--|
| Provision at the beginning of the period | 135                                      | 130                                      |
| Service charge for the period            | 11                                       | 9  |
| Interest charges                         | 10                                       | 12                                       |
| Actuarial loss                           | 8  | 5  |
| Payments                                 | (13)                                     | (8)                                      |
| Foreign currency translation difference  | (35)                                     | (9)                                      |
| Provision at the end of the period       | <u>116</u>                               | <u>139</u>                               |

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**18. EXPENSES BY NATURE**

Expenses by nature for the period ended 30 September 2020 and 2019 are as follows:

|  | <b>1 January -<br/>30 September<br/>2020</b> | <b>1 July -<br/>30 September<br/>2020</b> | <b>1 January -<br/>30 September<br/>2019</b> | <b>1 July -<br/>30 September<br/>2019</b> |
|--|--|---|--|---|
| Fuel expenses                            | 1,308  | 323                                       | 2,899  | 1,063                                     |
| Depreciation and amortisation charges    | 1,226  | 413                                       | 1,123  | 387                                       |
| Personnel expenses                       | 827  | 210                                       | 1,594  | 553                                       |
| Aircraft maintenance expenses            | 442  | 132                                       | 560  | 176                                       |
| Ground services expenses                 | 356  | 117                                       | 611  | 220                                       |
| Airport expenses                         | 240  | 80  | 457  | 172                                       |
| Air traffic control expenses             | 221  | 64  | 414  | 151                                       |
| Passenger services and catering expenses | 181  | 37  | 472  | 174                                       |
| Wet lease expenses                       | 150  | 47  | 222  | 82  |
| Commissions and incentives               | 146  | 36  | 398  | 140                                       |
| Advertisement and promotion expenses     | 62   | 11  | 124  | 36  |
| Reservation systems expenses             | 61   | 18  | 217  | 73  |
| Rents                                    | 50   | 13  | 62   | 20  |
| Service expenses                         | 49   | 16  | 61   | 21  |
| Insurance expenses                       | 36   | 9   | 41   | 14  |
| Taxes and duties                         | 33   | 7   | 37   | 5   |
| IT and communication expenses            | 29   | 8   | 34   | 12  |
| Transportation expenses                  | 27   | 9   | 30   | 10  |
| Aircraft rent expenses                   | 15   | 3   | 29   | 10  |
| Consultancy expenses                     | 13   | 4   | 15   | 5   |
| Systems use and associateship expenses   | 7  | 2   | 7  | 3   |
| Membership fees                          | 4  | 2   | 4  | 1   |
| Utility expenses                         | 3  | 1   | 3  | 1   |
| Other expenses                           | 67   | 25  | 86   | 29  |
|  | <b>5,553</b>                                 | <b>1,587</b>                              | <b>9,500</b>                                 | <b>3,358</b>                              |



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**19. SHAREHOLDERS' EQUITY**

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

| <b>(Millions of TL)</b>   | <b>Class</b> | <b>%</b> | <b>30 September</b> |          | <b>31 December</b> |  |
|---|--------------|----------|---------------------|----------|--------------------|--|
|   |              |          | <b>2020</b>         | <b>%</b> | <b>2019</b>        |  |
| Turkey Wealth Fund (*)  | A            | 49.12    | 678                 | 49.12    | 678                |  |
| Republic of Turkey Treasury and Finance Ministry Privatization Administration (*) | C            | -        | -                   | -        | -                  |  |
| Other (publicly held)   | A            | 50.88    | 702                 | 50.88    | 702                |  |
| Paid-in capital (Turkish Lira)  |              |          | 1,380               |          | 1,380              |  |
| Inflation adjustment on share capital (Turkish Lira) (**)                         |              |          | 1,124               |          | 1,124              |  |
| Share capital (Turkish Lira)  |              |          | <u>2,504</u>        |          | <u>2,504</u>       |  |
| Share capital (USD Equivalent)  |              |          | <u>1,597</u>        |          | <u>1,597</u>       |  |

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

49.12% share of the Company and its subsidiaries (together the "Group") owned by Republic of Turkey Prime Ministry Privatisation Administration has been transferred to Sovereign Wealth Fund of Turkey as of 3 February 2017.

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

As of 30 September 2020, Registered paid-in share capital of the Company comprised 137,999,999,999 Class A shares and 1 Class C share, all with a par value of Kr 1 each. The Class C share belongs to the Republic of Turkey Treasury and Finance Ministry Privatization Administration and has the following privileges:

- Articles of Association 7: Positive vote of the board member representing class C share with Board's approval is necessary for transfer of shares issued to the name.
- Articles of Association 10: The Board of Directors consists of nine members of which one member has to be nominated by the class C shareholder and the rest eight members has to be elected by class A shareholders.
- Articles of Association 14: The following decisions of the Board of Directors are subject to the positive vote of the class C Shareholder:
  - a) Decisions that will negatively affect the Group's mission Defined in Article 3.1. of the Articles of Association,
  - b) Suggesting change in the Articles of Association at General Assembly,
  - c) Increasing share capital,
  - d) Approval of transfer of the shares issued to the name and their registration to the "Share Registry",
  - e) Every decision or action which directly or indirectly put the Group under commitment over 5% of its total assets of the latest annual financial statements prepared for Capital Market Board. (This sentence will expire when the Group's shares held by Turkish State decrease under 20%.)

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

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

f) Decisions relating to merges and liquidation,

g) Decisions cancelling flight routes or significantly decreasing frequency of flight routes, not including the ones that cannot even recover their operational expenses, subject to the market conditions.

### **Restricted Profit Reserves**

Turkish Commercial Code (TCC) stipulates that the general legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group's paid-in share capital. Additionally, not limited with 20% of paid-in share capital, the general legal reserve is appropriated at the rate of 10% per annum of all cash dividends in excess of 5% of the paid-in share capital. Under TCC, the legal reserves can only be used to offset losses, to sustain business when conditions get worse, to prevent unemployment and are not available for any other usage unless they exceed 50% of paid-in share capital.

### **Foreign Currency Translation Differences**

Currency translation differences under equity arise from Group's joint ventures, provisions for unused vacation, legal claims and retirement pay liability accounted under equity method which have functional currencies other than USD.

### **Distribution of Dividends**

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

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

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

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

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

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

As of 2020, financial lease liabilities in Japanese Yen, Swiss Frank and Euro for investment financing are designated as cash flow hedge against exchange rate risk due to highly probable future same foreign currency revenues. Group's revenue denominated in Euro and Swiss Frank covered borrowings of such foreign currency, Japanese Yen revenue covered %49 of borrowings. In this context, exchange differences arising from such these loans repayment are taken to equity and recognized in other comprehensive income.

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**20. REVENUE**

Breakdown of gross profit is as follows:

|                                   | <b>1 January -<br/>30 September<br/>2020</b> | <b>1 July -<br/>30 September<br/>2020</b> | <b>1 January -<br/>30 September<br/>2019</b> | <b>1 July -<br/>30 September<br/>2019</b> |
|-----------------------------------|--|---|--|---|
| Passenger revenue                 |  |   |  |   |
| Scheduled                         | 2,890  | 794                                       | 8,400  | 3,449                                     |
| Unscheduled                       | 26   | 15  | 59   | 39  |
| Total passenger revenue           | 2,916  | 809                                       | 8,459  | 3,488                                     |
| Cargo revenue                     |  |   |  |   |
| Carried by passenger aircraft     | 284  | 112                                       | 549  | 194                                       |
| Carried by cargo aircraft         | 1,597  | 556                                       | 668  | 224                                       |
| Total cargo revenue               | 1,881  | 668                                       | 1,217  | 418                                       |
| Total passenger and cargo revenue | 4,797  | 1,477                                     | 9,676  | 3,906                                     |
| Technical revenue                 | 130  | 44  | 228  | 78  |
| Other revenue                     | 35   | 7   | 44   | 15  |
| Net sales                         | 4,962  | 1,528                                     | 9,948  | 3,999                                     |
| Cost of sales (-)                 | (4,873)                                      | (1,399)                                   | (8,174)                                      | (2,917)                                   |
| Gross profit                      | 89   | 129                                       | 1,774  | 1,082                                     |

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

|                                   | <b>1 January -<br/>30 September<br/>2020</b> | <b>1 July -<br/>30 September<br/>2020</b> | <b>1 January -<br/>30 September<br/>2019</b> | <b>1 July -<br/>30 September<br/>2019</b> |
|-----------------------------------|--|---|--|---|
| International flights             |  |   |  |   |
| - Far East                        | 1,417  | 397                                       | 2,330  | 857                                       |
| - Europe                          | 1,230  | 436                                       | 2,819  | 1,203                                     |
| - America                         | 849  | 260                                       | 1,455  | 568                                       |
| - Africa                          | 474  | 127                                       | 948  | 378                                       |
| - Middle East                     | 386  | 80  | 1,141  | 480                                       |
| Total                             | 4,356  | 1,300                                     | 8,693  | 3,486                                     |
| Domestic flights                  | 441  | 177                                       | 983  | 420                                       |
| Total passenger and cargo revenue | 4,797  | 1,477                                     | 9,676  | 3,906                                     |

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**21. COST OF SALES**

Breakdown of the cost of sales is as follows:

|  | <b>1 January -<br/>30 September<br/>2020</b> | <b>1 July -<br/>30 September<br/>2020</b> | <b>1 January -<br/>30 September<br/>2019</b> | <b>1 July -<br/>30 September<br/>2019</b> |
|--|--|---|--|---|
| Fuel expenses                            | 1,308  | 323                                       | 2,899  | 1,063                                     |
| Depreciation and amortisation charges    | 1,176  | 395                                       | 1,080  | 373                                       |
| Personnel expenses                       | 627  | 152                                       | 1,252  | 439                                       |
| Aircraft maintenance expenses            | 442  | 132                                       | 560  | 176                                       |
| Ground services expenses                 | 356  | 117                                       | 611  | 220                                       |
| Airport expenses                         | 240  | 80  | 457  | 172                                       |
| Air traffic control expenses             | 221  | 64  | 414  | 151                                       |
| Passenger services and catering expenses | 181  | 37  | 472  | 174                                       |
| Wet lease expenses                       | 150  | 47  | 222  | 82  |
| Rents                                    | 36   | 12  | 49   | 16  |
| Insurance expenses                       | 33   | 8   | 39   | 13  |
| Transportation expenses                  | 27   | 9   | 30   | 10  |
| Service expenses                         | 24   | 8   | 25   | 8   |
| Aircraft rent expenses                   | 15   | 3   | 29   | 10  |
| Taxes and duties                         | 15   | 5   | 8  | 1   |
| IT & communication expenses              | 3  | 1   | 3  | 1   |
| Other expenses                           | 19   | 6   | 24   | 8   |
|  | <u>4,873</u>                                 | <u>1,399</u>                              | <u>8,174</u>                                 | <u>2,917</u>                              |

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

Breakdown of general administrative expenses is as follows:

|  | <b>1 January -<br/>30 September<br/>2020</b> | <b>1 July -<br/>30 September<br/>2020</b> | <b>1 January -<br/>30 September<br/>2019</b> | <b>1 July -<br/>30 September<br/>2019</b> |
|--|--|---|--|---|
| Personnel expenses                     | 49   | 15  | 101  | 35  |
| Depreciation and amortisation charges  | 44   | 16  | 38   | 12  |
| IT and communication expenses          | 20   | 5   | 24   | 8   |
| Service expenses                       | 19   | 6   | 25   | 9   |
| Consultancy expenses                   | 8  | 2   | 10   | 4   |
| Systems use and associateship expenses | 7  | 2   | 7  | 3   |
| Insurance expenses                     | 3  | 1   | 2  | 1   |
| Utility expenses                       | 3  | 1   | 3  | 1   |
| Taxes and duties                       | 2  | 1   | 2  | 1   |
| Rents                                  | 2  | (3)                                       | -  | -   |
| Other general administrative expenses  | 8  | 3   | 10   | 3   |
|  | <u>165</u>                                   | <u>49</u>                                 | <u>222</u>                                   | <u>77</u>                                 |

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

Breakdown of selling and marketing expenses is as follows:

|                                       | <b>1 January -<br/>30 September<br/>2020</b> | <b>1 July -<br/>30 September<br/>2020</b> | <b>1 January -<br/>30 September<br/>2019</b> | <b>1 July -<br/>30 September<br/>2019</b> |
|---------------------------------------|--|---|--|---|
| Personnel expenses                    | 151  | 43  | 241  | 79  |
| Commissions and incentives            | 146  | 36  | 398  | 140                                       |
| Advertisement and promotion expenses  | 62   | 11  | 124  | 36  |
| Reservation systems expenses          | 61   | 18  | 217  | 73  |
| Taxes and duties                      | 16   | 1   | 27   | 3   |
| Rents                                 | 12   | 4   | 13   | 4   |
| Depreciation and amortisation charges | 6  | 2   | 5  | 2   |
| Service expenses                      | 6  | 2   | 11   | 4   |
| IT and communication expenses         | 6  | 2   | 7  | 3   |
| Consultancy expenses                  | 5  | 2   | 5  | 1   |
| Membership fees                       | 4  | 2   | 4  | 1   |
| Other marketing and sales expenses    | 40   | 16  | 52   | 18  |
|                                       | <u>515</u>                                   | <u>139</u>                                | <u>1,104</u>                                 | <u>364</u>                                |

**23. OTHER OPERATING INCOME / EXPENSES**

Breakdown of other operating income is as follows:

|   | <b>1 January -<br/>30 September<br/>2020</b> | <b>1 July -<br/>30 September<br/>2020</b> | <b>1 January -<br/>30 September<br/>2019</b> | <b>1 July -<br/>30 September<br/>2019</b> |
|---|--|---|--|---|
| Manufacturers' credits                                  | 112  | 40  | 64   | 8   |
| Foreign exchange gains from operational activities, net | 55   | 55  | -  | 2   |
| Insurance, indemnities, penalties income                | 48   | 31  | 26   | 8   |
| Rent income   | 9  | 3   | 5  | 2   |
| Non- interest income from banks                         | 8  | 3   | 8  | 3   |
| Provisions released                                     | 4  | 2   | 8  | 2   |
| Turnover premium from suppliers                         | 3  | -   | 4  | 2   |
| Rediscount interest income                              | 2  | -   | 2  | -   |
| Delay interest income                                   | -  | -   | 2  | 1   |
| Other operating income                                  | 16   | 5   | 23   | 18  |
|   | <u>257</u>                                   | <u>139</u>                                | <u>142</u>                                   | <u>46</u>                                 |

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

Breakdown of other operating expenses is as follows:

|   | 1 January -<br>30 September<br>2020 | 1 July -<br>30 September<br>2020 | 1 January -<br>30 September<br>2019 | 1 July -<br>30 September<br>2019 |
|---|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| Provisions  | 11                                  | 3                                | 15                                  | 2                                |
| Indemnity and penalty expenses                              | 6                                   | 3                                | 5                                   | 2                                |
| IFRS 9 Adjustment   | 4                                   | 1                                | -                                   | -                                |
| Foreign exchange losses from<br>operational activities, net | -                                   | (6)                              | 13                                  | -                                |
| Rediscount interest expenses                                | -                                   | -                                | -                                   | 2                                |
| Other operating expenses                                    | 12                                  | 4                                | 17                                  | 6                                |
|   | <u>33</u>                           | <u>5</u>                         | <u>50</u>                           | <u>12</u>                        |

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

Breakdown of income from investment activities is as follows:

|   | 1 January -<br>30 September<br>2020 | 1 July -<br>30 September<br>2020 | 1 January -<br>30 September<br>2019 | 1 July -<br>30 September<br>2019 |
|---|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| Income from investment incentives         | 112                                 | 37                               | 74                                  | 30                               |
| Gain on subsidiaries                      | 7                                   | (1)                              | -                                   | -                                |
| Interest income from financial investment | 5                                   | 1                                | 31                                  | (4)                              |
| Gain on sale of financial investments     | 3                                   | 1                                | 7                                   | 2                                |
| Gain on sale of fixed assets              | 3                                   | 1                                | 4                                   | 1                                |
|   | <u>130</u>                          | <u>39</u>                        | <u>116</u>                          | <u>29</u>                        |

Breakdown of expense from investment activities is as follows:

|   | 1 January -<br>30 September<br>2020 | 1 July -<br>30 September<br>2020 | 1 January -<br>30 September<br>2019 | 1 July -<br>30 September<br>2019 |
|---|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| Loss on valuation of assets held-for-sale | 9                                   | 9                                | -                                   | -                                |
| Loss on sale of fixed assets              | -                                   | -                                | 79                                  | -                                |
|   | <u>9</u>                            | <u>9</u>                         | <u>79</u>                           | <u>-</u>                         |

**25. FINANCIAL INCOME/ EXPENSES**

Breakdown of financial income is as follows:

|  | 1 January -<br>30 September<br>2020 | 1 July -<br>30 September<br>2020 | 1 January -<br>30 September<br>2019 | 1 July -<br>30 September<br>2019 |
|--|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| Interest income  | 25                                  | 14                               | 35                                  | 19                               |
| Rediscount interest income from<br>repayments of aircrafts   | 20                                  | 2                                | 9                                   | -                                |
| Fair value gains on derivative financial<br>instruments, net | 3                                   | (10)                             | 11                                  | 27                               |
| Foreign exchange gains from financial<br>activities, net     | -                                   | -                                | -                                   | 55                               |
| Other financial incomes                                      | 4                                   | -                                | -                                   | -                                |
|  | <u>52</u>                           | <u>6</u>                         | <u>55</u>                           | <u>101</u>                       |

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

Breakdown of financial expenses is as follows:

|  | <b>1 January -<br/>30 September<br/>2020</b> | <b>1 July -<br/>30 September<br/>2020</b> | <b>1 January -<br/>30 September<br/>2019</b> | <b>1 July -<br/>30 September<br/>2019</b> |
|--|--|---|--|---|
| Foreign exchange losses on financial activities, net     | 371  | 265                                       | 6  | -   |
| Interest expense from financial activities               | 179  | 63  | 148  | 49  |
| Interest expense from leasing liabilities                | 46   | 16  | 42   | 14  |
| Aircraft financing expenses                              | 17   | 5   | 17   | 7   |
| Interest expenses on employee benefits                   | 10   | 3   | 12   | 6   |
| Rediscount interest expense from repayments of aircrafts | -  | -   | -  | 1   |
| Other financial expenses                                 | 5  | 2   | 5  | 2   |
|  | <u>628</u>                                   | <u>354</u>                                | <u>230</u>                                   | <u>79</u>                                 |

**26. TAX ASSETS AND LIABILITIES**

Breakdown of assets related to current tax is as follows:

|               | <b>30 September 2020</b> | <b>31 December 2019</b> |
|---------------|--------------------------|-------------------------|
| Prepaid taxes | <u>35</u>                | <u>43</u>               |

Tax income is as follows:

|                                 | <b>1 January -<br/>30 September<br/>2020</b> | <b>1 July -<br/>30 September<br/>2020</b> | <b>1 January -<br/>30 September<br/>2019</b> | <b>1 July -<br/>30 September<br/>2019</b> |
|---------------------------------|--|---|--|---|
| Current period tax expense      | -  | -   | -  | (4)                                       |
| Deferred tax (income) / expense | (132)  | (116)                                     | 30   | 147                                       |
| Tax (income) / expense          | <u>(132)</u>                                 | <u>(116)</u>                              | <u>30</u>                                    | <u>143</u>                                |

Tax effect related to other comprehensive income is as follows:

|   | <b>1 January - 30 September 2020</b> |               |                     | <b>1 January - 30 September 2019</b> |                |                     |
|---|--------------------------------------|---------------|---------------------|--------------------------------------|----------------|---------------------|
|   | Amount<br>before tax                 | Tax<br>income | Amount<br>after tax | Amount<br>before tax                 | Tax<br>expense | Amount<br>after tax |
| Change in cash flow hedge reserve                         | ( 510)                               | 105           | ( 405)              | 328                                  | ( 67)          | 261                 |
| Losses on Remeasuring FVOCI                               | ( 7)                                 | 2             | ( 5)                | 10                                   | ( 3)           | 7                   |
| Change in actuarial losses from retirement pay obligation | ( 8)                                 | 1             | ( 7)                | ( 5)                                 | 1              | ( 4)                |
| Changes in foreign currency translation difference        | ( 28)                                | -             | ( 28)               | ( 12)                                | -              | ( 12)               |
| Other comprehensive income                                | <u>( 553)</u>                        | <u>108</u>    | <u>( 445)</u>       | <u>321</u>                           | <u>( 69)</u>   | <u>252</u>          |

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

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

Corporate Tax

The effective tax rate is 22%. In accordance with the Article 91 of regulation numbered 7061, published in Official Gazette on 5 December 2017, "Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 30 September 2020 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

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

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

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

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

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

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for dividend receiving companies who are Turkish residents and Turkish branches of foreign companies. Income withholding tax rate is 15%. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

Deferred Tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes and they are given below. For calculation of deferred tax asset and liabilities, the corporate tax rate of 22% is used.

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



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

*Deferred Tax (cont'd)*

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

|  | <b>30 September 2020</b> | <b>31 December 2019</b> |
|--|--------------------------|-------------------------|
| Fixed assets                                   | (2,205)                  | (1,910)                 |
| Right of use asset                             | (328)                    | (310)                   |
| Adjustments for passenger flight liabilities   | (120)                    | (171)                   |
| Tax loss carried forward                       | 879                      | 528                     |
| Lease obligations                              | 330                      | 311                     |
| Income and expense for future years            | 84                       | 104                     |
| Accruals for expenses                          | 78                       | 69                      |
| Change in fair value of derivative instruments | 27                       | 4                       |
| Provisions for employee benefits               | 24                       | 28                      |
| Miles accruals                                 | 23                       | 30                      |
| Incentives                                     | 20                       | 17                      |
| Provisions for unused vacation                 | 5                        | 9                       |
| Other  | (5)                      | (2)                     |
| Deferred tax liabilities                       | <u>(1,188)</u>           | <u>(1,293)</u>          |

The changes of deferred tax liability for the period ended 1 January – 30 September 2020 and 2019 are as follows:

|   | <b>1 January -<br/>30 September 2020</b> | <b>1 January -<br/>30 September 2019</b> |
|---|--|--|
| Opening balance at 1 January  | 1,293                                    | 1,133                                    |
| Foreign currency translation difference                                 | 132                                      | 12                                       |
| Tax (income) / expense of actuarial losses on retirement pay obligation | (1)                                      | 1  |
| Tax (income) / expense from FVOCI                                       | (2)                                      | 2  |
| Tax (income) / expense from hedging reserves                            | (102)                                    | 66                                       |
| Deferred tax (income) / expense   | (132)                                    | 30                                       |
| Deferred tax liability at the end of the period                         | <u>1,188</u>                             | <u>1,244</u>                             |

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

*Deferred Tax (cont'd)*

Reconciliation with current tax charge for the period 1 January – 30 September 2020 and 2019 are as follows:

|   | <b>1 January -<br/>30 September<br/>2020</b> | <b>1 July -<br/>30 September<br/>2020</b> | <b>1 January -<br/>30 September<br/>2019</b> | <b>1 July -<br/>30 September<br/>2019</b> |
|---|--|---|--|---|
| <u>Reconciliation of effective tax charge</u>         |  |   |  |   |
| Loss from operations before tax                       | (918)  | (248)                                     | 482  | 798                                       |
| Domestic expense tax rate of 22%                      | 202  | 55  | (106)  | (176)                                     |
| Taxation effects on:                                  |  |   |  |   |
| - foreign currency translation difference             | 40   | 37  | 29   | (4)                                       |
| - investment incentive                                | 22   | 7   | 29   | 11  |
| - expense from investment certificates                | 8  | 7   | 15   | 6   |
| - non deductible expenses                             | (5)  | (2)                                       | 2  | 6   |
| - investments accounted by using<br>the equity method | (19)   | (4)                                       | 16   | 14  |
| - adjustment for prior year loss                      | (116)  | 16  | (15)   | -   |
| Tax charge in statement of loss                       | <u>132</u>                                   | <u>116</u>                                | <u>(30)</u>                                  | <u>(143)</u>                              |

**27. EARNINGS PER SHARE**

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

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

Number of total shares and calculation of losses per share at 1 January – 30 September 2020 and 2019:

|  | <b>1 January -<br/>30 September 2020</b> | <b>1 January -<br/>30 September 2019</b> |
|--|--|--|
| Number of shares outstanding at 1 January<br>(in full)                       | <u>138,000,000,000</u>                   | <u>138,000,000,000</u>                   |
| Number of shares outstanding at 30 September<br>(in full)                    | <u>138,000,000,000</u>                   | <u>138,000,000,000</u>                   |
| Weighted average number of shares outstanding<br>during the period (in full) | <u>138,000,000,000</u>                   | <u>138,000,000,000</u>                   |
| Net (loss) / profit for the period   | (786)                                    | 452                                      |
| Basic (loss) / profit per share (Full US Cents) (*)                          | (0.57)                                   | 0.33                                     |
| (*)  | (0.57)                                   | 0.33                                     |

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

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**28. DERIVATIVE FINANCIAL INSTRUMENTS**

Breakdown of derivative financial assets and liabilities of the Group as of 30 September 2020 and 31 December 2019 are as follows:

| <u>Derivative financial assets</u>                                | <u>30 September 2020</u> | <u>31 December 2019</u> |
|---|--------------------------|-------------------------|
| Derivative instruments for fuel prices<br>cash flow hedge         | 12                       | 31                      |
| Derivative instruments not subject to hedge<br>accounting         | 9                        | 17                      |
| Derivative instruments for cross currency rate<br>cash flow hedge | -                        | 4                       |
|   | <u>21</u>                | <u>52</u>               |

| <u>Derivative financial liabilities</u>                           | <u>30 September 2020</u> | <u>31 December 2019</u> |
|---|--------------------------|-------------------------|
| Derivative instruments for fuel prices<br>cash flow hedge         | 96                       | 14                      |
| Derivative instruments for interest rate<br>cash flow hedge       | 33                       | 35                      |
| Derivative instruments not subject to hedge<br>accounting         | 10                       | 18                      |
| Derivative instruments for cross currency rate<br>cash flow hedge | 3                        | 3                       |
|   | <u>142</u>               | <u>70</u>               |

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

Foreign currency risk management

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

|   | 30 September 2020 |              |                 |                |              |            |
|---|-------------------|--------------|-----------------|----------------|--------------|------------|
|   | USD<br>EQUIVALENT | TL           | EUR             | JPY            | CHF          | OTHER      |
| 1.Trade Receivables   | 385               | 17           | 39              | -              | 7            | 322        |
| 2a.Monetary Financial Assets  | 671               | 362          | 230             | 5              | 4            | 70         |
| 2b.Non Monetary Financial Assets  | -                 | -            | -               | -              | -            | -          |
| 3.Other   | 356               | 149          | 96              | -              | 5            | 106        |
| <b>4.Current Assets (1+2+3)</b>   | <b>1,412</b>      | <b>528</b>   | <b>365</b>      | <b>5</b>       | <b>16</b>    | <b>498</b> |
| 5.Trade Receivables   | -                 | -            | -               | -              | -            | -          |
| 6a.Monetary Financial Assets  | 824               | 824          | -               | -              | -            | -          |
| 6b.Non Monetary Financial Assets  | -                 | -            | -               | -              | -            | -          |
| 7.Other   | 596               | 336          | 253             | -              | -            | 7          |
| <b>8.Non Current Assets (5+6+7)</b>   | <b>1,420</b>      | <b>1,160</b> | <b>253</b>      | <b>-</b>       | <b>-</b>     | <b>7</b>   |
| <b>9.Total Assets (4+8)</b>   | <b>2,832</b>      | <b>1,688</b> | <b>618</b>      | <b>5</b>       | <b>16</b>    | <b>505</b> |
| 10.Trade Payables   | 574               | 269          | 254             | -              | 4            | 47         |
| 11.Financial Liabilities (*)  | 3,327             | 91           | 2,977           | 237            | 22           | -          |
| 12a.Other Liabilities, Monetary   | 159               | 123          | 32              | 1              | -            | 3          |
| 12b.Other Liabilities, Non Monetary   | 32                | 32           | -               | -              | -            | -          |
| <b>13.Current Liabilities (10+11+12)</b>  | <b>4,092</b>      | <b>515</b>   | <b>3,263</b>    | <b>238</b>     | <b>26</b>    | <b>50</b>  |
| 14.Trade Payables   | -                 | -            | -               | -              | -            | -          |
| 15.Financial Liabilities (*)  | 8,931             | -            | 7,185           | 1,616          | 130          | -          |
| 16a.Other Liabilities, Monetary   | 29                | 18           | 8               | -              | -            | 3          |
| 16b.Other Liabilities, Non Monetary   | 116               | 116          | -               | -              | -            | -          |
| <b>17.Non Current Liabilities (14+15+16)</b>  | <b>9,076</b>      | <b>134</b>   | <b>7,193</b>    | <b>1,616</b>   | <b>130</b>   | <b>3</b>   |
| <b>18.Total Liabilities (13+17)</b>   | <b>13,168</b>     | <b>649</b>   | <b>10,456</b>   | <b>1,854</b>   | <b>156</b>   | <b>53</b>  |
| <b>19.Net asset / liability position of off-balance sheet derivatives (19a-19b)</b>                                       | <b>-</b>          | <b>-</b>     | <b>-</b>        | <b>-</b>       | <b>-</b>     | <b>-</b>   |
| 19a.Off-balance sheet foreign currency derivative assets  | -                 | -            | -               | -              | -            | -          |
| 19b.Off-balance sheet foreign currency derivative liabilities   | -                 | -            | -               | -              | -            | -          |
| <b>20.Net foreign currency asset/(liability) position (9-18+19)</b>   | <b>(10,336)</b>   | <b>1,039</b> | <b>(9,838)</b>  | <b>(1,849)</b> | <b>(140)</b> | <b>452</b> |
| <b>21.Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)</b> | <b>(11,140)</b>   | <b>702</b>   | <b>(10,187)</b> | <b>(1,849)</b> | <b>(145)</b> | <b>339</b> |
| <b>22.Fair value of foreign currency hedged financial assets</b>  | <b>-</b>          | <b>-</b>     | <b>-</b>        | <b>-</b>       | <b>-</b>     | <b>-</b>   |
| <b>23.Hedged foreign currency assets</b>  | <b>198</b>        | <b>-</b>     | <b>198</b>      | <b>-</b>       | <b>-</b>     | <b>-</b>   |
| <b>24.Hedged foreign currency liabilities</b>   | <b>-</b>          | <b>-</b>     | <b>-</b>        | <b>-</b>       | <b>-</b>     | <b>-</b>   |

(\*) Net foreign exchange position of Group is mainly due to long term foreign currency borrowings denominated in Euro, Japanese Yen, Swiss Frank to funds its investments. Group uses these long term foreign currency borrowings to manage the risk of exchange differences with highly probable future foreign currency revenues. The USD equivalent of these borrowings amount to 8,554 USD as of 30 September 2020 (31 December 2019: USD 7,385).

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

*Foreign currency risk management (cont'd)*

|   | 31 December 2019  |              |                |                |              |            |
|---|-------------------|--------------|----------------|----------------|--------------|------------|
|   | USD<br>EQUIVALENT | TL           | EUR            | JPY            | CHF          | OTHER      |
| 1.Trade Receivables   | 459               | 33           | 108            | 4              | 7            | 307        |
| 2a.Monetary Financial Assets  | 2,239             | 419          | 1,724          | 2              | 3            | 91         |
| 2b.Non Monetary Financial Assets  | -                 | -            | -              | -              | -            | -          |
| 3.Other   | 407               | 178          | 101            | -              | 5            | 123        |
| <b>4.Current Assets (1+2+3)</b>   | <b>3,105</b>      | <b>630</b>   | <b>1,933</b>   | <b>6</b>       | <b>15</b>    | <b>521</b> |
| 5.Trade Receivables   | -                 | -            | -              | -              | -            | -          |
| 6a.Monetary Financial Assets  | 272               | 272          | -              | -              | -            | -          |
| 6b.Non Monetary Financial Assets  | -                 | -            | -              | -              | -            | -          |
| 7.Other   | 505               | 313          | 181            | -              | -            | 11         |
| <b>8.Non Current Assets (5+6+7)</b>   | <b>777</b>        | <b>585</b>   | <b>181</b>     | -              | -            | <b>11</b>  |
| <b>9.Total Assets (4+8)</b>   | <b>3,882</b>      | <b>1,215</b> | <b>2,114</b>   | <b>6</b>       | <b>15</b>    | <b>532</b> |
| 10.Trade Payables   | 799               | 474          | 245            | -              | 4            | 76         |
| 11.Financial Liabilities  | 2,590             | 14           | 2,323          | 232            | 21           | -          |
| 12a.Other Liabilities, Monetary   | 186               | 139          | 43             | 1              | -            | 3          |
| 12b.Other Liabilities, Non Monetary   | 52                | 52           | -              | -              | -            | -          |
| <b>13.Current Liabilities (10+11+12)</b>  | <b>3,627</b>      | <b>679</b>   | <b>2,611</b>   | <b>233</b>     | <b>25</b>    | <b>79</b>  |
| 14.Trade Payables   | -                 | -            | -              | -              | -            | -          |
| 15.Financial Liabilities  | 7,767             | -            | 5,901          | 1,727          | 139          | -          |
| 16a.Other Liabilities, Monetary   | 31                | 23           | 6              | -              | -            | 2          |
| 16b.Other Liabilities, Non Monetary   | 135               | 135          | -              | -              | -            | -          |
| <b>17.Non Current Liabilities (14+15+16)</b>  | <b>7,933</b>      | <b>158</b>   | <b>5,907</b>   | <b>1,727</b>   | <b>139</b>   | <b>2</b>   |
| <b>18.Total Liabilities (13+17)</b>   | <b>11,560</b>     | <b>837</b>   | <b>8,518</b>   | <b>1,960</b>   | <b>164</b>   | <b>81</b>  |
| <b>19.Net asset / liability position of off-balance sheet derivatives (19a-19b)</b>                                       | -                 | -            | -              | -              | -            | -          |
| 19a.Off-balance sheet foreign currency derivative assets  | -                 | -            | -              | -              | -            | -          |
| 19b.Off-balance sheet foreign currency derivative liabilities   | -                 | -            | -              | -              | -            | -          |
| <b>20.Net foreign currency asset/(liability) position (9-18+19)</b>   | <b>(7,678)</b>    | <b>378</b>   | <b>(6,404)</b> | <b>(1,954)</b> | <b>(149)</b> | <b>451</b> |
| <b>21.Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)</b> | <b>(8,403)</b>    | <b>74</b>    | <b>(6,686)</b> | <b>(1,954)</b> | <b>(154)</b> | <b>317</b> |
| <b>22.Fair value of foreign currency hedged financial assets</b>  | -                 | -            | -              | -              | -            | -          |
| <b>23.Hedged foreign currency assets</b>  | <b>924</b>        | -            | <b>924</b>     | -              | -            | -          |
| <b>24.Hedged foreign currency liabilities</b>   | -                 | -            | -              | -              | -            | -          |

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
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**29. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)**

*Foreign currency risk management (cont'd)*

The Group is exposed to foreign exchange risk primarily from TL, EURO, JPY and CHF. The following table details the Group's sensitivity to a 10% increase and decrease in TL, EURO, JPY and CHF. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis include only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss with a same effect on equity. The Group accounted investment loans and aircraft financial liabilities in scope of cash flow hedge accounting and foreign exchange income/expense arising from these loans and liabilities are recognized in equity. 10% increase and decrease effect of foreign exchange rates are calculated with the same method and the calculated foreign exchange gains/losses are presented as hedged portion in the foreign exchange sensitivity table. Furthermore, the hedged portion of foreign exchange gains/losses via forwards and cross currency swap transactions is classified as the amount hedged against USD in the statement of exchange rate sensitivity analysis.

|  | <b>30 September 2020</b>                      |   |                                 |                                 |
|--|---|---|---------------------------------|---------------------------------|
|  | <b>Profit / (Loss)</b>                        |   | <b>Equity</b>                   |                                 |
|  | <b>Before Tax</b>                             |   | If foreign                      | If foreign                      |
|  | If foreign<br>currency<br>appreciated<br>10 % | If foreign<br>currency<br>depreciated<br>10 % | currency<br>appreciated<br>10 % | currency<br>depreciated<br>10 % |
| 1- TL net asset / liability                      | 104   | (104)   | -                               | -                               |
| 2- Part hedged from TL risk (-)                  | -   | -   | -                               | -                               |
| 3- TL net effect (1+2)                           | 104   | (104)   | -                               | -                               |
| 4- Euro net asset / liability                    | (205)   | 205   | (779)                           | 779                             |
| 5- Part hedged from Euro risk (-)                | 20  | (20)  | -                               | -                               |
| 6- Euro net effect (4+5)                         | (185)   | 185   | (779)                           | 779                             |
| 7- JPY net asset / liability                     | (83)  | 83  | (102)                           | 102                             |
| 8- Part hedged from JPY risk (-)                 | -   | -   | -                               | -                               |
| 9- JPY net effect (7+8)                          | (83)  | 83  | (102)                           | 102                             |
| 10- CHF net asset / liability                    | 1   | (1)   | (15)                            | 15                              |
| 11- Part hedged from CHF risk (-)                | -   | -   | -                               | -                               |
| 12- CHF net effect (10+11)                       | 1   | (1)   | (15)                            | 15                              |
| 13- Other foreign currency net asset / liability | 45  | (45)  | -                               | -                               |
| 14- Part hedged other foreign currency risk (-)  | -   | -   | -                               | -                               |
| 15- Other foreign currency net effect (13+14)    | 45  | (45)  | -                               | -                               |
| <b>TOTAL (3 + 6 + 9 + 12 + 15)</b>               | <b>(118)</b>                                  | <b>118</b>                                    | <b>(896)</b>                    | <b>896</b>                      |

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
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**29. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)**

*Foreign currency risk management (cont'd)*

|  | <b>31 December 2019</b>                       |   |                                 |                                 |
|--|---|---|---------------------------------|---------------------------------|
|  | <b>Profit / (Loss)</b>                        |   | <b>Equity</b>                   |                                 |
|  | <b>Before Tax</b>                             |   | If foreign                      | If foreign                      |
|  | If foreign<br>currency<br>appreciated<br>10 % | If foreign<br>currency<br>depreciated<br>10 % | currency<br>appreciated<br>10 % | currency<br>depreciated<br>10 % |
| 1- TL net asset / liability                      | 38  | (38)  | -                               | -                               |
| 2- Part hedged from TL risk (-)                  | -   | -   | -                               | -                               |
| 3- TL net effect (1+2)                           | 38  | (38)  | -                               | -                               |
| 4- Euro net asset / liability                    | 59  | (59)  | (699)                           | 699                             |
| 5- Part hedged from Euro risk (-)                | (92)  | 92  | -                               | -                               |
| 6- Euro net effect (4+5)                         | (33)  | 33  | (699)                           | 699                             |
| 7- JPY net asset / liability                     | (101)   | 101   | (94)                            | 94                              |
| 8- Part hedged from JPY risk (-)                 | -   | -   | -                               | -                               |
| 9- JPY net effect (7+8)                          | (101)   | 101   | (94)                            | 94                              |
| 10- CHF net asset / liability                    | 1   | (1)   | (16)                            | 16                              |
| 11- Part hedged from CHF risk (-)                | -   | -   | -                               | -                               |
| 12- CHF net effect (10+11)                       | 1   | (1)   | (16)                            | 16                              |
| 13- Other foreign currency net asset / liability | 45  | (45)  | -                               | -                               |
| 14- Part hedged other foreign currency risk (-)  | -   | -   | -                               | -                               |
| 15- Other foreign currency net effect (13+14)    | 45  | (45)  | -                               | -                               |
| <b>TOTAL (3 + 6 + 9 + 12 + 15)</b>               | <b>(50)</b>                                   | <b>50</b>                                     | <b>(809)</b>                    | <b>809</b>                      |

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

None.