

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

Condensed Consolidated Interim
Financial Statements As at and For
The Three-Month Period
Ended 31 March 2019

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
Condensed Consolidated Interim Balance Sheet as at 31 March 2019
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

ASSETS	Notes	Not Reviewed	Audited
		31 March 2019	31 December 2018
Non-Current Assets			
Financial Investments	6	80	86
Other Receivables			
-Third Parties	10	856	1,004
Investments Accounted by Using Equity Method	3	340	358
Property and Equipment	12	14,296	13,918
Right of Use Assets	12	1,561	-
Intangible Assets			
- Other Intangible Assets	13	80	82
- Goodwill		12	12
Prepaid Expenses		882	767
TOTAL NON-CURRENT ASSETS		18,107	16,227
Current Assets			
Cash and Cash Equivalents	5	1,816	1,636
Financial Investments	6	293	519
Trade Receivables			
-Related Parties	9	1	2
-Third Parties		676	568
Other Receivables			
-Related Parties	9	31	3
-Third Parties	10	1,367	1,178
Derivative Financial Instruments	28	66	57
Inventories		215	190
Prepaid Expenses		145	192
Current Income Tax Assets	26	43	61
Other Current Assets		169	99
TOTAL CURRENT ASSETS		4,822	4,505
TOTAL ASSETS		22,929	20,732

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Condensed Consolidated Interim Balance Sheet as at 31 March 2019

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

LIABILITIES	Notes	Not Reviewed	Audited
		31 March 2019	31 December 2018
Equity			
Share Capital	19	1,597	1,597
Items That Will Not Be Reclassified to			
Profit or Loss			
-Actuarial (Losses) on Retirement Pay Obligation	19	(34)	(35)
Items That Are or May Be Reclassified to			
Profit or Loss			
-Foreign Currency Translation Differences	19	(170)	(160)
-Fair Value Gains on Hedging Instruments	19		
Entered into for Cash Flow Hedges		203	-
-Gains on Remeasuring FVOCI	19	(7)	(6)
Restricted Profit Reserves	19	36	36
Previous Years Profit	19	4,495	3,760
Net (Loss) / Profit for the Period		(229)	753
Equity of the Parent		5,891	5,945
Non-Controlling Interests (*)		-	-
TOTAL EQUITY		5,891	5,945
Non- Current Liabilities			
Long-Term Borrowings	7 and 14	8,407	8,239
Long Term Lease Liabilities	14	1,246	-
Other Payables			
-Third Parties		35	36
Deferred Income	11	55	60
Long-Term Provisions			
-Provisions for Employee Benefits	17	124	130
Deferred Tax Liability	26	1,144	1,138
TOTAL NON-CURRENT LIABILITIES		11,011	9,603
Current Liabilities			
Short Term Borrowings	7	1,189	1,099
Short-Term Portion of Long-Term Borrowings	7 and 14	1,350	1,270
Short Term Portion of Lease Liabilities	14	276	-
Other Financial Liabilities	8	2	6
Trade Payables			
-Related Parties	9	171	231
-Third Parties		797	791
Payables Related to Employee Benefits		201	199
Other Payables			
-Third Parties		81	78
Derivative Financial Instruments	28	106	196
Deferred Income	11	1,524	1,052
Short-Term Provisions			
-Provisions for Employee Benefits	15	39	39
-Other Provisions	15	13	16
Other Current Liabilities		278	207
TOTAL CURRENT LIABILITIES		6,027	5,184
TOTAL LIABILITIES AND EQUITY		22,929	20,732

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

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
Condensed Consolidated Interim Statement of Profit or Loss
For the Three-Month Period Ended 31 March 2019
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

		<u>Not Reviewed</u>	<u>Not Reviewed</u>
	<u>Notes</u>	<u>31 March 2019</u>	<u>31 March 2018</u>
<u>PROFIT OR LOSS</u>			
Revenue	20	2,768	2,763
Cost of Sales (-)	21	(2,504)	(2,347)
GROSS PROFIT		264	416
General Administrative Expenses (-)	22	(72)	(71)
Marketing and Sales Expenses (-)	22	(395)	(342)
Other Operating Income	23	61	48
Other Operating Expenses (-)	23	(8)	(10)
OPERATING (LOSS) / PROFIT BEFORE INVESTMENT ACTIVITIES		(150)	41
Income from Investment Activities	24	30	21
Expenses from Investment Activities	24	(27)	-
Share of Investments' Profit Accounted by Using The Equity Method	3	(15)	3
OPERATING (LOSS) / PROFIT		(162)	65
Financial Income	25	19	11
Financial Expenses (-)	25	(140)	(183)
LOSS BEFORE TAX		(283)	(107)
Tax Income		54	21
Current Tax Expense	26	(9)	(15)
Deferred Tax Income	26	63	36
NET LOSS FOR THE PERIOD		(229)	(86)
<u>OTHER COMPREHENSIVE INCOME</u>			
Items That May Be Reclassified Subsequently To Profit or Loss		192	(160)
Currency Translation Adjustment		(10)	1
(Losses) / Gains on Remeasuring FVOCI		(1)	-
Fair Value Gains / (Losses) on Hedging Instruments Entered into for Cash Flow Hedges		252	(200)
Fair Value Gains / (Losses) Hedging Instruments of Investment Accounted by Using the Equity Method Entered into for Cash Flow Hedges		5	(1)
Related Tax of Other Comprehensive Income		(54)	40
Items That Will Not Be Reclassified Subsequently To Profit or Loss		1	-
Actuarial Gains on Retirement Pay Obligation		1	-
Related Tax of Other Comprehensive Income		-	-
OTHER COMPREHENSIVE INCOME / (EXPENSE) FOR THE PERIOD		193	(160)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		(36)	(246)
Basic Loss Per Share (Full US Cents)	27	(0.17)	(0.06)
Diluted Loss Per Share (Full US Cents)	27	(0.17)	(0.06)

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
Condensed Consolidated Interim Statement of Changes in Equity
For the Three-Month Period Ended 31 March 2019
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

	Items That Will Not Be Reclassified Subsequently To Profit or Loss		Items That May Be Reclassified Subsequently To Profit or Loss				Retained Earnings				Total Equity
	Share Capital	Actuarial (Losses) Retirement Pay Obligation	Foreign Currency Translation Differences	Fair Value Gains on Hedging Instruments Entered Into For Cash Flow Hedges	Gains / (Losses) on Remeasuring FVOCI	Restricted Profit Reserves	Previous Years Profit	Net Loss for The Period	Equity Holders of the Parent	Non-controlling Interests	
As of 1 January 2019	1,597	(35)	(160)	-	(6)	36	3,760	753	5,945	-	5,945
Adjustment on initial application of IFRS 16	-	-	-	-	-	-	(18)	-	(18)	-	(18)
As of 1 January 2019	1,597	(35)	(160)	-	(6)	36	3,742	753	5,927	-	5,927
Transfers	-	-	-	-	-	-	753	(753)	-	-	-
Total comprehensive income	-	1	(10)	203	(1)	-	-	(229)	(36)	-	(36)
As of 31 March 2019	1,597	(34)	(170)	203	(7)	36	4,495	(229)	5,891	-	5,891

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
Condensed Consolidated Interim Statement of Changes in Equity
For the Three-Month Period Ended 31 March 2019
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

	Items That Will Not Be Reclassified Subsequently To Profit or Loss		Items That May Be Reclassified Subsequently To Profit or Loss			Retained Earnings					
	Share Capital	Actuarial (Losses) Retirement Pay Obligation	Foreign Currency Translation Differences	Fair Value Gains on Hedging Instruments Entered Into For Cash Flow Hedges	Gains / (Losses) on Remeasuring FVOCI	Restricted Profit Reserves	Previous Years Profit	Net Loss for The Period	Equity Holders of the Parent	Non-controlling Interests	Total Equity
As of 1 January 2018	1,597	(15)	(108)	61	1	36	3,551	223	5,346	-	5,346
Adjustment on initial application of IFRS 15	-	-	-	-	-	-	(7)	-	(7)	-	(7)
Adjustment on initial application of IFRS 9	-	-	-	-	-	-	(7)	-	(7)	-	(7)
Restated As of 1 January 2018	1,597	(15)	(108)	61	1	36	3,537	223	5,332	-	5,332
Transfers	-	-	-	-	-	-	223	(223)	-	-	-
Total comprehensive income	-	-	1	(161)	-	-	-	(86)	(246)	-	(246)
As of 31 March 2018	1,597	(15)	(107)	(100)	1	36	3,760	(86)	5,086	-	5,086

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
Condensed Consolidated Interim Statement of Cash Flows
For the Three-Month Period Ended 31 March 2019
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

	Notes	Not Reviewed 31 March 2019	Not Reviewed 31 March 2018
Net Loss for the period		(229)	(86)
Adjustments to Reconcile Profit / (Loss)			
Adjustments for Depreciation and Amortisation Expense	12 and 13	360	269
Adjustments for Provisions Related with Employee Benefits	15 and 17	6	11
Adjustments for Provisions for Payables	15	(3)	1
Adjustments for Reversal of Probable Risks		1	(3)
Adjustments for Interest Income	24 and 25	(30)	(14)
Adjustments for Interest Expense	17 and 25	76	67
Adjustments For Unrealised Foreign Exchange (Gains) / Losses		(5)	24
Adjustments for Fair Value Losses on Derivative			
Financial Instruments	25	21	10
Adjustments for Undistributed Profits of Associates	3	15	(3)
Adjustments for Tax Income	26	(54)	(21)
Adjustments for Losses / (Gains) Arised From Sale of Tangible Assets	24	26	(2)
Adjustments for Losses Arised from Sale of			
Other Non-Current Assets	12	10	9
Operating Profit Before Changes in Working Capital		194	262
Increase in Trade Receivables from Non Related Parties		(108)	(116)
Decrease / (Increase) in Other Non-Related Party Receivables			
Related with Operations	10	84	(42)
Adjustments for Increase in Inventories		(25)	(14)
Adjustments for Increase in Prepaid Expenses		(81)	(111)
Decrease in Trade Payables to Related Parties	9	(60)	(4)
Increase in Trade Payables to Non-Related Parties		6	10
Adjustments for Increase / (Decrease) in Payables Due to			
Employee Benefits		2	(37)
Increase in Other Operating Payables to Non-Related Parties		2	1
Increase in Deferred Income	11	508	493
(Increase) / Decrease in Other Assets Related with Operations		(70)	18
Cash Flows From Operations		452	460
Payments for Provisions Related with Employee Benefits	17	(4)	(5)
Income taxes paid	26	(27)	5
Net Cash From Operating Activities		421	460
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES			
Cash Outflow Arising From Capital Increase in Investments		(3)	-
Cash Receipts Proceed From Sales of Property, Plant and Equipment		8	12
Cash Payments From Purchasing of Property, Plant and			
Equipment (*)	12 and 13	(353)	(207)
Cash Receipts From Purchasing of Other Long-term Assets	6	232	121
Other Cash Advances and Loans		(153)	(276)
Interest Received	24 and 25	30	14
Net Cash Flows Used In Investing Activities		(239)	(336)
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES			
Proceeds From Loans	7	664	410
Payments of Loans		(304)	(233)
Payments of Finance Lease Liabilities	7	(224)	(234)
Payments of Lease Liabilities		(85)	-
Interest Paid		(49)	(49)
Other Outflows of Cash	8	(4)	(10)
Net Cash Used in Financing Activities		(2)	(116)
Net Change in Cash and Cash Equivalents		180	8
CASH AND CASH EQUIVALENTS			
AT THE BEGINNING OF THE PERIOD		1,636	1,891
CASH AND CASH EQUIVALENTS			
AT THE END OF THE PERIOD	5	1,816	1,899

(*) USD 350 portion of property and equipment and intangible assets purchases in total of USD 703 for the period ended 31 March 2019 was financed through finance leases. (31 March 2018: USD 0 portion of property and equipment and intangible assets purchases in total of USD 207 was financed through finance leases.)

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

As At And For the Three-Month Period Ended 31 March 2019

(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 31 March 2019 and 31 December 2018, the shareholders and their respective shareholdings in the Group are as follows:

	<u>31 March 2019</u>	<u>31 December 2018</u>
Turkey Wealth Fund (*)	49.12 %	49.12 %
Republic of Turkey Treasury and Finance Ministry Privatization Administration (*)	-	-
Other (publicly held)	50.88 %	50.88 %
Total	<u>100.00 %</u>	<u>100.00 %</u>

(*) The name of Republic of Turkey Prime Ministry Privatization is amended as Republic of Turkey Treasury and Finance Ministry Privatization Administration in 2017. 49.12% of the share capital of the Company that used to be owned by Republic of Turkey Treasury and Finance Ministry Privatisation Administration has been transferred to Turkey Wealth Fund on 3 February 2017. Turkey Wealth Fund, of which capital fully belongs to the Republic of Turkey, Treasury and Finance Ministry Privatisation Administration, is a state owned entity being affiliated to the Presidency of The Republic of Turkey. Aforementioned share transfer has not led to any change on the current management structure, business strategy, policies and commercial decisions of the Company.

The number of employees working for the Group as of 31 March 2019 is 36,800 (31 December 2018: 35,205). The average number of employees working for the Group for the period ended 31 March 2019 and 2018 are 36,314 and 31,712 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 Group’s equity securities 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 31 March 2019 and 31 December 2018:

<u>Name of the Company</u>	<u>Principal Activity</u>	<u>Ownership Rate</u>		<u>Country of Registration</u>
		<u>31 March 2019</u>	<u>31 December 2018</u>	
THY Teknik A.Ş. (THY Teknik)	Aircraft Maintenance Services	100%	100%	Turkey
THY Uçuş Eğitim ve Havalimanı İşletme A.Ş.	Training & Airport Operations	100%	100%	Turkey
THY Havaalanı Gayrimenkul Yatırım ve İşletme A.Ş.	Airport Investment	100%	100%	Turkey
THY Uluslararası Yatırım ve Taşımacılık A.Ş. (*)	Cargo and Courier Transportation	100%	100%	Turkey
Cornea Havacılık Sistemleri San. Ve Tic. A.Ş. (**)	Software System Maintenance Services	80%	80%	Turkey

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

(**)The association was established in October 2018 to operate in the fields of software system maintenance by the Board of Directors.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
Notes to the Condensed Consolidated Interim Financial Statements
As At And For the Three-Month Period Ended 31 March 2019
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Subsidiaries and Joint Ventures (cont'd)

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB).

The condensed consolidated interim financial statements as at and for the three-month period ended 31 March 2019 have been prepared in accordance with IAS 34 “Interim Financial Reporting”. They do not include all of the information required for complete annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2018.

Board of Directors has approved the condensed consolidated interim financial statements as of 31 March 2019 on 9 May 2019. General Assembly and the related regulatory bodies have the authority to modify the statutory financial statements.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
Notes to the Condensed Consolidated Interim Financial Statements
As At And For the Three-Month Period Ended 31 March 2019
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

2.1 Basis of Presentation (cont'd)

Basis of Preparation

The condensed consolidated interim financial statements, except for 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 affiliates are adjusted where applicable in order to apply the same accounting policies. All transactions, balances, profit and loss within the Group are eliminated during consolidation.
- b. The Group has nine joint ventures (Note: 1). These joint ventures are economical activities whereby decisions about strategic finance and operating policy are jointly made by the consensus of the Group and other investors. The affiliates are controlled by the Group jointly, and are accounted for by using the equity method. Under the equity method, joint ventures are initially recognized at cost and adjusted to recognize any distributions received impairments in the joint ventures and the 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.

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

2.1 Basis of Presentation (cont'd)

Business Combinations

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

The Group measures goodwill at the acquisition date as:

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

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

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

2.2 Changes and Errors in Accounting Estimates

The significant estimates and assumptions used in preparation of these condensed consolidated interim financial statements as at and for the period ended 31 March 2019 are same with those used in the preparation of the Group's consolidated financial statements as at and for the year ended 31 December 2018.

2.3 Summary of Significant Accounting Policies

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

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

IFRS 16 Leases

On 13 January 2016, IASB issued the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to IAS 40 Investment Properties. IFRS 16 Leases eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice.

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

2.3 Summary of Significant Accounting Policies (cont'd)

IFRS 16 Leases (cont'd)

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

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

Transition to IFRS 16:

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

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

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

Assets	
Property, plant and equipment (Right-of-use assets)	1,561
Prepaid expenses	(13)
Total assets	<u>1,548</u>
Liabilities	
Lease liabilities	1,522
Redelivery maintenance liabilities	30
Deferred tax liabilities	8
Total liabilities	<u>1,560</u>
Net impact on equity	<u>(12)</u>

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

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

2.3 Summary of Significant Accounting Policies (cont'd)

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

Right-of-use assets

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

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

Right-of-use assets are subject to impairment.

Aircraft;

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

Real estate and other leases;

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

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

2.3 Summary of Significant Accounting Policies (cont'd)

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

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

Redelivery maintenance prior year affect

Redelivery maintenance liabilities	23
Deferred tax liabilities	(5)
Retained earnings	<u><u>18</u></u>

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

2.4 New and Revised Standards and Interpretations

Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows:

IFRS 17 Insurance Contracts

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

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

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

The revised Conceptual Framework

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

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

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

Amendments to IAS 1 and IAS 8 - Definition of Material

In October 2018 the IASB issued Definition of Material (Amendments to IAS 1 and IAS 8). The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 1 and IAS 8.

Amendments to IFRS 3 - Definition of a Business

Determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. The IASB has issued amendments to IFRS 3 Business Combinations that seek to clarify this matter. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IFRS 3.

2.5 Determination of Fair Values

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

Evaluation methods in terms of levels are described as follows:

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

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3. INVESTMENTS ACCOUNTED BY USING THE EQUITY METHOD

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

	31 March 2019	31 December 2018
Sun Express	119	136
THY Opet	60	58
TEC	59	62
Turkish DO&CO	52	53
TGS	37	39
TCI	6	3
Uçak Koltuk	5	5
Goodrich	2	2
Vergi İade Aracılık (*)	-	-
	<u>340</u>	<u>358</u>

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

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

	1 January - 31 March 2019	1 January - 31 March 2018
THY Opet	6	6
Turkish DO&CO	3	3
TGS	2	1
Uçak Koltuk	-	-
TCI	-	-
Goodrich	-	-
Vergi İade	-	-
TEC	(6)	6
Sun Express	(20)	(13)
	<u>(15)</u>	<u>3</u>

Financial information for Sun Express as of 31 March 2019 and 2018 are as follows:

	31 March 2019	31 December 2018
Total assets	1,691	1,350
Total liabilities	1,452	1,079
Shareholders'equity	239	271
Group's share in joint venture's shareholders' equity	119	136
	1 January - 31 March 2019	1 January - 31 March 2018
Revenue	195	232
Loss for the period	(39)	(25)
Group's share in joint venture's loss for the period	(20)	(13)

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

Financial information for TEC as of 31 March 2019 and 2018 are as follows:

	<u>31 March 2019</u>	<u>31 December 2018</u>
Total assets	249	189
Total liabilities	125	62
Shareholders'equity	124	127
Group's share in joint venture's shareholders' equity	59	62
	<u>1 January - 31 March 2019</u>	<u>1 January - 31 March 2018</u>
Revenue	89	149
Profit for the period	(13)	12
Group's share in joint venture's (loss) / profit for the period	(6)	6

Financial information for THY Opet as of 31 March 2019 and 2018 are as follows:

	<u>31 March 2019</u>	<u>31 December 2018</u>
Total assets	409	621
Total liabilities	290	504
Shareholders'equity	119	117
Group's share in joint venture's shareholders' equity	60	58
	<u>1 January - 31 March 2019</u>	<u>1 January - 31 March 2018</u>
Revenue	468	478
Profit for the period	11	12
Group's share in joint venture's profit for the period	6	6

Financial information for Turkish DO&CO as of 31 March 2019 and 2018 are as follows:

	<u>31 March 2019</u>	<u>31 December 2018</u>
Total assets	181	168
Total liabilities	77	62
Shareholders'equity	104	106
Group's share in joint venture's shareholders' equity	52	53
	<u>1 January - 31 March 2019</u>	<u>1 January - 31 March 2018</u>
Revenue	72	71
Profit for the period	5	6
Group's share in joint venture's profit for the period	3	3

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

Financial information for TGS as of 31 March 2019 and 2018 are as follows:

	<u>31 March 2019</u>	<u>31 December 2018</u>
Total assets	155	130
Total liabilities	81	52
Shareholders'equity	74	78
Group's share in joint venture's shareholders' equity	37	39
	<u>1 January - 31 March 2019</u>	<u>1 January - 31 March 2018</u>
Revenue	70	66
Profit for the period	3	2
Group's share in joint venture's profit for the period	2	1

Financial information for Uçak Koltuk as of 31 March 2019 and 2018 are as follows:

	<u>31 March 2019</u>	<u>31 December 2018</u>
Total assets	35	25
Total liabilities	25	15
Shareholders'equity	10	10
Group's share in joint venture's shareholders' equity	5	5
	<u>1 January - 31 March 2019</u>	<u>1 January - 31 March 2018</u>
Revenue	10	1
Profit / (Loss) for the period	-	(1)
Group's share in joint venture's profit / (loss) for the period	-	-

Financial information for TCI as of 31 March 2019 and 2018 are as follows:

	<u>31 March 2019</u>	<u>31 December 2018</u>
Total assets	20	17
Total liabilities	9	11
Shareholders'equity	11	6
Group's share in joint venture's shareholders' equity	6	3
	<u>1 January - 31 March 2019</u>	<u>1 January - 31 March 2018</u>
Revenue	4	1
Loss for the period	1	(1)
Group's share in joint venture's profit / (loss) for the period	-	-

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

Financial information for Goodrich as of 31 March 2019 and 2018 are as follows:

	<u>31 March 2019</u>	<u>31 December 2018</u>
Total assets	12	10
Total liabilities	6	5
Shareholders'equity	6	5
Group's share in joint venture's shareholders' equity	2	2
	<u>1 January - 31 March 2019</u>	<u>1 January - 31 March 2018</u>
Revenue	7	5
Profit for the period	1	-
Group's share in joint venture's profit / (loss) for the period	-	-

4. SEGMENTAL REPORTING

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

Air Transport ("Aviation")

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

Technical Maintenance Services ("Technical")

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

4.1 Total Assets and Liabilities

	<u>31 March 2019</u>	<u>31 December 2018</u>
Total Assets		
Aviation	22,900	20,638
Technical	1,401	1,326
Total	24,301	21,964
Less: Eliminations due to consolidation	(1,372)	(1,232)
Total assets in consolidated financial statements	<u>22,929</u>	<u>20,732</u>
Total Liabilitites		
Aviation	17,101	14,883
Technical	326	291
Total	17,427	15,174
Less: Eliminations due to consolidation	(389)	(387)
Total liabilitites in consolidated financial statements	<u>17,038</u>	<u>14,787</u>

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4. SEGMENTAL REPORTING (cont'd)

4.2 Profit / (Loss) before Tax

Segment Results:

1 January - 31 March 2019	Aviation	Technic	Inter-segment elimination	Total
Sales to External Customers	2,698	70	-	2,768
Inter-Segment Sales	11	265	(276)	-
Revenue	2,709	335	(276)	2,768
Cost of Sales (-)	(2,546)	(234)	276	(2,504)
Gross Profit	163	101	-	264
Administrative Expenses (-)	(50)	(22)	-	(72)
Marketing and Sales Expenses (-)	(394)	(1)	-	(395)
Other Operating Income	61	3	(3)	61
Other Operating Expenses (-)	(10)	(1)	3	(8)
Operating (Loss) / Profit Before Investment Activities	(230)	80	-	(150)
Income from Investment Activities	30	-	-	30
Expenses from Investment Activities Share of Investments' Loss	(27)	-	-	(27)
Accounted by Using The Equity Method	(9)	(6)	-	(15)
Operating (Loss) / Profit	(236)	74	-	(162)
Financial Income	12	13	(6)	19
Financial Expense (-)	(145)	(1)	6	(140)
(Loss) / Profit Before Tax	(369)	86	-	(283)

1 January - 31 March 2018	Aviation	Technic	Inter-segment elimination	Total
Sales to External Customers	2,702	61	-	2,763
Inter-Segment Sales	6	228	(234)	-
Revenue	2,708	289	(234)	2,763
Cost of Sales (-)	(2,362)	(219)	234	(2,347)
Gross Profit	346	70	-	416
Administrative Expenses (-)	(50)	(22)	1	(71)
Marketing and Sales Expenses (-)	(340)	(2)	-	(342)
Other Operating Income	47	6	(5)	48
Other Operating Expenses (-)	(8)	(6)	4	(10)
Operating (Loss) / Profit Before Investment Activities	(5)	46	-	41
Income from Investment Activities Share of Investments' Loss	21	-	-	21
Accounted by Using The Equity Method	(3)	6	-	3
Operating Profit	13	52	-	65
Financial Income	12	-	(1)	11
Financial Expense (-)	(187)	3	1	(183)
(Loss) / Profit Before Tax	(162)	55	-	(107)

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4. SEGMENTAL REPORTING (cont'd)

4.3 Investment Operations

	Aviation	Technic	Inter-segment elimination	Total
1 January - 31 March 2019				
Purchase of property and equipment and intangible assets	619	84	-	703
Current period depreciation and amortization charge	248	35	-	283
Investments accounted by using equity method	277	63	-	340
1 January - 31 March 2018				
Purchase of property and equipment and intangible assets	160	47	-	207
Current period depreciation and amortization charge	232	37	-	269
Investments accounted by using equity method	253	67	-	320

5. CASH AND CASH EQUIVALENTS

	31 March 2019	31 December 2018
Cash	2	2
Banks – Time deposits	1,734	1,570
Banks – Demand deposits	58	64
Other liquid assets	22	-
	1,816	1,636

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

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 March 2019</u>
1,741	TL	17.43% - 23.99%	April 2019	318
66	USD	2.72% - 2.80%	April 2019	66
1,198	EUR	0.08% - 3.28%	June 2019	1,350
				1,734

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

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

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6. FINANCIAL INVESTMENTS

Short-term financial investments are as follows:

	<u>31 March 2019</u>	<u>31 December 2018</u>
FVOCI		
- Government debt securities	84	90
- Corporate debt securities	33	26
FVTPL		
- Equity securities	16	17
Time deposits with maturity more than 3 months	160	386
	<u>293</u>	<u>519</u>

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

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 March 2019</u>
143	EUR	1.12% - 1.52%	August 2019	<u>160</u>

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

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

Long-term financial investments are as follows:

	<u>31 March 2019</u>	<u>31 December 2018</u>
FVOCI		
- Government debt securities	43	45
- Corporate debt securities	36	40
Other	1	1
	<u>80</u>	<u>86</u>

Period remaining to contractual maturity dates for FVOCI as of 31 March 2019 and 2018 is as follows:

	<u>31 March 2019</u>	<u>31 December 2018</u>
Less than 1 year	117	116
1 to 5 years	3	8
Over 5 years	76	77
	<u>196</u>	<u>201</u>

	<u>31 March 2019</u>	<u>31 December 2018</u>
FVTPL		
- Equity securities	16	17

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7. BORROWINGS

Short-term borrowings are as follows:

	<u>31 March 2019</u>	<u>31 December 2018</u>
Bank borrowings	1,189	1,099

Short-term borrowings as of 31 March 2019 is as follows:

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 March 2019</u>
1,059	EUR	0.40% - 0.75%	February 2020	1,189

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

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

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

	<u>31 March 2019</u>	<u>31 December 2018</u>
Finance lease obligations (Note: 14)	1,016	980
Bank borrowings	334	290
	<u>1,350</u>	<u>1,270</u>

Long-term borrowings are as follows:

	<u>31 March 2019</u>	<u>31 December 2018</u>
Finance lease obligations (Note: 14)	6,994	7,006
Bank borrowings	1,413	1,233
	<u>8,407</u>	<u>8,239</u>

Details of bank borrowings as of 31 March 2019 and 2018 are as follows:

	<u>31 March 2019</u>	<u>31 December 2018</u>
Less than 1 year	334	290
Between 1 – 5 years	1,413	1,233
	<u>1,747</u>	<u>1,523</u>

<u>Amount</u>	<u>Currency</u>	<u>Interest Rate</u>		<u>Effective Interest Rate</u>	<u>Payment Period</u>	<u>31 March 2019</u>
678	EUR	Fixed		4.00% - 4.60%	May'19 - June'23	761
817	EUR	Floating	Euribor + 2.45%	- Euribor + 3.50%	Jan'19 - July'23	986
						<u>1,747</u>

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

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7. BORROWINGS (cont'd)

Reconciliation of liabilities arising from financing activities:

	<u>2018</u>	<u>Payment</u>	<u>Non-cash Changes</u>	<u>Proceeds From</u>	<u>2019</u>
Lease Liabilities	7,986	(268)	(60)	352	8,010
Bank Borrowings	2,622	(308)	(43)	665	2,936
	<u>10,608</u>	<u>(576)</u>	<u>(103)</u>	<u>1,017</u>	<u>10,946</u>

Reconciliation of lease liabilities:

	<u>2018</u>	<u>Payment</u>	<u>Non-cash Changes</u>	<u>Proceeds From</u>	<u>2019</u>
Aircraft	-	(81)	13	1,534	1,466
Property	-	(4)	(1)	56	51
Other	-	(1)	-	6	5
	<u>-</u>	<u>(86)</u>	<u>12</u>	<u>1,596</u>	<u>1,522</u>

8. OTHER FINANCIAL LIABILITIES

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

	<u>31 March 2019</u>	<u>31 December 2018</u>
Other financial liabilities	<u>2</u>	<u>6</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>31 March 2019</u>	<u>31 December 2018</u>
Posta ve Telgraf Teşkilatı A.Ş (PTT)	<u>1</u>	<u>1</u>
Other (*)	<u>-</u>	<u>1</u>
	<u>1</u>	<u>2</u>

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

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

	<u>31 March 2019</u>	<u>31 December 2018</u>
TGS	<u>28</u>	<u>-</u>
Turkish DO&CO	<u>2</u>	<u>2</u>
TCI	<u>1</u>	<u>1</u>
	<u>31</u>	<u>3</u>

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9. RELATED PARTIES (cont'd)

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

	<u>31 March 2019</u>	<u>31 December 2018</u>
THY Opet	97	95
TEC	30	60
Turkish DO&CO	22	35
TGS	19	19
Goodrich	2	2
TCI	1	1
Sun Express	-	19
	<u>171</u>	<u>231</u>

Transactions with related parties for the period ended 31 March 2019 and 2018 are as follows:

a) Sales to related parties:

	<u>1 January - 31 March 2019</u>	<u>1 January - 31 March 2018</u>
Sun Express	11	13
TEC	3	7
PTT	2	1
TGS	1	1
Goodrich	1	-
	<u>18</u>	<u>22</u>

b) Purchases from related parties:

	<u>1 January - 31 March 2019</u>	<u>1 January - 31 March 2018</u>
THY Opet	406	408
Turkish DO&CO	70	67
TGS	67	60
TEC	55	90
Sun Express	33	46
Goodrich	6	4
Uçak Koltuk	1	-
	<u>638</u>	<u>675</u>

Details of the financial assets for related parties as of 31 March 2019 and 2018 are as follows:

	<u>31 March 2019</u>	<u>31 December 2018</u>
Financial investments	1,283	1,529
Letter of credit	967	862
Bank credit	135	115
Debt securities	25	25
Equity share	4	4
Banks – Demand deposits	2	2
	<u>2,416</u>	<u>2,537</u>

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9. RELATED PARTIES (cont'd)

Details of the time deposits deposited at related parties as of 31 March 2019 and 2018 are as follows:

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 March 2019</u>
930	TL	24.50% - 20.50%	April 2019	167
934	EUR	2.00% - 4.00%	June 2019	1,053
63	USD	3.40%	April 2019	63
				<u>1,283</u>

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

Interest income from related parties:

	<u>1 January - 31 March 2019</u>	<u>1 January - 31 March 2018</u>
Türkiye Halk Bankası A.Ş.	6	1
Ziraat Bankası A.Ş.	-	1
	<u>6</u>	<u>2</u>

Interest expense from related parties:

	<u>1 January - 31 March 2019</u>	<u>1 January - 31 March 2018</u>
Ziraat Bankası A.Ş.	1	-
	<u>1</u>	<u>-</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 and transactions between the Group and Türk Telekom are related to advertising and telecommunication services. Receivables from related parties are not collateralized and maturity of trade receivables is 30 days.

The total amount of salaries and other short-term benefits provided for the Board Members, General Manager and Deputy General Managers are USD 1 (1 January- 31 March 2018: USD 1).

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10. OTHER RECEIVABLES

Other short-term receivables from third parties as of 31 March 2019 and 2018 are as follows:

	<u>31 March 2019</u>	<u>31 December 2018</u>
Predelivery payments made for aircrafts	1,045	809
Receivables from technical purchases	146	118
Bank deposits with transfer limitations (*)	89	90
Value added tax receivables	64	134
Receivables from pilots for flight training	19	19
Others	4	8
	<u>1,367</u>	<u>1,178</u>

(*)As of 31 March 2019, the balance of this account includes bank deposits in Morocco, Ethiopia, Bangladesh, Egypt, Algeria, Nigeria, Senegal, Niger, Mali, Republic of Cote D'ivoire, Burkina Faso, Eritrea, Mozambique, Bolivarian Republic of Venezuela, Republic of Angola, Republic of Cameroon, Republic of Chad, Republic of Sudan, Gabon, Somalia, Benin, Republic of Kenya, Republic of Zimbabwe and Iran. (As of 31 December 2018, the balance of this account includes bank deposits in Morocco, Ethiopia, Bangladesh, Egypt, Algeria, Nigeria, Senegal, Niger, Mali, Republic of Cote D'ivoire, Burkina Faso, Eritrea, Mozambique, Bolivarian Republic of Venezuela, Republic of Cameroon, Republic of Chad, Republic of Sudan, Gabon, Somalia, Republic of Kenya, Republic of Zimbabwe, Iran and Benin.)

Other long-term receivables from third parties as of 31 March 2019 and 2018 are as follows:

	<u>31 March 2019</u>	<u>31 December 2018</u>
Predelivery payments made for aircrafts	422	505
Receivables related to investment certificates	234	238
Receivables from pilots for flight training	120	114
Deposits and guarentees given	48	47
Interest and commodity swap agreement deposits	26	94
Bank deposits with transfer limitations (**)	6	6
	<u>856</u>	<u>1,004</u>

(**) As of 31 March 2019, the balance of this account includes bank deposits in Syria.

11. DEFERRED INCOME

Deferred income is as follows:

	<u>31 March 2019</u>	<u>31 December 2018</u>
Passenger flight liabilities	1,474	1,002
Other short-term deferred income	50	50
	<u>1,524</u>	<u>1,052</u>

Passenger flight liability is as follows:

	<u>31 March 2019</u>	<u>31 December 2018</u>
Flight liability generating from ticket sales	1,241	741
Flight liability generating from frequent flyer program	233	261
	<u>1,474</u>	<u>1,002</u>

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11. DEFERRED INCOME (cont'd)

Other short-term deferred income is as follows:

	<u>31 March 2019</u>	<u>31 December 2018</u>
Advances received	29	29
Deferred finance income	11	11
Unearned bank protocol revenue accruals	10	10
	<u>50</u>	<u>50</u>

Long-term deferred income is as follows:

	<u>31 March 2019</u>	<u>31 December 2018</u>
Deferred finance income	45	47
Gross manufacturer's credits	31	31
Accumulated depreciation of manufacturer's credit	(31)	(30)
Unearned bank protocol revenue accruals	10	12
	<u>55</u>	<u>60</u>

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12. PROPERTY AND EQUIPMENT

	Land, Land improvements and buildings	Technical equipments simulators and vehicles	Other equipments, and fixtures	Aircrafts	Spare engines	Components and repairable spare parts	Leasehold improvements	Construction in progress	Total
<u>Cost</u>									
Opening balance at 1 January 2019	303	429	214	17,491	738	583	531	718	21,007
Additions	-	4	12	474	25	60	1	125	701
Transfer (*)	-	2	1	27	-	-	-	(30)	-
Disposals	-	(2)	(1)	(341)	-	(32)	-	-	(376)
Closing balance at 31 March 2019	303	433	226	17,651	763	611	532	813	21,332
<u>Accumulated Depreciation</u>									
Opening balance at 1 January 2019	89	235	151	5,835	267	310	202	-	7,089
Depreciation charge	3	10	7	216	12	21	10	-	279
Disposals	-	(2)	(1)	(307)	-	(22)	-	-	(332)
Closing balance at 31 March 2019	92	243	157	5,744	279	309	212	-	7,036
Net book value at 31 March 2019	211	190	69	11,907	484	302	320	813	14,296
Net book value at 31 December 2018	214	194	63	11,656	471	273	329	718	13,918

As of 31 March 2019, carrying value of the aircrafts and spare engines acquired through finance leases is USD 11,149 (31 December 2018: USD 10,892)

Depreciation and amortization expenses are recognized in cost of sales is amounting to USD 345 (31 March 2018: USD 257), general administrative expenses is amounting to USD 13 (31 March 2018: USD 10) and marketing and sales expenses is amounting to USD 2 (31 March 2018: USD 2).

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12. PROPERTY AND EQUIPMENT (cont'd)

	Land improvements and buildings	Technical equipments simulators and vehicles	Other equipments, and fixtures	Aircrafts	Spare engines	Components and repairable spare parts	Leasehold improvements	Construction in progress	Total
<u>Cost</u>									
Opening balance at 1 January 2018	222	376	187	16,398	648	551	520	334	19,236
Additions	-	17	3	86	-	33	7	60	206
Transfer	-	-	-	-	-	-	14	(15)	(1)
Disposals	-	(13)	(1)	(43)	-	(22)	(1)	-	(80)
Closing balance at 31 March 2018	222	380	189	16,441	648	562	540	379	19,361
<u>Accumulated Depreciation</u>									
Opening balance at 1 January 2018	78	204	132	5,138	225	285	172	-	6,234
Depreciation charge	3	8	5	203	11	25	11	-	266
Disposals	-	(3)	(1)	(43)	-	(13)	(1)	-	(61)
Closing balance at 31 March 2018	81	209	136	5,298	236	297	182	-	6,439
Net book value at 31 March 2018	141	171	53	11,143	412	265	358	379	12,922
Net book value at 31 December 2017	144	172	55	11,260	423	266	348	334	13,002

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12. PROPERTY AND EQUIPMENT (cont'd)

Right of Use

	<u>Aircraft</u>	<u>Real Estate</u>	<u>Other</u>	<u>Total</u>
<u>Cost</u>				
Opening balance at 1 January 2019	-	-	-	-
Additions	1,576	56	6	1,638
Closing balance at 31 March 2019	<u>1,576</u>	<u>56</u>	<u>6</u>	<u>1,638</u>
<u>Accumulated Depreciation</u>				
Opening balance at 1 January 2019	-	-	-	-
Depreciation charge	74	2	1	77
Closing balance at 31 March 2019	<u>74</u>	<u>2</u>	<u>1</u>	<u>77</u>
Net book value at 31 March 2019	<u>1,502</u>	<u>54</u>	<u>5</u>	<u>1,561</u>

13. OTHER INTANGIBLE ASSETS

	<u>Slot Rights and Acquired Technical Licenses</u>	<u>Other Rights</u>	<u>Other Intangible Assets</u>	<u>Total</u>
<u>Cost</u>				
Opening balance at 1 January 2019	44	175	5	224
Additions	-	2	-	2
Transfers	-	-	-	-
Closing balance at 31 March 2019	<u>44</u>	<u>177</u>	<u>5</u>	<u>226</u>
<u>Accumulated Amortization</u>				
Opening balance at 1 January 2019	-	141	1	142
Amortization charge	-	4	-	4
Closing balance at 31 March 2019	<u>-</u>	<u>145</u>	<u>1</u>	<u>146</u>
Net book value at 31 March 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>
	<u>Slot Rights and Acquired Technical Licenses</u>	<u>Other Rights</u>	<u>Other Intangible Assets</u>	<u>Total</u>
<u>Cost</u>				
Opening balance at 1 January 2018	44	148	5	197
Additions	-	1	-	1
Transfers	-	1	-	1
Closing balance at 31 March 2018	<u>44</u>	<u>150</u>	<u>5</u>	<u>199</u>
<u>Accumulated Amortization</u>				
Opening balance at 1 January 2018	-	130	1	131
Amortization charge	-	3	-	3
Closing balance at 31 March 2018	<u>-</u>	<u>133</u>	<u>1</u>	<u>134</u>
Net book value at 31 March 2018	<u>44</u>	<u>17</u>	<u>4</u>	<u>65</u>
Net book value at 31 December 2017	<u>44</u>	<u>18</u>	<u>4</u>	<u>66</u>

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13. OTHER INTANGIBLE ASSETS (cont'd)

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

Maturities of lease obligations are as follows:

	Future Minimum Lease Payments	Interest	Present Values of Minimum Lease Payments
	31 March 2019	31 March 2019	31 March 2019
Less than 1 year	329	(53)	276
Between 1 – 5 years	899	(172)	727
Over 5 years	577	(58)	519
	<u>1,805</u>	<u>(283)</u>	<u>1,522</u>

Maturities of finance lease obligations are as follows:

	Future Minimum Lease Payments		Interest		Present Values of Minimum Lease Payments	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018	31 March 2019	31 December 2018
Less than 1 year	1,176	1,127	(147)	(147)	1,029	980
Between 1 – 5 years	3,672	3,741	(354)	(359)	3,318	3,382
Over 5 years	3,788	3,733	(125)	(109)	3,663	3,624
	<u>8,636</u>	<u>8,601</u>	<u>(626)</u>	<u>(615)</u>	<u>8,010</u>	<u>7,986</u>
					<u>31 March 2019</u>	<u>31 December 2018</u>
Interest Range:						
Floating rate obligations					4,888	5,020
Fixed rate obligations					3,122	2,966
					<u>8,010</u>	<u>7,986</u>

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

As of 31 March 2019, the US Dollars, Euro, JPY and Swiss Franc denominated lease obligations' weighted average interest rates are 2.59% (31 December 2018: 2.66%) for the fixed rate obligations and 1.52% (31 December 2018: 1.56%) for the floating rate obligations.

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15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions as of 31 March 2019 and 2018 are as follows:

Short-term provision for employee benefits is as follows:

	<u>31 March 2019</u>	<u>31 December 2018</u>
Provisions for unused vacation	<u>39</u>	<u>39</u>

Changes in the provisions for the period ended 31 March 2019 and 2018 are set out below:

	<u>1 January - 31 March 2019</u>	<u>1 January - 31 March 2018</u>
Provisions at the beginning of the period	39	41
Provisions for the current period	68	5
Provisions released	(65)	-
Foreign currency translation differences	(3)	(2)
Provisions at the end of the period	<u>39</u>	<u>44</u>

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

Other short-term provision is as follows:

	<u>31 March 2019</u>	<u>31 December 2018</u>
Provisions for legal claims	<u>13</u>	<u>16</u>

Changes in the provisions for legal claims for the period ended 31 March 2019 and 2018 are set out below:

	<u>1 January - 31 March 2019</u>	<u>1 January - 31 March 2018</u>
Provisions at the beginning of the period	16	22
Provisions for the current period	-	2
Provisions released	(3)	(1)
Foreign currency translation differences	-	(1)
Provisions at the end of the period	<u>13</u>	<u>22</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. It is expected that provision amount will be paid within one year.

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16. COMMITMENTS

a) Guarantees/Pledges/Mortgages (“GPM”) given by the Group: Amount of letters of guarantees given as of 31 March 2019 is USD 1,246 (31 December 2018: USD 1,179).

	31 March 2019		31 December 2018	
	Original currency amount	USD equivalent	Original currency amount	USD equivalent
A. Total amounts of GPM given on the behalf of its own legal entity	-	1,246	-	1,179
-Collaterals				
TL	48	8	38	7
EUR	1,055	1,184	976	1,118
USD	45	45	45	45
Other	-	9	-	9
B. Total amounts of GPM given on the behalf of subsidiaries that are included in full consolidation	-	-	-	-
C. Total amounts of GPM given in order to guarantee third party debts for routine trade operations	-	-	-	-
D. Total amounts of other GPM given	-	-	-	-
i. Total amount of GPM given on behalf of the Parent	-	-	-	-
ii. Total amount of GPM given on behalf of other group companies not covered in B and C	-	-	-	-
iii. Total amount of GPM given on behalf of third parties not covered in C	-	-	-	-
		<u>1,246</u>		<u>1,179</u>

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

b) Aircraft purchase commitments:

To be delivered between the years 2018-2023, the Group signed an agreement for 230 aircrafts, (220 of aircrafts are contractual and 10 of them are optional) with a list price value of 37,400 US Dollars. The Group has made an advance payment of 1,499 US Dollars relevant to these purchases as of 31 March 2019.

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17. EMPLOYEE BENEFITS

Provisions for retirement pay liability as of 31 March 2019 and 2018 is comprised of the following:

	<u>31 March 2019</u>	<u>31 December 2018</u>
Provision for retirement pay liability	<u>124</u>	<u>130</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 1,069 (full) (equivalent of TL 6,018 (full)) as of 31 March 2019. (31 December 2018: US Dollar 1,144 (full) equivalent of TL 6,018 (full)).

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

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

The key assumption is that maximum liability amount increases in accordance with the inflation rate for every service year. Provisions in the accompanying consolidated financial statements as of 31 March 2019 are calculated by estimating present value of liabilities due to retirement of employees. Provisions in the relevant balance sheet dates are calculated with the assumptions of 10.00% annual inflation rate (31 December 2018: 10.00%) and 14.00% interest rate (31 December 2018: 14.00%). Estimated amount of non-paid retirement pay retained in the Group due to voluntary leaves is assumed as 2.42% (31 December 2018: 2.63%). Ceiling for retirement pay is revised semi-annually. Ceiling amount of US Dollar 1,069 (full) which is in effect since 31 March 2019 is used in the calculation of Group’s provision for retirement pay liability.

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

	<u>1 January - 31 March 2019</u>	<u>1 January - 31 March 2018</u>
Provision at the beginning of the period	130	128
Service charge for the period	3	6
Interest charges	3	3
Actuarial loss	-	-
Payments	(4)	(5)
Foreign currency translation difference	(8)	(10)
Provision at the end of the period	<u>124</u>	<u>122</u>

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18. EXPENSES BY NATURE

Expenses by nature for the period ended 31 March 2019 and 2018 are as follows:

	1 January - 31 March 2019	1 January - 31 March 2018
Fuel expenses	855	804
Personnel expenses	517	452
Depreciation and amortisation charges	360	269
Aircraft maintenance expenses	192	170
Ground services expenses	189	175
Commissions and incentives	142	104
Passenger services and catering expenses	141	145
Air traffic control expenses	123	130
Airport expenses	122	118
Reservation systems expenses	73	68
Wet lease expenses	64	65
Advertisement and promotion expenses	47	52
Taxes and duties	25	19
Rents	22	14
Service expenses	19	21
Insurance expenses	13	12
IT & communication expenses	11	12
Operating lease expenses	10	85
Transportation expenses	10	8
Consultancy expenses	5	4
Systems use and associateship expenses	2	3
Other expenses	29	30
	2,971	2,760

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19. SHAREHOLDERS' EQUITY

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

(Millions of TL)	Class	%	31 March		31 December	
			2019	%	2018	%
Turkey Wealth Fund (*)	A	49.12	678	49.12	678	
Republic of Turkey Treasury and Finance Ministry Privatization Administration (*)	C	-	-	-	-	
Other (publicly held)	A	50.88	702	50.88	702	
Paid-in capital (Turkish Lira)			1,380		1,380	
Inflation adjustment on share capital (Turkish Lira) (**)			1,124		1,124	
Share capital (Turkish Lira)			<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 Group owned by Republic of Turkey Treasury and Finance Ministry Privatisation Administration has been transferred to Turkey Wealth Fund as of 3 February 2017. Turkey Wealth Fund, whose capital fully belongs to the Republic of Turkey, Treasury and Finance Ministry Privatization Administration, is a state owned entity being affiliated to the Presidency of The Republic of Turkey. Aforementioned share transfer will not lead to any change on the current management structure, business strategy, policies and commercial decisions of the Group.

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

As of 31 March 2019, Registered paid-in share capital of the Company comprised 137,999,999,999 Class A shares and 1 Class C share, all with a par value of Kr 1 each. The Class C share belongs to the Republic of Turkey Treasury and Finance Ministry Privatization Administration and has the following privileges:

- Articles of Association 7: Positive vote of the board member representing class C share with Board's approval is necessary for transfer of shares issued to the name.
- Articles of Association 10: The Board of Directors consists of nine members of which one member has to be nominated by the class C shareholder and the rest eight members has to be elected by class A shareholders.
- Articles of Association 14: The following decisions of the Board of Directors are subject to the positive vote of the class C Shareholder:
 - a) Decisions that will negatively affect the Group's mission Defined in Article 3.1. of the Articles of Association,
 - b) Suggesting change in the Articles of Association at General Assembly,

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):
 - 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%.)
 - 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 immediately in other comprehensive income.

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19. SHAREHOLDERS' EQUITY (cont'd)

Gains/Losses from Cash Flow Hedges

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

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

20. REVENUE

Breakdown of gross profit is as follows:

	1 January - 31 March 2019	1 January - 31 March 2018
Passenger revenue		
Scheduled	2,271	2,298
Unscheduled	4	5
Total passenger revenue	<u>2,275</u>	<u>2,303</u>
Cargo revenue		
Carried by passenger aircraft	181	191
Carried by cargo aircraft	225	195
Total cargo revenue	<u>406</u>	<u>386</u>
Total passenger and cargo revenue	<u>2,681</u>	<u>2,689</u>
Technical revenue	70	61
Other revenue	17	13
Net sales	<u>2,768</u>	<u>2,763</u>
Cost of sales (-)	<u>(2,504)</u>	<u>(2,347)</u>
Gross profit	<u><u>264</u></u>	<u><u>416</u></u>

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

	1 January - 31 March 2019	1 January - 31 March 2018
International flights		
- Europe	714	750
- Far East	706	694
- Middle East	314	298
- America	403	365
- Africa	285	282
Total	<u>2,422</u>	<u>2,389</u>
Domestic flights	<u>259</u>	<u>300</u>
Total passenger and cargo revenue	<u><u>2,681</u></u>	<u><u>2,689</u></u>

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21. COST OF SALES

Breakdown of the cost of sales is as follows:

	1 January - 31 March 2019	1 January - 31 March 2018
Fuel expenses	855	804
Personnel expenses	401	346
Depreciation and amortisation charges	345	257
Aircraft maintenance expenses	192	170
Ground services expenses	189	175
Passenger services and catering expenses	141	145
Air traffic control expenses	123	130
Airport expenses	122	118
Wet lease expenses	64	65
Rents	18	9
Insurance expenses	12	11
Operating lease expenses	10	85
Transportation expenses	10	8
Service expenses	8	9
Taxes and duties	4	4
IT & communication expenses	1	1
Other expenses	9	10
	<u>2,504</u>	<u>2,347</u>

22. GENERAL ADMINISTRATIVE EXPENSES AND MARKETING AND SALES EXPENSES

Breakdown of general administrative expenses is as follows:

	1 January - 31 March 2019	1 January - 31 March 2018
Personnel expenses	33	31
Depreciation and amortisation charges	13	10
IT & communication expenses	8	9
Service expenses	8	8
Consultancy expenses	3	2
Systems use and associateship expenses	2	3
Insurance expenses	1	1
Other general administrative expenses	4	7
	<u>72</u>	<u>71</u>

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

Breakdown of marketing and sales expenses is as follows:

	1 January - 31 March 2019	1 January - 31 March 2018
Commissions and incentives	142	104
Personnel expenses	83	75
Reservation systems expenses	73	68
Advertisement and promotion expenses	47	52
Taxes and duties	21	15
Rents	4	5
Service expenses	3	4
Consultancy expenses	2	2
IT & communication expenses	2	2
Depreciation and amortisation charges	2	2
Other marketing and sales expenses	16	13
	<u>395</u>	<u>342</u>

23. OTHER OPERATING INCOME / EXPENSES

Breakdown of other operating income is as follows:

	1 January - 31 March 2019	1 January - 31 March 2018
Manufacturers' credits	34	8
Foreign exchange gains from operational activities, net	6	22
Insurance, indemnities, penalties income	5	7
Provisions released	5	4
Non- interest income from banks	3	3
Rediscount interest income	3	-
Turnover premium from suppliers	2	1
Rent income	1	1
Other operating income	2	2
	<u>61</u>	<u>48</u>

Breakdown of other operating expenses is as follows:

	1 January - 31 March 2019	1 January - 31 March 2018
Provisions	3	3
Indemnity and penalty expenses	1	1
Rediscount interest expenses	-	1
Other operating expenses	4	5
	<u>8</u>	<u>10</u>

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24. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

Breakdown of income from investment activities is as follows:

	1 January - 31 March 2019	1 January - 31 March 2018
Interest income from financial investment	14	3
Income from investment incentives	13	16
Gain on sale of financial investments	2	-
Gain on sale of fixed assets	1	2
	<u>30</u>	<u>21</u>

Breakdown of expense from investment activities is as follows:

	1 January - 31 March 2019	1 January - 31 March 2018
Loss on sale of fixed assets	<u>27</u>	<u>-</u>

25. FINANCIAL INCOME/ EXPENSES

Breakdown of financial income is as follows:

	1 January - 31 March 2019	1 January - 31 March 2018
Interest income	16	11
Other financial incomes	3	-
	<u>19</u>	<u>11</u>

Breakdown of financial expenses is as follows:

	1 January - 31 March 2019	1 January - 31 March 2018
Interest expense from financial activities	49	54
Foreign exchange losses on financial activities, net	37	101
Fair value losses on derivative financial instruments, net	21	10
Interest expense from leasing liabilities	15	-
Aircraft financing expenses	13	3
Interest expenses on employee benefits	3	3
Rediscount interest expense from repayments of aircrafts	-	10
Other financial expenses	2	2
	<u>140</u>	<u>183</u>

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26. TAX ASSETS AND LIABILITIES

Breakdown of assets related to current tax is as follows:

	31 March 2019	31 December 2018
Prepaid taxes	<u>43</u>	<u>61</u>

Tax expense is as follows:

	1 January - 31 March 2019	1 January - 31 March 2018
Current period tax expense	9	15
Deferred tax income	(63)	(36)
Tax income	<u>(54)</u>	<u>(21)</u>

Tax effect related to other comprehensive income is as follows:

	1 January - 31 March 2019			1 January - 31 March 2018		
	Amount before tax	Tax expense	Amount after tax	Amount before tax	Tax expense	Amount after tax
Changes in foreign currency translation difference	(10)	-	(10)	1	-	1
Change in cash flow hedge reserve	257	(54)	203	(201)	40	(161)
Gains on Remeasuring FVOCI	(1)	-	(1)	-	-	-
Change in actuarial losses from retirement pay obligation	1	-	1	-	-	-
Other comprehensive income	<u>247</u>	<u>(54)</u>	<u>193</u>	<u>(200)</u>	<u>40</u>	<u>(160)</u>

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 31 March 2019 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

The tax legislation provides for a temporary tax of 22% (2018: 22%) to be calculated and paid based on earnings generated for each quarter for the period ended 31 March 2019. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. With the amendment to the Law, tax rate for temporary tax is set to 22% for the years 2018, 2019 and 2020.

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26. TAX ASSETS AND LIABILITIES (cont'd)

Corporate Tax (cont'd)

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

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

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

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

Income Withholding Tax

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

Deferred Tax

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

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

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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:

	31 March 2019	31 December 2018
Fixed assets	(2,263)	(1,910)
Adjustments for passenger flight liabilities	(133)	(150)
Tax loss carried forward	696	674
Lease obligations	305	-
Income and expense for future years	99	92
Accruals for expenses	64	48
Miles accruals	30	35
Provisions for employee benefits	25	27
Change in fair value of derivative instruments	9	31
Provisions for unused vacation	8	8
Other	16	7
Deferred tax liabilities	<u>(1,144)</u>	<u>(1,138)</u>

The changes of deferred tax liability for the period ended 1 January – 31 March 2019 and 2018 are as follows:

	1 January - 31 March 2019	1 January - 31 March 2018
Opening balance at 1 January	1,138	962
Adjustments for changes in accounting policies	(5)	(4)
Restated deferred tax liability at the beginning of the year	1,133	958
Foreign currency translation difference	21	7
Tax expense / (income) from hedging reserves	53	(39)
Deferred tax income	(63)	(36)
Deferred tax liability at the end of the year	<u>1,144</u>	<u>890</u>

Reconciliation with current tax charge for the period 1 January – 31 March 2019 and 2018 are as follows:

	1 January - 31 March 2019	1 January - 31 March 2018
<u>Reconciliation of effective tax charge</u>		
Loss from operations before tax	(283)	(107)
Domestic expense tax rate of 22%	62	21
Taxation effects on:		
- foreign currency translation difference	5	(6)
- investment incentive	6	-
- expense from investment certificates	3	3
- effect of the change in the deferred tax rate	-	5
- investments accounted by using the equity method	(3)	1
- non deductible expenses	(4)	-
- adjustment for prior year loss	(15)	(3)
Tax charge in statement of loss	<u>54</u>	<u>21</u>

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27. EARNINGS PER SHARE

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

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

Number of total shares and calculation of earnings per share at 1 January – 31 March 2019 and 2018:

	1 January - 31 March 2019	1 January - 31 March 2018
Number of shares outstanding at 1 January (in full)	138,000,000,000	138,000,000,000
Number of shares outstanding at 31 March (in full)	138,000,000,000	138,000,000,000
Weighted average number of shares outstanding during the period (in full)	138,000,000,000	138,000,000,000
Net loss for the period	(229)	(86)
Basic loss per share (Full US Cents) (*)	(0.17)	(0.06)
Diluted loss per share (Full US Cents) (*)	(0.17)	(0.06)

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

28. DERIVATIVE FINANCIAL INSTRUMENTS

Breakdown of derivative financial assets and liabilities of the Group as of 31 March 2019 and 2018 are as follows:

<u>Derivative financial assets</u>	31 March 2019	31 December 2018
Derivative instruments for fuel prices cash flow hedge	37	34
Derivative instruments not subject to hedge accounting	23	17
Derivative instruments for cross currency rate cash flow hedge	6	6
	<u>66</u>	<u>57</u>
<u>Derivative financial liabilities</u>	31 March 2019	31 December 2018
Derivative instruments for interest rate cash flow hedge	40	34
Derivative instruments for cross currency rate cash flow hedge	31	36
Derivative instruments for fuel prices cash flow hedge	21	118
Derivative instruments not subject to hedge accounting	14	8
	<u>106</u>	<u>196</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:

	31 March 2019					
	USD EQUIVALENT	TL	EUR	JPY	CHF	OTHER
1.Trade Receivables	561	96	114	7	9	335
2a.Monetary Financial Assets	2,018	443	1,536	2	1	36
2b.Non Monetary Financial Assets	-	-	-	-	-	-
3.Other	568	193	202	11	6	156
4.Current Assets (1+2+3)	3,147	732	1,852	20	16	527
5.Trade Receivables	-	-	-	-	-	-
6a.Monetary Financial Assets	384	384	-	-	-	-
6b.Non Monetary Financial Assets	-	-	-	-	-	-
7.Other	405	234	159	-	-	12
8.Non Current Assets (5+6+7)	789	618	159	-	-	12
9.Total Assets (4+8)	3,936	1,350	2,011	20	16	539
10.Trade Payables	620	422	146	1	2	49
11.Financial Liabilities (*)	2,372	2	2,118	232	20	-
12a.Other Liabilities, Monetary	116	62	49	1	-	4
12b.Other Liabilities, Non Monetary	90	90	-	-	-	-
13.Current Liabilities (10+11+12)	3,198	576	2,313	234	22	53
14.Trade Payables	-	-	-	-	-	-
15.Financial Liabilities (*)	7,211	-	5,196	1,864	151	-
16a.Other Liabilities, Monetary	33	23	6	-	-	4
16b.Other Liabilities, Non Monetary	124	124	-	-	-	-
17.Non Current Liabilities (14+15+16)	7,368	147	5,202	1,864	151	4
18.Total Liabilities (13+17)	10,566	723	7,515	2,098	173	57
19.Net asset / liability position of off-balance sheet derivatives (19a-19b)	-	-	-	-	-	-
19a.Off-balance sheet foreign currency derivative assets	-	-	-	-	-	-
19b.Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-	-
20.Net foreign currency asset/(liability) position (9-18+19)	(6,630)	627	(5,504)	(2,078)	(157)	482
21.Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(7,389)	414	(5,865)	(2,089)	(163)	314
22.Fair value of foreign currency hedged financial assets	-	-	-	-	-	-
23.Hedged foreign currency assets	259	-	259	-	-	-
24.Hedged foreign currency liabilities	-	-	-	-	-	-

(*) Net foreign exchange position of Group is mainly due to long term foreign currency borrowings denominated in Euro, Japanese Yen, Swiss Frank to funds its investments. Group uses these long term foreign currency borrowings to manage the risk of exchange differences with highly probable future foreign currency revenues. The USD equivalent of these borrowings amount to 7,205 USD as of 31 March 2019 (31 December 2018: USD 6,853).

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

Foreign currency risk management (cont'd)

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

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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 in scope of cash flow hedge accounting and foreign exchange income/expense arising from these loans are recognized in equity. 10% increase and decrease effect of foreign exchange rates are calculated with the same method and the calculated foreign exchange gains/losses are presented as hedged portion in the foreign exchange sensitivity table. Furthermore, the hedged portion of foreign exchange gains/losses via forwards and cross currency swap transactions is classified as the amount hedged against USD in the statement of exchange rate sensitivity analysis.

	31 March 2019			
	Profit / (Loss)		Equity	
	If foreign currency appreciated 10 %	If foreign currency depreciated 10 %	If foreign currency appreciated 10 %	If foreign currency depreciated 10 %
	<u>10 %</u>	<u>10 %</u>	<u>10 %</u>	<u>10 %</u>
1- TL net asset / liability	63	(63)	-	-
2- Part hedged from TL risk (-)	-	-	-	-
3- TL net effect (1+2)	<u>63</u>	<u>(63)</u>	<u>-</u>	<u>-</u>
4- Euro net asset / liability	55	(55)	(605)	605
5- Part hedged from Euro risk (-)	(26)	26	-	-
6- Euro net effect (4+5)	<u>29</u>	<u>(29)</u>	<u>(605)</u>	<u>605</u>
7- JPY net asset / liability	(111)	111	(97)	97
8- Part hedged from JPY risk (-)	-	-	-	-
9- JPY net effect (7+8)	<u>(111)</u>	<u>111</u>	<u>(97)</u>	<u>97</u>
10- CHF net asset / liability	1	(1)	(17)	17
11- Part hedged from CHF risk (-)	-	-	-	-
12- CHF net effect (10+11)	<u>1</u>	<u>(1)</u>	<u>(17)</u>	<u>17</u>
13- Other foreign currency net asset / liability	48	(48)	-	-
14- Part hedged other foreign currency risk (-)	-	-	-	-
15- Other foreign currency net effect (13+14)	<u>48</u>	<u>(48)</u>	<u>-</u>	<u>-</u>
TOTAL (3 + 6 + 9 + 12 + 15)	<u><u>30</u></u>	<u><u>(30)</u></u>	<u><u>(719)</u></u>	<u><u>719</u></u>

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
Notes to the Condensed Consolidated Interim Financial Statements
As At And For the Three-Month Period Ended 31 March 2019
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Foreign currency risk management (cont'd)

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

30. EVENTS AFTER THE BALANCE SHEET DATE

None.

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

None.