

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

Condensed Consolidated Interim  
Financial Statements As at and For  
The Three-Month Period  
Ended 31 March 2020

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Condensed Consolidated Interim Balance Sheet as at 31 March 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

<b>ASSETS</b>	<b>Notes</b>	<b>Not Reviewed 31 March 2020</b>	<b>Audited 31 December 2019</b>
<b>Non-Current Assets</b>			
Financial Investments	6	77	90
Other Receivables			
-Third Parties	10	1,536	1,276
Investments Accounted by Using Equity Method	3	329	369
Property and Equipment	12	18,282	17,261
Intangible Assets			
- Other Intangible Assets	13	81	82
- Goodwill		12	12
Prepaid Expenses		846	864
<b>TOTAL NON-CURRENT ASSETS</b>		<b>21,163</b>	<b>19,954</b>
<b>Current Assets</b>			
Cash and Cash Equivalents	5	1,555	2,075
Financial Investments	6	209	400
Trade Receivables			
-Related Parties	9	9	-
-Third Parties		191	540
Other Receivables			
-Related Parties	9	22	28
-Third Parties	10	1,160	1,053
Derivative Financial Instruments	28	47	52
Inventories		312	290
Prepaid Expenses		160	149
Current Income Tax Assets	26	37	43
Other Current Assets		105	140
<b>TOTAL CURRENT ASSETS</b>		<b>3,807</b>	<b>4,770</b>
<b>TOTAL ASSETS</b>		<b>24,970</b>	<b>24,724</b>

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 2020**

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

	Notes	Not Reviewed	Audited
		31 March 2020	31 December 2019
<b>LIABILITIES</b>			
<b>Equity</b>			
Share Capital	19	1,597	1,597
Items That Will Not Be Reclassified to Profit or Loss			
-Actuarial (Losses) on Retirement Pay Obligation	19	( 39)	( 38)
Items That Are or May Be Reclassified to Profit or Loss			
-Foreign Currency Translation Differences	19	( 194)	( 184)
-Fair Value Gains on Hedging Instruments Entered into for Cash Flow Hedges	19	( 1)	171
-Gains on Remeasuring FVOCI	19	( 11)	( 1)
Restricted Profit Reserves	19	67	67
Previous Years Profit	19	5,251	4,463
Net (Loss) / Profit for the Period		( 327)	788
Equity of the Parent		<b>6,343</b>	<b>6,863</b>
Non-Controlling Interests (*)		1	1
<b>TOTAL EQUITY</b>		<b>6,344</b>	<b>6,864</b>
<b>Non- Current Liabilities</b>			
Long-Term Borrowings	7 and 14	9,584	8,995
Long Term Lease Liabilities	7 and 14	1,327	1,271
Other Payables			
-Third Parties		25	37
Deferred Income	11	116	120
Long-Term Provisions			
-Provisions for Employee Benefits	17	126	135
-Other Provisions		51	45
Deferred Tax Liability	26	1,177	1,293
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>12,406</b>	<b>11,896</b>
<b>Current Liabilities</b>			
Short Term Borrowings	7	1,383	1,241
Short-Term Portion of Long-Term Borrowings	7 and 14	1,737	1,609
Short Term Portion of Lease Liabilities	7 and 14	262	256
Other Financial Liabilities	8	5	19
Trade Payables			
-Related Parties	9	143	172
-Third Parties		842	958
Payables Related to Employee Benefits		169	160
Other Payables			
-Third Parties		106	98
Derivative Financial Instruments	28	366	70
Deferred Income	11	891	1,071
Short-Term Provisions			
-Provisions for Employee Benefits	15	38	39
-Other Provisions	15	12	13
Other Current Liabilities		266	258
<b>TOTAL CURRENT LIABILITIES</b>		<b>6,220</b>	<b>5,964</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>24,970</b>	<b>24,724</b>

(\*) 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 and Other Comprehensive Income**  
**For the Three-Month Period Ended 31 March 2020**  
(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 2020</u>	<u>31 March 2019</u>
<b><u>PROFIT OR LOSS</u></b>			
Revenue	20	2,533	2,768
Cost of Sales (-)	21	( 2,474)	( 2,504)
<b>GROSS PROFIT</b>		<b>59</b>	<b>264</b>
General Administrative Expenses (-)	22	( 71)	( 72)
Marketing and Sales Expenses (-)	22	( 288)	( 395)
Other Operating Income	23	41	61
Other Operating Expenses (-)	23	( 65)	( 8)
<b>OPERATING LOSS BEFORE INVESTMENT ACTIVITIES</b>		<b>( 324)</b>	<b>( 150)</b>
Income from Investment Activities	24	39	30
Expenses from Investment Activities	24	-	( 27)
Share of Investments' Loss Accounted by Using The Equity Method	3	( 17)	( 15)
<b>OPERATING LOSS</b>		<b>( 302)</b>	<b>( 162)</b>
Financial Income	25	20	19
Financial Expenses (-)	25	( 140)	( 140)
<b>LOSS BEFORE TAX</b>		<b>( 422)</b>	<b>( 283)</b>
<b>Tax Income</b>		<b>95</b>	<b>54</b>
Current Tax Expense	26	-	( 9)
Deferred Tax Income	26	95	63
<b>NET LOSS FOR THE PERIOD</b>		<b>( 327)</b>	<b>( 229)</b>
<b><u>OTHER COMPREHENSIVE INCOME</u></b>			
<b>Items That May Be Reclassified Subsequently To Profit or Loss</b>			
		<b>( 192)</b>	<b>192</b>
Currency Translation Adjustment		( 10)	( 10)
Losses on Remeasuring FVOCI		( 13)	( 1)
Fair Value (Losses) / Gains on Hedging Instruments Entered into for Cash Flow Hedges		( 201)	252
Fair Value (Losses) / Gains Hedging Instruments of Investment Accounted by Using the Equity Method Entered into for Cash Flow Hedges		( 20)	5
Related Tax of Other Comprehensive Income		52	( 54)
<b>Items That Will Not Be Reclassified Subsequently To Profit or Loss</b>			
		<b>( 1)</b>	<b>1</b>
Actuarial (Losses) / Gains on Retirement Pay Obligation		( 1)	1
Related Tax of Other Comprehensive Income		-	-
<b>OTHER COMPREHENSIVE (EXPENSE) / INCOME FOR THE PERIOD</b>		<b>( 193)</b>	<b>193</b>
<b>TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD</b>		<b>( 520)</b>	<b>( 36)</b>
<b>Basic Loss Per Share (Full US Cents)</b>	27	<b>( 0.24)</b>	<b>( 0.17)</b>
<b>Diluted Loss Per Share (Full US Cents)</b>	27	<b>( 0.24)</b>	<b>( 0.17)</b>

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 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

	Items That Will Not Be Reclassified Subsequently To Profit or Loss		Items That May Be Reclassified Subsequently To Profit or Loss			Retained Earnings					
	Share Capital	Actuarial (Losses) Retirement Pay Obligation	Foreign Currency Translation Differences	Fair Value Gains on Hedging Instruments Entered Into For Cash Flow Hedges	Gains / (Losses) on Remeasuring FVOCI	Restricted Profit Reserves	Previous Years Profit	Net Gain / (Loss) for The Period	Equity Holders of the Parent	Non-controlling Interests	Total Equity
<b>As of 1 January 2020</b>	<b>1,597</b>	<b>(38)</b>	<b>(184)</b>	<b>171</b>	<b>(1)</b>	<b>67</b>	<b>4,463</b>	<b>788</b>	<b>6,863</b>	<b>1</b>	<b>6,864</b>
Transfers	-	-	-	-	-	-	788	(788)	-	-	-
Total comprehensive income	-	(1)	(10)	(172)	(10)	-	-	(327)	(520)	-	(520)
<b>As of 31 March 2020</b>	<b>1,597</b>	<b>(39)</b>	<b>(194)</b>	<b>(1)</b>	<b>(11)</b>	<b>67</b>	<b>5,251</b>	<b>(327)</b>	<b>6,343</b>	<b>1</b>	<b>6,344</b>

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 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

	Items That Will Not Be Reclassified Subsequently To Profit or Loss		Items That May Be Reclassified Subsequently To Profit or Loss				Retained Earnings				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 Gain / (Loss) for The Period	Equity Holders of the Parent	Non-controlling Interests	
<b>As of 1 January 2019</b>	<b>1,597</b>	<b>(35)</b>	<b>(160)</b>	<b>-</b>	<b>(6)</b>	<b>36</b>	<b>3,760</b>	<b>753</b>	<b>5,945</b>	<b>-</b>	<b>5,945</b>
Adjustment on initial application of IFRS 16	-	-	-	-	-	-	(18)	-	(18)	-	(18)
<b>Restated As of 1 January 2019</b>	<b>1,597</b>	<b>(35)</b>	<b>(160)</b>	<b>-</b>	<b>(6)</b>	<b>36</b>	<b>3,742</b>	<b>753</b>	<b>5,927</b>	<b>-</b>	<b>5,927</b>
Transfers	-	-	-	-	-	-	753	(753)	-	-	-
Total comprehensive income	-	1	(10)	203	(1)	-	-	(229)	(36)	-	(36)
<b>As of 31 March 2019</b>	<b>1,597</b>	<b>(34)</b>	<b>(170)</b>	<b>203</b>	<b>(7)</b>	<b>36</b>	<b>4,495</b>	<b>(229)</b>	<b>5,891</b>	<b>-</b>	<b>5,891</b>

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 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

	Notes	<b>Not Reviewed</b> <b>31 March 2020</b>	<b>Not Reviewed</b> <b>31 March 2019</b>
Net Loss for the period		(327)	(229)
<b>Adjustments to Reconcile Loss</b>			
Adjustments for Depreciation and Amortisation Expense	12 and 13	411	360
Adjustments for Provisions Related with Employee Benefits	15 and 17	5	6
Adjustments for Provisions for Payables		-	(3)
Adjustments for Reversal of Probable Risks		2	1
Adjustments for Interest Income	24 and 25	(19)	(30)
Adjustments for Interest Expense	17 and 25	78	76
Adjustments For Unrealised Foreign Exchange Gains		18	(5)
Adjustments for Fair Value Losses on Derivative Financial Instruments	25	53	21
Adjustments for Undistributed Losses of Associates	3	17	15
Adjustments for Tax Income	26	(95)	(54)
Adjustments for (Gains) / Losses Arised From Sale of Tangible Assets	24	(1)	26
Adjustments for Losses Arised from Sale of Other Non-Current Assets	12	13	10
<b>Operating Profit Before Changes in Working Capital</b>		<b>155</b>	<b>194</b>
Increase in Trade Receivables from Related Parties		(9)	-
Decrease / (Increase) in Trade Receivables from Non Related Parties		346	(108)
Decrease in Other Related Party Receivables Related with Operations (Increase) / Decrease in Other Non-Related Party Receivables	9	6	-
Related with Operations	10	(349)	84
Adjustments for Increase in Inventories		(22)	(25)
Adjustments for Decrease / (Increase) in Prepaid Expenses		7	(81)
Decrease in Trade Payables to Related Parties	9	(29)	(60)
(Decrease) / Increase in Trade Payables to Non-Related Parties		(116)	6
Adjustments for Increase in Payables Due to Employee Benefits		9	2
(Decrease) / Increase in Other Operating Payables to Non-Related Parties		(1)	2
(Decrease) / Increase in Deferred Income	11	(177)	508
Decrease / (Increase) in Other Assets Related with Operations		35	(70)
<b>Cash Flows From Operations</b>		<b>(145)</b>	<b>452</b>
Payments for Provisions Related with Employee Benefits	17	(4)	(4)
Income taxes (paid)	26	(6)	(27)
<b>Net Cash From Operating Activities</b>		<b>(155)</b>	<b>421</b>
<b>CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>			
Cash Outflow Arising From Capital Inrese in Investments		(2)	(3)
Cash Receipts Proceed From Sales of Property, Plant and Equipment		2	8
Cash Payments From Purchasing of Property, Plant and Equipment (*)	12 and 13	(470)	(353)
Cash Receipts From Sales of Other Long-term Assets	6	204	232
Other Cash Advances and Loans	12	(4)	(153)
Interest Received	24 and 25	5	30
<b>Net Cash Flows Used In Investing Activities</b>		<b>(265)</b>	<b>(239)</b>
<b>CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES</b>			
Proceeds From Loans	7	924	664
Payments of Loans		(589)	(304)
Payments of Finance Lease Liabilities		(275)	(224)
Payments of Lease Liabilities		(92)	(85)
Interest Paid		(54)	(49)
Other Cash Outflows	8	(14)	(4)
<b>Net Cash Used in Financing Activities</b>		<b>(100)</b>	<b>(2)</b>
<b>Net Change in Cash and Cash Equivalents</b>		<b>(520)</b>	<b>180</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>2,075</b>	<b>1,636</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	5	<b>1,555</b>	<b>1,816</b>

(\*) USD 975 portion of property and equipment and intangible assets purchases in total of USD 1,445 for the period ended 31 March 2020 was acquired through leases. (31 March 2019: USD 350 portion of property and equipment and intangible assets purchases in total of USD 703 was acquired through 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 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**1. GROUP ORGANIZATION AND ITS OPERATIONS**

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

	<u>31 March 2020</u>	<u>31 December 2019</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 number of employees working for the Group as of 31 March 2020 is 39,144 (31 December 2019: 38,849). The average number of employees working for the Group for the periods ended 31 March 2020 and 2019 are 39,071 and 36,314 respectively. The Group is registered in İstanbul, Turkey and its head office address is as follows:

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

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

**Subsidiaries and Joint Ventures**

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

<u>Name of the Company</u>	<u>Principal Activity</u>	<u>Ownership Rate</u>		<u>Country of</u>
		<u>31 March 2020</u>	<u>31 December 2019</u>	<u>Registration</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



**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 2020**  
(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 2020 and 31 December 2019:

Company Name	Country of Registration and Operations	Ownership Share and Voting Power		Principal Activity
		31 March 2020	31 December 2019	
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. (TNC) (Goodrich)	Turkey	40%	40%	Maintenance Services
Uçak Koltuk Sanayi ve Ticaret A.Ş. (Uçak Koltuk)	Turkey	50%	50%	Cabin Interior Products
TCI Kabin İçi Sistemleri San ve Tic. A.Ş. (TCI)	Turkey	50%	50%	Cabin Interior Products
Vergi İade Aracılık A.Ş.	Turkey	30%	30%	VAT Return and Consultancy
Air Albania	Albania	49%	49%	Aircraft Transportation
We World Express Ltd.	Hong Kong	45%	-	Cargo and Courier
TFS Akaryakıt Hizmetleri A.Ş.	Turkey	25%	-	Aviation Fuel Services

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

**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).

**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 2020**  
(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)**

**Statement of Compliance (cont'd)**

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

Board of Directors has approved the consolidated financial statements as of 31 March 2020 on 27 May 2020. General Assembly and the related regulatory bodies have the authority to modify the statutory financial statements.

**Basis of Preparation**

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

**Adjustment of Financial Statements in Hyperinflationary Periods**

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

**Functional and Reporting Currency**

**Functional currency**

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

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

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

**Basis of Consolidation**

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

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

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

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

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

#### **Business Combinations**

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

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

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

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

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

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

#### **a) Standards, amendments and interpretations applicable as at 31 March 2020:**

**Amendment to IFRS 9, 'Financial instruments'**; effective from annual periods beginning on or after 1 January 2019. This amendment confirmed two points: (1) that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and (2) that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.

**Amendment to IAS 28, 'Investments in associates and joint venture'**; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9.

**IFRS 16, 'Leases'**; effective from annual periods beginning on or after 1 January 2019. This standard replaces the current guidance in IAS 17 and is a farreaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**IFRIC 23, 'Uncertainty over income tax treatments'**; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

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

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

#### **a) Standards, amendments and interpretations applicable as at 31 March 2020 (cont'd):**

**Annual improvements 2015-2017;** effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

- IFRS 3, 'Business combinations', – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11, 'Joint arrangements', – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.
- IAS 23, 'Borrowing costs' – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

**Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement';** effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:

- use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- recognize in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling.

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

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

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

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

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

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

#### b) Standards, amendments and interpretations that are issued but not effective as at 31 March 2020:

**IFRS 17, 'Insurance contracts'**; effective from annual periods beginning on or after 1 January 2022. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

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

### 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).

## 3. INVESTMENTS ACCOUNTED BY USING THE EQUITY METHOD

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

	<u>31 March 2020</u>	<u>31 December 2019</u>
Sun Express	123	166
TEC	62	59
Turkish DO&CO	52	55
TGS	39	40
THY Opet	29	33
TFS Akaryakıt	8	-
Uçak Koltuk	7	6
TCI	5	6
Goodrich	3	3
We World Express	1	1
Vergi İade Aracılık (*)	-	-
	<u>329</u>	<u>369</u>

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

**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 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

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

	<b>1 January - 31 March 2020</b>	<b>1 January - 31 March 2019</b>
Turkish DO&CO	3	3
TEC	3	(6)
TGS	2	2
Uçak Koltuk	1	-
THY Opet	(2)	6
Sun Express	(24)	(20)
	<u>(17)</u>	<u>(15)</u>

Financial information for Sun Express as of 31 March 2020 and 2019 are as follows:

	<b>31 March 2020</b>	<b>31 December 2019</b>
Total assets	2,009	1,865
Total liabilities	1,764	1,533
Shareholders' equity	245	332
Group's share in joint venture's shareholders' equity	123	166

	<b>1 January - 31 March 2020</b>	<b>1 January - 31 March 2019</b>
Revenue	179	195
Loss for the period	(49)	(39)
Group's share in joint venture's loss for the period	(24)	(20)

Financial information for TEC as of 31 March 2020 and 2019 are as follows:

	<b>31 March 2020</b>	<b>31 December 2019</b>
Total assets	253	219
Total liabilities	126	99
Shareholders' equity	127	120
Group's share in joint venture's shareholders' equity	62	59

	<b>1 January - 31 March 2020</b>	<b>1 January - 31 March 2019</b>
Revenue	129	89
Profit / (Loss) for the period	6	(13)
Group's share in joint venture's profit / (loss) for the period	3	(6)

**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 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Financial information for Turkish DO&CO as of 31 March 2020 and 2019 are as follows:

	<u>31 March 2020</u>	<u>31 December 2019</u>
Total assets	180	190
Total liabilities	77	80
Shareholders' equity	103	110
Group's share in joint venture's shareholders' equity	52	55
	<u>1 January - 31 March 2020</u>	<u>1 January - 31 March 2019</u>
Revenue	71	72
Profit for the period	6	5
Group's share in joint venture's profit for the period	3	3

Financial information for TGS as of 31 March 2020 and 2019 are as follows:

	<u>31 March 2020</u>	<u>31 December 2019</u>
Total assets	191	172
Total liabilities	114	93
Shareholders' equity	77	79
Group's share in joint venture's shareholders' equity	39	40
	<u>1 January - 31 March 2020</u>	<u>1 January - 31 March 2019</u>
Revenue	74	70
Profit for the period	4	3
Group's share in joint venture's profit for the period	2	2

Financial information for THY Opet as of 31 March 2020 and 2019 are as follows:

	<u>31 March 2020</u>	<u>31 December 2019</u>
Total assets	220	315
Total liabilities	162	248
Shareholders' equity	58	67
Group's share in joint venture's shareholders' equity	29	33
	<u>1 January - 31 March 2020</u>	<u>1 January - 31 March 2019</u>
Revenue	111	468
(Loss) / Profit for the period	(3)	11
Group's share in joint venture's (loss) / profit for the period	(2)	6



**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 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Financial information for TFS Akaryakıt Hizmetleri as of 31 March 2020 and 2019 are as follows:

	<u>31 March 2020</u>	<u>31 December 2019</u>
Total assets	193	-
Total liabilities	161	-
Shareholders' equity	32	-
Group's share in joint venture's shareholders' equity	8	-
	<u>1 January - 31 March 2020</u>	<u>1 January - 31 March 2019</u>
Revenue	341	-
Loss for the period	(2)	-
Group's share in joint venture's loss for the period	-	-

Financial information for Uçak Koltuk as of 31 March 2020 and 2019 are as follows:

	<u>31 March 2020</u>	<u>31 December 2019</u>
Total assets	34	29
Total liabilities	20	18
Shareholders' equity	14	11
Group's share in joint venture's shareholders' equity	7	6
	<u>1 January - 31 March 2020</u>	<u>1 January - 31 March 2019</u>
Revenue	11	10
Profit for the period	2	-
Group's share in joint venture's profit for the period	1	-

Financial information for TCI as of 31 March 2020 and 2019 are as follows:

	<u>31 March 2020</u>	<u>31 December 2019</u>
Total assets	18	19
Total liabilities	7	8
Shareholders' equity	11	11
Group's share in joint venture's shareholders' equity	5	6
	<u>1 January - 31 March 2020</u>	<u>1 January - 31 March 2019</u>
Revenue	1	4
(Loss) / Profit for the period	(1)	1
Group's share in joint venture's (loss) / profit for the period	-	-

**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 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Financial information for Goodrich as of 31 March 2020 and 2019 are as follows:

	<u>31 March 2020</u>	<u>31 December 2019</u>
Total assets	15	12
Total liabilities	6	4
Shareholders' equity	9	8
Group's share in joint venture's shareholders' equity	3	3
	<u>1 January - 31 March 2020</u>	<u>1 January - 31 March 2019</u>
Revenue	5	7
Profit for the period	1	1
Group's share in joint venture's profit for the period	-	-

Financial information for We World Express as of 31 March 2020 and 2019 are as follows:

	<u>31 March 2020</u>	<u>31 December 2019</u>
Total assets	4	4
Total liabilities	1	1
Shareholders' equity	3	3
Group's share in joint venture's shareholders' equity	1	1
	<u>1 January - 31 March 2020</u>	<u>1 January - 31 March 2019</u>
Revenue	3	-
Profit for the period	-	-
Group's share in joint venture's profit for the period	-	-

**4. SEGMENT REPORTING**

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

Air Transport ("Aviation")

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

Technical Maintenance Services ("Technical")

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

**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 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

**4.1 Total Assets and Liabilities**

<b>Total Assets</b>	<b>31 March 2020</b>	<b>31 December 2019</b>
Aviation	24,804	24,490
Technical	1,596	1,568
Total	26,400	26,058
Less: Eliminations due to consolidation	(1,430)	(1,334)
Total assets in consolidated financial statements	<u>24,970</u>	<u>24,724</u>
<b>Total Liabilities</b>	<b>31 March 2020</b>	<b>31 December 2019</b>
Aviation	18,518	17,825
Technical	415	386
Total	18,933	18,211
Less: Eliminations due to consolidation	(307)	(351)
Total liabilities in consolidated financial statements	<u>18,626</u>	<u>17,860</u>

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

Segment Results:

<b>1 January - 31 March 2020</b>	<b>Aviation</b>	<b>Technic</b>	<b>Inter-segment elimination</b>	<b>Total</b>
Sales to External Customers	2,478	55	-	2,533
Inter-Segment Sales	11	233	(244)	-
Revenue	2,489	288	(244)	2,533
Cost of Sales (-)	(2,464)	(255)	245	(2,474)
Gross Profit	25	33	1	59
Administrative Expenses (-)	(45)	(27)	1	(71)
Marketing and Sales Expenses (-)	(285)	(3)	-	(288)
Other Operating Income	41	4	(4)	41
Other Operating Expenses (-)	(65)	(2)	2	(65)
Operating Loss Before Investment Activities	(329)	5	-	(324)
Income from Investment Activities	39	-	-	39
Expenses from Investment Activities	-	-	-	-
Share of Investments' Loss Accounted by Using The Equity Method	(20)	3	-	(17)
Operating Loss	(310)	8	-	(302)
Financial Income	18	3	(1)	20
Financial Expense (-)	(139)	(2)	1	(140)
Loss Before Tax	<u>(431)</u>	<u>9</u>	<u>-</u>	<u>(422)</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 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

**4.2 Profit / (Loss) before Tax (cont'd)**

Segment Results (cont'd):

	<b>Aviation</b>	<b>Technic</b>	<b>Inter-segment elimination</b>	<b>Total</b>
<b>1 January - 31 March 2019</b>				
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 Before				
Investment Activities	(230)	80	-	(150)
Income from Investment Activities	30	-	-	30
Expenses from Investment Activities	(27)	-	-	(27)
Share of Investments' Loss				
Accounted by Using				
The Equity Method	(9)	-	6	(15)
Operating Loss	(236)	74	-	(162)
Financial Income	12	13	(6)	19
Financial Expense (-)	(145)	(1)	6	(140)
Loss Before Tax	(369)	86	-	(283)

**4.3 Investment Operations**

	<b>Aviation</b>	<b>Technic</b>	<b>Inter-segment elimination</b>	<b>Total</b>
<b>1 January - 31 March 2020</b>				
Purchase of property and equipment and intangible assets	1,357	88	-	1,445
Current period depreciation and amortization charge	373	38	-	411
Investments accounted by using equity method	253	76	-	329
<b>1 January - 31 March 2019</b>				
Purchase of property and equipment and intangible assets	619	84	-	703
Current period depreciation and amortization charge	324	36	-	360
Investments accounted by using equity method	277	63	-	340

**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 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**5. CASH AND CASH EQUIVALENTS**

	<u>31 March 2020</u>	<u>31 December 2019</u>
Cash	2	1
Banks – Time deposits	1,500	2,000
Banks – Demand deposits	53	74
	<u>1,555</u>	<u>2,075</u>

Details of the time deposits as of 31 March 2020 are as follows:

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 March 2020</u>
1,454	TL	8.50% - 11.90%	April 2020	224
100	USD	0.20% - 1.16%	April 2020	100
1,047	EUR	0.24% - 0.44%	June 2020	1,160
2,020	DZD	1.98% - 2.70%	April 2020	16
				<u>1,500</u>

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

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

**6. FINANCIAL INVESTMENTS**

Short-term financial investments are as follows:

	<u>31 March 2020</u>	<u>31 December 2019</u>
Time deposits with maturity more than 3 months	198	376
Fair value through profit and loss (FVTPL)		
- Equity securities	11	15
Fair value through other comprehensive income (FVOCI)		
- Corporate debt securities	-	9
	<u>209</u>	<u>400</u>

Time deposit with maturity more than 3 months as of 31 March 2020 is as follows:

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 March 2020</u>
179	EUR	0.28% - 0.40%	July 2020	<u>198</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 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**6. FINANCIAL INVESTMENTS (cont'd)**

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

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

Long-term financial investments are as follows:

	<u>31 March 2020</u>	<u>31 December 2019</u>
FVOCI		
- Government debt securities	48	49
- Corporate debt securities	28	40
Other	1	1
	<u>77</u>	<u>90</u>

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

	<u>31 March 2020</u>	<u>31 December 2019</u>
Less than 1 year	-	9
1 to 5 years	3	3
Over 5 years	73	86
	<u>76</u>	<u>98</u>

	<u>31 March 2020</u>	<u>31 December 2019</u>
FVTPL		
- Equity securities	11	15

**7. BORROWINGS**

Short-term borrowings are as follows:

	<u>31 March 2020</u>	<u>31 December 2019</u>
Bank borrowings	1,383	1,241

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

	<u>31 March 2020</u>	<u>31 December 2019</u>
Finance lease obligations (Note: 14)	1,154	1,118
Lease liabilities (Note: 14) (*)	262	256
Bank borrowings	583	491
	<u>1,999</u>	<u>1,865</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 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Long-term borrowings are as follows:

	<u>31 March 2020</u>	<u>31 December 2019</u>
Finance lease obligations (Note: 14)	7,757	7,274
Lease liabilities (Note: 14) (*)	1,327	1,271
Bank borrowings	1,827	1,721
	<u>10,911</u>	<u>10,266</u>

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

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

	<u>31 March 2020</u>	<u>31 December 2019</u>
Less than 1 year	1,966	1,732
Between 1 – 5 years	1,827	1,721
	<u>3,793</u>	<u>3,453</u>

<u>Amount</u>	<u>Currency</u>	<u>Interest Rate</u> <u>Type</u>	<u>Effective Interest Rate</u>	<u>Payment Period</u>	<u>31 March</u> <u>2020</u>
2,765	EUR	Fixed	0.30% - 4.93%	April 2020 - May 2025	3,061
661	EUR	Floating	Euribor + 2.03% - Euribor + 3.77%	December 2021 - December 2024	732
					<u>3,793</u>

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

Reconciliation of liabilities arising from financing activities:

	<u>31 December</u> <u>2019</u>	<u>Payment</u>	<u>Non-cash Changes</u>	<u>New</u> <u>Leases</u>	<u>31 March 2020</u>
Lease Liabilities	8,392	(317)	9	827	<u>8,911</u>

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

	<u>31 December</u> <u>2019</u>	<u>Payment</u>	<u>Non-cash Changes</u>	<u>Cash-in</u>	<u>31 March 2020</u>
Bank Borrowings	3,453	(600)	16	924	<u>3,793</u>

	<u>31 December</u> <u>2018</u>	<u>Payment</u>	<u>Non-cash Changes</u>	<u>Cash-in</u>	<u>31 December</u> <u>2019</u>
Bank Borrowings	2,622	(2,340)	10	3,161	<u>3,453</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 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

In accordance to IFRS 16 reconciliation of lease liabilities:

	<u>31 December</u>			<u>New</u>	<u>31 March 2020</u>
	<u>2019</u>	<u>Payment</u>	<u>Non-cash Changes</u>	<u>Leases</u>	
Aircraft	1,466	(87)	14	141	1,534
Property	58	(4)	(1)	-	53
Other	3	(1)	-	-	2
	<u>1,527</u>	<u>(92)</u>	<u>13</u>	<u>141</u>	<u>1,589</u>
	<u>1 January</u>			<u>New</u>	<u>31 December</u>
	<u>2019</u>	<u>Payment</u>	<u>Non-cash Changes</u>	<u>Leases</u>	<u>2019</u>
Aircraft	1,534	(325)	52	205	1,466
Property	55	(13)	2	14	58
Other	6	(3)	-	-	3
	<u>1,595</u>	<u>(341)</u>	<u>54</u>	<u>219</u>	<u>1,527</u>

**8. OTHER FINANCIAL LIABILITIES**

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

	<u>31 March 2020</u>	<u>31 December 2019</u>
Other financial liabilities	<u>5</u>	<u>19</u>

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

**9. RELATED PARTIES**

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

	<u>31 March 2020</u>	<u>31 December 2019</u>
Air Albania	<u>5</u>	<u>-</u>
Sun Express	<u>4</u>	<u>-</u>
	<u>9</u>	<u>-</u>

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

	<u>31 March 2020</u>	<u>31 December 2019</u>
TGS	<u>22</u>	<u>28</u>

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

	<u>31 March 2020</u>	<u>31 December 2019</u>
TFS Akaryakıt Hizmetleri	<u>53</u>	<u>-</u>
TGS	<u>27</u>	<u>37</u>
THY Opet	<u>22</u>	<u>38</u>
TEC	<u>19</u>	<u>55</u>
Turkish DO&CO	<u>19</u>	<u>21</u>
Goodrich	<u>3</u>	<u>2</u>
Sun Express	<u>-</u>	<u>19</u>
	<u>143</u>	<u>172</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 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Transactions with related parties for the period ended 31 March 2020 and 2019 are as follows:

**a) Sales to related parties:**

	<b>1 January - 31 March 2020</b>	<b>1 January - 31 March 2019</b>
TEC	13	3
Sun Express	6	11
PTT	1	2
TGS	1	1
Goodrich	1	1
	<u>22</u>	<u>18</u>

**b) Purchases from related parties:**

	<b>1 January - 31 March 2020</b>	<b>1 January - 31 March 2019</b>
TFS Akaryakıt Hizmetleri	307	-
THY Opet	87	406
TGS	72	67
Turkish DO&CO	66	70
TEC	50	55
Sun Express	32	33
Goodrich	5	6
Air Albania	4	-
Uçak Koltuk	3	1
	<u>626</u>	<u>638</u>

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

	<b>31 March 2020</b>	<b>31 December 2019</b>
Banks - Time deposits	878	1,435
Financial investments	173	275
Financial assets	95	104
Banks - Demand deposits	3	8
Bank borrowing	(308)	(312)
	<u>841</u>	<u>1,510</u>

As of 31 March 2020, the amount of letters of guarantee given to the related parties is USD 887. (31 December 2019: USD 886)

**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 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Details of the financial investments at related parties as of 31 March 2020 and 31 December 2019 are as follows:

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 March 2020</u>
156	EUR	0.28%	July 2020	173
<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 December 2019</u>
246	EUR	0.28% - 0.40%	April 2020	275

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

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 March 2020</u>
234	TL	9.00% - 11.90%	April 2020	36
759	EUR	0.28% - 0.40%	June 2020	841
1	USD	0.20%	April 2020	1
				878
<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 December 2019</u>
2,381	TL	9.35% - 10.00%	January 2020	401
922	EUR	0.36% - 0.56%	March 2020	1,033
1	USD	1.50%	January 2020	1
				1,435

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

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 March 2020</u>
95	USD	4.88% - 8.5%	April 2020 - September 2020	95
<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 December 2019</u>
104	USD	3.88% - 8.5%	February 2020 - June 2020	104

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

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 March 2020</u>
278	EUR	2.94% - 4.00%	December 2024	308
<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 December 2019</u>
279	EUR	2.94% - 4.00%	December 2024	312

**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 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

**Interest income from related parties:**

	<b>1 January - 31 March 2020</b>	<b>1 January - 31 March 2019</b>
Türkiye Halk Bankası A.Ş.	<u>3</u>	<u>6</u>

**Interest expense to related parties:**

	<b>1 January - 31 March 2020</b>	<b>1 January - 31 March 2019</b>
Ziraat Bankası A.Ş.	<u>3</u>	<u>1</u>

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

The total amount of salaries and other short-term benefits provided for the Board Members, General Manager and Deputy General Managers are USD 1 (1 January- 31 March 2019: USD 1).

**10. OTHER RECEIVABLES**

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

	<b>31 March 2020</b>	<b>31 December 2019</b>
Predelivery payments made for aircrafts	834	778
Receivables from technical purchases	167	168
Value added tax receivables	82	42
Bank deposits with transfer limitations (*)	50	36
Receivables from pilots for flight training	27	24
Others	-	5
	<u>1,160</u>	<u>1,053</u>

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

**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 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

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

	<u>31 March 2020</u>	<u>31 December 2019</u>
Predelivery payments made for aircrafts	709	761
Receivables related to investment certificates	320	313
Interest and commodity swap agreement deposits	293	-
Receivables from pilots for flight training	168	154
Deposits and guarentees given	40	42
Bank deposits with transfer limitations (**)	6	6
	<u>1,536</u>	<u>1,276</u>

(\*\*) As of 31 March 2020, the balance of this account includes bank deposits in Syria.

**11. DEFERRED INCOME**

**Deferred income is as follows:**

	<u>31 March 2020</u>	<u>31 December 2019</u>
Passenger flight liabilities	856	1,032
Other short-term deferred income	35	39
	<u>891</u>	<u>1,071</u>

**Passenger flight liability is as follows:**

	<u>31 March 2020</u>	<u>31 December 2019</u>
Flight liability generating from ticket sales	669	797
Flight liability generating from frequent flyer program	187	235
	<u>856</u>	<u>1,032</u>

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

	<u>31 March 2020</u>	<u>31 December 2019</u>
Advances received	14	18
Deferred finance income	11	11
Unearned bank protocol revenue accruals	10	10
	<u>35</u>	<u>39</u>

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

	<u>31 March 2020</u>	<u>31 December 2019</u>
Deferred finance income	116	118
Gross manufacturer's credits	31	31
Accumulated depreciation of manufacturer's credit	(31)	(31)
Unearned bank protocol revenue accruals	-	2
	<u>116</u>	<u>120</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 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**12. PROPERTY AND EQUIPMENT**

	Land, land improvements and buildings	Technical Equipment, Simulator and Vehicles	Other equipments, and fixtures	Aircrafts	Spare engines	Components and repairable spare parts	Leasehold improvements	Construction In Progress	Total
<b><u>Cost</u></b>									
Opening balance at 1 January 2020	948	591	239	20,814	826	660	183	692	24,953
Additions	-	6	2	1,231	8	59	-	136	1,442
Transfer (*)	-	27	-	14	14	-	1	(57)	(1)
Disposals	-	-	(2)	(50)	(3)	(28)	(4)	-	(87)
Closing balance at 31 March 2020	948	624	239	22,009	845	691	180	771	26,307
<b><u>Accumulated Depreciation</u></b>									
Opening balance at 1 January 2020	242	271	173	6,317	279	315	95	-	7,692
Depreciation charge	13	11	6	335	16	21	4	-	406
Disposals	-	-	(1)	(50)	(3)	(15)	(4)	-	(73)
Closing balance at 31 March 2020	255	282	178	6,602	292	321	95	-	8,025
Net book value at 31 March 2020	693	342	61	15,407	553	370	85	771	18,282
Net book value at 31 December 2019	706	320	66	14,497	547	345	88	692	17,261

(\*) Construction in progress amounting to USD 1 has been transferred to intangible assets.

As of 31 March 2020, the total net book value of the property, plant and equipment acquired by leases is USD 14,450 (31 December 2019: USD 13,618)

Depreciation and amortization expenses are recognized in cost of sales is amounting to USD 395 (31 March 2019: USD 345 ), general administrative expenses is amounting to USD 14 (31 March 2019: USD 13) and marketing and sales expenses is amounting to USD 2 (31 March 2019: USD 2) in total of USD 411 as of 31 March 2020 (31 March 2019: USD 360).

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

**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 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

	Land improvements and buildings	Technical equipments simulators and vehicles	Other equipments, and fixtures	Aircrafts	Spare engines	Components and repairable spare parts	Leasehold improvements	Construction in progress	Total
<b><u>Cost</u></b>									
Opening balance at 1 January 2019	303	429	214	17,491	738	583	531	718	21,007
Recognition of right of use asset on initial application of IFRS 16	56	6		1,576	-	-	-	-	1,638
Adjusted Opening balance as of 1 January 2019	359	435	214	19,067	738	583	531	718	22,645
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	359	439	226	19,227	763	611	532	813	22,970
<b><u>Accumulated Depreciation</u></b>									
Opening balance at 1 January 2019	89	235	151	5,835	267	310	202	-	7,089
Depreciation charge	5	11	7	290	12	21	10	-	356
Disposals	-	(2)	(1)	(307)	-	(22)	-	-	(332)
Closing balance at 31 March 2019	94	244	157	5,818	279	309	212	-	7,113
Net book value at 31 March 2019	265	195	69	13,409	484	302	320	813	15,857
Net book value at 31 December 2018	214	194	63	11,656	471	273	329	718	13,918

**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 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Lease assets are as follows:

	<b>Aircraft</b>	<b>Spare engines</b>	<b>Real Estate</b>	<b>Vehicles</b>	<b>Total</b>
<b><u>Cost</u></b>					
Opening balance at 1 January 2020	17,647	165	74	6	17,892
Additions	1,221	-	-	-	1,221
Transfer	10	-	-	-	10
Disposals	(40)	-	-	-	(40)
Transfers between the accounts (*)	(180)	-	-	-	(180)
<b>Closing balance at 31 March 2020</b>	<b>18,658</b>	<b>165</b>	<b>74</b>	<b>6</b>	<b>18,903</b>
<b><u>Accumulated Depreciation</u></b>					
Opening balance at 1 January 2020	4,222	39	10	3	4,274
Depreciation charge	294	2	3	1	300
Disposals	(40)	-	-	-	(40)
Transfers between the account (*)	(81)	-	-	-	(81)
<b>Closing balance at 31 March 2020</b>	<b>4,395</b>	<b>41</b>	<b>13</b>	<b>4</b>	<b>4,453</b>
<b>Net book value at 31 March 2020</b>	<b>14,263</b>	<b>124</b>	<b>61</b>	<b>2</b>	<b>14,450</b>
<b>Net book value at 31 December 2019</b>	<b>13,425</b>	<b>126</b>	<b>64</b>	<b>3</b>	<b>13,618</b>

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

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

**13. INTANGIBLE ASSETS**

	<b>Slot rights and acquired technical licenses (*)</b>	<b>Rights</b>	<b>Other intangible assets</b>	<b>Total</b>
<b><u>Cost</u></b>				
Opening balance at 1 January 2020	44	193	5	242
Additions	-	3	-	3
Transfers	-	1	-	1
<b>Closing balance at 31 March 2020</b>	<b>44</b>	<b>197</b>	<b>5</b>	<b>246</b>
<b><u>Accumulated Amortization</u></b>				
Opening balance at 1 January 2020	-	157	3	160
Amortization charge	-	5	-	5
<b>Closing balance at 31 March 2020</b>	<b>-</b>	<b>162</b>	<b>3</b>	<b>165</b>
<b>Net book value at 31 March 2020</b>	<b>44</b>	<b>35</b>	<b>2</b>	<b>81</b>
<b>Net book value at 31 December 2019</b>	<b>44</b>	<b>36</b>	<b>2</b>	<b>82</b>

**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 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

	Slot rights and acquired technical licenses (*)		Rights	Other intangible assets	Total
<b>Cost</b>					
Opening balance at 1 January 2019	44		175	5	224
Additions	-		2	-	2
Transfers	-		-	-	-
Closing balance at 31 March 2019	44		177	5	226
<b>Accumulated Amortization</b>					
Opening balance at 1 January 2019	-		141	1	142
Amortization charge	-		4	-	4
Closing balance at 31 March 2019	-		145	1	146
Net book value at 31 March 2019	44		32	4	80
Net book value at 31 December 2018	44		34	4	82

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

**14. LEASING TRANSACTIONS**

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

	Future Minimum Lease Payments		Interest		Present Values of Minimum Lease Payments	
	31 March 2020	31 December 2019	31 March 2020	31 December 2019	31 March 2020	31 December 2019
	Less than 1 year	317	308	(55)	(52)	262
Between 1 – 5 years	944	891	(132)	(129)	812	762
Over 5 years	597	597	(82)	(88)	515	509
	1,858	1,796	(269)	(269)	1,589	1,527

Maturities of finance lease obligations are as follows:

	Future Minimum Lease Payments		Interest		Present Values of Minimum Lease Payments	
	31 March 2020	31 December 2019	31 March 2020	31 December 2019	31 March 2020	31 December 2019
	Less than 1 year	1,314	1,257	(160)	(139)	1,154
Between 1 – 5 years	5,010	4,722	(348)	(354)	4,662	4,368
Over 5 years	3,184	2,991	(89)	(85)	3,095	2,906
	9,508	8,970	(597)	(578)	8,911	8,392



**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 2020**  
 (All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

	<u>31 March 2020</u>	<u>31 December 2019</u>
Interest Range:		
Floating rate obligations	5,233	5,394
Fixed rate obligations	3,678	2,998
	<u>8,911</u>	<u>8,392</u>

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

Lease term of Group's contracts under IFRS 16 is 1-45 years. As of 31 March 2020 Turkish Lira, the US Dollars, Euro, JPY and Swiss Franc denominated lease obligations' weighted average interest rates are 4.97% (31 December 2019: 5.41%) .

As of 31 March 2020, the US Dollars, Euro, JPY and Swiss Franc denominated lease obligations' weighted average interest rates are 2.00% ( 31 December 2019: 2.37%) for the fixed rate obligations and 1.30% (31 December 2019: 1.29% ) for the floating rate obligations.

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

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

Short-term provision for employee benefits is as follows:

	<u>31 March 2020</u>	<u>31 December 2019</u>
Provisions for unused vacation	<u>38</u>	<u>39</u>

Changes in the provisions for the period ended 31 March 2020 and 2019 are set out below:

	<u>1 January - 31 March 2020</u>	<u>1 January - 31 March 2019</u>
Provisions at the beginning of the period	39	39
Provisions for the current period	77	68
Provisions released	(75)	(65)
Foreign currency translation differences	(3)	(3)
Provisions at the end of the period	<u>38</u>	<u>39</u>

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

**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 2020**  
 (All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Other short-term provision is as follows:

	<u>31 March 2020</u>	<u>31 December 2019</u>
Provisions for legal claims	12	13

Changes in the provisions for legal claims for the period ended 31 March 2020 and 2019 are set out below:

	<u>1 January - 31 March 2020</u>	<u>1 January - 31 March 2019</u>
Provisions at the beginning of the period	13	16
Provisions for the current period	-	-
Provisions released	-	(3)
Foreign currency translation differences	(1)	-
Provisions at the end of the period	<u>12</u>	<u>13</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.

**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 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**16. COMMITMENTS**

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

Amount of letters of guarantees given as of 31 March 2020 is USD 1,677 (31 December 2019: USD 1,334).

As of 31 March 2020, the letters of guarantee are given to various authorities (i.e. various banks and vendors.)

	31 March 2020		31 December 2019	
	Original currency amount	USD equivalent	Original currency amount	USD equivalent
A. Total amounts of GPM given on the behalf of its own legal entity	-	1,677	-	1,334
-Collaterals				
TL	64	10	52	9
EUR	1,425	1,578	1,131	1,266
USD	52	52	49	49
Other	-	37	-	10
B. Total amounts of GPM given on the behalf of subsidiaries that are included in full consolidation	-	-	-	-
C. Total amounts of GPM given in order to guarantee third party debts for routine trade operations	-	-	-	-
D. Total amounts of other GPM given	-	-	-	-
i. Total amount of GPM given on behalf of the Parent	-	-	-	-
ii. Total amount of GPM given on behalf of other group companies not covered in B and C	-	-	-	-
iii. Total amount of GPM given on behalf of third parties not covered in C	-	-	-	-
		<u>1,677</u>		<u>1,334</u>

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

b) Aircraft purchase commitments:

To be delivered between the years 2020-2023, the Group signed an agreement for 181 aircrafts, (171 of aircrafts are contractual and 10 of them are optional) with a list price value of 25,226 US Dollars. The Group has made a predelivery payment of 1,552 US Dollars relevant to these purchases as of 31 March 2020.

**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 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**17. EMPLOYEE BENEFITS**

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

	<u>31 March 2020</u>	<u>31 December 2019</u>
Provision for retirement pay liability	<u>126</u>	<u>135</u>

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

Retirement pay liability is subject to an upper limit of monthly US Dollar 1,033 (full) (equivalent of TL 6,730 (full)) as of 31 March 2020. (31 December 2019: US Dollar 1,133 (full) equivalent of TL 6,730 (full)).

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

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

The key assumption is that maximum liability amount increases in accordance with the inflation rate for every service year. Provisions in the accompanying consolidated financial statements as of 31 March 2020 are calculated by estimating present value of liabilities due to retirement of employees. Provisions in the relevant balance sheet dates are calculated with the assumptions of 7.65% annual inflation rate (31 December 2019: 7.65%) and 12.00% interest rate (31 December 2019: 12.00%). Estimated amount of non-paid retirement pay retained in the Group due to voluntary leaves is assumed as 2.39% (31 December 2019: 2.62%). Ceiling for retirement pay is revised semi-annually. Ceiling amount of US Dollar 1,033 (full) which is in effect since 1 January 2020 is used in the calculation of Group’s provision for retirement pay liability.

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

	<u>1 January - 31 March 2020</u>	<u>1 January - 31 March 2019</u>
Provision at the beginning of the period	135	130
Interest charges	4	3
Service charge for the period	3	3
Actuarial loss	1	-
Payments	(4)	(4)
Foreign currency translation difference	(13)	(8)
Provision at the end of the period	<u>126</u>	<u>124</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 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**18. EXPENSES BY NATURE**

Expenses by nature for the period ended 31 March 2020 and 2019 are as follows:

	<b>1 January - 31 March 2020</b>	<b>1 January - 31 March 2019</b>
Fuel expenses	789	855
Personnel expenses	490	517
Depreciation and amortisation charges	411	360
Aircraft maintenance expenses	217	192
Ground services expenses	184	189
Airport expenses	129	122
Air traffic control expenses	123	123
Passenger services and catering expenses	121	141
Commissions and incentives	91	142
Wet lease expenses	63	64
Reservation systems expenses	46	73
Advertisement and promotion expenses	37	47
Service expenses	22	19
Taxes and duties	21	25
Rents	15	22
Insurance expenses	14	13
Transportation expenses	10	10
IT and communication expenses	9	10
Aircraft rent expenses	5	10
Consultancy expenses	5	5
Systems use and associateship expenses	2	2
Other expenses	29	30
	<u>2,833</u>	<u>2,971</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 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**19. SHAREHOLDERS' EQUITY**

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

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

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

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

As of 31 March 2020, Registered paid-in share capital of the Company comprised 137,999,999,999 Class A shares and 1 Class C share, all with a par value of Kr 1 each. The Class C share belongs to the Republic of Turkey Treasury and Finance Ministry Privatization Administration and has the following privileges:

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

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

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

f) Decisions relating to merges and liquidation,

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

### **Restricted Profit Reserves**

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

### **Foreign Currency Translation Differences**

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

### **Distribution of Dividends**

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

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

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

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

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

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

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

**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 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**20. REVENUE**

Breakdown of gross profit is as follows:

	<b>1 January - 31 March 2020</b>	<b>1 January - 31 March 2019</b>
Passenger revenue		
Scheduled	1,988	2,271
Unscheduled	4	4
Total passenger revenue	<u>1,992</u>	<u>2,275</u>
Cargo revenue		
Carried by passenger aircraft	163	181
Carried by cargo aircraft	303	225
Total cargo revenue	<u>466</u>	<u>406</u>
Total passenger and cargo revenue	<u>2,458</u>	<u>2,681</u>
Technical revenue	55	70
Other revenue	20	17
Net sales	<u>2,533</u>	<u>2,768</u>
Cost of sales (-)	<u>(2,474)</u>	<u>(2,504)</u>
Gross profit	<u><u>59</u></u>	<u><u>264</u></u>

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

	<b>1 January - 31 March 2020</b>	<b>1 January - 31 March 2019</b>
International flights		
- Far East	650	706
- Europe	638	714
- America	421	403
- Africa	273	285
- Middle East	255	314
Total	<u>2,237</u>	<u>2,422</u>
Domestic flights	<u>221</u>	<u>259</u>
Total passenger and cargo revenue	<u><u>2,458</u></u>	<u><u>2,681</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 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**21. COST OF SALES**

Breakdown of the cost of sales is as follows:

	<b>1 January - 31 March 2020</b>	<b>1 January - 31 March 2019</b>
Fuel expenses	789	855
Depreciation and amortisation charges	395	345
Personnel expenses	388	401
Aircraft maintenance expenses	217	192
Ground services expenses	184	189
Airport expenses	129	122
Air traffic control expenses	123	123
Passenger services and catering expenses	121	141
Wet lease expenses	63	64
Insurance expenses	13	12
Transportation expenses	10	10
Service expenses	10	8
Rents	10	18
Taxes and duties	7	4
Aircraft rent expenses	5	10
Other expenses	10	10
	<u>2,474</u>	<u>2,504</u>

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

Breakdown of general administrative expenses is as follows:

	<b>1 January - 31 March 2020</b>	<b>1 January - 31 March 2019</b>
Personnel expenses	30	33
Depreciation and amortisation charges	14	13
Service expenses	8	8
IT and communication expenses	7	8
Consultancy expenses	3	3
Systems use and associateship expenses	2	2
Insurance expenses	1	1
Taxes and duties	1	-
Other general administrative expenses	5	4
	<u>71</u>	<u>72</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 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Breakdown of marketing and sales expenses is as follows:

	<b>1 January - 31 March 2020</b>	<b>1 January - 31 March 2019</b>
Commissions and incentives	91	142
Personnel expenses	72	83
Reservation systems expenses	46	73
Advertisement and promotion expenses	37	47
Taxes and duties	13	21
Rents	5	4
Service expenses	4	3
IT and communication expenses	2	2
Consultancy expenses	2	2
Depreciation and amortisation charges	2	2
Other marketing and sales expenses	14	16
	<u>288</u>	<u>395</u>

**23. OTHER OPERATING INCOME / EXPENSES**

Breakdown of other operating income is as follows:

	<b>1 January - 31 March 2020</b>	<b>1 January - 31 March 2019</b>
Manufacturers' credits	15	34
Insurance, indemnities, penalties income	9	5
Rent income	4	1
Non- interest income from banks	3	3
Turnover premium from suppliers	2	2
Provisions released	1	5
IFRS 9 Adjustment	1	-
Foreign exchange gains from operational activities, net	-	6
Rediscount interest income	-	3
Other operating income	6	2
	<u>41</u>	<u>61</u>

Breakdown of other operating expenses is as follows:

	<b>1 January - 31 March 2020</b>	<b>1 January - 31 March 2019</b>
Foreign exchange losses from operational activities, net	52	-
Provisions	4	3
Indemnity and penalty expenses	1	1
Other operating expenses	8	4
	<u>65</u>	<u>8</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 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Breakdown of income from investment activities is as follows:

	<b>1 January - 31 March 2020</b>	<b>1 January - 31 March 2019</b>
Income from investment incentives	36	13
Interest income from financial investment	1	14
Gain on sale of financial investments	1	2
Gain on sale of fixed assets	1	1
	<u>39</u>	<u>30</u>

Breakdown of expense from investment activities is as follows:

	<b>1 January - 31 March 2020</b>	<b>1 January - 31 March 2019</b>
Loss on sale of fixed assets	-	27
	<u>-</u>	<u>27</u>

**25. FINANCIAL INCOME/ EXPENSES**

Breakdown of financial income is as follows:

	<b>1 January - 31 March 2020</b>	<b>1 January - 31 March 2019</b>
Rediscount interest income from repayments of aircrafts	14	-
Interest income	4	16
Foreign exchange gains from financial activities, net	2	-
Other financial incomes	-	3
	<u>20</u>	<u>19</u>

Breakdown of financial expenses is as follows:

	<b>1 January - 31 March 2020</b>	<b>1 January - 31 March 2019</b>
Interest expense from financial activities	59	49
Fair value losses on derivative financial instruments, net (*)	53	21
Interest expense from leasing liabilities	15	15
Aircraft financing expenses	7	13
Interest expenses on employee benefits	4	3
Foreign exchange losses on financial activities, net	-	37
Other financial expenses	2	2
	<u>140</u>	<u>140</u>

(\*) As a result of the impact of Covid-19, expected capacity to be operated in 2020 will be lower than that originally anticipated when fuel hedging derivatives were put in place. Therefore, certain hedging instruments no longer correspond to future purchases of jet fuel and a part of the hedging relation for these derivatives has been discontinued. In relation to the instruments, the Group has charged a total loss of USD 59 because of discontinuation resulting from the over-hedging of fuel hedge to "Financial Expenses" in profit or loss statement. The associated tax credit in profit and loss statement is USD 13.

**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 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**26. TAX ASSETS AND LIABILITIES**

Breakdown of assets related to current tax is as follows:

	<b>31 March 2020</b>	<b>31 December 2019</b>
Prepaid taxes	<u>37</u>	<u>43</u>

Tax income is as follows:

	<b>1 January - 31 March 2020</b>	<b>1 January - 31 March 2019</b>
Current period tax expense	-	9
Deferred tax income	(95)	(63)
Tax income	<u>(95)</u>	<u>(54)</u>

Tax effect related to other comprehensive income is as follows:

	<b>1 January - 31 March 2020</b>			<b>1 January - 31 March 2019</b>		
	Amount before tax	Tax income	Amount after tax	Amount before tax	Tax expense	Amount after tax
Change in cash flow hedge reserve	( 221)	49	( 172)	257	( 54)	203
Losses on Remeasuring FVOCI	( 13)	3	( 10)	( 1)	-	( 1)
Change in actuarial losses from retirement pay obligation	( 1)	-	( 1)	1	-	1
Changes in foreign currency translation difference	( 10)	-	( 10)	( 10)	-	( 10)
Other comprehensive income	<u>( 245)</u>	<u>52</u>	<u>( 193)</u>	<u>247</u>	<u>( 54)</u>	<u>193</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 2020 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

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

## 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 2020

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

#### 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.

**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 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

*Deferred Tax (cont'd)*

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

	<b>31 March 2020</b>	<b>31 December 2019</b>
Fixed assets	(2,024)	(1,910)
Right of use asset	(326)	(310)
Adjustments for passenger flight liabilities	(158)	(171)
Tax loss carried forward	696	528
Lease obligations	324	311
Income and expense for future years	95	104
Accruals for expenses	76	69
Change in fair value of derivative instruments	70	4
Provisions for employee benefits	26	28
Incentives	20	17
Miles accruals	19	30
Provisions for unused vacation	8	9
Other	(3)	(2)
Deferred tax liabilities	<u>(1,177)</u>	<u>(1,293)</u>

The changes of deferred tax liability for the period ended 1 January – 31 March 2020 and 2019 are as follows:

	<b>1 January - 31 March 2020</b>	<b>1 January - 31 March 2019</b>
Opening balance at 1 January	1,293	1,138
Adjustments for changes in accounting policies	-	(5)
Restated deferred tax liability at the beginning of the period	1,293	1,133
Foreign currency translation difference	27	21
Tax income from FVOCI	(3)	-
Tax income / (expense) from hedging reserves	(45)	53
Deferred tax income	(95)	(63)
Deferred tax liability at the end of the period	<u>1,177</u>	<u>1,144</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 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

*Deferred Tax (cont'd)*

Reconciliation with current tax charge for the period 1 January – 31 March 2020 and 2019 are as follows:

<u>Reconciliation of effective tax charge</u>	<u>1 January - 31 March 2020</u>	<u>1 January - 31 March 2019</u>
Loss from operations before tax	(422)	(283)
Domestic expense tax rate of 22%	93	62
Taxation effects on:		
- investment incentive	8	6
- expense from investment certificates	7	3
- adjustment for prior year loss	(2)	(15)
- investments accounted by using the equity method	(3)	(3)
- foreign currency translation difference	(4)	5
- non deductible expenses	(4)	(4)
Tax charge in statement of loss	<u>95</u>	<u>54</u>

**27. EARNINGS PER SHARE**

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

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

Number of total shares and calculation of earnings per share at 1 January – 31 March 2020 and 2019:

	<u>1 January - 31 March 2020</u>	<u>1 January - 31 March 2019</u>
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)	<u>138,000,000,000</u>	<u>138,000,000,000</u>
Net loss for the period	(327)	(229)
Basic loss per share (Full US Cents) (*)	(0.24)	(0.17)
Diluted loss per share (Full US Cents) (*)	(0.24)	(0.17)

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

**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 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**28. DERIVATIVE FINANCIAL INSTRUMENTS**

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

<u>Derivative financial assets</u>	<u>31 March 2020</u>	<u>31 December 2019</u>
Derivative instruments not subject to hedge accounting	26	17
Derivative instruments for fuel prices cash flow hedge	20	31
Derivative instruments for cross currency rate cash flow hedge	1	4
	<u>47</u>	<u>52</u>
<u>Derivative financial liabilities</u>	<u>31 March 2020</u>	<u>31 December 2019</u>
Derivative instruments for fuel prices cash flow hedge	297	14
Derivative instruments for interest rate cash flow hedge	33	35
Derivative instruments not subject to hedge accounting	33	18
Derivative instruments for cross currency rate cash flow hedge	3	3
	<u>366</u>	<u>70</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 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

*Foreign currency risk management*

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

	31 March 2020					
	USD EQUIVALENT	TL	EUR	JPY	CHF	OTHER
1.Trade Receivables	230	8	5	-	2	215
2a.Monetary Financial Assets	1,668	234	1,372	2	2	58
2b.Non Monetary Financial Assets	-	-	-	-	-	-
3.Other	418	183	107	-	5	123
<b>4.Current Assets (1+2+3)</b>	<b>2,316</b>	<b>425</b>	<b>1,484</b>	<b>2</b>	<b>9</b>	<b>396</b>
5.Trade Receivables	-	-	-	-	-	-
6a.Monetary Financial Assets	552	552	-	-	-	-
6b.Non Monetary Financial Assets	-	-	-	-	-	-
7.Other	683	320	353	-	-	10
<b>8.Non Current Assets (5+6+7)</b>	<b>1,235</b>	<b>872</b>	<b>353</b>	-	-	<b>10</b>
<b>9.Total Assets (4+8)</b>	<b>3,551</b>	<b>1,297</b>	<b>1,837</b>	<b>2</b>	<b>9</b>	<b>406</b>
10.Trade Payables	615	352	176	1	4	82
11.Financial Liabilities (*)	2,886	-	2,634	231	21	-
12a.Other Liabilities, Monetary	198	178	16	1	-	3
12b.Other Liabilities, Non Monetary	49	49	-	-	-	-
<b>13.Current Liabilities (10+11+12)</b>	<b>3,748</b>	<b>579</b>	<b>2,826</b>	<b>233</b>	<b>25</b>	<b>85</b>
14.Trade Payables	-	-	-	-	-	-
15.Financial Liabilities (*)	8,420	-	6,591	1,693	136	-
16a.Other Liabilities, Monetary	28	19	6	-	-	3
16b.Other Liabilities, Non Monetary	126	126	-	-	-	-
<b>17.Non Current Liabilities (14+15+16)</b>	<b>8,574</b>	<b>145</b>	<b>6,597</b>	<b>1,693</b>	<b>136</b>	<b>3</b>
<b>18.Total Liabilities (13+17)</b>	<b>12,322</b>	<b>724</b>	<b>9,423</b>	<b>1,926</b>	<b>161</b>	<b>88</b>
<b>19.Net asset / liability position of off-balance sheet derivatives (19a-19b)</b>	-	-	-	-	-	-
19a.Off-balance sheet foreign currency derivative assets	-	-	-	-	-	-
19b.Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-	-
<b>20.Net foreign currency asset/(liability) position (9-18+19)</b>	<b>(8,771)</b>	<b>573</b>	<b>(7,586)</b>	<b>(1,924)</b>	<b>(152)</b>	<b>318</b>
<b>21.Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(9,697)</b>	<b>245</b>	<b>(8,046)</b>	<b>(1,924)</b>	<b>(157)</b>	<b>185</b>
<b>22.Fair value of foreign currency hedged financial assets</b>	-	-	-	-	-	-
<b>23.Hedged foreign currency assets</b>	<b>842</b>	-	<b>842</b>	-	-	-
<b>24.Hedged foreign currency liabilities</b>	-	-	-	-	-	-

(\*) Net foreign exchange position of Group is mainly due to long term foreign currency borrowings denominated in Euro, Japanese Yen, Swiss Frank to funds its investments. Group uses these long term foreign currency borrowings to manage the risk of exchange differences with highly probable future foreign currency revenues. The USD equivalent of these borrowings amount to 8,914 USD as of 31 March 2020 (31 December 2019: USD 7,385).

**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 2020**  
(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 2019					
	USD EQUIVALENT	TL	EUR	JPY	CHF	OTHER
1.Trade Receivables	459	33	108	4	7	307
2a.Monetary Financial Assets	2,239	419	1,724	2	3	91
2b.Non Monetary Financial Assets	-	-	-	-	-	-
3.Other	407	178	101	-	5	123
<b>4.Current Assets (1+2+3)</b>	<b>3,105</b>	<b>630</b>	<b>1,933</b>	<b>6</b>	<b>15</b>	<b>521</b>
5.Trade Receivables	-	-	-	-	-	-
6a.Monetary Financial Assets	272	272	-	-	-	-
6b.Non Monetary Financial Assets	-	-	-	-	-	-
7.Other	505	313	181	-	-	11
<b>8.Non Current Assets (5+6+7)</b>	<b>777</b>	<b>585</b>	<b>181</b>	<b>-</b>	<b>-</b>	<b>11</b>
<b>9.Total Assets (4+8)</b>	<b>3,882</b>	<b>1,215</b>	<b>2,114</b>	<b>6</b>	<b>15</b>	<b>532</b>
10.Trade Payables	799	474	245	-	4	76
11.Financial Liabilities	2,590	14	2,323	232	21	-
12a.Other Liabilities, Monetary	186	139	43	1	-	3
12b.Other Liabilities, Non Monetary	52	52	-	-	-	-
<b>13.Current Liabilities (10+11+12)</b>	<b>3,627</b>	<b>679</b>	<b>2,611</b>	<b>233</b>	<b>25</b>	<b>79</b>
14.Trade Payables	-	-	-	-	-	-
15.Financial Liabilities	7,767	-	5,901	1,727	139	-
16a.Other Liabilities, Monetary	31	23	6	-	-	2
16b.Other Liabilities, Non Monetary	135	135	-	-	-	-
<b>17.Non Current Liabilities (14+15+16)</b>	<b>7,933</b>	<b>158</b>	<b>5,907</b>	<b>1,727</b>	<b>139</b>	<b>2</b>
<b>18.Total Liabilities (13+17)</b>	<b>11,560</b>	<b>837</b>	<b>8,518</b>	<b>1,960</b>	<b>164</b>	<b>81</b>
<b>19.Net asset / liability position of off-balance sheet derivatives (19a-19b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
19a.Off-balance sheet foreign currency derivative assets	-	-	-	-	-	-
19b.Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-	-
<b>20.Net foreign currency asset/(liability) position (9-18+19)</b>	<b>(7,678)</b>	<b>378</b>	<b>(6,404)</b>	<b>(1,954)</b>	<b>(149)</b>	<b>451</b>
<b>21.Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(8,403)</b>	<b>74</b>	<b>(6,686)</b>	<b>(1,954)</b>	<b>(154)</b>	<b>317</b>
<b>22.Fair value of foreign currency hedged financial assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>23.Hedged foreign currency assets</b>	<b>924</b>	<b>-</b>	<b>924</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>24.Hedged foreign currency liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**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 2020**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

*Foreign currency risk management (cont'd)*

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

	<b>31 March 2020</b>			
	<b>Profit / (Loss)</b>		<b>Equity</b>	
	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	57	(57)	-	-
2- Part hedged from TL risk (-)	-	-	-	-
3- TL net effect (1+2)	<u>57</u>	<u>(57)</u>	<u>-</u>	<u>-</u>
4- Euro net asset / liability	23	(23)	(782)	782
5- Part hedged from Euro risk (-)	(84)	84	-	-
6- Euro net effect (4+5)	<u>(61)</u>	<u>61</u>	<u>(782)</u>	<u>782</u>
7- JPY net asset / liability	(99)	99	(93)	93
8- Part hedged from JPY risk (-)	-	-	-	-
9- JPY net effect (7+8)	<u>(99)</u>	<u>99</u>	<u>(93)</u>	<u>93</u>
10- CHF net asset / liability	1	(1)	(16)	16
11- Part hedged from CHF risk (-)	-	-	-	-
12- CHF net effect (10+11)	<u>1</u>	<u>(1)</u>	<u>(16)</u>	<u>16</u>
13- Other foreign currency net asset / liability	32	(32)	-	-
14- Part hedged other foreign currency risk (-)	-	-	-	-
15- Other foreign currency net effect (13+14)	<u>32</u>	<u>(32)</u>	<u>-</u>	<u>-</u>
<b>TOTAL (3 + 6 + 9 + 12 + 15)</b>	<u><u>(70)</u></u>	<u><u>70</u></u>	<u><u>(891)</u></u>	<u><u>891</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 2020**  
(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)*

	<b>31 December 2019</b>			
	<b>Profit / (Loss)</b>		<b>Equity</b>	
	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	38	(38)	-	-
2- Part hedged from TL risk (-)	-	-	-	-
3- TL net effect (1+2)	<u>38</u>	<u>(38)</u>	<u>-</u>	<u>-</u>
4- Euro net asset / liability	59	(59)	(699)	699
5- Part hedged from Euro risk (-)	(92)	92	-	-
6- Euro net effect (4+5)	<u>(33)</u>	<u>33</u>	<u>(699)</u>	<u>699</u>
7- JPY net asset / liability	(101)	101	(94)	94
8- Part hedged from JPY risk (-)	-	-	-	-
9- JPY net effect (7+8)	<u>(101)</u>	<u>101</u>	<u>(94)</u>	<u>94</u>
10- CHF net asset / liability	1	(1)	(16)	16
11- Part hedged from CHF risk (-)	-	-	-	-
12- CHF net effect (10+11)	<u>1</u>	<u>(1)</u>	<u>(16)</u>	<u>16</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>
<b>TOTAL (3 + 6 + 9 + 12 + 15)</b>	<u><u>(50)</u></u>	<u><u>50</u></u>	<u><u>(809)</u></u>	<u><u>809</u></u>

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

- As of reporting date, in accordance with decisions taken by the official authorities, domestic flights have been suspended until June 04, 2020 and international flights have been suspended until June 10, 2020 in order to protect public health against the novel coronavirus (COVID-19) pandemic.
- Within the scope of government support, short term work allowance application was begun since April 1, 2020 according to Appendix 2 of the Unemployment Insurance Law No. 4447, "In the event that the weekly working hours in the workplace are significantly reduced temporarily or stopped completely or partially due to the general economic, sectoral or regional crisis, short term work allowance can be implemented for a period not to exceed 3 months."