

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

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

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

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

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Condensed Consolidated Interim Balance Sheet as at 30 September 2020

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

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

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

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

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

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

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

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

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

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

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

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

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

	Items That Will Not Be Reclassified Subsequently To Profit or Loss		Items That May Be Reclassified Subsequently To Profit or Loss				Retained Earnings				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	
As of 1 January 2019	1,597	(35)	(160)	-	(6)	36	3,760	753	5,945	-	5,945
Adjustment on initial application of IFRS 16	-	-	-	-	-	-	(18)	-	(18)	-	(18)
As of 1 January 2019	1,597	(35)	(160)	-	(6)	36	3,742	753	5,927	-	5,927
Transfers	-	-	-	-	-	-	753	(753)	-	-	-
Total comprehensive income	-	(4)	(12)	261	7	-	-	452	704	-	704
As of 30 September 2019	1,597	(39)	(172)	261	1	36	4,495	452	6,631	-	6,631

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

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

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

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

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

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

1. GROUP ORGANIZATION AND ITS OPERATIONS

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

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

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

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

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

Subsidiaries and Joint Ventures

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

<u>Name of the Company</u>	<u>Principal Activity</u>	<u>Ownership Rate</u>		<u>Country of Registration</u>
		<u>30 September 2020</u>	<u>31 December 2019</u>	
THY Teknik A.Ş. (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 Nine-Month Period Ended 30 September 2020
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Subsidiaries and Joint Ventures (cont'd)

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

Company Name	Country of Registration and Operations	Ownership Share and Voting Power		Principal Activity
		30 September 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%	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..

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance

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

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

Basis of Preparation

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

Adjustment of Financial Statements in Hyperinflationary Periods

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

Functional and Reporting Currency

Functional currency

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

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

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

Basis of Consolidation

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

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

2.1 Basis of Presentation (cont'd)

Basis of Consolidation (cont'd)

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

Business Combinations

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

The Group measures goodwill at the acquisition date as:

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

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

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

2.2 Changes and Errors in Accounting Policies Estimates

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

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

2.3 Summary of Significant Accounting Policies

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

2.4 New and Revised Standards and Interpretations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.5 Determination of Fair Values

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

Evaluation methods in terms of levels are described as follows:

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

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

2.6 Impact of Covid-19 Pandemic on Group Activities

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

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

Capacity

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

Cargo business

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

Government support

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

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

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

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

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

Cost reductions

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

Asset valuation

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

Accounting estimates and assumptions

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

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

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

3. INVESTMENTS ACCOUNTED BY USING THE EQUITY METHOD

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

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

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

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

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

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

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

	30 September 2020	31 December 2019
Total assets	188	219
Total liabilities	62	99
Shareholders' equity	126	120
Group's share in joint venture's shareholders' equity	62	59

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	30 September		31 December	
	2020		2019	
Total assets	16		19	
Total liabilities	7		8	
Shareholders' equity	9		11	
Group's share in joint venture's shareholders' equity	5		6	

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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4. SEGMENT REPORTING

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

Air Transport ("Aviation")

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

Technical Maintenance Services ("Technical")

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

4.1 Total Assets and Liabilities

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

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4. SEGMENT REPORTING (cont'd)

4.2 Profit / (Loss) before Tax

Segment Results:

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

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

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4. SEGMENT REPORTING (cont'd)

4.3 Investment Operations

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

5. CASH AND CASH EQUIVALENTS

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

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

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

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

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

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6. FINANCIAL INVESTMENTS

Short-term financial investments are as follows:

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

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

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

Long-term financial investments are as follows:

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

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

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

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

7. BORROWINGS

Short-term borrowings are as follows:

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

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

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

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7. BORROWINGS (cont'd)

Long-term borrowings are as follows:

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

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

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

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

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

<u>Amount</u>	<u>Currency</u>	<u>Interest Rate</u> <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
			Euribor + 2.03% -		
841	EUR	Floating	Euribor + 3.77%	February 2020 - July 2024	942
					<u>3,453</u>

Reconciliation of liabilities arising from financing activities:

	<u>31 December</u> <u>2019</u>	<u>Payment</u>	<u>Non-cash Changes</u>	<u>New</u> <u>Leases</u>	<u>30 September</u> <u>2020</u>
Lease Liabilities	8,392	(994)	421	1,271	<u>9,090</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>30 September</u> <u>2020</u>
Bank Borrowings	3,453	(1,162)	245	1,934	<u>4,470</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>

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7. BORROWINGS (cont'd)

In accordance to IFRS 16 reconciliation of lease liabilities:

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

8. OTHER FINANCIAL LIABILITIES

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

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

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

9. RELATED PARTIES

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

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

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

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

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

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

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9. RELATED PARTIES (cont'd)

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

a) Sales to related parties:

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

b) Purchases from related parties:

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

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

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

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

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9. RELATED PARTIES (cont'd)

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

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

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

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

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

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

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

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

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

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

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

Interest income from related parties:

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

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9. RELATED PARTIES (cont'd)

Interest expense to related parties:

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

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

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

10. OTHER RECEIVABLES

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

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

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

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10. OTHER RECEIVABLES (cont'd)

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

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

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

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

11. DEFERRED INCOME

Deferred income is as follows:

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

Passenger flight liability is as follows:

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

Other short-term deferred income is as follows:

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

Long-term deferred income is as follows:

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

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12. PROPERTY AND EQUIPMENT

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

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

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

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

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

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12. PROPERTY AND EQUIPMENT (cont'd)

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

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12. PROPERTY AND EQUIPMENT (cont'd)

Lease assets are as follows:

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

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

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

13. INTANGIBLE ASSETS

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

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13. INTANGIBLE ASSETS (cont'd)

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

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

14. LEASING TRANSACTIONS

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

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

Maturities of finance lease obligations are as follows:

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

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14. LEASING TRANSACTIONS (cont'd)

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

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

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

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

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

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

Short-term provision for employee benefits is as follows:

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

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

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

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

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

Other short-term provision is as follows:

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

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

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

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

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16. COMMITMENTS

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

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

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

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

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

b) Aircraft purchase commitments:

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

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17. EMPLOYEE BENEFITS

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

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

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

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

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

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

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

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

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

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18. EXPENSES BY NATURE

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

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

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19. SHAREHOLDERS' EQUITY

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

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

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

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

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

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

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

19. SHAREHOLDERS' EQUITY (cont'd)

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

f) Decisions relating to merges and liquidation,

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

Restricted Profit Reserves

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

Foreign Currency Translation Differences

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

Distribution of Dividends

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

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

Actuarial Differences on Defined Benefit Plans

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

Gains/Losses from Cash Flow Hedges

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

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

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20. REVENUE

Breakdown of gross profit is as follows:

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

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

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

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21. COST OF SALES

Breakdown of the cost of sales is as follows:

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

22. GENERAL ADMINISTRATIVE EXPENSES AND SELLING AND MARKETING EXPENSES

Breakdown of general administrative expenses is as follows:

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

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

Breakdown of selling and marketing expenses is as follows:

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

23. OTHER OPERATING INCOME / EXPENSES

Breakdown of other operating income is as follows:

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

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

Breakdown of other operating expenses is as follows:

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

24. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

Breakdown of income from investment activities is as follows:

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

Breakdown of expense from investment activities is as follows:

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

25. FINANCIAL INCOME/ EXPENSES

Breakdown of financial income is as follows:

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

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25. FINANCIAL INCOME/ EXPENSES (cont'd)

Breakdown of financial expenses is as follows:

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

26. TAX ASSETS AND LIABILITIES

Breakdown of assets related to current tax is as follows:

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

Tax income is as follows:

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

Tax effect related to other comprehensive income is as follows:

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

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26. TAX ASSETS AND LIABILITIES (cont'd)

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

Corporate Tax

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

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

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

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

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

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

Income Withholding Tax

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

Deferred Tax

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

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

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26. TAX ASSETS AND LIABILITIES (cont'd)

Deferred Tax (cont'd)

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

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

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

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

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26. TAX ASSETS AND LIABILITIES (cont'd)

Deferred Tax (cont'd)

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

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

27. EARNINGS PER SHARE

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

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

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

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

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

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28. DERIVATIVE FINANCIAL INSTRUMENTS

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

<u>Derivative financial assets</u>	<u>30 September 2020</u>	<u>31 December 2019</u>
Derivative instruments for fuel prices cash flow hedge	12	31
Derivative instruments not subject to hedge accounting	9	17
Derivative instruments for cross currency rate cash flow hedge	-	4
	<u>21</u>	<u>52</u>
<u>Derivative financial liabilities</u>	<u>30 September 2020</u>	<u>31 December 2019</u>
Derivative instruments for fuel prices cash flow hedge	96	14
Derivative instruments for interest rate cash flow hedge	33	35
Derivative instruments not subject to hedge accounting	10	18
Derivative instruments for cross currency rate cash flow hedge	3	3
	<u>142</u>	<u>70</u>

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29. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS

Foreign currency risk management

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

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

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

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

Foreign currency risk management (cont'd)

	31 December 2019					
	USD 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
4.Current Assets (1+2+3)	3,105	630	1,933	6	15	521
5.Trade Receivables	-	-	-	-	-	-
6a.Monetary Financial Assets	272	272	-	-	-	-
6b.Non Monetary Financial Assets	-	-	-	-	-	-
7.Other	505	313	181	-	-	11
8.Non Current Assets (5+6+7)	777	585	181	-	-	11
9.Total Assets (4+8)	3,882	1,215	2,114	6	15	532
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	-	-	-	-
13.Current Liabilities (10+11+12)	3,627	679	2,611	233	25	79
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	-	-	-	-
17.Non Current Liabilities (14+15+16)	7,933	158	5,907	1,727	139	2
18.Total Liabilities (13+17)	11,560	837	8,518	1,960	164	81
19.Net asset / liability position of off-balance sheet derivatives (19a-19b)	-	-	-	-	-	-
19a.Off-balance sheet foreign currency derivative assets	-	-	-	-	-	-
19b.Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-	-
20.Net foreign currency asset/(liability) position (9-18+19)	(7,678)	378	(6,404)	(1,954)	(149)	451
21.Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(8,403)	74	(6,686)	(1,954)	(154)	317
22.Fair value of foreign currency hedged financial assets	-	-	-	-	-	-
23.Hedged foreign currency assets	924	-	924	-	-	-
24.Hedged foreign currency liabilities	-	-	-	-	-	-

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

Foreign currency risk management (cont'd)

The Group is exposed to foreign exchange risk primarily from TL, EURO, JPY and CHF. The following table details the Group's sensitivity to a 10% increase and decrease in TL, EURO, JPY and CHF. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis include only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss with a same effect on equity. The Group accounted investment loans 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.

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

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

Foreign currency risk management (cont'd)

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

30. EVENTS AFTER THE BALANCE SHEET DATE

None.