

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

Condensed Consolidated Interim  
Financial Statements As at and For  
The Nine-Month Period  
Ended 30 September 2021

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Condensed Consolidated Interim Balance Sheet as at 30 September 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

<b>ASSETS</b>	<b>Notes</b>	<b>Not Reviewed</b> <b>30 September 2021</b>	<b>Audited</b> <b>31 December 2020</b>
<b>Non-Current Assets</b>			
Financial Investments	6	70	75
Other Receivables			
-Third Parties	10	1,038	1,200
Investments Accounted for Using Equity Method	3	258	256
Property and Equipment	12	4,331	4,145
Right of Use Assets	12	15,203	14,777
Intangible Assets			
- Other Intangible Assets	13	84	89
- Goodwill		12	12
Prepaid Expenses		814	798
<b>TOTAL NON-CURRENT ASSETS</b>		<b>21,810</b>	<b>21,352</b>
<b>Current Assets</b>			
Cash and Cash Equivalents	5	2,984	1,811
Financial Investments	6	11	18
Trade Receivables			
-Related Parties	9	21	18
-Third Parties		918	619
Other Receivables			
-Related Parties	9	12	6
-Third Parties	10	831	1,095
Derivative Financial Instruments	28	88	2
Inventories		269	305
Prepaid Expenses		135	141
Current Income Tax Assets	26	18	38
Other Current Assets		63	125
<b>TOTAL CURRENT ASSETS</b>		<b>5,350</b>	<b>4,178</b>
<b>TOTAL ASSETS</b>		<b>27,160</b>	<b>25,530</b>

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

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

**Condensed Consolidated Interim Balance Sheet as at 30 September 2021**

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

<b>LIABILITIES</b>	<b>Notes</b>	<b>Not Reviewed</b>	<b>Audited</b>
		<b>30 September 2021</b>	<b>31 December 2020</b>
<b>Equity</b>			
Share Capital	19	1,597	1,597
Items That Will Not Be Reclassified to			
Profit or Loss			
-Actuarial Losses on Retirement Pay Obligation	19	( 50)	( 48)
Items That Are or May Be Reclassified to			
Profit or Loss			
-Foreign Currency Translation Differences	19	( 229)	( 201)
-Fair Value Losses on Hedging Instruments			
Entered into for Cash Flow Hedges	19	( 4)	( 450)
-(Losses) / Gains on Remeasuring FVOCI		( 3)	2
Restricted Profit Reserves		76	72
Previous Years Profit	19	4,406	5,246
Net Profit / (Loss) for the Period		734	( 836)
Equity of the Parent		<b>6,527</b>	<b>5,382</b>
Non-Controlling Interests		1	1
<b>TOTAL EQUITY</b>		<b>6,528</b>	<b>5,383</b>
<b>Non- Current Liabilities</b>			
Long-Term Borrowings	7 and 14	2,775	2,681
Long-Term Lease Liabilities	7 and 14	9,035	9,579
Other Payables			
-Third Parties		69	22
Deferred Income	11	95	109
Long-Term Provisions			
-Provisions for Employee Benefits	17	131	134
-Other Provisions		48	49
Deferred Tax Liability	26	1,414	1,119
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>13,567</b>	<b>13,693</b>
<b>Current Liabilities</b>			
Short Term Borrowings	7	1,437	1,527
Short-Term Portion of Long-Term Borrowings	7 and 14	1,399	1,186
Short-Term Portion of Lease Liabilities	7 and 14	1,671	1,728
Other Financial Liabilities	8	5	17
Trade Payables			
-Related Parties	9	129	141
-Third Parties		715	720
Payables Related to Employee Benefits		100	90
Other Payables			
-Related Parties	9	4	-
-Third Parties		191	88
Derivative Financial Instruments	28	27	64
Deferred Income	11	1,071	614
Current Tax Provision	26	9	-
Short-Term Provisions			
-Provisions for Employee Benefits	15	22	16
-Other Provisions	15	10	10
Other Current Liabilities		275	253
<b>TOTAL CURRENT LIABILITIES</b>		<b>7,065</b>	<b>6,454</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>27,160</b>	<b>25,530</b>

The accompanying notes are an integral part of these condensed consolidated interim 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 2021**  
(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 -
	Notes	30 September 2021	30 September 2021	30 September 2020	30 September 2020
<b>PROFIT OR LOSS</b>					
Revenue	20	7,377	3,405	4,962	1,528
Cost of Sales (-)	21	( 5,864)	( 2,414)	( 4,873)	( 1,399)
<b>GROSS PROFIT</b>		<b>1,513</b>	<b>991</b>	<b>89</b>	<b>129</b>
General Administrative Expenses (-)	22	( 209)	( 76)	( 165)	( 49)
Selling and Marketing Expenses (-)	22	( 583)	( 218)	( 515)	( 139)
Other Operating Income	23	151	58	257	139
Other Operating Expenses (-)	23	( 77)	( 33)	( 33)	( 5)
<b>OPERATING PROFIT / (LOSS) BEFORE INVESTMENT ACTIVITIES</b>		<b>795</b>	<b>722</b>	<b>( 367)</b>	<b>75</b>
Income from Investment Activities	24	160	56	130	39
Expenses for Investment Activities	24	( 7)	( 2)	( 9)	( 9)
Share of Investments' Profit / (Loss) Accounted by Using The Equity Method	3	48	74	( 96)	( 5)
<b>OPERATING PROFIT / (LOSS)</b>		<b>996</b>	<b>850</b>	<b>( 342)</b>	<b>100</b>
Financial Income	25	107	121	52	6
Financial Expenses (-)	25	( 292)	( 101)	( 628)	( 354)
<b>PROFIT / (LOSS) BEFORE TAX</b>		<b>811</b>	<b>870</b>	<b>( 918)</b>	<b>( 248)</b>
<b>Tax (Expense) / Income</b>		<b>( 77)</b>	<b>( 135)</b>	<b>132</b>	<b>116</b>
Current Tax Expense	26	( 17)	( 9)	-	-
Deferred Tax (Expense) / Income	26	( 60)	( 126)	132	116
<b>NET PROFIT / (LOSS) FOR THE PERIOD</b>		<b>734</b>	<b>735</b>	<b>( 786)</b>	<b>( 132)</b>

The accompanying notes are an integral part of these condensed consolidated interim 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 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

		<u>Not Reviewed</u>	<u>Not Reviewed</u>	<u>Not Reviewed</u>	<u>Not Reviewed</u>
		1 January -	1 July -	1 January -	1 July -
<u><i>OTHER COMPREHENSIVE INCOME</i></u>	<u>Notes</u>	<u>30 September 2021</u>	<u>30 September 2021</u>	<u>30 September 2020</u>	<u>30 September 2020</u>
<b>Items That May Be Reclassified Subsequently To Profit or Loss</b>		<b>413</b>	<b>128</b>	<b>( 438)</b>	<b>( 197)</b>
Currency Translation Adjustment		( 28)	( 1)	( 28)	( 9)
Losses on Remeasuring FVOCI		( 6)	( 2)	( 7)	( 3)
Fair Value Gains / (Losses ) on Hedging Instruments Entered into for Cash Flow Hedges		548	160	( 497)	( 232)
Fair Value Gains / (Losses ) Hedging Instruments of Investment Accounted by Using the Equity Method Entered into for Cash Flow Hedges		12	4	( 13)	-
Related Tax of Other Comprehensive Income		( 113)	( 33)	107	47
<b>Items That Will Not Be Reclassified Subsequently To Profit or Loss</b>		<b>( 2)</b>	<b>-</b>	<b>( 7)</b>	<b>-</b>
Actuarial Losses on Retirement Pay Obligation		( 3)	-	( 8)	-
Related Tax of Other Comprehensive Income		1	-	1	-
<b>OTHER COMPREHENSIVE INCOME / (EXPENSE) FOR THE PERIOD</b>		<b>411</b>	<b>128</b>	<b>( 445)</b>	<b>( 197)</b>
<b>TOTAL COMPREHENSIVE INCOME / (EXPENSE) FOR THE PERIOD</b>		<b>1,145</b>	<b>863</b>	<b>( 1,231)</b>	<b>( 329)</b>
Basic Gain / (Loss) Per Share (Full US Cents)	27	0.53	0.53	( 0.57)	( 0.10)
Diluted Gain / (Loss) Per Share (Full US Cents)	27	0.53	0.53	( 0.57)	( 0.10)

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**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Condensed Consolidated Interim Statement of Changes in Equity**  
**For the Nine-Month Period Ended 30 September 2021**  
(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 Losses on Hedging Instruments Entered Into For Cash Flow Hedges	Gains / (Losses) on Remeasuring FVOCI	Restricted Profit Reserves	Previous Years Profit	Net (Loss) / Gain for The Period	Equity Holders of the Parent	Non-controlling Interests	Total Equity
<b>As of 1 January 2021</b>	<b>1,597</b>	<b>(48)</b>	<b>(201)</b>	<b>(450)</b>	<b>2</b>	<b>72</b>	<b>5,246</b>	<b>(836)</b>	<b>5,382</b>	<b>1</b>	<b>5,383</b>
Transfers	-	-	-	-	-	-	(836)	836	-	-	-
Total comprehensive income	-	(2)	(28)	446	(5)	4	(4)	734	1,145	-	1,145
<b>As of 30 September 2021</b>	<b>1,597</b>	<b>(50)</b>	<b>(229)</b>	<b>(4)</b>	<b>(3)</b>	<b>76</b>	<b>4,406</b>	<b>734</b>	<b>6,527</b>	<b>1</b>	<b>6,528</b>

	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 / (Losses) on Hedging Instruments Entered Into For Cash Flow Hedges	Gains / (Losses) on Remeasuring FVOCI	Restricted Profit Reserves	Previous Years Profit	Net Gain / (Loss) for The Period	Equity Holders of the Parent	Non-controlling Interests	Total Equity
<b>As of 1 January 2020</b>	<b>1,597</b>	<b>(38)</b>	<b>(184)</b>	<b>171</b>	<b>(1)</b>	<b>67</b>	<b>4,463</b>	<b>788</b>	<b>6,863</b>	<b>1</b>	<b>6,864</b>
Transfers	-	-	-	-	-	-	788	(788)	-	-	-
Total comprehensive income	-	(7)	(28)	(405)	(5)	5	(5)	(786)	(1,231)	-	(1,231)
<b>As of 30 September 2020</b>	<b>1,597</b>	<b>(45)</b>	<b>(212)</b>	<b>(234)</b>	<b>(6)</b>	<b>72</b>	<b>5,246</b>	<b>(786)</b>	<b>5,632</b>	<b>1</b>	<b>5,633</b>

The accompanying notes are an integral part of these condensed consolidated interim 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 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

	Notes	<b>Not Reviewed</b> <b>30 September 2021</b>	<b>Not Reviewed</b> <b>30 September 2020</b>
Net Profit / (Loss) for the period		734	(786)
<b>Adjustments to Reconcile Loss</b>			
Adjustments for Depreciation and Amortisation Expense	12 and 13	1,285	1,226
Adjustments for Provisions Related with Employee Benefits	15 and 17	25	6
Adjustments for Provisions for Other Accruals		2	-
Adjustments for Reversal of Probable Risks		(1)	11
Adjustments for Interest Income	24 and 25	(56)	(30)
Adjustments for Interest Expense	17 and 25	257	235
Adjustments For Unrealised Foreign Exchange (Gains) / Loss		(184)	109
Adjustments for Fair Value Gains on Derivative Financial Instruments	25	(44)	(3)
Adjustments for Undistributed (Gains) / Losses of Associates	3	(48)	96
Adjustments for Tax Expense / (Income)	26	69	(132)
Adjustments for Losses Arised From Sale of Tangible Assets	24	-	6
Adjustments for Losses Arised from Sale of Other Non-Current Assets	12	41	20
<b>Operating Profit Before Changes in Working Capital</b>		<b>2,080</b>	<b>758</b>
Increase in Trade Receivables from Related Parties		(3)	(8)
(Increase) / Decrease in Trade Receivables from Non Related Parties		(302)	120
(Increase) / Decrease in Other Related Party Receivables Related with Operations		(6)	28
Increase in Other Non-Related Party Receivables Related with Operations		(8)	(232)
Adjustments for Decrease / (Increase) in Inventories		36	(23)
Adjustments for (Increase) / Decrease in Prepaid Expenses		(10)	4
Decrease in Trade Payables to Related Parties		(12)	(50)
Decrease in Trade Payables to Non-Related Parties		(5)	(246)
Adjustments for Increase / (Decrease) in Payables Due to Employee Benefits		10	(53)
Increase in Other Operating Payables to Related Parties		4	-
Increase in Other Operating Payables to Non-Related Parties		150	39
Increase / (Decrease) in Deferred Income		464	(397)
Decrease in Other Assets Related with Operations		62	24
<b>Cash Flows From Operations</b>		<b>2,460</b>	<b>(36)</b>
Payments for Provisions Related with Employee Benefits	17	(6)	(13)
Income taxes (paid)	26	(20)	(8)
<b>Net Cash From Operating Activities</b>		<b>2,434</b>	<b>(57)</b>
<b>CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>			
Cash Receipts Proceed From Sales of Property, Plant and Equipment		79	4
Cash Payments From Purchasing of Property, Plant and Equipment	12 and 13	(580)	(871)
Cash Receipts From Sales of Other Long-term Assets	6	12	393
Other Cash Advances and Loans	10	235	179
Dividends Received		21	3
Interest Received	24 and 25	56	30
<b>Net Cash Flows Used In Investing Activities</b>		<b>(177)</b>	<b>(262)</b>
<b>CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES</b>			
Proceeds From Loans	7	2,133	1,934
Payments of Loans	7	(1,608)	(1,109)
Payments of Lease Liabilities	7	(1,369)	(1,126)
Interest Paid		(228)	(175)
Other Cash Outflows	8	(12)	(17)
<b>Net Cash Used in Financing Activities</b>		<b>(1,084)</b>	<b>(493)</b>
<b>Net Change in Cash and Cash Equivalents</b>		<b>1,173</b>	<b>(812)</b>
<b>CASH AND CASH EQUIVALENTS</b>			
<b>AT THE BEGINNING OF THE PERIOD</b>		<b>1,811</b>	<b>2,075</b>
<b>CASH AND CASH EQUIVALENTS</b>			
<b>AT THE END OF THE PERIOD</b>	5	<b>2,984</b>	<b>1,263</b>

The accompanying notes are an integral part of these condensed consolidated interim 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 2021**  
(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 2021 and 31 December 2020, the shareholders and their respective shareholdings in the Company are as follows:

	<u>30 September 2021</u>	<u>31 December 2020</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 2021 is 36,595 (31 December 2020: 37,896). The average number of employees working for the Group for the periods ended 30 September 2021 and 2020 are 36,893 and 38,882 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 2021 and 31 December 2020:

<u>Name of the Company</u>	<u>Principal Activity</u>	<u>Ownership Rate</u>		<u>Country of Registration</u>
		<u>30 September 2021</u>	<u>31 December 2020</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 Information	80%	80%	Turkey
THY Teknoloji ve Bilişim A.Ş.	Technologies and Consulting	100%	100%	Turkey
THY Hava Kargo Taşımacılığı A.Ş.	Cargo Transportation	100%	-	Turkey



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**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Nine-Month Period Ended 30 September 2021**  
(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 30 September 2021 and 31 December 2020:

Company Name	Country of Registration and Operations	<u>Ownership Share and Voting Power</u>		Principal Activity
		30 September 2021	31 December 2020	
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%	25%	Aviation Fuel Services

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

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

**2.1 Basis of Presentation**

**Statement of Compliance**

The condensed consolidated interim financial statements as at and for the nine-month period ended 30 September 2021 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 2020.

Board of Directors has approved the consolidated financial statements as of 30 September 2021 on 3 November 2021. General Assembly and the related regulatory bodies have the authority to modify the statutory financial statements.

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Nine-Month Period Ended 30 September 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

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

**Basis of Preparation**

The 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.

**Functional and Reporting Currency**

**Functional currency**

The consolidated financial statements of the Group are presented in USD, 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 USD. USD 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 USD 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 USD have been remeasured in USD 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 (USD 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.
- 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 and other shareholders 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.

**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 2021 are consistent with those used in the preparation of the Group's consolidated financial statements as at and for the year ended 31 December 2020.

## **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 2021 are consistent with those used in the preparation of consolidated statements for the year ended 31 December 2020.

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

#### **a) Standards, amendments and interpretations applicable as at 30 September 2021:**

**Amendment to IFRS 16, ‘Leases’ – Covid-19 related rent concessions Extension of the Practical expedient;** as of March 2021, this amendment extended till June 2022 and effective from 1 April 2021. 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.

**Amendments to 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.

**Amendments IFRS 4, ‘Insurance contracts’, deferral of IFRS 9;** effective from annual periods beginning on or after 1 January 2021. These amendments change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial Instrument until 1 January 2023.

#### **b) Standards, amendments and interpretations that are issued but not effective as at 30 September 2021:**

**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.

**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.

**Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

**Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

## **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 2021 (cont'd):**

**A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 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’. These amendments do not have a significant impact 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).

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

The COVID-19 pandemic has significantly affected global air traffic. Stringent measures have been taken around the world to prevent the spread of the pandemic. As of September 2021, travel restrictions were loosened and demand for travel expanded with the increase in vaccination rates in Turkey and around the globe.

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

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

As the effects of the pandemic diminished, THY has taken several actions to meet the increasing demand and constantly assesses further developments. The actions taken are listed below:

#### *Capacity*

The recovery in the aviation sector accelerated due to the countries' removal of the restrictions in the summer season and more flexible approaches. Despite the increase in the number of cases, the decrease in death rates thanks to vaccination has led to expectation that there will be no harsh restrictions as experienced in the past.

While the Group starts its flights at international destinations where restrictions have been lifted, it operates at low frequencies as a result of necessary negotiations depending on the pandemic situation on some routes. In the third quarter of 2021, the Group reached 81% of its capacity in the same period of 2019. Domestic capacity exceeded the level of 2019 by 3%, whereas international capacity reached 78% of 2019. In the third quarter of 2021, the Group reached 92% of the number of passengers carried domestically, 68% international and 77% in total in the same period of 2019. Thanks to lower cost base and wide flight network, the Group realized 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 continue at full capacity with freighters and about 15 wide body passenger aircraft are being utilized for cargo operations. The number of passenger aircrafts utilized in cargo operations may also be increased depending on the cargo demand environment and passenger flight restrictions. As a result, 45% increase was recorded in cargo revenues compared to the nine-month period of 2020. The contribution of cargo operations to total revenue and profit increased significantly compared to previous years. Recovery in passenger operations leads to rising supply of belly cargo capacity which in turn positively impacts cargo capacity.

#### *Cost controls*

THY has taken actions to decrease the operational expenses and secure the financial liquidity of the Group. Cost saving actions and the employee pay agreements with the Unions also contributed to the Group's ability to minimize COVID-19's adverse financial effects. Saving actions taken in other fixed or operational costs together with employee costs resulted approximately in an amount of USD 500 total cost savings in the nine-month period of 2021. Discretionary capital expenditures are postponed. Aircraft delivery plans determined before the pandemic for 2020-2021 are discussed together with OEMs and aircraft deliveries are postponed. Cash outflows reduced thanks to the use of previous prepayments in the prepayments of the aircrafts to be received. The Group also requested support from the Government in 2021 as well as in 2020. The rents paid in the airports operated by State Airports Authority DHMİ in the period of July-December 2020 are cancelled retrospectively, cancelled amounts are deducted from the rents to be paid in 2021. Also, Discount of 50% for 2021 and 2022 will be applied for airport rents operated by DHMİ.

#### *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.

**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 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

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

*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:

	<b>30 September 2021</b>	<b>31 December 2020</b>
Sun Express	83	64
TEC	58	59
Turkish DO&CO	40	47
THY Opet	26	28
TGS	25	34
TFS Akaryakıt	9	8
Uçak Koltuk	5	6
Goodrich	5	4
TCI	4	4
We World Express	3	2
Vergi İade Aracılık (*)	-	-
	<b>258</b>	<b>256</b>

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

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

	<b>1 January - 30 September 2021</b>	<b>1 July - 30 September 2021</b>	<b>1 January - 30 September 2020</b>	<b>1 July - 30 September 2020</b>
Sun Express	15	58	(98)	(9)
THY Opet	12	5	-	4
TGS	11	8	(1)	(1)
TFS Akaryakıt	9	2	(3)	1
Turkish DO&CO	3	1	5	1
Goodrich	1	-	-	(1)
Uçak Koltuk	-	-	1	-
TCI	(1)	-	(1)	-
TEC	(2)	-	1	-
	<b>48</b>	<b>74</b>	<b>(96)</b>	<b>(5)</b>

**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 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Financial information for Sun Express as of 30 September 2021 and 2020 are as follows:

			<b>30 September</b>	<b>31 December</b>
			<b>2021</b>	<b>2020</b>
Total assets			1,742	1,728
Total liabilities			1,575	1,600
Shareholders' equity			167	128
Group's share in joint venture's shareholders' equity			83	64
	<b>1 January -</b>	<b>1 July -</b>	<b>1 January -</b>	<b>1 July -</b>
	<b>30 September 2021</b>	<b>30 September 2021</b>	<b>30 September 2020</b>	<b>30 September 2020</b>
Revenue	620	448	459	205
Profit / (Loss) for the period	31	117	(195)	(18)
Group's share in joint venture's profit / (loss) for the period	15	58	(98)	(9)

Financial information for TEC as of 30 September 2021 and 2020 are as follows:

			<b>30 September</b>	<b>31 December</b>
			<b>2021</b>	<b>2020</b>
Total assets			279	198
Total liabilities			160	77
Shareholders' equity			119	121
Group's share in joint venture's shareholders' equity			58	59
	<b>1 January -</b>	<b>1 July -</b>	<b>1 January -</b>	<b>1 July -</b>
	<b>30 September 2021</b>	<b>30 September 2021</b>	<b>30 September 2020</b>	<b>30 September 2020</b>
Revenue	227	97	312	85
(Loss) / Profit for the period	(3)	-	2	1
Group's share in joint venture's (loss) / profit for the peirod	(2)	-	1	-

**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 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Financial information for Turkish DO&CO as of 30 September 2021 and 2020 are as follows:

	<b>30 September</b>		<b>31 December</b>	
	<b>2021</b>		<b>2020</b>	
Total assets	151		160	
Total liabilities	70		65	
Shareholders' equity	81		95	
Group's share in joint venture's shareholders' equity	40		47	
	<b>1 January -</b>	<b>1 July -</b>	<b>1 January -</b>	<b>1 July -</b>
	<b>30 September 2021</b>	<b>30 September 2021</b>	<b>30 September 2020</b>	<b>30 September 2020</b>
Revenue	107	55	102	21
Profit for the period	6	3	9	2
Group's share in joint venture's profit for the period	3	1	5	1

Financial information for TGS as of 30 September 2021 and 2020 are as follows:

	<b>30 September</b>		<b>31 December</b>	
	<b>2021</b>		<b>2020</b>	
Total assets	153		187	
Total liabilities	103		119	
Shareholders' equity	50		68	
Group's share in joint venture's shareholders' equity	25		34	
	<b>1 January -</b>	<b>1 July -</b>	<b>1 January -</b>	<b>1 July -</b>
	<b>30 September 2021</b>	<b>30 September 2021</b>	<b>30 September 2020</b>	<b>30 September 2020</b>
Revenue	185	86	135	53
Profit / (loss) for the period	21	16	(2)	(1)
Group's share in joint venture's profit / (loss) for the period	11	8	(1)	(1)



**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 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Financial information for THY Opet as of 30 September 2021 and 2020 are as follows:

	<b>30 September</b>		<b>31 December</b>	
	<b>2021</b>		<b>2020</b>	
Total assets	162		169	
Total liabilities	110		113	
Shareholders' equity	52		56	
Group's share in joint venture's shareholders' equity	26		28	
	<b>1 January -</b>	<b>1 July -</b>	<b>1 January -</b>	<b>1 July -</b>
	<b>30 September 2021</b>	<b>30 September 2021</b>	<b>30 September 2020</b>	<b>30 September 2020</b>
Revenue	324	160	225	84
Profit for the period	24	10	1	9
Group's share in joint venture's profit for the period	12	5	-	4

Financial information for Uçak Koltuk as of 30 September 2021 and 2020 are as follows:

	<b>30 September</b>		<b>31 December</b>	
	<b>2021</b>		<b>2020</b>	
Total assets	28		33	
Total liabilities	17		21	
Shareholders' equity	11		12	
Group's share in joint venture's shareholders' equity	5		6	
	<b>1 January -</b>	<b>1 July -</b>	<b>1 January -</b>	<b>1 July -</b>
	<b>30 September 2021</b>	<b>30 September 2021</b>	<b>30 September 2020</b>	<b>30 September 2020</b>
Revenue	14	3	19	4
(Loss) / Profit for the period	(1)	(1)	1	(1)
Group's share in joint venture's profit for the period	-	-	1	-

**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 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Financial information for TCI as of 30 September 2021 and 2020 are as follows:

			<b>30 September</b>	<b>31 December</b>
			<b>2021</b>	<b>2020</b>
Total assets			13	15
Total liabilities			6	6
Shareholders' equity			7	9
Group's share in joint venture's shareholders' equity			4	4
	<b>1 January -</b>	<b>1 July -</b>	<b>1 January -</b>	<b>1 July -</b>
	<b>30 September 2021</b>	<b>30 September 2021</b>	<b>30 September 2020</b>	<b>30 September 2020</b>
Revenue	3	1	2	-
Loss for the period	(2)	-	(2)	(1)
Group's share in joint venture's loss for the period	(1)	-	(1)	-

Financial information for TFS Akaryakıt Hizmetleri as of 30 September 2021 and 2020 are as follows:

			<b>30 September</b>	<b>31 December</b>
			<b>2021</b>	<b>2020</b>
Total assets			221	212
Total liabilities			184	182
Shareholders' equity			37	30
Group's share in joint venture's shareholders' equity			9	8
	<b>1 January -</b>	<b>1 July -</b>	<b>1 January -</b>	<b>1 July -</b>
	<b>30 September 2021</b>	<b>30 September 2021</b>	<b>30 September 2020</b>	<b>30 September 2020</b>
Revenue	772	381	420	82
Profit / (loss) for the period	36	8	(13)	1
Group's share in joint venture's profit / (loss) for the period	9	2	(3)	1

**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 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Financial information for Goodrich as of 30 September 2021 and 2020 are as follows:

			<b>30 September 2021</b>	<b>31 December 2020</b>
Total assets			16	12
Total liabilities			4	3
Shareholders' equity			12	9
Group's share in joint venture's shareholders' equity			5	4
	<b>1 January - 30 September 2021</b>	<b>1 July - 30 September 2021</b>	<b>1 January - 30 September 2020</b>	<b>1 July - 30 September 2020</b>
Revenue	16	5	13	4
Profit for the period	2	-	1	-
Group's share in joint venture's profit / (loss) for the period	1	-	-	(1)

Financial information for We World Express as of 30 September 2021 and 2020 are as follows:

			<b>30 September 2021</b>	<b>31 December 2020</b>
Total assets			14	8
Total liabilities			7	5
Shareholders' equity			7	3
Group's share in joint venture's shareholders' equity			3	2
	<b>1 January - 30 September 2021</b>	<b>1 July - 30 September 2021</b>	<b>1 January - 30 September 2020</b>	<b>1 July - 30 September 2020</b>
Revenue	31	14	1	-
Profit for the period	1	1	-	-
Group's share in joint venture's profit for the period	-	-	-	-

Since 31 December 2019, the loss of Air Albania, which is exceeding the Group's total share, has not been presented in financial statements. As of 30 September 2021, the amount is USD 3 (31 December 2020 USD 5).

Movement in investments accounted by using the equity method is as follows:

	<b>30 September 2021</b>	<b>30 September 2020</b>
Opening balance	256	369
Share of investments' loss accounted by using the equity method	48	(96)
Other expense and income recognized in equity	7	(12)
Capital reductions	-	(29)
Statement of changes in consolidation adjust	(2)	6
Foreign currency translation difference	(24)	4
Dividends to shareholders	(27)	(3)
Closing balance	<u>258</u>	<u>239</u>

**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 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**4. SEGMENT REPORTING**

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

Air Transport ("Aviation")

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

Technical Maintenance Services ("Technical")

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

**4.1 Total Assets and Liabilities**

	<b>30 September 2021</b>	<b>31 December 2020</b>
<b>Total Assets</b>		
Aviation	27,168	25,425
Technical	1,626	1,547
Total	28,794	26,972
Less: Eliminations due to consolidation	(1,634)	(1,442)
Total assets in consolidated financial statements	<u>27,160</u>	<u>25,530</u>
<b>Total Liabilities</b>		
Aviation	20,712	20,096
Technical	421	370
Total	21,133	20,466
Less: Eliminations due to consolidation	(501)	(319)
Total liabilities in consolidated financial statements	<u>20,632</u>	<u>20,147</u>

**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 2021**

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

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

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

Segment Results:

<b>1 January - 30 September 2021</b>	<b>Aviation</b>	<b>Technic</b>	<b>Inter-segment elimination</b>	<b>Total</b>
Sales to External Customers	7,187	190	-	7,377
Inter-Segment Sales	47	557	(604)	-
Revenue	7,234	747	(604)	7,377
Cost of Sales (-)	(5,883)	(565)	584	(5,864)
Gross Profit	1,351	182	(20)	1,513
Administrative Expenses (-)	(166)	(69)	26	(209)
Selling and Marketing Expenses (-)	(578)	(6)	1	(583)
Other Operating Income	154	10	(13)	151
Other Operating Expenses (-)	(73)	(10)	6	(77)
Operating Profit Before Investment Activities	688	107	-	795
Income from Investment Activities	160	-	-	160
Expenses from Investment Activities	(7)	-	-	(7)
Share of Investments' Loss Accounted by Using The Equity Method	49	(1)	-	48
Operating Profit	890	106	-	996
Financial Income	126	10	(29)	107
Financial Expense (-)	(317)	(4)	29	(292)
Profit Before Tax	699	112	-	811

<b>1 January - 30 September 2020</b>	<b>Aviation</b>	<b>Technic</b>	<b>Inter-segment elimination</b>	<b>Total</b>
Sales to External Customers	4,831	131	-	4,962
Inter-Segment Sales	21	494	(515)	-
Revenue	4,852	625	(515)	4,962
Cost of Sales (-)	(4,834)	(556)	517	(4,873)
Gross Loss	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)

**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 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

**4.3 Investment Operations**

<b>1 January - 30 September 2021</b>	<b>Aviation</b>	<b>Technic</b>	<b>Inter-segment elimination</b>	<b>Total</b>
Purchase of property and equipment and intangible assets	1,898	114	-	2,012
Current period depreciation and amortization charge	1,174	111	-	1,285
Investments accounted by using equity method	181	77	-	258
<b>1 January - 30 September 2020</b>	<b>Aviation</b>	<b>Technic</b>	<b>Inter-segment elimination</b>	<b>Total</b>
Purchase of property and equipment and intangible assets	2,318	150	-	2,468
Current period depreciation and amortization charge	1,119	107	-	1,226
Investments accounted by using equity method	166	73	-	239

**5. CASH AND CASH EQUIVALENTS**

	<b>30 September 2021</b>	<b>31 December 2020</b>
Cash	2	2
Banks – Time deposits	2,901	1,749
Banks – Demand deposits	81	60
	<b>2,984</b>	<b>1,811</b>

Details of the time deposits as of 30 September 2021 are as follows:

<b>Amount</b>	<b>Currency</b>	<b>Effective Interest Rate</b>	<b>Maturity</b>	<b>30 September 2021</b>
509	TL	9.00% - 19.95%	November 2021	57
879	USD	0.25% - 2.25%	November 2021	880
1,685	EUR	0.28% - 1.28%	December 2021	1,955
648	DZD	1.62%	November 2021	5
285	MZN	7.65%	October 2021	4
				<b>2,901</b>

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

<b>Amount</b>	<b>Currency</b>	<b>Effective Interest Rate</b>	<b>Maturity</b>	<b>31 December 2020</b>
6,230	TL	9.00% - 18.50%	March 2021	857
186	USD	1.80% - 2.85%	January 2021	186
565	EUR	1.88% - 2.35%	March 2021	693
1,180	DZD	1.89%	January 2021	9
295	MZN	5.20%	January 2021	4
				<b>1,749</b>

**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 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**6. FINANCIAL INVESTMENTS**

Short-term financial investments are as follows:

	<u>30 September 2021</u>	<u>31 December 2020</u>
Fair value through profit and loss (FVTPL)		
- Equity securities	11	18

Long-term financial investments are as follows:

	<u>30 September 2021</u>	<u>31 December 2020</u>
FVOCI		
- Government debt securities	52	42
- Corporate debt securities	17	32
Other	1	1
	<u>70</u>	<u>75</u>

Period remaining to contractual maturity dates for FVOCI as of 30 September 2021 and 2020 is as follows:

	<u>30 September 2021</u>	<u>31 December 2020</u>
Less than 1 year	-	-
1 to 5 years	4	4
Over 5 years	65	70
	<u>69</u>	<u>74</u>

	<u>30 September 2021</u>	<u>31 December 2020</u>
FVTPL		
- Equity securities	11	18

**7. BORROWINGS**

Short-term borrowings are as follows:

	<u>30 September 2021</u>	<u>31 December 2020</u>
Bank borrowings	1,437	1,527

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

	<u>30 September 2021</u>	<u>31 December 2020</u>
Lease liabilities (Note: 14)	1,671	1,728
Bank borrowings	1,399	1,186
	<u>3,070</u>	<u>2,914</u>

**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 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Long-term borrowings are as follows:

	<u>30 September 2021</u>	<u>31 December 2020</u>
Lease liabilities (Note: 14)	9,035	9,579
Bank borrowings	2,775	2,681
	<u>11,810</u>	<u>12,260</u>

Details of bank borrowings as of 30 September 2021 and 2020 are as follows:

	<u>30 September 2021</u>	<u>31 December 2020</u>
Less than 1 year	2,836	2,713
Between 1 – 5 years	2,775	2,615
Over 5 years	-	66
	<u>5,611</u>	<u>5,394</u>

<u>Amount</u>	<u>Currency</u>	<u>Interest Rate</u>		<u>Payment Period</u>	<u>30 September</u>
		<u>Type</u>	<u>Effective Interest Rate</u>		<u>2021</u>
381	TRY	Floating	BIST TLREF + 1.25% - BIST TLREF + 1.50% (*)	May 2022	43
2,898	EUR	Fixed	0.20% - 4.00% - Euribor + 2.95% -	October 2021 - March 2025	3,359
1,925	EUR	Floating	Euribor + 5.50%	May 2023 - August 2026	2,209
					<u>5,611</u>
<u>Amount</u>	<u>Currency</u>	<u>Interest Rate</u>		<u>Payment Period</u>	<u>31 December</u>
		<u>Type</u>	<u>Effective Interest Rate</u>		<u>2020</u>
590	TRY	Fixed	8.50% - 9.25%	February 2021 - June 2021	80
1,652	EUR	Fixed	0.30% - 4.00% - Euribor + 2.45% -	January 2021 - March 2025	3,413
1,549	EUR	Floating	Euribor + 5.50%	August 2021 - August 2026	1,901
					<u>5,394</u>

(\*) It is a variable interest rate calculated by using the current BIST TLREF Index announced by Borsa İstanbul A.Ş. The variable interest rate is calculated for each interest period of time.

Reconciliation of bank borrowings and lease liabilities arising from financing activities:

	<u>31 December</u>					<u>30 September</u>
	<u>2020</u>	<u>Payment</u>	<u>Interest</u>	<u>Non-cash Changes</u>	<u>Cash-in</u>	<u>2021</u>
Bank Borrowings	5,394	(1,608)	(104)	(204)	2,133	<u>5,611</u>

	<u>31 December</u>					<u>30 September</u>
	<u>2019</u>	<u>Payment</u>	<u>Interest</u>	<u>Non-cash Changes</u>	<u>Cash-in</u>	<u>2020</u>
Bank Borrowings	3,453	(1,109)	(53)	245	1,934	<u>4,470</u>

	<u>31 December</u>					<u>New</u>	<u>30 September</u>
	<u>2020</u>	<u>Payment</u>	<u>Interest</u>	<u>Non-cash Changes</u>	<u>Leases</u>	<u>2021</u>	
Aircraft	11,259	(1,358)	(124)	(341)	1,228	10,664	
Property	47	(9)	-	-	-	38	
Other	1	(2)	-	-	5	4	
	<u>11,307</u>	<u>(1,369)</u>	<u>(124)</u>	<u>(341)</u>	<u>1,233</u>	<u>10,706</u>	



**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 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Reconciliation of bank borrowings and lease liabilities arising from financing activities (cont'd):

	<u>31 December</u>				<u>New</u>	<u>30 September</u>
	<u>2019</u>	<u>Payment</u>	<u>Interest</u>	<u>Non-cash Changes</u>	<u>Leases</u>	<u>2020</u>
Aircraft	9,858	(1,116)	(122)	463	1,587	10,670
Property	58	(8)	-	(3)	-	47
Other	3	(2)	-	(1)	-	-
	<u>9,919</u>	<u>(1,126)</u>	<u>(122)</u>	<u>459</u>	<u>1,587</u>	<u>10,717</u>

**8. OTHER FINANCIAL LIABILITIES**

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

	<u>30 September 2021</u>	<u>31 December 2020</u>
Other financial liabilities	<u>5</u>	<u>17</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 2021</u>	<u>31 December 2020</u>
Air Albania	19	14
Sun Express	1	-
We World Express Ltd.	1	4
	<u>21</u>	<u>18</u>

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

	<u>30 September 2021</u>	<u>31 December 2020</u>
Air Albania	6	6
TGS	6	-
	<u>12</u>	<u>6</u>

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

	<u>30 September 2021</u>	<u>31 December 2020</u>
TFS Akaryakıt Hizmetleri	51	37
Turkish DO&CO	28	23
TGS	18	39
TEC	18	10
THY Opet	14	18
Goodrich	-	4
Sun Express	-	10
	<u>129</u>	<u>141</u>

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

	<u>30 September 2021</u>	<u>31 December 2020</u>
TFS Akaryakıt Hizmetleri	<u>4</u>	<u>-</u>

**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 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Transactions with related parties for the period ended 30 September 2021 and 2020 are as follows:

**a) Sales to related parties:**

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
Sun Express	25	8	19	7
TEC	19	4	35	2
We World Express Ltd.	11	2	10	6
PTT	8	3	3	1
Air Albania	7	2	-	-
TGS	4	1	1	-
Goodrich	1	-	1	-
Uçak Koltuk	1	1	-	-
	<u>76</u>	<u>21</u>	<u>69</u>	<u>16</u>

**b) Purchases from related parties:**

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
TFS Akaryakıt Hizmetleri	679	332	399	78
THY Opet	202	85	171	56
TGS	172	81	132	52
TEC	159	67	151	32
Turkish DO&CO	98	53	96	20
Sun Express	60	32	69	25
Uçak Koltuk	9	1	7	2
Goodrich	4	1	12	3
Turkcell	3	3	-	-
Air Albania	1	-	3	-
TCI	1	-	-	-
	<u>1,388</u>	<u>655</u>	<u>1,040</u>	<u>268</u>

Details of the financial assets and liabilities for related parties as of 30 September 2021 and 2020 are as follows:

	<u>30 September 2021</u>	<u>31 December 2020</u>
Banks - Time deposits	2,680	1,524
Financial assets	66	71
Banks - Demand deposits	14	12
Equity share	2	2
Bank borrowings	(1,938)	(1,854)
	<u>824</u>	<u>(245)</u>

As of 30 September 2021, the amount of letters of guarantee given to the related parties is USD 1,225. (31 December 2020: USD 1,236)

**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 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Details of the time deposits at related parties as of 30 September 2021 and 2020 are as follows:

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>30 September 2021</u>
460	TL	9.00% - 19.15%	November 2021	52
1,534	EUR	0.28% - 1.28%	October 2021	1,780
847	USD	0.25% - 1.75%	November 2021	848
				<u>2,680</u>
<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 December 2020</u>
4,905	TL	9.00% - 18.50%	March 2021	673
564	EUR	1.88% - 2.24%	March 2021	693
158	USD	2.28%	January 2021	158
				<u>1,524</u>

Details of the financial assets at related parties as of 30 September 2021 and 2020 are as follows:

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>30 September 2021</u>
66	USD	5.75% - 8.00%	October 2021 - March 2022	<u>66</u>
<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 December 2020</u>
71	USD	4.88% - 8.50%	January 2021 - June 2021	<u>71</u>

Details of the bank borrowings at related parties as of 30 September 2021 and 2020 are as follows:

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>30 September 2021</u>
1,672	EUR	2.55% - Euribor + 5.50%	March 2026	<u>1,938</u>
<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 December 2020</u>
1,499	EUR	2.55% - Euribor + 5.50%	December 2025	1,840
101	TRY	9.25%	June 2021	14
				<u>1,854</u>

**Interest income from related parties:**

	<u>1 January - 30 September 2021</u>	<u>1 July - 30 September 2021</u>	<u>1 January - 30 September 2020</u>	<u>1 July - 30 September 2020</u>
Türkiye Halk Bankası A.Ş.	34	5	12	7
Türkiye Vakıflar Bankası T.A	13	3	-	-
T.C. Ziraat Bankası A.Ş.	3	-	-	-
	<u>50</u>	<u>8</u>	<u>12</u>	<u>7</u>

**Interest expense to related parties:**

	<u>1 January - 30 September 2021</u>	<u>1 July - 30 September 2021</u>	<u>1 January - 30 September 2020</u>	<u>1 July - 30 September 2020</u>
Türkiye Vakıflar Bankası T.A	35	11	-	-
Ziraat Bankası A.Ş.	22	7	8	3
	<u>57</u>	<u>18</u>	<u>8</u>	<u>3</u>

## 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 2021

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

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

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, Ziraat Bankası and Türkiye Vakıflar Bankası are related to banking services, transactions between the Group and We World Express are related to cargo transportation 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 2 for the period between 1 January-30 September 2021 (1 January- 30 September 2020: USD 3).

#### 10. OTHER RECEIVABLES

Other short-term receivables from third parties as of 30 September 2021 and 2020 are as follows:

	<u>30 September 2021</u>	<u>31 December 2020</u>
Predelivery payments made for aircrafts	489	731
Receivables from technical purchases	153	223
Value added tax receivables	83	30
Bank deposits with transfer limitations (*)	76	39
Receivables from pilots for flight training	26	32
Others	4	40
	<u>831</u>	<u>1,095</u>

(\*)As of 30 September 2021, 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, Democratic Republic of the Congo, Republic of Ghana, Sri Lanka and Iran. (As of 31 December 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, Democratic Republic of the Congo, Republic of Cuba, Republic of Lebanon and Iran).

Other long-term receivables from third parties as of 30 September 2021 and 2020 are as follows:

	<u>30 September 2021</u>	<u>31 December 2020</u>
Receivables related to investment certificates (***)	473	409
Predelivery payments made for aircrafts	323	515
Receivables from pilots for flight training	197	199
Deposits and guarentees given	41	42
Bank deposits with transfer limitations (**)	4	4
Interest and commodity swap agreement deposits	-	31
	<u>1,038</u>	<u>1,200</u>

(\*\*) As of 30 September 2021, the balance of this account includes bank deposits in Syria.

(\*\*\*) This represents the accrued amount as of 30 September 2021. Total contribution of government incentives related to fleet investments amounts to USD 3,807. See note 2.3 for accounting policy.

**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 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**11. DEFERRED INCOME**

**Deferred income is as follows:**

	<u>30 September 2021</u>	<u>31 December 2020</u>
Passenger flight liabilities	1,016	580
Other short-term deferred income	55	34
	<u>1,071</u>	<u>614</u>

**Passenger flight liability is as follows:**

	<u>30 September 2021</u>	<u>31 December 2020</u>
Flight liability generating from ticket sales	803	381
Flight liability generating from frequent flyer program	213	199
	<u>1,016</u>	<u>580</u>

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

	<u>30 September 2021</u>	<u>31 December 2020</u>
Advances received	39	21
Deferred finance income	8	11
Unearned bank protocol revenue accruals	8	2
	<u>55</u>	<u>34</u>

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

	<u>30 September 2021</u>	<u>31 December 2020</u>
Deferred finance income	84	109
Unearned bank protocol revenue accruals	11	-
	<u>95</u>	<u>109</u>

**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 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**12. PROPERTY AND EQUIPMENT**

	Land, land improvements and buildings	Technical Equipment, Simulator and Vehicles	Other equipments, and fixtures	Aircrafts	Spare engines	Components and repairable spare parts	Leasehold improvements	Construction In Progress	Total
<b><u>Cost</u></b>									
Opening balance at 1 January 2021	1,175	636	250	4,115	705	688	179	587	8,335
Additions	101	13	6	68	74	69	1	59	391
Transfer (*)	218	5	-	-	11	-	5	(248)	(9)
Transfers between the account	-	-	-	534	12	-	-	-	546
Disposals	-	(2)	(1)	(219)	(59)	(73)	(4)	-	(358)
Closing balance at 30 September 2021	1,494	652	255	4,498	743	684	181	398	8,905
<b><u>Accumulated Depreciation</u></b>									
Opening balance at 1 January 2021	275	307	193	2,678	283	353	101	-	4,190
Depreciation charge	42	29	15	172	47	56	11	-	372
Transfers between the account	-	-	-	242	9	-	-	-	251
Disposals	-	(2)	(1)	(184)	(16)	(32)	(4)	-	(239)
Closing balance at 30 September 2021	317	334	207	2,908	323	377	108	-	4,574
Net book value at 30 September 2021	1,177	318	48	1,590	420	307	73	398	4,331
Net book value at 31 December 2020	900	329	57	1,437	422	335	78	587	4,145

(\*)From construction in progress amounting to USD 9 has been transferred to intangible fixed assets amounting to USD 7 and right-of-use assets amounting to USD 2.

Depreciation and amortization expenses are recognized in cost of sales is amounting to USD 1,229 (30 September 2020: USD 1,176), general administrative expenses is amounting to USD 51 (30 September 2020: USD 44) and marketing and sales expenses is amounting to USD 5 (30 September 2020: USD 6) in total of USD 1,285 as of 30 September 2021 (30 September 2020: USD 1,226).

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

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Nine-Month Period Ended 30 September 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

	Land improvements and buildings	Technical equipments simulators and vehicles	Other equipments, and fixtures	Aircrafts	Spare engines	Components and repairable spare parts	Leasehold improvements	Construction in progress	Total
<b><u>Cost</u></b>									
Opening balance at 1 January 2020	874	585	239	3,167	661	660	183	692	7,061
Additions	50	14	4	42	30	82	1	220	443
Transfer	196	30	1	4	19	-	1	(273)	(22)
Transfers between the accounts	-	-	-	593	-	-	-	-	593
Disposals	-	(1)	(3)	(30)	(9)	(45)	(5)	-	(93)
Transfer to Assets held-for-sale	-	-	-	(19)	-	-	-	-	(19)
Closing balance at 30 September 2020	1,120	628	241	3,757	701	697	180	639	7,963
<b><u>Accumulated Depreciation</u></b>									
Opening balance at 1 January 2020	232	268	173	2,095	240	315	95	-	3,418
Depreciation charge	31	32	17	133	41	56	11	-	321
Transfers between the accounts	-	-	-	283	-	-	-	-	283
Disposals	-	(1)	(2)	(30)	(9)	(25)	(5)	-	(72)
Transfer to Assets held-for-sale	-	-	-	(10)	-	-	-	-	(10)
Closing balance at 30 September 2020	263	299	188	2,471	272	346	101	-	3,940
Net book value at 30 September 2020	857	329	53	1,286	429	351	79	639	4,023

**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 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Right of use assets are as follows:

	<b>Aircraft</b>	<b>Spare engines</b>	<b>Real Estate</b>	<b>Vehicles</b>	<b>Total</b>
<b><u>Cost</u></b>					
Opening balance at 1 January 2021	19,381	202	75	6	19,664
Additions	1,564	45	-	5	1,614
Transfer	2	-	-	-	2
Disposals	(119)	-	(1)	(2)	(122)
Transfers between the accounts (*)	(546)	-	-	-	(546)
<b>Closing balance at 30 September 2021</b>	<b>20,282</b>	<b>247</b>	<b>74</b>	<b>9</b>	<b>20,612</b>

	<b>Aircraft</b>	<b>Spare engines</b>	<b>Real Estate</b>	<b>Vehicles</b>	<b>Total</b>
<b><u>Accumulated Depreciation</u></b>					
Opening balance at 1 January 2021	4,813	48	21	5	4,887
Depreciation charge	875	10	7	2	894
Disposals	(119)	-	-	(2)	(121)
Transfers between the account (*)	(251)	-	-	-	(251)
<b>Closing balance at 30 September 2021</b>	<b>5,318</b>	<b>58</b>	<b>28</b>	<b>5</b>	<b>5,409</b>
<b>Net book value at 30 September 2021</b>	<b>14,964</b>	<b>189</b>	<b>46</b>	<b>4</b>	<b>15,203</b>

	<b>Aircraft</b>	<b>Spare engines</b>	<b>Real Estate</b>	<b>Vehicles</b>	<b>Total</b>
<b><u>Cost</u></b>					
Opening balance at 1 January 2020	17,647	165	74	6	17,892
Additions	2,016	-	1	-	2,017
Transfers	10	-	-	-	10
Disposals	(87)	-	-	-	(87)
Transfers between the accounts (*)	(593)	-	-	-	(593)
<b>Closing balance at 30 September 2020</b>	<b>18,993</b>	<b>165</b>	<b>75</b>	<b>6</b>	<b>19,239</b>

	<b>Aircraft</b>	<b>Spare engines</b>	<b>Real Estate</b>	<b>Vehicles</b>	<b>Total</b>
<b><u>Accumulated Depreciation</u></b>					
Opening balance at 1 January 2020	4,222	39	10	3	4,274
Depreciation charge	871	7	9	2	889
Disposals	(87)	-	-	-	(87)
Transfers between the account (*)	(283)	-	-	-	(283)
<b>Closing balance at 30 September 2020</b>	<b>4,723</b>	<b>46</b>	<b>19</b>	<b>5</b>	<b>4,793</b>
<b>Net book value at 30 September 2020</b>	<b>14,270</b>	<b>119</b>	<b>56</b>	<b>1</b>	<b>14,446</b>

(\*) 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 2021 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.



**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 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**13. INTANGIBLE ASSETS**

	<b>Slot rights and acquired technical licenses (*)</b>	<b>Rights</b>	<b>Other intangible assets</b>	<b>Total</b>
<b><u>Cost</u></b>				
Opening balance at 1 January 2021	44	221	5	270
Additions	-	7	-	7
Transfers	-	7	-	7
Closing balance at 30 September 2021	<u>44</u>	<u>235</u>	<u>5</u>	<u>284</u>
<b><u>Accumulated Amortization</u></b>				
Opening balance at 1 January 2021	-	178	3	181
Amortization charge	-	19	-	19
Closing balance at 30 September 2021	<u>-</u>	<u>197</u>	<u>3</u>	<u>200</u>
Net book value at 30 September 2021	<u>44</u>	<u>38</u>	<u>2</u>	<u>84</u>
Net book value at 31 December 2020	<u>44</u>	<u>43</u>	<u>2</u>	<u>89</u>
	<b>Slot rights and acquired technical licenses (*)</b>	<b>Rights</b>	<b>Other intangible assets</b>	<b>Total</b>
<b><u>Cost</u></b>				
Opening balance at 1 January 2020	44	193	5	242
Additions	-	8	-	8
Transfers	-	12	-	12
Closing balance at 30 September 2020	<u>44</u>	<u>213</u>	<u>5</u>	<u>262</u>
<b><u>Accumulated Amortization</u></b>				
Opening balance at 1 January 2020	-	157	3	160
Amortization charge	-	16	-	16
Closing balance at 30 September 2020	<u>-</u>	<u>173</u>	<u>3</u>	<u>176</u>
Net book value at 30 September 2020	<u>44</u>	<u>40</u>	<u>2</u>	<u>86</u>
Net book value at 31 December 2019	<u>44</u>	<u>36</u>	<u>2</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.

**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 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**14. LEASING TRANSACTIONS**

Maturities of lease obligations are as follows:

	Future Minimum Lease Payments		Interest		Present Values of Minimum Lease Payments	
	30 September 2021	31 December 2020	30 September 2021	31 December 2020	30 September 2021	31 December 2020
Less than 1 year	1,857	1,934	(186)	(206)	1,671	1,728
Between 1 – 5 years	5,993	6,275	(429)	(455)	5,564	5,820
Over 5 years	3,638	3,931	(167)	(172)	3,471	3,759
	<u>11,488</u>	<u>12,140</u>	<u>(782)</u>	<u>(833)</u>	<u>10,706</u>	<u>11,307</u>

	<u>30 September 2021</u>	<u>31 December 2020</u>
Interest Range:		
Floating rate obligations	5,586	5,788
Fixed rate obligations	5,120	5,519
	<u>10,706</u>	<u>11,307</u>

The Group's assets which are acquired by leasing have average lease term of 1 to 45 years. The Group has options to purchase related assets for an insignificant amount at the end of lease terms. The Group's obligations under finance leases are secured by the lessors' title to the leased asset.

As of 30 September 2021, the US Dollars, Euro, JPY and Swiss Franc denominated lease obligations' weighted average interest rates are 3.79% (31 December 2020: 3.74%) for the fixed rate obligations and 1.55% (31 December 2020: 1.42%) for the floating rate obligations.

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

Short-term provisions as of 30 September 2021 and 2020 are as follows:

Short-term provision for employee benefits is as follows:

	<u>30 September 2021</u>	<u>31 December 2020</u>
Provisions for unused vacation	22	16

Changes in the provisions for the period ended 30 September 2021 and 2020 are set out below:

	<u>1 January - 30 September 2021</u>	<u>1 January - 30 September 2020</u>
Provisions at the beginning of the period	16	39
Provisions for the current period	152	253
Provisions released	(142)	(258)
Foreign currency translation differences	(4)	(12)
Provisions at the end of the period	<u>22</u>	<u>22</u>

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

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Nine-Month Period Ended 30 September 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Other short-term provision is as follows:

	<u>30 September 2021</u>	<u>31 December 2020</u>
Provisions for legal claims	<u>10</u>	<u>10</u>

Changes in the provisions for legal claims for the period ended 30 September 2021 and 2020 are set out below:

	<u>1 January - 30 September 2021</u>	<u>1 January - 30 September 2020</u>
Provisions at the beginning of the period	10	13
Provisions for the current period	2	1
Provisions released	-	(1)
Foreign currency translation differences	<u>(2)</u>	<u>(3)</u>
Provisions at the end of the period	<u>10</u>	<u>10</u>

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

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Nine-Month Period Ended 30 September 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**16. COMMITMENTS**

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

Amount of letters of guarantees given as of 30 September 2021 is USD 2,104 (31 December 2020: USD 1,956).

As of 30 September 2021, the letters of guarantee are given to various authorities (i.e. various banks and vendors.)

	<b>30 September 2021</b>		<b>31 December 2020</b>	
	<b>Original currency amount</b>	<b>USD equivalent</b>	<b>Original currency amount</b>	<b>USD equivalent</b>
A. Total amounts of GPM given on the behalf of its own legal entity	-	2,104	-	1,956
-Collaterals				
TL	69	8	52	7
EUR	1,756	2,036	1,511	1,854
USD	51	51	59	59
Other	-	9	-	36
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>2,104</u>		<u>1,956</u>

The ratio of other GPM (“D”) given by the group to its equity is 0% as of 30 September 2021 (31 December 2020: 0%)

b) Aircraft purchase commitments:

To be delivered between the years 2021-2028, the Group signed an agreement for 138 aircrafts, (88 of aircrafts are contractual and 50 of them are optional) with a list price value of USD 14,411. The Group has made a predelivery payment of USD 822 relevant to these purchases as of 30 September 2021 (31 December 2020: USD 1,253).

**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 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**17. EMPLOYEE BENEFITS**

Provisions for retirement pay liability as of 30 September 2021 and 2020 is comprised of the following:

	<u><b>30 September 2021</b></u>	<u><b>31 December 2020</b></u>
Provision for retirement pay liability	<u>131</u>	<u>134</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 USD 931 (full) (equivalent of TL 8,285 (full)) as of 30 September 2021. (31 December 2020: USD 970 (full) equivalent of TL 7,117 (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 2021 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 9.00% annual inflation rate (31 December 2020: 9%) and 13.20% interest rate (31 December 2020: 13.20%). Estimated amount of non-paid retirement pay retained in the Group due to voluntary leaves is assumed as 2.41% (31 December 2020: 2.53%). Ceiling for retirement pay is revised semi-annually. Ceiling amount of USD 931 (full) which is in effect since 30 September 2021 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><b>1 January - 30 September 2021</b></u>	<u><b>1 January - 30 September 2020</b></u>
Provision at the beginning of the period	134	135
Service charge for the period	15	11
Interest charges	11	10
Actuarial loss	3	8
Payments	(6)	(13)
Foreign currency translation difference	(26)	(35)
Provision at the end of the period	<u>131</u>	<u>116</u>

**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 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**18. EXPENSES BY NATURE**

Expenses by nature for the nine-month period ended 30 September 2021 and 2020 are as follows:

	<b>1 January - 30 September 2021</b>	<b>1 July - 30 September 2021</b>	<b>1 January - 30 September 2020</b>	<b>1 July - 30 September 2020</b>
Fuel expenses	1,853	872	1,308	323
Depreciation and amortisation charges	1,285	438	1,226	413
Personnel expenses	946	348	827	210
Ground services expenses	486	202	356	117
Aircraft maintenance expenses	385	147	442	132
Airport expenses	365	161	240	80
Air traffic control expenses	329	149	221	64
Passenger services and catering expenses	199	102	181	37
Commissions and incentives	166	65	146	36
Wet lease expenses	143	53	150	47
Reservation systems expenses	114	44	61	18
Service expenses	59	19	49	16
Advertisement and promotion expenses	53	20	62	11
Rents	45	18	50	13
Insurance expenses	38	7	36	9
IT and communication expenses	35	12	29	8
Transportation expenses	31	12	27	9
Taxes and duties	28	8	33	7
Consultancy expenses	17	6	13	4
Systems use and associateship expenses	8	3	11	4
Aircraft rent expenses	5	(2)	15	3
Utility expenses	3	1	3	1
Other expenses	63	23	67	25
	<b>6,656</b>	<b>2,708</b>	<b>5,553</b>	<b>1,587</b>

**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 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**19. SHAREHOLDERS' EQUITY**

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

<b>(Millions of TL)</b>	<b>Class</b>	<b>%</b>	<b>30 September</b>		<b>31 December</b>	
			<b>2021</b>	<b>%</b>	<b>2020</b>	<b>%</b>
Turkey Wealth Fund (*)	A	49.12	678	49.12	678	
Republic of Turkey Treasury and Finance Ministry Privatization Administration (*)	C	-	-	-	-	
Other (publicly held)	A	50.88	702	50.88	702	
Paid-in capital (Turkish Lira)			1,380		1,380	
Inflation adjustment on share capital (Turkish Lira) (**)			1,124		1,124	
Share capital (Turkish Lira)			<u>2,504</u>		<u>2,504</u>	
Share capital (USD Equivalent)			<u>1,597</u>		<u>1,597</u>	

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

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

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

As of 30 September 2021, 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%.)

**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 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**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 2021, lease liabilities and investment borrowings 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 %53, Euro revenue covered %28, Swiss Frank covered %21 of borrowings. In this context, exchange differences arising from such these loans repayment are taken to equity and recognized in other comprehensive income.



**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Nine-Month Period Ended 30 September 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**20. REVENUE**

Breakdown of gross profit is as follows:

	<b>1 January - 30 September 2021</b>	<b>1 July - 30 September 2021</b>	<b>1 January - 30 September 2020</b>	<b>1 July - 30 September 2020</b>
Passenger revenue				
Scheduled	4,368	2,329	2,890	794
Unscheduled	64	43	26	15
Total passenger revenue	4,432	2,372	2,916	809
Cargo revenue				
Carried by passenger aircraft	733	307	284	112
Carried by cargo aircraft	2,001	662	1,597	556
Total cargo revenue	2,734	969	1,881	668
Total passenger and cargo revenue	7,166	3,341	4,797	1,477
Technical revenue	190	57	130	44
Other revenue	21	7	35	7
Net sales	7,377	3,405	4,962	1,528
Cost of sales (-)	(5,864)	(2,414)	(4,873)	(1,399)
Gross profit / (loss)	1,513	991	89	129

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

	<b>1 January - 30 September 2021</b>	<b>1 July - 30 September 2021</b>	<b>1 January - 30 September 2020</b>	<b>1 July - 30 September 2020</b>
International flights				
- Far East	1,852	710	1,417	397
- Europe	1,841	978	1,230	436
- America	1,577	708	849	260
- Africa	705	299	474	127
- Middle East	568	296	386	80
Total	6,543	2,991	4,356	1,300
Domestic flights	623	350	441	177
Total passenger and cargo revenue	7,166	3,341	4,797	1,477

**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 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**21. COST OF SALES**

Breakdown of the cost of sales is as follows:

	<b>1 January - 30 September 2021</b>	<b>1 July - 30 September 2021</b>	<b>1 January - 30 September 2020</b>	<b>1 July - 30 September 2020</b>
Fuel expenses	1,853	872	1,308	323
Depreciation and amortisation charges	1,229	420	1,176	395
Personnel expenses	713	261	627	152
Ground services expenses	486	202	356	117
Aircraft maintenance expenses	385	147	442	132
Airport expenses	365	161	240	80
Air traffic control expenses	329	149	221	64
Passenger services and catering expenses	199	102	181	37
Wet lease expenses	143	53	150	47
Insurance expenses	35	6	33	8
Transportation expenses	31	12	27	9
Service expenses	28	9	24	8
Rents	22	9	36	12
Taxes and duties	15	6	15	5
Aircraft rent expenses	5	(2)	15	3
IT and communication expenses	4	1	3	1
Other expenses	22	6	19	6
	<u>5,864</u>	<u>2,414</u>	<u>4,873</u>	<u>1,399</u>

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

Breakdown of general administrative expenses is as follows:

	<b>1 January - 30 September 2021</b>	<b>1 July - 30 September 2021</b>	<b>1 January - 30 September 2020</b>	<b>1 July - 30 September 2020</b>
Personnel expenses	71	28	49	15
Depreciation and amortisation charges	51	17	44	16
IT and communication expenses	24	9	20	5
Service expenses	23	7	19	6
Consultancy expenses	10	4	8	2
Rents	10	4	2	(3)
Systems use and associateship expenses	5	2	7	2
Insurance expenses	3	1	3	1
Utility expenses	3	1	3	1
Taxes and duties	1	-	2	1
Other general administrative expenses	8	3	8	3
	<u>209</u>	<u>76</u>	<u>165</u>	<u>49</u>

**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 2021**

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

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

Breakdown of selling and marketing expenses is as follows:

	<b>1 January - 30 September 2021</b>	<b>1 July - 30 September 2021</b>	<b>1 January - 30 September 2020</b>	<b>1 July - 30 September 2020</b>
Commissions and incentives	166	65	146	36
Personnel expenses	162	59	151	43
Reservation systems expenses	114	44	61	18
Advertisement and promotion expenses	53	20	62	11
Rents	13	5	12	4
Taxes and duties	12	2	16	1
Service expenses	8	3	6	2
IT and communication expenses	7	2	6	2
Consultancy expenses	7	2	5	2
Depreciation and amortisation charges	5	1	6	2
Systems use and associateship expenses	3	1	4	2
Other marketing and sales expenses	33	14	40	16
	<b>583</b>	<b>218</b>	<b>515</b>	<b>139</b>

**23. OTHER OPERATING INCOME / EXPENSES**

Breakdown of other operating income is as follows:

	<b>1 January - 30 September 2021</b>	<b>1 July - 30 September 2021</b>	<b>1 January - 30 September 2020</b>	<b>1 July - 30 September 2020</b>
Insurance, indemnities, penalties income	52	24	48	31
Manufacturers' credits	50	21	112	40
Rent income	13	4	9	3
Provisions released	9	2	4	2
Non- interest income from banks	6	2	8	3
Turnover premium from suppliers	3	2	3	-
IFRS 9 Adjustment	1	-	-	-
Foreign exchange gains from operational activities, net	-	-	55	55
Rediscount interest income	-	-	2	-
Other operating income	17	3	16	5
	<b>151</b>	<b>58</b>	<b>257</b>	<b>139</b>

Breakdown of other operating expenses is as follows:

	<b>1 January - 30 September 2021</b>	<b>1 July - 30 September 2021</b>	<b>1 January - 30 September 2020</b>	<b>1 July - 30 September 2020</b>
Foreign exchange losses from operational activities, net	38	29	-	(6)
Provisions	13	(3)	11	3
Indemnity and penalty expenses	5	2	6	3
Rediscount interest expenses	4	1	-	-
IFRS 9 Adjustment	-	-	4	1
Other operating expenses	17	4	12	4
	<b>77</b>	<b>33</b>	<b>33</b>	<b>5</b>

**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 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Breakdown of income from investment activities is as follows:

	<b>1 January - 30 September 2021</b>	<b>1 July - 30 September 2021</b>	<b>1 January - 30 September 2020</b>	<b>1 July - 30 September 2020</b>
Income from investment incentives	145	51	112	37
Gain on sale of fixed assets	6	2	3	1
Interest income from financial investment	5	2	5	1
Gain on sale of financial investments	4	1	3	1
Gain on subsidiaries	-	-	7	(1)
	<u>160</u>	<u>56</u>	<u>130</u>	<u>39</u>

Breakdown of expense from investment activities is as follows:

	<b>1 January - 30 September 2021</b>	<b>1 July - 30 September 2021</b>	<b>1 January - 30 September 2020</b>	<b>1 July - 30 September 2020</b>
Loss on sale of fixed assets	6	2	-	-
Loss on sale of financial investments	1	-	-	-
Loss on valuation of assets held-for-sale	-	-	9	9
	<u>7</u>	<u>2</u>	<u>9</u>	<u>9</u>

**25. FINANCIAL INCOME/ EXPENSES**

Breakdown of financial income is as follows:

	<b>1 January - 30 September 2021</b>	<b>1 July - 30 September 2021</b>	<b>1 January - 30 September 2020</b>	<b>1 July - 30 September 2020</b>
Interest income	51	12	25	14
Fair value gains on derivative financial instruments, net	44	(5)	3	(10)
Foreign exchange gains from financial activities, net	12	114	-	-
Rediscount interest income from repayments of aircrafts	-	-	20	2
Other financial incomes	-	-	4	-
	<u>107</u>	<u>121</u>	<u>52</u>	<u>6</u>

Breakdown of financial expenses is as follows:

	<b>1 January - 30 September 2021</b>	<b>1 July - 30 September 2021</b>	<b>1 January - 30 September 2020</b>	<b>1 July - 30 September 2020</b>
Interest expense from leasing liabilities	144	48	160	16
Interest expense from financial activities	102	39	65	63
Aircraft financing expenses	24	10	17	5
Interest expenses on employee benefits	11	3	10	3
Rediscount interest expense from repayments of aircrafts	1	(2)	-	-
Foreign exchange losses on financial activities, net	-	-	371	265
Other financial expenses	10	3	5	2
	<u>292</u>	<u>101</u>	<u>628</u>	<u>354</u>

**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 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**26. TAX ASSETS AND LIABILITIES**

Breakdown of assets related to current tax is as follows:

	<b>30 September 2021</b>	<b>31 December 2020</b>
Prepaid taxes	18	38

Tax liability is as follows:

	<b>30 September 2021</b>	<b>31 December 2020</b>
Provisions for corporate tax	17	-
Prepaid taxes and funds	(8)	-
Corporate tax liability	9	-

Tax income is as follows:

	<b>1 January - 30 September 2021</b>	<b>1 July - 30 September 2021</b>	<b>1 January - 30 September 2020</b>	<b>1 July - 30 September 2020</b>
Current period tax expense	17	9	-	-
Deferred tax income	60	126	(132)	(116)
Tax income	77	135	(132)	(116)

Tax effect related to other comprehensive income is as follows:

	<b>1 January - 30 September 2021</b>			<b>1 January - 30 September 2020</b>		
	Amount before tax	Tax income	Amount after tax	Amount before tax	Tax expense	Amount after tax
Change in cash flow hedge reserve	560	( 114)	446	( 510)	105	( 405)
Losses on Remeasuring FVOCI	( 6)	1	( 5)	( 7)	2	( 5)
Change in actuarial losses from retirement pay obligation	( 3)	1	( 2)	( 8)	1	( 7)
Changes in foreign currency translation difference	( 28)	-	( 28)	( 28)	-	( 28)
Other comprehensive income	523	( 112)	411	( 553)	108	( 445)

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 25%. In accordance with the Temporary Artical 13 of regulation numbered 7316,published in Offical Gazzete Article which published on 22 April 2021, "Legislation on the Procedure for the Collection of Public Receivables and Other Certain Legislation", corporate tax rate has increased from %20 to %25 for 2021. Therefore, deferred tax assets and liabilities as of 30 September 2021 are calculated with 25% tax rate for the temporary differences which will be realized in 2021, and with 20% tax rate for those which will be realized after 2022 and onwards. For the year 2022, corporate tax rate will be %23.

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.

**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 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

*Corporate Tax (cont'd)*

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.

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.

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

	<b><u>30 September 2021</u></b>	<b><u>31 December 2020</u></b>
Fixed assets	(2,178)	(1,972)
Right of use asset	(282)	(312)
Adjustments for passenger flight liabilities	(115)	(133)
Change in fair value of derivative instruments	(15)	12
Tax loss carried forward	604	764
Lease obligations	300	311
Accruals for expenses	94	88
Income and expense for future years	87	65
Provisions for employee benefits	26	27
Miles accruals	23	16
Provisions for unused vacation	5	3
Incentives	-	13
Other	37	(1)
Deferred tax liabilities	<b><u>(1,414)</u></b>	<b><u>(1,119)</u></b>

**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 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

*Deferred Tax (cont'd)*

The changes of deferred tax liability for the period ended 1 January – 30 September 2021 and 2020 are as follows:

	<b>1 January - 30 September 2021</b>	<b>1 January - 30 September 2020</b>
Opening balance at 1 January	1,119	1,293
Tax expense / (income) from hedging reserves	111	(102)
Foreign currency translation difference	106	132
Deferred tax income	77	(132)
Tax income of actuarial losses on retirement pay obligation	-	(1)
Tax income from FVOCI	1	(2)
Deferred tax liability at the end of the period	<u>1,414</u>	<u>1,188</u>

Reconciliation with current tax charge for the period 1 January – 30 September 2021 and 2020 are as follows:

	<b>1 January - 30 September 2021</b>	<b>1 July - 30 September 2021</b>	<b>1 January - 30 September 2020</b>	<b>1 July - 30 September 2020</b>
<u>Reconciliation of effective tax charge</u>				
Profit/(Loss) from operations before tax	811	870	(918)	(248)
Domestic expense tax rate of 25% / 22%	(203)	(218)	202	55
Taxation effects on:				
- foreign currency translation difference	73	42	40	37
- effect of the change in the deferred tax rate	33	8	-	-
- income from investment incentive	29	14	8	7
- investment incentive	25	6	22	7
- investments accounted by using the equity method	10	15	(19)	(4)
- deduction	1	1	-	-
- adjustment for prior year loss	1	-	(116)	16
- non deductible expenses	(46)	(3)	(5)	(2)
Tax charge in statement of profit	<u>(77)</u>	<u>(135)</u>	<u>132</u>	<u>116</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.

**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 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**27. EARNINGS PER SHARE (cont'd)**

Number of total shares and calculation of profits / losses per share at 1 January – 30 September 2021 and 2020:

	<b>1 January - 30 September 2021</b>	<b>1 January - 30 September 2020</b>
Number of shares outstanding at 1 January (in full)	138,000,000,000	138,000,000,000
Number of shares outstanding at 30 September (in full)	138,000,000,000	138,000,000,000
Weighted average number of shares outstanding during the period (in full)	138,000,000,000	138,000,000,000
Net profit / (loss) for the period	734	(786)
Basic gain / (loss) per share (Full US Cents) (*)	0.53	(0.57)
Diluted gain / (loss) per share (Full US Cents) (*)	0.53	(0.57)

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

**28. DERIVATIVE FINANCIAL INSTRUMENTS**

Breakdown of derivative financial assets and liabilities of the Group as of 30 September 2021 and 2020 are as follows:

<u>Derivative financial assets</u>	<b>30 September 2021</b>	<b>31 December 2020</b>
Derivative instruments for fuel prices cash flow hedge	69	-
Derivative instruments not subject to hedge accounting	19	2
	<u>88</u>	<u>2</u>
 <u>Derivative financial liabilities</u>	 <b>30 September 2021</b>	 <b>31 December 2020</b>
Derivative instruments for interest rate cash flow hedge	20	32
Derivative instruments for fuel prices cash flow hedge	7	18
Derivative instruments not subject to hedge accounting	-	13
Derivative instruments for cross currency rate cash flow hedge	-	1
	<u>27</u>	<u>64</u>



**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 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

*Foreign currency risk management*

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

	<b>30 September 2021</b>					
	<b>USD EQUIVALENT</b>	<b>TL</b>	<b>EUR</b>	<b>JPY</b>	<b>CHF</b>	<b>OTHER</b>
1.Trade Receivables	683	92	175	4	13	399
2a.Monetary Financial Assets	2,114	67	1,977	3	3	64
2b.Non Monetary Financial Assets	-	-	-	-	-	-
3.Other	428	164	80	-	5	179
<b>4.Current Assets (1+2+3)</b>	<b>3,225</b>	<b>323</b>	<b>2,232</b>	<b>7</b>	<b>21</b>	<b>642</b>
5.Trade Receivables	-	-	-	-	-	-
6a.Monetary Financial Assets	730	730	-	-	-	-
6b.Non Monetary Financial Assets	-	-	-	-	-	-
7.Other	704	473	223	-	-	8
<b>8.Non Current Assets (5+6+7)</b>	<b>1,434</b>	<b>1,203</b>	<b>223</b>	<b>-</b>	<b>-</b>	<b>8</b>
<b>9.Total Assets (4+8)</b>	<b>4,659</b>	<b>1,526</b>	<b>2,455</b>	<b>7</b>	<b>21</b>	<b>650</b>
10.Trade Payables	629	349	215	1	5	59
11.Financial Liabilities (*)	3,964	50	3,645	247	22	-
12a.Other Liabilities, Monetary	223	207	12	1	-	3
12b.Other Liabilities, Non Monetary	32	32	-	-	-	-
<b>13.Current Liabilities (10+11+12)</b>	<b>4,848</b>	<b>638</b>	<b>3,872</b>	<b>249</b>	<b>27</b>	<b>62</b>
14.Trade Payables	-	-	-	-	-	-
15.Financial Liabilities (*)	9,605	5	8,200	1,292	108	-
16a.Other Liabilities, Monetary	28	20	8	-	-	-
16b.Other Liabilities, Non Monetary	131	131	-	-	-	-
<b>17.Non Current Liabilities (14+15+16)</b>	<b>9,764</b>	<b>156</b>	<b>8,208</b>	<b>1,292</b>	<b>108</b>	<b>-</b>
<b>18.Total Liabilities (13+17)</b>	<b>14,612</b>	<b>794</b>	<b>12,080</b>	<b>1,541</b>	<b>135</b>	<b>62</b>
<b>19.Net asset / liability position of off-balance sheet derivatives (19a-19b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
19a.Off-balance sheet foreign currency derivative assets	-	-	-	-	-	-
19b.Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-	-
<b>20.Net foreign currency asset/(liability) position (9-18+19)</b>	<b>(9,953)</b>	<b>732</b>	<b>(9,625)</b>	<b>(1,534)</b>	<b>(114)</b>	<b>588</b>
<b>21.Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(10,922)</b>	<b>258</b>	<b>(9,928)</b>	<b>(1,534)</b>	<b>(119)</b>	<b>401</b>
<b>22.Fair value of foreign currency hedged financial assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>23.Hedged foreign currency assets</b>	<b>898</b>	<b>-</b>	<b>898</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>24.Hedged foreign currency liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(\*) Net foreign exchange position of Group is mainly due to long term foreign currency borrowings denominated in Euro, Japanese Yen, Swiss Frank to funds its investments. Group uses these long term foreign currency borrowings to manage the risk of exchange differences with highly probable future foreign currency revenues. The USD equivalent of these borrowings amount to USD 6,556 as of 30 September 2021 (31 December 2020: USD 7,798).

**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 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

*Foreign currency risk management (cont'd)*

	31 December 2020					
	USD EQUIVALENT	TL	EUR	JPY	CHF	OTHER
1.Trade Receivables	516	13	122	1	11	369
2a.Monetary Financial Assets	1,635	874	698	4	1	58
2b.Non Monetary Financial Assets	-	-	-	-	-	-
3.Other	417	161	137	-	5	114
<b>4.Current Assets (1+2+3)</b>	<b>2,568</b>	<b>1,048</b>	<b>957</b>	<b>5</b>	<b>17</b>	<b>541</b>
5.Trade Receivables	-	-	-	-	-	-
6a.Monetary Financial Assets	743	743	-	-	-	-
6b.Non Monetary Financial Assets	-	-	-	-	-	-
7.Other	652	409	236	-	-	7
<b>8.Non Current Assets (5+6+7)</b>	<b>1,395</b>	<b>1,152</b>	<b>236</b>	<b>-</b>	<b>-</b>	<b>7</b>
<b>9.Total Assets (4+8)</b>	<b>3,963</b>	<b>2,200</b>	<b>1,193</b>	<b>5</b>	<b>17</b>	<b>548</b>
10.Trade Payables	595	298	244	-	4	49
11.Financial Liabilities	3,884	99	3,521	241	23	-
12a.Other Liabilities, Monetary	114	87	19	1	-	7
12b.Other Liabilities, Non Monetary	26	26	-	-	-	-
<b>13.Current Liabilities (10+11+12)</b>	<b>4,619</b>	<b>510</b>	<b>3,784</b>	<b>242</b>	<b>27</b>	<b>56</b>
14.Trade Payables	-	-	-	-	-	-
15.Financial Liabilities	10,099	6	8,365	1,598	130	-
16a.Other Liabilities, Monetary	29	18	8	-	-	3
16b.Other Liabilities, Non Monetary	134	134	-	-	-	-
<b>17.Non Current Liabilities (14+15+16)</b>	<b>10,262</b>	<b>158</b>	<b>8,373</b>	<b>1,598</b>	<b>130</b>	<b>3</b>
<b>18.Total Liabilities (13+17)</b>	<b>14,881</b>	<b>668</b>	<b>12,157</b>	<b>1,840</b>	<b>157</b>	<b>59</b>
<b>19.Net asset / liability position of off-balance sheet derivatives (19a-19b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
19a.Off-balance sheet foreign currency derivative assets	-	-	-	-	-	-
19b.Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-	-
<b>20.Net foreign currency asset/(liability) position (9-18+19)</b>	<b>(10,918)</b>	<b>1,532</b>	<b>(10,964)</b>	<b>(1,835)</b>	<b>(140)</b>	<b>489</b>
<b>21.Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(11,827)</b>	<b>1,122</b>	<b>(11,337)</b>	<b>(1,835)</b>	<b>(145)</b>	<b>368</b>
<b>22.Fair value of foreign currency hedged financial assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>23.Hedged foreign currency assets</b>	<b>506</b>	<b>-</b>	<b>506</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>24.Hedged foreign currency liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Nine-Month Period Ended 30 September 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

*Foreign currency risk management (cont'd)*

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

	<b>30 September 2021</b>			
	<b>Profit / (Loss)</b>		<b>Equity</b>	
	<b>Before Tax</b>			
	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	73	(73)	-	-
2- Part hedged from TL risk (-)	-	-	-	-
3- TL net effect (1+2)	73	(73)	-	-
4- Euro net asset / liability	(396)	396	(567)	567
5- Part hedged from Euro risk (-)	90	(90)	-	-
6- Euro net effect (4+5)	(306)	306	(567)	567
7- JPY net asset / liability	(93)	93	(60)	60
8- Part hedged from JPY risk (-)	-	-	-	-
9- JPY net effect (7+8)	(93)	93	(60)	60
10- CHF net asset / liability	2	(2)	(13)	13
11- Part hedged from CHF risk (-)	-	-	-	-
12- CHF net effect (10+11)	2	(2)	(13)	13
13- Other foreign currency net asset / liability	59	(59)	-	-
14- Part hedged other foreign currency risk (-)	-	-	-	-
15- Other foreign currency net effect (13+14)	59	(59)	-	-
<b>TOTAL (3 + 6 + 9 + 12 + 15)</b>	<b>(265)</b>	<b>265</b>	<b>(640)</b>	<b>640</b>

**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 2021**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

*Foreign currency risk management (cont'd)*

	<b>31 December 2020</b>			
	<b>Profit / (Loss)</b>		<b>Equity</b>	
	<b>Before Tax</b>		<b>If foreign</b>	<b>If foreign</b>
	<b>If foreign</b>	<b>If foreign</b>	<b>currency</b>	<b>currency</b>
	<b>currency</b>	<b>currency</b>	<b>currency</b>	<b>currency</b>
	<b>appreciated</b>	<b>depreciated</b>	<b>appreciated</b>	<b>depreciated</b>
	<b>10 %</b>	<b>10 %</b>	<b>10 %</b>	<b>10 %</b>
1- TL net asset / liability	153	(153)	-	-
2- Part hedged from TL risk (-)	-	-	-	-
3- TL net effect (1+2)	153	(153)	-	-
4- Euro net asset / liability	(369)	369	(727)	727
5- Part hedged from Euro risk (-)	51	(51)	-	-
6- Euro net effect (4+5)	(318)	318	(727)	727
7- JPY net asset / liability	(120)	120	(64)	64
8- Part hedged from JPY risk (-)	-	-	-	-
9- JPY net effect (7+8)	(120)	120	(64)	64
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	49	(49)	-	-
14- Part hedged other foreign currency risk (-)	-	-	-	-
15- Other foreign currency net effect (13+14)	49	(49)	-	-
<b>TOTAL (3 + 6 + 9 + 12 + 15)</b>	<b>(235)</b>	<b>235</b>	<b>(806)</b>	<b>806</b>

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

Although the effects of the Covid-19 global pandemic continue, considering the positive development of our Incorporation's operational efficiency, performance and financial indicators compared to 2020; effective as of 01.10.2021, it has been decided to increase the work/flight compensations of our cockpit personnel by 25% and the job/severance pay of the other domestic business groups by 20%, based on current wages.