

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

Condensed Consolidated Interim  
Financial Statements As at and For  
The Six-Month Period  
Ended 30 June 2023



## REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To the Board of Directors of Türk Hava Yolları Anonim Ortaklığı

### *Introduction*

We have reviewed the accompanying condensed consolidated balance sheet of Türk Hava Yolları Anonim Ortaklığı (the “Company”) and its subsidiaries (collectively referred as the “Group”) as at 30 June 2023 and the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended. Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial information in accordance with International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### *Scope of review*

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”. A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

PwC Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Baki Erdal, SMMM  
Partner

Istanbul, 9 August 2023

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Condensed Consolidated Interim Balance Sheet as at 30 June 2023**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

<b>ASSETS</b>	<b>Notes</b>	<b>30 June 2023</b>	<b>31 December 2022</b>
<b>Non-Current Assets</b>			
Financial Investments	6	304	165
Other Receivables			
-Third Parties	9	944	957
Investments Accounted for Using Equity Method	3	235	277
Investment Property		69	69
Property and Equipment	11	5,509	4,654
Right of Use Assets	11	16,256	16,577
Intangible Assets			
- Other Intangible Assets	12	78	77
- Goodwill		27	27
Prepaid Expenses		1,091	914
Deferred Tax Asset	25	4	2
<b>TOTAL NON-CURRENT ASSETS</b>		<b>24,517</b>	<b>23,719</b>
<b>Current Assets</b>			
Cash and Cash Equivalents	5	2,622	4,075
Financial Investments	6	3,219	626
Trade Receivables			
-Related Parties	8	42	31
-Third Parties		860	964
Other Receivables			
-Related Parties	8	13	13
-Third Parties	9	964	864
Derivative Financial Instruments	27	29	44
Inventories		358	331
Prepaid Expenses		313	176
Current Income Tax Assets	25	41	35
Other Current Assets		81	66
<b>TOTAL CURRENT ASSETS</b>		<b>8,542</b>	<b>7,225</b>
<b>TOTAL ASSETS</b>		<b>33,059</b>	<b>30,944</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 June 2023**

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

<b>LIABILITIES AND EQUITY</b>	<b>Notes</b>	<b>30 June 2023</b>	<b>31 December 2022</b>
<b>Equity</b>			
Share Capital	18	1,597	1,597
Treasury Shares		( 31)	-
Items That Will Not Be Reclassified to Profit or Loss			
-Actuarial Losses on Retirement Pay Obligation	18	( 239)	( 228)
Items That Are or May Be Reclassified to Profit or Loss			
-Foreign Currency Translation Differences	18	( 317)	( 294)
-Fair Value Gains on Hedging Instruments Entered into for Cash Flow Hedges	18	417	515
-Losses on Investments Remeasured at FVOCI		( 13)	( 14)
Restricted Profit Reserves	18	67	36
Previous Years Profit	18	8,099	5,405
Net Profit for the Period		868	2,725
Equity of the Parent		<b>10,448</b>	<b>9,742</b>
Non-Controlling Interests		5	-
<b>TOTAL EQUITY</b>		<b>10,453</b>	<b>9,742</b>
<b>Non- Current Liabilities</b>			
Long-Term Borrowings	7	807	1,115
Long-Term Lease Liabilities	7 and 13	9,253	9,177
Other Payables			
-Third Parties		27	24
Deferred Income	10	107	108
Long-Term Provisions			
-Provisions for Employment Termination Benefits	16	243	273
-Other Provisions		73	61
Deferred Tax Liabilities	25	2,466	2,220
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>12,976</b>	<b>12,978</b>
<b>Current Liabilities</b>			
Short Term Borrowings	7	1,529	1,058
Short-Term Portion of Long-Term Borrowings	7	758	1,100
Short-Term Portion of Lease Liabilities	7 and 13	1,622	1,589
Trade Payables			
-Related Parties	8	211	270
-Third Parties		1,091	930
Payables Related to Employee Benefits		218	183
Other Payables			
-Related Parties	8	1	13
-Third Parties		185	112
Derivative Financial Instruments	27	55	211
Deferred Income	10	3,548	2,394
Current Tax Provision	25	2	3
Short-Term Provisions			
-Provisions for Employee Benefits	14	42	39
-Other Provisions	14	6	6
Other Current Liabilities		362	316
<b>TOTAL CURRENT LIABILITIES</b>		<b>9,630</b>	<b>8,224</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>33,059</b>	<b>30,944</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 Six-Month Period Ended 30 June 2023**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

		<u>Reviewed</u>	<u>Not Reviewed</u>	<u>Reviewed</u>	<u>Not Reviewed</u>
		<u>1 January -</u>	<u>1 April -</u>	<u>1 January -</u>	<u>1 April -</u>
	<u>Notes</u>	<u>30 June 2023</u>	<u>30 June 2023</u>	<u>30 June 2022</u>	<u>30 June 2022</u>
<b>PROFIT OR LOSS</b>					
Revenue	19	9,502	5,149	7,586	4,535
Cost of Sales (-)	20	(7,567)	(3,862)	(6,137)	(3,598)
<b>GROSS PROFIT</b>		<b>1,935</b>	<b>1,287</b>	<b>1,449</b>	<b>937</b>
General Administrative Expenses (-)	21	(227)	(129)	(134)	(65)
Selling and Marketing Expenses (-)	21	(866)	(450)	(651)	(352)
Other Operating Income	22	196	100	72	42
Other Operating Expenses (-)	22	(130)	(14)	(43)	(32)
<b>OPERATING PROFIT BEFORE INVESTMENT ACTIVITIES</b>		<b>908</b>	<b>794</b>	<b>693</b>	<b>530</b>
Income from Investment Activities	23	352	201	106	60
Expenses for Investment Activities	23	(15)	(3)	(23)	-
Share of Investments' Profit Accounted for Using The Equity Method	3	30	42	10	15
<b>OPERATING PROFIT</b>		<b>1,275</b>	<b>1,034</b>	<b>786</b>	<b>605</b>
Financial Income	24	413	111	155	118
Financial Expenses (-)	24	(552)	(285)	(193)	(95)
<b>PROFIT BEFORE TAX</b>		<b>1,136</b>	<b>860</b>	<b>748</b>	<b>628</b>
<b>Tax Expense</b>		<b>(268)</b>	<b>(225)</b>	<b>(11)</b>	<b>(52)</b>
Current Tax Expense	25	(6)	(2)	(23)	(15)
Deferred Tax (Expense) / Income	25	(262)	(223)	12	(37)
<b>NET PROFIT FOR THE PERIOD</b>		<b>868</b>	<b>635</b>	<b>737</b>	<b>576</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 Six-Month Period Ended 30 June 2023**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

	<u>Reviewed</u>	<u>Not Reviewed</u>	<u>Reviewed</u>	<u>Not Reviewed</u>
	<u>1 January -</u>	<u>1 April -</u>	<u>1 January -</u>	<u>1 April -</u>
	<u>30 June 2023</u>	<u>30 June 2023</u>	<u>30 June 2022</u>	<u>30 June 2022</u>
<b><u>OTHER COMPREHENSIVE INCOME</u></b>				
<b>Items That May Be Reclassified Subsequently To</b>				
<b>Profit or Loss</b>	<b>(120)</b>	<b>(185)</b>	<b>576</b>	<b>348</b>
Currency Translation Adjustment	( 23)	(14)	(26)	(12)
Gains / (Losses) on Investments Remeasured at FVOCI	1	(4)	(23)	(22)
Fair Value (Losses) / Gains on Hedging Instruments				
Entered into for Cash Flow Hedges	(110)	(210)	757	467
Fair Value (Losses) / Gains Hedging Instruments of				
Investment Accounted by Using the Equity Method				
Entered into for Cash Flow Hedges	(13)	(1)	24	4
Related Tax of Other Comprehensive Income	25	44	(156)	(89)
<b>Items That Will Not Be Reclassified Subsequently</b>				
<b>To Profit or Loss</b>	<b>(11)</b>	<b>(9)</b>	<b>(11)</b>	<b>(8)</b>
Actuarial Losses on Retirement Pay				
Obligation	(14)	(11)	(14)	(10)
Related Tax of Other Comprehensive Income	3	2	3	2
<b>OTHER COMPREHENSIVE (EXPENSE) / INCOME</b>				
<b>FOR THE PERIOD</b>	<b>(131)</b>	<b>(194)</b>	<b>565</b>	<b>340</b>
<b>TOTAL COMPREHENSIVE INCOME</b>				
<b>FOR THE PERIOD</b>	<b>737</b>	<b>441</b>	<b>1,302</b>	<b>916</b>
<b>Basic Earnings Per Share (Full US Cents)</b>	26	0.63	0.46	0.53
<b>Diluted Earnings Per Share (Full US Cents)</b>	26	0.63	0.46	0.53

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 Changes in Equity**  
**For the Six-Month Period Ended 30 June 2023**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

	Share Capital	Treasury Shares	Items That Will Not Be Reclassified Subsequently To Profit or Loss	Items That May Be Reclassified Subsequently To Profit or Loss			Retained Earnings			Equity Holders of the Parent	Non-controlling Interests	Total Equity
			Actuarial Losses Retirement Pay Obligation	Foreign Currency Translation Differences	Fair Value Gains on Hedging Instruments Entered Into For Cash Flow Hedges	Losses on Investments Remeasured at FVOCI	Restricted Profit Reserves	Previous Years Profit	Net Profit for The Period			
<b>As of 1 January 2023</b>	<b>1,597</b>	-	(228)	(294)	515	(14)	36	5,405	2,725	9,742	-	9,742
Transfers	-	-	-	-	-	-	31	2,694	(2,725)	-	-	-
Total comprehensive income (Increase) / decrease through	-	-	(11)	(23)	(98)	1	-	-	868	737	-	737
treasury share transactions	-	(31)	-	-	-	-	-	-	-	(31)	-	(31)
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-	5	5
<b>As of 30 June 2023</b>	<b>1,597</b>	<b>(31)</b>	<b>(239)</b>	<b>(317)</b>	<b>417</b>	<b>(13)</b>	<b>67</b>	<b>8,099</b>	<b>868</b>	<b>10,448</b>	<b>5</b>	<b>10,453</b>

	Share Capital	Treasury Shares	Items That Will Not Be Reclassified Subsequently To Profit or Loss	Items That May Be Reclassified Subsequently To Profit or Loss			Retained Earnings			Equity Holders of the Parent	Non-controlling Interests	Total Equity
			Actuarial Losses Retirement Pay Obligation	Foreign Currency Translation Differences	Fair Value Gains on Hedging Instruments Entered Into For Cash Flow Hedges	Losses on Investments Remeasured at FVOCI	Restricted Profit Reserves	Previous Years Profit	Net Profit for The Period			
<b>As of 1 January 2022</b>	<b>1,597</b>	-	(71)	(275)	151	(7)	36	4,446	959	6,836	1	6,837
Transfers	-	-	-	-	-	-	-	959	(959)	-	-	-
Total comprehensive income	-	-	(11)	(26)	620	(18)	-	-	737	1,302	-	1,302
<b>As of 30 June 2022</b>	<b>1,597</b>	-	<b>(82)</b>	<b>(301)</b>	<b>771</b>	<b>(25)</b>	<b>36</b>	<b>5,405</b>	<b>737</b>	<b>8,138</b>	<b>1</b>	<b>8,139</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 Six-Month Period Ended 30 June 2023**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

	Notes	Reviewed 1 January - 30 June 2023	Reviewed 1 January - 30 June 2022
Net Profit for the period		868	737
<b>Adjustments to Reconcile Profit</b>			
Adjustments for Depreciation and Amortisation Expense	11 and 12	994	899
Adjustments for Provisions Related to Employee Benefits	14 and 16	53	53
Adjustments for Provisions for Other Accruals	14	2	1
Adjustments for Reversal of Probable Risks		7	(2)
Adjustments for Interest Income	23 and 24	(314)	(84)
Adjustments for Interest Expense	16 and 24	254	155
Adjustments For Unrealised Foreign Exchange Gains		(118)	(262)
Adjustments for Fair Value Gains on Derivative			
Financial Instruments	24	(186)	(20)
Adjustments for Undistributed Gains of Associates	3	(30)	(10)
Adjustments for Tax Expense / (Income)	25	261	(12)
Adjustments for (Gains) / Losses Arised From Sale of Tangible Assets	23	(16)	18
Adjustments for Losses Arised from Sale of Other Non-Current Assets	11	34	23
<b>Operating Profit Before Changes in Working Capital</b>		<b>1,809</b>	<b>1,496</b>
(Increase) / Decrease in Trade Receivables from Related Parties	8	(11)	1
Decrease / (Increase) in Trade Receivables from Third Parties		100	(224)
Increase in Other Receivables from Related Parties	8	-	(13)
(Increase) / Decrease in Other Receivables from Third Parties	9	(114)	21
Adjustments for Increase in Inventories		(27)	(40)
Adjustments for Increase in Prepaid Expenses		(314)	(150)
(Decrease) / Increase in Trade Payables to Related Parties	8	(59)	101
Increase in Trade Payables to Third Parties		161	294
Adjustments for Increase in Payables Due to			
Employee Benefits		35	17
(Decrease) / Increase in Other Payables to Related Parties	8	(12)	1
Increase in Other Payables to Third Parties		76	77
Increase in Deferred Income	10	1,199	1,802
(Increase) / Decrease in Other Assets		(15)	15
<b>Cash Flows From Operations</b>		<b>2,828</b>	<b>3,398</b>
Payments for Provisions Related with Employee Benefits	16	(7)	(2)
Income Taxes Received	25	6	-
<b>Net Cash From Operating Activities</b>		<b>2,827</b>	<b>3,396</b>
<b>CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>			
Proceeds From Sales of Property, Plant and Equipment and Intangible Assets		28	28
Payments For Purchasing of Property, Plant and Equipment and Intangible Assets	11 and 12	(562)	(436)
Payments For Purchasing of Other Short and Long-term Assets	6	(2,732)	(820)
Other Cash Advances and Loans	9	(35)	(61)
Dividends Received		25	3
Interest Received	23	185	29
<b>Net Cash Flows Used In Investing Activities</b>		<b>(3,091)</b>	<b>(1,257)</b>
<b>CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES</b>			
Payments to Acquire Entity's Shares		(31)	-
Proceeds From Loans	7	1,419	722
Repayments of Loans	7	(1,678)	(1,074)
Payments of Lease Liabilities	7	( 848)	(858)
Interest Paid		( 180)	(136)
Interest Received	24	129	55
Other Cash Outflows		-	(4)
<b>Net Cash Used in Financing Activities</b>		<b>(1,189)</b>	<b>(1,295)</b>
<b>Net Change in Cash and Cash Equivalents</b>		<b>(1,453)</b>	<b>844</b>
<b>CASH AND CASH EQUIVALENTS</b>			
<b>AT THE BEGINNING OF THE PERIOD</b>		<b>4,075</b>	<b>2,677</b>
<b>CASH AND CASH EQUIVALENTS</b>			
<b>AT THE END OF THE PERIOD</b>	5	<b>2,622</b>	<b>3,521</b>

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



## TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

### Notes to the Condensed Consolidated Interim Financial Statements

#### As At And For the Six-Month Period Ended 30 June 2023

(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 Türkiye in 1933. As of 30 June 2023 and 31 December 2022, the shareholders and their respective shareholdings in the Company are as follows:

	<u>30 June 2023</u>	<u>31 December 2022</u>
Türkiye Wealth Fund	49.12 %	49.12 %
Republic of Türkiye Treasury and Finance Ministry Privatization Administration	-	-
Other	50.88 %	50.88 %
Total	<u>100.00 %</u>	<u>100.00 %</u>

The Company is controlled by Türkiye Wealth Fund.

The number of employees working for the Group as of 30 June 2023 is 50,623 (31 December 2022: 40,264). The average number of employees working for the Group for the period ended 30 June 2023 and 2022 are 49,603 and 37,594 respectively. The Group is registered in İstanbul, Türkiye 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. The Company and its subsidiaries will be referred to as “Group”.

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Six-Month Period Ended 30 June 2023**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

**Subsidiaries and Joint Ventures**

The table below sets out the consolidated subsidiaries of the Group as of 30 June 2023 and 2022:

<u>Name of the Company</u>	<u>Principal Activity</u>	<u>Ownership Rate</u>		<u>Country of Registration</u>
		<u>30 June 2023</u>	<u>31 December 2022</u>	
THY Teknik A.Ş. (Turkish Technic)	Aircraft Maintenance Services	100%	100%	Türkiye
THY Uçuş Eğitim ve Havalimanı İşletme A.Ş. (TAFİA)	Training & Airport Operations	100%	100%	Türkiye
THY Uluslararası Yatırım ve Taşımacılık A.Ş.	Cargo and Courier Transportation	100%	100%	Türkiye
THY Teknoloji ve Bilişim A.Ş. (Turkish Technology)	Information Technologies and Consulting	100%	100%	Türkiye
THY Hava Kargo Taşımacılığı A.Ş.	Cargo Transportation	100%	100%	Türkiye
THY Destek Hizmetleri A.Ş. (*)	Support Services	100%	-	Türkiye
THY Özel Güvenlik ve Koruma Hizmetleri A.Ş. (**)	Security Services	100%	-	Türkiye
TCI Kabin İçi Sistemleri San ve Tic. A.Ş. (TCI) (***)	Cabin Interior Products	80%	50%	Türkiye
TSI Seats INC	Cabin Interior Products	80%	100%	USA

(\*) THY Destek Hizmetleri A.Ş. was established on 06.03.2023 in order to meet the support service needs of our Incorporation's and subsidiaries' out of core business activities.

(\*\*) THY Özel Güvenlik ve Koruma Hizmetleri A.Ş. was established on 12.05.2023 as a 100% THY Destek Hizmetleri A.Ş. subsidiary in order to meet the private security services.

(\*\*\*) The merger of the subsidiaries established for the design, production, marketing, and sales of cabin interior products, Uçak Koltuk Üretim Sanayi ve Ticaret A.Ş. ("TSI") and Cornea Havacılık Sistemleri Sanayi ve Ticaret A.Ş. ("Cornea") were dissolved without liquidation and TCI Kabin İçi Sistemleri Sanayi ve Ticaret A.Ş. ("TCI") to take over TSI and Cornea with all its assets and liabilities is completed on 15.02.2023.

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Six-Month Period Ended 30 June 2023**  
(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 the joint ventures of the Group as of 30 June 2023 and 2022:

Company Name	Country of Registration and Operations	Ownership Share and Voting Power		Principal Activity
		30 June 2023	31 December 2022	
Güneş Ekspres Havacılık A.Ş. (Sun Express)	Türkiye	50%	50%	Aircraft Transportation
THY DO&CO İkrâm Hizmetleri A.Ş. (Turkish DO&CO)	Türkiye	50%	50%	Catering Services
P&W T.T. Uçak Bakım Merkezi Ltd. Şti. (TEC)	Türkiye	49%	49%	Maintenance Services
TGS Yer Hizmetleri A.Ş. (TGS)	Türkiye	50%	50%	Ground Services
THY OPET Havacılık Yakıtları A.Ş. (THY Opet)	Türkiye	50%	50%	Aviation Fuel Services
Goodrich Thy Teknik Servis Merkezi Ltd. Şti. (TNC) (Goodrich)	Türkiye	40%	40%	Maintenance Services
Vergi İade Aracılık A.Ş.	Türkiye	-	30%	VAT Return and Consultancy
Air Albania	Albania	49%	49%	Aircraft Transportation
We World Express Ltd. (We World Express)	Hong Kong	45%	45%	Cargo and Courier Transportation
TFS Akaryakıt Hizmetleri A.Ş. (TFS Akaryakıt)	Türkiye	25%	25%	Aviation Fuel Services

The Group owns 49%, 49%, 45%, 40% and 25% equity shares of TEC, Air Albania, We World Express Ltd., Goodrich 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 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 six-month period ended 30 June 2023 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 2022.

The Board of Directors has approved the condensed consolidated interim financial statements as of 30 June 2023 on 8 August 2023. 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 Six-Month Period Ended 30 June 2023

(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 some financial instruments that are stated at fair value, 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 those 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*.

IAS 29 requires the financial statements of an entity with a hyperinflationary functional currency to be restated for the changes in the general pricing power of the functional currency. The Group uses the USD to measure items in its financial statements and the USD as the functional currency. Therefore, no adjustments have been made for hyperinflation according to IAS 29.

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

#### **Business Combinations**

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

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

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

#### **Business Combinations (cont'd)**

The Group measures goodwill at the acquisition date as follows:

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

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

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognized in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

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

The significant estimates and assumptions used in the preparation of these consolidated financial statements as at and for the period ended 30 June 2023 are consistent with those used in the preparation of the Group's consolidated financial statements as at and for the year ended 31 December 2022.

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

The accounting policies used in preparation of condensed consolidated interim financial statements as at 30 June 2023 are consistent with those used in the preparation of consolidated statements for the year ended 31 December 2022.

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

#### **a) Standards, amendments and interpretations applicable as at 30 June 2023:**

**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;** effective from annual periods beginning on or after 1 January 2023. These amendments require companies to recognize deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

## TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

### Notes to the Condensed Consolidated Interim Financial Statements

#### As At And For the Six-Month Period Ended 30 June 2023

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

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

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

#### a) Standards, amendments and interpretations applicable as at 30 June 2023 (cont'd):

**Amendment to IAS 12 - International tax reform - pillar two model rules;** The deferred tax exemption and disclosure of the fact that the exception has been applied, is effective immediately. The other disclosure requirements are effective annual periods beginning on or after 1 January 2023. These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

#### b) Standards, amendments and interpretations that are issued but not effective as at 30 June 2023:

**Amendment to IAS 1 – Non current liabilities with covenants;** effective from annual periods beginning on or after 1 January 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

**Amendment to IFRS 16 – Leases on sale and leaseback;** effective from annual periods beginning on or after 1 January 2024. These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

**Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements;** effective from annual periods beginning on or after 1 January 2024. These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

**IFRS S1, 'General requirements for disclosure of sustainability-related financial information;** effective from annual periods beginning on or after 1 January 2024. This is subject to endorsement of the standards by local jurisdictions. This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.

**IFRS S2, 'Climate-related disclosures';** effective from annual periods beginning on or after 1 January 2024. This is subject to endorsement of the standards by local jurisdictions. This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.

### 2.5 Determination of Fair Values

Various accounting policies and explanations of the Group necessitate to determine the fair value of both financial and non-financial assets and liabilities. If applicable, additional informations about assumptions used for the 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).

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Six-Month Period Ended 30 June 2023**  
 (All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

**2.6 Going Concern**

The Group has prepared its consolidated financial statements with the assumption on the Group's ability to continue its operations in the foreseeable future as a going concern.

**2.7 Other**

***Russia-Ukraine Conflict***

Due to the Russia-Ukraine conflict that broke out towards the end of February 2022, Turkish airlines suspended Ukraine and Belarus flights as of February 24, 2022. The closure of the airspaces of these countries to European air carriers caused some airline companies to make route changes, while others were unable to fly to the far east region, the impact of the conflict was limited for the Group due to the geographical location of Istanbul Airport and the Russian airspace being open to Turkish carriers. The Group constantly assesses further developments.

***Earthquakes in Turkey***

In order to alleviate the impact of social and economic consequences of the consecutive earthquakes which took place on February 6, 2023; passenger and cargo flights were carried out free of charge, a cash donation of USD 107 (TL 2,000) was made and it was decided by the Board of Directors to pursue all necessary work and procedures for the construction of 1,000 homes to be built in the earthquake-affected region. In addition to that, the earthquake does not have a significant impact on the Group's continuing operations.

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

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

	<u>30 June 2023</u>	<u>31 December 2022</u>
TEC	74	65
Sun Express	73	105
Turkish DO&CO	23	26
TGS	22	17
THY Opet	20	21
TFS Akaryakıt	14	30
Goodrich	5	5
We World Express	4	4
TCI (*)	-	4
	<u>235</u>	<u>277</u>

(\*) TCI, which was previously consolidated using the Equity method, will be fully consolidated in our financial statements in the following periods.

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Six-Month Period Ended 30 June 2023**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

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

	<b>1 January - 30 June 2023</b>	<b>1 April - 30 June 2023</b>	<b>1 January - 30 June 2022</b>	<b>1 April - 30 June 2022</b>
TGS	16	12	9	6
TFS Akaryakıt	13	8	23	16
TEC	9	6	3	2
Turkish DO&CO	9	5	6	3
THY Opet	7	6	9	6
Goodrich	-	-	-	-
Sun Express	(24)	5	(40)	(18)
	<u>30</u>	<u>42</u>	<u>10</u>	<u>15</u>

Financial information for Sun Express as of 30 June 2023 and 2022 are as follows:

	<b>30 June 2023</b>	<b>31 December 2022</b>
Total assets	2,215	1,728
Total liabilities	2,069	1,517
Shareholders' equity	146	211
Group's share in joint venture's shareholders' equity	73	105

  

	<b>1 January - 30 June 2023</b>	<b>1 April - 30 June 2023</b>	<b>1 January - 30 June 2022</b>	<b>1 April - 30 June 2022</b>
Revenue	557	386	454	316
Loss for the period	(48)	12	(79)	(34)
Group's share in joint venture's loss for the period	(24)	5	(40)	(18)

Financial information for TEC as of 30 June 2023 and 2022 are as follows:

	<b>30 June 2023</b>	<b>31 December 2022</b>
Total assets	278	255
Total liabilities	128	122
Shareholders' equity	150	133
Group's share in joint venture's shareholders' equity	74	65

  

	<b>1 January - 30 June 2023</b>	<b>1 April - 30 June 2023</b>	<b>1 January - 30 June 2022</b>	<b>1 April - 30 June 2022</b>
Revenue	215	97	210	105
Profit for the period	17	11	7	5
Group's share in joint venture's profit for the period	9	6	3	2



**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Six-Month Period Ended 30 June 2023**  
(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 June 2023 and 2022 are as follows:

			<b>30 June</b>	<b>31 December</b>
			<b>2023</b>	<b>2022</b>
Total assets			158	128
Total liabilities			111	76
Shareholders' equity			47	52
Group's share in joint venture's shareholders' equity			23	26
	<b>1 January -</b>	<b>1 April -</b>	<b>1 January -</b>	<b>1 April -</b>
	<b>30 June 2023</b>	<b>30 June 2023</b>	<b>30 June 2022</b>	<b>30 June 2022</b>
Revenue	219	119	135	78
Profit for the period	17	10	11	6
Group's share in joint venture's profit for the period	9	5	6	3

Financial information for THY Opet as of 30 June 2023 and 2022 are as follows:

			<b>30 June</b>	<b>31 December</b>
			<b>2023</b>	<b>2022</b>
Total assets			120	145
Total liabilities			79	104
Shareholders' equity			41	41
Group's share in joint venture's shareholders' equity			20	21
	<b>1 January -</b>	<b>1 April -</b>	<b>1 January -</b>	<b>1 April -</b>
	<b>30 June 2023</b>	<b>30 June 2023</b>	<b>30 June 2022</b>	<b>30 June 2022</b>
Revenue	342	183	286	202
Profit for the period	14	12	18	13
Group's share in joint venture's profit for the period	7	6	9	6

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Six-Month Period Ended 30 June 2023**  
(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 TGS as of 30 June 2023 and 2022 are as follows:

			<b>30 June</b>	<b>31 December</b>
			<b>2023</b>	<b>2022</b>
Total assets			169	153
Total liabilities			126	118
Shareholders' equity			43	35
Group's share in joint venture's shareholders' equity			22	17
	<b>1 January -</b>	<b>1 April -</b>	<b>1 January -</b>	<b>1 April -</b>
	<b>30 June 2023</b>	<b>30 June 2023</b>	<b>30 June 2022</b>	<b>30 June 2022</b>
Revenue	242	123	157	88
Profit for the period	31	24	17	10
Group's share in joint venture's profit for the period	16	12	9	6

Financial information for TFS Akaryakıt Hizmetleri as of 30 June 2023 and 2022 are as follows:

			<b>30 June</b>	<b>31 December</b>
			<b>2023</b>	<b>2022</b>
Total assets			340	533
Total liabilities			285	412
Shareholders' equity			55	121
Group's share in joint venture's shareholders' equity			14	30
	<b>1 January -</b>	<b>1 April -</b>	<b>1 January -</b>	<b>1 April -</b>
	<b>30 June 2023</b>	<b>30 June 2023</b>	<b>30 June 2022</b>	<b>30 June 2022</b>
Revenue	1,459	691	1,430	958
Profit for the period	51	36	93	64
Group's share in joint venture's profit for the period	13	8	23	16

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

**Notes to the Condensed Consolidated Interim Financial Statements**

**As At And For the Six-Month Period Ended 30 June 2023**

(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 June 2023 and 2022 are as follows:

			<b>30 June 2023</b>	<b>31 December 2022</b>
Total assets			17	17
Total liabilities			4	4
Shareholders' equity			13	13
Group's share in joint venture's shareholders' equity			5	5
	<b>1 January - 30 June 2023</b>	<b>1 April - 30 June 2023</b>	<b>1 January - 30 June 2022</b>	<b>1 April - 30 June 2022</b>
Revenue	7	3	13	7
Profit for the period	-	-	1	1
Group's share in joint venture's profit for the period	-	-	-	-

Financial information for We World Express as of 30 June 2023 and 2022 are as follows:

			<b>30 June 2023</b>	<b>31 December 2022</b>
Total assets			14	14
Total liabilities			5	5
Shareholders' equity			9	9
Group's share in joint venture's shareholders' equity			4	4
	<b>1 January - 30 June 2023</b>	<b>1 April - 30 June 2023</b>	<b>1 January - 30 June 2022</b>	<b>1 April - 30 June 2022</b>
Revenue	22	13	21	10
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 exceeds the Group's total share in the joint venture's shareholders' equity, has not been accounted in the consolidated financial statements. As of 30 June 2023, the amount is USD 3 (31 December 2022: USD 8).

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

	<b>1 January - 30 June 2023</b>	<b>1 January - 30 June 2022</b>
Opening balance	277	237
Share of investments' income/(loss) accounted for using the equity method	30	10
Equity Investment Disposal	(4)	-
Other expense and income recognized in equity	(17)	14
Dividends to shareholders	(23)	(17)
Foreign currency translation difference	(28)	(24)
Closing balance	<u>235</u>	<u>220</u>

## TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

### Notes to the Condensed Consolidated Interim Financial Statements

As At And For the Six-Month Period Ended 30 June 2023

(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 principal 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 the aviation sector. The detailed information about the revenue of the Group is given in Note 19.

#### 4.1 Total Assets and Liabilities

	<b>30 June 2023</b>	<b>31 December 2022</b>
<b>Total Assets</b>		
Aviation	32,921	30,792
Technical	1,690	1,633
Total	34,611	32,425
Less: Eliminations due to consolidation	(1,552)	(1,481)
Total assets in consolidated financial statements	33,059	30,944
<b>Total Liabilities</b>		
Aviation	22,337	21,051
Technical	486	422
Total	22,823	21,473
Less: Eliminations due to consolidation	(217)	(271)
Total liabilities in consolidated financial statements	22,606	21,202

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Six-Month Period Ended 30 June 2023**  
(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 June 2023</b>	<b>Aviation</b>	<b>Technic</b>	<b>Inter-segment elimination</b>	<b>Total</b>
Sales to External Customers	9,278	224	-	9,502
Inter-Segment Sales	97	575	(672)	-
Revenue	9,375	799	(672)	9,502
Cost of Sales (-)	(7,459)	(711)	603	(7,567)
Gross Profit	1,916	88	(69)	1,935
Administrative Expenses (-)	(224)	(80)	77	(227)
Selling and Marketing Expenses (-)	(862)	(6)	2	(866)
Other Operating Income	215	33	(52)	196
Other Operating Expenses (-)	(157)	(15)	42	(130)
Operating Profit Before Investment Activities	888	20	-	908
Income from Investment Activities	352	-	-	352
Expenses from Investment Activities Share of Investments' Profit	(15)	-	-	(15)
Accounted for Using The Equity Method	21	9	-	30
Operating Profit	1,246	29	-	1,275
Financial Income	705	32	(324)	413
Financial Expense (-)	(866)	(10)	324	(552)
Profit Before Tax	1,085	51	-	1,136
Tax Expense	(223)	(45)	-	(268)
Current Tax Expense	-	(6)	-	(6)
Deferred Tax Expense	(223)	(39)	-	(262)
Net Profit For The Period	862	6	-	868

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Six-Month Period Ended 30 June 2023**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

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

Segment Results:

<b>1 January - 30 June 2022</b>	<b>Aviation</b>	<b>Technic</b>	<b>Inter-segment elimination</b>	<b>Total</b>
Sales to External Customers	7,421	165	-	7,586
Inter-Segment Sales	46	467	(513)	-
Revenue	7,467	632	(513)	7,586
Cost of Sales (-)	(6,114)	(514)	491	(6,137)
Gross Loss	1,353	118	(22)	1,449
Administrative Expenses (-)	(103)	(56)	25	(134)
Selling and Marketing Expenses (-)	(646)	(5)	-	(651)
Other Operating Income	78	3	(9)	72
Other Operating Expenses (-)	(38)	(11)	6	(43)
Operating Profit Before				
Investment Activities	644	49	-	693
Income from Investment Activities	106	-	-	106
Expenses from Investment Activities	(23)	-	-	(23)
Share of Investments' Profit				
Accounted for Using				
The Equity Method	6	4	-	10
Operating Profit	733	53	-	786
Financial Income	146	9	-	155
Financial Expense (-)	(190)	(3)	-	(193)
Profit Before Tax	689	59	-	748
Tax Expense	2	(13)	-	(11)
Current Tax Expense	-	(23)	-	(23)
Deferred Tax Expense	2	10	-	12
Net Profit For The Period	691	46	-	737

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Six-Month Period Ended 30 June 2023**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

**4.3 Investment Operations**

	<b>Aviation</b>	<b>Technic</b>	<b>Inter-segment elimination</b>	<b>Total</b>
<b>1 January - 30 June 2023</b>				
Purchase of property and equipment and intangible assets	1,464	204	-	1,668
Current period depreciation and amortization charge	893	101	-	994
Investments accounted for using equity method	138	97	-	235
<b>1 January - 30 June 2022</b>				
Purchase of property and equipment and intangible assets	1,411	175	-	1,586
Current period depreciation and amortization charge	814	85	-	899
Investments accounted for using equity method	123	97	-	220

**5. CASH AND CASH EQUIVALENTS**

	<b>30 June 2023</b>	<b>31 December 2022</b>
Cash	1	1
Banks – Demand deposits	279	94
Banks – Time deposits and Repo	2,342	3,980
	<b>2,622</b>	<b>4,075</b>

Details of the time deposits and repo as of 30 June 2023 are as follows:

<b>Original Amount</b>	<b>Currency</b>	<b>Effective Interest Rate</b>	<b>Maturity</b>	<b>30 June 2023</b>
2,819	TL	24.70% - 45.60%	July 2023	110
33	USD	2.20% - 5.20%	July 2023	33
2,003	EUR (*)	2.00% - 4.96%	September 2023	2,193
5	GBP	2.00%	July 2023	6
				<b>2,342</b>

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Six-Month Period Ended 30 June 2023**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**5. CASH AND CASH EQUIVALENTS (cont'd)**

Details of the time deposits as of 31 December 2022 are as follows:

<u>Original Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 December 2022</u>
7,358	TL	6.50% - 27.08%	March 2023	397
186	USD	1.00% - 4.00%	January 2023	186
3,145	EUR (*)	1.00% - 3.15%	March 2023	3,368
3,500	DZD	0.90% - 0.99%	February 2023	25
250	MZN	9.45%	January 2023	4
				<u>3,980</u>

(\*) In order to manage the risk resulting from the fluctuations of the USD/EUR parity, the Group implements in USD/EUR derivative instruments amounting to 1,790 USD of time deposits (2022: 1,795 USD).

**6. FINANCIAL INVESTMENTS**

Short-term financial investments are as follows:

	<u>30 June 2023</u>	<u>31 December 2022</u>
Fair value through profit and loss (FVTPL)		
- Equity securities	13	11
Fair value through other comprehensive income (FVOCI)		
- Currency protected deposit account (*)	2,769	-
- Corporate debt securities	437	1
Time deposits with maturity more than 3 months	-	614
	<u>3,219</u>	<u>626</u>

(\*) Currency protected time deposit defined as a hybrid contract with a derivative element in IFRS financial statements hence changes in the fair value is accounted in financial investments.

Time deposit with maturity of more than 3 months as of 31 December 2022 is as follows:

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 December 2022</u>
550	EUR	2.76% - 4.20%	April 2023	587
500	TL	27.08%	April 2023	27
				<u>614</u>



**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Six-Month Period Ended 30 June 2023**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Long-term financial investments are as follows:

	<u>30 June 2023</u>	<u>31 December 2022</u>
FVOCI		
- Government debt securities	175	107
- Corporate debt securities	128	57
Other	1	1
	<u>304</u>	<u>165</u>

Contractual maturity dates of financial investments measured at FVOCI as of 30 June 2023 and 2022 are as follows:

	<u>30 June 2023</u>	<u>31 December 2022</u>
Less than 1 year	437	1
1 to 5 years	93	33
Over 5 years	210	131
	<u>740</u>	<u>165</u>

**7. BORROWINGS**

Short-term borrowings are as follows:

	<u>30 June 2023</u>	<u>31 December 2022</u>
Bank borrowings	1,529	1,058

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

	<u>30 June 2023</u>	<u>31 December 2022</u>
Lease liabilities (Note: 13)	1,622	1,589
Bank borrowings	758	1,100
	<u>2,380</u>	<u>2,689</u>

Long-term borrowings are as follows:

	<u>30 June 2023</u>	<u>31 December 2022</u>
Lease liabilities (Note: 13)	9,253	9,177
Bank borrowings	807	1,115
	<u>10,060</u>	<u>10,292</u>

Details of bank borrowings as of 30 June 2023 and 2022 are as follows:

	<u>30 June 2023</u>	<u>31 December 2022</u>
Less than 1 year	2,287	2,158
Between 1 – 5 years	790	1,095
Over 5 years	17	20
	<u>3,094</u>	<u>3,273</u>

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Six-Month Period Ended 30 June 2023**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Details of bank borrowings as of 30 June 2023 and 2022 are as follows (cont'd):

<u>Original Amount</u>	<u>Currency</u>	<u>Interest Rate Type</u>	<u>Effective Interest Rate</u>	<u>Payment Period</u>	<u>30 June 2023</u>
1,788	EUR	Fixed	0.20% - 8.28% Euribor + 2.90% -	July 2023 - March 2031	1,950
1,049	EUR	Floating	Euribor + 5.50%	July 2023 - August 2026	1,144
					<u>3,094</u>
<u>Original Amount</u>	<u>Currency</u>	<u>Interest Rate Type</u>	<u>Effective Interest Rate</u>	<u>Payment Period</u>	<u>31 December 2022</u>
1,805	EUR	Fixed	0.20% - 4.00% Euribor + 2.90% -	January 2023 - March 2025	1,924
1,265	EUR	Floating	Euribor + 5.50%	May 2023 - August 2026	1,349
					<u>3,273</u>

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

	<u>31 December 2022</u>	<u>Payment</u>	<u>Interest</u>	<u>Non-cash Changes</u>	<u>Cash-in</u>	<u>30 June 2023</u>
Bank Borrowings	3,273	(1,678)	(67)	147	1,419	<u>3,094</u>

	<u>31 December 2021</u>	<u>Payment</u>	<u>Interest</u>	<u>Non-cash Changes</u>	<u>Cash-in</u>	<u>30 June 2022</u>
Bank Borrowings	4,659	(1,074)	(68)	(292)	722	<u>3,947</u>

	<u>31 December 2022</u>	<u>Payment</u>	<u>Interest</u>	<u>Non-cash Changes</u>	<u>New Leases</u>	<u>30 June 2023</u>
Aircraft	10,171	(831)	(113)	125	926	10,278
Property	593	(17)	-	6	13	595
Other	2	-	-	-	-	2
	<u>10,766</u>	<u>(848)</u>	<u>(113)</u>	<u>131</u>	<u>939</u>	<u>10,875</u>

	<u>31 December 2021</u>	<u>Payment</u>	<u>Interest</u>	<u>Non-cash Changes</u>	<u>New Leases</u>	<u>30 June 2022</u>
Aircraft	10,206	(849)	(68)	(612)	537	9,214
Property	36	(8)	-	(8)	574	594
Other	2	(1)	-	-	-	1
	<u>10,244</u>	<u>(858)</u>	<u>(68)</u>	<u>(620)</u>	<u>1,111</u>	<u>9,809</u>

In March 2021, it was announced that USD LIBOR 1-week and 2-month settings would cease to be published on December 31, 2021 and US Dollar Overnight, 1-month, 3-month, 6-month and 12-month settings will continue to be published until 30 June 2023. Due to the cessation of relevant USD LIBOR settings, replacement reference rates were determined to be CME TERM SOFR and SOFR for USD denominated finance leases with a total amount of USD 505 million as of the cessation date. The Group expects no material impact after the replacement of relevant rates.

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Six-Month Period Ended 30 June 2023**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**8. RELATED PARTIES**

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

	<u>30 June 2023</u>	<u>31 December 2022</u>
Air Albania	29	26
Sun Express	8	-
We World Express Ltd.	4	4
Posta ve Telgraf Teşkilatı A.Ş (PTT)	1	1
	<u>42</u>	<u>31</u>

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

	<u>30 June 2023</u>	<u>31 December 2022</u>
THY Opet	7	7
Air Albania	6	6
	<u>13</u>	<u>13</u>

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

	<u>30 June 2023</u>	<u>31 December 2022</u>
TFS Akaryakıt Hizmetleri	110	131
TGS	35	38
Turkish DO&CO	29	22
THY Opet	19	17
TEC	16	50
Goodrich	1	2
Turkcell	1	-
Sun Express	-	10
	<u>211</u>	<u>270</u>

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

	<u>30 June 2023</u>	<u>31 December 2022</u>
Türkiye Sigorta A.Ş.	1	7
TFS Akaryakıt Hizmetleri	-	6
	<u>1</u>	<u>13</u>

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Six-Month Period Ended 30 June 2023**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Transactions with related parties for the period ended 30 June 2023 and 2022 are as follows:

**a) Sales to related parties:**

	<b>1 January - 30 June 2023</b>	<b>1 April - 30 June 2023</b>	<b>1 January - 30 June 2022</b>	<b>1 April - 30 June 2022</b>
Sun Express	26	15	15	7
TEC	6	2	13	2
Air Albania	6	3	3	1
PTT A.Ş. (PTT)	3	1	5	2
TGS	2	1	2	1
Türkiye Sigorta A.Ş.	2	2	7	5
We World Express Ltd.	1	1	4	2
Goodrich	1	1	1	1
Turkcell	1	1	-	-
Uçak Koltuk	-	-	1	1
	<u>48</u>	<u>27</u>	<u>51</u>	<u>22</u>

**b) Purchases from related parties:**

	<b>1 January - 30 June 2023</b>	<b>1 April - 30 June 2023</b>	<b>1 January - 30 June 2022</b>	<b>1 April - 30 June 2022</b>
TFS Akaryakıt Hizmetleri	1,253	594	1,238	824
Turkish DO&CO	212	117	112	72
TEC	190	75	143	82
TGS	184	67	155	88
THY Opet	180	87	104	55
Sun Express	8	-	45	23
Turkcell	7	3	4	2
Goodrich	4	2	7	5
Türkiye Sigorta A.Ş.	1	1	-	-
Uçak Koltuk	-	-	2	2
	<u>2,039</u>	<u>946</u>	<u>1,810</u>	<u>1,153</u>

Details of the financial assets and liabilities for related parties as of 30 June 2023 and 2022 are as follows:

	<b>30 June 2023</b>	<b>31 December 2022</b>
Banks - Time deposits	2,290	3,890
Financial investments	1,374	588
Financial assets (*)	767	194
Banks - Demand deposits	106	16
Equity share	1	1
Bank borrowings	(880)	(1,069)
	<u>3,658</u>	<u>3,620</u>

(\*) This represents the nominal amount.

As of 30 June 2023, the amount of letters of guarantees given to the related parties is USD 598 (31 December 2022: USD 441).

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Six-Month Period Ended 30 June 2023**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Details of the time deposits at related parties as of 30 June 2023 and 2022 are as follows:

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>30 June 2023</u>
2,813	TL	24.70% - 45.60%	July 2023	110
1,957	EUR	2.00% - 4.96%	September 2023	2,141
33	USD	2.20% - 5.20%	July 2023	33
5	GBP	2.00%	July 2023	6
				<u>2,290</u>

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 December 2022</u>
7,354	TL	6.50% - 27.08%	March 2023	397
3,095	EUR	1.00% - 3.15%	March 2023	3,314
175	USD	1.00% - 4.00%	January 2023	175
250	MZN	9.45%	January 2023	4
				<u>3,890</u>

Details of the financial investments at related parties as of 30 June 2023 and 2022 are as follows:

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>30 June 2023</u>
35,470	TL	8.50% - 15.00%	November 2023	<u>1,374</u>

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 December 2022</u>
525	EUR	2.76% - 3.15%	April 2023	561
500	TL	27.08%	April 2023	27
				<u>588</u>

Details of the financial assets at related parties as of 30 June 2023 and 2022 are as follows:

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>30 June 2023</u>
			July 2023 -	
331	USD	5.38% - 8.60%	December 2023	331
			July 2023 -	
400	EUR	3.25% - 5.70%	December 2023	436
				<u>767</u>

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 December 2022</u>
			January 2023 -	
194	USD	5.38% - 8.60%	June 2023	194
				<u>194</u>

Details of the bank borrowings at related parties as of 30 June 2023 and 2022 are as follows:

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>30 June 2023</u>
807	EUR	2.55% - Euribor + 5.50%	March 2026	<u>880</u>

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 December 2022</u>
1,003	EUR	2.55% - Euribor + 5.50%	March 2026	<u>1,069</u>

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES****Notes to the Condensed Consolidated Interim Financial Statements****As At And For the Six-Month Period Ended 30 June 2023**

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

**8. RELATED PARTIES (cont'd)****Interest income from related parties:**

	<b>1 January - 30 June 2023</b>	<b>1 April - 30 June 2023</b>	<b>1 January - 30 June 2022</b>	<b>1 April - 30 June 2022</b>
Türkiye Vakıflar Bankası T.A.O. (Türkiye Vakıflar Bankası)	63	8	39	18
Türkiye Halk Bankası A.Ş. (Halk Bankası)	54	44	15	8
T.C. Ziraat Bankası A.Ş. (Ziraat Bankası)	31	22	11	6
Ziraat Katılım Bankası A.Ş.	16	16	-	-
	<u>164</u>	<u>90</u>	<u>65</u>	<u>32</u>

**Interest expense to related parties:**

	<b>1 January - 30 June 2023</b>	<b>1 April - 30 June 2023</b>	<b>1 January - 30 June 2022</b>	<b>1 April - 30 June 2022</b>
Türkiye Vakıflar Bankası	17	8	18	9
Ziraat Bankası	9	4	11	5
	<u>26</u>	<u>12</u>	<u>29</u>	<u>14</u>

Transactions between the Group and THY Opet are related to the supply of aircraft fuel; transactions between the Group and Turkish DO&CO are related to catering services; transactions between the Group and Sun Express are related to wet lease, seat sales operations and maintenance services; transactions between the Group and TGS are related to ground services; transactions between the Group and TEC are related to engine maintenance services; transactions between the Group and PTT are related to cargo transportation; transactions between the Group and Halk Bankası, Ziraat Bankası, Türkiye Vakıflar Bankası and Ziraat Katılım Bankası A.Ş. are related to banking services; transactions between the Group and Air Albania are related to aircraft transportation; transactions between the Group and Turkcell are related to telecommunication services; transactions between the Group and Goodrich are related to maintenance services; transactions between the Group and Türkiye Sigorta are related to insurance 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 all short-term benefits, including salaries, bonuses, vehicles allocated for their use and communication expenses provided for the Board Members, General Managers and Deputy General Managers of THY AO, THY Teknik A.Ş., THY Uçuş Eğitim ve Havalimanı İşletme A.Ş., THY Teknoloji ve Bilişim A.Ş. and TCI Kabin İçi Sistemleri San ve Tic. A.Ş. is USD 2 for the period between 1 January- 30 June 2023 (1 January- 30 June 2022: USD 2).

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES****Notes to the Condensed Consolidated Interim Financial Statements****As At And For the Six-Month Period Ended 30 June 2023**

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

**9. OTHER RECEIVABLES**

Other short-term receivables from third parties as of 30 June 2023 and 2022 are as follows:

	<b>30 June 2023</b>	<b>31 December 2022</b>
Predelivery payments made for aircrafts	457	511
Bank deposits with transfer limitations (*)	186	113
Receivables from technical purchases	167	100
Value added tax receivables	62	69
Receivables from pilots for flight training	26	24
Others	66	47
	<b>964</b>	<b>864</b>

(\*) As of 30 June 2023, the balance of this account includes bank deposits in Ethiopia, Bangladesh, Libya, Syria, Algeria, Nigeria, Senegal, Niger, Mali, Burkina Faso, Eritrea, Mozambique, Republic of Angola, Republic of Cameroon, Republic of Chad, Gabon, Benin, Republic of Lebanon, Democratic Republic of the Congo, Republic of Ghana, Egypt, Republic of Pakistan and Iran. (As of 31 December 2022, 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, Egypt, Ukraine and Iran.)

Other long-term receivables from third parties as of 30 June 2023 and 2022 are as follows:

	<b>30 June 2023</b>	<b>31 December 2022</b>
Receivables related to investment incentives (**)	408	415
Predelivery payments made for aircrafts	318	291
Receivables from pilots for flight training	155	148
Deposits and guarantees given	54	45
Interest and commodity swap agreement deposits	9	58
	<b>944</b>	<b>957</b>

(\*\*) The Group accounts for government incentives in accordance with the policies disclosed in its financial reports dated 31.12.2022. As of 30 June, 2023, The Group has discounts and exemptions amounting to USD 3,014 that it can benefit from in the foreseeable future (December 31, 2022: USD 3,452).

- There is no time limit for the use of these incentives.
- The Group regularly conducts forecast studies for the usage periods of the tax advantage. The periods of use of the tax advantage have been estimated under the current conditions.
- It is foreseen that this amount of usage will increase after the deduction of financial losses stated in footnote 25.
- The Group expects that the related tax benefits will be used within 5 -10 years in this context.
- When a 10% deviation is applied to changes in the exchange rate, DPI-PPI ratio and other economic data that affect the use of investment incentives, as well as operational income/expenses that are likely to occur, no change is expected in the 5-10 years period of use.

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Six-Month Period Ended 30 June 2023**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**10. DEFERRED INCOME**

**Deferred income is as follows:**

	<b>30 June 2023</b>	<b>31 December 2022</b>
Passenger flight liabilities	3,458	2,291
Other short-term deferred income	90	103
	<u>3,548</u>	<u>2,394</u>

**Passenger flight liability is as follows:**

	<b>30 June 2023</b>	<b>31 December 2022</b>
Flight liability for ticket sales	3,271	2,107
Frequent flyer program liability	187	184
	<u>3,458</u>	<u>2,291</u>

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

	<b>30 June 2023</b>	<b>31 December 2022</b>
Deferred finance income	71	81
Advances received	6	11
Other	13	11
	<u>90</u>	<u>103</u>

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

	<b>30 June 2023</b>	<b>31 December 2022</b>
Deferred finance income	106	107
Other	1	1
	<u>107</u>	<u>108</u>



**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Six-Month Period Ended 30 June 2023**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**11. PROPERTY AND EQUIPMENT**

	Land improvements and buildings	Technical equipment, simulator and vehicles	Other equipment, 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 2023	1,600	759	279	5,028	750	746	210	242	9,614
Additions	1	15	31	110	41	129	3	89	419
Transfers (*)	-	10	-	22	10	-	2	(77)	(33)
Transfers between the account	-	-	-	1,555	33	-	-	-	1,588
Disposals	-	(2)	(2)	(138)	(22)	(61)	-	-	(225)
Closing balance at 30 June 2023	1,601	782	308	6,577	812	814	215	254	11,363
<b><u>Accumulated Depreciation</u></b>									
Opening balance at 1 January 2023	406	385	229	3,108	319	387	126	-	4,960
Depreciation charge	36	20	13	173	39	46	8	-	335
Transfers between the account	-	-	-	726	17	-	-	-	743
Disposals	-	(1)	(2)	(132)	(22)	(27)	-	-	(184)
Closing balance at 30 June 2023	442	404	240	3,875	353	406	134	-	5,854
Net book value at 30 June 2023	1,159	378	68	2,702	459	408	81	254	5,509
Net book value at 31 December 2022	1,194	374	50	1,920	431	359	84	242	4,654

(\*) The amount of USD 33 was transferred to the right of use asset from construction in progress.

USD 957 of depreciation and amortization expenses recognized in cost of sales (30 June 2022: USD 865), USD 34 of general administrative expenses (30 June 2022: USD 31) and USD 3 of marketing and sales expenses (30 June 2022: USD 3) in total of USD 994 as of 30 June 2023 (30 June 2022: USD 899).

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

There is no mortgage on property, plant and equipment as of June 30, 2023 (December 31, 2022: None).

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Six-Month Period Ended 30 June 2023**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

	Land improvements and buildings	Technical equipments simulators and vehicles	Other equipment, 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 2022	1,650	734	259	4,341	697	692	196	179	8,748
Additions	-	8	7	66	36	103	4	82	306
Transfers	-	2	-	8	4	-	6	(34)	(14)
Transfers between the accounts	-	-	-	172	19	-	-	-	191
Disposals	(2)	(2)	(1)	(137)	(5)	(53)	(1)	-	(201)
Closing balance at 30 June 2022	1,648	742	265	4,450	751	742	205	227	9,030
<b><u>Accumulated Depreciation</u></b>									
Opening balance at 1 January 2022	336	344	211	2,709	288	385	111	-	4,384
Depreciation charge	36	21	9	122	31	47	8	-	274
Transfers between the accounts	-	-	-	66	10	-	-	-	76
Disposals	(1)	(1)	(1)	(98)	(5)	(30)	(1)	-	(137)
Closing balance at 30 June 2022	371	364	219	2,799	324	402	118	-	4,597
Net book value at 30 June 2022	1,277	378	46	1,651	427	340	87	227	4,433

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Six-Month Period Ended 30 June 2023**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**11. 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 2023	21,737	369	654	7	22,767
Modifications	(30)	-	(97)	-	(127)
Additions	1,085	24	119	1	1,229
Transfers	22	11	-	-	33
Disposals	(93)	-	(3)	-	(96)
Transfers between the accounts (*)	(1,555)	(33)	-	-	(1,588)
Closing balance at 30 June 2023	21,166	371	673	8	22,218

	<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 2023	6,044	83	59	4	6,190
Modifications	(26)	-	(8)	-	(34)
Depreciation charge	610	11	19	2	642
Disposals	(93)	-	-	-	(93)
Transfers between the account (*)	(726)	(17)	-	-	(743)
Closing balance at 30 June 2023	5,809	77	70	6	5,962
Net book value at 30 June 2023	15,357	294	603	2	16,256

	<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 2022	20,348	301	75	9	20,733
Additions	683	22	574	-	1,279
Transfers	3	11	-	-	14
Disposals	(170)	-	(1)	-	(171)
Transfers between the accounts (*)	(191)	-	-	-	(191)
Closing balance at 30 June 2022	20,673	334	648	9	21,664

	<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 2022	5,525	62	31	5	5,623
Depreciation charge	594	10	10	1	615
Disposals	(166)	-	-	-	(166)
Transfers between the account (*)	(76)	-	-	-	(76)
Closing balance at 30 June 2022	5,877	72	41	6	5,996
Net book value at 30 June 2022	14,796	262	607	3	15,668

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

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Six-Month Period Ended 30 June 2023**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**12. 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 2023	44	263	5	312
Additions	-	20	-	20
Disposals	-	(2)	-	(2)
Closing balance at 30 June 2023	<u>44</u>	<u>281</u>	<u>5</u>	<u>330</u>
<b><u>Accumulated Amortization</u></b>				
Opening balance at 1 January 2023	-	232	3	235
Amortization charge	-	17	-	17
Closing balance at 30 June 2023	<u>-</u>	<u>249</u>	<u>3</u>	<u>252</u>
Net book value at 30 June 2023	<u>44</u>	<u>32</u>	<u>2</u>	<u>78</u>
Net book value at 31 December 2022	<u>44</u>	<u>31</u>	<u>2</u>	<u>77</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 2022	44	239	5	288
Additions	-	1	-	1
Transfers	-	-	-	-
Closing balance at 30 June 2022	<u>44</u>	<u>240</u>	<u>5</u>	<u>289</u>
<b><u>Accumulated Amortization</u></b>				
Opening balance at 1 January 2022	-	203	3	206
Amortization charge	-	10	-	10
Closing balance at 30 June 2022	<u>-</u>	<u>213</u>	<u>3</u>	<u>216</u>
Net book value at 30 June 2022	<u>44</u>	<u>27</u>	<u>2</u>	<u>73</u>

(\*) The Group accounts slot rights as intangible assets with indefinite useful lives because 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 Six-Month Period Ended 30 June 2023**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**13. LEASES**

Maturities of lease obligations are as follows:

	Future Minimum Lease Payments		Interest		Present Values of Minimum Lease Payments	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022	30 June 2023	31 December 2022
Less than 1 year	1,967	1,883	(345)	(294)	1,622	1,589
Between 1 – 5 years	6,161	6,081	(863)	(732)	5,298	5,349
Over 5 years	4,550	4,370	(595)	(542)	3,955	3,828
	<u>12,678</u>	<u>12,334</u>	<u>(1,803)</u>	<u>(1,568)</u>	<u>10,875</u>	<u>10,766</u>

	30 June 2023	31 December 2022
Interest Range:		
Floating rate obligations	5,193	5,355
Fixed rate obligations	5,682	5,411
	<u>10,875</u>	<u>10,766</u>

The Group's assets that 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 June 2023, the USD, Euro, JPY and Swiss Franc denominated lease obligations' weighted average interest rates are 5.57% (31 December 2022: 5.82%) for the fixed rate obligations and 1.56% (31 December 2022: 1.53%) for the floating rate obligations.

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

Short-term provisions as of 30 June 2023 and 2022 are as follows:

Short-term provision for employee benefits is as follows:

	30 June 2023	31 December 2022
Provisions for unused vacation	<u>42</u>	<u>39</u>

Changes in the provisions for the period ended 30 June 2023 and 2022 are set out below:

	1 January - 30 June 2023	1 January - 30 June 2022
Provisions at the beginning of the period	39	18
Provisions for the current period	243	164
Provisions released (-)	(224)	(144)
Foreign currency translation differences	(16)	(6)
Provisions at the end of the period	<u>42</u>	<u>32</u>

The Group recognizes an obligation for unused vacation liabilities based on vacation balances and 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 Six-Month Period Ended 30 June 2023**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Other short-term provision is as follows:

	<u>30 June 2023</u>	<u>31 December 2022</u>
Provisions for legal claims	<u>6</u>	<u>6</u>

Changes in the provisions for legal claims for the period ended 30 June 2023 and 2022 are set out below:

	<u>1 January - 30 June 2023</u>	<u>1 January - 30 June 2022</u>
Provisions at the beginning of the period	6	8
Provisions for the current period	2	1
Provisions released (-)	-	-
Foreign currency translation differences	(2)	(2)
Provisions at the end of the period	<u>6</u>	<u>7</u>

The Group provides 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 advice from the legal advisors.

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Six-Month Period Ended 30 June 2023**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**15. COMMITMENTS**

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

Amount of letters of guarantees given as of 30 June 2023 is USD 1,412 (31 December 2022: USD 1,675).

As of 30 June 2023, the letters of guarantee are given to various authorities (i.e. various banks and vendors.)

	<b>30 June 2023</b>		<b>31 December 2022</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	-	1,412	-	1,675
-Collaterals				
TL	90	3	75	4
EUR	1,226	1,337	1,530	1,632
USD	62	62	30	30
Other	-	10	-	9
B. Total amounts of GPM given on the behalf of subsidiaries that are included in full consolidation	-	-	-	-
C. Total amounts of GPM given in order to guarantee third party debts for routine trade operations	-	-	-	-
D. Total amounts of other GPM given	-	-	-	-
i. Total amount of GPM given on behalf of the Parent	-	-	-	-
ii. Total amount of GPM given on behalf of other group companies not covered in B and C	-	-	-	-
iii. Total amount of GPM given on behalf of third parties not covered in C	-	-	-	-
		<u>1,412</u>		<u>1,675</u>

b) Aircraft purchase commitments:

The Group has signed agreements for 79 aircrafts that will be delivered between the years 2023 and 2028, (74 aircrafts are contractual and 5 of them are optional) with a list price value of USD 12,433 each. The Group has made a predelivery payment of USD 825 relevant to these purchases as of 30 June 2023 (31 December 2022: USD 846).

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Six-Month Period Ended 30 June 2023**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**16. EMPLOYEE BENEFITS**

Provisions for retirement pay liability as of 30 June 2023 and 2022 are comprised of the following:

	<u>30 June 2023</u>	<u>31 December 2022</u>
Provision for retirement pay liability	243	273

Under Labor Law, effective in Türkiye, 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 are 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 revised 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 the age of retirement.

Retirement pay liability is subject to an upper limit of monthly USD 774 (full) (equivalent of TL 19,983 (full)) as of 30 June 2023. (31 December 2022: USD 821 (full) equivalent to TL 15,371 (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 the 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 critical assumption is that the maximum liability amount increases in accordance with the inflation rate for every service year. Provisions in the accompanying consolidated financial statements as of 30 June 2023 are calculated by estimating the present value of liabilities due to the retirement of employees. Provisions in the relevant balance sheet dates are calculated with the assumptions of 10.08% annual inflation rate (31 December 2022: 10.08%) and 10.62% interest rate (31 December 2022: 10.62%). Estimated amount of non-paid retirement pay retained in the Group due to voluntary leaves is assumed as 2.33% (31 December 2022: 2.40%). Ceiling for retirement pay is revised semi-annually. Ceiling amount of USD 910 (full) (equivalent to TL 23,490 (full)) which has been in effect since 1 July 2023, is used in the calculation of the Group’s provision for retirement pay liability.

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

	<u>1 January - 30 June 2023</u>	<u>1 January - 30 June 2022</u>
Provision at the beginning of the period	273	113
Service charge for the period	34	33
Actuarial loss	14	14
Interest charges	13	9
Payments	(7)	(2)
Foreign currency translation difference	(84)	(30)
Provision at the end of the period	<u>243</u>	<u>137</u>



**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Six-Month Period Ended 30 June 2023**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**17. EXPENSES BY NATURE**

Expenses by nature for the six-month period ended 30 June 2023 and 2022 are as follows:

	<b>1 January - 30 June 2023</b>	<b>1 April - 30 June 2023</b>	<b>1 January - 30 June 2022</b>	<b>1 April - 30 June 2022</b>
Fuel	2,852	1,375	2,779	1,822
Personnel	1,563	837	898	455
Depreciation and amortisation	994	497	899	452
Ground services	605	343	399	217
Aircraft maintenance	476	235	367	195
Airport	428	226	298	163
Passenger services and catering	416	230	246	149
Air traffic control	345	185	277	152
Commissions and incentives	314	164	228	131
Reservation systems	160	78	152	77
Service	95	53	46	23
Advertisement and promotion	86	51	50	32
Wet lease	85	55	66	38
Taxes and duties	33	14	29	9
Insurance	32	16	31	16
Transportation	27	14	29	16
IT and communication	21	10	17	10
Rents	18	10	28	14
Utility	18	6	17	9
Call center	17	8	11	6
Systems use and associateship	11	6	10	4
Consultancy	8	3	7	4
Aircraft rent	8	3	7	5
Other	48	22	31	16
	<u>8,660</u>	<u>4,441</u>	<u>6,922</u>	<u>4,015</u>

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Six-Month Period Ended 30 June 2023**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**18. 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 June</b>		<b>31 December</b>	
			<b>2023</b>	<b>%</b>	<b>2022</b>	<b>2022</b>
Türkiye Wealth Fund Republic of Türkiye Treasury and Finance Ministry Privatization Administration	A	49.12	678	49.12	678	
Treasury Shares (**)	A	0.33	4			-
Other (publicly held)	A	50.55	698	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>	

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

(\*\*) In accordance with the Capital Market Board's Communiqué II-22.1 on treasury shares and the related announcement dated 14.02.2023, in order to contribute to the fair price formation of Company's share, Board of Directors of THY A.O. decided to launch a Share Buy-back program covering 3 calendar years and to allocate a maximum of USD 480 (TL 9,000) for treasury shares from Company's cash portfolio, while limiting the number of shares that may be subject to buy-back be at most 5% of the issued share capital. According to share buy-back program, company purchased 4.485.800 shares with the amount of USD 31 as of 30.06.2023.

As of 30 June 2023, the 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 Türkiye 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 the 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 other eight member must 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 puts the Group under commitment over 5% of its total assets of the latest annual financial statements prepared for Capital Market Board. (This sentence will expire when the Group's shares held by Turkish State decrease under 20%.)
  - f) Decisions relating to mergers and liquidation,
  - g) Decisions cancelling flight routes or significantly reduce the frequency of flight routes, not including the ones that cannot even recover their operational expenses, subject to the market conditions.

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Six-Month Period Ended 30 June 2023**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**18. SHAREHOLDERS' EQUITY (cont'd)**

**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 worsen, 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 the 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 the financial statements of the Group.

**Actuarial Differences on Defined Benefit Plans**

According to 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 is accounted in profit or loss when the hedged item impacts profit or loss.

As of 2023, 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 fully covered borrowings of such foreign currency, while Japanese Yen revenue covered %89 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 Six-Month Period Ended 30 June 2023**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**19. REVENUE**

Breakdown of gross profit is as follows:

	<b>1 January - 30 June 2023</b>	<b>1 April - 30 June 2023</b>	<b>1 January - 30 June 2022</b>	<b>1 April - 30 June 2022</b>
Passenger revenue				
Scheduled	8,020	4,379	5,330	3,347
Unscheduled	40	33	35	28
Total passenger revenue	<u>8,060</u>	<u>4,412</u>	<u>5,365</u>	<u>3,375</u>
Cargo revenue				
Carried by passenger aircraft	574	287	828	437
Carried by cargo aircraft	617	313	1,216	627
Total cargo revenue	<u>1,191</u>	<u>600</u>	<u>2,044</u>	<u>1,064</u>
Total passenger and cargo revenue	<u>9,251</u>	<u>5,012</u>	<u>7,409</u>	<u>4,439</u>
Technical revenue	224	117	164	87
Other revenue	27	20	13	9
Net sales	<u>9,502</u>	<u>5,149</u>	<u>7,586</u>	<u>4,535</u>
Cost of sales (-)	<u>(7,567)</u>	<u>(3,862)</u>	<u>(6,137)</u>	<u>(3,598)</u>
Gross profit	<u><u>1,935</u></u>	<u><u>1,287</u></u>	<u><u>1,449</u></u>	<u><u>937</u></u>

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

	<b>1 January - 30 June 2023</b>	<b>1 April - 30 June 2023</b>	<b>1 January - 30 June 2022</b>	<b>1 April - 30 June 2022</b>
- Europe	2,727	1,524	2,063	1,312
- Asia and Far East	2,141	1,093	1,906	1,101
- Americas	2,022	1,129	1,644	990
- Middle East	906	475	632	369
- Africa	805	403	675	365
International flights	<u>8,601</u>	<u>4,624</u>	<u>6,920</u>	<u>4,137</u>
Domestic flights	<u>650</u>	<u>388</u>	<u>489</u>	<u>302</u>
Total passenger and cargo revenue	<u><u>9,251</u></u>	<u><u>5,012</u></u>	<u><u>7,409</u></u>	<u><u>4,439</u></u>

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Six-Month Period Ended 30 June 2023**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**20. COST OF SALES**

Breakdown of the cost of sales is as follows:

	<b>1 January - 30 June 2023</b>	<b>1 April - 30 June 2023</b>	<b>1 January - 30 June 2022</b>	<b>1 April - 30 June 2022</b>
Fuel	2,852	1,375	2,779	1,822
Personnel	1,220	641	698	352
Depreciation and amortisation	957	478	865	436
Ground services	605	343	399	217
Aircraft maintenance	476	235	367	195
Airport	428	226	298	163
Passenger services and catering	416	230	246	149
Air traffic control	345	185	277	152
Wet lease	85	55	66	38
Service	54	35	20	11
Insurance	29	14	29	15
Transportation	27	14	29	16
Utility	15	5	14	7
Taxes and duties	13	7	9	4
Rents	10	5	17	9
Aircraft rent	8	3	7	5
IT and communication	4	1	3	1
Systems use and associateship	3	1	2	-
Other	20	9	12	6
	<u>7,567</u>	<u>3,862</u>	<u>6,137</u>	<u>3,598</u>

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

Breakdown of general administrative expenses is as follows:

	<b>1 January - 30 June 2023</b>	<b>1 April - 30 June 2023</b>	<b>1 January - 30 June 2022</b>	<b>1 April - 30 June 2022</b>
Personnel	130	83	51	24
Depreciation and amortisation	34	17	31	15
Service	26	9	20	9
IT and communication	14	8	9	6
Systems use and associateship	5	4	5	3
Taxes and duties	4	3	3	1
Insurance	3	2	2	1
Consultancy	3	1	2	1
Utility	3	1	3	2
Rents	2	1	1	-
Other	3	-	7	3
	<u>227</u>	<u>129</u>	<u>134</u>	<u>65</u>

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

**Notes to the Condensed Consolidated Interim Financial Statements**

**As At And For the Six-Month Period Ended 30 June 2023**

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

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

Breakdown of selling and marketing expenses is as follows:

	<b>1 January - 30 June 2023</b>	<b>1 April - 30 June 2023</b>	<b>1 January - 30 June 2022</b>	<b>1 April - 30 June 2022</b>
Commissions and incentives	314	164	228	131
Personnel	213	113	149	79
Reservation systems	160	78	152	77
Advertisement and promotion	86	51	50	32
Call center	17	8	11	6
Taxes and duties	16	4	17	4
Service	15	9	6	3
Rents	6	4	10	5
Consultancy	5	2	5	3
Depreciation and amortisation	3	2	3	1
IT and communication	3	1	5	3
Systems use and associateship	3	1	3	1
Other	25	13	12	7
	<u>866</u>	<u>450</u>	<u>651</u>	<u>352</u>

**22. OTHER OPERATING INCOME / EXPENSES**

Breakdown of other operating income is as follows:

	<b>1 January - 30 June 2023</b>	<b>1 April - 30 June 2023</b>	<b>1 January - 30 June 2022</b>	<b>1 April - 30 June 2022</b>
Insurance, indemnities, penalties income	79	19	10	7
Manufacturers' credits	57	28	40	24
Foreign exchange gains from operational activities, net	27	37	-	-
Rent income	16	9	7	3
Turnover premium from suppliers	7	1	3	2
Non- interest income from banks	4	2	4	2
Delay interest income	2	2	1	1
Provisions released	2	2	3	1
Other	2	-	4	2
	<u>196</u>	<u>100</u>	<u>72</u>	<u>42</u>

Breakdown of other operating expenses is as follows:

	<b>1 January - 30 June 2023</b>	<b>1 April - 30 June 2023</b>	<b>1 January - 30 June 2022</b>	<b>1 April - 30 June 2022</b>
Donation	107	-	-	-
Provisions	7	2	3	1
Indemnity and penalty expenses	4	2	6	3
Rediscount interest expenses	-	-	11	3
Adjustments for ECL provision	-	(2)	-	-
Foreign exchange losses from operational activities, net	-	-	14	19
Other	12	12	9	6
	<u>130</u>	<u>14</u>	<u>43</u>	<u>32</u>

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Six-Month Period Ended 30 June 2023**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Breakdown of income from investment activities is as follows:

	<u>1 January - 30 June 2023</u>	<u>1 April - 30 June 2023</u>	<u>1 January - 30 June 2022</u>	<u>1 April - 30 June 2022</u>
Interest income from financial investment	185	110	29	22
Income from investment incentives	128	79	69	33
Gain on sale of financial investments	21	5	3	1
Gain on sale of fixed assets	18	7	5	4
	<u>352</u>	<u>201</u>	<u>106</u>	<u>60</u>

Breakdown of expense from investment activities is as follows:

	<u>1 January - 30 June 2023</u>	<u>1 April - 30 June 2023</u>	<u>1 January - 30 June 2022</u>	<u>1 April - 30 June 2022</u>
Loss on sale of financial investments	13	1	-	-
Loss on sale of fixed assets	2	2	23	-
	<u>15</u>	<u>3</u>	<u>23</u>	<u>-</u>

**24. FINANCIAL INCOME/ EXPENSES**

Breakdown of financial income is as follows:

	<u>1 January - 30 June 2023</u>	<u>1 April - 30 June 2023</u>	<u>1 January - 30 June 2022</u>	<u>1 April - 30 June 2022</u>
Fair value gains on derivative financial instruments, net	186	6	14	51
Interest income	129	50	55	28
Reversal of ECL provision	2	-	-	-
Foreign exchange gains from financial activities, net	-	-	86	39
Other	96	55	-	-
	<u>413</u>	<u>111</u>	<u>155</u>	<u>118</u>

Breakdown of financial expenses is as follows:

	<u>1 January - 30 June 2023</u>	<u>1 April - 30 June 2023</u>	<u>1 January - 30 June 2022</u>	<u>1 April - 30 June 2022</u>
Foreign exchange losses on financial activities, net	276	143	-	-
Interest expense from leasing liabilities	175	94	84	45
Interest expense from financial activities	66	32	62	30
Interest expenses on employee benefits	13	6	9	4
Aircraft financing expenses	11	5	12	7
Rediscount interest expense from repayments of aircrafts	7	4	21	6
Other	4	1	5	3
	<u>552</u>	<u>285</u>	<u>193</u>	<u>95</u>

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Six-Month Period Ended 30 June 2023**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**25. TAX ASSETS AND LIABILITIES**

Breakdown of assets related to current tax is as follows:

	<b>30 June 2023</b>	<b>31 December 2022</b>
Prepaid taxes	41	35

Tax liability is as follows:

	<b>30 June 2023</b>	<b>31 December 2022</b>
Provisions for corporate tax	2	35
Prepaid taxes and funds	-	(32)
Corporate tax liability	2	3

Tax expense is as follows:

	<b>1 January - 30 June 2023</b>	<b>1 April - 30 June 2023</b>	<b>1 January - 30 June 2022</b>	<b>1 April - 30 June 2022</b>
Current period tax expense	6	2	23	15
Deferred tax expense/(income)	262	223	(12)	37
Tax expense/(income)	268	225	11	52

Tax effect related to other comprehensive income is as follows:

	<b>1 January - 30 June 2023</b>			<b>1 January - 30 June 2022</b>		
	Amount before tax	Tax expense	Amount after tax	Amount before tax	Tax expense	Amount after tax
Change in cash flow hedge reserve	( 123)	25	( 98)	781	( 161)	620
Change in actuarial losses from retirement pay obligation	( 14)	3	( 11)	( 14)	3	( 11)
Losses on Remeasuring FVOCI	1	-	1	( 23)	5	( 18)
Changes in foreign currency translation difference	( 23)	-	( 23)	( 26)	-	( 26)
Other comprehensive income	( 159)	28	( 131)	718	( 153)	565

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

Corporate Tax

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

As of 30 June 2023, the corporate tax rate is 20% in Türkiye (December 31, 2022: 20%). The corporation tax rate is applied to net income of the companies after adjusting for certain disallowable expenses, exempt income and allowances.



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

**Notes to the Condensed Consolidated Interim Financial Statements**

**As At And For the Six-Month Period Ended 30 June 2023**

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

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

*Deferred Tax*

The Group recognizes deferred tax assets and liabilities based upon temporary differences 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, which are given below.

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

Deferred tax assets and liabilities are calculated with 20% tax rate for those which will be realized in 2023 and onwards.

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

	<b>30 June 2023</b>	<b>31 December 2022</b>
Deferred tax asset	4	2
Deferred tax liability	(2,466)	(2,220)
Deferred tax liability	(2,462)	(2,218)
	<b>30 June 2023</b>	<b>31 December 2022</b>
Fixed assets	(3,081)	(2,770)
Right of use asset	(486)	(456)
Change in fair value of derivative instruments	(136)	33
Lease liabilities	497	465
Carry forward tax losses	274	233
Income and expense for future years	118	118
Other receivables	99	22
Adjustments for passenger flight liabilities	60	(46)
Accruals for expenses	58	82
Provisions for employee benefits	49	55
Miles accruals	27	24
Provisions for unused vacation	8	8
Other	51	14
Deferred tax liabilities	(2,462)	(2,218)

The changes of deferred tax liability for the period ended 1 January – 30 June 2023 and 2022 are as follows:

	<b>1 January - 30 June 2023</b>	<b>1 January - 30 June 2022</b>
Opening balance at 1 January	2,218	1,713
Deferred tax expense	262	(12)
Foreign currency translation difference	7	190
Tax income from FVOCI	-	(5)
Tax income of actuarial losses on retirement pay obligation	(3)	(3)
Tax expense from hedging reserves	(22)	155
Deferred tax liability at the end of the period	2,462	2,038

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Six-Month Period Ended 30 June 2023**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

*Deferred Tax (cont'd)*

Reconciliation with current tax charge for the period 1 January – 30 June 2023 and 2022 are as follows:

<u>Reconciliation of effective tax charge</u>	<u>1 January - 30 June 2023</u>	<u>1 April - 30 June 2023</u>	<u>1 January - 30 June 2022</u>	<u>1 April - 30 June 2022</u>
Profit from operations before tax	1,136	860	748	628
Domestic expense tax rate of 20% / 23%	(227)	(172)	(172)	(144)
Taxation effects on:				
- income from investment certificates	26	16	14	12
- foreign currency translation difference	9	(10)	177	77
- investments accounted by using the equity method	6	8	(2)	(1)
- investment incentive	-	(2)	5	(2)
- adjustment for prior year loss	-	-	(1)	-
- effect of the change in the deferred tax rate	-	-	21	21
- non deductible expenses	(82)	(65)	(53)	(15)
Tax charge in statement of profit	<u>(268)</u>	<u>(225)</u>	<u>(11)</u>	<u>(52)</u>

**26. EARNINGS PER SHARE**

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

In Türkiye, companies can increase their share capital by making a pro-rata distribution of shares (“bonus interest”) to existing shareholders from retained earnings. For 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 Six-Month Period Ended 30 June 2023**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Number of total shares and calculation of profits / losses per share at 1 January – 30 June 2023 and 2022:

	<b>1 January - 30 June 2023</b>	<b>1 January - 30 June 2022</b>
Number of shares outstanding at 1 January (in full)	138,000,000,000	138,000,000,000
Number of shares outstanding at 30 June (in full)	137,995,514,199	138,000,000,000
Weighted average number of shares outstanding during the period (in full)	137,997,934,245	138,000,000,000
Net profit for the period	868	737
Basic earnings per share (Full US Cents) (*)	0.63	0.53
Diluted earnings per share (Full US Cents) (*)	0.63	0.53

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

**27. DERIVATIVE FINANCIAL INSTRUMENTS**

Breakdown of derivative financial assets and liabilities of the Group as of 30 June 2023 and 2022 are as follows:

<u>Derivative financial assets</u>	<b>30 June 2023</b>	<b>31 December 2022</b>
Derivative instruments for interest rate cash flow hedge	15	16
Derivative instruments not subject to hedge accounting	11	-
Derivative instruments for fuel prices cash flow hedge	3	12
Derivative instruments for cross currency rate cash flow hedge	-	16
	<u>29</u>	<u>44</u>
 <u>Derivative financial liabilities</u>	 <b>30 June 2023</b>	 <b>31 December 2022</b>
Derivative instruments not subject to hedge accounting	27	208
Derivative instruments for cross currency rate cash flow hedge	17	-
Derivative instruments for fuel prices cash flow hedge	10	1
Derivative instruments for interest rate cash flow hedge	1	2
	<u>55</u>	<u>211</u>

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Six-Month Period Ended 30 June 2023**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**28. 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 June 2023</b>					
	<b>USD EQUIVALENT</b>	<b>TL</b>	<b>EUR</b>	<b>JPY</b>	<b>CHF</b>	<b>OTHER</b>
1.Trade Receivables	968	106	133	9	19	701
2a.Monetary Financial Assets (**)	5,021	839	4,039	9	7	127
2b.Non Monetary Financial Assets	-	-	-	-	-	-
3.Other	587	132	188	-	6	261
<b>4.Current Assets (1+2+3)</b>	<b>6,576</b>	<b>1,077</b>	<b>4,360</b>	<b>18</b>	<b>32</b>	<b>1,089</b>
5.Trade Receivables	-	-	-	-	-	-
6a.Monetary Financial Assets	-	-	-	-	-	-
6b.Non Monetary Financial Assets	-	-	-	-	-	-
7.Other	615	408	201	-	-	6
<b>8.Non Current Assets (5+6+7)</b>	<b>615</b>	<b>408</b>	<b>201</b>	<b>-</b>	<b>-</b>	<b>6</b>
<b>9.Total Assets (4+8)</b>	<b>7,191</b>	<b>1,485</b>	<b>4,561</b>	<b>18</b>	<b>32</b>	<b>1,095</b>
10.Trade Payables	1,007	659	282	4	2	60
11.Financial Liabilities (*)	3,545	2	3,123	396	24	-
12a.Other Liabilities, Monetary	580	238	265	3	3	71
12b.Other Liabilities, Non Monetary	48	48	-	-	-	-
<b>13.Current Liabilities (10+11+12)</b>	<b>5,180</b>	<b>947</b>	<b>3,670</b>	<b>403</b>	<b>29</b>	<b>131</b>
14.Trade Payables	-	-	-	-	-	-
15.Financial Liabilities (*)	7,695	51	6,142	1,430	72	-
16a.Other Liabilities, Monetary	22	9	6	-	-	7
16b.Other Liabilities, Non Monetary	243	243	-	-	-	-
<b>17.Non Current Liabilities (14+15+16)</b>	<b>7,960</b>	<b>303</b>	<b>6,148</b>	<b>1,430</b>	<b>72</b>	<b>7</b>
<b>18.Total Liabilities (13+17)</b>	<b>13,140</b>	<b>1,250</b>	<b>9,818</b>	<b>1,833</b>	<b>101</b>	<b>138</b>
<b>19.Net asset / liability position of off-balance sheet derivatives (19a-19b)</b>	<b>3,911</b>	<b>-</b>	<b>3,911</b>	<b>-</b>	<b>-</b>	<b>-</b>
19a.Off-balance sheet foreign currency derivative assets	-	-	-	-	-	-
19b.Off-balance sheet foreign currency derivative liabilities	(3,911)	-	(3,911)	-	-	-
<b>20.Net foreign currency asset/(liability) position (9-18+19)</b>	<b>(2,038)</b>	<b>235</b>	<b>(1,346)</b>	<b>(1,815)</b>	<b>(69)</b>	<b>957</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>(6,860)</b>	<b>(14)</b>	<b>(5,646)</b>	<b>(1,815)</b>	<b>(75)</b>	<b>690</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>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>24.Hedged foreign currency liabilities</b>	<b>7,833</b>	<b>-</b>	<b>5,914</b>	<b>1,824</b>	<b>95</b>	<b>-</b>

(\*) Net foreign exchange position of the Group is mainly due to long term foreign currency borrowings denominated in Euro, Japanese Yen and Swiss Frank to fund its aircraft investments. The 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 amounts to USD 7,624 as of 30 June 2023 (31 December 2022: USD 7,679).

(\*\*) EUR amount equivalent to USD 1,341 represents the currency protected time deposit (31 December 2022: None).

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Six-Month Period Ended 30 June 2023**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

*Foreign currency risk management (cont'd)*

	31 December 2022					
	USD EQUIVALENT	TL	EUR	JPY	CHF	OTHER
1.Trade Receivables	891	99	108	10	14	660
2a.Monetary Financial Assets	4,521	440	3,976	4	3	98
2b.Non Monetary Financial Assets	-	-	-	-	-	-
3.Other	526	150	182	-	5	189
<b>4.Current Assets (1+2+3)</b>	<b>5,938</b>	<b>689</b>	<b>4,266</b>	<b>14</b>	<b>22</b>	<b>947</b>
5.Trade Receivables	-	-	-	-	-	-
6a.Monetary Financial Assets	585	585	-	-	-	-
6b.Non Monetary Financial Assets	-	-	-	-	-	-
7.Other	640	416	218	-	-	6
<b>8.Non Current Assets (5+6+7)</b>	<b>1,225</b>	<b>1,001</b>	<b>218</b>	<b>-</b>	<b>-</b>	<b>6</b>
<b>9.Total Assets (4+8)</b>	<b>7,163</b>	<b>1,690</b>	<b>4,484</b>	<b>14</b>	<b>22</b>	<b>953</b>
10.Trade Payables	841	562	210	1	4	64
11.Financial Liabilities	3,529	4	3,160	342	23	-
12a.Other Liabilities, Monetary	441	185	197	3	6	50
12b.Other Liabilities, Non Monetary	45	45	-	-	-	-
<b>13.Current Liabilities (10+11+12)</b>	<b>4,856</b>	<b>796</b>	<b>3,567</b>	<b>346</b>	<b>33</b>	<b>114</b>
14.Trade Payables	-	-	-	-	-	-
15.Financial Liabilities	8,009	39	6,427	1,462	81	-
16a.Other Liabilities, Monetary	18	3	6	-	-	9
16b.Other Liabilities, Non Monetary	273	273	-	-	-	-
<b>17.Non Current Liabilities (14+15+16)</b>	<b>8,300</b>	<b>315</b>	<b>6,433</b>	<b>1,462</b>	<b>81</b>	<b>9</b>
<b>18.Total Liabilities (13+17)</b>	<b>13,156</b>	<b>1,111</b>	<b>10,000</b>	<b>1,808</b>	<b>114</b>	<b>123</b>
<b>19.Net asset / liability position of off-balance sheet derivatives (19a-19b)</b>	<b>3,994</b>	<b>-</b>	<b>3,994</b>	<b>-</b>	<b>-</b>	<b>-</b>
19a.Off-balance sheet foreign currency derivative assets	-	-	-	-	-	-
19b.Off-balance sheet foreign currency derivative liabilities	(3,994)	-	(3,994)	-	-	-
<b>20.Net foreign currency asset/(liability) position (9-18+19)</b>	<b>(1,999)</b>	<b>579</b>	<b>(1,522)</b>	<b>(1,794)</b>	<b>(92)</b>	<b>830</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>(6,841)</b>	<b>331</b>	<b>(5,916)</b>	<b>(1,794)</b>	<b>(97)</b>	<b>635</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>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>24.Hedged foreign currency liabilities</b>	<b>6,728</b>	<b>-</b>	<b>5,660</b>	<b>964</b>	<b>104</b>	<b>-</b>

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Six-Month Period Ended 30 June 2023**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**28. 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 against USD. 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 includes 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 the same effect on equity. The Group accounted for investment loans and aircraft financial liabilities in the 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 June 2023</b>			
	<b>Profit / (Loss)</b>		<b>Equity</b>	
	<b>Before Tax</b>	<b>Before Tax</b>	<b>Before Tax</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	24	(24)	-	-
2- Part hedged from TL risk (-)	-	-	-	-
3- TL net effect (1+2)	24	(24)	-	-
4- Euro net asset / liability	456	(456)	(591)	591
5- Part hedged from Euro risk (-)	-	-	-	-
6- Euro net effect (4+5)	456	(456)	(591)	591
7- JPY net asset / liability	(55)	55	(127)	127
8- Part hedged from JPY risk (-)	-	-	-	-
9- JPY net effect (7+8)	(55)	55	(127)	127
10- CHF net asset / liability	3	(3)	(10)	10
11- Part hedged from CHF risk (-)	-	-	-	-
12- CHF net effect (10+11)	3	(3)	(10)	10
13- Other foreign currency net asset / liability	96	(96)	-	-
14- Part hedged other foreign currency risk (-)	-	-	-	-
15- Other foreign currency net effect (13+14)	96	(96)	-	-
<b>TOTAL (3 + 6 + 9 + 12 + 15)</b>	<b>524</b>	<b>(524)</b>	<b>(728)</b>	<b>728</b>

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Six-Month Period Ended 30 June 2023**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

*Foreign currency risk management (cont'd)*

	<b>31 December 2022</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	58	(58)	-	-
2- Part hedged from TL risk (-)	-	-	-	-
3- TL net effect (1+2)	58	(58)	-	-
4- Euro net asset / liability	460	(460)	(612)	612
5- Part hedged from Euro risk (-)	-	-	-	-
6- Euro net effect (4+5)	460	(460)	(612)	612
7- JPY net asset / liability	(57)	57	(122)	122
8- Part hedged from JPY risk (-)	-	-	-	-
9- JPY net effect (7+8)	(57)	57	(122)	122
10- CHF net asset / liability	1	(1)	(10)	10
11- Part hedged from CHF risk (-)	-	-	-	-
12- CHF net effect (10+11)	1	(1)	(10)	10
13- Other foreign currency net asset / liability	83	(83)	-	-
14- Part hedged other foreign currency risk (-)	-	-	-	-
15- Other foreign currency net effect (13+14)	83	(83)	-	-
<b>TOTAL (3 + 6 + 9 + 12 + 15)</b>	<b>545</b>	<b>(545)</b>	<b>(744)</b>	<b>744</b>

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

According to “A Law on the Establishment of an Additional Motor Vehicle Tax to Compensate for the Economic Losses Caused by the Earthquakes Occurred” published in the Official Gazette on July 15, 2023, The Corporate Tax Rate Law increased from 20% to 25%. The new rate is effective as of the July 2023 payment period. The Group continues to assess the potential impact of the law on its consolidated financial statements as of the date of publication of these financial statements.

In order to translate Turkish Airlines' current potential into a value accretive business model considering the Group's experience and power in the aviation industry and sales channels transaction volume, the Board of Directors decided to initiate necessary works to establish electronic money and payment services corporation and conduct relevant regulatory licensing processes.

The Board of Directors decided to establish "AJet Hava Taşımacılığı Anonim Şirketi", a wholly-owned subsidiary of Turkish Airlines, in order to continue the operations of AnadoluJet brand as a low-cost carrier at global standards and to strengthen its competitive positioning in the market.