

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

Condensed Consolidated Interim  
Financial Statements As at and For  
The Nine-Month Period  
Ended 30 September 2022

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Condensed Consolidated Interim Balance Sheet as at 30 September 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

<b>ASSETS</b>	<b>Notes</b>	<b>Not Reviewed</b> <b>30 September 2022</b>	<b>Audited</b> <b>31 December 2021</b>
<b>Non-Current Assets</b>			
Financial Investments	6	132	88
Other Receivables			
-Third Parties	10	828	866
Investments Accounted for Using Equity Method	3	279	237
Property and Equipment	12	4,560	4,364
Right of Use Assets	12	16,286	15,110
Intangible Assets			
- Other Intangible Assets	13	72	82
- Goodwill		12	12
Prepaid Expenses		935	839
Deferred Tax Asset	26	1	1
<b>TOTAL NON-CURRENT ASSETS</b>		<b>23,105</b>	<b>21,599</b>
<b>Current Assets</b>			
Cash and Cash Equivalents	5	3,605	2,677
Financial Investments	6	887	5
Trade Receivables			
-Related Parties	9	27	24
-Third Parties		1,125	901
Other Receivables			
-Related Parties	9	24	6
-Third Parties	10	894	791
Derivative Financial Instruments	28	172	59
Inventories		302	261
Prepaid Expenses		237	114
Current Income Tax Assets	26	32	20
Other Current Assets		60	80
<b>TOTAL CURRENT ASSETS</b>		<b>7,365</b>	<b>4,938</b>
<b>TOTAL ASSETS</b>		<b>30,470</b>	<b>26,537</b>

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

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

**Condensed Consolidated Interim Balance Sheet as at 30 September 2022**

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

<b>LIABILITIES AND EQUITY</b>	<b>Notes</b>	<b>Not Reviewed</b>	<b>Audited</b>
		<b>30 September 2022</b>	<b>31 December 2021</b>
<b>Equity</b>			
Share Capital	19	1,597	1,597
Items That Will Not Be Reclassified to Profit or Loss			
-Actuarial Losses on Retirement Pay Obligation	19	( 83)	( 71)
Items That Are or May Be Reclassified to Profit or Loss			
-Foreign Currency Translation Differences	19	( 305)	( 275)
-Fair Value Gains on Hedging Instruments Entered into for Cash Flow Hedges	19	965	151
-Losses on Remeasuring FVOCI		( 26)	( 7)
Restricted Profit Reserves	19	88	76
Previous Years Profit	19	5,353	4,406
Net Profit for the Period		2,252	959
Equity of the Parent		<b>9,841</b>	<b>6,836</b>
Non-Controlling Interests		1	1
<b>TOTAL EQUITY</b>		<b>9,842</b>	<b>6,837</b>
<b>Non- Current Liabilities</b>			
Long-Term Borrowings	7	1,177	2,333
Long-Term Lease Liabilities	7 and 14	8,403	8,574
Other Payables			
-Third Parties		150	55
Deferred Income	11	93	92
Long-Term Provisions			
-Provisions for Employee Benefits	17	126	113
-Other Provisions		52	46
Deferred Tax Liability	26	2,365	1,714
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>12,366</b>	<b>12,927</b>
<b>Current Liabilities</b>			
Short Term Borrowings	7	972	883
Short-Term Portion of Long-Term Borrowings	7	1,234	1,443
Short-Term Portion of Lease Liabilities	7 and 14	1,531	1,670
Other Financial Liabilities	8	4	8
Trade Payables			
-Related Parties	9	253	167
-Third Parties		982	724
Payables Related to Employee Benefits		194	105
Other Payables			
-Related Parties	9	-	5
-Third Parties		350	169
Derivative Financial Instruments	28	34	28
Deferred Income	11	2,331	1,264
Current Tax Provision	26	11	16
Short-Term Provisions			
-Provisions for Employee Benefits	15	42	18
-Other Provisions	15	6	8
Other Current Liabilities		318	265
<b>TOTAL CURRENT LIABILITIES</b>		<b>8,262</b>	<b>6,773</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>30,470</b>	<b>26,537</b>

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

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income**  
**For the Nine-Month Period Ended 30 September 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

		Not Reviewed	Not Reviewed	Not Reviewed	Not Reviewed
		1 January -	1 July -	1 January -	1 July -
	Notes	30 September 2022	30 September 2022	30 September 2021	30 September 2021
<b>PROFIT OR LOSS</b>					
Revenue	20	13,654	6,068	7,377	3,405
Cost of Sales (-)	21	( 10,335)	( 4,198)	( 5,864)	( 2,414)
<b>GROSS PROFIT</b>		<b>3,319</b>	<b>1,870</b>	<b>1,513</b>	<b>991</b>
General Administrative Expenses (-)	22	( 220)	( 86)	( 209)	( 76)
Selling and Marketing Expenses (-)	22	( 998)	( 347)	( 583)	( 218)
Other Operating Income	23	92	20	150	58
Other Operating Expenses (-)	23	( 92)	( 49)	( 76)	( 33)
<b>OPERATING PROFIT BEFORE INVESTMENT ACTIVITIES</b>		<b>2,101</b>	<b>1,408</b>	<b>795</b>	<b>722</b>
Income from Investment Activities	24	190	84	160	56
Expenses for Investment Activities	24	( 23)	-	( 7)	( 2)
Share of Investments' Profit Accounted for Using The Equity Method	3	104	94	48	74
<b>OPERATING PROFIT</b>		<b>2,372</b>	<b>1,586</b>	<b>996</b>	<b>850</b>
Financial Income	25	401	246	107	121
Financial Expenses (-)	25	( 299)	( 106)	( 292)	( 101)
<b>PROFIT BEFORE TAX</b>		<b>2,474</b>	<b>1,726</b>	<b>811</b>	<b>870</b>
<b>Tax Expense</b>		<b>( 222)</b>	<b>( 211)</b>	<b>( 77)</b>	<b>( 135)</b>
Current Tax Expense	26	( 32)	( 9)	( 17)	( 9)
Deferred Tax Expense	26	( 190)	( 202)	( 60)	( 126)
<b>NET PROFIT FOR THE PERIOD</b>		<b>2,252</b>	<b>1,515</b>	<b>734</b>	<b>735</b>

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

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income**  
**For the Nine-Month Period Ended 30 September 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

		Not Reviewed	Not Reviewed	Not Reviewed	Not Reviewed
		1 January -	1 July -	1 January -	1 July -
	Notes	30 September 2022	30 September 2022	30 September 2021	30 September 2021
<b><u>OTHER COMPREHENSIVE INCOME</u></b>					
<b>Items That May Be Reclassified Subsequently To Profit or Loss</b>					
		<b>765</b>	<b>189</b>	<b>413</b>	<b>128</b>
Currency Translation Adjustment		( 30)	( 4)	( 28)	( 1)
Losses on Remeasuring FVOCI		( 24)	( 1)	( 6)	( 2)
Fair Value Gains on Hedging Instruments Entered into for Cash Flow Hedges		1,008	251	548	160
Fair Value Gains Hedging Instruments of Investment Accounted by Using the Equity Method Entered into for Cash Flow Hedges		10	( 14)	12	4
Related Tax of Other Comprehensive Income		( 199)	( 43)	( 113)	( 33)
<b>Items That Will Not Be Reclassified Subsequently To Profit or Loss</b>					
		<b>( 12)</b>	<b>( 1)</b>	<b>( 2)</b>	<b>-</b>
Actuarial Losses on Retirement Pay Obligation		( 15)	( 1)	( 3)	-
Related Tax of Other Comprehensive Income		3	-	1	-
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>					
		<b>753</b>	<b>188</b>	<b>411</b>	<b>128</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>					
		<b>3,005</b>	<b>1,703</b>	<b>1,145</b>	<b>863</b>
Basic Earnings Per Share (Full US Cents)	27	1.63	1.10	0.53	0.53
Diluted Earnings Per Share (Full US Cents)	27	1.63	1.10	0.53	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 Nine-Month Period Ended 30 September 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

	Items That Will Not Be Reclassified Subsequently To Profit or Loss		Items That May Be Reclassified Subsequently To Profit or Loss			Retained Earnings		Equity Holders of the Parent	Non-controlling Interests	Total Equity	
	Share Capital	Actuarial Losses Retirement Pay Obligation	Foreign Currency Translation Differences	Fair Value Gains on Hedging Instruments Entered Into For Cash Flow Hedges	Losses on Remeasuring FVOCI	Restricted Profit Reserves	Previous Years Profit				Net Gain for The Period
<b>As of 1 January 2022</b>	<b>1,597</b>	<b>(71)</b>	<b>(275)</b>	<b>151</b>	<b>(7)</b>	<b>76</b>	<b>4,406</b>	<b>959</b>	<b>6,836</b>	<b>1</b>	<b>6,837</b>
Transfers	-	-	-	-	-	12	947	(959)	-	-	-
Total comprehensive income	-	(12)	(30)	814	(19)	-	-	2,252	3,005	-	3,005
<b>As of 30 September 2022</b>	<b>1,597</b>	<b>(83)</b>	<b>(305)</b>	<b>965</b>	<b>(26)</b>	<b>88</b>	<b>5,353</b>	<b>2,252</b>	<b>9,841</b>	<b>1</b>	<b>9,842</b>

	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	
	Share Capital	Actuarial Losses Retirement Pay Obligation	Foreign Currency Translation Differences	Fair Value Losses on Hedging Instruments Entered Into For Cash Flow Hedges	Gains / (Losses) on Remeasuring FVOCI	Restricted Profit Reserves	Previous Years Profit				Net Loss for The Period
<b>As of 1 January 2021</b>	<b>1,597</b>	<b>(48)</b>	<b>(201)</b>	<b>(450)</b>	<b>2</b>	<b>72</b>	<b>5,246</b>	<b>(836)</b>	<b>5,382</b>	<b>1</b>	<b>5,383</b>
Transfers	-	-	-	-	-	4	(840)	836	-	-	-
Total comprehensive income	-	(2)	(28)	446	(5)	-	-	734	1,145	-	1,145
<b>As of 30 September 2021</b>	<b>1,597</b>	<b>(50)</b>	<b>(229)</b>	<b>(4)</b>	<b>(3)</b>	<b>76</b>	<b>4,406</b>	<b>734</b>	<b>6,527</b>	<b>1</b>	<b>6,528</b>

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

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Condensed Consolidated Interim Statement of Cash Flows**  
**For the Nine-Month Period Ended 30 September 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

	Notes	<b>Not Reviewed</b> <b>30 September 2022</b>	<b>Not Reviewed</b> <b>30 September 2021</b>
Net Profit for the period		2,252	734
<b>Adjustments to Reconcile Profit</b>			
Adjustments for Depreciation and Amortisation Expense	12 and 13	1,373	1,285
Adjustments for Provisions Related to Employee Benefits	15 and 17	67	25
Adjustments for Provisions for Other Accruals	15	1	2
Adjustments for Reversal of Probable Risks		(3)	(1)
Adjustments for Interest Income	24 and 25	(152)	(56)
Adjustments for Interest Expense	17 and 25	240	257
Adjustments For Unrealised Foreign Exchange Gains		(544)	(184)
Adjustments for Fair Value Gains on Derivative Financial Instruments	25	(120)	(44)
Adjustments for Undistributed Gains of Associates	3	(104)	(48)
Adjustments for Tax Expense	26	185	69
Adjustments for Losses Arised From Sale of Tangible Assets	24	17	-
Adjustments for Losses Arised from Sale of Other Non-Current Assets	12	31	41
<b>Operating Profit Before Changes in Working Capital</b>		<b>3,243</b>	<b>2,080</b>
Increase in Trade Receivables from Related Parties	9	(3)	(3)
Increase in Trade Receivables from Third Parties		(222)	(302)
Increase in Other Receivables from Related Parties	9	(18)	(6)
Increase in Other Receivables from Third Parties	10	(43)	(8)
Adjustments for (Increase) / Decrease in Inventories		(41)	36
Adjustments for Increase in Prepaid Expenses		(219)	(10)
Increase / (Decrease) in Trade Payables to Related Parties	9	86	(12)
Increase / (Decrease) in Trade Payables to Third Parties		258	(5)
Adjustments for Increase in Payables Due to Employee Benefits		89	10
(Decrease) / Increase in Other Payables to Related Parties	9	(5)	4
Increase in Other Payables to Third Parties		276	150
Increase in Deferred Income	11	1,116	464
Decrease in Other Assets		20	62
<b>Cash Flows From Operations</b>		<b>4,537</b>	<b>2,460</b>
Payments for Provisions Related with Employee Benefits	17	(4)	(6)
Income Taxes Received / (Paid)	26	12	(20)
<b>Net Cash From Operating Activities</b>		<b>4,545</b>	<b>2,434</b>
<b>CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>			
Proceeds From Sales of Property, Plant and Equipment		29	79
Payments For Purchasing of Property, Plant and Equipment (Payments) / Receipts For Purchasing of Other Short and Long-term Assets	12 and 13	(653)	(580)
Other Cash Advances and Loans	6	(926)	12
Dividends Received	10	(96)	235
Interest Received	24	6	21
		73	5
<b>Net Cash Flows Used In Investing Activities</b>		<b>(1,567)</b>	<b>(228)</b>
<b>CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES</b>			
Proceeds From Loans	7	1,060	2,133
Repayments of Loans	7	(1,751)	(1,608)
Payments of Lease Liabilities	7	(1,244)	(1,369)
Interest Paid		(190)	(228)
Interest Received	25	79	51
Other Cash Outflows	8	(4)	(12)
<b>Net Cash Used in Financing Activities</b>		<b>(2,050)</b>	<b>(1,033)</b>
<b>Net Change in Cash and Cash Equivalents</b>		<b>928</b>	<b>1,173</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>2,677</b>	<b>1,811</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	5	<b>3,605</b>	<b>2,984</b>

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

## TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

### Notes to the Condensed Consolidated Interim Financial Statements

As At And For the Nine-Month Period Ended 30 September 2022

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

#### 1. GROUP ORGANIZATION AND ITS OPERATIONS

Türk Hava Yolları Anonim Ortaklığı (the “Company” or “THY”) was incorporated in Turkey in 1933. As of 30 September 2022 and 31 December 2021, the shareholders and their respective shareholdings in the Company are as follows:

	<u>30 September 2022</u>	<u>31 December 2021</u>
Turkey Wealth Fund	49.12 %	49.12 %
Republic of Turkey Treasury and Finance Ministry Privatization Administration	-	-
Other (publicly held)	50.88 %	50.88 %
Total	<u>100.00 %</u>	<u>100.00 %</u>

The Company is controlled by Turkey Wealth Fund.

The number of employees working for the Group as of 30 September 2022 is 38,097 (31 December 2021: 37,394). The average number of employees working for the Group for the period ended 30 September 2022 and 2021 are 38,009 and 36,893 respectively. The Group is registered in İstanbul, Turkey and its head office address is as follows:

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

The Company’s shares have been traded on Borsa İstanbul (“BIST”) since 1990. The Company and its subsidiaries will be referred as “Group”.

#### Subsidiaries and Joint Ventures

The table below sets out the consolidated subsidiaries of the Group as of 30 September 2022 and 31 December 2021:

<u>Name of the Company</u>	<u>Principal Activity</u>	<u>Ownership Rate</u>		<u>Country of Registration</u>
		<u>30 September 2022</u>	<u>31 December 2021</u>	
THY Teknik A.Ş. (THY Teknik)	Aircraft Maintenance Services	100%	100%	Turkey
THY Uçuş Eğitim ve Havalimanı İşletme A.Ş.	Training & Airport Operations	100%	100%	Turkey
THY Havaalanı Gayrimenkul Yatırım ve İşletme A.Ş. (*)	Airport Investment	-	100%	Turkey
THY Uluslararası Yatırım ve Taşımacılık A.Ş. Cornea Havacılık Sistemleri San. Ve Tic. A.Ş.	Cargo and Courier Transportation	100%	100%	Turkey
THY Teknoloji ve Bilişim A.Ş.	Software System Maintenance Services Information Technologies and Consulting	80%	80%	Turkey
THY Hava Kargo Taşımacılığı A.Ş. (**)	Cargo Transportation	100%	100%	Turkey

(\*) The merger with THY Havaalanı Gayrimenkul Yatırım ve İşletme A.Ş. was registered on 09.08.2022.

(\*\*) THY Hava Kargo Taşımacılığı A.Ş. was established in 2021 using the partial demerger method.



**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Nine-Month Period Ended 30 September 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

**Subsidiaries and Joint Ventures (cont'd)**

The table below sets out joint ventures of the Group as 30 September 2022 and 31 December 2021:

Company Name	Country of Registration and Operations	<u>Ownership Share and Voting Power</u>		Principal Activity
		30 September 2022	31 December 2021	
Güneş Ekspres Havacılık A.Ş. (Sun Express)	Turkey	50%	50%	Aircraft Transportation
THY DO&CO İkrâm Hizmetleri A.Ş. (Turkish DO&CO)	Turkey	50%	50%	Catering Services
P&W T.T. Uçak Bakım Merkezi Ltd. Şti. (TEC)	Turkey	49%	49%	Maintenance Services
TGS Yer Hizmetleri A.Ş. (TGS)	Turkey	50%	50%	Ground Services
THY OPET Havacılık Yakıtları A.Ş. (THY Opet)	Turkey	50%	50%	Aviation Fuel Services
Goodrich Thy Teknik Servis Merkezi Ltd. Şti. (TNC) (Goodrich)	Turkey	40%	40%	Maintenance Services
Uçak Koltuk Sanayi ve Ticaret A.Ş. (Uçak Koltuk)	Turkey	50%	50%	Cabin Interior Products
TCI Kabin İçi Sistemleri San ve Tic. A.Ş. (TCI)	Turkey	50%	50%	Cabin Interior Products
Vergi İade Aracılık A.Ş.	Turkey	30%	30%	VAT Return and Consultancy
Air Albania	Albania	49%	49%	Aircraft Transportation
We World Express Ltd. (We World Express)	Hong Kong	45%	45%	Cargo and Courier Transportation
TFS Akaryakıt Hizmetleri A.Ş. (TFS Akaryakıt)	Turkey	25%	25%	Aviation Fuel Services

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

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

**2.1 Basis of Presentation**

**Statement of Compliance**

The condensed consolidated interim financial statements as at and for the nine-month period ended 30 September 2022 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 2021.

Board of Directors has approved the consolidated financial statements as of 30 September 2022 on 2 November 2022. General Assembly and the related regulatory bodies have the authority to modify the statutory financial statements.

## **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 the currency selected for measuring items in the consolidated financial statements are treated as foreign currencies. Accordingly, transactions and balances not already measured in USD have been remeasured in USD in accordance with the relevant provisions of IAS 21 *the Effects of Changes in Foreign Exchange Rates*.

IAS 29 requires the financial statements of an entity with a functional currency that is hyperinflationary to be restated for the changes in the general pricing power of the functional currency. The Group uses the USD in measuring items in its financial statements and uses the USD as the functional currency. Therefore, no adjustments have been made for high inflation 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 twelve joint ventures (Note: 1). These joint ventures are economical activities whereby decisions about strategic finance and operating policy are jointly made by the consensus of the Group and other investors. The joint ventures are controlled by the Group and other shareholders jointly, and are accounted for using the equity method. Under the equity method, joint ventures are initially recognized at cost and adjusted to recognize any distributions received, impairments in the joint ventures and the Group's share of the profit or loss after the date of acquisition. Joint ventures' losses that exceed the Group's share are not recognized, unless the Group has incurred legal or constructive obligations on behalf of the joint venture.
- c. The non-controlling share in the assets and results of subsidiaries for the year are separately classified as "non-controlling interest" in the consolidated statements of financial position and consolidated statements of profit or loss.

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

The significant estimates and assumptions used in preparation of these condensed consolidated interim financial statements as at and for the period ended 30 September 2022 are consistent with those used in the preparation of the Group's consolidated financial statements as at and for the year ended 31 December 2021.

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

### 2.3 Summary of Significant Accounting Policies

The accounting policies used in preparation of condensed consolidated interim financial statements as at 30 September 2022 are consistent with those used in the preparation of consolidated statements for the year ended 31 December 2021.

### 2.4 New and Revised Standards and Interpretations

#### a) Standards, amendments and interpretations applicable as at 30 September 2022:

**Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (effective 1 January 2021);** These amendments defer the date of application of IFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial instrument until 1 January 2023.

**Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2 (effective 1 January 2021);** The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

**Amendment to IFRS 16, ‘Leases’ – COVID-19 related rent concessions Extension of the practical expedient (effective 1 April 2021);** As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

**A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16;** effective from annual periods beginning on or after 1 January 2022.

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

Annual improvements make minor amendments to IFRS 1, ‘First-time Adoption of IFRS’, IFRS 9, ‘Financial instruments’, IAS 41, ‘Agriculture’ and the Illustrative Examples accompanying IFRS 16, ‘Leases’. These amendments do not have a significant impact on the financial position and performance of the Group.

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

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

#### **b) Standards, amendments and interpretations that are issued but not effective as at 30 September 2022:**

**Amendments to IAS 1, Presentation of financial statements' on classification of liabilities;** effective date deferred until accounting periods starting not earlier than 1 January 2024. These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

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

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

**IFRS 17, 'Insurance Contracts'**, as amended in December 2021; effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

### **2.5 Determination of Fair Values**

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

Evaluation methods in terms of levels are described as follows:

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

### **2.6 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. The Group's current liabilities exceed its current assets by USD 897 as of 30 September 2022.

The Group's net cash from operating activities increased by USD 2,111 compared to the same period of 2021. In addition, current liabilities exceeding current assets decreased by USD 818 compared to the same period of 2021.

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

**2.6 Going Concern (cont'd)**

The Group maintains its credit limits in banks and does not expect any hardship for future bank loan needs. Bank loans decreased by USD 2,228 compared to the same period of previous year. The Group's available bank loan limits are USD 3,525 as of 30 September 2022 (31 December 2021: USD 3,166).

**2.7 Impact of COVID-19 Pandemic on Group Activities**

The COVID-19 pandemic has significantly affected global air traffic. Stringent measures have been taken around the world to prevent the spread of the pandemic. As of September 2022, the impact of the Covid-19 pandemic on air traffic has decreased considerably in Turkey and around globe. The Group constantly assesses further developments.

**2.8 Other**

***Russia-Ukraine Conflict***

Due to the Russia-Ukraine conflict that broke out towards the end of February, 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.

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

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

	<u>30 September 2022</u>	<u>31 December 2021</u>
Sun Express	100	84
TEC	63	57
TFS Akaryakıt	32	10
Turkish DO&CO	29	29
THY Opet	20	21
TGS	18	19
Goodrich	5	5
TCI	4	5
Uçak Koltuk	4	4
We World Express	4	3
Vergi İade Aracılık (*)	-	-
	<u>279</u>	<u>237</u>

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

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

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

	<b>1 January - 30 September 2022</b>	<b>1 July - 30 September 2022</b>	<b>1 January - 30 September 2021</b>	<b>1 July - 30 September 2021</b>
TFS Akaryakıt	37	14	9	2
Sun Express	19	59	15	58
TGS	18	9	11	8
THY Opet	13	4	12	5
Turkish DO&CO	11	5	3	1
TEC	6	3	(2)	-
Goodrich	-	-	1	-
TCI	-	-	(1)	-
	<u>104</u>	<u>94</u>	<u>48</u>	<u>74</u>

Financial information for Sun Express as of 30 September 2022 and 2021 are as follows:

	<b>30 September 2022</b>	<b>31 December 2021</b>
Total assets	1,813	1,838
Total liabilities	1,613	1,670
Shareholders' equity	200	168
Group's share in joint venture's shareholders' equity	100	84

  

	<b>1 January - 30 September 2022</b>	<b>1 July - 30 September 2022</b>	<b>1 January - 30 September 2021</b>	<b>1 July - 30 September 2021</b>
Revenue	1,097	643	620	448
Profit for the period	39	118	31	117
Group's share in joint venture's profit for the period	19	59	15	58

Financial information for TEC as of 30 September 2022 and 2021 are as follows:

	<b>30 September 2022</b>	<b>31 December 2021</b>
Total assets	284	204
Total liabilities	156	87
Shareholders' equity	128	117
Group's share in joint venture's shareholders' equity	63	57

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

Financial information for TEC as of 30 September 2022 and 2021 are as follows (cont'd):

	<u>1 January - 30 September 2022</u>	<u>1 July - 30 September 2022</u>	<u>1 January - 30 September 2021</u>	<u>1 July - 30 September 2021</u>
Revenue	300	90	227	97
Profit / (loss) for the period	11	4	(3)	-
Group's share in joint venture's profit / (loss) for the period	6	3	(2)	-

Financial information for Turkish DO&CO as of 30 September 2022 and 2021 are as follows:

	<u>30 September 2022</u>	<u>31 December 2021</u>
Total assets	124	115
Total liabilities	67	58
Shareholders' equity	57	57
Group's share in joint venture's shareholders' equity	29	29

  

	<u>1 January - 30 September 2022</u>	<u>1 July - 30 September 2022</u>	<u>1 January - 30 September 2021</u>	<u>1 July - 30 September 2021</u>
Revenue	254	119	107	55
Profit for the period	21	10	6	3
Group's share in joint venture's profit for the period	11	5	3	1

Financial information for THY Opet as of 30 September 2022 and 2021 are as follows:

	<u>30 September 2022</u>	<u>31 December 2021</u>
Total assets	162	82
Total liabilities	122	40
Shareholders' equity	40	42
Group's share in joint venture's shareholders' equity	20	21

  

	<u>1 January - 30 September 2022</u>	<u>1 July - 30 September 2022</u>	<u>1 January - 30 September 2021</u>	<u>1 July - 30 September 2021</u>
Revenue	590	304	324	160
Profit for the period	26	8	24	10
Group's share in joint venture's profit for the period	13	4	12	5

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

Financial information for TGS as of 30 September 2022 and 2021 are as follows:

	<b>30 September</b>		<b>31 December</b>	
	<b>2022</b>		<b>2021</b>	
Total assets	179		119	
Total liabilities	142		81	
Shareholders' equity	37		38	
Group's share in joint venture's shareholders' equity	18		19	
	<b>1 January -</b>	<b>1 July -</b>	<b>1 January -</b>	<b>1 July -</b>
	<b>30 September 2022</b>	<b>30 September 2022</b>	<b>30 September 2021</b>	<b>30 September 2021</b>
Revenue	316	159	185	86
Profit for the period	35	18	21	16
Group's share in joint venture's profit for the period	18	9	11	8

Financial information for TFS Akaryakıt Hizmetleri as of 30 September 2022 and 2021 are as follows:

	<b>30 September</b>		<b>31 December</b>	
	<b>2022</b>		<b>2021</b>	
Total assets	393		244	
Total liabilities	266		204	
Shareholders' equity	127		40	
Group's share in joint venture's shareholders' equity	32		10	
	<b>1 January -</b>	<b>1 July -</b>	<b>1 January -</b>	<b>1 July -</b>
	<b>30 September 2022</b>	<b>30 September 2022</b>	<b>30 September 2021</b>	<b>30 September 2021</b>
Revenue	2,569	1,139	772	381
Profit for the period	149	56	36	8
Group's share in joint venture's profit for the period	37	14	9	2



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

Financial information for TCI as of 30 September 2022 and 2021 are as follows:

			<b>30 September</b>	<b>31 December</b>
			<b>2022</b>	<b>2021</b>
Total assets			13	15
Total liabilities			5	6
Shareholders' equity			9	9
Group's share in joint venture's shareholders' equity			4	5
	<b>1 January -</b>	<b>1 July -</b>	<b>1 January -</b>	<b>1 July -</b>
	<b>30 September 2022</b>	<b>30 September 2022</b>	<b>30 September 2021</b>	<b>30 September 2021</b>
Revenue	3	2	3	1
Loss for the period	(1)	(1)	(2)	-
Group's share in joint venture's loss for the period	-	-	(1)	-

Financial information for Goodrich as of 30 September 2022 and 2021 are as follows:

			<b>30 September</b>	<b>31 December</b>
			<b>2022</b>	<b>2021</b>
Total assets			20	15
Total liabilities			6	3
Shareholders' equity			13	12
Group's share in joint venture's shareholders' equity			5	5
	<b>1 January -</b>	<b>1 July -</b>	<b>1 January -</b>	<b>1 July -</b>
	<b>30 September 2022</b>	<b>30 September 2022</b>	<b>30 September 2021</b>	<b>30 September 2021</b>
Revenue	18	5	16	5
Profit for the period	1	-	2	-
Group's share in joint venture's profit for the period	-	-	1	-

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

Financial information for Uçak Koltuk as of 30 September 2022 and 2021 are as follows:

	<b>30 September</b>		<b>31 December</b>	
	<b>2022</b>		<b>2021</b>	
Total assets	20		25	
Total liabilities	13		17	
Shareholders' equity	7		8	
Group's share in joint venture's shareholders' equity	4		4	
	<b>1 January -</b>	<b>1 July -</b>	<b>1 January -</b>	<b>1 July -</b>
	<b>30 September 2022</b>	<b>30 September 2022</b>	<b>30 September 2021</b>	<b>30 September 2021</b>
Revenue	10	5	14	3
Loss for the period	(1)	-	(1)	(1)
Group's share in joint venture's loss for the period	-	-	-	-

Financial information for We World Express as of 30 September 2022 and 2021 are as follows:

	<b>30 September</b>		<b>31 December</b>	
	<b>2022</b>		<b>2021</b>	
Total assets	13		21	
Total liabilities	4		13	
Shareholders' equity	8		8	
Group's share in joint venture's shareholders' equity	4		3	
	<b>1 January -</b>	<b>1 July -</b>	<b>1 January -</b>	<b>1 July -</b>
	<b>30 September 2022</b>	<b>30 September 2022</b>	<b>30 September 2021</b>	<b>30 September 2021</b>
Revenue	29	8	31	14
Profit for the period	-	-	1	1
Group's share in joint venture's profit for the period	-	-	-	-

Since 31 December 2019, the loss of Air Albania, which is exceeding the Group's total share in joint venture's shareholders' equity, has not been accounted in the consolidated financial statements. As of 30 September 2022, the amount is USD 8 (31 December 2021 USD 5).

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

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

	<b>1 January - 30 September 2022</b>	<b>1 January - 30 September 2021</b>
Opening balance	237	256
Share of investments' income accounted for using the equity method	104	48
Other expense and income recognized in equity	2	7
Statement of changes in consolidation adjust	(1)	(2)
Dividends to shareholders	(25)	(27)
Foreign currency translation difference	(38)	(24)
Closing balance	<u>279</u>	<u>258</u>

**4. SEGMENT REPORTING**

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

Air Transport ("Aviation")

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

Technical Maintenance Services ("Technical")

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

**4.1 Total Assets and Liabilities**

	<b>30 September 2022</b>	<b>31 December 2021</b>
<b>Total Assets</b>		
Aviation	30,254	26,504
Technical	1,587	1,615
Total	31,841	28,119
Less: Eliminations due to consolidation	(1,371)	(1,582)
Total assets in consolidated financial statements	<u>30,470</u>	<u>26,537</u>
<b>Total Liabilities</b>		
Aviation	20,452	19,737
Technical	376	407
Total	20,828	20,144
Less: Eliminations due to consolidation	(200)	(444)
Total liabilities in consolidated financial statements	<u>20,628</u>	<u>19,700</u>

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

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

Segment Results:

<b>1 January - 30 September 2022</b>	<b>Aviation</b>	<b>Technic</b>	<b>Inter-segment elimination</b>	<b>Total</b>
Sales to External Customers	13,389	265	-	13,654
Inter-Segment Sales	73	749	(822)	-
Revenue	13,462	1,014	(822)	13,654
Cost of Sales (-)	(10,324)	(799)	788	(10,335)
Gross Profit	3,138	215	(34)	3,319
Administrative Expenses (-)	(163)	(95)	38	(220)
Selling and Marketing Expenses (-)	(990)	(8)	-	(998)
Other Operating Income	91	5	(4)	92
Other Operating Expenses (-)	(81)	(11)	-	(92)
Operating Profit Before Investment Activities	1,995	106	-	2,101
Income from Investment Activities	190	-	-	190
Expenses from Investment Activities	(23)	-	-	(23)
Share of Investments' Profit Accounted for Using The Equity Method	98	6	-	104
Operating Profit	2,260	112	-	2,372
Financial Income	384	17	-	401
Financial Expense (-)	(294)	(5)	-	(299)
Profit Before Tax	2,350	124	-	2,474

<b>1 January - 30 September 2021</b>	<b>Aviation</b>	<b>Technic</b>	<b>Inter-segment elimination</b>	<b>Total</b>
Sales to External Customers	7,187	190	-	7,377
Inter-Segment Sales	47	557	(604)	-
Revenue	7,234	747	(604)	7,377
Cost of Sales (-)	(5,883)	(565)	584	(5,864)
Gross Loss	1,351	182	(20)	1,513
Administrative Expenses (-)	(166)	(69)	26	(209)
Selling and Marketing Expenses (-)	(578)	(6)	1	(583)
Other Operating Income	153	10	(13)	150
Other Operating Expenses (-)	(72)	(10)	6	(76)
Operating Profit Before Investment Activities	688	107	-	795
Income from Investment Activities	160	-	-	160
Expenses from Investment Activities	(7)	-	-	(7)
Share of Investments' Profit Accounted for Using The Equity Method	49	(1)	-	48
Operating Profit	890	106	-	996
Financial Income	126	10	(29)	107
Financial Expense (-)	(317)	(4)	29	(292)
Profit Before Tax	699	112	-	811

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

**4.3 Investment Operations**

	Aviation	Technic	Inter-segment elimination	Total
<b>1 January - 30 September 2022</b>				
Purchase of property and equipment and intangible assets	2,574	238	-	2,812
Current period depreciation and amortization charge	1,243	130	-	1,373
Investments accounted for using equity method	177	102	-	279
<b>1 January - 30 September 2021</b>				
Purchase of property and equipment and intangible assets	1,898	114	-	2,012
Current period depreciation and amortization charge	1,174	111	-	1,285
Investments accounted for using equity method	181	77	-	258

**5. CASH AND CASH EQUIVALENTS**

	30 September 2022	31 December 2021
Cash	2	2
Banks – Time deposits	3,487	2,597
Banks – Demand deposits	116	78
	3,605	2,677

Details of the time deposits as of 30 September 2022 are as follows:

Amount	Currency	Effective Interest Rate	Maturity	30 September 2022
3,986	TL	13.00% - 23.04%	November 2022	218
41	USD	0.45% - 4.00%	October 2022	41
3,265	EUR	2.40% - 4.00%	December 2022	3,215
1,900	DZD	0.99% - 1.08%	November 2022	13
				3,487

Details of the time deposits as of 31 December 2021 are as follows:

Amount	Currency	Effective Interest Rate	Maturity	31 December 2021
8,882	TL	5.00% - 24.70%	February 2022	671
265	USD	0.90% - 2.25%	March 2022	265
1,455	EUR	0.24% - 1.10%	March 2022	1,648
1,310	DZD	1.49% - 1.53%	February 2022	9
280	MZN	7.65%	January 2022	4
				2,597

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**6. FINANCIAL INVESTMENTS**

Short-term financial investments are as follows:

	<u>30 September 2022</u>	<u>31 December 2021</u>
Fair value through profit and loss (FVTPL)		
- Currency protected deposit account (*)	64	-
- Equity securities	6	5
Fair value through other comprehensive income (FVOCI)		
- Corporate debt securities	3	-
Time deposits with maturity more than 3 months	814	-
	<u>887</u>	<u>5</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 more than 3 months as of 30 September 2022 is as follows:

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>30 September 2022</u>
830	EUR	2.48% - 4.20%	April 2023	<u>814</u>

Long-term financial investments are as follows:

	<u>30 September 2022</u>	<u>31 December 2021</u>
FVOCI		
- Government debt securities	93	67
- Corporate debt securities	38	20
Other	1	1
	<u>132</u>	<u>88</u>

Contractual maturity dates of financial investments measured at FVOCI as of 30 September 2022 and 2021 is as follows:

	<u>30 September 2022</u>	<u>31 December 2021</u>
Less than 1 year	3	3
1 to 5 years	25	1
Over 5 years	106	83
	<u>134</u>	<u>87</u>

**7. BORROWINGS**

Short-term borrowings are as follows:

	<u>30 September 2022</u>	<u>31 December 2021</u>
Bank borrowings	<u>972</u>	<u>883</u>

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

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

	<u>30 September 2022</u>	<u>31 December 2021</u>
Lease liabilities (Note: 14)	1,531	1,670
Bank borrowings	1,234	1,443
	<u>2,765</u>	<u>3,113</u>

Long-term borrowings are as follows:

	<u>30 September 2022</u>	<u>31 December 2021</u>
Lease liabilities (Note: 14)	8,403	8,574
Bank borrowings	1,177	2,333
	<u>9,580</u>	<u>10,907</u>

Details of bank borrowings as of 30 September 2022 and 2021 are as follows:

	<u>30 September 2022</u>	<u>31 December 2021</u>
Less than 1 year	2,206	2,326
Between 1 – 5 years	1,157	2,307
Over 5 years	20	26
	<u>3,383</u>	<u>4,659</u>

<u>Amount</u>	<u>Currency</u>	<u>Interest Rate</u> <u>Type</u>	<u>Effective Interest Rate</u>	<u>Payment Period</u>	<u>30 September</u> <u>2022</u>
2,012	EUR	Fixed	0.20% - 4.00%	February 2023 - March 2031	1,971
1,442	EUR	Floating	Euribor + 2.90% - Euribor + 5.50%	May 2023 - August 2026	<u>1,412</u>
					<u>3,383</u>

<u>Amount</u>	<u>Currency</u>	<u>Interest Rate</u> <u>Type</u>	<u>Effective Interest Rate</u>	<u>Payment Period</u>	<u>31 December</u> <u>2021</u>
381	TRY	Floating	BIST TLREF(*) + 1.25% - BIST TLREF(*) + 1.50%	May 2022	29
2,333	EUR	Fixed	0.20% - 4.00%	January 2022 - March 2025	2,640
1,758	EUR	Floating	Euribor + 2.90% - Euribor + 5.50%	May 2023 - August 2026	<u>1,990</u>
					<u>4,659</u>

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

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

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

	<b>31 December</b>					<b>30 September</b>
	<b>2021</b>	<b>Payment</b>	<b>Interest</b>	<b>Non-cash Changes</b>	<b>Cash-in</b>	<b>2022</b>
Bank Borrowings	4,659	(1,751)	(86)	(499)	1,060	3,383

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

	<b>31 December</b>					<b>New</b>	<b>30 September</b>
	<b>2021</b>	<b>Payment</b>	<b>Interest</b>	<b>Non-cash Changes</b>	<b>Leases</b>		<b>2022</b>
Aircraft	10,206	(1,221)	(104)	(1,000)	1,500		9,381
Property	36	(22)	-	(36)	573		551
Other	2	(1)	-	-	1		2
	10,244	(1,244)	(104)	(1,036)	2,074		9,934

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

**8. OTHER FINANCIAL LIABILITIES**

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

	<b>30 September 2022</b>	<b>31 December 2021</b>
Other financial liabilities	4	8

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

**9. RELATED PARTIES**

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

	<b>30 September 2022</b>	<b>31 December 2021</b>
Air Albania	24	22
We World Express Ltd.	2	2
Posta ve Telgraf Teşkilatı A.Ş (PTT)	1	-
	27	24



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

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

	<u>30 September 2022</u>	<u>31 December 2021</u>
THY Opet	7	-
TFS Akaryakıt Hizmetleri	6	-
TGS	6	-
Air Albania	5	6
	<u>24</u>	<u>6</u>

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

	<u>30 September 2022</u>	<u>31 December 2021</u>
TFS Akaryakıt Hizmetleri	142	97
TGS	54	17
Turkish DO&CO	19	20
TEC	12	15
THY Opet	12	14
Sun Express	9	3
Uçak Koltuk	3	-
Goodrich	1	1
Turkcell	1	-
	<u>253</u>	<u>167</u>

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

	<u>30 September 2022</u>	<u>31 December 2021</u>
TFS Akaryakıt Hizmetleri	-	5

Transactions with related parties for the period ended 30 September 2022 and 2021 are as follows:

**a) Sales to related parties:**

	<u>1 January - 30 September 2022</u>	<u>1 July - 30 September 2022</u>	<u>1 January - 30 September 2021</u>	<u>1 July - 30 September 2021</u>
TEC	23	10	19	4
Sun Express	21	6	25	8
Türkiye Sigorta A.Ş.	9	2	-	-
We World Express Ltd.	7	3	11	2
PTT A.Ş. (PTT)	6	1	8	3
Air Albania	6	3	7	2
TGS	2	-	4	1
Uçak Koltuk	2	1	1	1
Goodrich	1	-	1	-
	<u>77</u>	<u>26</u>	<u>76</u>	<u>21</u>

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

Transactions with related parties for the period ended 30 September 2022 and 2021 are as follows (cont'd):

**b) Purchases from related parties:**

	<u>1 January - 30 September 2022</u>	<u>1 July - 30 September 2022</u>	<u>1 January - 30 September 2021</u>	<u>1 July - 30 September 2021</u>
TFS Akaryakıt Hizmetleri	2,187	949	679	332
TGS	295	140	172	81
Turkish DO&CO	205	93	98	53
TEC	194	51	159	67
THY Opet	175	71	202	85
Sun Express	73	28	60	32
Goodrich	9	2	4	1
Uçak Koltuk	7	5	9	1
Turkcell	5	1	3	1
Türkiye Sigorta A.Ş.	3	3	-	-
TCI	-	-	1	-
Air Albania	-	-	1	-
	<u>3,153</u>	<u>1,343</u>	<u>1,388</u>	<u>653</u>

Details of the financial assets and liabilities for related parties as of 30 September 2022 and 2021 are as follows:

	<u>30 September 2022</u>	<u>31 December 2021</u>
Banks - Time deposits	2,573	2,130
Financial assets	164	85
Financial investments	765	-
Currency protected deposit account	60	-
Banks - Demand deposits	21	18
Equity share	1	1
Bank borrowings	(1,139)	(1,673)
	<u>2,445</u>	<u>561</u>

As of 30 September 2022, the amount of letters of guarantees given to the related parties is USD 889. (31 December 2021: USD 942)

Details of the time deposits at related parties as of 30 September 2022 and 2021 are as follows:

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>30 September 2022</u>
2,478	TL	13.00% - 23.04%	November 2022	135
2,449	EUR	2.40% - 4.00%	December 2022	2,410
28	USD	0.50% - 4.00%	October 2022	28
				<u>2,573</u>
<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 December 2021</u>
7,882	TL	5.00% - 24.46%	February 2022	595
1,187	EUR	0.24% - 1.10%	March 2022	1,344
191	USD	0.92% - 1.81%	March 2022	191
				<u>2,130</u>

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

Details of the financial investments at related parties as of 30 September 2022 are as follows:

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>30 September 2022</u>
781	EUR	2.48% - 2.60%	February 2023	<u>765</u>

Details of the financial assets at related parties as of 30 September 2022 and 2021 are as follows:

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>30 September 2022</u>
164	USD	5.75% - 8.00%	October 2022 - March 2023	<u>164</u>

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 December 2021</u>
85	USD	5.75% - 8.00%	January 2022 - June 2022	<u>85</u>

Details of the bank borrowings at related parties as of 30 September 2022 and 2021 are as follows:

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>30 September 2022</u>
1,163	EUR	2.55% - Euribor + 5.50%	March 2026	<u>1,139</u>

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 December 2021</u>
1,478	EUR	2.55% - Euribor + 5.50%	March 2026	<u>1,673</u>

**Interest income from related parties:**

	<u>1 January - 30 September 2022</u>	<u>1 July - 30 September 2022</u>	<u>1 January - 30 September 2021</u>	<u>1 July - 30 September 2021</u>
Türkiye Vakıflar Bankası T.A.O. (Türkiye Vakıflar Bankası)	61	22	13	3
Türkiye Halk Bankası A.Ş. (Halk Bankası)	22	7	34	5
T.C. Ziraat Bankası A.Ş. (Ziraat Bankası)	21	10	3	-
	<u>104</u>	<u>39</u>	<u>50</u>	<u>8</u>

**Interest expense to related parties:**

	<u>1 January - 30 September 2022</u>	<u>1 July - 30 September 2022</u>	<u>1 January - 30 September 2021</u>	<u>1 July - 30 September 2021</u>
Türkiye Vakıflar Bankası	24	6	35	11
Ziraat Bankası	16	5	22	7
	<u>40</u>	<u>11</u>	<u>57</u>	<u>18</u>

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

Transactions between the Group and THY Opet are related to the supply of aircraft fuel; transactions between the Group and Turkish DO&CO are related to catering services; transactions between the Group and Sun Express are related to wet lease, seat sales operations and maintenance services; transactions between the Group and TGS are related to ground services; transactions between the Group and TEC are related to engine maintenance services; transactions between the Group and PTT are related to cargo transportation; transactions between the Group and Halk Bankası, Ziraat Bankası and Türkiye Vakıflar Bankası are related to banking services; transactions between the Group and Turkcell are related to telecommunication services; transactions between the Group and Uçak Koltuk and TCI are related to cabin interior products; 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 salaries and other short-term benefits provided for the Board Members, General Manager and Deputy General Managers are USD 3 for the period between 1 January-30 September 2022 (1 January- 30 September 2021: USD 2).

#### 10. OTHER RECEIVABLES

Other short-term receivables from third parties as of 30 September 2022 and 2021 are as follows:

	<u>30 September 2022</u>	<u>31 December 2021</u>
Predelivery payments made for aircrafts	546	546
Bank deposits with transfer limitations (*)	135	84
Receivables from technical purchases	89	97
Value added tax receivables	65	30
Receivables from pilots for flight training	23	27
Others	36	7
	<u>894</u>	<u>791</u>

(\*) As of 30 September 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, Sri Lanka, Egypt, Ukraine and Iran. (As of 31 December 2021, the balance of this account includes bank deposits in Ethiopia, Bangladesh, Algeria, Nigeria, Senegal, Niger, Mali, Republic of Cote D'ivoire, Burkina Faso, Eritrea, Mozambique, Bolivarian Republic of Venezuela, Republic of Angola, Republic of Cameroon, Republic of Chad, Republic of Sudan, Gabon, Somalia, Benin, Republic of Zimbabwe, Democratic Republic of the Congo, Republic of Cuba, Republic of Lebanon, Republic of Ghana, Sri Lanka and Iran).

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

Other long-term receivables from third parties as of 30 September 2022 and 2021 are as follows:

	<u>30 September 2022</u>	<u>31 December 2021</u>
Receivables related to investment certificates (***)	344	349
Predelivery payments made for aircrafts	301	279
Receivables from pilots for flight training	143	193
Deposits and guarentees given	38	41
Bank deposits with transfer limitations (**)	<u>2</u>	<u>4</u>
	<u>828</u>	<u>866</u>

(\*\*) As of 30 September 2022, the balance of this account includes bank deposits in Syria.

(\*\*\*) This represents the accrued amount as of 30 September 2022. Total contribution of government incentives related to fleet investments amounts to USD 3,091.

**11. DEFERRED INCOME**

**Deferred income is as follows:**

	<u>30 September 2022</u>	<u>31 December 2021</u>
Passenger flight liabilities	2,297	1,216
Other short-term deferred income	<u>34</u>	<u>48</u>
	<u>2,331</u>	<u>1,264</u>

**Passenger flight liability is as follows:**

	<u>30 September 2022</u>	<u>31 December 2021</u>
Flight liability for ticket sales	2,124	1,018
Frequent flyer program liability	<u>173</u>	<u>198</u>
	<u>2,297</u>	<u>1,216</u>

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

	<u>30 September 2022</u>	<u>31 December 2021</u>
Advances received	13	31
Deferred finance income	11	6
Unearned bank protocol income	8	8
Other income accruals	<u>2</u>	<u>3</u>
	<u>34</u>	<u>48</u>

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

	<u>30 September 2022</u>	<u>31 December 2021</u>
Deferred finance income	90	83
Unearned bank protocol income	<u>3</u>	<u>9</u>
	<u>93</u>	<u>92</u>

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**12. PROPERTY AND EQUIPMENT**

	Land improvements and buildings	Technical equipment, simulator and vehicles	Other equipments, and fixtures	Aircrafts	Spare engines	Components and repairable spare parts	Leasehold improvements	Construction in progress	Total
<b><u>Cost</u></b>									
Opening balance at 1 January 2022	1,650	734	259	4,341	697	692	196	179	8,748
Additions	1	14	10	117	63	156	5	89	455
Transfer (*)	-	1	-	9	8	-	6	(38)	(14)
Transfers between the account	-	-	-	403	19	-	-	-	422
Disposals	(2)	(3)	(1)	(180)	(27)	(76)	(1)	-	(290)
Closing balance at 30 September 2022	1,649	746	268	4,690	760	772	206	230	9,321
<b><u>Accumulated Depreciation</u></b>									
Opening balance at 1 January 2022	336	344	211	2,709	288	385	111	-	4,384
Depreciation charge	53	31	14	190	48	72	12	-	420
Transfers between the account	-	-	-	165	10	-	-	-	175
Disposals	(1)	(2)	(1)	(141)	(27)	(45)	(1)	-	(218)
Closing balance at 30 September 2022	388	373	224	2,923	319	412	122	-	4,761
Net book value at 30 September 2022	1,261	373	44	1,767	441	360	84	230	4,560
Net book value at 31 December 2021	1,314	390	48	1,632	409	307	85	179	4,364

(\*) In total of USD 14 of construction in progress has been transferred to intangible fixed assets amounting to USD 0 and right-of-use assets amounting to USD 14.

USD 1,321 of depreciation and amortization expenses recognized in cost of sales (30 September 2021: USD 1,229), USD 47 of general administrative expenses (30 September 2021: USD 51) and USD 5 of marketing and sales expenses (30 September 2021: USD 5) in total of USD 1,373 as of 30 September 2022 (30 September 2021: USD 1,285).

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

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

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

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

Right of use assets are as follows:

	<b>Aircraft</b>	<b>Spare engines</b>	<b>Real Estate</b>	<b>Vehicles</b>	<b>Total</b>
<b><u>Cost</u></b>					
Opening balance at 1 January 2022	20,348	301	75	9	20,733
Additions	1,755	22	574	1	2,352
Transfer	3	11	-	-	14
Disposals	(259)	-	(1)	-	(260)
Transfers between the accounts (*)	(422)	-	-	-	(422)
<b>Closing balance at 30 September 2022</b>	<b>21,425</b>	<b>334</b>	<b>648</b>	<b>10</b>	<b>22,417</b>

	<b>Aircraft</b>	<b>Spare engines</b>	<b>Real Estate</b>	<b>Vehicles</b>	<b>Total</b>
<b><u>Accumulated Depreciation</u></b>					
Opening balance at 1 January 2022	5,525	62	31	5	5,623
Depreciation charge	904	15	18	1	938
Disposals	(255)	-	-	-	(255)
Transfers between the account (*)	(175)	-	-	-	(175)
<b>Closing balance at 30 September 2022</b>	<b>5,999</b>	<b>77</b>	<b>49</b>	<b>6</b>	<b>6,131</b>
<b>Net book value at 30 September 2022</b>	<b>15,426</b>	<b>257</b>	<b>599</b>	<b>4</b>	<b>16,286</b>

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

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

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

The Group negotiated with the airport operator company (İGA Havalimanı İşletmesi A.Ş.) regarding the rental areas, rental fee, renting conditions and period for İstanbul Airport. As of May 2022, the agreement is signed with the airport operator company. Lease liabilities are discounted to present value by using the Group's incremental borrowing rate since there is no interest rate implicit in the lease agreement. The borrowing rates used are 25.78% and 3.862% for TL and Euro, respectively. The rental period has been determined as 22 years, taking into account the extension periods in the contract.



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**13. INTANGIBLE ASSETS**

	<b>Slot rights and acquired technical licenses (*)</b>	<b>Rights</b>	<b>Other intangible assets</b>	<b>Total</b>
<b><u>Cost</u></b>				
Opening balance at 1 January 2022	44	239	5	288
Additions	-	5	-	5
Transfers	-	-	-	-
Closing balance at 30 September 2022	<u>44</u>	<u>244</u>	<u>5</u>	<u>293</u>
<b><u>Accumulated Amortization</u></b>				
Opening balance at 1 January 2022	-	203	3	206
Amortization charge	-	15	-	15
Closing balance at 30 September 2022	<u>-</u>	<u>218</u>	<u>3</u>	<u>221</u>
Net book value at 30 September 2022	<u>44</u>	<u>26</u>	<u>2</u>	<u>72</u>
Net book value at 31 December 2021	<u>44</u>	<u>36</u>	<u>2</u>	<u>82</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 2021	44	221	5	270
Additions	-	7	-	7
Transfers	-	7	-	7
Closing balance at 30 September 2021	<u>44</u>	<u>235</u>	<u>5</u>	<u>284</u>
<b><u>Accumulated Amortization</u></b>				
Opening balance at 1 January 2021	-	178	3	181
Amortization charge	-	19	-	19
Closing balance at 30 September 2021	<u>-</u>	<u>197</u>	<u>3</u>	<u>200</u>
Net book value at 30 September 2021	<u>44</u>	<u>38</u>	<u>2</u>	<u>84</u>

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

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**14. LEASING TRANSACTIONS**

Maturities of lease obligations are as follows:

	Future Minimum Lease Payments		Interest		Present Values of Minimum Lease Payments	
	30 September 2022	31 December 2021	30 September 2022	31 December 2021	30 September 2022	31 December 2021
Less than 1 year	1,773	1,844	(242)	(174)	1,531	1,670
Between 1 – 5 years	5,514	5,710	(588)	(396)	4,926	5,314
Over 5 years	3,943	3,401	(466)	(141)	3,477	3,260
	<u>11,230</u>	<u>10,955</u>	<u>(1,296)</u>	<u>(711)</u>	<u>9,934</u>	<u>10,244</u>

	<u>30 September 2022</u>	<u>31 December 2021</u>
Interest Range:		
Floating rate obligations	5,099	5,314
Fixed rate obligations	4,835	4,930
	<u>9,934</u>	<u>10,244</u>

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

As of 30 September 2022, the US Dollars, Euro, JPY and Swiss Franc denominated lease obligations' weighted average interest rates are 5.80% (31 December 2021: 3.77%) for the fixed rate obligations and 1.53% (31 December 2021: 1.56%) for the floating rate obligations.

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

Short-term provisions as of 30 September 2022 and 2021 are as follows:

Short-term provision for employee benefits is as follows:

	<u>30 September 2022</u>	<u>31 December 2021</u>
Provisions for unused vacation	42	18

Changes in the provisions for the period ended 30 September 2022 and 2021 are set out below:

	<u>1 January - 30 September 2022</u>	<u>1 January - 30 September 2021</u>
Provisions at the beginning of the period	18	16
Provisions for the current period	273	152
Provisions released	(239)	(142)
Foreign currency translation differences	(10)	(4)
Provisions at the end of the period	<u>42</u>	<u>22</u>

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

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

Other short-term provision is as follows:

	<u>30 September 2022</u>	<u>31 December 2021</u>
Provisions for legal claims	<u>6</u>	<u>8</u>

Changes in the provisions for legal claims for the period ended 30 September 2022 and 2021 are set out below:

	<u>1 January - 30 September 2022</u>	<u>1 January - 30 September 2021</u>
Provisions at the beginning of the period	8	10
Provisions for the current period	1	2
Provisions released	-	-
Foreign currency translation differences	<u>(3)</u>	<u>(2)</u>
Provisions at the end of the period	<u>6</u>	<u>10</u>

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

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**16. COMMITMENTS**

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

Amount of letters of guarantees given as of 30 September 2022 is USD 1,536 (31 December 2021: USD 1,530).

As of 30 September 2022, the letters of guarantee are given to various authorities (i.e. various banks and vendors.)

	<b>30 September 2022</b>		<b>31 December 2021</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	-	1,536	-	1,530
-Collaterals				
TL	93	5	62	5
EUR	1,487	1,457	1,295	1,466
USD	65	65	50	50
Other	-	9	-	9
B. Total amounts of GPM given on the behalf of subsidiaries that are included in full consolidation	-	-	-	-
C. Total amounts of GPM given in order to guarantee third party debts for routine trade operations	-	-	-	-
D. Total amounts of other GPM given	-	-	-	-
i. Total amount of GPM given on behalf of the Parent	-	-	-	-
ii. Total amount of GPM given on behalf of other group companies not covered in B and C	-	-	-	-
iii. Total amount of GPM given on behalf of third parties not covered in C	-	-	-	-
		<u>1,536</u>		<u>1,530</u>

The ratio of other GPM (“D”) given by the group to its equity is 0% as of 30 September 2022 (31 December 2021: 0%)

b) Aircraft purchase commitments:

To be delivered between the years 2022-2028, the Group signed an agreement for 89 aircrafts, (79 of aircrafts are contractual and 10 of them are optional) with a list price value of USD 12,821. The Group has made a predelivery payment of USD 888 relevant to these purchases as of 30 September 2022 (31 December 2021: USD 836).

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**17. EMPLOYEE BENEFITS**

Provisions for retirement pay liability as of 30 September 2022 and 2021 is comprised of the following:

	<b>30 September 2022</b>	<b>31 December 2021</b>
Provision for retirement pay liability	<u>126</u>	<u>113</u>

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

Retirement pay liability is subject to an upper limit of monthly USD 829 (full) (equivalent of TL 15,371 (full)) as of 30 September 2022. (31 December 2021: USD 812 (full) equivalent of TL 10,849 (full)).

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

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

The key assumption is that maximum liability amount increases in accordance with the inflation rate for every service year. Provisions in the accompanying consolidated financial statements as of 30 September 2022 are calculated by estimating present value of liabilities due to retirement of employees. Provisions in the relevant balance sheet dates are calculated with the assumptions of 15.55% annual inflation rate (31 December 2021: 15.55%) and 20% interest rate (31 December 2021: 20%). Estimated amount of non-paid retirement pay retained in the Group due to voluntary leaves is assumed as 2.37% (31 December 2021: 2.45%). Ceiling for retirement pay is revised semi-annually. Ceiling amount of USD 829 (full) which is in effect since 1 July 2022 is used in the calculation of Group’s provision for retirement pay liability.

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

	<b>1 January - 30 September 2022</b>	<b>1 January - 30 September 2021</b>
Provision at the beginning of the period	113	134
Service charge for the period	33	15
Actuarial loss	15	3
Interest charges	13	11
Payments	(4)	(6)
Foreign currency translation difference	(44)	(26)
Provision at the end of the period	<u>126</u>	<u>131</u>

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**18. EXPENSES BY NATURE**

Expenses by nature for the nine-month period ended 30 September 2022 and 2021 are as follows:

	1 January - 30 September 2022	1 July - 30 September 2022	1 January - 30 September 2021	1 July - 30 September 2021
Fuel expenses	4,886	2,107	1,853	872
Personnel expenses	1,476	578	946	348
Depreciation and amortisation charges	1,373	474	1,285	438
Ground services expenses	698	299	486	202
Aircraft maintenance expenses	589	222	385	147
Airport expenses	482	184	365	161
Air traffic control expenses	449	172	329	149
Passenger services and catering expenses	433	187	199	102
Commissions and incentives	365	137	166	65
Reservation systems expenses	225	73	114	44
Wet lease expenses	107	41	143	53
Service expenses	86	40	59	19
Advertisement and promotion expenses	73	23	53	20
Insurance expenses	46	15	38	7
Transportation expenses	42	13	31	12
Taxes and duties	40	11	28	8
Rents	31	3	45	18
IT and communication expenses	29	12	35	12
Aircraft rent expenses	11	4	5	(2)
Systems use and associateship expenses	10	2	8	3
Consultancy expenses	10	3	17	6
Utility expenses	5	2	3	1
Other	87	29	63	23
	<u>11,553</u>	<u>4,631</u>	<u>6,656</u>	<u>2,708</u>

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**19. SHAREHOLDERS' EQUITY**

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

<b>(Millions of TL)</b>	<b>Class</b>	<b>%</b>	<b>30 September</b>		<b>31 December</b>	
			<b>2022</b>	<b>%</b>	<b>2021</b>	<b>%</b>
Turkey Wealth Fund (*)	A	49.12	678	49.12	678	
Republic of Turkey Treasury and Finance Ministry Privatization Administration (*)	C	-	-	-	-	
Other (publicly held)	A	50.88	702	50.88	702	
Paid-in capital (Turkish Lira)			1,380		1,380	
Inflation adjustment on share capital (Turkish Lira) (**)			1,124		1,124	
Share capital (Turkish Lira)			<u>2,504</u>		<u>2,504</u>	
Share capital (USD Equivalent)			<u>1,597</u>		<u>1,597</u>	

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

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

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

As of 30 September 2022, Registered paid-in share capital of the Company comprised 137,999,999,999 Class A shares and 1 Class C share, all with a par value of Kr 1 each. The Class C share belongs to the Republic of Turkey Treasury and Finance Ministry Privatization Administration and has the following privileges:

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

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

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

f) Decisions relating to merges and liquidation,

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

**Restricted Profit Reserves**

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

**Foreign Currency Translation Differences**

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

**Distribution of Dividends**

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

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

**Actuarial Differences on Defined Benefit Plans**

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

**Gains/Losses from Cash Flow Hedges**

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

As of 2022, lease liabilities and investment borrowings in Japanese Yen, Swiss Frank and Euro for investment financing are designated as cash flow hedge against exchange rate risk due to highly probable future same foreign currency revenues. Group's revenue denominated in Euro and Swiss Frank covered borrowings of such foreign currency, Japanese Yen revenue covered %18, Euro revenue covered %5, Swiss Frank covered %10 of borrowings. In this context, exchange differences arising from such these loans repayment are taken to equity and recognized in other comprehensive income.



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**20. REVENUE**

Breakdown of gross profit is as follows:

	<b>1 January - 30 September 2022</b>	<b>1 July - 30 September 2022</b>	<b>1 January - 30 September 2021</b>	<b>1 July - 30 September 2021</b>
Passenger revenue				
Scheduled	10,355	5,025	4,368	2,329
Unscheduled	93	58	64	43
Total passenger revenue	<u>10,448</u>	<u>5,083</u>	<u>4,432</u>	<u>2,372</u>
Cargo revenue				
Carried by passenger aircraft	1,183	355	733	307
Carried by cargo aircraft	1,738	522	2,001	662
Total cargo revenue	<u>2,921</u>	<u>877</u>	<u>2,734</u>	<u>969</u>
Total passenger and cargo revenue	<u>13,369</u>	<u>5,960</u>	<u>7,166</u>	<u>3,341</u>
Technical revenue	265	101	190	57
Other revenue	20	7	21	7
Net sales	<u>13,654</u>	<u>6,068</u>	<u>7,377</u>	<u>3,405</u>
Cost of sales (-)	<u>(10,335)</u>	<u>(4,198)</u>	<u>(5,864)</u>	<u>(2,414)</u>
Gross profit	<u><u>3,319</u></u>	<u><u>1,870</u></u>	<u><u>1,513</u></u>	<u><u>991</u></u>

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

	<b>1 January - 30 September 2022</b>	<b>1 July - 30 September 2022</b>	<b>1 January - 30 September 2021</b>	<b>1 July - 30 September 2021</b>
International flights				
- Europe	4,020	1,957	1,841	978
- Asia and Far East	3,098	1,192	1,852	710
- Americas	2,894	1,250	1,577	708
- Middle East	1,231	599	568	296
- Africa	1,180	505	705	299
Total	<u>12,423</u>	<u>5,503</u>	<u>6,543</u>	<u>2,991</u>
Domestic flights	946	457	623	350
Total passenger and cargo revenue	<u><u>13,369</u></u>	<u><u>5,960</u></u>	<u><u>7,166</u></u>	<u><u>3,341</u></u>

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**21. COST OF SALES**

Breakdown of the cost of sales is as follows:

	<b>1 January - 30 September 2022</b>	<b>1 July - 30 September 2022</b>	<b>1 January - 30 September 2021</b>	<b>1 July - 30 September 2021</b>
Fuel expenses	4,886	2,107	1,853	872
Depreciation and amortisation charges	1,321	456	1,229	420
Personnel expenses	1,161	463	713	261
Ground services expenses	698	299	486	202
Aircraft maintenance expenses	589	222	385	147
Airport expenses	482	184	365	161
Air traffic control expenses	449	172	329	149
Passenger services and catering expenses	433	187	199	102
Wet lease expenses	107	41	143	53
Insurance expenses	43	14	35	6
Transportation expenses	42	13	31	12
Service expenses	38	18	28	9
Rents	15	(2)	22	9
Taxes and duties	15	6	15	6
Aircraft rent expenses	11	4	5	(2)
IT and communication expenses	5	2	4	1
Other	40	12	22	6
	<u>10,335</u>	<u>4,198</u>	<u>5,864</u>	<u>2,414</u>

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

Breakdown of general administrative expenses is as follows:

	<b>1 January - 30 September 2022</b>	<b>1 July - 30 September 2022</b>	<b>1 January - 30 September 2021</b>	<b>1 July - 30 September 2021</b>
Personnel expenses	84	33	71	28
Depreciation and amortisation charges	47	16	51	17
Service expenses	36	16	23	7
IT and communication expenses	17	8	24	9
Systems use and associateship expenses	6	1	5	2
Utility expenses	5	2	3	1
Taxes and duties	5	2	1	-
Consultancy expenses	3	1	10	4
Insurance expenses	3	1	3	1
Rents	2	1	10	4
Other	12	5	8	3
	<u>220</u>	<u>86</u>	<u>209</u>	<u>76</u>

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

Breakdown of selling and marketing expenses is as follows:

	<b>1 January - 30 September 2022</b>	<b>1 July - 30 September 2022</b>	<b>1 January - 30 September 2021</b>	<b>1 July - 30 September 2021</b>
Commissions and incentives	365	137	166	65
Personnel expenses	231	82	162	59
Reservation systems expenses	225	73	114	44
Advertisement and promotion expenses	73	23	53	20
Taxes and duties	20	3	12	2
Rents	14	4	13	5
Service expenses	12	6	8	3
IT and communication expenses	7	2	7	2
Consultancy expenses	7	2	7	2
Depreciation and amortisation charges	5	2	5	1
Systems use and associateship expenses	4	1	3	1
Other	35	12	33	14
	<u>998</u>	<u>347</u>	<u>583</u>	<u>218</u>

**23. OTHER OPERATING INCOME / EXPENSES**

Breakdown of other operating income is as follows:

	<b>1 January - 30 September 2022</b>	<b>1 July - 30 September 2022</b>	<b>1 January - 30 September 2021</b>	<b>1 July - 30 September 2021</b>
Manufacturers' credits	43	3	50	21
Insurance, indemnities, penalties income	13	3	52	24
Rent income	11	4	13	4
Non- interest income from banks	6	2	6	2
Provisions released	4	1	9	2
Turnover premium from suppliers	4	1	3	2
Delay interest income	1	-	-	-
Other	10	6	17	3
	<u>92</u>	<u>20</u>	<u>150</u>	<u>58</u>

Breakdown of other operating expenses is as follows:

	<b>1 January - 30 September 2022</b>	<b>1 July - 30 September 2022</b>	<b>1 January - 30 September 2021</b>	<b>1 July - 30 September 2021</b>
Foreign exchange losses from operational activities, net	47	33	38	29
Rediscount interest expenses	17	6	4	1
Indemnity and penalty expenses	9	3	5	2
Provisions	3	-	13	(3)
Adjustments for ECL provision	2	2	(1)	-
Other	14	5	17	4
	<u>92</u>	<u>49</u>	<u>76</u>	<u>33</u>

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

Breakdown of income from investment activities is as follows:

	<b>1 January - 30 September 2022</b>	<b>1 July - 30 September 2022</b>	<b>1 January - 30 September 2021</b>	<b>1 July - 30 September 2021</b>
Income from investment incentives	106	37	145	51
Interest income from financial investment (*)	73	44	5	2
Gain on sale of fixed assets	6	1	6	2
Gain on sale of financial investments	5	2	4	1
	<u>190</u>	<u>84</u>	<u>160</u>	<u>56</u>

(\*) The fair value gain for currency protected instruments is 1 USD.

Breakdown of expense from investment activities is as follows:

	<b>1 January - 30 September 2022</b>	<b>1 July - 30 September 2022</b>	<b>1 January - 30 September 2021</b>	<b>1 July - 30 September 2021</b>
Loss on sale of fixed assets	23	-	6	2
Loss on sale of financial investments	-	-	1	-
	<u>23</u>	<u>-</u>	<u>7</u>	<u>2</u>

**25. FINANCIAL INCOME/ EXPENSES**

Breakdown of financial income is as follows:

	<b>1 January - 30 September 2022</b>	<b>1 July - 30 September 2022</b>	<b>1 January - 30 September 2021</b>	<b>1 July - 30 September 2021</b>
Foreign exchange gains from financial activities, net	202	116	12	114
Fair value gains on derivative financial instruments, net	120	106	44	(5)
Interest income	79	24	51	12
	<u>401</u>	<u>246</u>	<u>107</u>	<u>121</u>

Breakdown of financial expenses is as follows:

	<b>1 January - 30 September 2022</b>	<b>1 July - 30 September 2022</b>	<b>1 January - 30 September 2021</b>	<b>1 July - 30 September 2021</b>
Interest expense from leasing liabilities	142	58	144	48
Interest expense from financial activities	85	23	102	39
Rediscount interest expense from repayments of aircrafts	30	9	1	(2)
Aircraft financing expenses	19	7	24	10
Interest expenses on employee benefits	13	4	11	3
Other	10	5	10	3
	<u>299</u>	<u>106</u>	<u>292</u>	<u>101</u>

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**26. TAX ASSETS AND LIABILITIES**

Breakdown of assets related to current tax is as follows:

	<u>30 September 2022</u>	<u>31 December 2021</u>
Prepaid taxes	32	20

Tax liability is as follows:

	<u>30 September 2022</u>	<u>31 December 2021</u>
Provisions for corporate tax	32	27
Prepaid taxes and funds	(21)	(11)
Corporate tax liability	11	16

Tax expense is as follows:

	<u>1 January - 30 September 2022</u>	<u>1 July - 30 September 2022</u>	<u>1 January - 30 September 2021</u>	<u>1 July - 30 September 2021</u>
Current period tax expense	32	9	17	9
Deferred tax expense	190	202	60	126
Tax expense	222	211	77	135

Tax effect related to other comprehensive income is as follows:

	<u>1 January - 30 September 2022</u>			<u>1 January - 30 September 2021</u>		
	Amount before tax	Tax expense	Amount after tax	Amount before tax	Tax expense	Amount after tax
Change in cash flow hedge reserve	1,018	( 204)	814	560	( 114)	446
Change in actuarial losses from retirement pay obligation	( 15)	3	( 12)	( 3)	1	( 2)
Losses on Remeasuring FVOCI	( 24)	5	( 19)	( 6)	1	( 5)
Changes in foreign currency translation difference	( 30)	-	( 30)	( 28)	-	( 28)
Other comprehensive income	949	( 196)	753	523	( 112)	411

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 September 2022, the corporate tax rate is 23% in Turkey (December 31, 2021: 25%). Corporation tax rate is applied to net income of the companies after adjusting for certain disallowable expenses, exempt income and allowances.

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

*Deferred Tax*

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

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

Deferred tax assets and liabilities as of 30 September 2022 are calculated with 23% tax rate for the temporary differences which will be realized in 2022, and with 20% tax rate for those which will be realized after 2022 and onwards.

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

	<u>30 September 2022</u>	<u>31 December 2021</u>
Deferred tax asset	1	1
Deferred tax liability	(2,365)	(1,714)
Deferred tax liability	<u>(2,364)</u>	<u>(1,713)</u>
	<u>30 September 2022</u>	<u>31 December 2021</u>
Fixed assets	(2,824)	(2,614)
Right of use asset	(415)	(268)
Adjustments for passenger flight liabilities	(38)	(22)
Change in fair value of derivative instruments	(33)	(7)
Lease liabilities	443	346
Tax loss carried forward	182	634
Accruals for expenses	97	79
Income and expense for future years	90	69
Miles accruals	28	27
Provisions for employee benefits	25	23
Provisions for unused vacation	9	4
Other	72	16
Deferred tax liabilities	<u>(2,364)</u>	<u>(1,713)</u>

The changes of deferred tax liability for the period ended 1 January – 30 September 2022 and 2021 are as follows:

	<u>1 January - 30 September 2022</u>	<u>1 January - 30 September 2021</u>
Opening balance at 1 January	1,713	1,119
Foreign currency translation difference	267	106
Tax expense from hedging reserves	202	111
Deferred tax expense	190	77
Tax income of actuarial losses on retirement pay obligation	(3)	-
Tax income from FVOCI	(5)	1
Deferred tax liability at the end of the period	<u>2,364</u>	<u>1,414</u>

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

*Deferred Tax (cont'd)*

Reconciliation with current tax charge for the period 1 January – 30 September 2022 and 2021 are as follows:

	<b>1 January - 30 September 2022</b>	<b>1 July - 30 September 2022</b>	<b>1 January - 30 September 2021</b>	<b>1 July - 30 September 2021</b>
<u>Reconciliation of effective tax charge</u>				
Profit from operations before tax	2,474	1,726	811	870
Domestic expense tax rate of 23% / 25%	(569)	(397)	(203)	(218)
Taxation effects on:				
- foreign currency translation difference	331	154	73	42
- effect of the change in the deferred tax rate	23	2	33	8
- investments accounted by using the equity method	21	23	10	15
- income from investment certificates	21	7	29	14
- investment incentive	6	1	25	6
- adjustment for prior year loss	(1)	-	1	-
- deduction	-	-	1	1
- non deductible expenses	(54)	(1)	(46)	(3)
Tax charge in statement of profit	<u>(222)</u>	<u>(211)</u>	<u>(77)</u>	<u>(135)</u>

**27. EARNINGS PER SHARE**

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

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

Number of total shares and calculation of profits / losses per share at 1 January – 30 September 2022 and 2021:

	<b>1 January - 30 September 2022</b>	<b>1 January - 30 September 2021</b>
Number of shares outstanding at 1 January (in full)	138,000,000,000	138,000,000,000
Number of shares outstanding at 30 September (in full)	138,000,000,000	138,000,000,000
Weighted average number of shares outstanding during the period (in full)	138,000,000,000	138,000,000,000
Net profit for the period	2,252	734
Basic earnings per share (Full US Cents) (*)	1.63	0.53
Diluted earnings per share (Full US Cents) (*)	1.63	0.53

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

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**28. DERIVATIVE FINANCIAL INSTRUMENTS**

Breakdown of derivative financial assets and liabilities of the Group as of 30 September 2022 and 2021 are as follows:

<u>Derivative financial assets</u>	<u>30 September 2022</u>	<u>31 December 2021</u>
Derivative instruments not subject to hedge accounting	132	9
Derivative instruments for fuel prices cash flow hedge	27	50
Derivative instruments for interest rate cash flow hedge	13	-
	<u>172</u>	<u>59</u>

<u>Derivative financial liabilities</u>	<u>30 September 2022</u>	<u>31 December 2021</u>
Derivative instruments for cross currency rate cash flow hedge	24	-
Derivative instruments for fuel prices cash flow hedge	5	6
Derivative instruments not subject to hedge accounting	3	6
Derivative instruments for interest rate cash flow hedge	2	16
	<u>34</u>	<u>28</u>



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

*Foreign currency risk management*

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

	<b>30 September 2022</b>					
	<b>USD EQUIVALENT</b>	<b>TL</b>	<b>EUR</b>	<b>JPY</b>	<b>CHF</b>	<b>OTHER</b>
1.Trade Receivables	1,045	159	203	10	20	653
2a.Monetary Financial Assets	4,582	288	4,180	14	2	98
2b.Non Monetary Financial Assets	-	-	-	-	-	-
3.Other	731	268	185	-	5	273
<b>4.Current Assets (1+2+3)</b>	<b>6,358</b>	<b>715</b>	<b>4,568</b>	<b>24</b>	<b>27</b>	<b>1,024</b>
5.Trade Receivables	-	-	-	-	-	-
6a.Monetary Financial Assets	511	511	-	-	-	-
6b.Non Monetary Financial Assets	-	-	-	-	-	-
7.Other	514	344	163	-	-	7
<b>8.Non Current Assets (5+6+7)</b>	<b>1,025</b>	<b>855</b>	<b>163</b>	<b>-</b>	<b>-</b>	<b>7</b>
<b>9.Total Assets (4+8)</b>	<b>7,383</b>	<b>1,570</b>	<b>4,731</b>	<b>24</b>	<b>27</b>	<b>1,031</b>
10.Trade Payables	943	623	260	3	6	51
11.Financial Liabilities (*)	3,285	7	2,927	330	21	-
12a.Other Liabilities, Monetary	646	412	169	2	5	58
12b.Other Liabilities, Non Monetary	48	48	-	-	-	-
<b>13.Current Liabilities (10+11+12)</b>	<b>4,922</b>	<b>1,090</b>	<b>3,356</b>	<b>335</b>	<b>32</b>	<b>109</b>
14.Trade Payables	-	-	-	-	-	-
15.Financial Liabilities (*)	7,475	40	6,138	1,215	82	-
16a.Other Liabilities, Monetary	19	3	6	-	-	10
16b.Other Liabilities, Non Monetary	126	126	-	-	-	-
<b>17.Non Current Liabilities (14+15+16)</b>	<b>7,620</b>	<b>169</b>	<b>6,144</b>	<b>1,215</b>	<b>82</b>	<b>10</b>
<b>18.Total Liabilities (13+17)</b>	<b>12,542</b>	<b>1,259</b>	<b>9,500</b>	<b>1,550</b>	<b>114</b>	<b>119</b>
<b>19.Net asset / liability position of off-balance sheet derivatives (19a-19b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
19a.Off-balance sheet foreign currency derivative assets	-	-	-	-	-	-
19b.Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-	-
<b>20.Net foreign currency asset/(liability) position (9-18+19)</b>	<b>(5,159)</b>	<b>311</b>	<b>(4,769)</b>	<b>(1,526)</b>	<b>(87)</b>	<b>912</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>(6,230)</b>	<b>(127)</b>	<b>(5,117)</b>	<b>(1,526)</b>	<b>(92)</b>	<b>632</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>3,306</b>	<b>-</b>	<b>3,306</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>24.Hedged foreign currency liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(\*) Net foreign exchange position of Group is mainly due to long term foreign currency borrowings denominated in Euro, Japanese Yen, Swiss Frank to funds its investments. Group uses these long term foreign currency borrowings to manage the risk of exchange differences with highly probable future foreign currency revenues. The USD equivalent of these borrowings amount to USD 6,254 as of 30 September 2022 (31 December 2021: USD 7,824).

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

*Foreign currency risk management (cont'd)*

	31 December 2021					
	USD EQUIVALENT	TL	EUR	JPY	CHF	OTHER
1.Trade Receivables	854	58	147	4	16	629
2a.Monetary Financial Assets	2,415	678	1,658	3	2	74
2b.Non Monetary Financial Assets	-	-	-	-	-	-
3.Other	380	122	79	-	5	174
<b>4.Current Assets (1+2+3)</b>	<b>3,649</b>	<b>858</b>	<b>1,884</b>	<b>7</b>	<b>23</b>	<b>877</b>
5.Trade Receivables	-	-	-	-	-	-
6a.Monetary Financial Assets	974	974	-	-	-	-
6b.Non Monetary Financial Assets	-	-	-	-	-	-
7.Other	574	350	217	-	-	7
<b>8.Non Current Assets (5+6+7)</b>	<b>1,548</b>	<b>1,324</b>	<b>217</b>	<b>-</b>	<b>-</b>	<b>7</b>
<b>9.Total Assets (4+8)</b>	<b>5,197</b>	<b>2,182</b>	<b>2,101</b>	<b>7</b>	<b>23</b>	<b>884</b>
10.Trade Payables	646	392	189	1	2	62
11.Financial Liabilities	3,439	38	3,112	266	23	-
12a.Other Liabilities, Monetary	97	6	48	2	3	38
12b.Other Liabilities, Non Monetary	25	25	-	-	-	-
<b>13.Current Liabilities (10+11+12)</b>	<b>4,207</b>	<b>461</b>	<b>3,349</b>	<b>269</b>	<b>28</b>	<b>100</b>
14.Trade Payables	-	-	-	-	-	-
15.Financial Liabilities	8,846	3	7,559	1,180	104	-
16a.Other Liabilities, Monetary	24	15	7	-	-	2
16b.Other Liabilities, Non Monetary	113	113	-	-	-	-
<b>17.Non Current Liabilities (14+15+16)</b>	<b>8,983</b>	<b>131</b>	<b>7,566</b>	<b>1,180</b>	<b>104</b>	<b>2</b>
<b>18.Total Liabilities (13+17)</b>	<b>13,190</b>	<b>592</b>	<b>10,915</b>	<b>1,449</b>	<b>132</b>	<b>102</b>
<b>19.Net asset / liability position of off-balance sheet derivatives (19a-19b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
19a.Off-balance sheet foreign currency derivative assets	-	-	-	-	-	-
19b.Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-	-
<b>20.Net foreign currency asset/(liability) position (9-18+19)</b>	<b>(7,993)</b>	<b>1,590</b>	<b>(8,814)</b>	<b>(1,442)</b>	<b>(109)</b>	<b>782</b>
<b>21.Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(8,809)</b>	<b>1,256</b>	<b>(9,110)</b>	<b>(1,442)</b>	<b>(114)</b>	<b>601</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>1,570</b>	<b>-</b>	<b>1,570</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>24.Hedged foreign currency liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

*Foreign currency risk management (cont'd)*

The Group is exposed to foreign exchange risk primarily from TL, EURO, JPY and CHF. The following table details the Group's sensitivity to a 10% increase and decrease in TL, EURO, JPY and CHF 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 a same effect on equity. The Group accounted investment loans and aircraft financial liabilities in scope of cash flow hedge accounting and foreign exchange income/expense arising from these loans and liabilities are recognized in equity. 10% increase and decrease effect of foreign exchange rates are calculated with the same method and the calculated foreign exchange gains/losses are presented as hedged portion in the foreign exchange sensitivity table. Furthermore, the hedged portion of foreign exchange gains/losses via forwards and cross currency swap transactions is classified as the amount hedged against USD in the statement of exchange rate sensitivity analysis.

	<b>30 September 2022</b>			
	<b>Profit / (Loss)</b>		<b>Equity</b>	
	<b>Before Tax</b>			
	If foreign currency appreciated 10 %	If foreign currency depreciated 10 %	If foreign currency appreciated 10 %	If foreign currency depreciated 10 %
1- TL net asset / liability	31	(31)	-	-
2- Part hedged from TL risk (-)	-	-	-	-
3- TL net effect (1+2)	31	(31)	-	-
4- Euro net asset / liability	84	(84)	(561)	561
5- Part hedged from Euro risk (-)	331	(331)	-	-
6- Euro net effect (4+5)	415	(415)	(561)	561
7- JPY net asset / liability	(99)	99	(54)	54
8- Part hedged from JPY risk (-)	-	-	-	-
9- JPY net effect (7+8)	(99)	99	(54)	54
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	91	(91)	-	-
14- Part hedged other foreign currency risk (-)	-	-	-	-
15- Other foreign currency net effect (13+14)	91	(91)	-	-
<b>TOTAL (3 + 6 + 9 + 12 + 15)</b>	<b>439</b>	<b>(439)</b>	<b>(625)</b>	<b>625</b>

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

*Foreign currency risk management (cont'd)*

	<b>31 December 2021</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	159	(159)	-	-
2- Part hedged from TL risk (-)	-	-	-	-
3- TL net effect (1+2)	159	(159)	-	-
4- Euro net asset / liability	(197)	197	(684)	684
5- Part hedged from Euro risk (-)	157	(157)	-	-
6- Euro net effect (4+5)	(40)	40	(684)	684
7- JPY net asset / liability	(94)	94	(50)	50
8- Part hedged from JPY risk (-)	-	-	-	-
9- JPY net effect (7+8)	(94)	94	(50)	50
10- CHF net asset / liability	2	(2)	(13)	13
11- Part hedged from CHF risk (-)	-	-	-	-
12- CHF net effect (10+11)	2	(2)	(13)	13
13- Other foreign currency net asset / liability	78	(78)	-	-
14- Part hedged other foreign currency risk (-)	-	-	-	-
15- Other foreign currency net effect (13+14)	78	(78)	-	-
<b>TOTAL (3 + 6 + 9 + 12 + 15)</b>	<b>105</b>	<b>(105)</b>	<b>(747)</b>	<b>747</b>

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

None.