

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

Condensed Consolidated Interim  
Financial Statements As at and For  
The Three-Month Period  
Ended 31 March 2022

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Condensed Consolidated Interim Balance Sheet as at 31 March 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

<b>ASSETS</b>	<b>Notes</b>	<b>Not Reviewed 31 March 2022</b>	<b>Audited 31 December 2021</b>
<b>Non-Current Assets</b>			
Financial Investments	6	126	88
Other Receivables			
-Third Parties	10	901	866
Investments Accounted for Using Equity Method	3	235	237
Property and Equipment	12	4,394	4,364
Right of Use Assets	12	15,058	15,110
Intangible Assets			
- Other Intangible Assets	13	77	82
- Goodwill		12	12
Prepaid Expenses		878	839
Deferred Tax Asset	26	1	1
<b>TOTAL NON-CURRENT ASSETS</b>		<b>21,682</b>	<b>21,599</b>
<b>Current Assets</b>			
Cash and Cash Equivalents	5	2,545	2,677
Financial Investments	6	576	5
Trade Receivables			
-Related Parties	9	29	24
-Third Parties		964	901
Other Receivables			
-Related Parties	9	6	6
-Third Parties	10	719	791
Derivative Financial Instruments	28	230	59
Inventories		286	261
Prepaid Expenses		166	114
Current Income Tax Assets	26	12	20
Other Current Assets		59	80
<b>TOTAL CURRENT ASSETS</b>		<b>5,592</b>	<b>4,938</b>
<b>TOTAL ASSETS</b>		<b>27,274</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 31 March 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>31 March 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	( 74)	( 71)
Items That Are or May Be Reclassified to			
Profit or Loss			
-Foreign Currency Translation Differences	19	( 289)	( 275)
-Fair Value Losses on Hedging Instruments			
Entered into for Cash Flow Hedges	19	394	151
-(Losses) / Gains on Remeasuring FVOCI		( 8)	( 7)
Restricted Profit Reserves		76	76
Previous Years Profit	19	5,365	4,406
Net Profit for the Period		161	959
Equity of the Parent		<b>7,222</b>	<b>6,836</b>
Non-Controlling Interests		1	1
<b>TOTAL EQUITY</b>		<b>7,223</b>	<b>6,837</b>
<b>Non- Current Liabilities</b>			
Long-Term Borrowings	7	1,884	2,333
Long-Term Lease Liabilities	7 and 14	8,282	8,574
Other Payables			
-Third Parties		192	55
Deferred Income	11	89	92
Long-Term Provisions			
-Provisions for Employee Benefits	17	109	113
-Other Provisions		44	46
Deferred Tax Liability	26	1,811	1,714
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>12,411</b>	<b>12,927</b>
<b>Current Liabilities</b>			
Short Term Borrowings	7	974	883
Short-Term Portion of Long-Term Borrowings	7	1,617	1,443
Short-Term Portion of Lease Liabilities	7 and 14	1,618	1,670
Other Financial Liabilities	8	5	8
Trade Payables			
-Related Parties	9	132	167
-Third Parties		737	724
Payables Related to Employee Benefits		136	105
Other Payables			
-Related Parties	9	6	5
-Third Parties		80	169
Derivative Financial Instruments	28	75	28
Deferred Income	11	1,922	1,264
Current Tax Provision	26	8	16
Short-Term Provisions			
-Provisions for Employee Benefits	15	34	18
-Other Provisions	15	8	8
Other Current Liabilities		288	265
<b>TOTAL CURRENT LIABILITIES</b>		<b>7,640</b>	<b>6,773</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>27,274</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 Three-Month Period Ended 31 March 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

		<u>Not Reviewed</u>	<u>Not Reviewed</u>
	<u>Notes</u>	<u>31 March 2022</u>	<u>31 March 2021</u>
<b><u>PROFIT OR LOSS</u></b>			
Revenue	20	3,051	1,796
Cost of Sales (-)	21	( 2,539)	( 1,624)
<b>GROSS PROFIT</b>		<b>512</b>	<b>172</b>
General Administrative Expenses (-)	22	( 69)	( 67)
Selling and Marketing Expenses (-)	22	( 299)	( 177)
Other Operating Income	23	35	57
Other Operating Expenses (-)	23	( 16)	( 26)
<b>OPERATING PROFIT / (LOSS) BEFORE INVESTMENT ACTIVITIES</b>		<b>163</b>	<b>( 41)</b>
Income from Investment Activities	24	46	50
Expenses for Investment Activities	24	( 23)	( 5)
Share of Investments' Loss Accounted for Using The Equity Method	3	( 5)	( 17)
<b>OPERATING PROFIT / (LOSS)</b>		<b>181</b>	<b>( 13)</b>
Financial Income	25	74	147
Financial Expenses (-)	25	( 135)	( 104)
<b>PROFIT BEFORE TAX</b>		<b>120</b>	<b>30</b>
<b>Tax Income</b>		<b>41</b>	<b>31</b>
Current Tax Expense	26	( 8)	-
Deferred Tax Income	26	49	31
<b>NET PROFIT FOR THE PERIOD</b>		<b>161</b>	<b>61</b>
 <b><u>OTHER COMPREHENSIVE INCOME</u></b>			
<b>Items That May Be Reclassified Subsequently To Profit or Loss</b>		<b>228</b>	<b>302</b>
Currency Translation Adjustment		( 14)	( 14)
Losses on Remeasuring FVOCI		( 1)	( 6)
Fair Value Gains on Hedging Instruments Entered into for Cash Flow Hedges		290	397
Fair Value Gains Hedging Instruments of Investment Accounted by Using the Equity Method Entered into for Cash Flow Hedges		20	5
Related Tax of Other Comprehensive Income		( 67)	( 80)
<b>Items That Will Not Be Reclassified Subsequently To Profit or Loss</b>		<b>( 3)</b>	<b>5</b>
Actuarial (Losses) / Gains on Retirement Pay Obligation		( 4)	6
Related Tax of Other Comprehensive Income		1	( 1)
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>225</b>	<b>307</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>386</b>	<b>368</b>
<b>Basic Earnings Per Share (Full US Cents)</b>	27	0.12	0.04
<b>Diluted Earnings Per Share (Full US Cents)</b>	27	0.12	0.04

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 Three-Month Period Ended 31 March 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

	Share Capital	Items That Will Not Be Reclassified Subsequently To Profit or Loss	Items That May Be Reclassified Subsequently To Profit or Loss			Retained Earnings			Equity Holders of the Parent	Non-controlling Interests	Total Equity
		Actuarial Losses Retirement Pay Obligation	Foreign Currency Translation Differences	Fair Value (Losses) / Gains on Hedging Instruments Entered Into For Cash Flow Hedges	Gains / (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	-	-	-	-	-	-	959	(959)	-	-	-
Total comprehensive income	-	(3)	(14)	243	(1)	-	-	161	386	-	386
<b>As of 31 March 2022</b>	<b>1,597</b>	<b>(74)</b>	<b>(289)</b>	<b>394</b>	<b>(8)</b>	<b>76</b>	<b>5,365</b>	<b>161</b>	<b>7,222</b>	<b>1</b>	<b>7,223</b>

	Share Capital	Items That Will Not Be Reclassified Subsequently To Profit or Loss	Items That May Be Reclassified Subsequently To Profit or Loss			Retained Earnings			Equity Holders of the Parent	Non-controlling Interests	Total Equity
		Actuarial Losses Retirement Pay Obligation	Foreign Currency Translation Differences	Fair Value Gains / (Losses) on Hedging Instruments Entered Into For Cash Flow Hedges	Gains / (Losses) on Remeasuring FVOCI	Restricted Profit Reserves	Previous Years Profit	Net (Loss) / Gain for The Period			
<b>As of 1 January 2021</b>	<b>1,597</b>	<b>(48)</b>	<b>(201)</b>	<b>(450)</b>	<b>2</b>	<b>72</b>	<b>5,246</b>	<b>(836)</b>	<b>5,382</b>	<b>1</b>	<b>5,383</b>
Transfers	-	-	-	-	-	-	(836)	836	-	-	-
Total comprehensive income	-	5	(14)	321	(5)	3	(4)	61	367	-	367
<b>As of 31 March 2021</b>	<b>1,597</b>	<b>(43)</b>	<b>(215)</b>	<b>(129)</b>	<b>(3)</b>	<b>75</b>	<b>4,406</b>	<b>61</b>	<b>5,749</b>	<b>1</b>	<b>5,750</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 Three-Month Period Ended 31 March 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

	Notes	<b>Not Reviewed</b> <b>31 March 2022</b>	<b>Not Reviewed</b> <b>31 March 2021</b>
Net Profit for the period		161	61
<b>Adjustments to Reconcile Loss</b>			
Adjustments for Depreciation and Amortisation Expense	12 and 13	447	420
Adjustments for Provisions Related to Employee Benefits	15 and 17	22	8
Adjustments for Provisions for Other Accruals	15	1	-
Adjustments for Reversal of Probable Risks		(1)	(5)
Adjustments for Interest Income	24 and 25	(34)	(28)
Adjustments for Interest Expense	17 and 25	76	87
Adjustments For Unrealised Foreign Exchange Gains		(41)	(369)
Adjustments for Fair Value Losses / (Gains) on Derivative Financial Instruments	25	37	(26)
Adjustments for Undistributed Losses of Associates	3	5	17
Adjustments for Tax Income	26	(57)	(31)
Adjustments for Losses Arised From Sale of Tangible Assets	24	22	3
Adjustments for Losses Arised from Sale of Other Non-Current Assets	12	11	16
<b>Operating Profit Before Changes in Working Capital</b>		<b>649</b>	<b>153</b>
Increase in Trade Receivables from Related Parties	9	(5)	(9)
Increase in Trade Receivables from Third Parties		(63)	(72)
(Increase) / Decrease in Other Receivables from Third Parties	10	(21)	49
Adjustments for (Increase) / Decrease in Inventories		(25)	23
Adjustments for Increase in Prepaid Expenses		(91)	(27)
Decrease in Trade Payables to Related Parties	9	(35)	(33)
Increase / (Decrease) in Trade Payables to Third Parties		13	(62)
Adjustments for Increase in Payables Due to Employee Benefits		31	10
Increase in Other Payables to Related Parties	9	1	-
Increase in Other Payables to Third Parties		48	154
Increase in Deferred Income	11	676	185
Decrease in Other Assets		21	32
<b>Cash Flows From Operations</b>		<b>1,199</b>	<b>403</b>
Payments for Provisions Related with Employee Benefits	17	(1)	(2)
Income taxes (paid)	26	(8)	(2)
<b>Net Cash From Operating Activities</b>		<b>1,190</b>	<b>399</b>
<b>CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>			
Proceeds From Sales of Property, Plant and Equipment		6	10
Payments For Purchasing of Property, Plant and Equipment (Payments) / Proceeds From (Purchasing) / Sales of Other Long-term Assets	12 and 13	(183)	(162)
Other Cash Advances and Loans	6	(609)	24
Dividends Received	10	28	114
Interest Received	24	7	1
<b>Net Cash Flows Used In Investing Activities</b>		<b>(751)</b>	<b>(7)</b>
<b>CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES</b>			
Proceeds From Loans	7	477	857
Repayments of Loans	7	(594)	(781)
Payments of Lease Liabilities	7	(416)	(454)
Interest Paid		(62)	(75)
Interest Received	25	27	27
Other Cash Outflows	8	(3)	(14)
<b>Net Cash Used in Financing Activities</b>		<b>(571)</b>	<b>(440)</b>
<b>Net Change in Cash and Cash Equivalents</b>		<b>(132)</b>	<b>(48)</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>2,545</b>	<b>1,763</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 Three-Month Period Ended 31 March 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 31 March 2022 and 31 December 2021, the shareholders and their respective shareholdings in the Company are as follows:

	<u>31 March 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 31 March 2022 is 37,487 (31 December 2021: 37,394). The average number of employees working for the Group for the period ended 31 March 2022 and 2021 are 37,421 and 37,789 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 31 March 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>31 March 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%	100%	Turkey
THY Uluslararası Yatırım ve Taşımacılık A.Ş.	Cargo and Courier Transportation	100%	100%	Turkey
Cornea Havacılık Sistemleri San. Ve Tic. A.Ş.	Software System Maintenance Services	80%	80%	Turkey
THY Teknoloji ve Bilişim A.Ş.	Technologies and Consulting	100%	100%	Turkey
THY Hava Kargo Taşımacılığı A.Ş. (*)	Cargo Transportation	100%	100%	Turkey

(\*) 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 Three-Month Period Ended 31 March 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 31 March 2022 and 31 December 2021:

Company Name	Country of Registration and Operations	<u>Ownership Share and Voting Power</u>		Principal Activity
		31 March 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.	Hong Kong	45%	45%	Cargo and Courier Transportation
TFS Akaryakıt Hizmetleri A.Ş.	Turkey	25%	25%	Aviation Fuel Services

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

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

**2.1 Basis of Presentation**

**Statement of Compliance**

The condensed consolidated interim financial statements as at and for the three-month period ended 31 March 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 31 March 2022 on 27 April 2022. General Assembly and the related regulatory bodies have the authority to modify the statutory financial statements.



**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Three-Month Period Ended 31 March 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

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

**Basis of Preparation**

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

**Functional and Reporting Currency**

**Functional currency**

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

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

Except where otherwise indicated, all 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 31 March 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 31 March 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 31 March 2022:**

**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.

**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.b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2021:

**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.

#### **b) Standards, amendments and interpretations that are issued but not effective as at 31 March 2022:**

**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.

**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.

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

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

#### **b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2021 (cont'd):**

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

- **Amendments to IFRS 3**, ‘Business combinations’ update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- **Amendments to IAS 16**, ‘Property, plant and equipment’ prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will 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.

### **2.5 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 2,048 as of 31 March 2022.

The Group’s net cash from operating activities increased by USD 791 compared to the same period of 2021. In addition, current liabilities exceeding current assets decreased by USD 79 compared to the same period of 2021. The Group expects cash flows from operations will be positively affected in 2022 thanks to the deferred demand and the proactive actions taken by the management.

## **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 184 compared to the same period of previous year. The Group's available bank loan limits are USD 3,381 as of 31 March 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 March 2022, travel restrictions were loosened and demand for travel expanded in Turkey and around globe.

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

#### ***Passenger business***

The effect of the COVID-19 epidemic around the world has begun to slow down, and many countries have largely lifted the restrictions. The Group, increased its capacity by taking into account the passenger demand at the points where the restrictions were lifted. In the first quarter of 2022, the Group reached 91% of its capacity supplied in the same period of 2019. While domestic capacity was 23% below the 2019 level, international capacity reached 93% of 2019. In the first quarter of 2022, the Group reached 69% of the number of passengers carried domestically, 81% internationally and 76% in total in the same period of 2019. Thanks to the advantage it has on the cost side, wide flight network, young fleet, effective capacity management, rapid recovery in diversified passenger segments and ongoing successful cargo operations, the Group showed a faster recovery than its competitors in both financial and operational results.

#### ***Cargo business***

Cargo operations are continuing at full capacity with freighters and about 6 wide body passenger aircraft are being utilized for cargo operations. As a result, 19% increase was recorded in the same period of 2021 cargo revenues, the contribution of cargo operations to total revenue and profit increased significantly compared to the same period of 2021. Recovery in passenger operations leads to rising supply of belly cargo capacity which in turn positively impacts total cargo capacity.

## **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. As of 2021, revenue share of Russia, Belarus and Ukraine in total Group's revenue is at a low level of 2-3%. While high fuel prices as a result of the conflict suppressed profitability, Group's fuel hedge positions limited the adverse effects.

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Three-Month Period Ended 31 March 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

**2.8 Other (cont'd)**

***High Inflation***

According to the announcement made by Public Oversight, Accounting and Auditing Standards Authority of Turkey (POA) about the Implementation of Financial Reporting in High Inflation Economies under Turkish FRS on January 20, 2022; there was no need to make any adjustments within the scope of TAS 29 Financial Reporting in Hyperinflationary Economies in the consolidated financial statements for 2021. Since no explanation has been given at the time of disclosures by POA for the financial statements dated 31 March 2022, no adjustments have been made for high inflation according to TAS 29.

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

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

	<b>31 March 2022</b>	<b>31 December 2021</b>
Sun Express	76	84
TEC	58	57
Turkish DO&CO	28	29
THY Opet	22	21
TGS	19	19
TFS Akaryakıt	16	10
Goodrich	5	5
TCI	4	5
Uçak Koltuk	4	4
We World Express	3	3
Vergi İade Aracılık (*)	-	-
	<b>235</b>	<b>237</b>

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

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

	<b>1 January - 31 March 2022</b>	<b>1 January - 31 March 2021</b>
TFS Akaryakıt	7	5
THY Opet	3	3
TGS	3	1
Turkish DO&CO	3	1
TEC	1	1
Goodrich	-	1
We World Express	-	-
TCI	-	-
Uçak Koltuk	-	-
Sun Express	(22)	(29)
	<b>(5)</b>	<b>(17)</b>

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Three-Month Period Ended 31 March 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Financial information for Sun Express as of 31 March 2022 and 2021 are as follows:

	<u>31 March 2022</u>	<u>31 December 2021</u>
Total assets	1,865	1,838
Total liabilities	1,713	1,670
Shareholders' equity	152	168
Group's share in joint venture's shareholders' equity	76	84
	<u>1 January - 31 March 2022</u>	<u>1 January - 31 March 2021</u>
Revenue	138	54
Loss for the period	(45)	(57)
Group's share in joint venture's loss for the period	(22)	(29)

Financial information for TEC as of 31 March 2022 and 2021 are as follows:

	<u>31 March 2022</u>	<u>31 December 2021</u>
Total assets	287	204
Total liabilities	168	87
Shareholders' equity	119	117
Group's share in joint venture's shareholders' equity	58	57
	<u>1 January - 31 March 2022</u>	<u>1 January - 31 March 2021</u>
Revenue	105	61
Profit for the period	2	3
Group's share in joint venture's profit for the period	1	1

Financial information for Turkish DO&CO as of 31 March 2022 and 2021 are as follows:

	<u>31 March 2022</u>	<u>31 December 2021</u>
Total assets	102	115
Total liabilities	46	58
Shareholders' equity	56	57
Group's share in joint venture's shareholders' equity	28	29
	<u>1 January - 31 March 2022</u>	<u>1 January - 31 March 2021</u>
Revenue	57	21
Profit for the period	5	1
Group's share in joint venture's profit for the period	3	1

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Three-Month Period Ended 31 March 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Financial information for THY Opet as of 31 March 2022 and 2021 are as follows:

	<u>31 March 2022</u>	<u>31 December 2021</u>
Total assets	91	82
Total liabilities	47	40
Shareholders' equity	44	42
Group's share in joint venture's shareholders' equity	22	21
	<u>1 January - 31 March 2022</u>	<u>1 January - 31 March 2021</u>
Revenue	84	71
Profit for the period	5	7
Group's share in joint venture's profit for the period	3	3

Financial information for TGS as of 31 March 2022 and 2021 are as follows:

	<u>31 March 2022</u>	<u>31 December 2021</u>
Total assets	122	119
Total liabilities	83	81
Shareholders' equity	39	38
Group's share in joint venture's shareholders' equity	19	19
	<u>1 January - 31 March 2022</u>	<u>1 January - 31 March 2021</u>
Revenue	69	48
Profit for the period	7	1
Group's share in joint venture's profit for the period	3	1

Financial information for TFS Akaryakıt Hizmetleri as of 31 March 2022 and 2021 are as follows:

	<u>31 March 2022</u>	<u>31 December 2021</u>
Total assets	299	244
Total liabilities	235	204
Shareholders' equity	64	40
Group's share in joint venture's shareholders' equity	16	10
	<u>1 January - 31 March 2022</u>	<u>1 January - 31 March 2021</u>
Revenue	472	158
Profit for the period	29	21
Group's share in joint venture's profit for the period	7	5

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Three-Month Period Ended 31 March 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Financial information for TCI as of 31 March 2022 and 2021 are as follows:

	<u>31 March 2022</u>	<u>31 December 2021</u>
Total assets	14	15
Total liabilities	5	6
Shareholders' equity	9	9
Group's share in joint venture's shareholders' equity	4	5
	<u>1 January - 31 March 2022</u>	<u>1 January - 31 March 2021</u>
Revenue	1	1
Loss for the period	-	(1)
Group's share in joint venture's loss for the period	-	-

Financial information for Goodrich as of 31 March 2022 and 2021 are as follows:

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

Financial information for Uçak Koltuk as of 31 March 2022 and 2021 are as follows:

	<u>31 March 2022</u>	<u>31 December 2021</u>
Total assets	25	25
Total liabilities	17	17
Shareholders' equity	8	8
Group's share in joint venture's shareholders' equity	4	4
	<u>1 January - 31 March 2022</u>	<u>1 January - 31 March 2021</u>
Revenue	3	4
Profit for the period	-	-
Group's share in joint venture's profit for the period	-	-



**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Three-Month Period Ended 31 March 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Financial information for We World Express as of 31 March 2022 and 2021 are as follows:

	<u>31 March 2022</u>	<u>31 December 2021</u>
Total assets	15	21
Total liabilities	7	13
Shareholders' equity	8	8
Group's share in joint venture's shareholders' equity	3	3
	<u>1 January - 31 March 2022</u>	<u>1 January - 31 March 2021</u>
Revenue	11	7
Profit for the period	-	-
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 31 March 2022, the amount is USD 2 (31 December 2021 USD 5).

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

	<u>31 March 2022</u>	<u>31 March 2021</u>
Opening balance	237	256
Other expense and income recognized in equity	13	4
Dividends to shareholders	-	(6)
Share of investments' income/(loss) accounted for using the equity method	(5)	(17)
Foreign currency translation difference	(10)	(18)
Closing balance	<u>235</u>	<u>219</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.

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Three-Month Period Ended 31 March 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

**4.1 Total Assets and Liabilities**

<b>Total Assets</b>	<b>31 March 2022</b>	<b>31 December 2021</b>
Aviation	27,267	26,504
Technical	1,554	1,615
Total	28,821	28,119
Less: Eliminations due to consolidation	(1,547)	(1,582)
Total assets in consolidated financial statements	<u>27,274</u>	<u>26,537</u>
<b>Total Liabilities</b>	<b>31 March 2022</b>	<b>31 December 2021</b>
Aviation	20,066	19,737
Technical	361	407
Total	20,427	20,144
Less: Eliminations due to consolidation	(376)	(444)
Total liabilities in consolidated financial statements	<u>20,051</u>	<u>19,700</u>

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

Segment Results:

<b>1 January - 31 March 2022</b>	<b>Aviation</b>	<b>Technic</b>	<b>Inter-segment elimination</b>	<b>Total</b>
Sales to External Customers	2,974	77	-	3,051
Inter-Segment Sales	24	199	(223)	-
Revenue	2,998	276	(223)	3,051
Cost of Sales (-)	(2,503)	(247)	211	(2,539)
Gross Profit	495	29	(12)	512
Administrative Expenses (-)	(53)	(30)	14	(69)
Selling and Marketing Expenses (-)	(296)	(3)	-	(299)
Other Operating Income	38	3	(6)	35
Other Operating Expenses (-)	(16)	(4)	4	(16)
Operating Profit Before Investment Activities	168	(5)	-	163
Income from Investment Activities	46	-	-	46
Expenses from Investment Activities	(23)	-	-	(23)
Share of Investments' Profit Accounted for Using The Equity Method	(7)	2	-	(5)
Operating Profit	184	(3)	-	181
Financial Income	79	(5)	-	74
Financial Expense (-)	(134)	(1)	-	(135)
Profit Before Tax	<u>129</u>	<u>(9)</u>	<u>-</u>	<u>120</u>

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

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

**As At And For the Three-Month Period Ended 31 March 2022**

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

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

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

Segment Results:

	<b>Inter-segment</b>			
<b>1 January - 31 March 2021</b>	<b>Aviation</b>	<b>Technic</b>	<b>elimination</b>	<b>Total</b>
Sales to External Customers	1,731	65	-	1,796
Inter-Segment Sales	13	165	(178)	-
Revenue	1,744	230	(178)	1,796
Cost of Sales (-)	(1,606)	(190)	172	(1,624)
Gross Loss	138	40	(6)	172
Administrative Expenses (-)	(50)	(25)	8	(67)
Selling and Marketing Expenses (-)	(175)	(2)	-	(177)
Other Operating Income	59	5	(7)	57
Other Operating Expenses (-)	(34)	3	5	(26)
Operating Loss Before				
Investment Activities	(62)	21	-	(41)
Income from Investment Activities	50	-	-	50
Expenses from Investment Activities	(5)	-	-	(5)
Share of Investments' Loss				
Accounted for Using				
The Equity Method	(19)	2	-	(17)
Operating Loss	(36)	23	-	(13)
Financial Income	123	8	16	147
Financial Expense (-)	(86)	(2)	-16	(104)
Loss Before Tax	1	29	-	30

**4.3 Investment Operations**

	<b>Inter-segment</b>			
<b>1 January - 31 March 2022</b>	<b>Aviation</b>	<b>Technic</b>	<b>elimination</b>	<b>Total</b>
Purchase of property and equipment and intangible assets	403	56	-	459
Current period depreciation and amortization charge	405	42	-	447
Investments accounted for using equity method	154	81	-	235
<b>1 January - 31 March 2021</b>	<b>Aviation</b>	<b>Technic</b>	<b>elimination</b>	<b>Total</b>
Purchase of property and equipment and intangible assets	453	22	-	475
Current period depreciation and amortization charge	383	37	-	420
Investments accounted for using equity method	145	74	-	219

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Three-Month Period Ended 31 March 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**5. CASH AND CASH EQUIVALENTS**

	<u>31 March 2022</u>	<u>31 December 2021</u>
Cash	2	2
Banks – Time deposits	2,444	2,597
Banks – Demand deposits	99	78
	<u>2,545</u>	<u>2,677</u>

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

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 March 2022</u>
6,386	TL	4.75% - 16.86%	June 2022	440
147	USD	0.80% - 2.00%	May 2022	148
1,655	EUR	1.12% - 2.00%	June 2022	1,845
1,540	DZD	1.08% - 1.26%	May 2022	11
				<u>2,444</u>

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

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 December 2021</u>
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
				<u>2,597</u>

**6. FINANCIAL INVESTMENTS**

Short-term financial investments are as follows:

	<u>31 March 2022</u>	<u>31 December 2021</u>
Fair value through profit and loss (FVTPL)		
- Equity securities	6	5
Fair value through other comprehensive income (FVOCI)		
- Corporate debt securities	3	-
Time deposits with maturity more than 3 months	567	-
	<u>576</u>	<u>5</u>

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

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 March 2022</u>
1935	TL (*)	17.00%	September 2022	134
389	EUR	1.76% - 2.04%	August 2022	433
				<u>567</u>

(\*) Time deposit in TL currency is all fx protected time deposit.

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Three-Month Period Ended 31 March 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Long-term financial investments are as follows:

	<u>31 March 2022</u>	<u>31 December 2021</u>
FVOCI		
- Government debt securities	27	67
- Corporate debt securities	98	20
Other	1	1
	<u>126</u>	<u>88</u>

Contractual maturity dates of financial investments measured at FVOCI as of 31 March 2022 and 2021 is as follows:

	<u>31 March 2022</u>	<u>31 December 2021</u>
Less than 1 year	3	3
1 to 5 years	1	1
Over 5 years	124	83
	<u>128</u>	<u>87</u>

**7. BORROWINGS**

Short-term borrowings are as follows:

	<u>31 March 2022</u>	<u>31 December 2021</u>
Bank borrowings	974	883

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

	<u>31 March 2022</u>	<u>31 December 2021</u>
Lease liabilities (Note: 14)	1,618	1,670
Bank borrowings	1,617	1,443
	<u>3,235</u>	<u>3,113</u>

Long-term borrowings are as follows:

	<u>31 March 2022</u>	<u>31 December 2021</u>
Lease liabilities (Note: 14)	8,282	8,574
Bank borrowings	1,884	2,333
	<u>10,166</u>	<u>10,907</u>

Details of bank borrowings as of 31 March 2022 and 2021 are as follows:

	<u>31 March 2022</u>	<u>31 December 2021</u>
Less than 1 year	2,591	2,326
Between 1 – 5 years	1,860	2,307
Over 5 years	24	26
	<u>4,475</u>	<u>4,659</u>

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Three-Month Period Ended 31 March 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Details of bank borrowings as of 31 March 2022 and 2021 are as follows (cont'd):

<u>Amount</u>	<u>Currency</u>	<u>Interest Rate</u>		<u>Payment Period</u>	<u>31 March 2022</u>
		<u>Type</u>	<u>Effective Interest Rate</u>		
			BIST TLREF(*) + 1.25% -		
379	TRY	Floating	BIST TLREF(*) + 1.50%	May 2022	26
2,298	EUR	Fixed	0.20% - 4.00%	January 2022 - March 2025	2,557
			Euribor + 2.90% -		
1,701	EUR	Floating	Euribor + 5.50%	May 2023 - August 2026	1,892
					<u>4,475</u>
<u>Amount</u>	<u>Currency</u>	<u>Interest Rate</u>		<u>Payment Period</u>	<u>31 December 2021</u>
		<u>Type</u>	<u>Effective Interest Rate</u>		
			BIST TLREF(*) + 1.25% -		
381	TRY	Floating	BIST TLREF(*) + 1.50%	May 2022	29
2,333	EUR	Fixed	0.20% - 4.00%	January 2022 - March 2025	2,640
			Euribor + 2.90% -		
1,758	EUR	Floating	Euribor + 5.50%	May 2023 - August 2026	1,990
					<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.

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

	<u>31 December</u>					<u>31 March 2022</u>
	<u>2021</u>	<u>Payment</u>	<u>Interest</u>	<u>Non-cash Changes</u>	<u>Cash-in</u>	
Bank Borrowings	4,659	(594)	(25)	(42)	477	<u>4,475</u>

	<u>31 December</u>					<u>31 March 2021</u>
	<u>2020</u>	<u>Payment</u>	<u>Interest</u>	<u>Non-cash Changes</u>	<u>Cash-in</u>	
Bank Borrowings	5,394	(781)	(30)	(203)	857	<u>5,237</u>

	<u>31 December</u>					<u>31 March 2022</u>
	<u>2021</u>	<u>Payment</u>	<u>Interest</u>	<u>Non-cash Changes</u>	<u>New Leases</u>	
Aircraft	10,206	(413)	(37)	(137)	247	9,866
Property	36	(3)	-	-	(1)	32
Other	2	-	-	-	-	2
	<u>10,244</u>	<u>(416)</u>	<u>(37)</u>	<u>(137)</u>	<u>246</u>	<u>9,900</u>

	<u>31 December</u>					<u>31 March 2021</u>
	<u>2020</u>	<u>Payment</u>	<u>Interest</u>	<u>Non-cash Changes</u>	<u>New Leases</u>	
Aircraft	11,259	(450)	(45)	(353)	312	10,723
Property	47	(4)	-	-	-	43
Other	1	-	-	-	-	1
	<u>11,307</u>	<u>(454)</u>	<u>(45)</u>	<u>(353)</u>	<u>312</u>	<u>10,767</u>

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Three-Month Period Ended 31 March 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**8. OTHER FINANCIAL LIABILITIES**

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

	<u>31 March 2022</u>	<u>31 December 2021</u>
Other financial liabilities	5	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:

	<u>31 March 2022</u>	<u>31 December 2021</u>
Air Albania	19	22
Sun Express	8	-
We World Express Ltd.	1	2
Posta ve Telgraf Teşkilatı A.Ş (PTT)	1	-
	<u>29</u>	<u>24</u>

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

	<u>31 March 2022</u>	<u>31 December 2021</u>
Air Albania	6	6

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

	<u>31 March 2022</u>	<u>31 December 2021</u>
TFS Akaryakıt Hizmetleri	85	97
TGS	18	17
Turkish DO&CO	13	20
THY Opet	9	14
TEC	7	15
Sun Express	-	3
Goodrich	-	1
	<u>132</u>	<u>167</u>

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

	<u>31 March 2022</u>	<u>31 December 2021</u>
TFS Akaryakıt Hizmetleri	5	5
Türkiye Sigorta A.Ş.	1	-
	<u>6</u>	<u>5</u>

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Three-Month Period Ended 31 March 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Transactions with related parties for the period ended 31 March 2022 and 2021 are as follows:

**a) Sales to related parties:**

	<b>1 January - 31 March 2022</b>	<b>1 January - 31 March 2021</b>
TEC	11	10
Sun Express	8	9
PTT A.Ş. (PTT)	3	3
We World Express Ltd.	2	5
Air Albania	2	3
Türkiye Sigorta A.Ş.	2	-
TGS	1	-
Goodrich	-	1
	<u>29</u>	<u>31</u>

**b) Purchases from related parties:**

	<b>1 January - 31 March 2022</b>	<b>1 January - 31 March 2021</b>
TFS Akaryakıt Hizmetleri	414	140
TGS	67	43
TEC	61	29
THY Opet	49	55
Turkish DO&CO	40	19
Sun Express	22	19
Goodrich	2	1
Turkcell	2	-
Uçak Koltuk	-	4
TCI	-	1
Air Albania	-	1
	<u>657</u>	<u>312</u>

Details of the financial assets and liabilities for related parties as of 31 March 2022 and 2021 are as follows:

	<b>31 March 2022</b>	<b>31 December 2021</b>
Banks - Time deposits	1,880	2,130
Financial investments	456	-
Financial assets	147	85
Banks - Demand deposits	25	18
Equity share	1	1
Bank borrowings	(1,554)	(1,673)
	<u>955</u>	<u>561</u>

As of 31 March 2022, the amount of letters of guarantees given to the related parties is USD 937. (31 December 2021: USD 942)



**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Three-Month Period Ended 31 March 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Details of the time deposits at related parties as of 31 March 2022 and 2021 are as follows:

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 March 2022</u>
4,041	TL	5.00% - 17.30%	April 2022	278
1,322	EUR	1.12% - 2.00%	June 2022	1,473
129	USD	1.00% - 2.25%	May 2022	129
				<u>1,880</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>

Details of the financial investments at related parties as of 31 March 2022 are as follows:

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 March 2022</u>
1,440	TL	17.00%	September 2022	100
320	EUR	1.76% - 2.00%	August 2022	356
				<u>456</u>

Details of the financial assets at related parties as of 31 March 2022 and 2021 are as follows:

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 March 2022</u>
147	USD	5.75% - 8.00%	April 2022 - September 2022	147
<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	85

Details of the bank borrowings at related parties as of 31 March 2022 and 2021 are as follows:

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 March 2022</u>
1,397	EUR	2.55% - Euribor + 5.50%	March 2026	1,554
<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	1,673

**Interest income from related parties:**

	<u>1 January - 31 March 2022</u>	<u>1 January - 31 March 2021</u>
Türkiye Vakıflar Bankası T.A.O. (Türkiye Vakıflar Bankası)	21	6
Türkiye Halk Bankası A.Ş. (Halk Bankası)	7	20
T.C. Ziraat Bankası A.Ş. (Ziraat Bankası)	5	2
	<u>33</u>	<u>28</u>

## TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

### Notes to the Condensed Consolidated Interim Financial Statements

As At And For the Three-Month Period Ended 31 March 2022

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

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

##### Interest expense to related parties:

	<b>1 January - 31 March 2022</b>	<b>1 January - 31 March 2021</b>
Türkiye Vakıflar Bankası	9	11
Ziraat Bankası	6	7
	<u>15</u>	<u>18</u>

Transactions between the Group and THY Opet are related to the supply of aircraft fuel; transactions between the Group and Turkish DO&CO are related to catering services; transactions between the Group and Sun Express are related to wet lease, seat sales operations and maintenance services; transactions between the Group and TGS are related to ground services; transactions between the Group and TEC are related to engine maintenance services; transactions between the Group and PTT are related to cargo transportation; transactions between the Group and Halk Bankası, Ziraat Bankası 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 1 for the period between 1 January-31 March 2022 (1 January- 31 March 2021: USD 1).

#### 10. OTHER RECEIVABLES

Other short-term receivables from third parties as of 31 March 2022 and 2021 are as follows:

	<b>31 March 2022</b>	<b>31 December 2021</b>
Predelivery payments made for aircrafts	446	546
Receivables from technical purchases	102	97
Bank deposits with transfer limitations (*)	76	84
Value added tax receivables	55	30
Receivables from pilots for flight training	29	27
Others	11	7
	<u>719</u>	<u>791</u>

(\*) As of 31 March 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 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).

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Three-Month Period Ended 31 March 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Other long-term receivables from third parties as of 31 March 2022 and 2021 are as follows:

	<u>31 March 2022</u>	<u>31 December 2021</u>
Receivables related to investment certificates (***)	353	349
Predelivery payments made for aircrafts	321	279
Receivables from pilots for flight training	178	193
Deposits and guarentees given	45	41
Bank deposits with transfer limitations (**)	4	4
	<u>901</u>	<u>866</u>

(\*\*) As of 31 March 2022, the balance of this account includes bank deposits in Syria.

(\*\*\*) This represents the accrued amount as of 31 March 2022. Total contribution of government incentives related to fleet investments amounts to USD 2,941. See note 2.3 for accounting policy.

**11. DEFERRED INCOME**

**Deferred income is as follows:**

	<u>31 March 2022</u>	<u>31 December 2021</u>
Passenger flight liabilities	1,875	1,216
Other short-term deferred income	47	48
	<u>1,922</u>	<u>1,264</u>

**Passenger flight liability is as follows:**

	<u>31 March 2022</u>	<u>31 December 2021</u>
Flight liability for ticket sales	1,707	1,018
Frequent flyer program liability	168	198
	<u>1,875</u>	<u>1,216</u>

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

	<u>31 March 2022</u>	<u>31 December 2021</u>
Advances received	32	31
Unearned bank protocol income	8	8
Deferred finance income	4	6
Other income accruals	3	3
	<u>47</u>	<u>48</u>

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

	<u>31 March 2022</u>	<u>31 December 2021</u>
Deferred finance income	82	83
Unearned bank protocol income	7	9
	<u>89</u>	<u>92</u>

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Three-Month Period Ended 31 March 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**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	-	4	1	30	27	43	-	31	136
Transfer (*)	-	1	-	7	4	-	-	(14)	(2)
Transfers between the account	-	-	-	91	19	-	-	-	110
Disposals	(2)	(2)	(1)	(50)	-	(28)	(1)	-	(84)
Closing balance at 31 March 2022	1,648	737	259	4,419	747	707	195	196	8,908
<b><u>Accumulated Depreciation</u></b>									
Opening balance at 1 January 2022	336	344	211	2,709	288	385	111	-	4,384
Depreciation charge	18	10	5	63	15	24	4	-	139
Transfers between the account	-	-	-	30	11	-	-	-	41
Disposals	(1)	(1)	(1)	(29)	-	(17)	(1)	-	(50)
Closing balance at 31 March 2022	353	353	215	2,773	314	392	114	-	4,514
Net book value at 31 March 2022	1,295	384	44	1,646	433	315	81	196	4,394
Net book value at 31 December 2021	1,314	390	48	1,632	409	307	85	179	4,364

(\*) In total of USD 2 of construction in progress has been transferred to intangible fixed assets amounting to USD 0 and right-of-use assets amounting to USD 2.

USD 429 of depreciation and amortization expenses recognized in cost of sales (31 March 2021: USD 400), USD 16 of general administrative expenses (31 March 2021: USD 18) and USD 2 of marketing and sales expenses (31 March 2021: USD 2) in total of USD 447 as of 31 March 2022 (31 March 2021: USD 420).

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

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

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

**As At And For the Three-Month Period Ended 31 March 2022**

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

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

	Land improvements and buildings	Technical equipments simulators and vehicles	Other equipments, and fixtures	Aircrafts	Spare engines	Components and repairable spare parts	Leasehold improvements	Construction in progress	Total
<b><u>Cost</u></b>									
Opening balance at 1 January 2021	1,175	636	250	4,115	705	688	179	587	8,335
Additions	-	3	1	1	10	15	-	77	107
Transfer	-	5	-	-	-	-	5	(16)	(6)
Transfers between the accounts	-	-	-	233	15	-	-	-	248
Disposals	-	-	-	(65)	(3)	(29)	(3)	-	(100)
Closing balance at 31 March 2021	1,175	644	251	4,284	727	674	181	648	8,584
<b><u>Accumulated Depreciation</u></b>									
Opening balance at 1 January 2021	275	307	193	2,678	283	353	101	-	4,190
Depreciation charge	13	10	5	55	15	18	4	-	120
Transfers between the accounts	-	-	-	112	8	-	-	-	120
Disposals	-	-	-	(52)	(3)	(13)	(3)	-	(71)
Closing balance at 31 March 2021	288	317	198	2,793	303	358	102	-	4,359
Net book value at 31 March 2021	887	327	53	1,491	424	316	79	648	4,225

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Three-Month Period Ended 31 March 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Right of use assets are as follows:

	<b>Aircraft</b>	<b>Spare engines</b>	<b>Real Estate</b>	<b>Vehicles</b>	<b>Total</b>
<b><u>Cost</u></b>					
Opening balance at 1 January 2022	20,348	301	75	9	20,733
Additions	323	-	-	-	323
Transfer	2	-	-	-	2
Disposals	(93)	-	(1)	-	(94)
Transfers between the accounts (*)	(110)	-	-	-	(110)
Closing balance at 31 March 2022	20,470	301	74	9	20,854

	<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	296	5	2	-	303
Disposals	(89)	-	-	-	(89)
Transfers between the account (*)	(41)	-	-	-	(41)
Closing balance at 31 March 2022	5,691	67	33	5	5,796
Net book value at 31 March 2022	14,779	234	41	4	15,058

	<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	366	-	-	-	366
Transfers	1	-	-	-	1
Disposals	(9)	-	-	-	(9)
Transfers between the accounts (*)	(248)	-	-	-	(248)
Closing balance at 31 March 2021	19,491	202	75	6	19,774

	<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	287	3	3	1	294
Disposals	(9)	-	-	-	(9)
Transfers between the account (*)	(120)	-	-	-	(120)
Closing balance at 31 March 2021	4,971	51	24	6	5,052
Net book value at 31 March 2021	14,520	151	51	-	14,722

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

The Group is still carrying out negotiations with the airport operator company (İGA Havalimanı İşletmesi A.Ş.) regarding the rental areas, rental fee, renting conditions and period for İstanbul Airport. As of 31 March 2022, no agreement is signed and there is no Board Decision about the above mentioned rental matters. Despite the fact that there is a PPP tariff issued by State Airports Authority (DHMI), it does not eliminate the uncertainties regarding rental areas, rental fee, renting conditions and period which are considered as material terms of a contract. Thus, it is not considered as appropriate to consider them under IFRS16 scope and no calculations for assets or liabilities are made concerning the İstanbul Airport rentals at March 2022 financial statements. However, the payments for the areas used at İstanbul Airport are made with reservation according to PPP tariff and they are recorded under rent expense accounts for the period.

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Three-Month Period Ended 31 March 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**13. INTANGIBLE ASSETS**

	<b>Slot rights and acquired technical licenses (*)</b>	<b>Rights</b>	<b>Other intangible assets</b>	<b>Total</b>
<b><u>Cost</u></b>				
Opening balance at 1 January 2022	44	239	5	288
Additions	-	-	-	-
Transfers	-	-	-	-
Closing balance at 31 March 2022	<u>44</u>	<u>239</u>	<u>5</u>	<u>288</u>
<b><u>Accumulated Amortization</u></b>				
Opening balance at 1 January 2022	-	203	3	206
Amortization charge	-	5	-	5
Closing balance at 31 March 2022	<u>-</u>	<u>208</u>	<u>3</u>	<u>211</u>
Net book value at 31 March 2022	<u>44</u>	<u>31</u>	<u>2</u>	<u>77</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	-	2	-	2
Transfers	-	5	-	5
Closing balance at 31 March 2021	<u>44</u>	<u>228</u>	<u>5</u>	<u>277</u>
<b><u>Accumulated Amortization</u></b>				
Opening balance at 1 January 2021	-	178	3	181
Amortization charge	-	6	-	6
Closing balance at 31 March 2021	<u>-</u>	<u>184</u>	<u>3</u>	<u>187</u>
Net book value at 31 March 2021	<u>44</u>	<u>44</u>	<u>2</u>	<u>90</u>
Net book value at 31 December 2020	<u>44</u>	<u>43</u>	<u>2</u>	<u>89</u>

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

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Three-Month Period Ended 31 March 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**14. LEASING TRANSACTIONS**

Maturities of lease obligations are as follows:

	Future Minimum Lease Payments		Interest		Present Values of Minimum Lease Payments	
	31 March 2022	31 December 2021	31 March 2022	31 December 2021	31 March 2022	31 December 2021
Less than 1 year	1,789	1,844	(171)	(174)	1,618	1,670
Between 1 – 5 years	5,681	5,710	(385)	(396)	5,296	5,314
Over 5 years	3,122	3,401	(136)	(141)	2,986	3,260
	<u>10,592</u>	<u>10,955</u>	<u>(692)</u>	<u>(711)</u>	<u>9,900</u>	<u>10,244</u>

	<u>31 March 2022</u>	<u>31 December 2021</u>
Interest Range:		
Floating rate obligations	5,221	5,314
Fixed rate obligations	<u>4,679</u>	<u>4,930</u>
	<u>9,900</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 31 March 2022, the US Dollars, Euro, JPY and Swiss Franc denominated lease obligations' weighted average interest rates are 3.74% (31 December 2021: 3.77%) for the fixed rate obligations and 1.55% (31 December 2021: 1.56%) for the floating rate obligations.

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

Short-term provisions as of 31 March 2022 and 2021 are as follows:

Short-term provision for employee benefits is as follows:

	<u>31 March 2022</u>	<u>31 December 2021</u>
Provisions for unused vacation	<u>34</u>	<u>18</u>

Changes in the provisions for the period ended 31 March 2022 and 2021 are set out below:

	<u>1 January - 31 March 2022</u>	<u>1 January - 31 March 2021</u>
Provisions at the beginning of the period	18	16
Provisions for the current period	85	44
Provisions released	(66)	(41)
Foreign currency translation differences	(3)	(1)
Provisions at the end of the period	<u>34</u>	<u>18</u>

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



**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Three-Month Period Ended 31 March 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Other short-term provision is as follows:

	<u>31 March 2022</u>	<u>31 December 2021</u>
Provisions for legal claims	<u>8</u>	<u>8</u>

Changes in the provisions for legal claims for the period ended 31 March 2022 and 2021 are set out below:

	<u>1 January - 31 March 2022</u>	<u>1 January - 31 March 2021</u>
Provisions at the beginning of the period	8	10
Provisions for the current period	1	-
Provisions released	-	-
Foreign currency translation differences	(1)	(1)
Provisions at the end of the period	<u>8</u>	<u>9</u>

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

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Three-Month Period Ended 31 March 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**16. COMMITMENTS**

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

Amount of letters of guarantees given as of 31 March 2022 is USD 1,653 (31 December 2021: USD 1,530).

As of 31 March 2022, the letters of guarantee are given to various authorities (i.e. various banks and vendors.)

	31 March 2022		31 December 2021	
	Original currency amount	USD equivalent	Original currency amount	USD equivalent
A. Total amounts of GPM given on the behalf of its own legal entity	-	1,653	-	1,530
-Collaterals				
TL	65	4	62	5
EUR	1,417	1,577	1,295	1,466
USD	63	63	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>1,653</u>		<u>1,530</u>

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

b) Aircraft purchase commitments:

To be delivered between the years 2021-2028, the Group signed an agreement for 90 aircrafts, (80 of aircrafts are contractual and 10 of them are optional) with a list price value of USD 12,683. The Group has made a predelivery payment of USD 792 relevant to these purchases as of 31 March 2022 (31 December 2021: USD 836).

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Three-Month Period Ended 31 March 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**17. EMPLOYEE BENEFITS**

Provisions for retirement pay liability as of 31 March 2022 and 2021 is comprised of the following:

	<u>31 March 2022</u>	<u>31 December 2021</u>
Provision for retirement pay liability	109	113

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 740 (full) (equivalent of TL 10,849 (full)) as of 31 March 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 31 March 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 2.29% (31 December 2021: 2.45%). Ceiling for retirement pay is revised semi-annually. Ceiling amount of USD 740 (full) which is in effect since 31 March 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:

	<u>1 January - 31 March 2022</u>	<u>1 January - 31 March 2021</u>
Provision at the beginning of the period	113	134
Actuarial loss / (gain)	4	(6)
Service charge for the period	3	5
Interest charges	5	4
Payments	(1)	(2)
Foreign currency translation difference	(15)	(11)
Provision at the end of the period	<u>109</u>	<u>124</u>

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Three-Month Period Ended 31 March 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**18. EXPENSES BY NATURE**

Expenses by nature for the three-month period ended 31 March 2022 and 2021 are as follows:

	<b>1 January - 31 March 2022</b>	<b>1 January - 31 March 2021</b>
Fuel expenses	957	418
Depreciation and amortisation charges	447	420
Personnel expenses	443	304
Ground services expenses	182	136
Aircraft maintenance expenses	172	124
Airport expenses	135	91
Air traffic control expenses	125	79
Commissions and incentives	97	49
Passenger services and catering expenses	97	43
Reservation systems expenses	75	30
Wet lease expenses	28	47
Service expenses	23	21
Taxes and duties	20	12
Advertisement and promotion expenses	18	14
Insurance expenses	15	15
Rents	14	13
Transportation expenses	13	10
IT and communication expenses	7	12
Systems use and associateship expenses	4	3
Consultancy expenses	3	3
Aircraft rent expenses	2	3
Other	30	21
	<u>2,907</u>	<u>1,868</u>

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Three-Month Period Ended 31 March 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**19. SHAREHOLDERS' EQUITY**

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

<b>(Millions of TL)</b>	<b>Class</b>	<b>%</b>	<b>31 March</b>		<b>31 December</b>	
			<b>2022</b>	<b>%</b>	<b>2021</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 31 March 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%.)

## **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 %54, Euro revenue covered %28, Swiss Frank covered %12 of borrowings. In this context, exchange differences arising from such these loans repayment are taken to equity and recognized in other comprehensive income.

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Three-Month Period Ended 31 March 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**20. REVENUE**

Breakdown of gross profit is as follows:

	<b>1 January - 31 March 2022</b>	<b>1 January - 31 March 2021</b>
Passenger revenue		
Scheduled	1,983	894
Unscheduled	7	7
Total passenger revenue	<u>1,990</u>	<u>901</u>
Cargo revenue		
Carried by passenger aircraft	391	187
Carried by cargo aircraft	589	637
Total cargo revenue	<u>980</u>	<u>824</u>
Total passenger and cargo revenue	<u>2,970</u>	<u>1,725</u>
Technical revenue	77	65
Other revenue	4	6
Net sales	<u>3,051</u>	<u>1,796</u>
Cost of sales (-)	<u>(2,539)</u>	<u>(1,624)</u>
Gross profit	<u><u>512</u></u>	<u><u>172</u></u>

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

	<b>1 January - 31 March 2022</b>	<b>1 January - 31 March 2021</b>
International flights		
- Asia and Far East	805	539
- Europe	751	394
- Americas	654	361
- Africa	310	193
- Middle East	263	120
Total	<u>2,783</u>	<u>1,607</u>
Domestic flights	<u>187</u>	<u>118</u>
Total passenger and cargo revenue	<u><u>2,970</u></u>	<u><u>1,725</u></u>

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Three-Month Period Ended 31 March 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**21. COST OF SALES**

Breakdown of the cost of sales is as follows:

	<b>1 January - 31 March 2022</b>	<b>1 January - 31 March 2021</b>
Fuel expenses	957	418
Depreciation and amortisation charges	429	400
Personnel expenses	346	230
Ground services expenses	182	136
Aircraft maintenance expenses	172	124
Airport expenses	135	91
Air traffic control expenses	125	79
Passenger services and catering expenses	97	43
Wet lease expenses	28	47
Insurance expenses	14	14
Transportation expenses	13	10
Service expenses	9	10
Rents	8	6
Taxes and duties	5	4
Aircraft rent expenses	2	3
IT and communication expenses	2	2
Other	15	7
	<b>2,539</b>	<b>1,624</b>

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

Breakdown of general administrative expenses is as follows:

	<b>1 January - 31 March 2022</b>	<b>1 January - 31 March 2021</b>
Personnel expenses	27	22
Depreciation and amortisation charges	16	18
Service expenses	11	8
IT and communication expenses	3	8
Systems use and associateship expenses	2	2
Taxes and duties	2	-
Rents	1	3
Consultancy expenses	1	1
Insurance expenses	1	1
Other	5	4
	<b>69</b>	<b>67</b>



**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Three-Month Period Ended 31 March 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Breakdown of selling and marketing expenses is as follows:

	<b>1 January - 31 March 2022</b>	<b>1 January - 31 March 2021</b>
Commissions and incentives	97	49
Reservation systems expenses	75	30
Personnel expenses	70	52
Advertisement and promotion expenses	18	14
Taxes and duties	13	8
Rents	5	4
Service expenses	3	3
IT and communication expenses	2	2
Consultancy expenses	2	2
Depreciation and amortisation charges	2	2
Systems use and associateship expenses	2	1
Other	10	10
	<u>299</u>	<u>177</u>

**23. OTHER OPERATING INCOME / EXPENSES**

Breakdown of other operating income is as follows:

	<b>1 January - 31 March 2022</b>	<b>1 January - 31 March 2021</b>
Manufacturers' credits	16	14
Foreign exchange gains from operational activities, net	5	-
Rent income	4	4
Insurance, indemnities, penalties income	3	22
Provisions released	2	3
Non- interest income from banks	2	2
Turnover premium from suppliers	1	-
Reversal of ECL provision	-	4
Other	2	8
	<u>35</u>	<u>57</u>

Breakdown of other operating expenses is as follows:

	<b>1 January - 31 March 2022</b>	<b>1 January - 31 March 2021</b>
Rediscount interest expenses	8	4
Indemnity and penalty expenses	3	2
Provisions	2	2
Foreign exchange losses from operational activities, net	-	14
Other	3	4
	<u>16</u>	<u>26</u>

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Three-Month Period Ended 31 March 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Breakdown of income from investment activities is as follows:

	<b>1 January - 31 March 2022</b>	<b>1 January - 31 March 2021</b>
Income from investment incentives	36	47
Interest income from financial investment	7	1
Gain on sale of financial investments	2	1
Gain on sale of fixed assets	1	1
	<u>46</u>	<u>50</u>

Breakdown of expense from investment activities is as follows:

	<b>1 January - 31 March 2022</b>	<b>1 January - 31 March 2021</b>
Loss on sale of fixed assets	23	4
Loss on sale of financial investments	-	1
	<u>23</u>	<u>5</u>

**25. FINANCIAL INCOME/ EXPENSES**

Breakdown of financial income is as follows:

	<b>1 January - 31 March 2022</b>	<b>1 January - 31 March 2021</b>
Foreign exchange gains from financial activities, net	47	94
Interest income	27	27
Fair value gains on derivative financial instruments, net	-	26
	<u>74</u>	<u>147</u>

Breakdown of financial expenses is as follows:

	<b>1 January - 31 March 2022</b>	<b>1 January - 31 March 2021</b>
Interest expense from leasing liabilities	39	50
Fair value losses on derivative financial instruments, net (*)	37	-
Interest expense from financial activities	32	33
Rediscount interest expense from repayments of aircrafts	15	7
Aircraft financing expenses	5	7
Interest expenses on employee benefits	5	4
Other	2	3
	<u>135</u>	<u>104</u>

(\*) The fair value gain for fx protected instruments is 6 USD.

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Three-Month Period Ended 31 March 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**26. TAX ASSETS AND LIABILITIES**

Breakdown of assets related to current tax is as follows:

	<b>31 March 2022</b>	<b>31 December 2021</b>
Prepaid taxes	<u>12</u>	<u>20</u>

Tax liability is as follows:

	<b>31 March 2022</b>	<b>31 December 2021</b>
Provisions for corporate tax	<u>33</u>	<u>27</u>
Prepaid taxes and funds	<u>(25)</u>	<u>(11)</u>
Corporate tax liability	<u>8</u>	<u>16</u>

Tax income is as follows:

	<b>1 January - 31 March 2022</b>	<b>1 January - 31 March 2021</b>
Current period tax expense	<u>8</u>	<u>-</u>
Deferred tax income	<u>(49)</u>	<u>(31)</u>
Tax income	<u>(41)</u>	<u>(31)</u>

Tax effect related to other comprehensive income is as follows:

	<b>1 January - 31 March 2022</b>			<b>1 January - 31 March 2021</b>		
	Amount before tax	Tax income	Amount after tax	Amount before tax	Tax expense	Amount after tax
Change in cash flow hedge reserve	310	( 67)	243	402	( 81)	321
Losses on Remeasuring FVOCI	( 1)	-	( 1)	( 6)	1	( 5)
Change in actuarial losses from retirement pay obligation	( 4)	1	( 3)	6	( 1)	5
Changes in foreign currency translation difference	( 14)	-	( 14)	( 14)	-	( 14)
Other comprehensive income	<u>291</u>	<u>( 66)</u>	<u>225</u>	<u>388</u>	<u>( 81)</u>	<u>307</u>

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

**Corporate Tax**

The effective tax rate is 25%. In accordance with the Temporary Artical 13 of regulation numbered 7316, published in Offical Gazzete Article which published on 22 April 2021, "Legislation on the Procedure for the Collection of Public Receivables and Other Certain Legislation", corporate tax rate has increased from %20 to %25 for 2021. For the year 2022, corporate tax rate will be %23.

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

## TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

### Notes to the Condensed Consolidated Interim Financial Statements

As At And For the Three-Month Period Ended 31 March 2022

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

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

##### Corporate Tax (cont'd)

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

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

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

The law on amending the Tax Procedure Law and the Corporate Tax Law was enacted on January 20, 2022, It has been enacted with the number 7352 and it has been decided that the financial statements will not be subject to inflation adjustment in the 2021 and 2022 accounting periods, including the temporary accounting periods, and in the provisional tax periods of the 2023 accounting period, regardless of whether the conditions for the inflation adjustment within the scope of the repeated Article 298 are met.

##### Income Withholding Tax

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

##### Deferred Tax

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

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

Deferred tax assets and liabilities as of 31 March 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>31 March 2022</u>	<u>31 December 2021</u>
Deferred tax asset	1	1
Deferred tax liability	(1,811)	(1,714)
Deferred tax liability	<u>(1,810)</u>	<u>(1,713)</u>

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Three-Month Period Ended 31 March 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

*Deferred Tax (cont'd)*

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

	<b>31 March 2022</b>	<b>31 December 2021</b>
Fixed assets	(2,665)	(2,614)
Right of use asset	(253)	(268)
Change in fair value of derivative instruments	(36)	(7)
Adjustments for passenger flight liabilities	(29)	(22)
Tax loss carried forward	651	634
Lease liabilities	266	346
Accruals for expenses	83	79
Income and expense for future years	77	69
Miles accruals	24	27
Provisions for employee benefits	22	23
Provisions for unused vacation	8	4
Other	42	16
Deferred tax liabilities	<u>(1,810)</u>	<u>(1,713)</u>

The changes of deferred tax liability for the period ended 1 January – 31 March 2022 and 2021 are as follows:

	<b>1 January - 31 March 2022</b>	<b>1 January - 31 March 2021</b>
Opening balance at 1 January	1,713	1,119
Foreign currency translation difference	84	81
Tax expense from hedging reserves	63	80
Tax income from FVOCI	-	(1)
Tax (income) / expense of actuarial losses on retirement pay obligation	(1)	1
Deferred tax income	(49)	(31)
Deferred tax liability at the end of the period	<u>1,810</u>	<u>1,249</u>

Reconciliation with current tax charge for the period 1 January – 31 March 2022 and 2021 are as follows:

<u>Reconciliation of effective tax charge</u>	<b>1 January - 31 March 2022</b>	<b>1 January - 31 March 2021</b>
Profit from operations before tax	<u>120</u>	<u>30</u>
Domestic expense tax rate of 23% / 20%	(28)	(6)
Taxation effects on:		
- foreign currency translation difference	100	47
- investment incentive	7	9
- income from investment incentive	2	9
- investments accounted by using the equity method	(1)	(3)
- adjustment for prior year loss	(1)	1
- non deductible expenses	(38)	(26)
Tax income in statement of profit	<u>41</u>	<u>31</u>

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Three-Month Period Ended 31 March 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

**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 – 31 March 2022 and 2021:

	<u>1 January - 31 March 2022</u>	<u>1 January - 31 March 2021</u>
Number of shares outstanding at 1 January (in full)	138,000,000,000	138,000,000,000
Number of shares outstanding at 31 March (in full)	138,000,000,000	138,000,000,000
Weighted average number of shares outstanding during the period (in full)	138,000,000,000	138,000,000,000
Net profit for the period	161	61
Basic earnings per share (Full US Cents) (*)	0.12	0.04
Diluted earnings per share (Full US Cents) (*)	0.12	0.04

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

**28. DERIVATIVE FINANCIAL INSTRUMENTS**

Breakdown of derivative financial assets and liabilities of the Group as of 31 March 2022 and 2021 are as follows:

<u>Derivative financial assets</u>	<u>31 March 2022</u>	<u>31 December 2021</u>
Derivative instruments for fuel prices cash flow hedge	182	50
Derivative instruments not subject to hedge accounting	31	9
Derivative instruments for fx protected (*)	16	-
Derivative instruments for interest rate cash flow hedge	1	-
	<u>230</u>	<u>59</u>

(\*) Fx 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 derivative transactions.

<u>Derivative financial liabilities</u>	<u>31 March 2022</u>	<u>31 December 2021</u>
Derivative instruments for fuel prices cash flow hedge	64	6
Derivative instruments for interest rate cash flow hedge	6	16
Derivative instruments not subject to hedge accounting	5	6
	<u>75</u>	<u>28</u>

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Three-Month Period Ended 31 March 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

*Foreign currency risk management*

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

	31 March 2022					
	USD EQUIVALENT	TL	EUR	JPY	CHF	OTHER
1.Trade Receivables	840	24	162	7	12	635
2a.Monetary Financial Assets	3,003	592	2,314	3	3	91
2b.Non Monetary Financial Assets	-	-	-	-	-	-
3.Other	392	130	85	-	5	172
<b>4.Current Assets (1+2+3)</b>	<b>4,235</b>	<b>746</b>	<b>2,561</b>	<b>10</b>	<b>20</b>	<b>898</b>
5.Trade Receivables	-	-	-	-	-	-
6a.Monetary Financial Assets	930	930	-	-	-	-
6b.Non Monetary Financial Assets	-	-	-	-	-	-
7.Other	567	353	206	-	-	8
<b>8.Non Current Assets (5+6+7)</b>	<b>1,497</b>	<b>1,283</b>	<b>206</b>	<b>-</b>	<b>-</b>	<b>8</b>
<b>9.Total Assets (4+8)</b>	<b>5,732</b>	<b>2,029</b>	<b>2,767</b>	<b>10</b>	<b>20</b>	<b>906</b>
10.Trade Payables	620	360	198	1	4	57
11.Financial Liabilities (*)	3,655	32	3,332	268	23	-
12a.Other Liabilities, Monetary	349	151	138	2	1	57
12b.Other Liabilities, Non Monetary	41	41	-	-	-	-
<b>13.Current Liabilities (10+11+12)</b>	<b>4,665</b>	<b>584</b>	<b>3,668</b>	<b>271</b>	<b>28</b>	<b>114</b>
14.Trade Payables	-	-	-	-	-	-
15.Financial Liabilities (*)	8,228	3	7,018	1,109	98	-
16a.Other Liabilities, Monetary	23	7	7	-	7	2
16b.Other Liabilities, Non Monetary	109	109	-	-	-	-
<b>17.Non Current Liabilities (14+15+16)</b>	<b>8,360</b>	<b>119</b>	<b>7,025</b>	<b>1,109</b>	<b>105</b>	<b>2</b>
<b>18.Total Liabilities (13+17)</b>	<b>13,025</b>	<b>703</b>	<b>10,693</b>	<b>1,380</b>	<b>133</b>	<b>116</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>(7,293)</b>	<b>1,326</b>	<b>(7,926)</b>	<b>(1,370)</b>	<b>(113)</b>	<b>790</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>(8,102)</b>	<b>993</b>	<b>(8,217)</b>	<b>(1,370)</b>	<b>(118)</b>	<b>610</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>2,005</b>	<b>-</b>	<b>2,005</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 7,658 as of 31 March 2022 (31 December 2021: USD 7,824).

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Three-Month Period Ended 31 March 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

*Foreign currency risk management (cont'd)*

	31 December 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>



**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Three-Month Period Ended 31 March 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

*Foreign currency risk management (cont'd)*

The Group is exposed to foreign exchange risk primarily from TL, EURO, JPY and CHF. The following table details the Group's sensitivity to a 10% increase and decrease in TL, EURO, JPY and CHF 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>31 March 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	133	(133)	-	-
2- Part hedged from TL risk (-)	-	-	-	-
3- TL net effect (1+2)	133	(133)	-	-
4- Euro net asset / liability	(151)	151	(642)	642
5- Part hedged from Euro risk (-)	201	(201)	-	-
6- Euro net effect (4+5)	50	(50)	(642)	642
7- JPY net asset / liability	(91)	91	(46)	46
8- Part hedged from JPY risk (-)	-	-	-	-
9- JPY net effect (7+8)	(91)	91	(46)	46
10- CHF net asset / liability	1	(1)	(12)	12
11- Part hedged from CHF risk (-)	-	-	-	-
12- CHF net effect (10+11)	1	(1)	(12)	12
13- Other foreign currency net asset / liability	79	(79)	-	-
14- Part hedged other foreign currency risk (-)	-	-	-	-
15- Other foreign currency net effect (13+14)	79	(79)	-	-
<b>TOTAL (3 + 6 + 9 + 12 + 15)</b>	<b>172</b>	<b>(172)</b>	<b>(700)</b>	<b>700</b>

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As At And For the Three-Month Period Ended 31 March 2022**  
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

*Foreign currency risk management (cont'd)*

	<b>31 December 2021</b>			
	<b>Profit / (Loss)</b>		<b>Equity</b>	
	<b>Before Tax</b>			
	If foreign currency appreciated 10 %	If foreign currency depreciated 10 %	If foreign currency appreciated 10 %	If foreign currency depreciated 10 %
1- TL net asset / liability	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.