

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

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Condensed Consolidated Interim Balance Sheet as at 30 June 2023

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

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

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Condensed Consolidated Interim Balance Sheet as at 30 June 2023

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

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

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income
For the Six-Month Period Ended 30 June 2023
 (All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income
For the Six-Month Period Ended 30 June 2023
 (All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

| <u>OTHER COMPREHENSIVE INCOME</u> | Reviewed | Not Reviewed | Reviewed | Not Reviewed |
|--|-------------------------------------|-----------------------------------|-------------------------------------|-----------------------------------|
| | 1 January - 30 June 2023 | 1 April - 30 June 2023 | 1 January - 30 June 2022 | 1 April - 30 June 2022 |
| Items That May Be Reclassified Subsequently To Profit or Loss | | | | |
| Currency Translation Adjustment | (120) | (185) | 576 | 348 |
| Gains / (Losses) on Investments Remeasured at FVOCI | 1 | (4) | (23) | (22) |
| Fair Value (Losses) / Gains on Hedging Instruments Entered into for Cash Flow Hedges | (110) | (210) | 757 | 467 |
| Fair Value (Losses) / Gains Hedging Instruments of Investment Accounted by Using the Equity Method | (13) | (1) | 24 | 4 |
| Entered into for Cash Flow Hedges | 25 | 44 | (156) | (89) |
| Related Tax of Other Comprehensive Income | | | | |
| Items That Will Not Be Reclassified Subsequently To Profit or Loss | | | | |
| Actuarial Losses on Retirement Pay Obligation | (11) | (9) | (11) | (8) |
| Related Tax of Other Comprehensive Income | 3 | 2 | 3 | 2 |
| OTHER COMPREHENSIVE (EXPENSE) / INCOME FOR THE PERIOD | (131) | (194) | 565 | 340 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 737 | 441 | 1,302 | 916 |
| Basic Earnings Per Share (Full US Cents) | 26 | 0.63 | 0.46 | 0.53 |
| Diluted Earnings Per Share (Full US Cents) | 26 | 0.63 | 0.46 | 0.53 |
| | | | | 0.42 |

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Condensed Consolidated Interim Statement of Changes in Equity

For the Six-Month Period Ended 30 June 2023

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

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

| | | | Items That Will Not Be Reclassified Subsequently To Profit or Loss | | Items That May Be Reclassified Subsequently To Profit or Loss | | | Retained Earnings | | | | |
|-----------------------------|---------------|------------------|--|---|---|----------------------------|-----------------------|---------------------------|------------------------------|---------------------------|--------------|-------|
| | Share Capital | Actuarial Losses | Foreign Currency Translation Differences | Fair Value Gains on Hedging Instruments Entered Into For Cash Flow Hedges | Losses on Investments Remeasured at FVOCI | Restricted Profit Reserves | Previous Years Profit | Net Profit for The Period | Equity Holders of the Parent | Non-controlling Interests | Total Equity | |
| As of 1 January 2022 | 1,597 | (71) | (275) | 151 | (7) | 36 | 4,446 | 959 | 6,836 | 1 | 6,837 | |
| Transfers | - | - | - | - | - | - | 959 | (959) | - | - | - | - |
| Total comprehensive income | - | (11) | (26) | 620 | (18) | - | 737 | 1,302 | - | 1,302 | - | 1,302 |
| As of 30 June 2022 | 1,597 | (82) | (301) | 771 | (25) | 36 | 5,405 | 737 | 8,138 | 1 | 8,139 | |

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Condensed Consolidated Interim Statement of Cash Flows

For the Six-Month Period Ended 30 June 2023

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

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

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

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

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

1. GROUP ORGANIZATION AND ITS OPERATIONS

Türk Hava Yolları Anonim Ortaklığı (the “Company” or “THY”) was incorporated in Türkiye in 1933. As of 30 June 2023 and 31 December 2022, the shareholders and their respective shareholdings in the Company are as follows:

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

The Company is controlled by Türkiye Wealth Fund.

The number of employees working for the Group as of 30 June 2023 is 50,623 (31 December 2022: 40,264). The average number of employees working for the Group for the period ended 30 June 2023 and 2022 are 49,603 and 37,594 respectively. The Group is registered in İstanbul, Türkiye and its head office address is as follows:

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

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

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

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

1. GROUP ORGANIZATION AND ITS OPERATIONS (cont'd)**Subsidiaries and Joint Ventures**

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

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

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

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

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

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

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

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

Subsidiaries and Joint Ventures (cont'd)

The table below sets out the joint ventures of the Group as of 30 June 2023 and 2022:

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance

The condensed consolidated interim financial statements as at and for the six-month period ended 30 June 2023 have been prepared in accordance with IAS 34 "Interim Financial Reporting". They do not include all of the information required for complete annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2022.

The Board of Directors has approved the condensed consolidated interim financial statements as of 30 June 2023 on 8 August 2023. General Assembly and the related regulatory bodies have the authority to modify the statutory financial statements.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

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

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

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

2.1 Basis of Presentation (cont'd)

Basis of Preparation

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

Functional and Reporting Currency

Functional currency

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

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

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

Except where otherwise indicated, all amounts disclosed in financial statements and notes are rounded the nearest million (USD 000,000).

Basis of Consolidation

- a. The consolidated financial statements include the accounts of the parent company, THY, its subsidiaries and its joint ventures on the basis set out in sections (b) below. Financial statements of the subsidiaries and joint ventures are adjusted where applicable in order to apply the same accounting policies. All transactions, balances, profit and loss within the Group are eliminated during consolidation.
- b. The Group has nine joint ventures (Note: 1). These joint ventures are economical activities whereby decisions about strategic finance and operating policy are jointly made by the consensus of the Group and other investors. The joint ventures are jointly controlled by the Group and other shareholders and are accounted for using the equity method. Under the equity method, joint ventures are initially recognized at cost and adjusted to recognize any distributions received, impairments in the joint ventures and the Group's share of the profit or loss after the date of acquisition. Joint ventures' losses that exceed the Group's share are not recognized, unless the Group has incurred legal or constructive obligations on behalf of the joint venture.
- c. The non-controlling share in the assets and results of subsidiaries for the year are separately classified as "non-controlling interest" in the consolidated statements of financial position and consolidated statements of profit or loss.

Business Combinations

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

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

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

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

2.1 Basis of Presentation (cont'd)

Business Combinations (cont'd)

The Group measures goodwill at the acquisition date as follows:

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

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

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

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

2.2 Changes and Errors in Accounting Policies Estimates

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

2.3 Summary of Significant Accounting Policies

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

2.4 New and Revised Standards and Interpretations

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

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

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

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

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

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

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

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

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

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

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

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

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

2.5 Determination of Fair Values

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

Evaluation methods in terms of levels are described as follows:

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

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)**2.6 Going Concern**

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

2.7 Other***Russia-Ukraine Conflict***

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

Earthquakes in Turkey

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

3. INVESTMENTS ACCOUNTED BY USING THE EQUITY METHOD

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

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

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

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

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

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

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

| | | 30 June 2023 | 31 December 2022 |
|---|--|-------------------------------------|-----------------------------------|
| | | 1 January - 30 June 2023 | 1 April - 30 June 2023 |
| Total assets | | | 2,215 |
| Total liabilities | | | 2,069 |
| Shareholders' equity | | | 146 |
| Group's share in joint venture's shareholders' equity | | | 73 |
| | | | 105 |
| | | 1 January - 30 June 2023 | 1 April - 30 June 2023 |
| Revenue | | 557 | 386 |
| Loss for the period | | (48) | 12 |
| Group's share in joint venture's loss for the period | | (24) | 5 |
| | | | (40) |
| | | | (18) |

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

| | | 30 June 2023 | 31 December 2022 |
|--|--|-------------------------------------|-----------------------------------|
| | | 1 January - 30 June 2023 | 1 April - 30 June 2023 |
| Total assets | | | 278 |
| Total liabilities | | | 128 |
| Shareholders' equity | | | 150 |
| Group's share in joint venture's shareholders' equity | | | 74 |
| | | | 65 |
| | | 1 January - 30 June 2023 | 1 April - 30 June 2023 |
| Revenue | | 215 | 97 |
| Profit for the period | | 17 | 11 |
| Group's share in joint venture's profit for the period | | 9 | 6 |
| | | | 3 |
| | | | 2 |

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

Financial information for Turkish DO&CO as of 30 June 2023 and 2022 are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

| | 30 June | 31 December |
|--|---------------------|---------------------|
| | 2023 | 2022 |
| Total assets | 14 | 14 |
| Total liabilities | 5 | 5 |
| Shareholders' equity | 9 | 9 |
| Group's share in joint venture's shareholders' equity | 4 | 4 |
| | 1 January - | 1 April - |
| | 30 June 2023 | 30 June 2023 |
| Revenue | 22 | 13 |
| Profit for the period | 1 | 1 |
| Group's share in joint venture's profit for the period | - | - |

Since 31 December 2019, the loss of Air Albania, which exceeds the Group's total share in the joint venture's shareholders' equity, has not been accounted in the consolidated financial statements. As of 30 June 2023, the amount is USD 3 (31 December 2022: USD 8).

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

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

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4. SEGMENT REPORTING

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

Air Transport ("Aviation")

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

Technical Maintenance Services ("Technical")

The Group's technical activities consist of mainly aircraft repair and maintenance services and providing technical and infrastructure support related to the aviation sector. The detailed information about the revenue of the Group is given in Note 19.

4.1 Total Assets and Liabilities

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

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4. SEGMENT REPORTING (cont'd)

4.2 Profit / (Loss) before Tax

Segment Results:

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

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4. SEGMENT REPORTING (cont'd)

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

Segment Results:

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

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4. SEGMENT REPORTING (cont'd)

4.3 Investment Operations

| 1 January - 30 June 2023 | Aviation | Technic | Inter-segment elimination | Total |
|--|-----------------|----------------|----------------------------------|--------------|
| | | | | |
| Purchase of property and equipment and intangible assets | 1,464 | 204 | - | 1,668 |
| Current period depreciation and amortization charge | 893 | 101 | - | 994 |
| Investments accounted for using equity method | 138 | 97 | - | 235 |

| 1 January - 30 June 2022 | Aviation | Technic | Inter-segment elimination | Total |
|--|-----------------|----------------|----------------------------------|--------------|
| | | | | |
| Purchase of property and equipment and intangible assets | 1,411 | 175 | - | 1,586 |
| Current period depreciation and amortization charge | 814 | 85 | - | 899 |
| Investments accounted for using equity method | 123 | 97 | - | 220 |

5. CASH AND CASH EQUIVALENTS

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

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

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

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5. CASH AND CASH EQUIVALENTS (cont'd)

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

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

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

6. FINANCIAL INVESTMENTS

Short-term financial investments are as follows:

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

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

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

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

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6. FINANCIAL INVESTMENTS (cont'd)

Long-term financial investments are as follows:

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

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

| | 30 June 2023 | 31 December 2022 |
|------------------|---------------------|-------------------------|
| Less than 1 year | 437 | 1 |
| 1 to 5 years | 93 | 33 |
| Over 5 years | 210 | 131 |
| | 740 | 165 |

7. BORROWINGS

Short-term borrowings are as follows:

| | 30 June 2023 | 31 December 2022 |
|-----------------|---------------------|-------------------------|
| Bank borrowings | 1,529 | 1,058 |

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

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

Long-term borrowings are as follows:

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

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

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

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7. BORROWINGS (cont'd)

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

| <u>Original</u> | <u>Interest Rate</u> | | <u>Payment Period</u> | <u>30 June</u> |
|-----------------|----------------------|-------------|------------------------------------|----------------------------------|
| <u>Amount</u> | <u>Currency</u> | <u>Type</u> | | <u>2023</u> |
| 1,788 | EUR | Fixed | 0.20% - 8.28% Euribor + 2.90% - | July 2023 - March 2031 1,950 |
| 1,049 | EUR | Floating | Euribor + 5.50% | July 2023 - August 2026 1,144 |
| | | | | <u>3,094</u> |

| <u>Original</u> | <u>Interest Rate</u> | | <u>Payment Period</u> | <u>31 December</u> |
|-----------------|----------------------|-------------|------------------------------------|------------------------------------|
| <u>Amount</u> | <u>Currency</u> | <u>Type</u> | | <u>2022</u> |
| 1,805 | EUR | Fixed | 0.20% - 4.00% Euribor + 2.90% - | January 2023 - March 2025 1,924 |
| 1,265 | EUR | Floating | Euribor + 5.50% | May 2023 - August 2026 1,349 |
| | | | | <u>3,273</u> |

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

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

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

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

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

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

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8. RELATED PARTIES

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

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

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

| | 30 June 2023 | 31 December 2022 |
|-------------|---------------------|-------------------------|
| THY Opet | 7 | 7 |
| Air Albania | 6 | 6 |
| | 13 | 13 |
| | 13 | 13 |

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

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

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

| | 30 June 2023 | 31 December 2022 |
|--------------------------|---------------------|-------------------------|
| Türkiye Sigorta A.Ş. | 1 | 7 |
| TFS Akaryakıt Hizmetleri | - | 6 |
| | 1 | 13 |
| | 1 | 13 |

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8. RELATED PARTIES (cont'd)

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

a) Sales to related parties:

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

b) Purchases from related parties:

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

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

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

(*) This represents the nominal amount.

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

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8. RELATED PARTIES (cont'd)

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

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

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

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

| Amount | Currency | Effective Interest Rate | Maturity | 30 June 2023 |
|---------------|-----------------|--------------------------------|-----------------|-------------------------|
| 35,470 | TL | 8.50% - 15.00% | November 2023 | <u><u>1,374</u></u> |
| Amount | Currency | Effective Interest Rate | Maturity | 31 December 2022 |
| 525 | EUR | 2.76% - 3.15% | April 2023 | 561 |
| 500 | TL | 27.08% | April 2023 | 27 |
| | | | | <u><u>588</u></u> |

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

| Amount | Currency | Effective Interest Rate | Maturity | 30 June 2023 |
|---------------|-----------------|--------------------------------|---------------------------|-------------------------|
| 331 | USD | 5.38% - 8.60% | July 2023 - December 2023 | 331 |
| 400 | EUR | 3.25% - 5.70% | July 2023 - December 2023 | <u><u>436</u></u> |
| | | | | <u><u>767</u></u> |
| Amount | Currency | Effective Interest Rate | Maturity | 31 December 2022 |
| 194 | USD | 5.38% - 8.60% | January 2023 - June 2023 | <u><u>194</u></u> |

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

| Amount | Currency | Effective Interest Rate | Maturity | 30 June 2023 |
|---------------|-----------------|--------------------------------|-----------------|-------------------------|
| 807 | EUR | 2.55% - Euribor + 5.50% | March 2026 | <u><u>880</u></u> |
| Amount | Currency | Effective Interest Rate | Maturity | 31 December 2022 |
| 1,003 | EUR | 2.55% - Euribor + 5.50% | March 2026 | <u><u>1,069</u></u> |

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8. RELATED PARTIES (cont'd)

Interest income from related parties:

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

Interest expense to related parties:

| | 1 January - 30 June 2023 | 1 April - 30 June 2023 | 1 January - 30 June 2022 | 1 April - 30 June 2022 |
|--------------------------|-------------------------------------|-----------------------------------|-------------------------------------|-----------------------------------|
| Türkiye Vakıflar Bankası | 17 | 8 | 18 | 9 |
| Ziraat Bankası | 9 | 4 | 11 | 5 |
| | 26 | 12 | 29 | 14 |

Transactions between the Group and THY Opet are related to the supply of aircraft fuel; transactions between the Group and Turkish DO&CO are related to catering services; transactions between the Group and Sun Express are related to wet lease, seat sales operations and maintenance services; transactions between the Group and TGS are related to ground services; transactions between the Group and TEC are related to engine maintenance services; transactions between the Group and PTT are related to cargo transportation; transactions between the Group and Halk Bankası, Ziraat Bankası, Türkiye Vakıflar Bankası and Ziraat Katılım Bankası A.Ş. are related to banking services; transactions between the Group and Air Albania are related to aircraft transportation; transactions between the Group and Turkcell are related to telecommunication services; transactions between the Group and Goodrich are related to maintenance services; transactions between the Group and Türkiye Sigorta are related to insurance services; transactions between the Group and We World Express are related to cargo transportation and transactions between the Group and TFS Akaryakit Hizmetleri A.Ş. are related to the supply of aircraft fuel. Receivables from related parties are not collateralized and maturity of trade receivables is 30 days.

The total amount of all short-term benefits, including salaries, bonuses, vehicles allocated for their use and communication expenses provided for the Board Members, General Managers and Deputy General Managers of THY AO, THY Teknik A.Ş., THY Uçuş Eğitim ve Havalimanı İşletme A.Ş., THY Teknoloji ve Bilişim A.Ş. and TCI Kabin İçi Sistemleri San ve Tic. A.Ş. is USD 2 for the period between 1 January- 30 June 2023 (1 January- 30 June 2022: USD 2).

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9. OTHER RECEIVABLES

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

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

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

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

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

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

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

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10. DEFERRED INCOME**Deferred income is as follows:**

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

Passenger flight liability is as follows:

| | 30 June 2023 | 31 December 2022 |
|-----------------------------------|---------------------|-------------------------|
| Flight liability for ticket sales | 3,271 | 2,107 |
| Frequent flyer program liability | 187 | 184 |
| | 3,458 | 2,291 |

Other short-term deferred income is as follows:

| | 30 June 2023 | 31 December 2022 |
|-------------------------|---------------------|-------------------------|
| Deferred finance income | 71 | 81 |
| Advances received | 6 | 11 |
| Other | 13 | 11 |
| | 90 | 103 |

Long-term deferred income is as follows:

| | 30 June 2023 | 31 December 2022 |
|-------------------------|---------------------|-------------------------|
| Deferred finance income | 106 | 107 |
| Other | 1 | 1 |
| | 107 | 108 |

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11. PROPERTY AND EQUIPMENT

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

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

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

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

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

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11. PROPERTY AND EQUIPMENT (cont'd)

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

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11. PROPERTY AND EQUIPMENT (cont'd)

Right of use assets are as follows:

| | Aircraft | Spare engines | Real Estate | Vehicles | Total |
|------------------------------------|----------|---------------|-------------|----------|---------|
| Cost | | | | | |
| Opening balance at 1 January 2023 | 21,737 | 369 | 654 | 7 | 22,767 |
| Modifications | (30) | - | (97) | - | (127) |
| Additions | 1,085 | 24 | 119 | 1 | 1,229 |
| Transfers | 22 | 11 | - | - | 33 |
| Disposals | (93) | - | (3) | - | (96) |
| Transfers between the accounts (*) | (1,555) | (33) | - | - | (1,588) |
| Closing balance at 30 June 2023 | 21,166 | 371 | 673 | 8 | 22,218 |

| | Aircraft | Spare engines | Real Estate | Vehicles | Total |
|-----------------------------------|----------|---------------|-------------|----------|--------|
| Accumulated Depreciation | | | | | |
| Opening balance at 1 January 2023 | 6,044 | 83 | 59 | 4 | 6,190 |
| Modifications | (26) | - | (8) | - | (34) |
| Depreciation charge | 610 | 11 | 19 | 2 | 642 |
| Disposals | (93) | - | - | - | (93) |
| Transfers between the account (*) | (726) | (17) | - | - | (743) |
| Closing balance at 30 June 2023 | 5,809 | 77 | 70 | 6 | 5,962 |
| Net book value at 30 June 2023 | 15,357 | 294 | 603 | 2 | 16,256 |

| | Aircraft | Spare engines | Real Estate | Vehicles | Total |
|------------------------------------|----------|---------------|-------------|----------|--------|
| Cost | | | | | |
| Opening balance at 1 January 2022 | 20,348 | 301 | 75 | 9 | 20,733 |
| Additions | 683 | 22 | 574 | - | 1,279 |
| Transfers | 3 | 11 | - | - | 14 |
| Disposals | (170) | - | (1) | - | (171) |
| Transfers between the accounts (*) | (191) | - | - | - | (191) |
| Closing balance at 30 June 2022 | 20,673 | 334 | 648 | 9 | 21,664 |

| | Aircraft | Spare engines | Real Estate | Vehicles | Total |
|-----------------------------------|----------|---------------|-------------|----------|--------|
| Accumulated Depreciation | | | | | |
| Opening balance at 1 January 2022 | 5,525 | 62 | 31 | 5 | 5,623 |
| Depreciation charge | 594 | 10 | 10 | 1 | 615 |
| Disposals | (166) | - | - | - | (166) |
| Transfers between the account (*) | (76) | - | - | - | (76) |
| Closing balance at 30 June 2022 | 5,877 | 72 | 41 | 6 | 5,996 |
| Net book value at 30 June 2022 | 14,796 | 262 | 607 | 3 | 15,668 |

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

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12. INTANGIBLE ASSETS

| | Slot rights and acquired technical licenses (*) | Rights | Other intangible assets | Total |
|--|--|---------------|--|--------------|
| <u>Cost</u> | | | | |
| Opening balance at 1 January 2023 | 44 | 263 | 5 | 312 |
| Additions | - | 20 | - | 20 |
| Disposals | - | (2) | - | (2) |
| Closing balance at 30 June 2023 | 44 | 281 | 5 | 330 |
| <u>Accumulated Amortization</u> | | | | |
| Opening balance at 1 January 2023 | - | 232 | 3 | 235 |
| Amortization charge | - | 17 | - | 17 |
| Closing balance at 30 June 2023 | - | 249 | 3 | 252 |
| Net book value at 30 June 2023 | 44 | 32 | 2 | 78 |
| Net book value at 31 December 2022 | 44 | 31 | 2 | 77 |
| <u>Cost</u> | | | | |
| Opening balance at 1 January 2022 | 44 | 239 | 5 | 288 |
| Additions | - | 1 | - | 1 |
| Transfers | - | - | - | - |
| Closing balance at 30 June 2022 | 44 | 240 | 5 | 289 |
| <u>Accumulated Amortization</u> | | | | |
| Opening balance at 1 January 2022 | - | 203 | 3 | 206 |
| Amortization charge | - | 10 | - | 10 |
| Closing balance at 30 June 2022 | - | 213 | 3 | 216 |
| Net book value at 30 June 2022 | 44 | 27 | 2 | 73 |

(*) The Group accounts slot rights as intangible assets with indefinite useful lives because these assets do not have any expiry date and are usable in the foreseeable future.

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13. LEASES

Maturities of lease obligations are as follows:

| | Future Minimum Lease Payments | | Interest | | Present Values of Minimum Lease Payments | |
|---------------------------|--------------------------------------|-------------------------|---------------------|-------------------------|---|-------------------------|
| | 30 June 2023 | 31 December 2022 | 30 June 2023 | 31 December 2022 | 30 June 2023 | 31 December 2022 |
| Less than 1 year | 1,967 | 1,883 | (345) | (294) | 1,622 | 1,589 |
| Between 1 – 5 years | 6,161 | 6,081 | (863) | (732) | 5,298 | 5,349 |
| Over 5 years | 4,550 | 4,370 | (595) | (542) | 3,955 | 3,828 |
| | 12,678 | 12,334 | (1,803) | (1,568) | 10,875 | 10,766 |
| | | | | | 30 June 2023 | 31 December 2022 |
| Interest Range: | | | | | | |
| Floating rate obligations | | | | 5,193 | | 5,355 |
| Fixed rate obligations | | | | 5,682 | | 5,411 |
| | | | | 10,875 | | 10,766 |

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

As of 30 June 2023, the USD, Euro, JPY and Swiss Franc denominated lease obligations' weighted average interest rates are 5.57% (31 December 2022: 5.82%) for the fixed rate obligations and 1.56% (31 December 2022: 1.53%) for the floating rate obligations.

14. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

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

Short-term provision for employee benefits is as follows:

| | 30 June 2023 | 31 December 2022 |
|--------------------------------|---------------------|-------------------------|
| Provisions for unused vacation | 42 | 39 |

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

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

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

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

Other short-term provision is as follows:

| | 30 June 2023 | 31 December 2022 |
|-----------------------------|---------------------|-------------------------|
| Provisions for legal claims | 6 | 6 |

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

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

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

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15. COMMITMENTS

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

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

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

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

b) Aircraft purchase commitments:

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

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16. EMPLOYEE BENEFITS

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

| | 30 June 2023 | 31 December 2022 |
|--|---------------------|-------------------------|
| Provision for retirement pay liability | 243 | 273 |

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

Retirement pay liability is subject to an upper limit of monthly USD 774 (full) (equivalent of TL 19,983 (full)) as of 30 June 2023. (31 December 2022: USD 821 (full) equivalent to TL 15,371 (full)).

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

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

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

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

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

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17. EXPENSES BY NATURE

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

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

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18. SHAREHOLDERS' EQUITY

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

| (Millions of TL) | Class | % | 30 June | | 31 December | |
|---------------------------------------|-------|-------|--------------|-------|--------------|--------------|
| | | | 2023 | % | 2022 | 2022 |
| Türkiye Wealth Fund | A | 49.12 | 678 | 49.12 | 678 | 678 |
| Republic of Türkiye Treasury and | | | | | | |
| Finance Ministry Privatization | C | - | - | - | - | - |
| Administration | | | | | | |
| Treasury Shares (**) | A | 0.33 | 4 | | | - |
| Other (publicly held) | A | 50.55 | 698 | 50.88 | 702 | 702 |
| Paid-in capital (Turkish Lira) | | | 1,380 | | 1,380 | 1,380 |
| Inflation adjustment on share capital | | | | | | |
| (Turkish Lira) (*) | | | 1,124 | | 1,124 | 1,124 |
| Share capital (Turkish Lira) | | | <u>2,504</u> | | <u>2,504</u> | <u>2,504</u> |
| Share capital (USD Equivalent) | | | <u>1,597</u> | | <u>1,597</u> | <u>1,597</u> |

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

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

As of 30 June 2023, the Registered paid-in share capital of the Company comprised 137,999,999,999 Class A shares and 1 Class C share, all with a par value of Kr 1 each. The Class C share belongs to the Republic of Türkiye Treasury and Finance Ministry Privatization Administration and has the following privileges:

- Articles of Association 7: Positive vote of the board member representing class C share with the Board's approval is necessary for transfer of shares issued to the name.
- Articles of Association 10: The Board of Directors consists of nine members of which one member has to be nominated by the class C shareholder and the other eight member must be elected by class A shareholders.
- Articles of Association 14: The following decisions of the Board of Directors are subject to the positive vote of the class C Shareholder:
 - a) Decisions that will negatively affect the Group's mission, Defined in Article 3.1. of the Articles of Association,
 - b) Suggesting change in the Articles of Association at General Assembly,
 - c) Increasing share capital,
 - d) Approval of transfer of the shares issued to the name and their registration to the "Share Registry",
 - e) Every decision or action which directly or indirectly puts the Group under commitment over 5% of its total assets of the latest annual financial statements prepared for Capital Market Board. (This sentence will expire when the Group's shares held by Turkish State decrease under 20%).
 - f) Decisions relating to merges and liquidation,
 - g) Decisions cancelling flight routes or significantly reduce the frequency of flight routes, not including the ones that cannot even recover their operational expenses, subject to the market conditions.

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18. SHAREHOLDERS' EQUITY (cont'd)

Restricted Profit Reserves

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

Foreign Currency Translation Differences

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

Distribution of Dividends

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

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

Actuarial Differences on Defined Benefit Plans

According to IAS 19, all actuarial differences are recognized in other comprehensive income.

Gains/Losses from Cash Flow Hedges

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

As of 2023, lease liabilities and investment borrowings in Japanese Yen, Swiss Frank and Euro for investment financing are designated as cash flow hedge against exchange rate risk due to highly probable future same foreign currency revenues. Group's revenue denominated in Euro and Swiss Frank fully covered borrowings of such foreign currency, while Japanese Yen revenue covered %89 of borrowings. In this context, exchange differences arising from such these loans repayment are taken to equity and recognized in other comprehensive income.

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19. REVENUE

Breakdown of gross profit is as follows:

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

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

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

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20. COST OF SALES

Breakdown of the cost of sales is as follows:

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

21. GENERAL ADMINISTRATIVE EXPENSES AND SELLING AND MARKETING EXPENSES

Breakdown of general administrative expenses is as follows:

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

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

Breakdown of selling and marketing expenses is as follows:

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

22. OTHER OPERATING INCOME / EXPENSES

Breakdown of other operating income is as follows:

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

Breakdown of other operating expenses is as follows:

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

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23. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

Breakdown of income from investment activities is as follows:

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

Breakdown of expense from investment activities is as follows:

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

24. FINANCIAL INCOME/ EXPENSES

Breakdown of financial income is as follows:

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

Breakdown of financial expenses is as follows:

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

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25. TAX ASSETS AND LIABILITIES

Breakdown of assets related to current tax is as follows:

| | 30 June 2023 | 31 December 2022 |
|---------------|---------------------|-------------------------|
| Prepaid taxes | 41 | 35 |
| | 41 | 35 |

Tax liability is as follows:

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

Tax expense is as follows:

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

Tax effect related to other comprehensive income is as follows:

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

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

Corporate Tax

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

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

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25. TAX ASSETS AND LIABILITIES (cont'd)

Deferred Tax

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

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

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

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

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

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

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

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25. TAX ASSETS AND LIABILITIES (cont'd)

Deferred Tax (cont'd)

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

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

26. EARNINGS PER SHARE

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

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

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26. EARNINGS PER SHARE (cont'd)

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

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

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

27. DERIVATIVE FINANCIAL INSTRUMENTS

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

| <u>Derivative financial assets</u> | 30 June 2023 | 31 December 2022 |
|--|---------------------|-------------------------|
| Derivative instruments for interest rate | | |
| cash flow hedge | 15 | 16 |
| Derivative instruments not subject to hedge | | |
| accounting | 11 | - |
| Derivative instruments for fuel prices | | |
| cash flow hedge | 3 | 12 |
| Derivative instruments for cross currency rate | | |
| cash flow hedge | - | 16 |
| | 29 | 44 |

| <u>Derivative financial liabilities</u> | 30 June 2023 | 31 December 2022 |
|--|---------------------|-------------------------|
| Derivative instruments not subject to hedge | | |
| accounting | 27 | 208 |
| Derivative instruments for cross currency rate | | |
| cash flow hedge | 17 | - |
| Derivative instruments for fuel prices | | |
| cash flow hedge | 10 | 1 |
| Derivative instruments for interest rate | | |
| cash flow hedge | 1 | 2 |
| | 55 | 211 |

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28. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS

Foreign currency risk management

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

| | 30 June 2023 | | | | | |
|--|----------------|--------------|----------------|----------------|-------------|--------------|
| | USD EQUIVALENT | TL | EUR | JPY | CHF | OTHER |
| 1.Trade Receivables | 968 | 106 | 133 | 9 | 19 | 701 |
| 2a.Monetary Financial Assets (**) | 5,021 | 839 | 4,039 | 9 | 7 | 127 |
| 2b.Non Monetary Financial Assets | - | - | - | - | - | - |
| 3.Other | 587 | 132 | 188 | - | 6 | 261 |
| 4.Current Assets (1+2+3) | 6,576 | 1,077 | 4,360 | 18 | 32 | 1,089 |
| 5.Trade Receivables | - | - | - | - | - | - |
| 6a.Monetary Financial Assets | - | - | - | - | - | - |
| 6b.Non Monetary Financial Assets | - | - | - | - | - | - |
| 7.Other | 615 | 408 | 201 | - | - | 6 |
| 8.Non Current Assets (5+6+7) | 615 | 408 | 201 | - | - | 6 |
| 9.Total Assets (4+8) | 7,191 | 1,485 | 4,561 | 18 | 32 | 1,095 |
| 10.Trade Payables | 1,007 | 659 | 282 | 4 | 2 | 60 |
| 11.Financial Liabilities (*) | 3,545 | 2 | 3,123 | 396 | 24 | - |
| 12a.Other Liabilities, Monetary | 580 | 238 | 265 | 3 | 3 | 71 |
| 12b.Other Liabilities, Non Monetary | 48 | 48 | - | - | - | - |
| 13.Current Liabilities (10+11+12) | 5,180 | 947 | 3,670 | 403 | 29 | 131 |
| 14.Trade Payables | - | - | - | - | - | - |
| 15.Financial Liabilities (*) | 7,695 | 51 | 6,142 | 1,430 | 72 | - |
| 16a.Other Liabilities, Monetary | 22 | 9 | 6 | - | - | 7 |
| 16b.Other Liabilities, Non Monetary | 243 | 243 | - | - | - | - |
| 17.Non Current Liabilities (14+15+16) | 7,960 | 303 | 6,148 | 1,430 | 72 | 7 |
| 18.Total Liabilities (13+17) | 13,140 | 1,250 | 9,818 | 1,833 | 101 | 138 |
| 19.Net asset / liability position of off-balance sheet derivatives (19a-19b) | 3,911 | - | 3,911 | - | - | - |
| 19a.Off-balance sheet foreign currency derivative assets | - | - | - | - | - | - |
| 19b.Off-balance sheet foreign currency derivative liabilities | (3,911) | - | (3,911) | - | - | - |
| 20.Net foreign currency asset/(liability) position (9-18+19) | (2,038) | 235 | (1,346) | (1,815) | (69) | 957 |
| 21.Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a -14-15-16a) | (6,860) | (14) | (5,646) | (1,815) | (75) | 690 |
| 22.Fair value of foreign currency hedged financial assets | - | - | - | - | - | - |
| 23.Hedged foreign currency assets | - | - | - | - | - | - |
| 24.Hedged foreign currency liabilities | 7,833 | - | 5,914 | 1,824 | 95 | - |

(*) Net foreign exchange position of the Group is mainly due to long term foreign currency borrowings denominated in Euro, Japanese Yen and Swiss Frank to fund its aircraft investments. The Group uses these long term foreign currency borrowings to manage the risk of exchange differences with highly probable future foreign currency revenues. The USD equivalent of these borrowings amounts to USD 7,624 as of 30 June 2023 (31 December 2022: USD 7,679).

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

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

Foreign currency risk management (cont'd)

| | 31 December 2022 | | | | | |
|---|------------------|--------------|----------------|----------------|-------------|------------|
| | USD EQUIVALENT | TL | EUR | JPY | CHF | OTHER |
| 1.Trade Receivables | 891 | 99 | 108 | 10 | 14 | 660 |
| 2a.Monetary Financial Assets | 4,521 | 440 | 3,976 | 4 | 3 | 98 |
| 2b.Non Monetary Financial Assets | - | - | - | - | - | - |
| 3.Other | 526 | 150 | 182 | - | 5 | 189 |
| 4.Current Assets (1+2+3) | 5,938 | 689 | 4,266 | 14 | 22 | 947 |
| 5.Trade Receivables | - | - | - | - | - | - |
| 6a.Monetary Financial Assets | 585 | 585 | - | - | - | - |
| 6b.Non Monetary Financial Assets | - | - | - | - | - | - |
| 7.Other | 640 | 416 | 218 | - | - | 6 |
| 8.Non Current Assets (5+6+7) | 1,225 | 1,001 | 218 | - | - | 6 |
| 9.Total Assets (4+8) | 7,163 | 1,690 | 4,484 | 14 | 22 | 953 |
| 10.Trade Payables | 841 | 562 | 210 | 1 | 4 | 64 |
| 11.Financial Liabilities | 3,529 | 4 | 3,160 | 342 | 23 | - |
| 12a.Other Liabilities, Monetary | 441 | 185 | 197 | 3 | 6 | 50 |
| 12b.Other Liabilities, Non Monetary | 45 | 45 | - | - | - | - |
| 13.Current Liabilities (10+11+12) | 4,856 | 796 | 3,567 | 346 | 33 | 114 |
| 14.Trade Payables | - | - | - | - | - | - |
| 15.Financial Liabilities | 8,009 | 39 | 6,427 | 1,462 | 81 | - |
| 16a.Other Liabilities, Monetary | 18 | 3 | 6 | - | - | 9 |
| 16b.Other Liabilities, Non Monetary | 273 | 273 | - | - | - | - |
| 17.Non Current Liabilities (14+15+16) | 8,300 | 315 | 6,433 | 1,462 | 81 | 9 |
| 18.Total Liabilities (13+17) | 13,156 | 1,111 | 10,000 | 1,808 | 114 | 123 |
| 19.Net asset / liability position of off-balance sheet derivatives (19a-19b) | 3,994 | - | 3,994 | - | - | - |
| 19a.Off-balance sheet foreign currency derivative assets | - | - | - | - | - | - |
| 19b.Off-balance sheet foreign currency derivative liabilities | (3,994) | - | (3,994) | - | - | - |
| 20.Net foreign currency asset/(liability) position (9-18+19) | (1,999) | 579 | (1,522) | (1,794) | (92) | 830 |
| 21.Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a) | (6,841) | 331 | (5,916) | (1,794) | (97) | 635 |
| 22.Fair value of foreign currency hedged financial assets | - | - | - | - | - | - |
| 23.Hedged foreign currency assets | - | - | - | - | - | - |
| 24.Hedged foreign currency liabilities | 6,728 | - | 5,660 | 964 | 104 | - |

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

Foreign currency risk management (cont'd)

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

| | 30 June 2023 | | | |
|--|---|---|---|---|
| | Profit / (Loss) | | Equity | |
| | Before Tax | | Equity | |
| | If foreign currency appreciated 10 % | If foreign currency depreciated 10 % | If foreign currency appreciated 10 % | If foreign currency depreciated 10 % |
| 1- TL net asset / liability | 24 | (24) | - | - |
| 2- Part hedged from TL risk (-) | - | - | - | - |
| 3- TL net effect (1+2) | <u>24</u> | <u>(24)</u> | <u>-</u> | <u>-</u> |
| 4- Euro net asset / liability | 456 | (456) | (591) | 591 |
| 5- Part hedged from Euro risk (-) | - | - | - | - |
| 6- Euro net effect (4+5) | <u>456</u> | <u>(456)</u> | <u>(591)</u> | <u>591</u> |
| 7- JPY net asset / liability | (55) | 55 | (127) | 127 |
| 8- Part hedged from JPY risk (-) | - | - | - | - |
| 9- JPY net effect (7+8) | <u>(55)</u> | <u>55</u> | <u>(127)</u> | <u>127</u> |
| 10- CHF net asset / liability | 3 | (3) | (10) | 10 |
| 11- Part hedged from CHF risk (-) | - | - | - | - |
| 12- CHF net effect (10+11) | <u>3</u> | <u>(3)</u> | <u>(10)</u> | <u>10</u> |
| 13- Other foreign currency net asset / liability | 96 | (96) | - | - |
| 14- Part hedged other foreign currency risk (-) | - | - | - | - |
| 15- Other foreign currency net effect (13+14) | <u>96</u> | <u>(96)</u> | <u>-</u> | <u>-</u> |
| TOTAL (3 + 6 + 9 + 12 + 15) | <u>524</u> | <u>(524)</u> | <u>(728)</u> | <u>728</u> |

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

Foreign currency risk management (cont'd)

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

29. EVENTS AFTER THE BALANCE SHEET DATE

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

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

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