

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

Condensed Consolidated Interim
Financial Statements As at and For
The Three-Month Period
Ended 31 March 2024

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
Condensed Consolidated Interim Statement of Financial Position as at 31 March 2024
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

ASSETS	Notes	31 March 2024	31 December 2023
Non-Current Assets			
Financial Investments	6	541	398
Other Receivables			
-Third Parties	9	1,320	1,395
Investments Accounted for Using Equity Method	3	513	497
Investment Property		43	43
Property and Equipment	11	6,229	6,075
Right of Use Assets	11	17,056	16,928
Intangible Assets			
- Other Intangible Assets	12	91	87
- Goodwill		27	27
Prepaid Expenses		1,412	1,294
Deferred Tax Asset	25	346	332
TOTAL NON-CURRENT ASSETS		27,578	27,076
Current Assets			
Cash and Cash Equivalents	5	841	683
Financial Investments	6	4,825	5,344
Trade Receivables			
-Related Parties	8	47	50
-Third Parties		943	806
Other Receivables			
-Related Parties	8	9	9
-Third Parties	9	826	880
Derivative Financial Instruments	27	70	18
Inventories		454	418
Prepaid Expenses		382	237
Current Income Tax Assets	25	38	41
Other Current Assets		100	109
TOTAL CURRENT ASSETS		8,535	8,595
TOTAL ASSETS		36,113	35,671

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 Financial Position as at 31 March 2024
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

LIABILITIES AND EQUITY	Notes	31 March 2024	31 December 2023
Equity			
Share Capital	18	1,597	1,597
Treasury Shares	18	(33)	(33)
Items That Will Not Be Reclassified to Profit or Loss			
-Actuarial Losses on Retirement Pay Obligation	18	(269)	(274)
Items That Are or May Be Reclassified to Profit or Loss			
-Foreign Currency Translation Differences	18	(227)	(221)
-Fair Value Gains on Hedging Instruments			
Entered into for Cash Flow Hedges	18	508	281
-Losses on Remeasuring FVOCI		9	21
Restricted Profit Reserves	18	69	69
Previous Years Profit		14,118	8,097
Net Profit for the Period		226	6,021
Equity of the Parent		15,998	15,558
Non-Controlling Interests		4	5
TOTAL EQUITY		16,002	15,563
Non-Current Liabilities			
Long-Term Borrowings	7	144	472
Long-Term Lease Liabilities	7 and 13	9,919	10,052
Other Payables			
-Third Parties		37	25
Deferred Income	10	169	108
Long-Term Provisions			
-Provisions for Employee Termination Benefits	16	213	229
-Other Provisions		82	85
Deferred Tax Liability	25	68	50
TOTAL NON-CURRENT LIABILITIES		10,632	11,021
Current Liabilities			
Short-Term Borrowings	7	1,170	1,345
Short-Term Portion of Long-Term Borrowings	7	412	618
Short-Term Portion of Lease Liabilities	7 and 13	1,694	1,760
Trade Payables			
-Related Parties	8	264	285
-Third Parties		1,094	1,006
Payables Related to Employee Benefits		423	418
Other Payables			
-Related Parties	8	2	4
-Third Parties		191	238
Derivative Financial Instruments	27	29	101
Deferred Income	10	3,631	2,705
Current Tax Provision	25	36	39
Short-Term Provisions			
-Provisions for Employee Benefits	14	85	50
-Other Provisions	14	7	6
Other Current Liabilities		441	512
TOTAL CURRENT LIABILITIES		9,479	9,087
TOTAL LIABILITIES AND EQUITY		36,113	35,671

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income
For the Three-Month Period Ended 31 March 2024
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

		1 January - 31 March 2024	1 January - 31 March 2023
<u>PROFIT OR LOSS</u>	Notes		
Revenue	19	4,769	4,353
Cost of Sales (-)	20	(4,245)	(3,705)
GROSS PROFIT		524	648
General Administrative Expenses (-)	21	(108)	(98)
Selling and Marketing Expenses (-)	21	(444)	(416)
Other Operating Income	22	111	129
Other Operating Expenses (-)	22	(41)	(149)
OPERATING PROFIT BEFORE INVESTMENT ACTIVITIES		42	114
Income from Investment Activities	23	310	151
Expenses for Investment Activities	23	(2)	(12)
Share of Investments' Profit / (Loss) Accounted for Using The Equity Method	3	2	(12)
OPERATING PROFIT		352	241
Financial Income	24	195	357
Financial Expenses (-)	24	(379)	(322)
PROFIT BEFORE TAX		168	276
Tax Expense		58	(43)
Current Tax Income / (Expense)	25	-	(4)
Deferred Tax Income / (Expense)	25	58	(39)
NET PROFIT FOR THE PERIOD		226	233
<u>OTHER COMPREHENSIVE INCOME</u>			
Items That May Be Reclassified Subsequently To Profit or Loss		209	65
Currency Translation Adjustment		(6)	(9)
(Losses) / Gains on Investments Remeasured FVOCI		(12)	5
Fair Value Gains on Hedging Instruments Entered into for Cash Flow Hedges		268	100
Fair Value Gains / (Losses) Hedging Instruments of Investment Accounted by Using the Equity Method Entered into for Cash Flow Hedges		16	(12)
Related Tax of Other Comprehensive Income		(57)	(19)
Items That Will Not Be Reclassified Subsequently To Profit or Loss		5	(2)
Actuarial Gains / (Losses) on Retirement Pay Obligation		6	(3)
Related Tax of Other Comprehensive Income		(1)	1
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		214	63
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		440	296
Basic Earnings Per Share (Full US Cents)	26	0.16	0.17
Diluted Earnings Per Share (Full US Cents)	26	0.16	0.17

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
Condensed Consolidated Interim Statement of Changes in Equity
For the Three-Month Period Ended 31 March 2024
(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 Retirement Pay Obligation	Foreign Currency Translation Differences	Fair Value Gains on Hedging Instruments Entered Into For Cash Flow Hedges	Gains on Remeasuring 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 2024	1,597	(33)	(274)	(221)	281	21	69	8,097	6,021	15,558	5	15,563
Transfers	-	-	-	-	-	-	-	6,021	(6,021)	-	-	-
Total comprehensive income	-	-	5	(6)	227	(12)	-	-	226	440	-	440
Transactions with non- controlling interests	-	-	-	-	-	-	-	-	-	-	(1)	(1)
As of 31 March 2024	1,597	(33)	(269)	(227)	508	9	69	14,118	226	15,998	4	16,002

		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 Retirement Pay Obligation	Foreign Currency Translation Differences	Fair Value Gains on Hedging Instruments Entered Into For Cash Flow Hedges	Losses on Remeasuring FVOCI	Restricted Profit Reserves	Previous Years Profit	Net 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	-	-	-	-	-	-	16	2,709	(2,725)	-	-	-
Total comprehensive income	-	-	(2)	(9)	70	4	-	-	233	296	-	296
Increase through treasury share transactions	-	(16)	-	-	-	-	-	-	-	(16)	-	(16)
Transactions with non- controlling interests	-	-	-	-	-	-	-	-	-	-	3	3
As of 31 March 2023	1,597	(16)	(230)	(303)	585	(10)	52	8,114	233	10,022	3	10,025

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Condensed Consolidated Interim Statement of Cash Flows

For the Three-Month Period Ended 31 March 2024

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

	Notes	31 March 2024	31 March 2023
Net Profit for the Period		226	233
Adjustments to Reconcile Profit			
Adjustments for Depreciation and Amortisation Expense	11 and 12	531	497
Adjustments for Provisions Related to Employee Benefits	14 and 16	48	22
Adjustments for Provisions for Other Accruals	14	2	1
Adjustments for Reversal of Probable Risks		(1)	5
Adjustments for Interest Income	23 and 24	(304)	(154)
Adjustments for Interest Expense	16 and 24	148	122
Adjustments for Unrealised Foreign Exchange (Gains) / Losses		(329)	464
Adjustments for Fair Value Losses / (Gains) on Derivative Financial Instruments	24	61	(180)
Adjustments for Fair Value Losses		159	-
Adjustments for Undistributed Losses of Associates	3	(2)	12
Adjustments for Tax (Income) / Expense	25	(61)	43
Adjustments for Gains Arised from Sale of Tangible Assets	23	(1)	(11)
Adjustments for Losses Arised from Sale of Other Non-Current Assets	11	8	13
Operating Profit Before Changes in Working Capital		485	1,067
Decrease / (Increase) in Trade Receivables from Related Parties	8	3	(4)
(Increase) / Decrease in Trade Receivables from Third Parties		(138)	90
Decrease / (Increase) in Other Receivables from Third Parties	9	93	(81)
Adjustments for Increase in Inventories		(28)	(9)
Adjustments for Increase in Prepaid Expenses		(263)	(197)
Decrease in Trade Payables to Related Parties	8	(21)	(23)
Increase in Trade Payables to Third Parties		88	49
Adjustments for Increase in Payables Due to Employee Benefits		5	27
Decrease in Other Payables to Related Parties	8	(2)	(7)
(Decrease) / Increase in Other Payables to Third Parties		(35)	37
Increase in Deferred Income	10	914	565
Decrease / (Increase) in Other Assets		9	(18)
Cash Flows From Operations		1,110	1,496
Payments for Provisions Related with Employee Benefits	16	(5)	(4)
Income Taxes (Paid) / Received	25	(3)	12
Net Cash From Operating Activities		1,102	1,504
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES			
Proceeds From Sales of Property, Plant and Equipment and Intangible Assets		2	20
Payments For Purchasing of Property, Plant and Equipment and Intangible Assets	11 and 12	(253)	(457)
Proceeds / (Payments) For Purchasing of Other Financial Assets	6	217	(2,149)
Other Cash Advances and Loans	9	(20)	(36)
Dividends Received	3	16	-
Interest Received	23	213	74
Net Cash Flows Used In Investing Activities		175	(2,548)
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES			
Payments to Acquire Entity's Shares		-	(16)
Proceeds From Loans	7	1,044	968
Repayments of Loans	7	(1,680)	(923)
Payments of Lease Liabilities	7	(438)	(428)
Interest Paid		(136)	(95)
Interest Received	24	63	79
Other Cash Outflows		-	3
Net Cash Used in Financing Activities		(1,147)	(412)
Net Change in Cash and Cash Equivalents		130	(1,456)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		673	4,066
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	803	2,610

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**Notes to the Condensed Consolidated Interim Financial Statements****As At And For the Three-Month Period Ended 31 March 2024**

(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 31 March 2024, and 2023, the shareholders and their respective shareholdings in the Company are as follows:

	31 March 2024	31 December 2023
Türkiye Wealth Fund	49.12 %	49.12 %
Republic of Türkiye Ministry of Treasury and Finance Privatization Administration	-	-
Other (publicly held and treasury share)	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 31 March 2024 is 57,991 (31 December 2023: 55,884). The average number of employees working for the Group for the period ended 31 March 2024 and 2023 are 57,390 and 51,753 respectively. The Group is registered in İstanbul, Türkiye and its registered head office address is as follows:

Türk Hava Yolları A.O. Genel Yönetim Binası, Yeşilköy Mahallesi, Havaalanı Caddesi No: 3/1
34149 Bakırköy 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 Three-Month Period Ended 31 March 2024
(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 31 March 2024 and 2023:

<u>Name of the Company</u>	<u>Principal Activity</u>	<u>Ownership Rate</u>		<u>Country of Registration</u>
		<u>31 March 2024</u>	<u>31 December 2023</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	100%	100%	Türkiye
THY Teknoloji ve Bilişim A.Ş. (Turkish Technology)	Information Technologies and Consulting	100%	100%	Türkiye
THY Hava Kargo Taşımacılığı A.Ş. (Widect)	Cargo Transportation	100%	100%	Türkiye
THY Destek Hizmetleri A.Ş. (TSS)	Support Services	100%	100%	Türkiye
THY Özel Güvenlik ve Koruma Hizmetleri A.Ş.	Security Services	100%	100%	Türkiye
AJet Hava Taşımacılığı A.Ş. (AJET)	Air Transportation	100%	100%	Türkiye
THY Finansal Teknolojiler A.Ş. (TKPAY)	Payment Services	100%	100%	Türkiye
TCI Kabin İçi Sistemleri San ve Tic. A.Ş. (TCI)	Cabin Interior Products	80%	80%	Türkiye
TSI Seats INC	Cabin Interior Products	80%	80%	USA

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
Notes to the Condensed Consolidated Interim Financial Statements
As At And For the Three-Month Period Ended 31 March 2024
(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 31 March 2024 and 2023:

Company Name	Country of Registration and Operations	<u>Ownership Share and Voting Power</u>		Principal Activity
		31 March 2024	31 December 2023	
Güneş Ekspres Havacılık A.Ş. (Sun Express)	Türkiye	50%	50%	Aircraft Transportation
THY DO&CO İkrâm Hizmetleri A.Ş. (Turkish DO&CO)	Türkiye	50%	50%	Catering Services
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
P&W T.T. Uçak Bakım Merkezi Ltd. Şti. (TEC)	Türkiye	49%	49%	Maintenance Services
Air Albania SHPK (Air Albania)	Albania	49%	49%	Aircraft Transportation
We World Express Ltd. (We World Express)	Hong Kong	45%	45%	Cargo and Courier Transportation
Goodrich Thy Teknik Servis Merkezi Ltd. Şti. (TNC) (Goodrich)	Türkiye	40%	40%	Maintenance Services
TFS Akaryakıt Hizmetleri A.Ş. (TFS Akaryakıt)	Türkiye	25%	25%	Aviation Fuel Services

The Group owns 49%, 49%, 45%, 40% and 25% of equity shares of TEC, Air Albania, We World Express, Goodrich and TFS Akaryakıt 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 shareholders according to the respective investor agreements. Thus, TEC, Air Albania, We World Express, Goodrich and TFS Akaryakıt are controlled jointly by the Group and other shareholders.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

As At And For the Three-Month Period Ended 31 March 2024

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance

The condensed consolidated interim financial statements as at and for the three-month period ended 31 March 2024 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 2023.

Board of Directors has approved the condensed consolidated interim financial statements as of 31 March 2024 on 22 May 2024. General Assembly and the related regulatory bodies have the authority to modify the statutory financial statements.

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 Company. Details of the functional currencies of the subsidiaries of the Company are as follows;

<u>Subsidiaries</u>	<u>Functional currencies</u>
Turkish Technic	USD
TAFA	USD
THY Uluslararası Yatırım ve Taşımacılık A.Ş.	USD
THY Technology	TL
Widect	USD
TSS	TL
THY Özel Güvenlik ve Koruma Hizmetleri A.Ş.	TL
AJET	USD
TKPAY	TL
TCI	USD
TSI Seats INC	USD

Although the currency of the country in which the Company is domiciled is Turkish Lira (“TL”), the Company’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 Company and reflects the economic substance of the underlying events and circumstances relevant to the Company. Therefore, the Company uses 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”.

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**Notes to the Condensed Consolidated Interim Financial Statements****As At And For the Three-Month Period Ended 31 March 2024**

(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)****Functional and Reporting Currency (cont'd)****Functional currency (cont'd)*****Financial reporting in hyperinflationary economies***

As of 31 March 2024, an adjustment has been made in accordance with the requirements of IAS 29, Financial Reporting in Hyperinflationary Economies ("IAS29") regarding the changes in the general purchasing power of TL. The terms of IAS 29 require that financial statements prepared in the currency in circulation in the economy with hyperinflation should be expressed in the unit of measurement valid at the balance sheet date, and the amounts in previous periods should be prepared in the same way. One of the requirements for the application of IAS 29 is a three-year cumulative inflation rate approaching or exceeding 100%. The correction was made using the correction factor obtained from the Consumer Price Index in Turkey published by Turkish Statistical Institute ("TUIK"). The indices and adjustment factors used to prepare the consolidated financial statements are as follows:

Date	Index	Adjustment Factor	Three Year Compound Inflation Rate
31 March 2024	2,139.47	1.00000	211%
31 December 2023	1,859.38	1.15063	268%
31 March 2023	1,269.75	1.68495	152%

IAS 29 is applicable for the subsidiaries whose functional currencies are TL. These subsidiaries are THY Teknoloji, TSS, THY Özel Güvenlik ve Koruma Hizmetleri A.Ş. and TKPAY.

The main procedures for the above-mentioned restatement are as follows:

- Financial statements prepared in the currency of a hyperinflationary economy are stated in terms of the measuring unit current at the balance sheet date, and corresponding figures for previous periods are restated in the same terms.
- Monetary assets and liabilities that are carried at amounts current at the balance sheet date are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date.
- Non-monetary assets and liabilities that are not carried at amounts current at the balance sheet date and components of equity are restated by applying the relevant monthly conversion factors.
- Comparative financial statements are restated using general inflation indices at the currency purchasing power at the latest balance sheet date. All items in the statement of profit or loss are restated by applying the relevant conversion factors.
- All items in the balance sheet, statement of profit or loss and other comprehensive income of the subsidiaries whose functional currencies are TL are translated into USD using the closing rate as of 31 March 2024. The combined effect of the restating in accordance with IAS 29 and translation in accordance with IAS 21 is presented as currency translation reserve in other comprehensive income.

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

2.1 Basis of Presentation (cont'd)

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 as disclosed in 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.

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 31 March 2024 are consistent with those used in the preparation of the Group's consolidated financial statements as at and for the year ended 31 December 2023.

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

2.3 Summary of Significant Accounting Policies

The accounting policies used in preparation of condensed consolidated interim financial statements as at 31 March 2024 are consistent with those used in the preparation of consolidated statements for the year ended 31 December 2023.

2.4 New and Revised Standards and Interpretations

a) Standards, amendments, and interpretations applicable as of 31 March 2024:

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. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

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 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 the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.

b) Standards, amendments, and interpretations that are issued but not effective as of 31 March 2024:

Amendments to IAS 21 - Lack of Exchangeability; effective from annual periods beginning on or after 1 January 2025. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

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

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).

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.

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3. INVESTMENTS ACCOUNTED BY USING THE EQUITY METHOD

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

	31 March 2024	31 December 2023
Sun Express	229	240
TEC	85	85
TGS	84	56
Turkish DO&CO	41	47
TFS Akaryakıt	33	29
THY Opet	30	30
Goodrich	6	5
We World Express	5	5
	513	497

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

	1 January - 31 March 2024	1 January - 31 March 2023
TGS	19	4
TFS Akaryakıt	3	5
Turkish DO&CO	1	4
TEC	1	3
We World Express	-	-
Goodrich	-	-
Air Albania (**)	-	-
THY Opet	(2)	1
Sun Express	(20)	(29)
	2	(12)

(**) 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 31 March 2024, the loss is USD 2. (The loss as of 31 December 2023: USD 2).

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

	1 January - 31 March 2024	1 January - 31 March 2023
Opening balance	497	277
Other expense and income recognized in equity	15	(14)
Share of net profit	2	(12)
Equity investment disposal	-	(4)
Foreign currency translation difference	(1)	(10)
Closing balance	513	237

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

31 March 2024								
	Sun Express	TEC	Turkish DO&CO	TFS Akaryakıt	THY Opet	TGS	Other	Total
Total assets	2,477	317	204	480	140	379	39	4,036
Total liabilities	2,019	142	121	348	80	212	13	2,935
Total equity	458	175	83	132	60	167	26	1,101
Group's share in total equity	229	85	41	33	30	84	11	513
1 January - 31 March 2024								
Revenue	226	110	122	797	145	148	28	1,576
Profit for the year	(40)	3	1	11	(3)	38	2	12
Group's share in joint venture's loss for the year	(20)	1	1	3	(2)	19	-	2
31 December 2023								
	Sun Express	TEC	Turkish DO&CO	TFS Akaryakıt	THY Opet	TGS	Other	Total
Total assets	2,222	275	227	499	133	317	41	3,714
Total liabilities	1,743	102	134	381	73	206	17	2,656
Total equity	479	173	93	118	60	111	24	1,058
Group's share in total equity	240	85	47	29	30	56	10	497
1 January - 31 March 2023								
Revenue	171	118	100	768	159	119	13	1,448
Profit for the year	(60)	6	7	15	2	7	-	(23)
Group's share in joint venture's loss for the year	(29)	3	4	5	1	4	-	(12)

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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	31 March 2024	31 December 2023
Aviation	36,066	35,497
Technical	1,953	1,937
Total	38,019	37,434
Less: Eliminations due to consolidation	(1,906)	(1,763)
Total assets in consolidated financial statements	36,113	35,671
Total Liabilities	31 March 2024	31 December 2023
Aviation	19,943	19,982
Technical	535	535
Total	20,478	20,517
Less: Eliminations due to consolidation	(367)	(409)
Total liabilities in consolidated financial statements	20,111	20,108

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4. SEGMENT REPORTING (cont'd)

4.2 Net Profit / (Loss)

Segment Results:

1 January - 31 March 2024	Aviation	Technic	Inter-segment elimination	Total
Sales to External Customers	4,625	144	-	4,769
Inter-Segment Sales	94	320	(414)	-
Revenue	4,719	464	(414)	4,769
Cost of Sales (-)	(4,200)	(402)	357	(4,245)
Gross Profit	519	62	(57)	524
Administrative Expenses (-)	(134)	(31)	57	(108)
Selling and Marketing Expenses (-)	(442)	(3)	1	(444)
Other Operating Income	116	21	(26)	111
Other Operating Expenses (-)	(58)	(9)	26	(41)
Operating Profit Before Investment Activities	1	40	1	42
Income from Investment Activities	310	-	-	310
Expenses from Investment Activities	(2)	-	-	(2)
Share of Investments' Profit Accounted for Using The Equity Method	1	1	-	2
Operating Profit	310	41	1	352
Financial Income	195	-	-	195
Financial Expense (-)	(362)	(17)	-	(379)
Profit Before Tax	143	24	1	168
Tax Income / (Expense)	76	(18)	-	58
Deferred Tax Income / (Expense)	76	(18)	-	58
Net Profit For The Period	219	6	1	226

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4. SEGMENT REPORTING (cont'd)

4.2 Net Profit / (Loss) (cont'd)

Segment Results (cont'd):

1 January - 31 March 2023	Aviation	Technic	Inter-segment elimination	Total
Sales to External Customers	4,246	107	-	4,353
Inter-Segment Sales	52	278	(330)	-
Revenue	4,298	385	(330)	4,353
Cost of Sales (-)	(3,648)	(342)	285	(3,705)
Gross Profit	650	43	(45)	648
Administrative Expenses (-)	(89)	(34)	25	(98)
Selling and Marketing Expenses (-)	(413)	(3)	-	(416)
Other Operating Income	115	15	(1)	129
Other Operating Expenses (-)	(141)	(9)	1	(149)
Operating Profit Before Investment Activities	122	12	(20)	114
Income from Investment Activities	151	-	-	151
Expenses from Investment Activities	(12)	-	-	(12)
Share of Investments' Profit Accounted for Using The Equity Method	(15)	9	(6)	(12)
Operating Profit	246	21	(26)	241
Financial Income	356	1	-	357
Financial Expense (-)	(318)	(4)	-	(322)
Profit Before Tax	284	18	(26)	276
Tax (Expense) / Income	(49)	6	-	(43)
Current Tax (Expense)	-	(4)	-	(4)
Deferred Tax (Expense) / Income	(49)	10	-	(39)
Net Profit For The Period	235	24	(26)	233

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4. SEGMENT REPORTING (cont'd)

4.3 Investment Operations

1 January - 31 March 2024	Aviation	Technic	Inter-segment elimination	Total
Purchase of property and equipment and intangible assets	742	84	-	826
Current period depreciation and amortization charge	478	53	-	531
Investments accounted for using equity method	423	90	-	513
1 January - 31 March 2023	Aviation	Technic	Inter-segment elimination	Total
Purchase of property and equipment and intangible assets	659	105	-	764
Current period depreciation and amortization charge	449	48	-	497
Investments accounted for using equity method	128	109	-	237

5. CASH AND CASH EQUIVALENTS

	31 March 2024	31 December 2023
Cash	1	1
Banks – Time deposits	578	583
Banks – Demand deposits	262	99
	841	683

Details of the time deposits as of 31 March 2024 and 2023 are as follows:

Original Amount	Currency	Effective Interest Rate	Maturity	31 March 2024
14,847	TL	44.65% - 61.75%	June 2024	498
53	EUR (*)	1.88% - 3.75%	June 2024	57
19	USD	1.13% - 2.25%	April 2024	19
4	GBP	1.31%	April 2024	4
				578
Original Amount	Currency	Effective Interest Rate	Maturity	31 December 2023
264	EUR (*)	0.01% - 4.05%	January 2024	292
6,139	TL	38.95% - 53.20%	January 2024	214
72	USD	1.50% - 3.38%	January 2024	72
4	GBP	1.69%	January 2024	5
				583

(*) 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 54 USD of time deposits (2023: 154 USD).

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5. CASH AND CASH EQUIVALENTS (cont'd)

Reconciliation with statement of cash flows as of 31 March 2024 and 2023 are as follows:

	31 March 2024	31 March 2023
Cash and cash equivalents	841	2,620
Interest accruals (-)	(38)	(10)
Cash and cash equivalents in statement of cash flows	<u>803</u>	<u>2,610</u>

6. FINANCIAL INVESTMENTS

Short-term financial investments are as follows:

	31 March 2024	31 December 2023
Fair value through profit and loss (FVTPL)		
- Currency protected deposit account (*)	4,090	4,863
- Equity securities	47	16
- Investment Fund	31	22
Fair value through other comprehensive income (FVOCI)		
- Corporate debt securities	435	443
- Government debt securities	3	-
Time deposits with maturity more than 3 months	219	-
	<u>4,825</u>	<u>5,344</u>

(*) Since the currency protected deposits are hybrid contracts with derivatives, they are accounted based on their fair values as of 31 March 2024 and changes in the fair values are accounted in the profit and loss.

Time deposit with maturity of more than 3 months as of 31 March 2024 is as follows:

Amount	Currency	Effective Interest Rate	Maturity	31 March 2024
5,883	TL	54.15% - 57.95%	September 2024	192
25	EUR	3.75%	July 2024	27
				<u>219</u>

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6. FINANCIAL INVESTMENTS (cont'd)

Long-term financial investments are as follows:

	31 March 2024	31 December 2023
FVOCI		
- Corporate debt securities	329	139
- Government debt securities	211	258
Other	1	1
	<u>541</u>	<u>398</u>

Contractual maturity dates of financial investments measured at FVOCI as of 31 March 2024 and 2023 are as follows:

	31 March 2024	31 December 2023
Less than 1 year	438	443
1 to 5 years	262	119
Over 5 years	278	278
	<u>978</u>	<u>840</u>

7. BORROWINGS

Short-term borrowings are as follows:

	31 March 2024	31 December 2023
Bank borrowings	<u>1,170</u>	<u>1,345</u>

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

	31 March 2024	31 December 2023
Lease liabilities (Note: 13)	1,694	1,760
Bank borrowings	412	618
	<u>2,106</u>	<u>2,378</u>

Long-term borrowings are as follows:

	31 March 2024	31 December 2023
Lease liabilities (Note: 13)	9,919	10,052
Bank borrowings	144	472
	<u>10,063</u>	<u>10,524</u>

Details of bank borrowings as of 31 March 2024 and 2023 are as follows:

	31 March 2024	31 December 2023
Less than 1 year	1,582	1,963
Between 1 – 5 years	133	457
Over 5 years	11	15
	<u>1,726</u>	<u>2,435</u>

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7. BORROWINGS (cont'd)

Details of bank borrowings as of 31 March 2024 and 2023 are as follows (cont'd):

<u>Original</u> <u>Amount</u>	<u>Currency</u>	<u>Interest</u> <u>Rate Type</u>	<u>Effective Interest</u> <u>Rate</u>	<u>Payment Period</u>	<u>31 March 2024</u>
1,403	EUR	Fixed	0.20% - 4.00%	April 2024 - March 2031	1,499
			Euribor + 2.90% -		
210	EUR	Floating	Euribor + 5.50%	July 2024 - October 2025	227
					<u>1,726</u>

<u>Original</u> <u>Amount</u>	<u>Currency</u>	<u>Interest</u> <u>Rate Type</u>	<u>Effective Interest</u> <u>Rate</u>	<u>Payment Period</u>	<u>31 December</u> <u>2023</u>
1,443	EUR	Fixed	0.20% - 4.00%	March 2024 - March 2031	1,597
			Euribor + 2.90% -		
758	EUR	Floating	Euribor + 5.50%	February 2024 - August 2026	838
					<u>2,435</u>

As of March 31, 2024, the Group meets the loan covenant compliance conditions.

Repricing periods for bank borrowings with floating interest rates vary between 1 and 6 months.

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

	<u>31 December</u> <u>2023</u>	<u>Payment</u>	<u>Interest</u>	<u>Non-cash</u> <u>Changes</u>	<u>Cash-in</u>	<u>31 March 2024</u>
Bank Borrowings	2,435	(1,680)	(59)	(14)	1,044	<u>1,726</u>

	<u>31 December</u> <u>2022</u>	<u>Payment</u>	<u>Interest</u>	<u>Non-cash</u> <u>Changes</u>	<u>Cash-in</u>	<u>31 March 2023</u>
Bank Borrowings	3,273	(923)	(40)	113	968	<u>3,391</u>

	<u>31 December</u> <u>2023</u>	<u>Payment</u>	<u>Interest</u>	<u>Non-cash</u> <u>Changes</u>	<u>Modifications</u>	<u>New</u> <u>Leases</u>	<u>31 March 2024</u>
Aircraft	11,221	(423)	(77)	(209)	-	524	11,036
Property	590	(15)	-	(9)	8	-	574
Other	1	-	-	-	-	2	3
	<u>11,812</u>	<u>(438)</u>	<u>(77)</u>	<u>(218)</u>	<u>8</u>	<u>526</u>	<u>11,613</u>

	<u>31 December</u> <u>2022</u>	<u>Payment</u>	<u>Interest</u>	<u>Non-cash</u> <u>Changes</u>	<u>Modifications</u>	<u>New</u> <u>Leases</u>	<u>31 March 2023</u>
Aircraft	10,171	(413)	(55)	342	-	247	10,292
Property	593	(15)	-	18	-	38	634
Other	2	-	-	-	-	-	2
	<u>10,766</u>	<u>(428)</u>	<u>(55)</u>	<u>360</u>	<u>-</u>	<u>285</u>	<u>10,928</u>

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8. RELATED PARTIES

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

	31 March 2024	31 December 2023
Air Albania	37	36
We World Express	5	9
Sun Express	5	4
PTT	-	1
	<u>47</u>	<u>50</u>

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

	31 March 2024	31 December 2023
THY Opet	7	7
Air Albania	2	2
	<u>9</u>	<u>9</u>

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

	31 March 2024	31 December 2023
TFS Akaryakıt Hizmetleri	134	132
TGS	64	57
Turkish DO&CO	31	42
THY Opet	16	19
TEC	15	32
Goodrich	2	2
Turkcell	2	1
	<u>264</u>	<u>285</u>

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

	31 March 2024	31 December 2023
Türkiye Sigorta A.Ş.	2	4
	<u>2</u>	<u>4</u>

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8. RELATED PARTIES (cont'd)

Transactions with related parties for the period ended 31 March 2024 and 2023 are as follows:

a) Sales to related parties:

	1 January - 31 March 2024	1 January - 31 March 2023
TGS	20	1
Sun Express	8	11
TEC	3	4
Air Albania	1	3
Türkiye Sigorta A.Ş.	1	-
PTT	1	2
We World Express	1	-
	35	21

b) Purchases from related parties:

	1 January - 31 March 2024	1 January - 31 March 2023
TFS Akaryakıt Hizmetleri	685	659
TGS	132	117
Turkish DO&CO	106	95
THY Opet	84	93
TEC	70	115
Goodrich	4	2
Sun Express	3	8
Turkcell	3	4
	1,087	1,093

Details of the financial assets and liabilities for related parties as of 31 March 2024 and 2023 are as follows:

	31 March 2024	31 December 2023
Financial investments (*)	2,694	3,174
Financial assets (**)	979	841
Banks - Time deposits	495	571
Investment Fund	30	21
Equity share	1	1
Banks - Demand deposits	-	10
Bank borrowings	(87)	(543)
	4,112	4,075

(*) As of 31 March 2024, this amount represents the currency protected time deposits and time deposit with maturity more than 3 months.

(**) This represents the nominal amount.

As of 31 March 2024, the amount of letters of guarantees given to the related parties is USD 263 (31 December 2023: USD 432).

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8. RELATED PARTIES (cont'd)

Details of the time deposits at related parties as of 31 March 2024 and 2023 are as follows:

Amount	Currency	Effective Interest Rate	Maturity	31 March 2024
12,311	TL	47.41% - 61.75%	June 2024	415
53	EUR	1.88% - 3.75%	June 2024	57
19	USD	1.13% - 2.25%	April 2024	19
4	GBP	1.31%	April 2024	4
				<u>495</u>

Amount	Currency	Effective Interest Rate	Maturity	31 December 2023
264	EUR	0.01% - 4.05%	January 2024	292
5,772	TL	38.95% - 53.20%	January 2024	202
72	USD	1.50% - 3.38%	January 2024	72
4	GBP	1.69%	January 2024	5
				<u>571</u>

Details of the financial investments at related parties as of 31 March 2024 and 2023 are as follows:

Amount	Currency	Effective Interest Rate	Maturity	31 March 2024
77,880	TL	15.00% - 57.95%	February 2025	2,667
25	EUR	3.75%	July 2024	27
				<u>2,694</u>

Amount	Currency	Effective Interest Rate	Maturity	31 December 2023
93,432	TL	15.00% - 54.15%	November 2024	<u>3,174</u>

Details of the financial assets at related parties as of 31 March 2024 and 2023 are as follows:

Amount	Currency	Effective Interest Rate	Maturity	31 March 2024
536	USD	5.38% - 8.60%	April 2024 - September 2024	536
411	EUR	3.25% - 5.70%	April 2024 - September 2024	443
				<u>979</u>

Amount	Currency	Effective Interest Rate	Maturity	31 December 2023
406	EUR	3.25% - 5.70%	January 2024 - June 2024	449
392	USD	5.38% - 8.60%	January 2024 - June 2024	392
				<u>841</u>

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8. RELATED PARTIES (cont'd)

Details of the bank borrowings at related parties as of 31 March 2024 and 2023 are as follows:

Amount	Currency	Effective Interest Rate	Maturity	31 March 2024
81	EUR	2.55% - (Euribor + 5.50%)	October 2025	87
Amount	Currency	Effective Interest Rate	Maturity	31 December 2023
496	EUR	2.55% - (Euribor + 5.50%)	March 2026	543

Interest income from related parties:

	1 January - 31 March 2024	1 January - 31 March 2023
Türkiye Halk Bankası A.Ş. (Halk Bankası)	162	10
Türkiye Vakıflar Bankası T.A.O. (Vakıfbank)	125	55
T.C. Ziraat Bankası A.Ş. (Ziraat Bankası)	123	9
Ziraat Katılım Bankası A.Ş.	13	-
	423	74

Interest expense to related parties:

	1 January - 31 March 2024	1 January - 31 March 2023
Vakıfbank	4	9
Ziraat Bankası	3	5
	7	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 cargo operations, seat sales operations and maintenance services; transactions between the Group and TGS are related to ground and support services; transactions between the Group and TEC are related to engine maintenance services; transactions between the Group and PTT are related to cargo transportation; transactions between the Group and Halk Bankası, Ziraat Bankası, Türkiye Vakıflar Bankası and Ziraat Katılım Bankası A.Ş. are related to banking services; transactions between the Group and Air Albania are related to aircraft transportation; transactions between the Group and Turkcell are related to telecommunication services; transactions between the Group and Goodrich are related to maintenance services; transactions between the Group and Türkiye Sigorta are related to insurance services; transactions between the Group and We World Express are related to cargo transportation and transactions between the Group and TFS Akaryakıt Hizmetleri A.Ş. are related to the supply of aircraft fuel. Receivables from related parties are not collateralized and maturity of trade receivables is 30 days.

The total amount of all short-term benefits, including salaries, bonuses, vehicles allocated for their use and communication expenses provided for the Board Members, General Managers and Deputy General Managers of Group is USD 3 for the period between 1 January-31 March 2024 (1 January- 31 March 2023: USD 1).

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9. OTHER RECEIVABLES

Other short-term receivables from third parties as of 31 March 2024 and 2023 are as follows:

	31 March 2024	31 December 2023
Predelivery payments made for aircraft (Gross)	318	305
Receivables from technical purchases	229	187
Bank deposits with transfer limitations (*)	179	225
Value added tax receivables	26	69
Receivables from pilots for flight training	26	29
Others	48	65
	826	880

(*) As of 31 March 2024, the amount consists of bank deposits in Ethiopia, Bangladesh, Syria, Algeria, Nigeria, Senegal, Niger, Mali, Burkina Faso, Mozambique, Republic of Angola, Republic of Cameroon, Republic of Chad, Gabon, Benin, Republic of Cote D'ivoire, Republic of Sudan, Republic of Lebanon, Congo, Republic of Ghana, Egypt, Republic of Pakistan, Ukraine, Mauritania and Iran. (As of 31 December 2023, the amount consists of 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 Cote D'ivoire, Republic of Sudan, Republic of Lebanon, Congo, Republic of Ghana, Egypt, Republic of Pakistan, Ukraine, Mauritania and Iran).

Other long-term receivables from third parties as of 31 March 2024 and 2023 are as follows:

	31 March 2024	31 December 2023
Investment incentives (**)	608	613
Predelivery payments made for aircraft (Gross)	452	501
Receivables from pilots for flight training	175	172
Deposits and guarentees given	85	80
Interest and commodity swap agreement deposits	-	29
	1,320	1,395

(**) This represents the accrued amount as of 31 March 2024. Total contribution of government incentives related to fleet investments amounts to USD 3,789 (31 December 2023: USD 3,749).

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10. DEFERRED INCOME

Deferred income is as follows:

	31 March 2024	31 December 2023
Passenger flight liabilities	3,445	2,656
Other short-term deferred income	186	49
	<u>3,631</u>	<u>2,705</u>

Passenger flight liability is as follows:

	31 March 2024	31 December 2023
Flight liability for ticket sales	3,187	2,420
Frequent flyer program liability	258	236
	<u>3,445</u>	<u>2,656</u>

Other short-term deferred income is as follows:

	31 March 2024	31 December 2023
Unused Manufacturers' credits	92	-
Deferred finance income	31	31
Advances received	16	10
Other	47	8
	<u>186</u>	<u>49</u>

Long-term deferred income is as follows:

	31 March 2024	31 December 2023
Deferred finance income	93	107
Other	76	1
	<u>169</u>	<u>108</u>

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11. PROPERTY AND EQUIPMENT

	Land improvements and buildings	Technical equipment, simulator and vehicles	Other equipment, and fixtures	Aircraft	Spare engines	Components and repairable spare parts	Leasehold improvements	Construction in progress	Total
<u>Cost</u>									
Opening balance at 1 January 2024	1,554	812	321	7,529	881	846	254	323	12,520
Additions	2	7	11	35	3	61	(7)	88	200
Transfer (*)	34	6	2	6	-	-	1	(71)	(22)
Transfers to inventories	-	-	-	-	-	-	-	(8)	(8)
Transfers between the account	-	-	-	305	-	-	-	-	305
Disposals	-	(1)	(1)	(50)	(6)	(38)	-	-	(96)
Closing balance at 31 March 2024	1,590	824	333	7,825	878	869	248	332	12,899
<u>Accumulated Depreciation</u>									
Opening balance at 1 January 2024	470	424	249	4,344	388	428	142	-	6,445
Depreciation charge	17	10	6	107	20	34	4	-	198
Transfers between the account	-	4	-	114	-	-	-	-	118
Disposals	-	(5)	(1)	(49)	(6)	(30)	-	-	(91)
Closing balance at 31 March 2024	487	433	254	4,516	402	432	146	-	6,670
Net book value at 31 March 2024	1,103	391	79	3,309	476	437	102	332	6,229
Net book value at 31 December 2023	1,084	388	72	3,185	493	418	112	323	6,075

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

USD 512 of depreciation and amortization expenses recognized in cost of sales (31 March 2023: USD 479), USD 17 of general administrative expenses (31 March 2023: USD 17) and USD 2 of marketing and sales expenses (31 March 2023: USD 1) in total of USD 531 as of 31 March 2024 (31 March 2023: USD 497).

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

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11. PROPERTY AND EQUIPMENT (cont'd)

	Land improvements and buildings	Technical equipment, simulator and vehicles	Other equipment, and fixtures	Aircraft	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	-	7	12	82	22	61	1	65	250
Transfer (*)	-	1	-	21	10	-	2	(55)	(21)
Transfers between the accounts	-	-	-	921	33	-	-	-	954
Disposals	-	(1)	(1)	(112)	(16)	(30)	-	-	(160)
Closing balance at 31 March 2023	1,600	766	290	5,940	799	777	213	252	10,637
<u>Accumulated Depreciation</u>									
Opening balance at 1 January 2023	406	385	229	3,108	319	387	126	-	4,960
Depreciation charge	18	10	5	80	20	27	4	-	164
Transfers between the accounts	-	-	-	434	17	-	-	-	451
Disposals	-	(1)	(1)	(105)	(16)	(17)	-	-	(140)
Closing balance at 31 March 2023	424	394	233	3,517	340	397	130	-	5,435
Net book value at 31 March 2023	1,176	372	57	2,423	459	380	83	252	5,202

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11. PROPERTY AND EQUIPMENT (cont'd)

Right of use assets are as follows:

	Aircraft	Spare engines	Real Estate	Vehicles	Total
<u>Cost</u>					
Opening balance at 1 January 2024	22,011	338	663	8	23,020
Additions	616	-	-	2	618
Transfer	22	-	-	-	22
Disposals	(65)	-	-	(4)	(69)
Modifications	-	-	8	-	8
Transfers between the accounts (*)	(305)	-	-	-	(305)
Closing balance at 31 March 2024	22,279	338	671	6	23,294
	Aircraft	Spare engines	Real Estate	Vehicles	Total
<u>Accumulated Depreciation</u>					
Opening balance at 1 January 2024	5,936	71	78	7	6,092
Depreciation charge	313	5	10	1	329
Disposals	(65)	-	-	-	(65)
Transfers between the account (*)	(114)	-	-	(4)	(118)
Closing balance at 31 March 2024	6,070	76	88	4	6,238
Net book value at 31 March 2024	16,209	262	583	2	17,056
	Aircraft	Spare engines	Real Estate	Vehicles	Total
<u>Cost</u>					
Opening balance at 1 January 2023	21,737	369	654	7	22,767
Additions	477	-	36	-	513
Transfers	21	-	-	-	21
Disposals	(67)	-	-	-	(67)
Transfers between the accounts (*)	(921)	(33)	-	-	(954)
Closing balance at 31 March 2023	21,247	336	690	7	22,280
	Aircraft	Spare engines	Real Estate	Vehicles	Total
<u>Accumulated Depreciation</u>					
Opening balance at 1 January 2023	6,044	83	59	4	6,190
Depreciation charge	311	6	9	2	328
Disposals	(67)	-	-	-	(67)
Transfers between the account (*)	(434)	(17)	-	-	(451)
Closing balance at 31 March 2023	5,854	72	68	6	6,000
Net book value at 31 March 2023	15,393	264	622	1	16,280

(*) 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 2024	44	299	5	348
Additions	-	8	-	8
Closing balance at 31 March 2024	44	307	5	356
<u>Accumulated Amortization</u>				
Opening balance at 1 January 2024	-	258	3	261
Amortization charge	-	4	-	4
Closing balance at 31 March 2024	-	262	3	265
Net book value at 31 March 2024	44	45	2	91
Net book value at 31 December 2023	44	41	2	87
	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	-	1	-	1
Disposals	-	(2)	-	(2)
Closing balance at 31 March 2023	44	262	5	311
<u>Accumulated Amortization</u>				
Opening balance at 1 January 2023	-	232	3	235
Amortization charge	-	5	-	5
Closing balance at 31 March 2023	-	237	3	240
Net book value at 31 March 2023	44	25	2	71

(*) 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	
	31 March 2024	31 December 2023	31 March 2024	31 December 2023	31 March 2024	31 December 2023
Less than 1 year	2,067	2,141	(373)	(381)	1,694	1,760
Between 1 – 5 years	6,322	6,505	(919)	(991)	5,403	5,514
Over 5 years	5,169	5,170	(653)	(632)	4,516	4,538
	<u>13,558</u>	<u>13,816</u>	<u>(1,945)</u>	<u>(2,004)</u>	<u>11,613</u>	<u>11,812</u>

	31 March 2024	31 December 2023
Interest Range:		
Floating rate obligations	5,382	5,463
Fixed rate obligations	6,231	6,349
	<u>11,613</u>	<u>11,812</u>

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

As of 31 March 2024, the USD, Euro, JPY and Swiss Franc denominated lease obligations' weighted average interest rates are 5.55% (31 December 2023: 5.62%) for the fixed rate obligations and 1.38% (31 December 2023: 1.43%) for the floating rate obligations.

14. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions as of 31 March 2024 and 2023 are as follows:

Short-term provision for employee benefits is as follows:

	31 March 2024	31 December 2023
Provisions for unused vacation	<u>85</u>	<u>50</u>

Changes in the provisions for the period ended 31 March 2024 and 2023 are set out below:

	1 January - 31 March 2024	1 January - 31 March 2023
Provisions at the beginning of the period	50	39
Provisions for the current period	188	122
Foreign currency translation differences	(5)	-
Provisions released	(148)	(108)
Provisions at the end of the period	<u>85</u>	<u>53</u>

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

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

Other short-term provision is as follows:

	31 March 2024	31 December 2023
Provisions for legal claims	<u>7</u>	<u>6</u>

Changes in the provisions for legal claims for the period ended 31 March 2024 and 2023 are set out below:

	1 January - 31 March 2024	1 January - 31 March 2023
Provisions at the beginning of the period	6	6
Provisions for the current year	2	1
Foreign currency translation differences	(1)	-
Provisions at the end of the period	<u>7</u>	<u>7</u>

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

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15. COMMITMENTS

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

Amount of letters of guarantees given as of 31 March 2024 is USD 342 (31 December 2023: USD 1,112).

As of 31 March 2024, the letters of guarantee are given to various authorities (i.e. various banks and vendors.)

	31 March 2024		31 December 2023	
	Original currency amount	USD equivalent	Original currency amount	USD equivalent
A. Total amounts of GPM given on the behalf of its own legal entity	-	342	-	1,112
-Collaterals				
TL	301	9	137	5
EUR	210	226	835	924
USD	64	64	64	64
Other	-	43	-	119
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>342</u>		<u>1,112</u>

b) Aircraft purchase commitments:

The Group has signed agreements for 419 aircraft that will be delivered between the years 2024 and 2045,(294 of aircraft are contractual and 125 of them are optional) with a list price value of USD 50,577 each. The Group has made a predelivery payment of USD 841 relevant to these purchases as of 31 March 2024 (31 December 2023: USD 868).

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16. EMPLOYEE BENEFITS

Provisions for retirement pay liability as of 31 March 2024 and 2023 are comprised of the following:

	31 March 2024	31 December 2023
Provision for retirement pay liability	213	229

Under Labor Law, effective in Türkiye, it is an obligation to make legal retirement pay to employees whose employment is terminated in certain ways.

Retirement pay liability is subject to a limitation of monthly salaries by USD 1,084 (full) (equivalent of TL 35,059 (full)) as of 31 March 2024. (31 December 2023: USD 797 (full) equivalent to TL 23,490 (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 31 March 2024 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 24.61% annual inflation rate (31 December 2023: 24.61%) and 28.00% interest rate (31 December 2023: 28.00%). Estimated amount of non-paid retirement pay retained in the Group due to voluntary leaves is assumed as 2.24% (31 December 2023: 2.38%). Ceiling for retirement pay is revised semi-annually. Ceiling amount of USD 1,084 (full) (equivalent to TL 35,059 (full)) which has been in effect since 1 January 2024, 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 - 31 March 2024	1 January - 31 March 2023
Provision at the beginning of the period	229	273
Interest charges	14	7
Service charge for the year	8	8
Payments	(5)	(4)
Actuarial loss	(6)	3
Foreign currency translation difference	(27)	(12)
Provision at the end of the period	213	275

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17. EXPENSES BY NATURE

Expenses by nature for the period ended 31 March 2024 and 2023 are as follows:

	1 January - 31 March 2024	1 January - 31 March 2023
Fuel	1,537	1,477
Personnel	1,026	726
Depreciation and amortisation	531	497
Ground services	304	262
Aircraft maintenance	256	241
Airport	219	202
Passenger services and catering	212	186
Air traffic control	185	160
Commissions and incentives	157	150
Wet lease	92	30
Reservation systems	78	82
Advertisement and promotion	35	35
Service	23	42
Taxes and duties	20	19
Insurance	17	16
IT and communication	16	11
Transportation	15	13
Rents	10	8
Call center	7	9
Systems use and associateship	7	5
Consultancy	7	5
Utility	6	12
Aircraft rent	5	5
Other	32	26
	4,797	4,219

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18. SHAREHOLDERS' EQUITY

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

				31 December	
(Millions of TL)	Class	%	31 March 2024	%	2023
Türkiye Wealth Fund	A	49.12	678	49.12	678
Republic of Türkiye Treasury and Finance Ministry Privatization Administration	C	-	-	-	-
Treasury Shares (*)	A	0.35	5		5
Other (publicly held)	A	50.53	697	50.53	697
Paid-in capital (Turkish Lira)			1,380		1,380
Inflation adjustment on share capital (Turkish Lira) (**)			1,124		1,124
Share capital (Turkish Lira)			2,504		2,504
Share capital (USD Equivalent)			1,597		1,597

(*) In accordance with the Capital Market Board's Communique 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 4,797,044 shares with the amount of USD 33 as of 31 March 2024.

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

As of 31 March 2024, 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 members 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.

In accordance with Article 520 of the Turkish Commercial Code, the Group is required to allocate a reserve fund in an amount that covers the purchase value for its own shares purchased.

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 2024, lease liabilities and investment borrowings in Japanese Yen, Swiss Franc 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 Franc fully covered borrowings of such foreign currency, while Japanese Yen revenue covered %88 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 - 31 March 2024	1 January - 31 March 2023
Passenger revenue		
Scheduled	3,818	3,641
Unscheduled	6	7
Total passenger revenue	3,824	3,648
Cargo revenue		
Carried by cargo aircraft	340	287
Carried by passenger aircraft	410	304
Total cargo revenue	750	591
Total passenger and cargo revenue	4,574	4,239
Technical revenue	144	107
Other revenue	51	7
Net sales	4,769	4,353
Cost of sales (-)	(4,245)	(3,705)
Gross profit	524	648

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

	1 January - 31 March 2024	1 January - 31 March 2023
- Europe	1,255	1,200
- Asia and Far East	1,233	1,031
- Americas	970	877
- Middle East	414	477
- Africa	401	395
International flights	4,273	3,980
Domestic flights	301	259
Total passenger and cargo revenue	4,574	4,239

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20. COST OF SALES

Breakdown of the cost of sales is as follows:

	1 January - 31 March 2024	1 January - 31 March 2023
Fuel	1,537	1,477
Personnel	843	579
Depreciation and amortisation	512	479
Ground services	304	262
Aircraft maintenance	256	241
Airport	219	202
Passenger services and catering	212	186
Air traffic control	185	160
Wet lease	92	30
Insurance	15	15
Transportation	15	13
Service	13	19
IT and communication	9	3
Rents	7	5
Taxes and duties	5	6
Aircraft rent	5	5
Utility	4	10
Systems use and associateship	1	2
Other	11	11
	4,245	3,705

21. GENERAL ADMINISTRATIVE EXPENSES AND SELLING AND MARKETING EXPENSES

Breakdown of general administrative expenses is as follows:

	1 January - 31 March 2024	1 January - 31 March 2023
Personnel	66	47
Depreciation and amortisation	17	17
IT and communication	5	6
Service	4	17
Systems use and associateship	4	1
Consultancy	2	2
Insurance	2	1
Taxes and duties	2	1
Utility	2	2
Rents	-	1
Other	4	3
	108	98

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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 - 31 March 2024	1 January - 31 March 2023
Commissions and incentives	157	150
Personnel	117	100
Reservation systems	78	82
Advertisement and promotion	35	35
Taxes and duties	13	12
Call center	7	9
Service	6	6
Consultancy	5	3
Rents	3	2
IT and communication	2	2
Depreciation and amortisation	2	1
Systems use and associateship	2	2
Other	17	12
	444	416

22. OTHER OPERATING INCOME / EXPENSES

Breakdown of other operating income and expenses are as follows:

	1 January - 31 March 2024	1 January - 31 March 2023
Manufacturers' credits	32	29
Foreign exchange gains from operational activities, gross	31	23
Insurance, indemnities, penalties income	21	60
Rent income	10	7
Non- interest income from banks	5	2
Delay interest income	2	-
Turnover premium from suppliers	2	6
Reversal of ECL provision	1	-
Other	7	2
	111	129
	1 January - 31 March 2024	1 January - 31 March 2023
Foreign exchange losses from operational activities, gross	32	33
Provisions	4	5
Indemnity and penalty expenses	2	2
Rediscount interest expenses	1	-
Donations and aid	-	107
Adjustments for ECL provision	-	2
Other	2	-
	41	149

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23. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

Breakdown of income from investment activities is as follows:

	1 January - 31 March 2024	1 January - 31 March 2023
Interest income from financial investment	241	75
Income from investment incentives	51	49
Gain on sale of financial investments	17	16
Gain on sale of fixed assets	1	11
	<u>310</u>	<u>151</u>

Breakdown of expense from investment activities is as follows:

	1 January - 31 March 2024	1 January - 31 March 2023
Loss on sale of financial investments	<u>2</u>	<u>12</u>

24. FINANCIAL INCOME/ EXPENSES

Breakdown of financial income is as follows:

	1 January - 31 March 2024	1 January - 31 March 2023
Interest income	63	79
Foreign exchange gains from financial activities, gross	60	55
Fair value gains on derivative financial instruments, net	-	180
Reversal of ECL provision	-	2
Other	72	41
	<u>195</u>	<u>357</u>

Breakdown of financial expenses is as follows:

	1 January - 31 March 2024	1 January - 31 March 2023
Foreign exchange losses on financial activities, gross (*)	149	188
Interest expense from leasing liabilities	126	81
Fair value losses on derivative financial instruments, net	61	-
Interest expenses on employee benefits	14	7
Rediscount interest expense from repayments of aircraft	11	3
Interest expense from financial activities	8	34
Aircraft financing expenses	8	6
Other	2	3
	<u>379</u>	<u>322</u>

(*) As of 31 March 2024, gross foreign exchange losses included in financial expenses mainly consist of foreign exchange losses arising from borrowings and lease obligations.

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25. TAX ASSETS AND LIABILITIES

Tax liability and tax expense are as follows:

	31 March 2024	31 December 2023
Prepaid taxes	38	41
	31 March 2024	31 December 2023
Provisions for corporate tax	53	59
Prepaid taxes and funds	(17)	(20)
Corporate tax liability	36	39
	1 January - 31 March 2024	1 January - 31 March 2023
Current year tax expense	-	4
Deferred tax (income) / expense	(58)	39
Tax (income) / expense	(58)	43

Tax effect related to other comprehensive income is as follows:

	1 January - 31 March 2024			1 January - 31 March 2023		
	Amount before tax	Tax (expense) / income	Amount after tax	Amount before tax	Tax (expense) / income	Amount after tax
Change in cash flow hedge reserve	284	(60)	224	88	(18)	70
Change in actuarial losses from retirement pay obligation	6	(1)	5	(3)	1	(2)
Changes in foreign currency translation difference	(6)	-	(6)	(9)	-	(9)
Losses on Remeasuring FVOCI	(12)	3	(9)	5	(1)	4
Other comprehensive income	272	(58)	214	81	(18)	63

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

Corporate Tax

With the "Law on Amendments to the Decree Law No. 375" published in the official gazette of the Republic of Türkiye dated July 15, 2023, the corporate tax rate has been increased from 20% to 25%, and the corporate tax rate is applied with a 5-point discount on the earnings of exporting institutions derived exclusively from exports. This rate has come into force to be applied to corporate earnings for accounting periods starting from January 1, 2023 and declarations that must be submitted as of October 1, 2023. The corporation tax rate is applied to net income of the companies after adjusting for certain disallowable expenses, exempt income and allowances. The corporation tax rate is applied to net income of the companies after adjusting for certain disallowable expenses, exempt income and allowances.

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.

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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.

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

	31 March 2024	31 December 2023
Deferred tax asset	346	332
Deferred tax liability	(68)	(50)
Deferred tax asset	<u>278</u>	<u>282</u>
	31 March 2024	31 December 2023
Income and expense for future years	252	254
Accruals for expenses	210	135
Carry forward tax losses	189	230
Other receivables	95	59
Provisions for employee benefits	47	50
Miles accruals	37	34
Provisions for unused vacation	19	11
Lease liabilities (net) (*)	9	14
Change in fair value of derivative instruments	(96)	(77)
Adjustments for passenger flight liabilities	(160)	(144)
Fixed assets	(230)	(284)
Other	(94)	-
Deferred tax asset	<u>278</u>	<u>282</u>

(*) The related amount includes the effects of lease liabilities and right of use assets on deferred tax assets and liabilities.

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25. TAX ASSETS AND LIABILITIES (cont'd)

Deferred Tax (cont'd)

The changes of deferred tax (asset) / liability for the period ended 1 January – 31 March 2024 and 2023 are as follows:

	1 January - 31 March 2024	1 January - 31 March 2023
Opening balance at 1 January	(282)	2,218
Tax expense from hedging reserves	56	20
Foreign currency translation difference	8	5
Tax income of actuarial losses on retirement pay obligation	1	-
Tax (income) / expense from FVOCI	(3)	1
Deferred tax (income) / expense	(58)	39
Deferred tax (asset) / liability at the end of the period	(278)	2,283

Reconciliation with current tax income / (charge) for the period 1 January – 31 March 2024 and 2023 are as follows:

	1 January - 31 March 2024	1 January - 31 March 2023
Reconciliation of effective tax charge		
Profit from operations before tax	168	276
Tax calculated with the effective tax rate	(42)	(55)
Taxation effects on:		
- exception	123	-
- income from inflation differences	67	-
- income from investment certificates	13	10
- foreign currency translation difference	7	19
- investments accounted by using the equity method	1	(2)
- investment incentive	-	2
- non deductible expenses	(45)	(17)
- effect of the change in the deferred tax rate	(66)	-
Tax income / (charge) in statement of profit	58	(43)

26. EARNINGS PER SHARE

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

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

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26. EARNINGS PER SHARE (cont'd)

Number of total shares and calculation of profits / losses per share at 1 January – 31 March 2024 and 2023:

	1 January - 31 March 2024	1 January - 31 March 2023
Number of shares outstanding at 1 January (in full)	138,000,000,000	138,000,000,000
Number of shares outstanding at 31 December (in full)	137,995,202,955	137,997,767,199
Weighted average number of shares outstanding during the year (in full)	137,996,348,885	137,999,429,881
Net profit for the year	226	233
Basic earnings per share (Full US Cents) (*)	0.16	0.17
Diluted earnings per share (Full US Cents) (*)	0.16	0.17

(*) 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 31 March 2024 and 2023 are as follows:

<u>Derivative financial assets</u>	31 March 2024	31 December 2023
Derivative instruments for fuel prices		
cash flow hedge	36	4
Derivative instruments not subject to hedge accounting	25	5
Derivative instruments for interest rate		
cash flow hedge	9	9
	<u>70</u>	<u>18</u>
 <u>Derivative financial liabilities</u>	 31 March 2024	 31 December 2023
Derivative instruments not subject to hedge accounting	14	75
Derivative instruments for cross currency rate		
cash flow hedge	14	10
Derivative instruments for interest rate		
cash flow hedge	1	1
Derivative instruments for fuel prices		
cash flow hedge	-	15
	<u>29</u>	<u>101</u>

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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:

	31 March 2024					
	USD EQUIVALENT	TL	EUR	JPY	CHF	OTHER
1.Trade Receivables	1,185	213	115	11	13	833
2a.Monetary Financial Assets (**)	4,962	1,163	3,642	77	6	74
2b.Non Monetary Financial Assets	-	-	-	-	-	-
3.Other	640	127	216	3	9	285
4.Current Assets (1+2+3)	6,787	1,503	3,973	91	28	1,192
5.Trade Receivables	-	-	-	-	-	-
6a.Monetary Financial Assets	-	-	-	-	-	-
6b.Non Monetary Financial Assets	-	-	-	-	-	-
7.Other	819	608	201	-	-	10
8.Non Current Assets (5+6+7)	819	608	201	-	-	10
9.Total Assets (4+8)	7,606	2,111	4,174	91	28	1,202
10.Trade Payables	980	662	265	5	2	46
11.Financial Liabilities (*)	2,704	2	2,364	314	24	-
12a.Other Liabilities, Monetary	876	493	289	4	4	86
12b.Other Liabilities, Non Monetary	-	-	-	-	-	-
13.Current Liabilities (10+11+12)	5,321	1,552	3,201	327	34	207
14.Trade Payables	-	-	-	-	-	-
15.Financial Liabilities (*)	7,735	52	6,037	1,592	54	-
16a.Other Liabilities, Monetary	213	213	-	-	-	-
16b.Other Liabilities, Non Monetary	-	-	-	-	-	-
17.Non Current Liabilities (14+15+16)	7,948	265	6,037	1,592	54	-
18.Total Liabilities (13+17)	13,269	1,817	9,238	1,919	88	207
19.Net asset / liability position of off-balance sheet derivatives (19a-19b)	3,685	-	3,685	-	-	-
19a.Off-balance sheet foreign currency derivative assets	-	-	-	-	-	-
19b.Off-balance sheet foreign currency derivative liabilities	(3,685)	-	(3,685)	-	-	-
20.Net foreign currency asset/(liability) position (9-18-19)	(9,348)	294	(8,749)	(1,828)	(60)	995
21.Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(6,361)	(46)	(5,198)	(1,827)	(65)	775
22.Fair value of foreign currency hedged financial assets	-	-	-	-	-	-
23.Hedged foreign currency assets	-	-	-	-	-	-
24.Hedged foreign currency liabilities	8,451	-	6,468	1,906	77	-

(*) Net foreign exchange position of the Group is mainly due to long term foreign currency borrowings denominated in Euro, Japanese Yen and Swiss Franc 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 8,054 as of 31 March 2024 (31 December 2023: USD 8,286).

(**) EUR amount equivalent to USD 3,066 represents the currency protected time deposit (31 December 2023: 3,540)

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

Foreign currency risk management (cont'd)

	31 December 2023					
	USD EQUIVALENT	TL	EUR	JPY	CHF	OTHER
1.Trade Receivables	929	193	82	7	12	635
2a.Monetary Financial Assets	5,215	835	4,302	6	2	70
2b.Non Monetary Financial Assets	-	-	-	-	-	-
3.Other	655	227	174	1	6	247
4.Current Assets (1+2+3)	6,799	1,255	4,558	14	20	952
5.Trade Receivables	-	-	-	-	-	-
6a.Monetary Financial Assets	-	-	-	-	-	-
6b.Non Monetary Financial Assets	-	-	-	-	-	-
7.Other	833	613	210	-	-	10
8.Non Current Assets (5+6+7)	833	613	210	-	-	10
9.Total Assets (4+8)	7,632	1,868	4,768	14	20	962
10.Trade Payables	1,078	735	281	2	2	58
11.Financial Liabilities (*)	3,395	1	2,991	378	25	-
12a.Other Liabilities, Monetary	751	407	278	2	5	59
12b.Other Liabilities, Non Monetary	55	55	-	-	-	-
13.Current Liabilities (10+11+12)	5,279	1,198	3,550	382	32	117
14.Trade Payables	-	-	-	-	-	-
15.Financial Liabilities (*)	8,092	49	6,402	1,577	64	-
16a.Other Liabilities, Monetary	21	4	7	-	-	10
16b.Other Liabilities, Non Monetary	229	229	-	-	-	-
17.Non Current Liabilities (14+15+16)	8,342	282	6,409	1,577	64	10
18.Total Liabilities (13+17)	13,621	1,480	9,959	1,959	96	127
19.Net asset / liability position of off-balance sheet derivatives (19a-19b)	4,175	-	4,175	-	-	-
19a.Off-balance sheet foreign currency derivative assets	-	-	-	-	-	-
19b.Off-balance sheet foreign currency derivative liabilities	(4,175)	-	(4,175)	-	-	-
20.Net foreign currency asset/(liability) position (9-18-19)	(10,164)	388	(9,366)	(1,945)	(76)	835
21.Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(7,193)	(168)	(5,575)	(1,946)	(82)	578
22.Fair value of foreign currency hedged financial assets	-	-	-	-	-	-
23.Hedged foreign currency assets	-	-	-	-	-	-
24.Hedged foreign currency liabilities	8,124	-	6,544	1,491	89	-

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

	31 March 2024			
	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	29	(29)	-	-
2- Part hedged from TL risk (-)	-	-	-	-
3- TL net effect (1+2)	29	(29)	-	-
4- Euro net asset / liability	(228)	228	(647)	647
5- Part hedged from Euro risk (-)	-	-	-	-
6- Euro net effect (4+5)	(228)	228	(647)	647
7- JPY net asset / liability	(32)	32	(151)	151
8- Part hedged from JPY risk (-)	-	-	-	-
9- JPY net effect (7+8)	(32)	32	(151)	151
10- CHF net asset / liability	2	(2)	(8)	8
11- Part hedged from CHF risk (-)	-	-	-	-
12- CHF net effect (10+11)	2	(2)	(8)	8
13- Other foreign currency net asset / liability	100	(100)	-	-
14- Part hedged other foreign currency risk (-)	-	-	-	-
15- Other foreign currency net effect (13+14)	100	(100)	-	-
TOTAL (3 + 6 + 9 + 12 + 15)	(129)	129	(806)	806

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

Foreign currency risk management (cont'd)

	31 December 2023			
	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	39	(39)	-	-
2- Part hedged from TL risk (-)	-	-	-	-
3- TL net effect (1+2)	39	(39)	-	-
4- Euro net asset / liability	(283)	283	(654)	654
5- Part hedged from Euro risk (-)	-	-	-	-
6- Euro net effect (4+5)	(283)	283	(654)	654
7- JPY net asset / liability	(29)	29	(165)	165
8- Part hedged from JPY risk (-)	-	-	-	-
9- JPY net effect (7+8)	(29)	29	(165)	165
10- CHF net asset / liability	1	(1)	(9)	9
11- Part hedged from CHF risk (-)	-	-	-	-
12- CHF net effect (10+11)	1	(1)	(9)	9
13- Other foreign currency net asset / liability	84	(84)	-	-
14- Part hedged other foreign currency risk (-)	-	-	-	-
15- Other foreign currency net effect (13+14)	84	(84)	-	-
TOTAL (3 + 6 + 9 + 12 + 15)	(188)	188	(828)	828

29. EVENTS AFTER THE BALANCE SHEET DATE

None.