

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

Consolidated Financial Statements
for The Year Ended 31 December 2023
with Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Türk Hava Yolları Anonim Ortaklığı

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Türk Hava Yolları Anonim Ortaklığı (the “Company”) and its subsidiaries (together the “Group”) as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRS”).

What we have audited

The Group’s consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended and
- the notes to the consolidated financial statements, comprising material accounting policy information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (“ISA”). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (including International Independence Standards) (“IESBA Code”). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matter
<p>The recognition of the revenue, passenger flight liabilities and the frequent flyer program liabilities</p> <p><i>Revenue and passenger flight liabilities (Please refer to Note 2.3.1, 13 and 25)</i></p> <p>The major part of the Group’s revenue consists of the passenger revenue. The passenger revenue is recognized when the transportation service is completed. Total passenger revenue recognized in the consolidated financial statements of the Group amounted to USD17,727 million for the year ended 31 December 2023. Unused tickets are recognized as passenger flight liabilities, until the flights are completed. Total passenger flight liability for ticked sales amounted to USD2,420 million as of 31 December 2023.</p> <p>We focused on this area in our audit due to the following reasons:</p> <ul style="list-style-type: none"> - Significant estimates and judgments based on historical data and trends are used in calculation of revenue from unused tickets which are accounted for passenger revenue in the consolidated financial statements, - Recognition of passenger revenue upon completion of the services includes complex and different integrated information technology (“IT”) systems which processes high volume of transactions and data, - The necessity for our IT experts to be involved in the audit process due to the complexity of the systems. 	<p>The following procedures were performed to audit of the revenue and passenger flight liabilities:</p> <ul style="list-style-type: none"> - Through involvement of our IT experts, we have tested the effectiveness of internal controls on IT systems that are designed to account passenger revenue. Additionally, we have tested accuracy and completeness of the reconciliations among IT systems which have been determined as key systems by us. - We have understood the business processes and controls over accounting of the passenger revenue. - We have tested key controls over accounting of the passenger revenue processes. - We have tested unredeemed tickets through sampling method. - We have tested consistency and mathematical accuracy of the methods used in calculation of unused ticket revenue which are estimated based on historical data.



Key audit matters	How our audit addressed the key audit matter
<p>The recognition of the revenue, passenger flight liabilities and the frequent flyer program liabilities</p> <p><i>Frequent flyer program liabilities (Please refer to Note 2.3.1 and 13)</i></p> <p>The Group provides a frequent flyer program named “Miles and Smiles” in the form of free travel award to its members on accumulated mileage earned from flights. Miles are recognized as a separately identifiable component of each sales transactions. Frequent flyer program liabilities amounted to USD236 million in the consolidated financial statements as of 31 December 2023.</p> <p>The amount deferred as a liability is measured based on the fair value of the awarded miles. The fair value is measured on the basis of the value of the awards for which they could be redeemed. The amount deferred is recognized as revenue when Miles and Smiles members fly using their miles or when the Group does not expect that the miles to be redeemed by its customers (“breakage”).</p> <p>We focused on this area in our audit due to the following reasons:</p> <ul style="list-style-type: none"> - Breakage estimate (“the estimate of miles earned that will not be redeemed”) are complex and highly judgmental due to the significant assumptions used in the estimate, - Complex calculations are performed in determination of the value of the awards for which they could be redeemed, - The necessity for our IT experts to be involved in the audit process due to the complexity of the systems. 	<p>The following procedures were performed to audit of the frequent flyer program liabilities:</p> <ul style="list-style-type: none"> - We have understood the business processes and controls over accounting of the frequent flyer program liabilities. - Through involvement of our IT experts, we have tested the effectiveness of internal controls on IT systems and internal controls that are designed to account frequent flyer program liabilities. - We have tested consistency and mathematical accuracy of the methods used in calculation of frequent flyer liabilities which are estimated based on historical data. - We have controlled consistency of frequent flyer program liabilities calculated at the end of the reporting period with frequent flyer program. - We have controlled breakage estimates through comparing the ratio with the historical usage data.



Key audit matters	How our audit addressed the key audit matter
<p>The Component accounting of aircrafts (Please refer to Note 2.3.3, 2.3.4 and 15)</p> <p>The carrying values of aircrafts’ components accounted for property, plant and equipment and right of use assets amounted to USD19,260 million in the consolidated financial statements as of 31 December 2023.</p> <p>The Group accounts for the cost of aircrafts which are acquired directly or through leases separating into the components (fuselage, engine, fuselage overhaul and engine overhaul). Useful lives of these components are determined separately and each components are amortized during their useful lives.</p> <p>We focused on this area in our audit due to the following reasons:</p> <ul style="list-style-type: none"> - The impacts to the consolidated financial statements as of 31 December 2023 is significant, - The assessment of determination of components involves significant level of management’s estimates, - The assessment of determination of useful lives of each components and residual values involves managements’ significant estimates. 	<ul style="list-style-type: none"> - The following procedures were performed to audit of the component accounting of aircrafts: - We have inquired with the management to understand the accounting policies applied and how they meet the provisions of IAS 16, “Property, plant and equipment”. - The useful life and residual value estimates were controlled by comparing the fleet plan of the Group and the contracts of the aircraft purchases and leasing transactions recently made. - We have compared the consistency of the components and their useful lives with the sectoral applications. - We have recalculated current year’s depreciation expenses.



Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Baki Erdal, SMMM
Independent Auditor

Istanbul, 3 April 2024

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
Consolidated Statement of Financial Position as at 31 December 2023
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

ASSETS	Notes	31 December 2023	31 December 2022
Non-Current Assets			
Financial Investments	6	398	165
Other Receivables			
-Third Parties	11	1,395	957
Investments Accounted for Using Equity Method	3	497	277
Investment Property	14	43	69
Property and Equipment	15	6,075	4,654
Right of Use Assets	15	16,928	16,577
Intangible Assets			
- Other Intangible Assets	16	87	77
- Goodwill		27	27
Prepaid Expenses	13	1,294	914
Deferred Tax Asset	31	332	2
TOTAL NON-CURRENT ASSETS		27,076	23,719
Current Assets			
Cash and Cash Equivalents	5	683	4,075
Financial Investments	6	5,344	626
Trade Receivables			
-Related Parties	8	50	31
-Third Parties	9	806	964
Other Receivables			
-Related Parties	8	9	13
-Third Parties	11	880	864
Derivative Financial Instruments	33	18	44
Inventories	12	418	331
Prepaid Expenses	13	237	176
Current Income Tax Assets	31	41	35
Other Current Assets	23	109	66
TOTAL CURRENT ASSETS		8,595	7,225
TOTAL ASSETS		35,671	30,944

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Consolidated Statement of Financial Position as at 31 December 2023

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

LIABILITIES AND EQUITY	Notes	31 December 2023	31 December 2022
Equity			
Share Capital	24	1,597	1,597
Treasury Shares	24	(33)	-
Items That Will Not Be Reclassified to Profit or Loss			
-Actuarial Losses on Retirement Pay Obligation	24	(274)	(228)
Items That Are or May Be Reclassified to Profit or Loss			
-Foreign Currency Translation Differences	24	(221)	(294)
-Fair Value Gains on Hedging Instruments Entered into for Cash Flow Hedges	24	281	515
-Losses on Remeasuring FVOCI		21	(14)
Restricted Profit Reserves	24	69	36
Previous Years Profit		8,097	5,405
Net Profit for the Year		6,021	2,725
Equity of the Parent		15,558	9,742
Non-Controlling Interests		5	-
TOTAL EQUITY		15,563	9,742
Non-Current Liabilities			
Long-Term Borrowings	7	472	1,115
Long-Term Lease Liabilities	7 and 17	10,052	9,177
Other Payables			
-Third Parties	11	25	24
Deferred Income	13	108	108
Long-Term Provisions			
-Provisions for Employee Termination Benefits	21	229	273
-Other Provisions	19	85	61
Deferred Tax Liability	31	50	2,220
TOTAL NON-CURRENT LIABILITIES		11,021	12,978
Current Liabilities			
Short-Term Borrowings	7	1,345	1,058
Short-Term Portion of Long-Term Borrowings	7	618	1,100
Short-Term Portion of Lease Liabilities	7 and 17	1,760	1,589
Trade Payables			
-Related Parties	8	285	270
-Third Parties	9	1,006	930
Payables Related to Employee Benefits	10	418	183
Other Payables			
-Related Parties	8	4	13
-Third Parties	11	238	112
Derivative Financial Instruments	33	101	211
Deferred Income	13	2,705	2,394
Current Tax Provision	31	39	3
Short-Term Provisions			
-Provisions for Employee Benefits	19	50	39
-Other Provisions	19	6	6
Other Current Liabilities	23	512	316
TOTAL CURRENT LIABILITIES		9,087	8,224
TOTAL LIABILITIES AND EQUITY		35,671	30,944

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 December 2023

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

		1 January - 31 December 2023	1 January - 31 December 2022
PROFIT OR LOSS	Notes		
Revenue	25	20,942	18,426
Cost of Sales (-)	26	(16,060)	(14,036)
GROSS PROFIT		4,882	4,390
General Administrative Expenses (-)	27	(449)	(284)
Selling and Marketing Expenses (-)	27	(1,760)	(1,390)
Other Operating Income	28	509	230
Other Operating Expenses (-)	28	(323)	(167)
OPERATING PROFIT BEFORE INVESTMENT ACTIVITIES		2,859	2,779
Income from Investment Activities	29	933	316
Expenses for Investment Activities	29	(65)	(23)
Share of Investments' Profit Accounted for Using The Equity Method	3	232	121
OPERATING PROFIT		3,959	3,193
Financial Income	30	611	745
Financial Expenses (-)	30	(931)	(999)
Monetary Gain		2	-
PROFIT BEFORE TAX		3,641	2,939
Tax Expense		2,380	(214)
Current Tax (Expense) / Income	31	(66)	(35)
Deferred Tax Income / (Expense)	31	2,446	(179)
<i>Deferred Tax Expense</i>		(597)	(179)
<i>Effect of Deferred Tax Income From Inflation Adjustment</i>		3,043	-
NET PROFIT FOR THE YEAR		6,021	2,725
<u>OTHER COMPREHENSIVE INCOME</u>			
Items That May Be Reclassified Subsequently To Profit or Loss		(126)	338
Currency Translation Adjustment		73	(19)
Gains / (Losses) on Investments Remeasured FVOCI		35	(8)
Fair Value Gains on Hedging Instruments Entered into for Cash Flow Hedges		(278)	462
Fair Value Gains Hedging Instruments of Investment Accounted by Using the Equity Method Entered into for Cash Flow Hedges		(9)	(7)
Related Tax of Other Comprehensive Income		53	(90)
Items That Will Not Be Reclassified Subsequently To Profit or Loss		(46)	(157)
Actuarial Losses on Retirement Pay Obligation		(56)	(196)
Related Tax of Other Comprehensive Income		10	39
OTHER COMPREHENSIVE INCOME FOR THE YEAR		(172)	181
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		5,849	2,906
Basic Earnings Per Share (Full US Cents)	32	4.36	1.97
Diluted Earnings Per Share (Full US Cents)	32	4.36	1.97

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2023

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

	Share Capital	Treasury Shares	Items That Will Not Be Reclassified Subsequently To Profit or Loss	Items That May Be Reclassified Subsequently To Profit or Loss			Retained Earnings					Total Equity
			Actuarial Losses Retirement Pay Obligation	Foreign Currency Translation Differences	Fair Value Gains on Hedging Instruments Entered Into For Cash Flow Hedges	Losses on Remeasuring FVOCI	Restricted Profit Reserves	Previous Years Profit	Net Profit for The Year	Equity Holders of the Parent	Non-controlling Interests	
As of 1 January 2023	1,597	-	(228)	(294)	515	(14)	36	5,405	2,725	9,742	-	9,742
Transfers	-	-	-	-	-	-	33	2,692	(2,725)	-	-	-
Total comprehensive income	-	-	(46)	73	(234)	35	-	-	6,021	5,849	-	5,849
Increase through treasury share transactions	-	(33)	-	-	-	-	-	-	-	(33)	-	(33)
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-	5	5
As of 31 December 2023	1,597	(33)	(274)	(221)	281	21	69	8,097	6,021	15,558	5	15,563

	Share Capital	Treasury Shares	Items That Will Not Be Reclassified Subsequently To Profit or Loss	Items That May Be Reclassified Subsequently To Profit or Loss			Retained Earnings					Total Equity
			Actuarial Losses Retirement Pay Obligation	Foreign Currency Translation Differences	Fair Value Gains on Hedging Instruments Entered Into For Cash Flow Hedges	Losses on Remeasuring FVOCI	Restricted Profit Reserves	Previous Years Profit	Net Profit for The Year	Equity Holders of the Parent	Non-controlling Interests	
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	-	-	(157)	(19)	364	(7)	-	-	2,725	2,906	-	2,906
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1)	(1)
As of 31 December 2022	1,597	-	(228)	(294)	515	(14)	36	5,405	2,725	9,742	-	9,742

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2023

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

	Notes	31 December 2023	31 December 2022
Net Profit for the Year		6,021	2,725
Adjustments to Reconcile Profit			
Adjustments for Depreciation and Amortisation Expense	15 and 16	2,035	1,864
Adjustments for Impairment on Goodwill		-	12
Adjustments for Provisions Related to Employee Benefits	19 and 21	58	45
Adjustments for Provisions for Other Accruals	19	3	-
Adjustments for Reversal of Probable Risks		1	10
Adjustments for Interest Income	11 and 30	(652)	(212)
Adjustments for Interest Expense	21 and 30	558	342
Adjustments for Unrealised Foreign Exchange Gains		(178)	(162)
Adjustments for Fair Value (Gains) / Losses on Derivative Financial Instruments	33	(122)	217
Adjustments for Fair Value Gains		(73)	(12)
Adjustments for Undistributed Gains of Associates	3	(232)	(121)
Adjustments for Tax (Income) / Expense	31	(2,410)	166
Adjustments for Losses Arised from Sale of Tangible Assets	29	27	6
Adjustments for Losses Arised from Sale of Other Non-Current Assets	15	46	60
Operating Profit Before Changes in Working Capital		5,082	4,940
Increase in Trade Receivables from Related Parties		(19)	(7)
Decrease / (Increase) in Trade Receivables from Third Parties		154	(70)
Decrease / (Increase) in Other Receivables from Related Parties		4	(7)
Increase in Other Receivables from Third Parties	11	(450)	(186)
Adjustments for Increase in Inventories		(49)	(64)
Adjustments for Increase in Prepaid Expenses		(441)	(137)
Increase in Trade Payables to Related Parties		15	100
Increase in Trade Payables to Third Parties		76	206
Adjustments for Increase in Payables Due to Employee Benefits		235	78
(Decrease) / Increase in Other Payables to Related Parties		(9)	8
Increase / (Decrease) in Other Payables to Third Parties		127	(49)
Increase in Deferred Income		509	1,177
(Increase) / Decrease in Other Assets		(43)	14
Cash Flows From Operations		5,191	6,003
Payments for Provisions Related with Employee Benefits	21	(13)	(7)
Income Taxes Received	31	6	15
Net Cash From Operating Activities		5,184	6,011
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES			
Cash outflows due to share acquisition or capital increase in affiliates and/or joint ventures		-	(17)
Proceeds From Sales of Property, Plant and Equipment and Intangible Assets		56	79
Payments For Purchasing of Property, Plant and Equipment and Intangible Assets	15 and 16	(1,242)	(1,056)
Payments For Purchasing of Other Financial Assets	6	(4,878)	(698)
Other Cash Advances and Loans	15	(181)	(92)
Dividends Received	3	47	20
Interest Received	29	490	86
Net Cash Flows Used In Investing Activities		(5,708)	(1,678)
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES			
Payments to Acquire Entity's Shares		(33)	-
Proceeds From Loans	7	2,494	1,809
Repayments of Loans	7	(3,436)	(2,889)
Payments of Lease Liabilities	7	(1,667)	(1,655)
Interest Paid		(388)	(318)
Interest Received	30	174	113
Other Cash Outflows		-	(8)
Net Cash Used in Financing Activities		(2,856)	(2,948)
Net Change in Cash and Cash Equivalents		(3,380)	1,385
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		4,057	2,672
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	677	4,057

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 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 31 December 2023, and 2022, the shareholders and their respective shareholdings in the Company are as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
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	<u>100.00 %</u>	<u>100.00 %</u>

The Company is controlled by Türkiye Wealth Fund.

The number of employees working for the Group as of 31 December 2023 is 55,884 (31 December 2022: 40,264). The average number of employees working for the Group for the year ended 31 December 2023 and 2022 are 51,753 and 38,555 respectively. Employees of THY Destek Hizmetleri A.Ş., who were working for different outsourcing company before 06.03.2023, joined the Group as of this date. 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 Consolidated Financial Statements****For the Year Ended 31 December 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 31 December 2023 and 2022:

<u>Name of the Company</u>	<u>Principal Activity</u>	<u>Ownership Rate</u>		<u>Country of Registration</u>
		<u>31 December 2023</u>	<u>31 December 2022</u>	
THY Teknik A.Ş. (Turkish Technic)	Aircraft Maintenance Services	100%	100%	Türkiye
THY Uçuş Eğitim ve Havalimanı İşletme A.Ş. (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%	-	Türkiye
THY Özel Güvenlik ve Koruma Hizmetleri A.Ş. (**)	Security Services	100%	-	Türkiye
AJet Hava Taşımacılığı A.Ş. (***) (AJET)	Air Transportation	100%	-	Türkiye
THY Finansal Teknolojiler A.Ş. (****) (TKPAY)	Payment 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
Cornea Havacılık Sistemleri San. ve Tic. A.Ş. (Cornea)	Software System Maintenance Services	-	80%	Türkiye
Uçak Koltuk San. ve Tic. A.Ş. (TSI)	Cabin Interior Products	-	100%	Türkiye

(*) THY Destek Hizmetleri A.Ş. was established on 6 March 2023 to meet the support services to the Group.

(**) THY Özel Güvenlik ve Koruma Hizmetleri A.Ş. was established on 12 May 2023 to provide private security services to the Group.

(***) Ajet Hava Taşımacılığı A.Ş. was established on 7 August 2023 in order to perform its activities as a low-cost airline at global standards and to strengthen its competitive position in the market.

(****) THY Finansal Teknolojiler A.Ş. was established on 18.08.2023 in order to meet carry out new business areas that the Group will create through digital payment services, to transform its existing potential into a value-creating business model and to operate in the field of financial technologies.

(*****) 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 February 2023. TSI Seats INC is a subsidiary of ("TCI") operates in the USA.

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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 December 2023 and 2022:

Company Name	Country of Registration and Operations	Ownership Share and Voting Power		Principal Activity
		31 December 2023	31 December 2022	
Güneş Ekspres Havacılık A.Ş. (Sun Express)	Türkiye	50%	50%	Aircraft Transportation
THY DO&CO İkrâm Hizmetleri A.Ş. (Turkish DO&CO)	Türkiye	50%	50%	Catering Services
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
Vergi İade Aracılık A.Ş. (*)	Türkiye	-	30%	VAT Return and Consultancy

(*) A share transfer agreement was signed between the Company and the buyers, and the closing procedures for transferring shares of Vergi İade Aracılık A.Ş. was completed on 18 May 2023.

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

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB).

The Board of Directors has approved the consolidated financial statements as of 31 December 2023 on 3 April 2024.

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 Consolidated Financial Statements

For the Year Ended 31 December 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)

Functional and Reporting Currency (cont'd)

Functional currency (cont'd)

Financial reporting in hyperinflationary economies

As of 31 December 2023, 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:

<u>Date</u>	<u>Index</u>	<u>Adjustment Factor</u>	<u>Three Year Compound Inflation Rate</u>
31 December 2023	1,859.38	1.00000	268%
31 December 2022	1,128.45	1.64773	156%
31 December 2021	686.95	2.70672	74%

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.
- The effect of general inflation on the Group’s net monetary liability position is included in the statement of income as gain on net monetary position.
- 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 December 2023. 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.

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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 year ended 31 December 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.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2023

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

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

2.3 Summary of Significant Accounting Policies

2.3.1 Revenue

Group recognizes revenue when the goods or services is transferred to the customer and when performance obligation is fulfilled. Goods is counted to be transferred when the control belongs to the customer.

Group recognizes revenue based on the following main principles:

- (a) Identification of customer contracts,
- (b) Identification of performance obligations,
- (c) Determination of transaction price in the contract,
- (d) Allocation of price to performance obligations,
- (e) Recognition of revenue when the performance obligations are fulfilled.

Group recognized revenue from its customers only when all of the following criteria are met:

- (a) The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
- (b) Group can identify each party's rights regarding the goods or services to be transferred,
- (c) Group can identify the payment terms for the goods or services to be transferred;
- (d) The contract has commercial substance,
- (e) It is probable that Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

Rendering of services:

Revenue is measured at the fair value of the consideration received or to be received. Passenger fares and cargo revenues are recognized as operating revenue when the transportation service is provided. Tickets sold but not used (unflown) yet are recognized as passenger flight liabilities in deferred income as a contract liability in accordance with IFRS 15 *Revenue from Contracts with Customers*.

The Group uses estimates based on historical statistics and data for unredeemed tickets. Total estimated amount of unredeemed tickets are recognized as revenue. Agency commissions relating to the passenger revenue are recognized as expense when the transportation service is provided.

Aircraft maintenance and infrastructure support services are recognized on accrual basis at the fair value of the amount collected or to be collected based on the assumptions that delivery is realized, the income can be reliably determined and the inflow of the economic benefits related with the transaction to the Group is probable.

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For the Year Ended 31 December 2023

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

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

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.1 Revenue (cont'd)

Rendering of services (cont'd):

a) Expired Ticket Revenue

Tickets for which the passenger is not expected to exercise their rights under the ticket contract with the Group will expire. Tickets that expire unused represent unexercised passenger rights and are often referred to as passenger ticket breakage. The Group recognizes breakage (or unexercised rights) as revenue. Since the break date of these specific tickets can not be identified ultimately, the Group estimates and recognizes the expected breakage amount by using historical data and trends. The data used for the estimation for the amount of unredeemed tickets is revised under the IFRS 15 and provisional ticket breakage revenue is calculated with the tickets not flown on their scheduled flight date.

b) Ticket Reissue Revenue

Each fare types provided by the Group have its own conditions attached, which may include it being restricted, upgradeable or refundable. A change fee may apply if passengers need to make a change to their booking, cancel flights or buy replacement tickets. The change service is not considered distinctly because the customer cannot benefit from it without taking the flight. Although the change service is provided in advance of the flight, the benefit from it is not provided until the customer takes the flight. As a result, the change fee is recognized as revenue together with the original ticket sale on the date of travel.

Frequent Flyer Program

The Group provides a frequent flyer program (FFP) named “Miles and Smiles” in the form of free travel award to its members on accumulated mileage. Miles earned by flights are recognized as a separately identifiable component of the revenue.

The amount deferred as a liability is measured based on the fair value of the awarded miles. The fair value is measured on the basis of the value of the awards for which they could be redeemed. The amount deferred is recognized as revenue on redemption of the points including a portion of the points that the Group does not expect to be redeemed by the customers (“breakage”).

The Group also sells mileage credits to participating partners in “Miles and Smiles” program. Revenue is recognized when transportation is provided.

2.3.2 Inventories

Inventories consist of non-repairable spare parts, consumables and supplies such as flight equipment and purchased merchandises.

Inventories are valued at the lower of cost and net realizable value. The cost of inventories consist of costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Average cost method is applied in the calculation of cost of inventories. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale.

The real estate projects under development and construction comprise the direct and indirect costs attributable to the projects.

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

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

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.3 Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Assets under construction are carried at their costs. Legal fees are also included in cost. Borrowing costs are capitalized for assets that need substantial time to prepare the asset for its intended use or sale. As the similar depreciation method used for other fixed assets, depreciation of such assets begins when they are available for use.

Property and equipment other than land and properties under construction depreciated over their estimated useful lives, using the straight-line method. Expected useful life, residual value and depreciation method are reviewed each year for the possible effects of changes in estimates, and they are recognized prospectively if there are any changes in estimates.

The Group allocates the cost of assets that are acquired directly or through finance leases into the following parts, by considering the renewal of significant parts of the aircrafts identified during the overhaul maintenance and overhaul of aircraft fuselage and engine; fuselage, overhaul maintenance for the fuselage, engine and overhaul maintenance for the engines. Overhaul maintenance for the fuselage and overhaul engine repair parts are depreciated over the shorter of the remaining period to the next maintenance or the remaining period of the aircraft's useful life.

The gain or loss arising from the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The useful lives and residual values used for property and equipment are as follows:

	<u>Useful Life (Years)</u>	<u>Residual Value</u>
- Buildings	50	-
- Aircrafts and Engines	25	10%
- Cargo Aircraft and Engines	25	10%
- Overhaul Maintenance for Airframe	6	-
- Overhaul Maintenance for Engines	3-8	-
- Overhaul Maintenance for Spare Engines	3-13	-
- Components	3-18	-
- Repairable Spare Parts	3-7	-
- Simulators	25	10%
- Machinery and Equipment	3-20	-
- Furniture and Fixtures	3-15	-
- Motor Vehicles	4-15	-
- Other Equipment	4-15	-
- Leasehold Improvements	Lease period/5 years	-

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

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

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

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.4 Leases

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset. The Group assess whether:

- a) The contract involved the use of an identified asset – this may be specified explicitly or implicitly.
- b) The asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset, If the supplier has a substantive substitution right, the asset is not identified.
- c) The Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and
- d) The Group has the right to direct use of the asset, The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct use of asset if either:
 - i. The Group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;
 - ii. The Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Right of use asset

The right of use asset is initially recognized at cost comprising of:

- a) Amount of the initial measurement of the lease liability;
- b) Any lease payments made at or before the commencement date, less any lease incentives received;
- c) Any initial direct costs incurred by the Group; and
- d) An estimate of costs to be incurred by the lessee for restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories).

The Group re-measure the right of use asset:

- a) After netting-off depreciation and reducing impairment losses from right of use asset.
- b) Adjusted for certain re-measurements of the lease liability recognized at the present value.

The Group applies IAS16 “Property, Plant and Equipment” to amortize the right of use asset and to assess for any impairment.

The Group applies IAS 36, "Impairment of Assets" to determine whether a right-of-use asset is impaired and to recognize any impairment loss.

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

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.4 Leases (cont'd)

Aircraft;

For operating lease agreements of aircrafts, the lease term corresponds to the non-cancellable duration of the agreements signed except in cases where the Group is reasonably certain of exercising either an extension option or an early termination option which is included in the agreement. IFRS 16 requires including maintenance costs in the right of use asset. According to that, the Group decides whether the maintenance cost is capitalized to the right of use asset by analyzing whether the maintenance cost is avoidable or unavoidable. The Group is obliged to return leased aircraft and their engines according to the redelivery condition which is set in the lease agreement. The Group needs to either maintain the aircraft so that it meets the agreed redelivery condition or settle the difference in cash to the lessor if the condition of the aircraft and its engines differs from the agreed redelivery condition. Maintenance costs can be divided into two groups; costs that incur independent of the usage of the aircraft / leasing period and costs that incur dependent on the usage of the aircraft / leasing period. Costs depending on the usage of the aircraft are not included as part of the right of use asset cost.

Real estate and other leases;

For lease agreements, the lease term corresponds to the non-cancellable duration of the agreements signed except in cases where the Group is reasonably certain of exercising either an extension option or an early termination option which is included in the agreement. Lease liabilities are discounted to present value by using the Group's incremental borrowing rates for each currency. Service agreements which relate to the usage of airports and terminals do not qualify as lease arrangements under IFRS 16. Lease agreements in which the lessor has the right to substitute the leased area with another area, do not qualify as lease contract under IFRS 16. As an exception to this, there are specific lounge areas which are dedicated for the use of the Group and therefore, these are included in the lease agreements.

Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Lease liabilities are discounted to present value by using the interest rate implicit in the lease if readily determined or with the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- a) Fixed payments, including in-substance fixed payments;
- b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date.
- c) The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewable period if the Group is reasonably certain to exercise an extension option. and penalties for early termination of a lease unless the Group is reasonably certain to terminate early.

After initial recognition, the lease liability is measured:

- a) Increasing the carrying amount to reflect interest on lease liability,
- b) Reducing the carrying amount to reflect the lease payments made and
- c) Remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

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For the Year Ended 31 December 2023

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

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

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.4 Leases (cont'd)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

2.3.5 Intangible Assets

Intangible assets include rights, information systems and software. Intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Rights and other intangible assets are depreciated over their useful life of 3 and 5 years, on a straight-line basis. Slot rights are assessed as intangible assets with indefinite useful life, as there are no time restrictions on them.

Goodwill

Goodwill that arises upon acquisition of subsidiaries is presented in intangible assets. Goodwill is measured at cost less accumulated impairment losses.

2.3.6 Impairment on Assets

The carrying amounts of the Group's assets are reviewed at each reporting date and (for assets with indefinite useful lives, whenever there is an indication of impairment) to determine whether there is any indication of impairment. If any such indication exists then the assets' recoverable amounts are estimated. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is the present value of estimated future cash flows resulting from continuing use of an asset and from disposal at the end of its useful life. Impairment losses are accounted in profit or loss.

An impairment loss recognized in prior periods for an asset is reversed if the subsequent increase in the asset's recoverable amount is caused by a specific event since the last impairment loss was recognized. Such a reversal amount is recognized as income in the consolidated financial statements and cannot exceed the previously recognized impairment loss and shall not exceed the carrying amount that would have been determined, net of amortization or depreciation, had no impairment loss been recognized for the asset in prior years.

Group considers aircrafts, spare engines and simulators together ("Aircrafts") as cash generating unit subject to impairment and impairment calculation was performed for Aircrafts collectively. In the examination of whether net book values of aircrafts, spare engines and simulators exceed their recoverable amounts, the higher value between value in use and sale expenses deducted net selling prices in USD is used for determination of recoverable amounts. Net selling price for the aircrafts is determined according to second hand prices in international price guides. The differences between net book values of these assets and recoverable amounts are recognized as impairment gains or losses under income and expenses from investment activities.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

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

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

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.7 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.3.8 Financial Instruments

(a) Financial assets

Financial assets and liabilities are recognized in the consolidated financial statements when the Group is a legal party to these financial instruments. Financial investments are recognized on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Investments are recorded or deleted from records on the date of trading activity based on an agreement providing a requirement for investment instrument delivery in compliance with the duration determined by related market.

A financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL (fair value through profit or loss). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.8 Financial Instruments (cont'd)

(a) Financial assets (cont'd)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized for the FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized for the FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

The corporate debt securities are held by the Group's treasury unit in a separate portfolio to provide interest income, but may be sold to meet liquidity requirements arising in the normal course of business. The Group considers that these securities are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling securities. The corporate debt securities mature in one to two years and the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets have therefore been classified as financial assets at FVOCI under IFRS 9. The fair value differences of government debt securities and corporate debt securities are classified into financial assets recognized in other comprehensive income.

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

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.8 Financial Instruments (cont'd)

(a) Financial assets (cont'd)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments with their maturities equal or less than three months from date of acquisition that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The carrying amount of these assets approximates their fair value.

Loans and receivables

Trade, loan and other receivables are initially recorded at fair value. At subsequent periods, loans and receivables are measured at amortized cost using the effective interest method.

Impairment of Financial Assets

Expected credit loss model (ECL) are applied to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

The financial assets at amortized cost consist of trade receivables and cash and cash equivalents.

The Group measures loss allowances at an amount equal to lifetime ECLs. The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held).

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

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

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.8 Financial Instruments (cont'd)

(a) Financial assets (cont'd)

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is recognized in OCI, instead of reducing the carrying amount of the asset.

(b) Financial liabilities

The Group's financial liabilities and equity instruments are classified in accordance with the contractual arrangements and recognition principles of a financial liability and equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The significant accounting policies for financial liabilities and equity instruments are described below.

Financial liabilities are classified as either financial liabilities at fair value through profit and loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are initially measured at fair value, and at each reporting period revalued at fair value as of balance sheet date. Changes in fair value are recognized in profit and loss.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

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

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.8 Financial Instruments (cont'd)

(b) Financial liabilities (cont'd)

Derivative financial instruments and hedge accounting

The Group uses various derivative financial instruments such as currency forwards, currency options, interest rate options, oil options and oil swaps are used to protect against currency, fuel price and interest rate risks arising from its ordinary business activities in accordance with IFRS 9.

The Group applies hedge accounting to these transactions, as they are designated to hedge against cash flow risks arising from fluctuations in interest rates. The major source of interest rate risk is finance lease liabilities. In order to keep interest costs at an affordable level, the Group has hedged a part of floating rate USD, JPY and Euro denominated liabilities arising from financial lease liabilities. Effective part of the change in the fair values of those derivative instruments for cash flows risks of floating-rate finance lease liabilities are recognized in other comprehensive income and presented in cash flow hedge reserve under the shareholders' equity, in accordance with hedge accounting.

The Group also enters into derivative financial instruments to hedge against risk of changes in jet fuel prices. The Group applies hedge accounting to these transactions, as they are designated to hedge against cash flow risks arising from fluctuations in jet fuel prices. Hedging transactions are executed for the tenor of at most 24 months and up to 60% of the forecasted fuel consumptions of the following month. Premium paid options have been included to the instrument list for the first time, in addition to formerly used swap and 2 way and 4 way zero-cost option structures.

In order to manage this risk resulted from the fluctuations of the FX market, the Group started to implement exchange rate risk hedging. Since the Group is short position in JPY, strategy mainly aims to decrease the amount of short position in JPY with the long position in USD via the derivative instruments. Derivative instruments can be used in accordance with market conditions, especially the zero cost swap structures.

Since 2018 The Group, financial lease liabilities for investment financing are designated as cash flow hedge against exchange rate risk due to highly probable future same foreign currency revenues.

Use of derivative financial instruments is managed according to the Group policy approved by the Board of Directors and compliant with the risk management strategy.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognized in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to profit or loss for the period.

Derivative financial instruments are calculated according to the fair value at contract date and again are calculated in the following reporting period at fair value base. The effective portions of changes in the fair value of derivatives which are designated as cash flow hedge are recognized in other comprehensive income. Any ineffective portion of changes in the fair value of the derivatives is recognized in profit or loss.

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

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.9 Foreign Currency Transactions

Transactions in foreign currencies are translated into US Dollar at the exchange rates prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated the rates prevailing at the date when fair value determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Gains and losses arising on settlement and translation of foreign currency items are included in profit or loss.

2.3.10 Earnings per Share

Earnings per share are calculated by dividing net profit by weighted average number of shares outstanding in the relevant period. In Türkiye, companies are allowed to increase their capital by distributing free shares to shareholders from accumulated profits. In calculation of earnings per share, such free shares are considered as issued shares. Therefore, weighted average number of shares in the calculation of earnings per share is found by applying distribution of free shares retrospectively.

2.3.11 Events After the Reporting Date

Events after the balance sheet date are those events, which occur between the balance sheet date and the date when the consolidated financial statements are authorized for issue.

If adjustment is necessary for such events, the Group's consolidated financial statements are adjusted to reflect such events.

2.3.12 Provisions, Contingent Liabilities, Contingent Assets

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.12 Provisions, Contingent Liabilities, Contingent Assets (cont'd)

Onerous Contracts

Present liabilities arising from onerous contracts are calculated and accounted for as provision. It is assumed that an onerous contract exists if Group has a contract which unavoidable costs to be incurred to settle obligations of the contract exceed the expected economic benefits of the contract.

2.3.13 Segmental Information

There are two main operating segments of the Group, air transportation and aircraft technical maintenance operations; these include information for determination of performance evaluation and allocation of resources by the management. The Group management uses the operating profit calculated according to IFRS while evaluating the performance of the segments.

2.3.14 Investment Property

Investment properties are held to obtain rent and/or appreciation revenue and reflect the amounts remaining after accumulated depreciation and any accumulated impairment are deducted from cost. The cost of change in any part of the existing investment property is included in the amount in the balance sheet if it complies with the accepted criteria.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal. Any gain or loss arising on derecognition of the property is included in consolidated profit or loss in the period in which the property is derecognized.

2.3.15 Taxation and Deferred Tax

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense represents the sum of the current tax and deferred tax expenses.

Current tax

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

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

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

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.15 Taxation and Deferred Tax (cont'd)

Deferred Tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and affiliates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax is recognized as income or expense in the consolidated statement of profit or loss, except to the extent that it relates to items recognized directly in equity or other comprehensive income, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over cost.

2.3.16 Government Grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

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

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

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.16 Government Grants (cont'd)

Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

2.3.17 Employee Benefits / Retirement Pay Provision

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard 19 (revised) "Employee Benefits" ("IAS 19").

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses. Actuarial gains and losses are accounted as other comprehensive income.

2.3.18 Maintenance and Repair Cost

Regular maintenance and repair costs for owned and leased assets are charged to cost of sales as incurred. Aircraft and engine overhaul maintenance checks for owned and leased aircrafts are capitalized and depreciated over the shorter of the remaining period to the following overhaul maintenance checks or the remaining useful life of the aircraft. For aircraft held under operating leases the Group is contractually committed to either return the aircraft in a certain condition or to compensate the lessor upon return of the aircraft. The estimated airframes and engine maintenance costs are accrued and charges to profit or loss over the lease term, based on the present value of the estimated future cost of the major airframe overhaul, engine maintenance calculated by reference to hours or order operated during the year.

2.3.19 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.20 Related Parties

Parties are considered related to the Company if;

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

- (i) One entity and the reporting entity are member of the same group.
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

2.4 Critical Accounting Estimates and Judgements

Preparation of the financial statements requires the amounts of assets and liabilities being reported, explanations of contingent liabilities and assets and the uses of accounting estimates and assumptions which would affect revenue and expense accounts reported during the accounting period. Group makes estimates and assumptions about the future periods. Actual results could differ from those estimations.

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

2.4 Critical Accounting Estimates and Judgements (cont'd)

Accounting estimates and assumptions which might cause material adjustments on the book values of assets and liabilities in future financial reporting period are given below:

The Determination of Impairment on Assets:

Basic assumptions and calculation methods of the Group relating to impairment on assets are explained in Note 2.3.6.

Calculation of the Liability for Frequent Flyer Program:

As explained in Note 2.3.1, Group has a FFP program called “Miles and Smiles” for its members. In the calculation of the liability historical statistics are used for miles earned from flights.

Useful Lives and Residual Values of Tangible Assets:

Group has allocated depreciation over tangible assets by taking into consideration the useful lives and residual values explained in Note 2.3.3.

Deferred Tax:

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. There are deferred tax assets resulting from tax loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future in the Group. Based on available evidence, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized.

Corporate Tax Law 32/A and the effects of Resolution issued on “Government Assistance for Investments” by the Council of Ministers:

An incentive standard that reconstitutes government assistance for investments initiated effective from 28 February 2009 with the clause 32/A of the Corporate Tax Law by the 9th article of the 5838 numbered Law in order to support investments through taxes on income.

The new investment system becomes effective upon the issuance of the Council of Ministers’ resolution “Government Assistance for Investments” No: 2009/15199 on 14 July 2009. Apart from the previous “investment incentive” application, which provides the deduction of certain portion of investment expenditures against corporate tax base, the new support system aims to provide incentive support to companies by deducting “contribution amount”, which is calculated by applying the “contribution rate” prescribed in the Council of Ministers’ resolution over the related investment expenditure, against the corporate tax imposed on the related investment to the extent the amount reaches to the corresponding “contribution amount”.

The Group has right to benefit from some incentives in “Investment Incentive System” due to airline cargo and passenger transportation activities. As a result of the applications within this scope, Investment Incentive Certificates are obtained for supply of aircraft and ground handling services.

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

2.4 Critical Accounting Estimates and Judgements (cont'd)

Corporate Tax Law 32/A and the effects of Resolution issued on “Government Assistance for Investments” by the Council of Ministers (cont'd):

The information on the Investment Incentive Certificates that may have an impact on the current or future financial reports of the Incorporation and the incentives utilized are listed below:

Date of Cabinet Decree	Number of Cabinet Decree	Date of Inv. Incentive Certificate	Investment Status	Tax Reduction	Total Amount of Investment USD: (*)	Utilized Contribution Amount of Investment USD: (**)
20.01.2018	2017/11133	9.08.2018	Continue	Tax Reduction %90 / Contribution rate to Investment %50	4,958	-
15.06.2012	2012/3305	18.12.2014	Completed	Tax Reduction %50 / Contribution rate to Investment %15	576	-
14.07.2009	2009/15199	28.12.2010	Completed	Tax Reduction %50 / Contribution rate to Investment %20	451	1
20.01.2018	2017/11133	11.09.2018	Continue	Tax Reduction %50 / Contribution rate to Investment %25	86	-
15.06.2012	2012/3305	1.03.2018	Continue	Tax Reduction %50 / Contribution rate to Investment %15	106	29
15.06.2012	2012/3305	11.07.2017	Continue	Tax Reduction %50 / Contribution rate to Investment %15	-	-
15.06.2012	2012/3305	18.09.2017	Continue	General Investment Incentive	-	-

(*) Because the investments are realized in foreign currency and revisions made on investments, the amount of investment at the time of application and the amount of investment at the time of completion may vary.

(**) The contribution amount of investment, which is not utilizable when there is no tax base, is transferrable by indexing with revaluation rate in accordance with the provisions of the relevant legislation.

There is no clear guidance in regards to the accounting for government tax incentives on investments in IAS 12 “Income Tax” and IAS 20 “Accounting for Government Grants and Disclosure of Government Assistance”. Since the use of “contribution amount” depends on future earnings from the related investment for aircrafts over many years, the Group management considers that the accounting for the related investment contribution will be more appropriate if the grant is classified as profit or loss on a systematic and rational basis over the useful life of the related assets. In addition, investments on other tangible assets, the Group management considers that the accounting of grant contribution in a shorter period of time and as profit or loss will be more appropriate for the nature of investment support in the period when it is possible to benefit from the incentive.

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

2.5 New and Revised Standards and Interpretations

a) Standards, amendments, and interpretations applicable as of 31 December 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 recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

IFRS 17, ‘Insurance Contracts’; effective from annual periods beginning on or after 1 January 2025. This standard replaces IFRS 4, which permitted a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts.

Amendment to IAS 12 - International tax reform ; The temporary exception is effective for December 2023 year ends and the disclosure requirements are effective for accounting periods beginning on or after 1 January 2023, with early application permitted. These amendments give companies temporary relief from accounting for deferred taxes arising from the Minimum Tax Implementation Handbook international tax reform. The amendments also introduce targeted disclosure requirements for affected companies. The Group evaluates the effects of this reform on the financial statements.

b) Standards, amendments, and interpretations that are issued but not effective as of 31 December 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. 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.

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

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

b) Standards, amendments, and interpretations that are issued but not effective as of 31 December 2023 (cont'd):

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.

2.6 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).

2.7 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.

2.8 Other

Earthquakes in Türkiye

In order to alleviate the impact of social and economic consequences of the consecutive earthquakes which took place on 6 February 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 donate USD 100 (TL 2,887) for the construction of 1,000 homes to be built in the earthquake-affected region (Note 28). The earthquake does not have a significant impact on the Group's continuing operations.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2023

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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 December 2023	31 December 2022
Sun Express	240	105
TEC	85	65
TGS	56	17
Turkish DO&CO	47	26
THY Opet	30	21
TFS Akaryakıt	29	30
Goodrich	5	5
We World Express	5	4
TCI (*)	-	4
	497	277

(*) As explained in Note 1, TCI became a subsidiary of the Group at February 15, 2023 which was previously consolidated using the Equity method, will be fully consolidated in the financial statements in the following periods.

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

	1 January - 31 December 2023	1 January - 31 December 2022
Sun Express	135	27
TGS	37	24
Turkish DO&CO	19	13
TEC	18	8
TFS Akaryakıt	13	35
THY Opet	9	13
We World Express	1	-
Goodrich	-	1
Air Albania (**)	-	-
	232	121

(**) 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 December 2023, the loss is USD 2. (The loss as of 31 December 2022: USD 8).

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

	1 January - 31 December 2023	1 January - 31 December 2022
Opening balance	277	237
Share of net profit	232	121
Foreign currency translation difference	72	(28)
Equity investment disposal	(4)	(3)
Other expense and income recognized in equity	(33)	(22)
Dividends received	(47)	(28)
Closing balance	497	277

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

	31 December 2023							Total
	Sun Express	TEC	Turkish DO&CO	TFS Akaryakıt	THY Opet	TGS	Other	
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 December 2023								
Revenue	1,704	549	476	4,010	967	658	82	8,446
Profit for the year	270	39	37	52	17	74	2	491
Group's share in joint venture's loss for the year	135	18	19	13	9	37	1	232
31 December 2022								
	Sun Express	TEC	Turkish DO&CO	TFS Akaryakıt	THY Opet	TGS	Other	Total
Total assets	1,728	255	128	533	145	153	45	2,987
Total liabilities	1,517	122	76	412	104	118	15	2,364
Total equity	211	133	52	121	41	35	30	623
Group's share in total equity	105	65	26	30	21	17	13	277
1 January - 31 December 2022								
Revenue	1,437	415	328	3,440	738	416	68	6,842
Profit for the year	54	16	27	140	26	47	-	310
Group's share in joint venture's loss for the year	27	8	13	35	13	24	1	121

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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 25.

4.1 Total Assets and Liabilities

Total Assets	31 December 2023	31 December 2022
Aviation	35,497	30,792
Technical	1,937	1,633
Total	37,434	32,425
Less: Eliminations due to consolidation	(1,763)	(1,481)
Total assets in consolidated financial statements	35,671	30,944

Total Liabilities	31 December 2023	31 December 2022
Aviation	19,982	21,051
Technical	535	422
Total	20,517	21,473
Less: Eliminations due to consolidation	(409)	(271)
Total liabilities in consolidated financial statements	20,108	21,202

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2023

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

4. SEGMENT REPORTING (cont'd)

4.2 Profit / (Loss) before Tax

Segment Results:

1 January - 31 December 2023	Aviation	Technic	Inter-segment elimination	Total
Sales to External Customers	20,411	531	-	20,942
Inter-Segment Sales	275	1,329	(1,604)	-
Revenue	20,686	1,860	(1,604)	20,942
Cost of Sales (-)	(15,992)	(1,476)	1,408	(16,060)
Gross Profit	4,694	384	(196)	4,882
Administrative Expenses (-)	(496)	(144)	191	(449)
Selling and Marketing Expenses (-)	(1,757)	(11)	8	(1,760)
Other Operating Income	494	33	(18)	509
Other Operating Expenses (-)	(331)	(7)	15	(323)
Operating Profit Before Investment Activities	2,604	255	-	2,859
Income from Investment Activities	933	-	-	933
Expenses from Investment Activities	(65)	-	-	(65)
Share of Investments' Profit Accounted for Using The Equity Method	213	19	-	232
Operating Profit	3,685	274	-	3,959
Financial Income	611	-	-	611
Financial Expense (-)	(921)	(10)	-	(931)
Monetary Gain	2	-	-	2
Profit Before Tax	3,377	264	-	3,641
Tax Expense	2,442	(62)	-	2,380
Current Tax Expense	(4)	(62)	-	(66)
Deferred Tax Expense	2,446	-	-	2,446
Net Profit For The Period	5,819	202	-	6,021

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4. SEGMENT REPORTING (cont'd)

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

Segment Results (cont'd):

1 January - 31 December 2022	Aviation	Technic	Inter-segment elimination	Total
Sales to External Customers	18,012	414	-	18,426
Inter-Segment Sales	102	1,100	(1,202)	-
Revenue	18,114	1,514	(1,202)	18,426
Cost of Sales (-)	(14,004)	(1,171)	1,139	(14,036)
Gross Profit	4,110	343	(63)	4,390
Administrative Expenses (-)	(213)	(130)	59	(284)
Selling and Marketing Expenses (-)	(1,380)	(11)	1	(1,390)
Other Operating Income	235	11	(16)	230
Other Operating Expenses (-)	(140)	(35)	8	(167)
Operating Profit Before				
Investment Activities	2,612	178	(11)	2,779
Income from Investment Activities	316	-	-	316
Expenses from Investment Activities	(23)	-	-	(23)
Share of Investments' Profit				
Accounted for Using				
The Equity Method	113	8	-	121
Operating Profit	3,018	186	(11)	3,193
Financial Income	730	15	-	745
Financial Expense (-)	(992)	(7)	-	(999)
Profit Before Tax	2,756	194	(11)	2,939
Tax Expense	(224)	10	-	(214)
Current Tax Expense	(35)	-	-	(35)
Deferred Tax Expense	(189)	10	-	(179)
Net Profit For The Period	2,532	204	(11)	2,725

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4. SEGMENT REPORTING (cont'd)

4.3 Investment Operations

1 January - 31 December 2023	Aviation	Technic	Inter-segment elimination	Total
Purchase of property and equipment and intangible assets	3,597	344	-	3,941
Current period depreciation and amortization charge	1,833	202	-	2,035
Investments accounted for using equity method	378	119	-	497
1 January - 31 December 2022	Aviation	Technic	Inter-segment elimination	Total
Purchase of property and equipment and intangible assets	3,547	309	-	3,856
Current period depreciation and amortization charge	1,689	175	-	1,864
Investments accounted for using equity method	171	106	-	277

5. CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
Cash	1	1
Banks – Time deposits	583	3,980
Banks – Demand deposits	99	94
	683	4,075

Details of the time deposits as of 31 December 2023 and 31 December 2022 are as follows:

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
Original Amount	Currency	Effective Interest Rate	Maturity	31 December 2022
3,145	EUR (*)	1.00% - 3.15%	March 2023	3,368
7,358	TL	6.50% - 27.08%	March 2023	397
186	USD	1.00% - 4.00%	January 2023	186
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 154 USD of time deposits (2022: 1,795 USD).

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**Notes to the Consolidated Financial Statements****For the Year Ended 31 December 2023**

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

5. CASH AND CASH EQUIVALENTS (cont'd)

Reconciliation with statement of cash flows as of 31 December 2023 and 2022 are as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Cash and cash equivalents	683	4,075
Interest accruals (-)	(6)	(18)
Cash and cash equivalents in statement of cash flows	<u>677</u>	<u>4,057</u>

6. FINANCIAL INVESTMENTS

Short-term financial investments are as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Fair value through profit and loss (FVTPL)		
- Currency protected deposit account (*)	4,863	-
- Equity securities	16	11
- Investment Fund	22	-
Fair value through other comprehensive income (FVOCI)		
- Corporate debt securities	443	1
Time deposits with maturity more than 3 months	-	614
	<u>5,344</u>	<u>626</u>

(*) Since the currency protected deposits are hybrid contracts with derivatives, they are accounted based on their fair values as of 31 December 2023 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 December 2022 is as follows:

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

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6. FINANCIAL INVESTMENTS (cont'd)

Long-term financial investments are as follows:

	31 December 2023	31 December 2022
FVOCI		
- Corporate debt securities	139	57
- Government debt securities	258	107
Other	1	1
	<u>398</u>	<u>165</u>

Contractual maturity dates of financial investments measured at FVOCI as of 31 December 2023 and 2022 are as follows:

	31 December 2023	31 December 2022
Less than 1 year	443	1
1 to 5 years	119	33
Over 5 years	278	131
	<u>840</u>	<u>165</u>

7. BORROWINGS

Short-term borrowings are as follows:

	31 December 2023	31 December 2022
Bank borrowings	<u>1,345</u>	<u>1,058</u>

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

	31 December 2023	31 December 2022
Lease liabilities (Note: 17)	1,760	1,589
Bank borrowings	618	1,100
	<u>2,378</u>	<u>2,689</u>

Long-term borrowings are as follows:

	31 December 2023	31 December 2022
Lease liabilities (Note: 17)	10,052	9,177
Bank borrowings	472	1,115
	<u>10,524</u>	<u>10,292</u>

Details of bank borrowings as of 31 December 2023 and 2022 are as follows:

	31 December 2023	31 December 2022
Less than 1 year	1,963	2,158
Between 1 – 5 years	457	1,095
Over 5 years	15	20
	<u>2,435</u>	<u>3,273</u>

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7. BORROWINGS (cont'd)

Details of bank borrowings as of 31 December 2023 and 2022 are as follows (cont'd):

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

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

As of December 31, 2023, 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 2022</u>	<u>Payment</u>	<u>Interest</u>	<u>Non-cash Changes</u>	<u>Cash-in</u>	<u>31 December 2023</u>
Bank Borrowings	3,273	(3,436)	(141)	245	2,494	<u>2,435</u>

	<u>31 December 2021</u>	<u>Payment</u>	<u>Interest</u>	<u>Non-cash Changes</u>	<u>Cash-in</u>	<u>31 December 2022</u>
Bank Borrowings	4,659	(2,889)	(131)	(175)	1,809	<u>3,273</u>

	<u>31 December 2022</u>	<u>Payment</u>	<u>Interest</u>	<u>Non-cash Changes</u>	<u>Modifications</u>	<u>New Leases</u>	<u>31 December 2023</u>
Aircraft	10,171	(1,609)	(247)	405	30	2,471	11,221
Property	593	(57)	-	26	(18)	46	590
Other	2	(1)	-	-	-	-	1
	<u>10,766</u>	<u>(1,667)</u>	<u>(247)</u>	<u>431</u>	<u>12</u>	<u>2,517</u>	<u>11,812</u>

	<u>31 December 2021</u>	<u>Payment</u>	<u>Interest</u>	<u>Non-cash Changes</u>	<u>Modifications</u>	<u>New Leases</u>	<u>31 December 2022</u>
Aircraft	10,206	(1,620)	(187)	(316)	-	2,088	10,171
Property	36	(34)	-	15	-	576	593
Other	2	(1)	-	-	-	1	2
	<u>10,244</u>	<u>(1,655)</u>	<u>(187)</u>	<u>(301)</u>	<u>-</u>	<u>2,665</u>	<u>10,766</u>

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8. RELATED PARTIES

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

	<u>31 December 2023</u>	<u>31 December 2022</u>
Air Albania	36	26
We World Express	9	4
Sun Express	4	-
PTT	1	1
	<u>50</u>	<u>31</u>

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

	<u>31 December 2023</u>	<u>31 December 2022</u>
THY Opet	7	7
Air Albania	2	6
	<u>9</u>	<u>13</u>

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

	<u>31 December 2023</u>	<u>31 December 2022</u>
TFS Akaryakıt Hizmetleri	132	131
TGS	57	38
Turkish DO&CO	42	22
TEC	32	50
THY Opet	19	17
Goodrich	2	2
Turkcell	1	-
Sun Express	-	10
	<u>285</u>	<u>270</u>

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

	<u>31 December 2023</u>	<u>31 December 2022</u>
Türkiye Sigorta A.Ş.	4	7
TFS Akaryakıt Hizmetleri	-	6
	<u>4</u>	<u>13</u>

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8. RELATED PARTIES (cont'd)

Transactions with related parties for the year ended 31 December 2023 and 2022 are as follows:

a) Sales to related parties:

	1 January - 31 December 2023	1 January - 31 December 2022
Sun Express	76	28
TGS	54	4
TEC	33	25
Air Albania	11	8
Türkiye Sigorta A.Ş.	8	12
PTT	5	8
We World Express	4	6
Turkcell	2	1
Goodrich	1	1
	<u>194</u>	<u>93</u>

b) Purchases from related parties:

	1 January - 31 December 2023	1 January - 31 December 2022
TFS Akaryakıt Hizmetleri	2,732	2,924
TEC	474	277
Turkish DO&CO	456	305
TGS	405	392
THY Opet	383	239
Türkiye Sigorta A.Ş.	37	33
Sun Express	28	89
Turkcell	12	8
Goodrich	11	11
TCI	-	1
	<u>4,538</u>	<u>4,279</u>

Details of the financial assets and liabilities for related parties as of 31 December 2023 and 2022 are as follows:

	31 December 2023	31 December 2022
Financial investments (*)	3,174	588
Financial assets (**)	841	194
Banks - Time deposits	571	3,890
Banks - Demand deposits	10	16
Equity share	1	1
Bank borrowings	(543)	(1,069)
	<u>4,054</u>	<u>3,620</u>

(*) As of 31 December 2023, this amount represents the currency protected time deposits.

(**) This represents the nominal amount.

As of 31 December 2023, the amount of letters of guarantees given to the related parties is USD 432 (31 December 2022: USD 441).

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8. RELATED PARTIES (cont'd)

Details of the time deposits at related parties as of 31 December 2023 and 2022 are as follows:

Amount	Currency	Effective Interest Rate	Maturity	31 December 2023
264	EUR	0.01% - 4.05%	January 2024	293
5,772	TL	38.95% - 53.20%	January 2024	201
72	USD	1.50% - 3.38%	January 2024	72
4	GBP	1.69%	January 2024	5
				<u>571</u>

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

Details of the financial investments at related parties as of 31 December 2023 and 2022 are as follows:

Amount	Currency	Effective Interest Rate	Maturity	31 December 2023
93,432	TL	15.00% - 54.15%	November 2024	<u>3,174</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>588</u>

Details of the financial assets at related parties as of 31 December 2023 and 2022 are as follows:

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>

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

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8. RELATED PARTIES (cont'd)

Details of the bank borrowings at related parties as of 31 December 2023 and 2022 are as follows:

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 December 2023</u>
496	EUR	2.55% - (Euribor + 5.50%)	March 2026	543
<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 December 2022</u>
1,003	EUR	2.55% - (Euribor + 5.50%)	March 2026	1,069

Interest income from related parties:

	<u>1 January - 31 December 2023</u>	<u>1 January - 31 December 2022</u>
Türkiye Halk Bankası A.Ş. (Halk Bankası)	156	36
Türkiye Vakıflar Bankası T.A.O. (Vakıfbank)	130	90
T.C. Ziraat Bankası A.Ş. (Ziraat Bankası)	103	38
Ziraat Katılım Bankası A.Ş.	29	-
	<u>418</u>	<u>164</u>

Interest expense to related parties:

	<u>1 January - 31 December 2023</u>	<u>1 January - 31 December 2022</u>
Vakıfbank	33	32
Ziraat Bankası	20	21
	<u>53</u>	<u>53</u>

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

The total amount of all short-term benefits, including salaries, bonuses, vehicles allocated for their use and communication expenses provided for the Board Members, General Managers and Deputy General Managers of Group is USD 6 for the period between 1 January-31 December 2023 (1 January- 31 December 2022: USD 4).

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9. TRADE RECEIVABLES AND PAYABLES

Trade receivables from third parties as of 31 December 2023 and 2022 are as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Trade receivables	912	1,066
Expected Credit Loss (-)	(106)	(102)
	<u>806</u>	<u>964</u>

Provision for doubtful receivables has been determined based on past experience for uncollectible receivables, and also ECL calculation in accordance with the accounting policies described in Note 2.3.8. Details for credit risk, foreign currency risk and impairment for trade receivables are explained in Note 34.

Trade payables to third parties as of 31 December 2023 and 2022 are as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Trade payables	1,006	930

10. PAYABLES RELATED TO EMPLOYEE BENEFITS

Payables related to employee benefits as of 31 December 2023 and 2022 are as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Accrued salaries	352	129
Social security premiums payable	66	54
	<u>418</u>	<u>183</u>

11. OTHER RECEIVABLES AND PAYABLES

Other short-term receivables from third parties as of 31 December 2023 and 2022 are as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Predelivery payments made for aircraft (Gross)	305	511
Bank deposits with transfer limitations (*)	225	113
Receivables from technical purchases	187	100
Value added tax receivables	69	69
Receivables from pilots for flight training	29	24
Others	65	47
	<u>880</u>	<u>864</u>

(*) 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. (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.)

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11. OTHER RECEIVABLES AND PAYABLES (cont'd)

Other long-term receivables from third parties as of 31 December 2023 and 2022 are as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Investment incentives	613	415
Predelivery payments made for aircraft (Gross)	501	291
Receivables from pilots for flight training	172	148
Deposits and guarantees given	80	45
Interest and commodity swap agreement deposits	29	58
	<u>1,395</u>	<u>957</u>

Other short-term payables to third parties as of 31 December 2023 and 2022 are as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Taxes and funds payable	185	72
Deposits and guarantees received	8	12
Other liabilities	45	28
	<u>238</u>	<u>112</u>

Other long-term payables to third parties as of 31 December 2023 and 2022 are as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Deposits and guarantees received	<u>25</u>	<u>24</u>

12. INVENTORIES

	<u>31 December 2023</u>	<u>31 December 2022</u>
Spare parts	285	249
Other inventories (*)	143	92
	428	341
Provision for impairment (-)	(10)	(10)
	<u>418</u>	<u>331</u>

(*) USD 38 of other inventories consists of the direct and indirect costs for construction of the residential project started in 2023.

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13. PREPAID EXPENSES AND DEFERRED INCOME

Short-term prepaid expenses are as follows:

	31 December 2023	31 December 2022
Advances given for purchases	120	64
Prepaid advertising expenses	58	41
Prepaid sales commissions	22	22
Other prepaid expenses	37	49
	<u>237</u>	<u>176</u>

Long-term prepaid expenses are as follows:

	31 December 2023	31 December 2022
Prepaid engine maintenance expenses	1,183	823
Prepaid aircraft financing expenses	54	57
Advances given for property and equipment purchases	51	29
Other prepaid expenses	6	5
	<u>1,294</u>	<u>914</u>

Deferred income is as follows:

	31 December 2023	31 December 2022
Passenger flight liabilities	2,656	2,291
Other short-term deferred income	49	103
	<u>2,705</u>	<u>2,394</u>

Passenger flight liability is as follows:

	31 December 2023	31 December 2022
Flight liability for ticket sales	2,420	2,107
Frequent flyer program liability	236	184
	<u>2,656</u>	<u>2,291</u>

Other short-term deferred income is as follows:

	31 December 2023	31 December 2022
Deferred finance income	31	81
Advances received	10	11
Other	8	11
	<u>49</u>	<u>103</u>

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13. PREPAID EXPENSES AND DEFERRED INCOME (cont'd)

Long-term deferred income is as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Deferred finance income	107	107
Other	1	1
	<u>108</u>	<u>108</u>

14. INVESTMENT PROPERTY

	<u>31 December 2023</u>	<u>31 December 2022</u>
Investment properties at the beginning of the year	69	-
Transfer to investment properties	-	69
Transfer to inventory (*)	(26)	-
Investment properties at the end of the year	<u>43</u>	<u>69</u>

(*) Transfer to inventory consists of cost of the land in which the residential project has started.

According to the valuation carried out by a CMB-licensed independent real estate valuation company using a market approach method, the fair value of the land that the Group recognized as investment property is USD 79 as of 31 December 2023 (31 December 2022: USD 75). The Group continues to recognize land based on cost as per IAS 40 (31 December 2022: USD 43).

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15. 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 2023	1,600	759	279	5,028	750	746	210	242	9,614
Additions	3	43	46	253	97	232	42	185	901
Transfer (*)	1	13	-	33	10	-	2	(92)	(33)
Transfers to inventories	-	-	-	-	-	-	-	(12)	(12)
Transfers between the account	-	-	-	2,513	66	-	-	-	2,579
Disposals	(50)	(3)	(4)	(298)	(42)	(132)	-	-	(529)
Closing balance at 31 December 2023	1,554	812	321	7,529	881	846	254	323	12,520
<u>Accumulated Depreciation</u>									
Opening balance at 1 January 2023	406	385	229	3,108	319	387	126	-	4,960
Depreciation charge	71	41	24	377	77	127	16	-	733
Transfers between the account	-	-	-	1,123	34	-	-	-	1,157
Disposals	(7)	(2)	(4)	(264)	(42)	(86)	-	-	(405)
Closing balance at 31 December 2023	470	424	249	4,344	388	428	142	-	6,445
Net book value at 31 December 2023	1,084	388	72	3,185	493	418	112	323	6,075
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 1,960 of depreciation and amortization expenses recognized in cost of sales (31 December 2022: USD 1,795), USD 69 of general administrative expenses (31 December 2022: USD 64) and USD 6 of marketing and sales expenses (31 December 2022: USD 5) in total of USD 2,035 as of 31 December 2023 (31 December 2022: USD 1,864).

Capitilization rates and amounts other than borrowings made specially for the purpose of aquaring and qualifying asset are 1% and 4% and USD 1 and 4 for the years ended 31 December 2023 and 2022 respectively.

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 31 December 2023 (31 December 2022: None).

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15. 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 2022	1,650	734	259	4,341	697	692	196	179	8,748
Acquisitions	-	4	1	-	-	-	-	1	6
Additions	13	24	21	144	120	209	8	114	653
Transfer (*)	9	2	-	9	8	-	7	(52)	(17)
Transfers to investment properties	(69)	-	-	-	-	-	-	-	(69)
Transfers between the accounts	-	-	-	791	(4)	-	-	-	787
Disposals	(3)	(5)	(2)	(257)	(71)	(155)	(1)	-	(494)
Closing balance at 31 December 2022	1,600	759	279	5,028	750	746	210	242	9,614
<u>Accumulated Depreciation</u>									
Opening balance at 1 January 2022	336	344	211	2,709	288	385	111	-	4,384
Acquisitions	-	3	1	-	-	-	-	-	4
Depreciation charge	71	42	19	262	65	97	16	-	572
Transfers between the accounts	-	-	-	347	3	-	-	-	350
Disposals	(1)	(4)	(2)	(210)	(37)	(95)	(1)	-	(350)
Closing balance at 31 December 2022	406	385	229	3,108	319	387	126	-	4,960
Net book value at 31 December 2022	1,194	374	50	1,920	431	359	84	242	4,654

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15. 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 2023	21,737	369	654	7	22,767
Additions	2,932	24	45	1	3,002
Transfer	22	11	-	-	33
Disposals	(172)	-	(19)	-	(191)
Modifications	5	-	(17)	-	(12)
Transfers between the accounts (*)	(2,513)	(66)	-	-	(2,579)
Closing balance at 31 December 2023	22,011	338	663	8	23,020
	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	1,213	22	38	3	1,276
Disposals	(172)	-	(16)	-	(188)
Modifications	(26)	-	(3)	-	(29)
Transfers between the account (*)	(1,123)	(34)	-	-	(1,157)
Closing balance at 31 December 2023	5,936	71	78	7	6,092
Net book value at 31 December 2023	16,075	267	585	1	16,928
	Aircraft	Spare engines	Real Estate	Vehicles	Total
<u>Cost</u>					
Opening balance at 1 January 2022	20,348	301	75	9	20,733
Acquisitions	-	-	5	-	5
Additions	2,558	57	575	1	3,191
Transfers	6	11	-	-	17
Disposals	(388)	-	(1)	(3)	(392)
Transfers between the accounts (*)	(787)	-	-	-	(787)
Closing balance at 31 December 2022	21,737	369	654	7	22,767
	Aircraft	Spare engines	Real Estate	Vehicles	Total
<u>Accumulated Depreciation</u>					
Opening balance at 1 January 2022	5,525	62	31	5	5,623
Acquisitions	-	-	1	-	1
Depreciation charge	1,222	21	27	2	1,272
Disposals	(353)	-	-	(3)	(356)
Transfers between the account (*)	(350)	-	-	-	(350)
Closing balance at 31 December 2022	6,044	83	59	4	6,190
Net book value at 31 December 2022	15,693	286	595	3	16,577

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

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16. 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	-	38	-	38
Disposals	-	(2)	-	(2)
Closing balance at 31 December 2023	<u>44</u>	<u>299</u>	<u>5</u>	<u>348</u>

Accumulated Amortization

Opening balance at 1 January 2023	-	232	3	235
Amortization charge	-	26	-	26
Closing balance at 31 December 2023	<u>-</u>	<u>258</u>	<u>3</u>	<u>261</u>
Net book value at 31 December 2023	<u>44</u>	<u>41</u>	<u>2</u>	<u>87</u>
Net book value at 31 December 2022	<u>44</u>	<u>31</u>	<u>2</u>	<u>77</u>

	Slot rights and acquired technical licenses (*)	Rights	Other intangible assets	Total
<u>Cost</u>				
Opening balance at 1 January 2022	44	239	5	288
Acquisitions	-	13	-	13
Additions	-	12	-	12
Disposals	-	(1)	-	(1)
Closing balance at 31 December 2022	<u>44</u>	<u>263</u>	<u>5</u>	<u>312</u>

Accumulated Amortization

Opening balance at 1 January 2022	-	203	3	206
Acquisitions	-	9	-	9
Amortization charge	-	20	-	20
Closing balance at 31 December 2022	<u>-</u>	<u>232</u>	<u>3</u>	<u>235</u>
Net book value at 31 December 2022	<u>44</u>	<u>31</u>	<u>2</u>	<u>77</u>

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

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17. LEASES

Maturities of lease obligations are as follows:

	Future Minimum Lease Payments		Interest		Present Values of Minimum Lease Payments	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Less than 1 year	2,141	1,883	(381)	(294)	1,760	1,589
Between 1 – 5 years	6,505	6,081	(991)	(732)	5,514	5,349
Over 5 years	5,170	4,370	(632)	(542)	4,538	3,828
	<u>13,816</u>	<u>12,334</u>	<u>(2,004)</u>	<u>(1,568)</u>	<u>11,812</u>	<u>10,766</u>

	31 December 2023	31 December 2022
Interest Range:		
Floating rate obligations	5,463	5,355
Fixed rate obligations	6,349	5,411
	<u>11,812</u>	<u>10,766</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 December 2023, the USD, Euro, JPY and Swiss Franc denominated lease obligations' weighted average interest rates are 5.62% (31 December 2022: 5.82%) for the fixed rate obligations and 1.43% (31 December 2022: 1.53%) for the floating rate obligations.

18. GOVERNMENT GRANTS AND INCENTIVES

Incentive certificates dated, 28 December 2010, 18 December 2014, 11 July 2017, 18 September 2017, 1 March 2018, 9 August 2018 and 11 September 2018 were obtained from Ministry of Industry and Technology for investment of aircrafts. These certificates provide the Group with certain advantages on reduction of corporate tax, customs duty exemption and support for insurance premium of employers. Please refer to Note 2.4 for the accounting of corporate tax effect of these investment certificates.

There is no time limit for the use of incentives received in this scope. As of 31 December 2023, the Group has a discount and exemption amounting to USD 3,749, which can be used in the future within the scope of these incentives (31 December 2022: USD 3,452).

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18. GOVERNMENT GRANTS AND INCENTIVES (cont'd)

The Group accounts for government incentives in accordance with the policies disclosed in Note 2.4. As of 31 December 2023, The Group has discounts and exemptions amounting to USD 3,749 that it can benefit from in the foreseeable future (31 December 2022: USD 3,452). As of 31 December 2023, 30 USD of this tax advantage has been used.

- 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 31.
- The Group expects that the related tax benefits will be used within 1 - 5 years in this context. No change is expected in the 5 years usage plan.
- 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 1-5 years period of use.

19. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions as of 31 December 2023 and 2022 are as follows:

Short-term provision for employee benefits is as follows:

	31 December 2023	31 December 2022
Provisions for unused vacation	<u>50</u>	<u>39</u>

Changes in the provisions for the year ended 31 December 2023 and 2022 are set out below:

	1 January - 31 December 2023	1 January - 31 December 2022
Provisions at the beginning of the year	39	18
Provisions for the current year	509	372
Foreign currency translation differences	(21)	(10)
Provisions released	(477)	(341)
Provisions at the end of the year	<u>50</u>	<u>39</u>

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19. 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 December 2023	31 December 2022
Provisions for legal claims	<u>6</u>	<u>6</u>

Changes in the provisions for legal claims for the year ended 31 December 2023 and 2022 are set out below:

	1 January - 31 December 2023	1 January - 31 December 2022
Provisions at the beginning of the year	6	8
Provisions for the current year	3	2
Provisions released	-	(2)
Foreign currency translation differences	(3)	(2)
Provisions at the end of the year	<u>6</u>	<u>6</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.

Other long-term provision is as follows:

	31 December 2023	31 December 2022
Provisions for redelivery maintenance	<u>85</u>	<u>61</u>

Changes in the provisions for redelivery maintenance for the year ended 31 December 2023 and 2022 are set out below:

	1 January - 31 December 2023	1 January - 31 December 2022
Opening	61	46
Changes in current year	24	15
Provisions at the end of the year	<u>85</u>	<u>61</u>

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20. COMMITMENTS

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

Amount of letters of guarantees given as of 31 December 2023 is USD 1,112 (31 December 2022: USD 1,675).

As of 31 December 2023, the letters of guarantee are given to various authorities (i.e. various banks and vendors.)

	31 December 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	-	1,112	-	1,675
-Collaterals				
TL	137	5	75	4
EUR	835	924	1,530	1,632
USD	64	64	30	30
Other	-	119	-	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>1,112</u>		<u>1,675</u>

b) Aircraft purchase commitments:

The Group has signed agreements for 423 aircraft that will be delivered between the years 2024 and 2045,(298 of aircraft are contractual and 125 of them are optional) with a list price value of USD 51,606 each. The Group has made a predelivery payment of USD 868 relevant to these purchases as of 31 December 2023 (31 December 2022: USD 846).

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21. EMPLOYEE BENEFITS

Provisions for retirement pay liability as of 31 December 2023 and 2022 are comprised of the following:

	31 December 2023	31 December 2022
Provision for retirement pay liability	<u>229</u>	<u>273</u>

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 797 (full) (equivalent of TL 23,490 (full)) as of 31 December 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 31 December 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 24.61% annual inflation rate (31 December 2022: 10.08%) and 28.00% 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 2.38% (31 December 2022: 2.40%). Ceiling for retirement pay is revised semi-annually. Ceiling amount of USD 1,189 (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 December 2023	1 January - 31 December 2022
Provision at the beginning of the year	273	113
Actuarial loss	56	196
Service charge for the year	26	14
Interest charges	22	18
Payments	(13)	(7)
Foreign currency translation difference	(135)	(61)
Provision at the end of the year	<u>229</u>	<u>273</u>

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22. EXPENSES BY NATURE

Expenses by nature for the year ended 31 December 2023 and 2022 are as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Fuel	6,232	6,467
Personnel	3,256	2,140
Depreciation and amortisation	2,035	1,864
Ground services	1,241	931
Aircraft maintenance	997	865
Airport	896	639
Passenger services and catering	863	618
Air traffic control	718	595
Commissions and incentives	644	517
Reservation systems	299	266
Wet lease	242	140
Advertisement and promotion	193	110
Service	156	112
Insurance	64	60
Transportation	57	57
IT and communication	56	42
Taxes and duties	53	57
Rents	37	38
Call center	32	21
Utility	28	37
Systems use and associateship	25	18
Aircraft rent	21	17
Consultancy	21	15
Other	103	84
	<u>18,269</u>	<u>15,710</u>

23. OTHER ASSETS AND LIABILITIES

Other current assets as of 31 December 2023 and 2022 are as follows:

	31 December 2023	31 December 2022
Deferred VAT	101	57
Personnel and business advances	8	9
	<u>109</u>	<u>66</u>

Other current liabilities as of 31 December 2023 and 2022 are as follows:

	31 December 2023	31 December 2022
Accruals for maintenance expenses of aircraft under operating lease	379	298
Accruals for other expenses	126	15
Other	7	3
	<u>512</u>	<u>316</u>

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24. SHAREHOLDERS' EQUITY

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

(Millions of TL)	Class	%	31 December		31 December	
			2023	%	2022	%
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			
Other (publicly held)	A	50.53	697	50.88	702	
Paid-in capital (Turkish Lira)			1,380		1,380	
Inflation adjustment on share capital (Turkish Lira) (**)			1,124		1,124	
Share capital (Turkish Lira)			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 December 2023.

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

As of 31 December 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 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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24. 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 2023, 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.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**Notes to the Consolidated Financial Statements****For the Year Ended 31 December 2023**

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

25. REVENUE

Breakdown of gross profit is as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Passenger revenue (*)		
Scheduled	17,618	14,179
Unscheduled	109	112
Total passenger revenue	17,727	14,291
Cargo revenue		
Carried by cargo aircraft	1,418	2,176
Carried by passenger aircraft	1,178	1,559
Total cargo revenue	2,596	3,735
Total passenger and cargo revenue	20,323	18,026
Technical revenue	531	367
Other revenue	88	33
Net sales	20,942	18,426
Cost of sales (-)	(16,060)	(14,036)
Gross profit	4,882	4,390

(*) Various routes, which included in non-scheduled flights previously, are re-evaluated within the operational framework and started to be classified as scheduled flights in accordance with the principle of substance over form.

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

	1 January - 31 December 2023	1 January - 31 December 2022
- Europe	6,339	5,615
- Asia and Far East	4,611	4,134
- Americas	4,275	3,739
- Middle East	1,938	1,727
- Africa	1,662	1,572
International flights	18,825	16,787
Domestic flights	1,498	1,239
Total passenger and cargo revenue	20,323	18,026

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Notes to the Consolidated Financial Statements

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26. COST OF SALES

Breakdown of the cost of sales is as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Fuel	6,232	6,467
Personnel	2,559	1,689
Depreciation and amortisation	1,960	1,795
Ground services	1,241	931
Aircraft maintenance	997	865
Airport	896	639
Passenger services and catering	863	618
Air traffic control	718	595
Wet lease	242	140
Service	91	50
Insurance	57	56
Transportation	57	57
Taxes and duties	26	23
Utility	23	30
Aircraft rent	21	17
IT and communication	17	7
Rents	11	16
Systems use and associateship	7	4
Other	42	37
	<u>16,060</u>	<u>14,036</u>

27. GENERAL ADMINISTRATIVE EXPENSES AND SELLING AND MARKETING EXPENSES

Breakdown of general administrative expenses is as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Personnel	264	102
Depreciation and amortisation	69	64
Service	35	45
IT and communication	31	25
Systems use and associateship	12	8
Consultancy	7	5
Insurance	7	4
Taxes and duties	6	6
Utility	5	7
Rents	4	3
Other	9	15
	<u>449</u>	<u>284</u>

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

Breakdown of selling and marketing expenses is as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Commissions and incentives	644	517
Personnel	433	349
Reservation systems	299	266
Advertisement and promotion	193	110
Call center	32	21
Service	30	17
Rents	22	19
Taxes and duties	21	28
Consultancy	14	10
IT and communication	8	10
Depreciation and amortisation	6	5
Systems use and associateship	6	6
Other	52	32
	<u>1,760</u>	<u>1,390</u>

28. OTHER OPERATING INCOME / EXPENSES

Breakdown of other operating income and expenses are as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Insurance, indemnities, penalties income	184	28
Foreign exchange gains from operational activities, gross	154	85
Manufacturers' credits	77	61
Rent income	35	15
Rediscount interest income	13	3
Turnover premium from suppliers	11	7
Non- interest income from banks	10	8
Provisions released	4	8
Delay interest income	4	1
Reversal of ECL provision	3	1
Other	14	13
	<u>509</u>	<u>230</u>

	1 January - 31 December 2023	1 January - 31 December 2022
Donations and aid	207	-
Foreign exchange losses from operational activities, gross	71	93
Indemnity and penalty expenses	11	9
Provisions	9	19
Rediscount interest expenses	-	29
Other	25	17
	<u>323</u>	<u>167</u>

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29. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

Breakdown of income from investment activities is as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Interest income from financial investment	478	99
Income from investment incentives	399	183
Gain on sale of financial investments	37	17
Gain on sale of fixed assets	19	17
	<u>933</u>	<u>316</u>

Breakdown of expense from investment activities is as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Loss on sale of fixed assets	46	23
Loss on sale of financial investments	19	-
	<u>65</u>	<u>23</u>

30. FINANCIAL INCOME/ EXPENSES

Breakdown of financial income is as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Fair value gains on derivative financial instruments, net	189	-
Interest income	174	113
Foreign exchange gains from financial activities, gross	47	632
Reversal of ECL provision	2	-
Other	199	-
	<u>611</u>	<u>745</u>

Breakdown of financial expenses is as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Interest expense from leasing liabilities	448	211
Foreign exchange losses on financial activities, gross	320	367
Interest expense from financial activities	88	113
Aircraft financing expenses	24	27
Interest expenses on employee benefits	22	18
Rediscount interest expense from repayments of aircraft	16	33
Fair value losses on derivative financial instruments, net (*)	-	217
Other	13	13
	<u>931</u>	<u>999</u>

As of 31 December 2023, gross foreign exchange losses included in financial expenses mainly consist of foreign exchange losses arising from borrowings and lease obligations.

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31. TAX ASSETS AND LIABILITIES

Tax liability and tax expense are as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Provisions for corporate tax	59	35
Prepaid taxes and funds	(20)	(32)
Corporate tax liability	<u>39</u>	<u>3</u>
	<u>1 January -</u>	<u>1 January -</u>
	<u>31 December 2023</u>	<u>31 December 2022</u>
Current year tax expense	66	35
Deferred tax (income) / expense	(2,446)	179
Tax (income) / expense	<u>(2,380)</u>	<u>214</u>

Tax effect related to other comprehensive income is as follows:

	<u>1 January - 31 December 2023</u>			<u>1 January - 31 December 2022</u>		
	Amount	Tax	Amount	Amount	Tax	Amount
	before tax	(expense) / income	after tax	before tax	(expense) / income	after tax
Changes in foreign currency translation difference	73	-	73	(19)	-	(19)
Losses on Remeasuring FVOCI	35	(7)	28	(8)	1	(7)
Change in actuarial losses from retirement pay obligation	(56)	10	(46)	(196)	39	(157)
Change in cash flow hedge reserve	(287)	60	(227)	455	(91)	364
Other comprehensive income	<u>(235)</u>	<u>63</u>	<u>(172)</u>	<u>232</u>	<u>(51)</u>	<u>181</u>

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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31. 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.

In accordance with the Turkish Tax Law , the balance sheet as of December 31, 2023 is subject to inflation adjustment regardless of whether the inflation adjustment conditions are met. In this context, the Group has applied inflation accounting in its tax-based financial statements as of December 31, 2023. Non-monetary items in the tax-based financial statements are indexed with Producer Price Index (PPI) and recorded at the new indexed value. As a result of the inflation adjustment, the difference between “financial statements based on tax-based” and “the financial statements based on IAS/IFRS” has decreased significantly, thus the deferred tax liability arising from this difference in previous years has decreased and recognized as deferred tax income. As of December 31, 2023, the income effect of inflation accounting on deferred tax is USD 3,043.

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

	31 December 2023	31 December 2022
Deferred tax asset	332	2
Deferred tax liability	(50)	(2,220)
Deferred tax asset / (liability)	<u>282</u>	<u>(2,218)</u>
	31 December 2023	31 December 2022
Income and expense for future years	254	118
Carry forward tax losses	230	233
Accruals for expenses	135	82
Other receivables	59	22
Provisions for employee benefits	50	55
Miles accruals	34	24
Lease liabilities (net) (*)	14	9
Provisions for unused vacation	11	8
Change in fair value of derivative instruments	(77)	33
Adjustments for passenger flight liabilities	(144)	(46)
Fixed assets	(284)	(2,770)
Other	-	14
Deferred tax asset / (liability)	<u>282</u>	<u>(2,218)</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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31. TAX ASSETS AND LIABILITIES (cont'd)

Deferred Tax (cont'd)

The changes of deferred tax (asset) / liability for the year ended 1 January – 31 December 2023 and 2022 are as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Opening balance at 1 January	2,218	1,713
Tax expense from hedging reserves	60	92
Tax expense / (income) from FVOCI	7	(2)
Tax income of actuarial losses on retirement pay obligation	(10)	(39)
Foreign currency translation difference	(111)	275
Deferred tax (income) / expense	(2,446)	179
Deferred tax (asset) / liability at the end of the year	<u>(282)</u>	<u>2,218</u>

The redemption schedule of carry forward tax losses, which are considered in deferred tax calculation, is as follows:

	31 December 2023	31 December 2022
Expired as of 2025	7	10
Expired as of 2026	735	1,155
Expired as of 2028	351	-
	<u>1,093</u>	<u>1,165</u>

As of 31 December 2023, total amount of carry forward tax losses is USD 1,093. The Group has accounted for deferred income tax assets on carry forward tax losses amounting to USD 1,093, since it is considered as probable that sufficient taxable profit will be available to allow the benefit of all that deferred income tax asset to be utilized.

Reconciliation with current tax income / (charge) for the period 1 January – 31 December 2023 and 2022 are as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Reconciliation of effective tax charge		
Profit from operations before tax	<u>3,641</u>	<u>2,939</u>
Tax calculated with the effective tax rate	(910)	(676)
Taxation effects on:		
- income from inflation differences	3,043	-
- exception	248	6
- income from investment certificates	100	89
- investments accounted by using the equity method	58	25
- foreign currency translation difference	25	411
- investment incentive	4	37
- deduction	1	1
- adjustment for prior year loss	-	(1)
- effect of the change in the deferred tax rate	(62)	(29)
- non deductible expenses	(127)	(77)
Tax income / (charge) in statement of profit	<u>2,380</u>	<u>(214)</u>

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32. EARNINGS PER SHARE

Number of total shares and calculation of profits / losses per share at 1 January – 31 December 2023 and 2022:

	1 January - 31 December 2023	1 January - 31 December 2022
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	138,000,000,000
Weighted average number of shares outstanding during the year (in full)	137,996,631,444	138,000,000,000
Net profit for the year	6,021	2,725
Basic earnings per share (Full US Cents) (*)	4.36	1.97
Diluted earnings per share (Full US Cents) (*)	4.36	1.97

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

33. DERIVATIVE FINANCIAL INSTRUMENTS

Breakdown of derivative financial assets and liabilities of the Group as of 31 December 2023 and 2022 are as follows:

<u>Derivative financial assets</u>	31 December 2023	31 December 2022
Derivative instruments for interest rate cash flow hedge	9	16
Derivative instruments not subject to hedge accounting	5	-
Derivative instruments for fuel prices cash flow hedge	4	12
Derivative instruments for cross currency rate cash flow hedge	-	16
	<u>18</u>	<u>44</u>
	<u>18</u>	<u>44</u>
<u>Derivative financial liabilities</u>	31 December 2023	31 December 2022
Derivative instruments not subject to hedge accounting	75	208
Derivative instruments for fuel prices cash flow hedge	15	1
Derivative instruments for cross currency rate cash flow hedge	10	-
Derivative instruments for interest rate cash flow hedge	1	2
	<u>101</u>	<u>211</u>
	<u>101</u>	<u>211</u>

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34. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 7, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Board of Directors of the Group periodically reviews the capital structure. During these analyses, the Board assesses the risks associated with each class of capital along with cost of capital. Based on the review of the Board of Directors, the Group aims to balance its overall capital structure through the issue of new debt or the redemption of existing debt. The overall strategy of the Group has not changed compared to 2022.

	<u>31 December 2023</u>	<u>31 December 2022</u>
Total debts (*)	2,435	3,273
Lease liabilities	11,812	10,766
Less: Cash and cash equivalents and time deposits with maturity of more than three months	(683)	(4,689)
Net debt (A)	13,564	9,350
Total shareholders' equity (B)	15,563	9,742
Total capital stock (A+B)	29,127	19,092
Net debt/total capital stock ratio	0.47	0.49

(*) Total debts consist of bank borrowings and other financial liabilities.

(b) Financial Risk Factors

The risks of the Group, resulting from operations, include market risk (including currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's risk management program generally seeks to minimize the potential negative effects of uncertainty in financial markets on financial performance of the Group. The Group uses a small portion of derivative financial instruments in order to safeguard itself from different financial risks.

Risk management is carried out in line with policies approved by the Board of Directors. According to risk policy, financial risk is identified and assessed. Working together with Group's operational units, relevant instruments are used to reduce the risk.

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

(b) Financial Risk Factors (cont'd)

b.1) Credit risk management

31 December 2023	Receivables				Deposits in Banks	Derivative Instruments	Government Debt Securities	Corporate Debt Securities	Equity Securities
	Trade receivables		Other receivables						
	Related Party	Third Party	Related Party	Third Party					
Maximum credit risk as of balance sheet date (*)	50	631	9	2,275	682	18	258	582	16
-The part of maximum credit risk under guarantee with collateral etc. (**)	-	(175)	-	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	50	-	9	-	99	-	258	-	16
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-	-	-	-
C. Net book value of financial assets that are past due but not impaired	-	-	-	-	-	-	-	-	-
-The part under guarantee with collateral etc.	-	-	-	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-	-	-
-Past due (gross carrying amount)	-	217	-	-	-	-	-	-	-
-Impairment(-)	-	(104)	-	-	-	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-	-
-Not past due (gross carrying amount)	-	695	-	2,278	585	18	-	582	-
-Impairment (-)	-	(2)	-	(3)	(2)	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-	-	-	-

(*)The guarantees that increase credit reliability are not included in the balance.

(**)Guarantees consist of the guarantees in cash & letters of guarantee obtained from the customers.

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

(b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

31 December 2022	Receivables				Deposits in Banks	Derivative Instruments	Government Debt Securities	Corporate Debt Securities	Equity Securities
	Trade receivables		Other receivables						
	Related Party	Third Party	Related Party	Third Party					
Maximum credit risk as of balance sheet date (*)	31	724	13	1,821	4,688	44	107	58	11
-The part of maximum credit risk under guarantee with collateral etc. (**)	-	(240)	-	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	31	-	13	-	94	-	107	-	11
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-	-	-	-
C. Net book value of financial assets that are past due but not impaired	-	-	-	-	-	-	-	-	-
-The part under guarantee with collateral etc.	-	-	-	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-	-	-
-Past due (gross carrying amount)	-	369	-	-	-	-	-	-	-
-Impairment(-)	-	(101)	-	-	-	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-	-
-Not past due (gross carrying amount)	-	697	-	1,823	4,598	44	-	58	-
-Impairment (-)	-	(1)	-	(2)	(4)	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-	-	-	-

(*)The guarantees that increase credit reliability are not included in the balance.

(**)Guarantees consist of the guarantees in cash & letters of guarantee obtained from the customers.

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

(b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

The risk of a financial loss for the Group due to failing of one of the parties of the contract to meet its obligations is defined as credit risk.

The Group's credit risk is related to its receivables, cash and derivative financial assets. The balance shown in the consolidated balance sheet is the result of the net amount after deducting the doubtful receivables arisen from the Group management's forecasts based on previous experience and current economy conditions. Since the customers are diversified, the Group's credit risk is dispersed and there is no material credit risk concentration.

The aging of past due receivables as of 31 December 2023 are as follows:

31 December 2023	<u>Receivables</u>					<u>Total</u>
	<u>Trade Receivables</u>	<u>Other Receivables</u>	<u>Deposits in Banks</u>	<u>Derivative Instruments</u>	<u>Other</u>	
Past due 1-30 days	135	-	-	-	-	135
Past due 1-3 months	27	-	-	-	-	27
Past due 3-12 months	106	-	-	-	-	106
Past due 1-5 years	133	-	-	-	-	133
Total past due receivables	401	-	-	-	-	401
The part under guarantee with collateral etc.	175	-	-	-	-	175

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

(b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

The aging of past due receivables as of 31 December 2022 are as follows:

31 December 2022	<u>Receivables</u>					<u>Total</u>
	<u>Trade Receivables</u>	<u>Other Receivables</u>	<u>Deposits in Banks</u>	<u>Derivative Instruments</u>	<u>Other</u>	
Past due 1-30 days	81	-	-	-	-	81
Past due 1-3 months	12	-	-	-	-	12
Past due 3-12 months	87	-	-	-	-	87
Past due 1-5 years	140	-	-	-	-	140
Total past due receivables	320	-	-	-	-	320
The part under guarantee with collateral etc.	240	-	-	-	-	240

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

(b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

The details of credit ratings of banks in which the Group has deposits as of 31 December 2023 are as follows:

<u>Equivalent to External Credit Rating</u>	<u>Weighted Average Lost Rate</u>	<u>Gross Carrying Amount</u>	<u>Impairment Loss Allowance</u>
AA2	0.04%	1,893	3
BA3	0.22%	5,236	3
B2	1.93%	220	-
		<u>7,349</u>	<u>6</u>

The aging of financial assets as of 31 December 2023 are as follows:

<u>Maturity Ranges As of 31.12.2023</u>	<u>Weighted Average Lost Rate</u>	<u>Gross Carrying Amount</u>	<u>Impairment Loss Allowance</u>
Current	0.31%	695	2
1-30 days past due	0.62%	135	1
30-90 days past due	3.69%	27	1
90-360 days past due	3.32%	106	4
More than 1 year past due	1.13%	27	-
		<u>990</u>	<u>8</u>

The details of credit ratings of banks in which the Group has deposits as of 31 December 2022 are as follows:

<u>Equivalent to External Credit Rating</u>	<u>Weighted Average Lost Rate</u>	<u>Gross Carrying Amount</u>	<u>Impairment Loss Allowance</u>
AA2	0.09%	1,085	1
BA3	0.79%	2,671	4
B2	1.00%	197	-
		<u>3,953</u>	<u>5</u>

The aging of financial assets as of 31 December 2022 are as follows:

<u>Maturity Ranges As of 31.12.2022</u>	<u>Weighted Average Lost Rate</u>	<u>Gross Carrying Amount</u>	<u>Impairment Loss Allowance</u>
Current	0.17%	697	1
1-30 days past due	0.61%	82	1
30-90 days past due	5.71%	13	1
90-360 days past due	1.64%	92	2
More than 1 year past due	13.48%	38	5
		<u>922</u>	<u>10</u>

As of balance sheet date, total amount of cash collateral and letter of guarantee received by Group for past due and not impaired receivable is USD 175 (31 December 2022: USD 240).

As of the balance sheet date, the Group has no guarantee for past due receivables for which provisions were recognized.

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

(b) Financial Risk Factors (cont'd)

b.2) Impairment

Provisions for doubtful trade receivables consist of provisions for receivables in legal dispute and provisions calculated based on experiences on uncollectible receivables.

Changes in provisions for doubtful receivables for the years ended 31 December 2023 and 2022 are as follows:

	<u>1 January - 31 December 2023</u>	<u>1 January - 31 December 2022</u>
Opening Balance	102	91
Charge for the year	7	17
Currency translation adjustment	3	1
(Reversal) for ECL	(3)	(1)
Collections during the year	(3)	(6)
Closing Balance	<u>106</u>	<u>102</u>

b.3) Liquidity risk management

The main responsibility for liquidity risk management rests with the Board of Directors. The Board designed an appropriate risk management policy for short, medium and long term funding and liquidity necessities of the Group management. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The tables below demonstrate the maturity distribution of nonderivative financial liabilities and are prepared based on the earliest date on which the Group can be required to pay. The interests that will be paid on the future liabilities are included in the related maturities.

Group manages liquidity risk by keeping under control estimated and actual cash flows and by maintaining adequate funds and borrowing reserves through matching the maturities of financial assets and liabilities.

Liquidity risk table:

31 December 2023

<u>Due date on the contract</u>	<u>Book value</u>	<u>Total cash outflow according to the contract (I+II+III+IV)</u>	<u>Less than 3 months (I)</u>	<u>3-12 months (II)</u>	<u>1-5 years (III)</u>	<u>More than 5 years (IV)</u>
Non-derivative financial liabilities						
Bank borrowings	2,435	(2,515)	(1,261)	(756)	(483)	(15)
Lease liabilities	11,812	(13,816)	(562)	(1,579)	(6,505)	(5,170)
Trade payables	1,291	(1,307)	(1,307)	-	-	-
Total	<u>15,538</u>	<u>(17,638)</u>	<u>(3,130)</u>	<u>(2,335)</u>	<u>(6,988)</u>	<u>(5,185)</u>

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

(b) Financial Risk Factors (cont'd)

b.3) *Liquidity risk management (cont'd)*

31 December 2022

<u>Due date on the contract</u>	<u>Book value</u>	<u>Total cash outflow according to the contract (I+II+III+IV)</u>	<u>Less than 3 months (I)</u>	<u>3-12 months (II)</u>	<u>1-5 years (III)</u>	<u>More than 5 years (IV)</u>
Non-derivative financial liabilities						
Bank borrowings	3,273	(3,416)	(954)	(1,275)	(1,167)	(20)
Lease liabilities	10,766	(12,334)	(505)	(1,378)	(6,081)	(4,370)
Trade payables	1,200	(1,204)	(1,204)	-	-	-
Total	15,239	(16,954)	(2,663)	(2,653)	(7,248)	(4,390)

31 December 2023

<u>Due date on the contract</u>	<u>Book value</u>	<u>Total cash outflow according to the contract (I+II+III+IV)</u>	<u>Less than 3 months (I)</u>	<u>3-12 months (II)</u>	<u>1-5 years (III)</u>	<u>More than 5 years (IV)</u>
Derivative financial (liabilities) / assets, net						
Derivative cash inflows	18	8	-	-	8	-
Derivative cash outflows	(101)	(91)	(12)	(78)	(1)	-
Derivative cash inflows/outflows,net	(83)	(83)	(12)	(78)	7	-

31 December 2022

<u>Due date on the contract</u>	<u>Book value</u>	<u>Total cash outflow according to the contract (I+II+III+IV)</u>	<u>Less than 3 months (I)</u>	<u>3-12 months (II)</u>	<u>1-5 years (III)</u>	<u>More than 5 years (IV)</u>
Derivative financial (liabilities) / assets, net						
Derivative cash inflows	44	37	7	5	25	-
Derivative cash outflows	(211)	(204)	(200)	(4)	-	-
Derivative cash inflows/outflows,net	(167)	(167)	(193)	1	25	-

b.4) *Market risk management*

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and jet fuel prices. Market risk exposures of the Group are evaluated using sensitivity analysis. There has been no change in the Group's exposure to market risks or the manner in which it manages and measures the risk.

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

(b) Financial Risk Factors (cont'd)

b.4) Market risk management (cont'd)

b.4.1) 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 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	-

(*) 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 8,286 as of 31 December 2023 (31 December 2022: USD 7,679).

(**) EUR amount equivalent to USD 3,540 represents the currency protected time deposit (31 December 2022: None)

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

(b) Financial Risk Factors (cont'd)

b.4) Market risk management (cont'd)

b.4.1) 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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34. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)

(b) Financial Risk Factors (cont'd)

b.4) Market risk management (cont'd)

b.4.1) 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 December 2023			
	Profit / (Loss)		Equity	
	Before Tax		If foreign	If foreign
	If foreign	If foreign	currency	currency
	currency	currency	appreciated	depreciated
	appreciated	depreciated	appreciated	depreciated
	10 %	10 %	10 %	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

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

(b) Financial Risk Factors (cont'd)

b.4) Market risk management (cont'd)

b.4.1) Foreign currency risk management (cont'd)

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

b.4.2) Interest rate risk management

The Group has been borrowing at both fixed and floating interest rates. Considering the interest conditions of the current borrowings, the majority of the borrowings are at floating interest rates. In addition to this; under the condition that the cost of financing of aircraft purchases are reasonable, the Group has been trying to increase the amount of the fixed interest rate borrowings in order to create a partial balance between the fixed and floating interest rate borrowings. Due to the fact that the floating interest rates of the Group are dependent on Sofr and Euribor, exposure to local interest rate is low.

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

(b) Financial Risk Factors (cont'd)

*b.4) Market risk management (cont'd)**b.4.2) Interest rate risk management (cont'd)*

	<u>31 December 2023</u>	<u>31 December 2022</u>
<u>Instruments with fixed interest rate</u>		
Financial Liabilities	6,349	5,411
<u>Financial Instruments with Variable Interest Rate</u>		
Financial Liabilities	5,463	5,355
Interest Swap Agreements Subject to Hedge Accounting (Net)	8	14
Interest Swap Agreements Not Subject to Hedge Accounting (Net)	-	-

As indicated in Note 35, the Group fixed the interest rate for 1,462 USD of floating–interest-rated financial liabilities via an interest rate swap contracts as of 31 December 2023.

Interest rate sensitivity

The following sensitivity analysis are done considering the interest rate exposure in the reporting date and possible changes on this rate and are fixed during all reporting period. Group management checks out possible effects that may arise when Sofr and Euribor rates, which are the basis for floating interest rates, fluctuate 0.5% and reports the effects to the top management.

Assuming that there is a 0.5% increase in Sofr and Euribor interest rates and all other floatings are kept constant:

Current profit before tax of the Group for the year will decrease by USD 32 (For the year ended 31 December 2022 profit before tax will decrease by USD 34). In contrast, if Sofr and Euribor interest rate decrease by 0.5%, profit before tax will increase by the same amounts.

Moreover, as a result of the interest rate swap contracts against cash flow risks, in the event of a 0.5% increase in the Sofr and Euribor interest rates, the shareholders' equity of the Group will increase by USD 2, excluding the deferred tax effect. (For the year ended 31 December 2022 the shareholders' equity of the Group will increase by USD 5, excluding the deferred tax effect.) In the event of a 0.5% decrease in the Sofr and Euribor interest rates, the shareholders' equity of the Group will decrease by the same amounts, excluding the deferred tax effect.

b.4.3) Fuel prices sensitivity

As explained in Note 35, Group has entered into forward fuel purchase contracts in order to hedge cash flow risks arising from fuel purchases. Due to forward fuel purchase contracts subject to hedge accounting, as a result of a 10% increase in fuel prices, the shareholders' equity of the Group will increase by USD 43, excluding the deferred tax effect. (For the year ended 31 December 2022, the shareholders' equity of the Group will increase by USD 7 excluding deferred tax effect.)

In case of a 10% decrease in fuel prices, the shareholders' equity of the Group will decrease by USD 44, excluding the deferred tax effect. (For the year ended 31 December 2022, the shareholders' equity of the Group will decrease by USD 8, excluding deferred tax effect.)

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35. FINANCIAL INSTRUMENTS

Fair Values of Financial Instruments

Fair values of financial assets and liabilities are determined as follows:

- Under standard maturities and conditions, fair values of financial assets and liabilities traded in an active market are determined using quoted market prices.
- Fair values of derivative instruments:
 - Fixed-paid/floating received interest swap contracts: Fair value hierarchy is level 2. Valuation is performed by using discounted cash flow technique. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.
 - Forward fuel purchase contracts and fuel collar contracts: Fair value hierarchy is level 2. Valuation is performed by using discounted cash flow technique. Future cash flows are estimated based on forward fuel prices (from observable forward fuel prices at the end of the reporting period) and contract fuel prices, discounted at a rate that reflects the credit risk of various counterparties.
 - Forward currency contracts: Fair value hierarchy is level 2. Valuation is performed by using discounted cash flow technique. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
 - Cross-currency swap contracts: Fair value hierarchy is level 2. Valuation is performed by using discounted cash flow technique. Future cash flows are estimated based on forward interest rates and forward exchange rates (from observable yield curves and forward exchange rates at the end of the reporting period) and contract interest rates and forward exchange rates, discounted at a rate that reflects the credit risk of various counterparties.

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35. FINANCIAL INSTRUMENTS (cont'd)

Fair Values of Financial Instruments (cont'd)

31 December 2023	Financial assets at amortized cost	Financial instruments at FVOCI	Financial instruments at FVTPL	Financial instruments FVOCI at cost value	Financial liabilities at amortized cost	Book Value	Note
<u>Financial Assets</u>							
Cash and cash equivalents	683	-	-	-	-	683	5
Financial investments and derivative financial instruments	-	853	4,906	1	-	5,760	6 and 35
Trade receivables	856	-	-	-	-	856	9
Other receivables	2,284	-	-	-	-	2,284	8 and 11
<u>Financial liabilities</u>							
Bank borrowings	-	-	-	-	2,435	2,435	7 and 17
Lease liabilities	-	-	-	-	11,812	11,812	7 and 17
Other financial liabilities and derivative financial instruments	-	26	75	-	-	101	35
Trade payables	-	-	-	-	1,291	1,291	8 and 9

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35. FINANCIAL INSTRUMENTS (cont'd)

Fair Values of Financial Instruments (cont'd)

31 December 2022	Financial assets at amortized cost	Financial instruments at FVOCI	Financial instruments at FVTPL	Financial instruments FVOCI at cost value	Financial liabilities at amortized cost	Book Value	Note
<u>Financial Assets</u>							
Cash and cash equivalents	4,075	-	-	-	-	4,075	5
Financial investments and derivative financial instruments	-	209	625	1	-	835	6 and 35
Trade receivables	995	-	-	-	-	995	9
Other receivables	1,834	-	-	-	-	1,834	8 and 11
<u>Financial liabilities</u>							
Bank borrowings	-	-	-	-	3,273	3,273	7 and 17
Lease liabilities	-	-	-	-	10,766	10,766	7 and 17
Other financial liabilities and derivative financial instruments	-	3	208	-	-	211	35
Trade payables	-	-	-	-	1,200	1,200	8 and 9

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35. FINANCIAL INSTRUMENTS (cont'd)

Fair Values of Financial Instruments (cont'd)

Fair values of financial assets and liabilities are determined 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. These assets and liabilities consist of derivative transactions' fair values which include such as fuel prices, foreign currency changes and interest rates in the market.
- Level 3: Variables which are not related to observable market variable for assets and liabilities (unobservable variables).

Financial assets and liabilities, measured at their fair values are classified as below:

	31 December 2023	Fair value level as of the reporting date		
		Level 1 USD	Level 2 USD	Level 3 USD
Financial assets				
Financial assets on remeasuring FVOCI	840	840	-	-
Financial assets on remeasuring FVTPL	16	16	-	-
Derivative instruments at fair value through profit or loss	5	-	5	-
Derivative instruments accounted for hedge accounting	13	-	13	-
Total	874	856	18	-
Financial liabilities				
Derivative instruments at fair value through profit or loss	75	-	75	-
Derivative instruments accounted for hedge accounting	26	-	26	-
Total	101	-	101	-

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35. FINANCIAL INSTRUMENTS (cont'd)

Fair Values of Financial Instruments (cont'd)

	31 December 2022	Fair value level as of the reporting date		
		Level 1	Level 2	Level 3
		USD	USD	USD
Financial assets				
Financial assets on remeasuring FVOCI	165	165	-	-
Financial assets on remeasuring FVTPL	11	11	-	-
Derivative instruments at fair value through profit or loss	44	-	44	-
Total	220	176	44	-
Financial liabilities				
Derivative instruments at fair value through profit or loss	208	-	208	-
Derivative instruments accounted for hedge accounting	3	-	3	-
Total	211	-	211	-

Derivative Instruments and Hedging Transactions

The financial risk management strategy of the Group aims to ensure a healthy cash flow and liquidity in the future. For this purpose, derivative financial instruments such as currency forwards, currency options, interest rate swaps, interest rate options, oil options and oil swaps are used to protect against the financial risks arising from the fluctuation of exchange rates, interest rates and jet fuel price.

The floating-rate financial liabilities of the Group are explained in Note 34 b.4.2. In order to keep interest costs at an affordable level, the Group has hedged approximately 18% of floating rate USD, JPY and Euro denominated liabilities arising from financial leasing activities. Effective part of the change in the fair values of those derivative instruments for cash flows risks of floating-rate finance lease liabilities are recognized in other comprehensive income and presented in cash flow hedge reserve under the shareholders' equity, in accordance with hedge accounting.

Within the scope of the financial risk management strategy, the Group started fuel price risk hedging in 2009, in order to manage the cash flow effect that may arise from the fluctuation of the fuel price. Fuel price risk management strategy was updated several times over the years with the experience gained. In accordance with the Group's latest BOD resolution issued on 14 July 2017, hedging transactions are executed for the tenor of at most 24 months and up to 60% of the forecasted fuel consumption of the following month. Also with this resolution, premium paid options have been included to the instrument list for the first time, in addition to formerly used swap and zero-cost option structures. The tenor, ratio and instrument to-be-used are chosen based on the current market conditions and future expectations. As a result of these changes, hedging strategy has become more flexible and accommodative to fuel market conditions. It is aimed to either fix the fuel price or keep it in a restrained range. The effective portion of fair value of fuel hedge contracts for cash flow hedge is recognized in other comprehensive income and presented in cash flow hedge reserve under the shareholders' equity, in accordance with hedge accounting.

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35. FINANCIAL INSTRUMENTS (cont'd)

Derivative Instruments and Hedging Transactions (cont'd)

The mismatch between Group's income and expense currencies causes to the exchange rate risk. In order to manage this risk resulted from the fluctuations of the FX market, the Group started to implement exchange rate risk hedging in 2013. Exchange rate risk management strategy of the Group was updated in 2015 and 2018 as a result of the gained experience and the needs. In order to manage this risk resulted from the fluctuations of the FX market, the Group started to implement exchange rate risk hedging. Since the Group is short in JPY, strategy mainly aims to decrease the amount of short position in JPY with the long position in USD via the derivative instruments. Only forwards are used for USD/JPY transactions. Other derivative instruments can be used in accordance with the market conditions, especially zero-cost option structures. In accordance with the strategy, current market conditions and future expectations are analyzed dynamically, and the hedge tenor, ratio and instrument to be used are determined accordingly. With these transactions, the Company aims to fix the exchange rate at a single level or to keep it within a certain range. The effective portion of fair value of currency hedge contracts for cash flow hedge is recognized in other comprehensive income and presented in cash flow hedge reserve under the shareholders' equity, in accordance with hedge accounting.

As of 2023, financial lease liabilities 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 %85 of borrowings. In this context, exchange differences arising from such these loans repayment are taken to equity and recognized in other comprehensive income.

Group's derivative instruments arising from transactions stated above and their balances as of 31 December 2023 and 2022 are as follows:

Derivative Instruments Accounted in Assets and Liabilities

31 December 2023	Positive fair value	Negative fair value	Total
	<u> </u>	<u> </u>	<u> </u>
Fixed-paid/floating received interest rate swap contracts for hedging against cash flow risks of interest rate	9	(1)	8
Forward fuel purchase contracts for hedging against cash flow risk of fuel prices	-	-	-
Collar contracts for hedging against cash flow risk of fuel prices	4	(15)	(11)
Forward currency contracts for hedging purposes	<u> </u>	<u> </u>	<u> </u>
Fair values of derivative instruments for hedging purposes	<u>13</u>	<u>(26)</u>	<u>(13)</u>
Cross-currency swap contracts not subject to hedge accounting			-
Interest rate swap contracts not subject to hedge accounting			-
Forward currency contracts not for hedging purposes	<u>5</u>	<u>(75)</u>	<u>(70)</u>
Fair values of derivative instruments not for hedging purposes	<u>5</u>	<u>(75)</u>	<u>(70)</u>
Total	<u><u>18</u></u>	<u><u>(101)</u></u>	<u><u>(83)</u></u>

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35. FINANCIAL INSTRUMENTS (cont'd)

Derivative Instruments and Hedging Transactions (cont'd)

Group's derivative instruments arising from transactions stated above and their balances as of 31 December 2023 and 2022 are as follows (cont'd):

Derivative Instruments Accounted in Assets and Liabilities (cont'd)

31 December 2022	Positive fair value	Negative fair value	Total
Fixed-paid/floating received interest rate swap contracts for hedging against cash flow risks of interest rate	16	(2)	14
Forward fuel purchase contracts for hedging against cash flow risk of fuel prices	-	-	-
Collar contracts for hedging against cash flow risk of fuel prices	12	(1)	11
Forward currency contracts for hedging purposes	16	-	16
Fair values of derivative instruments for hedging purposes	<u>44</u>	<u>(3)</u>	<u>41</u>
Cross-currency swap contracts not subject to hedge accounting	-	-	-
Interest rate swap contracts not subject to hedge accounting	-	-	-
Forward currency contracts not for hedging purposes	-	(208)	(208)
Fair values of derivative instruments not for hedging purposes	<u>-</u>	<u>(208)</u>	<u>(208)</u>
Total	<u>44</u>	<u>(211)</u>	<u>(167)</u>

Derivative Instruments Accounted in the Equity

31 December 2023	Hedging against fuel risk	Hedging against interest risk	Hedging against currency risk	Total
Fair values of derivative instruments for hedging purposes	(11)	8	(10)	(13)
Inefficient part in the risk elimination of fair value of hedging gains of fuel hedging derivative instrument to financial revenues	-	-	-	-
Inefficient part in the risk elimination of fair value of hedging gains of currency hedging derivative instrument to financial revenues	-	-	369	369
Total	<u>(11)</u>	<u>8</u>	<u>359</u>	<u>356</u>
Deferred tax	2	(2)	(75)	(75)
Hedge reserve as of 31 December 2023	<u>(9)</u>	<u>6</u>	<u>284</u>	<u>281</u>

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35. FINANCIAL INSTRUMENTS (cont'd)

Derivative Instruments and Hedging Transactions (cont'd)

Group's derivative instruments arising from transactions stated above and their balances as of 31 December 2023 and 2022 are as follows (cont'd):

Derivative Instruments Accounted in the Equity (cont'd)

31 December 2022	Hedging against fuel risk	Hedging against interest risk	Hedging against currency risk	Total
Fair values of derivative instruments for hedging purposes	12	14	15	41
Inefficient part in the risk elimination of fair value of hedging gains of fuel hedging derivative instrument to financial revenues	-	(1)	-	(1)
Inefficient part in the risk elimination of fair value of hedging gains of currency hedging derivative instrument to financial revenues	-	-	605	605
Total	12	13	620	645
Deferred tax	(3)	(3)	(124)	(130)
Hedge reserve as of 31 December 2022	9	10	496	515

36. FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITOR/INDEPENDENT AUDIT FIRMS

The Group's explanation regarding the fees for the services received from the independent audit firms, which is based on the letter of POA dated August 19, 2021, the preparation principles of which are based on the Board Decision published in the Official Gazette on March 30, 2021, are as follows (Thousand USD):

	31 December 2023	31 December 2022
Audit and assurance fee	292	235
Other assurance services fee	8	10
	300	245

The fees above have been determined through including the statutory audit and other related service fees of all subsidiaries and joint ventures, and the foreign currency fees of foreign subsidiaries and joint ventures have been converted into USD using the annual average rates of the relevant years.

37. EVENTS AFTER THE BALANCE SHEET DATE

None.