

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

Consolidated Financial Statements
for The Year Ended 31 December 2025
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 2025, 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 2025;
- the consolidated statement of profit or loss and other 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 and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (“IESBA Code”) as applicable to audits of consolidated financial statements of public interest entities. We have also 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 the key audit matter was addressed in the audit
<p>The recognition of the revenue, passenger flight liabilities and the frequent flyer program liabilities</p>	
<p>Revenue and passenger flight liabilities (Please refer to Note 2.3.1, 13 and 25)</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 USD19,800 million for the year ended 31 December 2025. Unused tickets are recognized as passenger flight liabilities, until the flights are completed. Total passenger flight liability for ticked sales amounted to USD2,792 million as of 31 December 2025.</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 the key audit matter was addressed in the audit
<p>The recognition of the revenue, passenger flight liabilities and the frequent flyer program liabilities</p>	
<p>Frequent flyer program liabilities (Please refer to Note 2.3.1 and 13)</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 sale transactions. Frequent flyer program liabilities amounted to USD302 million in the consolidated financial statements as of 31 December 2025.</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 the key audit matter was addressed in the audit
<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 and equipment and right of use assets amounted to USD23,381 million in the consolidated financial statements as of 31 December 2025.</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 component 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 2025 is significant, - The assessment of determination of components involves significant level of management’s estimates, - The assessment of determination of useful lives of each component 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.



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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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.

Muratcan Aksoy, SMMM
Independent Auditor

Istanbul, 4 March 2026

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
Consolidated Statement of Financial Position as at 31 December 2025
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

ASSETS	Notes	31 December 2025	31 December 2024
Non-Current Assets			
Financial Investments	6	2,683	1,113
Other Receivables			
-Related Parties	8	53	12
-Third Parties	11	1,975	1,252
Investments Accounted for Using Equity Method	3	763	644
Investment Property	14	43	43
Property and Equipment	15	8,463	7,055
Right of Use Assets	15	19,786	17,625
Intangible Assets			
- Other Intangible Assets	16	180	112
- Goodwill		27	27
Prepaid Expenses	13	2,031	1,696
Deferred Tax Assets	31	413	402
TOTAL NON-CURRENT ASSETS		36,417	29,981
Current Assets			
Cash and Cash Equivalents	5	2,008	2,721
Financial Investments	6	4,265	3,346
Trade Receivables			
-Related Parties	8	36	43
-Third Parties	9	1,033	862
Other Receivables			
-Related Parties	8	-	9
-Third Parties	11	919	1,359
Derivative Financial Instruments	33	247	119
Inventories	12	968	671
Prepaid Expenses	13	421	302
Current Income Tax Assets	31	-	29
Other Current Assets	23	289	232
TOTAL CURRENT ASSETS		10,186	9,693
TOTAL ASSETS		46,603	39,674

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 2025

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

LIABILITIES AND EQUITY	Notes	31 December 2025	31 December 2024
Equity			
Share Capital	24	1,597	1,597
Share Premium	24	1	-
Treasury Shares	24	(47)	(39)
Items That Will Not Be Reclassified to Profit or Loss			
-Actuarial Losses on Retirement Pay Obligation	24	(287)	(284)
Items That May Be Reclassified to Profit or (Losses)			
-Foreign Currency Translation Differences	24	(164)	(214)
-Fair Value (Losses) / Gains on Hedging Instruments Entered into for Cash Flow Hedges	24	(138)	620
-Gains on Remeasuring FVOCI		71	18
Restricted Profit Reserves	24	84	75
Previous Years Profit		17,285	14,112
Net Profit for the Year		2,910	3,425
Equity of the Parent		21,312	19,310
Non-Controlling Interests		2	4
TOTAL EQUITY		21,314	19,314
Non-Current Liabilities			
Long-Term Borrowings	7	1,141	33
Long-Term Lease Liabilities	7 and 17	12,879	10,139
Other Payables			
-Third Parties	11	29	32
Deferred Revenue	13	76	131
Long-Term Provisions			
-Provisions for Employee Termination Benefits	21	282	247
-Other Provisions	19	195	107
Deferred Tax Liabilities	31	73	65
Other Non-Current Liabilities	23	315	-
TOTAL NON-CURRENT LIABILITIES		14,990	10,754
Current Liabilities			
Short-Term Borrowings	7	1,632	1,571
Short-Term Portion of Long-Term Borrowings	7	145	291
Short-Term Portion of Lease Liabilities	7 and 17	2,007	1,827
Trade Payables			
-Related Parties	8	309	293
-Third Parties	9	1,523	1,201
Payables Related to Employee Benefits	10	468	536
Other Payables			
-Related Parties	8	31	1
-Third Parties	11	242	315
Derivative Financial Instruments	33	148	37
Deferred Revenue	13	3,524	2,944
Current Income Tax Provision	31	10	-
Short-Term Provisions			
-Provisions for Employee Benefits	19	131	101
-Other Provisions	19	18	14
Other Current Liabilities	23	111	475
TOTAL CURRENT LIABILITIES		10,299	9,606
TOTAL LIABILITIES AND EQUITY		46,603	39,674

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 2025

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

	Notes	1 January - 31 December 2025	1 January - 31 December 2024
<u>PROFIT OR LOSS</u>			
Revenue	25	24,096	22,669
Cost of Sales (-)	26	(20,208)	(18,347)
GROSS PROFIT		3,888	4,322
General Administrative Expenses (-)	27	(530)	(564)
Selling and Marketing Expenses (-)	27	(1,806)	(1,838)
Other Operating Income	28	757	606
Other Operating Expenses (-)	28	(86)	(113)
OPERATING PROFIT BEFORE INVESTMENT ACTIVITIES		2,223	2,413
Income from Investment Activities	29	1,389	1,668
Expenses for Investment Activities	29	(69)	(75)
Share of Investments' Profit			
Accounted for Using The Equity Method	3	109	176
OPERATING PROFIT		3,652	4,182
Financial Income	30	781	991
Financial Expenses (-)	30	(1,033)	(1,528)
Monetary Gain		2	2
PROFIT BEFORE TAX		3,402	3,647
Tax Expense		(494)	(222)
Current Income Tax Expense	31	(293)	(387)
Deferred Tax (Expense) / Income	31	(201)	165
NET PROFIT FOR THE YEAR		2,908	3,425
Attributable to:			
Non-controlling interest		(2)	-
Equity of the Parent		2,910	3,425
<u>OTHER COMPREHENSIVE INCOME</u>			
Items That May Be Reclassified			
To Profit or Loss		(655)	343
Currency Translation Adjustment		50	7
Gains / (Losses) on Investments Remeasured FVOCI		71	(3)
Fair Value (Losses) / Gains on Hedging Instruments Entered into for Cash Flow Hedges		(959)	421
Fair Value (Losses) / Gains Hedging Instruments of Investment Accounted by Using the Equity Method Entered into for Cash Flow Hedges		(24)	15
Tax Income / (Expense) of Other Comprehensive Income		207	(97)
Items That Will Not Be Reclassified			
To Profit or Loss		(3)	(10)
Actuarial (Losses) on Retirement Pay Obligation		(4)	(12)
Tax Income of Other Comprehensive Income		1	2
OTHER COMPREHENSIVE (EXPENSE) / INCOME FOR THE YEAR		(658)	333
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,250	3,758
Attributable to:			
Non-controlling interest		(2)	-
Equity holders of the parent		2,252	3,758
Basic Earnings Per Share (Full US Cents)	32	2.11	2.48
Diluted Earnings Per Share (Full US Cents)	32	2.11	2.48

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 2025

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

				Items That Will Not Be Reclassified Subsequently To Profit or Loss	Items That May Be Reclassified Subsequently To Profit or Loss				Retained Earnings		Equity Holders of the Parent	Non-controlling Interests	Total Equity
	Share Capital	Share Premium	Treasury Shares	Actuarial Losses Retirement Pay Obligation	Foreign Currency Translation Differences	Fair Value Gains on Hedging Instruments Entered Into For Cash Flow Hedges	Gains on Remeasuring FVOCI	Restricted Profit Reserves	Previous Years Profit	Net Profit for The Year			
As of 1 January 2025	1,597	-	(39)	(284)	(214)	620	18	75	14,112	3,425	19,310	4	19,314
Transfers	-	-	-	-	-	-	-	9	3,416	(3,425)	-	-	-
Increase due to share-based transactions	-	1	-	-	-	-	-	-	-	-	1	-	1
Dividends paid	-	-	-	-	-	-	-	-	(243)	-	(243)	-	(243)
Total comprehensive income	-	-	-	(3)	50	(758)	53	-	-	2,910	2,252	(2)	2,250
Increase through treasury share transactions	-	-	(8)	-	-	-	-	-	-	-	(8)	-	(8)
As of 31 December 2025	1,597	1	(47)	(287)	(164)	(138)	71	84	17,285	2,910	21,312	2	21,314

				Items That Will Not Be Reclassified Subsequently To Profit or Loss	Items That May Be Reclassified Subsequently To Profit or Loss				Retained Earnings		Equity Holders of the Parent	Non-controlling Interests	Total Equity
	Share Capital	Share Premium	Treasury Shares	Actuarial Losses Retirement Pay Obligation	Foreign Currency Translation Differences	Fair Value Gains on Hedging Instruments Entered Into For Cash Flow Hedges	Gains on Remeasuring FVOCI	Restricted Profit Reserves	Previous Years Profit	Net Profit for The Year			
As of 1 January 2024	1,597	-	(33)	(274)	(221)	281	21	69	8,097	6,021	15,558	5	15,563
Transfers	-	-	-	-	-	-	-	6	6,015	(6,021)	-	-	-
Total comprehensive income	-	-	-	(10)	7	339	(3)	-	-	3,425	3,758	-	3,758
Increase through treasury share transactions	-	-	(6)	-	-	-	-	-	-	-	(6)	-	(6)
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(1)	(1)
As of 31 December 2024	1,597	-	(39)	(284)	(214)	620	18	75	14,112	3,425	19,310	4	19,314

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 2025

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

	Notes	1 January - 31 December 2025	1 January - 31 December 2024
Net Profit for the Year		2,908	3,425
Adjustments to Reconcile Profit			
Adjustments for Depreciation and Amortisation Expense	15 and 16	2,395	2,203
Adjustments for Provisions Related to Employee Benefits	19 and 21	83	104
Adjustments for Other Provisions	19	94	9
Adjustments for Doubtful Receivables	34	13	(2)
Adjustments for Interest Income	29 and 30	(1,317)	(1,618)
Adjustments for Interest Expense	30	541	642
Adjustments for Unrealised Foreign Exchange Gains		3	(739)
Adjustments for Fair Value (Gains)/ Losses on Derivative Financial Instruments	30	(14)	238
Adjustments for Fair Value Losses		-	73
Adjustments for Undistributed Gains of Associates	3	(109)	(176)
Adjustments for Tax Expense	31	494	222
Adjustments for (Gains) / Losses Arised from Sale of Property, Plants and Equipments	29	(47)	24
Adjustments for Losses Arised from Sale of Other Non-Current Assets		-	85
Other Adjustments for Non-Cash Transactions	29	(332)	(267)
Operating Profit Before Changes in Working Capital		4,712	4,223
Decrease in Trade Receivables from Related Parties	8	7	7
Increase in Trade Receivables from Third Parties	9 and 34	(184)	(55)
Increase in Other Receivables from Related Parties	8	(32)	(12)
Decrease in Other Receivables from Third Parties	11 and 29	80	528
Increase in Inventories	12	(297)	(253)
Increase in Prepaid Expenses	13	(454)	(467)
Increase in Trade Payables to Related Parties	8	16	8
Increase in Trade Payables to Third Parties	9	322	195
(Decrease) / Increase in Payables Due to Employee Benefits	10	(68)	118
Increase/(Decrease) in Other Payables to Related Parties	8	30	(3)
(Decrease) / Increase in Other Payables to Third Parties	11	(76)	138
Increase in Deferred Income		455	235
Increase in Other Assets	23	(57)	(123)
Cash Flows From Operations		4,454	4,539
Payments for Provisions Related with Employee Benefits	21	(15)	(28)
Income Taxes Paid	31	(137)	(27)
Net Cash From Operating Activities		4,302	4,484
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES			
Proceeds From Sales of Property, Plant and Equipment and Intangible Assets	15, 16 and 29	82	36
Payments For Purchasing of Property, Plant and Equipment and Intangible Assets		(2,021)	(1,282)
(Payments) / Proceeds For Purchasing and Sales of Other Financial Assets	6	(2,489)	1,210
Other Cash Advances and Loans		188	(752)
Dividends Received	3	29	42
Interest Received	29	886	1,133
Other Cash Outflows	11	(345)	-
Net Cash Flows Used In Investing Activities		(3,670)	387
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES			
Payments to Acquire Entity's Own Shares		(8)	(6)
Proceeds From Sales of Repurchased Shares		1	-
Proceeds From Loans	7	4,536	2,779
Repayments of Loans	7	(3,714)	(3,190)
Payments of Lease Liabilities	7	(2,087)	(1,873)
Dividend Paid to Shareholders		(223)	-
Interest Paid		(306)	(384)
Interest Received	5 and 30	529	326
Net Cash Used in Financing Activities		(1,272)	(2,348)
Net Change in Cash and Cash Equivalents Before Effect of Foreign Effects of Foreign Exchange on Cash and Cash Equivalents		(640)	2,523
Effects of Foreign Exchange on Cash and Cash Equivalents		25	(644)
Net Change in Cash and Cash Equivalents		(615)	1,879
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	5	2,556	677
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	1,941	2,556

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 2025

(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 2025, and 31 December 2024, the shareholders and their respective shareholdings in the Company are as follows:

	<u>31 December 2025</u>	<u>31 December 2024</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 Company 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 publicly traded on Borsa İstanbul (“BIST”) since 1990. The Company and its subsidiaries will be referred to as “Group”.

The number of employees working for the Group as of 31 December 2025 is 66,649 (31 December 2024: 63,455). The average number of employees working for the Group for the year ended 31 December 2025, and 31 December 2024 are 65,085 and 60,135 respectively.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**Notes to the Consolidated Financial Statements****For the Year Ended 31 December 2025**

(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 2025, and 31 December 2024:

Company Name	Principal Activity	Ownership Rate		Country of Registration
		31 December 2025	31 December 2024	
Türk Hava Yolları Teknik A.Ş. (Turkish Technic)	Aircraft Maintenance	100%	100%	Türkiye
THY Uçuş Eğitim ve Havalimanı İşletme A.Ş. (Turkish Airlines Flight Academy) (TAFA)	Airport Operations and Flight Training	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)	Informatics and Technology	100%	100%	Türkiye
THY Hava Kargo Taşımacılığı A.Ş. (Widect)	Cargo and Courier Transportation	100%	100%	Türkiye
THY Destek Hizmetleri A.Ş. (TSS)	Support Services	100%	100%	Türkiye
THY Özel Güvenlik ve Koruma Hizmetleri A.Ş.	Security Services	100%	100%	Türkiye
AJet Hava Taşımacılığı A.Ş. (AJet)	Passenger and Cargo Transportation	100%	100%	Türkiye
Türk Hava Yolları Elektronik Para ve Ödeme Hizmetleri A.Ş. (TKPAY)	Payment Systems	100%	100%	Türkiye
THY Ortak Sağlık ve Güvenlik Birimi Hizmetleri A.Ş.	Health Services	100%	100%	Türkiye
THY Gayrimenkul Yatırım Hizmetleri A.Ş. (Turkish Construction)	Management of Various Investment Projects	100%	100%	Türkiye
THY Spor A.Ş.	Sports Activities	100%	100%	Türkiye
TCI Kabin İçi Sistemleri San. ve Tic. A.Ş. (TCI Aircraft Interiors) (TCI)	Cabin Interior Production	80%	80%	Türkiye
TSI Seats Inc.	Cabin Interior Production	80%	80%	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 2025, and 31 December 2024:

Company Name	Principal Activity	Ownership Share and Voting Power		Country of Registration
		31 December 2025	31 December 2024	
Güneş Ekspres Havacılık A.Ş. (SunExpress)	Passenger and Cargo Transportation	50%	50%	Türkiye
THY DO&CO İkrâm Hizmetleri A.Ş. (Turkish DO&CO)	Catering Services	50%	50%	Türkiye
TGS Yer Hizmetleri A.Ş. (Turkish Ground Services) (TGS)	Aviation Ground Handling Services	50%	50%	Türkiye
THY OPET Havacılık Yakıtları A.Ş. (THY Opet)	Aviation Fuel Services	50%	50%	Türkiye
Pratt & Whitney THY Teknik Uçak Motoru Bakım Mrkz. Ltd. Şti. (Turkish Engine Center) (TEC)	Engine Maintenance	49%	49%	Türkiye
Air Albania SHPK (Air Albania)	Passenger and Cargo Transportation	49%	49%	Albania
We World Express Ltd. (We World Express)	Cargo and Courier Transportation	45%	45%	Hong Kong
Goodrich THY Teknik Servis Merkezi Ltd. Şti. (Turkish Nacelle Center) (TNC) (Goodrich)	Reverse Thrust and Engine Nacelle	40%	40%	Türkiye
TFS Akaryakıt Hizmetleri A.Ş. (TFS Akaryakıt) (TFS)	Aviation Fuel Services	25%	25%	Türkiye

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.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance

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

The Board of Directors has approved the consolidated financial statements as of 31 December 2025 on 4 March 2026.

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 paid 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
Turkish Technology	TL
Widect	USD
TSS	TL
THY Özel Güvenlik ve Koruma Hizmetleri A.Ş.	TL
AJet	USD
TKPAY	TL
THY Ortak Sağlık ve Güvenlik Birimi Hizmetleri A.Ş.	TL
THY Gayrimenkul Yatırım Hizmetleri A.Ş.	TL
THY Spor A.Ş.	TL
TCI	USD
TSI Seats Inc.	USD

Although the currency of the country in which the Company is registered 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

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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)

2.1 Basis of Presentation (cont'd)

Functional and Reporting Currency (cont'd)

Functional currency (cont'd)

Financial reporting in hyperinflationary economies

As of 31 December 2025, 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. In terms of IAS 29 it is required 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 comparative 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 Türkiye 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>Compound Inflation Rate</u>
31 December 2025	3,513.87	1.00000	211%
31 December 2024	2,684.55	1.30892	291%
31 December 2023	1,859.38	1.88981	268%

IAS 29 is applicable for the subsidiaries whose functional currencies are TL. These subsidiaries are Turkish Technology, TSS, THY Özel Güvenlik ve Koruma Hizmetleri A.Ş., TKPAY, THY Ortak Sağlık ve Güvenlik Birimi Hizmetleri A.Ş., THY Gayrimenkul Yatırım Hizmetleri A.Ş., and THY Spor A.Ş.

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.
- All items in the statement of profit or loss are restated by applying the relevant conversion factors.
- All items in the balance sheet, statement of profit or loss and other comprehensive income of the subsidiaries whose functional currencies are TL are translated into USD using the closing rate as of 31 December 2025. 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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(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

2.1 Basis of Presentation (cont'd)

Basis of 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.

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 2025 are consistent with those used in the preparation of the Group's consolidated financial statements as at and for the year ended 31 December 2024.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2025

(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.

Services provided:

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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(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)

Services provided (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, real estates, 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 ready to 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	-

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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

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.

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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 (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 operating activities.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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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. 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. 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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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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(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)

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.

Trade and other receivables

Trade 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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(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)

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.

In order to keep the impact of changes in fuel prices on cash flow and profitability at a reasonable and manageable level, hedging transactions can be made with a maximum maturity of the next 24 months and with a maximum amount of 60% of the next month's projected fuel consumption. Premium or non-premium derivative instruments based on swaps and options can be used in related transactions.

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.

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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 USD 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.

Dividends

Ordinary shares are classified as equity. Dividends on ordinary shares are recognized in equity in the period in which they are declared.

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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(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)

2.3.12 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. Taxes accrued due to OECD Pillar 2 regulations are also shown in this section.

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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 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.

Payments made to lessors under lease agreements in respect of engine maintenance reserves and major overhaul contributions are recognized as prepaid engine maintenance expenses.

2.3.19 Statement of Cash Flows

In statement of cash flows, cash flows are classified according to operating, investing and financing activities.

In the Statement of Cash Flow, exchange rate differences arising in the "Cash and Cash Equivalents" section are reclassified from the "Adjustments for Unrealised Foreign Exchange Gains" section to the "Effects of Foreign Exchange on Cash and Cash Equivalents" section.

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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.

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 (FFP):

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: (**)
15.06.2012	2012/3305	9.08.2018	Completed	Tax Reduction %90 / Contribution rate to Investment %50	4,930	354
15.06.2012	2012/3305	18.12.2014	Completed	Tax Reduction %50 / Contribution rate to Investment %15	396	16
14.07.2009	2009/15199	28.12.2010	Completed	Tax Reduction %50 / Contribution rate to Investment %20	310	16
15.06.2012	2012/3305	12.12.2023	Continue	Tax Reduction %50 / Contribution rate to Investment %15	135	16
15.06.2012	2012/3305	28.02.2025	Continue	Tax Reduction %80 / Contribution rate to Investment %40	2,669	15

(*) 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 2025:

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

The Group continues its efforts to comply with these standards.

b) Standards, amendments, and interpretations that are issued but not effective as of 31 December 2025:

Amendment to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments; effective from annual reporting periods beginning on or after 1 January 2026 (early adoption is available). These amendments:

- clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and
- make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).

Annual improvements to IFRS – Volume 11; effective from annual periods beginning on or after 1 January 2026 (earlier application permitted). Annual improvements are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversights or conflicts between the requirements in the Accounting Standards. The 2024 amendments are to the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards;
- IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7;
- IFRS 9 Financial Instruments;
- IFRS 10 Consolidated Financial Statements; and
- IAS 7 Statement of Cash Flows.

Amendment to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity; effective from annual periods beginning on or after 1 January 2026 but can be early adopted subject to local endorsement where required. These amendments change the 'own use' and hedge accounting requirements of IFRS 9 and include targeted disclosure requirements to IFRS 7. These amendments apply only to contracts that expose an entity to variability in the underlying amount of electricity because the source of its generation depends on uncontrollable natural conditions (such as the weather). These are described as 'contracts referencing nature-dependent electricity'.

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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 2025 (cont'd):

Amendments to IAS 21 - Translation to a Hyperinflationary Presentation Currency; effective from annual periods beginning on or after 1 January 2027. These narrow-scope amendments specify the translation procedures for an entity whose presentation currency is that of a hyperinflationary economy. The entity applies the amendments if:

- its functional currency is that of a non-hyperinflationary economy and it is translating its results and financial position into the currency of a hyperinflationary economy; or
- it is translating into the currency of a hyperinflationary economy the results and financial position of a foreign operation whose functional currency is that of a non-hyperinflationary economy.

The amendments aim to improve the usefulness of the resulting information in a cost-effective manner. Developed in response to stakeholder feedback, these amendments are expected to reduce diversity in practice and provide a clearer basis for reporting in a hyperinflationary currency.

Amendments to Illustrative Examples on IFRS 7, IFRS 18, IAS 1, IAS 8, IAS 36 and IAS 37- Disclosures about Uncertainties in the Financial Statements; These amendments include Examples illustrating how an entity applies the requirements in IFRS Accounting Standards to disclose the effects of uncertainties in its financial statements. The Examples demonstrate how to disclose the impacts of uncertainties within climate-related scenarios, but the principles and requirements are also applicable to disclosure of other uncertainties. The Examples do not add to or change requirements in IFRS Accounting Standards and therefore there are no transition requirements. Instead, these Examples will accompany the respective IFRS Accounting Standards to which they relate. The Examples do not have an effective date, but entities might consider the application for December 2025 year-ends.

IFRS 18 Presentation and Disclosure in Financial Statements; effective from annual periods beginning on or after 1 January 2027. This is the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss;
- required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

For the year ending December 2025, disclosures should include:

- the nature of the changes,
- the fact that IFRS 18 application is required for annual periods beginning on or after 1 January 2027,
- the planned adoption date, and
- either:
 - known or reasonably estimable information relevant to assessing the possible impact that application of IFRS 18 will have on the entity's financial statements in the period of initial application; or
 - if that impact is not known or reasonably estimable, a statement to that effect.

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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 2025 (cont'd):

In order to comply with Paragraphs 30-31 of IAS 8, entities should consider the following principles when preparing disclosures related to the adoption of IFRS 18:

a. Disclosures are expected to become increasingly detailed as entities implementation process progresses toward 2027.

The level of detail that an entity includes in its disclosures will depend on the progress of its implementation activities, including those related to internal controls. For the year ending December 2025, entities that have yet to make significant progress in implementation might only disclose that they are actively assessing the impact of IFRS 18 and that more comprehensive disclosures cannot reasonably be provided.

b. Where appropriate and reliable, consider including quantitative information.

It may be appropriate to disclose preliminary figures, when the company has an appropriate and reliable basis for making such disclosures and provides clear explanations regarding their provisional nature. For example, an entity might quantify the effects on profit and loss subtotals. If the quantitative impact is not reasonably estimable, a statement to that effect should be included. An entity may disclose known and reasonably quantifiable impacts, but it is not expected to early provide IFRS 18 disclosures, such as an MPM reconciliation, before the application date.

c. Consider alignment with other public communications.

If management has publicly detailed anticipated impacts, such as in an investor presentation, the IAS 8 financial statement disclosures should be consistent with these communications.

d. Disclosures should be based on the information available through the date of issuance of the financial statements,

not only the end of the reporting period.

IFRS 19 Subsidiaries without Public Accountability: Disclosures' and amendment; effective from annual periods beginning on or after 1 January 2027. This new standard works alongside other IFRS Accounting Standards. An eligible subsidiary applies the requirements in other IFRS Accounting Standards except for the disclosure requirements and instead applies the reduced disclosure requirements in IFRS 19. IFRS 19's reduced disclosure requirements balance the information needs of the users of eligible subsidiaries' financial statements with cost savings for preparers. IFRS 19 is a voluntary standard for eligible subsidiaries. A subsidiary is eligible if:

- it does not have public accountability; and
- it has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

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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 2025 (cont'd):

IFRS 19 Subsidiaries without Public Accountability: Disclosures; with these amendments, IFRS 19 reflects the changes to IFRS Accounting Standards that take effect up to 1 January 2027, when IFRS 19 will be applicable. These amendments help eligible subsidiaries by reducing disclosure requirements for Standards and amendments issued between February 2021 and May 2024, specifically:

- IFRS 18 Presentation and Disclosure in Financial Statements;
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7);
- International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12);
- Lack of Exchangeability (Amendments to IAS 21); and
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7).

The effects of the above-mentioned changes on the financial position and performance of the Group are being assessed.

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.

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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 2025	31 December 2024
SunExpress	354	322
TEC	102	94
TGS	101	67
Turkish DO&CO	100	67
TFS Akaryakıt	48	42
THY Opet	45	40
Goodrich	8	7
We World Express	5	5
	763	644

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

	1 January - 31 December 2025	1 January - 31 December 2024
Turkish DO&CO	36	27
TFS Akaryakıt	20	18
TGS	19	30
SunExpress	18	82
TEC	8	14
THY Opet	7	3
Goodrich	1	1
We World Express	-	1
Air Albania (*)	-	-
	109	176

(*) 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 2025, the loss is USD 4. (The loss as of 31 December 2024: USD 3).

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

	1 January - 31 December 2025	1 January - 31 December 2024
Opening balance	644	497
Share of net profit	109	176
Foreign currency translation difference	62	13
Other comprehensive (expense) recognized in equity	(23)	-
Dividends to shareholders	(29)	(42)
Closing balance	763	644

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

	31 December 2025							Total
	SunExpress	TEC	Turkish DO&CO	TGS	TFS Akaryakıt	THY Opet	Other	
Total assets	3,112	336	370	429	486	173	44	4,950
Current assets	623	266	239	183	472	119	41	1,943
Non-current assets	2,489	70	131	246	14	54	3	3,007
Total liabilities	2,405	127	170	228	292	84	13	3,319
Current liabilities	822	66	149	179	291	66	13	1,586
Non-current liabilities	1,583	61	21	49	1	18	-	1,733
Total equity	707	209	200	201	194	89	31	1,631
Other comprehensive income / (expense)	(24)	(4)	(29)	(55)	-	(2)	-	(114)
Group's share in total equity	354	102	100	101	48	45	13	763
	1 January - 31 December 2025							
Revenue	2,357	597	801	923	3,266	728	88	8,760
Profit for the year	36	16	72	38	77	14	2	255
Group's share in joint venture's profit for the year	18	8	36	19	20	7	1	109

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

	31 December 2024							
	SunExpress	TEC	Turkish DO&CO	TGS	TFS Akaryakit	THY Opet	Other	Total
Total assets	2,498	321	277	401	529	174	42	4,242
Current assets	549	250	175	201	516	125	40	1,856
Non-current assets	1,949	71	102	200	13	49	2	2,386
Total liabilities	1,854	128	144	268	360	94	13	2,861
Current liabilities	746	62	122	201	359	75	13	1,578
Non-current liabilities	1,108	66	22	67	1	19	-	1,283
Total equity	644	193	133	133	169	80	29	1,381
Other comprehensive income / (expense)	15	(7)	(25)	(69)	-	(1)	-	(87)
Group's share in total equity	322	94	67	67	42	40	12	644
	1 January - 31 December 2024							
Revenue	2,104	452	669	798	3,466	770	152	8,411
Profit for the year	164	28	54	60	71	6	7	390
Group's share in joint venture's profit for the year	82	14	27	30	18	3	2	176

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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 detailed information about the revenue of the Group is given in Note 19. 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.

4.1 Total Assets and Liabilities

	31 December 2025	31 December 2024
Total Assets		
Aviation	47,540	40,136
Technical	2,450	2,258
Total	49,990	42,394
Less: Eliminations due to consolidation	(3,387)	(2,720)
Total assets in consolidated financial statements	46,603	39,674
Total Liabilities		
Aviation	25,501	20,630
Technical	725	699
Total	26,226	21,329
Less: Eliminations due to consolidation	(937)	(969)
Total liabilities in consolidated financial statements	25,289	20,360

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4. SEGMENT REPORTING (cont'd)

4.2 Net Profit / (Loss)

Segment Results:

1 January - 31 December 2025	Aviation	Technic	Inter-segment elimination	Total
Sales to External Customers	23,420	676	-	24,096
Inter-Segment Sales	576	2,022	(2,598)	-
Revenue	23,996	2,698	(2,598)	24,096
Cost of Sales (-)	(20,510)	(2,212)	2,514	(20,208)
Gross Profit	3,486	486	(84)	3,888
Administrative Expenses (-)	(741)	(125)	336	(530)
Selling and Marketing Expenses (-)	(1,782)	(31)	7	(1,806)
Other Operating Income	1,052	53	(348)	757
Other Operating Expenses (-)	(132)	(43)	89	(86)
Operating Profit Before Investment Activities	1,883	340	-	2,223
Income from Investment Activities	1,389	-	-	1,389
Expenses from Investment Activities	(68)	(1)	-	(69)
Share of Investments' Profit				
Accounted for Using The Equity Method	100	9	-	109
Operating Profit	3,304	348	-	3,652
Financial Income	759	22	-	781
Financial Expense (-)	(1,003)	(30)	-	(1,033)
Monetary Gain	2	-	-	2
Profit Before Tax	3,062	340	-	3,402
Tax Expense	(434)	(60)	-	(494)
Current Tax Expense (-)	(240)	(53)	-	(293)
Deferred Tax Income	(194)	(7)	-	(201)
Net Profit For The Year	2,628	280	-	2,908

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4. SEGMENT REPORTING (cont'd)

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

Segment Results (cont'd):

1 January - 31 December 2024	Aviation	Technic	Inter-segment elimination	Total
Sales to External Customers	22,134	535	-	22,669
Inter-Segment Sales	470	1,686	(2,156)	-
Revenue	22,604	2,221	(2,156)	22,669
Cost of Sales (-)	(18,523)	(1,908)	2,084	(18,347)
Gross Profit	4,081	313	(72)	4,322
Administrative Expenses (-)	(730)	(133)	299	(564)
Selling and Marketing Expenses (-)	(1,829)	(19)	10	(1,838)
Other Operating Income	842	79	(315)	606
Other Operating Expenses (-)	(155)	(36)	78	(113)
Operating Profit Before Investment Activities	2,209	204	-	2,413
Income from Investment Activities	1,667	1	-	1,668
Expenses from Investment Activities	(74)	(1)	-	(75)
Share of Investments' Profit Accounted for Using The Equity Method	161	15	-	176
Operating Profit	3,963	219	-	4,182
Financial Income	989	28	(26)	991
Financial Expense (-)	(1,522)	(32)	26	(1,528)
Monetary Gain	2	-	-	2
Profit Before Tax	3,432	215	-	3,647
Tax (Expense)	(206)	(16)	-	(222)
Current Tax Expense (-)	(380)	(7)	-	(387)
Deferred Tax Income / (Expense)	174	(9)	-	165
Net Profit For The Year	3,226	199	-	3,425

4.3 Investing Activities

1 January - 31 December 2025	Aviation	Technic	Inter-segment elimination	Total
Purchase of property and equipment, intangible assets, and right of use assets	5,572	486	-	6,058
Current year depreciation and amortization charge	2,238	157	-	2,395
Share of Investments' Profit Accounted for Using The Equity Method	100	9	-	109

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4. SEGMENT REPORTING (cont'd)

4.3 Investing Activities (cont'd)

1 January - 31 December 2024	Aviation	Technic	Inter-segment elimination	Total
Purchase of property and equipment, intangible assets, and right of use assets	3,482	350	-	3,832
Current year depreciation and amortization charge	1,988	215	-	2,203
Share of Investments' Profit Accounted for Using The Equity Method	161	15	-	176

5. CASH AND CASH EQUIVALENTS

	31 December 2025	31 December 2024
Cash	1	1
Banks – Time deposits	1,164	2,296
Banks – Demand deposits	843	424
	<u>2,008</u>	<u>2,721</u>

Details of the time deposits as of 31 December 2025, and 31 December 2024 are as follows:

Original Amount	Currency	Effective Interest Rate	Maturity	31 December 2025
33,865	TL	32.79% - 45.76%	March 2026	853
262	EUR	2.66% - 3.00%	February 2026	311
				<u>1,164</u>
Original Amount	Currency	Effective Interest Rate	Maturity	31 December 2024
66,608	TL	41.85% - 57.00%	March 2025	2,050
205	EUR	2.81% - 4.43%	March 2025	216
30	USD	3.00%	January 2025	30
				<u>2,296</u>

Reconciliation with statement of cash flows as of 31 December 2025, and 31 December 2024 are as follows:

	31 December 2025	31 December 2024
Cash and cash equivalents	2,008	2,721
Interest accruals (-)	(67)	(165)
Cash and cash equivalents in statement of cash flows	<u>1,941</u>	<u>2,556</u>

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6. FINANCIAL INVESTMENTS

Short-term financial investments are as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Fair value through profit and loss (FVTPL)		
- Investment Fund	338	198
- Currency protected deposit account	-	975
- Equity securities	-	17
Fair value through other comprehensive income (FVOCI)		
- Corporate debt securities	3,519	901
- Government debt securities	110	47
Time deposits with maturity more than 3 months	298	1,208
	<u>4,265</u>	<u>3,346</u>

Time deposit with maturity of more than 3 months as of 31 December 2025, and 31 December 2024 is as follows:

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 December 2025</u>
10,000	TL	33.21% - 36.45%	December 2026	238
51	EUR	2.66%	April 2026	60
				<u>298</u>
<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 December 2024</u>
35,438	TL	46.25% - 53.14%	July 2025	1,130
75	EUR	3.00%	June 2025	78
				<u>1,208</u>

Long-term financial investments are as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
FVOCI		
- Corporate debt securities	1,346	897
- Government debt securities	1,312	215
Time deposits with maturity more than 1 year	24	-
Other	1	1
	<u>2,683</u>	<u>1,113</u>

Contractual maturity dates of financial investments measured at FVOCI as of 31 December 2025, and 31 December 2024 are as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Less than 1 year	3,629	948
1 to 5 years	1,970	673
Over 5 years	688	439
	<u>6,287</u>	<u>2,060</u>

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7. BORROWINGS

Short-term borrowings are as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Bank borrowings	1,632	1,571

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

	<u>31 December 2025</u>	<u>31 December 2024</u>
Lease liabilities (Note: 17)	2,007	1,827
Bank borrowings	145	291
	<u>2,152</u>	<u>2,118</u>

Long-term borrowings are as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Lease liabilities (Note: 17)	12,879	10,139
Bank borrowings	1,141	33
	<u>14,020</u>	<u>10,172</u>

The maturity analysis for bank loans as of as of 31 December 2025, and 31 December 2024 are as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Less than 1 year	1,777	1,862
Between 1 – 5 years	1,138	24
Over 5 years	3	9
	<u>2,918</u>	<u>1,895</u>

Details of bank borrowings as of 31 December 2025, and 31 December 2024 are as follows:

<u>Original Amount</u>	<u>Currency</u>	<u>Interest Rate Type</u>	<u>Effective Interest Rate</u>	<u>Payment Period</u>	<u>31 December 2025</u>
1,388	EUR	Fixed	2.20% - 3.16%	January 2026 - December 2026	1,632
7,979	CNY	Fixed	2.80% - 3.20%	November 2029 - October 2030	1,148
103	USD	Fixed	4.40%	March 2026	103
30	EUR	Floating	Euribor + 0.65%	March 2031	35
					<u>2,918</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 2024</u>
1,507	EUR	Fixed	0.20% - 4.00%	January 2025 - December 2026	1,570
286	USD	Fixed	5.0% - 5.25%	February 2025	285
39	EUR	Floating	Euribor + 3.65%	October 2025 - March 2031	40
					<u>1,895</u>

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7. BORROWINGS (cont'd)

As at 31 December 2025, in respect of borrowings amounting to USD 34,384,373 under the terms of the loan agreement entered into between a bank and THY, the Group is required to comply with the following financial covenants:

- a. Net Worth will not at any time less than 5,435,000,000 USD.
- b. The ratio of EBITDA to Net Interest Expense for any relevant period will not be less than 6.

Repricing periods for bank borrowings with floating interest rates vary between 1 and 6 months. The Group evaluates the above mentioned conditions on an annual basis.

As at 31 December 2025, in respect of borrowings amounting to USD 422,873,851 under the terms of the loan agreement entered into between a bank and THY, the Group is required to comply with the following financial covenants:

- a. Net Worth will not at any time less than 4,500,000,000 EUR.
- b. The ratio of EBITDA to Net Interest Expense for any relevant period will not be less than 4.

As at 31 December 2025, in respect of borrowings amounting to USD 719,173,215 under the terms of the loan agreement entered into between a bank and THY, the Group is required to comply with the following financial covenants:

- a. Net Worth will not at any time less than 4,500,000,000 USD.
- b. The ratio of EBITDA to Net Interest Expense for any relevant period will not be less than 4.

As of 31 December 2025, the Group meets all of the loan covenant compliance conditions.

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7. BORROWINGS (cont'd)

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

	1 January 2025	Payment	Interest	Non-cash Changes (*)	Additions	31 December 2025
Bank Borrowings	1,895	(3,714)	(58)	259	4,536	2,918

	1 January 2024	Payment	Interest	Non-cash Changes (*)	Additions	31 December 2024
Bank Borrowings	2,435	(3,190)	(96)	(33)	2,779	1,895

	1 January 2025	Payment	Interest	Non-cash Changes (*)	Modifications	New Leases	31 December 2025
Aircraft	11,287	(1,991)	(251)	976	120	3,829	13,970
Property	678	(92)	-	134	117	73	910
Other	1	(4)	-	2	1	6	6
	<u>11,966</u>	<u>(2,087)</u>	<u>(251)</u>	<u>1,112</u>	<u>238</u>	<u>3,908</u>	<u>14,886</u>

	1 January 2024	Payment	Interest	Non-cash Changes (*)	Modifications	New Leases	31 December 2024
Aircraft	11,221	(1,797)	(288)	(208)	37	2,322	11,287
Property	590	(74)	-	(2)	161	3	678
Other	1	(2)	-	-	-	2	1
	<u>11,812</u>	<u>(1,873)</u>	<u>(288)</u>	<u>(210)</u>	<u>198</u>	<u>2,327</u>	<u>11,966</u>

* This amount consists of accrued interest on financial liabilities and foreign exchange differences resulting from the remeasurement of foreign currency denominated borrowings at the reporting date.

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8. RELATED PARTIES

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

	<u>31 December 2025</u>	<u>31 December 2024</u>
TGS	19	-
SunExpress	13	3
Türk Telekom	3	-
TEC	1	-
Air Albania	-	38
We World Express	-	2
	<u>36</u>	<u>43</u>

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

	<u>31 December 2025</u>	<u>31 December 2024</u>
TEC	-	7
Air Albania	-	2
	<u>-</u>	<u>9</u>

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

	<u>31 December 2025</u>	<u>31 December 2024</u>
Air Albania	53	12

Short-term trade payables to related parties are as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
TFS Akaryakıt Hizmetleri	116	101
TGS	77	93
Turkish DO&CO	51	65
TEC	42	11
THY Opet	14	19
Goodrich	3	1
Turkcell	2	3
SunExpress	2	-
Türk Telekom	2	-
	<u>309</u>	<u>293</u>

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

	<u>31 December 2025</u>	<u>31 December 2024</u>
Türkiye Sigorta	30	-
Air Albania	1	1
	<u>31</u>	<u>1</u>

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8. RELATED PARTIES (cont'd)

Transactions with related parties for the year ended 31 December 2025, and 31 December 2024 are as follows:

a) Sales to related parties:

	1 January - 31 December 2025	1 January - 31 December 2024
TGS	102	101
SunExpress	86	34
Türk Telekom	17	6
TEC	7	9
Türkiye Sigorta	3	5
Turkish DO&CO	3	1
Air Albania	2	4
PTT	2	2
Goodrich	1	2
Turkcell	1	1
We World Express	-	6
	<u>224</u>	<u>171</u>

b) Purchases from related parties:

	1 January - 31 December 2025	1 January - 31 December 2024
TFS Akaryakıt Hizmetleri	2,611	2,759
TGS	907	645
Turkish DO&CO	659	551
TEC	391	348
THY Opet	321	339
SunExpress	57	19
Türkiye Sigorta	33	24
Türk Telekom	30	26
Goodrich	24	16
Turkcell	13	14
Ziraat Bankası	9	4
Halkbank	4	1
	<u>5,059</u>	<u>4,746</u>

Details of the financial assets and liabilities for related parties as of 31 December 2025, and 31 December 2024 are as follows:

	31 December 2025	31 December 2024
Debt Securities (*)	4,274	1,718
Banks - Time deposits	127	1,637
Banks - Demand deposits	124	173
Investment Fund	83	49
Financial investments (**)	-	1,082
Equity share	-	2
Bank borrowings	-	(5)

(*) This represents the nominal amount. The amount mainly consists of debt securities issued by Vakıfbank.

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

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8. RELATED PARTIES (cont'd)

Details of the time deposits at related parties as of 31 December 2025, and 31 December 2024 are as follows:

Amount	Currency	Effective Interest Rate	Maturity	31 December 2025
2,836	TL	32.79% - 33.25%	February 2026	67
50	EUR	2.89%	February 2026	60
				<u>127</u>
Amount	Currency	Effective Interest Rate	Maturity	31 December 2024
46,198	TL	41.85% - 49.40%	March 2025	1,391
205	EUR	2.81% - 4.43%	March 2025	216
30	USD	3.00%	January 2025	30
				<u>1,637</u>

As of 31 December 2025, the amount of letters of guarantee given through related financial institutions is USD 138. (31 December 2024: USD 90).

As of 31 December 2025, there are no financial investments at related parties. Details of the financial investments at related parties as of 31 December 2024 are as follows:

Amount	Currency	Effective Interest Rate	Maturity	31 December 2024
29,321	TL (***)	36.00% - 51.30%	July 2025	1,004
75	EUR	3.00%	June 2025	78
				<u>1,082</u>

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

Details of the debt securities at related parties as of 31 December 2025, and 31 December 2024 are as follows:

Amount	Currency	Effective Interest Rate	Maturity	31 December 2025
1,905	EUR	4.25% - 5.88%	January 2026 - August 2031	2,236
1,081	USD	5.25% - 10.12%	January 2026 - May 2047	1,081
41,001	TRY	30.00% - 41.50%	February 2026 - July 2030	957
				<u>4,274</u>
Amount	Currency	Effective Interest Rate	Maturity	31 December 2024
1,079	EUR	5.25% - 9.88%	June 2025 - May 2030	1,124
594	USD	3.95% - 10.12%	October 2026 - May 2047	594
				<u>1,718</u>

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8. RELATED PARTIES (cont'd)

As of 31 December 2025, there are no bank borrowings at related parties. Details of the bank borrowings at related parties as of 31 December 2024 are as follows:

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 December 2024</u>
4	EUR	Euribor + 3.65%	October 2025	5

Interest income from related parties:

	<u>1 January - 31 December 2025</u>	<u>1 January - 31 December 2024</u>
Vakıfbank	298	367
Ziraat Bankası	250	341
Halkbank	65	411
Ziraat Katılım	35	40
	<u>648</u>	<u>1,159</u>

Interest income from debt instruments of related parties:

	<u>1 January - 31 December 2025</u>	<u>1 January - 31 December 2024</u>
Vakıfbank	99	43
Ziraat Bankası	10	6
Halk Yatırım	2	-
Halkbank	1	-
Türkiye Varlık Fonu	1	1
Turkcell	-	1
	<u>113</u>	<u>51</u>

Fair value gains from debt instruments from related parties:

	<u>1 January - 31 December 2025</u>	<u>1 January - 31 December 2024</u>
Vakıfbank	8	4
Halkbank	1	-
Türkiye Varlık Fonu	1	(2)
Ziraat Bankası	1	1
	<u>11</u>	<u>3</u>

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8. RELATED PARTIES (cont'd)**Interest expense to related parties:**

	1 January - 31 December 2025	1 January - 31 December 2024
Vakıfbank	-	5
Ziraat Bankası	-	4
	-	9

Dividend income from related parties:

	1 January - 31 December 2025	1 January - 31 December 2024
TFS Akaryakıt Hizmetleri	16	10
Turkish DO&CO	8	2
THY Opet	5	6
TGS	-	24
	29	42

Transactions between the Group and TFS Akaryakıt 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 SunExpress are related to aircraft transportation, seat sales operations and maintenance services; transactions between the Group and TGS are related to ground, support and technology 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 Halkbank, Ziraat Bankası, Vakıf Bank and Ziraat Katılım are related to banking services; transactions between the Group and Air Albania are related to aircraft transportation; transactions between the Group and Turkcell and, Türk Telekom 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. 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 the Group is USD 18 for the period between 1 January - 31 December 2025 (1 January- 31 December 2024: USD 19).

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9. TRADE RECEIVABLES AND PAYABLES

Trade receivables from third parties as of 31 December 2025, and 31 December 2024 are as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Trade receivables	1,151	967
Expected credit loss (-)	(118)	(105)
	<u>1,033</u>	<u>862</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 2025, and 31 December 2024 are as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Trade payables	1,523	1,201

10. PAYABLES RELATED TO EMPLOYEE BENEFITS

Payables related to employee benefits as of 31 December 2025, and 31 December 2024 are as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Accrued salaries	386	458
Social security premiums payable	82	78
	<u>468</u>	<u>536</u>

11. OTHER RECEIVABLES AND PAYABLES

Other short-term receivables from third parties as of 31 December 2025, and 31 December 2024 are as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Predelivery payments made for aircraft	341	837
Bank deposits with transfer limitations (*)	209	145
Receivables from technical purchases	196	257
Tax refund	46	49
Receivables from pilots for flight training	41	31
Others	86	40
	<u>919</u>	<u>1,359</u>

(*) As of 31 December 2025, the amount consists of bank deposits in Ethiopia, Bangladesh, Algeria, Nigeria, Senegal, Niger, Mali, Burkina Faso, Mozambique, Angola, Cameroon, Chad, Gabon, Benin, Cote D'Ivoire, Lebanon, Congo, Ghana, Pakistan, Malawi, Equatorial Guinea, Venezuela, Libya, Syria and Iran. (As of 31 December 2024, the amount consists of bank deposits in Ethiopia, Bangladesh, Algeria, Nigeria, Senegal, Niger, Mali, Burkina Faso, Mozambique, Angola, Cameroon, Chad, Gabon, Benin, Cote D'Ivoire, Sudan, Lebanon, Congo, Ghana, Egypt, Pakistan, Malawi, Equatorial Guinea, Venezuela, Libya, Eritrea, Mauritania, Somalia, Syria and Iran).

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11. OTHER RECEIVABLES AND PAYABLES (cont'd)

Other long-term receivables from third parties as of 31 December 2025, and 31 December 2024 are as follows:

	31 December 2025	31 December 2024
Predelivery payments made for aircraft	748	566
Investment incentives	535	420
Receivables from pilots for flight training	239	178
Deposits and guarantees given	61	75
Interest and commodity swap agreement deposits	47	13
Other receivables (**)	345	-
	<u>1,975</u>	<u>1,252</u>

(**) The Company's offer to acquire minority shares in Air Europa Holding S.L.U. has been accepted, the relevant agreements have been signed, and the process of obtaining regulatory approvals has commenced. The final shareholding ratio resulting from the 300 million EUR (345 USD) convertible debt & equity share will be determined based on the conditions prevailing on the date the necessary approvals are obtained.

The movements in investment incentives for the year ended 31 December 2025, and 31 December 2024 are as follows:

	1 January - 31 December 2025	1 January - 31 December 2024
Investment incentives at the beginning of the year	420	613
Recognised / added during the year	332	258
Foreign currency translation differences	(77)	(112)
Utilised during the year	(140)	(339)
Investment incentives at the end of the year	<u>535</u>	<u>420</u>

Other short-term payables to third parties as of 31 December 2025, and 31 December 2024 are as follows:

	31 December 2025	31 December 2024
Taxes and funds payable	232	269
Deposits and guarantees received	6	5
Other liabilities	4	41
	<u>242</u>	<u>315</u>

Other long-term payables to third parties as of 31 December 2025, and 31 December 2024 are as follows:

	31 December 2025	31 December 2024
Deposits and guarantees received	<u>29</u>	<u>32</u>

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12. INVENTORIES

	<u>31 December 2025</u>	<u>31 December 2024</u>
Real estate construction in progress	447	189
Spare parts	321	315
Inflight products	80	68
Other inventories	129	108
	<u>977</u>	<u>680</u>
Provision for impairment (-)	(9)	(9)
	<u>968</u>	<u>671</u>

13. PREPAID EXPENSES AND DEFERRED INCOME

Prepaid expenses as of 31 December 2025, and 31 December 2024 are as follows:

Short-term prepaid expenses are as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Advances given for purchases	267	176
Prepaid sales commissions	19	17
Prepaid advertising expenses	10	12
Other prepaid expenses	125	97
	<u>421</u>	<u>302</u>

Long-term prepaid expenses are as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Prepaid engine maintenance expenses	1,979	1,586
Advances given for property and equipment purchases	40	43
Other prepaid expenses	12	67
	<u>2,031</u>	<u>1,696</u>

Deferred income as of 31 December 2025, and 31 December 2024 are as follows:

Deferred revenue is as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Passenger flight liabilities	3,094	2,659
Other short-term deferred income	430	285
	<u>3,524</u>	<u>2,944</u>

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

Passenger flight liability is as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Flight liability for tickets sold	2,792	2,352
Frequent flyer program liability	302	307
	<u>3,094</u>	<u>2,659</u>

Other short-term deferred income is as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Advances received	250	33
Unused manufacturers' credits	123	172
Deferred other contract income	11	31
Other	46	49
	<u>430</u>	<u>285</u>

Long-term deferred revenue is as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Deferred other contract income	54	81
Other	22	50
	<u>76</u>	<u>131</u>

14. INVESTMENT PROPERTY

	<u>31 December 2025</u>	<u>31 December 2024</u>
Investment properties at the beginning of the year	43	43
Investment properties at the end of the year	<u>43</u>	<u>43</u>

According to the valuation carried out by a Capital Market Boards (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 67 as of 31 December 2025 (31 December 2024: USD 68). The Group continues to recognize land based on cost as per IAS 40.

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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 2025	1,625	870	371	9,370	937	915	263	433	14,784
Additions	46	59	52	397	176	318	33	575	1,656
Transfer (*)	2	1	16	38	39	-	37	(162)	(29)
Transfers between the account	-	-	-	1,661	54	-	-	(1)	1,714
Disposals	-	(7)	(12)	(256)	(30)	(279)	(11)	(13)	(608)
Closing balance at 31 December 2025	1,673	923	427	11,210	1,176	954	322	832	17,517
<u>Accumulated Depreciation</u>									
Opening balance at 1 January 2025	535	457	269	5,401	459	452	156	-	7,729
Depreciation charge	70	45	40	602	86	74	19	-	936
Transfers between the account	-	-	-	719	30	-	-	-	749
Disposals	-	(5)	(12)	(252)	(30)	(52)	(9)	-	(360)
Closing balance at 31 December 2025	605	497	297	6,470	545	474	166	-	9,054
Net book value at 31 December 2025	1,068	426	130	4,740	631	480	156	832	8,463
Net book value at 31 December 2024	1,090	413	102	3,969	478	463	107	433	7,055

(*) The amount of USD 29 was transferred to the right of use asset 24 and intangible asset 5 from construction in progress.

USD 2,302 of depreciation and amortization expenses recognized in cost of sales (31 December 2024: USD 2,126), USD 84 of general administrative expenses (31 December 2024: USD 70) and USD 9 of selling and marketing expenses (31 December 2024: USD 7) in total of USD 2,395 as of 31 December 2025 (31 December 2024: USD 2,203).

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 2025 (31 December 2024: 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 2024	1,554	812	321	7,529	881	846	254	323	12,520
Additions	11	54	57	281	54	261	8	236	962
Transfer (*)	67	15	3	8	1	-	2	(116)	(20)
Transfers between the accounts	-	-	-	1,741	13	-	-	-	1,754
Disposals	(7)	(11)	(10)	(189)	(12)	(192)	(1)	(10)	(432)
Closing balance at 31 December 2024	1,625	870	371	9,370	937	915	263	433	14,784
<u>Accumulated Depreciation</u>									
Opening balance at 1 January 2024	470	424	249	4,344	388	428	142	-	6,445
Depreciation charge	69	42	30	476	78	131	15	-	841
Transfers between the accounts	-	-	-	766	5	-	-	-	771
Disposals	(4)	(9)	(10)	(185)	(12)	(107)	(1)	-	(328)
Closing balance at 31 December 2024	535	457	269	5,401	459	452	156	-	7,729
Net book value at 31 December 2024	1,090	413	102	3,969	478	463	107	433	7,055

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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 2025	22,861	391	808	5	24,065
Additions (**)	4,166	42	82	7	4,297
Transfer	24	-	-	-	24
Disposals	(140)	(3)	(18)	(3)	(164)
Modifications	120	-	110	1	231
Transfers between the accounts (***)	(1,681)	(33)	-	-	(1,714)
Closing balance at 31 December 2025	25,350	397	982	10	26,739
	Aircraft	Spare engines	Real estate	Vehicles	Total
<u>Accumulated Depreciation</u>					
Opening balance at 1 January 2025	6,245	88	103	4	6,440
Depreciation charge	1,352	25	51	3	1,431
Disposals	(124)	(3)	(15)	(2)	(144)
Modifications	(25)	-	-	-	(25)
Transfers between the account (***)	(739)	(10)	-	-	(749)
Closing balance at 31 December 2025	6,709	100	139	5	6,953
Net book value at 31 December 2025	18,641	297	843	5	19,786

	Aircraft	Spare engines	Real estate	Vehicles	Total
<u>Cost</u>					
Opening balance at 1 January 2024	22,011	338	663	8	23,020
Additions (**)	2,736	60	26	2	2,824
Transfers	14	6	-	-	20
Disposals	(196)	-	(42)	(6)	(244)
Modifications	37	-	161	1	199
Transfers between the accounts (***)	(1,741)	(13)	-	-	(1,754)
Closing balance at 31 December 2024	22,861	391	808	5	24,065
	Aircraft	Spare engines	Real estate	Vehicles	Total
<u>Accumulated Depreciation</u>					
Opening balance at 1 January 2024	5,936	71	78	7	6,092
Depreciation charge	1,271	22	45	3	1,341
Disposals	(196)	-	(1)	(6)	(203)
Modifications	-	-	(19)	-	(19)
Transfers between the account (***)	(766)	(5)	-	-	(771)
Closing balance at 31 December 2024	6,245	88	103	4	6,440
Net book value at 31 December 2024	16,616	303	705	1	17,625

(**) 250 USD of this amount consists of the maintenance of the aircraft that will become property at the end of the lease period.

(***) 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 2025	44	322	28	394
Additions	-	64	41	105
Disposals	-	(14)	-	(14)
Transfers	-	5	-	5
Closing balance at 31 December 2025	<u>44</u>	<u>377</u>	<u>69</u>	<u>490</u>
<u>Accumulated Amortization</u>				
Opening balance at 1 January 2025	-	279	3	282
Amortization charge	-	25	3	28
Transfers between the account	-	(10)	10	-
Closing balance at 31 December 2025	<u>-</u>	<u>294</u>	<u>16</u>	<u>310</u>
Net book value at 31 December 2025	<u>44</u>	<u>83</u>	<u>53</u>	<u>180</u>
Net book value at 31 December 2024	<u>44</u>	<u>43</u>	<u>25</u>	<u>112</u>
	Slot rights and acquired technical licenses (*)	Rights	Other intangible assets	Total
<u>Cost</u>				
Opening balance at 1 January 2024	44	299	5	348
Additions	-	23	23	46
Closing balance at 31 December 2024	<u>44</u>	<u>322</u>	<u>28</u>	<u>394</u>
<u>Accumulated Amortization</u>				
Opening balance at 1 January 2024	-	258	3	261
Amortization charge	-	21	-	21
Closing balance at 31 December 2024	<u>-</u>	<u>279</u>	<u>3</u>	<u>282</u>
Net book value at 31 December 2024	<u>44</u>	<u>43</u>	<u>25</u>	<u>112</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 2025	31 December 2024	31 December 2025	31 December 2024	31 December 2025	31 December 2024
Less than 1 year	2,428	2,193	(421)	(366)	2,007	1,827
Between 1 – 5 years	7,442	6,223	(1,136)	(953)	6,306	5,270
Over 5 years	7,558	5,556	(985)	(687)	6,573	4,869
	<u>17,428</u>	<u>13,972</u>	<u>(2,542)</u>	<u>(2,006)</u>	<u>14,886</u>	<u>11,966</u>

	31 December 2025	31 December 2024
Fixed rate lease liabilities	8,351	6,668
Floating rate lease liabilities	6,535	5,298
	<u>14,886</u>	<u>11,966</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 2025, the weighted average interest rates on lease payables are 4.56% for USD (31 December 2024: 4.57%), 2.64% for EUR (31 December 2024: 2.54%), 4.32% for CNY (31 December 2024: 4.32%), 1.34% for JPY (31 December 2024: 1.06%), 29.21% for TL (31 December 2024: 24.1%) and 0.91% for CHF (31 December 2024: 0.67%).

18. GOVERNMENT GRANTS AND INCENTIVES

Incentive certificates dated, 28 December 2010, 18 December 2014, 9 August 2018, 12 December 2023 and 28 February 2025 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.

As a result of the revaluation process in tax based financial statements, the tax of \$1,110 that may arise in future periods upon the disposal of the revalued fixed assets can be offset against government incentive receivables that have not yet been recognized in the financial statements and remain unused.

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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 2025, The Group has discounts and exemptions amounting to USD 5,285 that it can benefit from in the foreseeable future (31 December 2024: USD 4,225). As of 1 January-31 December 2025, 130 USD of this tax advantage has been used (31 December 2024: USD 287).

- 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.
- 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

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

Short-term provisions as of 31 December 2025, and 31 December 2024 are as follows:

Short-term provision for employee benefits is as follows:

	31 December 2025	31 December 2024
Provisions for unused vacation	<u>131</u>	<u>101</u>

Changes in the provisions for the year ended 31 December 2025, and 31 December 2024 are set out below:

	1 January - 31 December 2025	1 January - 31 December 2024
Provisions at the beginning of the year	101	50
Provisions for the current year	1,174	917
Foreign currency translation differences	(21)	(13)
Provisions released	(1,123)	(853)
Provisions at the end of the year	<u>131</u>	<u>101</u>

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

Other short-term provision is as follows:

	31 December 2025	31 December 2024
Provisions for legal claims	<u>18</u>	<u>14</u>

Changes in the provisions for legal claims for the year ended 31 December 2025, and 31 December 2024 are set out below:

	1 January - 31 December 2025	1 January - 31 December 2024
Provisions at the beginning of the year	14	6
Provisions for the current year	10	9
Foreign currency translation differences	(2)	(1)
Provisions released	(4)	-
Provisions at the end of the year	<u>18</u>	<u>14</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 2025	31 December 2024
Provisions for redelivery maintenance	134	107
Carbon offset provisions	61	-
	<u>195</u>	<u>107</u>

Changes in the provisions for other provisions for the year ended 31 December 2025, and 31 December 2024 are set out below:

	1 January - 31 December 2025	1 January - 31 December 2024
Opening	107	85
Changes in current year	88	22
Provisions at the end of the year	<u>195</u>	<u>107</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 2025 is USD 219 (31 December 2024: USD 165).

As of 31 December 2025, the letters of guarantee are given to various authorities (i.e. various banks and vendors.)

	31 December 2025		31 December 2024	
	Original currency amount	USD equivalent	Original currency amount	USD equivalent
A. Total amounts of GPM given on the behalf of its own legal entity	-	219	-	165
-Collaterals				
TL	747	17	298	8
EUR	46	53	38	40
USD	128	128	82	82
Other	-	21	-	35
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>219</u>		<u>165</u>

As of 31 December 2025, the ratio of other GPMs (“D”) given by the Group to the Group's equity is 0% (31 December 2024: 0%).

b) Aircraft purchase commitments:

The Group has signed agreements for 471 aircraft that will be delivered between the years 2026 and 2036, (321 of aircraft are contractual and 150 of them are optional) with a list price value of USD 34,442 each. The Group has made a predelivery payment of USD 1,165 gross relevant to these purchases as of 31 December 2025 (31 December 2024: USD 1,489).

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21. EMPLOYEE BENEFITS

Provisions for retirement pay liability as of 31 December 2025, and 31 December 2024 are comprised of the following:

	31 December 2025	31 December 2024
Provision for retirement pay liability	<u>282</u>	<u>247</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 1,256 (full) (equivalent of TL 53,920 (full)) as of 31 December 2025. (31 December 2024: USD 1,185 (full) equivalent to TL 41,828 (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 2025 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 2024: 24.95%) and 29.82% interest rate (31 December 2024: 29.32%). Estimated amount of non-paid retirement pay retained in the Group due to voluntary leaves is assumed as 2.33% (31 December 2024: 2.20%). Ceiling for retirement pay is revised semi-annually. Ceiling amount of USD 1,513 (full) (equivalent to TL 64,949 (full)) which has been in effect since 1 January 2026, 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 2025	1 January - 31 December 2024
Provision at the beginning of the year	247	229
Interest cost	61	55
Service cost for the year	32	40
Actuarial loss	4	12
Payments	(15)	(28)
Foreign currency translation difference	(47)	(61)
Provision at the end of the year	<u>282</u>	<u>247</u>

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22. EXPENSES BY NATURE

Expenses by nature for the year ended 31 December 2025, and 31 December 2024 are as follows:

	1 January - 31 December 2025	1 January - 31 December 2024
Fuel	6,074	6,163
Personnel	5,556	4,708
Depreciation and amortisation	2,395	2,203
Ground services	1,689	1,490
Aircraft maintenance	1,374	1,153
Passenger services and catering	1,181	1,026
Airport	1,101	936
Air traffic control	986	799
Commissions and incentives	649	605
Wet lease	268	425
Reservation systems	228	286
Advertisement and promotion	175	215
IT and communication	156	120
Service	99	89
Transportation	88	70
Insurance	62	72
Taxes and duties	49	80
Rents	46	39
Call center	43	36
Aircraft rent	36	15
Systems use and associateship	34	28
Consultancy	34	31
Utility	26	25
Other	195	135
	<u>22,544</u>	<u>20,749</u>

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23. OTHER ASSETS AND LIABILITIES

Other current assets as of 31 December 2025, and 31 December 2024 are as follows:

	31 December 2025	31 December 2024
Deferred VAT	278	222
Personnel and business advances	11	10
	<u>289</u>	<u>232</u>

Other current liabilities as of 31 December 2025, and 31 December 2024 are as follows:

	31 December 2025	31 December 2024
Accruals for maintenance expenses of aircraft		
under operating lease (*)	85	417
Accruals for other expenses	17	50
Other	9	8
	<u>111</u>	<u>475</u>

Other non - current liabilities as of 31 December 2025, and 31 December 2024 are as follows:

	31 December 2025	31 December 2024
Accruals for maintenance expenses of aircraft		
under operating lease (*)	<u>315</u>	<u>-</u>

(*) As of 31 December 2025, accruals for maintenance expenses of aircraft under operating leases are presented separately as current and non-current liabilities in the consolidated statement of financial position.

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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	
			2025	%	2024	2024
Türkiye Wealth Fund	A	49.12	678	49.12	678	678
Republic of Türkiye Treasury and Finance Ministry Privatization Administration	C	-	-	-	-	-
Treasury Shares (*)	A	0.48	7	0.40	6	6
Other (publicly held)	A	50.40	695	50.48	696	696
Paid-in capital (Turkish Lira)			1,380		1,380	1,380
Inflation adjustment on share capital (Turkish Lira) (**)			1,124		1,124	1,124
Share capital (Turkish Lira)			2,504		2,504	2,504
Share capital (USD Equivalent)			1,597		1,597	1,597

(*) On 21.05.2025, in accordance with the Capital Market Board's Communiqué II-22.1 on treasury shares, 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 1.7% of the issued share capital. According to share buy-back program, company purchased 6,655,244 shares with the amount of USD 47 as of 31 December 2025.

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

As of 31 December 2025, 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 mergers 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 2025, lease liabilities and investment borrowings in Japanese Yen, Swiss Franc, Chinese Yuan 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, Chinese Yuan and Swiss Franc fully covered borrowings of such foreign currency, while Japanese Yen revenue covered %40 of borrowings. In this context, exchange differences arising from such these loans repayment are taken to equity and recognized in other comprehensive income.

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25. REVENUE

Breakdown of gross profit is as follows:

	1 January - 31 December 2025	1 January - 31 December 2024
Passenger revenue		
Scheduled	19,606	18,298
Unscheduled	194	146
Total passenger revenue	19,800	18,444
Cargo revenue		
Carried by cargo aircraft	1,715	1,778
Carried by passenger aircraft	1,675	1,717
Total cargo revenue	3,390	3,495
Total passenger and cargo revenue	23,190	21,939
Technical revenue	676	541
Other revenue	230	189
Net sales	24,096	22,669
Cost of sales (-)	(20,208)	(18,347)
Gross profit	3,888	4,322

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

	1 January - 31 December 2025	1 January - 31 December 2024
- Europe	6,671	6,445
- Asia and Far East	6,191	5,723
- Americas	4,622	4,601
- Africa	1,908	1,722
- Middle East	1,815	1,675
International flights	21,207	20,166
Domestic flights	1,983	1,773
Total passenger and cargo revenue	23,190	21,939

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26. COST OF SALES

Breakdown of the cost of sales is as follows:

	1 January - 31 December 2025	1 January - 31 December 2024
Fuel	6,074	6,163
Personnel	4,782	3,892
Depreciation and amortisation	2,302	2,126
Ground services	1,689	1,490
Aircraft maintenance	1,374	1,153
Passenger services and catering	1,181	1,026
Airport	1,101	936
Air traffic control	986	799
Wet lease	268	425
Transportation	88	70
IT and communication	74	40
Service	54	51
Insurance	52	58
Aircraft rent	36	15
Taxes and duties	21	21
Rents	19	15
Utility	17	17
Systems use and associateship	9	7
Other	81	43
	20,208	18,347

27. GENERAL ADMINISTRATIVE EXPENSES AND SELLING AND MARKETING EXPENSES

Breakdown of general administrative expenses is as follows:

	1 January - 31 December 2025	1 January - 31 December 2024
Personnel	281	335
Depreciation and amortisation	84	70
IT and communication	60	66
Systems use and associateship	18	14
Service	14	11
Taxes and duties	14	11
Consultancy	14	12
Insurance	10	14
Utility	9	8
Rents	8	7
Other	18	16
	530	564

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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 2025	1 January - 31 December 2024
Commissions and incentives	649	605
Personnel	493	481
Reservation systems	228	286
Advertisement and promotion	175	215
Call center	43	36
Service	31	27
IT and communication	22	14
Consultancy	20	19
Rents	19	17
Taxes and duties	14	48
Depreciation and amortisation	9	7
Systems use and associateship	7	7
Other	96	76
	<u>1,806</u>	<u>1,838</u>

28. OTHER OPERATING INCOME / EXPENSES

Breakdown of other operating income and expenses are as follows:

	1 January - 31 December 2025	1 January - 31 December 2024
Manufacturers' credits	379	253
Insurance, indemnities, penalties income	91	69
Foreign exchange gains from operational activities, gross	72	134
Non- interest income from banks	51	59
Rediscount interest income	47	-
Rent income	37	47
Provisions released	5	1
Delay interest income	4	6
Reversal of ECL provision	-	2
Other	71	35
	<u>757</u>	<u>606</u>

	1 January - 31 December 2025	1 January - 31 December 2024
Provisions	27	14
Rediscount interest expenses	16	11
Indemnity and penalty expenses	14	9
Foreign exchange losses from operational activities, gross	9	75
Donations and aid	4	-
Other	16	4
	<u>86</u>	<u>113</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 2025	1 January - 31 December 2024
Interest income from financial investment	886	1,292
Income from investment incentives	332	267
Gain on sale of financial investments	124	102
Gain on sale of fixed assets	47	7
	<u>1,389</u>	<u>1,668</u>

Breakdown of expense from investment activities is as follows:

	1 January - 31 December 2025	1 January - 31 December 2024
Losses on the remeasurement of financial investments	69	44
Loss on sale of fixed assets	-	31
	<u>69</u>	<u>75</u>

30. FINANCIAL INCOME/ EXPENSES

Breakdown of financial income is as follows:

	1 January - 31 December 2025	1 January - 31 December 2024
Interest income	431	326
Foreign exchange gains from financial activities, gross	325	210
Fair value gains on derivative financial instruments, net	14	-
Other	11	455
	<u>781</u>	<u>991</u>

Breakdown of financial expenses is as follows:

	1 January - 31 December 2025	1 January - 31 December 2024
Foreign exchange losses on financial activities, gross (*)	473	614
Interest expense from leasing liabilities	400	457
Interest expense from financial activities	67	86
Interest expenses on employee benefits	61	55
Aircraft financing expenses	13	23
Rediscount interest expense from repayments of aircraft, net	13	44
Fair value losses on derivative financial instruments, net	-	238
Other	6	11
	<u>1,033</u>	<u>1,528</u>

(*) As of 31 December 2025, gross foreign exchange losses included in financial expenses mainly consist of foreign exchange losses arising from deposits, borrowings and lease obligations.

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31. TAX ASSETS AND LIABILITIES

Tax assets and tax income are as follows:

	31 December 2025	31 December 2024
Provisions for corporate tax	176	47
Prepaid taxes and funds	(166)	(76)
Current income tax (assets) / liabilities	<u>10</u>	<u>(29)</u>
	1 January - 31 December 2025	1 January - 31 December 2024
Deferred tax (expense) / income	(201)	165
Current year tax (expense) (*)	(293)	(387)
Tax expense	<u>(494)</u>	<u>(222)</u>

(*) OECD's Global Minimum Complementary Corporate Tax regulations (Pillar 2) entered into force with the Law No. 7524 published in the Official Gazette No. 32620 dated 02.08.2024. As a result of the calculation in accordance with the guidance issued by the OECD, the Group has booked an additional tax provision of 49 USD for the period between 1 January 2025 and 31 December 2025.

Tax effect related to other comprehensive income is as follows:

	1 January - 31 December 2025			1 January - 31 December 2024		
	Tax		Amount after tax	Tax		Amount after tax
Amount before tax	(expense) / income	Amount before tax		(expense) / income	Amount after tax	
Changes in foreign currency translation difference	50	-	50	7	-	7
Losses on Remeasuring FVOCI	71	(18)	53	(3)	1	(2)
Change in actuarial losses from retirement pay obligation	(4)	1	(3)	(12)	2	(10)
Change in cash flow hedge reserve	(983)	225	(758)	436	(98)	338
Other comprehensive income	<u>(866)</u>	<u>208</u>	<u>(658)</u>	<u>428</u>	<u>(95)</u>	<u>333</u>

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

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31. TAX ASSETS AND LIABILITIES (cont'd)

Corporate Tax

The general corporate income tax rate is %25 in Türkiye, the corporate tax rate is applied with a 5-point discount on the earnings of exporting institutions derived exclusively from exports. 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.

Furthermore, Article 32/C titled “Domestic minimum corporate tax” has been added to the Corporate Tax Law with Article 36 of Law No. 7524. According to this regulation regarding the application of the domestic minimum corporate tax, the corporate tax calculated within the framework of Articles 32 and 32/A, will not be less than 10% of the corporate income before the application of discounts and exemptions.

The said regulation entered into force on the date of its publication to be applied to corporate earnings for the taxation period of 2025. Corporate Tax General Communiqué Serial No. 23 was published in the Official Gazette dated 28.09.2024 and numbered 32676.

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 can not 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.

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31. TAX ASSETS AND LIABILITIES (cont'd)

Deferred Tax (cont'd)

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

	31 December 2025	31 December 2024
Deferred tax asset	413	402
Deferred tax liability	(73)	(65)
Deferred tax asset	<u>340</u>	<u>337</u>
	31 December 2025	31 December 2024
Expense and income accruals	183	112
Fixed assets	161	97
Provisions for employee benefits	70	57
Deferred income and prepaid expenses	66	188
Miles accruals	38	45
Provisions for unused vacation	32	23
Lease liabilities (net) (**)	29	16
Other incentives	22	-
Carry forward tax losses	2	2
Other receivables	-	3
Change in fair value of derivative instruments	(25)	(20)
Adjustments for passenger flight liabilities	(179)	(189)
Other	(59)	3
Deferred tax asset	<u>340</u>	<u>337</u>

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

Pursuant to Law No. 7571 published in the Official Gazette dated 25 December 2025, amendments were made to the Tax Procedure Law ("TPL"). In accordance with these amendments, statutory tax financial statements will not be subject to inflation adjustment for the 2025 fiscal year, including interim tax periods, as well as for the 2026 and 2027 fiscal years.

Furthermore, during these periods in which inflation accounting is not applied, it will be permissible to revalue depreciable assets in accordance with Article 298, paragraph (Ç) of the TPL.

Accordingly, the Group has elected to apply the revaluation practice in the current period, and property, plant and equipment have been carried at their revalued amounts. The deferred tax amount under Article 298 (Ç) for the fiscal year 2025 has been calculated based on these revalued amounts. In addition, the deferred tax amounts computed for the first three interim tax periods of the year, as well as the effects of inflation adjustment on current period taxes, have been reversed.

In order to mitigate any potential tax exposure that may arise from the disposal of such non-current assets (due to the recognition of the revaluation fund maintained in the statutory tax records as taxable income), the Company plans to utilize available investment incentives and, with respect to its subsidiaries and joint ventures, to carry out bonus share capital increases. As a result, no additional tax liability is expected to arise upon the disposal of these non-current assets.

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31. TAX ASSETS AND LIABILITIES (cont'd)

Deferred Tax (cont'd)

The changes of deferred tax asset and (liability) for the year ended 1 January – 31 December 2025, and 31 December 2024 are as follows:

	1 January - 31 December 2025	1 January - 31 December 2024
Opening balance at 1 January	337	282
Tax (expense) / income from FVOCI	207	(97)
Tax income of actuarial losses on retirement pay obligation	1	2
Foreign currency translation difference	(4)	(15)
Deferred tax income / (expense)	(201)	165
Deferred tax asset at the end of the year	<u>340</u>	<u>337</u>

Reconciliation with current tax expense for the period 1 January – 31 December 2025, and 31 December 2024 are as follows:

	1 January - 31 December 2025	1 January - 31 December 2024
Reconciliation of effective tax charge		
Profit from operations before tax	3,402	3,647
Tax calculated with the effective tax rate	(851)	(912)
Taxation effects on:		
- revaluation	1,234	-
- income from investment certificates	83	72
- pillar 2 effect	49	-
- exception	45	363
- effect of the change in the deferred tax rate	37	(44)
- investments accounted by using the equity method	27	44
- unused tax incentive	12	-
- adjustment for prior year loss	-	232
- non deductible expenses	(38)	(37)
- foreign currency translation difference	(1,092)	60
Tax (expense) in statement of profit	<u>(494)</u>	<u>(222)</u>

32. EARNINGS PER SHARE

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

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

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32. EARNINGS PER SHARE (cont'd)

Number of total shares and calculation of profits per share at 1 January – 31 December 2025, and 31 December 2024:

	1 January - 31 December 2025	1 January - 31 December 2024
Number of shares outstanding at 1 January (in full)	137,994,458,956	137,995,202,955
Number of shares outstanding at 31 December (in full)	137,993,344,756	137,994,458,956
Weighted average number of shares outstanding during the period (in full)	137,993,933,018	137,995,032,906
Net profit for the year	2,908	3,425
Basic earnings per share (Full US Cents) (*)	2.11	2.48
Diluted earnings per share (Full US Cents) (*)	2.11	2.48

(*) Basic and diluted earnings 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 2025, and 31 December 2024 are as follows:

<u>Derivative financial assets</u>	31 December 2025	31 December 2024
Derivative instruments not subject to hedge accounting	243	112
Derivative instruments for cross currency rate cash flow hedge	3	-
Derivative instruments for interest rate cash flow hedge	1	3
Derivative instruments for fuel prices cash flow hedge	-	4
	<u>247</u>	<u>119</u>
 <u>Derivative financial liabilities</u>	 31 December 2025	 31 December 2024
Derivative instruments not subject to hedge accounting	118	21
Derivative instruments for fuel prices cash flow hedge	30	13
Derivative instruments for cross currency rate cash flow hedge	-	3
	<u>148</u>	<u>37</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 2024.

	<u>31 December 2025</u>	<u>31 December 2024</u>
Total debts (*)	2,918	1,895
Lease liabilities	14,886	11,966
Less: Cash and cash equivalents and time deposits with maturity of more than three months	(2,306)	(3,929)
Net debt (A)	15,498	9,932
Total shareholders' equity (B)	21,314	19,314
Total capital stock (A+B)	36,812	29,246
Net debt/total capital stock ratio	0.42	0.34

(*) 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, cash flow 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 2025	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 (*)	36	1,033	53	2,894	2,007	247	1,422	4,865	-
-The part of maximum credit risk under guarantee with collateral etc. (**)	-	(203)	-	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	36	-	53	-	843	-	-	-	-
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	-	974	-	2,894	1,164	247	1,422	4,865	-
-Past due (gross carrying amount)	-	367	-	-	-	-	-	-	-
-Impairment(-)	-	(117)	-	-	-	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-	-
-Not past due (gross carrying amount)	-	725	-	2,897	1,165	247	1,423	4,867	-
-Impairment (-)	-	(1)	-	(3)	(1)	-	(1)	(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 2024	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 (*)	43	862	21	2,611	3,928	119	262	1,798	17
-The part of maximum credit risk under guarantee with collateral etc. (**)	-	(180)	-	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	43	-	21	-	424	119	262	-	17
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	-	887	-	2,611	3,504	-	-	1,798	-
-Past due (gross carrying amount)	-	341	-	-	-	-	-	-	-
-Impairment(-)	-	(103)	-	-	-	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-	-
-Not past due (gross carrying amount)	-	651	-	2,615	3,506	-	-	1,798	-
-Impairment (-)	-	(2)	-	(4)	(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)

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 2025 are as follows:

31 December 2025	<u>Receivables</u>		<u>Deposits in</u>	<u>Derivative</u>	<u>Other</u>	<u>Total</u>
	<u>Trade Receivables</u>	<u>Other Receivables</u>	<u>Banks</u>	<u>Instruments</u>		
Past due 1-30 days	140	-	-	-	-	140
Past due 1-3 months	23	-	-	-	-	23
Past due 3-12 months	44	-	-	-	-	44
Past due 1-5 years	160	-	-	-	-	160
Total past due receivables	367	-	-	-	-	367
The part under guarantee with collateral etc.	203	-	-	-	-	203

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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 2024 are as follows:

31 December 2024	<u>Receivables</u>		<u>Deposits in Banks</u>	<u>Derivative Instruments</u>	<u>Other</u>	<u>Total</u>
	<u>Trade Receivables</u>	<u>Other Receivables</u>				
Past due 1-30 days	152	-	-	-	-	152
Past due 1-3 months	15	-	-	-	-	15
Past due 3-12 months	35	-	-	-	-	35
Past due 1-5 years	139	-	-	-	-	139
Total past due receivables	341	-	-	-	-	341
The part under guarantee with collateral etc.	180	-	-	-	-	180

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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 2025 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%	9,004	4
BA3	0.22%	1,375	2
B2	1.93%	196	1
		<u>10,575</u>	<u>7</u>

The aging of financial assets as of 31 December 2025 are as follows:

<u>Maturity Ranges As of 31.12.2025</u>	<u>Weighted Average Lost Rate</u>	<u>Gross Carrying Amount</u>	<u>Impairment Loss Allowance</u>
Current	0.13%	725	1
1-30 days past due	0.29%	140	-
30-90 days past due	0.64%	23	-
90-360 days past due	1.62%	44	1
More than 1 year past due	3.14%	42	2
		<u>974</u>	<u>4</u>

The details of credit ratings of banks in which the Group has deposits as of 31 December 2024 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%	2,677	4
BA3	0.22%	4,786	2
B2	1.93%	240	-
		<u>7,703</u>	<u>6</u>

The aging of financial assets as of 31 December 2024 are as follows:

<u>Maturity Ranges As of 31.12.2024</u>	<u>Weighted Average Lost Rate</u>	<u>Gross Carrying Amount</u>	<u>Impairment Loss Allowance</u>
Current	0.24%	651	2
1-30 days past due	0.37%	152	1
30-90 days past due	2.52%	15	-
90-360 days past due	3.22%	35	1
More than 1 year past due	1.16%	34	-
		<u>887</u>	<u>4</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 203 (31 December 2024: USD 180).

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 2025, and 31 December 2024 are as follows:

	<u>1 January - 31 December 2025</u>	<u>1 January - 31 December 2024</u>
Opening Balance	105	106
Charge for the year	15	2
Currency translation adjustment	-	1
(Reversal) for ECL	-	(3)
Collections during the year	(2)	(1)
Closing Balance	<u>118</u>	<u>105</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 2025

<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	2,918	(3,051)	(977)	(841)	(1,230)	(3)
Lease liabilities	14,886	(17,428)	(665)	(1,763)	(7,442)	(7,558)
Trade payables	1,832	(1,875)	(1,875)	-	-	-
Total	<u>19,636</u>	<u>(22,354)</u>	<u>(3,517)</u>	<u>(2,604)</u>	<u>(8,672)</u>	<u>(7,561)</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 2024

<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	1,895	(1,902)	(1,090)	(798)	(11)	(3)
Lease liabilities	11,966	(13,972)	(593)	(1,600)	(6,223)	(5,556)
Trade payables	1,494	(1,514)	(1,514)	-	-	-
Total	15,355	(17,388)	(3,197)	(2,398)	(6,234)	(5,559)

31 December 2025

<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	247	6,092	2,725	3,231	136	-
Derivative cash outflows	(148)	(5,194)	(2,627)	(2,462)	(105)	-
Derivative cash inflows/outflows,net	99	898	98	769	31	-

31 December 2024

<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	119	3,147	1,186	1,511	450	-
Derivative cash outflows	(37)	(2,097)	(1,402)	(684)	(11)	-
Derivative cash inflows/outflows,net	82	1,050	(216)	827	439	-

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 2025					
	USD EQUIVALENT	TL	EUR	JPY	CHF	OTHER(**)
1.Trade Receivables	772	207	101	14	9	441
2a.Monetary Financial Assets	5,830	3,163	2,494	5	93	75
2b.Non Monetary Financial Assets	-	-	-	-	-	-
3.Other	728	322	173	2	6	225
4.Current Assets (1+2+3)	7,330	3,692	2,768	21	108	741
5.Trade Receivables	18	-	18	-	-	-
6a.Monetary Financial Assets	1,230	984	246	-	-	-
6b.Non Monetary Financial Assets	-	-	-	-	-	-
7.Other	1,133	547	586	-	-	-
8.Non Current Assets (5+6+7)	2,381	1,531	850	-	-	-
9.Total Assets (4+8)	9,711	5,223	3,618	21	108	741
10.Trade Payables	1,174	756	319	8	3	88
11.Financial Liabilities (*)	3,247	34	2,697	348	93	75
12a.Other Liabilities, Monetary	783	593	103	5	4	78
12b.Other Liabilities, Non Monetary	-	-	-	-	-	-
13.Current Liabilities (10+11+12)	5,204	1,383	3,119	361	100	241
14.Trade Payables	-	-	-	-	-	-
15.Financial Liabilities (*)	10,676	74	5,891	2,527	702	1,482
16a.Other Liabilities, Monetary	282	282	-	-	-	-
16b.Other Liabilities, Non Monetary	-	-	-	-	-	-
17.Non Current Liabilities (14+15+16)	10,958	356	5,891	2,527	702	1,482
18.Total Liabilities (13+17)	16,162	1,739	9,010	2,888	802	1,723
19.Net asset / liability position of off-balance sheet derivatives (19a-19b)	50	1,995	(1,928)	-	(3)	(14)
19a.Off-balance sheet foreign currency derivative assets	7,543	5,213	2,328	-	-	2
19b.Off-balance sheet foreign currency derivative liabilities	7,493	3,218	4,256	-	3	16
20.Net foreign currency asset / (liability) position (9-18+19)	(6,401)	5,479	(7,320)	(2,867)	(697)	(996)
21.Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(8,312)	2,615	(6,151)	(2,869)	(700)	(1,207)
22.Fair value of foreign currency hedged financial assets	-	-	-	-	-	-
23.Hedged foreign currency assets	-	-	-	-	-	-
24.Hedged foreign currency liabilities	10,292	-	6,801	1,144	795	1,552

(*) 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 10,292 as of 31 December 2025 (31 December 2024: USD 7,801).

(**) The amount of Chinese yuan in total assets is USD 79, in total liabilities is USD 1,563, in the hedged foreign currency liabilities is USD 1,552.

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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 2024					
	USD EQUIVALENT	TL	EUR	JPY	CHF	OTHER (**)
1.Trade Receivables	834	269	131	12	10	412
2a.Monetary Financial Assets (***)	5,950	3,548	2,240	94	3	65
2b.Non Monetary Financial Assets	-	-	-	-	-	-
3.Other	709	278	225	3	8	195
4.Current Assets (1+2+3)	7,493	4,095	2,596	109	21	672
5.Trade Receivables	-	-	-	-	-	-
6a.Monetary Financial Assets	-	-	-	-	-	-
6b.Non Monetary Financial Assets	-	-	-	-	-	-
7.Other	631	420	201	-	-	10
8.Non Current Assets (5+6+7)	631	420	201	-	-	10
9.Total Assets (4+8)	8,124	4,515	2,797	109	21	682
10.Trade Payables	1,064	730	265	7	2	60
11.Financial Liabilities (*)	2,964	22	2,562	292	48	40
12a.Other Liabilities, Monetary	1,168	882	198	3	4	81
12b.Other Liabilities, Non Monetary	-	-	-	-	-	-
13.Current Liabilities (10+11+12)	5,196	1,634	3,025	302	54	181
14.Trade Payables	-	-	-	-	-	-
15.Financial Liabilities (*)	7,588	65	5,267	1,576	290	390
16a.Other Liabilities, Monetary	247	247	-	-	-	-
16b.Other Liabilities, Non Monetary	-	-	-	-	-	-
17.Non Current Liabilities (14+15+16)	7,835	312	5,267	1,576	290	390
18.Total Liabilities (13+17)	13,031	1,946	8,292	1,878	344	571
19.Net asset / liability position of off-balance sheet derivatives (19a-19b)	(1,713)	(95)	(1,618)	-	-	-
19a.Off-balance sheet foreign currency derivative assets	-	-	-	-	-	-
19b.Off-balance sheet foreign currency derivative liabilities	1,713	95	1,618	-	-	-
20.Net foreign currency asset/(liability) position (9-18+19)	(6,620)	2,474	(7,113)	(1,769)	(323)	111
21.Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(6,247)	1,871	(5,921)	(1,772)	(331)	(94)
22.Fair value of foreign currency hedged financial assets	-	-	-	-	-	-
23.Hedged foreign currency assets	-	-	-	-	-	-
24.Hedged foreign currency liabilities	7,801	-	5,662	1,371	338	430

(**) The amount of Chinese yuan in total assets is USD 93, in total liabilities is USD 435, in the hedged foreign currency liabilities is USD 430.

(***) EUR amount equivalent to USD 674 represents the currency protected time deposit.

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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 2025			
	Profit / (Loss)		Equity	
	Before Tax			
	If foreign currency appreciated 10 %	If foreign currency depreciated 10 %	If foreign currency appreciated 10 %	If foreign currency depreciated 10 %
1- TL net asset / liability	548	(548)	-	-
2- Part hedged from TL risk (-)	-	-	-	-
3- TL net effect (1+2)	548	(548)	-	-
4- Euro net asset / liability	(732)	732	(680)	680
5- Part hedged from Euro risk (-)	680	(680)	-	-
6- Euro net effect (4+5)	(52)	52	(680)	680
7- JPY net asset / liability	(287)	287	(114)	114
8- Part hedged from JPY risk (-)	114	(114)	-	-
9- JPY net effect (7+8)	(173)	173	(114)	114
10- CHF net asset / liability	(70)	70	(80)	80
11- Part hedged from CHF risk (-)	80	(80)	-	-
12- CHF net effect (10+11)	10	(10)	(80)	80
13- Other foreign currency net asset / liability	(100)	100	(155)	155
14- Part hedged other foreign currency risk (-)	155	(155)	-	-
15- Other foreign currency net effect (13+14)	55	(55)	(155)	155
TOTAL (3 + 6 + 9 + 12 + 15)	388	(388)	(1,029)	1,029

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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 2024			
	Profit / (Loss)		Equity	
	Before Tax		If foreign	If foreign
	If foreign	If foreign	currency	currency
currency	currency	appreciated	depreciated	
appreciated	depreciated	10 %	10 %	
10 %	10 %	10 %	10 %	
1- TL net asset / liability	247	(247)	-	-
2- Part hedged from TL risk (-)	-	-	-	-
3- TL net effect (1+2)	247	(247)	-	-
4- Euro net asset / liability	(711)	711	(566)	566
5- Part hedged from Euro risk (-)	566	(566)	-	-
6- Euro net effect (4+5)	(145)	145	(566)	566
7- JPY net asset / liability	(177)	177	(137)	137
8- Part hedged from JPY risk (-)	137	(137)	-	-
9- JPY net effect (7+8)	(40)	40	(137)	137
10- CHF net asset / liability	(32)	32	(34)	34
11- Part hedged from CHF risk (-)	34	(34)	-	-
12- CHF net effect (10+11)	2	(2)	(34)	34
13- Other foreign currency net asset / liability	11	(11)	(43)	43
14- Part hedged other foreign currency risk (-)	43	(43)	-	-
15- Other foreign currency net effect (13+14)	54	(54)	(43)	43
TOTAL (3 + 6 + 9 + 12 + 15)	118	(118)	(780)	780

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)

Interest Rate Position Table

	<u>31 December 2025</u>	<u>31 December 2024</u>
<u>Instruments with fixed interest rate</u>		
Financial Liabilities	11,234	8,523
<u>Financial Instruments with Variable Interest Rate</u>		
Financial Liabilities	6,570	5,338
Interest Swap Agreements Subject to Hedge Accounting (Net)	1	3

As indicated in Note 35, the Group fixed the interest rate for 491 USD of floating–interest-rated financial liabilities via an interest rate swap contracts as of 31 December 2025.

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 33 (For the year ended 31 December 2024 profit before tax will decrease by USD 27). 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 be affected less than USD 1, excluding the deferred tax effect. (For the year ended 31 December 2024 the shareholders' equity of the Group will increase by USD 1, 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 47, excluding the deferred tax effect. (For the year ended 31 December 2024, the shareholders' equity of the Group will increase by USD 52 excluding deferred tax effect.)

In case of a 10% decrease in fuel prices, the shareholders' equity of the Group will decrease by USD 51, excluding the deferred tax effect. (For the year ended 31 December 2024, the shareholders' equity of the Group will decrease by USD 54, 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.
- The fair value of derivative instruments is calculated using their quoted prices. Where prices are unavailable, discounted cash flow analysis is used, employing the applicable yield curve for the maturity of the derivative instruments (forward and swap).

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35. FINANCIAL INSTRUMENTS (cont'd)

Fair Values of Financial Instruments (cont'd)

31 December 2025	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	2,008	-	-	-	-	2,008	5
Financial investments and derivative financial instruments	-	6,291	903	1	-	7,195	6 and 33
Trade receivables	1,069	-	-	-	-	1,069	8 and 9
Other receivables	2,947	-	-	-	-	2,947	8 and 11
<u>Financial liabilities</u>							
Bank borrowings	-	-	-	-	2,918	2,918	7 and 17
Lease liabilities	-	-	-	-	14,886	14,886	7 and 17
Other financial liabilities and derivative financial instruments	-	30	118	-	-	148	33
Trade payables	-	-	-	-	1,832	1,832	8 and 9

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35. FINANCIAL INSTRUMENTS (cont'd)

Fair Values of Financial Instruments (cont'd)

31 December 2024	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	2,721	-	-	-	-	2,721	5
Financial investments and derivative financial instruments	-	2,067	2,510	1	-	4,578	6 and 33
Trade receivables	905	-	-	-	-	905	8 and 9
Other receivables	2,632	-	-	-	-	2,632	8 and 11
<u>Financial liabilities</u>							
Bank borrowings	-	-	-	-	1,895	1,895	7 and 17
Lease liabilities	-	-	-	-	11,966	11,966	7 and 17
Other financial liabilities and derivative financial instruments	-	16	21	-	-	37	33
Trade payables	-	-	-	-	1,494	1,494	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 2025	Fair value level as of the reporting date		
		Level 1 USD	Level 2 USD	Level 3 USD
Financial assets				
Financial assets on remeasuring FVOCI	6,287	6,287	-	-
Financial assets on remeasuring FVTPL	-	-	-	-
Derivative instruments at fair value through profit or loss	243	-	243	-
Derivative instruments accounted for hedge accounting	4	-	4	-
Total	6,534	6,287	247	-
Financial liabilities				
Derivative instruments at fair value through profit or loss	118	-	118	-
Derivative instruments accounted for hedge accounting	30	-	30	-
Total	148	-	148	-

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35. FINANCIAL INSTRUMENTS (cont'd)

Fair Values of Financial Instruments (cont'd)

	31 December 2024	Fair value level as of the reporting date		
		Level 1 USD	Level 2 USD	Level 3 USD
Financial assets				
Financial assets on remeasuring FVOCI	2,060	2,060	-	-
Financial assets on remeasuring FVTPL	17	17	-	-
Derivative instruments at fair value through profit or loss	112	-	112	-
Derivative instruments accounted for hedge accounting	7	-	7	-
Total	2,196	2,077	119	-
Financial liabilities				
Derivative instruments at fair value through profit or loss	21	-	21	-
Derivative instruments accounted for hedge accounting	16	-	16	-
Total	37	-	37	-

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 4% of floating rate USD, JPY, CNY, CHF 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 2025, financial lease liabilities in Japanese Yen, Swiss Franc, Chinese Yuan 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 Chinese Yuan, Euro and Swiss Franc fully covered borrowings of such foreign currency while Japanese Yen revenue covered 40% 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 2025, and 31 December 2024 are as follows:

Derivative Instruments Accounted in Assets and Liabilities

31 December 2025	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	1	-	1
Forward fuel purchase contracts for hedging against cash flow risk of fuel prices	-	-	-
Collar contracts for hedging against cash flow risk of fuel prices	-	(30)	(30)
Forward currency contracts for hedging purposes	<u>3</u>	<u>-</u>	<u>3</u>
Fair values of derivative instruments for hedging purposes	<u>4</u>	<u>(30)</u>	<u>(26)</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>243</u>	<u>(118)</u>	<u>125</u>
Fair values of derivative instruments not for hedging purposes	<u>243</u>	<u>(118)</u>	<u>125</u>
Total	<u><u>247</u></u>	<u><u>(148)</u></u>	<u><u>99</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 2025, and 31 December 2024 are as follows (cont'd):

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

31 December 2024	Positive fair value	Negative fair value	Total
Fixed-paid/floating received interest rate swap contracts for hedging against cash flow risks of interest rate	3	-	3
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	(13)	(9)
Forward currency contracts for hedging purposes	-	(3)	(3)
Fair values of derivative instruments for hedging purposes	<u>7</u>	<u>(16)</u>	<u>(9)</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>112</u>	<u>(21)</u>	<u>91</u>
Fair values of derivative instruments not for hedging purposes	<u>112</u>	<u>(21)</u>	<u>91</u>
Total	<u><u>119</u></u>	<u><u>(37)</u></u>	<u><u>82</u></u>

Derivative Instruments Accounted in the Equity

31 December 2025	Hedging against fuel risk	Hedging against interest risk	Hedging against currency risk	Total
Fair values of derivative instruments for hedging purposes	(30)	1	3	(26)
The amount of financial expenses inside hedge funds	-	-	-	-
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	-	-	(159)	(159)
Total	<u>(30)</u>	<u>1</u>	<u>(156)</u>	<u>(185)</u>
Deferred tax	8	-	39	47
Hedge reserve as of 31 December 2025	<u><u>(22)</u></u>	<u><u>1</u></u>	<u><u>(117)</u></u>	<u><u>(138)</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 2025, and 31 December 2024 are as follows (cont'd):

Derivative Instruments Accounted in the Equity (cont'd)

31 December 2024	Hedging against fuel risk	Hedging against interest risk	Hedging against currency risk	Total
Fair values of derivative instruments for hedging purposes	(9)	3	(3)	(9)
The amount of financial expenses inside hedge funds	-	-	-	-
Ineffecient part in the risk elimination of fair value of hedging gains of fuel hedging derivative instrument to financial revenues	-	-	-	-
Ineffecient part in the risk elimination of fair value of hedging gains of currency hedging derivative instrument to financial revenues	-	-	810	810
Total	(9)	3	807	801
Deferred tax	2	(1)	(182)	(181)
Hedge reserve as of 31 December 2024	(7)	2	625	620

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):

	<u>31 December 2025</u>	<u>31 December 2024</u>
Audit and assurance fee	1,232	908
Tax consulting fee	277	103
Other assurance services fee	108	16
	<u>1,617</u>	<u>1,027</u>

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.