

**TÜRK HAVA YOLLARI TEKNİK
ANONİM ŞİRKETİ AND ITS SUBSIDIARY**

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED
30 JUNE 2022**



REPORT ON REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

To the Board of Directors of Türk Hava Yolları Teknik A.Ş.

Introduction

1. We have reviewed the accompanying condensed consolidated interim balance sheet of Türk Hava Yolları Teknik A.Ş. and its subsidiary (the “Group”) as at 30 June 2022 and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six month period then ended, and explanatory notes. Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial information in accordance with International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

2. We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

3. Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34.



Other matters

4. We draw attention to Note 20 of which describes the large-scale operations with related parties of the Group. For the six month interim period ended 30 June 2022, 76% of revenues have been generated from the related parties. Our conclusion is not modified in respect of this matter.

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

A handwritten signature in blue ink, appearing to read 'Baki Erdal', is written over the printed name.

Baki Erdal, SMMM
Partner

Istanbul, 29 September 2022

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TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Condensed Consolidated Balance Sheet as at 30 June 2022
(All amounts are expressed in thousand US Dollars (“USD”) unless otherwise stated.)

	<u>Notes</u>	<u>Reviewed 30 June 2022</u>	<u>Audited 31 December 2021</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	3	6.690	7.280
Trade Receivables		247.364	379.838
- <i>Trade Receivables From Related Parties</i>	20	161.397	299.998
- <i>Trade Receivables From Third Parties</i>	5	85.967	79.840
Other Receivables		997	438
- <i>Other Receivables From Related Parties</i>	20	2	35
- <i>Other Receivables From Third Parties</i>		995	403
Inventories	6	625.506	555.173
Prepaid Expenses	12	6.247	13.297
Current Income Tax Assets		19	-
Other Current Assets		368	337
TOTAL CURRENT ASSETS		887.191	956.363
Non-Current Assets			
Investments Accounted for Using the Equity Method	7	67.775	63.703
Right of Use Assets	13	69.698	26.573
Property and Equipment	8	539.702	545.976
Intangible Assets	9	11.431	14.169
Prepaid Expenses	12	798	1.151
Other Investments		510	510
TOTAL NON-CURRENT ASSETS		689.914	652.082
TOTAL ASSETS		1.577.105	1.608.445

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

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Condensed Consolidated Balance Sheet as at 30 June 2022
(All amounts are expressed in thousand US Dollars (“USD”) unless otherwise stated.)

	Notes	Reviewed 30 June 2022	Audited 31 December 2021
LIABILITIES			
Current Liabilities			
Other Financial Liabilities		4.316	2.829
Short-term Lease Liabilities		4.901	3.679
Trade Payables		116.704	117.989
- <i>Trade Payables From Related Parties</i>	20	15.557	20.695
- <i>Trade Payables From Third Parties</i>	5	101.147	97.294
Payables Related to Employee Benefits		20.776	19.940
Other Payables		32.231	27.823
- <i>Other Payables From Related Parties</i>	20	4.277	1.593
- <i>Other Payables From Third Parties</i>		27.954	26.230
Provisions		10.190	6.375
- <i>Short-term Provisions for Employee Benefits</i>	11	5.956	3.274
- <i>Other Provisions</i>	11	4.234	3.101
Deferred Income	12	137.930	141.553
Current Income Tax Liabilities	18	15.727	15.747
Other Current Liabilities		386	375
TOTAL CURRENT LIABILITIES		343.161	336.310
Non-Current Liabilities			
Long-term Lease Liabilities	4	60.920	19.877
Provisions		30.920	24.884
- <i>Long-term Provisions for Employee Benefits</i>	11	30.920	24.884
Deferred Tax Liabilities	18	105.576	116.412
TOTAL NON-CURRENT LIABILITIES		197.416	161.173
EQUITY			
Paid-in Share Capital	14	569.463	569.463
Reserves	14	49.841	37.963
Retained Earnings		416.639	502.802
Equity Attributable to the Parent		1.035.943	1.110.228
Non-Controlling Interests	14	585	734
TOTAL EQUITY		1.036.528	1.110.962
TOTAL LIABILITIES AND EQUITY		1.577.105	1.608.445

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

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income
For the Six Months Period Ended at 30 June 2022
(All amounts are expressed in thousand US Dollars (“USD”) unless otherwise stated.)

	<u>Notes</u>	Reviewed 1 January- 30 June 2022	Reviewed 1 January- 30 June 2021
PROFIT OR LOSS			
Revenue	15	633.785	469.656
Cost of Sales (-)	15	(524.612)	(390.291)
GROSS PROFIT		109.173	79.365
Administrative Expenses (-)	16	(55.755)	(45.887)
Marketing and Sales Expenses (-)		(5.081)	(4.569)
Research and Development Expenses (-)		(1.865)	(1.968)
Impairment Gain/(Loss) Determined According to IFRS 9		2.062	(13.685)
Other Income		1.691	10.091
Other Expenses (-)		(11.349)	(4.609)
OPERATING PROFIT		38.876	18.738
Loss of Investment Activities		(18)	(10)
Share of Investments' Profit/(Loss) Accounted by Using the Equity Method	7	3.775	(1.038)
NET FINANCE INCOME		5.861	4.961
Finance Income		9.184	7.895
Finance Cost (-)		(3.323)	(2.934)
PROFIT BEFORE TAX		48.494	22.651
- Deferred Tax Benefit / (expense)		9.198	(29.916)
- Current Tax Expense	18	(23.340)	(8.045)
PROFIT / (LOSS) FOR THE PERIOD		34.352	(15.310)
Profit Attributable to			
Non-controlling interest		-	42
Parent company		34.352	(15.352)
		34.352	(15.310)
OTHER COMPREHENSIVE EXPENSE			
Items that will not be reclassified to profit or loss		(6.553)	(730)
Actuarial Loss on Retirement Pay Obligation	11	(8.191)	(912)
Related Tax of Other Comprehensive Income	18	1.638	182
Items that are or may be reclassified		(743)	(989)
Currency Translation Differences		(743)	(989)
OTHER COMPREHENSIVE EXPENSE		(7.296)	(1.719)
TOTAL COMPREHENSIVE INCOME / (EXPENSE)		27.056	(17.029)
Total Comprehensive Income / (Expense) Attributable to:			
Non-controlling interest		(149)	(156)
Parent company		27.205	(16.873)
		27.056	(17.029)

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

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Condensed Consolidated Interim Statement of Changes in Equity
For the Six-Month Period Ended at 30 June 2022
(All amounts are expressed in thousand US Dollars (“USD”) unless otherwise stated.)

	Attributable to Owners of the Company			Total	Non - Controlling Interest	Total Equity
	Share Capital	Restricted Reserves	Retained Earnings			
Balances as at 1 January 2021	569.463	34.847	477.368	1.081.678	1.237	1.082.915
Transfers	-	3.116	(3.116)	-	-	-
Total Comprehensive Income	-	-	(16.873)	(16.873)	(156)	(17.029)
Balances as at 30 June 2021	569.463	37.963	457.379	1.064.805	1.081	1.065.886
Balances as at 1 January 2022	569.463	37.963	502.802	1.110.228	734	1.110.962
Dividends Paid	-	-	(101.490)	(101.490)	-	(101.490)
Transfers	-	11.878	(11.878)	-	-	-
Total Comprehensive Income	-	-	27.205	27.205	(149)	27.056
Balances as at 30 June 2022	569.463	49.841	416.639	1.035.943	585	1.036.528

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

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Condensed Consolidated Interim Statement of Cash Flows
For the Six-Month Period Ended at 30 June 2022
(All amounts are expressed in thousand US Dollars (“USD”) unless otherwise stated.)

	Notes	Reviewed 1 January - 30 June 2022	Reviewed 1 January - 30 June 2021
Profit / (Loss) for the period		34.352	(15.310)
Adjustments to Reconcile Profit			
Adjustments for Depreciation and Amortisation Expense	6,8,9,13	65.874	63.330
Adjustments for Provision for Unusual Vacation	11	3.985	619
Adjustments for Provisions	11	1.652	503
Adjustments for Impairment of Inventories	6	1.213	664
Adjustments for Interest Income		(162)	(327)
Adjustments for Interest Expense	4	1.218	1.059
Adjustments for Unrealised Foreign Exchange Gains		(10.493)	17.069
Adjustments for Provision for Doubtful Receivables	5	(2.062)	(13.685)
Adjustments for Undistributed Gains of Associates	7	(3.775)	1.038
Adjustments for Tax Expense	18	(9.218)	37.952
Adjustments for Rediscounted Interest Income		169	22
Adjustments for Gain on Sale of Property, Plant and Equipment	8	(18)	(10)
Adjustments for Employee Termination Benefits	11	3.093	2.839
Operating Profit Before Changes in Working Capital		85.828	95.763
Decrease / (Increase) in Trade Receivables from Related Parties		37.111	(74.535)
Increase in Trade Receivables from Third Parties		(4.233)	(21.515)
Decrease in Other Receivables from Related Parties		33	50
(Increase) / Decrease in Other Receivables from Third Parties		(592)	20
Adjustments for Increase / (Decrease) in Inventories	6	(99.598)	30.215
Adjustments for Increase in Prepaid Expenses		7.403	2.159
Decrease in Trade Payables and Due to Related Parties		(5.138)	(3.943)
Increase / (Decrease) in Trade Payables to Third Parties		3.853	(16.750)
Adjustments in Payables Related to Employee Benefits		836	(462)
Increase in Other Payables and Due to Related Parties		2.684	7.336
Increase / (Decrease) in Other Payables and Due to Third Parties		9.318	(797)
Increase in Deferred Income		(3.612)	1.125
Increase in Other Assets		(31)	(23)
Cash Flows from Operations		33.862	18.643
Payments for Provisions Related with Employee Benefits	11	(185)	(324)
Income Taxes (Paid)	18	(7.613)	(18)
Net Cash Generated From Operating Activities		26.064	18.301
Cash Flows From Investing Activities			
Proceeds from Sales of Property, Plant and Equipment	8	83	85
Payments for Purchasing of Property, Plant and Equipment	8	(25.123)	(12.777)
Payments for Purchasing of Intangible Assets	9	(722)	(4.083)
Interest Received		162	327
Net Cash Flows Used in Investing Activities		(25.600)	(16.448)
Cash Flows from Financing Activities			
Payments of Lease Liabilities	4	(2.802)	(2.212)
Interest Payment		-	(304)
Other Cash Inflows		1.748	1.178
Net Cash Used in Financing Activities		(1.054)	(1.338)
Net Change in Cash and Cash Equivalents		(590)	515
Cash and Cash Equivalents at the Beginning of the Year	3	7.280	13.141
Cash and Cash Equivalents at the End of the Year	3	6.690	13.656

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

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Interim Financial Statements
For the Six-Month Period Ended 30 June 2022
(All amounts are expressed in thousand US Dollars (“USD”) unless otherwise stated.)

1. ORGANIZATION AND OPERATIONS OF THE GROUP

Türk Hava Yolları Teknik Anonim Şirketi (the “Company”) was incorporated on 23 May 2006 with the purpose to bring the Company to an important technical maintenance base in the area in air transport sector and to provide maintenance and repair services to civil aviation sector and every kind of technical and infrastructural assistance related with the airlines sector.

For the purpose of these condensed consolidated interim financial statements, the Company and its consolidated subsidiary Cornea Havacılık Sistemleri Sanayi ve Ticaret A.Ş. (“Cornea”) are collectively referred as the “Group”.

Total average number of employees working for the Group for the period ended 30 June 2022 is 8.895 (31 December 2021: 8.932). Total number of employees working for the Group as at 30 June 2022 is 8.901 (31 December 2021: 8.866).

	<u>30 June 2022</u>	<u>31 December 2021</u>
Administrative staff	2.228	2.677
Production staff	6.673	6.189
Total	<u>8.901</u>	<u>8.866</u>

The Company is registered in Turkey and its head office address is as follows:

Sanayi Mah. Havaalanı İçyolu Cd. Sabiha Gökçen Havalimanı E Kapısı No:3 Pendik/İSTANBUL

(a) Subsidiary

As at 30 June 2022 and 31 December 2021 the detail of the Company’s subsidiary is as follows:

<u>Company</u>	<u>Activity</u>	Participation Rate		<u>Registration</u>
		<u>30 June 2022</u>	<u>31 December 2021</u>	
Cornea	Cabin Interior Entertainment Systems	80%	80%	Turkey

Cornea was founded in order to design, manufacture, repair, maintain, market, sell and perform after-sales services, including in-cabin entertainment and internet service provider systems in land, sea, rail systems and air platforms, and spare parts of other software systems in civil aviation.

(b) Associates

As at 30 June 2022 and 31 December 2021 associates accounted for using equity method and participation rate of associates are as below:

<u>Company</u>	<u>Activity</u>	Participation Rate		<u>Registration</u>
		<u>30 June 2022</u>	<u>31 December 2021</u>	
P&W T.T. Uçak Bakım	Technical			
Merkezi Limited Şirketi (“TEC”)	Maintenance	49%	49%	Turkey
Goodrich THY Teknik Servis	Technical			
Merkezi Limited Şirketi (“Goodrich”)	Maintenance	40%	40%	Turkey
TCI Kabiniçi Sistemleri Sanayi ve Ticaret Anonim Şirketi (“TCP”)	Cabin Interior	20%	20%	Turkey

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Preparation of the Consolidated Financial Statements

The condensed consolidated interim financial statements as at and for the six-month period ended 30 June 2022 have been prepared in accordance with IAS 34 “Interim Financial Reporting”. They do not include all of the information required for complete annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2021.

Basis of Preparation

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

Adjustment of Financial Statements in Hyperinflationary Periods

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

Functional and Reporting Currency

Functional Currency

These condensed consolidated interim financial statements are presented in US Dollars (“USD”), which is the Group’s functional currency.

Although the currency of the country in which the Group is domiciled is Turkish Lira (“TL”), for the purpose of this report the Group’s functional currency is determined as USD. USD is used to a significant extent in, and has a significant impact on, the operations of the Group and reflects the economic substance of the underlying events and circumstances relevant to the Group. Therefore, the Group uses the USD in measuring items in its consolidated financial statements and as the reporting currency. All currencies other than the currency selected for measuring items in the consolidated financial statements are treated as foreign currencies.

2.2 Basis of the Consolidation

(a) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(b) Non-controlling interests

Non-controlling interest (“NCI”) are measured initially at their proportionate share of the acquiree’s identifiable net assets at the date of acquisition. Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(Continued)*

2.2 Basis of the Consolidation *(Continued)*

(c) Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(d) Interests in investments accounted for using the equity method

The Group’s interests in investments accounted for using the equity method comprise interests in associates and a joint venture. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates and the joint venture are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group’s share of the profit or loss and OCI of investments accounted for using the equity method, until the date on which significant influence or joint control ceases.

(e) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

2.3 Summary of significant accounting policies

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group’s financial statements as at and for the year ended 31 December 2021.

The changes in accounting policies are also expected to be reflected in the Group’s financial statements as at and for the year ending 31 December 2022.

2.4 Changes and Errors in Accounting Estimates

If estimated changes in accounting policies are for only one period, changes are applied on the current year but if the estimated changes effect the following periods, changes are applied both on the current and following years prospectively.

Changes in accounting policies or accounting errors applied retroactively and the consolidated financial statements of the previous periods were adjusted.

The significant estimates and assumptions used in preparation of these interim consolidated financial statements as at 30 June 2022 are same with those used in the preparation of the Group’s consolidated financial statements as at and for the year ended 31 December 2021.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (*Continued*)

2.5 New and Revised Standards and Interpretations

a) *Standards, amendments and interpretations applicable as at 30 June 2022:*

- **Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2 (effective 1 January 2021);** The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.
- **Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (effective 1 January 2021);** These amendments defer the date of application of IFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial instrument until 1 January 2023.
- **Amendment to IFRS 16, ‘Leases’ – Covid-19 related rent concessions Extension of the practical expedient (effective 1 April 2021);** As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

b) *Standards, amendments and interpretations that are issued but not effective as at 30 June 2022:*

- **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16;** effective from annual periods beginning on or after 1 January 2022.
 - **Amendments to IFRS 3** ‘Business combinations’ update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
 - **Amendments to IAS 16, ‘Property, plant and equipment’** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
 - **Amendments to IAS 37, ‘Provisions, contingent liabilities and contingent assets’** specify which costs a company includes when assessing whether a contract will be loss-making.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (*Continued*)

2.5 New and Revised Standards and Interpretations (*Continued*)

b) Standards, amendments and interpretations that are issued but not effective as at 30 June 2022: (Continued)

Annual improvements make minor amendments to IFRS 1, ‘First-time Adoption of IFRS’, IFRS 9, ‘Financial instruments’, IAS 41, ‘Agriculture’ and the Illustrative Examples accompanying IFRS 16, ‘Leases’.

- **Amendments to IAS 1, Presentation of financial statements’ on classification of liabilities;** effective date deferred until accounting periods starting not earlier than 1 January 2024. These narrow-scope amendments to IAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability
- **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- **Amendment to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction;** from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
- **IFRS 17, ‘Insurance Contracts’, as amended in December 2021;** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

These amendments do not have a significant impact on the financial position and performance of the Group.

2.6 Determination of Fair Values

Various accounting policies and explanations of the Group necessitate to determinate the fair value of both financial and non-financial assets and liabilities. If applicable, additional information about assumptions used for determination of fair value are presented in notes particular to assets and liabilities. Evaluation methods in terms of levels are described as follows:

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

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Interim Financial Statements
For the Six-Month Period Ended 30 June 2022
(All amounts are expressed in thousand US Dollars (“USD”) unless otherwise stated.)

3. CASH AND CASH EQUIVALENTS

As at 30 June 2022 and 31 December 2021, cash and cash equivalents comprised the following:

	<u>30 June 2022</u>	<u>31 December 2021</u>
Cash	13	-
Banks (demand deposits)	142	63
Banks (time deposits)	6.535	7.217
	<u>6.690</u>	<u>7.280</u>

As at 30 June 2022 and 31 December 2021, details of the time deposits are as follows:

<u>Original Amount</u>	<u>Currency</u>	<u>Opening Date</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>30 June 2022</u>
5.225	USD	30 June 2022	2,25%	1 July 2022	5.225
2.605	TL	30 June 2022	5,00%	1 July 2022	156
710	USD	30 June 2022	1,00%	1 July 2022	710
403	EURO	30 June 2022	1,80%	1 July 2022	421
307	TL	30 June 2022	14,13%	1 July 2022	18
91	TL	30 June 2022	17,30%	1 July 2022	5
					<u>6.535</u>

<u>Original Amount</u>	<u>Currency</u>	<u>Opening Date</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>31 December 2021</u>
2.044	USD	31 December 2021	1,15%	3 January 2022	2.044
24.600	TL	29 December 2021	22,00%	7 January 2022	1.846
1.500	EUR	31 December 2021	1,10%	28 February 2022	1.698
700	USD	14 December 2021	1,00%	17 January 2022	700
9.000	TL	14 December 2021	15,75%	17 January 2022	675
128	USD	31 December 2021	1,00%	2 January 2022	128
961	TL	31 December 2021	5,00%	2 January 2022	72
42	EUR	31 December 2021	1,00%	3 January 2022	47
89	TL	31 December 2021	16,31%	3 January 2022	7
					<u>7.217</u>

4. BORROWINGS

As at 30 June 2022 and 31 December 2021, the details of lease liabilities are as follow:

<u>30 June 2022</u>	<u>Future minimum lease payments</u>	<u>Interest</u>	<u>Principal</u>
Less than a year	9.654	(4.753)	4.901
Over a year	119.181	(58.261)	60.920
Total	<u>128.835</u>	<u>(63.014)</u>	<u>65.821</u>
<u>30 June 2021</u>	<u>Future minimum lease payments</u>	<u>Interest</u>	<u>Principal</u>
Less than a year	4.921	(1.441)	3.480
Over a year	25.671	(3.169)	22.502
Total	<u>30.592</u>	<u>(4.610)</u>	<u>25.982</u>

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4. BORROWINGS (Continued)

The movement table of borrowings from leasing liabilities is as follows:

	1 January- 30 June 2022	1 January- 30 June 2021
Opening	23.556	27.984
Additions (*)	46.725	1.041
Interest expenses	1.218	754
Payments	(2.802)	(2.212)
Foreign currency translation difference	(2.307)	(994)
Disposals	(569)	(591)
Total	65.821	25.982

(*) The Group negotiated with the airport operator company (İGA Havalimanı İşletmesi A.Ş.) regarding the rental areas, rental fee, renting conditions and period for İstanbul Airport. As of May 2022, the agreement is signed with the airport operator company. Lease liabilities are discounted to present value by using the Group’s incremental borrowing rate since there is no interest rate implicit in the lease agreement. The discount rates used are 25,78% and 3,86% for TL and Euro denominated lease liabilities, respectively. The rental period has been determined as 22 years, taking into account the extension periods in the contract.

5. TRADE RECEIVABLES AND PAYABLES

As at 30 June 2022 and 31 December 2021, trade receivables from third parties are as follows:

	30 June 2022	31 December 2021
Trade receivables	135.286	131.221
Provision for doubtful receivables (*)	(49.319)	(51.381)
	85.967	79.840

For the six month period ended 30 June 2022 and 2021 the movement of provision for doubtful receivables comprised the following:

	1 January- 30 June 2022	1 January- 30 June 2021
Provision at the beginning of the period	51.381	56.231
Current period charge	166	14.320
Foreing exchange differences	-	25
Current period charge of IFRS 9	(919)	1.938
Collections during period	(1.309)	(2.597)
Provision at the end of the period	49.319	69.917

As at 30 June 2022 and 31 December 2021 trade payables non-related parties are as follows:

	30 June 2022	31 December 2021
Trade payables	92.234	73.214
Expense accruals (*)	8.913	24.080
	101.147	97.294

(*) Expense accruals consists of repair and maintenance services that have been provided but have not yet received an invoice.

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6. INVENTORIES

As at 30 June 2022 and 31 December 2021, inventories comprised the following:

For the six month period ended 30 June 2022 and 31 December 2021 the movement of provision for impairment of inventories is as follows:

	<u>30 June 2022</u>	<u>31 December 2021</u>
Components and repairable spare parts	710.929	665.028
Technical equipment inventories	304.539	269.124
Scrap equipment inventories	15.198	13.985
Technical equipment inventories in transit	11.669	6.737
Accumulated depreciation of components and repairable spare parts (-)	(401.631)	(385.716)
Provision for impairment of inventories (-)	<u>(15.198)</u>	<u>(13.985)</u>
	<u>625.506</u>	<u>555.173</u>

For the periods ended 30 June 2022 and 2021, the movements of provision for impairment of inventories are as follow:

	<u>1 January - 30 June 2022</u>	<u>1 January - 30 June 2021</u>
Provision at the beginning of the period	13.985	8.794
Current period charge	1.213	664
Provision at the end of the period	<u>15.198</u>	<u>9.458</u>

For the six month period ended 30 June 2022, the movement of components and repairable spare parts comprised the following:

<u>Cost</u>	Components and repairable spare parts
Opening balance as at 1 January 2022	665.028
Additions	79.947
Disposals	<u>(34.045)</u>
Closing balance as at 30 June 2022	<u>710.930</u>
<u>Accumulated depreciation</u>	
Opening balance as at 1 January 2022	385.716
Current charge for the period	28.052
Disposals	<u>(12.137)</u>
Closing balance as at 30 June 2022	<u>401.631</u>
Net book value as at 30 June 2022	<u>309.299</u>

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6. INVENTORIES (Continued)

For the six month period ended 30 June 2021, the movement of components and repairable spare parts comprised the following:

<u>Cost</u>	Components and repairable spare parts
Opening balance as at 1 January 2021	657.920
Additions	28.116
Disposals	(46.415)
Closing balance as at 30 June 2021	<u>639.621</u>
<u>Accumulated depreciation</u>	
Opening balance as at 1 January 2021	353.756
Current charge for the period	26.974
Disposals	(13.200)
Closing balance as at 30 June 2021	<u>367.530</u>
Net book value as at 30 June 2021	<u>272.091</u>

7. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

As at 30 June 2022 and 31 December 2021, shares in other entities comprised the following:

	<u>30 June 2022</u>	<u>31 December 2021</u>
TEC	60.664	57.244
Goodrich	5.233	4.771
TCI	1.878	1.688
	<u>67.775</u>	<u>63.703</u>

The movements of investments accounted for by the equity method for the related period are as follows:

	<u>1 January - 30 June 2022</u>	<u>1 January - 30 June 2021</u>
At the beginning of the period	63.703	64.660
Share of investments' profit accounted for using the equity method	3.775	(1.038)
Share of other comprehensive income	297	225
At the end of the period	<u>67.775</u>	<u>63.847</u>

For the six month period ended 30 June 2022 and 2021, the shares of investment's profit/(losses) accounted for using the equity method comprised the following:

	<u>1 January - 30 June 2022</u>	<u>1 January - 30 June 2021</u>
TEC	3.422	(1.339)
Goodrich	343	660
TCI	10	(359)
	<u>3.775</u>	<u>(1.038)</u>

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8. PROPERTY AND EQUIPMENT

For the six month period ended 30 June 2022, the movement of property and equipment comprised the following:

	Machinery and Buildings	Equipment	Vehicles	Furniture and Fixtures	Other	Construction in Progress(*)	Leasehold Improvements	Total
<u>Cost</u>								
Opening balance as at 1 January 2022	601.943	241.449	13.151	45.715	6.734	28.393	68.334	1.005.719
Additions	-	2.558	327	895	200	17.637	3.506	25.123
Disposals	-	(285)	(12)	(77)	(2)	-	(2)	(378)
Transfers	-	615	-	-	-	(6.107)	5.492	-
Closing balance as at 30 June 2022	601.943	244.337	13.466	46.533	6.932	39.923	77.330	1.030.464
<u>Accumulated depreciation</u>								
Opening balance as at 1 January 2022	190.980	160.886	10.768	37.213	4.226	-	55.670	459.743
Current charge for the period	16.363	9.214	561	1.903	361	-	2.930	31.332
Disposals	-	(245)	(12)	(54)	(2)	-	-	(313)
Closing balance as at 30 June 2022	207.343	169.855	11.317	39.062	4.585	-	58.600	490.762
Net book value as at 1 January 2022	410.963	80.563	2.383	8.502	2.508	28.393	12.664	545.976
Net book value as at 30 June 2022	394.600	74.482	2.149	7.471	2.347	39.923	18.730	539.702

(*) For the period ended 30 June 2022 construction in progress comprised buildings and machinery and equipments which are still under construction in Istanbul Airport.

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8. PROPERTY AND EQUIPMENT (Continued)

For the six month period ended 30 June 2021, the movement of property and equipment comprised the following:

	Buildings	Machinery and Equipment	Vehicles	Furniture and Fixtures	Other	Construction in Progress(*)	Leasehold Improvements	Total
<u>Cost</u>								
Opening balance as at 1 January 2021	582.272	229.320	13.189	44.540	6.212	12.296	66.419	954.248
Additions	-	5.311	117	810	113	6.079	349	12.779
Disposals	-	(101)	-	(221)	(2)	-	(1)	(325)
Transfers	-	155	-	-	-	(155)	-	-
Net book value as at 30 June 2021	582.272	234.685	13.306	45.129	6.323	18.220	66.767	966.702
<u>Accumulated depreciation</u>								
Opening balance as at 1 January 2021	158.831	141.913	9.691	33.263	3.526	-	50.652	397.876
Current charge for the period	15.969	9.276	648	2.184	350	-	2.550	30.977
Disposals	-	(45)	-	(204)	(1)	-	-	(250)
Closing balance as at 30 June 2021	174.800	151.144	10.339	35.243	3.875	-	53.202	428.603
Net book value as at 1 January 2021	423.441	87.407	3.498	11.277	2.686	12.296	15.767	556.372
Net book value as at 30 June 2021	407.472	83.541	2.967	9.886	2.448	18.220	13.565	538.099

(*) For the period ended 30 June 2021 construction in progress comprised buildings and machinery and equipments which are still under construction in Istanbul Airport.

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9. INTANGIBLE ASSETS

For the six month period ended 30 June 2022 the movement of intangible assets comprised the following:

<u>Cost</u>	Rights
Opening balance as at 1 January 2022	53.326
Additions	722
Disposals	(32)
Closing balance as at 30 June 2022	54.016
<u>Accumulated Depreciation</u>	
Opening balance as at 1 January 2021	39.157
Current charge for the period	3.460
Disposals	(32)
Closing balance as at 30 June 2022	42.585
Net book value as at 1 January 2022	14.169
Net book value as at 30 June 2022	11.431

For the six month period ended 30 June 2021 the movement of intangible assets comprised the following:

<u>Cost</u>	Rights
Opening balance as at 1 January 2021	45.054
Additions	4.083
Disposals	-
Closing balance as at 30 June 2021	49.137
<u>Accumulated Depreciation</u>	
Opening balance as at 1 January 2021	32.691
Current charge for the period	2.958
Disposals	-
Closing balance as at 30 June 2021	35.649
Opening balance as at 1 January 2021	12.363
Net book value as at 30 June 2021	13.488

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10. COMMITMENTS

As at 30 June 2022 and 31 December 2021 the guarantees given are as follows:

	30 June 2022		31 December 2021	
	Original Amount	USD Equivalent	Original Amount	USD Equivalent
A. Total amounts of GPM given on the behalf of its own legal entity				
-Guarantees	31.882	7.812	31.635	9.594
<i>TL</i>	25.607	1.537	24.020	1.802
<i>EUR</i>	-	-	1.340	1.517
<i>USD</i>	6.275	6.275	6.275	6.275
Total GPM	31.882	7.812	31.635	9.594

11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

As at 30 June 2022 and 31 December 2021 short-term provisions are as follows:

	30 June 2022	31 December 2021
Provisions for employee benefits	5.956	3.274
Other provisions	4.234	3.101
	10.190	6.375

As at 30 June 2022 and 31 December 2021 short-term provisions are as follows:

(a) Short-term provisions for employee benefits

	30 June 2022	31 December 2021
Provisions for unused vacation liability	5.956	3.274
	5.956	3.274

For the six month period ended 30 June 2022 and 2021, the movement of provision for unused vacation liability is as follows:

	30 June 2022	30 June 2021
Provision at the beginning of the period	3.274	3.531
Current period charge	4.061	698
Reversal of current period provision	(76)	(79)
Foreign currency translation difference	(1.303)	(530)
Provision at the end of the period	5.956	3.620

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11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

(b) Other short-term provisions

	<u>30 June 2022</u>	<u>31 December 2021</u>
Provision for legal claims (*)	2.478	2.591
Other provisions (**)	1.756	510
	<u>4.234</u>	<u>3.101</u>

(*) As at 30 June 2022, USD 1.709 of provision for legal claims comprised reemployment lawsuits (31 December 2021 :USD 1.766).

(**) In accordance with IFRS 15, it consists of the calculated amount of penalty expenses and discounts arising from the contract to be paid in 2022.

For the six month period ended 30 June 2022 and 2021, the movement of provision for legal claims is as follows:

	<u>30 June 2022</u>	<u>30 June 2021</u>
Provision at the beginning of the period	2.591	3.076
Current period charge	438	68
Reversal of current period provision	(32)	(85)
Foreing currency translation	(519)	(479)
Provision at the end of the period	<u>2.478</u>	<u>2.580</u>

For the six month period ended 30 June 2022 and 30 June 2021 the movement of other provisions is as follows:

	<u>1 January - 30 June 2022</u>	<u>1 January - 30 June 2021</u>
Provision at the beginning of the period	510	500
Current period charge	1.926	1.020
Reversal of current period provision	(680)	(500)
Provision at the end of the period	<u>1.756</u>	<u>1.020</u>

(c) Other long-term provisions for employee benefits

As at 30 June 2022 and 31 December 2021 other long-term provisions for employee benefits is as follows:

	<u>30 June 2022</u>	<u>31 December 2021</u>
Retirement pay liability	30.920	24.884
	<u>30.920</u>	<u>24.884</u>

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11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

(c) Other long-term provisions for employee benefits (Continued)

The movement of provision for employee benefits are as follows:

	1 January - 30 June 2022	1 January - 30 June 2021
Provisions at the beginning of the period	24.884	29.184
Interest charges	2.089	1.697
Service charge for the period	1.004	1.142
Payments	(185)	(324)
Actuarial losses	8.191	912
Foreing currency translation difference	(5.063)	(4.318)
Provisions at the end of the period	30.920	28.293

12. PREPAID EXPENSES AND DEFERRED INCOME

As at 30 June 2022 and 31 December 2021, short term prepaid expenses comprised the following:

	30 June 2022	31 December 2021
Advances given for orders (*)	3.127	10.758
Short-term prepaid expenses	3.120	2.539
	6.247	13.297

(*) Advances given for orders comprise advances given for purchasing of trading goods, components and consumables.

As at 30 June 2022 and 31 December 2021, long term prepaid expenses comprised the following:

	30 June 2022	31 December 2021
Advances given for fixed assets	797	1.150
Long-term prepaid expenses	1	1
	798	1.151

As at 30 June 2022 and 31 December 2021, details of short-term contractual obligations are as follow:

	30 June 2022	31 December 2021
Contract liabilities from the sales of goods and services(*)	122.177	123.924
Other contract liabilities	15.753	17.629
	137.930	141.553

(*) 117.216 USD of contract liabilities arising from the sales of goods and services consist of order advances received from THY A.O. (31 December 2021: 119.775 USD) (Note 20).

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13. RIGHT OF USE ASSETS

For the six month period ended 30 June 2022, the movement of right of use assets comprised the following:

	Real Estate	Vehicles	Total
Opening balance as at 1 January 2022	25.573	1.000	26.573
Additions	46.285	439	46.724
Disposals	(484)	(85)	(569)
Depreciation charge	(2.826)	(204)	(3.030)
Closing balance as at 30 June 2022	68.548	1.150	69.698

For the six month period ended 30 June 2021, the movement of right of use assets comprised the following:

	Real Estate	Vehicles	Total
Opening balance as at 1 January 2021	29.396	347	29.743
Additions	402	640	1.042
Disposals	(591)	-	(591)
Depreciation charge	(2.211)	(210)	(2.421)
Closing balance as at 30 June 2021	26.996	777	27.773

14. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

(a) Issued share capital and ve share capital adjustments

As at 30 June 2022, the paid-in capital of the Company comprises of 960.850.000 shares issued (31 December 2021: 960.850.000 shares) of kr 1 each.

As at 31 December the ownership structure of the Group’s share capital is as follows:

		30 June 2022		31 December 2021	
	Class	Ownership Interest	% Ownership Interest	Ownership Interest	%
THY A.O.	A group	569.463	100	569.463	100
Total		569.463	100	569.463	100

960.850.000 (A) group share have privilege in nominating the members of the board of directors and voting rights.

As at 30 June 2022 and 31 December 2021, the Group has no unpaid capital amount which is committed by its shareholders.

(b) Restricted Profit Reserves

Restricted reserves are reserves which are reserved for specific purposes from previous period profit other than due to law or contractual obligations or dividend payments. These reserves are presented as the same amount in Group’s statutory books and differences arising preparing the financial statements in accordance with IFRS are associated with prior years’ profit or losses.

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14. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

(b) Restricted Profit Reserves (Continued)

As at 30 June 2022 and 31 December 2021, restricted reserves comprised the followings:

	<u>30 June 2022</u>	<u>31 December 2021</u>
The first legal reserve	38.926	37.963
The second legal reserve	10.915	-
Total	<u>49.841</u>	<u>37.963</u>

In accordance with the Turkish Commercial Code (“TCC”) numbered 519, the first legal reserve is appropriated out of statutory profits at the rate of 5 percent per annum, until the total reserve reaches 20 percent of the Group’s paid-in share capital. The second legal reserve is appropriated at the rate of 10 percent per annum of all cash distributions in excess of 5 percent of the paid-in share capital.

As at 30 June 2022, the Group does not have any reacquired shares (31 December 2021: None).

(c) Non-controlling interests

The parts of the subsidiary’s net assets that are not subject to the direct and or indirect control of the parent company are classified as non-controlling interests in the Group’s consolidated financial statements.

The movements of the non-controlling interests for the six month period ended 30 June 2022 and 2021 is as follows:

	<u>1 January- 30 June 2022</u>	<u>1 January- 30 June 2021</u>
Beginning of the period	734	1.237
Period gain/(loss) attributed to non-controlling interests	-	42
Currency translation differences	(149)	(198)
End of the period	<u>585</u>	<u>1.081</u>

15. REVENUE AND COST OF SALES

For the six month period ended 30 June 2022 and 2021, the details of revenue is as follows:

	<u>1 January - 30 June 2022</u>	<u>1 January - 30 June 2021</u>
Aircraft maintenance income	245.392	195.027
Pool income	123.733	78.123
Component maintenance income	119.871	87.237
Line maintenance income	87.668	58.396
Engine maintenance income	29.383	17.477
Equipment sales income	8.177	16.435
Others	19.561	16.961
Revenue	<u>633.785</u>	<u>469.656</u>
Cost of sales (-)	(524.612)	(390.291)
Gross profit	<u>109.173</u>	<u>79.365</u>

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15. REVENUE AND COST OF SALES (Continued)

For the six month period ended 30 June 2022 and 2021, the details of cost of sales is as follows:

	1 January - 30 June 2022	1 January - 30 June 2021
Equipment expenses	176.366	137.117
Personnel expenses	124.151	88.187
Maintenance expenses	74.444	46.334
Service expenses	58.309	50.256
Depreciation and amortization expenses	50.924	46.021
Transportation expenses	25.626	13.500
Utilization expenses	7.373	2.855
Customs brokerage expense	1.259	935
Equipment rent expense	583	278
Others	5.577	4.808
	<u>524.612</u>	<u>390.291</u>

16. GENERAL ADMINISTRATIVE EXPENSES

For the six month period ended 30 June 2022 and 2021, the details of general administrative expenses is as follows:

	1 January - 30 June 2022	1 January - 30 June 2021
Personnel expenses	18.798	13.003
Depreciation and amortization expenses	14.065	16.214
Service expenses	9.031	7.717
Utilization expenses	2.762	1.096
Equipment expenses	1.854	1.690
Others	9.245	6.167
	<u>55.755</u>	<u>45.887</u>

17. OTHER OPERATING INCOME AND EXPENSES

For the six month period ended 30 June 2022 and 2021, the details of other operating income is as follows:

	1 January - 30 June 2022	1 January - 30 June 2021
Insurance, indemnities and penalties income	356	658
Plant maintenance income	306	303
Provisions for legal claims, no longer required (Note 11)	32	85
Foreign exchange gain from trade operations, net	-	6.903
Others	997	2.142
	<u>1.691</u>	<u>10.091</u>

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17. OTHER OPERATING INCOME AND EXPENSES (Continued)

For the six month period ended 30 June 2022 and 2021, the details of other operating expense is as follows:

	1 January - 30 June 2022	1 January - 30 June 2021
Foreign exchange loss from trade operations, net	5.220	-
Contractual penalty (*)	4.978	2.576
Provision expense of the legal claims (Note 11)	438	68
Non-employment (job security) compensation costs	95	79
Others	618	1.886
	11.349	4.609

(*) In accordance with TFRS 15, it consists of the calculated amount related to penalty expenses arising from the contract to be paid in 2022.

18. TAX ASSET AND LIABILITIES

As at 30 June 2022 and 31 December 2021, current period tax expense comprise of following:

	1 January - 30 June 2022	1 January - 30 June 2021
Current period tax expense	(23.340)	(8.045)
-Current period tax expense	(23.340)	(8.045)
Deferred tax gain / (expense)	9.198	(29.916)
	(14.142)	(37.961)
	30 June 2022	31 December 2021
Current period tax expense	23.340	26.855
Prepaid taxes and funds	(7.613)	(11.108)
Current tax liabilities	15.727	15.747

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying consolidated financial statements for the estimated charge based on the Group’s results for the years and periods.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting other exempt income and investment incentives utilized.

As at 30 June 2022, corporations are required to pay advance corporation tax quarterly at the rate of 23 percent on their corporate income (31 December 2021: 25 percent) and tax payments that are made in advance during the year are being deducted from the total final tax liability of the fiscal year.

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

Deferred Tax Assets and Liabilities

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

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18. TAX ASSET AND LIABILITIES (Continued)

Deferred Tax Assets and Liabilities (Continued)

As at 30 June 2022 and 31 December 2021, the deferred tax assets and liabilities comprised the following:

	1 January - 30 June 2022	1 January - 31 December 2021
Provision for employment termination indemnity	6.184	4.977
Provision for doubtful receivables	2.323	367
Provision for vacation pay	1.379	753
Provision for legal claims	438	596
Fixed assets	(46.364)	(56.346)
Inventories	(71.315)	(73.055)
Other	1.779	6.296
	<u>(105.576)</u>	<u>(116.412)</u>

For the six month period ended 30 June 2022 and 30 June 2022, the movements of deferred tax liability comprised the following:

	1 January - 30 June 2022	1 January - 30 June 2021
Deferred tax liability at the beginning of the period	116.412	72.403
Deferred tax expense	(9.198)	29.916
Tax benefit of actuarial losses from defined pension plans	(1.638)	(182)
Deferred tax liability at the end of the period	<u>105.576</u>	<u>102.137</u>

19. EARNINGS PER SHARE

There is not any equity (dilutive equity instruments) that have reducing effects on the earnings per share. The calculation of weighted average of total shares and earnings per share is as follows:

	1 January - 30 June 2022	1 January - 30 June 2021
Number of total outstanding shares as at 1 January (in full)	960.850.000	960.850.000
Number of outstanding shares as at 30 June (in full)	960.850.000	960.850.000
Weighted Average number of shares outstanding during the period (in full)	960.850.000	960.850.000
Net profit / (loss) for the period	34.352	(15.310)
Earnings / (loss) per share	<u>3,58</u>	<u>(1,59)</u>

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20. RELATED PARTY TRANSACTIONS

As at 30 June 2022 and 31 December 2021 trade receivables from related parties are as follows:

	<u>30 June 2022</u>	<u>31 December 2021</u>
Türk Hava Yolları Anonim Ortaklığı (“THY A.O.”)(*)	151.310	288.981
Güneş Express Havacılık A.Ş. (“Sun Ekspres”)	3.418	5.332
Air Albania SHPK	3.354	2.517
TEC	999	2.648
THY Uçuş Eğitim ve Havalimanı İşletme A.Ş.	422	356
Other	1.894	164
	<u>161.397</u>	<u>299.998</u>

(*) As of 30 June 2022, transactions grouped as trade receivables from related parties includes the profit distribution to the Parent Company, Türk Hava Yolları A.O., amounting to USD 101.490 sourced with retained earnings of the Group in accordance to the Ordinary General Assembly dated 29 April 2022.

As at 30 June 2022 and 31 December 2021 trade payables to related parties are as follows:

	<u>30 June 2022</u>	<u>31 December 2021</u>
THY A.O.	12.148	18.125
Thy Teknoloji	1.376	1.215
Goodrich	896	789
Uçak Koltuk	750	89
TGS	291	235
Diğer	96	242
	<u>15.557</u>	<u>20.695</u>

As at 30 June 2022 and 31 December 2021 other receivables from related parties are as follows:

	<u>30 June 2022</u>	<u>31 December 2021</u>
THY A.O.	<u>2</u>	<u>35</u>
	<u>2</u>	<u>35</u>

As at 30 June 2022 and 31 December 2021 short term other payables to related parties are as follows:

	<u>30 June 2022</u>	<u>31 December 2021</u>
THY A.O.	<u>4.277</u>	<u>1.593</u>
	<u>4.277</u>	<u>1.593</u>

As at 30 June 2022 and 31 December 2021, advances received from related parties are as follows:

	<u>30 June 2022</u>	<u>31 December 2021</u>
THY A.O.	<u>117.216</u>	<u>119.775</u>
	<u>117.216</u>	<u>119.775</u>

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20. RELATED PARTY TRANSACTIONS (Continued)

As of 30 June 2022 and 31 December 2021, the details of assets in banks are as follows:

	<u>30 June 2022</u>	<u>31 December 2021</u>
Time deposit	6.516	7.210
Demand deposit	125	4.920
	<u>6.641</u>	<u>12.130</u>

The details of demand deposits at related banks as at 30 June 2022 and 31 December 2021 are as follows:

	<u>30 June 2022</u>	<u>31 December 2021</u>
Vakıfbank	9	4.903
T.C. Ziraat Bankası A.Ş.	116	14
Türkiye Halk Bankası A.Ş. ("Halkbank")	-	3
	<u>125</u>	<u>4.920</u>

The details of time deposits at related banks as at 30 June 2022 and 31 December 2021 are as follow:

	<u>30 June 2022</u>	<u>31 December 2021</u>
Vakıfbank	5.650	2.091
Ziraat Bankası	866	1.575
Halkbank	-	3.544
	<u>6.516</u>	<u>7.210</u>

For the six month period ended 30 June 2022 and 2021, transactions with related parties are as follows:

<i>Sales</i>	<u>1 January- 30 June 2022</u>	<u>1 January- 30 June 2021</u>
THY A.O.(*)	466.282	347.167
Sun Express	7.632	11.490
TEC	3.435	2.785
THY Uçuş Eğitim	1.668	2.276
Goodrich	646	524
TCI	126	243
Uçak Koltuk	167	173
Diğer	858	641
Toplam	<u>480.814</u>	<u>365.299</u>

(*) The balance consists of aircraft maintenance services provided to THY A.O.

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20. RELATED PARTY TRANSACTIONS (Continued)

<i>Purchases</i>	1 January- 30 June 2022	1 January- 30 June 2021
THY A.O.(*)	30.313	19.017
Goodrich	7.531	3.226
Uçak Koltuk	2.306	926
TGS	1.225	1.986
Türk Hava Yolları Opet Havacılık Yakıtları A.Ş.	251	118
TCI	194	454
Diğer	3.442	3.360
	<u>45.262</u>	<u>29.087</u>

(*). Purchases includes freight costs and service invoices issued arising from the transfer of all component materials and spare parts regarding aircraft maintenance services via cargo planes.

Interest income from related parties for the periods ended 30 June 2022 and 2021 is as follow:

Interest income	30 June 2022	30 June 2021
T.C. Ziraat Bankası A.Ş.	34	241
Türkiye Halk Bankası A.Ş.	60	37
Türkiye Vakıflar Bankası Türk Anonim Ortaklığı	54	9
	<u>148</u>	<u>287</u>

For the six month period ended 30 June 2022 total amount of salaries and other benefits provided to key management personnel is amounting to USD 434 (30 June 2021: USD 364).

21. GOVERNMENTS INCENTIVES AND GRANTS

The Ministry of Industry and Technology (Former ministry: Ministry of Commerce) General Directorate of Incentive Practices and Foreign Capital approved the letter with the application numbered (51664236-401.01-E.66875) dated 28 June 2018 which was applied on 1 March 2018 by the Group and Istanbul Investment Incentive certificate dated 29 June 2018 and numbered 138160 amounting to USD 36.011 has been issued. This incentive certificate is in scope of regional incentive. Within this scope; the right for VAT Exemption, Customs Tax Discount, Corporate Tax Discount and Insurance Premium Employer Share Support has been entitled. In this investment incentive certificate, the tax deduction and the investment contribution rate is determined as 50% and 15% respectively. The rates have been doubled until 31 December 2022 and published in the Official Gazette. The tax deduction rate and the investment contribution rate was applied as 100% and 30%, respectively. With the arrangement orders for Incentive Certificate, the series and investment amounts have been changed. As of 30 June 2022, related serial number and investing amount are as follows:

Decision Date	Decision Number	Investment Incentive Certificate Date	Investment Status	Tax Deductions	Total Investment Amount (USD)	Benefited Amount of Investment Incentive (USD)
15.06.2012	2012/3305	1.03.2018	Continuing	Tax Deduction 50% / Investment Incentive Rate 15%	133.633	36.222

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22. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS

Foreign Currency Risk Management

As at 30 June 2022 and 31 December 2021, Group’s foreign currency position table comprised the following:

	30 June 2022					31 December 2021				
	USD Equivalent	TRY	EUR	GBP	Other	USD Equivalent	TRY	EUR	GBP	Other
1. Trade Receivables	17.519	12.092	5.379	48	-	14.928	7.471	7.421	36	-
2a. Monetary Financial Assets	666	192	469	1	4	4.405	2.636	1.763	5	1
2b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
3. Other	1.990	1.614	351	25	-	3.499	2.052	1.415	32	-
4. Total Current Assets (1+2+3)	20.175	13.898	6.199	74	4	22.832	12.159	10.599	73	1
5. Trade Receivables	-	-	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	353	353	-	-	-
8. Total Non-Current Assets (5)	-	-	-	-	-	353	353	-	-	-
9. Total Assets (4+6)	20.175	13.898	6.199	74	4	23.185	12.512	10.599	73	1
10. Trade Payables	33.421	21.599	11.347	306	169	33.591	24.059	9.127	145	260
11. Financial Borrowings	7.134	5.985	1.149	-	-	4.471	4.471	-	-	-
12a. Other Monetary Liabilities	-	-	-	-	-	-	-	-	-	-
12b. Other Non-Monetary Liabilities	77.360	74.821	2.480	18	41	61.108	57.627	3.314	27	140
13. Total Short-Term Liabilities (10+11+12)	117.915	102.405	14.976	324	210	99.170	86.157	12.441	172	400
14. Trade Payables	-	-	-	-	-	-	-	-	-	-
15. Financial Borrowings	45.460	13.159	32.301	-	-	3.367	3.367	-	-	-
16a. Other Monetary Liabilities	-	-	-	-	-	-	-	-	-	-
16b. Other Non-Monetary Liabilities	30.921	30.921	-	-	-	24.885	24.885	-	-	-
17. Total Long-Term Liabilities (14+15+16)	76.381	44.080	32.301	-	-	28.252	28.252	-	-	-
18. Total Liabilities (13+17)	194.296	146.485	47.277	324	210	127.422	114.409	12.441	172	400
19. Net Foreign Currency Asset/(Liability) Position (9-18)	(174.121)	(132.587)	(41.078)	(250)	(206)	(104.237)	(101.897)	(1.842)	(99)	(399)
20. Net Foreign Currency Asset/(Liability) Position of Monetary Items (1+2a+5+6a-10-11-12a-15-16a)	(67.830)	(28.459)	(38.949)	(257)	(165)	(22.096)	(21.790)	57	(104)	(259)

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22. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS
(Continued)

Foreign Currency Risk Management (Continued)

Foreign currency sensitivity

The Group is exposed to foreign currency risk due to TL, Euro and GBP (2021: TL, Euro and GBP) exchange rate fluctuations. The following table details the Group’s sensitivity to a 10% increase and decrease in TL, Euro and GBP exchange rates. 10% is used in, the reporting of currency risk to the key management and it represents the management’s expectation on the potential exchange currency fluctuations. Sensitivity analysis can only be made on the year-end outstanding foreign currency denominated monetary items and it shows the year end effects of the 10% of exchange currency fluctuation on the related items. Positive value represents an increase in profit/loss and other equity items.

	30 June 2022	
	Profit (Loss) Before Tax	
	<u>If foreign currency appreciated 10 %</u>	<u>If foreign currency depreciated 10 %</u>
1-TL net asset liability	(2.846)	2.846
2-Part of hedged from TL risk (-)	-	-
3-TL net effect (1+2)	<u>(2.846)</u>	<u>2.846</u>
4-Euro net asset/liability	(3.895)	3.895
5-Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	<u>(3.895)</u>	<u>3.895</u>
7-GBP net asset/liability	(26)	26
8-Part of hedged from GBP risk (-)	-	-
9-GBP net effect (7+8)	<u>(26)</u>	<u>26</u>
10-Other net asset/liability	(17)	17
11-Part of hedged from Other risk (-)	-	-
12-Other net effect (10+11)	<u>(17)</u>	<u>17</u>
TOTAL (3+6+9+12)	<u>(6.784)</u>	<u>6.784</u>

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22. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS
(Continued)

Foreign Currency Risk Management (Continued)

Foreign currency sensitivity (Continued)

	31 December 2021	
	Profit (Loss) Before Tax	
	<u>If foreign currency appreciated 10 %</u>	<u>If foreign currency depreciated 10 %</u>
1-TL net asset liability	(2.179)	2.179
2-Part of hedged from TL risk (-)	-	-
3-TL net effect (1+2)	<u>(2.179)</u>	<u>2.179</u>
4-Euro net asset/liability	6	(6)
5-Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	<u>6</u>	<u>(6)</u>
7-GBP net asset/liability	(10)	10
8-Part of hedged from GBP risk (-)	-	-
9-GBP net effect (7+8)	<u>(10)</u>	<u>10</u>
10-Other net asset/liability	(26)	26
11-Part of hedged from Other risk (-)	-	-
12-Other net effect (10+11)	<u>(26)</u>	<u>26</u>
TOTAL (3+6+9+12)	<u>(2.209)</u>	<u>2.209</u>

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22. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

Foreign Currency Risk Management (Continued)

Credit risk management

The risk of financial loss of the Group due to one of the financial instrument parties not meeting the requirements of the agreement is defined as credit risk.

The Group’s credit risk is basically related to its trade receivables. The balance shown in the balance sheet is formed by the net amount after deducting the doubtful receivables arisen from the Group management’s forecasts based on its previous experience and current economic conditions. Because there are so many customers, the Group’s credit risk is dispersed and there is not important credit risk concentration.

	Weighted-average loss rate (%)	Gross carrying amount	Loss allowance
Current (not past due)	3,11%	37.130	1.153
1 - 30 days past due	4,88%	4.125	201
31 - 90 days past due	6,27%	7.862	493
91 - 180 days past due	9,96%	5.736	571
180+ days past due	13,32%	39.436	5.254
		94.289	7.672

	Weighted-average loss rate (%)	Gross carrying amount	Loss allowance
Current (not past due)	4,51%	44.536	2.007
1 - 30 days past due	7,04%	6.901	486
31 - 90 days past due	9,57%	23.815	2.280
91 - 180 days past due	17,29%	3.888	672
180+ days past due	25,97%	12.120	3.147
		91.260	8.592

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22. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS
(Continued)

Fair values of financial instruments

30 June 2022	Financial assets carried at amortized cost	Financial liabilities carried at amortized cost	Book value
<u>Financial assets</u>			
Cash and cash equivalents	6.690	-	6.690
Trade receivables	247.364	-	247.364
Other receivables	997	-	997
<u>Financial liabilities</u>			
Financial borrowings	-	4.316	4.316
Lease liabilities	-	65.821	65.821
Trade payables	-	116.704	116.704
Other payables	-	32.231	32.231

31 December 2021	Financial assets carried at amortized cost	Financial liabilities carried at amortized cost	Book value
<u>Financial assets</u>			
Cash and cash equivalents	7.280	-	7.280
Trade receivables	379.838	-	379.838
Other receivables	438	-	438
<u>Financial liabilities</u>			
Financial borrowings	-	2.829	2.829
Lease liabilities	-	23.556	23.556
Trade payables	-	117.989	117.989
Other payables	-	27.823	27.823

23. EVENTS AFTER THE BALANCE SHEET DATE

None.