

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

Condensed Consolidated Interim
Financial Statements As at and For
The Six-Month Period
Ended 30 June 2021

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
Condensed Consolidated Interim Balance Sheet as at 30 June 2021
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

ASSETS	Notes	Reviewed	Audited
		30 June 2021	31 December 2020
Non-Current Assets			
Financial Investments	6	55	75
Other Receivables			
-Third Parties	10	1,035	1,200
Investments Accounted for Using Equity Method	3	187	256
Property and Equipment	12	4,347	4,145
Right of Use Assets	12	15,065	14,777
Intangible Assets			
- Other Intangible Assets	13	87	89
- Goodwill		12	12
Prepaid Expenses		782	798
TOTAL NON-CURRENT ASSETS		21,570	21,352
Current Assets			
Cash and Cash Equivalents	5	2,254	1,811
Financial Investments	6	102	18
Trade Receivables			
-Related Parties	9	30	18
-Third Parties		827	619
Other Receivables			
-Related Parties	9	12	6
-Third Parties	10	910	1,095
Derivative Financial Instruments	28	92	2
Inventories		273	305
Prepaid Expenses		128	141
Current Income Tax Assets	26	34	38
Other Current Assets		98	125
TOTAL CURRENT ASSETS		4,760	4,178
TOTAL ASSETS		26,330	25,530

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Condensed Consolidated Interim Balance Sheet as at 30 June 2021

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

LIABILITIES	Notes	Reviewed	Audited
		30 June 2021	31 December 2020
Equity			
Share Capital	19	1,597	1,597
Items That Will Not Be Reclassified to Profit or Loss			
-Actuarial Losses on Retirement Pay Obligation	19	(50)	(48)
Items That Are or May Be Reclassified to Profit or Loss			
-Foreign Currency Translation Differences	19	(228)	(201)
-Fair Value Losses on Hedging Instruments Entered into for Cash Flow Hedges	19	(135)	(450)
-(Losses) / Gains on Remeasuring FVOCI		(1)	2
Restricted Profit Reserves		76	72
Previous Years Profit	19	4,406	5,246
Net Loss for the Period		(1)	(836)
Equity of the Parent		5,664	5,382
Non-Controlling Interests		1	1
TOTAL EQUITY		5,665	5,383
Non- Current Liabilities			
Long-Term Borrowings	7 and 14	2,807	2,681
Long-Term Lease Liabilities	7 and 14	9,265	9,579
Other Payables			
-Third Parties		84	22
Deferred Income	11	98	109
Long-Term Provisions			
-Provisions for Employee Benefits	17	131	134
-Other Provisions		51	49
Deferred Tax Liability	26	1,252	1,119
TOTAL NON-CURRENT LIABILITIES		13,688	13,693
Current Liabilities			
Short Term Borrowings	7	1,447	1,527
Short-Term Portion of Long-Term Borrowings	7 and 14	1,160	1,186
Short-Term Portion of Lease Liabilities	7 and 14	1,684	1,728
Other Financial Liabilities	8	3	17
Trade Payables			
-Related Parties	9	105	141
-Third Parties		760	720
Payables Related to Employee Benefits		96	90
Other Payables			
-Related Parties		2	
-Third Parties		118	88
Derivative Financial Instruments	28	25	64
Deferred Income	11	1,271	614
Current Tax Provision	26	8	-
Short-Term Provisions			
-Provisions for Employee Benefits	15	19	16
-Other Provisions	15	9	10
Other Current Liabilities		270	253
TOTAL CURRENT LIABILITIES		6,977	6,454
TOTAL LIABILITIES AND EQUITY		26,330	25,530

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income
For the Six-Month Period Ended 30 June 2021
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

		Reviewed	Not Reviewed	Reviewed	Not Reviewed
		1 January -	1 April -	1 January -	1 April -
	Notes	30 June 2021	30 June 2021	30 June 2020	30 June 2020
PROFIT OR LOSS					
Revenue	20	3,972	2,176	3,434	901
Cost of Sales (-)	21	(3,450)	(1,826)	(3,474)	(1,000)
GROSS PROFIT / (LOSS)		522	350	(40)	(99)
General Administrative Expenses (-)	22	(133)	(66)	(116)	(45)
Selling and Marketing Expenses (-)	22	(365)	(188)	(376)	(88)
Other Operating Income	23	93	36	118	78
Other Operating Expenses (-)	23	(44)	(18)	(28)	36
OPERATING PROFIT / (LOSS) BEFORE INVESTMENT ACTIVITIES		73	114	(442)	(118)
Income from Investment Activities	24	104	54	91	52
Expenses for Investment Activities	24	(5)	-	-	-
Share of Investments' Loss Accounted by Using The Equity Method	3	(26)	(9)	(91)	(74)
OPERATING PROFIT / (LOSS)		146	159	(442)	(140)
Financial Income	25	88	35	46	28
Financial Expenses (-)	25	(293)	(283)	(274)	(136)
LOSS BEFORE TAX		(59)	(89)	(670)	(248)
Tax Income		58	27	16	(79)
Current Tax Expense	26	(8)	(8)	-	-
Deferred Tax Income	26	66	35	16	(79)
NET LOSS FOR THE PERIOD		(1)	(62)	(654)	(327)

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income
For the Six-Month Period Ended 30 June 2021
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

		<u>Reviewed</u>	<u>Not Reviewed</u>	<u>Reviewed</u>	<u>Not Reviewed</u>
		<u>1 January -</u>	<u>1 April -</u>	<u>1 January -</u>	<u>1 April -</u>
<i>OTHER COMPREHENSIVE INCOME</i>	Notes	30 June 2021	30 June 2021	30 June 2020	30 June 2020
Items That May Be Reclassified Subsequently To Profit or Loss		285	(17)	(241)	(49)
Currency Translation Adjustment		(27)	(13)	(19)	(9)
Losses on Remeasuring FVOCI		(4)	2	(4)	9
Fair Value Gains / (Losses) on Hedging Instruments Entered into for Cash Flow Hedges		388	(9)	(265)	(64)
Fair Value Gains / (Losses) Hedging Instruments of Investment Accounted by Using the Equity Method Entered into for Cash Flow Hedges		8	3	(13)	7
Related Tax of Other Comprehensive Income		(80)	-	60	8
Items That Will Not Be Reclassified Subsequently To Profit or Loss		(2)	(7)	(7)	(6)
Actuarial Losses on Retirement Pay Obligation		(3)	(9)	(8)	(7)
Related Tax of Other Comprehensive Income		1	2	1	1
OTHER COMPREHENSIVE INCOME / (EXPENSE) FOR THE PERIOD		283	(24)	(248)	(55)
TOTAL COMPREHENSIVE INCOME / (EXPENSE) FOR THE PERIOD		282	(86)	(902)	(382)
Basic Loss Per Share (Full US Cents)	27	(0.00)	(0.04)	(0.47)	(0.24)
Diluted Loss Per Share (Full US Cents)	27	(0.00)	(0.04)	(0.47)	(0.24)

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
Condensed Consolidated Interim Statement of Changes in Equity
For the Six-Month Period Ended 30 June 2021
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

	Items That Will Not Be Reclassified Subsequently To Profit or Loss	Items That May Be Reclassified Subsequently To Profit or Loss				Retained Earnings					
	Share Capital	Actuarial (Losses) Retirement Pay Obligation	Foreign Currency Translation Differences	Fair Value Gains on Hedging Instruments Entered Into For Cash Flow Hedges	Gains / (Losses) on Remeasuring FVOCI	Restricted Profit Reserves	Previous Years Profit	Net Loss for The Period	Equity Holders of the Parent	Non-controlling Interests	Total Equity
As of 1 January 2021	1,597	(48)	(201)	(450)	2	72	5,246	(836)	5,382	1	5,383
Transfers	-	-	-	-	-	-	(836)	836	-	-	-
Total comprehensive income	-	(2)	(27)	315	(3)	4	(4)	(1)	282	-	282
As of 30 June 2021	1,597	(50)	(228)	(135)	(1)	76	4,406	(1)	5,664	1	5,665

	Items That Will Not Be Reclassified Subsequently To Profit or Loss	Items That May Be Reclassified Subsequently To Profit or Loss				Retained Earnings					
	Share Capital	Actuarial (Losses) Retirement Pay Obligation	Foreign Currency Translation Differences	Fair Value Gains on Hedging Instruments Entered Into For Cash Flow Hedges	Gains / (Losses) on Remeasuring FVOCI	Restricted Profit Reserves	Previous Years Profit	Net Gain / (Loss) for The Period	Equity Holders of the Parent	Non-controlling Interests	Total Equity
As of 1 January 2020	1,597	(38)	(184)	171	(1)	67	4,463	788	6,863	1	6,864
Transfers	-	-	-	-	-	-	788	(788)	-	-	-
Total comprehensive income	-	(7)	(19)	(219)	(3)	5	(5)	(654)	(902)	-	(902)
As of 30 June 2020	1,597	(45)	(203)	(48)	(4)	72	5,246	(654)	5,961	1	5,962

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
Condensed Consolidated Interim Statement of Cash Flows
For the Six-Month Period Ended 30 June 2021
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

		Reviewed	Reviewed
	Notes	30 June 2021	30 June 2020
Net Loss for the period		(1)	(654)
Adjustments to Reconcile Loss			
Adjustments for Depreciation and Amortisation Expense	12 and 13	847	813
Adjustments for Provisions Related with Employee Benefits	15 and 17	19	19
Adjustments for Provisions for Other Accruals		-	(1)
Adjustments for Reversal of Probable Risks		5	10
Adjustments for Interest Income	24 and 25	(42)	(15)
Adjustments for Interest Expense	17 and 25	167	153
Adjustments For Unrealised Foreign Exchange Gains		(55)	(2)
Adjustments for Fair Value Gains on Derivative Financial Instruments	25	(48)	(13)
Adjustments for Undistributed Losses of Associates	3	26	91
Adjustments for Tax Income	26	(58)	(16)
Adjustments for Losses / (Gains) Arised From Sale of Tangible Assets	24	-	(2)
Adjustments for Losses Arised from Sale of Other Non-Current Assets	12	33	17
Operating Profit Before Changes in Working Capital		893	400
Increase in Trade Receivables from Related Parties		(12)	(7)
(Increase) / Decrease in Trade Receivables from Non Related Parties		(216)	264
(Increase) / Decrease in Other Related Party Receivables Related with Operations		(6)	28
Decrease / (Increase) in Other Non-Related Party Receivables Related with Operations		9	(220)
Adjustments for Decrease / (Increase) in Inventories		32	(40)
Adjustments for Decrease / (Increase) in Prepaid Expenses		29	(4)
(Decrease) / Increase in Trade Payables to Related Parties		(36)	68
Increase / (Decrease) in Trade Payables to Non-Related Parties		40	(213)
Adjustments for Increase / (Decrease) in Payables Due to Employee Benefits		6	(97)
Increase in Other Operating Payables to Related Parties		2	-
Increase in Other Operating Payables to Non-Related Parties		92	36
Increase / (Decrease) in Deferred Income		663	(129)
Decrease in Other Assets Related with Operations		27	36
Cash Flows From Operations		1,523	122
Payments for Provisions Related with Employee Benefits	17	(3)	(6)
Income taxes (paid)	26	(4)	(16)
Net Cash From Operating Activities		1,516	100
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES			
Cash Receipts Proceed From Sales of Property, Plant and Equipment		23	3
Cash Payments From Purchasing of Property, Plant and Equipment	12 and 13	(380)	(625)
Cash (Payments) / Receipts From (Purchasing) / Sales of Other Long-term Assets	6	(64)	390
Other Cash Advances and Loans	10	207	30
Dividends Received		21	3
Interest Received	24 and 25	42	15
Net Cash Flows Used In Investing Activities		(151)	(184)
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES			
Proceeds From Loans	7	1,544	1,185
Payments of Loans	7	(1,349)	(556)
Payments of Lease Liabilities	7	(940)	(724)
Interest Paid		(163)	(117)
Other Cash Outflows	8	(14)	(18)
Net Cash Used in Financing Activities		(922)	(230)
Net Change in Cash and Cash Equivalents		443	(314)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		1,811	2,075
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	2,254	1,761

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

As At And For the Six-Month Period Ended 30 June 2021

(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 Turkey in 1933. As of 30 June 2021 and 31 December 2020, the shareholders and their respective shareholdings in the Company are as follows:

	<u>30 June 2021</u>	<u>31 December 2020</u>
Turkey Wealth Fund	49.12 %	49.12 %
Republic of Turkey Treasury and Finance Ministry Privatization Administration	-	-
Other (publicly held)	50.88 %	50.88 %
Total	<u>100.00 %</u>	<u>100.00 %</u>

The number of employees working for the Group as of 30 June 2021 is 36,823 (31 December 2020: 37,896). The average number of employees working for the Group for the periods ended 30 June 2021 and 2020 are 37,012 and 39,021 respectively. The Group is registered in İstanbul, Turkey and its head office address is as follows:

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

The Company’s shares have been traded on Borsa İstanbul (“BIST”) since 1990.

Subsidiaries and Joint Ventures

The table below sets out the consolidated subsidiaries of the Group as of 30 June 2021 and 31 December 2020:

<u>Name of the Company</u>	<u>Principal Activity</u>	<u>Ownership Rate</u>		<u>Country of</u>
		<u>30 June 2021</u>	<u>31 December 2020</u>	<u>Registration</u>
THY Teknik A.Ş. (THY Teknik)	Aircraft Maintenance Services	100%	100%	Turkey
THY Uçuş Eğitim ve Havalimanı İşletme A.Ş.	Training & Airport Operations	100%	100%	Turkey
THY Havaalanı Gayrimenkul Yatırım ve İşletme A.Ş.	Airport Investment	100%	100%	Turkey
THY Uluslararası Yatırım ve Taşımacılık A.Ş.	Cargo and Courier Transportation	100%	100%	Turkey
Cornea Havacılık Sistemleri San. Ve Tic. A.Ş.	Software System Maintenance Services	80%	80%	Turkey
THY Teknoloji ve Bilişim A.Ş.	Technologies and Consulting	100%	100%	Turkey
THY Hava Kargo Taşımacılığı A.Ş. (*)	Cargo Transportation	100%	-	Turkey

(*) Due to the increasing trend on cargo operations and to take quick actions while improving focused strategies like new product development and vertical integration, THY Hava Kargo Taşımacılığı A.Ş. an air cargo company, wholly owned by THY was established by the resolution of the Board of Directors. The newly established company will strengthen its position in the cargo sector, by making the most of Turkish Cargo's competitive advantage and create a separate platform for potential strategic foreign partnerships in the future.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
Notes to the Condensed Consolidated Interim Financial Statements
As At And For the Six-Month Period Ended 30 June 2021
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Subsidiaries and Joint Ventures (cont'd)

The table below sets out joint ventures of the Group as 30 June 2021 and 31 December 2020:

Company Name	Country of Registration and Operations	Ownership Share and Voting Power		Principal Activity
		30 June 2021	31 December 2020	
Güneş Ekspres Havacılık A.Ş. (Sun Express)	Turkey	50%	50%	Aircraft Transportation
THY DO&CO İkrâm Hizmetleri A.Ş. (Turkish DO&CO)	Turkey	50%	50%	Catering Services
P&W T.T. Uçak Bakım Merkezi Ltd. Şti. (TEC)	Turkey	49%	49%	Maintenance Services
TGS Yer Hizmetleri A.Ş. (TGS)	Turkey	50%	50%	Ground Services
THY OPET Havacılık Yakıtları A.Ş. (THY Opet)	Turkey	50%	50%	Aviation Fuel Services
Goodrich Thy Teknik Servis Merkezi Ltd. Şti. (TNC) (Goodrich)	Turkey	40%	40%	Maintenance Services
Uçak Koltuk Sanayi ve Ticaret A.Ş. (Uçak Koltuk)	Turkey	50%	50%	Cabin Interior Products
TCI Kabin İçi Sistemleri San ve Tic. A.Ş. (TCI)	Turkey	50%	50%	Cabin Interior Products
Vergi İade Aracılık A.Ş.	Turkey	30%	30%	VAT Return and Consultancy
Air Albania	Albania	49%	49%	Aircraft Transportation
We World Express Ltd.	Hong Kong	45%	45%	Cargo and Courier
TFS Akaryakıt Hizmetleri A.Ş.	Turkey	25%	25%	Aviation Fuel Services

The Group owns 49%, 49%, 45%, 40%, 30% and 25% equity shares of TEC, Air Albania, We World Express Ltd., Goodrich, Vergi İade Aracılık A.Ş. and TFS Akaryakıt Hizmetleri A.Ş. respectively. However, based on the contractual arrangements between the Group and the other respective investors, decisions about the relevant activities of the arrangements require both the Group and the other respective investor agreement. Thus, the Group concluded that it has joint control over TEC, Air Albania, We World Express, Goodrich, Vergi İade Aracılık A.Ş. and TFS Akaryakıt Hizmetleri A.Ş..

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance

The condensed consolidated interim financial statements as at and for the six-month period ended 30 June 2021 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 2020.

Board of Directors has approved the consolidated financial statements as of 30 June 2021 on 10 August 2021. General Assembly and the related regulatory bodies have the authority to modify the statutory financial statements.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

As At And For the Six-Month Period Ended 30 June 2021

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

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

2.1 Basis of Presentation (cont'd)

Basis of Preparation

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

Functional and Reporting Currency

Functional currency

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

Although the currency of the country in which the Group is domiciled is Turkish Lira (TL), the Group's functional currency is determined as USD. USD is used to a significant extent in, and has a significant impact on the operations of the Group and reflects the economic substance of the underlying events and circumstances relevant to the Group. Therefore, the Group uses the USD in measuring items in its financial statements and as the functional currency. All currencies other than the currency 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 values are rounded the nearest million (USD 000,000).

Basis of Consolidation

- a. The consolidated financial statements include the accounts of the parent company, THY, its subsidiaries and its joint ventures on the basis set out in sections (b) below. Financial statements of the subsidiaries and joint ventures are adjusted where applicable in order to apply the same accounting policies. All transactions, balances, profit and loss within the Group are eliminated during consolidation.
- b. The Group has twelve joint ventures (Note: 1). These joint ventures are economical activities whereby decisions about strategic finance and operating policy are jointly made by the consensus of the Group and other investors. The joint ventures are controlled by the Group and other shareholders jointly, 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 preparation of these condensed consolidated interim financial statements as at and for the period ended 30 June 2021 are consistent with those used in the preparation of the Group's consolidated financial statements as at and for the year ended 31 December 2020.

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

2.3 Summary of Significant Accounting Policies

The accounting policies used in preparation of condensed consolidated interim financial statements as at 30 June 2021 are consistent with those used in the preparation of consolidated statements for the year ended 31 December 2020.

2.4 New and Revised Standards and Interpretations

a) Standards, amendments and interpretations applicable as at 30 June 2021:

Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the Practical expedient; as of March 2021, this amendment extended till June 2022 and effective from 1 April 2021. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. 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.

Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2; effective from annual periods beginning on or after 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.

Amendments IFRS 4, 'Insurance contracts', deferral of IFRS 9; effective from annual periods beginning on or after 1 January 2021. These amendments change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial Instrument until 1 January 2023.

b) Standards, amendments and interpretations that are issued but not effective as at 30 June 2021:

IFRS 17, 'Insurance contracts'; 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.

Amendments to IAS 1, Presentation of financial statements' on classification of liabilities; effective from 1 January 2022. 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.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

As At And For the Six-Month Period Ended 30 June 2021

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

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

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

b) Standards, amendments and interpretations that are issued but not effective as at 30 June 2021 (cont'd):

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.

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

2.5 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).

2.6 Going Concern

The Group has prepared its consolidated financial statements with the assumption on the Group's ability to continue its operations in the foreseeable future as a going concern. The Group recorded a net loss of USD 1 for the first half of 2021. The Group's current liabilities exceed its current assets by USD 2,217 as of 30 June 2021.

The Group realized operating profit above pre-pandemic levels in the first half of 2021 thanks to continuation of the actions taken in 2020. The Group recorded operating loss of USD 135 in the first half of 2019, whereas it achieved operating profit of USD 73 in the first half of 2021. Cash levels are also higher than the first quarter of 2021 and 2020 year-end levels. Cash and Cash Equivalents, which was USD 1,811 as of 31 December 2020, increased to USD 2,254 as of 30 June 2021. Positive cash flow from operations reaching the pre-pandemic period and the loans used thanks to the Group's strong credibility contributed to increasing the cash levels.

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

2.6 Going Concern (cont'd)

Cost saving actions and the employee pay agreements with the Unions also contributed to the Group's ability to minimize Covid-19's adverse financial effects. The employee pay agreements will be valid till the end of 2021 which will contribute positively to the Group's operational results in 2021. Saving actions taken in other fixed or operational costs together with employee costs resulted in an amount of USD 375 million total cost savings for the first half of 2021. Discretionary capital expenditures are postponed. Furthermore, Cargo revenues in this period increased by 45% as a result of increase in unit revenues. In addition, cargo related costs are managed carefully. Cash flow from cargo activities contributed positively to the preservation of Group's cash level. The Group also managed to maintain contribution margin of passenger operations to the cash flow at the 2019 levels which is also a positive contributor to cash preservation. As a result of all these financial and operational actions, the Group was able to keep the shrink in Shareholder's Equity limited.

The Group predicts passenger operations will be affected positively from the widespread use of Covid-19 vaccinations for second half of 2021 and beyond. The agreements with the Unions and suppliers will enable to continue cost savings in employee and some other fixed costs. The Group foresees positive cash flows and high unit revenues for cargo operations will continue also in 2021.

Some of the capital expenditure for 2021 and beyond are also postponed or cancelled. The negotiations with aircraft manufacturers agreed upon, so the agreements for postponement and cancellation of aircraft deliveries are signed. According to the agreement with Boeing for B737-Maxs, 10 aircraft are permanently canceled, 40 aircraft are turned into options until December 2021. At the same time, delivery dates for 13 B737 MAXs are rescheduled according to operational and financial capacity of the Group. These agreements will have very positive impacts on the Group's finance needs for the period between 2021 and 2028. In addition, the Group maintains its credit limits in banks and does not expect any hardship for future bank loan needs. The Group does not predict any important risk in terms of cash and equities as the adverse effects of the pandemic diminishes throughout time.

2.7 Impact of Covid-19 Pandemic on Group Activities

The Covid-19 pandemic has significantly affected global air traffic. Stringent measures have been taken around the world to prevent the spread of the pandemic. As of June 2021, travel restrictions were loosened and demand increased with the increase in vaccination rates in Turkey and around globe.

As the effects of the pandemic diminished, THY has taken several actions to meet the increasing demand and constantly assesses further developments. The actions taken are listed below:

Capacity

In the second quarter of 2021, mutation of the Covid-19 virus brought with the intensification of vaccinations. As a result of the start of the holiday season and increasing vaccination rates, restrictions were loosened throughout the world during this period. However, the increases in the number of cases because of the mutated virus caused restrictions to be reinstated in some regions. The Group adjusts its flight frequencies at international destinations according to the restrictions imposed by local authorities. In the second quarter of 2021, the Group reached 56% of its capacity supplied in the same period of 2019. This rate is 62% domestic routes and 55% international routes. In the second quarter of 2021, compared to the same period of 2019, the number of passengers carried by the Group reached 49% domestic, 41% international and 44% in total. Thanks to lower cost base and wide flight network, the Group realized a faster recovery than its competitors in financial and operational results; especially due to faster recovery in ethnic and opportunistic leisure passenger segments.

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

2.7 Impact of Covid-19 Pandemic on Group Activities (cont'd)

Cargo business

Cargo operations are continuing at full capacity with freighters and more than 10 wide body passenger aircraft are being utilized for cargo operations. The number of passenger aircrafts utilized in cargo operations may also be increased depending on the cargo demand environment and passenger flight restrictions. As a result, 45% increase was recorded in cargo revenues compared to first half of 2020. The contribution of cargo operations to total revenue and profit increased significantly compared to previous years.

Cost reductions

THY is taking actions to decrease the operational expenses and secure the financial liquidity of the Group. Cost saving actions and the employee pay agreements with the Unions also contributed to the Group's ability to minimize Covid-19's adverse financial effects. The employee pay agreements will be valid till the end of 2021 which will contribute positively to the Group's 2021 operational results. Saving actions taken in other fixed or operational costs together with employee costs resulted in an amount of USD 375 total cost savings for first half of 2021. Discretionary capital expenditures are postponed. Aircraft delivery plans determined before the pandemic for 2020-2021 are discussed together with OEMs and aircraft deliveries are postponed. Cash outflows reduced thanks to the use of previous prepayments in the prepayments of the aircrafts to be received. The Group also requested support from the Government in 2021 as well as in 2020. The rents paid in the airports operated by State Airports Authority DHMİ in the period of July-December 2020 are canceled retrospectively, canceled amounts are deducted from the rents to be paid in 2021. Also, discount of 50% for 2021 and 2022 will be applied for airport rents operated by DHMİ.

Asset valuation

Related to the Covid-19 pandemic, THY paid attention to the recoverability of fleet, right of use assets and deferred tax assets and conducted impairment tests under different scenarios. As a result, no impairment related to fleet and right of use assets was recognized. However, the recoverability on deferred tax assets was revised and a write-off of USD 13 for deferred tax assets on carry forward tax losses has been recognized.

Accounting estimates and assumptions

Due to Covid-19 pandemic, THY reviewed accounting estimates and assumptions.

According to IFRS 9, ECL estimations, especially historical loss rates, for trade receivables was reviewed to include forward-looking information with regard to Covid-19. In addition, estimates used in the calculation of provisions for receivables from pilots for flight training were reviewed to reflect current environment.

Discount rates and inflation rates used in calculations of provisions for employee benefits were revised to incorporate related Covid-19 impact.

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3. INVESTMENTS ACCOUNTED BY USING THE EQUITY METHOD

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

	<u>30 June 2021</u>	<u>31 December 2020</u>
TEC	58	59
Turkish DO&CO	42	47
Sun Express	24	64
THY Opet	21	28
TGS	18	34
TFS Akaryakıt	8	8
Uçak Koltuk	6	6
Goodrich	4	4
TCI	4	4
We World Express	2	2
Vergi İade Aracılık (*)	-	-
	<u>187</u>	<u>256</u>

(*) The Group's share in the shareholders' equity of Vergi İade Aracılık is less than USD 1.

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

	<u>1 January - 30 June 2021</u>	<u>1 April - 30 June 2021</u>	<u>1 January - 30 June 2020</u>	<u>1 April - 30 June 2020</u>
TFS Akaryakıt	7	2	(4)	(4)
THY Opet	7	4	(4)	(2)
TGS	3	2	-	(2)
Turkish DO&CO	2	1	4	1
Goodrich	1	-	1	1
Uçak Koltuk	-	-	1	-
TCI	(1)	(1)	(1)	(1)
TEC	(2)	(3)	1	(2)
Sun Express	(43)	(14)	(89)	(65)
	<u>(26)</u>	<u>(9)</u>	<u>(91)</u>	<u>(74)</u>

Financial information for Sun Express as of 30 June 2021 and 2020 are as follows:

	<u>30 June 2021</u>	<u>31 December 2020</u>		
Total assets	1,779	1,728		
Total liabilities	1,731	1,600		
Shareholders' equity	48	128		
Group's share in joint venture's shareholders' equity	24	64		
	<u>1 January - 30 June 2021</u>	<u>1 April - 30 June 2021</u>	<u>1 January - 30 June 2020</u>	<u>1 April - 30 June 2020</u>
Revenue	172	118	254	75
Loss for the period	(86)	(29)	(177)	(128)
Group's share in joint venture's loss for the period	(43)	(14)	(89)	(65)

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

Financial information for TEC as of 30 June 2021 and 2020 are as follows:

			30 June	31 December
			2021	2020
Total assets			226	198
Total liabilities			107	77
Shareholders' equity			119	121
Group's share in joint venture's shareholders' equity			58	59
	1 January -	1 April -	1 January -	1 April -
	30 June 2021	30 June 2021	30 June 2020	30 June 2020
Revenue	130	69	227	98
(Loss) / Profit for the period	(3)	(6)	1	(5)
Group's share in joint venture's (loss) / profit for the peirod	(2)	(3)	1	(2)

Financial information for Turkish DO&CO as of 30 June 2021 and 2020 are as follows:

			30 June	31 December
			2021	2020
Total assets			139	160
Total liabilities			56	65
Shareholders' equity			83	95
Group's share in joint venture's shareholders' equity			42	47
	1 January -	1 April -	1 January -	1 April -
	30 June 2021	30 June 2021	30 June 2020	30 June 2020
Revenue	52	31	81	10
Profit for the period	3	2	7	1
Group's share in joint venture's profit for the period	2	1	4	1

Financial information for TGS as of 30 June 2021 and 2020 are as follows:

			30 June	31 December
			2021	2020
Total assets			133	187
Total liabilities			97	119
Shareholders' equity			36	68
Group's share in joint venture's shareholders' equity			18	34

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

Financial information for TGS as of 30 June 2021 and 2020 are as follows (cont'd):

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Revenue	99	51	82	8
Profit / (loss) for the period	5	4	(1)	(5)
Group's share in joint venture's profit / (loss) for the period	3	2	-	(2)

Financial information for THY Opet as of 30 June 2021 and 2020 are as follows:

	30 June 2021	31 December 2020
Total assets	111	169
Total liabilities	68	113
Shareholders' equity	43	56
Group's share in joint venture's shareholders' equity	21	28

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Revenue	164	93	141	30
Profit / (loss) for the period	14	7	(8)	(5)
Group's share in joint venture's profit / (loss) for the period	7	4	(4)	(2)

Financial information for Uçak Koltuk as of 30 June 2021 and 2020 are as follows:

	30 June 2021	31 December 2020
Total assets	30	33
Total liabilities	19	21
Shareholders' equity	11	12
Group's share in joint venture's shareholders' equity	6	6

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Revenue	11	7	15	4
Profit for the period	-	-	2	-
Group's share in joint venture's profit for the period	-	-	1	-

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

Financial information for TCI as of 30 June 2021 and 2020 are as follows:

			30 June	31 December
			2021	2020
Total assets			13	15
Total liabilities			6	6
Shareholders' equity			7	9
Group's share in joint venture's shareholders' equity			4	4
	1 January -	1 April -	1 January -	1 April -
	30 June 2021	30 June 2021	30 June 2020	30 June 2020
Revenue	2	1	2	1
Loss for the period	(2)	(1)	(1)	-
Group's share in joint venture's loss for the period	(1)	(1)	(1)	(1)

Financial information for TFS Akaryakıt Hizmetleri as of 30 June 2021 and 2020 are as follows:

			30 June	31 December
			2021	2020
Total assets			217	212
Total liabilities			187	182
Shareholders' equity			30	30
Group's share in joint venture's shareholders' equity			8	8
	1 January -	1 April -	1 January -	1 April -
	30 June 2021	30 June 2021	30 June 2020	30 June 2020
Revenue	391	233	338	(3)
Profit / (loss) for the period	28	7	(14)	(12)
Group's share in joint venture's profit / (loss) for the period	7	2	(4)	(4)

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

Financial information for Goodrich as of 30 June 2021 and 2020 are as follows:

			30 June 2021	31 December 2020
Total assets			16	12
Total liabilities			5	3
Shareholders' equity			11	9
Group's share in joint venture's shareholders' equity			4	4
	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Revenue	11	5	9	4
Profit for the period	2	1	1	-
Group's share in joint venture's profit for the period	1	-	1	1

Financial information for We World Express as of 30 June 2021 and 2020 are as follows:

			30 June 2021	31 December 2020
Total assets			11	8
Total liabilities			7	5
Shareholders' equity			4	3
Group's share in joint venture's shareholders' equity			2	2
	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Revenue	17	10	1	(2)
Profit for the period	-	-	-	-
Group's share in joint venture's profit for the period	-	-	-	-

Since 31 December 2019, the loss of Air Albania, which is exceeding the Group's total share, has not been presented in financial statements. As of 30 June 2021, the amount is USD 2 (31 December 2020 USD 5).

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

	30 June 2021	30 June 2020
Opening balance	256	369
Other expense and income recognized in equity	5	(12)
Statement of changes in consolidation adjust	-	7
Capital reductions	-	(29)
Foreign currency translation difference	(21)	13
Share of investments' loss accounted by using the equity method	(26)	(91)
Dividends to shareholders	(27)	(3)
Closing balance	<u>187</u>	<u>254</u>

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4. SEGMENT REPORTING

Group management makes decisions regarding resource allocation to segments based upon the results and the activities of its air transport and aircraft technical maintenance services segments for the purpose of segments' performance evaluation. The Group's main 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 aviation sector. The detailed information about the revenue of the Group is given in Note 20.

4.1 Total Assets and Liabilities

	30 June 2021	31 December 2020
Total Assets		
Aviation	26,314	25,425
Technical	1,545	1,547
Total	27,859	26,972
Less: Eliminations due to consolidation	(1,529)	(1,442)
Total assets in consolidated financial statements	26,330	25,530
Total Liabilities		
Aviation	20,676	20,096
Technical	385	370
Total	21,061	20,466
Less: Eliminations due to consolidation	(396)	(319)
Total liabilities in consolidated financial statements	20,665	20,147

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4. SEGMENT REPORTING (cont'd)

4.2 Profit / (Loss) before Tax

Segment Results:

1 January - 30 June 2021	Aviation	Technic	Inter-segment elimination	Total
Sales to External Customers	3,839	133	-	3,972
Inter-Segment Sales	29	340	(369)	-
Revenue	3,868	473	(369)	3,972
Cost of Sales (-)	(3,433)	(375)	358	(3,450)
Gross Profit	435	98	(11)	522
Administrative Expenses (-)	(103)	(46)	16	(133)
Selling and Marketing Expenses (-)	(361)	(4)	-	(365)
Other Operating Income	98	6	(11)	93
Other Operating Expenses (-)	(36)	(14)	6	(44)
Operating Profit Before Investment Activities	33	40	-	73
Income from Investment Activities	104	-	-	104
Expenses from Investment Activities	(5)	-	-	(5)
Share of Investments' Loss Accounted by Using The Equity Method	(25)	(1)	-	(26)
Operating Profit	107	39	-	146
Financial Income	110	-	(22)	88
Financial Expense (-)	(320)	5	22	(293)
Loss Before Tax	(103)	44	-	(59)

1 January - 30 June 2020	Aviation	Technic	Inter-segment elimination	Total
Sales to External Customers	3,349	86	-	3,435
Inter-Segment Sales	16	331	(348)	(1)
Revenue	3,365	417	(348)	3,434
Cost of Sales (-)	(3,440)	(383)	349	(3,474)
Gross Loss	(75)	34	1	(40)
Administrative Expenses (-)	(76)	(42)	2	(116)
Selling and Marketing Expenses (-)	(372)	(4)	-	(376)
Other Operating Income	121	3	(6)	118
Other Operating Expenses (-)	(30)	(1)	3	(28)
Operating Loss Before Investment Activities	(432)	(10)	-	(442)
Income from Investment Activities	91	-	-	91
Share of Investments' Loss Accounted by Using The Equity Method	(92)	1	-	(91)
Operating Loss	(433)	(9)	-	(442)
Financial Income	50	-	(4)	46
Financial Expense (-)	(279)	1	4	(274)
Loss Before Tax	(662)	(8)	-	(670)

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4. SEGMENT REPORTING (cont'd)

4.3 Investment Operations

1 January - 30 June 2021	Aviation	Technic	Inter-segment elimination	Total
Purchase of property and equipment and intangible assets	1,338	53	-	1,391
Current period depreciation and amortization charge	773	74	-	847
Investments accounted by using equity method	113	74	-	187
1 January - 30 June 2020	Aviation	Technic	Inter-segment elimination	Total
Purchase of property and equipment and intangible assets	1,656	122	-	1,778
Current period depreciation and amortization charge	742	71	-	813
Investments accounted by using equity method	183	72	-	255

5. CASH AND CASH EQUIVALENTS

	30 June 2021	31 December 2020
Cash	2	2
Banks – Time deposits	2,172	1,749
Banks – Demand deposits	80	60
	2,254	1,811

Details of the time deposits as of 30 June 2021 are as follows:

Amount	Currency	Effective Interest Rate	Maturity	30 June 2021
364	TL	9.00% - 19.95%	July 2021	42
729	USD	0.90% - 2.25%	September 2021	730
1,169	EUR	0.84% - 1.32%	September 2021	1,391
664	DZD	1.71%	July 2021	5
285	MZN	6.80%	July 2021	4
				2,172

Details of the time deposits as of 31 December 2020 are as follows:

Amount	Currency	Effective Interest Rate	Maturity	31 December 2020
6,230	TL	9.00% - 18.50%	March 2021	857
186	USD	1.80% - 2.85%	January 2021	186
565	EUR	1.88% - 2.35%	March 2021	693
1,180	DZD	1.89%	January 2021	9
295	MZN	5.20%	January 2021	4
				1,749

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6. FINANCIAL INVESTMENTS

Short-term financial investments are as follows:

	<u>30 June 2021</u>	<u>31 December 2020</u>
Fair value through profit and loss (FVTPL)		
- Equity securities	10	18
Time deposits with maturity more than 3 months	92	-
	<u>102</u>	<u>18</u>

Time deposit with maturity more than 3 months as of 30 June 2021 is as follows:

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>30 June 2021</u>
77	EUR	1.28%	October 2021	<u>92</u>

Long-term financial investments are as follows:

	<u>30 June 2021</u>	<u>31 December 2020</u>
FVOCI		
- Government debt securities	37	42
- Corporate debt securities	17	32
Other	1	1
	<u>55</u>	<u>75</u>

Period remaining to contractual maturity dates for FVOCI as of 30 June 2021 and 2020 is as follows:

	<u>30 June 2021</u>	<u>31 December 2020</u>
Less than 1 year	-	-
1 to 5 years	4	4
Over 5 years	50	70
	<u>54</u>	<u>74</u>

	<u>30 June 2021</u>	<u>31 December 2020</u>
FVTPL		
- Equity securities	10	18

7. BORROWINGS

Short-term borrowings are as follows:

	<u>30 June 2021</u>	<u>31 December 2020</u>
Bank borrowings	1,447	1,527

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

	<u>30 June 2021</u>	<u>31 December 2020</u>
Lease liabilities (Note: 14)	1,684	1,728
Bank borrowings	1,160	1,186
	<u>2,844</u>	<u>2,914</u>

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7. BORROWINGS (cont'd)

Long-term borrowings are as follows:

	<u>30 June 2021</u>	<u>31 December 2020</u>
Lease liabilities (Note: 14)	9,265	9,579
Bank borrowings	2,807	2,681
	<u>12,072</u>	<u>12,260</u>

Details of bank borrowings as of 30 June 2021 and 2020 are as follows:

	<u>30 June 2021</u>	<u>31 December 2020</u>
Less than 1 year	2,607	2,713
Between 1 – 5 years	2,781	2,615
Over 5 years	26	66
	<u>5,414</u>	<u>5,394</u>

<u>Amount</u>	<u>Currency</u>	<u>Interest Rate</u> <u>Type</u>	<u>Effective Interest Rate</u>	<u>Payment Period</u>	<u>30 June</u> <u>2021</u>
370	TRY	Fixed	15.83% - 16.08%	May 2022	43
2,634	EUR	Fixed	0.30% - 4.00%	July 2021 - March 2025	3,074
1,931	EUR	Floating	Euribor + 2.45% - Euribor + 5.50%	August 2021 - August 2026	2,297
					<u>5,414</u>

<u>Amount</u>	<u>Currency</u>	<u>Interest Rate</u> <u>Type</u>	<u>Effective Interest Rate</u>	<u>Payment Period</u>	<u>31 December</u> <u>2020</u>
590	TRY	Fixed	8.50% - 9.25%	February 2021 - June 2021	80
1,652	EUR	Fixed	0.30% - 4.00%	January 2021 - March 2025	3,413
1,549	EUR	Floating	Euribor + 2.45% - Euribor + 5.50%	August 2021 - August 2026	1,901
					<u>5,394</u>

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

	<u>31 December</u> <u>2020</u>	<u>Payment</u>	<u>Interest</u>	<u>Non-cash Changes</u>	<u>Cash-in</u>	<u>30 June</u> <u>2021</u>
Bank Borrowings	5,394	(1,349)	(80)	(95)	1,544	<u>5,414</u>

	<u>31 December</u> <u>2019</u>	<u>Payment</u>	<u>Interest</u>	<u>Non-cash Changes</u>	<u>Cash-in</u>	<u>30 June</u> <u>2020</u>
Bank Borrowings	3,453	(556)	(34)	81	1,185	<u>4,129</u>

	<u>31 December</u> <u>2020</u>	<u>Payment</u>	<u>Interest</u>	<u>Non-cash Changes</u>	<u>New</u> <u>Leases</u>	<u>30 June</u> <u>2021</u>
Aircraft	11,259	(934)	(83)	(210)	871	10,903
Property	47	(5)	-	-	-	42
Other	1	(1)	-	-	4	4
	<u>11,307</u>	<u>(940)</u>	<u>(83)</u>	<u>(210)</u>	<u>875</u>	<u>10,949</u>

	<u>31 December</u> <u>2019</u>	<u>Payment</u>	<u>Interest</u>	<u>Non-cash Changes</u>	<u>New</u> <u>Leases</u>	<u>30 June</u> <u>2020</u>
Aircraft	9,858	(718)	(82)	177	1,143	10,378
Property	58	(5)	-	(3)	-	50
Other	3	(1)	-	-	-	2
	<u>9,919</u>	<u>(724)</u>	<u>(82)</u>	<u>174</u>	<u>1,143</u>	<u>10,430</u>

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8. OTHER FINANCIAL LIABILITIES

Short-term other financial liabilities of the Group are as follows:

	<u>30 June 2021</u>	<u>31 December 2020</u>
Other financial liabilities	3	17

Other financial liabilities consist of overnight interest-free borrowings from banks obtained for settlement of monthly tax and social security premium payments.

9. RELATED PARTIES

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

	<u>30 June 2021</u>	<u>31 December 2020</u>
Air Albania	19	14
Sun Express	10	-
We World Express Ltd.	1	4
	<u>30</u>	<u>18</u>

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

	<u>30 June 2021</u>	<u>31 December 2020</u>
Air Albania	6	6
TGS	6	-
	<u>12</u>	<u>6</u>

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

	<u>30 June 2021</u>	<u>31 December 2020</u>
TFS Akaryakıt Hizmetleri	41	37
Turkish DO&CO	21	23
TGS	19	39
THY Opet	14	18
TEC	8	10
Goodrich	2	4
Sun Express	-	10
	<u>105</u>	<u>141</u>

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

	<u>30 June 2021</u>	<u>31 December 2020</u>
TFS Akaryakıt Hizmetleri	2	-

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9. RELATED PARTIES (cont'd)

Transactions with related parties for the year ended 30 June 2021 and 2020 are as follows:

a) Sales to related parties:

	<u>1 January - 30 June 2021</u>	<u>1 April - 30 June 2021</u>	<u>1 January - 30 June 2020</u>	<u>1 April - 30 June 2020</u>
Sun Express	17	8	12	6
TEC	15	5	33	20
We World Express Ltd.	9	4	4	-
PTT	5	2	2	1
Air Albania	5	2	-	-
TGS	3	3	1	-
Goodrich	1	-	1	-
	<u>55</u>	<u>24</u>	<u>53</u>	<u>27</u>

b) Purchases from related parties:

	<u>1 January - 30 June 2021</u>	<u>1 April - 30 June 2021</u>	<u>1 January - 30 June 2020</u>	<u>1 April - 30 June 2020</u>
TFS Akaryakıt Hizmetleri	347	207	321	14
THY Opet	117	62	115	28
TEC	92	63	119	69
TGS	91	48	80	8
Turkish DO&CO	45	26	76	10
Sun Express	28	9	44	12
Uçak Koltuk	8	4	5	2
Goodrich	3	2	9	4
Air Albania	1	-	3	(1)
TCI	1	-	-	-
	<u>733</u>	<u>421</u>	<u>772</u>	<u>146</u>

Details of the financial assets and liabilities for related parties as of 30 June 2021 and 2020 are as follows:

	<u>30 June 2021</u>	<u>31 December 2020</u>
Banks - Time deposits	2,001	1,524
Financial investments	92	-
Financial assets	59	71
Banks - Demand deposits	17	12
Equity share	2	2
Bank borrowings	(2,010)	(1,854)
	<u>161</u>	<u>(245)</u>

Details of the time deposits deposited at related parties as of 30 June 2021 is as follows:

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>30 June 2021</u>
77	EUR	1.28%	October 2021	<u>92</u>

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9. RELATED PARTIES (cont'd)

As of 30 June 2021, the amount of letters of guarantee given to the related parties is USD 1,236. (31 December 2020: USD 1,236)

Details of the time deposits at related parties as of 30 June 2021 and 2020 are as follows:

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>30 June 2021</u>
356	TL	9.00% - 19.15%	July 2021	41
1,063	EUR	0.88% - 1.28%	September 2021	1,265
695	USD	1.44% - 1.96%	September 2021	695
				<u>2,001</u>
<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 December 2020</u>
4,905	TL	9.00% - 18.50%	March 2021	673
564	EUR	1.88% - 2.24%	March 2021	693
158	USD	2.28%	January 2021	158
				<u>1,524</u>

Details of the financial assets at related parties as of 30 June 2021 and 2020 are as follows:

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>30 June 2021</u>
59	USD	5.75% - 8.00%	July 2021 - December 2021	59
<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 December 2020</u>
71	USD	4.88% - 8.50%	January 2021 - June 2021	71

Details of the bank borrowings at related parties as of 30 June 2021 and 2020 are as follows:

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>30 June 2021</u>
1,690	EUR	2.55% - Euribor + 5.50%	March 2026	2,010
<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 December 2020</u>
1,499	EUR	2.55% - Euribor + 5.50%	December 2025	1,840
101	TRY	9.25%	June 2021	14
				<u>1,854</u>

Interest income from related parties:

	<u>1 January - 30 June 2021</u>	<u>1 April - 30 June 2021</u>	<u>1 January - 30 June 2020</u>	<u>1 April - 30 June 2020</u>
Türkiye Halk Bankası A.Ş.	29	9	5	2
Türkiye Vakıflar Bankası T.A.O.	10	4	-	-
T.C. Ziraat Bankası A.Ş.	3	1	-	-
	<u>42</u>	<u>14</u>	<u>5</u>	<u>2</u>

Interest expense to related parties:

	<u>1 January - 30 June 2021</u>	<u>1 April - 30 June 2021</u>	<u>1 January - 30 June 2020</u>	<u>1 April - 30 June 2020</u>
Türkiye Vakıflar Bankası T.A.O.	24	13	-	-
Ziraat Bankası A.Ş.	15	8	5	2
	<u>39</u>	<u>21</u>	<u>5</u>	<u>2</u>

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9. RELATED PARTIES (cont'd)

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

The total amount of salaries and other short-term benefits provided for the Board Members, General Manager and Deputy General Managers are USD 1 for the period between 1 January-30 June 2021 (1 January- 30 June 2020: USD 2).

10. OTHER RECEIVABLES

Other short-term receivables from third parties as of 30 June 2021 and 2020 are as follows:

	<u>30 June 2021</u>	<u>31 December 2020</u>
Predelivery payments made for aircrafts	547	731
Receivables from technical purchases	221	223
Value added tax receivables	47	30
Bank deposits with transfer limitations (*)	33	39
Receivables from pilots for flight training	29	32
Others	33	40
	<u>910</u>	<u>1,095</u>

(*)As of 30 June 2021, the balance of this account includes bank deposits in Ethiopia, Bangladesh, Algeria, Nigeria, Senegal, Niger, Mali, Republic of Cote D'ivoire, Burkina Faso, Eritrea, Mozambique, Bolivarian Republic of Venezuela, Republic of Angola, Republic of Cameroon, Republic of Chad, Republic of Sudan, Gabon, Somalia, Benin, Republic of Zimbabwe, Republic of Cuba, Republic of Lebanon, Democratic Republic of the Congo and Iran. (As of 31 December 2020, the balance of this account includes bank deposits in Ethiopia, Bangladesh, Algeria, Nigeria, Senegal, Niger, Mali, Republic of Cote D'ivoire, Burkina Faso, Eritrea, Mozambique, Bolivarian Republic of Venezuela, Republic of Angola, Republic of Cameroon, Republic of Chad, Republic of Sudan, Gabon, Somalia, Benin, Republic of Zimbabwe, Democratic Republic of the Congo, Republic of Cuba, Republic of Lebanon and Iran).

Other long-term receivables from third parties as of 30 June 2021 and 2020 are as follows:

	<u>30 June 2021</u>	<u>31 December 2020</u>
Receivables related to investment certificates (***)	433	409
Predelivery payments made for aircrafts	358	515
Receivables from pilots for flight training	199	199
Deposits and guarentees given	41	42
Bank deposits with transfer limitations (**)	4	4
Interest and commodity swap agreement deposits	-	31
	<u>1,035</u>	<u>1,200</u>

(**) As of 30 June 2021, the balance of this account includes bank deposits in Syria.

(***) This represents the accrued amount as of 30 June 2021. Total contribution of government incentives related to fleet investments amounts to USD 3,596. See note 2.3 for accounting policy.

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11. DEFERRED INCOME

Deferred income is as follows:

	<u>30 June 2021</u>	<u>31 December 2020</u>
Passenger flight liabilities	1,214	580
Other short-term deferred income	57	34
	<u>1,271</u>	<u>614</u>

Passenger flight liability is as follows:

	<u>30 June 2021</u>	<u>31 December 2020</u>
Flight liability generating from ticket sales	1,000	381
Flight liability generating from frequent flyer program	214	199
	<u>1,214</u>	<u>580</u>

Other short-term deferred income is as follows:

	<u>30 June 2021</u>	<u>31 December 2020</u>
Advances received	40	21
Deferred finance income	9	11
Unearned bank protocol revenue accruals	8	2
	<u>57</u>	<u>34</u>

Long-term deferred income is as follows:

	<u>30 June 2021</u>	<u>31 December 2020</u>
Deferred finance income	85	109
Unearned bank protocol revenue accruals	13	-
	<u>98</u>	<u>109</u>

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12. PROPERTY AND EQUIPMENT

	Land, land improvements and buildings	Technical Equipment, Simulator and Vehicles	Other equipments, and fixtures	Aircrafts	Spare engines	Components and repairable spare parts	Leasehold improvements	Construction In Progress	Total
<u>Cost</u>									
Opening balance at 1 January 2021	1,175	636	250	4,115	705	688	179	587	8,335
Additions	-	6	4	24	45	35	-	152	266
Transfer (*)	-	6	-	-	6	-	5	(24)	(7)
Transfers between the account	-	-	-	435	15	-	-	-	450
Disposals	-	(2)	(1)	(138)	(12)	(57)	(3)	-	(213)
Closing balance at 30 June 2021	1,175	646	253	4,436	759	666	181	715	8,831
<u>Accumulated Depreciation</u>									
Opening balance at 1 January 2021	275	307	193	2,678	283	353	101	-	4,190
Depreciation charge	25	19	10	113	32	37	7	-	243
Transfers between the account	-	-	-	201	8	-	-	-	209
Disposals	-	(2)	(1)	(116)	(12)	(24)	(3)	-	(158)
Closing balance at 30 June 2021	300	324	202	2,876	311	366	105	-	4,484
Net book value at 30 June 2021	875	322	51	1,560	448	300	76	715	4,347
Net book value at 31 December 2020	900	329	57	1,437	422	335	78	587	4,145

(*)From construction in progress amounting to USD 7 has been transferred to intangible fixed assets amounting to USD 5 and right-of-use assets amounting to USD 2.

Depreciation and amortization expenses are recognized in cost of sales is amounting to USD 809 (30 June 2020: USD 781), general administrative expenses is amounting to USD 34 (30 June 2020: USD 28) and marketing and sales expenses is amounting to USD 4 (30 June 2020: USD 4) in total of USD 847 as of 30 June 2021 (30 June 2020: USD 813).

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

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12. PROPERTY AND EQUIPMENT (cont'd)

	Land improvements and buildings	Technical equipments simulators and vehicles	Other equipments, and fixtures	Aircrafts	Spare engines	Components and repairable spare parts	Leasehold improvements	Construction in progress	Total
<u>Cost</u>									
Opening balance at 1 January 2020	874	585	239	3,167	661	660	183	692	7,061
Additions	-	8	3	28	14	68	-	219	340
Transfer	-	30	1	4	19	-	1	(77)	(22)
Transfers between the accounts	-	-	-	263	-	-	-	-	263
Disposals	-	(1)	(2)	(14)	(3)	(36)	(4)	-	(60)
Closing balance at 30 June 2020	874	622	241	3,448	691	692	180	834	7,582
<u>Accumulated Depreciation</u>									
Opening balance at 1 January 2020	232	268	173	2,095	240	315	95	-	3,418
Depreciation charge	19	22	11	84	27	37	8	-	208
Transfers between the accounts	-	-	-	122	-	-	-	-	122
Disposals	-	(1)	(1)	(14)	(3)	(19)	(4)	-	(42)
Closing balance at 30 June 2020	251	289	183	2,287	264	333	99	-	3,706
Net book value at 30 June 2020	623	333	58	1,161	427	359	81	834	3,876

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12. 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 2021	19,381	202	75	6	19,664
Additions	1,114	-	-	5	1,119
Transfer	2	-	-	-	2
Disposals	(73)	-	(1)	(2)	(76)
Transfers between the accounts (*)	(450)	-	-	-	(450)
Closing balance at 30 June 2021	19,974	202	74	9	20,259

	Aircraft	Spare engines	Real Estate	Vehicles	Total
<u>Accumulated Depreciation</u>					
Opening balance at 1 January 2021	4,813	48	21	5	4,887
Depreciation charge	579	6	5	1	591
Disposals	(73)	-	-	(2)	(75)
Transfers between the account (*)	(209)	-	-	-	(209)
Closing balance at 30 June 2021	5,110	54	26	4	5,194
Net book value at 30 June 2021	14,864	148	48	5	15,065

	Aircraft	Spare engines	Real Estate	Vehicles	Total
<u>Cost</u>					
Opening balance at 1 January 2020	17,647	165	74	6	17,892
Additions	1,431	-	1	-	1,432
Transfers	10	-	-	-	10
Disposals	(58)	-	-	-	(58)
Transfers between the accounts (*)	(263)	-	-	-	(263)
Closing balance at 30 June 2020	18,767	165	75	6	19,013

	Aircraft	Spare engines	Real Estate	Vehicles	Total
<u>Accumulated Depreciation</u>					
Opening balance at 1 January 2020	4,222	39	10	3	4,274
Depreciation charge	583	5	6	1	595
Disposals	(58)	-	-	-	(58)
Transfers between the account (*)	(122)	-	-	-	(122)
Closing balance at 30 June 2020	4,625	44	16	4	4,689
Net book value at 30 June 2020	14,142	121	59	2	14,324

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

The Group is still carrying out negotiations with the airport operator company (İGA Havalimanı İşletmesi A.Ş.) regarding the rental areas, rental fee, renting conditions and period for İstanbul Airport. Yet, no agreement is signed and there is no Board Decision about the above mentioned rental matters. Despite the fact that there is a PPP tariff issued by State Airports Authority (DHMI), it does not eliminate the uncertainties regarding rental areas, rental fee, renting conditions and period which are considered as material terms of a contract. Thus, it is not considered as appropriate to consider them under IFRS16 scope and no calculations for assets or liabilities are made concerning the İstanbul Airport rentals at June 2021 financial statements. However, the payments for the areas used at İstanbul Airport are made with reservation according to PPP tariff and they are recorded under expense accounts for the period.

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13. INTANGIBLE ASSETS

	Slot rights and acquired technical licenses (*)	Rights	Other intangible assets	Total
<u>Cost</u>				
Opening balance at 1 January 2021	44	221	5	270
Additions	-	6	-	6
Transfers	-	5	-	5
Closing balance at 30 June 2021	<u>44</u>	<u>232</u>	<u>5</u>	<u>281</u>
<u>Accumulated Amortization</u>				
Opening balance at 1 January 2021	-	178	3	181
Amortization charge	-	13	-	13
Closing balance at 30 June 2021	<u>-</u>	<u>191</u>	<u>3</u>	<u>194</u>
Net book value at 30 June 2021	<u>44</u>	<u>41</u>	<u>2</u>	<u>87</u>
Net book value at 31 December 2020	<u>44</u>	<u>43</u>	<u>2</u>	<u>89</u>
	Slot rights and acquired technical licenses (*)	Rights	Other intangible assets	Total
<u>Cost</u>				
Opening balance at 1 January 2020	44	193	5	242
Additions	-	6	-	6
Transfers	-	12	-	12
Closing balance at 30 June 2020	<u>44</u>	<u>211</u>	<u>5</u>	<u>260</u>
<u>Accumulated Amortization</u>				
Opening balance at 1 January 2020	-	157	3	160
Amortization charge	-	10	-	10
Closing balance at 30 June 2020	<u>-</u>	<u>167</u>	<u>3</u>	<u>170</u>
Net book value at 30 June 2020	<u>44</u>	<u>44</u>	<u>2</u>	<u>90</u>
Net book value at 31 December 2019	<u>44</u>	<u>36</u>	<u>2</u>	<u>82</u>

(*) The Group considers slot rights and licenses received through the acquisition of MNG Teknik and accounted such assets as intangible assets at an amount of USD 10 with indefinite useful lives as these assets do not have any expiry date and are usable in the foreseeable future.

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14. LEASING TRANSACTIONS

Maturities of lease obligations are as follows:

	Future Minimum Lease Payments		Interest		Present Values of Minimum Lease Payments	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020	30 June 2021	31 December 2020
Less than 1 year	1,882	1,934	(198)	(206)	1,684	1,728
Between 1 – 5 years	6,158	6,275	(462)	(455)	5,696	5,820
Over 5 years	3,754	3,931	(185)	(172)	3,569	3,759
	<u>11,794</u>	<u>12,140</u>	<u>(845)</u>	<u>(833)</u>	<u>10,949</u>	<u>11,307</u>

	30 June 2021	31 December 2020
Interest Range:		
Floating rate obligations	5,819	5,788
Fixed rate obligations	5,130	5,519
	<u>10,949</u>	<u>11,307</u>

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

As of 30 June 2021, the US Dollars, Euro, JPY and Swiss Franc denominated lease obligations' weighted average interest rates are 3.87% (31 December 2020: 3.74%) for the fixed rate obligations and 1.54% (31 December 2020: 1.42%) for the floating rate obligations.

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions as of 30 June 2021 and 2020 are as follows:

Short-term provision for employee benefits is as follows:

	30 June 2021	31 December 2020
Provisions for unused vacation	19	16

Changes in the provisions for the period ended 30 June 2021 and 2020 are set out below:

	1 January - 30 June 2021	1 January - 30 June 2020
Provisions at the beginning of the period	16	39
Provisions for the current period	93	160
Provisions released	(87)	(148)
Foreign currency translation differences	(3)	(6)
Provisions at the end of the period	<u>19</u>	<u>45</u>

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

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

Other short-term provision is as follows:

	<u>30 June 2021</u>	<u>31 December 2020</u>
Provisions for legal claims	9	10

Changes in the provisions for legal claims for the period ended 30 June 2021 and 2020 are set out below:

	<u>1 January - 30 June 2021</u>	<u>1 January - 30 June 2020</u>
Provisions at the beginning of the period	10	13
Provisions for the current period	1	-
Provisions released	(1)	(1)
Foreign currency translation differences	(1)	(1)
Provisions at the end of the period	<u>9</u>	<u>11</u>

The Group provides with 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 legal advices.

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16. COMMITMENTS

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

Amount of letters of guarantees given as of 30 June 2021 is USD 2,119 (31 December 2020: USD 1,956).

As of 30 June 2021, the letters of guarantee are given to various authorities (i.e. various banks and vendors.)

	30 June 2021		31 December 2020	
	Original currency amount	USD equivalent	Original currency amount	USD equivalent
A. Total amounts of GPM given on the behalf of its own legal entity	-	2,119	-	1,956
-Collaterals				
TL	67	8	52	7
EUR	1,722	2,050	1,511	1,854
USD	52	52	59	59
Other	-	9	-	36
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>2,119</u>		<u>1,956</u>

The ratio of other GPM (“D”) given by the group to its equity is 0% as of 30 June 2021 (31 December 2020: 0%)

b) Aircraft purchase commitments:

To be delivered between the years 2021-2028, the Group signed an agreement for 145 aircrafts, (95 of aircrafts are contractual and 50 of them are optional) with a list price value of USD 15,152. The Group has made a predelivery payment of USD 915 relevant to these purchases as of 30 June 2021 (31 December 2020: USD 1,253).

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17. EMPLOYEE BENEFITS

Provisions for retirement pay liability as of 30 June 2021 and 2020 is comprised of the following:

	<u>30 June 2021</u>	<u>31 December 2020</u>
Provision for retirement pay liability	<u>131</u>	<u>134</u>

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

Retirement pay liability is subject to an upper limit of monthly USD 952 (full) (equivalent of TL 8,285 (full)) as of 30 June 2021. (31 December 2020: USD 970 (full) equivalent of TL 7,117 (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 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 key assumption is that maximum liability amount increases in accordance with the inflation rate for every service year. Provisions in the accompanying consolidated financial statements as of 30 June 2021 are calculated by estimating present value of liabilities due to retirement of employees. Provisions in the relevant balance sheet dates are calculated with the assumptions of 9.00% annual inflation rate (31 December 2020: 9%) and 13.20% interest rate (31 December 2020: 13.20%). Estimated amount of non-paid retirement pay retained in the Group due to voluntary leaves is assumed as 2.37% (31 December 2020: 2.53%). Ceiling for retirement pay is revised semi-annually. Ceiling amount of USD 952 (full) which is in effect since 30 June 2021 is used in the calculation of Group’s provision for retirement pay liability.

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

	<u>1 January - 30 June 2021</u>	<u>1 January - 30 June 2020</u>
Provision at the beginning of the period	134	135
Service charge for the period	13	7
Interest charges	8	7
Actuarial loss	3	8
Payments	(3)	(6)
Foreign currency translation difference	(24)	(18)
Provision at the end of the period	<u>131</u>	<u>133</u>

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18. EXPENSES BY NATURE

Expenses by nature for the six-month period ended 30 June 2021 and 2020 are as follows:

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Fuel expenses	981	563	985	196
Depreciation and amortisation charges	847	427	813	402
Personnel expenses	598	294	617	127
Ground services expenses	284	148	239	55
Aircraft maintenance expenses	238	114	310	93
Airport expenses	204	113	160	31
Air traffic control expenses	180	101	157	34
Commissions and incentives	101	52	110	19
Passenger services and catering expenses	97	54	144	23
Wet lease expenses	90	43	103	40
Reservation systems expenses	70	40	43	(3)
Service expenses	40	19	33	11
Advertisement and promotion expenses	33	19	51	14
Insurance expenses	31	16	27	13
Rents	27	14	37	22
IT and communication expenses	23	11	21	12
Taxes and duties	20	8	26	5
Transportation expenses	19	9	18	8
Consultancy expenses	11	8	9	4
Aircraft rent expenses	7	4	12	7
Systems use and associateship expenses	5	2	7	5
Utility expenses	2	2	2	2
Other expenses	40	19	42	13
	3,948	2,080	3,966	1,133

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19. SHAREHOLDERS' EQUITY

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

(Millions of TL)	Class	%	30 June		31 December	
			2021	%	2020	%
Turkey Wealth Fund (*)	A	49.12	678	49.12	678	
Republic of Turkey Treasury and Finance Ministry Privatization Administration (*)	C	-	-	-	-	
Other (publicly held)	A	50.88	702	50.88	702	
Paid-in capital (Turkish Lira)			1,380		1,380	
Inflation adjustment on share capital (Turkish Lira) (**)			1,124		1,124	
Share capital (Turkish Lira)			<u>2,504</u>		<u>2,504</u>	
Share capital (USD Equivalent)			<u>1,597</u>		<u>1,597</u>	

(*) 1,644 (full) shares belonging to various private shareholders were not taken into consideration when the Group was included to the privatization program in 1984. Subsequently, these shares were registered on behalf of Privatization Administration according to Articles of Association of the Company, approved by the decision of the Turkish Republic High Planning Board on 30 October 1990.

49.12% share of the Company and its subsidiaries (together the "Group") owned by Republic of Turkey Prime Ministry Privatisation Administration has been transferred to Sovereign Wealth Fund of Turkey as of 3 February 2017.

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

As of 30 June 2021, 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 Turkey 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 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 rest eight members has to 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 put 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%.)

19. SHAREHOLDERS' EQUITY (cont'd)

- Articles of Association 14: The following decisions of the Board of Directors are subject to the positive vote of the class C Shareholder (cont'd):

f) Decisions relating to merges and liquidation,

g) Decisions cancelling flight routes or significantly decreasing frequency of flight routes, not including the ones that cannot even recover their operational expenses, subject to the market conditions.

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 get worse, to prevent unemployment and are not available for any other usage unless they exceed 50% of paid-in share capital.

Foreign Currency Translation Differences

Currency translation differences under equity arise from Group's joint ventures, provisions for unused vacation, legal claims and retirement pay liability accounted under 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 financial statements of the Group.

Actuarial Differences on Defined Benefit Plans

As a result of the adoption of 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 are accounted in profit or loss when the hedged item impacts profit or loss.

As of 2021, lease liabilities and investment borrowings in Japanese Yen, Swiss Frank and Euro for investment financing are designated as cash flow hedge against exchange rate risk due to highly probable future same foreign currency revenues. Group's revenue denominated in Euro and Swiss Frank covered borrowings of such foreign currency, Japanese Yen revenue covered %53, Euro revenue covered %28, Swiss Frank covered %21 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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20. REVENUE

Breakdown of gross profit is as follows:

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Passenger revenue				
Scheduled	2,039	1,145	2,096	108
Unscheduled	21	14	11	7
Total passenger revenue	<u>2,060</u>	<u>1,159</u>	<u>2,107</u>	<u>115</u>
Cargo revenue				
Carried by passenger aircraft	426	239	172	9
Carried by cargo aircraft	1,339	702	1,041	738
Total cargo revenue	<u>1,765</u>	<u>941</u>	<u>1,213</u>	<u>747</u>
Total passenger and cargo revenue	<u>3,825</u>	<u>2,100</u>	<u>3,320</u>	<u>862</u>
Technical revenue	133	68	86	31
Other revenue	14	8	28	8
Net sales	<u>3,972</u>	<u>2,176</u>	<u>3,434</u>	<u>901</u>
Cost of sales (-)	<u>(3,450)</u>	<u>(1,826)</u>	<u>(3,474)</u>	<u>(1,000)</u>
Gross profit / (loss)	<u><u>522</u></u>	<u><u>350</u></u>	<u><u>(40)</u></u>	<u><u>(99)</u></u>

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

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
International flights				
- Far East	1,142	603	1,020	370
- America	869	508	589	168
- Europe	863	469	794	156
- Africa	406	213	347	74
- Middle East	272	152	306	51
Total	<u>3,552</u>	<u>1,945</u>	<u>3,056</u>	<u>819</u>
Domestic flights	273	155	264	43
Total passenger and cargo revenue	<u><u>3,825</u></u>	<u><u>2,100</u></u>	<u><u>3,320</u></u>	<u><u>862</u></u>

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21. COST OF SALES

Breakdown of the cost of sales is as follows:

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Fuel expenses	981	563	985	196
Depreciation and amortisation charges	809	409	781	386
Personnel expenses	452	222	475	87
Ground services expenses	284	148	239	55
Aircraft maintenance expenses	238	114	310	93
Airport expenses	204	113	160	31
Air traffic control expenses	180	101	157	34
Passenger services and catering expenses	97	54	144	23
Wet lease expenses	90	43	103	40
Insurance expenses	29	15	25	12
Transportation expenses	19	9	18	8
Service expenses	19	9	16	6
Rents	13	7	24	14
Taxes and duties	9	5	10	3
Aircraft rent expenses	7	4	12	7
IT and communication expenses	3	1	2	2
Other expenses	16	9	13	3
	<u>3,450</u>	<u>1,826</u>	<u>3,474</u>	<u>1,000</u>

22. GENERAL ADMINISTRATIVE EXPENSES AND SELLING AND MARKETING EXPENSES

Breakdown of general administrative expenses is as follows:

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Personnel expenses	43	21	34	4
Depreciation and amortisation charges	34	16	28	14
Service expenses	16	8	13	5
IT and communication expenses	15	7	15	8
Consultancy expenses	6	5	6	3
Rents	6	3	5	5
Systems use and associateship expenses	3	1	5	3
Insurance expenses	2	1	2	1
Utility expenses	2	2	2	2
Taxes and duties	1	1	1	-
Other general administrative expenses	5	1	5	-
	<u>133</u>	<u>66</u>	<u>116</u>	<u>45</u>

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

Breakdown of selling and marketing expenses is as follows:

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Personnel expenses	103	51	108	36
Commissions and incentives	101	52	110	19
Reservation systems expenses	70	40	43	(3)
Advertisement and promotion expenses	33	19	51	14
Taxes and duties	10	2	15	2
Rents	8	4	8	3
Service expenses	5	2	4	-
IT and communication expenses	5	3	4	2
Consultancy expenses	5	3	3	1
Depreciation and amortisation charges	4	2	4	2
Systems use and associateship expenses	2	1	2	2
Other marketing and sales expenses	19	9	24	10
	365	188	376	88

23. OTHER OPERATING INCOME / EXPENSES

Breakdown of other operating income is as follows:

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Manufacturers' credits	29	15	72	57
Insurance, indemnities, penalties income	28	6	17	8
Rent income	9	5	6	2
Provisions released	7	4	2	1
Non- interest income from banks	4	2	5	2
IFRS 9 Adjustment	1	(3)	-	-
Turnover premium from suppliers	1	1	3	1
Rediscount interest income	-	-	2	2
Other operating income	14	6	11	5
	93	36	118	78

Breakdown of other operating expenses is as follows:

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Provisions	16	14	8	4
Foreign exchange losses from operational activities, net	9	(5)	6	(46)
Indemnity and penalty expenses	3	1	3	2
Rediscount interest expenses	3	(1)	-	-
IFRS 9 Adjustment	-	-	3	4
Other operating expenses	13	9	8	-
	44	18	28	(36)

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24. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

Breakdown of income from investment activities is as follows:

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Income from investment incentives	94	47	75	39
Gain on sale of fixed assets	4	3	2	1
Interest income from financial investment	3	2	4	3
Gain on sale of financial investments	3	2	2	1
Gain on subsidiaries	-	-	8	8
	<u>104</u>	<u>54</u>	<u>91</u>	<u>52</u>

Breakdown of expense from investment activities is as follows:

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Loss on sale of fixed assets	4	-	-	-
Loss on sale of financial investments	1	-	-	-
	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>

25. FINANCIAL INCOME/ EXPENSES

Breakdown of financial income is as follows:

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Fair value gains on derivative financial instruments, net	49	23	13	13
Interest income	39	12	11	7
Rediscount interest income from repayments of aircrafts	-	-	18	4
Other financial incomes	-	-	4	4
	<u>88</u>	<u>35</u>	<u>46</u>	<u>28</u>

Breakdown of financial expenses is as follows:

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Foreign exchange losses on financial activities, net	102	196	106	108
Interest expense from leasing liabilities	96	46	107	51
Interest expense from financial activities	63	30	39	21
Aircraft financing expenses	14	7	12	5
Interest expenses on employee benefits	8	4	7	3
Rediscount interest expense from repayments of aircrafts	3	(4)	-	-
Fair value losses on derivative financial instruments, net	-	-	-	(53)
Other financial expenses	7	4	3	1
	<u>293</u>	<u>283</u>	<u>274</u>	<u>136</u>

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26. TAX ASSETS AND LIABILITIES

Breakdown of assets related to current tax is as follows:

	<u>30 June 2021</u>	<u>31 December 2020</u>
Prepaid taxes	34	38

Tax liability is as follows:

	<u>30 June 2021</u>	<u>31 December 2020</u>
Provisions for corporate tax	8	-
Prepaid taxes and funds	-	-
Corporate tax liability	8	-

Tax income is as follows:

	<u>1 January - 30 June 2021</u>	<u>1 April - 30 June 2021</u>	<u>1 January - 30 June 2020</u>	<u>1 April - 30 June 2020</u>
Current period tax expense	8	8	-	-
Deferred tax income	(66)	(35)	(16)	79
Tax income	(58)	(27)	(16)	79

Tax effect related to other comprehensive income is as follows:

	<u>1 January - 30 June 2021</u>			<u>1 January - 30 June 2020</u>		
	Amount before tax	Tax income	Amount after tax	Amount before tax	Tax expense	Amount after tax
Change in cash flow hedge reserve	396	(81)	315	(278)	59	(219)
Losses on Remeasuring FVOCI	(4)	1	(3)	(4)	1	(3)
Change in actuarial losses from retirement pay obligation	(3)	1	(2)	(8)	1	(7)
Changes in foreign currency translation difference	(27)	-	(27)	(19)	-	(19)
Other comprehensive income	362	(79)	283	(309)	61	(248)

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

Corporate Tax

The effective tax rate is 25%. In accordance with the Temporary Artical 13 of regulation numbered 7316,published in Offical Gazzete Article which published on 22 April 2021, "Legislation on the Procedure for the Collection of Public Receivables and Other Certain Legislation", corporate tax rate has increased from %20 to %25 for 2021. Therefore, deferred tax assets and liabilities as of 30 June 2021 are calculated with 25% tax rate for the temporary differences which will be realized in 2021, and with 20% tax rate for those which will be realized after 2022 and onwards. For the year 2022, corporate tax rate will be %23.

In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate-entity basis.

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26. TAX ASSETS AND LIABILITIES (cont'd)

Corporate Tax (cont'd)

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. However, losses cannot be carried back for offset against profits from previous periods. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

According to the Corporate Tax Law, 75% of the capital gains arising from the sale of immoveable properties and participation shares owned for at least two years are exempted from corporate tax on the condition that such gains are reflected in the equity until the end of the fifth year following the sale. The remaining 25% of such capital gains are subject to corporate tax. However, according to the amendments by Law numbered 7061, this rate is reduced from 75% to 50% with regard to immovable properties and tax declarations starting from 2018 will be calculated using 50% for immovable properties.

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

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for dividend receiving companies who are Turkish residents and Turkish branches of foreign companies. Income withholding tax rate is 15%. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

Deferred Tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising 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 and they are given below.

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

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

	<u>30 June 2021</u>	<u>31 December 2020</u>
Fixed assets	(2,159)	(1,972)
Right of use asset	(297)	(312)
Adjustments for passenger flight liabilities	(131)	(133)
Change in fair value of derivative instruments	(17)	12
Tax loss carried forward	808	764
Lease obligations	309	311
Accruals for expenses	85	65
Income and expense for future years	82	88
Provisions for employee benefits	27	27
Miles accruals	23	16
Provisions for unused vacation	5	3
Incentives	-	13
Other	13	(1)
Deferred tax liabilities	<u>(1,252)</u>	<u>(1,119)</u>

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26. TAX ASSETS AND LIABILITIES (cont'd)

Deferred Tax (cont'd)

The changes of deferred tax liability for the period ended 1 January – 30 June 2021 and 2020 are as follows:

	1 January - 30 June 2021	1 January - 30 June 2020
Opening balance at 1 January	1,119	1,293
Foreign currency translation difference	122	46
Tax expense / (income) from hedging reserves	79	(56)
Tax income of actuarial losses on retirement pay obligation	(1)	-
Tax income from FVOCI	(1)	(1)
Deferred tax income	(66)	(16)
Deferred tax liability at the end of the period	<u>1,252</u>	<u>1,266</u>

Reconciliation with current tax charge for the period 1 January – 30 June 2021 and 2020 are as follows:

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
<u>Reconciliation of effective tax charge</u>				
Loss from operations before tax	(59)	(89)	(670)	(248)
Domestic expense tax rate of 25%	15	21	147	54
Taxation effects on:				
- foreign currency translation difference	31	(16)	3	7
- effect of the change in the deferred tax rate	25	25		
- investment incentive	19	10	15	7
- expense from investment certificates	15	6	1	(6)
- adjustment for prior year loss	1	0	(132)	(130)
- investments accounted by using the equity method	(5)	(2)	(15)	(12)
- non deductible expenses	(43)	(17)	(3)	1
Tax charge in statement of profit	<u>58</u>	<u>27</u>	<u>16</u>	<u>(79)</u>

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

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27. EARNINGS PER SHARE (cont'd)

Number of total shares and calculation of profits / losses per share at 1 January – 30 June 2021 and 2020:

	1 January - 30 June 2021	1 January - 30 June 2020
Number of shares outstanding at 1 January (in full)	<u>138,000,000,000</u>	<u>138,000,000,000</u>
Number of shares outstanding at 30 June (in full)	<u>138,000,000,000</u>	<u>138,000,000,000</u>
Weighted average number of shares outstanding during the period (in full)	<u>138,000,000,000</u>	<u>138,000,000,000</u>
Net loss for the period	(1)	(654)
Basic loss per share (Full US Cents) (*)	(0.00)	(0.47)
Diluted loss per share (Full US Cents) (*)	(0.00)	(0.47)

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

28. DERIVATIVE FINANCIAL INSTRUMENTS

Breakdown of derivative financial assets and liabilities of the Group as of 30 June 2021 and 2020 are as follows:

<u>Derivative financial assets</u>	30 June 2021	31 December 2020
Derivative instruments for fuel prices cash flow hedge	73	-
Derivative instruments not subject to hedge accounting	19	2
	<u>92</u>	<u>2</u>
 <u>Derivative financial liabilities</u>	 30 June 2021	 31 December 2020
Derivative instruments for interest rate cash flow hedge	24	32
Derivative instruments for fuel prices cash flow hedge	1	18
Derivative instruments not subject to hedge accounting	-	13
Derivative instruments for cross currency rate cash flow hedge	-	1
	<u>25</u>	<u>64</u>

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29. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS

Foreign currency risk management

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

	30 June 2021					
	USD EQUIVALENT	TL	EUR	JPY	CHF	OTHER
1.Trade Receivables	622	62	167	4	13	376
2a.Monetary Financial Assets	1,623	50	1,508	1	2	62
2b.Non Monetary Financial Assets	-	-	-	-	-	-
3.Other	400	139	139	-	5	117
4.Current Assets (1+2+3)	2,645	251	1,814	5	20	555
5.Trade Receivables	-	-	-	-	-	-
6a.Monetary Financial Assets	894	894	-	-	-	-
6b.Non Monetary Financial Assets	-	-	-	-	-	-
7.Other	666	433	225	-	-	8
8.Non Current Assets (5+6+7)	1,560	1,327	225	-	-	8
9.Total Assets (4+8)	4,205	1,578	2,039	5	20	563
10.Trade Payables	589	282	252	1	4	50
11.Financial Liabilities (*)	3,697	48	3,403	224	22	-
12a.Other Liabilities, Monetary	156	134	18	1	-	3
12b.Other Liabilities, Non Monetary	28	28	-	-	-	-
13.Current Liabilities (10+11+12)	4,470	492	3,673	226	26	53
14.Trade Payables	-	-	-	-	-	-
15.Financial Liabilities (*)	9,779	5	8,266	1,393	115	-
16a.Other Liabilities, Monetary	28	18	8	-	-	2
16b.Other Liabilities, Non Monetary	131	131	-	-	-	-
17.Non Current Liabilities (14+15+16)	9,938	154	8,274	1,393	115	2
18.Total Liabilities (13+17)	14,408	646	11,947	1,619	141	55
19.Net asset / liability position of off-balance sheet derivatives (19a-19b)	-	-	-	-	-	-
19a.Off-balance sheet foreign currency derivative assets	-	-	-	-	-	-
19b.Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-	-
20.Net foreign currency asset/(liability) position (9-18+19)	(10,203)	932	(9,908)	(1,614)	(121)	508
21.Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(11,110)	519	(10,272)	(1,614)	(126)	383
22.Fair value of foreign currency hedged financial assets	-	-	-	-	-	-
23.Hedged foreign currency assets	994	-	994	-	-	-
24.Hedged foreign currency liabilities	-	-	-	-	-	-

(*) Net foreign exchange position of Group is mainly due to long term foreign currency borrowings denominated in Euro, Japanese Yen, Swiss Frank to funds its investments. 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 amount to USD 6,717 as of 30 June 2021 (31 December 2020: USD 7,798).

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

Foreign currency risk management (cont'd)

	31 December 2020					
	USD EQUIVALENT	TL	EUR	JPY	CHF	OTHER
1.Trade Receivables	516	13	122	1	11	369
2a.Monetary Financial Assets	1,635	874	698	4	1	58
2b.Non Monetary Financial Assets	-	-	-	-	-	-
3.Other	417	161	137	-	5	114
4.Current Assets (1+2+3)	2,568	1,048	957	5	17	541
5.Trade Receivables	-	-	-	-	-	-
6a.Monetary Financial Assets	743	743	-	-	-	-
6b.Non Monetary Financial Assets	-	-	-	-	-	-
7.Other	652	409	236	-	-	7
8.Non Current Assets (5+6+7)	1,395	1,152	236	-	-	7
9.Total Assets (4+8)	3,963	2,200	1,193	5	17	548
10.Trade Payables	595	298	244	-	4	49
11.Financial Liabilities	3,884	99	3,521	241	23	-
12a.Other Liabilities, Monetary	114	87	19	1	-	7
12b.Other Liabilities, Non Monetary	26	26	-	-	-	-
13.Current Liabilities (10+11+12)	4,619	510	3,784	242	27	56
14.Trade Payables	-	-	-	-	-	-
15.Financial Liabilities	10,099	6	8,365	1,598	130	-
16a.Other Liabilities, Monetary	29	18	8	-	-	3
16b.Other Liabilities, Non Monetary	134	134	-	-	-	-
17.Non Current Liabilities (14+15+16)	10,262	158	8,373	1,598	130	3
18.Total Liabilities (13+17)	14,881	668	12,157	1,840	157	59
19.Net asset / liability position of off-balance sheet derivatives (19a-19b)	-	-	-	-	-	-
19a.Off-balance sheet foreign currency derivative assets	-	-	-	-	-	-
19b.Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-	-
20.Net foreign currency asset/(liability) position (9-18+19)	(10,918)	1,532	(10,964)	(1,835)	(140)	489
21.Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(11,827)	1,122	(11,337)	(1,835)	(145)	368
22.Fair value of foreign currency hedged financial assets	-	-	-	-	-	-
23.Hedged foreign currency assets	506	-	506	-	-	-
24.Hedged foreign currency liabilities	-	-	-	-	-	-

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

Foreign currency risk management (cont'd)

The Group is exposed to foreign exchange risk primarily from TL, EURO, JPY and CHF. The following table details the Group's sensitivity to a 10% increase and decrease in TL, EURO, JPY and CHF. 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 include 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.

	30 June 2021			
	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	93	(93)	-	-
2- Part hedged from TL risk (-)	-	-	-	-
3- TL net effect (1+2)	93	(93)	-	-
4- Euro net asset / liability	(396)	396	(595)	595
5- Part hedged from Euro risk (-)	99	(99)	-	-
6- Euro net effect (4+5)	(297)	297	(595)	595
7- JPY net asset / liability	(98)	98	(63)	63
8- Part hedged from JPY risk (-)	-	-	-	-
9- JPY net effect (7+8)	(98)	98	(63)	63
10- CHF net asset / liability	2	(2)	(14)	14
11- Part hedged from CHF risk (-)	-	-	-	-
12- CHF net effect (10+11)	2	(2)	(14)	14
13- Other foreign currency net asset / liability	51	(51)	-	-
14- Part hedged other foreign currency risk (-)	-	-	-	-
15- Other foreign currency net effect (13+14)	51	(51)	-	-
TOTAL (3 + 6 + 9 + 12 + 15)	(249)	249	(672)	672

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

Foreign currency risk management (cont'd)

	31 December 2020			
	Profit / (Loss)		Equity	
	Before Tax		If foreign	If foreign
	If foreign	If foreign	currency	currency
currency	currency	appreciated	depreciated	
appreciated	depreciated	appreciated	depreciated	
10 %	10 %	10 %	10 %	
1- TL net asset / liability	153	(153)	-	-
2- Part hedged from TL risk (-)	-	-	-	-
3- TL net effect (1+2)	153	(153)	-	-
4- Euro net asset / liability	(369)	369	(727)	727
5- Part hedged from Euro risk (-)	51	(51)	-	-
6- Euro net effect (4+5)	(318)	318	(727)	727
7- JPY net asset / liability	(120)	120	(64)	64
8- Part hedged from JPY risk (-)	-	-	-	-
9- JPY net effect (7+8)	(120)	120	(64)	64
10- CHF net asset / liability	1	(1)	(15)	15
11- Part hedged from CHF risk (-)	-	-	-	-
12- CHF net effect (10+11)	1	(1)	(15)	15
13- Other foreign currency net asset / liability	49	(49)	-	-
14- Part hedged other foreign currency risk (-)	-	-	-	-
15- Other foreign currency net effect (13+14)	49	(49)	-	-
TOTAL (3 + 6 + 9 + 12 + 15)	(235)	235	(806)	806

30. EVENTS AFTER THE BALANCE SHEET DATE

None.