

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

**CONDENSED CONSOLIDATED INTERİM
FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED
30 JUNE 2021**



REPORT ON REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

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

Introduction

1. We have reviewed the accompanying condensed consolidated interim balance sheet of Türk Hava Yolları Teknik A.Ş. and its subsidiary (the "Group") as at 30 June 2021 and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Conclusion

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



Other matters

4. We draw attention to Note 20 of which describes the large-scale operations with related parties of the Group. For the six month interim period ended 30 June 2021, 74% of sales are realized with the related parties. Our conclusion is not modified in respect of this matter.

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

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

Baki Erdal, SMMM
Partner

Istanbul, 10 August 2021

INDEX	PAGE
CONDENSED CONSOLIDATED BALANCE SHEET	1-2
CONDENSED CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	3
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	4
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	5
CONDENSED CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS	6-34

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Condensed Consolidated Balance Sheet as at 30 June 2021
(All amounts are expressed in US Dollars (“USD”) unless otherwise stated.)

	Notes	Reviewed 30 June 2021	Audited 31 December 2020
ASSETS			
Current Assets			
Cash and Cash Equivalents	3	13.655.426	13.140.769
Trade Receivables		338.618.758	256.252.203
- <i>Trade Receivables From Related Parties</i>	20	279.839.816	205.304.930
- <i>Trade Receivables From Third Parties</i>	5	58.778.942	50.947.273
Other Receivables		1.244.422	1.314.445
- <i>Other Receivables From Related Parties</i>	20	29.368	79.305
- <i>Other Receivables From Third Parties</i>		1.215.054	1.235.140
Inventories	6	552.002.317	609.851.506
Prepaid Expenses	12	9.268.375	10.022.328
Current Tax Assets	18	-	69.438
Other Current Assets		463.973	435.695
TOTAL CURRENT ASSETS		915.253.271	891.086.384
Non-Current Assets			
Investments Accounted for Using the Equity Method	7	63.847.525	64.659.891
Right of Use Assets	13	27.772.151	29.742.825
Property and Equipment	8	538.098.776	556.373.137
Intangible Assets	9	13.487.794	12.362.163
Prepaid Expenses	12	951.032	2.356.143
Other Investments		510.059	510.059
TOTAL NON-CURRENT ASSETS		644.667.337	666.004.218
TOTAL ASSETS		1.559.920.608	1.557.090.602

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

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Condensed Consolidated Balance Sheet as at 30 June 2021
(All amounts are expressed in US Dollars (“USD”) unless otherwise stated.)

	Notes	Reviewed 30 June 2021	Audited 31 December 2020
LIABILITIES			
Current Liabilities			
Other Financial Liabilities		3.268.284	3.004.713
Short-term Borrowings	4	59.581.600	61.402.290
Short-term Portion of Lease Liabilities		3.479.976	3.443.094
Trade Payables		81.630.783	102.323.185
- <i>Trade Payables From Related Parties</i>	20	26.927.041	30.869.652
- <i>Trade Payables From Third Parties</i>	5	54.703.742	71.453.533
Payables Related to Employee Benefits		16.134.442	16.595.825
Other Payables		26.360.972	19.908.678
- <i>Other Payables From Related Parties</i>	20	8.469.609	1.134.286
- <i>Other Payables From Third Parties</i>		17.891.363	18.774.392
Provisions		7.221.742	7.107.393
- <i>Short-term provisions for employee benefits</i>	11	3.621.293	3.531.191
- <i>Other Provisions</i>	11	3.600.449	3.576.202
Deferred Income	12	134.878.990	132.652.338
Current Tax Liabilities	18	8.036.325	-
Other Current Liabilities		507.883	1.609.505
TOTAL CURRENT LIABILITIES		341.100.997	348.047.021
Non-Current Liabilities			
Long-term Lease Liabilities	4	22.502.284	24.540.629
Provisions		28.293.146	29.183.562
- <i>Long-term provisions for employee benefits</i>	11	28.293.146	29.183.562
Deferred Tax Liabilities	18	102.137.827	72.403.953
TOTAL NON-CURRENT LIABILITIES		152.933.257	126.128.144
Equity			
Shareholders equity			
Paid-in Share Capital	14	569.462.907	569.462.907
Reserves	14	37.963.281	34.847.147
Accumulated Other Comprehensive Income or Expenses			
Not To Be Reclassified to Profit or Loss	14	(3.140.532)	(2.410.579)
- <i>Actuarial Gain and Losses from Defined Pension Plans</i>	14	(3.140.532)	(2.410.579)
Accumulated Other Comprehensive Income or Expenses			
To Be Reclassified to Profit or Loss	14	(1.729.434)	(937.837)
- <i>Foreign Currency Translations</i>	14	(1.729.434)	(937.837)
Retained Earnings		477.600.742	472.721.448
Profit for the period		(15.351.876)	7.995.427
Equity Attributable to the Parent		1.064.805.088	1.081.678.513
Non-Controlling Interest	14	1.081.266	1.236.924
TOTAL EQUITY		1.065.886.354	1.082.915.437
TOTAL LIABILITIES AND EQUITY		1.559.920.608	1.557.090.602

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

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income
For the Six Months Period Ended at 30 June 2021
(All amounts are expressed in US Dollars (“USD”) unless otherwise stated.)

PROFIT OR LOSS	Notes	Reviewed 1 January- 30 June 2021	Reviewed 1 January- 30 June 2020
Revenue	15	469.655.880	430.080.267
Cost of Sales (-)	15	(390.291.010)	(393.747.977)
GROSS PROFIT		79.364.870	36.332.290
Administrative Expenses (-)	16	(45.886.527)	(41.580.866)
Marketing and Sales Expenses (-)		(4.568.522)	(3.729.980)
Research and Development Expenses (-)		(1.968.252)	(2.146.269)
Impairment Losses Determined According to IFRS 9		(13.685.455)	(7.576.497)
Other Income		10.090.949	9.534.571
Other Expenses (-)		(4.609.284)	(3.430.451)
OPERATING (LOSS)/PROFIT		18.737.779	(12.597.202)
Gain/(Loss) of Investment Activities		(9.884)	-
Share of Net Profit/(Loss) of Investments Accounted by Using the Equity Method	7	(1.037.623)	864.305
NET FINANCE INCOME/(COST)		4.961.974	1.287.357
Finance Income		7.894.958	4.296.124
Finance Costs (-)		(2.932.984)	(3.008.767)
PROFIT/(LOSS) BEFORE TAX		22.652.246	(10.445.540)
Income Tax Expense	18	(8.045.519)	-
Deferred Tax Expense		(29.916.362)	(7.626.315)
(LOSS)/PROFIT FOR THE PERIOD		(15.309.635)	(18.071.855)
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss		(729.953)	(1.211.435)
Actuarial Loss From Defined Pension Plans, Before Tax Effect	11	(912.441)	(1.553.122)
Tax Effect of Actuarial Losses From Defined Pension Plans	18	182.488	341.687
Items that are or may be reclassified subsequently to profit or loss		(989.495)	(795.514)
Currency Translation Differences		(989.495)	(795.514)
OTHER COMPREHENSIVE EXPENSE		(1.719.448)	(2.006.949)
TOTAL COMPREHENSIVE EXPENSE		(17.029.083)	(20.078.804)
Loss Attributable to			
Non-Controlling Interest		42.241	(15.185)
Parent Company		(15.351.876)	(18.056.670)
		(15.309.635)	(18.071.855)
Total Comprehensive Expense Attributable to:			
Non-Controlling Interest		(155.658)	(174.288)
Parent Company		(16.873.425)	(19.904.516)
		(17.029.083)	(20.078.804)

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

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

		Accumulated Other Comprehensive Income or Expenses Not to be Reclassified to Profit or Loss	Accumulated Other Comprehensive Income or Expenses to be Reclassified to Profit or Loss					
	Share Capital	Actuarial Gain/ (Loss) From Defined Pension Plans	Currency Translation Differences	Restricted Profit Reserves	Retained Earning	Net Profit for the Period	Non-controlling Interests	Total Equity
Balances as at 1 January 2020	569.462.907	(135.089)	62.963	30.768.471	340.627.470	136.172.653	513.210	1.077.472.586
Transactions with non- controlling interests	-	-	-	-	-	-	996.063	996.063
Transfers	-	-	-	4.078.676	132.093.977	(136.172.653)	-	-
Total Comprehensive Income	-	(1.211.435)	(636.411)	-	-	(18.056.670)	(174.288)	(20.078.804)
Balances as at 30 June 2020	569.462.907	(1.346.524)	(573.448)	34.847.147	472.721.447	(18.056.670)	1.334.985	1.058.389.845
Balances as at 1 January 2021	569.462.907	(2.410.579)	(937.837)	34.847.147	472.721.448	7.995.427	1.236.924	1.082.915.437
Transactions with non- controlling interests	-	-	-	-	-	-	-	-
Transfers	-	-	-	3.116.134	4.879.294	(7.995.427)	-	-
Total Comprehensive Income	-	(729.953)	(791.597)	-	-	15.351.876	(155.658))	(17.029.083)
Balances as at 30 June 2021	569.462.907	(3.140.532)	(1.729.434)	37.963.281	477.600.742	(15.351.876)	1.081.266	1.065.886.354

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

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

	Notes	Reviewed 1 January - 30 June 2021	Reviewed 1 January - 30 June 2020
(Loss)/Profit for the period		(15.309.635)	(18.071.855)
Adjustments to Reconcile Cash Flow Generated From Operating Activities:			
Adjustments for depreciation and amortization	6,8,9,13	63.331.131	61.588.748
Adjustments for provisions, net	11	1.123.512	2.032.237
Adjustments for provisions for inventories	6	663.820	(3.645.057)
Adjustments for provisions for employee benefits	11	2.839.589	2.080.324
Adjustments for provisions for doubtful receivables	5	11.722.415	5.272.100
Adjustments for changes in expected credit loss	5	1.937.745	2.304.397
Adjustments for interest income and expenses		2.605.864	1.263.962
Adjustments for discount for receivables and payables		(21.615)	(19.100)
Adjustments for unrealized foreign exchange loss and translation differences		(8.913.892)	(7.546.080)
Gain from sale of property, plant and equipment		(9.884)	-
Adjustments for share of investment's profit accounted for using the equity method	7	1.037.623	(864.305)
Adjustments for deferred tax expense	18	29.916.362	7.626.315
Adjustments for tax expense	18	8.045.519	-
Operating Profit Before Working Capital Changes		98.968.555	52.021.686
Increase in inventories		30.211.044	(66.132.053)
Decrease in trade receivables		(96.051.368)	137.791.778
Increase in other receivables		70.023	(1.877.077)
Increase in other current assets		(28.278)	(133.452)
(Decrease)/increase in trade payables		(20.768.092)	(5.907.737)
Decrease in other payables		(883.029)	(11.585.994)
Increase in prepaid expenses		2.159.064	(10.002.463)
(Decrease)/increase in deferred income		2.226.652	(20.662.062)
Decrease in payables related to employee benefits		(461.383)	(14.896.902)
(Decrease)/increase in other current and non-current liabilities		(1.101.622)	(324.407)
Cash Flows Generated From Operating Activities		14.341.566	58.291.317
Interest received		327.120	193.974
Taxes paid	18	(51.639)	(139.957)
Employee benefit indemnity paid	11	(324.592)	(1.072.442)
Net Cash Generated From Operating Activities		14.292.455	57.272.892
Cash Flows From Investing Activities			
Purchase of property and equipment	8	(12.778.150)	(49.656.738)
Purchase of intangible assets	9	(4.083.433)	(4.046.896)
Proceeds from sale of property and equipment		84.583	582.057
Net cash used in investing activities		(16.777.000)	(53.121.577)
Cash Flows From Financing Activities			
Cash inflows from non controlling interest for capital increase of subsidiaries		-	996.063
Net changes in other payables to related parties		7.335.323	2.589.033
Net changes in borrowings		(1.820.691)	(3.430.496)
Cash outflows arising from lease liabilities		(2.211.911)	(2.394.106)
Interest paid		(303.527)	(249.684)
Dividend payment		7	-
Net Cash Used In Financing Activities		2.999.202	(2.489.190)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		514.657	1.662.125
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		13.140.769	4.523.149
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		13.655.426	6.185.274

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

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Interim Financial Statements
For the Six-Month Period Ended 30 June 2021
(All amounts are expressed in US Dollars (“USD”) unless otherwise stated.)

1. ORGANIZATION AND OPERATIONS OF THE GROUP

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

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

Total average number of employees working for the Group for the period ended 30 June 2021 is 8.978 (31 December 2020: 9.329). Total number of employees working for the Group as at 30 June 2021 is 8.931 (31 December 2020: 9.159).

	<u>30 June 2021</u>	<u>31 December 2020</u>
Administrative staff	2.479	2.610
Production staff	6.452	6.549
Total	8.931	9.159

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

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

(a) Subsidiary

As at 30 June 2021 and 31 December 2020 the detail of the Company’s subsidiary is as follows:

Name of the company	Principal Activity	Participation Rate		Country of Registration
		30 June 2021	31 December 2020	
Cornea	Cabin Interior Entertainment Systems	80%	80%	Turkey

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

(b) Associates

As at 30 June 2021 and 31 December 2020 associates accounted for using equity method and participation rate of associates are as below:

Name of the Company	Principal Activity	Participation Rate		Country of Registration
		30 June 2021	31 December 2020	
P&W T.T. Uçak Bakım Merkezi Limited Şirketi (“TEC”)	Technical Maintenance	49%	49%	Turkey
Goodrich THY Teknik Servis Merkezi Limited Şirketi (“Goodrich”)	Technical Maintenance	40%	40%	Turkey
TCI Kabiniçi Sistemleri Sanayi ve Ticaret Anonim Şirketi (“TCI”)	Cabin Interior	20%	20%	Turkey

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Interim Financial Statements
For the Six-Month Period Ended 30 June 2021
(All amounts are expressed in US Dollars (“USD”) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Preparation of the Consolidated Financial Statements

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

Basis of Preparation

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

Adjustment of Financial Statements in Hyperinflationary Periods

As of 1 January 2005, “IAS 29: Financial Reporting in Hyperinflationary Economies” was no longer applied henceforward.

Functional and Reporting Currency

Functional Currency

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

Although the currency of the country in which the Group is domiciled is Turkish Lira (“TL”), for the purpose of this report the Group’s functional currency is determined as USD. USD is used to a significant extent in, and has a significant impact on, the operations of the Group and reflects the economic substance of the underlying events and circumstances relevant to the Group. Therefore, the Group uses the USD in measuring items in its consolidated financial statements and as the reporting currency. All currencies other than the currency selected for measuring items in the consolidated financial statements are treated as foreign currencies. In order to see the changes in IAS 21 please refer to **Note 2.3**.

2.2 Basis of the Consolidation

(a) Subsidiaries

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

(b) Non-controlling interests

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

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Interim Financial Statements
For the Six-Month Period Ended 30 June 2021
(All amounts are expressed in US Dollars (“USD”) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Basis of the Consolidation (Continued)

(c) Loss of control

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

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

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

(e) Transactions eliminated on consolidation

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

2.3 Summary of significant accounting policies

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group’s financial statements as at and for the year ended 31 December 2020 except the change described below:

According to announcement of the Public Oversight Authority dated 15 March 2021, valuation of the financial reports represents with the spot rates at the reporting date instead of the rates announced the day before reporting. This announcement implies the valuation of;

- assets in te form of foreign currencies with the “buying spot rates” announced at the reporting date and
- aiabilities in te form of foreign currencies with the “selling spot rates” announced at the reporting date.

The Group represents its financials with the spot rates described below:

	<u>30 June 2021</u>	
	<u>Buying rate</u>	<u>Selling Rate</u>
EUR/USD	1,1895	1,1895
TRY/USD	0,1152	0,115
TRY/USD(anually average)	7,8693	-

The changes in accounting policies are also expected to be reflected in the Group’s financial statements as at and for the year ending 31 December 2021.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Interim Financial Statements
For the Six-Month Period Ended 30 June 2021
(All amounts are expressed in US Dollars (“USD”) unless otherwise stated.)

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

2.4 Changes and Errors in Accounting Estimates

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

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

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

2.5 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 to 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.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Interim Financial Statements
For the Six-Month Period Ended 30 June 2021
(All amounts are expressed in US Dollars (“USD”) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

New and Revised Standards and Interpretations (Continued)

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

- **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’.

- **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.

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

2.6 Determination of Fair Values

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

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

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Interim Financial Statements
For the Six-Month Period Ended 30 June 2021
(All amounts are expressed in US Dollars (“USD”) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.7 Impact of Covid-19 Pandemic on the Group’s Activities

During the period of 2019, information regarding Covid-19 (Coronavirus) spread gradually with a limited number of cases being reported to the World Health Organization (WHO). In the prior period of 2020, the virus continued to spread internationally and its negative effect started to increase. On March 11, 2020, the World Health Organization declared Covid-19 as a Global Pandemic.

This summary embodies the continuing development of the current state whilst consolidated financial statements approval date, stating that the impact of this pandemic is considered to be more than expected on both Turkey and international markets. Due to the local restrictions with the goal of preventing the spread of the virus, the Group's procurement, production and sales processes were proportionally disrupted, creating a negative impact on the Group's operations. The Group's management evaluated the impact of this situation on the fixed assets and other financial and non-financial assets on the Company's financial statements and has indicated that there isn't any significant effect on its financial statements and performance. Additionally, the effect of the pandemic on the financial assets has been evaluated and probable outcomes have been reflected on the financial statements. The Group's management is carefully analyzing the latest developments regarding this situation and evaluating necessary work at the board of directors level in order to minimize the effects. As of the approval date of these financial statements, uncertainty remains regarding the duration and impact of the Covid-19 on operations and the local economy.

3. CASH AND CASH EQUIVALENTS

As at 30 June 2021 and 31 December 2020, cash and cash equivalents comprised the following:

	30 June 2021	31 December 2020
Cash	12.183	17
Banks (demand deposits)	117.772	729.948
Banks (time deposits)	13.525.471	12.410.804
	13.655.426	13.140.769

As at 30 June 2021 and 31 December 2020, details of the time deposits are as follows:

Capital	Currency	Opening date	Interest rate	Maturity	30 June 2021
4.762.822	USD	30 June 2021	1,90%	1 July 2021	4.762.822
32.000.000	TL	30 June 2021	19,15%	1 July 2021	3.686.509
1.728.131	EUR	30 June 2021	0,75%	1 July 2021	2.055.549
16.000.000	TL	22 June 2021	18,25%	24 July 2021	1.843.254
750.000	USD	22 June 2021	1,75%	24 July 2021	750.000
2.763.000	TL	30 June 2021	19,95	1 July 2021	318.307
946.411	TL	31 March 2021	9,00%	24 July 2021	109.030
					13.525.471

Capital	Currency	Opening Date	Interest Rate	Maturity	31 December 2020
59.710.000	TL	29 December 2020	18,50%	29 January 2021	8.134.323
19.000.000	TL	29 December 2020	17,50%	1 February 2021	2.588.380
1.172.158	USD	31 December 2020	2,85%	1 January 2021	1.172.158
2.705.692	TL	31 December 2020	9,00%	4 January 2021	368.597
117.185	EUR	31 December 2020	2,35%	1 January 2021	143.804
26.000	TL	31 December 2020	15,84%	4 January 2021	3.542
					12.410.804

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Interim Financial Statements
For the Six-Month Period Ended 30 June 2021
(All amounts are expressed in US Dollars (“USD”) unless otherwise stated.)

4. BORROWINGS

As at 30 June 2021 and 31 December 2020, the details of borrowings are as follows:

	<u>30 June 2021</u>	<u>31 December 2020</u>
Short-term bank loans	59.581.600	61.402.290
Total	<u>59.581.600</u>	<u>61.402.290</u>

As at 30 June 2021, the details of borrowings are as follows:

<u>Principal</u>	<u>Currency</u>	<u>Interest Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>30 June 2021</u>
8.014.078	Euro	Fixed	0,80%	27 October 2021	9.532.494
8.014.612	Euro	Fixed	0,80%	5 November 2021	9.533.129
8.014.941	Euro	Fixed	0,80%	12 November 2021	9.533.521
8.015.222	Euro	Fixed	0,80%	19 November 2021	9.533.855
8.015.454	Euro	Fixed	0,80%	26 November 2021	9.534.130
8.015.637	Euro	Fixed	0,80%	3 December 2021	9.534.348
2.000.997	Euro	Fixed	0,50%	13 August 2021	2.380.123

As at 31 December 2020, the details of borrowings are as follows:

<u>Principal</u>	<u>Currency</u>	<u>Interest Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>31 December 2020</u>
8.008.366	Euro	Fixed	0,80%	27 October 2021	9.827.472
8.007.497	Euro	Fixed	0,80%	5 November 2021	9.826.405
8.006.570	Euro	Fixed	0,80%	12 November 2021	9.825.269
8.005.596	Euro	Fixed	0,80%	19 November 2021	9.824.073
8.004.573	Euro	Fixed	0,80%	26 November 2021	9.822.818
8.003.502	Euro	Fixed	0,80%	3 December 2021	9.821.503
2.000.366	Euro	Fixed	0,50%	13 August 2021	2.454.750

The reconciliation regarding the liabilities arising from financial transactions is as follows:

	<u>1 January 2021</u>	<u>Cash Inflows</u>	<u>Non-Cash Changes (*)</u>	<u>Payments</u>	<u>30 June 2021</u>
Bank Loans	61.402.290	-	(1.820.690)	-	59.581.600
	<u>61.402.290</u>	<u>-</u>	<u>(1.820.690)</u>	<u>-</u>	<u>59.581.600</u>
	<u>1 January 2020</u>	<u>Cash Inflows</u>	<u>Non-Cash Changes(**)</u>	<u>Payments</u>	<u>30 June 2020</u>
Bank Loans	56.032.511	-	390.133	-	56.422.644
	<u>56.032.511</u>	<u>-</u>	<u>390.133</u>	<u>-</u>	<u>56.422.644</u>

(*) USD (1.820.690) non-cash changes comprises foreign exchange translation differences amounting to USD (1.886.360) and interest expense accruals amounting to USD 65.670.

(**) USD 390.133 non-cash changes comprises foreign exchange translation differences amounting to USD 349.939 and interest expense accruals amounting to USD 40.194.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Interim Financial Statements
For the Six-Month Period Ended 30 June 2021
(All amounts are expressed in US Dollars (“USD”) unless otherwise stated.)

4. BORROWINGS (Continued)

As at 30 June 2021 and 31 December 2020, the details of lease liabilities are as follow:

30 June 2021

	Future minimum lease payments	Interest	Principal
Less than a year	4.921.363	(1.441.387)	3.479.976
Over a year	25.671.144	(3.168.860)	22.502.284
Total	30.592.507	(4.610.247)	25.982.260

31 December 2020

	Future minimum lease payments	Interest	Principal
Less than a year	5.167.430	(1.724.336)	3.443.094
Over a year	28.443.182	(3.902.553)	24.540.629
Total	33.610.612	(5.626.889)	27.983.723

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

	1 January - 30 June 2021	1 January - 30 June 2020
Opening	27.983.723	31.891.727
Additions	1.041.278	1.079.453
Disposals	(590.761)	-
Payments	(2.211.911)	(2.394.107)
Interest expenses	754.324	1.160.682
Foreign currency translation	(994.393)	(1.544.657)
Total	25.982.260	30.193.099

5. TRADE RECEIVABLES AND PAYABLES

As at 30 June 2021 and 31 December 2020, trade receivables from non-related parties are as follows:

	30 June 2021	31 December 2020
Trade receivables	128.695.792	107.178.667
Provision for doubtful receivables	(69.916.850)	(56.231.394)
	58.778.942	50.947.273

For the six month period ended 30 June 2021 and 2020 the movement of provision for doubtful receivables comprised the following:

	1 January - 30 June 2021	1 January - 30 June 2020
Provision at the beginning of the period	56.231.394	36.239.923
Current period charge of IFRS 9	1.937.745	2.304.397
Current period charge	14.319.546	5.351.831
Collections during period	(2.597.131)	(79.731)
Foreing exchange differences	25.296	(2.607.902)
Provision at the end of the period	69.916.850	41.208.518

As at 30 June 2021 and 31 December 2020 trade payables non-related parties are as follows:

	30 June 2021	31 December 2020
Trade payables	44.453.842	49.477.446
Expense Accruals (*)	10.249.900	21.976.087
	54.703.742	71.453.533

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

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Interim Financial Statements
For the Six-Month Period Ended 30 June 2021
(All amounts are expressed in US Dollars (“USD”) unless otherwise stated.)

6. INVENTORIES

As at 30 June 2021 and 31 December 2020, inventories comprised the following:

For the six month period ended 30 June 2021 and 31 December 2020 the movement of provision for impairment of inventories is as follows:

	30 June 2021	31 December 2020
Components and repairable spare parts	639.621.534	657.920.197
Technical equipment inventories	276.554.674	301.988.295
Scrap equipment inventories	9.462.441	8.799.532
Technical equipment inventories in transit	3.350.630	3.692.770
Accumulated depreciation of components and repairable spare parts (-)	(367.529.509)	(353.755.655)
Provision for impairment of inventories (-)	(9.457.453)	(8.793.633)
	552.002.317	609.851.506

For the periods ended 30 June 2021 and 2020, the movements of provision for impairment of inventories are as follow:

	1 January - 30 June 2021	1 January - 30 June 2020
Provision at the beginning of the period	8.793.633	11.562.739
Current period charge	663.820	-
Reversal of current period provision	-	(3.645.057)
Provision at the end of the period	9.457.453	7.917.682

For the six month period ended 30 June 2021 and 2020, the movement of components and repairable spare parts comprised the following:

<u>Cost</u>	Components and repairable spare parts
Opening balance as at 1 January 2021	657.920.197
Additions	28.116.086
Disposals	(46.414.749)
Closing balance as at 30 June 2021	639.621.534
<u>Accumulated depreciation</u>	
Opening balance as at 1 January 2021	353.755.655
Current charge for the period	26.974.325
Disposals	(13.200.471)
Closing balance as at 30 June 2021	367.529.509
Net book value as at 30 June 2021	272.092.025
	Components and repairable spare parts
Opening balance as at 1 January 2020	631.168.076
Additions	53.970.630
Disposals	(26.325.077)
Closing balance as at 30 June 2020	658.813.629
<u>Accumulated depreciation</u>	
Opening balance as at 1 January 2020	316.428.134
Current charge for the period	27.545.264
Disposals	(9.051.913)
Closing balance as at 30 June 2020	334.921.485
Net book value as at 30 June 2020	323.892.144

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Interim Financial Statements
For the Six-Month Period Ended 30 June 2021
(All amounts are expressed in US Dollars (“USD”) unless otherwise stated.)

7. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

As at 30 June 2021 and 31 December 2020, shares in other entities comprised the following:

	30 June 2021	31 December 2020
TEC	58.102.313	59.275.256
Goodrich	4.302.799	3.585.854
TCI	1.442.413	1.798.781
	63.847.525	64.659.891

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

	30 June 2021	30 June 2020
1 January	64.659.891	64.372.950
Share of gain (loss) on investments accounted for by the equity method	(1.037.623)	864.305
Other	225.257	1.680.554
	63.847.525	66.917.809

For the six month period ended 30 June 2021 and 2020, the shares of investment’s profit/(losses) accounted for using the equity method comprised the following:

	1 January - 30 June 2021	1 January - 30 June 2020
TEC	(1.339.154)	618.838
TCI	(358.780)	(256.175)
Goodrich	660.311	501.642
	(1.037.623)	864.305

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ AND ITS SUBSIDIARY

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2021

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

8. PROPERTY AND EQUIPMENT

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

	Buildings	Plant, Machinery and Equipment	Vehicles	Furniture and Fixtures	Other Tangible Assets	Construction in Progress(*)	Leasehold Improvements	Total
<u>Cost</u>								
Opening balance as at 1 January 2021	582.272.219	229.320.158	13.189.194	44.539.642	6.212.289	12.296.196	66.418.966	954.248.664
Additions	-	5.310.687	116.683	809.549	112.994	6.079.214	349.023	12.778.150
Disposals	-	(101.178)	-	(220.809)	(1.785)	-	(1.398)	(325.170)
Transfers	-	154.520	-	-	-	(154.520)	-	-
Closing balance as at 30 June 2021	582.272.219	234.684.187	13.305.877	45.128.382	6.323.498	18.220.890	66.766.591	966.701.644
<u>Accumulated depreciation</u>								
Opening balance as at 1 January 2021	158.831.042	141.913.112	9.691.066	33.262.790	3.525.932	-	50.651.585	397.875.527
Current charge for the period	15.969.279	9.276.159	647.872	2.184.317	349.810	-	2.550.375	30.977.812
Disposals	-	(45.195)	-	(204.015)	(865)	-	(396)	(250.471)
Transfers	-	-	-	-	-	-	-	-
Closing balance as at 30 June 2021	174.800.321	151.144.076	10.338.938	35.243.092	3.874.877	-	53.201.564	428.602.868
Net book value as at 1 January 2021	423.441.177	87.407.046	3.498.128	11.276.852	2.686.357	12.296.196	15.767.381	556.373.137
Net book value as at 30 June 2021	407.471.898	83.540.111	2.966.939	9.885.290	2.448.621	18.220.890	13.565.027	538.098.776

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

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Interim Financial Statements
For the Six-Month Period Ended 30 June 2021
(All amounts are expressed in US Dollars (“USD”) unless otherwise stated.)

8. PROPERTY AND EQUIPMENT (Continued)

For the six month period ended 30 June 2020, the movement of property and equipment comprised the following:

	Buildings	Plant, Machinery and Equipment	Vehicles	Furniture and Fixtures	Other Tangible Assets	Construction in Progress(*)	Leasehold Improvements	Total
Cost								
Opening balance as at 1 January 2020	436.609.762	213.426.675	13.227.796	43.263.249	5.386.149	105.646.820	65.561.448	883.121.899
Additions	-	5.998.494	42.225	1.033.260	203.977	42.084.882	293.900	49.656.738
Disposals	-	(4.895)	(83.214)	(803.716)	(2.779)	-	-	(894.604)
Transfers	-	331.019	-	-	-	(377.898)	-	(46.879)
Closing balance as at 30 June 2020	436.609.762	219.751.293	13.186.807	43.492.793	5.587.347	147.353.804	65.855.348	931.837.154
Accumulated depreciation								
Opening balance as at 1 January 2020	130.732.493	122.663.976	8.347.506	29.111.264	2.845.902	-	45.536.101	339.237.242
Current charge for the period	13.054.624	9.684.375	760.650	2.373.691	332.905	-	2.558.340	28.764.585
Disposals	-	(4.895)	(83.214)	(221.835)	(737)	-	(1.866)	(312.547)
Transfers	-	-	-	-	-	-	-	-
Closing balance as at 30 June 2020	143.787.117	132.343.456	9.024.942	31.263.120	3.178.070	-	48.092.575	367.689.280
Net book value as at 1 January 2020	305.877.269	90.762.699	4.880.290	14.151.985	2.540.247	105.646.820	20.025.347	543.884.657
Net book value as at 30 June 2020	292.822.645	87.407.837	4.161.865	12.229.673	2.409.277	147.353.804	17.762.773	564.147.874

(*) For the period ended 30 June 2020 construction in progress comprised buildings and machinery and equipments which are still under construction in Istanbul Airport.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Interim Financial Statements
For the Six-Month Period Ended 30 June 2021
(All amounts are expressed in US Dollars (“USD”) unless otherwise stated.)

9. INTANGIBLE ASSETS

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

	<u>Rights</u>
Cost	
Opening balance as at 1 January	45.053.516
Additions	4.083.433
Transfers	-
Closing balance as at 30 June	49.136.949
<u>Accumulated depreciation</u>	
Opening balance as at 1 January	32.691.354
Current charge for the period	2.957.801
Closing balance as at 30 June 2021	35.649.155
Net book value as at 1 January 2021	12.362.162
Net book value as at 30 June 2021	13.487.794

For the six month period ended 30 June 2020 the movement of intangible assets comprised the following:

	<u>Rights</u>
Cost	
Opening balance as at 1 January	36.627.847
Additions	4.046.896
Transfers	46.879
Closing balance as at 30 June	40.721.622
<u>Accumulated depreciation</u>	
Opening balance as at 1 January	27.287.086
Current charge for the period	2.586.391
Closing balance as at 30 June 2020	29.873.477
Net book value as at 1 January 2020	9.340.761
Net book value as at 30 June 2020	10.848.145

10. COMMITMENTS

As at 30 June 2021 and 31 December 2020 the guarantees given are as follows:

	<u>30 June 2021</u>		<u>31 December 2020</u>	
	<u>Original Amount</u>	<u>USD Equivalent</u>	<u>Original Amount</u>	<u>USD Equivalent</u>
A. Total amounts of GPM given on the behalf of its own legal entity				
-Guarantees	78.944.712	71.809.740	78.219.638	74.482.070
TL	19.535.789	2.246.552	8.423.877	2.509.894
Euro	53.285.000	63.380.834	53.605.000	65.781.415
USD	6.123.923	6.123.923	6.190.760	6.190.760
Total GPM	78.944.712	71.809.740	78.219.638	74.482.070

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Interim Financial Statements
For the Six-Month Period Ended 30 June 2021
(All amounts are expressed in US Dollars (“USD”) unless otherwise stated.)

11. PROVISIONS, CONTINGENTS ASSETS AND LIABILITIES

As at 30 June 2021 and 31 December 2020 short-term provisions are as follows:

	<u>30 June 2021</u>	<u>31 December 2020</u>
Provisions for employee benefits	3.621.293	3.531.191
Other provisions	3.600.449	3.576.202
	<u>7.221.742</u>	<u>7.107.393</u>

As at 30 June 2021 and 31 December 2020 short-term provisions are as follows:

(a) Short-term provisions for employee benefits

	<u>30 June 2021</u>	<u>31 December 2020</u>
Provisions for unused vacation liability	3.621.293	3.531.191
	<u>3.621.293</u>	<u>3.531.191</u>

For the six month period ended 30 June 2021 and 2020, the movement of provision for unused vacation 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	3.531.191	4.870.517
Foreign currency translation difference	(529.669)	(537.858)
Current period charge	698.444	1.919.796
Reversal of current period provision	(78.673)	(139.088)
Provision at the end of the period	<u>3.621.293</u>	<u>6.113.367</u>

(b) Other short-term provisions

	<u>30 June 2021</u>	<u>31 December 2020</u>
Provision for legal claims (*)	2.580.449	3.076.202
Other provisions (**)	1.020.000	500.000
	<u>3.600.449</u>	<u>3.576.202</u>

(*) As at 30 June 2021, USD 1.458.278 of provision for legal claims comprised reemployment lawsuits (31 December 2020:USD 1.784.215).

(**) The Group has initially applied IFRS 15 in 2018. In accordance with IFRS 15, it consists of the calculated amount of penalty expenses and discounts arising from the contract to be paid in 2021

For the six month period ended 30 June 2021 and 2020, the movement of provision for legal claims is as follows:

	<u>1 January - 30 June 2021</u>	<u>1 January - 30 June 2020</u>
Provision at the beginning of the period	3.076.202	4.465.024
Current period charge (Note 17)	68.478	56.911
Reversal of current period provision (Note 17)	(84.737)	(510.382)
Foreing currency translation	(479.494)	(588.619)
Provision at the end of the period (***)	<u>2.580.449</u>	<u>3.422.934</u>

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Interim Financial Statements
For the Six-Month Period Ended 30 June 2021
(All amounts are expressed in US Dollars (“USD”) unless otherwise stated.)

11. PROVISIONS, CONTINGENTS ASSETS AND LIABILITIES (Continued)

For the six month period ended 30 June 2021 and 30 June 2020 the movement of other provisions is as follows:

	1 January - 30 June 2021	1 January - 30 June 2020
Provision at the beginning of the period	500.000	1.965.000
Current period charge	1.020.000	2.670.000
Reversal of current period provision	(500.000)	(1.965.000)
Provision at the end of the period	1.020.000	2.670.000

(c) Other long-term provisions for employee benefits

As at 30 June 2021 and 31 December 2020 other long-term provisions for employee benefits is as follows:

	30 June 2021	31 December 2020
Retirement pay liability	28.293.146	29.183.562
	28.293.146	29.183.562

The movement of provision for employee benefits are as follows:

	1 January - 30 June 2021	1 January - 30 June 2020
Provisions at the beginning of the period	29.183.562	29.562.464
Service charge for the period	1.142.266	529.493
Interest charges	1.697.323	1.550.831
Payments	(324.592)	(1.072.442)
Actuarial losses	912.441	1.553.122
Foreing currency translation difference	(4.317.854)	(2.881.397)
Provisions at the end of the period	28.293.146	29.242.071

12. PREPAID EXPENSES AND DEFERRED INCOME

As at 30 June 2021 and 31 December 2020, short term prepaid expenses comprised the following:

	30 June 2021	31 December 2020
Advances given for orders (*)	7.719.263	6.910.513
Short-term prepaid expenses	1.549.112	3.111.815
	9.268.375	10.022.328

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

As at 30 June 2021 and 31 December 2020, long term prepaid expenses comprised the following:

	30 June 2021	31 December 2020
Advances given for fixed asses	947.346	2.349.402
Long-term prepaid expenses	3.686	6.741
	951.032	2.356.143

As at 30 June 2021 and 31 December 2020, details of short-term contractual obligations are as follow:

	30 June 2021	31 December 2020
Contract liabilities arising from the sales of goods and services (*)	120.204.838	120.804.448
Other contract liabilities	14.674.152	11.847.890
	134.878.990	132.652.338

(*) 112.868.216 USD of contract liabilities arising from the sales of goods and services consist of order advances received from THY A.O. (31 December 2020: 110.106.672 USD) (Note 20).

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Interim Financial Statements
For the Six-Month Period Ended 30 June 2021
(All amounts are expressed in US Dollars (“USD”) unless otherwise stated.)

13. RIGHT OF USE ASSETS

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

	Real Estate	Vehicles	Total
Opening balance at 1 January 2021	29.395.881	346.944	29.742.825
Additions	401.515	639.764	1.041.279
Disposals	(590.760)	-	(590.760)
Depreciation charge	(2.211.373)	(209.820)	(2.421.193)
30 June 2021 closing balance	26.995.263	776.888	27.772.151

For the six month period ended 30 June 2020, the movement of right of use assets comprised the following:

	Real Estate	Vehicles	Total
Opening balance at 1 January 2020	33.365.947	743.640	34.109.587
Additions	1.055.145	24.309	1.079.454
Depreciation charge	(2.483.156)	(209.352)	(2.692.508)
30 June 2020 closing balance	31.937.936	558.597	32.496.533

14. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

(a) Issued share capital and ve share capital adjustments

As at 30 June 2021, the paid-in capital of the Company comprises of 960.850.000 shares issued (31 December 2020: 960.850.000 shares) of kr 1 each.

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

	Class	30 June 2021		31 December 2020	
		Ownership Interest	%	Ownership Interest	%
THY AO	A group	569.462.907	100	569.462.907	100
Total		569.462.907	100	569.462.907	100

960.850.000 (A) group shares with a nominal value of 960.850.000 TL have privilege in nominating the members of the board of directors and voting rights.

As at 30 June 2021 and 31 December 2020, the Company has no unpaid capital amount which is committed by its shareholders.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Interim Financial Statements
For the Six-Month Period Ended 30 June 2021
(All amounts are expressed in US Dollars (“USD”) unless otherwise stated.)

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

(b) Restricted Profit Reserves

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

As at 30 June 2021 and 31 December 2020, restricted reserves comprised the followings:

	30 June 2021	31 December 2020
The first legal reserve	37.963.281	34.847.147
Total	37.963.281	34.847.147

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

As at 30 June 2021, the Group does not have any reacquired shares (31 December 2020: None).

(c) Non-controlling interests

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

The movements of the non-controlling interests for the six month period ended 30 June 2021 and 2020 is as follows:

	1 January - 30 June 2021	1 January - 30 June 2020
Beginning of the period	1.236.924	513.210
Changes in non-controlling interests of the shares on investments accounted for equity method	-	996.063
Currency translation differences	(197.900)	(159.103)
Period gain/(loss) attributed to non-controlling interests	42.242	(15.185)
End of the period	1.081.266	1.334.985

15. REVENUE AND COST OF SALES

For the six month period ended 30 June 2021 and 2020, the details of revenue is as follows:

	1 January - 30 June 2021	1 January - 30 June 2020
Aircraft maintenance income	195.026.513	188.814.908
Component maintenance income	87.237.270	76.473.519
Pool income	78.122.691	77.121.257
Line maintenance income	58.396.383	45.468.195
Engine maintenance income	17.476.550	14.780.104
Equipment sales income	16.434.744	9.940.504
Others	16.961.729	17.481.780
Revenue	469.655.880	430.080.267
Cost of sales (-)	(390.291.010)	(393.747.977)
Gross profit	79.364.870	36.332.290

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Interim Financial Statements
For the Six-Month Period Ended 30 June 2021
(All amounts are expressed in US Dollars (“USD”) unless otherwise stated.)

15. REVENUE AND COST OF SALES (Continued)

For the six month period ended 30 June 2021 and 2020, the details of cost of sales is as follows:

	1 January - 30 June 2021	1 January - 30 June 2020
Equipment expenses	137.117.287	126.044.830
Personnel expenses	88.187.316	90.808.150
Service expenses	50.256.408	34.060.554
Maintenance expenses	46.334.243	68.514.171
Depreciation and amortization expenses	46.021.334	46.720.051
Transportation expenses	13.499.713	15.559.118
Utilization expenses	2.855.118	3.001.808
Customs brokerage expense	934.702	1.136.927
Equipment rent expense	277.532	1.050.980
Others	4.807.357	6.851.388
	390.291.010	393.747.977

16. GENERAL ADMINISTRATIVE EXPENSES

For the six month period ended 30 June 2021 and 2020, the details of general administrative expenses is as follows:

	1 January - 30 June 2021	1 January - 30 June 2020
Depreciation and amortization expenses	16.213.744	13.767.920
Personnel expenses	13.003.311	13.149.198
Service expenses	7.716.590	6.249.825
Equipment expenses	1.690.393	1.303.936
Utilization expenses	1.096.305	1.074.153
Others	6.166.184	6.035.834
	45.886.527	41.580.866

17. OTHER OPERATING INCOME AND EXPENSES

For the six month period ended 30 June 2021 and 2020, the details of other operating income is as follows:

	1 January - 30 June 2021	1 January - 30 June 2020
Foreign exchange gain from trade operations, net	6.903.246	7.523.496
Insurance, indemnities and penalties income	658.298	505.940
Plant maintenance income	302.854	411.685
Provisions for legal claims, no longer required (Note 11)	84.737	510.382
Late payment interest income of trade receivables	-	153.171
Others	2.141.814	429.897
	10.090.949	9.534.571

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Interim Financial Statements
For the Six-Month Period Ended 30 June 2021
(All amounts are expressed in US Dollars (“USD”) unless otherwise stated.)

17. OTHER OPERATING INCOME AND EXPENSES (Continued)

For the six month period ended 30 June 2021 and 2020, the details of other operating expense is as follows:

	1 January - 30 June 2021	1 January - 30 June 2020
Contractual penalty (*)	2.576.052	2.767.472
Non-employment (job security) compensation costs	78.980	157.310
Provision expense of the legal claims (Note 11)	68.478	56.911
Others	1.885.774	448.758
	4.609.284	3.430.451

(*) In accordance with TFRS 15, it consists of the calculated amount related to penalty expenses arising from the contract to be paid in 2021.

18. TAX ASSET AND LIABILITIES

As at 30 June 2021 and 31 December 2020, current period tax expense comprise of following:

	30 June 2021	31 December 2020
Current period tax expense	8.054.124	-
Prepaid taxes and funds	(17.799)	(69.438)
Current tax assets	8.036.325	(69.438)

The Group current tax expense comprises current tax expense and deferred tax expense.

	1 January - 30 June 2021	1 January - 30 June 2020
Current period tax expense	(8.045.519)	-
-Current period tax expense	(8.045.519)	-
-Adjustments for prior year	-	-
Deferred tax expense	(29.916.362)	(7.626.315)
	(37.961.881)	(7.626.315)

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Interim Financial Statements
For the Six-Month Period Ended 30 June 2021
(All amounts are expressed in US Dollars (“USD”) unless otherwise stated.)

18. TAX ASSET AND LIABILITIES (Continued)

Corporate Taxes

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

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

As at 30 June 2021, corporations are required to pay advance corporation tax quarterly at the rate of 25 percent on their corporate income (2020: 22 percent) and tax payments that are made in advance during the year are being deducted from the total final tax liability of the fiscal year.

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

Deferred Tax Assets and Liabilities

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

In accordance with the amendment numbered 31462, published in Official Gazette on 22 April 2021 “Law Amending Some Tax Laws and Some Other Laws”, corporate tax rate is determined as 25% and 22% for the years 2021 and 2022 respectively.

As at 30 June 2021 and 31 December 2020, the deferred tax assets and liabilities comprised the following:

	30 June 2021	31 December 2020
Provision for doubtful receivables	9.353.451	5.830.919
Provision for employment termination indemnity	5.658.629	5.836.712
Provision for vacation pay	905.323	706.238
Provision for legal claims	645.112	615.240
Fixed assets	(58.530.634)	(52.628.739)
Inventories	(62.203.798)	(47.229.229)
Government incentives	-	13.188.136
Other	2.034.090	1.276.770
	(102.137.827)	(72.403.953)

For the six month period ended 30 June 2021 and 31 December 2020, the movements of deferred tax liability comprised the following:

	1 January - 30 June 2021	1 January - 30 June 2020
Deferred tax liability at the beginning of the period	72.403.953	54.862.297
Deferred tax expense	29.916.362	7.626.315
Tax benefit of actuarial losses from defined pension plans	(182.488)	(341.687)
Deferred tax liability at the end of the period	102.137.827	62.146.925

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Interim Financial Statements
For the Six-Month Period Ended 30 June 2021
(All amounts are expressed in US Dollars (“USD”) unless otherwise stated.)

18. TAX ASSET AND LIABILITIES (Continued)

Deferred Tax Assets and Liabilities (Continued)

For the period ended 30 June 2021 and 31 December 2020, the movements of tax expense are as follow:

	1 January - 30 June 2021	1 January - 31 December 2020
<i>Reconciliation of current tax provision:</i>		
Profit before tax	22.652.246	26.156.738
25% tax rate	(5.663.062)	(5.754.483)
Taxation effects on:		
- investment incentive	15.393.236	18.617.014
- deductions	322.260	543.498
- equity accounted investees	(207.525)	277.679
- non-deductible expenses	(2.407.620)	(2.860.185)
- foreign exchange rate translation loss	(45.399.170)	(29.006.983)
	(37.961.881)	(18.183.460)

19. EARNINGS PER SHARE

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

	1 January- 30 June 2021	1 January- 30 June 2020
Number of total outstanding shares as at 1 January (in full)	960.850.000	960.850.000
Number of outstanding shares as at 30 June (in full)	960.850.000	960.850.000
Weighted Average number of shares outstanding during the period (in full)	960.850.000	960.850.000
Net (loss)/profit for the period	15.309.635	(18.071.855)
(Loss)/Earnings per share	1,59	(1,88)

20. RELATED PARTY TRANSACTIONS

As at 30 June 2021 and 31 December 2020 trade receivables from related parties are as follows:

	30 June 2021	31 December 2020
Türk Hava Yolları Anonim Ortaklığı (“THY A.O.”)	271.439.312	196.223.124
Güneş Express Havacılık A.Ş. (“Sun Ekspres”)	4.250.940	5.528.289
Air Albania SHPK	2.395.004	1.996.036
TEC	854.305	822.554
Goodrich	227.336	73.512
Others	672.919	661.415
	279.839.816	205.304.930

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Interim Financial Statements
For the Six-Month Period Ended 30 June 2021
(All amounts are expressed in US Dollars (“USD”) unless otherwise stated.)

20. RELATED PARTY TRANSACTIONS (Continued)

As at 30 June 2021 and 31 December 2020 trade payables to related parties are as follows:

	30 June 2021	31 December 2020
THY A.O.	22.015.216	24.479.155
Goodrich	2.020.418	3.505.331
TGS Yer Hizmetleri A.Ş. (“TGS”)	1.071.427	1.918.133
Uçak Koltuk Üretim Sanayi Ticaret A.Ş	845.466	565.329
Others	974.514	401.704
	26.927.041	30.869.652

As at 30 June 2021 and 31 December 2020 other receivables from related parties are as follows:

	30 June 2021	31 December 2020
THY A.O.	29.368	79.305
	29.368	79.305

As at 30 June 2021 and 31 December 2020 short term other payables to related parties are as follows:

	30 June 2021	31 December 2020
THY A.O.	8.469.609	1.134.286
	8.469.609	1.134.286

As at 30 June 2021 and 31 December 2020, advances received from related parties are as follows:

	30 June 2021	31 December 2020
THY A.O.	112.868.216	110.106.672
	112.868.216	110.106.672

As of 30 June 2021 and 31 December 2020, the details of assets in banks are as follows:

	30 June 2021	31 December 2020
Time deposit	11.226.461	11.093.700
Demand deposit	2.272.314	700.515
	13.498.775	11.794.215

The details of demand deposits at related banks as at 30 June 2021 and 31 December 2020 are as follow:

	30 June 2021	31 December 2020
T.C. Ziraat Bankası A.Ş.	89.076	697.903
Türkiye Halk Bankası A.Ş. (“Halkbank”)	451	2.612
Türkiye Vakıflar Bankası Türk Anonim Ortaklığı	2.075.909	-
	2.165.436	700.515

The details of time deposits at related banks as at 30 June 2021 and 31 December 2020 are as follow:

	30 June 2021	31 December 2020
Türkiye Halk Bankası A.Ş. (“Halkbank”)	3.686.509	8.134.323
T.C. Ziraat Bankası A.Ş.	2.702.284	2.959.377
Türkiye Vakıflar Bankası Türk Anonim Ortaklığı	4.762.823	-
	11.151.616	11.093.700

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Interim Financial Statements
For the Six-Month Period Ended 30 June 2021
(All amounts are expressed in US Dollars (“USD”) unless otherwise stated.)

20. RELATED PARTY TRANSACTIONS (Continued)

For the six month period ended 30 June 2021 and 2020, transactions with related parties are as follows:

Sales	1 January- 30 June 2021	1 January- 30 June 2020
THY A.O. (*)	347.167.210	343.160.130
Sun Express	11.490.253	7.461.711
TEC	2.785.492	2.428.568
Aydın Çıldır Havalimanı	2.276.141	1.046.738
Goodrich	524.187	411.976
TCI	242.539	190.231
Uçak Koltuk	172.802	176.083
Others	641.490	297.017
	365.300.114	355.172.454

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

Purchases	1 January- 30 June 2021	1 January- 30 June 2020
THY A.O. (*)	19.017.266	20.021.687
Goodrich	3.226.107	9.549.945
TGS	1.986.207	1.335.068
Uçak Koltuk	925.651	2.026.369
TCI	454.036	550.545
Türk Hava Yolları Opet Havacılık Yakıtları A.Ş.	118.244	90.725
Others	3.360.161	133.566
	29.087.672	33.707.905

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

Interest income from related parties for the periods ended 30 June 2021 and 2020 is as follow:

Interest income	1 January - 30 June 2021	1 January - 31 December 2020
T.C. Ziraat Bankası A.Ş.	240.679	182.041
Türkiye Halk Bankası A.Ş.	37.475	3.158
Türkiye Vakıflar Bankası Türk Anonim Ortaklığı	8.974	-
	287.128	185.199

For the six month period ended 30 June 2021 total amount of salaries and other benefits provided to key management personnel is amounting to USD 363.627 (30 June 2020: USD 279.467).

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Interim Financial Statements
For the Six-Month Period Ended 30 June 2021
(All amounts are expressed in US Dollars (“USD”) unless otherwise stated.)

21. GOVERNMENTS INCENTIVES AND GRANTS

The Ministry of Industry and Technology (Former ministry: Ministry of Commerce) General Directorate of Incentive Practices and Foreign Capital approved the letter with the application numbered (51664236-401.01-E.66875) dated 28 June 2018 which was applied on 1 March 2018 by the Group and Istanbul Investment Incentive certificate dated 29 June 2018 and numbered 138160 amounting to USD 69.122.034 has been issued. This incentive certificate is in scope of regional incentive. Within this scope; the right for VAT Exemption, Customs Tax Discount, Corporate Tax Discount and Insurance Premium Employer Share Support has been entitled. In this investment incentive certificate, the tax deduction and the investment contribution rate is determined as 50% and 15% respectively. The rates have been doubled until 31 December 2022 and published in the Official Gazette. The tax deduction rate and the investment contribution rate was applied as 100% and 30%, respectively. In February 2019, the total investment amount of the incentive numbered A-138160 was updated by increasing to USD 87.067.152. On 20 October 2019 the total investment amount of the incentive numbered C-138160 was updated again and increased to USD 119.065.009. The investment amount of the investment certificate dated 4 May 2020 and numbered D138160 was updated to USD 161.284.748, on 11 June 2020 the amount was increased to USD 179.946.084 with the number. On 23 November 2020 the serial number was changed to F-138160. On 3 March 2021, the total investment amount of the incentive was increased to USD 217.372.224 and the number was updated as G-138160. The last revision was performed on 14 June 2021 and the serial number was revised as H-138160 with the new amount of USD 224.124.472.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Interim Financial Statements
For the Six-Month Period Ended 30 June 2021
(All amounts are expressed in US Dollars (“USD”) unless otherwise stated.)

22. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS

Foreign Currency Risk Management

As at 30 June 2021 and 31 December 2020, Group’s foreign currency position table comprised the following:

	30 June 2021					31 December 2020				
	USD Equivalent	TRY	EUR	GBP	Other	USD Equivalent	TRY	EUR	GBP	Other
1. Trade Receivables	13.007.769	8.519.302	4.459.603	28.864	-	15.679.468	7.455.004	7.662.524	561.940	-
2a. Monetary Financial Assets	8.051.183	5.977.040	2.065.340	4.852	3.951	11.276.294	11.129.727	146.567	-	-
2b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
3. Other	4.314.546	2.182.001	2.085.430	47.115	-	2.781.875	1.235.123	1.530.943	15.809	-
4. Total Current Assets (1+2+3)	25.373.498	16.678.343	8.610.373	80.831	3.951	29.737.637	19.819.854	9.340.034	577.749	-
5. Trade Receivables	-	-	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
7. Other	86.101	86.101	-	-	-	1.488.156	116.570	1.371.586	-	-
8. Total Non-Current Assets (5)	86.101	86.101	-	-	-	1.488.156	116.570	1.371.586	-	-
9. Total Assets (4+6)	25.459.599	16.764.444	8.610.373	80.831	3.951	31.225.793	19.936.424	10.711.620	577.749	-
10. Trade Payables	32.389.601	21.892.619	10.049.912	186.529	260.541	27.128.890	18.979.843	7.768.651	354.455	25.941
11. Financial Borrowings	64.585.059	5.003.459	59.581.600	-	-	66.390.867	4.987.290	61.403.577	-	-
12a. Other Monetary Liabilities	-	-	-	-	-	-	-	-	-	-
12b. Other Non-Monetary Liabilities	60.409.655	55.881.847	4.306.845	29.369	191.594	58.076.959	50.937.587	6.887.647	17.728	233.997
13. Total Short-Term Liabilities (10+11+12)	157.384.315	82.777.925	73.938.357	215.898	452.135	151.596.716	74.904.720	76.059.875	372.183	259.938
14. Trade Payables	-	-	-	-	-	-	-	-	-	-
15. Financial Borrowings	4.966.413	4.966.413	-	-	-	5.994.632	5.994.632	-	-	-
16a. Other Monetary Liabilities	-	-	-	-	-	-	-	-	-	-
16b. Other Non-Monetary Liabilities	28.293.146	28.293.146	-	-	-	29.183.562	29.183.562	-	-	-
17. Total Long-Term Liabilities (14+15+16)	33.259.559	33.259.559	-	-	-	35.178.194	35.178.194	-	-	-
18. Total Liabilities (13+17)	190.643.874	116.037.484	73.938.357	215.898	452.135	186.774.910	110.082.914	76.059.875	372.183	259.938
19. Net Foreign Currency Asset/(Liability) Position (9-18)	(165.184.275)	(99.273.040)	(65.327.984)	(135.067)	(448.184)	(155.549.117)	(90.146.490)	(65.348.255)	205.566	(259.938)
20. Net Foreign Currency Asset/(Liability) Position of Monetary Items (1+2a+5+6a-10-11-12a-15-16a)	(80.882.121)	(17.366.149)	(63.106.569)	(152.813)	(256.590)	(72.558.627)	(11.377.034)	(61.363.137)	207.485	(25.941)

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Interim Financial Statements
For the Six-Month Period Ended 30 June 2021
(All amounts are expressed in US Dollars (“USD”) unless otherwise stated.)

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

Foreign Currency Risk Management (Continued)

Foreign currency sensitivity

The Group is exposed to foreign currency risk due to TL, Euro and GBP (2020: TL, Euro and GBP) exchange rate fluctuations. The following table details the Group’s sensitivity to a 10% increase and decrease in TL, Euro and GBP exchange rates. 10% is used in, the reporting of currency risk to the key management and it represents the management’s expectation on the potential exchange currency fluctuations. Sensitivity analysis can only made on the year-end outstanding foreign currency denominated monetary items and it shows the year end effects of the 10% of exchange currency fluctuation on the related items. Positive value represents an increase in profit/loss and other equity items.

	30 June 2021	
	Profit (Loss) Before Tax	
	If foreign currency appreciated 10 %	If foreign currency depreciated 10 %
1-TL net asset liability	(1.736.615)	1.736.615
2-Part of hedged from TL risk (-)	-	-
3-TL net effect (1+2)	(1.736.615)	1.736.615
4-Euro net asset/liability	(6.310.657)	6.310.657
5-Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	(6.310.657)	6.310.657
7-GBP net asset/liability	(15.281)	15.281
8-Part of hedged from GBP risk (-)	-	-
9-GBP net effect (7+8)	(15.281)	15.281
10-Other net asset/liability	(25.659)	25.659
11-Part of hedged from Other risk (-)	-	-
12-Other net effect (10+11)	(25.659)	25.659
TOTAL (3+6+9+12)	(8.088.212)	8.088.212

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Interim Financial Statements
For the Six-Month Period Ended 30 June 2021
(All amounts are expressed in US Dollars (“USD”) unless otherwise stated.)

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

Foreign Currency Risk Management (Continued)

	31 December 2020	
	Profit/(Loss) Before Tax	
	If foreign currency appreciated 10 %	If foreign currency depreciated 10 %
1-TL net asset/liability	(1.137.703)	1.137.703
2-Part of hedged from TL risk (-)	-	-
3-TL net effect (1+2)	(1.137.703)	1.137.703
4-Euro net asset/liability	(6.136.314)	6.136.314
5-Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	(6.136.314)	6.136.314
7-GBP net asset/liability	20.749	(20.749)
8-Part of hedged from GBP risk (-)	-	-
9-GBP net effect (7+8)	20.749	(20.749)
10-Other net asset/liability	(2.594)	2.594
11-Part of hedged from Other risk (-)	-	-
12-Other net effect (10+11)	(2.594)	2.594
TOTAL (3+6+9+12)	(7.255.862)	7.255.862

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Interim Financial Statements
For the Six-Month Period Ended 30 June 2021
(All amounts are expressed in US Dollars (“USD”) unless otherwise stated.)

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

Foreign Currency Risk Management (Continued)

Foreign currency sensitivity (Continued)

Credit risk management

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

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

30 June 2021	Weighted-average loss rate %	Gross carrying amount	Loss allowance
Current (not past due)	8,46	21.028.825	1.780.004
1-30 days past due	13,57	7.820.352	1.061.035
31-90 days past due	19,18	8.351.995	1.601.567
91-180 days past due	23,11	5.159.529	1.192.299
+180 days past due	18,05	26.033.487	4.697.862
		68.394.188	10.332.767

31 December 2020	Weighted-average loss rate %	Gross carrying amount	Loss allowance
Current (not past due)	6,06	16.602.459	1.006.842
1-30 days past due	9,61	11.202.309	1.076.190
31-90 days past due	14,74	5.260.771	775.617
91-180 days past due	20,41	1.569.113	320.277
+180 days past due	19,89	26.228.731	5.216.095
		60.863.383	8.395.021

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Interim Financial Statements
For the Six-Month Period Ended 30 June 2021
(All amounts are expressed in US Dollars (“USD”) unless otherwise stated.)

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

Fair values of financial instruments

30 June 2021	Financial assets carried at amortized cost	Financial liabilities carried at amortized cost	Book value
<u>Financial assets</u>			
Cash and cash equivalents	13.655.426	-	13.655.426
Trade receivables	338.618.758	-	338.618.758
Other receivables	1.244.422	-	1.244.422
<u>Financial liabilities</u>			
Financial borrowings	-	62.849.884	62.849.884
Lease liabilities	-	25.982.260	25.982.260
Trade payables	-	81.630.783	81.630.783
Other payables	-	26.360.972	26.360.972
31 December 2020	Financial assets carried at amortized cost	Financial liabilities carried at amortized cost	Book value
<u>Financial assets</u>			
Cash and cash equivalents	13.140.769	-	13.140.769
Trade receivables	256.252.203	-	256.252.203
Other receivables	1.314.445	-	1.314.445
<u>Financial liabilities</u>			
Financial borrowings	-	64.407.003	64.407.003
Lease liabilities	-	27.983.723	27.983.723
Trade payables	-	102.323.185	102.323.185
Other payables	-	19.908.678	19.908.678

23. EVENTS AFTER THE BALANCE SHEET DATE

None.

.....