

**BOARD ACTIVITY REPORT
PURSUANT TO THE COMMUNIQUE SERIAL II. NO.14.1**



1 JULY – 30 SEPTEMBER 2020

BOARD ACTIVITY REPORT

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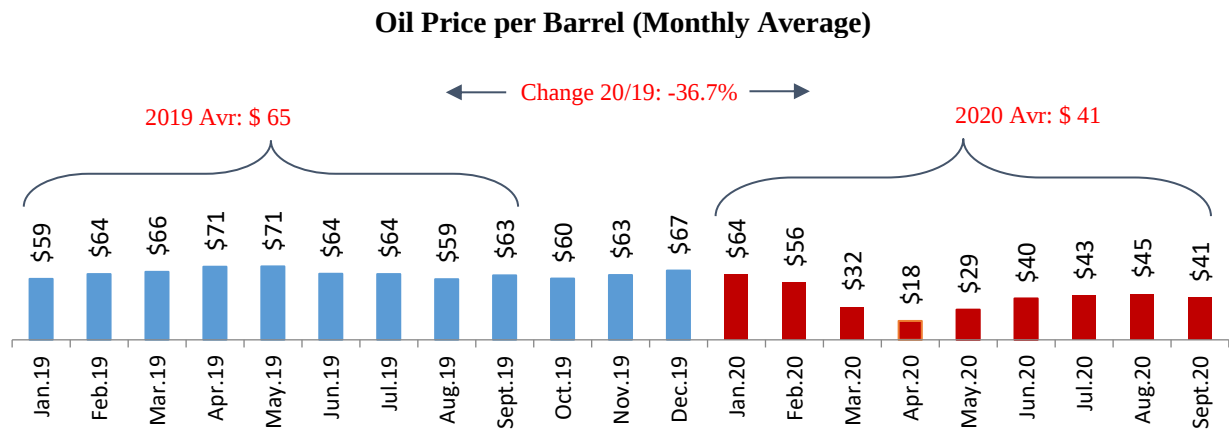
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1. INDUSTRY DEVELOPMENTS

The global pandemic COVID-19, we faced in the first quarter of 2020, has deeply affected the world and the aviation sector. In the second quarter of the year, within the scope of safety precautions against the coronavirus, so many countries closed their borders. In consequence, airlines suspended all or most of their flights except evacuation flights. Within this period, Turkish Airlines operated evacuation flights from 59 different countries. Turkey resumed domestic flights in June 1 after controlling the spread of the outbreak. As a result of countries' reopening their borders, international flights also resumed gradually. In this period, government initiated the implementation of short time working allowance in order to mitigate the adverse effects of the pandemic crisis. In addition, the pressure on demand has been slightly eased by reduction of VAT rate to 1% from 18% in domestic flights for a temporary period of three months. Turkish Airlines carried about 7 million passengers in the third quarter. Along with that, According to the European Organization for the Safety of Air Navigation (Eurocontrol), Turkish Airlines was the second operator with most of the flights in Europe.

Turkish Airlines partly compensates the shortage on the passenger side with a strong cargo transportation performance. The Incorporation has achieved to maintain its strong growth trend in the cargo market over the last decade and consequently, cargo revenue increased by 55% during the first nine months of 2020 and 60% during the third quarter of 2020. Turkish Airlines takes firm steps forward to be one of the largest air cargo carriers in the world by increasing its market share in the global air cargo market.



Source: U.S. Energy Information Administration

The table below sets out the fuel price analysis of the Incorporation.

FUEL PRICE ANALYSIS	2016	2017	2018	2019	9M'19	9M'20
Fuel Expenses (Million \$)	2,673	2,866	3,768	3,873	2,899	1,308
Fuel Consumption (000 Tons)	4,693	4,847	5,278	5,525	4,143	2,100
Average Unit Cost (\$/Tons)	570	591	714	701	700	623
Average Change of Unit Cost (%)	-19%	4%	21%	-2%	-0.2%	-11%
Fuel Expense Rate in Operational Expenses (%)	26%	28%	32%	35%	31%	24%

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2. FIELD OF ACTIVITY, CAPITAL STRUCTURE AND SUBSIDIARIES

Türk Hava Yolları Anonim Ortaklığı (the “Incorporation” or “THY”) was founded in Turkey in 1933. The Company’s main fields of activity are all types of domestic and international passenger and cargo air transportation.

The Incorporation is registered in Istanbul, Turkey (Reg. No: 75184) and its head office address is Türk Hava Yolları A.O. Genel Yönetim Binası, Yeşilköy Mah. Havaalanı Cad. No:3/1 34149 Bakırköy, İstanbul/Türkiye. Detailed information about the Incorporation can be reached via Investor Relations Website. (<http://investor.turkishairlines.com/en>)

The authorized capital of the Incorporation is 5,000,000,000 (five billion) Turkish Lira, while the issued share capital is 1,380,000,000 (one billion three hundred and eighty million) Turkish Lira divided into 138,000,000,000 (one hundred thirty eight billion) shares, each with the nominal value of 1 Kuruş (one kuruş) and is completely paid.

Shares are divided into two groups, the distribution of share groups of the issued capital is as follows:

Shareholder	Amount of Nominal Shares (TL)	Ownership (%)	Amount of Shares (#)	Rate of Voting Right (%)
Turkey Wealth Fund (Group A)	677,884,849	49.12	67,788,484,857	49.12
The Republic of Turkey Ministry of Treasury and Finance Privatization Administration (Group C)	0.01		1	
Open for Public (Group A)	702,115,151	50.88	70,211,515,142	50.88
TOTAL	1,380,000,000	100.00	138,000,000,000	100.00

Group C share belongs to the The Republic of Turkey Ministry of Treasury and Finance Privatization Administration and privileges granted to Group C share are defined in the Articles of Association of the Incorporation.

The Group has 5 subsidiaries as of 30 September 2020. The table below sets out the consolidated subsidiaries and participation rate of the Group in these:

<u>Name of the Company</u>	<u>Principal Activity</u>	<u>Direct Participation Rate</u>	<u>Country of Registration</u>
THY Teknik A.Ş. (Turkish Technic)	Aircraft Maintenance Service	100%	Turkey
THY Uçuş Eğitim ve Havalimanı İşletme A.Ş.	Airport Operations	100%	Turkey

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THY Havaalanı Gayrimenkul Yatırım ve İşletme A.Ş.	Investment & Airport Operations	100%	Turkey
THY Uluslararası Yatırım ve Taşımacılık A.Ş.	Transportation and Investment	100%	Turkey
Cornea Havacılık Sistemleri San. Ve Tic. A.Ş.	In-Flight Entertainment Systems and Internet Service	80%	Turkey

THY Teknik A.Ş. (Turkish Technic)

Established on 23 May 2006, the Company is a wholly owned subsidiary of Turkish Airlines. Turkish Technic conducts its activities with the goal of becoming an important regional air transport technical maintenance base by supplying the full range of maintenance, repair, and technical and infrastructure support the aviation industry requires. Until 2013, Turkish Technic operated out of four hangars in Istanbul and Ankara. In June 2015, Turkish Technic merged with Turkish HABOM, which was also a fully owned subsidiary of Turkish Airlines and which has a total MRO capacity to provide simultaneous maintenance, repair and overhaul services for 30 narrow body aircraft and 10 wide body aircraft. As of 30 September 2020, Turkish Technic has 9,132 employees.

THY Uçuş Eğitim ve Havalimanı İşletme A.Ş.

The Company was established on 21 June 2012 as a wholly owned subsidiary of Turkish Airlines. Yet to commence operations, it was established to operate Aydın Çıldır Airport, provide aviation training, organize sports-training flights and conduct all activities related to the transportation of passengers with aircraft types appropriate to prevailing runway length. The airport is used as a base for Turkish Airlines Flight Academy and since the first half of 2013 provides flight training for Turkish Airlines Pilot Nominees. As of 30 September 2020, Company has 66 employees. Name of the company has been changed from THY Aydın Çıldır Havalimanı İşletme A.Ş. to THY Uçuş Eğitim ve Havalimanı İşletme A.Ş. (TAFİ) on 12 June 2017.

THY Havaalanı Gayrimenkul Yatırım ve İşletme A.Ş.

The Company, which is wholly owned by our Incorporation, was established on 15 November 2017 with the cash capital of 50.000 TRY in order to operate principally in the fields of airport operations and investments and also according to the fields of other activity that is specified in the Articles of Association of the Company.

THY Uluslararası Yatırım ve Taşımacılık A.Ş.

The Company, which is wholly owned by the Incorporation, was established on 25 September 2017 with the cash capital of 10.000.000 TRY in order to invest at abroad and domestically, principally in the fields of cargo and courier transportation and in the fields that is specified in the Articles of Association of the Company.

Cornea Havacılık Sistemleri San. Ve Tic. A.Ş.

On 11 October 2018, Cornea Havacılık Sistemleri Sanayi ve Ticaret A.Ş. was established in order to operate principally in the fields of "In-Flight Entertainment Systems and Internet Service" and also according to the fields of other activity that is specified in the Articles of Association of the Company. Stakes of 80% and 20% are held respectively by THY Teknik A.Ş. and Havelsan Hava Elektronik Sanayi ve Ticaret A.Ş. As of 30 September 2020, Company has 49 employees.

The Group has 12 joint ventures. The affiliates are controlled by the Group jointly, and are accounted for by using the equity method.

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The table below sets out consolidated joint ventures and indicates the proportion of ownership interest of the Incorporation in these joint ventures as of 30 September 2020:

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

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Sun Express - Turkey

Founded in 1989, SunExpress is a joint venture of Turkish Airlines and Lufthansa, in which each holds a 50% stake. The Company has a total of 51 aircraft in its fleet; 13 of them are operated by AnadoluJet operations of THY and 36 of them serve SunExpress' customers in both charter and scheduled business with 3,445 employees as of 30 September 2020. SunExpress flies to 26 domestic and 139 international destinations, which brings the total number to 165 destinations. SunExpress Germany which was founded in 2011 as a joint venture of Stiftung and SunExpress, in which each hold %50-50 stake, was closed down on 23 June 2020.

Turkish DO&CO

Founded in September 2006, commencing operations in 2007, Turkish DO&CO is a joint venture of Turkish Airlines and DO&CO Restaurants & Catering AG (Austria based), in which each holds a 50% stake. The Company provides inflight catering services to Turkish Airlines and other domestic and international airlines. As of 30 September 2020, 3,967 employees are working for the Company.

Turkish Ground Services (TGS)

The Company was established in 26 August 2008 as a wholly owned subsidiary of Turkish Airlines, in order to provide ground-handling services. By signing the articles of association in the framework of the Board Decision dated on 12.03.2009, 50% of shares was transferred to HAVAŞ Havaalanları Yer Hizmetleri A.Ş. On 1 January 2010, the Company began to provide services to Turkish Airlines. The Company provides ground services for Turkish Airlines in 8 airports in Turkey. TGS is employing 13,423 personnel as of 30 September 2020.

Turkish Opet Aviation Fuels

Turkish Opet Aviation Fuels, established in 28 September 2009, engages in the domestic and international sale, importation, exportation, distribution, and transport of various petroleum products, chemicals, lubricants, and paints for all kinds of aircraft. The Company commenced operations on 1 July 2010. Kuzey Tankercilik A.Ş. and Güney Tankercilik A.Ş., were established on 1 November 2012, as wholly owned subsidiaries of THY Opet Havacılık Yakıtları A.Ş. in order to provide transportation of petroleum and petroleum products. As of 30 September 2020, the Company has 501 employees.

TSI Aviation Seats

Founded in 27 May 2011, the Company was set up to design and manufacture airline seats, and to make, modify, market, and sell spare parts to Turkish Airlines and other international airline companies. Stakes of 50%, 45%, 5% are respectively held by Assan Hanil Group, Turkish Airlines, and Turkish Technic. As of 30 September 2020, 140 employees are working for the company.

Turkish Cabin Interior Systems Industries, Inc.

Established in December 2010, TCI's objective is to undertake the design, manufacture, logistical support, modification, and marketing of aircraft cabin interior systems and components. Stakes of 30%, 20% and 50% are held respectively by Turkish Airlines, Turkish Technic and Türk Havacılık ve Uzay Sanayi A.Ş. (TUSAŞ – TAI). As of 30 September 2020, the Company has 184 employees.

Pratt Whitney THY Turkish Engine Center (TEC)

The Company provides aircraft engine maintenance, repair, and overhaul services to customers in Turkey and its hinterland. Established on 10 October 2008, stakes of %51 and %49 are held respectively by Pratt&Whitney, a subsidiary of United Technologies, and Turkish Technic. Operating out of a maintenance center with an area of around 25,000 m² at Istanbul Sabiha Gökçen International Airport, the company has 396 employees as of 30 September 2020.

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Goodrich Turkish Airlines Technical Service Center

Established in 14 December 2010, the Goodrich Turkish Airlines Technical Service Center is a joint venture of Turkish Technic (40%) and Collins Aerospace (60%), the latter a subsidiary of Goodrich Corporation. Services for maintenance and repair of nacelles, thrust reversers, related parts and rotatable support is provided. As of 30 September 2020, the Company has 78 employees.

Tax Free Zone, Inc. (Tax Refund)

The Company was established on 1 September 2014 as a joint venture of THY (30%), Maslak Oto (45%) and VK Holding (25%) to carry out brokerage operations of value added tax return regarding the goods bought in Turkey by non-residents. As of 30 September 2020, 19 employees are working for the company.

Air Albania

The Incorporation established a Republic of Albanian based Joint Venture Company, in order to operate in the field of passenger and cargo transportation. Established on 12 September 2018, the stakes of 49%, 41% and 10% is being held respectively by Turkish Airlines, MDN Investment SHPK, and Albcontrol, which manages Albanian airspace and air traffic, representing Government of Albania. As of 30 September 2020, 74 employees are working for the company.

We World Express Ltd.

Hong Kong based We World Express Limited was established as a joint venture of THY Uluslararası Yatırım ve Taşımacılık A.Ş. (Turkish Airlines' 100% subsidiary), ZTO Express (Hong Kong) Limited and PAL Air (Hong Kong) Limited owning 45%, 45% and 10% respective stakes with the purpose of becoming a global door to door cargo/courier service provider which is focusing e-commerce market. As of 30 September 2020, 23 employees are working for the company.

TFS Akaryakıt Hizmetleri A.Ş.

The Company was established in order to operate fuel supply facilities within the scope of fuel activities carried out at Istanbul Airport. Turkish Airlines became a 25% shareholder through capital increase. Other partners are Taya Liman İşletmesi A.Ş., Demirören Akaryakıt Sanayi ve Ticaret A.Ş. and Zirve Holding A.Ş. All joint venture companies have same proportion of share. As of 30 September 2020, 79 employees are working for the company.

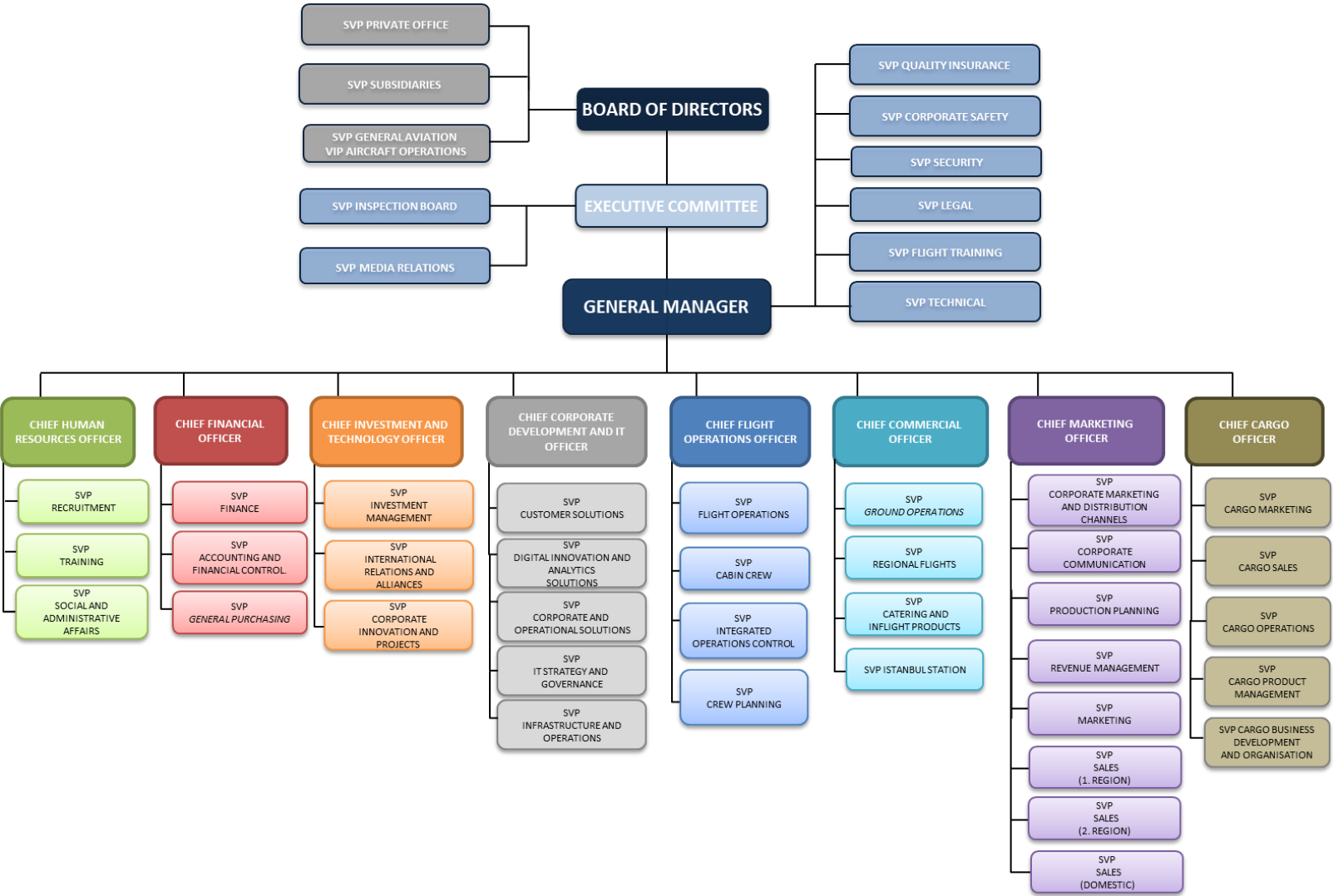
The Incorporation is responsible for the full and joint control over subsidiaries and affiliates through Board of Directors. In addition, operations of subsidiaries and affiliates are monitored by Senior Vice President of Subsidiaries located within the means of the Parent Company. The internal audit and control functions in the Incorporation are carried out by SVP of Inspection Board, SVP of Quality Assurance and other relevant expertise and financial departments.

3. ORGANIZATIONAL STRUCTURE

As of 30 September 2020, the number of countries served has reached to 127.

General Management and all central units are gathered around Istanbul Ataturk Airport. Organization chart of Turkish Airlines, as of 30 September 2020 is shown on the next page.

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4. BOARD OF DIRECTORS AND COMMITTEES

BOARD OF DIRECTORS

The Board of Directors is comprised of nine members, out of 3 independent, elected by the General Assembly. The Board of Directors shall approve the strategic targets, continuously and effectively monitor these targets, as well as the activities of the Incorporation and its' past performance. In doing so, the Board shall strive to ensure compliance with international standards, and whenever necessary, take preemptive action to potential problems.

Members of the Board who were on duty as of 30 September 2020 are listed below:

M. İlker AYCI	: Chairman of the Board and the Executive Committee
Prof. Dr. Mecit EŞ	: Deputy Chairman of the Board and the Executive Committee
Salim Arda ERMUT	: Member of the Board and the Executive Committee
Bilal EKŞİ	: Member of the Board and General Manager
Mithat Görkem AKSOY	: Member of the Board
Orhan Birdal	: Member of the Board
Melih Şükrü ECERTAŞ	: Independent Board Member
Dr. Fatmanur ALTUN	: Independent Board Member
M. Muzaffer AKPINAR	: Independent Board Member

Brief resumes of our Board of Directors and their duties outside of the company are reachable via Turkish Airlines Investor Relations Website. (<http://investor.turkishairlines.com/en/governance/board-of-directors>)

COMMITTEES

Audit Committee

Chairman: M. Muzaffer Akpınar

Member: Melih Şükrü Ecertaş

Corporate Governance Committee

Chairman: Fatmanur Altun

Member: Orhan Birdal, Mithat Görkem Aksoy, Kadir Coşkun (Investor Relations Manager)

Early Identification of Risks Committee

Chairman: Melih Şükrü Ecertaş

Member: M. Muzaffer Akpınar

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5. SENIOR MANAGEMENT

Information about the Senior Management of the Incorporation are presented below (as of 30 September 2020):

Name	Title	Starting Date of Position	Profession
Bilal Ekşi	General Manager	24.10.2016	Electronics and Communications Engineer
Assoc. Prof. Murat Şeker, Ph.D.	Chief Financial Officer	26.07.2016	Industrial Engineer
Ahmet Olmuştur	Chief Marketing Officer	30.04.2014	Business Management, Manager
Mehmet Akif Konar	Chief Commercial Officer	16.04.2013	Management Engineer
Ahmet Bolat, Ph.D.	Chief Investment and Technology Officer	23.01.2012	Industrial Engineer
Abdulkерim Çay	Chief Human Resources Officer	21.04.2015	Business Management, Manager
Ali Serdar Yakut	Chief Corporate Development and IT Officer	01.06.2015	Computer Engineer
Aykut Alpa	Chief Flight Operations Officer	25.05.2018	Pilot
Turhan Özen	Chief Cargo Officer	12.12.2016	Business Management, Manager

6. HUMAN RESOURCES

Number of personnel decreased by 2% to 28,807 as of September 2020 from 29,344. Personnel numbers according to classes are as follows:

	31.12.2019	30.09.2019	30.09.2020	Change(%)
Cockpit Personnel	5,839	5,674	5,779	2%
Cabin Personnel	12,247	12,237	12,301	1%
Aircraft Maintenance Tech.	72	69	67	-3%
Staff Abroad	3,496	3,487	3,347	-4%
Domestic Staff	7,837	7,877	7,313	-7%
TOTAL	29,491	29,344	28,807	-2%

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7. DEVELOPMENTS WITHIN THE INCORPORATION

I. Developments During the Period

Decision to Establish New Company

Our Board of Directors decided to establish a new Technology company as a 100% Turkish Airlines subsidiary in order to increase our contribution to the Turkish Aviation ecosystem, by utilizing the existing Information Technologies human resources more effectively and positioning the existing Information Technologies applications of our Incorporation as an income generating business line.

Protocol of the adaptation of the Covid-19 global pandemic conditions, implemented to the 26th Term Collective Bargaining Agreement

Due to the Covid-19 pandemic, which has had a negative impact to the aviation industry, our Incorporation has benefited from the incentives and facilities provided by the Public Institutions and Organizations, while making the utmost effort to protect the employment of all our employees by conducting negotiations with other stakeholders, including the authorized union. In this context, the following arrangements regarding the negotiations and wage regulation between Hava İş and our Incorporation have been decided and a Protocol of the adaptation of the Covid-19 global pandemic conditions, implemented to the 26th Term Collective Bargaining Agreement covering the three-year period between January 1, 2019 and December 31, 2021, has been signed as of 31.08.2020 .

According to this;

The deduction of 30% for ground employees from workman compensation, 35% for cabin employees from flight compensation, 50% for cockpit employees from flight compensation, and the deduction of 30% for seniority payments of all our employees will be made and these wages will be valid starting September 1st, 2020.

It has been decided that to these revised wages, the 6-month inflation rate of change in the calculation of six months wage increase will be applied to the first and second half of 2021 and the gratuity payments determined by the 26th Period Collective Labor Agreement over the agreed amounts, will continue to be paid.

II. Subsequent Events

Amendment for Airbus Fleet Plan

In view of the current situation with the effects of the pandemic on the aviation industry, Turkish Airlines has reviewed its fleet plan and in agreement with Airbus has rescheduled certain deliveries and has adapted the overall outstanding orders to their operational and financial capabilities to ensure a solid basis for the future for the airline. This agreement also takes into account the strong industrial partnership that exists between Airbus and Turkey which is essential in these difficult times of our industry.

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8. TRAFFIC RESULTS

January-September 2020 traffic results are shown below:

	TOTAL		
	2019	2020	Change (%)
Number of Landing (Passenger Flights)	370,724	159,071	-57.1%
Available Seat Km ('000)	140,620,201	56,398,409	-59.9%
Passenger Load Factor (%)	81.4%	73.3%	-8.1 pt
Passengers Carried	56,416,124	21,622,848	-61.7%
Cargo and Mail (Tons)	1,117,038	1,070,359	-4.2%

	DOMESTIC		
	2019	2020	Change (%)
Number of Landing (Passenger Flights)	153,026	80,094	-47.7%
Available Seat Km ('000)	17,097,054	9,374,322	-45.2%
Passenger Load Factor (%)	86.5%	77.6%	-8.9 pt
Passengers Carried	23,420,381	10,643,712	-54.6%
Cargo and Mail (Tons)	51,564	31,161	-39.6%

	INTERNATIONAL		
	2019	2020	Change (%)
Number of Landing (Passenger Flights)	217,698	78,977	-63.7%
Available Seat Km ('000)	123,523,147	47,024,087	-61.9%
Passenger Load Factor (%)	80.7%	72.4%	-8.3 pt
Passengers Carried	32,995,743	10,979,136	-66.7%
Cargo and Mail (Tons)	1,065,474	1,039,198	-2.5%

I. Scheduled Domestic Flights:

During January - September 2020, the Incorporation did not start any operating scheduled flights with TK main brand to new domestic destinations.

II. Scheduled International Flights:

During January – September 2020, the Incorporation did not start any operating scheduled flights with TK main brand to new international destinations.

Flight Destination

Equatorial Guinea – Malabo

Flight Inaugural Date

07.02.2020

III.

Additional, Charter and Hajj-Umrah Flights

During January - September 2020, number of additional, charter and Hajj-Umrah flights and number of passengers carried on these flights are stated on the table below:

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	Number of Flights		Number of Passengers
	Domestic	International	
Additional	894	1,032	123,553
Charter	1,659	614	178,534
Hajj-Umrah	-	1,392	173,972

IV. AnadoluJet Flights:

Scheduled and Additional Flights	9M'19	9M'20	Change (%)
Revenue Passenger (000)	10,941	5,040	-54%
Available Seats Km (Millions)	8,087	5,320	-34%
Passenger Load Factor (%)	86.66%	73.91%	-12.75 pt

- In the first nine months of 2020, AnadoluJet has been pursuing its operations with 13 aircraft (wetlease) from SunExpress and 27 aircraft (4 of them are 78G aircraft) from TK fleet. (A total number of most 40 B737-800).
- As of September 2020, most 10 aircraft are based in Ankara Esenboğa and 27 in İstanbul Sabiha Gökçen.
- As of September 2020, AnadoluJet flies to a total of 63 destinations. (Esenboğa based 49, Sabiha Gökçen based 46, point to point (cross) flights 17).
- In the first nine months of 2020, Ankara Esenboğa and Sabiha Gökçe based ASK has decreased by 53% and 18%, respectively. (Total ASK decrease of 34%)
- In the first nine months of 2020, the load factor was 73.91%.

9. FLEET

30.09.2020	Type	Total	Owned	Financial Lease	Opr./Wet Lease	Seat Capacity	Average Fleet Age
Wide Body	A330-200	14	5		9	3.702	12,6
	A330-300	40		29	11	11.826	6,7
	B777-3ER	33		27	6	11.670	6,9
	B787-9	14		14		4.200	0,7
	Total	101	5	70	26	31.398	6,8
Narrow Body	B737-900ER	15		15		2.355	7,3
	B737-9 MAX	1		1		169	1,6
	B737-800	84	30	32	22	13.851	8,7
	B737-8 MAX	11		11		1.661	1,8
	A321 NEO	21		13	8	3.822	0,9
	A319-100	6		6		792	9,4
	A320-200	14	9	3	2	2.232	13,0
	A321-200	66	13	49	4	12.016	8,1
	B737-800 WL	16			16	3.024	15,5
	Total	234	52	130	52	39.922	8,1
Cargo	A330-200F	10	1	9			6,9
	B777F	8		8			1,7
	Wet Lease	7			7		25,0
	Total	25	1	17	7		10,3
	GRAND TOTAL	360	58	217	85	71.320	8,4

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10. FINANCIAL SITUATION

SUMMARY OF BALANCE SHEET (Mn TRY)

	30 September 2020	31 December 2019
<u>ASSETS</u>		
Current Assets	29,238	28,339
Non-Current Assets	161,783	118,532
Total Assets	191,021	146,871
<u>LIABILITIES</u>		
Total Current Liabilities	47,844	35,417
Total Non-Current Liabilities	99,187	70,659
Total Equity	43,990	40,795
Total Liabilities and Equity	191,021	146,871
Debt to Assets Ratio	0,77	0.72
Equity Ratio	0,23	0.28

SUMMARY OF INCOME STATEMENT (Mn TRY)

	1 Jan. – 30 Sept. 2020	1 Jan. – 30 Sept. 2019
Sales Revenue	32,525	56,151
Gross Profit	575	10,033
Operating Profit Before Investment Activities	(2,272)	3,079
Profit/Loss Before Tax	(6,046)	2,768
Profit/Loss for the Period	(5,203)	2,587
Earnings Per Share (Kr)	(3.77)	1.87

SUMMARY OF BALANCE SHEET (Mn USD)

	30 September 2020	31 December 2019
<u>ASSETS</u>		
Current Assets	3,744	4,770
Non-Current Assets	20,719	19,954
Total Assets	24,463	24,724
<u>LIABILITIES</u>		
Total Current Liabilities	6,126	5,964
Total Non-Current Liabilities	12,704	11,896
Total Equity	5,633	6,864
Total Liabilities and Equity	24,463	24,724
Debt to Assets Ratio	0.77	0.72
Equity Ratio	0.23	0.28

**BOARD ACTIVITY REPORT
PURSUANT TO THE COMMNIQUE SERIAL II. NO.14.1**

SUMMARY OF INCOME STATEMENT (Mn USD)

	1 Jan. – 31 Sept. 2020	1 Jan. – 31 Sept. 2019
Sales Revenue	4,962	9,948
Gross Profit	89	1,774
Operating Profit/Loss Before Investment Activities	(367)	540
Profit/Loss Before Tax	(918)	482
Profit/Loss for the Period	(786)	452
Earnings Per Share (USc)	(0.57)	0.33
EBITDAR	1,177	2,214
EBITDA	875	1,817
EBIT	(351)	694
EBITDAR Margin	23.7%	22.3%
EBITDA Margin	17.6%	18.3%
EBIT Margin	-7.1%	7.0%
Operating Profit Margin	-7.4%	5.4%
Net Profit Margin	-15.8%	4.5%

11. INVESTMENTS, INCENTIVES AND INVESTMENT POLICIES

By the end of September 2020, the operation has been carried out by 101 double-aisle passenger aircraft, 234 single-aisle passenger aircraft and 25 cargo aircraft. Double-aisle aircraft constitute about 28% of the total number of aircraft in fleet. Due to the effect of stage length and seat capacity, contribution of wide body aircraft to the production is more than 50%.

The table below shows the aircraft received in 2020 as of 30 September 2020.

**BOARD ACTIVITY REPORT
PURSUANT TO THE COMMNIQUE SERIAL II. NO.14.1**

		DELIVERED
30.09.2020	Type	2020
Wide Body	A350-900	5
	B787-9	9
	Total	14
Narrow Body	A321 NEO	11
	Total	11
Cargo	B777F	2
	Total	2
GRAND TOTAL		27

Decree on State Aids for Investments

In our country, “Investment Incentive System” is implemented to aim targets such as:

- Increasing production and employment,
- Increasing international direct investment,
- Reducing the regional development disparities,
- Encouraging strategic investments with regional and large-scaled investment which has high research-development content to increase international competitiveness,
- Directing savings to high value added investments in line with targets, foreseen in annual programs and development plans,
- Supporting research and development activities with clustering and environmental protection investments,

This system provides support to taxpayers when they guarantee the achievement of aforementioned targets. These supports are:

- Customs Duty Exemption,
- Value Added Tax Exemption,
- Tax Reduction (reduce corporate tax)
- Income Tax Withholding Support,
- Insurance Premium Employer Contribution Support,
- Insurance Premium Employee Contribution Support,
- Interest Rate Support,
- Investment Space Allocation,

Our Incorporation has right to benefit from some incentives in “Investment Incentive System” due to airline cargo and passenger transportation activities. As a result of the applications within this scope, Investment Incentive Certificates are obtained for supply of aircraft and ground handling services. The information on the Investment Incentive Certificates that may have an impact on the current or future financial reports of the Incorporation and the incentives utilized are listed below:

BOARD ACTIVITY REPORT
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Date of Cabinet Decree	Number of Cabinet Decree	Date of Inv. Incentive Certificate	Investment Status	Tax Reduction	Total Amount of Investment TL: (*)	Utilized Contribution Amount of Investment TL: (**)
14.07.2009	2009/15199	28.12.2010	Completed	Tax Reduction %50 / Contribution rate to Investment %20	13,267,897,366	16,587,441
15.06.2012	2012/3305	18.12.2014	Completed	Tax Reduction %50 / Contribution rate to Investment %15	16,968,269,342	0
21.01.2018	2017/11133	9.08.2018	Continue	Tax Reduction %90 / Contribution rate to Investment %50	27,635,064,777.71	0
21.01.2018	2017/11133	11.09.2018	Continue	Tax Reduction %50 / Contribution rate to Investment %25	2,518,000,000	0

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

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

In addition to these;

- The VAT rate on domestic air travel has been reduced to 1% from 18% with the decree of the President numbered 2278 published on the Official Gazette dated 22.03.2020. Pursuant to the Decree, the VAT rate was applied as 1% on passenger transport services by air between the date of 01.04.2020 and 30.06.2020.
- The Incorporation had benefited from the corporate-wide short time working allowance between the date of 01.04.2020 and 31.07.2020.

BOARD ACTIVITY REPORT
PURSUANT TO THE COMMNIQUE SERIAL II. NO.14.1
12. PROJECTIONS ABOUT THE INCORPORATION

The Incorporation has decided to start operating scheduled flights, based on aircraft availability and market conditions to the cities Abha of Saudi Arabia, Juba of South Sudan, Aswan of Egypt, Makhachkala of Russia, Krakow of Poland, La Coruna of Spain, Lenkeran of Azerbaijan, Luanda of Angola, Nantes of France, Palermo of Italy, Port Sudan of Sudan, Newark of United States of America, Vancouver of Canada and Atyrau and Aktau of Kazakhstan. Our Incorporation plans to evaluate these new destination openings in line with market conditions.

Flying to more countries than any other airline in the world, the Incorporation aims to be among the leading airlines in the world by maintaining its steady growth in parallel to the growth in number of transfer passengers by providing wide-body fleet investments, capacity increases mainly in long-range flights and new routes. At the end of the year, passenger capacity is expected to reach 40-45% passenger capacity of the previous year. The Incorporation is targeting to increase unit revenue through expansion of cargo operations. In addition, Turkish Airlines aims to be one of the largest air cargo carriers in the world by increasing its market share in the global air cargo market. As a contribution to sustainability, Turkish Airlines is targeting to achieve net zero CO₂ emission by 2050.

DISCLAIMER

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