

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



WIDEN YOUR WORLD

TURKISH
AIRLINES



1 JULY – 30 SEPTEMBER 2021

BOARD ACTIVITY REPORT

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

TABLE OF CONTENTS

1. INDUSTRY DEVELOPMENTS	3
2. FIELD OF ACTIVITY, CAPITAL STRUCTURE AND SUBSIDIARIES	4
3. ORGANIZATIONAL STRUCTURE	9
4. BOARD OF DIRECTORS AND COMMITTEES	11
5. SENIOR MANAGEMENT	12
6. HUMAN RESOURCES	12
7. DEVELOPMENTS WITHIN THE INCORPORATION	12
8. TRAFFIC RESULTS.....	15
9. FLEET	17
10. FINANCIAL SITUATION	18
11. INVESTMENTS, INCENTIVES AND INVESTMENT POLICIES	19
12. PROJECTIONS ABOUT THE INCORPORATION.....	21

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

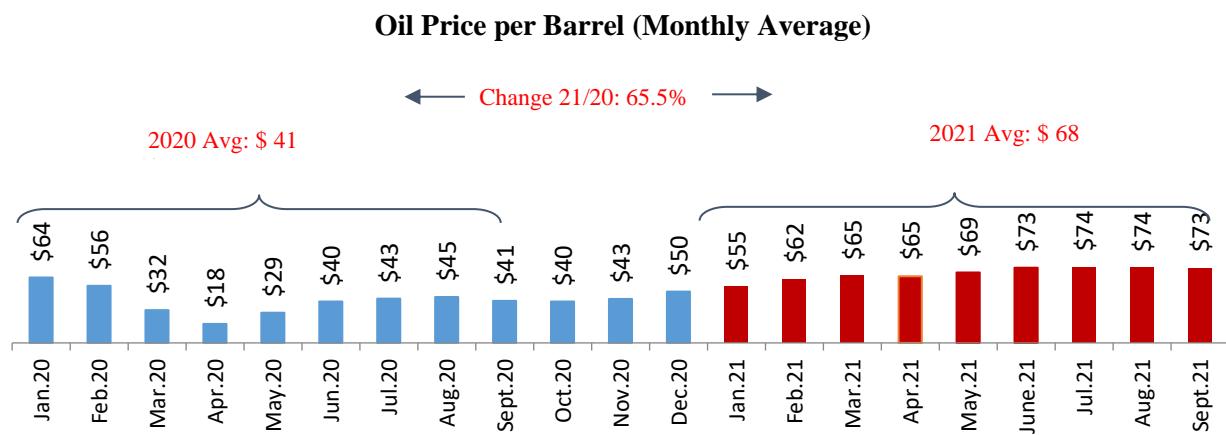
1. INDUSTRY DEVELOPMENTS

The global COVID-19 pandemic crisis we faced in the first quarter of 2020, has deeply affected the global aviation sector. Even there has been a loss in pace as of the end of the second quarter of 2021, the impact of the crisis still continues. Vaccine studies finally showed positive result in the later 2020 and the countries started to vaccinate their citizens afterward. The increase in the number of vaccinated people will have a direct and positive impact on the world economy and the aviation sector. During the period left behind, approximately 7 billion doses vaccine have been administrated across 184 countries. Currently, 37% of the world population have been vaccinated with two doses and 13% of the world population have been vaccinated with only one dose. According to current data from Republic of Turkey Ministry of Health, 78% of Turkey population have been received the full two-dose course of a vaccine and 11% of them have been vaccinated with one dose. Vaccination progress continues without losing speed.

While travel restrictions has not been lifted completely worldwide, Turkish Airlines has achieved to carry 31 million passengers in the first nine months of 2021. Along with that, according to the European Organization for the Safety of Air Navigation (Eurocontrol)*, Turkish Airlines was the airline with the highest number of the flights in Europe in the first seven months of 2021 while ranked as second in Europe in the first nine months of 2021. Istanbul Airport has been recorded as the busiest airport in the first nine months of 2021.

Turkish Airlines partly compensates diminishing demand on the passenger side with a strong cargo transportation performance. Our Incorporation has made a significant contribution to the transportation of medical supplies in the combat against COVID-19 outbreak. The Incorporation has achieved to maintain its strong growth trend in the cargo market over the last decade and consequently, cargo revenue increased by 45.1% during the third quarter of 2021 and 45.3% during the first nine months of 2021 compared to same period of previous year. According to data revealed by The International Air Transport Association (IATA), Turkish Cargo ranked in fourth place among global air cargo carriers in August 2021 in terms of carried cargo tonnage. 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.

*Average number of daily flights is considered.



Source: U.S. Energy Information Administration

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

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

FUEL PRICE ANALYSIS	2017	2018	2019	2020	9M'20	9M'21
Fuel Expenses (Million \$)	2,866	3,768	3,873	1,638	1,308	1,853
Fuel Consumption (000 Tons)	4,847	5,278	5,525	2,803	2,100	2,962
Average Unit Cost (\$/Tons)	591	714	701	584	623	626
Average Change of Unit Cost (%)	4%	21%	-2%	-16.6%	6.6%	0.4%
Fuel Expense Rate in Operational Expenses (%)	28%	32%	31%	23%	24%	28%

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 privilages granted to Group C share are defined in the Articles of Association of the Incorporation.

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

The Group has 7 subsidiaries as of 30 September 2021. The table below sets out the consolidated subsidiaries and participation rate of the Group in these:

<u>Name of the Company</u>	<u>Field of 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.	Flight Training and Airport Operations	100%	Turkey
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 Teknoloji ve Bilişim A.Ş.	Information and Technology	100%	Turkey
THY Hava Kargo Taşımacılığı A.Ş.	Cargo Transportation	100%	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 2021, Turkish Technic has 8,835 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. Name of the company has been changed from THY Aydın Çıldır Havalimanı İşletme A.Ş. to THY Uçuş Eğitim ve Havalimanı İşletme A.Ş. (TAFA) on 12 June 2017. As of 30 September 2021, Company has 83 employees.

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.

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

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 2021, Company has 58 employees.

THY Teknoloji ve Bilişim A.Ş.

The company was established on 8 December 2020 as a wholly owned subsidiary of Turkish Airlines 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. As of 30 September 2021, Company has 841 employees.

THY Hava Kargo Taşımacılığı A.Ş.

The company was established on 25 March 2021, wholly-owned by the Incorporation, in order to strengthen Incorporation's position among the most crucial players in the cargo sector, by making the most of Turkish Cargo's unique competitive advantage and create a separate platform for potential strategic foreign partnerships in the future.

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

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 2021:

Company Name	Country of Registration and Operations	Proportion of Ownership	Field of 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 Opel)	Turkey	50%	Aviation Fuel Services

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

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

Sun Express - Turkey

Founded in 1989, SunExpress is a joint venture of Turkish Airlines and Lufthansa, in which each holds a 50% stake. As of September 2021, the Company has a total of 50 aircraft in its fleet; 12 of them are operated by AnadoluJet operations of THY and 38 of them serve SunExpress' customers in both charter and scheduled business in 28 domestic and 48 international destinations, a total number of 76 destinations. During the period of January - September 2021, total number of passengers carried was 4.3 million and load factor was 74.8%. Sunexpress has 3,390 employees as of 30 September 2021. 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 2021, 3,821 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 9 airports in Turkey. TGS is employing 13,814 personnel as of 30 September 2021.

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 2021, the Company has 489 employees.

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

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 2021, 128 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 2021, the Company has 127 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 405 employees as of 30 September 2021.

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 2021, the Company has 76 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 2021, 15 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 2021, 121 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 2021, 40 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 2021, 89 employees are working for the company

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

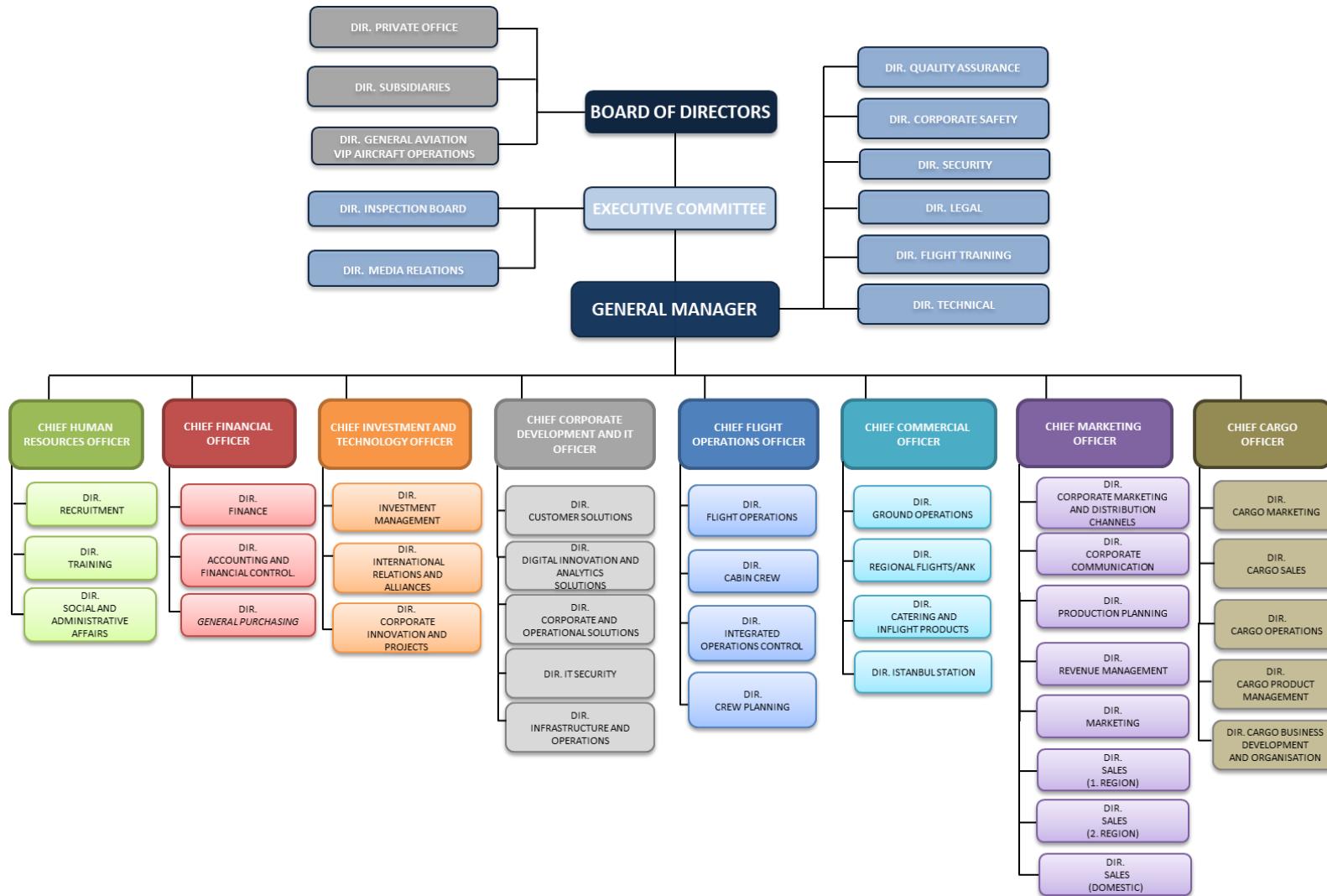
The Incorporation is responsible for the full and joint control over subsidiaries and affiliates through Board of Directors. In addition, operations of subsidiaries and affiliates are monitored by Senior Vice President of Subsidiaries located within the means of the Parent Company. The internal audit 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 2021, 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 2021 is shown on the next page.

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



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

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 2021 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
Assoc. Prof. Murat Şeker	: Member of the Board and the Executive Committee
Bilal EKŞİ	: Member of the Board and General Manager
Mithat Görkem AKSOY	: Member of the Board and the Executive Committee
Orhan Birdal	: Member of the Board
Melih Şükrü ECERTAŞ	: Independent Board Member
Dr. Fatmanur ALTUN	: Independent Board Member
M. Muzaffer AKPINAR	: Independent Board Member and Member of the Executive Committee

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 Akpinar

Member: Melih Şükrü Ecertas

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 Ecertas

Member: M. Muzaffer Akpinar

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

5. SENIOR MANAGEMENT

Information about the Senior Management of the Incorporation are presented below (as of 30 September 2021):

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	Economist
Ahmet Olmuştur	Chief Marketing Officer	30.04.2014	Business Management, Manager
Baran Gülbaran	Chief Commercial Officer (acting representatively)	31.08.2021	Pilot
Ahmet Bolat, Ph.D.	Chief Investment and Technology Officer	23.01.2012	Industrial Engineer
Abdulkerim 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
Baran Gülbaran	Chief Flight Operations Officer	28.04.2021	Pilot
Turhan Özen	Chief Cargo Officer	12.12.2016	Business Management, Manager

6. HUMAN RESOURCES

Number of personnel decreased by 4% to 27,619 as of September 2021 from 28,807 as of September 2020. Personnel numbers according to segments are as follows:

	31.12.2020	30.09.2020	30.09.2021	Change (%)
Cockpit Personnel	5,756	5,779	5,602	-3%
Cabin Personnel	12,281	12,301	12,107	-2%
Aircraft Maintenance Tech.	61	67	52	-22%
Staff Abroad	3,301	3,347	3,181	-5%
Domestic Staff	7,269	7,313	6,677	-9%
TOTAL	28,668	28,807	27,619	-4%

7. DEVELOPMENTS WITHIN THE INCORPORATION

I. Developments During the Period

Management Change-II

Mr. Mehmet Akif KONAR, Chief Commercial Officer of our Incorporation, retired from his duty as of 31 August 2021. Chief Flight Operations Officer, Mr. Baran Gülbaran will be acting for the relevant position.

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

New Route Announcement

The Incorporation has decided to start operating scheduled flights, based on market conditions to Sialkot of Pakistan, Hargeisa of Somalia, Denver of United States of America and Cebu of Philippines. In addition, the Incorporation has started operating scheduled flights to Urmia of Iran, Vancouver of Canada, Newark and Dallas of United States of America, Turkistan and Aktau of Kazakhstan, Fergana and Urgench of Uzbekistan.

Wage Adjustment-I

Due to the Covid-19 pandemic, which has had a negative impact on the aviation industry, 'A Protocol of the Adaptation of the Covid-19 Global Pandemic Conditions' signed between the authorized union Turkey Civil Aviation Union and our Incorporation on 31.08.2020 was implemented to the 26th Term Collective Bargaining Agreement, which is in effect through our Incorporation. According to this protocol, as applied in every 6-month period, wages on 30.06.2021 should be increased at the rate of inflation difference as effective from 01.07.2021.

Our Board of Directors made an assessment taking into account the sacrifices made by our employees during the pandemic, the steps towards loosening pandemic restrictions in all countries, and the cautious optimism of the widespread vaccination practices developed against Covid-19.

According to this,

As of 01.07.2021, it has been decided to increase the wages of domestic personnel and foreign personnel working on the reopened international routes, with a minimum wage increase of 10% on top of the inflation difference.

S&P Credit Rating Update-II

International Credit Rating Agency Standart & Poor's (S&P) lowered Turkish Airlines' Enhanced Equipment Trust Certificates (EETCs) Rating, which was issued in 2015, to B from B+ to reflect the methodology change.

Spin-Off of THY Hava Kargo Taşımacılığı Anonim Şirketi-I

Disclosure regarding partial division of THY Hava Kargo Taşımacılığı Anonim Şirketi, decided by the Board of Directors, dated 21.05.2021, was disclosed in the Public Disclosure Platform. Detailed information is available on our Investor Relations Web Site.

S&P Credit Rating Update-I

International Credit Agency Standart & Poor's (S&P) lowered Turkish Airlines' Enhanced Equipment Trust Certificates (EETCs), which have been issued in 2015, to B+ from BB- to reflect the lower valuation on the B777-300ER aircraft as a result of the pandemic.

Fitch Credit Rating Update

International credit rating agency Fitch Ratings published the credit rating of our Incorporation as B with negative outlook. Fitch also identified Turkish Airlines' USD-denominated Enhanced Equipment Trust Certificate (EETC), which has been issued in 2015 as BB.

Management Change-I

The Incorporation has decided to appoint Captain Pilot Baran GÜLBARAN, SVP, Flight Training as Chief Flight Operations Officer.

Amendment for Boeing Fleet Plan

Previously, in order to insure the need for narrow body aircraft, the Incorporation decided to purchase a total of 75 B737 MAX aircraft from the Boeing Company at the date of 09.04.2013. In view of the current situation with

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

the effects of the Coronavirus (Covid-19) global pandemic on the aviation industry, the Incorporation reviewed its fleet plan and came to an agreement with Boeing as a result of the negotiations between the two parties. According to this agreement, 10 of the 75 B737 Max aircraft will be cancelled and 40 aircraft will be converted into options until December 21, 2021, on or prior to which, the Incorporation will decide whether or not it will exercise the options. At the same time, the delivery dates of currently undelivered 13 B737 MAX aircraft, have been rescheduled in line with the operational and financial capacity of our Incorporation.

The Ordinary General Assembly Meeting

The Ordinary General Assembly of our Incorporation was held on Friday, March 26, 2021 at 14:00 at the General Management Building located at Yeşilköy Mahallesi, Havaalanı Cad. No.3/1 Bakırköy/İstanbul. The General Assembly Minutes of the Meeting and List of Attendants are available on our Investor Relations Web Site.

Appointment of the Board Members

At the Ordinary General Assembly Meeting, member of the Board of Directors have been selected and submitted to the approval of the General Assembly.

Appointment of Committees

Independent Board Member Mr. Mehmet Muzaffer Akpınar has been assigned as the Chairman and Mr. Melih Şükrü Ecertas as the Member of the Audit Committee;

Independent Board Member Ms. Fatmanur Altun as the Committee Chairman, Board Members Mr. Mithat Görkem Aksoy and Mr. Orhan Birdal and Investor Relations Manager Mr. Kadir Coşkun, in compliance with the Capital Market Board's Communiqué on Corporate Governance (II-17.1), as the members of the Corporate Governance Committee;

Independent Board Member Mr. Melih Şükrü Ecertas as the Chairman and Mr. Mehmet Muzaffer Akpınar, as the Member of the Early Identification of Risks Committee;

Chairman of the Board Mr. Mehmet İlker Aycı as the Chairman of the Executive Committee, Deputy Chairman of the Board Mr. Mecit Eş as the Deputy Chairman of the Executive Committee, Mr. Murat Şeker, Mr. Mehmet Muzaffer Akpınar and Mr. Mithat Görkem Aksoy as the Member of the Executive Committee.

Dividend Payment

The Profit Distribution Table regarding FY2020 was disclosed in Public Disclosure Platform and submitted to the approval of the General Assembly. The table is available on our Investor Relations Web Site.

Registration of Ordinary General Assembly's Resolutions

Resolutions of Ordinary General Assembly of our Incorporation, which was held on March 26, 2021 was registered by Istanbul Trade Registry Office on April 5, 2021.

AnadoluJet International Flight Plan to/from Antalya, Bodrum and Dalaman

AnadoluJet, successful brand of our Incorporation, planned to increase its international flights in the summer of 2021 with its new strategy to contribute to the tourism of the country. In this context; it has been decided to operate 102 (frequency) flights per week from 19 new destinations in Europe and the Middle East to Antalya, Dalaman and Bodrum with AnadoluJet. This new responsibility taken by our AnadoluJet brand, will position our country as the most preferred tourism center of our region and will provide a significant income contribution to our Incorporation.

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

II. Subsequent Events

New Route Announcement

The Incorporation has decided to start operating scheduled flights, based on market conditions, to Seattle and Detroit in the United States of America. In addition, the Incorporation has started operating scheduled flights to Luanda, capital of Angola.

Wage Adjustment-II

Although the effects of the Covid-19 global pandemic continue, considering the positive development of our Incorporation's operational efficiency, performance and financial indicators compared to 2020; our Board of Directors made a second assessment taking into account the sacrifice and contribution of our employees to the performance of the Incorporation during the pandemic. According to this assessment, effective as of 01.10.2021, it has been decided to increase the work/flight compensations of our cockpit personnel by 25% and the job/severance pay of the other domestic business groups by 20%, based on current wages.

JCR Eurasia Credit Rating

Credit Rating Agency JCR Eurasia, has assigned ratings of Türk Hava Yolları as "AAA (Trk)" on the Long-Term National Rating and "A-1+ (Trk)" on the Short-Term National Rating. The Long-Term International Foreign and Local Currency Ratings are both assigned as "BB", and Short-Term International Foreign and Local Currency Ratings are both assigned as "B". All of the rating outlooks are "Stable".

Spin-Off of THY Hava Kargo Taşımacılığı Anonim Şirketi-II

Our Incorporation submitted its application to the Capital Markets Board for the approval of the Announcement Document as of 12.10.2021, which is pursuant to our partial demerger decision of our Incorporation's Board of Directors taken on 21.05.2021 and 08.10.2021 and published on the Public Disclosure Platform.

Spin-Off of THY Hava Kargo Taşımacılığı Anonim Şirketi-III

Within the scope of our material event disclosure dated 24.05.2021; the partial demerger transaction, which is continuing in the context of our Incorporation's Board of Directors decision dated 21.05.2021 and numbered 128 and the decision dated 08.10.2021 and numbered 228, to divide and transfer the cargo unit of our Incorporation to THY Hava Kargo Taşımacılığı Anonim Şirketi, using the "partial demerger via facilitated procedure transaction through associate model" method, will be executed on the basis of our Incorporation's financial statements dated 30.06.2021, instead of the initially projected financial statements dated 31.12.2020.

8. TRAFFIC RESULTS

January - September 2021 period traffic results are shown below:

	TOTAL		
	2019*	2021	Change (%)
Number of Landing (Passenger Flights)	370,724	228,603	-38.3%
Available Seat Km ('000)	140,620,380	88,159,899	-37.3%
Revenue Passenger Km ('000)	114,513,014	58,819,885	-48.6%
Passenger Load Factor (%)	81.4%	66.7%	-14.7 pt
Passengers Carried	56,416,194	31,069,024	-44.9%
Int-to-Int Transfer Passengers Carried	18,120,824	8,353,920	-53.9%
Cargo and Mail (Tons)	1,117,084	1,397,927	25.1%
Fleet	344	372	8.1%

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

Seat Capacity	67,589	74,538	10.3%
Km Flown ('000)	693,845	500,433	-27.9%
Hours Flown	1,123,985	750,198	-33.3%

	DOMESTIC		
	2019*	2021	Change (%)
Number of Landing (Passenger Flights)	153,027	107,482	-29.8%
Available Seat Km ('000)	17,097,208	12,646,857	-26.0%
Revenue Passenger Km ('000)	14,781,572	9,864,292	-33.3%
Passenger Load Factor (%)	86.5%	78.0%	-8.5 pt
Passengers Carried	23,420,377	14,480,073	-38.2%
Cargo and Mail (Tons)	51,451	40,240	-21.8%
Km Flown ('000)	96,225	74,200	-22.9%

	INTERNATIONAL		
	2019*	2021	Change (%)
Number of Landing (Passenger Flights)	217,697	121,121	-44.4%
Available Seat Km ('000)	123,523,172	75,513,041	-38.9%
Revenue Passenger Km ('000)	99,731,442	48,955,593	-50.9%
Passenger Load Factor (%)	80.7%	64.8%	-15.9 pt
Passengers Carried	32,995,817	16,588,951	-49.7%
Excl. Int-to-Int Transfer Passenger	14,874,993	8,235,031	-44.6%
Cargo and Mail (Tons)	1,065,633	1,357,687	27.4%
Km Flown ('000)	597,620	426,232	-28.7%

* Since flight operations could not be carried out due to restrictions related to pandemic, the comparison is made to the year of 2019.

I. Scheduled Domestic Flights:

During January - September 2021, the Incorporation did not start any operating scheduled flight with TK main brand to new domestic destinations.

II. Scheduled International Flights:

During January - September 2021, the Incorporation have started operating scheduled flights with TK main brand to new international destination indicated below.

Flight Destination	Flight Inaugural Date
Iran – Urmia	11.03.2021
Canada - Vancouver	02.05.2021
USA - Newark	21.05.2021
Kazakhstan-Turkistan	22.05.2021
Uzbekistan-Fergana	08.06.2021
Uzbekistan-Urgench	11.06.2021
Kazakhstan - Aktau	23.07.2021
USA - Dallas	24.09.2021

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

III. Additional, Charter and Hajj-Umrah Flights

During January – September 2021, number of additional, charter and Hajj-Umrah flights and number of passengers carried on these flights are stated on the table below:

	Number of Flights		Number of Passengers
	Domestic	International	
Additional	965	768	159,474
Charter	1,631	3,779	899,524
Hajj-Umrah	-	-	-

IV. AnadoluJet Flights:

Scheduled and Additional Flights	9M'20	9M'21	Change (%)
Revenue Passenger (000)	5,034	9,422	87%
Available Seats*Km (Millions)	5,314	11,740	121%
Passenger Load Factor (%)	74.0%	73.2%	-0.8 pt

- In the first nine months of 2021, AnadoluJet has been pursuing its operations with 12 aircraft (wetlease) from SunExpress and 41 aircraft from TK fleet. (A total number of 53 B737-800). Besides, ten A-320 and one A-321 aircraft joined the fleet in the month of June.
- As of September 2021, 15 aircraft are based in Ankara Esenboğa and 49 in İstanbul Sabiha Gökçen Airport.
- As of September 2021, AnadoluJet flies to a total of 84 destinations compared to a total of 64 destinations as of September 2020. (Esenboğa based 60, Sabiha Gökçen based 61, Antalya based 23 and point to point (cross) flights 23).
- In the first nine months of 2021, Ankara Esenboğa based ASK increased by 66% while Sabiha Gökçen based ASK increased by 121% compared to first half of 2020. Total ASK increased by 121%.
- In the first nine months of 2021, the load factor was 73.2%.

9. FLEET

30.09.2021	Type	Total	Owned	Financial Lease	Opr./Wet Lease	Seat Capacity ('000)	Average Fleet Age	Year End Fleet 2021
Wide Body	A330-200	14	5	5	9	3,7	13,5	13
	A330-300	38		29	9	11,2	7,7	37
	B777-3ER	33		27	6	11,7	7,8	33
	A350-900	5		5		1,6	0,6	5
	B787-9	15		15		4,5	1,6	16
	Total	105	5	76	24	32,7	7,3	104
Narrow Body	B737-900ER	15	62	15		2,4	8,3	15
	B737-9 MAX	4		4		0,7	1,3	5
	B737-800	80		28	29	13,6	11,1	81
	B737-8 MAX	18			18	2,7	2,0	20
	A321 NEO	31			23	5,6	1,4	31
	A319-100	6		1	5	0,8	10,3	6
	A320-200	11		11		1,7	13,4	11
	A321-200	66		22	40	12,0	9,0	65
Cargo	B737-800 WL	12			12	2,3	17,4	12
	Total	243	62	134	47	41,9	8,7	246
	A330-200F	10	1	1	9		7,8	10
	B777F	8			8		2,6	8
	Wet Lease	6					27,4	2
	Total	24	1	17	6	11,0	20	
Grand Total			372	68	227	74,5	8,6	370

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

10. FINANCIAL SITUATION

SUMMARY OF BALANCE SHEET (Mn TRY)

	30 September 2021	31 December 2020
<u>ASSETS</u>		
Current Assets	47,482	30,659
Non-Current Assets	193,653	156,743
Total Assets	241,135	187,402
<u>LIABILITIES</u>		
Total Current Liabilities	62,854	47,379
Total Non-Current Liabilities	120,673	100,512
Total Equity	57,608	39,511
Total Liabilities and Equity	241,135	187,402
Debt to Assets Ratio	0.76	0.79
Equity Ratio	0.24	0.21

SUMMARY OF INCOME STATEMENT (Mn TRY)

	1 Jan. – 30 Sept. 2021	1 Jan. – 30 Sept. 2020
<u>ASSETS</u>		
Sales Revenue	60,518	32,525
Gross Profit	12,672	575
Operating Profit Before Investment Activities	6,828	(2,272)
Profit/Loss Before Tax	6,960	(6,046)
Profit/Loss for the Period	6,232	(5,203)
Earnings Per Share (Kr)	4.52	(3.77)

SUMMARY OF BALANCE SHEET (Mn USD)

	30 September 2021	31 December 2020
<u>ASSETS</u>		
Current Assets	5,350	4,178
Non-Current Assets	21,810	21,352
Total Assets	27,160	25,530
<u>LIABILITIES</u>		
Total Current Liabilities	7,065	6,454
Total Non-Current Liabilities	13,567	13,693
Total Equity	6,528	5,383
Total Liabilities and Equity	27,160	25,530
Debt to Assets Ratio	0.76	0.79
Equity Ratio	0.24	0.21

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

SUMMARY OF INCOME STATEMENT (Mn USD)

	1 Jan. – 30 Sept. 2021	1 Jan. – 30 Sept. 2020
Sales Revenue	7,377	4,962
Gross Profit	1,513	89
Operating Profit/Loss Before Investment Activities	795	(367)
Profit/Loss Before Tax	811	(918)
Profit/Loss for the Period	734	(786)
 Earnings Per Share (USc)	 0.53	 (0.57)
 EBITDAR	 2,502	 1,177
EBITDA	2,273	875
EBIT	988	(351)
 EBITDAR Margin	 33.9%	 23.7%
EBITDA Margin	30.8%	17.6%
EBIT Margin	13.4%	(7.1%)
Operating Profit Margin	10.8%	(7.4%)
Net Profit Margin	9.9%	(15.8%)

11. INVESTMENTS, INCENTIVES AND INVESTMENT POLICIES

By the end of September 2021, the operation has been carried out by 105 double-aisle passenger aircraft, 243 single-aisle passenger aircraft and 24 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%.

As of 30 September 2021 aircraft indicated below were received in the year of 2021:

- Three A350-900
- Six A321-Neo
- Seven B737-8 Max
- Three B737-9 Max

Decree on State Aids for Investments

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

- Increasing production and employment,

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

- 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
- 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:

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	Continued	Tax Reduction %90 / Contribution rate to Investment %50	47,804,667,314.76	0

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

21.01.2018	2017/11133	11.09.2018	Continued	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.

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, Nantes of France, Palermo of Italy, Port Sudan of Sudan, Atyrau of Kazakhstan, Sialkot of Pakistan, Hargeisa of Somalia, Denver, Seattle and Detroit of the United States of America and Cebu City in the Philippines. 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. In the fourth quarter, passenger capacity is expected to reach 75% passenger capacity level of the same period of 2019. 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

This is an English translation of the original Board Activity Report made by Türk Hava Yolları A.O. in Turkish, for information purposes only. In the event of any discrepancy between this translation and the original Turkish report, the original Turkish report shall prevail. Türk Hava Yolları A.O. makes no warranties or representations about the accuracy or completeness of the English translation and assumes no liability for any errors, omissions or inaccuracies that may arise from use of this translation.