



#WEWILLSUCCEEDTOGETHER

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The world aviation industry has experienced the worst period of its history due to the Covid-19 pandemic. Like all other companies in the sector, Turkish Airlines was also affected by this highly negative operating environment. However, we are a flag-carrier airline that is deep-rooted, strong and resilient. We have seen and successfully navigated many crises over the years. As a result, we were able to overcome these latest challenges.

As a close-knit family, we turned to each other first. We formulated and executed targeted strategies from the first day of the Covid-19 crisis. During this difficult time, we look toward the future with hope. We rank among those companies that recorded the lowest revenue loss during the pandemic thanks to our solid balance sheet structure.

As life begins to return to normal, we are ready to take off again. Soon, history will start to look back on this pandemic era. When that time comes, Turkish Airlines will be seen as a company that confidently overcame the crisis in unity and solidarity. We soared the highest in the face of adversity driven by our commitment to excel.



WE ARE OF ONE HEART WITH OUR 61 THOUSAND EMPLOYEES

Unlike most other airlines, we walk hand in hand with our employees saying "We will not leave anyone behind." We took this strong brand to the greatest heights together. We also knew that we would overcome these challenges together by remaining closely knit. Once life returns to normal, this unity will be reflected in our business results as a competitive advantage.

WE TOOK PREVENTATIVE MEASURES THAT WERE RECOGNIZED FOR THEIR EXCELLENCE

For safe and healthy journeys, we have taken a wide range of measures to minimize any risk before, during and after the flight. In the health safety assessment carried out in partnership with APEX and SimpliFlying, Turkish Airlines was deemed worthy of Diamond status – the highest level. Our safe travel experience during the pandemic and hygiene measures were recognized internationally for their excellence.





WE HOSTED CARGO INSTEAD OF PASSENGERS

Prior to the pandemic, Turkish Airlines flew to 319 destinations around the globe – more than any other airline. In 2020, we grounded our aircraft due to the Covid-19 pandemic. However, we broke new ground globally by including 50 of our passenger aircraft in our 25-aircraft cargo fleet. As a result, we boosted our market share the most in cargo transport. We carried 1 out of every 20 shipments worldwide in 2020. Our goal is to grow our cargo business even more and transport 1 out of every 10 shipments globally!

WE BROUGHT MORE THAN FOREIGN CURRENCY TO OUR COUNTRY

While conducting our business operations, we added significant value to Turkey's economy with USD 10 billion in foreign currency. In addition, we reunited Turkish citizens stranded overseas with their home country during the pandemic. On some of our flights, the flight crew outnumbered the passengers we repatriated. We are also transporting vaccines, which require special care while in transit, to our home country.



WE CONTINUE TO INNOVATE

Our domestic R&D and production efforts in civil aviation proceeded to move forward during this pandemic year. Turkish Technic successfully developed Turkey's first domestic and national server and modem, following on its domestically produced aircraft seats and galleys. We are committed to developing more products that differentiate from the competition with innovative features. In the future, we promise to introduce many new features, benefits and superior quality to air passengers.

Message from the Chairman

Turkish Airlines was able to better navigate the highly volatile and uncertain environment during the year and positively differentiate from the competition with its operational and financial results.

Dear Esteemed Shareholders, Customers, Business Partners and Employees,

The Covid-19 outbreak, which emerged in China at the end of 2019 and affected the whole world in 2020, negatively affected the aviation industry as well as all other industries.

This unprecedented crisis demonstrated once again that air transport is one of the vital sectors that keeps the wheels of the global economy turning. The pandemic also forced the aviation industry to face a critical issue: the importance of emergency response time and effective crisis management.

Since the start of the coronavirus pandemic, Turkish Airlines has maintained close contact with national and international aviation and public health authorities. We have implemented every precautionary and preventative measure to ensure the health and safety of our passengers.

In the same period, capacity management, resource management and risk management in the aviation sector were more challenging than ever before. Turkish Airlines was able to better navigate the highly volatile and uncertain environment during the year and positively differentiate from the competition with its operational and financial results. We also expect a faster recovery in the coming year.

Aviation Sector in 2020

The Covid-19 pandemic is widely seen as the biggest global crisis since World War II. The IMF estimates that the pandemic will result in a total loss of USD 22 trillion to the global economy between 2020 and 2025.



173
USD BILLION
Total Government
Aid Received by the
Global Aviation
Sector

1.8 **BILLION**
PASSENGERS
Total Passengers
Served in the
Global Aviation
Sector in 2020

According to September 2020 data of the Air Transport Action Group (ATAG), by the beginning of 2021, the Covid-19 outbreak will cause some 4.8 million people to become unemployed in the aviation industry – about 43% of the sector's pre-pandemic workforce. Together with other sectors related to air transport such as tourism, this figure is expected to climb to 46 million unemployed worldwide.

November 2020 data of the International Air Transport Association (IATA) indicates that total state aid to the global aviation industry has amounted to USD 173 billion.

According to January 2021 data of the International Civil Aviation Organization (ICAO), the Covid-19 pandemic caused a 60% decrease in international air transport compared to the previous year. The pandemic brought the world aviation industry back to 2003 levels, reducing global air passenger numbers from 4.5 billion in 2019 to 1.8 billion in 2020.

We Navigated the Crisis Better Than Our Competitors

The Covid-19 outbreak made its first major impact on the aviation industry in March 2020. One month later, the sector's global capacity supply had plunged 87% year-on-year due to the pandemic. The extreme uncertainty in travel demand has rendered demand forecasting very difficult. Frequently changing tariffs, and therefore pricing, has made revenue management highly challenging for airlines.

Turkish Airlines responded to this uncertainty in 2020 by switching to dynamic planning in passenger operations. As a result, we recorded the lowest decline in passenger numbers among our competitors, carrying about 28 million passengers and registering a 62.4% decrease year-on-year.



M. İlker AYCI
Chairman of the Board and
the Executive Committee

As of the end of 2020, Istanbul Airport made history as the facility serving the highest number of air passengers in Europe, surpassing London Heathrow and Frankfurt Airport.

While our peer airlines posted an average load factor decline of 22 points, Turkish Airlines reported a load factor of 71%, down only 10.6 points. With this performance, we recorded the highest load factor of any airline in the world. For the period January-December 2020, Total Available Seat Km (ASK) was 187.7 billion and Turkish Airlines posted total Available Seat Kilometers (ASK) of 75 billion, down 60.1% compared to a year earlier. Our total passenger landings declined from 507,314 in 2019 to 240,339 in 2020, a decrease of 52.6% year-on-year.

We Differentiated Positively from the Competition

Passenger traffic was greatly reduced due to the Covid-19 pandemic in 2020. As a result, our passenger revenues fell by 66% to USD 3.8 billion compared to a year earlier. Turkish Airlines offset some of the loss in passenger revenue by focusing on exports and cargo.

Cargo revenues jumped by 61% to USD 2.7 billion in 2020. Meanwhile, passenger revenues fell 66%, down to USD 3.8 billion. Total revenue decreased by 49.1% compared to the previous year, and amounted to USD 6.7 billion. In 2020, passenger revenues accounted for 56% of total revenue, while the share of cargo revenues climbed to 40% – an all-time high.

Due to the extremely challenging operational environment, Turkish Airlines recorded an operating loss of USD 255 million in 2020. However, the incorporation differentiated from its competitors with relatively minimal damage during this extraordinary pandemic year. In fact, Turkish Airlines successfully overcame the worst crisis in aviation history by recording the lowest loss among its competitors – without receiving any government assistance.



1.1
USD BILLION
Savings

6.7
USD BILLION
Total Revenue

We Maintained Our Solid Cash Position

Our competitors received billions of euros of state aid during the pandemic and greatly decreased their workforce. In contrast, Turkish Airlines embraced its employees, stating “We will succeed together, without leaving anyone behind,” even when faced with the biggest crisis in aviation history.

By successfully managing its equity, Turkish Airlines reduced its expenses by 43% in 2020 compared to the previous year and posted cost savings of USD 1.1 billion.

Thanks to effectively managing its 2020 cash flow with dynamic capacity management in passenger operations, engaging in successful equity management, recording a higher load factor and reporting a lower loss compared to its competitors, Turkish Airlines exited the year with a cash position closely approximating that of year-end 2019. In short, we achieved success by becoming even closer as a family. This cohesiveness embodies the spirit of Turkish Airlines.

Istanbul Airport Served the Most Passengers in Europe

As of the end of 2020, Istanbul Airport made history by serving the most passengers in Europe, leaving London Heathrow and Frankfurt Airport behind. The primary driver of this vaunted success is Turkish Airlines. Our airline recorded the most flights in the world in 2020. With the launch of the third independent runway in June 2020 at Istanbul Airport as well as the second Air Traffic Control Tower and the second End Around Taxiway, the waiting time for domestic and international lines was significantly reduced.

In May 2020, the Operations Center Facility officially started operating at Istanbul Airport. The SmartIST investment which is the new facility of Turkish Cargo is moving forward. Construction of the first phase of Turkish Technic's Istanbul Airport facilities and the design process of the second phase continued in 2020. In addition to the line maintenance hangars that started operating in 2019, the A Maintenance Hangar and Energy Center buildings were completed in August 2020. Other key facilities, such as the de-icing facility, Energy Center buildings and water tanks, were completed during the year. Construction of the B Region Energy Center (ECB) is currently underway.

Our Flight Network and Fleet during the Pandemic

In 2021, the impact of the Covid-19 pandemic continues to reverberate. Currently, Turkish Airlines cannot operate flights to 72 destinations, where it was active previously, due to country-specific passenger restrictions. However, we still offer our passengers a wide flight network. Turkish Airlines actively operates flights to all its destinations other than those that presently face restrictions.

Prior to the pandemic, Turkish Airlines added Equatorial Guinea's Malabo city to its flight network. As of July 4, 2020, Turkish Airlines also added Tokyo Haneda Airport to its international flight points where the impact of the pandemic has eased and to which the flights have restarted by obtaining the necessary permits since June 10.

At year-end 2020, Turkish Airlines ranked ninth worldwide in terms of fleet size among passenger airlines, with a 363-aircraft fleet. In 2020, we added nine B787-9 aircraft and 11 A321 NEO aircraft to our fleet. At the end of the year, our average fleet age was 8.4 years.

We Turned the Pandemic Crisis into an Opportunity with Our New Companies

At Turkish Airlines, we started a new era by turning the pandemic into an opportunity. We set up a technology company. We decided that Turkish Cargo should operate as a separate entity. We are planning to incorporate AnadoluJet.

We aim to make Turkish Airlines Technology Inc. – established as a 100% Turkish Airlines subsidiary in order to contribute more to the Turkish aviation ecosystem – a global brand in technology.



8.4
AVERAGE
FLEET AGE

During the pandemic, our new company Turkish Airlines Technology Inc. was established as a 100% subsidiary of Turkish Airlines.

We aim to boost the competitive advantage of Turkish Cargo, which currently operates as a Turkish Airlines sub-brand, in the international market. By establishing it as a 100% Turkish Airlines subsidiary, Turkish Cargo will be able to step up its new product development efforts by managing its operations more effectively. This more independent structure will also ensure vertical integration and allow for more cargo-oriented strategies.

Under the Ajet LCC Strategy initiative, which commenced with international consultants in July 2020 under the name “Project Albatros,” in-depth feasibility studies are ongoing in many areas, including IT, Products and Services, Target Market, Fleet Type and Number, Network Structure, HR Strategies, and Financial Modeling. We plan to move on to the implementation phase of the project in 2021. By completing the implementation phase in 2022, we also aim to realize the entity's first flight that same year.

Turkish Airlines is setting up these companies to grow faster and pave the way for future partnerships and acquisitions. We have already received partnership offers during the establishment phase. With these forward-looking efforts, we have turned the pandemic crisis into an opportunity.

Shining Star: Turkish Cargo

Exports are the driving engine of sustainable growth. Turkey's exports have performed above expectations even in the challenging pandemic environment of 2020. The country recorded exports totaling USD 169.5 billion for the year. We are committed to supporting Turkish exports as the flag carrier brand. To this end, we work in conjunction with Turkish Exporters Assembly (TIM). Under our cooperation with TIM, we implemented a major incentive program for Turkish export companies in strategic sectors with our sub-brand Turkish Cargo. In a total of 28 worldwide destinations – spanning from the United States in the west to Hong Kong and Malaysia in the east, India in the south to Norway in the north – we provided 50 thousand tons of additional capacity to exporters with discount rates varying between 10% and 30%. According to December 2020 reports, exports of high value-added products amounting to USD 400 million were recorded under this campaign. This figure corresponds to a 47% growth, well above the projected amount in these relevant export lines. Thanks to this strong performance, we decided to expand the scope of this highly popular promotional campaign and extend it until March 2021 in order to add further value for Turkish exporters.

Turkish Cargo transported advanced technology and high added value products, as well as critically important medications, with high quality standards as demonstrated by its IATA-CEIV Pharma Certification.

In recent years, Turkish Cargo has dazzled with its rapid growth and success in the global air cargo industry. Even during this pandemic year, Turkish Cargo ramped up and demonstrated a performance worthy of Turkey's national flag carrier. Despite the 20% decline in the air cargo market in the first 11 months of 2020, Turkish Cargo boosted the amount of cargo it carried and differentiated positively from its competitors.

Turkish Cargo transported advanced technology and high added value products, as well as critically important medications, with high quality standards as demonstrated by its IATA-CEIV Pharma Certification. In 2020, Turkish Cargo boosted its market share of global medications and pharmaceutical products transport to 7.5%. Cancer medicines were quickly and safely carried in a sterile environment with sensitive cold chain conditions for cancer patients across the world. The flag carrier brand recorded over 50 thousand tons of health care transport during the pandemic year, performing a critically important task around the globe.

Vaccination efforts started by the end of the year, with the approval of Covid-19 vaccines in various countries. Turkish Cargo prepared the necessary infrastructure for these vaccines to be transported without disrupting their cold chains. In September, Turkish Cargo transported the first Covid-19 vaccine that was in the clinical trial phase. The first approved vaccine was transported in November. Turkish Cargo transported vaccines that came to Turkey, as well as all other Covid-19 vaccines produced to date, including Pfizer/BioNTech. Constant communications were conducted with sector companies, international organizations, public health authorities, active and passive temperature controlled container suppliers; any transport improvements deemed



1.5 MILLION TONS
Turkish Cargo carried 1.5 million tons of cargo and mail.

4.7% MARKET SHARE
Turkish Cargo boosted its global market share to 4.7%.

necessary were made immediately. On March 20, 2020, we started to use some of our idle wide body aircraft for growing demand in the cargo market. Turkish Airlines was the first airline to adopt this strategy. Transporting 1.5 million tons of cargo throughout the year, Turkish Cargo increased its global market share to 4.7% despite all the difficulties brought by the pandemic. In 2020, Turkish Cargo carried 1 out of every 20 air cargo transported worldwide. With this performance, Turkish Cargo rose from eighth to sixth place in the world ranking of air cargo traffic. In 2020, we conducted a total of 8,563 flights with freighters; 2,900 of our passenger flights were converted to cargo. In fiscal year 2020, Turkish Cargo increased its cargo unit revenues by 66%. For the year, Turkish Cargo reported a revenue of USD 2.7 billion – an all-time high. Total revenue jumped 61% year-on-year. In the coming year, Turkish Cargo aims to rank among the most active air cargo carriers in vaccine transport.

Turkish Cargo continuously transported medicines, medical supplies, masks, medical equipment, humanitarian aid and food around the world even in this difficult year. In recognition of its efforts, Turkish Cargo was named the "Best Air Cargo Brand – Europe" at the Air Cargo News Awards 2020. In addition, Turkish Cargo won the "Fastest Growing International Cargo Airline of the Year" award at the Air Cargo Excellence Awards organized by STAT Times magazine.

We Made History With Our Patriotism
During the first months of the pandemic, airline transport came to a complete stop. As Turkey's national flag carrier, Turkish Airlines made a major sacrifice for its citizens who encountered difficulty returning to Turkey from abroad. After more than 1,000 special flights and with the extraordinary dedication of our flight

crews, we brought nearly 140 thousand citizens from 60 countries back to Turkey and reunited them with their families. The successful completion of an evacuation operation of that size, scope and under pandemic conditions was historic. This effort was also a demonstration of the patriotic duty and exceptional sense of mission of the Turkish Airlines family. I would like to thank our heroic colleagues once again, who played perhaps one of the most vital roles after our healthcare professionals during this deadly pandemic.

The Health and Safety of Our Guests Is Our Top Priority

Our understanding of safe travel and hygiene has well exceeded world standards in our flights that have resumed since June. We deliver our guests to their loved ones with the usual Turkish Airlines quality. Our efforts to ensure the highest hygienic and safety standards for our passengers were awarded Diamond status – the highest level – in the assessment performed by the Airlines Passenger Experience Association (APEX) and SimpliFlying, a leading aviation marketing and consulting firm.

Despite all the challenges brought about by the pandemic, we have resumed our flights by taking all precautionary measures for the health and safety of our guests as of the second half of 2020. Our flight destinations and frequency have gradually increased over time. We closed the year as the most flying network airline in Europe according to 2020 Eurocontrol data. In addition, Turkish Airlines ranked among the top five airlines flying across the world. In 2020, another development made us very happy: We were presented with the "5 Star Global Airline" award from the Airlines Passenger Experience Association (APEX) for the fourth time. This prestigious award reflects our determination to provide our guests with the Turkish Airlines flight experience regardless of the challenges and conditions.

Our 2021 Plans with Our New Generation Aircraft

At Turkish Airlines, we plan to play a major role in vaccine transport in 2021. We also aim to recover on the tourism side.



Turkish Airlines was awarded Diamond status – the highest level in the health and safety category – in the assessment performed by SimpliFlying.

For the fourth time, Turkish Airlines was presented with the "5 Star Global Airline" award by the Airlines Passenger Experience Association (APEX).

Depending on the developments in the market, Turkish Airlines targets producing more than 70% of the 2019 ASK in 2021. We aim to produce up to 83% in the period when demand and revenue are highest, after June. In some markets where rapid recovery is expected such as the US, we plan to maintain and even bolster our market position with capacity planning approximating that of 2019. We aim to produce about 93% of our 2019 production on many US routes with intensive use of new generation wide bodies. By summer of 2021, Turkish Airlines will have five A350 aircraft in its fleet. We plan to use these aircraft on long-haul routes such as Manila, Jakarta and Sao Paulo. In addition, we aim to utilize our B787, A350 and A321NEO aircraft intensively to reduce the costs of the routes, thereby boosting product quality and revenue. With this approach, Turkish Airlines can increase the flight frequency on many routes. In 2021, daily use of B787 aircraft in the fleet during the summer peak season reaches 17:10 hours. Similarly, daily use of A350 aircraft in the peak period reaches 16:40 hours. We plan to achieve similar levels with 2019 wide body utilization in the peak season of summer tariff with efficient use of our aircraft. With the addition of new generation wide body aircraft to the fleet and more intensive use of full flat A330 aircraft in short haul routes, Turkish Airlines aims to increase product quality at airports where demand is high.

In 2021, we plan to add new destinations to our flight network, depending on the status of permits issued by countries during the year and developments in the market. Efforts are ongoing to add Newark, Vancouver, Osaka, Aktau, Atyrau, and Sialkot to our flight network, pursuant to prior planning. Market analyses for Turkestan, Fergana and Urgench destinations are currently underway.

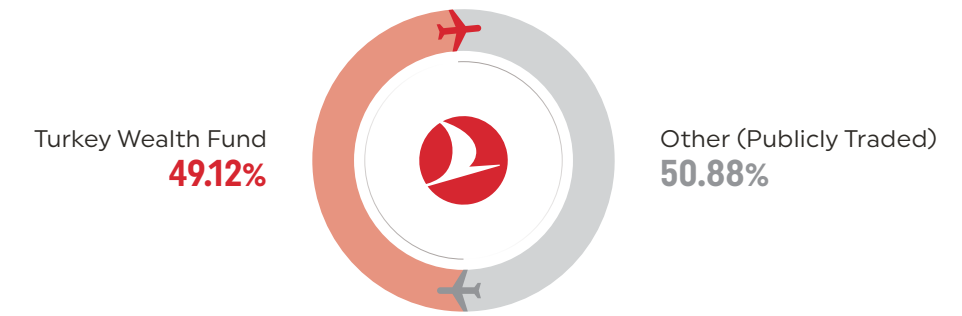
The self-sacrifice, commitment and strong sense of belonging of all our employees – from pilots to cabin crew, technicians to ground handling staff – were key to our positive differentiation during the pandemic. For this reason, I would like to express my gratitude to all of our valued employees.

I would like to thank our esteemed shareholders, customers and business partners for the trust they placed in Turkish Airlines this highly challenging year. It is our hope that we recover even faster in 2021.

Turkish Airlines At A Glance

Bolstering its global brand identity to become a leader in the world aviation sector with its top-caliber, experienced staff and Group companies, Turkish Airlines has 18 subsidiaries and affiliates.

TURKISH AIRLINES SHAREHOLDING STRUCTURE



Established in 1933, Turkish Airlines' main fields of activity are all types of domestic and international passenger and cargo air transportation. Of the Incorporation shares, 50.88% are publicly traded, 49.12% are owned by Turkey Wealth Fund, and one C Class share is Owned by Republic of Turkey Ministry of Treasury and Finance Privatization Administration. The paid-in capital of the Incorporation is TL 1.38 billion. The Incorporation owns six subsidiaries and 12 joint ventures, adding up to 18 in total.

As the airline flying to the most countries and international destinations in the world, Turkish Airlines flies to a total of 324 destinations as of the end of 2020, of which 52 are domestic and 272 are international. Turkish Airlines increased the number of aircraft in its fleet by 8.7% in the last 5 years to 363 by the end of 2020, of which 338 are passenger aircraft including 104 wide-body and 234 narrow-body and 25 are freighters.

In 2020, Turkish Airlines realized 28 million passengers with a 62.4% decrease compared to the previous year. The number of passengers decreased by 54.6% on domestic lines and 67.8% on international lines. While the landing number of passenger aircraft was 209,581 with a decrease of 57.0%; cargo and mail transported decreased by 3.6% to 1,487,233 tons.



6
SUBSIDIARY
COMPANIES

12
JOINT-
VENTURE
COMPANIES



Financial Analysis

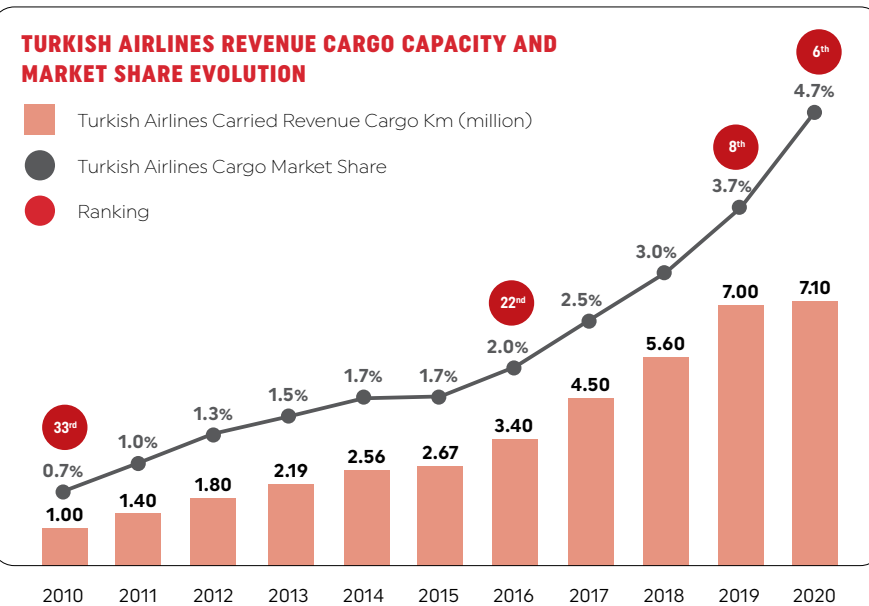
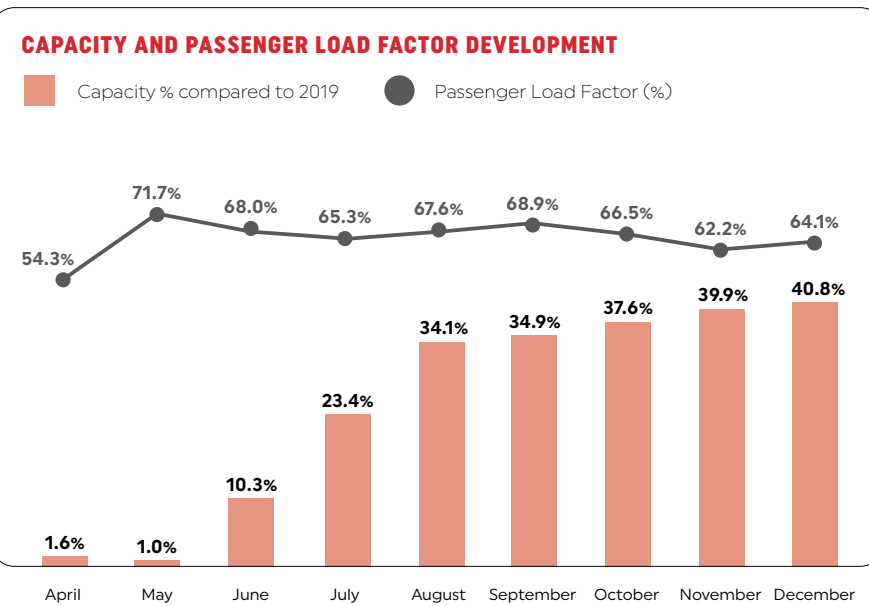
In the pandemic year of 2020, Turkish Airlines increased cargo revenues by 61.3%, despite a 66% decline in passenger revenues.

A NEW CHALLENGE: COVID-19

The Covid-19 outbreak quickly turned into a global pandemic in 2020 and negatively affected all aspects of the economy, especially the aviation sector. The pandemic was a new unforeseen challenge for Turkish Airlines. A review of 2020 financial results shows that Turkish Airlines successfully navigated this highly challenging environment.

Due to the pandemic, Turkish Airlines gradually stopped all passenger flights, first on international routes at the end of March and then on domestic routes at the beginning of April. Only cargo flights and evacuation flights at certain intervals were conducted in April-May. During this period, a part of the passenger revenue loss was offset by the increase in revenue on the cargo operations side.

Turkish Airlines restarted domestic flights on June 4 and international flights on June 10 to some regions where the pandemic's impact had subsided and required flight permits were obtained, at low frequencies. However, passenger numbers were at unprecedented low levels, especially on international flights. A partial improvement was achieved on the capacity side in the summer period, however as a result of countries reimposing strict measures due to increasing Covid-19 cases in the winter season, capacity remained below expected levels.

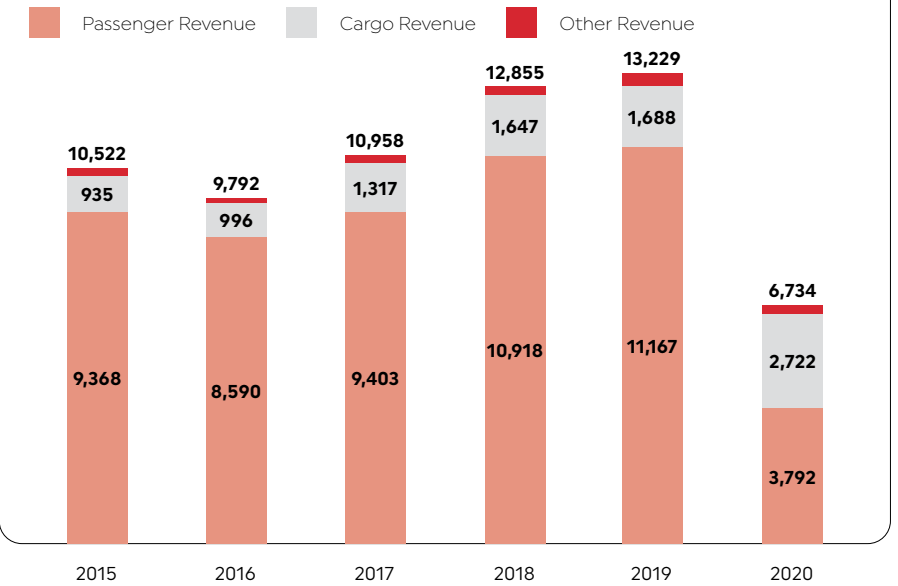


As of year-end 2020, Istanbul Airport made history by serving the most passengers in Europe, leaving London Heathrow and Frankfurt Airport behind. The primary driver of this vaunted success is Turkish Airlines which served to the more destinations than its competitors in the world in 2020. Thanks to reduced fuel costs coupled with effective capacity and cost management efforts, Turkish Airlines achieved 2018 level profitability which was approximating a financially successful year on its operating passenger flights.

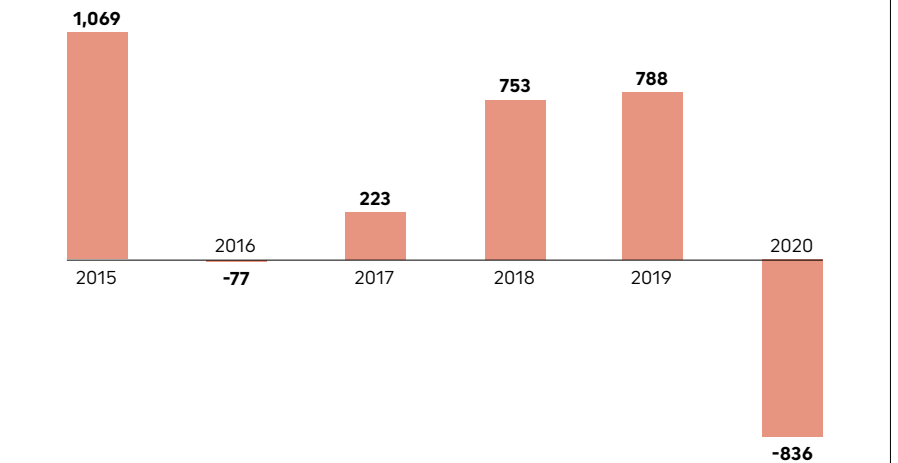
In 2020, capacity decreased to 75 billion ASK, down 60% compared to the previous year due to the cessation of flights especially in the second quarter resulting from pandemic hit hard. The number of passengers carried declined 62% to 28 million. International passengers carried fell 68% while domestic passengers carried was down 55%. In 2020, the total passenger load factor came in at 71%, down 10.6 points year-on-year. The international passenger load factor declined 9.7 points to 70%, while the domestic passenger load factor dropped 7.7 points to 76.1%.

Due to extreme operational difficulties in 2020, Turkish Airlines recorded a real operating loss of USD 255 million for the year. Net income after tax decreased 206% year-on-year, posting a loss of USD 836 million. Passenger revenues declined 66% to USD 3.8 billion compared to the previous year. Meanwhile, cargo revenues jumped 61.3% to USD 2.7 billion. Total revenue decreased by 49.1% compared to the prior year and amounted to USD 6.7 billion. Passenger revenues in 2020 accounted for 56% of the total revenue. The share of cargo revenues in total revenue climbed to 40% – a record high. With this overall performance in 2020, Turkish Airlines differentiated positively from its competitors with relatively minimal damage during the very challenging pandemic year. An even faster recovery is expected in the following period.

REVENUE DISTRIBUTION BY CATEGORIES (USD MILLION)



NET PROFIT (USD MILLION)



CARGO POSTED RECORD INCREASE DURING THE PANDEMIC

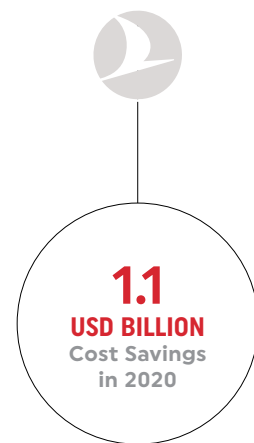
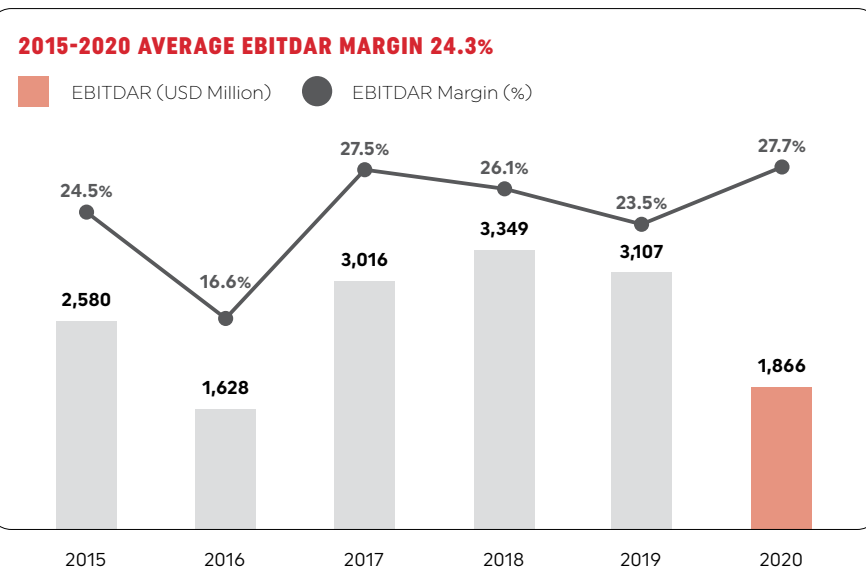
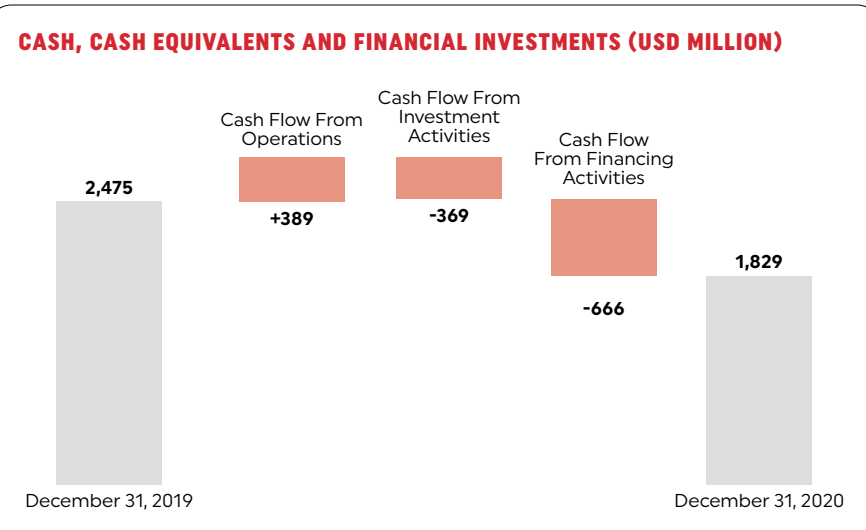
Turkish Cargo registered the biggest breakthrough during the pandemic year of 2020. Some of the idle wide body aircraft in the fleet were used for cargo transport to meet growing demand in the cargo market. Turkish Airlines was one of the first carriers to adopt this strategy. Turkish Cargo played a key role in reducing the impact of the pandemic with the transport of more than 50 thousand tons of medications and medical supplies in 2020. During this reporting year, cargo unit revenues rose by 66%. All-time high revenue of USD 2.7 billion was posted for the year driven by cargo revenue growth of 61%.

Financial Analysis

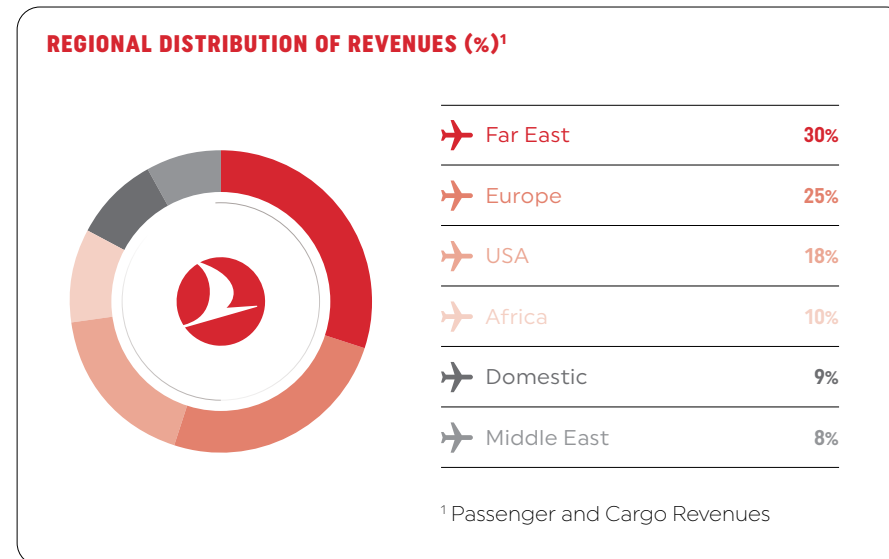
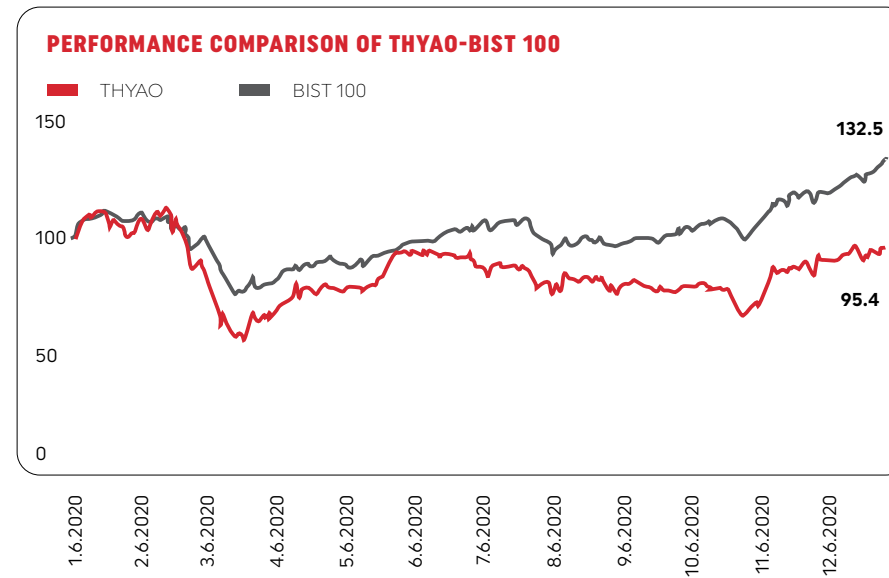
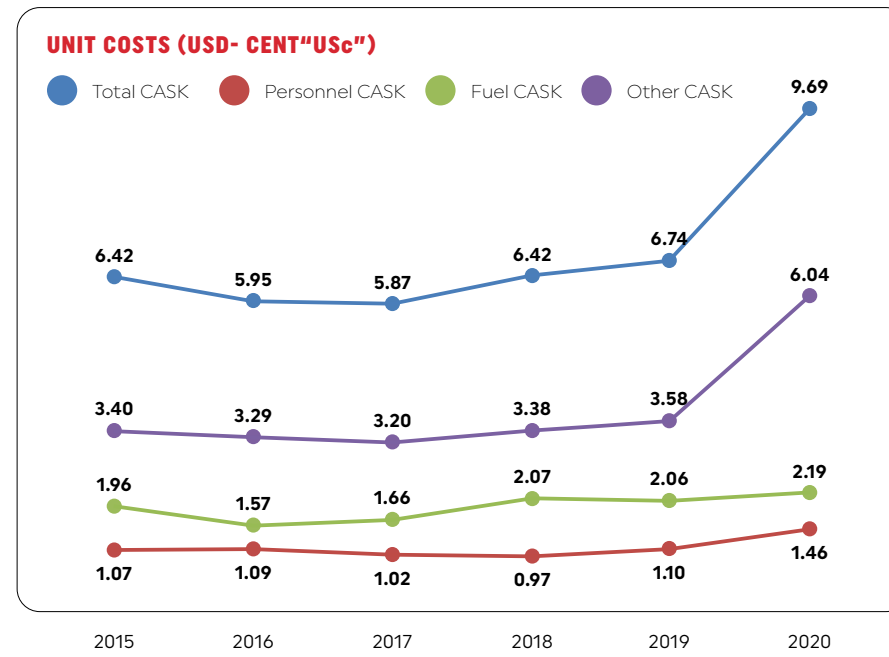
In terms of carried revenue cargo ton km, Turkish Cargo's market share rose from just 1% in 2011 to 4.7% in 2020 – ranking 6th worldwide this year. Part of the loss in passenger operations was compensated with high contribution from cargo operations.

SUSTAINABLE CASH GENERATION

During the year, foreign airlines received extensive government support and greatly reduced their workforce numbers. However, Turkish Airlines successfully navigated the crisis with its own internal resources. After adopting a short time working allowance and reaching an agreement with the labor union in September, around USD 800 million was saved in personnel expenses. Additional savings of USD 100 million was recorded by reducing planned advertising and marketing activities. Thanks to simplifying the inflight catering, negotiating with suppliers, and receiving discounts for airport payments, Turkish Airlines saved about USD 100 million more. Along with cost savings of USD 100 million in other fixed and operational expenses, Turkish Airlines recorded total cost savings of approximately USD 1.1 billion this year. In addition, about USD 300 million was cut in non-aircraft investment spending. As a result of aircraft cancellations and postponements, the financial need for the period 2021-2023 was reduced around USD 7 billion which boosted short-term cash management planning. Due to flight cancellations from pandemic restrictions, Turkish Airlines paid around USD 1 billion in ticket refunds. Thanks to the above-referenced cost cutting and cash preservation measures, Turkish Airlines ended fiscal year 2020 at nearly the same cash position as the prior year. During the year, Cash was generated by dynamic capacity management in passenger operations, higher load factor compared to competitors and a positive contribution margin.



In 2020, EBITDAR – a key indicator of cash generation potential – declined 40% year-on-year to USD 1.9 billion. Turkish Airlines recorded an EBITDAR margin of 27.7%. Even in a year when operations were reduced due to the pandemic and EBITDAR fell significantly, Turkish Airlines outperformed the aviation sector in terms of profitability. As always, Turkish Airlines continues to utilize its internal resources and potential in the most effective and productive way in order to finance its future investments and for a sustainable growth.



THYAO: SECOND HIGHEST TRADING VOLUME

Since 1990, Turkish Airlines shares have traded on Borsa Istanbul under the code of THYAO. The percentage of publicly traded shares of the Incorporation rose to 50.88% after secondary public offerings in 2004 and 2006. Turkish Airlines regularly figures among the top Turkish stocks of choice for investors. Despite the global pandemic crisis in 2020, the Incorporation's stock registered a trading volume of TL 300 billion on Borsa Istanbul as a second highest trading volume on the exchange. THYAO's trading volume rose 7% year-on-year. Turkish Airlines endured a very difficult year as it was one of the industries most affected by the crisis in 2020 and THYAO's share price underperformed the BIST 100 for the year. Turkish Airlines' stock price declined 11% while the BIST 100 increased 29% year-on-year. Due to the negative developments during the year, Turkish Airlines recorded a market capitalization of TL 17.8 billion at year-end 2020.

DIVERSIFIED REVENUE PORTFOLIO

Turkish Airlines' extensive flight network serves as a natural risk mitigation mechanism. In 2020, the Incorporation especially benefitted from its flight network's diversified revenue streams as cargo revenues were up 61% during the global pandemic. Europe accounts for 25% of the regional passenger and cargo revenue distribution. Turkish Airlines reduced passenger flights for a longer period in the Far East where the global pandemic started. Although this region accounted for a lower share of total revenue compared to the previous year, 30% of total revenues were generated from the Far East thanks to higher cargo revenue in the region. After adding Equatorial Guinea's Malabo city to its flight network prior to the Covid-19 outbreak, Turkish Airlines did not add any new flight routes after the pandemic commenced. Sales originating out of Turkey accounted for 78% of total sales in 2020. This revenue mix provides a significant amount of foreign currency inflow for Turkish Airlines and its home country, especially during the pandemic crisis.

Sectoral Developments and 2021 Expectations

In 2020, the aviation sector's year-end targets and future expectations were revised downward, as the pandemic could not be controlled and anti-pandemic measures and restrictions varied considerably from country to country, increasing uncertainty in passenger demand.

The aviation industry entered 2020 with growth expectations despite the negative trade and political developments from the prior year that had wide-ranging global implications. Shortly after the start of the year, the sector went on to face a crisis unprecedented in its history due to the Covid-19 pandemic.

In 2020, the aviation sector's year-end targets and future expectations were revised downward, as the pandemic could not be controlled and anti-pandemic measures and restrictions varied considerably from country to country, increasing uncertainty in passenger demand.

Restrictive measures to slow the global spread of the coronavirus taken as a result of the first serious outbreak in the industry impact in March forced the world's airlines to significantly reduce their seat capacities. Widespread closure of national borders, travel restrictions, decline in economic activity and business travel - all mainly affected international air traffic. The lowest capacity supply of the year worldwide was recorded in April, with a 87.0% decrease year-on-year.¹

The aviation sector started to recover partially as of June. However, passenger traffic did not reach the expected level due to the additional restrictions imposed in response to the pandemic's second wave in the fourth quarter and emerging variants of the coronavirus.

¹ IATA - Air Passenger Monthly Analysis - April 2020

² IATA - Airline Industry Economic Performance - December 2019 - Report

³ IATA - Air Passenger Market Analysis - December 2020

⁴ IATA - Airline Industry Economic Performance - November 2020 - Report

⁵ FlightGlobal - Flight International - January 2021

⁶ CAPA - Airline Leader Issue 53 - 2020

⁷ Official Airline Guide (OAG): Flight Database & Statistics



Restrictive measures to slow the global spread of the coronavirus also forced the world's airlines to significantly reduce their seat capacities.

65.9%
Passenger
Traffic Decline
Rate

Prior to the pandemic, the aviation industry projected a 4.1% increase in passenger traffic for 2020. Instead, passenger traffic plunged 65.9% year-on-year - the sharpest decrease in aviation history.^{2,3}

While all of the world's airlines were seriously affected by the pandemic, the impacts vary from region to region.

Within Europe, each country has adopted its own set of anti-pandemic policies. This approach has suppressed any potential recovery and created major uncertainties for airlines. The presence of many countries in the region and the implementation of different regulations by each country have negatively affected both regional aviation and traffic from/to the region.

The restrictions and regulations imposed across Europe, aircraft groundings caused by the decrease in domestic traffic and cash reserves led Europe's regional airlines to sustain major financial losses.^{4,5} In addition, government assistance to the aviation sector in Europe during the pandemic did not generally apply to low cost carriers (LCCs). As a result, LCCs in Europe were more negatively impacted than full service carriers (FSC) in the region.⁶

North America, the strongest region in pre-pandemic profitability, is expected to record the biggest loss in 2020. Although, the region has a strong domestic market that constitutes about 50% of its total capacity, the North American domestic market is expected to rebound more quickly than its international market.⁷

During the pandemic, the earlier recovery of the domestic route market than the international market⁸ put the LCCs, that account for about 35% of total capacity in the North American domestic market, forward.⁷ However, full service providers (FSCs) tend to adopt a point-to-point network model and launch new routes to gain share from the highly competitive market. This approach puts pressure on LCCs in the region.⁹ For this reason, some LCCs in North America have turned to alternative market strategies. In addition, in the US, some LCCs (like FSCs) also benefited from government support.¹⁰

The aviation sector in the African region, already struggling with the acute financial problems, inadequate infrastructure and security issues has had an extremely difficult year with the addition of the pandemic. With the addition of the pandemic, the region has had an extremely difficult year. The current challenges has further squeezed the region's airlines; bankruptcies among African carriers are widely expected.¹¹

In addition to the lack of capacity increase in 2019, as well as the contraction experienced in 2020 due to the pandemic process, the recovery of major airlines in the Middle East region is expected to be relatively slow due to the lack of domestic traffic and their dependence on international traffic.¹¹

Central and South American airlines were faced with major financial difficulties prior to the pandemic. The region's carriers were forced to operate in very challenging economic and operational conditions with the impact of the pandemic. Some regional airlines are currently at the brink of bankruptcy, while others have had to file a bankruptcy declaration.

Government support for airlines in Africa, Central and South America and the Middle East has remained limited.

⁴ IATA - Airline Industry Economic Performance - November 2020 - Report

⁵ CAPA - Airline Leader Issue 53 - 2020

⁶ Official Airline Guide (OAG): Flight Database & Statistics

⁷ IATA - COVID-19 Most air travel markets remain weak

⁸ IATA - COVID-19 Challenging outlook for airlines, despite vaccine progress

⁹ IATA - Chart of the Week: Near-term outlook remains challenging despite vaccine progress

¹⁰ ATW - Air Transport World - December 2020/January 2021

¹¹ Aviation Benefits Beyond Borders



During the pandemic, low cost carriers (LCCs) have gained further importance thanks to the narrow body aircraft used predominantly in their fleets and the rapid recovery in short haul flights.

Although Asia-Pacific was badly affected by the pandemic, airline financial performance is expected to recover the fastest in this key region.

For airlines, demand forecasting became extremely challenging in a period when uncertainty in travel demand was at its peak.

Asia-Pacific was the first region to be exposed to the pandemic. However, the upward momentum in major domestic markets such as China and India, and the strong recovery signals of the Chinese economy give a major boost to the region's aviation sector. The Asia-Pacific region, home to major manufacturing and production centers, is expected to benefit significantly from cargo traffic in reducing the impact of the pandemic.¹¹

In recent years, low cost carriers have rapidly increased their market share in Asia-Pacific. During the pandemic, LCCs have gained further importance in the region thanks to the narrow body aircraft used predominantly in their fleets and the rapid recovery in short haul flights. In addition, many airlines focus more on low-cost services and opt for narrow body aircraft rather than wide bodies.¹¹ Other players are likely to emerge in the Asia-Pacific LCC market to fill the gap created by airlines that cannot match capacity with demand and are left behind in this race.¹¹ However, LCCs in the region generally did not receive the same level of government support as government-sponsored FSCs. Still, some LCCs were able to access government assistance via their main brand airlines.⁶ Although Asia-Pacific was badly affected by the pandemic, airline financial performance is expected to recover the fastest in this key region.^{4,12}

For airlines, demand forecasting became extremely challenging in a period when uncertainty in travel demand was at its peak. Airlines have formulated new strategies to deal with the uncertain environment. Airlines that reduced their capacity at the beginning of the outbreak tried to survive by keeping their flight schedules, operations and cost structures in balance. Those airlines which announced their flight schedules 6-11 months in advance in the pre-pandemic period had to make weekly changes in their flight schedules during this turbulent year.⁶

The frequently changing schedules and fare have made it very difficult for airlines to manage their revenues. In response, airlines have turned to dynamic planning in their operations. Narrow-body aircraft, which provide greater flexibility in airline flight networks, have become a major strategic advantage with the signs of recovery starting in domestic routes and short haul flights.

In the months of heightened restrictions, two-thirds of aircraft worldwide were parked. In addition, the utilization of the aircraft in operation was realized at much lower levels.⁶ Wide-bodied and operationally inefficient aircraft, such as the B747 and A380, were retired earlier than expected, with airlines focusing on short and medium-haul routes. Some airlines revised their aircraft delivery plans in consultation with manufacturers. In addition, certain airlines performed sale&leaseback strategy and re-included them in their fleets via leasing to generate cash inflow.

Despite the various measures taken, the balance sheets of airlines of varying sizes in different regions of the world weakened during the year. Some carriers even filed for bankruptcy protection.¹³ Since the beginning of the year, certain airlines have completely suspended or ceased their operations.⁶

According to IATA, the global aviation industry carried an already high pre-pandemic debt load totaling USD 430 billion. The total debt of airlines – after receiving cash support from governments, banks and capital markets in the form of credit and loan guarantees – still increased more than 50% during the pandemic. The total debt burden of the world aviation sector had climbed to USD 651 billion as of end-November.¹⁴



Narrow-body aircraft, which provide greater flexibility in airline flight networks, have become a major strategic advantage with the signs of recovery starting in domestic routes and short haul flights.

Some governments have provided vital non-repayable assistance – such as salary subsidies to prevent employee redundancies and bailouts.

Some governments have provided vital non-repayable assistance – such as salary subsidies to prevent employee redundancies and bailouts.¹⁵ After government sponsored salary subsidies were exhausted, some airlines imposed layoffs or forced unpaid leave. In 2020, the number of airline personnel is expected to decline from 2.89 million to 1.87 million, a 35.5% decrease compared to a year earlier.¹⁶

In the first two months of 2020, total passenger flights grew by 5.8% year-on-year. Due to the pandemic, total passenger flights decreased by 34.6% for the full year 2020.¹⁶ Scheduled passengers carried declined by 60.5% to 1.8 billion, retreating to 2003 levels.¹⁶ Passenger numbers decreased by 74.0% on international flights and 50.0% on domestic routes. The load factor decreased by 17 points to 65.5%.¹⁶

According to IATA, the aviation industry contracted by 60.9% in 2020, losing out on USD 510 billion in revenue. The sector's decade-long stretch of profitability ended abruptly with the pandemic. In 2020, the global aviation industry reported total losses of USD 118.5 billion. This loss wiped out the sector's total profit of the last four years.¹⁶

With the proliferation of vaccines and the joint measures, the world aviation industry is expected to record USD 459 billion in revenue in 2021 – just 54.8% of the historic peak reached in 2019. The sector-wide loss is projected at USD 38.7 billion.¹⁶ Nevertheless, as developing countries may have limited access to vaccines in the year ahead. Vaccination measures implemented by governments will be decisive in their passenger traffic with developed countries.



Unit revenues are expected to remain flat in 2021. On the other hand unit expenses, excluding fuel – which rose 13.7% in 2020 to a recent year high at effective management of cash flow that was one of the biggest challenges for the industry in 2020 – are expected to decrease by 15.0% again in the coming year. As a result, 2021 is projected as the start of financial recovery for the aviation sector.¹⁷

According to IATA forecasts, the aviation industry will continue to seek assistance and support from markets, banks and governments in the coming year. Airlines will aim to ensure the balance of income-expenditure throughout the year, depending on their cash burn rate in the first half of 2021. Airlines that need more flexibility in their cost structure and do not receive sufficient financial support will gravitate toward consolidation opportunities in the industry.

The tourism industry, which is closely intertwined with the aviation sector, was also affected by this trend. Prior to the pandemic, 59% of international tourists worldwide traveled by air. In 2020, the number of international tourists decreased by 74% to 381 million – falling back to the level of 30 years ago. According to UNWTO, a recovery in international tourism is forecast in 2021, though mostly in the third quarter. UNWTO estimates that 2019 level figures will be reached in the following years.¹⁸

In 2021, the number of scheduled passengers is projected to increase by more than 1 billion to total 2.8 billion. Passenger traffic is forecast to rise by 50.4% with capacity up by an estimated 35.5%. As a result of balanced capacity utilization, the sector-wide load factor is expected to reach 72.7% in the coming year.^{16,17,19}

⁶ CAPA - Airline Leader Issue 53 - 2020

¹³ Forbes - How Airlines Are Rewriting The Recession Playbook To Deal With Covid-19's Stop-And-Start Recovery?

¹⁴ IATA - Airline Industry Economic Performance - November 2020 - Presentation

¹⁵ WorldACD - 2020 in perspective: How the pandemic changed the air cargo business?

¹⁶ IATA - Airline Industry Economic Performance - November 2020 - Data Tables

¹⁶ IATA - Airline Industry Economic Performance - November 2020 - Data Tables

¹⁷ Boeing - World Air Cargo Forecast: 2020-2039

¹⁸ United Nations: World Tourism Organization - UNWTO

¹⁹ WorldACD - 2020 in perspective: How the pandemic changed the air cargo business?

2020 CARGO SECTOR OUTLOOK AND DEVELOPMENT

2020 saw the dynamics of the economy, the workplace and social life was fundamentally altered due to the pandemic. The decline in commercial activity in particular had a negative impact on the air cargo industry.

Airlines stopped most of their flights since March due to the Covid-19 pandemic. This stoppage adversely affected air cargo and accordingly the global supply chain. In 2020, air cargo capacity (ACTK) decreased by 23.3% year-on-year with the effect of decline in world trade, estimated to be down 9.2% for the year.^{16,20} The overall decline in air cargo mainly originated from the belly cargo capacity lost due to grounded passenger aircraft. Belly cargo capacity, about 54.0% of total air cargo capacity before the pandemic, decreased by 51.0% during the year. On the other hand, cargo aircraft capacity expanded by 6.0% in 2020.¹⁵

Despite the severe contraction in global economic activity, changes in consumer behavior during the pandemic gave a further boost to e-commerce activities which has been increasing recently. In addition to the rise in e-commerce since the start of the pandemic, the growing need to transport personal protective equipment, healthcare supplies and other important components of the supply chain limited the decline in air cargo demand (CTK) to 10.6% in 2020. The cargo load factor went up by 7.7 points during the year.



In 2021, air cargo revenues are expected to increase by 18.8% to USD 139.8 billion.

The global distribution of Covid-19 vaccines at the start of 2021 creates a significant new demand area for air cargo.

The pandemic greatly altered some balances for airlines. Air carriers tried to adopt new strategies with flexibility in order to navigate the crisis in the most effective way. Passenger revenues fell and cargo revenues rose during the year. As a result, air cargo revenues accounted for a larger share of total aviation revenues, climbing from 12.4% in 2019 to 35.9% in 2020. Total air cargo revenues amounted to USD 117.7 billion for the year. The 30% rise in cargo unit revenue created new opportunities in the cargo market for airlines struggling to offset a bigger downturn on the passenger side. Airlines turned to operating cargo flights with passenger aircraft. This approach allowed airlines to meet rising demand by increasing their cargo capacity, balance their profitability, and expand their share in the cargo market.¹⁷ Since March 2020, 96 of the 155 aircraft that were used to transport cargo in the cabin by removing passenger seats are still in use as of December.²¹

Vaccination efforts affect the cargo sector directly and indirectly. The global distribution of Covid-19 vaccines from the beginning of 2021 creates a new demand area for air cargo. Mass vaccinations also serve as a catalyst to stimulate economies that are gradually recovering following lockdown periods. Forecasts project that the world economy will expand by 4.9% in 2021. Trade volume is expected to demonstrate 7.2% growth in the coming year. Coupled with expansionary monetary policies in most countries globally, these macroeconomic factors will directly affect the air cargo sector.¹⁶

With an expected recovery in passenger and cargo traffic, global cargo capacity is projected to expand by 13.1% with cargo unit revenues up by an estimated 5.0% in 2021. In parallel, air cargo revenues are forecast to jump by 18.8% to USD 139.8 billion in the coming year.¹⁶

¹⁵ WorldACD - 2020 in perspective: How the pandemic changed the air cargo business?
¹⁶ IATA - Airline Industry Economic Performance - November 2020 - Data Tables
¹⁷ Boeing - World Air Cargo Forecast: 2020-2039
²⁰ IATA - Air Cargo Market Analysis December 2020
²¹ Cirium - Airline Insights Review: 2020



THE WORLD'S HEALTH IS IN THE SAFE HANDS OF TURKISH CARGO

AS THE CARGO AIRLINE THAT FLIES TO MORE COUNTRIES THAN ANY OTHER, WE CARRY ALL YOUR HEALTH AND WELLNESS NEEDS, FROM PHARMACEUTICALS TO MEDICAL SUPPLIES WITHOUT EVER INTERRUPTING THE TEMPERATURE-CONTROLLED COLD CHAIN.



TURKISH CARGO

Board of Directors



MEHMET İLKER AYÇI
Turkish Airlines Chairman of the Board and the Executive Committee

M. İlker Ayçi, born in Istanbul in 1971, is 1994 alumni of Bilkent University's Department of Political Science and Public Administration. After completing a research stay on political science at the Leeds University in the U.K. in 1995, Mr. Ayçi completed International Relations Master's program at the Marmara University in Istanbul in 1997.

In his professional career which started in 1994, Mr. Ayçi held a variety of positions at Kurtsan Medicine, Universal International Trade, and the Metropolitan Municipality of Istanbul, where, as an advisor to the then Mayor of Istanbul, H.E. Recep Tayyip Erdoğan, he took part in a number of development projects realized in Turkey's largest city. In the insurance sector, Mr. Ayçi became the General Manager of Başak Sigorta in 2005. After the company's successful privatization, Mr. Ayçi took over the management of Güneş Sigorta, one of the largest insurance companies in Turkey, in 2006. As the General Manager until 2011, he considerably increased both the value and size of the company.

In 2011, Mr. Ayçi became the President of the Investment Support and Promotion Agency of Turkey, the only official national body to promote Turkey's investment environment globally and to assist international investors in their investment projects. Between 2013 and 2015, Mr. Ayçi also held first the Vice Presidency and then, the Presidency of the World Association of Investment Promotion Agencies (WAIPA), the umbrella organization of over 170 investment promotion agencies from 130 countries.

Since 2015, Mr. Ayçi is the Chairman of the Board of Directors and of the Executive Committee of Turkish Airlines. Currently, Mr. Ayçi is also the Chairman of the Service Exporters' Association of Turkey and serves as a board and audit committee member of the Turkish Football Federation, the chair of the board of Turkish Airlines Sports Club. Mr. Ayçi is also the Turkish Airlines representative of the Turkey-U.S.A., Turkey-Brazil and Turkey-U.K. Business Councils, as well as an Executive Board member of the Turkey-U.S.A. and Turkey-U.K. Business Councils under the Foreign Economic Relations Board of Turkey (DEİK). Previously, Mr. Ayçi held positions at different capacities in several organizations including the Insurance Association of Turkey, Turkey-Canada and Turkey-China Business Councils, Vakıf Emeklilik, and Güneş Sigorta Sports Club. Mr. Ayçi speaks English and Russian.



PROF. DR. MECİT EŞ
Deputy Chairman of the Board and the Executive Committee

Prof. Dr. Mecit Eş was born in Samsun in 1953 and received his undergraduate degree from Istanbul University, School of Economics in 1974. After working in the public sector, he continued his academic career and received his Ph.D. in 1985. Dr. Mecit Eş became Associate Professor in 1990 and Professor in 1996. Having worked in the Faculty of Economics and Administrative Sciences at Dumlupınar University in the field of Public Finance between 1992 and 2012, Dr. Eş has since been Professor of the Academy of Commercial Sciences at Istanbul Commerce University. During his career, he has published many books and articles. Dr. Eş is a father of three children.



ARDA ERMUT
Member of the Board and the Executive Committee

Born in 1980 in Karaman, Mr. Arda Ermut graduated from Boğaziçi University's Department of Politics and International Relations in 2004 and started his professional career in 2005 as a Media and Public Relations Advisor at the Turkish Prime Minister's Office in Istanbul.

He then continued his career at the Turkish Prime Ministry serving in various roles at the Investment Support and Promotion Agency of Turkey (ISPAT), with essential contributions to the establishment of the organization itself. Mr. Ermut started working at ISPAT as an Assistant Project Director in 2007, and served in multiple senior positions before he was appointed the Head of the Public-Private Partnership Department, and then the President of ISPAT in 2015. During the transition period to Turkey's Executive Presidential System, Mr. Ermut took part in positioning the Investment Office under the auspices of the Presidency of the Republic of Turkey. During his tenure as President of ISPAT and now the Investment Office, he has actively taken part in bringing various foreign direct investments into Turkey. Requiring mastership of a wide range of relationships on the sides of both public and private sectors and vertically cutting the investment processes addressing all decision levels from top management to local individuals, his career helped Mr. Ermut to develop a skill set that is capable of creating cost/time saving effective solutions for the optimization of investment projects.

Arda Ermut also served as the Presidency of the World Association of Investment Promotion Agencies (WAIPA) for 4 years, the umbrella organization that covers 170 national and regional investment promotion agencies from 130 countries. Mr. Ermut took important steps to turn WAIPA into an actively operating, financially self-sustaining and independent foundation.

Mr. Ermut left the Presidency of ISPAT to his deputy Mr. Ahmet Burak Dağlıoğlu in February 2020.

Mr. Ermut has been appointed as a Board Member for Turkish Airlines in June 2019. He serves also as one of the three members in the Turkish Airlines Executive Committee. In addition to these positions, Mr. Ermut has been elected to the Board of the Turkish Basketball Federation in October 2016, in which he was appointed as a Vice Chairman in April 2019. And Mr. Ermut left the Turkey Sovereign Wealth Fund as a Board Member which he served for 2 years.

Mr. Ermut is fluent in English, and is married with two children.



BİLAL EKŞİ
CEO and Member of the Board

Bilal Ekşi graduated from Yıldız Technical University, the Department of Electronics and Communications Engineering in 1989. Starting his career in 1989, Mr. Ekşi worked as an Electronics and Communications Engineer at Turkish State Railways and thereafter, he was assigned to the position of Workshop Manager at İstanbul Ulaşım A.Ş., and he played an active role in realization of significant transport projects.

As the Head of Overhaul Workshops at Turkish Airlines Inc., Mr. Ekşi carried out the duty of maintenance of aircraft engines, landing gears and all components between 2003 and 2005. In 2005, he has been assigned as the Chief Ground Operations Officer at Turkish Airlines Inc. Mr. EKŞİ accomplished significant projects, particularly in improvement of the on-time departure performance during his tenure.

Having served as the Chief Production Officer at Turkish Technic in 2008 and 2009, and as the General Manager of Cyprus Turkish Airlines as part of the reorganization of Cyprus Turkish Airlines in 2010; and as the Executive Vice President at "Turkish Engine Center (TEC)," established by the Joint Venture of Pratt Whitney, the American Engine manufacturer, and Turkish Technic Inc. between 2010 – 2011; Mr. Ekşi was assigned as the Director General of Civil Aviation in April 2011. During his tenure as the Director General of Civil Aviation, Turkey has been reelected as a member of Council of International Civil Aviation Organization (ICAO) 66 years later its previous membership and has become one of the 36 members in ICAO's decision-making platform.

On 21st of October, 2016, he was assigned as the Chief Executive Officer (CEO) and continues his duty as CEO and Member of the Board.



MİTHAT GÖRKEM AKSOY
Member of the Board

He was born in 06.06.1977 in Antalya. He started his pilotage training in 1996 in Turkish Aeronautical Association. Graduating in 1998, he worked in Turkish Aeronautical Association until 2001. In 2001, he resigned from the Turkish Aeronautical Association and transferred to private airways. After working in various private airline companies, in 2007, he started to work at Turkish Airlines. He served in G4, G550, B737 and Airbus A330/340 fleets. In 2006, he was appointed as the Senior Vice President, General Aviation VIP Aircraft Operations, he still serves as the active commander pilot in Turkish Airlines. Since 2018, He has being member of the board of Turkish Airlines Inc. and Turkish Technic Inc.



ORHAN BİRDAL
Member of the Board

Mr. Birdal was born in Kemah, Erzincan in 1958 and completed his primary and high school education in Istanbul. In 1980, he graduated from Istanbul Academy of Economics and Commercial Sciences, College of Journalism and Public Relations. Mr. Birdal completed his graduate degree from the Social Sciences Institute of Marmara University in 1990.

In 1982, Mr. Birdal entered the aviation sector as Air Traffic Controller at Atatürk Airport, incorporated under the General Directorate of State Airports Authority (DHMI). Subsequently, he held various positions in the sector, including Air Traffic Controller and Airport Manager at Erzincan, Directorate of Nevşehir Kapadokya, Trabzon and İzmir Adnan Menderes Airports, and Senior Vice President of the Airport Operation Department at DHMI. After working as the Deputy Director and Member Of the Board of Directors of DHMI in 2003, he assumed the position of General Manager and Chairman of the Board Directors of DHMI between 2007-2015. Following his position in DHMI, Mr. Orhan Birdal was appointed to the Undersecretariat of the Ministry of Transport, Maritime Affairs and Communications. By the end of 2015, he started to serve as Deputy Undersecretary responsible for Aviation and Railroads. During his tenure as General Manager at DHMI, Mr. Birdal also served as Member of the Board of Directors and Audit Committee at Turkish Airlines from 2008 until 2012. In addition, he served as Vice President of the Turkish Civil Aviation Council at the Union of Chambers and Commodity Exchanges of Turkey (TOBB).

Having worked as a senior manager in the aviation sector for many years, Mr. Birdal, carried out many successful projects. IGA is one of these projects as the world's greatest build-operate-transfer project. He also held high level positions in 17 build-operate-transfer projects related to several airports in Turkey. Mr. Birdal actively participated in the commission of the Domestic Aircraft Project in Turkey. He also served as Chairman of the Aviation Sector and Moderator in the 10th and 11th Transportation Council. Mr. Birdal has received numerous prestigious awards including "Bureaucrat of the Year" and "Government Executive of the Year" from both domestic and international institutions.

Mr. Birdal speaks English and is married with four children.

Board of Directors



MELİH ŞÜKRÜ ECERTAŞ
Independent Member of the Board

Ecertaş was born in 1987 in Bursa Inegöl and graduated from Kartal Anatolian Imam Hatip High School in 2004. In 2009, he graduated from Beykent University, Department of Business Administration as a valedictorian.

After receiving his undergraduate education, He did his Master's degree in Marketing Communications at Emerson College in Boston as a Fulbright scholar. After working as a research assistant at MIT / Sloan School of Management, he continues his PHD in the field of Organizational Development and HR Management at Gebze Technical University.

Between 2011 and 2019, he served as Corporate Development Manager and Board Member at Çilek, a leading children furniture brand.

Between 2015-2017, He was also a founding partner of Mental HR, which operates in the field of Human Resources and Management Consultancy.

He took part in "HR System Design, Performance Management Systems, Total Rewards Model, Strategic Planning, Talent Management, HR Digital Transformation and other Organizational Development" projects in many domestic and abroad organizations.

He was one of the founders of Eurasia Invest, an international investment consultancy company, in 2018 and is still a member of the Board of Directors.

Ecertaş, who has been involved in civil society and youth studies since his secondary education years, assumed important responsibilities at various levels from the Provincial Organization to the Headquarters in the AK Party Youth Branches in 2012-2018. He still continues to volunteer in various youth-related NGOs.

Melih Ecertaş is fluent in English, intermediate in German and Arabic. He is married and has two children.



MUZAFFER AKPINAR
Independent Member of the Board

"Born in 1962, Muzaffer Akpınar graduated from Saint Michel French High School and the Management Sciences Faculty of the Boğaziçi University.

He started his career as a founding shareholder of Penta Tekstil in 1986 and became the CEO of KVK in 1993. He later worked as the CEO of MV Holding A.S. and played an active role in the foundation process of Fintur Holding BV. Muzaffer Akpınar served as the General Manager of Turkcell between January 2002 and July 2006.

He continues his career as the Vice President of MV Holding's Board of Directors, a member of the Turkish Airlines' Board of Directors, Partner and the President of KVK and Dost Enerji's Board of Directors, the founding partner and the President of Portmobil's Board of Directors, partner and the Vice President of Kimya Teknik and Kimaş, the president of Muzaffer Akpınar Foundation.

He is married and father of two children.



DR. FATMANUR ALTUN
Independent Member of the Board

Altun is the Chairman of the Executive Board of Turkish Youth and Education Service Foundation (TÜRGEV) as well as a member of the Executive Board of Turkish Airlines (THY) and Women and Democracy (KADEM) Foundation.

She took her Master's Degree in Sociology and Anthropology from Marmara University's Institute of Middle East and Islamic Countries Studies with her thesis titled "The Role of Discourse of Greater Middle East Project in Formation of Post 2000 Turkish Nationalism."

Starting her doctoral studies at the same department in 2014, she earned her PhD Degree in 2018 with her dissertation titled "The 'Social Benefit' Approach of Secular and Faith-Based Non-Governmental Organizations in Turkey: Case Studies of the Association for Supporting Contemporary Life and Turkish Youth and Education Service Foundation."

Working in the publishing sector as a translator and editor since 2000, Altun served as the department editor of Anlayış Magazine from 2005 to 2010 and as a columnist for the news portal World Bulletin from 2006 to 2011. Since 2015, she has been working for Marmara University. Currently an academic in the Sociology Department of Marmara University, Altun has copyright and translation works. She conducts seminars and conferences on different platforms and her articles are regularly published in various media.

Mission and Vision

MISSION

To become the preferred leading European air carrier with a global network of coverage thanks to its strict compliance with flight safety, reliability, product line, service quality and competitiveness, whilst maintaining its identity as the flag carrier of the Republic of Turkey in the civil air transportation industry.

VISION

To become an air carrier with;

- A continued growth trend over industry average,
- Zero major accidents/crashes,
- Most envied service levels worldwide,
- Unit costs equating with low cost carriers,
- Sales and distribution costs below industry averages,
- Loyal customers, who book and issue tickets and check in by themselves,
- A personnel constantly developing their qualifications with the awareness of the close relationship between the benefits for the company and the added value that they contribute,
- An entrepreneurship that creates business opportunities for fellow members in the Star Alliance and takes advantage of the business potential provided by them,
- A staff well adapted to modern governance principles by observing the best interests of not only shareholders but also stakeholders.

Strategies and Strategic Focuses

Turkish Airlines moves steadily toward sustainable success as one of the most preferred airlines today with its extensive flight network and high-quality service.

1. SUSTAINABLE GROWTH AND PROFITABILITY

Turkish Airlines, which operated flights to the most countries and international destinations in the world before the pandemic, carries out its operations by prioritizing service quality, safety, health and customer satisfaction regardless of the conditions. Turkish Airlines, which will further expand its service range with the vitality and efficiency brought by Istanbul Airport, also takes steps to develop in different areas such as information technologies, cargo transport, new business models and sustainability.

2. BRAND RECOGNITION AND PREFERABILITY

Turkish Airlines moves steadily toward sustainable success as one of the most preferred airlines today with its extensive flight network and high-quality service.

Continuously investing in its brand, Turkish Airlines conducts advertising and promotional activities in various areas, including sports and media sponsorships, brand ambassadors, prestigious commercials and internationally reputable platforms.



Turkish Airlines also takes steps to develop in different areas such as information technologies, cargo transport, new business models and sustainability.

Turkish Airlines adapts flexibly to all conditions and fully meets customer expectations with proactive moves.

3. CUSTOMER FOCUS

While Turkish Airlines formulates its strategies in consideration of customer sensitivity toward price, time, service, and hygiene quality, recognition of its service quality with international awards in every new period further increases the motivation.

Turkish Airlines, always aiming better for its customers who are the central focus of all its investments, adapts flexibly to all conditions and fully meets customer expectations with proactive moves.

4. CORPORATE SOCIAL RESPONSIBILITY

Turkish Airlines which conducts all its business operations in a socially, economically and environmentally responsible manner, serves within the framework of the social responsibility principles it has adopted in the subject areas "education, environment, science and technology, culture and art, employee engagement, humanitarian aid and equality of opportunity." In this regard, most of the work carried out at home and abroad consist of non-governmental organizations working for disadvantaged individuals/groups and children and various associations/foundations, universities, humanitarian aid organizations, and institutions working in the field of disaster and famine.

The main purpose of the work carried out is to protect the sense of unity our country and to create awareness about the solution of global issues.

5. BUSINESS EXCELLENCE AND EFFICIENCY

Turkish Airlines continues to strengthen its corporate structure, improve its business processes and increase its operational and commercial efficiency by using resources effectively and efficiently with its customer satisfaction-oriented service approach, the importance it attaches to innovation, and its sensitivity to meet national and international requirements at the highest level.

Sustainable business excellence is achieved thanks to the infrastructure investments and updates in information and communication technologies, the dynamic fleet structure rejuvenated with the new aircraft joining its fleet, and effective process management.

6. EMBRACING INNOVATION

Turkish Airlines, which attaches importance to innovation and transformation as one of the global air transport industry leaders; aims to place the culture of innovation in every field from business culture to marketing, from customer relations to production processes. For this purpose; it carries out innovative project activities in fields such as artificial intelligence, Internet of Things, virtual reality, and augmented reality. In addition to improving its internal processes within the scope of digital transformation and innovation efforts, Turkish Airlines will continue to carry out projects to increase customer satisfaction together with internal and external stakeholders.

7. ADDING VALUE TO EMPLOYEES

Turkish Airlines acts with the awareness that its employees are the source of care, attention and smiling faces at every stage of the service offered to its customers.

It has determined as a priority to increase the motivation of its employees and enhance their satisfaction with the comfortable working environment, social and career opportunities it offers, and trainings organized jointly with local and foreign institutions.



Turkish Airlines is aware that its employees are the source of care, attention and smiling faces at every stage of the service offered to its customers.

Since the beginning of the pandemic, training activities have been emphasized in order to make the best use of the remote working period and to prepare for the post-pandemic period by getting stronger. It is also planned to continue activities in a way to meet all training needs of employees in the upcoming period.

8. ADDING VALUE TO STAKEHOLDERS

With the awareness that it is a whole with all its stakeholders and that its success is equivalent to the satisfaction of its stakeholders and the added value it creates for them, Turkish Airlines has committed to transparency, fairness, responsibility and accountability in all its activities, and also encouraged its stakeholders to embrace its goals and values. It performs training and inspection activities in order to increase the awareness and consciousness of its stakeholders on occupational health and safety, data security, technological competence and to improve business processes.

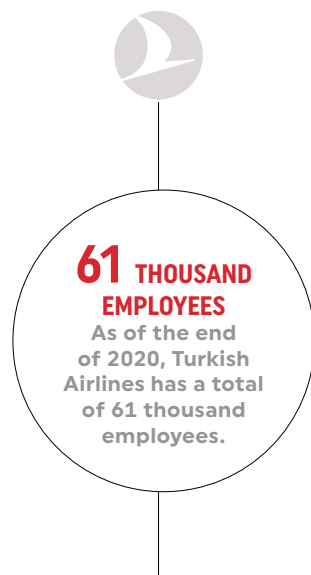
Turkish Airlines plans to expand the number of projects delivered in cooperation with its stakeholders and improve collaborations in line with its vision of adding value to stakeholders.

Subsidiaries and Affiliates

Contributing to the development of both the aviation industry and the Turkish aircraft industry, Turkish Airlines continues to be a major source of employment for our country.



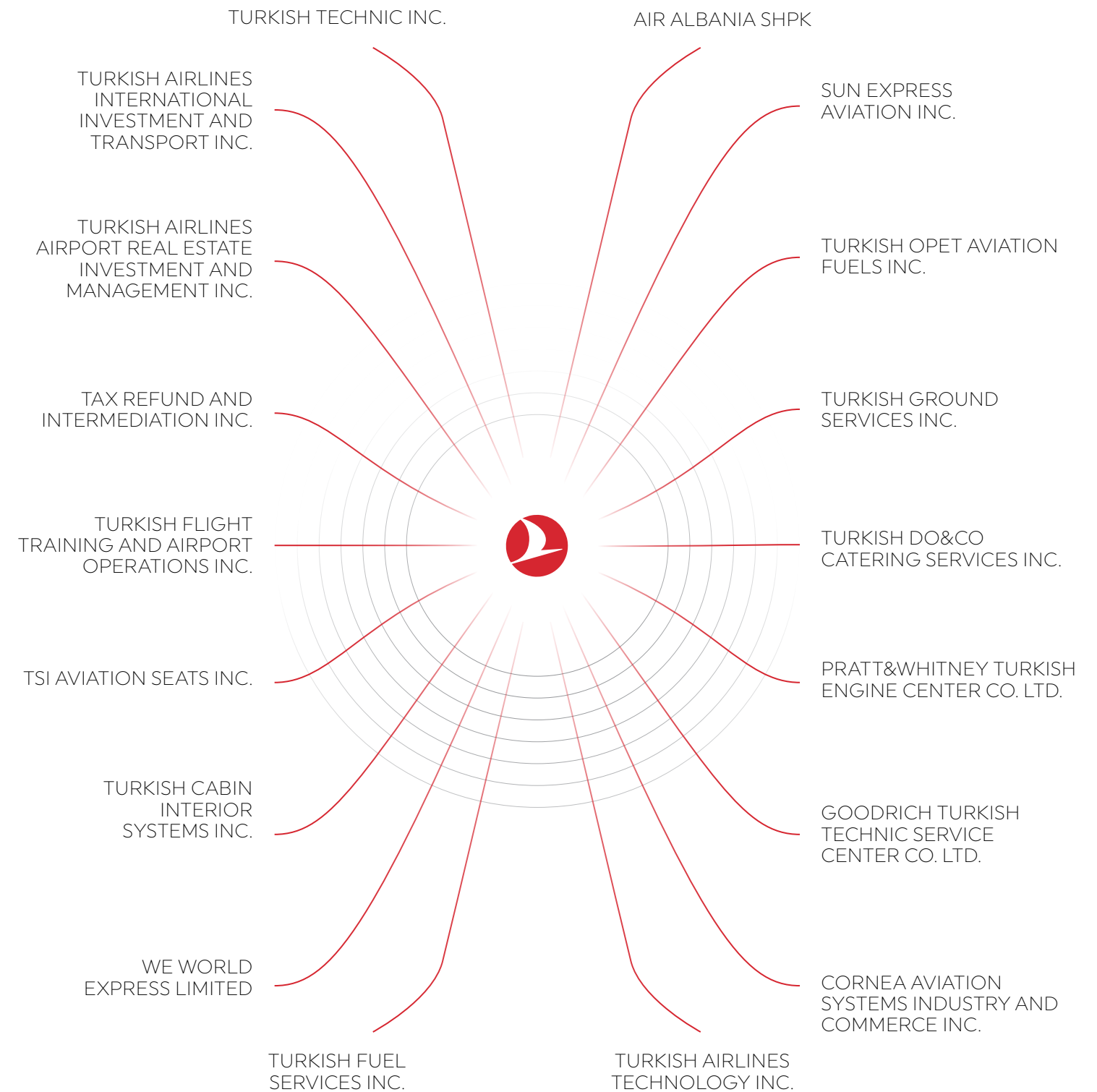
Bolstering its global brand identity to become a leader in the world aviation sector with its top-caliber, experienced staff and Group companies, Turkish Airlines has a total of 18 subsidiaries and affiliates. Thanks to the subsidiaries and affiliates, Turkish Airlines provides flexibility, quality, and productivity across its operations, while reducing costs. As a result, the Incorporation increases its competitive power and efficiency.



While underpinning the development of aviation and the Turkish aircraft industry, Turkish Airlines' companies also serve other clients in the sector. Consequently, the Incorporation becomes a profit center that significantly contributes to consolidated profit and shareholder value creation.

Turkish Airlines and its Group companies will continue to be a major source of employment for the nation, as a vast family comprising more than 61 thousand employees as of year-end 2020.

Thanks to subsidiaries and affiliates, Turkish Airlines provides flexibility, quality, and productivity across its operations, while reducing costs. As a result, the Incorporation increases its competitive power and efficiency.

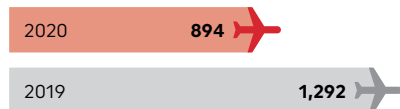


Subsidiaries and Affiliates

TURKISH TECHNIC INC.



Revenue USD Million



Turkish Technic was established in 2006 as a 100%-owned subsidiary of Turkish Airlines, and merged with Turkish Airlines HABOM Inc. in June 2015. With 9,104 employees and various affiliate companies, Turkish Technic is among the world's largest aircraft maintenance, repair and Overhaul (MRO) centers in the air transport industry. After moving to Istanbul Airport in 2019, in the so-called Grand Migration, Turkish Technic opened the first base maintenance hangars of the MRO complex in October 2020. The facility was designed to provide all maintenance, repair and overhaul services from a single point to many domestic and foreign airlines, especially Turkish Airlines. Turkish Technic's facility is the first and only MRO providing base maintenance service at Istanbul Airport. To serve more foreign airlines and further boost its market share, Turkish Technic provides services to domestic and international customers at five airports located in Ankara, Aydın and Istanbul (Atatürk Airport, Istanbul Airport, Sabiha Gökçen Airport).

9,104
Number of
Employees

SUNEXPRESS AVIATION INC.



Revenue USD Million



SunExpress conducts tourism transport activities as the market leader in flights between Turkey and Central Europe. Established in 1989 as a 50-50% partnership between Turkish Airlines and Lufthansa, SunExpress is headquartered in Antalya. SunExpress executed its first flight in 1990. After operating for many years in the charter market, SunExpress initiated Antalya-Frankfurt flights in 2001, becoming Turkey's first private airline to organize scheduled flights abroad. In addition to Izmir and Antalya, SunExpress operates direct and scheduled flights from 13 cities in Anatolia to many destinations across Europe. In recent years, SunExpress has operated a double hub, in Izmir and its home city Antalya. SunExpress connects Antalya and Izmir to more destinations than any other airline with direct and scheduled flights, both on domestic and international routes. Operating a fleet of 58 aircraft as of the end of 2020, SunExpress has performed flights to an average of 55 destinations in 18 countries with nearly 4,000 employees. As of end-2020, Sun Express's 15 aircraft conduct operations for AnadoluJet.

3,818
Number of
Employees

TURKISH OPET AVIATION FUELS INC.



Revenue USD Million



Turkish OPET delivers jet fuel storage and refueling services at domestic airports, primarily at Istanbul Atatürk Airport. Established in 2009 as a 50-50% joint venture between Turkish Airlines and OPET Petrolcülük A.Ş., Turkish OPET commenced operations on July 1, 2010 and now boasts the largest integrated jet fuel facility in Turkey. Turkish OPET can deliver refueling service to customers at all airports across Turkey. In 2020, Turkish OPET ranked among the country's leading industrial enterprises with 0.8 million m³ of jet fuel sales. Since 2019, Turkish OPET has provided aircraft fuel supply services with its experienced staff at Istanbul Airport. It also provides storage and aircraft fuel supply services at Sabiha Gökçen Airport. During the pandemic that negatively affected the entire aviation industry in 2020, Turkish OPET was the sole company to supply cargo flights at Atatürk Airport.

496
Number of
Employees

TURKISH GROUND SERVICES INC.



Revenue USD Million



Turkish Ground Services (TGS) delivers ground handling services at nine stations: Istanbul Airport, Istanbul Atatürk Airport, Istanbul Sabiha Gökçen Airport, Ankara Esenboğa Airport, Izmir Adnan Menderes Airport, Antalya Airport, Adana Airport, Milas-Bodrum Airport and Dalaman Airport. Established as a 50%-50% partnership between Turkish Airlines and Havaş Havaalanları Yer Hizmetleri A.Ş., TGS has been operational in the industry since January 1, 2010. TGS has delivered services to more than 200 airlines, Turkish Airlines and Sun Express in particular. Although TGS experienced a decrease of more than 50% in the number of flights in 2020 year-on-year, it provided service above international standards in 331 thousand flights it carried out with 13,200 personnel.

13,210
Number of
Employees

TURKISH DO&CO CATERING SERVICES INC.



Revenue USD Million



TURKISH DO&CO delivers catering services to over 60 domestic and international air carriers, Turkish Airlines in particular. Established in 2007 as a 50-50% partnership between Turkish Airlines and Austria-based DO&CO AG, TURKISH DO&CO serves 10 airports in total in Turkey, including Istanbul Airport and has an 80% market share. TURKISH DO&CO's production center is currently located at Istanbul Atatürk Airport.

In the pandemic year of 2020, TURKISH DO&CO's number of meals served decreased by about 70%. Although seriously affected in this challenging year like the entire airline industry, TURKISH DO&CO continued to assess the expectations of Turkish Airlines guests and further improved its catering service quality and concepts. These efforts aimed to maintain passenger satisfaction at the highest level. The catering products served in Turkish Airlines aircraft and lounges were monitored to ensure food safety at every stage. In response to the pandemic, catering products were designed in a concept to be presented to passengers in individual disposable boxes. TURKISH DO&CO also implemented measures to minimize crew member contact with food and beverage products on aircraft.

3,936
Number of
Employees

PRATT&WHITNEY TURKISH ENGINE CENTER CO. LTD.



Revenue USD Million



Turkish Engine Center delivers engine maintenance, repair and overhaul services to customers located in Turkey and neighboring regions. It was founded in 2008 as a 49%-51% partnership between Turkish Technic and Pratt & Whitney, a subsidiary of United Technologies. Established over a 25 thousand m² area at Istanbul Sabiha Gökçen Airport, Turkish Engine Center's advanced technology, eco-friendly facility has the capability to provide maintenance to around 200 aircraft engines per year at full capacity.

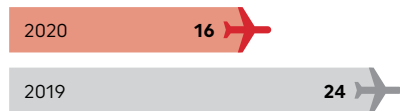
392
Number of
Employees

Subsidiaries and Affiliates

GOODRICH TURKISH TECHNIC SERVICE CENTER CO. LTD.



Revenue USD Million



Goodrich Turkish Technic Service delivers high quality maintenance and repair services for aircraft engine nacelle and reverse thrust systems at Istanbul Sabiha Gökçen Airport. Established in 2010, Goodrich Turkish Technic Service is a 40-60% partnership between Turkish Technic and TSA Rina Holdings B.V., an affiliate of Goodrich. Goodrich, the foreign partner, changed its name to UTC Aerospace Systems in 2012 and to Collins Aerospace in 2019, and expanded its scope with these acquisitions. Goodrich Turkish Technic Service, operating under the brand Turkish Nacelle Center since 2019, completed the maintenance of 378 aircraft engine cowling and reverse thrust systems in 2019. During this pandemic-marked year, Goodrich Turkish Technic Service completed the maintenance of just 279 systems due to the much reduced business volume.



TURKISH CABIN INTERIOR SYSTEMS INC.



Revenue USD Million



Turkish Cabin Interior (TCI) conducts the design, certification, production and marketing of aircraft cabin interior products and components. Established in 2011, Turkish Cabin Interior is jointly owned by Turkish Airlines (30%), Turkish Technic (20%) and Turkish Aerospace (TUSAŞ - TAI) (50%). Turkish Cabin Interior started to receive international orders due to its inclusion in the worldwide "Approved Supplier Company" list for B737 aircraft galleys by Boeing. TCI targets a 20% market share in this segment over the long-term. As its first priority, Turkish Cabin Interior meets the needs of Turkish Airlines with the aircraft cabin interior it manufactures. TCI also serves international customers, including Boeing, Airbus, Stelia, SpiceJet, Donghai Airlines and Azerbaijan Airlines.



TSI AVIATION SEATS INC.



Revenue USD Million



TSI Aviation Seats is engaged in aircraft seat design, manufacturing, spare parts manufacturing and retrofitting, marketing and sales activities. It was established in 2011; Turkish Airlines owns a 45% stake, Turkish Technic holds a 5% stake, and Assan Hanil Group owns a 50% stake. TSI Aviation Seats became operational at end-2013. TSI Aviation Seats earned the privilege to appear in the Airbus BFE catalogue in November 2019. TSI Seats' Skysofa and Epianka model economy class seats have started to be offered to airlines under the title of potential products as of the first quarter of 2020. Royalux, its first Business Class product, and the Eles S seat, which stands out with its lightweight design, will appear in the catalogue after the first certification stage is completed. The company, which has delivered 23 projects in 2020 being primarily Airbus A321 and Boeing 787 projects, aims to design and manufacture seats, to produce, modify and sell spare parts for many airline companies and aircraft models in the future.



TURKISH FLIGHT TRAINING AND AIRPORT OPERATIONS INC.



Revenue USD Million



Turkish Flight Training and Airport Operations delivers general aviation and pilotage training as required by Turkish Airlines and other airlines. Established in 2012 as a sub-brand of Turkish Airlines, Turkish Flight Training and Airport Operations is wholly owned by Turkish Airlines. Since 2013, Turkish Flight Training and Airport Operations has delivered trainings at the academic facilities of Aydın Çıldır Airport. Trainings are performed with 25 training aircraft in the company's fleet, three flight simulators, two classrooms and 25 trainers. To date, the Academy has trained 847 graduates and currently offers training to 158 students. Turkish Flight Training and Airport Operations plays a crucial role in filling the pilot deficit of Turkish Airlines and the broader aviation industry.



TAX REFUND AND INTERMEDIATION INC.



Revenue USD Million



Tax Refund and Intermediation Inc. provides intermediation services for the return of VAT paid for goods bought in Turkey before travelling abroad. It was established in September 2014; Turkish Airlines holds a 30% stake, VK Holding A.Ş. owns a 25% stake and Maslak Oto A.Ş. holds a 45% stake. Tax Refund and Intermediation Inc. intermediates in the return of VAT paid by non-Turkish resident passengers for goods that they purchase in Turkey to take abroad with them. Due to anti-pandemic measures implemented and flight restrictions during the year, the company's business volume contracted in 2020. However, business volume is expected to bounce back in the coming periods with the easing of restrictions.



TURKISH AIRLINES AIRPORT REAL ESTATE INVESTMENT AND MANAGEMENT INC.



Turkish Airlines Airport Real Estate Investment and Management Co. was established in November 2017 as a 100%-owned subsidiary of Turkish Airlines to engage in airport management and investments.

Subsidiaries and Affiliates

TURKISH AIRLINES INTERNATIONAL INVESTMENT AND TRANSPORT INC.

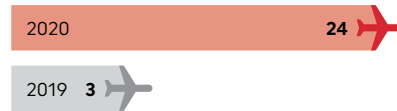


Turkish Airlines International Investment and Transport was founded in September 2018 as a 100%-owned subsidiary of Turkish Airlines in order to invest in the aviation ecosystem, especially overseas cargo transport. The company represents Turkish Airlines group as having 45% shares of We World Express company founded in 2019.

WE WORLD EXPRESS LIMITED



Revenue USD Million



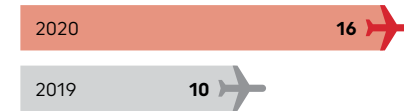
We World Express Limited is a Hong Kong headquartered joint venture company founded in January 2019. Commencing operations in April 2019, the world cargo/courier company provides door-to-door logistics services with a focus on the global e-commerce market. Turkish Airlines International Investment and Transport, a 100%-owned subsidiary of Turkish Airlines, holds a 45% stake, Hong Kong headquartered ZTO Express (Hong Kong) Limited owns a 45% stake and Hong Kong headquartered PAL Air Limited has a 10% stake in the company. In 2020, the company expanded its operations by opening offices in Istanbul, Shanghai and Shenzhen. Today, it is one of the major players in the delivery of cross-border e-commerce packages from China to Turkey.

29
Number of Employees

AIR ALBANIA SHPK



Revenue USD Million



Air Albania Shpk was established in 2018 and is jointly owned by Turkish Airlines (49%), MDN Investment (41%), and Albcontrol (10%). Air Albania has two aircraft in its fleet, including one with a wet lease. The Tirana-based airline started operating daily flights between Tirana-Istanbul in April 2019 and between Tirana-Rome, -Milan and -Bologna in September 2019. Due to the pandemic, Air Albania organized evacuation flights and suspended its flights to Italy and Istanbul between March-June 2020. Air Albania carried out a total of 73 evacuation flights to the major capitals of Europe in 2020. As part of these flights, some 10,500 Albanian citizens were transported to Albania and about 6,000 foreign citizens were flown to their home countries. In addition, 11 cargo flights were performed to Istanbul for the transport of medical supplies to combat Covid-19. Air Albania was one of the few airlines operating in the Balkan region during the pandemic. It is the only airline that conducted evacuation flights in Albania. As of July 2020, Air Albania has resumed flights to Istanbul, Rome, Milan, Bologna, Pisa, Verona and Bergamo.

76
Number of Employees

CORNEA AVIATION SYSTEMS INDUSTRY AND COMMERCE INC.



Cornea Aviation Systems Industry and Commerce Inc. was founded in October 2018 to operate mainly in the area of in-flight entertainment systems and internet connectivity. The company is a joint venture of Turkish Technic, owning an 80% stake, and Havelsan, which holds a 20% stake. The company provides technological services for the in-seat entertainment system, wireless entertainment system and tablet entertainment system in the regional and international markets, primarily for Turkish Airlines. Cornea, headquartered at Istanbul Sabiha Gökçen Airport facilities, offers design, production, repair, maintenance, marketing, sales and after purchase services of inflight entertainment systems. Despite the negative market environment in 2020, the necessary requirements to become a Ministry of Industry and Technology R&D Center were met during the year. After successfully passing the inspections, it was registered as an official R&D Center in August.

49
Number of Employees

TURKISH FUEL SERVICES INC.



Revenue USD Million



Turkish Fuel Services operates at Istanbul Airport in the transportation, storage and supply of fuel needed by aircraft. Formerly known as İGA Airport Akaryakıt Hizmetleri A.Ş., Turkish Fuel Services was established on October 13, 2016. Taya Liman İşletmesi A.Ş. assumed control over the shares representing 100% of the company's capital on February 11, 2019. At the General Assembly Meeting of the company held on February 21, 2020, Turkish Fuel Services' capital was increased and the capital shares were equally distributed between Taya Liman İşletmesi A.Ş., Zirve Holding A.Ş., Demirören Akaryakıt Sanayi ve Ticaret A.Ş. and Turkish Airlines. In 2020, Turkish Fuel Services ranks among the country's leading enterprises with 1.4 million m³ of jet fuel sales.

82
Number of Employees

TURKISH AIRLINES TECHNOLOGY INC.



Turkish Airlines Technology Inc. was established as a 100%-owned subsidiary of Turkish Airlines on December 8, 2020 to meet all the information technology needs of Turkish Airlines and its subsidiaries in a fast, economical and secure way. This new enterprise also aims to develop and market new products and technologies required by Turkish Airlines and its affiliates. Turkish Airlines Technology Inc. plans to contribute to Turkey's technology export vision in the future and lead the development of the Turkish aviation ecosystem.

Subsidiaries and Affiliates

SUBSIDIARIES AND AFFILIATES IN 2020

	December 2020 Staff	Shareholding Structure	Business Line
1 Sun Express Aviation Inc. (Consolidated)	3,818	Turkish Airlines 50% - Lufthansa 50%	Passenger and cargo transport
2 Air Albania SHPK	76	Turkish Airlines 49% - MDN Investment 41% - Albcontrol 10%	Passenger and cargo transport
3 Turkish Airlines International Investment And Transport Inc.	-	Turkish Airlines 100%	Cargo and courier transport
4 We World Express Inc.	29	Turkish Airlines 45% - ZTO 45% - Pal Air 10%	Cargo and courier transport
Passenger and Cargo Transport Total	3,923		
5 Turkish Technic	9,104	Turkish Airlines 100%	Aircraft maintenance - MRO
6 Pratt&Whitney THY Turkish Engine Center Co. Ltd.	392	P&W 51% - Turkish Technic 49%	Engine Maintenance - MRO
7 Goodrich Turkish Technic Service Center Co. Ltd.	77	Goodrich 60% - Turkish Technic 40%	Reverse thrust and engine nacelle - MRO
Maintenance, Repair and Overhaul (MRO) Group Total	9,573		
8 Turkish Cabin Interior Systems Inc.	172	Turkish Airlines 30% - Turkish Technic 20% - TAI 50%	Manufacturing and trading cabin interior accessories
9 TSI Aviation Seats Inc.	141	Turkish Airlines 45% - Turkish Technic 5% - Assan Hanil 50%	Manufacturing and trading aircraft seats
10 Cornea Aviation Systems Industry And Commerce Inc.	49	Turkish Technic 80% - Havelsan 20%	Entertainment systems
Cabin Interior Manufacturing Group Total	362		
11 Turkish Opet Aviation Fuels Inc. (Consolidated)	496	Turkish Airlines 50% - Opet 50%	Aviation fuel trade
12 Turkish Do&Co Catering Services Inc.	3,936	Turkish Airlines 50% - Do&Co 50%	Catering
13 Turkish Ground Services Inc.	13,210	Turkish Airlines 50% - Havaş 50%	Aviation ground handling services
14 Turkish Flight Training And Airport Operations Inc.	69	Turkish Airlines 100%	Flight training and airport operations
15 Turkish Fuel Services Inc.	82	Turkish Airlines 25% - Taya Liman İşletmesi A.Ş. 25% - Zirve Holding A.Ş. 25% - Demirören Akaryakıt Sanayi 25%	Fuel supply
16 Turkish Airlines Technology Inc.	-	Turkish Airlines 100%	Information technologies
Support Services Group Total	17,793		
17 Tax Refund And Intermediation Inc.	19	Turkish Airlines 30% - Maslak Oto 45% - VK Holding 25%	Tax refund intermediation
18 Turkish Airlines Airport Real Estate Investment And Management Inc.	-	Turkish Airlines 100%	Airport management and investments
Other Group Total	19		
Affiliates Total	31,670		



WE CARRY ROSES OF THE WORLD CAREFULLY.

TURKISH CARGO, THE AIRLINE COMPANY CARRYING ROSES
TO THE MOST COUNTRIES CAREFULLY AND AS FRESH AS THE FIRST DAY.



TURKISH CARGO

Traffic Figures

During the outbreak period, Turkish Airlines switched to dynamic capacity management and achieved a 71% load factor with 75 billion Available Seat Km (ASK) and 53.2 billion Revenue Passenger Km (RPK).

The total number of passengers went down from 74.3 million in 2019 to 28 million in 2020, in a 62.4% decrease. The number of passengers decreased by 54.6% on domestic lines and 67.8% on international lines.

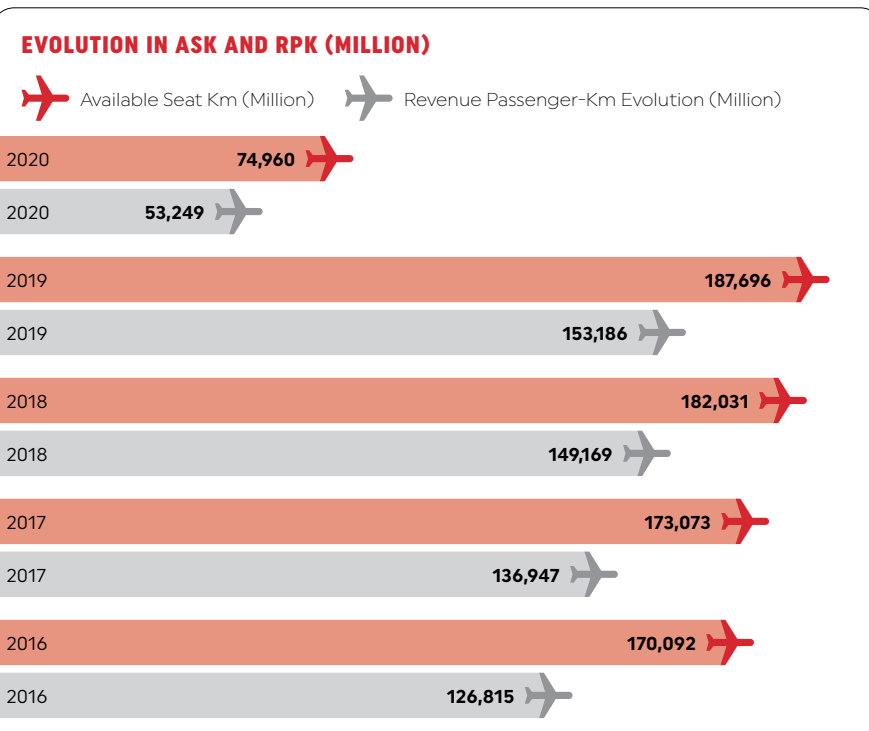
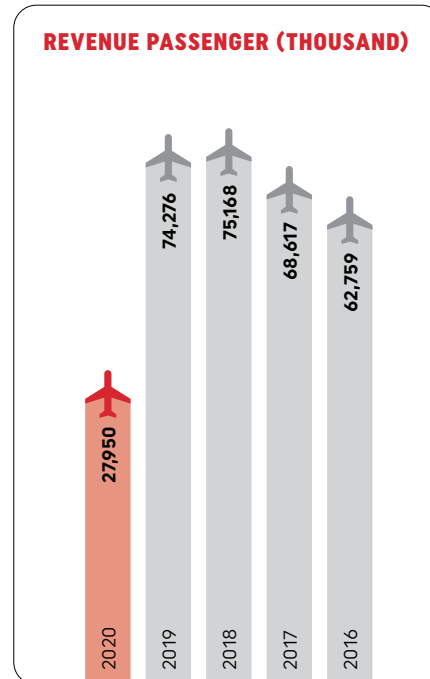
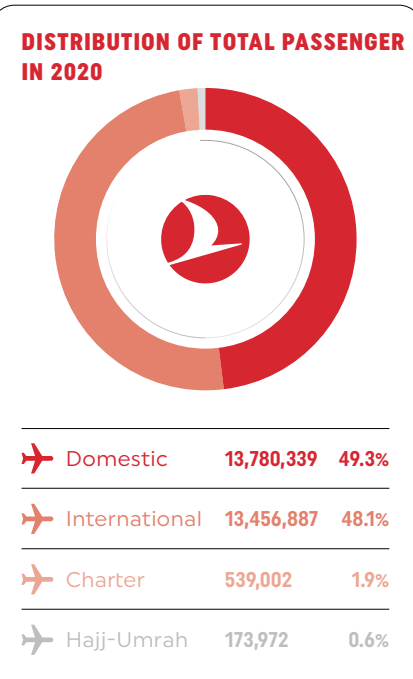
While Revenue Passenger Km (RPK) was 153.2 billion in January-December 2019, it became 53.2 billion in the same period of 2020, down 65.2%. RPK decreased by 50.5% in domestic lines and 67.4% in international lines.

The number of transfer passengers between international flights went down 70.5%, while passenger load factor decreased 10.6 points.

Total Available Seat Km (ASK) that was 187.7 billion in January-December 2019 period decreased by 60.1% in the same period of 2020 and became 75 billion. ASK decreased 43.9% in domestic flights and 62.3% in international flights.

The number of landings, which was 507,314 in January-December 2019, declined 52.6% to 240,339 year-on-year in 2020. The number of destinations increased from 321 to 324.

Cargo and mail decreased 3.6% from 1,543,028 tons in January-December 2019 to 1,487,233 tons in the same period of 2020.



TOTAL TRAFFIC FIGURES

Total Traffic Figures	2020	2019	2018	2017	2016
Revenue Passenger (thousand)	27,950	74,276	75,168	68,617	62,759
Available Seat-Km (million)	74,960	187,696	182,031	173,073	170,092
Revenue Passenger-Km (million)	53,249	153,186	149,169	136,947	126,815
Passenger Load Factor (%)	71.0	81.6	81.9	79.1	74.6
Flight Destinations	324	321	310	303	298
Number of Landings	240,339	507,314	511,064	483,312	475,303
Distance Flown Km (000)	472,205	926,177	866,630	826,048	825,561
Cargo+Mail (tons)	1,487,233	1,543,028	1,412,423	1,122,697	887,164
Excess Luggage (tons)	7,281	11,725	7,717	6,904	6,677

DOMESTIC

Domestic Traffic Figures	2020	2019	2018	2017	2016
Revenue Passenger (thousand)	13,827	30,438	32,944	30,130	27,301
Available Seat-Km (million)	12,558	22,387	24,037	22,361	20,764
Revenue Passenger-Km (million)	9,556	19,288	20,510	18,798	17,046
Passenger Load Factor (%)	76.1	86.2	85.3	84.1	82.1
Flight Destinations	52	52	52	51	51
Number of Landings	107,188	199,159	220,430	207,621	195,522
Distance Flown Km (000)	75,918	126,167	136,583	127,560	119,893
Cargo+Mail (tons)	52,074	70,579	79,098	70,671	55,038
Excess Luggage (tons)	2,185	4,287	3,227	2,797	2,734

INTERNATIONAL

International Traffic Figures	2020	2019	2018	2017	2016
Revenue Passenger (thousand)	14,123	43,838	42,224	38,487	35,457
Available Seat-Km (million)	62,403	165,309	157,994	150,712	149,328
Revenue Passenger-Km (million)	43,692	133,898	128,660	118,148	109,768
Passenger Load Factor (%)	70.0	81.0	81.4	78.4	73.5
Flight Destinations	272	269	258	252	247
Number of Landings	133,151	308,155	290,634	275,691	279,781
Distance Flown Km (000)	396,286	800,009	730,047	698,488	705,668
Cargo+Mail (tons)	1,435,159	1,472,450	1,333,325	1,052,026	832,126
Excess Luggage (tons)	5,096	7,439	4,489	4,107	3,943

Fleet

As a result of long-term projections, it is predicted that the long-range growth will accelerate with the frequency increase both in the new and existing lines with the new generation aircraft that continue to join the fleet in 2020.

Established in 1933 with a fleet of five aircraft, Turkish Airlines has expanded and rejuvenated its fleet, especially with breakthroughs in the 2000s. Consisting of 65 aircraft at the beginning of 2004, Turkish Airlines' fleet has registered more than 450% growth as of 2020 year end. Having been the airline that flew to the world's most international destinations before the pandemic, Turkish Airlines has become the 9th largest airline company in the world as of the end of 2020 in terms of fleet size (363 aircraft) among the airlines carrying passengers.¹

Turkish Airlines takes important steps towards strengthening its brand by acquiring new fuel-saving, eco-friendly aircraft, equipped with state-of-the-art technology with passenger comfort and safety in mind to accommodate growing passenger traffic and meet varying customer needs.

FLEET AGE: 8.4

Committed to expanding and rejuvenating its fleet, Turkish Airlines moves forward with confidence continuously towards its goal of having the youngest and the most modern fleet in Europe. As of end-2020, the average fleet age of Turkish Airlines stands at 8.4 years.

In line with its long-term fleet projections, Turkish Airlines has received a total of 15 B787-9 aircraft (six in 2019 and nine in 2020) and two A350-900 aircraft (in 2020). Wide body

¹ Planespotters.net (Dec 2020)

² IATA Outlook for Air Transport and the Airline Industry (IATA Annual General Meeting 24 Nov 2020)



363

AIRCRAFT
Turkish Airlines has 363 aircraft in its fleet.

22

NEW GENERATION AIRCRAFT
22 new generation aircraft joined the Turkish Airlines fleet.

aircraft deliveries are planned to be completed by the end of 2028. Once these aircraft join the fleet, Turkish Airlines is expected to inaugurate new routes and expand the frequency of existing ones, especially stepping up its growth in long-haul flights.

In addition to wide-body aircraft, 14 of the new-generation narrow-body A321 NEO aircraft that had been ordered in 2013 were delivered in previous years, and 11 more A321 NEO aircraft were delivered in 2020. Deliveries of the new generation narrow-body A321 NEO aircraft are planned to be completed by the end of 2028. Furthermore, 12 of the new generation narrow body B737MAX aircraft ordered in 2013 were delivered until the grounding of these aircraft in line with the instructions given by the aviation authorities. Following the grounding instructions, no aircraft were delivered. The operations of the already delivered aircraft were suspended.

At the end of each year, Turkish Airlines updates its fleet projections pursuant to its strategy of seizing emerging market opportunities, performing risk management, embracing sustainability, conducting dynamic capacity planning, expanding the size and the intensity of the flight network.

Due to the coronavirus pandemic, which affected the entire world, global passenger demand declined sharply in 2020. According to global aviation forecasts, 2019 levels of passenger traffic are not expected to be reached until 2024.² For this reason, Turkish Airlines entered into negotiations with aircraft manufacturers for orders placed in previous years. As a result, modifications were made to the



orders. Two of the 25 firm and five optional Airbus A350-900 aircraft ordered from Airbus in 2018 were canceled; in addition, the delivery schedule of orders was shifted until 2028. Four of the 92 new generation narrow body A321 NEO aircraft ordered from Airbus in 2013 were canceled; the delivery schedule of remaining orders was shifted until 2028. Negotiations are ongoing for orders placed with the Boeing Company.

In line with growth targets in cargo operations, one of the three B777F cargo aircraft, which were ordered in 2018, was delivered in 2019. The two remaining aircraft were delivered in 2020. In addition, the need for freighters increased in 2020 due to grounding of passenger aircraft. As a result, instead of renewing three B747-400F aircraft whose lease periods had expired, three B747-400F aircraft were leased from ACT Airlines. The lease period of one B747-400F aircraft in the current fleet was also extended during the year.



15%

FUEL SAVINGS
15% fuel savings have been achieved with the new generation aircraft.

FUEL SAVINGS IN NEW GENERATION AIRCRAFT

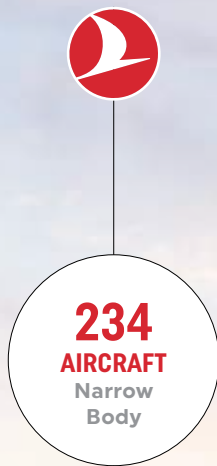
Turkish Airlines ordered new generation A321 NEO and B737 MAX aircraft in 2013. These aircraft first joined the fleet in 2018, yielding an average of 15% in fuel savings compared to their counterparts. According to plans, all these aircraft will have been joined the fleet by 2028, resulting in a significant saving in fuel consumption per seat in the narrow-body aircraft fleet by 2028.

Besides the narrow-body aircraft, the fuel consumption per seat of the new generation wide-body aircraft, that had been ordered in 2018 and planned to be delivered by end-2028, is expected to be 13% lower than the existing wide-body aircraft. As such, the new aircraft that will join the wide-body fleet will also boost fuel efficiency.

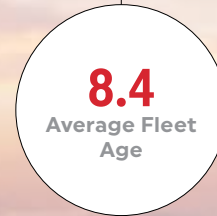
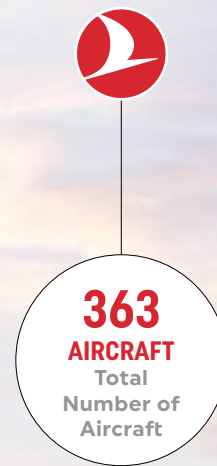
Fleet

Turkish Airlines takes important steps towards strengthening its brand by acquiring new fuel-saving, eco-friendly aircraft, equipped with state-of-the-art technology with passenger comfort and safety in mind to accommodate growing passenger traffic and meet varying customer needs.

NARROW BODY (234 AIRCRAFT)



WIDE BODY (104 AIRCRAFT)



CARGO (25 AIRCRAFT)



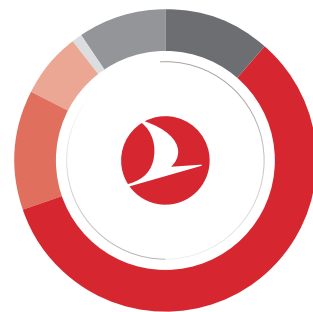
Flight Network

Turkish Airlines continued to offer a wide range of travel experiences to its passengers by adding the city of Malabo in Equatorial Guinea and Tokyo-Haneda Airport in Japan to its flight network.

Turkish Airlines, the airline that flies to the most countries worldwide, connects numerous destinations across Turkey and the world with its flight network reaching 127 countries, 319 cities and 324 destinations. This expansive flight network allows passengers to enjoy a hassle-free experience while traveling anywhere they wish around the globe. During the Covid-19 pandemic, which deeply affected the whole world and the aviation industry in 2020, the Incorporation operated many evacuation flights, helping people safely return to their homes. With the lifting of travel restrictions, Turkish Airlines has quickly increased the number of flights and destinations, making many countries and cities around the world accessible once again.

Turkish Airlines postponed the opening of the Osaka route in Japan, Newark in the United States and Vancouver in Canada from 2020 to 2021 due to the pandemic. However, a wide range of travel experiences continued to be offered to Turkish Airlines passengers with the addition of the city of Malabo in Equatorial Guinea and Tokyo-Haneda Airport in Japan to its flight network.

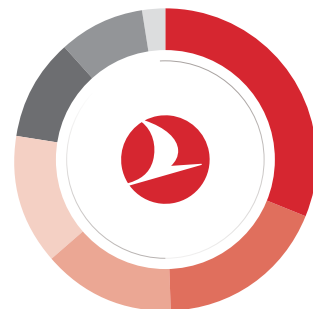
INTERNATIONAL PASSENGER DISTRIBUTION BY REGION¹



¹Including scheduled flights.

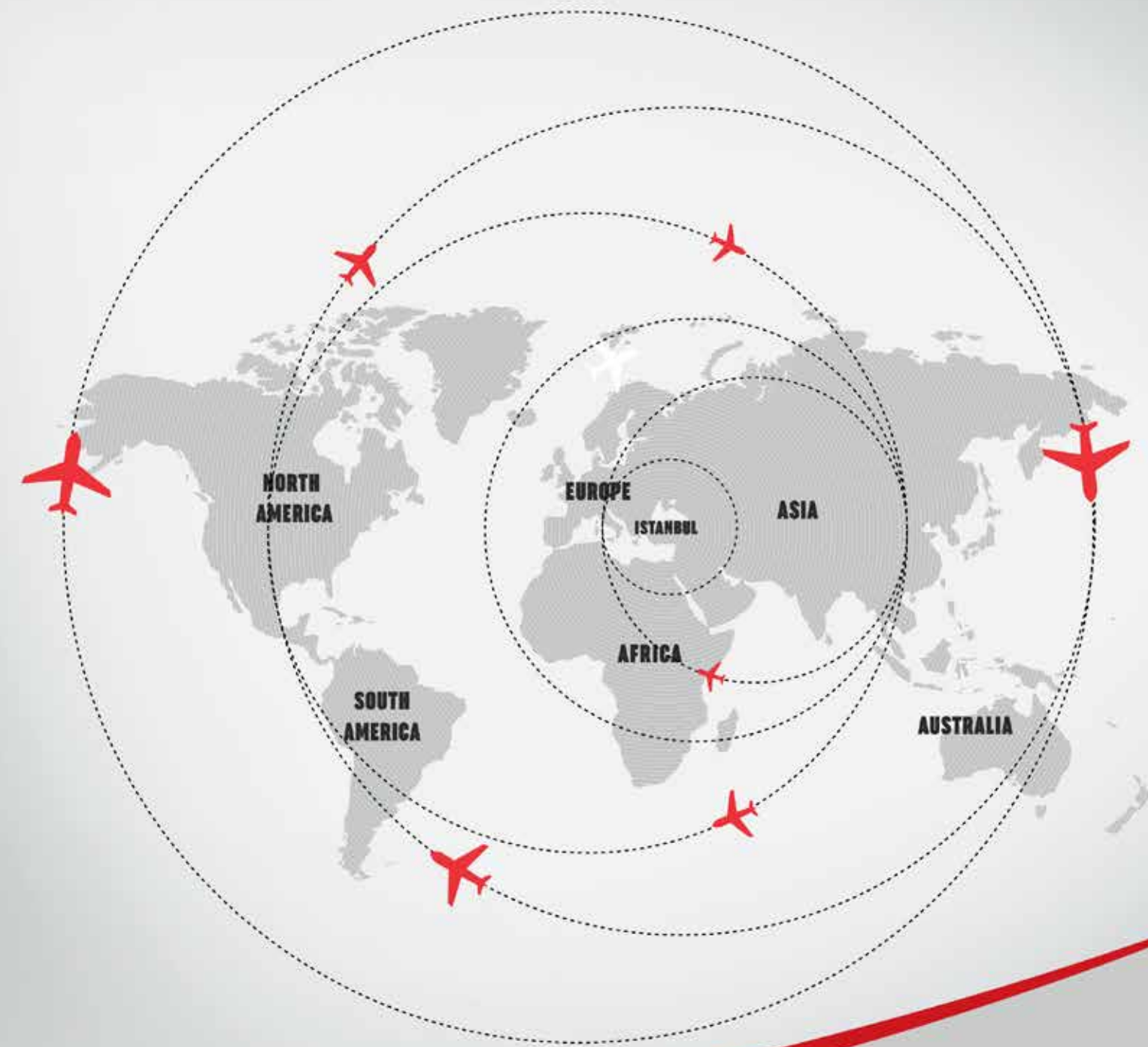
✈ Europe	58.2%
✈ Far East	12.7%
✈ Middle East	11.6%
✈ Africa	9.2%
✈ North America	7.2%
✈ South and Central America	1.1%

PASSENGER REVENUE DISTRIBUTION BY REGION¹



¹All flights are taken as a basis.

✈ Europe	31.3%
✈ Far East	18.2%
✈ Turkey	14.2%
✈ North America	14.1%
✈ Africa	10.8%
✈ Middle East	9.2%
✈ South and Central America	2.3%



THE AIR CARGO BRAND THAT FLIES TO MORE COUNTRIES THAN ANY OTHER

127 COUNTRIES, 324 DESTINATIONS
95 DIRECT CARGO DESTINATIONS

ASIA FAR EAST
40 DESTINATIONS

AMERICA
19 DESTINATIONS

EUROPE
117 DESTINATIONS

MIDDLE EAST
36 DESTINATIONS

AFRICA
60 DESTINATIONS



TURKISH CARGO

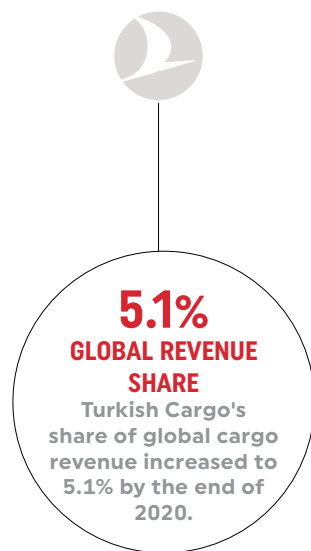
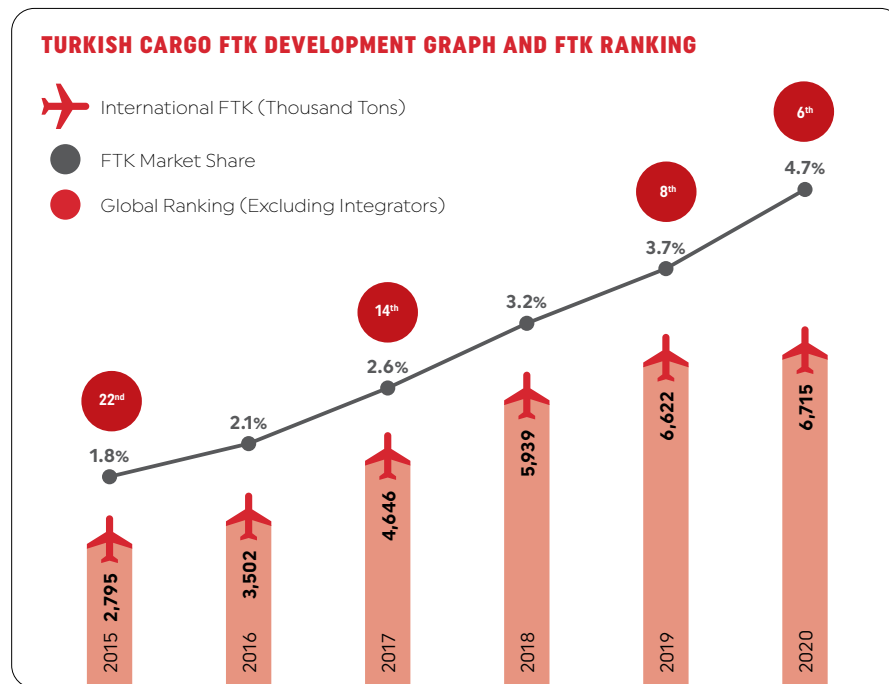
Cargo

As a result of its organizational agility, operational dynamism, and commitment to existing projects and investments, Turkish Cargo significantly increased both its revenues and global market share in 2020.

2020: A YEAR OF AGILITY, DYNAMISM AND DETERMINATION

The coronavirus outbreak started to impact the entire world as of the first quarter of 2020. The aviation industry was negatively affected as well as all other sectors of the economy. Given that 50% of global air cargo capacity has been supplied by passenger aircraft, significant capacity restrictions in the air cargo sector continued throughout the year. The pandemic significantly curtailed economic activity both locally and globally. This challenging environment also caused air cargo demand to contract sharply.

In 2020, Turkish Cargo, Turkish Airlines' logistics brand, extended its uninterrupted decade-long growth performance despite this year's extremely poor market conditions. Its exceptional success was widely recognized and appreciated across the world. As with all companies in the industry, 2020 greatly tested Turkish Cargo in terms of its agility, dynamism and determination. The capacity provided by Turkish Airlines passenger aircraft and its flight network was sharply reduced due to the pandemic. The workforce was required to quickly adapt to a work from home environment. The transport of emergency medications and health products was urgently needed to combat the coronavirus outbreak. These are some of the major difficulties encountered by Turkish Cargo during this pandemic-marked year. As a result of its organizational agility, operational dynamism, and commitment to existing projects and investments, Turkish Cargo was able to develop innovative solutions to overcome these challenges. In 2020, Turkish Cargo, the logistics



brand of Turkey's national flag carrier, significantly increased both its turnover and global market share. Turkish Cargo's share of global cargo revenue rose from 4.2% at year-end 2019 to 5.1% at year-end 2020.

After recording turnover of USD 1.72 billion in 2019, Turkish Cargo boosted its turnover by 61% to USD 2.7 billion in 2020. Turkish Cargo significantly outperformed the global air cargo market – which registered revenue growth of 35.5% in 2020 – thanks to its agility, operational dynamism and determination. In 2020, the world air cargo sector reported a 19.0% decrease in its freight tonne kilometer. Once again, Turkish Cargo outpaced the market and posted a 1.4% increase in its freight tonne kilometer metric, from 6.6 million tons in 2019 to 6.7 million tons in 2020.

During the year, Turkish Cargo also achieved significant increases in special cargo products thanks to its product-based expertise and investments. In 2020, Turkish Cargo reported special cargo revenues increases of 119% in medicine and health products transport, 73% in electronic and vulnerable cargo, 34% in valuable cargo, 37% in dangerous goods, 28% in perishable cargo and 19% in live animal transport. Total special cargo revenue jumped from USD 566 million in 2019 to USD 817 million in 2020, up 44% year-on-year. Promotional, marketing and sales activities of special cargo were kept the same in 2020. Currently, Turkish Cargo is transitioning to a product/service-oriented structure, which will meet the transport demands of customers at different levels of speed and priority. This new structure is scheduled to be introduced in 2021.

Turkish Cargo also further expanded its fleet and flight network in 2020. The freighter fleet grew from 24 aircraft at year-end 2019 to 25 aircraft at year-end 2020. Turkish Cargo operated with additional capacity on certain routes via codeshare agreements in addition to its existing cargo aircraft fleet. Available freight ton kilometers (ATK), generated with the expanding fleet and freighter flights (cargo-only passenger flights), increased by 39% in 2020. ATK rose by 24% in freighters. In 2020, Turkish Cargo added eight new destinations to its flight network: Quito, Ecuador (UIO), Linz, Austria (LNZ), Beirut, Lebanon (BEY), London, United Kingdom (LHR), Lahore, Pakistan (LHE), Bangkok, Thailand (BKK), Bucharest, Romania (OTP) and Singapore (SIN). With these additions, a total of 95 destinations around the globe are served by freighter flights.

CRITICAL ROLE IN FIGHTING THE CORONAVIRUS OUTBREAK

In recent years, Turkish Cargo has completed major infrastructure investments and focused on specialization activities. As a result, Turkish Cargo is a leader in the global air cargo sector in transporting medicines, vaccines and medical products. In 2016, Turkish Airlines



obtained the Center of Excellence for Independent Validators in Pharmaceutical Logistics (CEIV Pharma) certification, created by IATA in order to perfect medicine transport in the air cargo supply chain. In 2019, Turkish Airlines renewed its existing certification and obtained additional certification for Istanbul Airport. As of February 2020, Turkish Airlines has obtained IATA CEIV Live Animal and CEIV Fresh certificates for its facilities at both Istanbul Airport and Atatürk Airport and for the airline itself. Turkish Airlines is the first airline in the world to have IATA CEIV certification in three areas: Pharma, Live Animal and Fresh.

Turkish Cargo played a major role in fighting the coronavirus outbreak by transporting more than 50,000 tons of personal protective equipment during March-December 2020.

To date, Turkish Airlines has completed IATA CEIV Pharma certification for 23 stations in its flight network and GDP (Goods Distribution Practice) certification for 19 stations. Thanks to the creation of this "Pharma & Medical Corridor," medical products can be transported on more than 400 flight routes around the world without disrupting the cold chain and by maintaining world-class quality standards.

In 2020, Turkish Cargo boosted its global market share in this key segment to 7.5%. Targeted efforts to increase service quality in health product shipments that require special services – ranging from the first stage of the transport process starting with the reservation to the final stage of customer delivery – contributed Turkish Cargo gain market share.

Due to the fast spread of the coronavirus outbreak across the world in February-March, the urgent need arose for large amounts of personal protective equipment, especially masks, gloves and respirators. These vital materials and equipment required fast delivery. Turkish Cargo had a key role in maintaining critical air connections by giving priority to these shipments. With its growing social responsibility in parallel with its rising global profile, Turkish Cargo closely coordinated with health institutions during this effort. As a result, Turkish Cargo played a critical role in fighting the coronavirus outbreak by transporting more than 50,000 tons of personal protective equipment during March-December 2020.



Turkish Airlines has completed IATA CEIV Pharma certification for 23 stations in its flight network and GDP certification for 19 stations.

7.5% MARKET SHARE
In 2020, Turkish Cargo increased its global market share for shipments of healthcare products requiring special service to 7.5%.

In 2020, demand for medical products rose quickly even though cargo capacity was sharply reduced. A logistics bottleneck occurred due to the unavailability of major air bridges. In this highly challenging environment, Turkish Cargo responded faster than its competitors. Turkish Cargo provided a significant capacity supply to the sector by dedicating wide body passenger aircraft to cargo transport as of March 20. During times when passenger flights were completely interrupted, Turkish Cargo performed a weekly average of 180 flights with 50 passenger aircraft. This practice is scheduled to continue until passenger aircraft-based capacity reaches the expected level. During the year, 2,900 freighter flights were completed by passenger aircraft carrying only cargo.

In November-December, positive news came from vaccination trials conducted throughout the year. With various countries granting their approval for multiple vaccines, mass inoculation efforts commenced by the end of the year. Mass vaccination drives and intensive vaccine production are expected to expand further throughout 2021. A great deal of expertise and sufficient cold storage capacity are required for air cargo carriers to transport these vaccines without disturbing their cold chains. IATA has described this challenging task as the "Mission of the Century" for the air cargo industry. Governments as well as air cargo carriers were advised to maximize their level of preparedness.



In response, Turkish Cargo acted very quickly and built a 1,200 m² +15°C/+25°C temperature-controlled warehouse at Atatürk Airport. This effort significantly expanded its active and passive container capacity to be used in vaccine transport. Thanks to this special purpose facility, Turkish Cargo can handle 30-40 million vaccine doses per day, with an operational capability of 150 ULD pallets per aircraft. In addition, the Covid-19 Vaccine Tracking Team was set up to coordinate and track all vaccine transport. Given the intensive use of dry ice, especially in the transport and storage of mRNA type vaccines, Airbus and Boeing were contacted to increase Turkish Cargo's dry ice limits. Turkish Cargo prepared detailed projections taking into account vaccine production sites, possible commercial routes, volumes and existing orders. Planning efforts are ongoing.



Turkish Cargo transported the first coronavirus vaccine, which was in the clinical trial phase, in September, and the first approved vaccine in November.

Turkish Cargo transported the first coronavirus vaccine which was in the clinical trial phase in September, and the first approved vaccine in November. Constant communications are underway with sector players, international organizations, health authorities, active and passive temperature-controlled container suppliers. Turkish Cargo makes improvements and upgrades as deemed necessary. With these various efforts, Turkish Cargo aims to rank among the world's most active air cargo carriers in vaccine transport.

SMARTIST MOVING OPERATION

Despite the pandemic, the SmartIST investment, Turkish Cargo's new facility at Istanbul Airport, continues to move forward. Related planning activities and technology-oriented projects are currently underway. The facility is planned to have an annual cargo capacity of 4 million tons once all phases are complete. The SmartIST facility will help Turkish Cargo further accelerate its strong growth performance of recent years.

In 2020, Turkish Cargo ramped up the pre-implementation phase of its "Air Cargo Revenue Management System" initiative, a fully-integrated revenue management system.



Turkish Cargo's move to SmartIST is scheduled to take place in 2021. Operational processes are expected to become more efficient thanks to the transition to a single hub system. The transfer time offered by Turkish Cargo to its customers will also be significantly reduced. By integrating many advanced technology solutions at SmartIST – such as automatic storage systems, augmented reality, wearable technologies, 3D planning and unmanned ground vehicles – Turkish Cargo aims to raise its product and service quality to the highest level.

DIGITALIZATION

Turkish Cargo's strategic plan includes various innovation and digitalization initiatives to achieve Turkey's 2023 targets and the SmartIST facility to become the world's most advanced technology air cargo firm. In 2020, advanced technology and digitalization projects

In 2020, technology and digitalization projects were re-prioritized and managed in accordance with the changing market conditions of the pandemic.

were re-prioritized and managed in accordance with the market conditions of pandemic. Robotic process automation (RPA) and WhatsApp Chatbot – Cargy, efforts to robotize Turkish Cargo's business processes, were the focus areas this year. These projects will help reduce the negative impact of the pandemic and introduce dynamic pricing/ network status information to the customer in the fastest way.

In 2020, Turkish Cargo ramped up the pre-implementation phase of its "Air Cargo Revenue Management System" initiative, a fully-integrated revenue management system. With the introduction of optimal load factor balancing in this system, Turkish Cargo aims to reach the highest levels of customer satisfaction with lower offload risk for customers. Along with the dynamism the new system will provide, this effort is also designed to respond to customers' allotment/free-sale capacity requests

much faster. On the business unit side, cargo contribution maximization will be achieved with more efficient capacity, allotment and price management.

We World Express Limited (WWE), a Turkish Airlines affiliate, was established to catch up with the new market dynamics of Turkish Cargo. At WWE, e-commerce shipping solutions and business development activities for new products are ongoing.

INCORPORATION

In November, the Turkish Airlines Board of Directors resolved to establish an air cargo company that is a 100% Turkish Airlines affiliate. Turkish Cargo, which currently operates as a sub-brand, is aimed to gain a more independent company structure. This decision was taken to manage the major differences between passenger transport and cargo transport operations more effectively, accelerate new product development activities, ensure vertical integration and develop cargo-oriented strategies. Turkish Cargo's competitive advantage in the international arena will increase when it becomes a separate corporation.

Turkish Cargo's move to its new facilities is planned to continue throughout 2021. Turkish Cargo aims to achieve its strategic goals with the meticulous planning of all administrative and structural processes in a faster and more agile manner. The decision to incorporate was made in a year when the air cargo and logistics sectors have grown in importance. Corporatization of Turkish Cargo will benefit its business partners and stakeholders, especially the customers.

INCREASING CUSTOMER SATISFACTION

Turkish Cargo undertakes a wide range of efforts to further improve customer satisfaction. Regular meetings are held where both the results of the annual Customer Satisfaction Survey and the root causes identified by the Customer Relations units from internal findings and notifications are evaluated together. At these meetings, Turkish Cargo analyzes its processes through the eyes of its customers. The objective is to continuously improve the satisfaction rates of customers who are included in the solution processes with the outputs obtained from the meeting.

53.8% INCREASE
In 2020, Turkish Cargo posted 53.8% growth in revenue with its key accounts.

3.5% MARKET SHARE
In 2020, Turkish Cargo increased its key accounts market share to 3.5%.

Turkish Cargo was deemed worthy of the "Best Cargo Airline – Europe" award in 2020.

Efforts are ongoing to develop and make sustainable long-term strategic collaborations with key accounts, who constitute a major share of the air cargo market. Thanks to these collaborative activities, Turkish Cargo recorded key accounts revenue growth of 53.8% in 2020, nearly double the 28% average revenue growth in this segment for the sector. Based on 2020 market data, Turkish Cargo increased its share in the key accounts market by 23% in terms of revenue, from 2.9% in 2019 to 3.5% in 2020. In parallel, Turkish Cargo set up a Cargo Sales Office in Amsterdam, one of the sector's most important cities for European traffic and the North Atlantic route.

In recent years, Turkish Cargo has steadily expanded its market share and recorded solid growth. In line with its growing global profile, Turkish Cargo was invited to many aviation and air cargo industry related events, participated in industry fairs and carried out sponsorship activities in 2020. In recognition of its exceptional performance, Turkish Cargo received the "Cargo Airline of the Year" award in 2019 and the "Best Cargo Airline – Europe" award in 2020 at the AirCargo News Awards, widely known as the "Oscars" of the air cargo industry. In addition, Turkish Cargo has been presented with numerous quality and achievement awards by both national and international platforms.

Turkish Cargo is committed to establishing strong long-term relationships to grow with its customers. Its #RaisetheBar brand strategy, launched in 2020, is designed to demonstrate that Turkish Cargo aims to exceed expectations in the ever-changing world and invites all its stakeholders to do the same. Turkish Cargo remains focused on achieving its 2023 targets and establishing strong communications with its business partners and customers. To these ends, Turkish Cargo adopts a participatory working approach in order to deliver reliable, qualified and effective solutions at all times.

Customer Experience

A350-900 aircraft offer passengers maximum comfort and a flawless flight experience by lowering sound intensity in the passenger cabin by up to 50%.



A350-900 EXPERIENCE

A350-900 aircraft, which has recently joined the Turkish Airlines fleet, has quieter engines and better body insulation compared to its competitors in the market. These aircraft lower sound intensity in the cabin by up to 50% and provide passengers with maximum comfort and a flawless flight experience.

In the Business Class cabin, the exterior design of the seat enhances privacy, while the movable privacy panels of the seats in the middle section allow passengers to customize their spaces.

In the post-pandemic era, trend forecasters expect passengers to continue giving priority to personal space, social distance and privacy.

Business Class seats feature one-touch full recline and an 18-inch HD inflight entertainment screen.

Passengers will likely evaluate these situations with much greater sensitivity than prior to the pandemic. In response to this new normal, Turkish Airlines has designed all of its seats to meet these new passenger expectations.

Business Class seats feature one-touch full recline, an 18-inch HD inflight entertainment screen that can be adjusted up to 10 degrees, a personal mirror that can be adjusted up to 40 degrees, armrests that provide an 8 cm wider area when lowered, and locked storage spaces.

In the Economy Class, the seats are designed and produced domestically in conjunction with Turkish Seat Industries (TSI). Economy Class seats come equipped with a 13-inch HD video screen, a special magazine rack with pockets, 44 cm seat-width and 78 cm legroom, and are presented to passengers.

All details and features to improve the passenger experience in the cabin are further enriched with "Cappadocia Sunrise" lighting scenario for Business Class and "Turquoise Waves" for Economy Class.

SAFE TRAVEL STANDARDS

Turkish Airlines takes many precautionary and preventative measures before, during and after the flight in order to provide passengers a healthy, safe and hygienic travel experience during the pandemic. Highlights of these various measures include:

- Requiring passengers and crew to wear a mask during travel,
- Placing protective screens at all airport service points,
- Providing a hygiene kits to all passengers,
- Placing social distance signs on all touch points,
- Assigning specially trained hygiene experts for each aircraft,
- Serving treats in lounges and on flights in healthy and safe packaging,
- Disinfecting the aircraft before each flight,
- Making arrangements to reduce physical contact in the baggage claim area.

HYGIENE EXPERT

Turkish Airlines has adopted Safe Travel Standards in order to make passengers feel safer when they fly. Under this effort, hygiene experts have become part of the Turkish Airlines cabin crew: one expert is assigned to narrow body and two to wide body aircraft. In areas requiring hygiene monitoring – such as implementing all hygiene and social distance measures in the cabin, reducing inflight mobility, disinfecting common areas and ensuring the use of face masks – Turkish Airlines hygiene experts work diligently to provide passengers with a healthy and hygienic travel experience. These dedicated crew members also offer a specially prepared hygiene kit for each passenger. Even though they wear masks, Turkish Airlines hygiene experts cannot hide their smiles nor the commitment they demonstrate on flights. The entire cabin crew



continues to reflect the hospitality of the Turkish Airlines brand to passengers throughout their travel experience.

TRAVEL TIPS

During the global pandemic era, Turkish Airlines has prepared travel tips to help passengers feel more organized, calm and safe during their travels. These helpful tips cover a comprehensive range of travel related details before, during and after the flight, such as reminders, directions, personal health and safety measures. Turkish Airlines Travel Tips are accessible on the corporate website.

Hygiene Experts have become part of the Turkish Airlines cabin crew: one expert is assigned to narrow body and two to wide body aircraft.

Turkish Airlines is guided by the slogan "Differences Add Value" in its efforts to improve the travel experience of passengers with disabilities and reduced mobility.

Hygiene measures to be followed inside aircraft contribute to a safe and travel experience. Passengers are given helpful reminders on in-flight entertainment screens with specially prepared content.

IMPROVEMENTS TO FLIGHT RELATED ISSUES

To make the travel experience of passengers more flawless, Turkish Airlines has set up commissions to improve various processes, such as those related to flight cancellations, fare changes, flight delays and missed connections. As part of the commission's efforts, Turkish Airlines has implemented numerous improvements, including providing more effective information to passengers in relevant areas, conducting transactions through online channels, and eliminating wait times.

DIFFERENCES ADD VALUE

Turkish Airlines is guided by the slogan "Differences Add Value" in its efforts to improve the travel experience of passengers with disabilities and reduced mobility. The Call Center Management has implemented the video call center initiative for hearing impaired passengers. With this service, hearing impaired passengers can easily purchase tickets via online or mobile channels and communicate with the call center staff.

Turkish Airlines added sign language translation support to the travel experience video posted on its website for the hearing impaired. In addition, the Inflight Safety Video was translated into sign language

The Inflight Safety Video has been translated into sign language and made accessible for hearing impaired passengers.

Turkish Airlines has suspended the requirement to show documentation on each flight for the discounts it offers to disabled passengers.

and made accessible for hearing impaired passengers. The Inflight Safety Briefing with audio narration for visually impaired passengers and sign language translation for hearing impaired passengers is available via the inflight entertainment system.

Turkish Airlines has suspended the requirement to show documentation on each flight for the discounts it offers to disabled passengers. Disabled passengers who become Miles&Smiles members with official disability certification and their companions can now receive a 20% discount on domestic flights and a 25% discount on international flights without presenting documentation when they travel. In addition, the baggage of disabled passengers enrolled in the Miles&Smiles special passenger program are tagged with a Priority Baggage Label, allowing them to receive their baggage with priority at arrival stations. To improve the experience of passengers with reduced mobility at Istanbul Airport, special baggage waiting areas are designated around each carousel in the baggage receiving area for disabled and pregnant passengers.

A travel process brochure has been prepared for passengers who require special services. This informative brochure is designed to assist passengers with disabilities or reduced mobility with their travel experience, from beginning to end.

Turkish Airlines also offers Braille boarding pass services at Special Service Counters at Istanbul Airport, Istanbul Sabiha Gökçen, Izmir, Ankara and Antalya Airports for visually impaired passengers.



ISTANBUL AIRPORT BUSINESS CLASS PRIORITY PASSENGER ENTRANCE AREA

Turkish Airlines has completed development work on the special entrance (Gate 5) used by priority passengers at Istanbul Airport. The new entrance area with Business Class corporate identity elements has an easily noticeable design. This touch point – designated exclusively for Turkish Airlines passengers holding Business Class boarding passes, Elite Plus, Elite, Star Alliance Gold and Turkish Airlines Corporate Club cards – offers faster entry to a limited number of passengers in a spacious area, well suited for social distancing and maintaining exceptional hygiene standards.

TRAVEL IMPROVEMENTS FOR PETS

As a result of its ongoing research efforts, Turkish Airlines regularly analyzes passenger feedback on issues encountered while traveling with pets. Suggestions and recommendations that passengers put forth are evaluated. In response to this input, Turkish Airlines made improvements to its pet travel processes. A lack of information was identified during the pet reservation stage. Turkish Airlines prepared comprehensive policy guidelines and informational content for passengers traveling with pets. Closely monitoring

Pet Cage Measurement Units have been prepared for stations in Turkey's Anatolia region.

7,000+ NEWSPAPERS AND MAGAZINES
With the PressReader application, passengers can access more than 7,000 newspapers and magazines.

decisions taken by relevant countries due to the pandemic, Turkish Airlines has designated special pet check-in counters with pet cage measurement units. The first counter was set up at Istanbul Airport, and subsequently for other stations in Turkey's Anatolia region, in order for passengers and their pets to carry out their check-in processes easily and conveniently.

PRESSREADER

Turkish Airlines offer complimentary digital access for passengers to over 7,000 newspapers and magazines, from more than 120 countries in over 60 languages via its PressReader app. Passengers can access PressReader free of charge 24 hours before their flight and up to 24 hours after the flight with Turkish Airlines via pressreader.turkishairlines.com or by a reminder email sent to their email address.

The scope of the cooperation with PressReader was customized for Miles&Smiles members during the pandemic. Miles&Smiles members were provided free access for two months during this period at home. A total of 77,162 Miles&Smiles members benefited from the active 2-month access opportunity by clicking the link in the email they received.

Turkish Airlines was named the Five-Star Global Airline of 2021 by APEX (Airline Passenger Experience Association).

CUSTOMER EXPERIENCE AWARDS

In 2020, Turkish Airlines was recognized by worldwide platforms for its efforts to make the travel experience of its passengers the safest, most comfortable and privileged, and for its exceptional hygiene measures in response to the coronavirus pandemic.

Turkish Airlines was named the Five-Star Global Airline of 2021 by APEX (Airline Passenger Experience Association).

Research conducted by Fast Company to measure the customer experience maturity levels of brands operating in the Turkish economy selected the best customer experience in 15 sectors. Turkish Airlines was deemed worthy of the "Experience Leaders" award in the aviation sector.

SPECIAL OPPORTUNITIES FOR HEALTH WORKERS

Turkish Airlines offered a 40% discount to health workers around the world in order to indicate appreciation of their vital role in the Covid-19 period and to support a safe travel for them with their loved ones to all destinations in our network.

With the campaign, which has a wide coverage in national and international media and press communication channels, healthcare professionals from all over the world have been reached and more than 120,000 healthcare professionals have participated in this campaign during their travels with their loved ones.



In 2020, Turkish Airlines was deemed worthy of the "Experience Leaders" award.

During the year, Turkish Airlines implemented customer segmentation and analytical modeling projects.

CUSTOMER SEGMENTATION AND ANALYTICAL MODELING

Turkish Airlines aims to provide its passengers with services that exceed their expectations. Continuous efforts are undertaken to get to know and understand passengers better and to carry out effective marketing activities. To this end, Turkish Airlines implemented the Customer Segmentation and Analytical Modeling Projects.

The Customer Segmentation Project is the first step of personalized marketing activities. Customers are classified in a meaningful way based on data. At customer contact points, Turkish Airlines can now differentiate products and services according to customer value and prioritize high segment customers. In addition, by offering additional products and services in line with the behavior of customers, marketing activities can be customized.

The Analytical Modeling Project makes it possible to accurately forecast customer trends and perform marketing activities in line with these trends. Under this effort, Turkish Airlines implemented a total of four models: Churn Model, Customer Lifetime Value Model, Next Best Destination Model and Business Ticket Upgrade Model.

360-DEGREE CUSTOMER VIEW IN CUSTOMER CONTACT SPOTS

Our "360-Degree Customer View" project that aims to provide more active service with getting to know our customers closely in every customer contact spot has gone live.

Through C360, which has an image with three main tabs as At a Glance, Timeline and Offers, it is now possible to know our passenger much better with customer profile information, analytical customer segments and passenger preferences displayed on the "At a Glance" tab. It is also now easier to answer our customers' possible operational questions by showing all the details of tickets, reservations, lost baggage and complaint/feedback information on the "Timeline" tab. Moreover, with the "Offers" tab, we gained extra marketing capabilities such as instantaneously delivering the customized offers that we present on outbound and inbound marketing channels.

NEW REFUND METHODS

Turkish Airlines developed alternative refund methods to minimize the impact of the financing crunch caused by the coronavirus pandemic across the entire aviation industry. These new methods are designed to boost customer satisfaction with flexible options, such as refund with Miles or an additional 15% travel voucher added to the ticket amount. The refund with Miles alternative for tickets purchased in cash is a first in the sector. This pioneering refund option was also adopted by other airline companies in the industry.

EXTENSION OF MILES&SMILES STATUS VALIDITY PERIODS

In response to the inability of its members with Classic Plus, Elite and Elite Plus status to fly during the pandemic, Miles&Smiles announced that its status validity and free cabin upgrade validity periods were extended by 18 months in total with notifications made in April and October. In addition, Miles&Smiles doubled the purchase limit for Status Miles in 2020.

EXTENDING THE VALIDITY OF MILES SET TO EXPIRE

Due to travel restrictions, Miles&Smiles members could not fly during the most part of 2020. Members also did not have the opportunity to use the Miles they earned on flights. To boost member satisfaction, Miles that were due to expire at the end of 2020 were extended by six months.



Miles&Smiles doubled the purchase limit for Status Miles in 2020.

Miles due to expire at the end of 2020 were extended for six months.

MILES&SMILES KUVEYT TÜRK CO-BRANDED CREDIT CARD COLLABORATION

Turkish Airlines realized its third domestic co-branded credit card collaboration with Kuveyt Türk, after completing its contract negotiations and IT systems integrations in 2020. The bank plans to launch the new co-branded card in June 2021.

MILES&SMILES ASCENDA AGREEMENT

Ascenda provides end-to-end loyalty solutions by making agreements with banks and companies in the travel industry. Turkish Airlines had the chance to reach all companies (other than banks and airways) in Ascenda's pool under the terms of its contract. Primarily targeting banking institutions with this agreement, Turkish Airlines has already executed mutual agreements with five banks. Following approval of the banks in the pool and Turkish Airlines, bank customers can convert their bank points to Miles&Smiles Miles. Negotiations are currently underway with other banks in the target market.

The three-year contract with Ascenda will automatically renew every year, unless either party objects. Turkish Airlines aims to generate about USD 12 million in revenue over five years under this agreement. Special campaigns targeted at upper segment customers of banks will be conducted to increase Business Class load factors.

Continuing Airworthiness Management

Turkish Airlines is the first incorporation to obtain airworthiness review authorization in Turkey for the commercial aircraft in its fleet.

Turkish Airlines conducts continuing airworthiness management activities in line with the Continuing Airworthiness Management Organization (CAMO) authorization with Directorate General of Civil Aviation (DGCA) certification that it has received for over 350 aircraft – including passenger, VIP and training aircraft – pursuant to the terms set forth in SHY-M. Turkish Airlines outsources the maintenance, repair, overhaul, tests and revisions listed in the Air Operator Certificates (AOC) for the aircraft and their engines, components and other equipment. This approach ensures that the aircraft and its equipment, function in an "Airworthy Manner" in both Turkey and overseas and conform to the continuing airworthiness standards.

Turkish Airlines undertakes the responsibility of continuing airworthiness and maintenance management of all commercial aircraft under Air Operator Certificate for commercial fleet (SHY-6A Fleet, Airbus A320 CEO and NEO series, Airbus A330, Airbus A350, Boeing 737NG and MAX series, Boeing 777 and Boeing 787) and the VIP and training aircraft under Air Operator Certificate for general aviation (SHY-6B Fleet, Cessna 172S, Diamond DA40 and Diamond DA42, Bombardier Challenger 850, Gulfstream G450 and G550, A318CJ, A319CJ, A330CJ, A340CJ and B747BBJ). DGCA-approved "Continuing Airworthiness Management Organization Approval Certificate" has been obtained for both fleet types. Turkish Airlines is the first Turkish incorporation to obtain airworthiness review authorization in Turkey for the commercial aircraft in its fleet. As part of these authorizations, Turkish Airlines primarily ensures that its aircraft comply with the airworthiness requirements and safety provisions at any time during their operational lifespan. In addition, Turkish Airlines delivers the following technical services:



Turkish Airlines identifies safety, customer satisfaction and efficiency as its primary targets.

Turkish Airlines carries out the management and administration of continuing airworthiness management activities with the approval it received.

- Aircraft selection, from feasibility studies at time of purchase or leasing decision for aircraft right up to its exit from the fleet,
- Determination of aircraft configurations,
- Determination of BFE systems,
- Engine selection,
- Control of aircraft manufacturing processes and aircraft delivery,
- Execution (signing) of necessary maintenance agreements,
- Ensuring airworthiness of the aircraft during Turkish Airlines operations,
- Technical modifications,
- Installation of in-flight entertainment systems to the aircraft,
- Return of the aircraft at the end of the leasing period.

Turkish Airlines also monitors the procured maintenance services for the compliance with agreements, standards and rules, and fully performs the continuing airworthiness services in line with existing goals.

The Turkish Airlines fleet has attained the highest airworthiness, safety and operability standards as a result of the strong synergy it has forged among the highly experienced Technical Directorate of Continuing Airworthiness Management Team; its pioneering subsidiary Turkish Technic; national and international manufacturers; and firms from which it receives maintenance and/or engineering services.

Turkish Airlines views its top priority targets as safety, customer satisfaction and productivity. The technical standards of the existing aircraft or new aircraft to be acquired to the fleet are determined in line with these targets.



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Have a healthy journey with all precautions taken to the finest detail for your in-flight safety.



TURKISH AIRLINES

Catering

In response to the coronavirus pandemic Turkish Airlines has taken all necessary precautionary measures to make its flights healthier and safer by introducing new catering practices



ON BOARD CATERING CONCEPT

Turkish Airlines is committed to ensuring that its passengers travel safely and comfortably while continuing to serve delectable treats and refreshments on board its flights. In response to the coronavirus pandemic, the Incorporation has taken all necessary precautionary measures to make its flights healthier and safer by introducing new catering practices. Turkish Airlines modified its catering concept in order to minimize contact between passengers and cabin crews in line with Coronavirus Scientific Advisory Board recommendations.

While adhering to the tradition of Turkish hospitality, Turkish Airlines designed a more personalized catering concept. Refreshments and treats are provided to passengers in individually sealed boxes, with minimal



The entire catering service is offered as pre-packaged, enclosed, and hygienically sealed, while featuring the same high quality, freshness and delicious taste.

human contact. The entire catering service is offered as pre-packaged, enclosed, and hygienically sealed, while featuring the same high quality, freshness and delicious taste.

During the pandemic, Turkish Airlines aims to continue touching the hearts of passengers but with minimal personal contact. Sealed bottled water is offered to passengers on domestic flights and short-haul international flights. On international and intercontinental flights, Turkish Airlines serves treats and beverages carefully prepared and packaged for single use, taking into account Coronavirus Scientific Advisory Board recommendations. In addition, antibacterial wipes are provided to the guests on all flights.

In 2020, Turkish Airlines provided 21 million individual catering services to its passengers.

SPECIAL MEAL SERVICE

At Turkish Airlines, special meal service is available to passengers on request. Options can be requested to comply with health restrictions, religious beliefs or dietary preferences. Due to the pandemic, these options were temporarily suspended. On international flights over two hours in duration, Turkish Airlines has resumed offering a range of special meal options, including DBML (Diabetic), GFML (Gluten-free), KSML (Kosher), VJML (Jain-vegetarian Hindu), VGML (Strict vegan), BBML (Baby) and CHML (Child).

JOURNEY TO WORLD CUISINES WITH TURKISH AIRLINES

Once the global pandemic recedes and life starts to normalize, Turkish Airlines plans to further innovate the best catering service in the industry, create new trends and constantly surprise its guests. To this end, all feedback from cabin, passenger, health organizations sent via various channels including social media, passenger letters etc. are reviewed and assessed. With this approach, Turkish Airlines continuously refines and refreshes its catering service. Based on passenger requests, priority will be given to healthy nutrition and various world cuisines in its catering menus.

Aiming to commemorate special days for its guests with unique products and services, Turkish Airlines plans to offer specially designed and delectable treats to its passengers on national and religious holidays.

In 2021, Turkish Airlines plans to assess the expectations of its guests and relentlessly improve its catering service quality and concepts. These efforts are designed to maintain passenger satisfaction at the highest level.



INFLIGHT COMFORT PRODUCTS

Aiming to ensure safe and comfortable travel for its guests, Turkish Airlines has introduced new measures and standards to make its flights healthier and safer due to the coronavirus outbreak. From the beginning to the end of their travels, it is aimed to make the flights healthier, more comfortable and safer with the social distance and hygiene measures taken considering the safety of passengers at all contact points. In this context, among the new practices carefully designed by Turkish Airlines in order to meet the hygiene rules requirements, the hygiene kit served to all passengers on board is at the forefront.

The content of the specially designed hygiene kit, which is served with the domestic flights restarted on June 1, of the flights stopped in March 2020 due to the outbreak, varies according to the flight durations. There are a mask and 2 antiseptic wipes in kits on domestic and short-haul flights; and the kits served on medium and long-haul flights include masks, the number of which varies according to the flight hours, 2 antiseptic wipes for each, and a 50 ml hand sanitizer. In order to protect the hygiene chain, "Hygiene Expert" cabin crews take part in the presentation of the hygiene kit with a protective packaging and the implementation of the measures.



21
MILLION
Approximate
Number of Food
Service in 2020

In 2021, Turkish Airlines plans to assess the expectations of its guests and relentlessly improve its catering service quality and concepts.

Catering

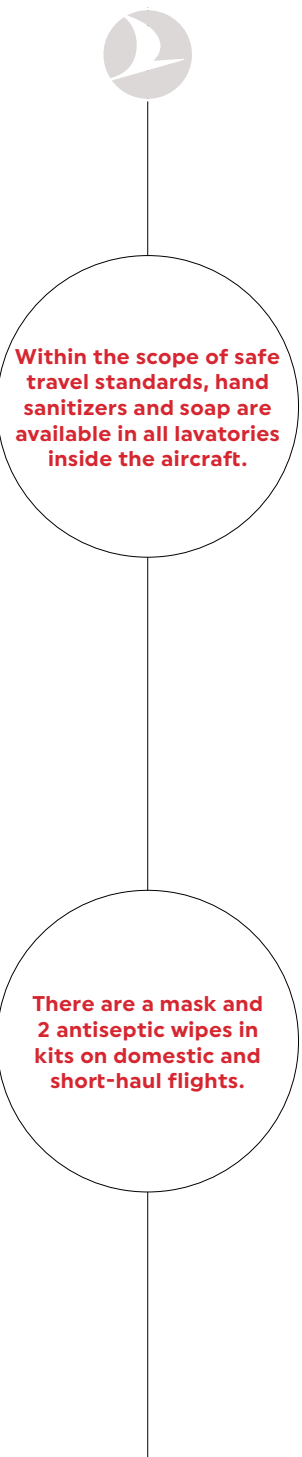
As of October 2020, for Business Class passengers who fly inter-continently for more than 8 hours, Turkish Airlines has begun to present travel kits by Versace, fashion icon and creator of timeless and sophisticated designs.

Face shields are also provided for the cabin crew who are in constant contact with the passengers and for the passengers who declare that they cannot use masks.

Within the scope of safe travel standards, hand sanitizers and soap are available in all lavatories inside the aircraft. In addition, textile products such as blankets and sleeping sets served on some lines are cleaned after each use at high temperatures in professional facilities with special allergen-free products approved by international authorities, and packaged in accordance with hygiene rules and a "Hygiene Label" is applied on each package.

Within the scope of the outbreak process that brings along practice changes in the aviation industry, service standards of the existing services have been also updated due to hygiene measures. In parallel with the positive developments in the coronavirus process, work for gradual transition to the pre-pandemic service system is underway.

As of October 2020, for Business Class passengers who fly inter-continently for more than 8 hours, Turkish Airlines has begun to present travel kits by Versace, fashion icon and creator of timeless and sophisticated designs. Custom-design Versace travel kits, which reflect the dynamic and innovative spirit of Turkish Airlines, are offered separately with different design and color options in line with the needs of male and female passengers. Feedback from the passengers and cabin crew is that the comfort kit personalized by gender is very popular and that the served kits get a great deal of attention.



As of October 2020, DENON brand headphones with noise canceling feature have started to be served for Business Class passengers to have a more comfortable flight experience on intercontinental flights. Headphones are disinfected with special disinfectants after each use and made ready for service as in the first use. For international flights under 8 hours, the over ear model for business class passengers and the in-ear silicone model for economy class are served for single use.

Turkish Airlines takes care to communicate through online channels, especially social media platforms, in order to convey the measures taken and the services offered to its passengers in a better way, taking into account the concerns of people about traveling during the pandemic period. It is ensured that updates on the services provided are delivered to passengers in cooperation with the relevant departments within the Incorporation. Accordingly, all these measures taken in order to travel safely and comfortably during the outbreak process have been awarded by the relevant authorities on various platforms and their suitability has been proven.

Turkish Airlines closely monitors the competitions held by international organizations such as Travel Plus, which regularly rewards global airline companies for their services in various fields every year, and makes the necessary applications.

In addition to all these, Turkish Airlines plans to revive the service quality and standards that passengers were accustomed to before the outbreak, in the safest way possible.

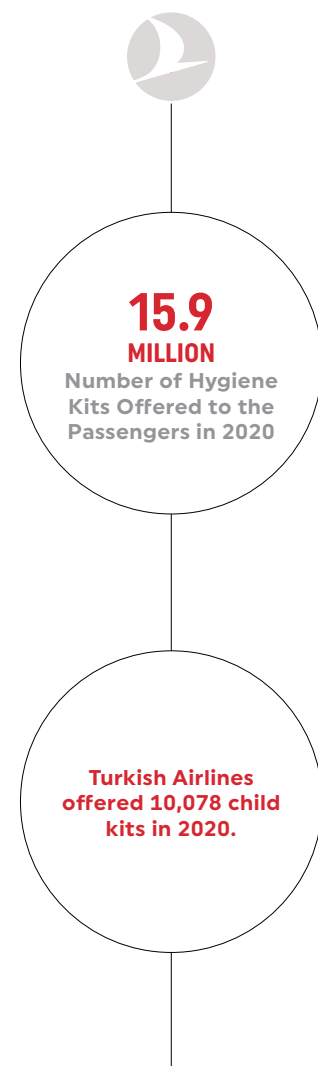
In 2020, Turkish Airlines presented to its passengers:

- 319,546 Business Amenity Kits
- 2,223,468 Economy Relax Kits
- 53,570 Umrah Kits
- 14,078 Child Kits
- 15,265,198 Hygiene Kits
- 700,393 (Philips) Business Class headphones
- 20.7 million Economy Class headphones
- 181,639 Denon headphones
- 7,370,212 blankets
- 7.7 million pillows and pillowcases
- 23 thousand hand lotions, hand soaps, room fragrance for Business Class
- 37,293 hand lotions, hand soaps for Economy Class.

IN-FLIGHT ENTERTAINMENT SYSTEM AND APPLICATION

Offering an extremely rich selection of the latest and most popular movies, series, TV programs, documentaries, cartoons, audiobooks and music albums on PLANET in 2020, Turkish Airlines has revised the categories on PLANET in order to make it easier for passengers to access different types of content within this richness and to highlight the most preferred content types. Besides, with the opening of a special category containing coronavirus information videos prepared by both the Ministry of Health and Turkish Airlines in order to inform passengers during the pandemic, passengers have been provided with a safer travel experience and detailed information on ways of protection from the Covid-19.

While providing the best travel experience, with the pride of having the title "the airline flying to the most countries in the world," special videos for Turkish Airlines are prepared for each destination in order to promote all flight spots. During the year, videos of 91 flight destinations, 54 international and 37 domestic, have been produced. Since the beginning of the project, 200 flight destination



videos have been completed, and are being presented to passengers on PLANET according to the update schedule. In addition, posts related to all these destination videos are shared on Turkish Airlines' social media accounts.

On PLANET, there are a total of 3,586 types of media content including 428 movies from Hollywood, world cinema and Turkish cinema; 1,009 TV programs in different genres, such as Turkish and foreign series, documentaries, sports, business and lifestyle; 82 audio books; and 2,067 Turkish and foreign music albums.

Turkish Airlines passengers have made their journeys much more pleasant by viewing 12,903,416 hours of movies and TV programs, listening to 1,090,474 hours of music and playing 722,128 hours of games on PLANET in 2020.

Catering

Turkish Airlines has started offering internet service not only on B777 and A330 wide-body aircraft, but also on A321NEO and B737MAX narrow-body aircraft newly added to the fleet.

Turkish Airlines has started offering internet service not only on B777 and A330 wide-body aircraft, but also on A321NEO and B737MAX narrow-body aircraft newly added to the fleet. Turkish Airlines, which started the retrofit program for the installation of the internet system on existing narrow body aircraft, will activate the internet system on all aircraft in the coming years.

Business Class passengers, Elite and Elite Plus passengers receive free internet service. Miles&Smiles member and Classic and Classic Plus members can use 10 MB free internet service. In 2020, the number of aircraft offering this service increased from 116 to 138 and a total of 337,574 passengers accessed the internet with their electronic devices via Wi-Fi connection.

In addition to the Wi-Fi service, in 2020 160 thousand passengers sent nearly 50 thousand SMS via mobile data on their phones and used 246 thousand MB internet in total.

In 2020, the interface design of the PLANET entertainment platform of the aircraft in the Turkish Airlines fleet has been standardized.

Continuing to provide live TV service on its aircraft with internet system, Turkish Airlines has included TRT World channel to its live TV channels.



1,009
Number of TV
Programs on
PLANET

**Business Class
passengers, Elite and
Elite Plus passengers
receive free internet
service.**

With wireless in-flight entertainment system developed by Turkish engineers locally and nationally, many passengers could watch hundreds of movies, TV programs and listen to over one thousand songs via their personal devices on this platform. The transition process to the web-based structure (Google Chrome and Safari) of the Wireless Entertainment System that can be accessed through the application has been completed.

In 2019, the "Companion Entertainment" application developed for PLANET was offered for passenger use via the Android Market or the App Store. In 2020, this application spread to the entire fleet. The app allows users to review content provided in the sky pre- or post-flight, and to view their selected content on back-seat screens by pairing their own mobile devices with the PLANET.

In 2019, Turkish Airlines upgraded the PLANET in-flight entertainment system to a revenue generating medium capable of broadcasting commercials of brands. As of 2020, this application has been made available to the entire fleet.



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Ground Handling Services

Turkish Airlines achieved 90% on-time take-off performance on its flights and stood out among its rivals during the outbreak period with its 3.9‰ baggage irregularity rate.

SUCCESS ON GROUND

With the outbreak affecting the whole world, a challenging period for the aviation industry is being witnessed. During this period, work continued with the quality service concept within the scope of coronavirus measures in ground handling services.

Adding value to the aviation industry with its innovations, Turkish Airlines achieved 90% on-time take-off performance on its flights and stood out among its rivals during the outbreak period with its 3.9‰ baggage irregularity rate.

As of June 1, 2020, domestic flights and with the opening of the borders of the countries in the following process, international flights started gradually. With the start of flights, some measures were taken to minimize the coronavirus risk level in ground handling services, having aimed for passengers to travel safely.

During the transport of medical supplies within the scope of the coronavirus fight, ground services have also made a significant contribution and served the evacuation flights from 59 countries carried out by Turkish Airlines. In order to manage this process in the most healthy way, working in cooperation with the airport authorities, information visuals and social distance signs were placed in the boarding gate areas. Fever measurements of passengers were started to be done before the flight, and the necessary measures were continued to be

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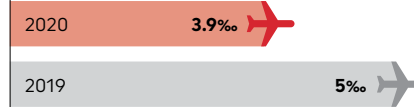
With the start of flights, some measures were taken to minimize the coronavirus risk level in ground handling services, having aimed for passengers to travel safely.

applied with high sensitivity in the Special Passenger Lounges that are open to use. Disinfection of the aircraft, passenger buses, VIP-CIP vehicles with appropriate liquids after use by the Ground Handling firm is among the other measures taken.

In addition to these measures, according to the notes published by the country authorities within the scope of coronavirus measures, the test results of the passengers who will travel to countries that require negative PCR tests are checked during check-in and boarding. Domestic passengers, on the other hand, are processed by checking their HES codes during check-in.

In 2021, Turkish Airlines aims to climb to the top of the sector with Istanbul Airport, one of the world's largest airports. Turkish Airlines also targets sharpening its competitive edge by boosting customer satisfaction with every innovation that meets the requirements of today. To this end, 23 thousand m² of GSE and workshop space have been allocated to TGS in the new airport. The necessary infrastructure works in these areas such as 5 thousand m² of operations office space and 40 thousand m² of equipment parking area have been completed to deliver top-notch service to the passengers.

BAGGAGE IRREGULARITY RATE (PER 1,000 PASSENGERS)



ON-TIME TAKE-OFF RATE



TURKISH GROUND SERVICES

Delivering world-class services since its founding, Turkish Ground Services continues to raise the bar in service quality with practices that shape the industry. TGS is a standout with its unique ground handling service perspective in outbreak period as well.

Increasing the number of contracted airlines to 221 by the end of 2020, Turkish Ground Services Inc. maintains its leadership with a market share of 56%. It has successfully provided services to 221 contracted airlines at a total of eight stations – Istanbul Airport, Istanbul Atatürk Airport, Istanbul Sabiha Gökçen, Ankara Esenboğa, Izmir Adnan Menderes, Antalya, Adana, Milas-Bodrum and Dalaman Airports. Despite the difficult period that started with the outbreak in 2020, it served more than 39 million passengers.

Thanks to 2,375 motor-driven and 6,119 non-motorized units of equipment and 13,210 employees, TGS provides a comprehensive range of ground services to more than 331 thousand flights by domestic and foreign airline companies at international quality standards.

Providing passenger services, ramp, operation and cargo services within the framework of the "Airport Ground Handling Services Regulation," TGS pursues an approach of excellent service in parallel with the company's essential principle of customer satisfaction.

TGS is a standout with its unique ground handling service perspective in outbreak period as well.

Thanks to its current sustainable growth policies, Turkish Ground Services is steadily advancing toward its goal of becoming a global service provider. TGS enhances its role as the industry pioneer with innovative investments. Over the last eleven years, TGS has continued on its path to global success with growth-oriented, large-scale investments.

Having made a difference in the global arena with its service quality and with eleven highly successful years of experience, TGS aims to bolster its brand further and support sustainable growth and the national economy.

It takes all necessary internal measures in accordance with the guidelines of the relevant authorities to strengthen the health and safety of its employees and passengers during the outbreak, and continues to work on the process.



Training

Turkish Airlines Aviation Academy, with its wide range of training, provides training and consultancy services for airline and cargo companies, travel agencies, universities, airport operation firms, other companies and real persons in the civil aviation sector.



TURKISH AIRLINES AVIATION ACADEMY

Founded in 1982 to meet the training needs of Turkish Airlines – Turkey's top and Europe's leading carrier in civil air transportation – Turkish Airlines Aviation Academy ranks amongst the leading, most reputable aviation training organizations in its region. Holding a large number of national and international accreditations and certifications, Aviation Academy provides a wide range of training and consultancy services for airline and cargo companies, travel agencies, universities, airport operation firms, other companies and real persons in the civil aviation sector.

TRAINING RESOURCES

Operating across an area of 5,800 m², Aviation Academy provided services in 2020 with a total of 199 personnel, 66 of whom are instructors; 12 classrooms; 1 lecture hall, 1 library and 1 digitalization studio.



66
INSTRUCTORS
There are 66 instructors within the Aviation Academy.

TECHNOLOGICAL TRAINING SOLUTIONS

Activities of the Training Directorate are managed through the integration of Training Resources Management System (FAAL), online exam system (HAVAGRAM), distance learning portal (LMS) supported by a social networking platform, AKADIMU podcast and translation mobile application and academy website. The Academy has made the training, training documents and digital information notes available in its LMS, removing any space and time constraints. In addition, distance learning compatible with mobile platforms has become available. With the onset of the pandemic, training programs carried out in classroom environment have been transitioned to virtual classroom training. Due to the differing time zones among different countries, trainings planned have been arranged according to the time zone of the location where the employees serve.

TRAINING ACTIVITIES

In 2020, Aviation Academy delivered 3,328 courses to 27,620 trainees while 407,996 digital training sessions were performed totaling 993,530 hours. In addition, 742 exams were successfully conducted with 11,678 people. In-company supplier instructor project was continued to use employees' unique work experience and transform it into trainings. Through some attempts with public authorities, permissions were obtained to be able to deliver some classroom training programs remotely, thus by minimizing the obligation of the employees to participate in classroom training, resources are now being used in an effective manner.

COLLABORATIONS WITH UNIVERSITIES

In line with the goal of contributing to the development of the civil aviation industry, Air Transport Management Master's Program was launched in collaboration with Aviation Academy, Istanbul Technical University and Boeing in October 2013. The program is currently conducted with Ibn Haldun University and Airbus. In addition to these, to make employees more competent; the Incorporation signed protocols with Istanbul Technical University, Marmara University and Istanbul University and launched Big Data and Business Analytics, Psychology of Management and Working-Employment and Business Administration (MBA) master's programs.

LANGUAGE TRAINING AND SERVICES IN AVIATION

In order for the cabin crew to improve their language skills tested in the in-house Test of English for Cabin (iTEC) exam, Language Proficiency for Cabin training, which is given online and consists of 4 modules, has been added to the catalogue. Standard Language for Cabin training has been developed for cabin chiefs in order to ensure the use of standard language in the cabin, and has begun to be given to cabin chiefs as of 2020. Also, Post-Covid Announcements training, which includes new announcements which are made during the outbreak period, has been created and started



In 2020, Aviation Academy delivered 3,328 courses to 27,620 trainees.

In 2020, 407,996 digital training sessions were conducted totaling 993,530 hours.

to be given to the cabin crew online. Special day announcements have also been added to the Academy Language Mobile (AKADIMU) application, which can be downloaded from TKStore, so that the cabin crew is able to practice on the go.

Three online speaking training classes with original content and name; Covidish 101, 2020 - The Good, The Bad and The Ugly and Small Talk, which was made available to all Incorporation personnel, has been developed and started to be assigned to personnel upon request. Similarly, the Business English Certificate Program, which is given online by the instructors within the Incorporation and consists of Writing Emails, Negotiations, Presentations and Meetings modules, has been made available to the personnel.

The authorization renewal process of Test of English for Aircraft Maintenance Personnel (TEAM) exam approved by the DGCA has been completed successfully and continued to be implemented in 2020. In addition, within the scope of outbreak measures, the quota of each session was reduced by half, preventing the emergence of a health vulnerability.

In 2020, six certificate programs, including marketing, finance, technology, logistics, HR and business English, were launched for employees to expand their expertise.

CERTIFICATE PROGRAMS

Six certificate programs including marketing, finance, technology, logistics, HR and business English, were launched for employees to increase their expertise. In certificate programs, online live lessons last between 25-30 hours, a maximum quota of 25 people is defined for each program, and each program is completed within a calendar month. The sale of these programs to external customers is also on the agenda.

"CONQUER YOUR FEAR OF FLYING" PROGRAM

"Conquer your Fear of Flying" program is carried out with the contributions of technical instructors, psychologists, pilots and experienced cabin instructors at training locations equipped with the latest technologies such as cabin simulators, and has continued since 2007 with a satisfaction rate of over 98%.

AUDIO ARTICLES

Special audio articles are presented to the benefit of managers each Monday. The articles compiled from the books of expert authors are sent to mobile phones via SMS. Therefore, they are easily accessible and provide support in enhancing competences of the managers.

YOUTUBE SEMINARS

In the "Live Broadcast YouTube Seminars" launched on the Aviation Academy YouTube page, academicians and professionals in the business world take place in



98% SATISFACTION RATE
Conquer Your Fear of Flying program has been conducted since 2007, with a satisfaction rate of over 98%.

The number of virtual classroom trainings given to people from outside the organization by the Aviation Academy has increased.

two-week periods; the content worked on is delivered with the speakers to all Incorporation personnel; the recordings made are also archived and kept available for continuous use, and efforts are made to increase interactivity by accepting questions during live broadcast.

TRAINING SERVICES MARKETING AND SALES ACTIVITIES

Within the scope of marketing activities, online meetings are held with the institutions addressed by the Aviation Academy training, including airlines and logistics companies. The promotion and marketing activities of the existing training programs continued in 2020 and e-mailing activities were carried out with these institutions for continued training sales. An attempt to increase sales revenues was supported by increasing the virtual classroom training provided to outsiders by the Aviation Academy; since the need for internal communication was felt more with the impact of the outbreak, frequent informative announcements and communications were made to the Incorporation personnel. To keep customer satisfaction high, changing training/exam information situations are presented to internal and external customers without delay; the number of followers and traffic of website and social media accounts are maintained.

In order to increase the satisfaction rate of the trainees and to give feedback to them more effectively, Customer Relations Module in FAAL has been designed, and it has been ensured that feedback from customers are being conveyed to the relevant units more quickly and action is taken.



FLIGHT TRAINING CENTER

The Flight Training Center is the department in charge of all flight training services of Turkish Airlines, in particular for flight crew and cabin crew trainings. The Center has provided training since 1994, in accordance with the rules and regulations set forth by national and international authorities.

The requirements of flight crew and cabin crew trainings expand in parallel with the continuous growth of the fleet as per Turkish Airlines' 2023 goals. Operational requirements are met by undertaking the necessary investment in flight simulation training devices.

The Flight Training Center, which boasts more than 25 years of experience, provided 37 trainings for nearly 45 thousand flight crew, cabin crew, dispatcher and load-master trainees in 2020.

Training Staff of 500 Instructors

The Flight Training Center has 230 regular staff and 500 trainers, 391 of whom participate in flight crew training and 109 in cabin crew training. The training and operation quality



45 THOUSAND+
The Flight Training Center has provided 37 trainings for nearly 45 thousand flight crew, cabin crew, dispatcher and load-master trainees in 2020.

The Flight Training Center has 230 regular staff and 500 trainers, 391 of whom participate in flight crew training and 109 in cabin crew training.

of the Center improves each day as a result of ongoing investments. As a result; the Center, which started to deliver services in 1995 with a single simulator in its current campus, takes firm steps towards becoming the largest and the most modern training center of the region.

Authorizations from National and International Authorities

- Flight Simulation Training Device (EASA FSTD) Organization authorization
- DGCA-approved ATO Training authorization
- ATO authorization granted by the Civil Aviation Authorities of Iraq, Saudi Arabia, Kuwait, Rwanda and Tajikistan
- Cabin Crew Initial Training Authorization
- European Resuscitation Council-approved Defibrillator Training authorization
- Ministry of Health-approved Initial and Recurrent First Aid Training authorization
- Directorate General for Transport Services (TMKTD) approved Dangerous Goods Regulations Training Authorization
- Ministry of National Education-approved Train-the-Trainer authorization

Trainings of 527 foreign flight crew from 66 countries employed in the Incorporation are delivered at the Flight Training Center.

- DGCA-approved Aircraft Security Training authorization
- DGCA-approved SAFA Ramp Inspector Training authorization
- DGCA-approved Dispatcher Training authorization

Flight Crew Trainings

The Flight Training Center has been authorized by the DGCA to act as "Approved Training Organization (ATO)." All simulators and flight training devices are also authorized by EASA.

The Flight Training Center features 37 training programs of flight crew training, including "Conversion," "Fleet Type" and "Recurrent." At the same time, trainings of 527 foreign flight crew from 66 countries employed in the Incorporation are delivered at the Flight Training Center.

A total of 4,785 cockpit personnel were given ground training/simulator training in 2020. During the coronavirus outbreak, the virtual and classroom ground trainings provided are over 60 thousand hours, and simulator trainings are over 65 thousand hours.

Flight Training Center Provides the Following Trainings to Flight Crew:

- Type Rating Trainings,
- Nomination as Commander Trainings,
- Recurrent, Refresher Trainings,
- Type Rating Instructor/Type Rating Examiner (TRI/TRE) and Synthetic Flight Instructor (SFI) / Synthetic Flight Examiner (SFE) Trainings,
- MCC Training and MCC Instructor Training (MCC/MCCI),
- APS MCC,



A total of 4,785 cockpit personnel were given ground training/simulator training in 2020.

37 TRAINING PROGRAMS
The Flight Training Center features 37 training programs of flight crew training.

- Special authorization and licensing trainings such as ETOPS, LVO, PBN, UPRT, etc.,
- Trainings such as Steep Approach and Rejected Landing that are specially designed to increase safety, as demanded by authorities and/or operators,
- License Conversion Trainings,
- Dangerous Goods Rules Training,
- Crew Resource Management (CRM) Training and CRMI (CRM Instructor) Training,
- Ministry of National Education approved Trainer's Training.

Cabin Crew Training

In 2020, 21,173 persons received training at the Cabin Training Management in 26 categories. The training categories include: Initial, Recurrent, Refresher, Re-qualification, Cabin Chief, First Aid, Defibrillator, Service Quality and Professional Development. In 2020, the Flight Training Center graduated 365 new cabin attendants, including 332 persons from Initial, 33 from Expat. A total of 329 hours of training was provided to cabin crew of foreign airlines.

Flight Training Center Provides the Following Trainings to Cabin Crew

- Initial Training,
- Cockpit and Cabin Safety Training,
- Flight Safety and Emergency Procedures Training,
- Crew Resource Management Training (CRM),
- Dangerous Goods Rules Training (DGR),
- Normal Safety Procedures Training
- Aircraft Type Trainings (B737, A320, B777, A330),

- Recurrent, Refresher, Requalification Trainings,
- Senior Cabin Crew Member (Narrow-Body Aircraft),
- Senior Cabin Crew Member (Wide-Body Aircraft),
- First Aid Initial and Recurrent Trainings certified by Provincial Directorate of Health,
- Control Cabin Chief Position Training,
- European Resuscitation Council Approved Defibrillator Initial and Refresher Training.

In addition to the trainings above, various trainings are provided by the Cabin Training Management to increase customer satisfaction:

- On-board Announcement Practices Training,
- Life in Uniform Training,
- Passenger Needs in Flight Operation Training,
- Silence in the Cabin Training,
- Flight Experience from the Cabin Crew Perspective Training,
- Initial Services Training,
- Cabin Crew Professional Awareness Training,
- ER/BC Specialization Training (B777/A330),
- ER/BC Specialization Recurrent Training (B777/A330),
- B777/A330 Y/C Service Training,
- In-flight Entertainment Systems Training (IFE),
- Specialization in Cabin Chief Position Training,
- Theory Based Flight Day Training.

Training Infrastructure

Currently operating on two campuses, The Flight Training Center has reached the capacity of 28 simulators, 90 classrooms and a conference hall within a 47 thousand m2 covered space, capable of serving 2,620 trainees at the same time.

The Flight Training Center has enhanced its flight and cabin simulator inventories up to 24, in accordance with the projection of 2023 and so as to meet the demand for the flight and cabin crew trainings, and will be increased to 27 with the participation of 3 HAVELSAN A320 simulators in 2021.



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Despite the outbreak restrictions in 2020, by taking necessary coronavirus measures, over 65,417 hours of flight were performed in flight simulation training devices by the end of the year. In addition, the EASA authorizations of the devices for 2020 were maintained with the actual visits of the organization.

The following devices and updates were put into use during this period:

- B787 #2 and A350 #2 Simulators purchased from CAE company, tests and EASA certification process have been completed and started to be used in trainings.
- Major updates were made in 6 simulators, including 2 A320 Simulators, 2 B737 Max, 1 A330 and 1 B787 #1 Simulator, and the actual EASA authorization was made.
- A320 #3 Simulator has been upgraded from Airbus 1.8 to 2.0 Standard, A330 #2 Simulator from Airbus 2.4 to 2.6 Standard, A320 #1 Simulator from Airbus 1.4 to 1.9 Standard.
- B787 #1 Simulator data standard has been upgraded to the latest level.
- 3.23.4-3 Simulation package for B737 Max Simulators was integrated into the simulators, and training conditions suitable for the return of the aircraft to operation were provided.

Training

As of 2021, the total number of FFS in the Flight Training Center is planned to be 27 (actual) (3 HAVELSAN A320) and the number of FTDs to be 10.

In the Flight Training Center; For use in cockpit trainings:

- 24 Full Flight Simulators (FFS),
- 7 Flight Training Devices (FTD),
- 2 16X2 = 32 trainees-capacity B737/A320/A330 VSIM class,
- 6 Computer Based Training (CBT) classes are currently available.

As of 2021, the total number of FFS in Flight Training Center is planned to be 27 (actual) (3 HAVELSAN A320) and the number of FTDs to be 10.

For use in Cabin Training:

- 3 Mock-Up (A320 CEET, B737 CEET, B787 CEET),
- 1 Fire Fighting Training Device RFFT,
- 8 Door and Window Training Devices (B777 DT, B737 DT/OWE, A330 DT, A320 DT, A320 DT/OWE, A321 ACF OWE, A310 DT, A340 DT),
- B777 and B737 Evacuation Slides,
- 4 Station Areas with emergency supplies,
- Ditching Pool,
- 5 Cabin Service Training Tools (CST) are available.
- The installation of 1 B787 cabin emergency evacuation device has started.

CUSTOMER PORTFOLIO

By selling simulator slots and trainings to many firms around the world primarily in Europe, Middle East, Africa and Middle Asia; Turkish Airlines Flight Training Center is not only meeting the needs of Turkish Airlines, but also the training needs of other airlines. Thus, the Center contributes to the Incorporation as a revenue-generating profit center as well.



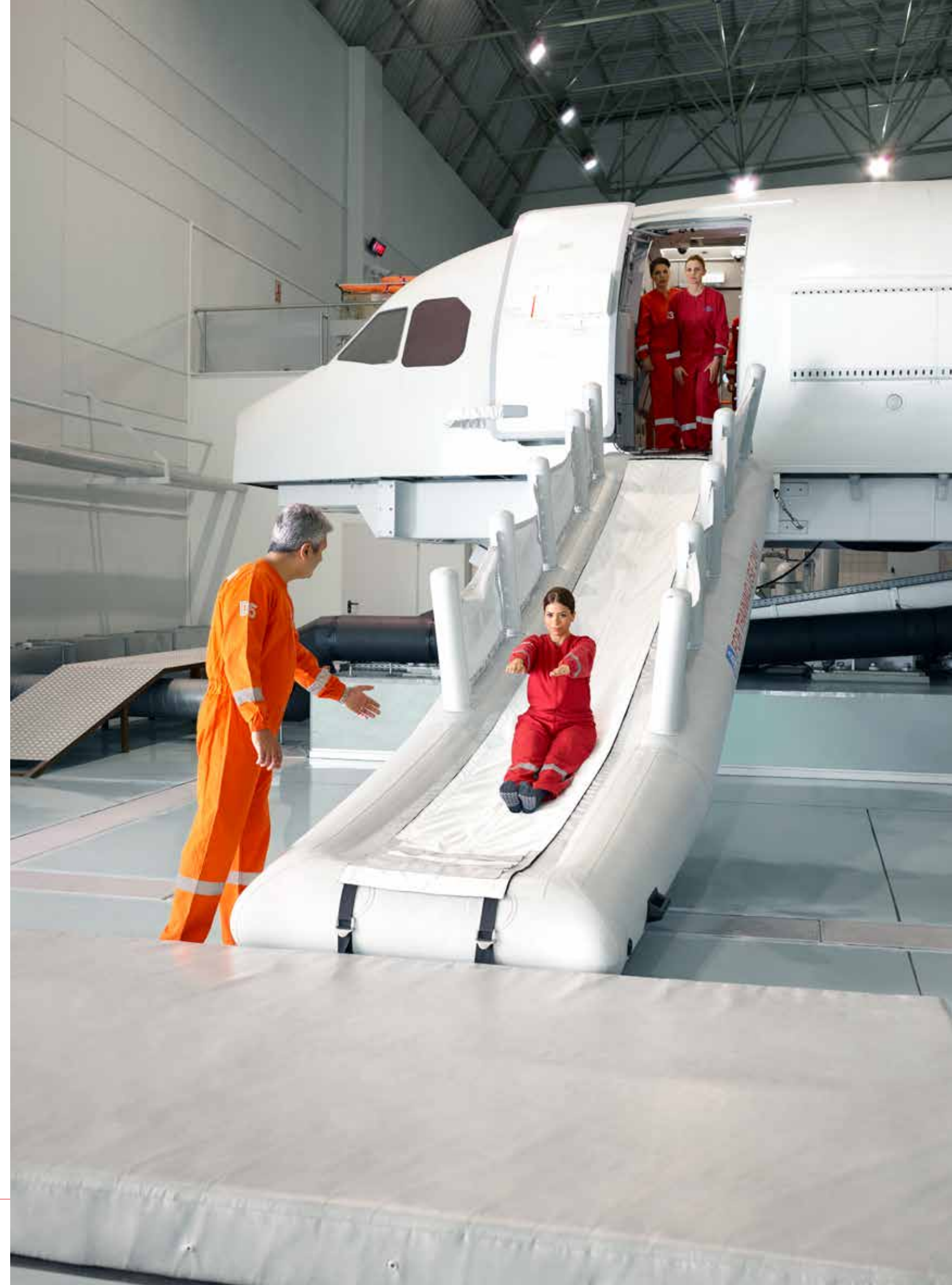
For use in Cabin Training, 5 Cabin Service Training Tools (CST) are available.

Turkish Airlines Flight Training Center contributes to the Incorporation as a revenue-generating profit center.

With more than a quarter-century of flight training experience, equipment and service quality approved by international authorities, a young simulator fleet formed by supporting modern and domestic technology, the Incorporation's flight training needs and other domestic demands were supplied; and despite the contraction in the sector, 15 new overseas customers, 7 of which were flag carrier airlines, were added to the customer portfolio in 2020 and started to be served. Demands of existing customers, on the other hand, continued to be met, prioritizing the health and safety of employees and business partners. The Flight Training Center maintains its character of being the region's leader in its field and a profit center.

ADAPTATION TO CHANGE

In 2020, which was one of the most difficult and unpredictable periods of the aviation industry; the rapid adaptation of the Flight Training Center employees to the changing operational conditions and the directives of national and international authorities without any irregularity in customer service and other activities has been a source of pride. The full implementation of all coronavirus measures by minimizing costs without compromising service quality has made a significant contribution to operational sustainability and especially to the satisfaction of internal and external customers.



Flight Operations

Within the scope of coronavirus measures, the aim is to continue the ongoing flight operation execution without compromising safety.

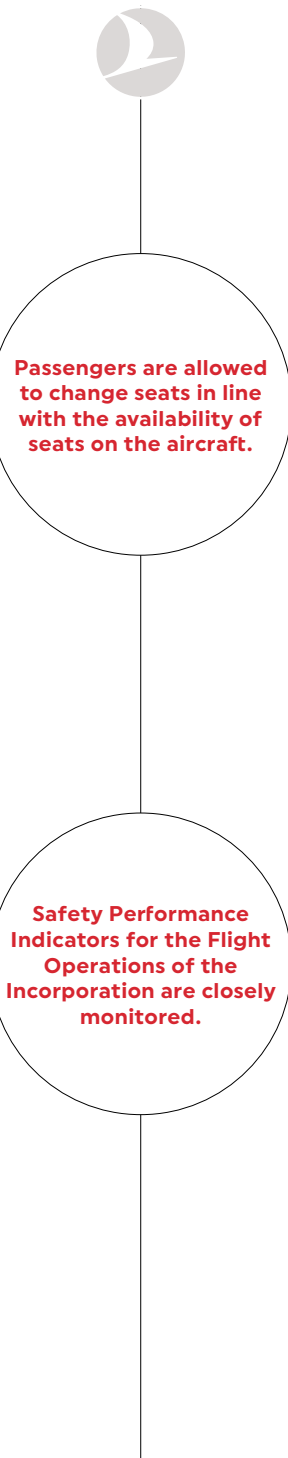
FLIGHT MANAGEMENT

The aviation industry was of one the most affected by the coronavirus pandemic. Flight operation activities are carried out in constant communication and consultation with international and national authorities, and continued within a framework of newly formed and updated legislation, rules and regulations.

In 2020, Turkish Airlines performed risk assessment studies on executing "cargo transport operations on passenger aircraft." The risk level was found to be in the "acceptable" range. The operation was conducted in accordance with applicable rules and regulations in a harmonious, effective, safe and secure manner. Turkish Airlines aims for this operation to continue where cost savings is realized.

Laws, rules and regulations governing pandemic flight operations were monitored regularly. Turkish Airlines executed safe flight operations with health rules at the forefront. Precautionary and preventative measures were determined and all operational precautions were taken by flight crew members before, during and after the flight. As part of anti-pandemic measures, Turkish Airlines aims to continue execution of ongoing flight operations without compromising safety.

During the pandemic, new rules on change of seats inside the aircraft were created to ensure flight safety. Passengers are allowed to change seats in line with seating availability in the aircraft in order to increase customer satisfaction.



Passengers are allowed to change seats in line with the availability of seats on the aircraft.

Safety Performance Indicators for the Flight Operations of the Incorporation are closely monitored.

To enhance the know-how, experience and awareness of flight crew members, Turkish Airlines has prepared supplementary training documents and comprehensive operational notes/publications on all operational topics.

Turkish Airlines closely monitors safety performance indicators for its flight operations. Focused efforts are ongoing to increase the overall safety level at Turkish Airlines.

Some of the A-350 wide body aircraft that were originally scheduled to join the Turkish Airlines fleet in March 2020, joined the fleet in October 2020 as a result of negotiations with the manufacturer Airbus due to the coronavirus pandemic. Entry into service (EIS) activities were completed in coordination with all units. Pilots in the current operating fleet were enabled to fly in a common fleet without the need to create a separate fleet configuration. This approach achieved both operational flexibility and cost efficiency.

With the transition from the usual office working arrangement to a remote working model, face-to-face meetings and interviews were carried out effectively and efficiently via Turkish Airlines-approved digital platforms.

The move to the newly constructed Operations Facility was completed in June 2020. This new facility will improve inter-department communications, boost productivity and reduce operational and administrative costs.

INTEGRATED OPERATION CONTROL

Turkish Airlines has quickly and successfully adapted to all emerging developments and evolving restrictions since the start of the coronavirus outbreak. The Irregular Operation Module was used during the pandemic. To maximize revenues and minimize expenses, the Incorporation boosted the effectiveness of its demand management system by expanding coordination between operational units. During the process of selecting both aircraft to be parked and passenger aircraft to be operated as cargo aircraft, Turkish Airlines fostered coordination between the relevant units to keep operational efficiency at the highest level.

As part of its systems integration efforts, Turkish Airlines reviewed all its operational procedures while making revisions and updates as needed. Employee trainings were also completed. The IOCC back-up system was upgraded. Automated troubleshooting and maintenance system tests reached the final stage. The Incorporation aims to activate the system as soon as possible in order to boost aircraft availability.

Improvements were made in the manage by exception system, which was developed in integration with existing systems. The project to systematically correct expected operational failures without disrupting operations is ongoing. In addition, efforts are underway to determine how many minutes flights will be late without having any delay and taking automatic measures with machine learning.

The decision stage was reached in the new automated flight operation control system; the process is aimed to be started as soon as possible. This advanced system is expected to record fuel savings and minimize costs while keeping passenger satisfaction at the highest level during management of major and minor irregularities.

The move to the new Operations Facility, which features state-of-the-art technology and was constructed at Istanbul Airport as an IOCC unit, was successfully completed during the year.

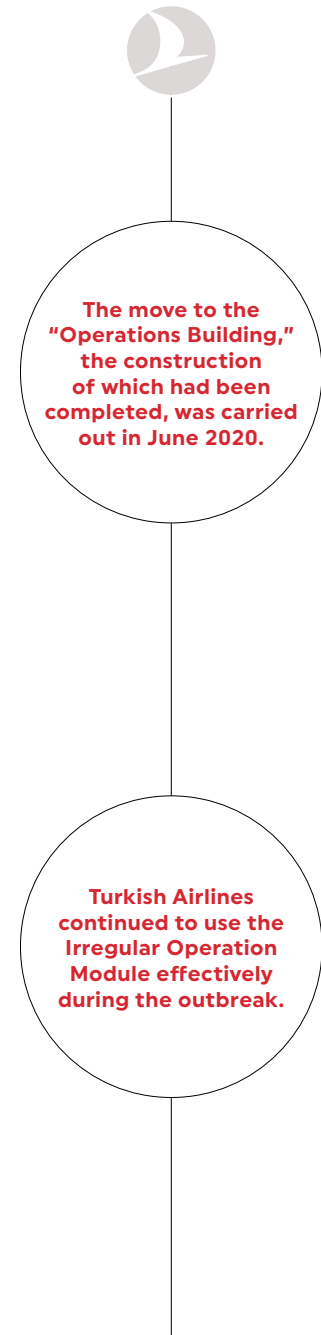


CABIN SERVICES

After the coronavirus outbreak, the service industry introduced many outside-the-box innovations and instituted major changes, especially in air transport in order to safeguard public health and ensure the sustainability of the aviation sector.

For cabin crew members to adequately fulfill their new duties and carry out the new business practices, Turkish Airlines closely monitored any changes in the applicable international and national legal and regulatory framework to protect public health. Benchmark studies were conducted in conjunction with other airline companies. Turkish Airlines cabin operation procedures were revised without compromising safety and service, taking into account the health and well-being of passengers and employees.

In the April-June period when passenger transport operations were effectively suspended, Turkish Airlines commenced cargo transport operations in the cabin compartments of passenger aircraft. Potential risks of this new type of operation were identified prior to launch. Additional procedures were established in accordance with relevant laws, rules and regulations. The new operation was initiated safely by communicating procedural guidelines to cabin crew members quickly. Turkish Airlines' cargo operations is currently underway in accordance with legal and regulatory requirements and internal rules and procedures.



The move to the "Operations Building," the construction of which had been completed, was carried out in June 2020.

Turkish Airlines continued to use the Irregular Operation Module effectively during the outbreak.

During the outbreak period, changes were made in many practices such as cleaning and disinfection of the cabin, ensuring the cleaning of the air inside the aircraft, boarding and deboarding procedures of the passengers.

Before resuming core passenger transport operations, Turkish Airlines reviewed all cabin operation related documentation published by relevant authorities – IATA, EASA, DGCA, among others – during the pandemic. To design a safe and healthy operation within this regulatory framework, the Incorporation participated in the coronavirus change management study.

During this period, Turkish Airlines reduced the onboard catering service and reconfigured catering content and serving procedures in line with new hygiene rules. Modifications were made to many procedures and practices, including cleaning and disinfection of the cabin, filtration of air inside the aircraft, boarding and deboarding of passengers.

In line with the enhanced hygiene standards, Turkish Airlines incorporated all precautionary measures and steps taken – from the first point of contact of the travel experience to the last point of contact – into cabin crew training. This effort aims to help cabin crew staff answer passenger questions related to onboard hygiene accurately and effectively. The Incorporation created a list of passengers' frequently asked questions (FAQ)s and answers for quick reference. Announcements to be made by cabin crew members were standardized.

To ensure effective contact tracing and reduce the risk of contamination, the practices and procedures to be carried out in the cabin in the event a passenger or team member is suspected of coronavirus infection are defined and applied on all Turkish Airlines flights.

In the aircraft cabin, additional announcements were prepared to encourage adequate social distancing

Inside the cabin; additional announcements were prepared in order to provide social distance for both the passengers between each other and the cabin crew with the passengers.

Questions that may be asked frequently by passengers and their answers have been created.

among passengers and between the cabin crew and passengers. Procedures for welcoming passengers, seating passengers, managing passenger seat change requests, conducting the catering service, administering first aid, and carrying out emergency operations in the cabin were revised during the year. Turkish Airlines informed cabin crew members of the revisions via online trainings.

Up-to-date announcements and documentation to inform about changes and restrictions deemed appropriate by national and international authorities are reminded to crew members by cabin chiefs at briefings held prior to each flight.

In addition to boosting passenger safety, security and satisfaction, hygiene expert cabin crew members were designated to distribute hygiene products and disinfect passenger common areas in order to ensure a hygienic environment and foster a perception of hygiene among passengers. Hygiene expert staff received additional trainings on materials to be used, disinfection procedures and their job descriptions.

Cabin crew members who are responsible for ensuring social distancing and maintaining a hygienic environment inside the aircraft are identifiable by their "Hygiene Expert" badge.

Turkish Airlines is a global leader in terms of its commitment to passenger satisfaction. Online trainings are delivered to cabin crew members on how they can best serve passengers while complying with social distancing rules and wearing masks. Cabin crew members are encouraged to adopt a mindset embodied by the slogan "Our smiles are too big for masks to hide." These trainings also advise the cabin crew on issues they should pay

attention to while ensuring passenger satisfaction in order to maintain the same exceptional level of service during the pandemic. In particular, modes of communication such as body language and tone of voice are emphasized in these specialized trainings.

With the decrease in flight frequency during the pandemic, Turkish Airlines supported its cabin teams with online classroom trainings and podcasts to improve their professional and foreign language competencies.

To keep cabin crew members informed about relevant sector developments, Turkish Airlines held online communication meetings to maintain staff motivation. All cabin operations managers were enabled to monitor cabin operations at crew terminals. By monitoring the factors affecting employee satisfaction, managers were also able to take corrective actions when needed.

Turkish Airlines established coordination channels to assess the need and furnish supply of personal protective equipment (PPE) to be used by cabin crew members. PPE materials and accompanying precautions were set taking into account the conditions of the destination country in each flight and overnight stay responsibilities. Cabin team terminals were reconfigured in accordance with social distancing rules. Areas shared by team members are continuously disinfected and hygiene measures are thoroughly implemented.

Turkish Airlines ensured that cabin crew members who were deemed most vulnerable to coronavirus infection due to health-related risks were not assigned flight duties to protect their health. In coordination with the Ministry of Health, the HES code application for contact tracing is also used by flight crew members. A comprehensive range of preventative measures are implemented to reduce the risk of infection among flight crew members.

"Aviation is proof that given the will, we have the capacity to achieve the impossible." These words have been the beacon of motivation for Turkish Airlines cabin crew members during this time of extraordinary change. Throughout this unprecedented year of global pandemic, Turkish Airlines cabin crew members have fulfilled their duties with great dedication and commitment befitting of Turkey's national flag carrier.

To improve the professional and foreign language competencies of the teams, they were supported by online classroom trainings and podcasts.

Measures to reduce the risk of contamination among flight crew members are taken at the highest level.

CREW PLANNING

Turkish Airlines exited operating year 2020 with 4,386 flight crew staff and 11,228 cabin crew members. During the pandemic, the Incorporation aimed to execute human resources planning in the most efficient and fair way by ensuring the most equal distribution of flight times possible.

Rules were established in the crew planning system to ensure that the PCR coronavirus testing requirements of local authorities prior to entering countries are followed by flight and cabin crew members. This dynamic system ensures that fast action can be taken when needed.

Systematic structures were set up to monitor evolving pandemic restrictions imposed by countries on the citizens of other countries or on the flight teams entering those countries within a certain date during the planning and operation. This complicated process was managed efficiently and smoothly by also controlling the teams' non-task travel information.

Pursuant to the exemption circular issued by the DGCA, cargo and evacuation flights were carried out at the working limits of 21 and 24 hours. These flights were regularly reported to the DGCA. Regular inspections were conducted by the Directorate Crew Planning.

To check full compliance with IOSA Standards Manual requirements, Turkish Airlines performed an audit on team planning issues in 2020. The audit did not uncover any instance of non-compliance.

The Directorate Crew Planning took necessary actions and conducted inspections in accordance with the circular on cargo transport in the passenger cabin of passenger aircraft.

Planning, monitoring and improvement efforts are conducted in line with scientific research as per the fatigue risk management system (FRMS) module and in accordance with national/international regulations.

Internal and external audits are performed to ensure smooth and complete adaptation of crew planning processes. The audits aim to ensure full compliance with all generalized or coronavirus-induced applicable national and international legal and regulatory requirements in addition to amendments thereof.

Istanbul Airport

With its third runway opened in June 2020, Istanbul Airport currently has five operational runways including three independent main runways and two alternate runways.

Turkish Airlines transferred its entire passenger operation from Atatürk Airport to Istanbul Airport with the "Great Move" in 2019. Istanbul Airport, the world's largest terminal building and Turkey's biggest infrastructure investment project, has started its flight operations.

Its third runway having opened in June 2020, Istanbul Airport currently has five operational runways including three independent main runways and two alternate runways. The facility is world-class in every respect, from concept to construction to capacity.

Istanbul Airport is the first airport in Turkey and the second airport in Europe, after Amsterdam Schiphol Airport, that can perform independent parallel operations with this number of runways (allowing three aircraft to land and take off in parallel at the same time). With the launch of the third independent runway as well as the second Air Traffic Control Tower and the second End Around Taxiway, waiting times in domestic and international routes have been significantly reduced.

With the opening of the third independent runway located east of Istanbul Airport Terminal, taxi times for domestic flights have been reduced by half. According to simulations, the average taxi-in time has decreased from 15 minutes to 10 minutes, while the average taxi-out time has decreased from 23 minutes to 15 minutes.



DOMESTIC
Taxi-In Time
10 minutes

Taxi-Out Time
12 minutes

INTERNATIONAL
Taxi-In Time
10 minutes

Taxi-Out Time
15 minutes

The third runway features electrical and electronic navigation systems that allow landing and take-off in the harshest weather conditions – known as a CAT-III approach. Due to the increase in capacity on the air side with the commencement of the third runway, an A-SMGCS system was established to control and direct complex ground movements. In addition, the third runway includes double stop-bar controlled runway operation and a runway status light system – both of which are being used for the first time in Turkey. These advanced systems provide both traffic efficiency and safe airside operations.

FACILITY INVESTMENTS

The Operations Center – where flights from Istanbul Airport are planned and monitored by units responsible for all flight operations – officially commenced operations in May 2020. The 50,000 m² facility also includes the Crew Terminal section used by cabin/cockpit crews.

The Crew Terminal has an area designated for use by Turkish Airlines crews. This crew-only space includes pre-flight briefing (meeting), waiting and resting areas for cabin/cockpit crews. Flight related operations are carried out at this terminal. Crews can proceed directly to their flights from this terminal without having to pass through the main terminal building.

Apart from its main facilities, Turkish Airlines Inc., continued its broader capital investment program in 2020. During the year, Istanbul Airport completed and put into operation about 36,000 m² of facilities, large



and small, including energy center buildings, water storage and a 4,000 m² de-icing facility, which is vital for flight operations in winter months. In addition, construction of the 17,377 m² Region B Energy Center (ECB) Building is ongoing.

The Main Cargo facility, currently under construction, will be the new home of Turkish Cargo – one of the world's fastest growing air cargo brands. With this state-of-the-art facility, Turkish Cargo aims to continue its uninterrupted decade-long growth trend and increase its share of the global air cargo market. Loading and unloading operations will be performed at the Main Cargo facility as well as customs clearance services on cargo and passenger aircraft. Once complete, the 178,000 m² facility will also host Turkish Cargo's management and operation offices. The Main Cargo facility will be equipped with a full automation system. The vast facility will feature a total capacity of 2.8 million tons per year, a cargo transport capacity of 2 million tons per year and a satellite facility capacity of 0.8 million tons per year. The Main Cargo facility is scheduled to become operational in 2021. When all phases are complete, the cargo facilities will have an annual capacity of 4 million tons.



In 2020, the construction of a 4,000 m² Deicing facility was completed.

Istanbul Airport MRO Campus will be one of the largest maintenance facilities in the world.

Construction of the first phase of the Istanbul Airport facilities of Turkish Technic and the design process of the second phase continued to move forward in 2020.

In addition to the Line Maintenance Hangars that started operating in 2019, the A Maintenance Hangar and Energy Center buildings were completed in August 2020. The Maintenance Hangar with an area of 41,000 m² can serve three wide body and six narrow body aircraft at the same time. The Energy Center Building with an area of approximately 14,000 m² will provide the energy needed by the entire MRO (Maintenance-Repair-Overhaul) facility.

Istanbul Airport MRO Campus, scheduled for completion in 2025, will be one of the largest maintenance facilities in the world at approximately 800,000 m² and featuring a vast capacity. When the entire facility is complete, the MRO Campus will be able to provide maintenance services to 17 wide body and 18 narrow-body aircraft, and painting services to 2 wide-body and 4 narrow-body aircraft – at the same time.

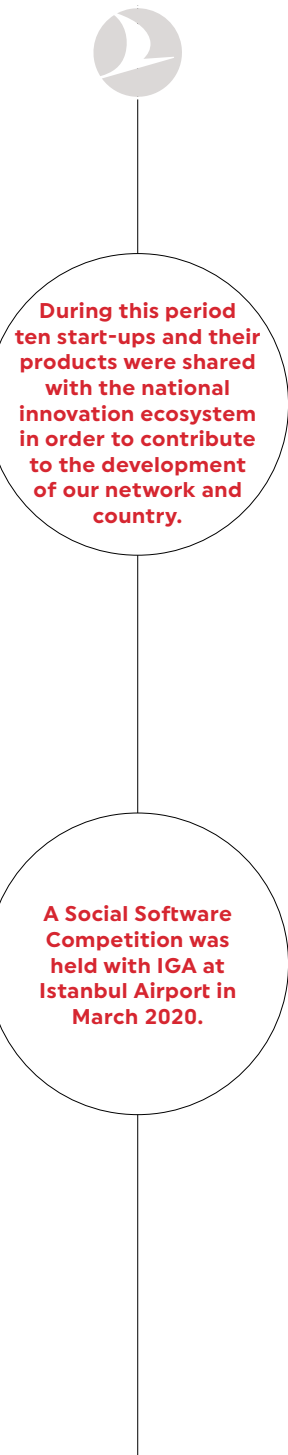
Corporate Innovation

Antiviral, antibacterial, antimicrobial washable mask samples were tested by members of the innovative projects group, including colleagues from Turkish Airlines subsidiaries. Prototypes were developed and mass production is currently underway.

INNOVATION AT THE HEART OF EVERY SOLUTION

Since the start of the coronavirus pandemic, Turkish Airlines has strived to develop innovative solutions to respond to the unprecedented crisis which hit the airline transport sector especially hard. During this challenging period of extensive remote working, Turkish Airlines conducted solution-oriented studies that prioritize sustainability in conjunction with employees. These efforts focused on internal innovation among the workforce as well as stakeholders in the external innovation ecosystem. Turkish Airlines mobilized all its stakeholders in its innovation and entrepreneurship ecosystem from the beginning of the coronavirus outbreak. Plans were developed to identify solutions internally and externally. As flights resumed in June, Turkish Airlines introduced innovative solutions and practices in accordance with the frequently revised IATA rules during this difficult period. One on one interviews were held with more than 20 local and foreign start-ups in September-December, especially those that focus on detecting coronavirus infection in a matter of minutes. Approximately 90% of these contacts were introduced to one or more relevant departments at Turkish Airlines. The remaining start-up initiatives were provided with mentoring. To further develop their projects and business ideas, these enterprises were given necessary preparations before meeting with these departments.

During the outbreak, majority of the ideas cultivated at and proposed from the innovation ecosystem were related to disinfectant technology and antiviral-antibacterial masks.



Interviews were conducted with these start-ups, initiatives and universities about solutions for cleaning cabin interior surfaces, air filtration and ventilation systems, hand and foot disinfection technology with thermometer capabilities. Promising innovations were directed to the relevant departments for further evaluation. Turkish Airlines implements the most innovative solutions in line with its business processes and service quality. Antiviral, antibacterial, antimicrobial washable mask samples were tested by members of the innovative projects group, including colleagues from Turkish Airlines subsidiaries. Prototypes were developed and mass production is currently underway.

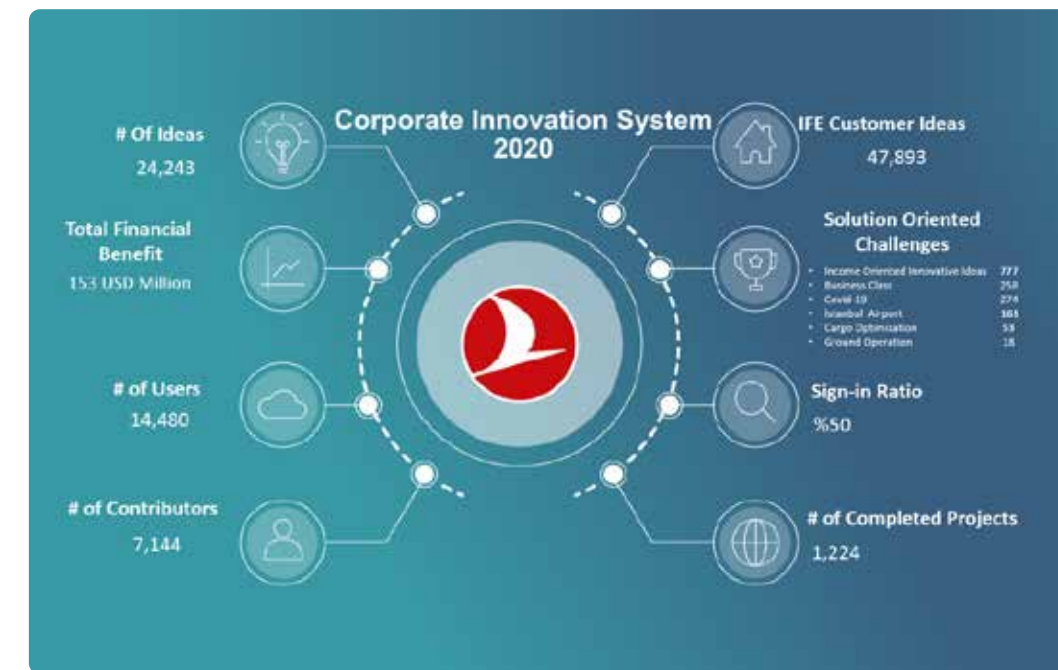
During this period ten start-ups and their products were shared with the national innovation ecosystem in order to contribute to the development of our network and country. Active mentorship support was also provided to two incubation centers during the year. Solutions related to artificial intelligence and machine learning, image processing technologies, autonomous transport solutions and entertainment have proliferated among the innovative ideas. A Social Software Competition was held with IGA at Istanbul Airport in March 2020. Entrepreneurs were asked to develop innovative solutions to social issues. For this purpose, social scientists, software developers and entrepreneurs were brought together in a competition format at Istanbul Airport. To foster innovation among younger generations, high schools that applied to Turkish Airlines were given the opportunity to compete for a solution to meet the needs and problems experienced in business processes.

Provided with mentoring, these talented high school students take their first step into the innovation ecosystem.

100 SUGGESTIONS: 100 PROJECTS

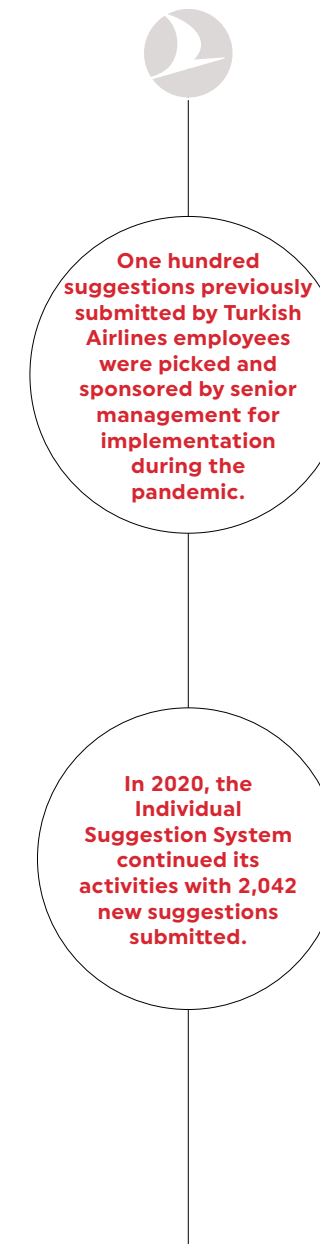
One hundred suggestions previously submitted by Turkish Airlines employees were selected and sponsored by senior management for implementation during the pandemic. Twenty-two new projects have now been fully implemented under this campaign. The remaining suggestions were transformed into projects that are currently underway.

In addition to the innovative ideas and feedback received from passengers through channels such as Turkish Airlines website, the mobile application and call centers, we achieved yet another breakthrough in the aviation industry. The "Innovation Survey" and "Innovative Solution Suggestion" were added to the inflight entertainment system. As a result, passengers now have the opportunity to share their opinions, suggestions and experiences related to innovation during their flights. Suggestions received are regularly categorized by the project teams in line with the review process. Customer suggestions are read and grouped thematically. A search for suitable solutions is initiated with the relevant departments. To date, more than 47,000 customer feedback messages have been received via this newly opened channel. Suggestions submitted are classified under six main categories and shared with the departments that are responsible for the relevant processes. By sharing survey results with relevant departments, Turkish Airlines developed projects in accordance with customer feedback through innovation surveys. Customer expectations on innovation are also shared with subsidiaries. Efforts are made to develop joint innovation focused projects with subsidiaries for the airport, aircraft and the website. On the project coordination side, customer innovation as well as internal mentoring and coordination support are provided during the entire process, from the employee idea stage to development and implementation. Dozens of projects from the Individual Suggestion System are supported. Coordination support was given to over 430 other projects independent of the suggestion system.



INDIVIDUAL SUGGESTION SYSTEM

In 2020, the Individual Suggestion System continued its activities with 2,042 new ideas submitted. During the year, three large and specific themed competitions were held in line with Turkish Airlines' yearly KPIs. These competitions supplemented the traditional suggestion system where employees can share ideas in their areas of expertise. The first competition focused on the theme of "Business Class" after the Board of Directors declared 2020 as the "Year of Business Class" while developing its annual strategic plan. The competition was open to the participation of all employees for a three-month period. Project ideas were shared to take business class cabins and services to the next level and set global standards. The second competition centered around "Covid-19" in response to the global pandemic which had an especially negative impact on the aviation industry. The third competition was themed "Revenue Focused Innovative Ideas" to address the negative financial impact of this challenging year. This competition was designed to yield ideas with financial benefits. 821 project ideas were generated by these competitions. The suggestions were evaluated by the managers of the respective departments via the Individual Suggestion System infrastructure.



AnadoluJet continues to operate with a low cost carrier (LCC) business model to allow more passengers to enjoy the practicality of air travel.

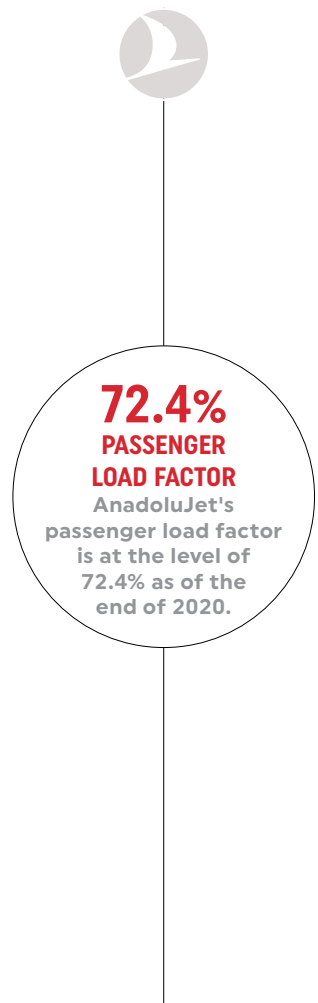
ANADOLUJET TRAFFIC FIGURES

	2020	2019	2018	2017	2016
Revenue Passenger ('000)	7,036	14,529	15,975	14,087	12,008
Available Seat-Km (Million)	7,877	11,246	12,388	11,244	9,809
Revenue Passenger-Km (Million)	5,703	9,807	10,674	9,459	8,098
Passenger Load Factor (%)	72.4	87.2	86.2	84.1	82.6
Number of Landings	53,305	90,748	100,125	90,634	81,270

AnadoluJet - a Turkish Airlines brand - utilizes Esenboğa and Sabiha Gökçen airports as hubs with its fleet composed of 40 Boeing 737-800 aircraft as of the end of 2020. By operating scheduled flights on a total of 118 routes (71 domestic and 47 international), AnadoluJet makes air travel accessible. AnadoluJet realized 53,305 flights in 2020, thanks to its expanding international flight network.

International flights started on 11 June 2020, along with the relaxation of travel restrictions implemented within the scope of protective measures worldwide due to the outbreak. After this date, flights were gradually increased in countries where travel restrictions were removed, in line with the permissions granted by the authorities.

With the starting up of AnadoluJet's international flights in Sabiha Gökçen, the connection quality in connecting flights has been improved, and its market share has been increased.



AnadoluJet, which has reached 92% in on-time take-off performance by providing an increase of 8 points compared to the previous year with its operation improvement works carried out in the airports, has improved its service quality with various projects it implemented in many areas in 2020. It has implemented projects such as the sale of reservation rights through its website and mobile application, the sale of excess baggage and sports equipment at check-in, and extra seats; it has managed to offer online all additional services to meet the needs of passengers in accordance with the conditions required by the outbreak.

In international flights starting from Sabiha Gökçen and Ankara in 2020, it was observed that the additional services it developed were welcomed and accepted by passengers and provided AnadoluJet advantage.

AnadoluJet, which has made some changes in ground and flight operations due to the coronavirus outbreak, takes the following measures to ensure that passengers travel in a healthy and safe manner:

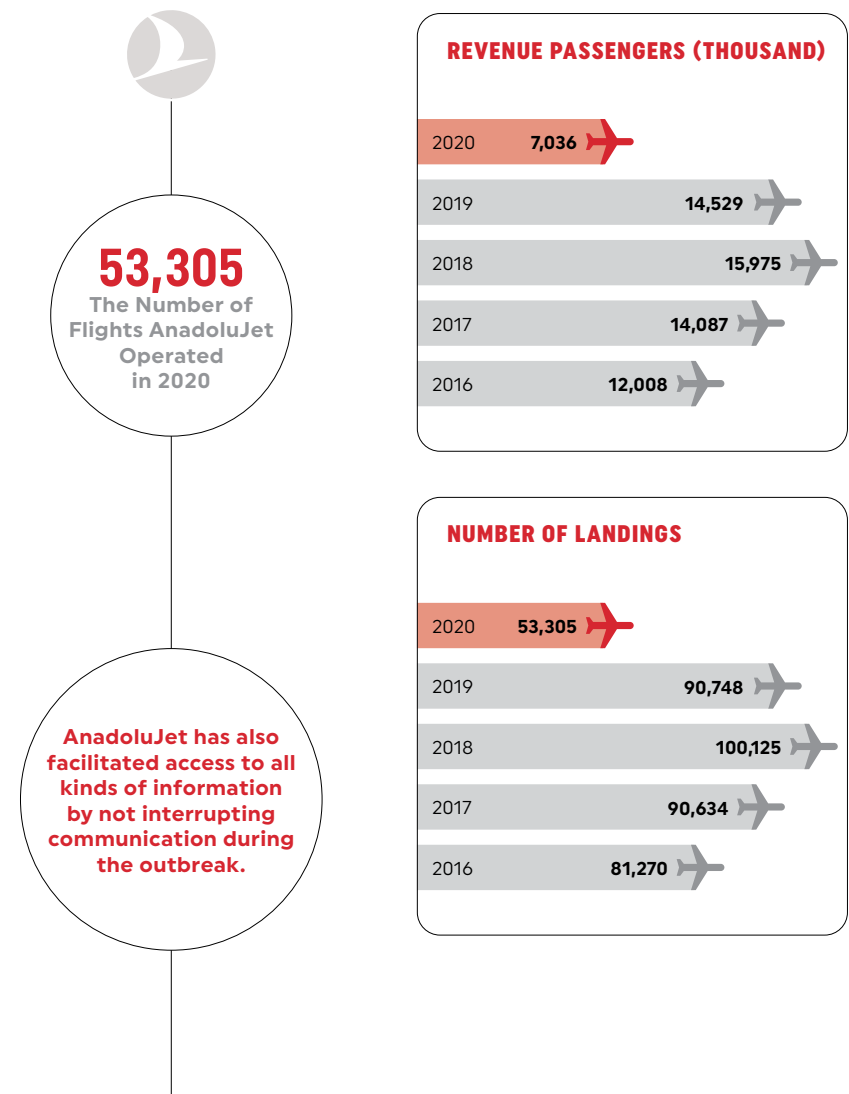
- Strict attention to the distance rules in the check-in and boarding areas,
- Making information announcements,
- Distribution of free in-flight hygiene kits,
- Disinfection of aircraft after each flight.

Besides, the content of the video "Our Safe Travel Standards" it prepared explains the hygiene standards applied before, during and after the flight; the measures taken with the health authorities are presented to the passengers.

In 2020, AnadoluJet focused on search engine optimization activities in order to increase brand awareness on digital platforms and to improve sales rates in online channels. By including content on many new domestic and international destinations on the website, it provides the information that passengers may need, and also ensures that they are displayed higher in the search results.

AnadoluJet has also facilitated access to all kinds of information by not interrupting communication with its passengers during the outbreak. By ensuring integration with the message management system, passengers are given the option to be informed about necessary issues such as campaigns and announcements.

AnadoluJet continues its communication policy that will touch the passengers one-on-one and increase interaction on social media platforms, and in order the passengers not to suffer, it provides the fastest communication of the sudden decision changes taken by the official authorities during the outbreak on the website and on all social channels.



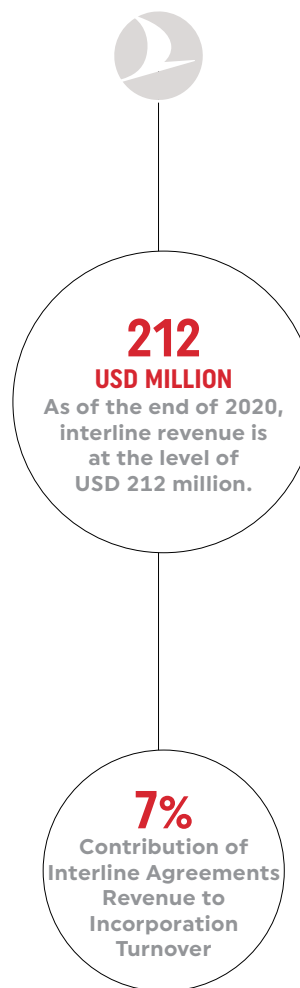
Commercial Partnerships with Airlines, Traffic Rights and Expanding Flight Network

Thanks to 53 codeshare agreements signed with leading global airlines, Turkish Airlines maintained its network size by providing sales opportunities to 259 cities at offline destinations.

(USD MILLION)	2020 Revenue Contribution	2019 Revenue Contribution
Asia & Far East	38.5	154.9
America & Eastern Europe	115	268
Europe (West, South, Central, North)	33	95.3
Middle East & Africa	25.5	87.6

At Turkish Airlines, interline revenue decreased from USD 606 million in 2019 to USD 212 million in 2020 due to the Covid-19 pandemic. Interline passenger numbers declined from 2.5 million to 873 thousand year-on-year. In 2020, interline revenue accounted for 7% of Turkish Airlines' total turnover, up one point from a year earlier.

Thanks to 53 codeshare agreements signed with leading global airlines, Turkish Airlines maintained its network size by providing sales opportunities to 259 cities at offline destinations. At year-end 2020, the Incorporation flew to 324 destinations worldwide. With its numerous commercial partnerships, Turkish Airlines provides access with its TK flight number and flight code to 259 destinations that are not direct flights from Istanbul. As a result, passengers can check-in with a single Turkish Airlines ticket through to their final destination and arrive comfortably, rapidly and economically without the need to tend to their baggage during transfers.



A breakdown of the revenue contribution decrease by world region year-on-year due to the impact of the pandemic follows:

- America & Eastern Europe's revenue contribution declined from USD 268 million in 2019 to USD 115 million in 2020,
- Asia & Far East's revenue contribution declined from USD 154.9 million in 2019 to USD 38.5 million in 2020,
- Europe (West, South, Central, North)'s revenue contribution declined from USD 95.3 million in 2019 to USD 33 million in 2020, and
- Middle East & Africa's revenue contribution declined from USD 87.6 million in 2019 to USD 25.5 million in 2020.

STAR ALLIANCE

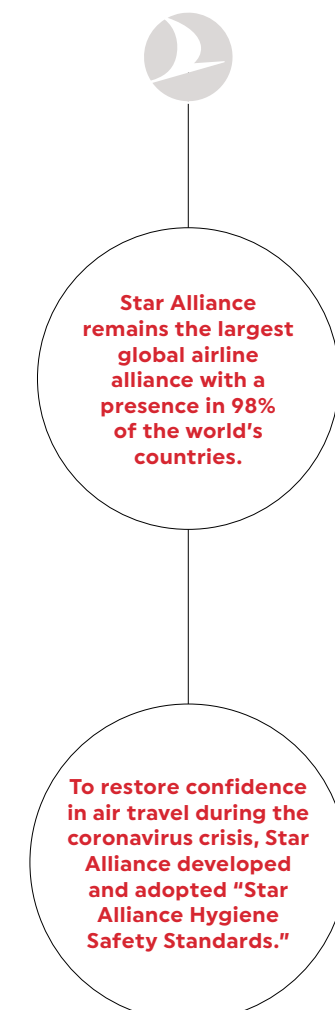
Star Alliance continued to prioritize innovation and digitalization in a year when the airline industry faced the severe impacts of the coronavirus pandemic. Since the start of the outbreak, Star Alliance has conducted joint initiatives with many technology companies and global innovation platforms such as Plug and Play, Amazon Web Services (AWS) and Amadeus. Major steps were taken to discover, develop and apply advanced technologies that will transform the passenger experience – a core strategy at Turkish Airlines.

Star Alliance remains the largest global airline alliance with a presence in 98% of the world's countries. Pursuant to its digitalization strategy to boost innovation, Star Alliance has implemented initiatives such as Biometric Hub and the Digital Connection Service. Biometric Hub, which went live at Frankfurt and Munich Airports in November 2020, facilitates automatic and rapid passage from many checkpoints at the airports without personal contact.

In 2020, Star Alliance aimed to offer more innovative products and digitalize passenger services to further improve the customer experience. During the year, priorities were revised for some projects. Development of key initiatives – such as Interline Seat Selection, Contact Me, and Frequent Traveler Validation – continued to move forward.

To restore confidence in air travel during the coronavirus crisis, Star Alliance developed and adopted the "Star Alliance Hygiene Safety Standards." These standards are also available on the Turkish Airlines website. In addition, "Travel Information Hub," designed for passenger use online and/or during interline travel, covers top 100 Star network airports. This new resource contains helpful information about hygiene and health guidelines of Star Alliance carriers.

Star Alliance has introduced an effort with broad stakeholder participation to develop a new strategy based on trust, mutual acceptance and information sharing. Compliance studies are underway with Digital Health Passport applications such as IATA Travel Pass and CommonPass. This effort aims to establish a healthy travel corridor in cooperation with certain test centers by screening passengers for coronavirus via one or more testing methods. The overarching objective is to provide solid assurance to relevant governments that air travel does not cause coronavirus cases to spread.



To mitigate the negative financial impact of the pandemic and reduce operational expenses, Star Alliance adopted the following practices in 2020: Suspending some products and/or services, cutting back on marketing activities, postponing payments, reducing work hours, decreasing staff numbers and lowering wages, and using bank loans to boost liquidity.

In April, Star Alliance reduced its planned full year 2020 budget from EUR 42.5 million to EUR 25.3 million, about 40% lower due to the pandemic.

INTERNATIONAL ORGANIZATIONS

As of year-end 2020, Turkish Airlines maintained the following memberships: International Air Transport Association (IATA), Airlines International Representation in Europe (AIRE), Arab Air Carriers Organization (AACO), and Latin American and Caribbean Air Transport Association (ALTA). Turkish Airlines participates in events and meetings held by international aviation organizations. Publications, statistics and all current developments in the aviation field are closely monitored. Management of the organizational response to the pandemic is a high priority.

Commercial Partnerships with Airlines, Traffic Rights and Expanding Flight Network

The ICAO 2022 Council and ANC elections for the 2022-2025 term were organized by DGCA in order to bolster ICAO relations. Turkish Airlines participated in the virtual meeting to nominate Turkey as a member of the Governing Council.

Committee meetings are regularly held to ensure a smooth return to normalized operations after the pandemic. Current publications, pandemic-related standards, guidelines and recommendations are transmitted to the relevant units at Turkish Airlines with necessary coordination support.

This year's IATA Annual General Meeting, originally scheduled for June but was postponed due to the pandemic, was held virtually on November 24, 2020. Turkish Airlines attended and participated in the meeting. At the IATA AGM, two draft resolutions related to the pandemic were approved. One resolution stated the aviation industry's commitment to reconnect the world in a safe and sustainable way, while highlighting the current financial vulnerability and the ongoing need for airlines to receive financial assistance. The aviation sector reaffirmed its commitment to reconnect countries safely and sustainably. The second resolution related to reopening international borders, and called upon official authorities to open national borders and resume international travel.

Participation was provided in meetings and events organized by IATA's Cargo Committee, Safety, Flight and Ground Operations Committee, Security and Industry Relations Committee. IATA's nine advisory councils, where Turkish Airlines, is represented, shape and monitor developments in civil air transport.



IATA Annual General Meeting was held virtually on November 24, 2020.

Decisions about the future of the association were taken at the AIRE Annual General Meeting.

The ICAO 2022 Council and ANC elections for the 2022 term were organized by the DGCA in order to bolster ICAO relations. Turkish Airlines participated in the virtual meeting to nominate Turkey as a member of the Governing Council. Turkish Airlines actively supports Turkey's candidacy in the elections. With Turkey as a member of the Governing Council, Turkish Airlines would have a more active and visible position at the ICAO.

Turkish Airlines is also a member of AIRE, the European aviation association. This membership grants Turkish Airlines representation before EU institutions. Decisions about the future of the association were taken at the AIRE Annual General Meeting. A major revision was made in AIRE's structure in line with the association's financial status and its cost reduction targets, especially due to the pandemic. AIRE, whose two largest members are Turkish Airlines and LOT Polish Airlines, will continue its activities in 2021. During this period, the importance of developing relations to achieve Turkey's EU membership target has grown. In addition, the Comprehensive Aviation Agreement with the EU is at the negotiation stage and will significantly affect the country's aviation market. As a result, membership in Brussels-based AIRE provides Turkish Airlines with the opportunity to closely monitor possible impacts of changes to EU laws and regulations on Turkey, the region's aviation sector and the Incorporation.



The e-visa service on the Turkish Airlines website and hotel reservation service for stopover passengers were added to third party additional service product portfolio.

CUSTOMER SOLUTIONS APPLICATIONS

- Turkish Airlines aims to perform uninterrupted operation of its systems related to reservation/sales channels management, revenue management, customer loyalty and agency management. Efforts are ongoing to further develop these systems in line with commercial needs and sectoral developments.
- To deliver a more hygienic and safe travel experience to passengers, Turkish Airlines provides Self Bag Drop, Self-Check-in kiosks and Pair Boarding applications without the need for personal contact. Ticketing transactions are available through all sales channels with a HES code, which has become mandatory for domestic travel in Turkey. HES control is also performed during check-in and boarding during flight operations.
- As part of efforts to increase passenger satisfaction during the pandemic, Turkish Airlines extended the validity of passenger Miles scheduled to expire in December 2020 by six months. For flights canceled due to travel restrictions, Turkish Airlines offered passengers a refund alternative. Passengers were presented with the option of receiving a refund of Miles in excess of the refund amount to their Miles&Smiles accounts. Similarly, travel vouchers in excess of the refund amount were presented as another refund alternative. Turkish Airlines enabled the use of travel vouchers as a form of payment for ticket purchases via the website, mobile application, call center and sales offices.

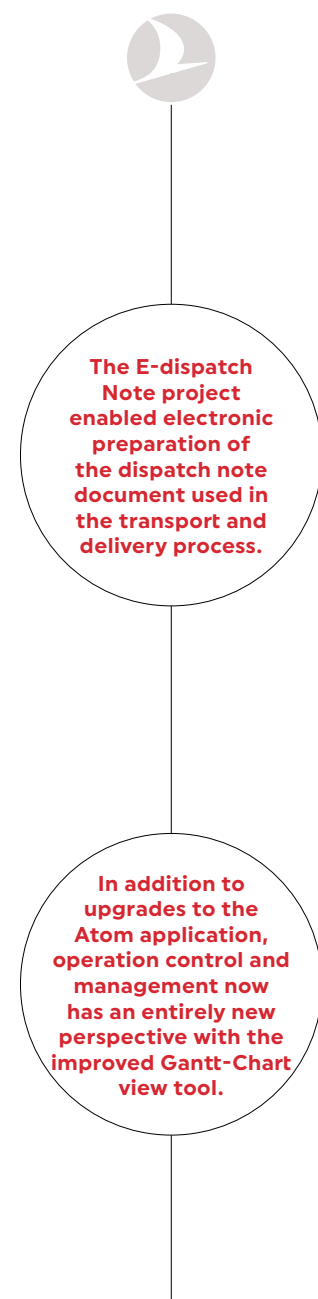


- Price differentiation was introduced for standard seat selection on international flights. Sales were opened on all Turkish Airlines sales channels and GDSs. During the year, Turkish Airlines renewed the Agency Portal, where all management operations of agencies in its sales network are conducted. The systems infrastructure of Easy Ticket and Websagent products were also upgraded. The Agency Incentive Calculation project was designed to ensure that incentive calculations for domestic and international agencies are made accurately and effectively.
- The e-visa service on the Turkish Airlines website and hotel reservation service for stopover passengers were added to third party additional service product portfolio. Sales of seats, excess baggage and sports equipment transport are now available on AnadoluJet's website and mobile application.
- The APIS centralization system, covering 124 countries, went live for more effective collection of passenger passport, ID card, visa and residence document data. This information is collected as a legal requirement and sent to customs units of the relevant country.
- The e-mail approval process went live in March 2020. Now, Personal Data Protection Law & General Data Protection Regulation approvals are received from Miles&Smiles members. The message management system, which enables tracking of e-mail/SMS information authorizations specific to Miles&Smiles members, went live during the year.
- The Sale of Reservation Rights application, a new add-on service that protects passengers at the

- ticket purchasing stage from price fluctuations and guarantees the ticket price during the reservation period, was introduced in 2020.
- Type-B messaging, the standard messaging protocol of the aviation industry, was migrated from the mainframe to the open system to boost efficiency. Performance of the ticketing process was enhanced with the use of new technologies in the domestic pricing system.
- Pursuant to the Personal Data Protection Law, Turkish Airlines included a confidentiality statement in the passenger reservation system for passengers who do not want to share their personal data. The incorporation ensured passenger data security for tickets containing this statement. Information on additional services (EMD) purchased by passengers were communicated over the passenger reservation system via e-mail.

CORPORATE AND OPERATIONAL PRACTICES

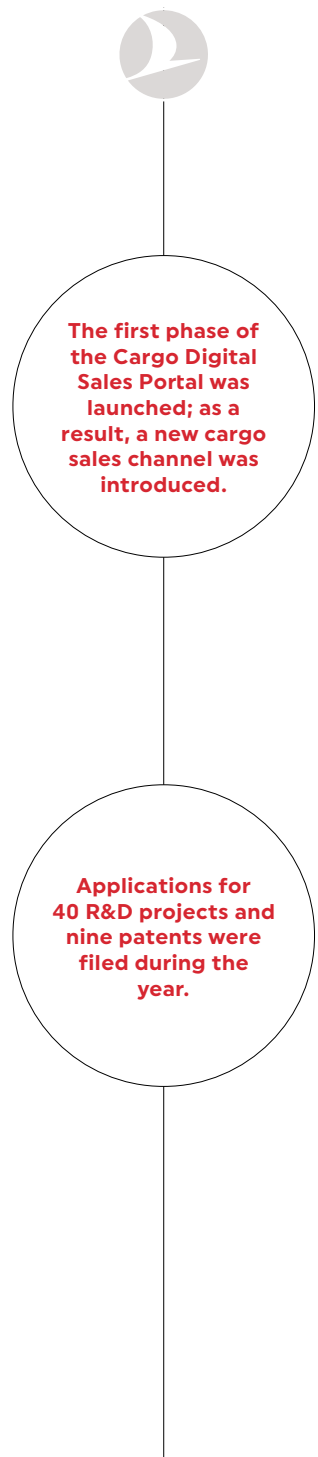
- The Corporate SWIFT initiative is carried out on the SWIFT platform that provides information transfer in a standard and reliable environment in financial transactions. Akbank, VakıfBank, JP Morgan, Finansbank, Ziraat Bank, La Caxia and Ecobank technical going live operations were completed in payment processes.
- The E-dispatch Note project enabled electronic preparation of the dispatch note document used in the transport and delivery process.
- The SAP – Financial Management Portal application allows viewing of all records created during the purchasing process on a single platform and facilitates effective management of invoice planning and cash flow. The application was launched during the year.
- The MyPass application was developed by taking the customer ticketing application as a reference in order to facilitate the discount ticket benefit of Turkish Airlines employees. MyPass went live and started to be used by Turkish Airlines and Turkish Technic.
- A new module was developed for the Turkish Airlines audit system, which controls tickets issued manually. The new module automatically examines excess baggage documents and Electronic Miscellaneous Document



- (EMD)s; as a result, losses in excess baggage revenues were prevented. Payment reconciliation system (PARES) integration with banks was completed during the year. In addition, PARES integration with Worldpay Virtual POS and Worldpay India were made to enable new payment methods.
- GDS BIDT system was developed to allow invoices sent by General Distribution System (GDS) companies, that execute reservation and sales transactions, to be checked and reported. The new system makes price calculation and settlement transactions with the monthly invoicing file, Billing Information Data Tapes (BIDT) data.
- A messaging platform to facilitate intra-cabin crew communications throughout the flight operation was launched during the year. The new application boosts intra-crew communications, facilitates administrative units to reach the flight crew and accelerates operational information flow when necessary.
- A rest room reservation is now made in the relevant area automatically during logging of on-duty flight crews via the rest room reservation system. Employee satisfaction was increased by speeding up the process.
- In addition to upgrades to the Atom application, operation control and management now has an entirely new perspective with the improved Gantt-Chart view tool.

The version upgrade of the COMIS application, which is the cargo management system, was completed and launched with more than 1,000 new features.

- Upgrades to enable use of the MSW Star application by TGS users with their TGS addresses were completed. This effort aims to reduce SITA Type B message costs on the TGS and Turkish Airlines side.
- The newly developed AIRPORT application ensures that relevant information on airports – authorization, ground operation, communication, runway, and the like – are displayed by the operational units. This application facilitated and accelerated decision-making processes in cases where a flight change was required.
- The version upgrade of the COMIS application, which is the cargo management system, was completed and launched with more than 1,000 new features. The systems infrastructure requirements were prepared for new projects and applications. The first phase of the Cargo Digital Sales Portal was launched; as a result, a new cargo sales channel was introduced. The Cargo APIS initiative went live for the notification of cargo companion information to destination customs. The second phases of the Weight and Balance Software, Safety Tracking Program and Fee Claim Portal with the Master Data Management Project were launched during the year. The first phase of BagGlobe, the internally developed baggage matching system, went live in 2020.
- As part of a joint effort with TURKISH DO&CO, a Turkish Airlines subsidiary, passengers can now pre-order their food and beverage selection. Maintenance support received from external service providers for Remaining Baggage and Inventory Tracking applications



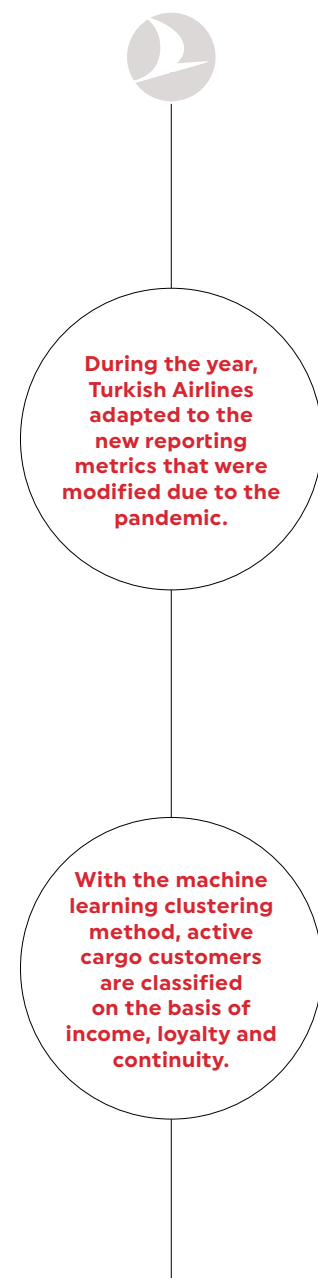
was taken in-house; this move resulted in cost savings. The new application developed for de/anti-icing operations, a key operational process during the winter period, went live. The Warehouse Tracking application, which tracks the lost and found baggage operations process and which was developed in-house, went live during the year.

DIGITAL INNOVATION EFFORTS

- "Terminal," the Technology, Innovation and Entrepreneurship Platform, was launched in order to develop potential collaborations and contribute to the enterprise ecosystem with a sustainable future vision.
- By having robots do repetitive and high-volume operational work with robotic process automation (RPA) technology, Turkish Airlines aims to use human resources more efficiently in value-added jobs. Currently, the workload of 26 persons per month has been transferred to robots.
- Applications for 40 R&D projects and nine patents were filed during the year.
- As part of the Ministry of Industry and Technology's National Technology Move effort, Turkish Airlines became a member of the Turkey Open Source Platform.
- Turkish Airlines completed systems improvements to comply with the Personal Data Protection Law. By matching more than 55 million customer profiles with a high percentage of transactions, Turkish Airlines enabled campaign and customer analytics efforts.
- The CRM program was completed in 2020. By moving CRM efforts in-



- house, Turkish Airlines saves USD 1 million each year. Lost Customer Prediction, Next Best Destination, Customer Life Value and Business Ticket Upgrade campaign analytics models were developed.
- Integration with the message management system, which is a regulation project, was completed during the year.
- Cargo Advanced Reservation Prediction Modeling and Cargo No-Show Prediction Modeling projects were initiated in 2020. These efforts are expected to yield an additional USD 25 million in revenue.
- The customer data and existing survey applications were moved to the cloud environment. Efforts to boost performance and reduce costs were initiated.
- Turkish Airlines developed the Cargo Customer Segmentation initiative. With the machine learning clustering method, active cargo customers are classified on the basis of income, loyalty and continuity.
- The AnadoluJet O&D Advanced Revenue Report was developed during the year. By opening AnadoluJet flights abroad and creating O&D information, revenue forecasts for the next year can be calculated.
- Turkish Airlines developed the Interline Productivity Analysis application. For the selection of SPA and codeshare agreements and airlines, and determination of destinations to be added to



- the flight network, linked tariff information was made available to view on the system. A flight connection scoring system was also launched in conjunction with this effort.
- During the year, Turkish Airlines adapted to the new reporting metrics that were modified due to the pandemic. The duration of ground stay and on-time performance criteria were revised in response to the evolving conditions.
- Daily crew flight lists were regularly forwarded to Turkish Airlines' health unit.
- The security information system, providing general destination information, safety and risk data, was introduced for the personal travel or duty flights of Turkish Airlines personnel.
- Stopover Hotel Check service, provided to passengers connecting to international flights in Istanbul, was offered to passengers online instead of in person.
- The Online Information Library Portal, where issues such as reservation, sales and check-in processes, airline agreements, and answers to questions from passengers are managed, was developed during the year.
- With the E-Tender application, Turkish Airlines recorded labor and time savings when submitting tenders.
- The digital document management system was expanded and made accessible to Turkish Technic.

In the coming year, Turkish Airlines aims to achieve 35% savings with optimization efforts to reduce costs of the Type B secure messaging infrastructure.

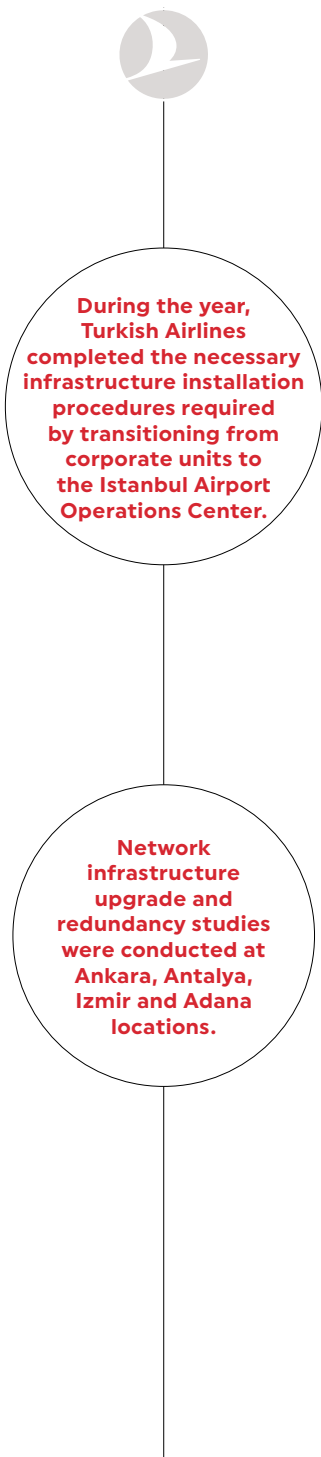
- In 2020, Turkish Airlines recorded savings of TL 2 million via improvements in transmitting international SMS messages.
- Pursuant to regulatory requirements, the Supplier Document Sharing Portal was opened to share Ground Operation Standards documents with relevant companies.

INFRASTRUCTURE AND OPERATION WORKS

With the decision to adopt a remote work model due to the global pandemic, Turkish Airlines needed to establish a new working environment. In March 2020, the Incorporation completed the required infrastructure preparations and implemented the new remote work environment in a short time. All employees were able to remote access the corporate network securely, have a positive experience and efficiently use the applications they need.

To deploy Skype and Webex applications across the organization for meetings during the remote working period, Turkish Airlines met all necessary hardware and license requirements. In addition, the Microsoft Teams application was provided and made available to Turkish Airlines on a rapid deployment basis. While this effort was underway, the Incorporation virtualized its operational applications and made them available to employees remotely.

Turkish Airlines configured notebook computers and provided devices to staff members who needed them for remote work. The virtual desktop



infrastructure (VDI) was deployed to deliver the additional capacity at minimal corporate cost. VDI also ensured that remote employees were able to conduct work-related business with their own personal computers.

In the coming year, Turkish Airlines aims to achieve 35% savings with optimization efforts to reduce costs of the Type B secure messaging infrastructure. This messaging platform is used for reservation, ticketing, check-in system, messaging between Troy and other airlines and handling companies, baggage, cargo, MRO and external telex messages.

Improvements were made to the root cause analysis process as part of efforts to prevent repetition of IT-related irregularities and interruptions. The RCA upgrade also helped maximize the availability and increase the quality of IT services offered to customers.

Turkish Airlines upgraded its IT services monitoring software which is used as a support function and diversified with open source software to achieve cost optimization.

During the year, Turkish Airlines completed the necessary infrastructure installation procedures required by transitioning from corporate units to the Istanbul Airport Operations Center.

Network infrastructure upgrade and redundancy studies were conducted at Ankara, Antalya, Izmir and Adana locations.

To minimize the impact of the pandemic on financial results, Turkish Airlines undertook efforts to reduce costs in infrastructure and operations related works.

During the pandemic when remote working became the norm, the Infrastructure and Operation Teams aimed to make their processes and operations sustainable and as efficient as prior to the coronavirus outbreak. The number of records decreased from 12,000 per month before the outbreak to 7,500 per month during the pandemic. The Infrastructure and Operation Teams continued to deliver solutions and improve their processes throughout this remote working period.

IN-HOUSE ACTIVITIES

To manage information technology services comprehensively and at the highest quality, service, application and product inventories must be up-to-date and consistent. Aiming to render the synchronization of inventories permanent and continuous, Turkish Airlines consolidated the attributes used to define services, applications and products and created a common service metadata. The service, application, and product data stored in the Information Technologies Service and Support Management System database was accepted as the main data of the Information Technology Architecture Inventory. Automation was achieved by having developed a software that produces the IT architecture views in the most up-to-date form when needed by using this data.

Turkish Airlines developed the Application Programming Interface (API) Management platform to support its open innovation strategy and technology-focused approach. Launched in 2017, the platform was made available to ticket sales agencies in the fourth quarter of 2020. Further usage expansion studies are underway. In 2021, the Incorporation aims to deliver IT services for cargo agencies over the same platform. To support service diversity and boost usage of the platform, reference products were subjected to comprehensive testing and evaluation. Plans were developed to keep the platform up-to-date,



secure and operating at a high service quality. The API Management platform has become one of the critical components of Turkish Airlines' IT systems architecture.

In 2020, Turkish Airlines reviewed its process designs and implementations from previous years. Instead of formulating annual plans for its portfolio of processes, Turkish Airlines started to evaluate project needs monthly with a more iterative and agile approach. The approach of delivering the work as soon as possible was adopted by ensuring allocation of resources to those projects that will generate the most revenue and provide the most savings. The Fast-Track Business Management platform was migrated from PPM to JIRA; this effort coupled with Kanban enabled teams accelerated processes. In parallel, period-specific needs were quickly addressed in the demand management process. A supportive role was maintained for teams to act quickly, especially in key areas such as contact-free processes, automatic customer refunds and gift vouchers, and HES code applications.

Turkish Airlines continues to effectively manage mega scale projects – NDC, Extra Seat Sales, International Product Segmentation, Cargo CRM, Cargo Work Order, Preorder Catering Sales, among others.

Cyber security threat monitoring and response is provided 24/7. Turkish Airlines has taken comprehensive measures to secure its web and mobile platforms, and other applications used by institutions and customers.

Despite the expanding risk areas as a result of increased remote working across the organization due to the pandemic, Turkish Airlines took steps to boost the effectiveness of its information security processes. This effort served to protect corporate information assets and ensure continuation of operational processes.

Efforts to ensure compliance with the IYS (message management system) within the organization are now complete. Compliance has been achieved.

Efforts to comply with the Personal Data Protection Law/General Data Protection Regulation are largely complete. Cyber security threat monitoring and response is provided 24/7. Turkish Airlines has taken comprehensive measures to secure its web and mobile platforms, and other applications used by institutions and customers.

Turkish Airlines started using CI/CD pipelines to speed up the build and deployment processes of its software development units, ensure standardized quality and/or security controls of developed source codes, and minimize risks in commissioning operations. These controlled streams are planned to become a required part of the going live processes in the coming year.

Investments were made in test automations especially for critical and commercial applications. These efforts help detect software errors at earlier stages. To increase the maturity of testing processes across all IT functions, Turkish Airlines coordinated relevant trainings and defined targets and process control



Turkish Airlines updated the main performance criteria of critical Information Technologies processes based on corporate IT strategic priorities.

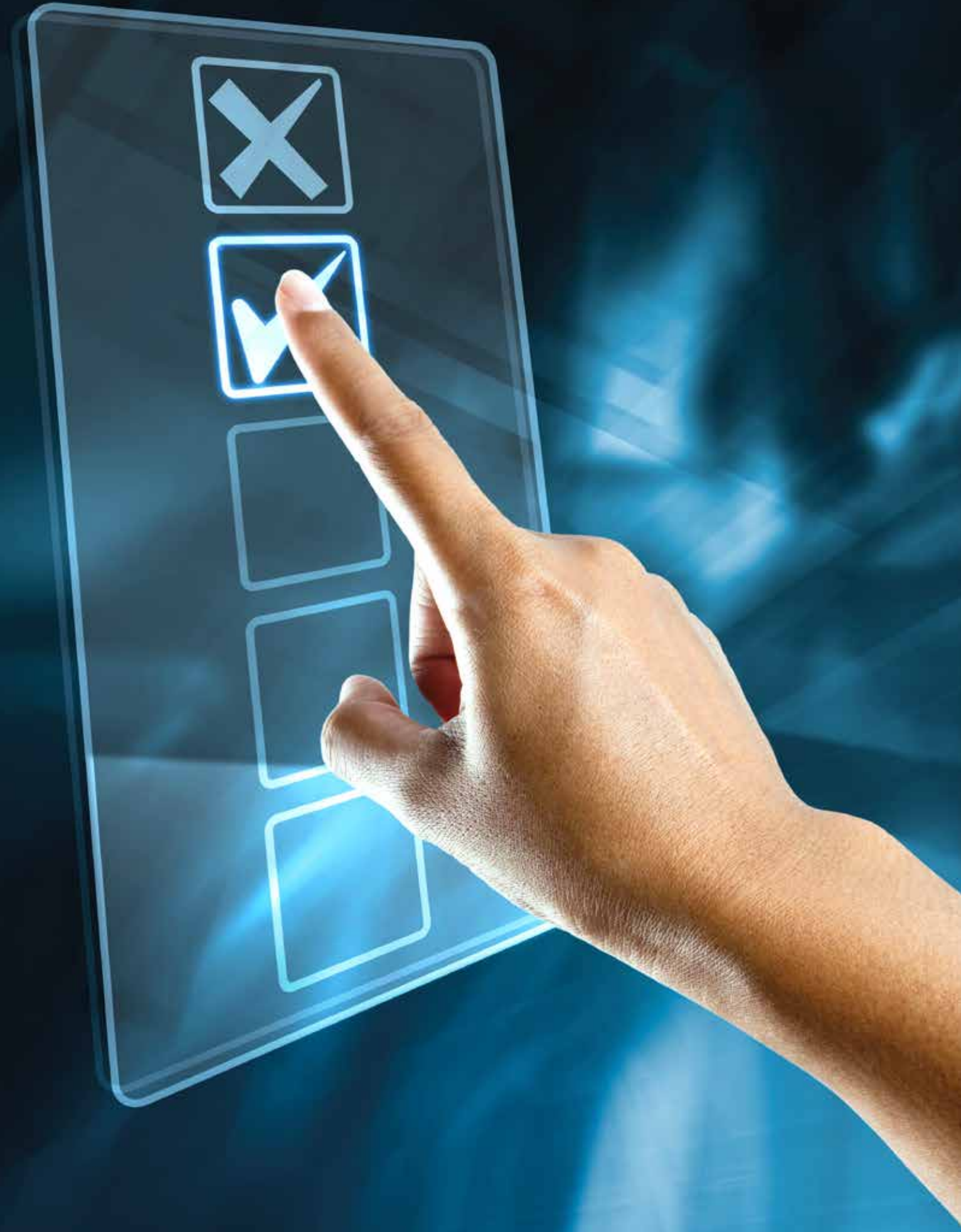
Continuous improvement is achieved by measuring and analyzing the monthly performance of each IT department over seven main domains and 27 KPIs.

criteria. In addition, KPIs were defined in order to boost software code quality. The KPIs were also used as inputs for performance evaluations.

During the year, Turkish Airlines maintained employee communications by using the unifying power of social media. Special social media-based activities included various competitions, content sharing and chat events. These activities were especially valuable during the pandemic when ways of doing business were changing and many staff members worked from home. One-on-one online interviews and chat meetings were held with most new recruits. To determine the size of software projects and measure the efficiency of software developers working on projects, Turkish Airlines initiated efforts to switch to the COSMIC Function Point method.

Turkish Airlines updated the main performance criteria of critical Information Technologies processes based on corporate IT strategic priorities. Measurement and analysis functions were digitized, automated and made instantly traceable via dashboards. Continuous improvement is achieved by measuring and analyzing the monthly performance of each IT department over seven main domains and 27 KPIs.

To facilitate IT purchasing, contracting, budget management, actual spending processes, Turkish Airlines launched the Financial Management Portal, which was designed to ensure traceability and instant reporting. The new portal enables monitoring of current budget-actual reporting on a project and account basis, similar to investment projects.



Human Resources

The human resources policy of Turkish Airlines is to employ qualified employees who are able to fulfill their duties effectively and productively in accordance with the strategic plans and objectives of the Incorporation and observant of the professional and ethical rules, and to ensure the sustainability of qualifications of these employees.

HUMAN RESOURCES WITH FIGURES

In 2020, Turkish Airlines recruited a total of 533 employees – 327 cabin crew, 107 flight crew, 54 domestic ground personnel, 3 overseas employees appointed by headquarters and 42 overseas local staff – to meet its human resources requirements. As of year-end 2020, Turkish Airlines has a total of 28,668 employees; 15,540 are male (54.2%) and 13,128 are female (45.8%). Turkish Airlines employees have an average seniority of 7.56 years and an average age of 35.16. 37.09% of the Incorporation's employees are ground personnel, 20.07% are flight crew and 42.84% are cabin crew. As of year-end 2020, Turkish Airlines has a total of 363 aircraft, freighters included. The average number of employees per aircraft is 78.97.

HUMAN RESOURCES POLICY

The human resources policy of Turkish Airlines is to employ qualified employees who are able to fulfill their duties effectively and productively in accordance with the strategic plans and objectives of the Incorporation and observant of the professional and ethical rules, and to ensure the sustainability of the qualifications of these employees.

The human resources policy covers key areas, including human resources planning, determination of job descriptions, shaping corporate culture and awareness, staff employment, feedback system, training and development, personnel affairs, social and economic rights, ensuring employee satisfaction, and establishing work order, discipline and awards.



533
PEOPLE
533 people were employed in 2020.

As of March 2020, Turkish Airlines Inc. has switched to remote working with a rapid action.

In addition, all Turkish Airlines personnel are obliged to comply with the applicable laws, rules, and regulations, under the scope of their job description within the organizational structure.

PERSONNEL EXPERIENCE

Turkish Airlines sees the health of its employees and their families as one of the most important issues. In order to protect the health of employees during the outbreak and to survive this process with the least damage, the protective measures published by the Ministry of Health have been strictly applied.

As of March 2020, Turkish Airlines Inc. has switched to remote working with a rapid action.

A survey, where employees could share their requests and suggestions regarding the new working order, was published in June. According to the survey results, 70% of the employees were satisfied with the remote working order, 43% stated that working remotely was the best measure Turkish Airlines took in this process, 68% stated that working remotely contributed positively to the business results of Turkish Airlines, and 70% stated that remote working was efficient for them. In addition, employees submitted their requests to continue working remotely in open-ended areas. In line with the results of the survey, many actions were taken and the needs of the employees were answered.

Considering the requests of the employees and the course of the outbreak, the short working order that started in April has been turned into a full-time working order as of September.

Remote Working Procedure has been published in order to explain the new working order procedures and principles to the employees; in addition, working hours were rearranged by having applied a flexible working model for employees to adapt to remote working.

During this period, all questions of employees regarding HR processes, especially remote working, were answered by the Employee Support Line via e-mail and WhatsApp.

In 2020, an Employee Loyalty and Experience Survey was conducted in order to measure employee loyalty and strengthen the employer brand in line with the feedback received from employees, and many actions were taken within this scope.

Before the outbreak, Hobby Clubs were established to enable employees to come together outside of business life and to spread the teamwork culture.

In order to thank them for their hard work, golden badges and gifts are presented to employees who have completed their 10th, 20th and 30th years within the Incorporation.

With the HR Analytics Unit established to ensure greater participation of human resources in decision-making processes at a strategic level, it is aimed to predict the future in light of past data, take preventive actions and increase human resources productivity.

During the outbreak period, regular meetings were continued to hear the voices of employees. Onboarding interviews were organized to facilitate and measure the job adaptation of the employees, staying interviews to measure the loyalty of the employees selected randomly at any time period, and finally leaving interviews during the leaving the job process. As always, the voices of the employees were listened to and improvements were made in this direction in order to improve the employee experience in 2020.

OCCUPATIONAL HEALTH AND SAFETY

Turkish Airlines acts in compliance with national, legal and other regulatory requirements and international rules of the aviation



Golden badges and gifts are presented to employees who have completed their 10th, 20th and 30th years within the Incorporation.

Remote Working Procedure has been published in order to explain the new working order procedures and principles to the employees.

industry in occupational health and safety. While planning new investments in relation to its area of activity, enlarging its fleet, and upgrading its technological infrastructure, the Incorporation prefers the equipment and organizations with the lowest risk, considering the health and safety of its employees. The Incorporation takes measures to minimize noise created by aircraft in its fleet. In addition, Turkish Airlines conducts efforts to raise the occupational health and safety awareness of its employees and other stakeholders. In order to improve the occupational health and safety performance, the participation of each level of the organization and the stakeholders is ensured. An open dialogue on occupational health and safety is established with employees, suppliers, customers and the local community as regards current and future activities. The necessary corrective measures are taken in line with the concerns of all stakeholders.

Turkish Airlines identifies occupational health and safety risks in all its activities, developing action plans to prevent occupational accidents and diseases. The Incorporation also ensures ongoing supervision of the working environment, and preventive medicine; providing the necessary infrastructure to ensure a healthy and safe working environment for its employees, subcontractors and visitors. Turkish Airlines makes sure that the employees involved in critical functions are physically and medically ready for the operations they will perform. The Incorporation is in continuous contact with National Emergency Response Units in the event of an emergency.

Compliance Monitoring and Sustainability Management

Turkish Airlines observes total quality with its customer-oriented, employee-oriented and environmentally friendly approach while planning and managing its activities.



A SUSTAINABLE QUALITY APPROACH WITH THE COMPLIANCE MONITORING SYSTEM

Turkish Airlines, as one of Europe's leading and globally active airline preferred for its flight safety, reliability and service quality; carries out all of its activities with the principle of sustainability and in compliance with the laws it is subject to, national and international civil aviation rules, and all the conditions it undertakes, without compromising the customer satisfaction.

COMPLIANCE MANAGEMENT

Turkish Airlines, which continues its activities with the most envied service levels worldwide, observes total quality with its customer-oriented, employee-oriented and environmentally friendly approach while planning and managing its activities.



Turkish Airlines, as the leading airline of the sector, keeps the quality standards at the highest level by operating the Compliance Monitoring System, which is accepted all over the world, with its own auditing brand Qualiteam in order to ensure customer satisfaction above expectations with its competent and experienced staff, deep-rooted corporate memory, advanced infrastructure and technology, and an innovative management style.

Qualiteam, which was established to ensure the standing of the steady rise that the Incorporation continues to develop and maintain its mission and achieve its visions, has started to be operated effectively as of 2020. Qualiteam, which includes quality standards specific to Turkish Airlines, contributes to continuous improvement by collecting the requirements of Incorporation's Management Systems, Star Alliance, the DGCA Passenger Rights,

Brand Management, and quality performance data together with operational performance data under a single model.

Qualiteam aims to;

- Assure continuous compliance and conformity of all activities carried out on behalf of Turkish Airlines with all applicable laws, national and international civil aviation regulations as well as requirements of Turkish Airlines,
- Ensure that aviation operations are performed in compliance with the highest level of safety and security requirements of national and international civil aviation authorities;
- Establish and continuously control a service quality that aims to exceed the expectations of customers rather than merely satisfying them;
- Carry out its activities with the principle of sustainability with minimum negative impact on the environment and people,
- Sustain its wide and strong business network, and create a difference with its employees.

Regarding the needs of customers from different cultures, Turkish Airlines includes all its efforts, all products and services provided by its suppliers and subcontractors into the Compliance Monitoring System and audits them for continuous improvement in order to accurately perceive and evaluate today's and future expectations.

Incorporation has determined all the necessary health and safety conditions for employees and customers by adhering to the recommendations of all aviation authorities and organizations, especially IATA, EASA and DGCA, and by staying in constant communication with the relevant authorities, without compromising the total quality understanding in the coronavirus outbreak, which affected the whole world in 2020. Audits and quality controls were conducted regularly every month in order to monitor the implementation of these new rules and recommendations, which were revised and created due to the outbreak, in all activities of the Incorporation. Despite the difficult conditions of 2020 and



the requirements that the aviation industry had not experienced before, each operation field was monitored by 54 competent and authorized auditors and 42 quality controllers in the Compliance Monitoring System with 111 audits and 547 quality control activities, taking into account the customer satisfaction and flight safety; the quality of products, services and operations were evaluated and necessary improvements were made.

Turkish Airlines' compliance with the laws, civil aviation rules and management systems requirements to which it is subject is regularly evaluated and audited by the authorities and accredited organizations. Also in 2020, Turkish Airlines successfully passed by getting full marks from all these evaluations and audits; and ensured the continuity of the authorization documents.

Turkish Airlines auditors carry out audits on behalf of the International Aviation Transportation Association (IATA) due to their knowledge and experience, and take part in certification processes by auditing the safety and security of other airlines. These audits are:

- IATA DAQPC (De/Anti-Icing Quality Control Pool),
- IOSA (IATA Operational Safety Audit),
- IATA ISAGO (Safety Audit for Ground Operations)

In 2020, Turkish Airlines auditors conducted 107 audits in this context. In addition, Turkish Airlines auditors take part in many national and international committees, working groups and technical teams; and support shaping the future of aviation.

- IATA EOC (Environmental Oversight Council) Group,
- IATA Sustainability Environmental Advisory Council,
- TIACA (The International Air Cargo Association) Sustainability Working Group,
- Star Alliance Sustainability Virtual Expert Community,
- TSHA (Turkish Civil Aviation Academy),
- CAE Inc. Consultant,

Turkish Airlines adopts a customer-oriented approach in all its activities in order to gain the trust and loyalty of its customers and to develop long-term relationships with customers.

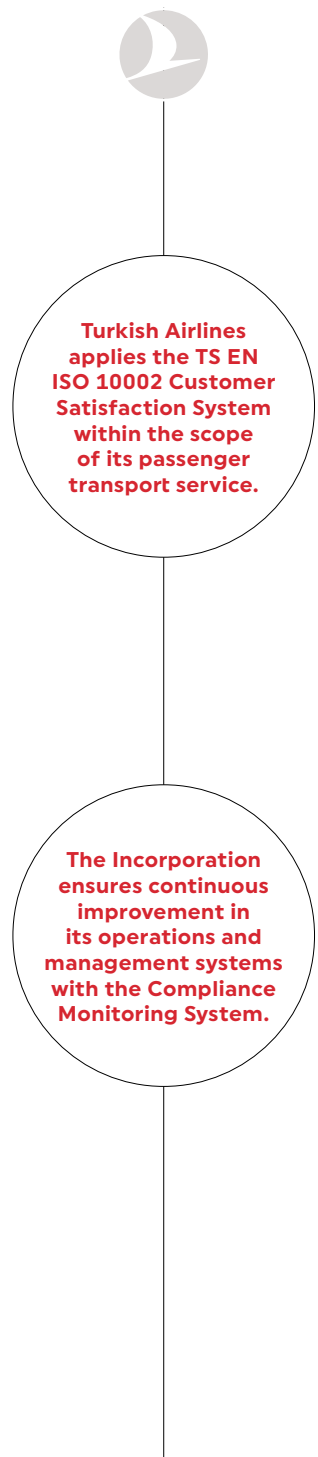
- DGCA (Directorate General of Civil Aviation),
- Cabin Safety Group,
- IATA Cabin Operations Safety Task Force.

QUALITY AND CUSTOMER SATISFACTION

As the airline that flies to the most countries in the world, Turkish Airlines continuously improves all its processes and adopts the principle of management with targets by accepting it as a part of its system. Progressing with this approach, the Incorporation has been maintaining its Quality Management System since 2006. It verifies the maturity of its processes and the robustness of its management system with its TS EN ISO 9001 Quality Management System Certificatios.

Turkish Airlines adopts a customer-oriented approach in all its activities in order to gain the trust and loyalty of its customers and to develop long-term relationships with customers, and in this direction, it has been applying TS EN ISO 10002 Customer Satisfaction System within the scope of passenger transport service since 2015. In 2019, it has also included cargo transport service in the Customer Satisfaction System it has conducted to systematically meet the expectations of cargo customers.

The Incorporation ensures continuous improvement in its operations and management systems with the Compliance Monitoring System, and proves the continuity of management systems with the audits carried out by independent audit firms every year.



Turkish Airlines has renewed its Customer Management System Certification as a result of a certification audit performed in 2020 by an independent audit firm. Turkish Airlines improves products and services and ensures their continuity by utilizing information obtained from customer feedbacks.

INFORMATION SECURITY

With the TS ISO/IEC 27001 Information Security Management System which has been run since 2017, Turkish Airlines keeps all information of its customers, suppliers and employees confidential within the framework of national and international laws, regulations and contracts; provides security; destroys and anonymizes when necessary.

As a result of the audit conducted by an independent audit firm in 2020, Turkish Airlines continues to plan training and audit activities in order to ensure the information security awareness of its employees and stakeholders.

ENVIRONMENTAL MANAGEMENT SYSTEMS

In addition to the TS EN ISO 14001 Environmental Management System, which Turkish Airlines has been implementing with the awareness of social responsibility since 2013; it has secured the decision to participate in the IEnvA Program, an environmental management system created by IATA and implemented specifically for the aviation industry, with the MOU signed with IATA in 2020. With this environmental management system program specific to airlines, it

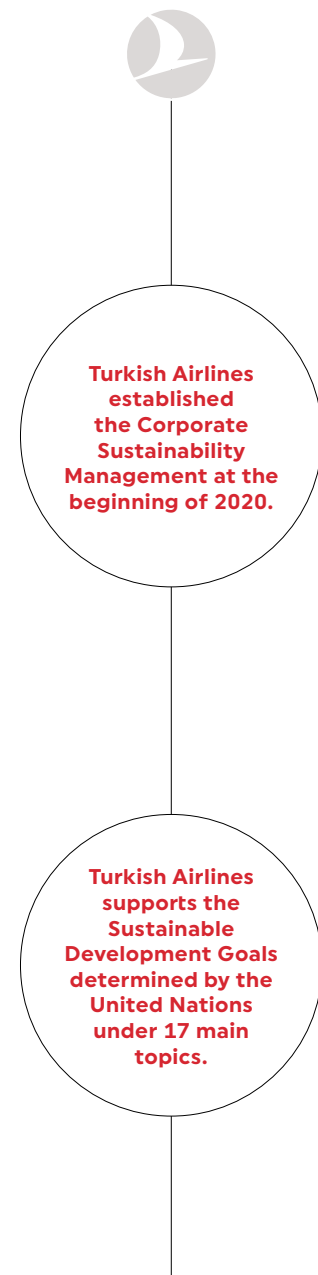
is aimed to ensure the Incorporation's performance assessment specific to the sector, to determine the aspects open to improvement and to continuously improve the environmental management system of the Incorporation.

SUSTAINABILITY MANAGEMENT

Turkish Airlines supports the Sustainable Development Goals determined by the United Nations under 17 main topics; aims to carry out sustainability efforts with maximum effort to support global goals by directing its efforts in line with the sub-goals under these goals. It plays an active role on the sustainability committees of key associations, supporting sustainability efforts on national and international platforms as part of its corporate responsibility.

Turkish Airlines, one of the leading companies shaping sustainability in the aviation sector, has established the Corporate Sustainability Management at the beginning of 2020 in order to improve the Sustainability Strategy, which it built on 4 main foundations, namely Environment, Social, Economic and Governance, in line with the principle of continuous improvement. The Sustainability strategy of the Incorporation is being developed day by day with new regulations; and continues to focus on the most important topics that its stakeholders care about and that may affect their activities. In determining these priority issues; together with the general mission and strategy of the Incorporation, both the stakeholders' expectations and the broad social expectations are taken into account.

In 2020, to carry up the position of the Incorporation in the international arena in the field of sustainability, active communication with the world's leading rating institutions was provided and the sustainability studies were shared. As a result of the evaluations made by the rating agencies, considering the outputs regarding the performance of the Incorporation in the field of Sustainability, areas open for improvement were determined, and improvement studies were planned accordingly. Having succeeded



in maintaining its presence in the Borsa Istanbul Sustainability Index in 2020, Turkish Airlines aims to further increase its performance in other international indices as well.

Detailed information on the sustainability activities of Turkish Airlines are shared on pages 136 to 157.

MANAGEMENT OF GREEN HOUSE GAS EMISSIONS

Turkish Airlines calculates, monitors and reports greenhouse gas emissions generated as a result of its flight operations and other business activities in its Istanbul, Ankara and Izmir work sites within the framework of TS EN ISO 14064-1 Standard for Quantification of Greenhouse Gas Emissions and Removals at the Organization Level. The content of the Greenhouse Gas Report created has been verified by third-party verification bodies every year since 2016.

IATA OPERATIONAL SAFETY AUDIT (IOSA)

IATA Operational Safety Audit (IOSA) Certificate that has been obtained by Turkish Airlines in 2005 for the first time and is renewed every two years indicates that IATA registers Turkish Airlines as a safe airline in the international arena.

Turkish Airlines successfully completed the IOSA document audit in 2020 with a better result than the previous audit, and obtained the right to renew its IOSA Certificate.

Beyond holding the IOSA Certificate, the fact that Turkish Airlines carries out safe and secure operations capable of meeting the requirements of IOSA is one of the most important anchor points underlying its sustainable success.

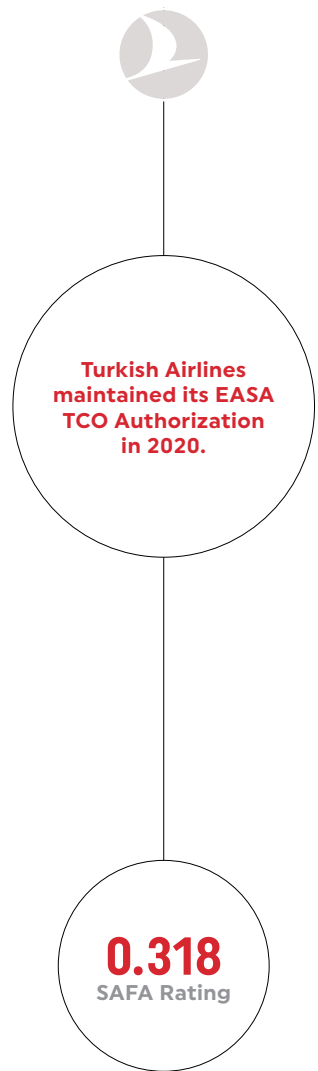
Despite the outbreak conditions and operational restrictions that affect the whole world, Turkish Airlines successfully completed the IOSA document audit in 2020 with a better result than the previous audit, and obtained the right to renew the IOSA Certificate.

SAFA

As a result of audits conducted in 2020 by the Civil Aviation Authorities of the member countries included in the Safety Assessment of Foreign Aircraft (SAFA) program executed by European Aviation Safety Agency (EASA) in 41 international airports and by 30 Civil Aviation Authorities, Turkish Airlines capped 2020 with a SAFA rating of 0.318.

This strong rating - highly successful compared to European countries' operators whose SAFA average is 0.48 - results from national and international relations that are managed more effectively. In addition, the Safety Assessment of Company Aircraft (SACA) program applied on Turkish Airlines' aircraft by our SACA team uses the same methodology as the SAFA program, helping to boost our SAFA rating.

An outcome of the importance given by Turkish Airlines to operational safety and security investments, this rating also contributes to reducing Turkey's SAFA rating average.



TCO

A holder of European Aviation Safety Agency (EASA) Third Country Operator (TCO) Authorization, Turkish Airlines carries passengers and cargo to EASA-member countries. Continuity of its EASA TCO Authority - which Turkish Airlines first obtained in 2015 - is the most important confirmation that the Incorporation is a safe and secure airline that upholds the rules of EASA. Turkish Airlines also maintained its EASA TCO Authorization in 2020.

COVID-19 AVIATION HEALTH SAFETY PROTOCOL

Turkish Airlines has become one of the first airlines to sign the COVID-19 Aviation Health Safety Protocol published by EASA. The Incorporation has quickly adapted to the Operational Guidelines for the Management of Air Passengers and Aviation Personnel in Relation to the Covid-19 Pandemic rules, created by the collaboration of EASA and ECDC (European Center for Disease Prevention and Control).

By regularly sharing the data for the implementation of the protocol articles with EASA, the Incorporation enabled the progress of the outbreak in the aviation sector to be followed regularly by the implementation of the determined rules and recommendations, and also by constantly monitoring its current situation, it aimed to implement the best practices in this process and succeeded.



#HISTORIC JOURNEY



Corporate Communications

Turkish Airlines boasts nearly 20 million followers globally on its social media accounts. In 2020, about 2,000 content posts, an average of 150 posts per month, were published across Turkish Airlines social media accounts.



INTERACTIVE MARKETING COMMUNICATION

- In addition to Turkish and English communications, Turkish Airlines also conducted communications with regionally targeted content throughout the year in other languages, including Chinese, Azerbaijani, Urdu, Hindi, Malay, Arabic and Russian.
- Turkish Airlines boasts nearly 20 million followers globally on its social media accounts. In 2020, about 2,000 content posts, an average of 150 posts per month, were published across Turkish Airlines social media accounts. All shared content for the year received about 500 million views. Posted videos were viewed around 150 million times.
- The Turkish Airlines LinkedIn account ranks fourth among rival airlines with about 1 million followers.
- On Twitter, Turkish Airlines ranks among the top three global airlines



150
MILLION
Total Views of
Videos

- with approximately 3.5 million followers. In 2020, the Incorporation recorded a total of 2.5 million interactions on Twitter.
- On Facebook, Turkish Airlines ranks fourth among global airlines – after Qatar Airways, KLM and Emirates – with 11 million followers. Air France, Etihad Airways, Lufthansa, Singapore Airlines, Delta and British Airways come after Turkish Airlines in the Facebook rankings.
- On Instagram, Turkish Airlines ranks third among the world's airlines after Emirates and Qatar Airways, with nearly 2 million followers. In 2020, the Incorporation recorded approximately 1 million interactions on Instagram. Turkish Airlines is one of the first airline brands to use the features Instagram Reels, AR and Guide globally.
- On YouTube, Turkish Airlines ranks second after Emirates among global airlines with its 500 thousand followers. The Incorporation ranks first among world airlines in video views.

- In 2020, Turkish Airlines garnered awards in 13 categories in total – from Crystal Apple 2020, Mediacat Felis, Instachamp and Webrazzi – for its Historic Journey initiative on May 19, 2020 and the World's Largest Turkish Flag effort implemented on April 23, 2020.
- During the year, Turkish Airlines continued to conduct influencer collaborations globally and regionally. Its collaboration efforts included more than 200 influencers from 40 countries and received nearly 500 million views in total.

2020 COMMUNICATION STRATEGY

In response to the pandemic, Turkish Airlines modified its communication strategy in 2020. The main objective was to instill hope with the content it shared on social media. During the pandemic, as Turkey's flag carrier airline, Turkish Airlines integrated a sense of responsibility into all its communications, to both employees and society. This sentiment was embodied by a single motivational phrase: "We Will Succeed Together."

Turkish Airlines regularly informs passengers about its hygiene standards and current flying conditions via special content related to battling the coronavirus. These communication efforts underline the measures taken in-flight and during its operations while emphasizing the importance Turkish Airlines places on the health and safety of its passengers.

During the year, Turkish Airlines delivered a morale boost to all of Turkey and broke records with its initiatives "Historic Journey" on May 19 and the "Flag in the Skies" on April 23. Returning to the skies, Turkish Airlines announced the commencement of flights with the key message: "The Longing Is Over."

PROJECTS REALIZED

"We Left No One Behind"
For Turkish citizens who could not immediately return to their homeland due to travel restrictions during the outbreak, Turkish Airlines organized special flights with heightened health and safety measures. These flights also assisted foreign guests who were trying to return to their home countries from Turkey. During these valuable



In response to the pandemic, Turkish Airlines modified its communication strategy in 2020. The main objective was to instill hope with the content it shared on social media.

efforts carried out by Turkish Airlines, informational content was shared regularly and instantly targeting citizens stranded abroad. Communication activities were conducted for them to reach their countries without any issues.

"Flag in the Skies"

In the 100th year of Turkey's national sovereignty, Turkish Airlines performed a special flight and drew the world's largest Turkish flag in the skies over Turkey. This unique event provided moral support to the Turkish people by broadcasting this special flight live on the Flight Radar website. The special flight featured the historically significant flight number TK 1920 and received about 2 million interactions. With this unique effort, Turkish Airlines flew the Turkish flag not only in Turkey but around the world. The flight video set a new record by reaching over 500 million views on social media. The historic flight also was the most followed live flight on the Flight Radar website.

During the year, Turkish Airlines delivered a morale boost to all of Turkey with its initiative "Historic Journey" on May 19.

"Historic Journey" Communications

In 2020, Turkish Airlines made a special journey to Samsun, the place where Turkey's "National Struggle" started, during the Commemoration of Atatürk, Youth and Sports Day. The Incorporation invited everyone to be a part of this journey with its souvenir ticket promotion. The "Historic Journey" initiative – for which nearly 10 million tickets were issued and which attracted 350 million views – brought the whole of Turkey together on the same aircraft with flight number "TK1919."

The Historic Journey initiative – for which nearly 10 million tickets were issued and which attracted 350 million views – brought the whole of Turkey together on the same plane with flight number “TK1919.”

In recognition of the excellence of its May 19 communications campaign, Turkish Airlines was presented with awards from Crystal Apple 2020, Mediacat Felis, Webrazzi and Instachamp 11th Term Feed&Story in various categories, such as “Visual Communication Design,” and “Digital Marketing Campaign of the Year – Integrated Campaigns.”

“Day of Persons with Disabilities” Content

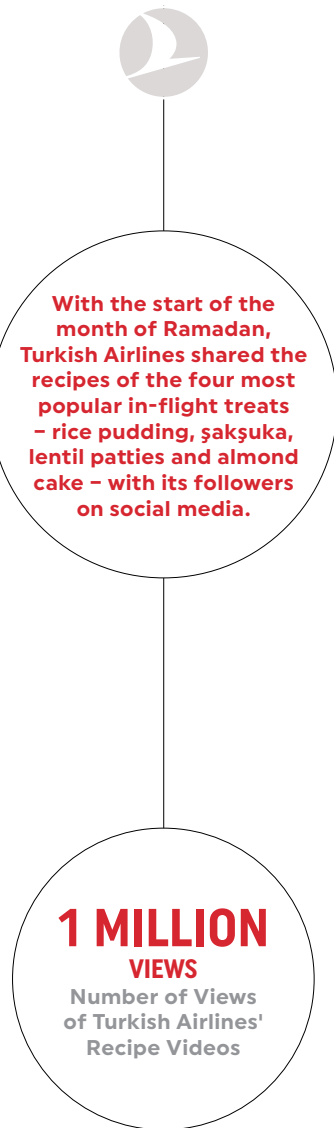
Turkish Airlines carried out an inspiring project with disabled people working within the organization on the Day of Persons with Disabilities. At the end of the effort, where employees related how they overcame the obstacles they faced in their own words, a single message was given with about 2 million views: “Engelleri Aşanlarla Ufukları Aşıyoruz (New Horizons Are Ahead for Those of Us Who Break Barriers).”

Meeting Time

The Sky Meeting, which both passengers and Turkish Airlines missed because of travel restrictions throughout 2020, was shared with the tag #BuluşmaVakti. Turkish Airlines destinations that are prominent both nationally and globally were included in this online content campaign. The communication effort, conducted with 10 content posts in total, was widely recognized by followers, recording 500 thousand views on Instagram alone.

Special Recipes Project

With the start of the month of Ramadan, Turkish Airlines shared the recipes of the four most popular in-flight treats – rice pudding, şakşuka, lentil patties and almond cake – with its followers on social media. These delectable foods were also shown



being served on iftar tables. Posted by Turkish Airlines across all social media channels, the popular recipe videos recorded about 1 million views and attracted widespread attention.

November 10 “Yerine Sevemem” Project

Turkish Airlines released an emotion charged film on November 10 to commemorate the 82nd anniversary of Gazi Mustafa Kemal Atatürk’s passing to eternity. The video included emotional images of people of all ages as well as historic images of Gazi Mustafa Kemal Atatürk. Accompanied by Gökhan Kırdar’s song “Yerine Sevemem,” the film was broadcast on five media channels and garnered about 4.5 million views in total.

Orient Express Initiative

Exceptional social media content – selected from Eastern European countries such as Romania, Bulgaria, Moldova, Georgia, Croatia and Ukraine – was compiled to promote the Orient Express Tour, a highly popular journey recently. The shared content was collected to promote the region during the Orient Express Tour. A video was prepared at the end of the initiative to promote the region. The promotional film has further boosted the region’s popularity by registering nearly 2 million views on Turkish Airlines’ social media accounts.

Healthcare Workers Communication

Turkish Airlines offered a 40% discount to all healthcare worker to use on their travels in June 2020. The campaign was designed to demonstrate that Turkish Airlines stands by the world’s healthcare workers, who have struggled day and night to combat the pandemic.

Details of the campaign were communicated via Turkish Airlines social media accounts during the month. Thanks to this widespread communication effort, Turkish Airlines received about 4 million views related to the special campaign. This result was a clear indication of a successful campaign and effective communications.

Cargo People

During the pandemic, Turkish Cargo employees undertook a greatly increased workload. In “Cargo People,” a special communications series, staff members explained about their work and cargo transport processes. The series consisted of five videos and received nearly 200 thousand views on Instagram alone.

Inflow Summit

Despite the pandemic, Turkish Airlines hosted nearly 100 influencers from 23 countries in Antalya at the Inflow Global event. The summit played an active role in promoting Turkish Airlines during the year.

Instagram and Facebook Filters

By using augmented reality (AR) technology, Turkish Airlines installed 10 filters on its Instagram and Facebook accounts. This effort aimed to provide Turkish Airlines social media followers with an enjoyable and entertaining interactive experience during the pandemic. Globally, the filters recorded about 2.5 million accesses. The themes of the AR filters centered around gamification and destination promotion.

Terminal YouTube Launch

Terminal – Turkish Airlines’ technology, innovation and entrepreneurship platform – was successfully launched on July 6, 2020 via a live YouTube broadcast. The online launch event, livestreamed on the Turkish Airlines YouTube account, featured key figures from the sector, including Turkish Airlines Chairman of the Board and the Executive Committee M. İlker Aycı. The live broadcast reached an audience of nearly 200 thousand viewers.

“Hello 2021, with New Hopes”

To usher in the new year, Turkish Airlines produced and broadcast a video entitled, “Hello 2021, with New Hopes.” The film was shared on Turkish Airlines social media



accounts to welcome 2021 – The Year of Hope. The video gained widespread recognition for greeting the new year via different cultures and languages. “Hello 2021, with New Hopes” recorded nearly 6 million total views by being posted on Turkish Airlines’ Instagram, Facebook, Twitter, LinkedIn and YouTube accounts.

Digital Advertising Campaigns

During the year, Turkish Airlines conducted communication activities to boost regional sales; to highlight product/service offerings for primary target markets that will feature in global media channels; to announce and promote newly opened lines; and to raise the Incorporation’s profile via sponsorships in line with corporate strategies.

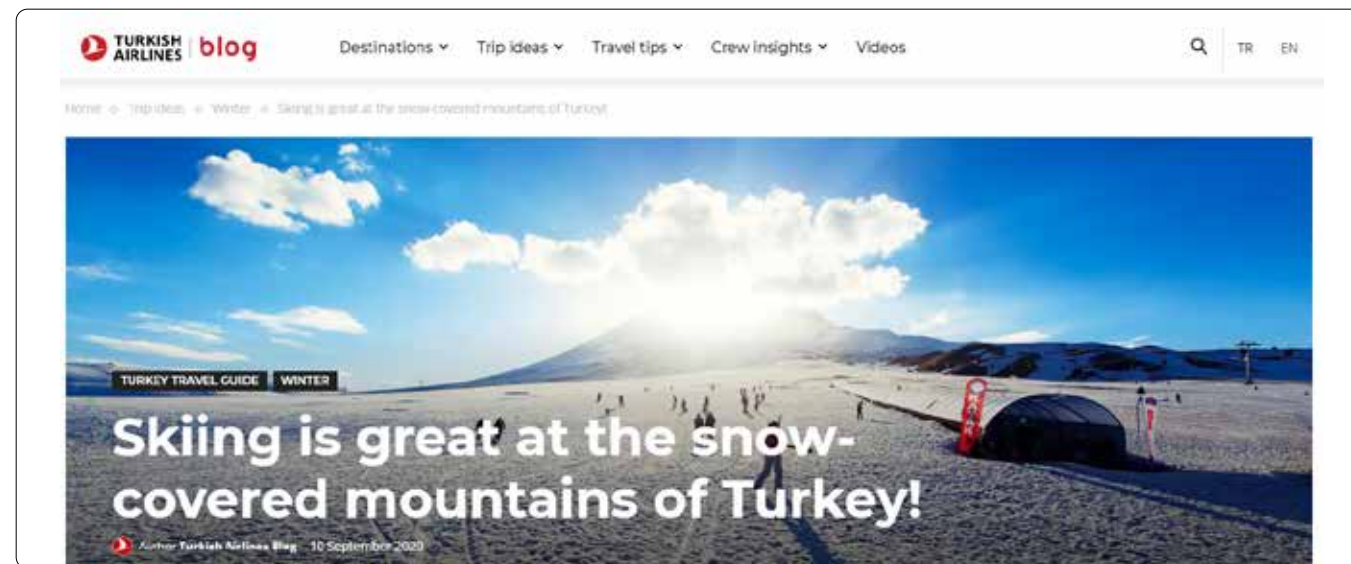
- Throughout 2020;
- 1,694,802,590 ad displays,
 - 5,364,220 ad clicks,
 - 153,689,639 video views were achieved.

The number of international campaigns, which had been 180 in 2019, decreased by 55% due to the outbreak and was 82 in 2020.

- A breakdown of campaigns is as follows:
- 46 “Go Beyond” Sales Campaigns,
 - 19 Brand Image Campaigns,
 - 12 Turkey Sales Campaigns,
 - 5 Other Campaigns.

Online Channels

Boti, an artificial intelligence-based chatbot, was developed to provide fast and accurate answers to questions from Turkish Airlines passengers anytime, via various messaging platforms.



Turkish Airlines' online channels reach more than 100 million visitors every year. The corporate website is available in 13 languages and the mobile application is translated into 7 languages. In 2020, the Incorporation embraced new technologies and introduced the smart assistant/ chatbot Boti and the Turkish Airlines Blog. With these new projects, Turkish Airlines further expanded its interaction channels with passengers, keeping pace with the evolving times.

CHATBOT BOTI

Boti, an artificial intelligence-based chatbot, was developed to provide fast and accurate answers to questions from Turkish Airlines passengers anytime, via various messaging platforms. Currently, Boti is available on four messaging platforms: WhatsApp, Messenger, Telegram and BiP. In cases where Boti cannot provide an adequate



7
Number of Languages on the Mobile Application

response, passengers are connected to live customer representatives through the same channel. Soon, passengers will be able to quickly perform many transactions, such as check-in and baggage allowance inquiries, via Boti.

TURKISH AIRLINES BLOG

Launched in June 2020, Turkish Airlines Blog aims to promote Turkish Airlines and Turkey, inspire travel lovers and facilitate travel with informational content. During the year, the team posted hundreds of blog posts on dozens of topics and categories, in Turkish and English. Turkish Airlines Blog is available online to anyone interested in travel and Turkish Airlines. Plans are underway to further enrich the blog with podcasts, interviews, and information on Turkish Airlines history.



ONLINE REFUND IMPROVEMENTS

During the global pandemic, Turkish Airlines launched an Online Refund Form to facilitate passenger refund transactions. All refund requests were to be submitted via the Turkish Airlines website. In addition, issue of a travel voucher with a value of 15% more than the ticket price was added to the automatic refund options. With the addition of travel vouchers to the payment methods, Turkish Airlines facilitated ticket reissue transactions on the website.

HOLD THE PRICE APPLICATION

The Hold the Price feature allows passengers to keep the prices presented at the time of reservation until the time of ticketing. This convenient feature, available for a fee, guarantees that ticket buyers will not be affected by a price increase. Hold the Price can be used free of charge by passengers with Miles&Smiles memberships with Classic Plus status and above, depending on flight duration and membership status.



Excess baggage sales is now integrated into the mobile application.

Extra Seat Sales is available on the Turkish Airlines website and mobile applications.

EXCESS BAGGAGE SALES ON THE MOBILE APPLICATION

Excess baggage sales, previously available on the Turkish Airlines website, is now integrated into the mobile application. This new feature allows passengers to increase their baggage allowance quickly through online channels.

SALES OF STUDENT FARES

Student fares, which used to be available to students verified by YÖK or MEB for domestic routes and for purchase via online channels only, are now available for students who are Miles&Smiles members and registered as students thanks to system upgrades in 2020. Students can submit their verification documentation on the Turkish Airlines website or via mobile applications.

EXTRA SEAT SALES

To meet the evolving expectations of passengers during the global pandemic, Turkish Airlines introduced the Extra Seat Sales feature in 2020. This option makes adjacent seats available for purchase and remain empty. Extra Seat Sales is available on the Turkish Airlines website and mobile applications.

Prospective cash flow of the Incorporation is forecasted regularly on monthly basis, in order to provide an effective cash flow risk management.

FINANCIAL RISK MANAGEMENT PRACTICES

The financial risk management policy of the Incorporation basically aims to ensure a healthy cash flow and liquidity in the future.

Cash flow risk: The disruption of the Incorporation activities due to a possible mismatch between short, medium and long-term cash flows, resulting from operational activities and non-operational activities such as investment and financing.

Fuel price risk: The effect of fluctuations in jet fuel prices on cash and profitability.

Interest rate risk: The effect of changes in interest rates on financing cost and portfolio returns.

Foreign exchange risk: The effect of fluctuations in the value of different currencies that make up the Incorporation's revenues and expenses on cash flow and profitability.

Counterparty risk: Losses that may arise due to a possible default of the financial institutions which constitute counterparties to the Incorporation's financial transactions.



The financial risk management policy of Turkish Airlines aims to ensure a healthy cash flow and liquidity in the future.

The establishment and implementation of a sound cash management policy is one of the most prioritized issues of the Incorporation.

CASH FLOW RISK MANAGEMENT

The establishment and implementation of a sound cash management policy is one of the most prioritized issues of the Incorporation. Prospective cash flow of the Incorporation is forecasted regularly on monthly basis, in order to provide an effective cash flow risk management.

Furthermore, the minimum cash level required for corporate continuity has been determined as well. Current and forecasted cash amounts are monitored with respect to this minimum level, and all necessary precautions are taken in order to prevent falling below this threshold.

FUEL PRICE RISK MANAGEMENT

Possible fluctuations in fuel price may potentially generate a huge volatility in the cash flow and corporate profitability. In order to keep this effect at the minimum level, the Incorporation has developed a fuel price risk hedging strategy.

In line with the strategy, hedging transactions are done for the tenor of at most the next 24 months and up to 60% of the forecasted fuel consumption of the following month. Swap and option based derivatives with/without premium are used for these purposes.

In fuel price risk hedging transactions, derivative products designed on crude oil as the underlying asset, are used since the crude oil and jet fuel prices are strongly correlated, besides, crude oil has much more market depth with respect to jet fuel.

INTEREST RATE RISK MANAGEMENT

The Incorporation has a long-term debt liability due to the financing of its investments, especially the aircraft financing. In order to keep interest risk at a reasonable level, hedging transactions are executed by using swap and option-based derivative instruments.

On the other hand, the Incorporation prioritizes cash flow planning, and manages the interest rate risk arising from the return-driven valuation of cash portfolio by focusing on the tenor-return relationship at an optimum level.

FOREIGN EXCHANGE RISK MANAGEMENT

Since Turkish Airlines generates a large portion of its revenues in EUR, and its expenses are mainly in USD and TL, fluctuations in these exchange rates cause the exchange rate risk.

In the management of exchange rate risk, the first objective is to provide natural hedging. In this context, the basis currency of the contracts to be signed by the Incorporation is determined as to ensure the balance between revenue and expense currencies.

In this context, in order to hedge the projected short USD position with EUR position, hedging transactions are executed for the tenor of at most the next 24 months and up to at most 60% of the forecasted short position for the next month. Forward and option-based no premium derivatives are used for these transactions.



"Derivatives Framework Agreement" has been signed with domestic institutions.

"International Swaps and Derivatives Association" (ISDA) agreement is signed with foreign institutions.

Likewise, in order to hedge the projected short TL position with EUR position, hedging transactions are executed for the tenor of at most the next 18 months and up to at most 50% of the forecasted short position for the next month. Forward derivative instruments are used for these transactions.

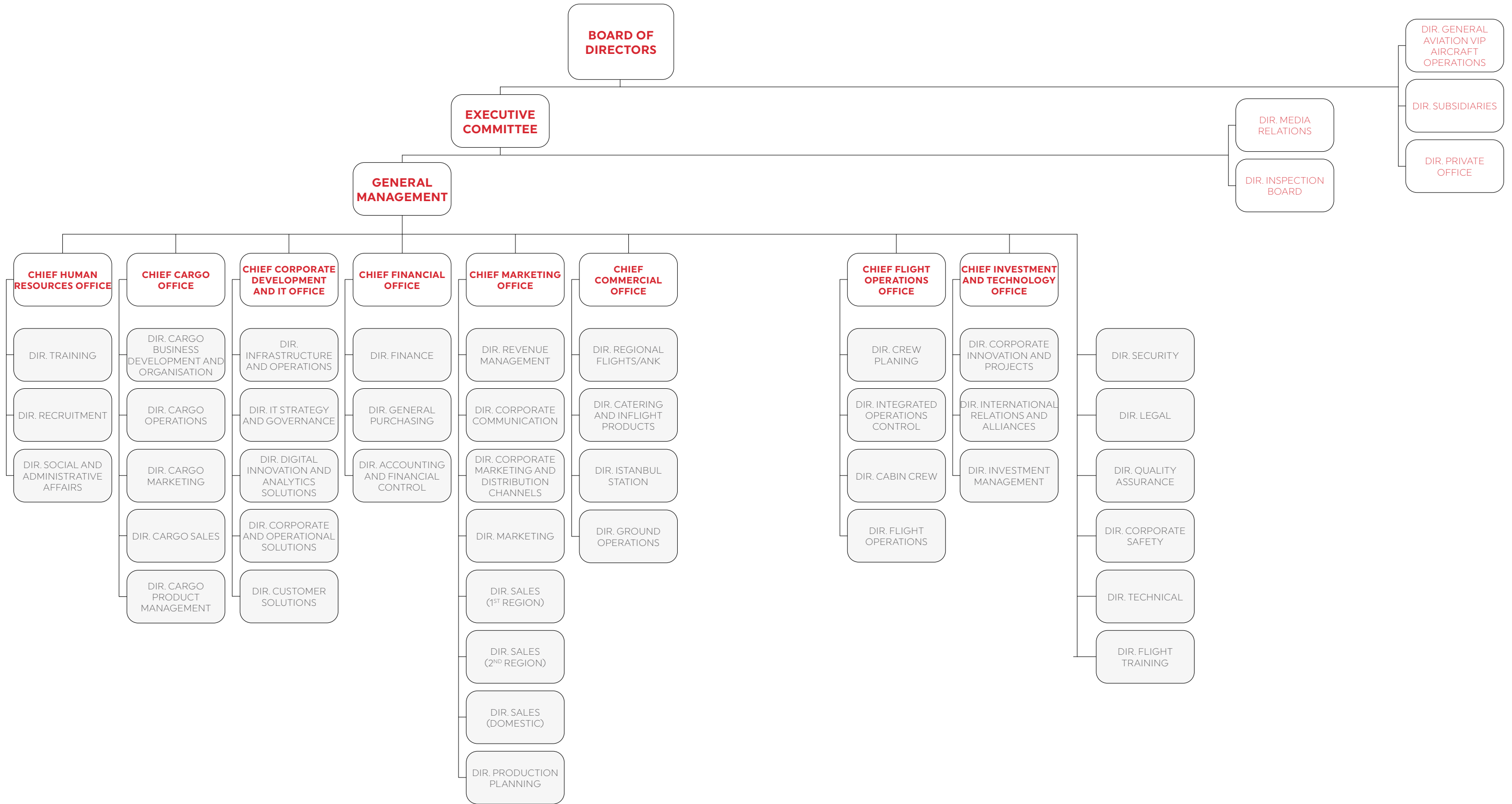
COUNTERPARTY RISK MANAGEMENT

Various measures are taken in order to minimize the losses that may arise as a result of possible problems of the financial institutions which are parties to the financial transactions that are performed by the Incorporation.

For deposit and derivative transactions, credit rating of counterparties that are given by international credit rating agencies are taken into consideration and it is preferred not to deal with the institutions that are below the threshold credit risk rating. Companies that are above threshold rating are assigned a risk level and transaction limit with respect to the credit risk evaluation methods.

Moreover, "Derivative Framework Agreement" is signed with domestic financial institutions, and "International Swaps and Derivatives Association (ISDA)" and "Credit Support Annex" (CSA) agreements are signed with foreign financial institutions.

Organization Chart



Statement of Compliance with Corporate Governance Principles

The Incorporation, which aims at promoting and representing Turkey and Turkish Aviation industry in international arena in the best possible manner and which has adopted the transparency, fairness, responsibility and accountability as a principle, complies with any and all mandatory principles set out in the Corporate Governance Principles attached to the Capital Market Board (CMB) Corporate Governance Communique n: II-171 and pays utmost attention to abide by non-mandatory principles thereof.

Pursuant to the Capital Market Board Corporate Governance Communique n: II-171 dated on 10.01.2019 and numbered 2/49, corporations are subject to disclose Corporate Governance Compliance Report on the Public Disclosure Platform. Non-mandatory Corporate Governance Principles disclosed on Corporate Governance Compliance Report template and current corporate governance applications disclosed on Corporate Governance Information Form template. Templates of the Incorporation are available on the following website <https://www.kap.org.tr/en/sirket-bilgileri/ozet/1107-turk-hava-yollari-a-o> under the titles of Corporate Governance Principles Compliance Report and Corporate Governance.

Non-mandatory Corporate Governance Principles, which are not observed by the Incorporation and the reasons thereof, are given in the templates and the relevant parts of the report. The Incorporation keeps carrying out activities for continuous development of Corporate Governance approach and for enhancement of the level of compliance with the Corporate Governance Principles.

Corporate Governance Principles Compliance Report

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
Corporate Governance Compliance Report						
1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS						
1.1.2- Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X					
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION						
1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.	X					
1.3. GENERAL ASSEMBLY						
1.3.2 - The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
1.3.7- Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.					X	
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.		X				While the amount of the donation is announced, the beneficiaries are not publicly announced.
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.		X				There is no special demand from media to the General Assembly Meeting. The General Shareholder's Meeting was held open to the public including the stakeholders, without having the right to speak.
1.4. VOTING RIGHTS						
1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2 - The company does not have shares that carry privileged voting rights.			X			The paid-in share capital of the Incorporation consists of 137999999999 Group A shares and 1 Group C share, each with the nominal value of 1 Kurus. 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.
1.4.3-The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.					X	
1.5. MINORITY RIGHTS						
1.5.1 - The company pays maximum diligence to the exercise of minority rights.	X					
1.5.2 - The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.	X					
1.6. DIVIDEND RIGHT						
1.6.1 - The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X					
1.6.2 - The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.	X					
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					

Corporate Governance Principles Compliance Report

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
1.7. TRANSFER OF SHARES						
1.71 - There are no restrictions preventing shares from being transferred.	X					
2.1. CORPORATE WEBSITE						
2.11 - The company website includes all elements listed in Corporate Governance Principle 2.11.	X					
2.12 - The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	X					
2.14 - The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.	X					
2.2. ANNUAL REPORT						
2.2.1 - The board of directors ensures that the annual report represents a true and complete view of the company's activities.	X					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					
3.1. CORPORATION'S POLICY ON STAKEHOLDERS						
3.1.1 - The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3 - Policies or procedures addressing stakeholders' rights are published on the company's website.	X					
3.1.4 - A whistleblowing programme is in place for reporting legal and ethical issues.	X					
3.1.5 - The company addresses conflicts of interest among stakeholders in a balanced manner.	X					
3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT						
3.2.1 - The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.	X					
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	X					
3.3. HUMAN RESOURCES POLICY						
3.3.1 - The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	X					
3.3.2 - Recruitment criteria are documented.	X					
3.3.3 - The company has a policy on human resources development, and organises trainings for employees.	X					
3.3.4 - Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	X					
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	X					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.	X					
3.3.9 - A safe working environment for employees is maintained.	X					

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1 - The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2 - Customers are notified of any delays in handling their requests.	X					
3.4.3 - The company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY						
3.5.1 - The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X					
3.5.2 - The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					
4.2. ACTIVITIES OF THE BOARD OF DIRECTORS						
4.2.1 - The board of directors documented its meetings and reported its activities to the shareholders.	X					
4.2.2 - Duties and authorities of the members of the board of directors are disclosed in the annual report.	X					
4.2.3 - The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.			X			Due to the dynamic nature of the aviation industry, it would be more favorable in terms of uniformity, if the Chairman of the Board and the Executive Committee is the same person.
4.2.7 - The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	X					
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.		X				There is an executive liability insurance for the damages caused by the board members during their duties but the total insurance does not exceed 25% of the capital. The amount of insurance coverage is 10 Million US Dollars.
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9 - The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.			X			Although the Board of Directors does not have a specific target in terms of the ratio of female members, the Board of Directors had one female member as of 2020.
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X					

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.4. BOARD MEETING PROCEDURES						
4.4.1-Each board member attended the majority of the board meetings in person.	X					
4.4.2 - The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.	X					
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.	X					
4.4.4 - Each member of the board has one vote.	X					
4.4.5 - The board has a charter/written internal rules defining the meeting procedures of the board.	X					
4.4.6 - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	X					
4.4.7-There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.		X				The Members of the Board spares sufficient time for the activities of the Incorporation. In the event that any Member of the Board serves as an executive or a Member of the Board at any other company or that he/she provides any other company with a consultancy service, then such situation will not lead to a conflict of interest nor will it hinder his/her duty within the Incorporation. Therefore, the fact that the Members of the Board carry out any duty or duties outside the Incorporation is not subject to certain prescribed rules or otherwise restricted.
4.5. BOARD COMMITTEES						
4.5.5 - Board members serve in only one of the Board's committees.			X			Board members serve in more than one of the Board's committees since the chairmen of three committees which were established within the Board of Directors and the Members of the Audit Committee are required to be elected among the Independent Members of the Board of Directors.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report.					X	
4.5.8 - Minutes of all committee meetings are kept and reported to board members.	X					
4.6. FINANCIAL RIGHTS						
4.6.1-The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.			X			There is no board evaluation.
4.6.4-The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them.	X					
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.		X				The sum of all financial benefits, including remuneration and bonus paid to the members of the Board of Directors, CEO and Chief Officers are shared in the annual report but not disclosed on a personal basis.

TÜRK HAVA YOLLARI A.O.

1. SHAREHOLDERS

1.1. Facilitating the Exercise of Shareholders Rights

The number of investor meetings (conference, seminar/ etc.) organised by the company during the year

Investor Relations Department participated in 4 investor conferences and roadshows, performed 90 teleconferences and held more than 100 individual/corporate investor meetings. 4 teleconferences were organized about financial statements results.

1.2. Right to Obtain and Examine Information

The number of special audit request(s)

0

The number of special audit requests that were accepted at the General Shareholders' Meeting

0

1.3. General Assembly

Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)

<https://www.kap.org.tr/en/Bildirim/825833>

Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time

Yes.

The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9

There is not any transactions that are not approved.

The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communiqué on Corporate Governance (II-171)

-

The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communiqué on Corporate Governance (II-171)

-

The name of the section on the corporate website that demonstrates the donation policy of the company

Investor Relations / Corporate Governance / Donation Policy

The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved

<https://www.kap.org.tr/en/Bildirim/833614>

The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting

There is not any articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting.

Identified stakeholder groups that participated in the General Shareholders' Meeting, if any

Some stakeholders like the representatives of the Independent Audit Company and employees participated in the General Shareholders' Meeting without having the right the speak.

1.4. Voting Rights

Whether the shares of the company have differential voting rights

Yes

In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.

The paid-in share capital of the Incorporation consists of 1379999999999 Group A shares and 1 Group C share, each with the nominal value of 1 Kuruş. 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 percentage of ownership of the largest shareholder

49.12%

1.5. Minority Rights

Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association

No

If yes, specify the relevant provision of the articles of association.

-

1.6. Dividend Right

The name of the section on the corporate website that describes the dividend distribution policy

Investor Relations / Corporate Governance / Dividend Policy

Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend.

According to the consolidated financial statements belonging to the accounting period of 01.01.2019-31.12.2019 prepared in accordance with the International Financial Reporting Standards within the framework of the provisions of the Communiqué of the CMB Serial: II, and Number: 141 and audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., net profit for the period is TL 4,536,000,000. On the other hand, according to the legal books (under the provisions of Turkish Tax Procedure Law), the net profit of the period is TL 1,530,828,154 and previous years' loss account has a balance of TL 17,818,113,556. The profit amount according to the legal books will be transferred to previous years' loss account. As there will not be any distributable profit (according to the legal books), the net profit of TL 4,536,000,000 (according to IFRS) will be transferred to the previous years' profit account. The acceptance of the proposal of the Board of Directors concerning the profit distribution for the year 2019 and the Statement of Profit Distribution was submitted for approval of the General Assembly.

PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends

<https://www.kap.org.tr/en/Bildirim/833614>

Corporate Governance Information Form

General Assembly Meetings									
General Meeting Date	The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	Shareholder participation rate to the General Shareholders' Meeting	Percentage of shares directly present at the GSM	Percentage of shares represented by proxy	Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates the voting levels for or against	Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	The number of declarations by insiders received by the board of directors	The link to the related PDP general shareholder meeting notification
31.03.2020	0	59,06%	49,12%	9,86%	Investor Relations / Corporate Governance / 2020 / General Assembly	Investor Relations / Corporate Governance / 2020 / General Assembly	There is not any relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions.	306	https://www.kap.org.tr/en/Bildirim/833614

2. DISCLOSURE AND TRANSPARENCY

2.1. Corporate Website

Specify the name of the sections of the website providing the information requested by the Principle 2.1.1. Investor Relations - Frequent Asked Questions

If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares. Investor Relations / Turkish Airlines / Shareholding Structure

List of languages for which the website is available Turkish - English

2.2. Annual Report

The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.

a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members Board of Directors and Committees - Declarations on Independence

b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure Board of Directors and Committees

c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings Board of Directors and Committees

ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation There is not any sections related to this.

d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof Other Information

e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest Other Information

f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5% Field of Activity, Capital Structure and Subsidiaries

g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results Human Resources - Corporate Social Responsibility

3. STAKEHOLDERS

3.1. Corporation's Policy on Stakeholders

The name of the section on the corporate website that demonstrates the employee remedy or severance policy There is not any section related to this.

The number of definitive convictions the company was subject to in relation to breach of employee rights -

The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism) SVP Recruitment

The contact detail of the company alert mechanism Tel: 0 (212) 371 07 29 e-mail: thy@etikhat.com

3.2. Supporting the Participation of the Stakeholders in the Corporation's Management

Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies There is not any section related to this.

Corporate bodies where employees are actually represented Hava - İş Sendikası

3.3. Human Resources Policy

The role of the board on developing and ensuring that the company has a succession plan for the key management positions Board of Directors developing and ensuring necessary succession plan.

The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy. Career / Informing the Applicant, Investor Relations / Corporate Governance / Sustainability / Code of Ethics

Whether the company provides an employee stock ownership programme There isn't an employee stock ownership programme

The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy. Investor Relations / Corporate Governance / Sustainability / Code of Ethics

The number of definitive convictions the company is subject to in relation to health and safety measures -

3.5. Ethical Rules and Social Responsibility

The name of the section on the corporate website that demonstrates the code of ethics Investor Relations / Corporate Governance / Sustainability / Code of Ethics

The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues. Investor Relations / Corporate Governance / Sustainability, Environmental Policy

Any measures combating any kind of corruption including embezzlement and bribery Rules about any kind of corruption including embezzlement and bribery are mentioned in the code of ethics. Also, the company has internal control mechanism.

4. BOARD OF DIRECTORS-I

4.2. Activity of the Board of Directors

Date of the last board evaluation conducted There is no board evaluation.

Whether the board evaluation was externally facilitated No

Whether all board members released from their duties at the GSM Yes

Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties There is no delegation.

Number of reports presented by internal auditors to the audit committee or any relevant committee to the board 34

Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls Risk Management and Internal Control Mechanism

Name of the Chairman Mehmet İlker Ayçi

Name of the CEO Mehmet İlker Ayçi (Chairman of the Executive Committee) / Bilal Ekşi (General Manager)

If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles <https://www.kap.org.tr/en/Bildirim/824800>

Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital There is an executive liability insurance for the damages caused by the board members during their duties but the total insurance does not exceed 25% of the capital. The amount of insurance coverage is 10 Million US Dollars.

The name of the section on the corporate website that demonstrates current diversity policy targeting women directors There is no diversity policy targeting women directors.

The number and ratio of female directors within the Board of Directors 1 - 11%

Corporate Governance Information Form

Composition of Board of Directors

Name, Surname of Board Member	Whether Executive Director Or Not	Whether Independent Director Or Not	The First Election Date To Board	Link To PDP Notification That Includes The Independency Declaration	Whether the Independent Director Considered By The Nomination Committee	Whether She/He is the Director Who Ceased to Satisfy The Independence or Not	Whether The Director Has At Least 5 Years' Experience On Audit, Accounting And/Or Finance Or Not
Mehmet İlker Aycı	Executive	Not Independent Director	4.04.2014		-	-	-
Bilal Ekşi	Non-Executive	Not Independent Director	21.10.2016		-	-	-
Salim Arda Ermut	Executive	Not Independent Director	28.06.2019		-	-	-
Mecit Eş	Executive	Not Independent Director	29.03.2013		-	-	-
Orhan Birdal	Non-Executive	Not Independent Director	9.06.2017		-	-	-
Mithat Görkem Aksoy	Non-Executive	Not Independent Director	4.05.2018		-	-	-
Melih Şükrü Ecertaş	Non-Executive	Independent Director	31.03.2020	https://www.kap.org.tr/en/Bildirim/840001	Considered	No	No
Mehmet Muzaffer Akpınar	Non-Executive	Independent Director	24.04.2007	https://www.kap.org.tr/en/Bildirim/766367	Considered	No	Yes
Fatmanur Altun	Non-Executive	Independent Director	4.05.2018	https://www.kap.org.tr/en/Bildirim/766367	Considered	No	No

Corporate Governance Information Form

4. BOARD OF DIRECTORS-II

4.4. Meeting Procedures of the Board of Directors

Number of physical board meetings in the reporting period (meetings in person)	53
Director average attendance rate at board meetings	100%
Whether the board uses an electronic portal to support its work or not	Yes
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	3
The name of the section on the corporate website that demonstrates information about the board charter	Investor Relations / Corporate Governance / Articles of Association
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	There is not any policy related to this.

4.5. Board Committees

Page numbers or section names of the annual report where information about the board committees are presented	Board of Directors and Committees
Link(s) to the PDP announcement(s) with the board committee charters	https://www.kap.org.tr/en/Bildirim/354773

Composition of Board Committees-I

Names Of The Board Committees	Name Of Committees Defined As "Other" In The First Column	Name-Surname of Committee Members	Whether Committee Chair Or Not	Whether Board Member Or Not
Corporate Governance Committee		Fatmanur Altun	Yes	Board Member
Corporate Governance Committee		Orhan Birdal	No	Board Member
Corporate Governance Committee		Mithat Görkem Aksoy	No	Board Member
Corporate Governance Committee		Kadir Coşkun	No	Not Board Member
Audit Committee		Mehmet Muzaffer Akpınar	Yes	Board Member
Audit Committee		Melih Şükrü Ecertaş	No	Board Member
Committee of Early Detection of Risk		Melih Şükrü Ecertaş	Yes	Board Member
Committee of Early Detection of Risk		Mehmet Muzaffer Akpınar	No	Board Member

4. BOARD OF DIRECTORS-III

4.5. Board Committees-II

Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)	Assessment of the Board of Directors on the Effectiveness of Board Committees
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)	Assessment of the Board of Directors on the Effectiveness of Board Committees
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	There is not a nomination committee in the company. Duties of this committee are held by corporate governance committee.
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	Assessment of the Board of Directors on the Effectiveness of Board Committees
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	There is not a remuneration committee in the company. Duties of this committee are held by corporate governance committee.

4.6. Financial Rights

Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)	Industry Developments
Specify the section of website where remuneration policy for executive and non-executive directors are presented.	Investor Relations / Corporate Governance / Remuneration Policy
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	Financial Rights

Composition of Board Committees-II

Names Of The Board Committees	Name of committees defined as "Other" in the first column	The Percentage Of Non-executive Directors	The Percentage Of Independent Directors In The Committee	The Number Of Meetings Held In Person	The Number Of Reports On Its Activities Submitted To The Board
Corporate Governance Committee		100%	25%	1	1
Audit Committee		100%	100%	4	4
Committee of Early Detection of Risk		100%	100%	6	6

Statement of Compliance with Sustainability Principles

As the National Flag Carrier airline, our Incorporation which carries out all its activities considering social prosperity, social contribution and environmental awareness, pursuant to the Capital Markets Board (CMB) Communiqué on the Amendment of the "Corporate Governance Communiqué (II-17.1)" numbered II-17.1.a, has announced its Environmental, Social and Corporate Governance activities within the scope of the Sustainability Principles Compliance Framework which is attached to the communiqué in ways that the Information Form and Compliance Report format including the year 2020 data. The articles that are partially complied with by our Incorporation are Articles 47 and 48 and their justifications are given in the relevant parts of the report.

In line with our principles of transparency, justice, responsibility and accountability; our sustainability program which is based on four fundamental pillars including Governance, Economy, Environment and Social, each containing many important topics within its own structure, is shaped by the focus of our sustainability strategy which is developed by taking into account the concerns of our stakeholders, broad social expectations and supply chain effects, together with the general mission and strategy of our Incorporation. Our Incorporation which is entitled to be included in the BIST Sustainability Index in 2020 also, in which the increase on the knowledge and practices on sustainability is aimed and companies with high-level performances on corporate sustainability traded on Borsa Istanbul, aims to be included in the Index in the upcoming periods also in line with the importance given to sustainability policies.

Sustainability Approach and Incorporation's Sustainability Management

Turkish Airlines, the airline flying to more countries than any other airline in the world, carries out its operations with a sense of responsibility towards the environment and society. With the awareness that the business world plays an important role in achieving the 17 Sustainable Development Goals set by the United Nations, by supporting these goals we direct our work in line with the targets under these goals.

We continuously improve our sustainability strategy by focusing on the priority issues that our stakeholders attach importance to and that might affect our activities and by taking into account the new regulations. While determining the priority issues; along with the general mission and strategy of our Incorporation, we take into account the expectations of our stakeholders as well as broad social expectations.

In 2020, we shared the details of our sustainability efforts by actively communicating with the world's leading rating institutions in order to raise our Incorporation's position in the international arena in the field of sustainability even higher. According to the results of the evaluation carried out by the rating agencies, we determined our areas open to improvement in Sustainability Management and started right after to implement our improvement works in this direction.

In 2020, we aim to maintain our presence in the Borsa Istanbul Sustainability Index and to carry our performance to higher levels in other international indices. By supporting sustainability efforts in the national and international arena, we take an active role in the sustainability committees of the unions we are a member of.

In line with the "Continuous Improvement" principle we have adopted, the TS EN ISO 14001 Environmental Management System which we have been implementing since 2013 with the awareness of social responsibility, by strengthening

it with a management model specific to the aviation industry in 2020, we participated in the IATA Environmental Assessment Management System Program (IEnvA) specially designed by The International Air Transport Association (IATA) for airline companies.

Turkish Airlines Senior Management is determined to bring its sustainability efforts to the highest level by establishing the Corporate Sustainability Management Directorate at the beginning of 2020 in order to continuously improve and develop its Sustainability Management.

Within the scope of protecting the environment and combating climate change, we take many initiatives to reduce carbon footprint by increasing fuel efficiency. In order to increase fuel efficiency, we optimize our flight activities, invest in new technologies, and prioritize fuel-efficient aircraft while adding new aircraft to our fleet. As a result of all these efforts, we saved 22,760 tons of fuel in 2020 and prevented the emission of 71,695 tons of carbon emissions to the atmosphere.

In order to achieve the goal of reducing carbon emissions in combating climate change; we cooperate with various research institutions to produce bio-fuel as an alternative to jet fuel. We give support to one of the most important of these collaborations, the project of biofuel production from microalgae conducted by Boğaziçi University. The "Microalgae Based Sustainable Bio-Jet Fuel Project (MICRO-JET)" which we jointly carry out with Boğaziçi University for the use of sustainable fuels, has been accepted by TÜBİTAK. When the project is completed, we plan to use this biofuel which we will obtain from sustainable sources in our flights after the engine tests to be carried out by Turkish Technic.

We monitor, calculate and report our greenhouse gas emissions generated as a result of our flight activities and our greenhouse gas

emissions generated as a result of the activities carried out in our main campus in Istanbul and in Ankara and Izmir where we have other largest working areas, in accordance with the Standard of TS EN ISO 14064-1 Calculation of Greenhouse Gas Emissions and Removals at the Organizational Level. The content of our Greenhouse Gas Report has been verified by a third-party verifier organization each year since 2016. We monitor, report and verify our emissions from flights within Europe within the scope of the European Union Emission Trading System (EU-ETS). We carry out the necessary practices to offset our emissions. Alongside the EU-ETS, within the scope of the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) which has been implemented by the International Civil Aviation Organization (ICAO) in order to reduce the effects caused by CO₂ emissions from the aviation industry and to which we have voluntarily committed to implement from the pilot phase as of 2019, we have been monitoring and reporting our emissions from all our international flights. Our 2019 emissions report has been verified by a third party independent verification body authorized by ICAO. In the following years, our work will continue under the CORSIA requirements and our emissions will be verified each year, including 2020, by a third-party independent verification body authorized by ICAO. In the upcoming years, we will neutralize our emissions that are above the emission values of the base year with carbon credits to be obtained from projects that comply with the CORSIA Draft.

We are aware of the fact that the climate change issue is a global issue and this issue can only be fixed by combating with global collaborations. For this reason, we aim to respond to the Carbon Disclosure Project (CDP) Climate Change Program in 2021 in order to clearly reveal the current situation against climate change threats and to create action plans and contribute to the global goal of combating climate change.

Sustainability Approach and Incorporation's Sustainability Management

Within the scope of Zero Waste Regulation, we carry out our waste management activities by adopting the principles of the waste management hierarchy. In addition to the "Sustainability Policies and Zero Waste Project Supporting Award" which we were deemed worthy in 2018 with our efforts in waste management with this principle, we were awarded the Primary Certificate for the General Management Building.

Prioritizing the use of nature-friendly products, our in-flight products are certified by the "Forest Stewardship Council (FSC)," produced only from trees grown for industrial purposes, and in product packaging, instead of plastic packaging, we prefer packages that are suitable for "TS EN 13432 Packaging-biodegradation and composting and recyclable packaging features" standard.

We know that being the airline company flying to more countries than any other airline in the world, by providing economic advantages in many aspects such as tourism, trade and connectivity, we recognize that it contributes to the sustainable development of our world and we believe that it also increases the social responsibilities we carry.

For our employees who have the most important share in our development, by taking the necessary preventive and protective measures we aim to provide healthy, peaceful and prosperous working conditions along with the rights we have granted. We periodically evaluate the feedback of our employees regarding their satisfaction.

We aim to have high standards with our codes of conduct that go beyond the compliance and requirements with the legislation on business ethics, anti-bribery and anti-corruption and the guidelines of the aviation industry and the applicable laws in the countries where we operate. In this direction, we share our "Ethical

Values" created by our Board of Directors, based on the principles of social and ethical responsibility and a transparent and fair management culture with all our stakeholders.

By signing the "United for Wildlife Buckingham Palace Declaration (UFW)" which aims to prevent the illegal trade of wild animals and increase the sectoral awareness on this subject with the support of IATA, we ensure that the species that are in danger of extinction in wildlife are brought to their natural habitats.

We support works to protect our cultural heritage. In this context, we are proud to be the airline that carried the Cybele Statue, our historical heritage, to the lands of our homeland after 60 years.

We share our studies within the scope of sustainability with the stakeholders through the sustainability report we publish annually. After the Gold Award that we were awarded in 2016 with our 2015 Sustainability Report for the first time at the LACP Spotlight Awards-Global Communication Competition which is organized by the League of American Communications Professionals (LACP) and regarded as one of the most distinguished global communication contests in the world; we were deemed worthy of a second award in 2020. With our 2019 Sustainability Report we received two separate awards as the "Best Visual Design Award" in all sectors and the "Platinum Award," the highest award in the sustainability report category with a total score of 99 out of 100 by getting full points from the jury in the criteria of report narrative, visual design, creativity, message clarity, expressiveness and perceived relevance. Along with these two awards, we were selected as the 5th successful company in the top 100 with our 2019 Sustainability Report by ranking among the top 100 most successful worldwide communications materials.

In 2020, we carried basic necessities all over the world by managing the pandemic process effectively. In addition to this; we delivered medical and humanitarian aid to nearly 100 countries, carried out more than 1000 evacuation flights, enabled nearly 140 thousand citizens to reunite with their country. With our aircraft in the Turkish Cargo fleet, we have ensured that Covid-19 vaccines are delivered to both the homeland and Brazil which is 17 thousand km away. We were able to take an active role in combating the pandemic with all these works we carried out. During the pandemic period, we distributed more than 15 million hygiene kits to our passengers. With our #Tkextracare measures we have carried out with Dr. Mehmet Öz, we continue to inform our passengers constantly by trying to adapt our passengers and our operation to this difficult process.

We have meticulously implemented all the measures and innovations developed for our passengers to travel in a healthy and safe manner with the beginning of the pandemic period. We achieved the highest "Diamond" status in the health and safety review conducted by APEX and SimpliFlying which represents the highest level in 10 categories and 75 contact points, including contactless check-in processes, social distance application, extra cleaning measures, our hygiene experts, hygiene kits we offer and more.

For a more livable world, we will continue to work non-stop to support social development in our country and at all other flight points while reducing our environmental impacts from our activities.

Sustainability Principles Compliance Report

	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
A. General Principles						
A1. Strategy, Policies and Goals						
1	X					The Board of Directors determines ESG priority issues, risks and opportunities and establishes ESG policies accordingly.
2	X					In terms of the effective implementation of these policies; In-partnership directives, business procedures etc. can be prepared. The Board of Directors takes decisions for these policies and declares to the public.
3	X					Determines the Incorporation Strategy in accordance with the ESG policies, risks and opportunities.
4	X					Determines the short and long term goals in line with the Incorporation strategy and ESG policies and declares to the public.
A2. Implementation / Monitoring						
5	X					Determines and publicly discloses the committees / units responsible for the implementation of ESG policies.
6	X					The responsible committee / unit reports the activities carried out within the scope of the policies to the Board of Directors at least once a year and in any case within the maximum periods determined for the public disclosure of the annual activity reports in the relevant regulations of the Board.
7	X					Forms implementation and action plans in line with the determined short and long term targets and declares to the public.
8	X					Determines the ESG Key Performance Indicators (KPI) and announces them on a yearly basis.
9	X					In the presence of verifiable data, it presents KPIs with local and international sector comparisons.
10	X					Announces the innovation activities that improve the sustainability performance for business processes or products and services.
A3. Reporting						
11	X					Reports its sustainability performance, goals and actions at least once a year and makes it public.
12	X					Announces the information on sustainability activities within the scope of the annual report.
13	X					It is essential to share information that is important for stakeholders in terms of understanding the position, performance and development of the Incorporation in a direct and concise manner.
14	X					It can declare detailed information additionally and data on the corporate website and prepare separate reports that directly meet the needs of different stakeholders.
15	X					Takes maximum care in terms of transparency and reliability.
16	X					Announces detachedly all kinds of development on the priority issues in disclosures and reporting within the scope of balanced approach.
17	X					Gives information about which of the United Nations (UN) 2030 Sustainable Development Goals its activities are related to.
18	X					Makes an explanation regarding the lawsuits filed and / or concluded against environmental, social and corporate governance issues.
A4. Verification						
19	X					If verified by independent third parties (independent sustainability assurance providers) declares its sustainability performance measurements to the public and endeavors to increase such verification processes.

Sustainability Principles Compliance Report

	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
B. Environmental Principles						
20	X					
21	X					
22	X					
23	X					
24	X					
25	X					
26	X					
27	X					
28	X					
29	X					
30	X					
31	X					
32	X					
33	X					
34	X					
35	X					
36	X					
37	X					

	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
38	X					
39	X					
40	X					
41	X					
42					X	Water supply network is used for clean water supply and wastewater discharge of our Incorporation, and the actual water consumption amounts are included in the Environment sections of our Sustainability Reports. (2019 Sustainability Report, ENVIRONMENT PRACTICES AND TARGETS, Page 44) https://investor.turkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf "The target of 2020 which is to reduce the water consumption per capita for buildings operated by the Facilities Directorate with a saving of at least 2% from 16.91 m ³ /person in 2019 to below 16.57 m ³ / person" has been reached at a rate of 100% and consumption has materialized as 14.73 m ³ / person. Detailed information on the subject will be made publicly available in our 2020 Sustainability Report.
43	X					
44	X					
45					X	Carbon pricing is not applied within the Incorporation.
46	X					
C.Social Principles						
C1. Human Rights and Employee Rights						
47		X				Our 2019 Sustainability Report included our commitment to "Creating decent employment, implementing equal pay for equal work policy, complying with labor rights legislation based on International Labor Organization (ILO) and national legislation" MATERIAL ISSUES, SUSTAINABLE DEVELOPMENT GOALS (SDG) MAP, 2019 Sustainability Report, Pages 25-26 https://investor.turkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf HUMAN RESOURCES POLICY, 2020-Annual Report, Page 106 Our Incorporation is committed to complying with all national regulations and those related to the aviation industry, which have been prescribed in our Compliance Policy. As Turkish Airlines, We believe that compliance goes beyond just strictly adhering to laws and regulations and includes reflecting the spirit of our Code of Ethics in our decisions and actions. BUSINESS ETHICS, COMPLIANCE, 2019 Sustainability Report, Page 32 https://investor.turkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf

Sustainability Principles Compliance Report

	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
48		X				<p>Our Code of Ethics is publicly available on the Turkish Airlines Investor Relations website under the Corporate Governance tab, under the heading "Code of Ethics" in the Sustainability section. https://investorturkishairlines.com/en/corporate-governance/sustainability</p> <p>MISCONDUCT REPORTING, 2019 Sustainability Report, Page 33 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf</p> <p>Adopting ethical principles and values in the Incorporation; we have an Ethics Committee consisting of four board members and a chairman in order to ensure that all employees adopt an ethical approach in line with the corporate culture in the working environment. Within the framework of Intra-Partnership Social HR, which was designed to meet and share with colleagues about the interests and experiences of the Partnership employees and to contribute to communication and information exchange, a presentation prepared on the subject of "mobbing" in order to raise awareness of both the employees and managers of the Partnership will be organized as a webinar in February 2021 under the coordination of our Training Directorate.</p> <p>In addition, our Incorporation has a Human Resources Procedure determined by the Board of Directors, with its sub-units structured according to the processes, all transactions for all personnel are carried out within the framework of the legislation, and the principle of equal opportunity for people under equal conditions is adopted in the recruitment and career planning processes. The procedures and principles of the personnel employment processes of our Incorporation are defined in the Incorporation General Employment Procedure and employment process charts. Relations with employees are carried out through the Recruitment Directorate. HUMAN RESOURCES POLICY, 2020-Annual Report, Page 106</p>
49	X					Provides equal opportunity in recruitment processes.
50	X					Considering the supply and value chain effects, it includes fair workforce, improvement of labor standards, women's employment and inclusion (such as non-discrimination on women,men,gender, religious belief, language, ethnicity, race, age, disability, refugee etc.) in its policies.
51	X					Announces the measures taken along the value chain for the protection of groups vulnerable to certain economic, environmental, social factors (low-income groups, women, etc.) or minority rights / equality of opportunity.
52	X					Reports developments regarding discrimination, inequality, human rights violations, forced labor and preventive and corrective practices.
53	X					Announces the regulations for not employing child labor.
54	X					Announces policies regarding investment in employees (training, improvement policies), compensation, vested benefits, right to unionize, work / life balance solutions and talent management.
55	X					Determines dispute resolution processes by creating mechanisms for employee complaints and dispute resolution.
56	X					Regularly announces the activities carried out to ensure employee satisfaction.
57	X					Establishes occupational health and safety policies and declares to the public.
58	X					Announces precautions taken to prevent occupational accidents and protect health and accident statistics.
59	X					Constitutes protection of personal data and data security policies, and discloses them to the public.

	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
60	X					Establishes an ethical policy (including works such as business, business ethics, compliance processes, advertising and marketing ethics, open information etc.) and declares to the public.
61	X					Announces the work within the scope of social investment, social responsibility, financial inclusion and access to finance.
62	X					Organizes information meetings and training programs for employees on ESG policies and practices.
C2. Stakeholders, International Standards and Initiatives						
63	X					Carries out its activities in the field of sustainability by taking into account the needs and priorities of all stakeholders (employees, customers, suppliers and service providers, public institutions, shareholders, society and non-governmental organizations, etc.).
64	X					Regulates and publicly discloses a customer satisfaction policy regarding the management and resolution of customer complaints."
65	X					Conducts stakeholder communication continuously and transparently; announces which stakeholders, for what purpose, on what issue and how often it communicates and the developments in sustainability activities.
66	X					Publicly discloses the international reporting standards it has adopted (Carbon Disclosure Project (CDP), Global Reporting Initiative (GRI), International Integrated Reporting Council (IIRC), Sustainability Accounting Standards Board (SASB), Task Force on Climate-Related Financial Disclosures (TCFD) etc.).
67	X					Announces the international organizations or principles of which it is a signatory or member (Equator Principles, United Nations Environment Programme Finance Initiative (UNEP-FI), United Nations Global Principles (UNGC), United Nations Principles for Responsible Investment (UNPRI) etc.)the international principles it has adopted (such as the International Capital Markets Association (ICMA) Green / Sustainable Bond Principles) to the public.
68	X					Makes concrete efforts to be included in Borsa Istanbul Sustainability Index and international sustainability indices (Dow Jones Sustainability Index, FTSE4Good, MSCI ESG Indices, etc.)"
D. Corporate Governance Principles						
69	X					Exerts maximum effort to comply with all Corporate Governance principles as well as the mandatory Corporate Governance principles within the scope of the Capital Markets Board Corporate Governance Communiqué numbered II-171.
70	X					Takes into account the sustainability issue, the environmental impacts of its activities and the principles in this regard while determining its corporate governance strategy.
71	X					As stated in the Corporate Governance Principles, it takes the necessary measures to comply with the principles regarding the stakeholders and to strengthen the communication with the stakeholders.
72	X					Applies to the opinions of stakeholders in determining measures and strategies in the field of sustainability.
73	X					Works on raising awareness about sustainability and its importance through social responsibility projects, awareness activities and trainings.
74	X					Strives to become a member of international standards and initiatives on sustainability and to contribute to studies.
75	X					Announces the policies and programs for anti-bribery and anti-corruption in terms of the principle of tax integrity.

Sustainability Principles Information Form

A. General Principles	
A1. Strategy, Policies and Goals	
1	<p>The Board of Directors determines ESG priority issues, risks and opportunities and establishes ESG policies accordingly.</p>
	<p>MATERIAL ISSUES, 2019 Sustainability Report, Page 24 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf CORPORATE GOVERNANCE, Early Identification of Risks Committee, 2019 Sustainability Report, Page 28 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf Our policies, in addition to our Sustainability and Annual Reports, both on the Turkish Airlines corporate website and on the Turkish Airlines Investor Relations website, they are publicly disclosed under the Corporate Governance tab on the website. https://www.turkishairlines.com/en-tr/press-room/about-us/our-policy/ https://investorturkishairlines.com/en https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf As a global brand and the national flag carrier airline of Turkey, we not only create economic value but also conduct all of our operations with the overarching targets of driving social prosperity, social contribution and environmental awareness. Our focus is aimed at positioning the Turkish business community as a key enabler of our country's efforts towards the 17 Sustainable Development Goals set forth by the United Nations. Our ways of doing business are constantly being revised as we look beyond today's gains and invest in the future, guided by a sustainability strategy built around seizing opportunities while mitigating potential risks that might arise from economic, environmental and social developments. We will continue to work for a better future for younger generations with our agile and dynamic organization and a business approach that is based on integrity, transparency and accountability. All the work we have carried out in the light of our sustainability policies will be discussed in detail in our 2020 Sustainability Report.</p>
2	<p>In terms of the effective implementation of these policies; In-partnership directives, business procedures etc. can be prepared. The Board of Directors takes decisions for these policies and declares to the public.</p>
	<p>Public Disclosure Policy, Authorities and Responsibilities, Page 2 https://investorturkishairlines.com/documents/genel-raporlar/public_disclosure_policy_v01.pdf Prepared by our Board of Directors within the framework of Corporate Governance Principles, our Incorporation's Code of Ethics is published on our Incorporation's website. (Code of Ethics and Social Responsibility, 2019 Annual Report, Page 126) Our Ethical Values are publicly disclosed on the Turkish Airlines Investor Relations website under the Sustainability section of the Corporate Governance tab. https://investorturkishairlines.com/documents/sustainability/etik_degeler_en.pdf HUMAN RESOURCES POLICY, 2020 Annual Report, Page 106 Dividend Policy https://investorturkishairlines.com/en/corporate-governance/dividend-policy Donation Policy https://investorturkishairlines.com/en/corporate-governance/donation-policy Remuneration Policy https://investorturkishairlines.com/en/corporate-governance/remuneration-policy Our Environmental Policy is publicly disclosed on Turkish Airlines corporate website, Investor Relations website under the Corporate Governance tab and in our Sustainability Reports. https://www.turkishairlines.com/en-tr/press-room/about-us/our-policy/ https://investorturkishairlines.com/en/corporate-governance/environmental-policy https://investorturkishairlines.com/documents/sustainability/thy-sustainability-report-2019-webv2.pdf (2019 Sustainability Report, Page 48) Our policies, in addition to our Sustainability and Annual Reports, both on the Turkish Airlines corporate website and on the Turkish Airlines Investor Relations website, are publicly disclosed under the Corporate Governance tab on the website. https://www.turkishairlines.com/en-tr/press-room/about-us/our-policy/ https://investorturkishairlines.com/en https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS, 2019 Sustainability Report, Page 6-7 ENGAGING WITH STAKEHOLDERS, 2019 Sustainability Report, Page 19 MATERIAL ISSUES, 2019 Sustainability Report, Page 24 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf SUSTAINABILITY MANAGEMENT, 2020 Annual Report, Page 111</p>
3	<p>Determines the Incorporation Strategy in accordance with the ESG policies, risks and opportunities.</p>
	<p>By evaluating all our projections within the scope of many factors such as climate and environment especially, governance and social responsibility, we draw our strategy and direction of action in a way to benefit from the business opportunities offered by these factors. Our material issues that we updated by taking into account the pandemic conditions and all the work we have carried out with the focus of our sustainability approach will be included in detail in our 2020 Sustainability Report.</p>
4	<p>Determines the short and long term goals in line with the Incorporation strategy and ESG policies and declares to the public.</p>
	<p>SHORT-TERM TARGETS: ENVIRONMENTAL PRACTICES AND PERFORMANCE FOR 2019 (ENVIRONMENT, 2019 Sustainability Report, Pages 44-45) PERFORMANCE AND TARGETS, 2019 Sustainability Report, Pages 70-71 2020-2021 TARGETS, 2019 Sustainability Report, Page 52 OUR STRATEGIC PRIORITIES, Corporate Social Responsibility, 2019 Sustainability Report, Pages 12-13 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf LONG-TERM TARGETS: CORPORATE SUSTAINABILITY MANAGEMENT, 2019 Sustainability Report, Page 22 SUSTAINABLE DEVELOPMENT GOALS (SDG) MAP, 2019 Sustainability Report, Pages 25-26 COMBATING CLIMATE CHANGE, COMMITMENTS AND TARGETS, 2019 Sustainability Report, Page 59 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf We aim to develop and maintain our sustainability efforts in line with the United Nations Sustainable Development Goals by developing day by day, taking into account the expectations of our stakeholders and related parties, our impacts on the supply chain and the environment, in line with the vision, mission and general strategy of our Incorporation. Besides In light of our responsible business approach; we as Turkish Airlines adopted targets determined by the International Air Transport Association (IATA) and work devotedly to provide a contribution to such targets. Adopting the principles of transparency, justice, responsibility and accountability in all of its activities, our Incorporation will continue to work to ensure that brand targets and values are adopted by its stakeholders and will continue to develop collaborations in line with its vision of adding value to its stakeholders by continuing to develop good governance practices. Our targets in the field of Environment 25th and 32nd; our targets in the Social field are 54th, 61st. and 73; our targets in the field of Governance are mentioned in Articles 69 and 70 and detailed information will be disclosed in our 2020 Sustainability Report as open to public access.</p>

A2. Implementation / Monitoring	
5	<p>Determines and publicly discloses the committees / units responsible for the implementation of ESG policies.</p>
	<p>In recent years, the increasing expectations of our investors, customers and associations regarding sustainability management have revealed the need for a more systematic and holistic management of sustainability efforts. In line with this need, in January 2020, Turkish Airlines Senior Management decided to establish a Corporate Sustainability Management Directorate under the Quality Assurance Department which directly reports to the General Manager. With the establishment of the Directorate, the sustainability activities carried out for Turkish Airlines units began to be managed in a more holistic and systematic manner and the relationship of our sustainability efforts with our business units is summarized in the table on page 23 of our 2019 Sustainability Report. CORPORATE SUSTAINABILITY MANAGEMENT, 2019 Sustainability Report, Page 22 RELATIONSHIP OF OUR SUSTAINABILITY ACTIVITIES WITH OUR BUSINESS UNITS, 2019 Sustainability Report, Page 23 https://investorturkishairlines.com/documents/sustainability/thy-sustainability-report-2019-webv2.pdf</p>
6	<p>The responsible committee / unit reports the activities carried out within the scope of the policies to the Board of Directors at least once a year and in any case within the maximum periods determined for the public disclosure of the annual activity reports in the relevant regulations of the Board.</p>
	<p>At Turkish Airlines, all environmental issues are managed by the Quality Assurance Department which is directly affiliated with the General Manager. Environmental Management Review Meetings are held regularly with the participation of senior management and Vice President Quality Assurance. ENVIRONMENTAL MANAGEMENT, 2019 Sustainability Report, Page 47 COMMITMENTS AND TARGETS, Fuel Executive Committee, 2019 Sustainability Report, Page 59 https://investorturkishairlines.com/documents/sustainability/thy-sustainability-report-2019-webv2.pdf</p>
7	<p>Forms implementation and action plans in line with the determined short and long term targets and declares to the public.</p>
	<p>OUR SUSTAINABILITY APPROACH, 2019 Sustainability Report, Page 18 CORPORATE SUSTAINABILITY MANAGEMENT, 2019 Sustainability Report, Pages 22-23 RESOURCE EFFICIENCY, 2019 Sustainability Report, Page 53 OUR ACTIONS ON ENVIRONMENT, 2019 Sustainability Report, Page 49 OUR ACTIONS TO COMBAT WITH CLIMATE CHANGE, 2019 Sustainability Report, Page 60 ENVIRONMENTAL PRACTICES AND PERFORMANCE FOR 2019, 2019 Sustainability Report, Pages 44-45 OUR STRATEGIC PRIORITIES, CORPORATE SOCIAL RESPONSIBILITY, 2019 Sustainability Report, Pages 12-13 https://investorturkishairlines.com/documents/sustainability/thy-sustainability-report-2019-webv2.pdf Our targets and practices in the field of Environment 25th, 32nd and 35th; 61st and 73rd to our targets and practices in the Social field; our targets and practices in the field of Governance are mentioned in Articles 54, 56, 69 and 70 and detailed information regarding the activities carried out in line with these goals will be disclosed to the public in our 2020 Sustainability Report.</p>
8	<p>Determines the ESG Key Performance Indicators (KPI) and announces them on a yearly basis.</p>
	<p>TURKISH AIRLINES KEY FIGURES FOR 2019, 2019 Sustainability Report, Page 11 ENVIRONMENTAL DATA WITH NUMBERS, 2019 Sustainability Report, Page 43 ENVIRONMENTAL PRACTICES AND PERFORMANCE FOR 2019, 2019 Sustainability Report, Pages 44-45 Emission Data, 2019 Sustainability Report, Pages 108-109 Natural gas, Electricity, Paper consumption amounts 2019 Sustainability Report, Page 54 Waste amounts, 2019 Sustainability Report, Page 57 Fuel and greenhouse gas saving amounts, 2019 Sustainability Report, Page 70 Total fuel saving and Total greenhouse gas emissions quantity, 2019 Sustainability Report, Page 71 https://investorturkishairlines.com/documents/sustainability/thy-sustainability-report-2019-webv2.pdf The modernity of the aircraft in our fleet plays an important role in the service quality of Turkish Airlines which is deemed worthy of awards by the leading organizations of the industry. Ranking 4th among the top 10 airlines with an average age of 8.4, according to fleet size, our Incorporation is ranked 9th in the world in terms of fleet size among the airlines that carry out passenger transportation. (FLEET, 2020 Annual Report, Page 48) Indicators of our environmental, social and governance performance are included in the Environmental, Social and Sustainability Management sections of our Sustainability Reports, and current data will be made available to the public in our 2020 Sustainability Report.</p>
9	<p>In the presence of verifiable data, it presents KPIs with local and international sector comparisons.</p>
	<p>Greenhouse gas emission is the primary reason of the climate change which is one of the most challenging global problems. According to the Intergovernmental Panel on Climate Change (IPCC), the aviation industry generates approximately 2% of the world's man-made emissions of carbon dioxide (CO₂). (COMBATING CLIMATE CHANGE, 2019 Sustainability Report, Page 58) https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf Air transportation is the first industry to have taken global actions and set extensive targets to minimize the CO₂ emissions. "Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA)", restricting the CO₂ emissions in order to attain these challenging targets was adopted voluntarily by 85 governments including our country. CORSIA is the first proposal encompassing the entire industry on global scale and its preparation phase started in 2019. Immediately afterwards, the first pilot phase will be implemented in 2021. COMMITMENTS AND TARGETS, 2019 Sustainability Report, Page 59) https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf CORSIA draft to which 88 countries participated as of January 1, 2021 adopts the approach of comparing the total amount of annual CO₂ emission with the amount of emissions realized in the base year. In determining the offset requirement for the difference/gap after the comparison, sectoral and individual growth factors will be calculated as of 2021. The sectoral growth rates calculated by the International Civil Aviation Organization (ICAO) are determined by looking at the emissions of all operators that are parties to the CORSIA, the sectoral growth factor percentage changes every year depending on the growth rate of the sector. The individual growth factor calculated by the country authorities is calculated by taking the carbon emission value of only one operator as a reference. Implementation rules have been determined in accordance with the Implementation Instruction for International Aviation Carbon Equalization and Reduction Scheme (SHT-CORSIA) published by the T.R. Ministry of Transport and Infrastructure General Directorate of Civil Aviation. http://web.shqm.govtr/documents/sivilhavacilik/files/mevzuat/sektorel/talimatlar/2020/SHT-CORSIA.PDF Emissions of flights monitored and reported in 2019 in line with CORSIA in our Incorporation were verified by a third party independent verification body. Studies will continue in line with CORSIA requirements, verification of the data for 2020 will be ensured and emissions above the base year emission values will be neutralized in the following years.</p>
10	<p>Announces the innovation activities that improve the sustainability performance for business processes or products and services.</p>
	<p>SUSTAINABLE DEVELOPMENT GOALS (SDG) MAP, 2019 Sustainability Report, Pages 25-26 DEVELOPMENT OF INNOVATION CULTURE AND PROMOTION OF EMPLOYEE ENGAGEMENT, 2019 Sustainability Report, Page 93 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf Aiming to process all internal and external sources and turn them into output, our Corporate Innovation System consists of many complementary activities. Detailed information on our 2020 innovative projects, reflecting our responsibility towards nature and future generations regarding sustainability, will be made available to the public in our 2020 Sustainability Report.</p>

Sustainability Principles Information Form

A3. Reporting	
11	<p>Our Incorporation regularly publishes the Sustainability Report which was first published in 2015 to present its sustainability performance and future plans to its stakeholders every year. We see sustainability reporting as an indispensable tool to evaluate our activities including non-financial criteria and to present the value we create with a holistic perspective.</p> <p>Turkish Airlines has resolutely continued its efforts and investments for a sustainable future in 2020 and has published its Sustainability Report for 2019 which includes sustainability studies that it carries out with a strategy focused on four pillars, each of which includes a number of material aspects, namely Governance, Economy, Environment and Social. https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf</p> <p>Turkish Airlines, one of the leading companies that shape sustainability in the aviation industry, will continue to systematically carry out its sustainability efforts in 2021 as well. Public access to the Sustainability Reports, published by our Incorporation every year, is available at the link the link of the Turkish Airlines Investor Relations website. https://investorturkishairlines.com/en/corporate-governance/sustainability</p> <p>SUSTAINABILITY APPROACH AND SUSTAINABILITY MANAGEMENT OF THE PARTNERSHIP, 2020 Annual Report, Pages 137-138</p>
12	<p>Announces the information on sustainability activities within the scope of the annual report.</p> <p>SUSTAINABILITY PRINCIPLES COMPLIANCE STATEMENT, SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT AND INFORMATION FORM, 2020 Annual Report, Pages 136-157</p> <p>Our Incorporation refers to the explanations within the scope of the Sustainability Principles Compliance Framework in the reporting of compliance with corporate governance principles within the scope of the Communiqué (II-171.a) on the Amendment of the Corporate Governance Communiqué (II-171) the Annual Report includes whether the sustainability principles are applied or not, and if not, a justified statement regarding this is included.</p>
13	<p>It is essential to share information that is important for stakeholders in terms of understanding the position, performance and development of the Incorporation in a direct and concise manner.</p> <p>Our Sustainability Reports, Annual Reports and Financial Reports are publicly available on the Turkish Airlines Investor Relations page under the "Financial and Operational Data" and "Corporate Governance" tabs. https://investorturkishairlines.com/en</p>
14	<p>It can declare detailed information additionally and data on the corporate website and prepare separate reports that directly meet the needs of different stakeholders.</p> <p>In addition to our Sustainability Reports, Annual Reports and Financial Reports on the Turkish Airlines Investor Relations Page, Investor Information Presentations, Information on Corporate Governance, Press Bulletins, Stock Market Disclosures, Stock Information and Policies are publicly disclosed. https://investorturkishairlines.com/en</p>
15	<p>Takes maximum care in terms of transparency and reliability.</p> <p>ADDING VALUE TO STAKEHOLDERS, 2020 Annual Report, Page 35 CORPORATE GOVERNANCE, 2019 Sustainability Report, Page 27 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES, 2020 Annual Report, Page 124 MATERIAL ISSUES, 2019 Sustainability Report, Page 24 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf</p>
16	<p>Announces detachedly all kinds of development on the priority issues in disclosures and reporting within the scope of balanced approach.</p> <p>SUSTAINABLE DEVELOPMENT GOALS (SDG) MAP, 2019 Sustainability Report, Pages 25-26 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf EVALUATION OF THE BOARD OF DIRECTORS ON THE 2020 RESULTS, 2020 Annual Report, Page 158</p> <p>Our material issues, which have been updated in consideration of the pandemic, will be detailed in our 2020 Sustainability Report.</p>
17	<p>Gives information about which of the United Nations (UN) 2030 Sustainable Development Goals its activities are related to.</p> <p>MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS, 2019 Sustainability Report, Page 6 CORPORATE SUSTAINABILITY MANAGEMENT, 2019 Sustainability Report, Page 22 SUSTAINABLE DEVELOPMENT GOALS (SDG) MAP, 2019 Sustainability Report, Pages 25-26 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf</p> <p>The Sustainable Development Goals (SDG) Map which we will update by taking into account our material issues in 2020 will be included in detail in our 2020 Sustainability Report.</p> <p>BUSINESS ETHICS, 2019 Sustainability Report, Page 32 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf</p>
18	<p>Makes an explanation regarding the lawsuits filed and / or concluded against environmental, social and corporate governance issues.</p> <p>LEGAL INFORMATION- LEGAL TEXTS, 2020 Annual Report, Page 160</p> <p>In 2020, no evidence was detected against our Incorporation regarding violation of the competition rule in the country or abroad, administrative or judicial sanctions were not imposed on the issue and no lawsuits were filed against our Incorporation for damage to the environment.</p>
A4. Verification	
19	<p>If verified by independent third parties (independent sustainability assurance providers) declares its sustainability performance measurements to the public and endeavors to increase such verification processes.</p> <p>2019 Scope 1 and Scope 2 greenhouse gas emissions of our Incorporation were calculated according to TS EN ISO 14064-1 standard and a greenhouse gas report was drawn up, the greenhouse gas statement was verified by the independent audit firm according to TS EN ISO 14064-3. VERIFICATION STATEMENT OF GREENHOUSE GAS DECLARATION for our 2018 emissions is available on the 111th page of our 2019 Sustainability Report, and the explanations of our current report will be included in our 2020 Sustainability Report. (GREENHOUSE GAS VERIFICATION STATEMENT, 2019 Sustainability Report, Page 111) https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf</p> <p>In line with the International Aviation Carbon Offsetting and Reduction Scheme (CORSIA) which was implemented by the International Civil Aviation Organization (ICAO) and which we voluntarily undertake to implement from the pilot phase, the emissions of the flights monitored and reported in 2019 were verified by the third party independent verification body. Detailed information on the activities carried out will be accessible to the public in our 2020 Sustainability Report.</p> <p>Within the scope of the EU ETS, the scope of which is limited to flights taking off and landing within the borders of the European Economic Area in 2016 by the European Union, we directly monitor, calculate and have our emissions verified by an authorized independent certification body. As we declared in our Emission Report submitted to the German Emission Authority (DEHSt), 4,203 tons of fuel was consumed in 686 flights within Europe in 2019. In these flights, a total of 14,352 EU General Allowance (EUA) payments were made to offset all 13,240 tons of carbon emissions emitted from fuel consumption. Detailed information on the work carried out will be publicly disclosed in our 2020 Sustainability Report.</p> <p>All information regarding our sustainability performance is disclosed to the public in our Sustainability Reports published annually under the Corporate Governance tab on the Turkish Airlines Investor Relations page, and efforts will be made to increase the verification processes for sustainability performance measurements. https://investorturkishairlines.com/en/corporate-governance/sustainability</p>

B. Environmental Principles	
20	<p>Announces the policies and practices, action plans, environmental management systems (known as the ISO 14001 standard) and programs in the field of environmental management.</p> <p>Our Environmental Policy is publicly available on the Turkish Airlines corporate website, on the Turkish Airlines Investor Relations website under the Corporate Governance tab and also in our Sustainability Reports. https://www.turkishairlines.com/en-tr/press-room/about-us/our-policy/ https://investorturkishairlines.com/en/corporate-governance/environmental-policy OUR ENVIRONMENTAL POLICY, 2019 Sustainability Report, Page 48 ENVIRONMENTAL PRACTICES AND TARGETS, 2019 Sustainability Report, Pages 44-45 TS EN ISO 14001:2015 ENVIRONMENTAL MANAGEMENT SYSTEM, 2019 Sustainability Report, Page 50 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf ENVIRONMENTAL MANAGEMENT SYSTEMS, 2020 Annual Report, Page 110 MANAGEMENT SYSTEM CERTIFICATES https://investorturkishairlines.com/en/corporate-governance/management-system-certificates</p> <p>In 2020, the interim surveillance audit performed by the third party audit organization within the scope of TS EN ISO 14001 Environmental Management System was successfully completed, and the continuity of the TS EN ISO 14001 Environmental Management System Certificate was ensured.</p> <p>Our Incorporation, which adopts the principle of "Continuous Improvement", participated in the IATA Environmental Assessment (IEnvA) Management System Program implemented by The International Air Transport Association (IATA) for airline companies in 2020 in order to strengthen the environmental management system with the requirements specific to the aviation industry.</p> <p>Our action plan which we have created within the scope of our material issues updated in consideration of the pandemic will be included in detail in our 2020 Sustainability Report. ENVIRONMENTAL MANAGEMENT, 2019 Sustainability Report, Page 46 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf WASTE MANAGEMENT, 2019 Sustainability Report, Page 55 COMMITMENTS AND TARGETS, 2019 Sustainability Report, Page 59 RELATED ORGANIZATIONS & ASSOCIATIONS, 2019 Sustainability Report, Page 21 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf SUSTAINABILITY APPROACH AND SUSTAINABILITY MANAGEMENT OF THE PARTNERSHIP, 2020 Annual Report, Pages 137-138</p>
21	<p>Complies with environmental laws and other relevant regulations and announces them.</p> <p>In addition to our normal operation, the management of wastes such as disposable masks and gloves due to the pandemic was evaluated within the framework of the "Circular on Covid-19 Measures in the Management of Personal Hygiene Material Wastes such as Disposable Masks, Gloves" published in April by the Ministry of Environment and Urbanization, it is carried out in all our domestic work areas, especially in Istanbul. In this context, additional waste bins have been placed at our locations and our employees have been provided with the necessary training.</p> <p>In 2020, the Primary Certificate was obtained at the Head Office, Halkalı Technology and Yenibosna buildings within the scope of the Presidency Zero Waste Project and the necessary infrastructure and conditions for obtaining the Gold Certificate were provided at a rate of %100.</p> <p>The European Union Emission Trading System (EU ETS), the ISO 14064 Greenhouse Gas Calculation and Verification Management System and the "Carbon Offsetting and Reduction Scheme for International Aviation" (CORSIA), which has been implemented by the International Civil Aviation Organization (ICAO), is in the 19th article. The developments in 2020 regarding the "TS EN ISO 14001" Environmental Management System and IATA's Environmental Management System - IATA Environmental Assessment (IEnvA) Program are explained in Article 20, and detailed information on the subject will be made available to the public in our 2020 Sustainability Report.</p>
22	<p>Announces the limitations regarding with the reporting conditions and data collecting process, reporting date, reporting period, boundary of the environmental report to be included in the report which is going to be prepared within the scope of Sustainability Principles.</p> <p>ABOUT THE REPORT, 2019 Sustainability Report, Page 3 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf</p> <p>In our Sustainability Reports, information on issues such as the limit of the report, the reporting period and the reporting standard is provided under the heading "ABOUT THE REPORT" and our 2020 Sustainability Report will also include information within this scope.</p>
23	<p>Announces the senior responsible individual, relevant committees and their duties in the Incorporation on the issue of environment and climate change.</p> <p>ENVIRONMENTAL MANAGEMENT, 2019 Sustainability Report, Page 47 COMMITMENTS AND TARGETS, 2019 Sustainability Report, Page 59 COMBATING CLIMATE CHANGE, 2019 Sustainability Report, Page 58 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf</p>
24	<p>Announces the the incentives it offers for the management of environmental issues, including the achievement of objectives.</p> <p>CORSIA, 2019 Sustainability Report, Page 50 SUSTAINABLE BIO-FUELS, 2019 Sustainability Report, Page 60 WASTE MANAGEMENT, 2019 Sustainability Report, Pages 55-56 RESOURCE EFFICIENCY, 2019 Sustainability Report, Page 53 2020-2021 TARGETS, 2019 Sustainability Report, Page 52 DEVELOPMENT OF INNOVATION CULTURE AND PROMOTION OF EMPLOYEE ENGAGEMENT, 2019 Sustainability Report, Page 93 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf CORPORATE INNOVATION, 2020 Annual Report, Pages 90-91</p> <p>As Turkish Airlines, we evaluate the environmental impacts of all our activities with this sense of responsibility. We prioritize elimination of the negative impacts, and if we cannot eliminate them we create action plans to minimize them. Our programs to prevent or minimize the potential negative effects of the products and / or services we offer in 2020 are explained in Article 35 and detailed information on the subject will be made publicly available in our 2020 Sustainability Report.</p>

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25	Announces how environmental issues are integrated into business targets and strategies.	<p>MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS, (2019 Sustainability Report, Pages 6-7)</p> <p>OUR SUSTAINABILITY APPROACH, 2019 Sustainability Report, Page 18</p> <p>CORPORATE SUSTAINABILITY MANAGEMENT, 2019 Sustainability Report, Pages 22-23</p> <p>COMMITMENTS AND TARGETS, 2019 Sustainability Report, Page 59</p> <p>2019 DEVELOPMENTS, 2019 Sustainability Report, Page 61</p> <p>2019 ENVIRONMENTAL PRACTICES AND TARGETS, 2019 Sustainability Report, Pages 44-45</p> <p>https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf</p> <p>As Turkish Airlines, in line with our commitment to "considering people and the environment while growing," as stated in our environmental policy, while expanding our flight network and expanding our fleet, we have primarily aimed to minimize our potential negative environmental impacts and leave a livable world to future generations. With the environmental aspect and environmental impact assessment studies we conduct in line with this purpose, we determine the environmental aspects and environmental impacts that may arise from all activities, products and services of our Incorporation, we carry out corrective actions to eliminate or minimize these environmental impacts and apply methods for improvement. Our environmental aspects list, prepared in line with our environmental strategy, is publicly published in the Sustainability Section under the Corporate Governance tab on the Turkish Airlines Investor Relations Page. Significant changes environmental aspects resulting from our activities in 2020, including pandemic impacts, are updated on this list.</p>
	<p>https://investorturkishairlines.com/documents/thy-a_o-environmental-impacts-and-aspects-list_2021.pdf</p> <p>OUR ENVIRONMENTAL POLICY, 2019 Sustainability Report, Page 48</p> <p>SUSTAINABILITY EVALUATIONS, 2019 Sustainability Report, Page 51</p> <p>The actions and curative activities we have taken are as follows:</p> <p>OUR ACTIONS ON ENVIRONMENT, 2019 Sustainability Report, Page 49</p> <p>OUR ACTIONS TO COMBAT WITH CLIMATE CHANGE, 2019 Sustainability Report, Page 60</p> <p>https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf</p> <p>Our Incorporation is entitled to be included in the BIST Sustainability Index in 2020 also, in which the increase on the knowledge and practices on sustainability is aimed and companies with high level performances on corporate sustainability traded on Borsa Istanbul.</p> <p>https://www.borsaistanbul.com/en/duyuru/2987/bist-sustainability-index-the-list-of-companies-subject-to-assessment-in-2020-has-been-revised</p> <p>https://www.borsaistanbul.com/files/BIST_Sustainability_Index_The_List_of_Companies_Subject_to_Assessment_2020.pdf</p> <p>In 2020, our partnership voluntarily participated in the performance evaluations of international indices and sustainability rating institutions, including DJSI, FTSE4Good, MSCI, EcoVadis, Sustainalytics, Vigeo Eiris and TPI and information related to the subject will be publicly available in our 2020 Sustainability Report.</p>	
26	Announces the sustainability performances for business processes or products and services and the activities to improve this performance.	<p>OUR ENVIRONMENTAL POLICY, 2019 Sustainability Report, Page 48</p> <p>SUSTAINABILITY EVALUATIONS, 2019 Sustainability Report, Page 51</p> <p>The actions and curative activities we have taken are as follows:</p> <p>OUR ACTIONS ON ENVIRONMENT, 2019 Sustainability Report, Page 49</p> <p>OUR ACTIONS TO COMBAT WITH CLIMATE CHANGE, 2019 Sustainability Report, Page 60</p> <p>https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf</p> <p>Our Incorporation is entitled to be included in the BIST Sustainability Index in 2020 also, in which the increase on the knowledge and practices on sustainability is aimed and companies with high level performances on corporate sustainability traded on Borsa Istanbul.</p> <p>https://www.borsaistanbul.com/en/duyuru/2987/bist-sustainability-index-the-list-of-companies-subject-to-assessment-in-2020-has-been-revised</p> <p>https://www.borsaistanbul.com/files/BIST_Sustainability_Index_The_List_of_Companies_Subject_to_Assessment_2020.pdf</p> <p>In 2020, our partnership voluntarily participated in the performance evaluations of international indices and sustainability rating institutions, including DJSI, FTSE4Good, MSCI, EcoVadis, Sustainalytics, Vigeo Eiris and TPI and information related to the subject will be publicly available in our 2020 Sustainability Report.</p>
	<p>OUR ENVIRONMENTAL POLICY, 2019 Sustainability Report, Page 48</p> <p>SUSTAINABILITY EVALUATIONS, 2019 Sustainability Report, Page 51</p> <p>The actions and curative activities we have taken are as follows:</p> <p>OUR ACTIONS ON ENVIRONMENT, 2019 Sustainability Report, Page 49</p> <p>OUR ACTIONS TO COMBAT WITH CLIMATE CHANGE, 2019 Sustainability Report, Page 60</p> <p>https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf</p> <p>Our Incorporation is entitled to be included in the BIST Sustainability Index in 2020 also, in which the increase on the knowledge and practices on sustainability is aimed and companies with high level performances on corporate sustainability traded on Borsa Istanbul.</p> <p>https://www.borsaistanbul.com/en/duyuru/2987/bist-sustainability-index-the-list-of-companies-subject-to-assessment-in-2020-has-been-revised</p> <p>https://www.borsaistanbul.com/files/BIST_Sustainability_Index_The_List_of_Companies_Subject_to_Assessment_2020.pdf</p> <p>In 2020, our partnership voluntarily participated in the performance evaluations of international indices and sustainability rating institutions, including DJSI, FTSE4Good, MSCI, EcoVadis, Sustainalytics, Vigeo Eiris and TPI and information related to the subject will be publicly available in our 2020 Sustainability Report.</p>	
27	Announces how it manages environmental issues along the Incorporation value chain and integrates suppliers and customers into its strategies, not just in terms of direct operations.	<p>CORPORATE SUSTAINABILITY MANAGEMENT, 2019 Sustainability Report, Page 22</p> <p>THE AVIATION SECTOR'S SUPPLY CHAIN, 2019 Sustainability Report, Page 38</p> <p>SUSTAINABLE CATERING SERVICE, 2019 Sustainability Report, Page 85</p> <p>https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf</p> <p>CORPORATE AND OPERATIONAL PRACTICES, 2020 Annual Report, Pages 99-101</p> <p>OCCUPATIONAL HEALTH AND SAFETY, 2020 Annual Report, Page 107</p> <p>COMPLIANCE MANAGEMENT, 2020 Annual Report, Pages 108-109</p> <p>INFORMATION SECURITY, 2020 Annual Report, Pages 110</p> <p>The products of ISO 22000 certified suppliers are preferred in the catering services of our Incorporation and %90 of our food are supplied domestically. The detailed evaluation of suppliers in the selection process within the scope of the "Supplier Evaluation Procedure" continued in 2020. In addition to this, despite the fact that the supply we have realized due to the pandemic is lower in terms of variety and quantity compared to previous years, there has been no change in the purchasing and goods acceptance processes. While Covid-19 precautions are meticulously implemented in our internal processes, the work of our suppliers in this context has also been closely followed.</p>
	<p>ENVIRONMENTAL MANAGEMENT, 2019 Sustainability Report, Pages 46-47</p> <p>RELATED ORGANIZATIONS & ASSOCIATIONS 2019 Sustainability Report, Page 21</p> <p>https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf</p> <p>A SUSTAINABLE QUALITY UNDERSTANDING WITH THE COMPLIANCE MONITORING SYSTEM, 2020 Annual Report, Pages 108-109</p> <p>In the project of Partnership of Market Readiness (PMR) Turkey conducted by Environment and Urban Planning Ministry and the World Bank including carbon pricing mechanisms related to capacity building, including awareness-raising and training activities, we share our experiences specific to aviation industry.</p>	
28	Whether it is involved in policy-making processes in environmental issues (sectoral, regional, national and international), announces the cooperations it has made with the associations, related organizations and non-governmental organizations it is a member of on the subject of environment and if any, the duties it has taken and the activities it supports.	<p>ENVIRONMENTAL MANAGEMENT, 2019 Sustainability Report, Pages 46-47</p> <p>RELATED ORGANIZATIONS & ASSOCIATIONS 2019 Sustainability Report, Page 21</p> <p>https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf</p> <p>A SUSTAINABLE QUALITY UNDERSTANDING WITH THE COMPLIANCE MONITORING SYSTEM, 2020 Annual Report, Pages 108-109</p> <p>In the project of Partnership of Market Readiness (PMR) Turkey conducted by Environment and Urban Planning Ministry and the World Bank including carbon pricing mechanisms related to capacity building, including awareness-raising and training activities, we share our experiences specific to aviation industry.</p>
	<p>ENVIRONMENTAL MANAGEMENT, 2019 Sustainability Report, Pages 46-47</p> <p>RELATED ORGANIZATIONS & ASSOCIATIONS 2019 Sustainability Report, Page 21</p> <p>https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf</p> <p>A SUSTAINABLE QUALITY UNDERSTANDING WITH THE COMPLIANCE MONITORING SYSTEM, 2020 Annual Report, Pages 108-109</p> <p>In the project of Partnership of Market Readiness (PMR) Turkey conducted by Environment and Urban Planning Ministry and the World Bank including carbon pricing mechanisms related to capacity building, including awareness-raising and training activities, we share our experiences specific to aviation industry.</p>	
29	In the light of environmental indicators (Greenhouse gas emissions (Scope-1 (Direct), Scope-2 (Energy indirect), Scope-3 (Other indirect) 1), air quality, energy management, water and wastewater management, waste management, biodiversity impacts) reports periodically comparable information on its environmental impacts.	<p>2019 ENVIRONMENTAL PRACTICES VE TARGETS, 2019 Sustainability Report, Pages 44-45</p> <p>Emission Data, 2019 Sustainability Report, Pages 108-109</p> <p>Natural gas and Electricity Consumption, RESOURCE EFFICIENCY, 2019 Sustainability Report, Page 54</p> <p>Waste amounts, WASTE MANAGEMENT, 2019 Sustainability Report, Page 57</p> <p>Fuel consumption and greenhouse gas emission values, PERFORMANCE AND TARGETS, 2019 Sustainability Report, Page 70</p> <p>https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf</p> <p>All flight activities performed within the scope of ISO 14064 Standard in 2019 and the emissions monitored and reported within the scope of Scope 1 and Scope 2 Greenhouse Gas Emissions arising from the Istanbul, Ankara and Izmir working areas of the Incorporation were verified by an independent third-party verifier in 2020. As stated in our confirmed Greenhouse Gas Declaration, our Scope 1 emissions were 17,834,081.10 tCO₂e, our Scope 2 emissions were 43,043.04 tCO₂e and our total emission amount was 17,877,124.14 tCO₂e. In this context, the total emission values realized as 15,581,529.84 tCO₂e in 2017, 17,028,599 tCO₂e in 2018, and 17,877,124 tCO₂e in 2019 are explained comparatively in our Sustainability Reports on a yearly basis. Our studies on energy management, waste management and water management are included in articles 31, 35 and 42, and detailed information on the subject and the VERIFICATION STATEMENT OF GREENHOUSE GAS DECLARATION regarding our emissions confirmed in 2020 will be included in our 2020 Sustainability Report.</p>
	<p>2019 ENVIRONMENTAL PRACTICES VE TARGETS, 2019 Sustainability Report, Pages 44-45</p> <p>Emission Data, 2019 Sustainability Report, Pages 108-109</p> <p>Natural gas and Electricity Consumption, RESOURCE EFFICIENCY, 2019 Sustainability Report, Page 54</p> <p>Waste amounts, WASTE MANAGEMENT, 2019 Sustainability Report, Page 57</p> <p>Fuel consumption and greenhouse gas emission values, PERFORMANCE AND TARGETS, 2019 Sustainability Report, Page 70</p> <p>https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf</p> <p>All flight activities performed within the scope of ISO 14064 Standard in 2019 and the emissions monitored and reported within the scope of Scope 1 and Scope 2 Greenhouse Gas Emissions arising from the Istanbul, Ankara and Izmir working areas of the Incorporation were verified by an independent third-party verifier in 2020. As stated in our confirmed Greenhouse Gas Declaration, our Scope 1 emissions were 17,834,081.10 tCO₂e, our Scope 2 emissions were 43,043.04 tCO₂e and our total emission amount was 17,877,124.14 tCO₂e. In this context, the total emission values realized as 15,581,529.84 tCO₂e in 2017, 17,028,599 tCO₂e in 2018, and 17,877,124 tCO₂e in 2019 are explained comparatively in our Sustainability Reports on a yearly basis. Our studies on energy management, waste management and water management are included in articles 31, 35 and 42, and detailed information on the subject and the VERIFICATION STATEMENT OF GREENHOUSE GAS DECLARATION regarding our emissions confirmed in 2020 will be included in our 2020 Sustainability Report.</p>	

30	Describes the standard, protocol, methodology and base year details used to collect and calculate its data.	<p>ABOUT THE REPORT, 2019 Sustainability Report, Page 3</p> <p>GREENHOUSE GAS VERIFICATION STATEMENT, 2019 Sustainability Report, Page 111</p> <p>GRI CONTENT INDEX, 2019 Sustainability Report, Pages 112-117</p> <p>COMMITMENTS AND TARGETS, 2019 Sustainability Report, Page 59</p> <p>CORSIA, 2019 Sustainability Report, Page 50</p> <p>https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf</p> <p>Implementation rules have been determined in accordance with the Implementation Instruction for International Aviation Carbon Equalization and Reduction Scheme (SHT-CORSIA) published by the Ministry of Transport and Infrastructure General Directorate of Civil Aviation.</p> <p>http://web.shgm.govtr/documents/sivilhavacilik/files/mevzuat/sektorel/talimatlar/2020/SHT-CORSIA.PDF</p> <p>SUSTAINABILITY APPROACH AND SUSTAINABILITY MANAGEMENT OF THE PARTNERSHIP, 2020 Annual Report, Pages 137-138</p> <p>The Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), in which 88 countries participated as of January 1, 2021, adopts the approach of comparing the total annual CO₂ emission amount with the amount of emissions realized in the base year. In conjunction with the relevant methodology is explained in Article 9, offset requirements will be calculated by taking into account 100% sectoral emission growth factor from 2021 to 2029, 80% sectoral and 20% individual between 2030-2032, 30% sectoral and 70% individual emission growth factor between 2033-2035. Emissions of flights monitored and reported in accordance with CORSIA in 2019 at our Incorporation were verified by a third-party independent verification body. Our studies in line with CORSIA requirements will continue; verification of the data for 2020 will also be ensured and emissions that remain above the base year emission values in the following years will be neutralized.</p> <p>Emissions monitored and reported within the scope of Scope 1 and Scope 2 Greenhouse Gas Emissions resulting from all flight activities carried out with the Istanbul, Ankara and Izmir working areas of the Incorporation within the scope of the ISO 14064 Standard in 2019, were verified by an independent third-party verifier in 2020.</p> <p>Our Sustainability Reports are prepared in accordance with the Global Reporting Initiative (GRI) Standard and detailed information on the work carried out will be publicly available in our 2020 Sustainability Report.</p>
	<p>ENVIRONMENTAL DATA WITH NUMBERS, 2019 Sustainability Report, Page 43</p> <p>ENVIRONMENTAL PRACTICES AND PERFORMANCE FOR 2019, 2019 Sustainability Report, Pages 44,45</p> <p>Emission Data, 2019 Sustainability Report, Pages 108,109</p> <p>Natural gas, Electricity, Paper consumption amount, 2019 Sustainability Report, Page 54</p> <p>Waste amounts, 2019 Sustainability Report, Page 57</p> <p>Fuel consumption and greenhouse gas emission values, 2019 Sustainability Report, Page 70</p> <p>Fuel and greenhouse gas saving amounts, 2019 Sustainability Report, Page 71</p> <p>https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf</p> <p>SUSTAINABILITY APPROACH AND SUSTAINABILITY MANAGEMENT OF THE PARTNERSHIP, 2020 Annual Report, Pages 137-138</p> <p>In 2020, in the Headquarters, Yenibosna and Technology campuses of our Incorporation are realized as follows:</p> <ul style="list-style-type: none"> -Electricity Consumption : 2685,65 kwh/person -Water Consumption: 14,73 m³/person -Natural gas consumption : 10,32 m³/person and %100 compliance was achieved with the 2020 targets. <p>35,962 kg of hazardous waste was sent to companies with the relevant environmental permit and license, 1,232,991 kg of non-hazardous waste and packaging waste for recycling.</p> <p>Under the harsh conditions of the 2020 pandemic, thanks to our fuel-saving practices successfully implemented, 22,760 tons of fuel was saved and 71,695 tons of CO₂ emission was prevented.</p> <p>As we declared in our Emission Report submitted to the German Emission Authority (DEHSt), 4,203 tons of fuel was consumed in 686 flights within Europe in 2019. In these flights, a total of 14,352 EU General Allowance (EUA) payments were made to offset all 13,240 tons of carbon emissions emitted from fuel consumption. The remaining 1,112 carbon credits will be used for offsetting 2020 emissions.</p> <p>Emissions monitored and reported within the scope of Scope 1 and Scope 2 Greenhouse Gas Emissions resulting from all flight activities carried out with the Istanbul, Ankara and Izmir working areas of the Incorporation within the scope of the ISO 14064 Standard in 2019 were verified by an independent third-party verifier in 2020. As stated in our confirmed Greenhouse Gas Declaration, our Scope 1 emissions were 17,834,081.10 tCO₂e, our Scope 2 emissions were 43,043.04 tCO₂e and our total emission amount was 17,877,124.14 tCO₂e. In this context, the total emission values realized as 15,581,529.84 tCO₂e in 2017, 17,028,599 tCO₂e in 2018 and 17,877,124 tCO₂e in 2019 are presented comparatively on a yearly basis. Detailed information on the subject and VERIFICATION STATEMENT OF GREENHOUSE GAS DECLARATION regarding our verified emissions will be included in our 2020 Sustainability Report.</p> <p>Detailed information on our environmental indicators are included in the graphics in the ENVIRONMENTAL SECTION of our Sustainability Reports, in the ENVIRONMENTAL PRACTICES AND TARGETS Table and Performance Tables and the updated data will be publicly available in our 2020 Sustainability Report.</p>	
31	Describes the status of the environmental indicators for the reporting year (increase or decrease) in comparison with previous years.	<p>SUSTAINABILITY APPROACH AND SUSTAINABILITY MANAGEMENT OF THE PARTNERSHIP, 2020 Annual Report, Pages 137-138</p> <p>In 2020, in the Headquarters, Yenibosna and Technology campuses of our Incorporation are realized as follows:</p> <ul style="list-style-type: none"> -Electricity Consumption : 2685,65 kwh/person -Water Consumption: 14,73 m³/person -Natural gas consumption : 10,32 m³/person and %100 compliance was achieved with the 2020 targets. <p>35,962 kg of hazardous waste was sent to companies with the relevant environmental permit and license, 1,232,991 kg of non-hazardous waste and packaging waste for recycling.</p> <p>Under the harsh conditions of the 2020 pandemic, thanks to our fuel-saving practices successfully implemented, 22,760 tons of fuel was saved and 71,695 tons of CO₂ emission was prevented.</p> <p>As we declared in our Emission Report submitted to the German Emission Authority (DEHSt), 4,203 tons of fuel was consumed in 686 flights within Europe in 2019. In these flights, a total of 14,352 EU General Allowance (EUA) payments were made to offset all 13,240 tons of carbon emissions emitted from fuel consumption. The remaining 1,112 carbon credits will be used for offsetting 2020 emissions.</p> <p>Emissions monitored and reported within the scope of Scope 1 and Scope 2 Greenhouse Gas Emissions resulting from all flight activities carried out with the Istanbul, Ankara and Izmir working areas of the Incorporation within the scope of the ISO 14064 Standard in 2019 were verified by an independent third-party verifier in 2020. As stated in our confirmed Greenhouse Gas Declaration, our Scope 1 emissions were 17,834,081.10 tCO₂e, our Scope 2 emissions were 43,043.04 tCO₂e and our total emission amount was 17,877,124.14 tCO₂e. In this context, the total emission values realized as 15,581,529.84 tCO₂e in 2017, 17,028,599 tCO₂e in 2018 and 17,877,124 tCO₂e in 2019 are presented comparatively on a yearly basis. Detailed information on the subject and VERIFICATION STATEMENT OF GREENHOUSE GAS DECLARATION regarding our verified emissions will be included in our 2020 Sustainability Report.</p> <p>Detailed information on our environmental indicators are included in the graphics in the ENVIRONMENTAL SECTION of our Sustainability Reports, in the ENVIRONMENTAL PRACTICES AND TARGETS Table and Performance Tables and the updated data will be publicly available in our 2020 Sustainability Report.</p>
	<p>SUSTAINABILITY APPROACH AND SUSTAINABILITY MANAGEMENT OF THE PARTNERSHIP, 2020 Annual Report, Pages 137-138</p> <p>In 2020, in the Headquarters, Yenibosna and Technology campuses of our Incorporation are realized as follows:</p> <ul style="list-style-type: none"> -Electricity Consumption : 2685,65 kwh/person -Water Consumption: 14,73 m³/person -Natural gas consumption : 10,32 m³/person and %100 compliance was achieved with the 2020 targets. <p>35,962 kg of hazardous waste was sent to companies with the relevant environmental permit and license, 1,232,991 kg of non-hazardous waste and packaging waste for recycling.</p> <p>Under the harsh conditions of the 2020 pandemic, thanks to our fuel-saving practices successfully implemented, 22,760 tons of fuel was saved and 71,695 tons of CO₂ emission was prevented.</p> <p>As we declared in our Emission Report submitted to the German Emission Authority (DEHSt), 4,203 tons of fuel was consumed in 686 flights within Europe in 2019. In these flights, a total of 14,352 EU General Allowance (EUA) payments were made to offset all 13,240 tons of carbon emissions emitted from fuel consumption. The remaining 1,112 carbon credits will be used for offsetting 2020 emissions.</p> <p>Emissions monitored and reported within the scope of Scope 1 and Scope 2 Greenhouse Gas Emissions resulting from all flight activities carried out with the Istanbul, Ankara and Izmir working areas of the Incorporation within the scope of the ISO 14064 Standard in 2019 were verified by an independent third-party verifier in 2020. As stated in our confirmed Greenhouse Gas Declaration, our Scope 1 emissions were 17,834,081.10 tCO₂e, our Scope 2 emissions were 43,043.04 tCO₂e and our total emission amount was 17,877,124.14 tCO₂e. In this context, the total emission values realized as 15,581,529.84 tCO₂e in 2017, 17,028,599 tCO₂e in 2018 and 17,877,124 tCO₂e in 2019 are presented comparatively on a yearly basis. Detailed information on the subject and VERIFICATION STATEMENT OF GREENHOUSE GAS DECLARATION regarding our verified emissions will be included in our 2020 Sustainability Report.</p> <p>Detailed information on our environmental indicators are included in the graphics in the ENVIRONMENTAL SECTION of our Sustainability Reports, in the ENVIRONMENTAL PRACTICES AND TARGETS Table and Performance Tables and the updated data will be publicly available in our 2020 Sustainability Report.</p>	

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32	<p>Sets short and long-term goals to reduce their environmental impact and announces these goals. It is recommended that these goals should be determined based on Science as suggested by the United Nations Conference of the Parties on Climate Change.</p>	<p>SHORT-TERM TARGETS ENVIRONMENTAL PRACTICES AND TARGETS TABLE 2019 Sustainability Report, Pages 44,45 2020-2021 TARGETS, 2019 Sustainability Report, Page 52 FUEL EFFICIENCY AND REDUCTION OF OUR GREENHOUSE GAS EMISSIONS 2019 Sustainability Report, Pages 62-71 https://investor.turkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf LONG-TERM TARGETS CORPORATE SUSTAINABILITY MANAGEMENT, 2019 Sustainability Report, Page 22 SUSTAINABLE DEVELOPMENT GOALS (SDG) MAP, 2019 Sustainability Report, Pages 25,26 COMMITMENTS AND TARGETS, 2019 Sustainability Report, Page 59 https://investor.turkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf *Ensuring the continuity of compliance with environmental regulations, *Non-occurrence of any environmental accident, emergency or incident, *Continuation of the TS EN ISO 14001 Environmental Management System (EMS) Certificate, *Escalation of environmental issues to the Management Review Meetings, and assessment thereof by the senior management, *Monitoring of the greenhouse gas resources, *By maintaining the studies in line with the requirements of the Carbon Conversion and Reduction Program for International Aviation Activities (CORSIA), verifying the emission data for the year 2020 and neutralizing the emissions that remain above the base year's emission values in the following years and *In addition to our target relating with the aim to continue our support activities for our TÜBİTAK priority area project "Microalgae Based Sustainable Bio-Jet Fuel Project (MICRO-JET)," maintaining our impacts on the supply chain and the environment in every field in which our Incorporation operates in line with the United Nations Sustainable Development Goals and in the light of our responsible business approach, by adopting these targets as Turkish Airlines; "to achieve an annual average 1.5% increase in fuel efficiency for 2009-2020, to stabilize aviation net emissions at the 2020 level through carbon neutral growth from 2020, to reduce aviation-related net carbon emissions to half the 2005 level by 2050" as determined by IATA, we will continue to work devotedly to achieve these targets. Up-to-date information on our short and long-term targets will also be made publicly available in our 2020 Sustainability Report.</p>	
	33	<p>If there is progress in the reporting year according to the targets set before, it provides information on the subject.</p>	<p>In the 2019 ENVIRONMENTAL PRACTICES AND TARGETS TABLE, the rate of compliance with the previous year's targets is stated. (2019 Sustainability Report, ENVIRONMENTAL PRACTICES AND PERFORMANCE FOR 2019, Pages 44-45) https://investor.turkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf Comprehensive information about the actions we have taken to reduce environmental impacts, the projects and initiatives we have undertaken, and the environmental performance indicators are included in the graphics in the Environment Section of our Sustainability Reports and in the ENVIRONMENTAL PRACTICES AND TARGETS Table, our table to be revised with up-to-date data and information on the compliance with the targets, it will be made available to the public in our 2020 Sustainability Report.</p>
		34	<p>Announces the strategy and actions to combat the climate crisis.</p>

35	<p>Describes the program or procedures for preventing or minimizing the potential negative impact of the products and / or services it offers; announces the actions of third parties to reduce greenhouse gas emissions.</p>	<p>CORSIA, 2019 Sustainability Report, Page 50 SUSTAINABLE BIO-FUELS, 2019 Sustainability Report, Page 60 WASTE MANAGEMENT, 2019 Sustainability Report, Pages 55-56 2020-2021 TARGETS, 2019 Sustainability Report, Page 52 https://investor.turkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf COMPLIANCE MONITORING AND SUSTAINABILITY MANAGEMENT, MANAGEMENT OF GREENHOUSE GAS EMISSIONS, 2020 Annual Report, Page 111 SUSTAINABILITY APPROACH AND SUSTAINABILITY MANAGEMENT OF THE PARTNERSHIP, 2020 Annual Report, Page 137 MANAGEMENT SYSTEM CERTIFICATES https://investor.turkishairlines.com/en/corporate-governance/management-system-certificates Turkish Airlines adopts a systematic approach that manages its environmental impacts, pays attention to the use of environmentally friendly technologies, ensures the health and safety of all its stakeholders, manages risks by being aware of its risks, and takes precautions by predicting emergencies that may occur. In this direction Incorporation; • Determines the environmental aspects and environmental impacts arising from its activities, accordingly, by defining the actions to be taken in order to minimize or if possible eliminate negative environmental impacts, the method applied in PR1018.035 Environmental Aspects and Environmental Impact Assessment Procedure, • PR1018.059 describes the method applied by the Incorporation in order to determine, define, prioritize the environmental risks and opportunities, to assign the individuals responsible for the risks and opportunities, to determine the existing measures and additional measures that can be taken for the improvement of the risks in PR1018.059 Environmental Risk and Opportunity Management Procedure. In 2020, the interim surveillance audit performed by the third party audit organization within the scope of TS EN ISO 14001 Environmental Management System was successfully completed, and the continuity of the TS EN ISO 14001 Environmental Management System Certificate was ensured. Our Incorporation which adopts the principle of "Continuous Improvement" participated in the IATA Environmental Assessment (IEnvA) Management System Program implemented by The International Air Transport Association (IATA) for airline companies in 2020 in order to strengthen the environmental management system with the requirements specific to the aviation industry. In the light of our responsible business approach, we, as Turkish Airlines, work devotedly in line with the targets we have set to reduce our greenhouse gas emissions and carbon footprint by increasing our fuel efficiency. In this context, we have been successfully running a comprehensive fuel efficiency program since 2008 which will contribute to the collective effort of the aviation industry against climate change. With more than 100 projects we have implemented, we have increased our flight efficiency by approximately 20%. Due to the pandemic, 58% decrease especially in passenger flights of our Incorporation compared to 2019 caused a decrease in the amount of fuel savings compared to the previous year. Under the harsh conditions of the 2020 pandemic, thanks to our fuel-saving practices successfully implemented, 22,760 tons of fuel was saved and 71,695 tons of CO₂ emission was prevented. Emissions monitored and reported within the scope of Scope 1 and Scope 2 Greenhouse Gas Emissions resulting from all flight activities carried out with the Istanbul, Ankara and Izmir working areas of the Incorporation within the scope of the ISO 14064 Standard in 2019, were verified by an independent third party verifier in 2020. In line with the International Aviation Carbon Offsetting and Reduction Scheme (CORSIA), which was implemented by the International Civil Aviation Organization (ICAO) and which we voluntarily undertake to implement from the pilot phase, the emissions of the flights monitored and reported in 2019 were verified by the third-party independent verification body. Studies in line with CORSIA requirements will be continued; verification of the data for 2020 will also be ensured, and emissions that remain above the base year emission values in the following years will be neutralized. Within the scope of the EU ETS, the scope of which is limited to flights taking off and landing within the borders of the European Economic Area in 2016 by the European Union, we directly monitor, calculate and verify our emissions by an independent certification body. As we declared in our Emission Report submitted to the German Emission Authority (DEHSt), 4,203 tons of fuel was consumed in 686 flights within Europe in 2019. In these flights, a total of 14,352 EU General Allowance (EUA) payments were made to offset all 13,240 tons of carbon emissions emitted from fuel consumption. Our TÜBİTAK priority area project titled "Microalgae Based Sustainable Bio-Jet Fuel Project (MICRO-JET)," which we have implemented jointly with Boğaziçi University regarding the use of sustainable fuels, has been accepted and it is planned to use biofuels tested by Türk Hava Yolları Teknik A.Ş. Due to the pandemic, 11,265,198 Hygiene Sets were served to our passengers as of June, and 2,221,200 pieces of disinfectants in 50 ml plastic packages were provided within the hygiene sets served on our flights over 4 hours. In addition to our normal operation, the management of wastes such as disposable masks and gloves due to the pandemic was evaluated within the framework of the "Circular on Covid-19 Measures in the Management of Personal Hygiene Material Wastes such as Disposable Masks, Gloves" published in April by the Ministry of Environment and Urbanization, it is carried out in all our domestic work areas, especially in Istanbul. In this context, additional waste bins have been placed at our locations and our employees have been provided with the necessary training. In 2020, 35,962 kg of hazardous waste was sent to companies with relevant environmental permits and licenses, and 1,232,991 kg of non-hazardous waste and packaging waste was sent for recycling. Within the scope of the suspension of flights due to the pandemic and Covid-19 measures, in-cabin waste separation could be implemented in the first two months of 2020. Instead of plastic bags, we continued to use bioplastic bags in full compliance with the standard of TS EN 13432 "Packaging-biodegradation and composting and recyclable packaging features" in our earphone and blanket packages. The toy service we offer with the concept of "Play Natural" has been suspended during the pandemic period. As of 2019, all travel and toy sets started to be served without outer packaging bags, and the service of 12,402,000 toys and travel sets planned to be distributed in 2020 was stopped due to the pandemic. In 2020, the Primary Certificate was obtained at the Headquarters, Halkali Technology and Yenibosna buildings within the scope of the Presidency Zero Waste Project, and the necessary infrastructure and conditions for obtaining the Gold Certificate were provided at a rate of %100. In our newly facilities put into use, the energy consumption of our Dynamic UPS and generators used for uninterrupted energy needs was monitored and the optimum usage was studied. The amount of transformer needed according to the capacities was determined and the amount of transformer used was reduced when deemed necessary. In addition, savings have been achieved by applying local solutions such as split air conditioners in order not to fully open the entire central system for constantly incoming units. In order to reduce the use of natural gas, the unused areas of the buildings were actively monitored and the heating programming was made during the telecommuting period, and the heating system in some facilities was completely turned off. In order to use the flue gas waste heat in the boiler system of the Head Office building, an economizer was installed in the system, resulting in savings. At the same time, no construction work was carried out in 2020 due to the pandemic. In the environmental field in 2020, detailed information on our work on fuel efficiency, alternative fuels (sustainable biofuels), noise management, emission management, air pollution, climate change, technical service and catering services with reduced negative environmental effects (sustainable catering), waste management and use of natural resources will be publicly available in our 2020 Sustainability Report.</p>
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36	Announces the actions taken to reduce its environmental impacts, the total number of projects and initiatives carried out and the environmental benefits / profits and cost savings they provide.	OUR ACTIONS, 2019 DEVELOPMENTS, 2019 Sustainability Report, Pages 49-51
		OUR ACTIONS TO COMBAT WITH CLIMATE CHANGE, 2019 GELİŞMELERİ, 2019 Sustainability Report, Page 60-61 ENVIRONMENT, 2019 Sustainability Report, Page 43 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf SUSTAINABILITY APPROACH AND SUSTAINABILITY MANAGEMENT OF THE PARTNERSHIP, 2020 Annual Report, Pages 137-138 As Turkish Airlines, we evaluate the environmental impacts of all our activities with this sense of responsibility. We prioritize elimination of the negative impacts, and if we cannot eliminate them we create action plans to minimize them. Our programs to prevent or minimize the potential negative impact of the products and / or services we offer in 2020 are explained in Article 35 and detailed information on the subject will be made publicly available in our 2020 Sustainability Report.
37	Reports the total energy consumption data (excluding raw materials) and explains the energy consumption as Scope-1 and Scope-2.	RESOURCE EFFICIENCY, 2019 Sustainability Report, Page 53-54 ENVIRONMENTAL PRACTICES AND TARGETS TABLE, 2019 Sustainability Report, Page 44 Emission Data, 2019 Sustainability Report, Pages 108, 109, 110 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf As stated in our Greenhouse Gas Statement for 2019 which was verified by an independent third-party verifier in 2020; Scope-1 Natural Gas Energy Consumption: 4,131,857.36 sm ³ , Scope-2 Natural Gas Energy Consumption 1,242,712,621 sm ³ , Scope-2 Electricity Energy Consumption was realized as 70,062,805.7 kWh. Detailed information on the subject and the VERIFICATION STATEMENT OF GREENHOUSE GAS DECLARATION regarding our emissions verified in 2020 will be included in our 2020 Sustainability Report.
		RESOURCE EFFICIENCY, 2019 Sustainability Report, Page 53-54 Emission Data, 2019 Sustainability Report, Pages 108, 109 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf We produce electricity from natural gas in the trigeneration facility located in our cargo campus. With the electricity we obtain, we meet the electricity needs of our cargo and headquarters campuses. In addition, we convert the cooling water and flue gas heat resulting from the production process into efficiency with our absorption chiller device in our facility. The total amount of electricity generated in our trigeneration facility in 2019 was 12,148,260 kWh and detailed information on the subject will be included in our 2020 Sustainability Report.
38	Provides information on electricity, heat, steam and cooling generated and consumed in the reporting year.	ELECTRICITY GENERATION, 2019 Sustainability Report, Page 53 SUSTAINABLE BIO-FUELS, 2019 Sustainability Report, Page 60 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf SUSTAINABILITY APPROACH AND SUSTAINABILITY MANAGEMENT OF THE PARTNERSHIP, 2020 Annual Report, Pages 137-138
		SUSTAINABLE BIO-FUELS, 2019 Sustainability Report, Page 60 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf
39	Conducts studies on increasing the use of renewable energy, transition to zero or low carbon electricity and explains these studies.	SOME FUEL SAVING PRACTICES OF TURKISH AIRLINES, 2019 Sustainability Report, Pages 68, 69 FUEL EFFICIENCY AND REDUCTION OF OUR GREENHOUSE GAS EMISSIONS, 2019 Sustainability Report, Page 62-71 RESOURCE EFFICIENCY, 2019 Sustainability Report, Page 53 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf FUEL SAVING ON NEXT GENERATION AIRCRAFT, 2020 Annual Report, Page 49 INTEGRATED OPERATIONS CONTROL, 2020 Annual Report, Page 85 Since 2008, we have been successfully running a comprehensive fuel efficiency program that will contribute to the collective effort of the aviation industry against climate change. With over 100 projects we have implemented, we have increased our flight efficiency by approximately 20%. Due to the pandemic, 58% decrease especially in passenger flights of our Incorporation compared to 2019 caused a decrease in the amount of fuel savings compared to the previous year. Under the harsh conditions of the 2020 pandemic, thanks to our fuel-saving practices successfully implemented, 22,760 tons of fuel was saved and 71,695 tons of CO ₂ emission was prevented.
		In our newly facilities put into use, the energy consumption of our Dynamic UPS and generators used for uninterrupted energy needs was monitored and the optimum usage was studied. The amount of transformer needed according to the capacities was determined and the amount of transformer used was reduced when deemed necessary. In addition, savings have been achieved by applying local solutions such as split air conditioners in order not to fully open the entire central system for constantly incoming units. In order to reduce the use of natural gas, the unused areas of the buildings were actively monitored and the heating programming was made during the telecommuting period, and the heating system in some facilities was completely turned off. In order to use the waste flue heat in the boiler system of the Head Office building, an economizer was installed in the system, resulting in savings. Detailed information on the work carried out will be publicly available in our 2020 Sustainability Report.
40	Announces the renewable generation of energy and the usage data.	In our Incorporation, the network line is used for clean water supply and waste water discharge and the actual water consumption is included in the Environment sections of our Sustainability Reports. (2019 Sustainability Report, Page 44) https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf %100 compliance has been achieved with the 2020 target of "Reducing the water consumption per capita for buildings operated by the Facilities Directorate, with a saving of at least 2% from 16.91 m ³ /person in 2019 to below 16.57 m ³ /person with at least 2% savings." The water consumption in 2020 was 14.73 m ³ /person. Detailed information on the subject will be made publicly available in our 2020 Sustainability Report.
		COMMITMENTS AND TARGETS, 2019 Sustainability Report, Page 59 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf Within the scope of the European Union Emission Trading System (EU ETS), the scope of which is limited to flights taking off and landing within the borders of the European Economic Area in 2016 by the European Union, we directly monitor, calculate and have our emissions verified by an authorized independent certification body.
41	Runs energy efficiency projects and announces the amount of energy consumption and emission reduction by means of these studies.	As we declared in our Emission Report submitted to the German Emission Authority (DEHSt), 4,203 tons of fuel was consumed in 686 flights within Europe in 2019. In these flights, a total of 14,352 EU General Allowance (EUA) payments were made to offset all 13,240 tons of carbon emissions emitted from fuel consumption. Detailed information on the work carried out will be publicly disclosed in our 2020 Sustainability Report.
		Carbon pricing is not applied within the Incorporation.

46	Announces all compulsory and voluntary platforms where it discloses environmental information.	(Carbon Offsetting and Reduction Scheme for International Aviation, CORSIA) (CORSIA, 2019 Sustainability Report, Page 21) EU-ETS (COMMITMENTS AND TARGETS, 2019 Sustainability Report, Page 59) ISO14001 (ENVIRONMENTAL MANAGEMENT) (2019 Sustainability Report, Page 46) IENVA(2019 DEVELOPMENTS (2019 Sustainability Report, Page 51) ISO14064 (ENVIRONMENTAL PRACTICES AND TARGETS (2019 Sustainability Report, Page 45) Zero-Waste Project (WASTE MANAGEMENT), 2019 Sustainability Report, Page 55) Borsa Istanbul (SUSTAINABILITY EVALUATIONS), 2019 Sustainability Report, Page 51 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf Along with the the platforms where the environmental information of our Incorporation is disclosed are included in the 35 th article, our Incorporation which continued to be included in the Borsa Istanbul Sustainability Index in 2020, participated in the performance evaluations of the international indices and sustainability rating agencies described in the 68 th article. Information related to the subject will be publicly available in our 2020 Sustainability Report. https://www.borsaistanbul.com/en/duyuru/2987/bist-sustainability-index-the-list-of-companies-subject-to-assessment-in-2020-has-been-revised https://www.borsaistanbul.com/files/BIST_Sustainability_Index_The_List_of_Companies_Subject_to_Assessment_2020.pdf
		C. Social Principles C1. Human Rights and Employee Rights
47	Establishes the Corporate Human Rights and Employee Rights Policy in which full compliance with the legal framework and legislation regulating the human rights and business life in Turkey, the Universal Declaration of Human Rights, ILO Conventions that Turkey committed to implement is committed.	Our 2019 Sustainability Report included our commitment to "Creating decent employment, implementing equal pay for equal work policy, complying with labor rights legislation based on International Labor Organization (ILO) and national legislation" MATERIAL ISSUES, SUSTAINABLE DEVELOPMENT GOALS (SDG) MAP, 2019 Sustainability Report, Page 26 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf HUMAN RESOURCES POLICY, 2020 Annual Report, Page 106 Our Incorporation is committed to complying with all national regulations and those related to the aviation industry, which have been prescribed in our Compliance Policy. We, as Turkish Airlines, believe that compliance goes beyond just strictly adhering to laws and regulations and includes reflecting the spirit of our Code of Ethics in our decisions and actions. BUSINESS ETHICS, COMPLIANCE, 2019 Sustainability Report, Page 32 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf Our Code of Ethics is publicly available on the Turkish Airlines Investor Relations website under the Corporate Governance tab, under the heading "Code of Ethics" in the Sustainability section. https://investorturkishairlines.com/en/corporate-governance/sustainability MISCONDUCT REPORTING, 2019 Sustainability Report, Page 33 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf Adopting ethical principles and values in the Incorporation; we have an Ethics Committee consisting of four board members and a chairman in order to ensure that all employees adopt an ethical approach in line with the corporate culture in the working environment. Within the framework of Intra-Partnership Social HR, which was designed to meet and share with colleagues about the interests and experiences of the Partnership employees and to contribute to communication and information exchange, A presentation prepared on the subject of "mobbing" in order to raise awareness of both the employees and managers of the Partnership will be organized as a webinar in February 2021 under the coordination of our Training Directorate. In addition, our Incorporation has a Human Resources Procedure determined by the Board of Directors, with its sub-units structured according to the processes, all transactions for all personnel are carried out within the framework of the legislation, and the principle of equal opportunity for people under equal conditions is adopted in the recruitment and career planning processes. The procedures and principles of the personnel employment processes of our Incorporation are defined in the Incorporation General Employment Procedure and employment process charts. Relations with employees are carried out through the Recruitment Directorate. HUMAN RESOURCES POLICY, 2020 Annual Report, Page 106
		Discloses the policy in question and the roles and responsibilities associated with its implementation.
48	Provides equal opportunity in recruitment processes.	DIVERSITY AND EQUAL OPPORTUNITY, 2019 Sustainability Report, Pages 97-98, SUSTAINABLE DEVELOPMENT GOALS (SDG) MAP, 2019 Sustainability Report, Page 26 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf HUMAN RESOURCES POLICY, 2020 Annual Report, Page 106 CODE OF ETHICS: https://investorturkishairlines.com/documents/sustainability/etik_degerler_en.pdf CORPORATE SUSTAINABILITY MANAGEMENT, 2019 Sustainability Report, Page 22 DIVERSITY AND EQUAL OPPORTUNITY, 2019 Sustainability Report, Page 97 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf CODE OF ETHICS: https://investorturkishairlines.com/documents/sustainability/etik_degerler_en.pdf COMPLIANCE MANAGEMENT AND SUSTAINABILITY, 2020 Annual Report, Page 108 OCCUPATIONAL HEALTH AND SAFETY, 2020 Annual Report, Page 107 CATERING, 2020 Annual Report, Page 68
		Considering the supply and value chain effects, it includes fair workforce, improvement of labor standards, women's employment and inclusion (such as non-discrimination on women, men, gender, religious belief, language, ethnicity, race, age, disability, refugee etc.) in its policies.
49	Announces the measures taken along the value chain for the protection of groups vulnerable to certain economic, environmental, social factors (low-income groups, women, etc.) or minority rights / equality of opportunity.	COMPLIANCE MANAGEMENT AND SUSTAINABILITY, 2020 Annual Report, Page 108 OCCUPATIONAL HEALTH AND SAFETY, 2020 Annual Report, Page 107 CATERING, 2020 Annual Report, Page 68 SUSTAINABLE DEVELOPMENT GOALS (SDG) MAP, 2019 Sustainability Report, Pages 25-26 DIFFERENCES ADD VALUE, 2019 Sustainability Report, Pages 88-89 DIVERSITY AND EQUAL OPPORTUNITY, 2019 Sustainability Report, Page 97 CONTRIBUTION TO LOCAL DEVELOPMENT AT OUR DESTINATIONS, 2019 Sustainability Report, Page 40 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf The Directorate General of Civil Aviation issued an instruction and established a commission to improve gender balance in the Turkish Civil Aviation Sector. We continue to represent our Incorporation in the Gender Balance Development Commission established by the DGCA. The activities planned before the pandemic were canceled due to the developments emerged and the studies will continue more actively in 2021. In addition to this, in order to improve the gender balance in aviation, we focus on individual competencies and qualifications, not gender, in the candidate evaluations for technical jobs in the sector. In order to increase the interest of female students in aviation and to raise their awareness about the opportunities in aviation, we want to reach them before the university selection and to encourage them for aviation-related education and training programs in 2021. Opportunities are also offered to our successful women aviators in various channels within the company to convey their professional experiences and success stories. Our efforts to increase the number of effective women in the decision-making process in aviation management continue.

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52	Reports developments regarding discrimination, inequality, human rights violations, forced labor and preventive and corrective practices.	MISCONDUCT REPORTING, 2019 Sustainability Report, Page 33 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf "Ethical Line" is a reporting system created for Turkish Airlines employees to report behaviors that violate our corporate principles, such as discrimination, bribery, conflict of interest and anti-competitive practices, anonymously. 126 applications made to the Ethics Reporting Line in 2020 were evaluated. These notices mainly relate to the "act of breaking business peace" and "Partnership Practices"; All these issues were examined by the Turkish Airlines Ethics Committee, and it was decided to impose administrative sanctions for acts contrary to the work discipline by informing the relevant employees or related units to take necessary actions. Our Code of Ethics Handbook is publicly available on the Turkish Airlines Investor Relations website under the Corporate Governance tab, at the "Code of Ethics" document in the Sustainability section. https://investorturkishairlines.com/documents/sustainability/etik_degerler_en.pdf
	Announces the regulations for not employing child labor.	HUMAN RESOURCES POLICY, 2020 Annual Report, Page 106
54	Announces policies regarding investment in employees (training, improvement policies), compensation, vested benefits, right to unionize, work / life balance solutions and talent management.	HUMAN RESOURCES POLICY, 2020 Annual Report, Page 106 DIVERSITY AND EQUAL OPPORTUNITY, 2019 Sustainability Report, Pages 97-98 FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING, 2019 Sustainability Report, Page 98 IMPROVING THE EMPLOYEE EXPERIENCE, 2019 Sustainability Report, Page 96 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf As Turkish Airlines, we offer our employees a unique career opportunity in the aviation industry with our wide-ranging field of activity and our multicultural structure, and we support the development of all our employees. In addition to continuously increasing the potential and performance of our employees, we also aim to improve their technical competencies and social skills for customer relations. In line with this purpose, we both provide trainings required by aviation authorities and offer many training opportunities that support personal and organizational development. BUSINESS ETHICS, MISCONDUCT REPORTING 2019 Sustainability Report, Page 33 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf
	Determines dispute resolution processes by creating mechanisms for employee complaints and dispute resolution.	SUSTAINABILITY APPROACH and SUSTAINABILITY MANAGEMENT OF THE PARTNERSHIP, 2020 Annual Report, Pages 137-138 126 reports made to the Ethics Line which was established in order for the Incorporation employees to report several issues such as corporate business principles, codes of conduct, discrimination, conflicts of interest, superior-subordinate relationships, problems experienced with colleagues and line managers, etc. were evaluated. ENGAGEMENT AND SATISFACTION, 2019 Sustainability Report, Pages 95-96 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf Due to the pandemic, action was taken quickly as of March 2020 and telecommuting order was started. In June, a survey was published where our employees can share their demands and suggestions regarding the new working order and 70% of our employees stated that they were satisfied with the remote working period and they submitted their requests for the continuation of working remotely in open-ended areas included in the survey. In line with the survey results, many actions were taken and the needs of our employees were answered. Evaluating the demands of our employees and the course of the pandemic, the short working order that started in April was converted to full-time working as of September, and all questions of our employees regarding HR processes, especially remote working, were answered by the Employee Support Line via e-mail and Whatsapp application. In 2020, an Employee Loyalty and Experience Survey was conducted in order to measure employee loyalty and strengthen our employer brand in line with the feedback we receive from our employees and many actions were taken in this context.
56	Regularly announces the activities carried out to ensure employee satisfaction.	Since the beginning of the pandemic, our Incorporation has focused on training activities in order to make the best use of the telecommuting period and to prepare our employees for the post-pandemic period. Trainings, which all our employees can attend, are provided in a virtual environment and easy access is provided. Nearly 2000 virtual classroom trainings with 166 contents requested by more than 43 thousand employees have been conducted. In interactive trainings, both the advantage of live narration and the opportunity of one-to-one communication between trainees and trainers has been provided. During the "Live Broadcast YouTube Seminars" launched on the Aviation Academy Youtube page, 7 live broadcasts were broadcast during the pandemic period, reaching a total of 14835 viewers. In this way, our employees are provided with guidance on how to manage psychology during the pandemic process and tips to work efficiently at a distance, through expert speakers in their fields. The certificate programs with 5 content, namely Finance, Marketing, Logistics, Digital Competencies and Business English, where our employees can increase their expertise in the subjects of their interest, were carried out in the form of remote live trainings, contributing to the development of our personnel. Information on the activities carried out in this context will be made publicly available in our 2020 Sustainability Report.
	Establishes occupational health and safety policies and declares to the public.	HUMAN RESOURCES POLICY, 2020 Annual Report, Page 106 HEALTH, SAFETY AND WELL-BEING 2019 Sustainability Report, Page 104 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf Our Occupational Health and Safety Policy is publicly available on the Turkish Airlines Corporate Website. https://www.turkishairlines.com/en-tr/press-room/about-us/our-policy/ OCCUPATIONAL HEALTH AND SAFETY, 2020 Annual Report, Page 107 HEALTH, SAFETY AND WELL-BEING, 2019 Sustainability Report, 2019, page 104 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf OCCUPATIONAL HEALTH AND SAFETY, 2020 Annual Report, Page 107 FLIGHT OPERATION, 2020 Annual Report, Pages 84, 86-87 HEALTH AND SAFETY OF OUR GUESTS IS OUR FIRST PRIORITY, 2020 Annual Report, Page 17
58	Announces precautions taken to prevent occupational accidents and protect health and accident statistics.	Due to the decrease in flight operations due to the pandemic in 2020 and the transition to telecommuting instead of office work, the frequency of work-related accidents was 3.63, and the rate was well below the 2020 target. In addition to the transition to working remotely during the pandemic period, many studies have been carried out to ensure that hygiene rules are meticulously applied in all our activities. All of our aircraft, all working areas of our Incorporation and all personnel services have been subjected to disinfection in addition to the existing cleaning works. In order to maintain the social distance at the entrance of the building at least 1.5 meters, warning signs were placed, and the finger reader system used during the entrance was canceled and fever measurement started. The valid "HES" codes of all our employees and visitors were questioned, and the collective use of elevators was restricted from the first days of the pandemic. Hand disinfectant, masks and gloves are provided for the use of all our employees. Table layout was changed in order to have meals with cross-arrays in the dining hall and efforts were made to mark with floor lines to ensure that the personnel would line up at least 1.5 meters apart. In addition, additional precautions and disinfection works have been initiated in the cafeterias, and in this context, it has been ensured that the food supplied from the common areas is served under the control of the authorized personnel of the cafeteria or in closed containers. Mass prayer in mosques was canceled, necessary disinfection procedures were carried out and common items were removed. Along with all these efforts, in-house informative broadcasts were made in order to increase employee awareness and Covid-19 information was placed on the screens of all computers belonging to the Incorporation. Studies on the subject are under way with precision and detailed information will be included in our 2020 Sustainability Report.

59	Establishes data protection and protection of personal data policies and declares to the public.	Our Corporate Policy, which includes the issue of information security, is publicly available on the Turkish Airlines corporate website https://www.turkishairlines.com/en-us/press-room/about-us/our-policy/ INFORMATION SECURITY, 2020 Annual Report, Page 110 CUSTOMER SOLUTIONS APPLICATIONS, 2020 Annual Report, Pages 98-99 BUSINESS ETHICS, Sustainability Report 2019, Page 32 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf
	Establishes an ethical policy (including works such as business, business ethics, compliance processes, advertising and marketing ethics, open information etc.) and declares to the public.	Turkish Airlines defines its 'Code of Ethics' as the fundamental policies, procedures and rules that all executives and employees are obligated to comply with. These rules have been established to ensure that Turkish Airlines' executives and employees show high standards of ethical conduct, that they are aware of the impact of their acts and attitudes on the Incorporation, and that they exhibit highly qualified behaviors. The Code of Ethics covers various issues such as our principles and values as well as the matters related to compliance, bribery and corruption, anti-competitive behavior, etc. Public access is available to our Ethics Policy under the Turkish Airlines Investor Relations page, Corporate Governance tab, Sustainability section, via the link https://investorturkishairlines.com/documents/sustainability/etik_degerler_en.pdf
61	Announces the work within the scope of social investment, social responsibility, financial inclusion and access to finance.	DONATION POLICY: https://investorturkishairlines.com/en/corporate-governance/donation-policy Ordinary General Assembly Agenda and Invitation and the Minutes of the General Assembly Meeting, 31.03.2020 https://investorturkishairlines.com/documents/ThyInvestorRelations/GENERAL_ASSEMBLY_2020_AGENDA_AND_INVITATION.pdf https://investorturkishairlines.com/documents/general-assembly-minutes-of-the-meeting-31_03_2020.pdf OUR STRATEGIC PRIORITIES, Corporate Social Responsibility, 2019 Sustainability Report, Pages 12-13 OUR CONTRIBUTIONS TO ECONOMIC AND SOCIAL DEVELOPMENT, 2019 Sustainability Report, Page 39 SUSTAINABLE DEVELOPMENT GOALS (SDG) MAP, Social Responsibility, 2019 Sustainability Report, Page 26 ACCESSIBILITY, 2019 Sustainability Report, Page 88- 89 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf The subject areas served by our Incorporation are "Education, Science and Technology, Culture and Art, Employee Engagement, Humanitarian Aid and Equal Opportunity." In this direction, the main purpose in most of the works carried out at home and abroad is to protect our country's unity consciousness and to raise awareness about the solution of global problems. Our Incorporation aims to raise awareness on "Science and Technology, Culture and Art, Disadvantaged Individuals / Groups, Various Associations / Foundations, Employee Engagement and Environment" in accordance with Turkish Airlines Social Responsibility Procedures. The institutions, organizations and organizations supported for this purpose are: KIZILAY, TURMEPA, Gift Caravan Children's Games and Sports Clubs Federation, TOSIDO, Teknofest Technology Festival, State Theater Support, UN Girls and Women in Science Day / European Union Girls and Women in Science Day, Skylife Children's magazines. Details of our Corporate Social Responsibility Projects are available for public access on the Turkish Airlines corporate website https://www.turkishairlines.com/en-us/press-room/our-social-responsibility-projects/index.html We provide substantial contributions to Turkey's job creation, public finance, exports, trade and tourism, besides the local economic and social development across our global destinations. In addition to our social responsibility efforts, the work we carry out to improve the gender balance in aviation is described in Article 51 and detailed information on the subject will be made available to the public in our 2020 Sustainability Report.
	Organizes information meetings and training programs for employees on ESG policies and practices.	ENVIRONMENTAL TRAININGS- (2019 Sustainability Report, OUR ACTIONS, Pages 50- 51) ETHICS TRAININGS - (2019 Sustainability Report, OUR ACTIONS, BUSINESS ETHICS, Page 33) https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf Our distant trainings, which were prepared to increase environmental awareness in our Incorporation, continued to be organized in 2020. Environmental Awareness Training "was completed by 23,031 and" Greenhouse Gas Awareness Training "was completed by 2,492 employees, and during the pandemic period, online" Coronavirus Outbreak Measures Training "and" ISO 14001 Environmental Management System and Waste Management "training were assigned to all our employees. Within the framework of Intra-Partnership Social HR, which was designed to meet and share with colleagues about the interests and experiences of the Partnership employees and to contribute to communication and information exchange, a presentation prepared on the subject of "mobbing" in order to raise awareness of both the employees and managers of the Partnership will be organized as a webinar in February 2021 under the coordination of our Training Directorate.
C2. Stakeholders, International Standards and Initiatives		
63	Carries out its activities in the field of sustainability by taking into account the needs and priorities of all stakeholders (employees, customers, suppliers and service providers, public institutions, shareholders, society and non-governmental organizations, etc.).	ADDING VALUE TO STAKEHOLDERS, 2020 Annual Report, Page 35 OCCUPATIONAL HEALTH AND SAFETY, 2020 Annual Report, Page 107 COMPLIANCE MONITORING AND SUSTAINABILITY MANAGEMENT, 2020 Annual Report, Page 108 CATERING, 2020 Annual Report, Pages 68-72 ENGAGING WITH STAKEHOLDERS, 2019 Sustainability Report, Pages 19-20 SUSTAINABLE DEVELOPMENT GOALS (SDG) MAP, 2019 Sustainability Report, Pages 25-26 DIVERSITY AND EQUAL OPPORTUNITY, 2019 Sustainability Report, Pages 97-98 CONTRIBUTION TO LOCAL DEVELOPMENT AT OUR DESTINATIONS, 2019 Sustainability Report, page 40 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf At the core of our sustainability approach are our stakeholders. The reasonable expectations and interests of our stakeholders are a key reference point in defining the report content and aspect boundaries as well as in the ongoing development process of our sustainability strategy. Thus, stakeholder engagement is a crucial aspect of our sustainability practices, which helps us better understand our impacts and in turn continually refine them. As a growing Incorporation, we have a broad and diverse stakeholder base and various channels to engage with them. We will continue to improve our good governance principles. We will keep enhancing our cooperation, and increasing the number of projects we realize jointly with our business partners, in line with our vision of adding value to our stakeholders.
	Regulates and publicly discloses a customer satisfaction policy regarding the management and resolution of customer complaints.	Public access to our Customer Satisfaction Policy on Turkish Airlines corporate website is available through the link https://www.turkishairlines.com/en-us/press-room/about-us/our-policy/ OUR INNOVATIVE APPROACH, 2019 Sustainability Report, page 82 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-turkce.pdf

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65	Conducts stakeholder communication continuously and transparently, announces which stakeholders, for what purpose, on what issue and how often it communicates and the developments in sustainability activities.	ENGAGING WITH STAKEHOLDERS, 2019 Sustainability Report, page 20 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf In 2020, the developments in the environment are included in the 35 th article, the activities on social issues in the 61 st , and the practices carried out within the scope of employee loyalty and satisfaction in the 56 th article. Along with the topics we interact with our stakeholders and the work we have carried out within the framework of these issues are included on the 20 th page of our 2019 Sustainability Report, the details of our current work for 2020 will be publicly available in our 2020 Sustainability Report.
66	Publicly discloses the international reporting standards it has adopted (Carbon Disclosure Project (CDP), Global Reporting Initiative (GRI), International Integrated Reporting Council (IIRC), Sustainability Accounting Standards Board (SASB), Task Force on Climate-Related Financial Disclosures (TCFD) etc.).	ABOUT THE REPORT, 2019 Sustainability Report, Page 3 GRI Content Index, 2019 Sustainability Report, Pages 112- 117 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf
67	Announces the international organizations or principles of which it is a signatory or member (Equator Principles, United Nations Environment Programme Finance Initiative (UNEP-FI), United Nations Global Principles (UNGC), United Nations Principles for Responsible Investment (UNPRI) etc.)the international principles it has adopted (such as the International Capital Markets Association (ICMA) Green / Sustainable Bond Principles) to the public.	ENVIRONMENTAL MANAGEMENT, 2019 Sustainability Report, Page 46-47 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf COMPLIANCE MANAGEMENT, 2020 Annual Report, Pages 108-109
68	Makes concrete efforts to be included in Borsa Istanbul Sustainability Index and international sustainability indices (Dow Jones Sustainability Index, FTSE4Good, MSCI ESG Indices, etc.)	SUSTAINABILITY EVALUATIONS, 2019 Sustainability Report, Page 51 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf SUSTAINABILITY MANAGEMENT, 2020 Annual Report, Page 111 SUSTAINABILITY APPROACH AND SUSTAINABILITY MANAGEMENT OF THE PARTNERSHIP, 2020 Annual Report, Page 137 Our Incorporation is entitled to be included in the BIST Sustainability Index in 2020 also, in which the increase on the knowledge and practices on sustainability is aimed and companies with high level performances on corporate sustainability traded on Borsa Istanbul. https://www.borsaistanbul.com/en/duyuru/2987/bist-sustainability-index-the-list-of-companies-subject-to-assessment-in-2020-has-been-revised https://www.borsaistanbul.com/files/BIST_Sustainability_Index_The_List_of_Companies_Subject_to_Assessment_2020.pdf In 2020, THY A.O voluntarily participated in the performance evaluations of international indices and sustainability rating organizations such as DJSI, FTSE4Good, MSCI, EcoVadis, Sustainalytics, Vigeo Eiris and TPI, and information related to the subject will be publicly available in our 2020 Sustainability Report.
D. Corporate Governance Principles		
69	Exerts maximum effort to comply with all Corporate Governance principles as well as the mandatory Corporate Governance principles within the scope of the Capital Markets Board Corporate Governance Communiqué numbered II-171.	Statement of Compliance with Corporate Governance Principles, 2020 Annual Report, Page 124
70	Takes into account the sustainability issue, the environmental impacts of its activities and the principles in this regard while determining its corporate governance strategy.	MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS, 2019 Sustainability Report, Pages 6-7 OUR STRATEGIC PRIORITIES, 2019 Sustainability Report, Pages 12-13 MATERIAL ISSUES, 2019 Sustainability Report, Page 24 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf
71	As stated in the Corporate Governance Principles, it takes the necessary measures to comply with the principles regarding the stakeholders and to strengthen the communication with the stakeholders.	CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT, COMPANY POLICY RELATED TO STAKEHOLDERS, SUPPORTING STAKEHOLDERS' PARTICIPATION IN COMPANY MANAGEMENT, 2020 Annual Report, Page 126
72	Applies to the opinions of stakeholders in determining measures and strategies in the field of sustainability.	CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT, SUPPORTING STAKEHOLDERS' PARTICIPATION IN COMPANY MANAGEMENT, 2020 Annual Report, Page 126 INDIVIDUAL SUGGESTION SYSTEM, 2020 Annual Report, Page 91 SUSTAINABILITY MANAGEMENT, 2020 Annual Report, Page 111

73	Works on raising awareness about sustainability and its importance through social responsibility projects, awareness activities and trainings.	CORPORATE SOCIAL RESPONSIBILITY, 2020 Annual Report, Page 34 CARGO, Annual Report 2020, Pages 54-59 OUR STRATEGIC PRIORITIES, Corporate Social Responsibility, 2019 Sustainability Report, Pages 12- 13 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf OUR ACTIONS, ENVIRONMENTAL TRAININGS, 2019 Sustainability Report, Pages 50- 51 BUSINESS ETHICS, ETHICS TRAININGS, 2019 Sustainability Report, page 33 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf Our social responsibility projects are mentioned in Article 61, and the details of our projects are available for public access on the Turkish Airlines corporate website. https://www.turkishairlines.com/en-tr/press-room/our-social-responsibility-projects/index.html Along with the trainings provided in our Incorporation within this scope are mentioned in Article 62, detailed information on the activities carried out will be included in our 2020 Sustainability Report. Global Reporting Initiative (GRI) (ABOUT THE REPORT, 2019 Sustainability Report, Page 3) ISO 14001:2015 (2019 Sustainability Report, ENVIRONMENTAL MANAGEMENT, Page 47) IEnvA (2019 Sustainability Report, 2019 DEVELOPMENTS, Page 51) Committees (2019 Sustainability Report, ENVIRONMENT MANAMENT, Page 47) RELATED ORGANIZATIONS & ASSOCIATIONS, 2019 Sustainability Report, Page 21 https://investorturkishairlines.com/documents/sustainability/surdurulebilirlik-raporu-ingilizce.pdf COMPLIANCE MANAGEMENT, 2020 Annual Report, Pages 108-109 Turkish Airlines employees who are charged with implementing, maintaining and improving the compliance monitoring system, were selected in consideration of their competencies and experiences by national and international aviation authorities to actively taking part in the following working groups: • IATA EOC (Environmental Oversight Council) Group, • IATA Sustainability Environmental Advisory Council, • TIACA (The International Air Cargo Association) Sustainability Working Group, • Star Alliance Sustainability Virtual Expert Community, • TSHA (Turkish Civil Aviation Academy), • CAA Ing Consultant/intervenant, • DGCA (General Directorate of Civil Aviation), Cabin Safety Group, • ICAO (International Civil Aviation Organization), Cabin Safety Group, • ICAO (International Civil Aviation Organization) Cabin Safety Group
74	Strives to become a member of international standards and initiatives on sustainability and to contribute to studies.	Our Ethical Values, which include the titles of Bribery, Corruption and Marketing Integrity, are accessible to the public from the link under the Sustainability section under the Corporate Governance tab of the Turkish Airlines Investor Relations Page. https://investorturkishairlines.com/documents/sustainability/etik_degerler_en.pdf Public access to our Public Disclosure Policy is available at the link https://investorturkishairlines.com/en/corporate-governance/public-disclosure-policy under the Corporate Governance tab of the Turkish Airlines Investor Relations Page. Public access to our Dividend Policy is available at the link https://investorturkishairlines.com/en/corporate-governance/dividend-policy under the Corporate Governance tab of the Turkish Airlines Investor Relations Page. BUSINESS ETHICS, 2019 Sustainability Report, Page 32 https://investorturkishairlines.com/documents/sustainability/thy-sustainability-report-2019-webv2.pdf SUSTAINABILITY APPROACH AND SUSTAINABILITY MANAGEMENT OF THE PARTNERSHIP, Turkish Airlines 2020 Annual Report, Page 138
75	Announces the policies and programs for anti-bribery and anti-corruption in terms of the principle of tax integrity.	Carrying on its activities in accordance with its identity as the flag carrier, our Incorporation pays utmost attention to act sensitively towards its social responsibilities while performing its activities and guides and encourages its subsidiaries accordingly. Code of Conduct Manual of the Incorporation was created by the Board of Directors in accordance with the Corporate Governance Principles and published on the website of the Incorporation. The Code of Conduct of the Incorporation covers fundamental principles and values of ours as well as various matters such as compliance with the regulations, anti-bribery, anti-corruption and anti-competition, etc. We strive to raise awareness among our governing bodies and business partners as well as our employees to prevent risks of any related potential incidences, and have established internal control measures to ensure compliance and monitor these issues across our Incorporation. In respect of anti-corruption guidelines, the roles of the senior management, SVP, Inspection Board, SVP, Security, Audit Committee, Ethics Board, Discipline Council, Human Resources and every employee of our Incorporation have been established with an integrated approach towards detecting and preventing corruption and misconducts in addition to monitoring and improving anti-corruption systems. SVP, Inspection Board assesses the whole Incorporation including risks related to bribery and corruption.

Assessment of the Board of Directors on 2020 Results

The global aviation industry left behind a year in which it faced the greatest crisis in its history and suffered the heaviest losses. Covid-19 pandemic, which has affected the entire world, impacted our industry deeply, as well as our lives. Despite this fact, our Incorporation continued to fulfill its responsibilities as the flag carrier for our country and our nation. Following the healthcare sector, Turkish Airlines family was the foremost organization performing one of the most critical tasks in the fight against this crisis. Throughout the quarantine period, carrying out duties such as repatriating around 140 thousand citizens abroad with over 1.000 evacuation flights to the homeland and airlifting critical medical supplies to our country, our Incorporation has displayed the finest examples of unity, collaboration and solidarity during these hard times.

Although 2020 was very cloudy for the industry, Turkish Airlines has been distinguished with relatively better traffic and financial results and successfully ended fiscal year 2020 with 6.7 billion USD revenue, which accounts 50% of last year's level and 1.9 billion USD EBITDAR. In 2020, our passenger capacity decreased by 60% and we carried a total of 28 million passengers with 71% Load Factor.

Being ranked the most flying airline among network carriers in Europe over the course of 2020, Turkish Airlines turned this crisis into an opportunity by focusing on cargo operations and put some of its passenger aircraft in its fleet into the service of Turkish Cargo. Our Incorporation broke a record in the cargo market and became the 6th largest air cargo carrier in the world in 2020. Turkish Cargo, being chosen as the best cargo brand of Europe and received "Best Cargo Airline – Europe" award, continues to make our country proud by maintaining a sustainable success with its air cargo operations conducted to all over the world.

Turkish Cargo shoulders an important mission for the fight against the Covid-19 pandemic, for our Incorporation and for our country as well. Contributing to the continuation of the food and medicine supply chain and maintaining its food, healthcare, medicine, mask, medical equipment and vaccine shipments uninterruptedly all around the globe during this global pandemic period, Turkish Cargo, on top of its considerable flight network power, increased its capacity by 40 percent and revenue by 60 percent. Despite the crises that grip the world such as the current pandemic period, Turkish Cargo continues its success story with more effective solutions by developing and using new technologies and innovative approaches. Turkish Cargo as the fastest growing air cargo brand, managed to increase its global market share from 3.7% to 4.7%. Turkish Cargo continues to raise its bar for success every day by combining its wide service range and operational capability, with the unique geographical advantage of Turkey and aims to become one of the top 3 air cargo carriers globally.

Since the beginning of the pandemic, we have been focusing on protecting the liquidity levels, managing costs and implementing structural changes in order to better adapt the new normal. In view of the current situation with the effects of the pandemic on the aviation industry, our Incorporation has reviewed its fleet plan in line with its operational and financial capabilities and reconciled with aircraft manufacturers for undelivered orders.

It has been 87 years since our Incorporation was founded to take the hopes, ideals and our nation's everlasting desire to rise to the skies. Today, we proudly fly our flag alongside the leaders of aviation with our unparalleled flight network, modern fleet, outstanding cargo performance and successful crisis management.

Even during the globally devastating pandemic, the great Turkish Airlines family displayed exemplary dedication and sacrifice worthy of going down in the history of civil aviation. In the new take-off stage of aviation following the pandemic, our Incorporation will gather pace on the way to the top of our sector and continue to create value for our country and for our sector with renewed enthusiasm.

Assessment of the Board of Directors on the Effectiveness of Board Committees

The Corporate Governance Committee, the Audit Committee and the Early Identification of Risks Committee, which exist within the Board of Directors of the Incorporation, carry out activities within the framework of the relevant legislation and the duties and working principles set forth by the Board of Directors. In 2020, the specified committees continued to carry out their duties in the fields they were assigned and reported to the Board of Directors.

The duties of the Corporate Governance Committee are set out in the Corporate Governance Communiqué No: II-17.1 of the Capital Markets Board. To this end, the Committee determines whether the Incorporation complies with the Corporate Governance Principles and, if not, to identify the reasons thereof and the conflicts of interest caused by such non-compliance, to give advice to the Board of Directors on improving the Corporate Governance Practices, and to oversee the activities carried out by the Investor Relations department. Besides, since no separate Nomination Committee and Remuneration Committee have been established within the Board of Directors, the Corporate Governance Committee fulfills the duties of these committees as well.

The Corporate Governance Committee, convened in 2020 regarding vacancy on independent board membership due to resignation and evaluated whether the said candidate meets the independence criteria stipulated in the Corporate Governance Principles within the annex of the Corporate Governance Communiqué of the Capital Markets Law. As a result of the evaluations and assessments made, The Committee informed the Board that there is no obstacle to the independence of the candidate for independent board membership and the said candidate was decided to appoint as Independent Member of the Board upon the Independence

Board Member Approval of Capital Market Board, until the approval of the next General Assembly in accordance with our Incorporation's Articles of Association, Article 10.

The Audit Committee convened prior to the disclosure of the quarterly financial results and assured that the publicly disclosed consolidated financial results disclosed to the public are sufficiently transparent and comprehensible, and that all the necessary precautions have been taken to conduct independent external audits transparently and efficiently. The Committee has also supervised the operation and effectiveness of the internal control and internal audit system of the Incorporation. The Audit Committee presented four written reports to the Board of Directors in 2020.

The Early Detection of Risk Committee convened six times in 2020 to identify risks in the areas in which the Incorporation operates and to review the risk management systems by informing the Board of Directors in writing. In addition to evaluations of the Incorporation's 2020 budget, the Committee assessed the impacts of the coronavirus pandemic on the aviation industry and our Incorporation, along with the geopolitical risks and developments affecting the aviation industry. Financial and operational results were reviewed; in line with that purpose, findings and suggestions regarding the cash projections and prepayment amounts were presented to the Board of Directors, by considering the financing need and debt services of the aircraft. As a result of the mentioned activities, the Committees fulfilled their fundamental tasks by paying utmost attention and contributed significantly to the activities of the Board of Directors, ensuring that the Board can display an effective management.

Legal Disclosures and Documents

Information regarding to lawsuits against the Incorporation and any probable outcomes

None

Information about legislative amendments that may have a significant impact on Incorporation's operations

None

Information on conflicts of interest with organizations from whom the Incorporation obtains investment consultancy, rating or similar services and measures taken by the Incorporation to prevent such conflicts of interest

None

Information on administrative or judicial sanctions imposed on the Incorporation and its management due to practices in violation of legislative provisions

There were no administrative or judicial sanctions imposed on the Incorporation and its management due to practices in violation of legislative provisions.

Information about amendment on Articles of Association during the reporting period

The amendment on Articles of Association was made at ordinary general assembly meeting dated March 31, 2020. Updated Articles of Association is available on the web site of Investor Relations of the Incorporation.

Information on the Incorporation's acquisition of own share

The incorporation does not have acquisition of own share.

Statement of Independency

I hereby declare that I run for the office of "Independent Member" of the Board of Directors of Turkish Airlines Inc. in accordance with the criteria stipulated by applicable regulations, the Articles of Association and the Capital Markets Board's Corporate Governance Principles, and accordingly that;

a) no employment-related relationship in respect of any managerial position, whereby any substantive duties and responsibilities may be assumed, has been established between the Incorporation and any affiliates, who either hold the control of or have any significant influence on the management of the Incorporation, or any shareholders who hold the control of the management of the Incorporation, or have a significant influence on the Incorporation, or any legal persons, who hold the control of the management of such shareholders, and myself, my spouse and any of my relatives by blood and by marriage up to the second degree, within the last five years; and also that I have not held more than 5% of the capital or the voting rights or the privileged shares of the Incorporation, either collectively or individually, or any commercial relationship which is of substantial nature has not been established; and also that;

b) within the last five years, particularly in respect of the auditing, rating and consulting activities for the Incorporation (including tax inspection, legal inspections and internal inspections); I have not been a shareholder (holding 5% or more of the shares), or any employee serving at any managerial positions whereby any substantial duties and responsibilities may be assumed, or a member of the Board of Directors, of any such incorporation, from which the Incorporation has procured any services or products or to which the Incorporation has sold any services or products to a material extent in accordance with the agreements executed for such purpose; and also that;

c) I enjoy the professional educational background, knowledge and experience to properly and duly fulfill my duties as an independent member of the Board of Directors, and also that;

ç) I will not hold any full time roles at any public institutions or agencies after I was elected as a member, excluding as a faculty member at a university to the extent that it is in compliance with the applicable regulations,

d) I am resident in Turkey according to the Income Tax Law numbered 193 dated 31/12/1960,

e) I am strongly bound by ethical standards, and enjoy the professional reputation and experience to positively contribute to the operations of the Incorporation, maintain my impartiality in any potential case of conflict of interest amongst the shareholders of the Incorporation, and to make decisions freely with due consideration of the rights and benefits of the stakeholders, and also that;

f) I will be able to allocate time for the affairs of the Incorporation to such an extent that I would be able to fully perform and carry out the duties and tasks which I have assumed, and to follow up the functioning of the activities and operations of the Incorporation, and also that;

g) I have not held the office of a member of the Board of Directors at the Board of Directors of the Incorporation for a period longer than six years within the last decade, and also that;

ğ) I have not held office as an independent member of the Board of Directors of more than three of the companies which hold the control of management of the Incorporation or the shareholders who hold the control of management of the same, and at more than five of the listed companies in total; and also that;

h) I have not been registered and announced for the legal person which has been elected as a member of the Board of Directors.

Respectfully,



Fatmanur Altun

Statement of Independency

I hereby declare that I run for the office of "Independent Member" of the Board of Directors of Turkish Airlines Inc. in accordance with the criteria stipulated in the applicable regulations, the Articles of Association and the Capital Markets Board's Corporate Governance Principles, and accordingly it was resolved that the exception specified under Article 6, paragraph 2 of the Communiqué on Corporate Governance be applied to me, as per the letter dated 21/05/2015, numbered 29833736-1181 of the Capital Markets Board. Therefore, being exempt from Article 4.3.6, subparagraph (g) of the said Communiqué, I hereby declare that:

a) no employment-related relationship in respect of any managerial position, whereby any substantive duties and responsibilities may be assumed, has been established between the Incorporation and any affiliates, who either hold the control of or have any significant influence on the management of the Incorporation, or any shareholders who hold the control of the management of the Incorporation, or have a significant influence on the Incorporation, or any legal persons, who hold the control of the management of such shareholders, and myself, my spouse and any of my relatives by blood and by marriage up to the second degree, within the last five years; and also that I have not held more than 5% of the capital or the voting rights or the privileged shares of the Incorporation, either collectively or individually, or any commercial relationship which is of substantial nature has not been established; and also that;

b) within the last five years, particularly in respect of the auditing, rating and consulting activities for the Incorporation (including tax inspection, legal inspections and internal inspections); I have not been a shareholder (holding 5% or more of the shares), or any employee serving at any managerial positions whereby any substantial duties and responsibilities may be assumed, or a member of the board of directors, of any such company, from which the Incorporation has procured any services or products or to which the Incorporation has sold any services or products to a material extent in accordance with the agreements executed for such purpose; and also that;

c) I enjoy the professional educational background, knowledge and experience to properly and duly fulfill my duties as an independent member of the board of directors, and also that;

ç) I will not hold any full time roles at any public institutions or agencies after I was elected as a member, excluding as a faculty member at a university to the extent that it is in compliance with the applicable regulations,

d) I am resident in Turkey according to the Income Tax Law numbered 193 dated 31/12/1960,

e) I am strongly bound by ethical standards, and enjoy the professional reputation and experience to positively contribute to the operations of the Incorporation maintain my impartiality in any potential case of conflict of interest amongst the shareholders of the Incorporation and to make decisions freely with due consideration of the rights and benefits of the stakeholders, and also that;

f) I will be able to allocate time for the affairs of the Incorporation to such an extent that I would be able to fully perform and carry out the duties and tasks which I have assumed, and to follow up the functioning of the activities and operations of the Incorporation, and also that;

ğ) I have not held office as an independent member of the board of directors of more than three of the companies which hold the control of management of the Incorporation or the shareholders who hold the control of management of the same, and at more than five of the listed companies in total; and also that

h) I have not been registered and announced for the legal person which has been elected as a member of the board of directors.

Respectfully,



Mehmet Muzaffer Akpınar

I hereby declare that I run for the office of "Independent Member" of the Board of Directors of Turkish Airlines Inc. in accordance with the criteria stipulated by applicable regulations, the Articles of Association and the Capital Markets Board's Corporate Governance Principles, and accordingly that;

a) no employment-related relationship in respect of any managerial position, whereby any substantive duties and responsibilities may be assumed, has been established between the Incorporation and any affiliates, who either hold the control of or have any significant influence on the management of the Incorporation, or any shareholders who hold the control of the management of the Incorporation, or have a significant influence on the Incorporation, or any legal persons, who hold the control of the management of such shareholders, and myself, my spouse and any of my relatives by blood and by marriage up to the second degree, within the last five years; and also that I have not held more than 5% of the capital or the voting rights or the privileged shares of the Incorporation, either collectively or individually, or any commercial relationship which is of substantial nature has not been established; and also that;

b) within the last five years, particularly in respect of the auditing, rating and consulting activities for the Incorporation (including tax inspection, legal inspections and internal inspections); I have not been a shareholder (holding 5% or more of the shares), or any employee serving at any managerial positions whereby any substantial duties and responsibilities may be assumed, or a member of the Board of Directors, of any such incorporation, from which the Incorporation has procured any services or products or to which the Incorporation has sold any services or products to a material extent in accordance with the agreements executed for such purpose; and also that;

c) I enjoy the professional educational background, knowledge and experience to properly and duly fulfill my duties as an independent member of the Board of Directors, and also that;

ç) I will not hold any full time roles at any public institutions or agencies after I was elected as a member, excluding as a faculty member at a university to the extent that it is in compliance with the applicable regulations,

d) I am resident in Turkey according to the Income Tax Law numbered 193 dated 31/12/1960,

e) I am strongly bound by ethical standards, and enjoy the professional reputation and experience to positively contribute to the operations of the Incorporation, maintain my impartiality in any potential case of conflict of interest amongst the shareholders of the Incorporation, and to make decisions freely with due consideration of the rights and benefits of the stakeholders, and also that;

f) I will be able to allocate time for the affairs of the Incorporation to such an extent that I would be able to fully perform and carry out the duties and tasks which I have assumed, and to follow up the functioning of the activities and operations of the Incorporation, and also that;

g) I have not held the office of a member of the Board of Directors at the Board of Directors of the Incorporation for a period longer than six years within the last decade, and also that;

ğ) I have not held office as an independent member of the Board of Directors of more than three of the companies which hold the control of management of the Incorporation or the shareholders who hold the control of management of the same, and at more than five of the listed companies in total; and also that;

h) I have not been registered and announced for the legal person which has been elected as a member of the Board of Directors.

Respectfully,



Melih Şükrü Ecertaş

Statement of Responsibility

RESOLUTION NUMBER : TK2021031103
SUBJECT : Statement of Responsibility Prepared in Accordance with
Article 9 of the II-14.1. Principles of Financial Reporting in Capital Markets
Communique by the Capital Markets Board

ISTANBUL
01.03.2021

BORSA ISTANBUL
34467 Emirgan/Istanbul

The consolidated financial statement, the board of directors' annual report, Corporate Governance Compliance Report and Corporate Governance Information Form dated December 31, 2020 approved by the Board's resolution dated 01.03.2021, numbered 59 are provided attached. Accordingly, we hereby declare that:

- a) The financial statements, Annual Report, Corporate Governance Compliance Report and Corporate Governance Information Form were reviewed by us,
- b) The financial statements and the annual report of the board of directors do not contain any misrepresentation on material issues or any material deficiency as of the date on which such representation is made, which might cause the report to be misleading, to the best of our knowledge with respect to our duties and responsibilities;
- c) The consolidated financial statements, drawn up in accordance with the financial reporting standards, that are currently in force, reflect the truth with respect to the assets and liabilities of the Incorporation as well as its financial state and profits and losses honestly and that the annual report, together with consolidated statements, truthfully reflect the course of progress and performance of the business of the Incorporation as well as the financial state of the Incorporation, including significant risks and uncertainties encountered by the Incorporation, to the best of our knowledge with respect to our duties and responsibilities;

Sincerely,

TURKISH AIRLINES A.O.

DR. ZEKERİYA DEMİR
SVP, Accounting and
Financial Control

ASSOC. PROF. MURAT ŞEKER
Chief Financial Officer

BİLAL EKŞİ
General Manager

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Consolidated Financial Statements
as at and for the Year Ended
31 December 2020 with
Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Türk Hava Yolları Anonim Ortaklığı

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Türk Hava Yolları Anonim Ortaklığı (the "Company") and its subsidiaries (together the "Group") as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
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T: +90 212 326 6060, F: +90 212 326 6050, www.pwc.com.tr Mersis Numaramız: 0-1460-0224-0500015

Emphasis of matter

Impacts of Covid-19 pandemic

Due to the impact of COVID-19 in 2020, global air traffic has significantly declined and stringent measures have been taken to slow the expansion of the pandemic. Several constraints were imposed and restrictions continue to have a major impact on global aviation industry. We draw attention to Note 2.8 to the consolidated financial statements, which describes the Group's assessments regarding the effects of the Covid-19 pandemic. Our opinion is not qualified in respect of this matter.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2019 were audited by another firm of auditors, whose report, dated 5 March 2020, expressed an unmodified opinion on those statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matter
The recognition of the revenue, passenger flight liabilities and the frequent flyer program liabilities	
<p><i>Revenue and passenger flight liabilities (Please refer to Note 2.3.1, 14 and 26)</i></p> <p>The major part of the Group's revenue consists of the passenger revenue. The passenger revenue is recognized when the transportation service is completed. Total passenger revenue recognized in the consolidated financial statements of the Group amounted to USD3,792 million for the year ended 31 December 2020. Unused tickets are recognized as passenger flight liabilities, until the flights are completed. Total passenger liabilities amounted to USD580 million as of 31 December 2020.</p> <p>We focused on this area in our audit due to the following reasons:</p> <ul style="list-style-type: none"> - Travel restrictions imposed due to the Covid-19 outbreak have significant effects on the passenger revenues of the Group for the year ended 31 December 2020, - Significant estimates and judgments based on historical data and trends are used in calculation of revenue from unused tickets which are accounted for passenger revenue in the consolidated financial statements, - Recognition of passenger revenue upon completion of the services includes complex and different integrated information technology ("IT") systems which processes high volume of transactions and data, - The necessity for our IT experts to be involved in the audit process due to the complexity of the systems. 	<p>The following procedures were performed to audit of the revenue and passenger flight liabilities:</p> <ul style="list-style-type: none"> - Through involvement of our IT experts, we have tested the effectiveness of internal controls on IT systems that are designed to account passenger revenue. Additionally, we have tested accuracy and completeness of the reconciliations among IT systems which have been determined as key systems by us. - We have understood the business processes and controls over accounting of the passenger revenue. - We have tested key controls over accounting of the passenger revenue processes. - We have tested unredeemed tickets through sampling method. - We have tested consistency and mathematical accuracy of the methods used in calculation of unused ticket revenue which are estimated based on historical data. - We have tested refunds of ticket prices to the passengers which are realized higher than previous years due to the travel restrictions during the Covid-19 outbreak through sampling method,

Key audit matters	How our audit addressed the key audit matter
The recognition of the revenue, passenger flight liabilities and the frequent flyer program liabilities	
<p><i>Frequent flyer program liabilities (Please refer to Note 2.3.19 and 14)</i></p> <p>The Group provides a frequent flyer program named “Miles and Smiles” in the form of free travel award to its members on accumulated mileage earned from flights. Miles are recognized as a separately identifiable component of each sales transactions. Frequent flyer program liabilities amounted to USD199 million in the consolidated financial statements as of 31 December 2020.</p> <p>The amount deferred as a liability is measured based on the fair value of the awarded miles. The fair value is measured on the basis of the value of the awards for which they could be redeemed. The amount deferred is recognized as revenue when Miles and Smiles members fly using their miles or when the Group does not expect that the miles to be redeemed by its customers (“breakage”).</p> <p>We focused on this area in our audit due to the following reasons:</p> <ul style="list-style-type: none"> - Breakage estimate (“the estimate of miles earned that will not be redeemed”) are complex and highly judgmental due to the significant assumptions used in the estimate, - Complex calculations are performed in determination of the value of the awards for which they could be redeemed, - The necessity for our IT experts to be involved in the audit process due to the complexity of the systems. 	<p>The following procedures were performed to audit of the frequent flyer program liabilities:</p> <ul style="list-style-type: none"> - We have understood the business processes and controls over accounting of the frequent flyer program liabilities. - Through involvement of our IT experts, we have tested the effectiveness of internal controls on IT systems and internal controls that are designed to account frequent flyer program liabilities. - We have tested consistency and mathematical accuracy of the methods used in calculation of frequent flyer liabilities which are estimated based on historical data. - We have controlled consistency of frequent flyer program liabilities calculated at the end of the reporting period with frequent flyer program. - We have controlled breakage estimates through comparing the ratio with the historical usage data.

Key audit matters	How our audit addressed the key audit matter
The Component accounting of aircrafts (Please refer to Note 2.3.3, 2.3.4 and 15)	
<p>The carrying values of aircrafts’ components accounted for property, plant and equipment and right of use assets amounted to USD16,005 million in the consolidated financial statements as of 31 December 2020.</p> <p>The Group accounts for the cost of aircrafts which are acquired directly or through leases separating into the components (fuselage, engine, fuselage overhaul and engine overhaul). Useful lives of these components are determined separately and each components are amortized during their useful lives.</p> <p>We focused on this area in our audit due to the following reasons:</p> <ul style="list-style-type: none"> - The impacts to the consolidated financial statements as of 31 December 2020 is significant, - The assessment of determination of components involves significant level of management’s estimates, - The assessment of determination of useful lives of each components and residual values involves managements’ significant estimates. 	<ul style="list-style-type: none"> - The following procedures were performed to audit of the component accounting of aircrafts: - We have inquired with the management to understand the accounting policies applied and how they meet the provisions of IAS 16, “Property, plant and equipment”. - The useful life and residual value estimates were controlled by comparing the fleet plan of the Group and the contracts of the aircraft purchases and leasing transactions recently made. - We have compared the consistency of the components and their useful lives with the sectoral applications. - We have recalculated current year’s depreciation expenses.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Baki Erdal, SMMM
Partner

Istanbul, 1 March 2021

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
Consolidated Balance Sheet as at 31 December 2020
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

ASSETS	Notes	31 December 2020	31 December 2019
Non-Current Assets			
Financial Investments	6	75	90
Other Receivables			
-Third Parties	12	1,200	1,276
Investments Accounted for Using Equity Method	3	256	369
Property and Equipment	15	4,145	3,643
Right of Use Assets	15	14,777	13,618
Intangible Assets			
- Other Intangible Assets	16	89	82
- Goodwill	17	12	12
Prepaid Expenses	14	798	864
TOTAL NON-CURRENT ASSETS		21,352	19,954
Current Assets			
Cash and Cash Equivalents	5	1,811	2,075
Financial Investments	6	18	400
Trade Receivables			
-Related Parties	9	18	-
-Third Parties	10	619	540
Other Receivables			
-Related Parties	9	6	28
-Third Parties	12	1,095	1,053
Derivative Financial Instruments	34	2	52
Inventories	13	305	290
Prepaid Expenses	14	141	149
Current Income Tax Assets	32	38	43
Other Current Assets	24	125	140
TOTAL CURRENT ASSETS		4,178	4,770
TOTAL ASSETS		25,530	24,724

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
Consolidated Balance Sheet as at 31 December 2020
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

LIABILITIES	Notes	31 December 2020	31 December 2019
Equity			
Share Capital	25	1,597	1,597
Items That Will Not Be Reclassified to Profit or Loss			
-Actuarial (Losses) on Retirement Pay Obligation	25	(48)	(38)
Items That Are or May Be Reclassified to Profit or Loss			
-Foreign Currency Translation Differences	25	(201)	(184)
-Fair Value Gains on Hedging Instruments Entered into for Cash Flow Hedges	25	(450)	171
-Gains on Remeasuring FVOCI	25	2	(1)
Restricted Profit Reserves	25	72	67
Previous Years Profit	25	5,246	4,463
Net (Loss) / Profit for the Year		(836)	788
Equity of the Parent		5,382	6,863
Non-Controlling Interests		1	1
TOTAL EQUITY		5,383	6,864
Non-Current Liabilities			
Long-Term Borrowings	7 and 18	2,681	1,721
Long Term Lease Liabilities	7 and 18	9,579	8,545
Other Payables			
-Third Parties	12	22	37
Deferred Income	14	109	120
Long-Term Provisions			
-Provisions for Employee Benefits	22	134	135
-Other Provisions		49	45
Deferred Tax Liability	32	1,119	1,293
TOTAL NON-CURRENT LIABILITIES		13,693	11,896
Current Liabilities			
Short Term Borrowings	7	1,527	1,241
Short-Term Portion of Long-Term Borrowings	7 and 18	1,186	491
Short Term Portion of Lease Liabilities	7 and 18	1,728	1,374
Other Financial Liabilities	8	17	19
Trade Payables			
-Related Parties	9	141	172
-Third Parties	10	720	958
Payables Related to Employee Benefits	11	90	160
Other Payables			
-Third Parties	12	88	98
Derivative Financial Instruments	34	64	70
Deferred Income	14	614	1,071
Short-Term Provisions			
-Provisions for Employee Benefits	20	16	39
-Other Provisions	20	10	13
Other Current Liabilities	24	253	258
TOTAL CURRENT LIABILITIES		6,454	5,964
TOTAL LIABILITIES AND EQUITY		25,530	24,724

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 December 2020
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

PROFIT OR LOSS	Notes	31 December 2020	31 December 2019
Revenue	26	6,734	13,229
Cost of Sales (-)	27	(6,378)	(10,928)
GROSS PROFIT		356	2,301
General Administrative Expenses (-)	28	(219)	(299)
Selling and Marketing Expenses (-)	28	(667)	(1,417)
Other Operating Income	29	330	355
Other Operating Expenses (-)	29	(55)	(64)
OPERATING (LOSS) / PROFIT BEFORE INVESTMENT ACTIVITIES		(255)	876
Income from Investment Activities	30	190	169
Expenses from Investment Activities	30	(11)	(80)
Share of Investments' (Loss) / Profit Accounted by Using The Equity Method	3	(87)	82
OPERATING (LOSS) / PROFIT		(163)	1,047
Financial Income	31	72	139
Financial Expenses (-)	31	(835)	(310)
(LOSS) / PROFIT BEFORE TAX		(926)	876
Tax Income / (Expense)		90	(88)
Current Tax Expense	32	-	-
Deferred Tax Income / (Expense)	32	90	(88)
NET (LOSS) / PROFIT FOR THE YEAR		(836)	788
OTHER COMPREHENSIVE INCOME			
Items That May Be Reclassified Subsequently To Profit or Loss		(635)	152
Currency Translation Adjustment		(17)	(24)
Losses on Remeasuring FVOCI		4	7
Fair Value (Losses) / Gains on Hedging Instruments Entered into for Cash Flow Hedges		(766)	212
Fair Value (Losses) / Gains Hedging Instruments of Investment Accounted by Using the Equity Method Entered into for Cash Flow Hedges		(11)	6
Related Tax of Other Comprehensive Income		155	(49)
Items That Will Not Be Reclassified Subsequently To Profit or Loss		(10)	(3)
Actuarial Losses on Retirement Pay Obligation		(13)	(4)
Related Tax of Other Comprehensive Income		3	1
OTHER COMPREHENSIVE (EXPENSE) / INCOME FOR THE YEAR		(645)	149
TOTAL COMPREHENSIVE (EXPENSE) / INCOME FOR THE YEAR		(1,481)	937
Basic (Loss) / Gain Per Share (Full US Cents)	33	(0.61)	0.57
Diluted (Loss) / Gain Per Share (Full US Cents)	33	(0.61)	0.57

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2020
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

	Share Capital	Actuarial (Losses) Retirement Pay Obligation	Items That May Be Reclassified Subsequently To Profit or Loss		Retained Earnings		Equity Holders of the Parent	Non-controlling Interests	Total Equity
			Foreign Currency Translation Differences	Fair Value Gains on Hedging Instruments Entered into for Cash Flow Hedges	Gains / (Losses) on Remeasuring FVOCI	Restricted Profit Reserves			
As of 1 January 2020	1,597	(38)	(184)	171	(1)	4,463	6,863	1	6,864
Transfers	-	-	-	-	-	788	-	-	-
Total comprehensive income	-	(10)	(17)	(621)	3	(5)	(836)	(1,481)	(1,481)
As of 31 December 2020	1,597	(48)	(201)	(450)	2	5,246	5,382	1	5,383

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2020

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

	Items That Will Not Be Reclassified Subsequently To Profit or Loss		Items That May Be Reclassified Subsequently To Profit or Loss			Retained Earnings		Equity Holders of the Parent	Non-controlling Interests	Total Equity
	Share Capital	Actuarial (Losses) Retirement Pay Obligation	Foreign Currency Translation Differences	Fair Value Gains on Hedging Instruments Entered Into For Cash Flow Hedges	Gains (Losses) on Remeasuring FVOCI	Restricted Profit Reserves	Previous Years Profit			
As of 1 January 2019	1,597	(35)	(160)	-	(6)	36	3,760	753	5,945	5,945
Adjustment on initial application of IFRS 16	-	-	-	-	-	-	(18)	-	(18)	(18)
As of 1 January 2019	1,597	(35)	(160)	-	(6)	36	3,742	753	5,927	5,927
Transfers	-	-	-	-	-	-	753	(753)	-	-
Total comprehensive income	-	(3)	(24)	171	5	31	(32)	788	936	1 937
As of 31 December 2019	1,597	(38)	(184)	171	(1)	67	4,463	788	6,863	6,864

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2020

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

	Notes	31 December 2020	31 December 2019
Net (Loss) / Profit for the year		(836)	788
Adjustments to Reconcile Loss			
Adjustments for Depreciation and Amortisation Expense	15 and 16	1,659	1,521
Adjustments for Provisions Related with Employee Benefits	20 and 22	5	22
Adjustments for Provisions for Other Accruals	20	-	(2)
Adjustments for Reversal of Probable Risks	35	21	20
Adjustments for Interest Income	30 and 31	(77)	(97)
Adjustments for Interest Expense	22 and 31	285	257
Adjustments For Unrealised Foreign Exchange Losses / (Gains)		471	(802)
Adjustments for Fair Value Gains on Derivative Financial Instruments	31	21	23
Adjustments for Undistributed Losses / (Gains) of Associates	3	87	(82)
Adjustments for Tax (Income) / Expense	32	(90)	88
Adjustments for (Gains) / Losses Arised From Sale of Tangible Assets	30	(4)	74
Adjustments for Losses Arised from Sale of Other Non-Current Assets	15	39	39
Operating Profit Before Changes in Working Capital		1,581	1,849
Increase in Trade Receivables from Related Parties	9	(18)	-
Decrease / (Increase) in Trade Receivables from Non Related Parties	10	(93)	15
Decrease in Other Related Party Receivables Related with Operations	9	22	-
(Increase) / Decrease in Other Non-Related Party Receivables Related with Operations	12	(259)	66
Adjustments for Increase in Inventories	13	(15)	(100)
Adjustments for Decrease / (Increase) in Prepaid Expenses	14	74	(54)
Decrease in Trade Payables to Related Parties	9	(31)	(59)
(Decrease) / Increase in Trade Payables to Non-Related Parties	10	(238)	167
Adjustments for Decrease in Payables Due to Employee Benefits	11	(70)	(39)
(Decrease) / Increase in Other Operating Payables to Non-Related Parties	12	(89)	160
(Decrease) / Increase in Deferred Income	14	(471)	175
Decrease / (Increase) in Other Assets Related with Operations	24	15	(41)
Cash Flows From Operations		408	2,139
Payments for Provisions Related with Employee Benefits	22	(14)	(10)
Income taxes (paid)	32	(5)	(18)
Net Cash From Operating Activities		389	2,111
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES			
Cash Receipts Proceed From Sales of Property, Plant and Equipment		14	17
Cash Payments From Purchasing of Property, Plant and Equipment	15 and 16	(1,153)	(1,068)
Cash Receipts From Sales of Other Long-term Assets	6	397	115
Other Cash Advances and Loans	12	293	(225)
Dividends Received		3	61
Interest Received	30 and 31	77	84
Net Cash Flows Used In Investing Activities		(369)	(1,016)
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES			
Proceeds From Loans	7	3,963	3,161
Payments of Loans		(2,463)	(2,268)
Payments of Lease Liabilities		(1,541)	(1,315)
Interest Paid		(241)	(247)
Other Cash (Outflows) / Inflows	8	(2)	13
Net Cash Used in Financing Activities		(284)	(656)
Net Change in Cash and Cash Equivalents		(264)	439
CASH AND CASH EQUIVALENTS			
AT THE BEGINNING OF THE YEAR		2,075	1,636
CASH AND CASH EQUIVALENTS			
AT THE END OF THE YEAR	5	1,811	2,075

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2020
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

1. GROUP ORGANIZATION AND ITS OPERATIONS

Türk Hava Yolları Anonim Ortaklığı (the “Company” or “THY”) was incorporated in Turkey in 1933. As of 31 December 2020 and 2019, the shareholders and their respective shareholdings in the Company are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Turkey Wealth Fund Republic of Turkey Treasury and Finance Ministry Privatization Administration	49.12 %	49.12 %
Other (publicly held)	-	-
Total	<u>50.88 %</u>	<u>50.88 %</u>
	<u>100.00 %</u>	<u>100.00 %</u>

The number of employees working for the Group as of 31 December 2020 is 37,896 (31 December 2019: 38,849). The average number of employees working for the Group for the years ended 31 December 2020 and 2019 are 38,648 and 37,670 respectively. The Group is registered in İstanbul, Turkey and its head office address is as follows:

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

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

Subsidiaries and Joint Ventures

The table below sets out the consolidated subsidiaries of the Group as of 31 December 2020 and 2019:

<u>Name of the Company</u>	<u>Principal Activity</u>	<u>Ownership Rate</u>		<u>Country of Registration</u>
		<u>31 December 2020</u>	<u>31 December 2019</u>	
THY Teknik A.Ş. (THY Teknik)	Aircraft Maintenance Services	100%	100%	Turkey
THY Uçuş Eğitim ve Havalimanı İşletme A.Ş.	Training & Airport Operations	100%	100%	Turkey
THY Havaalanı Gayrimenkul Yatırım ve İşletme A.Ş.	Airport Investment	100%	100%	Turkey
THY Uluslararası Yatırım ve Taşımacılık A.Ş.	Cargo and Courier Transportation	100%	100%	Turkey
Cornea Havacılık Sistemleri San. Ve Tic. A.Ş.	Software System Maintenance Services Information	80%	80%	Turkey
THY Teknoloji ve Bilişim A.Ş.	Technologies and Consulting	100%	-	Turkey

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2020
(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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

Subsidiaries and Joint Ventures (cont’d)

The table below sets out joint ventures of the Group as 31 December 2020 and 2019:

<u>Company Name</u>	<u>Country of Registration and Operations</u>	<u>Ownership Share and Voting Power</u>		<u>Principal Activity</u>
		<u>31 December 2020</u>	<u>31 December 2019</u>	
Güneş Ekspres Havacılık A.Ş. (Sun Express)	Turkey	50%	50%	Aircraft Transportation
THY DO&CO İkram Hizmetleri A.Ş. (Turkish DO&CO)	Turkey	50%	50%	Catering Services
P&W T.T. Uçak Bakım Merkezi Ltd. Şti. (TEC)	Turkey	49%	49%	Maintenance Services
TGS Yer Hizmetleri A.Ş. (TGS)	Turkey	50%	50%	Ground Services Aviation Fuel Services
THY OPET Havacılık Yakıtları A.Ş. (THY Opet) Goodrich Thy Teknik Servis Merkezi Ltd. Şti. (TNC) (Goodrich)	Turkey	50%	50%	Maintenance Services
Uçak Koltuk Sanayi ve Ticaret A.Ş. (Uçak Koltuk)	Turkey	40%	40%	Cabin Interior Products
TCI Kabin İçi Sistemleri San ve Tic. A.Ş. (TCI)	Turkey	50%	50%	Cabin Interior Products
Vergi İade Aracılık A.Ş.	Turkey	50%	50%	VAT Return and Consultancy
Air Albania	Albania	30%	30%	Aircraft Transportation
We World Express Ltd.	Hong Kong	49%	49%	Cargo and Courier
TFS Akaryakıt Hizmetleri A.Ş.	Turkey	45%	45%	Aviation Fuel Services

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB).

Board of Directors has approved the consolidated financial statements as of 31 December 2020 on 1 March 2021. General Assembly and the related regulatory bodies have the authority to modify the statutory financial statements.

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

2.1 Basis of Presentation (cont'd)

Basis of Preparation

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

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

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

Although the currency of the country in which the Group is domiciled is Turkish Lira (TL), the Group's functional currency is determined as US Dollar. US Dollar 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 US Dollar in measuring items in its financial statements and as the functional currency. All currencies other than the currency selected for measuring items in the consolidated financial statements are treated as foreign currencies. Accordingly, transactions and balances not already measured in US Dollar have been remeasured in US Dollar in accordance with the relevant provisions of IAS 21 *the Effects of Changes in Foreign Exchange Rates*.

Except where otherwise indicated, all values are rounded the nearest million (US Dollar 000,000).

Basis of Consolidation

- The consolidated financial statements include the accounts of the parent company, THY, its subsidiaries and its joint ventures on the basis set out in sections (b) below. Financial statements of the subsidiaries and joint ventures are adjusted where applicable in order to apply the same accounting policies. All transactions, balances, profit and loss within the Group are eliminated during consolidation.
- The Group has twelve joint ventures (Note: 1). These joint ventures are economical activities whereby decisions about strategic finance and operating policy are jointly made by the consensus of the Group and other investors. The joint ventures are controlled by the Group jointly, and are accounted for using the equity method. Under the equity method, joint ventures are initially recognized at cost and adjusted to recognize any distributions received, impairments in the joint ventures and the Group's share of the profit or loss after the date of acquisition. Joint ventures' losses that exceed the Group's share are not recognized, unless the Group has incurred legal or constructive obligations on behalf of the joint venture.
- The non-controlling share in the assets and results of subsidiaries for the year are separately classified as "non-controlling interest" in the consolidated statements of financial position and consolidated statements of profit or loss.

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

2.1 Basis of Presentation (cont'd)

Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control occurs when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquire; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognized in profit or loss. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

2.2 Changes and Errors in Accounting Policies Estimates

The significant estimates and assumptions used in preparation of these consolidated financial statements as at and for the year ended 31 December 2020 are consistent with those used in the preparation of the Group's consolidated financial statements as at and for the year ended 31 December 2019.

2.3 Summary of Significant Accounting Policies

2.3.1 Revenue

IFRS 15 Revenue from contracts with customers

Group recognizes revenue when the goods or services is transferred to the customer and when performance obligation is fulfilled. Goods is counted to be transferred when the control belongs to the customer.

Group recognizes revenue based on the following main principles:

- Identification of customer contracts,
- Identification of performance obligations,
- Determination of transaction price in the contract,
- Allocation of price to performance obligations,
- Recognition of revenue when the performance obligations are fulfilled.

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

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.1 Revenue (cont'd)

IFRS 15 Revenue from contracts with customers (cont'd)

Group recognized revenue from its customers only when all of the following criteria are met:

- The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
- Group can identify each party's rights regarding the goods or services to be transferred,
- Group can identify the payment terms for the goods or services to be transferred;
- The contract has commercial substance,
- It is probable that Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

Rendering of services:

Revenue is measured at the fair value of the consideration received or to be received. Passenger fares and cargo revenues are recognized as operating revenue when the transportation service is provided. Tickets sold but not used (unflown) yet are recognized as passenger flight liabilities in deferred income as a contract liability in accordance with IFRS 15 *Revenue from Contracts with Customers*.

The Group develops estimates using historical statistics and data for unredeemed tickets. Total estimated unredeemed tickets are recognized as operating revenue. Agency commissions relating to the passenger revenue are recognized as expense when the transportation service is provided.

Aircraft maintenance and infrastructure support services are recognized on accrual basis at the fair value of the amount obtained or to be obtained based on the assumptions that delivery is realized, the income can be reliably determined and the inflow of the economic benefits related with the transaction to the Group is probable.

a) Expired Ticket Revenue

Tickets for which the passenger is not expected to exercise their rights under the ticket contract with the Group will expire. Tickets that expire unused represent unexercised passenger rights and are often referred to as passenger ticket breakage. The Group recognizes breakage (or unexercised rights) as revenue. Since the break date of these specific tickets can not be identified ultimately, the Group estimates and recognizes the expected breakage amount by using historical data and trends. The data used for the estimation for the amount of unredeemed tickets is revised under the IFRS 15 and provisional ticket breakage revenue is calculated with the tickets not flown on their scheduled flight date.

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

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.1 Revenue (cont'd)

IFRS 15 Revenue from contracts with customers (cont'd)

Rendering of services (cont'd):

b) Ticket Reissue Revenue

Each fare type that the Group issues will have its own conditions attached, which may include it being restricted, non-upgradeable or non-refundable. This means that if passengers need to make a change to their booking, cancel flights or buy replacement tickets then a change fee may apply. The change service is not considered distinctly because the customer cannot benefit from it without taking the flight. Although the change service is provided in advance of the flight, the benefit from it is not provided until the customer takes the flight. As a result, the change fee is recognized as revenue together with the original ticket sale on the date of travel.

Dividend and interest income:

Dividend income generated from equity investments is recognized as shareholders gain the dividend rights.

Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

2.3.2 Inventories

Inventories consist of non-repairable spare parts, consumables and supplies such as flight equipment and purchased merchandises.

Inventories are stated at the lower of cost and net realizable value. Cost of inventories is the sum of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Average cost method is applied in the calculation of cost of inventories. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale.

2.3.3 Property and Equipment

Tangible assets are carried at cost less accumulated depreciation and any accumulated impairment losses.

Legal fees are also included in cost. Borrowing costs are capitalized for assets that need substantial time to prepare the asset for its intended use or sale. As the similar depreciation method used for other fixed assets, depreciation of such assets begins when they are available for use.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method. Expected useful life, residual value and depreciation method are reviewed each year for the possible effects of changes in estimates, and they are recognized prospectively if there are any changes in estimates.

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

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.3 Property and Equipment (cont'd)

The Group has classified the cost of assets that are acquired directly or through finance leases into the following parts, by considering the renewal of significant parts of the aircrafts identified during the overhaul maintenance and overhaul of aircraft fuselage and engine; a) fuselage, b) overhaul maintenance for the fuselage, c) engine and d) overhaul maintenance for the engines. Overhaul maintenance for the fuselage and overhaul engine repair parts are depreciated over the shorter of the remaining period to the next maintenance or the remaining period of the aircraft's useful life.

They are capitalized subsequent to overhaul maintenance for the fuselage and engines and are depreciated over the shorter of the next maintenance period or the remaining period of the aircraft's useful life.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The useful lives and residual values used for property and equipment are as follows:

	<u>Useful Life (Years)</u>	<u>Residual Value</u>
- Buildings	25 and 50	-
- Aircrafts and Engines	25	10%
- Cargo Aircraft and Engines	25	10%
- Overhaul Maintenance for Airframe	6	-
- Overhaul Maintenance for Engines	3-8	-
- Overhaul Maintenance for Spare Engines	3-13	-
- Components	3-18	-
- Repairable Spare Parts	3-7	-
- Simulators	25	10%
- Machinery and Equipment	3-15	-
- Furniture and Fixtures	3-15	-
- Motor Vehicles	4-7	-
- Other Equipment	4-15	-
- Leasehold Improvements	Lease period/5 years	-

2.3.4 Leases

The Group – as a lessee

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involved the use of an identified asset – this may be specified explicitly or implicitly.
- The asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset, If the supplier has a substantive substitution right, the asset is not identified.
- The Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and

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

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.4 Leases (cont'd)

d) The Group has the right to direct use of the asset, The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct use of asset if either:

- The Group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;
- The Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Right of use asset

The right of use asset is initially recognized at cost comprising of:

- Amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs incurred by the Group; and
- An estimate of costs to be incurred by the lessee for restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories).

The Group re-measure the right of use asset:

- After netting-off depreciation and reducing impairment losses from right of use asset.
- Adjusted for certain re-measurements of the lease liability recognized at the present value.

The Group applies TAS16 "Property, Plant and Equipment" to amortize the right of use asset and to assess for any impairment.

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

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.4 Leases (cont'd)

Aircraft;

For the aircraft operating lease agreements, the lease term corresponds to the non-cancellable duration of the agreements signed except in cases where the Group is reasonably certain of exercising either an extension option or an early termination option which is included in the agreement. For each currency, Group's incremental borrowing rate is used to determine the lease liability. IFRS 16 requires including maintenance costs in the right of use asset. According to that, the Group decides whether the maintenance cost is capitalized to the right of use asset by analyzing whether the maintenance cost is avoidable or unavoidable. The Group is obliged to return leased aircraft and their engines according to the redelivery condition which is set in the lease agreement. The Group needs to either maintain the aircraft so that it meets the agreed redelivery condition or settle the difference in cash to the lessor if the condition of the aircraft and its engines differs from the agreed redelivery condition. Maintenance costs can be divided into two groups; costs that incur independent of the usage of the aircraft / leasing period and costs that incur dependent on the usage of the aircraft / leasing period. Costs depending on the usage of the aircraft are not included as part of the right of use asset cost.

Real estate and other leases;

For lease agreements, the lease term corresponds to the non-cancellable duration of the agreements signed except in cases where the Group is reasonably certain of exercising either an extension option or an early termination option which is included in the agreement. For each currency Group's incremental borrowing rate is used to determine the lease liability. Service agreements which relate to the usage of airports and terminals do not qualify as lease arrangements under IFRS 16. In the agreements, the lessor has the right to substitute the leased area with another area, meaning that these agreements do not qualify as leasing contract under IFRS 16. As an exception to this, there are specific lounge areas which are dedicated for the use of the Group and therefore, these are included in the lease agreements.

Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Lease liabilities are discounted to present value by using the interest rate implicit in the lease if readily determined or with the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date.
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewable period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain to terminate early.

After initial recognition, the lease liability is measured:

- Increasing the carrying amount to reflect interest on lease liability,
- Reducing the carrying amount to reflect the lease payments made and
- Remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

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

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.4 Leases (cont'd)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

2.3.5 Intangible Assets

Intangible assets include rights, information systems and software. Intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Rights and other intangible assets are depreciated over their useful life of 3 and 5 years, on a straight-line basis. Slot rights are assessed as intangible assets with indefinite useful life, as there are no time restrictions on them.

Goodwill

Goodwill that arises upon acquisition of subsidiaries is presented in intangible assets. For the measurement of goodwill at initial recognition, refer to Note 2.1. Goodwill is measured at cost less accumulated impairment losses.

2.3.6 Impairment on Assets

The carrying amounts of the Group's assets are reviewed at each reporting date and (for assets with indefinite useful lives, whenever there is an indication of impairment) to determine whether there is any indication of impairment. If any such indication exists then the assets' recoverable amounts are estimated. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is the present value of estimated future cash flows resulting from continuing use of an asset and from disposal at the end of its useful life. Impairment losses are accounted in profit or loss.

An impairment loss recognized in prior periods for an asset is reversed if the subsequent increase in the asset's recoverable amount is caused by a specific event since the last impairment loss was recognized. Such a reversal amount is recognized as income in the consolidated financial statements and cannot exceed the previously recognized impairment loss and shall not exceed the carrying amount that would have been determined, net of amortization or depreciation, had no impairment loss been recognized for the asset in prior years.

Group considers aircrafts, spare engines and simulators together ("Aircrafts") as cash generating unit subject to impairment and impairment calculation was performed for Aircrafts collectively. In the examination of whether net book values of aircrafts, spare engines and simulators exceed their recoverable amounts, the higher value between value in use and sale expenses deducted net selling prices in US Dollars is used for determination of recoverable amounts. Net selling price for the aircrafts is determined according to second hand prices in international price guides. The differences between net book values of these assets and recoverable amounts are recognized as impairment gains or losses under income and expenses from investment activities.

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

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.7 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.3.8 Financial Instruments

(a) Financial assets

Financial assets and liabilities are recognized in the consolidated financial statements when the Group is a legal party to these financial instruments. Financial investments are recognized on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Investments are recorded or deleted from records on the date of trading activity based on an agreement providing a requirement for investment instrument delivery in compliance with the duration determined by related market.

A financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL (fair value through profit or loss). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.8 Financial Instruments (cont'd)

(a) Financial assets (cont'd)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized for the FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized for the at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

The corporate debt securities categorized as available-for-sale under IAS 39 are held by the Group's treasury unit in a separate portfolio to provide interest income, but may be sold to meet liquidity requirements arising in the normal course of business. The Group considers that these securities are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling securities. The corporate debt securities mature in one to two years and the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets have therefore been classified as financial assets at FVOCI under IFRS 9.

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

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.8 Financial Instruments (cont'd)

(a) Financial assets (cont'd)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments with their maturities equal or less than three months from date of acquisition that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The carrying amount of these assets approximates their fair value.

Loans and receivables

Trade, loan and other receivables are initially recorded at fair value less any transaction costs. At subsequent periods, loans and receivables are measured at amortized cost using the effective interest method.

Impairment of Financial Assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The financial assets at amortized cost consist of trade receivables and cash and cash equivalents.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs. The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held).

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.8 Financial Instruments (cont'd)

(a) Financial assets (cont'd)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is recognized in OCI, instead of reducing the carrying amount of the asset.

(b) Financial liabilities

The Group's financial liabilities and equity instruments are classified in accordance with the contractual arrangements and recognition principles of a financial liability and equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The significant accounting policies for financial liabilities and equity instruments are described below.

Financial liabilities are classified as either financial liabilities at fair value through profit and loss or loans, borrowings and payables.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are initially measured at fair value, and at each reporting period revalued at fair value as of balance sheet date. Changes in fair value are recognized in profit and loss.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

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

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.8 Financial Instruments (cont'd)

(b) Financial liabilities (cont'd)

Derivative financial instruments and hedge accounting

The Group uses a various derivative financial instruments such as currency forwards, currency options, interest rate options, oil options and oil swaps are used to protect against currency, fuel price and interest rate risks arising from its ordinary business activities in accordance with IFRS 9.

The Group applies hedge accounting since 2009 to these transactions, as they are designated to hedge against cash flow risks arising from fluctuations in interest rates. The major source of interest rate risk is finance lease liabilities. In order to keep interest costs at an affordable level, the Group has hedged a part of floating rate USD, JPY and Euro denominated liabilities arising from financial leasing activities. Effective part of the change in the fair values of those derivative instruments for cash flows risks of floating-rate finance lease liabilities are recognized in other comprehensive income and presented in cash flow hedge reserve under the shareholders' equity, in accordance with hedge accounting.

The Group also enters into derivative financial instruments to hedge against jet fuel price risks since 2009. The Group applies hedge accounting to these transactions, as they are designated to hedge against cash flow risks arising from fluctuations in jet fuel prices. In accordance with the Group's latest BOD resolution issued on 14 July 2017, hedging transactions are executed for the tenor of at most 24 months and up to 60% of the forecasted fuel consumption of the following month. Also with this resolution, premium paid options have been included to the instrument list for the first time, in addition to formerly used swap and 2 way, 3way and 4way zero-cost option structures.

In order to manage this risk resulted from the fluctuations of the FX market, the Group started to implement exchange rate risk hedging in 2013. Since the Group is long in EUR and short in USD and TRY, strategy mainly aims to decrease the amount of short position in USD and TRY with the long position in EUR via the derivative instruments. On EURUSD currency hedging, it is decided to execute the transactions in at most 24 months and up to 60% of the forecasted short position of the next month by using forward and 2way, 3way, 4way zero-cost collar option structures. In addition, on EURTRY maximum tenor and hedge ratio are 18 months and 50% by using only forward contracts.

Since 2018 The Group, financial lease liabilities for investment financing are designated as cash flow hedge against exchange rate risk due to highly probable future same foreign currency revenues.

Use of derivative financial instruments is managed according to the Group policy approved by the Board of Directors and compliant with the risk management strategy.

The Group does not use derivative financial instruments for speculative purposes.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognized in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to profit or loss for the period.

Derivative financial instruments are calculated according to the fair value at contract date and again are calculated in the following reporting period at fair value base. The effective portions of changes in the fair value of derivatives which are designated as cash flow hedge are recognized in other comprehensive income. Any ineffective portion of changes in the fair value of the derivatives is recognized in profit or loss.

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

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.9 Foreign Currency Transactions

Transactions in foreign currencies are translated into US Dollar at the exchange rates prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated the rates prevailing at the date when fair value determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Gains and losses arising on settlement and translation of foreign currency items are included in profit or loss.

The closing and average US Dollar-TL and US Dollar-EUR exchange rates as at 31 December 2020, 2019 and 2018 are as follows:

	<u>Closing Rate</u>	<u>Average Rate</u>
Year ended 31 December 2020	7.3405	7.0034
Year ended 31 December 2019	5.9402	5.6712
Year ended 31 December 2018	5.2609	4.8301
	<u>Closing Rate</u>	<u>Average Rate</u>
Year ended 31 December 2020	1/ 1.2272	1/ 1.1443
Year ended 31 December 2019	1/ 1.1196	1/ 1.1194
Year ended 31 December 2018	1/ 1.1458	1/ 1.1757

2.3.10 Earnings per Share

Earnings per share are calculated by dividing net profit by weighted average number of shares outstanding in the relevant period. In Turkey, companies are allowed to increase their capital by distributing free shares to shareholders from accumulated profits. In calculation of earnings per share, such free shares are considered as issued shares. Therefore, weighted average number of shares in the calculation of earnings per share is found by applying distribution of free shares retrospectively.

2.3.11 Events After the Reporting Date

Events after the balance sheet date are those events, which occur between the balance sheet date and the date when the consolidated financial statements are authorized for issue.

If adjustment is necessary for such events, the Group's consolidated financial statements are adjusted to reflect such events.

2.3.12 Provisions, Contingent Liabilities, Contingent Assets

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

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

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.12 Provisions, Contingent Liabilities, Contingent Assets (cont'd)

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous Contracts

Present liabilities arising from onerous contracts are calculated and accounted for as provision. It is assumed that an onerous contract exists if Group has a contract which unavoidable costs to be incurred to settle obligations of the contract exceed the expected economic benefits of the contract.

2.3.13 Segmental Information

There are two main operating segments of the Group, air transportation and aircraft technical maintenance operations; these include information for determination of performance evaluation and allocation of resources by the management. The Group management uses the operating profit calculated according to IFRS while evaluating the performance of the segments.

2.3.14 Taxation and Deferred Tax

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense represents the sum of the current tax and deferred tax expenses.

Current tax

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred Tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.14 Taxation and Deferred Tax (cont'd)

Deferred Tax (cont'd)

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and affiliates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, where the tax is also recognized directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over cost.

2.3.15 Government Grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

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

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.16 Employee Benefits / Retirement Pay Provision

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard 19 (revised) "Employee Benefits" ("IAS 19").

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses. Actuarial gains and losses are accounted as other comprehensive income.

2.3.17 Share Capital and Dividends

Common shares are classified as equity. Dividends on common shares are recognized in equity in the period in which they are approved and declared.

2.3.18 Maintenance and Repair Cost

Regular maintenance and repair costs for owned and leased assets are charged to operating expense as incurred. Aircraft and engine overhaul maintenance checks for owned and leased aircrafts are capitalized and depreciated over the shorter of the remaining period to the following overhaul maintenance checks or the remaining useful life of the aircraft. For aircraft held under operating leases the Group is contractually committed to either return the aircraft in a certain condition or to compensate the lessor upon return of the aircraft. The estimated airframes and engine maintenance costs are accrued and charges to profit or loss over the lease term, based on the present value of the estimated future cost of the major airframe overhaul, engine maintenance calculated by reference to hours or order operated during the year.

2.3.19 Frequent Flyer Program

The Group provides a frequent flyer program (FFP) named "Miles and Smiles" in the form of free travel award to its members on accumulated mileage. Miles earned by flights are recognized as a separately identifiable component of the sales transaction(s).

The amount deferred as a liability is measured based on the fair value of the awarded miles. The fair value is measured on the basis of the value of the awards for which they could be redeemed. The amount deferred is recognized as revenue on redemption of the points including a portion of the points that the Group does not expect to be redeemed by the customers ("breakage").

The Group also sells mileage credits to participating partners in "Miles and Smiles" program. Revenue is recognized when transportation is provided.

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

2.4 Important Accounting Estimates, Assumptions and Key Accounting Judgements

Preparation of the financial statements requires the amounts of assets and liabilities being reported, explanations of contingent liabilities and assets and the uses of accounting estimates and assumptions which would affect revenue and expense accounts reported during the accounting period. Group makes estimates and assumptions about the future periods. Actual results could differ from those estimations.

Accounting estimates and assumptions which might cause material adjustments on the book values of assets and liabilities in future financial reporting period are given below:

The Determination of Impairment on Long Term Assets:

Basic assumptions and calculation methods of the Group relating to impairment on assets are explained in Note 2.3.6.

Calculation of the Liability for Frequent Flyer Program:

As explained in Note 2.3.19, Group has a FFP program called "Miles and Smiles" for its members. In the calculation of the liability historical statistics are used for miles earned from flights.

Useful Lives and Salvage Values of Tangible Assets:

Group has allocated depreciation over tangible assets by taking into consideration the useful lives and residual values explained in Note 2.3.3.

Deferred Tax:

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. There are deferred tax assets resulting from tax loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future in the Group. Based on available evidence, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized.

Corporate Tax Law 32/A and the effects of Resolution issued on "Government Assistance for Investments" by the Council of Ministers:

An incentive standard that reconstitutes government assistance for investments initiated effective from 28 February 2009 with the clause 32/A of the Corporate Tax Law by the 9th article of the 5838 numbered Law in order to support investments through taxes on income.

The new investment system becomes effective upon the issuance of the Council of Ministers' resolution "Government Assistance for Investments" No: 2009/15199 on 14 July 2009. Apart from the previous "investment incentive" application, which provides the deduction of certain portion of investment expenditures against corporate tax base, the new support system aims to provide incentive support to companies by deducting "contribution amount", which is calculated by applying the "contribution rate" prescribed in the Council of Ministers' resolution over the related investment expenditure, against the corporate tax imposed on the related investment to the extent the amount reaches to the corresponding "contribution amount".

The Group 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.

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

2.4 Important Accounting Estimates, Assumptions and Key Accounting Judgements (cont'd)

Corporate Tax Law 32/A and the effects of Resolution issued on "Government Assistance for Investments" by the Council of Ministers (cont'd):

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 USD: (*)	Utilized Contribution Amount of Investment USD: (**)
20.01.2018	2017/11133	9.08.2018	Continue	Tax Reduction %90 / Contribution rate to Investment %50	4,821	-
15.06.2012	2012/3305	18.12.2014	Completed	Tax Reduction %50 / Contribution rate to Investment %15	2,312	-
14.07.2009	2009/15199	28.12.2010	Completed	Tax Reduction %50 / Contribution rate to Investment %20	1,807	2
20.01.2018	2017/11133	11.09.2018	Continue	Tax Reduction %50 / Contribution rate to Investment %25	343	-
15.06.2012	2012/3305	1.03.2018	Continue	Tax Reduction %50 / Contribution rate to Investment %15	213	38
15.06.2012	2012/3305	11.07.2017	Continue	Tax Reduction %50 / Contribution rate to Investment %15	-	-
15.06.2012	2012/3305	18.09.2017	Continue	General Investment Incentive	-	-

(*) 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.

There is no clear guidance in regards to the accounting for government tax incentives on investments in IAS 12 "Income Tax" and IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance". Since the use of "contribution amount" depends on future earnings from the related investment for aircrafts over many years, the Group management considers that the accounting for the related investment contribution will be more appropriate if the grant is classified as profit or loss on a systematic and rational basis over the useful life of the related assets. In addition, investments on other tangible assets, the Group management considers that the accounting of grant contribution in a shorter period of time and as profit or loss will be more appropriate for the nature of investment support in the period when it is possible to benefit from the incentive.

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

2.5 New and Revised Standards and Interpretations

a) Standards, amendments and interpretations applicable as at 31 December 2020:

Amendments to IAS 1 and IAS 8 on the definition of material; effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

- use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- clarify the explanation of the definition of material; and
- incorporate some of the guidance in IAS 1 about immaterial information.

These changes have no material impacts on the financial position and performance of the Group.

Amendments to IFRS 3 - definition of a business; effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform; effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions; effective from Annual periods beginning on or after 1 June 2020. 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.

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2020:

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.

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

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

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2020 (cont'd):

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.

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'.

Amendments to IFRS 9, IAS 39, 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 17 and IFRS 4, 'Insurance contracts', deferral of IFRS 9; effective from annual periods beginning on or after 1 January 2021. These amendments defer the date of application of IFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial Instrument until 1 January 2023.

The new standards, amendments and improvements have no material impacts 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.

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

2.6 Determination of Fair Values (cont'd)

Evaluation methods in terms of levels are described as follows:

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

2.7 Going Concern

The Group has prepared its consolidated financial statements with the assumption on the Group's ability to continue its operations in the foreseeable future as a going concern. However, as disclosed in Note 2.8, as a result of negative impacts of Covid-19 pandemic, the Group had a net loss of USD 836 for the year ended 31 December 2020. In addition, the Group's current liabilities exceed its current assets by USD 2,276 as of 31 December 2020.

The Group has managed to preserve its cash at the same level as of 2019 year-end thanks to cost saving actions, postponement of supplier payments and Bank credits as well as tax&legal liabilities. In addition, an amount of USD 1 billion of ticket refunds as a result of cancelled flights was paid to passengers and the Group still preserved its cash at 2019 year-end levels. The Group also used bank loans to preserve its cash level which is a sign of its high credibility before creditors. Cost saving actions, short term working capabilities put in place by the Government and the employee pay agreements with the Unions also contributed to the Group's ability to minimize Covid-19's adverse financial effects. The employee pay agreements will be valid till the end of 2021 which will contribute positively to the Group's 2021 operational results. Saving actions taken in other fixed or operational costs together with employee costs resulted in an amount of USD 1,1 billion total cost savings for 2020. Also actions taken for capital expenditure resulted in savings of USD 300 million for investments other than aircrafts. Furthermore, Cargo revenues in this period increased by 61% as a result of increase in unit revenues. In addition, cargo related costs are managed carefully. Cash flow from cargo activities contributed positively to the preservation of Group's cash level. The Group also managed to maintain contribution margin of passenger operations to the cash flow at the 2019 levels which is also a positive contributor to cash preservation. As a result of all these financial and operational actions, the Group was able to keep the shrink in Shareholder's Equity limited.

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

Some of the capital expenditure for 2021 and beyond are also postponed or cancelled. The negotiations with aircraft manufacturers nearly came to an end, so the agreements for postponement and cancellation of aircraft deliveries will be signed very soon. These agreements will have very positive impacts on the Group's finance needs for the period between 2022 and 2028. In addition the Group maintains its credit limits in banks and does not expect any hardship for future bank loan needs. The Group does not predict any important risk in terms of cash and equities as the adverse effects of the pandemic diminishes throughout time.

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

2.8 Impact of Covid-19 Pandemic on Group Activities

Due to the impact of COVID-19 in the first half of 2020, global air traffic has significantly declined and stringent measures have been taken to slow the expansion of the pandemic. Several constraints were imposed and restrictions continue to have a major impact on global aviation industry.

To mitigate the effect of the pandemic, THY has taken several measures and assesses further developments. The actions taken are listed below:

Capacity

After the easing of travel restrictions in summer season, Turkish Airlines increased its domestic and international passenger flights and reached 39% of 2019 capacity in the last quarter. Due to second wave of Covid-19 expectations, many countries started to implement new measures including flight restrictions. While THY reopened some of closed international destinations in the countries where flight restrictions are abolished, negotiations with competent authorities to open some of closed international destinations depending on the pandemic situation in the corresponding routes continue. In 2020, THY reached 40% of ASK, 38% of passenger number compared to 2019. Thanks to lower cost base and wide flight network of THY, the Group realized a faster recovery than its competitors in financial and operational results; especially due to faster recovery in ethnic and opportunistic leisure passenger segments.

Cargo business

Cargo operations are continuing at full capacity with freighters and more than 10 wide body passenger aircraft are being utilized for cargo operations. The number of passenger aircraft utilized in cargo operations may also be increased depending on the cargo demand environment and passenger flight restrictions. As a result, 61% increase was recorded in cargo revenues compared to the same period of last year. Cargo operations made a significant contribution to total revenue and profit compared to those of the previous year, thanks to increasing unit revenues and declining operational costs led by the drop in fuel prices.

Government support

THY is continually communicating with government authorities for alternative scenarios to alleviate the effects arising from the unfavorable environment. In this respect, the Ministry of Finance and Treasury of Turkey gradually introduces economic packages to prevent the impact of the novel coronavirus on Turkish Economy and includes measures for groups and companies.

On 17 April 2020, with the related law entered into force, THY has been put into place the new Short Term Employment status starting from April 1st of 2020, where the employees work on part-time basis without harming ongoing operations and get paid accordingly. As the government provided a reduced-time work law to support Turkish companies, some part of the Group's personnel cost (USD 52 as of 1 September 2020) was covered by government depending on the number of working days. As of 1 September, THY ceased to benefiting from Short Term Employment Incentive.

In addition, Turkish Government introduced a support package for the pandemic. The value-added tax rate is dropped from 18% to 1% for three months with regard to domestic air transportation to support demand via reduced ticket price (until 30 June 2020). Payments of withholding tax and social security premiums of April, May and June 2020 are deferred for six months to the first quarter of 2021. THY deferred a portion of principal and interest payments related to commercial loans at least for three months. Government support package resulted in decrease of cash outflows and led in cash savings.

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

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

Cost reductions

THY is taking actions to decrease the operational expenses and secure the financial liquidity of the Group. These include reducing or postponing uncommitted capital expenditures, cutting non-urgent and non-operational expenses and discussing with the authorities for possible deferral of fees and tax payments. Some long-term contracts, such as fuel expenses and lease agreements, for three to six months to reduce short-term outflow. THY is renegotiating with service providers to lower fees due to weaker demand environment. Original aircraft delivery plan for 2020- 2021 and related pre-delivery payments are being reevaluated together with OEMs.

Asset valuation

Related to the COVID-19 pandemic, THY paid attention to the recoverability of fleet, right of use assets and deferred tax assets and conducted impairment tests under different scenarios. As a result, no impairment related to fleet and right of use assets was recognized. However, the recoverability on deferred tax was revised and a write-off of USD 131 has been recognized.

Accounting estimates and assumptions

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

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

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

Hedge Accounting

Commodity fuel prices fell dramatically following the spread of COVID-19 globally in March, barrel price of Brent oil fell below \$50, which has been the lowest level since 2017. Although there was a partial recovery during the remainder of the year, prices were still at levels much lower than 2019. As a result of the impact of Covid-19, expected operating capacity in 2020 was lower than that originally anticipated when fuel hedging derivatives were put in place. In 2020, fuel hedge option losses amount to USD 222 which is classified under "Fuel Expenses" in profit or loss statements (2019: USD 16 profit).

Cash flow hedge relation based on highly probable future revenues denominated in Euro, Japanese Yen and Swiss Frank are revisited and re-estimated because of the decrease in Net Revenues due to Covid-19. In consequence of reestimation, Group's Euro and Japanese Yen denominated revenues does not cover all of its same foreign currency financial lease liabilities and investment financings. In 2020, foreign exchange losses arising from Euro, Japanese Yen and Swiss Frank denominated liabilities amount to USD 744 which is accounted for other comprehensive income (2019: USD 66 gains).

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3. INVESTMENTS ACCOUNTED BY USING THE EQUITY METHOD

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

	<u>31 December 2020</u>	<u>31 December 2019</u>
Sun Express	64	166
TEC	59	59
Turkish DO&CO	47	55
TGS	34	40
THY Opet	28	33
TFS Akaryakıt	8	-
Uçak Koltuk	6	6
TCI	4	6
Goodrich	4	3
We World Express	2	1
Vergi İade Aracılık (*)	-	-
	<u>256</u>	<u>369</u>

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

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

	<u>1 January - 31 December 2020</u>	<u>1 January - 31 December 2019</u>
Turkish DO&CO	6	13
TGS	3	22
THY Opet	3	16
TEC	1	(3)
Uçak Koltuk	-	2
Goodrich	-	1
TFS Akaryakıt	-	-
We World Express	-	-
TCI	(1)	-
Sun Express	(99)	31
	<u>(87)</u>	<u>82</u>

Financial information for Sun Express as of 31 December 2020 and 2019 are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Total assets	1,728	1,865
Total liabilities	1,600	1,533
Shareholders' equity	128	332
Group's share in joint venture's shareholders' equity	64	166
	<u>1 January - 31 December 2020</u>	<u>1 January - 31 December 2019</u>
Revenue	564	1,567
(Loss) / Profit for the year	(198)	62
Group's share in joint venture's (loss) / profit for the year	(99)	31

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

Financial information for TEC as of 31 December 2020 and 2019 are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Total assets	198	219
Total liabilities	77	99
Shareholders' equity	121	120
Group's share in joint venture's shareholders' equity	59	59
	<u>1 January - 31 December 2020</u>	<u>1 January - 31 December 2019</u>
Revenue	349	399
Profit / (loss) for the year	3	(6)
Group's share in joint venture's profit / (loss) for the year	1	(3)

Financial information for Turkish DO&CO as of 31 December 2020 and 2019 are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Total assets	160	190
Total liabilities	65	80
Shareholders' equity	95	110
Group's share in joint venture's shareholders' equity	47	55
	<u>1 January - 31 December 2020</u>	<u>1 January - 31 December 2019</u>
Revenue	116	344
Profit for the year	11	26
Group's share in joint venture's profit for the year	6	13

Financial information for TGS as of 31 December 2020 and 2019 are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Total assets	187	172
Total liabilities	119	93
Shareholders' equity	68	79
Group's share in joint venture's shareholders' equity	34	40
	<u>1 January - 31 December 2020</u>	<u>1 January - 31 December 2019</u>
Revenue	180	358
Profit for the year	5	45
Group's share in joint venture's profit for the year	3	22

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

Financial information for THY Opet as of 31 December 2020 and 2019 are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Total assets	169	315
Total liabilities	113	248
Shareholders' equity	56	67
Group's share in joint venture's shareholders' equity	28	33
	<u>1 January - 31 December 2020</u>	<u>1 January - 31 December 2019</u>
Revenue	286	977
Profit for the year	6	32
Group's share in joint venture's profit for the year	3	16

Financial information for Uçak Koltuk as of 31 December 2020 and 2019 are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Total assets	33	29
Total liabilities	21	18
Shareholders' equity	12	11
Group's share in joint venture's shareholders' equity	6	6
	<u>1 January - 31 December 2020</u>	<u>1 January - 31 December 2019</u>
Revenue	20	30
Profit for the year	1	3
Group's share in joint venture's profit for the year	-	2

Financial information for TCI as of 31 December 2020 and 2019 are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Total assets	15	19
Total liabilities	6	8
Shareholders' equity	9	11
Group's share in joint venture's shareholders' equity	4	6
	<u>1 January - 31 December 2020</u>	<u>1 January - 31 December 2019</u>
Revenue	3	13
(Loss) / profit for the year	(3)	1
Group's share in joint venture's (loss) / profit for the year	(1)	-

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

Financial information for TFS Akaryakıt Hizmetleri as of 31 December 2020 and 2019 are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Total assets	212	-
Total liabilities	182	-
Shareholders' equity	30	-
Group's share in joint venture's shareholders' equity	8	-
	<u>1 January - 31 December 2020</u>	<u>1 January - 31 December 2019</u>
Revenue	524	-
Loss for the year	(1)	-
Group's share in joint venture's (loss) / profit for the year	-	-

Financial information for Goodrich as of 31 December 2020 and 2019 are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Total assets	12	12
Total liabilities	3	4
Shareholders' equity	9	8
Group's share in joint venture's shareholders' equity	4	3
	<u>1 January - 31 December 2020</u>	<u>1 January - 31 December 2019</u>
Revenue	16	24
Profit for the year	1	3
Group's share in joint venture's profit for the year	-	1

Financial information for We World Express as of 31 December 2020 and 2019 are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Total assets	8	4
Total liabilities	5	1
Shareholders' equity	3	3
Group's share in joint venture's shareholders' equity	2	1
	<u>1 January - 31 December 2020</u>	<u>1 January - 31 December 2019</u>
Revenue	24	3
Profit for the year	1	-
Group's share in joint venture's profit for the year	-	-

Since 31 December 2019, the loss of Air Albania, which is exceeding the Group's total share, has not been presented in financial statements. As of 31 December 2020, the amount is USD 5 (31 December 2019 USD 3).

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4. SEGMENT REPORTING

Group management makes decisions regarding resource allocation to segments based upon the results and the activities of its air transport and aircraft technical maintenance services segments for the purpose of segments' performance evaluation. The Group's main activities can be summarized as follows:

Air Transport ("Aviation")

The Group's aviation activities consist of mainly domestic and international passenger and cargo air transportation.

Technical Maintenance Services ("Technical")

The Group's technical activities consist of mainly aircraft repair and maintenance services and providing technical and infrastructure support related to aviation sector. The detailed information about the revenue of the Group is given in Note 26.

4.1 Total Assets and Liabilities

Total Assets	31 December 2020	31 December 2019
Aviation	25,425	24,490
Technical	1,547	1,568
Total	26,972	26,058
Less: Eliminations due to consolidation	(1,442)	(1,334)
Total assets in consolidated financial statements	25,530	24,724

Total Liabilities	31 December 2020	31 December 2019
Aviation	20,096	17,825
Technical	370	386
Total	20,466	18,211
Less: Eliminations due to consolidation	(319)	(351)
Total liabilities in consolidated financial statements	20,147	17,860

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4. SEGMENT REPORTING (cont'd)

4.2 Profit / (Loss) before Tax

Segment Results:

1 January - 31 December 2020	Aviation	Technic	Inter-segment elimination	Total
Sales to External Customers	6,559	175	-	6,734
Inter-Segment Sales	30	702	(732)	-
Revenue	6,589	877	(732)	6,734
Cost of Sales (-)	(6,383)	(731)	736	(6,378)
Gross Profit	206	146	4	356
Administrative Expenses (-)	(143)	(80)	4	(219)
Selling and Marketing Expenses (-)	(662)	(6)	1	(667)
Other Operating Income	325	17	(12)	330
Other Operating Expenses (-)	(33)	(25)	3	(55)
Operating Loss Before Investment Activities	(307)	52	-	(255)
Income from Investment Activities	190	-	-	190
Expenses from Investment Activities	(11)	-	-	(11)
Share of Investments' Loss				
Accounted by Using The Equity Method	(88)	1	-	(87)
Operating Loss	(216)	53	-	(163)
Financial Income	81	1	(10)	72
Financial Expense (-)	(837)	(8)	10	(835)
Loss Before Tax	(972)	46	-	(926)

1 January - 31 December 2019	Aviation	Technic	Inter-segment elimination	Total
Sales to External Customers	12,924	305	-	13,229
Inter-Segment Sales	51	1,016	(1,067)	-
Revenue	12,975	1,321	(1,067)	13,229
Cost of Sales (-)	(10,988)	(1,007)	1,067	(10,928)
Gross Profit	1,987	314	-	2,301
Administrative Expenses (-)	(207)	(96)	4	(299)
Selling and Marketing Expenses (-)	(1,411)	(7)	1	(1,417)
Other Operating Income	330	31	(6)	355
Other Operating Expenses (-)	(45)	(20)	1	(64)
Operating Profit Before Investment Activities	654	222	-	876
Income from Investment Activities	168	1	-	169
Expenses from Investment Activities	(79)	(1)	-	(80)
Share of Investments' Profit				
Accounted by Using The Equity Method	84	(2)	-	82
Operating Profit	827	220	-	1,047
Financial Income	139	2	(2)	139
Financial Expense (-)	(307)	(5)	2	(310)
Profit Before Tax	659	217	-	876

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4. SEGMENT REPORTING (cont'd)

4.3 Investment Operations

1 January - 31 December 2020	Aviation	Technic	Inter-segment elimination	Total
Purchase of property and equipment and intangible assets	3,191	185	-	3,376
Current period depreciation and amortization charge	1,515	144	-	1,659
Investments accounted by using equity method	181	75	-	256

1 January - 31 December 2019	Aviation	Technic	Inter-segment elimination	Total
Purchase of property and equipment and intangible assets	3,003	354	-	3,357
Current period depreciation and amortization charge	1,385	136	-	1,521
Investments accounted by using equity method	304	65	-	369

5. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash	2	1
Banks – Time deposits	1,749	2,000
Banks – Demand deposits	60	74
	1,811	2,075

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

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

Details of the time deposits as of 31 December 2019 are as follows:

Amount	Currency	Effective Interest Rate	Maturity	31 December 2019
2,387	TL	9.35% - 11.60%	January 2020	402
223	USD	1.50% - 1.60%	January 2020	223
1,196	EUR	0.36% - 0.80%	March 2020	1,340
4,185	DZD	1.98% - 3.15%	March 2020	35
				2,000

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6. FINANCIAL INVESTMENTS

Short-term financial investments are as follows:

	31 December 2020	31 December 2019
Fair value through profit and loss (FVTPL)		
- Equity securities	18	15
Fair value through other comprehensive income (FVOCI)		
- Corporate debt securities	-	9
Time deposits with maturity more than 3 months	-	376
	18	400

Time deposit with maturity more than 3 months as of 31 December 2019 is as follows:

Amount	Currency	Effective Interest Rate	Maturity	31 December 2019
336	EUR	0.24% - 0.40%	April 2020	376

Long-term financial investments are as follows:

	31 December 2020	31 December 2019
FVOCI		
- Government debt securities	42	49
- Corporate debt securities	32	40
Other	1	1
	75	90

Period remaining to contractual maturity dates for FVOCI as of 31 December 2020 and 2019 is as follows:

	31 December 2020	31 December 2019
Less than 1 year	-	9
1 to 5 years	4	3
Over 5 years	70	86
	74	98

	31 December 2020	31 December 2019
FVTPL		
- Equity securities	18	15

7. BORROWINGS

Short-term borrowings are as follows:

	31 December 2020	31 December 2019
Bank borrowings	1,527	1,241

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

	31 December 2020	31 December 2019
Lease liabilities (Note: 18)	1,728	1,374
Bank borrowings	1,186	491
	2,914	1,865

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7. BORROWINGS (cont'd)

Long-term borrowings are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Lease liabilities (Note: 18)	9,579	8,545
Bank borrowings	2,681	1,721
	<u>12,260</u>	<u>10,266</u>

Details of bank borrowings as of 31 December 2020 and 2019 are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Less than 1 year	2,713	1,732
Between 1 – 5 years	2,615	1,721
Over 5 years	66	-
	<u>5,394</u>	<u>3,453</u>

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

<u>Amount</u>	<u>Currency</u>	<u>Interest Rate Type</u>	<u>Effective Interest Rate</u>	<u>Payment Period</u>	<u>31 December 2019</u>
2,243	EUR	Fixed	0.30% - 4.93%	February 2020 - December 2024	2,511
			Euribor + 2.03% -		
841	EUR	Floating	Euribor + 3.77%	February 2020 - July 2024	942
					<u>3,453</u>

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

	<u>31 December 2019</u>					<u>31 December 2020</u>
	<u>Payment</u>	<u>Interest</u>	<u>Non-cash Changes</u>	<u>Cash-in</u>		
Bank Borrowings	3,453	(2,463)	(81)	522	3,963	<u>5,394</u>

	<u>31 December 2018</u>					<u>31 December 2019</u>
	<u>Payment</u>	<u>Interest</u>	<u>Non-cash Changes</u>	<u>Cash-in</u>		
Bank Borrowings	2,622	(2,268)	(72)	10	3,161	<u>3,453</u>

	<u>31 December 2019</u>					<u>New Leases</u>	<u>31 December 2020</u>
	<u>Payment</u>	<u>Interest</u>	<u>Non-cash Changes</u>	<u>Leases</u>			
Aircraft	9,858	(1,527)	(160)	868	2,220		11,259
Property	58	(12)	-	-	1		47
Other	3	(2)	-	-	-		1
	<u>9,919</u>	<u>(1,541)</u>	<u>(160)</u>	<u>868</u>	<u>2,221</u>		<u>11,307</u>

	<u>31 December 2018</u>					<u>New Leases</u>	<u>31 December 2019</u>
	<u>Payment</u>	<u>Interest</u>	<u>Non-cash Changes</u>	<u>Leases</u>			
Aircraft	9,520	(1,299)	(175)	167	1,645		9,858
Property	55	(13)	-	2	14		58
Other	6	(3)	-	-	-		3
	<u>9,581</u>	<u>(1,315)</u>	<u>(175)</u>	<u>169</u>	<u>1,659</u>		<u>9,919</u>

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8. OTHER FINANCIAL LIABILITIES

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

	<u>31 December 2020</u>	<u>31 December 2019</u>
Other financial liabilities	17	19

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

9. RELATED PARTIES

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

	<u>31 December 2020</u>	<u>31 December 2019</u>
Air Albania	14	-
We World Express Ltd.	4	-
	<u>18</u>	<u>-</u>

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

	<u>31 December 2020</u>	<u>31 December 2019</u>
Air Albania	6	-
TGS	-	28
	<u>6</u>	<u>28</u>

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

	<u>31 December 2020</u>	<u>31 December 2019</u>
TGS	39	37
TFS Akaryakıt Hizmetleri (*)	37	-
Turkish DO&CO	23	21
THY Opet	18	38
TEC	10	55
Sun Express	10	19
Goodrich	4	2
	<u>141</u>	<u>172</u>

(*) The amount of trade payables from TFS Akaryakıt Hizmetleri A.Ş., which became related party in 2020, was USD 126 in 2019.

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9. RELATED PARTIES (cont'd)

Transactions with related parties for the year ended 31 December 2020 and 2019 are as follows:

a) Sales to related parties:

	<u>1 January - 31 December 2020</u>	<u>1 January - 31 December 2019</u>
TEC	46	40
Sun Express	24	40
We World Express Ltd.	16	1
PTT	5	6
Air Albania	5	5
TGS	3	5
Goodrich	2	2
TCI	-	1
Uçak Koltuk	-	1
	<u>101</u>	<u>101</u>

b) Purchases from related parties:

	<u>1 January - 31 December 2020</u>	<u>1 January - 31 December 2019</u>
TFS Akaryakıt Hizmetleri (*)	492	-
THY Opet	217	752
TEC	192	275
TGS	174	329
Sun Express	114	170
Turkish DO&CO	111	314
Goodrich	15	20
Uçak Koltuk	8	7
PTT	1	-
TCI	1	1
Türk Telekomünikasyon A.Ş. (Türk Telekom)	1	1
	<u>1,326</u>	<u>1,869</u>

(*) The amount of purchases from TFS Akaryakıt Hizmetleri A.Ş., which became related party in 2020, was USD 1,206 in 2019.

Details of the financial assets and liabilities for related parties as of 31 December 2020 and 2019 are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Banks - Time deposits	1,524	1,435
Financial assets	71	104
Banks - Demand deposits	12	8
Equity share	2	-
Financial investments	-	275
Bank borrowing (*)	(1,854)	(312)
	<u>(245)</u>	<u>1,510</u>

(*) The amount of bank borrowings from Türkiye Vakıflar Bankası T.A.O., which became related party in 2020, was USD 278 in 2019.

As of 31 December 2020, the amount of letters of guarantee given to the related parties is USD 1,236. (31 December 2019: USD 886)

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9. RELATED PARTIES (cont'd)

Details of the financial investments at related parties as of 31 December 2019 are as follows:

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 December 2019</u>
246	EUR	0.28% - 0.40%	April 2020	<u>275</u>

Details of the time deposits at related parties as of 31 December 2020 and 2019 are as follows:

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 December 2020</u>
4,905	TL	9.00% - 18.50%	March 2021	673
564	EUR	1.88% - 2.24%	March 2021	693
158	USD	2.28%	January 2021	158
				<u>1,524</u>

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 December 2019</u>
2,381	TL	9.35% - 10.00%	January 2020	401
922	EUR	0.36% - 0.56%	March 2020	1,033
1	USD	1.50%	January 2020	1
				<u>1,435</u>

Details of the financial assets at related parties as of 31 December 2020 and 2019 are as follows:

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

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 December 2019</u>
104	USD	3.88% - 8.50%	February 2020 - June 2020	<u>104</u>

Details of the bank borrowings at related parties as of 31 December 2020 and 2019 are as follows:

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

<u>Amount</u>	<u>Currency</u>	<u>Effective Interest Rate</u>	<u>Maturity</u>	<u>31 December 2019</u>
279	EUR	2.94% - 4.00%	December 2024	<u>312</u>

Interest income from related parties:

	<u>1 January - 31 December 2020</u>	<u>1 January - 31 December 2019</u>
Türkiye Halk Bankası A.Ş.	24	54
Türkiye Vakıflar Bankası T.A.O.	13	-
T.C. Ziraat Bankası A.Ş.	5	1
	<u>42</u>	<u>55</u>

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9. RELATED PARTIES (cont'd)

Interest expense to related parties:

	<u>1 January - 31 December 2020</u>	<u>1 January - 31 December 2019</u>
Türkiye Vakıflar Bankası T.A.O.	17	-
Ziraat Bankası A.Ş.	13	3
	<u>30</u>	<u>3</u>

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

The total amount of salaries and other short-term benefits provided for the Board Members, General Manager and Deputy General Managers are USD 3 (1 January- 31 December 2019: USD 4).

10. TRADE RECEIVABLES AND PAYABLES

Trade receivables from third parties as of 31 December 2020 and 2019 are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Trade receivables	718	625
Allowance for doubtful receivables (-)	(99)	(85)
	<u>619</u>	<u>540</u>

Provision for doubtful receivables has been determined based on past experience for uncollectible receivables, and also ECL calculation in accordance with IFRS 9. Details for credit risk, foreign currency risk and impairment for trade receivables are explained in Note 35.

Trade payables to third parties as of 31 December 2020 and 2019 are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Trade payables	720	958

The Group currency risk assessment has been explained in Note 35.

11. PAYABLES RELATED TO EMPLOYEE BENEFITS

Payables related to employee benefits as of 31 December 2020 and 2019 are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Salary accruals	66	124
Social security premiums payable	24	36
	<u>90</u>	<u>160</u>

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12. OTHER RECEIVABLES AND PAYABLES

Other short-term receivables from third parties as of 31 December 2020 and 2019 are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Predelivery payments made for aircrafts	731	778
Receivables from technical purchases	223	168
Bank deposits with transfer limitations (*)	39	36
Receivables from pilots for flight training	32	24
Value added tax receivables	30	42
Others	40	5
	<u>1,095</u>	<u>1,053</u>

(*)As of 31 December 2020, the balance of this account includes bank deposits in Ethiopia, Bangladesh, Algeria, Nigeria, Senegal, Niger, Mali, Republic of Cote D'ivoire, Burkina Faso, Eritrea, Mozambique, Bolivarian Republic of Venezuela, Republic of Angola, Republic of Cameroon, Republic of Chad, Republic of Sudan, Gabon, Somalia, Benin, Republic of Zimbabwe, Republic of Cuba, Republic of Lebanon, Democratic Republic of the Congo and Iran. (As of 31 December 2019, the balance of this account includes bank deposits in Ethiopia, Bangladesh, Algeria, Nigeria, Senegal, Niger, Mali, Republic of Cote D'ivoire, Burkina Faso, Eritrea, Mozambique, Bolivarian Republic of Venezuela, Republic of Angola, Republic of Cameroon, Republic of Chad, Republic of Sudan, Gabon, Somalia, Benin, Republic of Zimbabwe, Argentina, Democratic Republic of the Congo, Republic of Cuba, Republic of Lebanon and Iran).

Other long-term receivables from third parties as of 31 December 2020 and 2019 are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Predelivery payments made for aircrafts	515	761
Receivables related to investment certificates (***)	409	313
Receivables from pilots for flight training	199	154
Deposits and guarantees given	42	42
Interest and commodity swap agreement deposits	31	-
Bank deposits with transfer limitations (**)	4	6
	<u>1,200</u>	<u>1,276</u>

(**) As of 31 December 2020, the balance of this account includes bank deposits in Syria.

(***) This represents the accrued amount as of 31 December 2020. Total contribution of government incentives related to fleet investments amounts to USD 3,469. See note 2.3.15 for accounting policy.

Other short-term payables to third parties are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Taxes and funds payable	39	62
Payables to lessors	9	11
Payables to insurance companies	-	7
Deposits and guarantees received	5	10
Other liabilities	35	8
	<u>88</u>	<u>98</u>

Other long-term payables to third parties are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Deposits and guarantees received	22	19
Payables to lessors	-	9
Interest and commodity swap agreement deposits	-	9
	<u>22</u>	<u>37</u>

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13. INVENTORIES

	<u>31 December 2020</u>	<u>31 December 2019</u>
Spare parts	231	221
Other inventories	83	81
	314	302
Provision for impairment (-)	(9)	(12)
	<u>305</u>	<u>290</u>

The change in the value of provision for impairment for the years ended 31 December 2020 and 2019 is as follows:

	<u>1 January - 31 December 2020</u>	<u>1 January - 31 December 2019</u>
Provision at the beginning of the year	12	22
Release during the year	(3)	(10)
Provision at the end of the year	<u>9</u>	<u>12</u>

14. PREPAID EXPENSES AND DEFERRED INCOME

Short-term prepaid expenses are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Advances given for purchases	77	76
Prepaid advertising expenses	12	9
Prepaid sales commissions	10	14
Prepaid operating lease expenses	10	10
Other prepaid expenses	32	40
	<u>141</u>	<u>149</u>

Long-term prepaid expenses are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Prepaid engine maintenance expenses	627	659
Advances given for property and equipment purchases	107	138
Prepaid aircraft financing expenses	60	55
Other prepaid expenses	4	12
	<u>798</u>	<u>864</u>

Deferred income is as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Passenger flight liabilities	580	1,032
Other short-term deferred income	34	39
	<u>614</u>	<u>1,071</u>

Passenger flight liability is as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Flight liability generating from ticket sales	381	797
Flight liability generating from frequent flyer program	199	235
	<u>580</u>	<u>1,032</u>

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14. PREPAID EXPENSES AND DEFERRED INCOME (cont'd)

Other short-term deferred income is as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Advances received	21	18
Deferred finance income	11	11
Unearned bank protocol revenue accruals	2	10
	<u>34</u>	<u>39</u>

Long-term deferred income is as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Deferred finance income	109	118
Unearned bank protocol revenue accruals	-	2
	<u>109</u>	<u>120</u>

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15. PROPERTY AND EQUIPMENT

Cost	Technical		Other		Components			Total
	Land, land improvements and buildings	Equipment, Simulator and Vehicles	Equipment, and fixtures	Other equipments, and fixtures	Spare engines	Leasehold improvements	Construction In Progress	
Opening balance at 1 January 2020	874	585	239	3,167	661	183	692	7,061
Additions	92	22	12	75	39	4	202	549
Transfer (*)	210	31	2	4	19	1	(307)	(40)
Transfers between the account	-	-	-	933	-	-	-	933
Disposals	(1)	(2)	(3)	(45)	(14)	(9)	-	(149)
Transfer to Assets held-for-sale	-	-	-	(19)	-	-	-	(19)
Closing balance at 31 December 2020	1,175	636	250	4,115	705	179	587	8,335
Accumulated Depreciation								
Opening balance at 1 January 2020	232	268	173	2,095	240	95	-	3,418
Depreciation charge	44	41	22	190	57	15	-	443
Transfers between the account	-	-	-	448	-	-	-	448
Disposals	(1)	(2)	(2)	(45)	(14)	(9)	-	(109)
Transfer to Assets held-for-sale	-	-	-	(10)	-	-	-	(10)
Closing balance at 31 December 2020	275	307	193	2,678	283	101	-	4,190
Net book value at 31 December 2020	900	329	57	1,437	422	78	587	4,145
Net book value at 31 December 2019	642	317	66	1,072	421	88	692	3,643

(*) From construction in progress amounting to USD 40 has been transferred to intangible fixed assets amounting to USD 14 and right-of-use assets amounting to USD 26.

Depreciation and amortization expenses are recognized in cost of sales is amounting to USD 1,591 (31 December 2019: USD 1,462), general administrative expenses is amounting to USD 60 (31 December 2019: USD 52) and marketing and sales expenses is amounting to USD 8 (31 December 2019: USD 7) in total of USD 1,659 as of 31 December 2020 (31 December 2019: USD 1,521).

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

Capitalization rates and amounts other than borrowings made specifically for the purpose of acquiring a qualifying asset are 34% and 97% and USD 33 and USD 50 for the years ended 31 December 2020 and 2019 respectively.

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15. PROPERTY AND EQUIPMENT (cont'd)

Cost	Technical			Components			Total
	Land improvements and buildings	Equipment, simulators and vehicles	Other equipments, and fixtures	Spare engines	Leasehold improvements	Construction in progress	
Opening balance at 1 January 2019	303	429	214	3,318	590	531	718
Additions	76	112	28	155	88	42	480
Transfer	111	49	2	134	28	14	(506)
Transfers between the accounts	384	-	-	271	-	(384)	-
Disposals	-	(5)	(5)	(711)	(45)	(20)	-
Closing balance at 31 December 2019	874	585	239	3,167	661	183	692
Accumulated Depreciation							
Opening balance at 1 January 2019	89	235	151	2,441	231	202	-
Depreciation charge	38	37	26	141	51	17	-
Transfers between the accounts	105	-	-	138	-	(105)	-
Disposals	-	(4)	(4)	(625)	(42)	(19)	-
Closing balance at 31 December 2019	232	268	173	2,095	240	95	-
Net book value at 31 December 2019	642	317	66	1,072	421	88	692

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15. PROPERTY AND EQUIPMENT (cont'd)

Right of use assets are as follows:

	Aircraft	Spare engines	Real Estate	Vehicles	Total
Cost					
Opening balance at 1 January 2020	17,647	165	74	6	17,892
Additions	2,784	28	1	-	2,813
Transfer	15	11	-	-	26
Disposals	(132)	(2)	-	-	(134)
Transfers between the accounts (*)	(933)	-	-	-	(933)
Closing balance at 31 December 2020	19,381	202	75	6	19,664

	Aircraft	Spare engines	Real Estate	Vehicles	Total
Accumulated Depreciation					
Opening balance at 1 January 2020	4,222	39	10	3	4,274
Depreciation charge	1,171	11	11	2	1,195
Disposals	(132)	(2)	-	-	(134)
Transfers between the account (*)	(448)	-	-	-	(448)
Closing balance at 31 December 2020	4,813	48	21	5	4,887
Net book value at 31 December 2020	14,568	154	54	1	14,777

	Aircraft	Spare engines	Real Estate	Vehicles	Total
Cost					
Opening balance at 1 January 2019	15,749	148	56	6	15,959
Additions	2,134	25	18	-	2,177
Transfers	166	-	-	-	166
Disposals	(131)	(8)	-	-	(139)
Transfers between the accounts (*)	(271)	-	-	-	(271)
Closing balance at 31 December 2019	17,647	165	74	6	17,892

	Aircraft	Spare engines	Real Estate	Vehicles	Total
Accumulated Depreciation					
Opening balance at 1 January 2019	3,394	36	-	-	3,430
Depreciation charge	1,097	11	10	3	1,121
Disposals	(131)	(8)	-	-	(139)
Transfers between the account (*)	(138)	-	-	-	(138)
Closing balance at 31 December 2019	4,222	39	10	3	4,274
Net book value at 31 December 2019	13,425	126	64	3	13,618

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

The Group is still carrying out negotiations with the airport operator company (İGA Havalimanı İşletmesi A.Ş.) regarding the rental areas, rental fee, renting conditions and period for İstanbul Airport. Yet, no agreement is signed and there is no Board Decision about the above mentioned rental matters. Despite the fact that there is a PPP tariff issued by State Airports Authority (DHMI), it does not eliminate the uncertainties regarding rental areas, rental fee, renting conditions and period which are considered as material terms of a contract. Thus, it is not considered as appropriate to consider them under IFRS16 scope and no calculations for assets or liabilities are made concerning the İstanbul Airport rentals at December 2020 financial statements. However, the payments for the areas used at İstanbul Airport are made with reservation according to PPP tariff and they are recorded under expense accounts for the period.

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16. INTANGIBLE ASSETS

	Slot rights and acquired technical licenses (*)	Rights	Other intangible assets	Total
Cost				
Opening balance at 1 January 2020	44	193	5	242
Additions	-	14	-	14
Transfers	-	14	-	14
Closing balance at 31 December 2020	44	221	5	270

	Slot rights and acquired technical licenses (*)	Rights	Other intangible assets	Total
Accumulated Amortization				
Opening balance at 1 January 2020	-	157	3	160
Amortization charge	-	21	-	21
Closing balance at 31 December 2020	-	178	3	181
Net book value at 31 December 2020	44	43	2	89
Net book value at 31 December 2019	44	36	2	82

	Slot rights and acquired technical licenses (*)	Rights	Other intangible assets	Total
Cost				
Opening balance at 1 January 2019	44	175	5	224
Additions	-	16	-	16
Transfers	-	2	-	2
Closing balance at 31 December 2019	44	193	5	242

	Slot rights and acquired technical licenses (*)	Rights	Other intangible assets	Total
Accumulated Amortization				
Opening balance at 1 January 2019	-	141	1	142
Amortization charge	-	16	2	18
Closing balance at 31 December 2019	-	157	3	160
Net book value at 31 December 2019	44	36	2	82
Net book value at 31 December 2018	44	34	4	82

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

17. GOODWILL

The goodwill amounting to USD 12 has been recognized due to acquisition of MNG Teknik.

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18. LEASING TRANSACTIONS

Maturities of lease obligations are as follows:

	Future Minimum		Interest		Present Values of	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Less than 1 year	1,934	1,565	(206)	(191)	1,728	1,374
Between 1 – 5 years	6,275	5,613	(455)	(483)	5,820	5,130
Over 5 years	3,931	3,588	(172)	(173)	3,759	3,415
	<u>12,140</u>	<u>10,766</u>	<u>(833)</u>	<u>(847)</u>	<u>11,307</u>	<u>9,919</u>
			<u>31 December 2020</u>	<u>31 December 2019</u>		
Interest Range:						
Floating rate obligations			5,788	5,394		
Fixed rate obligations			5,519	4,525		
			<u>11,307</u>	<u>9,919</u>		

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

As of 31 December 2020, the US Dollars, Euro, JPY and Swiss Franc denominated lease obligations' weighted average interest rates are 3.74% (31 December 2019: 3.89%) for the fixed rate obligations and 1.42% (31 December 2019: 1.29%) for the floating rate obligations.

19. GOVERNMENT GRANTS AND INCENTIVES

Incentive certificates dated, 28 December 2010, 18 December 2014, 11 July 2017, 18 September 2017, 1 March 2018, 09 August 2018 and 11 September 2018 were obtained from Ministry of Industry and Technology for investment of aircrafts. These certificates provide the Group with certain advantages on reduction of corporate tax, customs duty exemption and support for insurance premium of employers. Please refer to Note: 2.3.15 for the accounting of corporate tax effect of these investment certificates.

There is not any time limit for the use of incentives received in this scope. As of 31 December 2020, the Group has a discount and exemption amounting to USD 3,469, which can be used in the future within the scope of these incentives 31 December 2019: USD 2,347).

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20. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions as of 31 December 2020 and 2019 are as follows:

Short-term provision for employee benefits is as follows:

	31 December 2020	31 December 2019
Provisions for unused vacation	<u>16</u>	<u>39</u>

Changes in the provisions for the period ended 31 December 2020 and 2019 are set out below:

	1 January - 31 December 2020	1 January - 31 December 2019
Provisions at the beginning of the year	39	39
Provisions for the current year	293	320
Provisions released	(305)	(315)
Foreign currency translation differences	(11)	(5)
Provisions at the end of the year	<u>16</u>	<u>39</u>

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

Other short-term provision is as follows:

	31 December 2020	31 December 2019
Provisions for legal claims	<u>10</u>	<u>13</u>

Changes in the provisions for legal claims for the period ended 31 December 2020 and 2019 are set out below:

	1 January - 31 December 2020	1 January - 31 December 2019
Provisions at the beginning of the year	13	16
Provisions for the current year	1	4
Provisions released	(1)	(6)
Foreign currency translation differences	(3)	(1)
Provisions at the end of the year	<u>10</u>	<u>13</u>

The Group provides with provisions for lawsuits initiated against itself due to its operations. The lawsuits initiated against the Group are usually reemployment lawsuits by former employees or related to damaged luggage or cargo. The estimates have been made on the basis of the legal advices.

21. COMMITMENTS

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

Amount of letters of guarantees given as of 31 December 2020 is USD 1,956 (31 December 2019: USD 1,334).

As of 31 December 2020, the letters of guarantee are given to various authorities (i.e. various banks and vendors.)

	31 December 2020		31 December 2019	
	Original currency amount	USD equivalent	Original currency amount	USD equivalent
A. Total amounts of GPM given on the behalf of its own legal entity	-	1,956	-	1,334
-Collaterals				
TL	52	7	52	9
EUR	1,511	1,854	1,131	1,266
USD	59	59	49	49
Other	-	36	-	10
B. Total amounts of GPM given on the behalf of subsidiaries that are included in full consolidation	-	-	-	-
C. Total amounts of GPM given in order to guarantee third party debts for routine trade operations	-	-	-	-
D. Total amounts of other GPM given	-	-	-	-
i. Total amount of GPM given on behalf of the Parent	-	-	-	-
ii. Total amount of GPM given on behalf of other group companies not covered in B and C	-	-	-	-
iii. Total amount of GPM given on behalf of third parties not covered in C	-	-	-	-
		<u>1,956</u>		<u>1,334</u>

The ratio of other GPM (“D”) given by the group to its equity is 0% as of 31 December 2020 (31 December 2019: 0%)

b) Aircraft purchase commitments:

To be delivered between the years 2021-2028, the Group signed an agreement for 167 aircrafts, (157 of aircrafts are contractual and 10 of them are optional) with a list price value of 22,338 US Dollars. The Group has made a predelivery payment of 1,253 US Dollars relevant to these purchases as of 31 December 2020 (31 December 2019: 1,562 US Dollars).

22. EMPLOYEE BENEFITS

Provisions for retirement pay liability as of 31 December 2020 and 2019 is comprised of the following:

	31 December 2020	31 December 2019
Provision for retirement pay liability	<u>134</u>	<u>135</u>

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

Retirement pay liability is subject to an upper limit of monthly US Dollar 970 (full) (equivalent of TL 7,117 (full)) as of 31 December 2020. (31 December 2019: US Dollar 1,074 (full) equivalent of TL 6,380 (full)).

Retirement pay liability is not subject to any funding legally. Provisions for retirement pay liability are calculated by estimating the present value of probable liability that will arise due to retirement of employees.

IAS 19 (“Employee Benefits”) stipulates the progress of the Group’s liabilities by use of actuarial valuation methods under defined benefit plans. Actuarial assumptions used in calculation of total liabilities are described as follows:

The key assumption is that maximum liability amount increases in accordance with the inflation rate for every service year. Provisions in the accompanying consolidated financial statements as of 31 December 2020 are calculated by estimating present value of liabilities due to retirement of employees. Provisions in the relevant balance sheet dates are calculated with the assumptions of 9.00% annual inflation rate (31 December 2019: 7.65%) and 13.20% interest rate (31 December 2019: 12.00%). Estimated amount of non-paid retirement pay retained in the Group due to voluntary leaves is assumed as 2.53% (31 December 2019: 2.62%). Ceiling for retirement pay is revised semi-annually. Ceiling amount of US Dollar 1,041 (full) which is in effect since 1 January 2021 is used in the calculation of Group’s provision for retirement pay liability.

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

	1 January - 31 December 2020	1 January - 31 December 2019
Provision at the beginning of the year	135	130
Service charge for the year	17	13
Interest charges	13	16
Actuarial loss	13	4
Payments	(14)	(10)
Foreign currency translation difference	(30)	(18)
Provision at the end of the year	<u>134</u>	<u>135</u>

23. EXPENSES BY NATURE

Expenses by nature for the year ended 31 December 2020 and 2019 are as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Depreciation and amortisation charges	1,659	1,521
Fuel expenses	1,638	3,873
Personnel expenses	1,097	2,067
Aircraft maintenance expenses	546	791
Ground services expenses	485	815
Airport expenses	315	623
Air traffic control expenses	296	553
Wet lease expenses	224	284
Passenger services and catering expenses	217	622
Commissions and incentives	176	504
Reservation systems expenses	84	267
Advertisement and promotion expenses	82	175
Rents	68	85
Service expenses	67	83
Insurance expenses	48	54
Taxes and duties	41	52
IT and communication expenses	41	44
Transportation expenses	37	44
Aircraft rent expenses	20	27
Consultancy expenses	18	21
Systems use and associateship expenses	13	15
Other expenses	92	124
	7,264	12,644

24. OTHER ASSETS AND LIABILITIES

Other current assets as of 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Deffered VAT	121	131
Personnel and business advances	3	9
Assets held-for-sale	1	-
	125	140

Other current liabilities as of 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Accruals for maintenance expenses of aircraft under operating lease	229	234
Accruals for other expenses	20	19
Other liabilities	4	5
	253	258

25. SHAREHOLDERS' EQUITY

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

(Millions of TL)	Class	%	31 December		31 December	
			2020	%	2019	%
Turkey Wealth Fund (*)	A	49.12	678	49.12	678	
Republic of Turkey Treasury and Finance Ministry Privatization Administration (*)	C	-	-	-	-	
Other (publicly held)	A	50.88	702	50.88	702	
Paid-in capital (Turkish Lira)			1,380		1,380	
Inflation adjustment on share capital (Turkish Lira) (**)			1,124		1,124	
Share capital (Turkish Lira)			2,504		2,504	
Share capital (USD Equivalent)			1,597		1,597	

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

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

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

As of 31 December 2020, Registered paid-in share capital of the Company comprised 137,999,999,999 Class A shares and 1 Class C share, all with a par value of Kr 1 each. The Class C share belongs to the Republic of Turkey Treasury and Finance Ministry Privatization Administration and has the following privileges:

- Articles of Association 7: Positive vote of the board member representing class C share with Board's approval is necessary for transfer of shares issued to the name.
- Articles of Association 10: The Board of Directors consists of nine members of which one member has to be nominated by the class C shareholder and the rest eight members has to be elected by class A shareholders.
- Articles of Association 14: The following decisions of the Board of Directors are subject to the positive vote of the class C Shareholder:
 - a) Decisions that will negatively affect the Group's mission Defined in Article 3.1. of the Articles of Association,
 - b) Suggesting change in the Articles of Association at General Assembly,
 - c) Increasing share capital,
 - d) Approval of transfer of the shares issued to the name and their registration to the "Share Registry",
 - e) Every decision or action which directly or indirectly put the Group under commitment over 5% of its total assets of the latest annual financial statements prepared for Capital Market Board. (This sentence will expire when the Group's shares held by Turkish State decrease under 20%.)

25. SHAREHOLDERS' EQUITY (cont'd)

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

f) Decisions relating to mergers and liquidation,

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

Restricted Profit Reserves

Turkish Commercial Code (TCC) stipulates that the general legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group's paid-in share capital. Additionally, not limited with 20% of paid-in share capital, the general legal reserve is appropriated at the rate of 10% per annum of all cash dividends in excess of 5% of the paid-in share capital. Under TCC, the legal reserves can only be used to offset losses, to sustain business when conditions get worse, to prevent unemployment and are not available for any other usage unless they exceed 50% of paid-in share capital.

Foreign Currency Translation Differences

Currency translation differences under equity arise from Group's joint ventures, provisions for unused vacation, legal claims and retirement pay liability accounted under equity method which have functional currencies other than USD.

Distribution of Dividends

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from 1 February 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly in accordance with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with their dividend policy or articles of associations. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on financial statements of the Group.

Actuarial Differences on Defined Benefit Plans

As a result of the adoption of IAS 19, all actuarial differences are recognized in other comprehensive income.

Gains/Losses from Cash Flow Hedges

Hedge gain/losses against cash flow risk arise from the accounting of the changes in the fair values of effective derivative financial instruments designated against financial risks of future cash flows under equity. Total of deferred gain/loss arising from hedging against financial risk are accounted in profit or loss when the hedged item impacts profit or loss.

As of 2020, lease liabilities and investment borrowings in Japanese Yen, Swiss Frank and Euro for investment financing are designated as cash flow hedge against exchange rate risk due to highly probable future same foreign currency revenues. Group's revenue denominated in Euro and Swiss Frank covered borrowings of such foreign currency, Japanese Yen revenue covered %47, Euro revenue covered %26, Swiss Frank covered %21 of borrowings. In this context, exchange differences arising from such these loans repayment are taken to equity and recognized in other comprehensive income.

26. REVENUE

Breakdown of gross profit is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Passenger revenue		
Scheduled	3,755	11,100
Unscheduled	37	67
Total passenger revenue	3,792	11,167
Cargo revenue		
Carried by passenger aircraft	448	760
Carried by cargo aircraft	2,274	928
Total cargo revenue	2,722	1,688
Total passenger and cargo revenue	6,514	12,855
Technical revenue	175	305
Other revenue	45	69
Net sales	6,734	13,229
Cost of sales (-)	(6,378)	(10,928)
Gross profit	356	2,301

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

	1 January - 31 December 2020	1 January - 31 December 2019
International flights		
- Far East	1,970	3,191
- Europe	1,638	3,711
- America	1,191	1,946
- Africa	664	1,276
- Middle East	497	1,467
Total	5,960	11,591
Domestic flights	554	1,264
Total passenger and cargo revenue	6,514	12,855

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27. COST OF SALES

Breakdown of the cost of sales is as follows:

	<u>1 January - 31 December 2020</u>	<u>1 January - 31 December 2019</u>
Fuel expenses	1,638	3,873
Depreciation and amortisation charges	1,591	1,462
Personnel expenses	833	1,624
Aircraft maintenance expenses	546	791
Ground services expenses	485	815
Airport expenses	315	623
Air traffic control expenses	296	553
Wet lease expenses	224	284
Passenger services and catering expenses	217	622
Rents	49	66
Insurance expenses	44	52
Transportation expenses	37	44
Service expenses	31	33
Aircraft rent expenses	20	27
Taxes and duties	20	18
IT and communication expenses	4	3
Other expenses	28	38
	<u>6,378</u>	<u>10,928</u>

28. GENERAL ADMINISTRATIVE EXPENSES AND SELLING AND MARKETING EXPENSES

Breakdown of general administrative expenses is as follows:

	<u>1 January - 31 December 2020</u>	<u>1 January - 31 December 2019</u>
Personnel expenses	64	134
Depreciation and amortisation charges	60	52
IT and communication expenses	29	32
Service expenses	27	35
Consultancy expenses	11	13
Systems use and associateship expenses	8	9
Insurance expenses	4	2
Taxes and duties	2	2
Rents	2	1
Other general administrative expenses	12	19
	<u>219</u>	<u>299</u>

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

Breakdown of selling and marketing expenses is as follows:

	<u>1 January - 31 December 2020</u>	<u>1 January - 31 December 2019</u>
Personnel expenses	200	309
Commissions and incentives	176	504
Reservation systems expenses	84	267
Advertisement and promotion expenses	82	175
Taxes and duties	19	32
Rents	17	18
Service expenses	9	15
IT and communication expenses	8	9
Depreciation and amortisation charges	8	7
Consultancy expenses	7	8
Systems use and associateship expenses	5	6
Other marketing and sales expenses	52	67
	<u>667</u>	<u>1,417</u>

29. OTHER OPERATING INCOME / EXPENSES

Breakdown of other operating income is as follows:

	<u>1 January - 31 December 2020</u>	<u>1 January - 31 December 2019</u>
Manufacturers' credits	145	86
Insurance, indemnities, penalties income	62	184
Foreign exchange gains from operational activities, net	52	14
Rent income	17	10
Provisions released	12	13
Non- interest income from banks	10	11
Turnover premium from suppliers	4	5
Rediscount interest income	4	2
Delay interest income	-	2
Other operating income	24	28
	<u>330</u>	<u>355</u>

Breakdown of other operating expenses is as follows:

	<u>1 January - 31 December 2020</u>	<u>1 January - 31 December 2019</u>
Provisions	27	27
IFRS 9 Adjustment	7	5
Indemnity and penalty expenses	4	8
Other operating expenses	17	24
	<u>55</u>	<u>64</u>

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30. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

Breakdown of income from investment activities is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Income from investment incentives	164	110
Gain on sale of financial investments	12	14
Interest income from financial investment	9	39
Gain on sale of fixed assets	5	6
	<u>190</u>	<u>169</u>

Breakdown of expense from investment activities is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Loss on valuation of assets held-for-sale	9	-
Loss on sale of financial investments	1	-
Loss on sale of fixed assets	1	80
	<u>11</u>	<u>80</u>

31. FINANCIAL INCOME/ EXPENSES

Breakdown of financial income is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Interest income	53	45
Rediscount interest income from repayments of aircrafts	15	13
Foreign exchange gains from financial activities, net	-	79
Other financial incomes	4	2
	<u>72</u>	<u>139</u>

Breakdown of financial expenses is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Foreign exchange losses on financial activities, net	498	-
Interest expense from leasing liabilities	209	184
Interest expense from financial activities	63	57
Aircraft financing expenses	22	23
Fair value losses on derivative financial instruments, net	21	23
Interest expenses on employee benefits	13	16
Other financial expenses	9	7
	<u>835</u>	<u>310</u>

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32. TAX ASSETS AND LIABILITIES

Breakdown of assets related to current tax is as follows:

	31 December 2020	31 December 2019
Prepaid taxes	38	43

Tax income is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Current year tax expense	-	-
Deferred tax (income) / expense	(90)	88
Tax (income) / expense	<u>(90)</u>	<u>88</u>

Tax effect related to other comprehensive income is as follows:

	1 January - 31 December 2020			1 January - 31 December 2019		
	Amount before tax	Tax income	Amount after tax	Amount before tax	Tax expense	Amount after tax
Change in cash flow hedge reserve	(777)	156	(621)	218	(47)	171
Losses on Remeasuring FVOCI	4	(1)	3	7	(2)	5
Change in actuarial losses from retirement pay obligation	(13)	3	(10)	(4)	1	(3)
Changes in foreign currency translation difference	(17)	-	(17)	(24)	-	(24)
Other comprehensive income	<u>(803)</u>	<u>158</u>	<u>(645)</u>	<u>197</u>	<u>(48)</u>	<u>149</u>

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

Corporate Tax

The effective tax rate is 22%. In accordance with the Article 91 of regulation numbered 7061, published in Official Gazette on 5 December 2017, "Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 30 September 2020 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

The tax legislation provides for a temporary tax of 22% (2019: 22%) to be calculated and paid based on earnings generated for each quarter for the period ended 30 September 2020. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. With the amendment to the Law, tax rate for temporary tax is set to 22% for the years 2018, 2019 and 2020.

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

32. TAX ASSETS AND LIABILITIES (cont'd)

Corporate Tax (cont'd)

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

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

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

Income Withholding Tax

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

Deferred Tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes and they are given below. For calculation of deferred tax asset and liabilities, the corporate tax rate of 20% is used.

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

32. TAX ASSETS AND LIABILITIES (cont'd)

Deferred Tax (cont'd)

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

	31 December 2020	31 December 2019
Fixed assets	(1,972)	(1,910)
Right of use asset	(312)	(310)
Adjustments for passenger flight liabilities	(133)	(171)
Tax loss carried forward	764	528
Lease obligations	311	311
Income and expense for future years	88	104
Accruals for expenses	65	69
Provisions for employee benefits	27	28
Miles accruals	16	30
Incentives	13	17
Change in fair value of derivative instruments	12	4
Provisions for unused vacation	3	9
Other	(1)	(2)
Deferred tax liabilities	<u>(1,119)</u>	<u>(1,293)</u>

The changes of deferred tax liability for the period ended 1 January – 31 December 2020 and 2019 are as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Opening balance at 1 January	1,293	1,133
Foreign currency translation difference	72	25
Tax expense from FVOCI	1	2
Tax income of actuarial losses on retirement pay obligation	(3)	-
Deferred tax (income) / expense	(90)	88
Tax (income) / expense from hedging reserves	(154)	45
Deferred tax liability at the end of the year	<u>1,119</u>	<u>1,293</u>

The redemption schedule of carry forward tax losses, which are considered in deferred tax calculation, is as follows:

	31 December 2020	31 December 2019
Expired as of 2021	127	881
Expired as of 2022	415	513
Expired as of 2023	930	1,247
Expired as of 2025	2,348	-
	<u>3,820</u>	<u>2,641</u>

As of 31 December 2020, tax losses amount is USD 4,477. The Group has accounted for deferred income tax assets on carry forward tax losses amounting to USD 3,820, since it is considered as probable that sufficient taxable profit will be available to allow the benefit of all that deferred income tax asset to be utilized.

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32. TAX ASSETS AND LIABILITIES (cont'd)

Deferred Tax (cont'd)

Reconciliation with current tax charge for the period 1 January – 31 December 2020 and 2019 are as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
<u>Reconciliation of effective tax charge</u>		
Loss from operations before tax	(926)	876
Domestic expense tax rate of 20%	185	(193)
Taxation effects on:		
- investment incentive	33	29
- foreign currency translation difference	36	59
- deduction	1	-
- expense from investment certificates	-	22
- non deductible expenses	(5)	(7)
- effect of the change in the deferred tax rate	(10)	-
- investments accounted by using the equity method	(17)	16
- adjustment for prior year loss (*)	(133)	(14)
Tax charge in statement of loss	<u>90</u>	<u>(88)</u>

(*) 131 USD of adjustment for prior years loss, which is the subject of tax reconciliation, has been reversed based on the estimation made for the upcoming years.

33. EARNINGS PER SHARE

Earnings per share disclosed in the consolidated profit or loss and other comprehensive income is determined by dividing the net income by the weighted average number of shares that have been outstanding during the relevant period.

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

Number of total shares and calculation of losses per share at 1 January – 31 December 2020 and 2019:

	1 January - 31 December 2020	1 January - 31 December 2019
Number of shares outstanding at 1 January (in full)	138,000,000,000	138,000,000,000
Number of shares outstanding at 31 December (in full)	138,000,000,000	138,000,000,000
Weighted average number of shares outstanding during the year (in full)	138,000,000,000	138,000,000,000
Net (loss) / profit for the year	(836)	788
Basic (loss) / profit per share (Full US Cents) (*)	(0.61)	0.57
(*)	(0.61)	0.57

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

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34. DERIVATIVE FINANCIAL INSTRUMENTS

Breakdown of derivative financial assets and liabilities of the Group as of 31 December 2020 and 2019 are as follows:

<u>Derivative financial assets</u>	31 December 2020	31 December 2019
Derivative instruments not subject to hedge accounting	2	17
Derivative instruments for fuel prices cash flow hedge	-	31
Derivative instruments for cross currency rate cash flow hedge	-	4
	<u>2</u>	<u>52</u>
<u>Derivative financial liabilities</u>	31 December 2020	31 December 2019
Derivative instruments for interest rate cash flow hedge	32	35
Derivative instruments for fuel prices cash flow hedge	18	14
Derivative instruments not subject to hedge accounting	13	18
Derivative instruments for cross currency rate cash flow hedge	1	3
	<u>64</u>	<u>70</u>

35. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 7, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Board of Directors of the Group periodically reviews the capital structure. During these analyses, the Board assesses the risks associated with each class of capital along with cost of capital. Based on the review of the Board of Directors, the Group aims to balance its overall capital structure through the issue of new debt or the redemption of existing debt. The overall strategy of the Group has not changed compared to 2019.

	31 December 2020	31 December 2019
Total debts (*)	5,521	3,607
Lease liabilities	11,307	9,919
Less: Cash and cash equivalents and time deposits with maturity of more than three months	(1,904)	(2,565)
Net debt (A)	14,924	10,961
Total shareholders' equity (B)	5,383	6,864
Total capital stock (A+B)	20,307	17,825
Net debt/total capital stock ratio	0.73	0.61

(*) Total debts consist of bank borrowings, other financial liabilities and other payables.

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

(b) Financial Risk Factors

The risks of the Group, resulting from operations, include market risk (including currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's risk management program generally seeks to minimize the potential negative effects of uncertainty in financial markets on financial performance of the Group. The Group uses a small portion of derivative financial instruments in order to safeguard itself from different financial risks.

Risk management is carried out in line with policies approved by the Board of Directors. According to risk policy, financial risk is identified and assessed. Working together with Group's operational units, relevant instruments are used to reduce the risk.

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

(b) Financial Risk Factors (cont'd)

b.1) Credit risk management

	Trade receivables			Other receivables			Derivative Instruments	Government Securities	Corporate Debt Securities	Equity Securities
	Related Party	Third Party	Related Party	Third Party	Deposits in Banks					
31 December 2020										
Maximum credit risk as of balance sheet date (*)	18	433	6	2,295	1,809	2	42	32	18	
-The part of maximum credit risk under guarantee with collateral etc. (**)	-	(186)	-	-	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	18	-	6	-	60	2	42	32	18	
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-	-	-	-	-
C. Net book value of financial assets that are past due but not impaired	-	-	-	-	-	-	-	-	-	-
-The part under guarantee with collateral etc.	-	-	-	-	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-	-	-	-
-Past due (gross carrying amount)	-	230	-	-	-	-	-	-	-	-
-Impairment(-)	-	(97)	-	-	-	-	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-	-	-
-Not past due (gross carrying amount)	-	488	-	2,299	1,750	-	-	-	-	-
-Impairment (-)	-	(2)	-	(4)	(1)	-	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-	-	-	-	-

(*)The guarantees that increase credit reliability are not included in the balance.

(**)Guarantees consist of the guarantees in cash & letters of guarantee obtained from the customers.

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

(b) Financial Risk Factors (cont'd)

b.1) *Credit risk management (cont'd)*

	Receivables						Deposits in Banks (***)	Derivative Instruments	Government Debt Securities	Corporate Debt Securities	Equity Securities
	Trade receivables		Other receivables		Third Party	Third Party					
	Related Party	Third Party	Related Party	Third Party							
31 December 2019											
Maximum credit risk as of balance sheet date (*)	-	423	28	2,329		2,450	52	49	49	15	
-The part of maximum credit risk under guarantee with collateral etc. (**)	-	(117)	-	-	-	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	-	-	28	-	-	74	52	49	49	15	
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-	-	-	-	-	-
C. Net book value of financial assets that are past due but not impaired	-	-	-	-	-	-	-	-	-	-	-
-The part under guarantee with collateral etc.	-	-	-	-	-	-	-	-	-	-	-
D. Net book value of impaired assets	-	108	-	-	-	-	-	-	-	-	-
-Past due (gross carrying amount)	-	(84)	-	-	-	-	-	-	-	-	-
-Impairment(-)	-	-	-	-	-	-	-	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	517	-	2,332	-	2,377	-	-	-	-	-
-Not past due (gross carrying amount)	-	(1)	-	(3)	-	(1)	-	-	-	-	-
-Impairment (-)	-	-	-	-	-	-	-	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-	-	-	-	-	-
-Off-balance sheet items with credit risk	-	-	-	-	-	-	-	-	-	-	-
(*)The guarantees that increase credit reliability are not included in the balance.											
(**)Guarantees consist of the guarantees in cash & letters of guarantee obtained from the customers.											
(***)Deposits in Banks consist of financial investments with maturity more than 3 months.											

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

(b) Financial Risk Factors (cont'd)

b.1) *Credit risk management (cont'd)*

The risk of a financial loss for the Group due to failing of one of the parties of the contract to meet its obligations is defined as credit risk.

The Group's credit risk is related to its receivables, cash and derivative financial assets. The balance shown in the consolidated balance sheet is the result of the net amount after deducting the doubtful receivables arisen from the Group management's forecasts based on previous experience and current economy conditions. Since the customers are diversified, the Group's credit risk is dispersed and there is no material credit risk concentration.

The aging of past due receivables as of 31 December 2020 are as follows:

	Receivables					Total
	Trade Receivables	Other Receivables	Deposits in Banks	Derivative Instruments	Other	
31 December 2020						
Past due 1-30 days	83	-	-	-	-	83
Past due 1-3 months	21	-	-	-	-	21
Past due 3-12 months	49	-	-	-	-	49
Past due 1-5 years	128	-	-	-	-	128
Total past due receivables	281	-	-	-	-	281
The part under guarantee with collateral etc.	186	-	-	-	-	186

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

(b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

The aging of past due receivables as of 31 December 2019 are as follows:

	<u>Receivables</u>				<u>Total</u>
	<u>Trade Receivables</u>	<u>Other Receivables</u>	<u>Deposits in Banks</u>	<u>Derivative Instruments</u>	
31 December 2019					
Past due 1-30 days	74	-	-	-	74
Past due 1-3 months	12	-	-	-	12
Past due 3-12 months	18	-	-	-	18
Past due 1-5 years	88	-	-	-	88
Total past due receivables	192	-	-	-	192
The part under guarantee with collateral etc.	117	-	-	-	117

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

(b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

The aging of financial assets as of 31 December 2020 are as follows:

<u>Equivalent to External Credit Rating</u>	<u>Weighted Average Lost Rate</u>	<u>Gross Carrying Amount</u>	<u>Impairment Loss Allowance</u>
AA2	0.02%	1,549	-
BA3	0.05%	1,832	-
B2	2.00%	228	5
		<u>3,609</u>	<u>5</u>

<u>Maturity Ranges As of 31.12.2020</u>	<u>Weighted Average Lost Rate</u>	<u>Gross Carrying Amount</u>	<u>Impairment Loss Allowance</u>
Current	0.34%	488	2
1-30 days past due	1.85%	83	1
30-90 days past due	4.42%	21	1
90-360 days past due	5.96%	49	3
More than 1 year past due	17.18%	29	5
		<u>670</u>	<u>12</u>

The aging of financial assets as of 31 December 2019 are as follows:

<u>Equivalent to External Credit Rating</u>	<u>Weighted Average Lost Rate</u>	<u>Gross Carrying Amount</u>	<u>Impairment Loss Allowance</u>
AA2	0.02%	1,827	-
BA3	0.05%	2,085	1
B2	1.5%	178	3
		<u>4,090</u>	<u>4</u>

<u>Maturity Ranges As of 31.12.2019</u>	<u>Weighted Average Lost Rate</u>	<u>Gross Carrying Amount</u>	<u>Impairment Loss Allowance</u>
Current	0.15%	517	1
1-30 days past due	1.24%	88	1
30-90 days past due	3.42%	34	1
90-360 days past due	5.73%	25	1
More than 1 year past due	40.77%	4	2
		<u>668</u>	<u>6</u>

As of balance sheet date, total amount of cash collateral and letter of guarantee received by Group for past due and not impaired receivable is USD 186 (31 December 2019: USD 117).

As of the balance sheet date, the Group has no guarantee for past due receivables for which provisions were recognized.

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

(b) Financial Risk Factors (cont'd)

b.2) *Impairment*

Provisions for doubtful trade receivables consist of provisions for receivables in legal dispute and provisions calculated based on experiences on uncollectible receivables.

Changes in provisions for doubtful receivables for the years ended 31 December 2020 and 2019 are as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Opening Balance	85	70
Charge for the year	26	23
Collections during the year	(11)	(7)
Ifrs 9 adjustment	6	4
Currency translation adjustment	(7)	(5)
Closing Balance	<u>99</u>	<u>85</u>

b.3) *Liquidity risk management*

The main responsibility for liquidity risk management rests with the Board of Directors. The Board designed an appropriate risk management policy for short, medium and long term funding and liquidity necessities of the Group management. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The tables below demonstrate the maturity distribution of nonderivative financial liabilities and are prepared based on the earliest date on which the Group can be required to pay. The interests that will be paid on the future liabilities are included in the related maturities.

Group manages liquidity risk by keeping under control estimated and actual cash flows and by maintaining adequate funds and borrowing reserves through matching the maturities of financial assets and liabilities.

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

(b) Financial Risk Factors (cont'd)

b.3) *Liquidity risk management (cont'd)*

Liquidity risk table:

31 December 2020

Due date on the contract	Book value	Total cash outflow according to the contract				
		(I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Bank borrowings	5,394	(5,570)	(821)	(1,877)	(2,803)	(69)
Lease liabilities	11,307	(12,140)	(482)	(1,452)	(6,275)	(3,931)
Trade payables	861	(861)	(861)	-	-	-
Other payables	9	(9)	(2)	(7)	-	-
Other financial liabilities	17	(17)	(17)	-	-	-
Total	<u>17,588</u>	<u>(18,597)</u>	<u>(2,183)</u>	<u>(3,336)</u>	<u>(9,078)</u>	<u>(4,000)</u>

31 December 2019

Due date on the contract	Book value	Total cash outflow according to the contract				
		(I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Bank borrowings	3,453	(3,675)	(399)	(1,408)	(1,868)	-
Lease liabilities	9,919	(10,782)	(420)	(1,142)	(5,631)	(3,589)
Trade payables	1,130	(1,130)	(1,130)	-	-	-
Other payables	20	(20)	(3)	(7)	(10)	-
Other financial liabilities	19	(19)	(19)	-	-	-
Total	<u>14,541</u>	<u>(15,626)</u>	<u>(1,971)</u>	<u>(2,557)</u>	<u>(7,509)</u>	<u>(3,589)</u>

31 December 2020

Due date on the contract	Book value	Total cash outflow according to the contract				
		(I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Derivative financial (liabilities) / assets, net						
Derivative cash inflows	2	2	2	-	-	-
Derivative cash outflows	(64)	(64)	(14)	(18)	(16)	(16)
Derivative cash inflows/outflows, net	<u>(62)</u>	<u>(62)</u>	<u>(12)</u>	<u>(18)</u>	<u>(16)</u>	<u>(16)</u>

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

(b) Financial Risk Factors (cont'd)

b.3) Liquidity risk management (cont'd)

31 December 2019

Due date on the contract	Book value	Total cash outflow according to the contract				
		(I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Derivative financial (liabilities) / assets, net						
Derivative cash inflows	52	53	14	36	3	-
Derivative cash outflows	(70)	(70)	(18)	(17)	(13)	(22)
Derivative cash inflows/outflows, net	(18)	(17)	(4)	19	(10)	(22)

b.4) Market risk management

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Market risk exposures of the Group are evaluated using sensitivity analysis. There has been no change in the Group's exposure to market risks or the manner in which it manages and measures the risk.

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

(b) Financial Risk Factors (cont'd)

b.4) Market risk management (cont'd)

b.4.1) Foreign currency risk management

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

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

(*) Net foreign exchange position of Group is mainly due to long term foreign currency borrowings denominated in Euro, Japanese Yen, Swiss Frank to funds its investments. Group uses these long term foreign currency borrowings to manage the risk of exchange differences with highly probable future foreign currency revenues. The USD equivalent of these borrowings amount to USD 7,798 as of 31 December 2020 (31 December 2019: USD 7,385).

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

(b) Financial Risk Factors (cont'd)

b.4) Market risk management (cont'd)

b.4.1) Foreign currency risk management (cont'd)

	31 December 2019					
	USD EQUIVALENT	TL	EUR	JPY	CHF	OTHER
1.Trade Receivables	459	33	108	4	7	307
2a.Monetary Financial Assets	2,239	419	1,724	2	3	91
2b.Non Monetary Financial Assets	-	-	-	-	-	-
3.Other	407	178	101	-	5	123
4.Current Assets (1+2+3)	3,105	630	1,933	6	15	521
5.Trade Receivables	-	-	-	-	-	-
6a.Monetary Financial Assets	272	272	-	-	-	-
6b.Non Monetary Financial Assets	-	-	-	-	-	-
7.Other	505	313	181	-	-	11
8.Non Current Assets (5+6+7)	777	585	181	-	-	11
9.Total Assets (4+8)	3,882	1,215	2,114	6	15	532
10.Trade Payables	799	474	245	-	4	76
11.Financial Liabilities	2,590	14	2,323	232	21	-
12a.Other Liabilities, Monetary	186	139	43	1	-	3
12b.Other Liabilities, Non Monetary	52	52	-	-	-	-
13.Current Liabilities (10+11+12)	3,627	679	2,611	233	25	79
14.Trade Payables	-	-	-	-	-	-
15.Financial Liabilities	7,767	-	5,901	1,727	139	-
16a.Other Liabilities, Monetary	31	23	6	-	-	2
16b.Other Liabilities, Non Monetary	135	135	-	-	-	-
17.Non Current Liabilities (14+15+16)	7,933	158	5,907	1,727	139	2
18.Total Liabilities (13+17)	11,560	837	8,518	1,960	164	81
19.Net asset / liability position of off-balance sheet derivatives (19a-19b)	-	-	-	-	-	-
19a.Off-balance sheet foreign currency derivative assets	-	-	-	-	-	-
19b.Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-	-
20.Net foreign currency asset/(liability) position (9-18+19)	(7,678)	378	(6,404)	(1,954)	(149)	451
21.Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(8,403)	74	(6,686)	(1,954)	(154)	317
22.Fair value of foreign currency hedged financial assets	-	-	-	-	-	-
23.Hedged foreign currency assets	924	-	924	-	-	-
24.Hedged foreign currency liabilities	-	-	-	-	-	-

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

(b) Financial Risk Factors (cont'd)

b.4) Market risk management (cont'd)

b.4.1) Foreign currency risk management (cont'd)

The Group is exposed to foreign exchange risk primarily from TL, EURO, JPY and CHF. The following table details the Group's sensitivity to a 10% increase and decrease in TL, EURO, JPY and CHF. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis include only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss with a same effect on equity. The Group accounted investment loans and aircraft financial liabilities in scope of cash flow hedge accounting and foreign exchange income/expense arising from these loans and liabilities are recognized in equity. 10% increase and decrease effect of foreign exchange rates are calculated with the same method and the calculated foreign exchange gains/losses are presented as hedged portion in the foreign exchange sensitivity table. Furthermore, the hedged portion of foreign exchange gains/losses via forwards and cross currency swap transactions is classified as the amount hedged against USD in the statement of exchange rate sensitivity analysis.

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

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

(b) Financial Risk Factors (cont'd)

b.4) *Market risk management (cont'd)*

b.4.1) *Foreign currency risk management (cont'd)*

	31 December 2019			
	Profit / (Loss)		Equity	
	Before Tax			
	If foreign currency appreciated 10 %	If foreign currency depreciated 10 %	If foreign currency appreciated 10 %	If foreign currency depreciated 10 %
1- TL net asset / liability	38	(38)	-	-
2- Part hedged from TL risk (-)	-	-	-	-
3- TL net effect (1+2)	38	(38)	-	-
4- Euro net asset / liability	59	(59)	(699)	699
5- Part hedged from Euro risk (-)	(92)	92	-	-
6- Euro net effect (4+5)	(33)	33	(699)	699
7- JPY net asset / liability	(101)	101	(94)	94
8- Part hedged from JPY risk (-)	-	-	-	-
9- JPY net effect (7+8)	(101)	101	(94)	94
10- CHF net asset / liability	1	(1)	(16)	16
11- Part hedged from CHF risk (-)	-	-	-	-
12- CHF net effect (10+11)	1	(1)	(16)	16
13- Other foreign currency net asset / liability	45	(45)	-	-
14- Part hedged other foreign currency risk (-)	-	-	-	-
15- Other foreign currency net effect (13+14)	45	(45)	-	-
TOTAL (3 + 6 + 9 + 12 + 15)	(50)	50	(809)	809

b.4.2) *Interest rate risk management*

The Group has been borrowing at both fixed and variable interest rates. Considering the interest conditions of the current borrowings, the majority of the borrowings are at variable interest rates. In addition to this; under the condition that the cost of financing of aircraft purchases are reasonable, the Group has been trying to increase the amount of the fixed interest rate borrowings in order to create a partial balance between the fixed and variable interest rate borrowings. Due to the fact that the variable interest rates of the Group are dependent on Libor and Euribor, exposure to local interest rate is low.

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

(b) Financial Risk Factors (cont'd)

b.4) *Market risk management (cont'd)*

b.4.2) *Interest rate risk management (cont'd)*

Interest Rate Position Table

	31 December 2020	31 December 2019
Instruments with fixed interest rate		
Financial Liabilities	5,519	2,998
Financial Instruments with Variable Interest Rate		
Financial Liabilities	5,788	5,394
Interest Swap Agreements Not Subject to Hedge Accounting (Net)	-	(2)
Interest Swap Agreements Subject to Hedge Accounting (Net)	(32)	(35)

As indicated in Note 36, the Group fixed the interest rate for 2,383 USD of floating-interest-rated financial liabilities via an interest rate swap contracts as of 31 December 2020.

Interest rate sensitivity

The following sensitivity analysis are done considering the interest rate exposure in the reporting date and possible changes on this rate and are fixed during all reporting period. Group management checks out possible effects that may arise when Libor and Euribor rates, which are the basis for variable interest rates, fluctuate 0.5% and reports the effects to the top management.

Assuming that there is a 0.5% increase in Libor and Euribor interest rates and all other variables are kept constant:

Current profit before tax of the Group for the year will decrease by USD 38 (For the year ended 31 December 2019 profit before tax will decrease by USD 38). In contrast, if Libor and Euribor interest rate decrease by 0.5%, profit before tax will increase by the same amounts.

Moreover, as a result of the interest rate swap contracts against cash flow risks, in the event of a 0.5% increase in the Libor and Euribor interest rates, the shareholders' equity of the Group will increase by USD 18, excluding the deferred tax effect. (For the year ended 31 December 2019 the shareholders' equity of the Group will increase by USD 25, excluding the deferred tax effect.) In the event of a 0.5% decrease in the Libor and Euribor interest rates, the shareholders' equity of the Group will decrease by the same amounts, excluding the deferred tax effect.

b.4.3) *Fuel prices sensitivity*

As explained in Note 36, Group has entered into forward fuel purchase contracts in order to hedge cash flow risks arising from fuel purchases. Due to forward fuel purchase contracts subject to hedge accounting, as a result of a 10% increase in fuel prices, the shareholders' equity of the Group will increase by USD 21, excluding the deferred tax effect. (For the year ended 31 December 2019, the shareholders' equity of the Group will increase by USD 76 excluding deferred tax effect.)

In case of a 10% decrease in fuel prices, the shareholders' equity of the Group will decrease by USD 22, excluding the deferred tax effect. (For the year ended 31 December 2019, the shareholders' equity of the Group will decrease by USD 72, excluding deferred tax effect.)

36. FINANCIAL INSTRUMENTS

Fair Values of Financial Instruments

Fair values of financial assets and liabilities are determined as follows:

- Under standard maturities and conditions, fair values of financial assets and liabilities traded in an active market are determined using quoted market prices.
- Fair values of derivative instruments:
 - Fixed-paid/floating received interest swap contracts: Fair value hierarchy is level 2. Valuation is performed by using discounted cash flow technique. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.
 - Forward fuel purchase contracts and fuel collar contracts: Fair value hierarchy is level 2. Valuation is performed by using discounted cash flow technique. Future cash flows are estimated based on forward fuel prices (from observable forward fuel prices at the end of the reporting period) and contract fuel prices, discounted at a rate that reflects the credit risk of various counterparties.
 - Forward currency contracts: Fair value hierarchy is level 2. Valuation is performed by using discounted cash flow technique. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
 - Cross-currency swap contracts: Fair value hierarchy is level 2. Valuation is performed by using discounted cash flow technique. Future cash flows are estimated based on forward interest rates and forward exchange rates (from observable yield curves and forward exchange rates at the end of the reporting period) and contract interest rates and forward exchange rates, discounted at a rate that reflects the credit risk of various counterparties.

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36. FINANCIAL INSTRUMENTS (cont'd)

Fair Values of Financial Instruments (cont'd)

31 December 2020 Balance Sheet	Financial assets at amortized cost	Financial instruments at FVOCI	Financial instruments at FVTPL	Financial instruments FVOCI at cost value	Financial liabilities at amortized cost	Book Value	Note
<u>Financial Assets</u>							
Cash and cash equivalents	1,811	-	-	-	-	1,811	5
Financial investments and derivative financial instruments	-	74	20	1	-	95	6 and 34
Trade receivables	637	-	-	-	-	637	9 and 10
Other receivables	2,301	-	-	-	-	2,301	9 and 12
<u>Financial Liabilities</u>							
Bank borrowings	-	-	-	-	5,394	5,394	7 and 18
Lease liabilities	-	-	-	-	11,307	11,307	7 and 18
Other financial liabilities and derivative financial instruments	-	51	13	-	17	81	8 and 34
Trade payables	-	-	-	-	861	861	9 and 10

36. FINANCIAL INSTRUMENTS (cont'd)

Fair Values of Financial Instruments (cont'd)

31 December 2019 Balance Sheet	Financial assets at amortized cost	Financial instruments at FVOCI	Financial instruments at FVTPL	Financial instruments FVOCI at cost value	Financial liabilities at amortized cost	Book Value	Note
Financial Assets							
Cash and cash equivalents	2,075	-	-	-	-	2,075	5
Financial investments and derivative financial instruments	376	133	32	1	-	542	6 and 34
Trade receivables	540	-	-	-	-	540	9 and 10
Other receivables	2,357	-	-	-	-	2,357	9 and 12
Financial Liabilities							
Bank borrowings	-	-	-	-	3,453	3,453	7 and 18
Lease liabilities	-	-	-	-	9,919	9,919	7 and 18
Other financial liabilities and derivative financial instruments	-	52	18	-	19	89	8 and 34
Trade payables	-	-	-	-	1,130	1,130	9 and 10

36. FINANCIAL INSTRUMENTS (cont'd)

Fair Values of Financial Instruments (cont'd)

Fair values of financial assets and liabilities are determined 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).

Financial assets and liabilities, measured at their fair values are classified as below:

	31 December 2020	Fair value level as of the reporting date		
		Level 1 USD	Level 2 USD	Level 3 USD
Financial assets				
Financial assets on remeasuring FVOCI	74	74	-	-
Financial assets on remeasuring FVTPL	18	18	-	-
Derivative instruments at fair value through profit or loss	2	-	2	-
Total	94	92	2	-
Financial liabilities				
Derivative instruments at fair value through profit or loss	13	-	13	-
Derivative instruments accounted for hedge accounting	51	-	51	-
Total	64	-	64	-

36. FINANCIAL INSTRUMENTS (cont'd)

Fair Values of Financial Instruments (cont'd)

	31 December 2019	Fair value level as of the reporting date		
		Level 1 USD	Level 2 USD	Level 3 USD
Financial assets				
Financial assets on remeasuring FVOCI	98	98	-	-
Financial assets on remeasuring FVTPL	15	15	-	-
Derivative instruments at fair value through profit or loss	17	-	17	-
Derivative instruments accounted for hedge accounting	35	-	35	-
Total	165	113	52	-
Financial liabilities				
Derivative instruments at fair value through profit or loss	18	-	18	-
Derivative instruments accounted for hedge accounting	52	-	52	-
Total	70	-	70	-

Derivative Instruments and Hedging Transactions

The financial risk management strategy of the Group aims to ensure a healthy cash flow and liquidity in the future. For this purpose, derivative financial instruments such as currency forwards, currency options, interest rate swaps, interest rate options, oil options and oil swaps are used to protect against the financial risks arising from the fluctuation of exchange rates, interest rates and jet fuel price.

The floating-rate financial liabilities of the Group are explained in Note 35 b.4.2. In order to keep interest costs at an affordable level, the Group has hedged approximately 48% of floating rate USD, JPY and Euro denominated liabilities arising from financial leasing activities. Effective part of the change in the fair values of those derivative instruments for cash flows risks of floating-rate finance lease liabilities are recognized in other comprehensive income and presented in cash flow hedge reserve under the shareholders' equity, in accordance with hedge accounting.

Within the scope of the financial risk management strategy, the Group started fuel price risk hedging in 2009, in order to manage the cash flow effect that may arise from the fluctuation of the fuel price. Fuel price risk management strategy was updated several times over the years with the experience gained. In accordance with the Group's latest BOD resolution issued on 14 July 2017, hedging transactions are executed for the tenor of at most 24 months and up to 60% of the forecasted fuel consumption of the following month. Also with this resolution, premium paid options have been included to the instrument list for the first time, in addition to formerly used swap and zero-cost option structures. The tenor, ratio and instrument to-be-used are chosen based on the current market conditions and future expectations. As a result of these changes, hedging strategy has become more flexible and accommodative to fuel market conditions. It is aimed to either fix the fuel price or keep it in a restrained range. The effective portion of fair value of fuel hedge contracts for cash flow hedge is recognized in other comprehensive income and presented in cash flow hedge reserve under the shareholders' equity, in accordance with hedge accounting.

36. FINANCIAL INSTRUMENTS (cont'd)

Derivative Instruments and Hedging Transactions (cont'd)

The mismatch between Group's income and expense currencies causes to the exchange rate risk. In order to manage this risk resulted from the fluctuations of the FX market, the Group started to implement exchange rate risk hedging in 2013. Exchange rate risk management strategy of the Group was updated in 2015 and 2018 as a result of the gained experience and the needs. Since the Group is long in EUR and short in USD and TRY, strategy mainly aims to decrease the amount of short position in USD and TRY with the long position in EUR via the derivative instruments. In this context, on EUR/USD currency hedging, it is decided to execute the transactions in at most 24 months and up to 60% of the forecasted short position of the next month by using forward and zero-cost option structures. Likewise, on EUR/TRY maximum tenor and hedge ratio are 18 months and 50%, respectively. Only forwards are used for these transactions. In accordance with the strategy, current market conditions and future expectations are analyzed dynamically, and the hedge tenor, ratio and instrument to be used are determined accordingly. With these transactions, the Company aims to fix the exchange rate at a single level or to keep it within a certain range. The effective portion of fair value of currency hedge contracts for cash flow hedge is recognized in other comprehensive income and presented in cash flow hedge reserve under the shareholders' equity, in accordance with hedge accounting.

As of 2020, financial lease liabilities in Japanese Yen, Swiss Frank and Euro for investment financing are designated as cash flow hedge against exchange rate risk due to highly probable future same foreign currency revenues. Group's revenue denominated in Euro and Swiss Frank covered borrowings of such foreign currency, Japanese Yen revenue covered %47, Euro revenue covered %26, Swiss Frank revenue %21 of borrowings. In this context, exchange differences arising from such these loans repayment are taken to equity and recognized in other comprehensive income.

Group's derivative instruments arising from transactions stated above and their balances as of 31 December 2020 and 2019 are as follows:

Derivative Instruments Stated in Assets and Liabilities

	Positive fair value	Negative fair value	Total
31 December 2020			
Fixed-paid/floating received interest rate swap contracts for hedging against cash flow risks of interest rate	-	(32)	(32)
Forward fuel purchase contracts for hedging against cash flow risk of fuel prices	-	-	-
Collar contracts for hedging against cash flow risk of fuel prices	-	(18)	(18)
Forward currency contracts for hedging purposes	-	(1)	(1)
Fair values of derivative instruments for hedging purposes	-	(51)	(51)
Cross-currency swap contracts not subject to hedge accounting	-	-	-
Interest rate swap contracts not subject to hedge accounting	-	-	-
Forward currency contracts not for hedging purposes	2	(13)	(11)
Fair values of derivative instruments not for hedging purposes	2	(13)	(11)
Total	2	(64)	(62)

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36. FINANCIAL INSTRUMENTS (cont'd)

Derivative Instruments and Hedging Transactions (cont'd)

Group's derivative instruments arising from transactions stated above and their balances as of 31 December 2020 and 2019 are as follows (cont'd):

Derivative Instruments Stated in Assets and Liabilities

	Positive fair value	Negative fair value	Total
31 December 2019			
Fixed-paid/floating received interest rate swap contracts for hedging against cash flow risks of interest rate	-	(35)	(35)
Forward fuel purchase contracts for hedging against cash flow risk of fuel prices	-	-	-
Collar contracts for hedging against cash flow risk of fuel prices	31	(14)	17
Forward currency contracts for hedging purposes	4	(3)	1
Fair values of derivative instruments for hedging purposes	35	(52)	(17)
Cross-currency swap contracts not subject to hedge accounting	16	-	16
Interest rate swap contracts not subject to hedge accounting	1	(3)	(2)
Forward currency contracts not for hedging purposes	-	(15)	(15)
Fair values of derivative instruments not for hedging purposes	17	(18)	(1)
Total	52	(70)	(18)

Derivative Instruments Stated in the Equity

31 December 2020	Hedging against fuel risk	Hedging against interest risk	Hedging against currency risk	Total
Fair values of derivative instruments for hedging purposes	(19)	(32)	(9)	(60)
Inefficient part in the risk elimination of fair value of hedging gains of fuel hedging derivative instrument to financial revenues	6	-	-	6
Inefficient part in the risk elimination of fair value of hedging gains of currency hedging derivative instrument to financial revenues	-	-	(51)	(51)
Total	(13)	(32)	(52)	(97)
Deferred tax	3	6	106	115
Hedge reserve as of 31 December 2020	(10)	(26)	(414)	(450)

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36. FINANCIAL INSTRUMENTS (cont'd)

Derivative Instruments and Hedging Transactions (cont'd)

Group's derivative instruments arising from transactions stated above and their balances as of 31 December 2020 and 2019 are as follows (cont'd):

Derivative Instruments Stated in the Equity

31 December 2019	Hedging against fuel risk	Hedging against interest risk	Hedging against currency risk	Total
Fair values of derivative instruments for hedging purposes	17	(35)	4	(14)
The amount of financial expenses inside hedge funds	-	1	-	1
Inefficient part in the risk elimination of fair value of hedging gains of fuel hedging derivative instrument to financial revenues	(7)	-	-	(7)
Inefficient part in the risk elimination of fair value of hedging gains of currency hedging derivative instrument to financial revenues	-	-	234	234
Total	10	(34)	238	214
Deferred tax	(2)	7	(48)	(43)
Hedge reserve as of 31 December 2019	8	(27)	190	171

37. EVENTS AFTER THE BALANCE SHEET DATE

None.



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