

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



WIDEN YOUR WORLD



1 JANUARY – 31 MARCH 2023

BOARD's ACTIVITY REPORT

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**BOARD ACTIVITY REPORT
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Despite the challenging operating environment in 2022, Turkish Airlines continued its operations without interruption, thanks to its operational agility and highly qualified workforce, which it protected during the pandemic. In the first quarter of 2023, our Incorporation continued its growth by carrying 17 million passengers, surpassing the number of passengers in the same period in 2019. While global international airline capacity in the first quarter of 2023 was 19% below that of 2019 according to data published by airline data provider OAG, Turkish Airlines was among one of the few airlines in the industry by exceeding its 2019 international capacity by 26%. As Europe's leading network carrier in terms of daily number of flights operated for the last three years according to The European Organization for the Safety of Air Navigation (EUROCONTROL), Turkish Airlines also achieved a notable growth on a global scale by becoming the network carrier offering more international frequency than any other.

Turkish Airlines began working in the earthquake-stricken region with the sense of responsibility of being the national flag carrier of Türkiye, to overcome the effects of the largest earthquake disaster in our country's history. Passenger and cargo flights were carried out free of charge to deliver search and rescue teams and equipment from domestic and foreign countries and the required aid materials from all over the world to the region, starting with the evacuation of people in the region. Between February 6 and March 31, 2023, 433,000 of our citizens, search and rescue teams, and aid teams were transported to the region, and the evacuation of 430,000 of our citizens was carried out, and 29,000 tons of aid materials were sent to the disaster areas. In addition to a cash donation of 2 billion TL for use in the needs arising from the region, preparations have been started in coordination with our country's authorized institutions and organizations for the Turkish Airlines residential area project of 1,000 houses to be established in the region. Furthermore, our company has initiated a project to provide employment for 1,000 personnel from 1,000 families impacted by the earthquakes. We are committed to continuing our efforts towards the reconstruction and development of the earthquake-stricken provinces, and to support the recovery process of affected citizens by working tirelessly towards this goal.

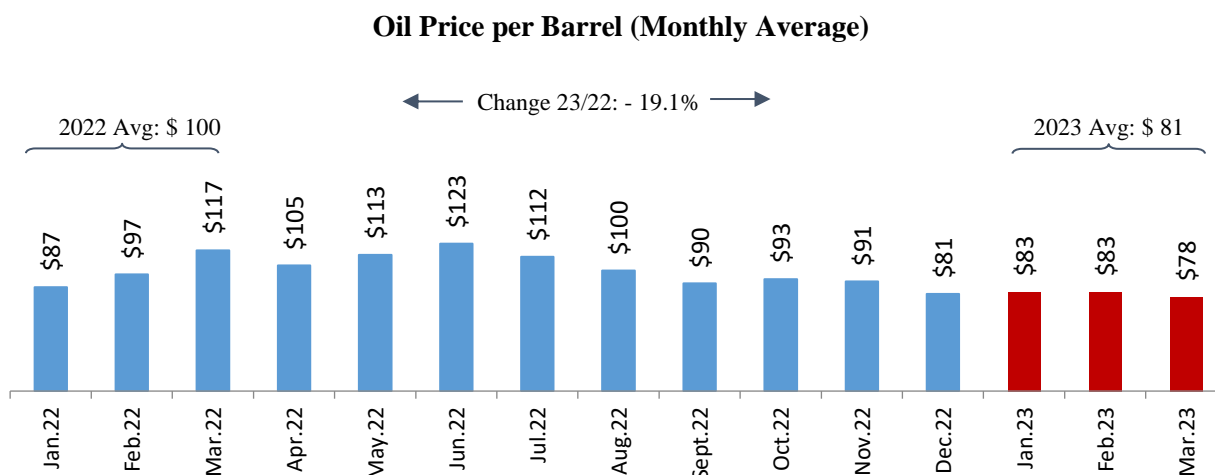
Turkish Airlines, in the first quarter, announced its strategic goals pertaining to the year of 2033 considering as a road map in order to sustain its growth after the pandemic. Within the scope of this vision, Our Incorporation aims to generate significant value for all stakeholders and continue leading the aviation sector by targeting excellent passenger experience, digitalization, and sustainability, while doubling its aircraft and passenger numbers. The strategy involves increasing the number of aircraft to 800, doubling the number of passengers carried in 2022, and generating 2.8 times the revenue of 2022.

Through SMARTIST, our mega cargo center located in one of the world's largest hubs, and Turkish Airlines' extensive flight network, Turkish Cargo aims to enhance its position as one of the top air cargo carriers globally. The strategic focus areas involve creating a logistic ecosystem with airline partnerships, product and technology investment projects, and expanding its business network beyond current market limits.

In line with the 2033 strategy, Turkish Airlines aims to rank among the top three airlines globally in providing the best digital experience and to provide customized service to passengers on all channels. Sustainability is a crucial aspect of our growth, and our Incorporation aims to decrease fuel consumption by increasing the number of new-generation aircraft in its fleet and pay sufficient attention to environmental resources. Our Incorporation is also taking firm steps towards becoming a "carbon-neutral" airline by 2050, increasing the number of frequencies and destinations served with Sustainable Aviation Fuel (SAF).

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The price development of fuel, which is the largest cost item in the aviation industry, is given in the table below.



Source: U.S. Energy Information Administration

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

FUEL PRICE ANALYSIS	2019	2020	2021	2022	1Q'22	1Q'23
Fuel Expenses (Million \$)	3,873	1,638	2,756	6,467	957	1,477
Fuel Consumption (000 Tons)	5,525	2,803	4,156	5,653	1,114	1,407
Average Unit Cost (\$/Tons)	701	584	663	1,144	859	1,050
Average Change of Unit Cost (%)	-2%	-17%	13%	73%	-25%	22%
Fuel Expense Share in Operational Expenses (%)	31%	23%	29%	41%	33%	35%

2. FIELD OF ACTIVITY, CAPITAL STRUCTURE AND SUBSIDIARIES

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

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

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

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

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

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

The Group has 7 subsidiaries as of March 31, 2023. The table below sets out the consolidated subsidiaries and participation rates of the Group in these:

<u>Name of the Company</u>	<u>Field of Activity</u>	<u>Direct Participation Rate</u>	<u>Country of Registration</u>
Turkish Technic Inc.	Aircraft Maintenance Service	100%	Türkiye
Flight Training and Airport Operations Inc.	Flight Training and Airport Operations	100%	Türkiye
Turkish Airlines International Investment and Transport Inc.	Transportation and Investment	100%	Türkiye
Turkish Airlines Technology Inc.	Information and Technology	100%	Türkiye
THY Air Cargo Transport Inc.	Cargo Transportation	100%	Türkiye
Turkish Cabin Interior Systems Inc.	Cabin Interior Products	80%	Türkiye
Turkish Support Services Inc.	Support Services	100%	Türkiye

Turkish Technic Inc.

Turkish Technic was established in 2006 as a 100%-owned subsidiary of Turkish Airlines, and merged with Turkish Airlines HABOM Inc. in June 2015. As of March 31, 2023, with 9,137 employees and various affiliate

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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, Turkish Technic opened the first maintenance hangars of the MRO complex in October 2020. The facilities were designed in June 2021 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. In order to increase the number of foreign airlines it serves and its market share, Turkish Technic continues its activities in its hangars located at 5 different airports in Ankara, Aydın and Istanbul (Atatürk, Istanbul and Sabiha Gökçen Airports).

Turkish Flight Training and Airport Operations Inc. The Company was established on June 21, 2012 as a wholly owned subsidiary of Turkish Airlines. Yet to commence operations, it was established to operate Aydın Çıldır Airport, provide aviation training, organize sports-training flights and conduct all activities related to the transportation of passengers with aircraft appropriate to prevailing runway length. The airport is used as a base for Turkish Airlines Flight Academy and since the first half of 2013 provides flight training for Turkish Airlines pilot nominees. As of March 31, 2023, the Company has 115 employees.

Turkish Airlines International Investment and Transport Inc.

The Company, which is wholly owned by the Incorporation, was established on September 25, 2018 in order to invest at abroad and domestically, principally in the fields of cargo and courier transportation and in the fields that are specified in the Articles of Association of the Company. The Company represents Turkish Airlines group as a 45% partner of We World Express, which was established in 2019.

Turkish Airlines Technology Inc.

The Company was established on December 8, 2020 as a wholly owned subsidiary of Turkish Airlines in order to increase our contribution to the Turkish Aviation ecosystem, by utilizing the existing information technologies human resource more effectively and positioning the existing information technologies applications of our Incorporation as an income generating business line. As of March 31, 2023, the Company has 1,217 employees.

THY Air Cargo Transport Inc.

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

Turkish Cabin Interior Systems Inc.

TSI Aviation Seats Inc. ("TSI") and Cornea Aviation Systems Industry and Commerce Inc. ("Cornea"), which were established for the design, production, marketing and sale of cabin interior products, merged with and into the Turkish Cabin Interior Systems Inc. ("TCI") on 15.02.2023. After merger transaction, the company's shareholding structure is 59.25% Turkish Airlines, 20.84% Turkish Technic, 17% TUSAŞ and 2.91% Havelsan. As of March 31, 2023, the Company has 363 employees.

Turkish Support Services Inc.

The Company was established on 6 March 2023 as a wholly owned subsidiary of Turkish Airlines in order to meet the support service needs of our Incorporation's and subsidiaries' out of core business activities, including but not limited to cleaning, safety, facility management, financial affairs, flight and ground handling services, and operational and organizational services.

Turkish Airlines Inc. has 10 joint ventures. The affiliates are controlled by the Group jointly, and are accounted for by using the equity method.

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The table below sets out consolidated joint ventures and indicates the proportion of ownership interest of the Incorporation in these joint ventures as of March 31, 2023:

Company Name	Country Registration and Operations	of and Proportion of Ownership	Field of Activity
Sun Express Aviation Inc.	Türkiye	50%	Aircraft Transportation
Turkish Do&Co Catering Services Inc.	Türkiye	50%	Catering Services
Pratt&Whitney Turkish Engine Center Co. Ltd.	Türkiye	49%	Maintenance Services
Turkish Ground Services Inc.	Türkiye	50%	Ground Services
Turkish Opet Aviation Fuels Inc.	Türkiye	50%	Aviation Fuel Services
Goodrich Turkish Technic Service Center Co. Ltd.	Türkiye	40%	Maintenance Services
Tax Refund and Intermediation Inc.	Türkiye	30%	VAT Return and Consultancy
Air Albania SHPK	Albania	49%	Aircraft Transportation
We World Express Limited	Hong Kong	45%	Cargo and Courier Transportation
Turkish Fuel Services	Türkiye	25%	Fuel Supply Facilities

SunExpress Aviation Inc.

SunExpress, which was established in 1989 in Antalya with a 50%-50% partnership of Turkish Airlines & Lufthansa, continues its tourism transportation activities as the market leader in flights between Türkiye and Central Europe. SunExpress operated its first flight in 1990, served in the charter market for many years and became the first private airline in Türkiye to operate scheduled international flights between Antalya and Frankfurt that launched in 2001. SunExpress connects 79 destinations including 25 in Türkiye with scheduled and charter flights. SunExpress, which has been serving with a double hub model with Antalya and İzmir, is the airline that connects these two cities to the most destinations with direct and scheduled flights both on domestic and international lines. As the end of first quarter, SunExpress operated 61 Aircraft and 155 lines in 30 countries with 3,529 employees.

Turkish Do&Co Catering Services Inc.

Founded in September 2006, commencing operations in January 1, 2007, Turkish DO&CO is a joint venture of Turkish Airlines and DO&CO Restaurants & Catering AG (Austria based company), in which each holds a 50% stake. The Company provides inflight catering services to Turkish Airlines and other domestic and international airlines. As of March 31, 2023, 5,202 employees are working for the Company.

Turkish Ground Services Inc.

The Company was established in August 26, 2008 as a wholly owned subsidiary of Turkish Airlines, in order to provide ground-handling services. By signing the articles of association in the framework of the Board Decision

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dated on March 12, 2009, 50% of the shares were transferred to HAVAŞ Havaalanları Yer Hizmetleri A.Ş. On January 1, 2010, the Company began to provide services to Turkish Airlines. TGS has delivered services to more than 200 airlines, Turkish Airlines and SunExpress in particular at 10 airports as of March 2023. TGS is employing 16,199 personnel as of March 31, 2023.

Turkish Opet Aviation Fuels Inc.

Turkish Opet Aviation Fuels, established in September 28, 2009, engages in the domestic and international sale, importation, exportation, distribution, and transport of various petroleum products, chemicals, lubricants, and paints for all kinds of aircraft. The Company commenced operations on July 1, 2010. Kuzey Tankercilik A.Ş. and Güney Tankercilik A.Ş., were established on November 1, 2012, as wholly owned subsidiaries of THY Opet Havacılık Yakıtları A.Ş. in order to provide transportation of petroleum and petroleum products. Turkish OPET besides providing “into plane” services with its experienced staff at Istanbul Airport provides storage and aircraft fuel supply services at Sabiha Gökçen Airport as well as operating at Anatolian airports. As of March 31, 2023, the Company has 486 employees.

Pratt&Whitney Turkish Engine Center Co. Ltd.

The Company provides aircraft engine maintenance, repair, and overhaul services to customers in Türkiye and its hinterland. Established on October 10, 2008, stakes of %51 and %49 are held respectively by Pratt&Whitney, a subsidiary of United Technologies, and Turkish Technic. Operating out of a maintenance center with an area of around 25,000 m² at Istanbul Sabiha Gökçen International Airport, the Company has 476 employees as of March 31, 2023.

Goodrich Turkish Technic Service Center Co. Ltd.

Established in December 14, 2010, the Goodrich Turkish Airlines Technical Service Center is a joint venture of Turkish Technic (40%) and Collins Aerospace (60%). Services for maintenance and repair of aircraft engine nacelles and thrust reversers are provided. As of March 31, 2023, the Company has 73 employees.

Tax Refund and Intermediation Inc.

The Company was established on September 1, 2014 as a joint venture of THY (30%), Maslak Oto (45%) and VK Holding (25%) to carry out brokerage operations of value added tax return regarding the goods bought in Türkiye by non-residents. As of March 31, 2023, 14 employees are working for the Company.

Air Albania SHPK

The Incorporation established a Republic of Albanian based Joint Venture Company, in order to operate in the field of passenger and cargo transportation. Established on September 12, 2018, the stakes of 49%, 41% and 10% are being held respectively by Turkish Airlines, MDN Investment SHPK, and Albcontrol, which manages Albanian airspace and air traffic, representing Government of Albania. As of March 31, 2023, 144 employees are working for the Company.

We World Express Limited

We World Express Limited is a Hong Kong headquartered joint venture company founded in January 2019. Commenced 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. As of March 31, 2023, 47 employees are working for the Company.

Turkish Fuel Services Inc.

The Company was established in order to operate fuel supply facilities within the scope of fuel activities carried out at Istanbul Airport. Turkish Airlines became a 25% shareholder through capital increase. Other partners are

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Taya Liman İşletmesi A.Ş., Demirören Akaryakıt Sanayi ve Ticaret A.Ş. and Zirve Holding A.Ş. All joint venture companies have same proportion of share. As of March 31, 2023, 114 employees are working for the Company.

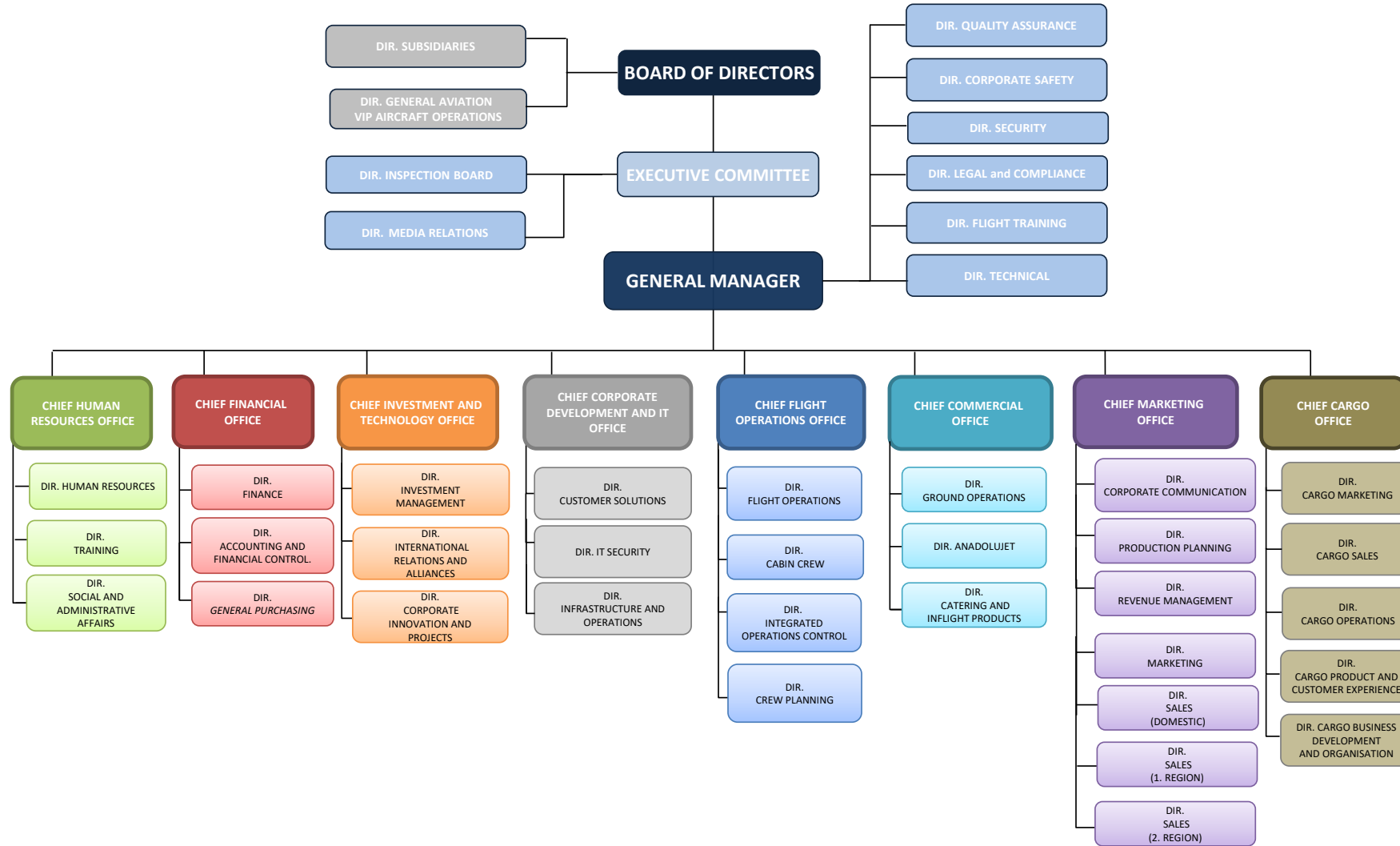
The Incorporation is responsible for the full and joint control over subsidiaries and affiliates through Board of Directors. In addition, operations of subsidiaries and affiliates are monitored by Senior Vice President of Subsidiaries located within the means of the Parent Company. The internal audit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

3. ORGANIZATIONAL STRUCTURE

As of 31 March 2023, Turkish Airlines flies to 129 countries.

General Management and all central units are gathered around Istanbul Ataturk Airport. Organization chart of Turkish Airlines, as of 31 March 2023 is shown on the next page.

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4. BOARD OF DIRECTORS AND COMMITTEES

BOARD OF DIRECTORS

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

Members of the Board who were on duty and committees as of 31 March 2023 are listed below:

Prof. Dr. Ahmet BOLAT	: Chairman of the Board and the Executive Committee
Prof. Dr. Mecit EŞ	: Deputy Chairman of the Board and the Executive Committee
Bilal EKŞİ	: Member of the Board and General Manager
Assoc. Prof. Murat ŞEKER	: Member of the Board and the Executive Committee/ Chief Financial Officer
Mehmet KADAİFÇİLER	: Member of the Board and the Executive Committee/ Chief Flight Operations Officer
Dr. Orhan BİRDAL	: Member of the Board
Dr. Melih Şükrü ECERTAŞ	: Independent Board Member
Dr. Fatmanur ALTUN	: Independent Board Member
Şekib AVDAGİÇ	: Independent Board Member and Member of the Executive Committee

COMMITTEES

Audit Committee

Chairman: Şekib Avdagiç

Member: Dr. Melih Şükrü Ecertaş

Corporate Governance Committee

Chairman: Dr. Fatmanur Altun

Member: Dr. Orhan Birdal, Mehmet Kadaifçiler, Mehmet Fatih Korkmaz (Investor Relations Manager)

Early Identification of Risks Committee

Chairman: Dr. Melih Şükrü Ecertaş

Member: Şekib Avdagiç

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

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5. SENIOR MANAGEMENT

Information about the Senior Management of the Incorporation are presented below (as of 31 March 2023):

Name	Title	Starting Date of Position	Profession
Bilal Ekşi	General Manager	24.10.2016	Electronics and Communications Engineer
Assoc. Prof. Murat Şeker	Chief Financial Officer	26.07.2016	Economist
Ahmet Olmuştur	Chief Marketing Officer	30.04.2014	Business Management Professional
Kerem Sarp	Chief Commercial Officer	28.01.2022	Business Management Professional
Levent Konukcu	Chief Investment and Technology Officer	28.01.2022	Aeronautical Engineer
Abdulkerim Çay	Chief Human Resources Officer	21.04.2015	Business Management Professional
Dr. Kerem Kızıltunç	Chief Corporate Development and IT Officer	17.02.2022	Computer Engineer
Mehmet Kadaifçiler	Chief Flight Operations Officer	28.01.2022	Pilot
Turhan Özen	Chief Cargo Officer	12.12.2016	Business Management Professional

6. HUMAN RESOURCES

Number of personnel increased by 12% to 30,772 as of March 2023 from 27,540 as of March 2022. Personnel numbers according to working group are as follows:

	31.12.2022	31.03.2022	31.03.2023	Change (%)
Cockpit Personnel	5,784	5,541	6,056	9%
Cabin Personnel	13,222	12,082	14,091	17%
Aircraft Maintenance Tech.	55	56	55	-2%
Staff Abroad	3,293	3,184	3,300	4%
Domestic Staff	7,166	6,677	7,270	9%
TOTAL	29,520	27,540	30,772	12%

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In accordance with the Capital Market Board's Communique II-22.1 on Share Buy-backs and the related announcement dated 14.02.2023, in order to contribute to the fair price formation of our share, our Board of Directors decided to;

- Launch a Share Buy-back program covering 3 calendar years,
- Allocate a maximum of 9,000,000,000 TRY for share buy-backs from our cash portfolio, while limiting the number of shares that may be subject to buy-back be at most 5% of the issued share capital,
- Inform the shareholders about buy-back transactions in the first upcoming General Assembly.

Within the scope of the share buy-back program, THYAO shares with 2,232,800 TRY nominal value were bought back by our Incorporation as of 31.03.2023. Repurchased shares represent 0.161797% of the Incorporation's capital, following the transaction.

Sale of our Incorporation's shares in Vergi İade Aracılık A.Ş.

In line with the long-term strategic goals of the Incorporation, our Board of Directors decided to sell Incorporation's 30.00% ownership in our subsidiary, Vergi İade Aracılık A.Ş, which operates outside the core business activities of the Incorporation.

Establishment of THY Destek Hizmetleri A.Ş.

Our Board of Directors decided to establish "THY Destek Hizmetleri A.Ş." as a 100% Turkish Airlines subsidiary in order to meet support service needs out of our Incorporation and subsidiaries core business activities, such as cleaning, safety, facility management, financial affairs, flight and ground handling services, operational and organizational services. The procedures regarding the establishment of "THY Destek Hizmetleri A.Ş." were completed as of 06.03.2023 upon the registration by Istanbul Trade Registry Office.

Dividend Payment

The Profit Distribution Table regarding FY2022 was disclosed in Public Disclosure Platform. The table is available on our Investor Relations Web Site.

Related Party Transactions

The conclusion section of the "Common and Continuous Related Party Transactions Report" prepared by the Board of Directors as per Article 10 of the Capital Markets Board's Communique No. II-17.1 on Corporate Governance is provided below.

Due to the fact that the rate of the amount of common and continuous fuel supply / purchasing transactions executed between Turkish Airlines and TFS Akaryakıt Hizmetleri A.Ş. exceeded 10%, compared to the cost of sales in 2022 financial statements disclosed to public; it is foreseen that transactions with similar features are expected to continue in compliance with the determined principles in 2023 as well. These transactions mentioned

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in the aforementioned report are considered to be made consistent with the transactions of previous years and at-arm's length when compared with market conditions.

Announcement Regarding the Donation for the Earthquake Relief

Our Incorporation has been conducting its operations in close coordination with our country's authorized institutions in order to alleviate the impact of social and economic consequences of the consecutive earthquakes which took place in Kahramanmaraş on February 6, 2023 that caused a huge devastation and loss of lives. In this respect, our Board of Directors decided to make the following donations within the scope of relief efforts in the affected area:

- 1- Operating free of charge passenger and cargo flights to/from the earthquake-affected region to transport national and international search and rescue teams, equipment and emergency aid supplies,
- 2- Bearing the cost of evacuation flights and all the external resource costs related to these flights,
- 3- 2 billion Turkish Liras in cash to Ministry of Interior Disaster and Emergency Management Presidency ("AFAD"),
- 4- Pursuing all necessary work and procedures for the construction of 1,000 homes to be built in the earthquake-affected region in coordination with the Ministry of Environment, Urbanization and Climate Change, AFAD and other authorized institutions in our country,
- 5- In-kind and cash donations in this period.

Merger of Our Subsidiaries TSI, TCI and Cornea

As per our announcement on Public Disclosure Platform on 04.11.2022 regarding the merger of our subsidiaries established for the design, production, marketing, and sales of cabin interior products, Uçak Koltuk Üretim Sanayi ve Ticaret A.Ş. ("TSI") and Cornea Havacılık Sistemleri Sanayi ve Ticaret A.Ş. ("Cornea") were dissolved without liquidation in accordance with the 136th and other relevant provisions of the Turkish Commercial Code, and the procedures for TCI Kabin İçi Sistemleri Sanayi ve Ticaret A.Ş. ("TCI") to take over TSI and Cornea with all its assets and liabilities are completed.

Upon completion of the merger, TCI's paid-in capital increased from 94,000,000 TRY to 172,268,000 TRY through the takeover of TSI and Cornea. The shareholding structure following the merger is as follows;

Shareholding Structure	Share (%)
Türk Hava Yolları A.O.	59.25 %
Türk Hava Yolları Teknik A.Ş.	20.84 %
TUSAŞ -Türk Havacılık ve Uzay Sanayii A.Ş.	17.00%
HAVELSAN Hava Elektronik Sanayi ve Ticaret A.Ş.	2.91%
Total	100%

According to this post-merger shareholding structure, TCI, which was previously consolidated using the Equity method, will be fully consolidated in our financial statements in the following periods.

The merger has been registered with the Istanbul Trade Registry Office on 15.02.2023.

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Due to our stronger than expected performance The International Credit Rating Agency Fitch raised our Incorporations Long-Term Foreign and Local-Currency Issuer Default Ratings (IDR) to 'B+' from 'B', one-notch above Türkiye's sovereign rating. The outlook is also affirmed as negative.

Fitch has also affirmed BB- rating on our USD-denominated Enhanced Equipment Trust Certificate (EETC) issued in 2015.

Amendments to the 27th Term Collective Bargaining Agreement

Our Incorporation and Hava-Is Union have mutually agreed on the improvements related to the wage and social welfare contribution sections of the 27th Term Collective Bargaining Agreement, which covers the period between 1 January 2022 and 31 December 2023.

Accordingly, the wage increase for the first half of 2023 will be 4.6% plus the Consumer Price Index change between June 2022 and December 2022 which was published by the Turkish Statistical Institute.

II. Subsequent Events**New Scheduled Flights**

Our Incorporation started operating scheduled flights to Krakow of Poland.

Disclosure Regarding Share Buy-Back Program

Within the scope of the share buy-back program, THYAO shares with 803,000 TRY nominal value were bought back by our Incorporation between 01.04.2023-02.05.2023. Repurchased shares represent 0.058189% of the Incorporation's capital, following the transaction.

Initiation of a New Residential Project

Our Board of Directors approved the initiation of a new residential project on a land equally owned by Turkish Airlines and Emlak Konut Real Estate Investment Company. The land has an area of 3.6 million square meters and located in the Dursunköy neighborhood of Arnavutköy, Istanbul.

The project will feature a total of 14,000 houses to be built in stages and the sales process will be managed by Emlak Konut Real Estate Investment Company. At least 3,000 of the houses will be sold to the employees of Turkish Airlines and its subsidiaries. Our Incorporation will determine the allocation of these houses through a lottery process.

Turkish Airline's Strategy and Targets for 2023-2033 Period

Growing significantly higher than the industry average over the last 20 years while having significant contributions to Türkiye's economy and labor market, Turkish Airlines is pleased to announce its strategic targets pertaining to the 100th year of its establishment.

Determined in line with our vision for 2033, the strategic focus areas that aim to generate significant value for our stakeholders are as follows:

- Achieving consolidated revenue of over 50 billion USD by 2033,
 - Attaining an EBITDAR margin between 20% and 25% during 2023-2033,
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- Improving efficiency, maintaining cost discipline and creating new opportunities to generate additional revenues in order to sustain our strong financial performance,
- Contributing 140 billion USD of added value to Türkiye's economy by 2033,
- Expanding our fleet to 435 aircraft by 2023 and to over 800 aircraft by 2033; growing our passenger network to 400 destinations,
- Doubling the passenger capacity in 2023 by 2033 with an annual average growth rate of 7%,
- Servicing 170 million passengers by 2033 compared to over 85 million in 2023,
- Reaching 150 thousand employees including our subsidiaries,
- Doubling the transported cargo volume and positioning Turkish Cargo among the top three cargo carriers globally by 2033; leveraging the capabilities of our cargo hub, SmartIST, which is one of the largest air cargo terminals in the world,
- Establishing our low-cost arm AnadoluJet as a separate subsidiary; repositioning its brand, restructuring its revenue and cost structures, and reaching a fleet size of 200 new generation aircraft to strengthen its competitive positioning,
- Improving customer experience and brand recognition by:
 - Providing each passenger, a customized service across all service channels
 - Completing cabin transformation to enhance in-flight experience
 - Growing Miles & Smiles loyalty program further and increasing the number of active members
 - Ranking among the top 3 airlines globally in providing the best digital experience by implementing new projects in digital transformation
- To become a sustainable airline by:
 - Increasing the number of new generation aircraft in the fleet
 - Increasing the consumption of sustainable aviation fuel
 - Expanding the number of LEED certified buildings to boost renewable energy usage
 - Becoming a "Carbon Neutral" airline by 2050 through the implementation of carbon emission offsetting projects.

Together with its subsidiaries, employing more than 75,000 people, Turkish Airlines will continue to proudly fly Türkiye's national flag in the coming 10 years with its unique network, modern fleet and remarkable financial performance.

S&P Credit Rating Update

International Credit Agency Standart & Poor's (S&P) affirmed long-term issuer credit rating of Turkish Airlines as "B" and revised the outlook as negative.

S&P has also affirmed 'B' rating on our USD-denominated Enhanced Equipment Trust Certificate (EETC) issued in 2015.

8. TRAFFIC RESULTS

January – March 2023 period traffic results are shown below:

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	TOTAL		
	2022	2023	Change (%)
Number of Landing (Passenger Flights)	87,374	110,693	26.7%
Available Seat Km ('000)	38,838,038	51,758,165	33.3%
Revenue Passenger Km ('000)	27,273,902	42,069,480	54.2%
Passenger Load Factor (%)	70.2%	81.3%	11.1 pt
Passengers Carried	12,664,585	17,053,948	34.7%
Int-to-Int Transfer Passengers Carried	3,994,569	6,848,451	71.4%
Cargo and Mail (Tons)	382,374	352,962	-7.7%
Fleet	373	411	10.2%
Seat Capacity	75,459	83,344	10.4%
Number of Destinations (City)	329	337	2.4%
Km Flown ('000)	186,919	236,019	26.3%
Hours Flown	290,332	376,363	29.6%

	DOMESTIC		
	2022	2023	Change (%)
Number of Landing (Passenger Flights)	35,779	41,877	17.0%
Available Seat Km ('000)	4,149,443	4,969,440	19.8%
Revenue Passenger Km ('000)	3,470,851	3,981,525	14.7%
Passenger Load Factor (%)	83.6%	80.1%	-3.5 pt
Passengers Carried	5,105,200	5,765,773	12.9%
Cargo and Mail (Tons)	14,198	12,616	-11.1%
Km Flown ('000)	24,115	28,415	17.8%

	INTERNATIONAL		
	2022	2023	Change (%)
Number of Landing (Passenger Flights)	51,595	68,816	33.4%
Available Seat Km ('000)	34,688,594	46,788,724	34.9%
Revenue Passenger Km ('000)	23,803,051	38,087,955	60.0%
Passenger Load Factor (%)	68.6%	81.4%	12.8 pt
Passengers Carried	7,559,385	11,288,175	49.3%
Excl. Int-to-Int Transfer Passenger	3,564,816	4,439,724	24.5%
Cargo and Mail (Tons)	368,175	340,347	-7.6%
Km Flown ('000)	162,804	207,604	27.5%

Please note that above data do not include free of charge flights operated between February 6 and March 31 within the scope of relief efforts related to the earthquakes centered in Kahramanmaraş. During February, our Incorporation carried 433 thousand search&rescue teams and citizens to the region, evacuated 430 thousand citizens from the region and transported 29 thousand tons of aid materials to the affected area.

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I. Scheduled Domestic Flights:

During January – March 2023, the Incorporation did not start operating any scheduled flight with TK main brand to new domestic destinations.

II. Scheduled International Flights:

During January - March 2023, the Incorporation did not start operating any scheduled flights with TK main brand to new international destinations.

III. Additional, Charter and Hajj-Umrah Flights

During January – March 2023, number of additional, charter and Hajj-Umrah flights with TK main brand and number of passengers carried on these flights are stated on the table below:

	Number of Flights			Number of Passengers		
	1Q'22	1Q'23	Change (%)	1Q'22	1Q'23	Change (%)
Additional	884	990	12%	77,648	78,701	1%
Charter	430	665	55%	79,738	122,840	54%
Hajj-Umrah	-	2,035	-	-	273,574	-

IV. AnadoluJet Flights:

Scheduled and Additional Flights	1Q'22	1Q'23	Change (%)
Number of Passenger (000)	3,298	4,096	24%
Available Seats*Km (Millions)	4,257	5,235	23%
Passenger Load Factor (%)	76.7%	78.6%	1.9 pt.

- By the end of March 2023, AnadoluJet operated with 77 aircraft.
- During the period of January – March 2023, AnadoluJet flies to a total of 129 routes compared to a total of 134 routes in the same period of 2022.
- Number of passenger breakdown as domestic and international are 70% and 30% respectively.
- In the quarter of 2023, the load factor was 78.6%.

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9. FLEET

31.03.2023	Type	Total	Owned	Financial Lease	Opr./Wet Lease	Seat Capacity ('000)	Average Fleet Age
Wide Body	A330-200	13	5		8	3,5	15,1
	A330-300	37	6	23	8	10,8	9,2
	B777-3ER	33	9	18	6	11,7	9,4
	A350-900	12		12		3,9	1,3
	B787-9	16		16		4,8	3,0
	Total	111	20	69	22	34,7	8,2
Narrow Body	B737-900ER	15		15		2,4	9,8
	B737-9 MAX	5		5		0,8	2,1
	B737-800	81	33	24	24	13,8	12,6
	B737-8 MAX	27		20	7	4,3	2,5
	A321 NEO	48		31	17	9,1	2,1
	A320 NEO	4			4	0,7	0,4
	A319-100	6	2	4		0,8	11,9
	A320-200	11	11			1,7	15,0
	A321-200	65	30	31	4	11,9	10,6
	A320-200 WL	5			5	0,9	14,1
	A321-200 WL	6			6	1,3	15,0
	B737-800 WL	5	3		2	0,9	17,3
	Total	278	79	130	69	48,7	9,1
Cargo	A330-200F	10	2	8			9,4
	B777F	8		8			4,2
	Wet Lease	4			4		30,8
	Total	22	2	16	4		11,4
Grand Total	411	101	215	95	83,3	9,0	

10. FINANCIAL SITUATION**SUMMARY OF BALANCE SHEET (Mn TRY)**

	31 March 2023	31 December 2022
<u>ASSETS</u>		
Current Assets	151,513	135,095
Non-Current Assets	462,743	443,476
Total Assets	614,256	578,571
<u>LIABILITIES</u>		
Total Current Liabilities	173,346	154,040
Total Non-Current Liabilities	249,603	243,104
Total Equity	191,307	181,427
Total Liabilities and Equity	614,256	578,571
Debt to Assets Ratio	0.69	0.69
Equity Ratio	0.31	0.31

BOARD ACTIVITY REPORT
PURSUANT TO THE COMMNIQUE SERIAL II. NO.14.1
SUMMARY OF INCOME STATEMENT (Mn TRY)

	1 Jan. – 31 Mar. 2023	1 Jan. – 31 Mar. 2022
Sales Revenue	82,057	42,614
Gross Profit	12,218	7,188
Operating Profit Before Investment Activities	2,151	2,294
Profit/Loss Before Tax	5,218	1,654
Profit/Loss for the Period	4,415	2,220
Earnings Per Share (Kr)	3.20	1.61

SUMMARY OF BALANCE SHEET (Mn USD)

	31 March 2023	31 December 2022
<u>ASSETS</u>		
Current Assets	7,911	7,225
Non-Current Assets	24,158	23,719
Total Assets	32,069	30,944
<u>LIABILITIES</u>		
Total Current Liabilities	9,035	8,224
Total Non-Current Liabilities	13,009	12,978
Total Equity	10,025	9,742
Total Liabilities and Equity	32,069	30,944
Debt to Assets Ratio	0.69	0.69
Equity Ratio	0.31	0.31

SUMMARY OF INCOME STATEMENT (Mn USD)

	1 Jan. – 31 Mar. 2023	1 Jan. – 31 Mar. 2022
Sales Revenue	4,353	3,051
Gross Profit	648	512
Operating Profit/Loss Before Investment Activities	114	163
Profit/Loss Before Tax	276	120
Profit/Loss for the Period	233	161
Earnings Per Share (USc)	0.17	0.12
EBITDAR	769	710
EBITDA	648	641
EBIT	151	194
EBITDAR Margin	17.7%	23.3%
EBITDA Margin	14.9%	21.0%

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EBIT Margin	3.5%	6.4%
Operating Profit Margin	2.6%	5.3%
Net Profit Margin	5.4%	5.3%

11. INVESTMENTS, INCENTIVES AND INVESTMENT POLICIES

By the end of March 2023, our operations have been carried out by 111 double-aisle passenger aircraft, 278 single-aisle passenger aircraft and 22 cargo aircraft. Double-aisle aircraft constitute about 27% of the total number of aircraft in fleet.

Aircraft indicated below were received in the period of January – March 2023:

- One A320-Neo
- Four A321-Neo
- One A350-900

Decree on State Aids for Investments

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

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

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

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

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

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Date of Cabinet Decree	Number of Cabinet Decree	Date of Inv. Incentive Certificate	Investment Status	Tax Reduction	Total Amount of Investment TL: (*)	Utilized Contribution Amount of Investment TL: (**)
14.07.2009	2009/15199	28.12.2010	Completed	Tax Reduction %50 / Contribution rate to Investment %20	13,267,897,366	16,587,441
15.06.2012	2012/3305	18.12.2014	Completed	Tax Reduction %50 / Contribution rate to Investment %15	16,968,269,342	0
21.01.2018	2017/11133	9.08.2018	Continued	Tax Reduction %90 / Contribution rate to Investment %50	87,716,047,262.75	0
21.01.2018	2017/11133	11.09.2018	Continued	Tax Reduction %50 / Contribution rate to Investment %25	2,518,000,000	0

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

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

12. PROJECTIONS ABOUT THE INCORPORATION

The Incorporation has decided to begin operating scheduled flights to cities including Abha (Saudi Arabia), Aswan (Egypt), Makhachkala (Russia), La Coruna (Spain), Lenkeran (Azerbaijan), Nantes (France), Palermo (Italy), Port Sudan (Sudan), Atyrau (Kazakhstan), Sialkot (Pakistan), Hargeisa (Somalia), Denver and Detroit (United States of America) and Katowice (Poland) subject to aircraft availability and market conditions. Our Incorporation evaluates opening dates of these new destinations in line with market conditions.

Turkish Airlines flies to more countries than any other airline in the world and is one of the leading airlines in the aviation industry's recovery. Our Incorporation has developed a strategic roadmap for the year 2033 to sustain its growth post-pandemic and generate significant value for all stakeholders. We are committed to continuing to lead the aviation sector by setting targets for excellent passenger experience, digitalization, sustainability, and doubling our aircraft and passenger numbers. As part of this strategy, we plan to increase our fleet to 800 aircraft by 2033 and increase our passenger capacity 2.8 times compared to 2022. We aim to strengthen our market share by combining the low-cost structure of Anadolujet with repositioning its brand to increase its competitiveness.

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Providing a wide flight network and high connectivity, Turkish Airlines aims to increase its international destinations to 345 by 2033 and more than double its passenger numbers compared to 2022, enhancing its connectivity and competitiveness.

Within the framework of our Incorporation's 10-year strategy, Turkish Cargo aims to increase the amount of cargo carried by 2.3 times that of 2022 by leveraging the facilities provided by SMARTIST, the mega cargo facility located at Istanbul Airport, which is equipped with high technology and among the world's largest hubs, and Turkish Airlines' uniquely extensive flight network. Turkish Cargo also plans to increase the number of cargo flight destinations from 104 in 2022 to 150 in 2033. Turkish Cargo aims to become one of the top three air cargo brands in the world in terms of market share and service quality.

In line with the 2033 strategy, our Incorporation aims to provide integrated and customized service to passengers on all channels and to rank among the top three airlines globally in providing the best digital experience.

In addition to operational growth targets, we are committed to a sustainable future by aiming to have 75% of our fleet consist of new generation aircraft by 2033 and reduce fuel consumption by 5% through operational improvements. As a member of IATA, Turkish Airlines adopts targets to reduce carbon emissions from aviation and is dedicated to achieving these targets. Our Incorporation takes firm steps forward to become a "carbon-neutral" airline by 2050 by increasing the number of frequencies and destinations served with Sustainable Aviation Fuel (SAF).

13. OTHER INFORMATION**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.

Incorporation's Efforts on Research and Development Activities

Incorporation's R&D activities are carried out by our subsidiaries Turkish Airlines Technology Inc. and Turkish Technic Inc.

Information about amendment on Articles of Association during the reporting period.

There is no amendment on Articles of Association during the reporting period.

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Information on the Incorporation's Acquisition of Own Share**

Within the scope of the share buy-back program, THYAO shares with 3,035,800 TRY nominal value were bought back by our Incorporation as of 03.05.2023. Repurchased shares represent 0,219986% of the Incorporation's capital, following the transaction.

DISCLAIMER

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