

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



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1 APRIL – 30 JUNE 2021

BOARD ACTIVITY REPORT

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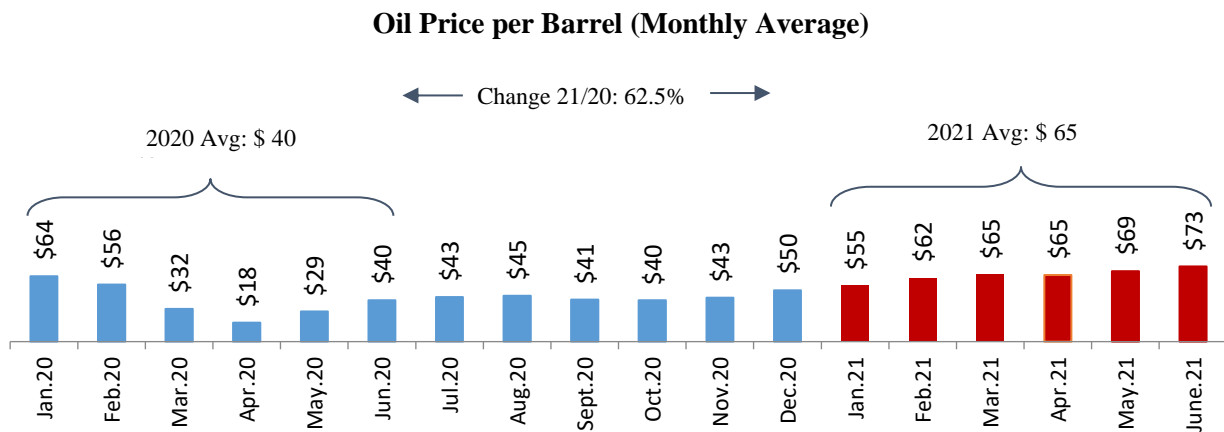
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1. INDUSTRY DEVELOPMENTS

The global COVID-19 pandemic crisis we faced in the first quarter of 2020, has deeply affected the global aviation sector. Even there has been a loss in pace as of the end of the second quarter of 2021, the impact of the crisis still continues. Vaccine studies finally showed positive result in the later 2020 and the countries started to vaccinate their citizens afterward. The increase in the number of vaccinated people will have a direct and positive impact on the world economy and the aviation sector. During the period left behind, more than 4.27 billion doses vaccine have been administrated across 180 countries. This number corresponds to 54% of the world population. According to current data from Republic of Turkey Ministry of Health, 33% of Turkey population have been vaccinated with two doses and 16% of them have been vaccinated with one dose. Vaccination progress continues without losing speed.

While travel restrictions has not been lifted completely worldwide, Turkish Airlines has achieved to carry 14.6 million passengers in the first half of 2021. Along with that, according to the European Organization for the Safety of Air Navigation (Eurocontrol), Turkish Airlines was the airline with the highest number of the flights in Europe and İstanbul Airport has been recorded as the busiest airport in the first half of 2021.

Turkish Airlines partly compensates diminishing demand on the passenger side with a strong cargo transportation performance. Our Incorporation has made a significant contribution to the transportation of medical supplies in the combat against COVID-19 outbreak. The Incorporation has achieved to maintain its strong growth trend in the cargo market over the last decade and consequently, cargo revenue increased by 26% during the second quarter of 2021 and 46% during the first half of 2021 compared to same period of previous year. According to data revealed by The International Air Transport Association (IATA), Turkish Cargo has improved its global ranking among air cargo carriers to third place in June 2021 from sixth in the same month of previous year, in terms of carried cargo tonnage. Turkish Airlines takes firm steps forward to be one of the largest air cargo carriers in the world by increasing its market share in the global air cargo market.



Source: U.S. Energy Information Administration

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

FUEL PRICE ANALYSIS	2017	2018	2019	2020	6M'20	6M'21
Fuel Expenses (Million \$)	2.866	3.768	3.873	1.638	985	981
Fuel Consumption (000 Tons)	4.847	5.278	5.525	2.803	1.472	1.672
Average Unit Cost (\$/Tons)	591	714	701	584	669	587
Average Change of Unit Cost (%)	4%	21%	-2%	-16,6%	14,5%	-12,3%
Fuel Expense Rate in Operational Expenses (%)	28%	32%	31%	23%	25%	25%

2. FIELD OF ACTIVITY, CAPITAL STRUCTURE AND SUBSIDIARIES

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

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

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

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

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

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

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

<u>Name of the Company</u>	<u>Field of Activity</u>	<u>Direct Participation Rate</u>	<u>Country of Registration</u>
THY Teknik A.Ş. (Turkish Technic)	Aircraft Maintenance Service	100%	Turkey
THY Uçuş Eğitim ve Havalimanı İşletme A.Ş.	Flight Training and Airport Operations	100%	Turkey
THY Havaalanı Gayrimenkul Yatırım ve İşletme A.Ş.	Investment & Airport Operations	100%	Turkey
THY Uluslararası Yatırım ve Taşımacılık A.Ş.	Transportation and Investment	100%	Turkey
Cornea Havacılık Sistemleri San. Ve Tic. A.Ş.	In-Flight Entertainment Systems and Internet Service	80%	Turkey
THY Teknoloji ve Bilişim A.Ş.	Information and Technology	100%	Turkey
THY Hava Kargo Taşımacılığı A.Ş.	Cargo Transportation	100%	Turkey

THY Teknik A.Ş. (Turkish Technic)

Established on 23 May 2006, the Company is a wholly owned subsidiary of Turkish Airlines. Turkish Technic conducts its activities with the goal of becoming an important regional air transport technical maintenance base by supplying the full range of maintenance, repair, and technical and infrastructure support the aviation industry requires. Until 2013, Turkish Technic operated out of four hangars in Istanbul and Ankara. In June 2015, Turkish Technic merged with Turkish HABOM, which was also a fully owned subsidiary of Turkish Airlines and which has a total MRO capacity to provide simultaneous maintenance, repair and overhaul services for 30 narrow body aircraft and 10 wide body aircraft. As of 30 June 2021, Turkish Technic has 8,873 employees.

THY Uçuş Eğitim ve Havalimanı İşletme A.Ş.

The Company was established on 21 June 2012 as a wholly owned subsidiary of Turkish Airlines. Yet to commence operations, it was established to operate Aydın Çıldır Airport, provide aviation training, organize sports-training flights and conduct all activities related to the transportation of passengers with aircraft types appropriate to prevailing runway length. The airport is used as a base for Turkish Airlines Flight Academy and since the first half of 2013 provides flight training for Turkish Airlines Pilot Nominees. Name of the company has been changed from THY Aydın Çıldır Havalimanı İşletme A.Ş. to THY Uçuş Eğitim ve Havalimanı İşletme A.Ş. (TAFA) on 12 June 2017. As of 30 June 2021, Company has 89 employees.

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THY Havaalanı Gayrimenkul Yatırım ve İşletme A.Ş

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

THY Uluslararası Yatırım ve Taşımacılık A.Ş

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

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

On 11 October 2018, Cornea Havacılık Sistemleri Sanayi ve Ticaret A.Ş. was established in order to operate principally in the fields of "In-Flight Entertainment Systems and Internet Service" and also according to the fields of other activity that is specified in the Articles of Association of the Company. Stakes of 80% and 20% are held respectively by THY Teknik A.Ş. and Havelsan Hava Elektronik Sanayi ve Ticaret A.Ş. As of 30 June 2021, Company has 59 employees.

THY Teknoloji ve Bilişim A.Ş.

The company was established on 8 December 2020 as a wholly owned subsidiary of Turkish Airlines in order to increase our contribution to the Turkish Aviation ecosystem, by utilizing the existing information technologies human resources more effectively and positioning the existing information technologies applications of our Incorporation as an income generating business line. As of 30 June 2021, Company has 729 employees.

THY Hava Kargo Taşımacılığı A.Ş.

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

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

The table below sets out consolidated joint ventures and indicates the proportion of ownership interest of the Incorporation in these joint ventures as of 30 June 2021:

Company Name	Country of Registration and Operations	Proportion of Ownership	Field of Activity
Güneş Ekspres Havacılık A.Ş. (Sun Express)	Turkey	50%	Aircraft Transportation
THY DO&CO İkrâm Hizmetleri A.Ş. (Turkish DO&CO)	Turkey	50%	Catering Services
P&W T.T. Uçak Bakım Merkezi Ltd. Şti. (TEC)	Turkey	49%	Maintenance Services
TGS Yer Hizmetleri A.Ş. (TGS)	Turkey	50%	Ground Services

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THY OPET Havacılık Yakıtları A.Ş. (THY Opet)	Turkey	50%	Aviation Fuel Services
Goodrich Thy Teknik Servis Merkezi Ltd. Şti. (Goodrich)	Turkey	40%	Maintenance Services
Uçak Koltuk Sanayi ve Ticaret A.Ş. (Uçak Koltuk)	Turkey	50%	Cabin Interior Products
TCI Kabin İçi Sistemleri San ve Tic. A.Ş. (TCI)	Turkey	50%	Cabin Interior Products
Vergi İade Aracılık A.Ş.	Turkey	30%	VAT Return and Consultancy
Air Albania	Albania	49%	Aircraft Transportation
We World Express Ltd.	Hong Kong	45%	Cargo and Courier Transportation
TFS Akaryakıt Hizmetleri A.Ş.	Turkey	%25	Fuel Supply Facilities

Sun Express - Turkey

Founded in 1989, SunExpress is a joint venture of Turkish Airlines and Lufthansa, in which each holds a 50% stake. As of June 2021, the Company has a total of 52 aircraft in its fleet; 12 of them are operated by AnadoluJet operations of THY and 40 of them serve SunExpress' customers in both charter and scheduled business in 27 domestic and 44 international destinations, a total number of 71 destinations. During the period of January - June 2021, total number of passengers carried was 1.46 million and load factor was 65.2%. Sunexpress has 3,429 employees as of 30 June 2021. SunExpress Germany which was founded in 2011 as a joint venture of Stiftung and SunExpress, in which each hold %50-50 stake, was closed down on 23 June 2020.

Turkish DO&CO

Founded in September 2006, commencing operations in 2007, Turkish DO&CO is a joint venture of Turkish Airlines and DO&CO Restaurants & Catering AG (Austria based), in which each holds a 50% stake. The Company provides inflight catering services to Turkish Airlines and other domestic and international airlines. As of 30 June 2021, 3,789 employees are working for the Company.

Turkish Ground Services (TGS)

The Company was established in 26 August 2008 as a wholly owned subsidiary of Turkish Airlines, in order to provide ground-handling services. By signing the articles of association in the framework of the Board Decision dated on 12.03.2009, 50% of shares was transferred to HAVAŞ Havaalanları Yer Hizmetleri A.Ş. On 1 January 2010, the Company began to provide services to Turkish Airlines. The Company provides ground services for Turkish Airlines in 9 airports in Turkey. TGS is employing 13,565 personnel as of 30 June 2021.

Turkish Opet Aviation Fuels

Turkish Opet Aviation Fuels, established in 28 September 2009, engages in the domestic and international sale, importation, exportation, distribution, and transport of various petroleum products, chemicals, lubricants, and

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paints for all kinds of aircraft. The Company commenced operations on 1 July 2010. Kuzey Tankercilik A.Ş. and Güney Tankercilik A.Ş., were established on 1 November 2012, as wholly owned subsidiaries of THY Opet Havacılık Yakıtları A.Ş. in order to provide transportation of petroleum and petroleum products. As of 30 June 2021, the Company has 497 employees.

TSI Aviation Seats

Founded in 27 May 2011, the Company was set up to design and manufacture airline seats, and to make, modify, market, and sell spare parts to Turkish Airlines and other international airline companies. Stakes of 50%, 45%, 5% are respectively held by Assan Hanil Group, Turkish Airlines, and Turkish Technic. As of 30 June 2021, 134 employees are working for the company.

Turkish Cabin Interior Systems Industries, Inc.

Established in December 2010, TCI's objective is to undertake the design, manufacture, logistical support, modification, and marketing of aircraft cabin interior systems and components. Stakes of 30%, 20% and 50% are held respectively by Turkish Airlines, Turkish Technic and Türk Havacılık ve Uzay Sanayi A.Ş. (TUSAŞ – TAI). As of 30 June 2021, the Company has 163 employees.

Pratt Whitney THY Turkish Engine Center (TEC)

The Company provides aircraft engine maintenance, repair, and overhaul services to customers in Turkey and its hinterland. Established on 10 October 2008, stakes of %51 and %49 are held respectively by Pratt&Whitney, a subsidiary of United Technologies, and Turkish Technic. Operating out of a maintenance center with an area of around 25,000 m² at Istanbul Sabiha Gökçen International Airport, the company has 401 employees as of 30 June 2021.

Goodrich Turkish Airlines Technical Service Center

Established in 14 December 2010, the Goodrich Turkish Airlines Technical Service Center is a joint venture of Turkish Technic (40%) and Collins Aerospace (60%), the latter a subsidiary of Goodrich Corporation. Services for maintenance and repair of nacelles, thrust reversers, related parts and rotatable support is provided. As of 30 June 2021, the Company has 77 employees.

Tax Free Zone, Inc. (Tax Refund)

The Company was established on 1 September 2014 as a joint venture of THY (30%), Maslak Oto (45%) and VK Holding (25%) to carry out brokerage operations of value added tax return regarding the goods bought in Turkey by non-residents. As of 30 June 2021, 18 employees are working for the company.

Air Albania

The Incorporation established a Republic of Albanian based Joint Venture Company, in order to operate in the field of passenger and cargo transportation. Established on 12 September 2018, the stakes of 49%, 41% and 10% is being held respectively by Turkish Airlines, MDN Investment SHPK, and Albcontrol, which manages Albanian airspace and air traffic, representing Government of Albania. As of 30 June 2021, 90 employees are working for the company.

We World Express Ltd.

Hong Kong based We World Express Limited was established as a joint venture of THY Uluslararası Yatırım ve Taşımacılık A.Ş. (Turkish Airlines' 100% subsidiary), ZTO Express (Hong Kong) Limited and PAL Air (Hong Kong) Limited owning 45%, 45% and 10% respective stakes with the purpose of becoming a global door to door cargo/courier service provider which is focusing e-commerce market. As of 30 June 2021, 32 employees are working for the company.

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TFS Akaryakıt Hizmetleri A.Ş.

The Company was established in order to operate fuel supply facilities within the scope of fuel activities carried out at Istanbul Airport. Turkish Airlines became a 25% shareholder through capital increase. Other partners are Taya Liman İşletmesi A.Ş., Demirören Akaryakıt Sanayi ve Ticaret A.Ş. and Zirve Holding A.Ş. All joint venture companies have same proportion of share. As of 30 June 2021, 89 employees are working for the company

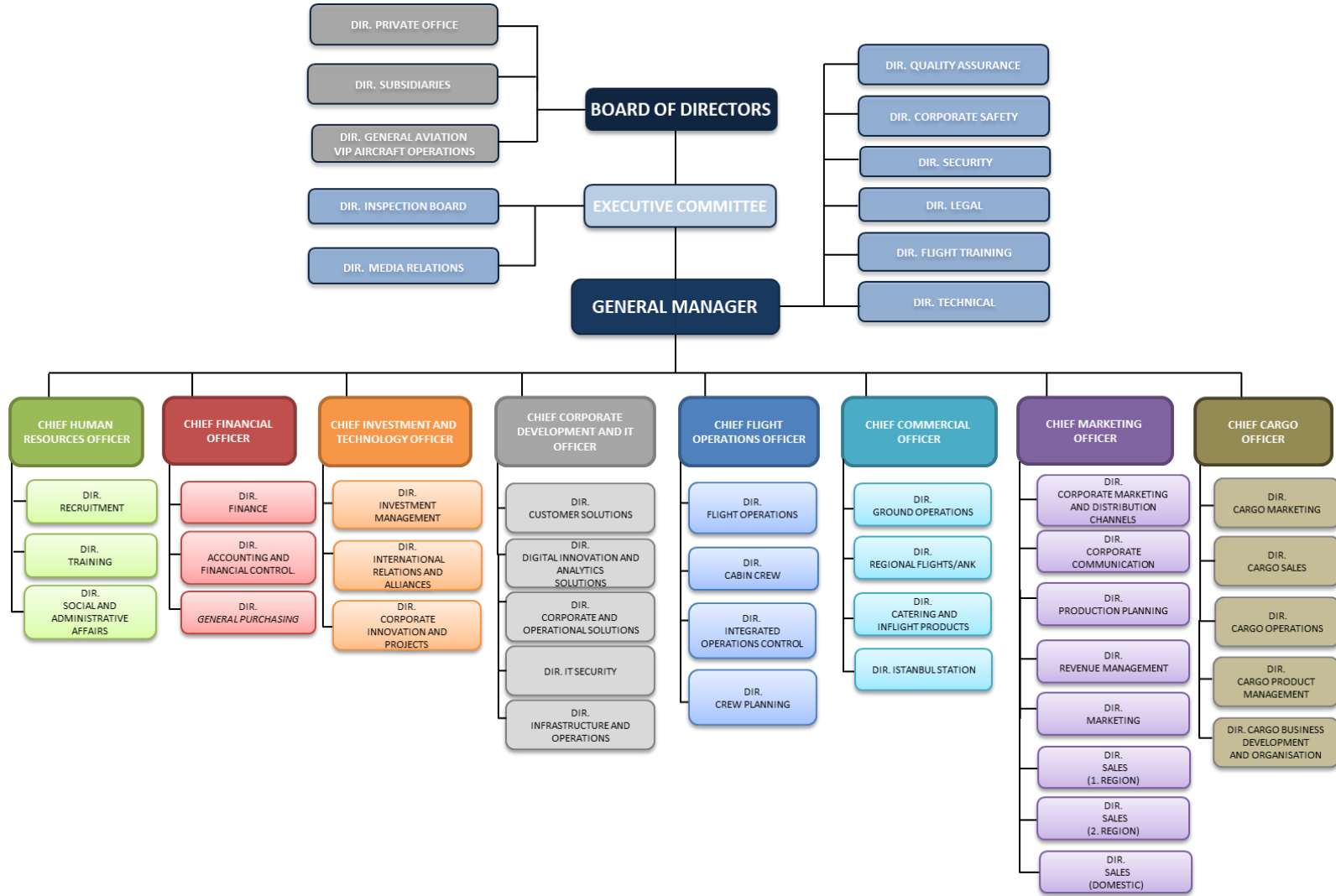
The Incorporation is responsible for the full and joint control over subsidiaries and affiliates through Board of Directors. In addition, operations of subsidiaries and affiliates are monitored by Senior Vice President of Subsidiaries located within the means of the Parent Company. The internal audit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

3. ORGANIZATIONAL STRUCTURE

As of 30 June 2021, the number of countries served has reached to 127.

General Management and all central units are gathered around Istanbul Ataturk Airport. Organization chart of Turkish Airlines, as of 30 June 2021 is shown on the next page.

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4. BOARD OF DIRECTORS AND COMMITTEES

BOARD OF DIRECTORS

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

Members of the Board who were on duty as of 30 June 2021 are listed below:

- M. İlker AYCI** : Chairman of the Board and the Executive Committee
- Prof. Dr. Mecit EŞ** : Deputy Chairman of the Board and the Executive Committee
- Assoc. Prof. Murat Şeker, Ph.D.** : Member of the Board and the Executive Committee
- Bilal EKŞİ** : Member of the Board and General Manager
- Mithat Görkem AKSOY** : Member of the Board and the Executive Committee
- Orhan Birdal** : Member of the Board
- Melih Şükrü ECERTAŞ** : Independent Board Member
- Dr. Fatmanur ALTUN** : Independent Board Member
- M. Muzaffer AKPINAR** : Independent Board Member and Member of the Executive Committee

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

COMMITTEES

Audit Committee

Chairman: M. Muzaffer Akpınar

Member: Melih Şükrü Ecertaş

Corporate Governance Committee

Chairman: Fatmanur Altun

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

Early Identification of Risks Committee

Chairman: Melih Şükrü Ecertaş

Member: M. Muzaffer Akpınar

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5. SENIOR MANAGEMENT

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

Name	Title	Starting Date of Position	Profession
Bilal Ekşi	General Manager	24.10.2016	Electronics and Communications Engineer
Assoc. Prof. Murat Şeker, Ph.D.	Chief Financial Officer	26.07.2016	Economist
Ahmet Olmuşur	Chief Marketing Officer	30.04.2014	Business Management, Manager
Mehmet Akif Konar	Chief Commercial Officer	16.04.2013	Management Engineer
Ahmet Bolat, Ph.D.	Chief Investment and Technology Officer	23.01.2012	Industrial Engineer
Abdülkerim Çay	Chief Human Resources Officer	21.04.2015	Business Management, Manager
Ali Serdar Yakut	Chief Corporate Development and IT Officer	01.06.2015	Computer Engineer
Baran Gülbaran	Chief Flight Operations Officer	28.04.2021	Pilot
Turhan Özen	Chief Cargo Officer	12.12.2016	Business Management, Manager

6. HUMAN RESOURCES

Number of personnel decreased by 6% to 27,803 as of June 2021 from 29,527 as of June 2020. Personnel numbers according to segments are as follows:

	31.12.2020	30.06.2020	30.06.2021	Change (%)
Cockpit Personnel	5,756	5,865	5,683	-3%
Cabin Personnel	12,281	12,437	12,153	-2%
Aircraft Maintenance Tech.	61	73	53	-27%
Staff Abroad	3,301	3,449	3,197	-7%
Domestic Staff	7,269	7,703	6,717	-13%
TOTAL	28,668	29,527	27,803	-6%

7. DEVELOPMENTS WITHIN THE INCORPORATION

I. Developments During the Period

New Route Announcement

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

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

S&P Credit Rating Update-I

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

Fitch Credit Rating Update

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

Management Change

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

Amendment for Boeing Fleet Plan

Previously, in order to insure the need for narrow body aircraft, the Incorporation decided to purchase a total of 75 B737 MAX aircraft from the Boeing Company at the date of 09.04.2013. In view of the current situation with the effects of the Coronavirus (Covid-19) global pandemic on the aviation industry, the Incorporation reviewed its fleet plan and came to an agreement with Boeing as a result of the negotiations between the two parties. According to this agreement, 10 of the 75 B737 Max aircraft will be cancelled and 40 aircraft will be converted into options until December 21, 2021, on or prior to which, the Incorporation will decide whether or not it will exercise the options. At the same time, the delivery dates of currently undelivered 13 B737 MAX aircraft, have been rescheduled in line with the operational and financial capacity of our Incorporation.

The Ordinary General Assembly Meeting

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

Appointment of the Board Members

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

Appointment of Committees

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

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

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

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

Registration of Ordinary General Assembly's Resolutions

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

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

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

Dividend Payment

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

II. Subsequent Events

New Route Announcement

The Incorporation has decided to start operating scheduled flights, based on market conditions, to Cebu City in the Philippines.

Wage Adjustment

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

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

According to this,

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

S&P Credit Rating Update-II

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

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8. TRAFFIC RESULTS

January - June 2021 traffic results are shown below:

	TOTAL		
	2019*	2021	Change (%)
Number of Landing (Passenger Flights)	235.116	114.622	-51,2%
Available Seat Km ('000)	88.763.107	46.202.531	-47,9%
Revenue Passenger Km ('000)	71.140.936	28.836.820	-59,5%
Passenger Load Factor (%)	80,1%	62,4%	-17,7 pt
Passengers Carried	35.112.629	14.612.865	-58,4%
Int-to-Int Transfer Passengers Carried	11.211.472	4.495.588	-59,9%
Cargo and Mail (Tons)	717.321	910.147	26,9%
Fleet	338	372	10,1%
Seat Capacity	66.066	74.331	12,5%
Km Flown ('000)	438.121	277.177	-36,7%
Hours Flown	715.059	405.808	-43,2%

	DOMESTIC		
	2019*	2021	Change (%)
Number of Landing (Passenger Flights)	100.180	54.523	-45,6%
Available Seat Km ('000)	11.143.176	6.503.059	-41,6%
Revenue Passenger Km ('000)	9.548.013	4.799.875	-49,7%
Passenger Load Factor (%)	85,7%	73,8%	-11,9 pt
Passengers Carried	15.121.510	6.876.937	-54,5%
Cargo and Mail (Tons)	32.600	48.186	47,8%
Km Flown ('000)	62.921	40.245	-36,0%

	INTERNATIONAL		
	2019*	2021	Change (%)
Number of Landing (Passenger Flights)	134.936	60.099	-55,5%
Available Seat Km ('000)	77.619.932	39.699.472	-48,9%
Revenue Passenger Km ('000)	61.592.922	24.036.945	-61,0%
Passenger Load Factor (%)	79,4%	60,5%	-18,8 pt
Passengers Carried	19.991.119	7.735.928	-61,3%
Excl. Int-to-Int Transfer Passenger	8.779.647	3.240.340	-63,1%
Cargo and Mail (Tons)	684.720	861.961	25,9%
Km Flown ('000)	375.200	236.932	-36,9%

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

BOARD ACTIVITY REPORT
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I. Scheduled Domestic Flights:

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

II. Scheduled International Flights:

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

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

III. Additional, Charter and Hajj-Umrah Flights

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

	Number of Flights		Number of Passengers
	Domestic	International	
Additional	271	427	61.505
Charter	1,006	1,285	347,837
Hajj-Umrah	-	-	-

IV. AnadoluJet Flights:

Scheduled and Additional Flights	6M'20	6M'21	Change (%)
Revenue Passenger (000)	2,790	4,317	55%
Available Seats*Km (Millions)	2,442	5,581	129%
Passenger Load Factor (%)	77.9%	67.5%	-10.4 pt

- In the first six months of 2021, AnadoluJet has been pursuing its operations with 12 aircraft (wetlease) from SunExpress and 41 aircraft from TK fleet. (A total number of 53 B737-800). Besides, ten A-320 and one A-321 aircraft joined the fleet in the month of June.
- As of June 2021, 15 aircraft are based in Ankara Esenboğa and 49 in İstanbul Sabiha Gökçen Airport.
- As of June 2021, AnadoluJet flies to a total of 79 destinations compared to a total of 59 destinations as of June 2020. (Esenboğa based 55, Sabiha Gökçen based 58, Antalya based 11 and point to point (cross) flights 16).
- In the first half of 2021, Ankara Esenboğa based ASK increased by 39% while Sabiha Gökçen based ASK increased by 203% compared to first half of 2020. Total ASK increased by 129%.
- In the first half of 2021, the load factor was 67.5%.

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9. FLEET

30.06.2021	Type	Total	Owned	Financial Lease	Opr./Wet Lease	Seat Capacity ('000)	Average Fleet Age	Year End Fleet 2021
	A330-200	14	5		9	3,7	13,3	13
	A330-300	40		29	11	11,8	7,4	37
Wide Body	B777-3ER	33		27	6	11,7	7,5	33
	A350-900	5		5		1,6	0,4	5
	B787-9	15		15		4,5	1,3	18
	Total	107	5	76	26	33,3	7,0	106
	B737-900ER	15		15		2,4	8,0	15
	B737-9 MAX	2		2		0,3	2,3	5
	B737-800	81	29	29	23	13,5	11,2	81
	B737-8 MAX	14		14		2,1	2,5	20
Narrow Body	A321 NEO	30		22	8	5,5	1,3	31
	A319-100	6	1	5		0,8	10,0	7
	A320-200	12	12			1,9	13,2	10
	A321-200	66	19	43	4	12,0	8,8	64
	B737-800WL	13			13	2,5	15,8	12
Total	239	61	130	48	41,0	8,8	245	
	A330-200F	10	1	9			7,6	10
Cargo	B777F	8		8			2,4	8
	Wet Lease	8			8		26,2	2
	Total	26	1	17	8		11,7	20
Grand Total	372	67	223	82	74,3	8,6	371	

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

	30 June 2021	31 December 2020
<u>ASSETS</u>		
Current Assets	41,325	30,659
Non-Current Assets	187,247	156,743
Total Assets	228,572	187,402
<u>LIABILITIES</u>		
Total Current Liabilities	60,661	47,379
Total Non-Current Liabilities	119,038	100,512
Total Equity	48,873	39,511
Total Liabilities and Equity	228,572	187,402
Debt to Assets Ratio	0.79	0.79
Equity Ratio	0.21	0.21

SUMMARY OF INCOME STATEMENT (Mn TRY)

	1 Jan. – 30 Jun. 2021	1 Jan. – 30 Jun. 2020
Sales Revenue	31,485	21,507
Gross Profit	4,223	(358)
Operating Profit Before Investment Activities	664	(2,812)

**BOARD ACTIVITY REPORT
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Profit/Loss Before Tax	(480)	(4,303)
Profit/Loss for the Period	(59)	(4,257)
Earnings Per Share (Kr)	(0.04)	(3.08)

SUMMARY OF BALANCE SHEET (Mn USD)

	30 June 2021	31 December 2020
<u>ASSETS</u>		
Current Assets	4,760	4,178
Non-Current Assets	21,570	21,352
Total Assets	26,330	25,530
<u>LIABILITIES</u>		
Total Current Liabilities	6,977	6,454
Total Non-Current Liabilities	13,688	13,693
Total Equity	5,665	5,383
Total Liabilities and Equity	26,330	25,530
Debt to Assets Ratio	0.78	0.79
Equity Ratio	0.22	0.21

SUMMARY OF INCOME STATEMENT (Mn USD)

	1 Jan. – 30 Jun. 2021	1 Jan. – 30 Jun. 2020
Sales Revenue	3,972	3,434
Gross Profit	522	(40)
Operating Profit/Loss Before Investment Activities	73	(442)
Profit/Loss Before Tax	(59)	(670)
Profit/Loss for the Period	(1)	(654)
Earnings Per Share (USc)	0.00	(0.47)
EBITDAR	1,115	560
EBITDA	988	355
EBIT	141	(458)
EBITDAR Margin	28.1%	16.3%
EBITDA Margin	24.9%	10.3%
EBIT Margin	3.5%	(13.3%)

**BOARD ACTIVITY REPORT
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Operating Profit Margin	1.8%	(12.9%)
Net Profit Margin	0.0%	(19.0%)

11. INVESTMENTS, INCENTIVES AND INVESTMENT POLICIES

By the end of June 2021, the operation has been carried out by 107 double-aisle passenger aircraft, 239 single-aisle passenger aircraft and 26 cargo aircraft. Double-aisle aircraft constitute about 29% of the total number of aircraft in fleet. Due to the effect of stage length and seat capacity, contribution of wide body aircraft to the production is more than 50%.

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

- Three A350-900
- Five A321-Neo
- Three B737-8 Max
- One B737-9 Max

Decree on State Aids for Investments

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

- Increasing production and employment,
- 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	44,066,925,086.62	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 start operating scheduled flights, based on aircraft availability and market conditions to the cities Abha of Saudi Arabia, Juba of South Sudan, Aswan of Egypt, Makhachkala of Russia, Krakow of Poland, La Coruna of Spain, Lenkeran of Azerbaijan, Luanda of Angola, Nantes of France, Palermo of Italy, Port Sudan of Sudan, Atyrau and Aktau of Kazakhstan, Sialkot of Pakistan, Hargeisa of Somalia, Dallas and Denver of the United States of America and Cebu City in the Philippines. Our Incorporation plans to evaluate these new destination openings in line with market conditions.

Flying to more countries than any other airline in the world, the Incorporation aims to be among the leading airlines in the world by maintaining its steady growth in parallel to the growth in number of transfer passengers by providing wide-body fleet investments, capacity increases mainly in long-range flights and new routes. In the third quarter, passenger capacity is expected to reach 75 – 80% passenger capacity of the same period of 2019. The Incorporation is targeting to increase unit revenue through expansion of cargo operations. In addition, Turkish

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Airlines aims to be one of the largest air cargo carriers in the world by increasing its market share in the global air cargo market. As a contribution to sustainability, Turkish Airlines is targeting to achieve net zero CO₂ emission by 2050.

DISCLAIMER

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