TURKISH AIRLINES

Annual Report 2022



#AboveTheClouds

A STAR ALLIANCE MEMBER



GET WELL SOON TÜRKİYE

Dear Stakeholders,

The report you are reading provides an overview of our activities in 2022.

While we were preparing this report, Türkiye was struck by a major earthquake. Centered in Kahramanmaraş, the February 6, 2023 earthquake was a disaster of epic proportions. Tens of thousands of our citizens across ten provinces lost their lives, and hundreds of thousands were injured.

Our wounds are still fresh, our pain is endless...

The actions we took in the minutes, hours and days following the earthquake will be described in detail in our 2023 Annual Report. The earthquake was the largest natural disaster in the history of our Republic and many experts consider it to be among the biggest earthquakes on land in the history of the modern world.

In the meantime, we will share some information as of February, when we were finalizing the 2022 Annual Report.

As the Turkish Airlines Family, our top priority from the moment of the earthquake was to support search and rescue efforts and reach our colleagues. We employed all our resources to heal the wounds of our citizens affected by the earthquake and to alleviate the devastating impact of the disaster to some extent.

In this scope, we organized free passenger and cargo flights for the transfer of search and rescue teams and equipment from Türkiye and abroad, as well as urgently needed aid materials to the earthquake region, and for return trips from the region. We made a cash donation of TL 2 billion to the Republic of Türkiye, Ministry of Interior, Disaster and Emergency Management Presidency (AFAD) and decided to carry out all the works and procedures for the construction of 1,000 houses to be built in the earthquake region in coordination with authorized institutions and organizations. We also continue our efforts to employ one member from each of 1,000 families affected by the earthquake within our Incorporation or our subsidiaries. As the Turkish Airlines family, we will continue to stand by our country and our nation as always.

The willingness and motivation of our nation, which has united since the beginning, inspires us to look to the future with optimism.

We will overcome these days together.

Hope we all get better soon.

CONTENTS

18 Message from the Chairman

22 TURKISH AIRLINES AT A GLANCE

24 TO OUR SHAREHOLDERS
24 Financial Analysis
30 Developments in the Industry and Expectations for 2023
34 Board of Directors
37 Mission and Vision
38 Strategies and Strategic Focuses

40 TURKISH AIRLINES GROUP
40 Subsidiaries and Affiliates
50 Traffic Figures
54 Fleet
58 Flight Network
60 Our Main Brand
80 AnadoluJet
84 Cargo
94 Continuing Airworthiness Management
96 Corporate Development and Information Technologies
102 On-Board Catering and Product Service
110 Ground Services
114 Training
118 Flight Training Center
122 Flight Operations
128 Corporate Innovation
130 Commercial Partnerships with Airlines, Traffic Rights and Expanding Flight Network
136 Human Resources
140 Sustainability
148 Compliance Monitoring Management and Qualiteam
152 Financial Risk Management
154 Organization Chart
156 Statement of Compliance with Corporate Governance Principles
157 Corporate Governance Principles Compliance Report
162 Corporate Governance Information Form
169 Statement of Compliance with Sustainability Principles
170 Sustainability Principles Compliance Report
198 Assessment of the Board of Directors on 2022 Results
199 Assessment of the Board of Directors on the Effectiveness of Board Committees
200 Other Matters
201 Statement of Independency
204 Related Party Transactions
205 Statement of Responsibility

207 CONSOLIDATED FINANCIAL RESULTS
207 Consolidated Financial Statements as at and for the Year Ended 31 December 2022 with Independent Auditor's Report

#SoaringTheSkiesFor20Years

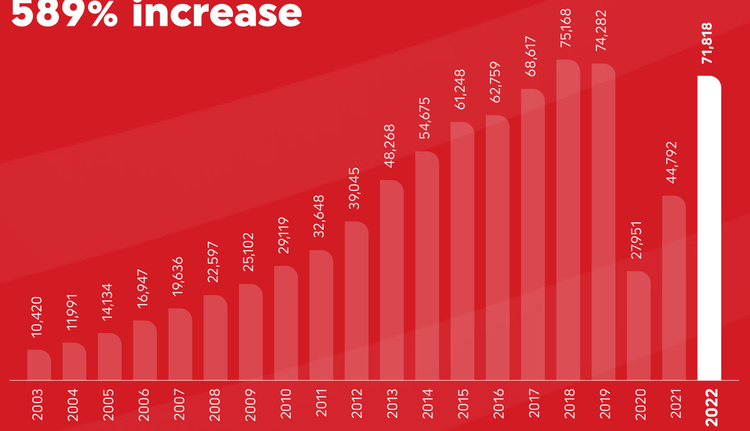
In 1933, a new fleet of five aircraft started the journey to the future. A team consisting of fewer than 30 employees wrote the first lines in the success story of Turkish Airlines, which today is one of the world's largest airline brands.

As a brand that has witnessed most of the 100 years of our Republic, we are proud to fly our national flag in the skies. We believe in our country, our potential and ourselves; this belief gives us the power to surmount difficulties. For example, we are one of the few brands that was able to overcome the pandemic afflicting the world, particularly our industry, as quickly as possible, and advance towards great goals.

Our remarkable development, especially in the last twenty years, demonstrates that we can continue our profitable growth. Each one of our more than 65 thousand employees is paving the way for greater success.

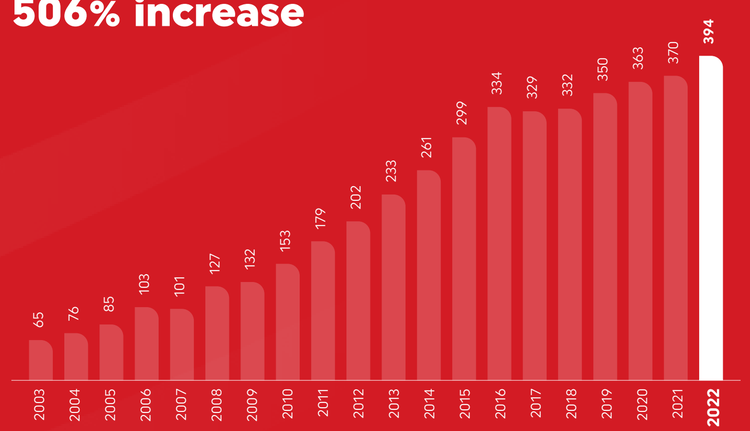
20-YEAR GROWTH IN TOTAL NUMBER OF PASSENGERS (000)

From 10.4 million to **71.8 million**
589% increase



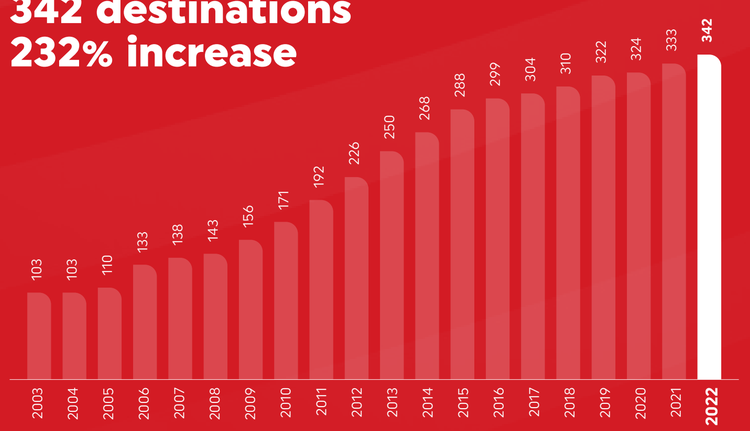
20-YEAR GROWTH IN TOTAL NUMBER OF FLEET

From 65 aircraft to **394 aircraft**
506% increase



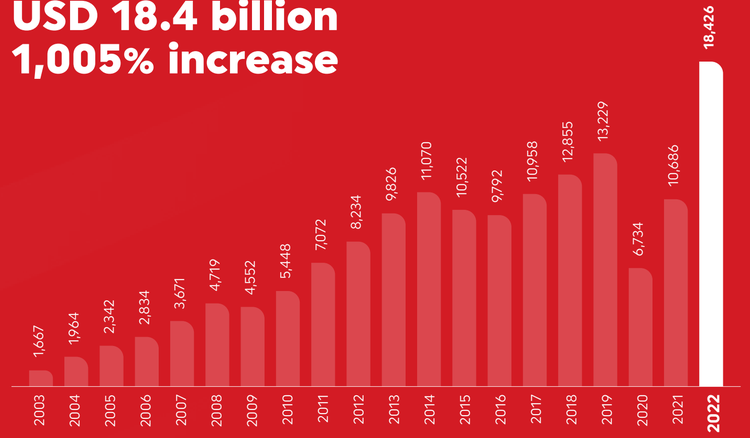
20-YEAR GROWTH IN TOTAL NUMBER OF DESTINATIONS

From 103 destinations to
342 destinations
232% increase



20-YEAR GROWTH IN TOTAL REVENUES (USD MILLION)

From USD 1.7 billion to
USD 18.4 billion
1,005% increase



#CloserToDistances

We continue to renew and increase the number of our aircraft with the aim of having the youngest and most modern fleet in Europe. Accordingly, we strengthen our fleet with new aircraft that have a high level of comfort, add value to our travels and will carry us to the top in the cargo field, deploying smart financing methods and stable investment determination. In addition, we also protect the future of our planet with fuel-efficient and environmentally friendly aircraft purchases.

NUMBER OF AIRCRAFT IN 2022

394

20-YEAR GROWTH IN NUMBER OF AIRCRAFT

506%

#ToHappyMoments

We aim to create an exceptional travel experience for our passengers at every point of contact. We embody the warmth and sincerity of Turkish hospitality with modern practices and continue to offer our guests the highest level of comfort at every stage of their flights. Our outstanding efforts lead to an increase in the number of passengers, and our success is awarded with prestigious international prizes.

NUMBER OF PASSENGERS IN 2022

71.8 million

20-YEAR GROWTH IN NUMBER OF PASSENGERS

589%

#AllTogether

Unlike other airlines, we largely retained our staff during the pandemic. As a result of our mutual sacrifices, we gained a significant advantage over the competition and rose swiftly as life began to normalize. Now, we are expanding our family towards our great goals and strengthening our team, especially our pilots, who are the driving force of our growth.

NUMBER OF EMPLOYEES IN 2022

65+ thousand

#ToGreatSuccesses

The potential for tourism, strategic developments and other potentials all over the world are leading us to these locations. We fly to 129 countries, including Türkiye, from our new home, Istanbul Airport, with the passion that makes us the airline flying to the most countries in the world from local to global. We proudly fly our national flag around the world and contribute to the rise of various fields in the cities we visit.

NUMBER OF FLIGHT DESTINATIONS IN 2022

342

20-YEAR GROWTH IN NUMBER OF DESTINATIONS

232%

#ToABetterWorld

We act responsibly in terms of proper management of carbon emissions by way of fleet modernization, fuel efficiency practices, and our well-established environmental management system, along with many other practices from past to present. As the global face of Türkiye, we accelerated our efforts to combat climate change, a leading global issue, in recent years. Our voluntary carbon offset platform CO_2mission, our use of sustainable aviation fuels, and our collaborations on the development of these fuels are just a few of the projects we recently realized. Since 2015, we have maintained our presence on the BIST Sustainability Index, and we are the first and only airline included in the BIST Sustainability 25 Index. As a result of our efforts, our scores increase every year in the performance evaluations of the international indices and sustainability rating organizations in which we participate.

WITH MORE THAN 100 OPERATIONAL OPTIMIZATION PROJECTS

FUEL SAVINGS IN 2022
57,581
TONS

GREENHOUSE GAS EMISSIONS PREVENTED IN 2022
181,379
TONS CO_2

TOTAL GREENHOUSE GAS EMISSIONS PREVENTED BETWEEN 2008-2022
2,115,014
TONS CO_2

13%
LOWER FUEL CONSUMPTION AND REDUCED CARBON EMISSIONS THANKS TO NEXT-GENERATION AIRCRAFT

#BetterWithAwards

We create a difference in competitiveness through our investments, projects and procedures, and we are rewarded for our efforts. We are determined to bring our signature service quality and Turkish hospitality to the world via our unique flight network. We continue to take firm steps towards making the Turkish Airlines brand the best in the world, offering a privileged service approach that distinguishes us from our competitors.



Best Airline in Europe

World's Best Business Class Catering

Best Airline in Southern Europe

Best Airline in Europe at the Skytrax Passenger Choice Awards

2022 - Europe's Best Food and Beverage Service

Airline of the Year for Sustainability Innovation

EcoVadis Sustainability Performance Assessment-Silver Medal*

World Finance - Most Sustainable Flag Carrier Airline

** Result of performance in 2022*

MESSAGE FROM THE CHAIRMAN

The year we shined

Among the top carriers in the world, Turkish Airlines stood out as the flag carrier-network airline with the highest number of flights in Europe in 2022 for the third consecutive year, according to Eurocontrol data.

In 2022, our capacity increased by 58% year-on-year to 202 billion ASK, surpassing the 2019 level.

71.8
MILLION
Number of passengers

14.3
USD BILLION
Passenger revenue

Dear Esteemed Shareholders, Customers, Business Partners and Employees,

In 2022, as the global economy began to heal the wounds of the pandemic, aviation industry also commenced its recovery. On the other hand, our Incorporation as the airline flying to the most countries in the world shone brightly and continued its march towards the top of the industry. We left behind a year in which passengers rediscovered the magic of travel and flying, and aviation was once again recognized as an indispensable component of supply chains and industries such as tourism.

According to IATA estimates, the year was more successful than expected; the industry's estimated loss for 2022 dropped from USD 9.7 billion to USD 6.9 billion. After a loss of USD 137.7 billion in 2020, the year in which the pandemic started, and a USD 42 billion loss in 2021, forecasts suggest that the industry will recover and turn a profit in the following year.

The Year Turkish Airlines shined

During the pandemic, our Incorporation implemented measures to protect our most valuable asset, our employees. The accuracy of this strategy was amply revealed as the pandemic subsided. Unlike rival airlines that struggled to manage the faster-than-expected increase in demand due to layoffs during the pandemic, Turkish Airlines, which protected and supported its employees during the crisis, was able to respond to post-pandemic demand remarkably swiftly. Combining the successful performance of our tourism sector, which hosted approximately 51 million guests within the year, with its extensive flight network and dynamic capacity management, Turkish Airlines was the flag carrier-network airline with the highest number of flights in Europe in 2022 for the third consecutive year, according to Eurocontrol data.

Considering all these developments, Turkish Airlines made a historic mark in this period in terms of operational results. In 2022, our capacity increased by 58% year-on-year to 202 billion available seat kilometers (ASK), surpassing the 2019 numbers. In the same period, the number of passengers carried rose by 60.3% year-on-year to 71.8 million, reaching 96.7% of 2019's level. The number of international passengers jumped by 88% year-on-year, while the number of domestic passengers rose by 27%. The international flight load factor increased by 13.9 points to 80.1%, while the domestic passenger load factor increased by 7.4 points to 85.8%. Our total load factor rose by 12.8 points to 80.6% in 2022 compared to last year.

Passenger revenues climbed by 28% to USD 14.3 billion in 2022 from USD 11.2 billion in 2019, thanks to strong passenger demand after the pandemic, our extensive flight network and effective capacity management.

Turkish Cargo, air cargo brand of Turkish Airlines, nearly quadrupled its market share in the last decade and maintained its successful performance by ranking fifth in the global rankings in 2022 with a market share of 5.2% in terms of tonnage per kilometer, according to IATA data. In 2022, Turkish Cargo moved to the new SMARTIST cargo facility at Istanbul Airport equipped with high-tech autonomous systems. It continued to strengthen its position among the leading global air cargo brands. With a steadfast commitment to its goal of being one of the top three air cargo brands in terms of service quality, Turkish Cargo has been making significant strides forward.

The total revenue of our Incorporation in 2022 reached USD 18.4 billion, exceeding 2019 by 39%. With USD 15 billion worth of service-exports realized this year, a net foreign exchange inflow of USD 6 billion was realized in Türkiye. Turkish Airlines ended 2022 with a net profit of USD 2.7 billion.



Turkish Cargo, the air cargo brand of Turkish Airlines, nearly quadrupled its market share in the last decade.

With these results, Turkish Airlines achieved its highest ever profitability figure, bolstering its position as one of the most profitable airlines in the industry.

I would like to express our gratitude to every member of the Turkish Airlines family, consisting of over 65,000 individuals, who are our constant source of pride and our most valuable asset. It is through the hard work and dedication of our employees that we have achieved this success. Furthermore, I would like to express my gratitude to our President H.E. Recep Tayyip Erdoğan, for his instrumental role in providing us with remarkable facilities especially Istanbul Airport. I extend my thanks to our government officials, stakeholders, shareholders, and all the institutions and organizations that have contributed to the development of civil aviation in our country. I am truly grateful for their support and dedication to the advancement of our nation's civil aviation sector.

MESSAGE FROM THE CHAIRMAN

As the airline flying to the most countries and international destinations in the world, we added Cebu in the Philippines, Seattle in the USA, Bergamo in Italy, Juba in South Sudan, Bukhara in Uzbekistan, Tivat in Montenegro, Turkmenbashi in Turkmenistan, and Kirkuk in Iraq to our flight network in 2022.

In 2022, our brand received the "Best Airline in Europe" and "World's Best Business Class Onboard Catering" titles at the Skytrax Awards, as well as the "Best Catering and Service" and "Best Seat Design" awards at the APEX Awards.

2.7
USD BILLION
Net profit

129
Number of countries in our flight network

We will continue to expand our modern and young fleet to 435 aircraft by the end of next year.

During the recovery of aviation, Turkish Airlines reinforced its pioneering role in the industry with this tremendous achievement and we once again demonstrated our determination to further Turkish aviation.

Our flight network and fleet are expanding

Turkish Airlines continued to implement its growth plans without interruption in an environment where the impact of the pandemic was gradually diminishing in various parts of the world, while our region faced the escalation of geopolitical crises. We remained committed to expanding our flight network and fleet, despite the challenges we encountered.

As the airline flying to the most countries and international destinations in the world, we added Cebu in the Philippines, Seattle in the USA, Bergamo in Italy, Juba in South Sudan, Bukhara in Uzbekistan, Tivat in Montenegro, Turkmenbashi in Turkmenistan, and Kirkuk in Iraq to our flight network in 2022. In Türkiye, scheduled flights were launched to Tokat and Rize-Artvin airports.

With its hub at Istanbul Airport, our Incorporation offers unparalleled connectivity with a flight network reaching 129 countries, 337 cities, and 342 destinations. Continuing to provide exceptional connection opportunities, we are set to expand our flight network further next year, adding routes to Krakow in Poland, Osaka in Japan, Detroit in the United States, and Palermo in Italy.

Turkish Airlines has a total of 373 passenger aircraft, including 110 wide-body and 263 narrow-body aircraft, along with 21 cargo aircraft in its fleet, with an average age of 8.7 years. We continue to acquire state-of-the-art, environmentally friendly, and fuel-efficient aircraft. We aim to further expand our fleet, which is already among the youngest in the world, to 435 aircraft by the end of next year.

Our communication works and awards

Our Incorporation, defining its mission as building bridges between continents, countries, and cultures, continues to prioritize the essential requirement of transportation, which is safely, comfortably, and punctually transporting our passengers to their loved ones. In order to maintain and enhance its competitive advantage in the global market, Turkish Airlines is actively engaged in communication efforts on a global scale. This is to ensure that we uphold our commitment to providing seamless travel experiences while connecting people worldwide.

While we, as Turkish Airlines, bring continents, countries and cultures together, we also support social, cultural and sports activities in the countries we fly to, forming bonds between communities and people.

In this context, we witnessed the year 2022 being marked by highly significant sponsorship agreements. Once again, Turkish Airlines has successfully reached a wide audience on a global scale, solidifying its presence and impact in the international airline industry. Turkish Airlines became the first airline in the world to sponsor the UEFA Champions League, with the final match taking place in Istanbul in the 2022-2023 season. With the tournament reaching approximately 700 million people in 200 countries and generating 28 billion interactions on social media, the Turkish Airlines brand has once again come together with the best in the world.

Through our collaboration with the Turkish Airlines EuroLeague, an international sports organization bearing our name, we continue to reach sports enthusiasts worldwide in one of the most popular sports disciplines, basketball. As we leverage the unifying qualities of sports, our Incorporation continues to deliver the Turkish Airlines brand and its promises to audiences across the globe.

We continuously improve and diversify our services to make each of our passengers a Brand Ambassador and promote our Incorporation and country in the best manner. The most meaningful feedback of such efforts is the awards we have received over the years thanks to the votes of our passengers.

This year, our brand received the "Best Airline in Europe" and "World's Best Business Class Onboard Catering" titles at the Skytrax Awards, as well as the "Best Catering and Service" and "Best Seat Design" awards at the APEX Awards. We continue to undertake numerous innovative projects to further increase passenger satisfaction. In addition, our Incorporation, which has made a name for itself in the national and international arena with its sustainability-oriented activities and awards, was also recognized with the "2022 Sustainability Award" in the category of "Most Sustainable Flag Carrier Airline" by World Finance, one of the most respected institutions of the international finance world.

2023: A special year

As we prepare to commemorate two significant anniversaries for our country and our Incorporation in the upcoming year, we will once again witness the further rise of the Turkish Airlines brand and its continued pioneering role in the aviation industry.

In 2023, which marks the 100th anniversary of our Republic and the 90th anniversary of Turkish Airlines, we will continue to write our success story by aiming for double-digit growth, as we are accustomed to. We will add our 400th aircraft to our fleet and welcome our 1 billionth passenger with a heartfelt "Welcome...". With our tourism initiative focused on the United States, one of our key markets, we will actively promote Türkiye's natural, historical, and cultural treasures. We will continue to expand our subsidiary AnadoluJet on domestic and international routes, and strengthen our most valuable asset, our human resources, through new employment opportunities.

I would like to thank all our employees, business partners and shareholders for the confidence they have invested in our brand. I look forward to sharing more achievements that will bring pride to our country and the aviation industry in our 90th anniversary.

Prof. Ahmet BOLAT
Chairman of the Board and the Executive Committee

Best airline in Europe

TURKISH AIRLINES AT A GLANCE

Strong growth

Being the airline that flies to the most countries and international destinations in the world, Turkish Airlines added 9 new routes to its flight network in 2022.



Türkiye Wealth Fund
49.12%

Other (Publicly Traded)
50.88%

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 Türkiye Wealth Fund, and one C Class share is owned by Republic of Türkiye 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 342 destinations as of end-2022, of which 53 are domestic and 289 international. Turkish Airlines increased the number of aircraft in its fleet by 19% in the last 5 years and by 506% in the last 20 years to 394 by the end of 2022, of which 373 are passenger aircraft including 110 wide-body and 263 narrow-body and 21 are freighters.

In 2022, the number of Turkish Airlines passengers increased by 26.5% on domestic flights and by 88.0% on international flights, with a total increase of 60.3% compared to the previous year and reached 71.8 million. While the landing number of passenger aircraft was 451,677 with an increase of 38.6%, cargo and mail transported decreased by 10.7% to 1.7 million tons.

FINANCIAL ANALYSIS

Strong financial performance

Thanks to the actions taken during the covid-19 pandemic and the preservation of our qualified workforce, we responded to post-pandemic passenger demand without interruption.

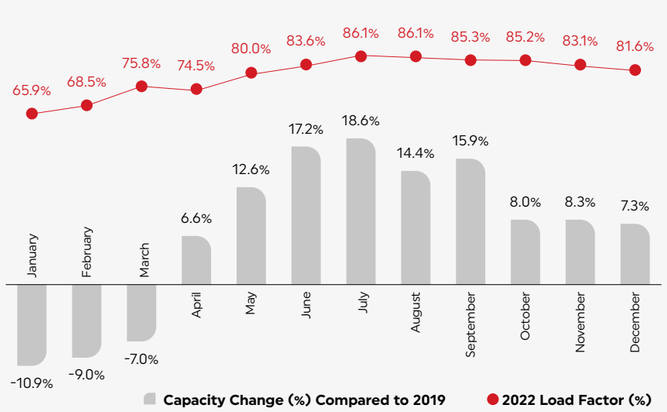
7.5%
Capacity increase compared to 2019

In 2022, buoyed by the rising demand for Turkish tourism, Turkish Airlines' operational and financial recovery was faster than that of other airlines.

A year full of achievements
After the years 2020 and 2021, challenging years for aviation due to Covid-19 restrictions, 2022 stood out as a successful year despite many challenges in it. Thanks to effective capacity management and the advantage of being the airline that flies to the most international destinations in the world with 342 destinations and offering a wide range of connections to its passengers, Turkish Airlines both distributed its revenue risk and recovered swiftly after the pandemic.

Due to the Russia-Ukraine conflict, started in February 2022, Turkish Airlines suspended its flights to Ukraine and Belarus as of February 24th. The closure of Russian airspace to many European airlines and the flight bans imposed on Russian aircraft caused aviation to be particularly challenging in the European region.

CAPACITY AND PASSENGER LOAD FACTOR DEVELOPMENT



Brent oil prices, at USD 80 per barrel in early January, experienced a rapid upward trend due to the Russia-Ukraine conflict, surging by 60% to reach USD 128 per barrel. During the same period, besides the effects of rising Brent prices on jet fuel, the recovery in aviation industry also contributed jet fuel prices to go up by nearly 100% to reach USD 1,475 per ton. Rising fuel prices caused fuel expenses, the largest expense item in aviation, to reach record highs. The increase in ticket prices in the same period helped mitigate the negative impact of fuel prices on profitability to some extent.

After the end of the winter season, particularly from April onwards, the increased sales, load factors, and unit revenues have raised expectations for the remaining year for Turkish Airlines. Due to the layoffs across the aviation industry during the pandemic, rival airlines could not respond quickly to the soaring demand in the aviation in 2022, whereas Turkish Airlines, taking advantage of retaining its staff during the pandemic, was able to promptly respond to this increased demand.

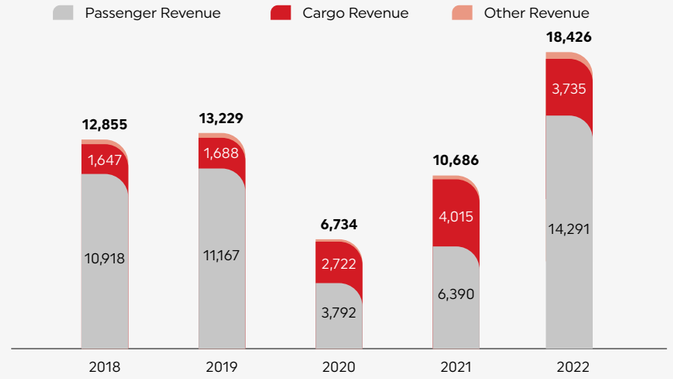
Due to personnel shortages, European airlines, in particular, have experienced operational difficulties and average flight cancellation rate of rivals realized 1.7% in the third quarter of 2022 while Turkish Airlines had the lowest cancellation rate in Europe with 0.3%. *

During the year, Türkiye's tourism sector experienced a strong recovery, enabling Turkish Airlines to bounce back faster in passenger operations compared to peer airlines. Turkish Airlines maintained its passenger contribution high thanks to its dynamic capacity management in the destinations it flies to.

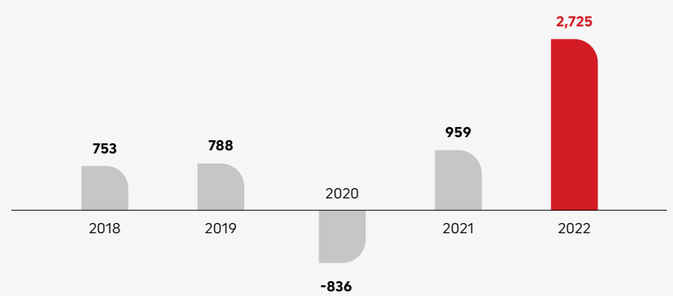
Although these developments have created new constraints for Turkish Airlines, when we look at the financial results of the year 2022, it is evident that it has been a period filled with records.

** According to OAG data.*

REVENUE BREAKDOWN BY CATEGORY (USD MILLION)



NET PROFIT (USD MILLION)



In 2022, the capacity increased by 58% year-on-year to 202 billion ASK, surpassing the 2019 level. In the same period, the number of passengers carried rose by 60% to 71.8 million, reaching 97% of 2019's level. This year, the number of international passengers jumped by 88% year-on-year, while the number of domestic passengers increased by 27%. The total load factor increased by 12.7 points to 80.6% in 2022 compared to last year. The international flights load factor increased by 13.9 points to 80.1%, and the domestic passenger load factor increased by 7.4 points to 85.8%.

In this period, Turkish Airlines boosted passenger revenues by 124% year-on-year to USD 14.3 billion. Cargo revenues decreased by 7.0% to USD 3.7 billion, outperforming the sector average. Total revenue surged by 72% compared to the previous year and reached to USD 18.4 billion. Passenger revenues in 2022 accounted for 78% of total revenue, while cargo revenues accounted for 20% in this period, 18 points lower than the prior year. In 2022, Turkish Airlines reported operating profit of USD 2,779 million and an operating profit margin of 15.1%, achieving a profitability above the industry average. Net profit after tax was USD 2,725 million.

Turkish Airlines, swiftly responding to the increasing passenger demand in 2022, has managed to recover faster compared to its competitors and surpass the profitability levels of the pre-pandemic period.

FINANCIAL ANALYSIS

In terms of carried revenue cargo ton kilometers, Turkish Cargo's market share rose from just 1% in 2011 to 4.1% in 2022 – ranking fifth worldwide this year.

29.2%
EBITDAR Margin

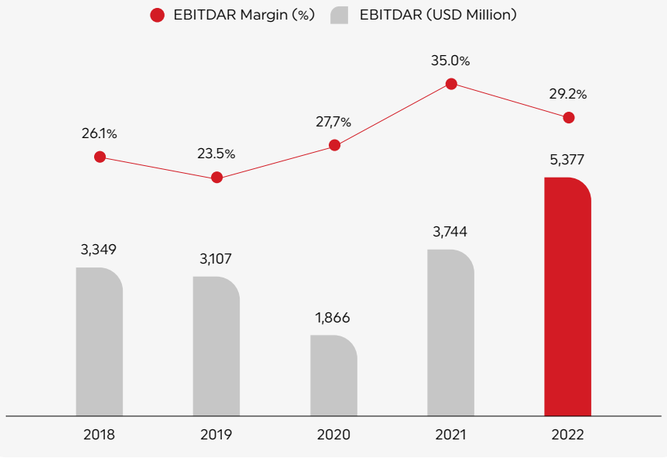
As always, Turkish Airlines utilizes its internal resources and potential in the most effective and productive way in order to finance its future investments and ensure sustainable growth.

Continuing high cargo performance throughout 2022 despite negative global economic expectations and events

Having compensated a significant portion of its pandemic-related losses in passenger operations in 2020 and 2021 with the breakthrough made by Turkish Cargo, which has a strong fleet and an extensive flight network, Turkish Airlines continued its upward trend in 2022 as well, except for the last quarter of the year. In the first nine months of 2022, cargo unit revenue was realized 18% above the 2021 figure, while performing 4% above 2021 for the full year. In the last quarter of 2022, unit cargo revenues decreased year-on-year due to global factors such as the negative economic impact of the Russia-Ukraine conflict, high global inflation and a decline in sea container rates. Belly cargo revenues increased by 33% year-on-year in 2022 due to the normalization of passenger operations, while revenue from cargo aircraft shrunk by 23% compared to 2021 due to the capacity reduction in cargo aircraft as well. Total cargo revenues were 7% lower compared to the previous year. In terms of carried revenue cargo ton kilometers, Turkish Cargo's market share rose from just 1% in 2011 to 4.1% in 2022 – ranking fifth worldwide this year. *

** Turkish Cargo is the world's 5th largest air cargo carrier in the cargo market in 2022, according to 2022 data published by IATA, the International Air Transport Association.*

2018-2022 AVERAGE EBITDAR MARGIN: 29.2%



Strong and sustainable cash generation

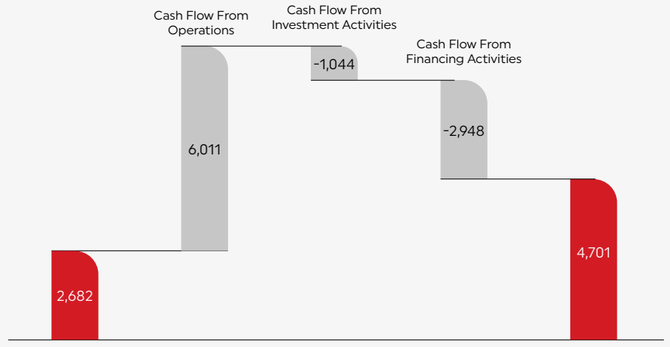
Turkish Airlines' EBITDAR, an indicator of cash generation potential in the sector, increased by 44% in 2022 compared to 2021, reaching USD 5.4 billion thanks to the rapid recovery after the pandemic, while the EBITDAR margin was realized at 29% despite rising costs due to fuel prices. As a result, Turkish Airlines maintained its position among the leading companies in the sector. With these results, Turkish Airlines posted its highest profitability figure of its history, bolstering its position as one of the most profitable airlines in the industry. As always, Turkish Airlines utilizes its internal resources and potential effectively and in a productive way in order to finance its future investments and ensure sustainable growth.

Cash generated from operations increased to USD 6 billion this year, thanks to dynamic capacity management in passenger operations, higher load factor compared to competitors, positive contribution margin and strong performance of cargo operations. In 2022, cash level increased by nearly USD 1.4 billion compared to 2021, reaching USD 4.1 billion cash level, despite no new or additional commercial borrowing. In 2022, net financial debt decreased by USD 2.9 billion year-on-year to USD 9.3 billion.

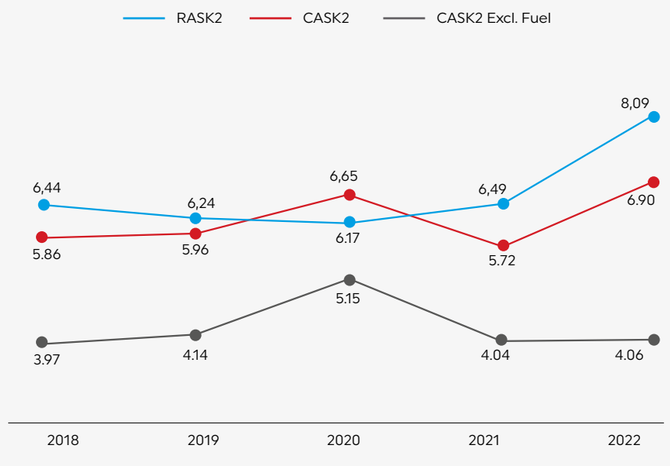
Effective cost management

Despite rising commodity prices and inflationary market conditions, expenses were monitored in a controlled manner through effective cost and capacity management and ex-fuel unit costs declined by 2% compared to 2019. In the same period, unit costs increased by 16%, while unit revenues rose by 30%.

CASH, CASH EQUIVALENTS AND FINANCIAL INVESTMENTS (USD MILLION)



UNIT REVENUES AND COSTS (USD - CENT "USC")



RASK2 (Incl. Cargo ACTK): Total Revenue/ASK2 (Cargo Aircraft Capacity Incl. Available Cargo Ton KM)*
CASK2 (Incl. Cargo ACTK): Total Cost/ASK2 (Cargo Aircraft Capacity Incl. Available Cargo Ton KM)*

FINANCIAL ANALYSIS

In 2022, Turkish Airlines responded quickly to the increasing passenger demand, recovering faster than its competitors and exceeding pre-pandemic profitability levels.

Airline with the highest increase in market capitalization

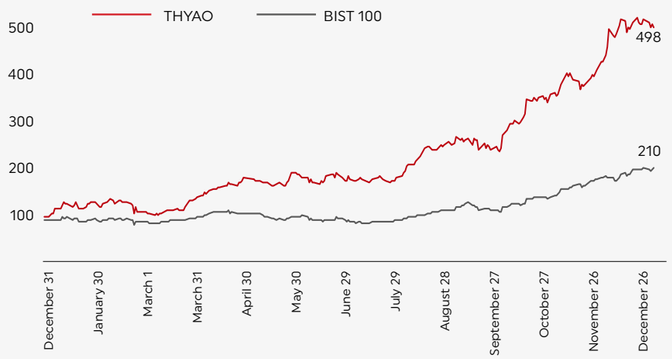
Since 1990, Turkish Airlines shares have been traded on the Borsa Istanbul under the ticker code of THYAO. The free float rate of the Incorporation's stock increased to 50.88% after the secondary public offerings conducted in the fiscal years 2004 and 2006. Turkish Airlines regularly ranks among the top preffered Turkish stocks for investors. In 2022, the Incorporation's stock registered an average daily trading volume of USD 343 million on the Borsa Istanbul as the highest trading volume on the exchange.

The Incorporation, which is a center of attention for domestic and foreign investors, became the world's most appreciated airline in 2022. During this period, while the BIST100 appreciated by nearly 100% in USD terms, Turkish Airlines appreciated by nearly 400% and its market capitalization reached USD 10.4 billion. In 2022, the Incorporation became the airline with the highest increase in market capitalization, the tenth most valuable airline in the world, and the fourth most valuable company on the Borsa Istanbul.

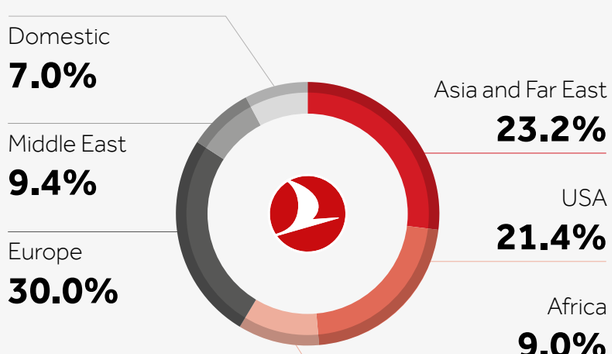
Diversified Revenue Portfolio

Thanks to its extensive flight network, the Incorporation has created a natural risk mitigation mechanism by providing a geographically diversified revenue stream. With its extensive flight network, active capacity management and highly qualified workforce, Turkish Airlines managed to exceed the pre-pandemic level in passenger operations by 7.5% in terms of Available Seat Kilometers (ASK) in 2022. Turkish Airlines' passenger market share increased to 2.7% in 2022, ranking sixth globally and first in Europe. In the Americas region, thanks to the opening of new destinations, revenues in 2022 were nearly double those of 2019. As a result of the complete lifting of travel restrictions in Europe, the Incorporation's revenue in Europe was 46% above pre-pandemic level. In 2022, the revenue growth in the Far East was 31% compared to the pre-pandemic level, while the revenue growth in Africa was 27%. Furthermore, the revenue in the Middle East region rose by 16% compared to pre-pandemic levels. In 2022, the revenue portfolio was further diversified with the newly opened Seattle, Bergamo, Juba, Cebu, Bukhara, Tivat, Kirkuk and Turkmenbashi routes.

PERFORMANCE COMPARISON OF THYAO-BIST 100



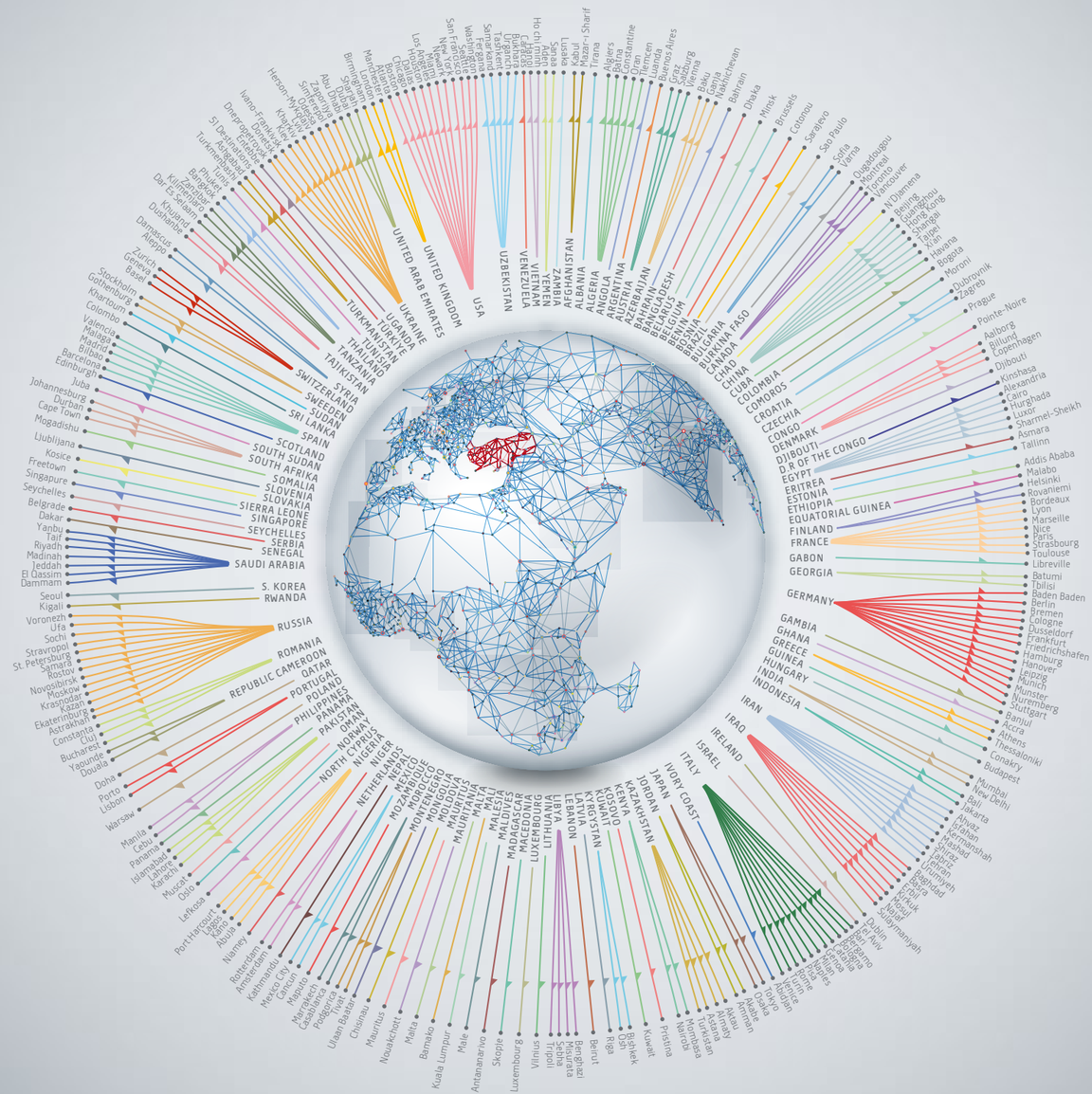
REGIONAL DISTRIBUTION OF REVENUES*



** Passenger and Cargo Revenues*

A STAR ALLIANCE MEMBER

WE CONNECT MORE COUNTRIES THAN ANY OTHER AIRLINE



TURKISH AIRLINES

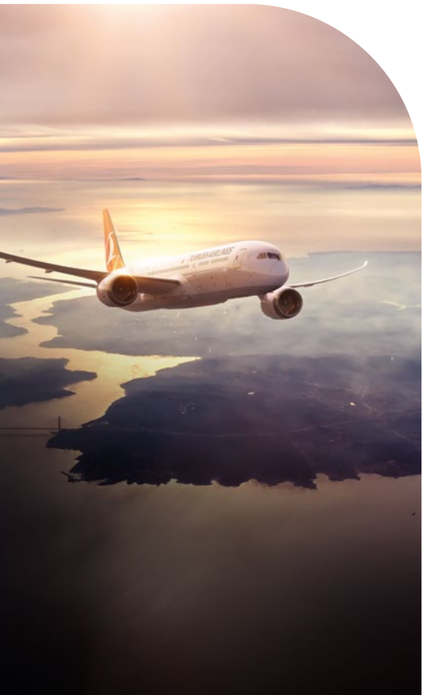
For updates please visit turkishairlines.com

DEVELOPMENTS IN THE INDUSTRY AND EXPECTATIONS FOR 2023

Rising sector performance

Increasing passenger demand accelerated operational recovery.

68.5%
Recovery in global passenger traffic



Airline transportation is one of the sectors most vulnerable to crises. Historically, although airline transportation is the industry that bleeds out the fastest in times of crisis, it can rebound just as quickly with good process management. In 2022, the aviation industry's resilience to global impacts was demonstrated yet again. Although pandemic-related losses were significantly reduced in this period, the impacts of the Ukraine-Russia crisis had a negative effect on aviation as did increasing geopolitical and economic fluctuations on energy, fuel and inflation. In addition, uncertainties regarding travel restrictions in the Asia Pacific region, especially in China, and operational problems that emerged especially in Europe during the summer months stood out as crucial factors affecting the recovery in global traffic.

As a result of these developments, the recovery in global air transportation demand reached 68.5% of the 2019 level. International passenger traffic reached only 62.2% of the 2019 level while domestic passenger traffic climbed to 79.6% of pre-pandemic levels. Global demand is expected to continue to recover in 2023, falling 14.5% behind the 2019 levels, and anticipated to return to 2019 levels in 2024.

In 2022, global passenger numbers surged by 56.7%, reaching 75.4% of 2019 levels. This year, a total of 3.4 billion passengers were carried, of which 2.2 billion were domestic passengers and 1.2 billion were international passengers. In 2023, the total number of passengers will again exceed 4 billion. Passenger numbers are expected to reach 2019 levels in 2024 for domestic routes and in 2025 for international routes.

On a regional basis, North America, which had a large domestic market in 2022, demonstrated a 45.5% increase in 2022, driven by the recovery in domestic routes and the subsequent lifting of travel restrictions, especially in the transatlantic market. Passenger traffic in the region is expected to grow by 6.4% in 2023, almost matching the 2019 levels.

Asia Pacific, which accounted for 34% of global traffic before 2020, lost 12% share due to restrictions in China. In 2022, traffic in the region was still at 44.4% of 2019. By 2023, it is expected to regain its global dominance with the expectation of a gradual easing of restrictions.

The pandemic caused strong pressure on airlines' financial structures by creating imbalances for three years, eroding 80% of the total profits generated in aviation history. The industry posted a loss of USD 7 billion in 2022 and is expected to turn positive again in 2023, posting a profit of USD 4.7 billion. However, 2023 is still seen as an early year for the sector to reach the expected profitability levels.

In 2022, only the North American region was profitable, while Europe and the Middle East are expected to become profitable in 2023. Profitability is expected for Latin America, Africa, and Asia-Pacific in 2024 and beyond.

Aircraft deliveries, which are important both operationally and financially, have not yet reached pre-pandemic levels in the period to date, after they dropped sharply in 2020.

Among the reasons for the delays in deliveries are disruptions in the supply chain due to the pandemic and the problems caused by labor constraints at aircraft manufacturers. Despite these factors, scheduled aircraft deliveries are expected to reach 2019 levels in 2023. This also reflects how the industry sees the recovery and traffic in the coming years.[1]

World Economic Developments and Expectations

While the adverse effects of the pandemic on human health were left behind, growth was slowed down by tight monetary policies, high real interest rates, weakening household income growth, and declining economic confidence. Global economic activity has been experiencing a widespread and sharper-than-expected slowdown. A substantial number of economies entered a period of growth slowdown or outright contraction. At 6.0% in 2021, global growth is projected to be 3.4% in 2022 and 2.9% in 2023, below the average growth rate between 2000 and 2019 (3.8%). This weak growth points to the weakest growth expectation since 2001, apart from the contractions experienced during the global financial crisis and the onset of the Covid-19 pandemic.

Slowing growth, strong inflationary pressures, and the continuing impact of the crisis in Ukraine on energy markets leave policymakers with difficult choices to maintain macroeconomic stability and improve prospects for sustainable and inclusive growth over the medium term. It has caused a major energy price shock unprecedented since the 1970s. Higher energy prices have led to higher prices for goods and services, and thus to a high inflation environment. Global inflation is projected to rise from 4.7% in 2021 to 8.8% in 2022, but decline to 6.6% in 2023 and 4.3% in 2024. Rising inflation rates are most prevalent among advanced economies, with greater variability in developing countries. [2,3,4,5]

Most advanced economies are projected to enter a recession in 2023 and global growth is expected to be weaker than the consensus forecast. The global tightening in financing conditions may trigger widespread debt distress in emerging markets. However, reduced uncertainties and better financial market conditions may mitigate the slowdown in growth. Furthermore, tighter monetary policies, lower commodity prices, and easing supply chain issues, combined with slowing growth, may help moderate inflation for most economies. Building a strong recovery may require more than a reduction in negative shocks. The future health of the global economy depends on the successful adjustment of critical monetary policies, the trajectory of the crisis in Ukraine, and the possibility of fewer pandemic-related supply disruptions, for example, as seen in China.[2,3,4]

World trade grew at an average annual rate of 3.5% between 2000 and 2019. World trade volume declined to 2016 levels in 2020 due to shocks and trade restrictions. Trade, which recovered rapidly in 2021 and expanded rapidly on a global scale after trade restrictions were lifted, recorded significant growth with the increase in demand for transportation services and exceeded 2019 levels in terms of volume.[2,4,6]

With an optimistic forecast, world trade is expected to grow by 3.5% in 2022. It is estimated that world trade will grow by 1% in 2023, due to a loss in acceleration and the pressure that multiple shocks will place on both global trade and the global economy in 2022. [2,4,6]

Tourism, the world's third largest export item, accounted for more than 6% of the global economy in 2021. Compared to previous crises, the pace of recovery in tourism was swift and strong, with rapid easing of excessive demand pressures, lifting of restrictions, and subsequent increased confidence in regulations. The recovery, led by tourism activities in Europe, is expected to reach more than 900 million international tourists in 2022, 65% of 2019 levels. This recovery has been reflected positively in other sector indicators that support tourism, such as hotel occupancies, bookings, and increases in air traffic. In 2023, the number of international tourists is expected to rise by 30% compared to 2022 but is not yet expected to reach 2019 levels. [2,6,7,8]

[1] International Air Transport Association (IATA)
[2] International Money Fund (IMF)
[3] The World Bank
[4] Organization for Economic Co-operation and Development (OECD)
[5] International Energy Agency (IEA)
[6] World Trade Organization (WTO)
[7] World Tourism Organization - UNWTO)
[8] Economist Intelligence

DEVELOPMENTS IN THE INDUSTRY AND EXPECTATIONS FOR 2023

The changes in the supply-demand balance caused cargo unit revenues to double on average compared to 2019, increasing 7.2% above the previous year.

27.7%

Share of air cargo revenue in total airline revenue

2022 Cargo Sector and Its Development

In the past two years, the impact of the pandemic, which has forced changes in the supply chain and created constraints on the chain, has increased interest in air cargo. In 2022, air cargo continued to serve as a catalyst to address supply chain issues with its fast, reliable and flexible solutions regarding changing global needs. Wide-body belly cargo capacity, which was almost completely disappeared in the pandemic and accounted for an average of 50% of air cargo capacity, has started to recover with the increase in passenger flights. As a result, the need for the capacity offered by wide-body passenger aircraft (preighter), which accounted for 25% of scheduled cargo flights in mid-2020, decreased with the launch of belly cargo, falling to 5% of total scheduled cargo capacity by late 2022.[1,9]

Air cargo capacity in 2022 is 8.2% lower than that of 2019, while demand is approximately at the same level as that of 2019. World trade volume growth, which is directly related to demand and is one of the most important indicators for the industry, is expected to lose momentum in 2023 due to inflationary effects, recession expectations and geopolitical risks.[1]

These changes in the supply-demand balance caused cargo unit revenues to double on average compared to 2019, reaching 7.2% above the previous year. In addition to macroeconomic variables, reduced supply chain congestion, improved long-haul international passenger flights, and declining sea freight rates due to increased mobility in maritime freight traffic helped unit revenues, which were high since the beginning of the year, return to their normal trend by the end of 2022. Accounting for 12% of airline revenues in 2019 with USD 138.5 billion, air cargo is expected to account for 27.7% of airline revenues in 2022 with USD 201.4 billion, driven by rising unit revenues.[1]

The attractiveness of the air cargo sector over the last two years and the motivation for its future importance have encouraged new players, from within and outside the sector, to enter the sector, and old players to invest in cargo aircraft. There are approximately 2,200 cargo aircraft active in the market, with 550 aircraft awaiting conversion. This year, more than 40 new freighters were delivered, mainly 777 and 767 widebodies. In addition to new aircraft, a record was broken with the conversion of approximately 200 cargo aircraft, and 190 conversion orders placed.[10]

The continued growth of e-commerce is recognized as a driving force for both the cargo aircraft conversion market and air cargo demand. Studies based on 2021 data show that 2.14 billion people are shopping online; this will continue to grow at a rapid pace. In comparing the delivery speed and delivery price of a single package for international e-commerce shipments, it is seen that postal services are relatively slow and express shipments are too expensive. Therefore, a transportation solution based on a hybrid business model is gaining attention. Collaborations and partnerships between some airlines and logistics providers support the shift towards the e-commerce model to diversify airlines' revenue sources. This niche trend, which was observed to be one of the strategic agenda items for airlines in the current year, is expected to continue to grow in importance in the coming years.[1]

Looking at the year 2023 in general, it is expected that the capacity will increase compared to the previous year; that cargo traffic will decrease by 4.1%; and that unit revenues will fall by 22.6%. Airlines' air cargo revenues and their share in total revenues are projected to decline to USD 149.4 billion or 19.2%.[1,11]

Expectations for Turkish Airlines in 2023

Turkish Airlines completed 2022 with a performance beyond expectations, becoming one of the rare airlines to report profits in all four quarters. Having exceeded 2019 levels as of June and completed its pandemic recovery ahead of the industry in general, the Incorporation will continue to write its story by targeting double-digit growth in 2023, the 90th anniversary of its foundation and the 100th anniversary of our Republic. In 2023, Turkish Airlines will add its 400th aircraft to its fleet and will welcome its one billionth passenger in the first half of 2023.

In 2022, as in 2021, capacity increased by 65% compared to 2019, with additional destinations and frequency increases on existing routes to the American region, where the fastest growth was realized. In 2023, it is aimed to double the number of tourists, especially with tourism moves to the USA and programs such as Stopover. Turkish Airlines plans to open new flight destinations depending on the opportunities and market conditions and will extend its robust growth in this region by intensifying its operations.

Having reached 47.5% of its 2019 capacity in the Far East region in 2021, Turkish Airlines extended its capacity in the region to 85% in 2022 as a result of the easing of restrictions in some countries other than China. By 2023, the capacity offered to the region is expected to increase, especially in anticipation of the opening of China to international traffic.

Despite the indirect impacts of the pandemic, such as flight cancellations due to labor shortages at European airports in 2022, Turkish Airlines' capacity in the region was 2.5% above 2019 levels. Similarly, in the Africa region, Turkish Airlines exceeded its 2019 level by 1.5%, and plans to expand its operations and grow in all regions in 2023.

Investments in the AnadoluJet brand, whose international expansion strategy was initiated in 2020 and whose fleet was doubled in a short time, will continue at full speed in 2023. AnadoluJet will continue to grow both on domestic and international routes with the next-generation aircraft to be added to its fleet, offering higher flight comfort and enabling more passengers to be reached via higher capacity. The Incorporation will pursue further growth in the Middle East and Europe markets, especially with Sabiha Gökçen-focused plans.

Carrying 1.68 million tons of cargo in 2022 and ranking fifth in terms of FTK with a 5.2% market share in the world excluding integrators, Turkish Cargo moved to SmartIST, the new cargo facility at Istanbul Airport, equipped with autonomous and robotic systems. With its operations here, the Incorporation is taking firm steps towards its goal of making Istanbul the new center of global air cargo logistics in the near future and making Turkish Cargo one of the top three air cargo companies in the world.[1]

Turkish Airlines, one of Türkiye's largest contributors to employment, has been expanding the number of its personnel in line with its growth strategies. With the recently announced programs, the number of cabin, cockpit and ground personnel is planned to be increased in 2023 as well.

[1] International Air Transport Association (IATA)
[9] The Boeing Company
[10] Cirium
[11] Aircargonews



BOARD OF DIRECTORS



Prof. Ahmet Bolat
Chairman of the Board of Directors and the Executive Committee
Born in Konya in 1959, Prof. Ahmet Bolat graduated from Istanbul Technical University in 1981 as an Industrial Engineer. In 1984, he graduated from M.Sc. Operations Research program at Stanford University and in 1988, he obtained his Ph.D. in Industrial and Operations Engineering from the University of Michigan.

Prof. Bolat started his career in 1981 as a Design and Production Engineer at Yıldız Kalıp Şirketi. Between 1985 and 1988, he held a various of roles at the University of Michigan including as teaching assistant, research assistant and assistant professor. From 1988 to 2005, he worked as assistant professor, associate professor and professor at Industrial Engineering Department of King Saud University, Riyadh.

He was assigned as Senior Vice President of Investment Management at Turkish Airlines Inc. in 2005 and served as Chief Investment and Technology Officer between 2012 and 2022. During his tenure, he managed strategic growth plan of Turkish Airlines and led the team which procured around 550 aircraft to Turkish Airlines fleet. Being also responsible for International Relations & Alliances, Prof. Bolat has managed Government Affairs issues & commercial agreements with airline partners, ensuring partnership & network development with enhanced bilateral relations. He also led the feasibility study of Alliance selection project for Turkish Airlines.

In 2022, Prof. Ahmet Bolat was appointed as the Chairman of the Board and the Executive Committee of Turkish Airlines.



Prof. Mecit Eş
Deputy Chairman of the Board of Directors and the Executive Committee
Prof. 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. Prof. Eş is a father of three children.



Bilal Ekşi
Member of the Board of Directors / CEO
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 Istanbul 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. EKŞİ carried out the duty of maintenance of aircraft engines, landing gears and all components between 2003-2005.
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 2008-2009; 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; Bilal Ekşi was assigned as the Director General of Civil Aviation in April 2011. During his tenure as the Director General of Civil Aviation, Türkiye has been reelected as a member of Council of International Civil Aviation Organization (ICAO) 66 years later its pervious 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 CEO and continues his duty as the CEO and Member of the Board.



Assoc. Prof. Murat Şeker
Member of the Board of Directors and the Executive Committee - Chief Financial Officer
Assoc. Prof. Murat Şeker, PhD earned his undergraduate degree in Industrial Engineering from Marmara University in 2000, followed by a Master's Degree in Economics from Sabancı University in 2002. Then, he earned a PhD in Economics from University of Minnesota, USA in 2008.

Assoc. Prof. Şeker worked as an analyst at Global Indicators Analysis Department between 2008 - 2011 and as an economist at Innovation, Technology and Entrepreneurship department between 2011 - 2013 under the Financial and Private Sector Development Vice Presidency of World Bank, USA. During his tenure at the World Bank, he was responsible for operational project management; production of reports and research publications on innovation and entrepreneurship ecosystem, international trade; and development of economic policies that contribute to the growth of developing countries.

Assoc. Prof. Şeker returned to Türkiye in 2013 and worked at Ziraat Bank as Senior Vice President of Investor Relations Department. In August 2014, he was assigned as Senior Vice President of Financial Institutions and Investor Relations Department. At Ziraat Bank, Assoc. Prof. Şeker also served as Board Members of Ziraat Investment, Ziraat Private Pension and Ziraat Insurance subsidiaries. In July 2016, Assoc. Prof. Şeker was assigned as the Chief Financial Officer of Turkish Airlines and in March 2021, he was additionally appointed as a Member of the Board and the Executive Committee of Turkish Airlines. Assoc. Prof. Şeker also serves as a Board Member of SunExpress.

Between 2015 and 2018, Assoc. Prof. Şeker lectured as part-time professor at Boğaziçi University, Faculty of Economics and Administrative Sciences and received Associate Professorship title in October 2018.



Mehmet Kadaifçiler
Member of the Board of Directors and the Executive Committee - Chief Flight Operations Officer
Mehmet Kadaifçiler, who was born in Konya in 1963, completed his undergraduate education in the Turkish Air Force Academy, Department of Aircraft, and graduated in 1986. Between 1986 and 2000, he served as a jet pilot and an instructor pilot in various units of the Turkish Air Force. He completed his master's degree at Turkish Air Force Academy between 2000 and 2002. As a Staff Officer, he retired in 2005 after serving as a Squadron Commander and working in the Turkish Air Force Headquarters Flight Training Department.

He joined Turkish Airlines as a First Officer in 2006 and was appointed as a Captain Pilot in 2009. In Turkish Airlines, he served as the Quality Assurance Directorate Inspector, Quality Assurance (Flight Operations) Manager, Executive Vice President of Flight Operations (Chief Pilot) and as of 27 January 2022, has been appointed as a member of the Board of Directors and the Executive Committee and as the Chief Flight Operations Officer.



Dr. Orhan Birdal
Member of the Board of Directors
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 June 2022, Mr. Birdal completed his doctorate in the Department of Business Administration, Institute of Social Sciences, University of Turkish Aeronautical Association.

In 1982, Mr. Birdal entered the aviation sector as Air Traffic Controller at Ataturk 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 Izmir 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 Deputy Undersecretariat of the Ministry of Transport, Maritime Affairs and Communications and he was retired from this duty in July 2021. 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 Türkiye (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 Türkiye. Mr. Birdal actively participated in the commission of the Domestic Aircraft Project in Türkiye. 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



Dr. Melih Şükrü Ecertaş
Independent Member of the Board of Directors
Born in İnegöl, Bursa in 1987, Mr. Ecertaş graduated from Kartal Anatolian Imam-Hatip high school in 2004. He studied Business Administration at Beykent University and graduated as a valedictorian in 2009. After his Bachelor's Degree, granted with Fulbright scholarship, Mr. Ecertaş took his Master's Degree at Emerson College in Boston, United States in Marketing Communications department. Following his research assistant position at MIT/ Sloan School of Management, he completed his PhD degree at Gebze Technical University in Management and Organization. He continues his academic studies as an Assistant Professor in Ibn Haldun University.

He served as the Corporate Development Manager and Member of the Board of Directors at Çilek Furniture. He is working as Management Consultant and worked in many domestic and international organizations in "Human Resources System Design, Performance Management Systems, Employee Rewarding Models, Strategic Planning, Talent Management, HR Digital Transformation and other Organizational Development" projects.

Mr. Ecertaş, who has been involved in civil society and youth studies since secondary education, has undertaken 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.

Mr. Ecertaş has an excellent command of English and a good command of German and Arabic. He is married and has two children.



Şekib Avdagiç
Independent Member of the Board of Directors and the Executive Committee
Şekib Avdagiç was born in 1959 in Zenica (Bosnia and Herzegovina). He started his primary education in Cologne (Germany) and completed his primary and secondary education in Istanbul. He graduated from Istanbul Technical University Faculty of Mechanical Engineering in 1982. He completed Istanbul University Business Administration Programme with a degree in 1988.

Mr. Avdagiç is still the CEO of a company operating in the automotive industry. He was one of the founder members of the "Independent Industrialists' and Businessmen's Association" (MÜSİAD) and took charge as the Association's Vice President until 2000.

Between 1995 and 1999 he acted as a member of the Istanbul Chamber of Commerce (ICOC) Assembly. In 2005 he was elected as the member of the ICOC Executive Board. Through the years 2008-2009 Mr. Avdagiç was a member of the Executive Council of the Istanbul 2010 - European Capital of Culture Agency. He became the agency's Executive Council President in 2009 and remained so until the project was completed in June 2011. From 2009 to 2013 he served in the Executive Board of the Istanbul Chamber of Commerce as the Vice President. He has been elected as the President of the ICOC Assembly in May 2013 and held this position until 2018. From 2013 to 2019 he was the Chairman of the Board of the Turkish Composites Manufacturers Association.

He has been elected as the President of the ICOC Assembly in May 2013 and held this position until 2018. In April 2018, he was elected as the President of ICOC Executive Board.Since September 2019, he has been serving as Vice President of "Danube Chambers of Commerce Federation."

In addition to these duties, Mr. Avdagiç also holds various positions in the following institutions: Chairman of the Board, Commercialization Center of Istanbul, Chairman of the Board, Istanbul Chamber of Commerce Education and Social Services Foundation, Chairman of the Board, The Tourism Development and Education Foundation, President, The Istanbul Convention & Visitors Bureau, Vice President of the Board, Istanbul World Trade Center, Vice President of the Board, Teknopark Istanbul, Member of the Board, Foreign Economic Relations Board, Member of the Board, Istanbul Development Agency, Member of the Board, Association of Automotive Parts and Components Manufacturers, Member of the Board of Trustees, Istanbul Commerce University, Member of the Board of Trustees, International University of Sarajevo, Member of the Board of Trustees, The Prof. Fuat Sezgin Research Foundation for the History of Science in Islam, Member of the Board of Trustees, Istanbul Technical University Development Foundation, Member of the Board of Trustees, Academic, Foundation of Bosnia Sandžak Culture and History, Member of the Advisory Board, Istanbul Technical University, YÖK (Council of Higher Education)- Member of University and Industrial Cooperation Commission, Vice Chairman of Union of Chambers and Commodity Exchanges of Türkiye.

Mr. Avdagiç speaks English and Bosnian. He is married and has two children.



Assoc. Prof. Fatmanur Altun
Independent Member of the Board of Directors
Assoc. Prof. Fatmanur Altun completed her undergraduate degree in Sociology Department at İstanbul University. She obtained her Master's Degree from Marmara University in 2014 with the thesis titled "The Role of Discourse of Greater Middle East Project in Formation of Post-2000 Turkish Nationalism". She received her Ph.D. from the same university in 2018 with her thesis titled "The 'Social Benefit' Approach of Secular and Faith-Based Non-Governmental Organizations in Türkiye: Case Studies of the Association for Supporting Contemporary Life and Turkish Youth and Education Service Foundation". In 2022, she was given the title of Associate Professor. Mrs. Altun continued her academic studies as a teaching assistant at Marmara University between 2015 and 2021. She gave lectures on Social Theory, History of Sociology, and Urban Sociology and Cultural Studies.

Her main research areas are social theory, anthropology, philosophy, social psychology, women studies, new media and digitalization, globalization, intellectual history, Islamophobia, social movements, communication, urban sociology, sociology of immigration, family, and justice. Currently being a Member of the Board of Marmara University Women's Studies Application and Research Center in Economic and Social Fields, Mrs. Altun served as chairperson and member of the board in numerous reputable organizations of the private sector and civil society.

She is proficient in English and has good command of Arabic and Ottoman Turkish. Mrs. Altun has been an independent member of the board of directors at Turkish Airlines since 2018. She is married and has four children.

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 Türkiye 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,
- Sales and distribution costs below industry averages,
- 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 will continue its sustainable growth trend in the coming period with its growing next-generation fleet and new steps to be taken.

106

Number of next-generation aircraft

1. SUSTAINABLE GROWTH AND PROFITABILITY

Promising its passengers a larger world with the motto "Widen Your World", connecting the most countries in the world, and flying to the most international destinations, Turkish Airlines conducts its operations by prioritizing safety, service quality, health, and satisfaction, regardless of the circumstances.

Turkish Airlines, which further expanded 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 within the aviation ecosystem it created.

Being one of the airlines that caught up with 2019 data the earliest with the rapid recovery in the past period, Turkish Airlines will continue its sustainable growth trend in the coming period with its growing next-generation fleet and new steps to be taken.

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.

Its uninterrupted communication for changing market conditions in view of current developments and rapid adaptation to conditions demonstrate the brand's agility. In order to achieve its prestigious brand image, Turkish Airlines continues to take steps to strengthen its brand by maintaining its brand communication investments and promotional activities in many different areas, including sports and media sponsorships, collaborations with brand ambassadors, prestigious commercials and roles in internationally respected platforms, with the aim to provide reliable, professional, customer-oriented, and high quality service.

3. CUSTOMER FOCUS

Always focusing on passenger satisfaction and trust, Turkish Airlines has shaped its strategy according to its passengers' price, time, service, and comfort preferences and focused on building contactless, fast, safe, hygienic, and practical experiences. In this context, the Incorporation has made it a priority to build different experiences for differentiating passenger segments and to work in line with passenger expectations and needs.

Turkish Airlines received many awards from reliable and reputable aviation organizations around the world thanks to these efforts and the projects it implemented to make passengers' travel experiences comfortable and privileged. These international awards, which Turkish Airlines sees as a source of motivation, are in fact proof of the success of its work.

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

4. CORPORATE SOCIAL RESPONSIBILITY

Focusing on people and playing an important role in sustainable growth and development with a sense of responsibility towards the environment and nature, Turkish Airlines contributes to the empowerment of society through its corporate social responsibility awareness. Within the framework of its social responsibility principles, Turkish Airlines assumes corporate responsibility in many areas such as environment, education, humanitarian aid, science and technology for activities such as environmental sustainability, empowering disadvantaged groups, creating new opportunities in education, and supporting aid organizations in times of disaster and famine. Turkish Airlines takes pioneering steps to solve global problems while preserving and enhancing our country's sense of unity and solidarity.



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

The culture of innovation, which has become one of the main determinants of global competition, is aimed to be fully aligned with Turkish Airlines' innovation and transformation flexibility in all areas from production processes to marketing, from the use of technology to customer contact points. Leading innovative project activities such as the Internet of Things, virtual reality, and artificial intelligence technologies make life easier at many service points of Turkish Airlines. Turkish Airlines will continue its digital transformation and innovation activities that will increase customer and stakeholder satisfaction, as well as projects that will contribute to the improvement of internal processes.

7. ADDING VALUE TO EMPLOYEES

Turkish Airlines recognizes its employees as one of the key dynamics behind its success. The airline aims to increase productivity and motivation by enhancing the quality of life of its employees through increased employer attractiveness and brand value. It offers its employees a comfort area inside a fair, transparent, and agile culture where communication is strong. The Incorporation plans to maintain its activities with an end-to-end planned and sustainable focus integrated with digitalization and supported by the concepts of recruitment, rewarding, and training, where employee experience is at the forefront and the employer brand value is aimed to be increased.

8. ADDING VALUE TO STAKEHOLDERS

Turkish Airlines is committed to ensuring that its goals and values are embraced by its stakeholders and that stakeholder expectations are met, without compromising the principles of transparency, fairness, responsibility, and accountability in all of its activities, in cooperation with its stakeholders and by communicating effectively with them.

As a business strategy, Turkish Airlines maintains a strong financial position for its stakeholders and prefers to be environmentally, socially, and economically sustainable with its stakeholders. It performs training, inspection, and research activities in order to increase the awareness of its stakeholders on occupational health and safety, data security, technological competence and to improve business processes. Continuously improving its collaborations with its stakeholders, Turkish Airlines resolutely pursues its vision of adding value to its stakeholders through the feedback it receives from them.

SUBSIDIARIES AND AFFILIATES

Powerful corporate identity

Thanks to subsidiaries and affiliates, Turkish Airlines provides flexibility, quality and efficiency across its operations, while reducing costs.



18
Subsidiaries and affiliates

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 subsidiaries and affiliates, Turkish Airlines provides flexibility, quality, and productivity across its operations, while reducing costs. As a result, the Company 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 65,378 employees.

	Title	Brand
Passenger and Cargo Transport Group	• Sun Express Aviation Inc. • Air Albania SHPK • We World Express Limited • THY Air Cargo Transport Inc. • Turkish Airlines International Investment and Transport Inc.	• SUNEXPRESS • AIR ALBANIA • WE WORLD EXPRESS • TURKISH CARGO
Maintenance Repair (MRO) Group	• Turkish Technic Inc. • Pratt & Whitney Turkish Engine Center Co. Ltd. • Goodrich Turkish Technic Service Center Co. Ltd.	• TURKISH TECHNIC • TEC • TURKISH NACELLE CENTER (TNC)
Cabin Interior Manufacturing Group	• Turkish Cabin Interior Systems Inc. • TSI Aviation Seats Inc. • Cornea Aviation Systems Industry and Commerce Inc.	• TCI • TSI • CORNEA
Support Services Group	• Turkish Opet Aviation Fuels Inc. • Turkish Fuel Services Inc. • Turkish Do & Co Catering Services Inc. • Turkish Ground Services Inc. • Turkish Flight Training and Airport Operations Inc. • Turkish Airlines Technology Inc.	• THY OPET • TFS • TURKISH DO&CO • TGS • TAFA • THY TECHNOLOGY
Other	• Tax Refund and Intermediation Inc.	• TAX FREE ZONE

SUBSIDIARIES AND AFFILIATES



TURKISH TECHNIC
Turkish Technic Inc.

Revenue USD Million

2022	**1,416**
2021	**1,034**

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 9,318 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, 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, in June 2021. 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, it continues its activities in its hangars located at 5 different airports in Ankara, Aydın and Istanbul (Atatürk, Istanbul and Sabiha Gökçen Airports).

9,318
Number of Employees



SUNEXPRESS
Sun Express Aviation Inc

Revenue USD Million

2022	**1,437**
2021	**880**

SunExpress conducts tourism transport activities as the market leader in flights between Türkiye 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 Türkiye's first private airline to organize scheduled flights abroad. SunExpress connects 89 destinations, 25 of which are in Türkiye, with scheduled and charter flights. 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 62 aircraft as of the end of 2022, SunExpress has operated with 236 destinations in 30 countries with 3,352 employees. As of end-2022, SunExpress' 8 aircraft conduct operations for AnadoluJet.

3,352
Number of Employees



THY OPET
Turkish Opet Aviation Fuels Inc.

Revenue USD Million

2022	**738**
2021	**451**

The Company was established in 2009 with 50%-50% partnership of Turkish Airlines and OPET Fuel Inc. Turkish OPET commenced operations on July 1, 2010 and now boasts the largest integrated jet fuel facility in Türkiye. Turkish OPET provides "into plane" services with its experienced staff at Istanbul Airport and storage and aircraft fuel supply services at Sabiha Gökçen Airport and also operates at Anatolian airports.

467
Number of Employees



TGS
Turkish Ground Services Inc.

Revenue USD Million

2022	**416**
2021	**256**

Turkish Ground Services (TGS) delivers ground handling services at 10 stations: Istanbul Airport, Istanbul Atatürk Airport, Istanbul Sabiha Gökçen Airport, Ankara Esenboğa Airport, Izmir Adnan Menderes Airport, Antalya Airport, Adana Airport, Milas-Bodrum Airport, Dalaman Airport, and Eskişehir Hasan Polatkan 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. In 2022, TGS increased the number of flights by more than 20% compared to the previous year and provided services at world-class standards to nearly 625 thousand flights with its 15,622 employees.

15,622
Number of Employees



TURKISH DO&CO
Turkish Do&Co Catering Services Inc.

Revenue USD Million

2022	**328**
2021	**158**

The company, which was established in 2006 as a 50%-50% partnership between Turkish Airlines and DO&CO AG based in Austria, delivers catering services to over 60 domestic and international air carriers, particularly Turkish Airlines. TURKISH DO&CO has 11 production units throughout Türkiye. It provides services to a total of 27 airports and has a 90% market share. In 2022, the number of aircraft and passengers served by TURKISH DO&CO reached pre-pandemic levels again, in line with the positive developments in the aviation industry, which quickly returned to its previous levels after the Covid-19 pandemic. Successfully operating Turkish Airlines' worldwide Lounges at Istanbul Airport, the Company will continue to assess the expectations of Turkish Airlines' guests and relentlessly improve its catering service quality and concepts 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 2022, the BC onboard catering prepared by TURKISH DO&CO for Turkish Airlines was selected as the "World's Best BC Onboard Catering" by SKYTRAX, bringing Turkish Airlines the "World Top Place" award.

4,697
Number of Employees



TEC
Pratt & Whitney Turkish Engine Center Co. Ltd.

Revenue USD Million

2022	**415**
2021	**391**

Turkish Engine Center delivers engine maintenance, repair and overhaul services to customers located in Türkiye and neighboring regions. It was founded in 2008 as a 49%-51% partnership between Turkish Technic Inc. 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.

474
Number of Employees

SUBSIDIARIES AND AFFILIATES



TURKISH NACELLE CENTER (TNC)
Goodrich Turkish Technic Service Center Co. Ltd.

Revenue USD Million

2022	**24**
2021	**21**

Goodrich Turkish Technic Service delivers high quality maintenance and repair service for aircraft engine nacelle and reverse thrust systems at Istanbul Sabiha Gökçen Airport facilities. It was established in 2010 as a 40%-60% partnership between Turkish Technic Inc 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. Since 2019, it has been serving under the brand of "Turkish Nacelle Center." In 2022, the company completed 370 nacelle maintenance works. It continues its mission to provide internationally accepted high quality services to its domestic and international customers, particularly Turkish Airlines.

74
Number of Employees



TCI
Turkish Cabin Interior Systems Inc.

Revenue USD Million

2022	**4**
2021	**6**

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 B-737 aircraft galleys by Boeing. TCI targets a 20% market share in this segment over the long-term. As first priority, it meets the needs of Turkish Airlines with the aircraft cabin interior it manufactures and it also provides services to various international companies.

143
Number of Employees



TSI
TSI Aviation Seats Inc.

Revenue USD Million

2022	**14**
2021	**16**

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. As a result of the transfer of Assan Hanil's shares in 2021, it continued its activities with a 50% partnership of Kibar Holding. In the last period of 2022, Kibar Holding transferred its 50% shares to Turkish Airlines and continues its activities with 95% shares of Turkish Airlines and 5% partnership with Turkish Technic Inc. The company, which delivered 11 projects in 2022 being primarily Airbus A320, Airbus A321, Airbus A350 and Boeing 787 projects, aims to be among the world's top 5 aircraft seat suppliers by designing and manufacturing seats, producing, modifying and selling spare parts for many airline companies and aircraft models in the future.

119
Number of Employees



TAFA
Turkish Flight Training and Airport Operations Inc.

Revenue USD Million

2022	**13**
2021	**11**

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. Turkish Flight Training and Airport Operations continues to deliver trainings at Aydın Çıldır Airport since 2013. The trainings are performed with 25 training aircraft in the company's fleet, 3 flight simulators, 3 classrooms, 30 flight instructors and 6 theoretical knowledge instructors. To date, the Academy has trained 1,153 graduates and currently offers training to 262 students. Turkish Flight Training and Airport Operations plays a crucial role in filling the pilot deficit of Turkish Airlines and the broader aviation industry.

111
Number of Employees



TAX FREE ZONE
Tax Refund and Intermediation Inc.

Revenue USD Million

2022	**1**
2021	**0.5**

Tax Refund and Intermediation Inc. provides intermediation services for the return of VAT paid for goods bought in Türkiye 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 Otomotiv San. ve Tic 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 Türkiye to take abroad with them.

14
Number of Employees



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.

-

SUBSIDIARIES AND AFFILIATES



WE WORLD EXPRESS
We World Express Limited

Revenue USD Million

2022	**40**
2021	**50**

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 2022, the Company reached a total of 5 offices in Istanbul, Shanghai, Hong Kong, Maastricht, and Shenzhen. Today, it is one of the major players in the market of cross-border e-commerce from China to Türkiye. In 2022, We World Express increased the number of countries where it provides door-to-door services to 30 and plans to increase the number of countries it delivers to over 40 in 2023 and 2024.

43
Number of Employees



AIR ALBANIA
Air Albania Shpk

Revenue USD Million

2022	**38**
2021	**30**

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 dry lease aircraft in its fleet. The Tirana-based airline started operating daily flights between Tirana-Istanbul in April 2019 and between Tirana-Rome, -Milan and -Bologna in September 2019. By 2022, it organizes flights to and from Tirana, Istanbul, Rome, Milan, Bologna, Pisa, Verona, Athens, and London destinations.

137
Number of Employees



CORNEA
Cornea Aviation Systems Industry and Commerce Inc.

Revenue USD Million

2022	**1**
2021	**0,5**

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.

50
Number of Employees



TFS
Turkish Fuel Services Inc.

Revenue USD Million

2022	**3,440**
2021	**1,227**

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. Turkish Fuel Services operates at Istanbul Airport in the transportation, storage and supply of fuel needed by aircraft. It ranks among the country's leading enterprises with 2.9 million tons of jet fuel sales in 2022.

110
Number of Employees

THY TECHNOLOGY
Turkish Airlines Technology Inc.

Revenue USD Million

2022	**54**
2021	**33**

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 Türkiye's technology export vision in the future and lead the development of the Turkish aviation ecosystem.

1,127
Number of Employees

SUBSIDIARIES AND AFFILIATES

SUBSIDIARIES AND AFFILIATES IN 2022

	December 2022 Staff	Shareholding Structure	Business Line
1. Sun Express Aviation Inc. (Consolidated)	3,352	Turkish Airlines 50% - Lufthansa 49% - Other 1%	Passenger and Cargo Transport
2. Air Albania SHPK	137	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.	43	Turkish Airlines 45% - ZTO 45% - Pal Air 10%	Cargo and Courier Transport
5. THY Air Cargo Transport Inc.	-	Turkish Airlines 100%	Cargo Transport
Passenger and Cargo Transport Group Total	**3,532**		
6. Turkish Technic Inc.	9,318	Turkish Airlines 100%	Aircraft Maintenance - MRO
7. Pratt & Whitney Turkish Engine Center Co. Ltd.	474	P&W 51% - Turkish Technic 49%	Engine Maintenance - MRO
8. Goodrich Turkish Technic Service Center Co. Ltd.	74	TSA Rina Holdings BV 60% -Turkish Technic 40%	Reverse Thrust and Engine Nacelle – MRO
Maintenance, Repair and Overhaul (MRO) Group Total	**9,866**		
9. Turkish Cabin Interior Systems Inc.	143	Turkish Airlines 30% - Turkish Technic 20% - TUSAŞ 50%	Manufacturing and Trading Cabin Interior Accessories
10. TSI Aviation Seats Inc.	119	Turkish Airlines 95% - Turkish Technic 5%	Manufacturing and Trading Aircraft Seats
11. Cornea Aviation Systems Industry and Commerce Inc.	50	Turkish Technic 80% - Havelsan 20%	Inflight Entertainment Systems
Cabin Interior Manufacturing Group Total	**312**		
12. Turkish Opet Aviation Fuels Inc. (Consolidated)	467	Turkish Airlines 50% - Opet 50%	Aviation Fuel Trade
13. Turkish Do&Co Catering Services Inc.	4,697	Turkish Airlines 50% - Do&Co 50%	Catering
14. Turkish Ground Services Inc.	15,622	Turkish Airlines 50% - Havaş 50%	Aviation Ground Handling Services
15. Turkish Flight Training and Airport Operations Inc.	111	Turkish Airlines 100%	Turkish Flight Training and Airport Operations
16. Turkish Fuel Services Inc.	110	Turkish Airlines 25% - Taya Liman İşt. 25% - Zirve Holding 25% - Demirören Akaryakıt 25%	Fuel Supply
17. Turkish Airlines Technology Inc.	1,127	Turkish Airlines 100%	Technology and Informatics
Support Services Group Total	**22,134**		
18. Tax Refund and Intermediation Inc.	14	Turkish Airlines 30% - Maslak Oto 45% - VK Holding 25%	Tax Refund Intermediation
Other Group Total	**14**		
Affiliates Total	**35,858**		



TRAFFIC FIGURES

26.5% increase on domestic passengers and 88.0% increase on international passengers

The total number of passengers went up from 44.8 million in 2021 to 71.8 million in 2022, in a 60.3% increase.



80.6%
Total passenger load factor

The total number of passengers went up from 44.8 million in 2021 to 71.8 million in 2022, in a 60.3% increase. The number of passengers increased by 26.5% on domestic flights and 88.0% on international flights.

While Revenue Passenger Km (RPK) was 86.7 billion in January-December 2021, it became 162.7 billion in the same period of 2022, up 87.6%. RPK increased by 26.4% in domestic flights and 99% in international flights.

The number of transfer passengers between international flights went up 88.8%, while passenger load factor increased 12.8 points.

Total Available Seat Kilometers (ASK) that was 127.8 billion in January-December 2021 period increased by 57.9% in the same period of 2022 and was 201.7 billion. ASK increased 15.5% in domestic flights and 64.6% in international flights.

The number of landings, which was 357,206 in January-December 2021, increased by 32.3% to 472,707 year-on-year in 2022. And the number of destinations increased from 333 to 342.

Cargo and Mail decreased 10.7% from 1,880,949 tons in January-December 2021 to 1,678,953 tons in the same period of 2022.

TOTAL TRAFFIC FIGURES

Total Traffic Figures	2022	2021	2020	2019	2018
Revenue Passenger (thousand)	71,818	44,792	27,951	74,282	75,168
Available Seat Km (million)	201,735	127,781	75,009	187,717	182,031
Revenue Passenger Km (million)	162,665	86,708	53,253	153,203	149,169
Passenger Load Factor (%)	80.6	67.9	71.0	81.6	81.9
Flight Destinations	342	333	324	321	310
Number of Landings	472,707	357,206	240,353	507,352	511,064
Distance Flown Km (000)	954,708	703,643	472,246	926,224	866,630
Cargo + Mail (tons)	1,678,953	1,880,949	1,494,276	1,544,341	1,412,423
Excess Luggage (tons)	31,519	22,181	7,513	11,848	7,717

DOMESTIC

Domestic Traffic Figures	2022	2021	2020	2019	2018
Revenue Passenger (thousand)	25,489	20,146	13,828	30,441	32,944
Available Seat Km (million)	20,119	17,422	12,558	22,391	24,037
Revenue Passenger Km (million)	17,269	13,659	9,557	19,292	20,510
Passenger Load Factor (%)	85.8	78.4	76.1	86.2	85.3
Flight Destinations	53	52	52	52	52
Number of Landings	172,544	149,562	107,042	199,180	220,430
Distance Flown Km (000)	116,607	102,491	74,962	126,177	136,583
Cargo + Mail (tons)	58,281	55,518	42,215	70,418	79,098
Excess Luggage (tons)	7,467	5,986	2,212	4,319	3,227

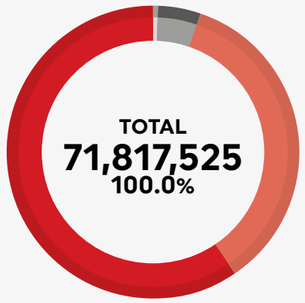
INTERNATIONAL

International Traffic Figures	2022	2021	2020	2019	2018
Revenue Passenger (thousand)	46,329	24,646	14,123	43,841	42,224
Available Seat Km (million)	181,616	110,359	62,451	165,326	157,994
Revenue Passenger Km (million)	145,397	73,049	43,697	133,911	128,660
Passenger Load Factor (%)	80.1	66.2	70.0	81.0	81.4
Flight Destinations	289	281	272	269	258
Number of Landings	300,163	207,644	133,311	308,172	290,634
Distance Flown Km (000)	838,100	601,152	397,283	800,047	730,047
Cargo + Mail (tons)	1,620,672	1,825,432	1,452,061	1,473,922	1,333,325
Excess Luggage (tons)	24,052	16,195	5,301	7,529	4,489

TRAFFIC FIGURES

Total Available Seat Kilometers (ASK) that was 127.8 billion in January-December 2021 period increased by 57.9% in the same period of 2022 and was 201.7 billion.

DISTRIBUTION OF TOTAL PASSENGERS IN 2022*



International
42,881,276
59.7%

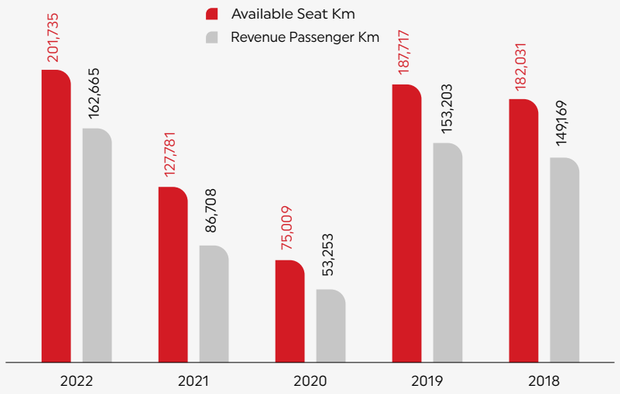
Domestic
25,269,418
35.2%

Charter
3,433,673
4.8%

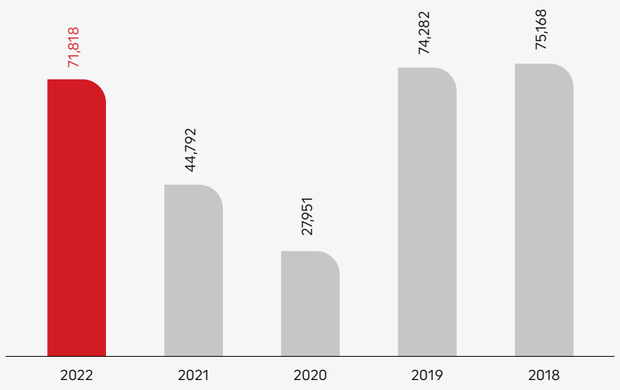
HAJJ-UMRAH
233,158
0.3%

* Based on Scheduled + Additional flights on Domestic and International Flights.

PROGRESS IN ASK AND RPK (MILLION)



REVENUE PASSENGER (THOUSAND)



The number of destinations increased from 333 to 342.

MIDDLE EAST

Change in ASK (%)
69.7
Change in RPK (%)
96.8
Change in Number of Passengers (%)
93.8

37
Number of Flight Destinations

EUROPE

Change in ASK (%)
56.0
Change in RPK (%)
82.8
Change in Number of Passengers (%)
73.5

120
Number of Flight Destinations

FAR EAST

Change in ASK (%)
74.3
Change in RPK (%)
161.3
Change in Number of Passengers (%)
124.9

47
Number of Flight Destinations

AFRICA

Change in ASK (%)
53.2
Change in RPK (%)
76.6
Change in Number of Passengers (%)
58.7

62
Number of Flight Destinations

NORTH AMERICA

Change in ASK (%)
48.4
Change in RPK (%)
68.3
Change in Number of Passengers (%)
66.3

15
Number of Flight Destinations

CENTRAL AND SOUTH AMERICA

Change in ASK (%)
65.9
Change in RPK (%)
88.3
Change in Number of Passengers (%)
87.2

8
Number of Flight Destinations

* Based on Scheduled + Additional flights.
ASK: Available Seat Km
RPK: Revenue Passenger Km

FLEET

Over 500% growth in fleet

Committed to continuously expanding and rejuvenating its fleet, Turkish Airlines moves forward with confidence towards its goal of operating the youngest and the most modern fleet in Europe.

Established in 1933 with a fleet of five aircraft, Turkish Airlines has continuously expanded and rejuvenated its fleet, especially with advances in the 2000s. Consisting of 65 aircraft at the beginning of 2004, Turkish Airlines' fleet has registered more than 500% growth as of 2022 year end. Turkish Airlines, the airline that flew to the most international destinations in the world before the pandemic, has a fleet of 394 aircraft in total – 263 narrow body, 110 wide body and 21 freighters – as of end-2022.

Turkish Airlines is taking major steps to bolster its brand by acquiring new fuel-saving, eco-friendly aircraft, equipped with state-of-the-art technology with passenger comfort and safety in mind. This effort also aims to accommodate growing passenger traffic and meet diversified customer needs.

Fleet Age: 8.7

Committed to continuously expanding and rejuvenating its fleet, Turkish Airlines moves forward with confidence towards its goal of operating the youngest and the most modern fleet in Europe. As of end-2022, the average fleet age of Turkish Airlines stands at 8.7 years.

In line with its long-term fleet projections, Turkish Airlines has received 6 A350-900 aircraft in 2022. As Boeing met the FAA requirements for the B787-9 aircraft, the delivery of which was previously suspended, 1 B787-9 aircraft joined the fleet at the end of 2022. 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 these wide-body aircraft, 37 of the next-generation narrow-body A321 NEO aircraft that had been ordered in 2013 were delivered by the end of 2022 and all the remaining deliveries are planned to be taken by year-end 2028. In addition, deliveries of MAX aircraft were completed in 2022 and 25 MAX aircraft are currently in operation in the Turkish Airlines fleet.

Within the framework of AnadoluJet fleet plan and fleet renewal activities, 7 A321 NEO, 7 B737-8 MAX and 3 A320 NEO type aircraft were added to AnadoluJet fleet on lease in 2022 in order to utilize the advantages of next-generation narrow body aircraft in AnadoluJet operations.

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.

In line with its growth targets in cargo activities, the Incorporation continued to operate the A330-200F and B777-200LRF aircraft it added to its fleet throughout 2022. In addition to the cargo aircraft added to its fleet from manufacturers, the cargo operation was supported by leasing wet lease cargo aircraft in 2022.

15% Fuel Savings

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



FLEET

As of end-2022, the average fleet age of Turkish Airlines, which has 394 aircraft, is 8.7 years.

NARROW BODY (263 AIRCRAFT)



A319-100
6 Aircraft



A320-200
11 Aircraft



A321-200
65 Aircraft



A321NEO
44 Aircraft



A320NEO
3 Aircraft



B737-800
87 Aircraft



B737-8MAX
27 Aircraft



B737-9MAX
5 Aircraft



B737-900ER
15 Aircraft

WIDE BODY (110 AIRCRAFT)



A330-200
13 Aircraft



A330-300
37 Aircraft



A350-900
11 Aircraft



B777-300ER
33 Aircraft



B787-9
16 Aircraft

CARGO (21 AIRCRAFT)



A310-300F
2 Aircraft



A330-200F
10 Aircraft



B777-200F
8 Aircraft



B747-400F WL
1 Aircraft

FLIGHT NETWORK

Expanding flight network

Turkish Airlines offers different experiences to its passengers by expanding its flight network.

337
Number of cities flown

Turkish Airlines, the airline that flies to the most countries worldwide, connects numerous destinations across Türkiye and the world with its flight network reaching 129 countries, 337 cities and 342 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, with the removal of country restrictions, Turkish Airlines has quickly increased the number of flights and destinations, making many countries and cities around the world accessible.

In 2022, the Incorporation added Cebu on January 3, Bergamo on May 16, USA-Seattle on May 27, South Sudan-Juba on June 1, Uzbekistan-Bukhara on June 6, Montenegro-Tivat on June 11, Turkmenistan-Turkmenbashi on November 2, and Iraq-Kirkuk on October 27 to its flight network. Tokat and Rize-Artvin airports became operational on March 25, 2022 and May 14, 2022, respectively.

As of December 15, 2022, 3 flights per week were started on the Tokyo route, which could not be operated due to the pandemic. The 2nd frequency of the Guangzhou route started its flights as of December 9, 2022. Flights to Shanghai will be resumed as 1 flight per week as of January 12, 2023.

With the growth strategy in the Asia-Far East region, 2nd daily flights in the afternoon have started to be operated for Jakarta, Singapore, Bangkok, Seoul, Kuala Lumpur, and Tokyo routes.

** As of the end of 2022, flights to 121 countries, 283 cities and 288 destinations are being operated due to force majeure.*

INTERNATIONAL PASSENGER BREAKDOWN BY REGION (%)



- Europe **55.6%**
- Far East **11.2%**
- North America **7.9%**
- Africa **9.5%**
- Middle East **15.0%**
- Central and South America **1.9%**

PASSENGER REVENUE BREAKDOWN BY REGION (%)*



- Europe **36.2%**
- Far East **16.3%**
- North America **15.3%**
- Türkiye **8.6%**
- Africa **9.0%**
- Middle East **10.1%**
- Central and South America **4.5%**

** All flights are taken as basis.*

OUR MAIN BRAND

Successful sales activities

The growth strategy of the Incorporation continued in 2022 with the addition of new destinations to the flight network, and the number of passengers carried and sales revenues were increased through effective capacity utilization.

In 2022, the highest annual sales revenue of all time was achieved with the increasing passenger demand.

The growth strategy of the Incorporation continued in 2022 with the addition of new destinations to the flight network, and the number of passengers carried and sales revenues were increased through effective capacity utilization.

Anniversaries were celebrated with the participation of business partners at long-standing destinations, strengthening the Incorporation's market position.

In order to appeal to all segments of the market, product diversity was increased, special campaigns were organized for special passenger segments, innovations were introduced to facilitate the travel processes of corporate customers, and efforts were made to ensure passenger satisfaction and improve the experience on the mobile application and website.

Overseas units actively maintained relations with business partners in the market during and after the pandemic and increased market share by expanding sales activities in the markets.

Various programs and campaigns were organized and new projects were launched to contribute to tourism in Türkiye.

The successful performance in 2022 is planned to be continued in 2023 in line with the common goals of the Incorporation and its stakeholders.

In 2022, the highest annual sales revenue of all time was achieved with the increasing passenger demand.

Contribution to Türkiye's Tourism

In order to support tourism in Türkiye, by presenting special offers to students who come to Türkiye temporarily through student exchange programs and to the families of foreign students studying in Türkiye, their families are encouraged to visit our country, global incentive agreements are made with the largest cruise companies in the sector, and special discounts and flexibility are provided to contribute to health tourism.

In line with the goal of increasing the number of tourists to Türkiye, the Touristanbul program, which was suspended due to the pandemic, was reintroduced in July 2022, and the program continues with 7 different tour programs every day of the week and 26 different tour programs per week as of November 2022. With the assistance of Turkish Airlines' international units, necessary communication activities are actively carried out to promote the program abroad.

The stopover free hotel allowance project in Istanbul was also revived after the pandemic. Turkish Airlines customers traveling from 52 nations and 152 locations have benefited from the stopover project since it was introduced on March 9, 2022. Currently, 1 night for economy cabin passengers and 2 nights for business cabin passengers with a minimum of 20-hour layover in Istanbul are provided free of charge.



Special Passenger Segment Activities

Health Tourism: A protocol was signed with the Service Exporters' Association (HIB) to contribute to health tourism in Türkiye. Special discounts and flexibilities were provided to HIB member health institutions. Support is provided to the HealinTürkiye platform developed by the Ministry of Trade and HIB. Fixed package fees were introduced for flights arriving in Türkiye from the specified international destinations to be used by HIB member healthcare organizations who made package deals. Efforts were also made with USHAŞ, and special discounts and flexibilities were provided for USHAŞ.

Student Segment: Global collaboration efforts were made with the largest student/youth agencies in the sector (Student Universe, Kilroy). Various studies/protocols were made between the Incorporation and HIB to support tourism in Türkiye. Accordingly, in 2022 and 2023, a 20% discount will be offered to international students, who will be newly enrolled in education/training institutions in Türkiye, and their 3 family members for one-way and round-trip travels in economy cabin to Türkiye. In addition to the discount, it will be possible to benefit also from other flexibilities available in the student product. Again within this protocol, families of international students studying in Türkiye through HIB member education and training institutions will be offered a 30% discount on economy cabin round-trip flights (excluding promotional classes).

Seafarer Segment: Close collaborations have been developed with the largest maritime agencies (ATPI, GMT) and cruise lines (Carnival, Royal Caribbean, Norwegian), and global incentive agreements were signed to ensure that maritime traffic travels on the Incorporation's voyages.

Cruise Segment: Global agreements were signed with the largest cruise lines in the sector (Carnival, Royal Caribbean, Norwegian). A passenger agreement was signed with Costa Crociere agency for cruises to Türkiye, arriving in Istanbul. Costa Crociere's weekly homeport sailings (starting and ending in Istanbul) started on May 1 and ended in December 2022. The Incorporation became a member of the MedCruise platform.

Strengthening Relations with International Business Partners

Relations with business partners, one of the most important activities of the sales unit, play an important role in Turkish Airlines' business model, which is shaped by the extent of its flight network and the fact that the airline flies to the most countries in the world. While many competing airlines closed their international sales offices during the pandemic, Turkish Airlines actively maintained its relations with travel agencies, its business partners in the market, during and after the pandemic, and continued to actively support its business partners in the sector within the scope of serving passengers. The incentive models provided to agencies, especially during and after the pandemic, which were designed within the scope of sustainable growth in a way to protect the interests of both the Incorporation and the agencies, continued to increase their market shares by positioning their sales activities in the most competitive way in the markets where Turkish Airlines flies. Relations with overseas business partners continue to be strengthened with the effective support and follow-up provided to overseas units from headquarters.

OUR MAIN BRAND

Turkish Airlines adopted the strategy of shifting capacity to routes that can generate more revenue in the regions where it flies in terms of profitability, which is one of the most important issues for airlines, especially in the post-pandemic period.

18.4
USD BILLION
Turnover

Effective Capacity Utilization
The canceled flights during the pandemic and the amounts to be reimbursed to passengers in this context put all airlines in financial difficulties; many airlines experienced problems in their cash flows, had to layoff personnel, and many airlines declared even bankruptcy. In these challenging times, Turkish Airlines prepared for the post-pandemic period in the best way possible by controlling its cash flows in the most effective way and without laying off any personnel and adopted the strategy of shifting capacity to routes that can generate more revenue in the regions where it flies in terms of profitability, which is one of the most important issues for airlines, especially in the post-pandemic period. Within the effective capacity utilization, more aircraft and capacity were provided to more profitable routes than those that were idle or generating revenues below targets and expectations. Thus, effective capacity utilization came to the forefront in order to achieve record profits in 2022, and it is planned to continue to pursue effective capacity utilization on profitable routes in 2023 in line with the Company's sales strategies and the common goals of the Incorporation and its stakeholders.

Türkiye Group Reservation and Package
Tour Special Fee Practices provided additional rights, flexibilities and conveniences to the agencies and companies that are Business Partners, taking into account the contraction and negativities experienced in the market due to the pandemic.

- In the Hajj organization held after 2 years, approximately 47,000 pilgrim candidates from Türkiye and around the world were carried to the Holy Lands with the flights of the Incorporation.
- Over 250,000 umrah passengers were served between May-December 2022.
- As of July 1, 2022, nearly 25,000 passengers were served in Touristanbul, the city tour service offered to international transfer passengers.

Turkish Airlines Corporate Club Card
Corporate members holding Turkish Airlines Corporate Club cards are offered special privileges at Istanbul Airport. Turkish Airlines Corporate Club cardholders can use fast track points at the terminal entrance, passport control area, domestic and international transfer points.



It is planned to continue to pursue effective capacity utilization on profitable routes in 2023 in line with the common goals of the Incorporation and its stakeholders.

Business class passengers on Turkish Airlines scheduled international flights can use Istanbul Airport International Lines Business Lounge with Turkish Airlines Corporate Club privileges, while Economy class passengers can use Istanbul Airport International Lines Miles&Smiles Lounge with Turkish Airlines Corporate Club privileges.

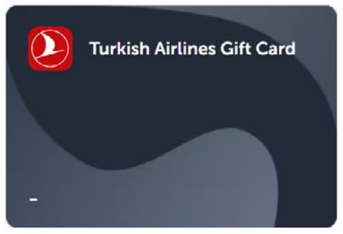
Turkish Airlines Corporate Club cards, which are also available to corporate members based abroad, allow the use of special lounges in the country where the corporate structure is based and are also valid at Istanbul Airport under the same conditions. Business trips, which are indispensable in business life, become more comfortable and enjoyable thanks to the Turkish Airlines Corporate Club card.

Turkish Airlines Corporate Club Success Awards
After the pandemic, the Turkish Airlines Corporate Club program entered a rapid recovery period in terms of the number of members and revenues and exceeded its pre-pandemic performance.
This success was crowned with three valuable awards by industry authorities. Turkish Airlines Corporate Club received the “Best Corporate Program for Business Travelers” award by Global Traveler. In addition, it was voted the “Best Transatlantic Airline 2022" by The Business Traveler USA. The program was also awarded the “Appreciation Award” by The Arab Banks Awards & Commendations of Excellence.

OUR MAIN BRAND

In 2022, various applications were implemented to improve user experience in online channels.

ONLINE CHANNELS



Turkish Airlines Corporate Club Website
Membership and all ticketing transactions can be carried out through the online portal, which offers special services for corporate customers. The online corporate portal, which aims to facilitate the travel processes of corporate customers and bring them in line with today's standards, offers services to small and medium-sized corporate structures worldwide.

The Incorporation continues to work at full speed to ensure passenger satisfaction and improve the experience on the mobile application and website.

Gift Card
The prepaid card project, which allows passengers to gift the services offered by TK to their loved ones, has gone live.

Opportunity to Buy Tickets with Cash + Miles
Passengers who do not have enough Miles&Smiles miles to purchase award tickets or who wish to use only a portion of their miles were offered the option to pay with Cash&Miles. This development contributed to improving customer experience.

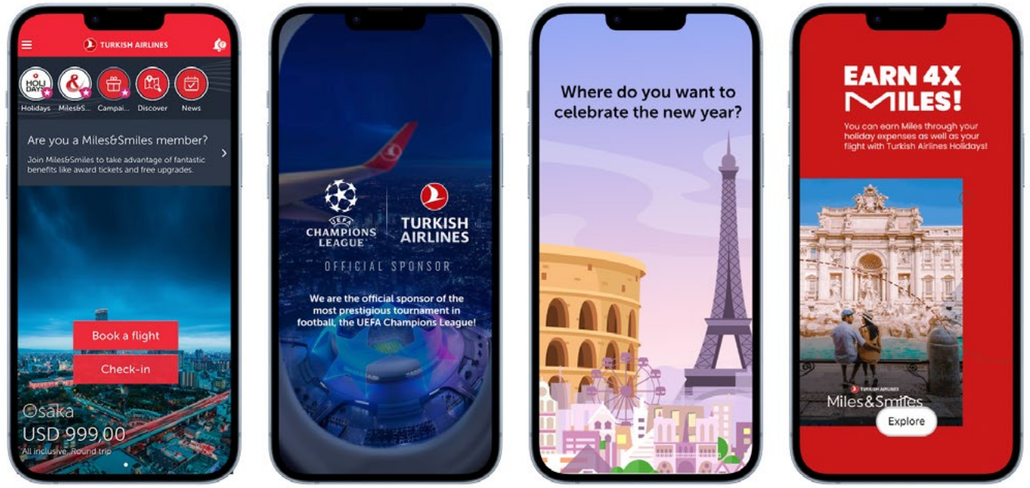
New Digital Capabilities

- **Apple Pay and Google Pay**
  Payment methods, which are widely used, offering Apple Pay and Google Pay users the opportunity to make quick and easy payments with their registered cards, were integrated into the mobile application and website, providing ease of payment.
- The number of payment currencies increased from 28 to 51.

- **Transition to Package Structure in International Pricing**
  With the YDÜS Project, a package structure (brand) was created for some international routes in all sales channels, including the mobile application and website. In this way, passengers were provided with the opportunity to book tickets with more flexible and different features in their travels.

- **Ability to Make "Stopover in Istanbul" Reservation via the Website**
  Website improvements were completed in order to expand the Stopover service, where passengers can check their free hotel rights, select hotels and make reservation transactions, and benefit from free hotel rights, and to reduce the workload in sales offices.

- **Mobile Application and Website Transaction Capability Enhancements**
  Ticket transactions that passengers could not perform through online channels in case of flight disruptions and schedule changes were made possible by improving the capabilities of the mobile application and website. In case of flight disruptions, refund and change transactions can be made via the mobile application and website.



The Ticketing Experience of visitors was improved by developing the payment infrastructure to minimize payment errors not caused by passengers in credit card payments.

The area on the website for flight search, check-in/ticket management and flight status functions was reorganized according to current design trends and user expectations. In addition, a flight + hotel tab was added, which provides the necessary information and redirects flight and hotel searches to the Turkish Airlines Holidays website.

Significant performance improvements were made to the Turkish Airlines Blog, which continues to be published with the aim of inspiring passengers, facilitating passengers' travel and promoting the Incorporation with many types of content such as blog posts, entertaining mini quizzes, interviews from within the company. In addition to these improvements to provide a faster website and a more useful experience, hundreds of content was published. This resulted in a significant increase in the number of monthly users.

- **Free Seat Selection on Flights of Star Alliance Airlines**
  With Star Free Seat Selection, the passenger experience has been improved by enabling passengers to make free seat selection on flights of airlines in the STAR alliance.

Advantages Offered to Passengers
In addition to the routine family discount, teacher discount and disabled discount, new advantages were offered for special passenger groups within the scope of protocols signed with various institutions and organizations to enable passengers to easily book their tickets via mobile application and website.

Discounts valid for international flights departing from and/or arriving in Türkiye purchased through the online channels of the Incorporation were offered to students and academics benefiting from grants within the scope of Erasmus projects within the National Agency, and to those who are pursuing their master's and doctorate studies abroad with a state scholarship under the Ministry of National Education.

Within special advantages, Veterans, Disabled Persons and relatives of Martyrs/Veterans were also provided with the opportunity to book tickets through online channels without submitting documents.

Integration of Languages Written from Right to Left
Turkish Airlines, with 129 countries in its flight network, has developed right-to-left languages on its mobile application and website by adding a new one to its privileged services to increase the passenger experience in countries that use right-to-left languages. With this enhancement, Arabic was the first language to go live. The website is now available in 16 languages in total, including the recently launched Arabic, while the mobile application is available in 8 languages.

OUR MAIN BRAND

Additional services offered by the Incorporation (seat selection, excess baggage, upgrade, sale of reservation rights, side seats, pre-order) can now be offered to passengers in more advantageous options through packages and campaign offers.

In order to reach more users with more types of content, a story feature was added to the mobile application.

Story Feature in Mobile Application
In order to reach more users with more types of content, a story feature was added to the mobile application. Informative and introductory content on various topics such as announcements, innovations and campaigns have started to be presented to users with the stories positioned on the main page of the mobile application.

Additional Service Enhancements

- **Campaign and Package Sales in Additional Service Sales**
  Additional services offered by the Incorporation (seat selection, excess baggage, upgrade, sale of reservation rights, side seats, pre-order) can now be offered to passengers in more advantageous options through packages and campaign offers. Within the scope of the project developed to increase the sales of additional services, CIP Lounge and Sports Equipment additional services were started to be sold on the mobile application and website.

The Incorporation continues to contribute to customer satisfaction by increasing additional revenues through third-party additional services.

- With the new cooperation with XCover, the insurance service has become even more comprehensive and is now available to passengers on all routes.
  AVIS, the new business partner of the Incorporation, started to serve passengers in the car rental service offered for sale on the mobile application and website.
  E-visa was offered for sale on the mobile application, generating additional revenue and passenger satisfaction.

Turkish Airlines Holidays
With the Turkish Airlines Holidays project, the service has started to be offered on routes departing from Türkiye in the first stage. Vacation packages from international markets with Türkiye arrival and Türkiye stopover will be offered to passengers in 2023 as well.



OUR MAIN BRAND

UEFA Champions League sponsor

Turkish Airlines became the first airline in the world to sponsor the UEFA Champions League, with 2023 final match to take place in Istanbul.



CORPORATE COMMUNICATION

SPONSORSHIP INVESTMENTS AND PUBLICATIONS

Turkish Airlines Euroleague
More than 300 games are played each year in the organization, where the best 18 basketball teams of the European continent compete. The Incorporation has been the title sponsor of the Euroleague since 2010. The games are broadcast live in more than 200 countries during the season, with 5.6 billion logo impressions thanks to these broadcasts and Euroleague digital channels. The Final Four, which determines the champion team, was held in Belgrade in 2022.

UEFA Champions League
Turkish Airlines became the first airline in the world to sponsor the UEFA Champions League, with 2023 final match to take place in Istanbul. The games are broadcast by more than 70 broadcasters in 200 countries, reaching 678 million viewers during the season. With 28 billion interactions on social media, sports fans share the excitement of the UEFA Champions League. In 2022, a total of EUR 145.6 million in advertising equivalent was generated during the group matches in return for the investment made.

CHIO Aachen Equestrian Festival
The brand carries out sponsorships in the field of equestrianism, which appeals to the upper income group. The sponsored CHIO Aachen stands out as the most important equestrian tournament in the world. In 2022, a total advertising equivalent of EUR 3,703,467 was obtained in return for the investment made.

Super Bowl
With the Super Bowl communication held in Los Angeles on February 13, 2022, the "Pangea" commercial starring Morgan Freeman was launched, and a total of 112.3 million access was achieved through pre-match program sponsorship, advertisement spot for the game and digital channels.

Celebrity Deal
A 1-year Global Brand Ambassador agreement was signed with Morgan Freeman and the "Pangea" commercial was shot.

Turner Sports / NBA
In 16 NBA games, 557 TV spots were used with in-court LED usage and in-game logo visibility, and the brand's on-screen visibility was realized 21,265 times/51.5 hours on 140 global TV channels. On NBA social media accounts, 24 million impressions, 5.2 million video views and 18 million access were achieved.

Global Media Investments
Turkish Airlines sponsored various television programs with "Presented by Turkish Airlines" on the following global platforms.

- BBC (Travel Show sponsorship),
- CNN (Richard Quest - Quest's World of Wonder sponsorship),
- Eurosport (The Daily News sponsorship),
- A News (World Cities weather sponsorship)
- Sky Sports (Bundesliga investment)



Turkish Red Crescent Official Transportation Sponsorship and Humanitarian Aid Activities
Turkish Airlines is the official transportation sponsor of the Turkish Red Crescent, one of the largest aid organizations in Türkiye, and provides support for the transportation of 500 tons of blood and blood products, blood tubes and transfusion boxes, and 100 tons of disaster, emergency and various aid materials every year. In addition, blood donation campaigns are organized at Turkish Airlines premises at least twice a year and are well attended by employees. The Incorporation also conducts direct humanitarian aid activities through the Turkish Red Crescent, directly reaching 1,500 families and 4,000 children in 2022. In line with these and similar social responsibility activities, the Turkish Red Crescent presented the "Volunteer of the Private Sector" award to the Incorporation in 2022.

Teknofest Official Transportation Sponsorship
In order to provide the necessary contribution to the National Technology Move as the flag carrier airline, the Incorporation offers comprehensive support in transportation by cooperating with the T3 Foundation for the Teknofest event.

Sport for One Humanity Project
The Sport for One Humanity project, implemented in cooperation with the United Nations Alliance of Civilizations and the Incorporation, aims to support NGOs operating in the field of sports, peace and development. Among the applications received as a result of the project call, 10 international NGOs were selected to receive capacity building trainings, and the project promotion event was held at the 9th Global Forum of the Alliance of Civilizations held in Morocco between November 22-23, 2022. NGO representatives selected from 10 different countries took part in the event and had the opportunity to present their projects.

Plastic Caps Recycling Project
Plastic caps will be collected at all of the Incorporation campuses and delivered to the Spinal Cord Paralytics Association of Türkiye at regular intervals. For this purpose, a total of 300 plastic cap collection boxes were placed in all 23 campuses.

Recycling of Cabin Clothes Project "Transformation for the Future" Project
Unused cabin crew bags are transformed into children's shoes. Within the scope of the Transformation for the Future project, it is planned to distribute boots to 10,000 children in the first stage. The first stage of the project was completed in Istanbul/Beykoz/Kılıçlı Village and a commercial was shot. In January 2023, 3,500 shoes will be distributed in 7 different cities.

OUR MAIN BRAND

A year of connection

Turkish Airlines boasts a total of 18 million followers globally on its social media accounts. In 2022, 2,533 content posts and an average of 212 posts per month were published across Turkish Airlines social media accounts.

INTERACTIVE MARKETING COMMUNICATION

On Facebook, Turkish Airlines ranks fourth among global airlines – after Qatar Airways, KLM and Emirates – with 10,620,815 million followers.

Turkish Airlines sees 2022 as the year of "connect". To this end, the focus was on the feeling of "connecting you to your loved ones and your dreams," and the content preferred to convey messages of hope. Turkish hospitality was kept at the center, and products and services were promoted. The sharing strategy was developed in a balanced way to cover all units. Destinations, products & services, hygiene and safe travel content, TK Blog and lifestyle, special day celebrations, corporate news/image content, sub-brand content were periodically featured on the channels. Social media communication was also continued on regional channels. The content in regional and international communication on different social media platforms specific to certain countries was prepared in accordance with the target audience insights, mother tongue and the dynamics of these platforms. Turkish Airlines boasts a total of 18 million followers globally on its social media accounts. In 2022, 2,533 content posts and an average of 212 posts per month were published across Turkish Airlines social media accounts. The total number of views of all shared content was nearly 3 billion, the number of interactions was nearly 694 million and the total number of views of the videos was around 25 million.

Turkish Airlines LinkedIn account ranks third among rival airlines with 1,108,426 million followers.

On Twitter, Turkish Airlines ranks among the top 10 global airlines with approximately 3,509,882 million followers. In 2022, the Incorporation recorded a total of about 4 million interactions on Twitter.

On Facebook, Turkish Airlines ranks fourth among global airlines – after Qatar Airways, KLM and Emirates – with 10,620,815 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 2,017,320 million followers. In 2022, the Incorporation recorded nearly 2 million interactions and nearly 250 million impressions on media basis.

On YouTube, Turkish Airlines ranks second after Emirates among global airlines with its 498,000 followers. The Incorporation ranks first among world airlines with 101,339,466 video views.



498,000

Number of YouTube followers

On YouTube, Turkish Airlines ranks first among world airlines with 101,339,466 video views.

The TikTok account, which was opened in September 2022 within the scope of UEFA Champions League communication, has approximately 60,000 followers today. From the day it was opened until the end of 2022, it received about 540,000 likes and nearly 94 million views with the content it published.

During the year, Turkish Airlines continued to conduct influencer collaborations globally and regionally in line with the demands received. Its collaboration efforts included more than 300 influencers from 28 countries and received nearly 5 million views in total.

Projects Realized

"Pangea" film, "Gift for You" as part of April 23rd communication, "The Best Gift for Pilot Fathers: Reunion" as part of Father's Day communication, Stopover and Tour Istanbul service promotion as part of Istanbul promotion activities, collaboration with the high-following Just Planes account as part of Seattle line opening activities, Metaverse project as part of Turkish Airlines Euroleague sponsorship, "Celebration of the Century" film as part of the 100th Anniversary of August 30th communication, and various projects within the UEFA main sponsorship communication were realized. In addition, many projects such as the TK Urgent film with Turkish Cargo and a commercial with Miles&Smiles were realized.

OUR MAIN BRAND

Türkiye Image Commercial

With the insight of the Incorporation based on the consumers' aspirations, the brand wanted to make them feel that it always stands by them in achieving their dreams, hopes and goals.

ADVERTISING

Pangea Commercial:

Global Image Campaign (2022) film and advertisement works
It began to be broadcast in the Superbowl on February 13, 2022. As of April 18, it continued as a Global communication project. The visual language of the video, which positions the Brand as the force that will bring the distant close, carry the missed ones to the missing ones, and reunite the continents is based on the metaphor of the Pangea supercontinent.

10,719 spots were broadcast on 133 TV channels in 10 countries. With TV planning it reached 132 million people. 44 frequency advertisements were published in 13 newspapers. Within the scope of the Pangea outdoor campaign, an 18-week media plan was realized in 11 cities in the USA, reaching approximately 190 million people with outdoor planning.

First to the Gate – Zach King
The entertaining short film "First to the Gate", shot at Istanbul Airport with Zach King and his team, was released on February 5, 2022 as a 4-minute main film and 15-30-60 second promotional videos. Zach King also shared a post on his Instagram, Twitter and YouTube accounts. A behind-the-scenes video showing a close-up of the airport was also posted on YouTube.

The YouTube channel received 3.5 million views in the first 2 months. Zach King received 1.2 million views on his channel and continues to receive very positive reactions with a total of 4.7 million views. For this reason, international advertising award applications such as Cannes, Clio and Effie have been initiated.

Türkiye Image Commercial
The commercial was shot for the November 2021 Türkiye Image film. With the insight of the Incorporation based on the consumers' aspirations, the brand wanted to make them feel that it always stands by them in achieving their dreams, hopes and goals. It was published on main channels and national newspapers in Türkiye on May 20, 2022. 7,029,556 people were reached.

Miles&Smiles Image Commercial
With the idea of travel as the main image, it was aimed to promote the card to a wider audience, strengthening the bond with the consumer.

In December, the card was featured on TV (main channels, news channels, thematic and platform channels), magazines, radio and cinema. TV reach was 12 million / Social media reach was 57 million.

Euroleague Advertising Campaign
Within the scope of Turkish Airlines Euroleague sponsorship, a 30-second TV spot was planned for 6 TV channels in 5 countries across Germany, Spain, Italy, Israel and Serbia between February and May.



OUR MAIN BRAND

Media hospitality and PR activities

In 2022, a total of about USD 74 million in advertising equivalent was achieved through media hospitality and PR activities.

EVENTS AND COMMUNICATION

In 2022, a total of about USD 74 million in advertising equivalent was achieved through media hospitality and PR activities. In the PR activities carried out, savings of USD 310,000 were achieved based on good relations with hotels, restaurants and tour companies.

Special Livery with Biofuel Design
A special design consisting of leaf patterns was applied to the Airbus 321 aircraft with the tail number TC-JSU. The aircraft, which uses biofuel, is also aimed to be environmentally friendly and sustainable in the cabin for the future, and a special "Green Class" concept was created for this flight. A total of 1,298 news articles were published in 52 countries in 10 languages, including English, German, Spanish, French, Japanese, Korean, Chinese, etc. about the biofuel-themed airplane livery process, resulting in a total reach of approximately 865 million.

The Wall Street Journal - Richard Morgan Pr Collaboration
Within the scope of the collaboration we realized, The Wall Street Journal writer Richard Morgan was hosted in Istanbul, and the news with an advertising equivalent of USD 535,000 was published in print in the newspaper and on the online news site.

Internal Communication Broadcast Channels
While Empathy magazine and E-journal, TV, Intranet Publishing were being used as internal communication channels, Empathy Magazine and e-journal publication was discontinued due to increasing printing costs following the pandemic, and internal news is published as an e-mail bulletin via e-mail.

During 2022, more than 100 posters, brochures, video works, newsletters, e-mail templates, presentations, certificates of appreciation and congratulations, flyers and similar visual materials were designed for internal communication received from different units of the Incorporation. Throughout the year, 16 Empathy Bulletins were published to be sent to all Incorporation employees.

TK Fest
Employees showed great interest in the festival, which was held at two different locations, namely the Istanbul Airport Operations Building Parking Lot and the Head Office Garden. In total, nearly 15 thousand employees were hosted at the festival areas, which were visited by nearly 3 thousand people daily.



CUSTOMER EXPERIENCE

The Incorporation's customer experience is the impact it leaves on the minds, hearts and future behavior of its customers. This impact is shaped by the products and services offered at more than 90 points of contact.

In order to have the most positive impact on its customers at all these contact points, the Incorporation works to maximize the experience and maintain it at a certain standard at all points from airport and cabin interior designs to interactive digital experiences, from flight disruption improvements to the travel processes of passengers in different segments.

Customer Experience Awards
Turkish Airlines received many awards from reliable and reputable aviation organizations around the world thanks to these efforts and the projects it implemented to make passengers' travel experiences the most comfortable and privileged.

APEX (Airline Passenger Experience Association) awarded the Incorporation with "5-Star Global Airline" based on passenger feedback and with the World Class, the highest award category, as a result of independent audits conducted by APEX in consultancy with YATES+ based on health safety, service quality and sustainability criteria. In addition, Turkish Airlines was awarded the "Best Food & Beverage" and "Best Seat Comfort" awards in Europe in the APEX Passenger Choice Awards for 2022, making it the airline with the highest number of awards in Europe.

At the World Airline Awards organized by SKYTRAX on September 23, 2022 at the historic Langham Hotel in London, Turkish Airlines was also awarded "Best Airline in Europe," "World's Best Business Onboard Catering," "Best Airline in Southern Europe" and "Best Economy Class in Europe".

Turkish Airlines was also named 'Design Airline of the Year Europe, 2022' at TheDesignAir awards in recognition of innovation and one of the top three global airlines at the Readers Choice Awards, voted by the distinguished readers of the prestigious travel magazine Conde Nast Traveler.

Flight Disruption improvements (IRROPS)
In order to provide an effortless travel experience in case of flight disruptions such as flight cancellations, delays, missed connecting flights, system improvements were made and standardization was ensured in informing passengers, making ticket transactions easily and transferring them to alternative flights.

Stopover
The Stopover Service is the provision of free accommodation for international transfer passengers traveling from abroad with a connecting flight to Istanbul for 1 night at a 4-star hotel in Economy Class and 2 nights at a 5-star hotel in Business Class, if they have a stopover of more than 20 hours. After the pandemic, the practice was reintroduced in March 2022 and 7 hotel agreements were signed, hosting more than 62,000 passengers in total. In 2022, the service started to be offered on online channels as well.

OUR MAIN BRAND

The Incorporation's customer experience is the impact it leaves on the minds, hearts and future behavior of its customers.

Turkish Airlines received many awards from reliable and reputable aviation organizations around the world thanks to these efforts and the projects it implemented to make passengers' travel experiences the most comfortable and privileged.

Hezarfen Flight Experience
Turkish Airlines made available a flight simulator inspired by Hezarfen Ahmed Çelebi in the Special Passenger Lounge. Guests start their virtual tour from Galata Tower, where Hezarfen Ahmed Çelebi started his flight, and explore the Blue Mosque, Hagia Sophia Mosque, Topkapı Palace, Büyükdere Avenue, July 15 Martyrs' Bridge and Maiden's Tower from a bird's eye view.

In the Hezarfen Flight Experience, designed and produced entirely by Turkish designers, guests can experience the wind and flight movements while watching the real image of Istanbul shot in 4K resolution from a 360-degree angle with VR glasses. The Hezarfen experience is also made available to visitors at fairs and events.

High Five Family Counter
The Family Check-in Counter, which serves families with children aged 0-7 at Istanbul Airport, was renewed with a corporate children's brand identity. Child passengers take the first step towards an enjoyable travel experience with the entrance arch featuring High-Five characters, the hopscotch design that allows little passengers to reach the counter, cabin baggage tags and name and address labels with colorful and fun characters. In addition, with the stairs positioned at the counters, small passengers can now be involved in the travel process by communicating with the staff on duty. The family check-in counter is located between D-9/16 at Istanbul Airport.

Experience Promotion on Indirect Channels
Routehappy is a digital platform that goes beyond the "fare" for airfare searches and keeps a flight-based inventory of factors that affect the travel experience. Thanks to the Routehappy collaboration, the services to be highlighted are published in the flight inquiry feeds of fare distributors contracted by Routehappy. The products and services developed during 2022 reached tens of thousands of passengers through Routehappy, generating an average of 6 billion content interactions and a marginal revenue of USD 1.1 million in 2022.

PressReader
Turkish Airlines gives passengers digital access to over 7,000 newspapers and magazines from more than 120 countries in over 60 languages through the PressReader application. 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. PressReader application is actively used in 10 TK-branded lounges.



Passenger Satisfaction Surveys
In order to maximize passenger satisfaction during their travel experience, many services are provided on the ground and inflight. In this context, feedback is obtained from each customer contact point in order to control, monitor and standardize the product and service elements provided. To achieve this goal, different contact points of the travel process are measured through live surveys on channels.

Within the scope of the Mystery Shopper Survey, since 2015, professional teams, who have end-to-end knowledge of the processes, have been flying as passengers to ensure the standardization of each product and service. During their travels, instant reporting and sharing of information and reviews are ensured. Mystery Shoppers performed 330 flights to 140 different stations, and the results were reported to senior management and relevant units.

Since 2017, the IFE Passenger Satisfaction Survey, which is conducted in 12 languages through inflight entertainment screens, measures passengers' satisfaction with their pre-flight and inflight experiences.

The Feedbank - Voice of the Customer Platform was launched to take listening to the voice of the passenger to a higher level in the field of customer experience and to measure and monitor carefully developed products and services with a holistic approach. Using the Voice of the Customer Platform, satisfaction surveys were launched in Istanbul Airport lounges and on the website in 2022. The open-ended fields in the surveys and the opinions, suggestions and complaints submitted by passengers will be categorized using text analytics, and the insights obtained will be used in experience enhancement efforts.

The research, which aims to learn passengers' motives and motivations for visiting sales offices instead of making their transactions through digital channels, was conducted in 3 sales offices (Harbiye, Kadıköy, Konak) using quantitative and qualitative methods. Necessary steps have been taken to encourage passengers to use digital channels.

Sunflower Badge
The Sunflower Badge Project was launched to improve the travel experience of individuals with disabilities such as Autism, Down Syndrome, Hearing Impairment, Visual Impairment, etc. that cannot be seen from the outside. At the Special Service counters located at Istanbul Airport, passengers can request badges that they can use throughout their travels. Following customer and manager requests from Malta and Gaziantep Stations, the Sunflower Badge Service was implemented at these stations as well.

OUR MAIN BRAND

On this platform, where Miles&Smiles members can spend their miles as they wish, a brand new shopping experience is offered with instant access to many products and services from coffee to furniture, food to fuel.

MILES&SMILES

Shop&Miles Renewed!
The shopandmiles.com, the alternative mileage spending platform that has been serving as the brand's online shopping site since 2014, has gone live as of July 4, 2022 with a brand new look both technologically and design-wise. On this platform, where Miles&Smiles members can spend their miles as they wish, a brand new shopping experience is offered with instant access to many products and services from coffee to furniture, food to fuel.

Miles&Smiles Bank Collaborations
In 2022, 6 new banks were added to the number of bank collaborations, which was 14 in the previous year. Point conversion collaboration with HSBC, NBK, Kuwait Finance House, Axis Bank, Banque Saudi Fransi, CTBC banks operating in the USA, Kuwait, India, Saudi Arabia and Taiwan, and co-branded credit card collaboration with INVESTBANK operating in Jordan were realized.

Miles&Smiles Non-Flight Partners
The volume of non-flight collaboration with 43 companies and 174 brands at the beginning of 2022 increased to 48 companies and 186 brands during 2022, and revenues were increased by 70% compared to previous years, thanks to the newly added partners and the effective simplification plan. Thanks to the increase in global collaborations, a rapid progress was achieved after the pandemic period with planned aggressive campaigns. Miles&Smiles member interaction was increased to higher levels with the addition of new brands and strategic collaboration approach.

Miles&Smiles Official Instagram Profile

New Commercial "New Excitement"
In the adventure from the Dragon Festival in China to the snowy mountains of Switzerland, from the fiery sands of the Sahara to the glittering life of Paris, from the sunrise in Cappadocia to the deep blue seas, by explaining that every moment in life is a different excitement, passengers are invited to discover the world with Miles&Smiles privileges.

Miles&Smiles Sponsored Sailing Races
Miles&Smiles was in the wind in sailing. The Bosporus Cup, one of Türkiye's most spectacular sailing races, was organized for the 21st time this year under the sponsorship of Miles&Smiles. The Bosporus Cup, which once again introduced all the beauties of Istanbul to the world, was held on September 22-25. Miles&Smiles was one of the most special supporters of the event with a total of 1 million miles given to the sailors competing. The races were covered in the press and created a tremendous impression.

Gol Airlines, Our New Partner in Brazil
The Incorporation and GOL Linhas Aereas signed a mutual mileage earning and spending-based loyalty program agreement.

Miles&Smiles and Togg Miles Collaboration Agreement
A mileage collaboration agreement was signed between Turkish Airlines and Togg, Türkiye's first smart electric vehicle. Members will earn miles as a result of the collaboration, and for the first time, a company will be able to earn status miles on the highway.

Collaboration between IGA and Turkish Airlines
In collaboration with İGA Istanbul Airport and Turkish Airlines, with the Star Alliance Biometrics pass system for a contactless travel experience, Miles&Smiles member passengers will be able to pass through selected boarding gates without contact, especially after Covid-19, within the scope of health and hygiene measures. Members will be able to start using Star Alliance Biometrics by entering their membership information and completing their registration from Star Alliance and Turkish Airlines applications with a few easy steps on their mobile devices.



ANADOLUJET

Everybody Flies with AnadoluJet

AnadoluJet continues to grow sustainably with the value it attaches to people and the environment.



AnadoluJet, which was established in 2008 as a brand of Turkish Airlines, carried 142.4 million passengers for 14 years with the slogan 'Let Everybody Fly'. Starting its journey with 5 aircraft, AnadoluJet operates flights to 101 destinations in total, including 43 destinations in Türkiye and 58 destinations in 32 countries on international routes, with 64 aircraft in its fleet as of the end of December 2022. During the summer period, flights were operated to 42 destinations in Türkiye and 46 destinations in 28 countries on international routes.

In 2022, gradual normalization in passengers' travel demand was observed as the impacts of the coronavirus pandemic decreased all over the world. In the face of increasing passenger traffic, AnadoluJet's dynamic capacity management and agile planning methods ensured that passengers continued their travels safely with maximum service quality.

AnadoluJet's strategy strengthens the Incorporation's place in the aviation sector, where low-cost airlines are gaining more and more share every day.

In 2022, AnadoluJet carried a total of 16 million passengers, including 6 million on international routes and 10 million on domestic routes (in Türkiye), with an occupancy rate of 83.0%, thanks to the increase in flights to touristic destinations in addition to scheduled flights.

In 2022, AnadoluJet started operating flights from Ankara Esenboğa Airport to Almaty, Astana, Belgrade, Jeddah and Medina, and from Sabiha Gökçen Airport to Budapest, Bergamo, Riyadh, Jeddah and Medina. AnadoluJet aims to bring more tourists to our country throughout the year with the additional domestic and international capacity it offers. With this vision, in addition to its international flights from Ankara Esenboğa and Istanbul Sabiha Gökçen airports, which it uses as HUBs, AnadoluJet carried more than 1 million passengers in these regions with its direct flights from Antalya, Bodrum, Dalaman and Trabzon, which were launched as part of the tourism initiative.

TOTAL TRAFFIC FIGURES

AnadoluJet Traffic Figures	2018	2019	2020	2021	2022
Revenue Passenger (thousand)	15,975	14,530	7,036	13,335	16,139
Available Seat Km (million)	12,388	11,248	7,876	16,761	21,763
Revenue Passenger Km (million)	10,674	9,809	5,704	12,404	18,053
Passenger Load Factor (%)	86.2	87.2	72.4	74.0	83.0
Number of Landings	100,125	90,754	53,305	97,844	105,513

64

2022 Year-End AnadoluJet Aircraft Number

During the summer schedule period, flights departing from Germany, the Netherlands and the UK were disrupted due to insufficient number of staff at airports and traffic caused by operational congestion at airports. In order to prevent passengers from being adversely affected by these disruptions, more than 100 thousand SMS messages, the content of which was determined interactively for each airport, were sent to passengers to prevent possible inconveniences.

17 of the 64 aircraft in AnadoluJet's fleet consist of the next-generation Boeing 738 Max and Airbus 320/321 Neos. By the end of next year, the fleet is planned to increase to 81 aircraft, 25 of which will be next-generation aircraft. With the increasing share of next-generation aircraft in the fleet, fuel consumption efficiency is increased and customer experience is enhanced. While expanding its fleet, AnadoluJet acts in line with the principle of "Considering people and the environment while growing" and reduces carbon and noise emissions with next-generation aircraft with high fuel efficiency.

AnadoluJet continued to make airline travel accessible by adding new destinations to its flight network in 2022 and offering affordable fares to the market. AnadoluJet will continue to grow and renew its fleet with next-generation aircraft in the coming years.

With its expanding flight network, AnadoluJet increased its infrastructure investments in innovative technologies in order to meet the high passenger demand for its flights and business requirements quickly and in line with the digital age, and it has aimed to provide a more comprehensive customer experience to its passengers to include their travel and more from the moment the idea of travel is formed.

ANADOLUJET

AnadoluJet continued to add new services and products developed to increase customer satisfaction based on digital transformation.

101

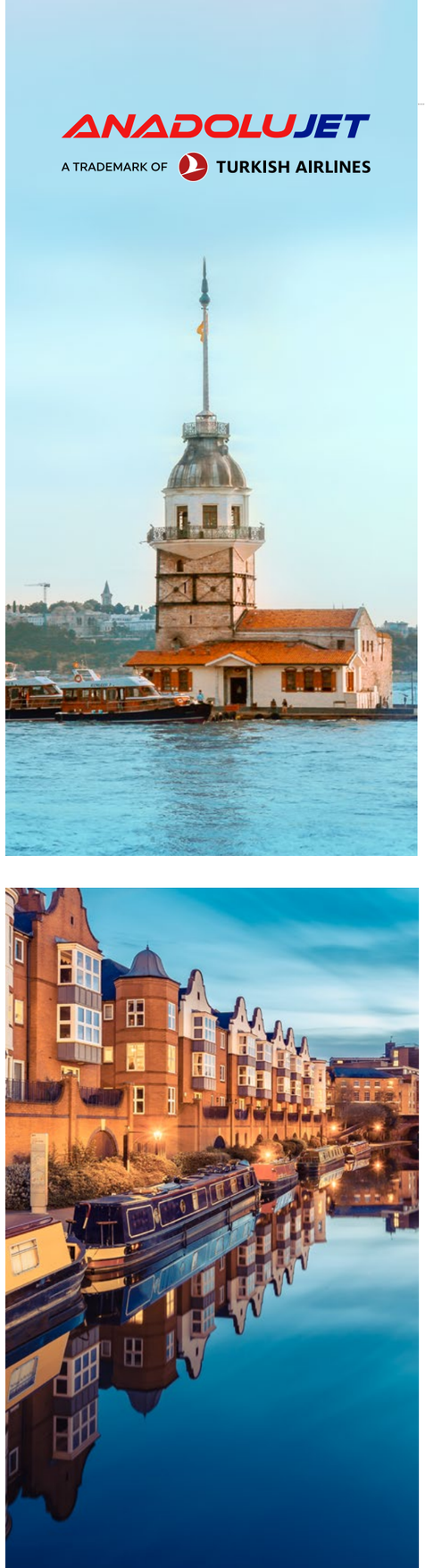
Number of destinations reached

AnadoluJet continued to make airline travel accessible by adding new destinations to its flight network in 2022 and offering affordable fares to the market.

In line with the targets set, AnadoluJet started to work to realize domestic and international ticket transactions and additional service sales that address passenger needs through AnadoluJet online channels with a design in line with user experience and digital marketing trends with the aim to provide passengers with the opportunity to perform their online transactions through a single channel. New passenger segments such as student, disabled and young passenger were added to meet the needs of passengers, and the range of services and products was expanded with alternative payment options. In addition, the three-dimensional security step, which was initiated in order to make credit card payment transactions through online channels more secure in today's conditions, was also made available to passengers.

In the event of unexpected tariff changes, flight cancellations and similar disruptions that may occur on flights, passengers were enabled to make their transactions such as ticket change and refund quickly and easily via the mobile application, and these transaction processes were enhanced in order to prevent possible disruptions and increase customer satisfaction.

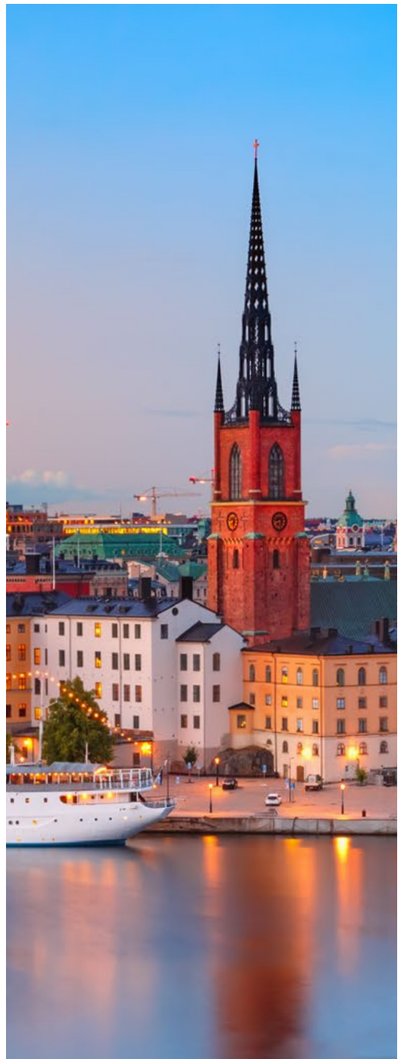
The scope of the Merchandising project, which was launched last year with the aim of enabling passengers to easily access the additional services they need through direct channels with more options and budget-friendly prices, was expanded, enabling passengers to save both time and travel budgets. Furthermore, dozens of advantageous campaigns were made available to hundreds of thousands of passengers by considering each passenger need individually, including individual, family and business travels. Campaign announcements were made via AnadoluJet's website, mobile application and e-mail, and communication efforts were expanded by reaching the right passenger at the right time and through the right channel. By analyzing passengers' previous travels and purchases, personalized offers tailored to their needs contributed to both campaign diversity and customer experience. With these practices, the increase in the number of passengers benefiting from campaigns and access facilities was realized in line with the targets set.













CARGO

Return to pre-pandemic normal

Turkish Cargo is ready for the 100th anniversary of our Republic with its steady rise, well-equipped infrastructure and operational quality.

In addition to the regional and global crises, the increase in intermodal investments and ocean carriers' investments in the air cargo sector were among the important agendas of 2022.

Aviation Sector under the Shadow of Crises: Stones Are Falling into Place

The aviation and air cargo sector, which experienced a significant challenge with the Covid-19 pandemic, faced various crises on a regional and global scale in 2022. The Russia-Ukraine War, rising costs, rising global inflation and decline in demand, China's "Zero Covid" policy, strikes, chip crisis and problems in production, increase in oil prices and energy crises have had significant impacts on both passenger transportation and air cargo sector. At the same time, since the pandemic period, the world economy faced problems directly or indirectly in terms of labor force, while the problem of labor shortages in critical areas of the supply chain manifested itself in almost all sectors. In addition to the regional and global crises, the increase in intermodal investments and especially ocean carriers' investments in the air cargo were among the important agendas of 2022.

In 2020, after the easing of impacts of the Covid-19 pandemic, which deeply shook many sectors, especially the aviation sector, the air cargo sector gives important signals at the point of return to its pre-pandemic normal. Considering the normalization of passenger flights, as well as the return of belly capacity and the signs of a downward trend in unit revenues, it is observed that the extraordinary season of the pandemic period has been left behind.

Cargo transportation and the air cargo sector, which is the most important factor for airlines to cope with the devastating impacts of the pandemic, increased its share in total revenue during the pandemic compared to the previous period. However, the share of air cargo in total revenue still remains significant. The air cargo sector, which assumes a vital responsibility in the continuity of global trade, especially in the transportation of medical and pharma products, proved to be an integral part of continuity in the supply chain and managed to differentiate positively from other modes of transportation. The increase in unit revenue, which emerged with the limited passenger capacity experienced, shows a downward trend as the extraordinary conditions of the pandemic return to normal. In the long term, in addition to the return of belly capacity, global capacity, which is expected to increase as a result of the deliveries of aircraft orders and the conversion of passenger aircraft into cargo freighters, is predicted to increase downward pressure on unit revenues.



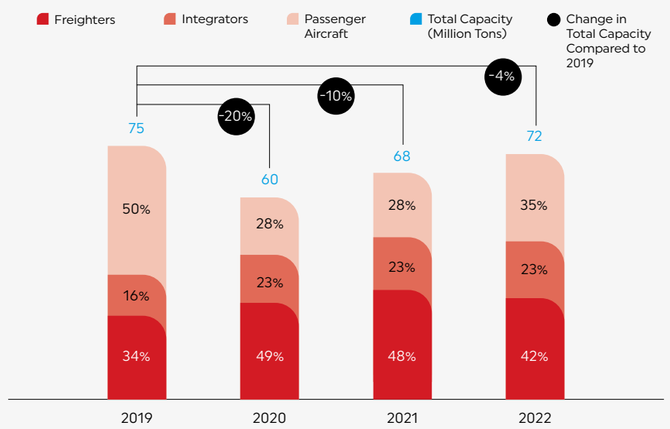
Analyzing the air cargo capacity distribution data, it is observed that the distribution of 2019 has not yet been achieved. The balance of 34% freighter, 50% passenger aircraft and 16% integrators in the pre-pandemic period was realized as 41% freighter, 36% passenger aircraft and 23% integrators by the end of 2022, and the trend towards the pre-pandemic distribution is noteworthy. (Seabury)

Facing various crises, the sector struggled with issues in 2022 as well. While oil prices rose in 2020 and 2021 due to the expectation of war and the contraction in oil supply, they peaked in 2022 with the Russia-Ukraine War and then returned to 2021 levels. Fluctuations in jet fuel prices, which act in a similar way to oil prices, point to a significant problem in terms of costs with its role as one of the most important expense item of airlines. According to IATA data, the upward trend in jet fuel prices is expected to be behind the 2022 values by 2023. Considering all these, although the problems on a global scale have not been completely resolved by 2022, normalization in the sector is expected to continue in the near future.

Despite the challenging conditions of the pandemic period, the air cargo sector, which generated high revenues, broke records in this regard. According to IATA forecasts, despite the crises, normalization is expected to continue in both the passenger and cargo sectors, and airline revenues are expected to reach 93% of the pre-pandemic values in 2023 with the opening of new lines and routes. However, the growth in air traffic is also expected to follow a flatter upward trend in 2023 compared to the sharp rise in 2022. Throughout 2021 and during the first two months of 2022, the industry's FTK (freight tonne kilometers) values showed positive growth, remaining above 2019 levels. As of the 2nd quarter of 2022, this positive performance has managed to draw a similar trend to 2019, although it has lagged behind 2021.

In this regard, while 2021 stands out as the first year of recovery, a steady normalization is noteworthy as of 2022, and the sector is moving towards its pre-pandemic normal under the shadow of crises.

INTERNATIONAL AIR CARGO MARKET CAPACITY DISTRIBUTION BY YEARS (2019-2022)*



** Seabury*

CARGO

As we rapidly move towards the 100th anniversary of the Republic of Türkiye, Turkish Cargo is proud of its contribution to the national economy and Turkish exporters by leaving behind another successful year.

5.2%
Market Share

Turkish Cargo aims to diversify its existing service quality with its new services TK Smart, TK Premium and TK Urgent and to be the quality pioneer of the sector in this respect.

Towards 100th Anniversary: Turkish Cargo's Steady Rise

As we rapidly move towards the 100th anniversary of the Republic of Türkiye, Turkish Cargo is proud of its contribution to the national economy and Turkish exporters by leaving behind another successful year. In this regard, the collaborations with the Turkish Exporters Assembly (TIM) and the Service Exporters Association (HIB) were strengthened and continued, while supportive and facilitating steps and campaigns continued to further strengthen Turkish exports. Exhibiting a superior performance compared to its competitors during the pandemic period as well as in the pre-pandemic period, Turkish Cargo represented our country in the best way possible with the awareness and pride of its role as the national flag carrier, while continuing its steady rise in 2022 after a tremendously successful period in 2021 and moving one step closer to its future goals.

Ranked 5th globally with a market share of 5.2% in 2022 according to IATA FTK (Freight Tonne Kilometers) data, the brand managed to maintain its position by strengthening despite the decline in unit revenue and capacity increase in the market and continued to take firm steps towards its goal of becoming one of the top 3 and best 3 air cargo brands in terms of service quality.

In addition, while weaving a logistics network in world trade with SmartIST, a facility equipped with state-of-the-art autonomous systems, and new special products and services, the labor of Turkish exporters was also carefully transported to all over the world. As a result of the steps taken in line with the goal of becoming the technology pioneer of the sector and one of the most preferred air cargo brands in terms of service quality, efforts to maximize operational excellence and customer satisfaction continued unabated. SmartIST has been the driving force of Turkish Cargo in this sense, with its specially designed areas and rooms controlled by autonomous systems and providing the highest quality service in all special cargo types.

Turkish Cargo, which was 17% above the market in terms of unit revenue in the special cargoes in 2022, also managed to differentiate positively from the market in terms of service quality and preferability. Responding to customer expectations and being preferred in this sense, Turkish Cargo aims to diversify its existing service quality with its new services TK Smart, TK Premium and TK Urgent and to be the quality pioneer of the sector in this respect.

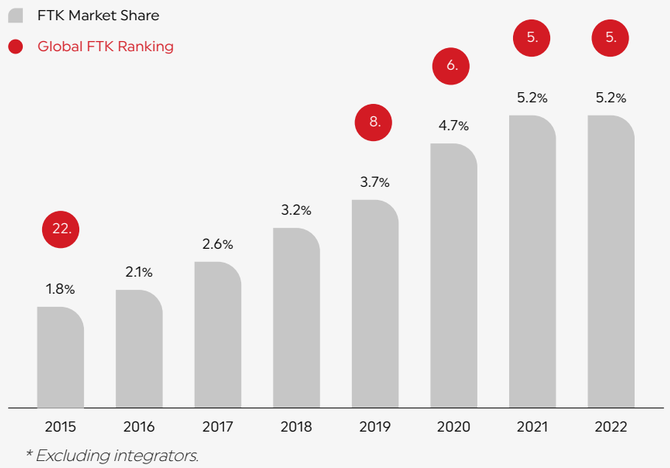
With these developments, Turkish Cargo also strengthened its position as the network leader, serving in 100 destinations around the world with 21 freighters by the end of 2022. In this sense, just as in passenger flights, Turkish Cargo has maintained its position as the network leader in cargo and reached the world by serving at the most destinations as the air cargo logistics brand of the Turkish Airlines, which is the airline flying to the most countries. In addition, exporters were introduced to new markets with new routes through TIM campaigns, and added value continued to be generated for Türkiye's exports on the air cargo side in 2022 as well. In this scope, with the third TIM campaign organized this year, discounts and advantages were offered on various products and destinations over a period of 4 months. The brand endeavored to establish an effective dialog with all industry stakeholders, especially exporters, and continued its efforts to find new solutions to the needs and demands of exporters through various meetings and workshops. By utilizing the great advantage offered by the Turkish Airline's extensive passenger and cargo network, Turkish Cargo contributes significantly to the transportation of value-added products produced by Turkish exporters all over the world and to the creation of market diversity and provides the Turkish business world with a competitive advantage in the international arena. In this regard, Turkish Cargo is moving with confidence towards the 100th anniversary of the Republic with a stronger Turkish economy and exporters and with the awareness of being the national flag carrier airline.

Zero LOPA flights, which started to be operated during the pandemic period and will be eliminated as of 2023, also continued in 2022, and more than 500 flights were operated in this way since 2021. In addition, pax-freighter flights, which means the transportation of cargo by passenger aircraft, continued in 2022 as well. These two solutions, which were implemented as proactive steps to overcome the capacity constraint problem of the pandemic period, are expected to be abolished after passenger flights return to normal across the sector. In 2022, airline costs increased due to the rise in oil and jet fuel prices, global and geopolitical crises and inflation as a result of rising energy costs. In the sequel of all these developments, the excessive increase in freight prices caused extraordinary increases in wet-lease rental costs. As a result of this increase, Turkish Cargo removed 4 wet-lease freighter from its fleet by the end of 2021. So, Turkish Cargo's global cargo capacity market share declined. Despite the loss of capacity, a successful performance was demonstrated by achieving values above the sector in passenger load factor and unit revenue. In this scope, Turkish Cargo managed to positively differentiate itself from the market with a performance of 21 points higher than the sector in load factors and a nearly 10% higher increase in revenues per kilogram.

Sustainability studies, another important agenda for the aviation sector, are carried out in line with the guidance of the Incorporation and within the processes designed on the basis of efficiency. While Turkish Cargo, the air logistics brand of the Turkish Airlines, draws attention with pioneering practices in its field, developments continue day by day to implement a sustainable and environmentally friendly way of doing business. Turkish Cargo crowned its success in this field with the "Sustainable Cargo Airline of the year 2022: EUROPE" award at the Freightweek Sustainability Awards 2022.

In this regard, 2022 stands out as a period in which Turkish Cargo's steady rise from the past to the present was reinforced and its will to achieve its future goals was once again revealed. In this context, Turkish Cargo enters the 100th anniversary of the Republic stronger than ever with its customer satisfaction and service quality-oriented business manner, its latest technology infrastructure and operational excellence approach.

TURKISH CARGO FTK DEVELOPMENT GRAPH AND FTK RANKING*



** Excluding integrators.*

CARGO

Turkish Cargo continues its journey to the future with its speed and priority services that provide new conveniences to its customers around the world.

3

New services (TK Smart, TK Premium and TK Urgent)

Increased Service Quality: New Products and Services

With the move to its new home SmartIST, Turkish Cargo developed its solutions for special cargo products in line with the expectations of the relevant sectors. Turkish Cargo increased service quality and customer satisfaction with storage and operation areas designed for special cargo products, product-based processes and sectoral solutions within SmartIST, which is equipped with autonomous and robotic systems. While new services were developed in line with an approach that puts customer satisfaction and service quality at the center, significant developments were made in the field of e-commerce.

As one of the most reliable solution partners of the global air cargo sector, Turkish Cargo continues its journey to the future with its speed and prioritized services that provide new conveniences to its customers around the world. The dynamic brand launched 3 new services in different speed categories that will increase business quality and meet customer expectations at the highest level. In this context, Turkish Cargo offers its customers cost-effective advantages, flexibility, privileges and high-speed shipping opportunities with its "Speed and Priority Services: TK Smart, TK Premium and TK Urgent".



1.2

USD BILLION

Special cargo revenue

TK Smart, developed for general cargo shipments, offers a standardized operation with lean and optimum solutions for shipments. Important shipments requiring shorter delivery times are accepted with the privileged world of TK Premium with shorter acceptance time, short connection and fast delivery guarantee. Offering the fastest solution in the sector for critical and last-minute shipments, TK Urgent provides an end-to-end control mechanism over the delivery process by offering the most advanced tracking and monitoring options to its customers and creates new business models in the sector in order to offer new alternative methods. With TK Urgent service, which offers capacity guarantee, latest acceptance time, minimum connection up to two hours and the shortest possible delivery time, shipments are transported with the guarantee of flying on booked flights and 100% refund guarantee under certain terms and conditions. The "TK Urgent Team," specially developed for this service, is available 24/7 and provides process follow-up services from booking to after-sales.

With its new services, Turkish Cargo made significant progress in the field of special cargoes and accordingly achieved significant success in 2022. In this scope, special cargo (pharmaceuticals and health products, electronics and vulnerable cargo, valuable cargo, dangerous goods, perishable cargo and live animal transportation) revenue figure, which was USD 473 million in 2019, grew by 150% and reached USD 1.2 billion by the end of 2022.

In 2022, special cargo revenues increased by 3% compared to 2021, when the impact of the pandemic continued. In addition to all these special cargo types, Turkish Cargo, which pays great attention to safety standards in live animal transportation and the comfort of transporting and holding live animals, launched a 1000 square meter live animal hospitality and care area at Istanbul Airport in November 2022 in order to strengthen its position in live animal transportation.

The share of special cargoes, which require special attention and extra care throughout all processes, in Turkish Cargo's total revenue increased from 29% in 2021 to 33% in 2022. It is aimed to increase the share of special cargoes in the coming years.

In e-commerce, another focus area of Turkish Cargo, Turkish Cargo left behind a very successful season in 2022 in line with the e-commerce strategy established in 2021. In this scope, the TK Courier product, the first step of this strategy including express, courier and air mail products, was redesigned and launched for customer use.

Together with e-commerce demand, one of the most important agendas for air cargo and an influential factor in the global air cargo sector, Turkish Cargo opens key windows into new and continuous business opportunities according to customer needs. Turkish Cargo, boasting a highly efficient structure for e-commerce deliveries with its flight network and fleet, provides an end-to-end control mechanism over the delivery process by offering the most advanced tracking and monitoring options to its customers via SmartIST. In this context, on the one hand, new business models are being created in the sector to provide customers with new alternative methods, while on the other hand, the best product solutions are being developed to meet all the needs of the e-commerce sector. Thanks to the steps taken and accurate developments, a significant success was achieved in express and courier transportation, with an 88% increase in e-commerce revenues in 2022 compared to 2021 and a 53% increase in tonnage comparison. In addition, Turkish Cargo focused on process and system improvements to increase customer satisfaction by improving its air mail product. In this respect, it focused on improvements to shorten the mail shipment delivery time and for postal administrations to provide the right information at the right time to track mail shipments.

Another special agenda of 2022 for Turkish Cargo under the heading of special cargoes was the transportation of our domestic and national automobile TOGG with the responsibility and pride of being the national flag carrier company. In the 100th year of the Republic and beyond, it is aimed to increase the rate of transportation of high value-added, domestic and national products all over the world. While preparing for the future with its role as the national flag carrier of Türkiye's air cargo logistics, Turkish Cargo continues its efforts to provide the best service for the future with its experience from the past.

CARGO

With SmartIST's powerful infrastructure and unique features in its field, all processes such as product acceptance, storage, transfer and loading have significantly improved, and efficiency increased.



1st Year at SmartIST

As Turkish Cargo completed its 1st year in SmartIST, its new home and mega facility equipped with the latest autonomous systems, to which it moved by the end of 2021, it has connected all corners of the world more strongly than ever with the logistics network it established out of Istanbul. With SmartIST's powerful infrastructure and unique features in its field, all processes such as cargo acceptance, storage, transfer and loading have significantly improved, and efficiency increased. Digital, lean and sustainable transformation is continuously being developed with smart storage systems, work order automation, SmartDock cargo acceptance system and robotic automation processes. SmartIST, one of the world's largest hubs, provides leaner, higher quality, faster and safer service and responds to the expectations of business partners. Aiming to further improve its position among the world's leading air cargo brands in terms of fast transfer advantage, capacity and service quality, Turkish Cargo plans to continue its steady rise with its motto #RaiseTheBar. At the same time, SmartIST draws attention as an excellent gateway for trade between East and West, considering Istanbul's geography spread across continents. In this scope, Istanbul will be transformed into the logistics center of the world by attracting most of the world's air cargo traffic to SmartIST, the mega facility at Istanbul Airport.

With the transition to SmartIST, the dual hub operation, which lasted for 2.5 years, has come to an end and connection times have been significantly reduced. In this scope, general cargo and special cargo connection times have been shortened by 40% and 50%, respectively. In addition, thanks to the automation systems and optimized processes, despite the fact that the operations are carried out in a 30% larger facility, the transfer distance per pallet has been reduced by 12% and the business volume has grown, while a significant increase in efficiency in both the work done and the workforce is noteworthy.

Continuing to offer solutions with flexible, product-oriented, fast and lean services to respond to customer needs at its new home SmartIST, Turkish Cargo continues to carry out efficiency and sustainability-oriented activities while improving service quality thanks to its optimization projects and investments.

With SmartIST and Istanbul Airport, one of the largest infrastructure and logistics investments across the country, Türkiye is preparing for the 100th anniversary of the Republic as a logistics and technological center, while Turkish Cargo keeps connecting the world through SmartIST.

The mega facility, which has a total area of 205,000 m^2 and an annual handling capacity of 2 million tons in the first phase, is expected to reach a total area of 340,000 m^2 and an annual handling capacity of 4 million tons with the second phase. With all these, the mega facility SmartIST, the technology and logistics base that ranks 1st in Europe, is expected to reach the top on a global scale.

Digital Innovation Projects Continue at Full Speed

Turkish Cargo continues its digital innovation projects focused on increasing customer satisfaction and improving its processes at full speed. With various digitalization projects, steps are being taken in line with the goal of becoming the technology pioneer of the sector, and with these projects, a sustainable, efficient and leading-edge business model is aimed.

With projects such as API (Application Programming Interface), digital payment channels, Cargy, RPA (Robotic Process Automation), 3D ULD, e-freight and One Record, Turkish Cargo is taking sustainable steps to meet customer expectations, improve service quality and increase efficiency.

Thanks to the API developed by Turkish Airlines Technology Inc. and Turkish Cargo, customers can access Turkish Cargo in a total of 63 countries through the digital marketplaces WebCargo and Cargo.one, complete their booking transactions and track their shipments. In 2022, the share of digital bookings in all Turkish Cargo bookings increased to 24% and customer booking speeds increased by 95%. In addition, thanks to the API development, key customers can track shipments through their own transportation management systems. Work to enable customers to complete their reservations through these transportation management systems was completed and this feature is expected to go live very soon.

Turkish Cargo continues to carry out efficiency and sustainability-oriented activities while improving service quality thanks to its optimization projects and investments.

In addition to reservation and shipment tracking, the Digital Payment Channels project, which will go live to contribute to the digitalization of customers' payment processes, is expected to provide a more agile and traceable payment flow. At the stations where the project will be implemented, Turkish Cargo's cash flow rate is expected to increase significantly, while customers will be able to easily manage their freight payments through these channels.

Cargy, the WhatsApp chatbot, currently provides 24/7 and easy access to accurate information via WhatsApp with cargo status and tariff query functions. In 2022, with the new phase that went live, Cargy started to offer Live Support service as an additional communication channel to the call center. Within the scope of the next phase, work is underway to integrate new functions that will increase customer satisfaction.

The RPA (Robotic Process Automation) Project of Turkish Cargo, which attaches great importance to digitalizing its operational processes, continued at full pace in 2022 with the launch of 6 new different processes, increasing the number of metal collar employees by 100% and workforce gain by 76%. In the project, which currently provides labor force gains in more than 20 processes, international units will be included in the process as of next year, and the high-tech project will play an important role in global processes as well.

Besides, e-freight, which supports sustainability and aims to create an end-to-end paperless transportation process for air cargo, and One Record, a data sharing standard designed to create a single record view of shipments, increase the ease and quality of service in document management, while steps are taken for the future of the world with environmentally friendly practices.

As a result of all these project work, Turkish Cargo has been awarded a Quality Certificate by Cargo iQ, an IATA interest group with the mission to establish and implement quality standards for the worldwide air cargo sector.

SGS, an independent audit firm based in Geneva, examined all processes of Turkish Cargo, including compliance of operational processes, services offered to customers and overall quality management, within the scope of Cargo iQ requirements. As a result of the comprehensive audit, it was determined that Turkish Cargo's meticulous processes and services are in compliance with Cargo iQ's quality standards and the Incorporation became one of the airlines entitled to receive the Cargo iQ Quality Certificate.

Turkish Cargo will continue to closely monitor current technologies and integrate them into processes with the most appropriate usage scenarios, in line with its strategy of being the pioneer of the sector in terms of technology and digitalization in the coming years, as it was in the past and in 2022.

CARGO

Always raising the bar with the goal of becoming one of the top 3 and best 3 air cargo brands in terms of service quality, Turkish Cargo continues its efforts to increase customer satisfaction without slowing down.

Key customers accounted for 35% of Turkish Cargo's revenue in 2022.

Turkish Cargo connects 129 countries to the world through Istanbul.

Customer Satisfaction and Awards
Turkish Cargo took important steps to enhance its service quality also in 2022 with its operational excellence approach, services that respond to customer expectations and services that aim to increase the level of satisfaction every day. Attaching great importance to customer feedback, Turkish Cargo has demonstrated its will to meet customer demands and desires by listening and taking into account expectations during the SmartIST design process, in addition to feedback received through regular surveys and feedback platforms, and it spent its first year in the new mega facility with enhancement efforts in this context.

As of 2022, Turkish Cargo is committed to improving its FAB (Flown as Booked) rates through process improvements, while offering the most comprehensive and high quality service with its extensive network and mega facility SmartIST. In this regard, it was possible for Turkish Cargo customers to experience timely, reliable and traceable delivery throughout the entire process.

Turkish Cargo increased its annual call answering performance rate to 95% to provide fast and most effective feedback to its customers and has always stood by its customers, its most valuable business partners, through the 3CS feedback platform and customer satisfaction surveys. In addition to satisfaction surveys and feedback, customer visits increasingly continued this year in order to strengthen communication and ties with customers.

Always raising the bar with the goal of becoming one of the top 3 and best 3 air cargo brands in terms of service quality, Turkish Cargo continues its efforts to increase customer satisfaction without slowing down. On the one hand, fast, traceable and secure service is provided with autonomous systems and technologies within SmartIST, while on the other hand, customers' special expectations are met with TK Urgent, TK Premium and TK Smart services.

Furthermore, while relations with Key Customers, the largest companies in the cargo market, have been strengthened day by day with the diversification of services and the increase in operational quality, and revenue growth was achieved compared to the previous year and the share of key customer revenues in Turkish Cargo increased as a result of improved relations. In this scope, key customers accounted for 35% of Turkish Cargo's revenue in 2022.

Besides, Turkish Cargo participated in many events and fairs related to the sector and received important awards. The brand, which provides services to 129 countries across the world, took part in many domestic and international activities within the promotion, advertising and press activities in 2022.



In 2022, written and visual content was created on many topics such as new destinations added to the flight network, TOGG cooperation, Speed and Priority Services project and especially the SmartIST facility, and a total of 143 content was featured on social media. Attaching importance to social communication and interaction activities, Turkish Cargo's LinkedIn account reached 55 thousand followers. Millions of interactions were achieved with the content shared on social media channels on behalf of the brand. Setting a target of 100,000 followers in 2023, Turkish Cargo aims to support its strong position in the sector with social media instruments and to provide the most up-to-date information to large masses and customers through these channels.

Turkish Cargo, which has been featured in local and global press with remarkable publications, realized 19 sponsorships, 20 events and 11 fairs in 2022, both domestic and international, online and physical, and managed to receive important awards for its outstanding performance. The awards received in 2022 are listed below;

- "Remarkable Air Cargo Brand" at Asia-Pacific Bioprocessing Awards
- "Cargo Airline of the Year" at STAT TIMES International Award for Excellence in Air Cargo- Air Cargo India Awards
- "Air Cargo Excellence" at WOF Awards
- "Best Air Cargo Carrier-Europe" at Asian Freight, Logistic and Supply Chain (AFLAS)
- "Sustainable Cargo Airline of the year 2022: EUROPE" at Freightweek Sustainability Awards 2022
- "Best Airline Partner" Award at Nippon Express
- "International Air Carrier Award" and "Contribution to Logistics Award" at Atlas Logistics Awards 2021

Moreover, in 2023, Turkish Cargo will host the IATA World Cargo Symposium, the world's largest cargo symposium organized under the leadership of IATA.

As in the past, Turkish Cargo will continue to keep its web and social media channels open in the future as a reality of the increasingly digitalized world and will continue to work with the aim of producing viral content in the sector. Turkish Cargo, which always offers reliable, high quality and effective solutions within the scope of its 2025 targets, will continue to raise the bar with its motto #RaiseTheBar while maintaining strong communication with its business partners, existing and potential customers.

CONTINUING AIRWORTHINESS MANAGEMENT

Maintenance management responsibility

Turkish Airlines fleet meets the highest standard in continuing airworthiness, safety and operability.

MANAGEMENT OF TECHNICAL ACTIVITIES

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 nearly 400 aircraft – including passenger, VIP aircraft – pursuant to the terms set forth in SHY-M. Turkish Airlines outsources the maintenance, repair, overhaul, tests and revisions for aircrafts listed in the Air Operator Certificate (AOC) and also for engines, components and other equipment of those aircraft. This approach ensures that aircraft and its equipment is utilized in airworthy condition in both Türkiye and overseas and conform to continuing airworthiness standards.

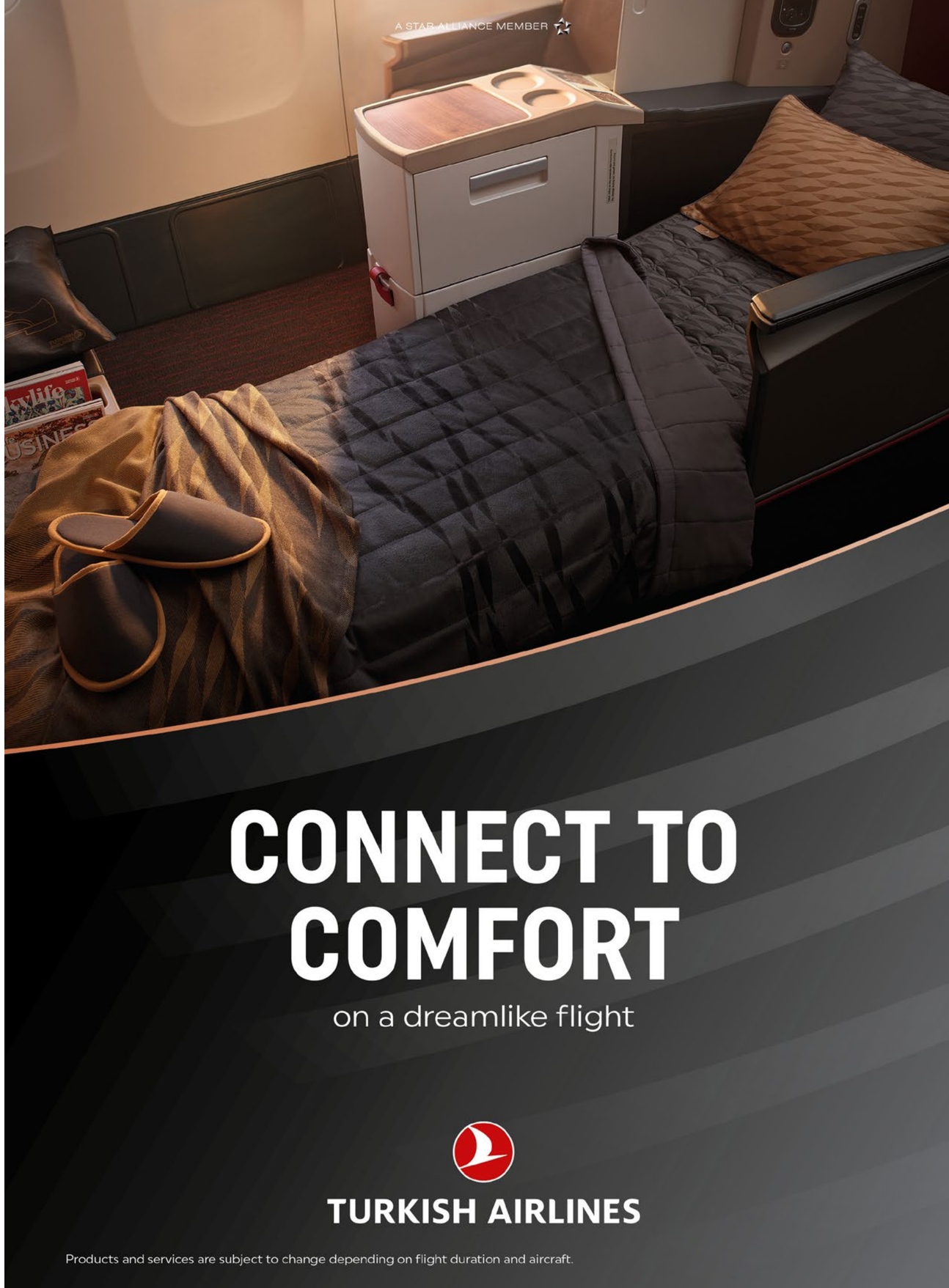
Turkish Airlines undertakes the responsibility of continuing airworthiness and maintenance management of all commercial aircraft under Air Operator Certificate for commercial fleet (SHY-6A Fleet, Airbus A320 CEO and NEO series, Airbus A330, Airbus A350, Boeing 737NG and MAX series, Boeing 777 and Boeing 787) and the VIP aircraft under Air Operator Certificate for general aviation (SHY-6B Fleet, Gulfstream GIV-X (G450) and GV-SP (G550), Airbus A318CJ, A319CJ, A330CJ, A340CJ and Boeing 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 Türkiye for the commercial aircraft in its fleet. As part of these authorizations, Turkish Airlines primarily ensures that its aircraft comply with airworthiness requirements and safety provisions at any time during their operational lifespan. In addition, Turkish Airlines procures the following technical services:

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

Turkish Airlines also monitors the procured maintenance services for 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 the Incorporation has forged among its highly experienced team, its pioneering subsidiary Turkish Technic in particular, national and international manufacturers, and firms from which it receives maintenance and/or engineering services.

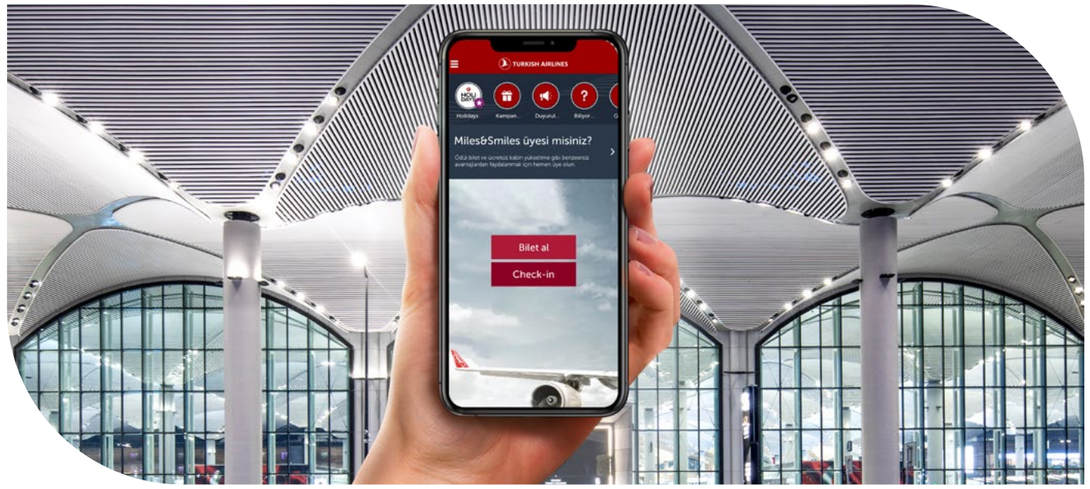
Turkish Airlines views its top priority targets as safety, customer satisfaction and productivity. The technical standards of the existing aircraft or new aircraft to be acquired to the fleet are determined in line with these targets.



CORPORATE DEVELOPMENT AND INFORMATION TECHNOLOGIES

Sustainable quality

Turkish Airlines Information Technologies Unit has gained the status of a joint stock company and continues to operate under the Turkish Technology brand.



91

Number of projects opened for the Incorporation

With the Actual Weight Calculation Project, system developments that will contribute to the goal of saving fuel by periodically calculating the total weight of the aircraft before fuel loading and sending it to the flight plan system were completed.

Human Resources Activities
Turkish Airlines Information Technologies Unit has gained the status of a joint stock company and continues to operate under the Turkish Technology brand. In addition to the existing Halkalı office, it opened new offices on the Anatolian side of Istanbul, Ankara and Izmir. In 2022, it is taking firm steps forward on its growth journey by recruiting over 400 new employees. By implementing human resources practices in line with the Company's strategies, it continues its organizational structuring processes in order to ensure internal and external customer satisfaction and to maintain the quality and sustainability of the products and services used.

Project Management Studies
Analyzing the 2022 data, the number of projects opened for the Incorporation is 91 and the number of closed projects is 66.

Operational Solutions
Infrastructure and smart storage system works of the Cargo Smartist building were completed. The first phase of the Revenue Management and Embargo Control application went live. The Fee Claim Portal and Subrates application were launched, resulting in labor savings of up to 90% in manual fee tracking.

Revenue-enhancing improvements were completed in the mail module. New integrations were completed in the project to increase digital sales channels. Chatbot live support application was launched.

BagGlobe product was developed and launched to monitor baggage operations. A QMS product using image processing technology to measure the number of people receiving service, area density, social distance and transaction times at Turkish Airlines counters at Istanbul Airport was installed. A new version of the World Tracer application was launched with additional functions. Work was completed for the use of the Damaged Baggage application at all stations.

With the Actual Weight Calculation Project, system developments that will contribute to the goal of saving fuel by periodically calculating the total weight of the aircraft before fuel loading and sending it to the flight plan system were completed.

Efforts are underway to be included in the A-CDM platform in order to improve the efficiency of Istanbul Airport operations by optimizing the use of resources in airport processes with the A-CDM - Airport Collaborative Decision Making Project.

As a reflection of digitalization that facilitates business processes, the digital cabin application was enabled to be used online via in-flight wi-fi. This enhanced service quality with timely passenger data and cabin fault notifications. The adventure of digitalization continues with the pilot e-logbook and crew requirement calculation systems, the development of which has begun, while road control forms and allergen lists were being transferred to the applications.

Customer Solutions Activities
With the Inflight Unconsumed Catering Estimation Project, a machine learning model was developed to calculate the number of catering units as a decision support system for planning the number of Economy Class 1st service catering units to be loaded on future flights by learning from the remaining catering habits of the actual flights. With the Additional Baggage Purchase Propensity Estimation and Dynamic Price Optimization, a real-time optimization model that provides the optimum discount rate by estimating the probability of purchasing additional baggage was created.

SSID: TKLounge was changed in line with the brand colors and logo. Work was completed at all stations in Türkiye except Izmir and Ankara stations.

The first phase of the Turkish Airlines Holidays New Integration Project was commissioned, enabling the sale of airline tickets, hotel, car rental, transfer and travel services as a package under a new brand. Agency Domestic Incentive Module was launched. With this module, calculations of the incentive amounts of the Domestic and International incentive models applied for domestic agencies were made automatically, preventing loss of effort and enabling accurate calculations.

PETC-AVIH (Pet Additional Services Offer Management System) was introduced to facilitate the flight experience of passengers who plan their journeys with their pet friends. For passengers who wish to travel with their pets by submitting a fee through the system, an automatic pricing structure was introduced and PETC-AVIH sales started on the Quick Check-in channel.

Within the scope of wheelchair quota development, wheelchair quota based on aircraft type was started to be determined dynamically for disabled passengers. In this way, it was ensured to respond to the demands of passengers more effectively.

Martyrs'/Veterans' Relatives, Veterans and Disabled citizens were enabled to travel at a discount through online channels without submitting any documents. Within the scope of ensuring M&S Account Security and preventing fraud, two-factor authentication was used in the stage of purchasing award tickets and updating contact information on web/mobile channels, ensuring transaction security.

Front-end code improvements were completed as to mirror the existing left-to-right design of the web and mobile applications from right to left in accordance with the Arabic language.

As part of the new Shop&Miles Experience, a new mileage spending platform was introduced instead of a product sales-oriented website. With the Star Baggage Location Tracking Project, passengers who checked their baggage were enabled to track the loading status of their baggage on board on a flight basis. With Star Alliance Free Seat Selection, free seat selection was enabled on SPA & Codeshare flights by showing the seat map of other airlines on the Web&Mobile application.

CORPORATE DEVELOPMENT AND INFORMATION TECHNOLOGIES

With the International Product Segmentation project, the international fare structure was modified and additional revenue was generated by creating fare packages grouped according to fare levels, rules and additional service rights.

Thanks to the Cash&Miles function, passengers were enabled to pay part of their travel tickets with their miles and the remaining part with credit card or cash.

With the International Product Segmentation project, the international fare structure was modified and additional revenue was generated by creating fare packages grouped according to fare levels, rules and additional service rights.

Within the scope of the KVKK Suit Individual Application Frontend and GDPR Compliance Project, frontend screens and service integrations were made on the AnadoluJet website to enable passengers to organize their own choices regarding KVKK and GDPR and to see their current choices. Customer complaints received throughout the year and improvements were made on the AnadoluJet website, and efforts were made to optimize the website.

ApplePay & GooglePay integrations were completed. With the Individual Gift Card Project, passengers were given the option to purchase an individual gift card in any amount they wish. Thanks to the Cash&Miles function, passengers were enabled to pay part of their travel tickets with their miles and the remaining part with credit card or cash. The first phase of the Corporate Gift Card Project was launched. A Dynamic Virtual Pos structure was created to increase payment success in unsuccessful transactions with the bank's response.

With the Host to Host Matching Project, agency transactions were made possible to be tracked and fees were made possible to be controlled by region. With the Maintenance Operations Control Center Dashboard, the actions taken by the relevant units regarding the maintenance of aircraft during the 72-hour operation period were made possible to be viewed through the data warehouse.

"Mobile Boarding Card" was provided to be sent from kiosks and counters, preventing paper waste. With the Turkish ID Swipe project, it became easier to find passengers at the counters and access passenger records through keyboards with reader feature. Thanks to the integration with Mernis on domestic flights, the Automatic APIS entry feature was activated, reducing the time spent by passengers at the counter.

Information Technologies Security Activities

The necessary work in the field of both information security and cybersecurity is carried out in accordance with the Presidential Guideline on Information and Communication Security, KVKK/ GDPR (Personal Data Protection Law/ EU General Data Protection Regulation), DGCA (Directorate General of Civil Aviation) Cyber Aviation Instruction, ISO 27001 Information Security Management Standard and PCI DSS credit card security standards, ensuring that Turkish Airlines' information assets remain secure.

A cybersecurity risk management process was established to analyze, mitigate, monitor and report cybersecurity risks arising from the use of information systems and operational systems. In this scope, an effective information security internal control process is being operated, a cybersecurity awareness program is being maintained to reduce the risks arising from the human factor, which is the weakest link in information security, and supplier audit and risk processes are being managed with a proactive and strategic approach to reduce supplier-related risks.

Cybersecurity operation activities are carried out in accordance with national and international rules/ standards and the Incorporation's legislation. Within the scope of system/user access security and protection of the digital assets of the Incorporation, identification, positioning and operational activities of new technologies are carried out by closely monitoring global developments and the industry.

Security incidents and threats are detected, analyzed and responded to instantly by working on a 24/7 basis. The cyber defense center, which is accredited and compliant with international standards, also carries out cyber intelligence activities within the scope of cyber risks. All digital environments of the Incorporation are continuously tested from an offensive perspective and security gaps are eliminated to ensure that the Incorporation remains safe in cyberspace.

Infrastructure and Operation Works

In order to meet technological innovations and evolving needs, the main computers used in the infrastructure of the Incorporation's Reservation Ticketing and Check-in (TROYA) applications were renewed in three data centers and transition to next-generation main computers was ensured.

WebRTC access will be provided for Call Center in countries where Call Collect cannot be used due to regulations or high costs. This solution, which is in the development process for launching this service by the end of the year for approximately 10 countries, offers an opportunity to reduce costs.



An online inventory counting project was commissioned to ensure the accuracy and regular monitoring of the charge of end-user devices. MDV transfer transactions, which were performed manually with Turuncuhat charge movements, were automated with SAP & Turuncuhat integration.

Laptops in Turkish Airlines inventory, which reached the end of their economic life, started to be replaced with devices with up-to-date technology. In this scope, the replacement of 2,000 devices was completed. In 2023-2024, while these renewals will continue in order to improve mobile working opportunities, the transition from desktop devices to laptop devices will also continue. In a similar way, 650 tablets used by cabin crew, which had completed their economic life, were replaced with new ones.

Corporate Solutions and Governance Activities

Service Level Agreements (SLAs) of Information Technologies contracts were listed, and monitoring and control mechanisms were established. Thus, SLA clauses were made visible, and the actions to be taken in case of exceedance became trackable and reportable. Within the scope of process improvement efforts, Demand, Project and Portfolio Management processes were simplified and the controls carried out in relation to these processes were simplified.

Within the sustainability strategies, an application that enables passengers to neutralize carbon emissions from their flights by donating to various energy projects was put into service.

The Inspection Portal, developed to monitor and report the Inspection, Examination and Investigation processes of the units within the Incorporation in a digital environment, was put into use. Info Portal, the intranet application and landing page of the Incorporation, was renewed with a modern design and mobile-friendly structure.

Within the scope of Robotic Process Automation (RPA) technology, which enables the automatization of repetitive manual tasks, 10 more robots were commissioned. By automating 40 different manually operated processes, over 30 personnel effort gains were achieved. Thus, the number of robots increased to 20, the number of automated processes to 95, and the amount of personnel effort gained to 70.

CORPORATE DEVELOPMENT AND INFORMATION TECHNOLOGIES

218 new metrics were added to
Corporate Performance Reporting.

The project (Space) to combine the examination processes carried out through three different applications on a single platform with a multi-tenant architecture was realized.

218 new metrics were added to Corporate Performance Reporting. Enhancements were made to the Accounting Dashboard screens. With the installation of the Warehouse Management module in the catering inflight products warehouse, stock tracking on the basis of warehouse address/shelf was enabled. The system was developed for enabling the warehouse inspection processes and product evaluations on delivery basis.

Settlement transactions and chargeback records for Airport Pay, Cielo Physical Pos, Worldpay, Credit Europe were integrated. Processes related to the Business Process Management (BPM) product, which will enable faster automation of business processes, are ongoing. Non-IATA agency settlement was managed and monitored through the system, preventing revenue leakages. Losses in excess baggage revenues were prevented.

The project (Space) to combine the examination processes carried out through three different applications on a single platform with a multi-tenant architecture was realized. TEAM Exam sales via akademi.thy.com, dynamic quota creation, resource planning, contract and purchasing processes were digitalized.

Architectural support was provided by reviewing technical standards for requests from the business unit. The operational criticality of all IT services was re-evaluated, their impact on business capabilities and downtime resilience durations were determined, and services were kept up to date. The process of high-level analysis and realization of ideas or requests that required the creation of multi-point solutions was led. Within the data governance efforts, processes were initiated to create the data structure and integrate governance tools, taking into account the business unit structure. The technological update was performed for the Enterprise Service Bus (ESB) to standardize communication between applications, and for the API Management Platform to offer applications through application programming interfaces.

The Testlink test management tool, which had been in use for a long time, was retired and the Xray test management tool, which is more modern, flexible and integrated with many applications, was introduced.

Performance tests were conducted on many critical applications and projects such as ESB, APIM, Career website, Cash and Miles, THY Web, Turkish Airlines Holidays.

Maintenance of existing test automation scenarios and addition of new scenarios in critical applications such as THY Web, TK Mobile, KolayBilet, Quickres web services, Checkin, BookingWS, M&S Services were carried out.

Test automation activities in projects such as Troya, QuickRes UI were started in 2022.



ON-BOARD CATERING AND PRODUCT SERVICE

A unique inflight experience

Turkish Airlines aims to ensure that its passengers travel in the safest and most comfortable way possible with a wide range of products and catering options.

392
Flying Chef

In 2022, Turkish Airlines provided 73 million individual meal services to its passengers.

On-Board Catering Concept

Turkish Airlines aims to ensure that its passengers travel in the safest and most comfortable way possible with a wide range of catering options. In line with this aim, hot sandwich catering service was resumed on domestic flights. On international and intercontinental flights, a unique flight experience is offered to passengers above the clouds with a catering service selected from a rich menu combination of Turkish cuisine and international cuisines.

Flying Chef Service

The Flying Chef Service continues, which was created with the aim of offering a unique inflight experience above the clouds at 10,000 feet on flights over eight hours. This service started in 2010 with 91 people and 11 routes and continues in 2022 with 392 Flying Chefs on 48 routes.

Quality Standards

To provide sustainable catering services, ISO 22000:2018 Food Safety Management System is used as the basis for the service provided with an average of 200,000 meals per day. A sustainable catering concept and recyclable packaging approach are adopted in all processes from raw material procurement to product packaging selection. Within the framework of ISO 14001:2015 standard, important environmental aspects are kept under control and continuously improved in line with the policies and objectives determined in accordance with the Environmental Management System.





Filter Coffee Presentation at Narrow Body Flights

On international flights operated with narrow-body aircraft, filter coffee service prepared with drip coffee brewing method is offered to Business Class passengers.

Meal Selection Service on AnadoluJet Flights

Introducing the Meal Selection service in addition to its standard free catering service on all international flights, AnadoluJet enriches the travel experience of its passengers. On AnadoluJet flights, passengers can choose for a fee from 15 different alternatives, including breakfast, meal and dessert, as well as special meals such as kosher and vegetarian meals for a fee. Passengers can make their meal selections via the AnadoluJet and Turkish Airlines website or mobile application, call center, sales office and agencies, 24 hours in advance.

Special Meal Service

Passengers can choose from special meal options according to their health status, religious beliefs, or dietary preferences up to 24 hours before their flight. On all international flights, Turkish Airlines offers its passengers a range of special meal options, including Diabetic, Gluten-free, Kosher, Jain-Vegetarian Hindu, Non-Vegetarian Hindu, Asian Type Vegetarian, strict Vegan, Baby and Child meals.

Celebration Cake

Miles&Smiles members traveling with Turkish Airlines get a celebration cake upon request to be served on their special days. In 2022, 700 celebration cakes were offered to passengers and this service warmed their hearts.

Dine on Demand

On intercontinental flights, Business Class passengers can request delicious catering options at any time during the flight and determine the time of service themselves.

Reducing the Weight of Catering and Equipment

Turkish Airlines, the flag carrier airline of Türkiye, continues to grow at a rapid pace and the quality of its catering service continues to improve as well. The innovative solutions implemented not only improve the quality of the catering service, but also help to go one step further in sustainable catering practices. By sourcing 80% of its food supply domestically, Turkish Airlines not only supports the promotion of local products, but also saves fuel and reduces carbon (CO_2) emissions by shortening the journey of raw materials until they reach Turkish Airlines. Inflight meals are continued to be prepared using the freshest and highest quality ingredients.

Since 2013, the Incorporation has continued to reduce the weight of catering equipment, contributing to the reduction of its carbon footprint.

In 2013, with the introduction of the new flight concept, the total weight of catering equipment was reduced by replacing all tools and equipment with lightweight products with superior design features. This also contributed to the reduction of carbon emissions.

All organic, paper and packaging waste in catering production and distribution areas is sent to licensed recycling companies for waste recycling.

The Inflight Storage and Satellite Catering Buildings were deemed eligible for LEED Green Building Certification and they were certified by LEED Green Associate. Certification processes for other buildings are also ongoing.

Except for long flights over 8 hours, menu card loading in Economy Class was terminated in line with the environmentalist approach.

ON-BOARD CATERING AND PRODUCT SERVICE

In the field of inflight catering, Turkish Airlines was recognized by APEX as “2022 - Europe's Best Food and Beverage Service” and "Europe's Best Entertainment System" by SKYTRAX as “World's Best Business Class Catering Service”.

Fly Good Feel Good Project
Travel is a learning experience that makes life delicious. Turkish Airlines wants to turn this experience into a healthy and peaceful learning experience for its passengers. In this scope, the planning of inflight catering is carried out with a healthy and environmentally friendly approach, and this approach has been crowned with the Fly Good Feel Good project. Within the scope of the Fly Good Feel Good project, healthy products are offered together with healthy living suggestions. In the Fly Good Feel Good project, where both the mental and physical health of passengers are prioritized, hazelnuts, dried fruit varieties (dried apple, dried strawberry, dried persimmon, dried apple with cinnamon) and health teas (relaxing, digestive, energy, fitness and winter tea) are served on Business Class flights, turning flights almost into an opportunity to rest and relax.

Awards Won
Being the airline that flies to the most international destinations from a single hub in the world, Turkish Airlines received many global awards in 2022. In the field of inflight catering, Turkish Airlines was recognized by APEX as “2022 - Europe's Best Food and Beverage Service” and by SKYTRAX as “World's Best Business Class Catering Service”. Turkish Airlines continues to undertake numerous innovative projects to increase customer satisfaction with the aim of becoming a five-star airline in all departments.

Your Feedback is Very Important; We Listen to You and Develop with You
Turkish Airlines carefully analyzes passenger feedback in order to ensure that its passengers complete their travels in the healthiest and most comfortable way possible and to further increase their satisfaction on subsequent flights. In this scope, improvements are made in catering by evaluating feedback received through various channels such as social media notifications, inflight entertainment platform surveys, cabin chief reports, passenger letters and feedback from health organizations. In 2022 alone, a total of 21,578 inflight feedback were evaluated and 213 application changes were implemented in this regard.

Special Treats for Special Occasions
Aiming to provide its guests with an unforgettable flight experience with unique products and services, Turkish Airlines continues to offer specially designed and delicious treats to its guests traveling on national holidays, religious holidays and national and international special occasions. With Turkish delight-chocolate treats, the most beautiful sign of Turkish hospitality, and special Ramadan menus served in Ramadan, it shares the happiness and excitement of religious and national days with its passengers.

INFLIGHT COMFORT PRODUCTS

As of 2022, a concept change was made in the inflight comfort set products, and female passengers in Business Class on intercontinental flights of eight hours or more were offered travel sets of Coccinelle brand, one of the leading brands in the fashion industry, containing Cinq Mondes brand cosmetics, and male passengers were offered Hackett brand travel sets, containing Qiriness brand cosmetics.

For international flights between 5-8 hours, Business Class passengers are offered travel sets signed by Devrim Erbil, known as the poet of painting, one of the leading painters of our country, with the 2021 Onboard Hospitality award and containing Antipodes brand cosmetics. Devrim Erbil series comfort sets, each of which is designed with works of art with a unique symbolic structure of Istanbul, consist of 8 different designs including Galata Bridge, Hagia Sophia Mosque, Haydarpaşa Train Station and General Istanbul paintings.



On intercontinental flights over 8 hours departing from Türkiye, Economy Class passengers are served specially prepared travel sets of Mandarina Duck brand, while on flights arriving in Türkiye, original travel sets adapted with different Turkish motifs are served in cooperation with Kültür A.Ş. On international flights between 5-8 hours, Economy Class passengers are offered travel sets consisting of socks, eye mask and earplugs, produced in collaboration with Istanbul Modern.

Special Products for Child Passengers
In order to make the journeys of its child passengers unforgettable and to add a touch of fun to their journeys, Turkish Airlines continued to offer "Play Natural" wooden concept toy sets consisting of "Forest Stewardship Council (FSC)" certified forest products and endangered animal figures in cooperation with WWF to child passengers between the ages of 0-12 on international flights over 5 hours.

Children's comfort kits, specially prepared in two different themes for long flights over 8 hours departing from and arriving in Türkiye, were served to child passengers aged 2-12 in 2022 as well. The child comfort kit includes headphones, socks, slippers, toothbrush and toothpaste prepared with High Five characters in special concepts for child passengers.

Blankets and Textile Products
Throughout 2022, specially designed blankets and pillows in standard quantities continued to be offered to passengers traveling in all Business Class flights and in Economy Class flights over 4 hours. Passengers traveling in Business Class on long flights over 8 hours departing from and arriving in Türkiye are offered our flow design special sleeping set and slippers.

In addition to flow design blankets, two color blankets made of 100% recycled material that are produced in Türkiye were served on some flights.

Cosmetic Sets
In 2022, Molton Brown cosmetic products with wooden stands and live flower concept are continued to be offered in the Business Class lavatories of all wide-body flights. In Economy Class, the "Aqua" series lotion and cologne products by Eyüp Sabri Tuncer continued to be served.

Supplier Audit
Turkish Airlines understands that reaching certain quality standards in its supply chain and auditing suppliers for compliance with these standards is crucial to creating a positive brand image among the general public as well as passengers. To this end, Turkish Airlines conducts an on-site inspection program at its suppliers via services received from an expert, independent and accredited international firm – SGS Supervise: Monitoring, Surveillance and Control Services – and Bureau Veritas firm on the basis of its corporate standards, policies and procedures. With this approach, Turkish Airlines aims to obtain a general overview of its supply chain, reduce risks of problems and malfunctioning, and intervene at an early stage.

Headphones
In order to provide a more comfortable flight experience for Business Class passengers, active noise-canceling DENON headphones are offered on long flights over 8 hours. In 2022, headphones of Audio Technica brand, one of the leading companies in sound systems, have been offered to Business Class passengers on all international flights except intercontinental ones. Specially designed headphones with high ergonomics and sound quality continued to be offered to passengers in Economy Class on all international flights.



ON-BOARD CATERING AND PRODUCT SERVICE

In 2022, Hackett brand business travel sets offered to male passengers on flights of 8 hours or more were awarded with the Pax International Readership Awards in the "Business Class Amenity Kit" category.





As in previous years, Turkish Airlines continued to receive awards for inflight products in 2022 as well.

Sustainability
As of November 2022, Hackett branded travel sets have been served in new colors and designs with sustainable content products. The material of the toothbrush in the set was changed. The new toothbrush material is made of 37% wheat straw and 63% recycled polypropylene raw material. The new toothbrush is biodegradable in 12 months. In order to reduce fabric waste, the piping on the eye mask was removed and a laser-cut eye mask was preferred. Kraft packaging was preferred instead of the plastic earplug box included in the set.

In accordance with its environmental responsibility and Sustainability policy, Turkish Airlines continues its efforts to minimize all waste as well as reducing single-use plastic waste on board the aircraft. Turkish Airlines uses compostable bags instead of plastic packaging for the headphones and blankets it offers to its passengers. These special bags comply with the TS EN 13432 Packaging – Recyclable Packaging Recoverable through Biodegradation and Composting standard. As a result, this special packaging naturally decomposes in the environment.

In line with its sustainability policy, toy sets specially prepared to raise environmental awareness and sensitivity among child passengers, who are our future, are presented in the "Play Natural" wooden concept with "Forest Stewardship Council (FSC)" certified forest products and endangered animal figures in cooperation with WWF.

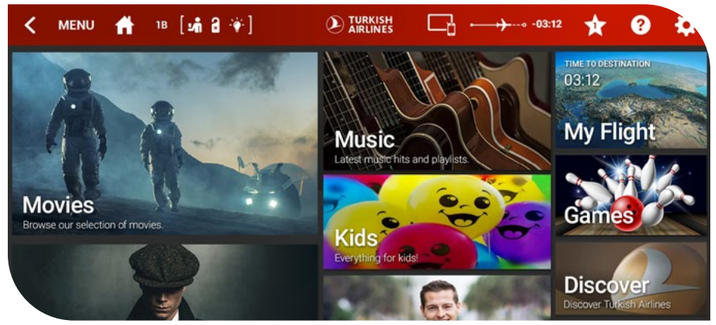
In order to reduce the negative impact on the environment by reducing the amount of waste in the products and to extend the service life of the products, products such as headphones and blankets, which are offered to passengers on airplanes, are cleaned after use, packaged and served again.





Our Awards
In 2022, Hackett brand business travel sets offered to male passengers on flights of 8 hours or more were awarded with the Pax International Readership Awards in the "Business Class Amenity Kit" category. In addition, again in 2022, the travel sets adapted with different Turkish motifs in cooperation with Kültür A.Ş. for Economy Class flights of 8 hours or more departing from Türkiye were awarded the Pax International Readership Awards in the "Premium Economy/Economy Amenity Kit" category.

Inflight Products in Figures
In 2022, Turkish Airlines presented to its passengers:
- 1,370,286 Business Travel Sets,
- 8,676,796 Economy Travel Sets,
- 221,230 Child Kits,
- 987,352 Toy Sets,
- 4,270,923 Business Headphones,
- 40,669,632 Economy Headphones, and
- 13,610,907 Blankets.



INFLIGHT ENTERTAINMENT PLATFORM PLANET, INTERNET, AND APPLICATIONS

Turkish Airlines provides inflight entertainment services to its passengers with the latest movies, classic films, international cinema, TV and documentaries on PLANET inflight entertainment platform. In 2022, PLANET inflight entertainment platform was improved to facilitate access to different content types and to highlight the most preferred ones.

New Categories/New Features
While providing the best travel experience, Turkish Airlines offers the latest and most enjoyable content in "New Releases" and the most preferred movies in the "Best Series" category. Moreover, uTalk sub-category offers educational videos in 15 different languages within the scope of Turkish Airlines' Fly&Learn project. While offering a more comfortable journey with meditation videos within the Fly Good Feel Good project, PLANET inflight entertainment platform also provides a wide range of content under the sub-categories such as "Delightful Tastes" which stands out with recipes from Turkish and international cuisines, "HBO MAX" which includes various award-winning series, and "Green World" where the concept of sustainability is at the forefront.

With an interface specially designed for children, content special for kids is available on the inflight entertainment platform. In addition, to enrich the media content, several audiobooks for children and adults, podcasts, and art videos have also been added to the PLANET entertainment platform. Moreover, the renewal of the Highlights video which promotes the updated media content on the platform resulted in more dynamic and engaging video with its new credits music, and new video design.

Inflight Entertainment Platform Planet in Figures
As of the end of 2022, the PLANET inflight entertainment platform offers a total of 3,913 media content which include 616 movies from Hollywood, world and Turkish cinema; 1,172 TV content that contains programs in different categories such as documentaries, sports, business and lifestyle, and also episodes of the most popular Turkish and foreign TV series; 143 audiobooks and podcasts, and 1,982 Turkish and foreign music albums.

Planet with Durations
Turkish Airlines guests enjoyed much more pleasant journeys by viewing 41 million hours of movies and TV programs, listening to 3 million hours of music and playing 3 million hours of games on the PLANET inflight entertainment platform during 2022.

Compared to 2019 data, it was observed that the viewing rates in 2022 exceeded the viewing rates in 2019 and the use of the PLANET entertainment platform increased.

ON-BOARD CATERING AND PRODUCT SERVICE

Turkish Airlines started to offer inflight internet service on 28 narrow-body aircraft, bringing the number of aircraft with internet to 186.

With the "Gate to Gate" internet feature, Turkish Airlines offers its passengers an uninterrupted inflight internet experience.

Internet and Applications
Turkish Airlines expanded the scope of its inflight internet service offered on A330, A350, B777 and B787 wide-body aircraft and A321neo and B737MAX narrow-body aircraft in its existing fleet, and it started to provide inflight internet service on 28 narrow-body aircraft, bringing the number of aircraft with internet to 186.

With the "Gate to Gate" internet feature, Turkish Airlines offers its passengers an uninterrupted inflight internet experience. The "Gate to Gate" feature, planned to be expanded to the entire fleet in the coming years, is actively available on 90% of the aircraft with internet service in the Turkish Airlines fleet as of the end of 2022. Due to local regulations, the "Gate to Gate" feature can only be offered at certain departure and arrival points.

In 2022, the number of aircraft with internet service reached 186, and more than 450 thousand passengers were provided with approximately 1300 GB of internet via mobile data service. Business Class passengers receive 1 GB, and Miles&Smiles Elite and Elite Plus member passengers receive 400 MB of free internet service. Miles&Smiles Elite and Elite Plus passengers travelling in Business Class are granted unlimited internet privileges. Miles&Smiles Classic and Classic Plus card members are offered 10 MB of free internet service. In addition to the free data packages, passengers can purchase whatever they want from different internet packages. With this service, over 1.8 million passengers accessed the internet via their personal electronic devices and consumed more than 300 TB of data.

In addition to the rich media content offered through the PLANET entertainment platform, with the map application, during their flights, passengers can make discoveries of their instant location on their flights and much other information the app contains. They can also have a pleasant time with the games on the PLANET entertainment platform.

When flying on international flights aboard wide-body aircraft, passengers can stay up-to-date with global events and international competitions using the Live TV service available on board. This service provides real-time coverage from a variety of channels, including TRT World, Sport24, Sport24 Extra, BBC, CNN, and CNBC.

With the "Companion Entertainment" application, developed for the PLANET entertainment platform and offered to passengers in Android and iOS application stores, passengers can view the contents presented in the sky before and after their flight and transfer these contents to the seatback screens by pairing their mobile devices with the PLANET inflight entertainment platform on board. Thanks to this application, Turkish Airlines passengers can also benefit from the PLANET inflight entertainment platform with their personal devices.



GROUND SERVICES

Innovative and sustainable approach

Turkish Airlines, which provided the fastest turnaround after the pandemic, stood out among network carriers by operating over 450 thousand flights.

Turkish Airlines has become much more accessible thanks to its investments in developing technology, its innovative perspective and offering unique experiences above the clouds to its guests, to whom it opens its doors on earth, in line with Turkish hospitality.

Success on the Ground
Turkish Airlines, which provided the fastest turnaround after the pandemic, stood out among network carriers by operating over 450 thousand flights. In line with its brand vision and mission, the Incorporation's primary goal is to provide passengers with the products and services they purchase from the booking stage to the final destination safely and securely with a unique flight experience.

With this perspective, 56 self-check-in kiosks and 4 self-bag-drops were installed at stations in Anatolia, and cabin baggage sizer units and passenger-friendly airport guidance signs were redesigned and made available to passengers.

Having completed physical pos integration to self-bag-drop devices with the aim to minimize the time taken by passengers during pre-flight transactions, excess baggage payments will be possible to be made through self-bag-drop devices without waiting. Screen improvements were made on the Kiosk application with a simple flow within the system in order to make it easier for passengers to make transactions and improve service quality.

Passengers with pets were enabled to complete their transactions and make their payments on the web/mobile and at the counter without having to visit the ticket sales office. The aim is to ensure that pets, which are admitted to the flight from the special service counters (E19-20 counters) put into service at Istanbul Airport during the year and hosted in the Pet Lounge, are transported safely and carefully to the pick-up point.

Turkish Airlines has become much more accessible thanks to its investments in developing technology, its innovative perspective and offering unique experiences above the clouds to its guests, to whom it opens its doors on earth, in line with Turkish hospitality.

Focusing More on Sustainability
In today's developing and changing world, where sustainability has been increasingly important, instead of providing passengers with paper boarding passes, boarding passes are delivered digitally via SMS. Making the workflow paperless, supporting digital transformations and smart systems, which have become a necessity in today's competitive conditions provide significant efficiency and cost advantages.

In addition, on domestic flights, passengers are allowed to board the plane by only swiping their new identity card of the Republic of Türkiye, without having to have their paper or digital boarding pass scanned at the boarding gate.

By closely monitoring the process of potable water supplied to aircraft, process optimization was ensured, and another step was taken to increase fuel efficiency and contribute to sustainability with its environmentally friendly identity.

Continuously Investing in New Technologies to Enhance Customer Experience and Ensure Efficiency in Business Processes
While the Turkish Airlines mobile application is being developed with new features every day, measures were taken to ensure that passengers receive faster service at the counter, especially in the event of flight operation disruptions or changes, by making technological improvements that enable them to make transactions quickly through the check-in systems used by employees.

With the project, which was initiated to ensure that the services given to aircraft, equipment and personnel provided are automatically detected with a high accuracy rate with the help of cameras in the apron area of Istanbul Airport, that the turnaround process can be monitored with artificial intelligence-supported image processing methods and that the process can be managed proactively, it is aimed to increase the on-time departure performance at Istanbul Airport by 1% and to save costs caused by delays in 2023.

The BagGlobe Baggage Reconciliation System, which was developed with the target of saving approximately USD 10 million annually, has started to be used at 21 stations instead of the BagManager system procured from SITA. It will continue to be spread at stations day by day, and it is planned to go live at Istanbul Station by March 2023. The product, which has many user-friendly features, enables



instant monitoring of baggage operations and searches, enabling safe and error-free baggage loading on flights. It also contributes to on-time performance and cumulative profitability by speeding up operations.

Turkish Airlines, one of the first in the industry to use biometric boarding, aims to ensure that its passengers board the aircraft as quickly and contactless as possible with the application, which is aimed to be widespread, and at the same time to use human resources more efficiently by integrating technology into ground operations. The biometric boarding application, which is expected to be used by many airline companies at hundreds of airports in the near future, has been successfully tested at Istanbul Airport.

With the introduction of Robotic Process Automation in ground operations, labor productivity was increased with employee support. Standard services for fuel, airport and ground handling expenses were successfully recorded through robotic process automation, resulting in labor savings.

With the new technology-supported monitoring system used at the Istanbul Airport terminal, the number of people receiving service, area density, social distance and estimated waiting times at check-in counters were measured, aiming to optimize the use of the counters and increase passenger terminal experience and satisfaction. In the following phases, it will be supported with features that provide dynamic, fastest information to passengers during their transactions. The project initiated aims to ensure that passengers wait less in the queue in front of the counter.

GROUND SERVICES

In order to transparently share information with passengers, the practice of sending delay information via SMS to passengers' mobile phones in case of flight delays of 30 minutes or more went live.

15,622
TGS Personnel

Product and Service Developments Focused on Passenger Needs
In the event of flight disruptions such as flight cancellations and schedule changes, a team was established to provide 24/7 support from the headquarters at Istanbul Airport to stations abroad for the rapid completion and follow-up of passengers' systematic change transactions.

When the passenger load factor exceeds 70% on narrow body aircraft, with the aim to prevent possible flight delays, to utilize the overhead locker capacities in the most efficient manner and to facilitate passengers to settle in the cabin with their hand baggage, passengers were offered the alternative of voluntarily handing over standard cabin baggage as checked baggage during check-in, thus enabling faster and more comfortable passage to the aircraft.

In order to transparently share information with passengers, the practice of sending delay information via SMS to passengers' mobile phones in case of flight delays of 30 minutes or more went live.

Passengers who already obtained boarding passes via web/mobile and kiosk were now allowed to check in their baggage more quickly at bag-drop points without having to go to the counter to check in their baggage. In addition, improvements were made on the Incorporation's mobile application and web page to enable passengers to instantly monitor whether their checked baggage is loaded for the flight or not.

With a service approach that touches hearts, children's interest in the aviation industry is being supported with differentiated areas such as illuminated cloud motifs and hopscotch-themed floor application at the D counter prepared for children guests at Istanbul Airport.

While parents carry out their transactions quickly, their children can spend pleasant moments on the playground in the area.

The aim is to increase the capacity of Care Point areas at the Istanbul Airport International Terminal by renovating them, and to contribute to passenger satisfaction by creating new passenger contact points with Airside Denied Boarding, Domestic Care Point and Domestic Unaccompanied Child Passenger Lounges.

At Istanbul Airport and Sabiha Gökçen Airport, the aim is to provide uninterrupted and fast service to passengers by enabling operations to be carried out at every point with a portable table with a baggage tag and boarding pass printer, especially for use in flight disruptions such as flight cancellations and schedule changes. A mobile tablet stand was positioned at Istanbul Airport, allowing passengers to perform transactions that they can perform via the mobile application at designated points through this stand, thus aiming to minimize the negative effects of operational intensity.

TURKISH GROUND SERVICES

Delivering world-class services since its founding, Turkish Ground Services (TGS) continues to raise the bar in service quality with practices that shape the industry. TGS has remained a standout with its unique ground handling service perspective even during the pandemic period.



As of the end of 2022, the number of airlines contracted with Turkish Ground Services Inc. is 270, and the Company has a 70% market share in 10 domestic stations it serves. It successfully provided services to airlines at Istanbul Airport, Istanbul Atatürk Airport, Istanbul Sabiha Gökçen, Ankara Esenboğa, Izmir Adnan Menderes, Antalya, Adana, Milas-Bodrum, Dalaman and Eskişehir Hasan Polatkan Airports. In 2022, more than 100 million passengers were served.

Thanks to 2,645 motor-driven and 6,679 non-motorized units of equipment and 15,622 employees, TGS provides a comprehensive range of ground services to more than 670 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 service excellence in parallel with the company's core principle of customer satisfaction.

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. Since its establishment, 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 highly successful 12 years of experience, TGS aims to bolster its brand further and provide solution for sustainable growth and the national economy.

Turkish Ground Services continues to take all necessary internal measures in accordance with the guidelines of relevant authorities to safeguard the health and safety of employees and passengers during the pandemic. Work is ongoing to improve and refine these processes.

TRAINING

Professionals for the civil aviation sector



171

Aviation Academy Team

Aviation Academy

Turkish Airlines Aviation Academy trains professionals for the civil aviation industry, with the constantly renewed international and national aviation regulations taken into consideration. Offering in-class, remote (virtual classroom) and digital trainings for this purpose, Aviation Academy operates with a large team of 171 trainers and administrative personnel in its 40th year of operation. The number of physical classrooms in its headquarters was increased from 12 to 15 with the addition of an adjoining building, and another 7 distance learning classrooms were further added with this building to the number of available classrooms.

In 2022, 31,338 trainees attended 2,499 classroom and virtual classroom trainings held by the Aviation Academy. Some 138,968 digital trainings were conducted for 1,123,299 trainees. The Academy administered 1,441 exams for 16,506 persons during the year. Vocational training for about 3,600 Turkish Airlines employees serving in 129 countries was carried out as live remote training in three different time zones, in accordance with the time zones of the countries where the employees were located.

Aviation Academy analyzes training needs and designs competency-based trainings by using feedback received directly from the field, focus group interviews and surveys in order to ensure that the training content can respond to the sector and current needs.

Aviation Academy operates with the Training Resources Management System (FAAL), Online Exam System, Learning Management System (LMS), AKADİMU, which is a mobile application with podcasts and translations, and academy website integration. Employees can access trainings, training documents, and digital information notes on LMS whenever and wherever they want. In addition, employees can obtain any training they wish from a wide catalog in addition to the trainings directly assigned to them.

7

Certification Programs

In 2022, Aviation Academy developed various online speaking trainings with different content that could be used by all Company employees who wanted to improve their English-speaking skills. These trainings were offered to employees upon request.

Aviation Academy provides professionals working within the Company with the ability to become trainers through the New Education Development and Supplier Trainer Training (YEGTEY) Program. White-collar employees, who are taught the ADDIE methodology with Educational Design Training, develop trainings with the mentorship of experienced trainers involved in designing training materials. Within this scope, 32 different specialized trainings were developed – such as Aviation Competition Law, Team Planning and Management, Aviation Fuel Management – in fields that are generally closely related to aviation.

Aviation Academy created 7 different certification programs to continue the development of white-collar employees, who play a key role in Turkish Airlines' strategy and decision-making. For the certificate programs, the Academy developed trainings under the YEGTEY program and created content that lasted 1.5-3 months on average, in conjunction with internal resources and with the help of external field experts. Aviation Academy also conducts workshops where practices specific to the Company are explained and the Turkish Airlines experience is conveyed to its trainees as much as possible.

The certificate programs carried out at the Aviation Academy include:

- Overseas Executive Development Program,
- Sustainable Growth and Quality Management,
- Finance Micro MBA,
- Customer Experience Management,
- Project Management,
- Lean Thinking and Lean Management System,
- Business English.

In 2022, Aviation Academy developed various online speaking trainings with different content that could be used by all Company employees who wanted to improve their English-speaking skills. These trainings were offered to employees upon request. In line with requests received, the Academy started to offer Turkish Language Trainings for Foreigners for both foreign employees and non-Turkish citizen cabin personnel. The language proficiency of employees who want to participate is determined by a placement test. These trainings are planned in consideration of trainee time zones.

TRAINING

With the Aviation for Children Program, the Aviation Academy supports the pilots, cabin crew and aircraft maintenance personnel of tomorrow who pursue their dreams with training while enriching their horizons.

Aviation Academy administers Introduction to General English (Cabin) training in class for cabin crew members to improve language use and skills in the cabin. Additionally, one-on-one online Language Proficiency for Cabin training, a four-module training, was offered for cabin crew members to improve their skills that were to be tested internally with the In-house Test of English for Cabin (iTEC) exam. Language support is maintained by constantly publishing new content in the mobile environment via the Academy Language Mobile Application (AKADİMU).

In 2022, Turkish Airlines employees were given promotion exams. The language competency of cabin crew members were measured with the in-house Test of English for Cabin (iTEC). The Test of English for Aircraft Maintenance Personnel (TEAM) exam, which is open to the public with the approval of Turkish DGCA, was applied to technicians to certify their language competencies.

In line with the Competency-Based Training and Assessment (CBTA) approach mandated by ICAO for hazardous materials trainings as of 2023, the first CBTA Provider certificate in Türkiye was obtained in cooperation with IATA.

Aviation Academy contributes to the professional development of Turkish Airlines employees by participating in their master's programs conducted outside of working hours on academy campuses as live virtual classrooms. To this end, the Aviation Academy made agreements with state universities in Istanbul, and in 2022, the Aviation Academy initiated various master's degree programs with Istanbul University, Istanbul Technical University and Yıldız Technical University or sent students to the programs opened. In addition, another master's program designed specifically for aviation, the Air Transport Master's Program, was carried out this year with Ibn Haldun University under the sponsorship of the Airbus company and has become a program with a predominance of international students, with nearly 120 graduates in the last 6 years.

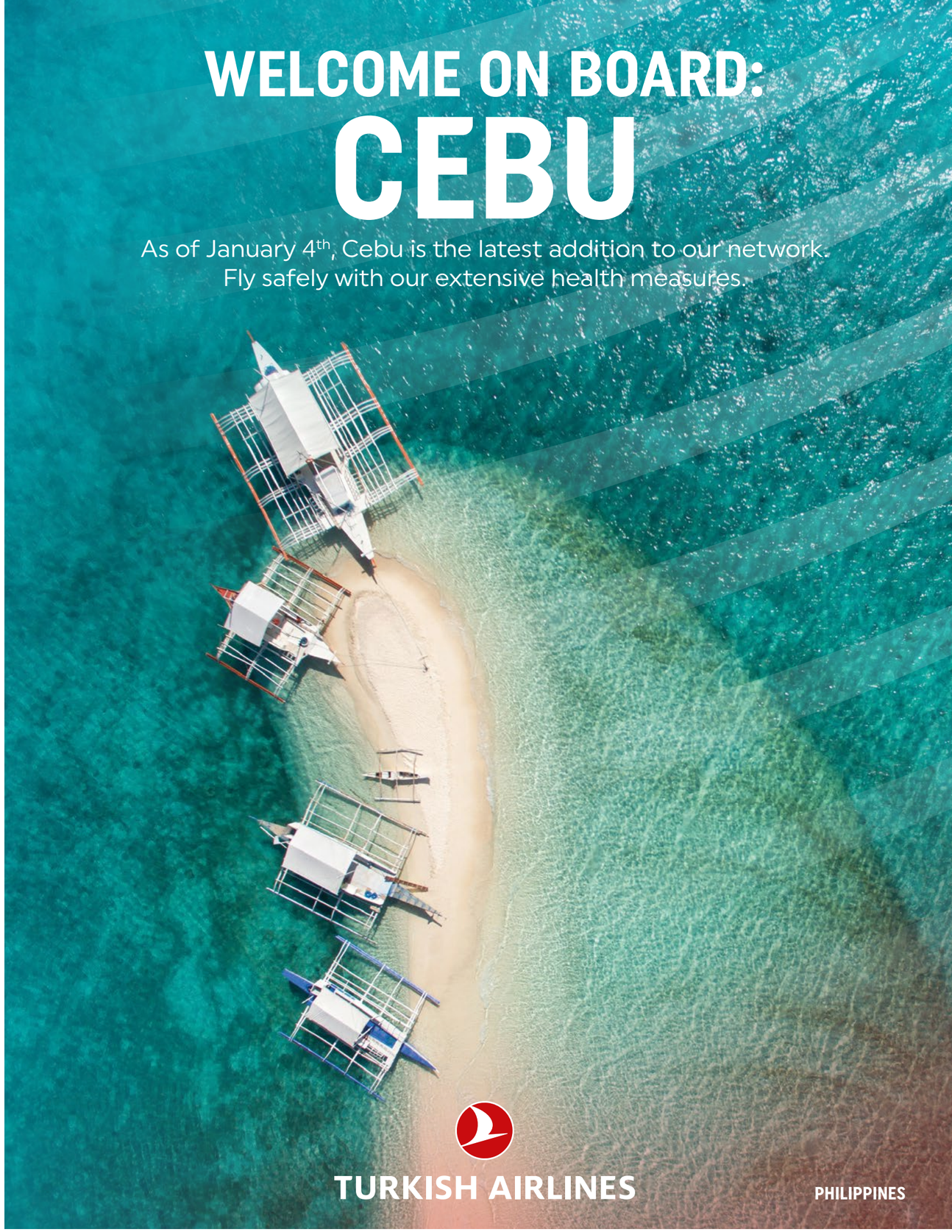
The Conquer Your Fear of Flying Program (UKYP) was revised according to today's conditions and continued in 2022 as well. During the performance phase of the program, expert psychiatrists/psychologists, pilot instructors, aircraft maintenance instructors and cabin ground instructors participate in the program, providing all kinds of support to participants. The program is being successfully continued since 2007 as part of a social responsibility initiative with hundreds of participants and a high degree of customer satisfaction.

With the Aviation for Children Program, Turkish Airlines Aviation Academy supports the pilots, cabin crew and aircraft maintenance personnel of tomorrow who pursue their dreams with training while enriching their horizons. This innovative program instructs children about the basic principles of flight accompanied by various videos, experiments and models. Children are given the opportunity to experience the principles of flight and control mechanisms with a hands-on approach.

In 2022, the Aviation Academy signed training protocols with Turkish Engine Center (TEC), the group engine maintenance factory, and TCDD Taşımacılık A.Ş. in order to share the competencies it developed with other distinguished institutions of our country and continued to provide them with various training and consultancy services, in particular the training needs analysis.

With the accreditations it has received since 2011, the Aviation Academy has become IATA's Regional Training Partner and current CBTA Provider and continued to provide IATA-approved training to students from all over the world.

The Aviation Academy successfully continued its marketing and advertising/promotion activities in 2022 by participating in many national and international events such as Teknofest 2022, Wings of Change Europe-IATA and AFRAA 54th Annual General Assembly & Summit.



FLIGHT TRAINING CENTER

Over 25 years of experience

In 2022, more than 45 thousand trainings were given at the Flight Training Center.



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

The requirement for the flight crew and cabin crew trainings expand in parallel with the continuous growth of the Incorporation. 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 training to more than 45 thousand employees.

Cabin and flight crews were prevented from encountering situations such as loss of licenses by providing virtual classroom, classroom, Computer-Based Training (CBT), E-learning and simulator trainings with the exemptions obtained during the coronavirus outbreak, and the continuity of the licenses of flight crews was ensured in a way that would not interrupt the intensive line operation that increased with the reduction of pandemic restrictions in 2022.

Training Staff of 650 Instructors
The Flight Training Center has 367 regular staff and 650 trainers, 522 of whom participate in flight crew training and 128 in cabin crew training. The training and operation quality 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,
- Turkish DGCA-approved ATO Training authorization,
- ATO authorization granted by the Civil Aviation Authorities of Iraq, Libya, Kuwait, Rwanda, and Tajikistan,
- Cabin Crew Initial Training authorization,
- DGCA-approved Cabin Crew Initial Training Institution authorization,
- Authorization to provide applied training with DGCA-approved CEET certificate,
- European Resuscitation Council approved Defibrillator Training authorization,
- Ministry of Health-approved Initial and Recurrent First Aid Training authorization,
- Ministry of Health-approved First Aid Trainer's Training authorization,
- Dangerous Goods Rules Training authorization,
- Ministry of National Education-approved Train-the-Trainer authorization,
- 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 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 different training programs of flight crew training, including "Conversion Training", " Type Training " and "Recurrent Training." At the same time, trainings of 358 foreign flight crew from 60 countries employed in the Incorporation are delivered at the Flight Training Center.

A total of 5,500 cockpit personnel were given ground training/simulator training in 2022. The virtual classroom, classroom, CBT, E-Learning ground trainings provided are over 366 thousand hours, and simulator trainings are over 107 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 Basic and Instructor Training (MCC/MCCI),
- APS MCC,
- 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 2022, within the Incorporation; including
- Initial, Recurrent, Refresher, Requalification,
- Cabin Chief Position,
- First Aid,
- Defibrillator,
- Products and Services,
- Professional Development,
- Narrow Body Aircraft Type Operator Transformation Difference (A319-320-321, B737),
- Wide Body Aircraft Type and Operator Transformation Difference (A330-350, B777-787)

trainings, 32,747 persons received training in 20 categories. In addition, 2,985 hours of training were sold to foreign airline cabin personnel. Furthermore, a total of over 258 thousand hours of training was provided within the scope of e-learning trainings.

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, A319, A320, A321, B777, A330),
- Difference Trainings (B787, A350),
- Recurrent, Refresher, Requalification Trainings,
- Cabin Chief Position Training (Narrow-Body Aircraft),
- Cabin Chief Position Training (Wide-Body Aircraft),
- Ministry of Health-approved Initial and Recurrent First Aid Trainings,
- Ministry of Health-approved First Aid Trainer Training,
- 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 Incorporation to increase customer satisfaction:
- Announcement Practices in Aircraft 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 (B777-787/A330-350),
- ER/BC Specialization Recurrent Training (B777-787/A330-350),
- B777-787/A330-350 Y/C Service Training,
- Inflight Entertainment Systems Training (IFE),
- Specialization in Cabin Chief Position Training,
- Theory Based Flight Day Training.

FLIGHT TRAINING CENTER

The Flight Training Center has the capacity of 24 simulators (actual) (3 of which are alternating), 75 classrooms and a conference hall within a 41 thousand m² covered space, and serves 1,650 trainees at the same time.

The Flight Training Center has 367 regular staff and 650 trainers, 522 of whom participate in flight crew training and 128 in cabin crew training

Training Infrastructure
The Flight Training Center continues to operate on two different campuses. The Flight Training Center has reached the capacity of 24 simulators (actual) (3 of which are alternating), 75 classrooms and a conference hall within a 41 thousand m² covered space. The Center has the capacity to serve 1,650 trainees at the same time.

In the last 20 years since 2003, when some of the required trainings were provided in the facilities and some abroad with 3 FFSs, the capacity has increased 8-fold, and by the end of 2023, the Incorporation reached the capacity to provide all the trainings required for pilots with 24 (3 of which are alternating) state-of-the-art FFSs.

As of 2023, the total number of FFS at Flight Training Center is planned to be 29 (actual) (3 HAVELSAN A320 and 2 HAVELSAN B737 MAX) and the number of FTDs to be 13.

Despite the outbreak restrictions in 2022, by taking necessary coronavirus measures, over 120 thousand hours of flight were performed at the Full Flight Simulator and Flight Training Device by the end of the year.

The EASA authorizations of the devices for 2022 were maintained with the actual visits of the organization.

The installation and EASA certification procedures of the B737 Max FTD owned by Boeing Company and operated by our relevant units were completed as of March 2022, and the FTD was allocated for training.

13 simulators were included in the Extended Evaluation Program by EASA, and the self-evaluation of 4 (actual) simulators (alternating 6 simulators) was carried out by Turkish Airlines in 2022.

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.

For use in Cabin Training:
- 3 Mock-Up (A320 CEET, B737 CEET, B787 CEET),
- 1 Fire Fighting Training Device (RFFT),
- 6 Door and Window Training Devices (B777 DT, A320 DT, B737 DT/OWE, A330 DT, A320 DT/OWE, A321 ACF OWE),
- B777, B787 and A320 Evacuation Slides,
- 4 Station Areas with emergency supplies,
- Ditching Pool,
- 6 Cabin Service Training Tools (CST)

are available.

Within 2022, factory acceptance tests of B737 max and A320 simulators purchased from Havelsan started. In the last quarter of 2022, the B737 max simulator arrived at Sedat Şekerci campus and pre-training acceptance tests are ongoing.



Customer Portfolio
With more than a quarter of a century of training experience, equipment and service quality approved by international authorities, a young simulator fleet formed by supporting modern and domestic technology, the Flight Training Center not only meets the flight training needs of the Incorporation, but also contributes revenue to the Incorporation by selling simulator slots and training to many airlines, primarily in Europe, Middle East, Africa and Central Asia.

Despite the shrinkage in the sector during the pandemic, the Flight Training Center continued to provide training to 66 airlines from 33 different countries and managed to maintain its profitability by prioritizing the health and safety of its employees and business partners thanks to its successful marketing strategies. With this challenging process and the meticulous work carried out afterwards, the customer portfolio was expanded to reach 90 companies. Turkish Airlines Flight Training Center maintains its character of being the region's leader in its field and a profit center.

ACHIEVEMENTS AND AWARDS

The research titled "A Psychosocial Perspective on Unstable Approach: A Sequential Mixed Methods Study" prepared by Turkish Airlines was presented at the 34th European Aviation Psychology conference in Gibraltar in September 2022. The research was published with the same title in "Transportation Research Procedia" journal of Elsevier International in December 2022.

FLIGHT OPERATIONS

Flight safety first

Turkish Airlines has aimed to maintain high levels of safety performance by monitoring flight operation execution data through Safety Performance Indicators (SPI).



Webinars were organized to strengthen communication with flight crews. In these CRM team resource management-based, flight safety-oriented and employee-focused webinars, up-to-date information was provided to flight crews, and solutions developed for the issues communicated were shared.

Flight Operations
Turkish Airlines, one of the fastest airlines to recover from the impact of the pandemic in 2022, has achieved continuous improvements by monitoring flight operation execution data through Safety Performance Indicators (SPI), with flight safety as its first priority and aimed to maintain its safety performance at high levels.

Accordingly, in addition to the SPI studies made, Flight Operation Risk Assessment Studies were conducted on topics such as the effects of the 5G application, which is expected to be adopted worldwide, on flight safety, the risks that may recur during the return of Boeing-737 MAX aircraft to flight after modifications, and the effects of GPS signal losses, especially experienced in eastern Türkiye, on flight operations.

Webinars were organized to strengthen communication with flight crews. In these CRM team resource management-based, flight safety-oriented and employee-focused webinars, up-to-date information was provided to flight crews, and solutions developed for the issues communicated were shared. In 2023, the aim is to continue these activities.

For the passenger and cargo flight network, which has expanded in direct proportion to the increasing number of flights compared to 2021, when the impact of the pandemic was more intense, airport authorizations, which include the processes of examining, analyzing, categorizing by difficulty and authorizing an airport that is planned to be used as a departure, arrival or backup airport in flight operations, or that has been previously used but has undergone changes that may affect flight operations, were completed with the participation of all stakeholders.

Meetings were held with aircraft manufacturers in our fleet with the aim of continuous improvement. In these meetings, discussions were held with the participation of Flight Operations and the relevant units of the Company on issues such as procedures, limits, and operational constraints of the relevant aircraft, and the feedback received was used in flight operation improvement activities.

As a result of the board studies conducted for the transition of flight crews to wide-body and Captain Pilot, Turkish Airlines initiated the transition process for 372 First Officers to become Captain Pilot candidates, 264 Captain Pilots to upgrade to wide-body aircraft, and 384 First Officers to upgrade from narrow-body to wide-body aircraft.

To protect the environment and nature, digitalization projects aimed at reducing the consumption of natural resources were implemented. These projects include the "Online Road Control Form Project" and the "External Document Tracking Project" to reduce the use of paper.

Customer complaints received via CIMER and/or the Company's communication channels are handled and responded to with sensitivity within the goals of increasing customer satisfaction. In Flight Crew recruitment processes carried out in line with the growth targets and needs of the Company, technical and competency-based evaluations of applicants are being carried out.

Integrated Operations Control
Following the years 2020 and 2021, when the pandemic was effective, Turkish Airlines started 2022 with a faster recovery process than other airlines and achieved around 90% of the general operational data of 2019. In 2022, flights were operated to 288 active destinations in 129 countries with 394 aircraft.

The impact of the pandemic continued in the first 3 months of 2022 as well. In 2022, according to the general operational data analyzed:

- On-time departure-performance was realized as 70% (2019 OTP value was 81%).
- In 2019, over 482 thousand passenger flights were operated, while 448,554 flights were operated in 2022, reaching 93% of 2019.
- Passenger numbers reached 71.5 million, which constitutes 98% of the 73.1 million passengers in 2019.
- On July 17, 2022, the record for the highest number of daily departures was repeated with 1,561 passenger flights (August 10, 2019: 1,561).
- On July 31, 2022, the all-time daily passenger record was achieved with 272,273 passengers.
- The average number of daily passenger flights was 1,230 and passenger numbers were 195,000.
- The load factor was realized as 80%.
- Cargo flights were realized as 20,826 flights with a decrease of 35% compared to 2021 and an increase of 8% compared to 2019.
- In 2022, the average delay time per flight was realized as 17.1 minutes (2019 data was 10.7 minutes, so the increase rate is 66%).
- In 2022, 8,676 flights were canceled, 71% for meteorological reasons, 12% for constraints (crew, airport conditions, fuel supply, etc.), 12% for commercial reasons, 3% for damage, and 2% for technical reasons.
- In 2022, 752 flights were diverted, 60% for meteorological reasons, 16% for sick passengers, 8% for restrictions (strikes, security notices, airport congestion, airport restrictions, etc.), 8% for technical reasons, 5% due to damages and 4% for other reasons.

Staff shortages in Europe, especially in Germany and the UK, in the USA, and especially at Tel Aviv station, which started with the pandemic, had an impact on many flights, including long queues at passport controls, congestion at security controls, and blocked operations in ground handling services. On the other hand, many flights were subjected to CTOT (slot) due to congestion, especially in the Eurocontrol airspace, and delays of up to 3,000 hours were experienced on a daily average. Snowfalls in January, February, and March such as heavy snowfall On January 24, 2022, ending up with the closure of the Istanbul Airport, caused operational disruptions in terms of their impact on OTP.

OPSYS, which is used for revenue-increasing and costs-reducing purposes, has been made more effective with coordination between units. In this process, all operational procedures are reviewed and necessary revisions are made while employee training were also completed. Administrative preparations for the planned increase in flight numbers for the upcoming year were also completed.

FLIGHT OPERATIONS

In 2022, when the wounds of the global health crisis healed, successful steps were taken to strengthen the customer experience.

Cabin Operations

In 2022, when the wounds of the global health crisis healed, successful steps were taken to strengthen the customer experience. As the airline flying to most countries in the world, Turkish Airlines continues to pursue its goals by maintaining its steady growth.

In this process, believing in the importance of consultation culture, communication activities were developed by meeting with the cabin crews on digital platforms, online and physical workshops, crew lounge and offices. In the workshops, cabin chiefs, cabin crews and expat cabin crews met with the aim of making cabin operations safer and more secure, improving the products and services offered on flights, and improving business processes.

Regarding the analysis of the IFE Customer Satisfaction Survey, cabin crew satisfaction scores increased to 90% in 2022, and serious efforts were made to provide the promised service to our customers who preferred us for their travels during the busy summer operations.

Aiming to provide customers with accurate and up-to-date information on the Company's services, information on cabin experience processes was transferred to the Online Information Library project.

In order to contribute to the professional development of cabin crews and to increase their motivation and job loyalty, national and international trends were followed and benchmark studies were conducted with other airline companies. In 2022, the training portfolio was expanded with digital and virtual classroom training, and the Company continued to add value to employees with all applications such as training, podcasts, etc. organized jointly with our relevant units.

In addition to improving business processes within the scope of digital transformation and innovation studies, projects to increase communication within the cabin crew were initiated. The aim is to directly contribute to customer satisfaction by providing programs that can be easily used and accessible by cabin crews, experiencing aircraft features (Virtual Reality), providing 360-degree cabin views of the aircraft in the fleet and the prominent technical features of the seats.

The "Spread Your Wings for Differences" project was launched to ensure that cabin crews fulfill customer expectations at the highest level within the framework of respect for the culture, traditions, history, values and social norms of the societies in which they fly, and the project aims to improve the ability of all cabin crews to understand different cultures.

With the Turkish Speaking Club project, expat cabin crews were enabled to understand and speak Turkish, aiming to ensure both customer satisfaction and employee loyalty.

In order to determine and statistically monitor the success levels of cabin crew members and increase their individual productivity, their performances are monitored through flight-based success evaluations. In this way, trainings to improve their competencies are planned, career planning is carried out, and promotion and rewarding systems continue to be developed.

The project to create a "Candidate Pool" in the Cabin Chief Position selection process aims to train manager candidates over a wider period of time.

With the mentoring project being carried out with the relevant units, significant steps were taken to provide a collaborative and supportive working environment for mentees within the framework of a development program with mentors selected from cabin chiefs with a certain level of experience, knowledge, and expertise.

In order to ensure that the safety of cabin crews and flight operations is not compromised under any circumstances, efforts were made to renew the handcuffs that may be used in cases of unruly passenger practices, and inflight observations and evaluations were conducted with the crews regarding the security search processes.



Mobile applications continue to be developed to further improve the service. With the MoCA application developed, cabin malfunctions are instantly communicated to the relevant Technical units during the flight, making a significant contribution to the Operational cycle process.

In addition, the Cabin Chief Reports Portal was created in order to share the feedback provided by cabin crews regarding flight operations with the relevant units through a single system and to monitor the remedial actions taken through the application.

Monitoring flights practice was initiated with a group of cabin chiefs who were selected and trained in order to monitor that the current situation or changed practices regarding safety, security, and service in cabin operations are carried out in accordance with the Company's standards. Furthermore, in order to raise awareness among the crews and to prevent the recurrence of negative incidents throughout the year, information was shared in the crew rooms of Istanbul and Sabiha Gökçen Airports through case sharing.

Taking a permanent step to ensure that all the details that cabin crews should pay attention to in their uniforms in terms of corporate representation are applied in full and at the same standard, a Uniform and Representation Control room was established at the Istanbul Airport Crew Terminal, and pre-flight uniform and representation checks of the crews were carried out randomly.

With the "WOW Experience" program, the Company continues to design WOW experiences that will touch hearts with cabin crews inspired by the shares of customers.

Through the use of the Compensation Card, we continue to identify the inflight issues that cannot be compensated for and cause customer dissatisfaction, and help implement a compensation program to win the hearts and minds of customers and ensure repeat business.

Within the Delightful Memories project, the Company continues to share the beautiful moments that touch the hearts of customers with all its employees.

The joy of all guest athletes who fly the Turkish flag around the world and proudly represent our country is shared by sending them greeting cards on behalf of the Company.

As part of the Zero Waste project, a bag and shoe recycling area was set up at the crew terminal in order to prevent waste, use resources more efficiently and ensure efficient recycling of wastes.

While the number of lines where waste sorting was carried out was 48 in 2021, it was increased to 105 lines in 2022.

APEX World Class and "Five-Star Global Airline for 2023" awards were once again granted by APEX (Airline Passenger Experience Association), one of the world's most trusted and respected aviation organizations.

The Company, which was awarded the "Diamond Status", which corresponds to the highest level in the APEX World Class Award with the hygiene standards offered during the pandemic period, also became the "Türkiye's most valuable brand" for the fifth time in a row, maintaining its position in terms of brand value in the previous years according to the international brand evaluation organization Brand Finance research.

FLIGHT OPERATIONS

A more stable employment and transition planning for flight and cabin crews was realized.

5,517
Active flight crew members

Crew planning which was made in August 2019 for a maximum of 130,836 production hours, was met for a historical record of 152,718 production hours in 2022.

Crew Planning
Turkish Airlines completed operating year 2022 with 5,517 active flight crew staff and 12,884 active cabin crew members. During the pandemic, the Company 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 testing requirements of local authorities prior to entering countries, that are followed by flight and cabin crew members.

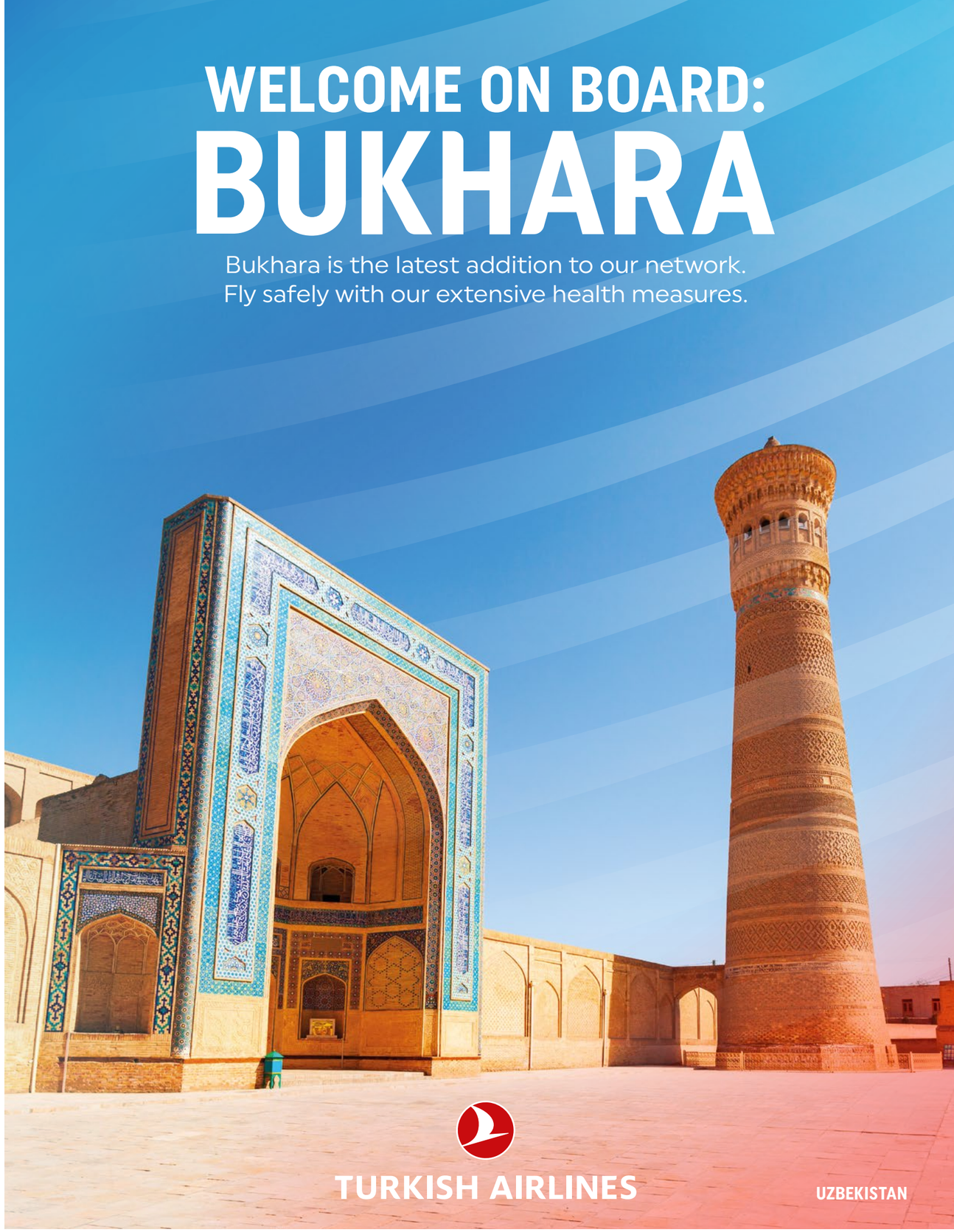
Turkish Airlines carried out audits pursuant to all exemptions and circulars received from the DGCA and took actions deemed necessary. Planning, monitoring and improvement efforts are conducted in line with scientific research in accordance with national/international regulations within the scope of Fatigue Risk Management System (FRMS) module for both flight and cabin crew members. 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.

With the rapid recovery process of the aviation industry after the pandemic, it has become clear that the most important components in long-term flight and cabin crew resource planning are flexibility and rapid adaptation. With the improvements in assumption modeling, the budget production hours of the Company were estimated much earlier with very small deviations. Accordingly, a more stable employment and transition planning for flight and cabin crews were realized.

Crew planning which was made in August 2019 for a maximum of 130,836 production hours, was met for a historical record of 152,718 production hours in 2022.

The Bid Destination project was completed and put into operation for conveying the flight destination requests of the crew members by accessing through the Cress Web Portal and to plan requests in the Company systems within the operational suitability and quotas.

Webinar sessions were held with the cockpit crew members with the participation of relevant units and managers.



CORPORATE INNOVATION

Transformation journey with Ideaport

The corporate innovation system continues to operate on the principle of evaluating internal and open innovation sources and transforming them into outputs.



3,548
Number of new ideas in 2022

The corporate innovation system continues to operate on the principle of evaluating internal and open innovation sources and transforming them into outputs and consists of a combination of many complementary processes and activities.

The Corporate Innovation Platform, one of the key components of the system, underwent a significant transformation under the umbrella of its new brand Ideaport. As a result, in addition to the setup where each employee makes step-by-step progress by entering ideas only related to the business area of the unit to which they are affiliated, all business areas of the Incorporation are provided with the opportunity to submit ideas and initiate collaborations with ecosystem stakeholders, thus supporting all processes of the Incorporation with the innovative perspectives of the employees. The platform, which offers all employees the opportunity to present, project and realize their valuable ideas and win awards in return, carries the coordination of business units within the organization to a higher level with its new structure. In addition to collecting ideas, Ideaport gained an integrated structure that makes the source of the technology, information, trends and the ecosystem that hosts all processes of corporate and open innovation accessible. With the vision of pioneering innovations together with colleagues, the total number of suggestions on the Corporate Innovation Platform reached 27,870 in 2022, with 3,548 ideas entered. 648 of these ideas were realized during the year, and the total financial benefit from the system exceeded USD 250 million. Furthermore, more than 1,230 ideas were obtained from idea challenges such as Innovative Ideas Focused on Sustainability, Name Search For the New Idea Platform, TK Educathon, Express Cargo and Service Suggestions Challenge, etc., which were opened throughout the Incorporation and prepared on different themes. These were then submitted to the relevant units for evaluation.

This year, all efforts in line with the open innovation strategy, technology-oriented approach and the aim of developing potential collaborations with the technology and entrepreneurship ecosystem were combined on a digital platform called Turkish Airlines Terminal.

Under the roof of this platform, the Startup Collaboration Program was designed and more than 500 startups and technology companies were contacted in 2022, and project work was carried out with startups that offer collaboration opportunities. In addition to the collaboration program, the Terminal Startup Acceleration Program was launched under the roof of the Incorporation in order to enable startups to collaborate more easily with the Incorporation and become organizations that can grow, as well as contribute to the innovation culture and entrepreneurship ecosystem.

During the year, Turkish Airlines entered into collaborations with universities, technoparks and entrepreneurship centers to boost the efficiency of the entrepreneurship ecosystem, explore early stage technology initiatives and develop projects related to new business models. The Incorporation became one of the main stakeholders of the Turcorn100 Program, a special acceleration program for advanced-stage technology startups launched by the Ministry of Industry and Technology.

The Incorporation also became a stakeholder in various TÜBİTAK BIGG, acceleration, incubation programs and hackathons organized in the entrepreneurship ecosystem, providing sponsorship, jury and mentoring support. Travel Hackathon 2022, in which 341 people competed, was organized to evaluate the ideas of young people and develop projects together, and the Code Quality Hackathon, in which software developers and analysts within the Incorporation competed to improve the code quality in their applications, was organized.

In order to make the collaboration processes of startups and corporate companies more efficient and to create a culture in this regard, the Incorporation and 9 leading organizations in the field came together and became a founding partner of the Here2Next platform, which works on this subject.

The Invest On Board program continued to help startups in the ecosystem reach investors on a global scale through the existing digital platforms as well as in-flight entertainment systems to bring startups together with investors. As of 2022, more than 100 entrepreneur videos were broadcast on inflight entertainment screens (IFE). In addition to IFEs, investor presentation videos of startups were also featured on the www.investonboard.com website to support their promotion.

Within the scope of the open innovation strategy, API sharing continued through the Turkish Airlines Developer Portal for software developers and technology startups to use in their projects. With the aim to identify the digital transformation opportunities of the Incorporation and accelerate transformation with next-generation solutions, digital maturity determination studies were carried out in units such as call center, ground operations and human resources.

Thanks to all these corporate and open innovation efforts, the Incorporation won the first place in Türkiye in the Innovation Lifecycle category of the InovaLIG, the most comprehensive innovation competition organized national competition, at the Türkiye Innovation Week event organized by the Turkish Exporters Assembly. In this competition, at which third and second prizes were won previously, the award was presented to Mr. Ahmet Bolat, Chairman of the Board of Directors, by President Recep Tayyip Erdoğan.

In addition, within the scope of Eco-Innovative Projects, the Incorporation collaborated with Boğaziçi University to produce bio jet fuel from microalgae biomass grown under sustainable, economical and internationally certified autotrophic conditions with the help of high-efficiency catalysts. The R&D studies that started at the end of 2020 and are planned to last for 3 years, continued with the aim of directly joining the United Nations Sustainable Development Goals and reducing the carbon emissions produced by airline companies by using jet fuel by 50% in the European airspace. With this project, a multi-partner project management was realized by conducting an EU project within the scope of open innovation with partners through experiencing university-industry collaboration.

COMMERCIAL PARTNERSHIPS WITH AIRLINES, TRAFFIC RIGHTS AND EXPANDING FLIGHT NETWORK

Expanding flight network

In 2022, the Incorporation operated direct flights to 271 international destinations.

248

Offline Points

In 2022, the Incorporation provided access to 248 offline points through active codeshare collaborations.

EASTERN EUROPE AND AMERICA

The Incorporation operates direct flights to 61 destinations in Eastern Europe and America. By courtesy of code-sharing agreements, the Incorporation is able to reach an additional 122 destinations in this region and offer flights to passengers.

North America

In the USA, the Incorporation has codeshare and special proration (SPA) agreements with JetBlue Airways (B6), Hawaiian Airlines (HA) and United Airlines (UA). It also has a SPA with Alaska Airlines (AS). It has codeshare and SPA agreements with Air Canada (AC) as well.

Efforts are underway to expand the scope of collaboration with United Airlines, a Star Alliance partner, and with another codeshare partner JetBlue that the Incorporation participated in the Fly America Act (FAA) tender, which allows the transportation of US government employees and their dependents on the Incorporation's flights. In line with this cooperation, tickets may be sold under the FAA in 26 sectors via Boston and 3 sectors via New York.

In 2022, with the launch of Seattle flights, the collaboration with Alaska Airlines (AS) has gained even more importance. Under the current SPA with AS, the Incorporation provides 30 destinations from Seattle, 13 from Los Angeles and 12 destinations from San Francisco to the passengers.

South America

Thanks to the expansion of its flight network in South America over the last decade, the Incorporation has become one of the most important carrier in the region. The Incorporation increased its direct flights to the South American region, and together with the strong codeshare agreements signed with Avianca (AV), TACA International (TA), Copa (CM), Azul (AD) and GOL (G3) in the region, passengers have access to 61 different destinations. The Incorporation started negotiations for a codeshare agreement with LATAM in order to develop existing collaborations in South America. In 2022, the codeshare agreement signed with GOL provided access to domestic routes in Brazil, and the planned codeshare agreement with LATAM aims to be more effective in this market.

Eastern Europe

In Eastern Europe, the Incorporation has codeshare agreements with LOT, Air Albania, Air Serbia, Croatia Airlines and TAROM. Through these agreements, passengers have access to 18 more destinations in Eastern Europe in addition to the 38 direct flights.

A Memorandum of Understanding (MoU) was signed with Air Serbia to enhance the existing collaboration. Moreover, as a result of the meetings held in Istanbul in October 2022 between the civil aviation authorities of Türkiye and Serbia, it was mutually agreed to operate 21 weekly frequencies on the Istanbul-Belgrade v.v. route, 4 weekly frequencies on the Ankara-Belgrade v.v. route and 2 weekly frequencies on the Izmir-Belgrade v.v. route.

The existing collaborations with the Belarusian airline Belavia (B2) has been developed rapidly since 2015 and the long-standing capacity shortage in the market has been overcome. In this scope, Minsk flights, which started as 4 flights per week in 2007, were increased to 14 flights per week as of 2021. By signing a codeshare agreement on Istanbul-Minsk v.v. route, the total number of flights offered in the market and the flight alternatives offered to passengers were increased. By considering the sanctions imposed on Belarus, the Incorporation's commercial collaboration with B2 and Minsk flights are suspended as of 2022.

With the enhancement of commercial cooperations (SPA, Codeshare, etc.) with local airlines, flights to Ukraine were increased to 82 flights per week in 2022 and thus, it has become possible to operate flights to all major destinations in Ukraine (6 destinations). However, following the closure of Ukrainian airspace due to the war in the region, both flights and commercial collaboration with Ukraine International (PS) were suspended.

The long-standing frequency increase requests of the Incorporation were gradually met following the extension of the



code sharing agreement with LOT Polish (LO). In this scope, Istanbul-Warsaw flights, which were operated as 4 frequencies in 2014, are currently operated as 7 frequencies. In addition, Antalya-Warsaw flights, which were started by the Incorporation in 2021, continued with 2 flights per week, and flights on the Istanbul-Katowice route will be launched in 2023.

While access to all domestic destinations in Russia was provided within the framework of interline collaborations with Aeroflot, UTair, Ural Airlines, Siberia Airlines and Rossiya Airlines, the agreements with these airlines were suspended as of April 2022 due to the crisis between Russia and Ukraine. While scheduled flights to Moscow, St. Petersburg and Kazan are continuing, flights to other destinations have been suspended due to the current situation. Depending on the developments in the region, both the agreements with Russian airlines and the status of the suspended flights will be evaluated.

All agreements concluded in Eastern Europe and America regions contributed USD 297.2 million to the Incorporation.

ASIA & FAR EAST

In 2022, Turkish Airlines expanded its network by resuming flights to Narita and launching new flights to Cebu, Bukhara and Turkmenbashi in the Asia Far East region. Turkish Airlines also increased the number of flights to Jakarta, Denpasar, Tashkent, Samarkand, Fergana, Urgench, Kuala Lumpur, Baku and Almaty destinations compared to 2019.

In the year 2012, there were 9 codeshare agreements (6 star alliance airlines, 3 non-star alliance airlines) in the Asia Far East region, while reached 21 codeshare agreements in 2022. (8 star alliance airlines, 13 non-star alliance airlines). With the existing codeshare agreements, Turkish Airlines was able to offer passengers access to 62 offline destinations in the Asia Far East region in 2022.

While a total of 8,972 frequencies of flights used to be operated annually to 19 countries in the Asia Far East region in 2012, a total of 12,006 frequencies of flights are being operated annually to 25 countries in 2022.

EUROPE

Europe

In 2022, the Incorporation had the highest share of 58.8% in the Europe region in terms of total passengers carried by scheduled and additional flights in the international market, compared to 56.9% in 2021.

As part of its hub-and-spoke strategy, the Incorporation offers a wide range of flights to its passengers through Istanbul hub as well as the network facilities provided by Star Alliance and Codeshare partner airlines.

COMMERCIAL PARTNERSHIPS WITH AIRLINES, TRAFFIC RIGHTS AND EXPANDING FLIGHT NETWORK

As part of its hub-and-spoke strategy, the Incorporation offers a wide range of flights to its passengers through Istanbul hub as well as the network facilities of Star Alliance and Codeshare partner airlines.

In particular, following Star Alliance membership, as a result of the Codeshare cooperation established with TAP Air Portugal and Scandinavian Airlines, both of which are member airlines of the Alliance, access to unserved 32 offline destinations in Southern Europe and Scandinavia was provided.

Furthermore, within the scope of Codeshare cooperations outside the Alliance in the last decade, access to domestic destinations in South America and Finland was provided, and unserved 13 offline destinations were reached, offering passengers an uninterrupted flight experience.

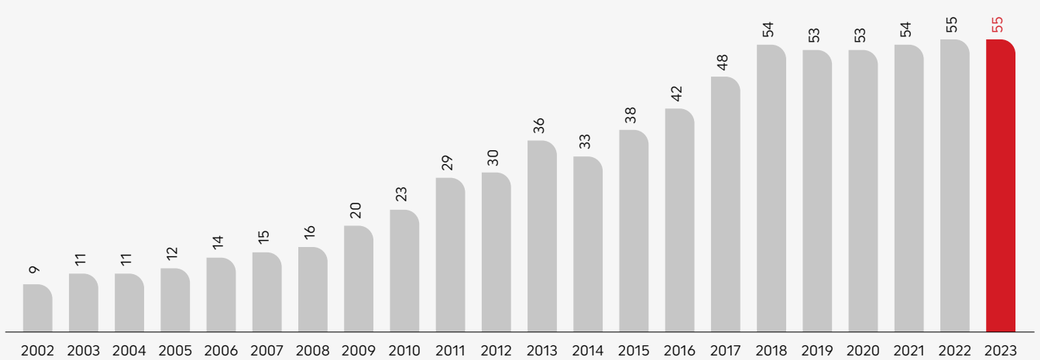
In addition to the MITA partnership that started in 2018, a Special Proration Agreement was signed with Sun Express (XQ) in August 2022, which is one of the important subsidiaries other than airline cooperations and continues its tourism transportation activities as the market leader in flights between Türkiye and Central Europe. Thanks to this agreement, the number of options offered to passengers was increased by using Sun Express' Antalya and Izmir based flights in addition to the Incorporation's flight network.

Moreover, the Interline volume of APG Airlines, which is a member of ICH and sells the Incorporation's flights as an intermediary between agencies and airlines, has increased by approximately 127% and Hanh Air by approximately 70% in the last 1 year.

As of 2019, passengers have the opportunity to travel by train from numerous European departure destinations to various other arrival destinations under the Accesrail Special Proration Agreement. The volume of this agreement increased by 38% in 2019-2022.

On the other hand, the number of ZED (vacation travel) agreements between the Incorporation and other airlines covering the vacation travels of the Incorporation personnel and their families increased by 22% to 90% in the last decade, while the number of MIBA (mission travel) agreements covering the mission travels of the personnel increased to 13.

NUMBER OF CODESHARE AGREEMENTS BY YEAR



Star Alliance

Celebrating its 25th anniversary on May 14, 2022 as the world's first and leading airline alliance, Star Alliance continues to focus on innovation in customer experience, loyalty and technology.

Star Alliance introduced a new partnership model, Intermodal, an industry first, which aims to offer different modes of transportation in harmony to passengers. The Intermodal model is designed to facilitate seamless travel by connecting loyalty systems, while offering the opportunity to combine airline and rail, bus, ferry or other transportation ecosystems across the Alliance.

Through the cooperation with Deutsche Bahn (DB), Star Alliance's first Intermodal partner, passengers are offered air and combined routes, allowing them to choose between alternatives.

In the changing world after the Covid-19 outbreak, Star Alliance launched high value-added products such as Interline Seat Selection, which enables seat reservation on joint flights and interline travel, and Baggage Location Tracking, which enables to track the baggage location, on the basis of digitalization within the aviation industry.

On the other hand, Star Alliance continues its efforts to improve the passenger experience through digital technology and automation methods with its product called Star Biometric Hub (SBH). Thanks to this product, which aims to enable fast and automatic passage through passport and all other control points at airports by recording the biometric data of passengers with their consent, FFP member passengers will experience a fast, contactless and personalized customer experience with the face recognition system at the airports included in the project. The product, which is currently in use at Frankfurt, Munich, Vienna and Hamburg airports, was successfully tested at Istanbul Airport on December 19, 2022 in cooperation with IGA and the Incorporation, and integration efforts are ongoing to take the product live.



In addition to the award-winning Star Alliance-branded CIP lounge in Los Angeles, paid access is gradually being rolled out to passengers in other premium lounges in Amsterdam, Rome, Rio de Janeiro, Buenos Aires and Paris.

Within the scope of the concept of "sustainability," which becomes more and more critical in terms of the aviation industry and especially the expectations of passengers, Star Alliance took important steps to foster a sustainable future for the aviation industry, working with partners inside and outside the aviation industry. In this scope, the Alliance established a steering committee named Sustainability, to facilitate greater exchange of information among members on sustainability initiatives and innovations. As per the principles underlined in its Sustainability Policy and with the determination to continuously develop its sustainability strategy, the Incorporation is effectively represented in these steering bodies.

On sustainable decarbonization, a common platform has been established to exchange the initiatives on supply sustainable aviation fuels of the world's largest producer of renewable diesel, innovations and best practices in this field with member airlines and passengers. In this context; Star Alliance and its member airlines have announced that they strongly believe in the importance of empowering people and communities through sustainable air travel and that they aim to reduce the environmental impact with greenhouse gas emissions and reach the net zero carbon emission industry target by 2050.

ORGANIZATIONS

The Incorporation is also a member of IATA, AACO (Arab Air Carriers' Organization), AIRE (Airlines International Representation in Europe) and ALTA (Latin American and Caribbean Air Transport Association).

Developments in the sector are monitored through the participation of the relevant units in events and meetings, and necessary coordination is ensured within and outside the Incorporation in light of these developments.

The 78th IATA Annual General Assembly Meeting held in Doha, Qatar between June 18-20 was attended and in accordance with the decision taken at this meeting, Ahmet Bolat, Chairman of the Board of Directors, will represent the Incorporation at the the Board of Governors of IATA for a period of three years.

At the meeting, 4 representatives from the Incorporation were appointed to IATA's Advisory Councils. The representatives will advise IATA's Board of Governors on their areas of expertise for a period of three years.

Continuing its activities on a global basis, the Incorporation participates in the activities of AACO, AIRE and ALTA airline associations with the aim of strengthening its regional representation. In this context, the Incorporation was represented at the Annual General Assembly Meetings of AACO and AIRE held in 2022.

COMMERCIAL PARTNERSHIPS WITH AIRLINES, TRAFFIC RIGHTS AND EXPANDING FLIGHT NETWORK

Offering cultural, adventure and beach tourism destinations to passengers, the Incorporation also contributed to the economic development of the countries in the region by connecting them to the world over Istanbul.

11 countries and
27 cities in the
Middle East and
37 countries and
49 cities in Africa

MIDDLE EAST & AFRICA

Thanks to its routes and connection opportunities, Turkish Airlines has become the full-service international carrier with the widest flight network in the region, covering 11 countries and 27 cities in the Middle East and 37 countries and 49 cities in Africa. As being one of the flag carriers, Turkish Airlines stands out with its operations in the region. In Middle East and Africa, 2022 frequency depth reached pre-pandemic levels and new destinations were added to the flight network. cooperations were developed and new ones were established. Offering cultural, adventure and beach tourism destinations to passengers, Turkish Airlines also contributed to the economic development of the countries in the region by connecting them to the world via Istanbul. In this respect, Turkish Airlines does not only strengthen the relations with this close and friendly geography, but also supports the African policy of Türkiye.

In 2022, as a result of the civil aviation negotiations with the UAE, Ethiopia, Iraq, Iran, Israel, Mauritius and Seychelles, Turkish Airlines gained additional frequencies, new destinations and capacity increases. In the UAE, weekly frequency rights rised to 173 and Dubai, Abu Dhabi and Sharjah flights were increased as of October 2022. As of March 2023, 3 of the 7 weekly passenger flights to Addis Ababa, the capital of Ethiopia, were authorized to be operated with wide body aircrafts. and 2 weekly cargo flights were permitted. Kirkuk, a city in Iraq was added to the air service agreement and Kirkuk flights were started as of 27 October 2022. Similarly, Juba, the capital of South Sudan, was included to the flight network as of 1st of June 2022. In Iran, the frequency rights were increased from 70 to 85, and the frequency was increased especially in Tehran, where passenger traffic is high. In Israel, 87 frequencies between Istanbul and Tel Aviv were allocated to Turkish Airlines. In addition, Istanbul-Doha flights, which were 14 frequencies per week, were increased to 42 frequencies per week in November-December due to the 2022 FIFA World Cup.

Flights to Saudi Arabia, which were suspended during the pandemic, were restored to previous levels in 2022. Currently, passengers can travel to Jeddah, Medina, Riyadh and Dammam from Istanbul and Trabzon. Similarly, flights to Algeria have reached to pre-pandemic levels, with 35 weekly frequencies to different destinations in Algeria. In the upcoming period, it is intended to add Antalya-Algeria route to the existing frequency rights. Flights to Aqaba, an important tourism center in Jordan, were re-started in 2022. Suspended Antananarivo (Madagascar) and Durban (South Africa) flights were resumed in 2022, while Lusaka (Zambia) flights via Dar es Salaam (Tanzania), which were operated with 2 frequencies before the pandemic, will begin in March 2023.

Furthermore, Turkish Airlines carries passengers between Ouagadougou (Burkina Faso)-Conakry (Guinea), Ouagadougou -Freetown (Sierra Leone), Niamey (Niger)-N'Djamena (Chad) and Libreville (Gabon)-Luanda (Angola) with 5th freedom traffic rights. Thus, a significant share in the intra-African market is also achieved.

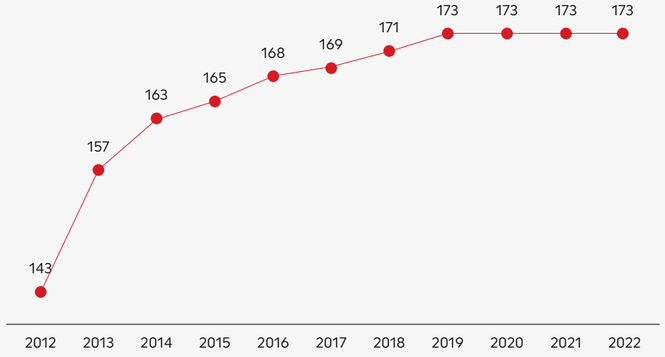
Flights to Libya, which have not yet been launched due to deteriorated security situation, will be reopened in the coming period, provided that the airports meet international security standards. Likewise, operations in Syria, which were halted in 2012 and Yemen in 2015 due to the state of war and conflict, are still not being carried out because of the lack of a secure environment.

In terms of commercial cooperations, Praslin Island, a popular tourism destination in the Indian Ocean, was included in the flight network thanks to codeshare agreement signed with Seychelles-based Air Seychelles. Joint flights were started at the end of the year. Special Proration Agreements with Ethiopian Airlines, LAM Mozambique Airlines and South African Airlink were revised. Comoros destinations were added to the existing Special Proration Agreement with Precision Air, based in Tanzania.

Negotiations were concluded with Etihad Airways based in the UAE to expand the codeshare agreement, applied only in Istanbul-Abu Dhabi route previously, to include beyond Africa and Australia destinations. Similarly, it is agreed with Oman Air, the national airline of Oman to add the Muscat (Oman)-Chennai (India) sector to the codeshare agreement. New joint flights with both airlines will commence soon. Furthermore, the Joint Venture with Oman Air, the discussions for which began in 2016, is back on the agenda and negotiations between the parties have started.

In line with new opportunities, it is aimed to develop further the existing cooperation with Saudia, the national airline of Saudi Arabia, and with Royal Jordanian, a Jordanian airline, in the near future. Similarly, the negotiations and internal processes for Special Proration and Codeshare Agreements with TAAG Angola Airlines which have been previously started, and a Codeshare Agreement with Tunisair of Tunisia, are continuing.

NUMBER OF COUNTRIES WITH AIR TRANSPORTATION AGREEMENTS



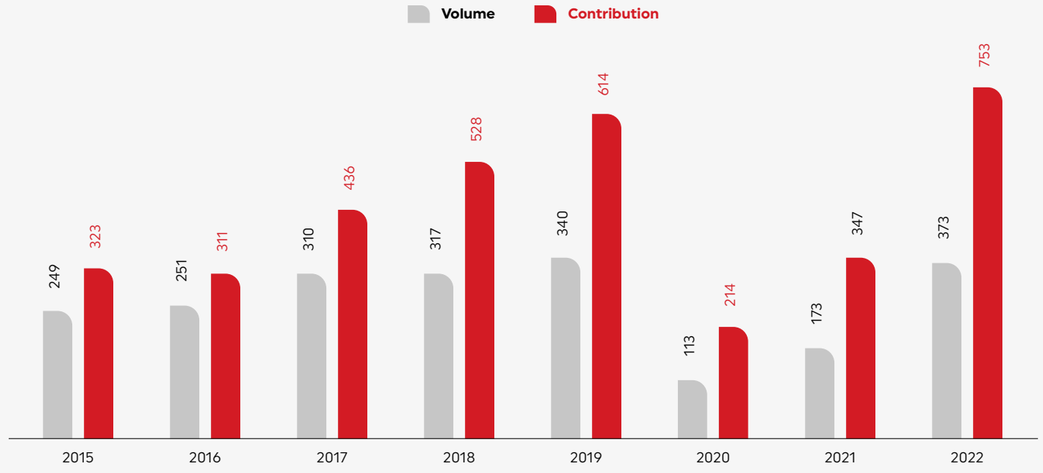
DEFINITIONS:

Interline: A commercial collaboration that enables airlines to sell passenger tickets to each other and generates voucher/revenue volume within this collaboration.

Interline Volume: The total volume of vouchers/revenue generated from mutual passenger transportation as a result of the commercial collaboration of the Incorporation with foreign airlines.

Interline Contribution: The interline contribution to the total passenger revenue of the Incorporation as a result of the commercial collaboration of the Incorporation with foreign airlines.

INTERLINE VOLUME & CONTRIBUTION BREAKDOWN BY YEAR (USD MILLION)



HUMAN RESOURCES

A sustainable human resources system



29,520
Total employees

Human Resources by the Numbers
As of year-end 2022, Turkish Airlines has a total of 29,520 employees; 15,717 are male (53.3%) and 13,803 are female (46.8%). Turkish Airlines employees have an average seniority of 9.4 years and an average age of 38.6. 35.5% of the Incorporation's employees are ground personnel, 19.6% are flight crew and 44.8% are cabin crew. As of year-end 2022, Turkish Airlines had a total of 394 aircraft, including cargo aircraft. The average number of employees per aircraft is 74.9.

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 qualifications of these employees.

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

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

Employee Experience
In 2022, our Incorporation received the "Happiest Workplace in Türkiye Award" within the "Happy Workplaces® - Happiest Workplaces in Türkiye Survey" thanks to its leading employee experience practices and people-oriented approach.

As an organization with offices and employees in 129 countries, online/physical events and game tournaments were organized throughout 2022 to increase interaction and communication among employees. For the same purpose, an internal communication publication on human resources agendas and social content was shared with employees on a monthly basis.

Flexible working hours were introduced, allowing employees to determine their working hours according to their own preferences. The flexible hours practice helped to maintain work-life balance and support employees in creating time for their own development.

Orientation activities organized for new employees to familiarize them with the Incorporation and the aviation industry were redesigned with an employee experience perspective to increase the sense of belonging and loyalty of new employees to the organization.

Thanks to the in-house application "Feedy", which enables feedback to be given instantly and easily, a total of 14 thousand feedbacks were given in 2022.

Thus, giving feedback has become a culture of the Incorporation and contributed to the development of employees.

In order to analyze expectations and demands more accurately, the Employee Loyalty and Experience Survey was shared with all employees.

As always, also in 2022, improvements were made to maximize employee satisfaction and loyalty by focusing on "people".

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

In 2022, 173 people became members of the Turkish Airlines Family through Take-Off 101 (Part-Time Student) program, 89 people through Take-Off 101 (Anatolian Part-Time) program and 275 people through Take-Off Jr. program.

In addition to the employment of young talents, Take-Off Sr. vacancies are also offered to people with experience in different fields to continue their careers in the dynamic and developing aviation industry.

The Incorporation will continue to contribute to employment with all programs, to shape the future of our country and aviation, and to open the competitive and rapidly developing doors of the sky in 2023 as well.

As an airline that values the "Employer Brand" within the sudden sectoral developments and a strategic human resources perspective, an Orientation and Career Activities unit was established in 2022. Steps have been taken to ensure that orientation, which is one of the first steps towards a valuable employee experience, is evaluated within the scope of more corporate and up-to-date HR practices so that employees adapt to the corporate culture faster and more effectively. At the same time, to participate in career events held in many parts of the world with the title of "The Airline Flying to the Most Countries in the World", and to inform experienced, newly graduated or student candidates aiming for a prestigious career opportunity about the social opportunities available to each employee who adds value to the brand have been adopted as priorities.

In recognition of its contribution to a productive and growing economy, Turkish Airlines received the "Star of Productive Türkiye" award at a reception organized by the Social Security Institution as part of Social Security Week.

In 2022, maintaining its focus on technology and innovation in Human Resources operations, the Incorporation added robotic colleagues to the team and expanded Robotic Process Automation processes.

HR Business Partners Model
In line with the vision of creating a communication-oriented culture, Turkish Airlines has implemented the HR Business Partner (HRBP) model, which will serve as a strategic bridge between HR and departments.

As a solution partner with a proactive approach, HRBP aims to convey Turkish Airlines HR practices to employees more closely and to improve the processes by conveying the feedback of employees to the relevant units of our Incorporation, to ensure that permanent solutions are produced for the issues encountered in the field of HR and to follow up the solutions produced, to coordinate the relevant HR processes in the units for which they are responsible, and thus to provide a better employee experience by increasing employee loyalty.

HUMAN RESOURCES

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



74.9

Number of employees per aircraft

An open dialogue on occupational health and safety is established with employees, suppliers, customers, authorities, all relevant parties inside and outside the organization as regards current and future activities.

Employee Support

Within the extraordinary situations experienced in 2020-2021, the needs brought about by sudden sectoral developments and a strategic human resources perspective, the Employee Support approach was turned into a main function and a team of experienced employees was formed. All questions and needs of the Incorporation employees were quickly answered via e-mail and mobile application lines. Notifications were handled within the internal customer satisfaction and experience, necessary coordination and project design processes were ensured with the relevant units, and about 10,000 notifications were answered. In this scope, an Employee Support Portal was created, corporate applications, certificates and documents frequently used by employees, announcements needed in internal communication such as death, need for blood, etc., frequently asked questions, etc. were all gathered under a single roof, and employees were supported in both their business and social lives. In addition, discount agreements were signed with 40 new brands through corporate brand agreements to make employees feel privileged in their social needs. One of the most important duties of the Incorporation is to make each and every employee who contributes to the success of Turkish Airlines and adds value to the brand feel how valuable they are.

Occupational Health and Safety

Turkish Airlines, through its declared Occupational Health and Safety Policy, carries out occupational health and safety activities by bringing together its employees, customers, suppliers, subcontractors, affiliates, all business partners, and shareholders for the same purpose.

Turkish Airlines acts in compliance with national, legal, and other regulatory requirements and international rules of the aviation industry in this field. 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, customers, suppliers, subcontractors, and affiliates.

Considering the People While Growing

The Incorporation Management believes in the importance of everyone working in a healthy and safe manner and this is a part of the success of the Incorporation. In order to improve Occupational Health and Safety performance, employees or their representatives are communicated through various methods in the organization, and effective participation and consultation is ensured.

It works to support the development of occupational health and safety culture within the framework of TS ISO 45001:2018 Occupational Health and Safety Management System Standard by increasing the know-how and awareness of its employees on Occupational Health and Safety. Turkish Airlines shows leadership and commitment in the planning, implementation, maintenance, and development of the occupational health and safety management system, in the context of consultation with and participation of employees. It is committed to the provision and existence of the necessary resources for the occupational health and safety management system.

An open dialogue on occupational health and safety is established with employees, suppliers, customers, authorities, all relevant parties inside and outside the organization as regards current and future activities.

Turkish Airlines identifies occupational health and safety hazards in its operations and develops action plans to eliminate hazards, reduce all risks, and manage all opportunities. It works to prevent injury and deterioration of health, to provide safe and healthy working conditions and ensures the surveillance of the working environment and the continuity of preventive medicine activities. Turkish Airlines ensures that the employees involved in critical functions are physically and medically suitable for the operations they will perform.

While the Incorporation provides the necessary infrastructure to ensure a healthy and safe working environment for the employees, subcontractors, and visitors, it determines possible emergencies in the work areas and takes measures for all scenarios.

Turkish Airlines monitors, measures, and reviews its occupational health and safety performance in line with its goals and continuously improves its performance in this field by considering the best practices in the world. It fulfills the requirements of appropriate management procedures by constantly reviewing its policy with goals on occupational health and safety and continuous improvement programs.

In 2022, maintaining the focus on technology and innovation in Human Resources operations, robotic colleagues were joined to the team and Robotic Process Automation processes were expanded.

SUSTAINABILITY

Adding value to the future

Turkish Airlines determines its material issues within the scope of sustainability with a consideration of national and international trends and the expectations of its stakeholders.

In 2022, the sustainability governance structure of the Incorporation was even more reinforced by establishing four separate Sustainability Sub-Committees which are Sustainability Strategy, Corporate Social Responsibility and Communications Projects, Sustainable Practices and Emissions Management.

Our Sustainability Approach
Behind this development of Turkish Airlines, which was established in 1933 and has continued to grow and steam ahead since its establishment, is undoubtedly a successful sustainability management. Our national flag carrier, which carries out its activities by bringing the notion of "sustainability", whose importance is increasing day by day, to the center of its business model; it continues its efforts with the aim of going beyond today's achievements and creating value in the future. Having declared its "Sustainability Vision" in 2009, the Incorporation, has taken important steps in the field of sustainability each year, ensuring that its sustainability strategy has reached its current position with solid foundations.

Determining its material issues within the scope of sustainability with a consideration of national and international trends and the expectations of its stakeholders, Turkish Airlines carried out a comprehensive study was held in order to identify its Material Issues in the 2021 reporting process. At the outset of the study, a framework was established consisting of the issues which might be important to the aviation sector. In the framework in which the expectations of sector and competitor practices, World Economic Forum (WEF) Global Risk Reports, Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), Task Force on Climate-related Financial Disclosures (TCFD) were taken into account, the priority of 17 Sustainable Development Goals for Turkish Airlines' sustainability perspective was evaluated in the study. The expectations and views of all stakeholders were received by conveying the identified material issues to the external stakeholders including investors and shareholders, customers, financial institutions, subsidiaries, suppliers, insurance and brokerage firms, as well as members of working groups, company executives and employees of Turkish Airlines via online Turkish-English surveys. Upon the evaluation of output of the survey according to their significance levels in a workshop with the participation of nearly 100 employees consisting of members of Turkish Airlines Sustainability Working Group, executives from various units, the results were presented to the approval of Turkish Airlines senior management and the material issues were identified accordingly.

The material issues of Turkish Airlines are detailed on page 32 in Sustainability Report and can be accessed via the link below:

turkish-airlines-sustainability-report-2021.pdf (turkishairlines.com)

Sustainability Management
The chairperson of Sustainability Committee of Turkish Airlines, which pursues to address its sustainability strategy under the roof of Sustainability Committee established in 2021, is the CEO of Turkish Airlines, the vice chairperson is the Chief Investment and Technology Officer. The Sustainability Committee, which convenes under the chairmanship of the CEO with the participation of the Chief Officers and the SVP (Senior Vice President) of Subsidiaries, convenes at least once every quarter. The Sustainability Committee carries out its activities to determine, review and continuously improve the sustainability management strategy, sustainability policy and short, medium and long-term sustainability targets, and to decide on improvement projects that will increase the sustainability performance of Turkish Airlines.

In 2022, the sustainability governance structure of the Incorporation was even more reinforced by establishing four separate Sustainability Sub-Committees which are Sustainability Strategy, Corporate Social Responsibility and Communications Projects, Sustainable Practices and Emissions Management. In the sustainability sub-committees, carried out with the participation of managers of units who have various expertise in the field of sustainability, studies and projects in accordance with the sustainability strategy of the Incorporation are identified by considering the legal and other requirements, the material sustainability issues of the



Incorporation, prominent sectoral issues, best sectoral practices and global trends. The meeting outputs composed as a result of the evaluations, are presented as agenda items to the main Sustainability Committee and evaluated at senior management.

Turkish Airlines is determined to develop larger cooperations in the field of sustainability and follow sustainability issues closely with its sense of responsible leadership and continuous improvement principle. To that end, along with the sustainability issues discussed in the Sustainability Committee of the Incorporation, Turkish Airlines has also various memberships in many committees, working groups and technical groups with aim of keeping abreast of global trends and novelties in the industry swiftly.

Raising the level of representation to the senior management level in memberships on these platforms, the national airline plays an active role in setting industry standards.

The table of the committees, working groups and technical groups of which Turkish Airlines is a member is given in detail on page 42 in the Sustainability Report:

turkish-airlines-sustainability-report-2021.pdf (turkishairlines.com)

The Incorporation improves its sustainability performance each year with investments, projects and good practices realized by following global trends and innovations in the industry, and carries out its activities with the aim of increasing its positive impact on earth. The support it has given to the United Nation's Sustainable Development Goals (UN SDGs) by taking its place among the participants of UN Global Compact, the largest corporate sustainability initiative of the world, in 2022, has been one of the important steps taken in order to realize this goal. Yet, the participation in the "25 by 2025- Women's Empowerment Initiative", a voluntary initiative conducted by the International Air Transport Association (IATA) in order to increase the representation of women in pilot and senior managerial roles in the aviation industry, with the participation of IATA member airlines, also proves its support for sustainable development goals.

SUSTAINABILITY

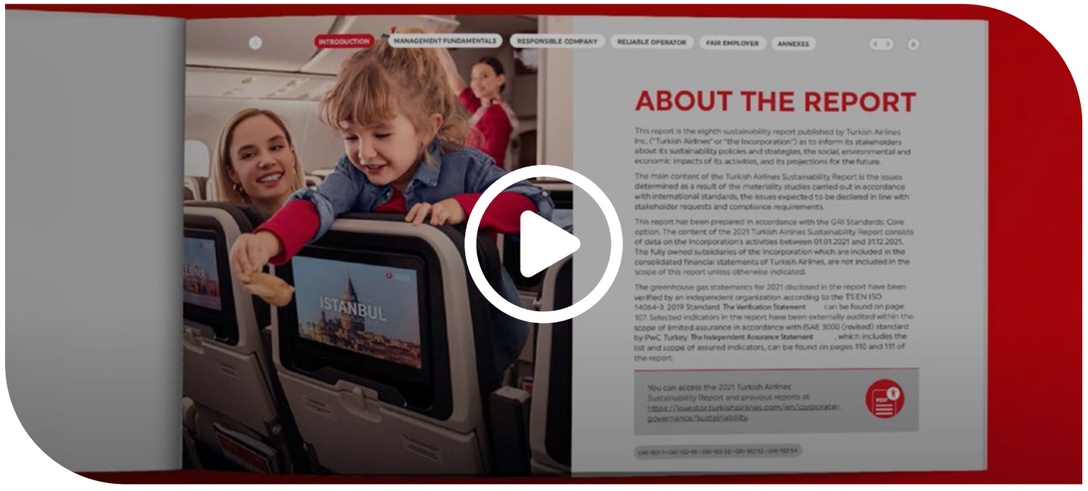
Incorporation was deemed worthy of "2022-Sustainability Award" in the category of "Most Sustainable Flag Carrier Airline" by World Finance, one of the prestigious organizations in the international financial world.

The Incorporation received the "Airline Sustainability Innovation of the Year" award in 2022 by CAPA - Centre for Aviation, with the support it has given to the "Microalgae Based Sustainable Bio-Jet Fuel Project (MICRO-JET)", in which the production of sustainable aviation fuel from microalgae is aimed.

The Incorporation participates voluntarily in the performance evaluations of national and international indices and sustainability rating agencies, which support meeting the expectations of the stakeholders by providing a transparent communication network with all the relevant parties. This participation both enables the analysis of current situation in the industry and the monitoring of global trends. It is aimed to increase performance by ensuring the continuity of participation in the performance evaluations of national and international indices and sustainability rating agencies, such as DJSI, FTSE4Good, MSCI, EcoVadis, Sustainalytics, TPI and Borsa İstanbul Sustainability Index, which were also voluntarily participated in the previous years. As a result of these evaluations made by the world's leading rating agencies, both company-based and sector-specific scores were raised to higher levels compared to the previous year. With the 2021 Sustainalytics ESG Risk Rating Score, Turkish Airlines ranked 1st in the "lowest risk" ranking among 69 participants in the airline sub-sector, and succeeded in being in the "lowest 1% risk segment" in its sector. Global airline, which was deemed worthy of an award in the "Bronze" category by Ecovadis in 2021, was awarded in the "Silver" category with its performance in 2022.

Turkish Airlines has continued its presence in 2022 in the BIST Sustainability Index, which includes companies traded on Borsa Istanbul with high corporate sustainability performances and aims to increase knowledge and practices on sustainability. Beyond its presence in the Sustainability Index and the BIST Participation Sustainability Index; as the first and only airline to be included in the BIST Sustainability 25 Index, it ranked first among 47 airlines evaluated by Refinitiv for its sustainability performance.

With the sustainability-focused activities it has realized and the awards it has received the Incorporation, having its name rather frequently mentioned in national and international arena, was deemed worthy of "2022-Sustainability Award" in the category of "Most Sustainable Flag Carrier Airline" by World Finance, one of the prestigious organizations in the international financial world. Working with Zero Waste policy in sustainability, the Incorporation received this award due to its fleet being one of the world's youngest and most modern, commitment to gender equality, its projects for decreasing emissions and fuel usage in order to combat climate change, biofuel usage, its support for R&D projects with this scope, flexibility and strong financial performance during pandemic.



The Incorporation, which has been deemed worthy of an award for its innovative studies in the field of sustainability, received the "Airline Sustainability Innovation of the Year" award in 2022 by CAPA- Centre for Aviation, with the support it has given to the "Microalgae Based Sustainable Bio-Jet Fuel Project (MICRO-JET)", supported by TÜBİTAK, together with Boğaziçi University, in which the production of sustainable aviation fuel from microalgae is aimed.

In the APEX World Class 2023 awards, which was organized for the second time this year by APEX (Airline Passenger Experience Association), which is considered one of the most reliable and respected aviation organizations in the world, and only 8 airlines were awarded this year, the Incorporation was once again was deemed worthy of "APEX World Class" and "2023 Five Star Global Airline" awards in the APEX World Class 2023 awards. The flag carrier that connects more countries than any other in the world, was selected as the "Five-Star Global Airline" for the sixth time this year, with the passenger ratings. In addition, as a result of the detailed hygiene measures being implemented, İT was awarded the highest level "Diamond" status by APEX (Airline Passenger Experience Association) and SimpliFlying partnership this year as well as last year.
On the other hand, the Incorporation was granted "Golden Award" by the League of American Communications Professionals, LACP for the 2021 Sustainability Report in the 2022 LACP Spotlight Awards Global Communications Competition.

Combating Climate Change

In order to increase the ability to adapt to the adverse effects of climate change, which is among the leading global problems of today and affects all countries regardless of their level of development, governments and companies announce long-term emission reduction targets at the global level. Within this direction, the Incorporation adopts the targets set by International Air Transport Association (IATA) of which it is a member, for reducing the carbon emissions from aviation and works with dedication to achieve the targets.

Almost all of the emissions of airline operators come from the combustion of aviation fuel. Therefore, the use of sustainable aviation fuel (SAF) for long-term emission reduction has been included in the plans, with the awareness of the key role of sustainable aviation fuel in achieving emission reduction targets of airlines. To this end; a significant step has been taken by starting to use Sustainable Aviation Fuel on February 2, 2022 Istanbul-Paris flight. SAF fuel, which is regularly used on flights once a week, is planned to be used with increasing frequencies in different destinations in the future.

SUSTAINABILITY

Turkish Airlines has taken another step in its fight against climate change with the CO_2mission Project, which has been implemented as of August 1, 2022.



With the awareness of the key role of sustainable aviation fuel in achieving emission reduction targets of airlines; a significant step has been taken by starting to use Sustainable Aviation Fuel on February 2.

Turkish Airlines used a special design adorned with leaves on its Airbus 321 type aircraft which was used on its environmentalist fuel operation and operated its first flight with the new themed aircraft to Stockholm with TK1795 flight. In this biofuel flight, the "Green Class" concept, which is designed specifically for the first biofuel flight, the zero waste principle was applied. Apart from providing information on the sustainability actions with the Green Class concept of this first flight, Turkish Airlines also took new environmentally conscious actions for this flight. While kraft tissues, paper cups, wooden salt and pepper shakers were used on the flight, all passengers were served complimentary healthy green tea. Another special measure was the nature-friendly pillow covers and blankets which were produced with 100 percent recycled certificated threads in order to save on water. Forest Stewardship Council (FSC) certified wooden toys were gifted for our child guests.

In addition to using SAF fuel, which is an important instrument for airline companies in the fight against climate change, it is quite important to support R&D projects on this subject and to increase SAF supply. In this context, Turkish Airlines, together with Boğaziçi University, supports the project by being among the stakeholders of the "Microalgae Based Sustainable Bio-Jet Fuel Project" (MIKRO-JET) supported by TUBITAK. As a national airline, it is aimed to be one of the rare global companies that can use sustainable aviation fuel, which is aimed to be obtained from microalgae, by not polluting water, soil and other resources, and not competing with agricultural activities.

As a national airline, it is aimed to be one of the rare global companies that can use sustainable aviation fuel, which will the output of this Project and which is aimed to be produced from microalgae without polluting water, soil and other resources, and not competing with agricultural activities.

Additionally, as Turkish Airlines, we continue to support projects that contribute to the development of Sustainable Aviation Fuels (SAF). In this manner, our Incorporation, which started to use Sustainable Aviation Fuel actively in our operations as of 2022, underlined the importance it attaches to the subject by signing the Global SAF Declaration which aims to decarbonize the aviation industry together with all industry stakeholders by accelerating the production and use of sustainable aviation fuels.

Another Project in which the use of SAF is supported is the "Global SAF Declaration" which aims to decarbonize the aviation industry together with all industry stakeholders by accelerating the production and use of sustainable aviation fuels. Turkish Airlines has once again proved the importance it gives to the fight against climate change by signing the Global SAF Declaration in which the complete decarbonization of sustainable aviation fuel is aimed.

Turkish Airlines, which has one of the youngest aircraft fleets in the world considering its fleet size and has been selected as "Türkiye's Most Valuable Brand" for the Fifth time in a row, continues to add new generation aircraft with high fuel efficiency and less noise level; In this way, it takes strong steps towards reducing carbon and noise emissions. Continuing its combat against climate change in many aspects such as fleet modernization, technology investments, increasing resource efficiency, fuel efficiency, and development of the environmental management system, Turkish Airlines has taken another step in its fight against climate change with the CO_2mission Project, which has been implemented as of August 1, 2022.

The project CO_2mission offers passengers flying with Turkish Airlines, as well as passengers traveling with other airlines, the opportunity to offset the emissions from their flights with various compensation projects. Within the scope of the project, the Incorporation also offsets the carbon emissions resulting from the business travels of all its employees.

In addition to the actions taken within the scope of climate change; governance structure, strategy, risk and opportunity management methods, the budget allocated for related studies and carbon emissions related metrics related to climate change are reported transparently to institutional investors and the public. Accordingly, in 2022, we participated in the Carbon Disclosure Project (CDP) Climate Change Program, the world's most respected reporting platform on climate change, which is a very important priority for the Incorporation and the sector in which we operate. The "B-" score obtained last year has been raised to the "B" level. Efforts within the scope of climate change are aimed to be carried forward in the future.

Management of Greenhouse Gas Emissions

Within the scope of combating climate change, which is one of its priority issues, Turkish Airlines carries out multidirectional studies in cooperation with many national and international organizations on the prevention and reduction of emissions, as well as on emission management. In this context, it voluntarily implements the CORSIA Draft (Carbon Offsetting and Reduction Scheme for International Aviation), which has been implemented by the International Civil Aviation Organization (ICAO) as a global solution, in order to reduce the effects caused by CO_2 emissions from the aviation industry, starting from the pilot phase. The Incorporation, which will continue to work in line with the CORSIA requirements in the coming years, will neutralize its emissions above the base year emission values with the appropriate emission credits produced in projects in line with the CORSIA Draft.

In addition to the international regulation requirements, the requirements within the scope of the European Union Emission Trading System (EU-ETS) and the United Kingdom Emission Trading System (UK ETS) are closely followed and necessary actions are taken. Emissions from intra-European flights are monitored, calculated and reported under EU-ETS and UK-ETS. Emissions Reports within this scope are verified annually by a third-party independent verification body. In this context, the Incorporation compensated for CO_2 emissions of 10,838 tons under the EU ETS and 3,130 tons under the UK-ETS in 2021. Turkish Airlines manages its emissions from a perspective that goes beyond compliance with regulations. In this respect, greenhouse gas emissions resulting from flight operations and activities carried out in Istanbul, Ankara and Izmir work areas have been voluntarily monitored, calculated and reported since 2016 in accordance with the TS EN ISO 14064-1 Standard for Calculation of Greenhouse Gas Emissions and Removal at the Enterprise Level. The Greenhouse Gas Emission Report is verified annually by a third-party verifier and the results are shared with the relevant parties through the Sustainability Report.

According to the verified emission data; Aviation fuel, which makes up 99.5% of our greenhouse gas emissions, is reduced by the implemented fuel efficiency policies and makes a high contribution to the reduction of greenhouse gas

SUSTAINABILITY

With more than 100 operational optimization projects successfully implemented since 2008 to reduce our carbon footprint, 57,581 tons of fuel was saved in 2022 and 181,379 tons of carbon emissions were prevented from being released into the atmosphere.

emissions. Within the scope of the implemented fuel efficiency policy, actions are taken for the optimization of activities, and new generation aircraft with high fuel efficiency and low emission value are added to the fleet with fleet modernization. Fuel saving practices are implemented under the headings of optimization of operations, investment in new technologies and improvement of infrastructure. With more than 100 operational optimization projects successfully implemented since 2008 to reduce our carbon footprint, 57,581 tons of fuel was saved in 2022 and 181,379 tons of carbon emissions were prevented from being released into the atmosphere.

Environmental Management Systems

Turkish Airlines has further strengthened the ISO 14001 Environmental Management System, which has been in practice since 2013 in line with the adopted "Continuous Improvement" principle, by being included in the IATA Environmental Assessment Management System (IATA Environmental Assesment-IEnvA), specially designed by the International Air Transport Association for airline companies.

As a result of the audit carried out in 2021 by an independent third-party organization authorized by IATA, it was the first airline to directly receive the IEnvA Program Stage 2 certificate, the highest level certificate of the program.

As committed in its environmental policy, our airline prioritizes energy and resource efficiency, and by working to reduce electricity and natural gas consumption, it is aimed to meet at least 5% of the energy in new buildings from renewable resources. New workspaces are designed to be more energy efficient and water efficient, healthy and high performance compared to conventional buildings, and the necessary care is taken to ensure that they are energy and environment friendly. In this context, 9 buildings at Istanbul Airport have been certified with LEED certification, taking into account location and transportation, the sustainability level of building lands, water efficiency, materials and resources used, energy and atmosphere, and indoor quality. The global airline brand of Türkiye has completed the work it started for obtaining the LEED v4.1 O+M: EB Business Certificate—It is a certificate that aims to continuously reduce its environmental impact by improving energy, water, material and indoor quality performances—in order to crown the services provided by its work in 2022 and to advance towards the top in every field in its sector. With the OC-Team Terminal Building used as the Flight Crews Terminal of Turkish Airlines, the flag carrier airline has become the 3rd airline in the world with a platinum operation certificate and the 1st airline in Europe. In addition to its main activity, flight operation, it has been positively differentiated from its competitors in the sector as a result of the importance and care it gives to sustainability in its work areas. Adopting the criteria determined during the certification process as a business culture and applying them in all buildings is among the targets of Turkish Airlines.



COMPLIANCE MONITORING MANAGEMENT AND QUALITEAM

Europe's leading airline

Turkish Airlines carries out all of its activities in compliance with the laws it is subject to, national and international civil aviation rules, and all the conditions it undertakes, without compromising customer satisfaction.



310
Audit

745
Quality Control

27
Qualiteam Audit

Turkish Airlines aims to provide the same service quality to all its customers at every point by constantly improving all its processes.

As one of Europe's leading and global airlines preferred for its flight safety, security and service quality, Turkish Airlines carries out all of its activities in compliance with the laws it is subject to, national and international civil aviation rules, and all the conditions it undertakes, without compromising customer satisfaction.

Continuing to operate with the principle of best service approach, Turkish Airlines, observes total quality with its customer-oriented, employee-oriented and environmentally friendly approach while planning and managing its activities.

Turkish Airlines aims to provide the same service quality to all its customers at every point by constantly improving all its processes. Accordingly, as the leading airline of the sector, it keeps the quality standards at the highest level by operating the globally accepted Compliance Monitoring System with its own unique audit model Qualiteam, the corporate brand of the Turkish Airlines quality system, in order to ensure customer satisfaction above expectations with its competent and experienced employees, deep-rooted corporate memory, advanced infrastructure and technology and an innovative management style.

Qualiteam Audit Model, which was established as a performance monitoring and continuous improvement methodology for the Incorporation to develop and continue its mission and achieve its visions, objectively evaluates Management Systems (ISO 9001 Quality Management System, ISO 14001 Environmental Management System, ISO 45001 Occupational Health and Safety Management System, ISO 10002 Customer Satisfaction Management System), Star Alliance Core Values, SHY-YOLCU and Brand Management in the areas it serves and determines the points to be developed by monitoring operational performance and quality performance data together.

With this perspective, 27 Qualiteam audits were carried out in 2022, their national and international compliance and service standardization were evaluated, and they took place in the continuous improvement cycle to provide better service to customers. Rewarding was done according to the results of the Qualiteam audit and the numerical equivalent of the compliance was identified. In 2022, pilot regions were selected from international stations to increase the working areas where the Qualiteam Model has been implemented.

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.

Turkish Airlines implements ISO 9001 Quality Management System, ISO 10002 Customer Satisfaction Management System, ISO 14001 Environmental Management System, ISO 45001 Occupational Health and Safety Management System and ISO 27001 Information Security Management System, and calculates and verifies greenhouse gases in accordance with ISO 14064-1 Standard for Organization Level Quantification and Reporting of Greenhouse Gas Emissions and Removals. In 2022, the Incorporation aims to increase energy utilization efficiency by setting up the ISO 50001 Energy Management System.

In order to ensure flight safety and quality in all operations of the Incorporation, audits and quality controls are carried out regularly within the framework of the rules published by the Civil Aviation Authorities. Having performed 310 audits and 745 quality control activities by 64 competent and authorized auditors and 49 quality controllers within the Compliance Monitoring System at each operation site by considering customer satisfaction and flight safety of 2022, product, service and operation quality were evaluated and necessary improvements were accomplished.

QUALITY AND CUSTOMER SATISFACTION

Turkish Airlines adopts the approach of continuously increasing its performance with a service approach beyond the needs and expectations of its customers. In this context, the Incorporation maintains the TS EN ISO 9001 Quality Management System Certification, which it has held since 2006. Advancing with the customer-oriented principle of its Quality Management system, Turkish Airlines ensures the continuity of the TS EN ISO 10002 Customer Satisfaction System, which it has owned in 2015 within the scope of passenger transportation service and in 2019 within the scope of cargo transportation service.
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 maintained its Management System Certifications as a result of a certification audit performed in 2022 by an independent audit firm. Turkish Airlines improves products and services and ensures their continuity by utilizing information obtained from customer feedbacks.

COMPLIANCE MONITORING MANAGEMENT AND QUALITEAM

The Incorporation continues its training and auditing efforts in order to raise the information security awareness of its employees and other stakeholders.

Turkish Airlines aims to effectively manage and minimize the environmental impacts of its operations through the principles defined within the framework of its Environmental Policy, which was established in line with the principle of "continuous improvement."

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 2022, ensuring the continuity of its certificate, 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
Turkish Airlines strengthened the ISO 14001 Environmental Management System, which it has been implementing since 2013, with a management model specific to the aviation industry in 2020. In this direction, it participated to the IATA Environmental Assessment - IEnvA Management System, which was specially designed by the International Air Transport Association (IATA) for airline companies. Turkish Airlines aims to effectively manage and minimize the environmental impacts of its operations through the principles defined within the framework of its Environmental Policy, which was established in line with the principle of "continuous improvement."

To this end, the Incorporation renewed its ISO 14001 Environmental Management System Certification by independent audit firms in 2022 and maintained its IEnvA Program Stage 2 Certification.

OCCUPATIONAL HEALTH AND SAFETY
Turkish Airlines believes that ensuring the health and safety of its employees, business partners and contractors, and all stakeholders in its operating locations is an important component of its business success. Accordingly, the Incorporation positions occupational health and safety practices as an integral part of the Company culture, going beyond legal requirements. The Incorporation decided that the Occupational Health and Safety Management System, which is being implemented since 2013, is audited and re-certified by independent audit institutions in 2022.

ENERGY MANAGEMENT
Turkish Airlines obtained the ISO 50001 Energy Management System Certificate in 2022 as per its policy of using energy with maximum efficiency, reducing the use of natural resources and bringing its employees, customers, suppliers, subcontractors, subsidiaries, affiliates, all business partners and shareholders together for the same purpose by adopting the principles of sustainable development. In this way, the Incorporation took its place in the comprehensive step taken to make the world a better and healthier place by carrying out studies for the continuous improvement of energy performance and efficiency and energy use and consumption activities in today's world where energy is of great importance.



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.

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.

Turkish Airlines successfully completed its 10th IOSA Certificate Renewal Audit in 2022 and continues to be IOSA authorized until 2024.

SAFA
As a result of audits conducted in 2022 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 51 international airports and by 39 Civil Aviation Authorities, Turkish Airlines ended 2022 on a SAFA ratio of 0.143.

This strong ratio - highly successful compared to European countries' operators whose SAFA average is 0.45 - results from national and international relations that are managed more effectively. In addition, the Safety Assessment of Company Aircraft (SACA) Program, which is applied to the Incorporation aircraft with the same method as the SAFA program and managed with risk-based controls by the Turkish Airlines audit team, which is authorized and assigned as a result of meeting the training, experience and equipment requirements, taking into account the parameters determined by the authorities and manufacturers, also has a great impact.

An outcome of the importance given by Turkish Airlines to operational safety and security investments, this ratio contributed to reducing Türkiye's average SAFA ratio average to 0.29.

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 Authorization - 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 has successfully completed the periodic review of TCO operators within the scope of EASA's monitoring program and maintains its EASA TCO Authorization.

FINANCIAL RISK MANAGEMENT

Financial Risk Management Strategy

The financial risk management strategy of Incorporation mainly aims the sustainability of competitiveness and profitability by identifying and controlling the factors that may pose a risk to cash flow and financial stability.

Hedging strategies are developed and implemented for the management of defined financial risk factors. Natural hedging methods are prioritized in order to keep financial risks at a controllable level, and in cases which this is not possible, financial transactions can be made. In this context, derivative transactions are done against possible fluctuations in commodity prices, exchange rates and interest rates. It is aimed to increase predictability and keep the financial impact that will occur as a result of fluctuations in a reasonable and manageable level with these transactions.

The functionality and efficiency of the Incorporation's risk management strategy are regularly monitored by the Treasury and Risk Management Commission, which consists of relevant executives. At the periodic meetings held by this Commission; current financial conditions, macroeconomic outlook, sector dynamics and geopolitical developments are evaluated and necessary decisions are taken for the management of potential financial risks.

Key Financial Risk Elements

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

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

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

Foreign exchange risk: The effect of changes in the values of currencies in different compositions that forms income and expenses on cash flow and profitability.

Counterparty risk: Losses that may arise in case of default of the financial counterparty institutions in financial transactions.

Cash Flow Risk Management

The establishment and implementation of a sound cash management policy is one of the most prioritized issues of the Incorporation. Medium/long term cash flow estimation practices/ studies are carried out on the basis currencies regularly on monthly basis, in order to proactively manage cash flow risk. This study, which provides foresight about the future cash and currency position, forms the basis for investment and financial decisions.

Additionally, the minimum cash level that will ensure the healthy continuation of operations has been set as well. Current and forecasted cash amounts are tracked regarding this minimum level, and all necessary precautions are taken to ensure that the minimum cash level is not breached.

Fuel Price Risk Management

Fuel expense is the highest amount of operational cost item of the Incorporation. Thus, changes in fuel price have the potential to generate a huge fluctuation on both cash flow and corporate profitability. In order to keep this effect at a reasonable and manageable level, a fuel price risk hedging strategy has been developed. Within the scope of this strategy, considering market prices and expectations, hedging transactions can be done for the tenor of at most the next 24 months and up to 60% of the forecasted fuel consumption of the following month. In these transactions, swap and option-based derivative instruments with/without premium can be used and transactions can be suspended in cases when the prices are excessively high and the market foresight is distorted.

Since there is a historically high correlation between the course of the crude oil price and the jet fuel price, derivative instruments with crude oil as underlying are used in related hedging transactions, since they have a deeper market. Moreover, the fuel surcharge which is a component of the ticket price, is also important for the management of the fuel price risk. The fuel surcharge is determined by taking into consideration the international aviation market conditions and the competition.

In the context of monitoring the fuel price risk, structural changes in the fuel price and market dynamics along with the global macroeconomic and geopolitical developments are closely tracked. In addition, other strategies applied in the aviation sector are evaluated in a routine in terms of maintaining competitiveness and the hedging methodology can be revised if seen necessary.

Foreign Exchange Risk Management

The difference in the composition of the income and expense currencies of the Incorporation generates a potential exchange rate risk. In terms of the management of exchange rate risk, natural hedging is primarily targeted. 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 May 2015, the Incorporation performed studies for the transition from Euro to US dollars in pricing of international flights departing from Türkiye, as a natural hedging practice from exchange rate risk. The long position in the Euro and the short position in the US Dollar of the Incorporation became more balanced as a result of this transition. Additionally, in transactions that can be managed on a contract basis such as aircraft financing, commercial loan utilization and purchasing operations, currencies that will make the foreign exchange position more balanced are preferred.

Besides the natural hedging approach, transactions can be carried out to manage the exchange rate risk by using forward and option-based derivatives with/without premium when needed.

Interest Rate Risk Management

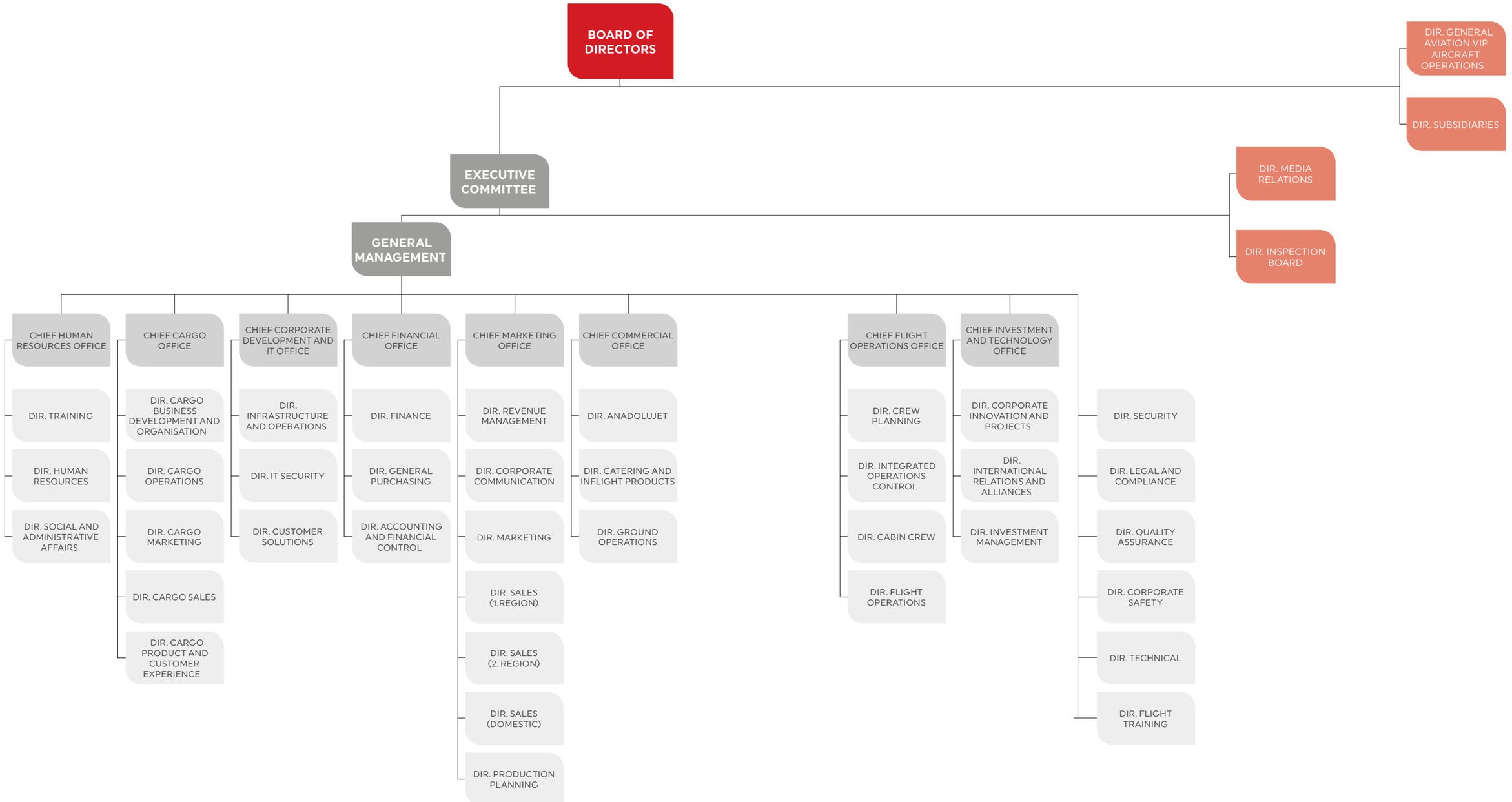
Turkish Airlines carries a long-term debt portfolio as a result of the financing of all investments and working capital needs and aircraft procurements. This debt portfolio can consist of fixed and/or floating rate transactions. On the other hand, with priority being given to cash flow planning and keeping the maturity-yield relation at an optimum level, the Incorporation generates returns from the financial investments made by its cash holdings. The consolidated impact of changes in interest rates on financing costs and portfolio returns is regularly analyzed within the scope of interest rate risk management. If deemed necessary, hedging transactions can be made by using swap and option-based derivative products, and thus, keeping the interest liability arising from floating rate financings at a controllable level is aimed.

Counterparty Risk Management

The possible loss that may arise with the default of the counterparty institutions in financial transactions is aimed to be minimized. For this purpose, limit/risk methodologies have been developed in order to determine the maximum transaction volume that can be carried out with counterparty institutions.

For deposit transactions, the ultimate transaction limit is determined by evaluating various financial metrics that are accepted by the market. For derivative transactions, the counterparty's default probability together with these metrics are also considered, and counterparty transaction limits are determined accordingly. In this context, "Derivative Transaction 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 Türkiye 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-17.1 and pays utmost attention to abide by non-mandatory principles thereof.

Pursuant to the Capital Market Board Corporate Governance Communique n: II-17.1 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.

Among the non-mandatory Corporate Governance Principles, the principles not applied by our Incorporation and their justifications are presented in the templates and in the relevant parts of the report. In our Incorporation, efforts are continued to continuously improve the Corporate Governance approach and to increase the level of compliance with the Corporate Governance Principles.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

	COMPLIANCE STATUS					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
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					
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 Shareholders' 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 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.
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					

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

	COMPLIANCE STATUS					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
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					
1.7. TRANSFER OF SHARES						
1.7.1 - There are no restrictions preventing shares from being transferred.	X					
2.1. CORPORATE WEBSITE						
2.1.1. - The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					
2.1.2 - 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					
2.1.4 - 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					

	COMPLIANCE STATUS					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
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 organizes trainings for employees.	X					
3.3.4 - Meetings have been organized 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					
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					

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

	COMPLIANCE STATUS					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
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					
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					The Investor Relations Department submitted the annual report regarding its activities to the Board of Directors of the Incorporation.
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				By participating in the "25by2025-Advancing Gender Balance by 2025" initiative carried out by the International Air Transport Association (IATA), our Incorporation has committed to increase the number of female employees in pilot and senior management roles by 25% until 2025, but Board of Directors does not have a specific target in terms of the ratio of female members.
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/ accounting and finance.	X					
4.4. BOARD MEETING PROCEDURES						
4.4.1-Each board member attended the majority of the board meetings in person or online.	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				There is no restriction regarding the members of the Board of Directors to take on other duties outside the company. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.
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 favor 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.

CORPORATE GOVERNANCE INFORMATION FORM

SHAREHOLDERS

1.1. Facilitating the Exercise of Shareholders Rights	
The number of investor meetings (conference, seminar/etc.) organized by the company during the year	Investor Relations Department participated in 7 investor conferences and roadshows, held 78 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/1006619
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 unanimous.
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communique on Corporate Governance (II-17.1)	https://www.kap.org.tr/en/Bildirim/1005612
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communique on Corporate Governance (II-17.1)	-
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/1013800
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 to 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 137,999,999,999 Group A shares and 1 Group C share, each with the nominal value of 1 Kurus. Group C share belongs to 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 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	Yes
If yes, specify the relevant provision of the articles of association.	Article 10
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 01.01.2021-31.12.2021 prepared in accordance with the IFRS within the framework of the provisions of the Communiqué of the CMB Serial: II, and Number: 14.1 and audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., net profit for the period is TL 8,214,000,000; on the other hand, according to the legal books (under the provisions of Turkish Tax Procedure Law), the net loss for the period is TL 29,227,518,258. And previous years' loss account has a balance of TL 33,716,129,739. The loss 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 8,214,000,000 (according to IFRS) will be transferred to the previous years' profit account. The acceptance of the proposal of the Board of Directors concerning the loss distribution for the year 2021 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/1013800

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 for each resolution 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
29.03.2022	0	61.05%	49.14%	11.90%	Investor Relations / Corporate Governance / 2022 / General Assembly	Investor Relations / Corporate Governance / 2022 / General Assembly	There is not any relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions.	232	https://www.kap.org.tr/en/Bildirim/1013800

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	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	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	Other Information
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 - Human Resources Policy - Corporate Social Responsibility

CORPORATE GOVERNANCE INFORMATION FORM

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.

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	60
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	Ahmet Bolat
Name of the CEO	Bilal Ekşi
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	-
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	Investor Relations / Corporate Governance / Sustainability / Sustainability Policy
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
AHMET BOLAT	Non-executive	Not independent director	27.01.2022				
MECIT EŞ	Non-executive	Not independent director	29.03.2013				
BILAL EKŞI	Executive	Not independent director	21.10.2016				
MURAT ŞEKER	Executive	Not independent director	26.03.2021				Yes
MEHMET KADAIFÇILER	Executive	Not independent director	27.01.2022				
ORHAN BİRDAL	Non-executive	Not independent director	9.06.2017				
MELİH ŞÜKRÜ ECERTAŞ	Non-executive	Independent director	31.03.2020	https://www.kap.org.tr/en/Bildirim/914362	Considered	No	No
ŞEKİB AVDAGİÇ	Non-executive	Independent director	27.01.2022	https://www.kap.org.tr/en/Bildirim/1006619	Considered	No	Yes
FATMANUR ALTUN	Non-executive	Independent director	4.05.2018	https://www.kap.org.tr/tr/Bildirim/914362	Considered	No	No

BOARD OF DIRECTORS-II

4.4. Meeting Procedures of the Board of Directors	
Number of physical or online board meetings in the reporting period	69
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 chartershttps://www.kap.org.tr/en/Bildirim/354773	https://www.kap.org.tr/tr/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 Board Member or Not 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		Mehmet Kadaifçiler	No	Board Member
Corporate Governance Committee		Mehmet Fatih Korkmaz	No	Not Board Member
Audit Committee		Şekib Avdagiç	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		Şekib Avdagiç	No	Board Member

CORPORATE GOVERNANCE INFORMATION FORM

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 - Evaluation of the Board of Directors on 2022 Results
Specify the section of website where remuneration policy for executive and non-executive directors are presented. Investor Relations / Corporate Governance / Remuneration Policy	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		50%	25%	1	1
Audit Committee		100%	100%	6	6
Committee of Early Detection of Risk		100%	100%	6	6

STATEMENT OF COMPLIANCE WITH SUSTAINABILITY PRINCIPLES

As the National Flag Carrier airline, Turk Hava Yolları A.O., which conducts all its activities considering social prosperity, social contribution and environmental awareness, declares its Environmental, Social and Corporate Governance (ESG) activities by including the template of Sustainability Report in accordance with the II-17.1 numbered Corporate Governance Communiqué and the decision dated 23.06.2022 and numbered 34/977 of the Capital Markets Board (CMB). All disclosures regarding the Sustainability Principles are also shared with all our stakeholders through the Public Disclosure Platform (KAP).

In line with the principles of transparency, fairness, responsibility and accountability, the sustainability program, which is based on the four focus points in the fields of Corporate Governance, Economy, Social and Environment, each of which contains many significant topics individually, is shaped at the center of sustainability strategy developed by considering the impacts of supply chain and broad-framed social expectations, the concerns of stakeholders in line with the general mission and strategy of Incorporation. Our corporation shall continue to conduct its activities pertinaciously in line with the Sustainable Development Goals set by the United Nations, with the aim of enabling entire humanity to live in peace and prosperity and protect our world.

Entitled to be included in the BIST Sustainability Index in 2022 once again, which includes companies traded on Borsa Istanbul with high corporate sustainability performances and aims to increase knowledge and practices on sustainability, Turkish Airlines A.O. became the first and only airline to be included in the BIST Sustainability 25 Index.

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

"If the compliance with the principles is determined as "Yes" or "Partially", the report information/link to the information disclosed to the public should be included. Explanations on compliance with the principles are included in the "Explanation" column. The extent to which the requested information is presented as consolidated or solo should be stated in the "Explanation" column."		COMPLIANCE STATUS				EXPLANATION
		YES	NO	PARTIALLY	IRRELEVANT	
A. General Principles						
A1. Strategy, Policy and Goals						
	Priority environmental, social and corporate governance (ESG) issues, risks and opportunities have been determined by the Incorporation's board of directors.	x				Risk Management, 2021 Sustainability Report, Page 23,24 Sustainability Management Structure, 2021 Sustainability Report, Page 29-31 Sustainability Priorities, 2021 Sustainability Report, Page 32 *https://investor.turkishairlines.com/documents/sustainability/2021-sustainability-report.pdf* C1.Governance, Turkish Airlines Carbon Disclosure Project (CDP) 2022 Report, Page 2-4 C2.Risks and Opportunities, Turkish Airlines Carbon Disclosure Project (CDP) 2022 Report, Page 5-10 *https://investor.turkishairlines.com/documents/surdurulebilirlik/cdp-climate-change-report-2022.pdf* Our Sustainability Approach, Turkish Airlines 2022 Annual Report, Page 140 Financial Risk Management, Turkish Airlines 2022 Annual Report, Pages 152, 153
A1.1	ESG policies (eg Environmental Policy, Energy Policy, Human Rights and Employee Policy etc.) have been created and disclosed to the public by the Board of Directors of the Incorporation.	x				OUR POLICIES; Sustainability Policy, *https://www.turkishairlines.com/en-int/press-room/about-us/our-policy/index.html* Our Environmental Policy, *https://www.turkishairlines.com/en-int/press-room/about-us/our-policy/index.html* Supplier Code of Conduct Policy, *https://investor.turkishairlines.com/documents/sustainability/supplier-code-of-conduct-policy.PDF* Public Disclosure Policy, *https://investor.turkishairlines.com/documents/genel-raporlar/public_disclosure_policy_v01.pdf* Human Resources Policy, *https://investor.turkishairlines.com/documents/boards-activity-report/4q2020-boards-activity-report-06012022.pdf, pages 28-29* Code of Business Conduct and Ethics Manual, *https://investor.turkishairlines.com/documents/code-of-business-conduct-and-ethics-manual.pdf* Dividend Policy, *https://investor.turkishairlines.com/en/corporate-governance/dividend-policy* Donation Policy, *https://investor.turkishairlines.com/en/corporate-governance/donation-policy* Remuneration Policy, *https://investor.turkishairlines.com/en/corporate-governance/remuneration-policy* *Our Safety Policy, https://www.turkishairlines.com/en-int/press-room/about-us/our-policy/index.html* Our Quality Policy, *https://www.turkishairlines.com/en-int/press-room/about-us/our-policy/index.html* Our Security Policy, *https://www.turkishairlines.com/en-int/press-room/about-us/our-policy/index.html* Our Occupational Health and Safety Policy, *https://www.turkishairlines.com/en-int/press-room/about-us/our-policy/index.html* Training Policy, *https://www.turkishairlines.com/en-int/press-room/about-us/our-policy/index.html* Our Customer Satisfaction Policy, *https://www.turkishairlines.com/en-int/press-room/about-us/our-policy/index.html* Energy Policy, *https://www.turkishairlines.com/en-int/press-room/about-us/our-policy/index.html* Information Security Policy, *https://www.turkishairlines.com/en-int/press-room/about-us/our-policy/index.html*

		COMPLIANCE STATUS				EXPLANATION
		YES	NO	PARTIALLY	IRRELEVANT	
A1.2	Short and long-term targets set within the scope of ESG policies were disclosed to the public.	x				C2.Risks and Opportunities, C21a Short, Medium and Long-Term Time Horizons, Turkish Airlines Carbon Disclosure Project (CDP) 2022 Report, Page 5 C4.Targets and Performance, Turkish Airlines Carbon Disclosure Project (CDP) 2022 Report, Page 14-18 *https://investor.turkishairlines.com/documents/surdurulebilirlik/cdp-climate-change-report-2022.pdf* Management of Climate Change Risks, 2021 Sustainability Report, Page 46 Climate Action Goals, 2021 Sustainability Report, Page 48 Energy Efficiency in Ground Operations, Page 53 Environmental Targets, 2021 Sustainability Report, Page 58 Fleet Modernization, 2021 Sustainability Report, Page 68 Sustainable Bio-fuels, 2021 Sustainability Report, Page 55 Gender Balance, "25by2025- Advancing Gender Balance by 2025", 2021 Sustainability Report, Page 88 *https://investor.turkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf* PROJECTIONS ABOUT THE INCORPORATION, Board's Activity Report 3Q'22, Page 21 *https://investor.turkishairlines.com/documents/boards-activity-report/board-activity-report-3q2022-eng.pdf* We aim to develop and continue our sustainability efforts in line with the United Nations Sustainable Development Goals by integrating them into all areas where our Incorporation operates. In addition, in the light of our responsible business approach, we, as Turkish Airlines, adopt the targets set by the International Air Transport Association (IATA), of which we are a member, and work devotedly to achieve this target. Adopting the principles of transparency, fairness, responsibility and accountability in all its activities, our Incorporation carries out efforts to ensure that its brand goals and values are adopted by its stakeholders, and will continue to develop good governance practices and develop collaborations in line with its vision of adding value to its stakeholders.
A2. Implementation/Monitoring						
A2.1	The committees and/or units responsible for the implementation of ESG policies and the highest level officials in the Incorporation related to ESG issues and their duties have been identified and disclosed to the public.	x				Sustainability Management, Sustainability Management Structure, 2021 Sustainability Report, Page 29,30 Duties and Responsibilities of the Sustainability Committee, 2021 Sustainability Report, Page 29-31 *https://investor.turkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf* C1. Governance, (C1.1) Board-level oversight of climate-related issues, Turkish Airlines Carbon Disclosure Project (CDP) 2022 Report, Pages 2-4 *https://investor.turkishairlines.com/documents/surdurulebilirlik/cdp-climate-change-report-2022.pdf* Sustainability Management, Turkish Airlines 2022 Annual Report, Pages 141-143 The management of the social, economic and environmental impacts arising from the activities of Turkish Airlines and the assessment of sustainability risks and opportunities that may impact the activities of the Incorporation are under the responsibility of the Board of Directors and the Executive Committee. In order to carry out these responsibilities effectively at all levels of the Incorporation's activities, the Sustainability Committee, whose members are Turkish Airlines senior executives, was established in 2021. The Chairman of the Sustainability Committee is the CEO of Turkish Airlines, and the Vice Chairman is the Chief Investment and Technology Officer. The Sustainability Committee carries out its activities to determine, review and continuously improve the sustainability management strategy, sustainability policy and short, medium and long-term sustainability targets, and to decide on improvement projects that will increase the sustainability performance of Turkish Airlines. The Sustainability Committee reports to the Board of Directors the risks and opportunities regarding material sustainability issues, its evaluations of the performance results obtained as a result of its establishment activities, the feedback from internal and external stakeholders,and the practices it has decided to increase the sustainability performance of the Incorporation in light of this information.

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

		COMPLIANCE STATUS				EXPLANATION
		YES	NO	PARTIALLY	IRRELEVANT	
A2.1	Activities carried out within the scope of policies by the responsible committee and/or unit were reported to the board of directors at least once a year.	×				Continuing to shape the sustainability strategy under the umbrella of the Sustainability Committee, which was established in 2021, Turkish Airlines' Sustainability Committee Chairman is CEO of Turkish Airlines and Vice President is Chief Investment and Technology Officer. The Sustainability Committee is chaired by the General Manager, with the participation of the Assistant General Managers and the Head of Subsidiaries, and meets at least once quarterly. The Sustainability Committee carries out its activities in order to determine, review and continuously improve the sustainability management strategy, sustainability policy, short, medium and long-term sustainability targets, and to decide on improvement projects that will increase the sustainability performance of the Incorporation. Turkish Airlines Sustainability Committee reports risks and opportunities regarding material sustainability issues, its evaluations of the performance results obtained as a result of its establishment activities, the feedback received from internal and external stakeholders and the practices it has decided to increase the sustainability performance of the Incorporation to the Board of Directors. Sustainability Management, Sustainability Management Structure, 2021 Sustainability Report, Pages 29-30 Duties and Responsibilities of the Sustainability Committee, 2021 Sustainability Report, Page 31 *https://investorturkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf* Sustainability Management, Turkish Airlines 2022 Annual Report, Pages 141-143
A2.2	In line with the ESG targets, implementation and action plans were created and disclosed to the public.	×				C2. Risks and Opportunities, Turkish Airlines Carbon Disclosure Project (CDP) 2022 Report, Pages 4-10 C3. Business Startegy, Turkish Airlines Carbon Disclosure Project (CDP) 2022 Report, Pages 11-14 C4. Targets and Performance, Turkish Airlines Carbon Disclosure Project (CDP) 2022 Report, Pages 14-18 *https://investorturkishairlines.com/documents/surdurulebilirlik/cdp-climate-change-report-2022.pdf* Energy and Emission Management, 2021 Sustainability Report, Page 47-55 Environmental Management, 2021 Sustainability Report, Page 56-64 Responsible Catering, 2021 Sustainability Report, Pages 65, 66 Fleet Modernization, 2021 Sustainability Report, Pages 67, 68 Customer Satisfaction, 2021 Sustainability Report, Pages 82- 84 Gender Balance, 2021 Sustainability Report, Pages 87, 88 Talent Management, 2021 Sustainability Report, Pages 47-55, 90-97 *https://investorturkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf* Sustainability Management, Turkish Airlines 2022 Annual Report, Pages 141-143 Combating Climate Change, Turkish Airlines 2022 Annual Report, Pages 143-145 Greenhouse Gas Emissions Management, Turkish Airlines 2022 Annual Report, Pages 145, 146 Environmental Management Systems, Turkish Airlines 2022 Annual Report, Page 146
A2.3	The ESG Key Performance Indicators (KPI) and the level of reaching these indicators on a yearly basis were disclosed to the public.	×				Performance Indicators, 2021 Sustainability Report, Pages 98-103 Economic Indicators, Revenue Breakdown By Category, 2021 Sustainability Report, Page 12 Total Traffic Figures, 2021 Sustainability Report, Page 13 Direct Economic Impact, 2021 Sustainability Report, Page 14 Contribution to Gdp of Türkiye, 2021 Sustainability Report, Page 15 Contribution To Public Finance, 2021 Sustainability Report, Page 15 Connectivity, 2021 Sustainability Report, Page 17 Contribution Of Supply Operations, 2021 Sustainability Report, Page 18 Environmental Indicators, Energy Consumption and Greenhouse Gas Emissions, 2021 Sustainability Report, Page 50 Non-Aviation Fuel Energy Consumption, 2021 Sustainability Report, Page 50 Greenhouse Gas Emissions, 2021 Sustainability Report, Page 50 Fuel Savings and Greenhouse Gas Emission Reduction Achieved by Basic Practices, 2021 Sustainability Report, Page 53 Carbon Offset Practices, 2021 Sustainability Report, Page 54 Environmentally Friendly Material Preferences, 2021 Sustainability Report, Page 62 Social Indicators, Code of Ethics Training, 2021 Sustainability Report, Page 26 Reporting Abuses, 2021 Sustainability Report, Page 27 Uçuş Emniyeti Faaliyet Verileri, 2021 Sustainability Report, Page 73 Reporting Performance, 2021 Sustainability Report, Page73 Safa Rate, 2021 Sustainability Report, Page 73 Flight Security Awareness Studies, 2021 Sustainability Report, Page 75 Occupational Health and Safety Data, 2021 Sustainability Report, Page 76 Disaster and Emergency Preparedness, 2021 Sustainability Report, Page 77 Number of OHS Training Participants, 2021 Sustainability Report, Page 77 R&D Activity Data, 2021 Sustainability Report, Page 80 Customer Satisfaction Rate, 2021 Sustainability Report, Page 84 *https://investorturkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf*

		COMPLIANCE STATUS				EXPLANATION
		YES	NO	PARTIALLY	IRRELEVANT	
A2.4	Activities to improve the sustainability performance of business processes or products and services have been disclosed to the public.	×				The main objective of Turkish Airlines' Sustainability Strategy is to create a successful business model where sustainability impacts are managed along the value chain. Our stakeholder base consists of stakeholder groups that are significantly affected by our operations, as well as parties that have the potential to influence Turkish Airlines' successful implementation of its strategy. With a transparent and accountable management approach, we take into account the expectations of stakeholders in our materiality analysis studies and decision-making processes to identify the material issues that form the basis of our Sustainability strategy, and we aim to meet these expectations with the studies carried out. For this reason, taking the opinions of our internal and external stakeholders regarding the improvement of our business processes, products and services is at the core of our sustainability understanding. Stakeholder Engagement, 2021 Sustainability Report, Pages 38-41 Our activities to improve our sustainability performance regarding our business processes or products and services in managerial matters are publicly disclosed in the sections detailed below in our 2021 Sustainability Report. Contribution of Supply Operations, 2021 Sustainability Report, Page 18 Internal Audit and Control, 2021 Sustainability Report, Page 23 Our Approach to Business Ethics, 2021 Sustainability Report, Page 25 Code of Ethics Training, 2021 Sustainability Report, Page 26 Reporting Abuses, 2021 Sustainability Report, Page 27 Anti-Corruption, 2021 Sustainability Report, Page 28 Sustainability Management, Sustainability Committee, 2021 Sustainability Report, Pages 29-31 Responding to Changing Customer Expectation, 2021 Sustainability Report, Page 43 Sustainability Management, SUSTAINABILITY MANAGEMENT STRUCTURE, Pages 29-31 Our activities to improve our sustainability performance regarding our business processes or products and services in environmental matters are publicly disclosed in the "RESPONSIBLE COMPANY" section of our 2021 Sustainability Report. Responsible Company, 2021 Sustainability Report, Pages 45-68 Our activities to improve our sustainability performance regarding our business processes or products and services in operational and social matters are publicly disclosed in the "RELIABLE OPERATOR and FAIR EMPLOYER" sections of our 2021 Sustainability Report. Reliable Operator, 2021 Sustainability Report, Pages 70-84 Fair Employer, 2021 Sustainability Report, Pages 85-97 *https://investorturkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf*

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

		COMPLIANCE STATUS				EXPLANATION
		YES	NO	PARTIALLY	IRRELEVANT	
A3. Reporting						
A3.1	In the annual reports, information regarding the sustainability performance, targets and actions of the Incorporation is given in an understandable, accurate and sufficient manner.	x				Our Sustainability Approach, Turkish Airlines 2022 Annual Report, Page 140 Sustainability Management, Turkish Airlines 2022 Annual Report, Pages 141-143 Combating Climate Change, Turkish Airlines 2022 Annual Report, Pages 143-145 Greenhouse Gas Emissions Management, Turkish Airlines 2022 Annual Report, Pages 145, 146 Environmental Management Systems, Turkish Airlines 2022 Annual Report, Page 146 Sustainability Principles Compliance Statement, Sustainability Principles Compliance Report, Turkish Airlines 2022 Annual Report, Pages 169-197 In the Annual Reports of the Incorporation, the information regarding the sustainability performance, targets and actions of the Incorporation is provided in accordance with the Capital Markets Board's decision dated 23.06.2022 and numbered 34/977 and the Corporate Governance Communiqué numbered II-17.1; It is explained in accordance with the Sustainability Report template.
A3.2	Information on which of its activities are related to the United Nations (UN) 2030 Sustainable Development Goals has been disclosed to the public by the Incorporation.	x				As part of its sustainability program, Turkish Airlines supports the Sustainable Development Goals (SDGs) announced by United Nations member countries in 2016 with the aim of reaching them by the end of 2030. Sustainable Development Goals, consisting of 17 global goals, were handled within the scope of Turkish Airlines' prioritization study, and SDG5, SDG7, SDG8, SDG9, SDG12, SDG13, SDG16, SDG17 were identified as working areas to be targeted in the future. In addition, considering Turkish Airlines' sphere of influence and the breadth of its value chain, it is seen that the work carried out also contributes to many other SDGs. Support of Turkish Airlines to the Sustainable Development Goals *https://investorturkishairlines.com/documents/sustainability/support-to-the-sustainable-development-goals.pdf*
A3.3	Lawsuits filed and/or concluded against ESG issues, which are important in terms of ESG policies and/or will significantly affect activities, have been disclosed to the public.	x				Turkish Airlines shares information about the important lawsuits brought against it and their possible consequences in the Other Matters section of its Annual Report every year. 1 JANUARY – 31 DECEMBER 2022 BOARD's ACTIVITY REPORT, Page 34 *https://investorturkishairlines.com/documents/2022_04_board_activity_report.pdf* In addition, information on the findings regarding the violation of our Incorporation's bribery and corruption policy, and the implementation of administrative or fines or criminal sanctions are shared in the Sustainability Reports every year in line with the principle of transparency. Anti-Corruption, 2021 Sustainability Report, Page 28 Legal Compliance and Fair Competition, 2021 Sustainability Report, Page 28 Environmental Management, 2021 Sustainability Report, Page 56 *https://investorturkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf*

		COMPLIANCE STATUS				EXPLANATION
		YES	NO	PARTIALLY	IRRELEVANT	
A4. Verification						
A4.1	The Incorporation's ESG Key Performance metrics have been verified and publicly disclosed by an independent third party.	x				Selected indicators in our 2021 Sustainability Report have been audited by PWC Türkiye at a limited level in accordance with the ISAE 3000 (revised) standard. The Independent Assurance Statement, which includes the list and scope of the assurance indicators, can be accessed on pages 110 and 111 of the Turkish Airlines 2021 Sustainability Report. About the Report, 2021 Sustainability Report, Page 3 PWC, Limited Assurance Report, 2021 Sustainability Report, Pages 110, 111 Our Incorporation's "Greenhouse Gas Statement", prepared on the basis of the period of January 1, 2021 - December 31, 2021, has been verified by the independent organization at "Reasonable Assurance Level" in accordance with the requirements of TS EN ISO 14064-3: 2019 Standard. The Verification Statement is available on page 107 of the Turkish Airlines 2021 Sustainability Report. Energy and Energy Management, 2021 Sustainability Report, Page 48 Carbon Offsetting Practices, 2021 Sustainability Report, Page 54 GHG Verification Statement, 2021 Sustainability Report, Page 107 *https://investorturkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf* In order to reduce the effects of greenhouse gas emissions arising from its operations, Turkish Airlines has its emissions verified within the scope of mandatory and voluntary designs and projects, and fuel consumption and greenhouse gas emissions are subject to internal control and independent audit processes. In this context, greenhouse gas emissions originating from fuel consumption, Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) implemented by the International Civil Aviation Organization (ICAO), European Union Emissions Trading System (EU-ETS) and the UK Emissions Trading System (UK-ETS) and verified by audits carried out by authorized third-party independent organizations. Within the scope of National and Regional trade systems, carbon emissions arising from flights are monitored and reported and offset applications are carried out. In addition to the European Union Emissions Trading System (EU-ETS) and the Swiss Emissions Trading System (CH-ETS), emissions reports were also prepared for the first time in 2021 within the scope of the UK Emissions Trading System (UK-ETS). In this context, emission credits corresponding to emissions verified by a third-party independent institution were purchased and delivered to the authorities of the relevant Emission Trading Systems. In 2022, a total of 13,968 Tons of CO_2 has been offset. The amount of offset emissions under EU ETS and UK ETS in 2022 is explained in Article B23. Turkish Airlines has committed to voluntarily implement the CORSIA, which was implemented by ICAO as a global solution in order to reduce the effects caused by carbon emissions from flight activities, from the pilot phase. Accordingly, carbon emissions from flights in 2019, 2020 and 2021 have been verified by a third-party independent audit firm. In the coming years, it is aimed to offset the emissions that are above the base year emission values with the carbon credits to be obtained from the projects in accordance with the CORSIA.

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

		COMPLIANCE STATUS				EXPLANATION
		YES	NO	PARTIALLY	IRRELEVANT	
B. Environmental Principles						
B1	The Incorporation has publicly disclosed its policies and practices, action plans, environmental management systems (known by the ISO 14001 standard) and programs in the field of environmental management.	x				Environmental Policy *https://investor.turkishairlines.com/en/corporate-governance/environmental-policy* *https://www.turkishairlines.com/en-int/press-room/about-us/our-policy/index.html* Sustainability Policy *https://www.turkishairlines.com/en-int/press-room/about-us/our-policy/index.html* Energy Policy *https://www.turkishairlines.com/en-int/press-room/about-us/our-policy/index.html* Responsible Company, 2021 Sustainability Report, Pages 44-69 *https://investor.turkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf* Turkish Airlines Carbon Disclosure Project (CDP) 2022 Report *https://investor.turkishairlines.com/documents/surdurulebilirlik/cdp-climate-change-report-2022.pdf* Our Sustainability Approach, Turkish Airlines 2022 Annual Report Page 140 TS EN ISO 14001 Environmental Management System which we have held and in line with the principle of "Continuous Improvement" that we have adopted, we aim to go beyond compliance with the requirements while carrying out our activities. In this direction; We strengthened the ISO 14001 Environmental Management System, which we have been implementing since 2013, with a management model specific to the aviation industry in 2020, we participated to the IATA Environmental Assesment-IEnvA Management System Program, which was specially designed by the International Air Transport Association (IATA) for airline companies. We have successfully completed the audit conducted by an independent thirdparty organization authorized by IATA and have earned the IEnvA Program Stage 2 certification, the highest level certificate of the program, which made Turkish Airlines the first airline to directly obtain the "Stage 2 Certificate". Greenhouse gas emissions have been voluntarily monitored, calculated and reported since 2016 in accordance with the TS EN ISO 14064-1 Standard for Calculation of Greenhouse Gas Emissions and Removal at the Enterprise Level. And also; Incorporation started to implement the 50001 Energy Management System in 2022 and was awarded the Energy Management System Certificate. Turkish Airlines' practices within the scope of sustainability are given in detail in the report under the heading "Our Sustainability Approach" and in the question no B14 in the Sustainability Principles Information Form
B2	The scope of the report, the reporting period, the reporting date, and the limitations regarding the reporting conditions were disclosed to the public regarding the environmental reports prepared to provide information on environmental management.	x				About the Report, 2021 Sustainability Report, Page 3 *https://investor.turkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf* In our Sustainability Reports; Information on subjects such as the report's limit, reporting period and reporting standard is shared under the "About the Report" heading of our Sustainability Report.
B3	It is given in A2.1.	x				
B4	Environmental targets included in the rewarding criteria within the scope of performance incentive systems on the basis of stakeholders (such as members of the Board of Directors, managers and employees) have been disclosed to the public.	x				Climate Action Goals, 2021 Sustainability Report, Page 48 Fuel Efficiency, 2021 Sustainability Report, Page 53 Energy Efficiency in Ground Operations, 2021 Sustainability Report, Page 53 Carbon Offsetting Practices, 2021 Sustainability Report, Page 54 Sustainable Bio-fuels, 2021 Sustainability Report, Page 55 Environmental Targets, 2021 Sustainability Report, Page 58 Water Consumption, Fuel Efficiency , 2021 Sustainability Report, Page 58 Innovation, R&D and Digital Transformation, 2021 Sustainability Report, Pages 80, 81 *https://investor.turkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf* C1.3 Turkish Airlines Carbon Disclosure Project (CDP) 2022 Report, Page 4 C4.3c Turkish Airlines Carbon Disclosure Project (CDP) 2022 Report, Page 17 *https://investor.turkishairlines.com/documents/surdurulebilirlik/cdp-climate-change-report-2022.pdf*
B5	How the priority environmental issues are integrated into business goals and strategies has been disclosed to the public.	x				Climate Action Goals, 2021 Sustainability Report, Page 48 Fuel Efficiency, 2021 Sustainability Report, Page 53 Energy Efficiency in Ground Operations, 2021 Sustainability Report, Page 53 Carbon Offsetting Practices, 2021 Sustainability Report, Page 54 Sustainable Bio-fuels, 2021 Sustainability Report, Page 55 Environmental Targets, 2021 Sustainability Report, Page 58 Water Consumption, Fuel Efficiency , 2021 Sustainability Report, Page 58 Innovation, R&D and Digital Transformation, 2021 Sustainability Report, Pages 80, 81 *https://investor.turkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf* C1.3 Turkish Airlines Carbon Disclosure Project (CDP) 2022 Report, Page 4 C4.3c Turkish Airlines Carbon Disclosure Project (CDP) 2022 Report, Page 17 *https://investor.turkishairlines.com/documents/surdurulebilirlik/cdp-climate-change-report-2022.pdf*
B6	It is given in A2.4.	x				
B7	It has been publicly disclosed how environmental issues are managed and integrated into business objectives and strategies throughout the Incorporation value chain, including the operational process, including suppliers and customers.	x				With the aim to cooperate with the suppliers that will further improve its sustainability performance in the supply chain, Turkish Airlines declares its Supplier Code of Conduct Policy consisting of the essential subjects such as Respecting Human Rights, Equality, Child Labor and Illegal Employment, Modern Slavery, Human Trafficking, Occupational Health and Safety, Protection of Environment, Protection of Personal Data and Confidentiality to guide all the suppliers it cooperates with and to draw attention to the principles of the Code of Ethics Manual during the activities such as passenger transportation, cargo transportation and training activities it carries out in accordance with the national and international standards, expecting all its suppliers to comply with the principles of the Code of Ethics Manual within the scope of the applicable law and Turkish Airlines procedures. In our contracts, we include the Environmental Requirements that our Incorporation expects from its suppliers, and we expect our suppliers to fulfill these requirements. We encourage our suppliers to have ISO 14001 Environmental Management System Certificate or an equivalent certificate in order to eliminate, minimize and keep their significant environmental impacts under control. In our contracts, we include the Environmental Requirements that our Incorporation expects from its suppliers, and we expect our suppliers to fulfill these requirements. Thus, we aim to have our environmental policy impact our entire supply chain through our commercial partners. All our foods are prepared by the expert food engineers at high hygiene standards as per ISO 22000 Food Safety Management System, and we prefer the products of ISO 22000 certificated suppliers in raw material supply. All suppliers are evaluated in detail under the "Supplier Risk Evaluation Procedure", and thereby, we ensure that accurate suppliers are preferred. Together with the implementation of COVID-19 precautions in our internal processes sensitively, we follow the works in this context closely. The Incorporation also expects its suppliers to comply with the commitments set forth in our Environmental Policy and Sustainability Policy, as well as the rules set forth in 6.5 Maintaining a Safe and Secure Workplace in the Code of Business Conduct and Ethics Manual. Supplier Code of Conduct Policy *https://investor.turkishairlines.com/documents/sustainability/pl_10_80_003-supplier-code-of-conduct-policy_en.PDF* C12. Engagement, Turkish Airlines Carbon Disclosure Project (CDP) 2022 Report, Page 42-47 *https://investor.turkishairlines.com/documents/surdurulebilirlik/cdp-climate-change-report-2022.pdf* Contribution of Supply Operations, 2021 Sustainability Report, Page 18 Sustainability Management, 2021 Sustainability Report, Page 29 Sustainability Priorities, 2021 Sustainability Report, Page 32 Sustainability Strategy, 2021 Sustainability Report, Page 33 Stakeholder Engagement, 2021 Sustainability Report, Pages 38-41 Corporate Memberships, 2021 Sustainability Report, Page 42 Combating the Climate Change, 2021 Sustainability Report, Page 45 Energy and Emission Management, 2021 Sustainability Report, Page 47 Climate Action Goals, 2021 Sustainability Report, Page 48 Carbon Offsetting Practices, 2021 Sustainability Report, Page 54 Sustainable Bio-fuels, 2021 Sustainability Report, Page 55 Environmental Management, 2021 Sustainability Report, Page 56 Environmental Targets, 2021 Sustainability Report, Page 58 Waste Management, 2021 Sustainability Report, Page 64 Responsible Catering, 2021 Sustainability Report, Page 66 Fleet Modernization, 2021 Sustainability Report, Page 67 Support of Turkish Airlines to the Sustainable Development Goals, 2021 Sustainability Report, Pages 35-37 *https://investor.turkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf* Environmental Policy *https://investor.turkishairlines.com/en/corporate-governance/environmental-policy* *https://www.turkishairlines.com/en-int/press-room/about-us/our-policy* Energy Policy *https://www.turkishairlines.com/en-int/press-room/about-us/our-policy/index.html*

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

		COMPLIANCE STATUS				EXPLANATION
		YES	NO	PARTIALLY	IRRELEVANT	
B8	Whether relevant organizations and non-governmental organizations on the environment are involved in the policy-making processes and the collaborations with these institutions and organizations were disclosed to the public.	x				Carrying out all of its operations with a sense of responsibility towards society, economy and the environment, Turkish Airlines' service areas within the framework of the social responsibility principles it has adopted are; education, environment, science and technology, culture and art, employee engagement, humanitarian aid and equality of opportunity. In this direction, the majority of the studies carried out in the country and abroad consist of non-governmental organizations and various associations/foundations working for disadvantaged individuals/groups and children, universities, humanitarian organizations, institutions working in the field of disaster and famine. The main purpose of the studies carried out is to maintain the unity consciousness of our country and to raise awareness about the solution of global problems. Turkish Airlines develops collaborations, takes part in international organizations and initiatives, and plays an active role in setting sector standards in order to develop sectoral activities and achieve common goals in terms of sustainability priorities. Stakeholder Engagement, 2021 Sustainability Report, Pages 38-42 Corporate Memberships, 2021 Sustainability Report, Page 42 *https://investorturkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf* Corporate Social Responsibility, Turkish Airlines 2022 Annual Report Page 38 Combating Climate Change, Turkish Airlines 2022 Annual Report Pages 143-145 Greenhouse Gas Emissions Management, Turkish Airlines 2022 Annual Report Pages 145, 146 C12. Engagement, Turkish Airlines Carbon Disclosure Project (CDP) 2022 Report, Pages 42-47 *https://investorturkishairlines.com/documents/surdurulebilirlik/cdp-climate-change-report-2022.pdf* Support of Turkish Airlines to the Sustainable Development Goals *https://investorturkishairlines.com/documents/sustainability/support-to-the-sustainable-development-goals.pdf* In the corporate social responsibility area, we often collaborate with disadvantaged individuals/ groups, NGOs working for children, various associations/foundations, universities, humanitarian aid organizations, associations and foundations working in the field of disaster and poverty, official institutions, and organizations such as sports clubs and federations. Within the scope of these works, as Türkiye's flag carrier, we provide cargo support for blood transport and aid for the Red Crescent, the largest charity in our country.
B9	Environmental indicators (Greenhouse gas emissions (Scope-1 (Direct), Scope-2 (Energy indirect), Scope-3 (Other indirect), air quality, energy management, water and wastewater management, waste management, biodiversity impacts) Information about the impacts of the company is disclosed to the public on a comparable basis periodically.	x				Energy and Emission Management, 2021 Sustainability Report, Page 47 Climate Action Goals, 2021 Sustainability Report, Pages 48-50 Fuel Efficiency, 2021 Sustainability Report, Pages 52, 53 Carbon Offseting Practices, 2021 Sustainability Report, Page 54 Environmental Targets, 2021 Sustainability Report, Page 58 Resource Efficiency, 2021 Sustainability Report, Pages 59-63 Waste Management, 2021 Sustainability Report, Page 64 Fleet Modernization, 2021 Sustainability Report, Pages 67, 68 Performance Indicators, Environmental Performance, 2021 Sustainability Report, Pages 99, 100 *https://investorturkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf*
B10	Details of the standard, protocol, methodology, and base year used to collect and calculate data have been made public.	x				The cross-reference table regarding the Global Reporting Initiative (GRI) standards, which was referenced in the preparation of the 2022 Sustainability Report, is included in the report in detail. About the Report, 2021 Sustainability Report, Page 3 Carbon Offseting Practices, 2021 Sustainability Report, Page 54 GRI Content Index, 2021 Sustainability Report, Pages 104-106 GHG Verification Statement, 2021 Sustainability Report, Page 107 *https://investorturkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf* Detailed explanations on the calculation methodologies and verifications carried out in the emissions management body are included in the CDP Report. C2.Risk and Opportunities, Türk Hava Yolları Carbon Disclosure Project (CDP) 2022 Raporu, Pages 9, 10 C10.Verification, Türk Hava Yolları Carbon Disclosure Project (CDP) 2022 Raporu, Pages 37-39 *https://investorturkishairlines.com/documents/surdurulebilirlik/cdp-climate-change-report-2022.pdf*
B11	Compared to previous years, the increase or decrease of environmental indicators for the report year has been disclosed to the public.	x				Performance Indicators, 2021 Sustainability Report, Pages 99-101 *https://investorturkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf*

		COMPLIANCE STATUS				EXPLANATION
		YES	NO	PARTIALLY	IRRELEVANT	
B12	Short and long-term targets have been determined to reduce their environmental impacts, and the progress of these targets and the targets determined in previous years has been disclosed to the public.	x				Due to the fact that the aviation industry is highly related to regulations and the need for more time compared to other sectors in order to implement investments and technological developments, Turkish Airlines has determined the short term as 0 to 3 years, the medium term as 10 years, and the longer term period of more than 10 years, taking into account the shaping period of the factors affecting aviation, considering the dynamics of the sector. In our analyses, we consider the long-term forecasts of national and international organizations (IATA, ICAO, ACI, Boeing, Airbus, etc.) in the sector. We consider the possibility of the impact of long-term expectations to emerge in a shorter time depending on technological developments and government policies, so we follow long-term goals and expectations closely and reflect them on our medium and short-term goals depending on the developments. The short, medium and long term targets determined by the partnership in this direction are stated in the CDP Report; short-term targets and their realization status are included in our Sustainability Reports every year. C2.Risk and Opportunities,Turkish Airlines Carbon Disclosure Project (CDP) 2022 Report, Page 5 C4. Targets and Performance, Turkish Airlines Carbon Disclosure Project (CDP) 2022 Report, Pages 14-16 *https://investorturkishairlines.com/documents/surdurulebilirlik/cdp-climate-change-report-2022.pdf* Climate Action Goals, 2021 Sustainability Report, Page 48 Environmental Targets, 2021 Sustainability Report, Page 58 Fleet Modernization, 2021 Sustainability Report, Page 68 *https://investorturkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf*
B13	A strategy to combat the climate crisis has been created and the planned actions have been publicly announced.	x				While the responsibility for Turkish Airlines' impact on the economy, environment and society rests with the Board of Directors and the Executive Committee, a Sustainability Committee was established in 2021, the members of which are Turkish Airlines Senior Executives. The issues related to the fight against climate change are handled by the Sustainability Committee and the responsibility of the Corporate Sustainability Management Department to monitor and report the activities carried out. Practices highlighted by both the IPCC and sectoral initiatives, such as efficient energy and emission management, sustainable biofuel studies, fleet modernization and resource efficiency studies throughout the partnership activities, form the basis of Turkish Airlines' efforts to combat climate change. In this direction, the Incorporation adopts the targets set by the International Air Transport Association (IATA) and takes decisive steps towards eliminating the effects of climate change, primarily reducing greenhouse gas emissions resulting from its activities. Turkish Airlines' strategies and action plans in combating the climate crisis are explained in detail in the "COMBATING CLIMATE CHANGE" section of the 2021 Sustainability Report and in the C3.Business Strategy and C4.Targets and performance sections of the 2022 Carbon Disclosure Project (CDP) Report. Combating the Climate Change, 2021 Sustainability Report, Pages 45-55 Fleet Modernization, 2021 Sustainability Report, Pages 67, 68 Responsible Catering, 2021 Sustainability Report, Pages 65, 66 *https://investorturkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf* C3.Business Strategy, Türk Hava Yolları Carbon Disclosure Project (CDP) 2022 Raporu, Pages 11-13 C4. Targets and Performance, Türk Hava Yolları Carbon Disclosure Project (CDP) 2022 Raporu, Pages 14-18 *https://investorturkishairlines.com/documents/surdurulebilirlik/cdp-climate-change-report-2022.pdf* Fleet, 2022 Annual Report, Pages 54-57 Combating Climate Change, 2022 Annual Report, Pages 143-145

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

		COMPLIANCE STATUS				EXPLANATION
		YES	NO	PARTIALLY	IRRELEVANT	
B14	Programs or procedures have been established and disclosed to the public in order to prevent or minimize the potential negative impact of products and/or services on the environment.	x				Support of Turkish Airlines to the Sustainable Development Goals, 2021 Sustainability Report, Page 35 Energy ve Emission Management, 2021 Sustainability Report, Pages 47, 48 Fuel Efficiency, 2021 Sustainability Report, Pages 51-53 Carbon Offseting Practices, 2021 Sustainability Report, Page 54 Carbon Offset Projects, 2021 Sustainability Report, Page 54 Sustainable Bio-fuels, 2021 Sustainability Report, Page 55 Environmental Management, IEnvA Programı, 2021 Sustainability Report, Pages 56-58 Resource Efficiency, 2021 Sustainability Report, Pages 59-63 Waste Management, 2021 Sustainability Report, Page 64 Responsible Catering, 2021 Sustainability Report, Pages 65, 66 Fleet Modernization, Noise Management, 2021 Sustainability Report, Page 67 *https://investorturkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf* C4.3c, (C4.3c) Using methods to drive investment in emissions reduction activities, Turkish Airlines Carbon Disclosure Project (CDP) 2022 Report, Page 17 (C4.5a) Products and/or services that classified as low-carbon products, Turkish Airlines Carbon Disclosure Project (CDP) 2022 Report, Page 18 (C6.5) Account for your organization's gross global Scope 3 emissions, disclosing and explaining any exclusions, Turkish Airlines Carbon Disclosure Project (CDP) 2022 Report, Pages 23, 24 *https://investorturkishairlines.com/documents/surdurulebilirlik/cdp-climate-change-report-2022.pdf* Sustainability Management, 2022 Annual Report, Pages 141-143 Turkish Airlines, which connects more countries than any other in the world; operates its flights with a sense of responsibility towards the environment and society. The products and services offered by the global airline to its passengers with a sustainability perspective are as follows: •USE OF SUSTAINABLE AVIATION FUEL (SAF): With Türkiye's ratification of the Paris Agreement and its commitment to net zero in carbon emissions until 2053, we are reconsidering our strategies, taking into account the global requirements and the expectations of our stakeholders. With the awareness that Sustainable Aviation Fuel (SAF) plays a key role in reducing carbon emissions caused by the aviation industry, Turkish Airlines continues its support for the development of Sustainable Aviation Fuels which play a key role in reducing carbon emissions. In this manner, as of 2022 we have started using SAF for the first time, which is one of the most prominent indicators of our Incorporation's determined stance on combating climate change, in our Istanbul Airport- Paris Charles De Gaulle route. We plan to expand the use of this fuel, which is being used once a week on the Paris, Oslo, Gothenburg, Copenhagen, Stuttgart, Stockholm, Brussels and Lyon lines, to increasing frequencies and different destinations in the following processes. In addition to these lines, we use sustainable aviation fuel in return flights from Lyon, Marseilles, Oslo, Strasbourg, Bordeaux and Toulouse to Istanbul Airport. Thanks to the clean combustion realized with the use of sustainable aviation fuel; a reduction of up to 87% in greenhouse gas emissions will be achieved compared to the same amount of traditional kerosene fuel and it will contribute to the reduction of global greenhouse gas emissions. Our Incorporation, within this framework, plans to increase SAF usage to the highest levels in line with the technical, regulatory, safety and financial feasibility.

		COMPLIANCE STATUS				EXPLANATION
		YES	NO	PARTIALLY	IRRELEVANT	
B14	Programs or procedures have been established and disclosed to the public in order to prevent or minimize the potential negative impact of products and/or services on the environment.	x				With the awareness that the climate change is a global problem which can only be solved with global cooperation, so that we carry out our work in cooperation with many national and international organizations. In this context; we support sustainable aviation fuel research and development studies in order to reduce and eliminate the factors that may have an impact on climate change. Together with Boğaziçi University, we are running the "Microalgae Based Sustainable Bio-Jet Fuel Project (MICRO-JET)" supported by TUBITAK (scientific and technological research council of Türkiye). Within the scope of the project, it is aimed to pilot production of synthetic bio-kerosene from microalgae using hydrotreated fatty acids and hydrothermal liquefaction methods. We will use this biofuel, which will be obtained from sustainable sources, in our flights after the engine tests to be carried out by Turkish Technic. With the biofuel to be obtained in this project, our Incorporation will be one of the rare global companies that use the cleanest type of biofuel. • CO_2MISSION PROGRAM: On August 1, 2022, the "CO_2mission", a program where passengers can offset the carbon footprint of their flights with carbon credits, was launched by purchasing from worldwide certified, carbon credit generating climate change and social development projects. With the project; not only with Turkish Airlines; are offered the opportunity to offset the emissions of all flights with other airlines. Within the scope of the CO_2mission program, which offers passengers 3 different portfolio options, namely "Renewable Energy", "Social Benefit" and "Green World", in order to offset emissions; duty flights of our employees are offseted by Turkish Airlines. • USE OF BIODEGRADABLE PACKAGING: With all travel and toy sets being offered without any plastic packaging, we prevent the use of millions of plastics on our flights. We offer headphones and blankets that our passengers may need on flights, in packages made of corn starch in accordance with the "TS EN 13432 Packaging-Recyclable packaging properties by biodegradation and composting" Standard. Although it has higher production costs compared to traditional plastic packaging; we prefer these packaging as it is a product that will contribute to the prevention of plastic waste generation at all points of our flight and increase the awareness of stakeholders on sustainability issues. • FSC (FOREST STEWARDSHIP COUNCIL) CERTIFIED TOYS: We offer our child passengers wooden toys with the concept of "Play Natural," which are made of forest products certified by the "Forest Stewardship Council (FSC)." While the concept was being designed, opinions were received from psychiatrists and leading companies in the sector on the concept of wooden toy production. Kindergartens were also visited by us and the preferences of the children were taken into consideration. We carried out this project in cooperation with WWF (World Nature Conservation Foundation), in which we aimed to raise awareness in children from an early age in order to protect nature. • MOBILE BOARDING PASS: The Mobile Boarding Pass application, a digital document that passengers can use by creating a QR code format using their mobile devices, was launched instead of printed boarding passes. Ensuring both paper savings with the application; It is also aimed to ensure that passengers pass to the plane in a fast, practical and comfortable way. • PRESS READER APPLICATION: With the Press Reader application, more than 7000 newspapers and magazines are provided digitally in more than 60 languages to our passengers. Passengers can access the Press Reader application, which contributes significantly to paper savings, 1 day before their flight and an additional 48 hours to their flight time.

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

		COMPLIANCE STATUS				EXPLANATION
		YES	NO	PARTIALLY	IRRELEVANT	
B14	Programs or procedures have been established and disclosed to the public in order to prevent or minimize the potential negative impact of products and/or services on the environment.	x				• COMPENSATION CARD: The Compensation Card, which was implemented to strengthen passenger satisfaction, is a physical compensation card given to passengers whose dissatisfaction has not been resolved despite all the efforts of the cabin crew. The card, in which materials certified by the Forestry Stewardship Council (FSC) are used, has started to be implemented as the Business Compensation Card for Business passengers; a similar application is planned to be implemented in the economy class in the future. • LOCAL PRODUCT SUPPLY: 76.80% of inflight refreshments are procured from local suppliers, supporting sustainable development throughout the value chain. • RELAX SETS, RENEWED BY REDUCING THE AMOUNT OF PLASTIC: By making changes that will not affect passenger comfort and satisfaction, the amount of plastic is reduced from the outer packaging to the products inside. In this context; In 2019, plastic combs and shoe horns were removed from relax sets. In the last quarter of 2022, the following practices were implemented: o Hackett Branded ER BC Unisex Relax Set contains; toothbrushes started to be produced from 37% wheat straw and 63% recycled polypropylene. By removing the piping on the eye patch and using the eye patch produced by laser cutting, fabric wastage was prevented. The plastic earplugs have been discontinued. Thanks to these applications, 80% plastic reduction has been achieved in this relax set offered to the passenger. o In total, the plastic outer packaging of 6 out of 8 relax set has been discontinued. O The "Do Not Disturb" labels in travel sets have been gradually removed from all comfort sets. • OEKO-TEX 100 CERTIFIED BLANKETS: OEKO-TEX 100 certified blankets are offered to our passengers, which are produced without the use of chemicals. • SAFETY CARDS USING 100% RECYCLED PAPER: Passenger information within the scope of safety is made with safety cards produced from 100% recyclable paper. • The electronic headphones we offer to our passengers are sterilized and reused. Those that are broken and cannot be repaired are delivered to our licensed recycling company and iron, plastic and copper raw materials are recycled. In addition to these applications in its flights, the national airline applied a special design consisting of leaf patterns to the Airbus 321 type TC-JSU aircraft, which it made a flight to Stockholm on April 27, 2022 with the TK1795 flight using biofuel. A special concept called "Green Class" was designed for this flight, which was carried out in accordance with the zero waste principle. During the flight, which was carried out within the framework of the "Green Class" concept, environmentally friendly practices specific to this flight were carried out. Cardboard cups and napkins made from recycled paper were used. Porcelain salt shakers and pepper shakers were served in Business Class, while healthy green drinks were served to all passengers. The plastic promotional sticks used in welcome drink beverages have been discontinued. Menu cards and catering tray cover made of Forest Stewardship Council (FSC) certified paper were used, and a natural paper tape seal was applied instead of the plastic outer packaging of the covers. Breads presented in plastic packaging in economy class were distributed in baskets instead of plastic packaging. In addition, nature-friendly blankets and pillowcases that save water by using 100% recycled certified yarns during production were also offered to passengers. FSC certified wooden toys made of natural materials were presented to the child guests.

		COMPLIANCE STATUS				EXPLANATION
		YES	NO	PARTIALLY	IRRELEVANT	
B14	Programs or procedures have been established and disclosed to the public in order to prevent or minimize the potential negative impact of products and/or services on the environment.	x				Turkish Airlines; • FSC certified: o Business menu cards, o Sandwich packaging, o Boxes in which hot sandwiches are distributed, o Cutlery set packaging, o Non-slip tray covers, o Paper cup holders used in business class service, o Disposal bags, • Compostable, biodegradable, plastic free or PEFC (Forest Certification Approval Program) certified cardboard cups, • PLA-based products used in place of the plastic identification stirrers used in the "Welcome Drink" glasses offered to Business Class passengers (*PLA: It is a plant-based and biodegradable plastic derivative.), • Slippers made of 100% recycled material with GRS (Global Recycling Standard) certificate and made of 80% recycled material, • In-cabin garbage collection bags with reduced polyethylene density, • Wooden mixers, • Recycled yarn used blankets and pillows, • Relax sets that include eye patch and socks made of recycled raw materials, earplugs made of recycled plastic, toothbrush head, recycled packaged toothpaste box, toothbrush with wheat straw and FSC certified labels by adding it to the "Green Class" concept in 2023, it will enrich its sustainable products and services and will implement this special flight concept in all its flights. With the realization of the Green Class concept in 5 flights using sustainable aviation fuel and the completion of communication studies on this subject, it was decided to implement this special flight concept in all flights. While Turkish Airlines carries out its flight operations with the Green Class concept with a sense of responsibility towards the environment and society; aims to provide its passengers with a sustainable travel experience. As we have committed in our environmental policy; We prioritize energy and resource efficiency, and by working to reduce our electricity and natural gas consumption, we aim to meet at least 5% of the energy in our new buildings from renewable sources. We prioritize energy and resource efficiency, design our buildings to be energy efficient and water efficient, healthy and high-performance compared to conventional buildings, and pay attention to energy and environmental friendliness. In this context, 9 different buildings at Istanbul Airport have been registered with the elementary LEED (Leadership in Energy and Environmental Design) v4 BD+C certificate by the American Green Building Council, while the Turkish Airlines Domestic Lounge and Main Lounge buildings have been registered with the silver LEED v4 ID+C certificate. In addition, Turkish Airlines became the third airline in the world and the first in Europe to have a platinum operating certificate, following the LEED Certification process completed for the OC-Flight Crew Terminal Building.
	Actions have been taken to reduce greenhouse gas emissions of third parties (eg suppliers, subcontractors, dealers, etc.) and these actions have been disclosed to the public.	x				Carbon Offsetting Practices, 2021 Sustainability Report, Page 54 Carbon Offset Project, 2021 Sustainability Report, Page 54 *https://investorturkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf* (C6.5) Account for your organization's gross global Scope 3 emissions, disclosing and explaining any exclusions, Turkish Airlines Carbon Disclosure Project (CDP) 2022 Report, Pages 23, 24 *https://investorturkishairlines.com/documents/surdurulebilirlik/cdp-climate-change-report-2022.pdf*

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

		COMPLIANCE STATUS				EXPLANATION
		YES	NO	PARTIALLY	IRRELEVANT	
B15	The environmental benefits/benefits and cost savings of initiatives and projects aimed at reducing environmental impacts have been disclosed to the public.	x				C2.4 Climate-related opportunities with the potential to have a substantive financial or strategic impact, Turkish Airlines Carbon Disclosure Project (CDP) 2022 Report, Page 10 C3.3 Influence of the climate-related risks and opportunities on the company's strategy, Turkish Airlines Carbon Disclosure Project (CDP) 2022 Report, Page 13 C4.3c.Investment in emissions reduction activities, Turkish Airlines Carbon Disclosure Project (CDP) 2022 Report, Page 17 *https://investorturkishairlines.com/documents/surdurulebilirlik/cdp-climate-change-report-2022.pdf* Fuel Efficiency, 2021 Sustainability Report, Pages 51-53 Energy Efficiency in Ground Operations, 2021 Sustainability Report, Page 53 Carbon Offsetting Practices, 2021 Sustainability Report, Page 54 Resoruce Efficiency, 2021 Sustainability Report, Pages 59-61 Environmentally Friendly Material Preferences, 2021 Sustainability Report, Page 62, 63 Responsible Catering, 2021 Sustainability Report, Pages 65, 66 Fleet Modernization, 2021 Sustainability Report, Pages 67, 68 Performance Indicators, Environmental Performance, 2021 Sustainability Report, Pages 99, 100 *https://investorturkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf* Combating Climate Change, Turkish Airlines 2022 Annual Report, Pages 143-145
B16	Energy consumption (natural gas, diesel, gasoline, LPG, coal, electricity, heating, cooling, etc.) data are publicly disclosed as Scope-1 and Scope-2.	x				C6. Emissions data, Turkish Airlines Carbon Disclosure Project (CDP) 2022 Report, Pages 22-27 C7. Emissions breakdowns, Turkish Airlines Carbon Disclosure Project (CDP) 2022 Report, Pages 28-31 *https://investorturkishairlines.com/documents/surdurulebilirlik/cdp-climate-change-report-2022.pdf* Energy Consumption and Greenhouse Gas Emissions, 2021 Sustainability Report, Page 50 Performance Indicators, Environmental Performance, 2021 Sustainability Report, Page 99 *https://investorturkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf*
B17	Public disclosure was made about the electricity, heat, steam and cooling produced in the reporting year.	x				C.8.2 Turkish Airlines Carbon Disclosure Project (CDP) 2022 Report, Pages 32-36 *https://investorturkishairlines.com/documents/surdurulebilirlik/cdp-climate-change-report-2022.pdf* Resoruce Efficiency, 2021 Sustainability Report, Pages 59-61 Energy Consumption and Greenhouse Gas Emissions, 2021 Sustainability Report, Page 50 Performance Indicators, Environmental Performance, 2021 Sustainability Report, Page 99 *https://investorturkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf*
B18	Studies on increasing the use of renewable energy and the transition to zero or low carbon electricity have been made and publicly announced.	x				Climate Action Goals, 2021 Sustainability Report, Page 48 Sustainable Bio-fuels, 2021 Sustainability Report, Page 55 Resoruce Efficiency, 2021 Sustainability Report, Page 59 *https://investorturkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf* C3.3Influence of the climate-related risks and opportunities on the company's strategy.Investment in R&D, Turkish Airlines Carbon Disclosure Project (CDP) 2022 Report, Page 13 (C4.2a) Provide details of your target(s) to increase low-carbon energy consumption or production, Turkish Airlines Carbon Disclosure Project (CDP) 2022 Report, Pages 16, 17 C8. Energy, Turkish Airlines Carbon Disclosure Project (CDP) 2022 Report, Pages 34, 35 *https://investorturkishairlines.com/documents/surdurulebilirlik/cdp-climate-change-report-2022.pdf* Environmental Management Systems, 2022 Annual Report, Page 146 Combating Climate Change, 2022 Annual Report, Pages 143-145
B19	Renewable energy production and usage data is publicly disclosed.	x				C8. Energy, Turkish Airlines Carbon Disclosure Project (CDP) 2022 Report, Pages 34, 35 *https://investorturkishairlines.com/documents/surdurulebilirlik/cdp-climate-change-report-2022.pdf* Support of Turkish Airlines to the Sustainable Development Goals, 2021 Sustainability Report, Pages 35-37 Energy Efficiency in Ground Operations, 2021 Sustainability Report, Page 53 Sustainable Bio-fuels, 2021 Sustainability Report, Page 55 *https://investorturkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf* Environmental Management Systems, 2022 Annual Report, Page 146 Combating Climate Change, 2022 Annual Report, Pages 143-145 As committed in its environmental policy, our airline prioritizes energy and resource efficiency and works to reduce electricity and natural gas consumption. Our Incorporation carries out studies to achieve the targets it has set for meeting the energy used in its buildings from renewable sources. In this context, all of the electrical energy we received in our buildings in the Atatürk Airport region in 2022 was provided from renewable sources, and 47,067 GJ of renewable electricity was used. There is a YEK-G certificate that the electricity supplied is obtained from renewable sources.
B20	Energy efficiency projects have been carried out and the amount of energy consumption and emission reduction achieved through energy efficiency projects has been disclosed to the public.	x				Energy and Emission Management, 2021 Sustainability Report, Pages 47-50 Fuel Efficiency 2021 Sustainability Report, Pages 51-53 Fuel Savings and Greenhouse Gas Emission Reduction Achieved by Basic Practices, 2021 Sustainability Report, Page 53 Energy Efficiency in Ground Operations, 2021 Sustainability Report, Page 53 Performance Indicators, Environmental Performance, 2021 Sustainability Report, Page 99 *https://investorturkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf* (C4.3c) Using methods to drive investment in emissions reduction activities, Turkish Airlines Carbon Disclosure Project (CDP) 2022 Report, Pages 17, 18 C3.3) The influence of climate-related risks and opportunities on the strategy, Turkish Airlines Carbon Disclosure Project (CDP) 2022 Report, Page 13 (C79a) Other emissions reduction activities, Turkish Airlines Carbon Disclosure Project (CDP) 2022 Report, Page 31 *https://investorturkishairlines.com/documents/surdurulebilirlik/cdp-climate-change-report-2022.pdf* 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. When 2008 is accepted as the "reference/baseline" at the end of 2021, it is seen that the transportation performance has increased by 1143 percent by 2022, while the corresponding fuel consumption has increased by 692 percent. In other words, thanks to the fuel efficiency projects that have been successfully implemented since 2008, the amount of fuel consumed for unit transportation activities is gradually decreasing, and our efficiency performance is increasing year by year. In 2022 181,379 tons of greenhouse gas emissions were prevented by saving 57,581 tons of fuel. Thus, since 2008, total fuel savings have been 671,433 tons and total greenhouse gas reduction has been 2,115,014 tons. Although aviation fuels have the largest share in total energy consumption, significant energy consumption is also realized in ground operations. The largest part of this consumption is due to the use of electricity and natural gas. For this reason, energy saving practices are carried out in our buildings apart from our flight activities. With our energy efficiency studies at our Incorporation's campuses, 16,103 GJ of energy savings were achieved in 2022.

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

		COMPLIANCE STATUS				EXPLANATION
		YES	NO	PARTIALLY	IRRELEVANT	
B21	Water consumption, if any, amounts of water drawn, recycled and discharged from underground or above ground, its sources and procedures have been disclosed to the public.	x				Network line is used for clean water supply and waste water discharge; The actual amount of water consumption is included in the performance indicators in the environmental sections of our Sustainability Reports. Wastewater generated because of water use is only discharged into wastewater channels. In this context 357,345 m^3 of wastewater generated in Turkish Airlines operations in 2021 was discharged into wastewater channels in compliance with legal regulations. Through the efficiency studies carried out, we aim to gradually reduce the amount of wastewater. In this framework, a recycling system project that will ensure the reuse of 65% of the blowdown water of the cooling towers in the energy buildings has been implemented during the year. Thanks to the system to be implemented in 2023, our target is to reduce the make-up water requirement of the cooling towers by 16-17%, thus reducing the amount of wastewater. Resource Efficiency, 2021 Sustainability Report, Page 59 Performance Indicators, Environmental Performance, 2021 Sustainability Report, Page 100 *https://investorturkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf*
B22	It has been publicly disclosed whether its operations or activities are included in any carbon pricing system (Emissions Trading System, Cap & Trade or Carbon Tax).	x				Turkish Airlines has its emissions verified within the scope of mandatory and voluntary designs and projects in order to reduce the effects of greenhouse gas emissions arising from its operations. In addition to the European Union Emissions Trading System (EU-ETS) and the Swiss Emissions Trading System (CH-ETS), emissions reports were also prepared for the first time in 2021 within the scope of the UK Emissions Trading System (UK-ETS). Within the scope of National and Regional trade systems, carbon emissions arising from flights are monitored and reported and offset applications are carried out. Turkish Airlines has also committed to voluntarily implement the Carbon Offsetting and Reduction Sheme for International Aviation, which has been implemented by the International Civil Aviation Organization (ICAO) as a global solution to reduce the effects caused by carbon emissions from flight activities, starting from the pilot phase. Accordingly, carbon emissions from flights in 2019, 2020 and 2021 have been verified by a third-party independent audit firm. In the coming years, it is aimed to offset the emissions that are above the base year emission values with the carbon credits to be obtained from the projects in accordance with the CORSIA. Energy and Emission Management, 2021 Sustainability Report, Page 48 Carbon Offsetting Practices, 2021 Sustainability Report, Page 54 *https://investorturkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf* C11.Carbon Pricing, Turkish Airlines Carbon Disclosure Project (CDP) 2022 Report, Pages 39-42 *https://investorturkishairlines.com/documents/surdurulebilirlik/cdp-climate-change-report-2022.pdf*
B23	Information on carbon credits accumulated or purchased during the reporting period has been disclosed to the public.	x				Within the scope of National and Regional trade systems, carbon emissions arising from flights are monitored and reported and offsetting practices are carried out. In addition to the European Union Emission Trading System (EU-ETS) and the Swiss Emission Trading System (CH-ETS), emissions reports were also prepared for the first time in 2021 within the scope of the UK Emission Trading Scheme (UK-ETS). In this context, emission credits corresponding to emissions verified by a thirdparty independent institution were purchased and surrendered to the authorities of the relevant Emission Trading Systems. In the reporting period of 2022, a total of 13,968 Tons of CO_2 emissions were reported from our flights operated within the scope of ETS in 2021. In return for the portion of this emission covered by the UK ETS, 3,130 UK-ETS credits (UKA) were purchased. In return for 10,838 tons of CO_2 emissions reported within the scope of EU ETS, 10,838 EU-ETS credits (EUA) have been allocated from the credits in our account. Within the scope of emission trading systems, a total of 13,968 emission credits were delivered to the relevant authorities in 2022. *https://investorturkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf* C11.Carbon Pricing, Turkish Airlines Carbon Disclosure Project (CDP) 2022 Report, Pages 39-42 *https://investorturkishairlines.com/documents/surdurulebilirlik/cdp-climate-change-report-2022.pdf*

		COMPLIANCE STATUS				EXPLANATION
		YES	NO	PARTIALLY	IRRELEVANT	
B24	If carbon pricing is applied within the Incorporation, the details have been made public.	x				*C11.Carbon Pricing, Turkish Airlines Carbon Disclosure Project (CDP) 2022 Report, Pages 39-42* *C11.3 Internal Price on Carbon, Turkish Airlines Carbon Disclosure Project (CDP) 2022 Report, Page 42* *https://investorturkishairlines.com/documents/surdurulebilirlik/cdp-climate-change-report-2022.pdf*
B25	The platforms where the Incorporation discloses its environmental information are publicly disclosed.	x				Working with determination to ensure sustainable development, Turkish Airlines has developed a sustainability program based on four pillars: management, economy, environment and society. Acting in accordance with national requirements as well as international aviation regulations; Aiming to go beyond compliance with minimum standards by implementing internationally recognized management systems and policies, Turkish Airlines discloses all its environmental information to the public in the Sustainability tab under the Investor Relations website. In addition, our environmental information is also disclosed in our reports, stakeholder communication channels, national and international indices we voluntarily participate in, and sustainability rating agencies and platforms we are members of. Sustainability Turkish Airlines' Sustainability Reports Carbon Disclosure Project (CDP) Reports *https://investorturkishairlines.com/documents/sustainability/cdp-climate-change-report-2022.pdf* Sustainability Indices, 2021 Sustainability Report, Page 30 Stakeholder Engagement, 2021 Sustainability Report, Page 38 Corporate Memberships, 2021 Sustainability Report, Page 42 *https://investorturkishairlines.com/documents/sustainability/2021-sustainability-report.pdf* We report transparently to institutional investors and the public our metrics regarding our governance structure, strategy, risk and opportunity management methods, budget and carbon emissions related to climate change.In this regard, in 2022 we participated in the Carbon Disclosure Project (CDP) Climate Change Program as well, the world's most respected reporting platform on climate change, which is a very important priority for our company and the sector in which we operate, and we are happy to raise our former "B-" score up to "B" level. In this respect, we aim to continue our work in a way that will take it further in the future. In the Sustainability Evaluation conducted by the BIST Sustainability Index Evaluator "Refinitiv" in 2022, our Incorporation has succeeded to be the 1st both in the Passenger Transport Sector and in the Airline Industry with its high sustainability performance, and is included in the BIST Sustainability Index again this year, which is comprised of companies traded on Borsa Istanbul with high corporate sustainability performances and which aims to increase knowledge and practices on sustainability. We are proud to be ranked first among 47 airlines evaluated by Refinitiv for our performance in sustainability. We aim to be in the Index in the coming periods. We aim to increase the scores we achieve by ensuring the continuity of participation in the performance evaluations of national and international indices and sustainability rating agencies, such as DJSI, FTSE4Good, MSCI, EcoVadis, Sustainalytics, TPI and Borsa Istanbul Sustainability Index, to which we participated voluntarily in previous years. As a result of these evaluations made by the world's leading rating agencies, our Incorporation succeeded in raising its scores, both on company basis and sector average, in 2021 compared to 2020. With the Sustainalytics ESG (environmental, social and governance) Risk Rating score, Our Incorporation; ranked 1st in the lowest risk ranking, among 69 participants in the airline sub-sector, it achieved a sectoral success rate of 1%, which represents the lowest risk segment. Our Incorporation, which was deemed worthy of an award in the "Bronze" category by Ecovadis in 2021, was deemed worthy of an award in the "Silver" category in consequence of its 2022 score and sustainability success. In this regard, our Incorporation aims to raise its scores to higher levels in the coming years with the works it plans to carry out.

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

		COMPLIANCE STATUS				EXPLANATION
		YES	NO	PARTIALLY	IRRELEVANT	
C. Social Principles						
C1. Human Rights and Employee Rights						
C1.1	The Corporate Human Rights and Employee Rights Policy has been established in a way to cover the Universal Declaration of Human Rights, ILO Conventions ratified by Türkiye and other relevant legislation, those responsible for the implementation of the policy have been determined and the policy and those responsible have been disclosed to the public.	X				Our Human Rights and Employee Rights Policy *https://www.turkishairlines.com/en-int/press-room/about-us/our-policy/index.html* Code of Business Conduct and Ethics Manual *https://investor.turkishairlines.com/documents/code-of-business-conduct-and-ethics-manual.pdf* Human Rights and Employee Rights Policy, 2021 Sustainability Report, Page 89 *https://investor.turkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf* As Turkish Airlines Inc., the flag carrier of the State of the Republic of Tükiye, we are committed to respecting human rights in all our activities (scheduled and unscheduled commercial passenger and cargo air transport services and training services on domestic and international routes) in accordance with Universal Declaration of Human Rights, International Labor Organization's (ILO) Declaration of Fundamental Principles and Rights at Work, United Nations Global Compact, United Nations Guiding Principles on Business and Human Rights, United Nations Women's Empowerment Principles (WEPs), Child Worst Forms To operate in compliance with the international principles, standards and national legislation specified in the Labor Convention (ILO/No.182). The purpose of our Human Rights and Employee Rights Policy ("Policy") is to create a guide that reflects our Incorporation's approach and standards on human rights, and to emphasize the importance it attaches to human and employee rights in this way. All internal and external stakeholders, including its employees, customers, suppliers, contractors and business partners, are responsible for complying with this Policy and for implementing and supporting our Incorporation's relevant procedures and controls in line with the requirements in this Policy.
C1.2	Considering the effects of supply and value chain, fair workforce, improvement of labor standards, women's employment and inclusion issues (gender, race, religion, language, marital status, ethnic identity, sexual orientation, gender identity, family responsibilities, union activities, political opinion, disability, social and cultural differences, etc., such as non-discrimination) are included in its policy on employee rights.	X				Our Human Rights and Employee Rights Policy *https://www.turkishairlines.com/en-int/press-room/about-us/our-policy/index.html* Supplier Code of Conduct Policy *https://investor.turkishairlines.com/documents/sustainability/pl_10_80_003-supplier-code-of-conduct-policy_en.PDF* Code of Business Conduct and Ethics Manual *https://investor.turkishairlines.com/documents/code-of-business-conduct-and-ethics-manual.pdf*
C1.3	Measures taken along the value chain regarding the observance of certain economic, environmental, social factors (low income groups, women, etc.) or minority rights/equality of opportunity have been publicly disclosed.	X				Turkish Airlines contributes to the social and environmental development of its suppliers in order to support sustainable development across the value chain. In the contracts signed with the suppliers, articles regarding the protection of the social rights of the employees are included. Contribution of Supply Operations, 2021 Sustainability Report, Page 18 Supporting Female Employment, 2021 Sustainability Report, Pages 87, 88 Supporting Disabled Employment, 2021 Sustainability Report, Page 89 Human and Employee Rights, 2021 Sustainability Report, Page 89 Fair Remuneration, 2021 Sustainability Report, Page 89 Talent Management, 2021 Sustainability Report, Pages 90-97 Support of Turkish Airlines to the Sustainable Development Goals, 2021 Sustainability Report, Pages 35-37 https://investor.turkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf Occupational Health And Safety, Turkish Airlines 2022 Annual Report, Pages 138, 139 Our Human Rights and Employee Rights Policy *https://www.turkishairlines.com/en-int/press-room/about-us/our-policy/index.html* Code of Business Conduct and Ethics Manual *https://investor.turkishairlines.com/documents/code-of-business-conduct-and-ethics-manual.pdf* Supplier Code of Conduct Policy *https://investor.turkishairlines.com/documents/sustainability/pl_10_80_003-supplier-code-of-conduct-policy_en.PDF* Employee resources from different countries and cultures play an important role in the construction of Turkish Airlines' international success story. Turkish Airlines carries out various practices aimed at facilitating the work life of female employees and enriching their career opportunities. As a result of this approach, as of 2022, 13,804 female employees are among our 29,520 employees. Focusing on increasing the number and effectiveness of women in decision-making processes in aviation management, Turkish Airlines employs around 572 female executives in the senior and middle management structure. Turkish Airlines is also determined to employ disabled people and to offer them the opportunity to show their talents with the various flexibility it provides. In this direction, working conditions are facilitated by making work areas suitable for the needs of disabled employees, and separate messages are prepared for visually impaired employees in internal communication correspondence. As of 2022, there are 206 disabled employees within the Incorporation and 26 of our disabled employees are in the position of chief. Turkish Airlines purchases products and services from many suppliers and business partners operating in various countries in order to carry out its activities. In order to support sustainable development across the value chain, Turkish Airlines also contributes to the social and environmental development of its suppliers, and suppliers and stakeholders are expected to comply with the Human Rights and Employee Rights Policy, which reflects the Incorporation's approach and standards on human rights.

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

		COMPLIANCE STATUS				EXPLANATION
		YES	NO	PARTIALLY	IRRELEVANT	
C1.4	Developments regarding preventive and corrective practices against discrimination, inequality, human rights violations, forced and child labor were disclosed to the public.	x				Turkish Airlines employees have an Ethics Line, where they can openly share and ask questions about behaviors or suspicious situations that violate our corporate ethical principles, particularly discrimination, bribery and corruption, conflict of interest, and anti-competitive practices. All notifications received through this communication channel, which is managed by an independent third party organization, are evaluated by the Ethics Committee. Reporting Abuses, 2021 Sustainability Report, Page 27 Employee Health and Safety, 2021 Sustainability Report, Pages 76-78 Supporting Female Employment, 2021 Sustainability Report, Pages 87, 88 Supporting Disabled Employment, 2021 Sustainability Report, Page 89 Human and Employee Rights, 2021 Sustainability Report, Page 89 Fair Remuneration, 2021 Sustainability Report, Page 89 Talent Management, 2021 Sustainability Report, Pages 90-97 Support of Turkish Airlines to the Sustainable Development Goals, 2021 Sustainability Report, Pages 35-37 Turkish Airlines' performance on Human Rights is disclosed in the "Employee Demographics and Social Indicators" section of the "Performance Indicators Table". Performance Indicators, 2021 Sustainability Report, Page 101- 103 *https://investor.turkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf* Our Human Rights and Employee Rights Policy, *https://www.turkishairlines.com/en-int/press-room/about-us/our-policy/index.html* Code of Business Conduct and Ethics Manual, *https://investor.turkishairlines.com/documents/code-of-business-conduct-and-ethics-manual.pdf* Human Resources Policy, 1 JANUARY – 31 DECEMBER 2022 BOARD's ACTIVITY REPORT, *https://investor.turkishairlines.com/documents/2022_04_board_activity_report.pdf* Occupational Health and Safety, Turkish Airlines 2022 Annual Report, Pages 138, 139 Turkish Airlines respects the rights of its employees to organize and collective bargaining. Accordingly, in 2022, a total of 22,594 employees are among the labor force working under the collective agreement. General recruitment rules and principles, type and duration of employment contracts, social rights and wages are clearly stated in the Collective Bargaining Agreement and the internal procedures of Turkish Airlines. The Collective Bargaining Agreement is being developed day by day to improve employee rights, and protocols are signed between the Incorporation and the authorized union to protect the economic and social rights and interests of the employees. Adopting the principle of equal pay for equal work, Turkish Airlines' procedures followed in the remuneration of employees are transparently accessible to all employees. Wage differences among employees depend only on seniority and level, and there are no gender-based differences. Carrying out its activities in line with the principle of respecting Human Rights, Turkish Airlines secures all the rights of the employees of the Incorporation with its ethical principles and policies. It provides a working environment where any practices contrary to human rights such as modern slavery and forced labor, including human trafficking, cannot be found under the umbrella of the Partnership. One of the most important factors behind the success of our partnership is the dynamic and young staff. 6,973 of our employees are in the age group of 18-30, 21,117 are in the age group of 30-50, and 1,529 are in the age group of 50 and above.

		COMPLIANCE STATUS				EXPLANATION
		YES	NO	PARTIALLY	IRRELEVANT	
C1.5	Investments in employees (education, development policies), compensation, fringe benefits, right to unionize, work/life balance solutions and talent management are included in the employee rights policy.	x				Our human rights and employee rights policy The purpose of our Human Rights and Employee Rights Policy is to create a guide that reflects our Incorporation's approach and standards on human rights, and thus to emphasize the importance it attaches to human and employee rights. Within the scope of the policy; our principles are explained under the headings of Respecting Human Rights, Diversity and Equal Opportunity, Forced Labor, Modern Slavery, Human Trafficking, Bullying and Harassment, Child Labor, Working Conditions and Work-Private Life Balance, Remuneration, Training and Development Opportunities, Freedom of Association and Collective Bargaining Right, Protection of Personal Data, Safe and Healthy Workplace,Environmental Consciousness and Implementation Principles. *https://www.turkishairlines.com/en-int/press-room/about-us/our-policy/index.html* Training policy *https://www.turkishairlines.com/en-int/press-room/about-us/our-policy/index.html*
	Dispute resolution processes have been determined by establishing mechanisms for employee complaints and resolution of disputes.	x				The Ethics Committee, consisting of five representatives, one of whom is the Chairman and four members, determined by the CEO, is responsible for the adoption of the ethical values throughout the Incorporation and their reflection on the working culture, making it a habit for the employees to question whether their discourse and behavior in the business environment is in line with ethical values, and guiding the employees when they encounter suspicious situations, and resolving the conflicts that arise. The Ethics Committee aims to create a positive, diverse, open and inclusive work environment where employees and others can ask questions, raise concerns about work-related ethical issues, request an investigation or report violations without fear of retaliation. Reporting Abuses, 2021 Sustainability Report, Page 27 *https://investor.turkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf* Turkish Airlines employees have access to Ethics Line, where they can openly share and ask questions about behaviors or suspicious situations that violate our corporate ethical principles, particularly discrimination, bribery and corruption, conflict of interest, and anti-competitive practices. Notification owners can make their notifications anonymously if they wish, and all notifications are handled with complete confidentiality. All notifications received through this communication channel, which is managed by an independent third party organization, are evaluated by the Ethics Committee. As a result of the evaluation, the Ethics Committee determines the measures to be taken. In 2022, 436 notifications were made to the ethics reporting line, 63 of which are related to discrimination, harassment, mobbing, oppression and violence. *https://tkethics.com/*
	Activities carried out within the reported period to ensure employee satisfaction were disclosed to the public.	x				Career Development, 2021 Sustainability Report, Page 90 Improving Employee Experience , 2021 Sustainability Report, Page 96 Employee Retention, 2021 Sustainability Report, Page 97 *https://investor.turkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf* Human Resources, Employee Experience, 2022 Annual Report, Page 137 In order to keep the employee turnover rate low in our Incorporation, the needs and expectations of the employees are analyzed and solutions are produced for their needs, thus it is aimed to benefit from the trained workforce to the highest extent. Managers are periodically informed and encouraged to establish healthy relations with employees, to see the problems experienced by the employee at work, to give feedback, to evaluate performance and to reward. Managers and higher managers are given targets in the Corporate Performance System with the Employee Satisfaction Compliance Map. In addition, developments in the sector, new human resources trends and policies in the world are followed. With these studies, the employee turnover rate for 2022 was 3%. It is aimed to further increase employee satisfaction by improving the employee experience. The prerequisite for operating in the aviation sector is to have the highest level of trained and professionally developed human resources. With its international competencies, experience and technical infrastructure, Turkish Airlines plays an important role both in the training of its own employees and in bringing new professionals to the sector. In this context, in 2022, a total of 254,242 person*hours were provided to our 468,596 employees and 27,940 person*hours of training was provided to our 38,423 contractor employees. Some of the trainings we provide for our employees are mentioned in Article C1.10.

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

		COMPLIANCE STATUS				EXPLANATION
		YES	NO	PARTIALLY	IRRELEVANT	
C1.6	Occupational health and safety policies have been established and disclosed to the public.	x				Turkish Airlines Senior Management; declares its Occupational Health and Safety Policy in order to bring together its employees, customers, suppliers, subcontractors, affiliates, all business partners and shareholders for the same purpose. Our Occupational Health And Safety Policy *https://www.turkishairlines.com/en-int/press-room/about-us/our-policy/index.html* The most senior manager responsible for occupational health and safety management throughout the company is the General Manager. The Occupational Health and Safety Board, in which employee representatives take charge, ensures the direct participation of employees in decision-making processes related to health and safety. All occupational health and safety data generated throughout the activities of the partnership are reported through online reporting systems, and root causes are analyzed, and studies are carried out to continuously improve performance by taking necessary measures. Employee Health and Safety, 2021 Sustainability Report, Page 76 *https://investor.turkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf*
	Measures taken to prevent occupational accidents and protect health and accident statistics have been disclosed to the public.	x				Support of Turkish Airlines to the Sustainable Development Goals, 2021 Sustainability Report, Page 35 Occupational Health And Safety Performance, 2021 Sustainability Report, Page 76 Occupational Health And Safety Trainings, 2021 Sustainability Report, Page 77 Covid-19 Measures 2021 Sustainability Report, Page 78 Performance Indicators, Social Performance, 2021 Sustainability Report, Pages 102, 103 *https://investor.turkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf* Occupational Health And Safety, Turkish Airlines 2022 Annual Report, Pages 138, 139 Considering the People While Growing, Turkish Airlines 2022 Annual Report, Pages 138, 139 Flight Operations, Turkish Airlines 2022 Annual Report, Pages 122-126

		COMPLIANCE STATUS				EXPLANATION
		YES	NO	PARTIALLY	IRRELEVANT	
C1.7	Personal data protection and data security policies have been established and disclosed to the public.	x				Turkish Airlines ensures the security and destruction of all kinds of information assets (electronic records, video recordings, pictures, printed documents, verbal information, etc.) that belong to it or that it is obliged to protect in accordance with national and international laws, regulations, contracts, standards and ethics. declares the Information Security Policy for the purpose of anonymization or anonymization. Information Technologies Security Studies, Turkish Airlines 2022 Annual Report, Pages 98, 99 Information Security Policy *https://www.turkishairlines.com/en-int/press-room/about-us/our-policy/index.html* Information Security, 2021 Sustainability Report, Page 24 *https://investor.turkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf* Privacy Notice on the Protection and the Processing of Personal Data *https://www.turkishairlines.com/en-int/legal-notice/privacy-policy/index.html*
C1.8	Ethics policy has been established and disclosed to the public.	x				Turkish Airlines Code of Ethics can be defined as the set of basic policies, principles and rules that all managers and employees are obliged to comply with. These rules have been introduced in order to ensure that Turkish Airlines managers and employees behave in accordance with high ethical standards and act with awareness of the effects of their attitudes and behaviors. The Code of Ethics covers various issues such as compliance with the legislation, bribery and corruption, anti-competitive behavior as well as our basic principles and values. Code of Business Conduct and Ethics Manual can be accessed via *https://investor.turkishairlines.com/documents/code-of-business-conduct-and-ethics-manual.pdf*
C1.10	Information meetings and training programs were organized for employees on ESG policies and practices.	x				Code Of Ethics Trainings, 2021 Sustainability Report, Page 26 Legal Compliance And Fair Competition, 2021 Sustainability Report, Page 28 Environmental Management, Environmental Training, 2021 Sustainability Report, Page 56 Waste Management Training, 2021 Sustainability Report, Page 64 Flight Security Awareness Studies, 2021 Sustainability Report, Page 75 Occupational Health And Safety Trainings, 2021 Sustainability Report, Page 77 Human and Employee Rights, 2021 Sustainability Report, Page 89 Performance Indicators, 2021 Sustainability Report, Pages 98-103 *https://investor.turkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf* Turkish Airlines organizes training activities on various topics for its employees. Ethical Rules and Ethics Committee training was assigned to our 9,463 employees in 2022, and the total training hours provided was 4,416 person*hours. 8,425 employees received environmental training, 3,586 employees received greenhouse gas awareness training, and 5,851 employees received waste management training. Corporate Sustainability Training was given to 13,227 employees and the total training hours were 4,409 person*hours.

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

		COMPLIANCE STATUS				EXPLANATION
		YES	NO	PARTIALLY	IRRELEVANT	
C2. Stakeholders, International Standards and Initiatives						
C2.1	The customer satisfaction policy regarding the management and resolution of customer complaints has been prepared and disclosed to the public.	x				Public access to our customer satisfaction policy, which is available on the Turkish Airlines corporate website, can be accessed via the https://www.turkishairlines.com/en-int/press-room/about-us/our-policy/index.html link. Customer Satisfaction 2021 Sustainability Report, Pages 82-84 https://investor.turkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf Aiming to keep customer satisfaction at the highest level since its establishment, Turkish Airlines receives customer expectations and demands through many communication channels and continuously improves its activities, products and services in this direction.Customers are contacted through many channels in order to learn about their expectations and respond effectively. Applications are developed with the feedback obtained. Another important aspect of improving customer satisfaction is to learn about the problems experienced by the customers, to correct this problem if possible, and to take measures to ensure that it does not happen again when it is not possible. Unavoidable disruptions are managed in line with the Flight and Service Disruptions Procedure. In this context, the response time to customers regarding the problems experienced in 2022 was 6.7 days. According to the results of the research we conducted in order to better understand our passengers, to identify their needs more accurately and to produce more accurate solutions for these needs, our Incorporation's customer satisfaction rate in 2022 was 83%.
C2.2	Information about the communication with stakeholders (which stakeholder, subject and frequency) is publicly disclosed.	x				Sustainability Priorities, 2021 Sustainability Report, Page 32 Stakeholder Engagement, 2021 Sustainability Report, Pages 38-41 *https://investor.turkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf*
C2.3	International reporting standards adopted in reporting are explained.	x				The content of the 2021 Turkish Airlines Sustainability Report consists of data on the activities of the Incorporation between 01.01.2021 and 31.12.2021, and the report has been prepared in accordance with the GRI Standards: Core option. GRI Content Index, 2021 Sustainability Report, Pages 104-106 The greenhouse gas statements for 2021 announced in our 2021 Sustainability Report have been verified by an independent organization in accordance with the TS EN ISO 14064-3: 2019 Standard. Selected indicators in the report have been audited by PwC Türkiye at a limited level in accordance with the ISAE 3000 (revised) standard. About the Report, 2021 Sustainability Report, Page 3 Our priorities within the scope of sustainability were reconsidered in the reporting period of 2021. In this process, global megarisk trends, international initiative and reporting standards and prominent practices in the aviation industry were taken into account. As a result, social, economic and environmental issues specific to the Turkish Airlines Sustainability Program were determined. In this process carried out to determine the material issues, 17 Sustainable Development Objectives were evaluated in terms of the effects, risks and opportunities they may have on Turkish Airlines activities, products and services. In addition, the priority issues determined by the Sustainability Accounting Standards Board (SASB) for our industry, the Climate-Related Financial Disclosures Task Force (TCFD) expectations, and our national and international aviation sector stakeholders, the General Directorate of Civil Aviation (SHGM), the International Civil Aviation Organization (ICAO) and the International Air Transport Organization (IATA) expectations and decisions were taken into consideration. Sustainability Priorities, 2021 Sustainability Report, Page 32 *https://investor.turkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf* Within the framework of the transparency, accountability and honesty principles we adopt, we regularly participate in the Carbon Disclosure Project (CDP) Climate Change Program, the world's most respected reporting platform on climate change. Turkish Airlines Carbon Disclosure Project (CDP) 2022 Report *https://investor.turkishairlines.com/documents/surdurulebilirlik/cdp-climate-change-report-2022.pdf*

		COMPLIANCE STATUS				EXPLANATION
		YES	NO	PARTIALLY	IRRELEVANT	
C2.4	Principles adopted, signatory or member international organizations, committees and principles regarding sustainability have been disclosed to the public.	x				Gender Balance, 2021 Sustainability Report, Pages 87, 88 Corporate Memberships, 2021 Sustainability Report, Page 42 *https://investor.turkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf* Our Incorporation has made a commitment to increase the number of female employees in pilot and senior managerial roles by 25% until 2025 by participating in the "25by2025- Advancing Gender Balance by 2025 initiative carried out by the International Air Transport Association (IATA). Our Incorporation took its place among the participants of the UN Global Compact, the world's largest corporate sustainability initiative, in 2022. Our Incorporation has strengthened the ISO 14001 Environmental Management System, which it has been implementing since 2013, in line with the "Continuous Improvement" principle it has adopted, by being included in the IEnvA (IATA Environmental Assesment) Program, which has been specially designed for airline companies by the International Air Transport Association. Our Incorporation regularly participates in the Carbon Disclosure Project (CDP) Climate Change Program, the world's most respected reporting platform on climate change. Our climate change governance structure, strategy, risk and opportunity management methods and metrics related to carbon emissions are reported transparently to institutional investors and to the public. Our Incorporation's CDP Climate Change score, which was evaluated as "B-" in 2021, increased in 2022 and was announced as "B". Accordingly, our Incorporation's 'B' score is higher than the 2022 average sector score, which is 'B-'. Our partnership cares about the ecosystem impact of using natural resources sustainably and protecting biodiversity; By signing the "United for Wildlife Buckingham Palace Declaration (UFW)", which aims to prevent the illegal trade of wild animals supported by IATA and to increase sectoral awareness on this issue, it ensures that the species that are in danger of extinction in the wild are transported to their natural habitats. Our buildings at Istanbul Airport have been registered as LEED Certified by the American Green Building Council. In addition, we became the 3rd airline in the world and the 1st in Europe with the LEED platinum operating certificate. As Turkish Airlines, we continue to support projects that contribute to the development of Sustainable Aviation Fuels (SAF), which play a key role in reducing carbon emissions. Our Incorporation, which started to use Sustainable Aviation Fuel actively in its operations as of 2022, underlines the importance it attaches to the subject by signing the Global SAF Declaration. The Global Sustainable Aviation Fuel (SAF) Declaration aims to decarbonize the aviation industry together with all industry stakeholders by accelerating the production and use of sustainable aviation fuels.

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

		COMPLIANCE STATUS				EXPLANATION
		YES	NO	PARTIALLY	IRRELEVANT	
C2.5	Improvements were made and studies were carried out to be included in the sustainability indices of Borsa Istanbul and/or international index providers.	x				Management Fundamentals, 2021 Sustainability Report, Page 30 *https://investorturkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf* In 2022, our Incorporation was also included in the BIST Sustainability Index, which includes companies traded on Borsa Istanbul with a high level of corporate sustainability performance. In the 4th Quarter of 2022 Sustainability Evaluation conducted by the BIST Sustainability Index Evaluator institution "Refinitiv", with its high sustainability performance; It has succeeded to be the 1st in the passenger transportation sector and the 1st in the Airline Industry among 47 airline companies. In addition, it is listed in the "BIST Participation Sustainability Index", which was started to be calculated in 2021 and includes only 21 companies. Our Incorporation has also succeeded in being listed in the BIST Sustainability 25 Index, which was published by Borsa Istanbul on November 21, 2022 and determined by selecting the 25 shares with the highest sustainability performance and at the same time the highest trading volume and market value among the companies listed in the BIST Sustainability Index. Turkish Airlines also voluntarily participates in the performance evaluations of international indices such as DJSI, FTSE4Good, MSCI, EcoVadis, Sustainalytics, TPI and sustainability rating agencies.
D. Corporate Governance Principles						
D1	Opinions of stakeholders were sought in the determination of measures and strategies in the field of sustainability.	x				Our stakeholders are at the core of our sustainability understanding. The success of our partnership is equal to the satisfaction of our stakeholders and the added value we create for them. Stakeholder Engagement, 2021 Sustainability Report, Pages 38-41 By improving our sustainability strategy day by day with new regulations, we continue to focus on the most important issues that our stakeholders attach importance to and that may affect our operations. While determining these material issues, we take into account the general mission and strategy of our Incorporation, legal regulations, global trends, the views and concerns of our stakeholders, broad social expectations and our impact on the supply chain. In our reporting process for 2021, our priorities within the scope of Sustainability were reconsidered. In this process, global megarisk trends, international initiative and reporting standards, and prominent practices in the aviation industry were taken into account, and as a result, social, economic and environmental issues specific to the Turkish Airlines Sustainability Program were determined. In this process carried out to determine the material issues, 17 Sustainable Development Objectives were evaluated in terms of the effects, risks and opportunities they may have on Turkish Airlines activities, products and services. A total of 1,434 Turkish Airlines employees, including 98 managers, 857 office workers, 479 flight crew, and 281 external stakeholders, including investors and shareholders, customers, financial institutions, subsidiaries, suppliers, insurance and brokerage companies, participated in the study. After the results of the study were re-evaluated in a workshop with broad participation of company executives, priority issues were determined by submitting them to the approval of the senior management. In the coming years, we will continue to update our material issues in line with global developments and feedback from our stakeholders. Sustainability Priorities, 2021 Sustainability Report, Page 32 *https://investorturkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf*
D2	Social responsibility projects, awareness activities and trainings have been carried out to raise awareness about the issue of sustainability and its importance.	x				Steakholder Groups, 2021 Sustainability Report, Page 41 Waste Management, 2021 Sustainability Report, Page 64 Employee Volunteering, 2021 Sustainability Report, Page 97 *https://investorturkishairlines.com/documents/sustainability/turkish-airlines-sustainability-report-2021.pdf* Our social responsibility projects are publicly shared on the Turkish Airlines corporate website https://www.turkishairlines.com/en-int/press-room/our-social-responsibility-projects/ . Within the scope of our wide flight network, the most frequently asked expectation of our Incorporation is to support training-oriented studies at the flight points. Transportation support is provided to the projects developed within this scope within the scope of the Incorporation strategies and possibilities. The training program requests and graduate program collaborations submitted by many universities during the term were responded to in line with the possibilities. Internship and employment requests were also responded positively, as long as it was deemed appropriate in line with the evaluations. Corporate Sustainability training was given to 13,227 Incorporation employees in order to provide our Incorporation employees with basic information on sustainability and to increase their awareness on this issue, and the total training duration was 4,409 person*hours. In addition, training activities are carried out to increase the environmental awareness level of Turkish Airlines employees, and within this scope, 8,425 employees participated in environmental training and 3,586 Incorporation employees participated in greenhouse gas training activities in 2022. In addition, 5,851 employees received 4,442 person*hour waste management training.

ASSESSMENT OF THE BOARD OF DIRECTORS ON 2022 RESULTS

At the beginning of 2022, while the impact of Covid-19 pandemic had not been fully recovered, rising geopolitical tensions affected the industry once again. The reciprocal airspace bans of countries led both to increasing demand in the aviation industry and unfavorable impact on costs due to the rise in fuel prices. Additionally, airports across Europe started to experience operational disruptions due to staff shortages. Differentiating itself positively from its competitors, Turkish Airlines continued its operational and financial success during 2022 through operational agility and maintenance of its highly qualified workforce during the pandemic.

In the recovery phase of the global aviation industry, Türkiye has been one of the countries to achieve normalization rapidly. According to the monthly statistics announced by the General Directorate of State Airports Authority (DHMİ), the number of international passengers arriving in Türkiye in 2022 reached 95% of 2019 and increased 71% compared to 2021. Investments in airline infrastructure in our country has direct and major impact in achieving this success. Thanks to investments and effective management, Istanbul Airport and Sabiha Gokcen Airport were among the best in Europe in terms of timely departure rates in 2022.

According to The European Organisation for the Safety of Air Navigation (Eurocontrol), Turkish Airlines, one of the major players of the re-emergence of the aviation industry, has been the airline with the most flights among European network carriers for the last three years while Turkish Cargo has become a bridge of trade between the East and the West. According to the 2022 data published by the International Air Transport Association (IATA), our Incorporation which quadrupled its market share in cargo transportation in the last 10 years has sealed its success by ranking in the 5th place among the top air cargo carriers. Relocating in February 2022 to SMARTIST, the new high-tech cargo operations center in Istanbul Airport, Turkish Cargo aims to develop its position even further among the world's leading air cargo brands. With our mega cargo center SMARTIST which takes place in one of the world's largest hubs, and Turkish Airlines' unique wide flight network, we aim to transform Istanbul to the world's logistic center by Türkiye's 100th anniversary of the Republic Day.

Among the top 3 most well-known airline brands, Turkish Airlines also garners a lot of attention having won the Europe's Best Airline and 5 Star Airline awards. According to IATA's published statistics in 2022 while the capacity of the global airline industry overall has reached 72% of 2019 numbers, Turkish Airlines achieved a faster recovery reaching 108%. The number of passengers carried by our Incorporation in this period reached 72 million amounting to 97% of 2019. In 2022 as the struggles staff shortages and inadequate infrastructure caused were felt to a large extent, our Incorporation continued its operations uninterrupted outrunning European airlines. In the third quarter of 2022, just when the flight operations intensified, European airlines have cancelled 6 times more flights than our Incorporation did.

Our Incorporation achieved great success in its financial results as well as differentiating itself positively from the industry in passenger traffic numbers in 2022. Compared to 2019, with an increase of 28% in passenger revenue and 121% increase in cargo revenue, our Incorporation generated a total revenue of 18.4 billion USD.

Establishing and implementing effective cash flow management and cost cutting policies are factors that Turkish Airlines highly prioritizes. Although the increase in oil prices put pressure on costs, our unit costs except fuel decreased thanks to our operational efficiency and effective cost management. As a result of the strong demand environment and our Incorporation's wide flight network, our pricing power has increased along with our market share. As a result, Turkish Airlines generated 2.8 billion USD operating profit and achieved an operating profit margin of 15.1% exceeding industry average in profitability. Despite the difficult conditions of the pandemic and operational process, Turkish Airlines having made profits for the last 6 consecutive years, has become one of the world's most profitable airlines in 2022.

In 2022 as the global face of Türkiye, significant progress has been achieved in the field of sustainability, a topic that is high on the agenda of the entire world, befitting a global airline. In 2022, Turkish Airlines reinforced its support for the United Nations (UN) Sustainable Development Goals (SDGs) by taking its place among the participants of the UN Global Compact, the world's largest corporate sustainability initiative. Sustainable aviation fuel use, initiated in February, has been continued on various European routes once a week, and the Global SAF Declaration aiming at the developing of the sustainable aviation fuels was signed. Within the scope of the "Microalgae-Based Sustainable Bio-Jet Fuel Project (MICRO-JET)" jointly carried out with Boğaziçi University, with its R&D support to the Project, Turkish Airlines was awarded the "Most Sustainable Airline" by World Finance, the prestigious institution of the financial world, and the "Airline of the Year in Sustainability Innovation" by CAPA (Centre for Aviation). With CO2mission, the voluntary carbon offset program launched in August, travelers have the opportunity to be involved in the process of recovering our planet by supporting sustainable development projects. Within the scope of combating climate change, with operational optimization projects successfully implemented since 2008, 57,581 tons of fuel was saved in 2022 and 181,379 tons of carbon emissions were prevented from being released into the atmosphere. As a natural consequence of all its sustainability efforts, Turkish Airlines has managed to maintain its place in the Borsa Istanbul Sustainability Index in 2022, as well as increasing the scores it has achieved in the performance evaluations of international indices and sustainability rating agencies that it voluntarily participates in.

Turkish Airlines which employs over 65 thousand staff with its subsidiaries, continues to proudly fly our national flag among aviation giants as a brand that steers the industry through its unique wide flight network, modern fleet, exceptional cargo performance and successful crisis management. In the upcoming period, in order to continue growing our industry sustainably in line with the development goals of our country, our goal as the flag carrier is to carry our country further to new success stories to be written.

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 2022, 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 incompliance, 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 2022 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 the 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. Following the approval of the Capital Markets Board regarding the issue, the election of the candidates to Independent Board Members was submitted for approval of and accepted by the General Assembly at the Ordinary General Assembly dated March 29, 2022.

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 six written reports to the Board of Directors in 2022.

The Early Detection of Risk Committee (Committee) makes studies for the detection, measurement and evaluation of the potential risks that may pose a threat to the activities and continuity of the Incorporation; and takes the necessary actions for the establishment of the risk management systems against the identified risks and the assurance of the functionality of such systems. The Committee, which met six times in 2022, made multi-perspective evaluation of the possible effects of geopolitical and macroeconomic developments on the Incorporation and aviation sector, such as ongoing Russia-Ukraine war, sanctions imposed along with the war, rising inflation, increasing energy prices, strengthening global recession expectations, supply chain problems and partly ongoing pandemic restrictions. In addition, the Committee also identified the potential financial risk factors by analyzing the data on cash projection, financial ratios, current indebtedness, financing needs and budget performance. The Committee, which also evaluated the effectiveness of current risk management systems, reported its studies to the Board of Directors.

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.

OTHER MATTERS

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
The Incorporation's R&D activities are carried out by our subsidiary 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.

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 Türkiye 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;

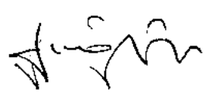
f) I will be able to allocate time for the affairs of the Incorporation to such an extent that I would be able to fully perform and carry out the duties and tasks which I have assumed, and to follow up the functioning of the activities and operations of the Incorporation, and also that;

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 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 Türkiye 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;

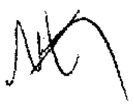
f) I will be able to allocate time for the affairs of the Incorporation to such an extent that I would be able to fully perform and carry out the duties and tasks which I have assumed, and to follow up the functioning of the activities and operations of the Incorporation, and also that;

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

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;

d) I am resident in Türkiye 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,



Şekib Avdagiç

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 for the information of our shareholders.

Conclusion Section of the Report on Related Party Transactions:
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; and 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 in the aforementioned report are considered to be consistent with the transactions of previous years and at-arm's length when compared with market conditions.

STATEMENT OF RESPONSIBILITY

RESOLUTION NUMBER: : TK2023038678
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
01.03.2023

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, 2022 approved by the Board's resolution dated 01.03.2023, numbered 57 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.

Metin GÜLŞEN
SVP, Accounting and Financial Control

Assoc. Prof. Murat ŞEKER
Chief Financial Officer

Bilal EKŞİ
General Manager

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Consolidated Financial Statements as at and for the Year Ended 31 December 2022 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 2022, 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 2022;
- the consolidated statement of profit or loss and 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.

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.

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	
Revenue and passenger flight liabilities (Please refer to Note 2.3.1, 14 and 26) 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 USD14,291 million for the year ended 31 December 2022. Unused tickets are recognized as passenger flight liabilities, until the flights are completed. Total passenger flight liabilities amounted to USD2,107 million as of 31 December 2022. We focused on this area in our audit due to the following reasons: - 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.	The following procedures were performed to audit of the revenue and passenger flight liabilities: - 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.
Frequent flyer program liabilities (Please refer to Note 2.3.19 and 14) 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 USD184 million in the consolidated financial statements as of 31 December 2022. 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"). We focused on this area in our audit due to the following reasons: - 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.	The following procedures were performed to audit of the frequent flyer program liabilities: - 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.

INDEPENDENT AUDITOR'S REPORT

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)	
The carrying values of aircrafts' components accounted for property, plant and equipment and right of use assets amounted to USD17,613 million in the consolidated financial statements as of 31 December 2022. 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. We focused on this area in our audit due to the following reasons: - The impacts to the consolidated financial statements as of 31 December 2022 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.	- 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 2023

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Consolidated Balance Sheet as at 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

ASSETS	Notes	31 December 2022	31 December 2021
Non-Current Assets			
Financial Investments	6	165	88
Other Receivables			
-Third Parties	12	957	866
Investments Accounted for Using Equity Method	3	277	237
Investment Property	15	69	-
Property and Equipment	16	4,654	4,364
Right of Use Assets	16	16,577	15,110
Intangible Assets			
- Other Intangible Assets	17	77	82
- Goodwill	37	27	12
Prepaid Expenses	14	914	839
Deferred Tax Asset	32	2	1
TOTAL NON-CURRENT ASSETS		**23,719**	**21,599**
Current Assets			
Cash and Cash Equivalents	5	4,075	2,677
Financial Investments	6	626	5
Trade Receivables			
-Related Parties	9	31	24
-Third Parties	10	964	901
Other Receivables			
-Related Parties	9	13	6
-Third Parties	12	864	791
Derivative Financial Instruments	34	44	59
Inventories	13	331	261
Prepaid Expenses	14	176	114
Current Income Tax Assets	32	35	20
Other Current Assets	24	66	80
TOTAL CURRENT ASSETS		**7,225**	**4,938**
TOTAL ASSETS		**30,944**	**26,537**

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 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

LIABILITIES AND EQUITY	Notes	31 December 2022	31 December 2021
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	(228)	(71)
Items That Are or May Be Reclassified to Profit or Loss			
-Foreign Currency Translation Differences	25	(294)	(275)
-Fair Value Gains on Hedging Instruments Entered into for Cash Flow Hedges	25	515	151
-Losses on Investments Remeasured at FVOCI		(14)	(7)
Restricted Profit Reserves	25	36	36
Previous Years Profit	25	5,405	4,446
Net Profit for the Year		2,725	959
Equity of the Parent		**9,742**	**6,836**
Non-Controlling Interests		-	1
TOTAL EQUITY		**9,742**	**6,837**
Non- Current Liabilities			
Long-Term Borrowings	7	1,115	2,333
Long-Term Lease Liabilities	7 and 18	9,177	8,574
Other Payables			
-Third Parties	12	24	55
Deferred Income	14	108	92
Long-Term Provisions			
-Provisions for Employment Termination Benefits	22	273	113
-Other Provisions	20	61	46
Deferred Tax Liabilities	32	2,220	1,714
TOTAL NON-CURRENT LIABILITIES		**12,978**	**12,927**
Current Liabilities			
Short Term Borrowings	7	1,058	883
Short-Term Portion of Long-Term Borrowings	7	1,100	1,443
Short-Term Portion of Lease Liabilities	7 and 18	1,589	1,670
Other Financial Liabilities	8	-	8
Trade Payables			
-Related Parties	9	270	167
-Third Parties	10	930	724
Payables Related to Employee Benefits	11	183	105
Other Payables			
-Related Parties	9	13	5
-Third Parties	12	112	169
Derivative Financial Instruments	34	211	28
Deferred Income	14	2,394	1,264
Current Tax Provision	32	3	16
Short-Term Provisions			
-Provisions for Employee Benefits	20	39	18
-Other Provisions	20	6	8
Other Current Liabilities	24	316	265
TOTAL CURRENT LIABILITIES		**8,224**	**6,773**
TOTAL LIABILITIES AND EQUITY		**30,944**	**26,537**

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 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

PROFIT OR LOSS	Notes	31 December 2022	31 December 2021
Revenue	26	18,426	10,686
Cost of Sales (-)	27	(14,036)	(8,322)
GROSS PROFIT		**4,390**	**2,364**
General Administrative Expenses (-)	28	(284)	(254)
Selling and Marketing Expenses (-)	28	(1,390)	(835)
Other Operating Income	29	145	174
Other Operating Expenses (-)	29	(82)	(35)
OPERATING PROFIT BEFORE INVESTMENT ACTIVITIES		**2,779**	**1,414**
Income from Investment Activities	30	316	207
Expenses for Investment Activities	30	(23)	(7)
Share of Investments' Profit Accounted for Using The Equity Method	3	121	75
OPERATING PROFIT		**3,193**	**1,689**
Financial Income	31	378	101
Financial Expenses (-)	31	(632)	(767)
PROFIT BEFORE TAX		**2,939**	**1,023**
Tax Expense		**(214)**	**(64)**
Current Tax Expense	32	(35)	(28)
Deferred Tax Expense	32	(179)	(36)
NET PROFIT FOR THE YEAR		**2,725**	**959**
OTHER COMPREHENSIVE INCOME			
Items That May Be Reclassified Subsequently To Profit or Loss		**338**	**518**
Currency Translation Adjustment		(19)	(74)
Losses on Investments Remeasured at FVOCI		(8)	(11)
Fair Value Gains on Hedging Instruments Entered into for Cash Flow Hedges		462	738
Fair Value (Losses) / Gains Hedging Instruments of Investment Accounted by Using the Equity Method Entered into for Cash Flow Hedges		(7)	13
Related Tax of Other Comprehensive Income		(90)	(148)
Items That Will Not Be Reclassified Subsequently To Profit or Loss		**(157)**	**(23)**
Actuarial Losses on Retirement Pay Obligation		(196)	(29)
Related Tax of Other Comprehensive Income		39	6
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**181**	**495**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,906**	**1,454**
Basic Earnings Per Share (Full US Cents)	33	1.97	0.69
Diluted Earnings Per Share (Full US Cents)	33	1.97	0.69

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 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

	Share Capital	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
		Actuarial Losses Retirement Pay Obligation	Foreign Currency Translation Differences	Fair Value Gains on Hedging Instruments Entered Into For Cash Flow Hedges	Losses on Investments Remeasured at FVOCI	Restricted Profit Reserves	Previous Years Profit	Net Profit for The Period			
As of 1 January 2022	**1,597**	**(71)**	**(275)**	**151**	**(7)**	**36**	**4,446**	**959**	**6,836**	**1**	**6,837**
Transfers	-	-	-	-	-	-	959	(959)	-	-	-
Total comprehensive income	-	(157)	(19)	364	(7)	-	-	2,725	2,906	(1)	2,906
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	(1)	(1)
As of 31 December 2022	**1,597**	**(228)**	**(294)**	**515**	**(14)**	**36**	**5,405**	**2,725**	**9,742**	**-**	**9,742**

	Share Capital	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
		Actuarial Losses Retirement Pay Obligation	Foreign Currency Translation Differences	Fair Value Gains on Hedging Instruments Entered Into For Cash Flow Hedges	Losses on Investments Remeasured at FVOCI	Restricted Profit Reserves	Previous Years Profit	Previous Net Profit for The Period			
As of 1 January 2021	**1,597**	**(48)**	**(201)**	**(450)**	**2**	**36**	**5,282**	**(836)**	**5,382**	**1**	**5,383**
Transfers	-	-	-	-	-	-	(836)	836	-	-	-
Total comprehensive income	-	(23)	(74)	601	(9)	-	959	1,454	1,454	-	1,454
As of 31 December 2021	**1,597**	**(71)**	**(275)**	**151**	**(7)**	**36**	**4,446**	**959**	**6,836**	**1**	**6,837**

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 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

	Notes	31 December 2022	31 December 2021
Net Profit for the period		2,725	959
Adjustments to Reconcile Profit			
Adjustments for Depreciation and Amortisation Expense	16 and 17	1,864	1,740
Adjustments for Impairment on Goodwill	37	12	-
Adjustments for Provisions Related to Employee Benefits	20 and 22	45	27
Adjustments for Provisions for Other Accruals	20	-	3
Adjustments for Reversal of Probable Risks		10	(10)
Adjustments for Interest Income	30 and 31	(212)	(75)
Adjustments for Interest Expense	22 and 31	342	343
Adjustments For Unrealised Foreign Exchange Gains		(162)	(75)
Adjustments for Fair Value Losses / (Gains) on Derivative Financial Instruments	31	217	(33)
Adjustments for Fair Value Gains	37	(12)	-
Adjustments for Undistributed Gains of Associates	3	(121)	(75)
Adjustments for Tax Expense	32	166	52
Adjustments for Losses / (Gains) Arised From Sale of Tangible Assets	30	6	(1)
Adjustments for Losses Arised from Sale of Other Non-Current Assets	16	60	53
Operating Profit Before Changes in Working Capital		**4,940**	**2,908**
Increase in Trade Receivables from Related Parties	9	(7)	(6)
Increase in Trade Receivables from Third Parties	10	(70)	(274)
Increase in Other Receivables from Related Parties	9	(7)	-
(Increase) / Decrease in Other Receivables from Third Parties	12	(186)	217
Adjustments for (Increase) / Decrease in Inventories	13	(64)	44
Adjustments for Increase in Prepaid Expenses	14	(137)	(14)
Increase in Trade Payables to Related Parties	9	100	26
Increase in Trade Payables to Third Parties	10	206	4
Adjustments for Increase in Payables Due to Employee Benefits	11	78	15
Increase in Other Payables to Related Parties	9	8	5
(Decrease) / Increase in Other Payables to Third Parties	12	(49)	114
Increase in Deferred Income	14	1,177	643
Decrease in Other Assets	24	14	45
Cash Flows From Operations		**6,003**	**3,727**
Payments for Provisions Related with Employee Benefits	22	(7)	(6)
Income Taxes Received / (Paid)	32	15	(18)
Net Cash From Operating Activities		**6,011**	**3,703**
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES			
Cash outflows due to share acqusition or capital increase in affiliaties and/or joint ventures	37	(17)	-
Proceeds From Sales of Property, Plant and Equipment and Intangible Assets		79	81
Payments For Purchasing of Property, Plant and Equipment and Intangible Assets	16 and 17	(1,056)	(850)
Payments For Purchasing of Other Short and Long-term Assets	6	(698)	-
Other Cash Advances and Loans	12	(92)	222
Dividends Received		20	29
Interest Received	30	99	7
Net Cash Flows Used In Investing Activities		**(1,665)**	**(511)**
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES			
Proceeds From Loans	7	1,809	2,790
Repayments of Loans	7	(2,889)	(3,071)
Payments of Lease Liabilities	7	(1,655)	(1,786)
Interest Paid		(318)	(318)
Interest Received	31	113	68
Other Cash Outflows	8	(8)	(9)
Net Cash Used in Financing Activities		**(2,948)**	**(2,326)**
Net Change in Cash and Cash Equivalents		**1,398**	**866**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**2,677**	**1,811**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**5**	**4,075**	**2,677**

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 2022

(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 Türkiye in 1933. As of 31 December 2022 and 2021, the shareholders and their respective shareholdings in the Company are as follows:

	31 December 2022	31 December 2021
Türkiye Wealth Fund	49.12 %	49.12 %
Republic of Türkiye Treasury and Finance Ministry Privatization Administration	-	-
Other (publicly held)	50.88 %	50.88 %
Total	100.00 %	100.00 %

The Company is controlled by Türkiye Wealth Fund.

The number of employees working for the Group as of 31 December 2022 is 40,264 (31 December 2021: 37,394). The average number of employees working for the Group for the year ended 31 December 2022 and 2021 are 38,555 and 37,561 respectively. The Group is registered in İstanbul, Türkiye 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. The Company and its subsidiaries will be referred as "Group".

Subsidiaries and Joint Ventures

The table below sets out the consolidated subsidiaries of the Group as of 31 December 2022 and 2021:

		Ownership Rate		
Name of the Company	Principal Activity	31 December 2022	31 December 2021	Country of Registration
THY Teknik A.Ş. (Turkish Technic)	Aircraft Maintenance Services	100%	100%	Türkiye
THY Uçuş Eğitim ve Havalimanı İşletme A.Ş. (TAFA)	Training & Airport Operations	100%	100%	Türkiye
THY Havaalanı Gayrimenkul Yatırım ve İşletme A.Ş. (*)	Airport Investment	-	100%	Türkiye
THY Uluslararası Yatırım ve Taşımacılık A.Ş.	Cargo and Courier Transportation	100%	100%	Türkiye
Cornea Havacılık Sistemleri San. Ve Tic. A.Ş.	Software System Maintenance Services	80%	80%	Türkiye
THY Teknoloji ve Bilişim A.Ş. (THY Teknoloji)	Information Technologies and Consulting	100%	100%	Türkiye
THY Hava Kargo Taşımacılığı A.Ş.	Cargo Transportation	100%	100%	Türkiye
Uçak Koltuk Sanayi ve Ticaret A.Ş. (TSI) (**)	Cabin Interior Products	100%	50%	Türkiye

(*) The merger with THY Havaalanı Gayrimenkul Yatırım ve İşletme A.Ş. was registered on 09.08.2022.
(**) The increase in the shares of Uçak Koltuk San. ve Tic. A.Ş. is stated in Note 37.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(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 2022 and 2021:

Company Name	Country of Registration and Operations	Ownership Share and Voting Power 31 December 2022	Ownership Share and Voting Power 31 December 2021	Principal Activity
Güneş Ekspres Havacılık A.Ş. (Sun Express)	Türkiye	50%	50%	Aircraft Transportation
THY DO&CO İkram Hizmetleri A.Ş. (Turkish DO&CO)	Türkiye	50%	50%	Catering Services
P&W T.T. Uçak Bakım Merkezi Ltd. Şti. (TEC)	Türkiye	49%	49%	Maintenance Services
TGS Yer Hizmetleri A.Ş. (TGS)	Türkiye	50%	50%	Ground Services
THY OPET Havacılık Yakıtları A.Ş. (THY Opet)	Türkiye	50%	50%	Aviation Fuel Services
Goodrich Thy Teknik Servis Merkezi Ltd. Şti. (TNC) (Goodrich)	Türkiye	40%	40%	Maintenance Services
TCI Kabin İçi Sistemleri San ve Tic. A.Ş. (TCI)	Türkiye	50%	50%	Cabin Interior Products
Vergi İade Aracılık A.Ş.	Türkiye	30%	30%	VAT Return and Consultancy
Air Albania	Albania	49%	49%	Aircraft Transportation
We World Express Ltd. (We World Express)	Hong Kong	45%	45%	Cargo and Courier Transportation
TFS Akaryakıt Hizmetleri A.Ş. (TFS Akaryakıt)	Türkiye	25%	25%	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..

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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 2022 on 1 March 2023. General Assembly and the related regulatory bodies have the authority to modify the statutory financial statements.

Basis of Preparation

The consolidated financial statements, except for some financial instruments that are stated at fair value, 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.

Functional and Reporting Currency

Functional currency

The consolidated financial statements of the Group are presented in USD, 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 USD. USD 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 USD 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 USD have been remeasured in USD in accordance with the relevant provisions of IAS 21 *the Effects of Changes in Foreign Exchange Rates.*

IAS 29 requires the financial statements of an entity with a functional currency that is hyperinflationary to be restated for the changes in the general pricing power of the functional currency. The Group uses the USD in measuring items in its financial statements and uses the USD as the functional currency. Therefore, no adjustments have been made for hyperinflation according to IAS 29.

Except where otherwise indicated, all amounts disclosed in financial statements and notes are rounded the nearest million (USD 000,000).

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.1 Basis of Presentation (cont'd)

Basis of Consolidation

a. 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.

b. The Group has eleven 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 and other shareholders 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.

c. 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.

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.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

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 2022 are consistent with those used in the preparation of the Group's consolidated financial statements as at and for the year ended 31 December 2021.

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:

(a) Identification of customer contracts,
(b) Identification of performance obligations,
(c) Determination of transaction price in the contract,
(d) Allocation of price to performance obligations,
(e) Recognition of revenue when the performance obligations are fulfilled.

Group recognized revenue from its customers only when all of the following criteria are met:

(a) 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,
(b) Group can identify each party's rights regarding the goods or services to be transferred,
(c) Group can identify the payment terms for the goods or services to be transferred;
(d) The contract has commercial substance,
(e) 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 uses estimates based on historical statistics and data for unredeemed tickets. Total estimated amount of unredeemed tickets are recognized as 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 collected or to be collected 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.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.1 Revenue (cont'd)

Rendering of services: (cont'd)

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.

b) Ticket Reissue Revenue

Each fare types provided by the Group have its own conditions attached, which may include it being restricted, upgradeable or refundable. A change fee may apply if passengers need to make a change to their booking, cancel flights or buy replacement tickets. 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 in the period when they are declared.
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 valued at the lower of cost and net realizable value. The cost of inventories consist of 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

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Assets under construction are carried at their costs. 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.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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)

Property and equipment other than land and properties under construction depreciated 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.

The Group allocates 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.

The gain or loss arising from 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:

	Useful Life (Years)	Residual Value
- Buildings	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	3-20	-
- Furniture and Fixtures	3-15	-
- Motor Vehicles	4-15	-
- Other Equipment	4-15	-
- Leasehold Improvements	Lease period/5 years	-

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.3 Summary of Significant Accounting Policies (cont'd)

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 assess whether:

a) The contract involved the use of an identified asset – this may be specified explicitly or implicitly.
b) 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.
c) 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
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:

i. 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;
ii. 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:

a) Amount of the initial measurement of the lease liability;
b) Any lease payments made at or before the commencement date, less any lease incentives received;
c) Any initial direct costs incurred by the Group; and
d) 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:

a) After netting-off depreciation and reducing impairment losses from right of use asset.
b) Adjusted for certain re-measurements of the lease liability recognized at the present value.

The Group applies IAS16 "Property, Plant and Equipment" to amortize the right of use asset and to asses for any impairment.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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 operating lease agreements of aircrafts, 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. Lease liabilities are discounted to present value by using the Group's incremental borrowing rates for each currency. 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. Lease liabilities are discounted to present value by using the Group's incremental borrowing rates for each currency. Service agreements which relate to the usage of airports and terminals do not qualify as lease arrangements under IFRS 16. Lease agreements in which the lessor has the right to substitute the leased area with another area, do not qualify as lease 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:

a) Fixed payments, including in-substance fixed payments;
b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date.
c) 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.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.4 Leases (cont'd)

Lease Liability (cont'd)

After initial recognition, the lease liability is measured:

a) Increasing the carrying amount to reflect interest on lease liability,
b) Reducing the carrying amount to reflect the lease payments made and
c) Remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

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. 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.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.6 Impairment on Assets (cont'd)

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 USD 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.

2.3.7 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.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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)

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.

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.
Financal 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.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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)

The corporate debt securities 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. The fair value differences of government debt securities and corporate debt securities are classified into financial assets recognized in other comprehensive income.

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. At subsequent periods, loans and receivables are measured at amortized cost using the effective interest method.

Impairment of Financial Assets

Expected credit loss model (ECL) are applied to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

The financial assets at amortized cost consist of trade receivables and cash and cash equivalents.

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.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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)

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.

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 other financial liabilities.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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)

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.

Derivative financial instruments and hedge accounting

The Group uses 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 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 lease liabilities. 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 risk of changes in jet fuel prices. 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. Hedging transactions are executed for the tenor of at most 24 months and up to 60% of the forecasted fuel consumptions of the following month. Premium paid options have been included to the instrument list for the first time, in addition to formerly used swap and 2 way and 4 way 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. Since the Group is short position in JPY, strategy mainly aims to decrease the amount of short position in JPY with the long position in USD via the derivative instruments. Derivative instruments can be used in accordance with market conditions, especially the zero cost swap structures.

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.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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)

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.

2.3.9 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 USD-TL and EUR-USD exchange rates as at 31 December 2022, 2021 and 2020 are as follows:

	Closing Rate	Average Rate
Year ended 31 December 2022	18.6983	16.5147
Year ended 31 December 2021	13,329	8,8719
Year ended 31 December 2020	7.3405	7.0034

	Closing Rate	Average Rate
Year ended 31 December 2022	1.0661	1.0587
Year ended 31 December 2021	1.1319	1.1787
Year ended 31 December 2020	1.2272	1.1443

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 Türkiye, 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.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.3 Summary of Significant Accounting Policies (cont'd)

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.

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 Investment Property

Investment properties are held to obtain rent and/or appreciation revenue and reflect the amounts remaining after accumulated depreciation and any accumulated impairment are deducted from cost. The cost of change in any part of the existing investment property is included in the amount in the balance sheet if it complies with the accepted criteria.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal. Any gain or loss arising on derecognition of the property is included in consolidated profit or loss in the period in which the property is derecognized.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.15 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.

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 foreseable 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 foreseable 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.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.15 Taxation and Deferred Tax (cont'd)

Current and deferred tax for the year

Current and deferred tax is recognized as income or expense in the consolidated statement of profit or loss, except to the extent that it relates to items recognized directly in equity or other comprehensive income, 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.

2.3.16 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.

2.3.17 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.

2.3.18 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.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.19 Maintenance and Repair Cost

Regular maintenance and repair costs for owned and leased assets are charged to cost of sales 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.

2.3.20 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 revenue.

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.

2.3.21 Related Parties

Parties are considered related to the Company if;

a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;
(ii) has significant influence over the reporting entity; or
(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(i) One entity and the reporting entity are member of the same group.
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.3 Summary of Significant Accounting Policies (cont'd)

2.3.21 Related Parties (cont'd)

(vi) The entity is controlled or jointly controlled by a person identified in (a).
(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

2.4 Critical Accounting Estimates and 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 Residual 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.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Critical Accounting Estimates and Judgements (cont'd)

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.

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: (**)
1/20/2018	2017/11133	8/9/2018	Continue	Tax Reduction %90 / Contribution rate to Investment %50	4,381	-
6/15/2012	2012/3305	12/18/2014	Completed	Tax Reduction %50 / Contribution rate to Investment %15	907	-
7/14/2009	2009/15199	12/28/2010	Completed	Tax Reduction %50 / Contribution rate to Investment %20	710	1
1/20/2018	2017/11133	9/11/2018	Continue	Tax Reduction %50 / Contribution rate to Investment %25	135	-
6/15/2012	2012/3305	3/1/2018	Continue	Tax Reduction %50 / Contribution rate to Investment %15	126	38
6/15/2012	2012/3305	7/11/2017	Continue	Tax Reduction %50 / Contribution rate to Investment %15	-	-
6/15/2012	2012/3305	9/18/2017	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.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Critical Accounting Estimates and Judgements (cont'd)

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.

2.5 New and Revised Standards and Interpretations

a) Standards, amendments and interpretations applicable as at 31 December 2022

Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient (effective 1 April 2021);

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. 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.

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 recognize 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'. These amendments do not have a significant impact on the financial position and performance of the Group.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.5 New and Revised Standards and Interpretation (cont'd)

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2022:

- Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8; effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction; effective from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
- Amendment to IFRS 16 – Leases on sale and leaseback; effective from annual periods beginning on or after 1 January 2024. These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
- Amendment to IAS 1 – Non current liabilities with covenants; effective from annual periods beginning on or after 1 January 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

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.

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.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.8 Other

Russia-Ukraine Conflict

Due to the Russia-Ukraine conflict that broke out towards the end of February 2022, Turkish airlines suspended Ukraine and Belarus flights as of February 24, 2022. The closure of the airspaces of these countries to European air carriers caused some airline companies to make route changes, while others were unable to fly to the far east region, the impact of the conflict was limited for the Group due to the geographical location of Istanbul Airport and the Russian airspace being open to Turkish carriers. The Group constantly assesses further developments. There is no significant impact on the Group's continuing operations.

3. INVESTMENTS ACCOUNTED BY USING THE EQUITY METHOD

The joint ventures accounted for using the equity method are as follows:

	31 December 2022	31 December 2021
Sun Express	105	84
TEC	65	57
TFS Akaryakıt	30	10
Turkish DO&CO	26	29
THY Opet	21	21
TGS	17	19
Goodrich	5	5
TCI	4	5
We World Express	4	3
Uçak Koltuk	-	4
Vergi İade Aracılık (*)	-	-
	277	**237**

(*) The Group's share in the shareholders' equity of Vergi İade Aracılık is less than USD 1.

Share of investments' profit / (loss) accounted by using the equity method are as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
TFS Akaryakıt	35	13
Sun Express	27	17
TGS	24	16
THY Opet	13	17
Turkish DO&CO	13	5
TEC	8	8
Goodrich	1	1
Uçak Koltuk	-	(2)
	121	**75**

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

3. INVESTMENTS ACCOUNTED BY USING THE EQUITY METHOD (cont'd)

Financial information for Sun Express as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Total assets	1,728	1,838
Total liabilities	1,517	1,670
Shareholders' equity	211	168
Group's share in joint venture's shareholders' equity	105	84

	1 January - 31 December 2022	1 January - 31 December 2021
Revenue	1,437	880
Profit for the year	54	34
Group's share in joint venture's profit for the year	27	17

Financial information for TEC as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Total assets	255	204
Total liabilities	122	87
Shareholders' equity	133	117
Group's share in joint venture's shareholders' equity	65	57

	1 January - 31 December 2022	1 January - 31 December 2021
Revenue	415	391
Profit for the year	16	17
Group's share in joint venture's profit for the year	8	8

Financial information for Turkish DO&CO as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Total assets	128	115
Total liabilities	76	58
Shareholders' equity	52	57
Group's share in joint venture's shareholders' equity	26	29

	1 January - 31 December 2022	1 January - 31 December 2021
Revenue	328	158
Profit for the year	27	11
Group's share in joint venture's profit for the year	13	5

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

3. INVESTMENTS ACCOUNTED BY USING THE EQUITY METHOD (cont'd)

Financial information for THY Opet as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Total assets	145	82
Total liabilities	104	40
Shareholders' equity	41	42
Group's share in joint venture's shareholders' equity	21	21

	1 January - 31 December 2022	1 January - 31 December 2021
Revenue	738	451
Profit for the year	26	33
Group's share in joint venture's profit for the year	13	17

Financial information for TGS as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Total assets	153	119
Total liabilities	118	81
Shareholders' equity	35	38
Group's share in joint venture's shareholders' equity	17	19

	1 January - 31 December 2022	1 January - 31 December 2021
Revenue	416	256
Profit for the year	47	31
Group's share in joint venture's profit for the year	24	16

Financial information for TFS Akaryakıt Hizmetleri as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Total assets	533	244
Total liabilities	412	204
Shareholders' equity	121	40
Group's share in joint venture's shareholders' equity	30	10

	1 January - 31 December 2022	1 January - 31 December 2021
Revenue	3,440	1,227
Profit for the year	140	54
Group's share in joint venture's profit for the year	35	13

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

3. INVESTMENTS ACCOUNTED BY USING THE EQUITY METHOD (cont'd)

Financial information for TCI as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Total assets	14	15
Total liabilities	6	6
Shareholders' equity	8	9
Group's share in joint venture's shareholders' equity	4	5

	1 January - 31 December 2022	1 January - 31 December 2021
Revenue	4	6
Loss for the year	(1)	-
Group's share in joint venture's profit for the year	-	-

Financial information for Goodrich as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Total assets	17	15
Total liabilities	4	3
Shareholders' equity	13	12
Group's share in joint venture's shareholders' equity	5	5

	1 January - 31 December 2022	1 January - 31 December 2021
Revenue	24	21
Profit for the year	1	3
Group's share in joint venture's profit for the year	1	1

Financial information for We World Express as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Total assets	14	21
Total liabilities	5	13
Shareholders' equity	9	8
Group's share in joint venture's shareholders' equity	4	3

	1 January - 31 December 2022	1 January - 31 December 2021
Revenue	40	50
Profit for the year	-	1
Group's share in joint venture's profit for the year	-	-

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

3. INVESTMENTS ACCOUNTED BY USING THE EQUITY METHOD (cont'd)

Since 31 December 2019, the loss of Air Albania, which is exceeding the Group's total share in joint venture's shareholders' equity, has not been accounted in the consolidated financial statements. As of 31 December 2022, the amount is USD 8 (31 December 2021 USD 5).

Movement in investments accounted by using the equity method is as follows:

	31 December 2022	31 December 2021
Opening balance	237	256
Share of investments' income/(loss) accounted for using the equity method	121	75
Statement of changes in consolidation adjust	-	(1)
Equity Investment Disposal	(3)	-
Other expense and income recognized in equity	(22)	9
Dividends to shareholders	(28)	(29)
Foreign currency translation difference	(28)	(73)
Closing balance	277	237

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 2022	31 December 2021
Aviation	30,792	26,504
Technical	1,633	1,615
Total	32,425	28,119
Less: Eliminations due to consolidation	(1,481)	(1,582)
Total assets in consolidated financial statements	30,944	26,537

Total Liabilitites	31 December 2022	31 December 2021
Aviation	21,051	19,737
Technical	422	407
Total	21,473	20,144
Less: Eliminations due to consolidation	(271)	(444)
Total liabilitites in consolidated financial statements	21,202	19,700

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

4. SEGMENT REPORTING (cont'd)

4.2 Profit / (Loss) before Tax

Segment Results:

1 January - 31 December 2022	Aviation	Technic	Inter-segment elimination	Total
Sales to External Customers	18,012	414	-	18,426
Inter-Segment Sales	102	1,100	(1,202)	-
Revenue	18,114	1,514	(1,202)	18,426
Cost of Sales (-)	(14,004)	(1,171)	1,139	(14,036)
Gross Profit	4,110	343	(63)	4,390
Administrative Expenses (-)	(213)	(130)	59	(284)
Selling and Marketing Expenses (-)	(1,380)	(11)	1	(1,390)
Other Operating Income	150	11	(16)	145
Other Operating Expenses (-)	(55)	(35)	8	(82)
Operating Profit Before Investment Activities	2,612	178	(11)	2,779
Income from Investment Activities	316	-	-	316
Expenses from Investment Activities	(23)	-	-	(23)
Share of Investments' Profit Accounted for Using The Equity Method	113	8	-	121
Operating Profit	3,018	186	(11)	3,193
Financial Income	363	15	-	378
Financial Expense (-)	(625)	(7)	-	(632)
Profit Before Tax	2,756	194	(11)	2,939

1 January - 31 December 2021	Aviation	Technic	Inter-segment elimination	Total
Sales to External Customers	10,433	253	-	10,686
Inter-Segment Sales	63	792	(855)	-
Revenue	10,496	1,045	(855)	10,686
Cost of Sales (-)	(8,319)	(827)	824	(8,322)
Gross Loss	2,177	218	(31)	2,364
Administrative Expenses (-)	(192)	(96)	34	(254)
Selling and Marketing Expenses (-)	(827)	(9)	1	(835)
Other Operating Income	162	32	(20)	174
Other Operating Expenses (-)	(43)	(8)	16	(35)
Operating Profit Before Investment Activities	1,277	137	-	1,414
Income from Investment Activities	207	-	-	207
Expenses from Investment Activities	(7)	-	-	(7)
Share of Investments' Profit Accounted for Using The Equity Method	66	9	-	75
Operating Profit	1,543	146	-	1,689
Financial Income	135	1	(35)	101
Financial Expense (-)	(802)	-	35	(767)
Profit Before Tax	876	147	-	1,023

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

4. SEGMENT REPORTING (cont'd)

4.3 Investment Operations

1 January - 31 December 2022	Aviation	Technic	Inter-segment elimination	Total
Purchase of property and equipment and intangible assets	3,547	309	-	3,856
Current period depreciation and amortization charge	1,689	175	-	1,864
Investments accounted for using equity method	171	106	-	277

1 January - 31 December 2021	Aviation	Technic	Inter-segment elimination	Total
Purchase of property and equipment and intangible assets	2,250	168	-	2,418
Current period depreciation and amortization charge	1,589	151	-	1,740
Investments accounted for using equity method	160	77	-	237

5. CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Cash	1	2
Banks – Time deposits and Repo	3,980	2,597
Banks – Demand deposits	94	78
	4,075	2,677

Details of the time deposits and repo as of 31 December 2022 are as follows:

Original Amount	Currency	Effective Interest Rate	Maturity	31 December 2022
7,358	TL	6.50% - 27.08%	March 2023	397
186	USD	1.00% - 4.00%	January 2023	186
3,145	EUR (*)	1.00% - 3.15%	March 2023	3,368
3,500	DZD	0.90% - 0.99%	February 2023	25
250	MZN	9.45%	January 2023	4
				3,980

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

5. CASH AND CASH EQUIVALENTS (cont'd)

Details of the time deposits as of 31 December 2021 are as follows:

Original Amount	Currency	Effective Interest Rate	Maturity	31 December 2021
8,882	TL	5.00% - 24.70%	February 2022	671
265	USD	0.90% - 2.25%	March 2022	265
1,455	EUR (*)	0.24% - 1.10%	March 2022	1,648
1,310	DZD	1.49% - 1.53%	February 2022	9
280	MZN	7.65%	January 2022	4
				2,597

(*) In order to manage the risk resulted from the fluctuations of the USD/EUR parity, the Group implements in USD/EUR derivative instruments amounting to 1,795 USD of time deposits (2021: 1,570 USD).

6. FINANCIAL INVESTMENTS

Short-term financial investments are as follows:

	31 Aralık 2022	31 Aralık 2021
Fair value through profit and loss (FVTPL)		
- Equity securities	11	5
Fair value through other comprehensive income (FVOCI)		
- Corporate debt securities	1	-
Time deposits with maturity more than 3 months	614	-
	626	**5**

Time deposit with maturity more than 3 months as of 31 December 2022 is as follows:

Original Amount	Currency	Effective Interest Rate	Maturity	31 December 2022
550	EUR	2.76% - 4.20%	April 23	587
500	TL	27.08%	April 23	27
				614

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

6. FINANCIAL INVESTMENTS (cont'd)

Long-term financial investments are as follows:

	31 December 2022	31 December 2021
FVOCI		
- Governmet debt securities	107	67
- Corporate debt securities	57	20
Other	1	1
	165	**88**

Contractual maturity dates of financial investments measured at FVOCI as of 31 December 2022 and 2021 is as follows:

	31 December 2022	31 December 2021
Less than 1 year	1	3
1 to 5 years	33	1
Over 5 years	131	83
	165	**87**

7. BORROWINGS

Short-term borrowings are as follows:

	31 December 2022	31 December 2021
Bank borrowings	1,058	883

Short-term portions of long-term borrowings are as follows:

	31 December 2022	31 December 2021
Lease liabilities (Note: 18)	1,589	1,670
Bank borrowings	1,100	1,443
	2,689	**3,113**

Long-term borrowings are as follows:

	31 December 2022	31 December 2021
Lease liabilities (Note: 18)	9,177	8,574
Bank borrowings	1,115	2,333
	10,292	**10,907**

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

7. BORROWINGS (cont'd)

Details of bank borrowings as of 31 December 2022 are as follows:

	31 December 2022	31 December 2021
Less than 1 year	2,158	2,326
Between 1 – 5 years	1,095	2,307
Over 5 years	20	26
	3,273	**4,659**

Original Amount	Currency	Interest Rate Type	Effective Interest Rate	Payment Period	31 December 2022
1,805	EUR	Fixed	0.20% - 4.00%	January 2023 - March 2025	1,924
1,265	EUR	Floating	Euribor + 2.90% - Euribor + 5.50%	May 2023 - August 2026	1,349
					3,273

Details of bank borrowings as of 31 December 2021 are as follows:

Original Amount	Currency	Interest Rate Type	Effective Interest Rate	Payment Period	31 December 2021
381	TRY	Floating	BIST TLREF + 1.25% - BIST TLREF + 1.50%	May 2022	29
2,333	EUR	Fixed	0.20% - 4.00%	January 2022 - March 2025	2,640
1,758	EUR	Floating	Euribor + 2.90% - Euribor + 5.50%	May 2023 - August 2026	1,990
					4,659

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

7. BORROWINGS (cont'd)

Reconciliation of bank borrowings and lease liabilities arising from financing activities:

	31 December 2021	Payment	Interest	Non-cash Changes	Cash-in	31 December 2022
Bank Borrowings	4,659	(2,889)	(131)	(175)	1,809	3,273

	31 December 2020	Payment	Interest	Non-cash Changes	Cash-in	31 December 2021
Bank Borrowings	5,394	(3,071)	(158)	(296)	2,790	4,659

	31 December 2021	Payment	Interest	Non-cash Changes	New Leases	31 December 2022
Aircraft	10,206	(1,620)	(187)	(316)	2,088	10,171
Property	36	(34)	-	15	576	593
Other	2	(1)	-	-	1	2
	10,244	**(1,655)**	**(187)**	**(301)**	**2,665**	**10,766**

	31 December 2020	Payment	Interest	Non-cash Changes	New Leases	31 December 2021
Aircraft	11,259	(1,774)	(160)	(483)	1,364	10,206
Property	47	(10)	-	(2)	1	36
Other	1	(2)	-	(2)	5	2
	11,307	**(1,786)**	**(160)**	**(487)**	**1,370**	**10,244**

In March 2021, it was announced that USD LIBOR 1-week and 2-month settings ceased on 31 December 2021; US Dollar Overnight, 1-month, 3-month, 6-month and 12-month settings ceased on 30 June 2023. Due to the cessation of Swiss franc and Japanese yen LIBOR settings on December 31, 2021, replacement reference rates were determined to be SARON for Swiss franc and TONAR, TORF and TIBOR for Japanese yen denominated finance leases with a total amount of USD 815 million as of the cessation date. Approximately USD 505 million finance lease obligations will mature after the discontinuation of US dollar LIBOR settings on June 30, 2023. Discussions with the relevant finance lease lenders have been initiated in order to ensure all effected transactions include the necessary replacement rate and fallback mechanisms before the cessation date. The Group expects no material impact after the replacement of relevant rates.

8. OTHER FINANCIAL LIABILITIES

Short-term other financial liabilities of the Group are as follows:

	31 December 2022	31 December 2021
Other financial liabilities	-	8

Other financial liabilities consist of overnight interest-free borrowings from banks obtained for settlement of monthly tax and social security premium payments.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

9. RELATED PARTIES

Short-term trade receivables from related parties are as follows:

	31 December 2022	31 December 2021
Air Albania	26	22
We World Express Ltd.	4	2
Posta ve Telgraf Teşkilatı A.Ş. (PTT)	1	-
	31	**24**

Other short-term receivables from related parties are as follows:

	31 December 2022	31 December 2021
THY Opet	7	-
Air Albania	6	6
	13	**6**

Short-term trade payables to related parties that are accounted by using the equity method are as follows:

	31 December 2022	31 December 2021
TFS Akaryakıt Hizmetleri	131	97
TEC	50	15
TGS	38	17
Turkish DO&CO	22	20
THY Opet	17	14
Sun Express	10	3
Goodrich	2	1
	270	**167**

Other short-term payables to related parties are as follows:

	31 December 2022	31 December 2021
Türkiye Sigorta A.Ş.	7	-
TFS Akaryakıt Hizmetleri	6	5
	13	**5**

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

9. RELATED PARTIES (cont'd)

Transactions with related parties for the year ended 31 December 2022 and 2021 are as follows:

a) Sales to related parties:

	1 January - 31 December 2022	1 January - 31 December 2021
Sun Express	28	33
TEC	25	28
Türkiye Sigorta A.Ş.	12	-
PTT A.Ş. (PTT)	8	9
Air Albania	8	5
We World Express Ltd.	6	15
TGS	4	3
Goodrich	1	3
Turkcell	1	-
Uçak Koltuk	-	1
	93	**97**

b) Purchases from related parties:

	1 January - 31 December 2022	1 January - 31 December 2021
TFS Akaryakıt Hizmetleri	2,924	1,040
TGS	392	238
Turkish DO&CO	305	134
TEC	277	220
THY Opet	239	283
Sun Express	89	96
Türkiye Sigorta A.Ş.	33	-
Goodrich	11	6
Turkcell	8	6
TCI	1	1
Uçak Koltuk	-	10
Air Albania	-	1
	4,279	**2,035**

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

9. RELATED PARTIES (cont'd)

Details of the financial assets and liabilities for related parties as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Banks - Time deposits	3,890	2,130
Financial investments	588	-
Financial assets (*)	194	85
Banks - Demand deposits	16	18
Equity share	1	1
Bank borrowings	(1,069)	(1,673)
	3,620	**561**

(*) This represents the nominal amount.

As of 31 December 2022, the amount of letters of guarantees given to the related parties is USD 441 (31 December 2021: USD 942).

Details of the time deposits at related parties as of 31 December 2022 and 2021 are as follows:

Amount	Currency	Effective Interest Rate	Maturity	31 December 2022
7,354	TL	6.50% - 27.08%	March 2023	397
3,095	EUR	1.00% - 3.15%	March 2023	3,314
175	USD	1.00% - 4.00%	January 2023	175
250	MZN	9.45%	January 2023	4
				3,890

Amount	Currency	Effective Interest Rate	Maturity	31 December 2021
7,882	TL	5.00% - 24.46%	February 2022	595
1,187	EUR	0.24% - 1.10%	March 2022	1,344
191	USD	0.92% - 1.81%	March 2022	191
				2,130

Details of the financial investments at related parties as of 31 December 2022 are as follows:

Amount	Currency	Effective Interest Rate	Maturity	31 December 2022
525	EUR	2.76% - 3.15%	April 2023	561
500	TL	27.08%	April 2023	27
				588

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

9. RELATED PARTIES (cont'd)

Details of the financial assets at related parties as of 31 December 2022 and 2021 are as follows:

Amount	Currency	Effective Interest Rate	Maturity	31 December 2022
194	USD	5.38% - 8.60%	January 2023 - June 2023	194

Amount	Currency	Effective Interest Rate	Maturity	31 December 2021
85	USD	5.75% - 8.00%	January 2022 - June 2022	85

Details of the bank borrowings at related parties as of 31 December 2022 and 2021 are as follows:

Amount	Currency	Effective Interest Rate	Maturity	31 December 2022
1,003	EUR	2.55% - Euribor + 5.50%	March 2026	1,069

Amount	Currency	Effective Interest Rate	Maturity	31 December 2021
1,478	EUR	2.55% - Euribor + 5.50%	March 2026	1,673

Interest income from related parties:

	1 January - 31 December 2022	1 January - 31 December 2021
Türkiye Vakıflar Bankası T.A.O. (Türkiye Vakıflar Bankası)	90	21
T.C. Ziraat Bankası A.Ş. (Ziraat Bankası)	38	5
Türkiye Halk Bankası A.Ş. (Halk Bankası)	36	37
	164	63

Interest expense to related parties:

	1 January - 31 December 2022	1 January - 31 December 2021
Türkiye Vakıflar Bankası	32	46
Ziraat Bankası	21	29
	53	**75**

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 Turkcell are related to telecommunication services; transactions between the Group and TCI are related to cabin interior products; transactions between the Group and Goodrich are related to maintenance services; transactions between the Group and Türkiye Sigorta are related to insurance 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 all short-term benefits, including salaries, bonuses, vehicles allocated for their use and communication expenses provided for the Board Members, General Managers and Deputy General Managers of THY AO, THY Teknik A.Ş., THY Uçuş Eğitim ve Havalimanı İşletme A.Ş., THY Teknoloji ve Bilişim A.Ş. ve Uçak Koltuk Üretim San. ve Tic. A.Ş. are USD 4 for the period between 1 January-31 December 2022 (1 January- 31 December 2021: USD 2).

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

10. TRADE RECEIVABLES AND PAYABLES

Trade receivables from third parties as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Trade receivables	1,066	992
Allowance for doubtful receivables (-)	(102)	(91)
	964	**901**

Provision for doubtful receivables has been determined based on past experience for uncollectible receivables, and also ECL calculation in accordance with the accounting policies described in Note 2.3. 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 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Trade payables	930	724

11. PAYABLES RELATED TO EMPLOYEE BENEFITS

Payables related to employee benefits as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Salary accruals	129	81
Social security premiums payable	54	24
	183	**105**

12.OTHER RECEIVABLES AND PAYABLES

Other short-term receivables from third parties as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Predelivery payments made for aircrafts	511	546
Bank deposits with transfer limitations (*)	113	84
Receivables from technical purchases	100	97
Value added tax receivables	69	30
Receivables from pilots for flight training	24	27
Others	47	7
	864	**791**

(*) As of 31 December 2022, 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, Republic of Ghana, Egypt, Ukraine and Iran. (As of 31 December 2021, 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, Democratic Republic of the Congo, Republic of Cuba, Republic of Lebanon, Republic of Ghana, Sri Lanka and Iran).

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

12.OTHER RECEIVABLES AND PAYABLES (cont'd)

Other long-term receivables from third parties as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Receivables related to investment incentives (**)	415	349
Predelivery payments made for aircrafts	291	279
Receivables from pilots for flight training	148	193
Interest and commodity swap agreement deposits	58	-
Deposits and guarentees given	45	41
Bank deposits with transfer limitations	-	4
	957	**866**

(**) This represents the accrued amount as of 31 December 2022. Total contribution of government incentives related to fleet investments amounts to USD 3,452 (31 December 2021: USD 2,802).

Other short-term payables to third parties as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Taxes and funds payable	72	50
Deposits and guarantees received	12	6
Payables to insurance companies	-	7
Other liabilities	28	106
	112	**169**

Other long-term payables to third parties as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Deposits and guarantees received	24	23
Interest and commodity swap agreement deposits	-	32
	24	**55**

13. INVENTORIES

	31 December 2022	31 December 2021
Spare parts	249	200
Other inventories	92	75
	341	275
Provision for impairment (-)	(10)	(14)
	331	**261**

The change in the value of provision for impairment for the years ended 31 December 2022 and 2021 is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Provision at the beginning of the year	14	9
(Release) / provision during the year	(4)	5
Provision at the end of the year	10	14

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

14. PREPAID EXPENSES AND DEFERRED INCOME

Short-term prepaid expenses are as follows:

	31 December 2022	31 December 2021
Advances given for purchases	64	59
Prepaid advertising expenses	41	10
Prepaid sales commissions	22	13
Other prepaid expenses	49	32
	176	**114**

Long-term prepaid expenses are as follows:

	31 December 2022	31 December 2021
Prepaid engine maintenance expenses	823	709
Prepaid aircraft financing expenses	57	58
Advances given for property and equipment purchases	29	67
Other prepaid expenses	5	5
	914	**839**

Deferred income is as follows:

	31 December 2022	31 December 2021
Passenger flight liabilites	2,291	1,216
Other short-term deferred income	103	48
	2,394	**1,264**

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

14. PREPAID EXPENSES AND DEFERRED INCOME (cont'd)

Passenger flight liability is as follows:

	31 December 2022	31 December 2021
Flight liability for ticket sales	2,107	1,018
Frequent flyer program liability	184	198
	2,291	**1,216**

Other short-term deferred income is as follows:

	31 December 2022	31 December 2021
Deferred finance income	81	6
Advances received	11	31
Other	11	11
	103	**48**

Long-term deferred income is as follows:

	31 December 2022	31 December 2021
Deferred finance income	107	83
Other	1	9
	108	**92**

15. INVESTMENT PROPERTY

	1 January-31 December 2022
Transfer to investment properties	69
Closing balance at 31 December 2022	69

According to the valuation carried out by a CMB-licensed independent real estate valuation company using a market approach method, the fair value of the land that the Group recognized as investment property is USD 75 as of 31 December 2022. The Group continues to recognize land based on cost as per TMS 40 (USD 69).

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

16. PROPERTY AND EQUIPMENT

	Land improvements and buildings	Technical equipments simulators and vehicles	Other equipment, and fixtures	Aircrafts	Spare engines	Components and repairable spare parts	Leasehold improvements	Construction in progress	Total
Cost									
Opening balance at 1 January 2022	1,650	734	259	4,341	697	692	196	179	8,748
Acquisitions	-	4	1	-	-	-	-	1	6
Additions	13	24	21	144	120	209	8	114	653
Transfers (*)	9	2	-	9	8	-	7	(52)	(17)
Transfers to investment properties	(69)	-	-	-	-	-	-	-	(69)
Transfers between the account	-	-	-	791	(4)	-	-	-	787
Disposals	(3)	(5)	(2)	(257)	(71)	(155)	(1)	-	(494)
Closing balance at 31 December 2022	1,600	759	279	5,028	750	746	210	242	9,614
Accumulated Depreciation									
Opening balance at 1 January 2022	336	344	211	2,709	288	385	111	-	4,384
Acquisitions	-	3	1	-	-	-	-	-	4
Depreciation charge	71	42	19	262	65	97	16	-	572
Transfers between the account	-	-	-	347	3	-	-	-	350
Disposals	(1)	(4)	(2)	(210)	(37)	(95)	(1)	-	(350)
Closing balance at 31 December 2022	406	385	229	3,108	319	387	126	-	4,960
Net book value at 31 December 2022	1,194	374	50	1,920	431	359	84	242	4,654
Net book value at 31 December 2021	1,314	390	48	1,632	409	307	85	179	4,364

(*) The amount of USD 17 transferred to right of use asset from construction in progress.

USD 1,795 of depreciation and amortization expenses recognized in cost of sales (31 December 2021: USD 1,664), USD 64 of general administrative expenses (31 December 2021: USD 69) and USD 5 of marketing and sales expenses (31 December 2021: USD 7) in total of USD 1,864 as of 31 December 2022 (31 December 2021: USD 1,740).

Capitalization rates and amounts other than borrowings made specially for the purpose of acquiring and qualifying asset are 4% and 8% and USD 4 and 12 for the years ended 31 December 2022 and 2021 respectively.

The Group's construction in progress balances mainly consist of İstanbul Airport buildings, aircraft modifications, engine maintenance, backup engines and simulators.

There is no mortgage on property, plant and equipment as of December 31, 2022 (December 31, 2021: None).

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

16. PROPERTY AND EQUIPMENT (cont'd)

	Land improvements and buildings	Technical equipments simulators and vehicles	Other equipment, and fixtures	Aircrafts	Spare engines	Components and repairable spare parts	Leasehold improvements	Construction in progress	Total
Cost									
Opening balance at 1 January 2021	1,175	636	250	3,853	657	688	179	587	8,025
Additions	129	73	11	118	79	102	3	22	537
Transfers	346	28	-	2	11	-	18	(430)	(25)
Transfers between the accounts	-	-	-	631	12	-	-	-	643
Disposals	-	(3)	(2)	(263)	(62)	(98)	(4)	-	(432)
Closing balance at 31 December 2021	1,650	734	259	4,341	697	692	196	179	8,748
Accumulated Depreciation									
Opening balance at 1 January 2021	275	307	193	2,416	235	353	101	-	3,880
Depreciation charge	61	39	20	239	63	77	14	-	513
Transfers between the accounts	-	-	-	282	9	-	-	-	291
Disposals	-	(2)	(2)	(228)	(19)	(45)	(4)	-	(300)
Closing balance at 31 December 2021	336	344	211	2,709	288	385	111	-	4,384
Net book value at 31 December 2021	1,314	390	48	1,632	409	307	85	179	4,364

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

16. 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 2022	20,348	301	75	9	20,733
Acquisitions	-	-	5	-	5
Additions	2,558	57	575	1	3,191
Transfers	6	11	-	-	17
Disposals	(388)	-	(1)	(3)	(392)
Transfers between the accounts (*)	(787)	-	-	-	(787)
Closing balance at 31 December 2022	**21,737**	**369**	**654**	**7**	**22,767**

	Aircraft	Spare engines	Real Estate	Vehicles	Total
Accumulated Depreciation					
Opening balance at 1 January 2022	5,525	62	31	5	5,623
Acquisitions	-	-	1	-	1
Depreciation charge	1,222	21	27	2	1,272
Disposals	(353)	-	-	(3)	(356)
Transfers between the account (*)	(350)	-	-	-	(350)
Closing balance at 31 December 2022	**6,044**	**83**	**59**	**4**	**6,190**
Net book value at 31 December 2022	**15,693**	**286**	**595**	**3**	**16,577**

	Aircraft	Spare engines	Real Estate	Vehicles	Total
Cost					
Opening balance at 1 January 2021	19,381	202	75	6	19,664
Additions	1,776	88	1	5	1,870
Transfers	7	11	-	-	18
Disposals	(173)	-	(1)	(2)	(176)
Transfers between the accounts (*)	**(643)**	**-**	**-**	**-**	**(643)**
Closing balance at 31 December 2021	**20,348**	**301**	**75**	**9**	**20,733**

	Aircraft	Spare engines	Real Estate	Vehicles	Total
Accumulated Depreciation					
Opening balance at 1 January 2021	4,813	48	21	5	4,887
Depreciation charge	1,176	14	10	2	1,202
Disposals	(173)	-	-	(2)	(175)
Transfers between the account (*)	(291)	-	-	-	(291)
Closing balance at 31 December 2021	**5,525**	**62**	**31**	**5**	**5,623**
Net book value at 31 December 2021	**14,823**	**239**	**44**	**4**	**15,110**

(*) Transfers are mainly consists of aircraft that lease payments have been completed and ownership has been transferred to the Group.

The Group negotiated with the airport operator company (İGA Havalimanı İşletmesi A.Ş.) regarding the rental areas, rental fee, renting conditions and period for İstanbul Airport. As of May 2022, the agreement is signed with the airport operator company. Lease liabilities are discounted to present value by using the Group's incremental borrowing rate since there is no interest rate implicit in the lease agreement. The borrowing rates used are 25.78% and 3.86% for TL and Euro, respectively. The rental period has been determined as 22 years, taking into account the extension periods in the contract.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

17. INTANGIBLE ASSETS

	Slot rights and acquired technical licenses (*)	Rights	Other intangible assets	Total
Cost				
Opening balance at 1 January 2022	44	239	5	288
Acquisitions	-	13	-	13
Additions	-	12	-	12
Disposals	-	(1)	-	(1)
Closing balance at 31 December 2022	**44**	**263**	**5**	**312**
Accumulated Amortization				
Opening balance at 1 January 2022	-	203	3	206
Acquisitions	-	9	-	9
Amortization charge	-	20	-	20
Closing balance at 31 December 2022	**-**	**232**	**3**	**235**
Net book value at 31 December 2022	**44**	**31**	**2**	**77**
Net book value at 31 December 2021	**44**	**36**	**2**	**82**

	Slot rights and acquired technical licenses (*)	Rights	Other intangible assets	Total
Cost				
Opening balance at 1 January 2021	44	221	5	270
Additions	-	11	-	11
Transfers	-	7	-	7
Closing balance at 31 December 2021	**44**	**239**	**5**	**288**
Accumulated Amortization				
Opening balance at 1 January 2021	-	178	3	181
Amortization charge	-	25	-	25
Closing balance at 31 December 2021	**-**	**203**	**3**	**206**
Net book value at 31 December 2021	**44**	**36**	**2**	**82**

(*) The Group accounts slot rights as intangible assets with indefinite useful lives because these assets do not have any expiry date and are usable in the foreseeable future.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

18. LEASES

Maturities of lease obligations are as follows:

	Future Minimum Lease Payments		Interest		Present Values of Minimum Lease Payments	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Less than 1 year	1,883	1,844	(294)	(174)	1,589	1,670
Between 1 – 5 years	6,081	5,710	(732)	(396)	5,349	5,314
Over 5 years	4,370	3,401	(542)	(141)	3,828	3,260
	12,334	10,955	(1,568)	(711)	10,766	10,244

	31 December 2022	31 December 2021
Interest Range:		
Floating rate obligations	5,355	5,314
Fixed rate obligations	5,411	4,930
	10,766	**10,244**

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 2022, the USD, Euro, JPY and Swiss Franc denominated lease obligations' weighted average interest rates are 5.82% (31 December 2021: 3.77%) for the fixed rate obligations and 1.53% (31 December 2021: 1.56%) 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, 9 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 2.4 for the accounting of corporate tax effect of these investment certificates.

There is no time limit for the use of incentives received in this scope. As of 31 December 2022, the Group has a discount and exemption amounting to USD 3,452, which can be used in the future within the scope of these incentives (31 December 2021: USD 2,802).

20. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions as of 31 December 2022 and 2021 are as follows:

Short-term provision for employee benefits is as follows:

	31 December 2022	31 December 2021
Provisions for unused vacation	39	18

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

20. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

Changes in the provisions for the year ended 31 December 2022 and 2021 are set out below:

	1 January - 31 December 2022	1 January - 31 December 2021
Provisions at the beginning of the year	18	16
Provisions for the current year	372	204
Provisions released (-)	(341)	(191)
Foreign currency translation differences	(10)	(11)
Provisions at the end of the year	**39**	**18**

The Group recognizes an obligation for unused vacation liabilities based on vacation balances and salaries of employees at the end of each reporting period.

Other short-term provision is as follows:

	31 December 2022	31 December 2021
Provisions for legal claims	6	8

Changes in the provisions for legal claims for the year ended 31 December 2022 and 2021 are set out below:

	1 January - 31 December 2022	1 January - 31 December 2021
Provisions at the beginning of the year	8	10
Provisions for the current year	2	4
Provisions released (-)	(2)	(1)
Foreign currency translation differences	(2)	(5)
Provisions at the end of the year	**6**	**8**

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 advices from the legal advisors.

Other long-term provision is as follows:

	31 December 2022	31 December 2021
Provisions for redelivery maintenance	61	46

Changes in the provisions for redelivery maintenance for the year ended 31 December 2022 and 2021 are set out below:

	1 January - 31 December 2022	1 January - 31 December 2021
Opening	46	49
Changes in current year	15	(3)
Provisions at the end of the year	**61**	**46**

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

21. COMMITMENTS

a) Guarantees/Pledges/Mortgages ("GPM") given by the Group:

Amount of letters of guarantees given as of 31 December 2022 is USD 1,675 (31 December 2021: USD 1,530).

As of 31 December 2022, the letters of guarantee are given to various authorities (i.e. various banks and vendors.)

	31 December 2022		31 December 2021	
	Original currency amount	USD equivalent	Original currency amount	USD equivalent
A. Total amounts of GPM given on the behalf of its own legal entity	-	1,675	-	1,530
-Collaterals				
TL	75	4	62	5
EUR	1,530	1,632	1,295	1,466
USD	30	30	50	50
Other	-	9	-	9
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	-	-	-	-
		1,675		1,530

b) Aircraft purchase commitments:

The Group has signed agreements for 85 aircrafts which will be delivered between the years 2023 and 2028, (80 of aircrafts are contractual and 5 of them are optional) with a list price value of USD 13,651 each. The Group has made a predelivery payment of USD 846 relevant to these purchases as of 31 December 2022 (31 December 2021: USD 836).

22. EMPLOYEE BENEFITS

Provisions for retirement pay liability as of 31 December 2022 and 2021 is comprised of the following:

	31 December 2022	31 December 2021
Provision for retirement pay liability	273	113

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

22. EMPLOYEE BENEFITS (cont'd)

Under Labor Law effective in Türkiye, 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 USD 821 (full) (equivalent of TL 15,371 (full)) as of 31 December 2022. (31 December 2021: USD 638 (full) equivalent of TL 8,285 (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 2022 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 10.08% annual inflation rate (31 December 2021: 15.55%) and 10.62% interest rate (31 December 2021: 20%). Estimated amount of non-paid retirement pay retained in the Group due to voluntary leaves is assumed as 2.40% (31 December 2021: 2.45%). Ceiling for retirement pay is revised semi-annually. Ceiling amount of USD 1,067 (full) (equivalent of TL 19,983 (full)) which is in effect since 1 January 2023 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 2022	1 January - 31 December 2021
Provision at the beginning of the year	113	134
Service charge for the year	14	14
Actuarial loss	196	29
Interest charges	18	14
Payments	(7)	(6)
Foreign currency translation difference	(61)	(72)
Provision at the end of the year	**273**	**113**

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

23. EXPENSES BY NATURE

Expenses by nature for the year ended 31 December 2022 and 2021 are as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Fuel	6,467	2,756
Personnel	2,140	1,298
Depreciation and amortisation	1,864	1,740
Ground services	931	680
Aircraft maintenance	872	575
Airport	639	508
Passenger services and catering	618	271
Air traffic control	595	455
Commissions and incentives	517	253
Reservation systems	266	162
Wet lease	140	190
Service	112	78
Advertisement and promotion	110	76
Insurance	60	53
Transportation	57	43
Taxes and duties	57	37
IT and communication	42	46
Utility	40	17
Rents	38	48
Call center	21	21
Systems use and associateship	18	17
Aircraft rent	17	7
Consultancy	15	25
Other	74	55
	15,710	**9,411**

24. OTHER ASSETS AND LIABILITIES

Other current assets as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Deferred VAT	57	68
Personnel and business advances	9	12
	66	**80**

Other current liabilities as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Accruals for maintenance expenses of aircraft under operating lease	298	241
Accruals for other expenses	15	22
Other	3	2
	316	**265**

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

25. SHAREHOLDERS' EQUITY

The ownership structure of the Company's share capital is as follows:

(Millions of TL)	Class	%	31 December 2022	%	31 December 2021
Türkiye Wealth Fund	A	49.12	678	49.12	678
Republic of Türkiye 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

(*) Inflation adjustment on share capital represents inflation uplift of historical capital payments based on inflation indices until 31 December 2004.

As of 31 December 2022, 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 Türkiye 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%.)

f) Decisions relating to merges 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.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

25. SHAREHOLDERS' EQUITY (cont'd)

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

According to 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 2022, 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 fully covered borrowings of such foreign currency, while Japanese Yen revenue covered %81 of borrowings. In this context, exchange differences arising from such these loans repayment are taken to equity and recognized in other comprehensive income.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

26. REVENUE

Breakdown of gross profit is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Passenger revenue		
Scheduled	14,179	6,311
Unscheduled	112	79
Total passenger revenue	14,291	6,390
Cargo revenue		
Carried by passenger aircraft	1,559	1,172
Carried by cargo aircraft	2,176	2,843
Total cargo revenue	3,735	4,015
Total passenger and cargo revenue	18,026	10,405
Technical revenue	367	253
Other revenue	33	28
Net sales	18,426	10,686
Cost of sales (-)	(14,036)	(8,322)
Gross profit	**4,390**	**2,364**

Breakdown of total passenger and cargo revenue by geographical locations is as follows:

International flights	1 January - 31 December 2022	1 January - 31 December 2021
- Europe	5,404	2,663
- Asia and Far East	4,189	2,770
- Americas	3,848	2,306
- Middle East	1,703	835
- Africa	1,616	1,015
Total	16,760	9,589
Domestic flights	1,266	816
Total passenger and cargo revenue	**18,026**	**10,405**

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

27. COST OF SALES

Breakdown of the cost of sales is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Fuel	6,467	2,756
Depreciation and amortisation	1,795	1,664
Personnel	1,689	998
Ground services	931	680
Aircraft maintenance	865	573
Airport	639	508
Passenger services and catering	618	271
Air traffic control	595	455
Wet lease	140	190
Transportation	57	43
Insurance	56	49
Service	50	37
Utility	30	11
Taxes and duties	23	20
Aircraft rent	17	7
Rents	16	26
IT and communication	7	6
Systems use and associateship	4	4
Other	37	24
	14,036	**8,322**

28. GENERAL ADMINISTRATIVE EXPENSES AND SELLING AND MARKETING EXPENSES

Breakdown of general administrative expenses is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Personnel	102	73
Depreciation and amortisation	64	69
Service	45	30
IT and communication	25	31
Systems use and associateship	8	8
Utility	7	4
Aircraft maintenance	7	2
Taxes and duties	6	2
Consultancy	5	16
Insurance	4	4
Rents	3	5
Other	8	10
	284	**254**

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

28. GENERAL ADMINISTRATIVE EXPENSES AND SELLING AND MARKETING EXPENSES (cont'd)

Breakdown of selling and marketing expenses is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Commissions and incentives	517	253
Personnel	349	227
Reservation systems	266	162
Advertisement and promotion	110	76
Taxes and duties	28	15
Call center	21	21
Rents	19	17
Service	17	11
Consultancy	10	9
IT and communication	10	9
Systems use and associateship	6	5
Depreciation and amortisation	5	7
Utility	3	2
Other	29	21
	1,390	**835**

29. OTHER OPERATING INCOME / EXPENSES

Breakdown of other operating income is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Manufacturers' credits	61	51
Insurance, indemnities, penalties income	28	43
Rent income	15	13
Provisions released	8	12
Non- interest income from banks	8	8
Turnover premium from suppliers	7	3
Rediscount interest income	3	-
Delay interest income	1	1
Reversal of ECL provision	1	1
Foreign exchange gains from operational activities, net	-	20
Other	13	22
	145	**174**

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

29. OTHER OPERATING INCOME / EXPENSES (cont'd)

Breakdown of other operating expenses is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Rediscount interest expenses	29	3
Provisions	19	7
Indemnity and penalty expenses	9	6
Foreign exchange losses from operational activities, net	8	-
Other	17	19
	82	**35**

30. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

Breakdown of income from investment activities is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Income from investment incentives	183	187
Interest income from financial investment	99	7
Gain on sale of fixed assets	17	7
Gain on sale of financial investments	17	6
	316	**207**

Breakdown of expense from investment activities is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Loss on sale of fixed assets	23	6
Loss on sale of financial investments	-	1
	23	**7**

31. FINANCIAL INCOME/ EXPENSES

Breakdown of financial income is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Foreign exchange gains from financial activities, net	265	-
Interest income	113	68
Fair value gains on derivative financial instruments, net	-	33
	378	**101**

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

31. FINANCIAL INCOME/ EXPENSES (cont'd)

Breakdown of financial expenses is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Fair value losses on derivative financial instruments, net	217	-
Interest expense from leasing liabilities	211	193
Interest expense from financial activities	113	136
Rediscount interest expense from repayments of aircrafts	33	3
Aircraft financing expenses	27	30
Interest expenses on employee benefits	18	14
Foreign exchange losses on financial activities, net	-	381
Other	13	10
	632	**767**

32. TAX ASSETS AND LIABILITIES

Breakdown of assets related to current tax is as follows:

	31 December 2022	31 December 2021
Prepaid taxes	35	20

Tax liability is as follows:

	31 December 2022	31 December 2021
Provisions for corporate tax	35	27
Prepaid taxes and funds	(32)	(11)
Corporate tax liability	3	16

Tax expense is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Current year tax expense	35	28
Deferred tax expense	179	36
Tax expense	214	64

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

32. TAX ASSETS AND LIABILITIES (cont'd)

Tax effect related to other comprehensive income is as follows:

	1 January - 31 December 2022			1 January - 31 December 2021		
	Amount before tax	Tax expense	Amount after tax	Amount before tax	Tax expense	Amount after tax
Change in cash flow hedge reserve	455	(91)	364	751	(150)	601
Change in actuarial losses from retirement pay obligation	(196)	39	(157)	(29)	6	(23)
Losses on Remeasuring FVOCI	(8)	1	(7)	(11)	2	(9)
Changes in foreign currency translation difference	(19)	-	(19)	(74)	-	(74)
Other comprehensive income	**232**	**(51)**	**181**	**637**	**(142)**	**495**

There is no taxation effect for the changes in foreign currency translation difference that is included in other comprehensive income.

Corporate Tax

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

As of 31 December 2022, the corporate tax rate is 23% in Türkiye (December 31, 2021: 25%). Corporation tax rate is applied to net income of the companies after adjusting for certain disallowable expenses, exempt income and allowances.

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.

In Türkiye, 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.

Deferred tax assets and liabilities are calculated with 20% tax rate for those which will be realized 2023 and onwards.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

32. TAX ASSETS AND LIABILITIES (cont'd)

Deferred Tax (cont'd)

Breakdown of the deferred tax assets / (liabilities) is as follows:

	31 December 2022	31 December 2021
Deferred tax asset	2	1
Deferred tax liability	(2,220)	(1,714)
Deferred tax liability	(2,218)	(1,713)

	31 December 2022	31 December 2021
Fixed assets	(2,770)	(2,614)
Right of use asset	(456)	(268)
Adjustments for passenger flight liabilities	(46)	(22)
Lease liabilities	465	346
Carry forward tax losses	233	634
Income and expense for future years	118	69
Accruals for expenses	82	79
Provisions for employee benefits	55	23
Change in fair value of derivative instruments	33	(7)
Miles accruals	24	27
Provisions for unused vacation	8	4
Other	36	16
Deferred tax liabilities	**(2,218)**	**(1,713)**

The changes of deferred tax liability for the year ended 1 January – 31 December 2022 and 2021 are as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Opening balance at 1 January	1,713	1,119
Foreign currency translation difference	275	418
Deferred tax expense	179	36
Tax expense from hedging reserves	92	148
Tax income from FVOCI	(2)	(2)
Tax income of actuarial losses on retirement pay obligation	(39)	(6)
Deferred tax liability at the end of the year	**2,218**	**1,713**

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

32. TAX ASSETS AND LIABILITIES (cont'd)

Deferred Tax (cont'd)

The redemption schedule of carry forward tax losses, which are considered in deferred tax calculation, is as follows:

	31 December 2022	31 December 2021
Expired as of 2023	-	249
Expired as of 2025	10	1,294
Expired as of 2026	1,155	1,629
	1,165	**3,172**

As of 31 December 2022, total amount of carry forward tax losses is USD 1,165. The Group has accounted for deferred income tax assets on carry forward tax losses amounting to USD 1,165, 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.

Reconciliation with current tax charge for the period 1 January – 31 December 2022 and 2021 are as follows:

Reconciliation of effective tax charge	1 January - 31 December 2022	1 January - 31 December 2021
Profit from operations before tax	2,939	1,023
Domestic expense tax rate of 23% / 25%	(676)	(256)
Taxation effects on:		
- foreign currency translation difference	417	261
- income from investment certificates	89	24
- investment incentive	37	37
- investments accounted by using the equity method	25	15
- exemptions	1	2
- adjustment for prior year loss	(1)	1
- effect of the change in the defered tax rate	(29)	22
- non deductible expenses	(77)	(170)
Tax charge in statement of profit	**(214)**	**(64)**

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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 Türkiye, 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 profits / losses per share at 1 January – 31 December 2022 and 2021:

	1 January - 31 December 2022	1 January - 31 December 2021
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 profit for the year	2,725	959
Basic earnings per share (Full US Cents) (*)	1.97	0.69
Diluted earnings per share (Full US Cents) (*)	1.97	0.69

(*) Basic and diluted earnings / (losses) per share are the same as there are no dilutive potential ordinary shares.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

34. DERIVATIVE FINANCIAL INSTRUMENTS

Breakdown of derivative financial assets and liabilities of the Group as of 31 December 2022 and 2021 are as follows:

Derivative financial assets	31 December 2022	31 December 2021
Derivative instruments for interest rate cash flow hedge	16	-
Derivative instruments for cross currency rate cash flow hedge	16	-
Derivative instruments for fuel prices cash flow hedge	12	50
Derivative instruments not subject to hedge accounting	-	9
	44	**59**

Derivative financial liabilities	31 December 2022	31 December 2021
Derivative instruments not subject to hedge accounting	208	6
Derivative instruments for interest rate cash flow hedge	2	16
Derivative instruments for fuel prices cash flow hedge	1	6
	211	**28**

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 2021.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

35. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)

	31 December 2022	31 December 2021
Total debts (*)	3,273	4,667
Lease liabilities	10,766	10,244
Less: Cash and cash equivalents and time deposits with maturity of more than three months	(4,689)	(2,677)
Net debt (A)	9,350	12,234
Total shareholders' equity (B)	9,742	6,837
Total capital stock (A+B)	19,092	19,071
Net debt/total capital stock ratio	0.49	0.64

(*) Total debts consist of bank borrowings and other financial liabilities.

(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.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

35. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)

(b) Financial Risk Factors (cont'd)

b.1) Credit risk management

	Receivables								
	Trade receivables		Other receivables						
31 December 2022	Related Party	Third Party	Related Party	Third Party	Deposits in Banks	Derivative Instruments	Goverment Debt Securities	Corporate Debt Securities	Equity Securities
Maximum credit risk as of balance sheet date (*)	31	724	13	1,821	4,688	44	107	58	11
-The part of maximum credit risk under guarantee with collateral etc. (**)	-	(240)	-	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	31	-	13	-	94	-	107	-	11
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)	-	369	-	-	-	-	-	-	-
-Impairment(-)	-	(101)	-	-	-	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-	-
-Not past due (gross carrying amount)	-	697	-	1,823	4,598	44	-	58	-
-Impairment (-)	-	(1)	-	(2)	(4)	-	-	-	-
-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.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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								
	Trade receivables		Other receivables						
31 December 2021	Related Party	Third Party	Related Party	Third Party	Deposits in Banks	Derivative Instruments	Goverment Debt Securities	Corporate Debt Securities	Equity Securities
Maximum credit risk as of balance sheet date (*)	24	737	6	1,657	2,675	59	67	20	5
-The part of maximum credit risk under guarantee with collateral etc. (**)	-	(164)	-	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	24	-	6	-	78	59	67	20	5
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)	-	158	-	-	-	-	-	-	-
-Impairment(-)	-	(89)	-	-	-	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-	-
-Not past due (gross carrying amount)	-	834	-	1,662	2,598	-	-	-	-
-Impairment (-)	-	(2)	-	(5)	(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.
(***)Deposits in Banks consist of financial investments with maturity more than 3 months.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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 2022 are as follows:

	Receivables					
31 December 2022	Trade Receivables	Other Receivables	Deposits in Banks	Derivative Instruments	Other	Total
Past due 1-30 days	81	-	-	-	-	81
Past due 1-3 months	12	-	-	-	-	12
Past due 3-12 months	87	-	-	-	-	87
Past due 1-5 years	140	-	-	-	-	140
Total past due receivables	320	-	-	-	-	320
The part under guarantee with collateral etc.	240	-	-	-	-	240

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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 2021 are as follows:

	Receivables					
31 December 2021	Trade Receivables	Other Receivables	Deposits in Banks	Derivative Instruments	Other	Total
Past due 1-30 days	35	-	-	-	-	35
Past due 1-3 months	26	-	-	-	-	26
Past due 3-12 months	55	-	-	-	-	55
Past due 1-5 years	117	-	-	-	-	117
Total past due receivables	233	-	-	-	-	233
The part under guarantee with collateral etc.	164	-	-	-	-	164

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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 details of credit ratings of banks in which the Group has deposits as of 31 December 2022 are as follows:

Equivalent to External Credit Rating	Weighted Average Lost Rate	Gross Carrying Amount	Impairment Loss Allowance
AA2	0.09%	1,085	1
BA3	0.79%	2,671	4
B2	1.00%	197	-
		3,953	**5**

The aging of financial assets as of 31 December 2022 are as follows:

Maturity Ranges As of 31.12.2022	Weighted Average Lost Rate	Gross Carrying Amount	Impairment Loss Allowance
Current	0.17%	697	1
1-30 days past due	0.61%	82	1
30-90 days past due	5.71%	13	1
90-360 days past due	1.64%	92	2
More than 1 year past due	13.48%	38	5
		922	**10**

The details of credit ratings of banks in which the Group has deposits as of 31 December 2021 are as follows:

Equivalent to External Credit Rating	Weighted Average Lost Rate	Gross Carrying Amount	Impairment Loss Allowance
AA2	0.02%	1,019	-
BA3	0.05%	2,730	1
B2	2.00%	220	4
		3,969	**5**

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

35. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)

(b) Financial Risk Factors (cont'd)

The aging of financial assets as of 31 December 2021 are as follows:

Maturity Ranges As of 31.12.2021	Weighted Average Lost Rate	Gross Carrying Amount	Impairment Loss Allowance
Current	0.27%	834	2
1-30 days past due	1.48%	35	1
30-90 days past due	9.05%	26	2
90-360 days past due	2.71%	55	2
More than 1 year past due	15.72%	26	4
		976	**11**

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 240 (31 December 2021: USD 164).

As of the balance sheet date, the Group has no guarantee for past due receivables for which provisions were recognized.

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 2022 and 2021 are as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Opening Balance	91	99
Charge for the year	17	3
Collections during the year	(6)	(11)
(Reversal) / Adjustment for ECL	(1)	(2)
Currency translation adjustment	1	2
Closing Balance	**102**	**91**

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

35. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)

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.

Liquidity risk table:

31 December 2022

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	3,273	(3,416)	(954)	(1,275)	(1,167)	(20)
Lease liabilities	10,766	(12,334)	(505)	(1,378)	(6,081)	(4,370)
Trade payables	1,200	(1,204)	(1,204)	-	-	-
Total	**15,239**	**(16,954)**	**(2,663)**	**(2,653)**	**(7,248)**	**(4,390)**

31 December 2021

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	4,659	(4,929)	(583)	(1,871)	(2,448)	(27)
Lease liabilities	10,244	(10,955)	(476)	(1,368)	(5,710)	(3,401)
Trade payables	891	(895)	(895)	-	-	-
Other financial liabilities	8	(8)	(8)	-	-	-
Total	**15,802**	**(16,787)**	**(1,962)**	**(3,239)**	**(8,158)**	**(3,428)**

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

35. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)

(b) Financial Risk Factors (cont'd)

31 December 2022

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	44	37	7	5	25	-
Derivative cash outflows	(211)	(204)	(200)	(4)	-	-
Derivative cash inflows/ outflows,net	(167)	(167)	(193)	1	25	-

31 December 2021

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	59	55	27	27	1	-
Derivative cash outflows	(28)	(24)	(7)	-	(10)	(7)
Derivative cash inflows/ outflows,net	31	31	20	27	(9)	(7)

b.4) Market risk management

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and jet fuel prices. 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.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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 2022					
	USD EQUIVALENT	TL	EUR	JPY	CHF	OTHER
1.Trade Receivables	891	99	108	10	14	660
2a.Monetary Financial Assets	4,521	440	3,976	4	3	98
2b.Non Monetary Financial Assets	-	-	-	-	-	-
3.Other	526	150	182	-	5	189
4.Current Assets (1+2+3)	**5,938**	**689**	**4,266**	**14**	**22**	**947**
5.Trade Receivables	-	-	-	-	-	-
6a.Monetary Financial Assets	585	585	-	-	-	-
6b.Non Monetary Financial Assets	-	-	-	-	-	-
7.Other	640	416	218	-	-	6
8.Non Current Assets (5+6+7)	**1,225**	**1,001**	**218**	**-**	**-**	**6**
9.Total Assets (4+8)	**7,163**	**1,690**	**4,484**	**14**	**22**	**953**
10.Trade Payables	841	562	210	1	4	64
11.Financial Liabilities (*)	3,529	4	3,160	342	23	-
12a.Other Liabilities, Monetary	441	185	197	3	6	50
12b.Other Liabilities, Non Monetary	45	45	-	-	-	-
13.Current Liabilities (10+11+12)	**4,856**	**796**	**3,567**	**346**	**33**	**114**
14.Trade Payables	-	-	-	-	-	-
15.Financial Liabilities (*)	8,009	39	6,427	1,462	81	-
16a.Other Liabilities, Monetary	18	3	6	-	-	9
16b.Other Liabilities, Non Monetary	273	273	-	-	-	-
17.Non Current Liabilities (14+15+16)	**8,300**	**315**	**6,433**	**1,462**	**81**	**9**
18.Total Liabilities (13+17)	**13,156**	**1,111**	**10,000**	**1,808**	**114**	**123**
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)	**(5,993)**	**579**	**(5,516)**	**(1,794)**	**(92)**	**830**
21.Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(6,841)**	**331**	**(5,916)**	**(1,794)**	**(97)**	**635**
22.Fair value of foreign currency hedged financial assets	**-**	**-**	**-**	**-**	**-**	**-**
23.Hedged foreign currency assets	**1,795**	**-**	**1,795**	**-**	**-**	**-**
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 aircraft 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 7,679 as of 31 December 2022 (31 December 2021: USD 7,824).

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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 2021					
	USD EQUIVALENT	TL	EUR	JPY	CHF	OTHER
1.Trade Receivables	854	58	147	4	16	629
2a.Monetary Financial Assets	2,415	678	1,658	3	2	74
2b.Non Monetary Financial Assets	-	-	-	-	-	-
3.Other	380	122	79	-	5	174
4.Current Assets (1+2+3)	**3,649**	**858**	**1,884**	**7**	**23**	**877**
5.Trade Receivables	-	-	-	-	-	-
6a.Monetary Financial Assets	974	974	-	-	-	-
6b.Non Monetary Financial Assets	-	-	-	-	-	-
7.Other	574	350	217	-	-	7
8.Non Current Assets (5+6+7)	**1,548**	**1,324**	**217**	**-**	**-**	**7**
9.Total Assets (4+8)	**5,197**	**2,182**	**2,101**	**7**	**23**	**884**
10.Trade Payables	646	392	189	1	2	62
11.Financial Liabilities	3,439	38	3,112	266	23	-
12a.Other Liabilities, Monetary	97	6	48	2	3	38
12b.Other Liabilities, Non Monetary	25	25	-	-	-	-
13.Current Liabilities (10+11+12)	**4,207**	**461**	**3,349**	**269**	**28**	**100**
14.Trade Payables	-	-	-	-	-	-
15.Financial Liabilities	8,846	3	7,559	1,180	104	-
16a.Other Liabilities, Monetary	24	15	7	-	-	2
16b.Other Liabilities, Non Monetary	113	113	-	-	-	-
17.Non Current Liabilities (14+15+16)	**8,983**	**131**	**7,566**	**1,180**	**104**	**2**
18.Total Liabilities (13+17)	**13,190**	**592**	**10,915**	**1,449**	**132**	**102**
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)	**(7,993)**	**1,590**	**(8,814)**	**(1,442)**	**(109)**	**782**
21.Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(8,809)**	**1,256**	**(9,110)**	**(1,442)**	**(114)**	**601**
22.Fair value of foreign currency hedged financial assets	**-**	**-**	**-**	**-**	**-**	**-**
23.Hedged foreign currency assets	**1,570**	**-**	**1,570**	**-**	**-**	**-**
24.Hedged foreign currency liabilities	**-**	**-**	**-**	**-**	**-**	**-**

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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 against USD. 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 includes 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 2022			
	Profit / (Loss) Before Tax		Equity	
	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	58	(58)	-	-
2- Part hedged from TL risk (-)	-	-	-	-
3- TL net effect (1+2)	58	(58)	-	-
4- Euro net asset / liability	60	(60)	(612)	612
5- Part hedged from Euro risk (-)	180	(180)	-	-
6- Euro net effect (4+5)	240	(240)	(612)	612
7- JPY net asset / liability	(33)	33	(146)	146
8- Part hedged from JPY risk (-)	-	-	-	-
9- JPY net effect (7+8)	(33)	33	(146)	146
10- CHF net asset / liability	1	(1)	(10)	10
11- Part hedged from CHF risk (-)	-	-	-	-
12- CHF net effect (10+11)	1	(1)	(10)	10
13- Other foreign currency net asset / liability	83	(83)	-	-
14- Part hedged other foreign currency risk (-)	-	-	-	-
15- Other foreign currency net effect (13+14)	83	(83)	-	-
TOTAL (3 + 6 + 9 + 12 + 15)	**349**	**(349)**	**(768)**	**768**

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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 2021			
	Profit / (Loss) Before Tax		Equity	
	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	159	(159)	-	-
2- Part hedged from TL risk (-)	-	-	-	-
3- TL net effect (1+2)	159	(159)	-	-
4- Euro net asset / liability	(197)	197	(684)	684
5- Part hedged from Euro risk (-)	157	(157)	-	-
6- Euro net effect (4+5)	(40)	40	(684)	684
7- JPY net asset / liability	(94)	94	(50)	50
8- Part hedged from JPY risk (-)	-	-	-	-
9- JPY net effect (7+8)	(94)	94	(50)	50
10- CHF net asset / liability	2	(2)	(13)	13
11- Part hedged from CHF risk (-)	-	-	-	-
12- CHF net effect (10+11)	2	(2)	(13)	13
13- Other foreign currency net asset / liability	78	(78)	-	-
14- Part hedged other foreign currency risk (-)	-	-	-	-
15- Other foreign currency net effect (13+14)	78	(78)	-	-
TOTAL (3 + 6 + 9 + 12 + 15)	**105**	**(105)**	**(747)**	**747**

b.4.2) Interest rate risk management

The Group has been borrowing at both fixed and floating interest rates. Considering the interest conditions of the current borrowings, the majority of the borrowings are at floating 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 floating interest rate borrowings. Due to the fact that the floating interest rates of the Group are dependent on Libor and Euribor, exposure to local interest rate is low.

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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 2022	31 December 2021
Instruments with fixed interest rate		
Financial Liabilities	5,411	4,930
Financial Instruments with Variable Interest Rate		
Financial Liabilities	5,355	5,314
Interest Swap Agreements Not Subject to Hedge Accounting (Net)	-	-
Interest Swap Agreements Subject to Hedge Accounting (Net)	14	(16)

As indicated in Note 36, the Group fixed the interest rate for 1,348 USD of floating–interest-rated financial liabilities via an interest rate swap contracts as of 31 December 2022.

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 floating 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 floatings are kept constant:

Current profit before tax of the Group for the year will decrease by USD 34 (For the year ended 31 December 2021 profit before tax will decrease by USD 37). 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 5, excluding the deferred tax effect. (For the year ended 31 December 2021 the shareholders' equity of the Group will increase by USD 11, 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 7, excluding the deferred tax effect. (For the year ended 31 December 2021, the shareholders' equity of the Group will increase by USD 44 excluding deferred tax effect.)

In case of a 10% decrease in fuel prices, the shareholders' equity of the Group will decrease by USD 8, excluding the deferred tax effect. (For the year ended 31 December 2021, the shareholders' equity of the Group will decrease by USD 46, excluding deferred tax effect.)

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

36. FINANCIAL INSTRUMENTS (cont'd)

Fair Values of Financial Instruments (cont'd)

31 December 2022 Balance Sheet	Financial assets at amortized cost	Financial instruments at FVOCI	Financial instruments at FVTPL	Financial liabilities at amortized cost	Financial instruments FVOCI at cost value	Book Value	Note
Financial Assets							
Cash and cash equivalents	4,075	-	-	-	-	4,075	5
Financial investments and derivative financial instruments	-	209	625	-	1	835	6 and 34
Trade receivables	995	-	-	-	-	995	9 and 10
Other receivables	1,834	-	-	-	-	1,834	9 and 12
Financial liabilities							
Bank borrowings	-	-	-	3,273	-	3,273	7 and 18
Lease liabilities	-	-	-	10,766	-	10,766	7 and 18
Other financial liabilities and derivative financial instruments	-	3	208	-	-	211	8 and 34
Trade payables	-	-	-	1,200	-	1,200	9 and 10

31 December 2021 Balance Sheet	Financial assets at amortized cost	Financial instruments at FVOCI	Financial instruments at FVTPL	Financial liabilities at amortized cost	Financial instruments FVOCI at cost value	Book Value	Note
Financial Assets							
Cash and cash equivalents	2,677	-	-	-	-	2,677	5
Financial investments and derivative financial instruments	-	137	14	-	1	152	6 and 34
Trade receivables	925	-	-	-	-	925	9 and 10
Other receivables	1,663	-	-	-	-	1,663	9 and 12
Financial liabilities							
Bank borrowings	-	-	-	4,659	-	4,659	7 and 18
Lease liabilities	-	-	-	10,244	-	10,244	7 and 18
Other financial liabilities and derivative financial instruments	-	22	6	36	-	36	8 and 34
Trade payables	-	-	-	891	-	891	9 and 10

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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. These assets and liabilities consist of derivate transactions' fair values which is include such as fuel prices, foreign currency changes and interest rates in the market.
- 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:

		Fair value level as of the reporting date		
	31 December 2022	Level 1 USD	Level 2 USD	Level 3 USD
Financial assets				
Financial assets on remeasuring FVOCI	165	165	-	-
Financial assets on remeasuring FVTPL	11	11	-	-
Derivative instruments accounted for hedge accounting	44	-	44	-
Total	**220**	**176**	**44**	**-**
Financial liabilities				
Derivative instruments at fair value through profit or loss	208	-	208	-
Derivative instruments accounted for hedge accounting	3	-	3	-
Total	**211**	**-**	**211**	**-**

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

36. FINANCIAL INSTRUMENTS (cont'd)

Fair Values of Financial Instruments (cont'd)

		Fair value level as of the reporting date		
		Level 1	Level 2	Level 3
	31 December 2021	USD	USD	USD
Financial assets				
Financial assets on remeasuring FVOCI	87	87	-	-
Financial assets on remeasuring FVTPL	5	5	-	-
Derivative instruments at fair value through profit or loss	9	-	9	-
Derivative instruments accounted for hedge accounting	50	-	50	-
Total	**151**	**92**	**59**	**-**
Financial liabilities				
Derivative instruments at fair value through profit or loss	6	-	6	-
Derivative instruments accounted for hedge accounting	22	-	22	-
Total	**28**	**-**	**28**	**-**

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 22% 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.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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. In order to manage this risk resulted from the fluctuations of the FX market, the Group started to implement exchange rate risk hedging. Since the Group is short in JPY, strategy mainly aims to decrease the amount of short position in JPY with the long position in USD via the derivative instruments. Only forwards are used for USD/JPY transactions. Other derivative instruments can be used in accordance with the market conditions, especially zero-cost option structures. 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 2022, 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 fully covered borrowings of such foreign currency while Japanese Yen revenue covered %81 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 2022 and 2021 are as follows:

Derivative Instruments Accounted in Assets and Liabilities

31 December 2022	Positive fair value	Negative fair value	Total
Fixed-paid/floating received interest rate swap contracts for hedging against cash flow risks of interest rate	16	(2)	14
Forward fuel purchase contracts for hedging against cash flow risk of fuel prices	-	-	-
Collar contracts for hedging against cash flow risk of fuel prices	12	(1)	11
Forward currency contracts for hedging purposes	16	-	16
Fair values of derivative instruments for hedging purposes	44	(3)	41
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	-	(208)	(208)
Fair values of derivative instruments not for hedging purposes	-	(208)	(208)
Total	**44**	**(211)**	**(167)**

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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 2022 and 2021 are as follows (cont'd):

Derivative Instruments Accounted in Assets and Liabilities

31 December 2021	Positive fair value	Negative fair value	Total
Fixed-paid/floating received interest rate swap contracts for hedging against cash flow risks of interest rate	-	(16)	(16)
Forward fuel purchase contracts for hedging against cash flow risk of fuel prices	-	-	-
Collar contracts for hedging against cash flow risk of fuel prices	50	(6)	44
Forward currency contracts for hedging purposes	-	-	-
Fair values of derivative instruments for hedging purposes	50	(22)	28
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	9	(6)	3
Fair values of derivative instruments not for hedging purposes	9	(6)	3
Total	**59**	**(28)**	**31**

Derivative Instruments Accounted in the Equit

31 December 2022	Hedging against fuel risk	Hedging against interest risk	Hedging against currency risk	Total
Fair values of derivative instruments for hedging purposes	12	14	15	41
Ineffecient part in the risk elimination of fair value of hedging gains of fuel hedging derivative instrument to financial revenues	-	(1)	-	(1)
Ineffecient part in the risk elimination of fair value of hedging gains of currency hedging derivative instrument to financial revenues	-	-	605	605
Total	12	13	620	645
Deferred tax	(3)	(3)	(124)	(130)
Hedge reserve as of 31 December 2022	9	10	496	515

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

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 2022 and 2021 are as follows (cont'd):

Derivative Instruments Accounted in the Equity s (cont'd)

31 December 2021	Hedging against fuel risk	Hedging against interest risk	Hedging against currency risk	Total
Fair values of derivative instruments for hedging purposes	48	(16)	2	34
Ineffecient part in the risk elimination of fair value of hedging gains of fuel hedging derivative instrument to financial revenues	(18)	-	-	(18)
Ineffecient part in the risk elimination of fair value of hedging gains of currency hedging derivative instrument to financial revenues	-	-	173	173
Total	30	(16)	175	189
Deferred tax	(6)	3	(35)	(38)
Hedge reserve as of 31 December 2021	24	(13)	140	151

37.BUSINESS COMBINATIONS

The Group acquired additional 50% shares of Uçak Koltuk Sanayi ve Ticaret A.Ş. on December, 2022 for USD 19 through the Share Purchase Agreement signed on October 27, 2022. The acquisiton process is completed after the purchase consideration has been paid in cash to the Uçak Koltuk Sanayi ve Ticaret A.Ş.'s previous shareholder.

The Group has accounted for this acquisition in accordance with IFRS 3, "Business Combinations".

As of the acquisition date, fair values of Uçak Koltuk Sanayi ve Ticaret A.Ş.'s identifiable assets acquired and liabilities were as follows:

Cash and cash equivalents	2
Trade receivables	4
Other assets	1
Inventories	6
Right of use assets	4
Property, plant and equipment	2
Intangible assets	4
Trade payables	(3)
Other liabilities	(12)
Total value of identifiable net assets (100%)	**8**

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

37. BUSINESS COMBINATIONS (cont'd)

As of the acquisition date, fair values of Uçak Koltuk Sanayi ve Ticaret A.Ş.'s identifiable assets acquired and liabilities were as follows (cont'd):

Calculation of goodwill is as follows:

Total consideration paid	19
Fair value of previously held equity interest	16
Total value of identifiable net assets (100%)	(8)
Goodwill	**27**

The details of cash outflow due to acquisition are as follows:

Total consideration paid	19
Cash and cash equivalents - acquired	(2)
Cash outflow due to acqusition of subsidiary (net)	**17**

The movement of goodwill is as follows:

Opening	12
Addition	27
Impairment (*)	(12)
Closing	**27**

(*) The goodwill amount to USD 12 arising from purchase of MNG Teknik is impaired.

38. FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITOR/INDEPENDENT AUDIT FIRMS

The Group's explanation regarding the fees for the services received from the independent audit firms, which is based on the letter of POA dated August 19, 2021, the preparation principles of which are based on the Board Decision published in the Official Gazette on March 30, 2021, are as follows (Thousand USD):

	31 December 2022	31 December 2021
Audit and assurance fee	235	166
Other assurance services fee	10	5
	245	**171**

The fees above have been determined through including the statutory audit and other related service fees of all subsidiaries and joint ventures, and the foreign currency fees of foreign subsidiaries and joint ventures have been converted into USD using the annual average rates of the relevant years.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2022

(All amounts are expressed in Million US Dollars (USD) unless otherwise stated.)

39. EVENTS AFTER THE BALANCE SHEET DATE

1- 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 Company's share, Board of Directors of THY A.O. decided to launch a Share Buy-back program covering 3 calendar years and to allocate a maximum of USD 480 (TL 9,000) for share buy-backs from Company's cash portfolio, while limiting the number of shares that may be subject to buy-back be at most 5% of the issued share capital.

2- THY A.O. 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. In this respect, Board of Directors of THY A.O. decided to operate free of charge passenger and cargo flights, to donate USD 107 (TL 2,000) in cash and to pursue all necessary work and procedures for the construction of 1,000 homes to be built in the earthquake-affected region. In addition to that, the earthquake does not have a significant impact on the Group's continuing operations.

3- Works on merger of Uçak Koltuk Üretim Sanayi ve Ticaret A.Ş. ("TSI") and Cornea Havacılık Sistemleri Sanayi ve Ticaret A.Ş. ("Cornea") by dissolving without liquidation in accordance with the 136th and other relevant provisions of the Turkish Commercial Code and TCI Kabin İçi Sistemleri Sanayi ve Ticaret A.Ş. ("TCI") to take over TSI and Cornea with all its assets and liabilities are completed on February 15, 2023. According to this post-merger shareholding structure, Group's share in TCI increased to %80.09. Within this scope, TCI, which was previously consolidated using the equity method, will be fully consolidated in the financial statements in the following periods.

4- 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 the Incorporation and subsidiaries core business activities, such as cleaning, safety, facility management, financial affairs, flight and ground handling services, operational and organizational services.

Proudly produced by **FİNAR.**
www.finarkurumsal.com



Investor Relations
ir@thy.com
investor.turkishairlines.com/tr

Turkish Airlines Headquarter
Yeşilköy Mahallesi Havaalanı Cad. No:3/1 34149
Bakırköy/İstanbul Türkiye
Tel: +90 (212) 463 6363 Fax: +90 (212) 465 2121
www.turkishairlines.com

Call Center
0850 333 0 849