

**TURKISH
AIRLINES**



2012 ANNUAL REPORT



A STAR ALLIANCE MEMBER 



AROUND THE WORLD IN
80 YEARS



TURKISH AIRLINES PRESENTS PROUDLY

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1933

1947

First international flight on the route Ankara-Istanbul-Athens was put into service, on the 12th of February

Flights to Lefkosa, Beirut and Cairo started.

1951

1953

First Hajj flights started.

Frankfurt was added to Ankara-Istanbul-Athens-Rome route.

1960

1961

Ankara-Istanbul-Vienna-Frankfurt route has been put into service with three flights each week.

Brussels, Munich, Tel Aviv routes have been put into service.

1964

1965

Amsterdam, Belgrade and Tbilisi routes have been put into service.

Zurich, Budapest and Geneva routes have been put into service.

1967

1969

Köln route has been put into service.

Eighty years ago, Turkish Airlines took to the skies from Turkish soil. İstanbul, Eskişehir and Ankara were the initial destinations of what has turned out to be a splendid journey; a journey begun with just 24 personnel, five airplanes and 19 seats.

The Düsseldorf and Stuttgart routes entered into service.

1971

1972

The Hannover and Hamburg routes entered into service.

The Copenhagen, Berlin and Nürnberg routes entered into service.

1973

1978

The Baghdad, Tehran, Dhahran and Tripoli routes entered into service.

The Cairo route entered into service.

1980

1985

The implementation of First Class services commenced on our Jeddah and London flights, and was later incorporated into other flights.

Flights to the Far East began with the opening of the Singapore route.

1986

1987

The New Delhi, Kuala Lumpur and Lyon routes entered into service and the number of overseas destinations served rose to 42.

The Helsinki, Tunisia, Algiers, Oslo, Basel and New York route entered into service. The 4th continent becomes served by New York flights.

1988

The Tokyo, Bangkok and Moscow routes entered into service.

1989

The Benghazi and Budapest routes entered into service.

1990

Bahrain and Strasbourg routes entered into service.

1992

1993

With the addition of the Airbus 340s, direct flights to Tokyo become possible and are operated with three service classes; First, Business and Economy Class.

Osaka and Tirana routes entered into service.

1995

1996

The Tbilisi, Sarajevo and Johannesburg routes entered into service.

Flights to prominent cities of the Far East, such as Shanghai and Seoul began.

2000

2002

The Pristina route entered into service.

The New Delhi route entered into service.

2003

2005

The Casablanca, Lisbon, Oslo and Astana routes entered into service.

Flights from Istanbul and Antalya were inaugurated to London's Stansted Airport.

The Batum, Johannesburg, Capetown, and Medina routes entered into service.

2006

The Ljubljana, Abu Dhabi, Dushanbe, Rostov, Sana, Donetsk, Tabriz, Kazan, Belgrade, St. Petersburg, Helsinki, Muscat, Venice, Dublin, Riga, Addis Ababa, Khartoum, Yekaterinburg, Dnepropetrovsk, Mumbai, Minsk, Osaka, Doha and Lagos routes entered into service.

2007

2008

The Aleppo, Birmingham and Baghdad routes entered into service.

Turkish Airlines became a member of global airline network Star Alliance.

The Nairobi, Ufa, Mashhad, Dakar, Sao Paolo, Benghazi, Goteborg, Toronto, Lviv and Jakarta routes entered into service.

2009

2010

The Accra, Bologna, Dar es Salaam, Entebbe, Nakhchivan, Podgorica, Sochi and Washington routes entered into service.

Skytrax rated Turkish Airlines the World's Best for economy class service.

2011

The Guangzhou, Shiraz, Valencia, Erbil, Toulouse, Malaga, Genova, Basra, Thessaloniki, Napoli, Al Najaf, Kabul, Suleymaniah, Islamabad and Torino routes entered into service.

2012

Douala, Yaounde, Kinshasa, Djibouti, Hurgada, Sharm El-Sheikh, Abidjan, Mombasa, Sebha, Nouakchott, Niamey, Kigali, Mogadishu, Kilimanjaro, Buenos Aires, Ganja, Aalborg, Billund, Bremen, Leipzig, Novosibirsk, Bilbao, Edinburgh, Osh, Maldives, Ulan Bator, Isfahan, Kermanshah, Taif, Yanbu and Aden routes entered into service.



Turkish Airlines, crowned with the “Best Airline in Europe” award two years in a row, is one of the largest global flight networks with 217 destinations in 96 countries.

Turkish Airlines will further this steady growth with fresh goals and new successes.

WHO WE ARE?

Turkish Airlines, distinguished by its dynamic human resources numbering 15,857 employees, its young fleet of aircraft and its pioneering strategies, achieved its historically highest seat occupancy rate in 2012.

Turkish Airlines, Inc. was founded in 1933 in Turkey. Its main fields of activity are the performing of all types of domestic and international passenger and cargo air transportation.

Turkish Technic was established on 23 May 2006 as a wholly-owned subsidiary of Turkish Airlines. The company conducts its activities aimed at becoming an important regional air transport technical maintenance base, supplying the aviation industry with whatever maintenance, repair, and technical and infrastructure support it may require.

As of the end of 2012 the total number of employees working for Turkish Airlines stood at 15,857. Forty captain pilots

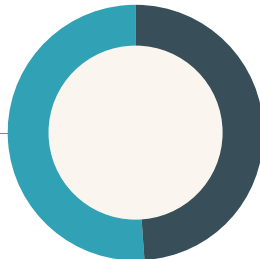
of different nationalities are on duty. The Group's 9 joint business units are appreciated with receiving share method.

Turkish Airlines flies to 36 domestic and 181 foreign airports, which brings the total number to 217 destinations. In 2012, airline companies limited their capacity to a large extent in an attempt to maintain their seat occupancy ratio. In stark contrast, despite increasing its capacity, Turkish Airlines has still registered its historic best load factor. Thanks to this strategy, which increases profitability, Turkish Airlines carried 23 million international passengers in 2012. Among this number, nine million were transfer passengers, with connection flights.

Shareholding Structure

Other
(Public)

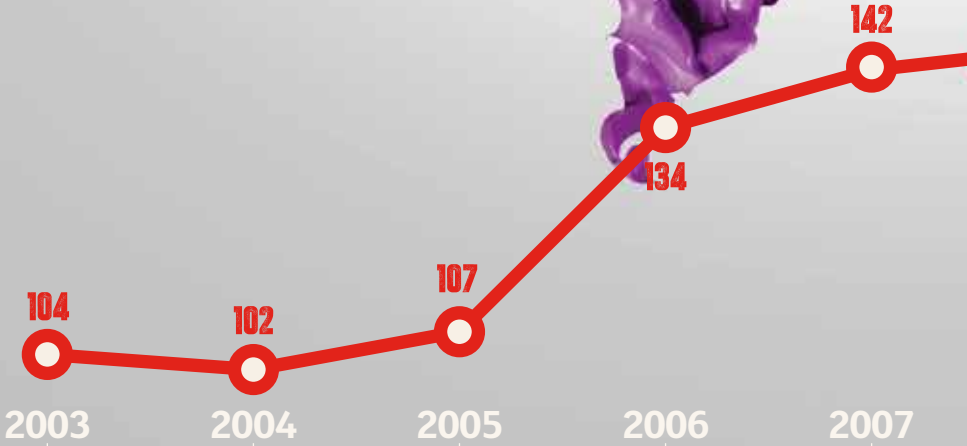
50.88%



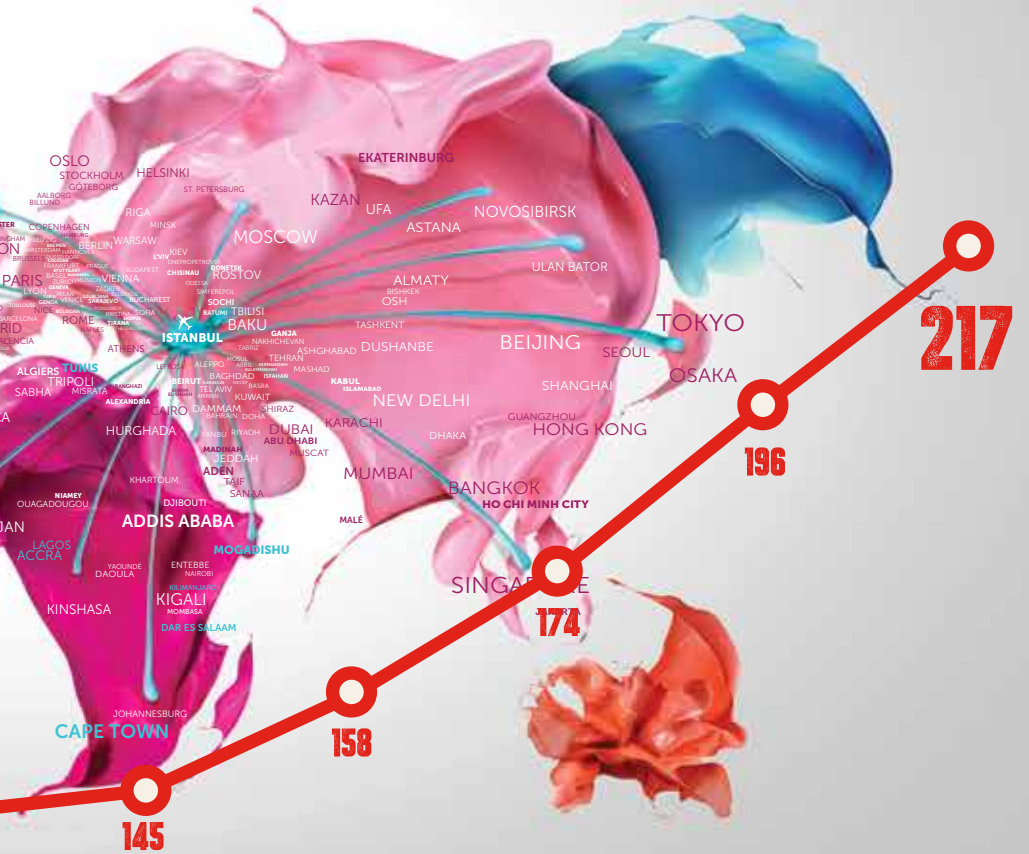
Republic Of Turkey, Prime Ministry,
Privatization Administration

49.12%

YESTERDAY WE HAD JUST THREE DESTINATIONS



TODAY, WITH 217 DESTINATIONS, WE ARE THE 5TH LARGEST CARRIER IN TERMS OF FLIGHT DESTINATIONS.



Total number of destinations 

2008

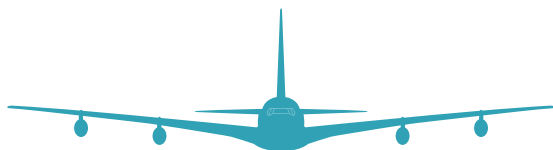
2009

2010

2011

2012

WHAT KIND OF A FLEET DO WE HAVE?



Wide-body

Fleet age

36

A330-200, 7 aircraft
A330-300, 10 aircraft
A340-300, 7 aircraft
B777-300ER, 12 aircraft

5.9



Narrow-body

Fleet age

159

B737-900, 9 aircraft
B737-800, 59 aircraft
B737-700, 14 aircraft
B737-400, 3 aircraft
A320, 28 aircraft
A321, 32 aircraft
A319, 14 aircraft

6.2



Cargo

7

A310-304F, 3 aircraft
A330-200F, 4 aircraft

*Total number
of aircraft*

*Average
fleet age*

202

6.6



WHERE DO WE FLY TO?

As of the end of 2012, Turkish Airlines offered flights to 217 cities in 96 countries, with the number of airports served reaching 219.



Domestic Routes

36

International Routes

181

Total

217

Number of Countries

96

Flight routes opened in 2012

34

In 2012, Turkish Airlines flights to 13 destinations in Africa, seven in the Middle East, six in Europe, three in the CIS, one destination in the Far East, one in Southern Asia and one in the USA commenced. In addition to 32 international routes, Turkish Airlines opened two domestic routes and added 34 new nodes to its flight map. Thanks to this performance, it broke its own record of 2011.

Turkish Airlines, breaking records each year, will continue to strengthen Turkey’s bonds with the world by opening new routes in 2013 as well.

Turkish Airlines carried 37,997,786 regularly scheduled passengers in 2012 and hosted 166,152 on additional flights. The Company conducted 3,079 Hajj and Umrah (pilgrimage) flights carrying 419,396 passengers. To take better advantage of spare capacity in the Company’s timetable, 2,647 charter were made, through which a total of 462,093 passengers were carried.

In scheduled flights 41% of Turkish Airlines passengers are domestic. And in the international market, among the total number of scheduled and additional flights, approximately 13.5 million passengers originate from Europe.

Total Passengers Breakdown

International Routes

57.2%

Domestic Routes

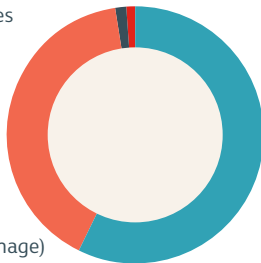
40.5%

Charter

1.2%

Hajj-Umrah (pilgrimage)

1.1%



Total Passenger Breakdown by region

Europe

58.8%

Middle East

16.0%

Far East

12.7%

Africa

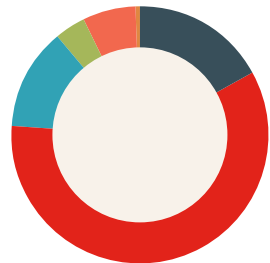
7.6%

North America

4.5%

South America

0.5%



HOW MUCH VALUE DID WE CREATE?

	2011	2012
Income from Sales	11,812,549,908	14,909,003,818
Cost of Sales (-)	(9,803,269,512)	(11,893,596,710)
Gross Profit/Loss	2,009,280,396	3,015,407,108
Marketing and sales costs (-)	(1,284,859,256)	(1,593,367,677)
Administrative costs (-)	(365,283,678)	(374,221,814)
Other operating income	160,190,646	600,682,892
Other operating costs (-)	(396,680,737)	(43,666,621)
Operating Profit	122,647,371	1,604,833,888
Share of investments' profit/loss (equity method)	10,074,016	5,149,234
Financial income	264,238,277	162,136,645
Financial costs (-)	(251,070,672)	(414,741,611)
PROFIT BEFORE TAX	145,888,992	1,357,378,156
Tax (Expense) / Income	(127,372,360)	(224,010,923)
Profit For Period	18,516,632	1,133,367,233
Earnings per share/ Loss (Kr)	0.02	0.94

Sales Revenues (billion TL)



26% ↑

Net Profit for the Year (million TL)



6,024% ↑

Total Assets (billion TL)



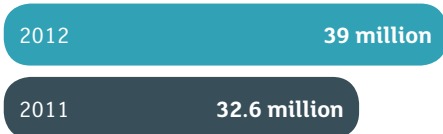
15% ↑

Total Number of Employees



0.8% ↑

Passengers Carried



20% ↑

Seat Capacity



10% ↑

HOW DID WE PERFORM IN 2012?

Passenger numbers rose to 39 million in 2012.

39 MILLION

The total passenger number, which was at 32.6 million in 2011, grew up 20% to 39 million in 2012.

In 2012 flights to 34 new destinations were inaugurated.

34

In 2012, flights to a total of 34 new destinations, of which 32 (13 Africa, seven Middle East, six Europe, three CIS, one Far East, one South Asia, and one USA) are international and two are domestic, were inaugurated.

THY 2nd largest carrier in Europe

2.

Turkish Airlines is the 5th largest carrier in worldwide and the 2nd largest in Europe by destination number.

ASK (Available Seat Kilometer) increased by 18.4% to 96.1 billion in 2012.

96.1 BILLION

Available Seat Kilometer (ASK) of Turkish Airlines was at 81.2 billion in 2011. It increased by 18.4% to 96.1% in 2012.

RPK (Revenue Passenger Kilometer) increased by 26.3 % to 74.4 billion.

74.4 BILLION

Revenue Passenger Kilometer was at 58.9 billion in 2011. It increased by 26.3% to 74.4 billion in 2012.

Despite the impact of the global economic crisis, growth of the Turkish aviation industry continued in 2012, outperforming the global industry average considerably. The number of passengers utilizing Turkish airports rose by 11% when compared to the previous year. Meanwhile, Turkish Airlines surpassed the Turkish average in 2012, increasing passenger number by 20% and cargo transportation by 21%. And despite the unfavorable conditions other airlines are experiencing; Turkish Airlines became one of the largest growing airlines both in terms of passenger and cargo capacity, thanks to its planned growth strategy.

Turkish Airlines, geared at progressing towards the top of the list of the world's largest airlines, was distinguished by its performance in various rankings in 2012.

The company ranked in 3rd place in terms of passenger number among European airlines, and is among the first 12 airlines in terms of international passenger number.

In 2012, the Company's successes resulted in increased profitability. It has also maintained its resolve to become the world's best and largest carriers by destination number. It plans to be among the top 100 brands worldwide, and to increase quality standards to and become a 5 star airline within the next 5 years.



Turkish Airlines outpaced the Turkish average for 2012 by increasing passenger number by 20% and cargo transportation volume by 21%.

Revenue Management System has changed

Reflecting globalization and the inherent competition among global actors; the Revenue Management System has changed in parallel to developments in fare structure and marketing strategies, with one of the most advanced systems implemented in the world. The new system provides us the opportunity to control revenues derived from connecting flights by utilizing more advanced scientific forecasting and optimization models. As of January 2013 the new Revenue Management System, which will provide a far more advanced structure, comes into operation. It will be implemented for over two years, during which time it is estimated to result in a rise in passenger revenues of 0.2% - 0.5%. And apart from its positive contribution to profitability targets, the system is also destined to boost customer satisfaction.

Revenue Management business procedures have been restructured in line with sustainable growth strategies. The project is expected to contribute both to the Company's income and also generate millions of dollars in foreign currency inflow to Turkey in 2013.

CHAIRMAN'S MESSAGE



Turkish Airlines registered notable success at the 2012 Skytrax Awards, with nearly 20 million air travelers voting it the “Best Airline in Europe”, for the second year running, as well as “Best Airline in Southern Europe” and “Best Premium Economy Class Airline Seat”.

Esteemed stakeholders,

Turkish Airlines has completed another year marked by fresh developments and achievements. In 2012, we continued to position our company within the framework of our long term strategy, growing further and creating added value for our stakeholders.

In terms of the economic climate, and from the perspective of the aviation industry, 2012 was a difficult year. Continuing economic instability in developed markets, primarily in Europe, as well as fuel price fluctuations and a relative rise were the main factors that made for a challenging year. On the other hand, large and medium sized players, surviving the shocks of the global crisis, increased their competitiveness and continued to structure their business. This had a significant effect both on margins and the competitive environment in 2012.

Considering these developments, Turkish Airlines continued strong and effective positioning in line with its long term strategic plan, created according to “Turkey’s 2023 Vision”. Many novel projects and achievements were realized. In 2012 we preserved our previously won gains, registered new achievements and presented fresh values. Turkish Airlines registered notable success at the 2012 Skytrax Awards, with nearly 20 million air travelers voting it the “Best Airline in Europe”, for the second year running, as well as “Best Airline in Southern Europe” and “Best Premium Economy Class Airline Seat”.

Our passenger number of 32,650 thousand in 2011, rose by 19.6% to 39,045 thousand in 2012. In the same period, Available Seat Kilometer (ASK) climbed 18.4% to 96,124 million.

As Turkish Airlines we increased our sales by 26% over the previous year to TL 14.9 billion and gross operating profit by 192% to TL 1,048 million. Our net profit, which amounted to TL 18.5 million in 2011, reached TL 1,133 million in 2012.

Along with the financial data itself, the basic indicators of the aviation industry confirm our successful performance in 2012. Our passenger number in 2011 of 32,650 thousand, rose by 19.6% to 39,045 thousand people. IATA’s forecast for the 2012 increase was at around 5.3%. Turkish Airlines ranked third among AEA members on this performance. In 2012, compared to the previous year, available seat kilometer (ASK) rose by 18.4% to 96,124 million.

Despite the rise in ASK, the passenger load factor continued to grow on a rise of 4.8 percentage points to 77.4% at end-2012. Utilization ratios clearly confirm our successful performance. Our fleet utilization rose by 5% to 12:12, including leased aircraft.

CHAIRMAN'S MESSAGE

Turkish Airlines, operating flights to 217 nodes in 2012, flies to more countries than any other airline in the world.



We reached important milestones in fleet and flight network terms, on which we had placed particular emphasis. We took important steps towards making Istanbul, historically a regional center, into a true air travel hub. In terms of fleet size, we closed the year of 2011 with 179 aircraft, which makes us all the more proud to announce that the number had risen to 202 by the end of 2012. We own one of the world's youngest and most dynamic fleets, with an average age of 6.6 years. New generation long and medium-range aircraft have been added to our fleet. These have enabled us to provide service to still more destinations worldwide, contributing to our operational efficiency through fuel economy.

We have gained important advantages through our strong fleet structure, flight network and market variety, thanks to uninterrupted investment. We formed the basis of our flight network strategy to bolster our presence in developed markets, and to become the key player in developing regions. This said, we also strengthened our presence in developing regions, such as Africa, Asia and the Middle East. In 2011 we had a total of 185 flight nodes (150 international and 35 domestic lines), whereas in 2012 we had flew to 217 points (181 international, 36 domestic lines). We started to offer flights to 33 points in Africa,

With its young fleet, dynamic human resources, and subsidiaries with considerable competence in their fields, Turkish Airlines will continue to create value and utilize global opportunities.

26 in the Far East, seven in Continental America and 31 in the Middle East. Thanks to these investments and developments Turkish Airlines now flies to more countries than any other airline in the world. In addition we became the second airline by destination number where flights are offered from one center, and the 5th largest airline in terms of flight network. Putting our focus on developing markets had both economic and social consequences, as we provided those countries with a connection to world. And with the help of these investments we increased our international to international transfer passenger number by 44% to 9 million. And what's more, by enabling these countries to become a part of the globalized world from an economic and social perspective, we reconfirmed our commitment in to social responsibility.

According to IATA data, it is forecast that international passenger number will have increased by 331 million by 2016. The main axis of this increase will pass through developing countries. I firmly believe that

we will benefit greatly from this potential, thanks to our strategy regarding transfer passengers, flight network and geographical location.

As Turkish Airlines we continued our innovative business practices in 2012. The level of comfort offered in our “Business Class Cabin Concept” surpasses the First Class cabins of many rival airlines. In addition, we managed to exceed the expectations of our passengers with the sheer variety of our culinary offerings and service quality. We also transferred our refined international passenger Lounge Istanbul concept to the international arena. We plan to open our first lounge of similar concept in Moscow in 2013.

We continued our technological innovations in 2012, which included the introduction of many innovations, such as Internet access and live football broadcasts during long flights. We also presented innovative solutions in operational fields. This included the completion of the initial phase of SAP system integration, a worldwide project that increased efficiency in many areas ranging from reporting to cost control. Our subsidiaries contributed significantly to our culture of innovation with their cooperation and increasing technical expertise in 2012.

It was a fruitful year in terms of brand and positioning. Our advertising campaign built around the “Globally Yours” message, together with our sponsorship agreements registered a major impact. We also continued to make a greater contribution to society through sponsorship across many fields, including sports, the arts, and social activities, thus further positioning our brand. Today Turkish Airlines is perceived worldwide as a prestigious and welcoming brand.

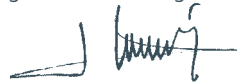
9 MILLION

We increased our international-to-international transfer passenger number by 44% to nine million.

Our valued stakeholders,

In realizing these investments that have led to growth and development, we managed to raise income and in particular increase profitability. This is an indication of the financial and strategic health of our Company, and of its effective positioning. According to IATA forecasts, there will be a global market structure in place that is positive and open to improvement by 2016. If we add to this our country’s determination of the last few years to register tremendous economic performance, we begin to see the opportunity ahead of us more clearly. As Turkish Airlines, we are well positioned for healthy growth, value creation and the utilization of the opportunities these present in our market. I would like to underline that we are determined to take our growth realized in 2012 still further in 2013.

None of these developments would of course be possible without the trust of our investors, the loyal courtesy of our passengers, and the remarkable warmth and dedication of our employees. I therefore take this occasion to express my sincere thanks to all our stakeholders, who contributed to Turkish Airline’s success in 2012. It is my sincere hope that 2013 proves to be another year brimful of fresh successes for our country and our company alike, and I respectively thank you all for working to make this happen.



Hamdi Topçu

Chairman of the Board and Chairman of the Executive Committee

BOARD OF DIRECTORS



Hamdi Topçu

Chairman of the Board and Chairman of the Executive Committee

Mr. Topçu was born in Çayeli, Rize in 1964. In 1986, he graduated from the Marmara University, receiving a degree in Economics and Administrative Sciences. He is a certified financial advisor. Mr. Topçu retains his positions on the Turkish Football Federation Auditing Committee and as Chairman of the Board of Directors of the Company's subsidiaries; THY Turkish Technic, THY DO&CO Catering Services, TGS Ground Services, THY Opet Aviation Fuels and HABOM Aviation Maintenance Repair and Modification Center. Hamdi Topçu is married and has four children.



Prof. Dr. Cemal Şanlı

Vice Chairmen of the Board of Directors and Executive Committee

Mr. Şanlı was born in Manisa in 1950. In 1977 he graduated from the Faculty of Law of İstanbul University, and in the same year began to work as an Assistant at the İstanbul University Law School. In 1985 he received his Doctorate of Law for his thesis "International Commercial Arbitration". He completed his PhD dissertation on International Arbitration at the Institute of Advanced Legal Studies affiliated to London University. In 1987, he became Assistant Associate Professor, in 1990 Associate Professor, and in 1996 full Professor. He is currently the head of the International Private Law Department of the Faculty of Law at İstanbul University. Prof. Şanlı is a Board Member in the Company's subsidiaries, THY Turkish Technical and HABOM Aviation Maintenance Repair and Modification Center. He has published many books, articles and monographs in the field of international private law, and especially international arbitration. Cemal Şanlı is married and has four children.

He received his Doctorate on International Arbitration at the Institute of Advanced Legal Studies affiliated to London University.



Ph.D. Temel Kotil

Member of the Board of Directors and Executive Committee, CEO

Mr. Kotil was born in Rize in 1959. In 1983 he graduated from the Aeronautical Engineering Department at İstanbul Technical University (ITU). In 1986, he received his first Master's degree in the United States from the Aircraft Engineering Department of Michigan University Ann Arbor, followed in 1987 by his second Master's degree in Mechanical Engineering, and his Doctorate in Mechanical Engineering in 1991 at the same university. From 1991-93 Kotil established and managed the Aviation and Advanced Composite Laboratories of ITU's Faculty of Aeronautics and Astronautics, where he also served as Assistant Professor and Associate Professor. From 1993-94 he served as Department Faculty Vice President and as Faculty Assistant Dean. Mr. Kotil also served as Head of the Research, Planning and Coordination Department of the İstanbul Metropolitan Municipality. He then served as a guest professor at Illinois University, and then as Department Head at the Research and Engineering Department of AIT Inc. New York. In 2003 he began his career with Turkish Airlines as Vice President of the Technical Department. In 2005 Mr. Kotil was appointed General Manager. And in 2006, he was elected as a member of the IATA Boards of Directors. In 2010, he was appointed as a Board Member of the Association of European Airlines and as Vice President in 2012. Mr. Kotil, married with four children, has authored many articles and publications.



Mehmet Büyükeşçi

Member of the Board and Corporate Management Committee

Born in Gaziantep in 1961, Mr. Büyükeşçi graduated from the Faculty of Architecture at Yıldız Technical University in 1984. He attended Business Administration courses at the Marmara University and Business Administration and English courses in the UK. In addition to being a Board Member of Turkish Airlines, Mr. Büyükeşçi is the President of the Turkish Exporters' Assembly (TİM), a member of the Board of Directors of Türk Eximbank, of the İstanbul Chamber of Industry (ISO), the İstanbul Development Agency, the İstanbul Leather and Leather Products Exporters' Association (İDMİB), and the Energy Efficiency Association (ENVERDER), and is the General Coordinator of Ziyilan Group. Mr. Büyükeşçi has been a board member at the Turkish Leather Foundation (TÜRDEV), Organized Industrial Zones and Technology Development Regions (TOBBİS), International Commerce Center Inc. (TOBTİM), and Turkish DO&CO. He was the president of the Turkish Association of Footwear Manufacturers, Chairman of the İstanbul Leather and Leather Products Exporters' Association (İDMİB), as well as the Founding Chairman of the Turkish Footwear Industry Research Development and Education Foundation (TASEV) from 1997-2008. He is married and has three children.

BOARD OF DIRECTORS



Muzaffer Akpınar

Member of the Board and Financial Audit Committee

Born in 1962, and a graduate of Saint-Michel French High School and the Bosphorus University Department of Management Science. His professional career commenced in 1986 when he became the founder shareholder of Penta Textile. In 1993 he was appointed CEO of KVK Mobil Telefon Hizmetleri A.Ş.. Subsequently, Mr. Akpınar served as the CEO of MV Holding A.Ş. and played an active role in the creation of Fintur Holding BV. Between the years of 2002 and 2006 Mr. Akpınar served as the CEO of Turkcell. He is an independent Board Member of Turkish Airlines and serves as Chairman of the Board at Dost Energy, as Vice Chairman of MV Holding, Chairman of the Board at Portmobil and as a Member of the Board of Kimya Teknik. He remains an entrepreneur and investor in the fields of renewable energy, technology, chemicals and construction. Mr. Akpınar is married and has two children.



İsmail Gerçek

Member of the Board, Financial Audit and Corporate Management Committee

Born in Çan, Çanakkale in 1963, he graduated from the Public Administration Department of the Ankara University Faculty of Political Sciences in 1985. He received his MA in the USA in 1994. His career began in the position of assistant inspector at the Ministry of Finance Review Committee in the same year. Until 1998 he worked as a finance inspector and finance inspector general. And from 1995-1997 Mr. Gerçek was deputy assistant District Treasurer in Istanbul and has pursued his career as a chartered accountant since 1998. He is an independent Board Member at Turkish Airlines and Member of the Audit Committee at Joint Funds Bank Inc., a Member of the Board of Trustees at Fatih Sultan Mehmet Foundation University, and Auditor at the Participation Banks Association of Turkey.



Gülsüm Azeri

Member of the Board and Corporate Management Committee

Gülsüm Azeri is a graduate of Boğaziçi University, at the Department of Chemical Engineering with an MS Degree in Industrial Engineering from the same university. She speaks fluent German and English. During a key part of her career, Mrs. Azeri was a senior executive at Şişecam. She held the posts of Şişecam Chemicals Group President from 1994-1998, Şişecam Glassware Group President from 1999-2007 and Şişecam Flat Glass Group President from 2007-2011. And from 1994 to 2011 she was an Executive Committee member of Şişecam. Currently, Mrs. Gülsüm Azeri is CEO and Board Member of OMV Petrol Ofisi A.Ş. and OMV Gaz ve Enerji Holding A.Ş., and was chairperson of OMV Petrol Ofisi Holding A.Ş. From 2004-2008, she was the Chairperson of the European Glass Federation Glassware Committee, and from 2009-2011 was a member of the Board of Directors of Glass for Europe, the European Flat Glass Manufacturers' Association. Mrs. Azeri has been a member of the Board of Directors at the Istanbul Chamber of Industry (ISO), an Executive Committee Member of the Turkish Exporters Assembly (TIM), a member of the Board of Directors and Executive Board of the Foreign Economic Relations Board of The Union of Chambers and Commodity Exchanges of Turkey (DEIK). She also represented the private sector on the Board of the Ethics Council of the Prime Ministry of Turkey. In April 2011, she was elected as member of the Board of Directors of Turkish Airlines. Mrs. Azeri is married and has two children.



Naci Ağbal

Member of the Board

Mr. Ağbal was born in Bayburt in 1968. He graduated from the Public Administration Department of the Istanbul University Faculty of Political Sciences in 1989. In 1998 he received his MBA from Exeter University in the UK. In 1989 he became Assistant Inspector at the Ministry of Finance, in 1993 Inspector at the Ministry of Finance, and in 1999, became Inspector General. Having served as Vice President of the Financial Review Committee, he was appointed Head of Department at the Inland Revenue in 2003, and served as a Ministerial Advisor in 2004. In 2006 Mr. Ağbal was appointed acting General Manager of Budget and Financial Control at the Ministry of Finance, and Vice President of the Inland Revenue in the same year. In 2009 he became the Undersecretary of Finance. He is also a member of the Council of Higher Education and of the Board of Trustees at Yesevi University. Mr. Ağbal is married with two children.

BOARD OF DIRECTORS



Mehmet Nuri Yazıcı
Member of the Board

Mehmet Nuri Yazıcı, born in Rize in 1949, graduated from the İstanbul University, Academy of Economics and Commercial Sciences in 1975. From 1990 to 1991 he was the Consulate General of the Republic of Turkey, at the Ministry of Foreign Affairs in Brussels. He also served as Councilor and Advisor to the Chairman at İstanbul Metropolitan Municipality from 1994-2008. Mr. Yazıcı is married and has one child.

AUDIT COMMITTEE



Prof. Dr. Ateş Vuran
Member of the Audit Committee

Mr. Vuran was born in İstanbul in 1944. Having received his degree from the Academy of Economics and Commercial Sciences in İstanbul, he continued his studies at Perugia University in Italy. In 1974 he received his doctorate, becoming assistant professor in 1978, and professor of Statistics and Numerical Methods in 1984. He also commenced a career in journalism in 1960. In 1971 Mr. Vuran founded Turkey's first private aviation company (Anadolu Havacılık ve Turizm A.Ş.). He served as Dean of the Faculty of Communication at İstanbul Commerce University from 2001-2004, and as Rector from 2006-2009. He is currently the president of the Tourism Administration Department of the Faculty of Commercial Sciences at İstanbul Commerce University, and has also been a chartered accountant since 1990. Mr. Vuran speaks English, French and Italian. He is married and has two children.



Prof. Dr. Mecit Eş

Member of the Audit Committee

Prof. Dr. Mecit Eş, born in 1953 in Samsun; received his degree from the Istanbul University School of Economics in 1974. Having held several offices, he commenced his academic projects and received his Doctorate in 1985. He became Associate Professor in 1990 and Professor in 1986. And having then worked at Dumlupınar University from 1992 and 2012, Mr. Eş continues his academic studies as a Professor of the Academy of Commercial Sciences at Istanbul Commerce University He has published many books and articles, and is married with three children.



İbrahim Halil Kırşan

Member of the Audit Committee

A Mining Engineer by profession, Mr. Kırşan was born in Gercüş, Batman in 1964. In 1987 he received his degree from the 9th September University in first place in his year. As an academic he commenced work at the MTA Mineral Research & Exploration General Directorate. In 1992 he received his Master's Degree at the Mining Engineering faculty of Hacettepe University. Then from 1993-1995 he worked at the General Directorate of Mining Affairs In 1998 he graduated as a Public Administration Specialist of the specialization in public administration post graduate course at the Turkey and Middle East Public Administration Institute. On 14 September 1999 he was appointed Department Head of the Department of Feasibility Studies at the "MTA General Directorate. On 24 March 2000 Mr. Kırşan was appointed Attorney Assistant General Manager of the MTA General Directorate. After some years as an attorney, he briefly provided consultancy to a government ministry. And after 23 years of service at the MTA General Directorate, he was appointed General Manager and member of board of Başkent Natural Gas Distribution A.Ş. On 26 November 2010 he was appointed Vice President of the Prime Ministry Privatization Administration. And as of 28 December 2012 he became a Member of the Audit Committee at Turkish Airlines.



MISSION

- To develop the Company's standing as a global airline by expanding the coverage of its long-range flight network.
- To develop the Company's standing by developing its technical maintenance unit into a major regional resource.
- To develop the Company's standing as a service provider in all strategically important aspects of civil aviation, including ground handling services and flight training.
- To defend the Company's standing as the leader of the domestic airline industry.
- To provide an uninterrupted and superior flight service by entering into a collaborative agreement with a global airline alliance that complements its own network so as to advance its international image and marketing abilities.
- To safeguard and improve upon İstanbul's reputation as a regional aviation hub in its capacity as the flag carrier of the Republic of Turkey in the civil aviation industry, to be a leading European airline and an active global player by virtue of its flight safety and security record, and its product diversity, service quality, and competitive edge.

VISION

- Sustained growth of above the industry average
- A zero accident and crash record
- The most envied service levels worldwide
- Unit costs equal to those of low-cost carriers
- Sales and distribution costs of below industry averages
- Loyal customers who manage their own reservation, ticketing, and boarding formalities themselves
- Personnel who constantly develop their qualifications with an awareness of the close relationship between benefits for the Company and the added value that they contribute
- A sense of entrepreneurship that creates business opportunities for fellow members in the Star Alliance and takes advantage of the business potential provided by them
- A management team, whose members identify with modern governance principles, and who distinguish themselves by being mindful of the best interests of shareholders and all stakeholders alike

STRATEGY



Turkish Airlines implements effective network and marketing strategies to increase profitability in parallel to growth, and to meet capacity increase objectives. The Company is expanding its network by adding new destinations, having become acknowledged worldwide for its expansion strategy. Turkish Airlines is positioned as the largest carrier worldwide and the 2nd largest by international destination number. Indeed, in the summer season of 2012 Turkish Airlines became the 5th largest carrier worldwide by destination number. In the winter season, the Company surpassed its competitors to become the 5th largest airline in terms of flight network thanks to the thirty four new destinations added by the end of 2012, which marked a historic high for the Company.

İstanbul, being a transfer point on Europe-Middle East, Europe-Far East and Asia, Europe-Africa, and America-Middle East lines, reduces flight time and introduces the flexibility to use a variety of fleets of diverse capacity. Thanks to its geographical position, İstanbul offers connection of closer proximity when compared with other potential transfer points. İstanbul bridges both East and West, which enables the use of a narrow body fleet, thus providing a considerable cost advantage and contributing to competitive superiority.

Turkish Airlines is increasingly preferred with each passing day, and has continued to grow accordingly. The Company follows an effective strategy of turning industry-related opportunities to its advantage thanks to its robust commercial characteristics. In fact, Turkish Airlines is advancing confidently towards its goal of consolidating its position among the leading airlines in the global market.

***Growth strategy
in Africa***

The diagram consists of a horizontal red line with two large red circles. The left circle contains the text 'Growth strategy in Africa'. A red arrow points from the right side of the first circle to the left side of the second circle. The right circle contains the text 'Unlimited customer satisfaction'. Another red arrow points from the right side of the second circle to the right edge of the line.

***Unlimited
customer
satisfaction***

Turkish Airlines plans for growth in the African region, where aviation is growing rapidly. As of the end of 2012, the Company flies to 33 airports in 23 countries. In the future Turkish Airlines plans to increase the connection between Africa and the rest of the world as the main carrier, contingent upon aircraft availability and flight authorization.

Turkish Airlines, with its extensive worldwide and ever increasing flight network, has advanced successfully in the industry. The Company's core principles are those of respect for the individual and unlimited customer satisfaction. Turkish Airlines, distinguished by its young, technically advanced and reliable fleet, has evolved into a leading airline brand preferred worldwide for its innovative approach to customer satisfaction.

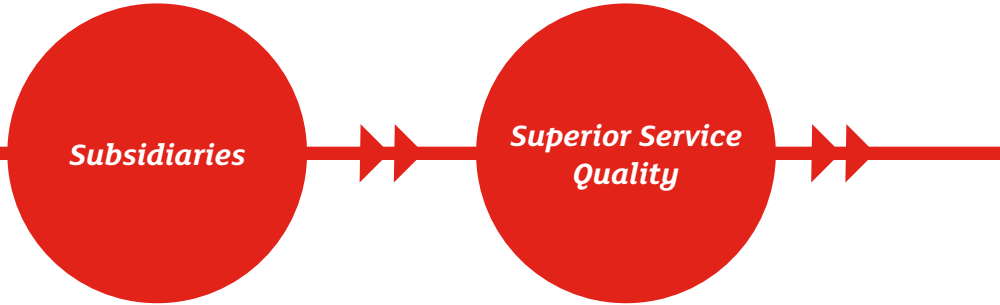
*Towards becoming
the largest transfer
hub worldwide*

*A global brand
focusing its
strengths on the
customer*

İstanbul, which geographically serves as a natural bridge between East and West is one of the fastest growing aviation centers worldwide. International passenger number, transferred over Istanbul, Turkish Airlines' main center, is increasing rapidly. Indeed, Istanbul Atatürk Airport ranks among the top 15 cities worldwide in terms of planned and scheduled international passenger capacity. Turkish Airlines, seeking to grow further at the İstanbul hub, plans to reallocate certain of domestic and international flights from Sabiha Gökçen Airport to Atatürk Airport in 2013. Indeed, the Company is advancing confidently towards its goal of making Istanbul one of the largest transfer points. In 2012, nine million international passengers arrived from one point via Turkish Airlines and transferred over Istanbul to fly to another international destination. Notably, this number is 44% higher when compared to 2011.

Today Turkish Airlines is a global brand. The company made a great progress thanks to its geographical position advantage, measures taken against crisis and cost cutting policies, high service quality against low operational costs, emphasis put on customer satisfaction, successful subsidiaries, strong flight network and organic growth strategies.

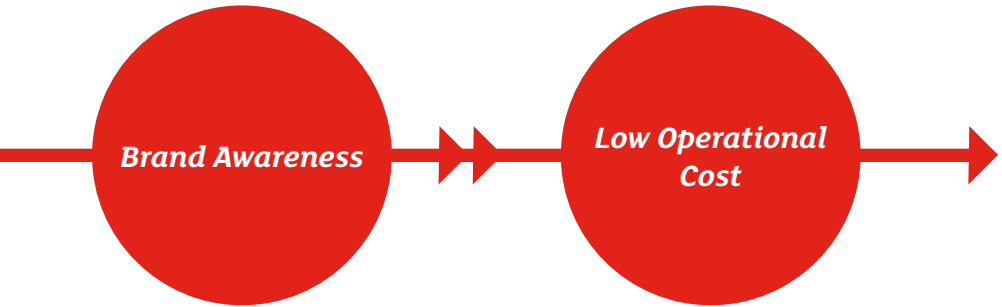
Turkish Airlines operates according to exacting international service standards, at each level of the service chain, and at every point where the Company meets the customer. All passengers are hosted by attentive and trained personnel who embody the Company's goal of promoting Turkish hospitality worldwide.



Turkish Airlines had just one subsidiary in 2003. Yet today it has directed its operational success to corporate development and become a corporation with 12 subsidiaries. The Company's strategy is to forge strategic alliances and create sub-brands to advance its industrial success. It will continue to implement this strategy with fresh alliances in 2013. Turkish Airlines, a global network carrier and member of the Star Alliance, is dedicated to providing even better service over the coming years, thanks to the extensive opportunities and flight choices it offers to its members.

Globalization has brought about the need for continuous travel; therefore, airline travel, having become increasingly widespread, has brought acceleration and growth to the industry. Turkish Airlines, in light of this opportunity, responds to customer demand with a policy of superlative service quality. The Company operates according to exacting international service standards, at each level of the service chain, and at every point where the Company meets the customer. All passengers are hosted by attentive and trained personnel who embody the Company's goal of promoting Turkish hospitality worldwide. The "Globally Yours" message was created accordingly. The Company worked hard to offer the best possible service to its 39 million passengers in 2012. Indeed, Turkish Airlines plans to take its customer-orientated approach further still with new projects in 2013.

STRATEGY



The year of 2012 was a fairly successful one in terms of brand awareness, wherein the company realized many important projects to further develop its global brand image. In addition to effective and successful campaigns in the social media, new brand investments through sponsorship agreements and advertisements of worldwide impact were realized. In recent years, Turkish Airlines has made extensive use of the most popular communication channels in disseminating corporate news in the fastest possible manner, to better communicate with its passengers and become a part of their daily lives.

Turkish Airlines continues its cost management projects, in order to realize the substantial turnover goal of TL 40 billion, with high profitability and reduced sensitivity to increasing costs. In accordance with its savings strategy, the fleet age is kept young and effective, and fuel saving measurements taken. In addition to this, and ranking among the Company's most important strategies are efforts to increase the share of sales channels in order to decrease sales costs, and to invest in cost cutting technologies, and increase the efficiency of personnel and procedures.



TURKISH AIRLINES

SUBSIDIARIES



THY Turkish Technic

Turkish Technic offers maintenance, repair and technical support to Turkish Airlines, as well as to more than 100 domestic and international airlines. Established in 2006, the company is a wholly-owned subsidiary of Turkish Airlines.

With its subsidiary operations and more than 2,000 employees, Turkish Technic conducts its activities with the goal of becoming an important regional air transport technical maintenance base by supplying the full range of maintenance, repair, and technical and infrastructure support the aviation industry requires.



SunExpress

Founded in 1989, SunExpress is a joint venture of Turkish Airlines and Lufthansa, in which each holds a 50% stake. It is the market leader in charter flights between Germany and Turkey.

Having inaugurated flights in 1990, the company has served the charter market for many years. It began flying the Antalya-Frankfurt route as the first privately owned airline in Turkey to operate regularly scheduled international flights. Today the company has a fleet of 23 aircrafts and serves its customers with 1,695 employees.

Turkish Airlines bolsters its strength and market dominance, by reducing costs through reliance on subsidiaries, thus enabling operational flexibility and increasing quality and efficiency. Additionally, it provides service to other companies, thereby transforming its subsidiaries into profit centers.



Turkish OPET Aviation Fuels

Turkish OPET Aviation Fuels, established in 2009, is a joint venture of Turkish Airlines and OPET Petrolcülük A.Ş, in which each holds an equal stake. It provides jet fuel storage and supply services at İstanbul Atatürk and other airports in Turkey.

The company commenced operations on 1 July 2010. In addition to aviation fuels of every kind, it also engages in the domestic and international sale, importation, exportation, distribution, and transport of chemicals, lubricants, and paints.



Turkish Ground Services

The company provides ground handling services at İstanbul Atatürk Airport and at five other airports in Turkey. Established in 2009 as a joint venture of Turkish Airlines and HAVAŞ Havaalanları Yer Hizmetleri A.Ş. in which each holds a 50% stake, TGS (Turkish Ground Services) has been in operation since the beginning of 2010.

TGS serves approximately 70 domestic and international airlines in addition to Turkish Airlines at Turkey's İstanbul Atatürk, Ankara Esenboğa, İzmir Adnan Menderes, Antalya, Adana, and İstanbul Sabiha Gökçen airports. TGS, employing over 7,000 personnel, has to date served ground services to more than 400 thousand flights to high international standards.

SUBSIDIARIES



THE GOURMET ENTERTAINMENT COMPANY

THY Turkish DO & CO

The Company provides catering services to Turkish Airlines, and to more than sixty other domestic and international airlines. Commencing operations in 2007, Turkish DO&CO is a joint venture of Turkish Airlines and DO&CO Restaurants & Catering AG, in which each holds a 50% stake.

Headquartered at İstanbul Atatürk Airport, it provides catering services to domestic and international airlines out of kitchens operating at nine locations in Turkey. These kitchens turn out around 140,000 meals a day, each choice of which is carefully prepared by Turkish DO&CO's own culinary staff. Turkish DO&CO has been responsible for substantial improvements in catering service quality aboard Turkish Airlines aircraft.



Pratt&Whitney THY Turkish Engine Center (TEC)

This company, established in 2008, provides aircraft engine maintenance, repair, and overhaul services to customers in Turkey and its hinterland. It is a joint venture of Turkish Airlines and United Technologies, a subsidiary of Pratt&Whitney, in which Turkish Airlines holds a 51% stake. Operating out of a high-tech, environmentally-friendly maintenance center with an area of around 25,000 m² at İstanbul Sabiha Gökçen International Airport, TEC has the capacity to perform maintenance on more than 200 aircraft engines a year.

Turkish Airlines continues to strengthen global brand identity with its qualified and experienced personnel and subsidiaries, on its way to becoming a leader in the aviation industry.



GOODRICH TURKISH TECHNIC
SERVICE CENTER

Goodrich Turkish Airlines Technical Service Center

At the Gebze facilities, high quality services for maintenance and repair of nacelles, thrust reversers, related parts and rotatable support is provided. Established in 2010, the Goodrich Turkish Airlines Technical Service Center is a joint venture of Turkish Technic (40%) and TSA-Rina Holdings (60%), the latter a subsidiary of Goodrich Corporation.

The Goodrich Turkish Airlines Technical Service Center aims to be an important player in the industry by providing maintenance and repair services meeting international standards to Turkish Airlines and other international airline companies, underpinned by technical certification.



TCI CABIN INTERIOR®

Turkish Cabin Interior Systems Industries Inc.

This company aims to take a share of world markets with the cabin interior system products that it manufactures. Formed in 2011, stakes of 30%, 21%, and 49% are held respectively by Turkish Airlines, Turkish Technic and Türk Havacılık ve Uzay Sanayi A.Ş. (TUSAŞ -TAI).

TCI's objective is to undertake the design, manufacture, logistical support, modification, and marketing of aircraft cabin interior systems and components, and to win a share of international markets with the goods and services that it produces.

SUBSIDIARIES



Aircraft Seat Manufacturing Industry & Trade Inc.

A joint venture with the Assan Hanil Group, the company was set up to design and manufacture airline seats, and to make, modify, market, and sell spare parts to Turkish Airlines and other international airline companies. Formed in 2011, stakes of 50%, 45%, and 5% are respectively held by Assan Hanil Group, Turkish Airlines, and Turkish Tecnic.



HABOM

HABOM Aviation Maintenance, Repair and Modification Center

This facility, established in Kurtkoy Sabiha Gokcen International Airport, aims to become the largest center in the region, providing the services of maintenance, repair and modification. The company was established in 2011 as a wholly-owned subsidiary of Turkish Airlines.

HABOM's principal business activities consist of buying, selling, renting, leasing, maintaining, repairing, and modifying any and all manner of aircraft and aircraft equipment, as a full range of aviation-related equipment, instruments, and engines; it also provides a comprehensive spectrum of training activities related to such undertakings, including, but not limited to seminars and courses.



TURKBINE Technical Gas Turbines Maintenance & Repair Inc.

The company is a collaboration that derives its strength from international experience, technically competent personnel and strong brand underpinning. Established in 2011, it is a joint venture of Turkish Technic and Zorlu O&M Enerji Tesisleri İşletme ve Bakım Hizmetleri A.Ş., in which each holds an equal stake.

The signed agreement envisions the provision of maintenance, repair, and overhaul services for a variety of aircraft engines that are beyond the activity scope of existing subsidiaries, and also for industrial gas turbines used at power plants.

THY Aydın Çıldır Airport Management Inc.

The company was established in 2012 as a wholly-owned subsidiary of Turkish Airlines. Yet to commence operations, it was established to operate Aydın Çıldır Airport, provide aviation training, organize sports-training flights and conduct all activities related to the transportation of passengers with aircraft types appropriate to prevailing runway length.

INDUSTRY DEVELOPMENTS AND THE FORECAST FOR 2013

Growth rates, which were fairly low at the beginning of 2012, reached 5.3% overall, thus becoming a positive indicator for the aviation industry.

Middle Eastern carriers contributed markedly to international traffic, as their numbers exceeded domestic traffic on 15.4% growth. European and North American Airline companies, affected by the Euro-zone crisis, respectively closed the year of 2012 on 5.3% and 1.3% growth. When these numbers are compared with the 2011 data for these carriers (9.5% and 4.1%) we observe a downward trend in growth rates.

Domestic airline companies completed the year on 4% growth rates. China (9.5%) and Brazil (8.6%) distinguished by strong growth rates and the US domestic line market, with its low growth rate, represents half of overall domestic line transfers.

Air cargo transfer has suffered in the climate of global crisis. During the year, the negative impact of maritime transport on its aviation counterpart is also noteworthy. Yet despite the negative conditions of air transportation, certain airlines managed to close the year on positive growth rates. The increased rates of Middle East and African

Airlines for the cargo segment of 14.7% and 7.1% are a positive indication for the industry. Indeed, high cargo capacity utilization rates for the fourth quarter of 2012 gave the impression that the year of 2013 will be one of success.

PASSENGER MARKET

International Flights

When occupancy rates throughout the year are observed, we note development in all airline companies. This development in international air traffic signals positive changes for the market over the coming period. Airline companies closed the last quarter of the year on limited growth of 0.6%, and this trend is expected to develop further in the coming periods.

When compared to 2011, the 6% improvement in international air transfer is a positive indication for the industry. Middle Eastern companies, which make the largest contribution to the growth rate, accounted for one third of market growth in 2012.

Middle East carriers closed 2012 in first place on a 15.4% growth rate in the international market. They increased their growth rate when compared to the previous year, based upon which, signal growth is anticipated for the coming period.

Domestic Flights

The industry experienced a positive year in terms of occupancy rates in domestic lines. There has been a growth of 4% in overall flights. And when taking the trying global economic conditions and rise in fuel prices into consideration, 2012 actually closed positively. China posted the most distinguished growth rate, when the overall international market is analyzed, at 9.5%, followed by Brazil on 8.6% growth.

2013 FINANCIAL FORECASTS

Following the rapid decline in the first quarter of 2012, the rising financial performances of airlines have been observed in the second and third quarters. Global economic stagnation and high fuel prices were reminiscent of the years of 2006 and 2007 for airline companies. Yet during the year these companies managed to reduce costs and develop themselves in industry terms. This resulted in better than expected financial performances. Industry profitability forecast for 2012 rose from USD 4.1 billion to USD 6.1 billion, which is viewed as a positive indicator for the sector.

Performance expectations for 2013 are much higher when compared to 2012. In 2013, the forecast for industry based profit after tax is at USD 8.4 billion. And while an increase in fuel prices is expected when compared to 2012, there is also the anticipation of an improvement the global economic environment.



Although the growth figure for 2012 is below the 5.9% seen in 2011, it still realized above the 5% average of the past 20 years.

This said, the aviation industry is forecast sustaining a negative impact. Gross Domestic Product (GDP) and Net Profit ratios after tax are expected to run in parallel in 2013.

Despite the difficult economic conditions faced by the aviation sector major airline companies are expected to continue their growth acceleration in 2013. Indeed, the more powerful players will intensify their strength, while weak ones will withdraw from the market.

2012 TRAFFIC RESULTS

During 2012 Turkish Airlines took important steps in making Istanbul one of the most important centers of the aviation world.

Total passenger (000)

39,045

Total passenger load factor (%)

77.4

Total revenue passenger-km (million)

74,410

Total available seats-km (million)

96,124



*Domestic revenue passenger
(000)*

15,906

*Domestic available
seats-km (million)*

12,012

*International revenue
passenger (000)*

23,139

*International available
seats-km (million)*

84,112



2012 TRAFFIC RESULTS



47% INCREASE

THY strengthened its standing, especially with passenger increases in developing regions; rising 47% in Africa, 25% in the Far East and 20% in the Middle East.

Total Traffic Results

	2012	2011	2010	2009	2008	2007
Revenue passenger (000)	39,045	32,648	29,119	25,102	22,597	19,636
Available seats-km (million)	96,124	81,193	65,100	56,574	46,343	41,619
Revenue passenger-km (million)	74,410	58,933	47,950	40,130	34,265	30,251
Passenger load factor (%)	77.4	72.6	73.7	70.9	73.9	72.7
Number of destinations	219	196	174	158	145	142
Number of landings	308,384	270,618	245,226	213,953	189,328	168,899
Kms flown (000)	542,339	419,113	358,370	311,869	262,124	232,147
Cargo (Ton)	454,293	375,042	302,983	230,709	191,934	177,508
Mail (Ton)	16,570	12,796	10,973	7,351	6,956	6,714
Excess baggage (Ton)	3,683	4,170	3,629	3,734	3,752	3,462
Available ton-km (million)	14,288	11,926	9,036	7,795	6,147	5,535
Revenue ton-km (million)	9,425	7,467	5,894	4,784	3,993	3,549
Overall load factor (%)	66.0	62.6	65.2	61.4	65.0	64.1

Domestic Flights Traffic Results

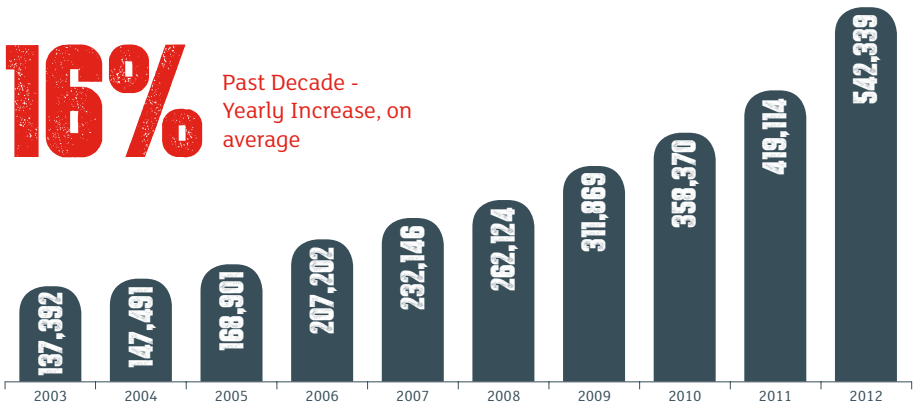
	2012	2011	2010	2009	2008	2007
Revenue passenger (000)	15,906	14,488	13,645	11,692	11,063	9,984
Available seats-km (million)	12,012	11,164	10,437	9,038	8,488	8,117
Revenue passenger-km (million)	9,465	8,584	8,007	6,819	6,417	5,924
Passenger load factor (%)	78.8	76.9	76.7	75.4	75.6	73.0
Number of destinations	37	44	42	38	34	33
Number of landings	128,541	120,677	112,842	97,697	92,593	87,162
Kms flown (000)	77,567	70,757	65,576	56,313	53,372	51,016
Cargo (Ton)	37,152	34,415	35,353	33,037	34,305	35,518
Mail (Ton)	2,948	3,025	3,971	3,549	3,427	3,555
Excess baggage (Ton)	1,521	1,879	1,700	1,450	1,589	1,538
Available ton-km (million)	1,372	1,273	1,191	1,047	1,000	946
Revenue ton-km (million)	887	813	757	652	615	570
Overall load factor (%)	64.7	63.9	63.6	62.3	61.5	60.3

International Flights Traffic Results

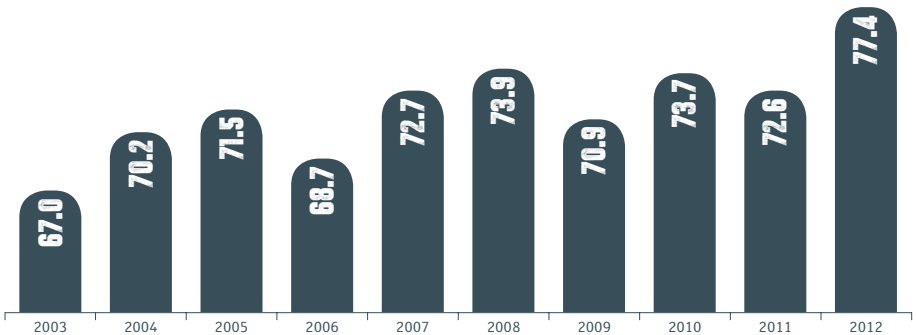
	2012	2011	2010	2009	2008	2007
Revenue passenger (000)	23,139	18,160	15,474	13,410	11,534	9,652
Available seats-km (million)	84,112	70,029	54,663	47,536	37,855	33,502
Revenue passenger-km (million)	64,945	50,349	39,943	33,311	27,848	24,327
Passenger load factor (%)	77.2	71.9	73.1	70.1	73.6	72.6
Number of destinations	182	152	132	120	111	109
Number of landings	179,843	149,941	132,384	116,256	96,735	81,737
Kms flown (000)	464,772	348,356	292,794	255,556	208,752	181,131
Cargo (Ton)	417,141	340,627	267,630	197,672	157,629	141,990
Mail (Ton)	13,622	9,771	7,002	3,802	3,529	3,159
Excess baggage (Ton)	2,162	2,291	1,929	2,284	2,163	1,924
Available ton-km (million)	12,916	10,653	7,845	6,748	5,147	4,589
Revenue ton-km (million)	8,538	6,654	5,137	4,132	3,378	2,979
Overall load factor (%)	66.1	62.5	65.5	61.2	65.6	64.9

2012 TRAFFIC RESULTS

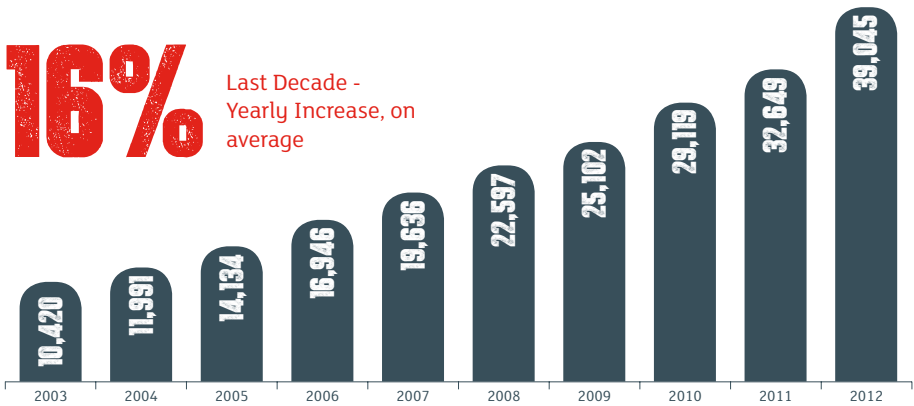
Total Kms flown (000)



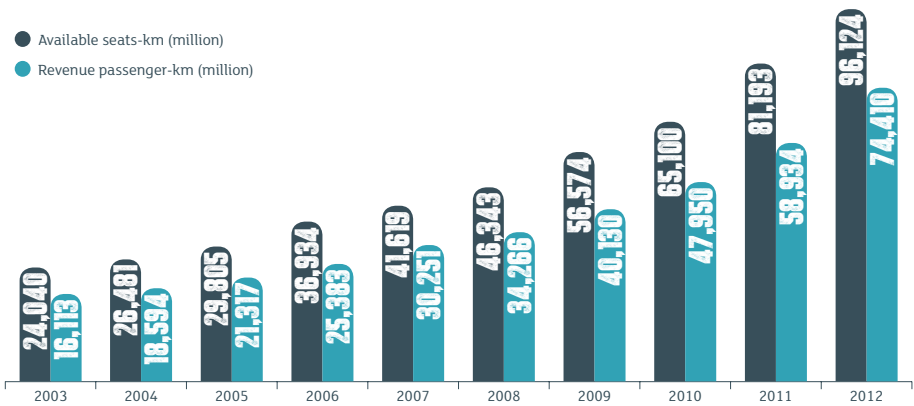
Passenger load factor (%)



Total revenue passenger carried (000)



ASK and RPK Improvement



2012 TRAFFIC RESULTS

New Destinations

Within the framework of growth strategies Turkish Airlines added 34 new destinations in 2012. The company, flying to more countries than any other airline in the world, became the 5th largest carrier worldwide and the 2nd largest in Europe by destination number.

In 2012 flights to 15 new destinations in Africa were launched by Turkish Airlines.

15

Ouagadougou, Douala, Yaounde, Kinshasa, Djibouti, Hurgada, Sharm El Sheik, Abidjan, Mombasa, Sebha, Nouakchott, Niamey, Kigali, Mogadishu, and Kilimanjaro

In 2012 flights to Buenos Aires in South America began.

1

Buenos Aires

In 2012 flights to three new destinations in the Far East were launched by Turkish Airlines.

3

Osh, Maldives, Ulan Bator

In 2012 flights to eight new destinations in Europe were launched by Turkish Airlines.

8

Ganja, Aalborg, Billund, Bremen, Leipzig, Novosibirsk, Bilbao, and Edinburgh

In 2012 flights to five new destinations in the Middle East were launched by Turkish Airlines.

5

Isfahan, Kermanshah, Taif, Yanbu, Aden

In 2012 flights to two new domestic destinations were inaugurated.

2

Iğdır, Kütahya



2012 TRAFFIC RESULTS

Marketing and Sales Activities

Turkey, currently positioned among the 20 largest economies in the world, and with a constantly developing economic and demographic structure, has registered significant improvements in the aviation industry over the past decade.

Turkish Airlines flies to more countries than any other airline in the world and has the 5th largest flight network. The company is the flag carrier brand of Turkey, and holds the Best Airline in Europe title.

Turkey, as Turkish Airlines' direct market, constitutes its core business region. Nonetheless, within the framework of the global aviation industry, this market alone is insufficient to acquire the desired volume and market position. Therefore, growth and a strengthening of market position require a strategy of global orientation; in other words, the partnership needs to take advantage of other associated markets.

In this context, Turkish Airlines operates flights to many new points in transit markets supplementary to the local market, while increasing the frequency of use at existing points. In so doing, the Company succeeds in positioning itself favorably, thanks to robust marketing strategies, a broad flight network and capacity increase. As of the end of 2012, its flight network covers 217 points in 96 countries. Turkish Airlines, while extending penetration through a capacity increase,

also enriched product variety offered to customers, by adding new destinations to its flight network.

Turkish Airlines continued to grow at Istanbul Atatürk Airport, and to offer more comfortable and express travel through Istanbul Sabiha Gokcen Airport (SAW) and Ankara Esenboga (ESB) based flights. It also takes advantage of opportunities in emerging markets.

Performance

Due to its structure, the aviation industry is susceptible to the economic and political developments occurring in any region of the world. Economic recession and political transition, especially the developments observed in Syria, have decreased demand for air transport. Yet despite the negative influences, Turkish Airlines succeeded in increasing passenger number in 2012 as well. Passenger numbers for the January-December 2011 period were at 32.6 million. And in one year an increase of 19.6% was recorded, whereby the number reached 39 million.

In terms of international flights, Turkish Airlines has just completed a successful year. When compared to 2011, the number of passengers in "Business/Comfort Class" rose by 34%, while International to International Transfer passengers rose by 44%. Meanwhile, passenger load factor rose by 5 points to 77.4% in the same period.



Activities

Argentinean soccer superstar Lionel Messi was named Brand Ambassador for Turkish Airlines.

Turkish Airlines, continuing its international brand awareness projects, signed a deal with Argentinean star Lionel Messi, the world's most valuable soccer player, who became its new Brand Ambassador. Messi's commercial shot with famous basketball player Kobe Bryant broke all viewing records.

Customer satisfaction safeguarded against economic crisis.

Turkish Airlines has sustained its growth, despite global economic crisis, thanks to its successful dedication to customer satisfaction. Customers feel that they receive value for money from Turkish

Airlines, both in ground services and during the flight itself.

Best Airline, Europe

Customer satisfaction is reflected in the awards Turkish Airline has garnered. Skytrax, evaluating airline companies and airports according to diverse parameters, selected Turkish Airlines as the Best Airline, Europe for the second time in a row according to the criteria of service and quality standards. The goal is to continue this success in 2013 as well.

Turkish Airlines left its imprint on the Skytrax Awards, 2012.

- Best Airline, South Europe
- Best Airline, Europe
- Best Premium Economy Class Airline Award, 2nd place
- Best Premium Economy Class Catering Award, 2nd place

**YESTERDAY, WE PLACED
OUR DREAMS IN A COUPLE OF
AIRCRAFT...**



2003

2004

2005

2006

2007

TODAY, WITH 202 AIRCRAFT WE OWN ONE OF THE LARGEST FLEETS WORLDWIDE.



Total number of aircraft



2008

2009

2010

2011

2012

FLEET

Turkish Airlines' current expansion process is being governed by its 2008-2023 Fleet Projection program. Following the announcement in October 2008, regarding the purchasing of a total of 105 aircraft (75 confirmed with options on a further 30), the Company ordered 65 narrow-body and 22 wide-body passenger, plus five cargo aircraft.

211% 

The Turkish Airlines fleet, which consisted of 65 aircraft back in 2004, has grown by 211% to 202, with the purchase of a further 23 aircraft.

6.6

As of the end of 2012 the number of aircraft in the Turkish Airlines fleet stood at 202, with an average fleet age of 6.6 years.

Turkish Airlines continues to work on its goal of acquiring the youngest and most modern fleet in Europe. The Company flies to more countries than any other airline in the world, and has the 5th largest flight network. Moreover, Turkish Airlines continues to support its fleet with new aircraft purchases.

In 2012 Turkish Airlines took pride in adding the 200th aircraft to its fleet and strengthening its position in international aviation industry. As of the end of 2012, the number of aircraft in the Turkish Airlines fleet was 202, with an average fleet age of 6.6 years. Turkish Airline's fleet, which had consisted of 65 aircraft back in 2004, had grown by 211% to 202 aircraft in 2012.

While taking the cost analysis into consideration, Turkish Airline purchases

aircrafts that meet growing passenger traffic and changing customer needs, emphasize passenger comfort and safety, that are equipped with the latest technology, and that are economical and environmentally sensitive. Accordingly, the Company continues to take important steps towards strengthening the Turkish Airlines brand.

The fleet expansion period, which began with the purchase decision for 51 aircraft in 2004 and which was strengthened by optional purchase orders becoming definite, is continued in the 2008-2023 Fleet Projection.

Following the announcement in October 2008 regarding the purchase of a total of 105 aircraft (75 confirmed with options on a



further 30), the Company ordered 65 narrow-body and 22 wide-body passenger, plus five cargo aircraft.

In consequence of the 2012-2020 fleet planning decision, 20 B777-300ER and 20 A330-300 aircraft have been ordered, which will meet the demand for long haul aircraft in the coming period. Aircraft ordered in 2012 will be delivered between 2013 and 2017.

The Company updates fleet plans at the end of each year, within the scope of the following strategies: Exploiting opportunities, risk management, sustainability, dynamic capacity planning, a broadening of the flight network and increased frequency. During the year, aircraft numbers are revised according

to deliveries and demand and fleet rejuvenation needs. Interim solutions are also implemented, such as using leased aircraft in light of market conditions, which does not increase fleet age or damage the integrity of aircraft.

23

Turkish Airlines, broadening its flight network and increasing passenger number with each passing day, and on the strength of its significance in the air transfer industry, added 23 new aircraft to its fleet.

FLEET

Fleet (as of end-2012)

Aircraft Type	Number	Fleet age	Total Capacity (Seat)
Commercial Aircraft			
A340-300	7	16.7	1,890
A330-200	7	7.7	1,812
A330-300	10	1.7	2,890
B777-300ER	12	2.0	4,044
A319-100	14	4.7	1,854
A320-200	28	5.7	4,502
A321-200	32	3.2	5,950
B737-400	3	20.9	450
B737-800	59	8.7	9,767
B737-700	14	6.8	1,986
B737-900	9	0.7	1,359
Cargo Aircraft			
A310-300F	4	24.4	-
A330-200F	3	1.7	-
Total	202	6.6	36,504
Commercial Aircraft - Average Age		6.4	

Turkish Airlines Fleet Characteristics

YOUNG

FLEXIBLE

COMFORTABLE

FAMILY RELATED

LATEST TECHNOLOGY

ENVIRONMENT-FRIENDLY

EFFICIENT

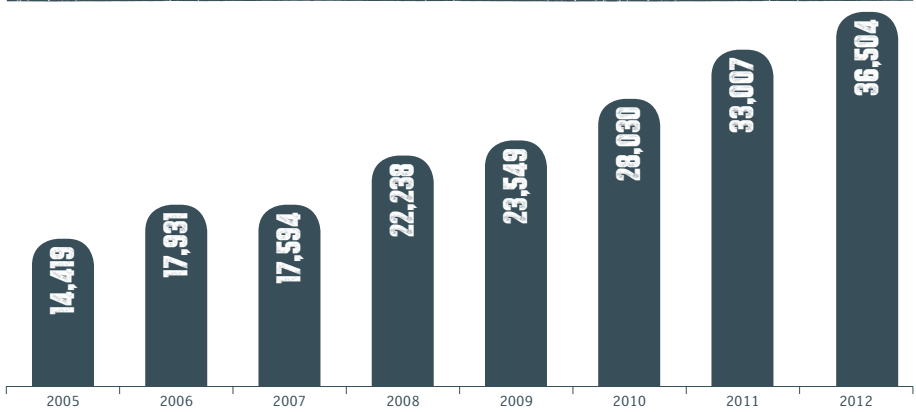
COMPETITIVE

DYNAMIC

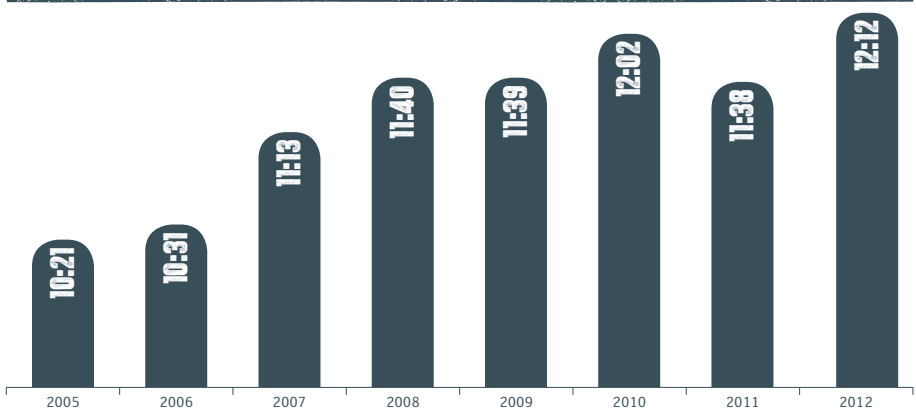
RELIABLE

Turkish Airlines, broadening its flight network and increasing passenger number with each passing day, and on the strength of its significance in the air transfer industry, added 23 new aircraft to its fleet.

Total Seat Capacity



Daily Utilization Rate



CARGO



In parallel to the worldwide decline, there was a loss in unit revenue of 4.9%; yet the total revenue of Turkish Cargo rose by 12.7%. Turkish Cargo increased carried freight revenue by 5.7% to USD 49 million.

The year of 2012 was a difficult one worldwide in terms of cargo transportation, where high oil prices and economic recession affecting world economies in particular had a negative impact.

Due to a low global growth rate of around 2% and a weakly rising international trade volume in the previous period; global air cargo transportation has followed a downward trend since its record of 16 billion ton-km registered in June 2010.

The June 2012 figure is 1 billion ton-km lower when compared to two years ago. International cargo revenues have fallen significantly over the past year. Cargo revenues, attained via the (IATA) CASS system of the International Air Transport Association, regarding “inbound” and “outbound” transfers, have regressed to USD 8 billion from USD 9 billion over the past 15 months.

Despite these industrial challenges, Turkish Cargo has not compromised on quality, having managed to carry a 21% larger cargo volume than in the previous year. And while, a 4.9% loss in unit revenue was recorded in parallel to the worldwide decline, the total revenue of Turkish Cargo rose by 12.7%.



**21%
INCREASE**

Turkish Cargo has not compromised on quality, having managed to carry a 21% larger cargo volume than in the previous year.

Turkish Cargo increased carried freight revenue by 5.7% to USD 49 million.

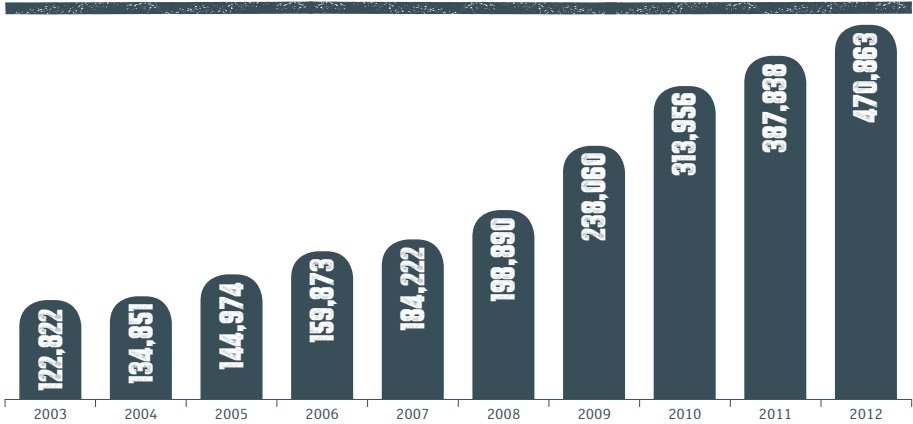
CARGO



16% INCREASE

Turkish Airlines has increased its carried cargo volume by 16% on average over the past 10 years.

Cargo+Mail Development (Ton)

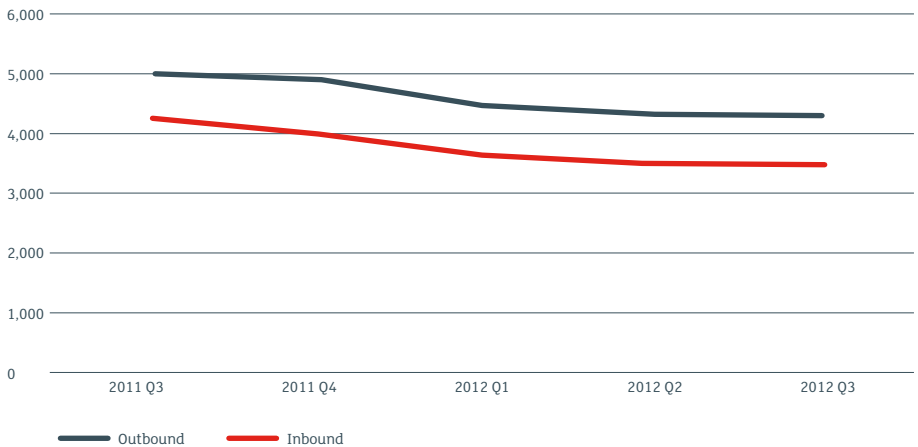


In 2012 Turkish Cargo managed to carry 21% more cargo than the previous year. And while, a 4.9% loss in unit revenue was recorded in parallel to the worldwide decline, the total revenue of Turkish Cargo rose by 12.7%. Turkish Cargo increased carried freight revenue by 5.7% to USD 49 million.

Cargo breakdown by region (%)



Quarterly Global CASS Revenue (million USD)





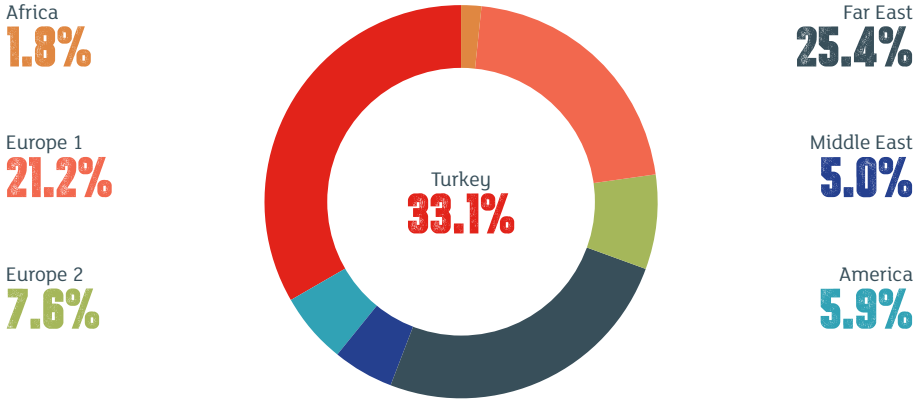
Turkish Cargo Main Indicators

	2011	2012	2012/2011
Total Income (USD)	642,083,593	723,530,840	12.7
Total Carried Freight (ton)	387,838	462,468	19.2
Unit Income R/Y (USD)	1.64	1.56	(4.9)

In 2012 Turkish Cargo continued to develop its fleet and flight network structure. Having started out with six cargo aircraft in 2011, as of the end of 2012 the number had risen to seven (A310-300F, four aircraft, A330-200F, three aircraft). Moreover, the number of destinations to which Turkish Cargo makes scheduled cargo flights rose from 33 to 38 in the same period.

In 2012 Turkish Cargo realized the largest freight ton sales to Turkey, the Far East and Europe-1 regions.

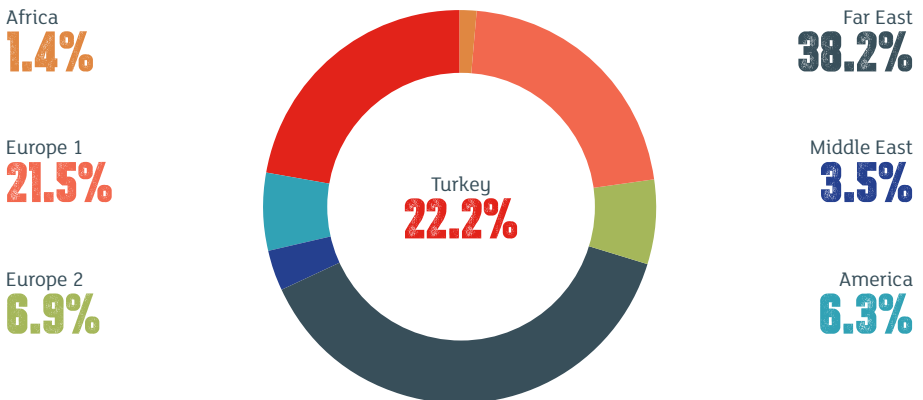
Sales based tonnage percentage by cargo region



In income terms, the Far East, Turkey and Europe-1 regions were the highest generating regions in 2012.

Additionally, in 2012, 67 charter flights were operated, of which 62 were commercial (Helsinki charter flight, which is transferred to scheduled flights is excluded), while five were charitable. As a result income of USD 6,001,870 has been achieved through these flights.

Sales based income percentage by cargo region



CARGO

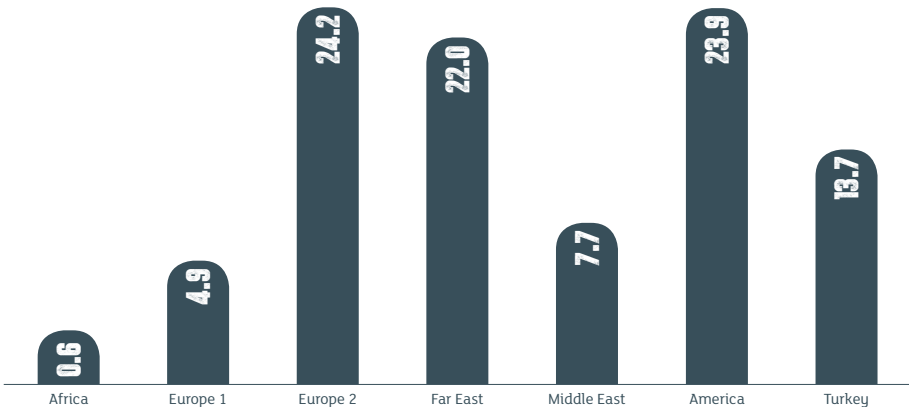
Turkish Cargo introduced many innovations during 2012. These projects beginning with products and services and extending to new terminal construction confirm the vision of the company.

Turkish Cargo, 2012 Innovations

Warehouse Project, the construction of the new cargo terminal station, will start in April 2013. This project will carry the Company to new forefronts of international cargo transportation. The terminal will be constructed on an area of 45,000 m², and will have an annual cargo capacity of 1.2 million tons. The opening of the terminal is planned for the second quarter of 2014. For the increasing demand in this period, an extra cargo storage area is being constructed on an area of 10,000 m² to be completed by June 2013.

Meanwhile, the Company's existing cargo IT infrastructure has been improved. The TACTIC system implemented for cargo process management over the past 20 years is set to be superseded by the COMIS (Cargo Operations Management and Information System) Project, planned to commence at the beginning of 2013. According to the plan, the tender process for the Cargo RM (Revenue Management) Project, expected to leverage Turkish Cargo revenues, is planned to be completed within 2013.

Tonnage Increase Factor by cargo region in 2012





MRO



Turkish Technic's four hangars in İstanbul and Ankara, at which it provides maintenance and repair services for airline companies, have a total combined enclosed space of 73,500 m².

The services that Turkish Technic provides its customers primarily consist of line, station, and component maintenance. In addition to Turkish Airlines aircraft, the company also makes component pool services available to the fleets of other carriers. The number of Component Pool service customers reached 10 in 2012.

Turkish Technic's four hangars in İstanbul and Ankara have a total combined enclosed space of 73,500 m², at which it provides maintenance and repair services for airlines and VIP jet operators. Turkish Technic provides maintenance and repair services, through component shops specialized in everything, from station maintenance, engines, APU (auxiliary power units) to landing gear. This has enabled it to become a leading regional aircraft maintenance center. And while it's most important customer is Turkish Airlines, Turkish Technic also serves more than 600 other companies located on four continents.

Turkish Technic provides line and station maintenance services for the following aircraft: Boeing 737 Classic and Next Generation (NG), Boeing 777, Airbus A320 series, Airbus A300, Airbus A310, Airbus A330, Airbus A340, Gulfstream G-IV, Gulfstream 550, Cessna 172, and Diamond DA42. In addition, it has the ability to conduct a full range of maintenance-repair services on an aircraft including landing gear, avionics components, hydraulic/pneumatic components, brake systems, tires and rims, and mechanical components. In brief, Turkish Technic offers all necessary maintenance and repair activities at its own facilities for the aforementioned aircraft.



600

While it's most important customer is Turkish Airlines, Turkish Technic also serves more than 600 other companies located on four continents.

2,000

Over the past 2 years, Turkish Technic has employed 2,000 people. Thirty percent of the company's sales derive from customers besides Turkish Airlines.

Important Activities in 2012

Turkish Technic to grow with HABOM

Following the completion and launch of the HABOM Project, set to become one of the largest maintenance repair centers internationally, Turkish Technic is to significantly increase its capacity, and aims to boost revenues to USD 1.5 billion in 2015. With this revenue target, Turkish Technic is expected to rise to 6th place among the international maintenance and repair companies by 2015.

The company is keen to make more effective use of the experience and skills that it has acquired over the years, as well as of its highly-qualified and well-trained employees, to maximize the strategic benefits of its geographical location, and to take greater advantage of a rapidly growing domestic and international aviation market. With this in mind Turkish Technic has decided to establish a new international aviation maintenance and repair center at İstanbul Sabiha Gökçen International Airport.

Named HABOM (Havacılık Bakım Onarım ve Modifikasyon Merkezi / Aviation Maintenance, Repair and Overhaul Center), the bulk of the construction was completed in 2012. HABOM will have 370,000 m² of enclosed space, and will be capable of performing simultaneous maintenance on 11 narrow-body and three wide-body aircraft. With an investment cost of close to USD 450 million, The HABOM complex incorporates state of the art technology, and all modern and essential amenities, and is designed around the campus concept. In addition to maintenance and repair activities, this campus will be hosting

Turkish Cabin Interior Systems Industries Inc., and will become an important aviation campus both in Turkey and worldwide.

In 2012 more than 700 technicians and engineers were employed, with the bulk falling into the former camp. Total personnel working for the HABOM Project have now number of 1,300, with ongoing on the job training being provided. The launch of HABOM's maintenance activities is scheduled for 2013.

Within the framework of the 2010-2015 Strategic Plan Turkish Technic intends to exceed the range of traditional suppliers of aviation maintenance and repairs services: its goal is to also become a design, manufacturing, and R&D company.

The Turkish Engine Center (TEC) is Turkish Technic's first joint venture with global aircraft engine manufacturer Pratt&Whitney. The center continued its maintenance operations in 2012 and increased the number of customers served beyond Turkish Airlines. The Goodrich Turkish Service Center (GTTSC), TEC's other subsidiary received EASA Part 145 and FAR 145 certification, and continued its maintenance operations.

Through TURKBINE Technical Gas Turbines Maintenance & Repair Inc., a joint venture with Zorlu O&M, Turkish Technic conducted maintenance and repair operations on industrial gas turbines in 2012. The company has completed the application for Part 145 certification in regards to CF6-80 aircraft engines.



Turkish Cabin Interior Systems Industries (TCI Kabin İçi Ekipmanları) the joint venture company of Turkish Technic and TUSAŞ completed its first product Boeing 737-800 galley prototype in 2012. The design of five galleys for Airbus A330 type aircraft has been completed, with 83% of the program finalized. Once this product has gone through the Boeing Supplier process, it is planned for inclusion in the certified supplier list within 2013.

Aircraft Seat Manufacturing Industry & Trade Inc completed the production of an economy class aircraft seat prototype for the Boeing 737-800. Furthermore in 2012, it obtained ADOA Design Approval certification from EASA and took the initial steps towards becoming a Boeing Supplier. Plans exist to obtain POA and ETSO certification from EASA within 2013 and to formally commence the Boeing Supplier Process.

The forecast size of the international maintenance and repair market is USD 49.5

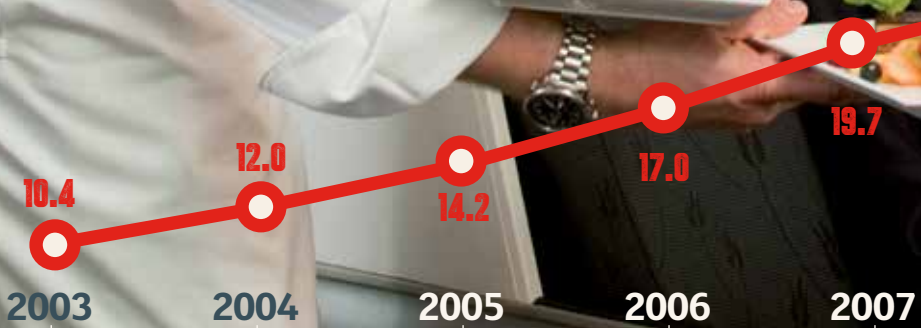
49.5 BILLION

The forecast for the international maintenance and repair market is USD 49.5 billion in 2012.


billion in 2012. It is expected to have grown by 68.4% by 2022.

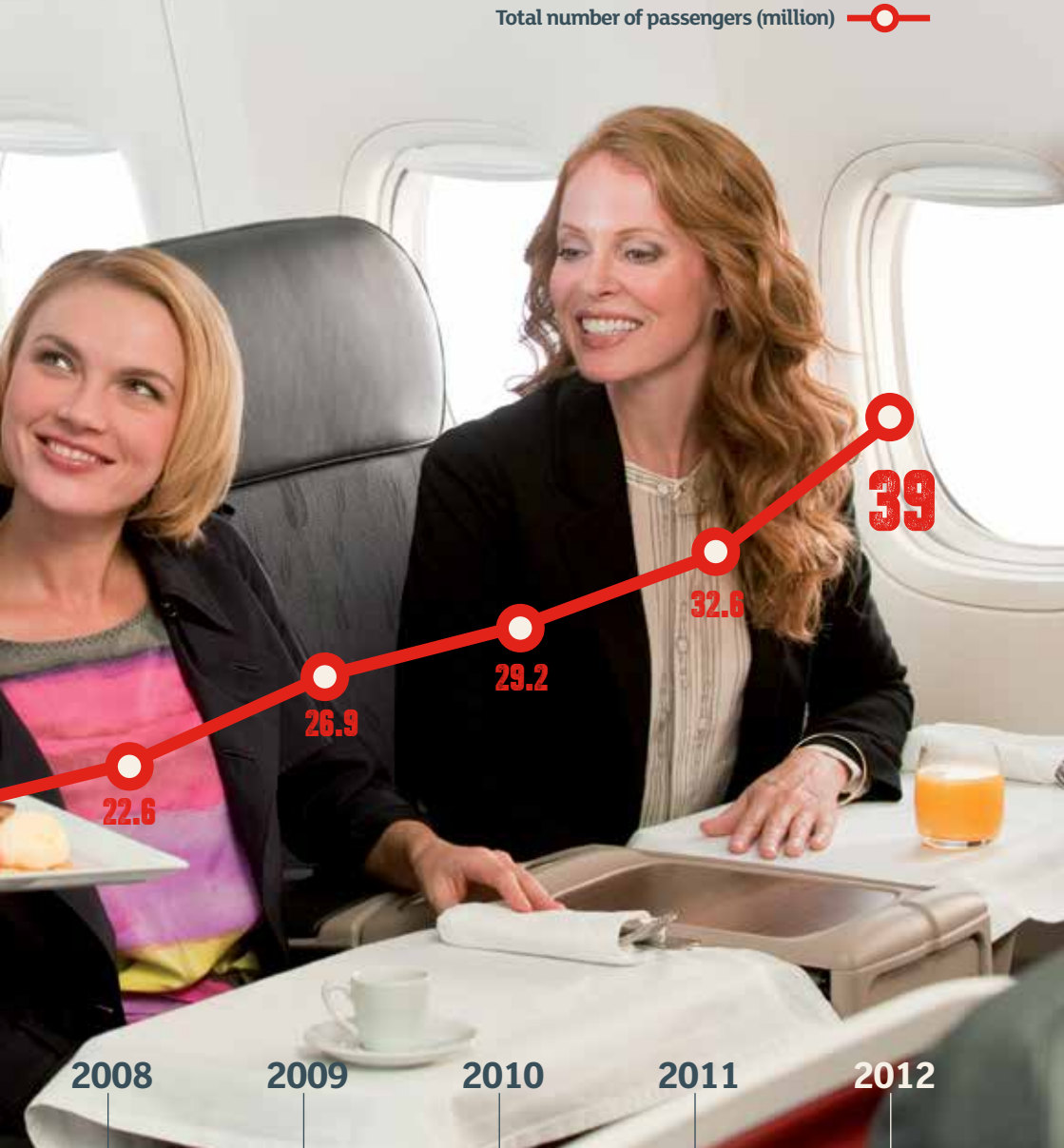
Upon the completion and launch of the HABOM Project, Turkish Technic will have increased its capacity substantially, and aims to increase its revenue to USD 1.5 billion. And when compared to 2011 income, Turkish Technic was positioned 12th among maintenance and repair companies. The 2015 goal is to rank in 6th place.

YESTERDAY, WE HAD HUNDREDS OF CUSTOMERS...



BUT TODAY WE HAVE MILLIONS.

Total number of passengers (million) 



CATERING



Since the introduction of Turkish Airlines’ new catering concept in 2007 by Turkish DO&CO, the overall level of passenger satisfaction has risen from 49% to 98%.

TURKISH DO&CO

“Flying Chefs” win recognition.

The “Flying Chefs”, who have served on all long haul flights of Turkish Airlines since 2010, have won recognition from our passengers. These Flying Chefs enrich peerless flavors with strong visual presentation, thereby making a great contribution to customer satisfaction when flying Turkish Airlines.

A joint venture of DO&CO and Turkish Airlines, Turkish DO&CO has been serving the Turkish market since 2007. Turkish DO&CO currently provides service to around 60 airlines operating in and beyond Turkey. Having grown rapidly along with Turkish Airlines the company now controls around a 70% share of the in-flight catering market in Turkey.

Recognizing best quality and highest possible passenger satisfaction as its key priorities, the catering concepts and approaches which Turkish DO&CO employs for Turkish Airlines are informed by traditional notions of Turkish hospitality. Menus feature select choices from traditional Turkish cuisine, as well as tempting offerings from around the world.

Specially-trained cabin personnel on every flight abide by strict rules in serving passengers. Along with this fresh catering concept, the latest equipment has also entered use aboard Turkish Airlines aircraft.



139,000 CATERING

In the 2012 summer schedule, the maximum number of meals served on one day was 139,000 on 400 aircraft.

CATERING

All meals are hand-prepared daily by Turkish DO&CO using none but the best and freshest ingredients available, and in full compliance with the highest international standards of hygiene.



98%

Since the introduction of Turkish Airlines' new catering concept in 2007 by Turkish DO&CO, the overall level of passenger satisfaction has risen from 49% to 98%.

Another aspect of this new concept is Flying Chefs, a service that has been introduced on all of Turkish Airlines' long-distance flights since 2010. Currently, 210 Flying Chefs work on the Turkish Airlines fleet, with the service having earned welcome passenger feedback. In October 2012, this service started to be offered during short distance international flights on the A321 aircraft type of the THY fleet.

To measure in-flight service quality and spot potential problems, surveys are regularly conducted to determine passenger satisfaction. According to the results of these surveys, since Turkish DO&CO started operating in 2007, passenger satisfaction has risen from 49% to 98%.

In a survey conducted in 2010 by Skytrax, the catering service provided by Turkish

DO&CO aboard Turkish Airlines' economy-class flights was ranked the best in the world. In a similar Skytrax survey conducted in 2011, Turkish DO & CO's catering service on all business-, premium economy-, and economy-class Turkish Airlines flights was selected as the world's second-best. And in an evaluation of the catering service, Turkish DO&CO was selected the world's second-best in 2012.

Having undergone a complete renovation, the Turkish Airlines International CIP Lounge at Atatürk Airport reopened for service under the management of Turkish DO&CO on 20 July 2011 as Lounge İstanbul, since which time it has served more than one million passengers.

Turkish DO&CO bases its catering concept for Turkish Airlines on venerable notions of Turkish hospitality.

Decorated and furnished in a style that reflects Turkey's rich cultural heritage, Lounge İstanbul is capable of fully meeting all the needs of passengers of every age. Occupying 3,000 m² of indoor space, the lounge features such amenities as a cinema, a pita house, a library, private relaxation rooms, an olive garden, a kids' playroom, and much more. Turkish DO&CO employs a staff of 90 people to provide around-the-clock service to passengers at Lounge İstanbul.

DO&CO RESTAURANT

Turkish DO&CO launched restaurant services at the Milas-Bodrum International Terminal as of May 2012. "Henry" a fast growing DO&CO brand, made its debut in the Turkish market as a part of this concept. This restaurant operates a Take Away concept and includes menus prepared with fresh and organic ingredients The Bodrum Food Market, which offers a variety of concepts on a 1,000 m² area, features both fast food and a wide selection of traditional Turkish cuisine prepared in front of guests, as well as Asian cuisine that has won popularity among our guests for its prompt service.

In 2012, 51 million meals were served for a total of 232 thousand flights, from nine points in Turkey. And in the 2012 summer schedule, the maximum number of meals served on one day was 139,000 on 400 aircraft.



232,000 FLIGHTS

In 2012, 51 million meals were served on a total of 232 thousand flights, from nine points in Turkey.

TRAINING



The Turkish Airlines Aviation Academy, providing service training for its personnel, became internationally recognized in the training services arena in 2012.

TURKISH AIRLINES AVIATION ACADEMY

The Turkish Airlines Aviation Academy continues to supply training given by approximately 60 highly experienced instructors, who are experts in their respective fields. The company has offered professional aviation training since 1982 under the Turkish Airlines roof, and is the most important aviation training center in Turkey. The Academy is located on an 8,600 m² enclosed space, containing 28 classrooms, a conference room with 125 seat capacity, two simulation classes and an examination room. At the Academy simultaneous training can be given to 800 people.

The Turkish Airlines Aviation Academy took an important step at the international level by being selected as a Regional Training Partner and IATA Certified Training Center in 2011. Thus, the Academy became the first and only strategic partner of IATA in Turkey. It provides training opportunities in Istanbul to aviation industry personnel in Turkey and other regional countries.

The Academy is well aware of the importance of training for the global aviation industry, and meets the standards of ISO 9001 Quality Management Systems certification. There are 2,000 courses and seminars on average, offered annually by specialist instructors. The center supplies training to around 35,000 people a year. Additionally 50,000 people are offered training opportunities by distance learning.

4,068

During 2012 training was provided to 4,068 cockpit personnel.

The year of 2012 has been a crucial one for the Aviation Academy, which has continued to develop thanks to its technical trainers, who make the practical knowledge and experience they have accumulated over the years available to the industry. Having focused from inception on in-service training and offering training to its personnel, the Turkish Airlines Aviation Academy became internationally recognized in the training services arena in 2012.

The Turkish Airlines Aviation Academy has been registered as an Approved Aviation Academy by all international bodies that accredit companies providing such training. The Academy, as an IATA Regional Training Partner and IATA Approved Training Center, as well as a member of the ICAO TrainAir Plus Program, became a center recognized not only in Turkey, but also internationally, having garnered a wide range of certification and training types in its portfolio. Upon examination by EASA auditors, the Academy flawlessly passed inspection in terms of its technical training offered within the scope of EASA 147 and obtained permanent authorization for the following year.

TRAINING

The Flight Training Center, which was launched with one simulator in 1994, has successfully continued to provide service meeting national and international standards since then.

Turkish Airlines Aviation Academy offers training at the national and international level in the following fields:

- Technical Training
- Reservation Training
- Ticketing Sales
- Cargo Operation Sales
- Passenger Services Training
- Ground Handling Training
- Management and Personal Development Training
- IATA Training
- English Language Training
- Computer Training
- Other Training

In order to use its resources more efficiently in 2013, a new and multi-functional computer program has been purchased for the Aviation Academy, within the framework of proactive planning practice. Again, towards the same goal, an investment of USD 1 million is reserved for the renovation of fixed tangible assets.

TURKISH AIRLINE FLIGHT TRAINING CENTER

The Flight Training Center has been the responsible unit for all flight-related training provided to the Company's cockpit and cabin personnel. At the same time, the center provides training services for international customers through international authorization certification. The Flight Training Director, acts as a direct report post holder for the Turkish Airlines CEO subject to Part FCL, EU-OPS and SHT-OPS1.

The Flight Training Center has successfully delivered services that meet national and international standards since 1994. And with its eighteen years of experience in the field, it supplies training to around 20,000 people each year.

The center set out by providing training services with one simulator at the current facility. Yet today it is equipped with 14 training aircraft (ten single-engine Cessna C-172s, two twin-engine Diamond DA 42s, and two jet-engine Cessna Citation C510s), as well as six full flight simulators (FFS), two cabin emergency evacuation trainers (CEET), one flight and navigation procedures trainer (FNPT II), three Flight Training Devices (FTD), two Door Training Devices (A320 DT, B777 DT), one Real Time Fire Fighting Trainer (RTFFT), two cabin services trainers (CST), and three computer based trainers (CBT); this in addition to 34 classrooms, one Ditching Pool and an auditorium. In short, it has become a professional training facility that serves national and international customers, while also providing ongoing flight training to Turkish Airlines personnel.

The growth momentum that Turkish Airlines has achieved in the course of the past decade creates opportunities for the Flight Training Center to collaborate with its business partners. In line with this, the center works continuously with domestic and international simulator centers, and other training agencies and organizations in the sector in order to support greater market integration.



PROFESSIONAL TRAINING

Along with the rapid growth of its fleet, in order to meet operational demands and maintain its cockpit and cabin training standards, simulators and training aircraft have been acquired and training time increased.

The Flight Training Center has been certified by the Turkish Civil Aviation Authority as a Type Rate Training Organization (TRTO) and Flight Training Organization (FTO). All simulators used in training are certified by EASA.

During 2012 training was provided to 4,068 cockpit personnel in at least one of 29 different areas, with particular attention being given to conversion type, and recurrent training activities; and owing to the first-time recruitment of foreign national pilots with the introduction of Turkish Airlines' B777 fleet, these newcomers were successfully integrated into the company through basic, as well as corporate culture training. The Flight Training Academy (FTO), a part of the Flight Training Center, provided training to 157 cadet pilots through activities that included the use of international resources in 2012.

Cabin training is carried out by the Cabin Training Department in 13 different categories, including first-aid and defibrillator training.

In addition to intercompany training, during 2012 the Flight Training Center continued to provide training to the personnel of 49 different companies (24 cockpit, 25 cabin) operating across a broad region in Asian, Caucasian, Middle Eastern, North African, and European countries.

The center also engaged in academic cooperation and developed business collaboration models with such respected national and international training institutions as İstanbul Technical University, Anadolu University, the Turkish Aeronautical Association, Cappadocia Vocational College and the Florida Institute of Technology and Aviation School.

In order to sustain the internationally competitive strength of the Flight Training Center, the realization of projects launched with its own resources is planned for 2013.

GROUND HANDLING SERVICES



During 2012 TGS provided ground handling services to 406,857 domestic and international flights. In 2013 it intends to increase market share and serve 493,900 flights.

Founded with an agreement signed on 12 March 2009, Turkish Ground Services (TGS) is a joint venture of Turkish Airlines and HAVAŞ (an airport ground handling services company), in which each controls a 50% stake.

TGS, becoming operational on 1 January 2010, currently conducts operations at six airports in Turkey: İstanbul Atatürk, İstanbul Sabiha Gökçen, Ankara Esenboğa, İzmir Adnan Menderes, Antalya and Adana.

During 2012 TGS provided ground handling services to 406,857 domestic and international flights. In 2013 it intends to increase market share and reach 493,900 flights with the launch of the Bodrum and Dalaman stations. Employing close to 7,000 personnel and with an equipment park of more than 4,165 units, TGS provides ground handling services and operations that meet exacting international quality standards.

TGS qualified for international ISO 9001:2008 Quality Certification in 2012. The company's service quality and compliance with these standards were certified by independent audits conducted by TÜV Thüringen and MEYER at its headquarters, and at all six stations.

**4,165
EQUIPMENT**

Employing close to 7,000 personnel and with an equipment park of more than 4,165 units, TGS provides ground handling services and operations that meet exacting international quality standards.

TGS obtained ISO 14001 Environmental Management System Quality Certification for its headquarters and six stations from TÜV Thüringen; OHSAS 18001 Occupational Health and Safety Management System Quality Certification from TÜV Thüringen (Germany), and ISO 10002 Customer Complaints Management System Quality Certification from AQA International, thus confirming its sensitivity in these fields. TGS also emphasizes social and environmental aspects of quality, having obtained Airports Friendly to the Disabled Certification for its SAW-ADB stations and Green Airport Certification for its AYT-ADA stations.

GROUND HANDLING SERVICES



Vision

To be an industry leader and preferred ground handling company with its service quality, reliability and competition power.

Mission

TGS's mission is to provide ground handling services with the following goals:

- To expand TGS's ground handling structure and acquire a global ground handling company identity.
- To enable appointment and management of personnel employed at TGS by managers, who possess training standards in line with national and international regulations.
- To becoming a leader in the provision of any kind of service related to ground handling industry,
- To enable an approach of reliable, high quality and uninterrupted service that will develop the Ground Handling Service image and leverage marketing opportunities;
- To transform TGS Ground Handling Company into an important organization in the national and international arena in the medium term.

Quality

TGS's upper management is sensitive to national and international legislation and regulations, in addition to its scrupulous attention to commercial ethics. To enable customers and employees to meet in pursuit of common goals, and in light of the company's duties and common values regarding the future and shared corporate culture, it announces its quality policy as follows:

- To become a reputable, reliable and preferred organization in ground handling operations, both at the national and international level;
- To give the best possible operational service within the scope of ground handling services responsibilities,
- To follow the basic principle of customer satisfaction;
- To observe the developments of employees, and to encourage them and increase their education level,
- To take precautions safeguarding the life and property of passengers,
- To serve internal and external customers with a personnel pool capable of comprehensively exploiting the latest technology, and who are highly spirited, motivated and well versed in interpersonal relations.



OTHER SERVICES



AnadoluJet became the most influential actor in rendering air transportation more widespread in Turkey, through the services and projects it carried out.

ANADOLUJET

The number of domestic passengers transported by the airline industry rises by over 15% annually. In 2008, when AnadoluJet was founded, the number of domestic airline passengers was 18 million, and yet in 2012 it had reached 33 million. AnadoluJet is among those brands to have increased its passenger number. In particular, Ankara based domestic line operations have recorded considerable growth since inception. In 2008, 2.2 million passengers were carried on Ankara flights, but in 2012 the number reached 4 million. With the flights at Sabiha Gökçen Airport, AnadoluJet carried 5.3 million passengers in 2012.

As of 2012 AnadoluJet has a 17% market share of domestic lines. The company carries 46% of the traffic, apart from the primary market of Istanbul. It enjoys a robust 58% market share in Ankara, and in 2012 AnadoluJet in fact set the capital city as its primary target market. The company also has a considerable share of the local market and other cities. In its Sabiha Gökçen Airport (Istanbul) operations, where AnadoluJet has not followed a growth strategy, it has a smaller share of 11%.

The year of 2012 may be considered a successful one for AnadoluJet in terms of passenger number growth and commercial performance. And while no decrease in costs has materialized; through increased

535 MILLION TL

Carrying 5.3 million passengers in 2012 AnadoluJet posted TL 535 million in passenger revenue during the same period.

income, AnadoluJet has improved its profitability performance and achieved post passenger revenue of TL 535 million.

AnadoluJet has realized a particularly important project over the past year. Accordingly, in order to decrease flight costs, SunExpress aircraft are to be used instead of the AnadoluJet fleet through the “wet lease” method. The first leasing operation started in March 2012, with 10 leasing operations having followed by year end. And as of the year-end, among AnadoluJet’s 17 aircraft fleet, 10 have been wet leased from SunExpress. The remaining seven aircraft are planned to be taken out of the fleet within the first quarter of 2013 and replaced by leased aircraft from SunExpress. During the growth process of AnadoluJet future aircraft demand is planned to be met through the same method.

OTHER SERVICES

The Turkish Airline's Call Center serves in Turkish, English, German, Italian and Russian.

CALL CENTER (444 0 849) AND CUSTOMER RELATIONS

The Call Center is one of the most important marketing and sales channels of Turkish Airlines. Within the organizational structure services are bought from two different companies, Assist Rehberlik ve Müşteri Hizmetleri A.Ş. and Vodatech Bilişim Proje Danışmanlık Sanayi ve Dış Ticaret Ltd. Şti., at five locations.

The reasons for such outsourcing include raising the level of service, improving service quality, and reducing operational costs. Thus, while giving service, activation speed for the necessary source increase is simultaneously achieved.

The center achieved a call response rate of 90% in 2012, and its service period rose considerably within the same period. In 2012 there was a 24% rise in the number of calls, with the number responded to rising by 14%, and the average amount of time created up by 26%.

Compared with 2011, the revenue generated through sales was up by 2%, while there was an overall 1% fall in the number of tickets sold.

The Turkish Airlines Call Center continued to respond to international reservation and sales calls routed from callers located in the United States, England, Germany, France, Russia, Switzerland, Holland, Denmark, Austria, Cyprus, Italy, Norway, Belgium and South Africa. Calls originating in Australia, Ireland, Ukraine, Nigeria, China, Finland and Amman also began to be routed to the center in 2011. The center is taking steps toward becoming a global operation, and operates in Turkish, English, German, Italian and Russian.

In September 2010 a customer satisfaction survey was added to the call center's interactive voice response system in order to begin a service quality evaluation . The survey results confirmed that 96% of callers were satisfied with the service provided. The reasons for dissatisfaction were queried and analyzed, and based on these responses, action was taken and marked service improvements introduced. In 2012 the average number of complaints per 1,000 passengers decreased by 6%.

AWARDED WEBSITE (E-COMMERCE)

In order to reach the individual customer segment, the Company's website and third party travel sites are also used, in addition to local and international travel agencies. Turkish Airlines makes direct sales via its Internet address "thy.com".

Internet sales are promoted through e-mail announcements, banners, billboards, and “early bird” campaigns, as well as in television and cinema advertisements. Campaigns with the new “Wingo” application have also become widespread.

During this process it is crucial for the website to be user friendly. In 2012, the Altın Örümcek (Golden Spider) web award was lifted in the e-commerce category for “thy.com”, and “mobil.thy.com”, developed for mobile platforms and “Fly Turkish” applications. These applications enable Turkish Airline services to be accessed instantly and easily.

In the corporate segment, and within the scope of the Turkish Corporate Club (TCC) program, an increasing number of customers are being reached through agreements. Many businessmen, who have been invited to Istanbul for the NICT Middle East Organization, organized especially for Middle Eastern corporate customers, had the opportunity to get acquainted with the company.

MILES&SMILES

The number of Turkish Airlines’ Miles&Smiles program members increased by 20% to three million in 2011.

Through channels other than loyalty programs, miles sales to member and partner companies and the cobrand credit card application, the Miles&Smiles program offers indirect revenues to the Company, thereby consistently increasing financial returns.

In order to increase Miles&Smiles members’ satisfaction and add new income items, the following implementations were realized this year: Bonus Miles Sales, the Conversion of Bonus Miles to Status Miles, the Extending Family Miles Account, and the Conversion of Miles to Money, as well as the Bring your friend campaign and the Reactivation of miles.

Turkish Airlines had a credit card partnership with GarantiBank in effect as of 2000, and which continued as Shop&Miles until 2012. This year a new agreement was signed, whereby the partnership will continue as the Miles&Smiles credit card for the next five years. With this credit card agreement, revenue of approximately USD 500 million is expected in return for miles given to card owners over the coming five years.

Thanks to the new implementations and campaigns realized throughout this year, Miles&Smiles won two Freddie Awards; one in the Program of the Year (Europe and Africa) and the other in Co-branded credit card categories. Freddie Awards have been recognized as the airline industry’s Oscar in special passenger programs since 1998. Miles&Smiles took second place in the Mega Awards organized in the USA in the Campaign of the Year category.

Miles&Smiles, enabling members to earn and use miles with program partner companies, continued to increase the advantages available to its members by adding seven new companies in 2012. Thanks to agreements with 26 airlines, 16 hotels, eight vehicle rental companies, two car transfer companies, two health service chains, one telecommunications firm and an insurance company, customer satisfaction and contribution to the Company’s revenue streams grows further each day.

OTHER SERVICES



The Technological Transformation Program, set for completion in 2015, will change application inventory, and hence the way of doing business by 80%.

Latest Technology

The Company's Transformation through Technology on the growth path continues as

Turkish Airlines transforms its supporting role into one of partnership, which in turn induces changes and innovation in technology related services. Nowadays, technology directly impacts a company's competitive edge, and we are ever more frequently in contact with the end user with each passing day.

Along with this vision and understanding, Turkish Airlines' mission in terms of information technology is as follows:

- To differentiate the Company with innovations and enable it to become an industrial pioneer,
- To meet technological demands in the most effective manner, in all operational areas of the Company,
- To actively support work processes and sustain work continuity at the highest possible level,
- To offer services that increase operational efficiency, contribute to the building of an efficient operational culture, and to achieve a cost advantage for the Company,
- To increase customer satisfaction, by emphasizing the customer-oriented perspective in all services offered,
- To ensure that new products and campaigns reach customers in the fastest possible way through the most appropriate technologies, thereby increasing the Company's marketing and sales agility.

There is an information technology product or service in place for virtually each work process. Service areas and organizational structure have been designed in parallel to these procedures.

With more than 200 offices, the technology infrastructure of the entire Company is managed, while supporting user services are also provided. There are more than 300 corporate applications in support of our work processes, which are developed further to meet evolving requirements.

Turkish Airlines, which in 2004 embarked on the most remarkable growth trajectory in the industry, has since extended its flight network and increased its fleet and passenger number continuously. Growth in services has necessitated a transformation in technological infrastructure, both in scope and quality.

Within this framework, implementation of a comprehensive plan, which includes transformation of work process supporting corporate applications and technological infrastructure, began in 2009. Through this transformation program, a development and transformation of service quality, customer satisfaction and work processes in operational efficiency areas are systematically addressed. As planned, this Technological Transformation Program, to be completed in 2015, will change application inventory, and hence the way of doing business by 80% or will prompt their initial use. Projects set to increase the efficiency of work processes and offer

OTHER SERVICES

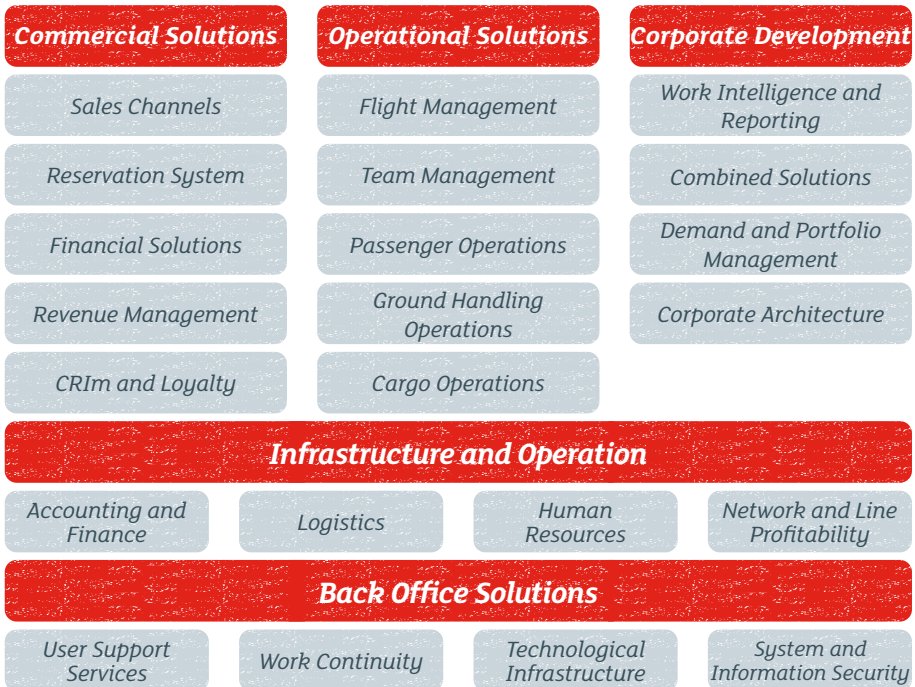
Turkish Airlines manages operational technologies with a team of 375 people. The cost item created is considerably below the aviation industry average.

considerable savings are also expected to be completed within the framework of the Technological Transformation Program in 2013.

Use of resources

Turkish Airlines manages its information technology operations with a team of 375 people, accounting for 2.3% of total

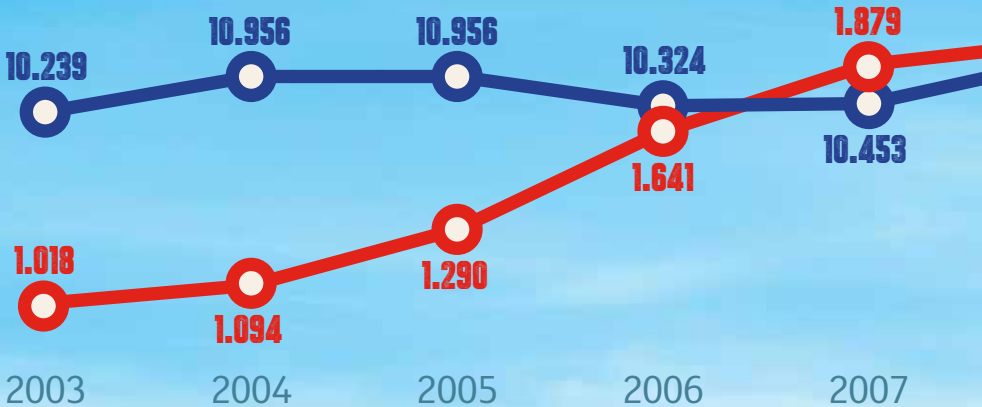
personnel. The cost ratio of Information Technology in overall costs was at 0.9% in 2012. And according to research conducted by SITA, this ratio was at around 2.3% in other airlines in 2011. This indicates that the Company is managing Information Technology operations less costly and more efficiently when compared with the industrial average.



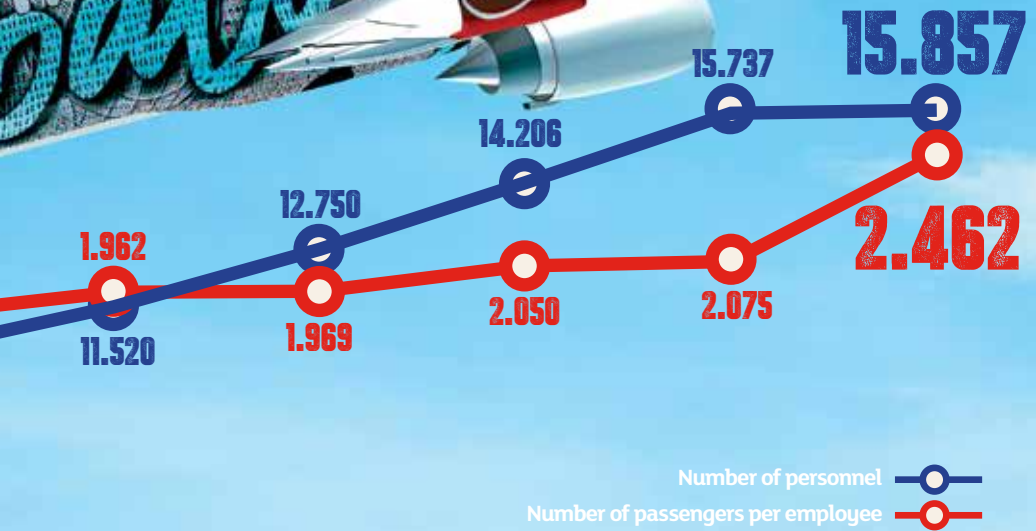


TURKISH AIRLINES

YESTERDAY, WE STARTED OUR JOURNEY WITH 24 PERSONNEL...



TODAY, WE ARE A STRONG AND EFFICIENT TEAM OF 15,857 PEOPLE.



2008

2009

2010

2011

2012

HUMAN RESOURCES



Turkish Airlines' greatest asset is its human resources, and the Company has transformed the dynamism of its young cadre into an international success story.

Turkish Airlines is distinguished internationally by its success rate and related growth trend. And in parallel to this ongoing process are important developments in human resources management. The Company has taken bold steps towards building a modern infrastructure for human resources management. Comprehensive projects that will lead to managerial and cultural changes are implemented within the Company. In short, Turkish Airlines' greatest asset is its human resources, and the Company has transformed the dynamism of its young cadre into an international success story.

Demographic Information on the personnel

As of the end of 2012, 15,857 people were employed at Turkish Airlines. The average employee age is 36, and 48% are female, while 52% are male. On its path to becoming the best airline worldwide, and currently recognized as the best airline of Europe Turkish Airlines looks confidently to the future on the strength of its youthful employees.

Personnel are employed as cockpit, cabin and ground staff in respect to their main duty areas. Human Resources are allocated as follows: 16% as cockpit personnel, 35% as cabin personnel, and 41% as ground personnel. In 2012, the average length of employee service at the Company was 8.4 years, while personnel number per aircraft was at 79.



15,857 PERSONNEL

As of the end of 2012, 15,857 people were employed at Turkish Airlines. The average employee age is 36, and 48% are female, while 52% are male.

HUMAN RESOURCES

Number of Employees as per Year and Change Ratios

	2007	2008	2009	2010	2011	2012
Change Ratio (%)	1.2	10.2	10.7	11.4	10.8	0.8
Number of personnel	10,453	11,520	12,750	14,206	15,737	15,857

Yıllara Göre Kadın-Erkek Çalışan Dağılımı (%)

	2007	2008	2009	2010	2011	2012
Female	49	48	48	52	49	48
Male	51	52	52	48	51	52

Distribution of Employees in respect to their main duty areas

Ground Handling Personnel

49%



Cockpit Personnel

16%

Cabin Personnel

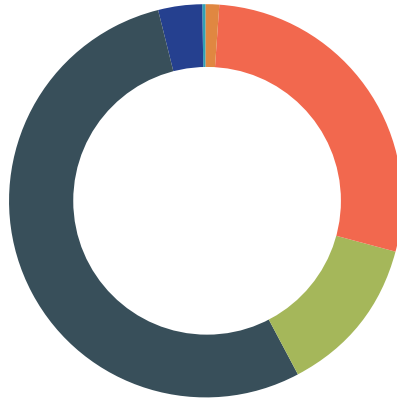
35%

Distribution of Employees in respect to their education

Primary School
1.29%

High School
27.99%

Vocational Studies
13.16%



University
53.70%

Master's Degree
3.74%

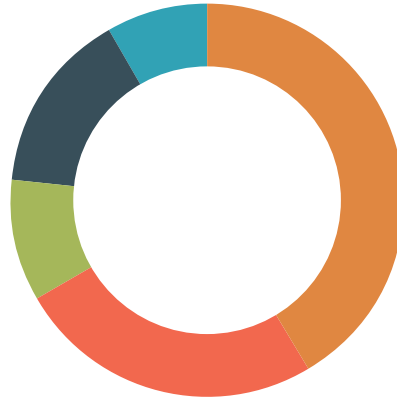
Post Graduate
0.12%

Distribution of Employees in respect to their experience

0-4 Years
41%

5-9 Years
25%

10-14 Years
10%



15-19 Years
15%

20 Years and more
9%

HUMAN RESOURCES

The objective of the Cultural Unity Project is to analyze the existing culture of Turkish Airlines and thereafter preserve value adding characteristics and reject those of negative impact.

Cultural Unity and Common Behavioral

Model Project: This project has been launched in line with changes estimated to take place in Turkish Airlines' corporate culture in parallel to its successes over recent years. This project aims to establish the cultural values that will carry Turkish Airlines into a much more successful future. The project is set to embrace all employees and develop a common behavioral model to be internalized universally within the Company. During the initial phase of this project, carried out in 2012, numerous workshops, interviews and meetings were arranged, from which arose the new cultural values that Turkish Airlines has wholeheartedly embraced.

Culture, Ethics and Employment

Core cultural values of Turkish Airlines:

- Team Collaboration
- Hospitality
- Agility
- Family Concept
- Trust

Cultural Values

In the Cultural Unity Project, the existing culture of Turkish Airlines was analyzed. The aim was to preserve all value adding characteristics and reject those of negative impact. This project, encompassing the entire corporation, enabled the five core cultural values of the company to emerge. These can be summarized as Team Collaboration, Hospitality, Agility, the Family Concept and Trust.

Contribution to Employment

Thanks to its policies, Turkish Airlines continue to contribute to national employment. The Company managed to exploit incentives to the fullest extent through appropriate workforce allocation. Indeed, it has been awarded by the Social Security Authority for paying the highest premium, and for being a debt free entity.



RESPONSIBILITY



Turkish Airlines' objective is for future generations to inherit a livable environment. As such, the company is engaged in a variety of initiatives without endangering flight safety and security.

FUEL MANAGEMENT AND THE ENVIRONMENT

Although advances in technology have made many aspects of our everyday lives increasingly convenient, they have also posed ever greater risks for the natural, and hence human, environment. The greenhouse gas emissions produced by many advanced industries not only cause pollution, but also play a significant role in climate change.

According to IATA-published figures, it is estimated that the total number of people traveling by air between 2009 and 2014 will reach 3.5 billion. Turkish Airlines is taking the necessary steps to do its own part towards minimizing, to the greatest possible degree, the adverse impact that such an increasing number of passengers have on the environment. Its environmental policy calls, while also, and always, giving maximum attention to flight safety and security, feature ongoing efforts to achieve the most appropriate levels of fuel consumption, and hence to leave a cleaner and more livable environment for future generations through the most efficient use of natural resources.

During 2012, Turkish Airline's efforts to make the most efficient use of fuels, and thus reduce greenhouse gas emissions, while never losing sight of flight safety. These efforts resulted in a year-on-year decline of 21,800 tons in the amount of fuel consumed, while the amount of CO₂ generated decreased by approximately 68,700 tons. These gains were achieved largely through more efficient in flight piloting practices, as well as through a significant reduction in total aircraft weight by only taking on as much fuel as necessary for a flight.

**68,700
DECREASED
TONNAGE**

During 2012 there was a decline of 21,800 tons in the amount of fuel consumed, while the amount of CO₂ generated decreased by approximately 68,700 tons.

RISK MANAGEMENT

Financial Risk Management

Within the framework of its financial risk management policies, the Company has defined the following elements of risk as fundamental to the health of its future cash flows and liquidity:

- The possibility of the Company being prevented from achieving its business objectives by changes taking place in its short-, medium-, and long-term cash position, and in its portfolio investments.
- The financial impact of changes in aviation fuel and carbon emission certificate prices.
- The financial impact of changes in the market value of aircraft financing, of FX-denominated debt, and on cash owing to interest rates movements.
- The possibility that earnings and expenditures may be mismatched owing to differences in the exchange rate of one currency against another.
- The potential for losses in the event that a domestic or foreign financial institution, or its counterparties, default on deposit, derivative, or other transactions.

To manage such risks, priority is given to making use of natural hedging methods. In situations where this approach proves insufficient or impractical, recourse is made to financial risk hedging in derivative markets through the employment of strategies developed to protect the Company against potential risks arising from possible movements in commodity

prices and/or in currency-exchange and interest rates. The effectiveness of existing strategies developed to hedge against such financial risks is constantly monitored by the Turkish Airlines Treasury and Risk Management Commission, such that alterations and improvements may be effected to account for changes in market conditions.

Cash Flow Risk Management

Cash flow risk is defined as the potential for medium- and long-term movements (incoming and outgoing) in the Company's portfolio investments and/or cash positions to prevent the Company from achieving its business objectives. Financial transactions in the aviation industry tend to be of a much longer term nature than in many other lines of business. Consequently, having a sound cash management policy is one of the Company's prime issues of concern.

To enable the Company to most effectively manage its medium- and long-term liquidity and financial risks, EUR, USD, and TL cash flow projections are made and updated monthly. For these projections, the Company's exchange rate and fuel price forecasts for the period ahead are reconsidered and revised monthly so as to ensure that the information on which projections are based is both current and reliable. The results of cash flow projections are presented to the Turkish Airlines Treasury and Risk Management Commission, thereby providing it with

essential information on which to base the Company's investment and financing decisions. Each month's actual performance figures are also compared and contrasted with the projections, and the results of these studies analyzed.

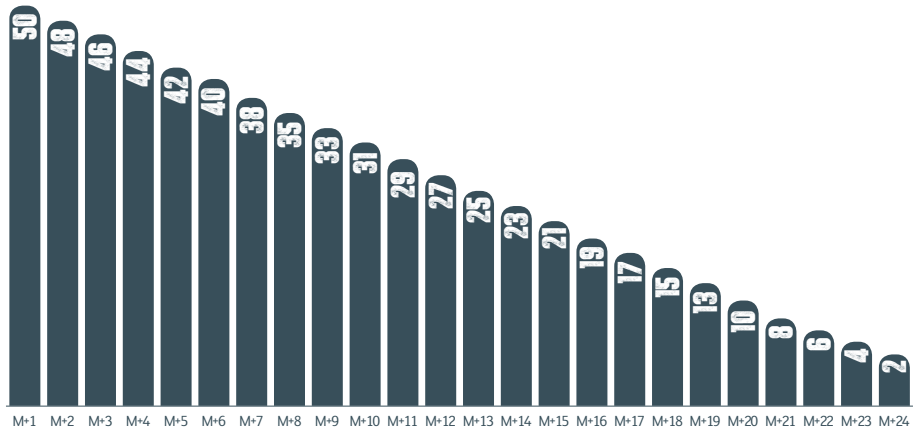
COMMODITY RISK MANAGEMENT

Fuel price risk management

The Company makes use of swap- and option-based derivative instruments to mitigate the impact of fuel price movements on its aviation fuel costs, and to ensure that such costs are at least kept within predetermined limits where they cannot actually be anchored. In order to shield both its profitability and cash flows

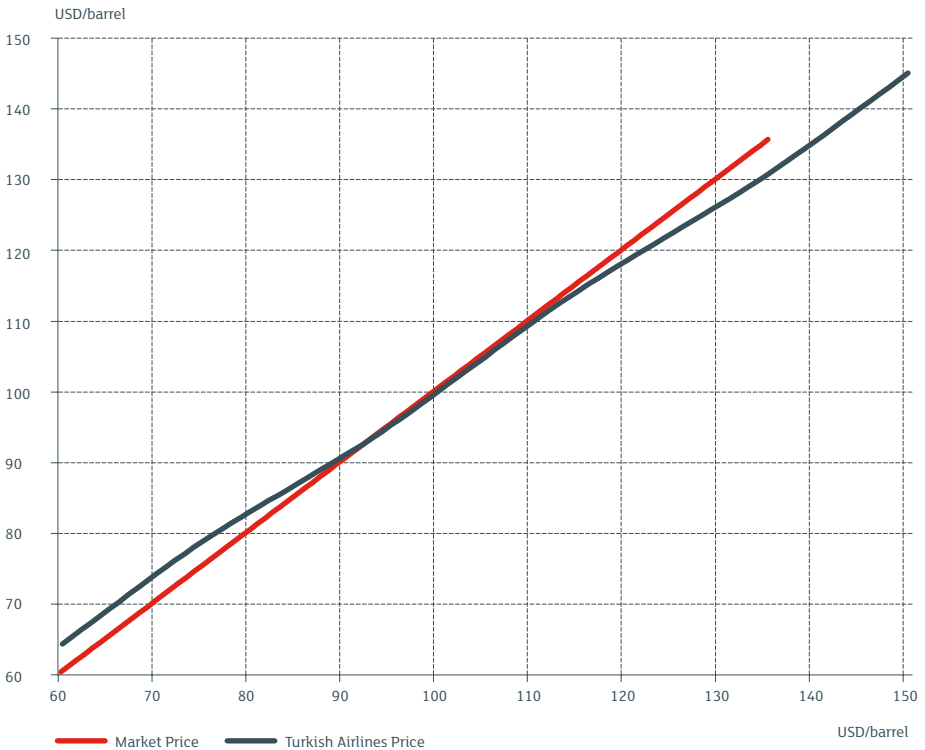
against volatility that may arise from fuel market movements, changes and potential future prices of past crude oil and jet fuel, as well as price correlations and their own price volatilities are taken into consideration for analytical purposes. Turkish Airlines, with contractual amounts corresponding to around 50% of its annualized jet-fuel consumption figures as projected for the next twenty-four months, and using various instruments for determined price ranges, through swaps written on crude oil and band derivative instruments with four barriers are used to gradually prevent financial risks. When market prices exceed pre-determined levels and there is an expectation that these price levels will not be in force for long, related transactions are put hold by the Company.

Hedging plan implementation methodology (%)



RISK MANAGEMENT

Turkish Airlines petroleum market pricing scenario (as of 31 December 2012)



- When the price of a barrel of crude oil is USD 150 the cost to the company is USD 145.
- When the price of a barrel of crude oil is USD 120 the cost to the company is USD 118.
- When the price of a barrel of crude oil is USD 90 the cost to the company is USD 91.
- When the price of a barrel of crude oil is USD 60 the cost to the company is USD 64.
- When the price of a barrel of crude oil is USD 30 the cost to the company is USD 34.

Carbon Emissions Risk Management

Effective as of 1 January 2012, the aviation industry was included within the scope of the European Union Emission Trading Scheme (EU-ETS). As a result of this inclusion, Turkish Airlines (like all other airlines flying in or out of European airports) is required to comply with EU ETS regulations.

Under this emission trading scheme, airlines must buy Carbon Credits in the market in situations where they exceed the maximum carbon emission limit prescribed by the authorities to which they are responsible. According to this, Turkish Airlines has developed hedging strategies to protect itself against financial risks that might arise from its having to purchase such credits. The plan is to make use of derivative instruments as a means of mitigating this risk.

Within this scope, and as one that executes EUA, EUAA, ERU and CER transactions, the Company has obtained certificates to be used within certain periods in 2012 and 2013.

INTEREST RATE RISK MANAGEMENT

Under the heading of interest rate risk management activities, the Company keeps regular track of possible changes in its costs arising from interest rate movements by monitoring and analyzing the FX markets, managing its debt structure, and determining its sensitivity to interest rate movements based on analyses of the weighted average terms of its debt exposure. In order to better manage interest rate risk, the Company engages in hedging with the aim of locking the interest rates on part of its debt portfolio for the duration of loans where possible, or at least of ensuring that interest rates remain within a predetermined band where not.

At the same time, the Company manages the interest rate risk arising as a result of the yield-focused assessments of its cash holdings in order to optimize the relationship between maturities and returns. Priority is given to cash flow planning. And while seeking to maximize return potential, yield projections are developed by making use of market data regarding the possible course that interest rates may be taking in order to generate the best returns in the near future.

RISK MANAGEMENT

Exchange rate risk management

Exchange rate risk is defined as the potential for changes taking place in the Company's cash flows and revenues on account of movements in exchange rates. The Company secures a substantial volume of its earnings in Euros, but also incurs significant expenditure in US dollars and Turkish liras. Such a revenue and expenditure structure exposes the Company to serious risk arising from relative movements in these currencies' exchange rates, which have been quite volatile of late, and are likely to remain so going forward.

Turkish Airlines' exchange rate risk management activities focus on reducing the impact of exchange rate volatility by ensuring that the relative currency mixes of its income and expenditure items are reasonably proximate. To this end, the particular currency (or currency mix) on the basis of which a contract is to be signed is determined in such a way as to balance the Company's ingoing and outgoing revenue streams and avoid the emergence of situations that are disadvantageous to it. Hedging is the primary method of recourse in managing the Company's exchange rate risk exposure. In addition to the aforementioned measures, derivative instruments may also be deployed to manage exchange rate risks in situations where hedging is insufficient or impractical.

Furthermore, while the bulk of its exchange rate risk exposure stems from relative movements in EUR, USD, and TL rates, Turkish Airlines also has sizeable earnings and expenditures denominated in other foreign currencies. These positions are also managed through hedging and/or derivative contracts as circumstances warrant, in order to minimize the Company's exposure to such risks.

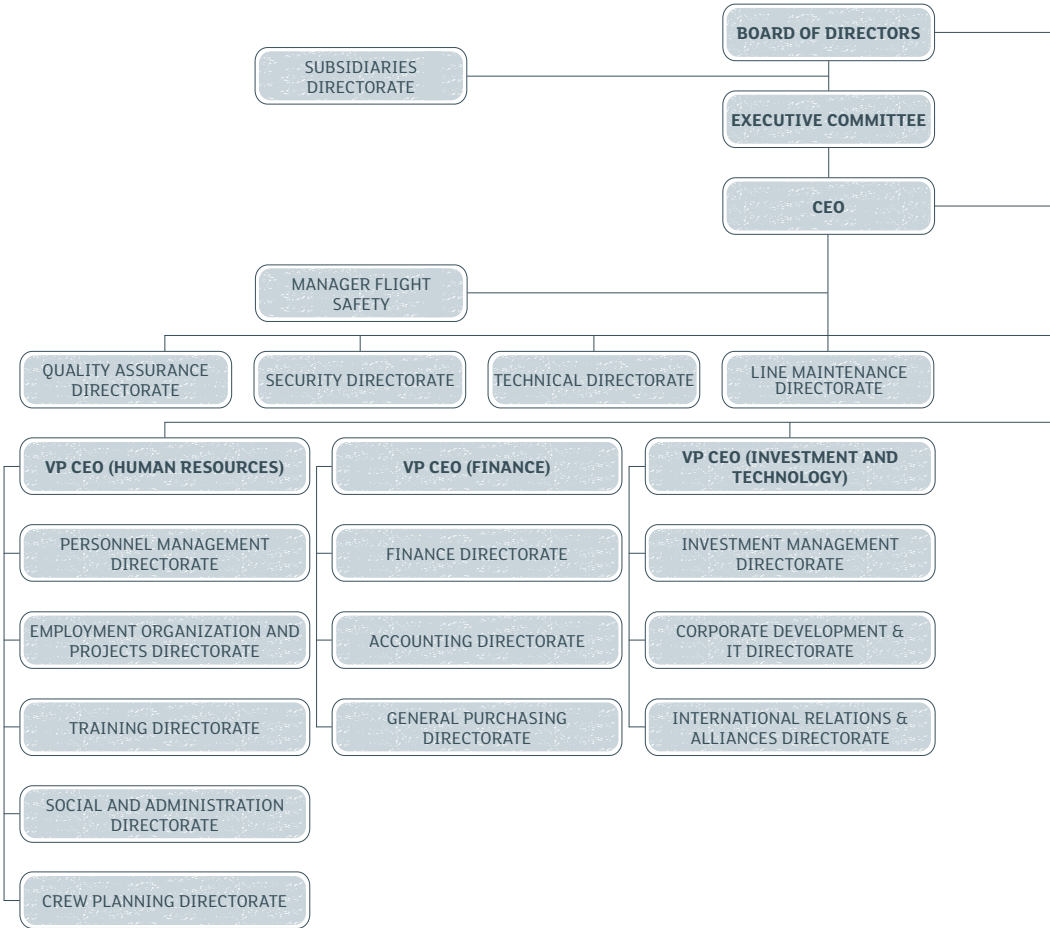
Counterparty Risk Management

In order to limit the impact of the ongoing global economic on Turkish Airlines, the nature of whose business requires it to interact with many domestic and international financial institutions across a broad range of commercial spheres, a variety of measures are taken to deal with its exposure to the risk of default by one or more of the counterparties with which it has dealings. Accordingly, the Company adheres to an approach that involves abiding by equally-applicable, objective criteria for each counterparty with which there is a deposit or derivative relationship. The underlying aim is to reduce counterparty risk on a long-term basis. The Company enters into agreements with financial institutions to cover the risks arising from derivative contracts.

When entering into deposit and derivative agreements, attention is given to the credit risk ratings assigned to financial institutions by international rating agencies. Wherever possible, the Company avoids dealing with any financial institution whose rating is below a predetermined threshold. In the case of those financial institutions that surpass the threshold, the Company assigns limits based on risk levels determined according to a specified credit risk assessment methodology, and works with them on that basis. The credit ratings of financial institutions with which the Company has dealings, and their assigned limits, are also reviewed periodically. Should it be ascertained that a financial institution's credit rating has deteriorated, or where credit default spreads (CDS) increase, transactions with the related organization are closely scrutinized. And should the credit rating fall below specified limits, the Company keeps a much closer watch on its dealings with that concern, and may even unilaterally sever its relationships if need be.

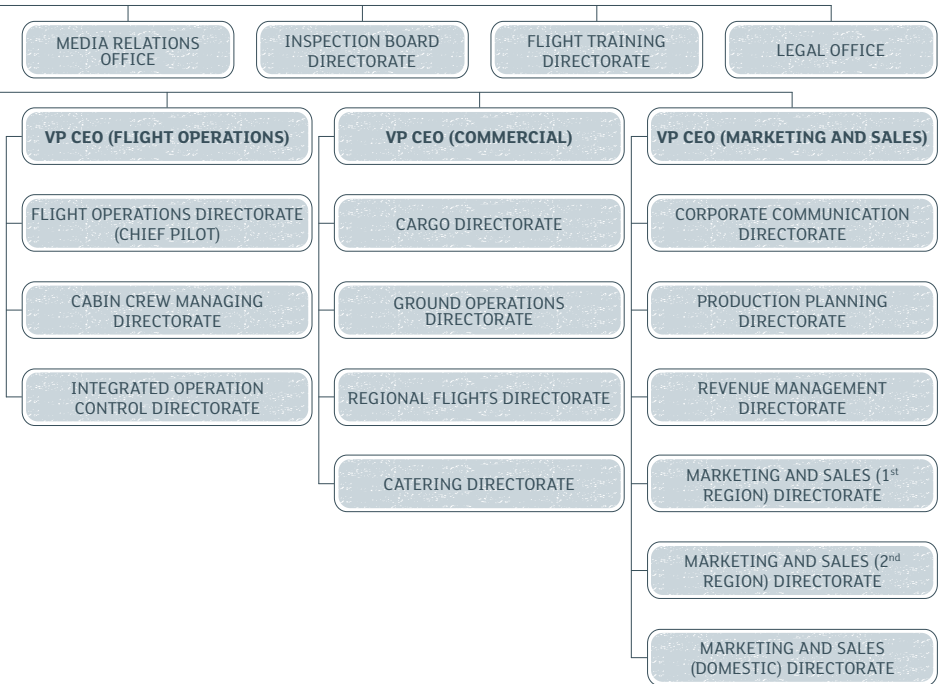
To manage the credit risk to which it may be exposed through the use of derivative instruments, the Company enters into framework agreements with domestic financial institutions, into ISDA (International Swaps and Derivatives Association) agreements with foreign financial institutions, and into other agreements and conventions as may be deemed necessary. Issues specifically related to credit risk management are governed by a separate CSA (credit support annex) agreement. Based on such agreements, credit risk is reduced through offsets that take place at regular intervals.

ORGANIZATIONAL CHART



MGR. PRIVATE OFFICE

EXECUTIVE ASSISTANT



CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. Declaration of Compliance with the Principles of Corporate Governance

The Company has embraced the concept of ethical rules, transparency, fairness, responsibility and accountability, as well as promoting Turkey and the Turkish Aviation sector internationally by fully upholding the Principles of Corporate Governance of the Capital Markets Board (CMB), and continues practices to increase its level of compliance.

PART I - SHAREHOLDERS

2. Shareholder Relations Unit

The Investor Relations Department, which reports directly to the CFO, has been established as a unit to oversee the communication of accurate, consistent and timely information to our national and international investors, maintaining communication and exchanging information with the Board of Directors and capital market supervisors and participants, as well as monitoring compliance with regulations and Articles of Association for the exercising of shareholders rights, and the compliance of public disclosures with all kinds of regulations.

The Shareholder Relation Unit attended nine Investors Conferences and Road shows and held 11 teleconferences to share financial, operational and strategic developments with investors and analysts. In These conferences and teleconferences, held at the Company headquarters, or investors' offices, were attended by 295 investors/analysts from 162 organization and funds. Contact information for the Investor Relations Unit Personnel:

Duygu İnceöz

Investor Relations Manager
Tel: +90 212 463 6363 Ext.:13630
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E-mail: duyguinceoz@thy.com

Özge Şahin

Investor Relations Specialist
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3. Shareholder's Right to Obtain and Evaluate Information

During the year of 2012, 573 requests for information were submitted to our Company by e-mail. In addition to those requests, a large number of investors and shareholders were provided with information by telephone. The Company does not discriminate among shareholders in the exercising of shareholders' rights to obtain and evaluate information. Additionally, the Company has an Investor Relations page on its current website, where investors and other stakeholders can access information on it, in order to allow both shareholders and other stakeholders to exercise their right to obtain information effectively. Subject to Capital Markets Law, Provisional Article 6, which was amended by Law 6111 Article 157; published in the Official Gazette on 25 February 2011 and entering into force; all share certificates of our shareholders that are kept physically, will be transferred to our Company, if not recorded by 31 December 2012. At the aforementioned date all shareholders rights regarding these share certificates expire automatically. This announcement has been published in the Investor Relations section of our Company's website.

4. Information on the General Assembly Meeting

Pursuant to Article 6 of our Articles of Association, all share certificates of our Company are registered and categorized into two groups: A and C. There is only one outstanding Group C share, which belongs to the Privatization Administration of the Prime Ministry (PA), or in the event that such duties of the PA are transferred, to the transferee institution. Currently, 49.12% of Group A shares belongs to the PA, while 50.88% are traded publicly.

In the course of 2012;

- An Ordinary General Assembly Meeting was held on 7 May 2012 to review 2011 accounts and operations. Shareholders representing TL 610,224,617.96 of our Company's TL 1 billion 200 thousand issued share capital attended the Ordinary General Assembly. No media representatives were present.
- An extraordinary General Assembly meeting was held on 10 October 2012. At the meeting pursuant to the Communiqué Serial: IV, No: 56 of the Capital Markets Board on the Definition and Enforcement of the Corporate Governance Principle, the amendments to Article 6., 10., 11., 14., 15., 17., 29, removal of the current provisional Article 1., 2., 3. and the addition of Article 41 and provisional Article 1 to the Company's Articles of Association, as well as the election of two Board of Directors members and the submission of Audit Committee membership selection for Board of Directors approval were voted on. Shareholders representing TL 738,369,329.55 of our Company's TL 1 billion 200 thousand issued share capital attended the Extraordinary General Assembly. No media representatives were present.

Invitation to the extraordinary and ordinary meetings was announced in the Turkish Commercial Gazette and a national newspaper, including details of the agenda, and furthermore the same was announced in the Investor Relations section of the Company website. As per article 437 of the Turkish Commercial Code (TCC), consolidated financial tables, annual report and proposals for the method of distribution of net income is made available to shareholders at the Company Head Office at least 15 days prior to the Ordinary General Assembly, accompanied by the report to be issued by auditors. At the General Assembly Meeting, existing practice endeavors to respond to shareholder

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

questions verbally, and to address more comprehensive questions in writing; however, since no questions requiring a written answer were received during this period, verbal explanations were deemed adequate.

General Assembly minutes and attendance list are announced to the public on the same day on the Public Disclosure Platform and are available in the Investors' Relations section of the Company's web site for shareholder information. General Assembly minutes of previous years and other documents are also available in the same section of our website.

Within the framework of our donations Policy as adopted by the General Assembly, a separate item in the General Assembly is discussed and information given on the donations is given during the period. The Donation Policy of our Company is available on our website in the Investor Relations section.

The powers of authority of the General Assembly are set out in Article 27 of our Articles of Association; as such, the General Assembly is that body holding the powers of authority as stipulated in the TCC and other laws.

5. Voting Rights and Minority Rights

Voting Rights are set out in Article 31 of our Articles of Association, as below.

"Each shareholder or proxy attending the ordinary or extraordinary Shareholders Assembly Meetings will be vested with one vote for each share, provided that the provisions of Article 6/d of the Articles of Association are reserved." Under Clause 5 of Article 14 of our Articles of Association;

The Board member representing Group C shares is required to attend the meeting, and his affirmative vote is required for the effectiveness of the resolutions of the Board of Directors regarding the following issues:

Resolutions that will clearly have an adverse effect on the mission of the Incorporation as indicated in Article 3.1 of the Articles of Association;

- Any suggestion to be made to the Shareholders Assembly for any modification of the Articles of Association;
- Increase of the share capital;
- Approval of the transfer of registered shares and registration of the transfer in the Share Register;
- Any transaction, based on each contract, which exceeds 5% of the total assets of the Incorporation as indicated in the latest balance sheet submitted to the Capital Markets Board, and which is directly or indirectly binding for the Incorporation, any resolution which will place the Incorporation under any form of commitment, (provided that in the event that the public share in the Incorporation has decreased below 20% of the Incorporation's share capital, the provisions of this clause will automatically terminate);
- Merger, termination or liquidation of the Incorporation;

Any resolution on the cancellation of any flight route, or for a remarkable decrease in the number of flights, excluding those routes which do not generate revenue to meet its own operating costs based on exclusive market conditions, or through other sources.

The privileges of the Group C share may only be limited by the High Commission of Privatization, or any other public institution which has assumed such duties.

No mutually-affiliated relationship exists with any other company. Our Articles of Association do not contain provisions for accumulated voting.

6. Dividend Rights

The determination and distribution of profits from our Company are set forth in Article 36 of our Articles of Association. There are no privileges in dividend participation.

The General Assembly shall determine the time and method of payment of dividends in accordance with the directives of the Capital Markets Board. In this regard, our Company's dividend distribution policy as formulated by the Board of Directors by taking the strategic targets, growth trend, financial needs and the expectations of the shareholders of the Incorporation into consideration, and under the provisions of the Turkish Commercial Code, Capital Markets Law, other related legislation and its Articles of Association, and the Incorporation will basically distribute profit at the minimum ratio determined by the Capital Markets Board by means of cash and/or bonus shares, and upon taking into consideration the potential of the Incorporation to distribute profit. This policy is available on our Company website.

7. Transfer of Shares

Article 6 of our Articles of Association; (Shareholders Nature)

The shares held by foreign shareholders may not exceed 40% of the issued share capital of the Incorporation. In calculating the rates of the shares held by foreigner shareholders, the rate of foreign shareholding in the shares held by the shareholder holding Group A shares, which are not open to the public, will be taken into consideration too.

Foreign shareholder shall mean;

- Foreign natural, or legal persons;
- Turkish companies where over 49% of the share capital is owned by foreigners;
- Turkish companies in which the majority of members of administrative and representative boards are not Turkish citizens, and in which the majority of votes are not held by Turkish partners according to their respective Articles of Association;
- Turkish companies under actual control of the aforementioned.

In order to ensure that the aforementioned share rate limitations on foreign partners is compiled within the provisions of the Articles of Association, the Incorporation will register foreign shareholders and their related share rates in separate sections of the Share Register.

It is obligatory to promptly notify the Incorporation of any share purchase and sale reaching 1% of the issued share capital of the Incorporation. Moreover, those shareholders who have reached or exceeded the maximum foreign shareholding rates as indicated in the Articles of Association, are obliged to promptly notify the Incorporation as they become aware of this. The purpose of such notification is to trace the foreign element and any extraordinary share movements thereof, and to ensure that the Board of Directors exercises its powers with regards to these. Notification alone will not suffice in order to become a shareholder without registration in the Share Register, and only those records present in the Share Register will be relied on in such cases.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

In cases where it is understood through notifications, or through other means that the total shares held by foreign shareholders have exceed 40% of the issued share capital of the Incorporation, the Board of Directors will be under obligation to promptly notify the related shareholders at the latest within 7 (seven) days, starting from the latest share transfer, to dispose of those shares that exceed the foreign shareholding limit, in amounts and rates to be in conformity to the foreign shareholding limit. Otherwise, the Incorporation will be entitled to apply any of the measures indicated below. The foreign shareholder to whom the notice to dispose of its exceeding shares has been served, will be under obligation to sell such shares which have caused the foreign shareholding limit to be exceeded, to a person who is not included under the foreign shareholder definition in the Articles of Association, within the period stated in the notification. In the event that such shares are not disposed of, despite notification, the Board of Directors will be under obligation to meet within 3 (three) days, and to take a resolution to cover the measures indicated below with regard to the shares exceeding the limit.

(i) To redeem the nominal value, the shares held by the foreign shareholder that have caused the foreign shareholding limit to be exceeded, by decreasing the share capital: With this purpose, the Incorporation will first notify the shareholder who has exceed the foreign shareholding limit that his shares will be redeemed. Where such notification may not be served, it will be announced in two newspapers published in the location where the head office of the Incorporation is located. Expenses related to such redemption will be collected from the shareholder who has caused the redemption, through deduction from the redemption amount.

(ii) In cases where the total share rate of the foreign shareholder exceeds the limit indicated in the Articles of Association, the Board of Directors will be entitled to increase the share capital in order to reduce the rate of the shares exceeding the limit. In this case, new shares may be issued by limiting the preferential purchase options of existing shareholders according to the rules of the Capital Markets Board.

As stipulated in this Article, in cases where the total share rate of the foreign shareholder exceeds the limit, the Board of Directors is entitled to choose the resolution to cover measures to reduce the rate of shares to the permitted limit.

Reasoning for The Article: The reasoning for the rule in this Article is provided in the final paragraph of Article 7 of our Articles of Association, and in the paragraph below. The regulations to which our Company is subject in its capacity as an airline, and to which it must adhere, are also explained.

An airline company that does not qualify as Turkish on account of provisions listed in Articles 31 and 49 of Turkish Civil Aviation Act No. 2920 may not obtain an operating license or, if it does possess an operating license, such operating license shall be revoked in the event that it ceases to qualify as Turkish due to such factors or events as the transfer, or sale of shares of the airline, or due to the majority of the members of its Board of Directors being foreign, etc.

b) In order for flights to be possible from one state to another, that is, to secure rights to international traffic, bilateral inter-governmental aviation treaties must first be executed between the two given countries, and the majority ownership of the airline to be designated by the Turkish Government and the control of such company must lie in the hands of Turkish citizens (natural or legal persons). The criteria of nationality that qualifies our Company as Turkish is also a sine qua non condition for holding the right to traffic under the bilateral aviation treaties executed between states.

Hence, since the right of traffic may only be granted to an airline domiciled in Turkey, if the majority of its shares of effective control thereof belong to Turkish citizens or companies, and since in the event such airline ceases to qualify as Turkish (or it fails to prove that it has not ceased to do so, or if other contracting states to which flights will be made fail to believe that it has not done so) then the relevant airline shall lose its right to traffic, the criterion of nationality is an element of vital importance for an airline.

Hence, Article 6 of our Articles of Association contains provisions governing the foreign element in order to ensure that our airline's operating license and also our international traffic rights are secured, as explained above. The terms of the limitations imposed on the foreign shareholding ratio for the protection of the traffic rights of our Company are based on the criterion of nationality, should such limit be exceeded.

Article 7 of our Articles of Association; (Shareholders Nature)

Transfer of shares is subject to the provisions of the Turkish Commercial Code, Capital Markets regulations and Civil Aviation regulations.

The transfer of registered shares will be effective with regard to the Incorporation upon registration in the Share Register. The shareholders will be under the obligation to evidence when required, and according to the format determined by the Board of Directors, their identities and nationalities and, if available, the "Foreign shareholding" relation as indicated in Article 6, before registration of the registered shares in the Share Register.

Until registration of the share transfer in the Share Register, the holder registered in the Share Register will be deemed as the holder of the shares by the Incorporation. Share transfers will be registered in the Share Register upon resolution of the Board of Directors. The Board of Directors may refrain from registering any share transfers in the share Register in cases which are not consistent with the Articles of Association, or the law, or without indicating any reason thereof.

Share transfers which are not in compliance with the foreign shareholding rate limits as indicated in Article 6 above, may not be registered in the Share Register. The Board of Directors will be under obligation to reject the registration of such share transfers in the Share Register. Share transfers which are not registered in the Share Register by the Board of Directors will not be recognized by the Incorporation, and the related transferee will not be authorized to become a shareholder. The affirmative vote of the member, appointed to the Board of Directors to represent the Group C share is required in the resolutions of the Board of Directors to affirm the share transfer, and to register this in the Share Register.

The Group C share may be transferred to any Turkish public institution substantially having the same powers granted to the Prime Ministry Privatization Directorate by Law No: 4046. In case of such a transfer this will promptly be registered in the Share Register without requirement for any Board of Directors resolution.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

The Board of Directors will be under obligation to limit the transfer of the shares to foreigners, in order to comply with the provisions of Civil Aviation and/or other laws it is subject to, and with the limitations as indicated in the Articles of Association, and to avoid endangering the traffic and cabotage rights held by the Incorporation.

PART II - PUBLIC DISCLOSURE AND TRANSPARENCY

8. Public Disclosure Policy

Our Board of Directors has established a Disclosure Policy to share information on the performance and forward looking developments within the scope of generally accepted accounting principles and Capital Markets Legislation (CML), Capital Markets Board and Istanbul Stock Exchange regulations and Capital Markets Board Corporate Governance Guidelines in a fair, complete, accurate and comprehensible manner equally with capital market participants, and to always maintain an active and open dialogue. The Board of Directors is authorized to and responsible for enforcing, supervising and developing Disclosure Policy. Turkish Airlines' basic policy is to give correct, complete, understandable, cost effective and easily accessible information and explanations, in equal conditions, excepting commercial secrets, to shareholders, capital markets participants, personnel and customers. The comprehensive public disclosure policy of our Company as approved by the Board of Directors may be found on our Company's website.

The basics of public disclosure of the forward looking statements are covered in the Disclosure Policy. Where the Incorporation becomes aware that the expectations in the forward looking statement will not materialize the Incorporation shall disclose this to the public and revise its expectations accordingly. Our Company made 61 Material Disclosures during the 2012 fiscal year in accordance with the CMB's Directive Series: VIII, No: 54 on Public Announcements of Special Circumstances, and no supplementary announcements were required by the CMB and ISE regarding such announcements. Our Company has used its best efforts to ensure that its material disclosures were communicated to investors, deposit holders, agencies and organizations simultaneously, in due course, and in an understandable, accurate and interpretable form. Since no Material Disclosure was made by our Company that was not delivered in a timely manner, no sanctions were imposed by the CMB or ISE during the applicable period. Furthermore, since our Company shares are not listed on any International Stock Exchange, no Material Disclosures were made to any International Stock Exchange.

9. Company Website and Its' Contents

Our Company's web address is www.turkishairlines.com, and the Investors' Relations page may be found on it. The website also has an English version. The Company's information on the web site should be equal and/or consistent with the disclosures pursuant to related articles of legislation; it may not contain contradicting or deficient information. The Investor Relations page, covers the following subjects listed in the Corporate Governance Principles; Shareholding Structure, General Assemblies agenda, proxy specimens, attendance list, additional information, minutes of meetings, annual reports, financial

statements, commercial operating data, company presentations, Corporate Governance Guidelines, details on the Board of Directors, Material Disclosures, Code of ethics, policies (profit sharing policy, disclosure policy, remuneration policy) information regarding related parties transactions, share information, analyst information, Trade Register Information, Articles of Association, Board Committees (Financial and Corporate), contact information and Frequently Asked Questions. Investors can send an e-mail to ir@thy.com, under the Investor Relations section to register any question or opinion.

10. Annual Report

Our Company's Board of Directors prepares a detailed Annual Report in advance of the General Assembly each year for submission to related stakeholders for informative purposes. In addition, and pursuant to CMB Directive Series XI No: 29, quarterly activity reports are prepared and publicly announced. The aforementioned reports contain information listed in the Corporate Governance Principles.

PART III - STAKEHOLDERS

11. Informing the Stakeholders

In our announcements to the public of information regarding our Company, in addition to forecast and material disclosure announcements, other information and statements deemed to be of interest to other beneficiaries are delivered in a timely and clear manner through the appropriate communication channels. In addition to stakeholders and investors, suppliers, financial institutions and other interested parties may obtain information about our company via press releases, activity reports and our website. Personnel receive information regarding the Company's general practices and operations through internal announcements via the Company intranet site, which is actively used. In addition, the monthly magazine Empathy is published for inter-company communication. The internal communication channels of our Company are designed to be open to all stakeholders, with contact information also announced on the Company's web site. There is no Company practice that in any way obstructs stakeholders in contacting the Corporate Executive Committee or Audit Committee.

12. Stakeholders taking part in management

Our Company organizes management meetings regularly each year. Personnel from each supplier level, the national and international managers of our Company, upper management and the Board of Directors participate in these meetings. Opinions are exchanged on relevant matters both at these meetings, by workshops and panels.

In addition, a proposal system is used in our Company. Through this system, employees can propose opinions for improvement and development within the Company, with those proposals deemed appropriate being implemented.

13. Human Resources Policy

Our Company adheres to the Human Resource Procedure established by our Board of Directors. With sub-units structured along these procedures, all personnel activities are realized within the framework of legislation.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Relations with employees are realized through the Personnel Relations Directorate. Mr. Ebubekir Baysal, as Chief of Personnel Relations, is responsible for improving communication with employees, as well as for answering questions, solving problems and making announcements of interest to all employees. Questions and complaints, reaching the Directorate through various means are solved in coordination with the related departments. To date, among notifications made to the Ethics Line Board, which is the application point for our Company's employees with regards to discrimination and conflict of interest, several applications have included cases of direct or indirect discrimination. In order to resolve these applications, the Ethics Committee has decided to listen to related personnel, in terms of gathering the opinions of relevant departments, thereafter acting upon the results received. Analysis and evaluation is ongoing. Job descriptions in their current form are available on THY's intranet pages. All employees can access their job description via the intranet page. An Awards Procedure, covering inter-company awarding criteria has been prepared. In addition, a Performance Management System Guideline has been prepared that covers performance criteria. Performance Management Procedure preparations are ongoing. Within this scope employees obtain information both on awards and performance related matters.

In addition, our Company's personnel are unionized, and as such work under a collective bargaining system. Employee/employer relations are conducted in an effective and results-oriented manner at all levels and on any subject concerning collective bargaining and personnel and representatives appointed by the union in numbers and percentages as specified in the latest legislation and by union directors. Additionally, training services are provided to all our personnel.

14. Code of Ethics and Social Responsibility

Our Company continues its practices in accordance with its flag carrier identity, with the provided service quality and social responsibility, both domestically and internationally. Our Board of Directors has prepared a Code of Ethics within the framework of Corporate Governance Principles, which is also published on our website. In addition, job descriptions are prepared for employees. It is required that they behave along accepted principles in business life, and to be respectful in their words and deeds with regards to legislation, ethical values, social norms and the environment. An Ethics Line Board has been established to enable the Company's employees to report actions that fall below the threshold of ethical standards.

There has been no case against the Company in Turkey regarding environmental damage.

PART III - STAKEHOLDERS

15. Structure of the Board of Directors and its Formation

The Board of Directors is comprised of nine members elected by the General Assembly. At least eight out of nine Board Members should be elected from among Class A shareholders with the highest vote, and one member should be chosen from among the Class C share shareholders. At least six Board Members, including the Board Member representing the Class C share, must be Turkish citizens. The term of office for Board members is 2 (two) years. The General Assembly may terminate the membership of a Board Member before the end of his/her term. Board Members whose term has expired may be reelected.

Three members of the Board of Directors are appointed to the Executive Committee, and the other six are non-executive members. Among the non-executive Board of Directors three are independent members of the Board. Since the aviation industry has a dynamic nature, were the Board of Directors and President of the Executive Committee the same person, it would create uniformity. Therefore, at our Company the President of the Board of Directors and Executive Committee is the same person, and the CEO is not the President of the Board of Directors.

Information on the Members of the Board as of 31.12.2012:

Name Surname	Office	Start date of the office	Status of Independency	Committees participated and office
Hamdi Topçu	President, Board of Directors	01.01.2010	Executive Member	Executive Committee / President
Prof. Dr. Cemal Şanlı	Vice President, Board of Directors	01.01.2010	Executive Member	Executive Committee / Vice President
Temel Kotil Assoc. Prof.	CEO, Member of the Board	22.04.2005	Executive Member	Executive Committee / Member
Mehmet Büyükekçi	Member of the Board	03.03.2004	Executive Member	Corporate Management Committee / Member
Muzaffer Akpınar	Member of the Board	24.04.2007	Independent Member	Financial Audit Committee / Member
İsmail Gerçek	Member of the Board	08.04.2011	Independent Member	Financial Audit Committee / Member, Corporate Management Committee / Member
Gülsüm Azeri	Member of the Board	08.04.2011	Independent Member	Corporate Management Committee / Member
Naci Ağbal	Member of the Board	10.10.2012	Executive Member	
Mehmet Nuri Yazıcı	Member of the Board	10.10.2012	Executive Member	

The résumés of Board Members, their office tenure and duties beyond the Company are presented in the Annual Report and under the Investor Relations section of the Company's website. Independency Declarations of independent members are announced publicly via the Public Disclosure Platform and are attached to the annual report.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

16. Activities of the Board of Directors

The activities of the Company's Board of Directors are specified in Article 14 of the Articles of Association;

The Board of Directors shall meet whenever necessary and at least once a month in every circumstance. The meeting venue will be at Company headquarters. Other venues may be chosen by a Board decision. Matters to be discussed at Board meetings shall be specified on an agenda to be communicated to Board Members prior to the meeting. Invitations to Board meetings shall be made at least three days prior to the actual meeting. Board of Directors meets, with a quorum of at least six members. Decisions of the Board of Directors require the positive votes of at least five members. Members, who have not attended four consecutive meetings, or six meetings in one year without excuse accepted by the Board of Directors, or for a justified reason are considered to have resigned from office.

Matters rendered effective with participation at a meeting of Board Members representing Share class C, and who vote positively are mentioned under the organization of the 5th section of this report.

According to Corporate Governance Principles of the CMB, in all related party transactions, and when granting collateral, pledge and mortgage to third parties, transactions are in compliance with CMB legislations.

During 2012, the Board of Directors met 43 times and passed 268 decisions. Among the discussed matters, there are no related party transactions or transactions of important nature, which are not approved by independent board members and that require submission to the General Assembly.

17. Committees within the Board of Directors, Number, Structure and Independence

The following committees have been formed under the organization of the Board of Directors within the framework of TCC and CMB legislation. Committees for Nomination, Assessment of Risk at Early Stage, and a Pricing Committee have not been formed. Instead it was approved for these duties to be transferred to the Corporate Governance Committee. The members of the Financial Audit Committee and Corporate Governance Committee have been determined by the Board of Directors and publicly announced. The assigned positions, and working principles are set by the Board of Directors.

Turkish Airlines Corporate Governance Committee

President: İsmail Gerçek

Members: Mehmet Büyükekeşi, Gülsüm Azeri

The Corporate Management Committee reports directly to the Board of Directors. It supports and helps the Board of Directors with practices in the following areas: The Company's compliance with internationally approved Corporate Management Principles, determining Board of Directors and Senior Managers, evaluation of wages, awards and performances and career planning, as well as investor relations and public disclosure matters. The Corporate Management Committee reviews the system and processes formed and will be formed for performance increasing management practices, evaluates them and gives recommendations.

Turkish Airlines Financial Audit Committee

President: İsmail Gerçek

Member: Muzaffer Akpınar

The Financial Audit Committee directly reports to the Board of Directors. It supports and assists the Board of Directors in the following areas: The compliance of Company practices with national and international codes and legislation, improving work processes through audit and coordinating work on information transparency. The Audit Committee is responsible for taking all precautions necessary for any kind of internal and external audit to be executed in a sufficient and transparent manner; and to carry out the duties, subject to Capital Markets Board legislation. Financial Audit Committee members are selected from among Independent Board Members.

18. Risk Management and Internal Control

An effective risk management strategy at our Company is critical in taking under control potential risks inherent in the airline industry, which is prone to fierce competition, and to ensuring sustainable growth. In an effort to provide a reasonable degree of security against possible shocks by minimizing sensitivity to fluctuations, particularly those relating to fuel and carbon emission prices, interest rates cash flow and exchange rates, as well as counterparty risk, the Financial Risk Management Department devises the Company's Financial Risk Management strategy, and works towards the management of actual/potential financial risks the Company is exposed to.

Addressed as a matter of first priority within this framework, hedging in relation to fuel prices, amongst the Financial Risks the Company is exposed to, commenced in June 2009. From November 2009, the hedging ratio was increased and the transaction maturity extended, while the instruments used were diversified and the strategy updated from January 2011, in addition to an increased hedging ratio and extended transaction maturity; hedging is ongoing within the framework of the relevant strategy. In order to minimize the impact of exchange rate fluctuations, regarded as a major risk element in view of the Company's field of activity, and to keep under control the risks that can arise from potential differences between forecast and actualized income and expenses on the basis of exchange rates, a proactive exchange rate policy is implemented based first and foremost on natural risk management for exchange rates, taking into account the investment of the available cash portfolio.

In addition, the Company established its liability in relation to carbon emissions, laid down the strategy to protect against carbon emission risk, and works as necessary within the framework of the Carbon Emission Trading System.

In the period ahead, the Company intends to update the existing methodology and continue active control of fuel price, exchange rate, interest rate, and carbon emission risks, and the credit risk of financial institutions with our Company.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

19. Strategic Targets of the Company

The Board of Directors shall approve the strategic targets set out by the management and continuously and effectively monitor these targets, as well as the activities of the Company and its past performance. In doing so, the Board shall strive to ensure compliance with international standards, and wherever necessary, take preemptive action to potential problems. The mission of the Company as it appears in Article 3 of the Articles of Association is indicated below:

- a) To develop the Company's standing as a global airline by expanding the coverage of its long-range flight network.
- b) To develop the Company's standing by making its technical maintenance unit a major regional technical maintenance resource.
- c) To develop the Company's standing as a service provider in all strategically important aspects of civil aviation, including ground handling services and flight training.
- d) To defend the Company's standing as the leader of the domestic airline industry.
- e) To provide uninterrupted, and superior-quality flight service by entering into a collaborative agreement with a global airline alliance that will complement its own network in such a way as to advance the Company's international image and enhance its marketing abilities.
- f) To defend and improve upon İstanbul's reputation as a regional aviation hub.

In its capacity as the flag carrier of the Republic of Turkey in the civil aviation industry, to be a leading European airline and an active global player by virtue of its flight safety and security record, its product diversity, its service quality, and its competitive stance.

Our company Vision;

- a. Continue sustained growth above the industry average
- b. A zero accident and crash record
- c. The most envied service levels worldwide
- d. Unit costs equal to those of low-cost carriers
- e. Sales and distribution costs below industry averages
- f. Loyal customers, who take care of their own reservation, ticketing, and boarding formalities themselves
- g. Personnel who constantly develop their qualifications with the awareness of the close relationship between the benefits for the Company and the added value that they contribute
- h. A sense of entrepreneurship that creates business opportunities for fellow members in the Star Alliance, and takes advantage of the business potential provided by them

A management team, whose members identify with modern governance principles and are distinguished by being mindful of the best interests not just of shareholders, but of all stakeholders.

20. Financial Rights

All kinds of rights, benefits and remuneration and the criteria to determine them, as well as the basics of remuneration are written in the Remuneration Policy of our Company. This policy is publicly disclosed and published on our website. There are no explanations on a personal basis, however there is a distinction between the Board of Directors and Senior Managers. Remuneration of the Board of Directors is determined by the General Assembly. Board Members may not obtain any loan or debt from the Company.



TURKISH AIRLINES

A STAR ALLIANCE MEMBER 

TURKISH AIRLINES GENERAL MANAGEMENT BUILDING

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