

BOARD ACTIVITY REPORT  
PURSUANT TO THE COMMUNIQUE SERIAL II. NO.17.1 PRINCIPLES



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01 JANUARY – 31 MARCH 2015

BOARD ACTIVITY REPORT

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**1. INDUSTRY DEVELOPMENTS AND TURKISH AIRLINES**

Strategically important and high value-added airline industry, which is a key factor in development and competitiveness of countries, has been developing in parallel with the economic growth in the whole world, growing urban population, growing middle class population, globalization and liberalization. For 2015, The International Air Transport Association (IATA) is forecasting a 7% passenger growth.

**Annual Average Growth Forecast (2014-2033)**

World Economy (GDP)	3.2%
World Trade	4.3%
Airline Traffic (RPK)	5.2%
Cargo Traffic (RTK)	4.5%

Source: Airbus Global Market Forecast 2014-2033

Comparison of Turkish Airlines traffic development vs. IATA member airlines, as of March 2015 compared to the same period of last year, is as follows:

	<b>IATA</b>	<b>THY</b>
Available Seat*Km Change	5.4%	9.4%
Revenue Passenger*Km Change	6.1%	7.3%
Revenue Ton*Km Change	5.3%	4.7%

As of March 2015, Turkish Airlines ranks first, with 16.1% market share in terms of passengers carried, ranks fourth with 13.1% market share in terms of Revenue Passenger Km (RPK), ranks fourth with 13.3% market share in terms of Available Seat Km (ASK), among AEA member airlines.

Comparison of Turkish Airlines traffic development vs. average of AEA member airlines, as of March 2015 compared to the same period of last year, is as follows:

	<b>AEA*</b>	<b>THY</b>
Available Seat*Km Change	2.4%	9.4%
Revenue Passenger*Km Change	2.5%	7.3%
Load Factor	77.3%	76.6%
Passenger Load Factor Change	0.0 p.	-1.5p.
Revenue Ton*Km Change	-1.1%	4.7%

\*Includes THY

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	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015(*)</u>
<b><u>Aviation Industry Revenue/Expense</u></b>						
<b>REVENUES (\$ billion)</b>	<b>564</b>	<b>642</b>	<b>706</b>	<b>717</b>	<b>751</b>	<b>783</b>
Passenger Revenue	445	500	541	571	598	623
Cargo Revenue	66	67	64	61	62	63
<b>Traffic</b>						
Passenger Growth (RPK) %	7.9	6.3	5.1	5.4	5.7	7.0
Cargo Growth (FTK) %	19.4	0.4	-0.9	0.6	4.3	4.5
<b>OPERATIONAL EXPENSES (\$ billion)</b>	<b>536</b>	<b>623</b>	<b>687</b>	<b>692</b>	<b>713</b>	<b>736</b>
Fuel	138	174	208	208	204	192
% of expenses	26	28	30	30	29	26
Non-fuel expenses	398	449	479	484	509	544
<b>OPERATING PROFIT (\$ billion)</b>	<b>27.6</b>	<b>19.8</b>	<b>18.4</b>	<b>25.3</b>	<b>38.3</b>	<b>46.8</b>
% margin	4.9	3.1	2.6	3.5	5.1	6.0
<b>NET PROFIT(\$ billion)</b>	<b>17.3</b>	<b>8.3</b>	<b>6.1</b>	<b>10.6</b>	<b>19.9</b>	<b>25</b>
% margin	3.1	1.3	0.9	1.5	2.7	3.2

(\*) Annual forecast published by IATA

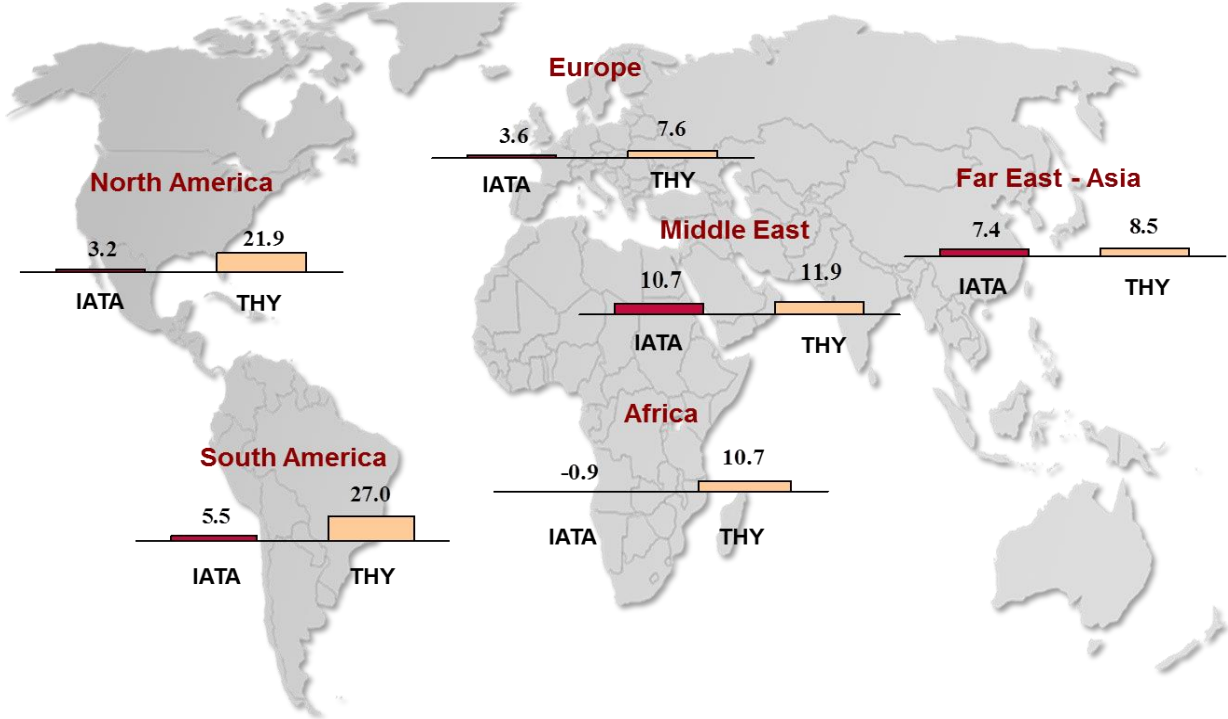
Source: IATA Airline Industry Economic Performance, Dec 2014

### Developments Within The Sector

In global aviation industry, passenger capacity grew by 5.4% and passenger traffic grew by 6.1% as of March 2015, compared to the same period of 2014. While international passenger traffic grew by 6.3% due to the effect of developing regions, domestic passenger traffic grew by 5.7%. Cargo capacity and cargo traffic grew by 4.7% and 5.3%, respectively.

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Rate of Capacity Changes (%)



During January-March 2015, the highest growth was realized in Far East - Asia and load factors continued to be high as previous years, according to Air Passenger Market Analysis of IATA. The Incorporation continues to achieve higher capacity growth than the industry in all regions.

Oil Price per Barrel (Monthly Average)



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

<b>FUEL PRICE ANALYSIS</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>1Q2015</b>
Fuel Expenses (Million \$)	2,886	3,441	3,844	720
Fuel Consumption (Tons)	2,688,232	3,260,373	3,801,388	923.401
Average Unit Cost (\$/Tons)	1,074	1,055	1,011	780
Average Change of Unit Cost (%)*	2%	-2%	-4%	-27%
Fuel Expense Rate in Operational Expenses (%)	38%	37%	37%	31,5%

\*Change compared to the same period of previous year

## 2. FIELD OF ACTIVITY, CAPITAL STRUCTURE AND SUBSIDIARIES

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

The Incorporation is registered in İstanbul, Turkey (Reg. No: 75184) and its head office address is Türk Hava Yolları A.O. Genel Yönetim Binası, Atatürk Havalimanı, 34149 Yeşilköy İSTANBUL. Detailed info about the Incorporation can be reached via Investor Relations Website.(at <http://investor.turkishairlines.com/en>)

As of 31 March 2015, the shareholders and their respective shareholdings in the Incorporation are as follows:

	<u>31 March 2015</u>
Republic of Turkey Prime Ministry Privatization Administration	% 49.12
Other (publicly held)	<u>% 50.88</u>
Total	% 100.00

The authorized capital of the Incorporation is 2,000,000,000 (two billion) Turkish Lira, while the issued share capital is 1,380,000,000 (one billion three hundred and eighty million) Turkish Lira divided into 138,000,000,000 (one hundred thirty eight billion) shares, each with the nominal value of 1 Kuruş (one kuruş) and is completely paid.

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

<u>Group</u>	<u>Amount of Capital (TRY)</u>	<u>Type</u>	<u>Number of Shares</u>
A	1,379,999,999.99	Registered	137,999,999,999
C	0.01	Registered	1
<b>TOTAL</b>	<b>1,380,000,000.00</b>		<b>138,000,000,000</b>

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

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The table below sets out the consolidated subsidiaries and participation rate of the Group in these as of 31 March 2015:

<u>Name of the Company</u>	<u>Principal Activity</u>	<u>Direct Participation Rate</u>	<u>Country of Registration</u>
THY Teknik A.Ş.	Aircraft Maintenance Service	100%	Turkey
THY Habom A.Ş.	Aircraft Maintenance Service	100%	Turkey
THY Aydın Çıldır Havalimanı İşletme A.Ş.	Training & Airport Operations	100%	Turkey

**THY Teknik A.Ş.**

Established in 23 May 2006, the Company is a wholly-owned subsidiary of Turkish Airlines. With its 4.658 employees as of 31 March 2015, 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.

**THY Havacılık Ağır Bakım Onarım Merkezi (HABOM) A.Ş.**

MNG Teknik A.Ş., (acquired by Turkish Airlines in May 2013) and HABOM A.Ş. (established on 2011 as a wholly-owned subsidiary of Turkish Airlines) merged under the name of THY HABOM A.Ş. in September 2013. Besides the facility at Ataturk Airport, a new facility located at Sabiha Gökçen International Airport was launched by the end of June 14 to increase technical maintenance and repair capacity and capability available to both Turkish Airlines and 3rd party customers. HABOM's location makes it a convenient MRO option for 39% of the world's civilian aircraft and has 55 countries lying within a 3.5 hour flying radius. The new facility can provide services to 11 narrow body and 3 wide body aircraft at the same time. As of 31 March 2015, 607 employees are working for the Company.

**THY Aydın Çıldır Havalimanı İşletme A.Ş.**

The Company was established on 21 June 2012 as a wholly-owned subsidiary of Turkish Airlines. Yet to commence operations, it was established to operate Aydın Çıldır Airport, provide aviation training, organize sports-training flights and conduct all activities related to the transportation of passengers with aircraft types appropriate to prevailing runway length. As of 31 March 2015, 2 employees are working for the Company. Runway construction is completed and aviation trainings have been started.

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

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The table below sets out consolidated joint ventures and indicates the proportion of ownership interest of the Incorporation in these joint ventures as of 31 March 2015:

<u>Name of the Company</u>	<u>Principal Activity</u>	<u>Direct Participation Rate</u>	<u>Indirect Participation Rate</u>	<u>Country of Registration</u>
Güneş Expres Havacılık A.Ş.	Aircraft Transportation	50%	-	Turkey
THY DO&CO İkrām Hizmetleri A.Ş.	Catering Services	50%	-	Turkey
TGS Yer Hizmetleri A.Ş.	Ground Services	50%	-	Turkey
THY OPET Havacılık Yakıtları A.Ş.	Aviation Fuel	50%	-	Turkey
Uçak Koltuk Üretimi San. ve Tic. A.Ş.	Cabin Interior	45%	5%	Turkey
TCI Kabin İçi Sistemleri San. ve Tic. A.Ş.	Cabin Interior	30%	20%	Turkey
P&W T.T. Uçak Bakım Merkezi Ltd. Şti.	Maintenance	-	49%	Turkey
Goodrich T.T. Servis Merkezi Ltd. Şti.	Maintenance	-	40%	Turkey
Turkbine Teknik Gaz Türbinleri Bakım Onarım A.Ş.	Maintenance	-	50%	Turkey
Vergi İade Aracılık A.Ş.	VAT Return and Consultancy	30%	-	Turkey

**Güneş Ekspres Havacılık A.Ş. (SunExpress)**

Founded in 1989, SunExpress is a joint venture of Turkish Airlines and Lufthansa, in which each holds a 50% stake. The Company has a fleet of 48 aircraft (wetleasing 25 of its aircraft to THY) and serves its customers in both charter and scheduled business with 2,534 employees as of 31 March 2015. SunExpress flies to 29 domestic and 52 international destinations, which brings the total number to 81 destinations. In 2011, SunExpress Germany was founded as a joint venture of Stiftung and SunExpress, in which each holds %50-50 stake. As of 31 March 2015, the Company has 11 Boeing 737-800 passenger aircraft.

**THY DO&CO İkrām Hizmetleri A.Ş. (Turkish DO&CO)**

Founded in September 2006, commencing operations in 2007, Turkish DO&CO is a joint venture of Turkish Airlines and DO&CO Restaurants & Catering AG (Austria based), in which each holds a 50% stake. The Company provides inflight catering services to Turkish Airlines and other domestic and international airlines. As of 31 March 2015, 4,686 employees are working for the Company.



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**TGS Yer Hizmetleri A.Ş.**

The Company was established on 26 August 2008 as a wholly-owned subsidiary of Turkish Airlines, in order to provide ground-handling services. By signing the articles of association in the framework of the Board Decision dated on 19.12.2008, 50% of shares was transferred to HAVAŞ Havaalanları Yer Hizmetleri A.Ş. On 1 January 2010, the Company began to provide services to Turkish Airlines. TGS is employing 8,430 personnel as of 31 March 2015.

**THY OPET Havacılık Yakıtları A.Ş.**

Turkish Opet Aviation Fuels, established in 2009, engages in the domestic and international sale, importation, exportation, distribution, and transport of various petroleum products, chemicals, lubricants, and paints for all kinds of aircraft. The Company commenced operations on 1 July 2010. Kuzey Tankercilik A.Ş. and Güney Tankercilik A.Ş., were established on 1 November 2012, as wholly owned subsidiaries of THY Opet Havacılık Yakıtları A.Ş. in order to provide transportation of petroleum and petroleum products. As of 31 March 2015, the Incorporation has 312 employees.

**Uçak Koltuk Üretimi San. ve Tic. A.Ş.**

Founded in 2011, the Company was set up to design and manufacture airline seats, and to make, modify, market, and sell spare parts to Turkish Airlines and other international airline companies. Stakes of 50%, 45%, 5% are respectively held by Assan Hanil Group, Turkish Airlines, and Turkish Tecnic. As of 31 March 2015, 41 employees are working for the company.

**TCI Kabin İçi Sistemleri San. ve Tic. A.Ş.**

Established in December 2010, TCI's objective is to undertake the design, manufacture, logistical support, modification, and marketing of aircraft cabin interior systems and components. Stakes of 30%, 20% and 50% are held respectively by Turkish Airlines, Turkish Technic and Türk Havacılık ve Uzay Sanayi A.Ş. (TUSAŞ – TAI). As of 31 March 2015, the Company has 140 employees.

**Pratt & Whitney THY Teknik Uçak Motoru Bakım Merkezi Ltd. Şti. (TEC-Turkish Engine Center)**

The Company provides aircraft engine maintenance, repair, and overhaul services to customers in Turkey and its hinterland. Established on 10 October 2008, stakes of %49 and %51 are held respectively by United Technologies, a subsidiary of Pratt&Whitney, and Turkish Airlines. Operating out of a maintenance center with an area of around 25,000 m<sup>2</sup> at Istanbul Sabiha Gökçen International Airport, 265 employees as of 31 March 2015.

**Goodrich THY Teknik Servis Merkezi Ltd. Şti.**

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. Services for maintenance and repair of nacelles, thrust reversers, related parts and rotatable support is provided. As of 31 March 2015, the Company has 28 employees.

**Turkbine Teknik Gaz Türbinleri Bakım Onarım A.Ş.**

Established on 28 June 2011, as a joint venture of Turkish Technic and Zorlu O&M Enerji Tesisleri İşletme ve Bakım Hizmetleri A.Ş., in which each holds a 50% stake, in order to provide maintenance, repair and overhaul services for gas turbines and industrial gas turbines. As of 31 March 2015, 12 employees are working for the Company.

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**Vergi İade Aracılık A.Ş.**

The Company is established on 1 September 2014 as a joint venture of THY (30%), Maslak Oto ( 45%) and VK Holding (25%) to carry out brokerage operations of value added tax return regarding the goods bought in Turkey by non-residents. As of 31 March 2015, 4 employees are working for the company.

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

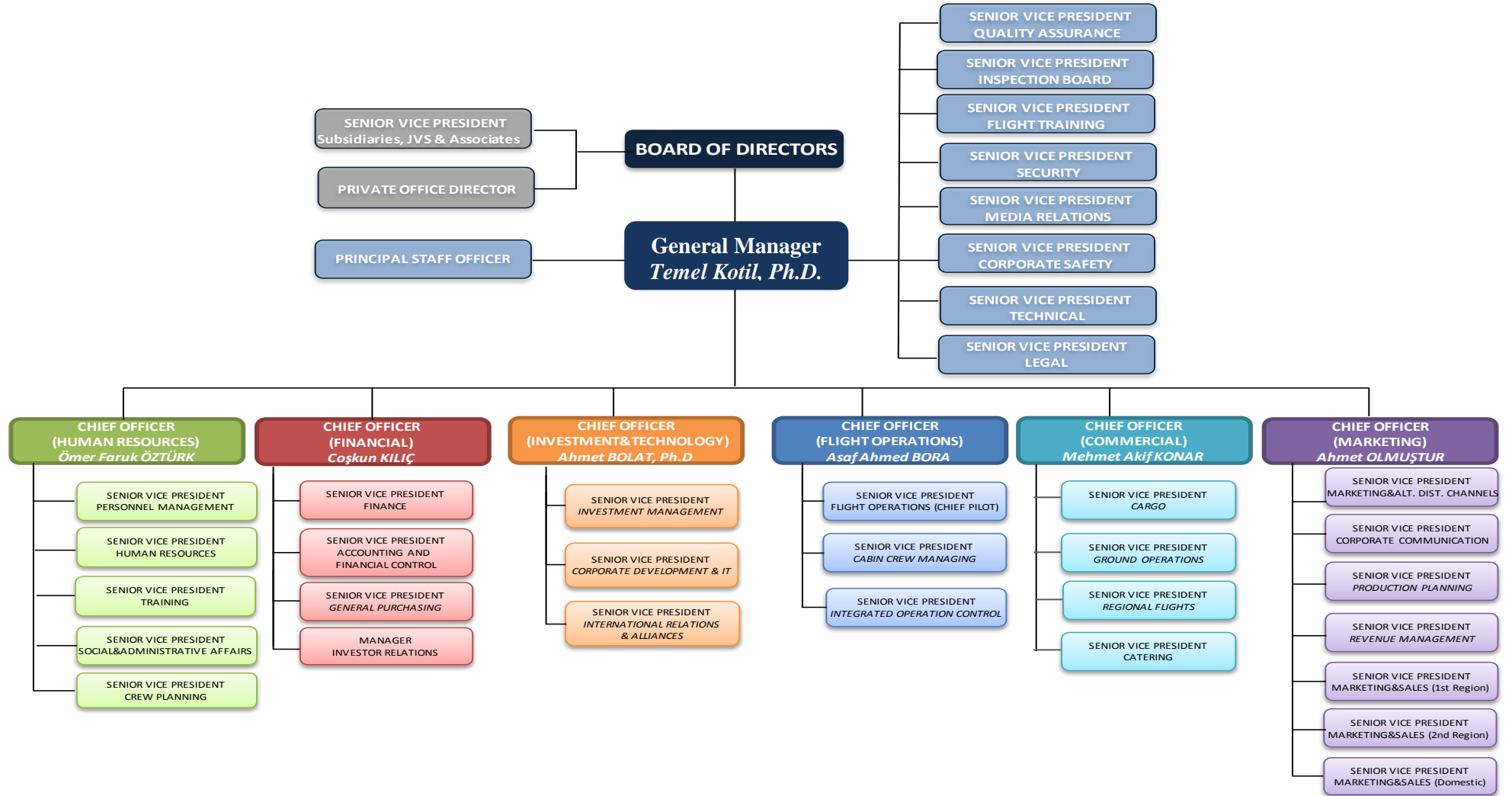
**3. ORGANIZATIONAL STRUCTURE**

The table below sets out Turkish Airlines' network on a country-city-airport basis as of 31 March 2015:

	<u>COUNTRY</u>	<u>CITY</u>	<u>AIRPORT</u>
<b>DOMESTIC</b>	<b>1</b>	<b>43</b>	<b>45</b>
<b>INTERNATIONAL</b>	<b>108</b>	<b>222</b>	<b>223</b>
Europe	42	102	103
Far East	22	33	33
Middle East	13	34	34
Africa	27	43	43
America	4	10	10
<b>TOTAL</b>	<b>109</b>	<b>265</b>	<b>268</b>

General Management and all central units are gathered around Istanbul Ataturk Airport. Organization chart of Turkish Airlines, as of 31 March 2015 is shown on the next page.

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**4. BOARD OF DIRECTORS AND COMMITTEES**

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

Members of the Board who were on duty as of 31.03.2015 are listed below:

<b>Hamdi TOPÇU</b>	: Chairman of the Board and the Executive Committee
<b>Mecit EŞ, Prof. Dr.</b>	: Vice Chairman of the Board and the Executive Committee
<b>Temel KOTİL, Ph.D.</b>	: General Manager, Member of the Board and the Executive Committee
<b>İsmail GERÇEK</b>	: Member of the Board
<b>Mehmet BÜYÜKEKŞİ</b>	: Member of the Board
<b>M. Muzaffer AKPINAR</b>	: Independent Board Member
<b>M. İlker AYCI</b>	: Independent Board Member
<b>Arzu AKALIN</b>	: Independent Board Member

Board members who resigned from their duties during the period 1 January – 31 March 2015 are listed below:

<b>Naci AĞBAL*</b>	: Member of the Board
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(\*): Mr. Naci Agbal, Member of the Board of Directors has resigned from his position as of February 10, 2015.

Brief resumes of our Board of Directors are reachable via THY Investor Relations Website. (<http://investor.turkishairlines.com/en/governance/board-of-directors>)

**COMMITTEES****Audit Committee**

Chairman: M. Muzaffer Akpınar

Member: M. İlker Aycı

**Corporate Governance Committee**

Chairman: Arzu Akalın

Members: Mehmet Büyükeksi, İsmail Gerçek, Duygu İnceöz (Investor Relations Manager)

**Early Identification of Risks Committee**

Chairman: M. İlker Aycı

Member: Naci Ağbal

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## 5. SENIOR MANAGEMENT

Information about the Senior Management of the Incorporation are presented below (as of 31.03.2015):

<b>Coşkun KILIÇ</b>	: Chief Financial Officer
<b>Asaf Ahmed BORA</b>	: Chief Flight Operations Officer
<b>Ahmet OLMUŞTUR</b>	: Chief Marketing Officer
<b>Dr. Ahmet BOLAT</b>	: Chief Investment and Technology Officer
<b>Ömer Faruk ÖZTÜRK*</b>	: Chief Human Resources Officer
<b>Mehmet Akif KONAR</b>	: Chief Commercial Officer

(\*): Ömer Faruk Öztürk has left his position as of 21.04.2015. Mr. Abdulkirim Çay, has been appointed as Chief Human Resources Officer.

## 6. HUMAN RESOURCES

Number of personnel with 6% increase reached to 20,370 during the period of January-March 2015 from 19,182 for the same period of 2014. Personnel numbers according to classes in 2014 and 2015 are as follows:

	<b><u>31.03.2014</u></b>	<b><u>31.03.2015</u></b>	<b><u>Change (%)</u></b>
Cockpit Personnel	3,550	4,094	15%
Cabin Personnel	6,966	7,933	14%
Aircraft Maintenance Technician*	818	190	-77%
Staff Abroad	2,618	2,799	7%
Domestic Staff	5,230	5,354	2%
<b>Total</b>	<b>19,182</b>	<b>20,370</b>	<b>6%</b>

\*Since SVP Line Maintenance was transferred to Turkish Technic on 01 April 2014, number of technicians decreased.

## 7. DEVELOPMENTS WITHIN THE INCORPORATION

### Corporate Rating

Moody's and S&P, two of the most respectful international credit rating agencies, assigned Turkish Airlines' first time public corporate rating to be Ba1 and BB+, respectively.

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**Private Offering of EETC**

Private offering of enhanced equipment trust certificates with an aggregate face amount of U.S. \$328,274,000 for the purpose of financing three wide body Boeing 777-300ER aircraft scheduled to be delivered in March 2015 and April 2015, has been made. The public disclosure dated 19.03.2015 includes the details, regarding pricing and structure of the offering.

**Ordinary General Assembly Meeting of our Incorporation**

The Ordinary General Assembly Meeting was held on April 6, 2015. All documents regarding the Meeting are accessible via the Incorporation's Investor Relations Web Site.

(<http://investor.turkishairlines.com/en/governance/general-assembly/1/2015>)

**Some of the Significant Resolutions taken at the Ordinary General Assembly Meeting are stated below:**

**Increase of Authorised Capital**

In accordance with the Capital Markets Boards' Communique on Authorised Capital System (II-18.1), the Incorporation has decided to increase its Authorised Capital from 2,000,000,000 TL, which was valid for 2010-2014 to 5,000,000,000 Turkish Lira to be valid for 2015-2019.

**Amendments to the Articles of Association**

The Incorporation has decided to make the related Amendment to Article 6 – “Share Capital and Share Certificates”, regarding the increase of authorized capital, Amendments to Articles 10, 11, 15, 21, 22, 23, 24, 25, 29, 36, 37 and 40 in order to comply with the Turkish Commercial Code and also additional Amendments to Articles 3, 4, 14 and 34. The details of the amendments are accessible via the Incorporation's Investor Relations Website. (<http://investor.turkishairlines.com/en/governance/articles-of-association>)

**Board Member Appointment**

Mr. Mehmet İlker Aycı was elected as the Chairman of the Board, Mr. Temel Kotil as the Vice Chairman of the Board, Mr. Mehmet Büyükekşi, Mr. İsmail Gerçek, Mr. Mecit Eş, Mr. Ogün Şanlıer, Ms. Arzu Akalın, Mr. Mehmet Muzaffer Akpınar and Mr. Cenk Dilberoğlu as Board Members for the duration of two years.

**Committee Appointments**

The Incorporation has decided to appoint Chairman of the Board Mr. Mehmet İlker Aycı as Chairman of the Executive Committee, Vice Chairman of the Board and General Manager Mr. Temel Kotil as Vice Chairman of the Executive Committee and Board Member Mr. İsmail Gerçek as the Member of the Executive Committee, Independent Board Members Mehmet Muzaffer Akpınar (Committee Chairman) and İsmail Cenk Dilberoğlu to the Audit Committee, Independent Board Member Arzu Akalın (Committee Chairman), and Board Members Mehmet Büyükekşi, İsmail Gerçek and Investor Relations Manager Duygu İnceöz to the Corporate Governance Committee (within the scope of Communiqué Serial II. No.17.1 on Corporate Governance Principles of the Capital Markets Board) and Independent Board Members İsmail Cenk Dilberoğlu (Committee Chairman) and Mehmet Muzaffer Akpınar to the Early Identification of Risks Committee.

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**8. TRAFFIC RESULTS**

January-March traffic results are shown below:

	TOTAL		
	2014	2015	Change (%)
Number of Landing	93,844	97,493	3.9%
Available Seat Km ('000)	30,239,894	33,069,389	9.4%
Revenue Passenger Km ('000)	23,604,063	25,322,264	7.3%
Passenger Load Factor (%)	78.1%	76.6%	-1.5 pt
Passengers Carried	12,046,911	12,833,776	6.5%
Int-to-Int Transfer Passengers Carried	3,225,390	3,554,431	10.2%
Cargo and Mail (Tons)	156,541	159,515	1.9%
Fleet	241	268	11.2%
Seat Capacity	43,714	49,587	13.4%
Number of Destinations	246	265	7.7%
Km Flown ('000)	181,377	192,077	5.9%
Hours Flown	265,286	281,281	6.0%
Utilization*	12:28	12:02	-3.5%

\* Based on 237 aircraft for 2014, 261 aircraft for 2015.

	DOMESTIC		
	2014	2015	Change (%)
Number of Landing	38,940	39,519	1.5%
Available Seat Km ('000)	4,037,592	4,094,471	1.4%
Revenue Passenger Km ('000)	3,253,182	3,385,556	4.1%
Passenger Load Factor (%)	80.6%	82.7%	2.1 pt
Passengers Carried	5,116,201	5,419,994	5.9%
Cargo and Mail (Tons)	12,066	12,827	6.3%
Km Flown ('000)	24,410	24,375	-0.1%

	INTERNATIONAL		
	2014	2015	Change (%)
Number of Landing	54,904	57,974	5.6%
Available Seat Km ('000)	26,202,302	28,974,918	10.6%
Revenue Passenger Km ('000)	20,350,881	21,936,708	7.8%
Passenger Load Factor (%)	77.7%	75.7%	-2.0 pt
Passengers Carried	6,930,710	7,413,782	7.0%
Cargo and Mail (Tons)	144,475	146,688	1.5%
Km Flown ('000)	156,967	167,702	6.8%

**BOARD OPERATIONAL REPORT  
PURSUANT TO THE COMMNIQUE SERIAL II. NO.17.1 PRINCIPLES**

**I. Scheduled Domestic Flights:**

During January-March 2015, the Incorporation did not start operating new domestic scheduled flights with its main brand.

**II. Scheduled International Flights:**

During January-March 2015, the Incorporation started operating scheduled flights with TK main brand to new international destinations stated below:

<u>Flight Destination</u>	<u>Flight Inaugural Date</u>
ABUJA - Nigeria	03.03.2015
AHVAZ - Iran	16.03.2015
MANILA - Philippines	30.03.2015
TAIPEI – Taiwan	31.03.2015

Besides, during January-March 2015, scheduled flights from Sabiha Gökçen Airport to Baku in Azerbaijan, have been started.

**III. Additional, Charter and Hajj-Umrah Flights**

During January-March 2015, number of additional, charter and Hajj-Umrah flights and number of passengers carried on these flights are stated on the table below:

	<b>Number of Flights</b>		<b>Number of Passengers</b>
	<b>Domestic</b>	<b>International</b>	
<b>Additional</b>	637	268	39,434
<b>Charter</b>	260	101	39,621
<b>Hajj-Umrah</b>	-	1,396	181,410

**IV. AnadoluJet Flights:**

<b>Scheduled and Additional Flights</b>	<b>1Q2014</b>	<b>1Q2015</b>	<b>1Q15/1Q14 Chg.</b>
Revenue Passenger (000)	2,047	2,097	2%
Available Seats*Km (Millions)	2,587	2,536	-2%
Passenger Load Factor (%)	80,2	83,4	3.2p
Number Of Aircraft	26	27	4%

Since January 2014, AnadoluJet has been continuing its operations with wet-lease aircraft from SunExpress. As of January 2015, 2 E-190 aircraft (wet-lease from Borajet) were added to the fleet.



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As of March 2015, 16 aircraft is based in Ankara Esenboğa and 8 in İstanbul Sabiha Gökçen.

As of March 2015, AnadoluJet flys to a total of 35 destinations.(Esenboğa based 30, Sabiha Gökçen based 17.)

In the first quarter of 2015, AnadoluJet has opened two new routes.(Erzurum-Bursa-Erzurum and Trabzon-Bursa-Trabzon)

**9. FLEET**

As of 31.03.2015	Type	Owned	Financial Lease	Opr./Wet Lease	Seat Capacity	Average Fleet Age	Total
<b>Wide Body</b>	A330-200		5	11	3,859	8.6	16
	A330-300		18		5,202	2.6	18
	A340-300	4			1,080	17.7	4
	B777-3ER		18		6,138	3.2	18
	<b>Total</b>	<b>4</b>	<b>41</b>	<b>11</b>	<b>16,279</b>	<b>5.9</b>	<b>56</b>
<b>Narrow Body</b>	B737-900ER		12		1,848	2.5	12
	B737-9 MAX						
	B737-800	25	33	10	10,940	8.9	68
	B737-700			3	372	9.2	3
	A319-100		6	8	1,848	6.9	14
	A320-200		12	21	5,222	8.2	33
	A321-200		40	4	8,034	4.8	44
	B737-800 WL			21	3,969	11.3	21
	B737-700 WL			5	745	7.9	5
	E190 WL			3	330	6.5	3
	<b>Total</b>	<b>25</b>	<b>103</b>	<b>75</b>	<b>33,308</b>	<b>7.6</b>	<b>203</b>
<b>Cargo</b>	A310-300F	1			-	26.7	1
	A330-200F		5		-	3	5
	Wet Lease			3	-	13	3
	<b>Total</b>	<b>1</b>	<b>5</b>	<b>3</b>	<b>-</b>	<b>10.5</b>	<b>9</b>
<b>Grand Total</b>		<b>30</b>	<b>149</b>	<b>89</b>	<b>49,587</b>	<b>7.3</b>	<b>268</b>

**BOARD OPERATIONAL REPORT  
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**10. FINANCIAL SITUATION**

**SUMMARY OF BALANCE SHEET (TRY)**

	<b>31 March 2015</b>	<b>31 December 2014</b>
<b><u>ASSETS</u></b>		
Current Assets	8,251,683,735	6.564.848.184
Non-Current Assets	29,155,082,852	25.310.758.878
<b>Total Assets</b>	<b>37.406.766.587</b>	<b>31.875.607.062</b>
<b><u>LIABILITIES</u></b>		
Total Current Liabilities	10.344.188.239	8.505.344.748
Total Non- Current Liabilities	16.138.688.101	14.215.859.184
Total Equity	10.923.890.247	9.154.403.130
<b>Total Liabilities and Equity</b>	<b>37.406.766.587</b>	<b>31.875.607.062</b>
Debt to Assets Ratio	0,71	0,71
Equity Ratio	0,29	0,29

**SUMMARY OF INCOME STATEMENT (TRY)**

	<b>1 January – 31 March 2015</b>	<b>1 January – 31 March 2014</b>
Sales Revenue	5,456,496,734	5,127,527,904
Gross Profit	661,688,163	510,860,141
Adj. Operating Loss	-48,262,499	-182,536,061
Profit/(Loss) Before Tax	592,297,298	-302,990,916
<b>Profit/(Loss) for the Year</b>	<b>373,274,940</b>	<b>-226,340,183</b>
<b>Earnings Per Share (Kr)</b>	<b>0.27</b>	<b>-0.16</b>
<b>EBITDAR</b>	<b>4,429,869,580</b>	<b>3,507,347,526</b>
<b>EBITDA</b>	<b>3,270,719,756</b>	<b>2,669,412,454</b>
<b>EBIT</b>	<b>1,644,306,296</b>	<b>1,428,885,295</b>
EBITDAR Margin	18.3%	18.7%
EBITDA Margin	13.5%	14.2%
EBIT Margin	6.8%	7.6%
Operating Profit Margin	5.6%	6.5%
Net Profit Margin	7.5%	3.6%

**BOARD OPERATIONAL REPORT  
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**SUMMARY OF BALANCE SHEET (USD Million)**

	<b>31 March 2015</b>	<b>31 December 2014</b>
<b><u>ASSETS</u></b>		
Current Assets	3,161	2,831
Non-Current Assets	11,170	10,915
<b>Total Assets</b>	<b>14,331</b>	<b>13,746</b>
<b><u>LIABILITIES</u></b>		
Total Current Liabilities	3,963	3,667
Total Non- Current Liabilities	6,179	6,129
Total Equity	4,189	3,950
<b>Total Liabilities and Equity</b>	<b>14,331</b>	<b>13,746</b>
Debt to Assets Ratio	0.71	0.71
Equity Ratio	0.29	0.29

**SUMMARY OF INCOME STATEMENT (USD Million)**

	<b>1 January – 31 March 2015</b>	<b>1 January – 31 March 2014</b>
Sales Revenue	2,219	2,315
Gross Profit	270	228
Adjusted Operating Loss	-18	-83
Profit/(Loss) Before Tax	247	-137
<b>Profit/(Loss) for the Year</b>	<b>153</b>	<b>-102</b>
<b>Earning/(Loss) Per Share (Usc)</b>	<b>0,11</b>	<b>-0,07</b>
<b>EBITDAR</b>	<b>2,044</b>	<b>1,843</b>
<b>EBITDA</b>	<b>1,514</b>	<b>1,405</b>
<b>EBIT</b>	<b>770</b>	<b>755</b>
EBITDAR Margin	18.5%	18.8%
EBITDA Margin	13.7%	14.3%
EBIT Margin	7.0%	7.7%
Operating Profit Margin	5.8%	6.6%
Net Profit Margin	7.6%	3.6%

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**BOARD OPERATIONAL REPORT**  
**PURSUANT TO THE COMMNIQUE SERIAL II. NO.17.1 PRINCIPLES**

**11. INVESTMENTS, INCENTIVES AND INVESTMENT POLICIES**

Within the scope of “2009-2013 Fleet Projection” and “2012-2020 Fleet Plans”, confirmed by the Board, number of aircraft and delivery years are stated on the following table.

In order to insure the need for cargo aircraft, the Incorporation has decided to purchase a total of 4 A330-200F aircraft to be delivered on April 2015, April 2016, October 2016 and January 2017.

By the end of March 2015, number of wide body aircraft has reached 56, which makes up 21 % of the total fleet. Due to the effect of stage length and seat capacity, contribution of wide body aircraft to the production will exceed 40%.

As of 31.03.2015	Type	2011-2021 Aircraft Purchases													
		Delivered						To Be Delivered							
		2011	2012	2013	2014	2015	Total	2015	2016	2017	2018	2019	2020	2021	Total
Wide Body	A330-300	3	3	2	6		14	7	5						12
	B777-3ER	7			4	2	13	5	6	3					14
	<b>Total</b>	<b>10</b>	<b>3</b>	<b>2</b>	<b>10</b>	<b>2</b>	<b>27</b>	<b>12</b>	<b>11</b>	<b>3</b>					<b>26</b>
Narrow Body	B737-900ER	2	7	1		2	12	3							3
	B737-9 MAX											5	5		10
	B737-800	2	2	6	10		20		20						20
	B737-8 MAX*										20	10	25	10	65
	A321	8	7	9		1	25	12	10	2					24
	A321 NEO**									4	27	25	32	4	92
	A319	6					6								0
	<b>Total</b>	<b>18</b>	<b>16</b>	<b>16</b>	<b>10</b>	<b>3</b>	<b>63</b>	<b>15</b>	<b>30</b>	<b>6</b>	<b>47</b>	<b>40</b>	<b>62</b>	<b>14</b>	<b>214</b>
Cargo	A330-200F	1	1	2			4	1	2	1					4
	<b>Total</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>
	<b>Grand Total</b>	<b>29</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>5</b>	<b>94</b>	<b>28</b>	<b>43</b>	<b>10</b>	<b>47</b>	<b>40</b>	<b>62</b>	<b>14</b>	<b>244</b>

\* Including 10 optional aircraft in 2021

\*\*Including 20 optional aircraft in 2020

**Decree on State Aids for Investments**

The incorporation had completed 13,245,403,524 TRY in total value of aircraft investments since 31.05.2010 in scope of the Investment Incentive Certificate obtained within the framework of “Decree on State Aids for Investments” put to force by the Cabinet on 14.07.2009. According to the incentive certificate, a 50% discounted corporate tax (i.e. 10% tax rate) will be applied to the income generated by the related aircraft until the total amount of contributions invested of 2,649,080,704 TRY (20% of total investment) is reached. In this context, 16,587,441 TRY tax advantage has been attained in 2012.

The incorporation has decided to terminate the aforementioned certificate and apply for a new certificate for the 32,049,048,095 TRY total values of aircraft investments that is planned to be made as of 01.12.2014 within the framework of “Cabinet Decree on State Aids for Investments” put to force on 15.06.2012. According to this new certificate, a 50% discounted corporate tax (i.e. 10% tax rate) will be applied to the income generated by the related aircraft, until this amount reaches 15% of total investment.

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**12. PROJECTIONS ABOUT THE COMPANY**

The Incorporation has decided to start operating scheduled flights, based on aircraft availability, to the cities Zaporizhia of Ukraine, Graz of Austria, Makhachkala of Russia and Miami of USA.

Flying to more countries than any other airline in the world, the Incorporation aims to be among the leading airlines in the world by maintaining its steady growth in parallel to the growth in number of transfer passengers by providing wide-body fleet investments, capacity increases mainly in long-range flights and new routes. In addition, the Incorporation is targeting to increase unit revenue by increasing passenger revenue of Business & Comfort Class through the improvement of service quality and the expansion of cargo operations.

**DISCLAIMER**

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