

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



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01 JANUARY – 30 JUNE 2015

BOARD ACTIVITY REPORT

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**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 global economic growth, growing urban population, growing middle class population, globalization and liberalization. For 2015, The International Air Transport Association (IATA) is forecasting a 7% passenger growth.

**Growth Forecasts (CAGR) (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 June 2015 compared to the same period of last year, is as follows:

	<u>IATA</u>	<u>THY</u>
Available Seat*Km Change	5.9%	10.1%
Revenue Passenger*Km Change	6.3%	8.6%
Revenue Ton*Km Change	3.5%	9.5%

As of June 2015, Turkish Airlines ranks second, with 17.9% market share in terms of passengers carried, ranks third with 15.2% market share in terms of Revenue Passenger Km (RPK), ranks third with 15.5% market share in terms of Available Seat Km (ASK), among Association of European Airlines (AEA) members.

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

	<u>AEA*</u>	<u>THY</u>
Available Seat*Km Change	3.6%	10.1%
Revenue Passenger*Km Change	3.3%	8.6%
Load Factor	79.0%	77.8%
Passenger Load Factor Change	-0.2 p.	-1.0 p.
Revenue Ton*Km Change	2.2%	9.5%

\*Includes THY

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<u>Aviation Industry Revenue/Expense</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015(*)</u>
<b>REVENUES (\$ billion)</b>	<b>564</b>	<b>642</b>	<b>706</b>	<b>717</b>	<b>733</b>	<b>727</b>
Passenger Revenue	445	500	541	555	563	556
Cargo Revenue	66	67	64	61	63	62
<b>Traffic</b>						
Passenger Km Growth (RPK) %	8.0	6.3	5.3	5.7	6.0	6.7
Cargo Km Growth (FTK) %	19.4	0.4	-0.9	0.6	5.8	5.5
<b>OPERATIONAL EXPENSES (\$ billion)</b>	<b>536</b>	<b>623</b>	<b>687</b>	<b>692</b>	<b>699</b>	<b>677</b>
Fuel	152	192	227	228	226	191
% of expenses	28	31	33	33	32	28
Non-fuel expenses	384	431	460	464	473	487
<b>OPERATING PROFIT (\$ billion)</b>	<b>27.6</b>	<b>19.8</b>	<b>18.4</b>	<b>25.3</b>	<b>33.9</b>	<b>50.1</b>
% margin	4.9	3.1	2.6	3.5	4.6	6.9
<b>NET PROFIT(\$ billion)</b>	<b>17.3</b>	<b>8.3</b>	<b>6.1</b>	<b>10.6</b>	<b>16.4</b>	<b>29.3</b>
% margin	3.1	1.3	0.9	1.5	2.2	4.0

(\*) Annual forecast published by IATA

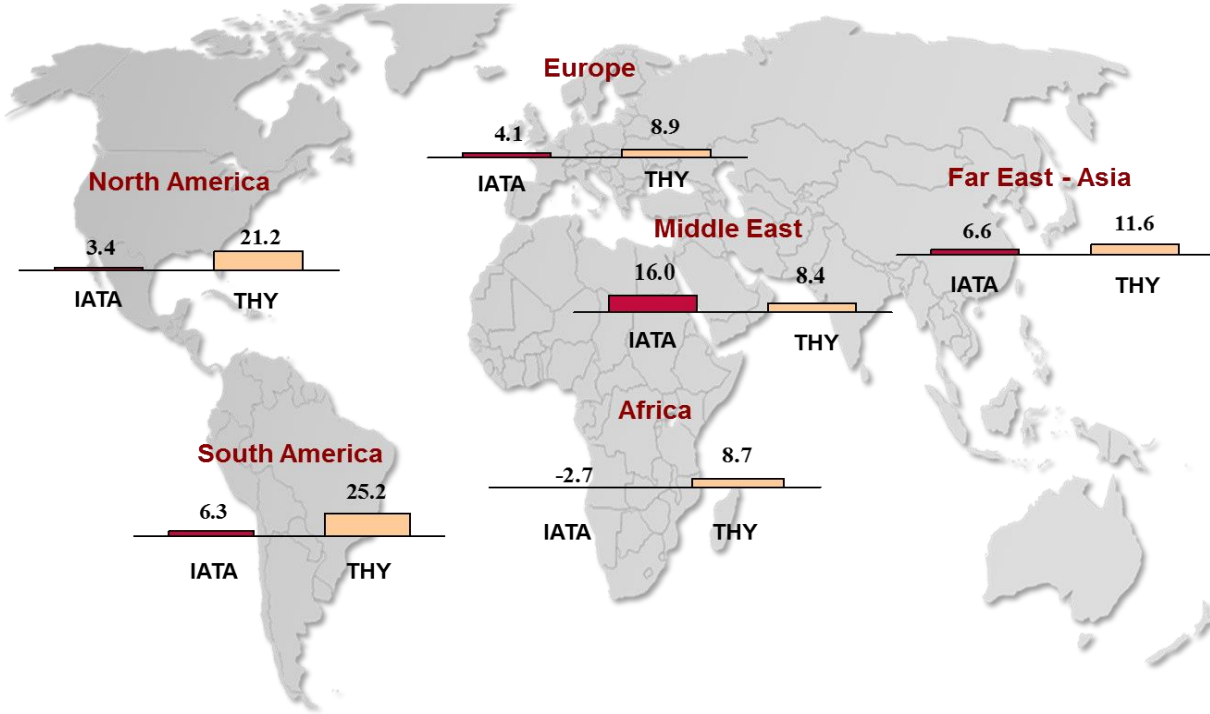
Source: IATA Airline Industry Economic Performance, June 2015

### Developments within the Sector

Within the global aviation industry, passenger capacity grew by 5.9% and passenger traffic grew by 6.3% as of June 2015, compared to the same period of 2014. While international passenger traffic grew by 6.3% derived by the growth of developing regions, domestic passenger traffic grew by 6.2%. Cargo capacity and cargo traffic grew by 5.4% and 3.5%, respectively.

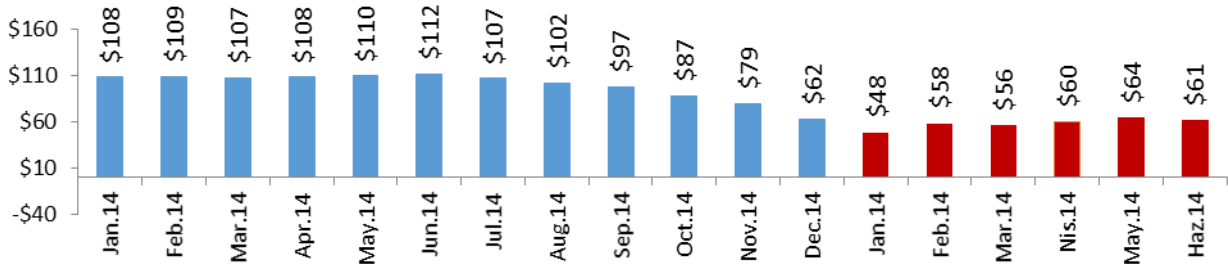
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Rate of Capacity Changes (%)



During January-June 2015, the highest growth was realized in Middle East while concerns regarding Ebola, political instabilities and security issues in Libya, Nigeria and Kenya have caused the African market to shrink. (According to Air Passenger Market Analysis of IATA).

Oil Price per Barrel (Monthly Average)



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>2015/06</b>
Fuel Expenses (Million \$)	2,887	3,442	3,845	1,475
Fuel Consumption (000 Tons)	2,680	3,247	3,801	1,999
Average Unit Cost (\$/Tons)	1,077	1,060	1,012	738
Average Change of Unit Cost (%)*	2%	-2%	-5%	-30%
Fuel Expense Rate in Operational Expenses (%)	38%	37%	37%	31%

\*Change compared to the same period of previous year

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**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 Istanbul, 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 30 June 2015, the shareholders and their respective shareholdings in the Incorporation are as follows:

	<u>30 June 2015</u>
Republic of Turkey Prime Ministry Privatization Administration	% 49.12
Other (publicly held)	% 50.88
Total	% 100.00

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

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

<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.

The table below sets out the consolidated subsidiaries and participation rate of the Group in these as of 30 June 2015:

<u>Name of the Company</u>	<u>Principal Activity</u>
THY Teknik A.Ş. (Turkish Technic)	Aircraft Maintenance Service
THY Aydın Çıldır Havalimanı İşletme A.Ş.	Training & Airport Operations

**THY Teknik A.Ş. (Turkish Technic)**

Established in 23 May 2006, the Company is a wholly-owned subsidiary of Turkish Airlines. Turkish Technic conducts its activities with the goal of becoming an important regional air transport technical maintenance base by supplying the full range of maintenance, repair, and technical and infrastructure support the aviation industry requires. Until 2013, Turkish Technic operated out of four hangars in Istanbul and Ankara. In June 2015, Turkish Technic merged with Turkish HABOM, which was also a fully owned subsidiary of Turkish

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Airlines and which has a total MRO capacity to provide simultaneous maintenance, repair and overhaul services for 30 narrow body aircraft and 10 wide body aircraft. As of June 2015, including ex-employees of THY HABOM , Turkish Technic has 5,210 employees.

**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. The airport is used as a base for Turkish Airlines Flight Academy and since the first half of 2013 provides flight training for Turkish Airlines Pilot Nominees. As of 30 June 2015, Company has 2 employees.

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

The table below sets out consolidated joint ventures and indicates the proportion of ownership interest of the Incorporation in these joint ventures as of 30 June 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 İkrım 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 53 aircraft (28 of its aircraft for AnadoluJet operations of THY) and serves its customers in both charter and scheduled business with 2,717 employees as of 30 June 2015. SunExpress flies to 16 domestic and 67 international destinations, which brings the total number to 83 destinations. In 2011,

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SunExpress Germany was founded as a joint venture of Stiftung and SunExpress, in which each holds %50-50 stake. As of 30 June 2015, SunExpress Germany conducts operations to 11 domestic and 29 international destinations with its 15 Boeing 737-800 passenger aircraft.

**THY DO&CO İkrım 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 30 June 2015, 5,984 employees are working for the Company.

**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. The Company provides ground services for Turkish Airlines in 8 airports in Turkey. TGS is employing 9,526 personnel as of 30 June 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 30 June 2015, the Incorporation has 422 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 30 June 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 30 June 2015, the Company has 149 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, 267 employees as of 30 June 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 30 June 2015, the Company has 30 employees.

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**Turbine 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 30 June 2015, 11 employees are working for the Company.

**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 30 June 2015, 8 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.

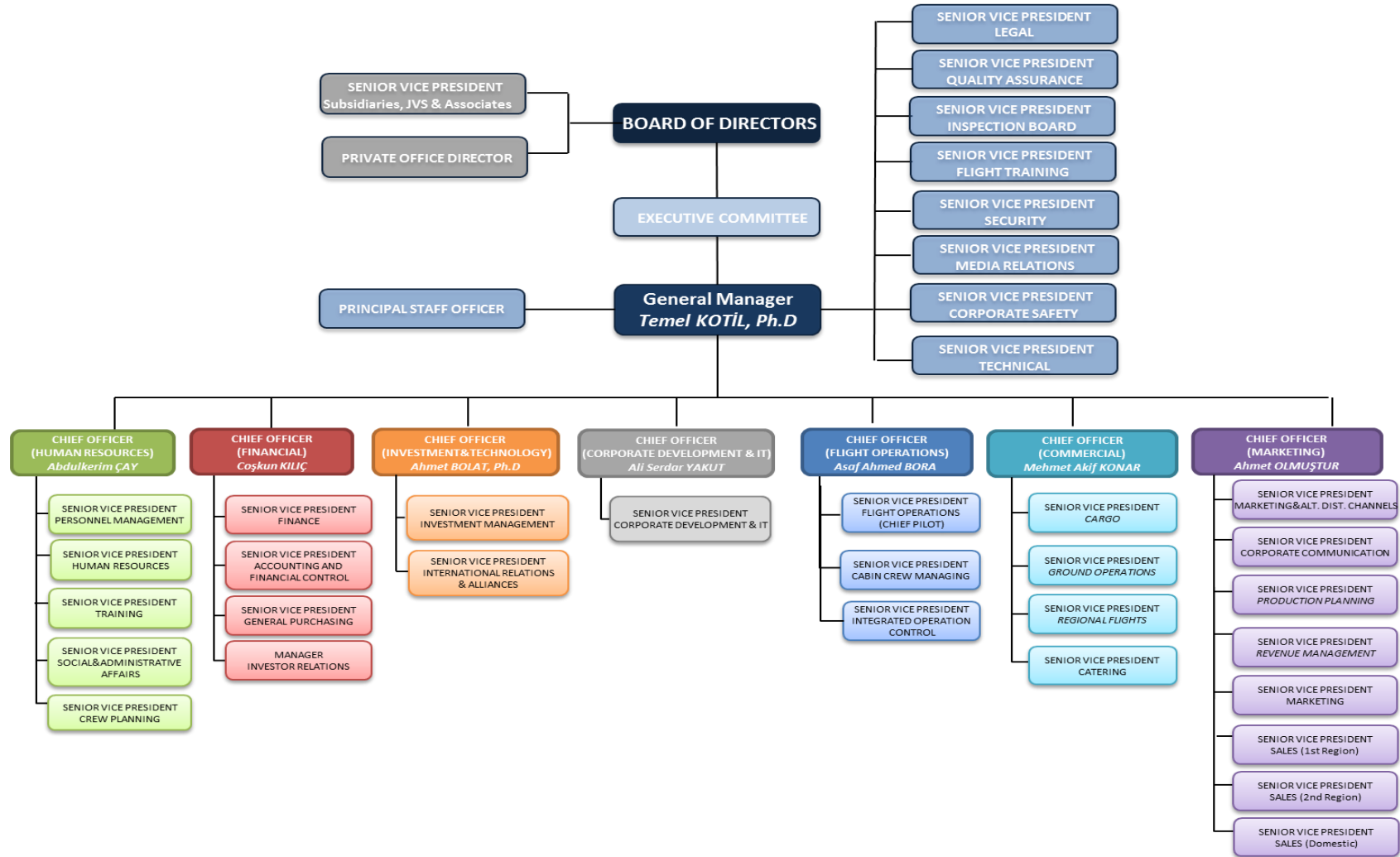
### 3. ORGANIZATIONAL STRUCTURE

The table below sets out Turkish Airlines' network on a country-city-airport basis as of 30 June 2015:

	<u>COUNTRY</u>	<u>CITY</u>	<u>AIRPORT</u>
<b>DOMESTIC</b>	<b>1</b>	<b>48</b>	<b>50</b>
<b>INTERNATIONAL</b>	<b>109</b>	<b>228</b>	<b>229</b>
Europe	42	106	107
Far East	22	33	33
Middle East	13	34	34
Africa	28	44	44
America	4	11	11
<b>TOTAL</b>	<b>110</b>	<b>276</b>	<b>279</b>

General Management and all central units are gathered around Istanbul Ataturk Airport. Organization chart of Turkish Airlines, as of 30 June 2015 is shown on the next page.

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**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 30.06.2015 are listed below:

<b>M. İlker AYCI</b>	: Chairman of the Board and the Executive Committee
<b>Doç. Dr. Temel KOTİL</b>	: Vice Chairman of the Board and the Executive Committee
<b>İsmail GERÇEK</b>	: Member of the Board and the Executive Committee
<b>Prof. Dr. Mecit EŞ</b>	: Member of the Board
<b>Mehmet BÜYÜKEKŞİ</b>	: Member of the Board
<b>Ogün ŞANLIER</b>	: Member of the Board
<b>Arzu AKALIN</b>	: Independent Board Member
<b>M. Muzaffer AKPINAR</b>	: Independent Board Member
<b>İsmail Cenk DİLBEROĞLU</b>	: Independent Board Member

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: İsmail Cenk Dilberoğlu

**Corporate Governance Committee**

Chairman: Arzu Akalın  
Member: Mehmet Büyükeksi, İsmail Gerçek, Duygu İnceöz (Yatırımcı İlişkileri Müdürü)

**Early Identification of Risks Committee**

Chairman: İsmail Cenk Dilberoğlu  
Member: M. Muzaffer Akpınar

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**SENIOR MANAGEMENT**

Information about the Senior Management of the Incorporation are presented below (as of 30.06.2015):

<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>Mehmet Akif KONAR</b>	: Chief Commercial Officer
<b>Abdulkerim ÇAY</b>	: Chief Human Resources Officer
<b>Ali Serdar YAKUT</b>	: Chief Corporate Development and IT Officer

**HUMAN RESOURCES**

Number of personnel with 6% increase reached to 21,083 during the period of January-June 2015 from 19,902 for the year end 2014. Personnel numbers according to classes in 2014 and 2015 are as follows:

	<b><u>31.12.2014</u></b>	<b><u>30.06.2015</u></b>	<b><u>Change (%)</u></b>
Cockpit Personnel	3.892	4.235	9%
Cabin Personnel	7.736	8.296	7%
Aircraft Maintenance Technician	236	227	-4%
Staff Abroad	2.748	2.869	4%
Domestic Staff	5.290	5.456	3%
<b>TOPLAM</b>	<b>19.902</b>	<b>21.083</b>	<b>6%</b>

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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. In May 2015, S&P decreased Turkey's rating from BB+ to BB and therefore Turkish Airlines' corporate rating has been decreased to BB.

**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

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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.

**Change in Ticket Prices**

Our Incorporations decision to convert international ticket sales originating in Turkey from EUR to USD has been approved by IATA and has been put into action in 20.05.2015. International ticket sales originating in Turkey constitute around 15 percent of the total revenue.

**Merger of THY Teknik A.Ş. and THY Habom A.Ş**

It has been announced that THY HABOM and THY Technic would be merged, by transferring all shares, assets and liabilities of THY HABOM to THY Technic. The merger has been registered and published on Turkish Trade Registry Gazette dated 10.06.2015.

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**8. TRAFFIC RESULTS**

January-June traffic results are shown below:

	<b>TOTAL</b>		
	<b>2014</b>	<b>2015</b>	<b>Change (%)</b>
Number of Landing	199,988	212,446	6.2%
Available Seat Km ('000)	64,277,084	70,742,120	10.1%
Revenue Passenger Km ('000)	50,682,625	55,048,435	8.6%
Passenger Load Factor (%)	78.9%	77.8%	-1.0 pt
Passengers Carried	26,253,975	28,484,334	8.5%
Int-to-Int Transfer Passengers Carried	6,674,335	7,521,902	12.7%
Cargo and Mail (Tons)	324,157	347,330	7.1%
Fleet	257	282	9.7%
Seat Capacity	46,877	52,994	13.0%
Number of Destinations	257	276	7.4%
Km Flown ('000)	378,123	403,380	6.7%
Hours Flown	560,942	606,650	8.1%
Utilization*	12:49	12:38	-1.4%

\* Based on 243 aircraft for 2014, 266 aircraft for 2015.

	<b>DOMESTIC</b>		
	<b>2014</b>	<b>2015</b>	<b>Change (%)</b>
Number of Landing	82,902	89,157	7.5%
Available Seat Km ('000)	8,454,080	9,082,673	7.4%
Revenue Passenger Km ('000)	6,916,041	7,608,113	10.0%
Passenger Load Factor (%)	81.8%	83.8%	2.0 pt
Passengers Carried	10,964,630	12,188,706	11.2%
Cargo and Mail (Tons)	25,304	26,289	3.9%
Km Flown ('000)	51,503	54,858	6.5%

	<b>INTERNATIONAL</b>		
	<b>2014</b>	<b>2015</b>	<b>Change (%)</b>
Number of Landing	117,086	123,289	5.3%
Available Seat Km ('000)	55,823,005	61,659,447	10.5%
Revenue Passenger Km ('000)	43,766,583	47,440,322	8.4%
Passenger Load Factor (%)	78.4%	76.9%	-1.5 pt
Passengers Carried	15,289,345	16,295,628	6.6%
Cargo and Mail (Tons)	298,852	321,041	7.4%
Km Flown ('000)	326,619	348,522	6.7%

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**I. Scheduled Domestic Flights:**

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

<u>Flight Destination</u>	<u>Flight Inaugural Date</u>
ORDU-GIRESUN	22.05.2015
HAKKARI	26.05.2015

**II. Scheduled International Flights:**

During January-June 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
SAN FRANCISCO - USA	13.04.2015
BARI - Italy	28.04.2015
PORTO - Portugal	30.04.2015
BAMAKO - Mali	26.05.2015
GRAZ - Austria	22.06.2015
BADEN-BADEN - Germany	30.06.2015

Besides, during January-June 2015, scheduled flights from Sabiha Gökçen Airport to Baku in Azerbaijan, Cologne and Stuttgart in Germany, Barcelona in Spain and Rome in Italy have been started.

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

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

	Number of Flights		Number of Passengers
	Domestic	International	
<b>Additional</b>	1,113	361	64,047
<b>Charter</b>	645	594	216,714
<b>Hajj-Umrah</b>	-	2,314	268,092



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**IV. AnadoluJet Flights:**

<b>Scheduled and Additional Flights</b>	<b>2014</b>	<b>2015</b>	<b>Change (%)</b>
Revenue Passenger (000)	4,265	4,793	12%
Avaliable Seats*Km (Millions)	5,297	5,842	10%
Passenger Load Factor (%)	81.3	83.0	+2.7p
Number of Aircraft	26	31	19%

- AnadoluJet has been pusuing its operations with wet-lease aircraft from SunExpress and Borajet. (Boeing 737-700,737-800 and Embraer E-190)
- As of June 2015, 17 aircraft is based in Ankara Esenboğa and 10 in İstanbul Sabiha Gökçen.
- As of June 2015, AnadoluJet flys to a total of 44 destinations.(Esenboğa based 36, Sabiha Gökçen based 26.)
- During 2Q'15, AnadoluJet has improved its point to point, cross flights network by adding 6 new routes.
- As of June 2015, Sabiha Gökçen based capacity has increased by %28.

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**9. FLEET**

30.06.2015	Type	Owned	Financial Lease	Opr./Wet Lease	Seat Capacity	Average Fleet Age	Total
<b>Wide Body</b>	A330-200		5	12	4,033	8.1	17
	A330-300		23	1	6,938	2.2	24
	A340-300	4			1,080	17.2	4
	B777-3ER		20		6,836	2.8	20
	<b>Total</b>	<b>4</b>	<b>48</b>	<b>13</b>	<b>18,887</b>	<b>4.9</b>	<b>65</b>
<b>Narrow Body</b>	B737-900ER		14		2,186	2.2	14
	B737-9 MAX						
	B737-800	25	33	10	10,940	9.3	68
	B737-700			3	372	9.5	3
	A319-100		6	8	1,848	7.2	14
	A320-200		12	18	4,731	8.2	30
	A321-200		43	4	8,568	4.7	47
	B737-800 WL			24	4,536	8.9	24
	B737-700 WL			4	596	8.1	4
	E190 WL/E195 WL			3	330	4.8	3
	<b>Total</b>	<b>25</b>	<b>108</b>	<b>74</b>	<b>34,107</b>	<b>7.3</b>	<b>207</b>
<b>Cargo</b>	A310-300F	1			-	27	1
	A330-200F		6		-	2.8	6
	Wet Lease			3	-	16.7	3
	<b>Total</b>	<b>1</b>	<b>6</b>	<b>3</b>	<b>-</b>	<b>9.4</b>	<b>10</b>
<b>GRAND TOTAL</b>	<b>30</b>	<b>162</b>	<b>90</b>	<b>52,994</b>	<b>6.8</b>	<b>282</b>	

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**10. FINANCIAL SITUATION**

**SUMMARY OF BALANCE SHEET (Mn TRY)**

	<b>30 June 2015</b>	<b>31 December 2014</b>
<b><u>ASSETS</u></b>		
Current Assets	9.562	6.565
Non-Current Assets	32.636	25.311
<b>Total Assets</b>	<b>42.198</b>	<b>31.876</b>
<b><u>LIABILITIES</u></b>		
Total Current Liabilities	10.966	8.505
Total Non-Current Liabilities	19.209	14.216
Total Equity	11.993	9.154
<b>Total Liabilities and Equity</b>	<b>42.198</b>	<b>31.876</b>
Debt to Assets Ratio	0,72	0,71
Equity Ratio	0,28	0,29

**SUMMARY OF INCOME STATEMENT (TRY)**

	<b>1 Jan. – 30 June 2015</b>	<b>1 Jan. - 30 June 2014</b>
Sales Revenue	12.303	11.266
Gross Profit	1.949	1.738
Operating Profit Before Investment Activities	524	312
Profit Before Tax	1.456	152
<b>Profit for the Period</b>	<b>1.035</b>	<b>172</b>
<b>Earnings Per Share (Kr)</b>	<b>0,75</b>	<b>0,12</b>

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

	<b>30 June 2015</b>	<b>31 Decembre 2014</b>
<b><u>ASSETS</u></b>		
Current Assets	3.560	2.831
Non-Current Assets	12.149	10.915
<b>Total Assets</b>	<b>15.709</b>	<b>13.746</b>
<b><u>LIABILITIES</u></b>		
Total Current Liabilities	4.093	3.667
Total Non-Current Liabilities	7.150	6.129
Total Equity	4.466	3.950
<b>Total Liabilities and Equity</b>	<b>15.709</b>	<b>13.746</b>
Debt to Assets Ratio	0,72	0,71
Equity Ratio	0,28	0,29

**SUMMARY OF BALANCE SHEET (USD Million)**

	<b>1 Jan. - 30 June 2015</b>	<b>1 Jan. - 30 June 2014</b>
Sales Revenue	4.789	5.222
Gross Profit	754	811
Operating Profit Before Investment Activities	192	151
Profit Before Tax	572	80
Profit for the Period	<b>406</b>	<b>88</b>
Earnings Per Share (USc)	<b>0,29</b>	<b>0,06</b>
<b>EBITDAR</b>	<b>923</b>	<b>814</b>
<b>EBITDA</b>	<b>658</b>	<b>557</b>
<b>EBIT</b>	<b>234</b>	<b>198</b>
EBITDAR Margin	% 19,3	% 15,6
EBITDA Margin	% 13,7	% 10,7
EBIT Margin	% 4,9	% 3,8
Operating Profit Margin	% 4,0	% 2,9
Net Profit Margin	% 8,5	% 1,7

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**BOARD OPERATIONAL REPORT  
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### 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 June 2015, number of wide body aircraft has reached 65, which makes up 23 % of the total fleet. Due to the effect of stage length and seat capacity, contribution of wide body aircraft to the production reached 36%.

	As of 30.06.2015 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	5	19	2	5						7
	B777-3ER	7			4	4	15	3	6	3					12
	<b>Total</b>	<b>10</b>	<b>3</b>	<b>2</b>	<b>10</b>	<b>9</b>	<b>34</b>	<b>5</b>	<b>11</b>	<b>3</b>					<b>19</b>
Narrow Body	B737-900ER	2	7	1		4	14	1							1
	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		3	27	10	10	2					22
	A321 NEO**									4	27	25	32	4	92
A319	6					6									
<b>Total</b>	<b>18</b>	<b>16</b>	<b>16</b>	<b>10</b>	<b>7</b>	<b>67</b>	<b>11</b>	<b>30</b>	<b>6</b>	<b>47</b>	<b>40</b>	<b>62</b>	<b>14</b>	<b>210</b>	
Cargo	A330-200F	1	1	2		1	5		2	1					3
	<b>Total</b>	<b>1</b>	<b>1</b>	<b>2</b>		<b>1</b>	<b>5</b>		<b>2</b>	<b>1</b>				<b>3</b>	
<b>GRAND TOTAL</b>		<b>29</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>17</b>	<b>106</b>	<b>16</b>	<b>43</b>	<b>10</b>	<b>47</b>	<b>40</b>	<b>62</b>	<b>14</b>	<b>232</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.

### 12. PROJECTIONS ABOUT THE COMPANY

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

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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 Class through the improvement of service quality and the expansion of cargo operations.

**DISCLAIMER**

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