

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



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01 JANUARY – 30 SEPTEMBER 2015

BOARD ACTIVITY REPORT

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1. INDUSTRY DEVELOPMENTS

Decrease in the oil prices (the largest cost item of airlines) has reduced the total costs of airlines and hence, improved their profitability in 2015. According to the International Air Transport Association (IATA), in the first half of 2015, aviation sector has increased its net profit by 70%. Also, IATA's 2015 full year expectations indicates that the cumulative net profit of the industry will reach 29 billion USD with an increase of 80% compared to previous year. On the other hand, the decrease in oil prices has made high fuel consuming, thus operationally expensive, old aircraft financially feasible and hence postponed their exits from airline fleets. This situation has increased the capacity and competition in global scale, and hence by decreasing the ticket prices boosted the global demand. Global passenger traffic is expected to grow by 6.7% in 2015.

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

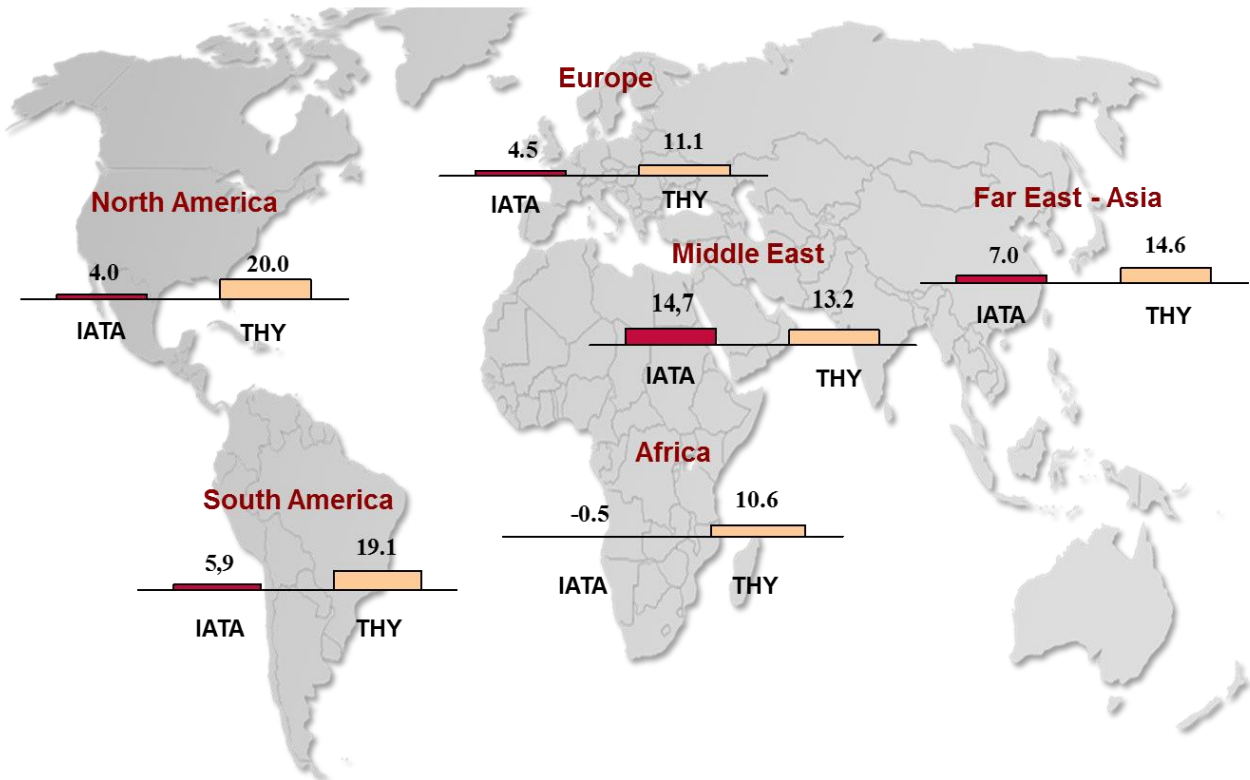
(*) Annual forecast published by IATA

Source: IATA Airline Industry Economic Performance, June 2015

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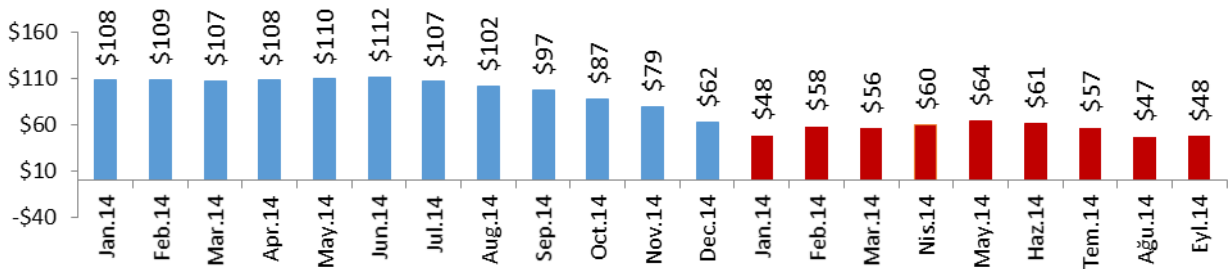
Within the global aviation industry, passenger capacity grew by 6.0% and passenger traffic grew by 6.7% as of September 2015, compared to the same period of 2014. While international passenger traffic grew by 6.7% derived by the growth of developing regions, domestic passenger traffic grew by 6.6%. Cargo capacity and cargo traffic grew by 5.5% and 2.4%, respectively.

Regional Capacity Changes (%) - 9M'15 vs 9M'14



During January-September 2015, the highest capacity growth was realized in Middle East (+14.7%) 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)



Source: U.S. Energy Information Administration

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

FUEL PRICE ANALYSIS	2012	2013	2014	2015/09
Fuel Expenses (Million \$)	2,887	3,442	3,845	2,290
Fuel Consumption (000 Tons)	2,680	3,247	3,801	3,182
Average Unit Cost (\$/Tons)	1,077	1,060	1,012	720
Average Change of Unit Cost (%)*	2%	-2%	-5%	-32%
Fuel Expense Rate in Operational Expenses (%)	38%	37%	37%	31%

*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 founded in Turkey in 1933. The Company’s main fields of activity are all types of domestic and international passenger and cargo air transportation.

The Incorporation is registered in Istanbul, Turkey (Reg. No: 75184) and its head office address is Türk Hava Yolları A.O. Genel Yönetim Binası, 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 September 2015, the shareholders and their respective shareholdings in the Incorporation are as follows:

	<u>30 September 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 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
TOTAL	1,380,000,000.00		138,000,000,000

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 September 2015:

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<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 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 September 2015, including ex-employees of THY HABOM , Turkish Technic has 5,383 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 September 2015, Company has 5 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 September 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>
Sun Express Turkey	Aircraft Transportation	50%	-	Turkey
Turkish DO&CO	Catering Services	50%	-	Turkey
Turkish Ground Services	Ground Services	50%	-	Turkey
Turkish Opet Aviation Fuels	Aviation Fuel	50%	-	Turkey
Aircraft Seat Manufacturing Industry & Trade, Inc.	Cabin Interior	45%	5%	Turkey

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Turkish Cabin Interior Systems Industries, Inc.	Cabin Interior	30%	20%	Turkey
Pratt Whitney THY Turkish Engine Center (TEC)	Maintenance	-	49%	Turkey
Goodrich Turkish Airlines Technical Service Center	Maintenance	-	40%	Turkey
Turbine Technical Gas Turbines Maintenance & Repair, Inc.	Maintenance	-	50%	Turkey
Tax Free Zone, Inc. (Tax Refund)	VAT Return and Consultancy	30%	-	Turkey

Sun Express - Turkey

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 28 aircraft (for AnadoluJet operations of THY) and serves its customers in both charter and scheduled business with 2,707 employees as of 30 September 2015. SunExpress flies to 22 domestic and 75 international destinations, which brings the total number to 97 destinations. In 2011, 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 31 international destinations with its 15 Boeing 737-800 passenger aircraft.

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 September 2015, 5,539 employees are working for the Company.

Turkish Ground Services

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 9,953 personnel as of 30 September 2015.

Turkish Opet Aviation Fuels

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 September 2015, the Incorporation has 426 employees.

Aircraft Seat Manufacturing Industry & Trade, Inc.

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 September 2015, 40 employees are working for the company.

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Turkish Cabin Interior Systems Industries, Inc.

Established in December 2010, TCI's objective is to undertake the design, manufacture, logistical support, modification, and marketing of aircraft cabin interior systems and components. Stakes of 30%, 20% and 50% are held respectively by Turkish Airlines, Turkish Technic and Türk Havacılık ve Uzay Sanayi A.Ş. (TUSAŞ – TAI). As of 30 September 2015, the Company has 154 employees.

Pratt Whitney THY Turkish Engine Center (TEC)

The Company provides aircraft engine maintenance, repair, and overhaul services to customers in Turkey and its hinterland. Established on 10 October 2008, stakes of %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 m² at Istanbul Sabiha Gökçen International Airport, 269 employees as of 30 September 2015.

Goodrich Turkish Airlines Technical Service Center

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 September 2015, the Company has 31 employees.

Turbine Technical Gas Turbines Maintenance & Repair, Inc.

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 September 2015, 10 employees are working for the Company.

Tax Free Zone, Inc. (Tax Refund)

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 September 2015, 10 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.

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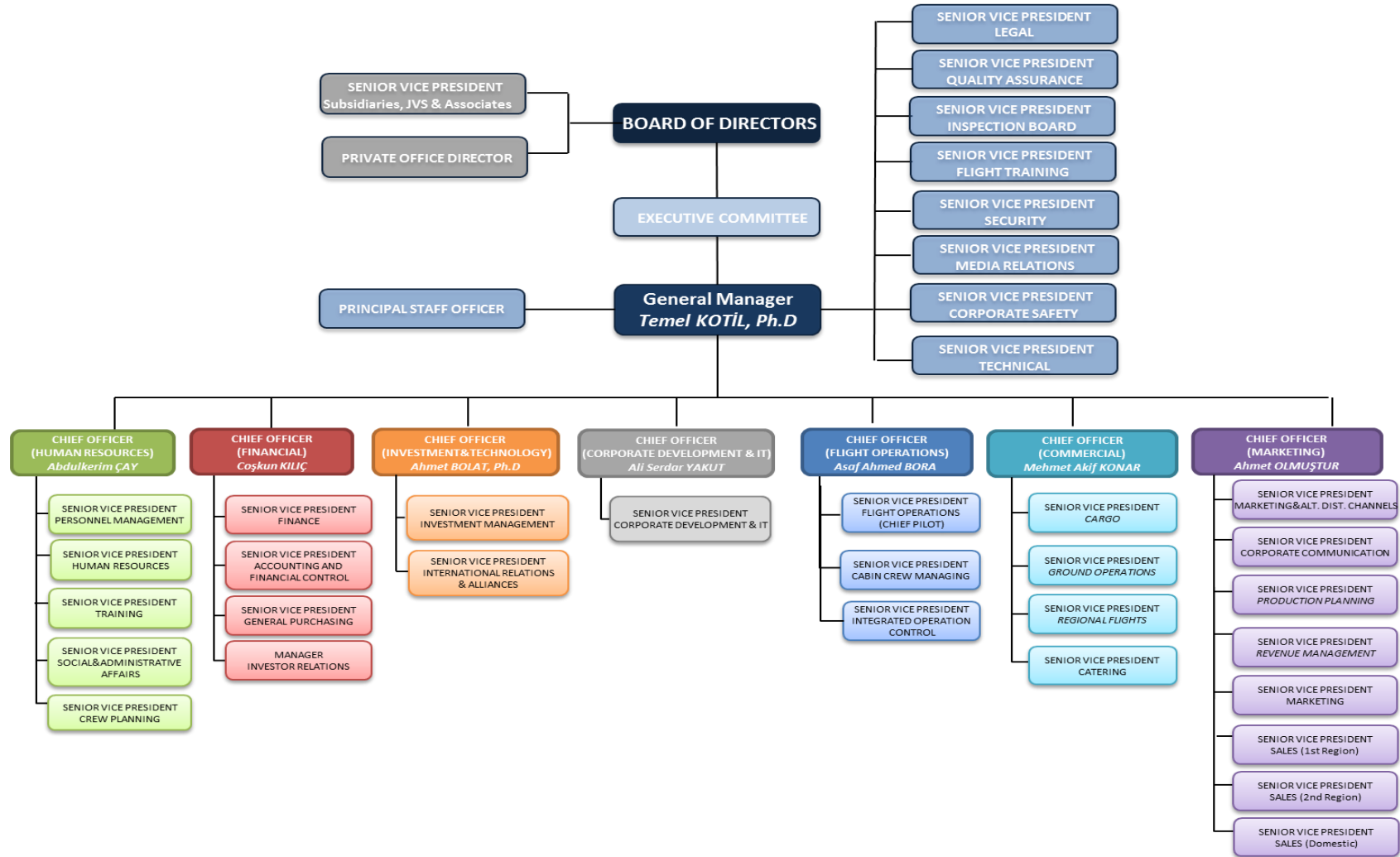
3. ORGANIZATIONAL STRUCTURE

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

	<u>COUNTRY</u>	<u>CITY</u>	<u>AIRPORT</u>
DOMESTIC	1	48	50
INTERNATIONAL	109	229	230
Europe	42	106	107
Far East	22	34	34
Middle East	13	34	34
Africa	28	44	44
America	4	11	11
TOTAL	110	277	280

General Management and all central units are gathered around Istanbul Ataturk Airport. Organization chart of Turkish Airlines, as of 30 September 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 30.09.2015 are listed below:

M. İlker AYCI	: Chairman of the Board and the Executive Committee
Doç. Dr. Temel KOTİL	: Vice Chairman of the Board and the Executive Committee
İsmail GERÇEK	: Member of the Board and the Executive Committee
Prof. Dr. Mecit EŞ	: Member of the Board
Mehmet BÜYÜKEKŞİ	: Member of the Board
Ogün ŞANLIER	: Member of the Board
Arzu AKALIN	: Independent Board Member
M. Muzaffer AKPINAR	: Independent Board Member
İsmail Cenk DİLBEROĞLU	: 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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5. SENIOR MANAGEMENT

Information about the Senior Management of the Incorporation are presented below (as of 30.09.2015):

Coşkun KILIÇ	: Chief Financial Officer
Asaf Ahmed BORA	: Chief Flight Operations Officer
Ahmet OLMUŞTUR	: Chief Marketing Officer
Dr. Ahmet BOLAT	: Chief Investment and Technology Officer
Mehmet Akif KONAR	: Chief Commercial Officer
Abdulkerim ÇAY	: Chief Human Resources Officer
Ali Serdar YAKUT	: Chief Corporate Development and IT Officer

6. HUMAN RESOURCES

Number of personnel with 9% increase reached to 21,605 during the period of January-September 2015 from 19,902 for the year end 2014. Personnel numbers according to classes in 2014 and 2015 are as follows:

	<u>31.12.2014</u>	<u>30.09.2015</u>	<u>Change (%)</u>
Cockpit Personnel	3,892	4,319	11%
Cabin Personnel	7,736	8,557	11%
Aircraft Maintenance Tech.	236	225	-5%
Staff Abroad	2,748	2,919	6%
Domestic Staff	5,290	5,585	6%
TOPLAM	19,902	21,605	9%

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7. DEVELOPMENTS WITHIN THE INCORPORATION

Regular General Assembly Meeting of our Incorporation

The Regular 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 Regular 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 Büyükeksi, 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 Büyükeksi, 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.

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

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Private Offerings 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.

Private offering of Enhanced Equipment Trust Certificates (EETC) with an aggregate face amount of JPY 11.9 billion (approximately Usd 99.3 million) for the purpose of financing three Airbus A321-200 aircraft scheduled to be delivered in September 2015, October 2015 and November 2015, has been made. The public disclosure dated 12.09.2015 includes the details, regarding pricing and structure of the offering.

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.

Letter of intent with LOT Polish Airlines

LOT Polish Airlines and Turkish Airlines have agreed to enhance their commercial ties. A letter of understanding have been signed by both parties, which will initiate an enhanced cooperation between relevant Polish, Turkish and beyond markets and also deepen commercial cooperation on the existing ones. Details of the cooperation will be determined after a mutual work of parties. Any further development will be announced accordingly.

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8. TRAFFIC RESULTS

January-September traffic results are shown below:

	TOTAL		
	2014	2015	Change (%)
Number of Landing	311,889	340,993	9.3%
Available Seat Km ('000)	100,375,842	113,035,717	12.6%
Revenue Passenger Km ('000)	80,123,829	89,331,168	11.5%
Passenger Load Factor (%)	79.8%	79.0%	-0.8 pt
Passengers Carried	41,425,695	46,464,540	12.2%
Int-to-Int Transfer Passengers Carried	11,649,877	13,611,033	16.8%
Cargo and Mail (Tons)	485,845	531,933	9.5%
Fleet	265	298	12.5%
Seat Capacity	49,107	56,372	14.8%
Number of Destinations	260	277	6.5%
Km Flown ('000)	586,531	639,838	9.1%
Hours Flown	311,889	340,993	9.3%
Utilization*	100,375,842	113,035,717	12.6%

* Based on 249 aircraft for 2014, 273 aircraft for 2015.

	DOMESTIC		
	2014	2015	Change (%)
Number of Landing	130,233	145,283	11.6%
Available Seat Km ('000)	13,064,371	14,750,267	12.9%
Revenue Passenger Km ('000)	10,711,014	12,403,856	15.8%
Passenger Load Factor (%)	82.0%	84.1%	2.1 pt
Passengers Carried	17,137,152	19,967,147	16.5%
Cargo and Mail (Tons)	37,719	38,382	1.8%
Km Flown ('000)	80,213	88,874	10.8%

	INTERNATIONAL		
	2014	2015	Change (%)
Number of Landing	181,656	195,710	7.7%
Available Seat Km ('000)	87,311,471	98,285,450	12.6%
Revenue Passenger Km ('000)	69,412,815	76,927,312	10.8%
Passenger Load Factor (%)	79.5%	78.3%	-1.2 pt
Passengers Carried	24,288,543	26,497,393	9.1%
Cargo and Mail (Tons)	448,126	493,551	10.1%
Km Flown ('000)	506,319	550,964	8.8%

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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-September 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
KHUVAND - Tajikistan	03.08.2015

Besides, during January-September 2015, scheduled flights from Sabiha Gökçen Airport to Baku in Azerbaijan, Cologne and Stuttgart in Germany, Barcelona in Spain, Erbil in Iraq 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	
Additional	1,727	638	132,272
Charter	936	1,914	510,212
Hajj-Umrah	-	3,076	379,413

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IV. AnadoluJet Flights:

Scheduled and Additional Flights	2014	2015	Change (%)
Revenue Passenger (000)	6,477	8,006	24%
Avaliable Seats*Km (Millions)	8,083	9,683	20%
Passenger Load Factor (%)	81.1	83.6	+2.5p
Number of Aircraft	29	32	10%

- 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 September 2015, 18 aircraft is based in Ankara Esenboğa and 12 in İstanbul Sabiha Gökçen.
- As of September 2015, AnadoluJet flys to a total of 44 destinations.(Esenboğa based 36, Sabiha Gökçen based 26, point to point (cross) flights 6)
- As of September 2015, Sabiha Gökçen based capacity has increased by %43.

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9. FLEET

30.09.2015	Type	Owned	Financial Lease	Opr./Wet Lease	Seat Capacity	Average Fleet Age	Total
Wide Body	A330-200		5	14	4,525	8.1	19
	A330-300		25	1	7,516	2.2	26
	A340-300	4			1,080	17.2	4
	B777-3ER		22		7,534	2.8	22
	Total	4	52	15	20,655	4.9	71
Narrow Body	B737-900ER		15		2,355	2.2	15
	B737-9 MAX						
	B737-800	25	33	10	10,940	9.3	68
	B737-700			3	372	9.5	3
	B737-8 MAX						
	A321 NEO						
	A319-100		6	8	1,848	7.2	14
	A320-200		12	17	4,572	8.2	29
	A321-200		50	4	9,814	4.7	54
	B737-800 WL			24	4,536	8.9	24
	B737-700 WL			4	596	8.1	4
	E190 WL/E195 WL			6	684	4.2	6
Total	25	116	76	35,717	7.3	217	
Cargo	A330-200F		6		-	2.8	6
	Wet Lease			4	-	16.7	4
	Total		6	4	-	9.4	10
GRAND TOTAL	29	174	95	56,372	6.8	298	

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

10. FINANCIAL SITUATION

SUMMARY OF BALANCE SHEET (Mn TRY)

	30 September 2015	31 December 2014
<u>ASSETS</u>		
Current Assets	10,437	6,565
Non-Current Assets	39,478	25,311
Total Assets	49,915	31,876
<u>LIABILITIES</u>		
Total Current Liabilities	11,538	8,505
Total Non-Current Liabilities	23,735	14,216
Total Equity	14,643	9,154
Total Liabilities and Equity	49,915	31,876
Debt to Assets Ratio	0,71	0,71
Equity Ratio	0,29	0,29

SUMMARY OF INCOME STATEMENT (TRY)

	1 Jan. – 30 Sep. 2015	1 Jan. - 30 Sep. 2014
Sales Revenue	21,593	18,437
Gross Profit	4,857	3,624
Operating Profit Before Investment Activities	2,523	1,482
Profit Before Tax	3,220	1,913
Profit for the Period	2,376	1,545
Earnings Per Share (Kr)	1,72	1,12

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

	30 September 2015	31 December 2014
<u>ASSETS</u>		
Current Assets	3,427	2,831
Non-Current Assets	12,972	10,915
Total Assets	16,399	13,746
<u>LIABILITIES</u>		
Total Current Liabilities	3,789	3,667
Total Non-Current Liabilities	7,799	6,129
Total Equity	4,811	3,950
Total Liabilities and Equity	16,399	13,746
Debt to Assets Ratio	0,71	0,71
Equity Ratio	0,29	0,29

SUMMARY OF BALANCE SHEET (USD Million)

	1 Jan. - 30 Sep. 2015	1 Jan. - 30 Sep. 2014
Sales Revenue	8,054	8,540
Gross Profit	1,778	1,684
Operating Profit Before Investment Activities	894	694
Profit Before Tax	1,189	892
Profit for the Period	877	723
Earnings Per Share (USc)	0,64	0,52
EBITDAR	2,108	1,766
EBITDA	1,677	1,352
EBIT	1,019	803
EBITDAR Margin	%26.2	%20.7
EBITDA Margin	%20.8	%15.8
EBIT Margin	%12.7	%9.4
Operating Profit Margin	%11.1	%8.1
Net Profit Margin	%10.9	%8.5

**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 September 2015, number of wide body aircraft has reached 71, which makes up 24 % of the total fleet. Due to the effect of stage length and seat capacity, contribution of wide body aircraft to the production reached 37%.

	30.09.2015	2011-2021 Aircraft Purchases														
		Delivered						To Be Delivered								
		Type	2011	2012	2013	2014	2015	TOTAL	2015	2016	2017	2018	2019	2020	2021	TOTAL
Wide Body	A330-300	3	3	2	6	7	21		5							5
	B777-3ER	7			4	6	17	1	6	3						10
	Total	10	3	2	10	13	38	1	11	3						15
Narrow Body	B737-900ER	2	7	1		5	15									
	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		11	35	2	10	2						14
	A321 NEO**									4	27	25	32	4		92
	A319	6					6									
Total	18	16	16	10	16	76	2	30	6	47	40	62	14		201	
Cargo	A330-200F	1	1	2		1	5		2	1						3
	Total	1	1	2		1	5		2	1					3	
GRAND TOTAL		29	20	20	20	30	119	3	43	10	47	40	62	14	219	

* 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.

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

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, Durban of Republic of South Africa, Antananarivo of Madagaskar, 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 Class through the improvement of service quality and the expansion of cargo operations.

DISCLAIMER

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