

**BOARD ACTIVITY REPORT
PURSUANT TO THE COMMUNIQUE SERIAL II. NO.14.1**



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1 JANUARY – 30 JUNE 2017

BOARD ACTIVITY REPORT

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1. INDUSTRY DEVELOPMENTS

The terrorist incidents happened in 2015 & 2016 and increasing security issues had a negative effect on passenger traffic in Europe and Turkey. On the other hand, decreasing fuel prices are leading capacity increase and revenue yield decrease especially in Europe and Middle-East Regions. In order to alleviate the impact of these negative events, Turkish Airlines has started a cost-cutting program and an active capacity management in the second half of 2016 and planning to maintain these initiatives through 2017.

The capacity increase and competition in the sector started in 2016, still continues. Despite the negative events in Middle East and Europe, with the help of positive demand environment, during the period of January-June 2017 the global traffic has increased by 7.9%.

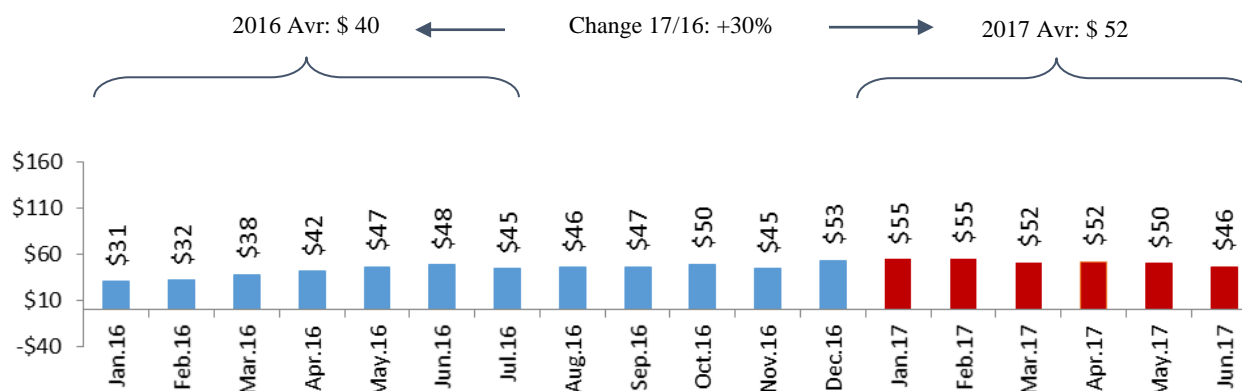
<u>Aviation Industry Revenue/Expense</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016(*)</u>	<u>2017(*)</u>
REVENUES (\$ billion)	706	720	767	720	705	743
Passenger Revenue	531	539	541	511	501	527
Cargo Revenue	64	61	62	53	48	51
Traffic						
Passenger Km Growth (RPK) %	5.3	5.2	5.7	7.3	7.4	7.4
Cargo Km Growth (FTK) %	-0.9	0.6	4.8	1.9	3.6	7.5
OPERATIONAL EXPENSES (\$ billion)	687	695	732	659	643	687
Fuel	228	231	224	175	133	129
% of expenses	33	33	31	27	21	19
Non-fuel expenses	459	464	508	484	510	558
OPERATING PROFIT (\$ billion)	18.4	25.3	35.1	61.1	62.1	55.7
% margin	2.6	3.5	4.6	8.5	8.8	7.5
NET PROFIT(\$ billion)	9.2	10.7	13.7	35.9	34.8	31.4
% margin	1.3	1.5	1.8	5.0	4.9	4.2

(*) Annual forecast published by IATA

Source: IATA Airline Industry Economic Performance, June 2017

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Oil Price per Barrel (Montly Average)



Source: U.S. Energy Information Administration

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

FUEL PRICE ANALYSIS	2014	2015	2016	1H'16	1H'17
Fuel Expenses (Million \$)	3,806	2,997	2,673	1,276	1,284
Fuel Consumption (000 Tons)	3,801	4,272	4,693	2,268	2,229
Average Unit Cost (\$/Tons)	1,001	701	570	563	576
Average Change of Unit Cost (%)	-6%	-30%	-19%	-24%	2%
Fuel Expense Rate in Operational Expenses (%)	36%	30%	26%	25%	27%

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. (<http://investor.turkishairlines.com/en>)

As of 30 June 2017, the shareholders and their respective shareholdings in the Incorporation are as follows:

	<u>30 June 2017</u>
Turkey Wealth Fund	% 49.12
Other (publicly held)	<u>% 50.88</u>
Total	% 100.00

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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 June 2017:

<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 June 2017, Turkish Technic has 6,618 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 2017, Company has 21 employees.

The Group has nine 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 30 June 2017:

<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
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
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 20 aircraft for AnadoluJet operations of THY and with a fleet of 31 aircraft serves its customers in both charter and scheduled business with 2,752 employees as of 30 June 2017. SunExpress flies to 24 domestic and 53 international destinations, which brings the total number to 77 destinations. In 2011, SunExpress Germany was founded as a joint venture of Stiftung and SunExpress, in which each holds %50-50 stake. SunExpress Germany conducts operations to 10 destinations in Germany and 19 international destinations with its 11 Boeing 737-800 passenger aircraft. As of 30 June 2017, 1,241 employees are working for the Company.

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 2017, 3,895 employees are working for the Company.

Turkish Ground Services (TGS)

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

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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 10,178 personnel as of 30 June 2017.

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 June 2017, the Incorporation has 442 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 June 2017, 81 employees are working for the company.

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 June 2017, the Company has 140 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, 329 employees as of 30 June 2017.

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 June 2017, the Company has 37 employees.

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 June 2017, 21 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.

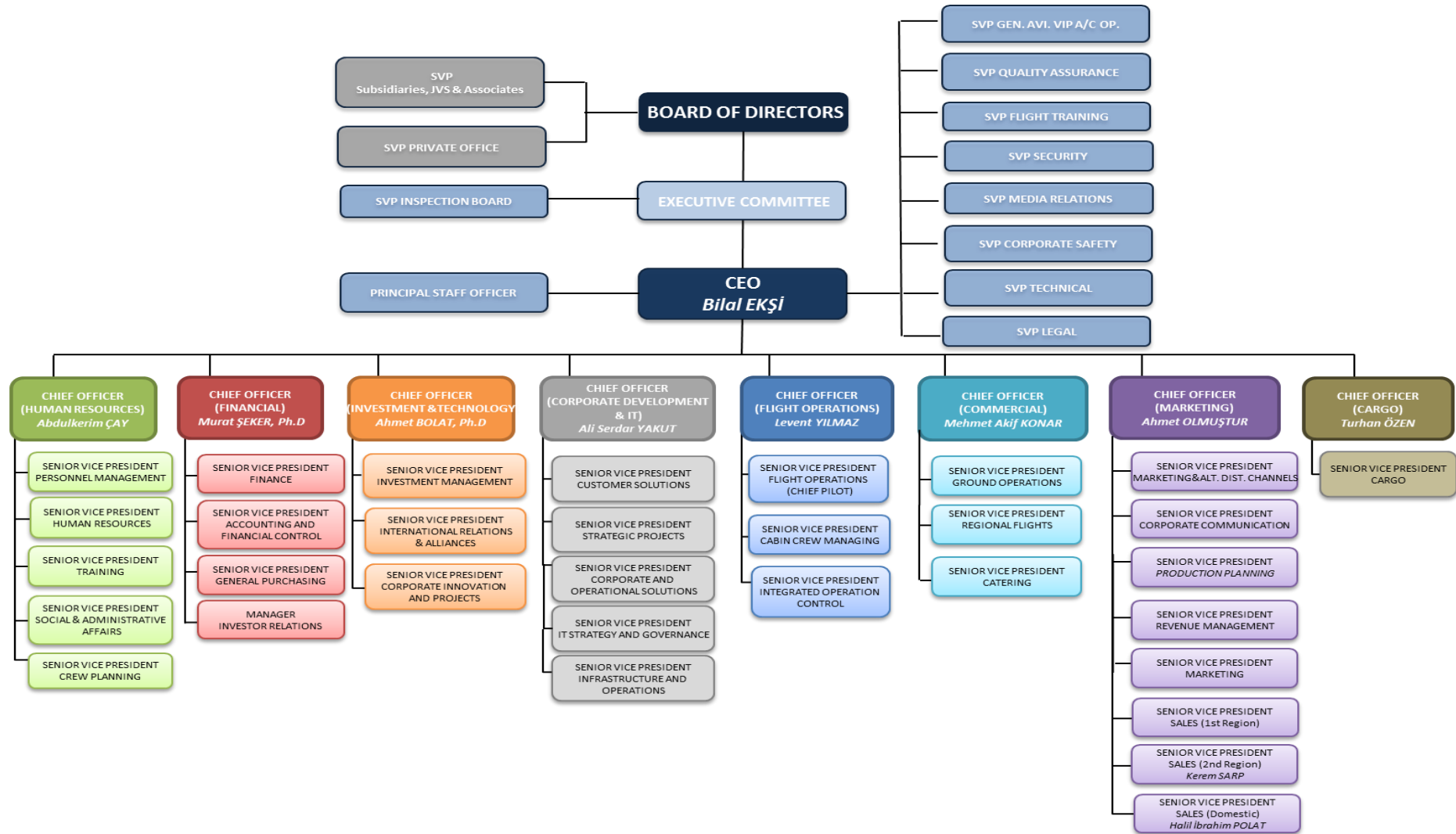
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3. ORGANIZATIONAL STRUCTURE

As of 30 June 2017, the number of countries served has reached to 120.

General Management and all central units are gathered around Istanbul Ataturk Airport. Organization chart of Turkish Airlines, as of 30 June 2017 is shown on the next page.

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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 June 2017 are listed below:

M. İlker AYCI	: Chairman of the Board and the Executive Committee
Bilal EKŞİ	: Vice Chairman of the Board and the Executive Committee, General Manager
İsmail Cenk DİLBEROĞLU	: Member of the Board and the Executive Committee
İsmail GERÇEK	: Member of the Board
Prof. Dr. Mecit EŞ	: Member of the Board
Orhan Birdal	: Member of the Board
Ogün ŞANLIER	: Independent Board Member
Arzu AKALIN	: Independent Board Member
M. Muzaffer AKPINAR	: Independent Board Member

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

COMMITTEES**Audit Committee**

Chairman: M. Muzaffer Akpınar
Member: Ogün Şanlıer

Corporate Governance Committee

Chairman: Arzu Akalın
Member: Orhan Birdal, İsmail Gerçek, Kadir Coşkun (Investor Relations Manager)

Early Identification of Risks Committee

Chairman: Ogün Şanlıer
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 June 2017):

Name	Title	Starting Date of Position	Profession
Bilal Ekşi	Chief Executive Officer	24.10.2016	Electronics and Communications Engineer
Murat Şeker, Ph.D.	Chief Financial Officer	26.07.2016	Industrial Engineer
Ahmet Olmuştur	Chief Marketing Officer	30.04.2014	Business Management, Manager
Mehmet Akif Konar	Chief Commercial Officer	16.04.2013	Operating Engineer
Ahmet Bolat, Ph.D.	Chief Investment and Technology Officer	23.01.2012	Industrial Engineer
Abdulkerim Çay	Chief Human Resources Officer	21.04.2015	Business Management, Manager
Ali Serdar Yakut	Chief Corporate Development and IT Officer	01.06.2015	Computer Engineer
Levent Yılmaz	Chief Flight Operations Officer	30.11.2015	Air Force Academy, Pilot
Turhan Özen	Chief Cargo Officer	12.12.2016	Business Management, Manager

6. HUMAN RESOURCES

Number of personnel decreased by 1% to 23,852 during the period of January-June 2017 from 23,997 for the period of January-June 2016. Personnel numbers according to classes are as follows:

	31.12.2016	30.06.2016	30.06.2017	Change(%)
Cockpit Personnel	4.468	4,454	4,401	-1%
Cabin Personnel	9.922	9,790	9,762	0%
Aircraft Maintenance Tech.	243	243	253	4%
Staff Abroad	3.232	3,203	3,177	-1%
Domestic Staff	6.259	6,307	6,259	-1%
TOTAL	24.124	23,997	23,852	-1%

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7. DEVELOPMENTS WITHIN THE INCORPORATION

2017 Budget Guidance

According to the 2017 budget that was approved by the Board of Directors, the guidance regarding the Company targets and expectations for the year 2017 is as follows:

Traffic Development

- Total number of passengers carried is targeted to reach 69 million including 32 million on domestic routes, 37 million on international routes.
- While passenger load factor is expected to be 76%-77%, total Available Seat Kilometers (ASK) will reach to 177 billion with an increase of 3% compared to 2017. Capacity (ASK) increase is expected to be 12% in Turkey, 7% in Africa region, 2% in Far East region, 8% in Middle East region and there will be no change in America and Europe regions.
- In 2017, cargo/mail carried will increase by 7% reaching 920 thousand tonnes.

Financial Development

- In 2017, jet fuel consumption is expected to increase by 3% compared to 2016.
- Average jet fuel (including fuel hedge) is expected to be 584\$/ton.
- Revenue is expected to be 10,1 Billion USD.
- Targeted CASK decrease is between 3%-5%.
- Targeted EBITDAR margin is between 17%-19%.

Share Transfer

49.12% share of Turkish Airlines owned by Republic of Turkey Prime Ministry Privatisation Administration has been transferred to Sovereign Wealth Fund of Turkey as of February 3rd, 2017.

Miles & Smiles Contract Renewal

The Company has decided to renew Turkish Airlines Frequent Flyer Program (FFP) Miles & Smiles Co-Branded Credit Card Collaboration agreement expiring on 01.04.2017. For this purpose it has been decided to collaborate with the current contractor party, T. Garanti Bankasi A.Ş. to issue FFP Co-branded credit card for the FFP members of Turkish Airlines for 01.04.2017-31.03.2018 period.

2016 Ordinary General Assembly Meeting of our Incorporation

The Regular General Assembly Meeting was held on June 9, 2017. All documents regarding the Meeting are accessible via the Incorporation's Investor Relations Web Site.

(<http://investor.turkishairlines.com/en/governance/general-assembly/1/2017>)

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

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Board Member Appointment

The Incorporation has decided to appoint;

Mr. Mehmet İlker Aycı as the Chairman, Mr. Bilal Ekşi as the Deputy Chairman, Mr. Mecit Eş, Mr. İsmail Gerçek, Mr. İsmail Cenk Dilberoğlu as the Member of the Board, Ms. Arzu Akalın, Mr. Mehmet Muzaffer Akpınar and Mr. Ogün Şanlıer as the Independent Member of the Board.

Mr. Orhan Birdal has been appointed as the Member of the Board, in order to replace the open position, due to the leave of Member of the Board, Mr. Mehmet Büyükeksi.

Appointment of Committees

The Incorporation has decided to appoint;

Independent Board Members Mr. Mehmet Muzaffer Akpınar as the Committee Chairman and Mr. Ogün Şanlıer as the member of the Audit Committee;

Independent Board Member Ms. Arzu Akalın as the Committee Chairman, Board Members Mr. İsmail Gerçek and Mr. Orhan Birdal and Investor Relations Manager Mr. Kadir Coşkun, in compliance with the Capital Market Board's Communique on Corporate Governance (II-17.1), as the members of the Corporate Governance Committee;

Independent Board Members Mr. Ogün Şanlıer as the Committee Chairman and Mr. Mehmet Muzaffer Akpınar, as the member of the Early Identification of Risks Committee;

Chairman of the Board Mr. Mehmet İlker Aycı as the Chairman of the Executive Committee, Deputy Chairman of the Board and General Manager Mr. Bilal Ekşi as the Deputy Chairman of the Executive Committee and Board Member Mr. İsmail Cenk Dilberoğlu as the Member of the Executive Committee.

8. TRAFFIC RESULTS

January-June traffic results are shown below:

	TOTAL		
	1H'16	1H'17	Change (%)
Number of Landing	226,159	216,767	-4.2%
Available Seat Km ('000)	81,937,062	80,608,377	-1.6%
Revenue Passenger Km ('000)	60,297,484	61,275,343	1.6%
Passenger Load Factor (%)	73.6%	76.0%	2.4 pt
Passengers Carried	30,063,670	30,281,009	0.7%
Int-to-Int Transfer Passengers Carried	9,849,876	9,913,400	0.6%
Cargo and Mail (Tons)	410,345	516,102	25.8%
Fleet	329	336	2.1%
Seat Capacity	64,714	67,253	3.9%
Km Flown ('000)	446,790	433,999	-2.9%
Hours Flown	669,181	634,782	-5.1%
Utilization*	12:01	11:10	-7.1%

* Based on 304 aircraft for 2016, 313 aircraft for 2017.

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	DOMESTIC		
	1H'16	1H'17	Change (%)
Number of Landing	93,854	93,991	0.1%
Available Seat Km ('000)	9,872,026	10,138,273	2.7%
Revenue Passenger Km ('000)	8,191,733	8,351,614	2.0%
Passenger Load Factor (%)	83.0%	82.4%	-0.6 pt
Passengers Carried	13,128,331	13,333,100	1.6%
Cargo and Mail (Tons)	27,289	30,769	12.8%
Km Flown ('000)	58,058	58,804	1.3%

	INTERNATIONAL		
	1H'16	1H'17	Change (%)
Number of Landing	132,305	122,776	-7.2%
Available Seat Km ('000)	72,065,036	70,470,104	-2.2%
Revenue Passenger Km ('000)	52,105,750	52,923,728	1.6%
Passenger Load Factor (%)	72.3%	75.1%	2.8 pt
Passengers Carried	16,935,339	16,947,909	0.1%
Cargo and Mail (Tons)	383,056	485,332	26.7%
Km Flown ('000)	388,732	375,196	-3.5%

I. Scheduled Domestic Flights:

During January-June 2017, the Incorporation didn't start operating any new domestic scheduled flights with TK main brand.

II. Scheduled International Flights:

During January-June 2017, 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>
CONAKRY - Guinea	30.01.2017
KHARKIV - Ukrain	30.03.2017
VORONEZH - Russia	04.04.2017
SAMARA - Russia	11.04.2017

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III. Additional, Charter and Hajj-Umrah Flights

During January-June 2017, 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	534	1.099	219.325
Charter	628	1.272	293.594
Hajj-Umrah	-	2.708	305.671

IV. AnadoluJet Flights:

Scheduled and Additional Flights	1H'16	1H'17	Change (%)
Revenue Passenger (000)	5.487	5.786	5%
Avaliable Seats*Km (Millions)	6.711	7.338	9%
Passenger Load Factor (%)	82,7	80,1	-2,6p

- AnadoluJet has been pursuing its operations with 20 aircraft (wetlease) from SunExpress and 18 aircraft from TK fleet.(A total of 38 B737-800)
- As of June 2017, 20 aircraft is based in Ankara Esenboğa and 14 in İstanbul Sabiha Gökçen.
- As of June 2017, AnadoluJet flys to a total of 44 destinations.(Esenboğa based 34, Sabiha Gökçen based 31, point to point (cross) flights 5)
- As of June 2017, Sabiha Gökçen and Ankara Esenboğa based capacity has increased by 4% and 14%, respectively. (Total rate of 8%)
- As of June 2017, the load factor is 80.1%

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9. FLEET

30.06.2017	Type	Owned	Financial Lease	Opr./Wet Lease	Seat Capacity	Average Fleet Age	Total
Wide Body	A330-200		5	14	4,795	9.5	19
	A330-300		29	8	10,502	3.1	37
	A340-300	4			1,161	18.7	4
	B777-3ER		30	3	11,646	3.3	33
	Total	4	64	25	28,104	5.1	93
Narrow Body	B737-900ER		15		2,355	3.6	15
	B737-9 MAX						
	B737-800	25	53	10	14,224	8.5	88
	B737-700			1	124	10.9	1
	B737-8 MAX						
	A321 NEO						
	A319-100		6	3	1,188	8.5	9
	A320-200		12	15	4,272	9.7	27
	A321-200		62	6	12,360	4.7	68
	A320-200 WL						
B737-800 WL			20	3,780	10.6	20	
Total	25	148	55	38,303	7.4	228	
Cargo	A330-200F		9			3.5	9
	B777F						
	Wet Lease			4		25.6	6
	Total		9	4		12.3	15
GRAND TOTAL		29	221	84	66,407	7.0	336

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10. FINANCIAL SITUATION

SUMMARY OF BALANCE SHEET (Mn TRY)

	30 June 2017	31 December 2016
<u>ASSETS</u>		
Current Assets	14,217	12,673
Non-Current Assets	50,256	52,401
Total Assets	64,473	65,074
<u>LIABILITIES</u>		
Total Current Liabilities	19,008	15,832
Total Non-Current Liabilities	29,330	31,343
Total Equity	16,135	17,899
Total Liabilities and Equity	64,473	65,074
Debt to Assets Ratio	0,75	0,72
Equity Ratio	0,25	0,28

SUMMARY OF INCOME STATEMENT (TRY)

	1 Jan. – 30 Jun. 2017	1 Jan. - 30 Jun. 2016
Sales Revenue	16,674	13,508
Gross Profit	2,251	990
Operating Profit Before Investment Activities	39	(1,206)
(Loss) Before Tax	(2,004)	(2,391)
(Loss) for the Period	(1,615)	(1,894)
Earnings Per Share (Kr)	(1.17)	(1.37)

SUMMARY OF BALANCE SHEET (Mn USD)

	30 June 2017	31 December 2016
<u>ASSETS</u>		
Current Assets	4,053	3,601
Non-Current Assets	14,330	14,890
Total Assets	18,383	18,491
<u>LIABILITIES</u>		
Total Current Liabilities	5,420	4,497
Total Non-Current Liabilities	8,363	8,907
Total Equity	4,600	5,087
Total Liabilities and Equity	18,383	18,491
Debt to Assets Ratio	0.75	0.72
Equity Ratio	0.25	0.28

**BOARD OPERATIONAL REPORT
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SUMMARY OF INCOME STATEMENT (USD)

	1 Jan. - 30 Jun. 2017	1 Jan. - 30 Jun. 2016
Sales Revenue	4,597	4,632
Gross Profit	625	342
Operating Profit/Loss Before Investment Activities	17	(411)
(Loss) Before Tax	(541)	(819)
(Loss) for the Period	(434)	(647)
Earnings Per Share (USc)	(0.31)	(0.47)
EBITDAR	925	531
EBITDA	581	182
EBIT	74	(374)
EBITDAR Margin	%20,1	%11,5
EBITDA Margin	%12,6	%3,9
EBIT Margin	%1,6	(%8,1)
Operating Profit Margin	%0,4	(%8,9)
Net Profit Margin	(%9,2)	(%14,0)

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11. INVESTMENTS, INCENTIVES AND INVESTMENT POLICIES

Within the scope of “2009-2023 Fleet Projection” and “2012-2020 Fleet Plans”, confirmed by the Board, number of aircraft and delivery years are stated on the following table.

By the end of June 2017, number of wide body aircraft has reached 93, which makes up 28 % of the total fleet. Due to the effect of stage length and seat capacity, contribution of wide body aircraft to the production reached 50%.

30.06.2017	Type	2011-2023 Aircraft Purchases															
		Delivered							To Be Delivered								
		2011	2012	2013	2014	2015	2016	2017	TOTAL	2017	2018	2019	2020	2021	2022	2023	TOTAL
Wide Body	A330-300	3	3	2	6	7	5		26								
	B777-3ER	7			4	7	6	1	25								
	Total	10	3	2	10	14	11	1	51								
Narrow Body	B737-900ER	2	7	1		5			15								
	B737-9 MAX										5	5					10
	B737-800	2	2	6	10		20		40								
	B737-8 MAX										7	12	19	15	12		65
	A321	8	7	9		13	10		47								
	A321 NEO										3	18	18	20	18	15	92
	A319	6							6								
Total	18	16	16	10	18	30		108		10	35	42	35	30	15	167	
Cargo	A330-200F	1	1	2		1	2	1	8								
	B777F									2							2
	Total	1	1	2		1	2	1	8	2							2
GRAND TOTAL	29	20	20	20	33	43	2	167	2	10	35	42	35	30	15	169	

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 Makhachkala of Russia, Abha of Saudi Arabia, Juba of South Sudan, Aswan and Luxor of Egypt, Krakow of Poland, La Coruna of Spain, Lenkeran of Azerbaijan, Luanda of Angola, Mexico City of Mexico, Nantes of France, Denpasar of Indonesia and Freetown of Sierra-Leone.

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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