

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



1 JANUARY – 30 JUNE 2019

BOARD ACTIVITY REPORT

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1. INDUSTRY DEVELOPMENTS

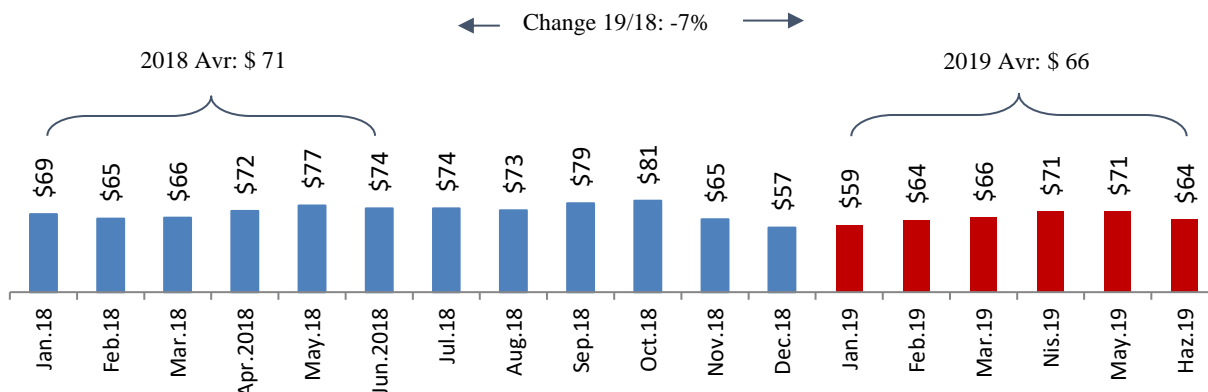
The increase in oil prices in first half of 2019 relived the global aviation sector. The Turkish aviation sector was affected positively by the exchange rate fluctuation in the first half of 2019. Due to depreciation in Turkish Lira, Turkey had become a more attractive vacation destination and consequently; during the first half of 2019, the number of foreign tourists visiting Turkey increased by 13.2% compared to the first half of 2019. In the same period, the number of international passengers carried by Turkish Airlines increased by 1.6%.

Turkish Airlines continues its success on the passenger side on cargo transportation side as well. The Incorporation has achieved to maintain its strong growth trend in the cargo market over the last decade and consequently, cargo carried increased by 8.8% and cargo revenue increased by 1.9% during the first half of 2019. Turkish Airlines increases the importance of cargo transportation each passing day and plans to expand the cargo fleet in proportionate to passenger fleet. Accordingly, Turkish Airlines takes firm steps forward to be one of the largest air cargo carriers in the world by increasing its market share in the global air cargo market with the addition of new cargo aircraft to the existing fleet.

Aviation Industry Revenue/Expense	2014	2015	2016	2017	2018	2019*
REVENUES (\$ billion)	767	721	709	755	812	865
Passenger Revenue	538	509	498	534	561	589
Cargo Revenue	92.9	83.8	80.8	95.9	111.3	111.3
Traffic						
Passenger Km Growth (RPK) %	6.0	7.4	7.4	8.1	7.4	5.0
Cargo Km Growth (FTK) %	5.8	2.3	3.6	9.7	3.4	0.0
OPERATIONAL EXPENSES (\$ billion)	731	659	649	698	765	822
Fuel	224	174	135	149	180	206
% of expenses	30.6	26.4	20.9	21.4	23.5	25.0
Non-fuel expenses	507	485	513	549	585	616
OPERATING PROFIT (\$ billion)	35.5	62.0	60.1	56.6	47.0	43.6
% margin	4.6	8.6	8.5	7.5	5.8	5.0
NET PROFIT(\$ billion)	13.8	36.0	34.2	37.6	30.0	28.0
% margin	1.8	5.0	4.8	5.0	3.7	3.2
(*) Annual forecast published by IATA						
Source: IATA Airline Industry Economic Performance, June 2018)						

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Oil Price per Barrel (Monthly Average)



Source: U.S. Energy Information Administration

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

FUEL PRICE ANALYSIS	2015	2016	2017	2018	6M'18	6M'19
Fuel Expenses (Million \$)	2,997	2,673	2,866	3,768	1,723	1,835
Fuel Consumption (000 Tons)	4,272	4,693	4,847	5,278	2,530	2,632
Average Unit Cost (\$/Tons)	701	570	591	714	681	697
Average Change of Unit Cost (%)	-30%	-19%	4%	20.7%	18%	2.4%
Fuel Expense Rate in Operational Expenses (%)	30%	26%	28%	32%	30%	30%

2. FIELD OF ACTIVITY, CAPITAL STRUCTURE AND SUBSIDIARIES

Türk Hava Yolları Anonim Ortaklığı (the “Incorporation” 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, Yeşilköy Mah. Havaalanı Cad. No:3/1 34149 Bakırköy, İstanbul/Türkiye. Detailed information about the Incorporation can be reached via Investor Relations Website. (<http://investor.turkishairlines.com/en>)

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

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(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:

Shareholder	Amount of Nominal Shares (TL)	Ownership (%)	Amount of Shares (#)	Rate of Voting Right (%)
Turkey Wealth Fund (Group A)	677,884,849	49.12	67,788,484,857	49.12
The Republic of Turkey Ministry of Treasury and Finance Privatization Administration (Group C)	0.01		1	
Open for Public (Group A)	702,115,151	50.88	70,211,515,142	50.88
TOTAL	1,380,000,000	100.00	138,000,000,000	100.00

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

The Group has 5 subsidiaries as of 30 June 2019. The table below sets out the consolidated subsidiaries and participation rate of the Group in these:

<u>Name of the Company</u>	<u>Principal Activity</u>	<u>Direct Participation Rate</u>	<u>Country of Registration</u>
THY Teknik A.Ş. (Turkish Technic)	Aircraft Maintenance Service	100%	Turkey
THY Uçuş Eğitim ve Havalimanı İşletme A.Ş.	Airport Operations	100%	Turkey
THY Havaalanı Gayrimenkul Yatırım ve İşletme A.Ş.	Investment & Airport Operations	100%	Turkey
THY Uluslararası Yatırım ve Taşımacılık A.Ş.	Transportation and Investment	100%	Turkey
Cornea Havacılık Sistemleri San. Ve Tic. A.Ş.	In-Flight Entertainment Systems and Internet Service	80%	Turkey

THY Teknik A.Ş. (Turkish Technic)

Established on 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

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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 30 June 2019, Turkish Technic has 8,757 employees.

THY Uçuş Eğitim ve 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 2019, Company has 66 employees. Name of the company has been changed from THY Aydın Çıldır Havalimanı İşletme A.Ş. to THY Uçuş Eğitim ve Havalimanı İşletme A.Ş. (TAFA) on 12 June 2017.

THY Havaalanı Gayrimenkul Yatırım ve İşletme A.Ş

The Company, which is wholly owned by our Incorporation, was established on 15 November 2017 with the cash capital of 50.000 TRY in order to operate principally in the fields of airport operations and investments and also according to the fields of other activity that is specified in the Articles of Association of the Company.

THY Uluslararası Yatırım ve Taşımacılık A.Ş

The Company, which is wholly owned by the Incorporation, was established on 25 September 2017 with the cash capital of 10.000.000 TRY in order to invest at abroad and domestically, principally in the fields of cargo and courier transportation and in the fields that is specified in the Articles of Association of the Company.

Cornea Havacılık Sistemleri San. Ve Tic. A.Ş.

On 11 October 2018, Cornea Havacılık Sistemleri Sanayi ve Ticaret A.Ş. was established in order to operate principally in the fields of "In-Flight Entertainment Systems and Internet Service" and also according to the fields of other activity that is specified in the Articles of Association of the Company. Stakes of 80% and 20% are held respectively by THY Teknik A.Ş. and Havelsan Hava Elektronik Sanayi ve Ticaret A.Ş. As of 30 June 2019, Company has 1 employee.

The Group has 10 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 2019:

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<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
Air Albania	Aircraft Transportation	49%	-	Albania
We World Express Ltd.	Cargo and Courier Transportation	45%	-	Hong Kong

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 32 aircraft serves its customers in both charter and scheduled business with 3,264 employees as of 30 June 2019. SunExpress flies to 26 domestic and 132 international destinations, which brings the total number to 158 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 88 international destinations with its 21 passenger aircraft. As of 30 June 2019, 1,166 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 2019, 6,080 employees are working for the Company.

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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 16,604 personnel as of 30 June 2019.

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 2019, the Company has 482 employees.

TSI Aviation Seats

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 2019, 120 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 2019, the Company has 214 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, the company has 388 employees as of 30 June 2019.

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 2019, the Company has 53 employees.

Tax Free Zone, Inc. (Tax Refund)

The Company was 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 2019, 19 employees are working for the company.

Air Albania

The Incorporation established a Republic of Albanian based Joint Venture Company, in order to operate in the field of passenger and cargo transportation. Established on 12 September 2018, the stakes of 49%, 41% and 10% is being held respectively by Turkish Airlines, MDN Investment SHPK, and Albcontrol, which manages Albanian

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airspace and air traffic, representing Government of Albania. As of 30 June 2019, 45 employees are working for the company

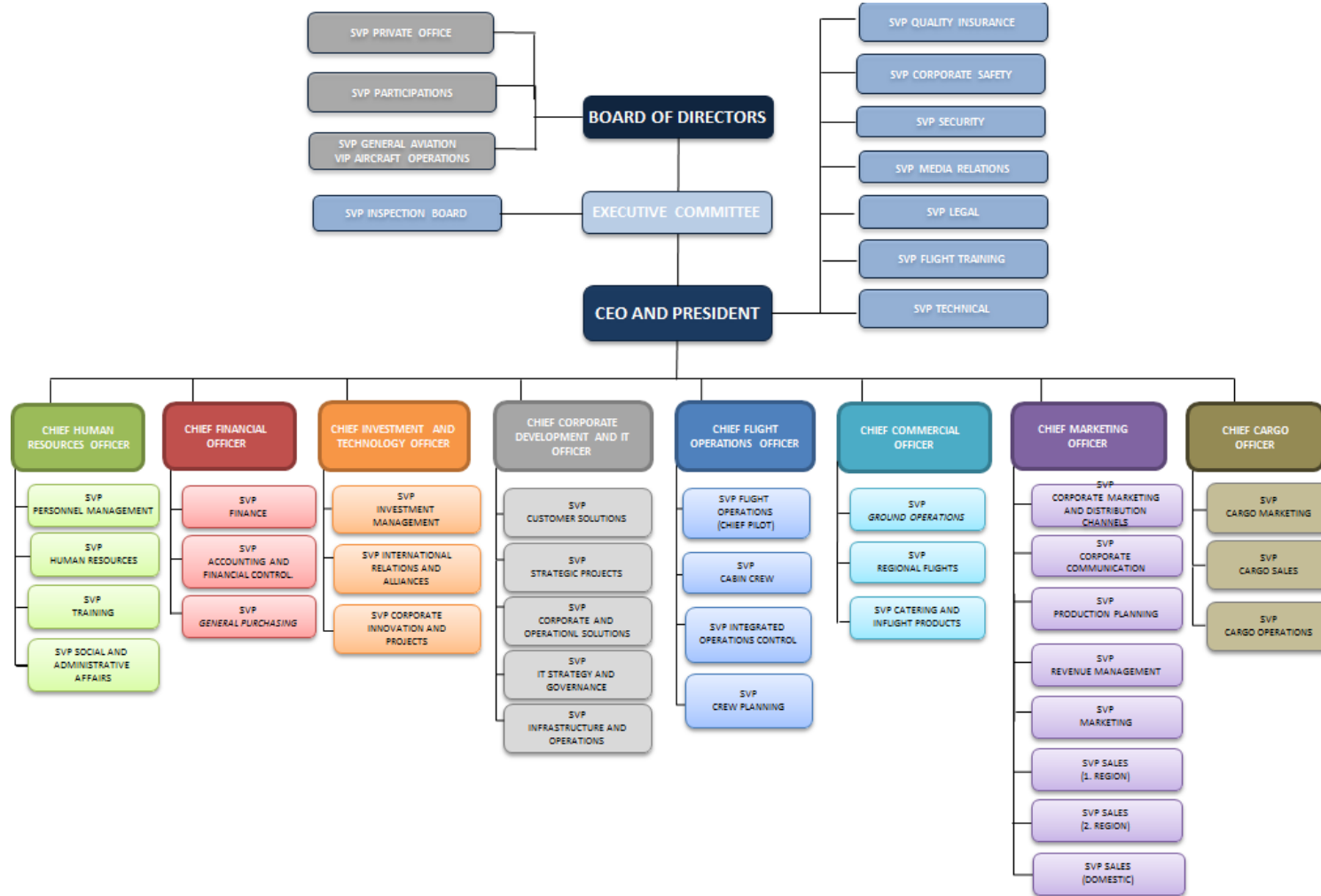
The Incorporation is responsible for the full and joint control over subsidiaries and affiliates through Board of Directors. In addition, operations of subsidiaries and affiliates are monitored by Senior Vice President of Subsidiaries located within the means of the Parent Company. The internal audit 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

As of 30 June 2019, the number of countries served has reached to 124.

General Management and all central units are gathered around Istanbul Ataturk Airport. Organization chart of Turkish Airlines, as of 30 June 2019 is shown on the next page.

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**BOARD OPERATIONAL REPORT
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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 2019 are listed below:

M. İlker AYCI	: Chairman of the Board and the Executive Committee
Prof. Dr. Mecit EŞ	: Deputy Chairman of the Board and the Executive Committee
Salim Arda ERMUT	: Member of the Board and the Executive Committee
Bilal EKŞİ	: Member of the Board and General Manager
Mithat Görkem AKSOY	: Member of the Board
Orhan Birdal	: Member of the Board
Ogün ŞANLIER	: Independent Board Member
Dr. Fatmanur ALTUN	: Independent Board Member
M. Muzaffer AKPINAR	: Independent Board Member

Brief resumes of our Board of Directors and their duties outside of the company 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: Fatmanur Altun

Member: Orhan Birdal, Mithat Görkem Aksoy, 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 2019):

Name	Title	Starting Date of Position	Profession
Bilal Ekşi	Chief Executive Officer	24.10.2016	Electronics and Communications Engineer
Assoc. Prof. Murat Şeker, Ph.D.	Chief Financial Officer	26.07.2016	Industrial Engineer
Ahmet Olmuşur	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
Aykut Alpa	Chief Flight Operations Officer	25.05.2018	Pilot
Turhan Özen	Chief Cargo Officer	12.12.2016	Business Management, Manager

6. HUMAN RESOURCES

Number of personnel increased by 16% to 28,934 during the period of January-June 2019 from 24,290 for the period of January-June 2018. Personnel numbers according to classes are as follows:

	31.12.2018	30.06.2018	30.06.2019	Change(%)
Cockpit Personnel	5,213	4,574	5,484	20%
Cabin Personnel	10,593	10,212	12,246	20%
Aircraft Maintenance Tech.	69	70	68	-3%
Staff Abroad	3,385	3,258	3,471	7%
Domestic Staff	7,479	6,796	7,665	13%
TOTAL	26,739	24,910	28,934	16%

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7. DEVELOPMENTS WITHIN THE INCORPORATION

I. Developments During the Period

New International Routes

In the first half of 2019, our scheduled flights to Sharjah of United Arab Emirates, to Marakesh of Morocco, to Strasbourg of France and to Port Harcourt of Nigeria have started.

New Domestic Route Announcement

The Incorporation has decided to start operating scheduled flights, based on aircraft availability, to Zonguldak Airport in Turkey.

New International Route Announcement

The Incorporation has decided to start operating scheduled flights, based on market conditions, to Pointe-Noire of Republic of the Congo.

Appointment of Committees

Independent Board Member Mr. Mehmet Muzaffer Akpınar has been assigned as the Chairman and Mr. Ogün Şanlıer as the Member of the Audit Committee;

Independent Board Member Ms. Fatmanur Altun as the Committee Chairman, Board Members Mr. Mithat Görkem 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 Member Mr. Ogün Şanlıer as the 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 Mr. Mecit Eş as the Deputy Chairman of the Executive Committee, Mr. Salim Arda Ermut as the Member of the Executive Committee.

Appointment of the Board Members

At today's Ordinary General Assembly Meeting, the following members have been assigned to the Board of Directors.

Chairman of the Board: Mr. Mehmet İlker Aycı

Deputy Chairman of the Board: Mr. Mecit Eş

Members of the Board:

Mr. Bilal EKŞİ

Mr. Mehmet Muzaffer AKPINAR

Mr. Ogün ŞANLIER

Mr. Orhan BİRDAL

Ms. Fatmanur ALTUN

Mr. Mithat Görkem AKSOY

Mr. Salim Arda ERMUT

Credit Rating

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International credit rating agency Moody's Investor Service lowered Government of Turkey's long-term issue rating and Turkey's foreign currency bond ceiling to B1. Since Turkish Airlines' credit rating aligned to the foreign currency bond ceiling, Moody's has downgraded the corporate family ratings of Turkish Airlines to B1 negative from Ba3 negative.

Along with this, issue ratings of Turkish Airlines' Enhanced Equipment Trust Certificates (EETCs), which have been issued in 2015, have also been reviewed, and as a result, they were lowered to Ba3 from Ba1.

General Assembly Meeting

Ordinary General Assembly Meeting of Türk Hava Yolları Anonim Ortaklığı was held on 28th of June 2019, Friday, at 14:30 p.m. at its Headquarter, in the Conference Hall located at Yeşilköy Mahallesi, Havaalanı Cad. No:3/1 Bakırköy.

Catering Services

Ref: Public Disclosure dated 19.07.2018

As a result of the negotiations to continue our partnership with DO & CO, in THY DO & CO İkrâm Hizmetleri A.Ş., which is a subsidiary of our Incorporation, it has been decided to sign a catering contract for a duration of 15 years for all domestic, international and charter flights of Turkish Airlines from airports in Turkey. Furthermore, the agreement provides for the sale of the hotel in Istanbul from THY DO & CO İkrâm Hizmetleri A.Ş to our Incorporation.

The finalization of these transactions is subject to several conditions precedent, in particular the clearance by the competent competition authorities.

Related Party Transactions

The conclusion section of the "Common and Continuous Related Party Transactions Report" prepared by the Board of Directors as per Article 10 of the Capital Markets Board's Communiqué No.II-17.1 on Corporate Governance is provided below for the information of our shareholders.

Conclusion Section of the Report on Related Party Transactions:

As per Article 10 of the Capital Market's Board's Communiqué No.II-17.1 on Corporate Governance; The Board of Directors of the Incorporation issued a report on Related Party Transactions, due to the fact that the rate of the amount of common and continuous fuel supply /purchasing transactions executed between Turkish Airlines and THY Opet Havacılık Yakıtları A.Ş. in 2018, exceeded 10%, compared to the cost of sales in 2018 financial statements disclosed to public; and that it is also foreseen that transactions with similar features will continue in 2019, in accordance with the determined principles. These transactions mentioned in the aforementioned report are considered to be made consistent with the transactions of previous years and at-arm's length when compared with market conditions.

Notification Regarding Dividend Payment

According to the consolidated financial statements belonging to the accounting period of 01.01.2018-31.12.2018 prepared in accordance with the International Financial Reporting Standards within the framework of the provisions of the Communiqué of the CMB Serial: II, and Number: 14.1 and audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., net profit for the period is TL 4.045.000.000. On the other hand, according to the legal books (under the provisions of Turkish Tax Procedure Law, due to the differences between Turkish Accounting standards and IFRS standards) the net loss of the period is TL 8.115.218.355 and previous years' loss account has a balance of TL 10.055.207.776. The following resolution will be submitted to the approval of the General Assembly:

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The loss amount according to the legal books will be transferred to previous years' loss account. As there will not be any distributable profit (according to the legal books), the net profit of TL 4.045.000.000 (according to IFRS) will be transferred to the previous years' profit account. Attached you may find the 2018 Profit Distribution Table.

26th Contract Period

As a result of the negotiations held between Turkish Airlines Inc. and Hava-İş Union, 26th Collective Bargaining Agreement has been signed, covering 3 years period starting from January 1st, 2019.

According to the Agreement, the wage increase for the first half of 2019 will be 12.19% which is calculated by adding 2% to 10.19%, Consumer Price Index change between period of June 2018 and December 2018. 1.5%, 2%, 1.5%, 1%, and 1% will be added to related periods CPI change for the second half of 2019, for the first half of 2020, for the second half of 2020, for the first half of 2021 and for the second half of 2021, respectively. Apart from the wage increases the monthly-paid social aid will increase from 750.-TL to 865.-TL for the first year, from 865.-TL to 955.-TL for the second year and from 955.-TL to 1,050.-TL for the third year. A onetime net payment of 5,000.-TL will be made to the unionized staff.

26th Contract Period Negotiations

Negotiations between our Incorporation and Hava-İs Labor Union, regarding the 26th Collective Bargaining Agreement began with the first meeting on January 3, 2019 at Turkish Airlines Headquarters.

2019 Guidance

According to the non-consolidated 2019 budget that was approved by the Board of Directors, the guidance regarding the Incorporation's targets and expectations for the year 2019 is as follows:

Traffic Development

- Total number of passengers carried is targeted to reach 80 million including 33 million on domestic routes, 47 million on international routes.
- While passenger load factor is expected to be in the band of 81% and 82%, total Available Seat Kilometers (ASK) will approximately reach to 195 billion with an increase of 7% to 8% compared to 2018. Capacity (ASK) increase is expected to be 3% in Turkey, 11% in Middle East, 6% in Europe, 8% in Far East, 7% in America and 15% in Africa regions.
- In 2019, cargo/mail carried is expected to increase by 3% - 4% reaching around 1.45 million tonnes.

Financial Development (Consolidated)

- In 2019, jet fuel consumption is expected to increase by 8% to 9% compared to 2018.
 - Average jet fuel (including fuel hedge) is expected to be 715 \$/ton in 2019.
 - The Incorporation is targeting to generate 14.1 billion USD of sales revenue.
 - Cost per available seat kilometer (CASK), excluding fuel is expected to increase by 3% - 5%.
 - Consolidated EBITDAR margin is targeted to be in the band of 22% and 24%.
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II. Subsequent Events

New International Routes

In July, our scheduled flights to Bali (Denpasar) of Indonesia have started.

Notification of Joint Venture

Within the scope of fuel activities carried out at Istanbul Airport, negotiations have started for IGA Istanbul Havalimanı Akaryakıt Hizmetleri A.Ş., which is responsible for the operation of fuel supply facilities, to become a 25% shareholder through capital increase.

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8. TRAFFIC RESULTS

January-June 2019 traffic results are shown below:

	TOTAL		
	2018	2019	Change (%)
Number of Landing (Passenger Flights)	239.361	235.020	-1,8%
Available Seat Km ('000)	88.142.557	88.788.643	0,7%
Revenue Passenger Km ('000)	70.863.634	71.142.667	0,4%
Passenger Load Factor (%)	80,4%	80,1%	-0,3 pt
Passengers Carried	35.742.097	35.133.150	-1,7%
Int-to-Int Transfer Passengers Carried	11.042.107	11.270.992	2,1%
Cargo and Mail (Tons)	662.133	720.244	8,8%
Fleet	326	338	3,7%
Seat Capacity	65.127	66.066	1,4%
Number of Destinations	304	311	2,3%
Km Flown ('000)	418.988	428.996	2,4%
Hours Flown	693.179	715.244	3,2%
Utilization*	11:56	12:14	2,5%

* Based on 319 aircraft for 2018, 321 aircraft for 2019.

	DOMESTIC		
	2018	2019	Change (%)
Number of Landing (Passenger Flights)	108.189	100.097	-7,5%
Available Seat Km ('000)	11.825.868	11.133.148	-5,9%
Revenue Passenger Km ('000)	10.003.404	9.550.591	-4,5%
Passenger Load Factor (%)	84,6%	85,8%	1,2 pt
Passengers Carried	16.070.986	15.138.988	-5,8%
Cargo and Mail (Tons)	35.287	32.687	-7,4%
Km Flown ('000)	66.924	62.525	-6,6%

	INTERNATIONAL		
	2018	2019	Change (%)
Number of Landing (Passenger Flights)	131.172	134.923	2,9%
Available Seat Km ('000)	76.316.689	77.655.495	1,8%
Revenue Passenger Km ('000)	60.860.230	61.592.076	1,2%
Passenger Load Factor (%)	79,7%	79,3%	-0,4 pt
Passengers Carried	19.671.111	19.994.162	1,6%
Excl. Int-to-Int Transfer Passenger	8.629.004	8.723.170	1,1%
Cargo and Mail (Tons)	626.846	687.557	9,7%
Km Flown ('000)	352.064	366.471	4,1%

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I. Scheduled Domestic Flights:

During January - June 2019, the Incorporation started operating scheduled flights with TK main brand to new domestic destinations stated below:

Flight Destination	Flight Inaugural Date
Zonguldak	12.05.2019

II. Scheduled International Flights:

During January - June 2019, the Incorporation started operating scheduled flights with TK main brand to new international destinations stated below:

Flight Destination	Flight Inaugural Date
Sharjah- United Arab Emirates	04.04.2019
Port Harcourt – Nigeria	25.06.2019
Strasbourg - France	31.05.2019

III. Additional, Charter and Hajj-Umrah Flights

During January - June 2019, 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	68	87	12.474
Charter	454	1.706	307.340
Hajj-Umrah	-	2.280	213.849

IV. AnadoluJet Flights:

Scheduled and Additional Flights	2Q'18	2Q'19	Change (%)
Revenue Passenger (000)	7,762	7,092	-8.6%
Avaliable Seats*Km (Millions)	5,904	5,301	-10.2%
Passenger Load Factor (%)	84.2	85.0	+0.8 pt

- In the period of January – June 2019, AnadoluJet has been pursuing its operations with 20 aircraft (wetlease) from SunExpress and 16 aircraft from TK fleet (Average number of 36 B737-800).
- As of June 2019, 16 aircraft is based in Ankara Esenboğa and 15 in İstanbul Sabiha Gökçen.
- As of June 2019, AnadoluJet flies to a total of 41 destinations. (Esenboğa based 33, Sabiha Gökçen based 32, point to point (cross) flights 13)
- As of June 2019, Sabiha Gökçen and Ankara Esenboğa based ASK has decreased by 21% and 0.3%, respectively. (Total rate of ASK decrease 10%)
- As of June 2019, the load factor is 85.5%.

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9. FLEET

30.06.2019	Type	Owned	Financial Lease	Opr./Wet Lease	Seat Capacity	Average Fleet Age	Total	
Wide Body	A330-200	5		13	4.680	11,4	18	
	A330-300		29	10	11.481	5,5	39	
	B777-3ER		27	6	11.670	5,7	33	
	B787-9		1		300		1	
	Total	5	57	29	27.831	6,7	91	
Narrow Body	B737-900ER		15		2.355	6,2	15	
	B737-9 MAX		1		169	0,4	1	
	B737-800	26	37	15	12.694	10,1	78	
	B737-700			1	124	13,4	1	
	B737-8 MAX		11		1.661	0,6	11	
	A321 NEO		7		1.274	0,4	7	
	A319-100		6		792	8,2	6	
	A320-200	5	7	5	2.718	12,3	17	
	A321-200	5	57	6	12.360	7,1	68	
	B737-800 WL			20	3.780	15,2	20	
	Total	36	141	47	37.927	8,7	224	
	Cargo	A330-200F	1	9			5,7	10
		B777F		5			1,1	5
Wet Lease				8		23,0	8	
Total		1	14	8		10,7	23	
GRAND TOTAL		42	212	84	65.758	8,3	338	

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10. FINANCIAL SITUATION

SUMMARY OF BALANCE SHEET (Mn TRY)

	30 June 2019	31 December 2018
<u>ASSETS</u>		
Current Assets	27,898	23,706
Non-Current Assets	104,864	85,370
Total Assets	132,762	109,076
<u>LIABILITIES</u>		
Total Current Liabilities	36,331	27,246
Total Non-Current Liabilities	63,156	50,546
Total Equity	33,275	31,284
Total Liabilities and Equity	132,762	109,076
Debt to Assets Ratio	0.75	0.71
Equity Ratio	0.25	0.29

SUMMARY OF INCOME STATEMENT (Mn TRY)

	1 Jan. – 30 Jun. 2019	1 Jan. – 30 Jun. 2018
Sales Revenue	33,516	24,375
Gross Profit	3,913	4,488
Operating Profit Before Investment Activities	(735)	1,081
Profit/Loss Before Tax	(1,751)	127
Profit/Loss for the Period	(1,120)	127
Earnings Per Share (Kr)	(0.81)	0.09

SUMMARY OF BALANCE SHEET (Mn USD)

	30 June 2019	31 December 2018
<u>ASSETS</u>		
Current Assets	4,847	4,505
Non-Current Assets	18,221	16,227
Total Assets	23,068	20,732
<u>LIABILITIES</u>		
Total Current Liabilities	6,311	5,184
Total Non-Current Liabilities	10,974	9,603
Total Equity	5,783	5,945
Total Liabilities and Equity	23,068	20,732
Debt to Assets Ratio	0.75	0.71
Equity Ratio	0.25	0.29

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SUMMARY OF INCOME STATEMENT (Mn USD)

	1 Jan. – 30 Jun. 2019	1 Jan. – 30 Jun. 2018
Sales Revenue	5,949	5,940
Gross Profit	692	1087
Operating Profit/Loss Before Investment Activities	(135)	258
Profit/Loss Before Tax	(316)	40
Profit/Loss for the Period	(203)	(41)
Earnings Per Share (USc)	(0.15)	0.03
EBITDAR	919	1278
EBITDA	653	856
EBIT	(83)	320
EBITDAR Margin	15.5%	21.5%
EBITDA Margin	11%	14.4%
EBIT Margin	(1.4%)	5.4%
Operating Profit Margin	(2.3%)	4.3%
Net Profit Margin	(3.4%)	(0.7%)

11. INVESTMENTS, INCENTIVES AND INVESTMENT POLICIES

Within the scope of “2009-2023 Fleet Projection”, “2012-2020 Fleet Plan” and “2019-2023 Wide Body Fleet Plan” confirmed by the Board, number of aircraft and delivery years are stated on the following table.

On March 9, 2018, in order to insure the need for wide body aircraft, the Incorporation has decided to purchase 50 firm and 10 optional aircraft, a total of 60 wide body aircraft to be delivered between 2019 and 2023. According to this, a total of 30 B787-9 aircraft, of which 25 firm and 5 optional, will be purchased from Boeing and a total of 30 A350-900 aircraft, of which 25 firm and 5 optional will be purchased from Boeing. One B787-9 aircraft of these order has been delivered in the first half of 2019. The rest of the purchase order is planned to be delivered until the end of 2023.

On March 15 and April 9, 2013, in order to insure the need for single-aisle passenger aircraft, the Incorporation had decided to purchase 92 A321 NEO and 75 B737 MAX aircraft from Airbus and Boeing. Five A321 NEO aircraft, four B737-8 MAX and one B737-9 MAX aircraft of these order has been delivered in the first half of 2019. The rest of the purchase order is planned to be delivered until the end of 2023.

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By the end of June 2019, the operation has been carried out by 91 double-aisle passenger aircraft, 224 single-aisle passenger aircraft and 23 cargo aircraft. Double-aisle aircraft constitute about 26.9% of the total number of aircraft in fleet. Due to the effect of stage length and seat capacity, contribution of wide body aircraft to the production is more than 50%.

30.06.2019		2011-2023 Aircraft Purchases														
		Delivered									Total Deliveries					
Type	2011	2012	2013	2014	2015	2016	2017	2018	TOTAL	2019	2020	2021	2022	2023	TOTAL	
Wide Body	A350-900										5	4	8	8	25	
	B787-9									6	9	6	4		25	
	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	6	14	10	12	8	50
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	7	12	19	15	12	58	
	A321	8	7	9		13	10			47						
	A321 NEO								2	2	13	24	20	18	15	90
	A319	6								6						
Total	18	16	16	10	18	30		9	117	30	48	35	30	15	158	
Cargo	A330-200F	1	1	2		1	2	1		8						
	B777F							2	3	5	1	2			3	
	Total	1	1	2		1	2	3	3	13	1	2			3	
GRAND TOTAL	29	20	20	20	33	43	4	12	181	37	64	45	42	23	211	

Decree on State Aids for Investments

In our country, “Investment Incentive System” is implemented to aim targets such as:

- Increasing production and employment,
- Increasing international direct investment,
- Reducing the regional development disparities,
- Encouraging strategic investments with regional and large-scaled investment which has high research-development content to increase international competitiveness,
- Directing savings to high value added investments in line with targets, foreseen in annual programs and development plans,
- Supporting research and development activities with clustering and environmental protection investments,

This system provides support to taxpayers when they guarantee the achievement of aforementioned targets. These supports are:

- Customs Duty Exemption,
- Value Added Tax Exemption,
- Tax Reduction (reduce corporate tax)
- Income Tax Withholding Support,
- Insurance Premium Employer Contribution Support,
- Insurance Premium Employee Contribution Support,
- Interest Rate Support,
- Investment Space Allocation,

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Our Incorporation has right to benefit from some incentives in “Investment Incentive System” due to airline cargo and passenger transportation activities. As a result of the applications within this scope, Investment Incentive Certificates are obtained for supply of aircraft and ground handling services. The information on the Investment Incentive Certificates that may have an impact on the current or future financial reports of the Incorporation and the incentives utilized are listed below:

Date of Cabinet Decree	Number of Cabinet Decree	Date of Inv. Incentive Certificate	Investment Status	Tax Reduction	Total Amount of Investment TL: (*)	Utilized Contribution Amount of Investment TL: (**)
14.07.2009	2009/15199	28.12.2010	Completed	Tax Reduction %50 / Contribution rate to Investment %20	13,267,897,366	16,587,441
15.06.2012	2012/3305	18.12.2014	Continue	Tax Reduction %50 / Contribution rate to Investment %15	16,968,269,342	0
21.01.2018	2017/11133	9.08.2018	Continue	Tax Reduction %90 / Contribution rate to Investment %50	4,924,447,036	0
21.01.2018	2017/11133	11.09.2018	Continue	Tax Reduction %50 / Contribution rate to Investment %25	2,518,000,000	0

(*) Because the investments are realized in foreign currency and revisions made on investments, the amount of investment at the time of application and the amount of investment at the time of completion may vary.

(**)The contribution amount of investment, which is not utilizable when there is no tax base, is transferrable by indexing with revaluation rate in accordance with the provisions of the relevant legislation.

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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 Abha of Saudi Arabia, Juba of South Sudan, Aswan and Luxor of Egypt, Makhachkala of Russia, Krakow of Poland, La Coruna of Spain, Lenkeran of Azerbaijan, Luanda of Angola, Mexico City and Cancun of Mexico, Nantes of France, Denpasar of Indonesia, Palermo of Italy, Rovaniemi of Finland, Port Sudan of Sudan, Newark of United States of America and Pointe-Noire of Republic of the Congo.

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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