

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



WIDEN YOUR WORLD



1 JANUARY – 31 MARCH 2020

BOARD ACTIVITY REPORT

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

TABLE OF CONTENTS

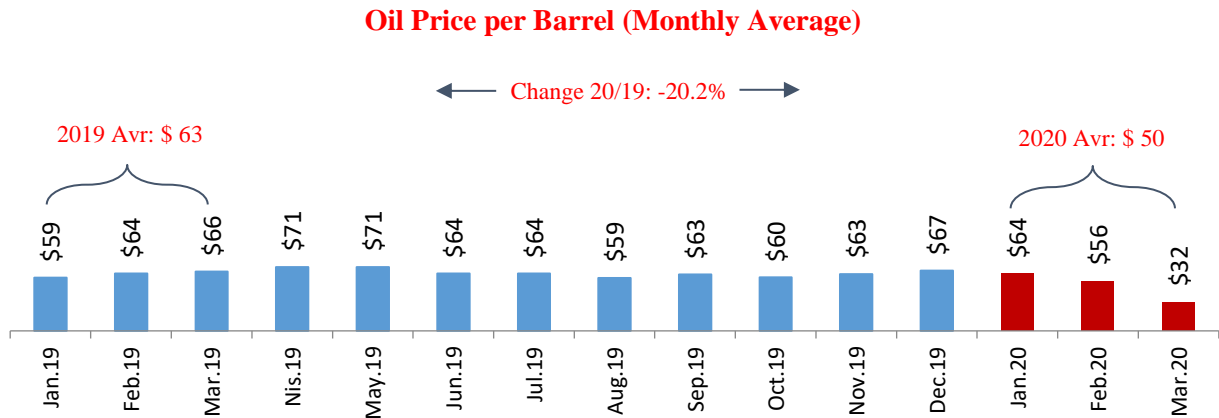
1. INDUSTRY DEVELOPMENTS	3
2. FIELD OF ACTIVITY, CAPITAL STRUCTURE AND SUBSIDIARIES	3
3. ORGANIZATIONAL STRUCTURE	8
4. BOARD OF DIRECTORS AND COMMITTEES	10
5. SENIOR MANAGEMENT	11
6. HUMAN RESOURCES	11
7. DEVELOPMENTS WITHIN THE INCORPORATION	12
8. TRAFFIC RESULTS.....	14
9. FLEET	16
10. FINANCIAL SITUATION	17
11. INVESTMENTS, INCENTIVES AND INVESTMENT POLICIES	18
12. PROJECTIONS ABOUT THE INCORPORATION	20

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

1. INDUSTRY DEVELOPMENTS

While the world and the aviation sector faced the global pandemic COVID-19, in the first quarter of 2020, the oil prices decreased significantly. The Turkish aviation sector was affected positively by the exchange rate fluctuation in the first quarter of 2020. Due to currency movements, Turkey had become a more attractive vacation destination and consequently; during the first two months of 2020, the number of foreign tourists visiting Turkey increased by 9.7% compared to the first two months of 2019. However, due to the COVID-19 pandemic caused flight cancellations in March, the number of tourists visiting Turkey during the first quarter of 2020 decreased by 22.1% compared to the first quarter of 2019. In the same period, the number of international passengers carried by Turkish Airlines decreased by 16.7%.

Turkish Airlines partly compensates the shortage on the passenger side with a strong cargo transportation performance. The Incorporation has achieved to maintain its strong growth trend in the cargo market over the last decade and consequently, cargo carried increased by 3.6% and cargo revenue increased by 14.8% during the first quarter of 2020. 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 carries in the world by increasing its market share in the global air cargo market.



Source: U.S. Energy Information Administration

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

FUEL PRICE ANALYSIS	2016	2017	2018	2019	1Q'19	1Q'20
Fuel Expenses (Million \$)	2,673	2,866	3,768	3,873	855	789
Fuel Consumption (000 Tons)	4,693	4,847	5,275	5,525	1,265	1,145
Average Unit Cost (\$/Tons)	570	591	714	701	676	689
Average Change of Unit Cost (%)	-19%	4%	20.7%	-1.8%	1.4%	0.2%
Fuel Expense Rate in Operational Expenses (%)	26%	28%	32%	35%	29%	28%

2. FIELD OF ACTIVITY, CAPITAL STRUCTURE AND SUBSIDIARIES

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

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 (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 31 March 2020. 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

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

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 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 31 March 2020, Turkish Technic has 9,347 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 31 March 2020, Company has 64 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 31 March 2020, Company has 52 employees.

The Group has 12 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 31 March 2020:

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

Company Name	Country of Registration and Operations	31 March 2020	31 March 2019	Principal Activity
Güneş Ekspres Havacılık A.Ş. (Sun Express)	Turkey	50%	50%	Aircraft Transportation
THY DO&CO İkram Hizmetleri A.Ş. (Turkish DO&CO)	Turkey	50%	50%	Catering Services
P&W T.T. Uçak Bakım Merkezi Ltd. Şti. (TEC)	Turkey	49%	49%	Maintenance Services
TGS Yer Hizmetleri A.Ş. (TGS)	Turkey	50%	50%	Ground Services
THY OPET Havacılık Yakıtları A.Ş. (THY Opet)	Turkey	50%	50%	Aviation Fuel Services
Goodrich Thy Teknik Servis Merkezi Ltd. Şti. (Goodrich)	Turkey	40%	40%	Maintenance Services
Uçak Koltuk Sanayi ve Ticaret A.Ş. (Uçak Koltuk)	Turkey	50%	50%	Cabin Interior Products
TCI Kabin İçi Sistemleri San ve Tic. A.Ş. (TCI)	Turkey	50%	50%	Cabin Interior Products
Vergi İade Aracılık A.Ş.	Turkey	30%	30%	VAT Return and Consultancy
Air Albania	Albania	49%	49%	Aircraft Transportation Cargo and Courier
We World Express Ltd.	Hong Kong	45%	-	Transportation
TFS Akaryakıt Hizmetleri A.Ş.	Turkey	%25	-	Fuel Supply Facilities

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 18 aircraft for AnadoluJet operations of THY and with a fleet of 31 aircraft

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

serves its customers in both charter and scheduled business with 3,471 employees as of 31 March 2020. SunExpress flies to 23 domestic and 58 international destinations, which brings the total number to 81 destinations. In 2011, SunExpress Germany was founded as a joint venture of Stiftung and SunExpress, in which each holds %50-50 stake. SunExpress Germany conducts operations to 42 international destinations with its 20 passenger aircraft. As of 31 March 2020, 1,310 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 31 March 2020, 5,058 employees are working for the Company.

Turkish Ground Services (TGS)

The Company was established in 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 12.03.2009, 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 14,508 personnel as of 31 March 2020.

Turkish Opet Aviation Fuels

Turkish Opet Aviation Fuels, established in 28 September 2009, engages in the domestic and international sale, importation, exportation, distribution, and transport of various petroleum products, chemicals, lubricants, and paints for all kinds of aircraft. The Company commenced operations on 1 July 2010. Kuzey Tankercilik A.Ş. and Güney Tankercilik A.Ş., were established on 1 November 2012, as wholly owned subsidiaries of THY Opet Havacılık Yakıtları A.Ş. in order to provide transportation of petroleum and petroleum products. As of 31 March 2020, the Company has 501 employees.

TSI Aviation Seats

Founded in 27 May 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 Technic. As of 31 March 2020, 140 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 31 March 2020, the Company has 195 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 %51 and %49 are held respectively by Pratt&Whitney, a subsidiary of United Technologies, and Turkish Technic. Operating out of a maintenance center with an area of around 25,000 m² at Istanbul Sabiha Gökçen International Airport, the company has 438 employees as of 31 March 2020.

Goodrich Turkish Airlines Technical Service Center

Established in 14 December 2010, the Goodrich Turkish Airlines Technical Service Center is a joint venture of Turkish Technic (40%) and Collins Aerospace (60%), the latter a subsidiary of Goodrich Corporation. Services for maintenance and repair of nacelles, thrust reversers, related parts and rotatable support is provided. As of 31 March 2020, the Company has 79 employees.

**BOARD ACTIVITY REPORT
PURSUANT TO THE COMMUNIQUE SERIAL II. NO.14.1****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 31 March 2020, 21 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 airspace and air traffic, representing Government of Albania. As of 31 March 2020, 70 employees are working for the company.

We World Express Ltd.

Hong Kong based We World Express Limited was established as a joint venture of THY Uluslararası Yatırım ve Taşımacılık A.Ş. (Turkish Airlines' 100% subsidiary), ZTO Express (Hong Kong) Limited and PAL Air (Hong Kong) Limited owning 45%, 45% and 10% respective stakes with the purpose of becoming a global door to door cargo/courier service provider which is focusing e-commerce market. As of 31 March 2020, 21 employees are working for the company.

TFS Akaryakıt Hizmetleri A.Ş.

The Company was established in order to operate fuel supply facilities within the scope of fuel activities carried out at Istanbul Airport. Turkish Airlines became a 25% shareholder through capital increase. Other partners are Taya Liman İşletmesi A.Ş., Demirören Akaryakıt Sanayi ve Ticaret A.Ş. and Zirve Holding A.Ş. All joint venture companies have same proportion of share. As of 31 March 2020, 83 employees are working for the company.

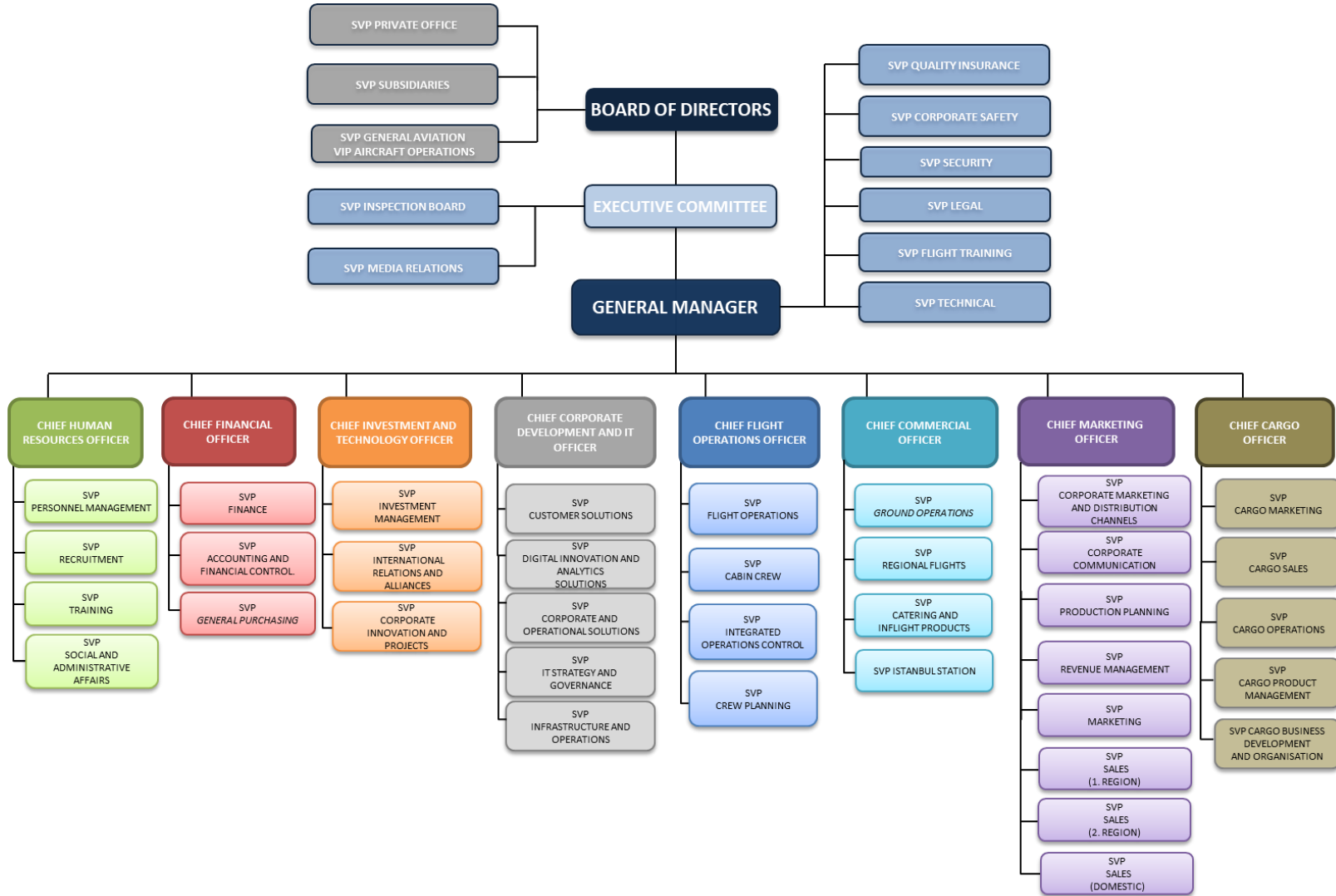
The Incorporation is responsible for the full and joint control over subsidiaries and affiliates through Board of Directors. In addition, operations of subsidiaries and affiliates are monitored by Senior Vice President of Subsidiaries located within the means of the Parent Company. The internal audit 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 31 March 2020, the number of countries served has reached to 127.

General Management and all central units are gathered around Istanbul Ataturk Airport. Organization chart of Turkish Airlines, as of 31 March 2020 is shown on the next page.

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



**BOARD ACTIVITY REPORT
PURSUANT TO THE COMMNIQUE SERIAL II. NO.14.1****4. BOARD OF DIRECTORS AND COMMITTEES****BOARD OF DIRECTORS**

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

Members of the Board who were on duty as of 31 March 2020 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
Melih Şükrü ECERTAŞ	: 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: Melih Şükrü Ecertaş

Corporate Governance Committee

Chairman: Fatmanur Altun

Member: Orhan Birdal, Mithat Görkem Aksoy, Kadir Coşkun (Investor Relations Manager)

Early Identification of Risks Committee

Chairman: Melih Şükrü Ecertaş

Member: M. Muzaffer Akpınar

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

5. SENIOR MANAGEMENT

Information about the Senior Management of the Incorporation are presented below (as of 31 March 2020):

Name	Title	Starting Date of Position	Profession
Bilal Ekşi	General Manager	24.10.2016	Electronics and Communications Engineer
Assoc. Prof. 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	Management Engineer
Ahmet Bolat, Ph.D.	Chief Investment and Technology Officer	23.01.2012	Industrial Engineer
Abdülkerim 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 5% to 29,673 during the period of January-March 2020 from 28,183 for the period of January-March 2019. Personnel numbers according to classes are as follows:

	31.12.2019	31.03.2019	31.03.2020	Change(%)
Cockpit Personnel	5,839	5,341	5,899	10%
Cabin Personnel	12,247	11,775	12,449	6%
Aircraft Maintenance Tech.	72	70	74	6%
Staff Abroad	3,496	3,442	3,484	1%
Domestic Staff	7,837	7,555	7,767	3%
TOTAL	29,491	28,183	29,673	5%

**BOARD ACTIVITY REPORT
PURSUANT TO THE COMMNIQUE SERIAL II. NO.14.1****7. DEVELOPMENTS WITHIN THE INCORPORATION****I. Developments During the Period****New International Routes**

In the first quarter of 2020, our scheduled flights to Malabo of Equatorial Guinea have started.

New International Route Announcement

The Incorporation has decided to start operating scheduled flights, based on market conditions, to Aktau and Atyrau of Kazakhstan.

Independent Board Member Appointment

Due to the resignation of Mr. Ogün Şanlıer from the Member of the Board on 31.03.2020, the Board of Directors has decided to appoint Mr. Melih Şükrü Ecertaş as Independent Member of the Board upon the Independence Board Member Approval of Capital Market Board, until the approval of the next General Assembly in accordance with our Incorporation's Articles of Association, Article 10.

Due to the resignation of Mr. Ogün Şanlıer, Chairman of Early Identification of Risks Committee and Member of Audit Committee, the Incorporation has decided to appoint Mr. Melih Şükrü Ecertaş as the Chairman of Early Identification of Risks Committee and Member of Audit Committee.

Share Buy-Back

According to the decision of our Incorporation's Board of Directors dated 9 March 2020, it was decided to submit for the General Assembly's approval of authorization of the Board of Directors by approving the "Share Buy-Back Program" to ensure that our Incorporation gets its own shares back at our Incorporation's Ordinary General Assembly Meeting, which was held on 31 March 2020 where the results of the activity period of 01.01.2019–31.12.2019 were discussed. The Share Buy-Back Program was approved by the General Assembly.

Dividend Payment

A Profit distribution table regarding FY2019 was disclosed in the Public Disclosure Platform

General Assembly Meeting

The Ordinary General Assembly of our Incorporation was held on Tuesday, March 31, 2020 at 14:00 at the General Management Building located at Yeşilköy Mahallesi, Havaalanı Cad. No.3/1 Bakırköy/İstanbul.

Credit Rating

International Credit Agency Moody's predicted that Covid-19 outbreak would bring significant short and long-term demand shocks in many sectors especially in the airline industry. Moody's believes that Turkish Airlines, having the flight network spanning 127 countries, will be affected by the negative demand environment like many other airlines, as a result the Agency lowered long-term issuer credit rating of Turkish Airlines from B1 to B2 on 24.03.2020. Moody's also revised the outlook from negative to under review for further downgrade.

Along with this, issue ratings of Turkish Airlines' Enhanced Equipment Trust Certificates (EETCs), which have been issued in 2015, are placed on review for downgrade from Ba3. Their outlook also changed from negative to rating under review.

Credit Rating

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

On 20.03.2020, International Credit Agency Standart & Poor's (S&P) lowered long-term issuer credit rating of Turkish Airlines from B+ to B to reflect the weaking in demand for air travel as a result of the outbreak of Covid-19. S&P also revised the outlook from stable to CreditWatch with negative implications.

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 BB from BB+. Their outlook also placed on CreditWatch with negative implications.

Authorized Capital

Based on our material event disclosure dated 09.03.2020, application was made to Capital Market Board in order to obtain the necessary approval to amend Article 6 of our Incorporation's Articles of Association, titled "Share Capital and Share Certificates" with intent to extend the permitted period of registered capital for being valid between 2020-2024 (5 years).

Change in Articles of Association

With the decision of the Board of Directors of our Incorporation dated on 09.03.2020, it has been decided to amend the Article 6th titled "Share Capital and Share Certificates" of the Articles of Association of our Incorporation.

The application was made to the Capital Markets Board on 09.03.2020 in order to obtain the approval of the Capital Market Board.

AnadoluJet International Flights

Within the scope of growth strategies, Turkish Airlines decided to launch international flights with AnadoluJet brand from Istanbul Sabiha Gökçen Airport starting from the summer schedule of 2020.

II. Subsequent Events**Credit Rating**

On 20.05.2020, International Credit Agency Standart & Poor's (S&P) affirmed long-term issuer credit rating of Turkish Airlines as B level since THY has a more flexible cost base than other European peers and undertaking drastic cost reductions at every level to preserve its credit standing. S&P also revised the outlook from CreditWatch with negative implications to negative due to high uncertainty regarding the pandemic and economic recession, and their impact on air traffic demand.

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 BB- from BB to reflect the lower valuation on the B777-300ER aircraft as a result of the pandemic.

Changes in Articles of Association

The amendment on Article 6 (Share Capital and Share Certificates) of the Articles of Incorporation was registered as of 06.04.2020 and published in the Turkish Trade Registry Gazette on 08.04.2020.

Authorized Capital

Based on our material event disclosure dated 09.03.2020, application was made to Capital Market Board in order to obtain the necessary approval to amend Article 6 of our Incorporation's Articles of Association, titled "Share Capital and Share Certificates" with intent to extend the permitted period of registered capital for being valid

BOARD ACTIVITY REPORT
PURSUANT TO THE COMMNIQUE SERIAL II. NO.14.1

between 2020-2024 (5 years). The application was registered by Istanbul Trade Registry Office on 06.04.2020 and published in the Turkish Trade Registry Gazette (Number:10054) on 08.04.2020

Independent Board Member Approval

Upon Board of Directors' decision dated 31.03.2020, related to the Independent Board Member Nominee, Mr. Melih Şükrü Ecertaş has been approved by the Capital Markets Board letter dated 17.04.2020, as Independent Board Member.

Registration of the Decisions Taken at the Ordinary General Assembly

The decisions taken at the Ordinary General Assembly Meeting of our incorporation held on 31.03.2020 were registered by the Istanbul Trade Registry Directorate on 06.04.2020.

Flight Suspensions Due to the Coronavirus Outbreak and Precautions Taken

Turkish Airlines put important flight schedule changes into action due to the outbreak of novel coronavirus (Covid-19). All international flights are temporarily suspended as of 27 March 2020 at 23:59 and important part of domestic flights are suspended except some major cities.

Turkish Airlines taking certain actions to decrease the operational expenses and increase the financial liquidity of the company. Voluntary unpaid leave program has been initiated and short-term employment allowance application has been made to decrease personnel expenses. The Incorporation is reducing or postponing significant part of capital expenditures. Additionally, we are evaluating new financing options to keep the liquidity level of the company strong. We are negotiating with important suppliers to revise the payment schedule. We are studying on different scenarios and action plans related to the timing and expansion of the outbreak.

8. TRAFFIC RESULTS

January-March 2020 traffic results are shown below:

	TOTAL		
	2019	2020	Change (%)
Number of Landing (Passenger Flights)	112.849	94.971	-15,8%
Available Seat Km ('000)	42.652.768	38.380.714	-10,0%
Revenue Passenger Km ('000)	34.146.567	28.995.720	-15,1%
Passenger Load Factor (%)	80,1%	75,5%	-4,5 pt
Passengers Carried	16.737.961	13.393.306	-20,0%
Int-to-Int Transfer Passengers Carried	5.372.618	4.537.879	-15,5%
Cargo and Mail (Tons)	365.547	378.743	3,6%
Fleet	336	361	7,4%
Seat Capacity	65.329	71.320	9,2%
Number of Destinations	306	319	4,2%
Km Flown ('000)	211.151	193.601	-8,3%
Hours Flown	344.116	303.354	-11,8%
Utilization*	11:45	10:29	-10,8%

* Based on 324 aircraft for 2019, 320 aircraft for 2020.

BOARD ACTIVITY REPORT
PURSUANT TO THE COMMNIQUE SERIAL II. NO.14.1

	DOMESTIC		
	2019	2020	Change (%)
Number of Landing (Passenger Flights)	48.829	39.066	-20,0%
Available Seat Km ('000)	5.416.284	4.491.821	-17,1%
Revenue Passenger Km ('000)	4.630.449	3.646.690	-21,2%
Passenger Load Factor (%)	85,5%	81,2%	-4,3 pt
Passengers Carried	7.353.313	5.576.836	-24,2%
Cargo and Mail (Tons)	15.961	16.670	4,4%
Km Flown ('000)	30.419	25.804	-15,2%

	INTERNATIONAL		
	2019	2020	Change (%)
Number of Landing (Passenger Flights)	64.020	55.905	-12,7%
Available Seat Km ('000)	37.236.485	33.888.892	-9,0%
Revenue Passenger Km ('000)	29.516.119	25.349.030	-14,1%
Passenger Load Factor (%)	79,3%	74,8%	-4,5 pt
Passengers Carried	9.384.648	7.816.470	-16,7%
Excl. Int-to-Int Transfer Passenger	4.012.030	3.278.591	-18,3%
Cargo and Mail (Tons)	349.586	362.073	3,6%
Km Flown ('000)	180.732	167.797	-7,2%

I. Scheduled Domestic Flights:

During January - March 2020, the Incorporation did not start any operating scheduled flights with TK main brand to new domestic destinations.

II. Scheduled International Flights:

During January - March 2020, the Incorporation started operating scheduled flights with TK main brand to new international destinations stated below:

Flight Destination	Flight Inaugural Date
Equatorial Guinea – Malabo	07.02.2020

III. Additional, Charter and Hajj-Umrah Flights

During January - March 2020, number of additional, charter and Hajj-Umrah flights and number of passengers carried on these flights are stated on the table below:

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

	Number of Flights		Number of Passengers
	Domestic	International	
Additional	387	423	29,337
Charter	198	69	22,275
Hajj-Umrah	-	1,392	173,997

IV. AnadoluJet Flights:

Scheduled and Additional Flights	1Q'19	1Q'20	Change (%)
Revenue Passenger (000)	3,330	2,430	-270%
.Available Seats Km (Millions)	2,504	1,983	-20.8%
Passenger Load Factor (%)	85.4	80.4	-5.0 pt

- In the first quarter of 2020, AnadoluJet has been pursuing its operations with 18 aircraft (wetlease) from SunExpress and 14 aircraft from TK fleet (A total number of 33 B737-800).
- As of March 2020, 13 aircraft are based in Ankara Esenboğa and 12 in İstanbul Sabiha Gökçen.
- As of March 2020, AnadoluJet flies to a total of 42 destinations. (Esenboğa based 33, Sabiha Gökçen based 30, point to point (cross) flights 13)
- In the first three months of 2020, Sabiha Gökçen and Ankara Esenboğa based ASK has decreased by 29% and 20%, respectively. (Total ASK decrease of 20.8%)
- In the first quarter of 2020, the load factor was 80.4%.

9. FLEET

31.03.2020	Type	Total	Owned	Financial Lease	Opr./Wet Lease	Seat Capacity	Average Fleet Age
Wide Body	A330-300	40		29	11	11.826	6,2
	B777-3ER	33		27	6	11.670	6,4
	A350-900						
	B787-9	11		11		3.300	0,4
	Total	102	5	67	30	31476	6,7
Narrow Body	B737-900ER	15		15		2.355	6,8
	B737-9 MAX	1		1		169	1,1
	B737-800	84	25	37	22	13.851	10,4
	B737-700	1			1	124	14,1
	B737-8 MAX	11		11		1.661	1,3
	A321 NEO	15		11	4	2.730	0,7
	A319-100	6		6		792	8,9
	A320-200	15	6	6	3	2.394	12,6
	A321-200	68	10	52	6	12.366	7,8
	B737-800 WL	18			18	3.402	15
Total	234	41	139	54	39.844	8,8	
Cargo	A330-200F	10	1	9			6,4
	B777F	8		8			1,2
	Wet Lease	7			7		23
	Total	25	1	17	7		9,4
	GRAND TOTAL	361	47	223	91	71.320	8,2

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

10. FINANCIAL SITUATION

SUMMARY OF BALANCE SHEET (Mn TRY)

	31 March 2020	31 December 2019
<u>ASSETS</u>		
Current Assets	24,806	28,339
Non-Current Assets	137,896	118,532
Total Assets	162,702	146,871
<u>LIABILITIES</u>		
Total Current Liabilities	40,523	35,417
Total Non-Current Liabilities	80,836	70,659
Total Equity	41,343	40,795
Total Liabilities and Equity	162,702	146,871
Debt to Assets Ratio	0.75	0.72
Equity Ratio	0.25	0.28

SUMMARY OF INCOME STATEMENT (Mn TRY)

	1 Jan. – 31 Mar. 2020	1 Jan. – 31 Mar. 2019
Sales Revenue	15,330	14,848
Gross Profit	320	1,415
Operating Profit Before Investment Activities	(2,005)	(809)
Profit/Loss Before Tax	(2,607)	(1,542)
Profit/Loss for the Period	(2,023)	(1,253)
Earnings Per Share (Kr)	(1.47)	(0.91)

SUMMARY OF BALANCE SHEET (Mn USD)

	31 March 2020	31 December 2019
<u>ASSETS</u>		
Current Assets	3,807	4,770
Non-Current Assets	21,163	19,954
Total Assets	24,970	24,724
<u>LIABILITIES</u>		
Total Current Liabilities	6,220	5,964
Total Non-Current Liabilities	12,406	11,896

BOARD ACTIVITY REPORT
PURSUANT TO THE COMMNIQUE SERIAL II. NO.14.1

Total Equity	6,344	6,864
Total Liabilities and Equity	24,970	24,724
Debt to Assets Ratio	0.75	0.72
Equity Ratio	0.25	0.28

SUMMARY OF INCOME STATEMENT (Mn USD)

	1 Jan. – 31 Mar. 2020	1 Jan. – 31 Mar. 2019
Sales Revenue	2,533	2,768
Gross Profit	59	264
Operating Profit/Loss Before Investment Activities	(324)	(150)
Profit/Loss Before Tax	(422)	(283)
Profit/Loss for the Period	(327)	(229)
Earnings Per Share (USc)	(0.24)	(0.17)
EBITDAR	252	358
EBITDA	106	208
EBIT	(305)	(152)
EBITDAR Margin	9.9%	12.9%
EBITDA Margin	4.2%	7.5%
EBIT Margin	-12.0%	-5.5%
Operating Profit Margin	-12.8%	-5.4%
Net Profit Margin	-12.9%	-8.3%

11. INVESTMENTS, INCENTIVES AND INVESTMENT POLICIES

By the end of March 2020, the operation has been carried out by 102 double-aisle passenger aircraft, 234 single-aisle passenger aircraft and 25 cargo aircraft. Double-aisle aircraft constitute about 28.3% 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%.

The table below shows the aircraft received in 2020 as of 31 March 2020.

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

31.03.2020		DELIVERED
	Type	2020
Wide Body	A350-900	-
	B787-9	5
	Total	5
Narrow Body	B737-9 MAX	
	B737-8 MAX	
	A321 NEO	1
	Total	1
Cargo	B777F	2
	Total	2
GRAND TOTAL		8

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,

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:

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

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	Completed	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.

12. PROJECTIONS ABOUT THE INCORPORATION

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 of Egypt, Makhachkala of Russia, Krakow of Poland, La Coruna of Spain, Lenkeran of Azerbaijan, Luanda of Angola, Nantes of France, Palermo of Italy, Port Sudan of Sudan, Newark of United States of America, Vancouver of Canada and Atyrau and Aktau of Kazakhstan.

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.

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

DISCLAIMER

This is an English translation of the original Board Activity Report made by Türk Hava Yolları A.O. in Turkish, for information purposes only. In the event of any discrepancy between this translation and the original Turkish report, the original Turkish report shall prevail. Türk Hava Yolları A.O. makes no warranties or representations about the accuracy or completeness of the English translation and assumes no liability for any errors, omissions or inaccuracies that may arise from use of this translation.
