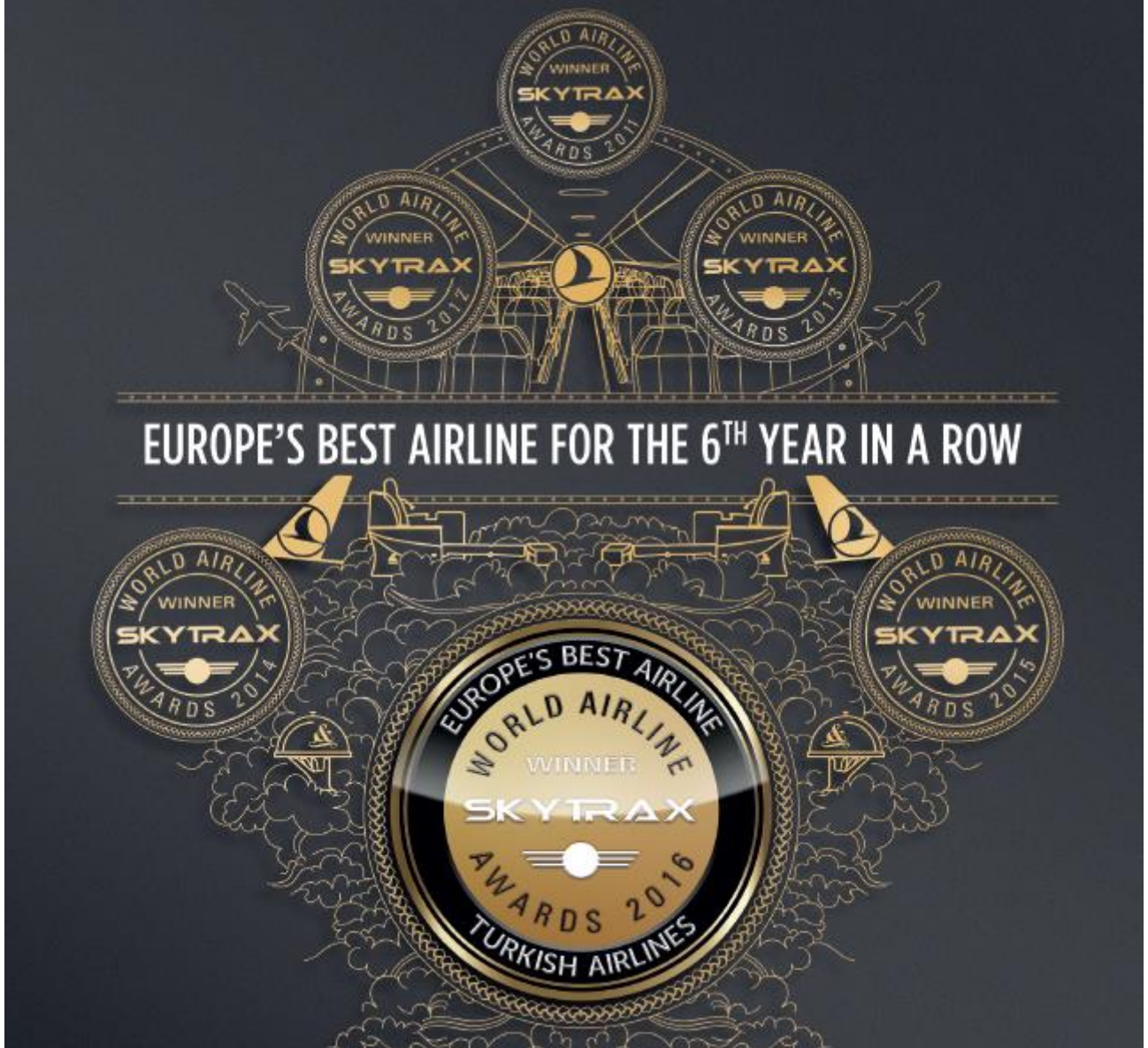


BOARD ACTIVITY REPORT
PURSUANT TO THE COMMUNIQUE SERIAL II. NO.17.1 PRINCIPLES



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1 JANUARY – 31 MARCH 2017

BOARD ACTIVITY REPORT

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

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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, during the period of January-March 2017 the global traffic has increased by 5.1%.

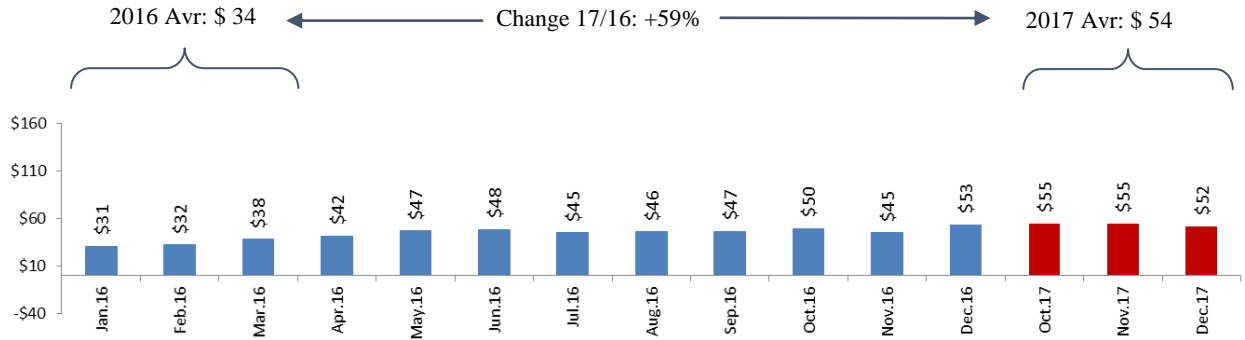
<u>Aviation Industry Revenue/Expense</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016(*)</u>	<u>2017(*)</u>
REVENUES (\$ billion)	706	720	751	718	701	736
Passenger Revenue	531	539	539	518	504	530
Cargo Revenue	64	61	63	53	48	49
Traffic						
Passenger Km Growth (RPK) %	5.3	5.2	5.7	7.4	5.9	5.1
Cargo Km Growth (FTK) %	-0.9	0.6	5.0	2.3	3.4	3.5
OPERATIONAL EXPENSES (\$ billion)	687	695	716	659	643	687
Fuel	228	231	224	180	124	129
% of expenses	33	33	31	27	19	19
Non-fuel expenses	459	464	492	479	519	559
OPERATING PROFIT (\$ billion)	18.4	25.3	35.1	59.5	58.3	48.5
% margin	2.6	3.5	4.7	8.3	8.3	6.6
NET PROFIT(\$ billion)	9.2	10.7	13.7	35.3	35.6	29.8
% margin	1.3	1.5	1.8	4.9	5.1	4.1

(*) Annual forecast published by IATA

Source: IATA Airline Industry Economic Performance, December 2016

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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	1Q'16	1Q'17
Fuel Expenses (Million \$)	3.806	2.997	2,673	604	591
Fuel Consumption (000 Tons)	3.801	4.272	4,693	1,100	1,004
Average Unit Cost (\$/Tons)	1.001	701	570	549	589
Average Change of Unit Cost (%)	-6%	-30%	-19%	-26%	7%
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 31 March 2017, the shareholders and their respective shareholdings in the Incorporation are as follows:

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	<u>31 March 2017</u>
Turkey Wealth Fund	% 49.12
Other (publicly held)	<u>% 50.88</u>
Total	% 100.00

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

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

<u>Group</u>	<u>Amount of Capital (TRY)</u>	<u>Type</u>	<u>Number of Shares</u>
A	1,379,999,999.99	Registered	137,999,999,999
C	0.01	Registered	<u>1</u>
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 31 March 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 March 2017, Turkish Technic has 6,570 employees.

THY Aydın Çıldır Havalimanı İşletme A.Ş.

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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 2017, Company has 21 employees.

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

The table below sets out consolidated joint ventures and indicates the proportion of ownership interest of the Incorporation in these joint ventures as of 31 March 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 22 aircraft for AnadoluJet operations of THY and with a fleet of 28 aircraft serves its customers in both charter and scheduled business with 3,845 employees as of 31 March 2017. SunExpress flies to 22 domestic and 42 international destinations, which brings the total number to 64 destinations. In 2011, SunExpress Germany was founded as a joint venture of Stiftung and SunExpress, in which each holds %50-50 stake. As of 31 March 2017, SunExpress Germany conducts operations to 19 international destinations with its 17 Boeing 737-800 passenger aircraft.

Turkish DO&CO

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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 2016, 3,609 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 2010, the Company began to provide services to Turkish Airlines. The Company provides ground services for Turkish Airlines in 8 airports in Turkey. TGS is employing 9,471 personnel as of 31 March 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 31 March 2017, the Incorporation has 445 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 31 March 2017, 75 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 2017, the Company has 133 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, 331 employees as of 31 March 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 31 March 2017, the Company has 34 employees.

Tax Free Zone, Inc. (Tax Refund)

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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 31 March 2017, 19 employees are working for the company.

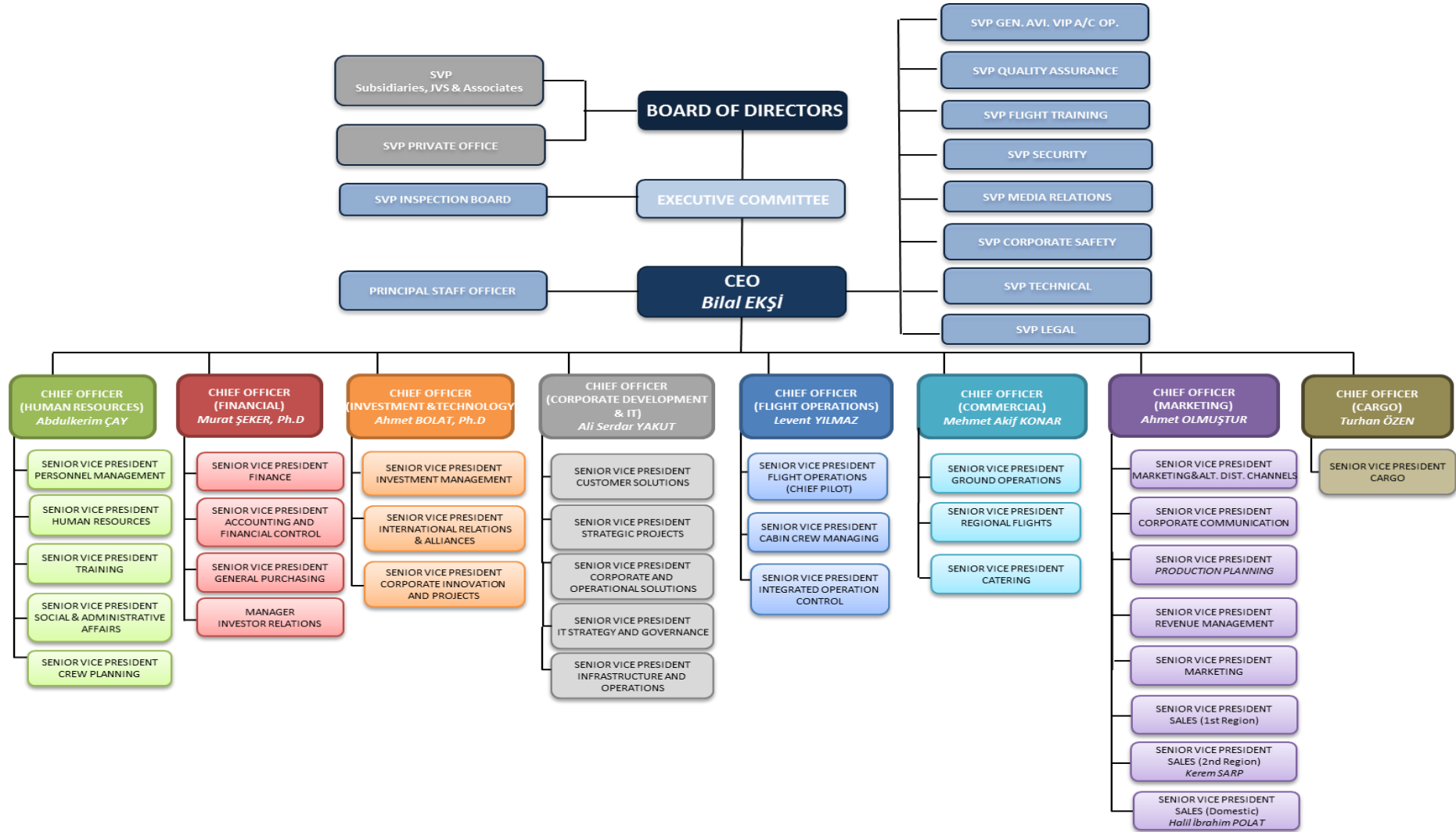
The Incorporation is responsible for the full and joint control over subsidiaries and affiliates through Board of Directors. In addition, operations of subsidiaries and affiliates are monitored by Senior Vice President of Subsidiaries located within the means of the Parent Company. The internal audit 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 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 31 March 2017 is shown on the next page.

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**BOARD OPERATIONAL REPORT
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4. BOARD OF DIRECTORS AND COMMITTEES

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

Members of the Board who were on duty as of 31 March 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
Mehmet BÜYÜKEKŞİ	: 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: Mehmet Büyükekşi, İsmail Gerçek, Kadir Coşkun (Investor Relations Manager)

Early Identification of Risks Committee

Chairman: Ogün Şanlıer

Member: M. Muzaffer Akpınar

**BOARD OPERATIONAL REPORT
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5. SENIOR MANAGEMENT

Information about the Senior Management of the Incorporation are presented below (as of 31 March 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 with 5% increase reached to 23,868 during the period of January-March 2017 from 22,804 for the period of January-March 2016. Personnel numbers according to classes are as follows:

	31.12.2016	31.03.2016	31.03.2017	Change(%)
Cockpit Personnel	4,468	4,442	4,445	0%
Cabin Personnel	9,922	8,949	9,740	9%
Aircraft Maintenance Tech.	243	237	260	10%
Staff Abroad	3,232	3,096	3,191	3%
Domestic Staff	6,259	6,080	6,232	2%
TOTAL	24,124	22,804	23,868	5%

**BOARD OPERATIONAL REPORT
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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%.

Turkbine Teknik Gaz Türbinleri Bakım Onarım A.Ş. share transfer

Türk Hava Yolları Teknik A.Ş. (Turkish Technic) has completed the transfer of its shares in Turkbine Teknik Gaz Türbinleri Bakım Onarım A.Ş (50% held by Turkish Technic) to Zorlu O&M (B group shareholder of Turkbine Teknik).

Share Transfer

49.12% share of Turkish Airlines owned by Republic of Turkey Prime Ministry Privatisation Administry 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.

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8. TRAFFIC RESULTS

January-March traffic results are shown below:

	TOTAL		
	1Q'16	1Q'17	Change (%)
Number of Landing	107,850	97,506	-9.6%
Available Seat Km ('000)	39,418,082	36,333,572	-7.8%
Revenue Passenger Km ('000)	29,064,940	26,941,553	-7.3%
Passenger Load Factor (%)	73.7%	74.2%	+0.4 pt
Passengers Carried	14,172,715	13,037,526	-8.0%
Int-to-Int Transfer Passengers Carried	4,744,107	4,192,802	-11.6%
Cargo and Mail (Tons)	189,481	226,256	19.4%
Fleet	306	337	10.1%
Seat Capacity	58,649	67,000	14.2%
Km Flown ('000)	325,824	291,291	-10.6%
Hours Flown	11:59	10:38	-11.3%
Utilization*	107,850	97,506	-9.6%

* Based on 297 aircraft for 2016, 303 aircraft for 2017.

	DOMESTIC		
	1Q'16	1Q'17	Change (%)
Number of Landing	43,439	42,515	-2.1%
Available Seat Km ('000)	4,553,284	4,597,286	1.0%
Revenue Passenger Km ('000)	3,787,653	3,707,147	-2.1%
Passenger Load Factor (%)	83.2%	80.6%	-2.5 pt
Passengers Carried	6,049,559	5,876,255	-2.9%
Cargo and Mail (Tons)	13,026	14,054	7.9%
Km Flown ('000)	26,921	26,737	-0.7%

	INTERNATIONAL		
	1Q'16	1Q'17	Change (%)
Number of Landing	64,411	54,991	-14.6%
Available Seat Km ('000)	34,864,798	31,736,286	-9.0%
Revenue Passenger Km ('000)	25,277,287	23,234,407	-8.1%
Passenger Load Factor (%)	72.5%	73.2%	+0.7 pt
Passengers Carried	8,123,156	7,161,271	-11.8%
Cargo and Mail (Tons)	176,455	212,202	20.3%
Km Flown ('000)	189,914	173,318	-8.7%

**BOARD OPERATIONAL REPORT
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I. Scheduled Domestic Flights:

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

II. Scheduled International Flights:

During January-March 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

III. Additional, Charter and Hajj-Umrah Flights

During January-March 2016, 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	7	44	3,925
Charter	305	79	32,392
Hajj-Umrah	-	1,292	148,046

IV. AnadoluJet Flights:

Scheduled and Additional Flights	1Q'16	1Q'17	Change (%)
Revenue Passenger (000)	2,484	2,511	1%
Avaliable Seats*Km (Millions)	3,025	3,296	9%
Passenger Load Factor (%)	82.8	77.7	-5.1p

- AnadoluJet has been pursuing its operations with 22 aircraft (wetlease) from SunExpress and 12 aircraft from TK fleet.(A total of 34 B737-800)
- As of March 2017, 18 aircraft is based in Ankara Esenboğa and 13 in İstanbul Sabiha Gökçen.
- As of March 2017, AnadoluJet flies to a total of 41 destinations.(Esenboğa based 34, Sabiha Gökçen based 31, point to point (cross) flights 5)
- As of March 2017, Sabiha Gökçen and Ankara Esenboğa based capacity has increased by 1% and 15%, respectively. (Total rate of 8%)
- As March of 2017, the load factor is 77.7%

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9. FLEET

31.03.2017	Type	Owned	Financial Lease	Opr./Wet Lease	Seat Capacity	Average Fleet Age	Total
Wide Body	A330-200		5	15	5,074	9.5	20
	A330-300		29	5	9,587	3.1	34
	A340-300	4			1,161	18.7	4
	B777-3ER		29	3	11,297	3.3	32
	Total	4	63	23	27,119	5.3	90
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	5	1,452	8.5	11
	A320-200		12	17	4,572	9.7	29
	A321-200		62	6	12,360	4.7	68
	A320-200 WL						
	B737-800 WL			22	4,158	10.6	22
Total	25	148	61	39,245	7.4	234	
Cargo	A330-200F		9			3.5	9
	B777F						
	Wet Lease			4		25.6	4
	Total		9	4		10.3	13
GRAND TOTAL	29	220	88	66,364	7.0	337	

**BOARD OPERATIONAL REPORT
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10. FINANCIAL SITUATION

SUMMARY OF BALANCE SHEET (Mn TRY)

	31 March 2017	31 December 2016
<u>ASSETS</u>		
Current Assets	12,814	12,673
Non-Current Assets	54,389	52,401
Total Assets	67,203	65,074
<u>LIABILITIES</u>		
Total Current Liabilities	17,886	15,832
Total Non-Current Liabilities	32,332	31,343
Total Equity	16,985	17,899
Total Liabilities and Equity	67,203	65,074
Debt to Assets Ratio	0,75	0,72
Equity Ratio	0,25	0,28

SUMMARY OF INCOME STATEMENT (TRY)

	1 Jan. – 31 Mar. 2017	1 Jan. - 31 Mar. 2016
Sales Revenue	7,310	6,431
Gross Profit	403	347
Operating Profit Before Investment Activities	(664)	(630)
Profit Before Tax	(1,716)	(1,575)
Profit for the Period	(1,421)	(1,238)
Earnings Per Share (Kr)	(1.03)	(0.90)

SUMMARY OF BALANCE SHEET (Mn USD)

	31 March 2017	31 December 2016
<u>ASSETS</u>		
Current Assets	3,525	3,601
Non-Current Assets	14,948	14,890
Total Assets	18,473	18,491
<u>LIABILITIES</u>		
Total Current Liabilities	4,916	4,497
Total Non-Current Liabilities	8,885	8,907
Total Equity	4,672	5,087
Total Liabilities and Equity	18,473	18,491

**BOARD OPERATIONAL REPORT
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Debt to Assets Ratio	0.75	0.72
Equity Ratio	0.25	0.28

SUMMARY OF INCOME STATEMENT (USD)

	1 Jan. - 31 Mar. 2017	1 Jan. - 31 Mar. 2016
Sales Revenue	1,980	2,188
Gross Profit	117	119
Operating Profit Before Investment Activities	(172)	(214)
Profit Before Tax	(454)	(536)
Profit for the Period	(372)	(421)
Earnings Per Share (USc)	(0.27)	(0.31)
EBITDAR	263	215
EBITDA	101	50
EBIT	(156)	(220)
EBITDAR Margin	%13,3	%9,8
EBITDA Margin	%5,1	%2,3
EBIT Margin	(%7,9)	(%10,1)
Operating Profit Margin	(%8,7)	(%9,8)
Net Profit Margin	(%18,8)	(%19,2)

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.

In order to insure the need for cargo aircraft, the Incorporation has decided to purchase a total of 4 A330-200F. They were delivered on April 2015, April 2016, October 2016 and February 2017.

By the end of March 2017, number of wide body aircraft has reached 90, which makes up 27 % of the total fleet. Due to the effect of stage length and seat capacity, contribution of wide body aircraft to the production reached 50%.

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31.03.2017		2011-2023 Aircraft Purchases																
		Delivered								To Be Delivered								
		Type	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		24	1								1
	Total	10	3	2	10	14	11		50	1								1
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	1	166	3	10	35	42	35	30	15		170

Decree on State Aids for Investments

The incorporation had completed 13,245,403,524 TRY in total value of aircraft investments since 31.05.2010 in scope of the Investment Incentive Certificate obtained within the framework of “Decree on State Aids for Investments” put to force by the Cabinet on 14.07.2009. According to the incentive certificate, a 50% discounted corporate tax (i.e. 10% tax rate) will be applied to the income generated by the related aircraft until the total amount of contributions invested of 2,649,080,704 TRY (20% of total investment) is reached. In this context, 16,587,441 TRY tax advantage has been attained in 2012.

The incorporation has decided to terminate the aforementioned certificate and apply for a new certificate for the 32,049,048,095 TRY total values of aircraft investments that is planned to be made as of 01.12.2014 within the framework of “Cabinet Decree on State Aids for Investments” put to force on 15.06.2012. According to this new certificate, a 50% discounted corporate tax (i.e. 10% tax rate) will be applied to the income generated by the related aircraft, until this amount reaches 15% of total investment.

12. PROJECTIONS ABOUT THE COMPANY

The Incorporation has decided to start operating scheduled flights, based on aircraft availability, to the cities 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, Phuket of Thailand.

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.

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DISCLAIMER

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