

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



**WIDEN YOUR WORLD**



**1 JANUARY – 31 MARCH 2018**

**BOARD ACTIVITY REPORT**

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**BOARD ACTIVITY REPORT  
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The global aviation sector, negatively affected by terrorist incidents in 2016, began to recover in 2017 following a decrease in safety concern, with passenger demand increase. Turkish Airlines closed the year of 2017 with record EBITDAR figure, indicating cash generating ability, and set successive load factor record within the year thanks to positive demand environment and initiatives of Turkish Airlines about cost-cutting program and active capacity management. These positive developments in 2017 affected the first quarter of 2018 positively. Global passenger demand grew 9.5% year on year terms during the first quarter of 2018 and it is expected to continue on this growth by the end of 2018. Besides this strong demand pick up, global aviation capacity and load factor increased 6,4% 2.3 points respectively. Compared to the global aviation sector, Turkish Airlines performed better; passenger demand increased by 25%, capacity increased by 15% and load factor increased by 6.5 points. During the first quarter of 2018, the number of visitors coming to Turkey increased by 35%, exceeding 5 million over the same period of last year. In this period, the number of passengers carried by Turkish Airlines increased by 29%, reaching 17 million passengers compared to the first quarter of last year.

Turkish Airlines continues its success on passenger side in cargo transportation. The Incorporation has achieved to maintain its strong growth trend in the cargo market over the last decade and consequently, cargo carried increased by 38% and cargo revenue increased by 52%. 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 share of the world air cargo market with the addition of new cargo aircraft to the existing fleet.

Turkish Airlines continued its impressive communication performance in 2018 without slowing down as in 2017. Sponsorship in the international sports organizations, corporate social responsibility projects and other various sponsorships support Turkish Airlines brand image as well as make huge contribution to the development of tourism in Turkey by accurate advertisement of Turkey. Turkish Airlines, titled as airline which flies to the most countries in the world, underlines that it will maintain its title in the forthcoming years by open and planned to open new destinations. Turkish Airlines' large flight network and young fleet structure will become stronger and provide significant advantage in intensely competitive aviation sector.

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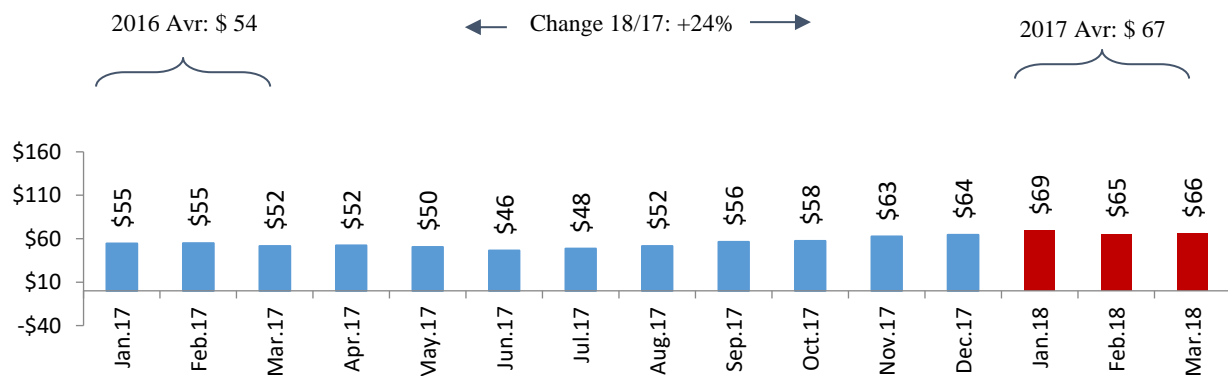
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<u>Aviation Industry Revenue/Expense</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018(*)</u>
<b>REVENUES (\$ billion)</b>	<b>720</b>	<b>767</b>	<b>721</b>	<b>709</b>	<b>754</b>	<b>824</b>
Passenger Revenue	539	541	514	502	532	581
Cargo Revenue	60.7	62.4	52.3	47.5	54.5	59.2
<b>Traffic</b>						
Passenger Km Growth (RPK) %	5,2	5,7	7,3	7,4	7,5	6,0
Cargo Km Growth (FTK) %	0.6	4.8	1.5	3.8	9.3	4.5
<b>OPERATIONAL EXPENSES (\$ billion)</b>	<b>695</b>	<b>725</b>	<b>661</b>	<b>644</b>	<b>691</b>	<b>757</b>
Fuel	230	224	174	132	130	156
% of expenses	33.2	30.9	26.4	20.6	18.8	20.5
Non-fuel expenses	464	501	486	511	561	602
<b>OPERATING PROFIT (\$ billion)</b>	<b>25.3</b>	<b>41.7</b>	<b>59.8</b>	<b>65.2</b>	<b>62.6</b>	<b>66.9</b>
% margin	3.5	5.4	8.3	9.2	8.3	8.1
<b>NET PROFIT(\$ billion)</b>	<b>10.7</b>	<b>13.7</b>	<b>35.9</b>	<b>35.3</b>	<b>34.5</b>	<b>38.4</b>
% margin	1.5	1.8	5.0	5.0	4.6	4.7

(\*) Annual forecast published by IATA

Source: IATA Airline Industry Economic Performance, December 2017)

**Oil Price per Barrel (Montly Average)**



Source: U.S. Energy Information Administration

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

<b>FUEL PRICE ANALYSIS</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>1Q'17</b>	<b>1Q'18</b>
Fuel Expenses (Million \$)	2,997	2.673	2866	591	804
Fuel Consumption (000 Tons)	4,272	4.693	4.847	1003	1.221
Average Unit Cost (\$/Tons)	701	570	591	589	659
Average Change of Unit Cost (%)	-30%	-19%	4%	0%	12%
Fuel Expense Rate in Operational Expenses (%)	30%	26%	28%	27%	29%

## 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, 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:

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

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.

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The table below sets out the consolidated subsidiaries and participation rate of the Group in these as of 31 March 2018:

<u>Name of the Company</u>	<u>Principal Activity</u>
THY Teknik A.Ş. (Turkish Technic)	Aircraft Maintenance Service
THY Uçuş Eğitim ve Havalimanı İşletme A.Ş.	Training & Airport Operations
THY Havaalanı Gayrimenkul Yatırım ve İşletme A.Ş	Investment & Airport Operations

**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 March 2018, Turkish Technic has 7,465 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 2018, Company has 51 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.

**THY Havaalanı Gayrimenkul Yatırım ve İşletme A.Ş**

The Incorporation has decided to establish, THY Havaalanı Gayrimenkul Yatırım ve İşletme Anonim Şirketi", 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. The aforementioned Company, which is wholly-owned by Türk Hava Yolları A.O, has been registered by Istanbul Trade Registry Office on 15 November 2017 and is established with the cash capital of 50.000 TRY. (Fifty thousand Turkish Lira).

The Group has nine 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 2018:

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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

### **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 19 aircraft for AnadoluJet operations of THY and with a fleet of 31 aircraft serves its customers in both charter and scheduled business with 2,791 employees as of 31 March 2017. SunExpress flies to 23 domestic and 29 international destinations, which brings the total number to 52 destinations. In 2011, SunExpress Germany was founded as a joint venture of Stiftung and SunExpress, in which each holds %50-50 stake. SunExpress Germany conducts operations to 10 destinations in Germany and 18 international destinations with its 11 Boeing 737-800 and 7 A330 passenger aircraft. As of 31 March 2018, 1,302 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 2017, 4,092 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 10,706 personnel as of 31 March 2018.

**BOARD ACTIVITY REPORT  
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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 2018, the Company has 457 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 31 March 2018, 88 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 – TAD). As of 31 March 2018, the Company has 163 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 m<sup>2</sup> at Istanbul Sabiha Gökçen International Airport, the company has 339 employees as of 31 March 2018.

**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 2018, the Company has 42 employees.

**Tax Free Zone, Inc. (Tax Refund)**

The Company is established on 1 September 2014 as a joint venture of THY (30%), Maslak Oto (45%) and VK Holding (25%) to carry out brokerage operations of value added tax return regarding the goods bought in Turkey by non-residents. As of 31 March 2018, 21 employees are working for the company.

The Incorporation is responsible for the full and joint control over subsidiaries and affiliates through Board of Directors. In addition, operations of subsidiaries and affiliates are monitored by Senior Vice President of Subsidiaries located within the means of the Parent Company. The internal audit and control functions in the Incorporation are carried out by SVP of Inspection Board, SVP of Quality Assurance and other relevant expertise and financial departments.

**3. ORGANIZATIONAL STRUCTURE**

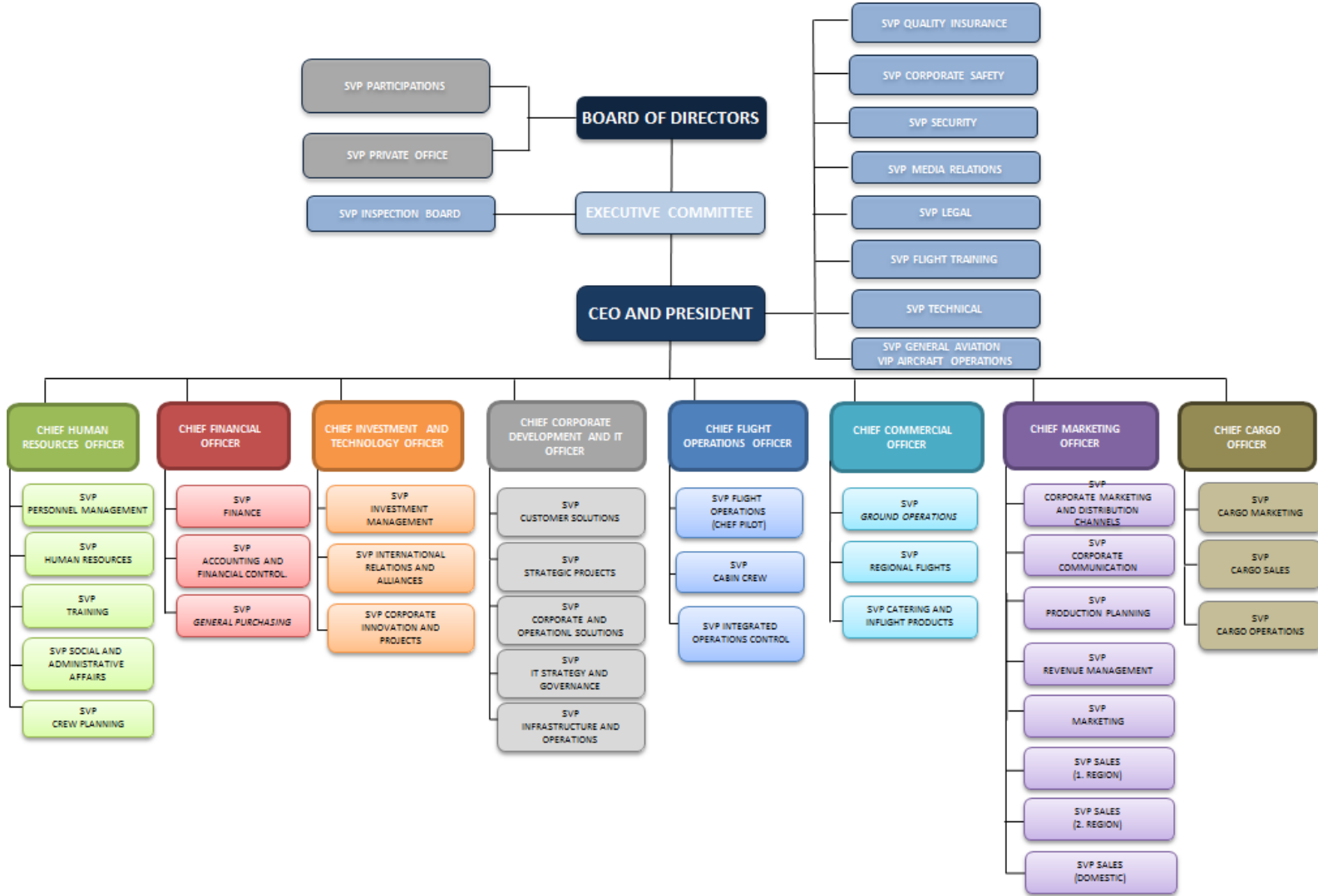
As of 31 March 2018, the number of countries served has reached to 121.

General Management and all central units are gathered around Istanbul Ataturk Airport. Organization chart of Turkish Airlines, as of 31 March 2018 is shown on the next page.

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**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 2018 are listed below:

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

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

**COMMITTEES**

**Audit Committee**

Chairman: M. Muzaffer Akpınar

Member: Ogün Şanlıer

**Corporate Governance Committee**

Chairman: Arzu Akalın

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

**Early Identification of Risks Committee**

Chairman: Ogün Şanlıer

Member: M. Muzaffer Akpınar

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**5. SENIOR MANAGEMENT**

Information about the Senior Management of the Incorporation are presented below (as of 31 March 2018):

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 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
Abdulkерim 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 increased by 2% to 24,291 during the period of January-March 2018 from 23.868 for the period of January-March 2017. Personnel numbers according to classes are as follows:

	31.12.2016	31.03.2017	31.03.2018	Change(%)
Cockpit Personnel	4.509	4.445	4.518	2%
Cabin Personnel	9.798	9.740	9.924	2%
Aircraft Maintenance Tech.	71	76	68	-11%
Staff Abroad	3.191	3.191	3.226	1%
Domestic Staff	6.506	6.232	6.555	5%
<b>TOTAL</b>	<b>24.075</b>	<b>23.868</b>	<b>24.291</b>	<b>2%</b>

**BOARD OPERATIONAL REPORT  
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The Incorporation will start operating scheduled flights, based on market conditions, to Banjul, the capital of Gambia, Marrakesh of Morocco, Palermo of Italy and Moroni, the capital of Comoros.

**Cargo Aircraft Purchase**

In order to insure the need for cargo aircraft for the year 2018 and afterwards, the Incorporation has decided to purchase 1 A330-200F cargo aircraft from DVB Bank SE.

**Wide Body Aircraft Purchase**

Ref: Announcements dated 22.09.2017 and 05.01.2018

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, of which 6 to be delivered in 2019, 14 in 2020, 10 in 2021, 12 in 2012, 11 in 2023 and 7 in the year 2024. According to this, 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 Airbus.

**2018 Budget**

According to the non-consolidated 2018 budget that was approved by the Board of Directors, the guidance regarding the Incorporation's targets and expectations for the year 2018 is as follows:

**Traffic Development**

- Total number of passengers carried is targeted to reach 74 million including 33 million on domestic routes, 41 million on international routes.
- While passenger load factor is expected to be in the band of 79% and 80%, total Available Seat Kilometers (ASK) will approximately reach to 183 billion with an increase of between 5% and 6% compared to 2017. Capacity (ASK) increase is expected to be 10% in Turkey, 9% in Middle East, 6% in Europe, 6% in Far East, 4% in America and 3% in Africa regions.
- In 2018, cargo/mail carried is expected to increase by 21% reaching 1.3 million tonnes.

**Financial Development (Unconsolidated)**

- In 2018, jet fuel consumption is expected to increase by 9% compared to 2017.
  - Average jet fuel (including fuel hedge) is expected to be 633\$/ton in 2018.
  - The Incorporation is targeting to generate 11.8 billion USD of sales revenue.
  - Cost per available seat kilometer (CASK), excluding fuel is expected to increase by between 3%-5%.
  - Unconsolidated EBITDAR margin is targeted to be between 21% and 22%, whereas consolidated EBITDAR margin is targeted to be in the band of 23% and 24%.
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**8. TRAFFIC RESULTS**

January-March 2018 traffic results are shown below:

	<b>TOTAL</b>		
	<b>2017</b>	<b>2018</b>	<b>Change (%)</b>
Number of Landing (Passenger Flights)	97.523	113.152	16,0%
Available Seat Km ('000)	36.412.645	41.713.777	14,6%
Revenue Passenger Km ('000)	26.945.576	33.584.210	24,6%
Passenger Load Factor (%)	74,0%	80,5%	6,5 pt
Passengers Carried	13.037.858	16.747.704	28,5%
Int-to-Int Transfer Passengers Carried	4.265.911	5.251.224	23,1%
Cargo and Mail (Tons)	227.045	312.456	37,6%
Fleet	337	327	-3,0%
Seat Capacity	67.000	65.016	-3,0%
Number of Destinations	297	302	1,7%
Km Flown ('000)	176.778	199.829	13,0%
Hours Flown	290.880	333.177	14,5%
Utilization*	10:37	11:28	8,0%

\* Based on 303 aircraft for 2017, 320 aircraft for 2018.

	<b>DOMESTIC</b>		
	<b>2017</b>	<b>2018</b>	<b>Change (%)</b>
Number of Landing (Passenger Flights)	42.394	51.885	22,4%
Available Seat Km ('000)	4.597.975	5.682.083	23,6%
Revenue Passenger Km ('000)	3.705.446	4.824.495	30,2%
Passenger Load Factor (%)	80,6%	84,9%	4,3 pt
Passengers Carried	5.874.564	7.710.385	31,3%
Cargo and Mail (Tons)	13.392	18.366	37,1%
Km Flown ('000)	26.342	32.378	22,9%

	<b>INTERNATIONAL</b>		
	<b>2017</b>	<b>2018</b>	<b>Change (%)</b>
Number of Landing (Passenger Flights)	55.129	61.267	11,1%
Available Seat Km ('000)	31.814.670	36.031.694	13,3%
Revenue Passenger Km ('000)	23.240.129	28.759.715	23,8%
Passenger Load Factor (%)	73,0%	79,8%	6,8 pt
Passengers Carried	7.163.294	9.037.319	26,2%
Excl. Int-to-Int Transfer Passenger	2.897.383	3.786.095	30,7%
Cargo and Mail (Tons)	213.653	294.091	37,6%
Km Flown ('000)	150.437	167.451	11,3%

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**I. Scheduled Domestic Flights:**

During January-March 2018, the Incorporation didn't start operating any new domestic scheduled flights with TK main brand.

**II. Scheduled International Flights:**

During January- March 2018, 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>
FREETOWN - Sierra Leone	24.02.2018
SAMARKAND-Uzbekistan	16.03.2018

**III. Additional, Charter and Hajj-Umrah Flights**

During January- March 2018, 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	412	237	50,581
Charter	200	131	26,520
Hajj-Umrah	-	1,714	209,528

**IV. AnadoluJet Flights:**

Scheduled and Additional Flights	1Q'17	1Q'18	Change (%)
Revenue Passenger (000)	2,529	3,865	53%
Avaliable Seats*Km (Millions)	2,145	2,922	36%
Passenger Load Factor (%)	77.5	84.8	+7.3 pt

- AnadoluJet has been pursuing its operations with 19 aircraft (wetlease) from SunExpress and 18 aircraft from TK fleet.(A total of 37 B737-800)
- As of March 2018, 19 aircraft is based in Ankara Esenboğa and 15 in İstanbul Sabiha Gökçen.
- As of March 2018, AnadoluJet flies to a total of 41 destinations.(Esenboğa based 33, Sabiha Gökçen based 30, point to point (cross) flights 5)
- As of March 2018, Sabiha Gökçen and Ankara Esenboğa based ASK has increased by 35% and 31%, respectively. (Total rate of ASK increase 36%)
- As of March 2018, the load factor is 84.8%.

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**9. FLEET**

31.03.2018	Type	Owned	Financial Lease	Opr./Wet Lease	Seat Capacity	Average Fleet Age	Total
<b>Wide Body</b>	A330-200	2	3	11	4.122	10,5	16
	A330-300		29	8	10.807	4,2	37
	A340-300	4			1.332	20,0	4
	B777-3ER		27	6	11.670	4,4	33
	<b>Total</b>	<b>6</b>	<b>59</b>	<b>25</b>	<b>27.931</b>	<b>6,1</b>	<b>90</b>
<b>Narrow Body</b>	B737-900ER		15		2.355	4,8	15
	B737-800	25	42	20	14.227	9,7	87
	B737-700			1	124	12,1	1
	A319-100		6	1	924	7,4	7
	A320-200	5	7	10	3.504	11,1	22
	A321-200		62	6	12.360	5,8	68
	B737-800 WL			19	3.591	10,6	19
	<b>Total</b>	<b>30</b>	<b>132</b>	<b>57</b>	<b>37.085</b>	<b>8,5</b>	<b>219</b>
<b>Cargo</b>	A330-200F		9			4,3	9
	B777F		2			0,3	2
	Wet Lease			7		22,7	7
	<b>Total</b>		<b>11</b>	<b>7</b>		<b>11,0</b>	<b>18</b>
<b>GRAND TOTAL</b>		<b>36</b>	<b>202</b>	<b>89</b>	<b>65.016</b>	<b>7,0</b>	<b>327</b>

**10. FINANCIAL SITUATION****SUMMARY OF BALANCE SHEET (Mn TRY)**

	31 March 2018	31 March 2017
<b><u>ASSETS</u></b>		
Current Assets	15,227	13,699
Non-Current Assets	57,902	54,948
<b>Total Assets</b>	<b>73,129</b>	<b>68,647</b>
<b><u>LIABILITIES</u></b>		
Total Current Liabilities	19,453	16,209
Total Non-Current Liabilities	33,602	32,267
Total Equity	20,074	20,171
<b>Total Liabilities and Equity</b>	<b>73,129</b>	<b>68,647</b>
Debt to Assets Ratio	0.73	0.71
Equity Ratio	0.27	0.29

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**SUMMARY OF INCOME STATEMENT (TRY)**

	1 Jan. – 31 Mar. 2018	1 Jan. - 31 Mar. 2017
Sales Revenue	10,532	7,310
Gross Profit	1,588	403
Operating Profit Before Investment Activities	156	(664)
Profit/Loss Before Tax	(386)	(1,716)
<b>Profit/Loss for the Period</b>	<b>(314)</b>	<b>(1,421)</b>
<b>Earnings Per Share (Kr)</b>	<b>(0.23)</b>	<b>(1.03)</b>

**SUMMARY OF BALANCE SHEET (Mn USD)**

	31 March 2018	31 March 2017
<b><u>ASSETS</u></b>		
Current Assets	3,857	3,631
Non-Current Assets	14,662	14,566
<b>Total Assets</b>	<b>18,519</b>	<b>18,197</b>
<b><u>LIABILITIES</u></b>		
Total Current Liabilities	4,924	4,297
Total Non-Current Liabilities	8,509	8,554
Total Equity	5,086	5,346
<b>Total Liabilities and Equity</b>	<b>18,519</b>	<b>18,197</b>
Debt to Assets Ratio	0.73	0.71
Equity Ratio	0.27	0.29

**SUMMARY OF INCOME STATEMENT (USD)**

	1 Jan. - 31 Mar 2018	1 Jan. - 31 Mar. 2017
Sales Revenue	2,763	1,980
Gross Profit	416	117
Operating Profit/Loss Before Investment Activities	41	(172)
Profit/Loss Before Tax	(107)	(454)
<b>Profit/Loss for the Period</b>	<b>(86)</b>	<b>(373)</b>
<b>Earnings Per Share (USc)</b>	<b>(0.06)</b>	<b>(0.27)</b>

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<b>EBITDAR</b>	<b>528</b>	<b>263</b>
<b>EBITDA</b>	<b>329</b>	<b>101</b>
<b>EBIT</b>	<b>60</b>	<b>(156)</b>
EBITDAR Margin	% 19,1	% 13
EBITDA Margin	% 11,9	% 5,1
EBIT Margin	% 2,2	(% 7,9)
Operating Profit Margin	% 2,3	(% 8,7)
Net Profit Margin	(% 3,1)	(% 18,8)

### 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.

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.

By the end of March 2018, the operation has been carried out by 90 double-aisle passenger aircraft, 219 single-aisle passenger aircraft and 18 cargo aircraft. Double-aisle aircraft constitute about 28 % 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%.

Type		2011-2023 Aircraft Purchases														
		Delivered								To Be Delivered						
		2011	2012	2013	2014	2015	2016	2017	TOTAL	2018	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							
	<b>Total</b>	<b>10</b>	<b>3</b>	<b>2</b>	<b>10</b>	<b>14</b>	<b>11</b>	<b>1</b>	<b>51</b>		<b>6</b>	<b>14</b>	<b>10</b>	<b>12</b>	<b>8</b>	<b>50</b>
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							
<b>Total</b>	<b>18</b>	<b>16</b>	<b>16</b>	<b>10</b>	<b>18</b>	<b>30</b>		<b>108</b>	<b>10</b>	<b>35</b>	<b>42</b>	<b>35</b>	<b>30</b>	<b>15</b>	<b>167</b>	
Cargo	A330-200F	1	1	2		1	2	1	8							
	B777F							2	2	3						3
	<b>Total</b>	<b>1</b>	<b>1</b>	<b>2</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>10</b>	<b>3</b>						<b>3</b>
<b>GRAND TOTAL</b>	<b>29</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>33</b>	<b>43</b>	<b>4</b>	<b>169</b>	<b>13</b>	<b>41</b>	<b>56</b>	<b>45</b>	<b>42</b>	<b>23</b>	<b>220</b>	

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**Decree on State Aids for Investments**

The incorporation had completed 13,267,897,367 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 will be applied to the income generated by the related aircraft until the total amount of contributions invested of 20% of total investment is reached.

The incorporation has decided to terminate the aforementioned certificate and apply for a new certificate for the aircraft investment 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 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 Abha of Saudi Arabia, Juba of South Sudan, Aswan and Luxor of Egypt, Krasnodar, Voronezh, Samara and Makhachkala of Russia, Krakow of Poland, La Coruna of Spain, Lenkeran of Azerbaijan, Luanda of Angola, Mexico City of Mexico, Nantes of France, Denpasar of Indonesia, Banjul, the capital of Gambiya, Moroni, the capital of Comoros, Marakesh of Morocco and Palermo of Italy.

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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