

TURKISH AIRLINES

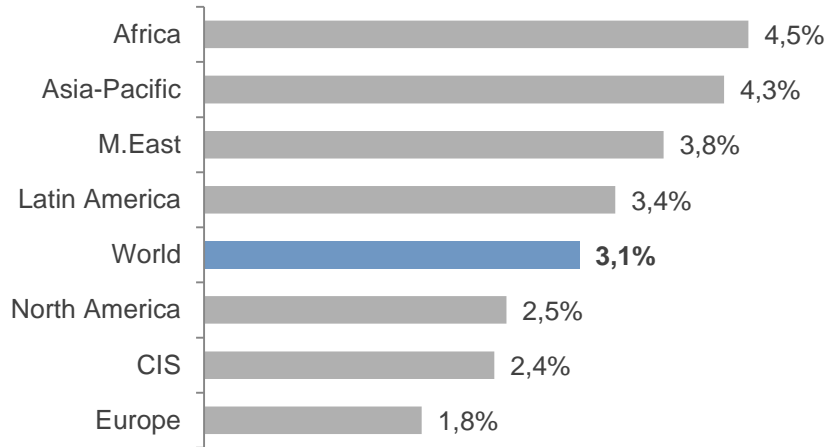


# WIDEN YOUR WORLD

May 2016

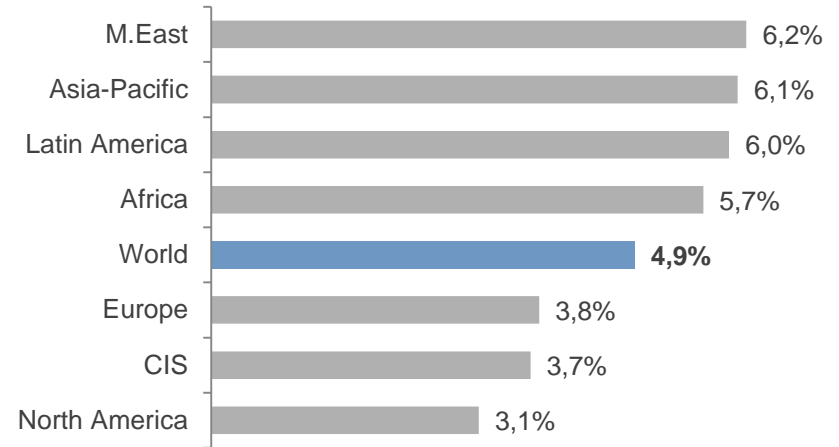
# Aviation Market & Economy

## Annual GDP Growth Forecast (2015-2034)



Source: Boeing Current Market Outlook

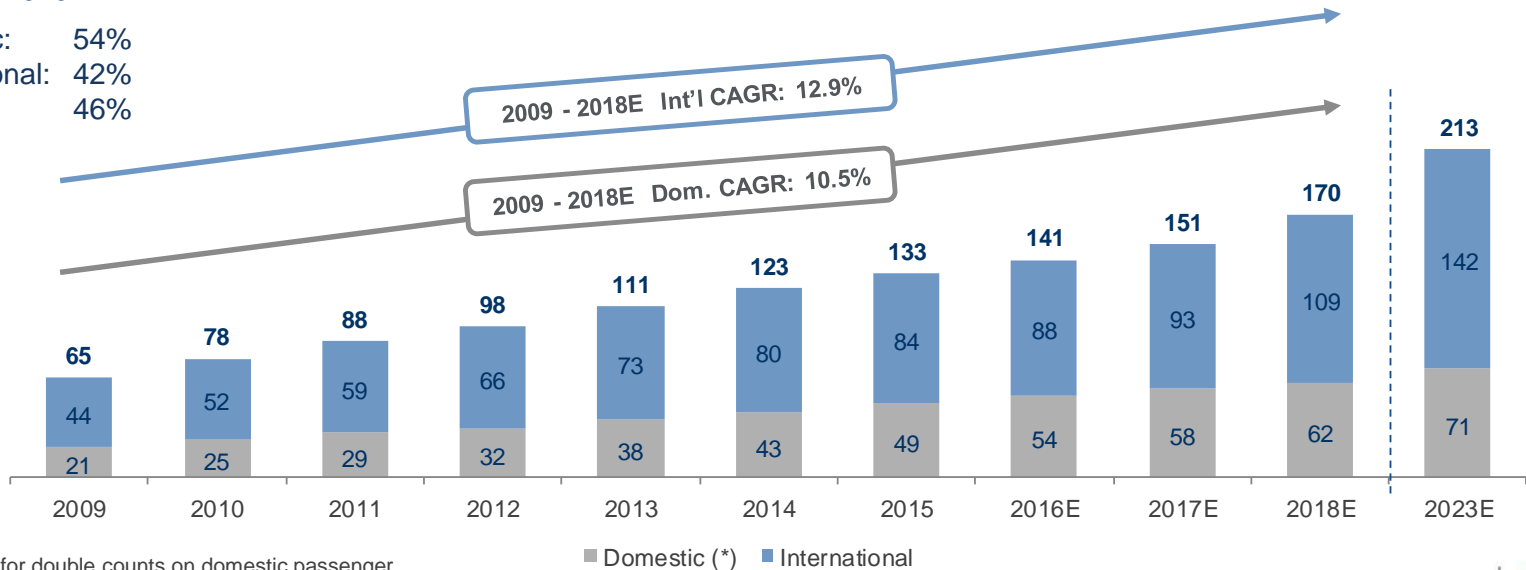
## Annual RPK Growth Forecast (2015-2034)



## Turkish Airlines Market Share in 2015

Domestic: 54%  
International: 42%  
Total : 46%

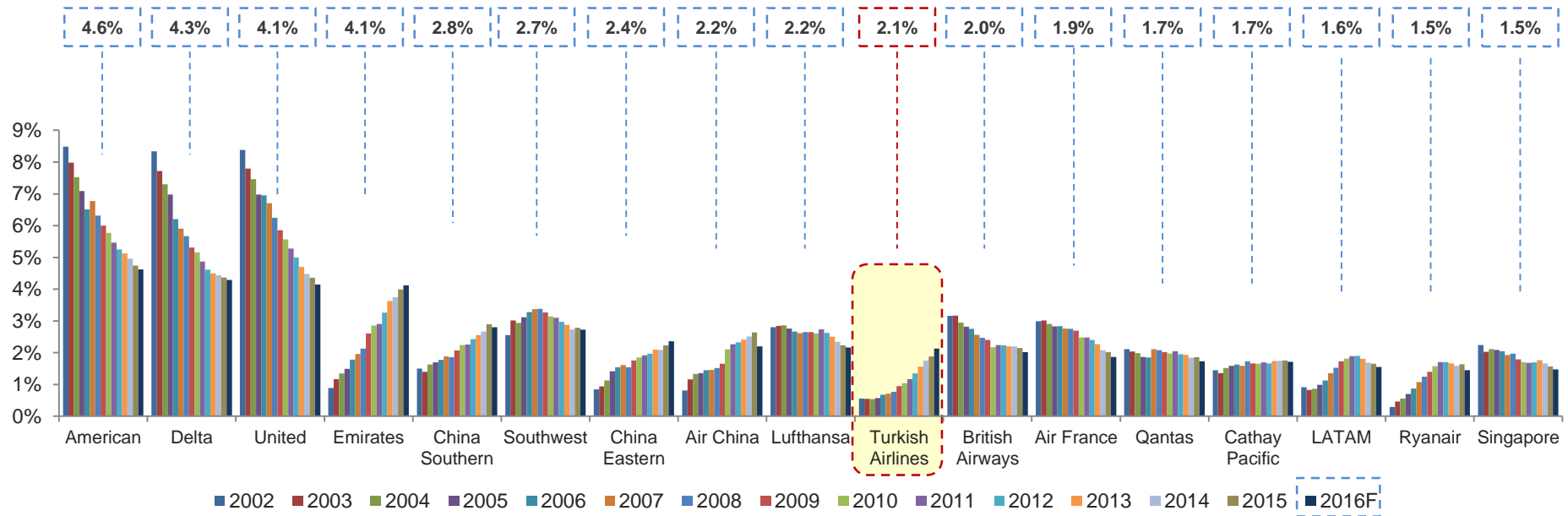
## Turkey Aviation Market



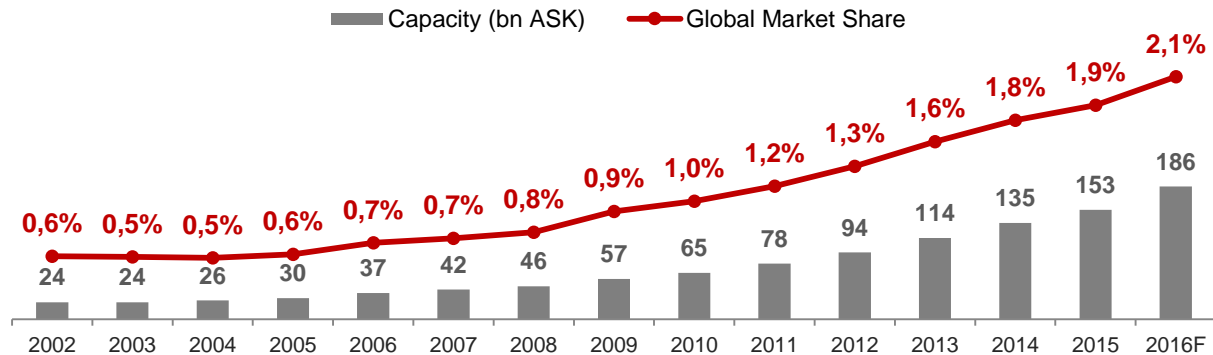
Note: Adjusted for double counts on domestic passenger  
Source: General Directorate of State Airports Authority (DHMI)

# About to become the 10th Largest Airline in the World

## Global Market Share Trends (in ASK)



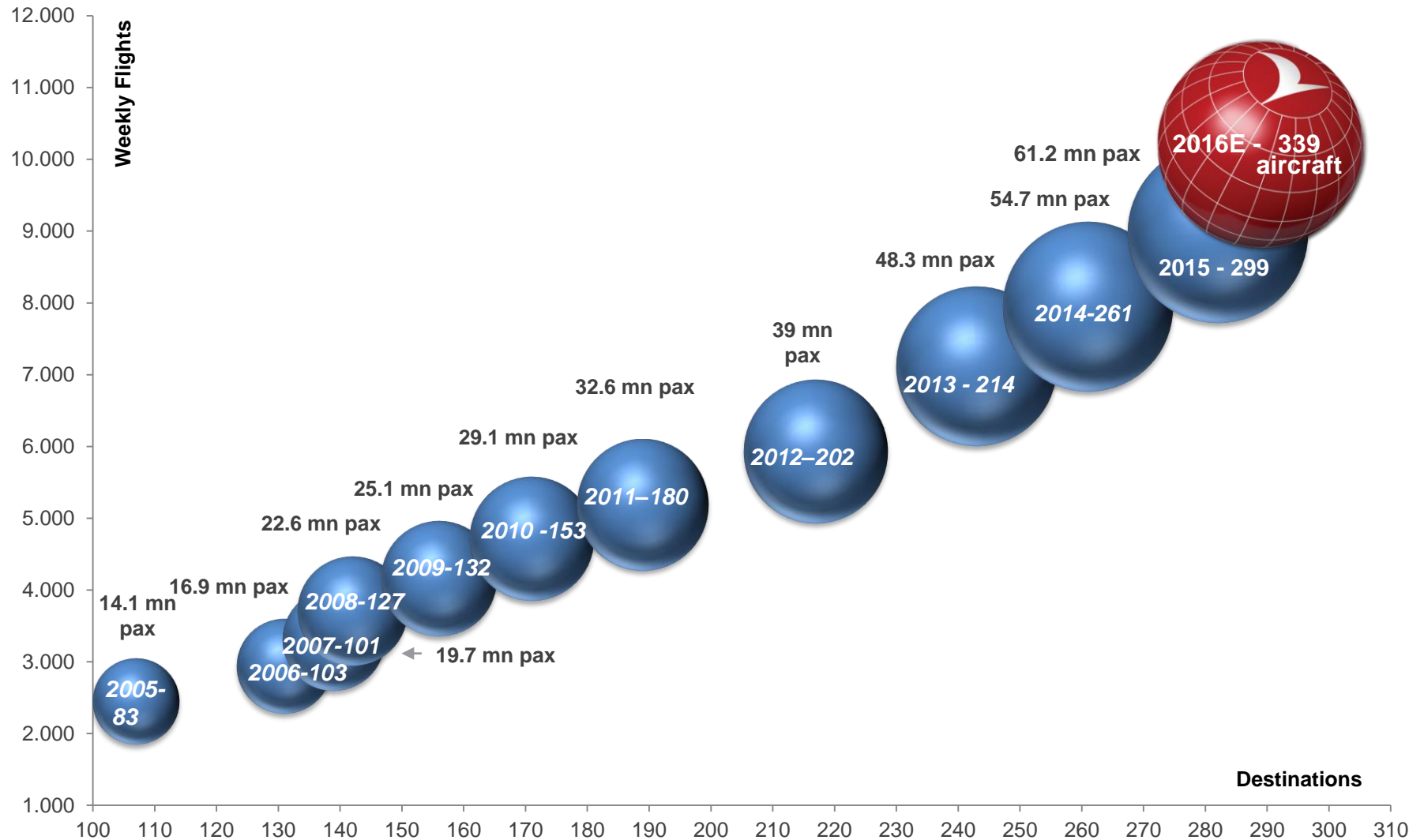
## Turkish Airlines Market Share Development



**Notes:** For US carriers regional flights are excluded. Wholly owned subsidiaries are included in the calculation. 2016 capacities are obtained from OAG on 12 February 2016. Lufthansa figures include Lufthansa Passenger Airline and germanwings.

**Source:** 2002 ICAO, 2003-2015 IATA, 2016F OAG, company reports, ATW, AEA, sorted by 2016F ASK values.

# Turkish Airlines Growth Story



\* Diameters of the bubbles are proportional to the number of passengers carried.

# Destinations: 240\* International, 49 Domestic Lines in 115 Countries

EUROPE					
43 COUNTRIES, 109 CITIES					
Germany	348	Russia	70	Belgium	35
Munich	42	Moscow	31	Brussels	35
Frankfurt	41	Sochi	7	Bulgaria	30
Berlin	41	St. Petersburg	7	Sofia	19
Stuttgart	35	Kazan	5	Varna	11
Düsseldorf	35	Rostov	4	Hungary	25
Cologne	35	Ekaterinburg	4	Budapest	25
Hamburg	28	Ufa	3	Romania	25
Hanover	28	Astrakhan	3	Bucharest	21
Nuremberg	21	Novosibirsk	3	Constanta	4
Bremen	14	Stravopol	3	Czech Rep.	21
Friedrichshafen	7	Switzerland	67	Prague	21
Leipzig	7	Zurich	28	Croatia	21
Münster	7	Geneva	25	Zagreb	14
Baden-Baden	7	Basel	14	Dubrovnik	7
Italy	149	Ukraine	55	Portugal	14
Milan	35	Kiev	16	Lisbon	21
Rome	35	Odessa	11	Porto	7
Venice	24	Ivano-Frankivsk	7	Bosnia	18
Bologna	17	Dnepropetrovsk	7	Sarajevo	18
Naples	10	Kherson	7	Finland	18
Catania	7	Zaporijya	4	Helsinki	18
Turin	7	Lviv	3	Norway	18
Pisa	5	Simferopol	-	Oslo	18
Bari	5	Donetsk	-	Albania	14
Genoa	4	Austria	54	Tirana	14
France	101	Vienna	37	Ireland	14
Paris	46	Salzburg	10	Dublin	14
Lyon	14	Graz	7	Kosovo	14
Nice	14	Northern Cyprus	51	Pristina	14
Marseille	13	Lefkosa	51	Macedonia	14
Toulouse	7	Azerbaijan	47	Skopje	14
Bordeaux	7	Baku	37	Serbia	14
UK	101	Ganja	7	Belgrade	14
London	66	Nakhichevan	3	Malta	14
Manchester	21	Netherlands	45	Malta	14
Birmingham	21	Amsterdam	38	Slovenia	14
Spain	88	Rotterdam	7	Ljubljana	14
Barcelona	32	Greece	44	Montenegro	12
Madrid	21	Athens	30	Podgorica	12
Malaga	21	Thessaloniki	14	Scotland	10
Valencia	7	Sweden	42	Edinburgh	10
Bilbao	7	Stockholm	28	Estonia	7
		Gothenburg	14	Tallinn	7
		Denmark	38	Latvia	7
		Copenhagen	28	Riga	7
		Aalborg	5	Lithuania	7
		Billund	5	Vilnius	7
		Georgia	38	Luxembourg	7
		Tbilisi	28	Luxembourg	7
		Batumi	10		

## Routes Opened

Zaporijya
Ivano-Frankivsk
Dubrovnik
Kosice

## Future Routes

Azerbaijan
Lankaran
Poland
Krakow
France
Nantes
Ukraine
Kharkiv
Spain
La Coruna
Russia
Makhachkala
Romania
Cluj

AFRICA			
31 COUNTRIES, 48 CITIES			
Egypt	35	Gabon	5
Cairo	21	Libreville	5
Alexandria	7	Mali	5
Hurghada	7	Bamako	5
Sharmel-Sheikh	-	Burkina Faso	4
Algeria	35	Ougadougou	4
Algiers	21	Cote D'Ivoire	4
Oran	7	Abidjan	4
Constantine	3	Chad	4
Tlemcen	2	N'Djamena	4
Batna	2	Benin	4
South Africa	21	Cotonou	4
Johannesburg	10	Mozambique	4
Cape Town	7	Maputo	4
Durban	4	Niger	3
Nigeria	18	Niamey	3
Lagos	7	Eritrea	3
Abuja	7	Asmara	3
Kano	4	Madagascar	3
Cameroon	14	Antananarivo	3
Douala	7	Mauritius	3
Yaounde	7	Port Louis	3
Kenya	14	Libya	-
Mombasa	7	Misurata	-
Nairobi	7	Benghazi	-
Tanzania	14	Sebha	-
Dar Es Selaam	7	Tripoli	-
Kilimenjaro	7		
Tunisia	14	Routes Opened	
Tunis	14		
Djibouti	7	Maputo	
Djibouti	7	Durban	
Ethiopia	7	Antananarivo	
Addis Ababa	7	Port Louis	
Ghana	7		
Accra	7		
Morocco	7	Future Routes	
Casablanca	7		
Rwanda	7		
Kigali	7		
Somalia	7	Angola	
Mogadishu	7	Luanda	
Sudan	7	Egypt	
Khartoum	7	Aswan	
Uganda	7	Luxor	
Entebbe	7	Guinea	
Mauritania	7	Conakry	
Nouakchott	7	Seychelles	
Senegal	7	Seychelles	
Dakar	7	South Sudan	
Congo	5	Juba	
Kinshasa	5		

## Routes Opened

Maputo
Durban
Antananarivo
Port Louis

## Future Routes

Angola
Luanda
Egypt
Aswan
Luxor
Guinea
Conakry
Seychelles
Seychelles
South Sudan
Juba

MIDDLE EAST			
13 COUNTRIES, 34 CITIES			
Saudi Arabia	123	UAE	35
Jeddah	35	Dubai	24
Madinah	25	Abu Dhabi	11
Riyadh	24	Lebanon	21
Dammam	21	Beirut	21
Yanbu	10	Jordan	17
El Qassim	5	Amman	14
Taif	3	Akabe	3
Iran	73	Qatar	14
Tehran	37	Doha	14
Mashad	7	Bahrain	12
Shiraz	7	Bahrain	12
Tabriz	7	Oman	9
Isfahan	7	Muscat	9
Kermanshah	4	Syria	-
Ahvaz	4	Aleppo	-
Israel	63	Damascus	-
Tel Aviv	63	Yemen	-
Iraq	62	Aden	-
Erbil	20	Sanaa	-
Baghdad	14		
Basra	10		
Sulaymaniyah	11	Future Routes	
Najaf	7	Saudi Arabia	
Mosul	-	Abha	
Kuwait	48		
Kuwait	48		

## AMERICAS

### 6 COUNTRIES, 15 CITIES

USA	84	Columbia	3
New York	21	Bogota	3
Los Angeles	11	Panama	3
Washington	10	Panama	3
Boston	7		
Chicago	7	Routes Opened	
Houston	7	Bogota	
Miami	7	Panama	
Atlanta	7	Atlanta	
San Francisco	7	Miami	
Canada	9		
Toronto	6		
Montreal	3	Future Routes	
Argentina	7	Cuba	
Buenos Aires	7	Havana	
Brazil	7	Mexico	
Sao Paulo	7	Mexico City	
		Venezuela	
		Caracas	

## Future Routes

Cuba
Havana
Mexico
Mexico City
Venezuela
Caracas

FAR EAST			
22 COUNTRIES, 34 CITIES			
China	34	Bangladesh	7
Beijing	7	Dhaka	7
Guangzhou	7	Indonesia	7
Shanghai	7	Jakarta	7
Taipei	7	Maldives	7
Hong Kong	6	Male	7
Pakistan	28	Singapore	7
Karachi	14	Singapore	7
Islamabad	7	Sri Lanka	7
Lahore	7	Colombo	7
Kyrgyzstan	20	Uzbekistan	7
Bishkek	15	Tashkent	7
Osh	5	Philippines	7
Kazakhstan	15	Manila	7
Almaty	10	Vietnam	5
Astana	5	Ho Chi Minh	5
Japan	14	Tajikistan	5
Tokyo	7	Dushanbe	3
Osaka	7	Khujand	2
India	14	Nepal	4
Mumbai	7	Kathmandu	4
New Delhi	7	Mongolia	3
Thailand	14	Ulaanbaatar	3
Bangkok	14		
Turkmenistan	14	Future Routes	
Ashgabat	14	Thailand	
Malaysia	14	Phuket	
Kuala Lumpur	14	Vietnam	
South Korea	11	Hanoi	
Seoul	11	Indonesia	
Afghanistan	10	Denpasar	
Kabul	7		
Mazar-i Sharif	3		

## DOMESTIC

### 49 CITIES

\* As of 16.06.2016. Numbers shown on the second columns represent weekly flight frequencies.  
 "Routes Opened" include new routes opened since October 2015.

# Istanbul's Geographical Advantage - A Natural Hub

## Narrow Body Range Capability to and from Istanbul

(with full passenger payload)

- ✓ 197 out of 238 international destinations
- ✓ More than 40% of world-wide international traffic
- ✓ Over 60 national capitals
- ✓ All of Europe, Middle East, Central Asia and North and East Africa

## Highest Coverage of Non-Hub Cities

We fly to 43 of the Global Top 50 Hub Airports...

	Outside Top 50 Hubs	Among Top 50 Hubs	# of Total Int'l Airports	Int'l Pax Coverage (%)
<b>THY</b>	<b>196</b>	<b>44</b>	<b>240</b>	<b>78.4%</b>
British Airways	116	43	159	77.6%
Lufhansa	97	44	141	78.1%
Emirates	91	41	132	74.0%
Air France	84	39	123	67.1%



Source: Passenger data from IATA, route data from OAG. Retrieved on 2 November 2015.



# Highest Connectivity for Europe, Africa and Middle East

## Airlines Connectivity by Number of O&D Pairs (Top Three)

### Europe to the World

Turkish Airlines	20,096
British Airways	10,710
Lufthansa	8,658

### Middle East to the World

Turkish Airlines	8,534
Qatar Airways	3,132
British Airways	2,178

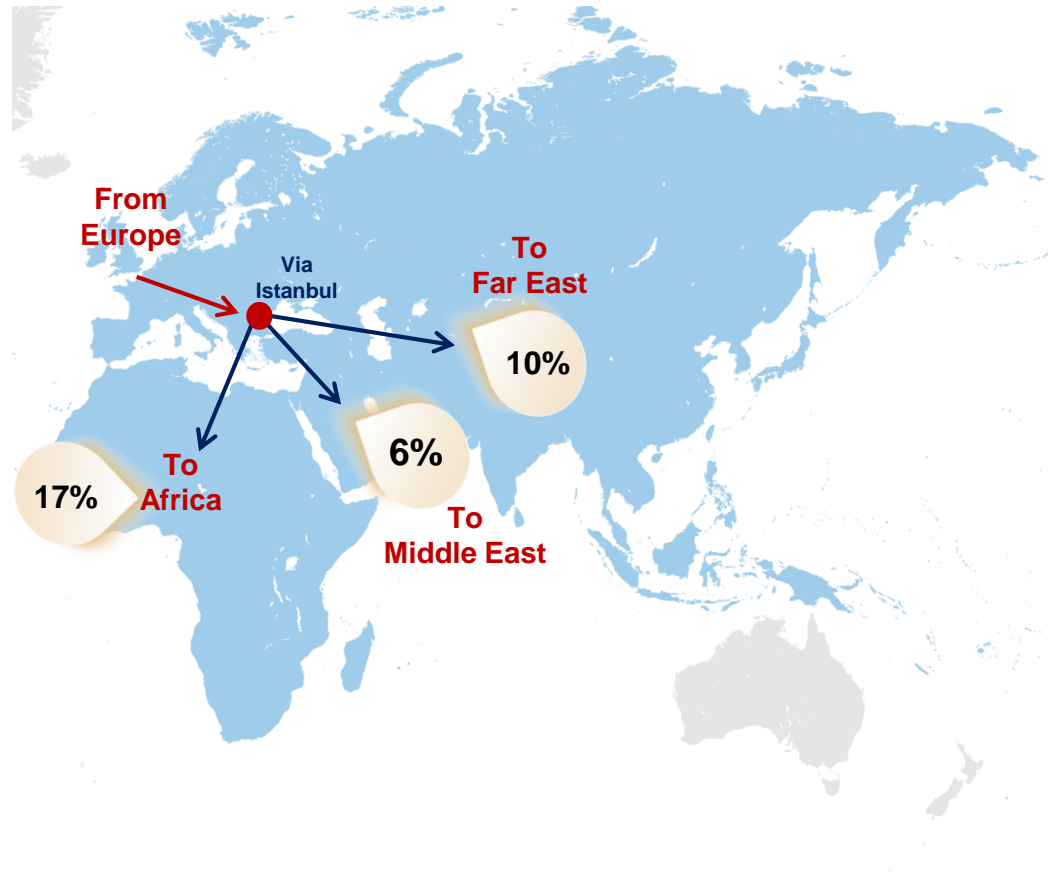
### Africa to the World

Turkish Airlines	11,376
Air France	4,488
British Airways	3,264

### Far East to the World

United Airlines	9,176
Turkish Airlines	8,534
Delta	5,236

## Detour\* Advantage

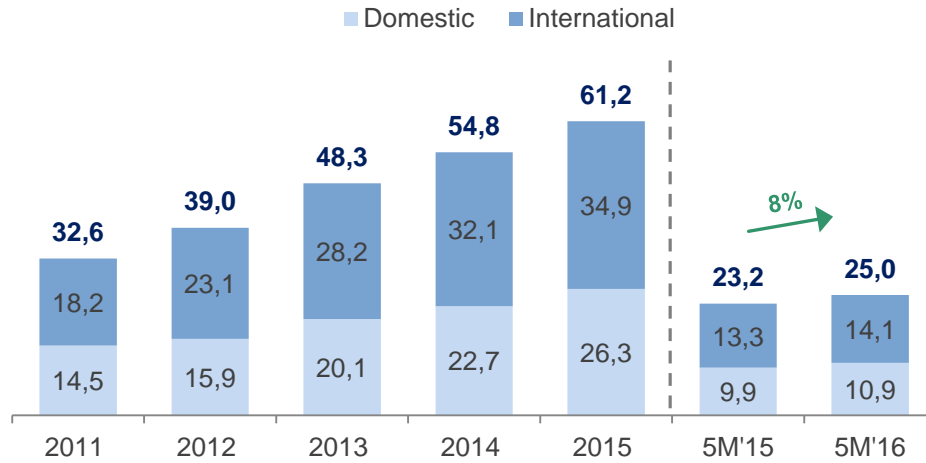


\* Detour: Increase in the flight distance compared to a non-stop flight. Forecasted by using 6,000 arrival-departure cities

Source: Retrieved from OAG on 3 May 2016.

# Passenger Traffic (5M'16)

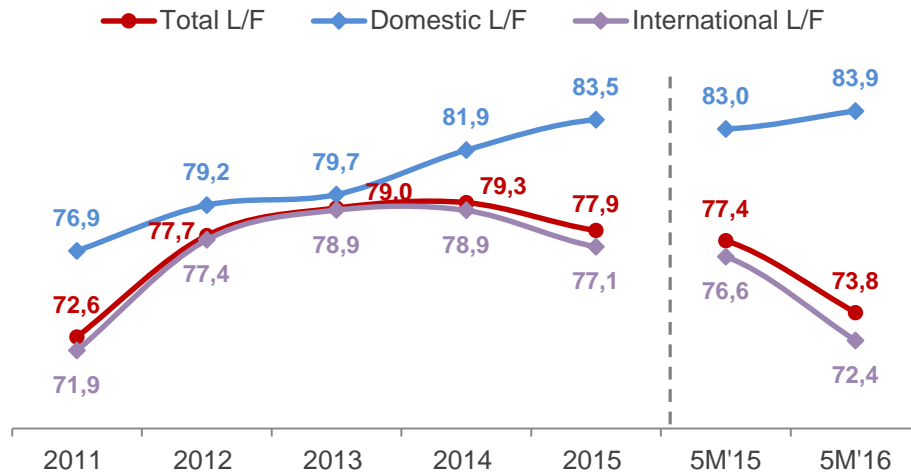
## Total Passengers (mn)



## Traffic KPI

5M'15	vs	5M'16
Landing	up by	7.8%
ASK	up by	16.1%
RPK	up by	10.7%
Passenger #	up by	7.8%
L/F	down by	-3.6 pt

## Load Factor (L/F %)



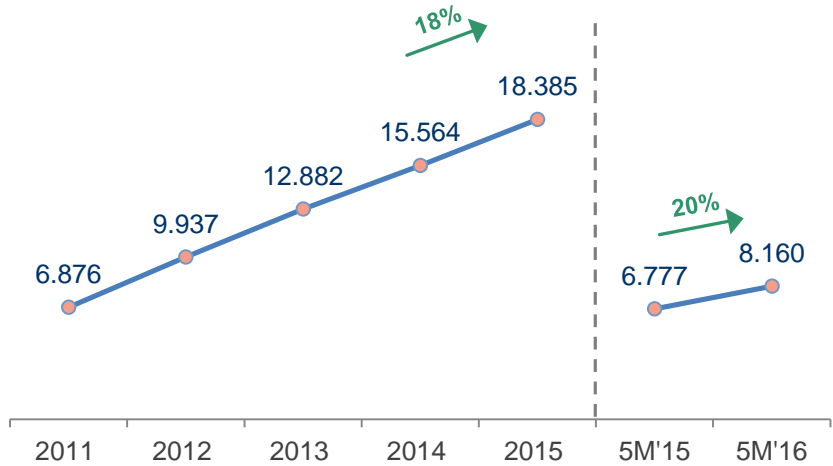
## Annual Changes (%)

	2011	2012	2013	2014	2015
ASK	25%	18%	21%	16%	14%
RPK	23%	27%	23%	16%	12%
PAX	12%	20%	24%	14%	12%
L/F (pt)	-1.1	+5.1	+1.4	+0.3	-1.4

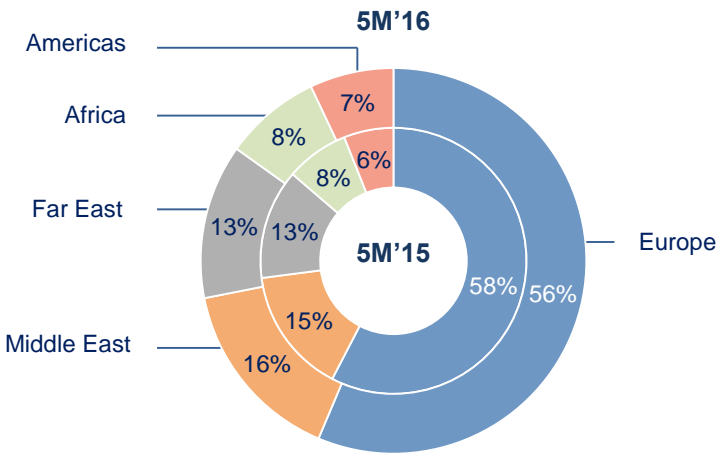


# Passenger Breakdown (5M'16)

Int'l to Int'l Transfer Passengers ('000)

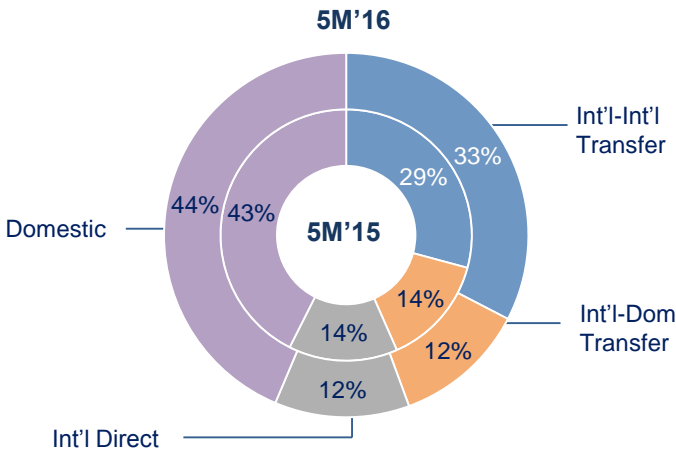


Int'l Passenger Breakdown by Geography



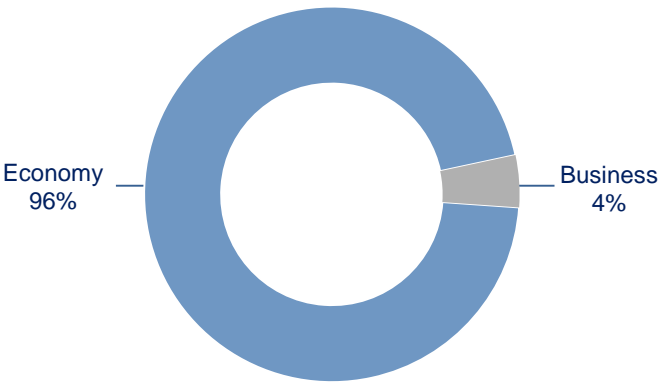
Note: Includes only scheduled passengers.

Passenger Breakdown by Transfer Type



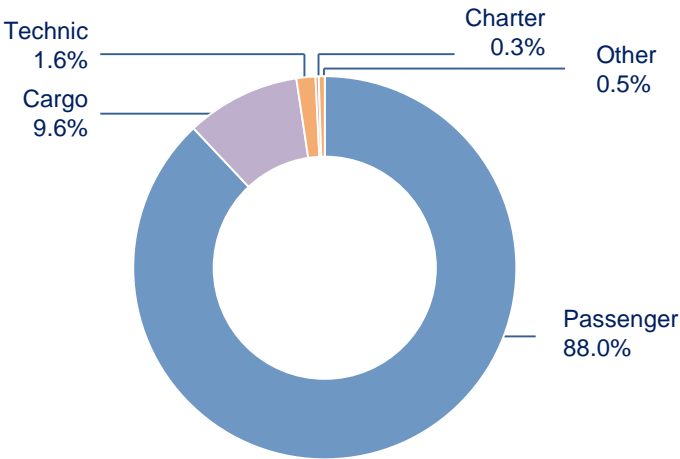
Note: Int'l to int'l transfer passengers' share in total international passengers is 58%.

Passenger Breakdown by Cabin Class

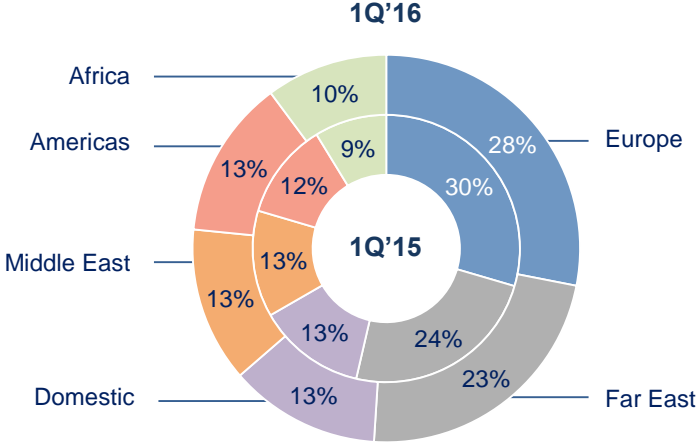


# Increasingly Diversified Revenue (1Q'16)

## Revenue by Business Type

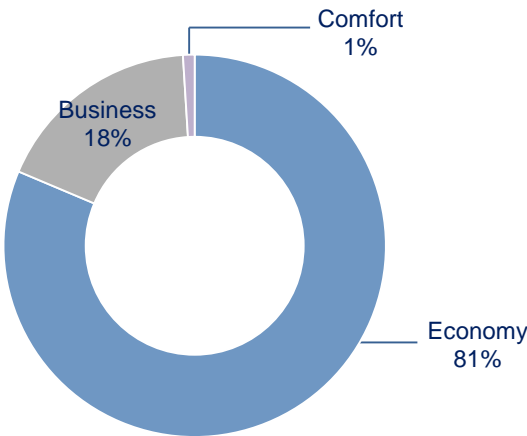


## Revenue by Geography

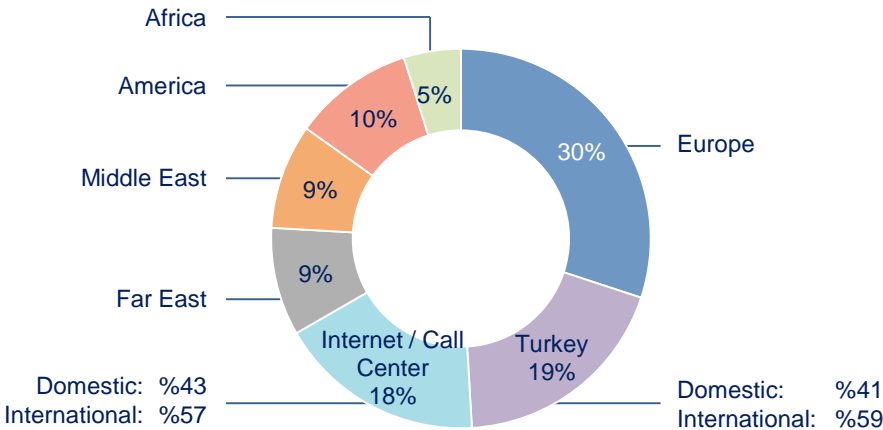


**Note:** Includes scheduled passenger and cargo revenue

## Revenue by Passenger Class



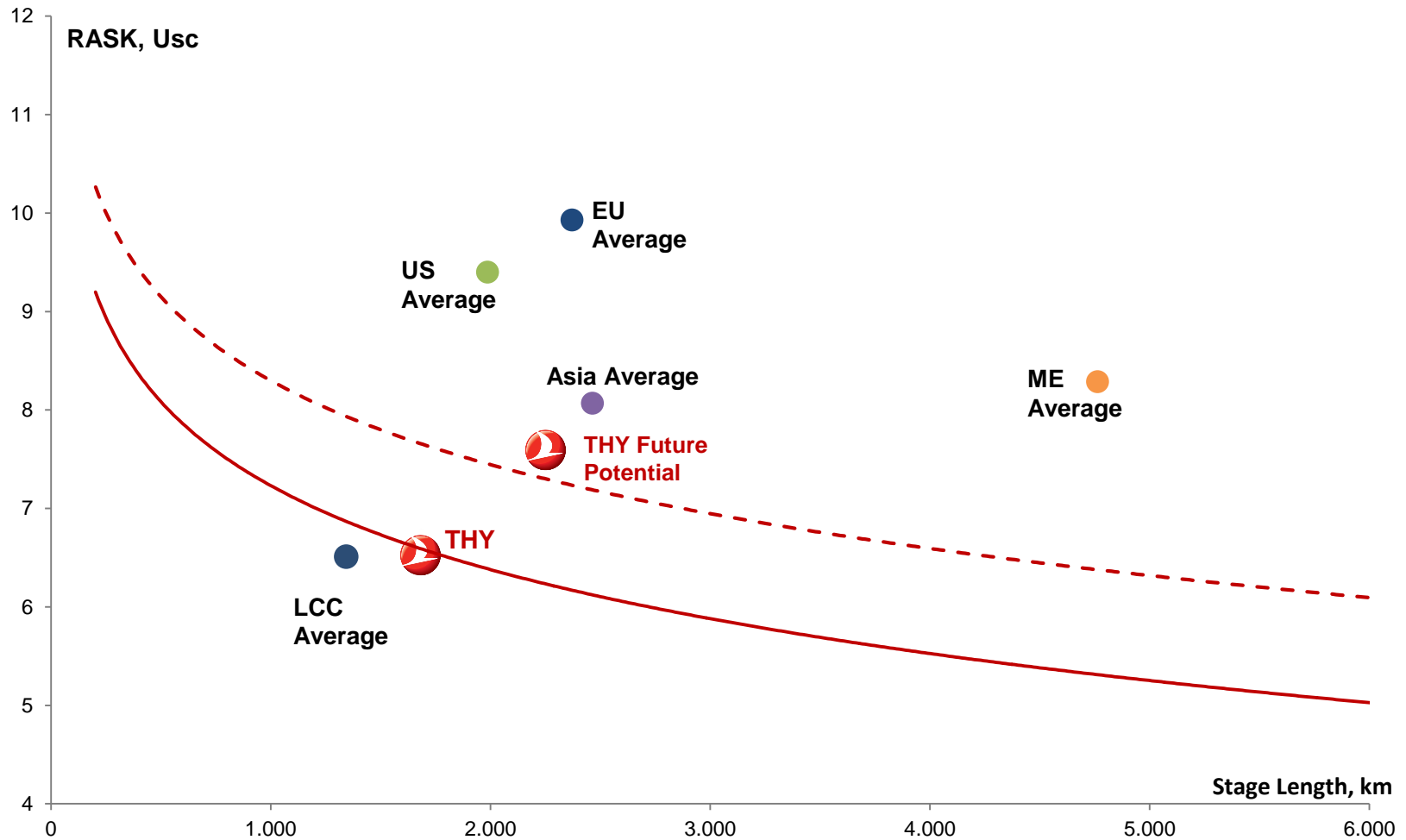
## Revenue by Point of Sale



**Note:** Includes only scheduled passenger revenue

# Unit Revenue Upside Potential

With new wide-body aircraft deliveries, business class and cargo revenue share will increase.

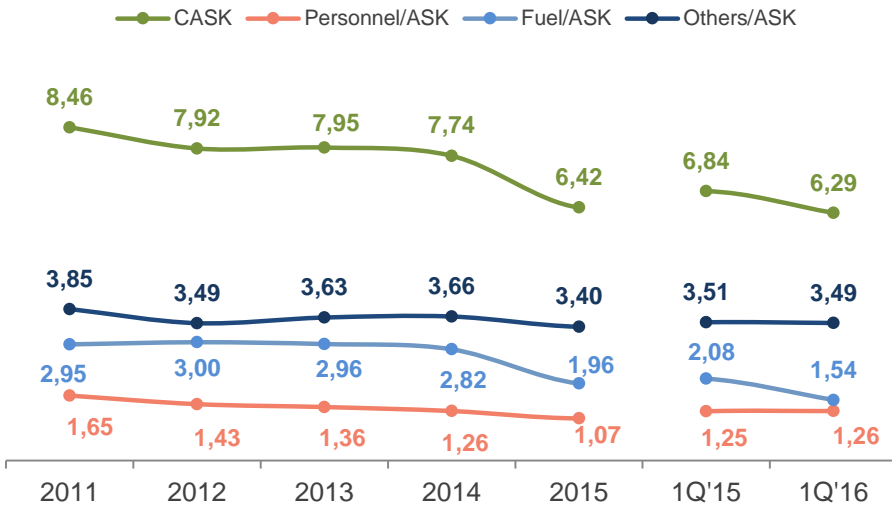


**Notes:** European carriers include Lufthansa, IAG, AF-KLM, SAS. Middle Eastern carriers include Emirates, Etihad, Royal Jordanian and Oman. Asian carriers include Singapore, Cathay, Garuda, Air China and Thai. US carriers include Delta, United, American, Air Canada and LATAM. LCC carriers include Ryanair, SunExpress, Pegasus, Norwegian, Southwest, Air Asia, Jet Blue.

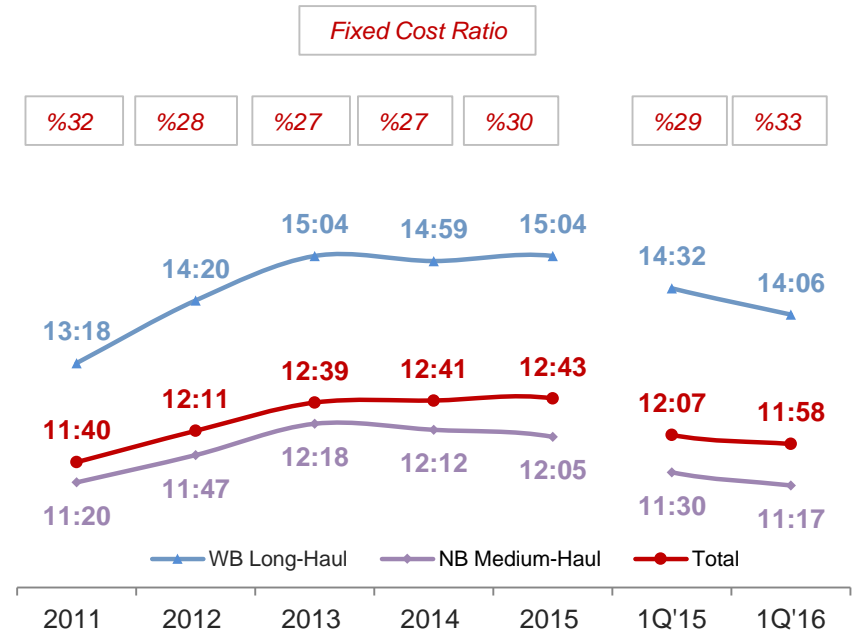
**Source:** Airline Annual Reports, 2015.

# Decreasing Unit Costs combined with Favorable Utilization Levels

## Cost Per ASK (Usc)



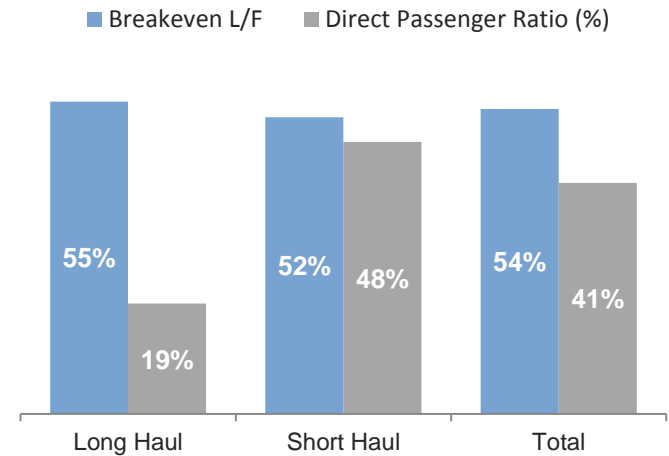
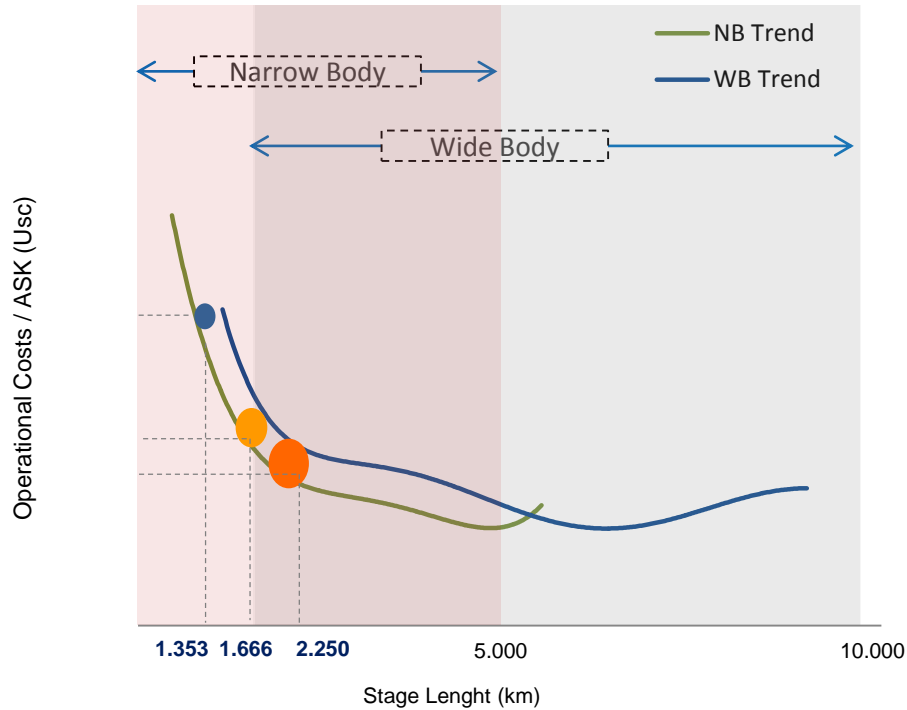
## Average Daily Flight Utilization (hrs)



10% increase in Utilization should decrease total CASK by 3%

2011 - 2015 Utilization Increase : %9

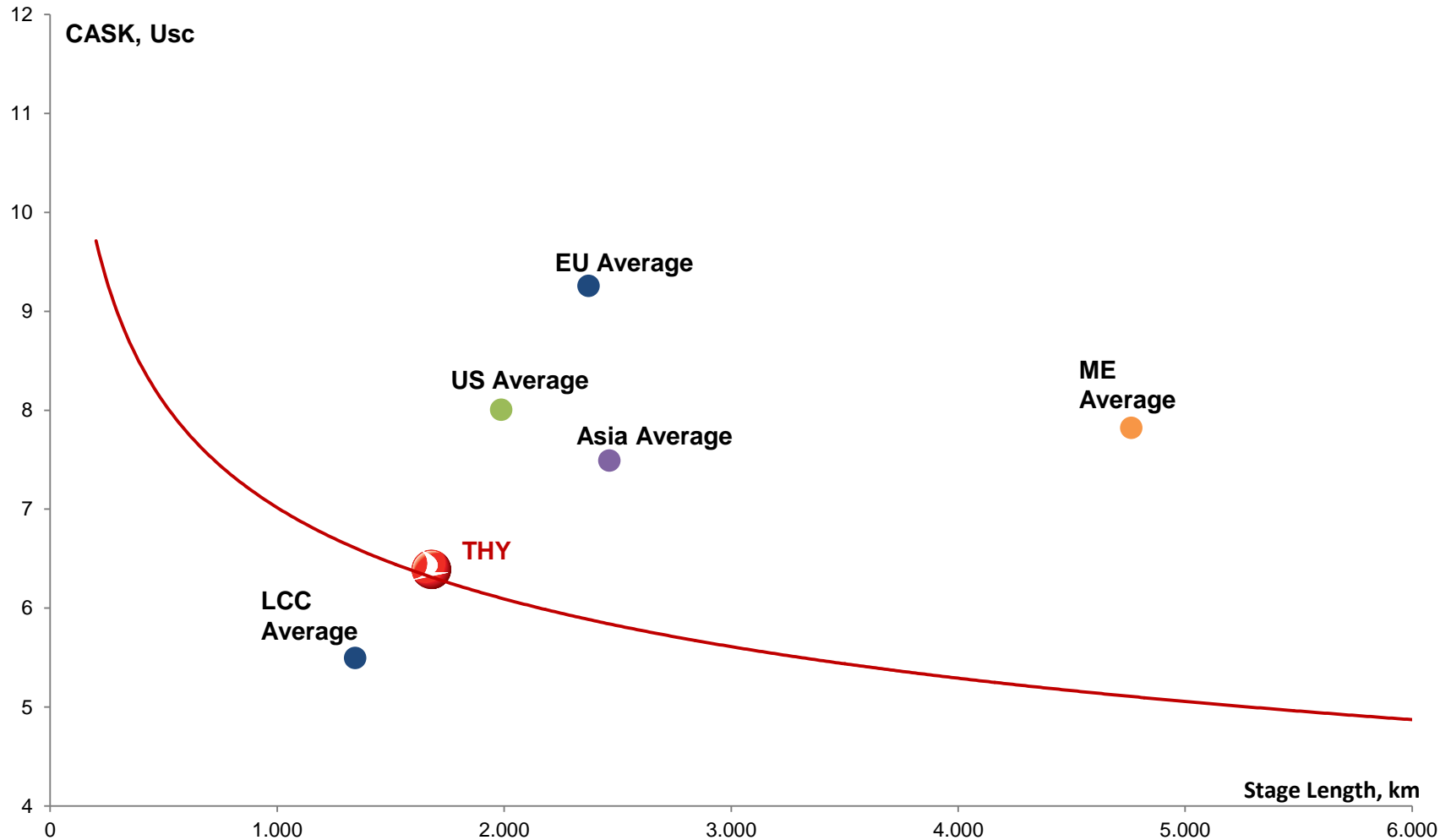
# Cost Efficiency and Direct Traffic Advantage



**75% of all Turkish Airlines production takes place in an optimum stage length**

Note: Break-even LF is calculated as the load factor enough to cover all direct operational expenses.

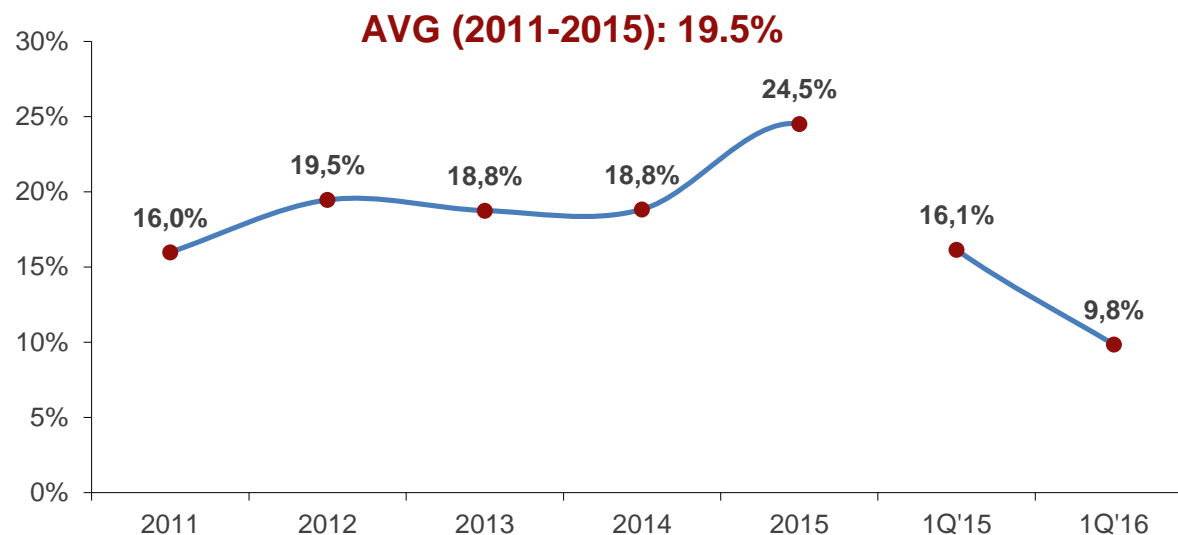
# Lower Cost Base Compared to Peers



**Notes:** European carriers include Lufthansa, IAG, AF-KLM, SAS. Middle Eastern carriers include Emirates, Etihad, Royal Jordanian and Oman. Asian carriers include Singapore, Cathay, Garuda, Air China and Thai. US carriers include Delta, United, American, Air Canada and LATAM. LCC carriers include Ryanair, SunExpress, Pegasus, Norwegian, Southwest, Air Asia, Jet Blue.

**Source:** Airline Annual Reports, 2015.

# Management Benchmark : EBITDAR Growth



(mn USD)	2011	2012	2013	2014	2015	1Q'15	1Q'16	YoY Change
Revenue	7,070	8,234	9,826	11,070	10,522	2,219	2,188	-1.4%
Net Income	11	657	357	845	1,069	153	-421	-
Net Income Margin	0.2%	8.0%	3.6%	7.6%	10.2%	6.9%	-19.2%	-
EBIT	277	691	755	808	1,039	15	-220	-
EBIT Margin	3.9%	8.4%	7.7%	7.3%	9.9%	0.7%	-10.1%	-
EBITDAR	1,130	1,603	1,843	2,085	2,580	358	215	-39.9%
EBITDAR Margin	16.0%	19.5%	18.8%	18.8%	24.5%	16.1%	9.8%	-6.3 pt



# Current Fleet and Growth Projections

10.06.2016	Type	Total	Owned	Financial Lease	Opr./Wet Lease	Seat Capacity	Average Fleet Age	Year End Fleet*						
								2016	2017	2018	2019	2020	2021	2022
Wide Body	A330-200	20		5	15	5,018	8.9	20	18	18	16	13	13	8
	A330-300	30		29	1	8,672	2.7	30	37	37	37	37	37	37
	A340-300	4	4			1,080	18.1	4	4	4	4	4	4	4
	B777-3ER	29		27	2	10,199	2.9	32	35	35	34	32	32	32
	<b>Total</b>	<b>83</b>	<b>4</b>	<b>61</b>	<b>18</b>	<b>24,969</b>	<b>5.0</b>	<b>86</b>	<b>94</b>	<b>94</b>	<b>91</b>	<b>86</b>	<b>86</b>	<b>81</b>
Narrow Body	B737-900ER	15		15		2,355	3.0	15	15	15	15	15	15	15
	B737-9 MAX										5	10	10	10
	B737-800	81	25	45	11	12,800	8.7	76	70	53	53	53	53	53
	B737-700	1			1	124	10.3	1	1	1	1			
	B737-8 MAX									20	30	55	65	65
	A321 NEO									14	39	61	86	92
	A319-100	14		6	8	1,848	8.2	14	11	9	8	6	6	6
	A320-200	29		12	17	4,572	9.1	29	22	19	12	12	12	12
	A321-200	62		58	4	11,292	4.4	66	68	68	68	66	64	64
	B737-800 WL	25			25	4,914	10.1	37	40	46	43	35	33	29
	B737-700 WL													
	E190													
	WL/E195 WL	3			3	354	9.0	3						
	<b>Total</b>	<b>230</b>	<b>25</b>	<b>136</b>	<b>69</b>	<b>38,259</b>	<b>7.3</b>	<b>241</b>	<b>227</b>	<b>245</b>	<b>274</b>	<b>313</b>	<b>344</b>	<b>346</b>
Cargo	A330-200F	7		7			3.3	8	9	9	9	9	9	9
	Wet Lease	4			4		19.5	4						
	<b>Total</b>	<b>11</b>		<b>7</b>	<b>4</b>		<b>9.2</b>	<b>12</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>
<b>GRAND TOTAL</b>		<b>324</b>	<b>29</b>	<b>204</b>	<b>91</b>	<b>63,228</b>	<b>6.8</b>	<b>339</b>	<b>330</b>	<b>348</b>	<b>374</b>	<b>408</b>	<b>439</b>	<b>436</b>

\*After exit-entry

Seat Capacity  
Change :

17%    1%    5%    6%    6%    7%    -1%

# Aircraft Orderbook

	10.06.2016	2011-2022 Aircraft Purchases														
		Delivered							To Be Delivered							
		Type	2011	2012	2013	2014	2015	2016	TOTAL	2016	2017	2018	2019	2020	2021	2022
Wide Body	A330-300	3	3	2	6	7	5	26								
	B777-3ER	7			4	7	4	22	2	3						5
	Total	10	3	2	10	14	9	48	2	3						
Narrow Body	B737-900ER	2	7	1		5		15								
	B737-9 MAX								5				5	10		
	B737-800	2	2	6	10		12	32	8							8
	B737-8 MAX								20			10	25	10	65	
	A321	8	7	9		13	6	43	4	2						6
	A321 NEO								14		25	22	25	6	92	
	A319	6						6								
	Total	18	16	16	10	18	18	96	12	2	34	40	52	35	6	181
Cargo	A330-200F	1	1	2		1	1	6	1	1						2
	Total	1	1	2	1			1	6	1	1	3				
	GRAND TOTAL	29	20	20	20	33	28	150	15	6	34	40	52	35	6	189

# Capacity Management: Ataturk Airport Expansion and Third Airport in Istanbul



## Collaborative Decision Making Project of THY-DHMI-TAV:

- New International Terminal construction completed in 2Q'16
- 27.000 sqm wide with 8 additional pax bridges and 32 additional check-in islands
- 17.000 sqm of additional car park space

## Addition of the Military Area:

- 26 new park positions and new taxi ways have been added
- 17 more park positions increased the total capacity to 145 by 2015YE

**Air Traffic Movements:** With certain tower management measures 80 ATMs is achievable. (+20%)

## Stats for the Third Airport

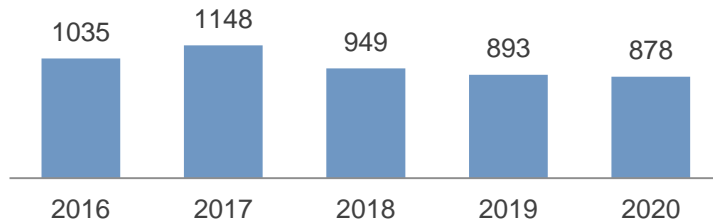
	Phase 1a&b	Final
Estimated Total Cost	€ 6.0 bn	€10.2 bn
Total Site Area	-	76.5 mn m <sup>2</sup>
Terminal Floor Area	1.3 mn m <sup>2</sup>	1.3 mn m <sup>2</sup>
Number of Runways	2 + 1	6
Total Aircraft Capacity	184	396
Number of Pax Bridges	114	143
Aircraft Parking Capacity	70	253
Maximum ATM	96/144	224
Maximum PAX Capacity	90 mn ppa	150 mn ppa (up to 200 mn)
Baggage Handling System	capacity will be decided	50k baggage/hour

# Debt Management and Aircraft Financing

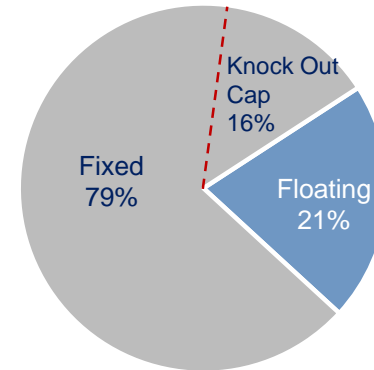
As of 31.03.2016

Total Debt : **9.4 bn USD**  
On Balance Sheet: **8.7 bn USD**

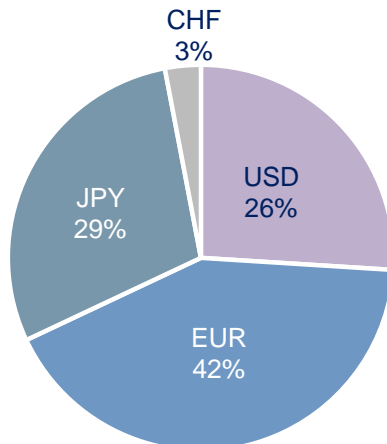
5 Year Maturity Profile (USD mn)



Weighted Average Interest Rate: **2.5%**



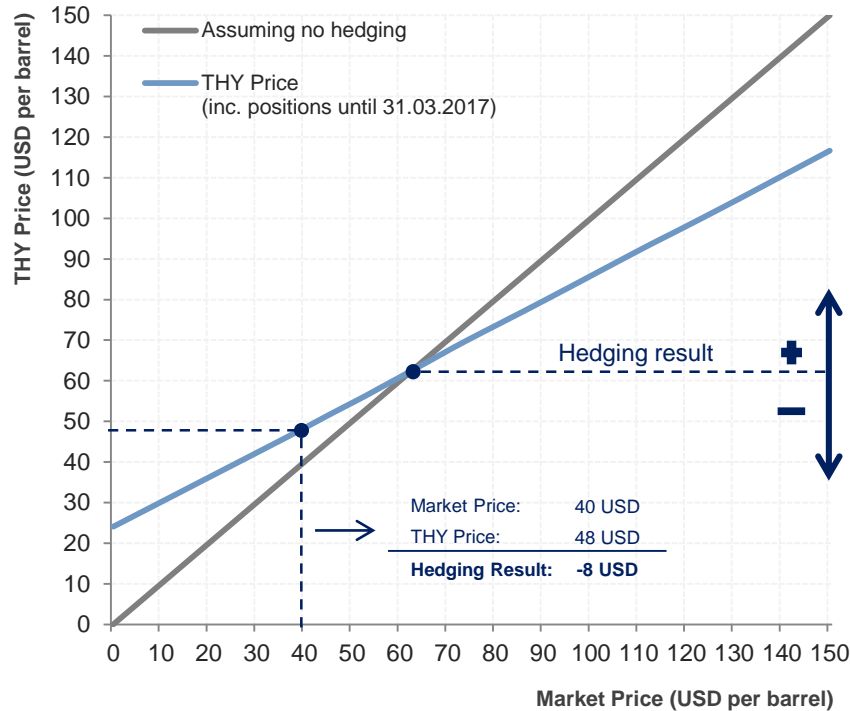
## Natural Hedge on Debt : There is no FX Risk Exposure



(mn USD)	31.03.2016 Total Debt	Interest Rate	LifeTime of Debt	Debt Service	Net Sales
USD	2.251	3,06%	10-12 years	350	915
EUR	3.648	2,90%	10-12 years	500	2.450
JPY	2.531	1,88%	10-11 years	250	250
CHF	237	1,39%	12 years	30	110
<b>TOTAL</b>	<b>8.667</b>	<b>2,5%</b>			

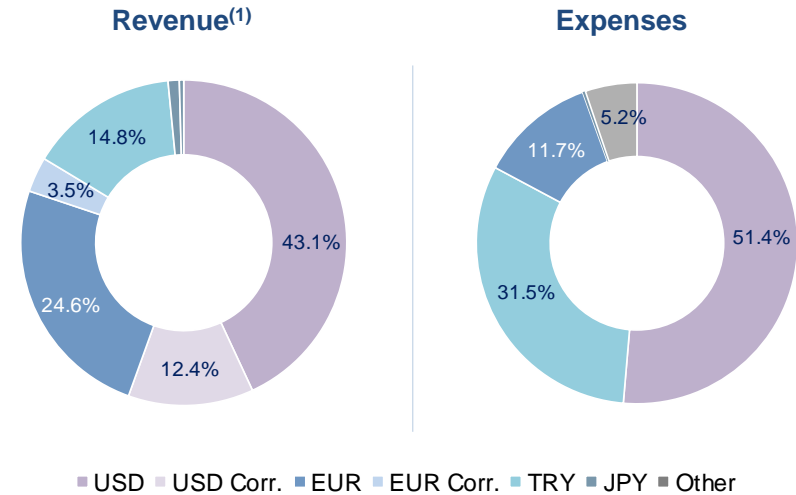
# Risk Management (1Q'16)

## Fuel Hedging



- Around **25 mn barrels** of hedged position on ICE BRENT as of March 31, 2016.
- Current fuel hedging levels: **FY16: 43% (14 mn barrel)**  
**FY17: 21% (10 mn barrel)**
- Decreasing layered hedging strategy (24 months)
- Crude oil based swaps and options
- Aim to reach 50% of budgeted consumption of the following month

## Currency Hedging



### Current currency hedging matrix:

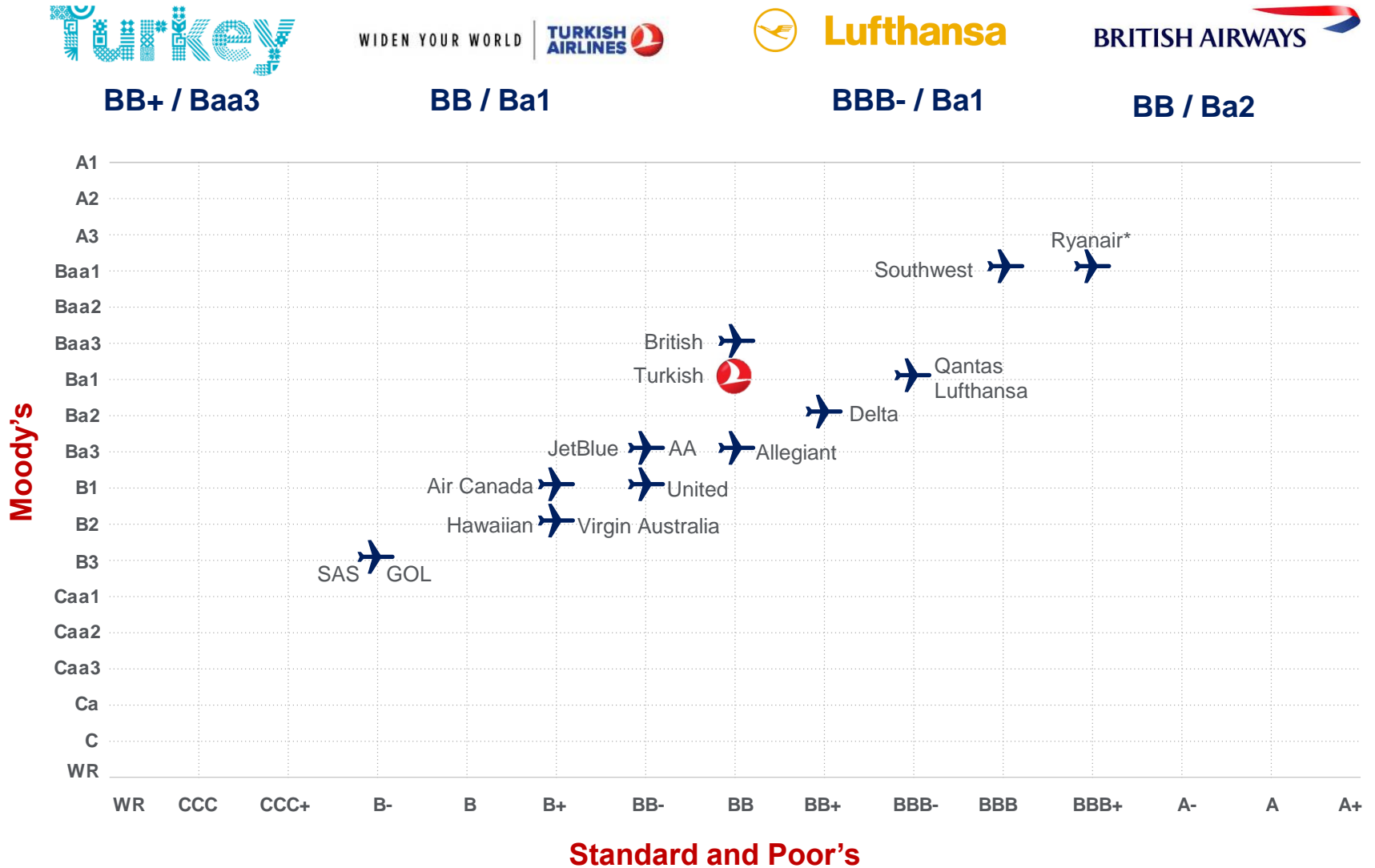
Apr.-Dec. 16	Hedging Levels <sup>(2)</sup>	Average Price
EUR/USD	22%	1.18
EUR/TRY	25%	3.39

- Monthly gradually decreasing layered hedging strategy
- Sell EUR, Buy USD - TRY via forward contracts for 24 months
- Target hedge levels: 30% for TRY, 25-35% for USD

<sup>(1)</sup> Currencies that have 85% correlation with USD and EUR considered as USD and EUR correlated respectively for FY15.

<sup>(2)</sup> Percentage of respective short positions. As of 31 March 2016

# Credit Rating



**Note:** Retrived from S&P and Moody's website on 15 January 2016.

\*Ryanair does not have any ratings from Moody's. Instead, its Fitch ratings of BBB+ stated as Moody's equivalent of Baa1.



**Thank You...**

**Coşkun KILIÇ, CFO**

**Duygu INCEÖZ, IR Manager**



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**WIDEN YOUR WORLD**





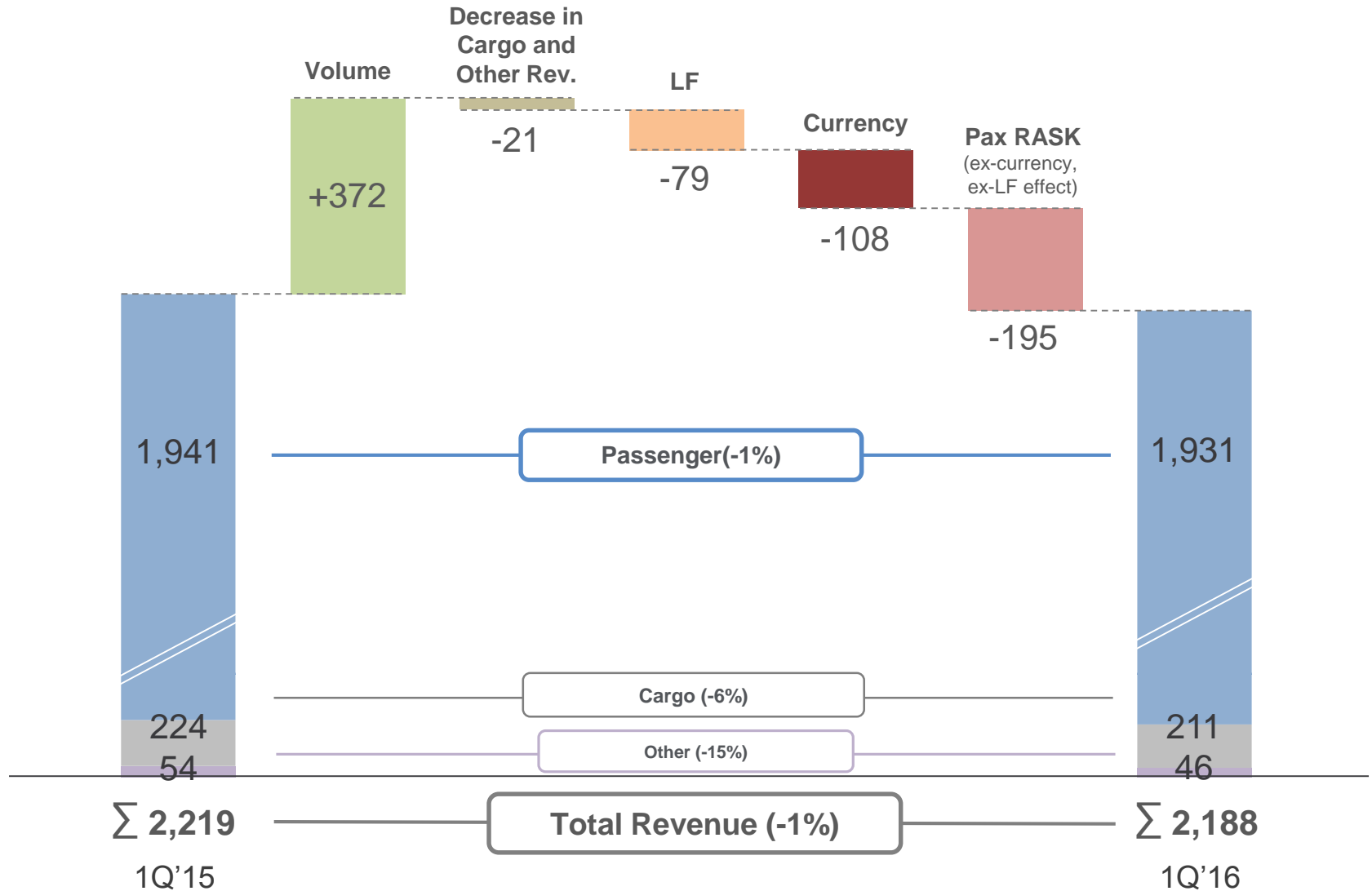
# Key Financial Data

(USD mn)	1Q'15	1Q'16	Change
<b>Revenue</b>	2,219	2,188	-1.4%
Passenger Revenue	1,941	1,931	-0.5%
<b>Net Operating Profit</b>	-35	-280	-
<b>Profit From Main Operations</b>	17	-214	-
<b>Net Income</b>	153	-421	-
Net Income Margin	6.9%	-19.2%	-26.1 pt
<b>EBITDAR</b>	358	215	-39.9%
EBITDAR Margin	16.1%	9.8%	-6.3 pt

(USD mn)	2015	31.03.2016	Change
<b>Net Debt</b>	5,489	6,538	19.1%
<b>Total Assets</b>	16,383	17,062	4.1%

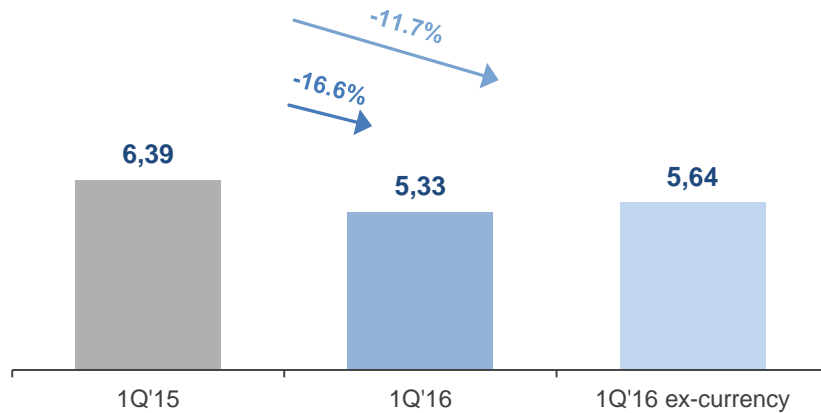
# Revenue Development (1Q'15 vs 1Q'16)

(mn USD)

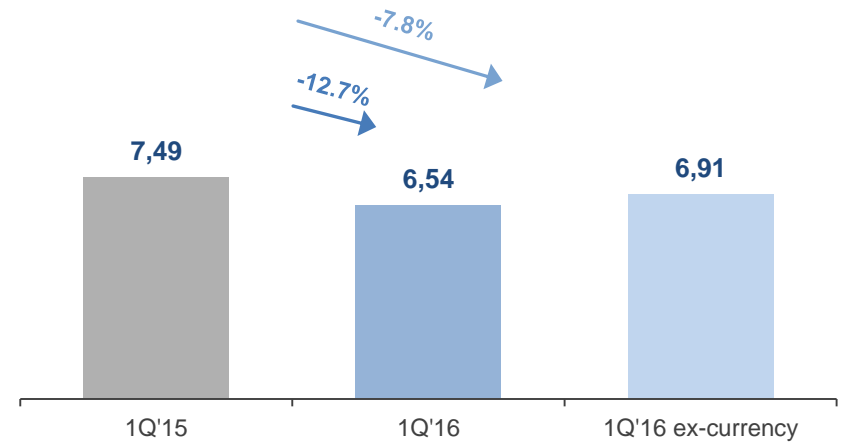


# Unit Revenue Development

**RASK (USc)**



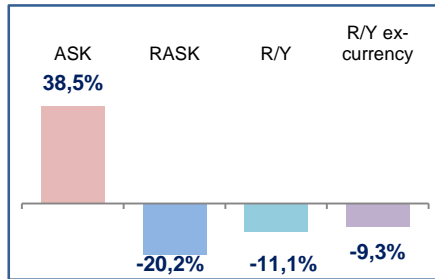
**R/Y (USc)**



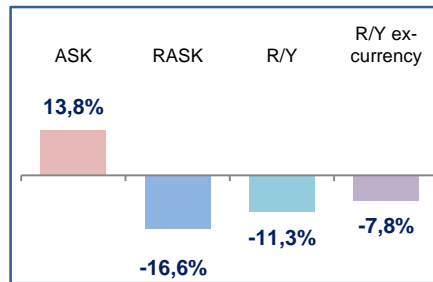
**Yield (R/Y):** Passenger Revenue / RPK (Scheduled)  
**RASK:** Passenger and Cargo Revenue / ASK\* (Scheduled-cargo adj.)

# Regional Yield Development in USD (1Q'16 vs 1Q'15)

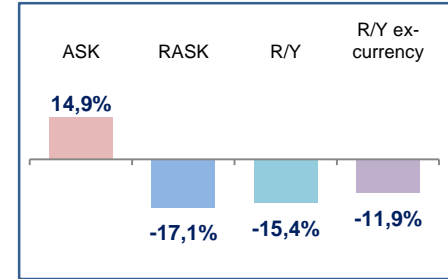
## America



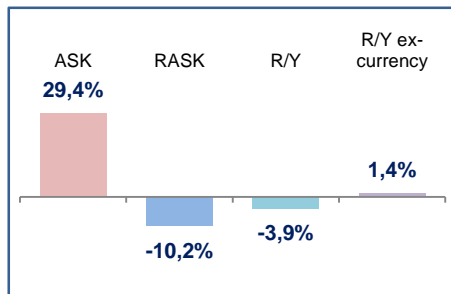
## Europe & CIS



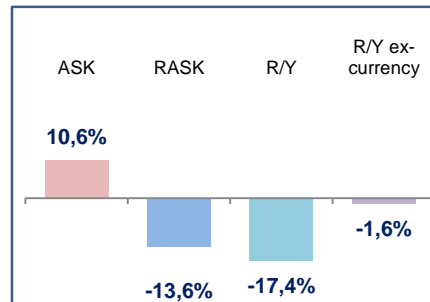
## Asia / Far East



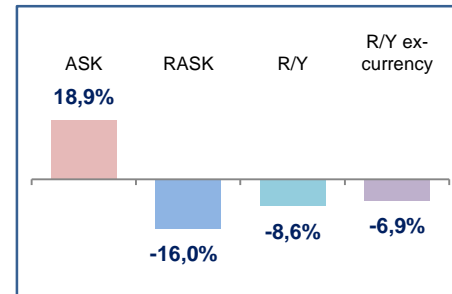
## Africa



## Domestic



## Middle East



## Trading Highlights for 1Q'16

- 19% systemwide capacity growth, highest in US and Africa
- Geopolitic risks and security concerns have pressured direct traffic into Turkey.
- Group cancellations to/from Europe due to security concerns from Far East (esp. Japan and China)
- Compensated by transfer traffic (22% pax growth)
- Weaker demand from Russia and Russia dependent economies and from oil producer countries
- Increased market capacity driven mostly by gulf, regional and local carriers

## Trading Outlook for 2Q'16 and 2H'16

### Capacity growth:

- Capacity growth plan of 16% in 2Q'16 and 20% in 2H'16

### Forward booking trends indicate:

- Weak demand environment continued in 2Q'16. (especially Europe-Asia traffic)
- Africa, US and Eastern Europe relatively stronger
- Yield pressures in constant currency to reduce in 2H'16

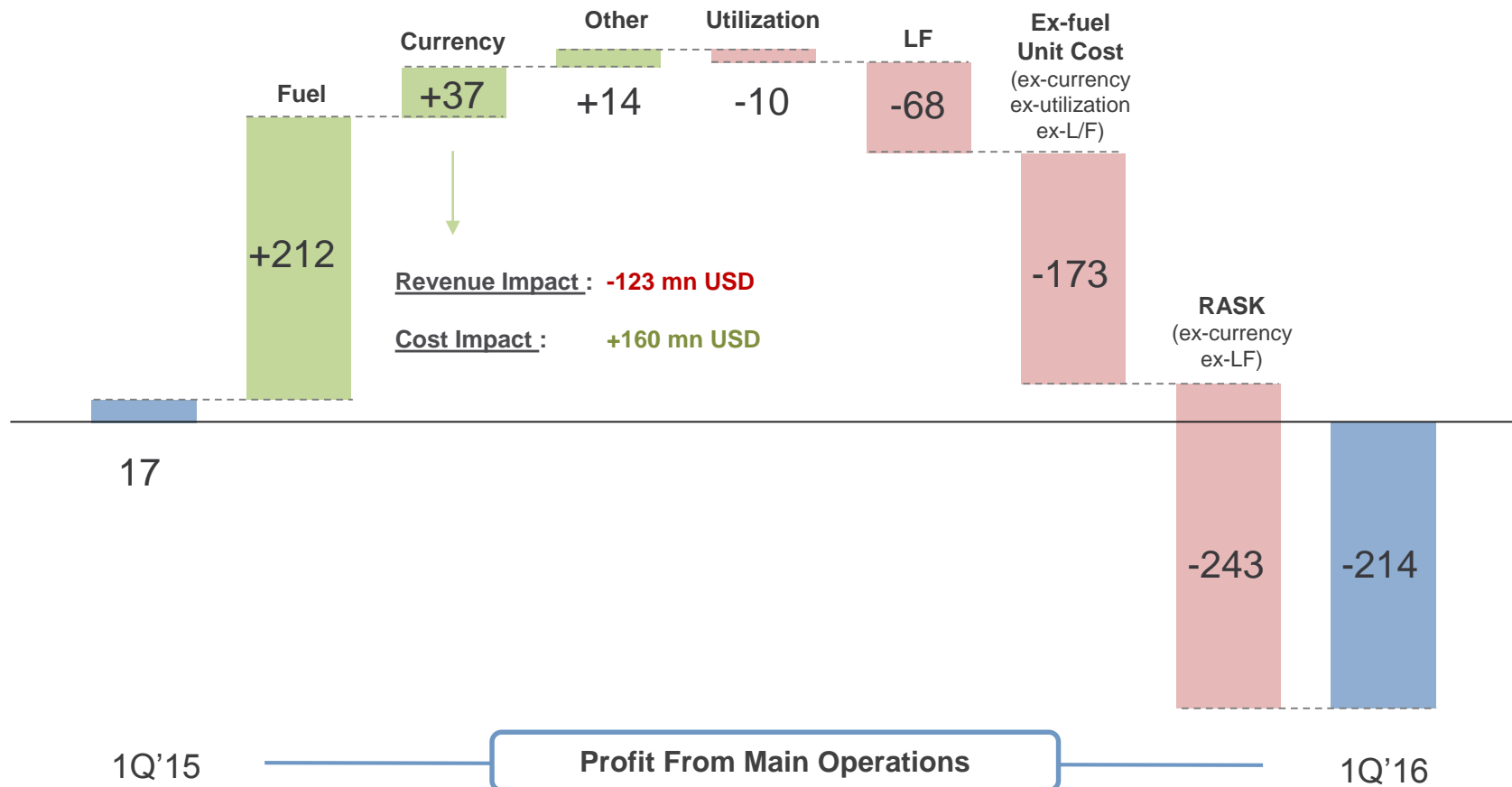
R/Y : Yield : Passenger Revenue / RPK (Scheduled)

RASK : Passenger and Cargo Revenue / ASK\* (Scheduled)

\* ASK value is adjusted for cargo operations.

# Operational Profit Bridge (1Q'15 vs 1Q'16)

(mn USD)



# Operational Expense Breakdown

(mn USD)	1Q'15	1Q'16	Change
<b>Fuel</b>	685	604	-11.8%
<b>Personnel<sup>(1)</sup></b>	412	493	19.7%
<b>Aircraft Ownership<sup>(2)</sup></b>	313	394	25.9%
<b>Airports &amp; Air Navigation</b>	203	224	10.3%
<b>Sales &amp; Marketing</b>	200	241	20.5%
<b>Ground Handling</b>	144	154	6.9%
<b>Passenger Services &amp; Catering</b>	137	142	3.6%
<b>Maintenance<sup>(3)</sup></b>	95	143	50.5%
<b>General Administration</b>	24	26	8.3%
<b>Other Cost of Sales</b>	41	47	14.6%
<b>TOTAL</b>	<b>2,254</b>	<b>2,468</b>	<b>9.5%</b>

ASK Growth: 19.1%

## Notes:

- (1) Includes onetime net payment made to the unionized staff amounting 39 mn USD, also wage increases of 7% for the first half of 2016.
- (2) Increase in aircraft ownership is mainly related to growing fleet and increased WB aircraft in the fleet mix. Also, timing for heavy maintenance schedule and the effect of decreased depreciation life of some heavy maintenance from 6 years to 4 years.
- (3) Increase in maintenance includes unit cost increase and seasonalities, also 18 mn USD costs relating to previous terms (maintenance reserve being short).

# CASK Breakdown

(USc)	1Q'15	1Q'16	Change
<b>Fuel</b>	2.08	1.54	-26.0%
<b>Personnel</b>	1.25	1.26	0.5%
<b>Aircraft Ownership</b>	0.95	1.00	5.7%
<b>Airports &amp; Air Navigation</b>	0.62	0.57	-7.3%
<b>Sales &amp; Marketing</b>	0.61	0.61	1.2%
<b>Ground Handling</b>	0.44	0.39	-10.2%
<b>Passenger Services &amp; Catering</b>	0.42	0.36	-13.0%
<b>Maintenance</b>	0.29	0.36	26.4%
<b>General Administration</b>	0.07	0.07	-9.0%
<b>Other Cost of Sales</b>	0.12	0.12	-3.7%
<b>TOTAL</b>	<b>6.84</b>	<b>6.29</b>	<b>-8.1%</b>

CASK ex-currency change: **-2.1%**

Ex-fuel CASK ex-currency change: **+8.3%** (1)

(1) Increase in constant currency ex-fuel CASK results from 19% increase in personnel, 6% increase in sales&marketing (seasonal, should normalise for full year) and increase in maintenance CASK.



# EBITDAR Calculation

EBITDAR (mn USD)	1Q'15	1Q'16	YoY Change
Sales Revenue	2,219	2,188	-1%
<b>NET OPERATING PROFIT / (LOSS)</b>	<b>-35</b>	<b>-280</b>	<b>-</b>
Other Operating Income	60	74	23%
Other Operating Expense (-)	8	8	0%
<b>Profit / (Loss) From Main Operations</b>	<b>17</b>	<b>-214</b>	<b>-</b>
<b>Adjustments</b>	<b>-2</b>	<b>-6</b>	<b>-</b>
Share of Investments' Profit/Loss Accounted by Using The Equity Method	-13	-24	-
Income From Government Incentives	11	18	64%
<b>EBIT</b>	<b>15</b>	<b>-220</b>	<b>-</b>
Depreciation	203	270	33%
<b>EBITDA</b>	<b>218</b>	<b>50</b>	<b>-77%</b>
Adjusted Operating Lease Expenses* <sup>(2)</sup>	107	127	19%
Adjusted Short term Lease Expenses (Wet-lease)**	33	38	15%
<b>EBITDAR</b>	<b>358</b>	<b>215</b>	<b>-40%</b>
<b>EBITDAR MARGIN</b>	<b>16.1%</b>	<b>9.8%</b>	<b>-6.3 pt</b>

(\*): Adjusted for A/C heavy maintenance

(\*\*): Adjusted for A/C rent portion (Aprox. 55%)

## Notes:

- (1) For the 1Q'16 Turkish Technic's contribution to EBITDAR through consolidation is 62 mn USD, compared to 53 mn in 1Q'15.
- (2) For 1Q'16 adjustments for heavy maintenance of operational lease expenses were 72 mn USD compared to 57 mn USD in 1Q'15.

# Currency Gains and Hedging Results on P&L

USD (in Million)	31.03.2016	
<b>Net Operational Profit</b>	<b>-280</b>	
Other Operational Income/Expense		66
of which FX Gains from operating items (1)		<b>35</b>
<b>Profit from main Operations</b>	<b>-214</b>	
Income from Investment Activities (Net)		21
Share of Subsidiaries Profit/Loss		-24
FX Loss from Financing Activities (2)		<b>-306</b>
FX Gain on Currency Hedging (3)		<b>24</b>
Interest Income		7
Interest Expense		-49
Other Financial Income/Expense		-5
of which fair value losses of derivative inst.(4)		<b>-9</b>
<b>Profit Before Tax</b>	<b>-536</b>	
Tax		+115
<b>Net Profit</b>	<b>-421</b>	

## 1) Fx Gains from Operating Items

Rise from operational balance sheet items such as trade receivables, payables or TRY liabilities to government most of which are realised cash gains.

## 2) Fx Loss from Financing Activities

Non-cash accounting results that rise from appreciation of currencies against USD, hence increasing USD debt levels EUR (4.8%) (\$116 mn), JPY (6.8%) (\$183 mn), CHF (4.3%) (\$6mn)

**Important Note:** There is no currency risk on debt, please refer to page: 32 on Debt Management

## 3) Currency Hedging Results

Results for hedging short position on USD and TRY against EUR

## 4) Fair Value Losses on Hedging Contracts

Fair value gains/losses (MTM) of hedging contracts are reflected to the balance sheet. Only ineffective portion of hedges (determined each quarter through an effectiveness test) are reflected to P&L.

# Balance Sheet

Assets (mn USD)	2011	2012	2013	2014	2015	31.03.2016
Cash and Equivalents	934	1,028	647	722	962	1,102
Trade Receivables	405	434	538	456	361	485
Pre-delivery Payment (PDP) Receivables	376	267	521	990	1,139	956
Other Current Assets	426	437	419	663	684	655
<b>Total Current Assets</b>	<b>2,140</b>	<b>2,166</b>	<b>2,125</b>	<b>2,831</b>	<b>3,146</b>	<b>3,198</b>
Net Fixed Assets	5,873	7,121	8,043	9,201	11,415	12,137
of which Aircraft and Engines	5,319	6,392	7,030	8,167	10,177	10,853
Pre-delivery Payment (PDP) Receivables	217	655	993	650	392	321
Other Non-Current Assets	455	581	741	1,064	1,430	1,406
<b>Total Non-Current Assets</b>	<b>6,545</b>	<b>8,357</b>	<b>9,777</b>	<b>10,915</b>	<b>13,237</b>	<b>13,864</b>
<b>Total Assets</b>	<b>8,685</b>	<b>10,523</b>	<b>11,902</b>	<b>13,746</b>	<b>16,383</b>	<b>17,062</b>

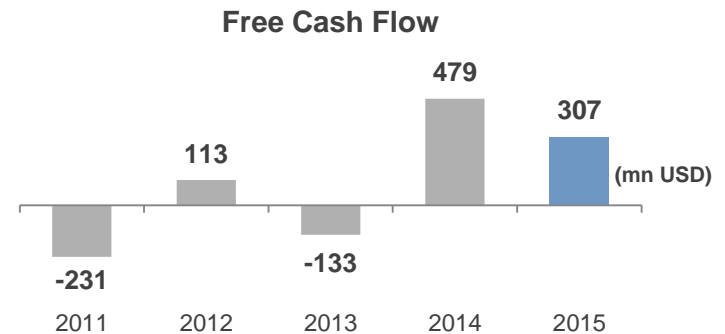
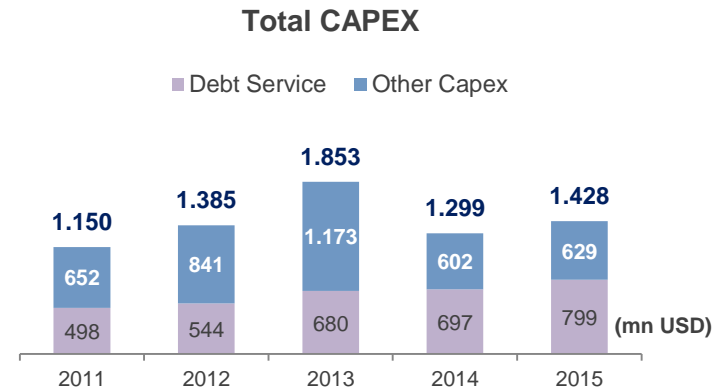
Liabilities (mn USD)	2011	2012	2013	2014	2015	31.03.2016
Lease Obligations	4,189	4,862	5,413	5,931	7,399	8,417
Passenger Flight Liabilities	677	936	1,201	1,398	1,091	1,253
Accounts Payable	461	510	680	662	671	647
Other Liabilities	976	1,183	1,346	1,805	2,380	2,265
<b>Total Liabilities</b>	<b>6,303</b>	<b>7,491</b>	<b>8,640</b>	<b>9,796</b>	<b>11,541</b>	<b>12,582</b>
<b>Total Shareholders Equity</b>	<b>2,382</b>	<b>3,032</b>	<b>3,262</b>	<b>3,950</b>	<b>4,842</b>	<b>4,480</b>
of which Issued Capital	1,498	1,498	1,597	1,597	1,597	1,597
of which Retained Earnings	889	903	1,350	1,714	2,559	3,628
of which Differences from Currency Translation	-18	-10	-26	-47	-84	-76
of which Net Profit for the Period	11	657	357	845	1,069	-421
<b>Total Liabilities &amp; Shareholders Equity</b>	<b>8,685</b>	<b>10,523</b>	<b>11,902</b>	<b>13,746</b>	<b>16,383</b>	<b>17,062</b>

# Income Statement

(mn USD)	2011	2012	2013	2014	2015	1Q'15	1Q'16	YoY Change
Operating Revenue	7,070	8,234	9,826	11,070	10,522	2,219	2,188	-1%
Operating Expenses (-)	6,855	7,616	9,249	10,429	9,840	2,254	2,468	9%
of which Fuel	2,394	2,887	3,442	3,806	2,997	685	604	-12%
of which Personnel	1,339	1,376	1,581	1,694	1,640	412	493	20%
of which Depreciation	486	574	650	743	924	203	270	33%
of which Rent	252	243	448	543	110	110	124	13%
<b>Net Operating Profit / Loss</b>	<b>215</b>	<b>618</b>	<b>577</b>	<b>641</b>	<b>682</b>	<b>-35</b>	<b>-280</b>	<b>-</b>
Income From Other Operations	96	95	115	80	244	60	74	23%
Expense From Other Operations (-)	237	61	41	45	31	8	8	0%
<b>Profit / (Loss) From Main Operations</b>	<b>73</b>	<b>652</b>	<b>651</b>	<b>676</b>	<b>895</b>	<b>17</b>	<b>-214</b>	<b>-</b>
Income From Investment Activities (Net)	-	271	76	72	101	13	21	62%
Share of Investments' Profit / Loss	6	4	55	75	80	-13	-24	-
Financial Income	158	49	27	419	532	322	16	-95%
Financial Expense (-)	150	191	307	196	201	92	335	264%
<b>Profit Before Tax</b>	<b>87</b>	<b>785</b>	<b>502</b>	<b>1,046</b>	<b>1,407</b>	<b>30</b>	<b>-193</b>	<b>-</b>
Tax (-)	76	128	145	201	338	94	-115	-
<b>Net Profit</b>	<b>11</b>	<b>657</b>	<b>357</b>	<b>845</b>	<b>1,069</b>	<b>153</b>	<b>-421</b>	<b>-</b>

# Free Cash Flow Generation (2015)

(mn USD)	2015	Change
<b>EBITDA</b>	<b>1,963</b>	<b>412</b>
<b>CAPEX</b>	<b>1,428</b>	<b>129</b>
Payments for Fixed Assets	738	267
Net PDP for the Purchase of Aircrafts	-109	-240
<b>Debt Service</b>	<b>799</b>	<b>102</b>
Repayment of Financial Lease Liabilities	678	134
Interest Paid	121	-32
<b>Change in Net Working Capital <sup>(1)</sup></b>	<b>224</b>	<b>451</b>
<b>Current Tax Expense <sup>(2)</sup></b>	<b>4</b>	<b>4</b>
<b>Free Cash Flow</b>	<b>307</b>	<b>-172</b>



## Notes:

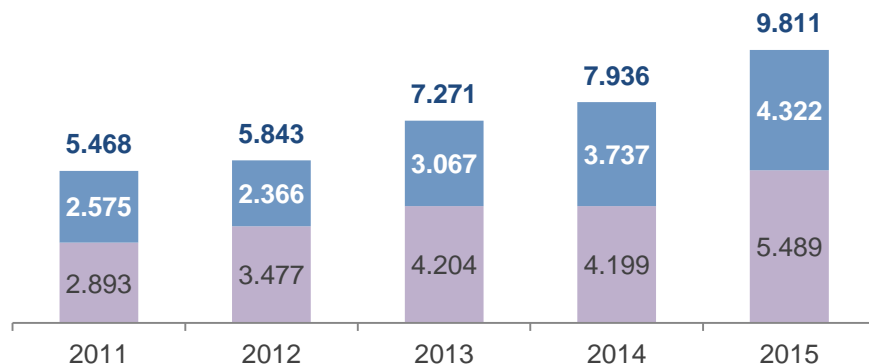
(1) Net Working Capital = Trade Receivables + Inventories - Trade Payables - Passenger flight liabilities

(2) Current Tax Expense item represents realized cash taxes; does not include the "deferred tax charge" in the P&L statement

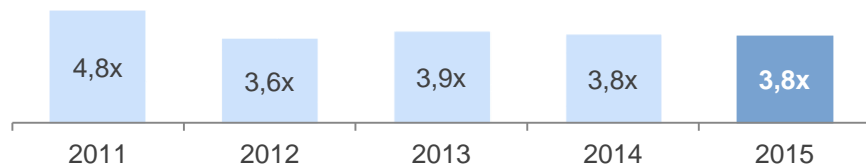
# Financial Leverage

## Adjusted Net Debt (mn USD)

■ Net Debt ■ Capitalized a/c rent (7x)



## Adjusted Net Debt<sup>(1)</sup> / EBITDAR



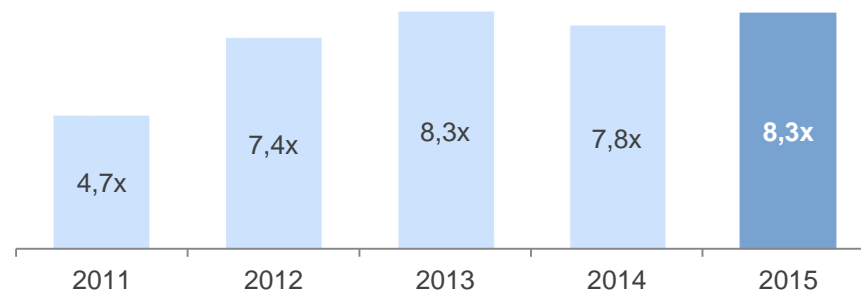
<sup>(1)</sup> Adjusted for the capitalization of operating leases including 55% of wet lease (7x)

<sup>(2)</sup> Adjusted by the portion of financial costs within operating leases (33%)

(mn USD)













	2015	Change
(+) Long Term Debt	6,636	1,318
(+) Short Term Debt	1,013	400
(-) Cash and Other Liquid Assets	2,160	428
Cash and cash equivalents	900	265
Time deposits	62	-25
PDP for the purchase of aircrafts	1,139	149
Restricted Cash	59	39
<b>NET DEBT</b>	<b>5,489</b>	<b>1,290</b>

## EBITDAR / Adjusted Net Interest Cost<sup>(2)</sup>



# Subsidiaries, Joint Ventures and Affiliates<sup>1</sup>

**Total Net Profit Contribution 2015: USD 80 mn**

						
<b>Date of Creation</b>	2009	1989	2006	2007	2008	2008
<b>Ownership (as of 2015)</b>	 Opet 50% THY 50%	 LH 50% THY 50%	 THY 100%	 Do & Co 50% THY 50%	 Havas 50% THY 50%	 Pratt & Whitney 51% THY 49%
<b>Business Description</b>	Aviation Fuel	Passenger Airline	Maintenance Services	Airline Catering	Ground Services	Maintenance Services
<b>Number of Personnel</b>	426	3,504	5,646	5,111	9,654	268
<b>Revenues<sup>2</sup> (2015)</b>	USD 1,825 mn	USD 1,226 mn	USD 950 mn	USD 377 mn	USD 257 mn	USD 240 mn
<b>Net Profit (2015)</b>	USD 26 mn	USD 72 mn	USD 63 mn	USD 34 mn	USD 25 mn	USD 10 mn
<b>Paid in Capital</b>	USD 17 mn	USD 36 mn	USD 569 mn	USD 10 mn	USD 4 mn	USD 27 mn

(1) Material entities with more than \$10 mn revenues in 2015

(2) Full company revenues, not just the portion attributable to THY



# Disclaimer

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