



**TURKISH AIRLINES INC**

January – June 2008



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## Dr. Temel KOTIL, CEO, Turkish Airlines

- ✦ Started his Turkish Airlines career in March 2003 as Executive Vice President (Technical) and was appointed as CEO in April 2005
- ✦ Ph.D. in Mechanical Engineering University of Michigan, USA
- ✦ M.Sc. in Mechanical Engineering University of Michigan, USA
- ✦ M.Sc. in Aerospace Engineering University of Michigan, USA
- ✦ B.Sc. in Aerospace Engineering, Istanbul Technical University, Istanbul
- ✦ Board Members of IATA, Turkish Airlines Inc, Turkish Airlines Technical Inc. and Sun Express Inc.



## Coşkun KILIÇ, CFO, Turkish Airlines

- ✦ CFO as of March 2006
- ✦ M.Sc. in Finance, Urbana Champaign Illinois University, USA
- ✦ M.A. Economics, Ankara University
- ✦ Certified Public Accountant
- ✦ Board Member of Sun Express

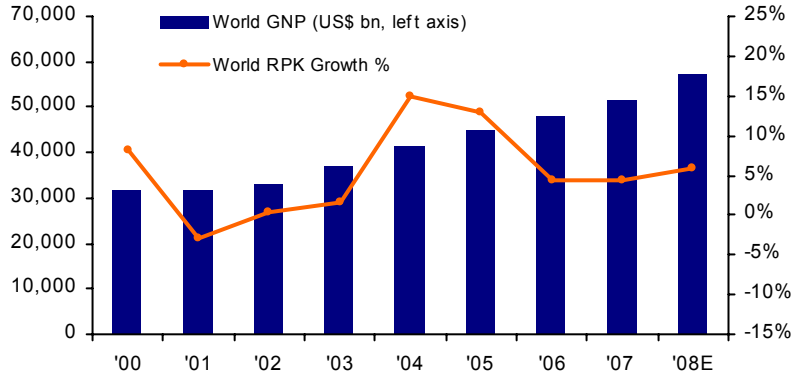


## Turkish Economy

- ✦ Airline Sector in Turkey
- ✦ Company Overview
- ✦ Financial Highlights
- ✦ Appendices

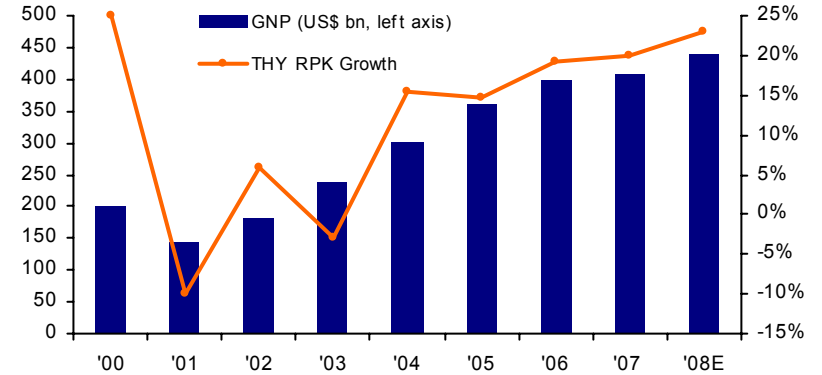


## GNP growth vs RPK growth



Source: WATS and ICAO

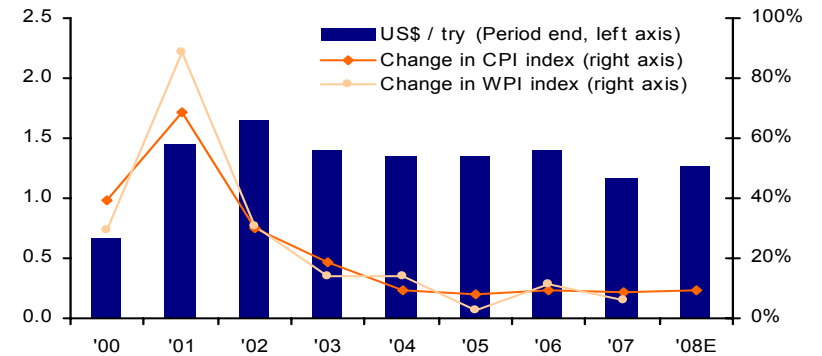
## GNP growth



Source: Realization and official targets by Central Bank of Turkey, General Directorate of Budget and Fiscal Control, State Institute of Statistics

- ✦ World GNP expected to grow by 3.9% , RPK growth is expected to be 5.8% for 2008.
- ✦ While World RPK decreased after 2004, THY was able to sustain and increase RPK for the same years.
- ✦ Middle East, Far East and Africa routes are expected to grow higher than average during the years 2008-2010.

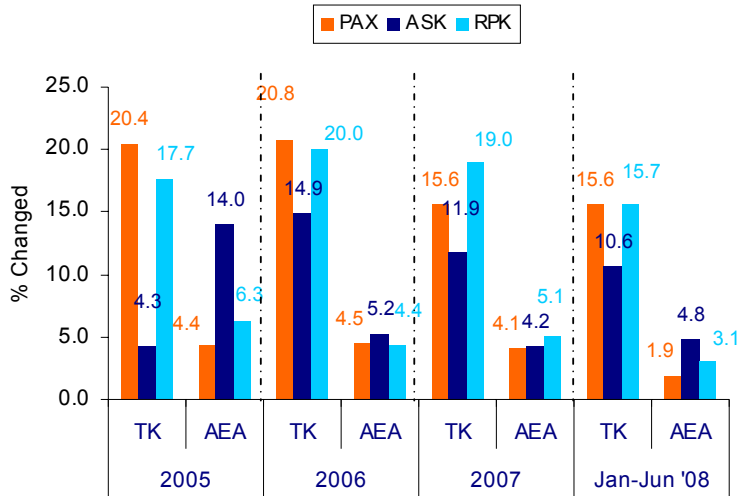
## Falling inflation



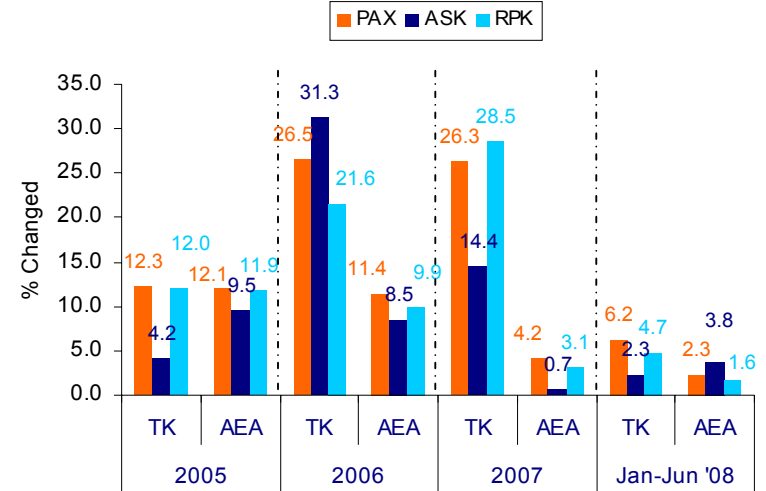
Source: Central Bank of Turkey; inflation and exchange rate realizations, inflation target for 2008 is revised as 9.3%



## THY vs AEA (Total)

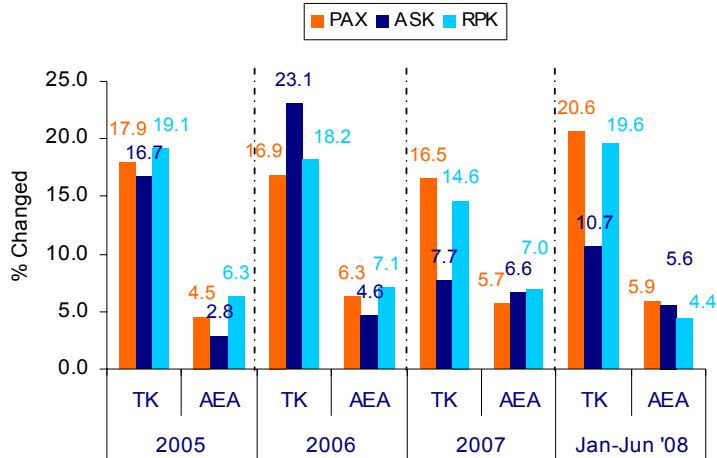


## THY vs AEA (Far East)

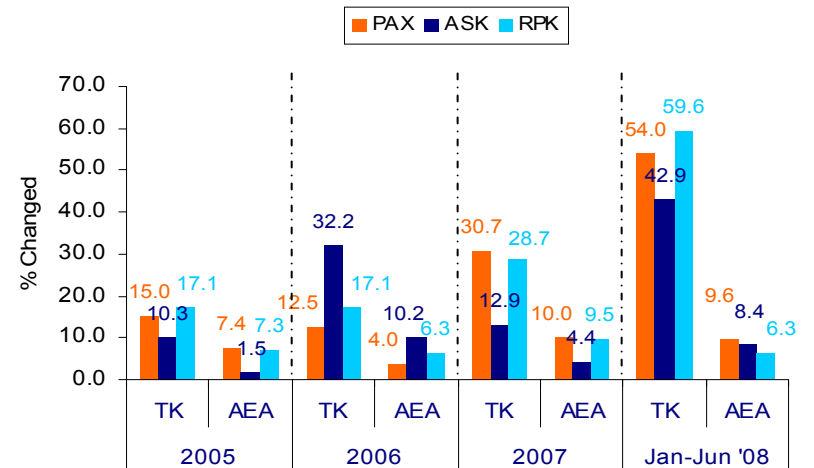


Middle East, Far East and Africa routes are expected to grow higher than average during the years 2008-2010, where THY has been successful in growing faster than AEA....

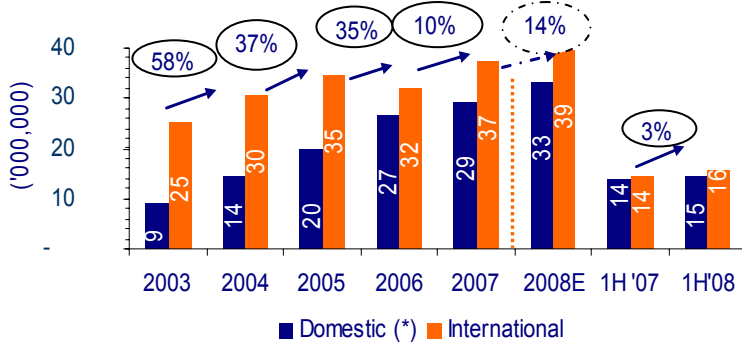
## THY vs AEA (Europe)



## THY vs AEA (Middle East)



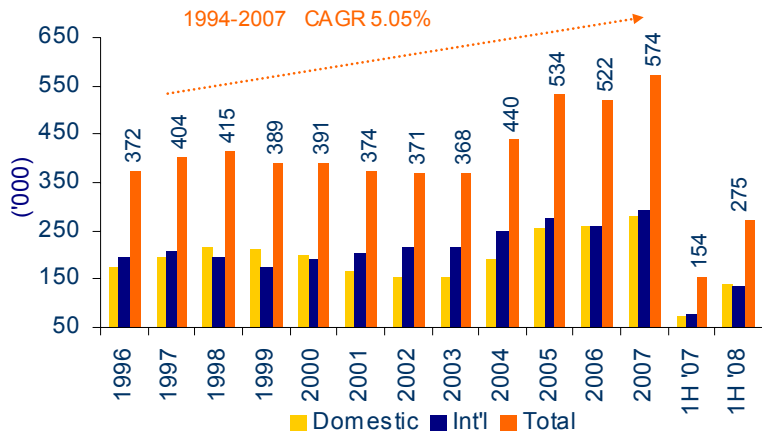
### Turkish Market Growth



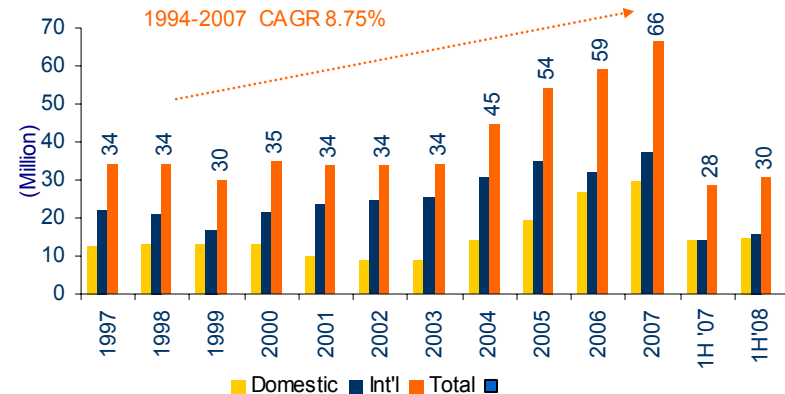
- ✦ Since 2002 Turkish domestic market continues to grow.
- ✦ Turkish domestic traffic for 1H 2008 has grown 3% compared to 1H 2007.
- ✦ International traffic for 1H 2008 has grown 10% compared to 2007.
- ✦ In 2008, Domestic and International traffic expected to increase by 14% and 6% respectively.

Source: SAA

### Number of Flights ('000)



### Number of Passengers (mn)



Increasing Number of Tourists and GDP are driving factors behind passenger traffic growth



welcome

 **TURKISH AIRLINES**

# Company Overview

## Destinations



**TURKISH AIRLINES**  
**TÜRK HAVA YOLLARI**



Code share ve diğer uçuşlar için [www.tky.com](http://www.tky.com) adresinde Route Map'ı ziyaret ediniz.  
For code share and other flights, visit the Route Map at [www.tky.com](http://www.tky.com)

### HABOM Project

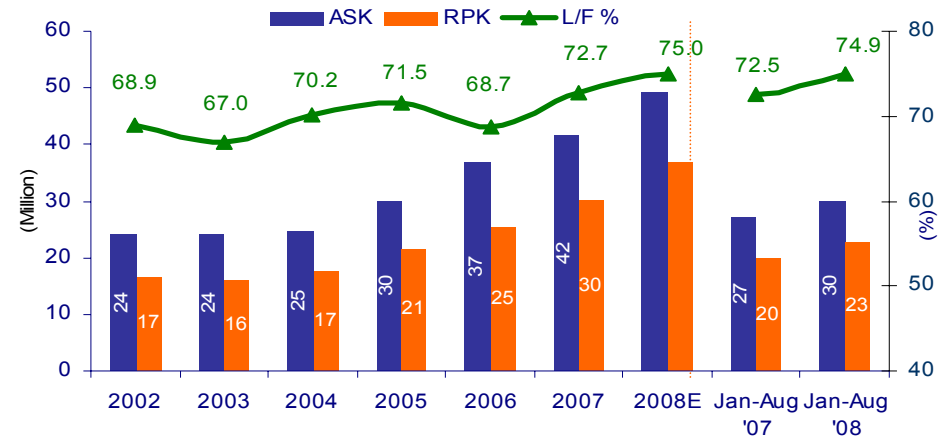
- ✦ On July 14th, 2008 at Sabiha Gökçen International Airport the JV (Turkish Engine Center) by THY Technic Inc. and Pratt&Whitney held a ground breaking ceremony.
- ✦ JV agreement on engine maintenance was signed on January 7th 2008, with Pratt & Whitney.
- ✦ Revenue stream from engine maintenance is expected to start by the first half of 2009.
- ✦ MoU was signed on November 8, 2007 with Goodrich Aerostructures (Rohr Inc.) on Nacelle and Thrust Reverser maintenance.
- ✦ Under HABOM, the plan is to increase the airframe maintenance capacity to approximately 400 aircraft per annum.
- ✦ Expect over 500 mn\$ revenue by 2016 from HABOM Project.

### Training

- ✦ THY has 4 full flight simulators RJ-100, B737-400, B737-800 and A320 for cockpit crew training.
- ✦ THY has
  - A340 "First class", B737 "Economy Class" Cabin Service Trainer(CST)
  - B737/A310/A340 Cabin Emergency Evacuation Trainer(CEET)
- ✦ For cabin crew training.
  - ✦ THY provided training to 42 other airlines cabin and cockpit training in 2007, excluding movie companies. Out of 42, 23 domestic and 19 international.
  - ✦ Besides third party training, THY has provided in-house training for its 8,673 cabin crew and 6,380 cockpit crew in 2007.

- ✦ In Jan-Aug 2008, capacity on domestic routes increased by 15.3%, traffic increased by 21%, load factor increased by 2.7 pt to 75.9. Anadolu Jet's L/F was 84.6%.
- ✦ On international routes; capacity increased by 9.1%, traffic increased by 12.2%, while load factor increased by 1,9 pt to 74.5%.
- ✦ Total capacity increased by 10.4% while traffic increased by 14%. Load factor was 74.9% (+2.3pt).

**Capacity-Traffic Development Load Factor %**



**THY Passenger Traffic**

| THY Passenger Traffic Domestic | 2005    | 2006    | 2007    | Jan-Aug '07 | Jan-Aug '08 | 07 vs '08 |
|--------------------------------|---------|---------|---------|-------------|-------------|-----------|
| Landings                       | 65,448  | 78,910  | 87,162  | 58,017      | 67,884      | 17.0%     |
| ASK (million)                  | 5,431   | 7,123   | 8,087   | 5,401       | 6,230       | 15.3%     |
| RPK (million)                  | 3,992   | 5,213   | 5,899   | 3,956       | 4,784       | 20.9%     |
| Passenger # ('000)             | 7,197   | 8,906   | 9,935   | 6,615       | 8,244       | 24.6%     |
| L/F %                          | 73.5    | 73.2    | 72.9    | 73.2        | 75.9        | 2.7 pt    |
| THY Passenger Traffic Int'l    | 2005    | 2006    | 2007    | Jan-Aug '07 | Jan-Aug '08 | 07 vs '08 |
| Landings                       | 61,689  | 73,626  | 81,737  | 54,858      | 56,651      | 3.3%      |
| ASK (million)                  | 22,741  | 29,811  | 33,532  | 21,924      | 23,924      | 9.1%      |
| RPK (million)                  | 16,355  | 20,170  | 24,352  | 15,860      | 17,790      | 12.2%     |
| Passenger # ('000)             | 6,937   | 8,040   | 9,701   | 6,296       | 6,657       | 5.7%      |
| L/F %                          | 71.9    | 67.7    | 73.3    | 72.6        | 74.5        | 1.9 pt    |
| THY Passenger Traffic Total    | 2005    | 2006    | 2007    | Jan-Aug '07 | Jan-Aug '08 | 07 vs '08 |
| Landings                       | 127,137 | 152,536 | 168,899 | 112,875     | 124,535     | 10.3%     |
| ASK (million)                  | 28,172  | 36,934  | 41,619  | 27,326      | 30,154      | 10.4%     |
| RPK (million)                  | 20,347  | 25,383  | 30,251  | 19,816      | 22,574      | 13.9%     |
| Passenger # ('000)             | 14,134  | 16,946  | 19,636  | 12,911      | 14,901      | 15.4%     |
| L/F %                          | 71.5    | 68.7    | 72.7    | 72.5        | 74.9        | 2.4pt     |

**Total Passenger Traffic (January – August 2008)**

**2007 vs 2008**

Landing : up by 10.3%

ASK : up by 10,4%

RPK : up by 13.9%

Passenger : up by 15,4%

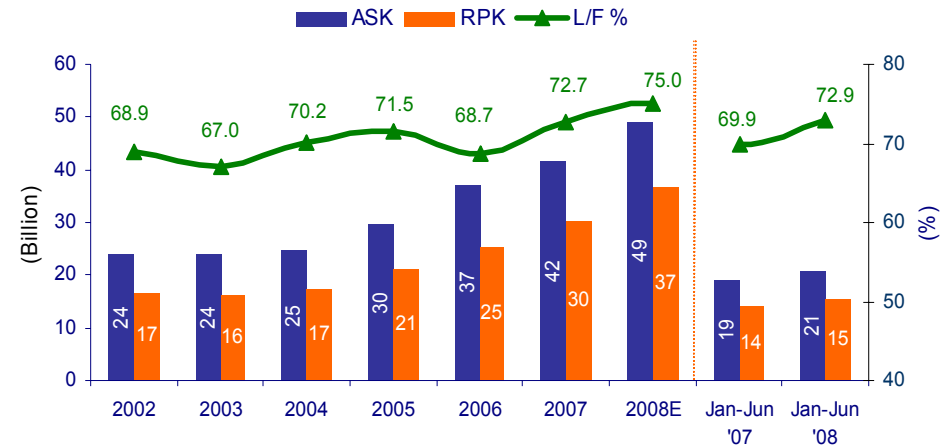
L/F : 2.3 .points

Source: Company

**Significant Growth in Operational Data**

- ✦ In Jan-Jun 2008, capacity on domestic routes increased by 3%, traffic increased by 6%, load factor increased by 2.1 pt to 74.2. Anadolu Jet's L/F was 83.9%.
- ✦ On international routes; capacity increased by 11%, traffic increased by 17%, while load factor increased by 3.3 pt to 72.2%.
- ✦ Total capacity increased by 9.6% while traffic increased by 14.4%. Load factor was 72.9% (+3pt).

### Capacity-Traffic Development Load Factor %



### THY Passenger Traffic

| THY Passenger Traffic Domestic      | 2005    | 2006    | 2007    | 1H'07  | 1H'08  | 08 vs '07 |
|-------------------------------------|---------|---------|---------|--------|--------|-----------|
| Landings                            | 65,448  | 78,910  | 87,162  | 41,503 | 43,707 | 5.3%      |
| ASK (million)                       | 5,457   | 7,123   | 8,117   | 3,892  | 4,011  | 3.0%      |
| RPK (million)                       | 4,016   | 5,213   | 5,924   | 2,808  | 2,978  | 6.0%      |
| Passenger # (million)               | 7,197   | 8,906   | 9,984   | 4,675  | 5,141  | 10.0%     |
| L/F %                               | 73.6    | 73.2    | 73.0    | 72.2   | 74.2   | 2 pt      |
| THY Passenger Traffic International | 2005    | 2006    | 2007    | 1H'07  | 1H'08  | 08 vs '07 |
| Landings                            | 61,689  | 73,626  | 81,737  | 38,893 | 44,608 | 14.7%     |
| ASK (million)                       | 24,348  | 29,811  | 33,502  | 15,480 | 17,230 | 11.3%     |
| RPK (million)                       | 17,301  | 20,170  | 24,327  | 10,731 | 12,514 | 16.6%     |
| Passenger # ( '000)                 | 6,937   | 8,040   | 9,652   | 4,241  | 5,149  | 21.4%     |
| L/F %                               | 71.1    | 67.7    | 72.6    | 69.8   | 72.7   | 2.9 pt    |
| THY Passenger Traffic Total         | 2005    | 2006    | 2007    | 1H'07  | 1H'08  | 08 vs '07 |
| Landings                            | 127,137 | 152,536 | 168,899 | 80,396 | 88,315 | 9.8%      |
| ASK (million)                       | 29,805  | 36,934  | 41,619  | 19,373 | 21,241 | 9.6%      |
| RPK (million)                       | 21,317  | 25,383  | 30,251  | 13,539 | 15,491 | 14.4%     |
| Passenger # (million)               | 14,134  | 16,946  | 19,636  | 8,917  | 10,291 | 15.4%     |
| L/F %                               | 71.5    | 68.7    | 72.7    | 69.9   | 72.9   | 3 pt      |

### Total Passenger Traffic (January – June 2008)

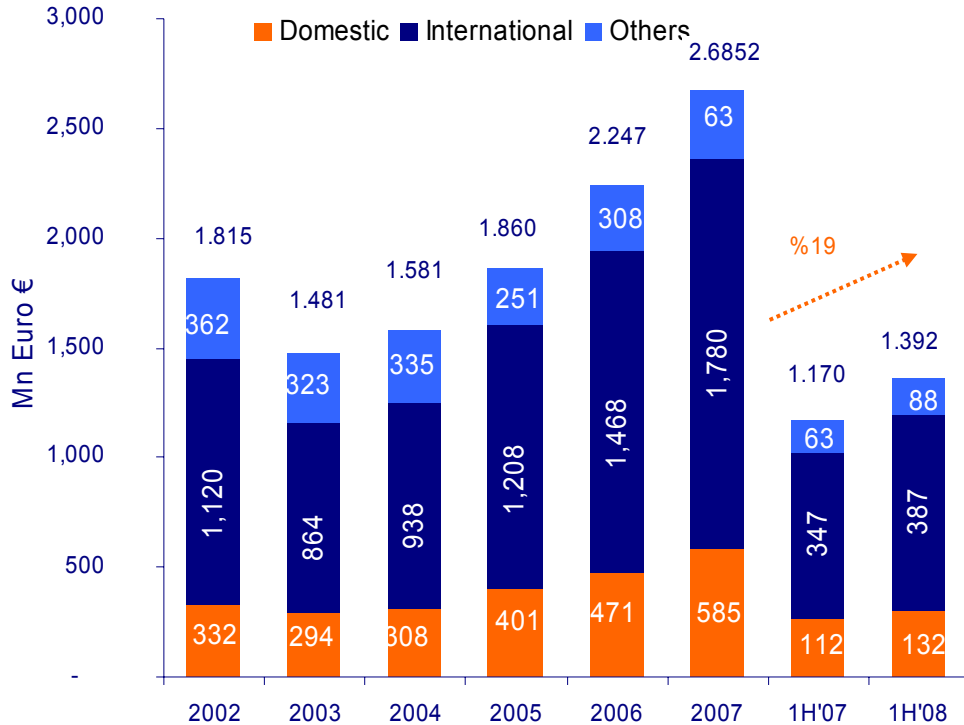
2007 vs 2008

- Landing : up by 10%
- ASK : up by 10%
- RPK : up by 14%
- Passenger : up by 15%
- L/F : 3 points

Source: Company

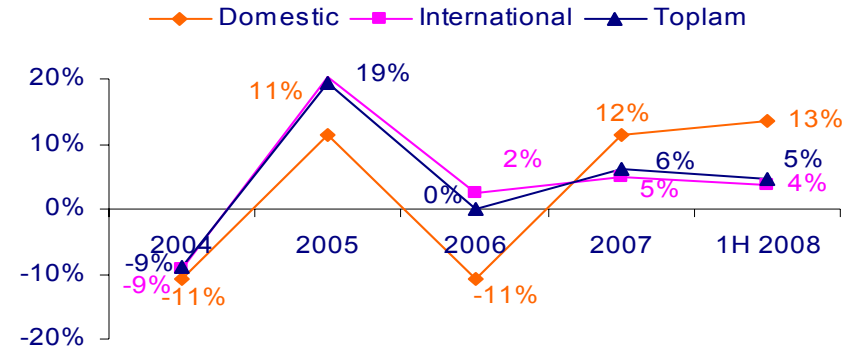
Significant growth in operational data

### Total Revenues (Mn€ 1H 2008)

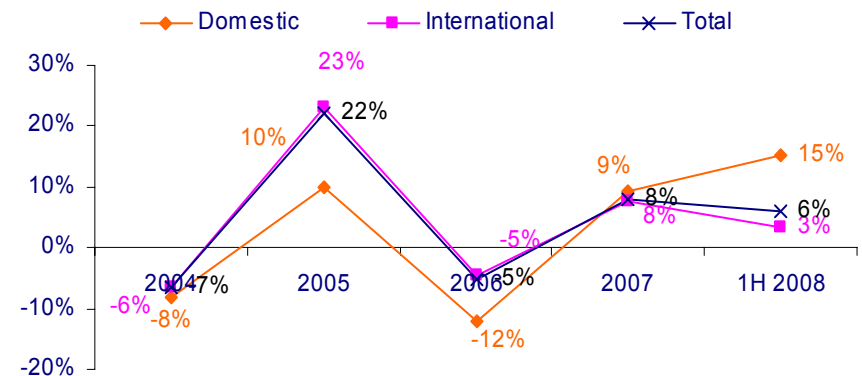


Source: Financial statements released under Turkish CMB standards, converted to € Euro using average exchange rates

### Change In R/Y (€)



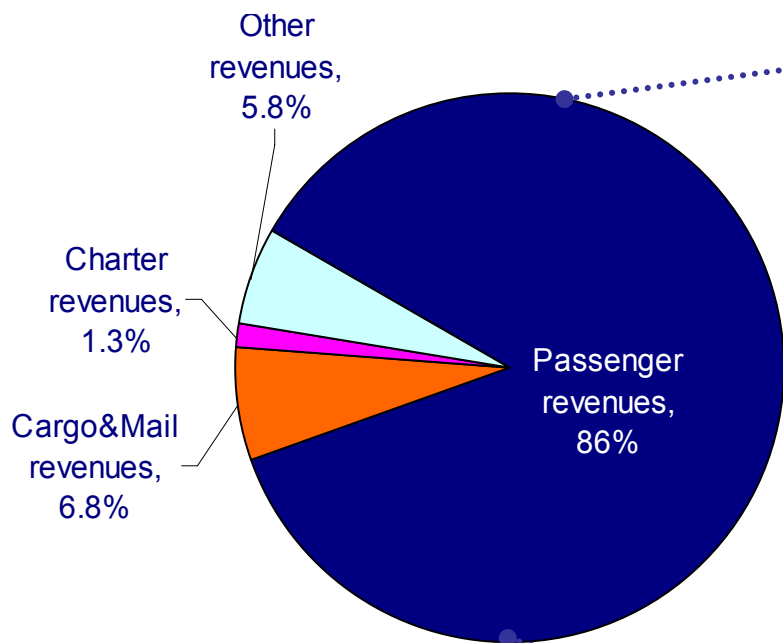
### Change In RASK (€)



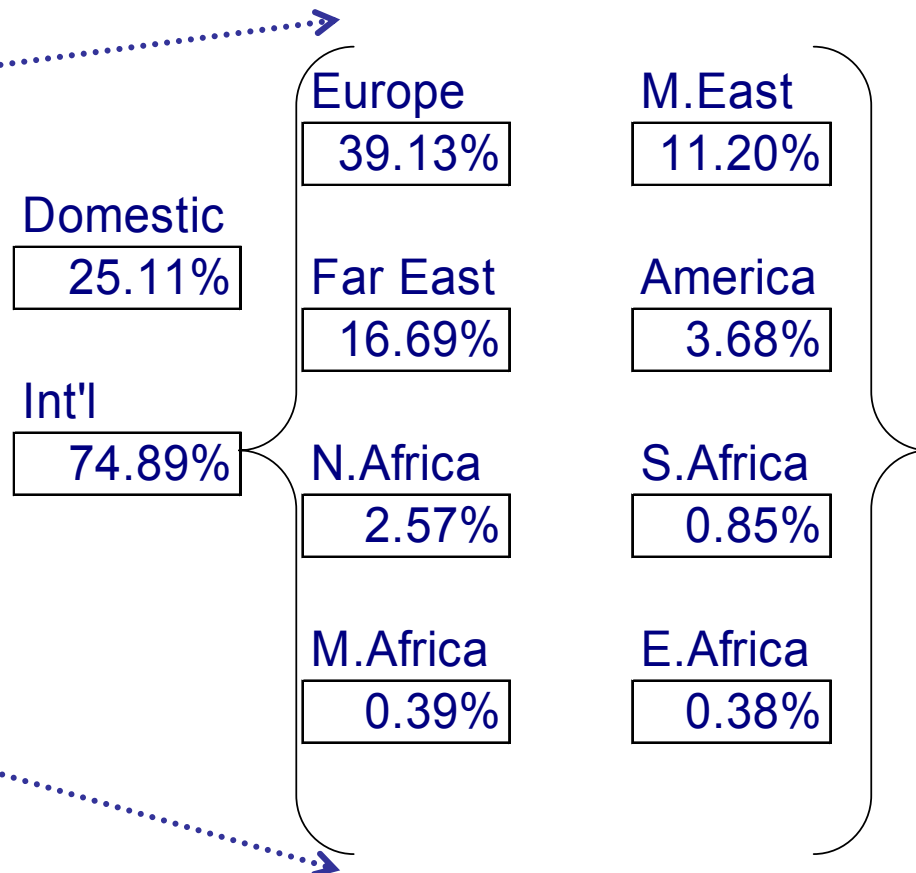
Revenue has positive correlation with growth in GDP in Turkey



### Revenues Split (1H 2008)



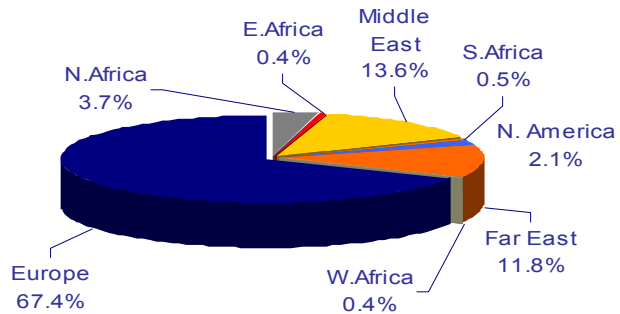
### Passenger Revenues Split by Geography



Source: Company

**Breakdown of Passenger Revenue Constant Over the Years**

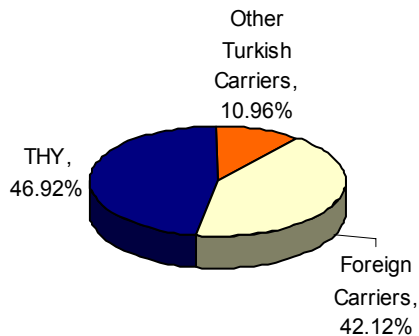
### Int'l. Traffic Breakdown by Geography (Jan-Jun '08)



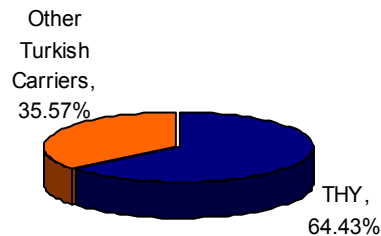
P.S. Haj Pax is not included in Middle East

### Market Shares (1H 2008)

#### International

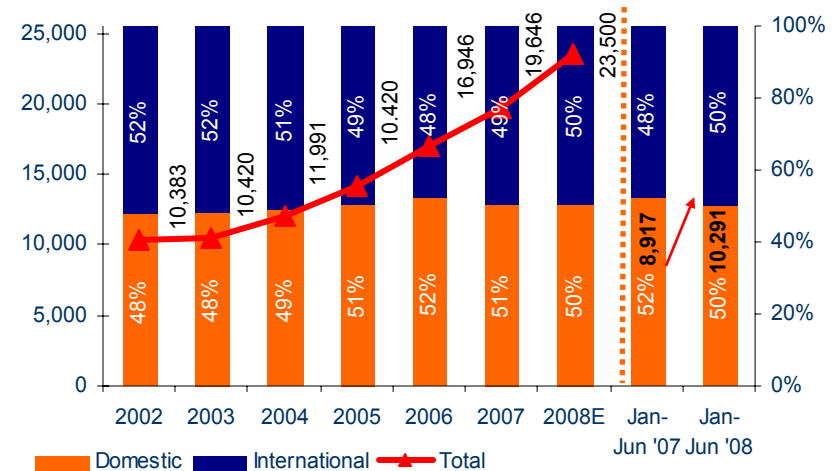


#### Domestic



Source: SAA

### Passenger Breakdown 2002 – Jun '08



- ✦ THY carried 10 million passengers in Jan-Jun'08, with an increase of 15% compared to 2007.
- ✦ In 2008, around 20% increase is expected in number of pax.
- ✦ Domestic and International passenger breakdown consistent over the years.
- ✦ Haj and charter passengers each accounted for 2% of the passenger traffic.

**Stable market share in int'l traffic & Balanced breakdown between domestic and int'l traffic**

Fleet ( As of August 30th 2008)

| TYPE         | #          | Financial |           | Operational |
|--------------|------------|-----------|-----------|-------------|
|              |            | Owned     | Lease     | Lease       |
| B737-800     | 47         | -         | 35        | 12          |
| B737-400     | 9          | -         | -         | 9           |
| A320-200     | 18         | -         | 8         | 10          |
| A321-200     | 17         | -         | 12        | 5           |
| A319-100     | 2          | -         | -         | 2           |
| A330-200     | 5          | -         | 5         | -           |
| A340         | 7          | 7         | -         | -           |
| A310         | 3          | 3         | -         | -           |
| A310 Cargo   | 3          | 2         | -         | 1           |
| <b>Total</b> | <b>111</b> | <b>12</b> | <b>60</b> | <b>39</b>   |

| TYPE         | Additions |          |           |
|--------------|-----------|----------|-----------|
|              | 2008      | 2009     | TOTAL     |
| B737-800     | 4         | -        | 4         |
| A320-200     | 4         | -        | 4         |
| A340         | 2         | -        | 2         |
| A330-200     | -         | 2        | 2         |
| <b>Total</b> | <b>10</b> | <b>2</b> | <b>12</b> |

| TYPE         | Fleet Exits |          |          |
|--------------|-------------|----------|----------|
|              | 2008        | 2009     | TOTAL    |
| A 321 - 200  | 0           | 1        | 1        |
| <b>Total</b> | <b>0</b>    | <b>1</b> | <b>1</b> |

| Seat Capacity After Additions&Exits |       |       |
|-------------------------------------|-------|-------|
| TYPE                                | 2008  | 2009  |
| Seat Capacity                       | 21588 | 22150 |

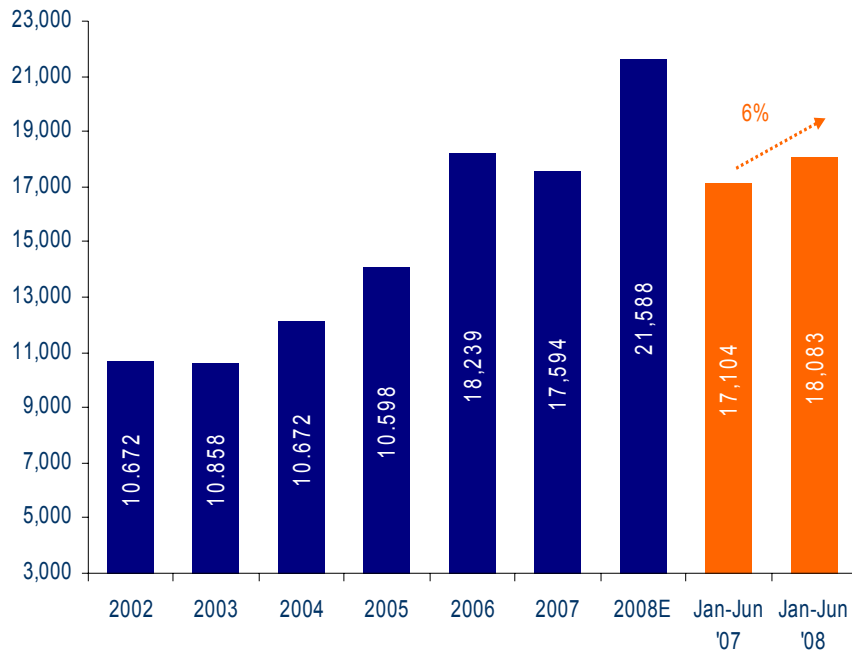
- ✦ Out of 59 aircraft, 51 has already joined the fleet as of August 30th, 2008.
- ✦ At the end of 2008, average age of the fleet will be around 6 yrs.
- ✦ Total of 2.7 billion dollars financing were completed for the aircraft delivered in 2005,2006, 2007 as well as 19 aircraft in 2008, at Libor and Euribor.
- ✦ At the end of 2008, annual lease payments will be approximately around \$410 million; of which 72% Financial Leases and 28% Operational Leases.

| CAPEX (1.043 Mn\$)          | %  |
|-----------------------------|----|
| Aircraft & Engine & Upgrade | 93 |
| Others (IT,Flight training) | 7  |

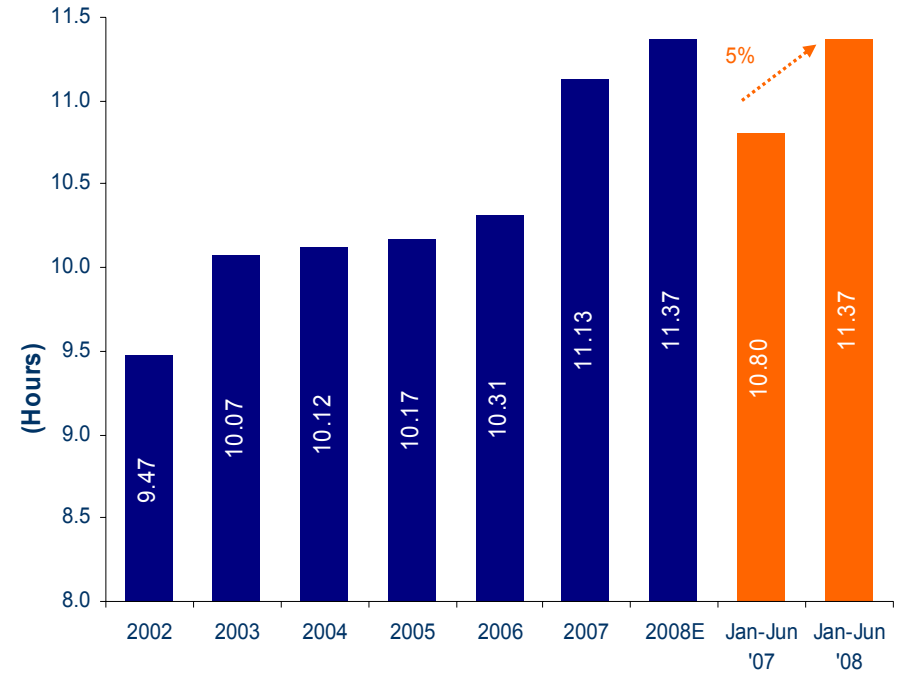
**Seat capacity to be increased by 19% by end of 2008, fleet age to drop around 6 years**



### Seat Capacity



### Average Daily Flight Utilization (hrs)

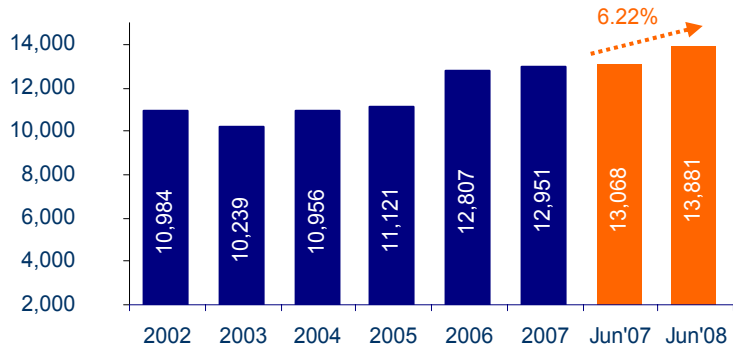


- ✦ Since 2004, seat capacity has increased by 49% as of June 2008.
- ✦ Aircraft utilization has been rising due to better fleet composition and a more dynamic scheduling process.

**Strong capacity growth and better flight utilization**

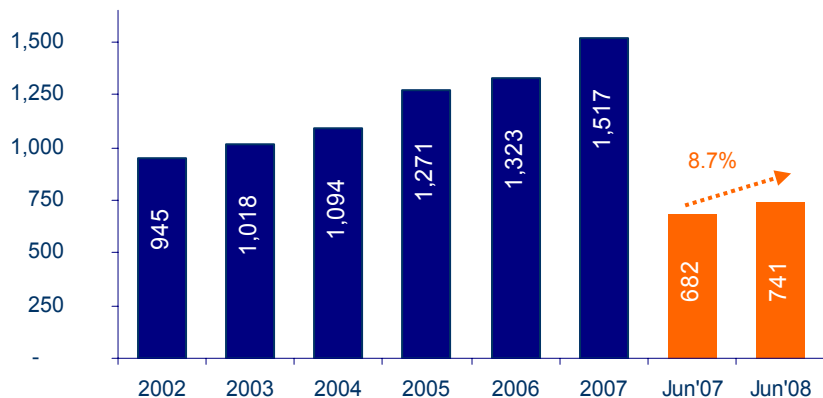


### No. of Personnel

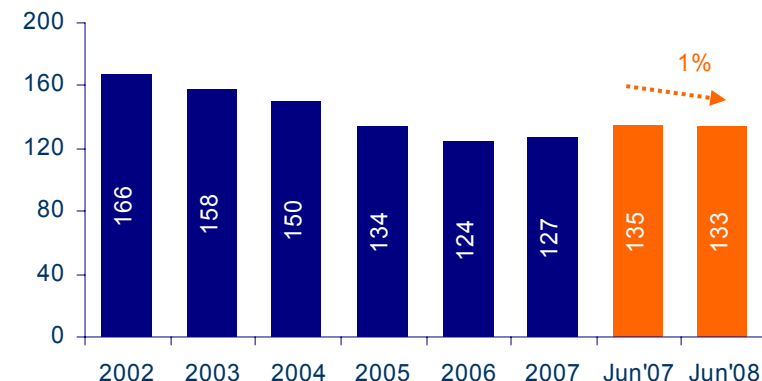


- Due to fleet expansion the total number of personnel increased by 6.22% from Jun'07 to Jun'08. Cockpit and cabin personnel increased by 16% during the same period.
- THY Technic Inc. Personnel 2,533 is included.
- The number of employees per aircraft decreased by 20%, since 2002.

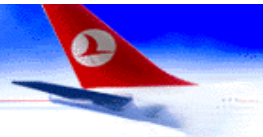
### Passengers per Employee



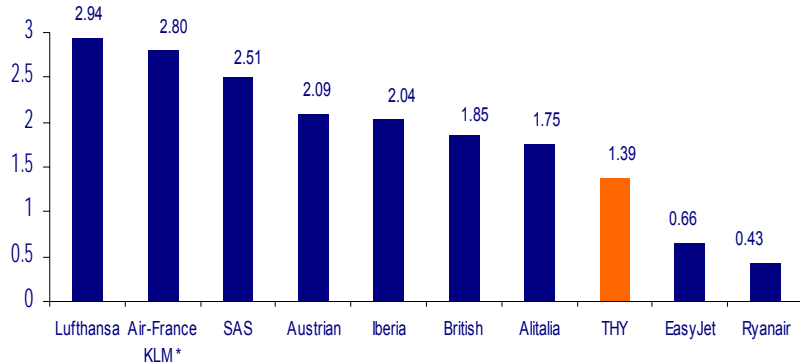
### Employees per Aircraft



**Personnel Efficiency is The key Driven While Increasing Fleet Size**

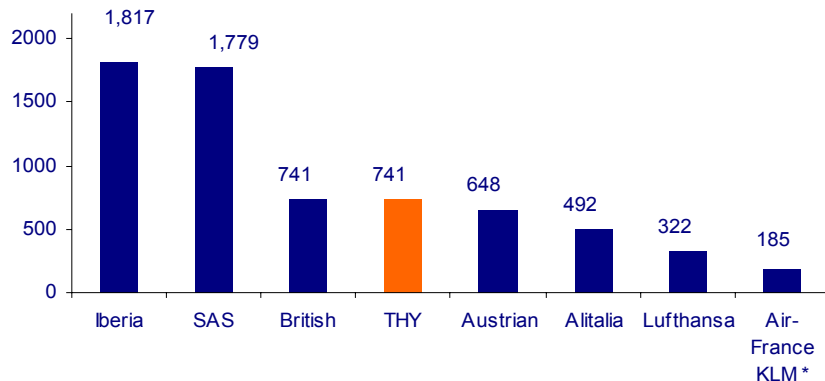


### Personnel Cost per ASK (€ Cent, 1H'08)

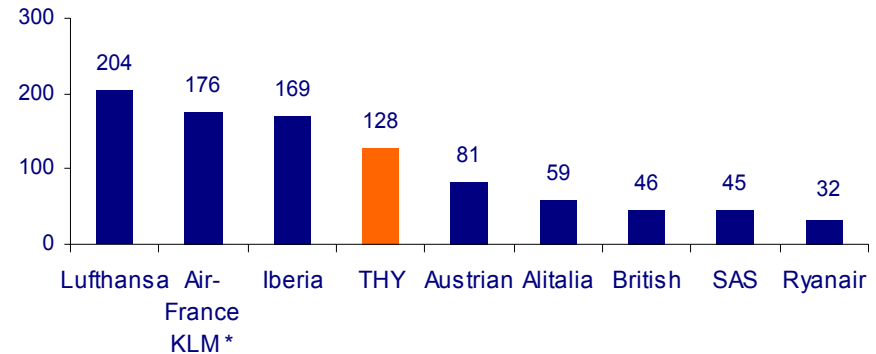


- ✦ THY enjoys high personnel efficiency compared to its competitors.
- ✦ Personnel cost of THY per ASK was only 1.4€ cents for 1H 2008.
- ✦ 128 employees per aircraft and 741 passengers per employee.

### Passenger per Employee (1H'08)



### Employee per Aircraft (1H'08)

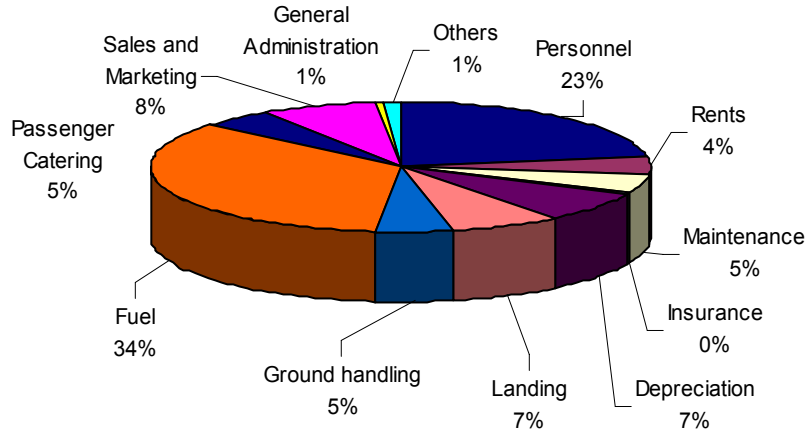


Source: Company annual reports & websites. (\*) June 1Q'08

**One of the most efficient airlines in Europe**



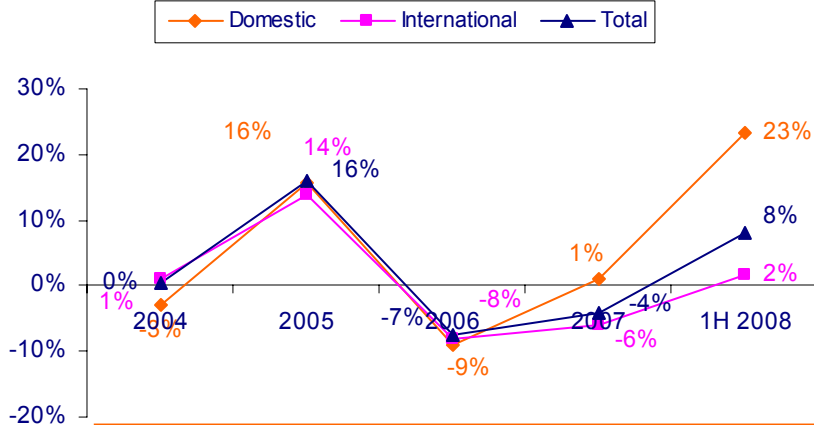
### Operating Expenses Breakdown (1H 2008)



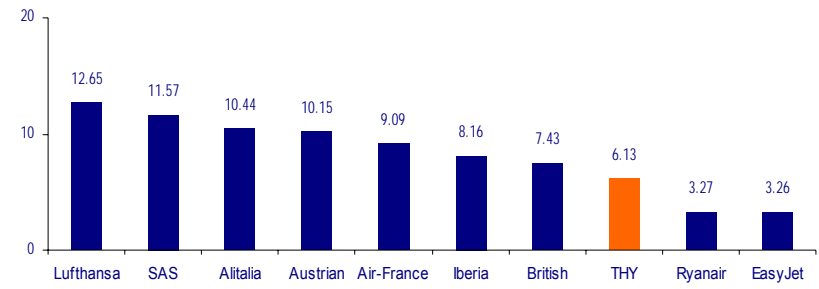
### Operating Expenses (€ Euro Mn)

| (€ Mn)                 | 1H 2007      | % in Total | 1H 2008      | % in Total | 08/07 %    |
|------------------------|--------------|------------|--------------|------------|------------|
| Personnel              | 268          | 24%        | 295          | 23%        | 10%        |
| Fuel                   | 287          | 26%        | 447          | 34%        | 56%        |
| Rents                  | 66           | 6%         | 53           | 4%         | -20%       |
| Maintenance            | 39           | 4%         | 63           | 5%         | 60%        |
| Insurance              | 11           | 1%         | 6            | 0%         | -46%       |
| Depreciation           | 98           | 9%         | 98           | 7%         | -1%        |
| Landing                | 84           | 8%         | 93           | 7%         | 10%        |
| Ground handling        | 46           | 4%         | 66           | 5%         | 44%        |
| Passenger Catering     | 52           | 5%         | 61           | 5%         | 18%        |
| Sales and Marketing    | 107          | 10%        | 99           | 8%         | -8%        |
| General Administration | 11           | 1%         | 10           | 1%         | -10%       |
| Others                 | 30           | 3%         | 13           | 1%         | -57%       |
| <b>TOTAL</b>           | <b>1,101</b> |            | <b>1,303</b> |            | <b>18%</b> |
| Op.Cost per ASK (€)    | 5.67         |            | 6.13         |            | 8%         |

### Change in CASK (1H 2008)



### Operating Costs per ASK (€cent, 1H 2008)

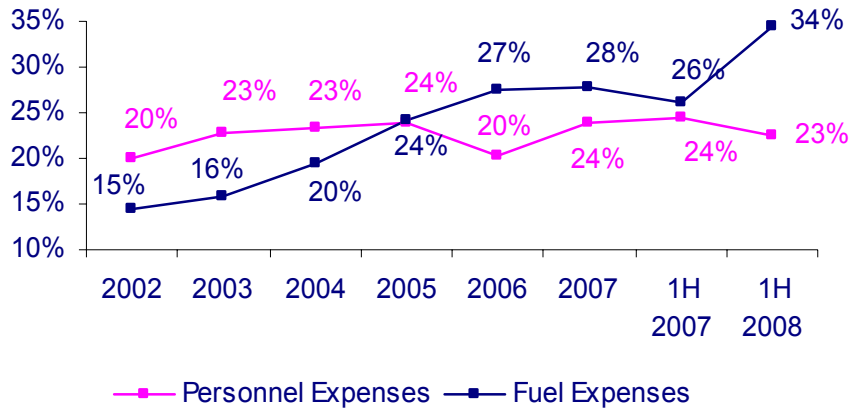


(\*) June 2008 1Q'08

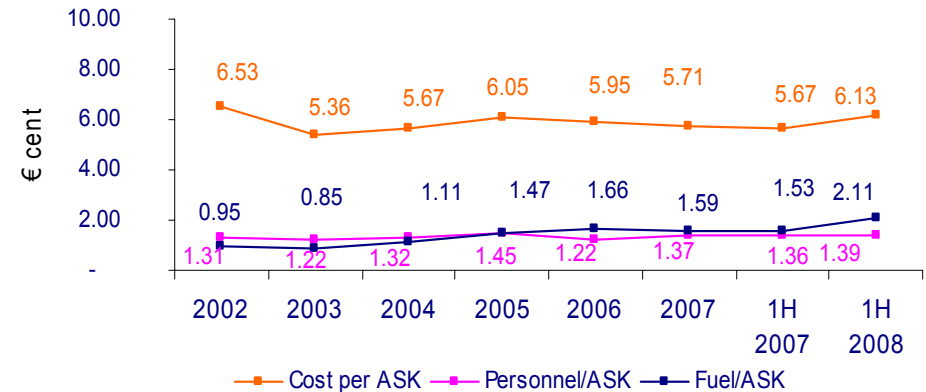
Source: Company annual reports & websites

**Operating expenses increased in 1H 2008 mainly due to Fuel Expenses**

## % in Total Operating Expenses 2002 - 2008



## € Cost Per ASK 2002-2008



| Operating Expenses (%)                  | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 1H 2007 | 1H 2008 |
|---|------|------|------|------|------|------|---------|---------|
| Rents                                   | 3.0  | 3.1  | 4.3  | 4.7  | 5.8  | 5.3  | 6.0     | 4.0     |
| Maintenance Expenses (*)                | 4.8  | 4.5  | 5.5  | 4.7  | 6.0  | 4.4  | 3.6     | 4.9     |
| Insurance                               | 1.2  | 1.2  | 2.5  | 1.7  | 1.1  | 0.8  | 1.0     | 0.5     |
| Depreciation                            | 11.7 | 12.7 | 11.3 | 10.2 | 8.4  | 8.6  | 8.9     | 7.5     |
| Landing and navigation expenses         | 9.1  | 9.6  | 9.1  | 8.1  | 8.2  | 7.9  | 7.7     | 7.1     |
| Ground handling expenses                | 7.5  | 7.1  | 4.3  | 3.9  | 3.4  | 4.5  | 4.2     | 5.1     |
| Passenger service and catering expenses | 6.2  | 6.5  | 4.9  | 4.9  | 4.4  | 5.0  | 4.7     | 4.7     |
| Sales and Marketing                     | 14.0 | 12.9 | 11.7 | 10.8 | 10.0 | 9.2  | 9.7     | 7.6     |
| General Administration                  | 3.7  | 3.7  | 0.8  | 0.7  | 0.7  | 0.9  | 1.0     | 0.7     |
| Others                                  | 4.1  | 0.0  | 2.8  | 2.4  | 2.6  | 1.7  | 2.7     | 1.0     |

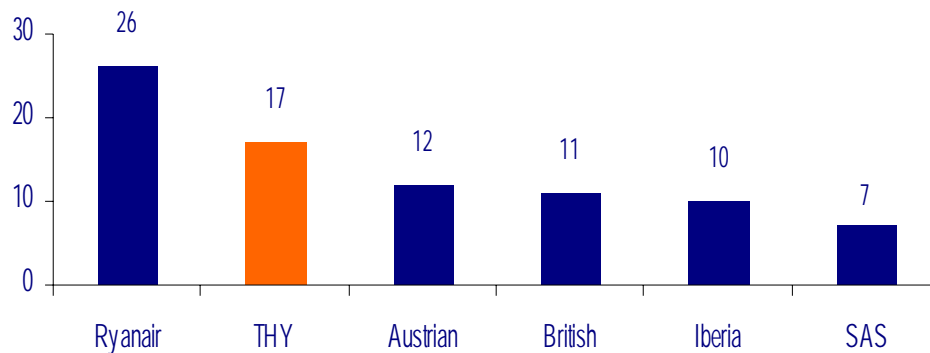
(\*) If not consolidated, portion in Total Expenses is 12% for 2006 and 10% for 2007, 1H 2008 9%

**Increase in Fuel Price compensated by Decrease in the other expenses**

| (€ Euro Mn)      | 2004  | 2005  | 2006  | 2007  | 1H 2007 | 1H 2008 | 08/'07 % |
|------------------|-------|-------|-------|-------|---------|---------|----------|
| Revenue          | 1,581 | 1,860 | 2,247 | 2,685 | 1,170   | 1,392   | 19%      |
| EBIT             | 81    | 56    | 48    | 307   | 70      | 89      | 27%      |
| EBIT Margin %    | 5.1   | 3.0   | 2.1   | 11.4  | 6.0     | 6.4     | 0.40 pt  |
| EBITDA           | 251   | 235   | 235   | 513   | 167     | 187     | 11%      |
| EBITDA Margin %  | 15.9  | 12.6  | 10.5  | 19.1  | 14.3    | 13.4    | -0.91 pt |
| EBITDAR          | 315   | 320   | 366   | 639   | 234     | 239     | 2%       |
| EBITDAR Margin % | 19.9  | 17.2  | 16.3  | 23.8  | 20.0    | 17.2    | -2.78 pt |
| Net Income       | 61    | 56    | 101   | 164   | 49      | 136     | 215%     |

- ✦ Cost cutting policies had a positive impact on operating expenses.
- ✦ 2008 Year-end targeted EBITDAR Margin is 19%.
- ✦ Expected average EBITDAR Margin among European Airlines for 2008 is 17.6%\*.

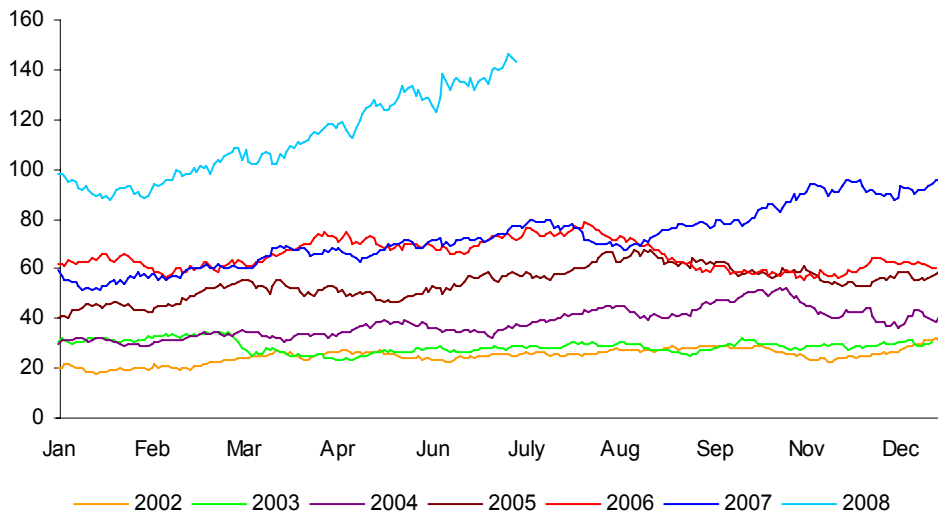
### EBITDAR Margin % Comparison (1H 2008)



**Increasing Fuel Price had a negative impact on Operating Profit**

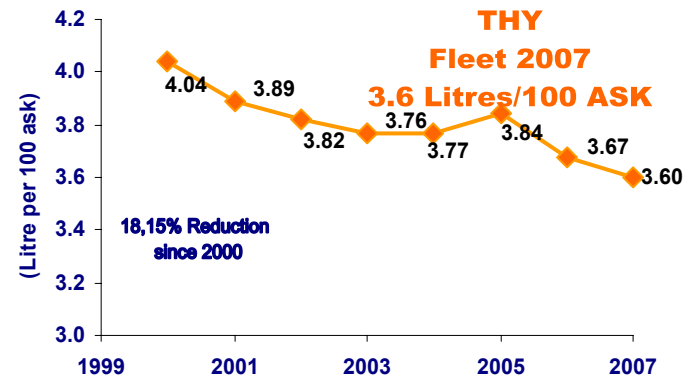
## Fleet Expansion will Reduce Fuel Cost as well as Fleet Age

### Crude Oil Prices (Brent US\$/bbl)

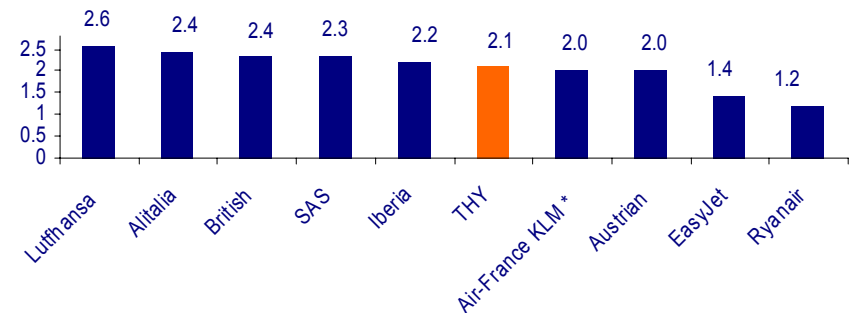


- ✦ Daily average crude oil prices increased by 78% in 2008 compared to 2007 (as of end of June).
- ✦ Although THY does not hedge, its fuel expense per ASK is lower on the average compared to its peer group.
- ✦ Due to fleet expansion, the fleet average age will be lower which in return will increase THY's fuel efficiency.

### Average Specific Fuel Consumption

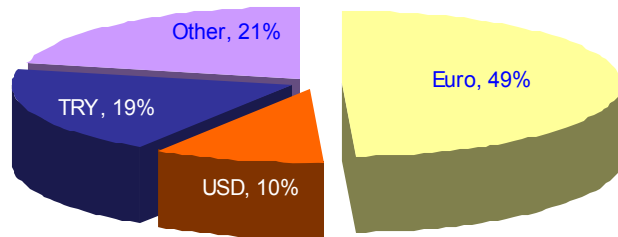


### per ASK Fuel Cost (€ cent) 1H'08

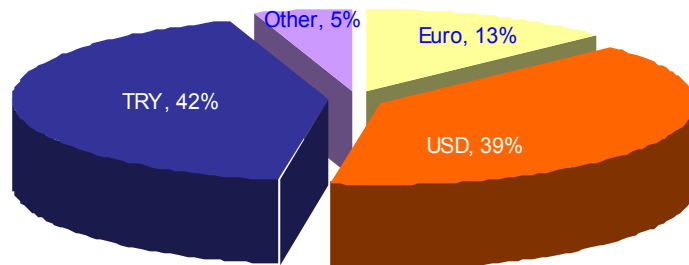




### Income by Currency ( 1H 2008)



### Expenses by Currency (1H 2008)



- ✦ THY's income is diversified among the major currencies.
- ✦ Due to its currency basket THY is very flexible on fx position.
- ✦ Although USD income is lower than USD expenses THY is able to cover its USD expenses from Euro income due to strong Euro against USD.

Source: Company

**Diversified revenue & expense base and agility in pricing currency**





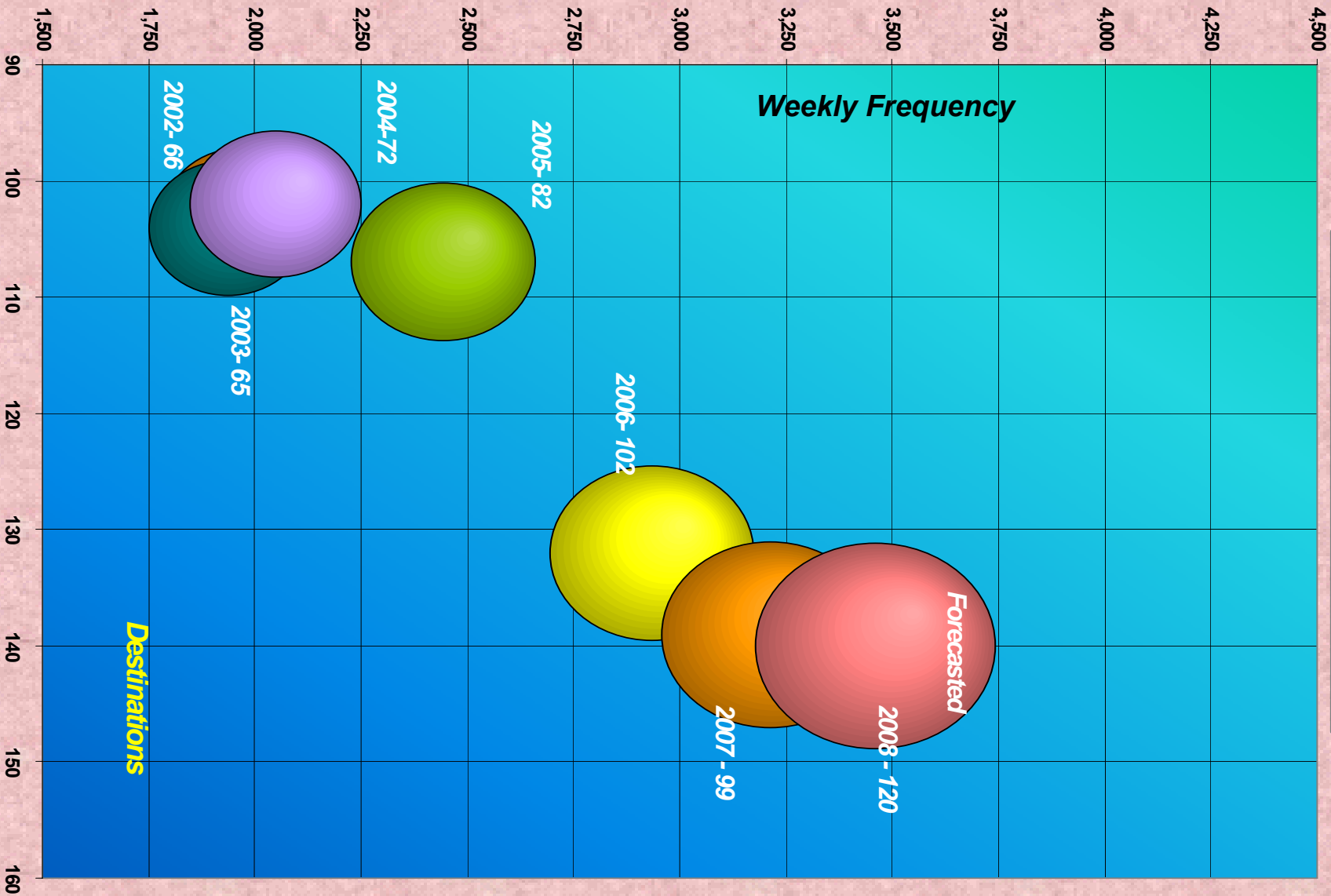
welcome



TURKISH AIRLINES



# THY Network Mapping



welcome

 **TURKISH AIRLINES**

# THANK YOU

*Turkish Airlines Inc.*

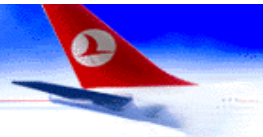
*Investor Relations Department*

*Mr.Coşkun KILIÇ / CFO*

*Ms.Suna ÇELEBİ / IR Manager*

*Tel: +90 212-463-6363 x-3630*

*E-mail: [ir@thy.com](mailto:ir@thy.com)*



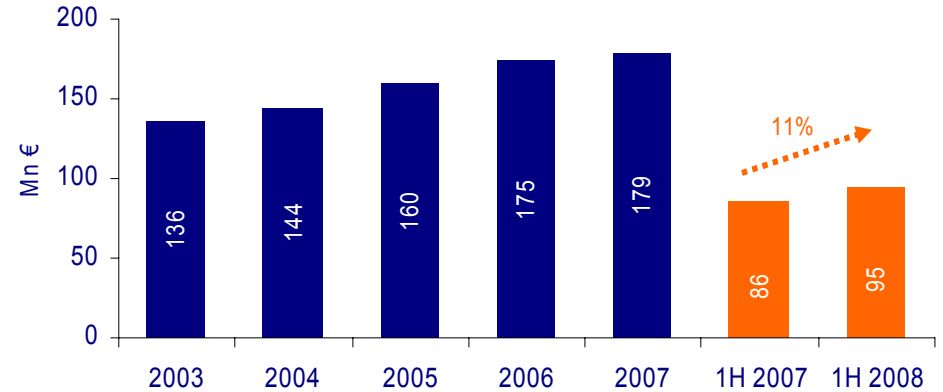
- ✦ **Turkish Economy**
- ✦ **Airline Sector in Turkey**
- ✦ **Company Overview**
- ✦ **Financial Highlights**

## Appendices

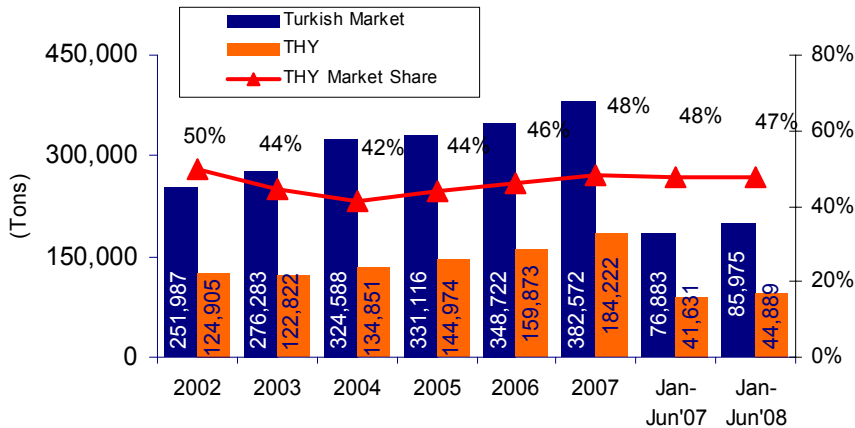
THY - Cargo



Cargo Revenue (€ Mn)



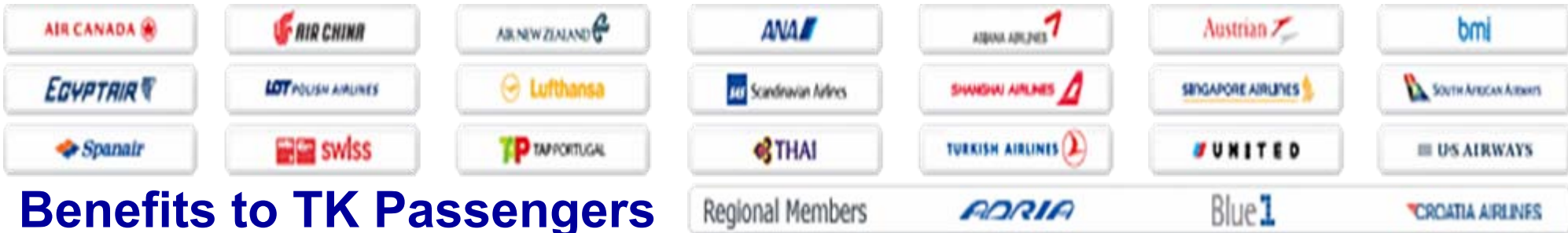
Turkish Cargo Market vs THY



- Domestic and International breakdown is consistent over the years.
- As of January – June 2008 THY has carried total of 94,804 Tons cargo, indicating an 7.2% increase compared to same period of 2007.
- Cargo revenue has increased by 11% in 1H2008 compared to 1H2007 in Euro terms.

Source: Company

Plans to Enlarge Freighter Fleet Aiming Higher Cargo Revenues



## Benefits to TK Passengers

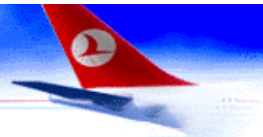
- Opportunity to fly up to 975 destinations and 162 countries with TK Ticket.
- TK passengers in frequent flyer programmes can earn and redeem miles or points in all 21 Star Alliance Members.
- First Class and Business Class TK passengers will have access to Star Alliance VIP and CIP Lounges.
- TK passengers gain the option to check-in baggages to final destinations.
- Under Star Alliance, “Move Under One Roof” concept has been developed. All Star Alliance members come together at one terminal which means much faster connections between flights. For the time being this concept already in place in Narita-Tokyo and Bangkok, in the near future Miami, Shanghai, Beijing, Singapore and Seoul to follow.
- Round the World Fare: TK Passengers can choose from as many as 15 stopovers, using any combination of Star Alliance member airlines, up to a distance of 39,000 miles (a stopover is considered a stay of more than 24 hours in one city).
- Air Pass: TK Passengers can buy as few as four and as many as ten coupons, with each coupon varying in price, yet still costing much less than the regular fares to Africa, Asia, Europe, Japan; China, N.America, South Pacifics and Thailand.

## Benefits to Turkish Airlines

- Brand recognition all around the World.
- Star Alliance members provide more than 20.000 codeshare flights which will widen the network thru codeshare agreements, which will help to increase the number of passengers carried.
- Growth in Business Class passengers.
- Growth in Corporate Agreements.
- Service Agreements such as catering, handling etc will be signed under Star Alliance umbrella.

## Assets & Liabilities

| Assets (in € Mn)                                   | 2003         | 2004         | 2005         | 2006         | 2007         | 1H 2008      | Annual '07/'06 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|----------------|
| Cash and Equivalents                               | 387          | 200          | 304          | 197          | 452          | 633          | 129%           |
| Net Trade Receivables                              | 69           | 87           | 121          | 147          | 143          | 238          | -2%            |
| Other Current Assets                               | 58           | 84           | 95           | 116          | 275          | 206          | 136%           |
| <b>Total Current Assets</b>                        | <b>514</b>   | <b>371</b>   | <b>520</b>   | <b>460</b>   | <b>870</b>   | <b>1,077</b> | <b>89%</b>     |
| Due from Related Parties (Long Term)               | 31           | 0            | 0            | 8            | 2            | 0            | -74%           |
| Net Fixed Assets                                   | 1,156        | 995          | 1,657        | 1,896        | 1,897        | 1,967        | 0%             |
| Other Long Term Assets                             | 27           | 248          | 224          | 117          | 109          | 111          | -7%            |
| <b>Total Long Term Assets</b>                      | <b>1,214</b> | <b>1,243</b> | <b>1,882</b> | <b>2,021</b> | <b>2,008</b> | <b>2,078</b> | <b>-1%</b>     |
| <b>Total Assets</b>                                | <b>1,728</b> | <b>1,614</b> | <b>2,402</b> | <b>2,481</b> | <b>2,878</b> | <b>3,155</b> | <b>16%</b>     |
| Liabilities (in € Mn)                              | 2003         | 2004         | 2005         | 2006         | 2007         | 1H 2008      | Annual '07/'06 |
| Bank Borrowings                                    |              |              |              |              |              |              |                |
| Short Term Lease Obligations                       | 143          | 111          | 229          | 118          | 134          | 139          | 13%            |
| Accounts Payable                                   | 106          | 108          | 161          | 172          | 213          | 227          | 24%            |
| Passenger Flight Liabilities                       | 66           | 101          | 0            | 151          | 0            | 0            | -100%          |
| Other Current Liabilities                          | 115          | 78           | 365          | 136          | 306          | 445          | 124%           |
| <b>Total Current Liabilities</b>                   | <b>429</b>   | <b>399</b>   | <b>755</b>   | <b>577</b>   | <b>653</b>   | <b>811</b>   | <b>13%</b>     |
| Long Term Lease Obligations                        | 705          | 524          | 540          | 780          | 933          | 1,013        | 20%            |
| Retirement Pay Provision                           | 46           | 55           | 72           | 63           | 77           | 73           | 22%            |
| Other Long Term Liabilities                        | 31           | 29           | 249          | 191          | 102          | 137          | -47%           |
| <b>Total Long Term Liabilities</b>                 | <b>782</b>   | <b>608</b>   | <b>861</b>   | <b>1,035</b> | <b>1,112</b> | <b>1,224</b> | <b>7%</b>      |
| Capital  | 986          | 1,048        | 110          | 95           | 102          | 91           | 8%             |
| Share Premium                                      | 0            | 0            | 1,180        | 1,037        | 1,053        | 1,030        | 2%             |
| Reserves   | 73           | 77           | 5            | 4            | 0            | 0            | -100%          |
| Accumulated Loss                                   | -542         | -518         | -509         | -266         | -42          | 0            | -84%           |
| <b>Total Shareholders Equity</b>                   | <b>517</b>   | <b>608</b>   | <b>786</b>   | <b>869</b>   | <b>1113</b>  | <b>1121</b>  | <b>28%</b>     |
| <b>Total Liabilities &amp; Shareholders Equity</b> | <b>1,728</b> | <b>1,614</b> | <b>2,402</b> | <b>2,481</b> | <b>2,878</b> | <b>3,155</b> | <b>16%</b>     |



| Income Statement (in Euro mn)          | 2003       | 2004      | 2005       | 2006       | 2007       | 1H 2007   | 1H 2008    | 08/07 %     |
|--|------------|-----------|------------|------------|------------|-----------|------------|-------------|
| Operating Revenues                     | 1,481      | 1,581     | 1,860      | 2,246      | 2,688      | 1,170     | 1,392      | 19%         |
| Operating Expenses                     | (1,289)    | (1,501)   | (1,804)    | (2,196)    | (2,380)    | (1,101)   | (1,303)    | 18%         |
| <b>Operating Profit</b>                | <b>193</b> | <b>81</b> | <b>56</b>  | <b>50</b>  | <b>307</b> | <b>70</b> | <b>89</b>  | <b>27%</b>  |
| Income From Other Operations           | 53         | 34        | 255        | 486        | 64         | 98        | 92         | -7%         |
| Loss From Other Operations             | (6)        | (9)       | (166)      | (376)      | (236)      | (7)       | (6)        | -12%        |
| Income Before Financial Income/(Expens | 240        | 105       | 145        | 159        | 135        | 161       | 174        | 8%          |
| Financial Income/(Loss)                | 154        | 21        | (36)       | (54)       | 93         | (95)      | 3          | -103%       |
| Monetary Gain/(Loss)                   | (223)      | (64)      | -          | -          | -          | (2)       | (6)        | 183%        |
| <b>Income Before Taxation</b>          | <b>170</b> | <b>62</b> | <b>109</b> | <b>105</b> | <b>228</b> | <b>64</b> | <b>171</b> | <b>168%</b> |
| Taxation                               | (43)       | (2)       | (26)       | (4)        | (63)       | (15)      | (35)       | 137%        |
| <b>Net Income</b>                      | <b>127</b> | <b>61</b> | <b>83</b>  | <b>101</b> | <b>164</b> | <b>49</b> | <b>136</b> | <b>177%</b> |

Source: In converting the TRY reported results to EURO, the period average EURO exchange rates were used



### THY TECHNIC A.S. (Consolidated)

#### Subsidiaries

- ✦ Owned 100% by THY
- ✦ Established on May 23rd, 2006 with the capital-in-kind valued at 271,325,800 New Turkish Lira (appx \$169 mn) which is mainly aircraft components and aircraft spare parts. Current capital is approximately around 198 mn\$.
- ✦ In 1H 2008 posted revenues and net income of US\$220 (mn) and US\$ 6Mn respectively.
- ✦ Provides maintenance services to more than 10 international airlines including Lufthansa, KLM, BA and Alitalia as well as domestic airlines.
- ✦ Main goal is to become one of the biggest MRO Center in the region.

### SUN EXPRESS A.S. (Equity pick-up)

- ✦ Owned 50% - 50% by THY and Lufthansa, respectively.
- ✦ Operating mainly charter flights between Germany and Antalya (Turkey) airports. Scheduled operation have started from İzmir on November 3, 2005 . Also Domestic Operations has started from İzmir as of March 26, 2006.
- ✦ Flies to/from 21 airports in Germany, 17 in Turkey and 60 in other countries with total of 1,054 personnel.
- ✦ Fleet consisted of 18 aircraft ; 15 B737 & 3 B757 aircraft with total seat capacity of 3,522 as of June 2008. Carried 1,776,034 passengers in 1-half 2008, by achieving load factor of 74.97%.
- ✦ In 1H 2008 posted revenues and loss of 159€mn and 20 €Mn respectively.

### THY DO & CO Catering A.S. (Equity pick-up)

- ✦ Owned 50% - %50 by THY and Do & Co Restaurants & Catering A.G.
- ✦ In 1H 2008 posted revenues and net income of US\$67 Mn and US\$820 thousands respectively.

**HABOM Project will be launched by THY Technic A.Ş.**





### Brief Description of THY's Operation Safety Condition

- ★ As it is very well known and appreciated “Safety” is the key concept to be adopted for existence. THY is determined to operate with the highest operational standards. Accepting and implementing the standards dictated by the aviation authorities and manufacturers as the baseline, THY strives to attain safer operation conditions in respect to continuous development process and appreciates it as a must. Within the frame of this efforts, adoption of Safety Management System approach, implementation of Flight Data Monitoring (FDM) system, trainings provided in risk assessed flight subjects and publications to flourish a widespread safety culture can be mentioned. In this context, it must be emphasized that THY is qualified as an IOSA Operator after the IATA Operational Safety Audit as of April 07, 2006. The expiry date of renewed IOSA operatorship is October 2009. In addition to the IOSA audit, due to its vast operation network, THY is in active contact with numerous Civil Aviation Authorities and subject to their audits as well as the audits of codeshared airlines. These audits, as well as providing the opportunity to the auditors to evaluate the current situation, input the required feedback for THY's safer operation from thereupon
- ★ Turkish Airlines adopted TS-EN ISO 9001:2000 Quality Management System(QMS) in 2006. Flight Safety and Quality Assurance Directorate is in charge of the implementation and oversight of the system. The departments within this directorate are:

Flight Operations, Ground Operations, Technic,Cabin, Flight Training, Quality Management and Improvement, Safety. Each department implements scheduled and unscheduled operational audits annually to acquire the condition information. The QMS is in a development stage progressing into Integrated Management System. TS-EN ISO 14001:2004 – Environmental Management System and OHSAS 18001- Occupational Health and Safety System are planned to be integrated by the end of 2008.

In addition to its audits, Safety Department also implements the Flight Data Monitoring System, makes informal Line Observations and investigates the occurrences and reports(mandatory/voluntary) to promote safety.

As it is briefly described above, having all requirements fulfilled and systems in place with regards to Turkish Civil Aviation Law, Turkish Airlines has the AOC(Air Operator Certificate) approved by Turkish Civil Aviation Administration(CAA). The company is subject to a biannual operational audit by Turkish CAA as well as the IATA. Turkish Airlines has qualified from the IATA's Operational Safety Audit and renewed its IOSA operatorship till October 2009.

**STOCK INFORMATION**

|                             | 2002    | 2003    | 2004    | 2005    | 2006    | 2007    | 1H 2008 |
|-----------------------------|---------|---------|---------|---------|---------|---------|---------|
| Sales (USD mn)              | 1,584   | 1,791   | 2,081   | 2,316   | 2,832   | 3,670   | 1,580   |
| Number of Shares ('000)     | 175,000 | 175,000 | 175,000 | 175,000 | 175,000 | 175,000 | 175,000 |
| EPS                         | 1.21    | 0.87    | 0.46    | 0.59    | 0.75    | 1.28    | 1.19    |
| P/E                         | 3.11    | 5.31    | 13.32   | 11.01   | 6.10    | 5.72    | 3.44    |
| EV/Sales                    | 0.68    | 0.86    | 0.64    | 0.67    | 0.62    | 0.18    | 0.36    |
| Last Day Closed Price (USD) | 3.61    | 5.55    | 5.92    | 6.48    | 4.60    | 7.34    | 4.09    |
| Last Day Closed Price (NTL) | 5.90    | 7.75    | 7.95    | 8.70    | 6.10    | 8.60    | 5.00    |

|                            | 2002   | 2003   | 2004    | 2005   | 2006   |         |        |
|----------------------------|--------|--------|---------|--------|--------|---------|--------|
| Avg. High (NTL)            | 6.38   | 6.60   | 8.29    | 7.65   | 6.70   | 8.53    | 6.14   |
| Avg. Low (NTL)             | 6.02   | 6.33   | 7.98    | 7.75   | 6.49   | 8.24    | 5.92   |
| Average Closed (NTL)       | 6.20   | 6.47   | 8.14    | 7.70   | 6.60   | 8.39    | 5.99   |
| Avg. High (USD)            | \$3.90 | \$4.73 | \$6.18  | \$5.70 | \$4.75 | \$6.60  | \$4.99 |
| Avg. Low (USD)             | \$3.68 | \$4.53 | \$5.95  | \$5.78 | \$4.60 | \$6.37  | \$4.81 |
| Average Closed (USD)       | \$3.79 | \$4.64 | \$6.07  | \$5.74 | \$4.68 | \$6.49  | \$4.87 |
| Avg. Daily Volume (USD mn) | \$1.00 | \$1.02 | \$0.568 | \$5.88 | \$9.92 | \$10.30 | \$5.30 |

**MCAP (USD mn) - 30th August, 2008 \$964**