

# TURKISH AIRLINES

A STAR ALLIANCE MEMBER 

## 2014 Q2 Results Summary



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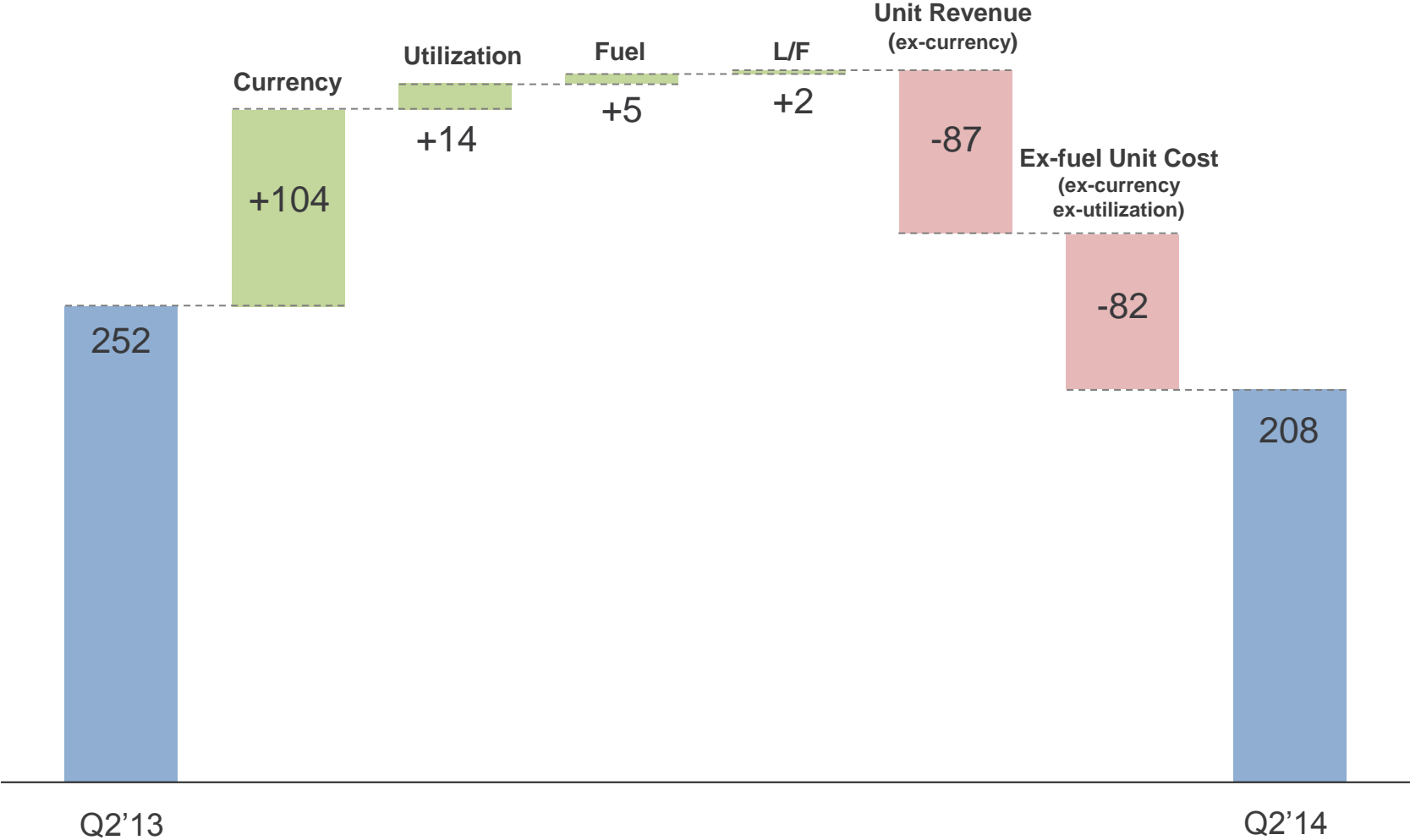
# Key Financial Data

Q2'13	Q2'14	Change	(USD mn)	1H'13	1H'14	Change
2,516	2,907	15.5%	Revenue	4,531	5,222	15.3%
2,254	2,599	15.3%	Passenger Revenue	4,031	4,619	14.6%
252	208	-17.5%	Operating Profit	205	106	-48.3%
265	277	4.2%	Adjusted EBIT	241	198	-17.8%
83	190	130.7%	Net Income	69	88	28.6%
3.3%	6.6%	3.3 pt	Net Income Margin	1.5%	1.7%	0.2 pt
537	599	11.5%	EBITDAR	749	813	8.7%
21.3%	20.6%	-0.7 pt	EBITDAR Margin	16.5%	15.6%	-0.9 pt

(USD mn)	2013	1H'14	Change
Net Debt	4.204	4.242	0,9%
Total Assets	11.902	13.394	12,5%

# Operating Profit Bridge

(mn USD)



# Operational Expense Breakdown

Q2'13	Q2'14	Change	(USD mn)	1H'13	1H'14	Change
833	998	19.8%	Fuel	1,602	1,885	17.7%
379	432	14.1%	Personnel	764	831	8.8%
265	327	23.2%	Aircraft Ownership	505	627	24.2%
201	246	22.3%	Airports & Air Navigation	370	465	25.7%
195	231	18.4%	Sales & Marketing	359	424	18.3%
135	158	16.5%	Ground Handling	261	303	16.0%
109	137	26.0%	Passenger Services & Catering	206	263	27.4%
79	98	24.0%	Maintenance	134	183	36.6%
25	24	-5.5%	General Administration	42	45	8.7%
43	49	14.0%	Other Cost of Sales	84	90	8.1%
2,264	2,699	19.2%	TOTAL	4,326	5,117	18.3%

ASK Growth: %17.5

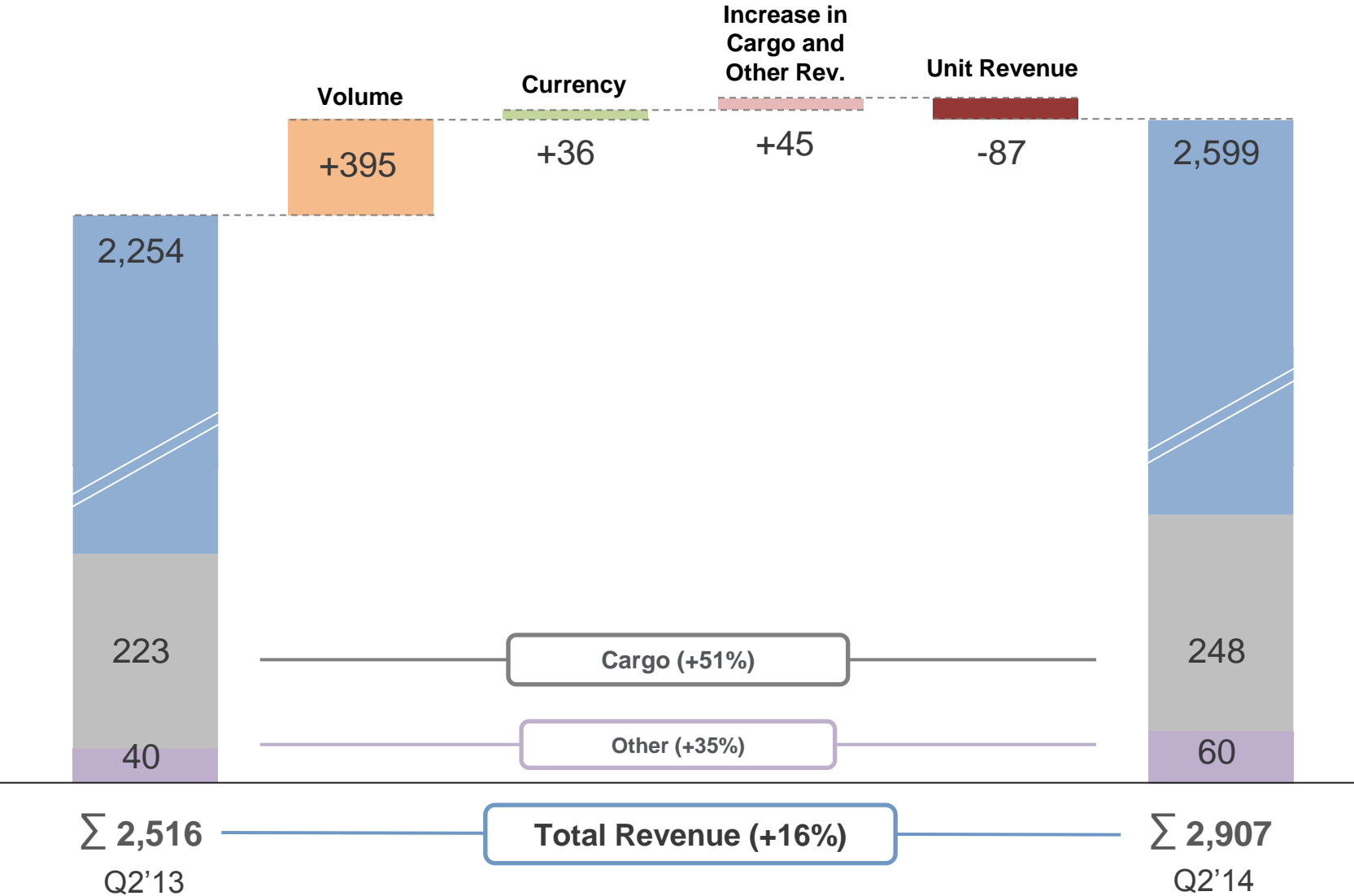
ASK Growth: %19.3

# CASK Breakdown

Q2'13	Q2'14	Change	(USc)	1H'13	1H'14	Change
2.86	2.92	1.9%	Fuel	2.96	2.92	-1.4%
1.30	1.26	-2.9%	Personnel	1.41	1.29	-8.9%
0.91	0.96	4.8%	Aircraft Ownership	0.93	0.97	4.0%
0.69	0.72	4.1%	Airports & Air Navigation	0.68	0.72	5.3%
0.67	0.67	0.8%	Sales & Marketing	0.66	0.66	-0.9%
0.47	0.46	-0.9%	Handling	0.48	0.47	-2.8%
0.37	0.40	7.2%	Passenger Services & Catering	0.38	0.41	6.8%
0.27	0.29	5.5%	Maintenance	0.25	0.28	14.5%
0.09	0.07	-19.6%	General Administration	0.08	0.07	-9.0%
0.15	0.14	-3.0%	Other Cost of Sales	0.15	0.14	-9.4%
<b>7.78</b>	<b>7.89</b>	<b>1.4%</b>	<b>TOTAL</b>	<b>8.00</b>	<b>7.93</b>	<b>-0.9%</b>

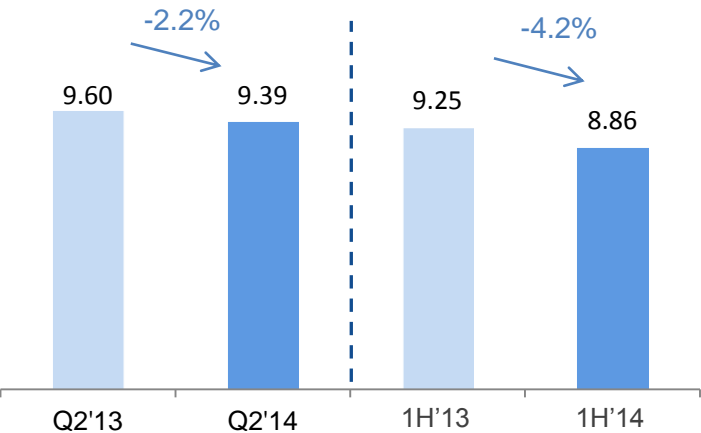
# Revenue Development

(mn USD)

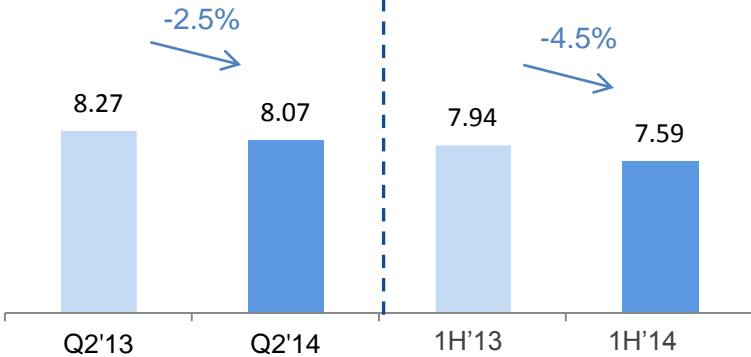


# Scheduled Services Yield Development

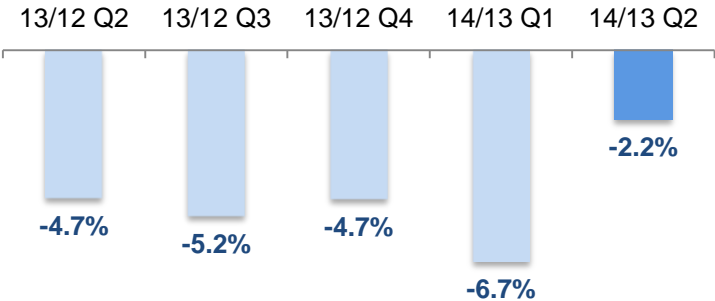
R/Y (USc)



RASK (USc)

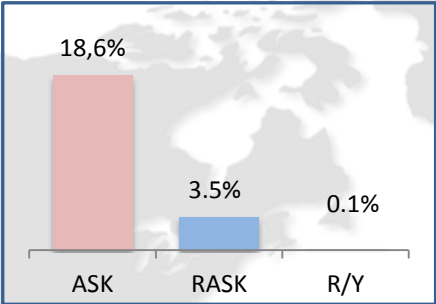


Quarterly Revenue Yield Change



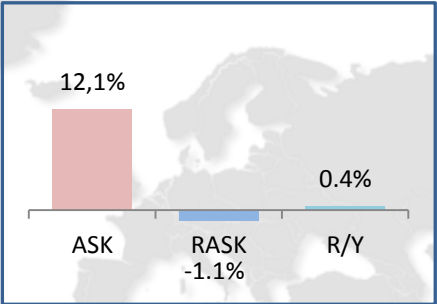
# Regional Yield Development 2Q'14 vs 2Q'13

## America



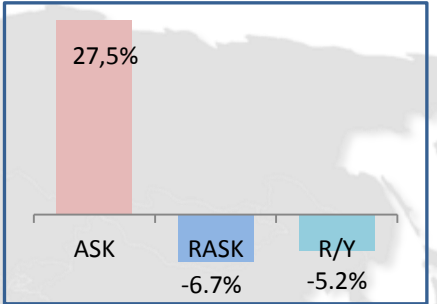
- Depreciation of local FX rates (Argentina, Brazil)
- 2 new routes (Boston & Montreal)

## Europe & CIS



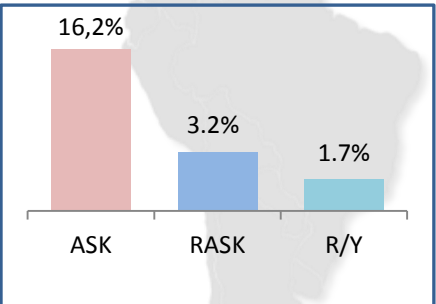
- Ukranian crisis
- Natural disasters in Bosnia and Serbia
- 20 new routes including SAW and other

## Far East



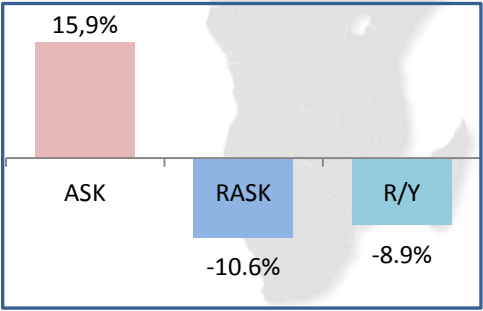
- Substantial capacity increase
- Depreciation of local FX rates (Kazakhstan, Mongolia, India, Japan)
- Political tension in Thailand
- Increase in transfer pax share
- Shifts in competitive landscape

## Africa



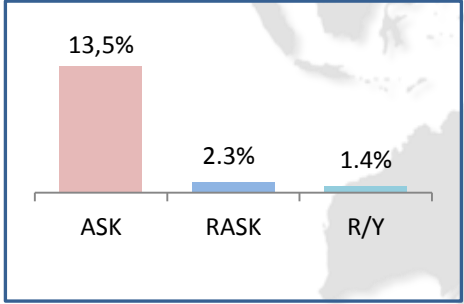
- 5 new routes in Q2'14

## Domestic



- Depreciation of TRY against USD (15%)
- 5 new routes TK, 18 New routes AJET (including SAW)

## Middle East



- Increased political and social instability in Iraq
- Tension in Israel



## Capacity Management

- AJET full year planned capacity revised down 30%
- Fleet plan revised for 5 less narrow-body aircraft resulting in 262 year-end
- 2 wide-body aircraft (A330-200) delivery delayed for three months in 2Q'14

## Passenger Business 2H'14 Outlook

Forward booking trends indicate:

- Positive demand outlook for 3Q'14
- Stable yield outlook for 2H'14

## Cargo Business 2H'14 Outlook:

- Expected capacity growth for 2H'14 16% yoy
- Positive demand outlook
- Increased transfer cargo
- Infrastructure improvement with new cargo facility 4Q'14.

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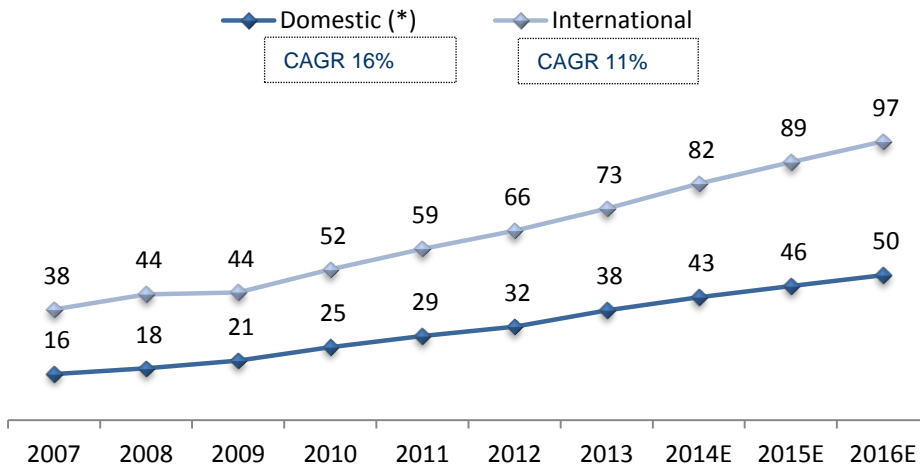
## First Half 2014 Results



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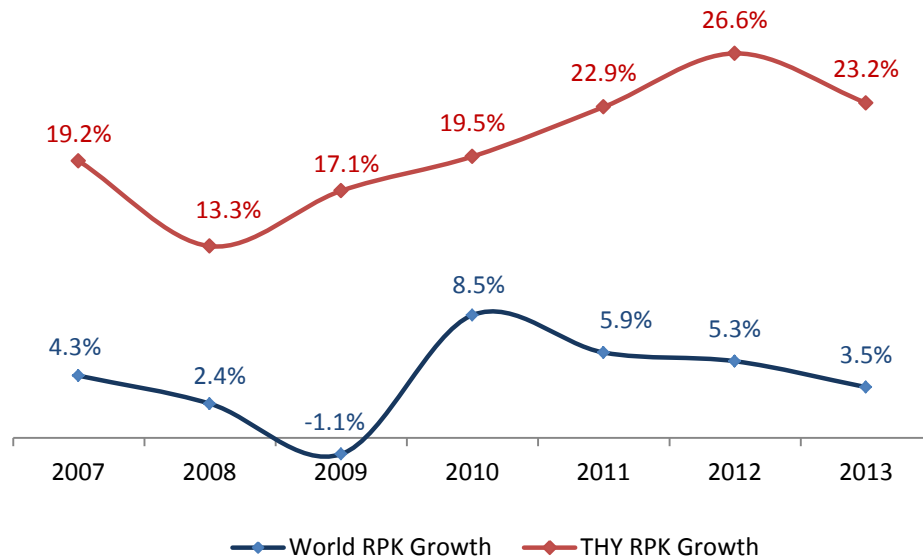


## Turkish Market Growth (mn pax)

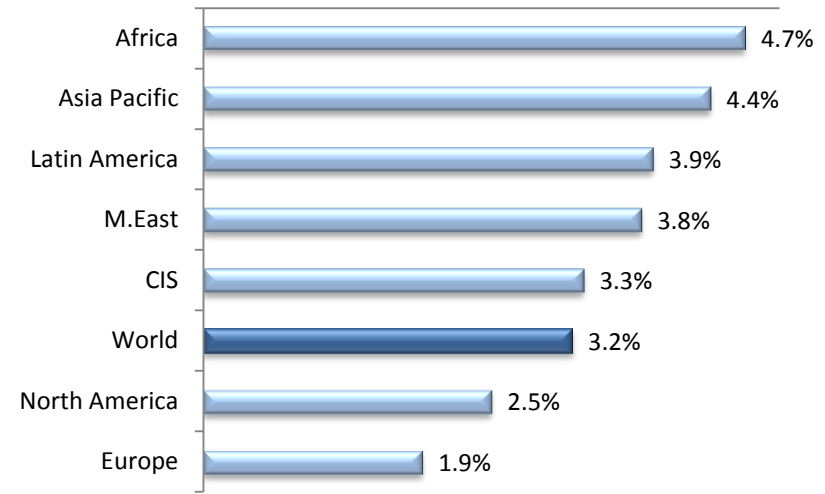


Source: General Directorate of State Airports Authority (DHMI). (\*)Adjusted for double count on Domestic Pax

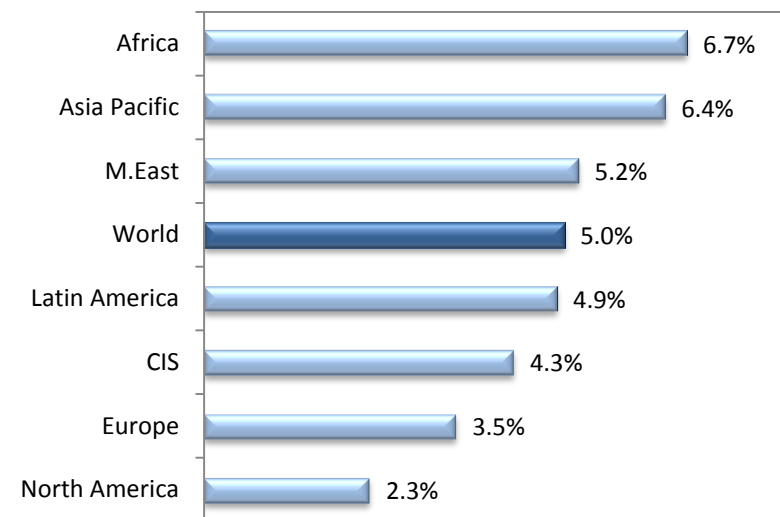
## RPK Growth %



## Annual GDP Growth Forecast (2013-2033)



## Annual RPK Growth Forecast (2013-2033)

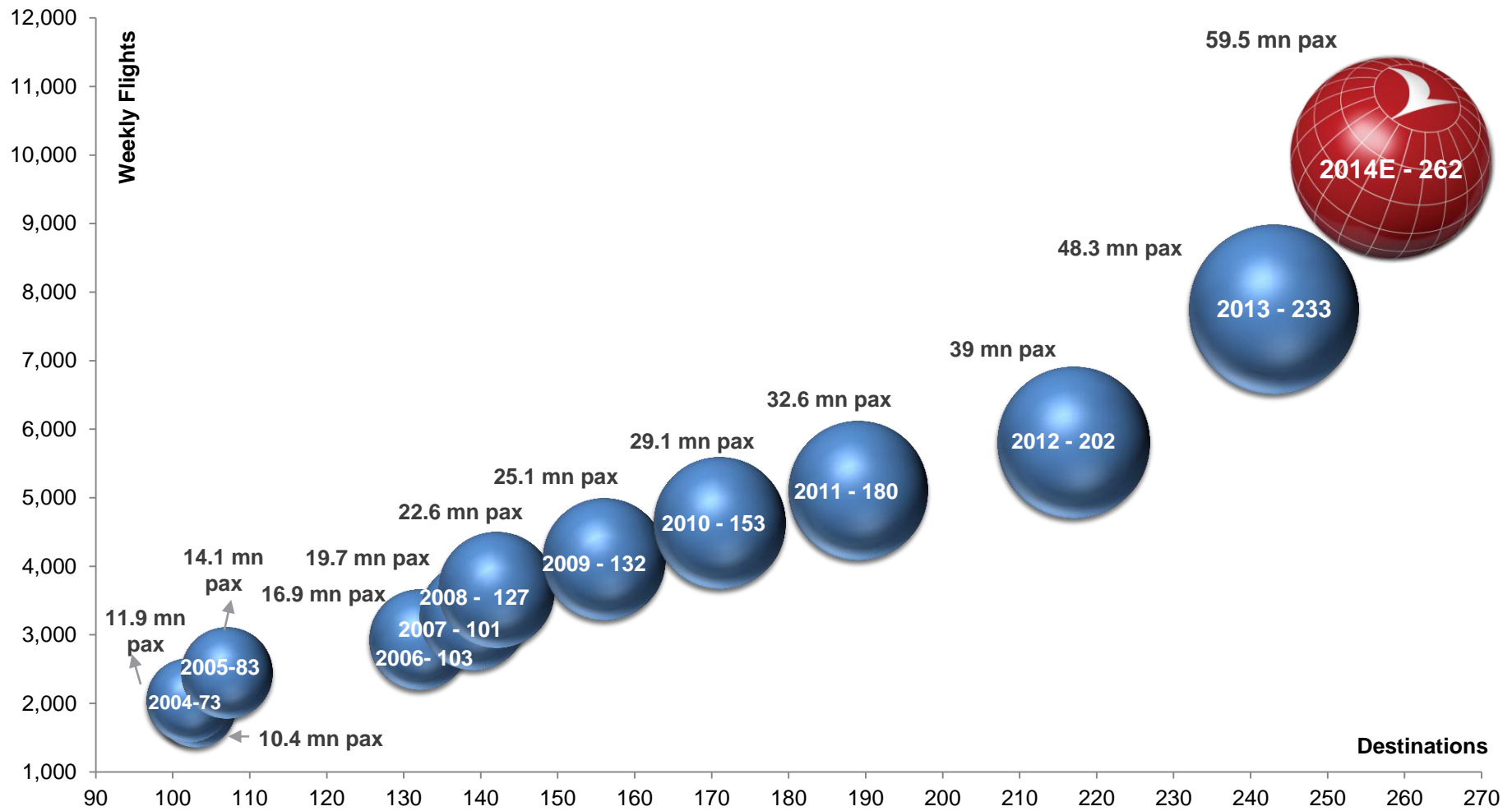


Source: Boeing Current Market Outlook

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# Turkish Airlines Diagonal Growth



# Destinations: 214\* International, 43 Domestic Lines in 107 Countries

AMERICAS (10)		EUROPE (101)				FAR EAST (31)		
BOSTON (5)	TORONTO (6)	AALBORG (3)	DUSSELDORF (35)	MILAN (35)	SOFIA (14)	ALMATY (10)	JAKARTA (7)	SEOUL (11)
BUENOS AIRES (7)	WASHINGTON D.C. (7)	AMSTERDAM (28)	EDINBURGH (7)	MINSK (4)	STAVROPOL (3)	ASHKhabAD (14)	KABUL (7)	SINGAPORE (7)
CHICAGO (7)	ATLANTA	ASTRAKHAN (4)	EKATERINBURG (4)	MOSCOW (42)	STOCKHOLM (21)	ASTANA (5)	KARACHI (7)	TASHKENT (7)
HOUSTON (7)	BOGOTA	ATHENS (35)	FRIEDRICHSHAFEN (5)	MUNICH (35)	ST.PETERSBURG (7)	BANGKOK (11)	KATHMANDU (7)	TOKYO (14)
LOS ANGELES (7)	CARACAS	BAKU (28)	FRANKFURT (38)	MUNSTER (4)	STUTTGART (25)	BEIJING (7)	KUALA LUMPUR (7)	ULANBATOR (3)
MONTREAL (3)	HAVANA	BARCELONA (21)	GANJA (3)	NAKHICHEVAN (3)	TALLINN (6)	BISHKEK (15)	MALE (5)	LENKERAN
NEW YORK (21)	MEXICO CITY	BASEL (7)	GENEVA (21)	NAPOLI (7)	TBILISI (28)	COLOMBO (7)	MEZAR-I SHERIF (3)	MANILA
SAO PAULO (7)	SAN FRANCISCO	BATUMI (7)	GENOA (7)	NICE (12)	THESALONIKI (14)	DHAKA (7)	MUMBAI (7)	
AFRICA (39)		BELGRADE (17)	GOTHENBURG (14)	NOVOSIBIRSK (3)	TIRANA (14)	DUSHANBE (2)	NEW DELHI (7)	
ABIDJAN (4)	MISRATA (7)	BERLIN (28)	HAMBURG (28)	NURNBERG (18)	TORINO (7)	GUANGZHOU (7)	LAHORE (3)	
ACCRA (7)	MOGADISHU (4)	BILBAO (7)	HANNOVER (17)	ODESSA (11)	TOULOUSE (7)	HO-CHI-MINH (7)	OSAKA (7)	
ADDIS ABABA (7)	MOMBASA (7)	BILLUND (2)	HELSINKI (14)	OSLO (14)	UFA (5)	HONG KONG (6)	OSH (5)	
ALEXANDRIA (7)	NAIROBI (11)	BIRMINGHAM (10)	KAZAN (7)	PARIS (28)	WARSAW (4)	ISLAMABAD (4)	SHANGHAI (7)	
ALGIERS (21)	NDJAMENA (4)	BOLOGNA (14)	KIEV (16)	PISA (4)	VALENCIA (7)	<div>MIDDLE EAST (33)</div>		
BENGHAZI (14)	NIAMEY (5)	BORDEAUX (4)	LEFKOSA (49)	PODGORICA (7)	VENICE (21)			
CAIRO (21)	NOUAKCHOTT (6)	BREMEN (7)	LEIPZIG (7)	PRAG (14)	VIENNA (35)			
CAPETOWN (7)	ORAN (4)	BRUSSELS (30)	LISBON (10)	PRISTINA (14)	VILNIUS (6)			
CASABLANCA (7)	OUAGADOUGOU (5)	BUCHAREST (21)	LJUBLJANA (7)	RIGA (7)	ZAGREB (14)			
CONSTANTINE (3)	SEBHA	BUDAPEST (14)	LONDON (59)	ROME (25)	ZURICH (28)			
COTONOU (4)	SHARM EL SHEIKH (5)	CATANIA (4)	LUXEMBOURG (7)	ROSTOV (4)	VARNA (4)			
DAKAR (6)	TRIPOLI (21)	CHISINAU (7)	LVIV (3)	ROTTERDAM (4)	KASSEL			
DAR ES SALAAM (7)	TUNIS (14)	COLOGNE (28)	LYON (14)	SANTIAGO DE	KHARKIV			
DJIBOUTI (4)	YAOUNDE (4)	CONSTANTA (2)	MADRID (21)	COMPOSTELA(7)	KRAKOV			
DOUALA (3)	ABUJA	COPENHAGEN (21)	MALAGA (7)	SALZBURG (7)	LA CORUNA			
ENTEBBE(7)	ASMARA	DONETSK (14)	MALTA (5)	SARAJEVO (18)	NANTES			
HURGADA (4)	ASWAN	DNEPROPETROVSK (5)	MANCHESTER (14)	SIMFEROPOL (14)	BADEN-BADEN			
JOHANNESBURG(7)	BAMAKO	DUBLIN (12)	MARSEILLE (7)	SKOPJE (14)				
KANO (4)	JUBA			SOCHI (4)				
KIGALI (7)	KANO							
KINSHASA (5)	LUXOR							
KHARTOUM (7)	LUANDA							
KILIMANJARO (7)	TLEMEN							
LAGOS (7)	BATNA							
LIBREVILLE (3)	CONAKRY							
		43 DOMESTIC LINES						

\* As of 30.06.2014

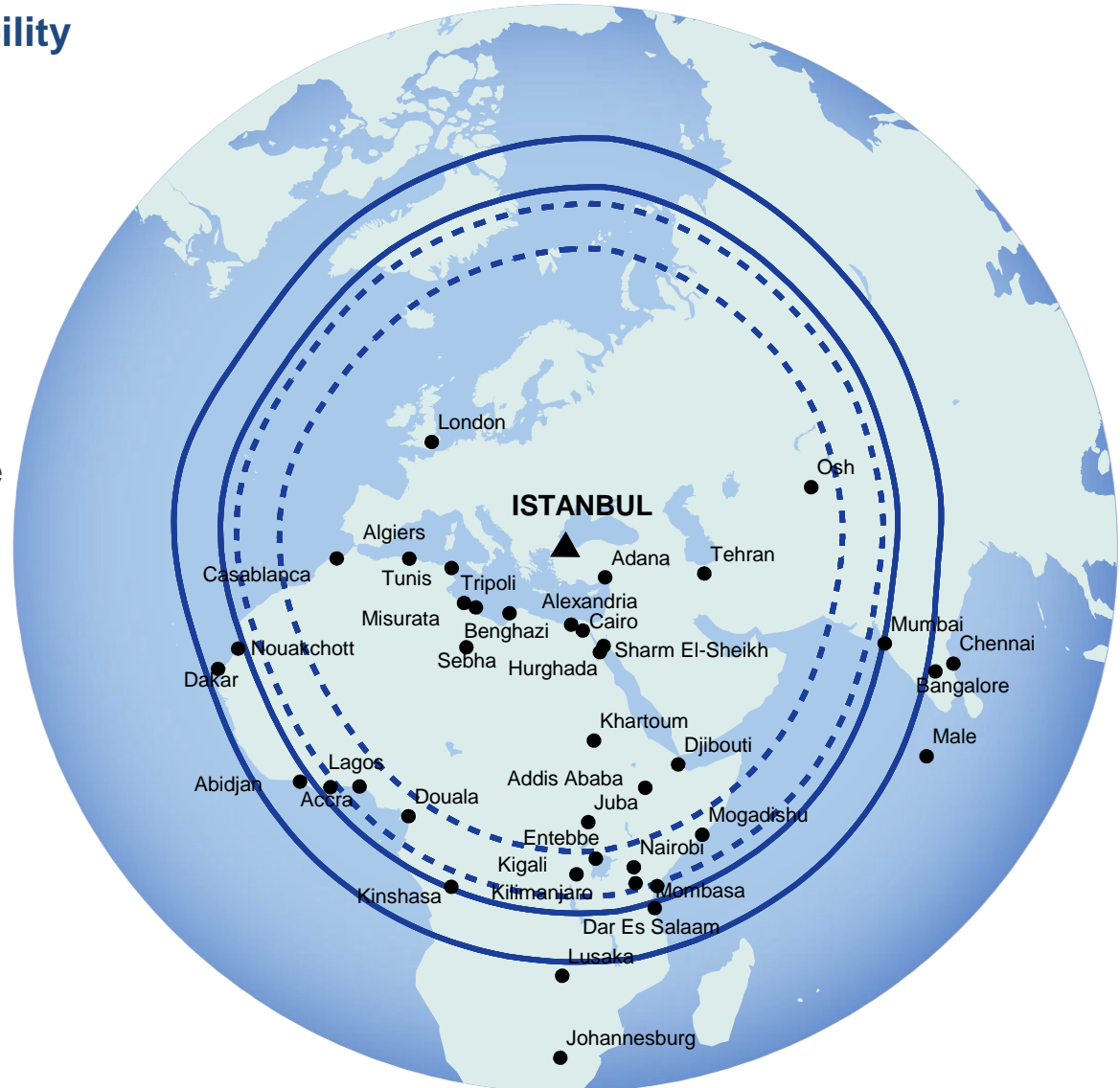
Planned (Weekly Frequency from all airports)

# Geographical Advantage

## Narrow Body Range capability to and from Istanbul

With full passenger payload

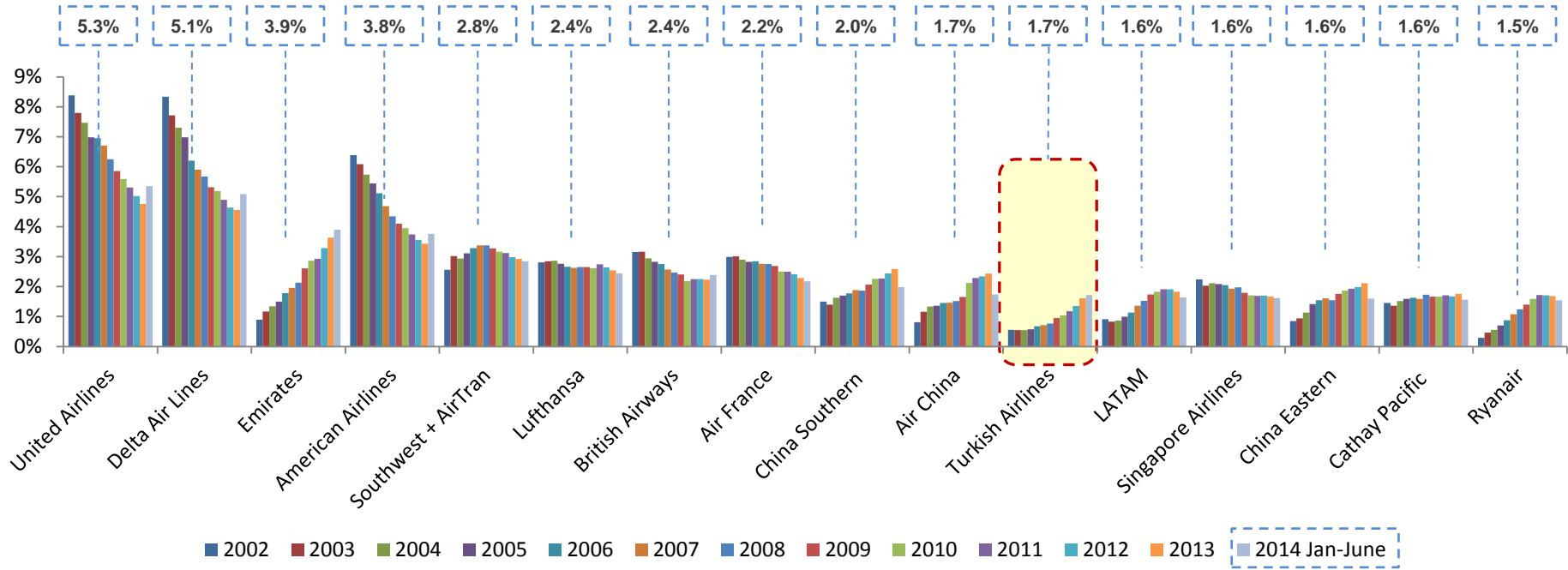
- ✓ 183 out of 214 international destinations
- ✓ More than 40% of world-wide international traffic
- ✓ Over 55 national capitals
- ✓ All of Europe, Middle East, Central Asia and North and East Africa



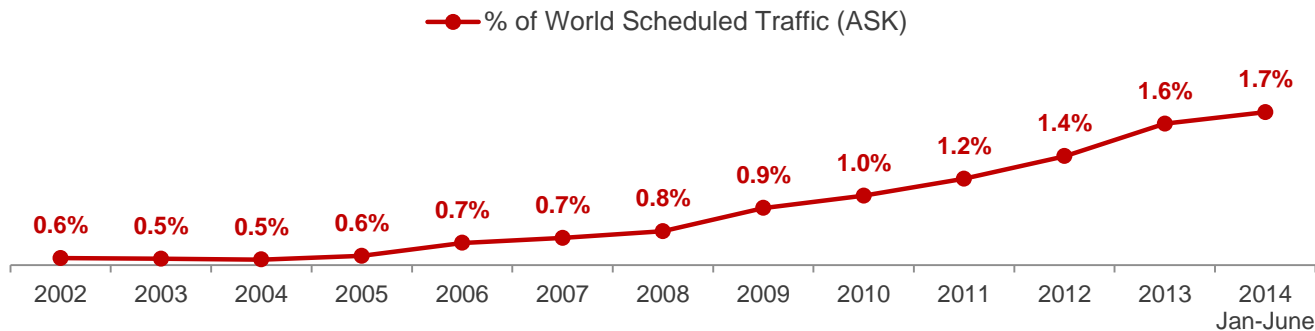


# Global Market Share Gains

## Global Market Share Trends (in ASK)



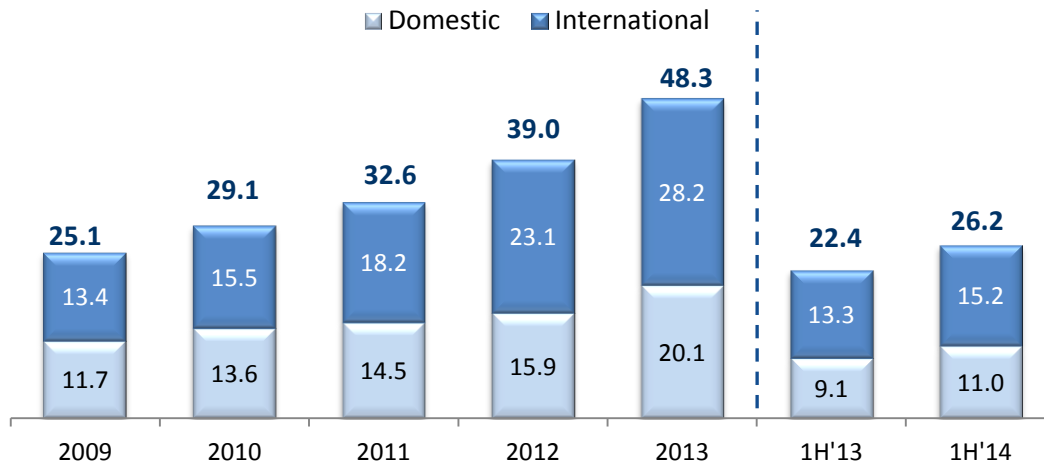
## Turkish Airlines Market Share Development



Source: 2002 ICAO, 2003-2014 IATA, sorted by January-June ASK values

# Passenger Traffic

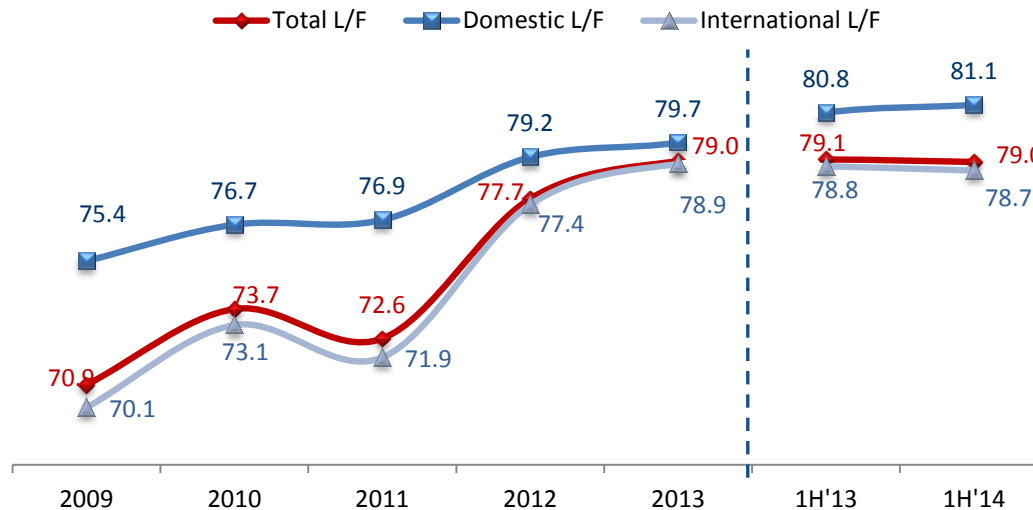
## Total Passengers (Mn)



## THY Passenger Traffic 1H'13 vs 1H'14

Landing	up by	16.7%
ASK	up by	19.3%
RPK	up by	19.2%
Passenger	up by	16.8%
L/F	down by	-0.1 pt

## Load Factor (L/F %)



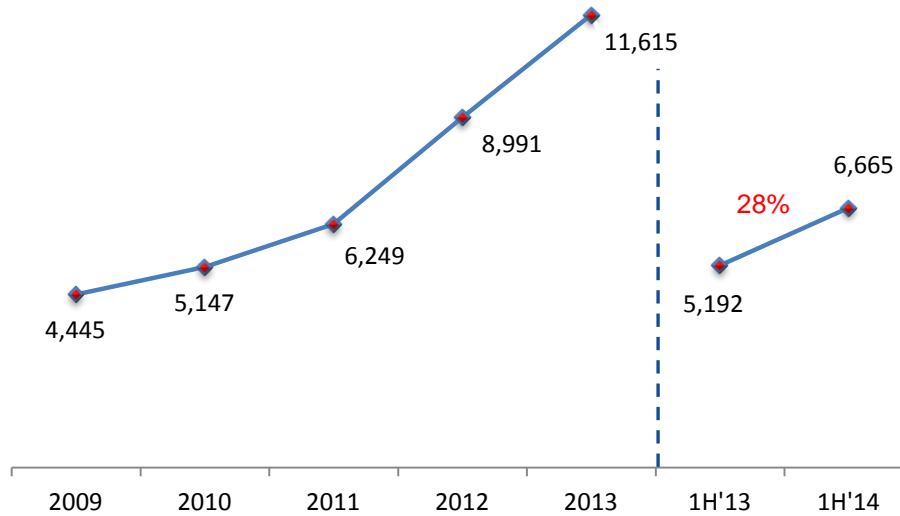
## ANNUAL CHANGE (%)

	2009	2010	2011	2012	2013
ASK	22%	15%	25%	18%	21%
RPK	17%	19%	23%	27%	23%
PAX	11%	16%	12%	20%	24%
L/F (Pt)	-3.0	2.8	-1.1	5.1	1.4

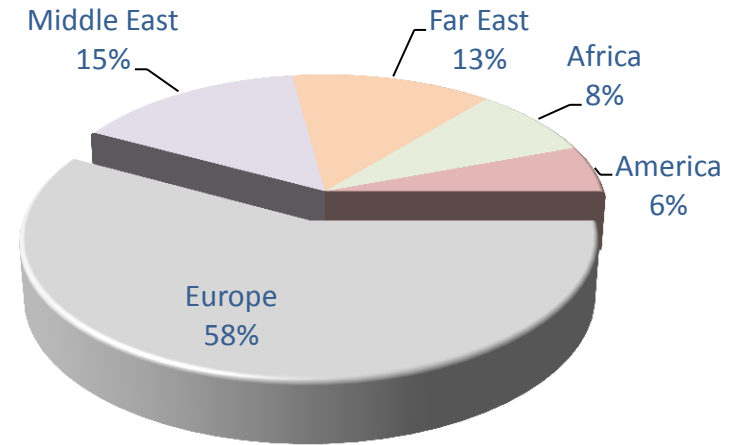


# Passenger Breakdown (1H'14)

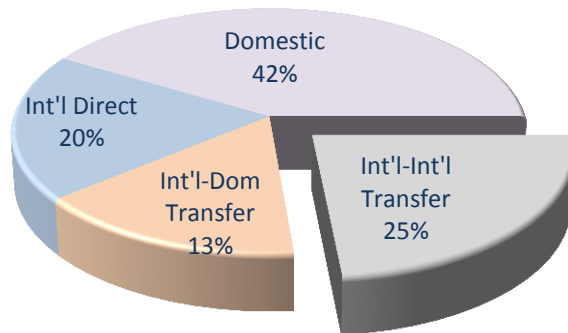
## Int'l to Int'l Transfer Passengers ('000)



## Int'l. Passenger Breakdown by Geography

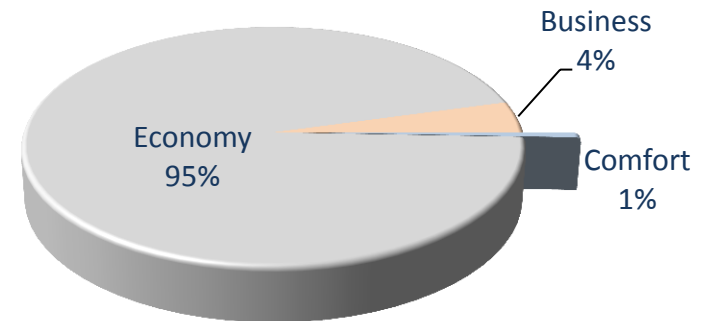


## Passenger Breakdown by Transfer Type



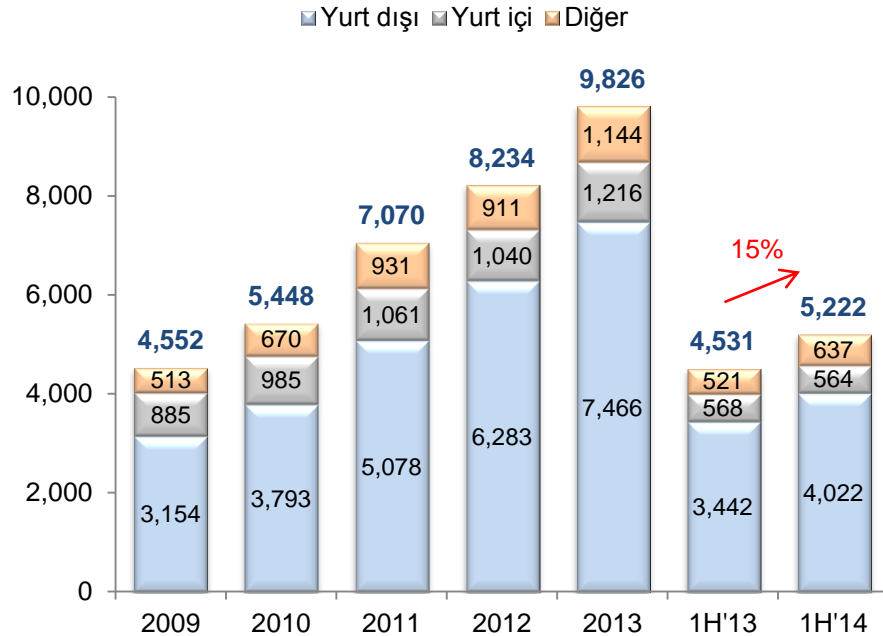
Int'l to int'l transfer passengers' share in total international passengers is 44%.

## Passenger Breakdown by Cabin Class



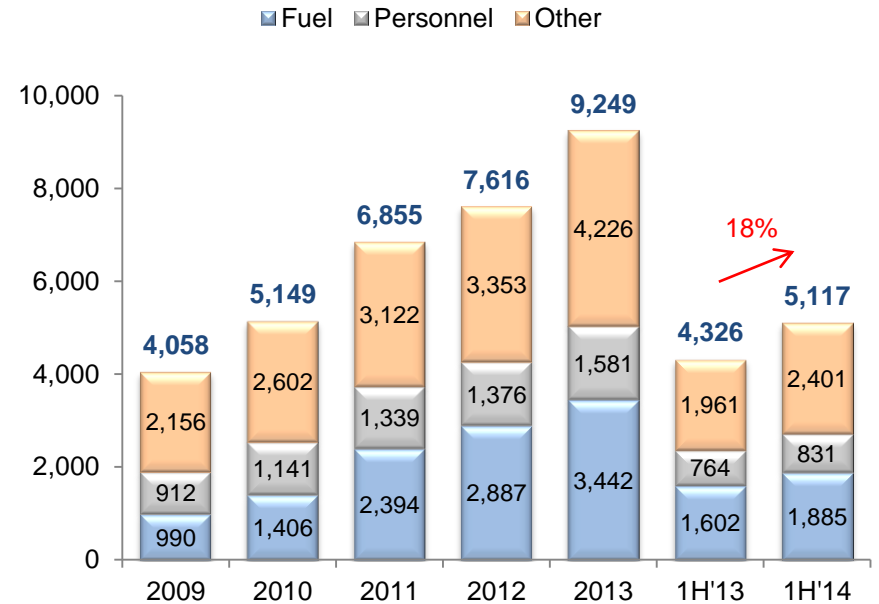
# Total Revenue and Expenses

## Revenue (Mn\$)



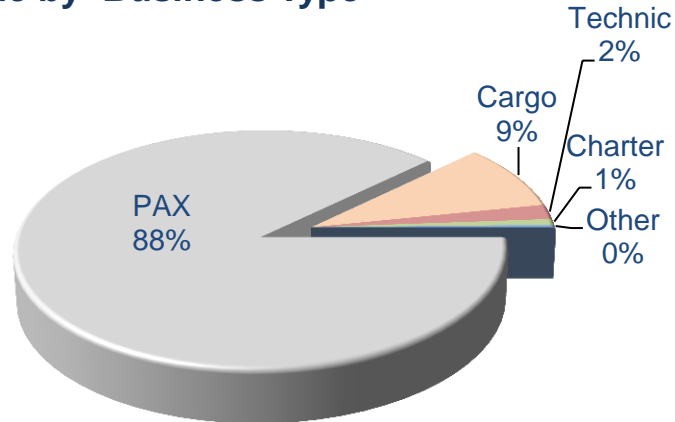
\* Other revenue includes cargo, charter and other revenue

## Expenses (Mn\$)

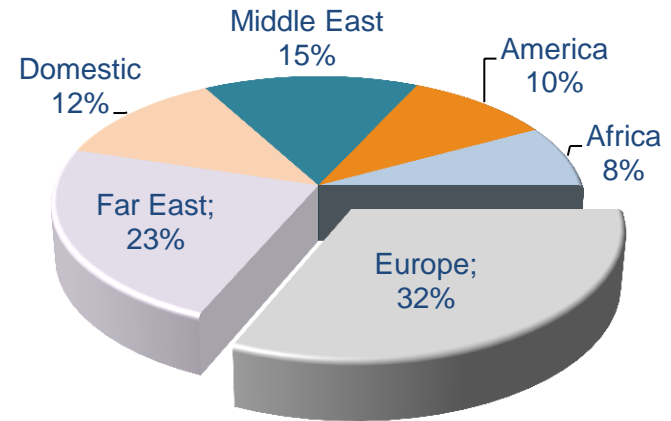


# Revenue Breakdown (1H'14)

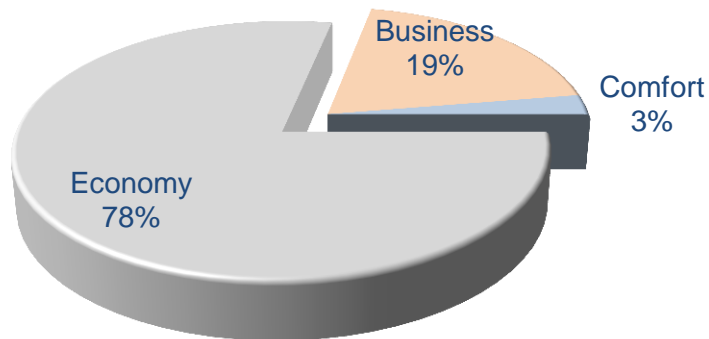
## Revenue by Business Type



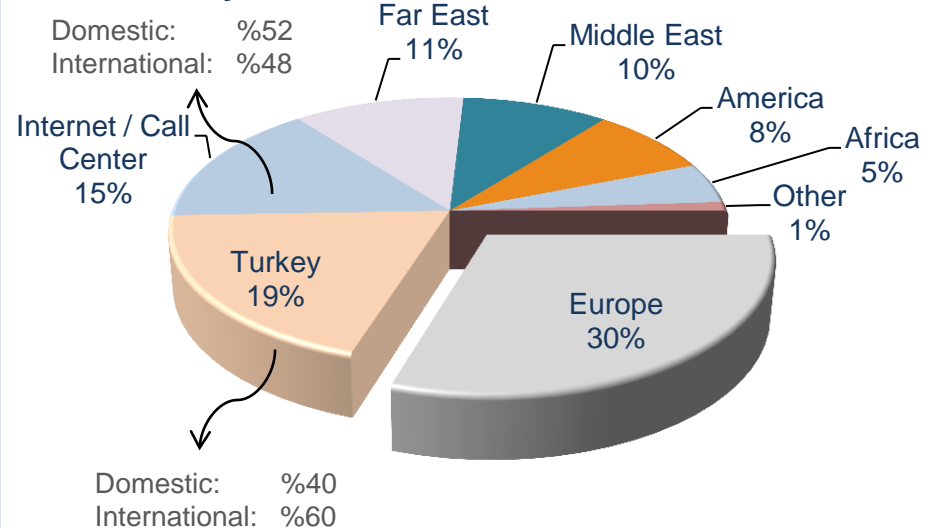
## Revenue by Geography



## Revenue by Passenger Class



## Revenue by Point of Sale

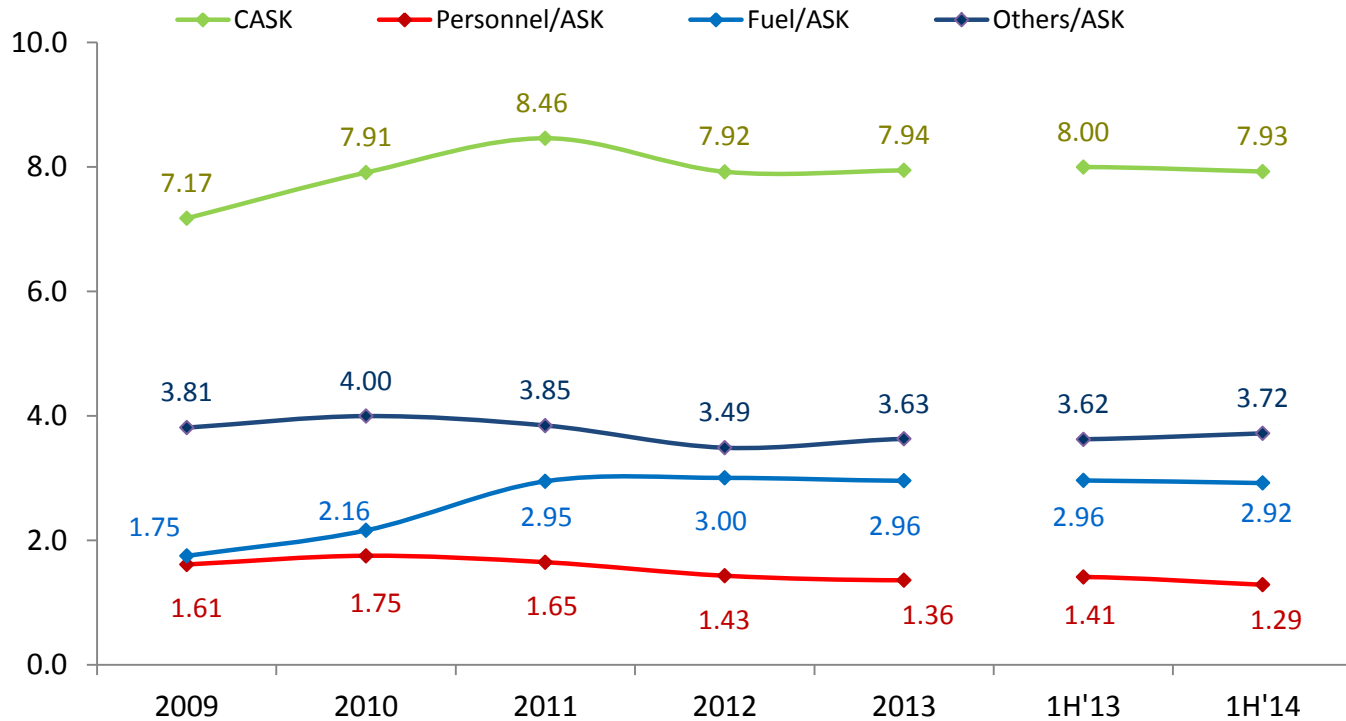


# Operational Expense Breakdown

(mn USD)	1H'13	% in Total	1H'14	% in Total	YoY Change
<b>Fuel</b>	<b>1,602</b>	<b>37.0%</b>	<b>1,885</b>	<b>36.8%</b>	<b>17.7%</b>
<b>Personnel</b>	<b>764</b>	<b>17.7%</b>	<b>831</b>	<b>16.2%</b>	<b>8.8%</b>
<b>Landing, Navigation &amp; Air Traffic</b>	<b>370</b>	<b>8.5%</b>	<b>465</b>	<b>9.1%</b>	<b>25.7%</b>
Landing and navigation	162	3.8%	203	4.0%	25.0%
Air Traffic Control	207	4.8%	262	5.1%	26.2%
<b>Sales &amp; Marketing</b>	<b>359</b>	<b>8.3%</b>	<b>424</b>	<b>8.3%</b>	<b>18.2%</b>
Commissions and Incentives	164	3.8%	185	3.6%	12.8%
Reservation System	107	2.5%	117	2.3%	9.3%
Advertising	49	1.1%	74	1.4%	51.2%
Other	39	0.9%	48	0.9%	24.2%
<b>Depreciation</b>	<b>321</b>	<b>7.4%</b>	<b>359</b>	<b>7.0%</b>	<b>11.6%</b>
<b>Ground Handling</b>	<b>261</b>	<b>6.0%</b>	<b>303</b>	<b>5.9%</b>	<b>16.0%</b>
<b>Aircraft Rent</b>	<b>184</b>	<b>4.3%</b>	<b>269</b>	<b>5.3%</b>	<b>46.0%</b>
Operational Lease	78	1.8%	77	1.5%	-1.5%
Wet Lease	106	2.5%	192	3.8%	80.8%
<b>Passenger Services &amp; Catering</b>	<b>206</b>	<b>4.8%</b>	<b>263</b>	<b>5.1%</b>	<b>27.4%</b>
<b>Maintenance</b>	<b>134</b>	<b>3.1%</b>	<b>183</b>	<b>3.6%</b>	<b>36.6%</b>
<b>General Administration</b>	<b>42</b>	<b>1.0%</b>	<b>45</b>	<b>0.9%</b>	<b>8.7%</b>
<b>Other</b>	<b>84</b>	<b>1.9%</b>	<b>90</b>	<b>1.8%</b>	<b>8.1%</b>
<b>TOTAL</b>	<b>4,326</b>	<b>100%</b>	<b>5,117</b>	<b>100%</b>	<b>18.3%</b>
Operating Cost per ASK (USc)	8.00	-	7.93	-	-1%
Ex-fuel Operating Cost per ASK (USc)	5.04	-	5.01	-	-1%

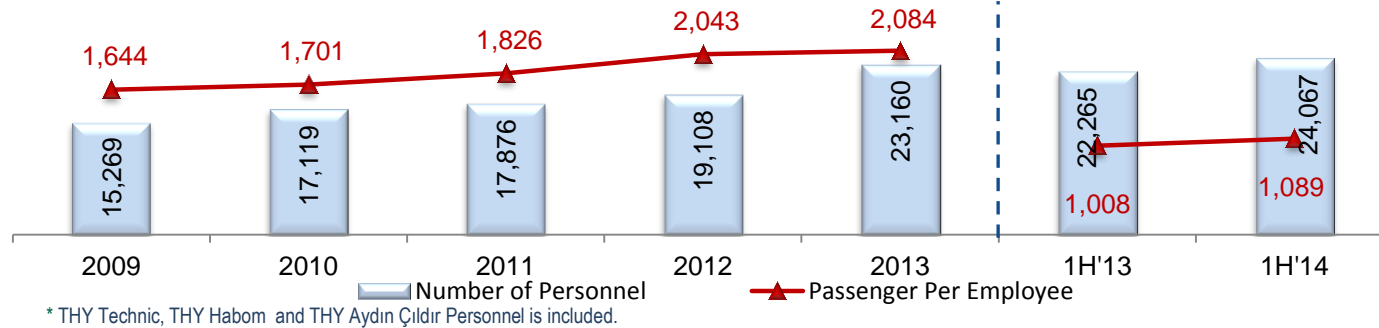
# Unit Operating Costs

## Cost Per ASK (\$ cent)

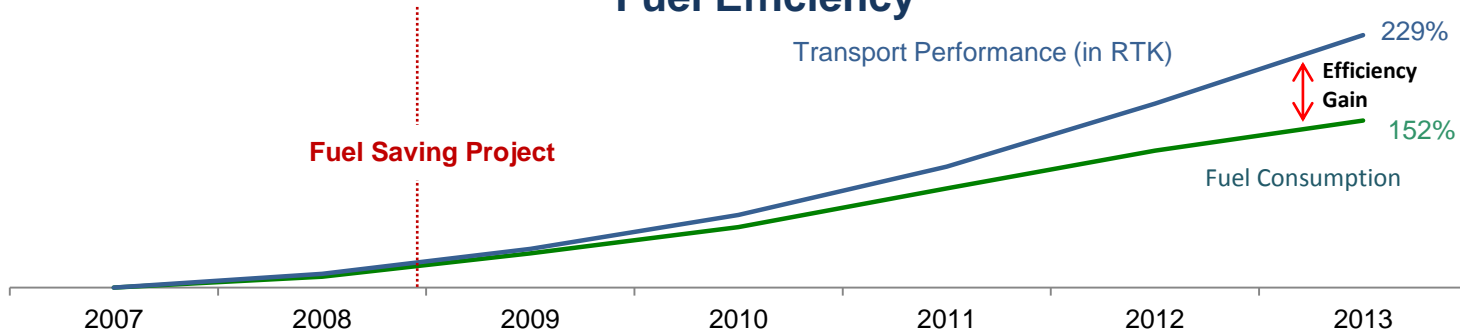


# Operating Efficiency

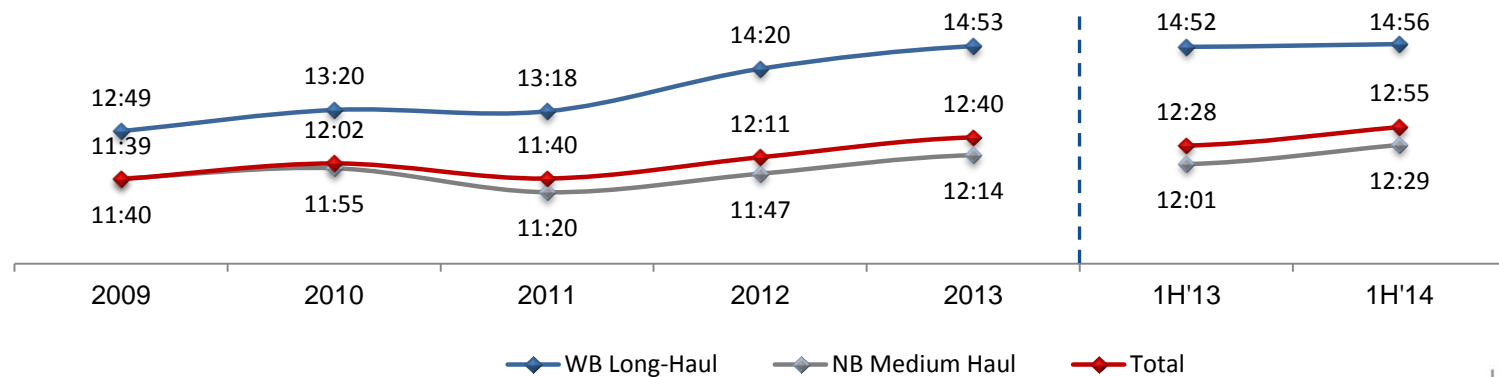
## Personnel Efficiency



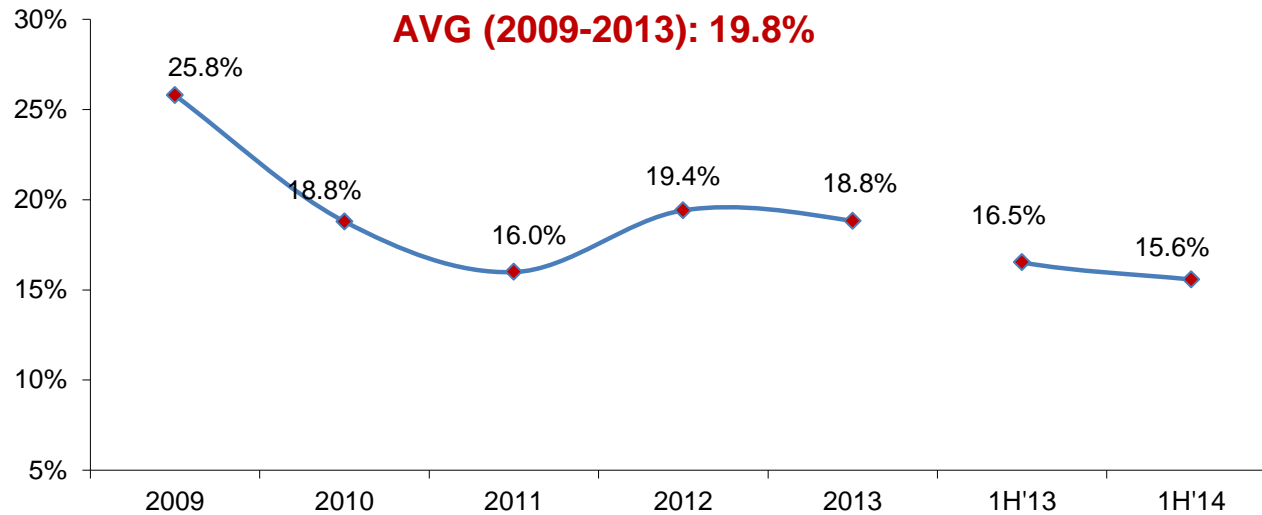
## Fuel Efficiency



## Average Daily Flight Utilization (hrs)



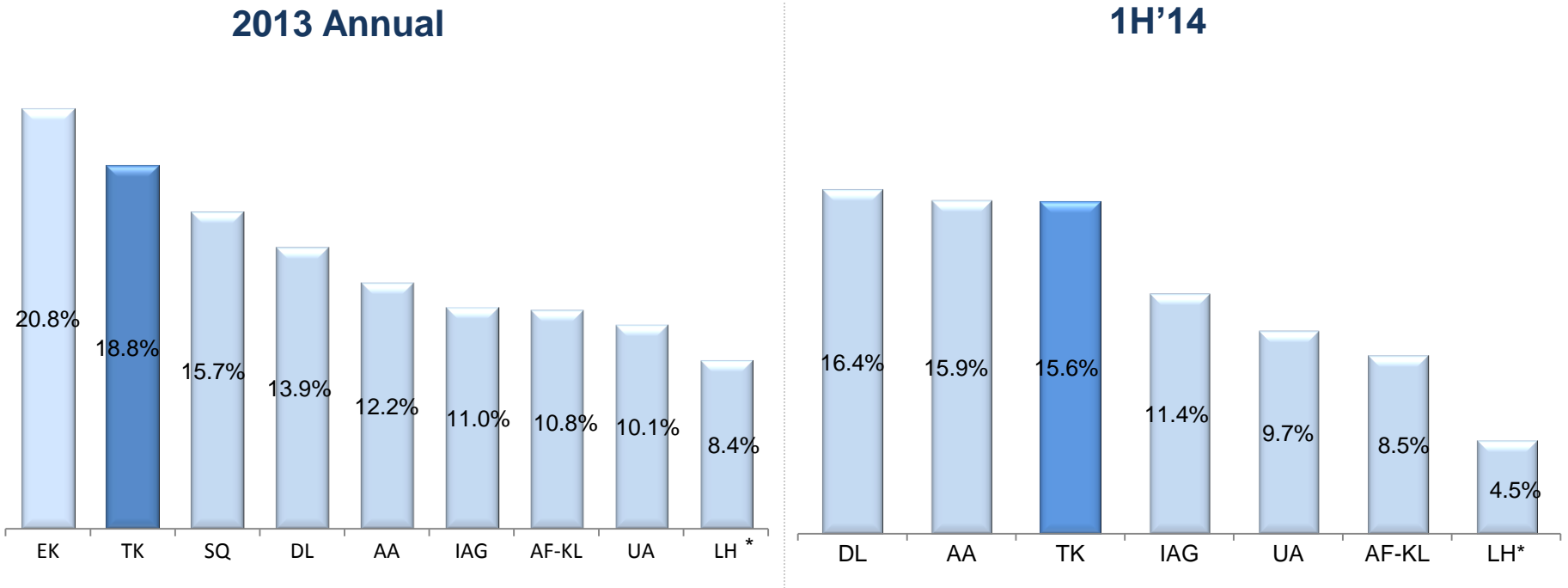
# EBITDAR Margin



(mn USD)	2009	2010	2011	2012	2013	1H'13	1H'14	Change
<b>Revenue</b>	<b>4,552</b>	<b>5,448</b>	<b>7,070</b>	<b>8,234</b>	<b>9,826</b>	<b>4,531</b>	<b>5,222</b>	<b>15.3%</b>
<b>Net Income</b>	<b>362</b>	<b>185</b>	<b>11</b>	<b>657</b>	<b>357</b>	<b>69</b>	<b>88</b>	<b>28.6%</b>
Net Income Margin	7.9%	3.4%	0.2%	8.0%	3.6%	1.5%	1.7%	0.2 pt
<b>Adjusted EBIT</b>	<b>530</b>	<b>262</b>	<b>277</b>	<b>687</b>	<b>762</b>	<b>241</b>	<b>198</b>	<b>-17.8%</b>
Adjusted EBIT Margin	11.6%	4.8%	3.9%	8.3%	7.8%	5.3%	3.8%	-1.5 pt
<b>EBITDAR</b>	<b>1,173</b>	<b>1,024</b>	<b>1,130</b>	<b>1,598</b>	<b>1,849</b>	<b>749</b>	<b>813</b>	<b>8.7%</b>
EBITDAR Margin	25.8%	18.8%	16.0%	19.4%	18.8%	16.5%	15.6%	-0.9 pt

# Peer Group vs Turkish Airlines Profitability

## EBITDAR Margin % Comparison



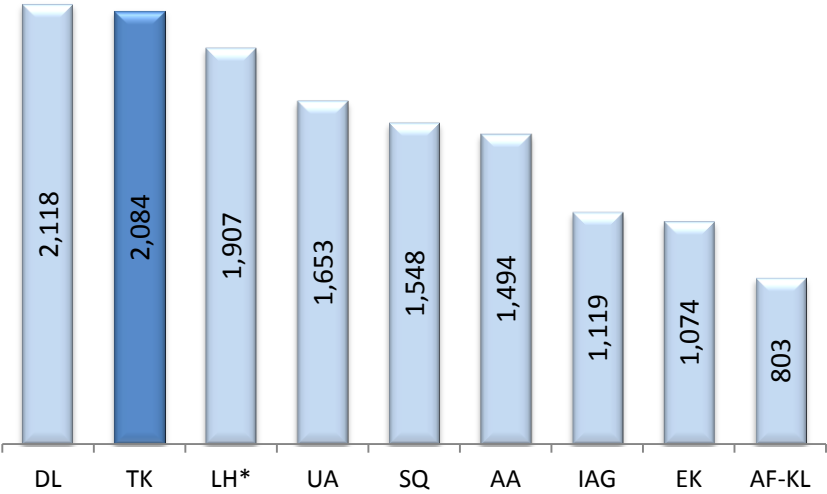
\* Lufthansa Passenger Airlines. Others based on Group financials.

Source: Calculated based on public company reports.

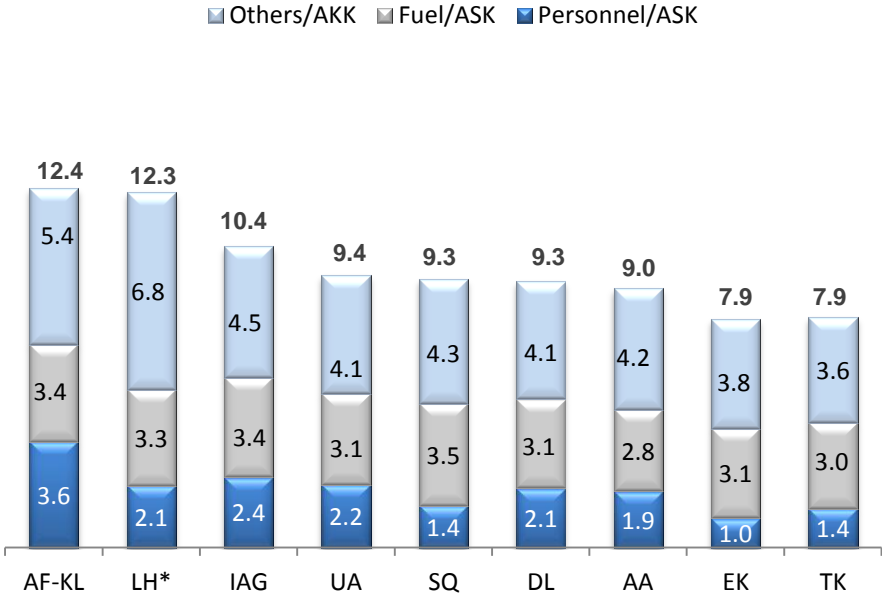


# Peer Group vs Turkish Airlines Efficiency

## PAX Per Personnel (2013)



## Cost Per ASK (\$ Cent) 2013



\* Lufthansa Passenger Airlines. Others based on Group financials.

Source: Calculated based on public company reports.

# Current Fleet

30.06.2014	Type	Total	Owned	Financial Lease	Opr./Wet Lease	Seat Capacity	Average Fleet Age	Year End Fleet*							
								2014	2015	2016	2017	2018	2019	2020	2021
<b>Wide Body</b>	A330-200	12		5	7	2,967	8.5	16	16	16	14	14	13	10	10
	A330-300	17		17		4,913	2.0	18	25	30	30	30	30	30	30
	A340-300	6	6			1,620	17.7	5	4	4	4	4	4	4	4
	B777-3ER	12		12		4,044	3.4	16	23	29	32	32	32	32	32
	Wet Lease	3			3	936	7.0	0	0	0	0	0	0	0	0
	<b>Total</b>	<b>50</b>	<b>6</b>	<b>34</b>	<b>10</b>	<b>14,480</b>	<b>6.1</b>	<b>55</b>	<b>68</b>	<b>79</b>	<b>80</b>	<b>80</b>	<b>79</b>	<b>76</b>	<b>76</b>
<b>Narrow Body</b>	B737-900ER	10		10		1,510	2.0	10	15	15	15	15	15	15	15
	B737-9 MAX							0	0	0	0	0	5	10	10
	B737-800	58	15	33	10	9,190	7.0	68	68	88	87	78	78	78	78
	B737-800 WL	28	10		18	5,042	12.1	20	19	17	17	15	15	5	5
	B737-8 MAX							0	0	0	0	20	30	55	65
	B737-700	3			3	372	8.5	3	3	1	1	1	1	0	0
	B737-700 WL	9			9	1,341	8.1	8	0	0	0	0	0	0	0
	A320-200	33		12	21	5,222	7.5	33	30	30	23	19	12	12	12
	A321-200	43		39	4	7,872	4.1	43	56	66	68	68	68	66	64
	A320 NEO							0	0	4	4	4	4	4	4
	A321 NEO							0	0	0	4	31	56	88	88
	A319-100	14		6	8	1,848	6.2	14	14	14	11	9	8	6	6
	<b>Total</b>	<b>198</b>	<b>25</b>	<b>100</b>	<b>73</b>	<b>32,397</b>	<b>7.0</b>	<b>199</b>	<b>205</b>	<b>235</b>	<b>230</b>	<b>260</b>	<b>292</b>	<b>339</b>	<b>347</b>
<b>Cargo</b>	A310-300	2	2			-	26.0	2	2	2	2	2	2	2	2
	A330-200	5		5		-	2.3	5	5	5	5	5	5	5	5
	Wet Lease	2			2	-	12.4	1	0	0	0	0	0	0	0
	<b>Total</b>	<b>9</b>	<b>2</b>	<b>5</b>	<b>2</b>	<b>-</b>	<b>9.8</b>	<b>8</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>
<b>GRAND TOTAL</b>		<b>257</b>	<b>33</b>	<b>139</b>	<b>85</b>	<b>46,877</b>	<b>6.9</b>	<b>262</b>	<b>280</b>	<b>321</b>	<b>317</b>	<b>347</b>	<b>378</b>	<b>422</b>	<b>430</b>
Seat Capacity Change :								15%	11%	15%	0%	8%	8%	10%	1%

\* After exit/delivery

# Fleet Development

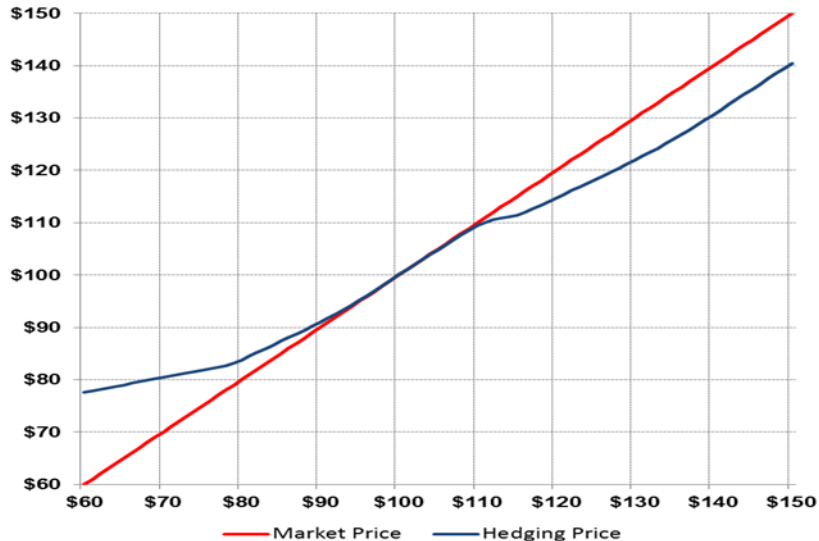
		2011-2021 Aircraft Purchases													
		Delivered*					To Be Delivered								
	Type	2011	2012	2013	2014	TOTAL	2014	2015	2016	2017	2018	2019	2020	2021	TOTAL
Wide Body	A330-300	3	3	2	5	13	1	7	5						13
	B777-3ER	7				7	4	7	6	3					20
	<b>Total</b>	<b>10</b>	<b>3</b>	<b>2</b>	<b>5</b>	<b>20</b>	<b>5</b>	<b>14</b>	<b>11</b>	<b>3</b>					<b>33</b>
Narrow Body	B737-900ER	2	7	1		10		5							5
	B737-9 MAX					0						5	5		10
	B737-800	2	2	6	10	20			20						20
	B737-8 MAX**					0					20	10	25	10	65
	A321	8	7	9		24		13	10	2					25
	A320 NEO					0			4						4
	A321 NEO***					0				4	27	25	32		88
	A319	6				6									0
	<b>Total</b>	<b>18</b>	<b>16</b>	<b>16</b>	<b>10</b>	<b>60</b>		<b>18</b>	<b>34</b>	<b>6</b>	<b>47</b>	<b>40</b>	<b>62</b>	<b>10</b>	<b>217</b>
Cargo	A330-200F	1	1	2		4									
	<b>Total</b>	<b>1</b>	<b>1</b>	<b>2</b>		<b>4</b>									
<b>GRAND TOTAL</b>		<b>29</b>	<b>20</b>	<b>20</b>	<b>15</b>	<b>84</b>	<b>5</b>	<b>32</b>	<b>45</b>	<b>9</b>	<b>47</b>	<b>40</b>	<b>62</b>	<b>10</b>	<b>250</b>

\* As of 30.06.2014

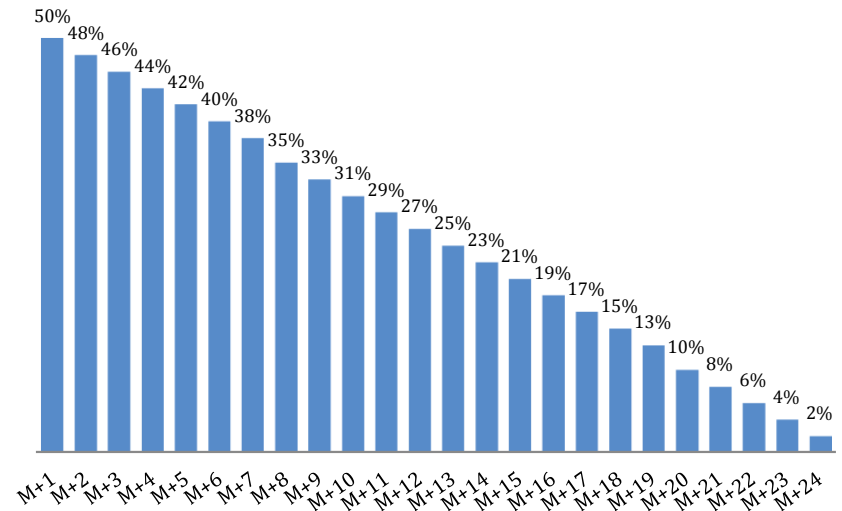
\*\* Including 10 optional aircraft in 2021

\*\*\* Including 7 optional aircraft in 2018, 8 in 2019 and 20 in 2020

# Hedging Fuel Price Risk



## Turkish Airlines Fuel Hedging Rate

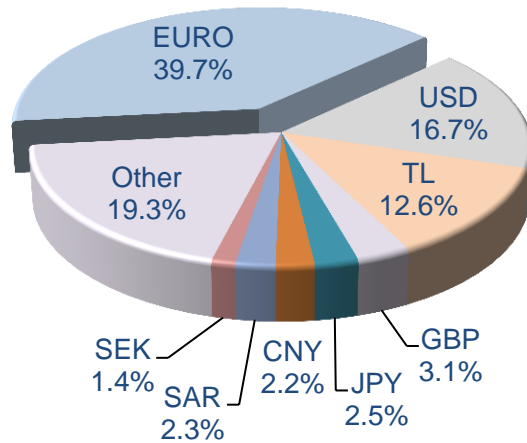


- Around 18 million barrels of hedged position on ICE BRENT as of June 30, 2014
- The break-even price of the hedged position is \$101/bbl
- 42% of fuel consumption was hedged in 1H'14

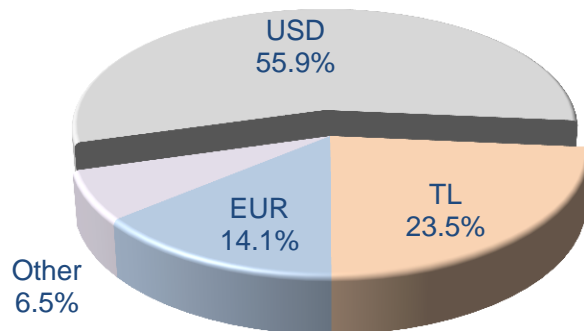
- Active Surcharge Policy : 50% of fuel cost is reflected to ticket prices
- Decreasing layered hedging strategy (24 months)
- Crude oil based swaps and options
- Aim to reach 50% of budgeted consumption

# Hedging Currency Risk

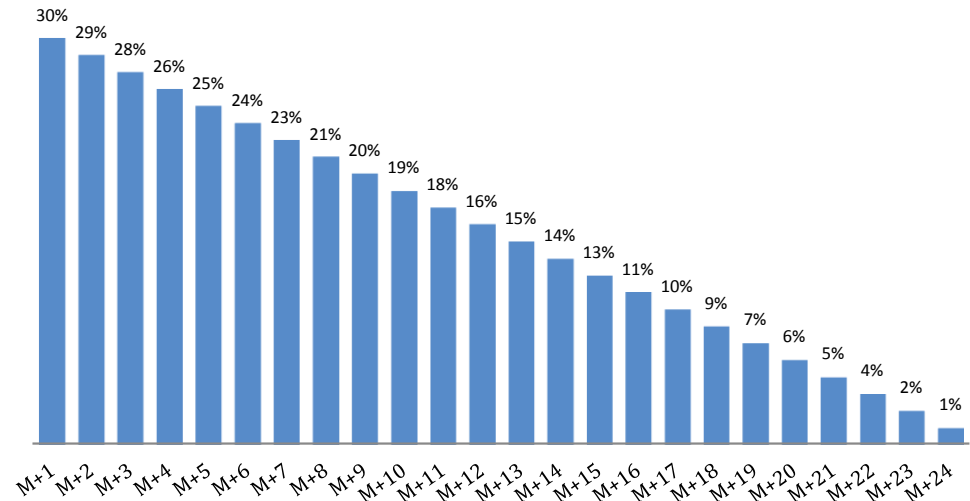
## Revenue by Currency (1H'14)



## Expenses by Currency (1H'14)



## Hedging Policy – THY Currency Hedging Rate

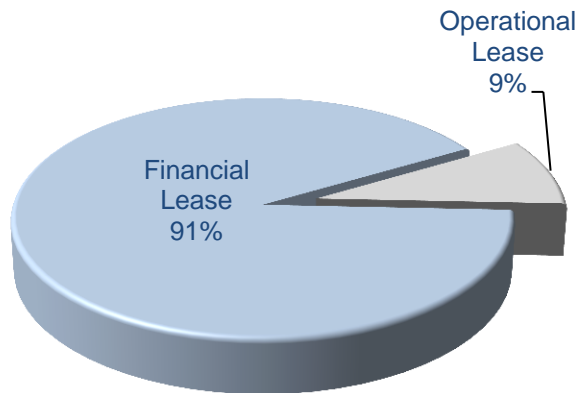


- Monthly gradually decreasing layered hedging strategy
- Sell EUR, Buy USD and TRY via forward contracts
- Each contract for 24-month period
- Target hedge levels: 30% for TRY, 25-35% for USD
- Flexible hedge strategy with respect to conditions

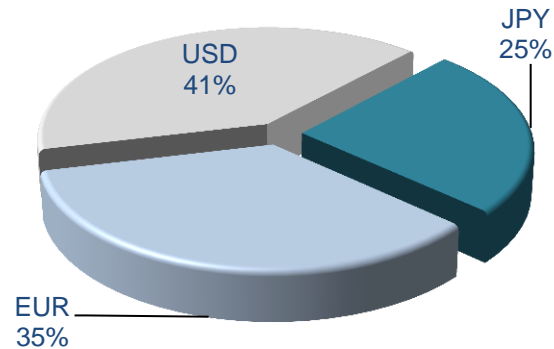
# Debt Management and Aircraft Financing

As of 30.06.2014  
Total Debt : 6.99 Bn USD  
Weighted Average Interest Rate: 3.4%

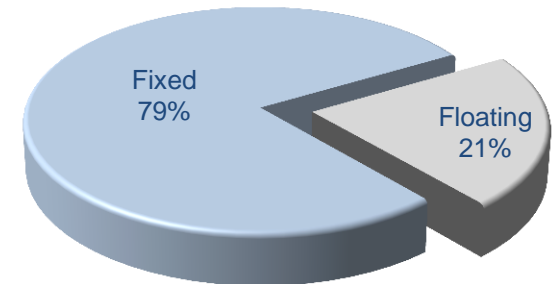
## Lease Type



## Currency Type

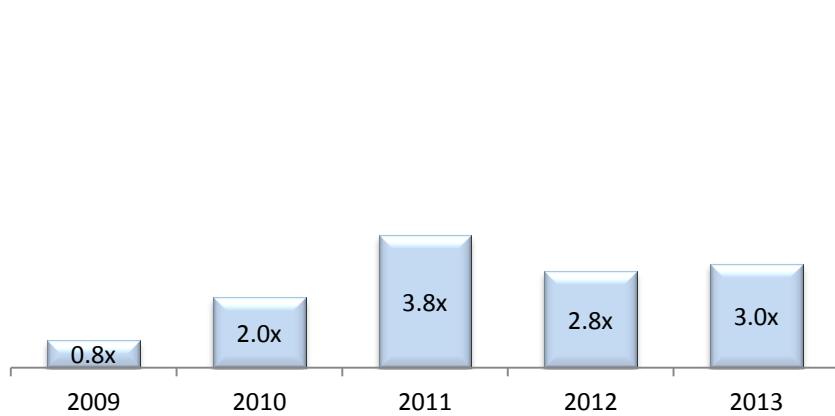


## Interest Rate Type

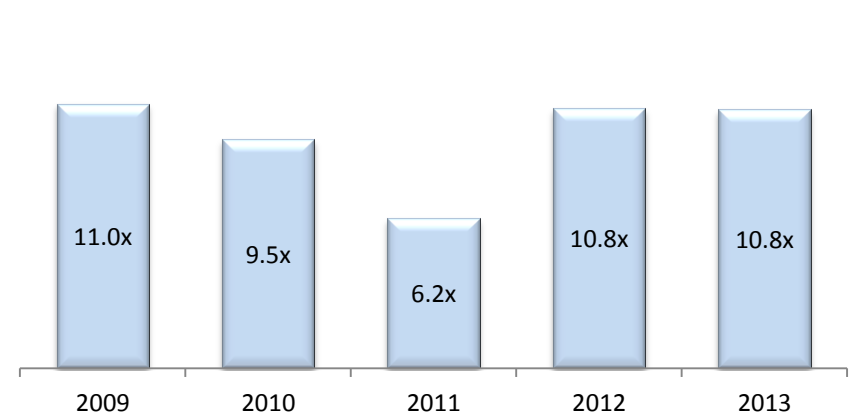


# Financial Ratios as of 31 December 2013

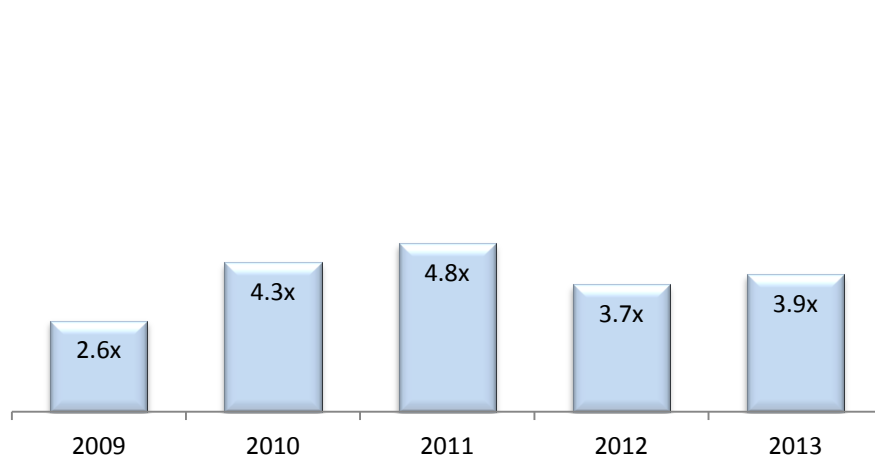
## Net Debt / EBITDA



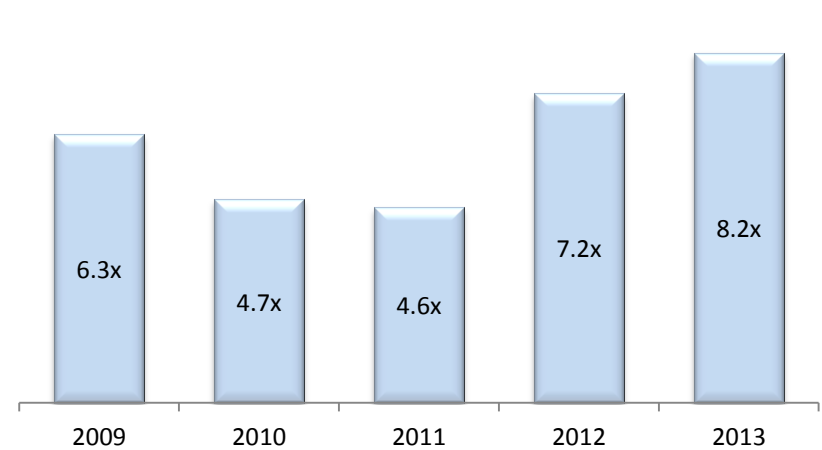
## EBITDA / Net Interest Cost



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



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

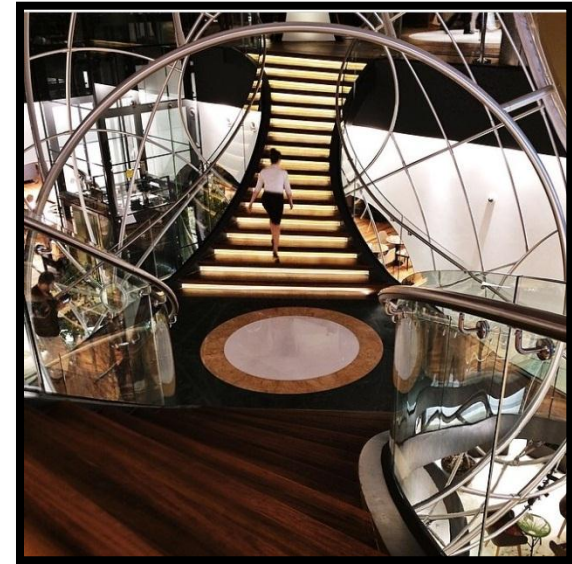


- (1) Adjusted for the capitalization of operating leases including 55% of wet lease (7x)  
 (2) Adjusted by the portion of financial costs within operating leases (35%)

# The Best Airline in Europe in the last 4 years

Winner of 4 awards at the 2014 Skytrax World Airline Awards:

- › Best Airline Europe
- › Best Airline in Southern Europe
- › Best Business Class Lounge Dining
- › Best Business Class Onboard Catering







# THANK YOU

Mr. Coşkun KILIÇ, CFO

Ms. Duygu İNCEÖZ, IR Manager

Tel: +90 (212) 463-6363 x-13630

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

# Balance Sheet

Assets (mn USD)	2007	2008	2009	2010	2011	2012	2013	1H'14
Cash and Equivalents	412	1,288	872	581	934	1,028	647	1,072
Trade Receivables	211	231	295	374	405	434	538	695
Other Current Assets	654	214	692	1,304	802	704	940	1,236
<b>Total Current Assets</b>	<b>1,277</b>	<b>1,733</b>	<b>1,858</b>	<b>2,259</b>	<b>2,140</b>	<b>2,166</b>	<b>2,125</b>	<b>3,003</b>
Net Fixed Assets	2,777	3,343	3,195	4,168	5,873	7,121	8,043	8,861
of which Aircraft and Engines	2,414	3,046	2,914	3,822	5,319	6,392	7,030	7,765
Other Non-Current Assets	172	155	638	462	672	1,236	1,734	1,531
<b>Total Non-Current Assets</b>	<b>2,949</b>	<b>3,499</b>	<b>3,834</b>	<b>4,629</b>	<b>6,545</b>	<b>8,357</b>	<b>9,777</b>	<b>10,391</b>
<b>Total Assets</b>	<b>4,226</b>	<b>5,231</b>	<b>5,692</b>	<b>6,888</b>	<b>8,685</b>	<b>10,523</b>	<b>11,902</b>	<b>13,394</b>

Liabilities (mn USD)	2007	2008	2009	2010	2011	2012	2013	1H'14
Lease Obligations	1,541	2,127	1,985	2,703	4,189	4,862	5,413	6,094
Passenger Flight Liabilities	326	322	390	436	677	936	1,201	1,859
Accounts Payable	313	288	371	476	461	510	680	731
Other Liabilities	460	519	659	850	976	1,183	1,346	1,341
<b>Total Liabilities</b>	<b>2,640</b>	<b>3,256</b>	<b>3,404</b>	<b>4,464</b>	<b>6,303</b>	<b>7,491</b>	<b>8,640</b>	<b>10,024</b>
<b>Total Shareholders Equity</b>	<b>1,587</b>	<b>1,975</b>	<b>2,288</b>	<b>2,424</b>	<b>2,382</b>	<b>3,032</b>	<b>3,262</b>	<b>3,370</b>
of which Issued Capital	150	116	581	647	635	673	647	650
of which Retained Earnings	-338	-	572	827	723	779	1,017	1,344
of which differences from current translation	-	3	3	2	423	320	777	771
of which restatement effect on shareholder's equity	1,493	1,106	746	727	595	630	527	529
<b>Total Liabilities &amp; Shareholders Equity</b>	<b>4,226</b>	<b>5,231</b>	<b>5,692</b>	<b>6,888</b>	<b>8,685</b>	<b>10,523</b>	<b>11,902</b>	<b>13,394</b>

# Income Statement

Income Statement (mn USD)	2009	2010	2011	2012	2013	1H'13	1H'14	YoY Change
Operating Revenue	4,552	5,448	7,070	8,234	9,826	4,531	5,222	15%
Operating Expenses (-)	4,058	5,149	6,855	7,616	9,249	4,326	5,117	18%
of which Fuel	990	1,406	2,394	2,887	3,442	1,602	1,885	18%
of which Personnel	912	1,141	1,339	1,376	1,581	764	831	9%
of which Depreciation	302	297	486	574	650	321	359	12%
of which Rent	249	305	252	243	448	184	269	46%
<b>Operating Profit</b>	<b>494</b>	<b>299</b>	<b>215</b>	<b>618</b>	<b>577</b>	<b>205</b>	<b>106</b>	<b>-48%</b>
Income From Other Operations	59	92	96	94	121	56	59	5%
Loss From Other Operations (-)	84	79	237	64	40	41	13	-69%
<b>Profit from Operating Activities</b>	<b>468</b>	<b>312</b>	<b>73</b>	<b>648</b>	<b>657</b>	<b>220</b>	<b>152</b>	<b>-31%</b>
Income From Investment Activities (Net)	-	-	-	274	69	40	33	-17%
Share of Investments' Profit (Loss)	8	24	6	3	55	-3	20	710%
Financial Income	112	47	158	48	27	20	17	-14%
Financial Expense (-)	112	99	150	189	307	149	133	-10%
Profit Before Tax	477	237	87	785	502	128	80	-37%
Tax (-)	115	51	76	128	145	59	-8	-113%
<b>Net Profit</b>	<b>362</b>	<b>185</b>	<b>11</b>	<b>657</b>	<b>357</b>	<b>69</b>	<b>88</b>	<b>29%</b>

# EBITDAR Calculation

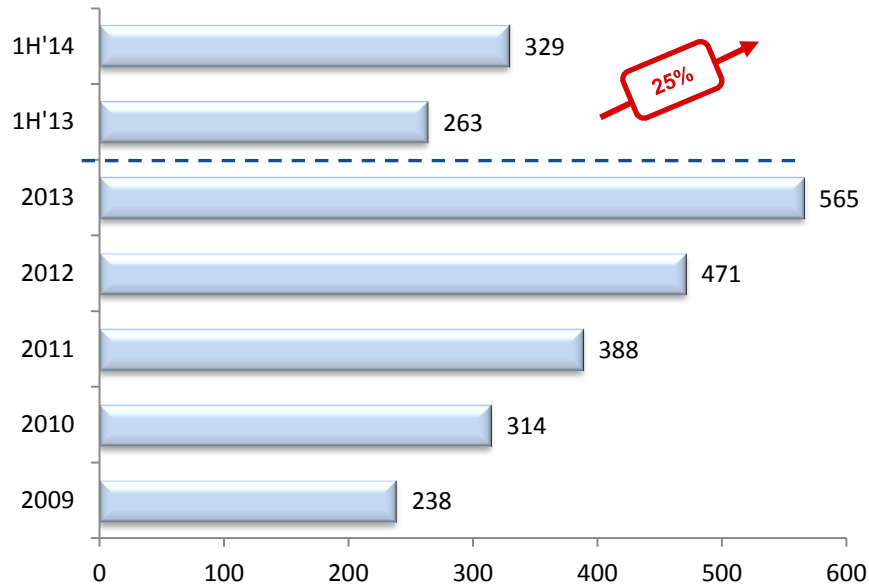
EBITDAR (mn USD)	1H'13	1H'14	YoY Change
Sales Revenue	4,531	5,222	15%
Cost of Sales (-)	3,716	4,411	19%
<b>GROSS PROFIT/(LOSS)</b>	<b>815</b>	<b>812</b>	<b>0%</b>
General Administrative Expenses (-)	123	135	10%
Marketing and Sales Expenses (-)	487	571	17%
Other Operating Income	56	59	5%
Other Operating Expense (-)	41	13	69%
<b>EBIT</b>	<b>220</b>	<b>152</b>	<b>-31%</b>
<b>Adjustments</b>	<b>21</b>	<b>46</b>	<b>121%</b>
Share of Investments' Loss Accounted by Using The Equity Method	-3	20	710%
Income From Investment Assistance	24	27	10%
<b>Adjusted EBIT</b>	<b>241</b>	<b>198</b>	<b>-18%</b>
Cost of Sales_Depreciation	308	337	9%
General Administrative Expenses_Depreciation	10	18	90%
Marketing and Sales Expenses_Depreciation	3	3	10%
<b>EBITDA</b>	<b>562</b>	<b>557</b>	<b>-1%</b>
Adjusted Operating Lease Expenses*	128	151	18%
Adjusted Short term Lease Expenses (Wet-lease)**	58	106	81%
<b>EBITDAR</b>	<b>749</b>	<b>813</b>	<b>9%</b>
<b>EBITDAR MARGIN</b>	<b>16.5%</b>	<b>15.8%</b>	<b>-0.9 pt</b>

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

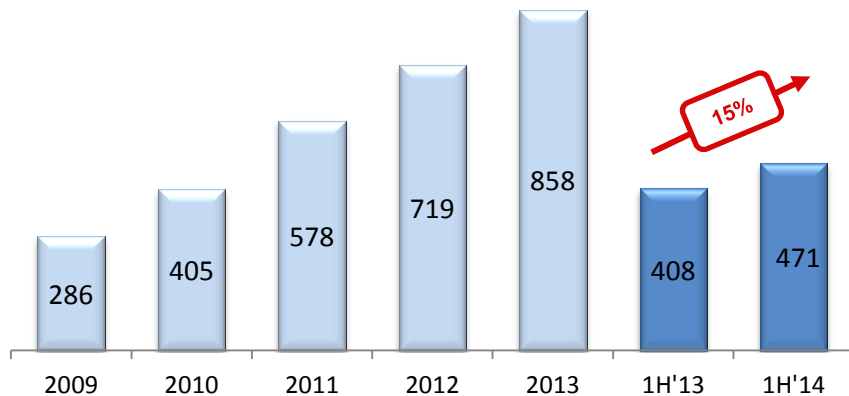
(\*\*): Adjusted for A/C Rent and heavy maintenance portion (Aprox. 55%)

# Cargo Transportation

## Cargo Tonnage Carried ('000 Ton)



## Cargo Revenue Evolution (USD mn)



- As of 1H'14, operates 47 destinations with 9 freighters besides 257 destinations with 248 passenger aircraft.
- Turkish Cargo global market share in revenue has increased from 0.6% in 2009 to 1.41% in 2013.
- In 2013, while World FTK grew by 12%, Turkish Cargo grew by 21% compared to previous year.
- New Cargo Terminal will be opening in Q3'14
- Turkish Cargo 2018 Targets:
  - ✓ 1,2 million tones of annual capacity
  - ✓ 2 billion \$ cargo revenue
  - ✓ 3,4% global market share
  - ✓ 15% cargo revenue share in total revenue

## Recent Awards

- Best Asia Pacific Cargo Airline 2013
- International Air Cargo Winner 2013
- India Cargo Airline of the Year 2014
- Best European Cargo Airline – Air Cargo News

# Subsidiaries & Affiliates

Turkish Airlines Group 1H'14		Revenue (mn USD)	% of Sales to Turkish Airlines	Number of Personnel	Partnership Structure
1	THY (Consolidated)	5,222	-	18,914*	%49 ÖİB - %51 Open to Public
2	Turkish Opet Aviation Fuels	1,307	83%	249	%50 THY - %50 Opet
3	Sun Express (Turkey & Germany Consolidated)	551	26%	3,086	%50 THY - %50 Lufthansa
4	THY Turkish Technic	322	74%	2,591	% 100 THY
5	THY Turkish Do&Co	173	89%	4,303	%50 THY - %50 Do&Co
6	Turkish Ground Services	122	74%	8,490	%50 THY - %50 Havaş
7	Pratt Whitney THY Turkish Engine Center (TEC)	97	95%	234	%51 PW - %49 THY
8	Turkish HABOM	52	51%	2,561	% 100 THY
9	Aircraft Seat Manufacturing Industry & Trade, Inc.	6	100%	35	THY & THY Teknik %50-Assan Hanil %50
10	Goodrich Turkish Airlines Technical Service Center	5	54%	23	%60 Goodrich - %40 THY Teknik
11	Turkish Cabin Interior Systems Industries, Inc.	3	99%	95	%30 THY - %21 THY Teknik - %49 TAI
12	Turkbine Technical Gas Turbines Maintenance & Repair, Inc.	1	0%	17	%50 THY Teknik - %50 Zorlu O&M
13	THY Aydın Çıldır Airport Management, Inc.	0.3	0%	1	%100 THY

\* THY A.O. Personnel



# Subsidiaries & Affiliates

## Turkish Technic

- › Owned 100% by THY.
- › Provides maintenance services to more than 100 customers, including international airlines such as Lufthansa, KLM, BA and Alitalia as well as domestic airlines.



## TURKISH HABOM (Maintenance Repair & Overhaul Center)

- › MNG Teknik A.Ş., (acquired by Turkish Airlines in May 2013) and HABOM A.Ş. (established on 21 June 2012 as a wholly-owned subsidiary of Turkish Airlines) merged under the name of THY HABOM A.Ş. in September 2013.
- › Besides the facility at Ataturk Airport, a new world-class facility located at Sabiha Gökçen International Airport was launched by the end of June'14 to increase the technical maintenance and repair capacity and capability available to both Turkish Airlines and 3rd party customers.
- › HABOM's location makes it a convenient MRO option for 39% of the world's civilian aircraft and has 55 countries lying within a 3,5 hour flying radius. HABOM facilities, when fully operational, will have 7.000 personnel and is expected to produce annual revenue of USD 1,5 billion.
- › Turkish Airlines has a total MRO capacity to provide simultaneous maintenance, repair and overhaul services for 30 narrow body aircraft and 10 wide body aircraft in a closed area capacity of 576,000 m2.



# Subsidiaries & Affiliates

## Turkish Seat Industries (TSI)

- › Formed in 2011, stakes of 50%, 45%, and 5% are respectively held by Assan Hanil Group, Turkish Airlines, and Turkish Technic.
- › 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. The seats are built using 100% Turkish products and Turkish production.
- › The first aircraft equipped with the new seats is a Turkish Airlines B737-800. The seats will initially be used on the B737-800s of Turkish Airlines fleet and then be installed on the Airbus single-aisle fleet of A319s, A320s and A321s.
- › The production which started in 2014, has an annual seat capacity of 10 thousand. By 2024, it is planned to increase the seat capacity to 50 thousand.



## Goodrich THY Technic Service Center

- › Provides repair, overhaul and modification services for Nacelle, Thrust Reverser, and its components; for Turkish Airlines and other customers from Turkish domestic and International markets.
- › The 4.000 sq meters (indoor) facility is located in Gebze Organized Industrial Zone

## Turkish Engine Center

- › Provides engine maintenance, repair and overhaul (MRO) services to customers located in Turkey, surrounding regions and worldwide.
- › The environmentally efficient engine overhaul facility has total usage area of 100,000 sq. meters located at the Sabiha Gokcen International Airport.



# Subsidiaries & Affiliates



## Turkish OPET

- › In terms of investment on jet fuel supply; Turkish Airlines established a jet fuel supply company together with local oil retailer OPET on September 2009.
- › The business activity of the established company is to supply jet fuel to any type of aircraft.
- › Started supplying jet fuel to THY for all domestic airports as of July 1st 2011.



## Turkish Do&Co

- › Since 2007, operating nine gourmet kitchens all over Turkey: Istanbul (Atatürk and Sabiha Gökçen), Ankara, Antalya, Izmir, Bodrum, Trabzon, Dalaman and Adana. Over 60 national and international airlines are catered from these locations.
- › Turkish Airlines won the “Best Business Class Catering” award at the 2013 Skytrax World Airline Awards and “World's Best Economy Class Onboard Catering” award at the 2010 Skytrax Awards with Turkish Do&Co.



## TGS Ground Services

- › Owned 50% - %50 by THY and Havaş Havaalanları Yer Hizmetleri A.Ş.
- › Provides ground services to Turkish Airlines since the beginning of 2010, currently at eight major airports in Turkey: Istanbul (Ataturk and Sabiha Gokcen), Izmir, Ankara, Antalya, Adana, Bodrum, Dalaman.

# Subsidiaries & Affiliates



**Date of Creation**

**SunExpress  
Turkey**

1989

**Business Model**

Charter + Scheduled

**Destinations**

19 in Germany, 18 in  
Turkey, 36 other

**Fleet**

20 B737-800 +  
36 operated for THY

**Seat Capacity**

9,984

**# of Passengers**

2,460,341

**Load Factor**

83.5 %

**Revenues – 1H'14**

308 mn €

**Net Income – 1H'14**

-3.7 mn €

**SunExpress  
Germany**

2011

Charter + Scheduled

13 in Germany, 13 in  
Turkey, 5 in Egypt, 7 in  
Spain/Canary Islands  
and 12 other

14 B737-800

2,628

604,759

82.3%

99 mn €

-5.3 mn €

**SunExpress  
Consolidated**

Charter + Scheduled

97

70

12,612

3,065,100

83.1 %

402 mn €

-9.0 mn €

50% - 50% subsidiary  
company of Lufthansa and  
Turkish Airlines.

Market leader in charter  
flights between Germany  
and Turkey.

Finalized an order for 50  
Boeing next generation  
narrow body aircraft to be  
delivered between 2015  
and 2021.

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