

# TURKISH AIRLINES

## 2Q'15 Results Summary



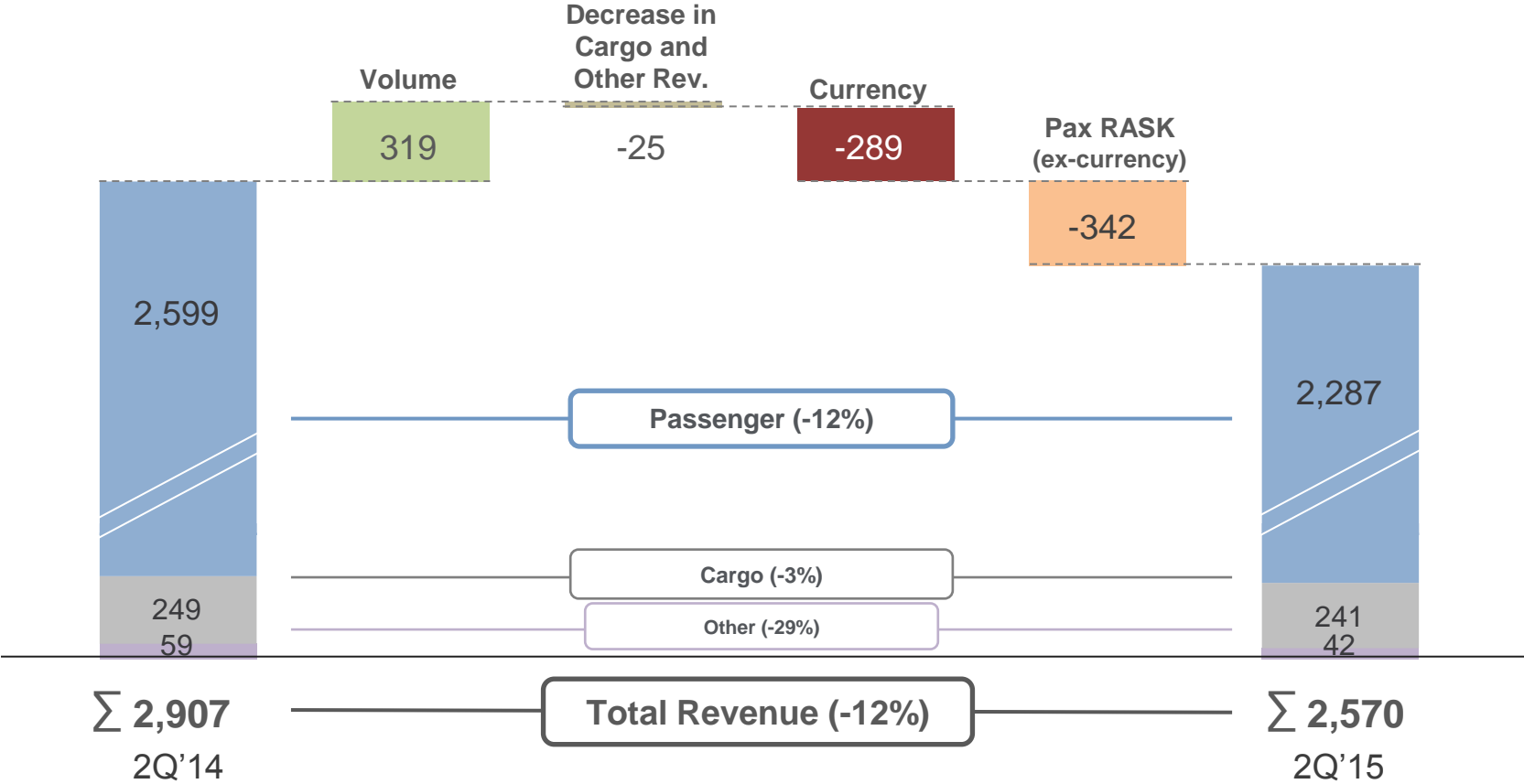
# Key Financial Data

2Q'14	2Q'15	Change	(USD mn)	1H'14	1H'15	Change
2,907	2,570	-11.6%	<b>Revenue</b>	5,222	4,789	-8.3%
2,599	2,287	-12.0%	Passenger Revenue	4,619	4,228	-8.5%
208	120	-42.3%	<b>Net Operating Profit</b>	105	50	-52.4%
277	254	-8.3%	<b>EBIT</b>	198	234	18.2%
190	253	33.2%	<b>Net Income</b>	88	406	361.4%
6.5%	9.8%	3.3 pt	Net Income Margin	1.7%	8.5%	6.8 pt
591	600	1.4%	<b>EBITDAR</b>	813	924	13.7%
20.3%	23.3%	3.0 pt	EBITDAR Margin	15.6%	19.3%	3.7 pt

(USD mn)	2014	1H'15	Change
<b>Net Debt</b>	4,199	4,630	10.3%
<b>Total Assets</b>	13,746	15,709	14.3%

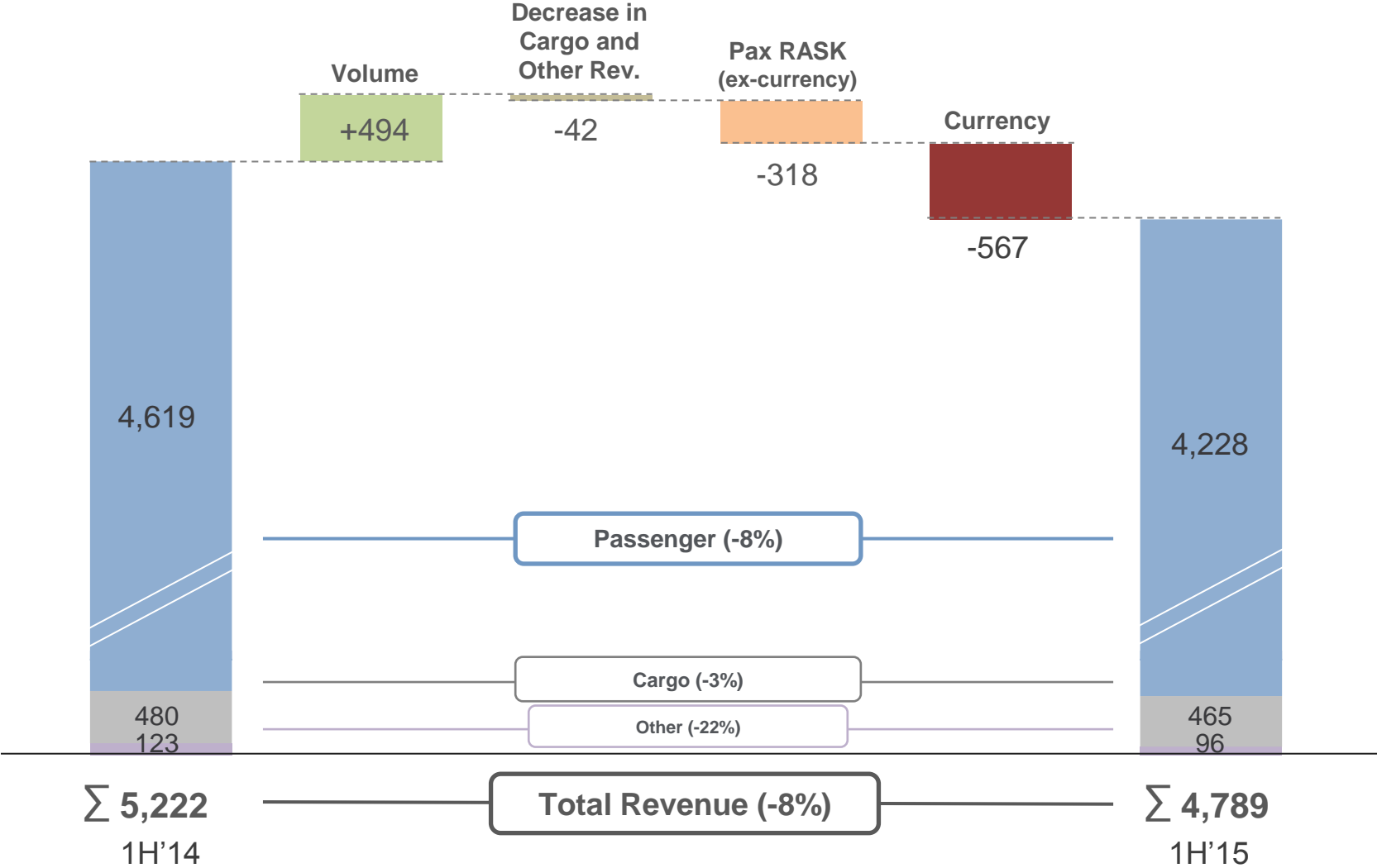
# Revenue Development (2Q'14 vs 2Q'15)

(mn USD)



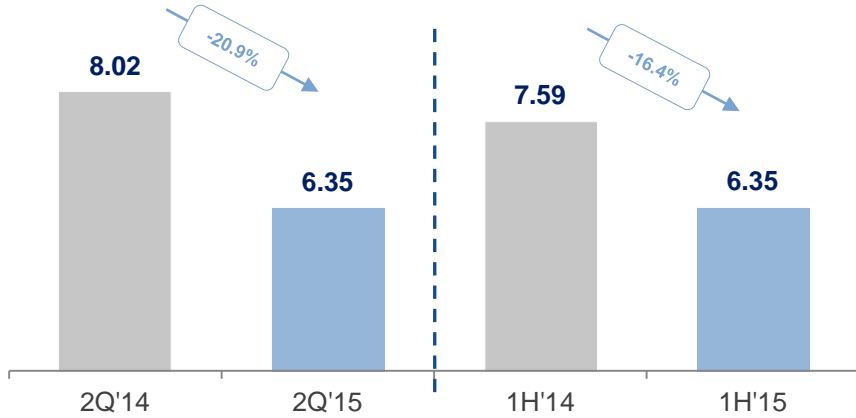
# Revenue Development (1H'14 vs 1H'15)

(mn USD)

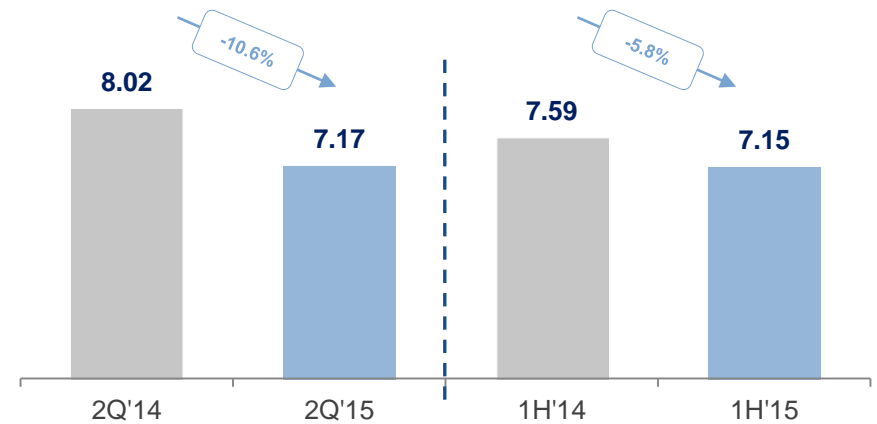


# Scheduled Services Unit Revenue Development

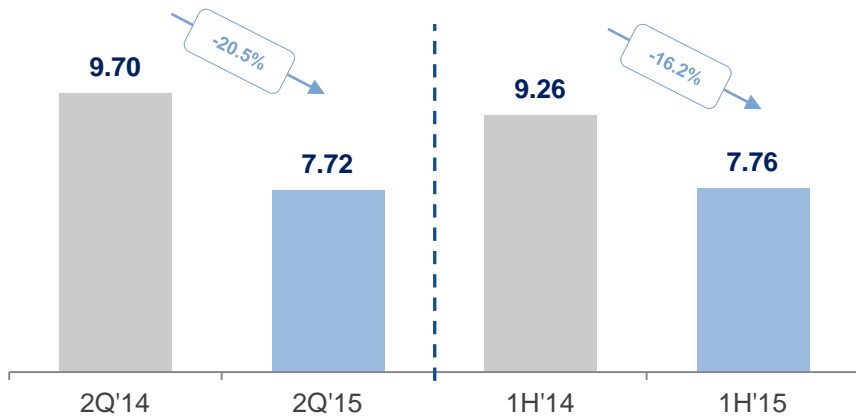
## RASK (USc)



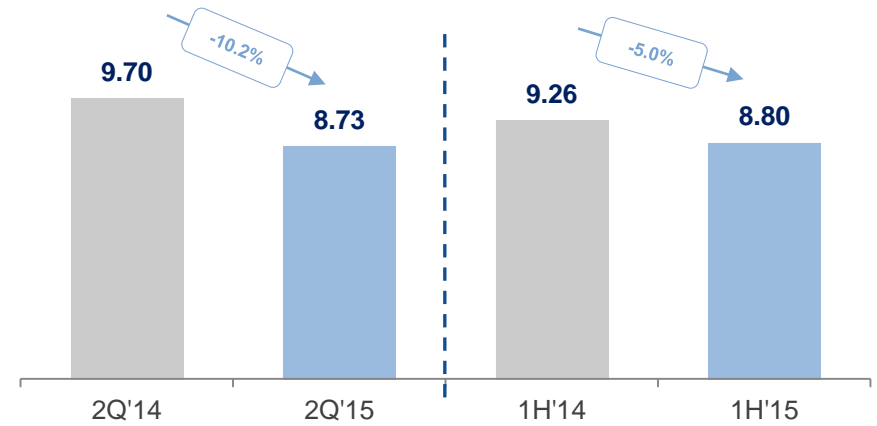
## RASK ex-currency (USc)



## R/Y (USc)



## R/Y ex-currency (USc)



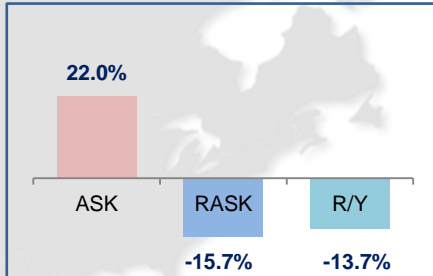
R/Y : Passenger Revenue / RPK (Scheduled)

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

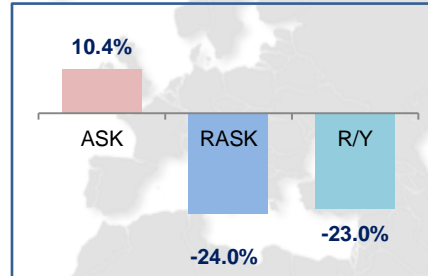
\* ASK value is adjusted for cargo operations.

# Regional Yield Development in USD (2Q'14 vs 2Q'15)

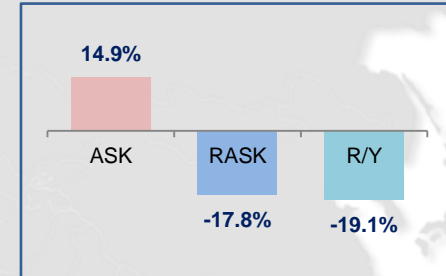
## America



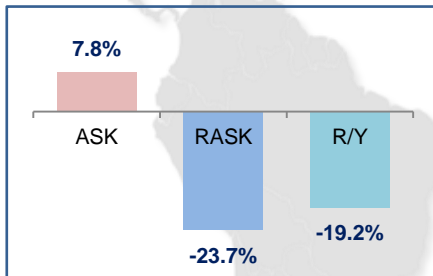
## Europe & CIS



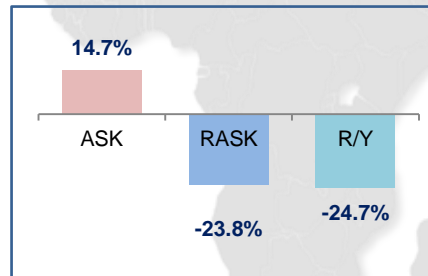
## Asia / Far East



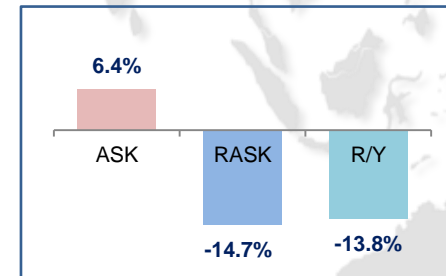
## Africa



## Domestic



## Middle East



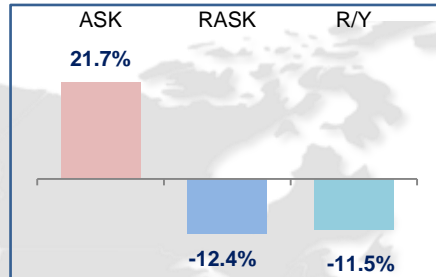
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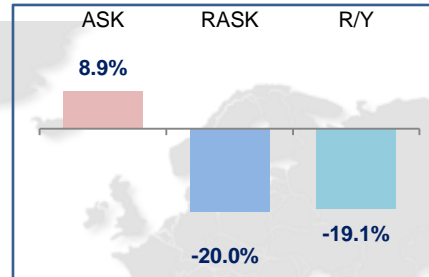
# Regional Yield Development in USD (1H'14 vs 1H'15)

## America



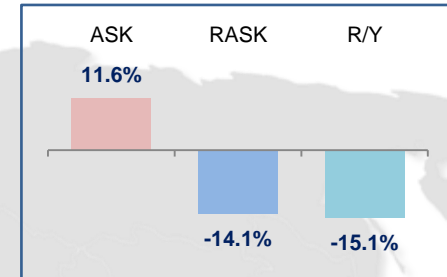
- Substantial capacity increase
- 2 New Routes (Boston, Montreal, San Francisco)
- Weaker beyond traffic to/from ME
- Increased market capacity

## Europe & CIS



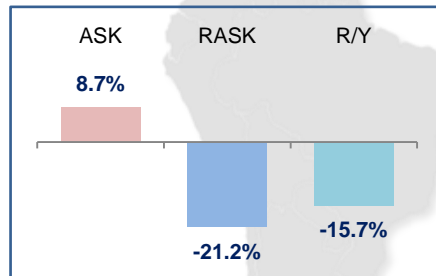
- Substantial capacity increase (esp. in Northern and Southern Europe)
- 10 new routes inc. SAW
- Local currency depreciations (Russia, Ukraine, Belarus, Azerbaijan)
- Weak beyond traffic to/from Africa, ME
- Weaker direct traffic due to Ramadan, elections and security concerns
- Donetsk, Simferopol suspended

## Asia / Far East



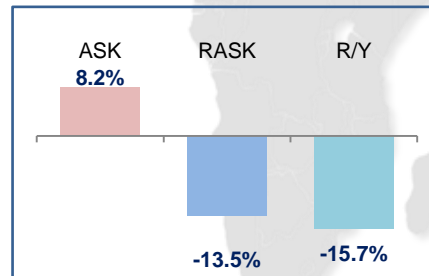
- 2 New Routes (Taipei and Manila)
- Nepal Earthquake in April
- MERS outbreak in South Korea
- Weak beyond and direct traffic trend from Japan continued
- Increased market capacity
- Depreciation of local currencies

## Africa



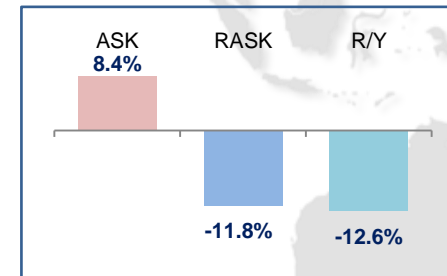
- 4 New Routes (Abuja-Nigeria and Bamako-Mali)
- Depreciation of local currencies
- Ebola and political instabilities
- Security issues in Tunisia, Nigeria, Kenya and Tanzania
- Tripoli, Misrata, Benghazi suspended

## Domestic



- Substantial Capacity increase at SAW
- 6 new routes (Bursa,Kocaeli, Tokat, Ordu-Giresun, Uşak, Hakkari)
- Softer tourism demand from Russia, Ukraine, Japan implies less transfer, more local traffic
- Ramadan and elections in June
- Increased market capacity

## Middle East



- 2 New Routes (Ahvaz-Iran)
- Weaker traffic to/from Israel, Iraq, Yemen, Jordan
- Musul, Sana'a, Aden suspended

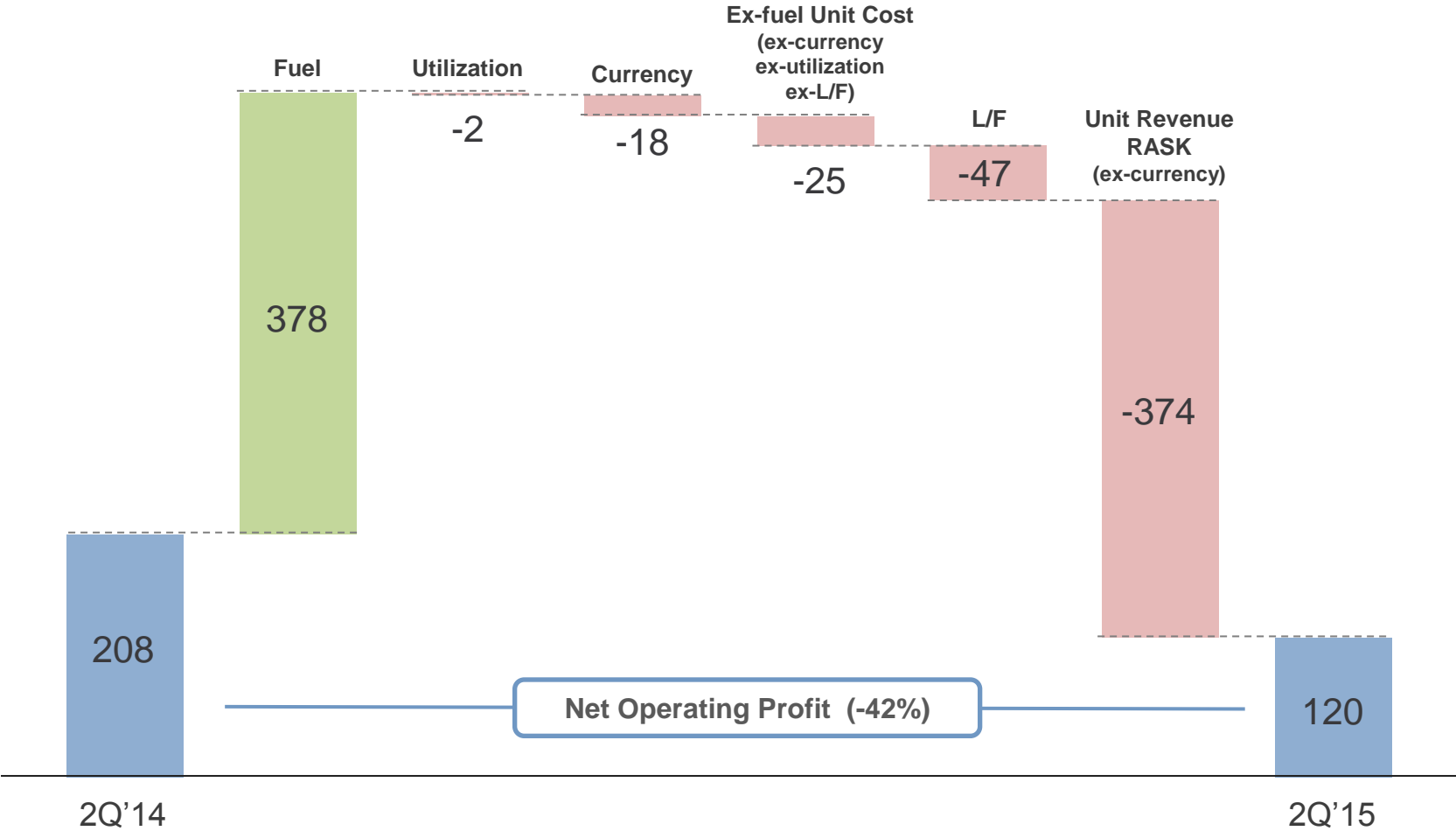
R/Y : Passenger Revenue / RPK (Scheduled)

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

\* ASK value is adjusted for cargo operations.

# Net Operating Profit Bridge (2Q'14 vs 2Q'15)

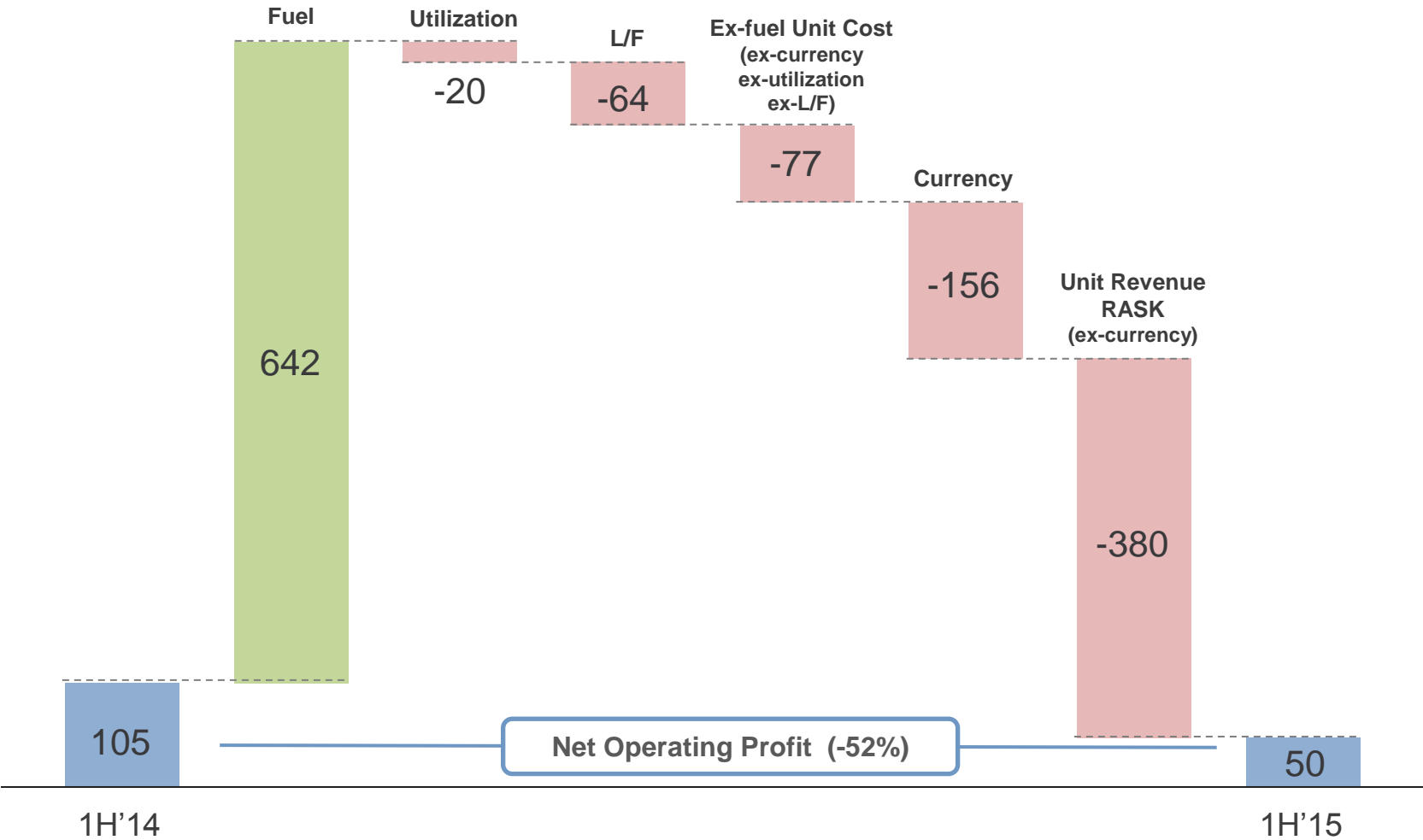
(mn USD)





# Net Operating Profit Bridge (1H'14 vs 1H'15)

(mn USD)



# Operational Expense Breakdown

2Q'14	2Q'15	Change	(mn USD)	1H'14	1H'15	Change
998	755	-24.3%	Fuel	1,885	1,475	-21.8%
430	409	-4.9%	Personnel	831	820	-1.3%
326	344	5.5%	Aircraft Ownership	627	659	5.1%
246	230	-6.5%	Airports & Air Navigation	465	433	-6.9%
232	236	1.7%	Sales & Marketing	425	436	2.6%
158	157	-0.6%	Ground Handling	303	301	-0.7%
137	146	6.6%	Passenger Services & Catering	263	283	7.6%
108	112	3.7%	Maintenance	201	207	3.0%
27	20	-25.9%	General Administration	45	44	-2.2%
37	41	10.8%	Other Cost of Sales	72	81	12.5%
<b>2,699</b>	<b>2,450</b>	<b>-9.2%</b>	<b>TOTAL</b>	<b>5,117</b>	<b>4,739</b>	<b>-7.4%</b>

ASK Growth: %11.8

ASK Growth: %10.1

# CASK Breakdown

2Q'14	2Q'15	Change	(USc)	1H'14	1H'15	Change
2.93	1.99	-32.3%	<b>Fuel</b>	2.93	2.09	-28.9%
1.26	1.08	-14.9%	<b>Personnel</b>	1.29	1.16	-10.3%
0.96	0.90	-5.6%	<b>Aircraft Ownership</b>	0.98	0.93	-4.5%
0.72	0.60	-16.3%	<b>Airports &amp; Air Navigation</b>	0.72	0.61	-15.4%
0.68	0.62	-9.0%	<b>Sales &amp; Marketing</b>	0.66	0.62	-6.8%
0.46	0.41	-11.1%	<b>Ground Handling</b>	0.47	0.43	-9.7%
0.40	0.38	-4.7%	<b>Passenger Services &amp; Catering</b>	0.41	0.40	-2.2%
0.32	0.29	-7.2%	<b>Maintenance</b>	0.31	0.29	-6.4%
0.08	0.05	-33.7%	<b>General Administration</b>	0.07	0.06	-11.2%
0.11	0.11	-0.9%	<b>Other Cost of Sales</b>	0.11	0.11	2.2%
<b>7.93</b>	<b>6.44</b>	<b>-18.8%</b>	<b>TOTAL</b>	<b>7.96</b>	<b>6.70</b>	<b>-15.9%</b>

CASK ex-currency change: **-6.0%**

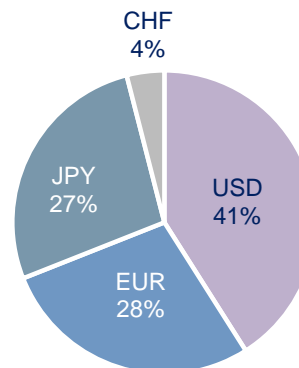
## Selected KPI's

2Q'14	2Q'15	Change		1H'14	1H'15	Change
1,056	702	-33.5%	<b>Fuel Price (Usd/ton)</b>	1,060	738	-30.4%
3.47	3.54	1.8%	<b>Fuel Consumption (lt) per 100 ASK</b>	3.46	3.53	2.2%
1,104	1,059	-4.0%	<b>Aircraft Ownership Cost per BH</b>	1,120	1,085	-3.1%
366	345	-5.7%	<b>Maintenance Cost per BH</b>	358	341	-4.8%
1,429	1,313	-8.1%	<b>Handling Cost per Landing</b>	1,482	1,387	-6.4%
1,250	1,088	-12.9%	<b>Airports &amp; Air Navigation Cost per km Flown</b>	1,230	1,073	-12.7%
9.68	9.33	-3.6%	<b>Passenger Services &amp; Catering Cost per Pax</b>	10.02	9.94	-0.8%
8.9%	10.3%	1.4 pt	<b>Sales &amp; Marketing Cost / Passenger Revenue</b>	9.2%	10.3%	1.1 pt

# Risk Management Contribution to Net Profit

USD (in Million)	30.06.2015	
<b>Net Operational Profit</b>	<b>50</b>	
Other Operational Income/Expense		176
Share of Subsidiaries Profit/Loss		12
<b>Operating Profit</b>	<b>238</b>	
<b>FX Gains from Financing Activities (1)</b>		<b>331</b>
<b>FX Gains on Currency Hedging (2)</b>		<b>92</b>
Interest Income		8
Interest Expense		-80
Other Financial Income/Expense		-17
<b>Profit Before Tax</b>	<b>572</b>	
Tax		-166
<b>Net Profit</b>	<b>406</b>	

## 1) Balanced and Diversified Debt Structure



FX gains rise from depreciation of EUR and JPY against USD, hence lowering USD debt levels.

## 2) Currency Hedging to offset Fuel Hedging

- Hedging short position on USD and TRY for 24 Months
- Target hedge levels: 30% for TRY, 25-35% for USD
- **Current currency hedging levels:**
  - EURUSD: 2H'15: %23 of total USD short position
  - EURTRY: 2H'15: %27 of total TRY short position

## Capacity growth:

- 21 net fleet additions completed in 1H'15, 18 more net additions in 2H'15
- Capacity growth in 2H'15 yoy will be 19% driven mostly by America, ME and Domestic
- 2015FY capacity growth guidance maintained : 15%

## Forward booking trends indicate:

- Better demand outlook for 3Q'15 (peak season including both religious holidays, positive base effect)
- Yield pressures in constant currency to soften but continue in 2H'15
- Declining currency effect from September onwards

## 2015FY Updated Assumptions

	Previous	Update
Average USD/TRY	2,37	2,68
Average EUR/USD	1,18	1,10
Fuel Cost (USD/Ton)	804	706

## 2015FY Updated Guidance

- Total Revenue close to 11 Billion USD
- EBITDAR nominal figure and margin improvement

Long-term average  
EBITDAR Margin target  
maintained : **18%**

# TURKISH AIRLINES

## 1H'15 Results

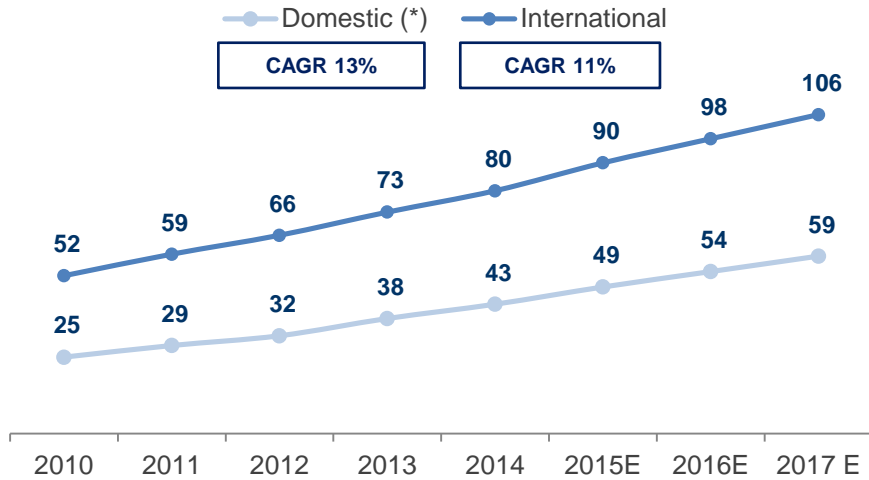


WIDEN YOUR WORLD



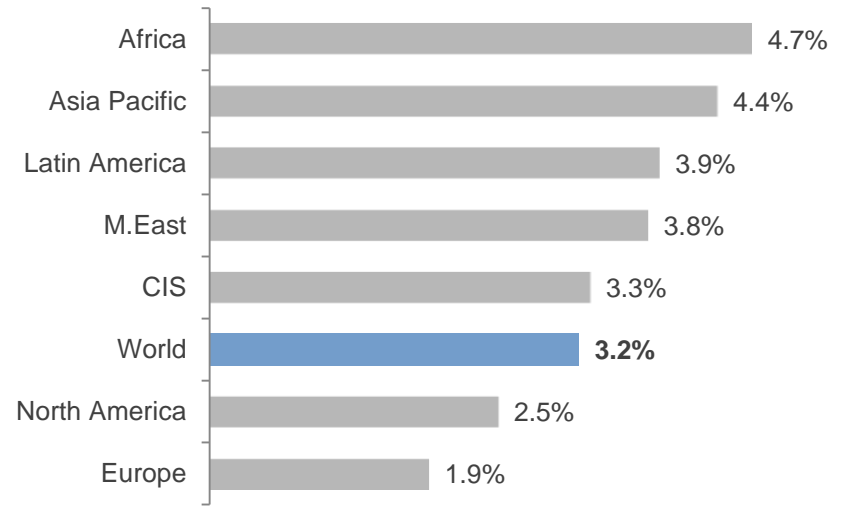
# Aviation Market & Economy

## Turkish Market Growth (mn pax)

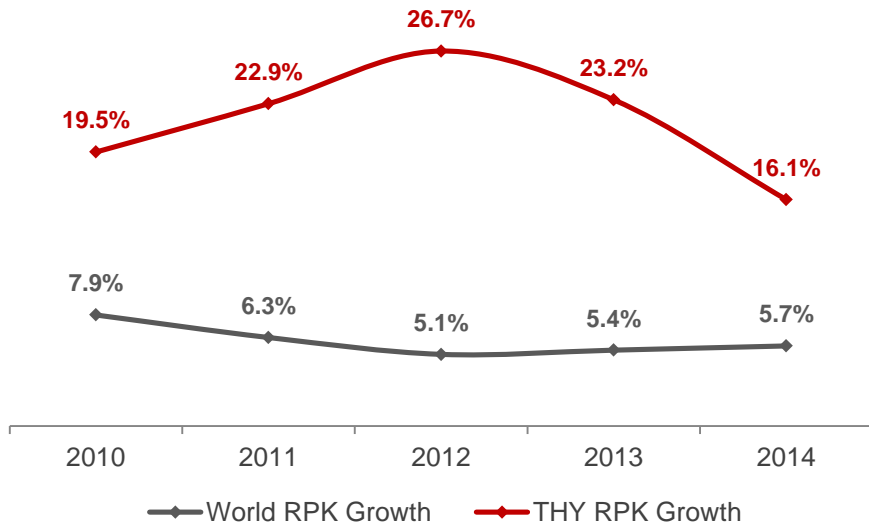


Source: General Directorate of State Airports Authority (DHMI)  
 (\*): Adjusted for double count on Domestic Pax

## Annual GDP Growth Forecast (2013-2033)

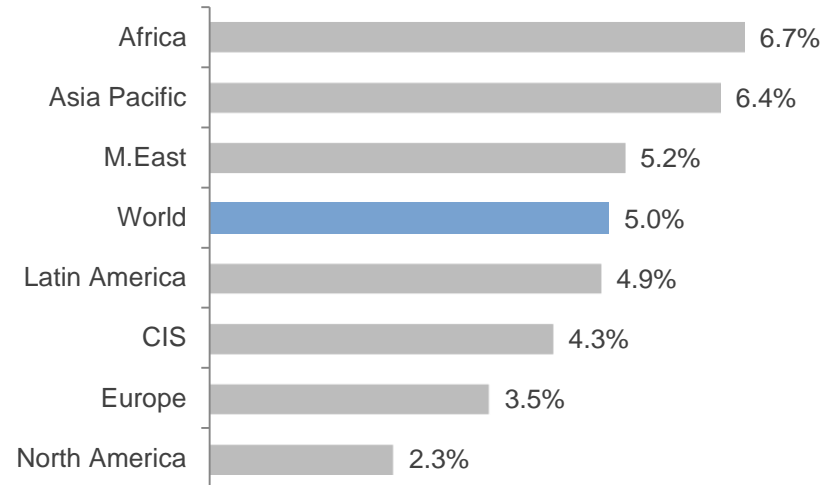


## RPK Growth %



Source: IATA

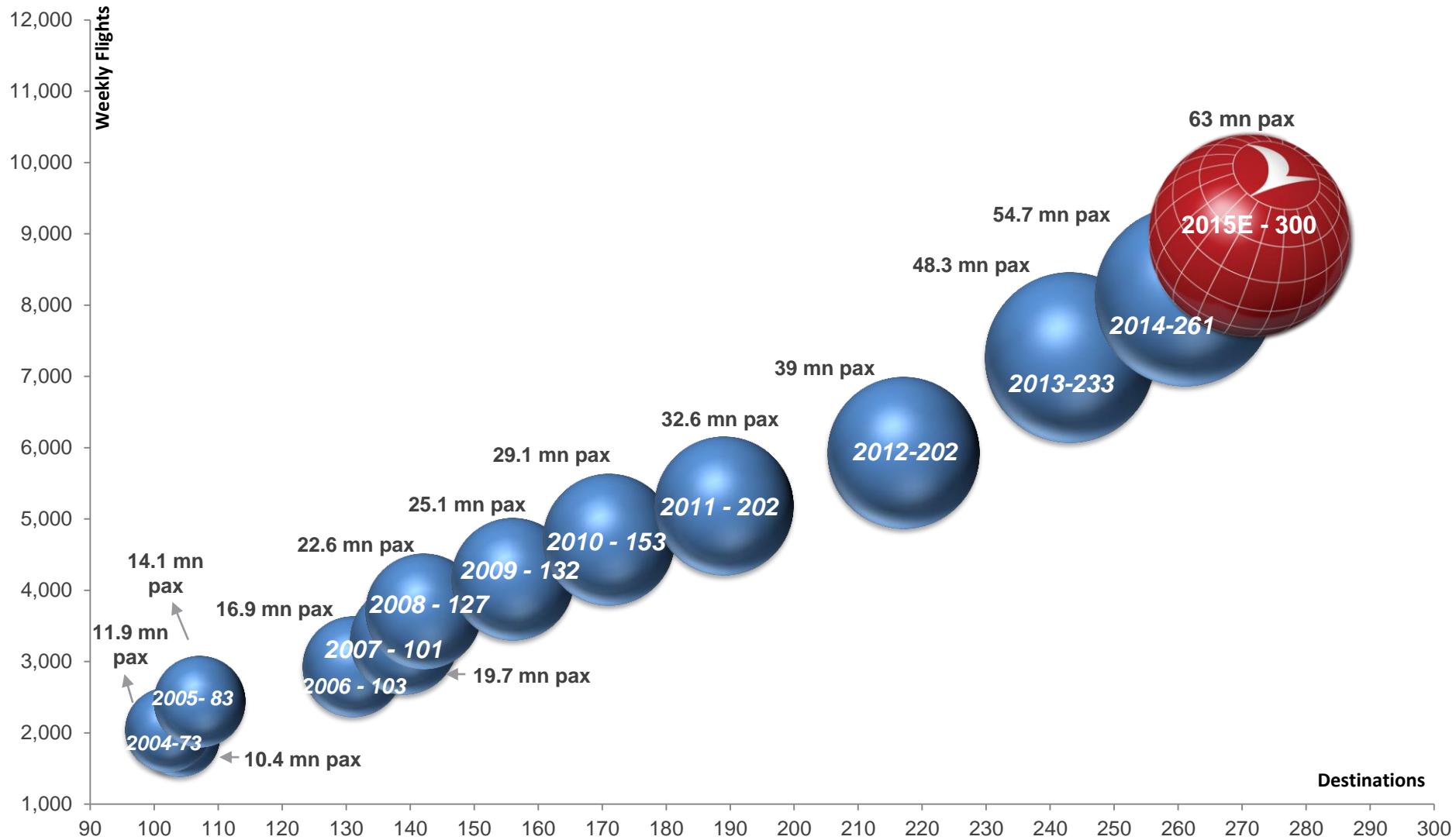
## Annual RPK Growth Forecast (2013-2033)



Source: Boeing Current Market Outlook



# Turkish Airlines Diagonal Growth



# Destinations: 228\* International, 48 Domestic Lines in 110 Countries

EUROPE							
42 COUNTRIES, 106 CITIES							
Germany	368	Spain	76	Hungary	28	Moldova	7
Frankfurt	52	Barcelona	28	Budapest	28	Chisinau	7
Berlin	46	Madrid	21	Bulgaria	25	Poland	5
Munich	46	Malaga	10	Sofia	14	Warsaw	5
Stuttgart	45	Bilbao	7	Varna	11	Belarus	4
Düsseldorf	38	Valencia	7	Romania	25	Mnsk	4
Hamburg	35	Santiago de C.	3	Bucharest	21		
Cologne	28	Northern Cyprus	66	Constanta	4		
Hanover	24	Lefkosa	66	Czech Rep.	21		
Nuremberg	21	Switzerland	63	Prague	21		
Bremen	10	Zurich	28	Bosnia	18		
Friedrichshafen	7	Geneva	21	Sarajevo	18		
Leipzig	7	Basel	14	Finland	18		
Münster	5	Austria	54	Helsinki	18		
Baden-Baden	4	Vienna	40	Norway	18		
Italy	157	Salzburg	10	Oslo	18		
Milan	35	Graz	4	Albania	14		
Rome	35	Ukraine	46	Tirana	14		
Venice	25	Kiev	16	Croatia	14		
Bologna	17	Odessa	11	Zagreb	14		
Naples	14	Simferopol	7	Ireland	14		
Catania	9	Dnepropetrovsk	5	Dublin	14		
Turin	7	Kherson	4	Kosovo	14		
Genoa	5	Lviv	3	Pristina	14		
Pisa	5	Donetsk	0	Macedonia	14		
Bari	5	Azerbaijan	45	Skopje	14		
France	94	Baku	35	Serbia	14	Future Routes	
Paris	42	Ganja	7	Belgrade	14	Azerbaijan	
Lyon	14	Nakhichevan	3	Portugal	18	Lankeran	
Nice	14	Netherlands	45	Lisbon	14	Poland	
Marseille	10	Amsterdam	38	Porto	4	Krakow	
Toulouse	7	Rotterdam	7	Malta	13	France	
Bordeaux	7	Belgium	42	Malta	13	Nantes	
United Kingdom	92	Brussels	42	Montenegro	10	Germany	
London	59	Denmark	42	Podgorica	10	Kassel	
Manchester	21	Copenhagen	28	Slovenia	10	Ukraine	
Birmingham	12	Aalborg	7	Ljubljana	10	Kharkiv	
Russia	90	Billund	7	Scotland	9	Zaporizhia	
Moscow	42	Georgia	38	Edinburg	9	Spain	
Sochi	10	Tbilisi	28	Estonia	7	La Coruna	
Kazan	7	Batumi	10	Tallinn	7	Russia	
St. Petersburg	7	Greece	35	Latvia	7	Makhachkala	
Ufa	6	Athens	21	Riga	7		
Rostov	4	Thessaloniki	14	Lithuania	7		
Astrakhan	4	Sweden	35	Vilnius	7		
Ekaterinburg	4	Stockholm	21	Luxemburg	7		
Novosibirsk	3	Gothenburg	14	Luxembourg	7		
Stravropol	3						

AFRICA			
28 COUNTRIES, 44 CITIES			
Egypt	42	Sudan	7
Cairo	21	Khartoum	7
Alexandria	7	Uganda	7
Hurghada	7	Entebbe	7
Sharmel-Sheikh	7	Burkina Faso	6
Algeria	35	Ougadougou	6
Algiers	21	Mauritania	6
Oran	7	Nouakchott	6
Constantine	3	Senegal	6
Tlemcen	2	Dakar	6
Batna	2	Congo	5
Nigeria	16	Kinshasa	5
Lagos	7	Gabon	5
Abuja	5	Libreville	5
Kano	4	Niger	5
Cameroon	14	Niamey	5
Douala	7	Cote D'Ivoire	4
Yaounde	7	Abidjan	4
Kenya	14	Chad	4
Mombasa	7	N'Djamena	4
Nairobi	7	Benin	4
South Africa	14	Cotonou	4
Cape Town	7	Eritrea	3
Johannesburg	7	Asmara	3
Tanzania	14	Mali	3
Dar Es Salaam	7	Bamako	3
Kilimenjaro	7		
Tunisia	14		
Tunis	14		
Djibouti	7	Future Routes	
Djibouti	7	Angola	
Ethiopia	7	Luanda	
Addis Ababa	7	Egypt	
Ghana	7	Aswan	
Accra	7	Luxor	
Libya	7	Guinea	
Misurata	7	Conarky	
Benghazi	-	Madagascar	
Sebha	-	Antananarivo	
Tripoli	-	Mauritius	
Morocco	7	Port Louis	
Casablanca	7	Mozambique	
Rwanda	7	Maputo	
Kigali	7	Rep. Of South Africa	
Somalia	7	Durban	
Mogadishu	7	South Sudan	
		Juba	

MIDDLE EAST			
13 COUNTRIES, 34 CITIES			
Saudi Arabia	97	Lebanon	21
Jeddah	28	Beirut	21
Madinah	21	UAE	18
Dammam	17	Dubai	14
Riyadh	14	Abu Dhabi	4
Yanbu	10	Jordan	17
El Qassim	4	Amman	14
Taif	3	Akabe	3
Iran	67	Qatar	14
Tehran	33	Doha	14
Mashad	7	Yemen	14
Shiraz	7	Aden	7
Tabriz	7	Sanaa	7
Isfahan	5	Bahrain	10
Kermanshah	4	Bahrain	10
Ahvaz	4	Oman	7
Israel	56	Muscat	7
Tel Aviv	56	Syria	-
Iraq	51	Aleppo	-
Baghdad	14	Damascus	-
Erbil	14		
Basra	10		
Sulaymaniyah	8	Future Routes	
Najaf	5	Saudi Arabia	
Mosul	0	Abha	
Kuwait	42		
Kuwait	42		

AMERICAS			
4 COUNTRIES, 11 CITIES			
USA	61	Brazil	7
New York	21	Sao Paulo	7
Boston	7	Future Routes	
Chicago	7	USA	
Houston	7	Atlanta	
Los Angeles	7	Miami	
Washington	7	Colombia	
San Francisco	5	Bogota	
Canada	9	Cuba	
Toronto	6	Havana	
Montreal	3	Mexico	
Argentina	7	Mexico City	
Buenos Aires	7	Venezuela	
		Caracas	

FAR EAST			
22 COUNTRIES, 33 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
Japan	21	Malaysia	7
Tokyo	14	Kuala Lumpur	7
Osaka	7	Nepal	7
Kyrgyzstan	19	Kathmandu	7
Bishkek	15	Singapore	7
Osh	4	Singapore	7
Kazakhstan	15	Sri Lanka	7
Almaty	10	Colombo	7
Astana	5	Uzbekistan	7
India	14	Tashkent	7
Mumbai	7	Vietnam	7
New Delhi	7	Ho Chi Minh	7
Pakistan	14	Philippines	3
Karachi	7	Manila	3
Islamabad	4	Mongolia	3
Lahore	3	Ulaanbaatar	3
Thailand	14	Tajikistan	3
Bangkok	14	Dushanbe	3
Turkmenistan	14		
Ashgabad	14		
South Korea	11		
Seoul	11	Future Routes	
Afghanistan	10	Tajikistan	
Kabul	7	Khujand	
Mazar-i Sharif	3		

DOMESTIC	
48 CITIES	
Routes Opened in 2015	
Ahvaz	Manila
Abuja	Taipei
San Francisco	Bari
Porto	Kocaeli
Bamako	Ordu - Giresun
Graz	Tokat
Baden-Baden	Uşak

\* As of 30.06.2015

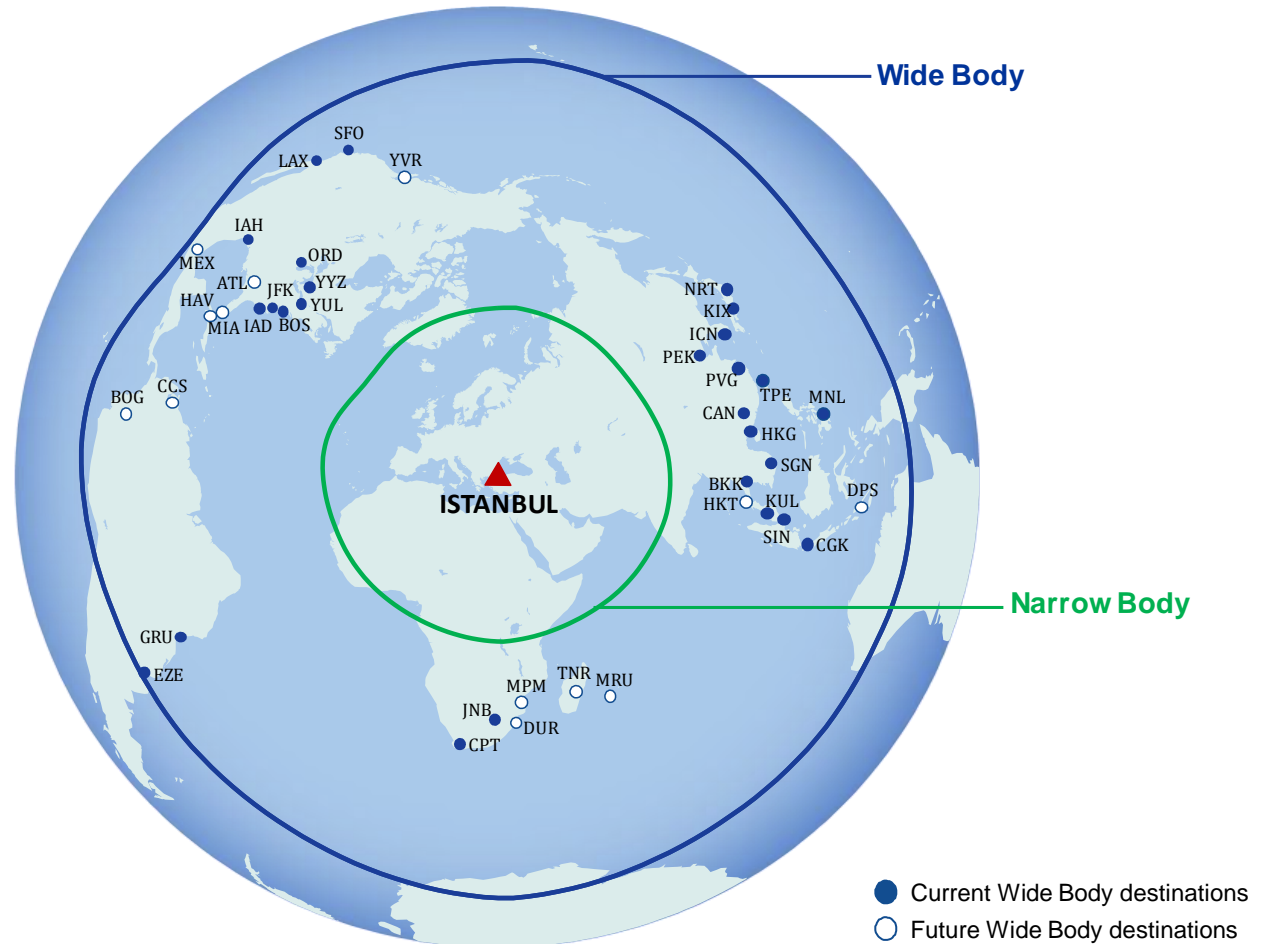
Turkish Airlines reaches **76%** of all destinations at least daily

# Geographical Advantage

## Narrow Body Range capability to and from Istanbul

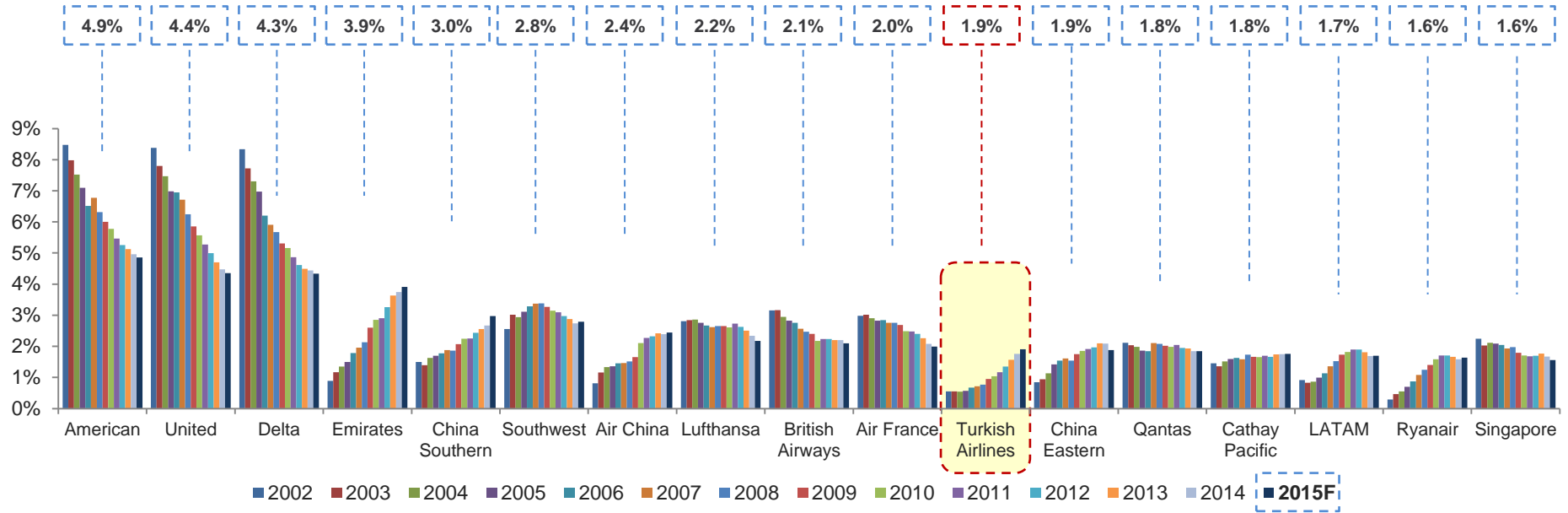
With full passenger payload

- ✓ 195 out of 228 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

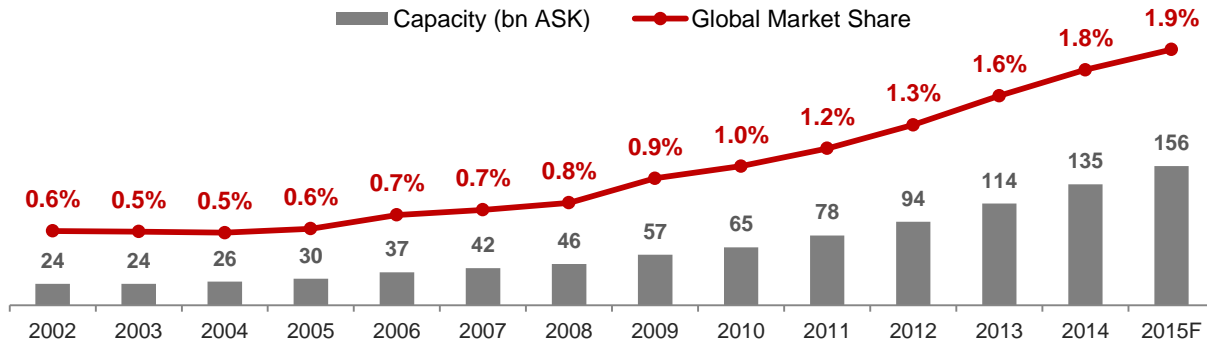


# Global Market Share Gains

## Global Market Share Trends (in ASK)



## Turkish Airlines Market Share Development

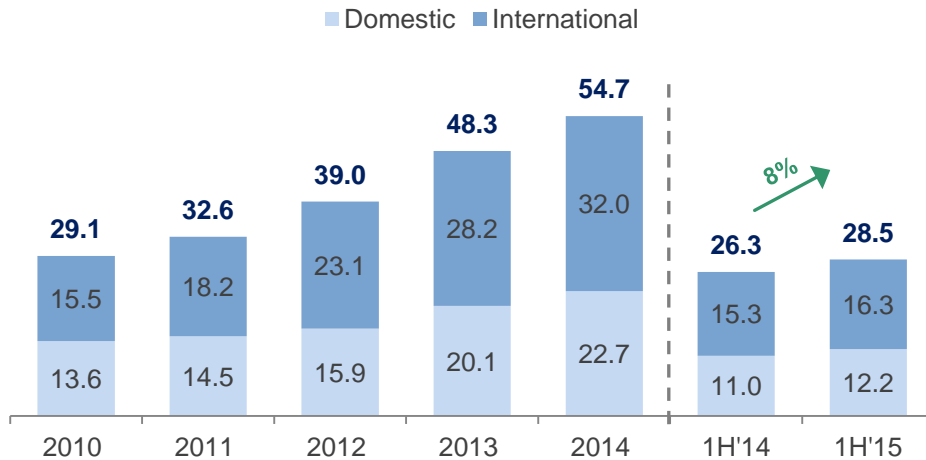


Notes: For US carriers regional flights are excluded. Wholly owned subsidiaries are included in the calculation. 2015 capacities are obtained from OAG on 5 August 2015.

Source: 2002 ICAO, 2003-2014 IATA, 2015F OAG, company reports, sorted by 2015F ASK values.

# Passenger Traffic (1H'15)

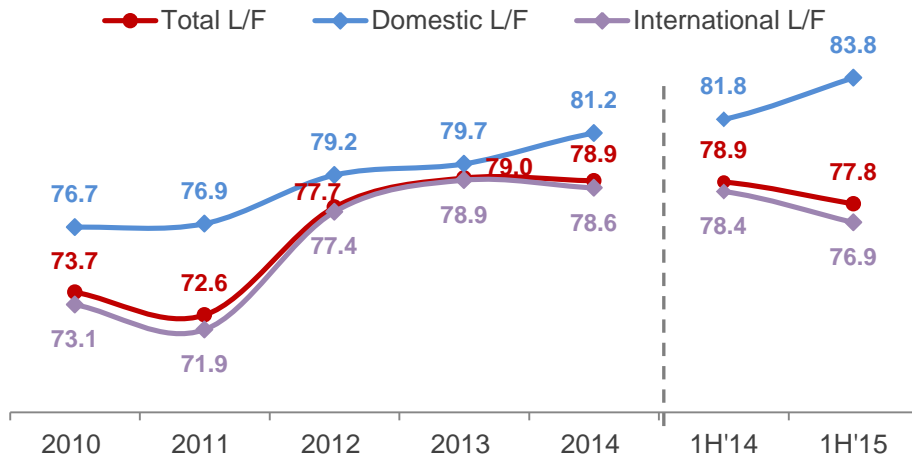
## Total Passengers (mn)



## THY Passenger Traffic

1H'15 vs 1H'14		
Landing	up by	6.2%
ASK	up by	10.1%
RPK	up by	8.6%
Passenger #	up by	8.5%
L/F	down by	-1.0 pt

## Load Factor (L/F %)

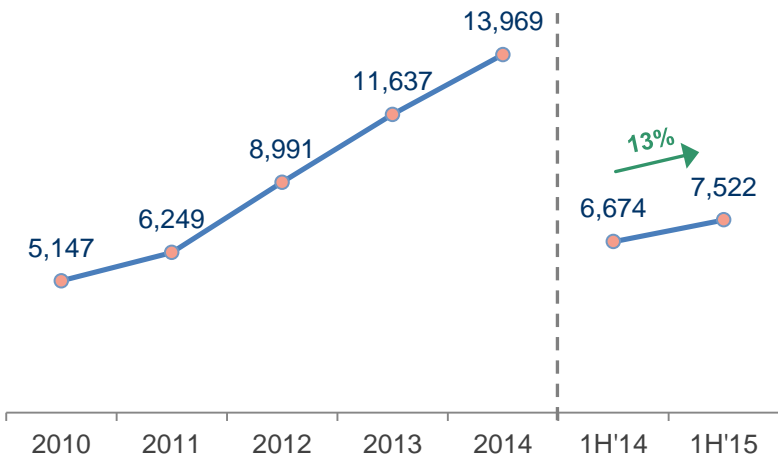


## Annual Changes (%)

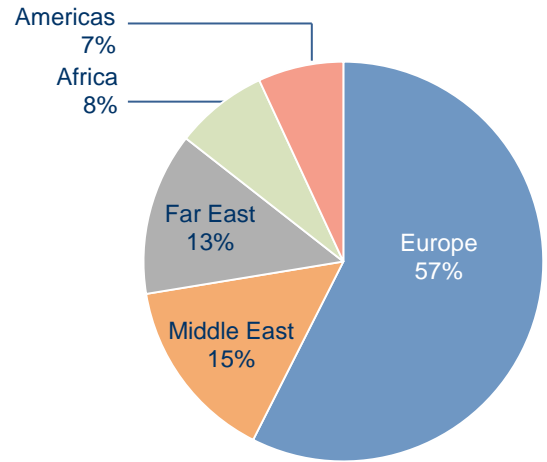
	2010	2011	2012	2013	2014
ASK	15%	25%	18%	21%	16%
RPK	19%	23%	27%	23%	16%
PAX	16%	12%	20%	24%	13%
L/F (Pt)	2.8	-1.1	5.1	1.4	-0.1

# Passenger Breakdown (1H'15)

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

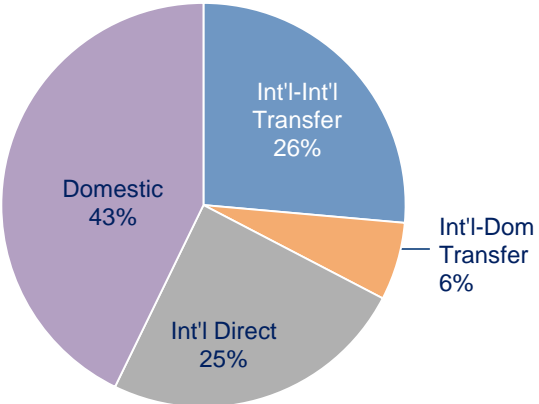


## Int'l Passenger Breakdown by Geography



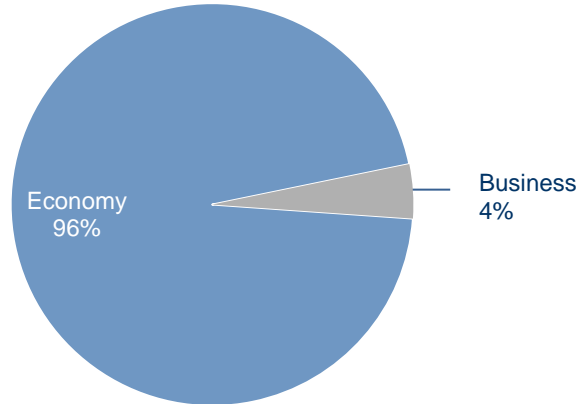
Note: Includes only scheduled passengers.

## Passenger Breakdown by Transfer Type



Note: Int'l to int'l transfer passengers' share in total international passengers is 46%.

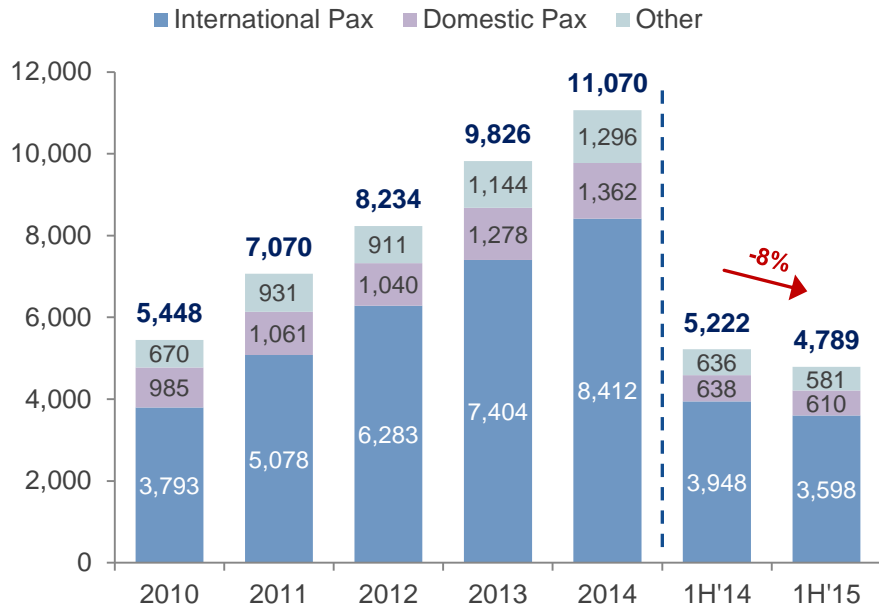
## Passenger Breakdown by Cabin Class



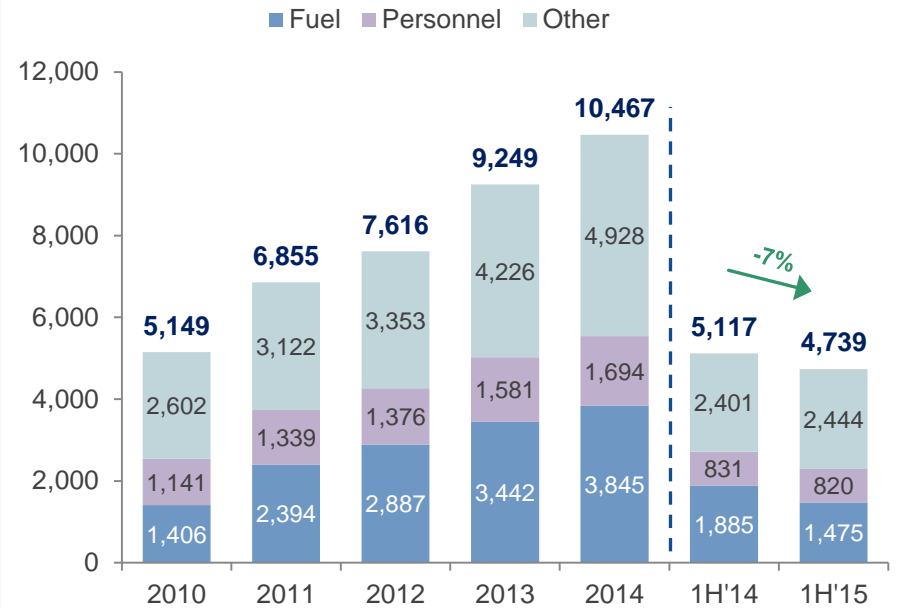
Note: Includes only scheduled passengers. Business class passengers include comfort class passengers. (0.4 % of total number of passengers)

# Total Revenue and Expenses (1H'15)

## Revenue (mn USD)



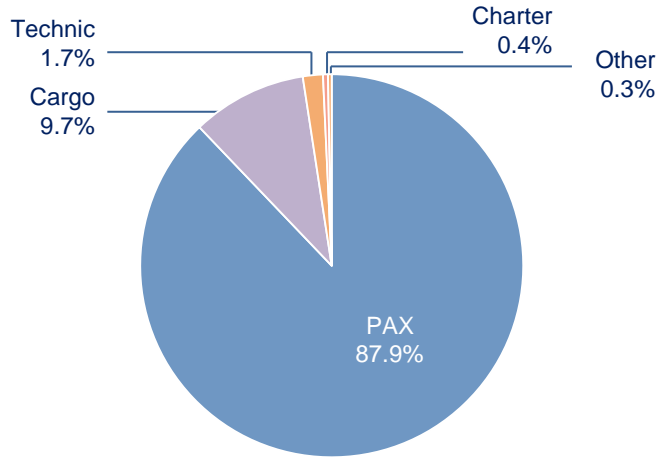
## Expenses (mn USD)



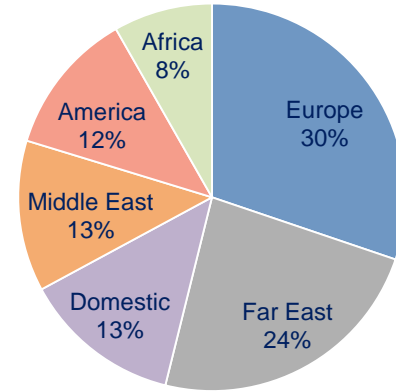
Note: Other revenue includes cargo, charter and other revenue

# Revenue Breakdown (1H'15)

## Revenue by Business Type

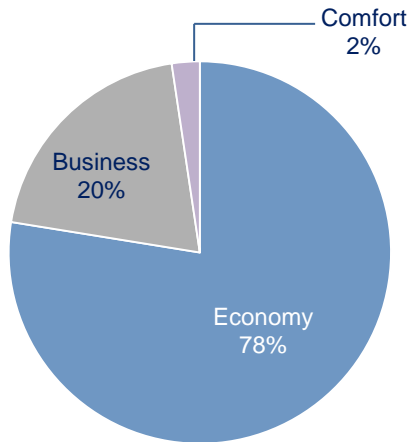


## Revenue\* by Geography

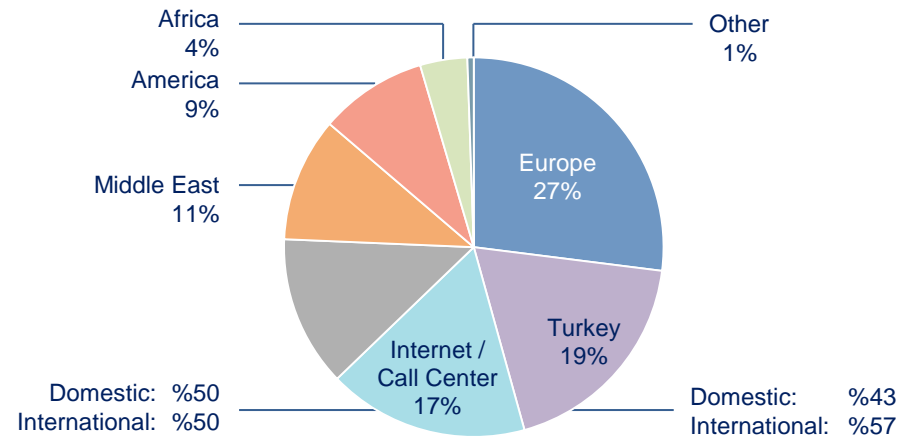


**Note:** Includes scheduled passenger and cargo revenue

## Revenue by Passenger Class



## Revenue by Point of Sale



**Note:** Includes only scheduled passenger revenue

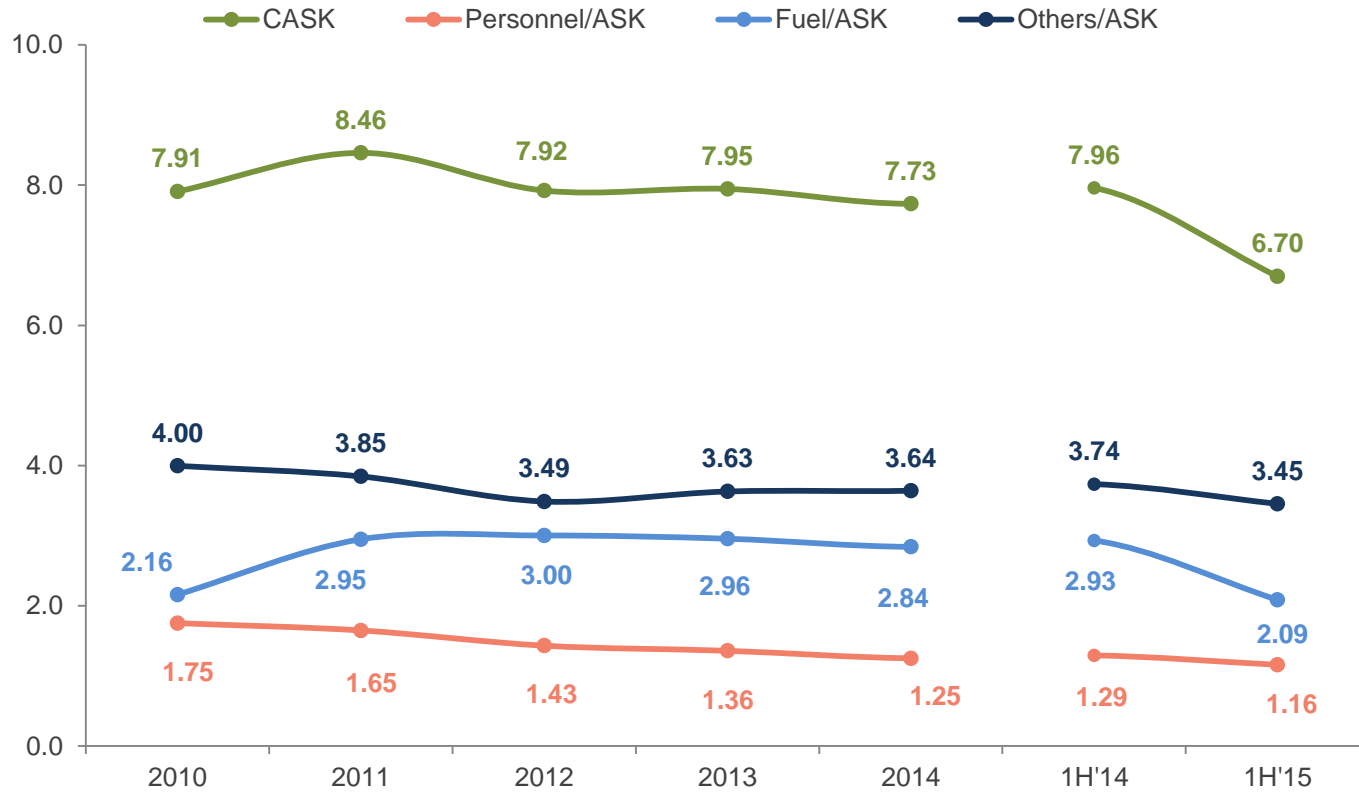


# Operational Expense Breakdown

(mn USD)	1H'14	% in Total	1H'15	% in Total	YoY Change
<b>Fuel</b>	<b>1,885</b>	<b>36.8%</b>	<b>1,475</b>	<b>31.1%</b>	<b>-21.8%</b>
<b>Personnel</b>	<b>831</b>	<b>16.2%</b>	<b>820</b>	<b>17.3%</b>	<b>-1.3%</b>
<b>Landing, Navigation &amp; Air Traffic</b>	<b>465</b>	<b>9.1%</b>	<b>433</b>	<b>9.1%</b>	<b>-6.9%</b>
Landing and navigation	203	4.0%	195	4.1%	-3.9%
Air Traffic Control	262	5.1%	238	5.0%	-9.2%
<b>Sales &amp; Marketing</b>	<b>425</b>	<b>8.3%</b>	<b>436</b>	<b>9.2%</b>	<b>2.6%</b>
Commissions and Incentives	185	3.6%	175	3.7%	-5.4%
Reservation System	117	2.3%	119	2.5%	1.7%
Advertising	74	1.4%	86	1.8%	16.2%
Other	49	1.0%	56	1.2%	14.3%
<b>Depreciation</b>	<b>358</b>	<b>7.0%</b>	<b>425</b>	<b>9.0%</b>	<b>18.7%</b>
<b>Ground Handling</b>	<b>303</b>	<b>5.9%</b>	<b>301</b>	<b>6.4%</b>	<b>-0.7%</b>
<b>Aircraft Rent</b>	<b>269</b>	<b>5.3%</b>	<b>234</b>	<b>4.9%</b>	<b>-13.0%</b>
Operational Lease	77	1.5%	97	2.0%	26.0%
Wet Lease	192	3.8%	137	2.9%	-28.6%
<b>Passenger Services &amp; Catering</b>	<b>263</b>	<b>5.1%</b>	<b>283</b>	<b>6.0%</b>	<b>7.6%</b>
<b>Maintenance</b>	<b>201</b>	<b>3.9%</b>	<b>207</b>	<b>4.4%</b>	<b>3.0%</b>
<b>General Administration</b>	<b>45</b>	<b>0.9%</b>	<b>44</b>	<b>0.9%</b>	<b>-2.2%</b>
<b>Other</b>	<b>72</b>	<b>1.4%</b>	<b>81</b>	<b>1.7%</b>	<b>12.5%</b>
<b>TOTAL</b>	<b>5,117</b>	<b>100%</b>	<b>4,739</b>	<b>100%</b>	<b>-7.4%</b>
Operating Cost per ASK (USc)	7.96	-	6.70	-	-15.9%
Ex-fuel Operating Cost per ASK (USc)	5.03	-	4.61	-	-8.2%
<b>Fixed Costs</b>	<b>1,698</b>	<b>33.2%</b>	<b>1,746</b>	<b>36.8%</b>	<b>2.8%</b>

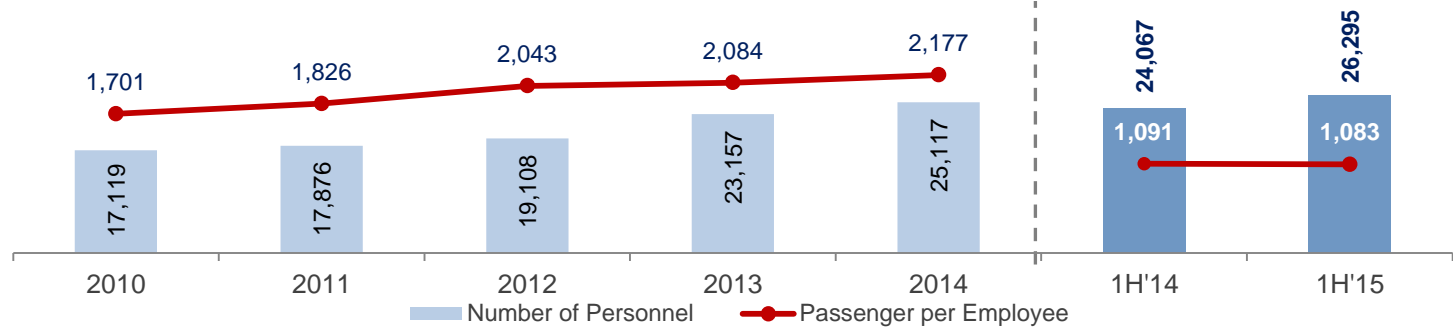
# Unit Operating Costs

## Cost Per ASK (Usc)



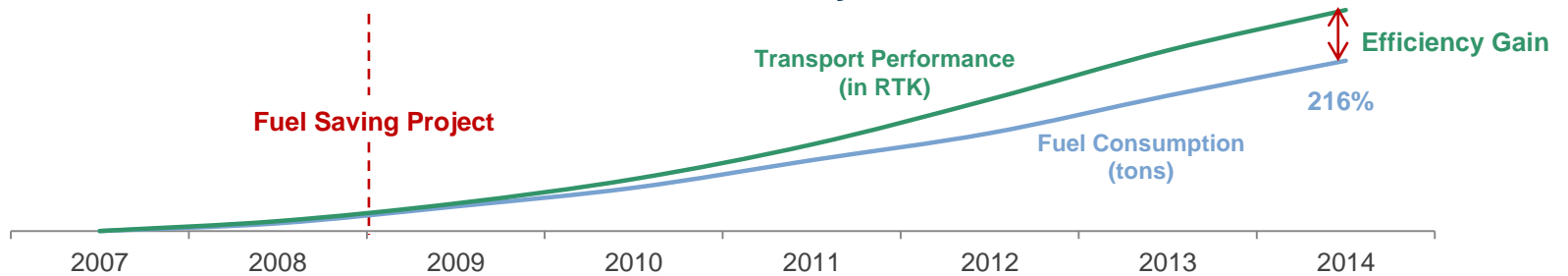
# Operating Efficiency

## Personnel Efficiency

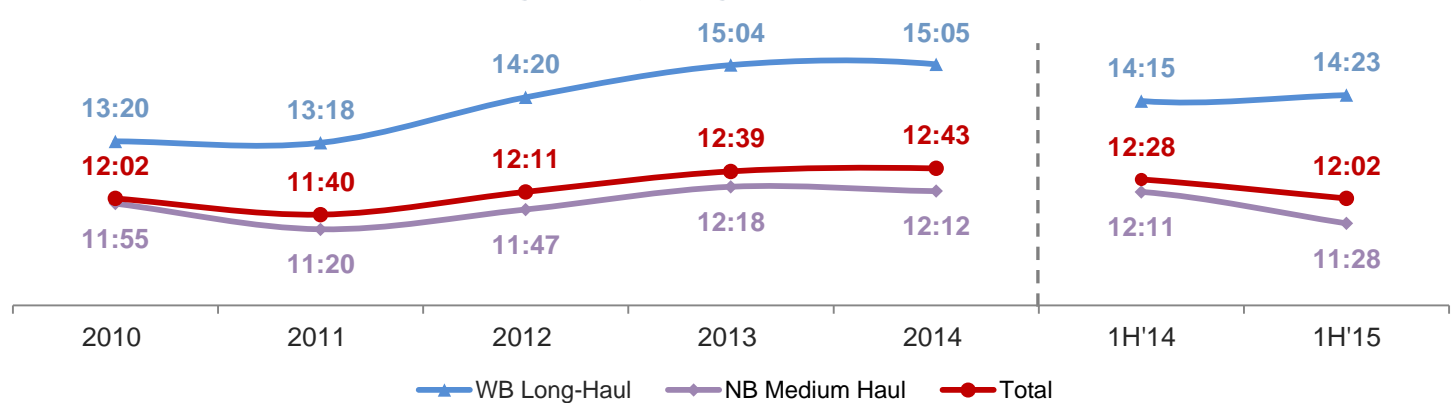


\* THY Technic, THY Habom and THY Aydın Çıldır Personnel is included.

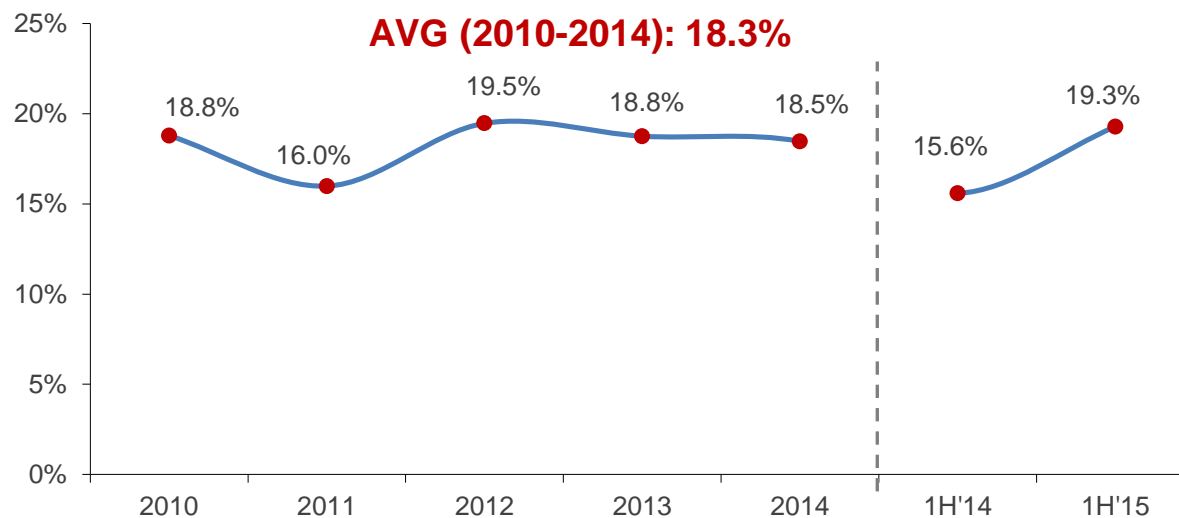
## Fuel Efficiency



## Average Daily Flight Utilization (hrs)



# EBITDAR Margin

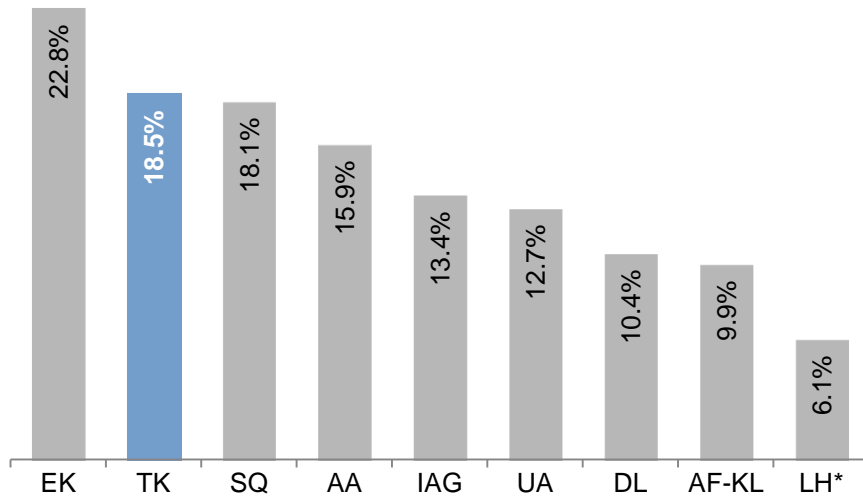


(mn USD)	2010	2011	2012	2013	2014	1H'14	1H'15	YoY Change
<b>Revenue</b>	<b>5,448</b>	<b>7,070</b>	<b>8,234</b>	<b>9,826</b>	<b>11,070</b>	<b>5,222</b>	<b>4,789</b>	<b>-8.3%</b>
<b>Net Income</b>	<b>185</b>	<b>11</b>	<b>657</b>	<b>357</b>	<b>845</b>	<b>88</b>	<b>406</b>	<b>361.4%</b>
Net Income Margin	3.4%	0.2%	8.0%	3.6%	7.6%	1.7%	8.5%	6.8 pt
<b>EBIT</b>	<b>262</b>	<b>277</b>	<b>691</b>	<b>755</b>	<b>770</b>	<b>198</b>	<b>234</b>	<b>18.2%</b>
EBIT Margin	4.8%	3.9%	8.4%	7.7%	7.0%	3.8%	4.9%	1.1 pt
<b>EBITDAR</b>	<b>1,024</b>	<b>1,130</b>	<b>1,603</b>	<b>1,843</b>	<b>2,044</b>	<b>813</b>	<b>924</b>	<b>13.7%</b>
EBITDAR Margin	18.8%	16.0%	19.5%	18.8%	18.5%	15.6%	19.3%	3.7 pt

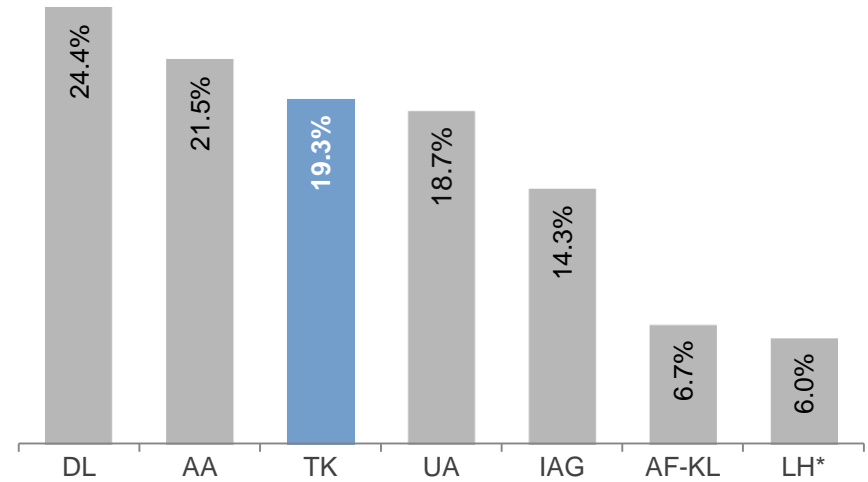
# Peer Group vs Turkish Airlines Profitability

## EBITDAR Margin % Comparison

### 2014 Annual



### 1H'15

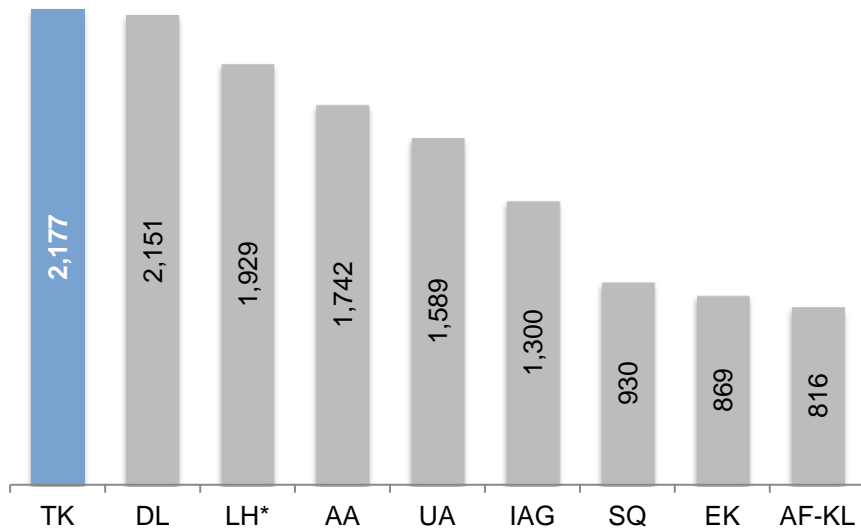


\* Lufthansa Passenger Airlines

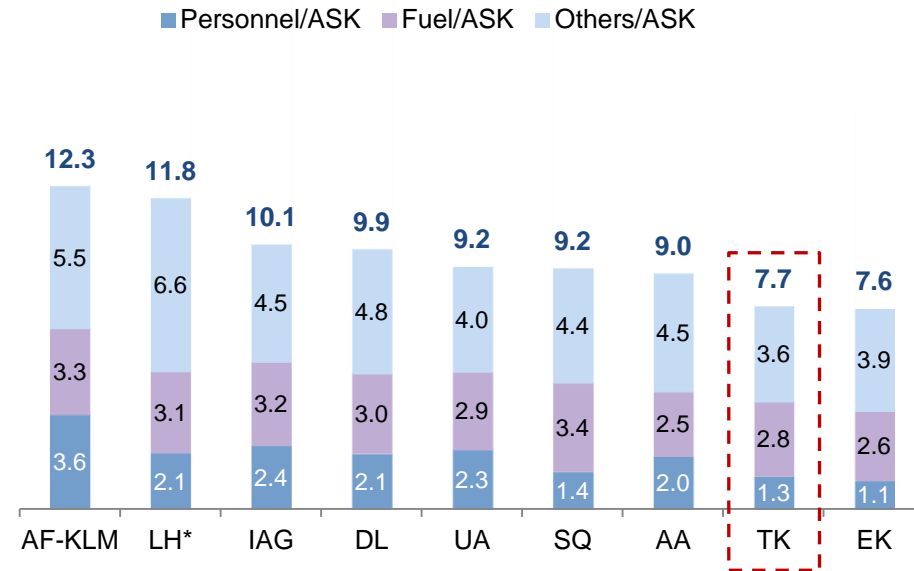
Source: Calculated based on public company reports.

# Peer Group vs Turkish Airlines Efficiency

## PAX Per Personnel (2014)



## Cost Per ASK (Usc) 2014



\* Lufthansa Passenger Airlines

Source: Calculated based on public company reports.

# Current Fleet

30.06.2015	Type	Total	Owned	Financial Lease	Opr./Wet Lease	Seat Capacity	Average Fleet Age	Year End Fleet*						
								2015	2016	2017	2018	2019	2020	2021
Wide Body	A330-200	17		5	12	4,033	8.1	20	20	18	18	16	13	13
	A330-300	24		23	1	6,938	2.2	27	32	32	32	32	32	32
	A340-300	4	4			1,080	17.2	4	4	4	4	4	4	4
	B777-3ER	20		20		6,836	2.8	23	29	32	32	32	32	32
	<b>Total</b>	<b>65</b>	<b>4</b>	<b>48</b>	<b>13</b>	<b>18,887</b>	<b>4.9</b>	<b>74</b>	<b>85</b>	<b>86</b>	<b>86</b>	<b>84</b>	<b>81</b>	<b>81</b>
Narrow Body	B737-900ER	14		14		2,186	2.2	15	15	15	15	15	15	15
	B737-9 MAX										5	10	10	
	B737-800	68	25	33	10	10,940	9.3	68	88	87	78	78	78	78
	B737-700	3			3	372	9.5	3	1	1	1	1		
	B737-8 MAX										20	30	55	65
	A321 NEO									4	31	56	88	92
	A319-100	14		6	8	1,848	7.2	14	14	11	9	8	6	6
	A320-200	30		12	18	4,731	8.2	29	29	22	18	11	11	11
	A321-200	47		43	4	8,568	4.7	56	66	68	68	68	66	64
	B737-800 WL	24			24	4,536	8.9	24	22	22	20	20	10	7
	B737-700 WL	4			4	596	8.1	1						
	E190 WL/E195 WL	3			3	330	4.8	6	3					
<b>Total</b>	<b>207</b>	<b>25</b>	<b>108</b>	<b>74</b>	<b>34,107</b>	<b>7.3</b>	<b>216</b>	<b>238</b>	<b>230</b>	<b>260</b>	<b>292</b>	<b>339</b>	<b>348</b>	
Cargo	A310-300F	1	1			-	27							
	A330-200F	6		6		-	2.8	7	8	9	9	9	9	9
	Wet Lease	3			3	-	16.7	3	1					
	<b>Total</b>	<b>10</b>	<b>1</b>	<b>6</b>	<b>3</b>	<b>-</b>	<b>9.4</b>	<b>10</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>
<b>GRAND TOTAL</b>	<b>282</b>	<b>30</b>	<b>162</b>	<b>90</b>	<b>52,994</b>	<b>6.8</b>	<b>300</b>	<b>332</b>	<b>325</b>	<b>355</b>	<b>385</b>	<b>429</b>	<b>438</b>	

\*After exit-entry

Seat Capacity Change : 20% 12% -1% 8% 7% 9% 2%

# Fleet Development

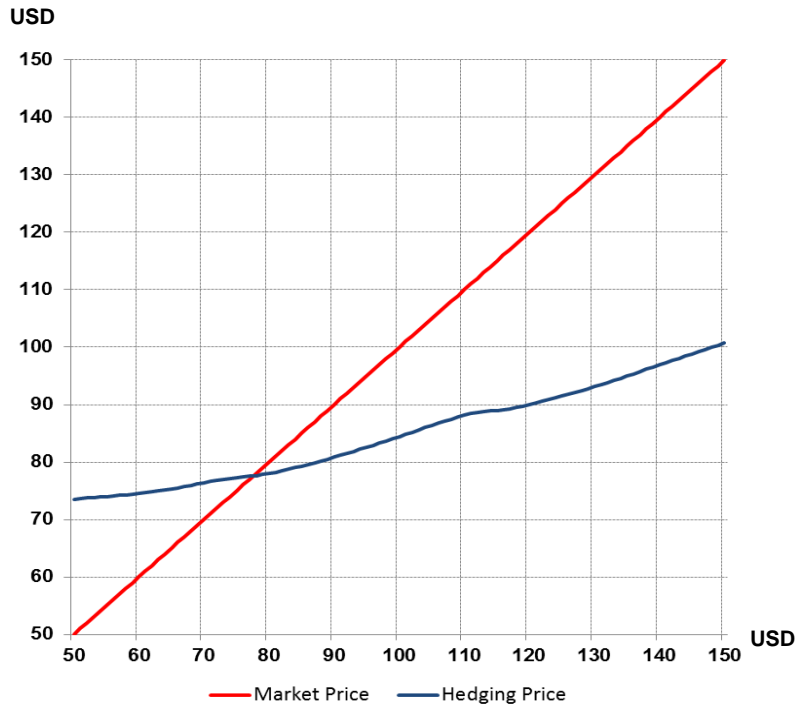
30.06.2015		2011-2021 Aircraft Purchases													
		Delivered						To Be Delivered							
		Type	2011	2012	2013	2014	2015	TOTAL	2015	2016	2017	2018	2019	2020	2021
Wide Body	A330-300	3	3	2	6	5	19	2	5						7
	B777-3ER	7			4	4	15	3	6	3					12
	<b>Total</b>	<b>10</b>	<b>3</b>	<b>2</b>	<b>10</b>	<b>9</b>	<b>34</b>	<b>5</b>	<b>11</b>	<b>3</b>					<b>19</b>
Narrow Body	B737-900ER	2	7	1		4	14	1							1
	B737-9 MAX											5	5		10
	B737-800	2	2	6	10		20		20						20
	B737-8 MAX*										20	10	25	10	65
	A321	8	7	9		3	27	10	10	2					22
	A321 NEO**									4	27	25	32	4	92
	A319	6					6								
<b>Total</b>	<b>18</b>	<b>16</b>	<b>16</b>	<b>10</b>	<b>7</b>	<b>67</b>	<b>11</b>	<b>30</b>	<b>6</b>	<b>47</b>	<b>40</b>	<b>62</b>	<b>14</b>	<b>210</b>	
Cargo	A330-200F	1	1	2		1	5		2	1					3
	<b>Total</b>	<b>1</b>	<b>1</b>	<b>2</b>		<b>1</b>	<b>5</b>		<b>2</b>	<b>1</b>				<b>3</b>	
<b>GRAND TOTAL</b>		<b>29</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>17</b>	<b>106</b>	<b>16</b>	<b>43</b>	<b>10</b>	<b>47</b>	<b>40</b>	<b>62</b>	<b>14</b>	<b>232</b>

\* Including 10 optional aircraft in 2021

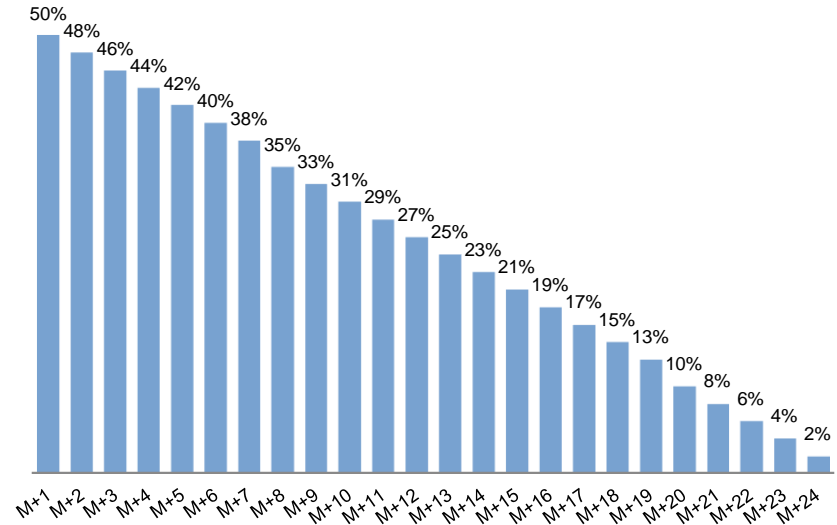
\*\* Including 20 optional aircraft in 2020



# Hedging Fuel Price Risk



## Turkish Airlines Fuel Hedging Rate

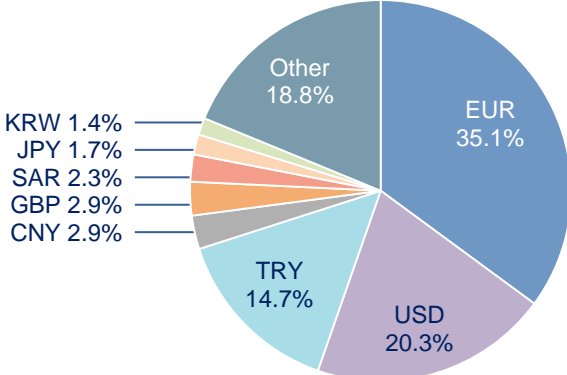


- Around 22 million barrels of hedged position on ICE BRENT as of June 30, 2015
- **Current fuel hedging levels:**
  - June-December 2015: %46
  - FY16: %28

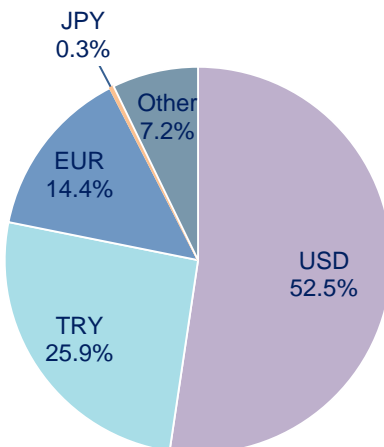
- **Active Surcharge Policy:** 50% of fuel cost is reflected to ticket prices
- Decreasing layered hedging strategy (24 months)
- Crude oil based swaps and options
- Aim to reach 50% of following months budgeted consumption

# Hedging Currency Risk

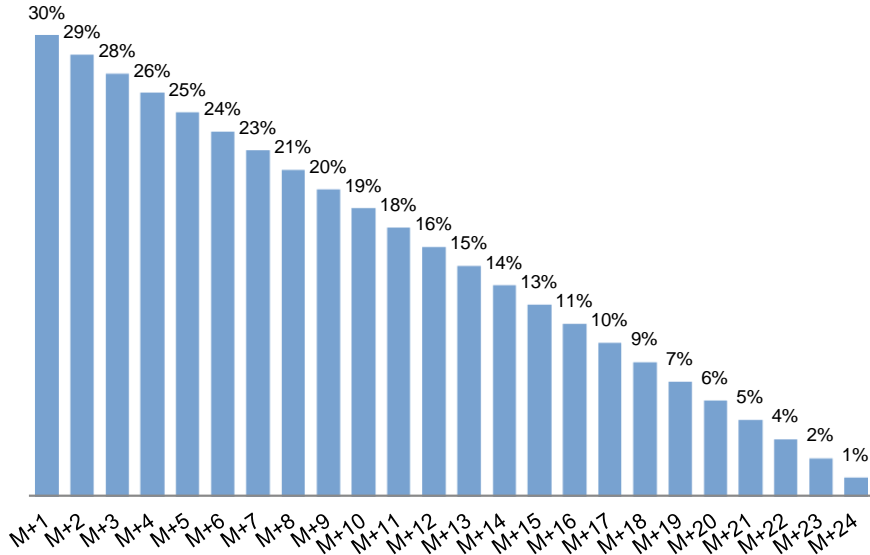
## Revenue by Currency (1H'15)



## Expenses by Currency (1H'15)



## Hedging Policy – Currency Hedging Rate

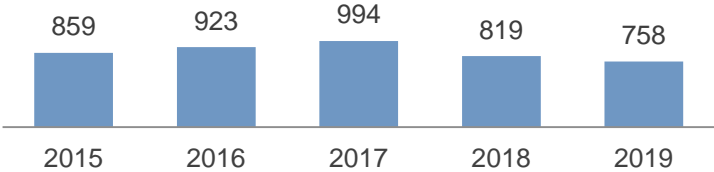


- Monthly gradually decreasing layered hedging strategy
- Sell EUR, Buy USD and TRY via forward contracts
- Each contract for 24-month period
- Target hedge levels: 30% for TRY, 25-35% for USD
- Flexible hedge strategy with respect to conditions
- **Current currency hedging levels:**
  - EURUSD: June-December 2015: %23 of total USD short position
  - EURTRY: June-December 2015: %27 of total TRY short position

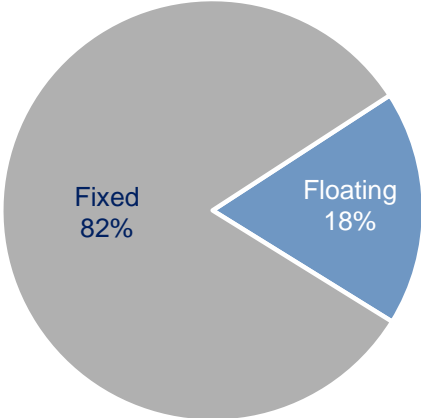
# Debt Management and Aircraft Financing

As of 30.06.2015  
Total Debt : **7.66 bn USD**  
Weighted Average Interest Rate: **3.1%**

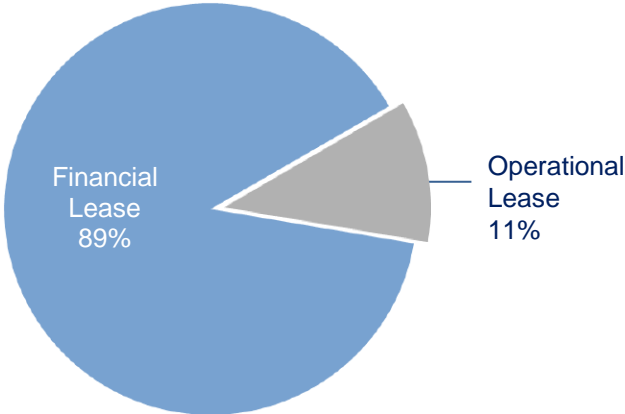
5 Year Maturity Profile (USD mn)



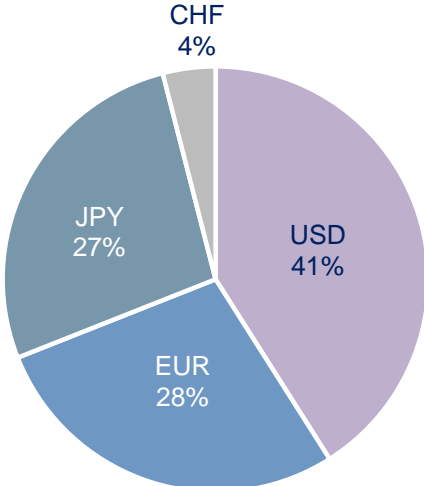
Interest Rate Type



Lease Type



Currency Type



# Credit Rating



BB+ / Baa3



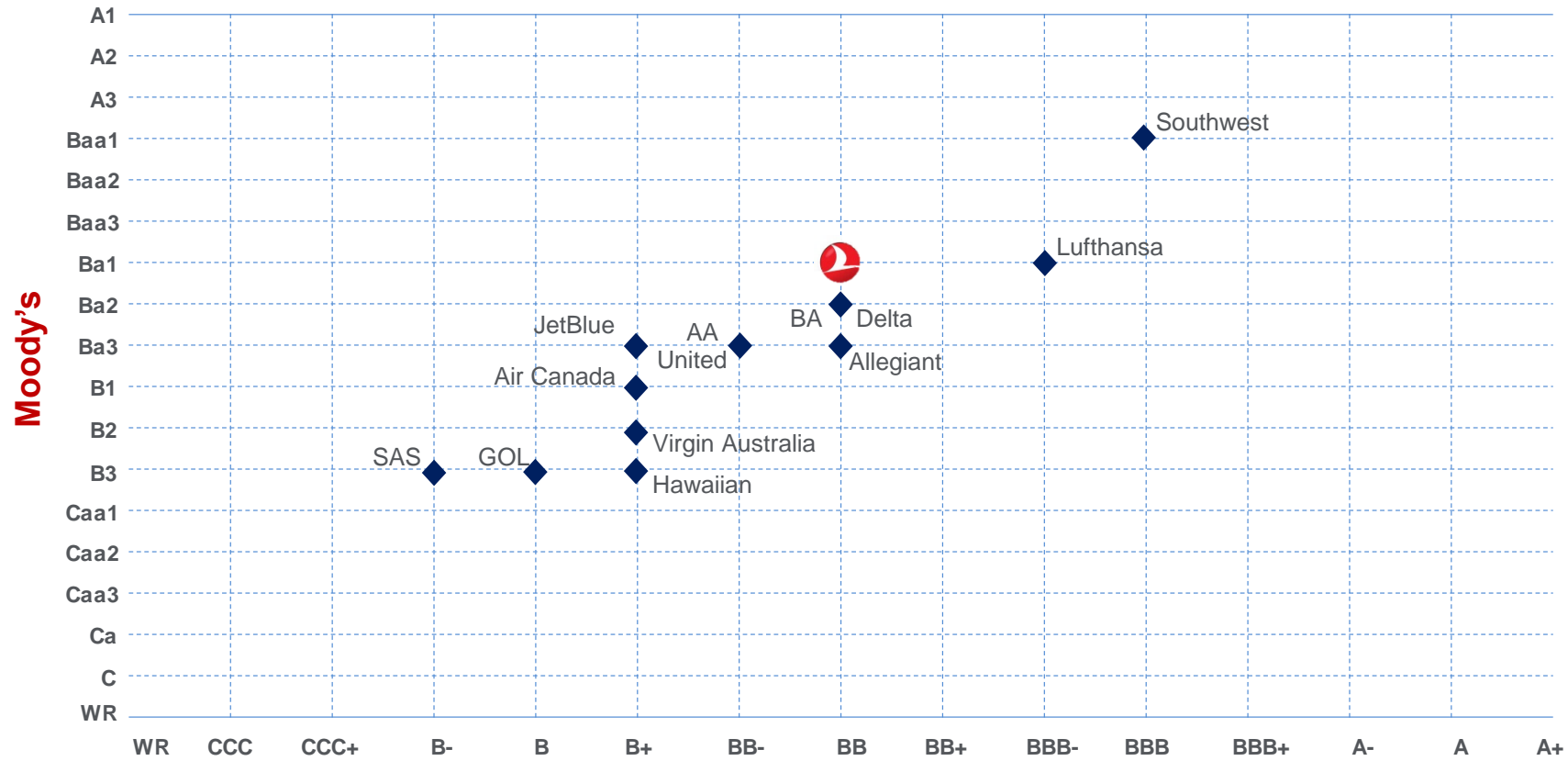
BB / Ba1



BBB- / Ba1



BB / Ba2



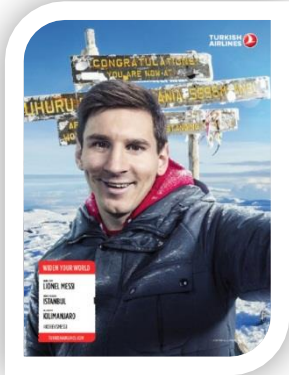
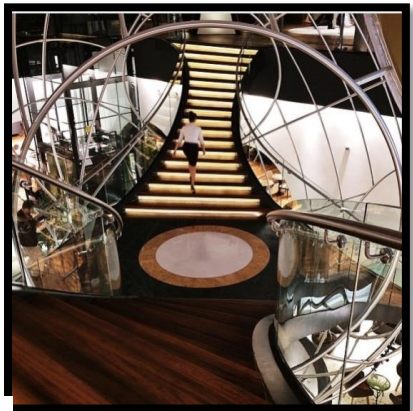
Standard and Poor's

Note: Retrived from S&P and Moody's website on 22 July 2015.

# The Best Airline in Europe in the last 5 years

Winner of 4 awards at the 2015 Skytrax World Airline Awards:

- › Best Airline in Europe
- › Best Airline in Southern Europe
- › World’s Best Business Class Airline Lounge
- › World’s Best Business Class Lounge Dining



Winner of Best Corporate Governance Award in Europe in 2015



Best Investor Relations in Turkey in 2015



Structured Finance Deal of the Year” by Bonds & Loans

Turkish Cargo wins “Overall Carrier Of The Year” and “Combination Carrier of the Year” at Payload Asia Awards

**TURKISH AIRLINES**  
**INVESTOR RELATIONS**



**Thank You...**

**Tel: +90 (212) 463-6363 x-13630 e-mail: [ir@thy.com](mailto:ir@thy.com)**

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# Balance Sheet

Assets (mn USD)	2010	2011	2012	2013	2014	1H'15
Cash and Equivalents	581	934	1,028	647	722	1,218
Trade Receivables	374	405	434	538	456	555
Pre-delivery Payment (PDP) Receivables	1,042	376	267	521	990	970
Other Current Assets	263	426	437	419	663	817
<b>Total Current Assets</b>	<b>2,259</b>	<b>2,140</b>	<b>2,166</b>	<b>2,125</b>	<b>2,831</b>	<b>3,560</b>
Net Fixed Assets	4,168	5,873	7,121	8,043	9,201	10,624
of which Aircraft and Engines	3,822	5,319	6,392	7,030	8,167	9,566
Pre-delivery Payment (PDP) Receivables	108	217	655	993	650	551
Other Non-Current Assets	354	455	581	741	1,064	974
<b>Total Non-Current Assets</b>	<b>4,629</b>	<b>6,545</b>	<b>8,357</b>	<b>9,777</b>	<b>10,915</b>	<b>12,149</b>
<b>Total Assets</b>	<b>6,888</b>	<b>8,685</b>	<b>10,523</b>	<b>11,902</b>	<b>13,746</b>	<b>15,709</b>

Liabilities (mn USD)	2010	2011	2012	2013	2014	1H'15
Lease Obligations	2,703	4,189	4,862	5,413	5,931	6,882
Passenger Flight Liabilities	436	677	936	1,201	1,398	1,896
Accounts Payable	476	461	510	680	662	683
Other Liabilities	850	976	1,183	1,346	1,805	1,782
<b>Total Liabilities</b>	<b>4,464</b>	<b>6,303</b>	<b>7,491</b>	<b>8,640</b>	<b>9,796</b>	<b>11,243</b>
<b>Total Shareholders Equity</b>	<b>2,424</b>	<b>2,382</b>	<b>3,032</b>	<b>3,262</b>	<b>3,950</b>	<b>4,466</b>
of which Issued Capital	1,374	1,498	1,498	1,597	1,597	1,597
of which Retained Earnings	827	889	903	1,350	1,714	2,559
of which Differences from Currency Translation	2	-18	-10	-26	-47	-73
of which Net Profit for the Period	185	11	657	357	845	406
<b>Total Liabilities &amp; Shareholders Equity</b>	<b>6,888</b>	<b>8,685</b>	<b>10,523</b>	<b>11,902</b>	<b>13,746</b>	<b>15,709</b>

# Income Statement

(mn USD)	2010	2011	2012	2013	2014	1H'14	1H'15	YoY Change
Operating Revenue	5,448	7,070	8,234	9,826	11,070	5,222	4,789	-8%
Operating Expenses (-)	5,149	6,855	7,616	9,249	10,467	5,117	4,739	-7%
of which Fuel	1,406	2,394	2,887	3,442	3,845	1,885	1,475	-22%
of which Personnel	1,141	1,339	1,376	1,581	1,694	831	820	-1%
of which Depreciation	297	486	574	650	744	358	425	19%
of which Rent	305	252	243	448	543	269	234	-13%
<b>Net Operating Profit / Loss</b>	<b>299</b>	<b>215</b>	<b>618</b>	<b>577</b>	<b>603</b>	<b>105</b>	<b>50</b>	<b>-52%</b>
Income From Other Operations	92	96	94	115	81	59	158	168%
Expense From Other Operations (-)	79	237	64	41	46	13	16	23%
<b>Operating Profit Before Investment Activities</b>	<b>312</b>	<b>73</b>	<b>648</b>	<b>651</b>	<b>638</b>	<b>151</b>	<b>192</b>	<b>27%</b>
Income From Investment Activities (Net)	-	-	274	76	72	25	34	36%
Share of Investments' Profit / Loss	24	6	3	55	75	20	12	-40%
Financial Income	47	158	48	27	443	26	443	1,604%
Financial Expense (-)	99	150	189	307	182	142	109	-23%
<b>Profit Before Tax</b>	<b>237</b>	<b>87</b>	<b>785</b>	<b>502</b>	<b>1,046</b>	<b>80</b>	<b>572</b>	<b>615%</b>
Tax (-)	51	76	128	145	201	-8	166	-2,175%
<b>Net Profit</b>	<b>185</b>	<b>11</b>	<b>657</b>	<b>357</b>	<b>845</b>	<b>88</b>	<b>406</b>	<b>361%</b>



# EBITDAR Calculation

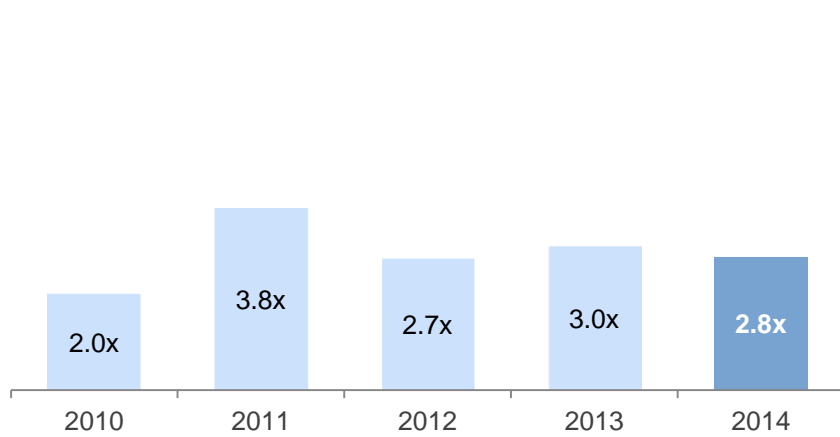
2Q'14	2Q'15	YoY Change	EBITDAR (mn USD)	1H'14	1H'15	YoY Change
2,907	2,570	-12%	Sales Revenue	5,222	4,789	-8%
2,324	2,086	10%	Cost of Sales (-)	4,411	4,035	-9%
<b>583</b>	<b>484</b>	<b>-17%</b>	<b>GROSS PROFIT / (LOSS)</b>	<b>811</b>	<b>754</b>	<b>-7%</b>
71	62	13%	General Administrative Expenses (-)	135	135	0%
304	302	1%	Marketing and Sales Expenses (-)	571	569	0%
<b>208</b>	<b>120</b>	<b>42%</b>	<b>NET OPERATING PROFIT / (LOSS)</b>	<b>105</b>	<b>50</b>	<b>-52%</b>
32	99	209%	Other Operating Income	59	158	168%
6	9	50%	Other Operating Expense (-)	13	16	23%
<b>234</b>	<b>210</b>	<b>-10%</b>	<b>Operating Profit Before Investment Activities</b>	<b>151</b>	<b>192</b>	<b>27%</b>
<b>43</b>	<b>44</b>	<b>2%</b>	<b>Adjustments</b>	<b>47</b>	<b>42</b>	<b>-11%</b>
28	25	-11%	Share of Investments' Profit / Loss Accounted by Using The Equity Method	20	12	-40%
15	19	27%	Income From Government Incentives	27	30	11%
<b>277</b>	<b>254</b>	<b>-8%</b>	<b>EBIT</b>	<b>198</b>	<b>234</b>	<b>18%</b>
174	208	20%	Cost of Sales_Depreciation	337	395	17%
9	11	22%	General Administrative Expenses_Depreciation	18	27	50%
1	1	0%	Marketing and Sales Expenses_Depreciation	3	3	0%
<b>461</b>	<b>474</b>	<b>3%</b>	<b>EBITDA</b>	<b>556</b>	<b>659</b>	<b>19%</b>
75	84	12%	Adjusted Operating Lease Expenses*	151	190	26%
56	42	-25%	Adjusted Short term Lease Expenses (Wet-lease)**	106	75	-29%
<b>591</b>	<b>600</b>	<b>1%</b>	<b>EBITDAR</b>	<b>813</b>	<b>924</b>	<b>14%</b>
<b>20.3%</b>	<b>23.3%</b>	<b>3.0 pt</b>	<b>EBITDAR MARGIN</b>	<b>15.6%</b>	<b>19.3%</b>	<b>3.7 pt</b>

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

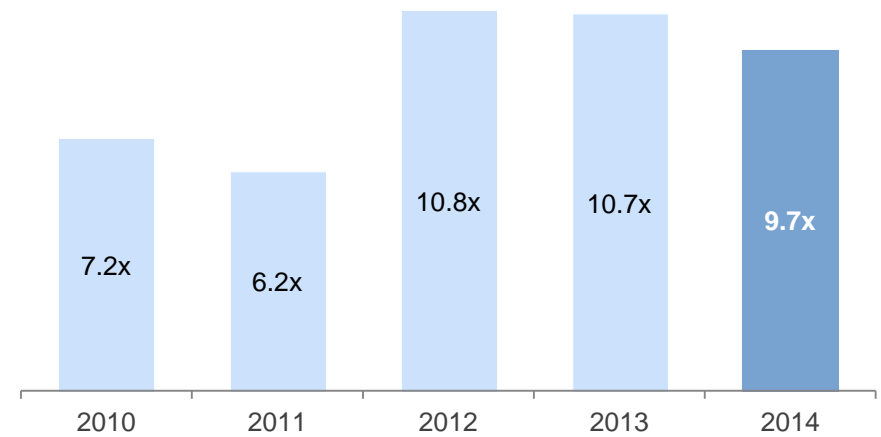
(\*\*): Adjusted for A/C rent portion (Aprox. 55%)

# Financial Ratios as of 31 December 2014

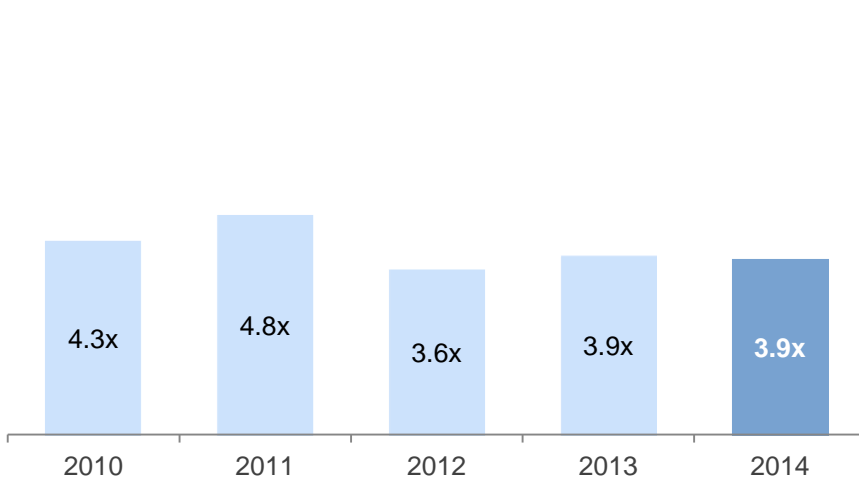
## Net Debt / EBITDA



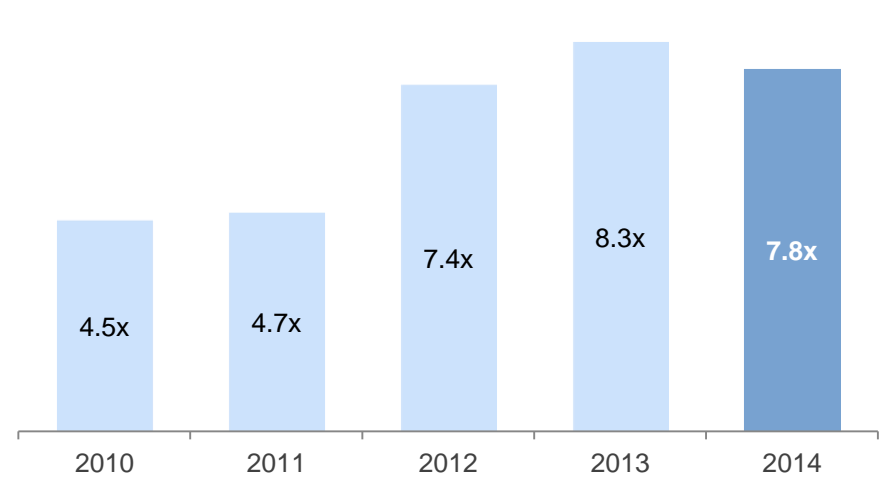
## EBITDA / Net Interest Cost



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



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

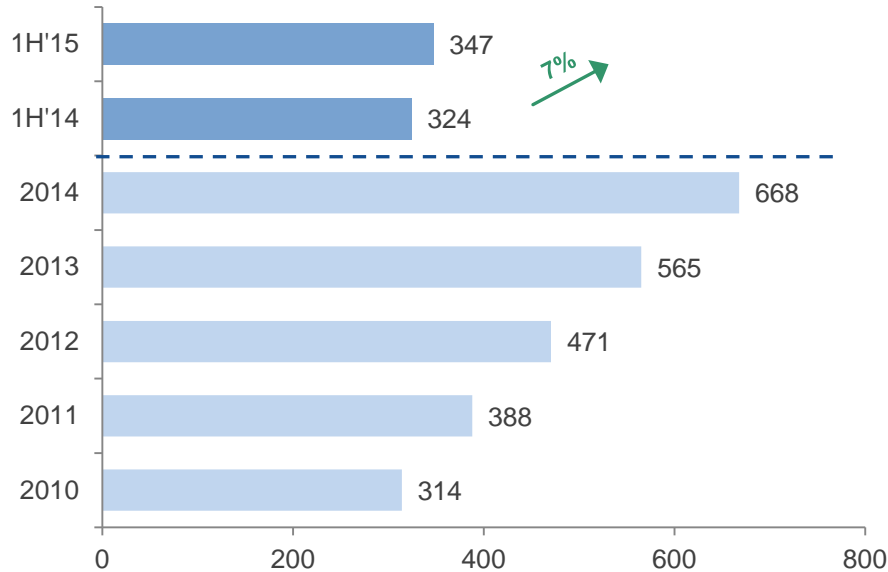


<sup>(1)</sup> Adjusted for the capitalization of operating leases including 55% of wet lease (7x)

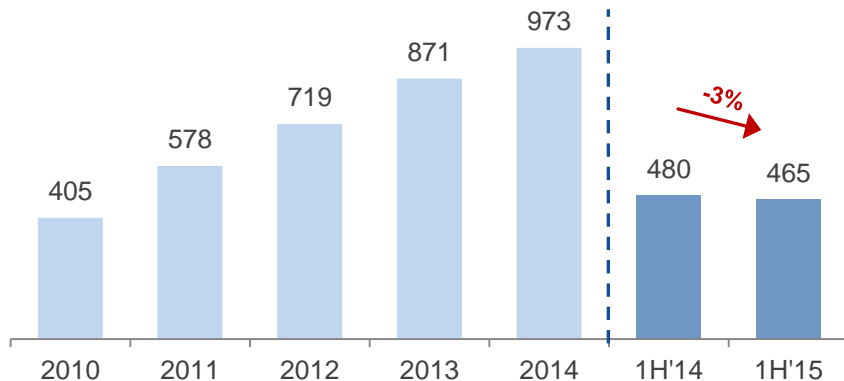
<sup>(2)</sup> Adjusted by the portion of financial costs within operating leases (33%)

# Cargo Transportation

## Cargo Tonnage Carried ('000 Ton)



## Cargo Revenue Evolution (mn USD)



- Turkish Cargo serves 51 destinations with 10 freighters besides 276 destinations with 282 passenger aircraft.
- Turkish Cargo global market share in revenue has increased from 0.6% in 2009 to 1.6% in 2014.
- In 2014, while World FTK grew by 4.5%, Turkish Cargo FTK grew by 17.6% compared to previous year.
- New Cargo Terminal was opened at the end of 2014. The facility has 1.2 million tons of cargo capacity and 43,000 m<sup>2</sup> closed warehouse area.

## Recent Awards

- Overall Carrier of the Year, Combination Carrier of the Year Winner - Payload Asia (2014)
- Best European Cargo Airline – Air Cargo News (2014)
- India Cargo Airline of the Year (2014)
- Best Asia Pacific Cargo Airline (2013)
- International Air Cargo Winner (2013)

# Subsidiaries & Affiliates

Turkish Airlines Group 1H'15		Revenue (mn USD)	Net Profit (mn USD)	% of Sales to Turkish Airlines	Number of Personnel	Paid in Capital (mn USD)	Partnership Structure
1	THY (Consolidated)	4,789	406	-	21,083*	1,597	%49 ÖİB - %51 Open to Public
2	Turkish Opet Aviation Fuels	941	8	82%	422	19	%50 THY - %50 Opet
3	Sun Express (Turkey & Germany Consolidated)	487	-15	25%	3,334	39	%50 THY - %50 Lufthansa
4	THY Turkish Technic	400	6	80%	5,210	358	% 100 THY
5	THY Turkish Do&Co	186	18	89%	5,984	11	%50 THY - %50 Do&Co
6	Turkish Ground Services	120	9	88%	9,526	4	%50 THY - %50 Havaş
7	Pratt Whitney THY Turkish Engine Center (TEC)	111	6	66%	267	29	%51 PW - %49 THY
8	Goodrich Turkish Airlines Technical Service Center	4	0	50%	30	1	%60 TSA Rina - %40 THY Teknik
9	Aircraft Seat Manufacturing Industry & Trade, Inc.	3	-1	100%	41	0	%50 THY & THY Teknik - Assan Hanil %50
10	THY Aydın Çıldır Airport Management, Inc.	1	0	100%	2	19	%100 THY
11	Turkish Cabin Interior Systems Industries, Inc.	2	-2	100%	149	19	%50 THY & THY Teknik - %50 TAI
12	Turbine Technical Gas Turbines Maintenance & Repair, Inc.	1	0	0%	11	6	%50 THY Teknik - %50 Zorlu O&M
13	Tax Free Zone, Inc. (Tax Refund)	-	-	-	8	0.4	%30 THY - %45 Maslak Oto - %25 VK Holding

\* 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.
- › Besides the facility at Ataturk Airport, a new world-class facility, HABOM, located at Sabiha Gökçen International Airport was launched by the end of June'14 with an investment of USD 550 million to increase 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 m<sup>2</sup>.
- › On January 2015, HABOM was awarded LEED (Leadership in Energy and Environmental Design) Gold Certificate by U.S. Green Building Council for its sustainable building design.



# 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 company, which commenced its operations in 2014, has an annual seat production capacity of 10 thousand. By 2024, it is planned to increase seat production 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 m<sup>2</sup> (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 m<sup>2</sup> 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 1<sup>st</sup> 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 Establishment**

1989

**Business Model**

Charter + Scheduled

**Destinations**

20 in Germany, 16 in Turkey, 47 other

**Fleet**

25 B737-800 +  
28 operated for THY

**Seat Capacity**

9,857

**# of Passengers**

2.9 million

**Load Factor (1H'15)**

83.8 %

**Revenues (1H'15)**

352 mn USD

**Net Income (1H'15)**

-2.1 mn USD

**SunExpress  
Germany**

2011

Charter + Scheduled

11 in Germany, 12 in Turkey, 4 in Egypt, 3 in Spain/Canary Islands and 10 other

15 B737-800

2,811

0.8 million

84.6 %

127 mn USD

-12.5 mn USD

**SunExpress  
Consolidated**

Charter + Scheduled

105

68

12,668

3.6 million

84.1 %

487 mn USD

-14.6 mn USD

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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