

# TURKISH AIRLINES

## 2Q'16 Results Summary



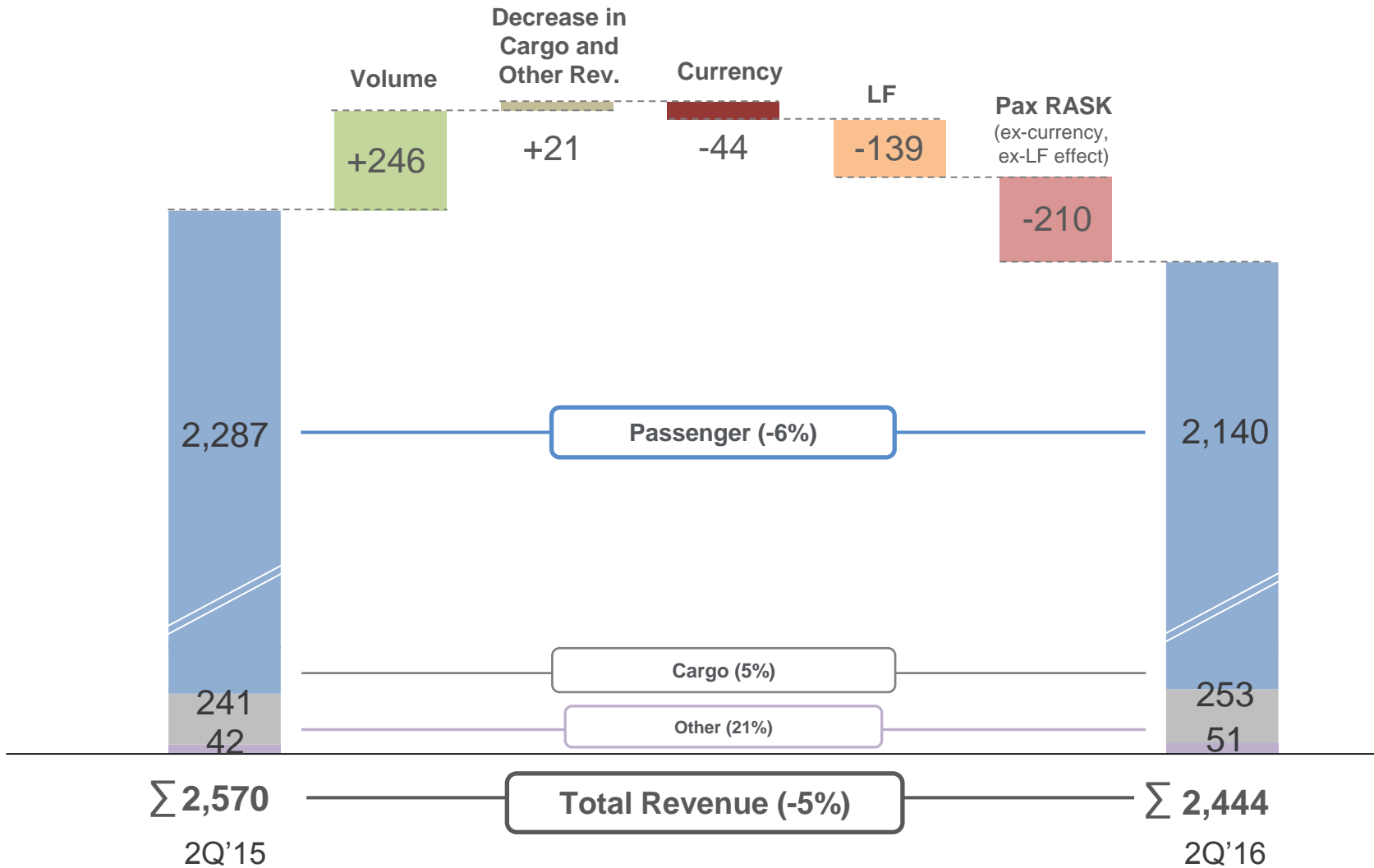
## Key Financial Data

2Q'15	2Q'16	Change	(USD mn)	1H'15	1H'16	Change
2,570	2,444	-4.9%	<b>Revenue</b>	4,789	4,632	-3.3%
2,287	2,140	-6.4%	Passenger Revenue	4,228	4,071	-3.7%
84	-206	-	<b>Net Operating Profit / Loss</b>	50	-486	-
174	-197	-	<b>Profit / Loss From Main Operations</b>	192	-411	-
253	-226	-	<b>Net Income</b>	406	-647	-
9.8%	-9.2%	-19.1 pt	Net Income Margin	8.5%	-14.0%	-22.4 pt
565	319	-43.6%	<b>EBITDAR</b>	924	534	-42.2%
22.0%	13.0%	-9.0 pt	EBITDAR Margin	19.3%	11.5%	-7.8 pt

(USD mn)	2015	30.06.2016	Change
<b>Net Debt</b>	5,489	7,754	41.3%
<b>Total Assets</b>	16,383	18,115	10.6%

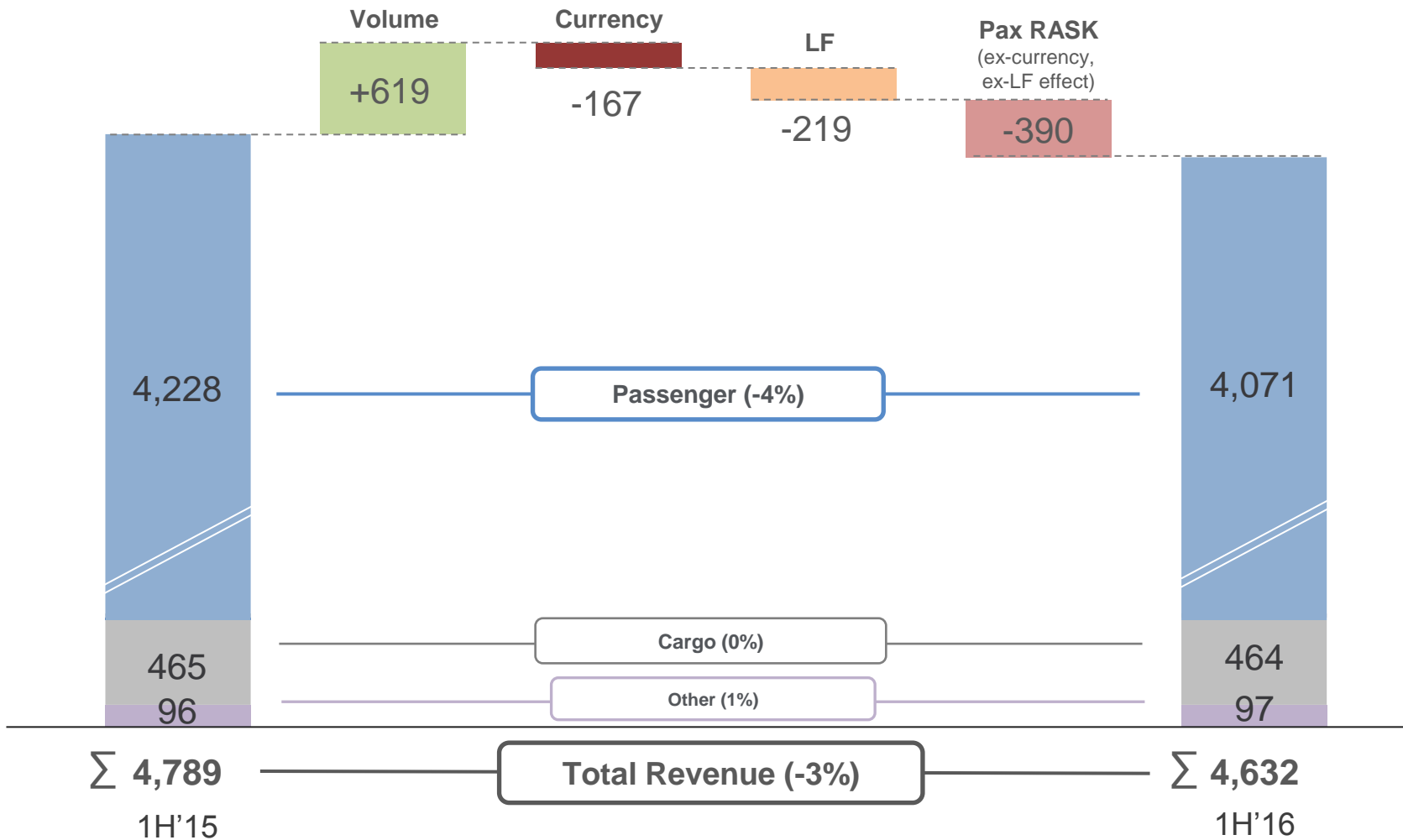
# Revenue Development (2Q'15 vs 2Q'16)

(mn USD)



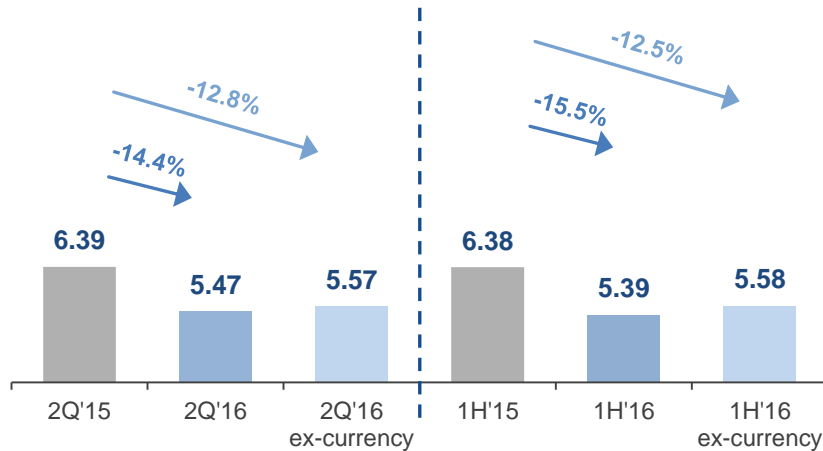
# Revenue Development (1H'15 vs 1H'16)

(mn USD)

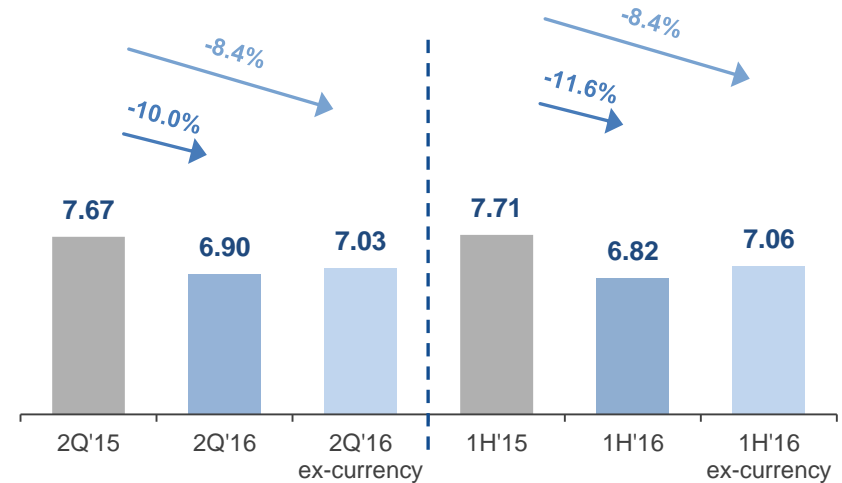


# Unit Revenue Development

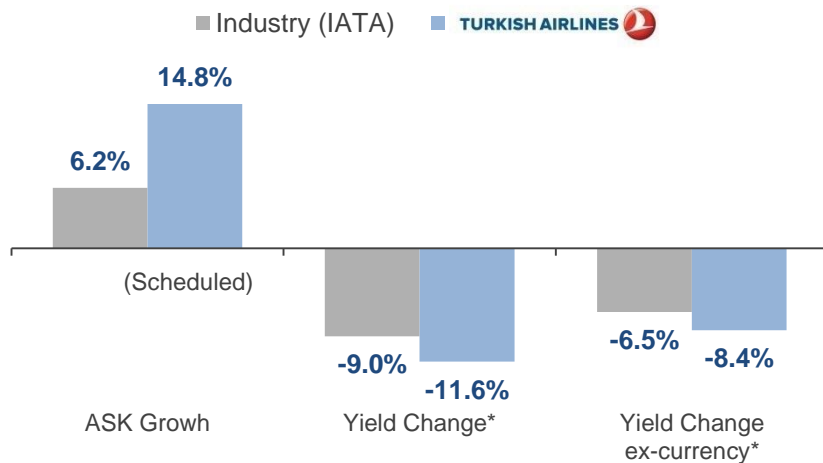
## RASK (USc)



## R/Y (USc)



## Industry Comparison (1H'16)



- Lower fuel prices and increased capacity supply continued to pressure yields.
- Istanbul and European terror attacks depressed yields further due to decreased local demand.
- Newly opened long-haul routes decreased yields further due to stage length effect.
- Active capacity management is aimed to alleviate the effects of capacity surplus on RASK.
- Measures include reducing frequencies and downgauging aircraft in the demand-challenged routes while preserving the network integrity.
- New touristic routes is to support winter season (Seychelles, Cuba, Hanoi, Bogota, Panama)

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

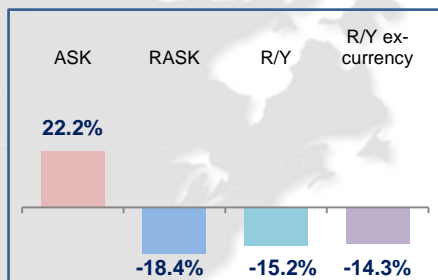
Source: IATA Industry Economic Performance (2015), Airlines Financial Monitor (June 2015), IATA yield data is for Jan-May period.

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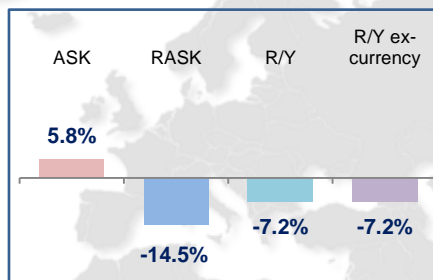


# Regional Yield Development in USD (2Q'15 vs 2Q'16)

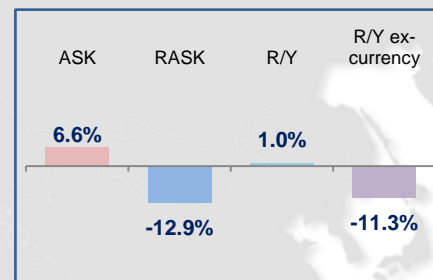
## America



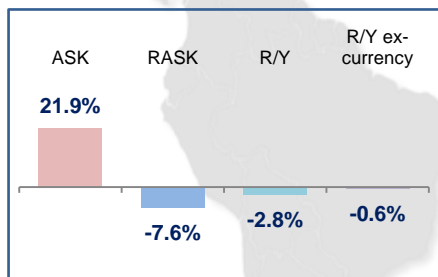
## Europe & CIS



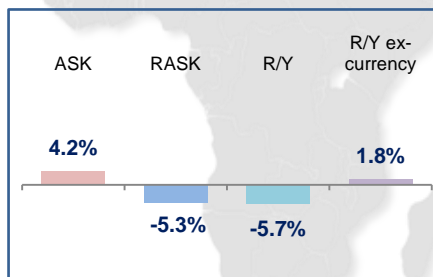
## Asia / Far East



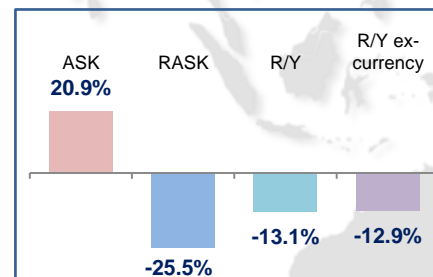
## Africa



## Domestic

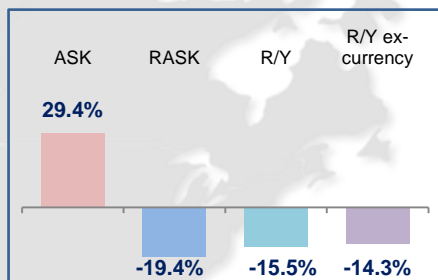


## Middle East

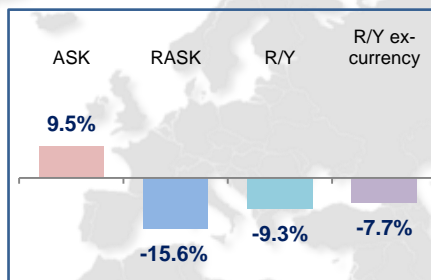


# Regional Yield Development in USD (1H'15 vs 1H'16)

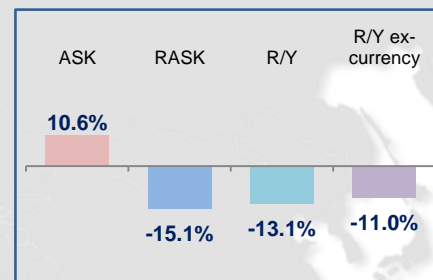
## America



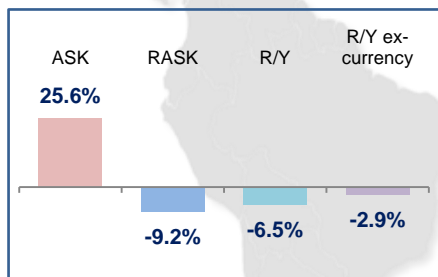
## Europe & CIS



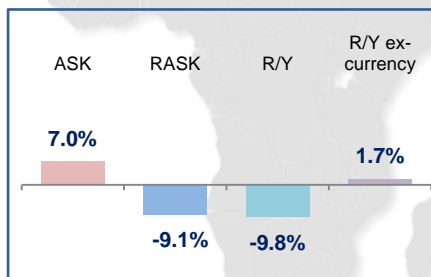
## Asia / Far East



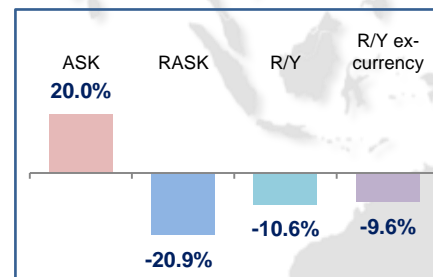
## Africa



## Domestic

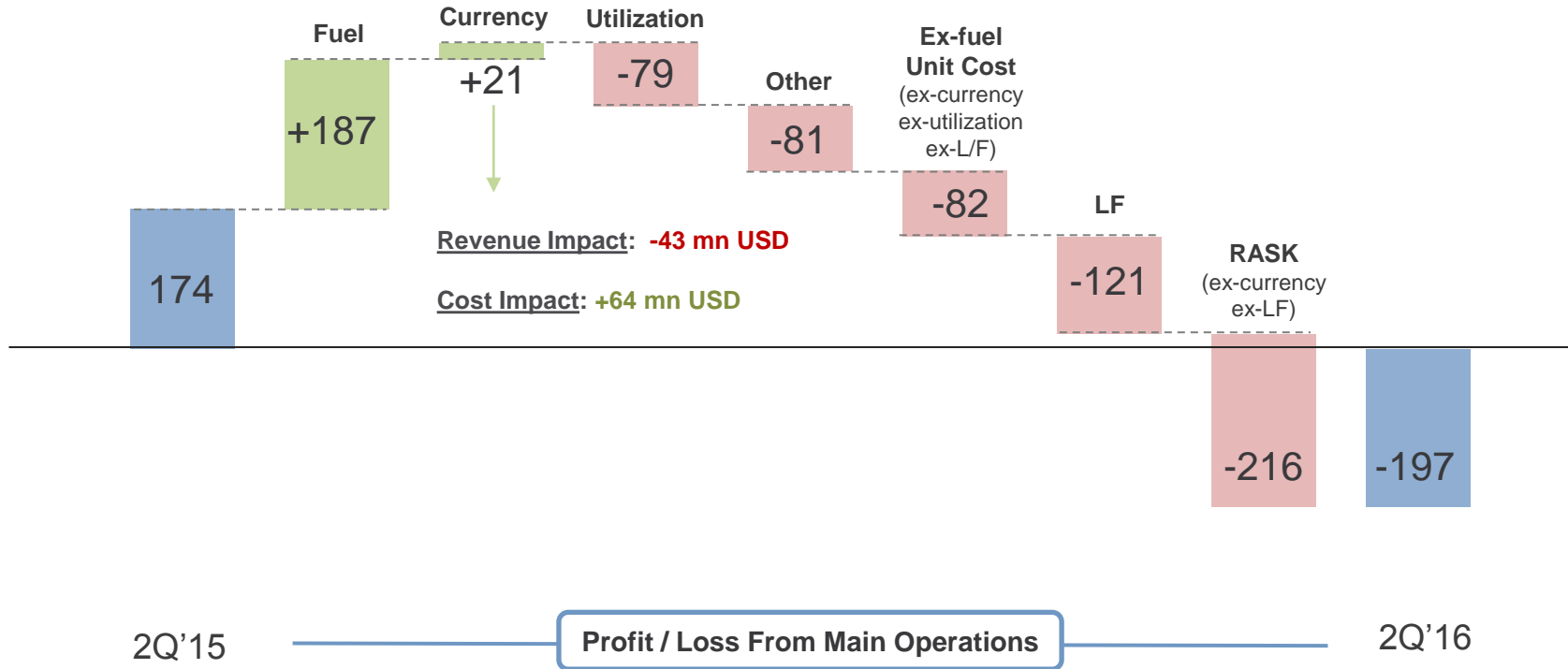


## Middle East



# Profit From Main Operations Bridge (2Q'15 vs 2Q'16)

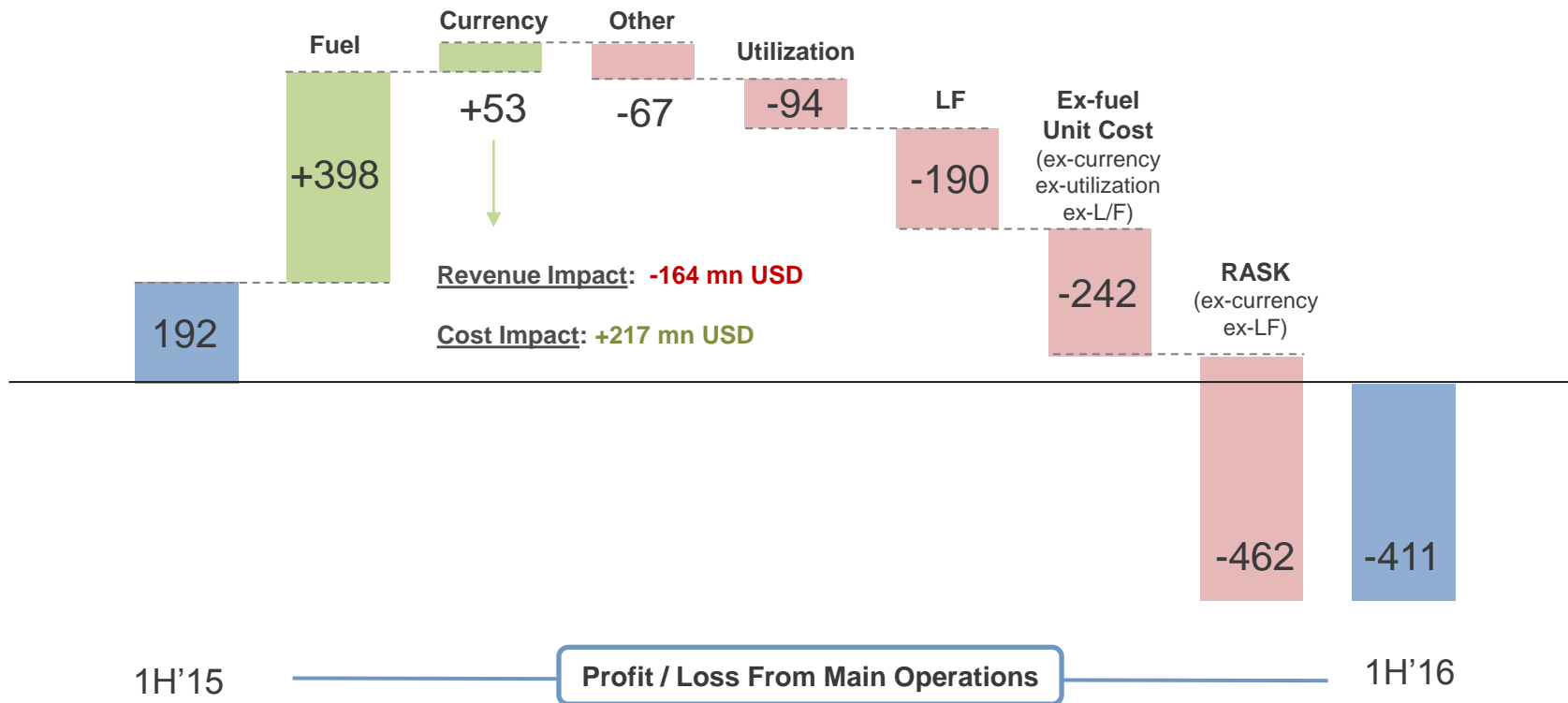
(mn USD)





# Profit From Main Operations Bridge (1H'15 vs 1H'16)

(mn USD)



# Operational Expense Breakdown

2Q'15	2Q'16	Change	(mn USD)	1H'15	1H'16	Change
791	672	-15.0%	<b>Fuel</b>	1,476	1,276	-13.6%
408	480	17.6%	<b>Personnel<sup>(1)</sup></b>	820	973	18.7%
346	420	21.4%	<b>Aircraft Ownership</b>	659	814	23.5%
230	244	6.1%	<b>Airports &amp; Air Navigation</b>	433	468	8.1%
236	272	15.3%	<b>Sales &amp; Marketing</b>	436	513	17.7%
157	168	7.0%	<b>Ground Handling</b>	301	322	7.0%
146	150	2.7%	<b>Passenger Services &amp; Catering</b>	283	292	3.2%
112	166	48.2%	<b>Maintenance<sup>(2)</sup></b>	207	309	49.3%
20	30	50.0%	<b>General Administration</b>	44	56	27.3%
40	48	20.0%	<b>Other Cost of Sales</b>	80	95	18.8%
<b>2,486</b>	<b>2,650</b>	<b>6.6%</b>	<b>TOTAL</b>	<b>4,739</b>	<b>5,118</b>	<b>8.0%</b>

ASK Growth: **10.6%**

ASK Growth: **14.6%**

## Notes:

- (1) Includes onetime net payment made to the unionized staff amounting 39 mn USD, 7% wage increase for the first half and 6% for the second half of 2016.
- (2) Increase in maintenance expense is due to unit cost increase, shortfall in heavy maintenance provisions (53 mn USD), rescheduling regular maintenance checks to earlier date in order to benefit from lower utilization levels (31 mn USD).

# CASK Breakdown

2Q'15	2Q'16	Change	(USc)	1H'15	1H'16	Change
2.06	1.59	-23.2%	<b>Fuel</b>	2.07	1.56	-24.5%
1.07	1.13	6.4%	<b>Personnel</b>	1.15	1.19	3.6%
0.90	0.99	9.8%	<b>Aircraft Ownership</b>	0.92	1.00	7.8%
0.60	0.58	-4.1%	<b>Airports &amp; Air Navigation</b>	0.61	0.57	-5.6%
0.62	0.64	4.2%	<b>Sales &amp; Marketing</b>	0.61	0.63	2.7%
0.41	0.40	-3.2%	<b>Ground Handling</b>	0.42	0.39	-6.6%
0.38	0.35	-7.1%	<b>Passenger Services &amp; Catering</b>	0.40	0.36	-9.9%
0.29	0.39	34.0%	<b>Maintenance</b>	0.29	0.38	30.3%
0.05	0.07	35.6%	<b>General Administration</b>	0.06	0.07	11.1%
0.10	0.11	8.5%	<b>Other Cost of Sales</b>	0.11	0.12	3.7%
<b>6.49</b>	<b>6.26</b>	<b>-3.6%</b>	<b>TOTAL</b>	<b>6.64</b>	<b>6.26</b>	<b>-5.7%</b>

CASK ex-currency change: **-1.7%**

Ex-fuel CASK ex-currency change: **+8.6%**

(1)

(1) Increase in constant currency ex-fuel CASK results from 17% increase in personnel, 6% increase in sales&marketing (seasonal, should normalise for full year) and increase in maintenance CASK (+%37).

## Selected KPI's

2Q'15	2Q'16	Change		1H'15	1H'16	Change
735	575	-21.8%	<b>Fuel Price (Usd/ton)</b>	738	563	-23.8%
3.51	3.45	-1.8%	<b>Fuel Consumption (lt) per 100 ASK</b>	3.50	3.47	-1.0%
1,059	1,224	15.5%	<b>Aircraft Ownership Cost per BH</b>	1,083	1,218	12.5%
343	484	41.1%	<b>Maintenance Cost per BH</b>	340	463	36.0%
1,369	1,421	3.8%	<b>Handling Cost per Landing</b>	1,417	1,424	0.5%
1,067	1,063	-0.4%	<b>Airports &amp; Air Navigation Cost per km Flown</b>	1,061	1,049	-1.2%
9.34	9.44	1.1%	<b>Passenger Services &amp; Catering Cost per Pax</b>	9.93	9.72	-2.2%
10.3%	12.7%	2.4 pt	<b>Sales &amp; Marketing Cost / Passenger Revenue</b>	10.3%	12.6%	2.3 pt

# EBITDAR Calculation

2Q'15	2Q'16	Change	(mn USD)	1H'15	1H'16	Change
2,570	2,444	-5%	Sales Revenue	4,789	4,632	-3%
2,122	2,221	5%	Cost of Sales (-)	4,035	4,290	6%
<b>448</b>	<b>223</b>	<b>-50%</b>	<b>GROSS PROFIT / (LOSS)</b>	<b>754</b>	<b>342</b>	<b>-55%</b>
62	83	34%	General Administrative Expenses (-)	135	165	22%
302	346	15%	Marketing and Sales Expenses (-)	569	663	17%
<b>84</b>	<b>-206</b>	<b>-</b>	<b>NET OPERATING PROFIT / (LOSS)</b>	<b>50</b>	<b>-486</b>	<b>-</b>
99	8	-92%	Other Operating Income	158	81	-49%
9	-1	-	Other Operating Expense (-)	16	6	-63%
<b>174</b>	<b>-197</b>	<b>-</b>	<b>Profit / (Loss) from Main Operations</b>	<b>192</b>	<b>-411</b>	<b>-</b>
<b>44</b>	<b>43</b>	<b>-2%</b>	<b>Adjustments</b>	<b>42</b>	<b>37</b>	<b>-12%</b>
25	22	-12%	Share of Investments' Profit / Loss Accounted by Using The Equity Method	12	-2	-
19	21	11%	Income From Government Incentives	30	39	30%
<b>218</b>	<b>-154</b>	<b>-</b>	<b>EBIT</b>	<b>234</b>	<b>-374</b>	<b>-</b>
222	286	29%	Depreciation	425	556	31%
<b>440</b>	<b>132</b>	<b>-70%</b>	<b>EBITDA</b>	<b>659</b>	<b>182</b>	<b>-72%</b>
83	146	77%	Adjusted Operating Lease Expenses*	190	274	44%
42	40	-5%	Adj. Short term Lease Expenses (Wet-lease)**	75	78	4%
<b>565</b>	<b>319</b>	<b>-44%</b>	<b>EBITDAR</b>	<b>924</b>	<b>534</b>	<b>-42%</b>
<b>22.0%</b>	<b>13.0%</b>	<b>-9.0 pt</b>	<b>EBITDAR MARGIN</b>	<b>19.3%</b>	<b>11.5%</b>	<b>-7.8 pt</b>

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

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

## Notes:

- (1) For the 1H'16 Turkish Technic's contribution to EBITDAR through consolidation is 83 mn USD, compared to 40 mn in 1H'15.
- (2) For 1H'16 adjustments for heavy maintenance of operational lease expenses were 158 mn USD compared to 93 mn USD in 1H'15.

# Currency Gains/Losses and Hedging Results on P&L

USD (in millions)	30.06.2016	
<b>Net Operational Profit</b>	<b>-486</b>	
Other Operational Income/Expense		+75
of which FX Gains from operating items (1)		<b>+11</b>
<b>Profit /Loss from Main Operations</b>	<b>-411</b>	
Income from Investment Activities (Net)		+36
Share of Subsidiaries Profit/Loss		-2
FX Loss from Financing Activities (2)		<b>-462</b>
FX Gain on Currency Hedging (3)		<b>+19</b>
Interest Income		+15
Interest Expense		-90
Other Financial Income/Expense		+76
of which fair value losses of derivative inst.(4)		<b>+47</b>
<b>Profit Before Tax</b>	<b>-819</b>	
Tax		+172
<b>Net Profit</b>	<b>-647</b>	

## 1) Fx Gains from Operating Items

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

## 2) Fx Loss from Financing Activities

Unrealized currency translation differences between two balance sheet periods which is reflected into the income statement as FX Loss, hence increasing USD debt levels.

EUR: **-26 mn USD**

JPY: **-434 mn USD**

CHF: **-2 mn USD**

## 3) Currency Hedging Results

Results for hedging short positions on USD (mostly from previous contracts) and TRY against EUR

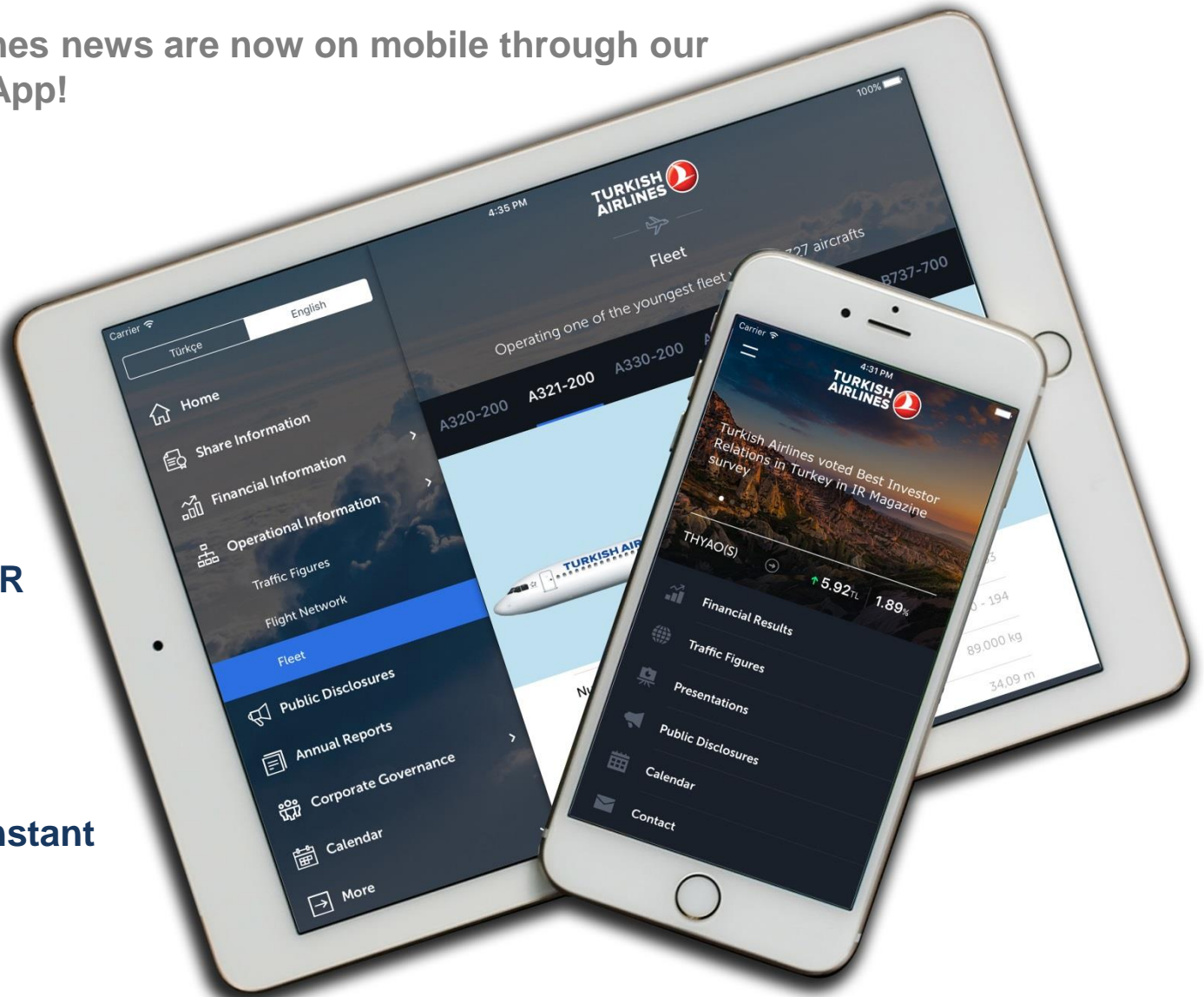
## 4) Fair Value Losses on Hedging Contracts

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

**Important Note:** Our long term (10-12 years) borrowing needs are financed through different currencies in which annual debt repayment obligations can be easily fulfilled directly from the cash generated from our operations in each of the respective currency eliminating any FX exposure.

# Our Mobile IR Application is released!

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- **Multi-Platform Compatibility**
- **Stay alert via instant notifications**

\* The application is accessible via Apple Store and Google Play with the searching word "Turkish Airlines".

# TURKISH AIRLINES

## 1H'16 Results



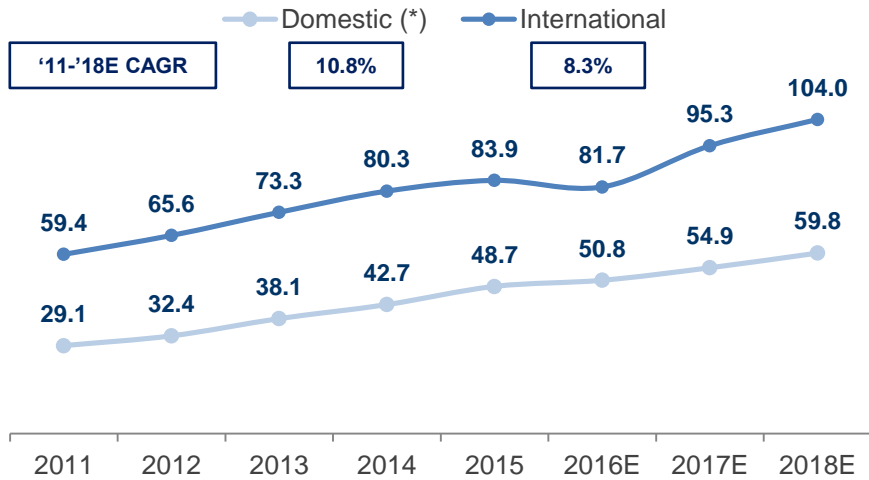
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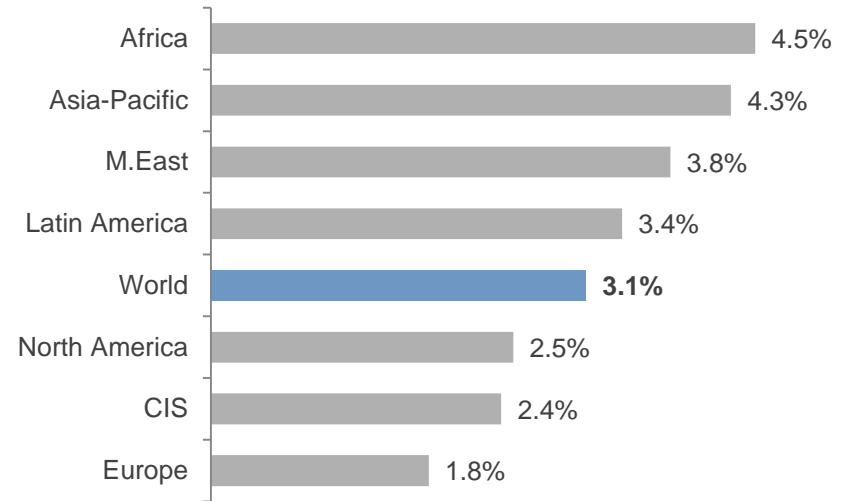
# Aviation Market & Economy

## Turkish Market Growth (mn pasengers)

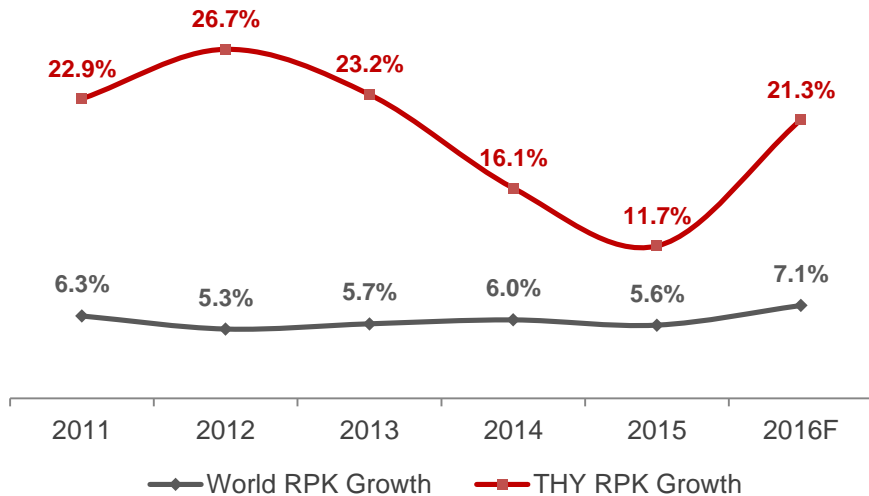


Source: General Directorate of State Airports Authority (DHMI)  
 (\*): Adjusted for double count on Domestic Pax

## Annual GDP Growth Forecast (2015-2034)

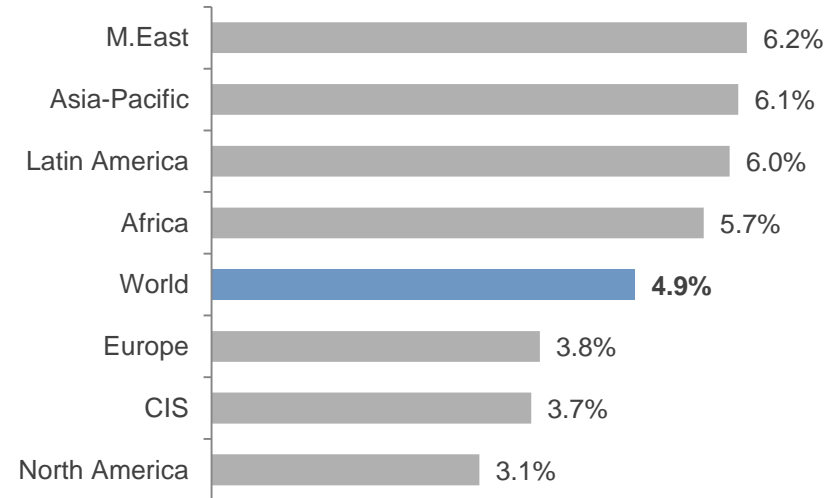


## Annual RPK Growth (%)



Source: IATA

## Annual RPK Growth Forecast (2015-2034)

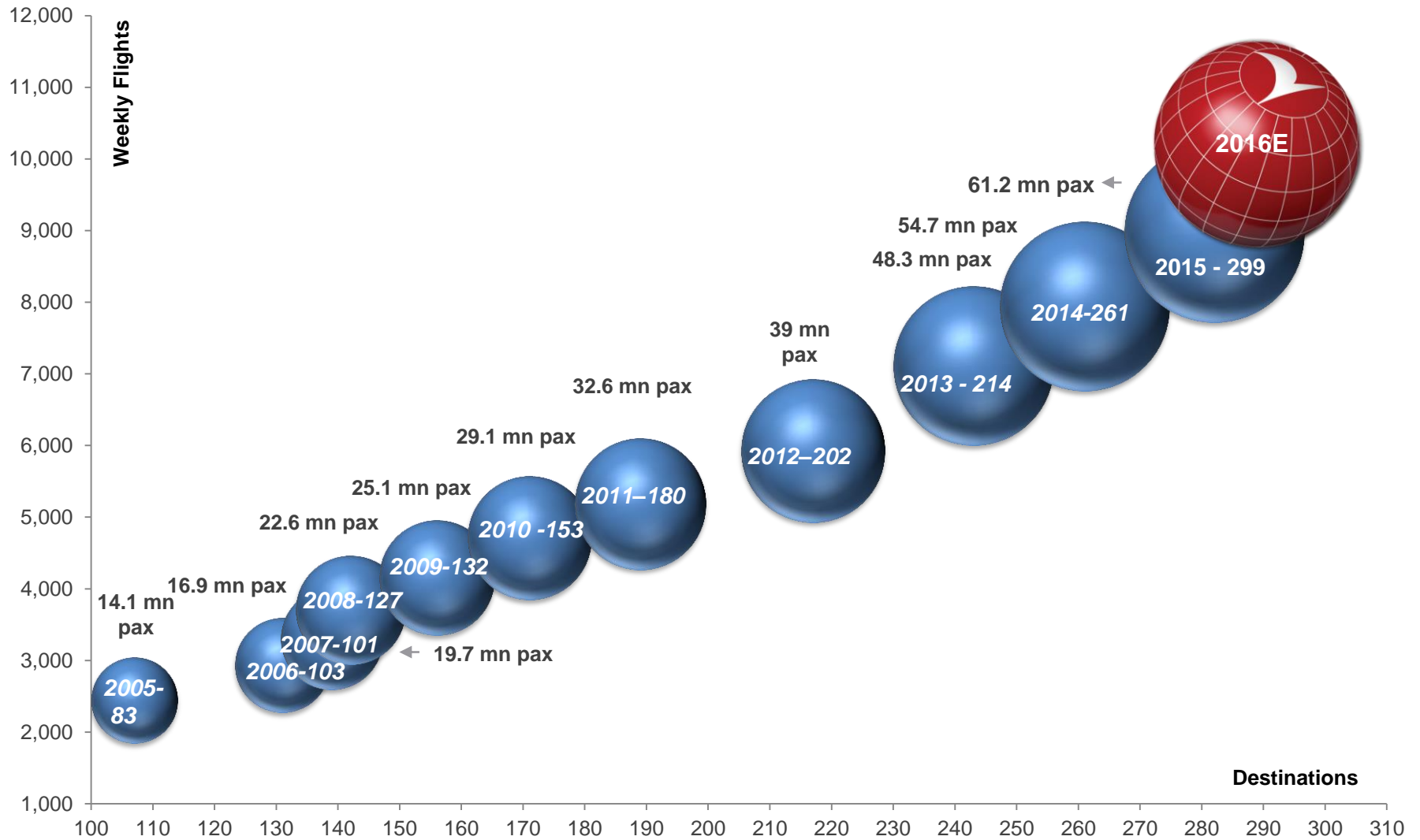


Source: Boeing Current Market Outlook

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# Turkish Airlines Diagonal Growth



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

# Destinations: 241\* International, 49 Domestic Lines in 116 Countries

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

### Routes Opened

Zaporijya
Ivano-Frankivsk
Dubrovnik
Kosice

### Future Routes

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

AFRICA			
31 COUNTRIES, 48 CITIES			
Egypt	35	Gabon	5
Cairo	21	Libreville	5
Alexandria	7	Malawi	5
Hurghada	7	Bamako	5
Shamel-Sheikh	-	Burkina Faso	4
Algeria	35	Ougadougou	4
Algiers	21	Cote D'Ivoire	4
Oran	7	Abidjan	4
Constantine	3	Chad	4
Tiemcen	3	N'Djamena	4
Batna	2	Benin	4
South Africa	21	Cotonou	4
Johannesburg	10	Mozambique	4
Cape Town	7	Maputo	4
Durban	4	Niger	3
Nigeria	18	Niamey	3
Lagos	7	Eritrea	3
Abuja	11	Porto	3
Kano	4	Madagascar	3
Cameroon	14	Antananarivo	3
Douala	7	Mauritius	3
Yaounde	7	Port Louis	3
Kenya	14	Libya	-
Mombasa	7	Misurata	-
Nairobi	7	Benghazi	-
Tanzania	14	Sebha	-
Dar Es Salaam	7	Tripoli	-
Kilimenjaro	7		
Tunisia	14		
Tunis	14		
Djibouti	7		
Djibouti	7		
Ethiopia	7		
Addis Ababa	7		
Ghana	7		
Accra	7		
Morocco	7		
Casablanca	7		
Rwanda	7		
Kigali	7		
Somalia	7		
Mogadishu	7		
Sudan	7		
Khartoum	7		
Uganda	7		
Entebbe	7		
Mauritania	7		
Nouakchott	7		
Senegal	7		
Dakar	7		
Congo	5		
Kinshasa	5		

### Routes Opened

Maputo
Durban
Antananarivo
Port Louis

### Future Routes

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

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

### Future Routes

Saudi Arabia
Abha

AMERICAS			
6 COUNTRIES, 15 CITIES			
USA	84	Columbia	3
New York	21	Bogota	3
Los Angeles	11	Panama	3
Washington	10	Panama	3
Boston	7		
Chicago	7		
Houston	7		
Miami	7		
Atlanta	7		
San Francisco	7		
Canada	9		
Toronto	6		
Montreal	3		
Argentina	7		
Buenos Aires	7		
Brazil	7		
Sao Paulo	7		

### Routes Opened

Bogota
Panama
Atlanta
Miami

### Future Routes

Cuba
Havana
Mexico
Mexico City
Venezuela
Caracas

FAR EAST			
22 COUNTRIES, 35 CITIES			
China	34	Bangladesh	7
Beijing	7	Dhaka	7
Guangzhou	7	Indonesia	7
Shanghai	7	Jakarta	7
Taipei	7	Maldives	7
Hong Kong	6	Male	7
Pakistan	28	Singapore	7
Karachi	14	Singapore	7
Islamabad	7	Sri Lanka	7
Lahore	7	Colombo	7
Kyrgyzstan	20	Uzbekistan	7
Bishkek	15	Tashkent	7
Osh	5	Philippines	7
Kazakhstan	15	Manila	7
Almaty	10	Tajikistan	5
Astana	5	Dushanbe	3
Japan	14	Khujand	2
Tokyo	7	Nepal	4
Osaka	7	Kathmandu	4
India	14	Mongolia	3
Mumbai	7	Ulaanbaatar	3
New Delhi	7		
Thailand	14		
Bangkok	14		
Turkmenistan	14		
Ashgabat	14		
Malaysia	14		
Kuala Lumpur	14		
South Korea	11		
Seoul	11		
Afghanistan	10		
Kabul	7		
Mazar-i Sharif	3		
Vietnam	10		
Ho Chi Minh	5		
Hanoi	5		

### Routes Opened

Hanoi
-------

### Future Routes

Thailand
Phuket
Indonesia
Denpasar

### DOMESTIC

49 CITIES

\* As of 30.06.2016. Numbers shown on the second columns represent weekly flight frequencies.

# Istanbul's Geographical Advantage - A Natural Hub

## Narrow Body Range Capability to and from Istanbul

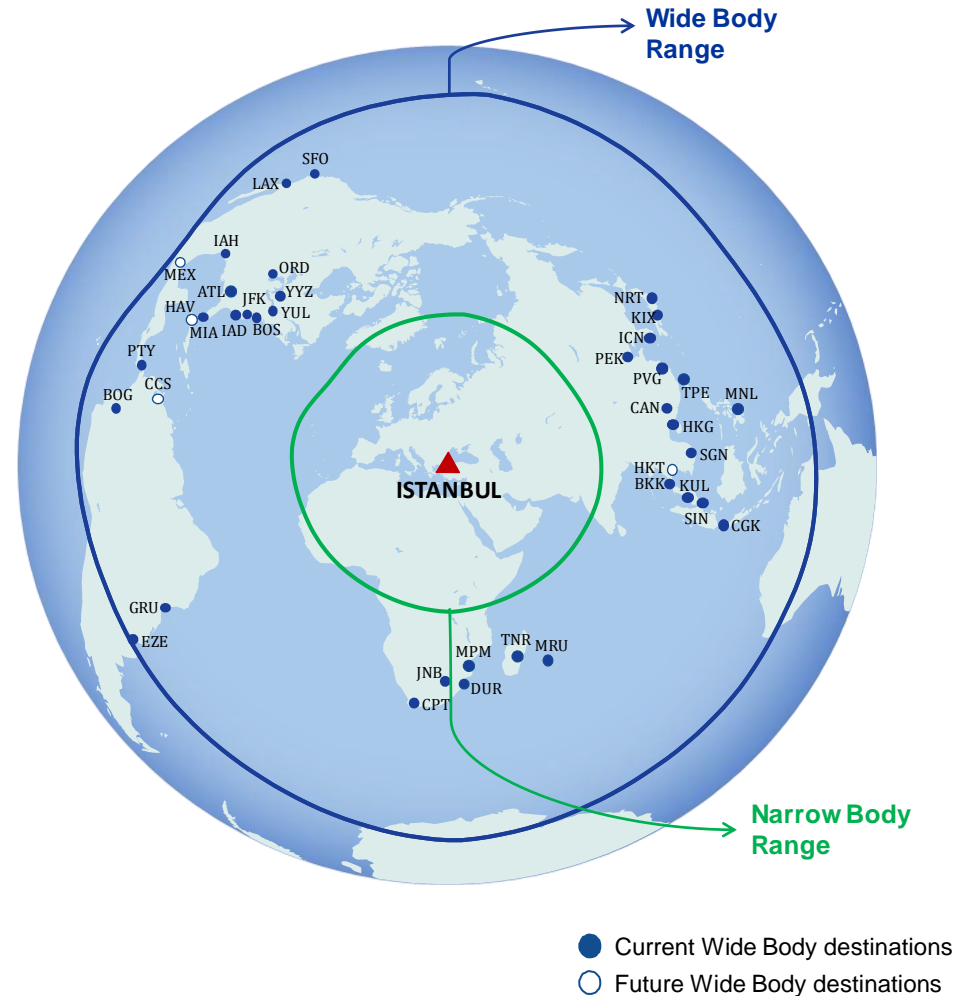
(with full passenger payload)

- ✓ 199 out of 241 international destinations
- ✓ More than 40% of world-wide international traffic
- ✓ Over 60 national capitals
- ✓ All of Europe, Middle East, Central Asia and North and East Africa

## Highest Coverage of Non-Hub Cities

We fly to 44 of the Global Top 50 Hub Airports...

	Outside Top 50 Hubs	Among Top 50 Hubs	# of Total Int'l Airports	Int'l Pax Coverage (%)
<b>THY</b>	<b>197</b>	<b>44</b>	<b>236</b>	<b>78.5%</b>
British Airways	116	43	159	77.6%
Lufhansa	97	44	141	78.1%
Emirates	91	41	132	74.0%
Air France	84	39	123	67.1%



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

# Highest Connectivity for Europe, Africa and Middle East

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

### Europe to the World

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

### Middle East to the World

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

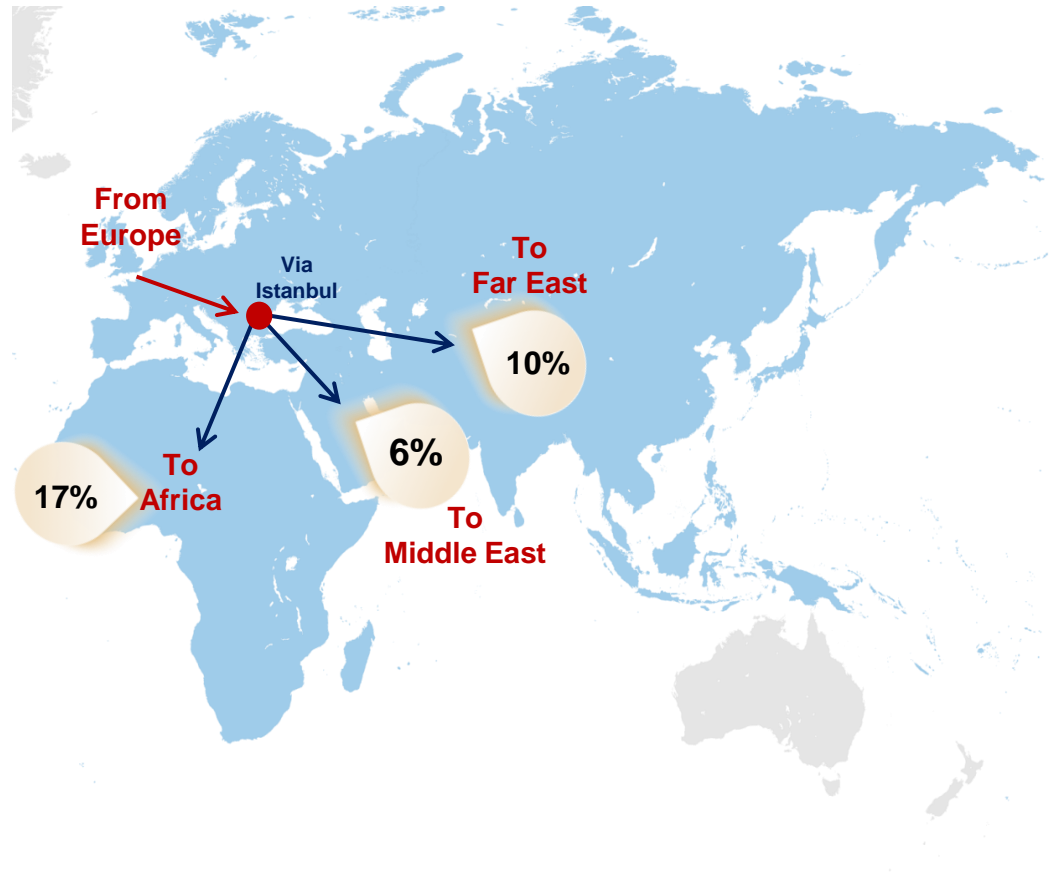
### Africa to the World

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

### Far East to the World

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

## Detour\* Advantage

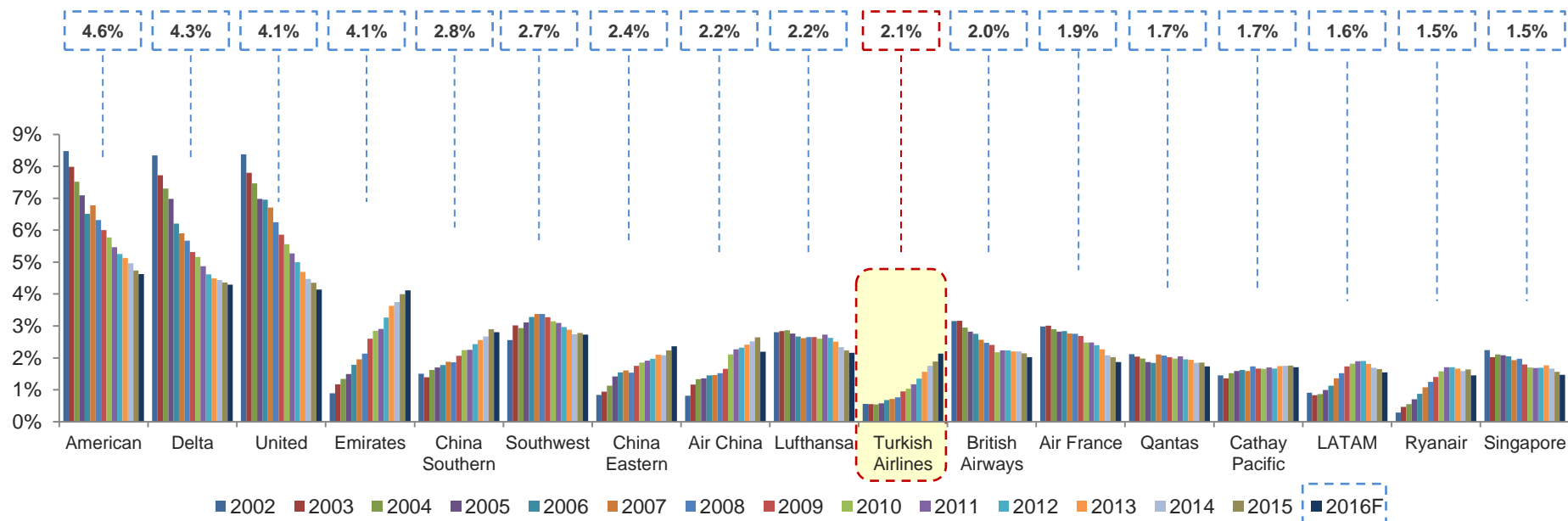


\* Detour: Increase in the flight distance compared to a non-stop flight. Forecasted by using 6,000 arrival-departure cities

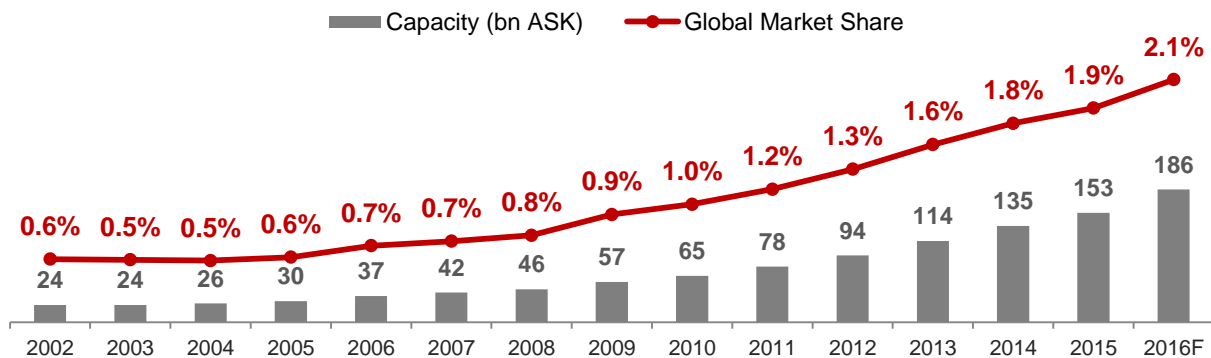
Source: Retrieved from OAG on 3 May 2016.

# Global Market Share Development

## Global Market Share Trends (in ASK)



## Turkish Airlines Market Share Development

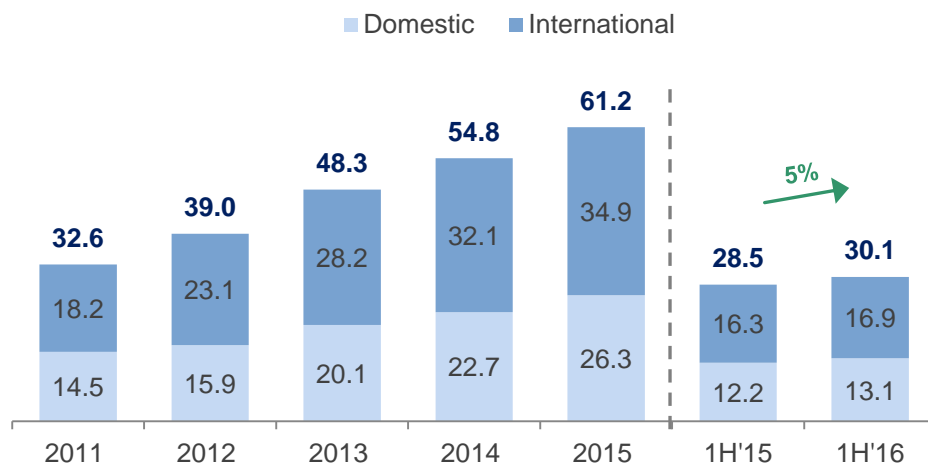


**Notes:** For US carriers regional flights are excluded. Wholly owned subsidiaries are included in the calculation. 2016 capacities are obtained from OAG on 12 February 2016. Lufthansa figures include Lufthansa Passenger Airline and germanwings.

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

# Passenger Traffic (1H'16)

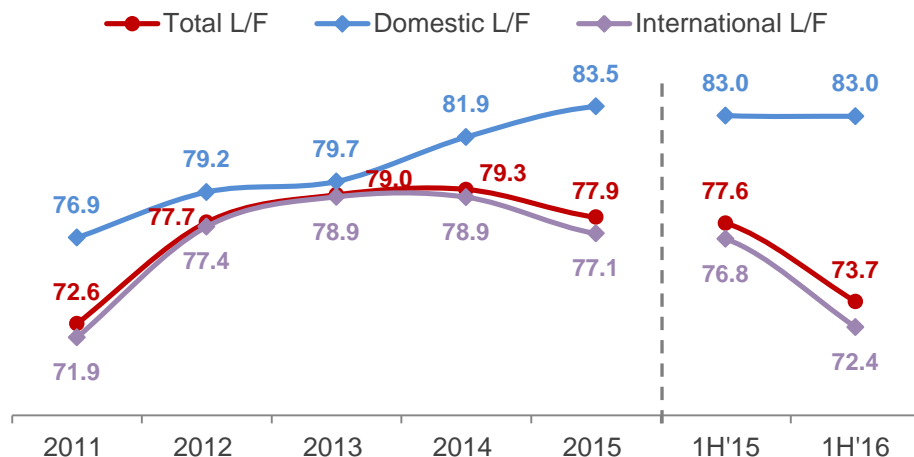
## Total Passengers (mn)



## THY Passenger Traffic

	1H'15	vs	1H'16
Landing		up by	6.4%
ASK		up by	14.6%
RPK		up by	8.7%
Passenger #		up by	5.5%
L/F		down by	-3.9 pt

## Load Factor (L/F %)

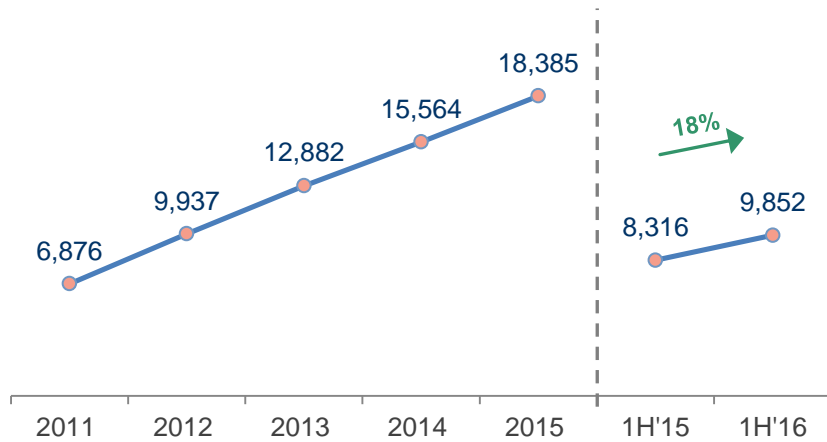


## Annual Changes (%)

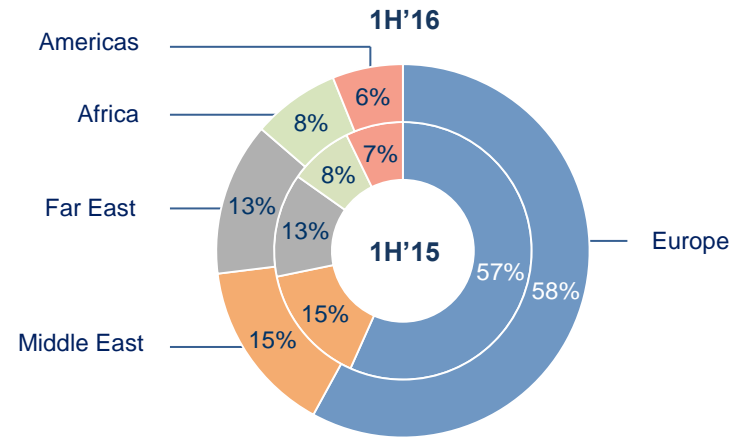
	2011	2012	2013	2014	2015
ASK	25%	18%	21%	16%	14%
RPK	23%	27%	23%	16%	12%
PAX	12%	20%	24%	14%	12%
L/F (pt)	-1.1	+5.1	+1.4	+0.3	-1.4

# Passenger Breakdown (1H'16)

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

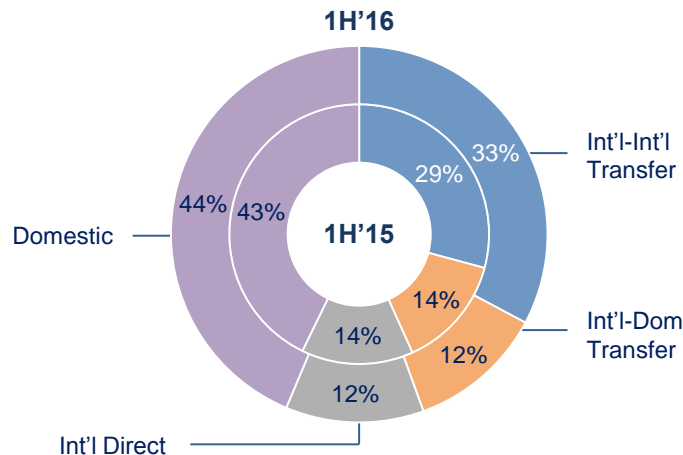


## Int'l Passenger Breakdown by Geography



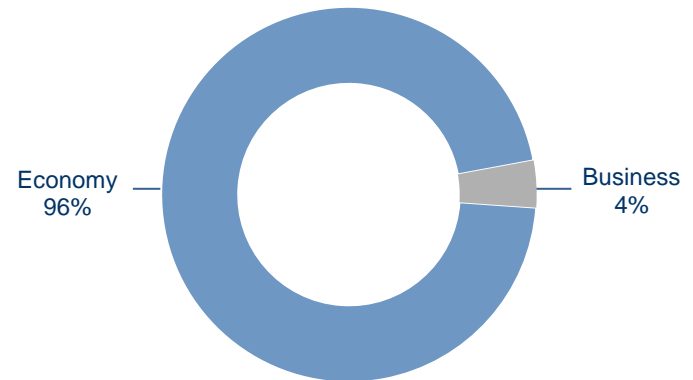
Note: Includes only scheduled passengers.

## Passenger Breakdown by Transfer Type



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

## Passenger Breakdown by Cabin Class

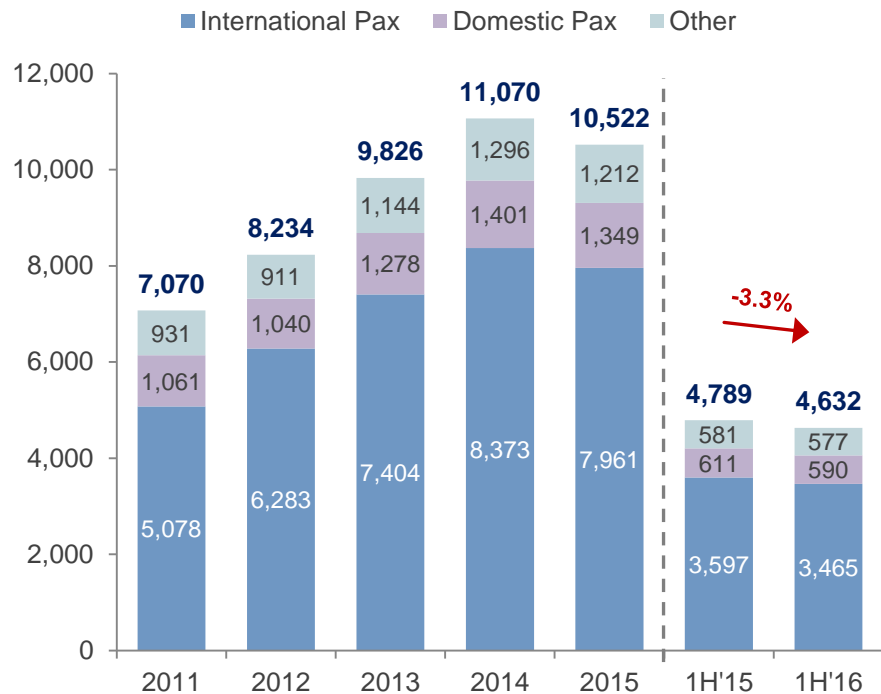


Note: Includes only scheduled passengers.

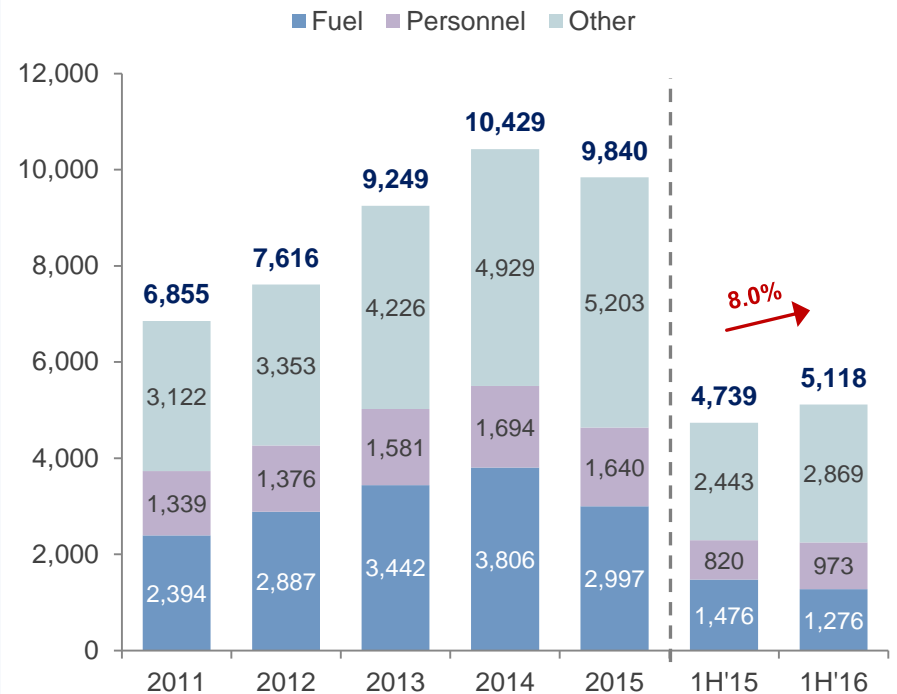


# Total Revenue and Expenses

## Revenues (mn USD)



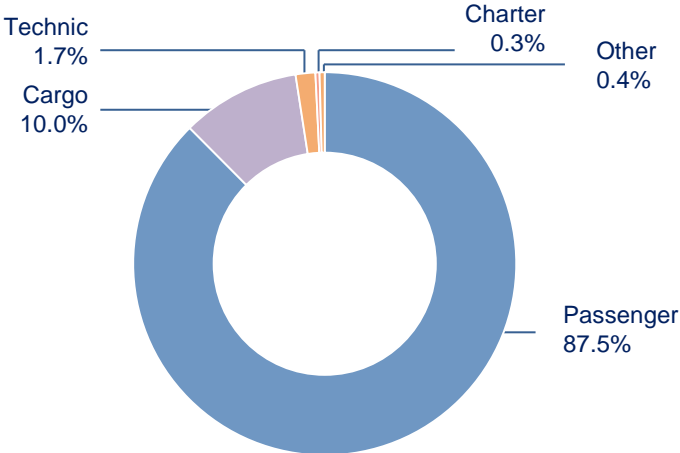
## Expenses (mn USD)



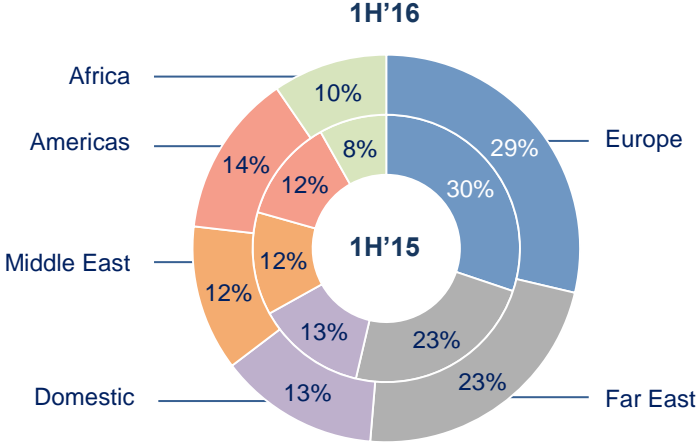
**Note:** Other revenue includes cargo, charter and other revenue

# Revenue Breakdown (1H'16)

## Revenue by Business Type

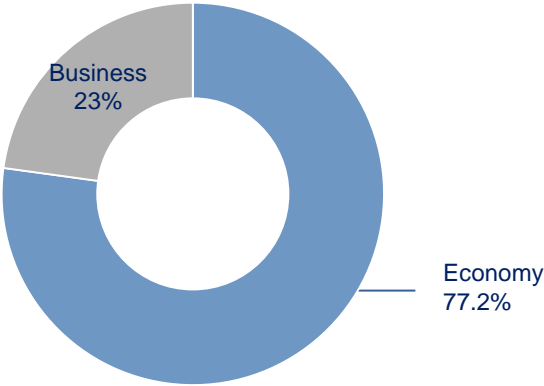


## Revenue by Geography

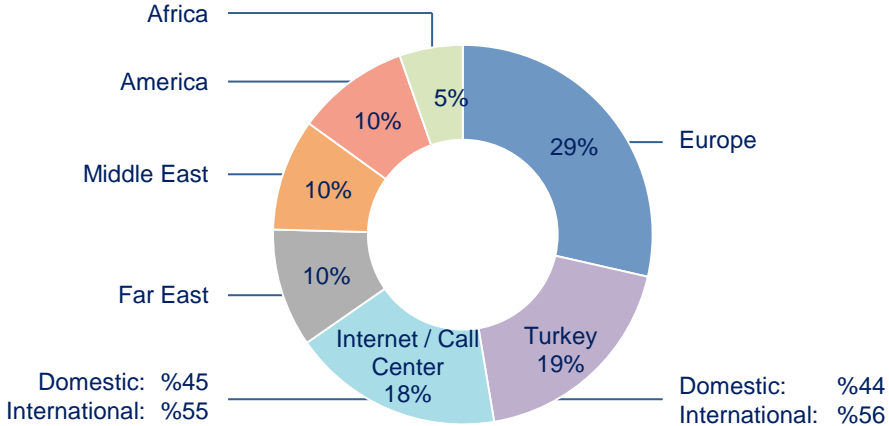


Note: Includes scheduled passenger and cargo revenue

## Revenue by Passenger Class



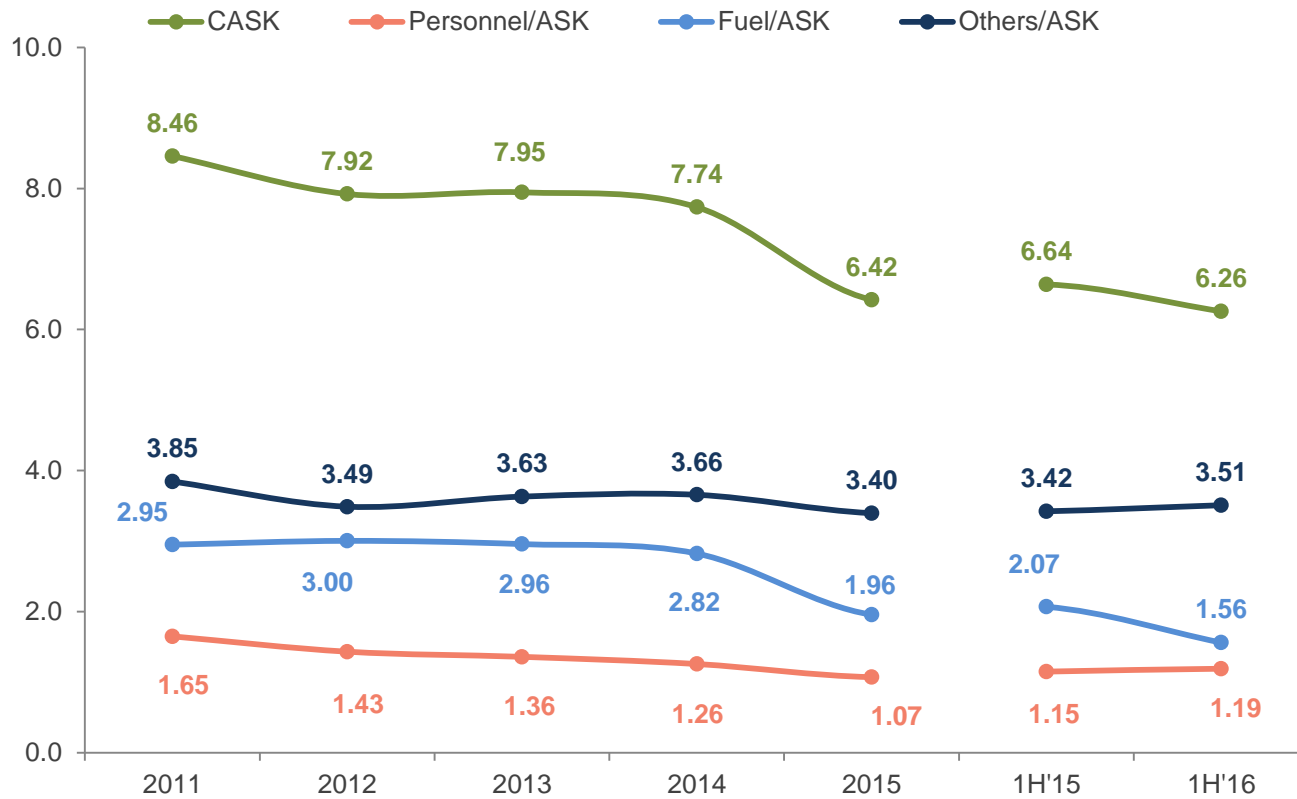
## Revenue by Point of Sale



Note: Includes only scheduled passenger revenue

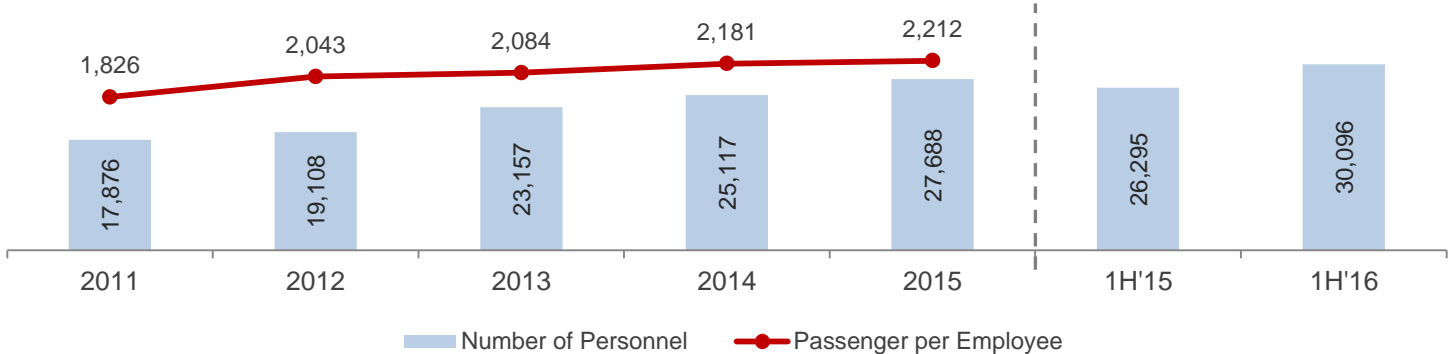
# Unit Operating Costs

## Cost Per ASK (Usc)



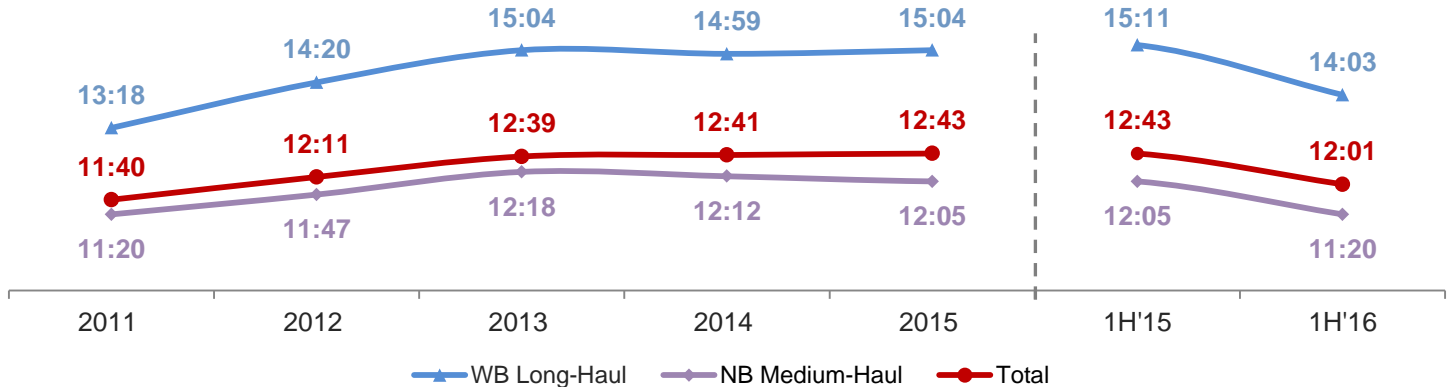
# Operating Efficiency

## Personnel Efficiency

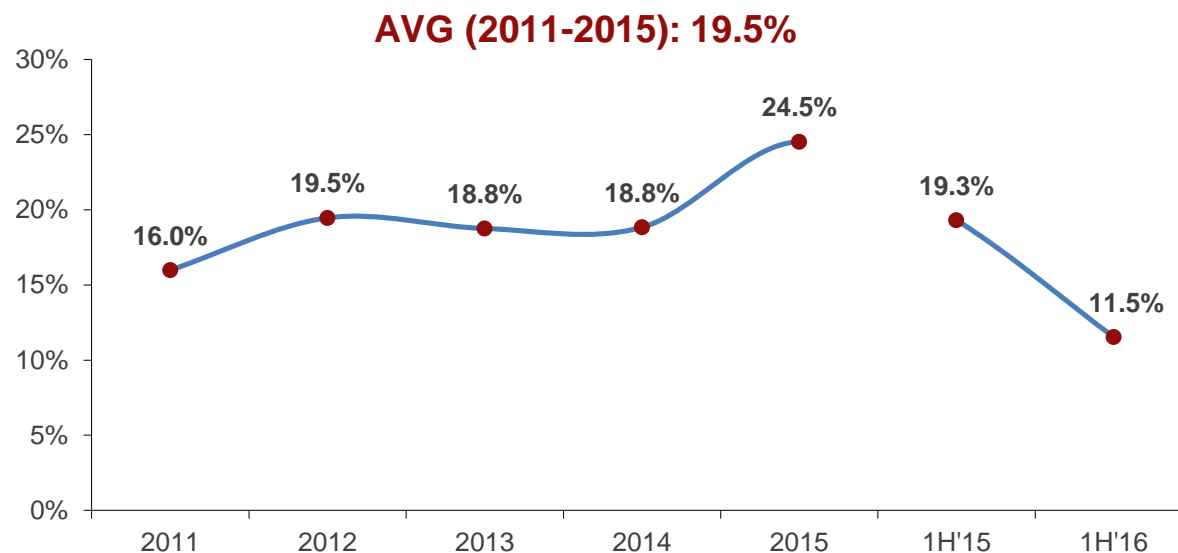


\* Turkish Technic and THY Aydın Çıldır Personnel is included.

## Average Daily Flight Utilization (hrs)



# EBITDAR Margin

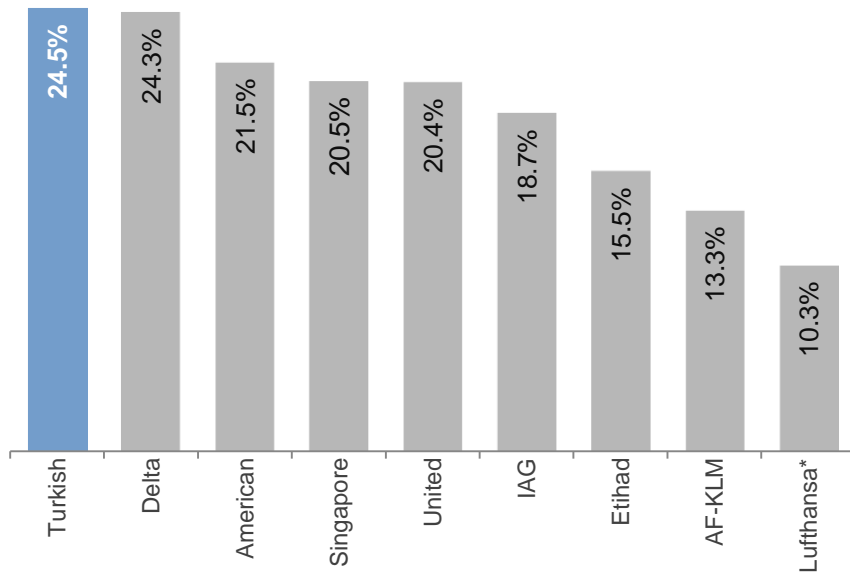


(mn USD)	2011	2012	2013	2014	2015	1H'15	1H'16	YoY Change
<b>Revenue</b>	7,070	8,234	9,826	11,070	10,522	4,789	4,632	-3.3%
<b>Net Income</b>	11	657	357	845	1,069	406	-647	-
Net Income Margin	0.2%	8.0%	3.6%	7.6%	10.2%	8.5%	-14.0%	-22.4 pt
<b>EBIT</b>	277	691	755	808	1,039	234	-374	-
EBIT Margin	3.9%	8.4%	7.7%	7.3%	9.9%	4.9%	-8.1%	-13.0 pt
<b>EBITDAR</b>	1,130	1,603	1,843	2,085	2,580	924	534	-42.2%
EBITDAR Margin	16.0%	19.5%	18.8%	18.8%	24.5%	19.3%	11.5%	-7.8 pt

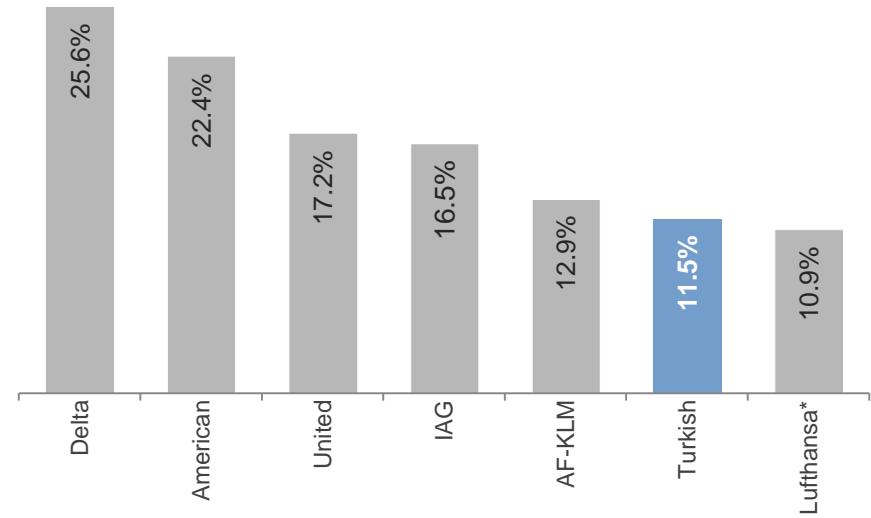
# Peer Group vs Turkish Airlines Profitability

## EBITDAR Margin Comparison

### 2015 Annual



### 1H'16

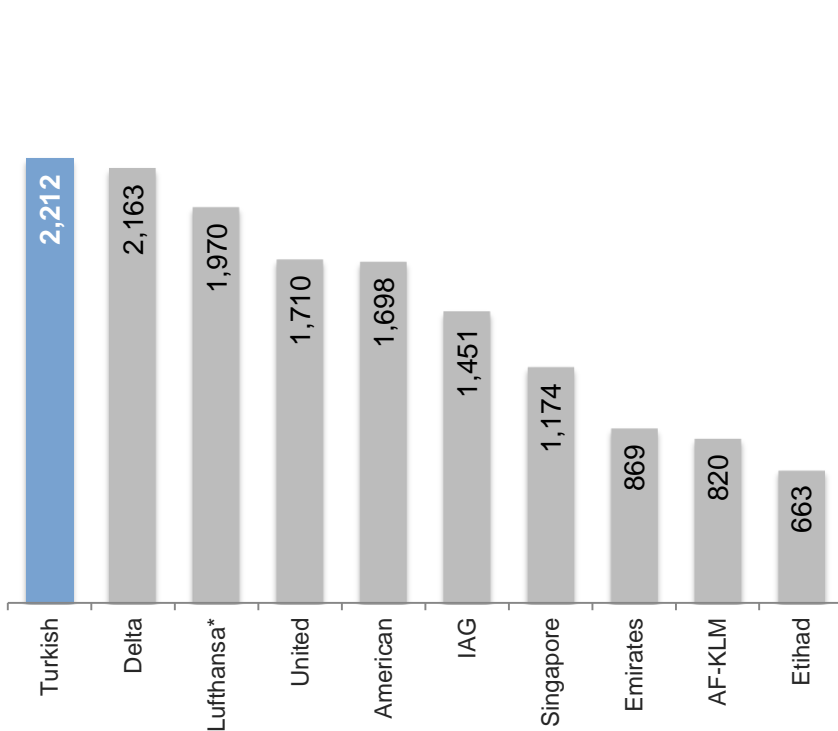


\* Lufthansa Passenger Airline Group.

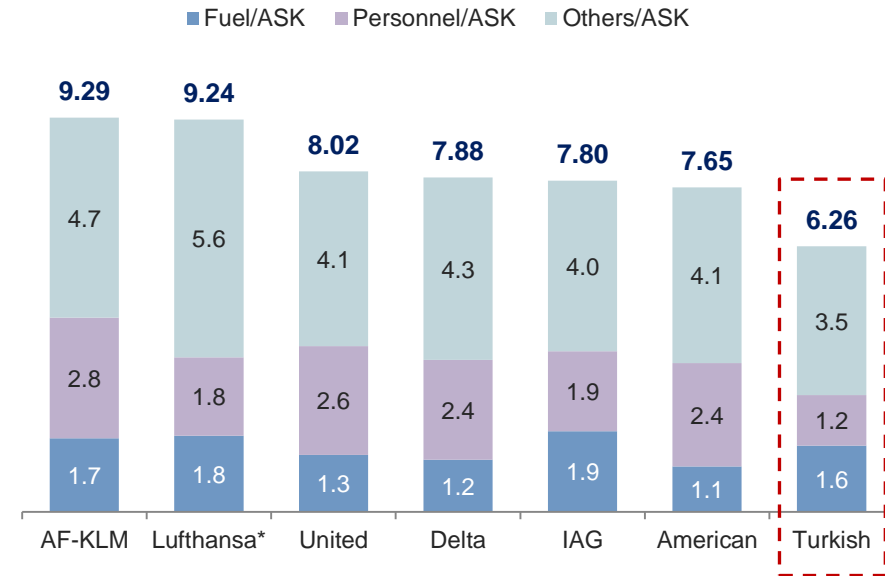
Source: Calculated based on public company reports.

# Peer Group vs Turkish Airlines Efficiency

## PAX Per Personnel (2015)



## Cost Per ASK (1H'16) - USc



\* Lufthansa Passenger Airline Group.

Source: Calculated based on public company reports.

# Fleet

30.06.2016	Type	Total	Owned	Financial Lease	Opr./Wet Lease	Seat Capacity	Average Fleet Age	Year End Fleet*						
								2016	2017	2018	2019	2020	2021	2022
Wide Body	A330-200	20		5	15	5,018	8.9	20	18	18	16	13	13	8
	A330-300	30		29	1	8,672	2.7	30	37	37	37	37	37	37
	A340-300	4	4			1,080	18.1	4	4	4	4	4	4	4
	B777-3ER	31		29	2	10,897	2.9	32	35	35	34	32	32	32
	<b>Total</b>	<b>85</b>	<b>4</b>	<b>63</b>	<b>18</b>	<b>25,667</b>	<b>4.9</b>	<b>86</b>	<b>94</b>	<b>94</b>	<b>91</b>	<b>86</b>	<b>86</b>	<b>81</b>
Narrow Body	B737-900ER	15		15		2,355	3.0	15	15	15	15	15	15	15
	B737-9 MAX									5	10	10	10	
	B737-800	83	25	47	11	13,102	8.7	76	70	53	53	53	53	53
	B737-700	1			1	124	10.3	1	1	1	1			
	B737-8 MAX									20	30	55	65	65
	A321 NEO									14	39	61	86	92
	A319-100	14		6	8	1,848	8.2	14	11	9	8	6	6	6
	A320-200	29		12	17	4,572	9.1	29	22	19	12	12	12	12
	A321-200	63		59	4	11,470	4.4	66	68	68	68	66	64	64
	B737-800 WL	25			25	4,914	10.1	37	40	46	43	35	33	29
	B737-700 WL													
	E195 WL	3			3	354	9.0	3						
<b>Total</b>	<b>233</b>	<b>25</b>	<b>139</b>	<b>69</b>	<b>38,739</b>	<b>7.3</b>	<b>241</b>	<b>227</b>	<b>245</b>	<b>274</b>	<b>313</b>	<b>344</b>	<b>346</b>	
Cargo	A330-200F	7		7			3.3	8	9	9	9	9	9	9
	Wet Lease	4			4		19.5	4						
	<b>Total</b>	<b>11</b>		<b>7</b>	<b>4</b>		<b>9.2</b>	<b>12</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>	
<b>GRAND TOTAL</b>	<b>329</b>	<b>29</b>	<b>209</b>	<b>91</b>	<b>64,406</b>	<b>6.8</b>	<b>339</b>	<b>330</b>	<b>348</b>	<b>374</b>	<b>408</b>	<b>439</b>	<b>436</b>	

\*After exit-entry

Seat Capacity Change : 17% 1% 5% 6% 6% 7% -1%

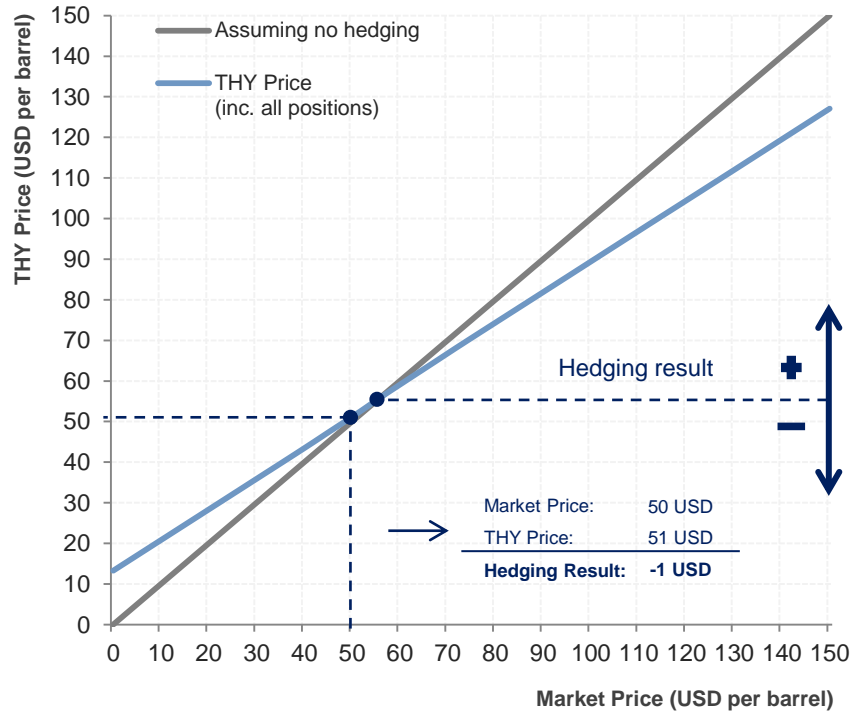


# Fleet Development

		2011-2022 Aircraft Purchases															
		Delivered							To Be Delivered								
30.06.2016	Type	2011	2012	2013	2014	2015	2016	TOTAL	2016	2017	2018	2019	2020	2021	2022	TOTAL	
Wide Body	A330-300	3	3	2	6	7	5	26									
	B777-3ER	7			4	7	6	24		3						3	
	<b>Total</b>	<b>10</b>	<b>3</b>	<b>2</b>	<b>10</b>	<b>14</b>	<b>11</b>	<b>50</b>		<b>3</b>						<b>3</b>	
Narrow Body	B737-900ER	2	7	1		5		15									
	B737-9 MAX											5	5			10	
	B737-800	2	2	6	10		14	34	6							6	
	B737-8 MAX											20	10	25	10	65	
	A321	8	7	9		13	7	44	3	2						5	
	A321 NEO											14	25	22	25	6	92
	A319	6						6									
<b>Total</b>	<b>18</b>	<b>16</b>	<b>16</b>	<b>10</b>	<b>18</b>	<b>21</b>	<b>99</b>	<b>9</b>	<b>2</b>	<b>34</b>	<b>40</b>	<b>52</b>	<b>35</b>	<b>6</b>	<b>178</b>		
Cargo	A330-200F	1	1	2		1	1	6	1	1						2	
	<b>Total</b>	<b>1</b>	<b>1</b>	<b>2</b>		<b>1</b>	<b>1</b>	<b>6</b>	<b>1</b>	<b>1</b>						<b>3</b>	
<b>GRAND TOTAL</b>		<b>29</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>33</b>	<b>33</b>	<b>155</b>	<b>10</b>	<b>6</b>	<b>34</b>	<b>40</b>	<b>52</b>	<b>35</b>	<b>6</b>	<b>184</b>	

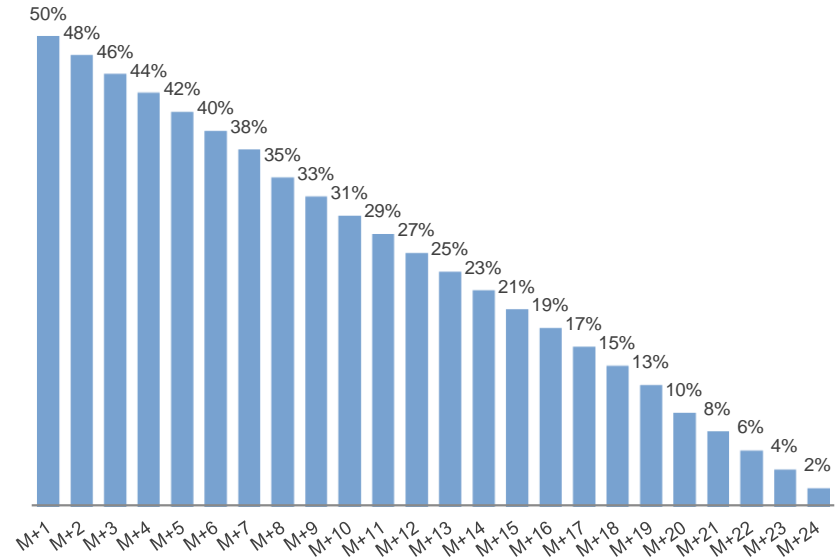
# Hedging Fuel Price Risk

## Effect of Hedging on the Fuel Price



- Around **26 mn barrels** of hedged position on ICE BRENT as of June 30, 2016.
- Current fuel hedging levels: FY16: **46% (10 mn barrel)**  
FY17: **28% (14 mn barrel)**

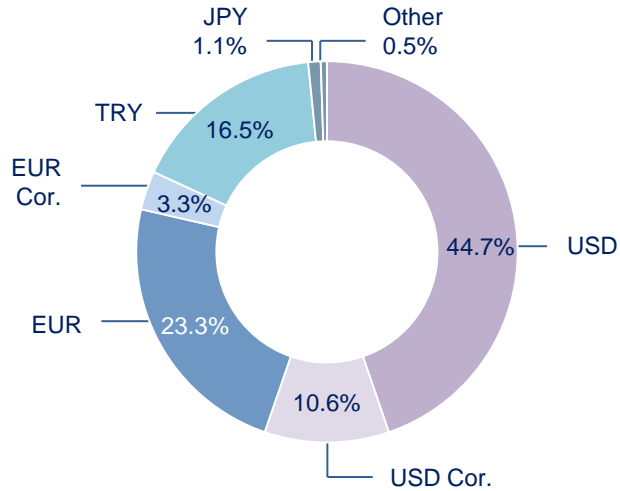
## Fuel Hedging Policy



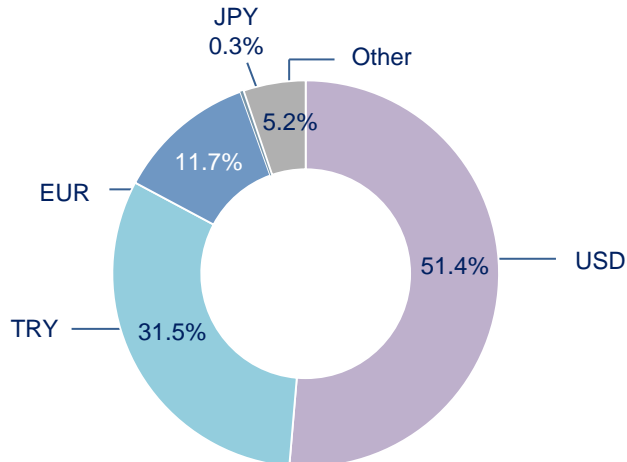
- **Active Surcharge Policy:** 50% of fuel cost is reflected to ticket prices
- Decreasing layered hedging strategy (24 months)
- Crude oil based swaps and options
- Aim to reach 50% of following months budgeted consumption

# Hedging Currency Risk (1H'16)

## Revenue by Currency<sup>(1)</sup>



## Expenses by Currency



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

## Hedging Currency Risk

### Hedging Policy

- Monthly gradually decreasing layered hedging strategy
- 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 matrix:

Jul.-Dec. 16	Hedging Levels*	Average Price
EUR/USD	23%	1.17
EUR/TRY	27%	3.45

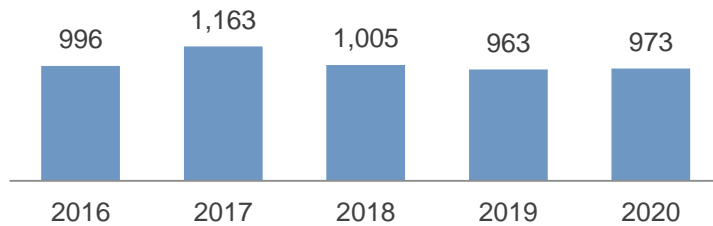
\* Percentage of respective short positions. As of 30 June 2016.

# Debt Management and Aircraft Financing

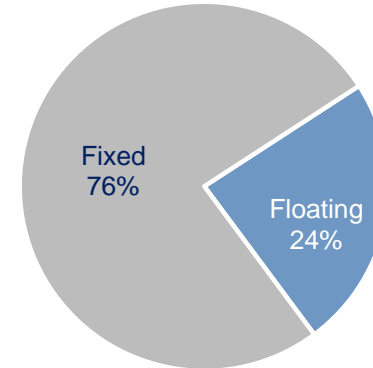
As of 30.06.2016

Total Financial Lease Liabilities: **9.1 bn USD**  
Operational Leases: **0.8 bn USD**

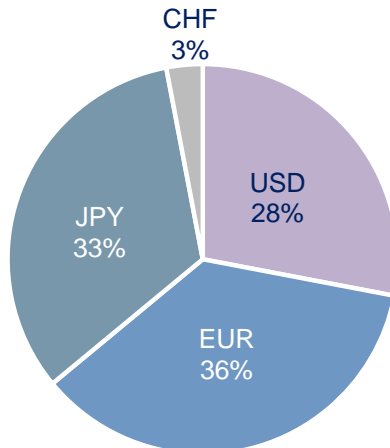
5 Year Maturity Profile (USD mn)



Weighted Average Interest Rate: **2.6%**



## Currency Breakdown of Financial Lease Liabilities



(mn USD)	30.06.2016 Total Debt	Maturity	Average Yearly Debt Service
USD	1,960	10-12 years	310
EUR	3,607	10-12 years	420
JPY	3,262	10-11 years	270
CHF	312	12 years	40
<b>Total</b>	<b>9,141</b>		<b>1,080</b>

**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)	2011	2012	2013	2014	2015	30.06.2016
Cash and Equivalents	934	1,028	647	722	962	1,108
Trade Receivables	405	434	538	456	361	562
Pre-delivery Payment (PDP) Receivables	376	267	521	990	1,139	819
Other Current Assets	426	437	419	663	684	771
<b>Total Current Assets</b>	<b>2,140</b>	<b>2,166</b>	<b>2,125</b>	<b>2,831</b>	<b>3,146</b>	<b>3,260</b>
Net Fixed Assets	5,873	7,121	8,043	9,201	11,415	13,390
of which Aircraft and Engines	5,319	6,392	7,030	8,167	10,177	11,980
Pre-delivery Payment (PDP) Receivables	217	655	993	650	392	211
Other Non-Current Assets	455	581	741	1,064	1,430	1,254
<b>Total Non-Current Assets</b>	<b>6,545</b>	<b>8,357</b>	<b>9,777</b>	<b>10,915</b>	<b>13,237</b>	<b>14,855</b>
<b>Total Assets</b>	<b>8,685</b>	<b>10,523</b>	<b>11,902</b>	<b>13,746</b>	<b>16,383</b>	<b>18,115</b>

Liabilities (mn USD)	2011	2012	2013	2014	2015	30.06.2016
Lease Obligations	4,189	4,862	5,413	5,931	7,399	9,497
Passenger Flight Liabilities	677	936	1,201	1,398	1,091	1,488
Accounts Payable	461	510	680	662	671	726
Other Liabilities	976	1,183	1,346	1,805	2,380	1,962
<b>Total Liabilities</b>	<b>6,303</b>	<b>7,491</b>	<b>8,640</b>	<b>9,796</b>	<b>11,541</b>	<b>13,673</b>
<b>Total Shareholders Equity</b>	<b>2,382</b>	<b>3,032</b>	<b>3,262</b>	<b>3,950</b>	<b>4,842</b>	<b>4,442</b>
of which Issued Capital	1,498	1,498	1,597	1,597	1,597	1,597
of which Retained Earnings	889	903	1,350	1,714	2,559	3,628
of which Differences from Currency Translation	-18	-10	-26	-47	-84	-80
of which Net Profit for the Period	11	657	357	845	1,069	-647
<b>Total Liabilities &amp; Shareholders Equity</b>	<b>8,685</b>	<b>10,523</b>	<b>11,902</b>	<b>13,746</b>	<b>16,383</b>	<b>18,115</b>

# Income Statement

(mn USD)	2011	2012	2013	2014	2015	1H'15	1H'16	YoY Change
Operating Revenue	7,070	8,234	9,826	11,070	10,522	4,789	4,632	-3%
Operating Expenses (-)	6,855	7,616	9,249	10,429	9,840	4,739	5,118	8%
of which Fuel	2,394	2,887	3,442	3,806	2,997	1,476	1,276	-14%
of which Personnel	1,339	1,376	1,581	1,694	1,640	820	973	19%
of which Depreciation	486	574	650	743	924	425	556	31%
of which Rent	252	243	448	543	234	234	258	10%
<b>Net Operating Profit / Loss</b>	<b>215</b>	<b>618</b>	<b>577</b>	<b>641</b>	<b>682</b>	<b>50</b>	<b>-486</b>	<b>-</b>
Income From Other Operations	96	95	115	80	244	158	81	-49%
Expense From Other Operations (-)	237	61	41	45	31	16	6	-63%
<b>Profit / Loss From Main Operations</b>	<b>73</b>	<b>652</b>	<b>651</b>	<b>676</b>	<b>895</b>	<b>192</b>	<b>-411</b>	<b>-</b>
Income From Investment Activities (Net)	-	271	76	72	101	34	36	6%
Share of Investments' Profit / Loss	6	4	55	75	80	12	-2	-
Financial Income	158	49	27	419	532	443	75	-83%
Financial Expense (-)	150	191	307	196	201	109	517	374%
<b>Profit Before Tax</b>	<b>87</b>	<b>785</b>	<b>502</b>	<b>1,046</b>	<b>1,407</b>	<b>572</b>	<b>-819</b>	<b>-</b>
Tax (-)	76	128	145	201	338	166	-172	-
<b>Net Profit</b>	<b>11</b>	<b>657</b>	<b>357</b>	<b>845</b>	<b>1,069</b>	<b>406</b>	<b>-647</b>	<b>-</b>

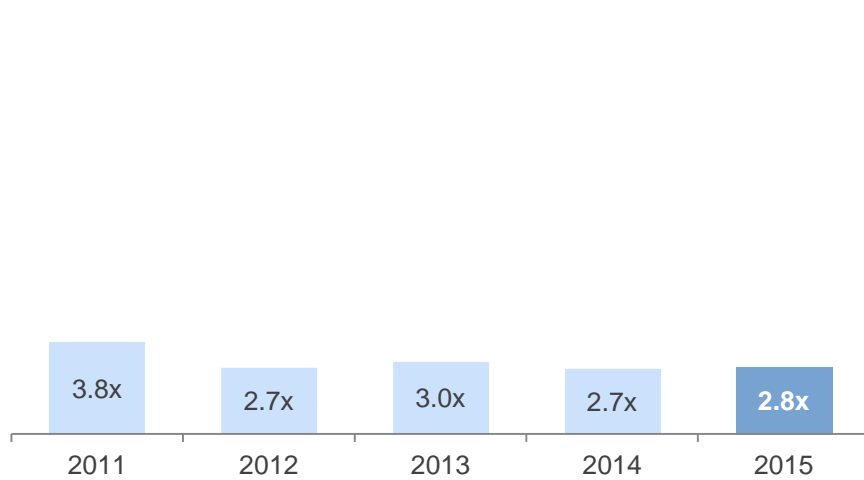
# Operational Expense Breakdown

(mn USD)	1H'15	% in Total	1H'16	% in Total	YoY Change
<b>Fuel</b>	<b>1,476</b>	<b>31.1%</b>	<b>1,276</b>	<b>24.9%</b>	<b>-13.6%</b>
<b>Personnel</b>	<b>820</b>	<b>17.3%</b>	<b>973</b>	<b>19.0%</b>	<b>18.7%</b>
<b>Landing, Navigation &amp; Air Traffic</b>	<b>433</b>	<b>9.1%</b>	<b>468</b>	<b>9.1%</b>	<b>8.1%</b>
Landing and navigation	195	4.1%	219	4.3%	12.3%
Air Traffic Control	238	5.0%	249	4.9%	4.6%
<b>Sales &amp; Marketing</b>	<b>436</b>	<b>9.2%</b>	<b>513</b>	<b>10.0%</b>	<b>17.7%</b>
Commissions and Incentives	175	3.7%	177	3.5%	1.1%
Reservation System	119	2.5%	128	2.5%	7.6%
Advertising	86	1.8%	138	2.7%	60.5%
Other	56	1.2%	70	1.4%	25.0%
<b>Depreciation</b>	<b>425</b>	<b>9.0%</b>	<b>556</b>	<b>10.9%</b>	<b>30.8%</b>
<b>Ground Handling</b>	<b>301</b>	<b>6.4%</b>	<b>322</b>	<b>6.3%</b>	<b>7.0%</b>
<b>Aircraft Rent</b>	<b>234</b>	<b>4.9%</b>	<b>258</b>	<b>5.0%</b>	<b>10.3%</b>
Operational Lease	97	2.0%	116	2.3%	19.6%
Wet Lease	137	2.9%	142	2.8%	3.6%
<b>Passenger Services &amp; Catering</b>	<b>283</b>	<b>6.0%</b>	<b>292</b>	<b>5.7%</b>	<b>3.2%</b>
<b>Maintenance</b>	<b>207</b>	<b>4.4%</b>	<b>309</b>	<b>6.0%</b>	<b>49.3%</b>
<b>General Administration</b>	<b>44</b>	<b>0.9%</b>	<b>56</b>	<b>1.1%</b>	<b>27.3%</b>
<b>Other</b>	<b>80</b>	<b>1.7%</b>	<b>95</b>	<b>1.9%</b>	<b>18.8%</b>
<b>TOTAL</b>	<b>4,739</b>	<b>100%</b>	<b>5,118</b>	<b>100%</b>	<b>8.0%</b>
Operating Cost per ASK (USc)	6.64	-	6.26	-	-5.7%
Ex-fuel Operating Cost per ASK (USc)	4.57	-	4.70	-	2.8%
<b>Fixed Costs</b>	<b>1,389</b>	<b>29.3%</b>	<b>1,684</b>	<b>32.9%</b>	<b>21.3%</b>

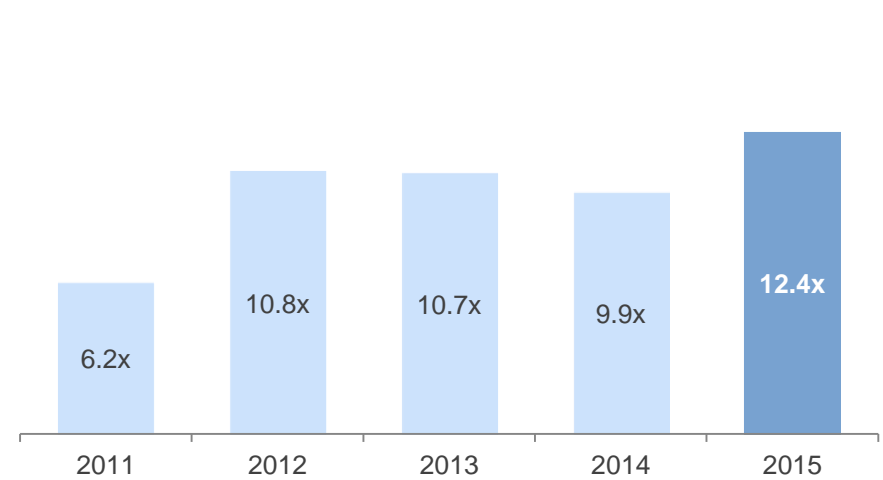


# Financial Ratios

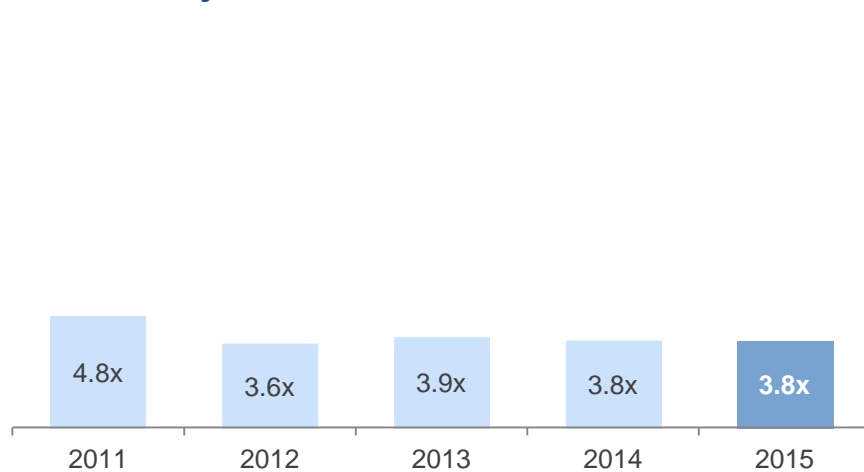
## Net Debt / EBITDA



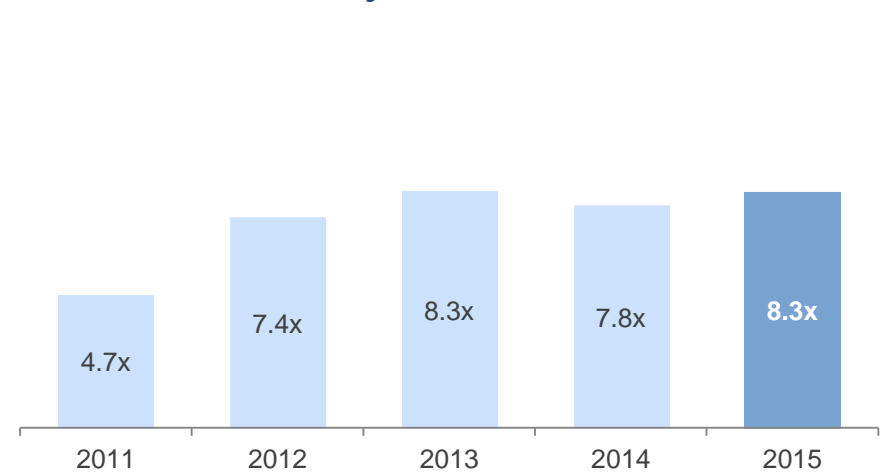
## EBITDA / Net Interest Cost



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



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

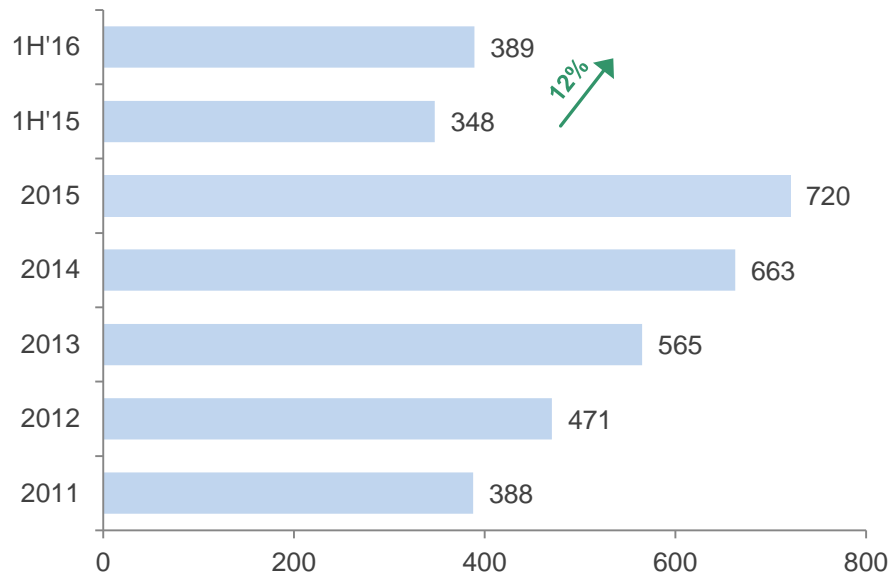


<sup>(1)</sup> Adjusted for the capitalization of operating leases including 55% of wet lease (7x)

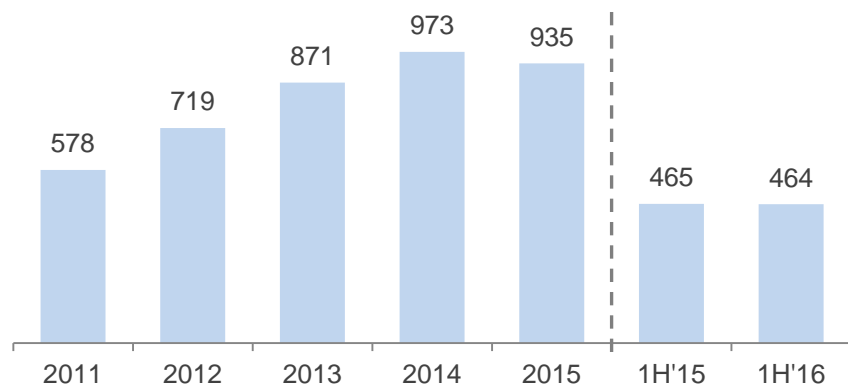
<sup>(2)</sup> Adjusted by the portion of financial costs within operating leases (33%)

# Cargo Transportation

## Cargo Tonnage Carried ('000 Ton)



## Cargo Revenue Evolution (mn USD)



- Turkish Cargo serves 55 destinations with 11 freighters besides 290 destinations with 318 passenger aircraft.
- Turkish Cargo global market share in revenue has increased from 0.6% in 2009 to 1.8% in 2015.
- In 2015, while World FTK grew by 2.9%, Turkish Cargo FTK grew by 4.3% 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.
- COMIS Project was completed and sales, accounting and operations modules were upgraded with the new generation iCargo system in 3Q'15.

## Recent Awards

- Cargo Airline of the Year Award – Air Transport News (2016)
- 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)
- International Air Cargo Winner (2013)

# Subsidiaries & Affiliates

Turkish Airlines Group 1H'16		Revenue (mn USD)	Net Profit (mn USD)	% of Sales to Turkish Airlines	Number of Personnel	Paid in Capital (mn USD)	Partnership Structure
1	Turkish Airlines	4,632	-647	-	23,997*	1,597	%49 ÖİB - %51 Open to Public
2	Turkish Opet Aviation Fuels	611	15	86%	433	17	%50 THY - %50 Opet
3	THY Turkish Technic	510	43	85%	6,084	332	% 100 THY
4	Sun Express (Turkey & Germany Consolidated)	432	-53	28%	3,862	37	%50 THY - %50 Lufthansa
5	THY Turkish Do&Co	191	18	88%	5,348	10	%50 THY - %50 Do&Co
6	Pratt Whitney THY Turkish Engine Center (TEC)	157	11	83%	296	41	%51 PW - %49 THY Teknik
7	Turkish Ground Services	134	10	96%	10,354	4	%50 THY - %50 Havaş
8	Turkish Cabin Interior Systems Industries, Inc.	3	-1	100%	144	24	%50 THY & THY Teknik - %50 TAI
9	Goodrich Turkish Airlines Technical Service Center	5	1	60%	32	1	%60 TSA Rina - %40 THY Teknik
10	Aircraft Seat Manufacturing Industry & Trade, Inc.	4	-1	100%	65	5	%50 THY & THY Teknik - %50 Assan Hanil
11	THY Aydın Çıldır Airport Management, Inc.	1	1	100%	15	17	%100 THY
12	Turbine Technical Gas Turbines Maintenance & Repair, Inc.	-	-	-	10	6	%50 THY Teknik - %50 Zorlu O&M
13	Tax Free Zone, Inc. (Tax Refund)	-	-	-	19	0.3	%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 company is located in Turkish Technic's HABOM facility.

## 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**

**Business Model**

**Destinations**

**Fleet**

**Seat Capacity**

**# of Passengers**

**Load Factor (1H'16)**

**Revenues (1H'16)**

**Net Income (1H'16)**

## SunExpress Turkey

1989

Charter + Scheduled

20 in Germany, 18 in Turkey, 19 other

25 B737-800 + 26 operated for THY

9,639

2.7 million

80.0 %

298 mn USD

-

## SunExpress Germany

2011

Charter + Scheduled

12 in Germany, 11 in Turkey, 3 in Egypt, 6 in Spain/Canary Islands and 8 other

15 Narrow Body + 4 Wide Body

4,075

0.7 million

81.8 %

136 mn USD

-

## SunExpress Consolidated

Charter + Scheduled

69

70

13,714

3.4 million

80.6 %

432 mn USD\*

-53 mn USD

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

Market leader in charter flights between Germany and Turkey.

50 confirmed Boeing next generation narrow body aircraft order to be delivered between 2015 and 2021. 12 of those aircraft were delivered until now.

\* Total revenue might be different than individual companies' revenue sum due to consolidation.

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