

THERE ARE THOSE OF US WHO LIKE TO VENTURE
TO THE UNEXPLORED.
TO SEE THE BEAUTY
IN THE STRANGE AND UNKNOWN.
THOSE OF US WHO GO OUT THERE WITH A SENSE OF
WONDER.
BRIDGING WORLDS,
CULTIVATING OUR CURIOSITY
AND FINDING DELIGHT IN OUR DIFFERENCES.
IF YOU'RE ONE OF US,
AND YOU WANT TO EXPLORE MORE OF THIS GREAT PLANET,
WE'RE READY TO TAKE YOU THERE.
IT'S TIME.

WIDEN YOUR
WORLD

Moody's 9th Annual Turkey Credit Risk Conference

November 4, 2015

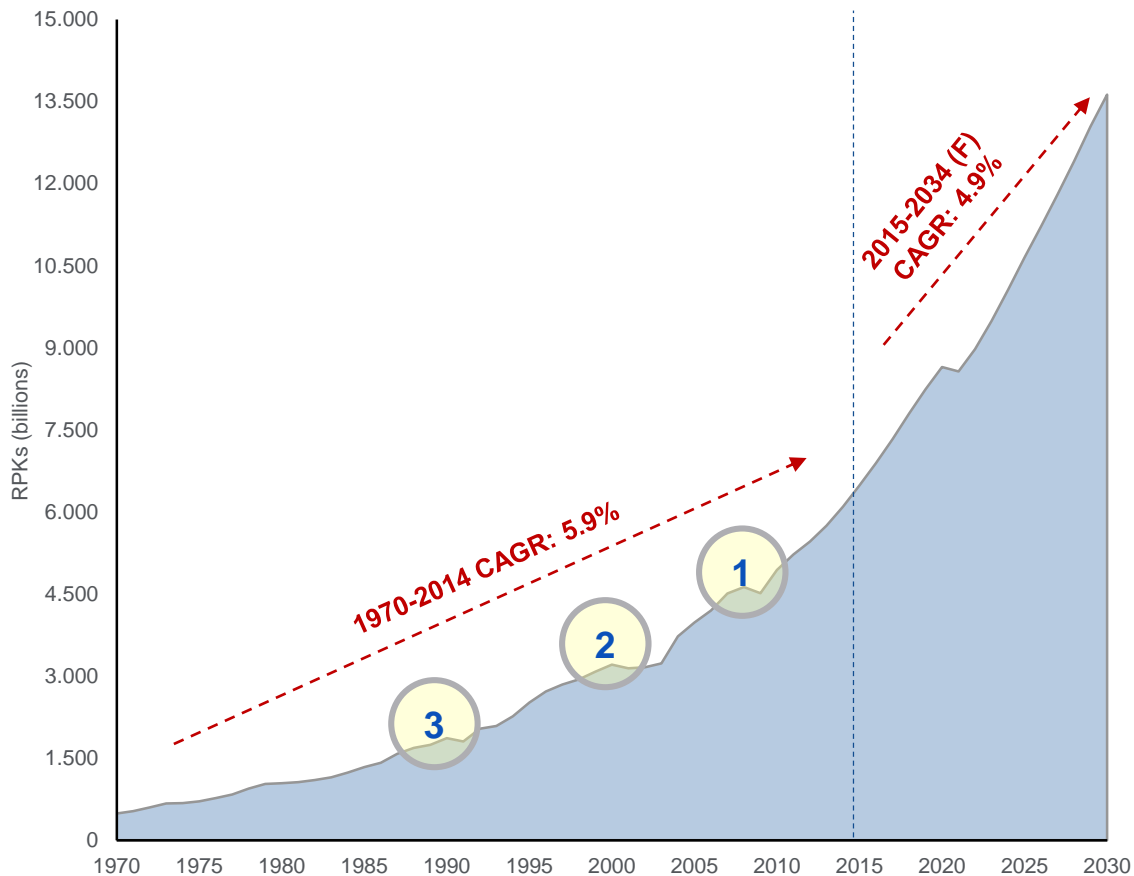
COŞKUN KILIÇ
Chief Financial Officer

- Turkish Airlines from Rating Agencies Perspective
 - Industry Risk
 - Business Risk / Competitive Position
 - Financial Risk
 - Country Risk / Government Support
 - Turkish Airlines Corporate Rating
- Turkish Airlines Financing Today & Tomorrow
- Capital Markets EETC Experience
- Innovative Financing and the Role of Rating Agencies

While Perceived «High RISK», Remains a Growth Market

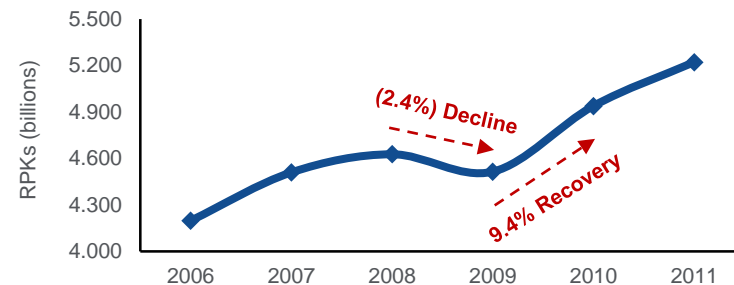
Passenger air traffic growth has been resilient over the past 40 years with the market declining in only three years following major industry crises.

Historical and Forecast World Traffic

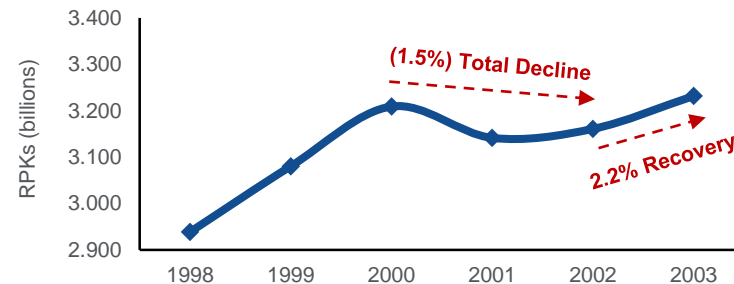


Source: Airline Monitor.

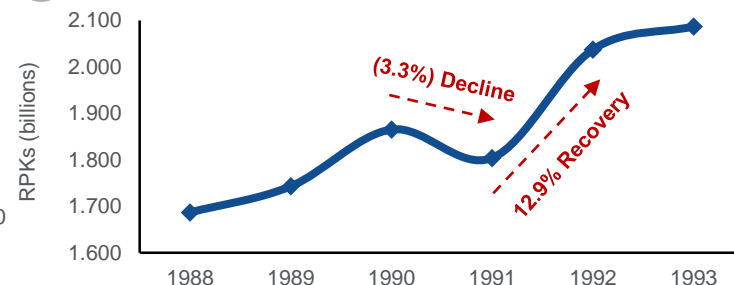
1 Latest Financial Crisis



2 September 11th, 2001

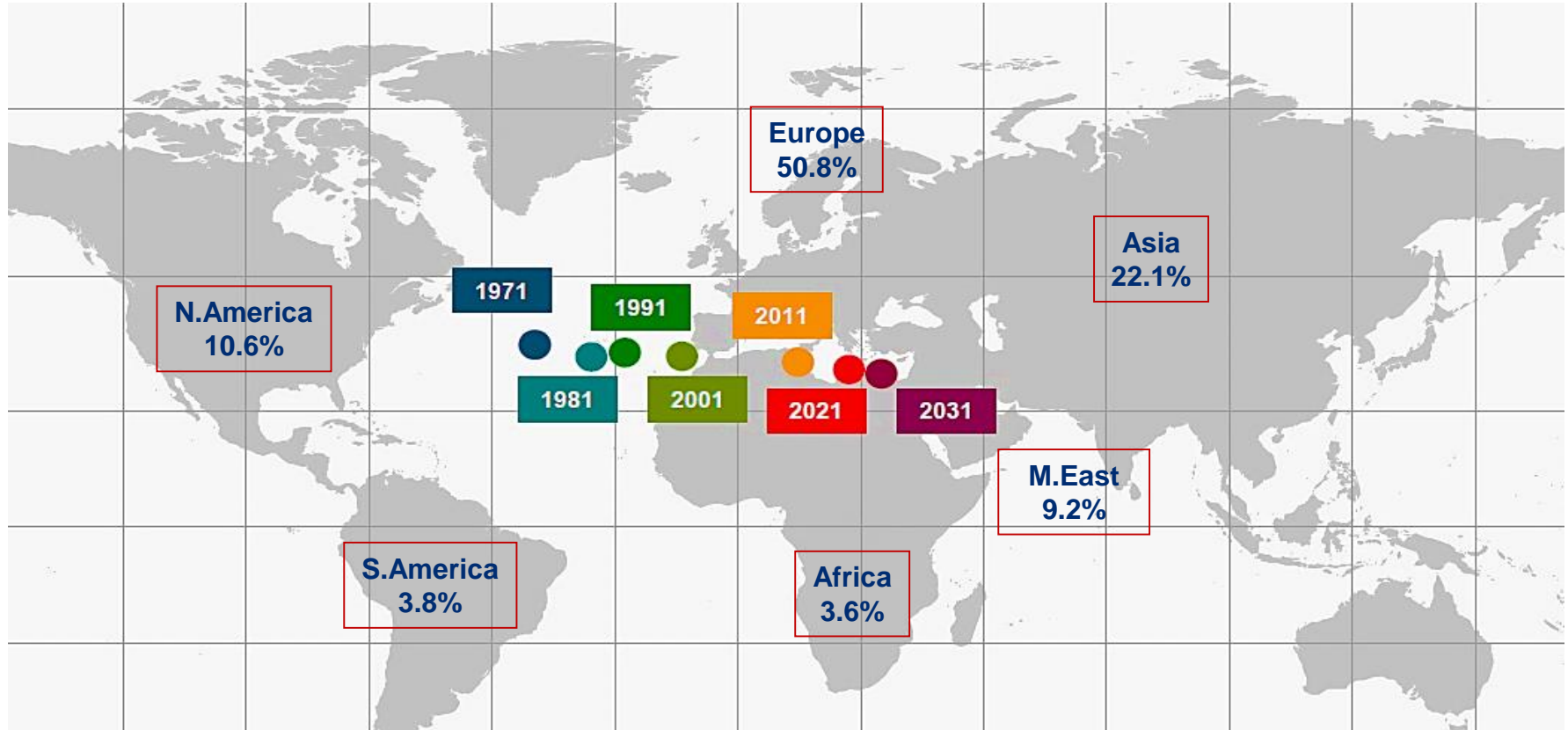


3 Gulf War



Center of Aviation is Moving Towards Istanbul

2015 World Aviation Market Size: \$730 Billion



Turkish Airlines' Potential Transfer Market: \$115 Billion

Turkish Airlines' 2014 Transfer Revenue: \$4 Billion

Source: Airbus Global Market Forecast (2012-2031), IATA (2015), Boeing CMO (2015), Internal Research

□: Percentage of international scheduled passengers carried by airlines domiciled in these regions, ICAO (2011)

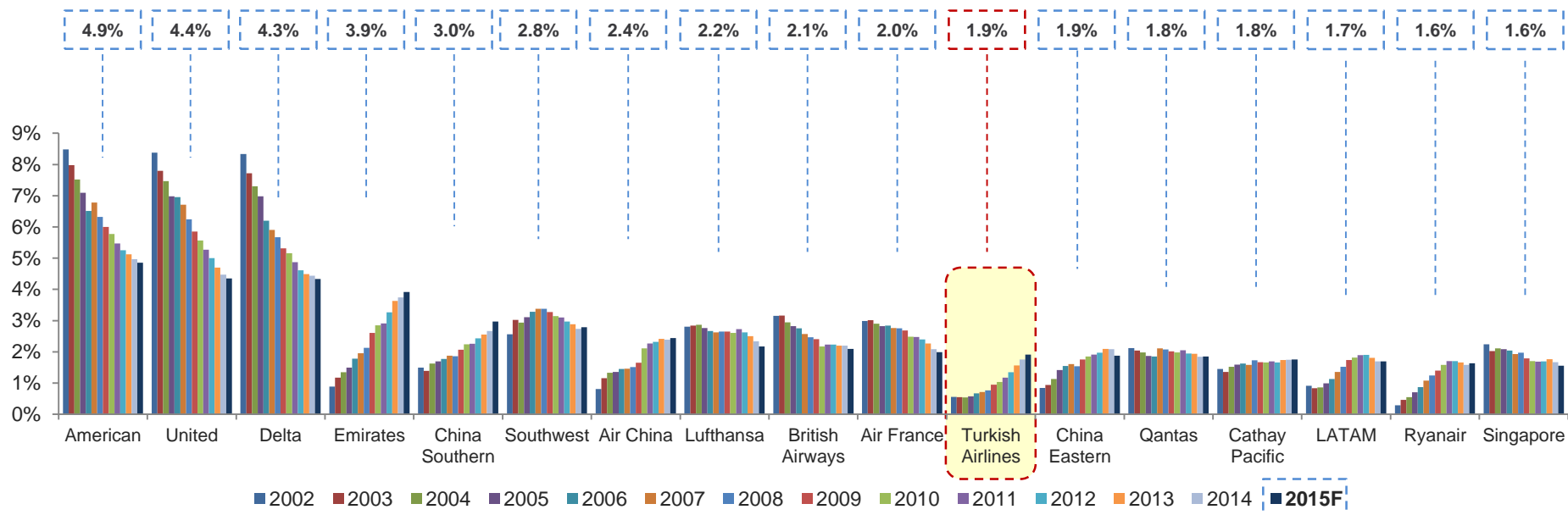
WIDEN YOUR WORLD



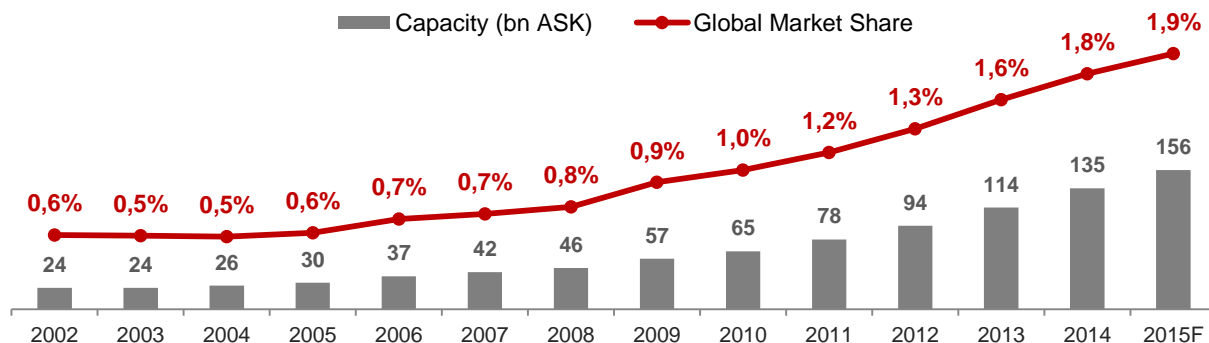
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Global Market Share Gains

Global Market Share Trends (in ASK)



Turkish Airlines Market Share Development

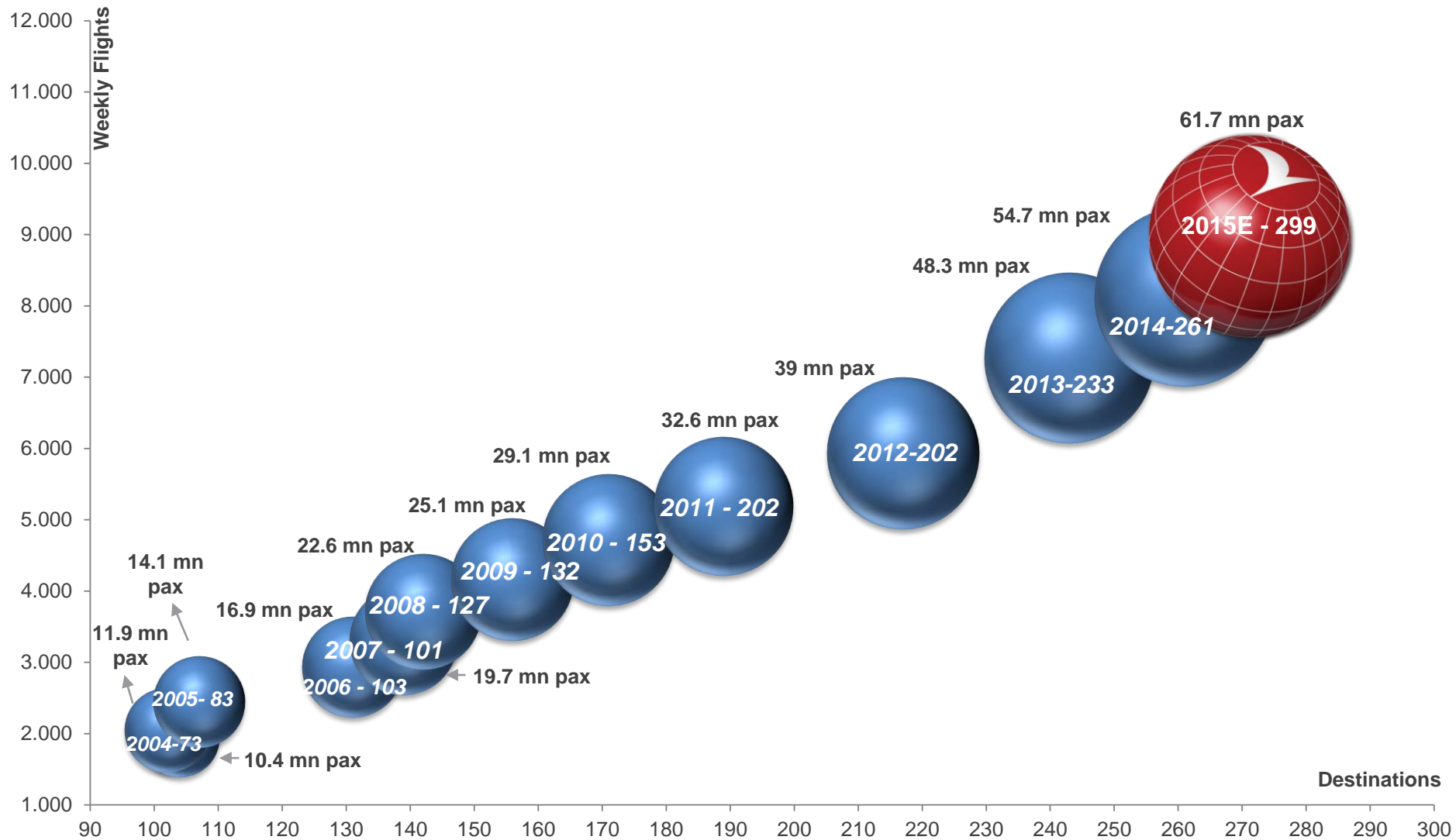


Source: 2002 ICAO, 2003-2014 IATA, 2015F OAG, company reports, sorted by 2015F ASK values.

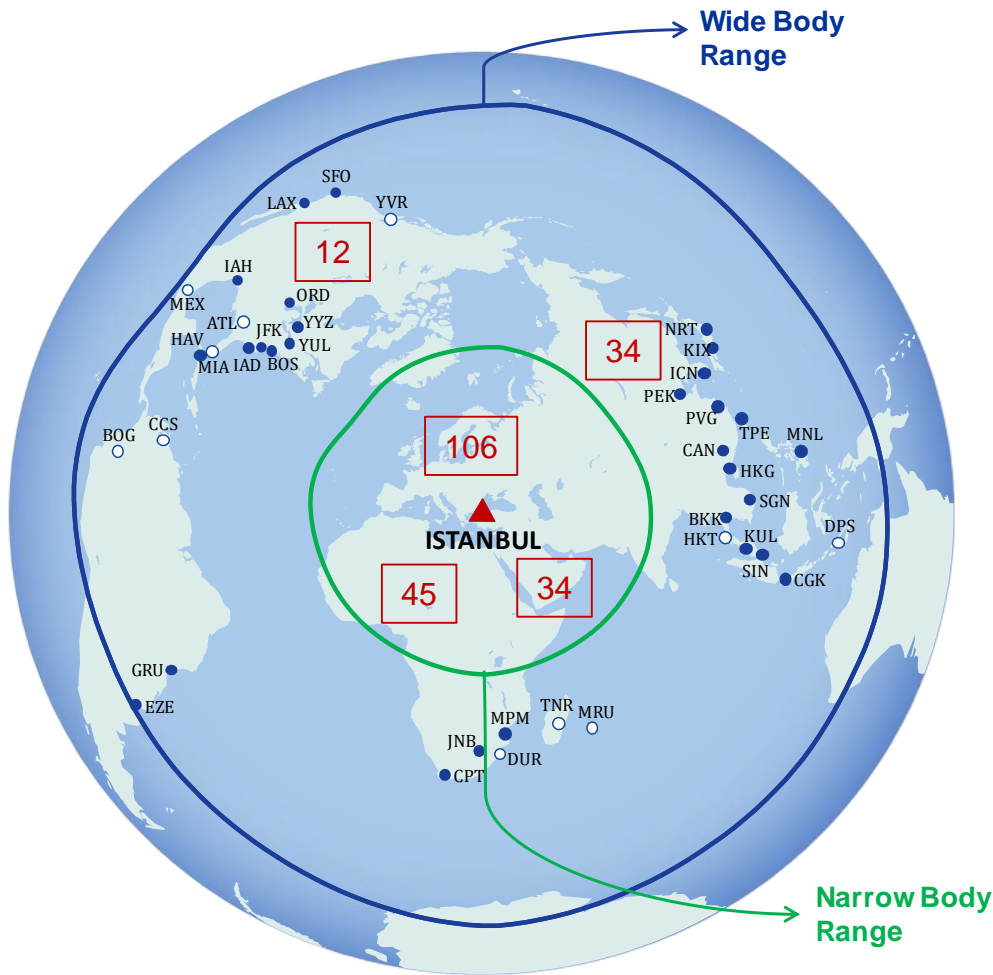
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Turkish Airlines Growth Story



Istanbul is a Natural Aviation Hub

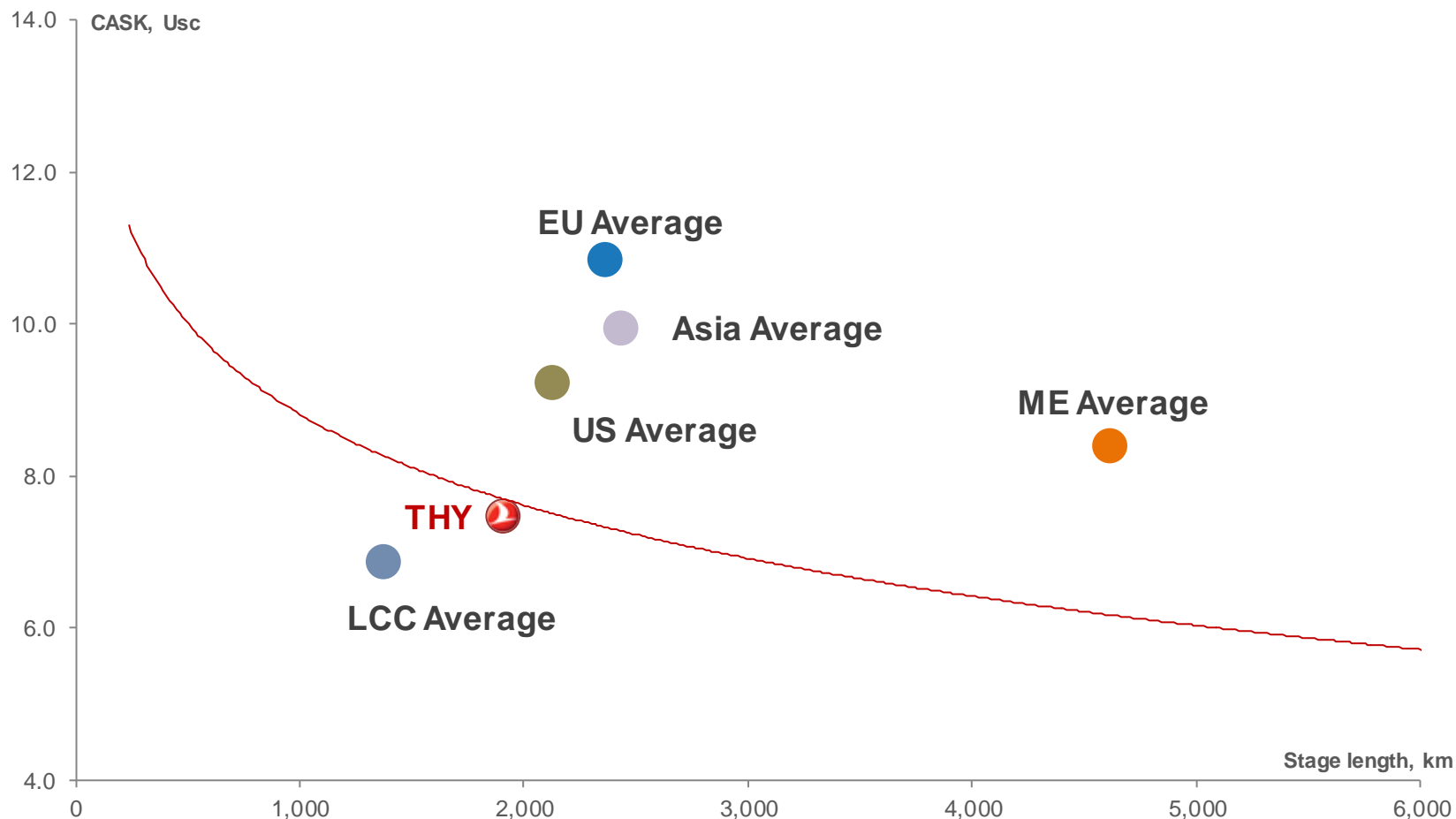


231 International
48 Domestic Destinations
111 Countries

- **More country coverage** than any other airline
- Highest coverage of **secondary cities (189)**
- Strong presence in **growth markets** (CEEMEA)
- More than **40%** of worldwide international traffic within narrow body range
- Reaching **76%** of all destinations **at least daily**

Geographic Advantage Converts to Cost Advantage

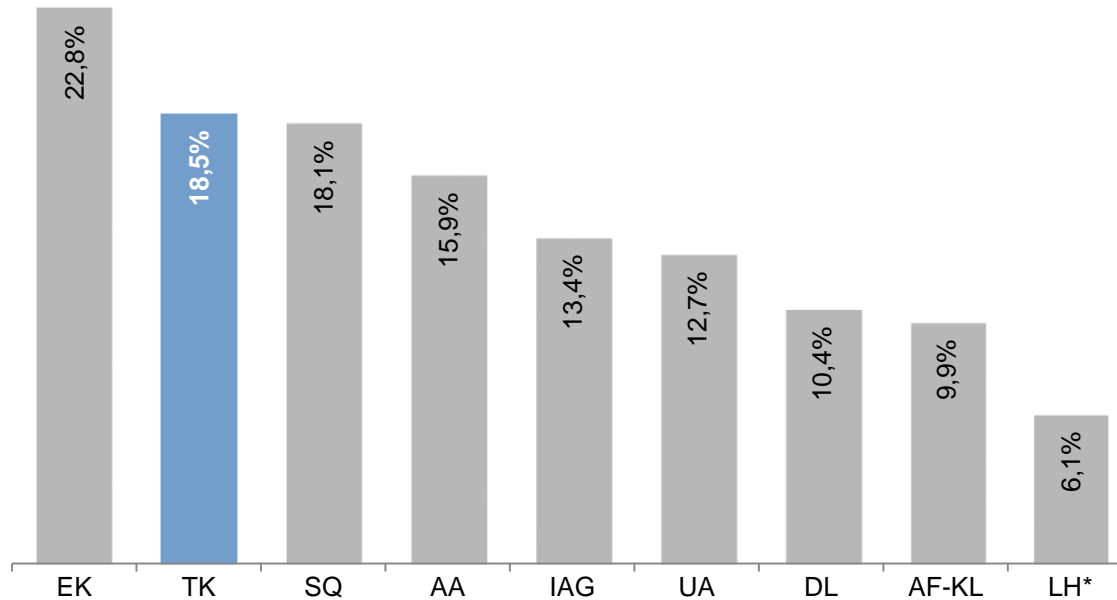
Unit Cost (Cost per Available Seat Km) vs Average Stage Length



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One of the Highest Profitability Margins in the Industry

EBITDAR Margin % Comparison (2014)



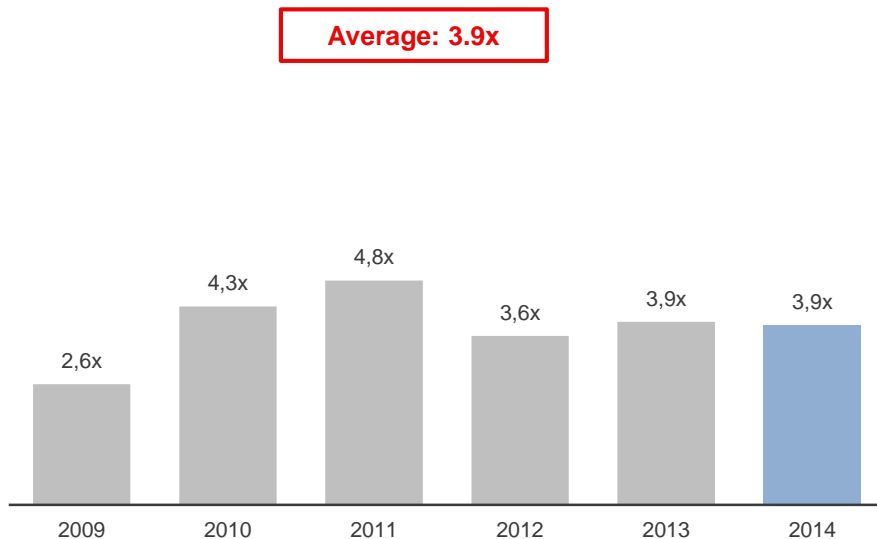
* Lufthansa Passenger Airlines

Source: Calculated based on public company reports.

Key Leverage Ratios

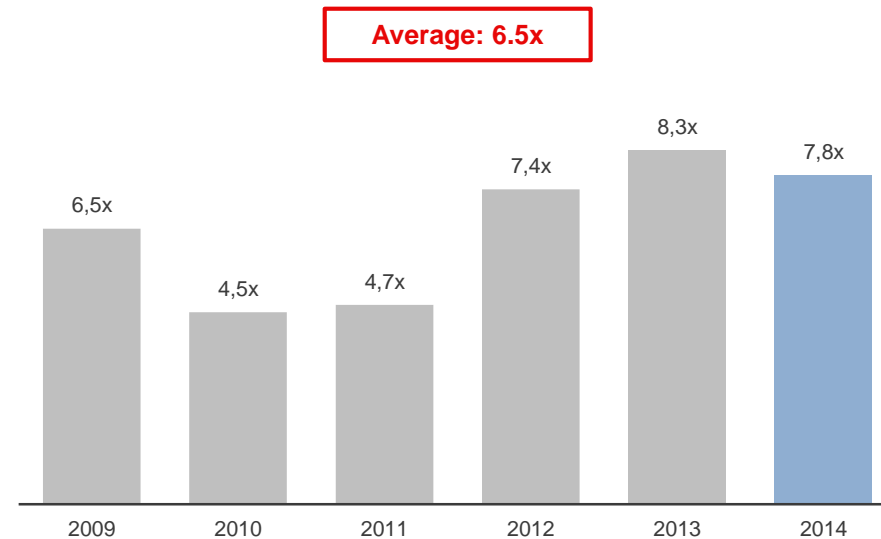
Adjusted Net Debt¹ / EBITDAR

Average: 3.9x



EBITDAR / Adjusted Net Interest Cost²

Average: 6.5x

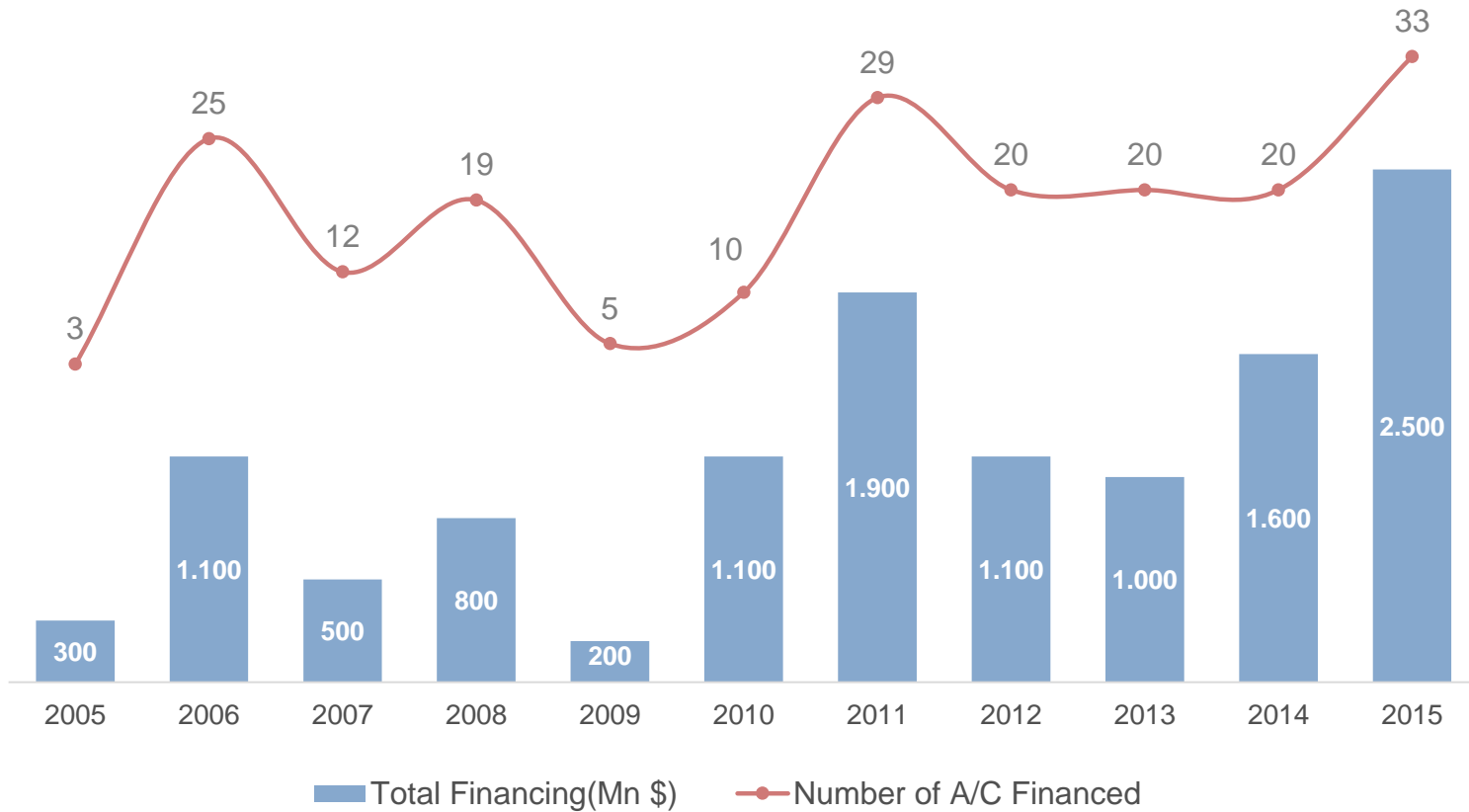


5-year Average Adjusted Net Debt to EBITDAR Target: 3.5x

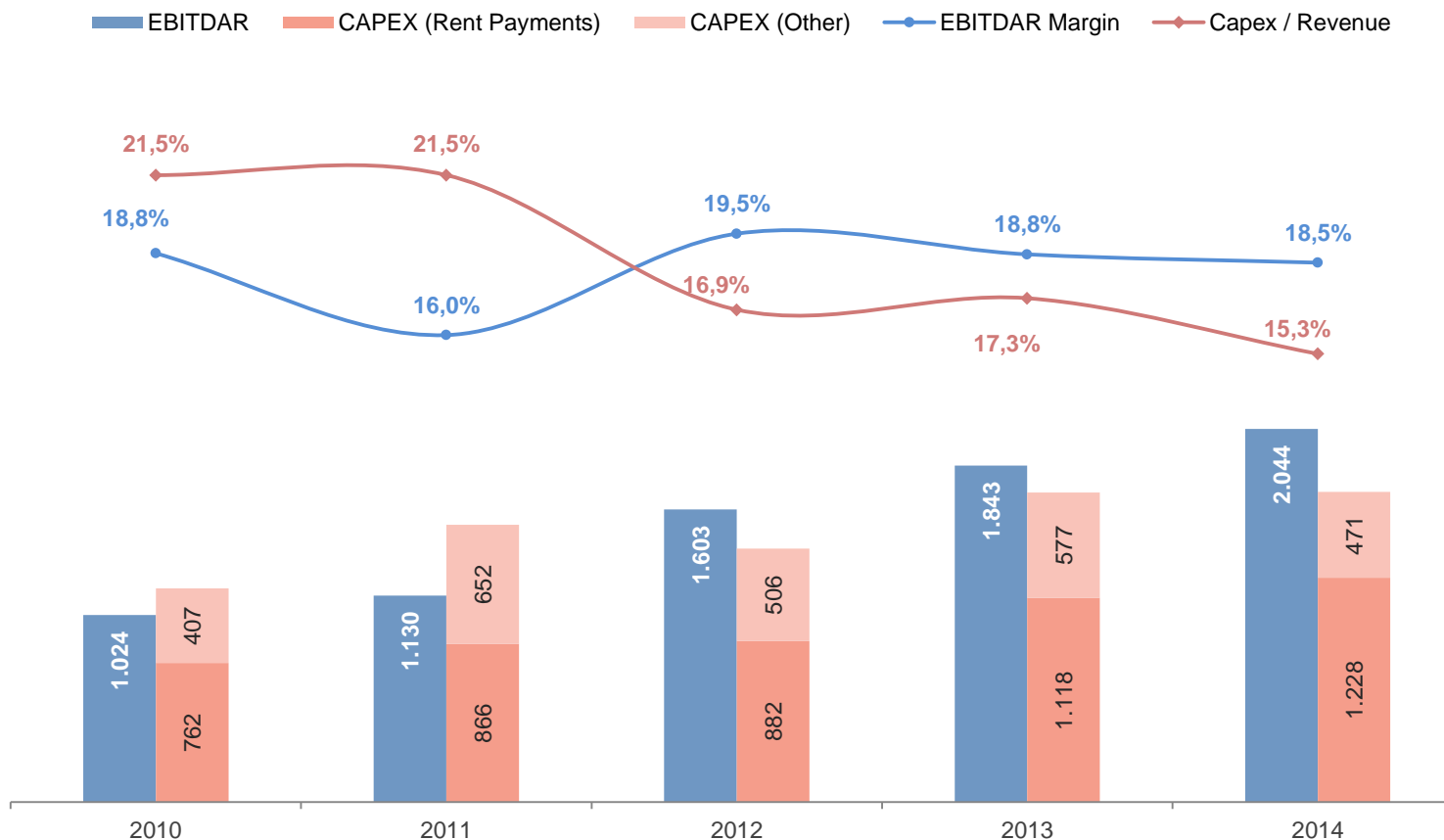
- ✓ Out of investment grade scope
- ✓ Ignores healthy growth / investment period

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 (33%)

196 Aircraft Financed in 10 years – \$12 Billion Funding



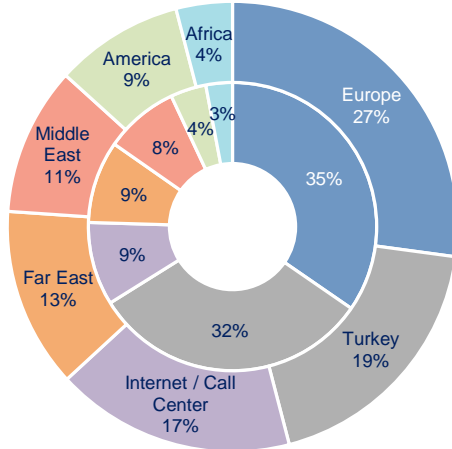
All Financed Through Own Operational Cash Generation



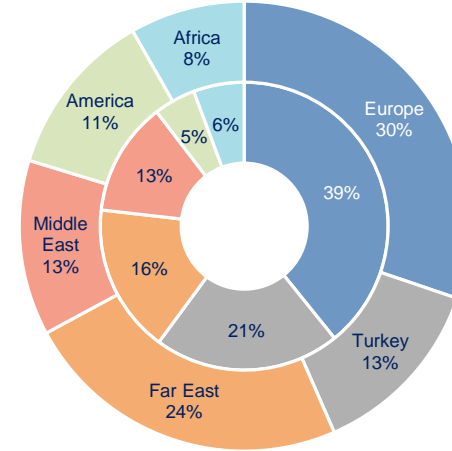
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Increasingly Diversified Business

Revenue by Point of Sale

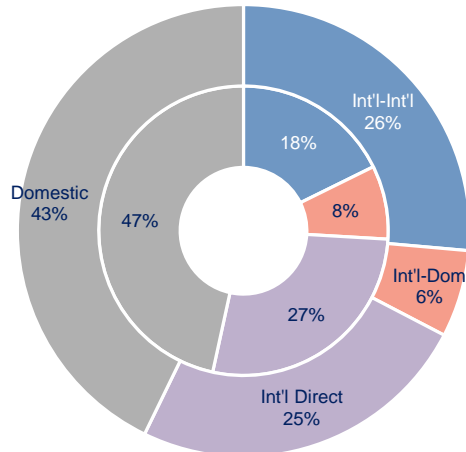


Revenue by Geography



Inner circle: 2009
Outer circle: 2015

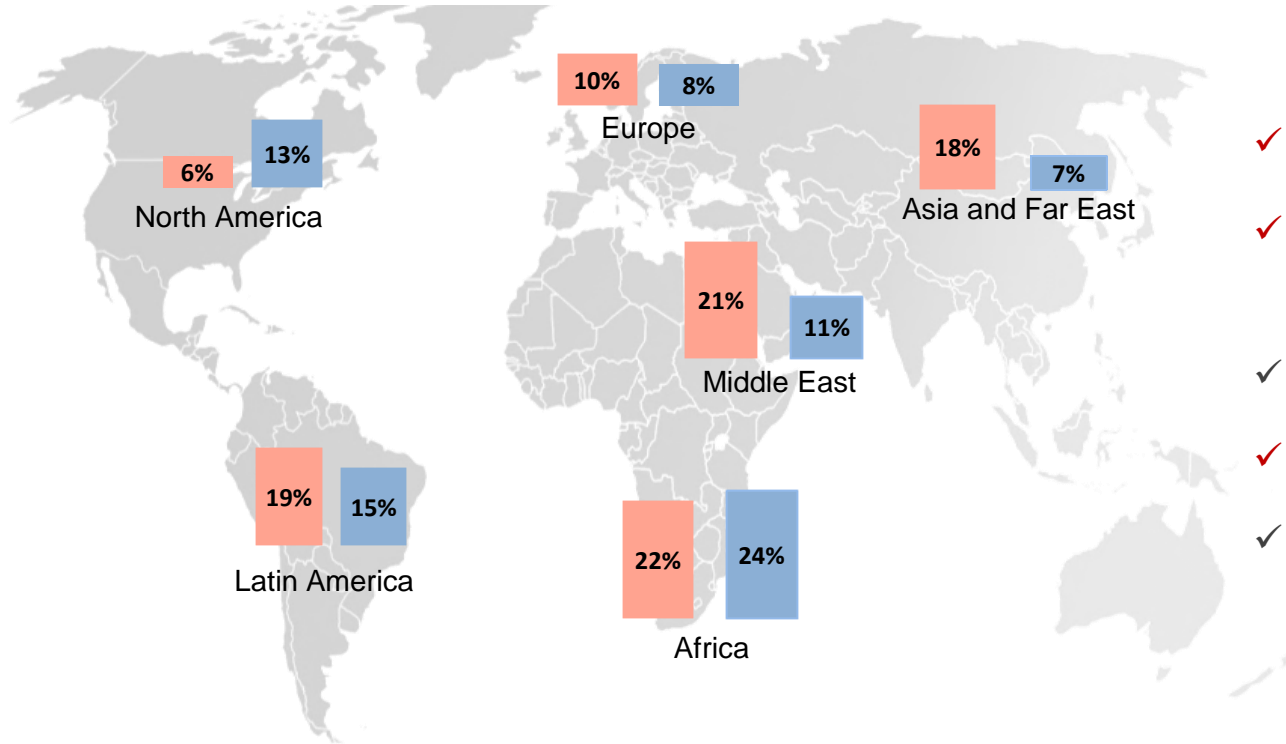
Passenger Breakdown



- ✓ Increased Int'l to Int'l Transfer Traffic
- ✓ More than 75% of ticket sales made outside Turkey
- ✓ Reduced dependency to any region operationally

Turkish Airlines Significance to Turkey

Contribution to Turkey's Export through Connectivity



- ✓ **\$11.1 Billion** total revenue
- ✓ **4th largest** company in Turkey in revenue
- ✓ Over **\$8 Billion** Service Export
- ✓ **40.000** Employees
- ✓ Main driver of Turkey's Exports

■ Turkish Airlines Annual Destination Point Increase 2003-2014

■ Annual Turkish Export Growth 2003-2014

New Airport in Istanbul to be Completed in 2018



- ✓ 150 million passenger capacity
- ✓ 4 Terminals, 6 Runways
- ✓ 76,5 sqkm area
- ✓ 181 aircraft parking capacity
- ✓ Connected to city center in 25 minutes (via rail)
- ✓ More than 100.000 sqm of retail area
- ✓ Environmental friendly, easily accesible, green facility



Some Stats for Phase 1

	Ataturk Airport	Third Airport
Traffic Movements/hour	65	90
# of Gates	63	181
Aircraft per Gate (THY)	5,7	3,3
Pax per square meter	162	80

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Turkish Airlines Credit Rating



BB+ / Baa3



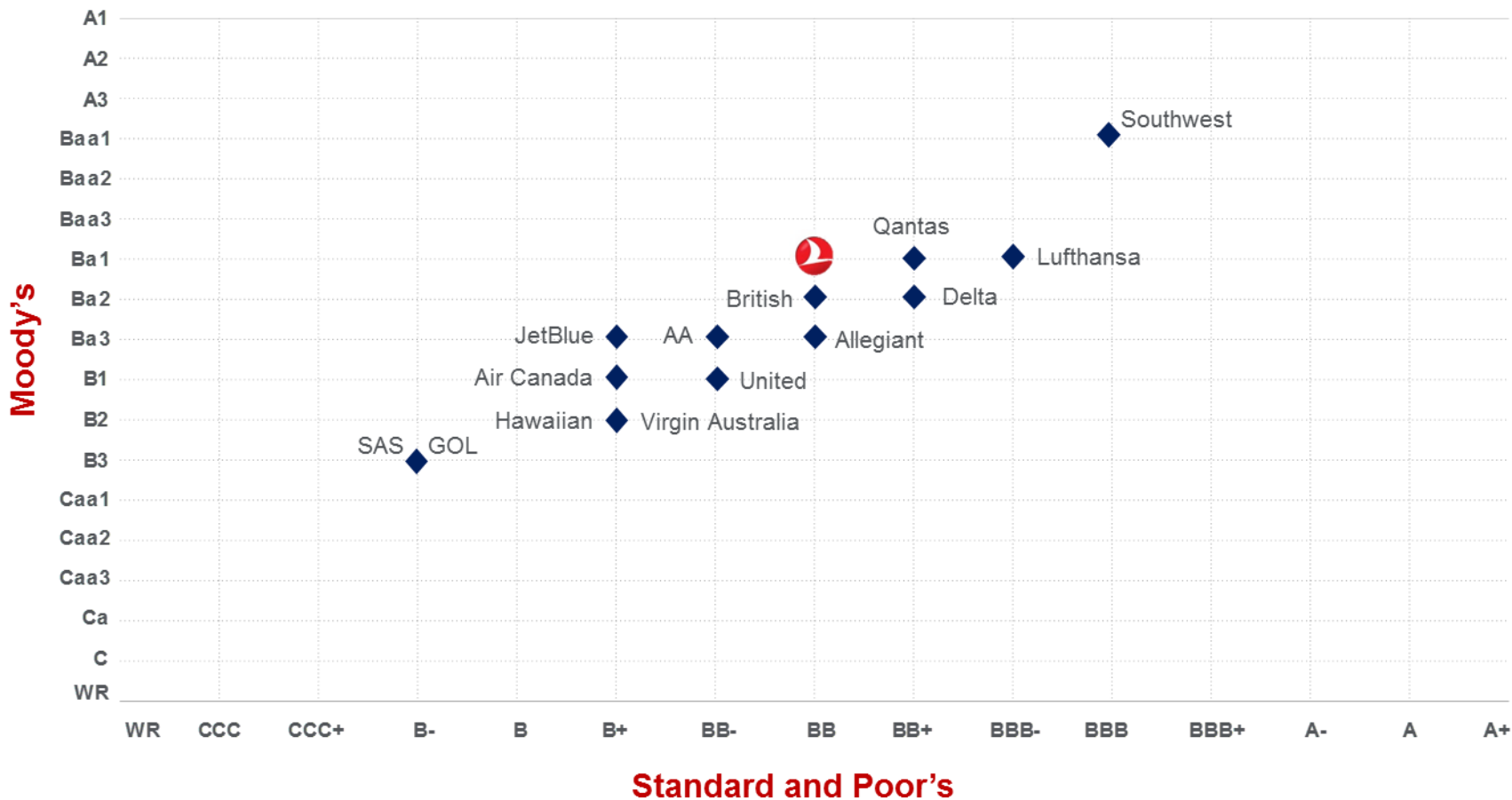
BB / Ba1



BBB- / Ba1



BB / Ba2

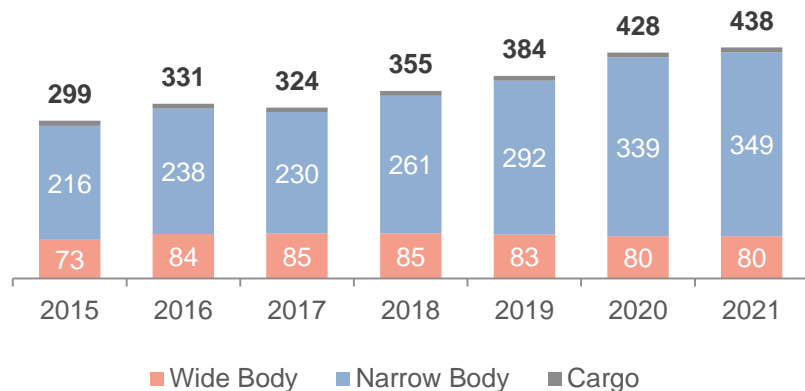


Note: Retrived from S&P and Moody's website on 31 October 2015.

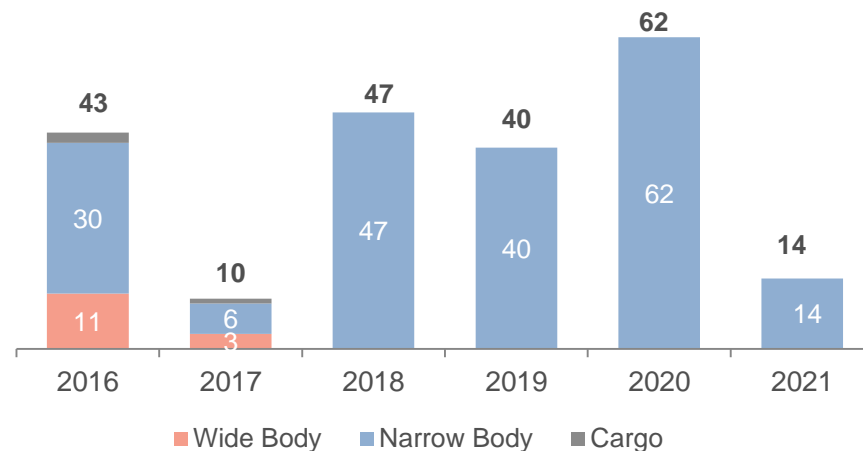
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Up to \$13 Billion Future Financing Need

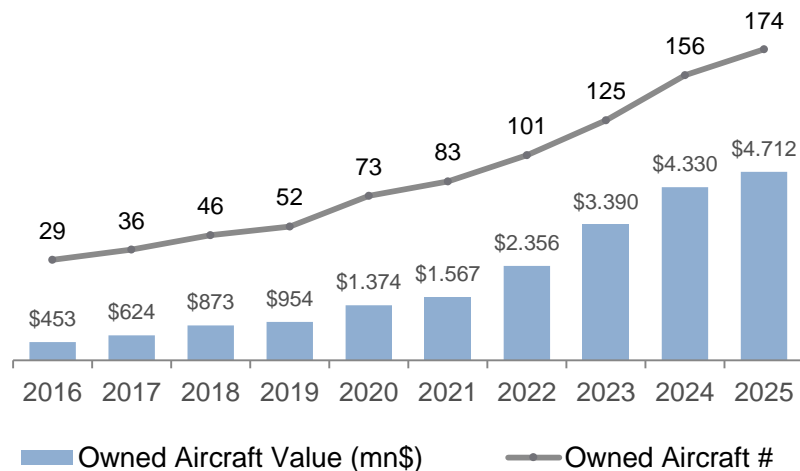
Fleet Development (Year End)



Order Book Delivery Schedule



Owned (Unencumbered) Aircraft



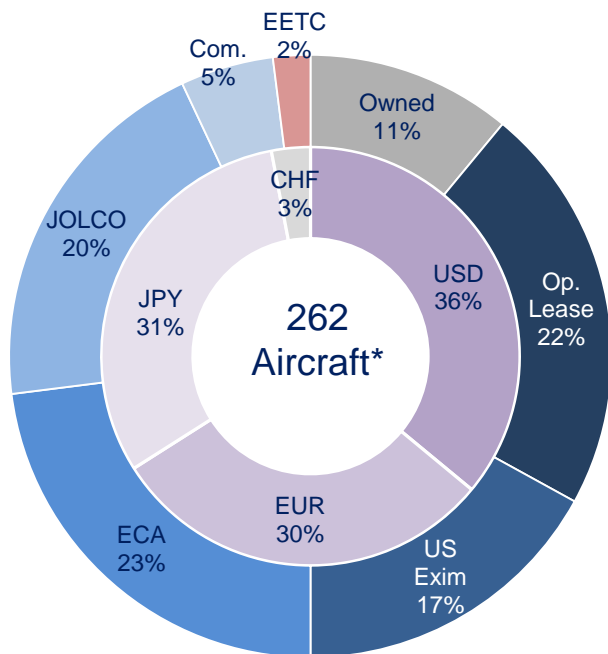
216 aircraft will be delivered in the next **6** years implying apx. **\$13 bn** financing

Financing Structure Today and Tomorrow

2015

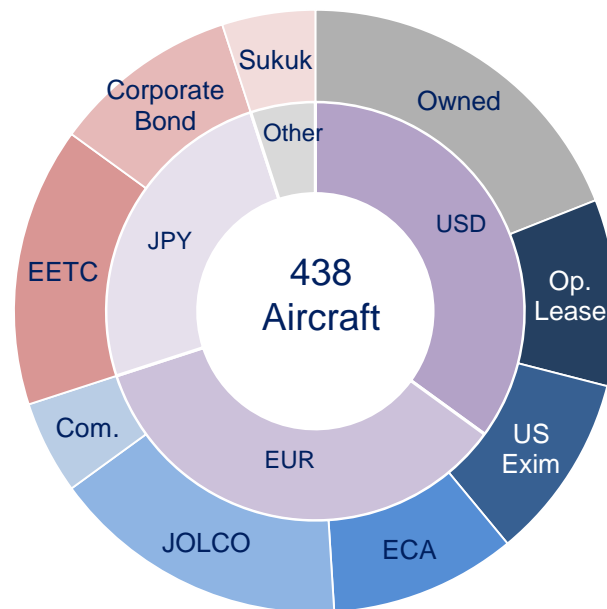
Total Debt : **\$8.4 Billion**

Weighted Average Interest Rate: **3.0%**



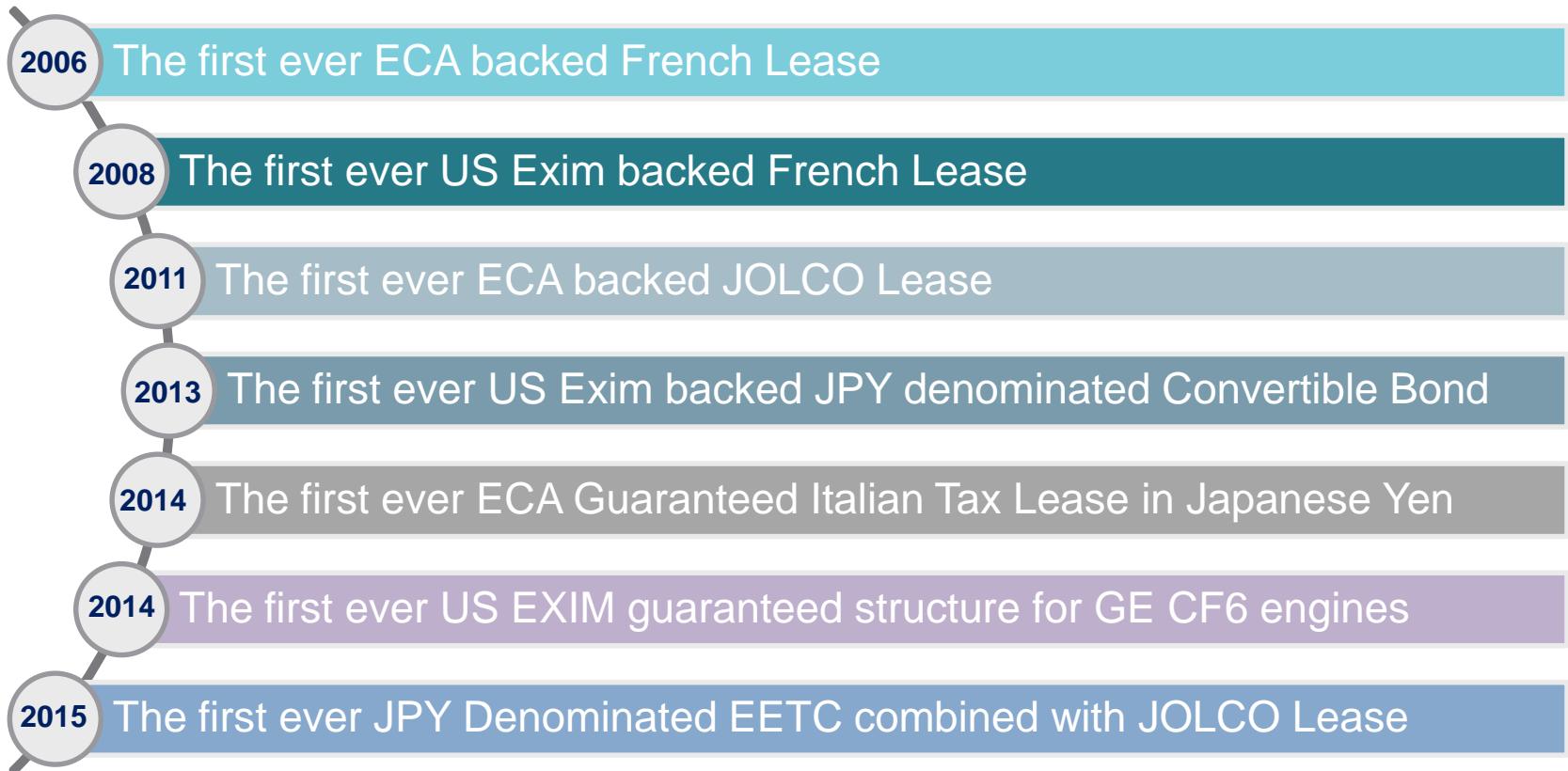
2021

Total Debt : **\$14 Billion**

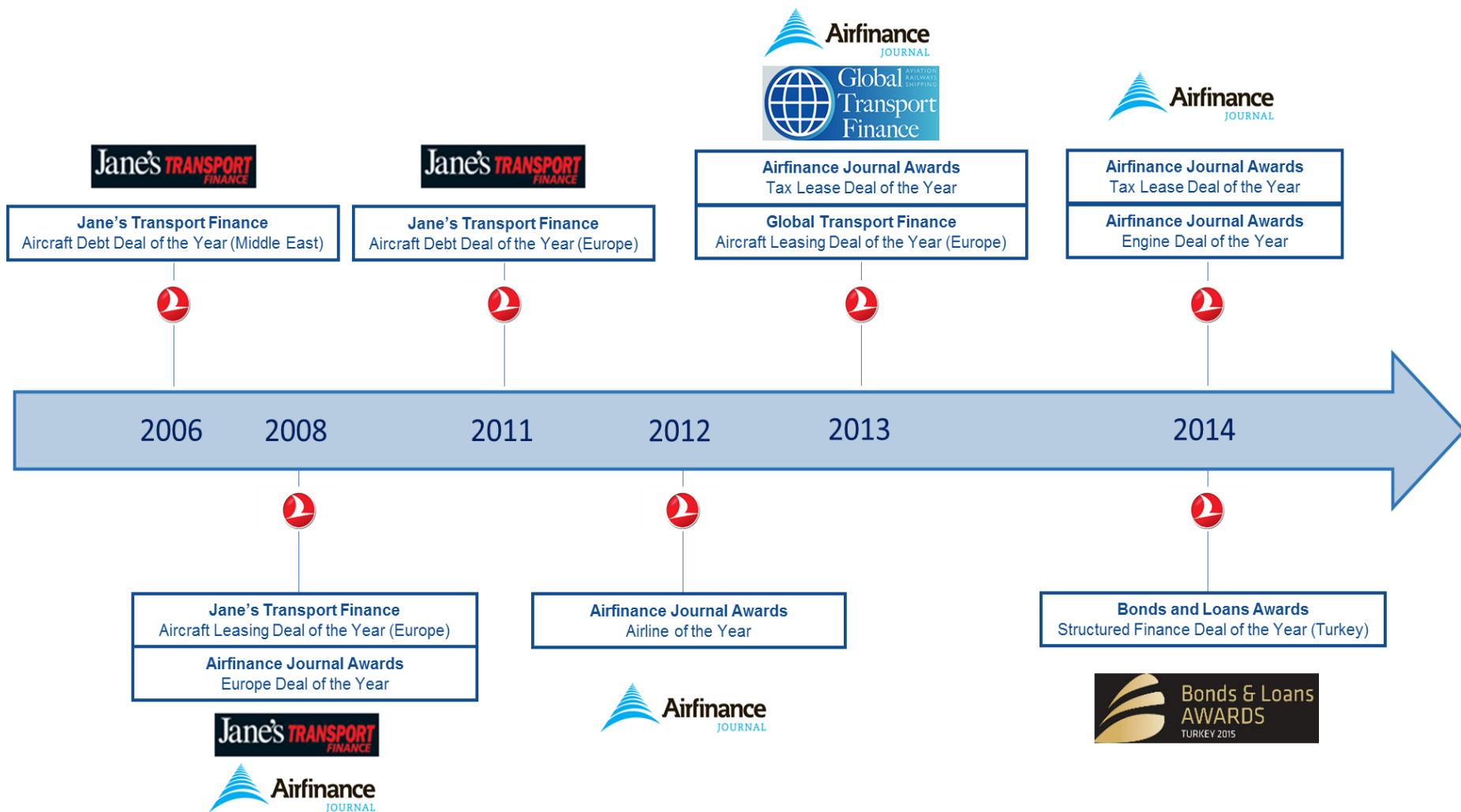


*: excluding wet-lease aircraft

A Leading Financing Team : Innovative Structures

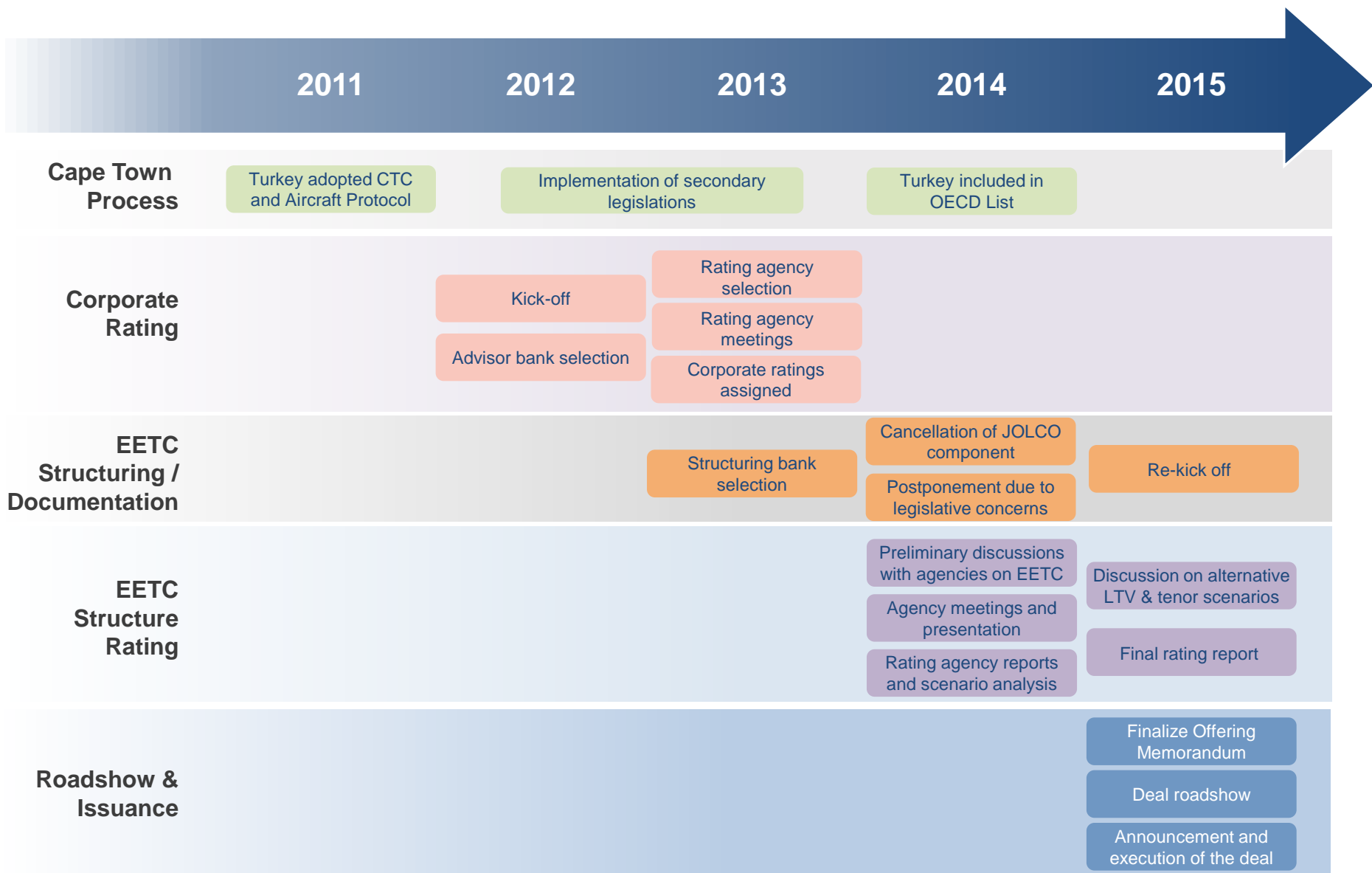


Financing Awards



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EETC Issue Process



Cape Town Convention in Turkey

- ✓ An international treaty designed to reduce the risk of loss by creditors in aircraft transactions
- ✓ It has made it possible to expand the EETC structure beyond the U.S. air carriers.
- ✓ Turkey adopted the Cape Town Convention and Aircraft Protocol, December 2011.
- ✓ Implementation of secondary legislation have been completed in 2014
- ✓ As of 20 October 2014, Turkey has been added to the OECD list of countries whose airlines are eligible for the “Cape Town Discount. *

* Applies to the Guarantee Premium charged by any OECD Export Credit Agency under a government guaranteed financing arrangement

Enhanced Equipment Trust Certificate (EETC)

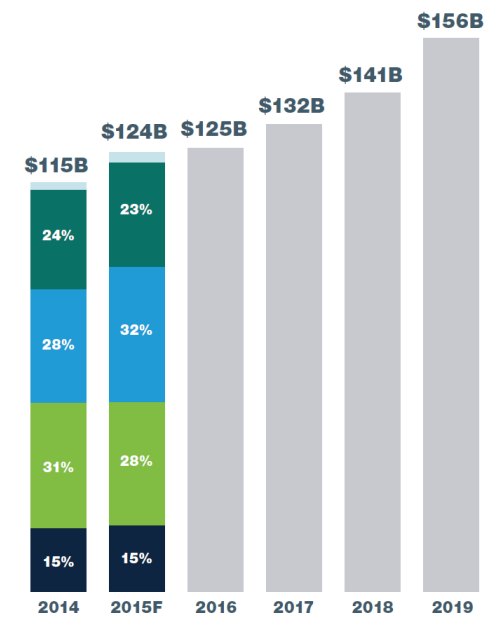
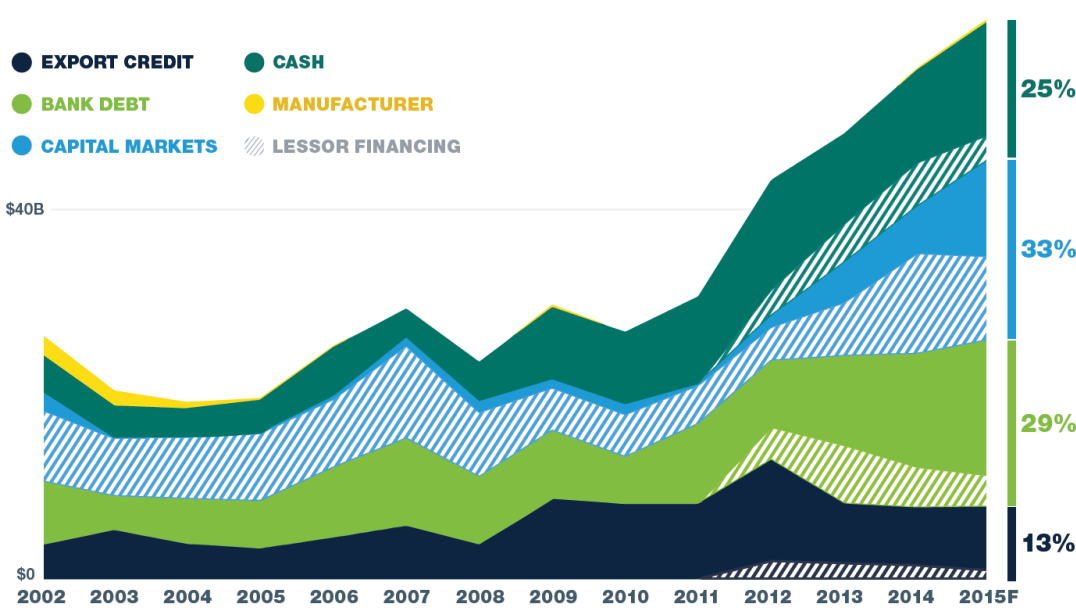
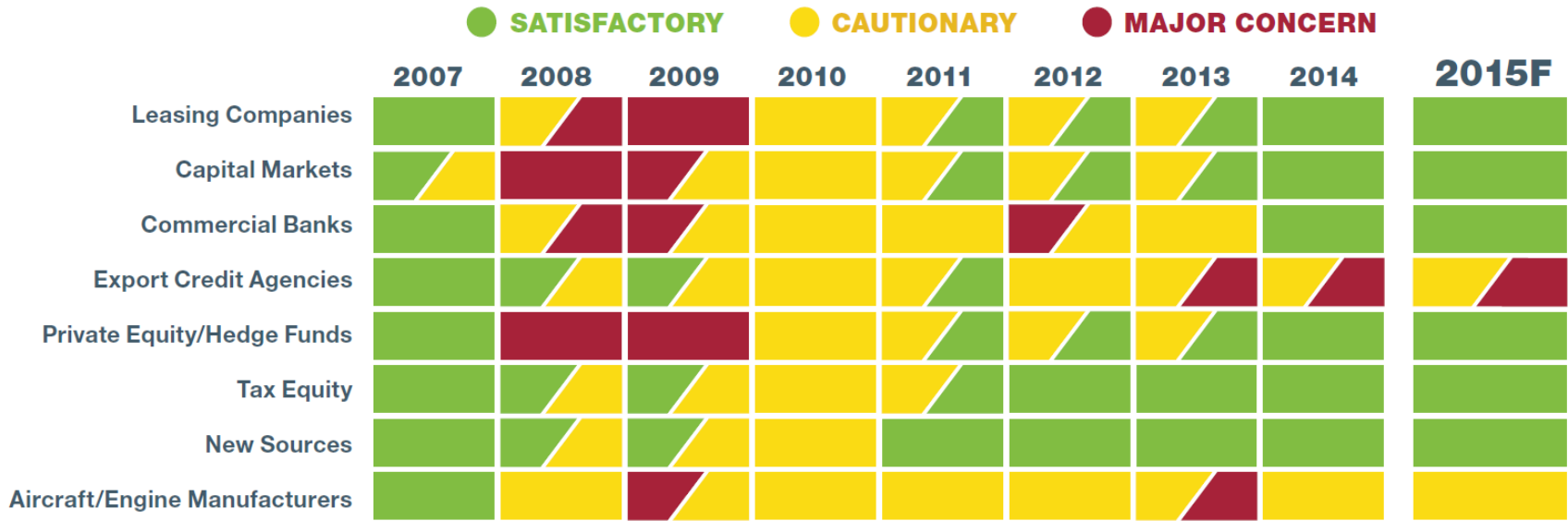
- ✓ Asset Backed Corporate Bond
- ✓ Aircraft Collateralized
- ✓ Rated higher than the Airline Corporate Rating
- ✓ Supporting Structural Elements
 - ✓ Debt tranching
 - ✓ Liquidity facilities
 - ✓ Overcollateralization
 - ✓ Cross-default principles

	Turkish Airlines USD EETC	American Airlines 2015-2A	Turkish Airlines JPY EETC
Corporate Rating	Ba1 (+2 notches compared to AAL)	Ba3	Ba1
LTV (A Tranch)	67%	55%	44%
Cross-collateral / default	Yes / Yes	Yes / Yes	Yes / No
Jurisdiction	Cape Town – Turkey	U.S. Section 1110	Cape Town – Turkey
Total Notch-up	+5 notches	+7 notches	+5 notches
EETC Rating	A2	A2	A2
Coupon / YTM	4.2% / 4.9%	4.0% / 4.1%	3.8%* / -

* USD Equivalent of 1.228% (JPY coupon rate)

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Increasing Importance of Capital Markets / Rated Products



THANK YOU



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WIDEN YOUR WORLD



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