

2022 Second Quarter Results Investor Presentation



TURKISH AIRLINES

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**KEY
TAKEWAYS**

1.

**SUMMARY
OF 2Q'22**

2.

**2Q'22
OPERATIONAL
HIGHLIGHTS**

3.

**2Q'22
FINANCIAL
HIGHLIGHTS**

4.

**STRATEGY
AND
TARGETS**



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Total Revenues

43% higher revenue achieved in 2Q'22 compared to the same period in 2019.

mn USD



2Q'19

2Q'22

Passenger Revenue

Passenger revenue surpassed 2Q'19 levels by 25% as recovery gained momentum.

mn USD



2Q'19

2Q'22

Cargo Revenue

Cargo revenue more than doubled in 2Q'22 compared to 2Q'19.

mn USD



2Q'19

2Q'22

Cash & Liquidity

Liquidity remains strong with ~4.3 bn USD Cash & Eq. at hand.

mn USD

30 Jun. 2022

4.316

31 Dec. 2021

2.682

Ex-Fuel CASK

Ex-Fuel unit costs decreased by 11% in 2Q'22 compared to the same period in 2019.

USc

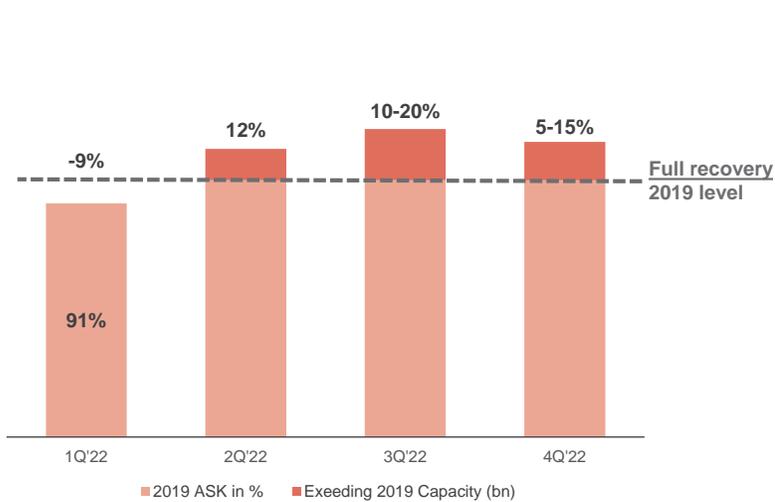


2Q'19

2Q'22

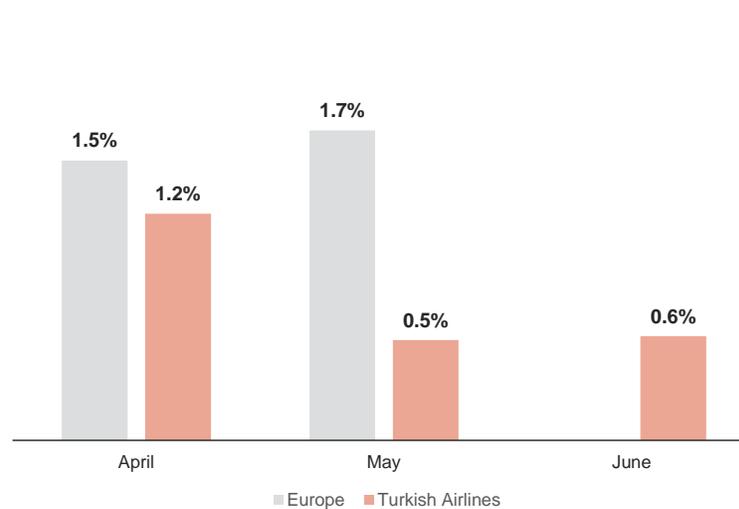
Successful capacity ramp up continues while preserving operational reliability

Quarterly Passenger Capacity



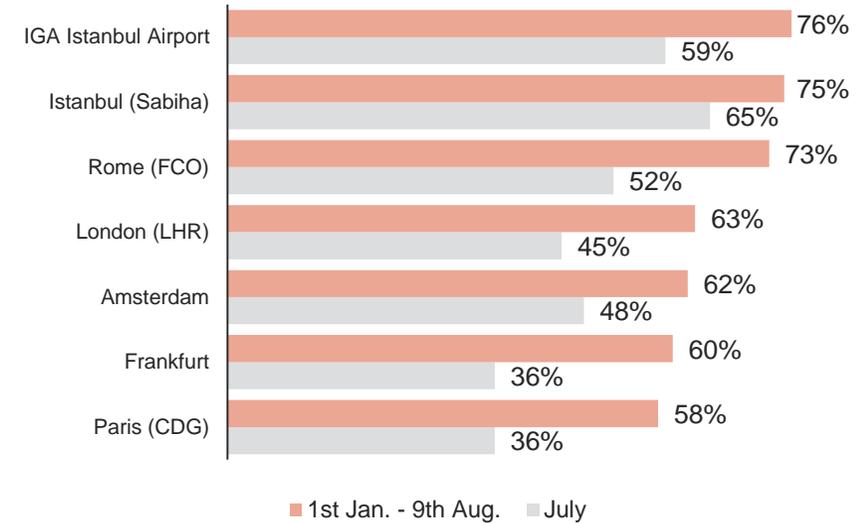
Capacity in the third and fourth quarter will be above 2019 levels.

Europe Flight Cancellations



Our flight cancellation rates were lower than the European average in April and May.

Europe On Time Performance (OTP+15)



On time performance of the two airports in Istanbul outperformed major European peers.



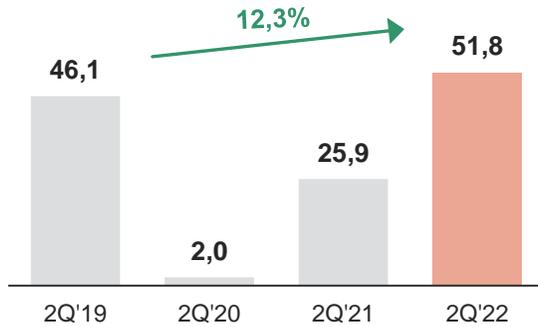
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Note: Cancellation rates are calculated according to Eurocontrol definition by dividing number of cancellations before the day of departure (t-1) to total number of planned flights. June figure is yet to be published.

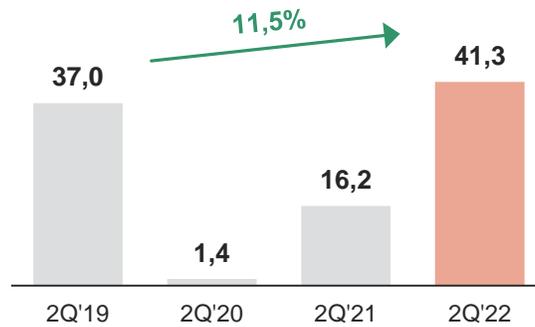
Source: Eurocontrol.

Recovery is clearly visible across the board

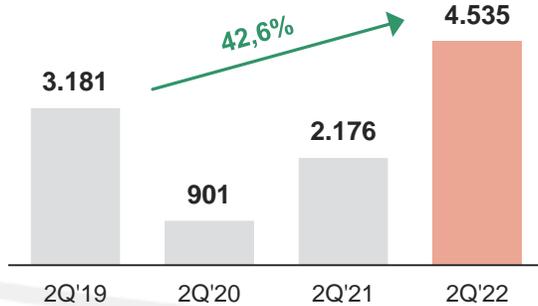
Passenger Capacity (ASK bn)



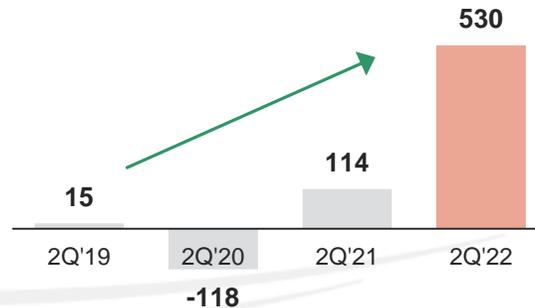
Passenger Demand (RPK bn)



Total Revenue (mn USD)



Profit from Main Operations (mn USD)



Passenger capacity exceeded 2Q'19, while **L/F** and **PAX** reached to 2019 levels.

Total Revenue surpassed 2Q'19 by **43%** owing to recovery in passenger traffic and continuing strength in cargo.

Profitability in the second quarter recorded well above pre-pandemic levels.



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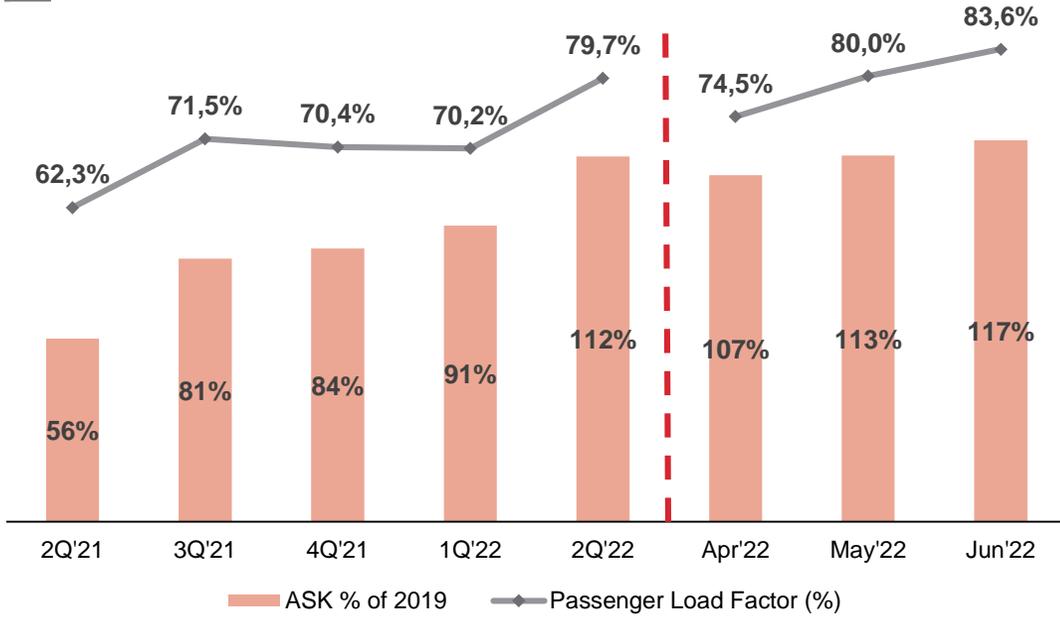
**2Q'22
FINANCIAL
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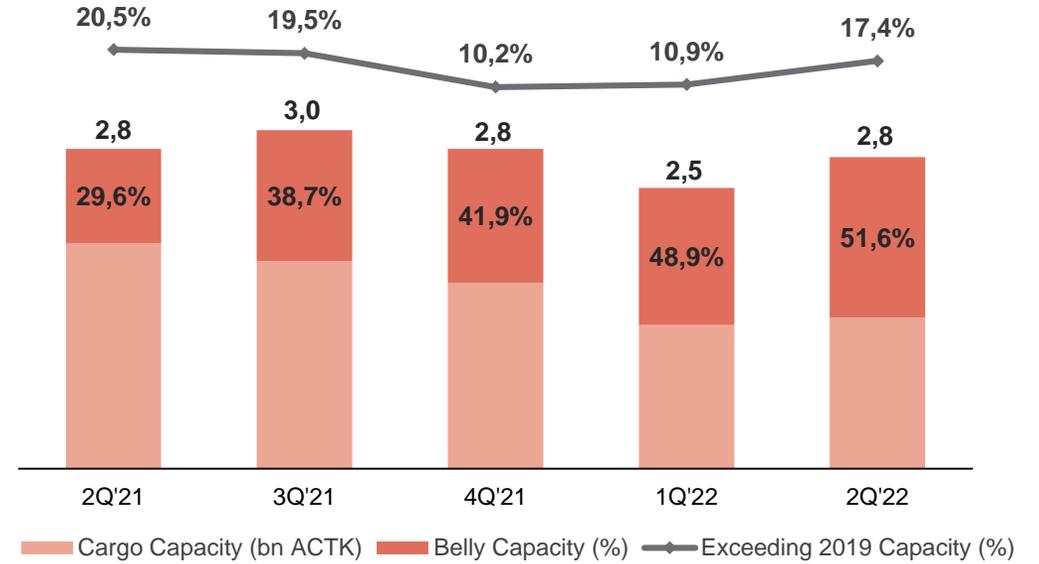
**STRATEGY
AND
TARGETS**

Capacity Management

In June 2022, we materially surpassed 2019 ASK by 17%.

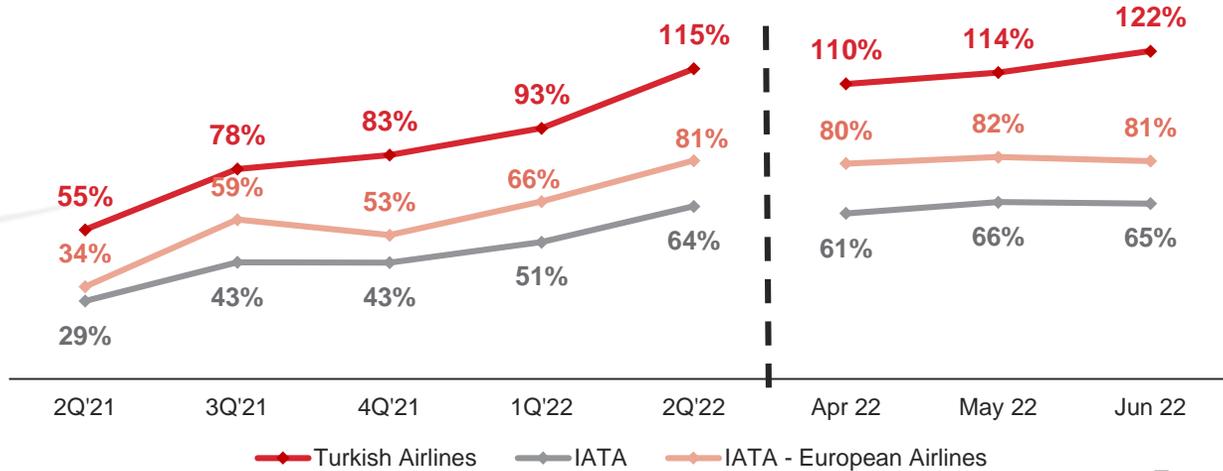


Contribution of belly normalized as capacity remains above 2019.



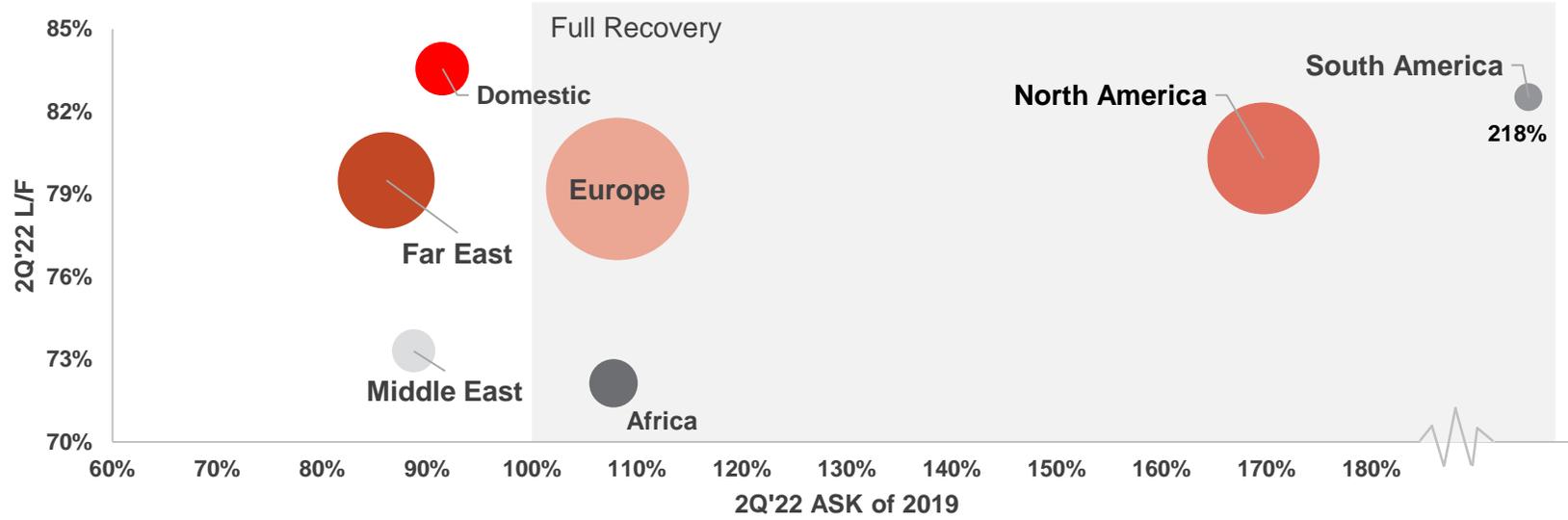
Pace of our international capacity ramp up was considerably higher than the European and Global averages.

International ASK (% of 2019)



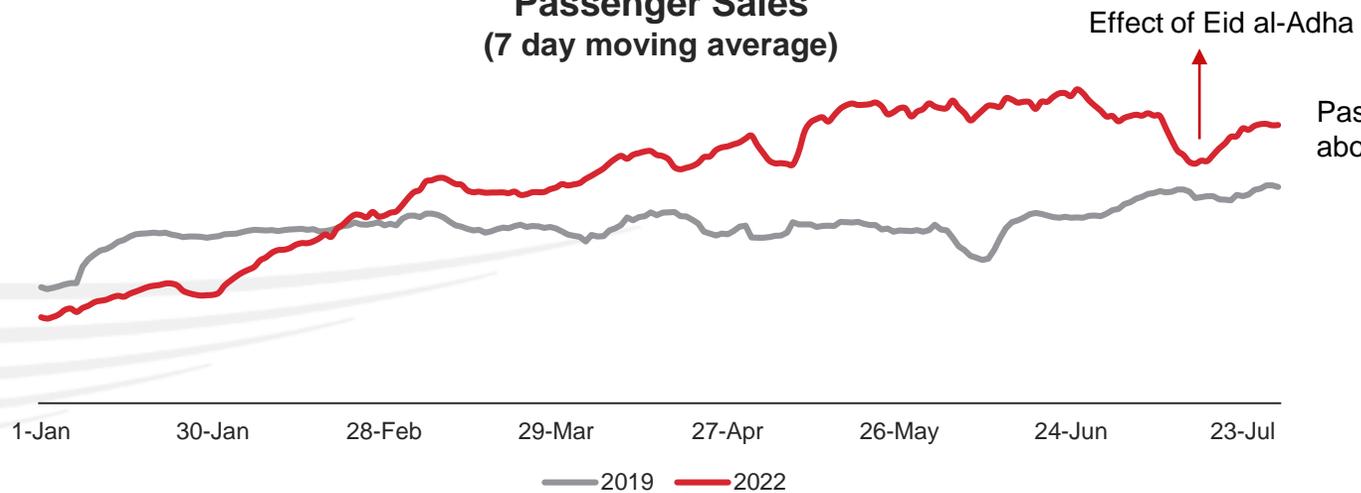
Source: IATA

Passenger Traffic Recovery (2Q'22 / 2Q'19)



Note: The scale of the bubble represents the portion of the regions' ASK contribution in 2Q'22.

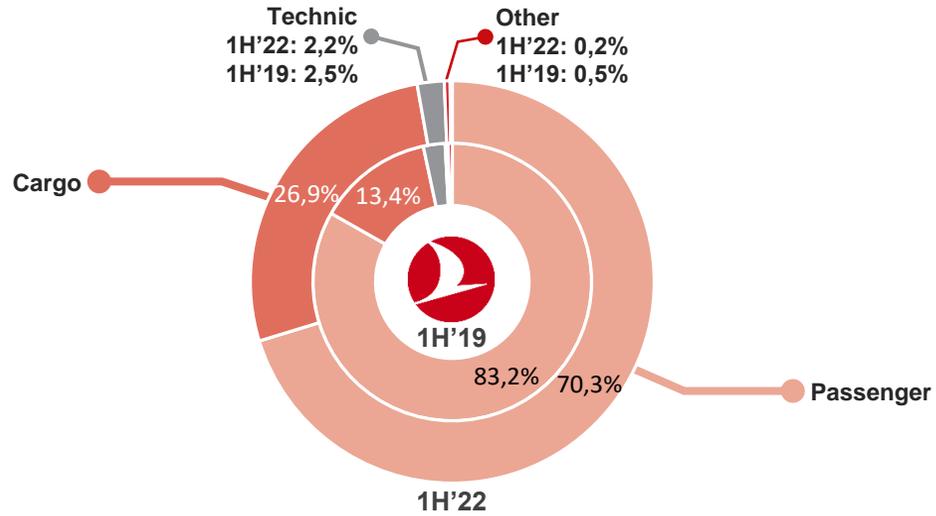
Passenger Sales (7 day moving average)



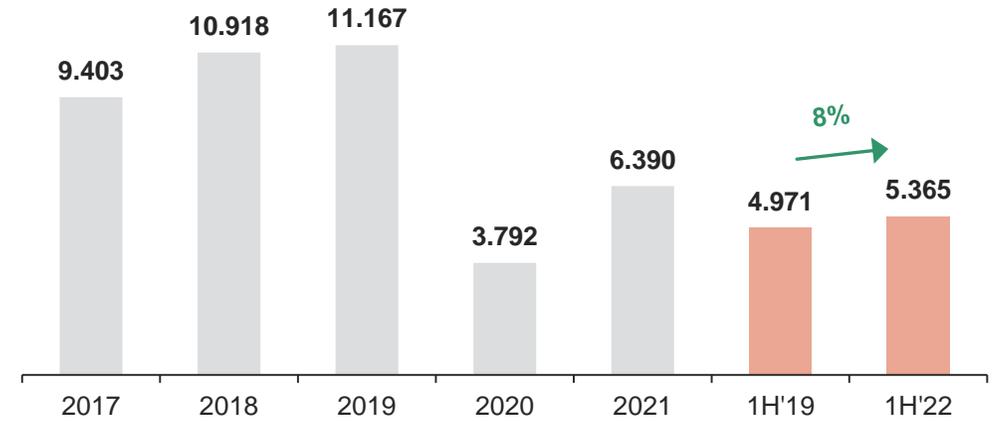
Passenger sales remain well above 2019 levels.

Segment Performance

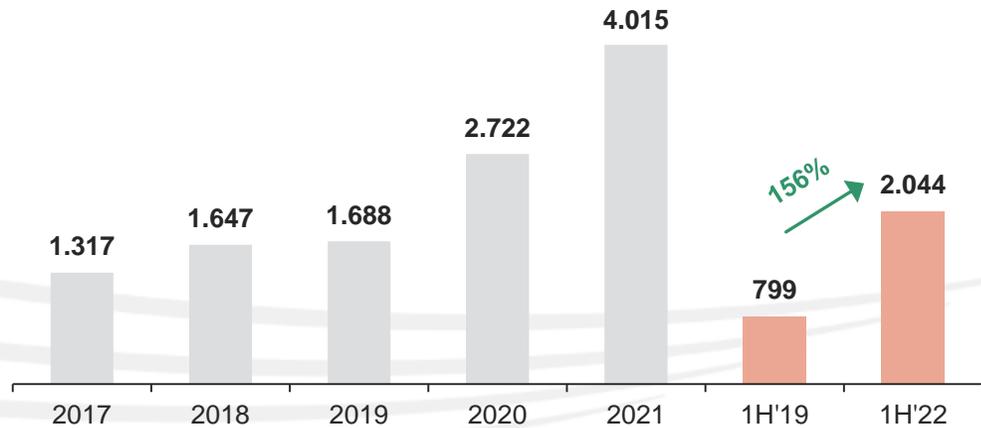
Revenue by Business Type (1H'22 / 1H'19)



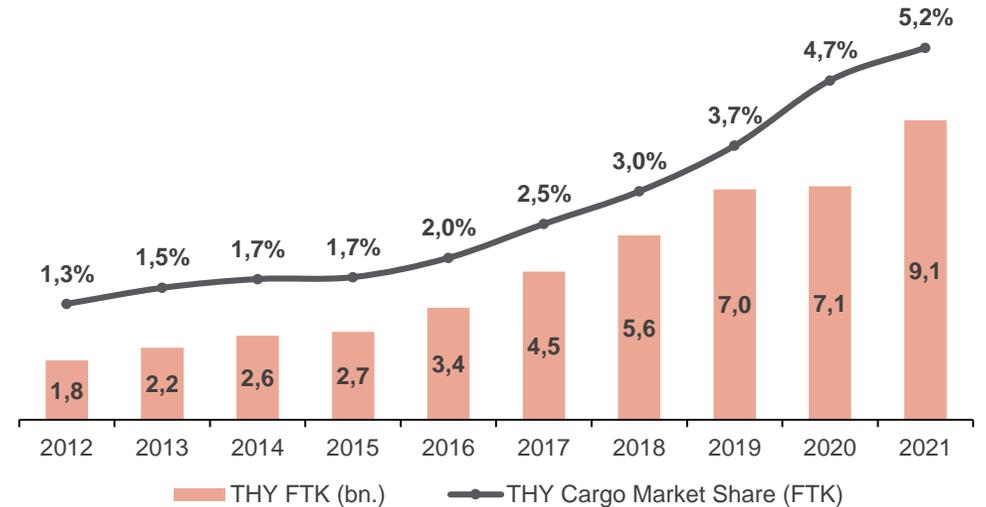
Passenger Revenue Evolution (mn USD)



Cargo Revenue Evolution (mn USD)



THY Cargo Market Share - FTK



July Traffic Results

Passenger Operations	JULY		
	2019	2022	Change(%)
TOTAL			
Capacity (bn ASK)	17.3	20.5	18.5%
Demand (bn RPK)	14.4	17.6	22.6%
Load Factor (%)	83.2%	86.1%	2.9 pt
Number of Pax (mn)	7.1	7.8	9.9%

JANUARY - JULY			
2019	2022	Change(%)	
Capacity (bn ASK)	106.0	111.1	4.8%
Demand (bn RPK)	85.5	86.2	0.8%
Load Factor (%)	80.6%	77.5%	-3.1 pt
Number of Pax (mn)	42.2	38.7	-8.3%

DOMESTIC	JULY		
	2019	2022	Change(%)
Capacity (bn ASK)	2.0	2.0	-1.5%
Demand (bn RPK)	1.8	1.8	-0.6%
Load Factor (%)	89.3%	90.1%	0.8 pt
Number of Pax (mn)	2.9	2.7	-6.7%

JANUARY - JULY			
2019	2022	Change(%)	
Capacity (bn ASK)	13.2	11.4	-13.7%
Demand (bn RPK)	11.3	9.6	-15.2%
Load Factor (%)	86.2%	84.8%	-1.5 pt
Number of Pax (mn)	18.0	14.3	-20.5%

INTERNATIONAL	JULY		
	2019	2022	Change(%)
Capacity (bn ASK)	15.3	18.5	21.2%
Demand (bn RPK)	12.6	15.8	25.9%
Load Factor (%)	82.4%	85.6%	3.3 pt
Number of Pax (mn)	4.3	5.2	21.0%
Direct International Pax (mn)	1.9	2.8	44.3%

JANUARY - JULY			
2019	2022	Change(%)	
Capacity (bn ASK)	92.9	99.8	7.4%
Demand (bn RPK)	74.2	76.5	3.2%
Load Factor (%)	79.8%	76.7%	-3.1 pt
Number of Pax (mn)	24.3	24.5	0.8%
Direct International Pax (mn)	10.7	12.3	14.4%

Passenger capacity and demand were **18.5%** and **22.6%** higher than July 2019 respectively.

Load Factor exceeded the pre-pandemic level by **3.3** percentage points reaching to **86.1%**.

In July, number of direct passengers to Türkiye increased by **44%** compared to 2019.



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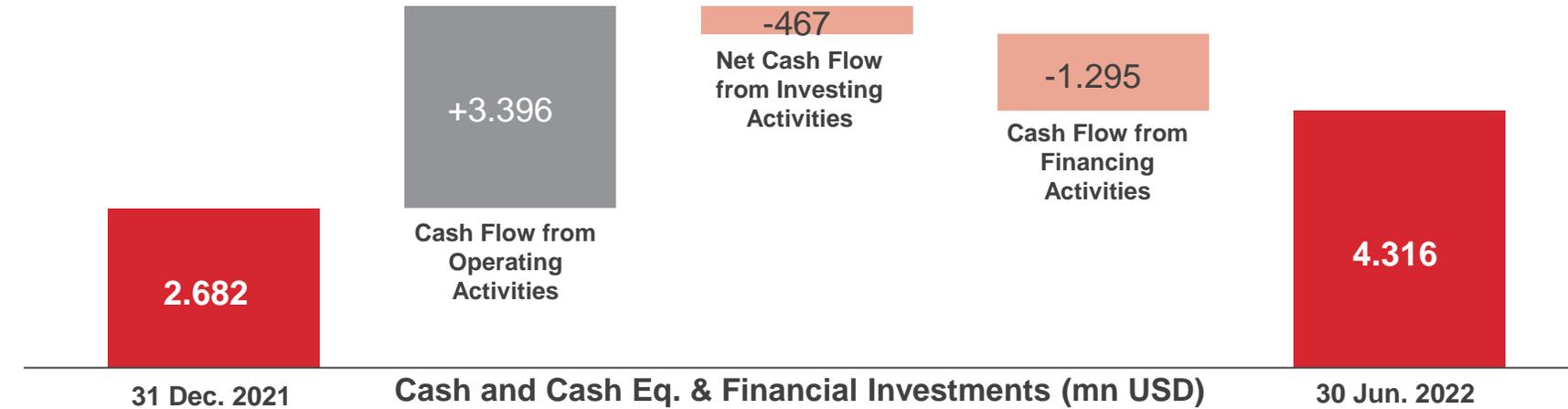
**2Q'22
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**STRATEGY
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Liquidity Management & Leverage

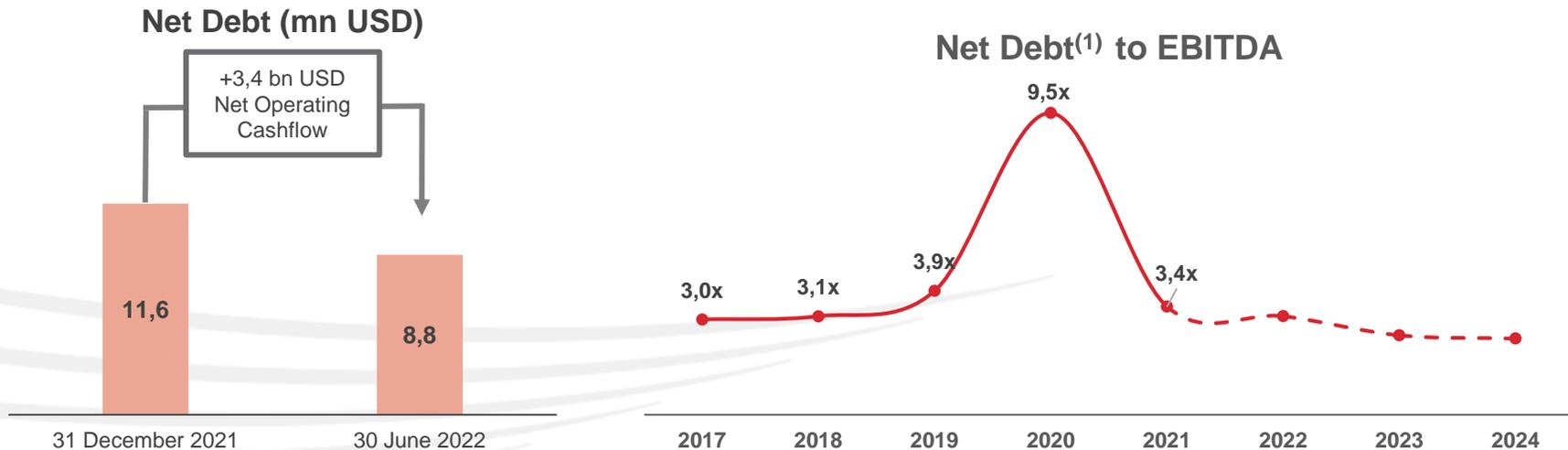
We have over **4.3 bn USD** liquidity at hand.



Operational cash generation ability drove accelerated deleveraging.

Net debt decreased by **5.3 billion USD** from its peak at the end of 2020.

LTM Net Debt to EBITDA is lower than pre-pandemic levels and stands at **2.1x**.

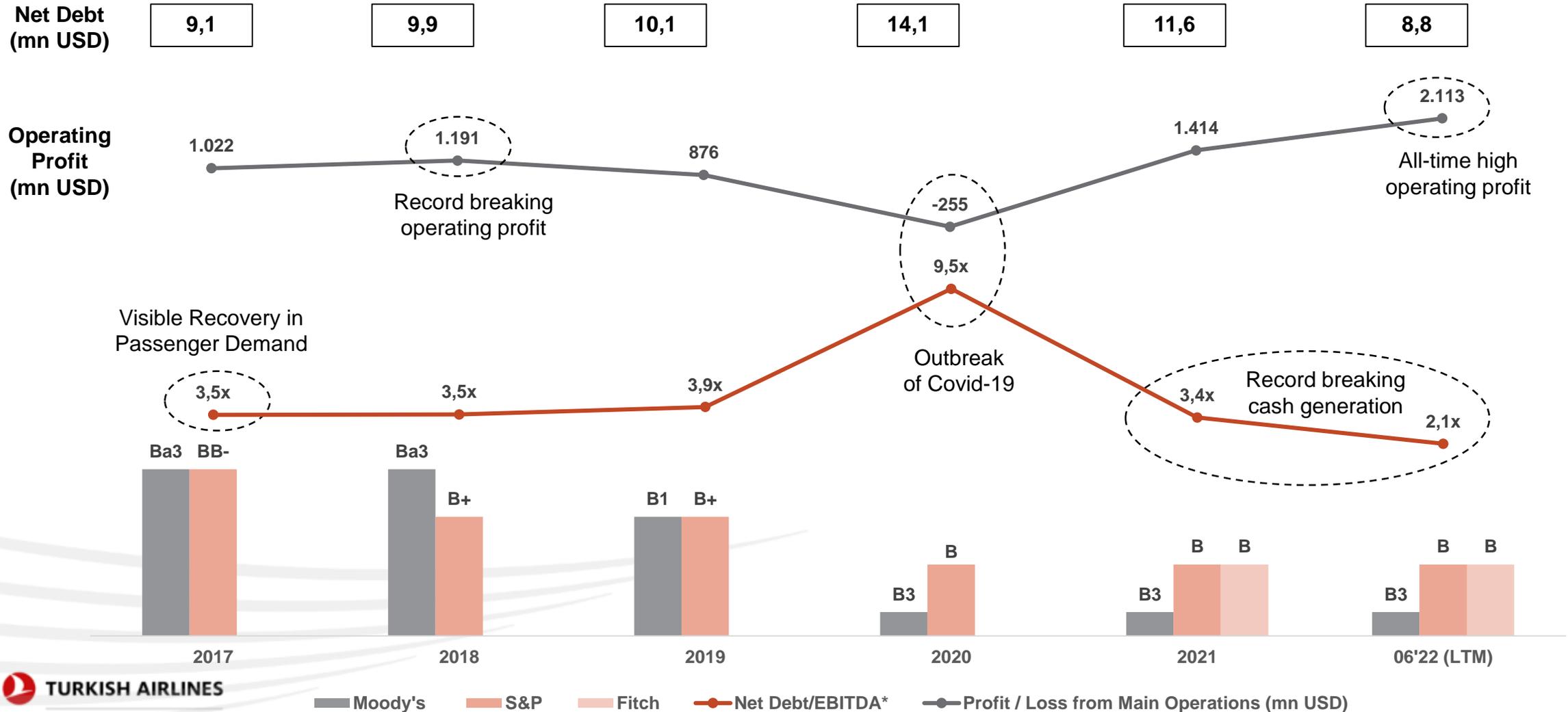


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⁽¹⁾ Net Debt=Total Debt – (Cash & Cash eq. + Short-term Financial Investments + Short-term PDP Receivables + Restricted Cash)

Turkish Airlines' Financial Performance vs. Credit Rating Notes

- Our Net Debt to EBITDA ratio and cash generation capability improved significantly in the last 5 years.
- Unfortunately, our credit ratings failed to capture our strong financial and operational performance.



*2017-2018 data are adjusted to comply with IFRS16

Financial and Operational Data

2Q'19	2Q'22	Change	(USD mn)	1H'19	1H'22	Change
3.181	4.535	42,6%	Total Revenues	5.949	7.586	27,5%
2.696	3.375	25,2%	Passenger Revenue	4.971	5.365	7,9%
393	1.064	170,7%	Cargo Revenue	799	2.044	155,8%
80	87	8,7%	Technic Revenue	150	164	9,3%
10	520	5,100%	Net Operating Profit / Loss	-193	664	-
15	530	3,433%	Profit From Main Operations	-135	693	-
26	576	2,115%	Net Income	-203	737	-
0,8%	12,7%	11,9 pt	Net Income Margin	-3,4%	9,7%	13,1 pt
561	1.132	101,8%	EBITDAR	919	1.842	100,4%
17,6%	25,0%	7,3 pt	EBITDAR Margin	15,5%	24,3%	8,8 pt
46.112	51.791	12,3%	ASK (Million)	88.767	90.629	2,1%
5,94	7,59	27,6%	RASK2 (incl. ACTK)¹	5,76	7,14	24,1%
7,29	8,18	12,2%	Revenue Yield (R/Y) (USc)	6,99	7,83	12,0%
18.374	18.234	-0,8%	Passengers Carried ('000)	35.113	30.899	-12,0%
80,2%	79,7%	-0,6 pt	L/F (%)	80,1%	75,6%	-4,5 pt

RASK2: Total Passenger and Cargo Revenue / ASK²

¹ASK value is adjusted by ACTK in order to include cargo operations as it has a reasonable share in our total cost base.

Total revenues exceeded 2019 levels in the second quarter by 43%.

Cargo revenues in the 2Q'22 increased by **1.7x** compared to the same period in 2019.

Profit From Main Operations reached to **530 million USD** in 2Q'22.

EBITDAR Margin in the 2Q'22 recorded as **25%**, considerably above 2019.

Unit Expenses

2Q'19	2Q'22	Change	(USc)	1H'19	1H'22	Change
2,13	3,52	65,4%	Fuel	2,07	3,07	48,3%
1,14	0,88	-22,7%	Personnel	1,17	0,99	-15,5%
1,00	0,96	-4,4%	Aircraft Ownership¹	1,01	1,07	6,4%
0,66	0,61	-7,4%	Airports & Air Navigation	0,62	0,63	2,8%
0,57	0,53	-8,6%	Sales & Marketing	0,65	0,55	-15,0%
0,44	0,42	-4,4%	Ground Handling	0,44	0,44	-0,1%
0,34	0,29	-15,5%	Passenger Services & Catering	0,34	0,27	-19,1%
0,42	0,38	-9,6%	Maintenance	0,43	0,40	-6,4%
0,19	0,18	-1,6%	Other	0,20	0,21	5,3%
6,88	7,75	12,7%	CASK	6,92	7,64	10,4%
4,75	4,23	-10,8%	Ex-Fuel CASK	4,85	4,57	-5,8%
6,10	6,86	12,5%	CASK2 (incl. ACTK)²	6,13	6,67	8,9%
4,21	3,75	-11,1%	Ex-Fuel CASK2(incl. ACTK)²	4,30	3,99	-7,0%

¹includes Depreciation and Aircraft Rent expenses.

²ASK value is adjusted by ACTK in order to include cargo operations as it has a reasonable share in our total cost base. 1

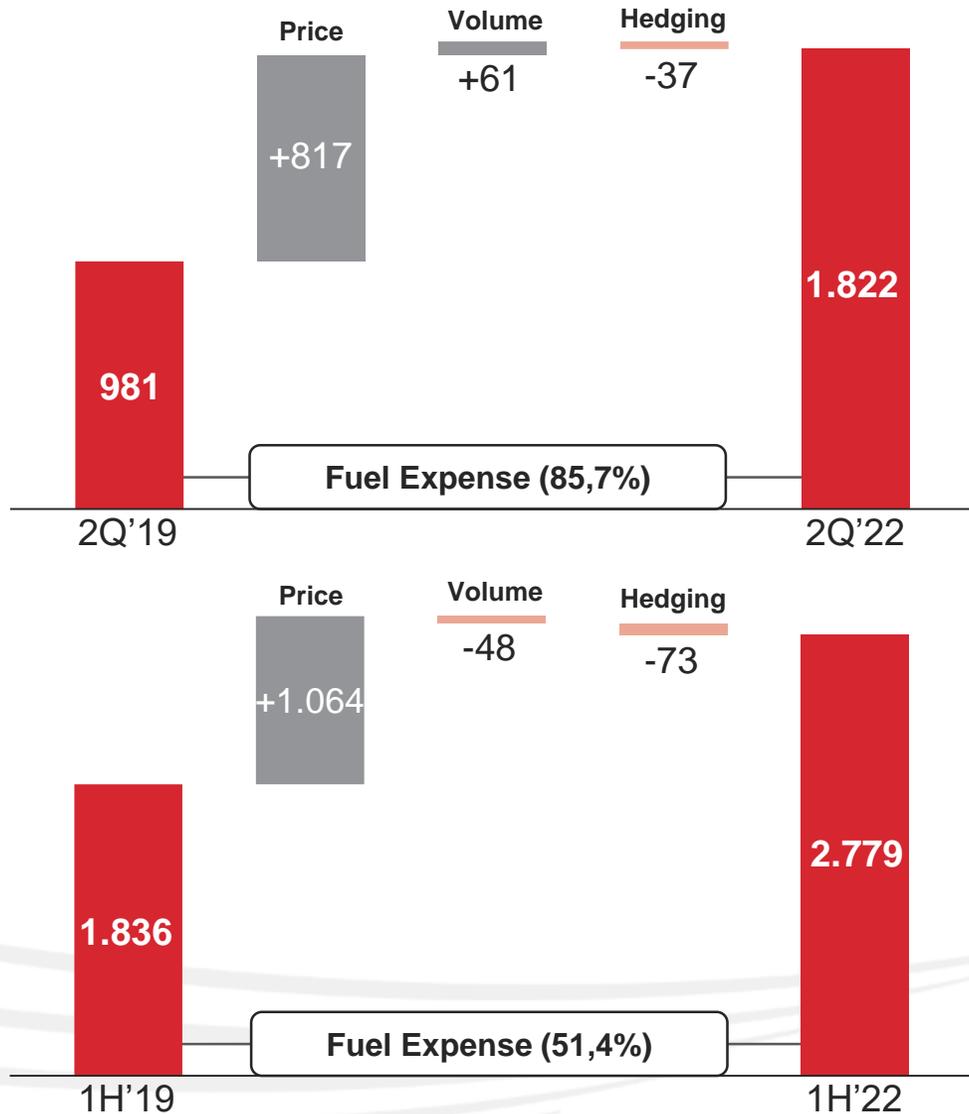
Continuing focus on transformation in order to reinforce strict cost discipline.

Enhancing capabilities of digital sales channels to save on distribution costs.

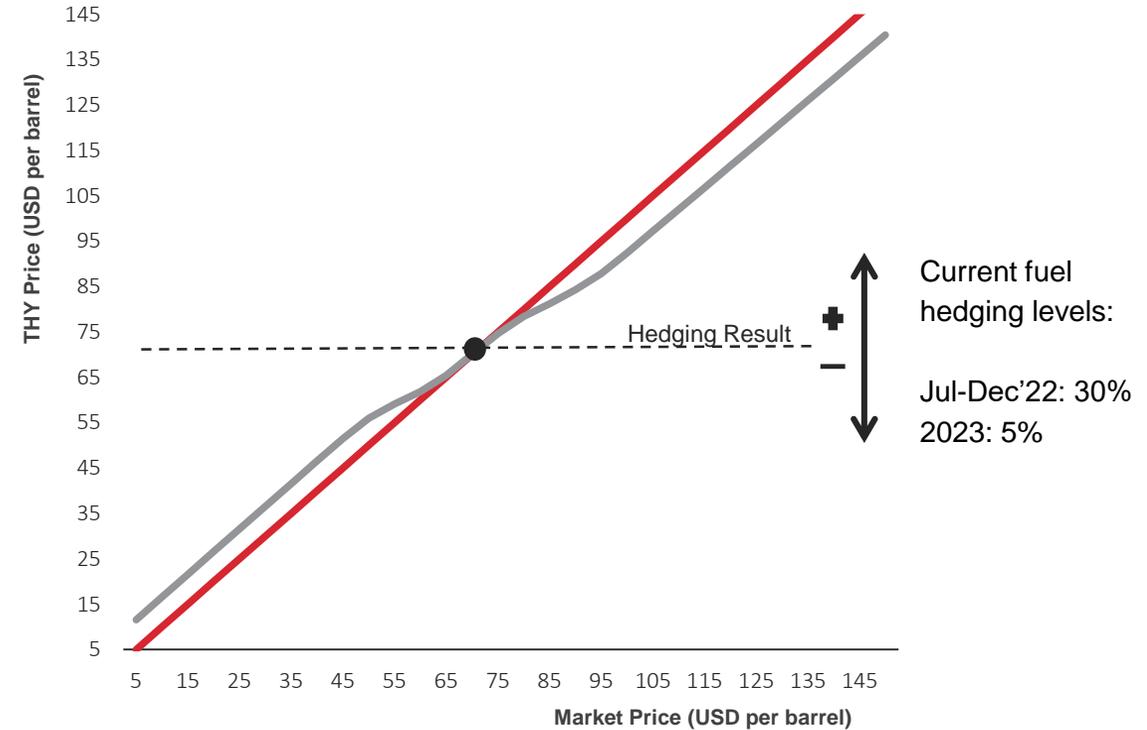
Organizational simplification and downsizing managerial positions.

Reducing marketing spending via focusing on tactical campaigns.

Fuel Expense Breakdown and Hedging



Effect of Hedging on the Fuel Price



- Descending layered hedging strategy
- Crude oil based swaps and options
- Maximum of 60% for the following month is hedged using derivative instruments depending on the market conditions.



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**STRATEGY
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	2019	2021	2Q'21	2Q'22
Number of aircraft	57	64	44	57
Number of Routes	129	168	136	163
Capacity split Int. - Dom.	13% - 87%	52% - 48%	47% - 53%	63% - 37%
Int. Market Share in SAW*	18%	25%	28%	27%
Number of PAX (mn)	14.5	13.3	2.4	3.7
ASK (billion)	11.2	16.8	3.2	5.1
Load Factor	87.2%	74.0%	67.4%	75.9%
Ex-Fuel CASK (USc)	2.11	2.32	2.21	2.19



In 2022, AnadoluJet is expected to operate with 63 aircraft in 173 routes.

Driving down unit costs further with 17 new generation aircraft additions in 2022.

Increasing penetration to high growth leisure markets through direct international flights.

Capturing ethnic travel segment from Europe to Türkiye.

Targeting price sensitive customers.

Extracting ancillary revenue potential by merchandising and bundling.

High utilization through increased P2P exposure.

Capacity:

2022 **higher** than 2019 levels



Costs:

2022 ex-fuel CASK is **lower** than 2019



CapEx:

Around **4-4.5 bn USD** in 2022 including aircraft, engine, heavy maintenance and other investments



Fleet:

Currently stands at **386**
Total of **34** new additions in 2022



New routes opened in 2022:

Cebu	Bergamo
Seattle	Juba
Bukhara	Tivat
Rize-Artvin	

Network:

340
destinations
in **129**
countries



Priorities

Sustaining our low unit costs

Accelerating deleveraging and strengthening our liquidity level

Targeting new growth opportunities

Build up on connectivity

Extract ancillary revenue potentials to enhance top line growth



Most Material Issues

Flight Safety and Flight Security	Fleet Modernization: New-Generation Aircraft Consuming Less Fuel
Climate Change	Sustainable Catering
Employee Health & Safety and Wellbeing	Contribution to Social Development
Changing Customer Behaviors & Expectations	Responsible Supply Chain Management
Digitalization & Innovation	Single Use Plastics
Fair Competition	Waste Management
Business Continuity	Noise Management
Skill Management	Water Management



Participating in the performance evaluations of international sustainability indices:



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You can find our Sustainability Reports in the Investor Relations [homepage](#).

1H 2022 Developments

In the second half of 2022:

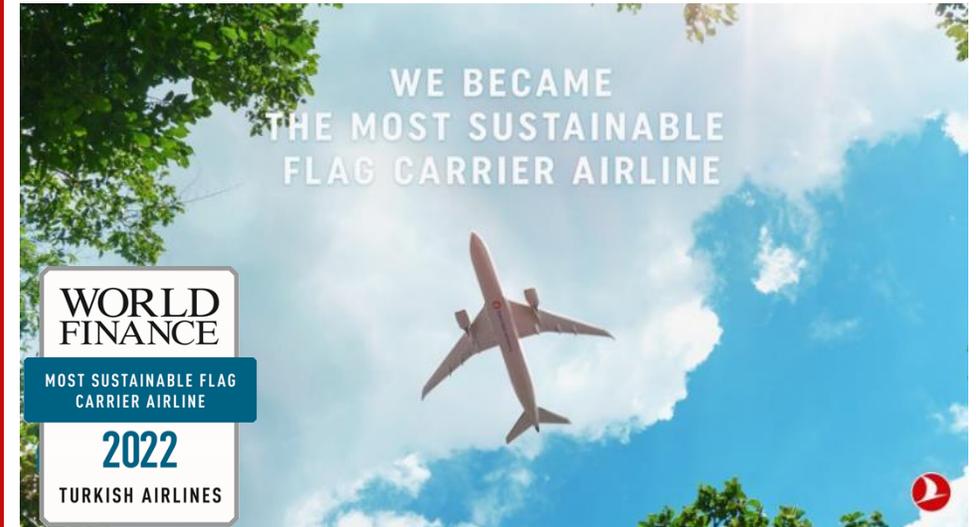
Fuel Saving:
17,683 tons of fuel saved



CO₂ Avoided:
55,702 tons of CO₂ avoided



Fleet Age:
8.7 Average Fleet Age





TURKISH AIRLINES
INVESTOR RELATIONS

THANK YOU...

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