WIDEN YOUR WORLD

«AVIATION: I Love the 21st century; this love is mutual»
The European Aviation Club
Dr. Temel Kotil
CEO of Turkish Airlines and President of the Association of European Airlines

October 2014
Aviation Today & Tomorrow

Passenger Numbers

- 1994: 1.2 billion
- 2014: 3.3 billion
- 2034: 7.3 billion

Economic Contribution

- 2014:
  - 58 million jobs
  - 2.4 trillion USD GDP*
  - 3.4% of world GDP
- 2034:
  - 105 million jobs
  - 6 trillion USD GDP
  - 4.1% of world GDP

*Total (direct, indirect, induced) effect

Source: IATA, Airbus, ATAG
Passenger Traffic Flow Development

Total Scheduled Revenue Passenger-Kilometers To/From and Intra Regions (trillions)

Driving The Center Of Gravity Of Traffic To The South And East

Until recently, the airline industry was viewed as the center of Europe

After 2020, the industry will move to the center to the East
Cities, like Istanbul, Doha, Abu Dhabi and Dubai, will play a key role as centers of the new attraction

Source: Airbus Global Market Forecast 2012

Geographic centre of gravity of departing/arriving/connecting passengers per city
Traffic as month of September; estimates for historic passenger derived from offered seats; respective centres of gravity as median of city coordinates weighted by passenger traffic
Development of Passenger Market Share by Airline Domicile

- Market share of European carriers has been going steady.
- However the picture may change in the future: market share can be lost to Asian and Middle Eastern carriers.

**Market Share in terms of RPK**

Source: *2003 data is driven from IATA Carrier Tracker Report, 2013 and 2033 values are from Airbus 2014 GMF.*
International Passenger Growth

- **Europe will still be the driver of international traffic.**
- Although growth rate of international passengers at European airports will be lower than the rest of the world, Europe will still have the biggest international passenger share.

**International Passenger Growth Regionally (2011 - 2031)**

- **Europe**: 2,500
- **Asia-Pacific**: 2,000
- **North America**: 1,500
- **Latin America**: 1,000
- **Middle East**: 500
- **Africa**: 500

The diameter of spheres show extra passenger number in 2031 compared to 2011.

*Source: ACI 2012-2031 Traffic Forecast*
- **Airport rankings** is about to change.
- **By 2021, Istanbul main airport will be expected to be the 3rd largest in the world.**

Growth rates are forecast by our analyst team based on ACI 2012 country passenger forecast, last 10 year growth rate of airports, regional growth expectations of Airbus&boeing
Connectivity can boost the productivity and growth of economies.
There is a strong positive correlation between higher connectivity and labor productivity.

Source: IATA Aviation Economic Benefits, IATA economic performance 2014
Network Today & Tomorrow

42 Mega Cities (2013)

91 Mega Cities (2033)

Source: Airbus 2014 GMF
Fleet Size Development

Fleet Size

Source: Boeing Current Market Outlook 2014

Annual Fleet Size Growth For Next 20 Years

About 21k aircraft

More than 42k aircraft

2013

2033

x2
Human Capital Requirements

533,000 new pilots will be needed in 2023

Regional Distribution Of New Pilots

- Asia Pacific: 41%
- Europe: 18%
- North America: 17%
- Middle East: 10%
- Latin America: 8%
- CIS: 3%
- Africa: 3%

584,000 new technicians will be needed in 2023

Regional Distribution Of New Technicians

- Asia Pacific: 38%
- Europe: 17%
- North America: 19%
- Middle East: 11%
- Latin America: 8%
- CIS: 4%
- Africa: 3%

- 94,000 Pilots Needed in Europe
- 102,000 Technicians Needed in Europe

Source: Boeing 2014 Pilot & Technician Outlook
Customer Satisfaction In Aviation Sector

Today, passenger expectation leads airline strategies.

- Customization is maybe the main important effect leads the customer satisfaction and royalty.
- To handle customization, airlines should define/understand passengers’ behavior and habits.

Source: Boeing
## Turkish Aviation Market Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Passengers (million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>29</td>
</tr>
<tr>
<td>2004</td>
<td>36</td>
</tr>
<tr>
<td>2005</td>
<td>44</td>
</tr>
<tr>
<td>2006</td>
<td>50</td>
</tr>
<tr>
<td>2007</td>
<td>54</td>
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<tr>
<td>2008</td>
<td>63</td>
</tr>
<tr>
<td>2009</td>
<td>65</td>
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<tr>
<td>2010</td>
<td>79</td>
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<tr>
<td>2011</td>
<td>89</td>
</tr>
<tr>
<td>2012</td>
<td>98</td>
</tr>
<tr>
<td>2013</td>
<td>111</td>
</tr>
<tr>
<td>2014F</td>
<td>125</td>
</tr>
</tbody>
</table>

### 2004 – 2014: CAGR=13%

Source: General Directorate of State Airports Authority (DHMI).
Next 20 years,
- World passenger traffic (RPK) growth rate %4.7
- Population growth rate %0.9

Source: IATA, Airbus GMF 2013
World Passenger Market Share Development – ASK

World Largest Airlines’ Market Share in terms of ASK

Source: World AKK from 2002-2013 is from IATA data. Airline AKK values from 2002-2012 are from IATA Wats reports. Airline AKK for 2013 are from official websites of airlines and 2014 data are forecasted based on innovata data for August 2014 given in Air Transport News.
Turkish Airlines Global Passenger Market Share Development

- **Turkish Airlines achieved continuous and ambitious increase.**

Source: World traffic values are from IATA reports.
Turkish Airlines’ Passenger Growth

- Turkish Airlines’ passenger volume grew more than 3 times faster than the world.

Turkish Airlines’ Passenger Numbers (millions)

2004 – 2014:
CAGR=17%
Transfer Passenger Development

International to international transfer passengers accounted for 44% of international passengers.

**Passenger Breakdown**

- Domestic: 42%
- Int'l Direct: 20%
- Int'l-Dom Transfer: 13%
- Int'l-Int'l Transfer: 25%

**2000 – 2005:**
- CAGR = 8%

**2005 – 2013:**
- CAGR = 34%

- 2005: 9.0
- 2010: 6.2
- 2013: 11.6
- 2014: 14.2

**Passenger Breakdown**

- Int'l Direct: 20%
- Int'l-Dom Transfer: 13%
- Int'l-Int'l Transfer: 25%
- Domestic: 42%
SEE

OPEN YOUR EYES AND YOUR MIND. SEE THE BEAUTY IN THE UNKNOWN.
The diameter of the sphere illustrates total annual passenger number.
TK is flying to more countries than any other airline in the world.

TK is flying to more international destination than any other airline in the world.

TK is the 4th largest airline in terms of network size.

108 Country

219 International Destinations

264 Destinations in the World

* Rankings are based on OAG data from April 2014
Destinations in Turkey
2002 THY Network (4 Destinations)
2003 - 2014 (38 New Destinations)
Planned (7 Destinations)
2013/14
AMERICA

- 2002 THY Network (2 Destinations)
- 2003 - 2014 (8 New Destinations)
- Planned (6 Destinations)
2002 THY Network (11 Destinations)
2003 - 2014 (23 New Destinations)
Planned (2 Destinations)
### O&D Opportunities

#### 1st Airline

<table>
<thead>
<tr>
<th>Origin Destination</th>
<th>O&amp;D Pair</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa – Europe</td>
<td>4242</td>
</tr>
<tr>
<td>Africa – Domestic</td>
<td>1932</td>
</tr>
<tr>
<td>Africa – Middle East</td>
<td>1428</td>
</tr>
<tr>
<td>Africa – Far East</td>
<td>1344</td>
</tr>
<tr>
<td>Africa – America</td>
<td>420</td>
</tr>
<tr>
<td>Africa – Total</td>
<td>9366</td>
</tr>
</tbody>
</table>

#### 1st Airline

<table>
<thead>
<tr>
<th>Origin Destination</th>
<th>O&amp;D Pair</th>
</tr>
</thead>
<tbody>
<tr>
<td>Middle East – Europe</td>
<td>3434</td>
</tr>
<tr>
<td>Middle East – Domestic</td>
<td>1564</td>
</tr>
<tr>
<td>Middle East – Africa</td>
<td>1428</td>
</tr>
<tr>
<td>Middle East – Far East</td>
<td>1088</td>
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<tr>
<td>Middle East - America</td>
<td>340</td>
</tr>
<tr>
<td>Middle East – Total</td>
<td>7854</td>
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</tbody>
</table>

#### 2nd Airline

<table>
<thead>
<tr>
<th>Origin Destination</th>
<th>O&amp;D Pair</th>
</tr>
</thead>
<tbody>
<tr>
<td>Far East – Europe</td>
<td>3232</td>
</tr>
<tr>
<td>Far East – Domestic</td>
<td>1472</td>
</tr>
<tr>
<td>Far East – Africa</td>
<td>1344</td>
</tr>
<tr>
<td>Far East – Middle East</td>
<td>1088</td>
</tr>
<tr>
<td>Far East – America</td>
<td>320</td>
</tr>
<tr>
<td>Far East - Total</td>
<td>7456</td>
</tr>
</tbody>
</table>

**Note:** The table above lists the O&D (Origin and Destination) pairs for each region. The numbers indicate the number of offers available for each pair.
WONDER

DON'T STOP WONDERING. KEEP YOUR CHILDLIKE CURIOSITY.
Financial Performance

Pax Revenue Split by Geography(6M 2014)

- Far East, 23%
- Domestic, 12%
- Middle East, 15%
- Europe, 32%
- Africa, America, 8%

EBITDAR Margin %

AVG (2006-2013): %18
Operating Efficiency

Unit Cost Cost Per ASK ($ cent)

- **CASK**
- **Personnel/ASK**
- **Fuel/ASK**
- **Others /ASK**

Passenger per Employee

2006 – 2013: annual avg. growth 7%

Average Daily Flight Utilization (hrs)

- 2006: 10:31
- 2007: 11:13
- 2008: 11:40
- 2009: 11:39
- 2010: 12:02
- 2011: 11:40
- 2012: 12:14
- 2013: 12:40
- 9M 2013: 12:44
- 9M 2014: 12:54

- 2006: 1,323
- 2007: 1,516
- 2008: 1,606
- 2009: 1,644
- 2010: 1,701
- 2011: 1,826
- 2012: 2,043
- 2013: 2,084
- 9M 2013: 1,576
- 9M 2014: 1,677
ENJOY

ENJOY DIFFERENCES, AND ASPIRE TO KNOW MORE.
Global Rankings (Quality)
The best airline for in-flight food (according to Skyscanner)

Winner of Air Transport World-Market Leadership Award'11

Best Business Class Catering in the World
Best Business Class Catering in Lounge in the World

4 year in a row BEST AIRLINE IN EUROPE (2014)

For the fourth year in a row, we are chosen the best airline in Europe.

Winner of Air Transport World-Market Leadership Award’11

Best Airline in Europe

4 star airline in all services
Sponsorships and Commercials
GO BEYOND

SEEK FOR NEW MEMORIES IN LIFE. GO BEYOND YOUR EXPECTATIONS AND AMAZE YOURSELF.
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3rd Airport In Istanbul

- **76.5 km² Area**
- **500 Aircraft Park Positions**
- **6 Runways**
- **4 Terminals**
- **150 million PASSENGERS CAPACITY (Phase 4)**

**A candidate for 3rd Biggest (After Phase 1) & Biggest (After All Phases) in the World**
Turkish Airlines in 2023

1. Passenger
   - 2013: 48 Million
   - 2023: 120 Million
   - %10 CAGR

2. Revenue
   - 2013: 4 Billion
   - 2023: 24 Billion

3. Fleet
   - More than 450 aircraft

Turkish Airlines
SKYTRAX 5 STAR AIRLINE

2023 Revenue projection: 24 Billion
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A STAR ALLIANCE MEMBER