

rising above the crises,
we attained **SUCCESS**



— rising above the crises, we attained success

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The year 2001 in brief

January 16

B737-400 TC-JKA aircraft added to the fleet.

January 29

Domestic service initiated between Sabiha Gökçen Airport and Ankara.

February 21

B737-800 TC-JGC aircraft added to the fleet.

March 14

B737-800 TC-JGD aircraft added to the fleet.

April 1

Destinations for Code-Share Flights on a Free Sales-basis with American Airlines increased to 15.

April 16

Business Class service started on Diyarbakır, Van and Erzurum flights.

May 10

New version of the THY website designed and introduced.

June 1

In order to apply Revenue Management techniques, passengers on domestic flights were offered various fare options.

July 1

Reservation/Sales by phone and Miles&Miles program provided through a single telephone number (444 0 THY / 444 0 849) within Turkey.

August 1

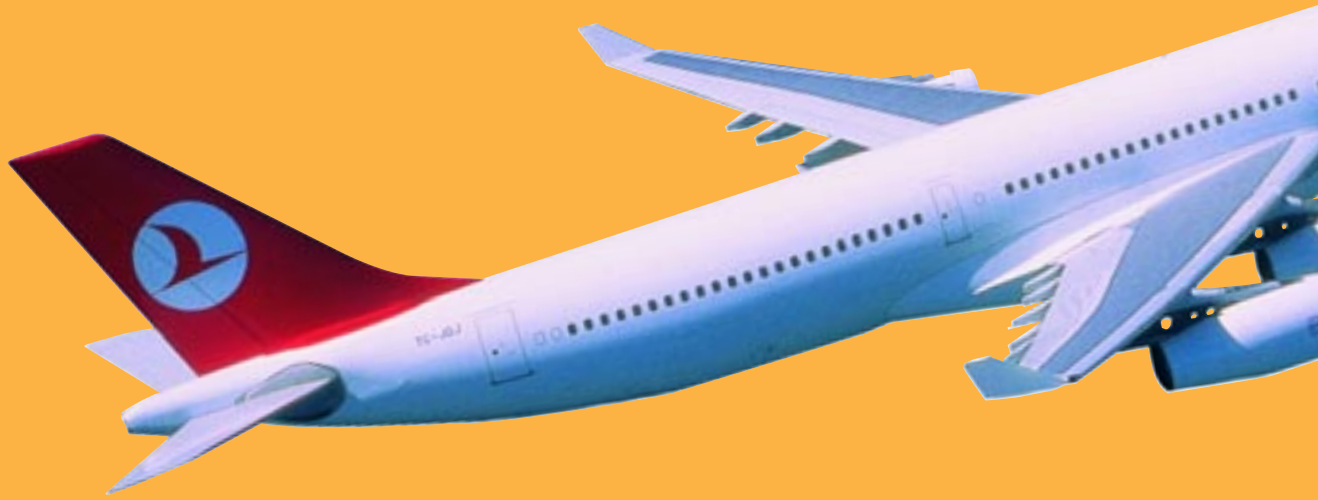
Business Class service began on Istanbul-Kayseri-Istanbul route.

September 25

Ticket sales via Internet began.



**Continuing with investments during 2001,
Turkish Airlines initiated "on-line ticket sales"
on September 25.**



Turkish Airlines was founded under Law No. 2186 in Ankara on May 20, 1933, under the name "State Airlines Administration" as a Department of the Ministry of Defense.

Its administration was later turned over to the Ministry of Public Works in 1935 and the name was changed to "General Directorate of State Airlines" in 1938. From 1939 onwards, it was operated under the Ministry of Transportation.

Turkish Airlines was reorganized under Law No. 6623 in 1955 as a corporation managed and operated under private law, and was renamed "Türk Hava Yolları Anonim Ortaklığı" (Turkish Airlines Inc.).

The Company was reclassified as a "State Economic Enterprise" by Statutory Decree No. 233 on Certain State Institutions and Enterprises, which was published in the Official Gazette No. 18570 on November 9, 1984.

The Company was included within the scope of the privatization by the Council of Ministers Decree No. 90/822 dated August 22, 1990, published in the Official Gazette No. 20646 on September 25, 1990. The new Articles of Association of the Company were approved by Decision No. 90/18 of the Supreme Planning Council on October 30, 1990, and went into effect after registration with the Trade Register on November 5, 1990.

Under Article 35 of Law No. 4046 on Regulation of Privatization Procedures and the Amendment of Certain Statutory Decrees published in the Official Gazette No. 22124 on November 27, 1994, Turkish Airlines was redefined as a State Economic Enterprise and placed under the jurisdiction of the Privatization Administration. Articles of Association, which are still in force, have been amended in compliance with Article 20/a of the aforementioned law upon approval by Privatization Administration on December 5, 1996.

legal status



Turkish Airlines' mission

Turkish Airlines' mission, as the flag carrier of Turkey, is to provide air transportation services in order to:

- Pioneer the country's attempts to penetrate world markets,
- Connect all regions with a certain passenger potential within Turkey,
- Serve as a bridge between the Turkic Republics of Central Asia, the Balkans, the Middle and Far East, the Americas and Europe,
- Act as a leading technical service provider for the aviation industry.



As one of the oldest and best known corporate entities in the country, Turkish Airlines possesses a youthful, dynamic management team, a quality-oriented corporate culture, a fleet consisting of 69 aircraft and, last but not the least, the determination to succeed.



message from the chairman

Many will define 2001 as a year of crisis for Turkish and world markets. The economic crisis that emerged in February also had a negative effect on the Turkish civil aviation industry. The economic stagnation that prevailed throughout the year resulted in a decrease in the number of passengers.

Turkish Airlines is one of the well-known brand names in Turkey consistently associated with high quality. Founded in 1933, it is also one of the oldest companies in Turkey, but still young at heart with a dynamic workforce and one of the youngest fleets of aircraft in Europe.

After the September 11th tragedy in the USA, all air traffic was brought to a halt for four days. When US air space was reopened, Turkish Airlines was among the first four airlines to resume flights to the USA again. It is estimated that direct costs associated with the four-day shutdown reached between US\$ 2-3 billion for the aviation industry. International Air Transport Association (IATA) estimates that the total loss to world aviation as a result of these acts of terrorism will amount to around US\$ 12 billion for 2001.

In the first two months following the tragedy, job losses totaled approximately 100,000 in the US and 30,000 in Europe. According to the ILO report, total job losses in the world aviation sector reached around 400,000 by year's end.

While many well-known names in the airline industry suffered severe losses, one medium size airline managed to stand firm against all the negativity. We are proud to say that Turkish Airlines - the flag carrier of Turkey - was that airline. Receiving no financial aid from the government and with no direct layoffs like its competitors, Turkish Airlines was able to 'stay the course' proving that it has the foresight, courage and the ability to take the initiative during this difficult period.

What are the basic factors that made this a success story?

As one of the oldest and best known corporate entities in Turkey, Turkish Airlines possesses a youthful, dynamic management team, a quality-oriented corporate culture, a fleet consisting of 69 aircraft and, last but not the least, the determination to succeed. Senior management levels, promoted from within the Company, have years of industry experience. Executive management, working with a well-trained team of professionals, facilitated flights and services during the crisis period without any direct personnel lay-offs, thanks to brave and innovative decisions plus the Company's ability to make rapid and accurate assessments.

After the September 11th attacks, a series of cost-reduction measures were taken. Within this framework, two international routes, Miami and Thessaloniki, were cancelled along with two domestic routes. Osaka flights were temporarily suspended and some flights to Europe and beyond were combined. Almost all middle management levels were eliminated, 617 personnel retired and employment contracts for the majority of contracted part-time staff were suspended for six months. The decrease in the number of personnel was not achieved through dismissal. For the first time in Turkey, the management of Turkish Airlines and Hava-İş Union agreed to decrease wages by 10% for three months, an indication of the remarkable dedication of our personnel.

During this difficult period, Turkish Airlines still managed to succeed due to its planned capacity management, its flexible fleet concept and its swift and accurate decision-making skills. However, after many years of growth, Turkish Airlines with one of the youngest fleets in Europe, found it necessary to downsize in 2001 and sold six A310-200 aircraft averaging 15 years of age.

The financial results were announced using Uniform Accounting Standards, Capital Markets Board (CMB) Standards and International Accounting Standards (IAS). With no government support whatsoever, Turkish Airlines achieved a profit of TL 8.1 trillion (US\$ 6.7 million) in 2001, according to accounting standards announced by the CMB. This profit, a result of prudent measures taken and implemented, made Turkish Airlines one of the very few airline companies to announce a profit at the end of 2001.

Continuing our investments during 2001, we launched our on-line ticket reservations and sales via Internet service on September 25. In addition, with the initiation of the 444 0 THY / 444 0 849 Flight Line Project, reservation services became available through a single telephone number. Hotel Check-in Service was another product that enabled all Turkish Airlines passengers to get their boarding cards any time from hotels in this program, without going to airport.

Turkish Airlines, not only offers training to its own personnel and technical services to its own aircraft, but also to those of other airline companies at the Flight Training Center, equipped with state-of-art technology and at the Technical Center, one of the largest and most reliable maintenance centers in the region.

The year 2001 has been a year for reassessment of the many strengths of Turkish Airlines. On behalf of the Board of Directors, I would like to express my gratitude to our shareholders and business partners for their support, to all establishments, the Union, our employees and to all of our passengers for their contribution to our success.



Cem M. KOZLU
Chairman

board of directors (as of December 31, 2001)



Cem M. KOZLU
Chairman

Yusuf BOLAYIRLI
Vice Chairman and CEO

Ahmet ERTUĞRUL
Member

Mehmet GÖK
Member

Executive management, working with a young, well-trained team of professionals, facilitated flights and services during the crisis period without any personnel lay-offs, thanks to brave and innovative decisions plus the Company's ability to make rapid and accurate assessments.

council of auditors

Yalçın ERIŞİK Member

İbrahim PEKTAŞ Member

Şefik BÜYÜKYÜKSEL Member

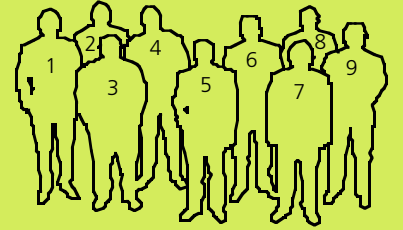


Önder DOĞU
Member

Murat DEMİRCİOĞLU
Member

Uğur BAYAR
Member

left to right : 1. Mehmet GÖK 2. Yalçın ERIŞİK 3. Ahmet ERTUĞRUL 4. Uğur BAYAR 5. Cem M. KOZLU
6. Önder DOĞU 7. Yusuf BOLAYIRLI 8. İbrahim PEKTAŞ 9. Murat DEMİRCİOĞLU



traffic and financial results



Overview of Traffic Developments

	1997	1998	1999	2000	2001
Number of Landings	99,109	108,155	113,964	117,916	109,028
Kilometers Flown (000)	123,083	129,665	138,742	149,349	143,617
Available Seat-Kms (millions)	19,992	21,416	23,101	26,001	24,890
Revenue Passenger-Kms (millions)	13,705	13,814	13,903	17,396	15,679
Passenger Load Factor (%)	68.6	64.5	60.2	66.9	63.0
Available Ton-Kms (millions)	2,813	2,974	3,117	3,502	3,574
Revenue Ton-Kms (millions)	1,514	1,481	1,578	1,976	1,968
Overall Load Factor (%)	53.8	49.8	50.6	56.4	55.1
Revenue Passengers (000)	10,266	10,504	10,410	12,031	10,277
Cargo (tons)	103,211	95,010	110,598	125,742	104,778
Mail (tons)	3,831	4,065	4,249	4,595	4,648
Excess Baggage (tons)	1,540	1,705	1,881	2,624	2,524
Total Staff (End of Year)	10,242	11,282	11,759	12,480	11,242

With no government support whatsoever, Turkish Airlines achieved a profit of TL 8.1 trillion (US\$ 6.7 million) in 2001, according to accounting standards announced by the CMB.





FINANCIAL RESULTS

(TL millions)	1997 (*)	1998 (*)	1999 (*)	1999 (**)	2000 (*)	2000 (**)	2001 (*)	2001 (**)
OPERATING REVENUES	204,802,714	354,777,019	541,672,304	541,672,304	959,662,893	959,662,893	1,665,236,226	1,665,236,225
OPERATING EXPENSES	207,664,349	361,028,924	649,647,344	653,722,218	1,087,205,111	1,094,169,382	1,837,236,504	1,849,765,894
OPERATING PROFIT/LOSS	(2,861,635)	(6,251,905)	(107,975,040)	(112,049,914)	(127,542,218)	(134,506,489)	(172,000,278)	(184,529,669)
REVENUE AND PROFIT FROM OTHER OPERATIONS	11,899,629	14,286,372	38,408,599	38,319,322	35,728,573	34,724,275	159,125,631	158,920,291
EXPENSES AND LOSS FROM OTHER OPERATIONS	1,860,846	3,344,480	5,301,600	4,042,760	8,719,398	7,240,369	31,845,838	31,253,906
FINANCIAL EXPENSES	3,099,724	3,557,426	12,297,519	12,297,519	11,957,025	11,957,025	21,417,159	21,417,159
ORDINARY PROFIT/LOSS	4,077,424	1,132,561	(87,165,560)	(90,070,871)	(112,490,068)	(118,979,608)	(66,137,644)	(78,280,443)
EXTRAORDINARY REVENUES	3,290,463	9,323,263	40,032,779	40,122,056	61,312,556	62,316,854	111,054,386	111,381,184
EXTRAORDINARY EXPENSES	1,659,720	2,993,988	20,381,596	20,381,594	12,856,882	12,856,882	24,973,438	24,973,438
PROVISION FOR TAXES AND OTHER STATUTORY OBLIGATIONS	2,871,444	1,999,663	-	-	-	-	-	-
NET PROFIT (LOSS)	2,836,723	5,462,173	(67,514,377)	(70,330,409)	(64,034,394)	(69,519,636)	19,943,304	8,127,303
AVERAGE EXCHANGE RATE (US\$ 1.00)	151,234.66	259,825.92	417,094.79	417,094.79	623,354.82	623,354.82	1,220,517.26	1,220,517.26

(*) According to Uniform Accounting System.

(**) According to Capital Markets Board Law Serial XI, Communiqué No. 1.

At the end of 2001, the number of aircraft totaled 69 and available seat capacity stood at 10,855.

year 2001 operations



On February 21 and March 14, two new B737-800 aircraft joined the Turkish Airlines fleet.

Six A310-200 aircraft, sold to Iran Air, left the fleet in 2001.

With an average age of 6.3 years, the Turkish Airlines fleet continues to be one of the youngest in Europe.



flight and traffic developments

flight operations

On February 21 and March 14, two new B737-800 aircraft joined the Turkish Airlines fleet; on January 16, 2001, one B737-400 aircraft, which was redelivered exercising the "walkaway" option, was also added to the fleet. On February 15, 2001, a B737-400 aircraft left the fleet. Six A310-200 aircraft were sold to Iran Air and were delivered to their new owner between May 21 and December 26, 2001. Thus, at year's end, the number of aircraft in the fleet totaled 69 (68 passenger and one cargo aircraft); the available seating capacity totaled 10,855. As one B727 cargo aircraft in the fleet could not be operated since April due to restrictions at

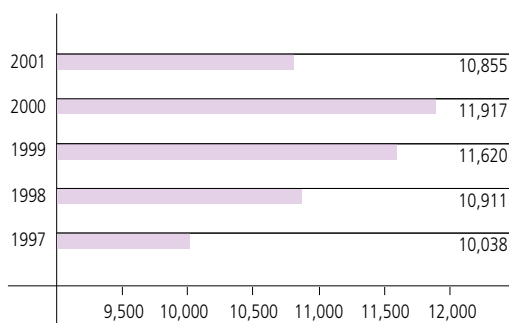
European airfields, an A300-200 cargo aircraft was leased on ACMI basis for cargo operations.

The Fleet at the end of 2001

Passenger Aircraft	Number of Aircraft	Age of Fleet (at year-end)
A-340-300	7	5.5
A-310-300	7	12.6
B-737-400	16	8.9
B-737-500	2	9.6
B-737-800	24	2.3
RJ-100	9	7.8
RJ-70	3	5.6
Total Passenger Aircraft	68	6.3
Cargo Aircraft		
B-727F	1	
TOTAL	69	

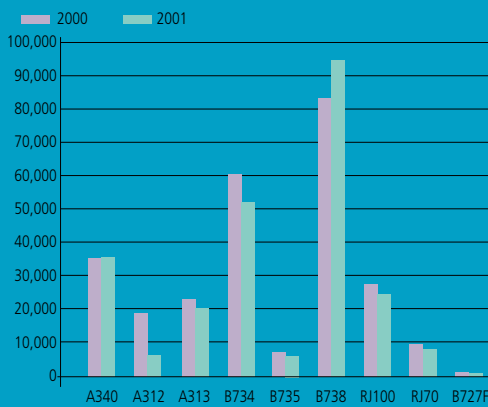
With an average age of 6.3 years, the Turkish Airlines fleet continues to be one of the youngest in Europe.

Total Available Seat Capacity (Year-End Totals)





Average Daily Flight Hours



The table below compares 2000 and 2001, in terms of total fleet block hours flown and average daily flight achieved per aircraft type.

Flight hours

Type of aircraft	Total block hours flown		Average daily flight hours	
	2000	2001	2000	2001
A-340-300	35,830	36,255	14:39	14:11
A-310-200	19,062	7,013	08:41	5:14
A-310-300	23,806	21,169	09:18	8:17
B-737-400	61,311	53,220	09:31	9:04
B-737-500	7,498	6,776	10:15	9:17
B-737-800	83,931	94,564	11:22	10:57
RJ-100	28,351	25,376	08:36	7:44
RJ-70	10,137	8,511	08:23	7:46
B-727-200-F	1,528	428	02:19	1:10

A300-200 (*) 559

Total 271,454 253,871

(*) Cargo aircraft leased on ACMI basis

The total number of block flight hours decreased by 6.5% over 2000 and reached 253,871 hours.

traffic developments

In 2001, Turkish Airlines carried a total of 10.3 million passengers, made up of 5.2 million domestic, 4.7 million international, 148 thousand pilgrimage and 224 thousand charter passengers. While capacity offered (available seat-kms) decreased by 4.3%, traffic (revenue passenger-kms) decreased by 9.9%, resulting in a decrease in the passenger load factor by 3.9 points. The total amount of cargo and mail carried during the year was 104,778 tons and 4,648 tons, respectively.

At the end of 2001, Turkish Airlines had flown a total of 143.6 million kilometers to 104 destinations.





Traffic Results

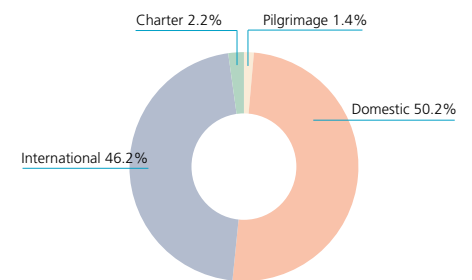
Domestic Destinations

	1997	1998	1999	2000	2001
Number of landings	54,104	62,910	66,783	66,872	58,239
Kilometers flown (000)	29,226	34,154	36,654	36,979	32,298
Available seat-kms (millions)	3,973	4,724	4,988	5,077	4,333
Revenue passenger-kms (millions)	3,033	3,289	3,371	3,588	2,876
Passenger load factor (%)	76.3	69.6	67.6	70.7	66.4
Available ton-kms (millions)	485	583	611	620	778
Revenue ton-kms (millions)	266	303	294	314	292
Overall load factor (%)	54.8	52.0	48.1	50.6	37.5
Revenue passengers (000)	5,619	6,031	6,067	6,491	5,189
Cargo (tons)	34,642	33,530	35,288	36,835	24,627
Mail (tons)	1,655	1,698	1,921	1,901	1,771
Excess baggage (tons)	637	721	714	918	801

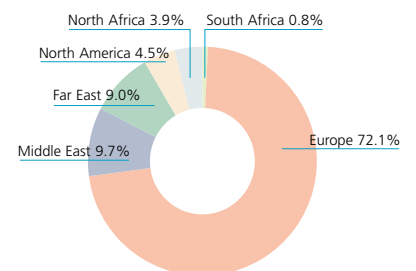
International Destinations

	1997	1998	1999	2000	2001
Number of landings	45,005	45,245	47,181	51,044	50,789
Kilometers flown (000)	93,857	95,511	102,088	112,370	111,318
Available seat-kms (millions)	16,019	16,692	18,113	20,924	20,557
Revenue passenger-kms (millions)	10,672	10,525	10,532	13,808	12,803
Passenger load factor (%)	66.6	63.1	58.1	66.0	62.3
Available ton-kms (millions)	2,328	2,391	2,506	2,882	2,796
Revenue ton-kms (millions)	1,248	1,178	1,284	1,662	1,676
Overall load factor (%)	53.6	49.3	51.2	57.7	59.9
Revenue passengers (000)	4,647	4,473	4,343	5,540	5,088
Cargo (tons)	68,569	61,480	75,310	88,907	80,151
Mail (tons)	2,176	2,367	2,328	2,694	2,877
Excess baggage (tons)	903	984	1,167	1,706	1,723

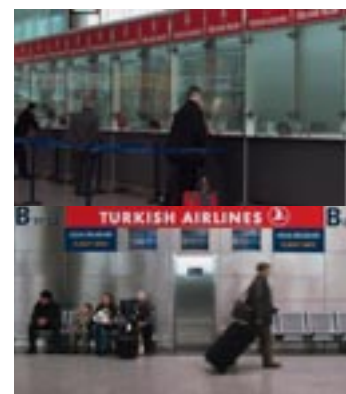
Total Passenger Distribution



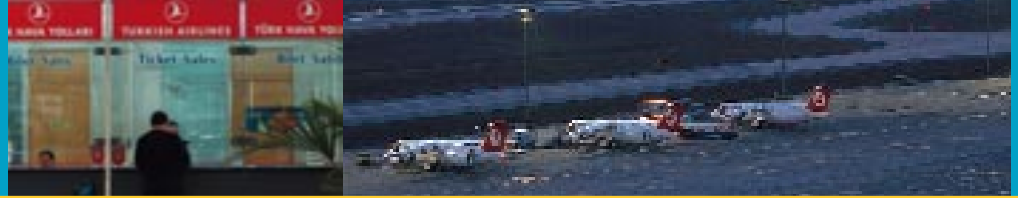
Breakdown of Passengers into Geographic Regions



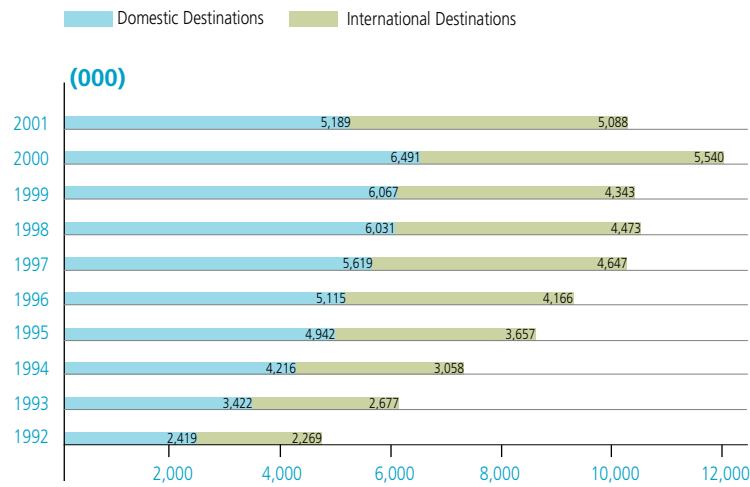
In 2001, Turkish Airlines had a total of 10.3 million passengers for an overall load factor of 63%.



At the end of 2001, Turkish Airlines had covered 143.6 million kilometers to 104 destinations.



Revenue Passengers Carried Over Domestic and International Routes Between 1992 - 2001

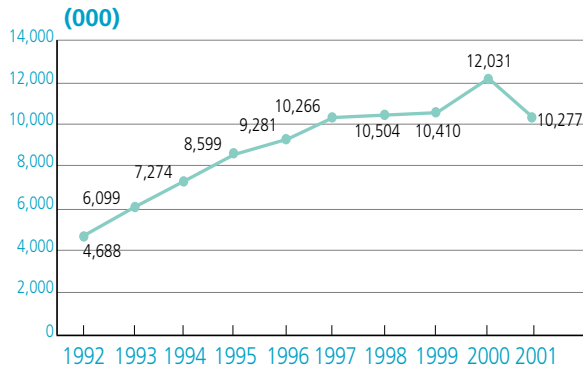


Total Traffic Results

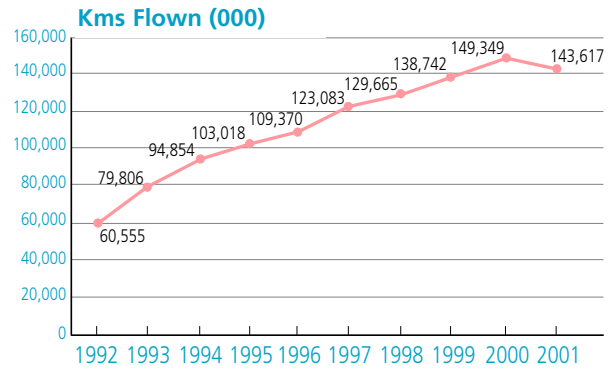
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
NUMBER OF LANDINGS	49,475	67,442	78,009	84,006	89,966	99,109	108,155	113,964	117,916	109,028
AVAILABLE SEAT-KMS (MILLIONS)	10,194	13,028	15,084	16,612	17,823	19,992	21,416	23,101	26,001	24,890
REVENUE PASSENGER-KMS (MILLIONS)	6,167	7,675	9,133	10,832	12,305	13,705	13,814	13,903	17,396	15,679
PASSENGER LOAD FACTOR (%)	60.5	58.9	60.5	65.2	69.0	68.6	64.5	60.2	66.9	63.0
REVENUE PASSENGERS (000)	4,688	6,099	7,274	8,599	9,281	10,266	10,504	10,410	12,031	10,277
CARGO (TONS)	47,994	64,668	80,280	86,301	86,940	103,211	95,010	110,598	125,742	104,778
KILOMETERS FLOWN (000)	60,555	79,806	94,854	103,018	109,370	123,083	129,665	138,742	149,349	143,617



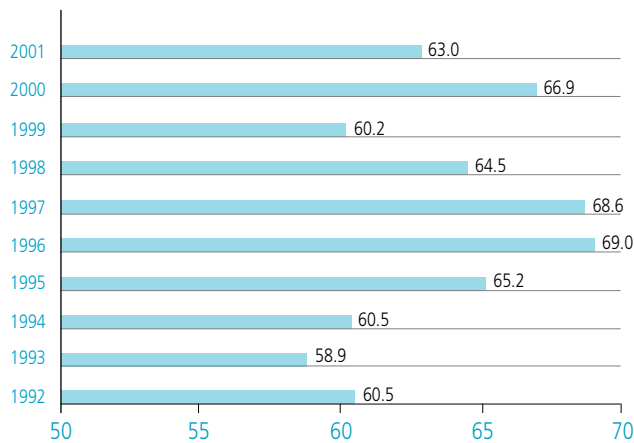
Number of Revenue Passengers Carried, 1992-2001



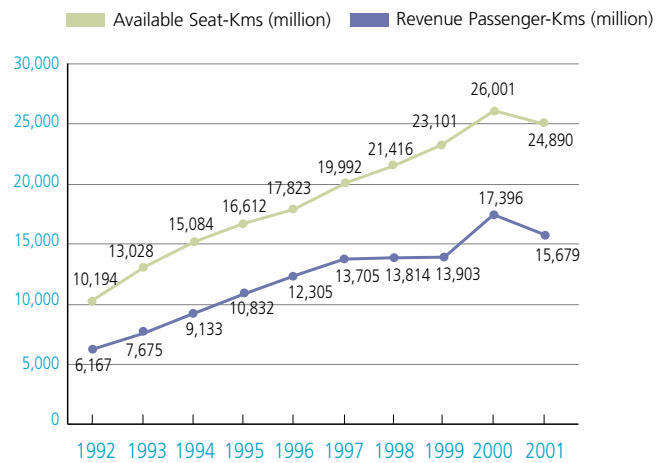
Kilometers Flown, 1992-2001



Passenger Load Factor, 1992-2001 (%)



Available Seat-Kms and Revenue Passenger-Kms, 1992-2001



With the addition of Detroit, Denver, Cleveland, Minneapolis and Philadelphia code share flights with American Airlines, the number of flights increased to a total of 15 destinations within the USA in 2001, compared to 10 in 2000.



Flight Network – Schedule Structure

Istanbul's second major airport became operational on January 8, 2001. Shortly after the opening of the Sabiha Gökçen Airport, domestic service was initiated between Kurtköy and Ankara on January 29, 2001.

With the addition of Detroit, Denver, Cleveland, Minneapolis and Philadelphia code share flights with American Airlines, the number of flights increased to a total of 15 destinations within the USA in 2001, compared to 10 in 2000.

The economic crisis that emerged on February 21, 2001, had a negative effect on domestic flights. During the crisis, flights were re-scheduled in line with the reduced numbers of passengers; some domestic

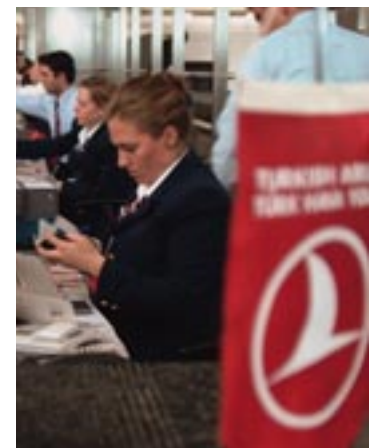
and international flights were cancelled until the end of May.

The Istanbul-Isparta-Uşak, Ankara-Adıyaman, Ankara-Sinop and Ankara-Siirt routes were found to be non-profitable and were cancelled.

During summer 2001, a second flight to New York on Wednesdays was added to the daily scheduled flights. The number of weekly flights to Chicago increased to six with an additional flight every Thursday.

Measures Taken after the September 11th Attacks

As a result of the attacks on September 11th and the prevailing economic stagnation within the Turkish economy, domestic and international passenger



Turkish Airlines offered air transportation service to a total of 104 destinations, 76 international and 28 domestic.

traffic declined, leading to flight cancellations on several routes.

The following measures were taken:

- Miami route was closed.
- Flights to Osaka were suspended.
- Seoul and Tokyo flights were combined.
- Scheduled flights to Chicago were reduced to three flights per week.
- Madrid and Barcelona flights were combined.
- Flights on the Ankara-Zurich route were cancelled.
- Thessaloniki route was closed in the winter schedule.
- Nevşehir and Balıkesir flights were cancelled as of September 3, 2001.

In brief, seven domestic destinations, including Isparta, Uşak, Adıyaman, Sinop, Siirt, Nevşehir and Balıkesir and two international destinations, Thessaloniki and Miami were closed during the year.

Even within a troubled economy affected by the financial crisis in Turkey and the terrorist attacks in America on September 11, 2001, Turkish Airlines was able to minimize schedule reductions and continued to offer air transportation service to a total of 104 destinations, 76 international and 28 domestic.

Scheduled Flights

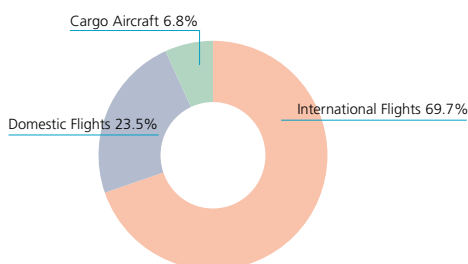
With regard to air traffic, 2001 was a year of reduced activity for the airline companies worldwide as well as for Turkish Airlines. Scheduled domestic flight capacity decreased by 14.5% and traffic by 19.6%, resulting in a decreased passenger load factor of 66.3%, 4.2 points down compared to the year before. The total number of passengers carried dropped by 19.9% to total 5.2 million while the amount of cargo transported totaled 24,620 tons for the year.



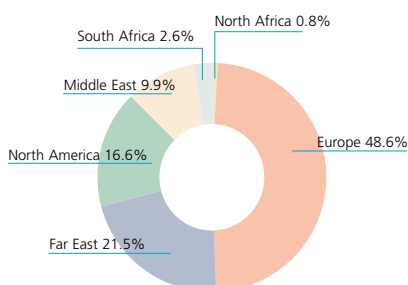
Turkish Airlines carried a total of 143,478 pilgrims to the Hajj.



Total Cargo Distribution (in tons)



Distribution of Scheduled International Cargo Flights (in tons)



Passenger aircraft routes transporting the greatest amount of cargo were New York, Maastricht, Tel Aviv, London and Paris.



	Available	Revenue	Passenger Load Factor (%)	
	Seats-Kms	Passenger-Kms	2000	2001
	01/00 (% change)	01/00 (% change)		
Scheduled domestic flights	-14.5	-19.6	70.5	66.3
Scheduled international flights	-1.0	-5.8	65.4	62.3
Europe	-5.0	-9.2	66.9	63.9
North Africa	11.5	5.8	71.0	67.3
Middle East	4.7	-0.5	64.2	61.0
Far East	8.4	3.3	66.0	62.9
North America	-2.7	-9.1	59.7	55.8
South Africa	-10.0	-13.3	67.9	65.4

The scheduled international flight capacity dropped by 1.0% and traffic by 5.8%. This resulted in a passenger load factor of 62.3%. The total number of passengers carried decreased by 6.5% down to 4.7 million while the amount of cargo transported totaled 72,945 tons for the year.

Turkish Airlines' capacity decreased by 5.0% in Europe, its largest market, compared with figures for year 2000. Additionally, traffic decreased by 9.2% resulting in a decline in the passenger load factor by 3.0 points and was 63.9% on average.

Charter Flights

In 2001, the number of charter flights declined by 42.1%, compared to the previous year's total; 1,590 landings were made - 1,346 international and 244 domestic. The majority of international flights were to Europe (85.8%), followed by the Middle East (10.7%), North Africa (3.0%) and the Far East (0.5%).

Pilgrimage (Hajj) and Umrah Flights

Turkish Airlines carried a total of 143,478 pilgrims going on Hajj between February 2 and March 8, and returning between February 27 and April 3.

A total of 4,347 passengers were carried on Umrah flights between October 28 and November 21, and returning between December 16 and December 18.

Cargo

Unfavorable economic conditions that prevailed in 2001, coupled with the political instability that emerged after the terrorist attacks in the USA, adversely affected overall cargo traffic; in the same period, Turkish Airlines cargo traffic decreased by 16.7%.

In line with the downsizing policy implemented by the Company, some routes were cancelled while flight schedules for some were reduced. Some destinations were scheduled for just a single flight resulting in a substantial decrease in cargo capacity offered.

During the year, a total of 97,668 tons of cargo was carried on passenger flights. Domestic flights accounted for 24,620 tons while international flights carried a total of 72,945 tons, Hajj and Umrah flights included 87 tons of cargo while charter flights carried 16 tons. Passenger aircraft routes transporting the greatest amount of cargo were New York, Maastricht, Tel Aviv, London and Paris.



Eurocontrol imposed some restrictions on the European airfield as of March 31, 2001, resulting in the cancellation of Turkish Airlines cargo aircraft operations in those locations and the lease of a 40-ton cargo aircraft on an ACMI basis. The Company was able to offer a higher capacity on the Maastricht route since April 2001 and on the Nuremberg route since October 2001.

A total of 7,110 tons of cargo was carried in 2001. Almost all of the cargo transportation with cargo aircraft was between European destinations and Turkey.

Total Traffic Results

	2000	2001	Change (%)
Number of Landings	117,916	109,028	-7.5
Passenger Flights	117,444	108,716	-7.4
Cargo Flights	472	312	-33.9
Cargo (Tons)	125,742	104,778	-16.7
Passenger flights	118,531	97,668	-17.6
Cargo flights	7,211	7,110	-1.4
Mail (Tons)	4,595	4,648	1.2

Cargo revenue fell by 8% to US\$ 131.2 million; US\$ 124.2 million of this amount was from international and US\$ 6.9 million was from domestic flights.

The reduced cargo supply notwithstanding, Turkish Airlines Cargo was able to increase its share in international markets from 43.8% in the previous year up to 45.6% by evaluating market conditions and existing supply in the best possible manner.

In order to assist customers and increase service quality, the Company provided cargo monitoring service via its website as well as arrival-departure data for the cargo aircraft.

Turkish Airlines Cargo increased its share in international markets from 43.8% in the previous year up to 45.6%.



In order to apply Revenue Management techniques, passengers on domestic flights were offered various fare options as of June 1, 2001, following the amendment made in the Civil Aviation Law.



The total number of Miles&Miles Special Passenger Program members reached 403,660 by the end of 2001.

Through a code-sharing flight agreement with Sun Express, flights for the Antalya-Frankfurt route began on May 4, 2001.

Automated ticket issuance became operational at 37 domestic and 14 international travel agents.



commercial developments

Sales and Marketing

In order to apply Revenue Management techniques, passengers on domestic flights were offered various fare options as of June 1, 2001, following the amendment made in the Civil Aviation Law.

The commission rates for authorized domestic sales agents were lowered from 9% to 7%, effective as of January 1, 2001.

By the end of 2001, there were a total of 87 general sales agents, of which 32 are international and 55 domestic, 472 authorized domestic sales agents, 345 IATA agencies and 119 ticket sales agents in Germany.

Miles&Miles Special Passenger Program

The total number of Miles&Miles Special Passenger Program members reached 403,660 at the end of 2001; 390,868 of these members are "Classic" cardholders while 12,792 hold "Elite" cards.

Frequent Flyer cooperation agreements, signed with Swissair (November 2, 2001) and Sabena (December 31, 2001) have been terminated.

Code-Share Agreements

Following the commencement of scheduled flights by Sun Express on the Antalya-Frankfurt route, Turkish Airlines signed a code-share agreement with Sun Express; joint flights between Antalya-Frankfurt began on May 4, 2001. These flights are operated by Sun Express with Turkish Airlines acting as the marketing carrier.

Bilateral Air Services Agreements

Following the Civil Aviation Meeting held between Turkmenistan and Turkey on February 1-2, additional clauses in the Bilateral Air Services Agreement about traffic rights and destination points were amended and an article on code-sharing to enable the parties to operate joint flights was added.

At the Civil Aviation Meeting held on May 29-30 with Albania, the existing bilateral air services agreement was renewed.

Iran and Turkey held Civil Aviation Meetings on June 19-20. Turkish Airlines was granted the right to operate seven frequencies per week on the Istanbul - Tehran-Istanbul route.

As a result of the Civil Aviation meeting held on June 27-28, the frequency of Turkish Airlines' flights to Jordan was increased to four in the winter schedule and five in the summer schedule.

At the Civil Aviation Meeting held with Saudi Arabia on October 15-16, Turkish Airlines was granted the right for six flights per week on the Istanbul-Jeddah-Istanbul route.

Reservation Services

By following up of reservations made by travel agencies that use computerized reservation system (CRS), a total of US\$ 2.7 million was saved in 2001.

Sun Express started to use the TROYA system as a "host airline" in April 2001 and training was given to its staff.

Automated ticket issuance became operational at 37 domestic and 14 international travel agents.

Following the issuance of authorization certificates by the Civil Aviation General Directorate, RVSM (Reduced Vertical Separation Minima) operations began on CATII operations on the RJ aircraft.



technical

Following the issuance of authorization certificates by the Civil Aviation General Directorate, RVSM (Reduced Vertical Separation Minima) operations began on the A310, B737-800, B737-400/500 and CATII operations on the RJ aircraft.

Studies are ongoing for the provision of continuous services to aircraft belonging to private aviation companies utilizing existing hangars and personnel. These services will generate revenue through sales of technical material to both domestic and international customers. During 2001, in return for these services and sales, US\$ 25.9 million was received; US\$ 14.8 million from technical service sales, US\$ 2.1 million from line maintenance fees from companies under contract, US\$ 4.4 million from the sale of surplus materials and US\$ 4.6 million from warranties.

During 2001, a technical service agreement was concluded with the Kayı Group for two B737-400 and one B737-800 aircraft.

After the tragic events of September 11th, modifications for the improvement of aircraft security were redefined and will be carried out in two stages. Stage-1 modifications for the temporary re-enforcement of the cockpit doors are planned to be applied to B737-400-500-800, RJ70/100 and A340-300, A310-300 aircraft in January 2002. Stage-2 modifications, which include technical studies for permanent modifications to the cockpit doors, video controls of the cabin outside the cockpit door, "transponder emergency" codes and the development of emergency communications between the cockpit and the cabin, have been completed and will be implemented during 2002.

"A" maintenance interval for the B737-400/500 has been increased from 125 flight hours to 150 flight hours and an annual savings of US\$ 300,000 for the entire fleet was achieved in terms of materials and man/hour workload.

Repair of the combustion chambers of CFM56-5C2 engines for the A340 aircraft began in 2001. For each combustion chamber, labor savings of US\$ 14,500 have been achieved. Testing, repair and revision of Fuel Quantity Computers used on the A310 aircraft began in January 2001 at the tool workshop; a total savings of US\$ 90,000 was realized.





human resources

At the end of 2001, the number of total personnel decreased by 9.9% to 11,242 from 12,480 compared to the previous year. The number of available seat-kms per staff increased by 6.2%, while the number of total staff per aircraft fell by 4.7%, resulting in an increase in production per staff as well as in efficiency.

1997-2001 Development of Personnel Efficiency

Years	Total Staff Per Aircraft	Number of Passengers Per Staff
1997	155	1,002
1998	152	931
1999	157	885
2000	171	964
2001	163	914

On August 15, 2001, the 18th Period Collective Bargaining Agreement, valid from January 1, 2001, to December 31, 2002, was concluded between the Turkish Heavy Industry and Service Sector Public Employers Union (TÜHİS), of which Turkish Airlines is a member and the Turkish Civil Aviation Union (HAVA-İŞ).

On October 15, 2001, the protocol dealing with the 10% decrease in wages applicable between October 15, 2001, and April 14, 2002, which was subject to be reviewed on January 4, 2002, was signed between TÜHİS and HAVA-İŞ.

Turkish Airlines defined and implemented a series of measures to overcome the economic crisis that began in February



2001. To this end, the Company's organizational structure was simplified and the number of management ranks was reduced.

With regard to the international organization, sales manager positions at the Damascus, Bahrain, Nuremberg, Cologne, Strasbourg, Shanghai and Barcelona offices were relegated to supervisor position in line with cost-reducing efforts and within the framework of the restructuring process.

Turkish Airlines defined and implemented a series of measures to overcome the economic crisis that began in February 2001. To this end, the Company's organizational structure was simplified and the number of management ranks was reduced.

Breakdown of Cockpit Staff by Aircraft Type

	Number of Aircraft		2000 (*)			2001 (**)		
	2000	2001	Captains	Pilots	Flight Eng.	Captains	Pilots	Flight Eng.
A-340	7	7	90	44	-	92	40	-
A-310	13	7	67	45	-	35	29	-
B-737	40	42	224	165	-	220	168	-
RJ-100/70	12	12	63	55	-	63	52	-
B-727-F	1	1	3	4	3	-	-	-
Total	73	69	447	313	3	410	289	-

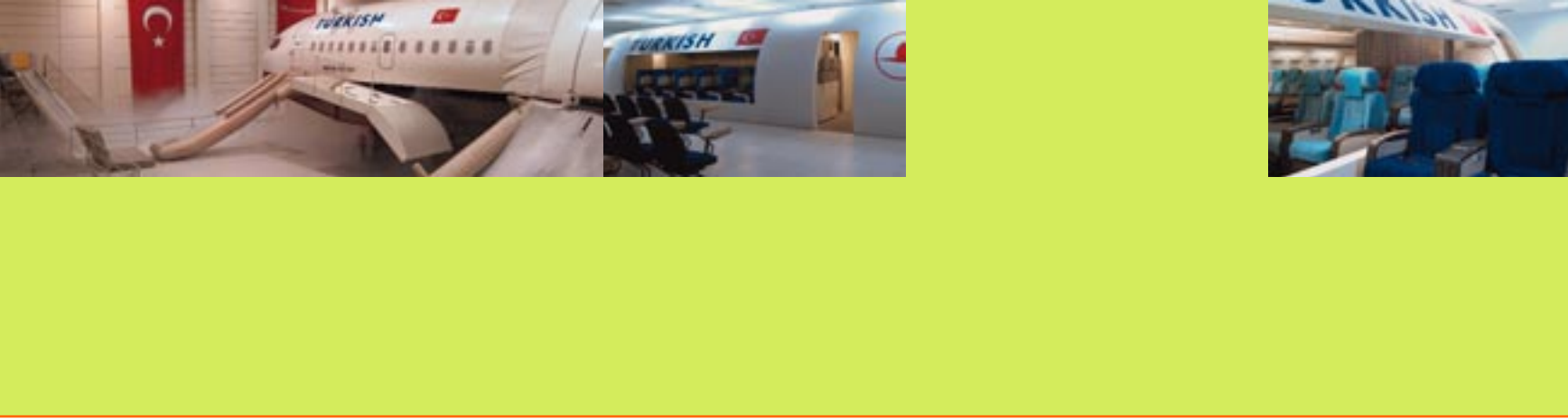
(*) 14 pilots currently under training are excluded.

(**) 24 pilots currently under training are excluded.

Breakdown of Permanent Personnel by Departments

	31.12.2000	31.12.2001
Head Office Personnel	184	166
Human Resources	482	416
Financial / Planning / IT	642	605
Commercial	2,917	2,589
Flight Operations	2,971	2,675
Ground Operations	2,823	2,522
Technical	2,461	2,269
Total	12,480	11,242





The table of full-time and contracted part-time cabin crew is given below:

Cabin Crew	2000	2001
Full-Time	1,143	1,043
Part-Time and Contracted	707	607
Total	1,850	1,650

During 2001, 5,910 personnel attended training courses.

Training

During 2001, 5,910 personnel attended basic and advanced training courses on passenger sales, reservations, passenger services, ground operations, cargo, quality, PC applications, technical English, aircraft basic techniques and type training.

Training Courses

	2000		2001	
	Course	Participants	Course	Participants
Commercial	295	4,939	200	3,043
Technical	48	847	66	966
Quality	102	1,631	79	1,430
Computer-assisted training	102	964	51	471
Total	547	8,381	396	5,910

The Training Center, operating under the ISO 9000 Quality Management System, was subject to an independent audit by RWTÜV Independent Auditing Company on July 2-3, 2001, resulting in the renewal of the quality management certificate.

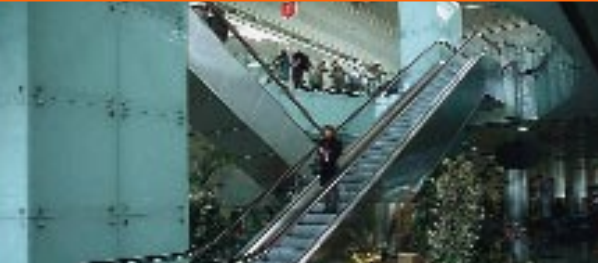
During the 2000-2001 academic year, an Aircraft Maintenance and Repair course was given at Istanbul Technical University by two Turkish Airlines engineers. The course was held between February 19-June 1, 2001.

Flight Training Center

A total of 1,941 cockpit crew participated in 146 courses and 2,415 cabin personnel attended 97 courses held at the Flight Training Center.

Revenue amounting to US\$ 3.1 million was obtained from training courses held in 2001 for cockpit and cabin personnel from other aviation companies. This represents a 63% increase in revenue in US dollars compared to that received in the previous year.

major investments



The 2001 Investment Program, consisting of 18 projects, began and ended with a budget of TL 123.0 trillion.

Within the framework of the program, two B737-800 passenger aircraft and ground handling equipment were procured through financial leasing. Total cash outlays were TL 18.6 trillion, 35% of the total excluding financial leasing, and TL 88.8 trillion, 72% of the total including financial leasing. During 2002, the last two B737-800 passenger aircraft will be procured on a firm order basis, through financial leasing.

Medium-Capacity Medium-Range (MCMR) Aircraft Procurement Project

In order to meet Turkish Airlines' requirements for medium-capacity medium-range aircraft, subsequent to Resolution No. 125, issued by the Board of Directors on October 6, 1997, an agreement was signed with Boeing for 49 B737 passenger aircraft – 26 on 'firm order' basis and 23 on 'optional' basis.

New Service Buildings

Atatürk Airport Ticket Sales Office

In order to alleviate the heavy workload at the Atatürk Airport Domestic and International Lines Terminal, the Ticket Sales Office at the Head Office Building, with approximately 255 square meter covered area, containing ten sales desks and administrative units, became operational on July 21, 2001.

Construction of Bodrum CIP Hall

Steel construction and decoration of the CIP Hall with approximately 250 square meter covered area, was completed and became operational at the beginning of August at the Bodrum Airport, during the peak season.

new services

E-Commerce (www.thy.com.tr)

The year 2001 was a year of major innovations. On September 25, the on-line ticket sales project began, enabling reservations and ticket purchases for all flights to be made via Internet. Passengers are provided ticket delivery-to-address, delivery-to-agent and to airport. Ticket delivery to the airport is available in Istanbul, Ankara, Izmir, New York, London and Manchester airports, delivery-to-address service is available throughout Turkey, in England and the USA; tickets are sold and delivered without delay at all Turkish Airlines sales outlets.

The Ticket On Departure – TOD Project, implemented as of September 26, 2001, as a sub-project of the on-line Ticket Sales Project, enables passengers to make reservations and payment with credit cards via Internet, and obtain their tickets at the airport at least two hours before departure for international flights and one hour prior to departure for domestic flights. This service is available at Istanbul, Ankara, Izmir, Adana and Gaziantep airports.

Programs to follow-up cargo-in-transit data via Internet have been made available to customers since May 2001. Additionally, programs to check flight data for today





The on-line ticket sales project enables passengers to make reservations and purchase their tickets via Internet.





The Reservation Service enables customers to book their flights through a single telephone number (444 0 THY - 444 0 849) throughout the country.

and tomorrow have been improved and are available for use by the customers. Monthly unit prices applied by the Eurocontrol member countries have also been made accessible via the Internet.

444 0 THY - 444 0 849 - Flight Line Project

Studies for the Flight Line Project were carried out in the beginning of 2001. On July 1, this project became operational and offered the passengers the chance to access Turkish Airlines through a single phone number (444 0 THY – 444 0 849). On average 20,000 calls per day are received and questions regarding Miles&Miles and Internet sales programs are handled through this telephone number.

Reservation / Call Center

Call Center systems are operational at Turkish Airlines' reservation units in Istanbul and Ankara. The Call Center Unit in Izmir was set up early in 2001. A 2 Mbps ISDN-PRI Network has been established between the Istanbul, Ankara and Izmir Call Centers.

Security

After the September 11th terrorist attacks in the USA, extended security services were

provided by Gözen Aviation, a private security organization. The Israel and UK flights, in addition to the USA flights, have been brought in line with security measures recommended by the FAA as of September 13, 2001.

Hotel Check-in

This service, providing 24-hour check-in for passengers staying at leading hotels in Turkey, has been developed and made available in Ankara, Izmir, Antalya, Adana, Trabzon, Bodrum, Dalaman-Sarigerme, Rize and Cappadocia.





information technology projects

SCOPE Flight Planning and Operation System

A project employing enhanced decision support techniques to improve Flight Planning and Scheduling performance was initiated in the third quarter of 2000. In September 2001, the long-term schedule planning tool called Net Planner and in the following month, another module, the schedule management system called Net Manager went on-line to assist the Revenue Management and Pricing Department.

DCS (Departure Control System)

The on-line check-in system utilizing TROYA DCS began in 2001 at the Kayseri, Elazığ, Van, Diyarbakır and Konya domestic stations. TROYA DCS check-in and weight and balance services were extended to Odessa, Prague, Milan, Beirut and Paris stations.

By the end of 2001, the TROYA DCS was available at 17 domestic and 37 international stations. In July 2001, the TROYA EDIFACT thru-check-in functionality for flights departing from Cape Town and Johannesburg was put into service.

Internet Applications

Turkish Airlines' booking and ticket sales website was completely renewed in 2001. The new booking engine, which was launched in September 2001, offers enhanced booking and ticket sales service to THY passengers. The redesigned web service provides flight schedules, fares, reservations and ticket purchasing options to passengers. The passenger has the choice of purchasing tickets on the THY website, which can be delivered by mail, to

the departure airport or to THY sales offices. At the website, current flight departure/arrival information can also be viewed.

In May 2001, a new service - Cargo Tracking - was put into service on the Turkish Airlines' website.

General Distribution Systems (GDS)

Direct Sales and Direct Access links have been established in TROYA with ABACUS and APOLLO General Distribution Systems to enhance Turkish Airlines' booking services delivered to the travel agents via those systems.

TRACES Revenue Accounting System

Flown Revenue Accounting Sub-system software development was completed in 2001. This new system is an integrated module of the Company's comprehensive revenue accounting system TRACES.

TACTIC Cargo Automation System

TACTIC Cargo Automation System became operational at the Teheran, Trabzon, Gaziantep, Malatya and Bodrum stations; the Erzurum, Tokyo and Bishkek sales offices and at the Hamburg, Düsseldorf, Hannover and Copenhagen Cargo General Sales Agents. Increased automation levels improve the quality of cargo operations and cargo capacity utilization. As of 2001, TACTIC has become operational at 43 international and five domestic stations. New functions on the mail post entry, mail accounting, mail discrepancy reports and mail statistics were also introduced into the TACTIC system in 2001.

By the end of 2001, the TROYA DCS was available at 17 domestic and 37 international stations.



Crew Planning and Management System

In 2001, the CREW KIOSK system went into service to provide the cockpit and cabin crew with pre-departure self sign-in capacity for simplifying daily pre-flight crew tracking operations.

Cost Control System

The aim of the Cost Control System is to determine and control service charges and costs related to fuel, handling, landing/parking, over flights and passenger-crew catering services from the point of flight departure, where the related costs originate. Within the scope of this project, a new system software has been developed. As of 2001, the Cost Control System became operational at 45 international stations.

Catering Automation System

The Catering Automation System was integrated with the Budget System to provide for enhanced passenger and crew catering cost estimates for the 2002 budget.

Services Rendered to Other Airlines

As of April 2001, Sun Express became the second customer utilizing TROYA System Services after KTHY.

The new version of TRACES Revenue Accounting System was delivered to Iceland Air as a part of software support services provided to that airline. Iceland Air has been a TRACES user since 1992.

Galileo Distribution in Turkey

As a result of the marketing, sales and customer support services provided by Turkish Airlines as the local distributor of Galileo International, the number of Galileo user agency locations increased to 202 by the end of 2001. During the year, a total revenue of approximately US\$ 1.88 million was realized.

Antalya Disaster Recovery Data Center

The Disaster Recovery Data Center became operational in Antalya in 2001. This Center is equipped with backup systems that will take over operations in case of an emergency.

FINANCIAL REVIEW

Comparative operational results for Turkish Airlines, in both Turkish lira and foreign currency for 2000 and 2001, are as follows:

TL millions	31.12.2001 (According to Uniform Accounting System)	31.12.2001 (According to Capital Markets Board Law Serial XI no.1)	31.12.2000 (According to Uniform Accounting System)	31.12.2000 (According to Capital Markets Board Law Serial XI no.1)
Total Net Sales and Revenues	1,935,416,244	1,935,537,700	1,056,704,022	1,056,704,022
Total Operating Expenses	(1,894,055,781)	1,905,993,238	(1,108,781,391)	(1,114,266,633)
Operating Profit/Loss (Excluding Financial Expenses)	41,360,463	29,544,462	(52,077,369)	(57,562,611)
Financial Expenses	(21,417,159)	(21,417,159)	(11,957,025)	(11,957,025)
Net Current Profit or Loss	19,943,304	8,127,303	(64,034,394)	(69,519,636)
Net Current Profit or Loss (in US\$ million)	16	7	(102.7)	(112)

As per Uniform Accounting System, in 2001, the Company's total revenue of TL 1,935 trillion was composed of 70.7% passenger ticket revenues, 0.6% excess baggage, 0.3% mail revenue, 8.3% cargo revenue, 1% charter revenue, 2.4% pilgrimage revenue, 2.7% other internal operations, 8.2% ordinary revenue and profit, 5.7% extraordinary revenue and income.

Total expenses during the year amounted to TL 1,915 trillion; 75.3% of which represented the cost of services sold, 14.5% for marketing, sales and distribution expenses, 6% for general administrative expenses, 1.7% for expenses and losses from other activities, 1.1% for financial expenses and 1.3% for extraordinary expenses and losses. Accordingly, as a result of operations in 2001, the Company announced the profit for the period as TL 19,943,304 million, within the context of the Uniform Accounting System.

However, according to the Capital Markets Board (CMB) Law Serial XI No: 1, Communiqués and Decrees, the amount of the profit was decreased by TL 11,816,001 million and the CMB-adjusted financial statements, as announced by the Istanbul Stock Exchange on March 25, 2002, contained a profit figure of TL 8,127,303 million.

The principal on domestic borrowings, denominated in US dollars, amounted to US\$ 15 million. As of May 25, 2001, all principals and accrued interests were completely reimbursed; there was no domestic borrowing payable as of December 31, 2001.

On February 9, 2002, the Company signed a leasing agreement with Gelibolu Aviation regarding two B737-800 aircraft, already delivered during the year within the context of the syndication credit granted under the leadership of Citibank NA. The credit line related to this agreement is approximately US\$ 80 million.

Every year since 1994, Turkish Airlines' has received a gold plaque in a competition held by the Istanbul Chamber of Commerce. This "Successful Exporters Award" is given as an incentive for companies generating the highest foreign currency inflow.

In 2001, Turkish Airlines' foreign currency receipts totaled US\$ 901,124,924.63.

The foreign currency receipts of Turkish Airlines between 1994 and 2001 are as follows:

YEAR AWARDED	RECEIPTS YEAR/US\$	RANK	AWARD
1994	1993 / 248,572,396	7.	GOLD PLAQUE
1995	1994 / 675,790,753	1.	GOLD PLAQUE
1996	1995 / 706,937,927	1.	GOLD PLAQUE
1997	1996 / 816,097,499	1.	GOLD PLAQUE
1998	1997 / 820,049,961	1.	GOLD PLAQUE
1999	1998 / 806,132,022.15	1.	GOLD PLAQUE
2000	1999 / 974,997,975.50	1.	GOLD PLAQUE
2001	2000 / 937,813,179.11	1.	GOLD PLAQUE

As in the past, Company procedures to satisfy short-term cash and non-cash obligations and to perform spot transactions have been finalized by soliciting bids on a tender basis, within the framework of obtaining the most appropriate market prices.

CAPITAL REVIEW

Turkish Airlines adopted the Registered Capital System pursuant to Decision no. 815 of the Capital Markets Board on October 26, 1990, with an authorized share capital of TL 700 billion. Mass Housing and Public Participation Administration became an equity holder in Turkish Airlines according to the Supreme Planning Council's Decree no. 89/12 and dated July 17, 1989. The Company, however, was included within the scope of Law no. 4046 that pertains to the Regulation of Privatization Implementations and Amendment of Certain Statutory Decrees. This law, which went into effect upon its publication in the Official Gazette no. 22124, dated November 27, 1994, placed Turkish Airlines under the control of the Turkish Privatization Administration.

As of December 31, 2001, registered capital totaled TL 500 trillion, with issued capital listed as TL 175 trillion.

REGISTERED CAPITAL

ISSUED CAPITAL (*)

TL 500,000,000,000,000

TL 175,000,000,000,000

Distribution of issued shares of Turkish Airlines as of December 31, 2001, is as follows:

(*) SHAREHOLDERS	CAPITAL STOCK (TL)	GROUP	TYPE	SHARES
Privatization Administration	101,788,947,557,834	A	bearer	101,788,947,558
Other Shareholders	3,211,052,441,166	A	bearer	3,211,052,441
Privatization Administration	70,000,000,000,000	B	registered	70,000,000,000
Privatization Administration	1,000	C	registered	1
TOTAL	175,000,000,000,000			175,000,000,000

AFFILIATES and SUBSIDIARIES

Company Name	Shares Subscribed	Percent Held (%)	Capital Commitments	Shares Paid-in
Subsidiaries				
THY SRL	254,016,480	100	-	254,016,480
SUN EXPRESS INC.	24,000,000,000	50	6,000,000,000	18,000,000,000
Affiliates				
EMEK CONSTRUCTION	3,000,000,000	0.3	0	3,000,000,000
QUALIFLYER LTD.	12,264,000,000	16.6	0	12,264,000,000
TOTAL	39,518,016,480		6,000,000,000	33,264,000,000

PROFIT SHARES TRANSFERRED TO BALANCE SHEET FROM AFFILIATES	2000	2001
EMEK CONSTRUCTION	854,778,742	1,055,604,342
QUALIFLYER LTD.	-	24,050,093,760

THY SRL

THY SRL, incorporated in Kishinev under Moldavian laws, is wholly owned by Turkish Airlines. This Company became operational on October 12, 2000, and flights to Kishinev were initiated. However, the Board of Directors resolved on October 5, 2001, that Turkish Airlines should be represented as an office in Kishinev and continue with uninterrupted services and that the Company should be dissolved.

SUN EXPRESS INC.

Sun Express operates tourist charter flights. The other major shareholder of the Company is Condor (50%).

EMEK CONSTRUCTION

This company operates in the area of construction and property management. Major shareholders are the Pension Fund of the Turkish Republic (49%) and Red Crescent Association of Turkey (49%).

THE QUALIFLYER GROUP

The Qualiflyer Group was established within the framework of a strategic cooperation, of which Turkish Airlines became a member on January 24, 1998, with the participation of Turkish Airlines, Swissair, Austrian Airlines, Sabena, AOM and Portuguese Airlines, each with a participation rate of 16.5%, in order to provide complete ground services to airline companies. At the meeting held on October 5, 2001, the Board of Turkish Airlines resolved to legally terminate the participation of the Company in the Qualiflyer Group, which had already terminated its operations.

FOREIGN CURRENCY and FOREIGN CURRENCY-INDEXED TRANSACTIONS

From a revenue of TL 1,935,416,244,144,700 in 2001, TL 1,647,000,951,999,070 was in or convertible to foreign currency.

Foreign currency expenditures of Turkish Airlines during the same period amounted to TL 1,265,809,494,864,190.

The net foreign currency contribution of Turkish Airlines to the Turkish economy was TL 381,191,134,886, which corresponded to US\$ 319,180,061 in (or convertible to) foreign currency.

These values, listed in the table below, are shown in Turkish lira and US dollars according to years:

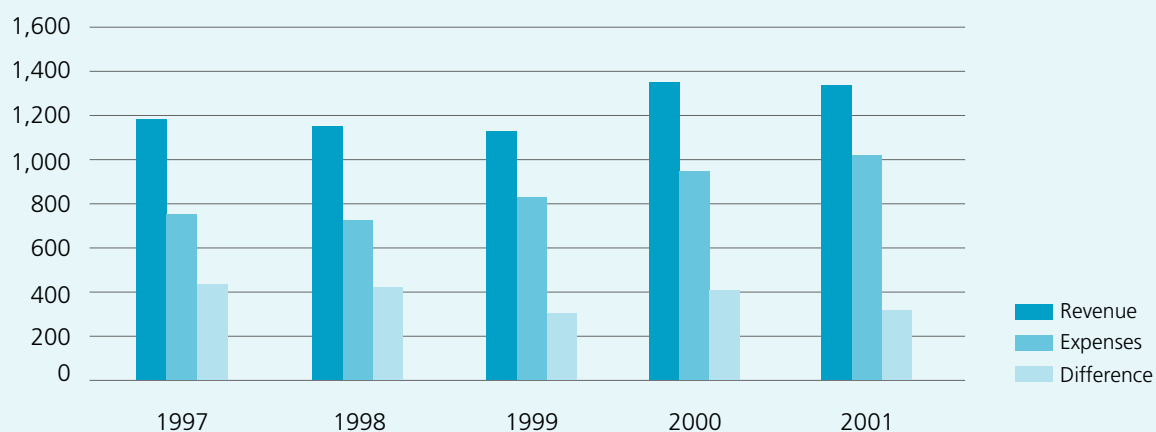
Turkish lira (Million)

Years	Revenues	Expenses	Difference
1997	181,328,452.30	117,364,823.80	63,963,628.50
1998	302,574,563.80	193,655,718.10	108,918,845.70
1999	473,154,508.70	354,239,739.00	118,914,769.70
2000	845,926,701.50	600,427,870.90	245,498,830.60
2001	1,647,000,951.90	1,265,809,494.80	381,191,457.10

US dollar (Million)

Years	Revenues	Expenses	Difference
1997	1,190.50	756.60	433.90
1998	1,156.40	728.40	428.00
1999	1,133.40	831.70	301.70
2000	1,356.30	949.50	406.80
2001	1,344.60	1,025.40	319.20

FOREIGN CURRENCY and FOREIGN CURRENCY-INDEXED REVENUES AND EXPENSES (US\$ million)



SUMMARY OF ANNUAL RESULTS 2000-2001

COMPARATIVE SUMMARY OF RESULTS	2001	2000	00/01 CHANGE %
FINANCIAL RESULTS			
REVENUES			
Ticket Revenues	1,367,857,533,205,020	810,013,423,147,155	68.90
Excess Baggage Revenues	12,504,666,577,487	6,649,206,687,536	88.10
Mail Revenues	5,025,725,456,276	2,636,377,678,837	90.60
Cargo Revenues	160,118,818,895,006	88,373,561,043,535	81.20
Charter Revenues	20,237,057,048,493	19,864,455,828,952	1.90
Pilgrimage Revenues	47,331,738,437,982	16,920,885,091,485	179.70
Other Revenues	52,160,686,493,232	15,204,983,432,302	243.00
Other Operating Revenues	159,125,631,171,066	35,728,572,712,152	345.40
Extraordinary Revenues and Profit	111,054,386,860,137	61,312,556,053,091	81.10
TOTAL REVENUES	1,935,416,244,144,700	1,056,704,021,675,045	83.20
EXPENSES			
Direct Operating Expenses	545,603,530,770,351	329,879,427,676,366	65.40
Passenger Service Expenses	92,487,703,499,255	57,219,753,721,012	61.60
Direct Maintenance Expenses	151,254,380,990,576	92,492,507,150,414	63.50
Manufacturing Overhead Expenses	653,394,028,093,310	365,513,255,231,781	78.80
Marketing Sales & Distribution Expenses	278,681,074,494,944	168,061,568,737,680	65.80
General Administrative Expenses	115,815,786,410,348	74,038,598,426,881	56.40
Other Operating Expenses	31,845,837,972,251	8,719,398,155,683	265.20
Financial Expenses	21,417,159,086,256	11,957,024,811,289	79.10
Extraordinary Expenses and Loss	24,973,438,667,991	12,856,882,262,825	94.20
TOTAL EXPENSES	1,915,472,939,985,280	1,120,738,416,173,931	70.90
Profit (or Loss)	19,943,304,159,416	(64,034,394,498,886)	(131.10)
Taxes and Statutory Obligations	-	-	-
NET PROFIT-LOSS	19,943,304,159,416	(64,034,394,498,886)	(131.10)
TRAFFIC			
Available Seat-Kms	24,889,653,667	26,000,692,790	(4.3)
Revenue Passenger-Kms	15,679,266,179	17,395,637,166	(9.9)
Number of Revenue Passengers	10,277,423	12,030,747	(14.6)
Cargo Carried (Tons)	104,778	125,742	(16.7)
Passenger Load Factor (%)	63	67	(4 points)
Hours Flown	253,871	271,454	(6.5)
Number of Landings	109,028	117,916	(7.5)
Kms Flown	143,616,679	149,348,822	(3.8)
Mail Carried (Tons)	4,648	4,595	1.2
AVERAGE VALUES FOR ALL FLIGHTS (PASSENGER AIRCRAFT)			
Average Number of Revenue Passengers per Aircraft	151,139	167,094	(9.5)
Average Daily Flight Hours per Aircraft	10:11	10:19	(1.3)
Employees per Aircraft	165	123	34.4
Passengers Carried per Flight	94	102	(7.6)
Passengers per Employee	914	1,337	(31.6)
Average Speed (Km/Hour)	566	550	2.8
Average Flight Distance (Km)	1,317	1,267	4

TURKISH AIRLINES INC.

DETAILED BALANCE SHEET

(ACCORDING TO UNIFORM ACCOUNTING SYSTEM)

ASSETS

I. CURRENT ASSETS

31.12.2001

31.12.2000

A. Liquid Assets

1- Cash	80,579,424,293	72,736,563,129
2- Cheques Received	635,957,887,877	-
3- Banks	100,934,391,328,883	30,794,599,957,342
4- Cheques Given and Payment Orders (-)	(2,646,945,096,891)	(897,661,322,640)
5- Funds Awaiting Disbursement	-	-
6- Other Liquid Assets	5,736,449,120,990	1,044,977,597,124
TOTAL (A)	104,740,432,665,152	31,014,652,794,955

B. Marketable Securities

1- Share Certificates	13,015,050,421,115	-
2- Private Sector Bonds and Notes	-	-
3- Public Sector Bonds and Notes	-	38,000,000,000
4- Other Marketable Securities	-	-
5- Provision for Dec. in Value of Market. Sec. (-)	-	-
TOTAL (B)	13,015,050,421,115	38,000,000,000

C. Trade Receivables

1- Customers	89,225,343,082,366	51,716,671,868,442
2- Notes Receivables	-	-
3- Rediscount on Notes Receivables (-)	-	-
4- Deposits and Guarantees Given	287,913,400	7,133,606,888,000
5- Doubtful Receivables	5,720,626,205,499	2,659,945,249,296
6- Provision for Doubtful Receivables (-)	(5,720,626,205,499)	(2,659,945,249,296)
TOTAL (C)	89,225,630,995,766	58,850,278,756,442

D. Other Receivables

1- Due from Shareholders	-	223,017,735
2- Due from Affiliates	-	-
3- Due from Subsidiaries	27,487,324,101	41,454,644,186
4- Due from Personnel	58,601,214,603	30,550,716,053
5- Other Receivables	26,056,631,000,990	33,747,863,036,831
6- Rediscount on Other Notes Receivables (-)	-	-
7- Other Doubtful Receivables	533,394,893	533,394,893
8- Provision for Other Doubtful Receivables (-)	(525,804,162)	(525,804,162)
TOTAL (D)	26,142,727,130,425	33,820,099,005,536

E. Inventories

1- Raw Material and Supplies	67,841,075,451,102	48,340,833,625,798
2- Semi-Finished Goods in Production	-	-
3- Finished Goods	-	-
4- Trade Goods	-	13,165,840,452
5- Inventories	178,042,631,253	9,127,460,308
6- Other Inventories	-	-
7- Provision for Inventories (-)	-	-
8- Advances Given for Purchases	883,975,382,834	129,251,151,456
TOTAL (E)	68,903,093,465,188	48,492,378,078,014

F. Prepaid Expenses and Income Accruals

1- Prepaid Expenses for Future Months	19,525,165,423,602	8,237,331,078,237
2- Income Accruals	6,749,717,575,904	4,995,945,281,919
TOTAL (F)	26,274,882,999,506	13,233,276,360,156

G. Other Current Assets

1- Deferred VAT	-	-
2- Deductible VAT	37,694,000,474	21,012,720,713
3- Other VAT	-	-
4- Prepaid Taxes and Funds	486,469,389,436	145,459,808,236
5- Work Advances	52,366,102,939	59,226,955,014
6- Advances to Personnel	246,815,447,537	120,432,545,548
7- Inventory Shortages	-	-
8- Other Current Assets	944,643,865	145,389,090
9- Provision for Other Current Assets (-)	-	-
TOTAL (G)	824,289,584,251	346,277,418,601

TOTAL CURRENT ASSETS

329,126,107,261,403

185,794,962,413,704

TURKISH AIRLINES INC.
DETAILED BALANCE SHEET / continued
(ACCORDING TO UNIFORM ACCOUNTING SYSTEM)

II. LONG-TERM ASSETS	31.12.2001	31.12.2000
A. Trade Receivables		
1- Customers	-	-
2- Notes Receivables	-	-
3- Rediscount on Notes Receivables (-)	-	-
4- Deposits and Guarantees Given	17,138,897,552,858	7,928,218,901,265
5- Provision for Doubtful Receivables (-)	-	-
TOTAL (A)	17,138,897,552,858	7,928,218,901,265
B. Other Receivables		
1- Due from Shareholders	-	-
2- Due from Affiliates	-	-
3- Due from Subsidiaries	-	-
4- Due from Personnel	-	-
5- Other Receivables	778,668,988,135	-
6- Rediscount on Other Notes Receivables (-)	-	-
7- Provision for Other Doubtful Receivables (-)	-	-
TOTAL (B)	778,668,988,135	-
C. Financial Fixed Assets		
1- Long-Term Securities	3,000,000,000	3,000,000,000
2- Decrease in Value of Securities (-)	-	-
3- Affiliates	12,264,000,000	12,264,000,000
4- Capital Commitments for Affiliates (-)	-	(358,223,298)
5- Decrease in Value of Affiliates Shares (-)	-	-
6- Subsidiaries	24,254,016,480	24,254,016,480
7- Capital Commitments for Subsidiaries (-)	(6,000,000,000)	(6,000,000,000)
8- Decrease in Value of Subsidiaries Shares (-)	-	-
9- Other Financial Fixed Assets	534,778,236,465	537,176,197,833
10- Decrease in Value of Other Finan. Fixed Assets (-)	-	-
TOTAL (C)	568,296,252,945	570,335,991,015
D. Tangible Fixed Assets		
1- Land	867,362	867,362
2- Land Improvements	-	-
3- Buildings	31,318,280,901,155	13,655,512,614,430
4- Plant, Machinery and Equipment	152,965,684,137,130	101,364,897,679,882
5- Motor Vehicles	293,586,962,481,542	375,545,821,918,634
6- Furnitures and Fixtures	4,738,409,794,661	3,148,344,662,030
7- Other Tangible Fixed Assets	258,210,824,487	184,268,544,478
8- Accumulated Depreciation (-)	(332,869,429,798,780)	(381,649,181,083,426)
9- Construction in Progress	8,453,224,413,404	18,010,172,718,483
10- Advances Given	75,373,318,284,842	33,253,929,353,625
TOTAL (D)	233,824,661,905,803	163,513,767,275,498
E. Intangible Assets		
1- Rights	5,144,247,511,579	3,452,835,563,078
2- Goodwill	-	-
3- Establishment and Formation Expenses	-	-
4- Research and Development Expenses	-	-
5- Special Costs	1,304,863,584,125	518,917,945,785
6- Other Intangible Fixed Assets	-	-
7- Accumulated Amortization (-)	(3,606,675,392,034)	(2,518,733,309,542)
8- Advances to Suppliers	-	-
TOTAL (E)	2,842,435,703,670	1,453,020,199,321
F. Assets Subject to Amortization		
1- Exploration / Research Expenses	-	-
2- Preparation and Development Expenses	-	-
3- Other Amortizable Assets	2,835,776,551,364	1,180,614,957,646
4- Accumulated Amortization (-)	(1,594,432,914,062)	(771,719,934,274)
5- Advances to Suppliers	-	-
TOTAL (F)	1,241,343,637,302	408,895,023,372
G. Prepaid Expenses and Accrued Income		
1- Prepaid Expenses for Future Periods	19,899,863,331,078	13,882,776,215,692
2- Income Accruals	-	-
TOTAL (G)	19,899,863,331,078	13,882,776,215,692
H. Other Fixed Assets		
1- Deductible VAT in Future Years	-	-
2- Other VAT	-	-
3- Inventory and Tangible Fixed Assets to be Disposed	62,676,494,494	100,412,909,157
4- Other Fixed Assets	-	-
TOTAL (H)	62,676,494,494	100,412,909,157
TOTAL LONG-TERM ASSETS	276,356,843,866,285	187,857,426,515,320
TOTAL ASSETS (USES)	605,482,951,127,688	373,652,388,929,024
MEMORANDUM ACCOUNTS	3,831,524,163,289,300	2,112,991,010,649,230

TURKISH AIRLINES INC.

DETAILED BALANCE SHEET / continued

(ACCORDING TO UNIFORM ACCOUNTING SYSTEM)

LIABILITIES

	31.12.2001	31.12.2000
I. SHORT-TERM LIABILITIES		
A. Financial Liabilities		
1- Bank Loans	-	29,991,930,000,000
2- Current Maturities of Long-Term Credits and Accrued Interest	550,425,607,920	10,668,246,459,803
3- Current Maturities of Bonds and Accrued Interest	-	-
4- Bonds and Notes Issued	-	-
5- Other Securities Issued	-	-
6- Value Difference of Securities Issued (-)	-	-
7- Other Financial Liabilities	-	-
TOTAL (A)	550,425,607,920	40,660,176,459,803
B. Trade Payables		
1- Suppliers	174,367,526,605,762	103,925,580,671,814
2- Notes Payables	-	-
3- Rediscount on Notes Payables (-)	-	-
4- Deposits and Guarantees Received	9,141,225,142,745	4,695,129,530,425
5- Other Trade Payables	101,430,065,421	47,342,588,017
TOTAL (B)	183,610,181,813,928	108,668,052,790,256
C. Other Liabilities		
1- Due to Shareholders	-	-
2- Due to Affiliates	-	-
3- Due to Subsidiaries	-	-
4- Due to Personnel	385,671,726,509	114,266,853,310
5- Other Liabilities	651,143,809,545	5,009,168,542,038
6- Rediscount on Other Notes Payable (-)	-	-
TOTAL (C)	1,036,815,536,054	5,123,435,395,348
D. Advances Received	164,948,468,250	599,552,370,163
TOTAL (D)	164,948,468,250	599,552,370,163
E. Taxes Payable and Other Fiscal Liabilities		
1- Taxes and Funds Payable	15,507,965,287,503	10,775,906,144,975
2- Social Security Withholdings Payable	5,500,503,524,146	3,218,125,797,045
3- Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities	-	-
4- Other Fiscal Liabilities Payable	100,402,651,325	26,021,351,106
TOTAL (E)	21,108,871,462,974	14,020,053,293,126
F. Provisions for Liabilities and Expenses		
1- Provisions for Income Taxes and Other Legal Liabilities on Profit	-	-
2- Prepaid Income Taxes and Other Legal Liabilities on Profit (-)	-	-
3- Provisions for Retirement Pay	14,923,607,180,000	14,350,946,960,000
4- Provision for Other Debts and Liabilities	443,703,340,740	-
TOTAL (F)	15,367,310,520,740	14,350,946,960,000
G. Income and Expense Accruals Relating to Future Months		
1- Income Relating to Future Months	2,275,789,815,736	237,475,878,601
2- Expense Accruals	122,277,307,534,883	56,486,838,436,809
TOTAL (G)	124,553,097,350,619	56,724,314,315,410
H. Other Short-Term Liabilities		
1- VAT Payable	6,507,873,543	-
2- Other VAT	-	-
3- Inventory Surplus	-	-
4- Other Short-Term Liabilities	-	-
TOTAL (H)	6,507,873,543	-
TOTAL SHORT-TERM LIABILITIES	346,398,158,634,028	240,146,531,584,106

TURKISH AIRLINES INC.

DETAILED BALANCE SHEET / continued

(ACCORDING TO UNIFORM ACCOUNTING SYSTEM)

	31.12.2001	31.12.2000
II. LONG-TERM LIABILITIES		
A. Financial Liabilities		
1- Bank Loans	550,425,607,920	539,561,453,760
2- Bonds Issued	-	-
3- Other Securities Issued	-	-
4- Value Difference of Securities Issued (-)	-	-
5- Other Financial Liabilities	-	-
TOTAL (A)	550,425,607,920	539,561,453,760
B. Trade Payables		
1- Suppliers	-	-
2- Notes Payables	-	-
3- Rediscount on Notes Payables (-)	-	-
4- Deposits and Guarantees Received	-	-
5- Other Trade Payables	-	-
TOTAL (B)	-	-
C. Other Liabilities		
1- Due to Shareholders	-	-
2- Due to Affiliates	-	-
3- Due to Subsidiaries	-	-
4- Other Payables	94,547,630,894	172,879,668,493
5- Rediscount on Other Notes Payable (-)	-	-
6- Debts to the Public Sector, Deferred or Payable by Installments	94,180,098,092	43,115,420,658
TOTAL (C)	188,727,728,986	215,995,089,151
D. Advances Received	-	-
TOTAL (D)	-	-
E. Provisions for Debts and Expenses		
1- Provision for Retirement Pay	69,949,154,294,435	40,308,137,438,920
2- Provision for Other Debts and Expenses	1,111,298,334,330	674,129,766,474
TOTAL (E)	71,060,452,628,765	40,982,267,205,394
F. Income Relating to Future Periods and Expense Accruals		
1- Income Relating to Future Periods	-	-
2- Expense Accruals	-	-
TOTAL (F)	-	-
G. Other Long-Term Liabilities		
1- VAT Deferred to Following Years	-	-
2- Other Long-Term Liabilities	-	-
TOTAL (G)	-	-
TOTAL LONG-TERM LIABILITIES	71,799,605,965,671	41,737,823,748,305

TURKISH AIRLINES INC.
DETAILED BALANCE SHEET / continued

(ACCORDING TO UNIFORM ACCOUNTING SYSTEM)

III. SHAREHOLDERS' EQUITY	31.12.2001	31.12.2000
A. Paid-in-Capital		
1- Capital	500,000,000,000,000	500,000,000,000,000
2- Un-paid Capital (-)	(325,000,000,000,000)	(337,339,931,145,000)
TOTAL (A)	175,000,000,000,000	162,660,068,855,000
B. Capital Reserves		
1- Share Premium	181,185,157,700	166,411,548,500
2- Share Premium of Cancelled Shares	-	-
3- Revaluation Fund of Tangible Fixed Assets	100,426,613,927,961	52,265,350,322,782
4- Revaluation Fund of Investments	1,066,417,502	1,066,417,502
5- Other Capital Reserves	-	-
TOTAL (B)	100,608,865,503,163	52,432,828,288,784
C. Profit Reserves		
1- Legal Reserves	417,010,819,429	417,010,819,429
2- Statutory Reserves	-	-
3- Extraordinary Reserves	7,806,888,830,770	7,806,888,830,770
4- Other Reserves	8,566,017	8,566,017
5- Special Funds	15,057,880,412,581	-
TOTAL (C)	23,281,788,628,797	8,223,908,216,216
D. Retained Earnings	-	-
TOTAL (D)	-	-
E. Accumulated Deficits (-)	(131,548,771,763,387)	(67,514,377,264,501)
TOTAL (E)	(131,548,771,763,387)	(67,514,377,264,501)
F. Net Profit (Loss) for the Period	19,943,304,159,416	(64,034,394,498,886)
TOTAL (F)	19,943,304,159,416	(64,034,394,498,886)
TOTAL SHAREHOLDERS' EQUITY	187,285,186,527,989	91,768,033,596,613
TOTAL LIABILITIES (SOURCES)	605,482,951,127,688	373,652,388,929,024
MEMORANDUM ACCOUNTS	3,831,524,163,289,300	2,112,991,010,649,230

TURKISH AIRLINES INC.

DETAILED STATEMENT OF INCOME

(ACCORDING TO UNIFORM ACCOUNTING SYSTEM)

	01.01.2001-31.12.2001	01.01.2000-31.12.2000
A. Gross Sales		
1- Domestic Sales	645,832,083,218,640	457,191,386,937,232
2- Export Sales	1,036,925,472,047,386	534,828,803,907,413
3- Other Sales	52,160,686,493,232	15,204,983,432,802
TOTAL (A)	1,734,918,241,759,258	1,007,225,174,276,948
B. Sales Deductions (-)		
1- Sales Returns (-)	(61,430,824,585,829)	(38,028,754,184,224)
2- Sales Discounts (-)	-	-
3- Other Deductions (-)	(8,251,191,059,932)	(9,533,527,182,921)
TOTAL (B)	(69,682,015,645,761)	(47,562,281,367,145)
C. Net Sales (A-B)	1,665,236,226,113,497	959,662,892,909,803
D. Cost of Sales (-)		
1- Cost of Goods Sold (Product) (-)	-	-
2- Cost of Goods Sold (Trade) (-)	-	-
3- Cost of Services Rendered (-)	(1,442,739,643,353,493)	(845,104,943,779,574)
4- Cost of Sales (Other) (-)	-	-
TOTAL (D)	(1,442,739,643,353,493)	(845,104,943,779,574)
GROSS PROFIT OR LOSS	222,496,582,760,004	114,557,949,130,229
E. Operating Expenses (-)		
1- Research and Development Expenses (-)	-	-
2- Marketing - Sales and Distribution Expenses (-)	(278,681,074,494,945)	(168,061,568,737,680)
3- General Administrative Expenses (-)	(115,815,786,410,348)	(74,038,598,426,881)
TOTAL (E)	(394,496,860,905,293)	(242,100,167,164,561)
OPERATING PROFIT OR LOSS	(172,000,278,145,289)	(127,542,218,034,332)
F. Income and Profit from Other Operations		
1- Dividend Income from Affiliates	25,105,698,102	854,778,742
2- Dividend Income from Subsidiaries	-	-
3- Interest Income	7,963,409,214,784	2,192,857,378,722
4- Commission Income	219,583,641,669	87,158,852,972
5- Provisions No Longer Required	326,797,101,831	1,004,297,708,921
6- Profit on Sale of Marketable Securities	13,017,468,097,367	-
7- Profit from Foreign Exchange	125,108,413,957,607	21,518,593,791,146
8- Rediscounted Income	-	-
9- Other Income and Profit	12,464,853,459,708	10,924,810,201,649
TOTAL (F)	159,125,631,171,066	35,728,572,712,152
G. Expenses and Losses from Other Operations (-)		
1- Revenue Share Interest Expense	-	-
2- Commission Expenses (-)	-	-
3- Provisions (-)	(3,373,210,284,873)	(2,132,078,547,444)
4- Loss on Sale of Marketable Securities (-)	-	-
5- Loss from Foreign Exchange (-)	(27,960,931,132,065)	(5,765,342,528,027)
6- Rediscounted Interest Expense (-)	-	-
7- Other Ordinary Expenses and Losses (-)	(511,696,555,313)	(821,977,080,212)
TOTAL (G)	(31,845,837,972,251)	(8,719,398,155,683)
H. Financial Expenses (-)		
1- Financial Expenses (Short-Term) (-)	(19,237,319,494,104)	(10,677,170,726,813)
2- Financial Expenses (Long-Term) (-)	(2,179,839,592,152)	(1,279,854,084,476)
TOTAL (H)	(21,417,159,086,256)	(11,957,024,811,289)
ORDINARY PROFIT OR LOSS	(66,137,644,032,730)	(112,490,687,289,152)
I. Extraordinary Revenues and Profits		
1- Previous Period Revenues and Profits	5,541,258,519,424	10,683,145,922,144
2- Other Extraordinary Revenues and Profits	105,513,128,340,713	50,629,410,130,947
TOTAL (I)	111,054,386,860,137	61,312,556,053,091
J. Extraordinary Expenses and Losses (-)		
1- Idle Capacity Expenses and Losses (-)	(1,626,370,903,107)	(1,022,257,238,187)
2- Previous Period Expenses and Losses (-)	(9,739,014,086,929)	(6,535,248,603,398)
3- Other Extraord. Expenses and Losses (-)	(13,608,053,677,955)	(5,299,376,421,240)
TOTAL (J)	(24,973,438,667,991)	(12,856,882,262,825)
PROFIT OR LOSS FOR THE PERIOD	19,943,304,159,416	(64,034,394,498,886)
K. Provisions for Taxes Payable and Other Statutory Obligations (-)	-	-
NET PROFIT / LOSS FOR THE YEAR	19,943,304,159,416	(64,034,394,498,886)

Independent Auditors' Reports

- According to Capital Markets Board Standards Page 43
- According to International Accounting Standards Page 62

(ACCORDING TO COMMUNIQUE SERIES XI OF THE CAPITAL MARKETS BOARD)

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI **INDEPENDENT AUDITORS' REPORT** **January 1, 2001 - December 31, 2001**

1. We have audited the accompanying balance sheet of Türk Hava Yolları Anonim Ortaklığı "the Company" as of December 31, 2001, and the related statement of income for the year then ended. Our audit is performed in accordance with the generally accepted auditing principles, rules and standards and therefore included such tests of the accounting records and such other auditing procedures, as we considered necessary in the circumstances.
2. As mentioned in note 11a, the Company, consistent with prior year, recognizes passenger and cargo income when ticket is sold. However, cost of transportation is recognized when transportation is provided. The Company is continuing with a project to recognize passenger income when transportation is provided (flight basis). However as of the date of this report, flight basis revenue could not be certainly calculated because this project has not been completed.
3. Most of the income and expenses of the Company are composed of foreign currency transactions. As it is stated in detail in note 11, the ticket fares in foreign currencies are recorded to sales income account according to the reporting periods of agencies and bureaus. Exchange rate differences related to receivables from ticket sales are recorded to sales account instead of foreign exchange gain account. Exchange rate differences related to the payments in foreign currencies for services and goods obtained from the third parties are recorded to the cost of sales and operational expense accounts instead of foreign exchange loss account. As of December 31, 2001, foreign exchange gain included in Gross Sales is TL 26,398,737 Million and foreign exchange loss included in Cost of Sales and Operational Expenses are TL 87,341,729 Million and TL 1,088,227 Million, respectively.
4. In our opinion, except for such adjustments as might arise from the matters discussed in second and third paragraphs, the financial statements referred to above present fairly the financial position of Türk Hava Yolları Anonim Ortaklığı as of December 31, 2001, and the results of its operations for the year then ended in conformity with generally accepted accounting principles as published by Turkish Capital Markets Board, applied on a consistent basis.

Istanbul, March 25, 2002

DRT DENETİM REVİZYON TASDİK
YEMİNLİ MALİ MÜŞAVİRLİK A.Ş.

Member Firm of DELOITTE TOUCHE TOHMATSU

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than those in Turkey. The standards, procedures and practices for review of such financial statements are those generally accepted and applied in Turkey.

TURKISH AIRLINES INC.

DETAILED BALANCE SHEETS AS OF 31 DECEMBER 2001 and 2000 (TL Million)

(ACCORDING TO COMMUNIQUE SERIES XI OF THE CAPITAL MARKETS BOARD)

ASSETS	31.12.2001	31.12.2000
I- CURRENT ASSETS	317,634,063	181,494,525
A- Liquid Assets	100,720,040	29,081,269
1- Cash	80,579	72,737
2- Banks	94,267,054	27,963,555
3- Other Liquid Assets	6,372,407	1,044,977
B- Marketable Securities	12,449,548	38,000
1- Private Sector Shares	13,015,051	0
2- Private Sector Bills and Bonds	0	0
3- Treasury Bills and Bonds	0	38,000
4- Other Marketable Securities	0	0
5- Provision for Diminution in Value of Marketable Securities (-)	(565,503)	0
C- Short-Term Trade Receivables	87,378,536	59,965,098
1- Trade Receivables	88,239,061	53,073,137
2- Notes Receivable	0	0
3- Deposits and Guarantees Given	288	7,133,607
4- Other Short-Term Trade Receivables	14,660,181	6,307,334
5- Discount on Receivables (-)	(860,813)	(241,646)
6- Provision for Doubtful Receivables (-)	(14,660,181)	(6,307,334)
D- Other Short-Term Receivables	26,441,909	33,999,759
1- Receivables from Shareholders	0	223
2- Receivables from Equity Participations	0	0
3- Receivables from Subsidiaries	27,487	41,455
4- Other Short-Term Receivables	26,414,947	33,958,607
5- Discount on Receivables (-)	0	0
6- Provision for Doubtful Receivables (-)	(525)	(526)
E- Inventories	67,655,463	48,080,975
1- Raw Materials	60,826,868	43,467,595
2- Semi Finished Goods	0	0
3- Intermediary Products	0	0
4- Finished Goods	0	0
5- Merchandise Inventory	0	13,166
6- Other Inventories	7,192,250	4,882,366
7- Provision for Diminution in Value of Inventories (-)	(1,247,630)	(411,403)
8- Order Advances Given	883,975	129,251
F- Other Current Assets	22,988,567	10,329,424
II- LONG-TERM ASSETS	276,356,845	187,857,426
A- Long-Term Trade Receivables	17,138,898	7,928,219
1- Trade Receivables	0	0
2- Notes Receivable	0	0
3- Deposits and Guarantees Given	17,138,898	7,928,219
4- Other Long-Term Receivables	0	0
5- Discount on Receivables (-)	0	0
6- Provision for Doubtful Receivables (-)	0	0
B- Other Long-Term Receivables	778,669	0
1- Receivables from Shareholders	0	0
2- Receivables from Equity Participations	0	0
3- Receivables from Subsidiaries	0	0
4- Other Long-Term Receivables	778,669	0
5- Discount on Receivables (-)	0	0
6- Provision for Doubtful Receivables (-)	0	0
C- Long-Term Financial Assets	568,296	570,336
1- Investments Portfolio	3,000	3,000
2- Provision for Diminution in Value of Investments Portfolio (-)	0	0
3- Equity Participations	12,264	12,264
4- Capital Commitments to Equity Participations (-)	0	(358)
5- Provision for Diminution in Value of Equity Participations (-)	0	0
6- Subsidiaries	24,254	24,254
7- Capital Commitments to Subsidiaries (-)	(6,000)	(6,000)
8- Provision for Diminution in Value of Subsidiaries (-)	0	0
9- Other Long-Term Financial Assets	534,778	537,176
D- Tangible Fixed Assets	233,824,662	163,513,767
1- Land	1	1
2- Superstructures and Infrastructures	0	0
3- Buildings	31,318,281	13,655,513
4- Machinery, Plant and Equipments	152,965,684	101,364,897
5- Vehicles	293,586,963	375,545,822
6- Furniture and Fixtures	4,738,410	3,148,345
7- Other Tangible Fixed Assets	258,211	184,268
8- Accumulated Depreciation (-)	(332,869,430)	(381,649,181)
9- Construction in Progress	8,453,224	18,010,173
10- Order Advances Given	75,373,318	33,253,929
E- Intangible Fixed Assets	4,083,780	1,861,915
1- Establishment Costs	0	0
2- Rights	1,886,998	1,125,067
3- Research and Development Costs	0	0
4- Other Intangible Fixed Assets	2,196,782	736,848
5- Order Advances Given	0	0
F- Other Long-Term Assets	19,962,540	13,983,189
TOTAL ASSETS	593,990,908	369,351,951

TURKISH AIRLINES INC.

DETAILED BALANCE SHEETS AS OF 31 DECEMBER 2001 and 2000 (TL Million)

(ACCORDING TO COMMUNIQUE SERIES XI OF THE CAPITAL MARKETS BOARD)

LIABILITIES AND SHAREHOLDERS' EQUITY	31.12.2001	31.12.2000
I- CURRENT LIABILITIES	340,096,672	229,796,420
A- Financial Liabilities	567,017	44,600,827
1- Bank Loans	0	29,991,930
2- Current Installments of Long-Term Loans and Related Interests	567,017	10,668,247
3- Principal Installment and Interest of Bonds	0	0
4- Bonds Issued	0	0
5- Other Financial Liabilities	0	3,940,650
B- Trade Payables	226,195,687	118,083,031
1- Trade Payables	217,012,769	113,387,901
2- Notes Payable	0	0
3- Deposits and Guarantees Received	9,182,918	4,695,130
4- Other Trade Payables	0	0
5- Discount on Notes Payable (-)	0	0
C- Other Short-Term Payables	30,306,618	23,040,441
1- Payables to Shareholders	0	0
2- Payables to Equity Participations	0	0
3- Payables to Subsidiaries	0	0
4- Expense Accruals	8,533,514	7,951,869
5- Taxes and Dues Payable	21,117,216	14,020,053
6- Deferred Dues to Government Offices	0	0
7- Other Short-Term Payables	655,888	1,068,519
8- Discount on Notes Payable (-)	0	0
D- Order Advances Received	165,049	599,552
E- Provisions	82,862,301	43,472,569
1- Corporate Tax Payable	0	0
2- Other Provisions	82,862,301	43,472,569
II- LONG TERM LIABILITIES	86,726,324	56,088,771
A- Financial Liabilities	553,080	586,651
1- Bank Loans	553,080	539,562
2- Bonds Issued	0	0
3- Marketable Securities Issued	0	0
4- Other Financial Liabilities	0	47,089
B- Trade Payables	0	0
1- Trade Payables	0	0
2- Notes Payable	0	0
3- Deposits and Guarantees Received	0	0
4- Other Trade Payables	0	0
5- Discount on Payables (-)	0	0
C- Other Long-Term Payables	189,184	168,906
1- Payables to Shareholders	0	0
2- Payables to Equity Participations	0	0
3- Payables to Subsidiaries	0	0
4- Deferred Dues to Government Offices	94,180	43,116
5- Other Long-Term Payables	95,004	125,790
6- Discount on Payables (-)	0	0
D- Order Advances Received	0	0
E- Provisions	85,984,060	55,333,214
1- Provision for Termination Indemnities	84,872,762	54,659,084
2- Other Provisions	1,111,298	674,130
III- SHAREHOLDERS' EQUITY	167,167,912	83,466,760
A- Capital	175,000,000	162,660,069
B- Capital Commitments (-)	0	0
C- Premium in Excess of Par	181,185	166,411
D- Revaluation Surplus	100,427,680	52,266,416
1- Revaluation of Tangible Fixed Assets	100,426,614	52,265,350
2- Revaluation of Equity Participations	1,066	1,066
3- Revaluation of Shares Quoted on the Stock Exchange	0	0
E- Reserves	23,281,789	8,223,909
1- Legal Reserves	417,011	417,011
2- Special Legal Reserves	0	0
3- Special Reserves	15,057,889	9
4- Extraordinary Reserves	7,806,889	7,806,889
5- Cost Increase Fund	0	0
6- Gains from Sale of Immovables and Equity Participation	0	0
Shares Transferable to Capital	0	0
7- Prior Periods' Profits	0	0
F- Profit for the Period	8,127,303	0
G- Loss for the Period (-)	0	(69,519,636)
H- Prior Periods' Losses (-)	(139,850,045)	(70,330,409)
TOTAL LIABILITIES and SHAREHOLDERS' EQUITY	593,990,908	369,351,951

TURKISH AIRLINES INC.

DETAILED STATEMENTS OF INCOME FOR THE YEARS ENDED 31 DECEMBER 2001 AND 2000 (TL Million)

(ACCORDING TO COMMUNIQUE SERIES XI OF THE CAPITAL MARKETS BOARD)

	31.12.2001	31.12.2000
A- GROSS SALES	1,734,918,241	1,007,225,174
1- Domestic Sales	645,832,083	457,191,387
2- Export Sales	1,036,925,472	534,828,804
3- Others Sales Revenues	52,160,686	15,204,983
B- SALES DEDUCTIONS (-)	(69,682,016)	(47,562,281)
1- Sales Returns (-)	(61,430,825)	(38,028,754)
2- Sales Discounts (-)	0	0
3- Other Deductions (-)	(8,251,191)	(9,533,527)
C- NET SALES	1,665,236,225	959,662,893
D- COST OF SALES (-)	(1,442,739,643)	(845,104,944)
GROSS PROFIT	222,496,582	114,557,949
E- OPERATING EXPENSES	(407,026,251)	(249,064,438)
1- Research and Development Expenses (-)	0	0
2- Marketing, Sales and Distribution Expenses (-)	(277,225,681)	(170,509,124)
3- General Administrative Expenses (-)	(129,800,570)	(78,555,314)
PROFIT OR LOSS ON MAIN OPERATING ACTIVITIES	(184,529,669)	(134,506,489)
F- OTHER OPERATING INCOME	158,920,291	34,724,275
1- Dividend Income from Equity Participations	0	0
2- Dividend Income from Subsidiaries	0	0
3- Interest and Other Dividend Income	8,109,972	2,193,712
4- Other Operating Income	150,810,319	32,530,563
G- OTHER OPERATING EXPENSES (-)	(31,253,906)	(7,240,369)
H- FINANCIAL EXPENSES (-)	(21,417,159)	(11,957,025)
1- Short-Term Borrowing Expenses (-)	(19,237,319)	(10,677,171)
2- Long-Term Borrowing Expenses (-)	(2,179,840)	(1,279,854)
OPERATING PROFIT OR LOSS	(78,280,443)	(118,979,608)
I- EXTRAORDINARY INCOME	111,381,184	62,316,854
1- Prior Period Provisions	326,797	1,004,298
2- Prior Period Income	5,541,259	10,683,146
3- Other Extraordinary Income	105,513,128	50,629,410
J- EXTRAORDINARY EXPENSES	(24,973,438)	(12,856,882)
1- Idle Capacity Expenses (-)	(1,626,371)	(1,022,257)
2- Prior Period Expenses (-)	(9,739,014)	(6,535,249)
3- Other Extraordinary Expenses (-)	(13,608,053)	(5,299,376)
BEFORE TAX PROFIT OR LOSS FOR THE PERIOD	8,127,303	(69,519,636)
K- TAXATION	0	0
NET PROFIT OR LOSS FOR THE PERIOD	8,127,303	(69,519,636)

TURKISH AIRLINES INC.

NOTES TO BALANCE SHEET (ACCORDING TO COMMUNIQUE SERIES XI OF THE CAPITAL MARKETS BOARD)

(Unless otherwise stated, TL amounts are in Million TL, foreign currency amounts appear in full.)

1- Türk Hava Yolları Anonim Ortaklığı (the Company) was incorporated in 1933 in the name 'Hava Yolları Devlet İşletmesi' for domestic and international air transportation of passengers and cargo and to provide related services, purchase, maintenance and warehousing. The Company acquired (KIT) State Economic Enterprise status according to article number 233 dated June 8, 1984. It was resolved that the Company be privatized based on the decision of the Council of Ministers dated August 22, 1990, numbered 90/822 in accordance with law 3291.

2- Shareholders of the Company with 10% or more shareholdings are as follows:

Name	Share %	Share Amount 31.12.2001	Share Amount 31.12.2000
Turkish Republic Privatization Administration	98%	171,788,948	159,518,308

Shares amounting to TL 1,644,075 (Full) belonging to various private shareholders were not taken in to consideration when THY was taken into the privatization program in 1984. Subsequently, these shares were registered under the Privatization Administration according to THY's articles of association, which was approved by decision of the Turkish Republic Supreme Planning Council on October 30, 1990.

3- One C privilege share has the following privileges, described in the Articles of Association of the Company:

Article 7: The Directors elected to represent C shareholders should have an affirmative vote for recording of transfer of ordinary shares on the share register.

Article 10: The Board of Directors of THY consists of seven members of which one member has to be nominated by the class C shareholder.

Article 14: The following Board of Directors' decisions are subject to the class C Shareholder's affirmative vote:

- Amending the 'Articles of Association'
- Increase or decrease in the share capital
- Registration of the transfer of the shares issued to name in the 'Register of the Company'
- Determination of the personnel regulations, notably those relating to termination of employment
- Appointment of the independent auditors
- Determination of salaries and other remuneration for Executive Management
- Proposal for dividend distribution
- Determination of the format of the proxy certificate described in article 30 of the 'Articles of Association' for attending the general assembly meetings
- Adopting resolutions on strategic decisions and investment decisions for the Company
- Establishing affiliates, equity participations, mergers with, or acquisitions of other companies.

Temporary article 4: The Company's members of the Board of Directors, auditors and general manager are assigned by an instruction of the Privatization Administration and the approval of the Prime Ministry until public shares are below 50% depending on the validity of the article conditions.

4- The registered capital limit of the Company is TL 500,000,000.

TURKISH AIRLINES INC.

NOTES TO BALANCE SHEET (ACCORDING TO COMMUNIQUE SERIES XI OF THE CAPITAL MARKETS BOARD) / continued (Unless otherwise stated, TL amounts are in Million TL, foreign currency amounts appear in full.)

5- Capital increase and its sources during the current period:

In accordance with the decision dated 14 August 2000, numbered 71 given by the Board of Directors, it was decided to increase the capital from TL 150 trillion to TL 175 trillion of which TL 12.5 trillion was to be paid in cash and TL 12.5 trillion to be transferred from the revaluation fund. The Company applied to the Capital Markets Board dated 28 November 2000, numbered 197/1679 and pre-emptive right was provided to shareholders between 15 December 2000 and 15 February 2001. The remaining balance after exercise of pre-emptive rights, TL 1,758,763,000 (full) nominal shares were offered to primary market through ISE between 2 March 2001 and 20 April 2001; At 20 March 2001, the sales of the shares (1,758,763 full) were completed and in this regard, the capital increase was accomplished. The capital increase was registered on 20 April 2001 and declared at the Turkish Trade Registry Gazette dated 26 April 2001. During this capital increase, shares numbered 5282, series 1-9, which represent TL 150 trillion of capital, were combined with series 10 and reduced to one series of equity shares.

6- There are no securities issued during the period.

7- There are no securities related to liabilities matured during the period.

8- Movement of tangible fixed assets during the period:

	31.12.2001 (TL Million)	31.12.2000 (TL Million)
a. Cost of acquired, built or purchased fixed assets	34,451,348	20,038,343
b. Cost of fixed assets scrapped or sold	182,575,013	6,794,445
c. Revaluation of tangible fixed assets in the current period		
- Increase in Cost (+)	137,092,368	131,029,019
- Increase in Accumulated Depreciation	88,911,349	92,035,335

d. Description, total amount, beginning and ending dates and completion percentages of construction in progress:

31.12.2001

Name of the Project	Duration of Projects	Total Project Amount	Completed Amount As of 31.12.2001	Completion %
Vehicle Purchase Project	2001-2002	5,706,923	142,882	2.5
Flight Training Project	2001-2002	9,752,456	-	-
Software, Hardware and Communication Equipment Project	1998-2005	17,204,328	-	-
Aircraft Purchase Project	1997-2005	924,189,382	7,945,087	0.9
Aircraft Components Purchase Projects	1998-2005	26,786,966	7,441	-
Construction Project	1986-2002	10,363,444	342,313	3.3
Transportation Replacement	2001-2001	2,179,508	4,454	0.2
Maintenance Center Equipment Purchase	2001-2001	9,033,216	11,047	0.1
TOTAL		1,005,216,223	8,453,224	0.8

31.12.2000

Name of the Project	Duration of Projects	Total Project		Completion %
		Amount	Completed Amount	
Medium Capacity Medium Range Aircraft Procurement	1997-2002	533,890,174	6,948,321	1.3
Second Maintenance Center Project	1986-2001	12,924,617	9,708,629	75.1
Overhaul and Repair Equipment Project	2000-2001	121,809	7,273	6
Flight Training Project	2001-2002	471,960	-	-
Aircraft Development Project	1998-2005	4,711,968	5,988	0.1
Wide Body Long Range Aircraft Procurement	1990-2005	1,156,265	996,766	86.2
Computer Project	1998-2002	10,528,850	1,992	0.0
New Buildings and Building Extension at Airport Project	1999-2002	6,214,685	333,346	5.4
Furnishings of Cargo Buildings Project	2001-2001	951,375	-	-
Aircraft Components Procurement Project	2001-2001	1,229,168	-	-
Ground Handling Equipment Project	1998-2002	9,599,664	7,770	0.1
Various Renovations	2001-2001	466,901	-	-
Spare Engine Procurement	2001-2002	28,391,286	-	-
General Distribution Project	1991-2005	1,340,776	88	-
Various Renovations	2001-2001	1,836,219	-	-
First Maintenance Center Extension	1999-2001	244,397	-	-
Communication Equipment	2001-2001	615,528	-	-
Vehicles Purchasing Project	2001-2001	341,000	-	-
TOTAL		615,036,642	18,010,173	2.9

9- Current and future investment allowances, which are deductible from tax base: TL 1,467,341,892.

The investment allowance, which is deducted from tax base in the December 31, 2000 period: TL 718,062,721.

10- Balances with shareholders, equity participations and subsidiaries of the Company:

	31.12.2001			
	Receivables		Payables	
	Trade	Non Trade	Trade	Non Trade
1) Shareholders	-	-	-	-
2) Subsidiary				
Sun Express A.Ş.	204,489	-	83,690	-
3) Equity Participations	27,487	-	-	-
	31.12.2000			
	Receivables		Payables	
	Trade	Non Trade	Trade	Non Trade
1) Shareholders				
Turkish Republic Privatization Administration	-	223	-	-
2) Subsidiaries				
Sun Express	52,232	-	109,411	-
THY SRL	-	41,455	-	-
3) Equity Participations				
Qualiflyer Ltd.	23,347	-	-	-

TURKISH AIRLINES INC.

NOTES TO BALANCE SHEET (ACCORDING TO COMMUNIQUE SERIES XI OF THE CAPITAL MARKETS BOARD) / continued (Unless otherwise stated, TL amounts are in Million TL, foreign currency amounts appear in full.)

11- Valuation methods applied on the balance sheet items, inventory and depreciation methods and changes in the accounting policies compared to the previous periods are as follows:

a) **Income Accrual:** Passenger fares and cargo fees are recorded as income when the sales take place in THY offices, by the end of month when the sales take place in IATA agencies, and for other agencies, it is according to predetermined reporting period in the month that the sales take place and informed to THY.

b) **Marketable Securities:** The deposit certificates that represent the voting rights in Equant N.V. Company recorded in other subsidiaries in prior periods are sold by SITA Foundation to France Telecom by exchanging with the France Telecom shares. The Company valued these shares with the average value of weighed average market price at the last five business days before balance sheet date.

The deposit certificates that represent the voting rights in Equant N.V. Company recorded in other subsidiaries in prior years are sold by SITA Foundation to France Telecom by exchanging with the France Telecom shares at June 29, 2001. Rights of the Company in France Telecom shares are expressed by each Equant N.V. Deposit Certificates owned by the Company. According to the correspondence of SITA Foundation dated January 2002, SITA Foundation will keep 18,796 shares as reserve, which is equivalent to Euro 2.80 for each France Telecom shares owned by the Company.

c) **Inventories:** Inventories are stated based on lower of acquisition cost or net realizable value. Cost is determined by the moving weighted average method.

d) **Long-Term Financial Assets:** Investments, subsidiaries, equity participations and deposit certificates given by SITA INC. are recorded at acquisition cost plus free shares at their nominal value.

e) **Tangible Fixed Assets:** Tangible fixed assets are revalued with the revaluation coefficient determined by Finance Ministry of Turkish Republic (except lands and components on machineries, installations, and equipments). Tangible fixed assets are subject to depreciation according to straight-line depreciation method over their revalued value.

Rights included at the intangible fixed assets and the other intangible fixed assets are depreciated within five equal installments.

f) **Rediscount of Trade Receivables and Payables:** Trade receivables whose maturity is longer than three months in Turkish Lira or foreign currency are discounted to state their fair value in the financial statements as of December 31, 2001, except advances, deposits and guarantees, which are not required to be rediscounted. There are no trade payables whose maturity exceeds three months.

g) **Provision for Expense:** According to the Frequent Flyer Program, the Company provides free flight opportunity to their members of the Frequent Flyer Program based on their accumulated mileage and records this liability as a provision for this obligation.

h) **Termination Indemnity Provision:** According to Labor Law, termination indemnity provision is calculated as of the period end for personnel entitled to receive such payments in the future and the provision is booked in accordance with Capital Market Board Regulations.

i) **Assets and Liabilities Denominated in Foreign Currencies:** Foreign currency transactions are converted to TL at the rates ruling at transaction dates. Assets (except some receivables from Middle East Countries) denominated in foreign currencies are translated into Turkish Lira with the bid rates issued by the Central Bank of Turkey as of the balance sheet date, whereas liabilities are translated into Turkish Lira by Central Bank offer rate at the balance sheet date according to the declaration to the Independent Auditors by the Capital Markets Board. Foreign currency exchange gain and loss resulting from these transactions are recorded to related income and expense accounts including sales, cost of sales and operational expenses.

Receivables amounting to Iran Riyal 10,256,890,038, which the Company has difficulty to obtain, are valued as US\$ 1,285,325 with the Iran Riyal/USD parity, which the Iran Civil Air Authority has approved for transfer transactions.

i) **Leases:** The Company records aircraft and computer programs, financed with financial and operational leases, as expense each year in accordance with the lease agreement periods.

j) **Manufacturers' Credit:** Manufacturers' credits consist of free of charge materials, service and cash amounts received against aircraft purchases from the related supplier company. For RJ type aircraft's manufacturers' credit, when the Company is not able to pay its obligation for financial leases, it is required to return manufacturers' credit to suppliers. Therefore, these manufacturers' credits are recorded to the asset and liability accounts and are amortized as income during the lease contract period in accordance with the conditions of the lease agreement.

For other types of aircraft, since there is no obligation to return manufacturers' credits when the Company is not able to pay financial leases, these credits are recorded as income on the dates the aircraft is delivered.

k) **Internal Insurance Risk Provision:** Internal Risk Provision is provided for the risks deemed to be covered by the Internal Insurance Fund based on the insurance premium/claim statistics using insurance premiums determined after market research.

l) **Maintenance Expenses:** Regular small maintenance costs, incurred every year, and the current year's overhaul expenses of the aircrafts, which are returned in line with the financial lease agreements, are recorded as expense as soon as they are realized. Overhaul expenses, incurred in a cycle of more than one year, are recorded in other current and long-term assets and recorded as expense over the period until the next maintenance in equal amounts.

12- Subsequent events that occurred after balance sheet date are as follows:

- The termination indemnity ceiling has been increased from TL 978 to TL 1,076 commencing on January 1, 2002.

- Market price of 221,531 unit France Telecom stock, which are quoted on the Paris stock exchange and included at the marketable securities, decreased from Euro 44.32 at December 31, 2001, to Euro 33.90 as of March 22, 2002. Hence the total market value of these securities decreased by TL 3,571,854 after the balance sheet date.

- The Company requested a compensation amount of US\$ 23,373,091 from United Nations Compensation Department for the recovery of losses resulting from the Gulf Crisis and the compensation amounts of US\$ 24,980 on April 2000, US\$ 4,974,980 on February 2001 and US\$ 18,398,111 on March 2001 have been collected. According to the article of Economic Relations Department of Ministry of Foreign Affairs of Turkey dated January 15, 2002, it is stated that United Nations will also accrue interest on the compensation paid to THY.

- A Letter of Intent has been signed between THY and Mahan Air for the sale of three A310-300 aircraft, two CF6-80C2A2 engines, one APU and spare parts for these aircraft on December 20, 2001.

13- Contingencies:

Contingent Liabilities: Except for the cases reflected to the income statement as provisions amounting to TL 2,409,601, the amount of cases taken to the court against the Company but covered by insurance is TL 2,062,008.

TURKISH AIRLINES INC.

NOTES TO BALANCE SHEET (ACCORDING TO COMMUNIQUE SERIES XI OF THE CAPITAL MARKETS BOARD) / continued (Unless otherwise stated, TL amounts are in Million TL, foreign currency amounts appear in full.)

14- There are no changes in the accounting estimates, which could have a significant effect on profit.

15- There is no mortgage or guarantee on assets as of December 31, 2001.

16- The insurance coverage on assets is TL 475,629,819 TL as of December 31, 2001 (2000- TL 339,938,458).

Assets	Net Book Value	Insurance Coverage	Coverage (%)
Buildings	30,110,670	72,295,718	240
Simulator	14,988,315	50,384,845	336
Machinery, Equipment & Installation	17,316,164	35,583,626	205
Aircrafts	40,723,136	297,160,721	730
Vehicles	4,972,442	20,204,909	406
Total	108,110,727	475,629,819	

17- As of December 31, 2001, total letters of guarantee obtained for the receivables of the Company are TL 102,816,299 (2000- TL 65,589,720).

18- The total of letters of guarantee given as of December 31, 2001 is TL 59,602,878 and (2000- TL 23,525,745), letter of comfort given in favor of the affiliate Sun Express A.Ş. is US\$ 2,900,000 (2000- US\$ 1,830,000) and DEM 6,500,000 (2000- DEM 6,500,000).

As of December 31, 2001, the financial lease debt of the Company is TL 2,680,956,618 (2000- TL 1,529,651,796).

19- As of December 2001, the blocked bank deposits kept for letter of guarantee in the bank accounts of the Company in Johannesburg is TL 51,022 (2000- TL 41,319).

20- The market value of the France Telecom securities quoted on the Paris Stock Exchange and recorded at the marketable securities account is TL 12,449,548 and the cost value is TL 13,015,051 as of December 31, 2001.

21- There are no securities issued by shareholders, equity participations and subsidiaries of the Company, which are classified under marketable securities and investments.

22- Details of "other" balances in financial statements, which exceed 20% of the account group or 5% of the total assets of the balance sheet are as follows:

	31.12.2001	31.12.2000
a - Other Short-Term Receivables	26,414,947	33,958,607
Receivables from Sale of KTHY	24,584,118	16,794,125
Receivables from Boeing	930,030	369,967
Receivables from United Nations' Compensation Commission	-	15,701,224
Receivables from Tax Office	35,183	148,599
Advances Given to Personnel	246,815	120,432
Business Advances Given	52,366	59,227
Receivables from Personnel	58,601	30,551
Receivables from SITA Investment Certificate	172,496	410,489
Receivables from Technical Equipment Suppliers	157,460	238,360
Other	177,878	85,633
b - Other Current Assets	22,988,567	10,329,424
Prepaid Expenses	19,525,165	8,237,331
VAT Receivable from Abroad	2,944,803	1,925,474
VAT Deductible	31,186	21,013
Other	487,413	145,606
c - Other Intangible Fixed Assets	2,196,782	736,848
Intangible Fixed Assets	1,304,864	518,917
Amortization of Intangible Fixed Assets	(349,426)	(190,964)
Cargo Modification	-	74,688
Amortization of Cargo Modification	-	(74,688)
Additional Components Installed in RJ Aircraft	1,839,064	1,095,546
Amortization of Additional Components Installed in RJ Aircraft	(1,394,201)	(695,549)
Additional Seats in A340 B/C	986,331	-
Amortization of Additional Seats in A340 B/C	(197,266)	-
Modification of RJ Simulator	10,381	10,381
Amortization of Modification of RJ Simulator	(2,965)	(1,483)
d - Other Long-Term Receivables	778,669	-
Receivables from SITA Shares	778,669	-
e - Other Non-Current Assets	19,962,540	13,983,189
Inventories to be Sold	62,676	100,412
Long-Term Prepaid Expenses	19,899,864	12,968,018
f - Other Financial Assets	534,778	537,176
SITA EQ. NV Shares	-	2,398
SITA INC	534,778	534,778

TURKISH AIRLINES INC.

NOTES TO BALANCE SHEET (ACCORDING TO COMMUNIQUE SERIES XI OF THE CAPITAL MARKETS BOARD) / continued

(Unless otherwise stated, TL amounts are in Million TL, foreign currency amounts appear in full.)

	31.12.2001	31.12.2000
g - Other Payables and Expense Accruals	82,862,301	43,472,569
Financial Leases Expense Accruals	72,835,996	38,083,736
Aircraft Loan Interest Expense Accruals	-	419,991
Provision Provided for Legal Claims Against the Company	2,820,890	1,553,280
Bank Loan Interest Accruals	-	730,531
Frequent Flyer	4,478,457	2,447,555
Unearned Revenues	2,281,114	237,476
Provision for Manufacturer's Credit of Aircrafts Sold to Iranair	445,844	-
h - Other Long-Term Payables	95,004	125,790
Lufthansa System Software Payables	95,004	125,790
i - Other Operational Income and Profit	150,810,319	32,530,563
Aircraft Lease Income	2,899,696	851,773
Foreign Exchange Gain (*)	125,108,414	21,518,594
Marketable Securities Valuation Income	13,017,468	-
Advertisement Income	4,580,249	4,272,899
Purchase Discounts	4,846,946	5,615,721
Commission Income	219,584	87,159
Other	137,962	184,417
j - Other Extraordinary Income and Profit	105,513,128	50,629,410
Aircraft Sales Income	93,206,394	2,988,008
Manufacturers' Credit Income	2,393,863	14,099,335
Fixed Asset Sales Income	4,049,336	5,600,636
Credit Notes Received from Spare Parts Repair Suppliers	1,874,037	333,805
United Nations Gulf War Compensation	-	14,068,019
Insurance Claim Income	1,878,690	1,777,737
Free Materials Income	604,766	591,659
Notification Indemnity	25,608	58,585
Penalties Income	59,744	119,202
Equity Sales Income	-	10,779,125
Fixed Asset Disposal Income	-	21,065
Other	1,420,690	192,234
k - Other Extraordinary Expenses	13,608,053	5,299,376
Overhaul Expenses for Sold or Delivered Aircrafts	2,504,649	3,060,962
Early Termination Expenses for Aircraft Contracts	-	591,081
Social Aid for Retired Employees	185,221	165,943
Interest on Late Payments	10,211,344	1,081,235
1999 Additional Taxes	88,693	92,347
Penalty Expenses	902	1,174
Fixed Asset Disposal Expense	595,976	181,166
Other	21,268	125,468

	31,253,906	7,240,369
l - Other Operational Expenses		
Foreign Exchange Losses	29,286,817	5,765,343
Diminution in Value of Inventories	836,277	411,403
Rediscount of Receivables	619,167	241,646
Expenses of Passengers without Visa	454,997	206,969
DHMI Interest Expenses	50,380	300,500
Other	6,318	314,508
m - Other Deductions	8,251,191	9,533,527
Tax for Aid to Soldier Families Fund	-	1,641,405
Environment Protection Fund	886,113	826,268
OHAL Region Deductions	7,365,078	7,065,854
n - Other Sales	52,160,686	15,204,983
Services Given Outside	24,266,678	9,453,032
Materials Sales Income	6,178,581	1,792,604
Commissions Received	4,595,734	759,487
Duty Free Income	1,241,831	1,016,016
Galileo System Income	3,781,184	1,333,318
Ticket Cancellation Income	5,418,989	705,156
Insurance Fee Income	6,529,596	-
Other	148,093	145,370

(*) The foreign exchange gains comprise of the valuations of cash and bank balances of abroad offices, and VAT receivable from abroad, rent deposits and miscellaneous receivables.

23- Other short-term liabilities as of December 31, 2001, include accrued personnel expenses of TL 22,323,194 for personnel working in Turkey or abroad (2000- TL 7,837,602).

24- There are no doubtful receivables related to shareholders, equity participations and subsidiaries.

25- Doubtful receivable for both overdue receivables and not overdue receivables as of December 31, 2001, are TL 14,660,706 (2000- TL 6,307,860).

TURKISH AIRLINES INC.

NOTES TO BALANCE SHEET (ACCORDING TO COMMUNIQUE SERIES XI OF THE CAPITAL MARKETS BOARD) / continued (Unless otherwise stated, TL amounts are in Million TL, foreign currency amounts appear in full.)

26- The names, participation rates and the balances of the shareholders, subsidiaries and participations are as follows:

	31.12.2001	31.12.2001	
Subsidiaries	Amount	Part. Rate	Net Period Profit / Loss
Sun Express A.Ş. (*)	24,000	50%	119,650
THY SRL (**)	254	100%	-
	24.254		
Capital Commitments (-)	(6,000)		
	18.254		
Equity Participations			
Qualifyer Yer Hizmetleri Ltd. Şti. (***)	12,264	16.6%	(****)
Investments			
Emek İnşaat ve İşletme A.Ş.	3,000	0.3%	408,750
	3,000		

(*) It was resolved by the Board of Directors of the Company dated 12 January 1990, numbered 15, to make a payment to Sun Express for a 10% of the capital belonging to Meftun Yurdagül and Atilla Parla who are the founder shareholders of a Charter Company (Sun Express A.Ş.) against the 'Obligation and Authority Certificate' received from these people by the Company for the establishment of a Charter Company (Sun Express A.Ş.) with 40% THY participation with Lufthansa German Airways. As of March 1999, 40% of participation shares of Lufthansa have been transferred to Condor and 10% shares of Meftun Yurdagül and Atilla Parla transferred to Yusuf Bolayırılı and Gürol Yüksel. Income amount of Sun Express as of December 31, 2001, is taken from temporary balance sheet as of December 31, 2001.

(**) Türk Hava Yolları SRL has been established with the decision of Board of Directors dated July 28, 2000, numbered 64, with a US\$ 430 equivalent amount of LEI. Türk Hava Yolları SRL (established in Kishinev) commenced its business at October 12, 2000, and whole shares belong to Türk Hava Yolları A.O. However, after the evaluations concerning the revised laws and applications including the information and opinions retained from local law and audit firms, it is determined that the continuity of operations of THY SRL as a separate firm is no more necessary. Therefore, the liquidation process of the investment has been started. The Board of Directors has decided on October 5, 2001, to start the legal procedures for the registry of commercial representation status at Kishinev.

(***) As a result of liquidation of Qualifyer Ground Services Company, the shares at Qualifyer amounting to CHF 56,000 is collected on February 19, 2002.

(****) The financial statements of the company as of 31.12.2001 have not been obtained.

The financial statements of subsidiaries (Emek İnşaat, Qualifyer Yer Hizmetleri and Sun Express), which are not traded on organized stock exchanges have not been audited according to Capital Markets Board.

27- There are no free share amounts, which result from capital increases occurring from the internal resources of subsidiaries and equity participations.

28- There are no non-cash rights on immovables.

29- Revaluations of tangible fixed assets in the last three years are as follows:

Year	Revaluation Surplus on Fixed Asset Cost TL Million	Revaluation Surplus on Accumulated Depreciation TL Million	Net Revaluation Surplus TL Million
31.12.1999	101,760,554	72,154,332	29,606,222
31.12.2000	131,029,019	92,035,335	38,993,684
31.12.2001	137,092,368	88,911,349	48,181,019

30- Foreign currency receivables of the Company, which are not hedged as of December 31, 2001, are converted with foreign currency bid rates declared by Central Bank and payables are converted with the foreign currency offer rates due to the declaration made by the Capital Markets Board to the Independent Audit Companies. For US Dollar the foreign currency bid rate is TL 1,439,567 (full), the foreign currency offer rate is TL 1,446,510 (full). Since the Company has receivables and payables in very different types of currencies, receivables and payables and the list of foreign currencies classified under US\$ are as follows:

	31.12.2001 Foreign Currency (US\$) Equivalent	31.12.2001 TL Equivalent
Deposits at Several Banks	70,292,864	101,191,287
Trade Receivables	45,201,592	65,070,721
Other Receivables	18,769,613	27,020,115
Other Short-Term Assets	10,274,346	14,790,610
Bank Loans	764,709	1,106,160
Trade Payables	62,794,551	90,832,946
Other Payables	211,539	305,993
Advances Received	14,500	20,974
Provision for Expenses	55,214,236	79,867,945
Advances Given	52,358,326	75,373,318
	31.12.2000 Foreign Currency (US\$) Equivalent	31.12.2000 TL Equivalent
Deposits at Several Banks	41,603,810	27,944,047
Trade Receivables	64,416,990	43,273,079
Other Receivables	50,194,372	33,718,822
Other Short-Term Assets	12,781,404	8,586,100
Bank Loans	48,147,472	32,499,736
Other Financial Liabilities	69,761	47,089
Trade Payables	107,132,149	72,314,629
Other Payables	1,401,369	945,930
Advances Received	888,220	599,552
Provision for Expenses	57,461,910	38,787,019
Advances Given	49,502,324	33,253,929

TURKISH AIRLINES INC.

NOTES TO BALANCE SHEET (ACCORDING TO COMMUNIQUE SERIES XI OF THE CAPITAL MARKETS BOARD) / continued (Unless otherwise stated, TL amounts are in Million TL, foreign currency amounts appear in full.)

31- As of December 31, 2001, letters of comfort given in favor of Sun Express is US\$ 2,900,000 (2000- US\$ 1,830,000) and DEM 6,500,000 (2000- DEM 6,500,000).

32- The average number of personnel during the year, according to categories, is as follows:

	31.12.2001	31.12.2000
Permanent Personnel		
- Under Collective Agreement	7,517	7,986
- Out of Collective Agreement	1,069	1,137
Contracted (*)	12	168
Temporary	3,319	3,006
Total	11,917	12,297

(*) Contracted Personnel is service-contracted personnel for a limited period under Labor Law. The Company does not have any contracted personnel under decree-law number 233.

33- Other significant matters affecting the financial statements or required to be explained for a clear and better understanding of the financial statements are as follows:

- There are restrictions on the transfer of funds from some banks abroad to Turkey due to regulations on their fiscal policies and embargo.

* The Company's Iraq office has been closed as a result of the war occurred in 1989. So, the deposit account resulted from sales till 1989, which is US\$ 2,885,647, equal to TL 4,141,849 as of December 31, 2001, has not been received yet. So, this amount is recorded as doubtful receivable and provision is recorded.

* Non-transferable funds in Uzbekistan due to restrictions on transfer of foreign currency as of December 31, 2001, is SUM 1,795,430,612.28, that is equal to US\$ 2,624,113.

- The Company has made prepayments of US\$ 52,358,326 (equivalent of TL 75,373,318), which are related with the finance-leased aircraft of B737-800 and A 340 and are not financed by the creditors. THY has the purchase option of these aircraft at the end of the lease term. If the Company exercises its option, the ownership of these aircraft will be given to THY and the advance amounts will be classified under fixed assets will be added to the cost of these aircraft. If THY does not exercise its option, these aircraft will be sold and advances will be paid back to THY. Because of this reason, the Company has classified the prepayments under Fixed Assets group as Advances Given. As the advances given are in foreign currency as of balance sheet date, they are revalued and foreign exchange gains and losses are charged to profit and loss. The Company has also obtained manufacturers' credits related with the aircraft stated above amounting to US\$ 73,680,515 and recorded under extraordinary income. The current year manufacturers' credit income is US\$ 2,856,001, which equals to TL 2,327,016.

- The lands on which Company's airport and terminal buildings, repair and maintenance centers, training buildings and information technology center were constructed, are rented from State Airport Institution (DHMI). The buildings on these lands were constructed by the Company and recorded as fixed assets of the Company. The rent contract is automatically renewed each year. Additionally, construction expenditures on various buildings amounting to TL 342,314, which are followed in Construction in Progress account, are constructed on land rented from DHMI.

- During January-December 2001 period, foreign exchange losses recorded to cost of sales and operational expense are TL 87,341,729 and TL 1,088,227, respectively and foreign exchange gains recorded in gross sales is TL 26,398,737.

TURKISH AIRLINES INC.

NOTES TO INCOME STATEMENT (ACCORDING TO COMMUNIQUE SERIES XI OF THE CAPITAL MARKETS BOARD)

(Unless otherwise stated, TL amounts are in Million TL, foreign currency amounts appear in full.)

1- Total depreciation and amortization expenses for the period are:

	31.12.2001	31.12.2000
a) Depreciation Expense	44,140,994	37,325,317
aa) Depreciation Expense	15,917,450	11,582,845
ab) Revaluation of Depreciation	28,223,544	25,742,472
b) Amortization Expense	1,479,537	786,346

2- Provision expenses are as follows:

	31.12.2001	31.12.2000
Retirement Pay Provision Charge	30,213,677	23,804,320
Internal Insurance Risk Provision	437,169	294,572
Provision for Doubtful Receivables	5,292,166	3,460,919
Discount on Receivables	619,167	241,646
Allowance for Diminution in Value of Inventory	836,227	411,403
Provision for Frequent Flyer Program	2,030,902	2,447,555
Provision for Diminution in Value of Marketable Securities	565,503	-
Provision for Legal Claims	1,267,609	1,055,797
Total	41,262,420	31,716,212

3- Finance expenses are as follows:

	31.12.2001	31.12.2000
a- Allocated to Production Costs	418,467,747	211,256,925
b- Allocated to Fixed Assets	6,890,537	2,081,267
c- Included in Finance Expenses	21,417,159	11,957,025
Total	446,775,443	225,295,217

4- There are no finance expenses related to shareholders, equity participations and subsidiaries generated (2000- TL 3,438,721).

5- Income from services provided to equity participations and subsidiaries is TL 2,528,783 (2000- 6,204,281). There are no expenses for the services received from equity participations and subsidiaries (2000- TL 2,626,038).

6- There is no interest received from shareholders, equity participations and subsidiaries.

7- Salaries and benefits to Board of Directors, and Top Management such as the President, Executive Vice Presidents, General Coordinator in the current period amount to TL 621,336 (2000- TL 490,817).

8- Fixed assets (except buildings and components) are depreciated at their revalued amounts; buildings and components are depreciated at their historical cost. Depreciation method is straight-line basis. Annual depreciation rates are 2% for buildings, 6.6% for aircraft and spare engines, 10% for simulator, 25% for other fixed assets purchased prior to 1994 and 20% for those purchased in 1995 and subsequent to 1995.

There is no change in the depreciation calculation method in the current period.

TURKISH AIRLINES INC.

NOTES TO INCOME STATEMENT (ACCORDING TO COMMUNIQUE SERIES XI OF THE CAPITAL MARKETS BOARD) / continued (Unless otherwise stated, TL amounts are in Million TL, foreign currency amounts appear in full.)

9- The stock valuation method is the moving average method.

10- Since the Company has various kinds of stocks; periodical stock counts are performed on a sample basis (through a list produced by the stock system) everyday rather than performing a full year-end stock-takes.

11- There is no sale of scrap materials or semi-finished goods, which exceeds 20% of gross sales.

12- The Company does not get any incentives and subsidies related to the sales.

13- Gains and losses related to the prior year is as follows:

	31.12.2001	31.12.2000
Previous Period Income		
Ticket, Cargo and Other Income	475,131	2,880,261
Reversal of DHMI Interest Accrual	-	6,056,514
Technical Service Invoices Issued to KTHY and DHMI	306,485	-
Cancellation of 2000 Fuel Oil Expense Accrual of Brussels	48,321	-
Discount of Gate Gourmet/LSG Catering Services	177,887	204,415
Clearing House Revenue	428,523	1,185,088
Credit Note Income Issued by Foreign Companies for Spare Part Materials Received Previous Year	1,539,331	347,420
2000 Financial Lease Discount for the TC-JDI Aircraft by ILFC Company	61,771	-
Cheques Collected from NTS Company	65,078	-
Adjustments to Previous Year's Fixed Asset Purchases	66,723	-
Refunding of VAT from Lyon Office	61,164	-
The Compensation Received from Cargo that Has Damaged the Aircraft	106,784	-
Invoices from Usage of Swissair Cargo, Handling ULD Equipment	849,336	-
Refunding of VAT from Baku	217,010	-
Cancellation of Excess Accrued Expenses in Damascus Office	33,168	-
Simulator Training Fee of Previous Year	210,845	-
Other	893,702	9,448
Total	5,541,259	10,683,146

	31.12.2001	31.12.2000
Previous Period Losses		
Interline Expenses	1,935,931	912,790
Previous Year Incentive Premium Expenses	1,778,559	1,728,173
Landing, Handling, Catering Expenses	166,822	110,872
Retirement Pay Provision	-	15,638
Fuel Oil Expenses	1,803,257	1,045
Navigation Expenses	702,844	40,756
Previous Periods Commission Expenses	55,557	113,368
Royalty Expenses	37,804	122,612
Portion of UN Compensation that Belongs to Turkish Air Force		91,390-
Cancellation of KTHY Technical Service Invoice	155,785	259,767
SITA Communication Expense	-	132,142
DHMI Foreign Line Passenger Invoice	-	1,353,235
Cancellation of Penalty Invoices	1,032,828	25,876
July, August, September 2000 Periods Corporate Tax of Tripoli	27,817	-
Insurance Co-Broker Commission Expense for Year 2000	72,535	-
Returns Related to Visa/MasterCard Penalties for Year 2000	110,702	-
Repair Invoices of Years 1998, 1999 and 2000	780,474	42,934
Overseas Bureau Expenses of Previous Period	54,294	250
Cancellation of Invoices Related to Simulator Training Service Rendered to BAE System	317,193	-
Fee that is Paid to BOTAS Company for the Service of Removing Aircraft Wreckage in 1999	50,462	-
Training Fee that is Given to Flight Safety Company for the B737 Training	67,202	-
Interest Expense	9,924	1,193,364
Other	487,634	482,427
Total	9,739,014	6,535,249

14- The profit after tax is TL 8,127,303 for the year then ended December 31, 2001. (2000 year loss is TL 69,519,636)

	2001	2000
Earnings per Share (TL/%)		
a) Ordinary Stockholders	46.44/4.64%	-
b) Preferred Stockholders	46.44/4.64%	-

15- Changes in the volume of services provided in the current period:

Seats Provided/Kms	
January - December 2001	: 24,889,653,667
January - December 2000	: 26,000,692,790
Change	: (4.27%)

16- Changes in the volume of service sales quantity provided in the current period:

Passenger/Kms	
January - December 2001	: 15,679,266,179
January - December 2000	: 17,395,637,166
Change	: (9.87%)

INDEPENDENT AUDITORS' REPORT (ACCORDING TO INTERNATIONAL ACCOUNTING STANDARDS)

To the Board of Directors of Türk Hava Yolları Anonim Ortaklığı

1. We have audited the accompanying balance sheets of Türk Hava Yolları Anonim Ortaklığı (the "Company") as of December 31, 2001 and 2000, the related statements of loss, changes in shareholders' equity and cash flow for the year ended December 31, 2001, of the Company and the related consolidated statement of loss, changes in shareholders' equity and cash flows of the Company and its subsidiary (together the "Group") for the year ended December 31, 2000, all expressed in the equivalent purchasing power of the Turkish Lira as of December 31, 2001. The Company has sold its controlling interest in the subsidiary on the last day of the year 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.
2. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.
3. On September 11, 2001, terrorist attacks occurred in the United States of America through hijacking of several commercial aircraft. Since this date most airline companies around the world have experienced a significant contraction in passenger demand. Consequently, the values of aircraft in the second hand market have decreased and hence the market price of the Company's aircraft has also decreased. However, as of the date of this report it is not yet certain whether these declines in market prices of used aircraft are permanent or temporary. For this reason no provision has been booked in accordance with International Accounting Standard No: 36 "Impairment of Assets" in the attached financial statements, except seven aircraft that a letter of intent to sale has been signed with a prospective buyer. According to three different price catalogs that are used in international market for market prices of used aircraft, the value of these aircraft has been decreased by within the range of zero and approximately TL 133 Trillion. If the Company had adjusted its financial statements for the impairment based on price catalog that has been used in the previous year, the net book value of fixed assets would decrease by approximately TL 111 Trillion and the net loss for the year ended December 31, 2001, would increase by approximately TL 89 Trillion.
4. During 2001, the Company has purchased an A type handling license for the amount of approximately TL 14 Trillion in order to be able to give handling services to third parties. However, in the Privatization High Council's meeting on April 16, 2002, it was decided that the Company should not provide such services to third parties. Accordingly there are uncertainties regarding the recoverability of the license fee, which has a net book value of approximately TL 9 Trillion as of December 31, 2001.
5. In our opinion, except for such adjustments as may be necessary in respect of the matters set out in paragraphs 3 and 4 above, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2001 and 2000, the results of its operations and its cash flows for the year then ended and the results of the Group's operations and its cash flows for the year ended December 31, 2000, in accordance with International Accounting Standards.

**DRT DENETİM REVİZYON TASDİK
YEMİNLİ MALİ MÜŞAVİRLİK A.Ş.**

Member Firm of DELOITTE TOUCHE TOHMATSU

Istanbul, May 14, 2002

TURKISH AIRLINES INC.

AUDITED BALANCE SHEETS (IN ACCORDANCE WITH INTERNATIONAL ACCOUNTING STANDARDS)

(All amounts are stated with the purchasing power of the Turkish Lira at 31 December 2001 as adjusted in accordance with international accounting standard 29.)

ASSETS	Note	December 31, 2001	December 31, 2000
		TL 000,000	TL 000,000
Cash and Cash Equivalents	5	94,160,194	34,208,982
Marketable Securities	6	12,449,547	71,654
Accounts Receivable (Net)	7	87,173,761	99,522,870
Due from Related Parties	8	1,183,141	916,971
Short-Term Advances Given	11	15,526,737	13,451,440
Inventories	9	44,390,542	43,774,452
Other Receivables and Current Assets	10	63,992,433	112,866,010
TOTAL CURRENT ASSETS		318,876,355	304,812,379
Long-Term Advances Given	11	23,586,571	35,344,759
Investments at Equity	12	1,571,944	2,152,274
Other Financial Assets	12	1,115,589	1,121,106
Fixed Assets (Net)	13	2,308,779,688	2,237,958,839
Other Long-Term Receivables and Assets	14	12,826,451	18,454,314
TOTAL LONG-TERM ASSETS		2,347,880,243	2,295,031,292
TOTAL ASSETS		2,666,756,598	2,599,843,671
LIABILITIES	Note	December 31, 2001	December 31, 2000
		TL 000,000	TL 000,000
Bank Loans	15	-	56,554,090
Short-Term Portion of Long-Term Loans	15	564,297	20,116,509
Short-Term Capital Lease Obligations	16	245,311,247	190,557,906
Accounts Payable		218,661,410	215,295,524
Due to Related Parties	17	83,690	206,310
Other Payables and Liabilities	18	22,152,194	36,097,797
Deposits and Advances Received	19	9,306,173	9,983,883
Advance Ticket Sales		51,809,026	68,334,465
Other Accrued Liabilities	20	31,679,839	71,465,525
TOTAL SHORT-TERM LIABILITIES		579,567,876	668,612,009
Bank Loans	15	550,425	1,017,422
Long-Term Capital Lease Obligations	16	1,626,730,472	1,536,924,863
Long-Term Trade Payables		188,728	318,498
Manufacturers' Credit (Net)	22	8,021,123	8,747,133
Long-Term Deferred Tax Liabilities	21	24,093,310	-
Retirement Pay Provisions	23	51,642,867	62,095,581
TOTAL LONG-TERM LIABILITIES		1,711,226,925	1,609,103,497
SHAREHOLDERS' EQUITY			
Capital	24	1,127,773,492	1,105,615,225
Reserves	25	83,175,055	83,175,055
Revaluation Surplus		73,329,358	-
Accumulated Loss		(908,316,108)	(866,662,115)
TOTAL SHAREHOLDERS' EQUITY		375,961,797	322,128,165
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,666,756,598	2,599,843,671

TURKISH AIRLINES INC.

AUDITED INCOME STATEMENTS (IN ACCORDANCE WITH INTERNATIONAL ACCOUNTING STANDARDS)

(All amounts are stated with the purchasing power of the Turkish Lira at 31 December 2001 as adjusted in accordance with international accounting standard 29.)

	Note	2001 TL 000,000	2000 TL 000,000
Operating Revenue	29	2,060,346,374	2,062,285,890
Operating Expenses	30	(1,993,806,272)	(2,255,492,699)
OPERATING PROFIT / (LOSS)		66,540,102	(193,206,809)
Income from Other Operations	32	148,664,749	74,545,313
Loss from Other Operations	33	(30,799,315)	(20,234,915)
INCOME/(LOSS) BEFORE FINANCIAL EXPENSES, MONETARY GAIN AND TAXATION		184,405,536	(138,896,411)
Financial Expenses (Net)	31	(1,520,204,894)	(485,852,909)
Monetary Gain		1,300,134,918	538,221,458
LOSS BEFORE TAXATION		(35,664,440)	(86,527,862)
Taxation	21	(5,989,553)	1,937,450
NET LOSS		(41,653,993)	(84,590,412)
Minority Interest		-	4,020,457
LOSS ATTRIBUTABLE TO THE COMPANY		(41,653,993)	(80,569,955)
Loss per Share (TL)		(240)	(600)

TURKISH AIRLINES INC.

FINANCIAL STATEMENT ANALYSIS

	2001	2000	
<u>LIQUIDITY RATIOS</u>			
CURRENT RATIO	0.95	0.77	STANDARD = 1.5 MIN
ACID TEST RATIO	0.75	0.57	STANDARD = 0.80 MIN
CASH RATIO	0.34	0.13	STANDARD = 0.20 MIN
<u>FINANCIAL STABILITY RATIOS</u>			
EQUITY/TOTAL ASSETS	0.31	0.25	CREDITORS' STANDARD = 1
EQUITY/TOTAL LIABILITIES	0.45	0.33	STANDARD = 1.00 MIN
NET WORKING CAPITAL (MILLION TL)	(17,272,051)	(54,351,569)	
<u>LEVERAGE RATIOS</u>			
TOTAL LIABILITIES / TOTAL ASSETS	0.69	0.75	STANDARD = 0.50 MAX
TOTAL LIABILITIES / SHAREHOLDERS' EQUITY	2.23	3.07	STANDARD = 2.00 MAX
TIMES INTEREST EARNED	1.93	4.36	STANDARD = 4.00 MIN
<u>TURNOVER EFFICIENCY (DAYS)</u>			
RECEIVABLES TURNOVER (DAYS)	25	20	
PAYABLES TURNOVER (DAYS)	46	51	
<u>DUPONT MODEL</u>			
	DECEMBER 2001	DECEMBER 2000	
NET PROFIT MARGIN	0.01	(0.07)	
* ASSET TURNOVER	2.75	2.57	
=RETURN ON ASSETS	0.03	0.17	
RETURN ON EQUITY	0.1	(0.7)	

TURKISH AIRLINES INC.

BALANCE SHEET AND INCOME STATEMENT TRENDS-2001

BALANCE SHEET	31.12.2000 %	31.12.2001 %
ASSETS		
CURRENT ASSETS		
Liquid Assets	100	338
Marketable Securities	100	(*)
Trade Receivables (Net)	100	152
Inventories	100	142
Prepaid Expenses and Income Accruals	100	199
Other Current Assets	100	238
Other Receivables	100	77
Total Current Assets	100	177
LONG-TERM ASSETS		
Trade Receivables	100	216
Other Receivables	100	(*)
Financial Fixed Assets	100	100
Tangible Fixed Assets	100	143
Intangible Fixed Assets	100	196
Amortizable Assets	100	304
Prepaid Expenses and Income Accruals	100	143
Other Long-Term Assets	100	62
Total Long-Term Assets	100	147
TOTAL ASSETS	100	162

BALANCE SHEET	31.12.2000 %	31.12.2001 %
LIABILITIES		
CURRENT LIABILITIES		
Financial Liabilities	100	1
Trade Payables	100	169
Other Liabilities	100	20
Advances Received	100	28
Taxes and Other Obligations Payable	100	151
Provisions for Obligations and Expenses	100	107
Unearned Revenue and Expense Accruals	100	220
Other Current Liabilities	100	(*)
Total Current Liabilities	100	144
LONG-TERM LIABILITIES		
Financial Liabilities	100	102
Trade Payables	100	0
Other Liabilities	100	87
Advances Received	100	0
Provisions for Obligations and Expenses	100	173
Unearned Revenue and Expense Accruals	100	0
Other Long-Term Liabilities	100	0
Total Long-Term Liabilities	100	172
SHAREHOLDERS' EQUITY		
Paid-in Capital	100	108
Capital Reserves	100	192
Profit Reserves	100	283
Retained Earnings	100	100
Prior Losses	100	195
Net Current Profit or Loss	100	31
Total Shareholders' Equity	100	204
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	100	162

(*) Marketable securities, other receivables and short-term liabilities, which had a zero balance in 2000, showed a balance at the end of 2001.

	01.01.2001 31.12.2001	01.01.2000 31.12.2000
INCOME STATEMENT	%	%
A- GROSS SALES	172	100
B- SALES DISCOUNTS (-)	147	100
C- NET SALES (A-B)	174	100
D- COST OF SALES (-)	171	100
GROSS SALES PROFIT OR LOSS (C-D)	194	100
E- OPERATING EXPENSES (-)	163	100
OPERATING PROFIT OR LOSS (C-D-E)	135	100
F- REVENUES AND PROFIT FROM OTHER OPERATIONS	445	100
G- EXPENSES AND LOSSES FROM OTHER OPERATIONS (-)	365	100
H- FINANCIAL EXPENSES (-)	179	100
ORDINARY PROFIT OR LOSS	59	100
I- EXTRAORDINARY REVENUES AND PROFIT	181	100
J- EXTRAORDINARY EXPENSES AND LOSSES (-)	194	100
CURRENT PROFIT OR LOSSES	31	100
K- PROVISION FOR TAXES AND OTHER LEGAL OBLIGATIONS PAYABLE ON CURRENT PROFIT (-)	-	-
NET CURRENT PROFIT OR LOSS	31	100

terms and abbreviations

Available Seat-Kilometers	The product of total seats offered on each flight leg and the number of kilometers flown.
Revenue Passenger-Kilometers	The product of total passengers carried on each flight leg times kilometers flown.
Available Ton-Kilometers	The product of the total revenue load capacity (passengers, baggage, freight and mail) available on aircraft for each flight leg times kilometers flown.
Revenue Ton-Kilometers	The product of the total revenue load (passengers, baggage, freight and mail) carried on each flight leg times kilometers flown.
Passenger Load Factor	Ratio of revenue passenger-kms, expressed as percentage utilization of available seat capacity.
Overall Load Factor	Ratio of revenue ton-kms, expressed as percentage utilization of available load capacity (including passengers).
Revenue Passengers Carried	Total of all passengers having separate flight numbers counted on a point-to-point basis, who have paid 25% or more of the applicable fee.
Block Hours	Total aircraft hours measured from the time the engines are started for take-off to the time the engines are stopped after landing.
Kilometers Flown	The product of revenue operations and kilometers flown.
Average Daily Aircraft Utilization	The product of the number of aircraft of the same type and total revenue hours flown, divided by the number of aircraft days available.

flight destinations

EUROPE

Amsterdam	Cologne	London	Odessa	Stuttgart
Athens	Copenhagen	Lyon	Paris	Tbilisi
Baku	Dusseldorf	Madrid	Prague	Tirana
Barcelona	Frankfurt	Manchester	Rome	Vienna
Basel	Geneva	Milan	Sarajevo	Warsaw
Berlin	Hamburg	Moscow	Simferopol	Zagreb
Brussels	Hanover	Munich	Skopje	Zurich
Bucharest	Kiev	Nice	Sofia	
Budapest	Kishinev	Nicosia	Stockholm	
		Nuremberg	Strasbourg	

NORTH AMERICA

NORTH AMERICA

- Atlanta*
- Boston*
- Chicago
- Cleveland*
- Dallas*
- Denver*
- Detroit*
- Houston*
- Los Angeles*
- Minneapolis*
- New York
- Orlando*
- Philadelphia*
- San Diego*
- San Francisco*
- Seattle*
- Washington*

SOUTH AMERICA

AFRICA

- Algeria
- Cape Town
- Cairo
- Johannesburg
- Tripoli
- Tunis

EUROPE

TURKEY

AFRICA

(*) Domestic routes in the United States flown on American Airlines, Hong Kong flights are made via Cathay Pacific.

○ Code-Sharing Flights



ASIA

Almaty
Amman
Ashkhabad
Bahrain
Bangkok
Beijing
Beirut
Bishkek

Damascus
Dubai
Hong Kong*
Jeddah
Karachi
Kuala Lumpur
Kuwait
Osaka

Riyadh
Seoul
Singapore
Shanghai
Tashkent
Tehran
Tel Aviv
Tokyo

ASIA



Our Fleet



A 340-300
Number of Aircraft: 7



A 310-300
Number of Aircraft: 7



B 737-400
Number of Aircraft: 16

B 737-500
Number of Aircraft: 2

B 737-800
Number of Aircraft: 24



RJ 100
Number of Aircraft: 9

RJ 70
Number of Aircraft: 3



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