



higher and higher...

contents

<i>Highlights of the Year 2002</i>	<i>01</i>	<i>Traffic Results</i>	<i>08</i>	<i>Investments</i>	<i>23</i>
<i>Legal Status</i>	<i>02</i>	<i>Financial Results</i>	<i>09</i>	<i>Services</i>	<i>25</i>
<i>Turkish Airlines' Mission Statement</i>	<i>03</i>	<i>Year 2002 Operations</i>	<i>10</i>	<i>Information Technology Projects</i>	<i>26</i>
<i>Message from the Chairman</i>	<i>04</i>	<i>Flight and Traffic Developments</i>	<i>11</i>	<i>Financial Review</i>	<i>29</i>
<i>Board of Directors, Council of Auditors</i>	<i>07</i>	<i>Commercial Developments</i>	<i>19</i>	<i>Terms and Abbreviations</i>	<i>92</i>
		<i>Technical</i>	<i>21</i>		
		<i>Human Resources</i>	<i>22</i>		



highlights of the year 2002

March 28

Two B737-800 aircraft joined the fleet.

April 15

Pristina services were launched.

June 7

With the best utilization and service record for the A340 aircraft, Turkish Airlines received Airbus' "Excellence in A340 Operations" award.

June 10

Power outlets for portable computers were introduced in all A340 aircraft Business Class seats.

July 1

Turkish Airlines and SunExpress began code share services on Antalya-Munich-Antalya flights.

August 1

Within the scope of the agreement signed with Iran Air, code sharing services were launched on the Istanbul-Tehran-Istanbul route.

August 27

Aviation Partners Boeing declared Turkish Airlines the Authorized Winglet Installation Center.

September 16

Business Class service was introduced on the Istanbul-Ankara-Istanbul flights.

October 28

Kuala Lumpur services were terminated, Hong Kong flights were launched.

legal status

Turkish Airlines was established by Law No. 2186 in Ankara on May 20, 1933, as the State Airlines Administration, a department of the Ministry of Defense.

Its administration was 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 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; it 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 privatization by the Council of Ministers Decree No. 90/822 dated August 22, 1990 and published in the Official Gazette No. 20646 dated 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 dated November 27, 1994, Turkish Airlines was redefined as a State Economic Enterprise and placed under the jurisdiction of the Privatization Administration. The Articles of Association were amended in compliance with Article 20/a of the aforementioned law upon approval by the Privatization

Administration on December 5, 1996. Further amendments of Articles of Association which have been made and are still in force approved the Privatization Administration approval letter No. 1006 dated November 8, 2002, were endorsed at the Extraordinary General Meeting held on January 17, 2003.



Through rational strategies implemented continually and consistently as well as the team spirit that has permeated the

Company from the onset, Turkish Airlines maintained its profitability again in 2002, closing the year with a record

before-tax profit of TL 137.3 trillion and an after-tax profit of TL 104.9 trillion based on the Turkish Capital Market Board standards.

Turkish Airlines' mission statement

Turkish Airlines' mission as a flag carrier of Turkey is to provide air transportation service in order to:

- Enhance the Company's identity as a global airline by expanding its long haul network,
- Improve the Company's identity as the leading technical service provider within Turkey and the region; by enhancing the Company's maintenance base,
- Improve the identity of the Company as a service provider of all kinds of strategic civil aviation services, including handling and flight training services,
- Maintain the Company's leading position in domestic air transport,
- Provide seamless air transportation through entering into a global alliance with a flight network complementing Turkish Airline's, aiming to improve the image of the Company abroad and to develop its marketing opportunities,
- Develop Istanbul Atatürk Airport as an important international hub.



message from the chairman



The year 2001 was a year of crises both in Turkey and throughout the world with the civil aviation sector particularly hard hit. Turkish Airlines was one of the few airlines to end the year with a profit as the result of effective cost-cutting measures put into place upon timely assessments, well-planned capacity utilization, a flexible fleet and the ability to make fast and prudent decisions.

Through rational strategies implemented continually and consistently as well as the team spirit that has permeated the

Company from the onset, Turkish Airlines maintained its profitability again in 2002, closing the year with a record before-tax profit of TL 137.3 trillion and an after-tax profit of TL 104.9 trillion based on the Turkish Capital Market Board standards.

One of the most pleasing aspects of this financial achievement during 2002 is the fact that the operational losses of the previous years have been turned into a record operational profit totaling TL 157.6 trillion.

Passenger Load Factor is the best indicator of effective capacity utilization in an airline. As a result of capacity reduction measures implemented in 2001, Turkish Airlines reached its best Passenger Load Factor rates to date. In 2002, Passenger Load Factor was 70.8% for domestic routes, 68.6% in international routes and 68.9% in total.

Although there wasn't any cargo aircraft in its fleet, Turkish Airlines realized a record cargo haul capacity of 119,000 tons and generated a revenue of TL 225.5 trillion. Cargo

utilization also went up from 58% of 2001 to 68% in 2002.

In 2002, Turkish Airlines began implementing an accounting procedure used by many airlines around the world conforming to the generally accepted accounting principle of periodicity. Utilizing this system, the price of the passenger ticket is included in the operational revenue heading of the income statement only when service is actually rendered, tickets not used are not included in the income tables but are accounted for under future months' revenue headings; the commission shares for these tickets are recorded under the future months' expenses caption of the balance sheet.

Without this accounting procedure, our before-tax profit would have been TL 233.8 trillion with an after-tax profit of TL 156 trillion, based on Turkish Capital Market Board standards.

Turkish Airlines was one of the first airlines in the world to implement

the "Airline Passenger Service Commitment" promulgated by the European Airlines Association. The Passenger Service Commitment is geared toward customer satisfaction and commits the airline to provide high standard of quality service to its customers before, during and after the flight.

Turkish Airlines owes its success in 2002 in no small measure to services sales offered at its Technical Center, one of the region's largest, most reliable maintenance center and its modern and advanced Flight Training Center, as well as to its core business of passenger and cargo transport.

I would like to take this opportunity to extend my thanks to our Board of Directors, first and foremost to our General Manager Yusuf Bolayırılı, all of our managers and our colleagues who have supported us by their hardwork and devotion.

I am confident that Abdurrahman Gündoğdu, who has taken the flag from Yusuf Bolayırılı, retiring after

having served Turkish Airlines for many years with great success, will take the Company to new heights. I wish him great success in his endeavors.

I also believe that with the support and involvement of our passengers, employees as well as our labor union, our business partners and all institutions with which we cooperate, the success of Turkish Airlines will increase considerably in the years to follow.

On behalf of the Board of Directors,



Cem M. KOZLU
Chairman



board of directors

(as of 12/31/2002)

Cem M. KOZLU	Chairman
Yusuf BOLAYIRLI	Vice Chairman and CEO
Ahmet ERTUĞRUL	Member
Mehmet GÖK	Member
Önder DOĞU	Member
Alaaddin KUDAY	Member
Turgut BOZKURT	Member

council of auditors

Yalçın ERİŞİK	Member
İbrahim PEKTAŞ	Member
Şefik BÜYÜKYÜKSEL	Member

general manager

Yusuf BOLAYIRLI	General Manager
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traffic results



Overview of Traffic Developments

	1998	1999	2000	2001	2002
NUMBER OF LANDINGS	108,155	113,964	117,916	109,028	102,607
KILOMETERS FLOWN (000)	129,665	138,742	149,349	143,617	138,058
AVAILABLE SEAT-KMS (MILLIONS)	21,416	23,101	26,001	24,890	24,071
REVENUE PASSENGER-KMS (MILLIONS)	13,814	13,903	17,396	15,679	16,594
PASSENGER LOAD FACTOR (%)	64.5	60.2	66.9	63.0	68.9
AVAILABLE TON-KMS (MILLIONS)	2,974	3,117	3,502	3,574	3,285
REVENUE TON-KMS (MILLIONS)	1,481	1,578	1,976	1,968	2,118
OVERALL LOAD FACTOR (%)	49.8	50.6	56.4	55.1	64.5
REVENUE PASSENGERS (000)	10,504	10,410	12,031	10,277	10,383
CARGO (TONS)	95,010	110,598	125,742	104,778	118,906
MAIL (TONS)	4,065	4,249	4,595	4,648	5,999
EXCESS BAGGAGE (TONS)	1,705	1,881	2,624	2,524	2,187
TOTAL STAFF (END OF YEAR)	11,282	11,759	12,480	11,242	10,984



financial results



Financial Results According to Uniform Accounting System

(TL millions)	1998	1999	2000	2001	2002
OPERATING REVENUES	354,777,019	541,672,304	959,662,893	1,665,236,226	2,171,619,433
OPERATING EXPENSES	361,028,924	649,647,344	1,087,205,111	1,837,236,504	2,152,412,536
OPERATING PROFIT / (LOSS)	(6,251,905)	(107,975,040)	(127,542,218)	(172,000,278)	19,206,896
REVENUE AND PROFIT FROM OTHER OPERATIONS	14,286,372	38,408,599	35,728,573	159,125,631	196,467,307
EXPENSES AND LOSSES FROM OTHER OPERATIONS	3,344,480	5,301,600	8,719,398	31,845,838	131,755,070
FINANCIAL EXPENSES	3,557,426	12,297,519	11,957,025	21,417,159	249,208
ORDINARY PROFIT / (LOSS)	1,132,561	(87,165,560)	(112,490,068)	(66,137,644)	83,669,926
EXTRAORDINARY REVENUES	9,323,263	40,032,779	61,312,556	111,054,387	24,093,063
EXTRAORDINARY EXPENSES	2,993,988	20,381,596	12,856,882	24,973,439	7,961,281
PROVISION FOR TAXES AND OTHER STATUTORY OBLIGATIONS	1,999,663	-	-	-	32,398,092
NET PROFIT / (LOSS)	5,462,173	(67,514,377)	(64,034,394)	19,943,304	67,403,616
YEAR-END EXCHANGE RATE (US\$ 1.00)	312,720	540,098	671,765	1,439,567	1,634,501
AVERAGE EXCHANGE RATE (US\$ 1.00)	259,825	417,094	623,354	1,220,517	1,503,494

Financial Results According to Capital Markets Board Law Serial XI, Communiqué No.

(TL millions)	1998	1999	2000	2001	2002
OPERATING REVENUES	354,777,019	541,672,304	959,662,893	1,665,236,225	2,255,511,670
OPERATING EXPENSES	361,028,924	653,722,218	1,094,169,382	1,849,765,894	2,173,408,963
OPERATING PROFIT / (LOSS)	(6,251,905)	(112,049,914)	(134,506,489)	(184,529,669)	82,102,707
REVENUE AND PROFIT FROM OTHER OPERATIONS	14,286,372	38,319,322	34,724,275	158,920,291	200,298,421
EXPENSES AND LOSSES FROM OTHER OPERATIONS	3,344,480	4,042,760	7,240,369	31,253,906	124,593,621
FINANCIAL EXPENSES	3,557,426	12,297,519	11,957,025	21,417,159	249,208
ORDINARY PROFIT / (LOSS)	1,132,561	(90,070,871)	(118,979,608)	(78,280,443)	157,558,299
EXTRAORDINARY REVENUES	9,323,263	40,122,056	62,316,854	111,381,184	27,201,800
EXTRAORDINARY EXPENSES	2,993,988	20,381,594	12,856,882	24,973,438	47,442,683
PROVISION FOR TAXES AND OTHER STATUTORY OBLIGATIONS	1,999,663	-	-	-	32,398,092
NET PROFIT / (LOSS)	5,462,173	(70,330,409)	(69,519,636)	8,127,303	104,919,324
YEAR-END EXCHANGE RATE (US\$ 1.00)	312,720	540,098	671,765	1,439,567	1,634,501
AVERAGE EXCHANGE RATE (US\$ 1.00)	259,825	417,094	623,354	1,220,517	1,503,494



year 2002 operations

At the year's end, the number of aircraft in the fleet totaled 66 while the available seat

capacity was 10,672. In addition to the passenger aircraft, a A300-200 cargo aircraft was

leased on an ACMI basis for cargo operations.

flight and traffic developments



flight operations

In 2002, two B737-800 aircraft joined the Turkish Airlines Fleet while two B737-400, whose lease terms ended, were returned. Agreements for the sale of three A310-300 aircraft to Mahan Air were concluded and two of the aircraft were delivered on June 26 and October 18, respectively.

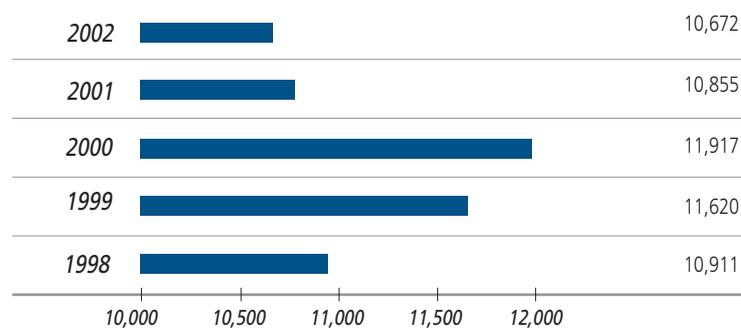
Thus, at the year's end, the number of aircraft in the fleet totaled 66 while the available seat capacity was 10,672. In addition to the passenger aircraft, a A300-200 cargo aircraft was leased on an ACMI basis for cargo operations.

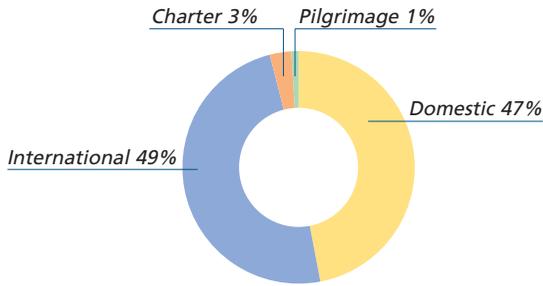
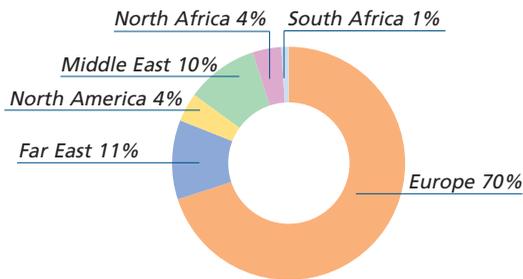
Turkish Airlines Fleet at the end of 2002

Passenger Aircraft	Number of Aircraft	Age of Fleet (At Year-End)
A340-300	7	6.54
A310-300	5	14.25
B737-400	14	9.76
B737-500	2	10.55
B737-800	26	3.13
RJ100	9	8.79
RJ70	3	6.64
Total	66	6.89

Total Available Seat Capacity

(Year-End Totals)



Total Passenger Distribution**Breakdown of Passengers into Geographic Regions**

The table below compares 2001 and 2002 in terms of total block hours flown and average daily flight hours achieved per aircraft type.

Flight Hours

	Total Block Hours Flown		Average Daily Flight Hours	
	2001	2002	2001	2002
A340-300	36,255	36,942	14:11	14:28
A310-200	7,013	-	05:14	-
A310-300	21,169	18,316	08:17	08:00
B737-400	53,220	46,546	09:04	08:37
B737-500	6,776	6,459	09:17	08:51
B737-800	94,564	105,250	10:57	11:18
RJ100	25,376	20,694	07:44	06:18
RJ70	8,511	7,501	07:46	06:51
B727-200-F	428	-	01:10	-
A300-200 (*)	559	798		
Total	253,871	242,506		

(*) Cargo aircraft leased on ACMI basis

**traffic developments**

In 2002, Turkish Airlines carried a total number of 10.4 million passengers consisting of 4.9 million domestic, 5 million international, 123 thousand pilgrimages (Hajj and Umrah) and 344 thousand charter passengers. While capacity (available seat-kms) offered decreased by 3.3%, traffic (revenue passenger-kms) increased by 5.8%, resulting in the best passenger load factor to date of 68.9% with a 5.9 point increase.

A total of 119 thousand tons of cargo was carried during the year.

In 2002, Turkish Airlines flew a total of 138 million kilometers to 103 destinations.

traffic results



Domestic Destinations

	1998	1999	2000	2001	2002
NUMBER OF LANDINGS	62,910	66,783	66,872	58,239	51,542
KILOMETERS FLOWN (000)	34,154	36,654	36,979	32,298	28,782
AVAILABLE SEAT-KMS (MILLIONS)	4,724	4,988	5,077	4,333	3,858
REVENUE PASSENGER-KMS (MILLIONS)	3,289	3,371	3,588	2,876	2,732
PASSENGER LOAD FACTOR (%)	69.6	67.6	70.7	66.4	70.8
AVAILABLE TON-KMS (MILLIONS)	583	611	620	778	468
REVENUE TON-KMS (MILLIONS)	303	294	314	292	278
OVERALL LOAD FACTOR (%)	52.0	48.1	50.6	37.5	59.4
REVENUE PASSENGERS (000)	6,031	6,067	6,491	5,189	4,970
CARGO (TONS)	33,530	35,288	36,835	24,627	26,346
MAIL (TONS)	1,698	1,921	1,901	1,771	1,759
EXCESS BAGGAGE (TONS)	721	714	918	801	896

International Destinations

	1998	1999	2000	2001	2002
NUMBER OF LANDINGS	45,245	47,181	51,044	50,789	51,065
KILOMETERS FLOWN (000)	95,511	102,088	112,370	111,318	109,276
AVAILABLE SEAT-KMS (MILLIONS)	16,692	18,113	20,924	20,557	20,213
REVENUE PASSENGER-KMS (MILLIONS)	10,525	10,532	13,808	12,803	13,862
PASSENGER LOAD FACTOR (%)	63.1	58.1	66.0	62.3	68.6
AVAILABLE TON-KMS (MILLIONS)	2,391	2,506	2,882	2,796	2,817
REVENUE TON-KMS (MILLIONS)	1,178	1,284	1,662	1,676	1,840
OVERALL LOAD FACTOR (%)	49.3	51.2	57.7	59.9	65.3
REVENUE PASSENGERS (000)	4,473	4,343	5,540	5,088	5,413
CARGO (TONS)	61,480	75,310	88,907	80,151	92,560
MAIL (TONS)	2,367	2,328	2,694	2,877	4,240
EXCESS BAGGAGE (TONS)	984	1,167	1,706	1,723	1,291



In 2002, Turkish Airlines carried a total number of 10.4 million passengers.

A total of 119 thousand tons of cargo was carried during the year.

In 2002, Turkish Airlines flew a total of 138 million kilometers to 103 destinations.



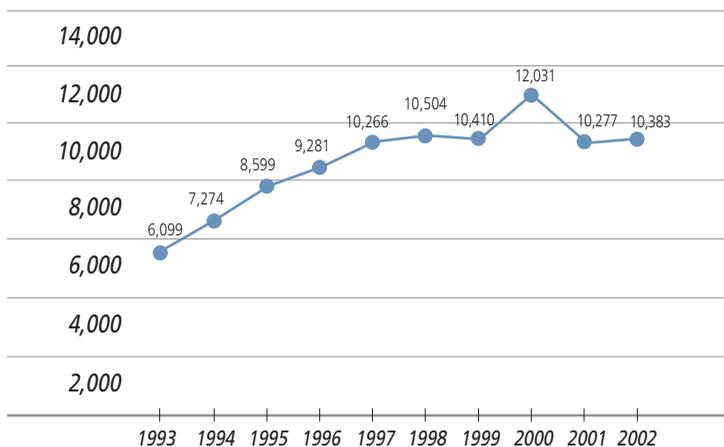
Revenue Passengers Carried Over Domestic and International Routes Between 1993-2002 (000)



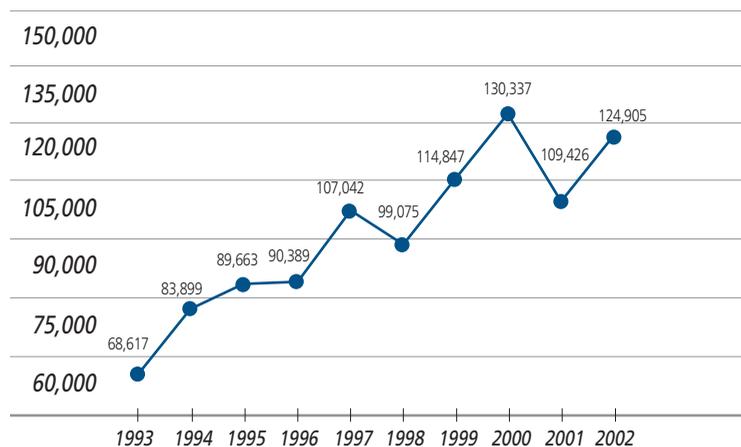
Total Traffic Results

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
NUMBER OF LANDINGS	67,442	78,009	84,006	89,966	99,109	108,155	113,964	117,916	109,028	102,607
KILOMETERS FLOWN (000)	79,806	94,854	103,018	109,370	123,083	129,665	138,742	149,349	143,617	138,058
AVAILABLE SEAT-KMS (MILLIONS)	13,028	15,084	16,612	17,823	19,992	21,416	23,101	26,001	24,890	24,071
REVENUE PASSENGER-KMS (MILLIONS)	7,675	9,133	10,832	12,305	13,705	13,814	13,903	17,396	15,679	16,594
PASSENGER LOAD FACTOR (%)	58.9	60.5	65.2	69.0	68.6	64.5	60.2	66.9	63.0	68.9
REVENUE PASSENGERS (000)	6,099	7,274	8,599	9,281	10,266	10,504	10,410	12,031	10,277	10,383
CARGO AND MAIL (TONS)	68,617	83,899	89,663	90,389	107,042	99,075	114,847	130,337	109,426	124,905

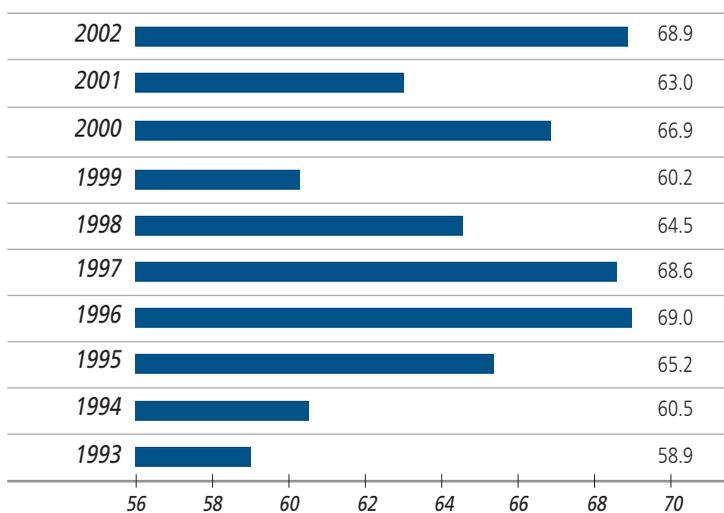
Number of Revenue Passengers Carried, 1993-2002
(000)



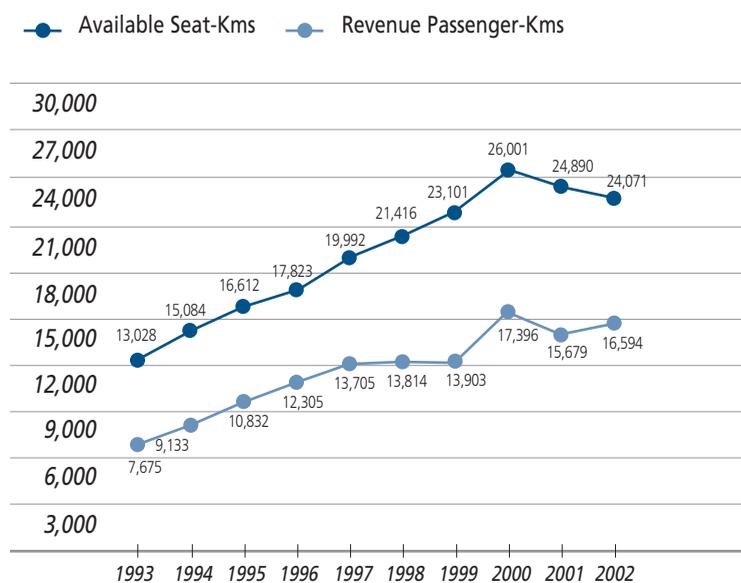
Cargo and Mail Carried, 1993-2002
(Tons)



Passenger Load Factor, 1993-2002
(%)



Available Seat-Kms and Revenue Passenger-Kms 1993-2002
(Millions)



Flight Network – Schedule Structure

Pristina flights were launched on April 15, 2002.

During the 2002 Winter Schedule, Kuala Lumpur service was terminated; Hong Kong flights were launched on October 28, 2002.

Sivas and Kahramanmaraş services were terminated on January 21, 2002 and March 8, 2002 respectively.

Ankara-Samsun-Ankara services were terminated on March 25, 2002.

Osaka flights, suspended on October 28, 2001, were reintroduced on February 8, 2002 with a connection in Seoul.

Business Class was introduced on Istanbul-Ankara-Istanbul flights starting from September 16, 2002.

Due to runway and apron maintenance at Ercan Airport, Cyprus flights were redirected to Geçitkale Airport as of September 10, 2002.

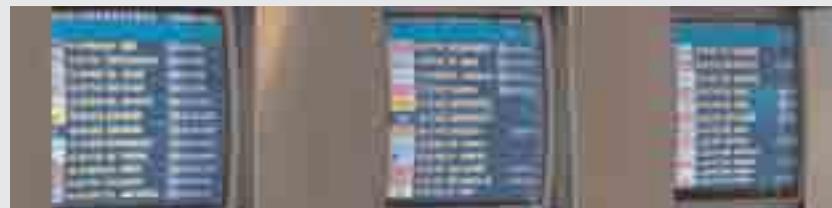
Due to the maintenance at Adana Airport, the airport was closed to air traffic between November 4, 2002 and January 13, 2003. All Istanbul-Adana-Istanbul, Ankara-Adana-Ankara and Adana-Jeddah-Adana flights between those dates were cancelled.

Scheduled Flights

In 2002, while scheduled domestic flight capacity was reduced by 11.2% and traffic by 5.3% compared to the previous year, the passenger load factor increased to 70.6%, up 4.4 points compared to 2001. While a total of 4.9 million passengers were carried, a total of 26 thousand tons of cargo was also transported.

Scheduled international flight capacity dropped by 2.6% while traffic increased by 6.9%, resulting in a passenger load factor of 68.3% by a six point increase. A total of five million passengers were carried while total cargo transport reached 84 thousand tons.





Traffic results for scheduled domestic and international flights with a regional breakdown are provided in the table below:

	Available	Revenue	Passenger Load Factor (%)	
	Seat-kms 02/01 (change %)	Passenger-kms 02/01 (change %)	2001	2002
Scheduled Domestic Flights	-11.2	-5.3	66.3	70.6
Scheduled International Flights	-2.6	6.9	62.3	68.3
Europe	-2.0	1.8	63.9	66.5
North Africa	2.3	4.4	67.3	68.8
Middle East	12.9	16.3	61.0	62.8
Far East	8.9	24.8	62.9	72.1
North America	-29.8	-11.2	55.8	70.5
South Africa	23.8	32.6	65.4	70.0

Charter Flights

In 2002, a total of 2,276 landings were made by charter flights, 1,906 of which were international and 370 were domestic. There was an increase of 43.1% in charter flights in 2002 compared to the previous year. International flights were to Europe (91.7%), the Middle East (4.2%), the Far East (2.4%), North Africa (1.2%) and North America (0.5%).

Pilgrimage (Hajj and Umrah) Flights

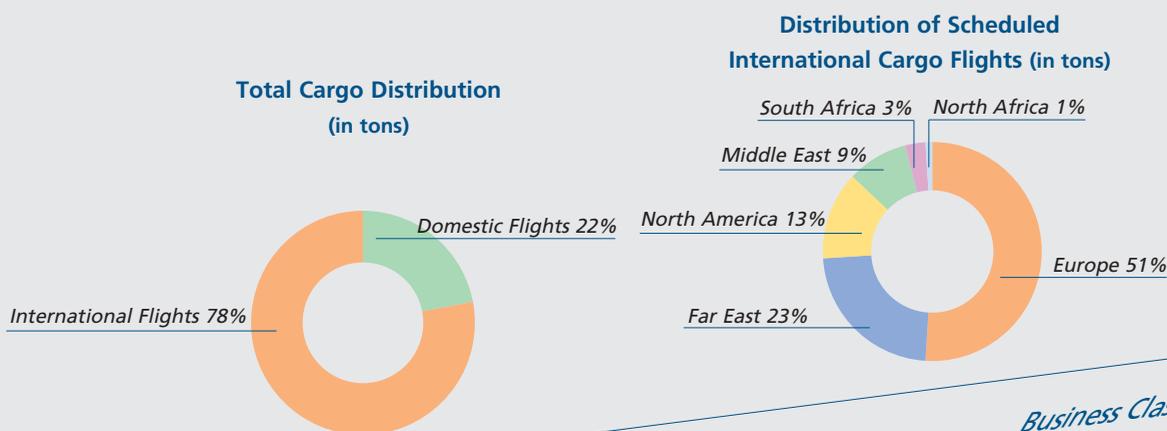
A total of 108,634 pilgrim passengers were carried on outbound flights between January 22 - February 16 and inbound flights between February 25 - March 21, 2002.

On Umrah flights, outbound between November 3-17 and inbound between December 5-17 a total of 14,387 passengers were carried.

Cargo

After the adversities that affected the civil aviation sector in 2001 resulting in reduced cargo traffic, 2002 became a year of revival for Turkish Airlines Cargo.

Services were diversified in 2002 to increase cargo traffic and optimize the existing cargo capacity utilization.



Pristina flights were launched on April 15, 2002.

Hong Kong flights were launched on October 28, 2002.

Business Class was introduced on Istanbul-Ankara-Istanbul flights starting from September 16, 2002.

A cargo tracking facility was introduced for cell phones making use of WAP technology as well as the website of Turkish Airlines Cargo.

In 2002, in addition to the decision support module, truck haulage and pallet/container ULD tracking programs were developed for the TACTIC Automated Cargo System. TACTIC serves at 48 international and five domestic stations, making up a total of 53 on-line cargo service locations.

Fast Cargo transport and Courier services were started on the New York-Istanbul route.

In 2002, a total of 110,794 tons of cargo was carried by Turkish Airlines passenger aircraft, of which 26,346 tons were carried on domestic flights and 84,448 tons on international flights.

In order to meet the cargo demand at destinations where Turkish Airlines cargo capacity was not adequate, a total of 8,112 tons of cargo was carried to Frankfurt, Nürnberg and Maastricht by cargo aircraft leased on ACMI basis during 2002.

Additionally, cargo aircraft was leased on hard block capacity basis, undertaking an extra cargo haulage of 879 tons.

In 2002, the destinations to which the largest amounts of cargo carried were to New York, Maastricht, Frankfurt, London and Bangkok.

Calculated on the basis of average US dollar rates during the year, a total cargo revenue of US\$ 150 million was earned in 2002, of which US\$ 7.4 million came from domestic flights with a 7% increase compared to the previous year. International flights accounted for US\$ 142.5 million, an increase of 15% compared to the previous year.

Turkish Airlines Cargo holds the entire domestic cargo market. Its share in the international cargo market was 44% in 2002.

Fuel

The Turkish Airlines Gas Station, a Petrol Ofisi distributor, became fully automated in March 2002 with new premises and facilities. The vehicle recognition system became operational, by which fuel is supplied upon presentation of a card furnished specifically for this purpose.

During the Company's domestic and international flights, jet fuel tankering was done resulting in savings of around US\$ 1.5 million.

	2001	2002	02/01 Change (%)
Number of Landings	109,028	102,607	-5.9
Passenger Flights	108,716	102,354	-5.9
Cargo Flights	312	253	-18.9
Cargo (Tons)	104,778	118,906	13.5
Passenger Flights	97,668	110,794	13.4
Cargo Flights	7,110	8,112	14.1
Mail (Tons)	4,648	5,999	29.1



A total cargo revenue of US\$ 150 million was earned in 2002, of which US\$ 7.4 million came from domestic flights

with a 7% increase compared to the previous year. International flights accounted for US\$ 142.5 million, an

increase of 15% compared to the previous year.

commercial developments

Sales and Marketing

In 2002, IATA agency commissions were reduced from 9% to 7% in Italy, the Czech Republic and Romania.

The Airline Passenger Service Commitment aiming to provide a consistent level of service to passengers before, during and after the flight has been developed by European Airlines through negotiations with European countries, the European Commission and passenger representatives. The Service Commitment has been accepted by Turkish Airlines, all relevant preparations have been completed and the policy has been launched.

Miles&Miles Special Passenger Program

Miles&Miles is Turkish Airlines' Frequent Flyer Program where frequent flyers are offered many privileges including: free tickets, companion tickets and upgrades - in return for miles earned by flying with airlines that have an agreement with Turkish Airlines, overnight hotel stays, car rentals and purchases made by using the Shop&Miles card, a Garanti Bank co-branded credit card.

As of December 31, 2002, the total number of Miles&Miles Special Passenger Program members reached 465,917; 456,208 of these members were Classic cardholders with 9,709 holding Elite cards.

Miles&Miles members can obtain different kinds of information on the www.tkmilesandmiles.com website such as mileage status, personal data, promotions, membership guide and news bulletins. Members can also redeem missing miles, print out their mileage summary, update their personal profile and access the details and rules of the Miles&Miles program. Members are also able to perform the same functions using the kiosks set up at Istanbul Atatürk and Ankara Esenboğa Airports.

On March 1, 2002 CIP Express was launched as an additional service whereby all passengers with Economy Class tickets can use the CIP rooms throughout Turkey in return for a fee.

Code Sharing Agreements

Within the scope of Turkish Airlines' code sharing agreement with SunExpress Airlines, as of July 1, 2002 Turkish Airlines became the marketing carrier by introducing SunExpress operated Antalya-Munich flights into its flight schedule with its own flight designator.

A code sharing agreement was signed with IranAir and joint flights on the Istanbul-Tehran route began on August 1, 2002.

A code sharing agreement was signed between Turkish Airlines and Air China effective from June 30, 2002 and code sharing operation was introduced on Istanbul-Beijing-Shanghai-Beijing-Istanbul route. These code share flights are operated solely by Turkish Airlines.

Bilateral Air Services Agreements

As a result of the Civil Aviation meeting held in Tashkent between Turkey and Uzbekistan on October 24-25, Turkish Airlines was granted the fourth frequency on the Istanbul-Tashkent route.

On November 13-14, following the Civil Aviation meeting held in Sanaa between Turkey and Yemen, the Bilateral Air Transport Agreement was renewed. The code share clause was added to the agreement whereby each country's airline was entitled to 14 frequencies per week.

After the Civil Aviation meeting held in Ankara between Turkey and Japan on September 10-11, Turkish Airlines was granted the right to co-terminalize its Istanbul-Tokyo and Istanbul-Osaka flights during the 2002-2003 winter schedule.

As a result of the Civil Aviation meeting held between Turkey and Azerbaijan on January 22-23, 2002, Turkish Airlines was granted the right to operate 12 frequencies per week on the Istanbul-Baku-Istanbul route.

The Civil Aviation meeting held in Istanbul on April 14 between Turkish and Nigerian Civil Aviation authorities, resulted in a Bilateral Air Transport Agreement signed between the two countries.





There are two multi-purpose hangars at the Turkish Airlines Maintenance Center at the Atatürk Airport. The first maintenance complex has a

total area of 51,000 square meters and the second has a total area of 80,000 square meters. Within these hangars, maintenance services can be

provided simultaneously to two A340, two A310, five B737 or one B737 and three RJ aircraft.



technical

There are two multi-purpose hangars at the Turkish Airlines Maintenance Center at Atatürk Airport. The first maintenance complex has a total area of 51,000 square meters and the second has a total area of 80,000 square meters. Within these hangars, maintenance services can be provided simultaneously to two A340, two A310, five B737 or one B737 and three RJ aircraft.

In 2002, Turkish Airlines generated revenue by providing technical services to private aviation companies in its maintenance base with its own personnel and also through the sale of technical materials to both domestic and international customers.

A total of eleven CF6-80A3 engines belonging to IranAir and Cyprus Turkish Airlines, three CF6-80C2 engines belonging to Onur Air and one CFM56-3C1 engine belonging to Air Anatolia, were overhauled.

A total revenue of US\$ 55.3 million was earned. Of this amount, US\$ 44.7 million was received in return for technical service sales, US\$ 1.8 million from airline line maintenance sub-contractor fees, US\$ 5.5 million from surplus materials sales and US\$ 3.3 million from warranty services.

Turkish Airlines has received the "Authorized Winglet Modification Center Certificate" for installing the winglet modifications manufactured by Aviation Partners Boeing for B737-700/800 aircraft. The first winglet modification was carried out on SunExpress' B737-800 aircraft between October 7-10, 2002.

Cockpit door reinforcement modifications were carried out.

The Airshow systems of A340 aircraft were renewed.

As of June 10, 2002, the portable computer power outlets were introduced in the Business Class seats of A340 aircraft.

The first revision of the B737-800 aircraft APU's has been achieved.

human resources

The total number of Turkish Airlines employees dropped from 11,242 to 10,984 in 2002 compared to the previous year, a decline of 2.3%.

The number of passengers per staff increased by 3.4% compared to the previous year - as a result, productivity and efficiency per staff increased.

Training

Turkish Airlines Training Department is able to meet the training needs of domestic and international airlines by providing a variety of courses such as: Engine Type, Fuselage Types and Avionics Systems, Ticketing and Reservations for sales agents, Cargo sales and Hazardous Materials Handling for cargo agents as well as Behavior and Quality Training for all customers required. Additionally, based on authorization granted by the Civil Aviation General Directorate, licensing tests are given to customers on a fee basis.

A total of 8,129 personnel participated in Passenger Sales, Reservations, Passenger Services, Ground Operations, Cargo, Quality,

1998-2002 Development of Personnel Efficiency

Years	Total Staff Per Aircraft	Number of Passengers Per Staff
1998	152	931
1999	157	885
2000	171	964
2001	163	914
2002	166	945

Computer, Technical English and Aircraft Basic Technical and Type courses scheduled during 2002.

Training based on the e-learning model was initiated with the training of the managers. A total number of 121 managers participated in this program, 68 of whom were from overseas posts.

Flight Training Center

The Flight Training Center is composed of two sections; cockpit and cabin training. For cockpit training there are B737-400, RJ and B737-800 "Full Flight Simulators". The Center has each of the following available for cabin training: one A340 First Class cabin service mock-up, one B737

Economy Class cabin service mock-up, one B737/A310/A340 mobile emergency evacuation simulator and one A310 wing top exit door training model.

During the year, a total of 1,270 cockpit crew participated in 105 courses and 2,919 cabin crew participated in 116 courses held in the Flight Training Center.

In 2002, revenue earned from cockpit and cabin training provided to other aviation companies totaled US\$ 2.6 million.



investments

The 2002 Investment Program consisted of 18 projects; procurements for medium-capacity/medium-range (MCMR) aircraft, aircraft engines, aircraft components, computers, aircraft development, ground handling equipment renovation, large fuselage-long range aircraft, general distribution system, communication equipment, various airports premises building and enlargement, flight training, vehicle acquisition, building, furnishing and mechanization of cargo buildings in

various cities, maintenance-renovation (transportation sector), second maintenance base, revision equipment, maintenance-renovation (manufacturing sector) and the first maintenance base enlargement project.

The year 2002 Investment Program's initial budget of TL 139,330 billion was increased to TL 210,138 billion during the year.

The total cash basis program accrual totaled TL 34,426 trillion, 53% of the 2001 Investment Program. When the two B737-800 passenger aircraft procured through financial leasing under the (MCMR) Aircraft Procurement Project was included, total cash basis program accrual was TL 143,069 trillion in total, 68% of the 2001 Investment Program.

major projects

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

To meet Turkish Airlines' medium-capacity/medium-range aircraft requirement, 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 a firm order basis and 23 on an optional basis.

During the year, two B737-800 passenger aircraft were procured through financial leasing and as such, within the framework of the agreement concluded with the Boeing Company, the procurement of 26 B737 passenger aircraft on a firm order basis was completed by the end of 2002.

Aircraft Engine Procurement Project

The project aimed to meet the engine requirements for a variety of aircraft in the Turkish Airlines fleet and within the scope of the project one B737-800 aircraft engine was procured during the year.



Turkish Airlines offers passenger reservation services directly over a single telephone

number (444 0 THY - 444 0 849) via its Call Center. Calls received for Miles&Miles and internet

sales are also serviced over this number.



Passengers who purchase tickets for flights originating in Turkey, the USA, the UK and Germany on the Turkish Airlines website have

the option to receive their tickets by mail. Alternatively, passengers can receive their tickets at the airport before departure at some

major cities in Turkey and abroad. Another option for the passengers is to get their reserved ticket from a Turkish Airlines Sales Office.



services

444 0 THY - Flight Route Project

Turkish Airlines offers passenger reservation services directly over a single telephone number (444 0 THY - 444 0 849) via its Call Center. Calls received for Miles&Miles and internet sales are also serviced over this number.

Return Check-in

Turkish Airlines provides the return check-in service for passengers without luggage who return on the same day, between Istanbul, Ankara, Izmir, Antalya, Adana, Bodrum, Dalaman, Trabzon, Gaziantep, Samsun, Erzurum, Malatya, Kayseri, Van, Elazığ, Diyarbakır, Konya, Denizli, London, Frankfurt, Paris and Athens. Passengers without luggage who have a reservation for their return flight can receive their return boarding card when they report to the departure desk.

E@sy Check-in

Fax and e-mail check-in service is provided to Business Class passengers' whose departure point is Istanbul.

Alternative Check-in

Turkish Airlines passengers can complete their ticket purchases and check-in formalities at the Havaş terminal in downtown Ankara, before arriving at the Esenboğa Airport. This service is provided to all Turkish Airlines passengers whether they have luggage or not, for all domestic and international flights departing from Ankara.

Hotel Check-in

All passengers staying at hotels that have a special agreement with Turkish Airlines can receive their boarding passes at their hotels.

On-line Internet Services

On-line services available at the Turkish Airlines website include On-line Ticket Sales, Flight Schedules, Miles&Miles services, Lost Baggage Tracking, Cargo Tracking, Departure-Arrival Information and Job Applications.

Passengers who purchase tickets for flights originating in Turkey, the USA, the UK and Germany on the Turkish Airlines website have the option to receive their tickets by mail. Alternatively, passengers can receive their tickets at the airport before departure at some major cities in Turkey and abroad. Another option for the passengers is to get their reserved ticket from a Turkish Airlines Sales Office.

On the Turkish Airlines official website (www.thy.com), links to local web pages of other Turkish Airlines international offices are available. Currently, the local websites for the USA, Singapore, Japan, Hungary and Germany are accessible in their local language.

information technology projects

Data processing at Turkish Airlines is handled by two mainframe computers able to process 995 million instructions per second and 88 servers. In addition to the Istanbul campus network, the data communications network is made up of 22 sales offices and 485 travel agencies in Turkey, 150 sales offices and 249 travel agencies abroad. In 39 international and 20 domestic airports, check-in service is provided with Turkish Airlines Reservations and Passenger Services System TROYA.

The Disaster Recovery Computer Center has been established in Antalya that will continue data processing operations in case of an emergency. In 2002, via high speed data links between computer centers, information is replicated online onto standby computers located in Antalya. Business critical systems are kept ready in the Disaster Recovery Center to take over the operation.

Cost Control System

The Cost Control System was developed to monitor cost accrual,

enabling billing control through the information system and providing an estimation of flight-dependent costs such as fuel, handling, landing/parking, en-route and catering services on a daily operational basis. During the year, 76 overseas and 17 local station managers were trained, hardware and communications infrastructure were established to enable their access to the system.

Similarly, systems and software have been developed to control and monitor cargo handling costs.

TRACES - Revenue Accounting System

TRACES Revenue Accounting System and the MIS system were enhanced with new modules enabling flown-based revenue accounting.

In line with the current commercial requirements, the domestic pricing module of TROYA Passenger Services System was replaced with the new fare quote module developed in the TOPS pricing system.

SCOPE Flight Planning and Operation System

Utilizing Netline/Ops System that became operational on May 1, 2002, fleet assignment and daily flight operations can be managed with the aid of graphical user interfaces. Changes made on a flight basis and the messages generated are forwarded simultaneously to the Flight Operations System and Message Distribution System.

The Netline/Slot system became operational on September 3, 2002, enabling automatic generation of Slot Coordination Messages (SCR), automatic interpretation of messages received from Airport Coordinators and updating statistical data.



Data processing at Turkish Airlines is handled by two mainframe computers able to process 995 million instructions per second and 88 servers. In addition to the Istanbul campus

network, the data communications network is made up of 22 sales offices and 485 travel agencies in Turkey, 150 sales offices and 249 travel agencies abroad. In 39

international and 20 domestic airports, check-in service is provided with Turkish Airlines Reservations and Passenger Services System TROYA.

Passenger Services Systems

TROYA Reservations and Passenger Services System was enhanced to provide seat map displays to the Galileo Global Reservation system user agencies.

Due to the fact that the fare field of tickets was insufficient to accommodate Turkish lira-based ticket fares, fares had to be denominated in US dollars for international tickets issued in Turkey. Accordingly, modifications have been made in TRACES, TROYA and SOS systems to enable issuance and processing of tickets in US dollar currency and

transferring the ticket sales to the Company's accounting system in Turkish lira terms. This process was launched on March 1, 2002.

Passengers can track their lost baggage over the internet as well as by the WAP enabled cell phones. Cell phones can also be used to query aircraft departure/landing information.

On the Turkish Airlines booking website, seat maps for all flights can be viewed and seat selection can be made during the reservation.

Members of the Miles&Miles Special Passenger Program can access their account to check for miles collected from flights and program partner hotels and miles required for free tickets for the routes they plan to travel via internet. Moreover, Miles&Miles members can now conduct all transactions available to them on the internet by using the kiosks installed at the Istanbul and Ankara Airports.



IBRIS Baggage Reconciliation System

The IBRIS Baggage Reconciliation System became operational at Ankara Esenboğa Airport, following the installation of radio frequency data network covering the aircraft parking positions.

Maintenance Center Information Systems

A system providing users with detailed information about aircraft and their positions in the hangars and hangar fronts at full scale through 13 cameras set up in the 1st and 2nd Maintenance Hangars and the Engine Test Hall was installed. In addition, aircraft positions in the hangars can be viewed schematically via intranet.

Unified Messaging System (BIS)

The Unified Messaging System (BIS) was introduced for use by Turkish Airlines personnel on November 11, 2002. The system enables accessing of incoming messages (voice message, e-mail, fax) via telephone or personal computers, over the Intranet and internet; faxes can be sent or received, e-mails can be heard over the telephone using the text-to-speech feature and voice messages can be received and heard through personal computers.

GALILEO Turkey

Galileo is a general distribution system that provides travel agents throughout the world with hotel, car and air travel reservations and ticketing system services. Turkish Airlines has been the Turkish representative of Galileo since 1995. In 2002, marketing activities continued through the end of the year. The Galileo system was utilized in 199 travel agency locations.



The IBRIS Baggage Reconciliation System became operational at Ankara Esenboğa Airport.

The Unified Messaging System (BIS) was introduced for use by Turkish Airlines personnel on November 11, 2002.

Turkish Airlines has been the Turkish representative of Galileo since 1995.

FINANCIAL REVIEW

The following table provides a comparative summary of the operational results of Turkish Airlines in terms of both Turkish lira and foreign currency for 2001 and 2002:

(TL millions)	Dec 31, 2002 (UAS)*	Dec 31, 2001 (UAS)	Dec 31, 2002 (CMB**)	Dec 31, 2001 (CMB)
Total Net Sales and Revenue	2,392,179,803	1,935,416,244	2,483,011,891	1,935,537,700
Total Operating Expenses	(2,292,128,887)	(1,894,055,781)	(2,345,445,267)	(1,905,993,238)
Operating Profit/Loss (Excluding Financial Expenses)	100,050,916	41,360,463	137,566,624	29,544,462
Financial Expenses	(249,208)	(21,417,159)	(249,208)	(21,417,159)
Contingency for Taxes and Legal Obligations	32,398,092		32,398,092	
Net Profit (Loss)	67,403,616	19,943,304	104,919,324	8,127,303
Year-end exchange rate (US\$1)	1,634,501	1,439,567	1,634,501	1,439,567
Average exchange rate (US\$1)	1,503,494	1,220,517	1,503,494	1,220,517

According to the Uniform Accounting System and the Tax Procedure Law, Turkish Airlines obtained a pre-tax profit of TL 99,801,708 million in the 2002 fiscal year.

Turkish Airlines achieved a total sales revenue of TL 68,289,699 million from the sale of two JT8D-15 jet engines as per Board Decision No. 62 on June 8, 2001 and from two A310-300 aircraft and one spare engine as per Board Decision No. 49 on May 13, 2002. These amounts have not been included in the income statement as revenue items but have instead been added to shareholders' equity as a Capital and Profit Contingency Fund item in line with the current tax legislation. Of this amount, TL 32,089,172 million was included in the Cost Revision Fund and TL 36,200,527 million in the Fixed Assets Replacement Fund.

Turkish Airlines had, in the past, been recording ticket sales as a revenue item as the sale took place. Modifications of this system were proposed in previous years in independent auditors' reports of the Capital Markets Board and the Prime Ministry's Supreme Council of Auditing. The IT infrastructure required for this modification was completed in 2002. The new practice brought Turkish Airlines in line with other airlines around the world and also ensured compliance with the periodicity requirement of GAAP. Accordingly, ticket fees are recorded as operating revenue after the flight and the amounts under tickets that have been issued but are as of yet unused are recorded as revenue for subsequent months. Commission fees of such tickets are recorded as an expense for subsequent months item. Similarly, unused mileage sold under the Shop&Miles system is recorded as a revenue for subsequent months item. Amounts paid by Garanti Bank for mileage that were already guaranteed by the Bank but not yet transformed into a mileage obligation are being recorded as an advance for accepted orders item. As a result of this accounting system modification, a total of TL 142,362,897 in issued but unused tickets, unused mileage rights and advance mileage obligations has been deducted from the relevant income and expense accounts and incorporated into the balance sheet. If this policy change is ignored and last year's calculation method is used, Turkish Airlines experienced a 12-fold increase in profit, from TL 20 trillion in 2001 to TL 242 trillion in 2002 according to the Uniform Accounting System.

Without going into the details of the statutory records kept as per Capital Markets Board (CMB) communiqués and the Tax Procedure Law, the financial statements sent to the Istanbul Stock Exchange show that the CMB-based commercial profit of Turkish Airlines increased from TL 8,127,303 million (US\$ 6.7 million) in 2001 to TL 137,317,417 million (US\$ 84 million) in 2002. If we disregard the change in the flight accounting system and base calculations on last year's accounting practice, the CMB-based profit of the company increased by TL 96,768,780 million, reaching TL 234,086,096 million.

Turkish Airlines achieved a net profit of TL 67,403,615 million in 2002 according to the Uniform Accounting System.

CAPITAL REVIEW

Turkish Airlines adopted the registered capital system pursuant to Decision No. 815 made by the Capital Markets Board on October 26, 1990. According to this, the Company's maximum share capital is TL 700 billion. The Public Housing and Public Participation Administration became a shareholder of Turkish Airlines as per the Supreme Planning Council's Decree No. 89/12 of July 17, 1989. It was subsequently decided, however, that the Company be subject to Law No. 4046 which regulates privatization practices and amends certain decree laws. This law, which went into effect after being published in the Official Gazette of November 27, 1994 numbered 22,124, transferred control of Turkish Airlines to the Turkish Privatization Administration.

As of December 31, 2001, the registered capital of Turkish Airlines was TL 500 trillion, with issued capital standing at TL 175 trillion.

REGISTERED CAPITAL	ISSUED CAPITAL
TL 500,000,000,000,000	TL 175,000,000,000,000

The distribution of issued shares as of December 31, 2001 are as follows:

SHAREHOLDER	CAPITAL (TL)	CLASS	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	Subscribed	Held %	Commitments	Paid-in
Subsidiaries				
THY SRL (**)	254,016,480	100	-	254,016,480
Sun Express A.Ş. (*)	24,000,000,000	50	6,000,000,000	18,000,000,000
Affiliates				
Emek İnşaat ve İşletme A.Ş.	6,000,000,000	0,3	-	6,000,000,000
Uçak servisi A.Ş. (USAŞ)	570,000,000,000	10	-	570,000,000,000
TOTAL	600,254,016,480		6,000,000,000	594,254,016,480

PROFIT SHARES TRANSFERRED TO BALANCE SHEET FROM AFFILIATES	2000	2001
Emek İnşaat ve İşletme A.Ş.	1,055,604,342	937,579,071
(*) Qualiflyer Yer Hizmetleri Ltd. Şti.	24,050,093,760	

(*) In the Board of Directors meeting held on October 10, 2001, the decision was made to conclude our membership legally in the Qualifyer Group.

EMEK İNŞAAT VE İŞLETME A.Ş.

Operates in the construction and property management industries. Major shareholders are the Turkish Pension Fund (49%) and the Turkish Red Crescent Foundation (49%).

GÜNEŞ EKSPRESS A.Ş.

An airlines company that operates charter flights for tourists. The other major shareholder is Condor (50%).

THY SRL

THY SRL, a wholly owned subsidiary of Turkish Airlines incorporated in Kishinev under Moldavian law, started operations on October 12, 2000 with the introduction of the Kishinev route. However, the Board decided on October 5, 2001 that its representative office status be cancelled and the Company liquidated without disrupting business activities.

UÇAK SERVİSİ A.Ş.

According to Article Two of the share transfer agreement signed on November 15, 2001 between USAŞ' major shareholder, Gate Gourmet Holding A.G. (GGH) and Turkish Airlines, regarding a five-year catering contract, GGH USAŞ agreed to transfer to Turkish Airlines its Class B shares as bonus shares (10% in April 2002, 5% on January 1, 2003, 1.25% on January 1, 2004, 1.25 % on January 1, 2005, and 1.25% on January 1, 2006). This corresponds to 5% of GGH USAŞ' total capital. A total of 570 million Class B shares, with a total nominal value of TL 570 billion (corresponding to 10% of the paid-in capital of USAŞ) were transferred to Turkish Airlines on April 1, 2002. The shares were physically delivered to Turkish Airlines on June 21, 2002, completing the 10% participation of Turkish Airlines in the paid-in capital of USAŞ.

FX AND FX-BASED TRANSACTIONS

Out of the Company's total revenue of TL 2,392,179,802,771,160, a TL 2,145,798,051,120,690 portion was in, or convertible into, foreign currency.

Foreign exchange expenses of Turkish Airlines during 2002 amounted to TL 1,313,954,721,717,860.

Thus, the net foreign exchange contribution of Turkish Airlines to the Turkish economy has been TL 831,843,329,402,823. This corresponds to US\$ 435,557,495 in terms of funds in or convertible to foreign exchange.

The following table shows these figures in both Turkish lira and US dollar terms (using average exchange rates).

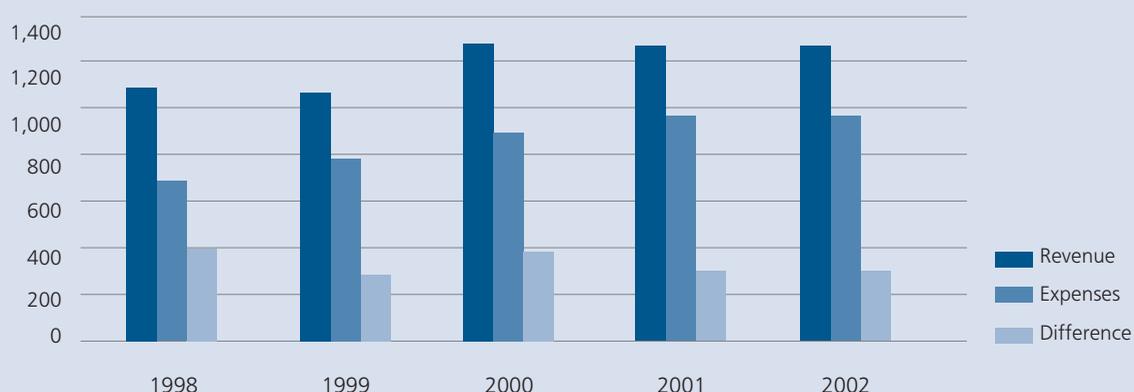
Turkish Lira (Million)

Years	Revenues	Expenses	Difference
1998	302,574,563.8	193,655,718.1	108,918,845.7
1999	473,154,508.7	354,239,739.1	118,914,769.6
2000	845,926,701.6	600,427,870.9	245,498,830.7
2001	1,647,000,951.9	1,265,809,494.8	381,191,457.1
2002	2,145,798,051.1	1,313,954,721.7	831,843,329.4

US Dollar (Million)

Years	Revenues	Expenses	Difference
1998	1,156.4	728.4	428.0
1999	1,133.4	831.7	301.7
2000	1,356.3	949.5	406.8
2001	1344.6	1025.4	319.2
2002	1297.4	861.9	435.5

FX AND FX-BASED REVENUE AND EXPENSES (US\$ MILLIONS)



Each year since 1994, Turkish Airlines has been presented the Best Exporter Award by the Istanbul Chamber of Commerce. The competition supports companies that earn the highest foreign exchange revenue in Turkey.

Foreign exchange revenue in 2002 amounted to US\$ 857,798,029.54.

The following table shows the foreign exchange revenue of Turkish Airlines since 1994:

AWARD YEAR	FOREIGN EXCHANGE REVENUE YEAR / AMOUNT (US\$)	RANKING	AWARD
1995	1994 / 675,790,753.00	1	GOLD PLAQUE
1996	1995 / 706,937,927.00	1	GOLD PLAQUE
1997	1996 / 816,097,499.00	1	GOLD PLAQUE
1998	1997 / 820,049,961.00	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
2002	2001 / 901,124,924.63	1	GOLD PLAQUE

SUMMARY OF ANNUAL RESULTS 2001-2002

COMPARATIVE SUMMARY OF RESULTS	2001	2002	02/01 CHANGE %
FINANCIAL RESULTS REVENUES			
Ticket revenues	1,367,857,533,205,020	1,711,743,688,200,690	25.1
Excess Baggage Revenues	12,504,666,577,487	13,529,606,328,524	8.2
Mail Revenues	5,025,725,456,276	8,679,421,170,227	72.7
Cargo Revenues	160,118,818,895,006	225,513,197,598,246	40.8
Charter Revenues	20,237,057,048,493	37,479,129,392,963	85.2
Pilgrimage Revenues	47,331,738,437,982	39,800,658,955,513	(15.9)
Other Revenues	52,160,686,493,232	134,873,731,005,660	158.6
Income and Profit From Other Operations	159,125,631,171,066	196,467,307,397,581	23.5
Extraordinary Revenues and Profit	111,054,386,860,137	24,093,062,721,756	(78.3)
TOTAL REVENUES	1,935,416,244,144,700	2,392,179,802,771,160	23.6
EXPENSES			
Direct Operating Expenses	545,603,530,770,351	620,190,679,331,082	13.7
Passenger Service Expenses	92,487,703,499,255	130,058,123,790,113	40.6
Direct Maintenance Expenses	151,254,380,990,576	196,046,701,004,643	29.6
Manufacturing Overhead Expenses	653,394,028,093,310	712,471,320,147,021	9.0
Marketing Sales & Distribution Expenses	278,681,074,494,944	365,550,180,726,589	31.2
General Administrative Expenses	115,815,786,410,348	128,095,531,334,836	10.6
Other Operating Expenses	31,845,837,972,251	131,755,069,619,678	313.7
Financial Expenses	21,417,159,086,256	249,207,754,588	(98.8)
Extraordinary Expenses and Loss	24,973,438,667,991	7,961,280,921,765	(68.1)
TOTAL EXPENSES	1,915,472,939,985,280	2,292,378,094,630,310	19.7
Profit (or Loss)	19,943,304,159,416	99,801,708,140,846	400.4
Taxes and statutory obligations		(32,398,092,373,228)	-
NET PROFIT-LOSS	19,943,304,159,416	67,403,615,767,618	238.0
TRAFFIC			
Available Seat-Kms	24,889,653,667	24,071,004,377	(3.3)
Revenue Passenger-Kms	15,679,266,179	16,593,898,265	5.8
Number of Revenue Passenger	10,277,423	10,382,909	1.0
Cargo Carried (Tons)	104,778	118,587	13.2
Passenger Load Factor (%)	63	69	9.5
Hours Flown	253,871	242,506	(4.5)
Number of Landings	109,028	102,607	(5.9)
Kms Flown	143,616,679	138,056,860	(3.9)
Post Carried (Tons)	4,648	5,999	29.1
AVERAGE VALUES FOR ALL FLIGHTS (PASSENGER AIRCRAFT)			
Average Number of Revenue Passenger per aircraft	151,139	152,690	1.0
Average Daily Flights Time per Aircraft	10:11	10:06	(0.8)
Employees per Aircraft	165	168	1.6
Passenger Carried per Flight	94	101	7.3
Passenger per Employee	914	924	1.0
Average Speed (Km/Hour)	566	569	0.6
Average Flight Distance (Km.)	1,317	1,345	2.1

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

ASSETS

	31.12.2002	31.12.2001
I. LIQUID ASSETS		
A. Liquid Assets		
1- Cash	122,462,322,767	80,579,424,293
2- Cheques Received	275,918,894,542	635,957,887,877
3- Banks	369,296,045,220,668	100,934,391,328,883
4- Cheques Given and Payment Orders (-)	(820,950,751,825)	(2,646,945,096,891)
5- Funds Awaiting for Disbursement	-	-
6- Other Liquid Assets	4,022,306,901,319	5,736,449,120,990
TOTAL (A)	372,895,782,587,471	104,740,432,665,152
B. Marketable Securities		
1- Share Certificates	11,910,721,910,775	13,015,050,421,115
2- Private Sector Bonds and Notes	-	-
3- Public Sector Bonds and Notes	3,850,000,000,000	-
4- Other Marketable Securities	-	-
5- Provision for Dec. in Value of Market. Sec. (-)	-	-
TOTAL (B)	15,760,721,910,775	13,015,050,421,115
C. Trade Receivables		
1- Customers	126,211,534,273,369	89,225,343,082,366
2- Notes Receivables	-	-
3- Rediscount on Notes Receivables (-)	-	-
4- Deposits and Guaranties Given	-	287,913,400
5- Doubtful Receivables	11,723,564,796,552	5,720,626,205,499
6- Provision for Doubtful Receivables (-)	(11,723,564,796,552)	(5,720,626,205,499)
TOTAL (C)	126,211,534,273,369	89,225,630,995,766
D. Other Receivables		
1- Due from Shareholders	10,000,000,000,000	-
2- Due from Affiliates	-	-
3- Due from Subsidiaries	108,141,434,424	27,487,324,101
4- Due from Personnel	1,902,301,294,268	58,601,214,603
5- Other Receivables	32,681,740,136,189	26,056,631,000,990
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)
TOPLAM (D)	44,692,190,455,613	26,142,727,130,425
E. Inventories		
1-Raw Material and Supplies	94,664,772,659,293	67,841,075,451,102
2-Semi-finished Goods in Production	-	-
3-Finished Goods	-	-
4-Trade Goods	-	-
5-Inventories	652,554,768,178	178,042,631,253
6-Other Inventories	-	-
7-Provision for Inventories (-)	-	-
8-Advances Given for Purchases	310,580,430,767	883,975,382,834
TOTAL (E)	95,627,907,858,238	68,903,093,465,188
F. Prepaid Expenses and Income Accruals		
1- Prepaid Expenses for Future Months	20,114,788,359,036	19,525,165,423,602
2- Income Accruals	9,078,040,962,783	6,749,717,575,904
TOTAL (F)	29,192,829,321,819	26,274,882,999,506
G. Other Current Assets		
1- Deffered VAT	31,174,730,810	-
2- Deductable VAT	57,660,053,093	37,694,000,474
3- Other VAT	-	-
4- Prepaid Taxes and Funds	-	486,469,389,436
5- Work Advances	314,919,763,426	52,366,102,939
6- Advances to Personnel	278,423,561,199	246,815,447,537
7- Inventory Shortages	-	-
8- Other Current Assets	4,120,011,925	944,643,865
9- Provision for Other Current Assets (-)	-	-
TOTAL (G)	686,298,120,453	824,289,584,251
TOTAL CURRENT ASSETS	685,067,264,527,742	329,126,107,261,403

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

II. LONG-TERM ASSETS	31.12.2002	31.12.2001
A. Trade Receivables		
1- Customers	-	-
2- Notes Receivables	-	-
3- Rediscount on Notes Receivables (-)	-	-
4- Deposits and Guaranties Given	17,866,908,315,575	17,138,897,552,858
5- Provision for Doubtful Receivables (-)	-	-
TOPLAM (A)	17,866,908,315,575	17,138,897,552,858
B. Other Receivables		
1- Due from Shareholders	-	-
2- Due from Affiliates	-	-
3- Due from Subsidiaries	-	-
4- Due from Personnel	-	-
5- Other Receivables	934,279,137,099	778,668,988,135
6- Rediscount on Other Notes Receivables (-)	-	-
7- Provision for Other Doubtful Receivables (-)	-	-
TOTAL (B)	934,279,137,099	778,668,988,135
C. Financial Fixed Assets		
1- Long-Term Securities	6,000,000,000	3,000,000,000
2- Decrease in Value of Securities (-)	-	-
3- Affiliates	9,547,500,000,000	12,264,000,000
4- Capital Commitments for Affiliates (-)	-	-
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	534,778,236,465
10- Decrease in Value of Other Finan. Fixed Assets (-)	-	-
TOTAL (C)	10,106,532,252,945	568,296,252,945
D. Tangible Fixed Assets		
1- Land	867,362	867,362
2- Land Improvements	-	-
3- Buildings	51,140,045,815,529	31,318,280,901,155
4- Plant Machinery and Equipment	248,248,469,348,778	152,965,684,137,130
5- Motor Vehicles	333,709,481,769,080	293,586,962,481,542
6- Furnitures and Fixtures	6,755,904,519,214	4,738,409,794,661
7- Other Tangible Fixed Assets	384,867,532,118	258,210,824,487
8- Accumulated Depreciation (-)	(476,498,409,225,223)	(332,869,429,798,780)
9- Construction in Progress	1,021,131,617,403	8,453,224,413,404
10- Advances Given	85,819,664,607,116	75,373,318,284,842
TOTAL (D)	250,581,156,851,381	233,824,661,905,803
E. Intangible Assets		
1- Rights	7,642,127,830,163	5,144,247,511,579
2- Goodwill	-	-
3- Establishment and Formation Expenses	-	-
4- Research and Development Expenses	-	-
5- Special Costs	1,384,820,232,575	1,304,863,584,125
6- Other Intangible Fixed Assets	-	-
7- Accumulated Amortization (-)	(5,283,230,419,644)	(3,606,675,392,034)
8- Advances to Suppliers	-	-
TOTAL (E)	3,743,717,643,094	2,842,435,703,670
F. Assets Subject to Amortization		
1- Exploration/Research Expenses	-	-
2- Preparation and Development Expenses	-	-
3- Other Amortizable Assets	4,720,147,880,167	2,835,776,551,364
4- Accumulated Amortization (-)	(3,546,646,157,726)	(1,594,432,914,062)
5- Advances to Suppliers	-	-
TOTAL (F)	1,173,501,722,440	1,241,343,637,301
G. Prepaid Expenses and Accrued Income		
1- Prepaid Expenses for Future Periods	19,748,848,816,772	19,899,863,331,078
2- Income Accruals	-	-
TOTAL (G)	19,748,848,816,772	19,899,863,331,078
H. Other Fixed Assets		
1- Deductible VAT in Future Years	-	-
2- Other VAT	-	-
3- Inventory and Tangible Fixed Assets to be Disposed	77,641,623,780	62,676,494,494
4- Other Fixed Assets	33,653,339	-
TOTAL (H)	77,675,277,120	62,676,494,494
TOTAL LONG-TERM ASSETS	304,232,620,016,428	276,356,843,866,285
TOTAL ASSETS	989,299,884,544,170	605,482,951,127,688
REGULATING ACCOUNTS	7,511,673,045,136,001	3,831,524,163,289,300

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

LIABILITIES

I. SHORT-TERM LIABILITIES

	31.12.2002	31.12.2001
A. Financial Liabilities		
1- Bank Loans	-	-
2- Current Maturities of Long-Term Credits and Accrued Interest	739,393,936,328	550,425,607,920
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)	739,393,936,328	550,425,607,920
B. Trade Payables		
1- Suppliers	160,717,518,280,700	174,367,526,605,762
2- Notes Payables	-	-
3- Rediscount on Notes Payables (-)	-	-
4- Deposits and Guaranties Received	5,480,025,190,907	9,141,225,142,745
5- Other Trade Payables	92,406,175,114	101,430,065,421
TOTAL (B)	166,289,949,646,721	183,610,181,813,928
C. Other Liabilities		
1- Due to Shareholders	-	-
2- Due to Affiliates	-	-
3- Due to Subsidiaries	-	-
4- Due to Personnel	214,369,812,576	385,671,726,509
5- Other Liabilities	18,863,076,284,471	651,143,809,545
6- Rediscount on Other Notes Payable (-)	-	-
TOTAL (C)	19,077,446,097,047	1,036,815,536,054
D. Advances Received	32,490,077,908,366	164,948,468,250
TOTAL (D)	32,490,077,908,366	164,948,468,250
E. Taxes Payable and Other Fiscal Liabilities		
1- Taxes and Funds Payable	19,565,598,937,002	15,507,965,287,503
2- Social Security Withholdings Payable	7,771,365,095,975	5,500,503,524,146
3- Overdue, Deffered or Restructured Taxes and Other Fiscal Liabilities	-	-
4- Other Fiscal Liabilities Payable	98,937,735,847	100,402,651,325
TOTAL (E)	27,435,901,768,825	21,108,871,462,974
F. Provisions for Liabilities and Expenses		
1- Provisions for Income Taxes and Other Legal Liabilities on Profit	32,398,092,373,228	-
2- Prepaid Income Taxes and Other Legal Liabilities on Profit (-)	(40,930,793,461,329)	-
3- Provisions for Retirement Pay	21,518,321,400,000	14,923,607,180,000
4- Provision for Other Debts and Liabilities	503,785,898,220	443,703,340,740
TOTAL (F)	13,489,406,210,118	15,367,310,520,740
G. Income and Expense Accruals Relating to Future Months		
1- Income Relating to Future Months	133,017,883,192,473	2,275,789,815,736
2- Expense Accruals	120,832,283,263,146	122,277,307,534,883
TOTAL (G)	253,850,166,455,620	124,553,097,350,619
H. Other Short-Term Liabilities		
1- VAT Payable	157,438,970	6,507,873,543
2- Other VAT	-	-
3- Inventory Overages	-	-
4- Other Short-Term Liabilities	-	-
TOTAL (H)	157,438,970	6,507,873,543
TOTAL SHORT-TERM LIABILITIES	513,372,499,461,999	346,398,158,634,028

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

II. LONG-TERM LIABILITIES	31.12.2002	31.12.2001
A. Financial Liabilities		
1- Bank Loans	-	550,425,607,920
2- Bonds Issued	-	-
3- Other Securities Issued	-	-
4- Value Difference of Securities Issued (-)	-	-
5- Other Financial Liabilities	-	-
TOTAL (A)	-	550,425,607,920
B. Trade Payables		
1- Suppliers	-	-
2- Notes Payables	-	-
3- Rediscount on Notes Payables (-)	-	-
4- Deposits and Guaranties Received	10,710,841,119,562	-
5- Other Trade Payables	-	-
TOTAL (B)	10,710,841,119,562	-
C. Other Liabilities		
1- Due to Shareholders	-	-
2- Due to Affiliates	-	-
3- Due to Subsidiaries	-	-
4- Other Payables	-	94,547,630,894
5- Rediscount on Other Notes Payable (-)	-	-
6- Debts to The Public Sector, Deffered or Payable by Installments	59,999,093,696	94,180,098,092
TOTAL (C)	59,999,093,696	188,727,728,986
D. Advances Received	-	-
TOTAL (D)	-	-
E. Provisions for Debts and Expenses		
1- Provision for Retirement Pay	97,021,226,031,701	69,949,154,294,435
2- Provision for Other Debts and Expenses	2,136,185,999,211	1,111,298,334,330
TOTAL (E)	99,157,412,030,912	71,060,452,628,765
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 Differed to Following Years	-	-
2-Other Long-Term Liabilities	-	-
TOTAL (G)	-	-
TOTAL LONG-TERM LIABILITIES	109,928,252,244,170	71,799,605,965,671

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

III. SHAREHOLDERS EQUITY	31.12.2002	31.12.2001
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)	(325,000,000,000,000)
TOTAL (A)	175,000,000,000,000	175,000,000,000,000
B. Capital Reserves		
1-Share Premium	181,185,157,700	181,185,157,700
2-Share Premium of Cancelled Shares	-	-
3-Revulation Fund of Tangible Fixed Assets	145,037,848,805,347	100,426,613,927,961
4-Revulation Fund of Investments	3,868,043,228	1,066,417,502
5-Other Capital Reserves	32,089,172,373,348	-
TOTAL (B)	177,312,074,379,623	100,608,865,503,163
C. Profit Reserves		
1- Legal Reserves	417,010,819,428	417,010,819,429
2- Statutory Reserves	-	-
3- Extraordinary Reserves	7,806,888,830,769	7,806,888,830,770
4- Other Reserves	8,566,017	8,566,017
5- Special Funds	49,665,002,078,513	15,057,880,412,581
TOTAL (C)	57,888,910,294,729	23,281,788,628,797
D. Retained Earnings	-	-
TOTAL (D)	-	-
E. Accumulated Deficits (-)	(111,605,467,603,971)	(131,548,771,763,386)
TOTAL (E)	(111,605,467,603,971)	(131,548,771,763,386)
F. Net Profit (Loss) for The Period	67,403,615,767,618	19,943,304,159,416
TOTAL (F)	67,403,615,767,618	19,943,304,159,416
TOTAL SHAREHOLDERS EQUITY	365,999,132,838,000	187,285,186,527,989
TOTAL LIABILITIES (SOURCES)	989,299,884,544,170	605,482,951,127,688
REGULATING ACCOUNTS	7,511,673,045,136,001	3,831,524,163,289,300

TURKISH AIRLINES INC.
DETAILED STATEMENT OF INCOME (ACCORDING TO UNIFORM ACCOUNTING SYSTEM)

	01.01.2002-31.12.2002	01.01.2001-31.12.2001
A. Gross Sales		
1- Domestic Sales	882,183,685,518,218	645,832,083,218,640
2- Export Sales	1,370,477,676,870,370	1,036,925,472,047,386
3- Other Sales	134,873,731,005,659	52,160,686,493,232
TOTAL (A)	2,387,535,093,394,249	1,734,918,241,759,258
B. Sales Deductions (-)		
1- Sales Returns (-)	(72,375,994,551,776)	(61,430,824,585,829)
2- Sales Discounts (-)	-	-
3- Other Deductions (-)	(143,539,666,190,645)	(8,251,191,059,932)
TOTAL (B)	(215,915,660,742,421)	(69,682,015,645,761)
C. Net Sales (A-B)	2,171,619,432,651,827	1,665,236,226,113,497
D. Cost of Sales (-)		
1- Cost of Goods Sold (Product) (-)	-	-
2- Cost of Goods Sold (Trade) (-)	-	-
3- Cost of Services Rendered (-)	(1,658,766,824,272,860)	(1,442,739,643,353,493)
4- Cost of Sales (Other) (-)	-	-
TOTAL (D)	(1,658,766,824,272,860)	(1,442,739,643,353,493)
GROSS PROFIT OR LOSS	512,852,608,378,966	222,496,582,760,004
E. Operating Expenses (-)		
1- Research and Development Expenses (-)	-	-
2- Market. Selling and Distribution Expenses (-)	(365,550,180,726,590)	(278,681,074,494,945)
3- General Administration Expenses (-)	(128,095,531,334,837)	(115,815,786,410,348)
TOTAL (E)	(493,645,712,061,426)	(394,496,860,905,293)
OPERATING PROFIT OR LOSS	19,206,896,317,540	(172,000,278,145,289)
F. Income and Profit from Other Operations		
1- Divident Income from Affiliates	248,314,860,437	25,105,698,102
2- Divident Income from Subsidiaries	-	-
3- Interest Income	23,339,916,309,932	7,963,409,214,784
4- Commission Income	2,534,320,577,145	219,583,641,669
5- Provisions No Longer Required	729,476,055,453	326,797,101,831
6- Profit on Sale of Marketable Securities	-	13,017,468,097,367
7- Profit from Foreign Currency Exchange	166,334,496,629,549	125,108,413,957,607
8- Rediscount Income	-	-
9- Other Income and Profit	3,280,782,965,063	12,464,853,459,708
TOTAL (F)	196,467,307,397,581	159,125,631,171,066
G. Expenses and Losses from Other Operations (-)		
1- Revenue Share Interest Expense	-	-
2- Commission Expenses (-)	-	-
3- Provisions (-)	(6,764,097,113,165)	(3,373,210,284,873)
4- Loss on Sale of Marketable Securities (-)	-	-
5- Loss from Foreign Currency Exchange (-)	(124,104,581,319,464)	(27,960,931,132,065)
6- Rediscount Interest Expense (-)	-	-
7- Other Ordinary Expenses and Losses (-)	(886,391,187,047)	(511,696,555,313)
TOTAL (G)	(131,755,069,619,678)	(31,845,837,972,251)
H. Financial Expenses (-)		
1- Financial Expenses (Short-Term) (-)	(33,869,003,664)	(19,237,319,494,104)
2- Financial Expenses (Long-Term) (-)	(215,338,750,925)	(2,179,839,592,152)
TOTAL (H)	(249,207,754,588)	(21,417,159,086,256)
ORDINARY PROFIT OR LOSS	83,669,926,340,855	(66,137,644,032,730)
I. Extraordinary Revenues and Profits		
1- Previous Period Revenues and Profits	6,942,563,227,526	5,541,258,519,424
2- Other Extraordinary Revenues and Profits	17,150,499,494,229	105,513,128,340,713
TOTAL (I)	24,093,062,721,756	111,054,386,860,137
J. Extraordinary Expenses and Losses (-)		
1- Idle Capacity Expenses and Losses (-)	(2,427,221,575,405)	(1,626,370,903,107)
2- Previous Period Expenses and Losses (-)	(2,394,250,808,696)	(9,739,014,086,929)
3- Other Extraordinary Expenses and Losses (-)	(3,139,808,537,665)	(13,608,053,677,955)
TOTAL (J)	(7,961,280,921,765)	(24,973,438,667,991)
PROFIT OR LOSS FOR THE PERIOD	99,801,708,140,846	19,943,304,159,416
K. Provisions for Taxes Payable and Other Stat. Obligations (-)	(32,398,092,373,228)	-
NET PROFIT / LOSS FOR THE YEAR	67,403,615,767,618	19,943,304,159,416

TURKISH AIRLINES INC. FINANCIAL STATEMENTS ANALYSIS

	2002	2001	AÇIKLAMA
<u>LIQUIDITY RATIOS</u>			
CURRENT RATIO	1,33	0,95	STANDART=MIN 1.5
ACID TEST RATIO	1,15	0,75	STANDART=MIN 0.80
CASH RATIO	0,76	0,34	STANDART= 0.20
<u>FINANCIAL STABILITY RATIOS</u>			
EQUITY / TOTAL ASSETS	0,37	0,31	CREDITORS' STANDART=1
EQUITY / TOTAL LIABILITIES	0,59	0,45	STANDART=MIN 1.00
NET WORKING CAPITAL (MILLION TL)	171.694.765	-17.272.051	
<u>LEVERAGE RATIOS</u>			
TOTAL LIABILITIES/TOTAL ASSETS	0,63	0,69	STANDART=MAX 0.50
TOTAL LIABILITIES/SHAREHOLDERS' EQUITY	1,7	2,23	STANDART=MAX 2.00
TIMES INTEREST EARNED	401,48	1,93	STANDART=MIN 4.00
<u>TURNOVER EFFICIENCY (DAYS)</u>			
RECEIVABLES TURNOVER (DAYS)	20	20	
PAYABLES TURNOVER (DAYS)	36	46	
<u>DUPONT MODEL</u>			
	DECEMBER 2002	DECEMBER 2001	
NET PROFIT MARGIN	0.03	0.01	
*ASSET TURNOVER	2.2	2.75	
=RETURN ON ASSETS	0.07	0.03	
RETURN ON EQUITY	0.18	0.1	

TURKISH AIRLINES INC.
BALANCE SHEET AND INCOME STATEMENTS TRENDS-2002

BALANCE SHEET	31.12.2001	31.12.2002	BALANCE SHEET	31.12.2001	31.12.2002
ASSETS			LIABILITIES		
CURRENT ASSETS			CURRENT LIABILITIES		
Liquid Assets	100%	356%	Financial Liabilities	100%	134%
Marketable Securities	100%	121%	Trade Payables	100%	91%
Trade Receivables (Net)	100%	141%	Other Liabilities	100%	1840%
Inventories	100%	139%	Advances Received	100%	19697%
Prepaid Expenses and Income Accruals	100%	111%	Taxes and Other Obligations Payable	100%	130%
Other Current Assets	100%	83%	Provisions for Obligations and Expenses	100%	88%
Other Receivables	100%	171%	Unearned Revenue and Expense Accruals	100%	204%
Total Current Assets	100%	208%	Other Current Liabilities	100%	2%
			Total Current Liabilities	100%	148%
LONG-TERM ASSETS			LONG-TERM LIABILITIES		
Trade Receivables	100%	104%	Financial Liabilities	100%	0%
Other Receivables	100%	171%	Trade Payables	100%	(*)
Financial Fixed Assets	100%	1778%	Other Liabilities	100%	32%
Tangible Fixed Assets	100%	107%	Advances Received	100%	0%
Intangible Fixed Assets	100%	132%	Provisions for Obligations and Expenses	100%	140%
Amortizable Assets	100%	95%	Unearned Revenue and Expense Accruals	100%	0%
Prepaid Expenses and Income Accruals	100%	99%	Other Long-Term Liabilities	100%	0%
Other Long-Term Assets	100%	124%	Total Long-Term Liabilities	100%	153%
Total Long-Term Assets	100%	110%			
			SHAREHOLDERS' EQUITY		
			Paid-in Capital	100%	100%
			Capital Reserves	100%	176%
			Profit Reserves	100%	249%
			Retained Earnings	100%	0%
			Prior Losses	100%	85%
			Net Current Profit or Loss	100%	338%
			Total Shareholders' Equity	100%	195%
AKTİF TOPLAMI	100%	163%	TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100%	163%

TURKISH AIRLINES INC.
EĞİLİM YÜZDELERİNE GÖRE 2001 VE 2002 YILLARI GELİR TABLOLARI

INCOME STATEMENTS	01.01.2001 31.12.2001	01.01.2002 31.12.2002
A- GROSS SALES	100%	138%
B- SALES DISCOUNTS (-)	100%	310%
C- NET SALES (A-B)	100%	130%
D- COST OF SALES (-)	100%	115%
GROSS SALES PROFIT OR LOSS (C-D)	100%	230%
E- OPERATING EXPENSES (-)	100%	125%
OPERATING PROFIT OR LOSS (C-D-E)	100%	(11)%
F- REVENUES AND PROFIT FROM OTHER OPERATIONS	100%	123%
G- EXPENSES AND LOSSES FROM OTHER OPERATIONS (-)	100%	414%
H- FINANCIAL EXPENSES (-)	100%	1%
ORDINARY PROFIT OR LOSS	100%	(127)%
I- EXTRAORDINARY REVENUES AND PROFIT	100%	22%
J- EXTRAORDINARY EXPENSES AND LOSSES (-)	100%	32%
CURRENT PROFIT OR LOSSES	100%	5%
K- PROVISION FOR TAXES AND OTHER LEGAL OBLIGATIONS PAYABLE ON CURRENT PROFIT (-)	-	(*)
NET CURRENT PROFIT OR LOSS	100%	338%

(*) The Accounts which had zero balance in 2001, showed a balance at the end of 2002

Independent Auditors' Reports

- According to Capital Markets Board Standards Page 43
- According to International Accounting Standards Page 65

(ACCORDING TO COMMUNIQUE SERIES XI OF THE CAPITAL MARKETS BOARD)
TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
INDEPENDENT AUDITORS' REPORT
January 1, 2002 – December 31, 2002

1. We have audited the accompanying balance sheet of Türk Hava Yolları Anonim Ortaklığı "the Company" as of December 31, 2002 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. In independent auditors' report as of December 31, 2001, we stated that the Company, recognizes passenger and cargo income when ticket is sold, however, cost of transportation is recognized when transportation is provided and the Company was continuing with a project to recognize passenger income when transportation is provided (flight basis). However, flight basis revenue could not be accurately calculated because this project was not completed as of the date of our report, which was March 25, 2002. As it is explained in greater detail in note 11a, the Company has completed the necessary information technology infrastructure at the end of 2002 and started to recognize passenger and cargo fares as operating revenue when the transportation is provided as in line with many of the airline companies throughout the and accrual basis of accounting principle of Generally Accepted Accounting Principles. Had the Company implemented this policy as of December 31, 2001, the net profit before tax for the year ended December 31, 2002 would be approximately TL 39,972,081 Million higher.
3. As explained in greater detail in note 11, the Company develops estimations using historical statistics and data to estimate unredeemed tickets. Total unredeemed tickets of TL 45,594,117 Million were recognized as operating revenue in 2002. As also explained in greater detail in note 33, the Company recorded income of TL 18,203,028 Million, due to the cancellation of A type handling license. However, no tax provision has been provided for these amounts because these items will be taxable in periods after December 31, 2002 in accordance with the Turkish Tax Legislation.
4. Most of the income and expenses of the Company are composed of foreign currency transactions. As it is explained in greater 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 exchange rate difference income 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 exchange rate differences expense account. As of December 31, 2002 foreign exchange gain or loss included in Gross Sales is TL 32,975,292 Million, TL 50,233,712 Million to Cost of Sales, and TL 1,470,371 Million to Operational Expense related to these operations.
5. In our opinion, except for such adjustments as might arise from the matters discussed in second, third and fourth paragraphs, the financial statements referred to above presents fairly the financial position of the Türk Hava Yolları Anonim Ortaklığı as of December 31, 2002 and the results of its operations for the year then ended in conformity with generally accepted accounting principles as published by Turkish Capital Market Board, applied on a consistent basis.

Istanbul, March 7, 2003

DRT DENETİM REVİZYON TASDİK
 YEMİNLİ MALİ MÜŞAVİRLİK A.Ş.

Member Firm of DELOITTE TOUCHE TOHMATSU



Zeki Kurtçu
 Partner

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 to audit the accompanying financial statements are those generally accepted and applied in Turkey.

TURKISH AIRLINES INC.
DETAILED BALANCE SHEETS AS OF 31 DECEMBER 2002 AND 2001 (TL Million)

ASSETS	31.12.2002	31.12.2001
I- CURRENT ASSETS	687,378,378	317,634,063
A-Liquid Assets	367,529,598	100,720,040
1- Cash	122,462	80,579
2- Banks	363,384,829	94,267,054
3- Other Liquid Assets	4,022,307	6,372,407
B- Marketable Securities	9,772,675	12,449,548
1- Private Sector Shares	11,910,722	13,015,051
2- Private Sector Bills and Bonds	-	-
3- Treasury Bills and Bonds	3,850,000	-
4- Other Marketable Securities	-	-
5- Provision for Diminution in Value of Marketable Securities (-)	(5,988,047)	(565,503)
C- Short-Term Trade Receivables	123,083,202	87,378,536
1- Trade Receivable	124,160,550	88,239,061
2- Notes Receivable	-	-
3- Deposits and Guarantees Given	-	288
4- Other Short-Term Trade Receivables	21,485,859	14,660,181
5- Discount on Receivables (-)	(1,077,349)	(860,813)
6- Provision for Doubtful Receivables (-)	(21,485,858)	(14,660,181)
D- Other Short-Term Receivables	28,788,169	26,441,909
1- Receivables from Shareholders	10,240,960	-
2- Receivables from Equity Participations	-	-
3- Receivables from Subsidiaries	108,141	27,487
4- Other Short-Term Receivables	18,439,594	26,414,947
5- Discount on Receivables (-)	-	-
6- Provision for Doubtful Receivables (-)	(526)	(525)
E- Inventories	91,823,796	67,655,463
1- Raw Materials	87,142,847	60,826,868
2- Semi Finished Goods	-	-
3- Intermediary Products	-	-
4- Finished Goods	-	-
5- Merchandise Inventory	-	-
6- Other Inventories	8,174,480	7,192,250
7- Provision for Diminution in Value of Inventories (-)	(3,804,111)	(1,247,630)
8- Order Advances Given	310,580	883,975
F- Other Current Assets	66,380,938	22,988,567
II- LONG-TERM ASSETS	331,522,604	276,356,845
A- Long-Term Trade Receivables	17,866,908	17,138,898
1- Trade Receivable	-	-
2- Notes Receivable	-	-
3- Deposits and Guarantees Given	17,866,908	17,138,898
4- Other Long-Term Receivables	-	-
5- Discount on Receivables (-)	-	-
6- Provision for Doubtful Receivables (-)	-	-
B- Other Long-Term Receivables	29,886,223	778,669
1- Receivables from Shareholders	-	-
2- Receivables from Equity Participations	-	-
3- Receivables from Subsidiaries	-	-
4- Other Long-Term Receivables	29,886,223	778,669
5- Discount on Receivables (-)	-	-
6- Provision for Doubtful Receivables (-)	-	-
C- Long-Term Financial Assets	8,444,570	568,296
1- Investments Portfolio	6,000	3,000
2- Provision for Diminution in Value of Investments Portfolio (-)	-	-
3- Equity Participations	9,547,500	12,264
4- Capital Commitments to Equity Participations (-)	-	-
5- Provision for Diminution in Value of Equity Participations (-)	(1,527,420)	-
6- Subsidiaries	24,254	24,254
7- Capital Commitments to Subsidiaries (-)	(6,000)	(6,000)
8- Provision for Diminution in Value of Subsidiaries (-)	-	-
9- Other Long-Term Financial Assets	400,236	534,778
D- Tangible Fixed Assets	250,581,159	233,824,662
1- Land	1	1
2- Superstructures and Infrastructures	-	-
3- Buildings	51,140,046	31,318,281
4- Machinery, Plant and Equipments	248,248,469	152,965,684
5- Vehicles	333,709,482	293,586,963
6- Furniture and Fixtures	6,755,905	4,738,410
7- Other Tangible Fixed Assets	384,868	258,211
8- Accumulated Depreciation (-)	(476,498,409)	(332,869,430)
9- Construction in Progress	1,021,132	8,453,224
10- Order Advances Given	85,819,665	75,373,318
E- Intangible Fixed Assets	4,917,220	4,083,780
1- Establishment Costs	-	-
2- Rights	2,943,653	1,886,998
3- Research and Development Costs	-	-
4- Other Intangible Fixed Assets	1,973,567	2,196,782
5- Order Advances Given	-	-
F- Other Long-Term Assets	19,826,524	19,962,540
TOTAL ASSETS	1,018,900,982	593,990,908

TURKISH AIRLINES INC.
DETAILED BALANCE SHEETS AS OF 31 DECEMBER 2002 AND 2001 (TL Million) / continued

LIABILITIES	31.12.2002	31.12.2001
I- CURRENT LIABILITIES	504,005,483	340,096,672
A- Financial Liabilities	742,960	567,017
1- Bank Loans	-	-
2- Current Installments of Long-Term Loans and Related Interests	742,960	567,017
3- Principal Installment and Interest of Bonds	-	-
4- Bonds Issued	-	-
5- Other Financial Liabilities	-	-
B- Trade Payables	189,141,716	226,195,687
1- Trade Payables	183,684,345	217,012,769
2- Notes Payable	-	-
3- Deposits and Guarantees Received	5,457,371	9,182,918
4- Other Trade Payables	-	-
5- Discount on Notes Payable (-)	-	-
C- Other Short-Term Payables	58,805,471	30,306,618
1- Payables to Shareholders	-	-
2- Payables to Equity Participations	-	-
3- Payables to Subsidiaries	-	-
4- Expense Accruals	14,212,404	8,533,514
5- Taxes and Dues Payable	27,438,647	21,117,216
6- Deferred Dues to Government Offices	-	-
7- Other Short-Term Payables	18,890,462	655,888
8- Discount on Notes Payable (-)	(1,736,042)	-
D- Order Advances Received	32,639,780	165,049
E- Provisions	222,675,556	82,862,301
1- Corporate Tax Payable	32,398,092	0
2- Other Provisions	190,277,464	82,862,301
II- LONG-TERM LIABILITIES	131,497,931	86,726,324
A- Financial Liabilities	-	553,080
1- Bank Loans	-	553,080
2- Bonds Issued	-	-
3- Marketable Securities Issued	-	-
4- Other Financial Liabilities	-	-
B- Trade Payables	10,762,199	-
1- Trade Payables	-	-
2- Notes Payable	-	-
3- Deposits and Guarantees Received	10,762,199	-
4- Other Trade Payables	-	-
5- Discount on Payables (-)	-	-
C- Other Long-Term Payables	59,999	189,184
1- Payables to Shareholders	-	-
2- Payables to Equity Participations	-	-
3- Payables to Subsidiaries	-	-
4- Deferred Dues to Government Offices	59,999	94,180
5- Other Long-Term Payables	-	95,004
6- Discount on Payables (-)	-	-
D- Order Advances Received	-	-
E- Provisions	120,675,733	85,984,060
1- Provision for Termination Indemnities	118,539,547	84,872,762
2- Other Provisions	2,136,186	1,111,298
III-SHAREHOLDERS' EQUITY	383,397,568	167,167,912
A- Capital	175,000,000	175,000,000
B- Capital Commitments (-)	-	-
C- Premium in Excess of Par	181,185	181,185
D- Revaluation Surplus	145,041,717	100,427,680
1- Revaluation of Tangible Fixed Assets	145,037,849	100,426,614
2- Revaluation of Equity Participations	3,868	1,066
3- Revaluation of Shares Quoted on the Stock Exchange	-	-
E- Reserves	89,978,083	23,281,789
1- Legal Reserves	417,011	417,011
2- Special Legal Reserves	-	-
3- Special Reserves	49,665,011	15,057,889
4- Extraordinary Reserves	7,806,889	7,806,889
5- Cost Increase Fund	32,089,172	-
6- Gains from Sale of Immobiles and Equity Participations' Shares Transferable to Capital	-	-
7- Prior Periods' Profits	-	-
F- Profit for the Period	104,919,324	8,127,303
G- Loss for the Period (-)	-	0
H- Prior Periods' Losses (-)	(131,722,741)	(139,850,045)
1- Loss from 2001	(131,722,741)	(70,330,409)
2- Loss from 2000	-	(69,519,636)
TOTAL LIABILITIES and EQUITY	1,018,900,982	593,990,908

TURKISH AIRLINES INC.
DETAILED STATEMENTS OF INCOME
FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001 (TL Million)

	31.12.2002	31.12.2001
A- GROSS SALES	2,366,122,532	1,734,918,241
1- Domestic Sales	846,212,555	645,832,083
2- Export Sales	1,370,477,677	1,036,925,472
3- Others Sales Revenues	149,432,300	52,160,686
B- SALES DEDUCTIONS (-)	(110,610,862)	(69,682,016)
1- Sales Returns (-)	(72,375,995)	(61,430,825)
2- Sales Discounts (-)	-	-
3- Other Deductions (-)	(38,234,867)	(8,251,191)
C- NET SALES	2,255,511,670	1,665,236,225
D- COST OF SALES (-)	(1,655,139,664)	(1,442,739,643)
GROSS PROFIT	600,372,006	222,496,582
E- OPERATING EXPENSES	(518,269,299)	(407,026,251)
1- Research and Development Expenses (-)	-	-
2- Marketing Selling and Distribution Expenses (-)	(363,876,220)	(277,225,681)
3- General Administrative Expenses (-)	(154,393,079)	(129,800,570)
PROFIT OR LOSS ON MAIN OPERATING ACTIVITIES	82,102,707	(184,529,669)
F- OTHER OPERATING INCOME	200,298,421	158,920,291
1- Dividend Income from Equity Participations	248,315	-
2- Dividend Income from Subsidiaries	-	-
3- Interest and Other Dividend Income	23,394,105	8,109,972
4- Other Operating Income	176,656,001	150,810,319
G- OTHER OPERATING EXPENSES (-)	(124,593,621)	(31,253,906)
H- FINANCIAL EXPENSES (-)	(249,208)	(21,417,159)
1- Short-Term Borrowing Expenses (-)	(33,869)	(19,237,319)
2- Long-Term Borrowing Expenses (-)	(215,339)	(2,179,840)
OPERATING PROFIT OR LOSS	157,558,299	(78,280,443)
I- EXTRAORDINARY INCOME	27,201,800	111,381,184
1- Prior Period Provisions	3,028,386	326,797
2- Prior Period Income	6,942,563	5,541,259
3- Other Extraordinary Income	17,230,851	105,513,128
J- EXTRAORDINARY EXPENSES	(47,442,683)	(24,973,438)
1- Idle Capacity Expenses (-)	(2,427,222)	(1,626,371)
2- Prior Period Expenses (-)	(42,366,332)	(9,739,014)
3- Other Extraordinary Expenses (-)	(2,649,129)	(13,608,053)
PERIOD PROFIT OR LOSS	137,317,416	8,127,303
K- TAXATION	(32,398,092)	-
NET PROFIT OR LOSS FOR THE PERIOD	104,919,324	8,127,303

TURKISH AIRLINES INC.
STATEMENTS OF FUNDS FLOW
FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001 (TL Million)

	31.12.2002	31.12.2001
A. SOURCES	401,342,760	209,062,703
1. Sources from the Operational Income	259,752,111	-
a) Operational Income	157,558,301	-
b) Depreciation	56,376,019	-
c) Expenses which do not Require Fund Outflow	46,678,604	-
d) Income which do not provide Fund inflow	(860,813)	-
2. Sources from Extraordinary Income	-	86,407,746
a) Extraordinary Profit	-	86,407,746
b) Expense which do not Create Fund Outflow (-)	-	-
c) Income which do not provide Fund Inflow (-)	-	-
3. Decrease in Short-Term Receivables	-	-
4. Decrease in Long-Term Receivables	-	-
5. Increase in Short-Term Payables	131,510,720	110,300,252
6. Increase in Long-Term Payables	10,079,929	-
7. Issuance of Share Capital (In Return for Cash)	-	12,339,931
8. Emission Premium	-	14,774
B. USAGE OF SOURCES	401,342,760	209,062,703
1. Source Usage	-	(7,361,997)
Due to Operational Loss		
a) Operational Loss	-	78,280,443
b) Depreciations (-)	-	(45,620,530)
c) Expenses which do not require Funds Outflow (+)	-	(40,263,565)
d) Income which do not provide Funds Inflow (-)	-	241,655
2. Source Usage	17,813,661	-
Due to Extraordinary Loss		
a) Extraordinary Loss	20,240,883	-
b) Expenses that do not Require Funds Outflow	(2,427,222)	-
c) Expenses that do not Require Funds Inflow	-	-
3. Taxes Paid	-	-
4. Dividends Paid	-	-
5. Increase in Current Assets	379,343,010	145,947,778
6. Increase in Long-Term Assets (Except for Revaluation)	4,186,089	70,900,796
7. Decrease in Short-Term Liabilities	-	-
8. Decrease in Long-Term Liabilities	-	(423,874)
9. Decrease in Capital	-	-
CHANGE IN NET WORKING CAPITAL	205,835,501	25,839,294
Increase in Net Working Capital	205,835,501	25,839,294
Decrease in Net Working Capital	-	-

TURKISH AIRLINES INC.
STATEMENT OF CASH FLOW
FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001 (TL Million)

	31.12.2002	31.12.2001
A. CASH AT THE BEGINNING OF THE PERIOD	100,720,040	29,081,269
B. CASH INFLOWS IN THE PERIOD	2,663,448,579	1,933,881,038
1. Cash Inflows from the Sales	2,212,764,503	1,621,717,454
a) Net Sales Revenue	2,255,511,670	1,665,236,225
b) Increase in Accounts Receivable (Due to Sales) (-)	(42,747,167)	(43,518,771)
c) Decrease in Accounts Receivable (Due to Sales)	-	-
2. Cash Provided from Other Operations Income and Profit	199,437,609	158,678,636
3. Cash Provided from Extraordinary Income and Profit	27,201,800	111,381,184
4. Increase in Short-Term Payables (Not Due to Purchases)	147,132,141	-
a) Other Increases	147,132,141	-
5. Increase in Long-Term Payables (Not Due to Purchases)	10,079,929	-
a) Loans	-	-
b) Other Increases	10,079,929	-
6. Proceeds from Issuance of Share Capital	-	12,354,705
7. Proceeds from Additional Paid in Capital	-	-
8. Other Cash Inflows	66,832,597	29,749,059
C. CASH OUTFLOWS IN THE PERIOD	2,396,639,021	1,862,242,267
1. Cash Outflows from the Costs	1,709,735,531	1,313,904,960
a) Cost of Sales	1,655,139,664	1,442,739,643
b) Increase in Inventories	26,724,815	20,410,715
c) Decrease in Accounts Payable (Due to Purchases)	27,871,052	-
d) Increase in Accounts Payable (Due to Purchases) (-)	-	(103,624,868)
e) Expenses which do not Require Cash Outflow like Depreciation and Provisions (-)	-	(45,620,530)
f) Decrease in Inventory (-)	-	-
2. Cash Outflow Due to Operational Expenses	298,283,501	295,405,666
a) Marketing, Sales and Distribution Expenses	365,550,181	278,681,075
b) General Administrative Expenses	126,421,570	129,800,570
c) Expenses Which do not Require Cash Outflow (-)	(193,688,250)	(113,075,979)
3. Cash Outflow Due to Other Operating Expenses and Losses	131,345,506	18,071,825
a) Other Operating Expenses and Losses	150,891,168	29,798,512
b) Expenses and Losses Which do not Require Cash Outflow (-)	(19,545,662)	(11,726,687)
4. Cash Outflows Due to Financing Expenses	249,208	21,417,159
5. Cash Outflows Due to Extraordinary Expenses and Losses	45,015,461	24,973,438
a) Extraordinary Expenses and Losses	45,015,461	24,973,438
b) Expenses and Losses which do not Require Cash Outflow (-)	-	-
6. Cash Outflow Due to Long-Term Asset Investments	41,182,835	69,989,986
7. Short-Term External Debt Payment (Not Due to Purchases)	-	32,714,348
a) Principle Payments of Loans	-	-
b) Other Payments	-	32,714,348
8. Principle Payments of Long-Term Liabilities	-	13,293
9. Taxes Paid	-	-
10. Dividends Paid	-	-
11. Other Cash Outflows	170,826,979	85,751,592
D. CASH AT THE END OF PERIOD	367,529,598	100,720,040
E. CASH INCREASE	266,809,558	71,638,771

TURKISH AIRLINES INC.
STATEMENTS OF COST OF SALES
FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001 (TL Million)

	31.12.2002	31.12.2001
I. COST OF FINISHED GOODS SOLD	-	-
II. COST OF MERCHANDISE GOODS SOLD	-	-
III. COST OF SERVICES SOLD	1,655,139,664	1,442,739,643
COST OF SALES (I+II+III)	1,655,139,664	1,442,739,643

TURKISH AIRLINES INC.
PROFIT DISTRIBUTION TABLES
FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001 (TL Million)

	31.12.2002	31.12.2001
A. DISTRIBUTION OF PERIOD PROFIT		
1. Period Profit	137,317,417	8,127,303
2. Prior Year Losses	(131,722,741)	(139,850,044)
3. Taxes to be Paid	(32,398,092)	-
4. First Legal Reserves	-	-
NET DISTRIBUTABLE PERIOD PROFIT	(26,803,416)	(131,722,741)
EXTRAORDINARY RESERVES	-	-
B. DISTRIBUTION FROM RESERVES		
Prior Year Investment Financement Fund	-	-
C. PROFIT PER SHARE (TL/%)	TL 599.54 / 59.95%	TL 46.44 / 4.64%

TURKISH AIRLINES INC. NOTES TO THE FINANCIAL STATEMENTS

(Unless otherwise is 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 (KİT) 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 Amount %	Share Amount 31.12.2002	Share 31.12.2001
Republic of Turkey Privatization Administration	98.17%	171,788,948	171,788,948

Shares amounting to TL 1,644,075 (Full) belonging to various private shareholders were not taken into consideration when the Company was taken into the privatization program with Law 233 in 1984. Subsequently, these shares were registered under the Privatization Administration according to the Company's articles of association, which was approved by decision 90/18 of the Turkish Republic Supreme Planning Council on October 30, 1990, following the inclusion of the Company under Law 3291.

3- The main agreement of the Company has been amended in Extraordinary Shareholders Meeting held on January 17, 2003.

One C privilege share has the following privileges, described in the main agreement of the Company:

Main Agreement 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.

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

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

- Taking decisions that are determined in the Main Agreement article 3.1. to have direct adverse affects
- Suggesting a change in the Main Agreement in the Shareholders Meeting
- Increase in the share capital
- Registration of the transfer of the shares issued to name in the 'Register of the Company'
- Making contractual agreements that exceed 5% of the total assets figure stated in the last annual financial statements which is presented to Capital Markets Board and making any transactions that will make the Company directly or indirectly liable (this clause will be automatically terminated when the shares held by Turkish State in the Company falls below 20%).
- Making decisions on merger with other companies and litigation of the Company.
- Making decisions towards the closing of routes or significantly decreasing the number of flights except cases where market conditions require or closing of certain routes which do not even recover their operational costs.

Main Agreement Temporary Article 1: The Company's members of the Board of Directors, auditors and general manager are assigned by an instruction of the Turkish Republic Privatization Administration and the approval of the Prime Ministry until the Company's shares held by Turkish State are below 50%.

4- The registered capital limit of the Company is TL 500,000,000 (2001: TL 500,000,000).

5- There is no capital increase during the current period.

6- There are no securities issued during the period.

TURKISH AIRLINES INC.**NOTES TO THE FINANCIAL STATEMENTS / continued***(Unless otherwise is stated TL amounts are in Million TL, foreign currency amounts appear in full)***7-** There are no debt securities matured during the period.**8-** Movement of tangible fixed assets during the period:

	31.12.2002	31.12.2001
a) Cost of acquired, built or purchased fixed assets:	33,467,057	34,451,348
b) Cost of fixed assets scrapped or sold:	88,240,908	182,575,013
c) Revaluation of tangible fixed assets in the current period		
- Increase in Cost (+):	212,145,072	137,092,368
- Increase in Accumulated Depreciation:	145,818,390	88,911,349

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

31.12.2002

Name of the project	Duration of projects	Total Project amount	Completion Ratio %	Total Expenses of the Project	31.12.2002 Construction in Progress
Equipment Renewal and Vehicle Purchase	2002-2003	35,627,000	1.0%	342,158	-
Flight Training Project	2002-2003	26,023,000	1.1%	280,820	-
Software, Hardware and Communication Equipment Project	1999-2003	39,523,000	23.9%	9,452,717	-
Aircraft Purchase Project	1997-2004	2,360,897,442	0.4%	9,365,200	965,337
Aircraft Components and Equipment	2002-2003	75,583,000	30.3%	22,868,230	12,238
Construction and Equipment	1986-2003	76,348,000	69.2%	52,845,791	16,500
Maintenance Center and Renewal (Transportation Sector)	2002-2002	1,475,000	49.4%	728,146	-
Workshop Supplies and Equipment	2002-2003	30,287,000	6.9%	2,076,505	27,057
TOTAL		2,645,763,442	3.7%	97,959,567	1,021,132

31.12.2001

Name of the project	Duration of projects	Total Project amount	Completion Ratio %	Total Expenses of the Project	31.12.2001 Construction in Progress
Equipment Renewal and Vehicle Purchase	2001-2002	8,766,554	36.5%	3,202,513	142,882
Flight Training Project	2001-2001	9,768,000	0.2%	15,544	0
Software, Hardware and Communication Equipment Project	1998-2005	38,232,000	55.0%	21,027,672	0
Aircraft Purchase Project	1997-2005	927,657,942	1.2%	11,413,647	7,945,087
Aircraft Components and Equipment	1998-2005	35,726,500	25.0%	8,946,975	7,441
Construction and Equipment	1986-2002	37,397,000	73.2%	27,375,869	342,313
Maintenance Center and Renewal (Transportation Sector)	2001-2001	2,676,000	18.7%	500,946	4,454
Workshop Supplies and Equipment	2001-2001	10,781,000	16.3%	1,758,831	11,047
TOTAL		1,071,004,996	6.9%	74,241,997	8,453,224

9- Current and future investment allowances which are deductible from tax base: TL 285,951,031

TURKISH AIRLINES INC.
NOTES TO THE FINANCIAL STATEMENTS / continued
(Unless otherwise is stated TL amounts are in Million TL, foreign currency amounts appear in full)
10- Balances with shareholders, equity participations and subsidiaries of the Company:

	31.12.2002			
	Receivables		Payables	
	Trade	Non Trade	Trade	Non Trade
1) Shareholders				
Turkish Republic Privatization Administration	-	10,240,960	-	-
2) Subsidiary				
Sun Ekspres A.Ş.	1,007,121	-	112,104	-
3) Equity Participations				
Uçak Servisi A.Ş. (USAŞ)	7,044	-	5,258,468	-
	31.12.2001			
	Receivables		Payables	
	Trade	Non Trade	Trade	Non Trade
1) Shareholders	-	-	-	-
2) Subsidiary				
Sun Ekspres A.Ş.	204,489	-	83,690	-
3) Equity Participations				
Qualiflyer	-	27,487	-	-

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

a) **Income Accrual:** During 2001, passenger fares and cargo fees are recorded as income when the sales take place in the Company's bureaus, 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 the Company.

The Company has completed the necessary information technology infrastructure at the end of 2002 and started to recognize passenger and cargo fares as operating revenue when the transportation is provided as many of the airline companies throughout the world is doing pursuant to the accrual basis of accounting principle of Generally Accepted Accounting Principles. Tickets sold but not yet used are recorded as advance ticket sales. Commissions to agencies relating to the passenger revenue are recognized as expense, based on estimations, when the transportation is provided. Commission on tickets sold in advance is recorded as prepaid expenses in the current assets. The Company develops estimations using historical statistics and data to estimate unredeemed tickets and they are recognized as operating revenue.

The Company calculated the effect of above change to flight basis accounting on 31 December 2002 profits as TL 39,972,081 and recorded this amount to prior periods expenses under extraordinary expenses.

b) **Marketable securities:** Marketable securities are equity shares that are traded in foreign stock exchanges. The Company valued those shares with the weighted average market price at the last five business day before balance sheet date.

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

d) **Long-Term Financial Assets:** Subsidiaries and deposit certificates given by SITA INC. are stated with their cost plus nominal values of free shares received. Investments portfolio are stated with acquisition cost. Equity participation obtained free of charge is recorded at market value at the acquisition date.

Equity participations traded in stock exchanges and other organized markets are valued with the weighted average market price at the last five business day before balance sheet date.

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 5 years on straight line basis.

TURKISH AIRLINES INC.

NOTES TO THE FINANCIAL STATEMENTS / continued

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

f) **Rediscount of Trade Receivables and Payables:** Trade receivables whose maturity is longer than 3 months in Turkish Lira or foreign currency are discounted to state its fair value in the financial statements as of December 31, 2002, except advances, deposits and guarantees, which are not required to be rediscounted.

g) **Provisions:**

- 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.

- Provision for Private Passenger Miles Commitment: The Company provides a frequent flyer program, which is called Miles and Miles in the form of free travel award to its members on accumulated mileage. The estimated cost of providing free travel, using the incremental cost method as adjusted for estimated redemption rates, is recognized as a liability and charged to operations as program members accumulate mileage.

The Company also sells mileage credits to participating partners in the "Shop and Miles" program. A portion of such revenue is deferred and amortized as transportation is provided.

- 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.

- Doubtful Receivables: The Company provides provision for portion of its receivables, which are uncollected for more than 3 months based on its experience of uncollectibility of similar receivables in previous years.

- Lawsuits Against the Company: The Company reserves provisions for the cases, which are covered by guarantees.

- Provision for Inventory: The Company reserves provisions against inventories sent to vendors for repair.

h) **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 Market Board. Foreign currency exchange losses and income resulting from these transactions are recorded to related income and expense accounts including sales, cost of sales and operational expenses.

i) **Leases:** The Company records leasing payments related to aircraft, ground equipment, spare engine and simulator financed with financial and operational leases, as expense during the lease agreement period.

i) **Manufacturers' Credit:** Manufacturers credits consist of free materials; service and cash amounts received against aircraft purchases from the related supplier company. 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 since a return of the amount is not possible in case of a delay.

j) **Maintenance Expenses:** Regular small maintenance costs, incurred every year, and the current year's overhaul expenses of the aircrafts, which are returned back due to 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 on a straight line basis over the period until the next maintenance.

k) **Tax:** The Company is subject to corporation tax and withholding tax. Corporation tax rate is applied at the rate of 30% of taxable corporate income and a tax surcharge is additionally applied at the rate of 10% on the corporation tax amount. Taxable corporate income is calculated by adding expenses that are not deductible in determining taxable income such as provisions and deducting income that is not subject to tax such as dividends received and investment incentives.

In addition to corporation tax, income withholding tax is charged on profits after corporation tax if dividends are distributed. Consequently, if profits are retained, the Company's effective tax rate is 33%, and, if profits are distributed there will be additional withholding taxes. Withholding tax rate is 5% for public companies and 15% for other companies. Besides, investment incentive deducted from the taxable corporate income is subject to income tax withholding and funds at the rate of 19.8%.

TURKISH AIRLINES INC.

NOTES TO THE FINANCIAL STATEMENTS / continued

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

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

- Starting from 1 January 2003, the ceiling for retirement provisions have been increased from TL 1,260 to TL 1,324 for every full year on the job.
- Market price of 202,735 France Telecom securities, which is quoted at the Paris Stock Exchange, included in marketable securities, increased from Euro 17,15 at December 31, 2002 to Euro 20,12 at February 27, 2003. Hence the total market value of these shares increased by TL 1,155,791 after the balance sheet date.
- Market price of 570,000,000 USA\$ shares, which is quoted at the Istanbul Stock Exchange, included in equity participations, increased from TL 14,020 at December 31, 2002 to TL 15,185 at February 27, 2003. Hence the total market value of these shares increased by TL 635,345 after the balance sheet date.
- According to the 2nd clause of the share transfer agreement signed on 15.11.2001 between the Company and the main shareholder of USA\$, which is Gate Gourmet Holding A.G. (GGH), 71,250,000 USA\$ shares with TL 71,250 Million nominal value that corresponds to 1.25% of USA\$’s capital were transferred to the Company on 2.1.2003. Thus, the Company’s ownership in USA\$ capital has increased to 11.25% corresponding to TL 641,250 in nominal value.
- A 5% share of the subsidiary Sun Express A.Ş. that was belonging to Yusuf BOLAYIRLI against the ‘Obligation and Authority Certificate’ received from him, was transferred to Sertaç HAYBAT on 06.02.2003. These shares are then transferred to the Company’s new General Manager Abdurrahman GÜNDOĞDU by Board of Directors decision numbered 17 and dated 21.02.2003, since Yusuf BOLAYIRLI has retired on 17.02.2003.
- An RJ100 airplane with a manufacturers serial number E3241 that was rented through operational leasing method has crashed on January 8, 2003 in Diyarbakır, so the number of RJ airplanes in the fleet have decreased from 9 to 8.

13- Contingencies:

Contingent Liabilities: Except for the cases reflected to the income statement as provisions amounting TL 2,994,513 the amount of cases taken to the court against the Company but covered by insurance is TL 1,769,153.

14- There is no change in accounting estimates, which could have a significant effect on profit margin.

15- There is no change in accounting estimates, which could have a significant effect on profit margin.

16- The insurance coverage on assets is TL 507,011,125 (31.12.2001: TL 475,629,819).

Assets	Net Book Value	Insurance Coverage	Coverage (%)
Buildings	48,920,567	80,539,345	164.63
Simulator and its mainframe	19,931,651	18,888,294	94.77
Machinery, Equipment & Installation	20,649,606	122,932,959	595.33
Airplane	-	246,850,677	-
Vehicles	4,353,365	37,799,850	868.29
TOTAL	93,855,189	507,011,125	

17- As of December 31, 2002 total letters of guarantee obtained for the receivables of the Company are TL 88,476,918. (31.12.2001: TL 102,816,299)

18- The total of letters of guarantees given as of December 31, 2002 is TL 61,252,227 and (31.12.2001: TL 59,602,878) letter of comfort given in favor of the affiliate Sun Express A.Ş. is USD 2,900,000, EUR 2,556,459 of letter of comfort (31.12.2001: USD 2,900,000 and DEM 6,500,000).

As of December 31, 2002, the financial lease debt of the Company is TL 2,565,698,752 (31.12.2001: TL 2,680,956,618)

TURKISH AIRLINES INC.**NOTES TO THE FINANCIAL STATEMENTS / continued***(Unless otherwise is stated TL amounts are in Million TL, foreign currency amounts appear in full)*

19- As of December 2002, the blocked bank deposits kept for letter of guarantee in the bank accounts of the Company in Johannesburg is TL 79,752 (31.12.2001: TL 51,022). Also in Milan, the Company has blocked bank deposits of TL 674,321.

20- The valuation with stock exchange value of the marketable securities and long-term financial assets which are recorded with cost value on the balance sheet and the valuation with cost value of the marketable securities and long-term financial assets which are recorded with stock exchange value on the balance sheet are shown below:

31.12.2002

	Recorded Value (Million TL)	Cost Value (Million TL)	Market Value (Million TL)
Marketable Securities (France Telecom)	5,922,674	-	5,922,674
Equity Participations (Uçak Servis A.Ş.)	8,020,080	-	8,020,080

31.12.2001

	Recorded Value (Million TL)	Cost Value (Million TL)	Market Value (Million TL)
Marketable Securities (France Telecom)	12,449,548	-	12,449,548

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:

	31.12.2002	31.12.2001
a- Other Short-Term Receivables	18,439,594	26,414,947
Turban Receivables from the Sale of KTHY	-	24,584,118
Receivables from the Cancellation of A Type Handling License	11,587,342	-
Receivables from Petrol Ofisi	3,824,102	-
Receivables from Cockpit Personnel Related to Flight Training	230,745	-
Receivables from Boeing	1,146,895	930,030
Technical Material Purchase from Foreign Companies	523,480	157,460
Business Advances Given	314,654	52,366
Advances Given to Personnel	278,424	58,601
Receivables from SITA Investment Certificate	201,429	172,496
Receivables from Spare Part Sales	147,494	-
Receivables from Personnel	78,874	246,815
Receivable Related to Libya Blocked Account	78,345	-
Receivables from Tax Office	17,990	35,183
Other	9,820	177,878
b- Other Current Assets	66,380,938	22,988,567
Prepaid Tax	40,930,793	-
Prepaid Expenses	17,840,116	19,525,165
VAT Receivable from Abroad	2,868,057	2,944,803
Maintenance Service Income Accruals	2,600,203	-
Other Income Accruals	1,498,992	-
Accrued Income from Catering Companies' Discounts	544,498	-
VAT Deductible	57,660	31,186
Other Current Assets	40,619	487,413
c- Other Long-Term Receivables	29,886,223	778,669
Receivables from the Sale of KTHY	27,359,796	-
Long-Term Receivables from Personnel	1,592,148	-
Receivables from SITA Investment Certificates	934,279	778,669

TURKISH AIRLINES INC.
NOTES TO THE FINANCIAL STATEMENTS / continued
(Unless otherwise is stated TL amounts are in Million TL, foreign currency amounts appear in full)

	31.12.2002	31.12.2001
d- Other Intangible Fixed Assets	1,973,567	2,196,782
Intangible Fixed Assets	1,384,820	1,304,864
Amortization of Intangible Fixed Assets	(584,755)	(349,426)
Additional Components Installed in Aircraft	3,461,473	1,839,064
Acc. dep. of Additional Components Installed in Aircraft	(3,095,272)	(1,394,201)
RJ Simulator Modification	10,381	10,381
RJ Simulator Modification Depreciation	(4,449)	(2,965)
A340 B/C Seat Modification	986,331	986,331
Amortization of Additional Seats in A340 B/C	(394,532)	(197,266)
B737-800 Aircraft Seat Modification	261,963	-
B737-800 Aircraft Seat Modification Depreciation	(52,393)	-
e- Other Long-Term Assets	19,826,524	19,962,540
Long-Term Prepaid Aircraft Expenses	18,820,424	16,621,206
Long-Term Prepaid Overhaul Expenses	920,309	995,844
A Type Handling License	-	2,274,672
Inventories to be Sold	77,642	62,676
Other	8,149	8,142
f- Other Long-Term Financial Assets	400,236	534,778
SITA INC.	534,778	534,778
SITA INC. Provision for Diminution Value of Equity Share	(134,542)	-
g- Other Short-Term Payables	18,890,462	-
Protocol Payables to DHMI	18,494,369	-
Lufthansa System Software Related Payables	127,634	-
Incorrect Bank Records	62,454	-
Bank Records With Undetermined Nature	78,672	-
Payable to Ray Sigorta A.Ş.	40,847	-
Other	86,486	-
h- Other Provisions	190,277,464	82,862,301
Leasing Expense Accruals	79,364,032	72,835,996
Unearned Revenues	12,258,893	2,281,114
Frequent Flyer Provision	11,848,477	4,478,457
Provision Provided for Legal Claims Against Company	2,994,513	1,870,168
Provision Provided for Legal Actions for Tax Conflicts	486,381	950,722
Provision for Manufacturers Credit to Iran Air	503,786	445,844
Shop And Miles Mileage Credit Liability	15,529,572	-
Advance Ticket Sales	67,291,810	-
i- Other Long-Term Payables	-	95,004
Lufthansa System Software Related Payables	-	95,004
j- Other Revenues	149,432,300	52,160,686
Insurance Claim Income	56,607,754	6,529,596
Income from Services Rendered to Other Parties	52,957,088	24,266,678
Commissions Received	3,772,175	4,595,734
Advertisement Income	4,900,248	-
Galileo System Income	2,866,803	3,781,184
Income from Sales of Spare Parts	1,708,799	6,178,581
Duty Free Revenues	2,412,004	1,241,831
Ticket Cancellation Revenue	8,298,820	5,418,989
Aircraft and Component Rent Revenue	940,734	-
Other	14,967,875	148,093
	31.12.2002	31.12.2001

TURKISH AIRLINES INC.**NOTES TO THE FINANCIAL STATEMENTS / continued***(Unless otherwise is stated TL amounts are in Million TL, foreign currency amounts appear in full)*

k- Other Deductions	38,234,867	8,251,191
Advance Mileage Credit Sales	37,058,098	-
Environment Protection Fund	917,307	886,113
OHAL Region Deductions	259,462	7,365,078
l- Other Operating Income	176,656,001	150,810,319
Foreign Exchange Income	165,195,456	125,108,414
Interest Discount Income	5,645,442	-
Purchase Discounts	2,856,823	4,846,946
Commission Income	2,534,321	219,584
Aircraft Rent Income	-	2,899,696
Marketable Securities Valuation Income	-	13,017,468
Advertisement Income	-	4,580,249
Other	423,959	137,962
m- Other Extraordinary Income	17,230,851	105,513,128
Income from the Cancellation of A Type Handling License	7,718,351	-
Credit Notes Received from Spare Parts Repair Suppliers	2,877,529	1,874,037
Income Recognized in 2002 Related to Free Uşaş Shares Received Based on 5 Years Catering Service Agreement	1,909,500	-
Protocol Income from Yapı Kredi	1,389,540	-
Insurance Claim and Indemnity Income	996,508	1,878,690
Free Material Income	899,991	604,766
Manufacturers' Credit Income	196,170	2,393,863
Fixed Asset Sales Income	213,746	4,049,336
Income from Other Penalty and Indemnity	105,161	59,744
Income from the Indemnities Collected from Leaving Personnel	51,762	25,608
Aircraft Sales Income	-	93,206,394
Other	872,593	1,420,690
n- Other Extraordinary Expenses	2,649,129	13,608,053
Overhaul Expenses for Sold or Delivered Aircrafts	1,983,880	2,504,649
Delay Interest	7,130	10,211,344
Fixed Asset Disposal Expense	270,106	595,976
Social Aid for Retired Employees	207,564	185,221
Penalty Expenses	61,157	902
1999 Additional Taxes	-	88,693
2002 Additional Taxes (Earthquake Tax)	115,116	-
Other	4,176	21,268
o- Other Operating Expenses	124,593,621	31,253,906
Exchange Rate Difference Expenses	92,981,256	29,286,816
Foreign Currency Expense	26,816,574	-
DHMI Interest Expense	3,909,399	50,380
Passengers Without Visas	719,031	454,998
Garanti Bank Co-Branded Interest Expense	107,745	-
Diminution in Value of Inventories	-	836,277
Rediscount of Receivables	-	619,167
Other	59,619	6,268

23- Other short-term liabilities as of December 31, 2002 include accrued personnel expense of TL 14,212,404 for personnel working in Turkey or abroad (31.12.2001: 22,323,194 TL)

TURKISH AIRLINES INC.
NOTES TO THE FINANCIAL STATEMENTS / continued

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

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, 2002 are TL 21,485,859 (31.12.2001: 14,660,706 TL).

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

	31.12.2002 Amount	31.12.2002 Part. Rate	31.12.2002 Net Period Profit / Loss	31.12.2001 Net Period Profit / Loss
Subsidiaries	18,254			
Sun Express A.Ş. (*)	24,000	50%	4,417,930	119,650
THY SRL	254	100%	-	-
Capital Commitments (-)	(6.000)			
Equity Participations	8,020,080			
Uçak Servis A.Ş. (USAŞ)	8,020,080	10%	21,721,844	-
Investments Portfolio	6,000			
Emek İnşaat ve İşletme A.Ş.	6,000	0.3%	1,366,726	408,750

(*) 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. However, due to retirement of Yusuf Bolayırılı as of 17 February 2003, 5% share belonging to Yusuf Bolayırılı has been transferred to the Company's new General Manager Abdurrahman Gündoğdu with the Board of Directors Decision dated 21 February 2003, numbered 17.

These shares were given to these personnel during Sun Express A.Ş.'s establishment phase on deposit, and they do not have possession over these shares. There are no such shares of Sun Express are issued physically and the right to sell and transfer are entirely remain with the Company.

The financial statements of subsidiaries, equity participations and investments portfolio (Emek İnşaat A.Ş. and Sun Express) that are not traded at the organized stock exchanges, have not been audited according to Capital Market Board accounting principles. Financial statements of Uçak Servis A.Ş. (USAŞ) have been audited.

27- Free share amount, which resulted from capital increase occurred from the internal resources of Emek İnşaat ve İşletme A.Ş. is TL 2,082 in the current period.

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

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
31.12.2000	131,029,019	92,035,335	38,993,684
31.12.2001	137,092,368	88,911,349	48,181,019
31.12.2002	212,145,072	145,818,390	66,326,681

TURKISH AIRLINES INC.**NOTES TO THE FINANCIAL STATEMENTS / continued***(Unless otherwise is stated TL amounts are in Million TL, foreign currency amounts appear in full)*

30- Foreign currency receivables of the Company, which are not hedged as of December 31, 2002 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 Market Board to the Independent Audit Companies. For US Dollar the foreign currency bid rate is TL 1,634,501 (full), the foreign currency ask rate is TL 1,642,384 (full). Receivables and payables and the list of foreign currencies classified under US Dollar are as follows:

	31.12.2002		31.12.2001	
	Foreign Currency (USD) Equivalent	TL Equivalent (TL Million)	Foreign Currency (USD) Equivalent	TL Equivalent (TL Million)
Deposits at Several Banks	224,188,243	366,435,908	70,292,864	101,191,287
Trade Receivables	69,660,890	113,860,795	45,201,592	65,070,721
Other Receivables	20,181,243	32,986,263	18,769,613	27,020,115
Advances Given	9,627,500	15,736,159	10,274,346	14,790,610
Other Short-Term Assets	52,695,131	86,130,245	52,358,326	75,373,318
Bank Loans	458,068	752,323	764,709	1,106,160
Trade Payables	119,582,563	196,400,489	62,794,551	90,832,946
Other Payables	974,389	1,600,321	211,539	305,993
Advances Received	19,873,416	32,639,780	14,500	20,974
Provision for Expenses	46,991,562	77,178,190	55,214,236	79,867,945

31- As of December 31, 2002, letters of Comfort given in favor of Sun Express is USD 2,900,000 (31.12.2001-2,900,000) and EURO 2.556.459 (31.12.2001-DEM 6,500,000).

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

	31.12.2002	31.12.2001
Permanent Personnel		
- Under collective agreement	6,950	7,517
- Out of collective agreement	999	1,069
Contracted (*)	10	12
Temporary (**)	3,125	3,319
Total	11,084	11,917

(*) Stewards are classified as "Temporarily Contracted" or "Contracted" as in their first two years, they work under one year contracts. (The Company does not have any contracted personnel under decree-law number 233)

(**) University students working part- time or as personnel with temporary contracts, are disclosed as "temporary" on the table above.

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 have been closed as a result of the war occurred in 1989. Bank deposits resulting from sales of USD 2,909,721 till 1989, which is equal to TL 4,764,806 as of December 31, 2002. has not been received in 2002 and provision is recorded for the amount.

- In addition, the Company provided a provision of TL 601,379 for its deposit in Cairo Bank, due to the devaluation experienced in Egypt in 2003.

TURKISH AIRLINES INC.

NOTES TO THE FINANCIAL STATEMENTS / continued

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

- The Company has made prepayments of USD 52,505,116 (equivalent of TL 85,819,665), which are related with the capital leased aircrafts of B737-800 and A 340 and are not financed by the creditors. The Company has the purchase option to buy the aircrafts at the end of the financial lease. If the Company takes this option, the ownership of the aircrafts will be given to the Company at the end of 12 years and the advance amounts will be classified under fixed assets, which will be the cost of the aircrafts. If the Company will not take this option into consideration, the aircrafts will be sold and advances will be paid back to the Company. In this concern, The Company has classified the prepayments under Fixed Assets group, Advances Given section. As the advances given are in foreign currency as of balance sheet date, they are evaluated and foreign exchange gain/loss is charged to profit and loss figures. The Company has also obtained manufacturers' credits related with the aircrafts stated above amounting to USD 73,827,305. For the year 2002, extraordinary income recorded related to these manufacturers credits is USD 146,790, which is equivalent of TL 196,170.

- The land 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 made by the Company and recorded as fixed assets of the Company. The rent contract is automatically renewed each year. Net book value of such buildings are TL 25,542,652 as of December 31, 2002. Furthermore, net book value of a building contracted on a land, which was given to the Company's usage by Ministry of Finance for 49 years.

- Additionally, construction expenditures on various lands, which were rented, from State Airport Institution (DHMI) amounts to TL 5,000 and are followed in Construction in Progress account.

- Tender for the catering service was won by Uçak Servis A.Ş. (USAŞ) and service agreement was signed in January 1, 2002. Based on share transfer agreement made between USAŞ's main partner Gate Gourmet Holding A.G. (GGH) and the Company, USAŞ will transfer its group B free shares corresponding to 15% of its total capital to the Company. According to the agreement, the ownership of the first 10% shares was transferred in June 21, 2002. The transfer of the 15% ownership will be fully completed by transferring 1.25% of the shares in the years 2003-2004-2005 and 2006. 570 million shares corresponding to the first 10% share of USAŞ's capital TL which was transferred in June 21, 2002 to the Company, were recorded to "Long-term investment" and "Deferred income" accounts at the market value of TL 9,527,500. "Deferred income" amount will be recorded as income during the 5-year-catering service agreement.

- In the January-December 2002 period, exchange rate loss recorded to cost of sales and operational expenses are TL 50,233,712 (31.12.2001:TL 87,341,729) and TL 1,470,371 (31.12.2001: TL 1,088,227) respectively and foreign exchange gain recorded in gross sales is TL 32,975,292 (31.12.2001: TL 26,398,737).

- In 2001, the company purchased A type handling license of TL 13.648.035 in order to be able to give ground service to third parties. However, as a result of the meeting of the Privatization High Council held on April 16, 2002, a decision was taken not to give ground service to third parties. On January 14, 2003 a decision was taken for the revocation of the above A type handling license by the Turkish Republic Ministry of Transport and for the return to the Company of the amounts paid to DHMI, in USD and for the cancellation of the remaining debt of the Company to DHMI. Therefore the Company cancelled the expenses of TL 10,544,532 related to the A type handling license that was incurred during the year 2002 and recognized other extra-ordinary income of TL 7,718,351 which was recognized as expense in 2001.

- During the meeting of the Board of Directors held on November 29, 2002, it was decided that the receivable of USD 17,077,439 due from the sale of the Company's shares of Kıbrıs Türk Hava Yolları A.Ş. to Turban Turizm A.Ş. on December 31, 2000 is to be converted into Turkish Lira and interest should be accrued. As a result of the correspondence with Turkish Republic Privatization Administration based on the above decision, the above mentioned receivable was converted on December 9, 2002 into TL 26,733,518 from the exchange rate announced by Central Bank of Turkey, and interest started to be accrued starting from December 9, 2002.

TURKISH AIRLINES INC. NOTES TO INCOME STATEMENT

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

	31.12.2002	31.12.2001
a) Depreciation Expense	56,541,891	44,140,994
aa) Depreciation expense	16,544,989	15,917,450
ab) Revaluation of depreciation	39,996,902	28,223,544
b) Amortization Expense	2,261,349	1,479,537

2- Provision expenses are as follows:

	31.12.2002	31.12.2001
Retirement pay provision charge	33,666,786	30,213,677
In-house insurance risk provision	1,024,888	437,169
Provision for doubtful receivables	2,303,622	5,292,166
Discount on receivables	216,537	619,167
Allowance for diminution in value of Inventory	2,556,481	836,227
Mileage liability provision expense	7,370,021	2,030,902
Provision for diminution of value of investments portfolio	1,527,420	565,503
Provision for legal claims	660,004	1,267,609
Provision for diminution in value of France Telecom	5,422,545	-
TOTAL	54,748,344	41,262,420

3- Finance expenses are as follows:

	31.12.2002	31.12.2001
a) Allocated to production costs	419,554,309	418,467,747
b) Allocated to fixed assets	26,375	6,890,537
c) Recorded directly as expense	249,208	21,417,159
TOTAL	419,829,892	446,775,443

4- No finance expenses related to shareholders, equity participations and subsidiaries have been incurred.

5- Income from services provided to equity participations and subsidiaries is TL 2,042,479. (31.12.2001: 2,528,783 TL) Expenses have been incurred for the services received are TL 48,458,161. (31.12.2001:-)

6- Total interests received from shareholders, equity participations and subsidiaries are TL 240.960.

7- Salaries and benefits to Board of Directors, and top management such as, general manager, assistant general managers, general coordinator in the current period amount to TL 809,228 (2001 - TL 621,336)

8- Fixed assets (except buildings and components) are depreciated from revalued amounts, buildings and components are depreciated from their historical cost amount. Depreciation is on a straight-line basis. Annual depreciation rates are 2% for buildings, 6.6% for aircraft and spare engines, 10% for simulator, and 20% for other fixed assets.

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

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

10- Since the Company has various kinds of stocks, cycle stocks counts are performed on a sample basis 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 have any incentives and subventions related to the sales.

TURKISH AIRLINES INC.
NOTES TO INCOME STATEMENT

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

	31.12.2002	31.12.2001
Previous Period Income		
Reclassification of prior periods education expenses	1,976,916	-
Credit notes dated to 2001 received from CFM INTL, HAMILTON, AIRBUS INDUSTRIE	994,298	-
Prior year revenues coming from KTHY invoices	686,133	306,485
Cancellation of incentive premium given by Telaviv Office in 2001	374,416	-
The misrecord of the purchase invoice issued by Air France	374,287	-
Türksan Turizm sales commission amount	313,944	-
Return commission of Zurich Office in 2001	262,838	-
Amount expensed in 2001 but realized as manufacturers' credit revenue later on.	253,178	-
Aeroflot royalty expense 2001 period accrual-invoice difference	149,494	-
Prior year traveler income	140,834	-
Discount on catering services for the year 2001	197,318	177,887
Receivable amount from Transword Air for year 2001	109,399	-
Paris handling discount for the year 2001	100,494	-
Income from the rejection of invoices of companies that rendered services through Clearing House	99,338	428,523
Credit note obtained at the delivery of aircraft with a serial number of 25372	75,974	-
Closing of Chicago agency car insurance, fuel tax return and prior year credit notes	70,462	-
Bişkek and Amman agencies tax receivables	87,909	-
Recording of EBİ support services invoices for the previous period	42,671	-
Over calculation of New York Head Office technical office rent expense	39,829	-
Technical material warehouse movement corrections	38,983	-
Difference between expenses accrued and realized by Şam Office	37,893	33,168
Recording of manufacturers' credit note of Boeing	34,388	-
Ticket, cargo and other revenues	-	475,131
Cancellation of Brussels year 2000 fuel expense	-	48,321
Total credit notes issued for the spare parts purchased in 2001 from foreign companies.	-	1,539,331
Discount made by ILFC in 2000, for the leasing of the plane TC-JDI	-	61,177
Prior year cheque collection (NTS company)	-	65,078
Correction for the fixed assets purchased in 2000	-	66,723
Over collected VAT in Lyon for year 2000	-	61,164
Estimation for the damage the cargo containing dangerous materials gave to the plane	-	106,784
Swissair cargo handling ULD apparatus usage invoice	-	849,336
Prior year VAT receivable from Bakü	-	217,010
Write off of year 2000 income accruals.	-	210,845
Other	481,567	894,296
	6,942,563	5,541,259

TURKISH AIRLINES INC.

NOTES TO INCOME STATEMENT

	31.12.2002	31.12.2001
Previous Period Losses		
Effect of flight basis accounting on year 2001	39,972,080	-
Prior year operational expenses	448,224	2,672,923
Overseas bureau expenses of previous period	35,076	54,294
Commission expenses	8,180	55,557
Air safety expense	5,285	-
Interline expenses	169,311	1,935,931
Interest expenses	27,073	9,924
Code share expenses	16,056	-
Recollection, cancellation and reclassification of missing items	116,898	1,032,828
Prior year repair expense	436,668	780,474
Education expenses	72,956	67,202
JEPPESEN payment for year 2001	15,408	-
Prior year return invoices issued by various companies to THY	568,946	317,193
Prior year manufacturers' credit cancellation	58,373	-
Prior year objections to the post administration	114,306	-
Prior year insurance expense	27,702	72,535
Personnel travel expenses for year 2001 based on agreement with Lufthansa	43,345	-
Meteorological service taken from the company Atraxis in 2001	27,339	-
Corrections made on technical material warehouse movements	72,274	-
2000-2001 surveillance fee of 7 planes delivered in 2000	28,604	-
Fee that is paid to BOTAŞ for the service of removing wreck aircraft TC-JEP which crashed in 1999	-	50,462
Prior year incentive premium expenses	-	1,778,559
Royalty expense	-	37,804
Portion of UN compensation that belongs to Turkish Air Force	-	91,390
K.T.H.Y. technical service expense	-	155,785
Tripoli July, August, September 2000 corporate tax	-	27,817
Returns related to Visa/MasterCard penalties for year 2000	-	110,702
Other expenses	102,228	487,634
Total	42,366,332	9,739,014

14- The profit after tax is TL 104,919,324 for the year then ended December 31, 2002 (2001: TL 8,127,303).

	2002	2001
Earnings per Share (TL/%)		
a. Common Stockholders	599,54/59.95%	46,44/4.64%
b. Preferred Stockholders	599,54/59.95%	46,44/4.64%

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

Seats provided /Km	
January - December 2001	: 24,889,653,667
January - December 2001	: 24,071,004,377
Change	: (3)%

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

Passenger/ Km	
January - December 2001	: 15.679.266.179
January - December 2002	: 16.593.898.265
Change	: 6%

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Türk Hava Yolları Anonim Ortaklığı

1. We have audited the accompanying balance sheet of Türk Hava Yolları Anonim Ortaklığı (the "Company") as at December 31, 2002, and the related statements of income, changes in shareholders' equity and cash flows for the year then ended December 31, 2002 all expressed in the equivalent purchasing power of the Turkish Lira as of December 31, 2002. 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 audit.
2. We conducted our audit 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 audit provide a reasonable basis for our opinion.
3. In our report dated April 16, 2002, we expressed an opinion that the 2001 financial statements presented fairly the financial position, results of operations, and cash flows in conformity with International Financial Reporting Standards (IFRS), except for the possible effect of the non-application of International Accounting Standard No: 36 "Impairment of Assets". As a result of the terrorist attack which occurred in the United States in September 2001, it was not yet certain whether the decline in market prices of some of its aircraft, were permanent or temporary. Because market prices of used aircraft have not recovered as of December 31, 2002 and the Company's management is of the opinion that the decline in market prices is permanent, the Company decreased the carrying amount of its aircraft and recorded TL 249 Trillion (before taxation effect) as impairment loss on aircraft under operating expense. This amount also includes the impairment expense of TL 145 Trillion that would have been recorded in the year 2001. Consequently, if the impairment had been recorded in the 2001 financial statements, the net book value of fixed assets and deferred tax liabilities as of December 31, 2001 would have been TL 145 Trillion and TL 29 Trillion lower respectively and the net loss for the year ended December 31, 2001, net profit for the year ended December 31, 2002 and accumulated loss as of December 31, 2001 would have been TL 116 Trillion higher.
4. In our opinion, except for such adjustments as may be necessary in respect of the matters set out in paragraph 3 above, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2002, the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

DRT DENETİM REVİZYON TASDİK YEMİNLİ MALİ MÜŞAVİRLİK A.Ş.

Member Firm of DELOITTE TOUCHE TOHMATSU

Istanbul, May 7, 2003

TURKISH AIRLINES INC.**BALANCE SHEETS AS AT DECEMBER 31, 2002 AND 2001***(all figures are restated to TL money values at December 31, 2002 pursuant to IAS 29)*

		December 31, 2002	December 31, 2001
	Note	TL 000,000	TL 000,000
ASSETS			
Cash and Cash Equivalents	5	355,000,990	123,199,116
Marketable Securities	6	9,772,674	16,288,977
Accounts Receivable (Net)	7	122,069,035	114,058,074
Due from Related Parties	8	12,498,974	1,548,021
Inventories	9	71,759,000	58,080,547
Short-Term Advances Given	11	-	20,315,169
Prepaid Tax	22	8,532,701	-
Other Receivables and Current Assets	10	52,788,535	51,561,805
TOTAL CURRENT ASSETS		632,421,909	385,051,709
Long-Term Advances Given	11	24,837,979	30,860,649
Investments at Equity	12	3,837,000	2,056,730
Other Financial Assets	12	8,436,483	1,459,636
Fixed Assets (Net)	13	2,424,459,411	3,020,805,348
Other Long-Term Receivables and Assets	14	41,899,565	48,947,956
TOTAL LONG-TERM ASSETS		2,503,470,438	3,104,130,319
TOTAL ASSETS		3,135,892,347	3,489,182,028
LIABILITIES			
Short-Term Portion of Long-Term Loans	15	742,960	738,326
Short-Term Capital Lease Obligations	16	300,454,567	320,965,024
Accounts Payable		155,087,911	276,279,681
Due to Related Parties	17	5,370,572	109,500
Other Payables and Liabilities	18	47,489,688	31,968,519
Deposits and Advances Received	19	53,137,319	12,176,189
Advance Ticket Sales	20	83,817,514	67,786,885
Other Accrued Liabilities	21	67,434,785	48,281,985
TOTAL SHORT-TERM LIABILITIES		713,535,316	758,306,109
Bank Loans	15	-	720,176
Long-Term Capital Lease Obligations	16	1,680,056,258	2,128,412,744
Long-Term Trade Payables		119,997	246,930
Manufacturers' Credit (Net)	22	7,042,247	10,494,830
Long-Term Deferred Tax Liabilities	22	55,547,217	31,523,666
Retirement Pay Provisions	24	76,721,751	67,569,483
Other Payables and Liabilities	18	6,660,772	-
TOTAL LONG-TERM LIABILITIES		1,826,148,242	2,238,967,829
SHAREHOLDERS' EQUITY			
Capital 25		1,475,577,862	1,475,577,862
Reserves	26	108,826,170	108,826,170
Revaluation Surplus		-	95,944,069
Accumulated Loss		(988,195,243)	(1,188,440,011)
TOTAL SHAREHOLDERS' EQUITY		596,208,789	491,908,090
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,135,892,347	3,489,182,028

TURKISH AIRLINES INC.

STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

(all figures are restated to TL money values at December 31, 2002 pursuant to IAS 29)

	Note	2002 TL 000,000	2001 TL 000,000
Operating Revenue	30	2,575,073,781	2,695,755,415
Operating Expenses	31	(2,554,905,367)	(2,608,694,403)
OPERATING PROFIT		20,168,414	87,061,012
Income from Other Operations	33	40,132,959	194,512,829
Loss from Other Operations	34	(20,132,275)	(40,297,797)
PROFIT BEFORE FINANCIAL EXPENSES, MONETARY GAIN AND TAXATION		40,169,098	241,276,044
Financial Expenses (Net)	32	(373,962,603)	(1,989,034,769)
Monetary Gain		615,994,029	1,701,095,403
PROFIT / (LOSS) BEFORE TAXATION		282,200,524	(46,663,322)
Taxation	22	(81,955,756)	(7,836,726)
NET PROFIT / (LOSS)		200,244,768	(54,500,048)
Profit / (Loss) per Share (TL)		1,144	(314)

*TURKISH AIRLINES INC.**STATEMENTS OF SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**(all figures are restated to TL money values at December 31, 2002 pursuant to IAS 29)*

	Capital TL 000,000	Reserves TL 000,000	Revaluation Surplus TL 000,000	Accumulated Loss TL 000,000
Balance at December 31, 2000	1,446,586,005	108,826,170		(1,133,939,963)
Additions	28,991,857		95,944,069	
Loss for the year				(54,500,048)
Balance at December 31, 2001	1,475,577,862	108,826,170	95,944,069	(1,188,440,011)
Disposals	-	-	95,944,069	-
Profit for the year	-			200,244,768
Balance at December 31, 2002	1,475,577,862	108,826,170	-	(988,195,243)

TURKISH AIRLINES INC.
STATEMENTS OF CASH FLOW FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001
(all figures are restated to TL money values at December 31, 2002 pursuant to IAS 29)

	2002	2001
	TL 000,000	TL 000,000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) Prior to Taxation	282,200,524	(46,663,322)
Adjustments to reconcile loss for the year to net cash provided by operating activities:		
Depreciation	263,577,488	279,139,666
Provision for Employee Termination Benefits	12,594,723	11,020,706
Interest Income	(25,719,673)	(14,207,925)
(Gain) / Loss on Fixed Asset Sales	(9,096,710)	(17,206,392)
Impairment Loss / (Gain)	376,901,236	(133,138,507)
(Gain) / Loss from Equity Investment	(1,780,500)	-
Manufacturers' Credit Adjustment for Fixed Assets	-	7,697,083
Interest Expense	86,707,710	206,444,706
Provision for Diminution in Value of Equity Investment and Marketable Securities	12,979,059	759,303
Increase / (Decrease) in Stock Provision	-	(1,015,001)
Movement in Manufacturers' Credit	(3,452,583)	(949,911)
Amortization of Deferred Income from USA\$ Share Transfer	(2,220,256)	-
Foreign Exchange Loss / (Gain) on Leases (Net of Monetary Gain)	(321,948,440)	350,390,215
Valuation of Investment in Equity Shares at Market Value	-	(16,281,126)
Monetary gain on Deferred Tax Liability	(1,847,173)	-
Increase / (Decrease) in Provision for Doubtful Receivable	2,304,491	3,620,072
Operating Profit Before Working Capital Changes	671,199,896	629,609,567
(Increase) / Decrease in Trade Receivables	(10,315,452)	12,537,489
(Increase) / Decrease in Due from Related Parties	(10,950,953)	(348,257)
(Increase) / Decrease in Inventories	(13,678,453)	208,911
(Increase) / Decrease in Prepayments & Other Assets	(1,222,756)	63,946,146
(Increase) / Decrease in Other Long-Term Assets	7,044,419	7,363,492
(Increase) / Decrease in Short-Term and Long-Term Advances Given	26,337,841	12,669,086
Increase / (Decrease) in Trade Payables	(121,191,770)	4,403,922
Increase / (Decrease) in Due to Related Parties	5,261,072	(160,436)
Increase / (Decrease) in Other Payables & Accrued Expenses	32,453,715	(33,268,633)
Increase / (Decrease) in Advances Received	40,961,096	(886,715)
Increase / (Decrease) in Advance Ticket Sales	16,030,663	(21,621,904)
Increase / (Decrease) in Other Long-Term Trade Payables	(126,926)	(169,791)
Cash Generated from Operations	641,802,392	674,282,877
Retirement Benefits Paid	(3,442,455)	(24,697,028)
Interest Paid	(94,706,760)	(220,541,302)
Income Taxes Paid	(40,930,793)	-
Net Cash Provided by Operating Activities	502,722,384	429,044,547
CASH FLOWS FROM INVESTING ACTIVITIES		
Changes in Marketable Securities	(2,405,099)	93,752
Disposal of Investment	67,011	-
Purchase of Financial Assets	-	(632)
Cash Proceeds / (Outflows) from Sale of Subsidiary		
Cash Proceeds from Fixed Assets Sales	77,411,585	137,564,536
Interest Received	25,719,673	14,207,925
Purchases of Fixed Assets	(101,730,651)	(67,354,944)
Net Cash (Used in) / Provided by Investing Activities	(937,481)	84,510,637
CASH FLOWS FROM FINANCING ACTIVITIES		
Share Capital Issued	-	28,991,857
Payment of Leases	(269,267,488)	(350,047,548)
Payment of Loans	(715,541)	(114,059,379)
Net Cash used in Financing Activities	(269,983,029)	(435,115,070)
NET INCREASE IN CASH AND CASH EQUIVALENTS	231,801,874	78,440,114
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	123,199,116	44,759,002
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	355,000,990	123,199,116

TURKISH AIRLINES INC.

NOTES TO THE FINANCIAL STATEMENTS

(all figures are restated to TL money values at December 31, 2002 pursuant to IAS 29)

1- THE COMPANY'S OPERATIONS

Türk Hava Yolları A.O. ("the Company" or "THY") was incorporated in Turkey in 1933. The principal activity of the Company is domestic and international air transportation of passengers and cargo.

As of December 31, 2002, the shareholders and their respective shareholdings in the Company were as follows:

Turkish Republic Privatization Administration	98.17%
Others	1.83%
	<u>100.00%</u>

2- BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "IAS") and interpretations issued by the Standing Interpretations Committee (SIC).

Inflation Accounting

The Company's statutory records are maintained under the historical cost convention, as modified by the annual revaluation of property, plant and equipment. The accompanying IAS financial statements include restatement to reflect changes in the purchasing power of the Turkish Lira as required by IAS 29 ("Financial Reporting in Hyperinflationary Economies").

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous periods be restated in the same terms. One characteristic that leads to the classification of an economy as hyperinflationary, necessitating the application of IAS 29 restatement, is a cumulative three-year inflation rate approaching or exceeding 100%. Such cumulative rate in Turkey is 227% for the three years ended December 31, 2002 based on the wholesale price index announced by the Turkish State Institute of Statistics. The restatement has been calculated by means of conversion factors based on the Turkish countrywide wholesale prices index ("WPI") published by the State Institute of Statistics.

The index and corresponding conversion factors for year-ends are as follows (1994 average=100):

	Index	Conversion Factor
31 December 2000	2,626.0	2.4671
31 December 2001	4,951.7	1.3083
31 December 2002	6,478.8	1.0000

The main guidelines for the restatement are as follows:

- All amounts not already expressed in terms of the measuring unit current at the balance sheet date are restated by applying a general wholesale price index (the WPI). Corresponding figures for previous periods are similarly restated.
- Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date. Monetary items are money held and items to be received or paid in money.
- Non-monetary assets and liabilities and the components of shareholders' equity are restated by applying, (to the initial acquisition cost and any accumulated depreciation for fixed assets), the relevant conversion factors reflecting the increase in the WPI from the date of acquisition or initial recording to the balance sheet date. Revaluations made on any other basis in the statutory records are eliminated.
- All items in the statements of income are restated by applying the relevant conversion factors.
- The effect of general inflation on the Company's net monetary position is included in the statements of income as monetary gain or loss.

TURKISH AIRLINES INC.

NOTES TO THE FINANCIAL STATEMENTS / continued

(all figures are restated to TL money values at December 31, 2002 pursuant to IAS 29)

Inflation and Foreign Exchange Rates

The majority of the Company's operating activities, notably expenses, are transacted and realized in US Dollars. Had the Company selected to report the financial statements in US dollars in accordance with IAS 21, the financial statements could have been materially different due to the devaluation of the Turkish Lira "TL" against the US dollar being different than the official inflation rate. The comparative rates of currency devaluation against the US dollar and of WPI inflation are set out below:

Years	2002	2001
Currency devaluation		
USD	13.5%	114.3%
WPI inflation	30.8%	88.6%

At December 31, 2002 the exchange rate announced by the Turkish Central Bank (which is the market rate) was TL 1,634,501 = US\$ 1.

3- SEGMENTAL REPORTING

3.1. Business Segments

The Company operates predominantly in one industry segment, its primary business being the air transportation of passengers and cargo within, to or from Turkey. The activities of the Company's equity investment are also related to the airline business.

3.2. Geographical Segments

The analysis of turnover is based on the destinations that THY serves. All passenger fare and cargo revenue within Turkey is attributed to the revenue from domestic services. Turnover from both scheduled and non-scheduled international flight revenues are attributed to the geographical area.

4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of the accompanying financial statements are as follows:

4.1. Revenue Recognition and Commission Expenses

Passenger fares and cargo revenues are recorded as operating revenue when the transportation is furnished. Tickets sold but not yet used are recorded as advance ticket sales.

The Company develops estimations using historical statistics and data to estimate unredeemed tickets. Total unredeemed tickets of TL 29,837 Billion (approximately) were recognized as operating revenue in 2002.

Commissions to agencies relating to the passenger revenue are recognized as expense, based on estimations, when the transportation is provided. Commission on tickets sold in advance is recorded as prepaid expenses in the current assets.

4.2. Marketable Securities

Marketable securities are equity shares that are traded in foreign stock exchanges. The Company valued those shares with the weighted average market price at the last five-business day before balance sheet date.

4.3. Inventory Valuation

Inventories are valued at the lower of cost or net realizable value using the moving weighted average method.

4.4. Investments

Investments with ownership between 20% and 50% and which are not controlled are accounted for using the equity method.

Investments with ownership less than 20% which are traded at organized stock exchanges are carried at market and remaining investments are accounted for at cost restated according to IAS 29.

TURKISH AIRLINES INC.**NOTES TO THE FINANCIAL STATEMENTS / continued***(all figures are restated to TL money values at December 31, 2002 pursuant to IAS 29)***4.5. Fixed Assets**

Fixed assets are carried at indexed historical cost.

Depreciation is provided on a straight-line basis for all categories of property, plant and equipment, except for rotables and repairables, which are depreciated on a group basis. The depreciable lives and residual values used for the principal depreciable asset classifications are as follows:

	Useful Life	Residual Value
- Land -	-	-
- Buildings	50	-
- Aircraft	15-20	10-30%
- Engines	15	30%
- Rotable Assets	10	-
- Repairables	2-3	-
- Simulator	10	-
- Machinery and Equipment	6.5	-
- Furniture and Fixtures	5	-
- Vehicles	5	-
- Other Equipment	5	-

As of 31 December 2002, indexed cost in Turkish Lira for aircraft exceeded US\$ cost as inflation of 2002 was significantly higher than the devaluation of TL against US\$. For this reason carrying amount of aircraft has been reduced to US\$ depreciated cost. Decrease in net book value is charged directly against related revaluation surplus to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of aircraft and the remaining decrease is recognized as an expense. An examination is then made of whether the US\$ depreciated amount of each aircraft may exceed its recoverable amount. In accordance with IAS 36 "Impairment of Assets", recoverable amount is determined as higher of asset's net selling price or its value in use. Net selling price is determined as based on the Company's management estimation developed from the International Aircraft Price Guide. The decrease in carrying amount is recorded as impairment loss under operating expense.

4.6. Manufacturers' Credits

Manufacturers' credits are received against acquisition and/or lease of aircraft and engines. The Company reduced these credits from the cost of the owned or financial leased assets and amortized them over the related asset's remaining useful life. Manufacturers' credit related to operational leases is recorded as deferred revenue and amortized over the lease term.

4.7. Maintenance and Repair Costs

Regular maintenance and repair costs for owned and leased flight equipment are charged to operating expense as incurred. Heavy maintenance checks are accrued on a periodical basis.

4.8. Frequent Flyer Program

THY provides a frequent flyer program called Miles and Miles in the form of free travel award to its members on accumulated mileage. The estimated cost of providing free travel, using the incremental cost method as adjusted for estimated redemption rates, is recognized as a liability and charged to operations as program members accumulate mileage.

THY also sells mileage credits to participating partners in the "Shop and Miles" program. A portion of such revenue is deferred and amortized as transportation is provided.

4.9. Taxation

The charge for current tax is based on the results for the year as adjusted for items, which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

TURKISH AIRLINES INC.

NOTES TO THE FINANCIAL STATEMENTS / continued

(all figures are restated to TL money values at December 31, 2002 pursuant to IAS 29)

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax is charged or credited in the income statement.

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority. Deferred income tax assets and liabilities are also offset based on their estimated settlement date.

4.10. Employee Retirement and Termination Indemnities

Employee retirement and termination benefits as required by Turkish Labor Law are recognized in the accompanying financial statements as earned.

Future retirement payments are discounted to their present value at the balance sheet date at an interest rate determined as the net of an expected inflation rate and an appropriate discount rate according to IAS 19 "Employee Benefits". The interest rate included in employee retirement expense is shown in the financial result as interest expense.

4.11. Related Parties

For the purpose of the accompanying financial statements, shareholders of the Company and the companies related to those companies, their directors and key management personnel and any companies to which they are known to be related, are considered and referred to as related parties.

4.12. Foreign Currency Transactions

Transactions in foreign currencies are translated into Turkish Lira at the rates of exchange ruling at the transaction dates. Assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date. Gains and losses arising on settlement and translation of foreign currency items are included in the statements of income.

The ending and average TL to US Dollar exchange rates for years ending December 31 are as follows:

	Ending Rate	Average Rate
December 31, 2000	671,765	605,932
December 31, 2001	1,439,567	1,196,780
December 31, 2002	1,634,501	1,504,597

4.13. Leases

The Company leases aircraft, simulator, computer equipment and vehicles in the form of either capital/finance leases or operating leases. According to IAS 17 capital leases are reflected in the Company's assets by recording capital leased assets and liabilities equal to the present value of the minimum lease payments. The capital leased assets are depreciated over their useful lives. Operating leases are accounted for as operating expense when incurred.

4.14. Financial Instruments

Financial Assets

The Company's principal financial assets are cash and cash equivalents, securities, accounts receivable, due from related parties and financial assets.

Book values of trade receivables and due from related parties along with the related allowances for uncollectibility are estimated to be their fair value except receivables discounted to their present value when they hold significant credit periods. Trade receivables, which have maturity over three months, are discounted. Marketable securities consist of equity shares, which are carried at market value.

TURKISH AIRLINES INC.

NOTES TO THE FINANCIAL STATEMENTS / continued

(all figures are restated to TL money values at December 31, 2002 pursuant to IAS 29)

Financial assets, except Sun Express and Uçak Servis A.Ş., where the Company is not in a position to exercise significant influence or joint control, are stated at cost as their fair value can not be reliably measured.

Sun Express is accounted for using the equity method as the Company exercises a significant influence. Uçak Servis A.Ş. shares are classified as available for sale investment and changes in fair value relating available for sale investments are reported in net profit or loss.

Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include interest-bearing bank loans, accounts and other payables, due to related parties and finance lease obligations. Interest-bearing loans denominated in foreign currencies are translated at the year-end exchange rates. Finance charges are accounted for on an accrual basis and are traced under other accrued expenses to the extent that they are not settled in the period in which they arise. Accounts and other payables and due to related parties are recorded at their nominal value, which approximates their fair value.

Credit Risk

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Company's management based on prior experience and the current economic environment.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counter parties and customers.

Price Risk

• Currency Risk:

The Company is exposed to exchange rate fluctuations between foreign currencies and Turkish Lira due to the nature of its business. The major part of the Company's ticket income is in Euro and US Dollar or linked to these currencies and the major part of its expenses is denominated in US Dollars and Turkish Lira.

• Interest Risk:

Most of the interest rates related to leasing transactions are based on LIBOR; therefore the Company is exposed to interest rate fluctuations on international markets. The Company does not have any hedging transactions to limit currency and interest rate risks.

• Market Risk:

The Company invests in government bonds acquired under reverse repurchase agreements made for short periods or deposits to banks on a daily basis. These investments fluctuated based on the market conditions.

• Liquidity Risk:

Usually, tickets are sold in advance and transportation is provided later. Therefore the Company takes advantage of collecting revenue in advance and incurring transportation cost later.

The Company also benefits from the difference between the collection and the payment period to its counter parties. The Company's collection period from its customers is approximately 30 days and the payment period to its suppliers is approximately 60 days.

4.15. Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

4.16. Use of estimates

The preparation of financial statements in conformity with International Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

TURKISH AIRLINES INC.
NOTES TO THE FINANCIAL STATEMENTS / continued

(all figures are restated to TL money values at December 31, 2002 pursuant to IAS 29)

4.17. Earnings per Share

IAS 33 "Earnings per Share" requires disclosure of basic earnings per share and diluted earnings per share (if applicable) for companies whose shares are publicly traded or which are in the process of issuing shares in a public market.

There were no dilutive equity instruments outstanding which would require the calculation of separate diluted earnings per share.

A summary of the weighted average number of shares outstanding during 2002 and 2001 and the basic earnings per share calculation is as follows:

	2002	2001
Number of Shares outstanding at January 1, (in full)	175,000,000,000	162,660,070,000
Bonus shares issued (by transfer of the Revaluation fund) (in full)	-	-
New shares issued (cash increase) (in full)	-	12,339,930,000
Number of Shares outstanding at December 31, (in full)	175,000,000,000	175,000,000,000
Weighted average number of shares outstanding during the year (in full)	175,000,000,000	173,444,830,740
Net Profit / (Loss) (TL Million)	200,244,768	(54,500,048)
Basic Income / (Loss) per Share (TL)	1,144	(314)

5- CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	December 31, 2002 TL 000,000	December 31, 2001 TL 000,000
Cash	122,462	105,429
Cheques Received	275,919	832,087
Banks	350,580,302	114,756,036
Other Liquid Assets	4,022,307	7,505,564
	<u>355,000,990</u>	<u>123,199,116</u>

Foreign currency bank balances are TL 341,671,897 Million as at December 31, 2002.

Time Deposits:

Amount	Currency	Opening Date	Rate	Interest Maturity	31 December 2002 TL 000,000
70,000,000	USD	29.11.2002	3.01%	02.01.2003	114,415,070
35,000,000	USD	09.12.2002	2.81%	09.01.2003	57,207,535
40,000,000	USD	16.12.2002	2.81%	16.01.2003	65,380,040
20,750,000	USD	31.12.2002	1.60%	02.01.2003	33,915,896
22,700,000	EUR	30.12.2002	3.20%	02.01.2003	38,668,928
					<u>309,587,469</u>

Amount	Currency	Opening Date	Rate	Interest Maturity	31 December 2002 TL 000,000
8,000,000	TL Million	24.12.2001	60.5%	03.01.2002	10,467,193
2,500,000	TL Million	28.12.2001	60.5%	03.01.2002	3,270,998
2,300,000	TL Million	31.12.2001	49%	02.01.2002	3,009,318
10,000,000	USD	24.12.2001	2.8%	02.01.2002	18,835,282
5,000,000	USD	27.12.2001	2.8%	03.01.2002	9,417,641
11,300,000	USD	28.12.2001	3.5%	04.01.2002	21,283,869
					<u>66,284,301</u>

The Company has blocked deposits amounting to TL 79,752 Million in Johannesburg and TL 674,321 Million in Milan related to guarantees obtained from these banks.

TURKISH AIRLINES INC.**NOTES TO THE FINANCIAL STATEMENTS / continued***(all figures are restated to TL money values at December 31, 2002 pursuant to IAS 29)***6- MARKETABLE SECURITIES**

Marketable securities consist of the following:

	December 31, 2002	December 31, 2001
	TL 000,000	TL 000,000
France Telecom	15,583,979	17,028,880
Diminution in Value of France Telecom	(9,661,305)	(739,903)
Repurchase Agreements	3,850,000	-
	<u>9,772,674</u>	<u>16,288,977</u>

The interest rate of the repurchase agreement is 35.88% and its maturity is January 2, 2003.

7- ACCOUNTS RECEIVABLE (Net)

Accounts receivable consist of the following:

	December 31, 2002	December 31, 2001
	TL 000,000	TL 000,000
Trade Receivables	143,554,894	133,239,442
Provision for Doubtful Receivables	(21,485,859)	(19,181,368)
	<u>122,069,035</u>	<u>114,058,074</u>

8- DUE FROM RELATED PARTIES

Due from related parties consists of the following:

	December 31, 2002	December 31, 2001
	TL 000,000	TL 000,000
Güneş Ekspres Havacılık A.Ş. (SUN EXPRESS)	1,007,121	267,553
Turkish Republic Privatization Administration (*)	10,240,960	-
Uçak Servisi A.Ş. (USAŞ)	7,044	-
Sita	1,135,708	1,244,505
THY SRL	108,141	35,963
<u>Due from Related Parties Short-term</u>	<u>12,498,974</u>	<u>1,548,021</u>

(*) The interest rate applied to receivable from Turkish Republic Privatization Administration is 40%

9- INVENTORIES

Inventories consist of the following:

	December 31, 2002	December 31, 2001
	TL 000,000	TL 000,000
Spare Parts, Flight Equipment	62,890,015	47,448,407
Other Inventories	8,868,985	10,632,140
	<u>71,759,000</u>	<u>58,080,547</u>

TURKISH AIRLINES INC.
NOTES TO THE FINANCIAL STATEMENTS / continued

(all figures are restated to TL money values at December 31, 2002 pursuant to IAS 29)

10- OTHER RECEIVABLES AND CURRENT ASSETS

Other receivables and current assets consist of the following:

	December 31, 2002	December 31, 2001
	TL 000,000	TL 000,000
VAT Receivable	88,835	49,319
Tax to be Refunded	2,868,057	636,496
Third Party Maintenance Service Income Accrual	3,362,514	-
Receivable due to Cancellation of A Type Handling License	11,587,347	-
Prepaid Operating Lease Expenses	5,710,162	10,672,332
Prepaid Sales Commissions	3,501,164	10,181,962
Prepaid Fee of A Type Handling License	-	8,928,539
Deposits Given to Petrol Ofisi A.Ş.	3,824,102	-
Prepaid Rent	663,560	615,519
Other Prepaid Expenses	3,716,424	5,044,324
Receivable from Aircraft Manufacturers	1,146,895	1,216,850
Receivable from Personnel	588,577	76,673
Business Advances	314,920	68,516
Restriction on Transfer of funds from Banks (*)	13,349,559	12,046,156
Other Receivables	2,066,419	2,025,119
	52,788,535	51,561,805

* The restriction on transfer of funds from banks is related to funds held at banks in Iran and Libya and are classified in other receivables as they can be transferred to Turkey or used for payment of expenses in related sales bureaus within a period more than 3 months but less than a year.

11- ADVANCES GIVEN

Advances given consist of the following:

	December 31, 2002	December 31, 2001
	TL 000,000	TL 000,000
a) Short-Term:		
Pre-delivery Payments to be Refunded in the following year	-	20,315,169
Total Short-Term Advances Given	-	20,315,169
b) Long-Term		
Pre-delivery Payments for Aircraft	7,190,402	10,076,875
Deposits Given for Operational Leases Operational Leases	15,537,259	18,399,993
Other Deposits Given	2,110,318	2,383,781
Total Long-Term Advances Given	24,837,979	30,860,649

TURKISH AIRLINES INC.**NOTES TO THE FINANCIAL STATEMENTS / continued***(all figures are restated to TL money values at December 31, 2002 pursuant to IAS 29)***12- FINANCIAL ASSETS**

The investment accounted for using the equity method is as follows:

	December 31, 2002	December 31, 2002
	TL 000,000	TL 000,000
Güneş Ekspres Havacılık A.Ş. (Sun Express)	3,837,000	2,056,730

Other financial assets accounted at cost are as follows:

	December 31, 2002	December 31, 2002
	TL 000,000	TL 000,000
Qualifyer Ground Services Ltd.	-	67,011
Emek İnşaat ve İşletme A.Ş.	15,479	15,248
Sita Inc	1,376,692	1,376,691
Diminution in Value of Sita Inc. Shares	(976,456)	-
THY SRL	688	686
Uçak Servisi A.Ş. (USAŞ)	11,101,281	-
Diminution in Value of USAŞ Shares	(3,081,201)	-
	8,436,483	1,459,636

The tender for the catering service was won by Uçak Servis A.Ş. (USAŞ) and service agreement was signed in January 1, 2002. Based on share transfer agreement made between USAŞ's main partner Gate Gourmet Holding A.G. (GGH) and the Company, USAŞ will transfer its group B free shares corresponding to 15% of its total capital to the Company. According to agreement, ownership of the first 10% share was transferred in June, 2002, and the remaining 5% will be transferred 1.25% per year during years 2003 and 2006. 570 million shares corresponding to the first 10% share of USAŞ's capital, which was transferred on June 21, 2002 to the Company, was recorded to "Financial Assets" and "Deferred income" accounts from market value of TL 11,101,281 million. "Deferred income" amount will be amortized to income during 5 years catering service agreement on a straight-line basis.

Details of the Company's long-term financial assets at December 31, 2002 are as follows:

Name of the Company	Place of Incorporation and Operation	Proportion of Ownership Interest	Proportion of Voting Power Held	Principal Activity
Güneş Ekspres Havacılık A.Ş. (SUN EXPRESS)	Turkey	50%	50%	Air Transportation
Emek İnşaat ve İşletme A.Ş.	Turkey	0.3%	0.3%	Construction
Sita INC.	Holland	Less than 0.1%	None	Information & Telecommunication Services
THY SRL	Kışinev	100%	100%	Sales Bureau
Uçak Servis A.Ş. (USAŞ)	Turkey	10%	10%	Catering

TURKISH AIRLINES INC.
NOTES TO THE FINANCIAL STATEMENTS / continued
(all figures are restated to TL money values at December 31, 2002 pursuant to IAS 29)

13- FIXED ASSETS

	Land, Land Improvement & Building	Technical Equipment, Simulator and Vehicles	Other Equipment, Fixtures and Software	Aircraft and Spare Engines	Rotables and Repairable Spare Parts	Construction In Progress	Total Owned Assets	Leased Aircraft	Other Leased Fixed Assets & Simulator	Total Leased Assets	Total
Acquisition Cost											
Opening balance											
January 1, 2002	116,200,381	229,658,267	222,545,124	566,914,619	201,857,742	1,173,237	1,338,349,370	3,219,860,517	48,642,472	3,268,502,989	4,606,852,359
Additions	1,715,259	8,032,789	2,452,695	10,396,797	79,133,101	10	101,730,651	129,912,779	435,271	130,348,050	232,078,701
Disposals	-	(3,484,573)	(3,222,044)	(95,644,568)	(6,315,583)	(1,111,732)	(109,778,500)	(78,471,281)	-	(78,471,281)	(188,249,781)
Revaluation	-	-	-	-	-	-	-	(137,330,001)	-	(137,330,001)	(137,330,001)
Closing balance	117,915,640	234,206,483	221,775,775	481,666,848	274,675,260	61,515	1,330,301,521	3,133,972,014	49,077,743	3,183,049,757	4,513,351,278
Accumulated Depreciation											
Opening balance											
January 1, 2002	14,510,615	172,353,046	176,682,777	329,795,673	109,576,727	-	802,918,838	678,260,730	29,832,004	708,092,734	1,511,011,572
Charge for the year	2,326,048	15,055,069	15,085,184	25,518,895	52,164,556	-	110,149,752	149,967,466	3,460,270	153,427,736	263,577,488
Revaluation	-	-	-	-	-	-	-	(17,698,992)	-	(17,698,992)	(17,698,992)
Disposals	-	(3,385,171)	(887,402)	(52,918,083)	(6,315,583)	-	(63,506,239)	(47,628,761)	-	(47,628,761)	(111,135,000)
Closing balance	16,836,663	184,022,944	190,880,559	302,396,485	155,425,700	-	849,562,351	762,900,443	33,292,274	796,192,717	1,645,755,068
Impairment	-	-	-	27,473,556	-	-	27,473,556	410,954,150	4,709,093	415,663,243	443,136,799
NBV at December 31, 2002	101,078,977	50,183,539	30,895,216	151,796,807	119,249,560	61,515	453,265,614	1,960,117,421	11,076,376	1,971,193,797	2,424,459,411
NBV at December 31, 2001	101,689,766	57,305,221	45,862,347	203,294,035	92,281,015	1,173,237	501,605,621	2,500,783,949	18,415,778	2,519,199,727	3,020,805,348

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI

NOTES TO THE FINANCIAL STATEMENTS / continued

(all figures are restated to TL money values at December 31, 2002 pursuant to IAS 29)

14- OTHER LONG-TERM RECEIVABLES AND ASSETS

Other receivables and long-term assets consist of the following

	December 31, 2002 TL 000,000	December 31, 2001 TL 000,000
Prepaid Expenses Related to A Type Handling License	-	2,976,179
Prepaid Aircraft Financing Expense	3,669,340	3,577,811
Prepaid Eximbank USA Guarantee and Exposure Fee	9,166,596	10,097,370
Due from personnel	1,592,148	-
Receivable from Sales of Equity Investment (*)	27,359,795	32,165,839
Other Receivables	111,686	130,757
	41,899,565	48,947,956

(*) Receivable from sale of equity investment is related to the sale of the shares of Cyprus Turkish Airlines on December 31, 2000. THY converted this receivable to Turkish Lira and started to accrue interest at 40% per annum starting from December 2002. Because maturity of this receivable has not been determined yet, receivable balance as of December 31, 2002 and 2001 has been reclassified as long-term from other short-term receivables and assets.

15- BANK LOANS

Bank Loans consist of the following:

	December 31, 2002 TL 000,000	December 31, 2001 TL 000,000
Short-Term Portion of Long-term Bank Loans	742,960	738,326
Long-Term Bank Loans	-	720,176
	742,960	1,458,502

16- CAPITAL LEASE OBLIGATIONS

The future lease rental payments under financial leases are:

	December 31, 2002 TL 000,000	December 31, 2001 TL 000,000
Not later than one year	229,056,279	397,331,974
Between 1 & 2 years	199,844,695	392,964,680
Between 2 & 5 years	337,926,715	677,540,264
Over 5 years	1,355,883,912	1,358,272,746
	2,122,711,601	2,826,109,664
Less: Future interest expense	(142,200,776)	(376,731,896)
Present value of future rentals shown in the balance sheets	1,980,510,825	2,449,377,768
Represented by:		
Current Liabilities (*)	300,454,567	320,965,024
Long-Term Liabilities	1,680,056,258	2,128,412,744
	1,980,510,825	2,449,377,768
Interest Range		
Floating rate obligations	355,845,866	456,441,791
Fixed rate obligations	1,624,664,959	1,992,935,977
	1,980,510,825	2,449,377,768

As of December 31, 2002, the US\$ denominated lease obligations' interest rates are LIBOR plus a margin ranging between 0.02% and 1.44%.

TURKISH AIRLINES INC.
NOTES TO THE FINANCIAL STATEMENTS / continued

(all figures are restated to TL money values at December 31, 2002 pursuant to IAS 29)

17- DUE TO RELATED PARTIES

Due to related parties consist of the following:

	December 31, 2002 TL 000,000	December 31, 2001 TL 000,000
Sun Express	112,104	109,500
Uçak Servisi A.Ş. (USAŞ)	5,258,468	-
	5,370,572	109,500

18- OTHER PAYABLES AND LIABILITIES

Short-Term Other payables and liabilities consist of the following:

	December 31, 2002 TL 000,000	December 31, 2001 TL 000,000
Taxes and Dues Payable	19,565,599	20,299,123
Social Security Deductions Payable	7,773,953	7,196,853
Payable to Personnel	214,370	504,612
DHMI Protocol Payable	18,494,369	-
Discount on DHMI Protocol Payable	(1,736,042)	-
Deferred Income from USAŞ Share Transfer	2,220,256	-
Deferred Income	522,151	2,984,608
Other Liabilities	435,032	983,323
	47,489,688	28,983,911

Long-Term Other payables and liabilities consist of the following:

Deferred Income from USAŞ Share Transfer	6,660,772	-
	6,660,772	-

19- DEPOSITS AND ADVANCES RECEIVED

Advances received consist of the following:

	December 31, 2002 TL 000,000	December 31, 2001 TL 000,000
Deposits and Guarantees Received	16,168,371	11,960,371
Advances Received for Mileage Credit Sales	21,233,937	-
Deposit received From Turkish Republic Religious Affairs	11,283,522	-
Other Advances Received	4,451,489	215,818
	53,137,319	12,176,189

TURKISH AIRLINES INC.**NOTES TO THE FINANCIAL STATEMENTS / continued***(all figures are restated to TL money values at December 31, 2002 pursuant to IAS 29)***20- ADVANCED TICKET SALES**

	December 31, 2002	December 31, 2001
	TL 000,000	TL 000,000
Advanced Ticket Sales	68,287,942	67,786,885
Provision for Mile Liability resulting from Sales of Mileage	15,529,572	-
	<u>83,817,514</u>	<u>67,786,885</u>

21- OTHER ACCRUED LIABILITIES

Other accrued liabilities consist of the following:

	December 31, 2002	December 31, 2001
	TL 000,000	TL 000,000
Sales Incentive Accrual	16,688,035	9,816,719
Fuel Oil Privilege Expense Accrual	6,435,117	-
Accrued Salaries	14,212,404	10,660,624
Accrued Maintenance Costs	12,535,055	16,223,653
Accrued Frequent Flyer Liability	11,848,477	5,859,609
Provision for Legal Claims	3,480,894	3,690,849
Internal Insurance Risk Provision	2,136,186	960,092
Other Liabilities	98,617	1,070,439
	<u>67,434,785</u>	<u>48,281,985</u>

22- INCOME TAXES PAYABLE

According to the Turkish tax legislation, the corporate tax rate is 30% plus 10% tax surcharges of the relevant tax amount. Additional withholding taxes are deductible from any dividends distributed. Investment incentive amounts are deductible from profit subject to corporate tax, but they are subject to withholding tax of 18% plus surcharges (an effective rate of 19.8%).

The effective tax rate is estimated as 33% for 2002 and 19.8% for 2001.

Corporate Tax Payable/ (Prepaid Taxes) is as follows:

	December 31, 2002	December 31, 2001
	TL 000,000	TL 000,000
Corporate Tax Payable	32,398,092	-
Prepaid Taxes and Funds	(40,930,793)	-
	<u>(8,532,701)</u>	<u>-</u>

Major Components of Tax Expense:

	December 31, 2002	December 31, 2001
	TL 000,000	TL 000,000
Current Tax Expense	(32,398,092)	-
Deferred Tax Expense	(49,557,664)	(7,836,726)
Tax Expense	<u>(81,955,756)</u>	<u>(7,836,726)</u>

TURKISH AIRLINES INC.
NOTES TO THE FINANCIAL STATEMENTS / continued
(all figures are restated to TL money values at December 31, 2002 pursuant to IAS 29)
Temporary Differences: Deferred Tax Assets / (Liabilities)

	December 31, 2002 TL 000,000	December 31, 2001 TL 000,000
Allowance for Unrecoverable Bank Accounts	1,770,841	1,073,000
Adjustment to Prepaid Expenses	-	(1,412,306)
Provision for Doubtful Receivables	676,825	1,242,907
Restatement of Inventory	(3,680,799)	(89,432)
Accounting for Short-Term Lease Liability	73,105,663	59,009,599
Provision for Advance Ticket Sales	(13,837,502)	13,421,796
Accrued Liabilities	10,580,947	(9,133,216)
Restatement of Fixed Assets	(703,154,298)	(528,224,577)
Accounting for Long-Term Lease Liability	554,418,565	421,425,723
Adjustment to Long-Term Assets	(2,300,453)	(5,692,682)
Provision for Retirement Pay	25,318,178	13,378,758
Adjustment to Manufacturers' Credit	2,323,942	2,077,976
Income Arising From Cancellation of A Type Handling License	(6,006,999)	-
Deferred Income	2,930,739	-
Discount on Receivables	355,526	223,005
Discount on Payables	(572,895)	-
Diminishing in Value of Marketable Securities and Financial Assets	2,524,503	-
Interest Accrual on Bank Accounts	-	(31,463)
Carry Forward Loss	-	1,207,246
Deferred Tax Asset / (Liability)	(55,547,217)	(31,523,666)

Movement in Deferred Tax Asset per balance sheet can be reconciled with Net Deferred Tax Benefit per Income Statement as follows:

	December 31, 2002 TL 000,000	December 31, 2001 TL 000,000
Deferred Tax Income / (Expense)		
Related to the Origination and Reversal of Temporary Differences	(45,564,629)	(7,836,726)
Deferred Tax Income / (Expense)		
Resulting from Increase in Effective Tax Rate	(3,993,035)	-
Net Deferred Tax Benefit / (Expense)	(49,557,664)	(7,836,726)
Deferred Tax Liability Related to		
Revaluation of Aircraft	23,686,940	(23,686,940)
Monetary Gain / (Loss) on Deferred Tax Asset / (Liabilities)	1,847,173	-
Change in Net Deferred Tax	(24,023,551)	(31,523,666)

TURKISH AIRLINES INC.**NOTES TO THE FINANCIAL STATEMENTS / continued***(all figures are restated to TL money values at December 31, 2002 pursuant to IAS 29)*

The reconciliation from the expected to the disclosed tax benefit is as follows:

	December 31, 2002 TL 000,000	December 31, 2001 TL 000,000
Profit / (Loss) Before Taxation	282,200,524	(46,663,322)
Expected Tax at 33% for 2002 and 19.8% for 2001	93,126,172	(9,239,338)
Reconciling Items:		
Non Deductible Expenses	-	13,852,910
Accumulated Losses	(1,537,876)	(19,023,077)
Monetary Gains/Losses not (taxable) / Deductible	(13,625,575)	22,246,231
Deferred Tax Expense Resulting from Increase in Effective Tax Rate	3,993,035	-
Actual Tax Expense	81,955,756	7,836,726

23- MANUFACTURERS' CREDIT (NET)

Unearned income from manufacturer's credits consists of the following:

	December 31, 2002 TL 000,000	December 31, 2001 TL 000,000
Gross Manufacturers' Credit	20,650,286	23,796,496
Accumulated Depreciation (-)	(13,608,039)	(13,301,666)
	7,042,247	10,494,830

24- RETIREMENT PAY PROVISION

Under Turkish Labor Law, employees are entitled to receive a lump sum payment when their employment is terminated without due cause or when they retire, complete 25 years of service (20 years for women), are called up for military service or die. The amount payable consists of one month's gross salary per year of service. The gross salary is the salary at the date of termination, but subject to a limit of TL 1,260,150,000 as at December 31, 2002 (TL 978,020,000 as at December 31, 2001 at historic money values). The number of years' service required before retirement is rising according to a sliding scale based on new legislation enacted in 1999. The system described above can be classified as an unfunded defined benefit system. The total provision provided in the financial statements represents the estimated present value of the vested benefit obligation.

Amounts recognized in the income statement as provision for termination benefit are as follows:

	December 31, 2002 TL 000,000	December 31, 2001 TL 000,000
Current Service Cost	8,590,606	6,145,958
Interest Cost	4,004,117	4,874,748
	12,594,723	11,020,706

TURKISH AIRLINES INC.
NOTES TO THE FINANCIAL STATEMENTS / continued

(all figures are restated to TL money values at December 31, 2002 pursuant to IAS 29)

Movements in the provision for termination benefit in the balance sheet are as follows:

	December 31, 2002 TL 000,000	December 31, 2001 TL 000,000
Provision at the beginning of the year	67,569,483	81,245,805
Expense in the income statement	12,594,723	11,020,706
Payments	(3,442,455)	(24,697,028)
Provision at the end of the year	76,721,751	67,569,483

The estimated value of the vested benefit obligation is discounted with an approximate rate of 6% per annum after considering the effect of increase in eligible pay and its limit.

25- CAPITAL

The Company's share capital was held in each period as follows:

	Class	%	December 31, 2002 TL 000,000	December 31, 2002 TL000,000
Turkish Republic Privatization Administration	A,B,C	98 (*)	224,768,511	224,768,511
Others	A	2	4,201,338	4,201,338
Historic Capital (Nominal)			228,969,849	228,969,849
Restatement Effect			1,246,608,013	1,246,608,013
Restated			1,475,577,862	1,475,577,862

As at December 31, 2002, the Company's issued and paid-in share capital consists of 104,999,999,999 class A shares, 70,000,000,000 class B shares and 1 class C share, all with a par value of 1,000 TL each. Class A shares are ordinary shares. Class B shares are issued to name. The Class C share, which belongs to the Privatization Administration (P.A.), is a unique share with a par value of 1,000 TL with the following privileges:

The main agreement of the Company has been amended in Extraordinary Shareholders Meeting held on January 17, 2003.

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

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

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

- Taking decisions that are determined in the Main Agreement article 3.1. to have direct adverse affects
- Suggesting a change in the Main Agreement in the Shareholders Meeting
- Increase in the share capital
- Registration of the transfer of the shares issued to name in the 'Register of the Company'
- Making contractual agreements that exceed 5% of the total assets figure stated in the last annual financial statements which is presented to Capital Markets Board and making any transactions that will make the Company directly or indirectly liable (this clause will be automatically terminated when the shares held by Turkish State in the Company falls below 20%).
- Making decisions on merger with other companies and litigation of the Company.
- Making decisions towards the closing of routes or significantly decreasing the number of flights except cases where market conditions require or closing of certain routes which do not even recover their operational costs.

TURKISH AIRLINES INC.**NOTES TO THE FINANCIAL STATEMENTS / continued***(all figures are restated to TL money values at December 31, 2002 pursuant to IAS 29)*

Main Agreement Temporary Article 1: The Company's members of the Board of Directors, auditors and general manager are assigned by an instruction of the Turkish Republic Privatization Administration and the approval of the Prime Ministry until the Company's shares held by Turkish State are below 50%.

(*) 1,644 shares belonging to various private shareholders were not taken into 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 the decision of the Turkish Republic High Planning Board on October 30, 1990.

26- LEGAL RESERVES

In accordance with the Turkish Commercial Code, companies are required to appropriate a part of their earnings to legal reserves, which are divided into First Legal Reserve and Second Legal Reserve. The allocations are as follows:

- a) First Legal Reserve: Appropriated out of net profit at the rate of 5% until such reserve is equal to 20% of issued and fully paid capital.
- b) Second Legal Reserve: The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess 5% of the paid in share capital.

Legal reserves are not available for distribution unless they exceed 50% of the historical paid-in share capital, but may be used to absorb losses, to support continuity of operations, maintain employment or recover possible effects of economic recession in the event that the historical accumulated profits are exhausted.

Accumulated profits are available for distribution, subject to the legal reserve requirements set out above.

27- CONTINGENT LIABILITIES

- a) Guarantees given:

	December 31, 2002 TL 000,000	December 31, 2001 TL 000,000
Letter of Guarantees Given	61,252,227	77,984,354

- b) Purchase Commitments:

The Company has optional purchase commitments of 1.2 Billion US\$ approximately to acquire further aircraft. THY paid a deposit of 5.2 Million USD in order to secure the option. In the event that THY does not take up this option, the deposit may not be recoverable from the manufacturer.

- c) Letter of comfort:

	December 31,2002	December 31,2001
Letter of Comfort	USD 2,900,000	USD 2,900,000
Given to Sun Express	EURO 2,556,459	DEM 6,500,000

TURKISH AIRLINES INC.

NOTES TO THE FINANCIAL STATEMENTS / continued

(all figures are restated to TL money values at December 31, 2002 pursuant to IAS 29)

d) Land and buildings built on State Airports Administration (DHMI) lands, and their legal structure:

The majority of THY's airport and terminal buildings, repair and maintenance centers, data processing centers, and training facilities are located on the land leased from the State Airports Administration (DHMI). The buildings and facilities on these leased lands have been constructed by THY and are recorded as fixed assets of the Company. However the land on which all these buildings were built is not registered as THY's property. The title of the property on which all these buildings were built belongs to the Ministry of Finance. However the land was allocated to DHMI for its use and DHMI leased the land to THY and the Company pays rent to DHMI for the land. There were informal claims from DHMI that THY should start paying rent for the buildings after 10 years from the date of construction. The latest claim was made by DHMI in 1996 for one building and no further claim was made for other buildings built by THY on this land. The directors believe that they do not need to pay rent for buildings built on DHMI land with THY financing. The authority to resolve this conflict rests with the Ministry of Finance.

In the event the dispute is resolved against THY, it may cause THY to pay rent for the airport facilities in the future.

e) The Company discounted its retirement pay provision to TL 76,721,751 Million (see note 24) according to IAS 19 (revised). The Company's total undiscounted liability for retirement pay would be TL 118,539,547 Million as of December 31, 2002, if all employees had been terminated as at that date.

28- OPERATING LEASE COMMITMENTS

Commitments for future operating leases are as follows:

	December 31, 2002 TL 000,000	December 31, 2001 TL 000,000
<u>Aircraft Lease Payable</u>		
Not later than one year	64,058,392	365,934,163
Between 1 & 2 years	219,087,697	304,695,982
Between 2 & 5 years	140,632,466	41,594,142
Over 5 years	-	45,403,083
	<u>423,778,555</u>	<u>757,627,370</u>

29- EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

- As at May 7, 2003 the market price of France Telecom shares which was included in marketable securities as at December 31, 2002, has increased to 19.17 Euro from 17.15 Euro at December 31, 2002. For this reason, the market value of France Telecom shares held by the Company has increased by TL 808,700 million compared to December 31, 2002.
- As at May 7, 2003 the market price of USAŞ shares which was included in other financial assets as at December 31, 2002, has decreased to TL 12,361 from TL 14,020 at December 31, 2002. For this reason, the market value of USAŞ shares held by the Company has decreased by TL 949,024 million compared to December 31, 2002.
- RJ100 aircraft with serial number E3241 that was rented through operational leasing crashed on January 8, 2003 in Diyarbakır and the number of RJ aircrafts in the fleet has decreased from 9 to 8.
- On January 14, 2003 a decision was taken for the cancellation of A type-handling license by the Ministry of Transport of the Turkish Republic and for the return to the Company of the amounts paid to DHMI, in USD and for the annulment of the remaining debt. Therefore the Company cancelled the expenses of TL 10,544,532 million related to the A type handling license that it had registered for the year 2002 and it recorded on 2002 as other extra-ordinary income TL 7,761,707 that it had expensed in 2001.
- On January 2003 the statutory maximum amount of retirement and severance payable in respect of each year of employment is increased from TL 1,260 million to TL 1,324 million.

TURKISH AIRLINES INC.**NOTES TO THE FINANCIAL STATEMENTS / continued***(all figures are restated to TL money values at December 31, 2002 pursuant to IAS 29)***30- SEGMENTAL INFORMATION**

Analysis of Traffic Revenue:

	2002 TL 000,000	2001 TL 000,000
Scheduled Services		
- Passenger	2,072,920,548	2,203,976,996
- Cargo and mail	252,683,853	266,625,520
	<u>2,325,604,401</u>	<u>2,470,602,516</u>
Non-scheduled Services	44,267,130	34,470,754
Other Revenue	205,202,250	190,682,145
Total Revenue	<u>2,575,073,781</u>	<u>2,695,755,415</u>

Geographical analysis of the scheduled services' traffic revenue is as follows:

International

	2002 TL 000,000	2001 TL 000,000
- Europe	1,006,474,811	1,081,744,158
- Middle East	210,110,924	224,069,318
- South Africa	22,454,067	23,308,759
- North Africa	60,262,237	60,435,061
- North America	155,485,369	203,212,676
- Far East	384,118,217	355,540,065
	<u>1,838,905,625</u>	<u>1,948,310,037</u>
Domestic	486,698,776	522,292,479
Total Scheduled Services' Traffic Revenue	<u>2,325,604,401</u>	<u>2,470,602,516</u>

TURKISH AIRLINES INC.
NOTES TO THE FINANCIAL STATEMENTS / continued

(all figures are restated to TL money values at December 31, 2002 pursuant to IAS 29)

31- OPERATING EXPENSES

Operating expenses consist of the following:

	2002	2001
	TL 000,000	TL 000,000
Fuel Oil 328,465,313	466,707,933	
Maintenance Expenses	134,725,019	141,615,016
Passenger Service Expenses	140,368,284	149,197,965
Landing and Navigation Expenses	203,937,321	248,001,968
Handling and Station Expenses	168,583,475	202,991,452
Staff Expenses	442,479,618	546,678,672
Marketing and Selling Expenses	315,171,690	329,243,332
General Operations	50,917,547	75,837,806
General Administrative Expenses	20,563,872	18,140,728
Hull Insurance	29,042,942	32,733,465
Depreciation Expenses	263,577,489	279,139,668
Operating Lease Expenses	67,014,469	99,001,160
Impairment Loss on Aircraft	376,901,236	-
Other	13,157,092	19,405,238
	<u>2,554,905,367</u>	<u>2,608,694,403</u>

32- FINANCIAL EXPENSES (NET)

Financial expenses consist of the following:

	2002	2001
	TL 000,000	TL 000,000
Interest Income	25,719,673	14,207,925
Foreign Exchange Gains	185,281,715	316,847,569
Discount Income	1,736,043	-
Financial Income	<u>212,737,431</u>	<u>331,055,494</u>
Foreign Exchange Losses	(495,713,882)	(2,107,130,063)
Interest Expense - Third parties	(282,528)	(44,477,485)
Capital Lease Interest Expense	(86,425,182)	(161,967,221)
Retirement Pay Interest Cost	(4,004,118)	(4,874,748)
Discounting Expense	(274,324)	(1,640,746)
Finance Expense	<u>(586,700,034)</u>	<u>(2,320,090,263)</u>
Finance Expense (Net)	<u>(373,962,603)</u>	<u>(1,989,034,769)</u>

TURKISH AIRLINES INC.**NOTES TO THE FINANCIAL STATEMENTS / continued***(all figures are restated to TL money values at December 31, 2002 pursuant to IAS 29)***33- INCOME FROM OTHER OPERATIONS**

Income from other operations consists of the following:

	2002 (Milyon TL)	2001 (Milyon TL)
Commission Income	2,705,554	-
Advertising Income (*)	-	7,861,658
Income from Equity Investments	1,780,500	46,612
Aircraft Rent Income (*)	-	4,977,112
Insurance Claims Received	1,134,107	2,808,747
Gain from Sale of Fixed Assets	9,096,710	17,206,392
Credit notes Received	3,243,065	2,801,795
Valuation of Investment in Equity Shares		
At Market Value	-	16,281,126
Prior Years Revenue	5,751,384	1,031,681
Manufacturer's Credit Income	1,106,782	3,013,790
No charge Materials Income	1,019,088	904,161
Reversal of Impairment Provisions	-	133,138,507
Reversal of Unnecessary Provision	3,137,777	1,015,002
Income from Cancelled A Type Handling		
License	7,761,707	-
Other	3,396,285	3,426,246
	40,132,959	194,512,829

(*) Advertising income amounting to TL 4,900,248 Million, aircraft rent income amounting to TL 940,734 Million are classified under other revenue for the period between January 1 - December 31, 2002.

34- LOSS FROM OTHER OPERATIONS

Loss from other operations consists of the following:

	2002 TL 000,000	2001 TL 000,000
DHMI / USAŞ / Petrol Ofisi Interest Charges	113,207	69,175
Penalty Expenses	86,590	19,653,933
Provision Expenses	2,881,948	17,409,813
Diminution in Value of Other Financial Assets	12,979,059	759,303
Other Expenses	4,071,471	2,405,573
	20,132,275	40,297,797

35- TRANSACTIONS WITH RELATED PARTIES

For the purposes of the accompanying financial statements, the Company's shareholders and the Company's equity participations are referred to as related parties.

	2002 TL 000,000	2001 TL 000,000
Services given to SUN EXPRESS	2,080,331	4,269,022
Services given to USAŞ	221,188	-
	<u>2,301,519</u>	<u>4,269,022</u>
Services taken from SUN EXPRESS	522,027	-
Services taken from USAŞ	54,081,900	-
	<u>54,603,927</u>	<u>-</u>

Dividend income received from investments is as follows:

	2002 TL 000.000	2001 TL 000.000
France Telekom	287,940	-
Emek İnşaat and İşletim A.Ş.	1,092	46,612
	<u>289,032</u>	<u>46,612</u>

TERMS AND ABBREVIATIONS

Available Seat-Kilometers

The product of total seats offered on each flight leg and the number of kilometers flown.

Revenue Passenger-Kilometer

The product of total passengers carried on each flight leg multiplied by 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, that 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	Lyon	Paris	Stuttgart
Athens	Copenhagen	Madrid	Prague	Tbilisi
Baku	Dusseldorf	Manchester	Pristina	Tirana
Barcelona	Frankfurt	Milan	Rome	Vienna
Basel	Geneva	Moscow	Sarajevo	Warsaw
Berlin	Hamburg	Munich	Simferopol	Zagreb
Brussels	Hanover	Nice	Skopje	Zurich
Bucharest	Kiev	Nicosia	Sofia	
Budapest	Kishinev	Nuremberg	Stockholm	
	London	Odessa	Strasbourg	

NORTH AMERICA

NORTH AMERICA

Atlanta*	Minneapolis*
Baltimore*	New York
Boston*	Orlando*
Cleveland*	Pittsburgh*
Dallas*	San Diego*
Denver*	San Francisco*
Detroit*	Seattle*
Durham*	St Louis*
Houston*	Raleigh*
Los Angeles*	Chicago
Las Vegas*	Washington*
Miami*	

EUROPE

TURKEY

AFRICA

AFRICA

Algeria
Cape Town
Cairo
Johannesburg
Tripoli
Tunis

SOUTH AMERICA

(*) Domestic routes in the United States flown on American Airlines.

○ Code-Sharing Flights



ASIA

- | | | |
|-----------|-----------|-----------|
| Almaty | Damascus | Seoul |
| Amman | Dubai | Singapore |
| Ashkhabad | Hong Kong | Shanghai |
| Bahrain | Jeddah | Tashkent |
| Bangkok | Karachi | Tehran |
| Beijing | Kuwait | Tel Aviv |
| Beirut | Osaka | Tokyo |
| Bishkek | Riyadh | |

ASIA



Our Fleet



A340-300
Number of Aircraft: 7



A310-300
Number of Aircraft: 5



B737-400
Number of Aircraft: 14

B737-500
Number of Aircraft: 2

B737-800
Number of Aircraft: 26



RJ100
Number of Aircraft: 9

RJ70
Number of Aircraft: 3



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