Globally Yours

Turkish Airlines Annual Report 2010

TURKISH AIRLINES

A STAR ALLIANCE MEMBER

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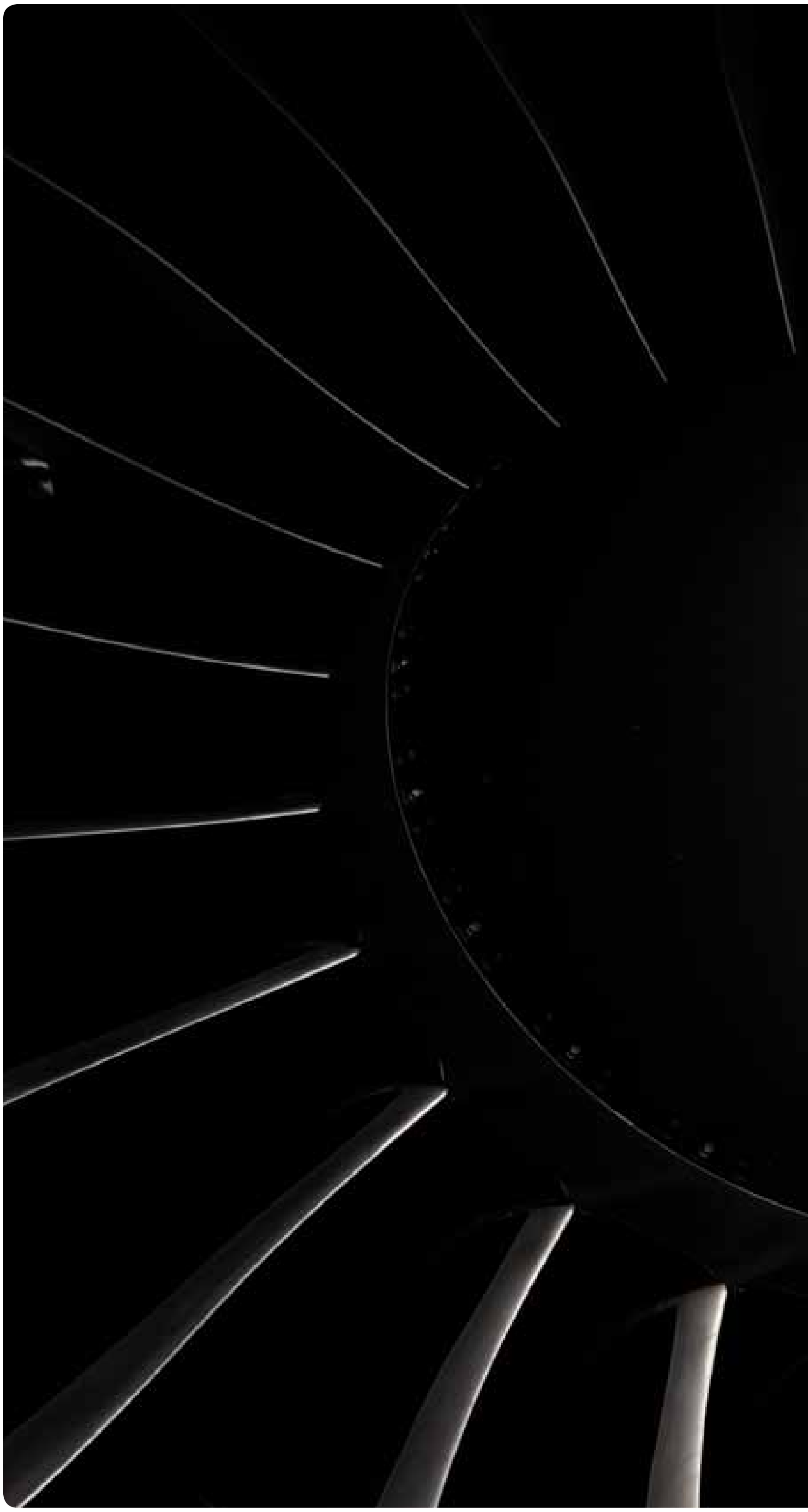


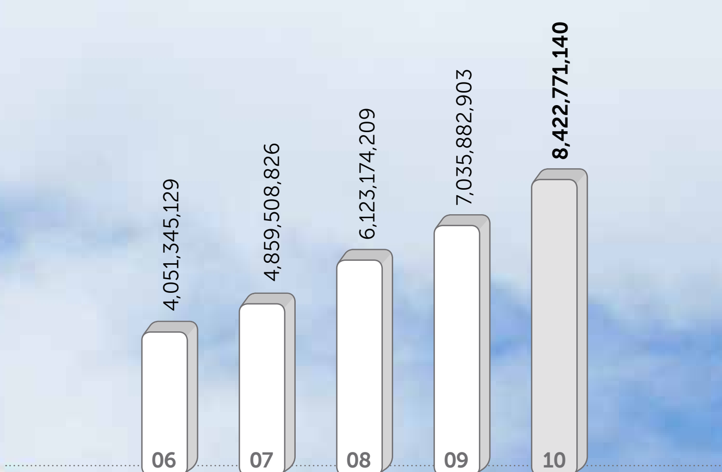
Strengthening its stature as a global network carrier in 2010, Turkish Airlines has joined the ranks of the world's top ten airlines in terms of number of flight destinations. Discerning brand investments and successful results are enabling Turkish Airlines to advance confidently on the path of sustainable growth.

Financial Indicators

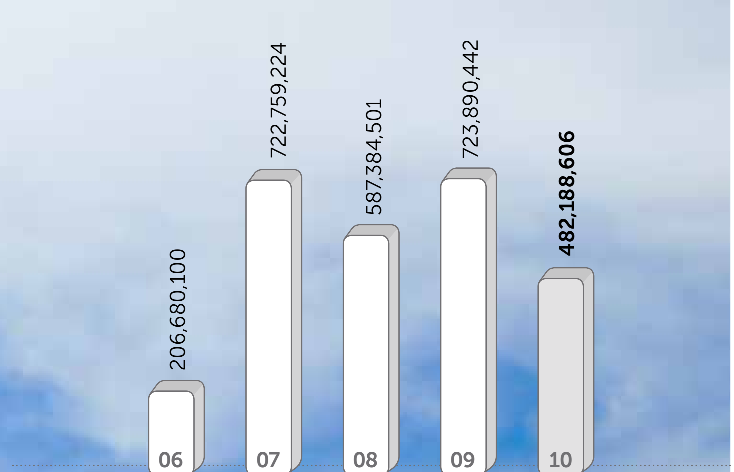
	1 January - 31 December 2010	1 January - 31 December 2009
ONGOING OPERATIONS		
Income from Sales	8,422,771,140	7,035,882,903
Cost of Sales (-)	-6,609,264,529	-5,200,371,472
GROSS PROFIT / LOSS	**1,813,506,611**	**1,835,511,431**
Marketing, Sales and Distribution Costs (-)	-999,770,863	-806,503,413
General Administrative Costs (-)	-352,872,407	-266,173,785
Other Operating Income	149,669,257	91,136,104
Other Operating Costs (-)	-128,343,992	-130,079,895
OPERATING PROFIT / LOSS	**482,188,606**	**723,890,442**
Share of Investment in Profit/Loss (Equity Method)	-36,800,970	12,813,703
Financial Income	72,851,263	172,982,144
Financial Costs (-)	-152,549,546	-172,708,672
PROFIT BEFORE TAX / (LOSS)	**365,689,353**	**736,977,617**
Tax income/(expense)	-79,245,992	-177,901,337
PROFIT FOR PERIOD / (LOSS)	**286,443,361**	**559,076,280**
Earnings per share/Loss (Kr)	0.29	0.56

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Sales Income (TL)



Operating Profit (TL)



Chairman's Message

Supporting its consistent growth with its total quality attitudes and unconditional customer satisfaction, our company once again continued to grow profitably in 2010.

Esteemed investors and valued business partners and employees:

In the wake of a difficult year such as 2009 was, 2010 will be remembered both as a year in which the aviation industry's investments and business volumes increased and as a year in which competition became tougher and the pressures exerted by the industry's costs grew stronger. Looking at overall global developments according to IATA-published figures, scheduled international passenger traffic grew by 8.2% worldwide in 2010 and the industry showed its first post-crisis profit. This is the context in which our company advanced confidently towards becoming a strong global player while its above-sector-average growth performance and strong business results as well as its marketing messages and brand investments attracted the close attention both of the sector and of national and international media.

During 2010 Turkish Airlines continued to expand its international network not just to strengthen its stature as a global carrier but also to offer its passengers a much broader range of product and service options. Last year we added eleven international and four national destinations to our flight network, thereby joining the ranks of the world's top ten airlines in terms of number of flight destinations. Every new destination to which our flag is carried makes it possible to access even newer markets and to familiarize still more passengers with the Turkish Airlines name.

In the twelve months to end-2010, our company increased the total number of its passengers by 16% to 29.1 million, thereby successfully raising its share of the global international passenger market by about 1.25%. In the five years since 2005, Turkish Airlines more than doubled its passenger market share and became one of the world's top eighteen airlines in terms of carried passenger numbers. We have achieved this through a confident, calculated, and step-by-step adherence to our company's corporate organic growth program.

Last year there were significant developments in our fleet, which is one of the fundamental dynamics of our organic growth. We began to take delivery of the 89 new aircraft that we have on order, in line with which 21 new aircraft were added to our fleet, one of them a wide-body cargo plane. Thanks to these additions, we achieved about an 18% rise in our total seat capacity in 2010. Our new aircraft have also further enhanced the dynamism of our portfolio while securing our stature as the European airline with the youngest fleet, the average age of which is about 6.5 years.

Thanks to our effective sales and marketing activities in 2010 the growth in our passenger numbers was faster than the increase in our capacity, which raised our seat occupancy rate by 2.7 points year-on to 73.7%. At the same time, the returns on our investments in cargo transport have been coming in much faster than even expected. In our cargo operations business line, we achieved a 36% rate of year-on growth while raising our cargo carrying capacity utilization rate by 6.3 points to about the 72% level.

Supporting its consistent growth with its total quality attitudes and commitment to unconditional customer satisfaction, our company once again was the recipient of Skytrax's "Best Airline Southern Europe" award in 2010. Having also been named the winner of Skytrax's "World's Best Economy Class Airline Onboard Catering" award last year as well, Turkish Airlines continues to undertake investments to raise the standards of its passenger service even higher without any loss in momentum. Just one example of Turkish Airlines' attention to passenger comfort and its of its commitment to maximizing it is the company's decision to have above-average seat pitch in cabins other than Business Class in the new aircraft which it has ordered. At the same time, we have developed a new product in the form of a "Comfort Class" which is positioned between Business and Economy on our newly-ordered 777-300 ER aircraft. THY Comfort Class is designed to offer economy-class passengers who wish to have a more quality flight experience to move up to comfort class against payment of an extra charge.

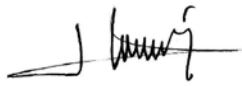
Turning now to brand investments, 2010 was a year in which Turkish Airlines was the author of a number of important successes. Our sponsorship agreements with such premier football teams as FC Barcelona and Manchester United attracted worldwide attention. Through our collaborations with Turkish and foreign sport clubs and athletes we contributed towards our own brand value while also supporting sports. Through the association of such sport celebrities as Caroline Wozniacki and Kobe Bryant with the Turkish Airlines brand, we have further enhanced its international prestige by increasing its visibility.

With competition becoming increasingly tougher in today's aviation industry, financial discipline has emerged as one of the most crucial keys to achieving sustainable growth. Fully aware of this fact, Turkish Airlines continues to carry out its long-term, value-based growth program by shaping it around the principle of effective cost management. Aviation Week, a leading aerospace industry weekly magazine, identified Turkish Airlines as the world's best airline in terms of financial health in 2010.

With global financial markets now in the midst of their recovery, 2010 was a year during which fuel prices began to rise once again as consumption resumed and demand mounted for oil as one of the most important raw materials of production. Last year's more costly aviation fuel had a direct impact on the company's profitability. In fiscal year 2010, Turkish Airlines booked TL 8.4 billion in sales as well as a TL 482.2 million operating profit and a net profit amounting to TL 286.4 million. Last year the company continued to create value for all of its stakeholders by remaining profitable even while carrying out an ambitious investment program and enduring heightened cost pressures.

I take this opportunity to extend my sincere thanks to all of our managers, employees, business partners, customers, and suppliers for their efforts and valuable contributions towards the successes Turkish Airlines achieved last year as well as to you, our esteemed shareholders, for your continued support.

In closing, I offer my respects and best wishes that 2011 will be a successful year for our country as well as for our company.



Hamdi Topçu
Chairman of the Turkish Airlines Board of Directors

Executive Committee

Hamdi Topçu
Chairman of The Board,
Head of Executive Committee

Prof. Dr. Cemal Şanlı
Vice Chairman of The Board and
Executive Committee

Doç. Dr. Temel Kotil
CEO, Member of The Board and
Executive Committee

Hamdi Topçu

Chairman of The Board, Head of Executive Committee

Mr. Topçu was born in Çayeli, Rize in 1964. He graduated from Marmara University in 1986, receiving his degree in Economics and Administrative Sciences. In 1986, he began his career as a financial advisor, which is a title he still holds. Mr. Topçu was appointed as a Board Member of Turkish Airlines in 2003 and an Executive Committee Member in 2006. Mr. Topçu, who has been Chairman of Turkish Airlines Board and Head of Executive Committee since 1 January 2010, is married and has four children.

Prof. Dr. Cemal Şanlı

Vice Chairman of The Board and Executive Committee

Mr. Şanlı was born in Manisa in 1950. He graduated from the Faculty of Law of Istanbul University in 1977 and received his title as a Doctor of Law with the publication of his thesis "International Commercial Arbitration" in 1985. He completed his PhD dissertation on International Arbitration at the "Institute of Advanced Legal Studies" associate with the University of London. In 1987, he became Assistant Associate Professor, in 1990 Associate Professor, and in 1996 full Professor at Istanbul University's of Law. He is currently the head of the International Private Law Department of the Faculty of Law at Istanbul University. He is married and has four children.

Temel Kotil, PhD

CEO, Member of The Board and Executive Committee

Mr Kotil was born in Rize in 1959. Mr. Kotil graduated from Aeronautical Engineering Department at Istanbul Technical University in 1983. In 1986, he completed his first masters degree in the United States from the Aircraft Engineering Department of Michigan University, his second masters degree in Mechanical Engineering in 1987, and his PhD in Mechanical Engineering in 1991. Mr. Kotil served as Assistant Associate Professor and Associate Professor at Istanbul Technical University at the Faculty of Aircraft and Space Sciences. At the same department, Mr. Kotil served as Assistant Department Head and Associate Dean. In 2003, he began his carrier with Turkish Airlines as Vice President of the Technical Department. In 2005, he was appointed General Manager of Turkish Airlines, and in 2006, he was elected as a member of the IATA Boards of Directors. In 2010, Mr. Kotil was appointed as a Board Member of the Association of European Airlines. Mr. Kotil is married and has four children.

Board of Directors

Orhan Birdal
Member of the Board

Mr. Birdal was born in Erzincan in 1958. In 1980 graduated from the Istanbul I.T.I.A College of Journalism and Public Relations, and in 1990 completed his graduate degree from the Social Sciences Institute of Marmara University. Between 1976 – 1978 Mr. Birdal served on the Turkish Agricultural Equipment Board and beginning in 1982 carried out various duties at DHMİ. As of 2007, he assumed the position of General Manager and Chairman of the Board of DHMİ (General Directorate of State Airports Authority), which he presently continues. In 2008 he was elected as a Member of the Board of Directors of Turkish Airlines. Mr. Birdal is married and has four children.

Muzaffer Akpınar
Member of the Board

Born in 1962, Mr. Akpınar attended the French Saint-Michel Lycee and graduated from the Department of Management Science of Bosphorus University. He began professional career as a founding partner of Penta Tekstil in 1986 and in 1993 was appointed as the CEO of KVK Mobil Telefon Hizmetleri A.Ş. Mr. Akpınar later served as CEO of MV Holding A.Ş. and played an active role in the creation of Fintur Holding BV. Mr. Akpınar served as the General Manager of Turkcell between January 1, 2002 July 2006. He is married and has two children.

Dr. Turan Erol
Member of the Board

Born in 1961 in Trabzon, Mr. Erol graduated from Karadeniz Technical University in 1985 and received his masters' degree from Middle East Technical University. In 1996, he completed his Ph.D in Economics at Erasmus University in the Netherlands. Mr. Erol served as an assistant professor at Başkent University between 1997-1998, and as associate professor from 1998-2003. In 2003, he was appointed as a member of the Capital Markets Board (CMB), and in December of 2004 was elected as Vice President of the CMB, holding this position until June of 2007. Mr. Erol now serves as Chief Advisor to the President. He is married with two children.

Mehmet BÜYÜKEKŞİ
Member of the Board

Born in 1961 in Gaziantep. Mr. Büyükekşi graduated from the Faculty of Architecture, Yıldız Technical University in 1984. In addition to being a Board Member of Turkish Airlines, Mr. Büyükekşi is the President of the Turkish Exporters' Assembly, Assembly Member in İstanbul Chamber of Industry, a member of the Board of Directors in Türk Eximbank, in İstanbul Development Agency, in İstanbul Leather and Leather Products Exporters' Association (İDMİB) and General Coordinator of Ziylan Group. Mr. Büyükekşi has been Founder Chairman of Turkish Footwear Industry Research, Development and Education Foundation (TASEV). He is married and has three children.

Auditing Committee

İsmail Gerçek
Auditing Committee Member

Born in Çanakkale in 1963, Mr. Gerçek graduated in 1985 from the Department of Public Administration of the Faculty of Political Sciences at Ankara University. In that same year, he began working as Deputy Finance Inspector Committee of the Ministry of Finance. Until 1998, he worked as a Finance Inspector and Finance Chief Inspector. Between 1992 - 1994, he completed his Master of Arts degree in Money and Banking in the United States as well as post – graduate studies in finance. Mr. Gerçek, who deputized Assistant Head of İstanbul Provincial Finance Administration between 1995-1997, has worked as a partner an certified public accountant in an accounting firm since 1998. He is married and has two children.

Prof. Dr. Ateş Vuran
Auditing Committee Member

Mr. Vuran was born in Istanbul in 1944. He graduated from the Istanbul Academy of Economic and Commercial Sciences, and conducted studies at Italy's Perugia University in 1966 – 1967. He received his Ph.D. in 1974, became an associate professor in 1978, and full Professor in 1984 in the Departments of Statistical and Numerical Methods. In 1971, founded Turkey's first private airline company (Anadolu Havacılık ve Turizm A.Ş.). He is the Head of the Department of Tourism Management within the Faculty of Commercial Sciences at Istanbul University Commerce. He is married and has two children.

Naci Ağbal
Auditing Committee Member

Mr. Ağbal was born in Bayburt in 1968. He graduated from the Department of Public Administration of the Faculty of Political Sciences of Istanbul University in 1989. Between 1996 – 1998, he completed an MBA program at Exeter University in England. He is now engaged in a Ph.D Program in Management at the Institute of Social Sciences of Ankara University. Mr. Ağbal currently continues his duties as General Manager of Budget and Financial Control in the Ministry of Finance. He is married and has two children.

Subsidiaries and Affiliates

TURKISH TECHNIC

Provides maintenance, repair, and technical support services to Turkish Airlines as well as to more than a hundred domestic and international airlines.

A wholly-owned subsidiary of Turkish Airlines, Turkish Technic was established on 23 May 2006.
With its subsidiary operations and more than 3,000 employees, Turkish Technic conducts its activities with the goal of becoming an important air transport technical maintenance base in its region by supplying whatever maintenance, repair, and technical and infrastructure support the aviation industry may need.

SunExpress

The market leader in charter flights between Germany and Turkey.

Founded in 1989, SunExpress is a joint venture of Turkish Airlines and Lufthansa in which each controls a 50% stake.
With a fleet of 28 aircraft, SunExpress employs 1,416 personnel to provide domestic and international scheduled and charter passenger services. In 2010 the company revamped its corporate identity, redefining its vision as becoming the most preferred airline in the Turkish tourism industry by providing its passengers with the very best flying experience.

TURKISH DO & CO
THE GOURMET ENTERTAINMENT COMPANY

Supplies catering services to Turkish Airlines and to more than sixty other domestic and international airlines.

Commencing operations on 1 January 2007, Turkish Do & Co is a joint venture of Turkish Airlines and Do & Co Restaurants & Catering AG in which each controls a 50% stake.
Headquartered at İstanbul Atatürk Airport, Turkish Do & Co provides catering services to domestic and international airlines out of kitchens operating at nine different locations in Turkey. These kitchens turn out about 80,000 meals a day, every choice of which is carefully prepared by the company's own cooks. Turkish Do & Co has been responsible for substantial improvements in catering service quality aboard Turkish Airlines aircraft.

TEC

Provides aircraft engine maintenance, repair, and overhaul services to customers in Turkey and its hinterland.

TEC was established on 10 October 2008. It is a joint venture of Turkish Airlines and United Technologies (Pratt & Whitney) in which Turkish Airlines controls a 51% stake.
Operating out of a high-tech, environment-friendly maintenance center with about 25,000 m^2 of area at İstanbul Sabiha Gökçen International Airport, TEC has the capacity to perform maintenance on more than 200 aircraft engines a year.

With its qualified and experienced team and through its subsidiaries and affiliates, Turkish Airlines continues to strengthen its global brand identity as it advances **towards a leading position in the aviation industry**. Turkish Airlines amplifies its strength and effectiveness in the aviation industry through a system of agreements and arrangements that increase the quality, flexibility, and productivity of its operations.

Bosnia-Herzegovina's flag carrier and only airline as well as Turkish Airlines' strategic partner in the Balkans.

Since 2009, B&H Airlines has been in operation as a joint venture of Turkish Airlines (49%), the Federation of Bosnia and Herzegovina (50.93%), and Energoinvest (0.07%).
Backed by Turkish Airlines' network strengths through existing scheduled flights and code sharing agreements, B&H Airlines offers direct flights from Sarajevo to many other European cities. The company conducts its operations with a fleet of five aircraft and 23 personnel.

Provides ground handling services at İstanbul Atatürk Airport and five other airports in Turkey.

Established on 12 March 2009 as a joint venture of Turkish Airlines and HAVAŞ Havaalanları Yer Hizmetleri AŞ in which each controls a 50% stake, TGS (Turkish Ground Services) has been in operation since the beginning of 2010.
TGS's goal is to serve at least 300,000 flights a year for Turkish Airlines and other domestic and international airlines at Turkey's İstanbul Atatürk, Ankara Esenboğa, İzmir Adnan Menderes, Antalya, Adana, and İstanbul Sabiha Gökçen airports. Employing close to 6,000 personnel and an equipment park of nearly 3,000 units, TGS adheres to the strictest international quality standards in the conduct of all of its ground handling services and operations.

Provides jet fuel storage and supply services at İstanbul Atatürk and other airports in Turkey.

Turkish OPET Aviation Fuels was established on 18 September 2009. It is a joint venture of Turkish Airlines and OPET Petrolcülük AŞ in which each controls an equal stake.
Turkish OPET Aviation Fuels commenced operations on 1 July 2010. In addition to aviation fuels of every kind, the company also engages in the domestic and international sale, importation, exportation, distribution, and transport of chemicals, lubricants, and paints.

Goodrich Turkish Airlines Technical Service Center

Goodrich Turkish Airlines Technical Service Center was set up to provide high-quality and effective nacelle & thrust reserver maintenance and repair services in İstanbul.

Established in 2010, Goodrich Turkish Airlines Technical Service Center is a joint venture of Turkish Technic (40%) and TSA-Rina Holdings (60%), the latter a subsidiary of Goodrich Corporation.
Goodrich Turkish Airlines Technical Service Center will begin providing maintenance and repairs services to Turkish Airlines and other Turkish and international airline companies in 2011.

Turkish TechnicZorlu O/M

Turkish TechnicZorlu O/M's goal is to provide maintenance, repair, and overhaul services for industrial gas turbines.

In 2010, Turkish Technic and Zorlu O&M (Zorlu O&M Enerji Tesisleri İşletme ve Bakım Hizmetleri AŞ) signed "an agreement for a joint venture company".
This agreement sets out the principles governing the conduct of maintenance, repair, and overhaul services both for a variety of aircraft engines and for industrial gas turbines used in power plants. Each party will control 50% stake. The agreement forms the basis for a collaboration that takes advantage of the technical knowledge, international experience, technical specializations, and strong brand underpinnings of each side.

Turkish Cabin Interior Systems Industries Inc

Turkish Cabin Interior Systems Industries was set up to undertake the design, manufacture, logistical support, modification, and marketing of aircraft cabin interior systems and components.

In 2010 Turkish Airlines, Turkish Technic, and TUSAŞ -TAI (Türk Havacılık ve Uzay Sanayi AŞ) entered into an agreement to undertake the joint manufacturing of aircraft cabin interior products.
The objective of this joint venture, whose name will be Turkish Cabin Interior Systems Industries Inc (Türk Kabin İçi Sistemleri Sanayi AŞ), is to undertake the design, manufacture, logistical support, modification, and marketing of aircraft cabin interior systems and components and to take a share of international markets with the goods and services that it produces.

Mission

To become the preferred leading European air carrier with a global network of coverage thanks to its strict compliance with flight safety, reliability, product line, service quality and competitiveness, whilst maintaining its identity as the flag carrier of the Republic of Turkey in the civil air transportation industry.

Mission and Vision

Vision

To become an air carrier with:

- Sustained growth that is above the industry average
- A zero accident and crash record
- The most envied service levels worldwide
- Unit costs equal to those of low-cost carriers
- Sales and distribution costs below industry averages
- Loyal customers who take care of their own reservation, ticketing, and boarding formalities themselves
- Personnel who constantly develop their qualifications with the awareness of the close relationship between the benefits for the company and the added value that they contribute
- A sense of entrepreneurship that creates business opportunities for fellow members in the Star Alliance and takes advantage of the business potential provided by them
- A management team whose members identify with modern governance principles and distinguish themselves by being mindful of the best interests not just of shareholders but of all stakeholders.

Our 2010 Successes

An Unmatched Track Record of Success

Skytrax World Airline Awards 2010
• Best Airline Southern Europe
The Skytrax World Airline Awards are known as the "Oscars" of the aviation industry by which the best performers in each category of the sector are acknowledged. In the Skytrax 2010 rankings, Turkish Airlines repeated its previous year's success by receiving the "Best Airline Southern Europe" citation for the second time in a row.

• World's Best Economy Class Airline Onboard Catering
Demonstrating that it is advancing confidently on the path of the best in service and quality, Turkish Airlines further increased its success by adding yet another to its lineup of recognitions as the recipient of Skytrax's "World's Best Economy Class Airline Onboard Catering" award.

4th

Turkish Airlines ranked fourth in terms of passenger market share among the members of the Association of European Airlines (AEA).

ATW 2010 Market Leadership Award 2010
Air Transport World, one of the airline industry's leading magazines, named Turkish Airlines as the recipient of its "Market Leadership Award 2010" citation. Acknowledged to be Europe's fastest-growing airline company, Turkish Airlines added yet another success to its record by outperforming the sector in terms of both traffic and income performance.

4th position in Europe's passenger market share league table
Turkish Airlines ranked fourth among the 32 members of the Association of European Airlines (AEA) with an 8.4% market share.

World's Best Airline in Terms of Financial Health
In its ranking of "best-performing airlines" based on 2009 figures, the aviation industry's weekly magazine Aviation Week called Turkish Airlines "the world's best airline in terms of financial health".

Turkish Airlines completed 2010 with even greater successes...

In 2010 Turkish Airlines once again was the recipient of numerous awards and recognitions of its superior achievements in operations and in delivering quality service. The company's operational and financial successes drew the attention of aviation industry pundits.

In 2010 once again was acknowledged to be one of the world's fastest-growing airlines.

Paralleling the growth in its fleet in 2010, Turkish Airlines increased its seat, destination, and flight frequency numbers in its existing markets. This growth in capacity was supported by a rise in passenger traffic that resulted in a 2.7 point rise in the company's seat occupancy rate.

Traffic Results

29.1 million

29,119 thousand passengers
In 2010 Turkish Airlines increased the number of the passengers it carried by 16.0% year-on to 29,119,000.

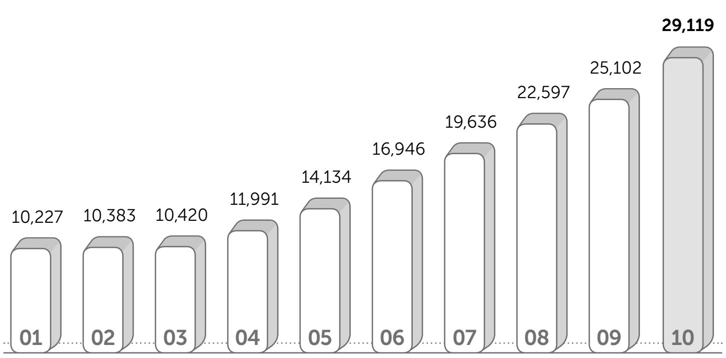
Total Traffic Results

	2010	2009	2008	2007	2006
Total Passengers Carried (000)	29,119	25,102	22,597	19,636	16,947
Available Seat kms (million)	65,100	56,574	46,343	41,619	36,934
Revenue Passenger - kms (million)	47,950	40,130	34,265	30,251	25,383
Passenger Load Factor (%)	73.7	70.9	73.9	72.7	68.7
Number of Destinations	174	158	145	141	134
Number of Landings	245,226	213,953	189,328	168,899	152,536
Kms Flown (000)	358,370	311,869	262,124	232,147	207,202
Cargo (tons)	302,983	230,709	191,934	177,508	155,863
Mail (tons)	10,973	7,351	6,956	6,714	4,010
Excess Baggage (tons)	3,629	3,734	3,752	3,462	3,673
Available ton - kms (million)	9,036	7,795	6,147	5,535	4,874
Revenue ton - kms (million)	5,894	4,784	3,993	3,549	3,019
Overall Load Factor (%)	65.2	61.4	65.0	64.1	61.9

In 2010 Turkish Airlines outperformed industry averages in terms of its operational and commercial indicators and it ranked among the world's fastest-growing airlines.

With a flight network that spans Europe, Asia, the Middle East, Africa, the Far East, and America and continuing to take Turkish hospitality to 174 destinations while conforming to the highest standards of security and safety, Turkish Airlines expanded its domestic and international flight operations in 2010 in parallel with developments in its fleet that underlie its sustainable growth.

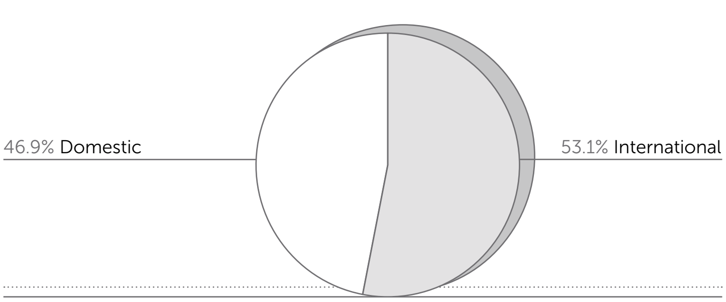
Total Passengers Carried (000)



Of the total 29.1 million passengers carried last year, 46.9% were domestic passengers and 53.1% were international passengers. As was intended, the planned capacity increases on domestic and international routes resulted in a year-on rise in the number of passengers carried.

In a year in which the average rate of growth in passenger numbers among the members of the Association of European Airlines (AEA) was 2.7%, Turkish Airlines increased the number of its own passengers by 16.0%. This rise represents the fastest rate of growth achieved by Turkish Airlines in passenger numbers in recent years. The 29.1 million people carried by the company in 2010 made Turkish Airlines the fourth biggest carrier in terms of passenger numbers among AEA members.

Total Passenger Breakdown



14.6%

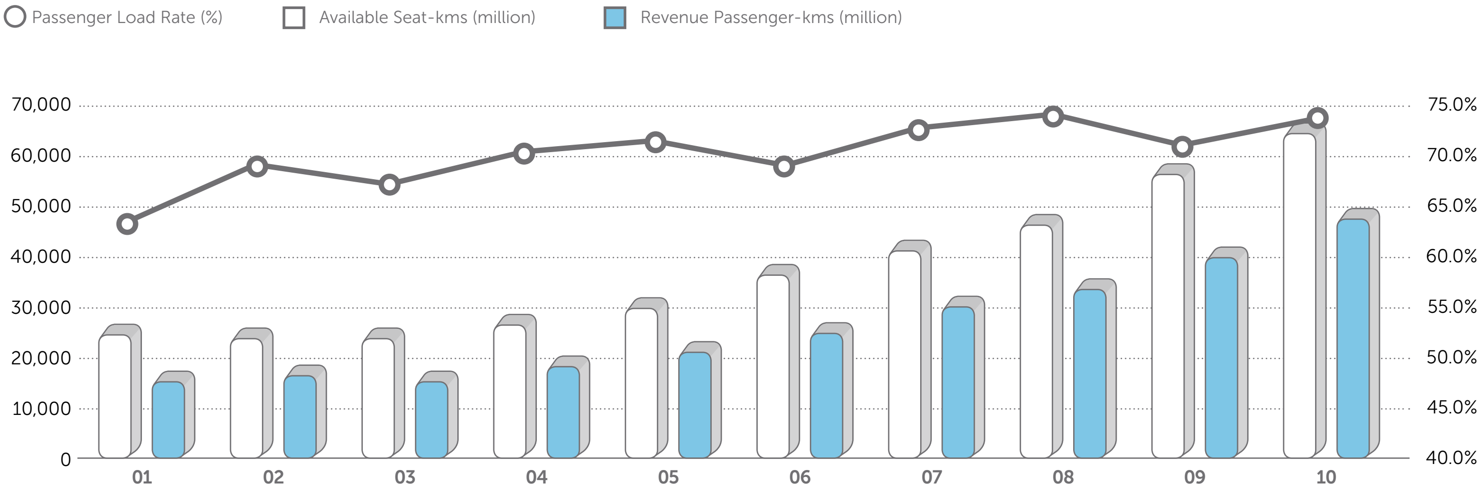
Increase in Landings

Operating more flights thanks to the expansion of its fleet in 2010, last year Turkish Airlines increased the number of its landings by 14.6% to over 245,000.

15.1%

Increase in Available Seat Kilometer
Increasing its supply capacity by 15.1%, Turkish Airlines raised its available seat kilometer (ASK) performance to over 65 million. The rise in passenger numbers was faster than the rise in capacity, which resulted in a 2.7 percentage point increase in seat occupancy.

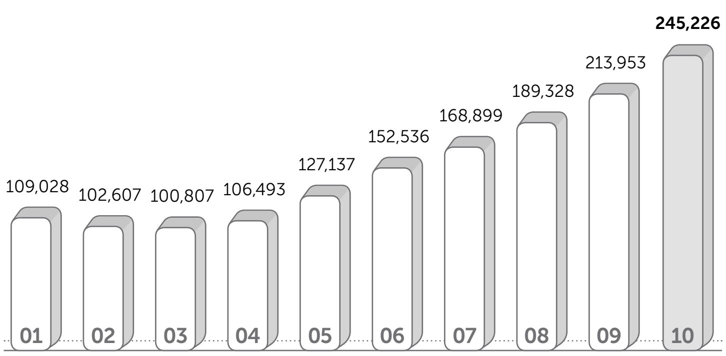
Passenger Load Rate, ASK and RPK Comparison



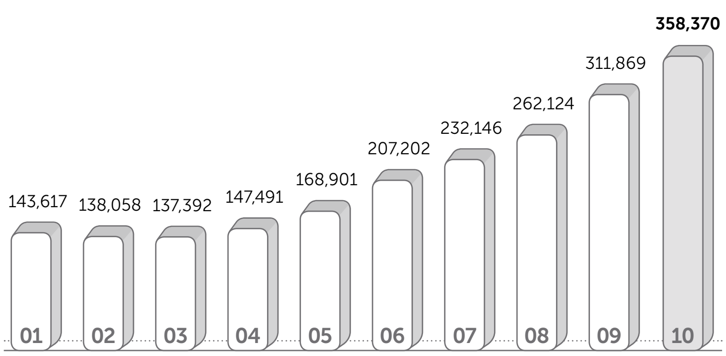
Seeking to continuously improve its operational efficiency and to expand its network, Turkish Airlines achieved a 14.9% increase in the total number of kilometers flown in 2010 while also adding new aircraft to its fleet, inaugurating new routes, and increasing its flight frequencies. Since 2006, there has been a 60% increase in the number of the company's landings.

The total number of kilometers flown was more than 358 million, which corresponds to about a 15% year-on rise. Paralleling the growth in total landings and total kilometers flown, there was also a year-on rise in Turkish Airlines' average flight range in 2010.

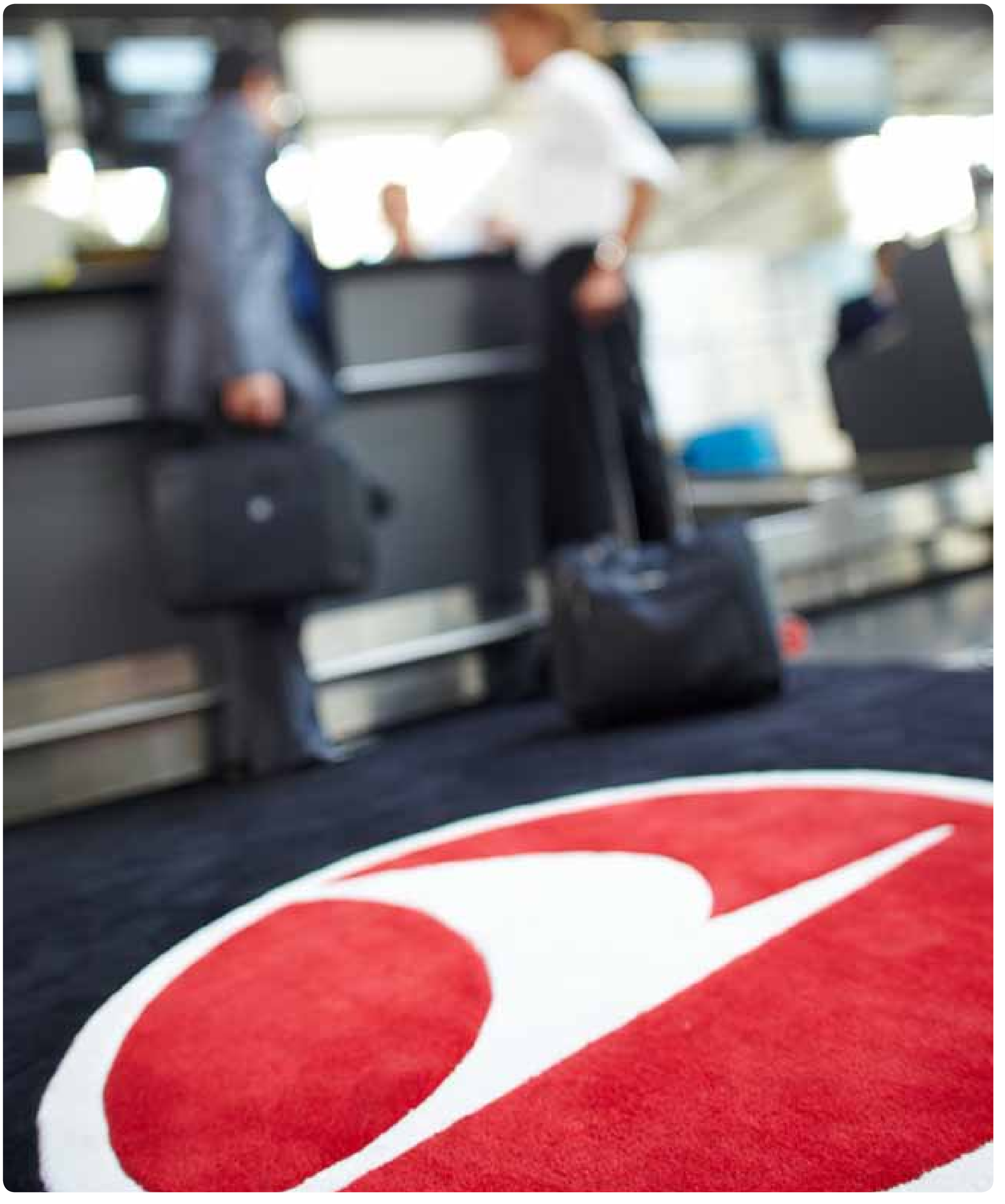
Number of Flights



Kms Flown (000)



Domestic Line Traffic Results



13.6 million

Domestic Passengers
In 2010 the number of Turkish Airlines' domestic passengers increased by 16.7% to over 13.6 million.

Turkish Airlines continues to grow rapidly on domestic routes.

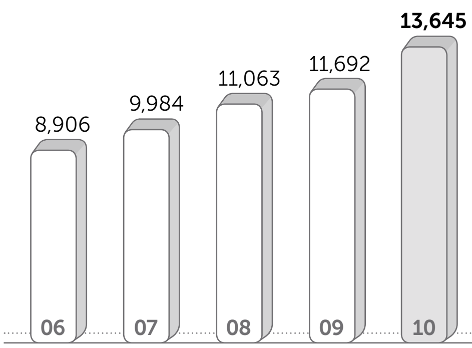
Continuing to expand its domestic network, Turkish Airlines further increased its flight frequencies while achieving a 15.5% rise in the number of its domestic route landings.

Domestic Flights

	2010	2009	2008	2007	2006
Total Passengers Carried (000)	13,645	11,692	11,063	9,984	8,906
Available Seat kms (million)	10,437	9,038	8,488	8,117	7,123
Revenue Passenger - kms (million)	8,007	6,819	6,417	5,924	5,213
Passanger Load Factor (%)	76.7	75.4	75.6	73.0	73.2
Number of Destinations	42	38	34	33	29
Number of Landings	112,842	97,697	92,593	87,162	78,910
Kms Flown (000)	65,576	56,313	53,372	51,016	45,282
Cargo (tons)	35,353	33,037	34,305	35,518	32,085
Mail (tons)	3,971	3,549	3,427	3,555	1,295
Excess Baggage (tons)	1,700	1,450	1,589	1,538	1,460
Available ton - kms (million)	1,191	1,047	1,000	946	806
Revenue ton - kms (million)	757	652	615	570	504
Overall Load Factor (%)	63.6	62.3	61.5	60.3	62.5

In 2010 Turkish Airlines registered the highest rate of growth in domestic flights witnessed in the last four years. The company's domestic ASK increased by 15.5% while there was also a 17.4% rise in its revenue passenger kilometer (RPK) performance. The year-on rise in domestic passengers was 16.7%.

Number of Domestic Passengers (000)

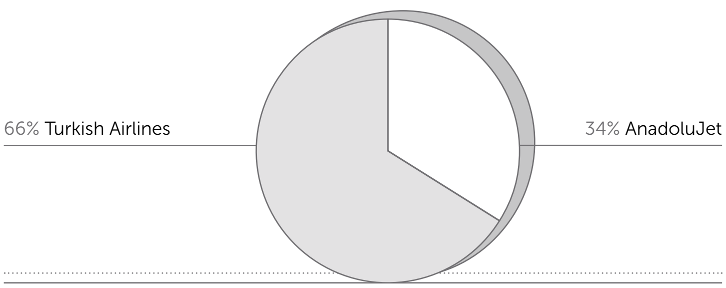


16.7%

The year-on rise in the number of the company's domestic route paying passengers was 16.7% in 2010.

About 2 million more passengers were carried on domestic routes in 2010 than was the case in the previous year. Continuing to further expand the reach of its domestic network in 2010, Turkish Airlines gave more passengers a chance to experience flying.

Passenger Breakdown by Brand Name



Turkish Airlines conducts its domestic route operations both under its own name and through its subsidiary, AnadoluJet, whose domestic route operations are based at Ankara Esenboğa Airport.

International Passengers

15.5 million

International Passengers
The number of passengers flying Turkish Airlines' international routes increased by 15.4% in 2010 and reached 15.5 million.

Turkish Airlines made significant progress on its international routes in 2010.

In 2010 Turkish Airlines added eleven new international destinations to its network, bringing the total to 132 on five continents. The company carried 15.5 million international passengers last year.

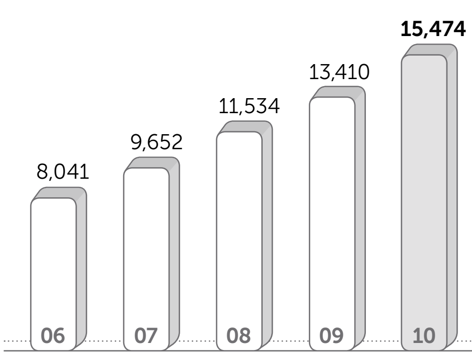
International Flights

	2010	2009	2008	2007	2006
Total Passengers Carried (000)	15,474	13,410	11,534	9,652	8,041
Available Seat kms (million)	54,663	47,536	37,855	33,502	29,811
Revenue Passenger - kms (million)	39,943	33,311	27,848	24,327	20,170
Passenger Load Factor (%)	73.1	70.1	73.6	72.6	67.7
Number of Destinations	132	120	111	109	105
Number of Landings	132,384	116,256	96,735	81,737	73,626
Kms Flown (000)	292,794	255,556	208,752	181,131	161,920
Cargo (tons)	267,630	197,672	157,629	141,990	123,777
Mail (tons)	7,002	3,802	3,529	3,159	2,715
Excess Baggage (tons)	1,929	2,284	2,163	1,924	2,213
Available ton - kms (million)	7,845	6,748	5,147	4,589	4,068
Revenue ton - kms (million)	5,137	4,132	3,378	2,979	2,515
Overall Load Factor (%)	65.5	61.2	65.6	64.9	61.8

Distinguishing itself as a global airline with its extensive network and diversified schedule, Turkish Airlines increased the number of its international route landings by 13.9% last year. The company's ASK performance was also up by 15.0% while there was a 15.4% rise in passenger numbers.

The company continued to focus on transfer passenger traffic in 2010. Having passengers who are starting from a point outside Turkey and heading for a destination also outside the country call at İstanbul aboard a Turkish Airlines flight is an important strategy from the standpoint of giving the company access to a broader market. The growth in the airlines transfer passenger numbers continued in 2010. Information about developments in Turkish Airlines' international transfer passenger traffic over the years is provided below.

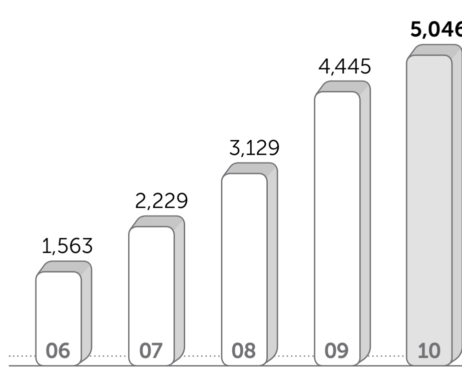
Number of International Passengers (000)



15.4%

The number of paying international passengers increased by 15.4% in 2010 and reached 15.5 million.

Number of International Transfer Passengers (000)



13.5%

The number of international transfer passengers increased by 13.5% in 2010 and reached 5.05 million.

Continuing to grow, develop, and evolve in line with its objective of becoming a leading network carrier, Turkish Airlines is attracting international attention as an airline that is preferred by more and more people.

Turkish Airlines makes a significant contribution towards İstanbul's standing as a major aviation industry hub through which an increasing number of international transfer passengers move. The company's business plans are conceived and carried out in line with this vision.

NATURAL HUB İSTANBUL OF THE WORLD

AnadoluJet

5.3 million

AnadoluJet passengers
The total number of AnadoluJet passengers increased by 85.6% in 2010 and reached 5.3 million.

With AnadoluJet air travel is no longer just a luxury.

Offering passengers cut-rate prices and streamlined services without sacrificing aviation industry standards or flight safety, AnadoluJet continues to make traveling to Anatolia more convenient than ever.

All Aboard!

49

In 2010 AnadoluJet continued to fly from 49 locations: 35 domestic and 14 international

Founded in April 2008 and based in Ankara, AnadoluJet commenced operations with five aircraft. AnadoluJet, a subsidiary of Turkish Airlines, completed 2010 with a fleet of 22 B737-700 and B737-800 aircraft. Streamlining services without sacrificing aviation industry standards or flight safety, AnadoluJet offers budget-priced flights that are easy on the passenger's pocket. In 2010 AnadoluJet continued to make luxury of traveling available for Anatolia.

Having begun to fly into short-runway airports with two ATR72-500 aircraft that it leases, AnadoluJet added Bursa, Balıkesir, Siirt, and Tokat to its domestic routes network. In 2009 AnadoluJet's only international destination was in the Turkish Republic of Northern Cyprus. In 2010 the company added 13 new international connections to its network from airports in Ankara and İstanbul (Sabiha Gökçen): Amsterdam, Stockholm, Brussels, Copenhagen, Damascus, Domodedovo, Düsseldorf, Frankfurt, Tehran, Nakhichevan, Stansted, Moscow, and Vienna. Having started out with just 20 destinations, AnadoluJet completed 2010 with 49: 35 domestic and 14 international.

In 2010 AnadoluJet increased its capacity by 120.2% while achieving an 85.6% year-on rise in the number of passengers carried (5.3 million). There was a 90.5% increase in the number of the airline's landings. AnadoluJet achieved seat occupancy ratings of 82.5% on its domestic routes and of 71.2% on its international routes. Its overall seat occupancy performance was 79.5%.

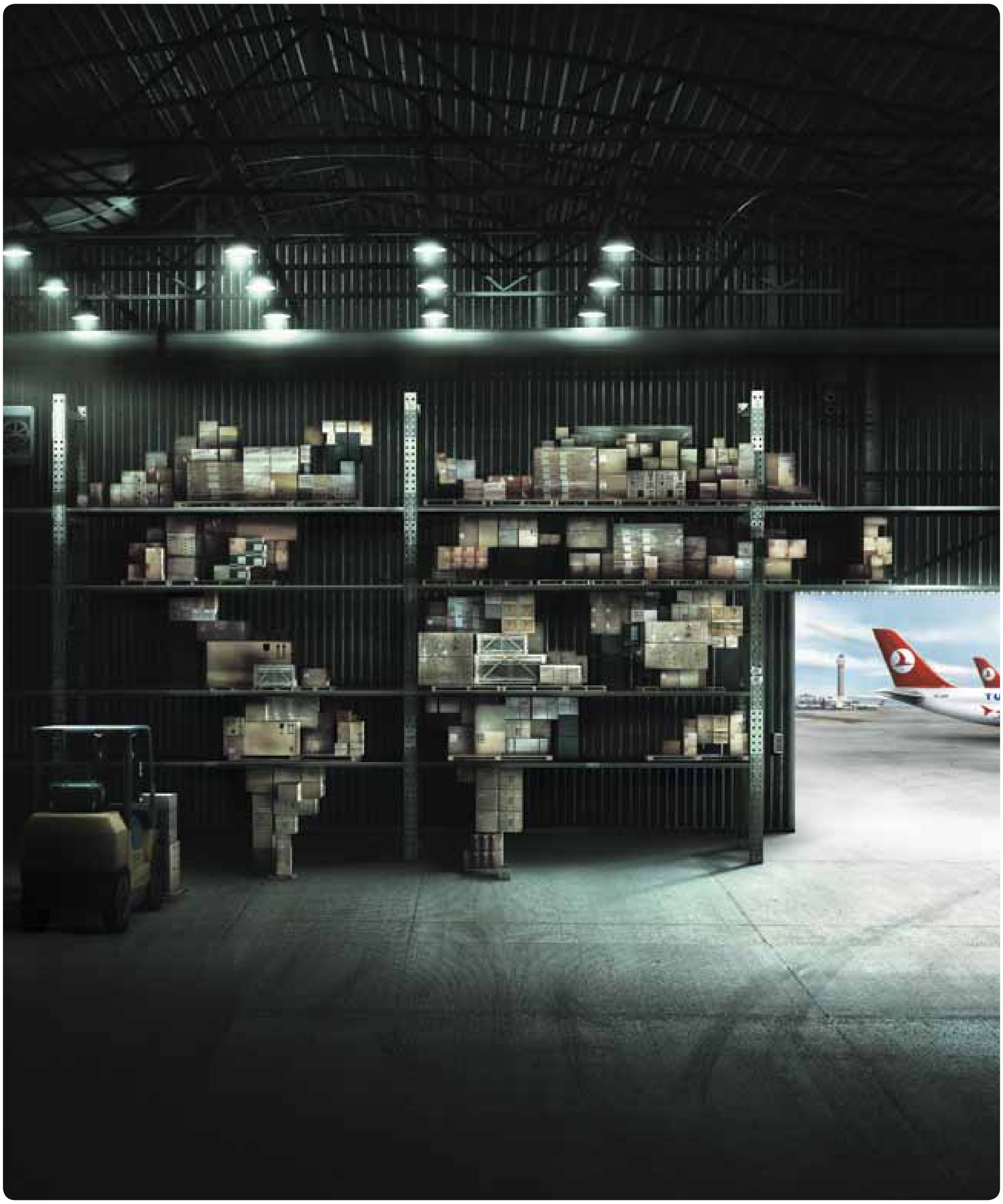
Streamlining services without sacrificing aviation industry standards or flight safety, AnadoluJet continued to offer budget-priced flights that are easy on the passenger's pocket and to make air travel not just a luxury but an affordable convenience for everyone in 2010.

120.2%

AnadoluJet's total ASK performance increased 120.2% year-on during 2010.

	2010	2009	2008
Total Passengers Carried	5,337	2,876	1,732
Available Seat kms (million)	4,611	2,094	1,255
Revenue Passenger - kms (million)	3,664	1,695	1,023
Passenger Load Factor (%)	79.5	80.9	81.5
Number of Landings	41,149	21603	12,862

Cargo



314 thousand tons

Total cargo and mail carried
Turkish Airlines experienced a record-breaking year in cargo transport in 2010, achieving the highest (31.9%) rate of year-on growth in a decade. The company carried about 314 thousand tons of cargo and mail last year.

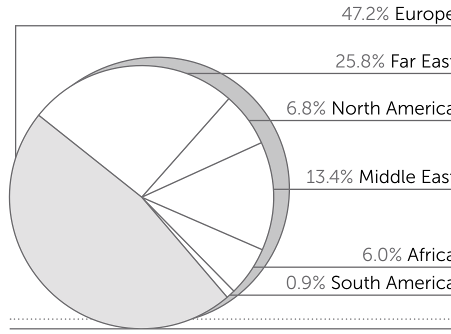
Rapid progress in Turkish Airlines air cargo transport in 2010!

Turkish Airlines is the leader of the domestic air cargo transport industry in Turkey, of which it controls a 60% market share. The company's expanding structure enables it to make rapid progress in this business line in the international arena as well.

Cargo Traffic

	2010	2009	% Change
Number of Cargo Aircrafts	5	4	25.0
Cargo Destinations	26	22	18.2
Number of Flights	245,226	213,953	14.6
Passenger Flights	241,188	210,990	14.3
Cargo Flights	4,038	2,963	36.3
Cargo+Mail (tons)	313,956	238,060	31.9
Passenger Flights (tons)	222,982	178,511	24.9
Cargo Flights (tons)	90,974	59,549	52.8

Breakdown of Regional Cargo Traffic



47%

In 2010, with a 47% rate, Europe has the highest share in cargo flights.

Rapid growth in air cargo transport

Because of its geostrategic location between east & west and north & south, Turkey is an important logistical base as well as the home of its leading airline company, Turkish Airlines. In the process of economic recovery taking place in the wake of the global economic crisis, Turkish Airlines' youthful and dynamic structure has been enabling it to achieve rapid growth in air cargo transport.

Representing an economic force in its own country and positioned to serve a market of 400 million people in its hinterland, Turkish Airlines Cargo conducted regularly-scheduled air cargo flights to 26 locations with a fleet of four A310 and one A330 aircraft. Turkish Airlines Cargo's network links Maastricht, Frankfurt, Zurich, Paris, Tel Aviv, Milan, Cairo, Madrid, Almaty, Delhi, Tbilisi, Damascus, Amman, Bishkek, Casablanca, Shanghai, Hong Kong, Cologne, London, Dubai, Algiers, Prishtina, Tirana, Tashkent, and Tripoli to Istanbul.

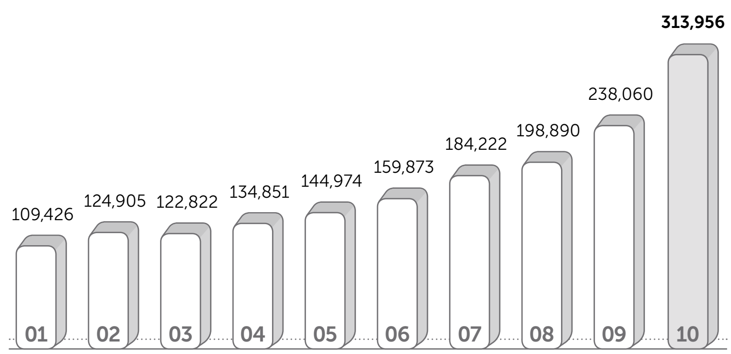
Because of the advantages that it offers in terms of speed, time, and security in international trade, more and more cargo is moving by air and air cargo transport is taking an increasingly bigger share of the cargo transport industry just as it is undergoing the most rapid of changes and developments. Making the best possible use of the advantages that it enjoys, Turkish Airlines Cargo seeks to expand its services and to increase its market shares in line with worldwide developments.

Turkish Airlines experienced a record-breaking year in cargo transport in 2010, achieving the highest (31.9%) rate of year-on growth in a decade. The company carried about 314 thousand tons of cargo and mail last year.

In 2010 Turkish Airlines moved about 314 thousand tons of cargo by air to destinations located all over the world. Of this total amount, 223 thousand tons was carried in the cargo holds of passenger aircraft and 91 thousand tons moved aboard dedicated cargo planes.

Aware that the opportunities offered by time and speed take precedence over the cost of transport in trade, Turkish Airlines Cargo experienced its heaviest traffic in Europe and the Far East last year. Turkish Airlines Cargo will continue to undertake investments and to growth without any loss of pace as it creates more value for its parent company.

Cargo and Mail Development (tons)



31.9%

Increase in Transported Cargo and Mail

In 2010 Turkish Airlines Cargo registered a 31.9% rate of year-on growth in air cargo transport, carrying a total of 313,956 tons.

Developments in the Turkish Airlines Fleet

153

Aircraft
Twenty-one additions were made to Turkish Airlines' fleet during 2010, bringing the total number of aircraft to 153 as of year-end.

One of the youngest fleets of any airline in Europe

With the addition of new aircraft to its lineup in 2010, Turkish Airlines' fleet grew even younger. The average age of the company's passenger planes is 6.2 years and the overall average of the fleet is 6.5 years.

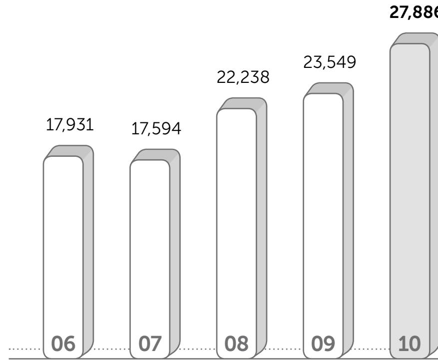
Fleet as of year-end 2010

Aircraft Type	Number	Fleet Age	Total Capacity (Seat)
Commercial Aircraft			
A340-300	9	14.2	2,446
A330-200	7	4.6	1,812
A330-300	4	0.1	1,156
B777-300ER	9	1.6	2,933
A319-100	4	4.9	528
A320-200	25	3.7	3,962
A321-200	21	4.8	4017
B737-400	3	18.9	450
B737-800	52	7.5	8,596
B737-700	14	5.0	1,986
Cargo Aircraft			
A310-300F	4	22.5	-
A330-200F	1	0.3	-
TOTAL	**153**	**6.5**	**27,886**

Seeking to deliver high-quality service and maximum passenger satisfaction, Turkish Airlines conducts its operations with a dynamic and efficient fleet whose average age is below the sector average and whose cabin comforts are above it. Over the last five years Turkish Airlines has expanded the size of its fleet by 82% in numerical terms, increasing the 84 aircraft that it had at end-2005 to 153 by the end of end-2010. During the same period, the company's seat capacity grew by 93%. In line with its objective of enlarging its fleet with youthful aircraft, the average age of Turkish Airlines's fleet at end-2010 was 6.5 years.

Turkish Airlines' fleet expansion is being carried out as part of the company's "2005-2015 Fleet Projection" program, under which the company has placed orders for 22 wide-body airliners (twelve B777-300 ER and ten A330-300). Of these planes, Turkish Airlines had taken delivery of five B777-300 ER units and of four A330-300 units as of end-2010. The remaining 13 wide-bodies will be delivered in 2011 and 2012. In the case of narrow-bodies, Turkish Airlines has placed orders with Boeing for twenty B737-800 units and fifteen B737-900 ER units (to be delivered in 2011-2015) and with Airbus for six A319-100 and twenty-four A321-200 units (to be delivered in 2011-2013).

Total Seat Capacity



93%

Turkish Airlines increased its seat capacity by 93% in the last five years.

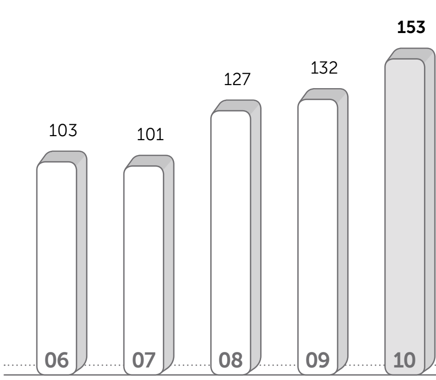
Turning now to cargo aircraft, the previously-given order for two A330-200F units was increased to five units. One of these aircraft was delivered in 2010 and the remaining four will be delivered before end-2014.

Turkish Airlines has recourse to leasing as an effective way of coping with seasonal changes in demand for seating capacity. During 2010 the company temporarily added 12 leased aircraft to its fleet for this purpose.

In line with the 15.9% increase in the number of aircraft in Turkish Airlines' fleet in 2010, the company's total seating capacity also grew by 18.4%.

The company's utilization performance in 2010 was 12:15, which was 5.2% higher than that of the previous year.

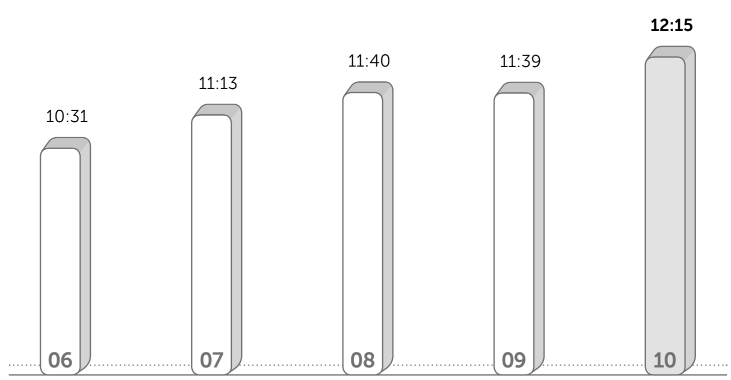
Development of Fleet Size

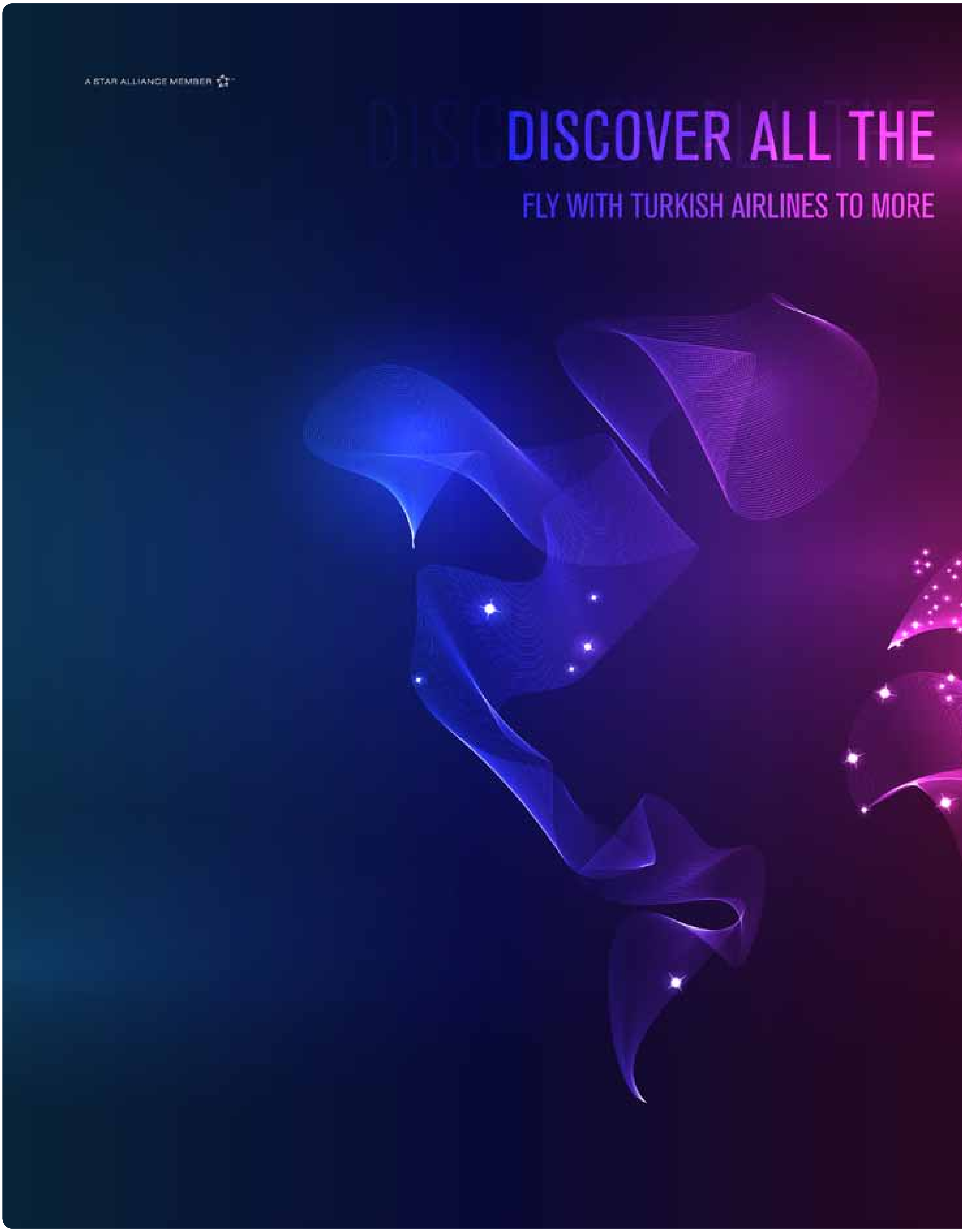


15.9%

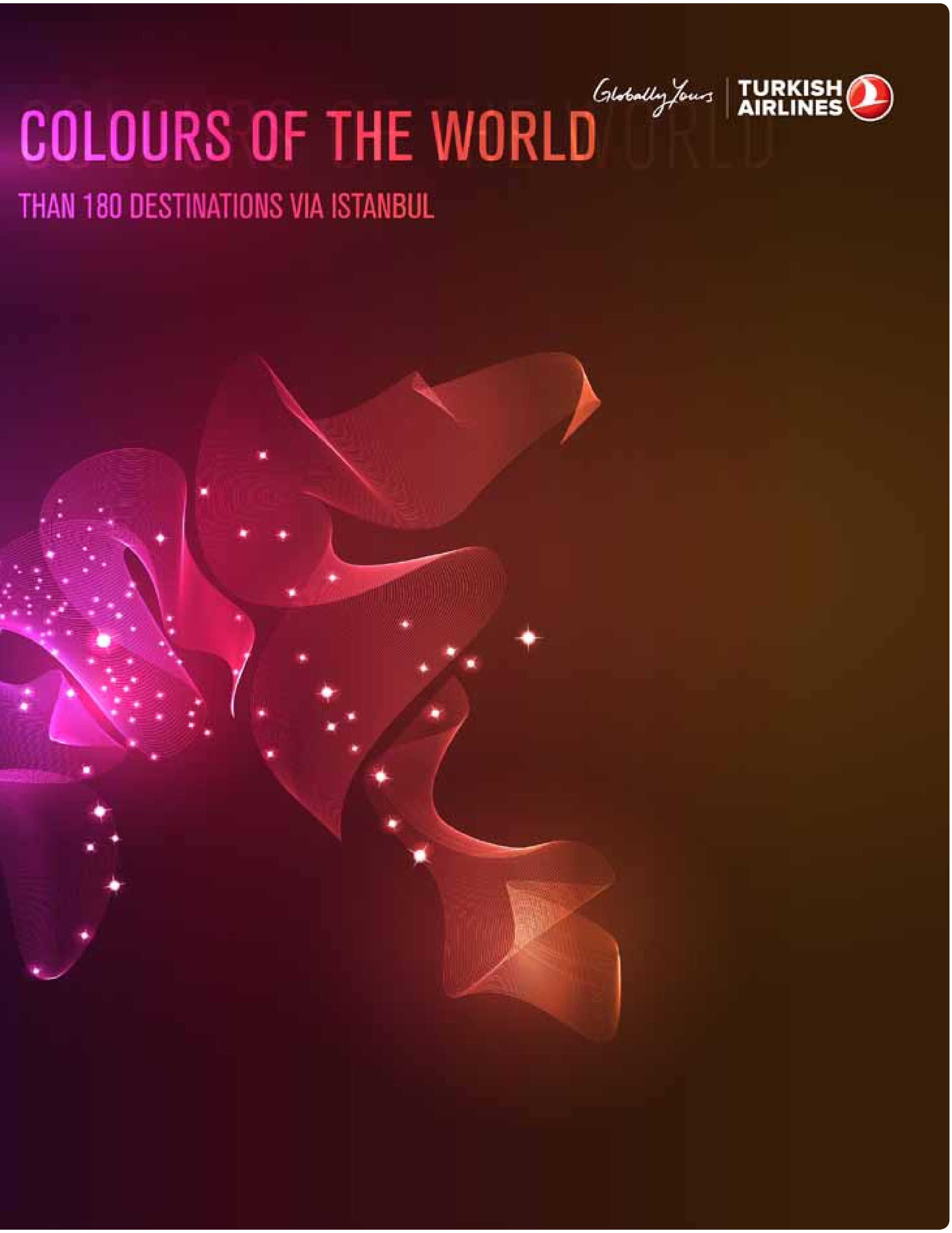
In the year to end-2010, the number of Turkish Airlines' fleet increased by 15.9% and reached 153.

Daily Utilization Rate (Utilization)




A STAR ALLIANCE MEMBER
DISCOVER ALL THE
FLY WITH TURKISH AIRLINES TO MORE

Our Flight Network



A presence in 82 countries

15

During 2010 Turkish Airlines began flying to fifteen new destinations: 4 domestic and 11 international.

More Flights, More Service

The demands of global competition in today's aviation industry make it necessary for Turkish Airlines to be more than just a passenger carrier in its home market and to position itself as an international passenger carrier with a globe-spanning network. The company has developed a strategic plan whose aim is to make İstanbul an international hub and center by bridging traffic moving between the countries in Central Asia, the Balkans, and the Middle East on the one hand and the Far East, Europe, and the Americas on the other. In line with this plan, improvements are constantly being made in Turkish Airlines's flight schedules, with substantial progress having already been achieved in this direction.

In 2010 flight frequencies were increased on routes that were deemed to be high-potential in terms of passenger demand while flights were initiated to new destinations with the aim of expanding the flight network. A total of 994 additions were made to the schedule (640 domestic and 354 international) on routes that had high passenger demand. A total of 66,382 passengers were carried on these flights.

Flights were inaugurated to fifteen new destinations (4 domestic and 11 international) on routes effective the dates indicated below.

New Destinations	Effective as of
International	
Bologna	01 March 2010
Sochi	25 May 2010
Dar Es Salaam	14 June 2010
Entebbe	14 June 2010
Alexandria	19 June 2010
Podgorica	08 July 2010
Accra	15 July 2010
Washington	06 November 2010
Dacca	26 December 2010
Ho Chi Minh City	29 December 2010
Nakhichevan	24 June 2010
Domestic	
Bursa	02 April 2010
Balıkesir	09 July 2010
Siirt	20 December 2010
Tokat	23 December 2010

Accra: New destination added as of 15 July 2010.

As a result of changes in and new additions to the Turkish Airlines flight network, the total number of routes increased from 156 (37 domestic and 119 international) in 2009 to 174 (42 domestic and 132 international in 2010.

*The number of cities and the number of airports being flown to as of end-2010 was 171 and 174 respectively.

Alexandria: New destination added as of 19 June 2010.

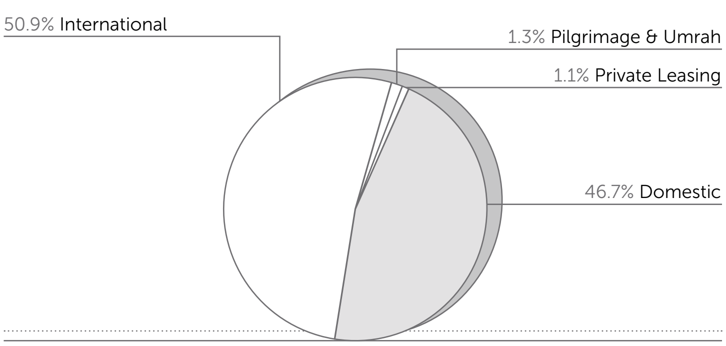
The total number of routes increased from 156 (37 domestic and 119 international) in 2009 to 174 (42 domestic and 132 international in 2010.

174 destinations

Turkish Airlines ranks among the world's top ten carriers in terms of the size of its flight network. In 2010 the company conducted regularly-scheduled flights to a total of 174 destinations, of which 42 were domestic and 132 were international.

In addition to its regular schedule, Turkish Airlines also conducted 1,104 hajj and 2,215 umrah flights on which it carried a total of 390,859 passengers. This corresponds to a year-on-year rise of 22% in this business line. To take better advantage of spare capacities in the company's timetable, 1,924 individual lease arrangements were made through which a total of 327,111 passengers were carried.

Passenger Breakdown by Operation Type



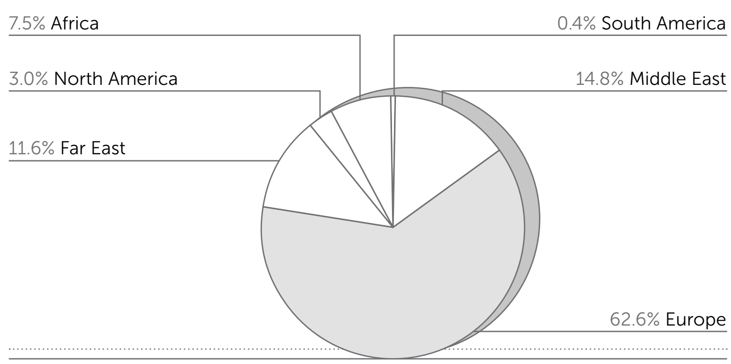
Podgorica: New destination added as of 8 July 2010.

51%

In 2010, international passengers had the highest share, 51%, in passenger breakdown by operation type.

Successfully conducting its marketing and sales activities at home as well as in 82 countries internationally, Turkish Airlines continues to expand the scope of its intercontinental geographical reach. An analysis of international market figures concerning numbers of passengers carried on scheduled and non-scheduled flights shows that Europe accounted for the biggest (62.6%) share of the company's total.

Passenger Breakdown by Region



Washington DC: New destination added as of 6 November 2010.

International Relations and Agreements

23

As of end-2010, Turkish Airlines had entered into codesharing agreements with a total of 23 airlines.

Turkish Airlines continues to expand its flight network through the agreements that it enters into.

Special pro-rate and codeshare agreements give Turkish Airlines access to locations to which it does not have direct flights of its own.

In 2010 Turkish Airlines was engaged in activities to increase its effectiveness in Far Eastern, Asian, and North & South American markets and to expand its network opportunities through interline connections.

To this end, the company the company's existing special pro-rate agreements (SPA) and traffic agreements were revised while new ones were entered into with other airlines.

Through the codeshare agreements that were signed or revised during 2010, it became possible to make sales to 43 offline destinations using Turkish Airlines flight numbers and codes. The existing free-sale agreement with All Nippon Airways concerning the İstanbul-Tokyo and İstanbul-Osaka routes was revised to include the Osaka-Okinawa and Osaka-Fukuoka routes that are operated by All Nippon.

On the 1st of February 2010 a free-sale and codeshare agreement was signed between Turkish Airlines and Spanair. This agreement applies to İstanbul-Madrid/Barcelona, Turkish domestic, and Spanish domestic flights.

Canary Islands: Turkish Airlines's newest offline flight destination made accessible through our agreement with Spanair

Last year a free-sale codeshare agreement was signed between Turkish Airlines and Swissair under which joint flights commenced on the İstanbul-Zurich/Basel/Geneva routes as of 1 April 2010.

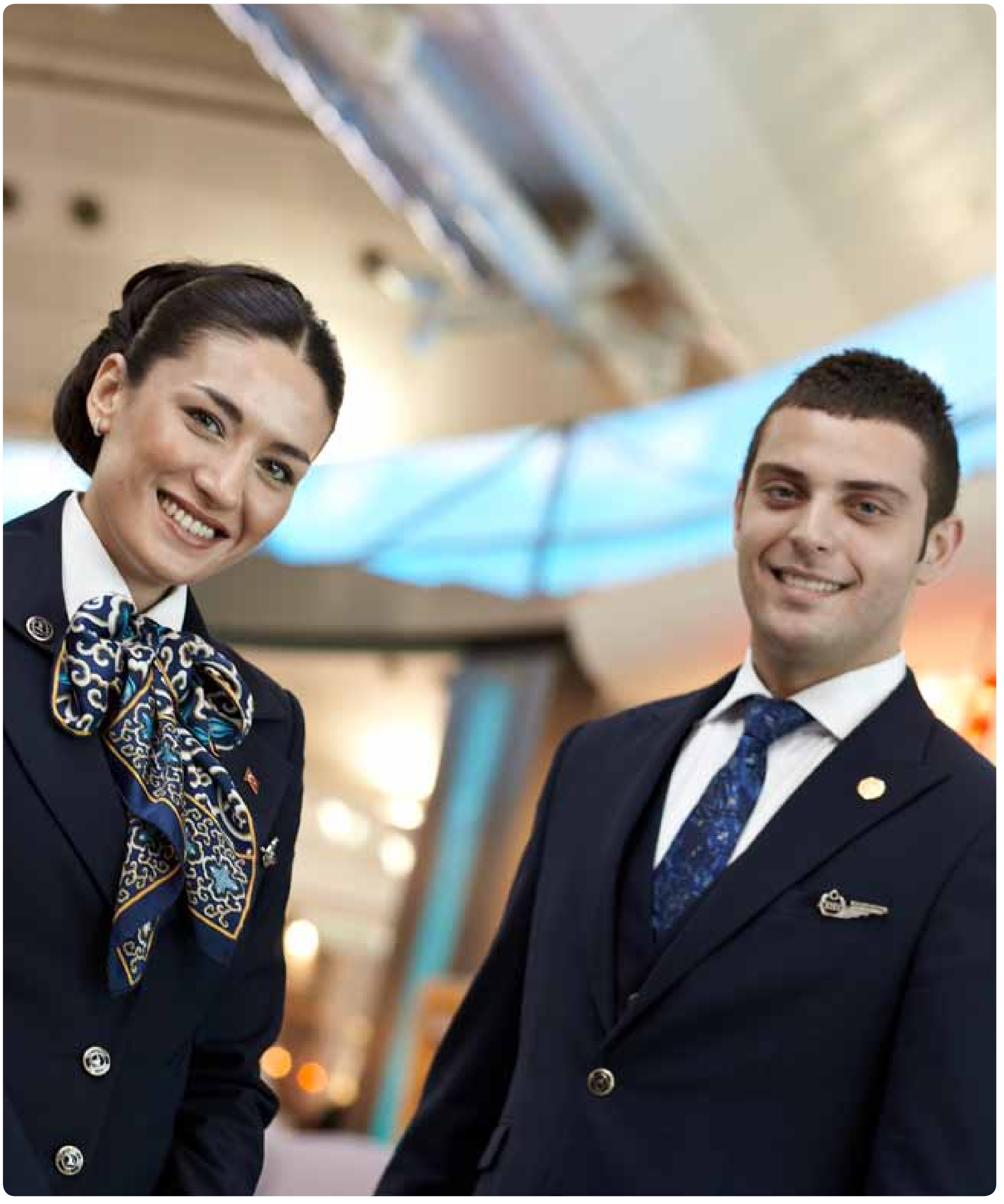
Besides, under a blocked-space codeshare agreement entered into with Garuda Indonesia Airways, joint flights commenced on the İstanbul-Jakarta route being operated by Turkish Airlines.

The existing free-sale agreement with EgyptAir on the İstanbul-Cairo route was revised and its scope was expanded to include the İstanbul-Alexandria and the İstanbul-Almaty routes being operated by Turkish Airlines.


TURKISH AIRLINES

Our Services

Cabin Services



5,326

5,326 cabin attendants
The number of cabin attendants employed by Turkish Airlines increased by 35.6% and reached 5,326 in 2010.

Passengers discover traditional Turkish hospitality on Turkish Airlines flights.

Taking the approach that "the world is our home and you are our guests", Turkish Airlines's cheerful and professional cabin attendants care for our passengers.

An expanded cabin services vision and superior service quality

4,970

During 2010, in total 4,970 Turkish Airlines cabin personnel took part in the airline's Service Quality & Passenger Satisfaction Survey Program.

Efforts to become the world's best airline by distinguishing oneself in one's approach to service make it necessary to employ the best possible cabin crews to deliver that service. Taking this precept as its point of departure, in August 2010 Turkish Airlines began conducting its "Service Quality & Passenger Satisfaction Survey Program", in which 4,970 cabin attendants took part, and it also engaged in interactive activities with the aims of improving the level of cabin service quality, increasing passenger satisfaction, and strengthening the bonds between passengers and cabin crews.

Designed to be comprehensive in its content, this program is rooted in the principles of perceiving service as a whole and of making certain that personnel who come into direct contact with passengers internalize this concept completely. Cabin personnel take part in program training activities in which different issues are dealt with each month. In this process, training activities focus on inculcating behavior and attitudes that will allow individual and corporate goals to coalesce at a common point. The issues dealt with consist generally of:

- Service and passenger satisfaction concepts
- What passengers expect of an airline
- The products and services supplied to passengers
- Examples of other airlines' practices
- Cabin services from a passenger's point of view
- Brand and brand perceptions
- The importance of teamwork
- In-flight service managers and leadership
- Behavioral models
- Etiquette and table manners
- Skytrax results and their evaluation.

The program is updated every month on the basis of issues whose need has been determined and it is planned that it will go on until superior service continuity is achieved. The objective of these activities is to make Turkish Airlines' cabin crews aware of friendliness and hospitality as essential elements of the Turkish Airlines brand.

Training that focused on theoretical knowledge and its application took place in August, September, and October for cabin attendants and in November and December for in-flight service managers.

The program operates six days a week and is conducted in morning and afternoon groups. Each group session consists of four hours of theoretical and practical issues and a one-hour personal development seminar.

As of August 2010, 4,970 cabin attendants had taken part in these activities once, 2,988 twice, and 1,581 three times. The goal is to have every flight attendant take part in this program at least four times a year in order to ensure the continuity of information and communication flow and to increase the level of the program's effectiveness.

4,970 flight attendants took part in the "Service Quality and Passenger Satisfaction Enhancement Program", which consisted of interactive activities.

Catering

96%

Satisfaction level
A 96% passenger catering service satisfaction level was achieved in 2010.

Adding savor to the flying experience

The catering services provided by Turkish Do & Co have been receiving rave reviews from passengers, who say that the flavor lingers on long after the flight is over.

Offering its guests a delicious as well as an enjoyable experience as they travel across the skies, Turkish Airlines continued to undertake its investments and to score new successes in this area during 2010. A joint venture of Turkish Airlines and Do & Co Restaurants & Catering in which each controls an equal stake, Turkish Do & Co has been supplying catering services aboard Turkish Airlines flights at many national and international airports since 2007.

In 2010 Turkish Airlines was the winner of the Skytrax World's Best Catering in Economy Class award. Turkish Airlines's "Flying Chef Program", in which onboard chefs prepare the meals for First and Business Class passengers, was inaugurated on the airline's New York route in April 2010. This new catering service, which is to be available on Turkish Airlines's international flights, is currently being provided on ten routes: Bangkok, Hong Kong, Seoul, New York, Johannesburg-Cape Town, Osaka, Narita, Chicago, Shanghai, and Toronto. Turkish Do & Co's trained chefs not only familiarize passengers with the catering concepts adhered to in First and Business class but also provide cabin crews with professional support in the preparation of in-flight meals. Through them, Turkish Airlines has the opportunity assess passenger demands by taking part in onboard passenger service and to show off Turkish hospitality to the whole world.

Turkish Airlines' leading position in in-flight catering is confirmed by international organizations as well. Turkish Airlines was the winner of the Skytrax World's Best Catering in Economy Class award in 2010. 96% of our passengers say they are "extremely pleased" with the Turkish Airlines catering services provided to them. This performance is a strong motivation for us to do even better.

Offering its guests a delicious as well as an enjoyable experience as they travel across the skies, Turkish Airlines continued to undertake its investments and to score new successes in 2010.

1

Best Catering in Economy Class
On the basis of its survey of international passengers of many different nationalities, Skytrax selected Turkish Airlines as the recipient of its "World's Best Catering in Economy Class Award".

Comfort Class

49 cms

Seat Width
In its Comfort Class cabin, Turkish Airlines provides its passengers with a more comfortable flying experience with 49-cm seat widths.

New cabin class: Comfort Class

Paralleling the growth in our fleet in 2010, Turkish Airlines started to offer comfort class service. With comfort class, which is between economy and business class, a high-quality service has been created.

New sky-high benefits

116 cms

Legroom
A comfortable flight with 116 cms of legroom is just one of the many advantages that Turkish Airlines Comfort Class passengers enjoy.

Opening the door to a new generation of sky-high benefits, Turkish Airlines has added yet another alternative to its lineup of Economy, Business, and First class alternatives. Comfort Class, which is positioned between Economy Class and Business Class, has begun offering passengers who prefer Business Class comfort an alternative that is highly attractive.

Passengers who choose to fly the Turkish Airlines Comfort Class experience also take advantage of broader aisles and a richer selection of in-flight catering and entertainment options, all at a still-affordable price.

The comfort and entertainment options awaiting Turkish Airlines Comfort Class passengers are summarized below.

- Legroom: 46 in (116 cms)
- Seat width: 19.5 in (49 cms)
- Maximum seat recline: 8.5 in (21 cms) / 111.3°
- Seat abreast: 2+3+2
- Individual 10.6 inch in-arm screen for each seat
- Extensive music, movie, documentary, and game selection
- Personal USB and I-Pod connections
- Leg rest
- Internet, GSM, and TV connections (coming soon)

Comfort Class is designed for passengers who currently fly Economy but who would prefer to have broader aisles, and a richer selection of catering and in-flight entertainment options.

Comfort Class passengers take advantage of broader aisles and a richer selection of in-flight catering and entertainment options, all at a still-affordable price.

Ground Handling Services

285,913

Takeoff/landing ground handling service operations

Turkish Ground Services (TGS) is a subsidiary of Turkish Airlines. In 2010 the company provided high-quality, cheerful ground handling services in a total of 285,913 operations conducted at six airports.

Quality in ground handling services

Adhering to the principle of absolute customer satisfaction at all of the 174 national and international destinations to which it flies, Turkish Airlines also ensures that its ground handling services are carried out through joint ventures in such a way as to fully satisfy its passengers' expectations.

Quality in Ground Handling Services

6 airports

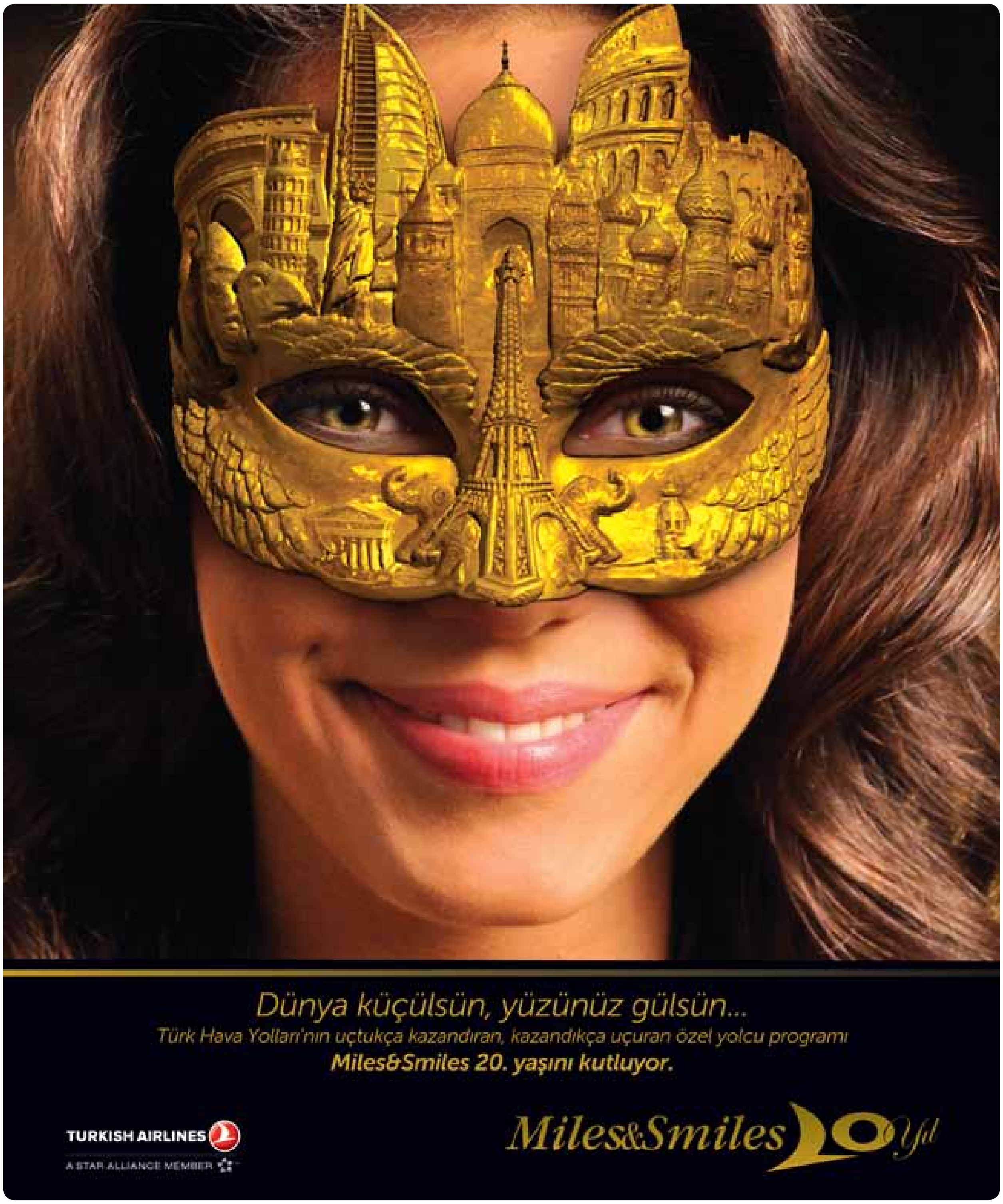
Turkish Ground Services carried out its operations all year long at six airports during 2010.

Conducting its operations with the vision of ensuring that passengers enjoy a total-quality flight experience in every respect, Turkish Airlines strives to ensure that ground handling services are delivered with the same Turkish Airlines attention to quality and cheerfulness at every stage. Adhering to the principle of absolute customer satisfaction at all of the 174 national and international destinations to which it flies, Turkish Airlines also ensures that its ground handling services are carried out through joint ventures in such a way as to fully satisfy its passengers' expectations.

Turkish Ground Services (TGS) is a joint venture of Turkish Airlines and HAVAŞ Ground Handling. It began providing ground handling services at six airports in Turkey (İstanbul Atatürk, Ankara Esenboğa, İzmir Adnan Menderes, Antalya, Adana, and İstanbul Sabiha Gökçen) as of 31 December 2009. TGS employs nearly 6,000 people and more than 3,000 items of equipment to deliver ground handling services at the highest levels of quality and efficiency. In a remarkably short time it has established itself in a leading position in the Turkish ground handling services industry. Its headquarters operations and all six of the airport stations at which it was operating in 2010 underwent inspections and audits for which they were awarded internationally-recognized ISO 9001:2008 Quality Management System certifications.

Employing nearly 6,000 people and more than 3,000 items of equipment to deliver ground handling services at the highest levels of quality and efficiency, TGS quickly established its leading position in the ground handling services industry. Its headquarters operations and all six of the airport stations at which it was operating in 2010 were audited and awarded international ISO 9001:2008 certification.

Business Development



14%

The number of participants in Miles&Smiles, Turkish Airlines's frequent-flyer program increased by 14% and reached 2,051,036.

Miles&Smiles: A world of advantages

Turkish Airlines' Miles&Smiles frequent-flyer program offers members a wide range of benefits that can be exchanged for free travel, accompanying passenger tickets, and travel class upgrades.

With Miles&Smiles your miles are as valuable as you are...

Turkish Airlines' unique frequent-flyer program Miles&Smiles is an important product designed to create long-term relationships between the airline and its passengers and to generate regular and indirect sources of revenue through agreements and collaborations that the company enters into with others.

Since its original launching in 1989 (as "Frequent Flyer") Miles&Smiles has continued to grow strongly in more than two decades since then. With the addition of new program partners, the travel mile sales revenues secured through Miles&Smiles (and not including Shop&Miles) increased by 128% year-on in 2010 while there was also a 7% rise in free travel and upgrade performance.

The total number of Miles&Smiles members, which was 1,804,181 in 2009, increased by about 14% and reached 2,051,036 in 2010.

Number of Passengers (2010)	
CLASSIC	1,959,044
CLASSIC PLUS	50,472
ELITE	32,861
ELITE PLUS	8,659
MILES&SMILES MEMBERS	**2,051,036**

Miles&Smiles offers participants opportunities to earn and spend their miles through agreements that Turkish Airlines has entered into with 29 airlines and with 25 program partners that are active in the hotelery, vehicle rental, financial services, telecoms, fuel, and automotive sectors.

The features and advantages of Shop&Miles, which is the credit card brand of the Miles&Smiles frequent-flyer program and which has itself introduced many innovations to the Turkish banking industry, are constantly being expanded with the aim of achieving and maintaining the highest levels of customer satisfaction. GarantiBank, the most important Miles&Smiles program partner, continues to successfully conduct its credit card services through its collaboration with Turkish Airlines. The Shop&Miles credit card was the first credit card in Turkey to earn travel miles against ordinary (non-travel) purchases made with the card. It is this feature that keeps it out in front of all other cards in terms of user numbers.

The travel miles earned on flights and from program partners can be used for free travel not just on Turkish Airlines and AnadoluJet flights but also on the flights of any airline that is a member of Star Alliance.

Customer Satisfaction

Always seeking to respond immediately to passengers' wishes in line with its approach to high-quality service, Turkish Airlines promptly acts upon all passenger complaints, suggestions, and commendations that it becomes aware of and it deals with them in such a way as to achieve passenger satisfaction. In the twelve months to end-2010, compared to the beginning of 2010 there was a 50% improvement in the amount of time it took the company to respond to passengers' requests. In order to achieve sustainable customer satisfaction and to develop a customer loyalty profile, all incoming communications are reported. Methods are also developed to make improvements based on findings.

Call Center (444 0 849)

The Turkish Airlines Call Center is one of the company's most important service delivery, marketing, and sales channels. As of February 2009, the call center was serving callers through two different firms operating out of four different locations.

Call center services are outsourced with the aim of improving quality and accessibility while reducing operating costs. Response rates were also increased to ensure that service resources are available when required.

In 2010 South Africa (Johannesburg) and Norway (Oslo) were added to the lineup of the previously existing locations (USA, UK, Germany, France, Moscow, Switzerland, Netherlands, Denmark, Austria, Turkish Republic of Northern Cyprus, and Italy) from which incoming reservation and sales calls can be handled by the Turkish Airlines Call Center.

A customer satisfaction poll was added to the Turkish Airlines Call Center's interactive voice response system in September 2010 in order to determine the level of customer satisfaction with the airline's service quality. According to the results of this poll, 97% of callers said they were satisfied with the call center's service. The points with which callers said they were dissatisfied were analyzed and action has been taken to make improvements where necessary.

Dynamic, hard-working, dedicated personnel contribute to Turkish Airlines' continued growth.

Turkish Airlines also continues to grow day by day with the addition of new members to its family in line with the expansion in its business volumes. Consisting of people with many different national and cultural backgrounds, they all strive to take Turkish Airlines to even greater heights.

Human Resources and Training

14,206

The total number of Turkish Airlines personnel increased by 11.4% to 14,206 in 2010.
(This number does not include Turkish Airlines Teknik AŞ employees.)

One Big Family United in One Corporate Culture

11.4%

Rate of increase in personnel
The number of Turkish Airlines personnel increased by 11.4% in 2010.

Ensuring its corporate success through its people- and success-focused human resources policies and strategies, Turkish Airlines maintained its leading position in this aspect of the sector as well in 2010. The company owes its success to the united efforts of 14,206* Turkish Airlines employees, the number of which increased by 11.4% in 2010. Successfully carrying its global identity to 174 flight destinations, Turkish Airlines experiences the pride and happiness of its achievements through personnel who come from many different national and cultural backgrounds.

Under a project conducted jointly by Turkish Airlines's personnel and corporate communications departments in 2010, a survey was prepared to discover employees' perceptions and expectations about the company. The scope of this survey was broadly defined so as to include all personnel working for the company both in Turkey and abroad. Based on evaluations of the feedback received from the survey, recommendations were made concerning action needing to be taken with respect to internal communication and these findings were put into effect. At the same time, projects aimed at increasing employee satisfaction and productivity were made more effective while newly-hired personnel were given support through corporate culture training and a variety of orientation programs to facilitate their adaptation processes.

• The personnel count does not include people on the payroll of Turkish Technic.

In addition to efforts to improve **employee health and safety and the workplace environment** and its conditions, a variety of social and cultural activities were organized to enhance employee motivation and productivity.

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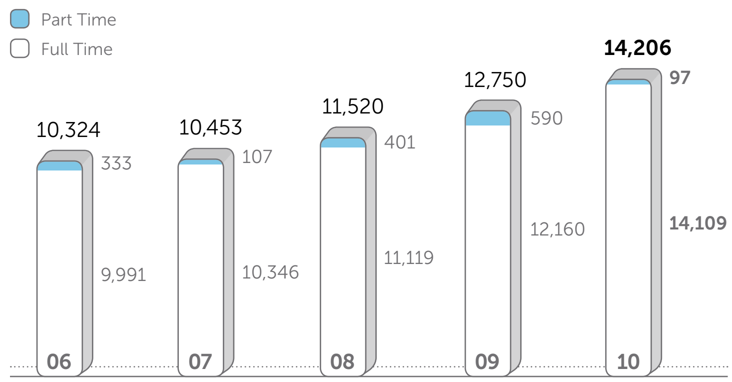
Personnel Breakdown (by Work Status)



Personnel Breakdown by Title

Title	31.12.2010
Manager	733
Pilot	2,113
Cabin Crew	5,326
I.T. Personnel	220
Foreign Office	1,654
Engineer, Lawyer, Doctor	152
Expert, Dispatch, Trainer	963
Technician	65
Officer	2,689
Worker	291
TOTAL	**14,206**

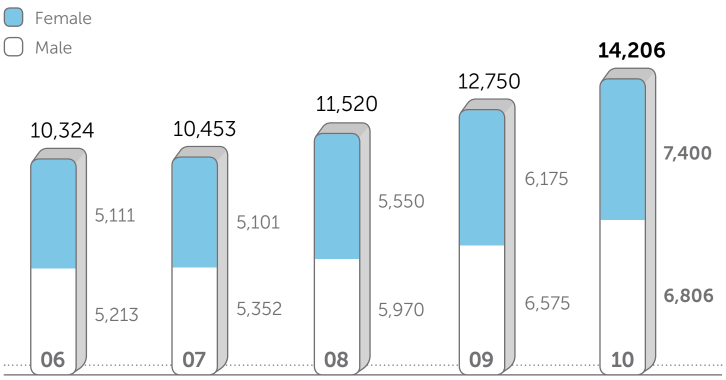
Paralleling the growth in our fleet, there was a 30% year-on rise in the number of cockpit personnel in 2010 while the number of in-flight personnel also increased by 36%.

52.1%

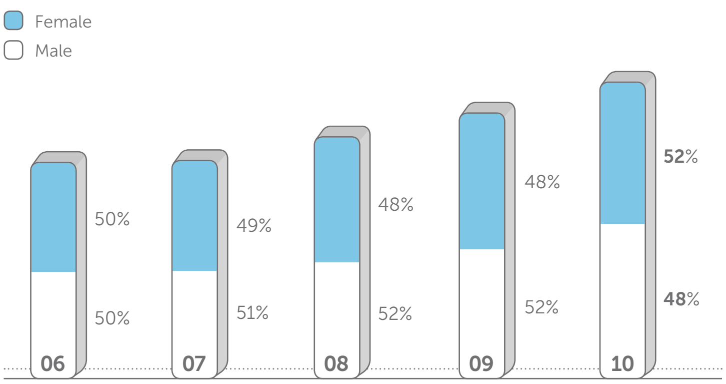
Female employees
The number of female personnel employed by Turkish Airlines is above both the Turkish national average and the overall average in the international aviation industry.

52.1% of Turkish Airlines' employees are women, which is above both the Turkish national average and the overall average in the international aviation industry.

Number of Personnel (by Gender)



Breakdown of Personnel by Gender (by Gender)



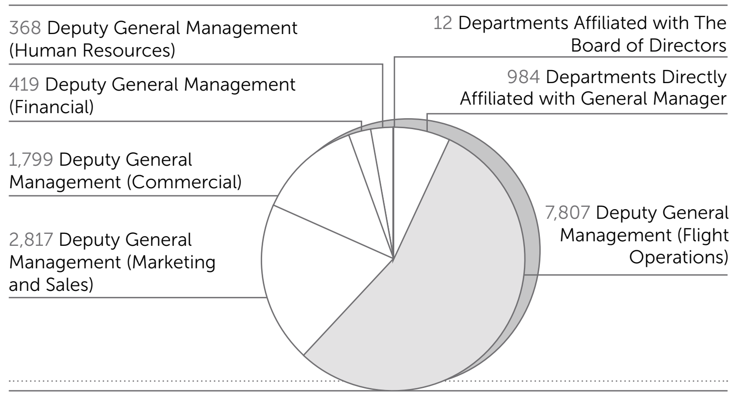
During 2010 the percentage of Turkish Airlines' female employees among total employees increased by about four points and reached 52.1%. Women not only account for the biggest share of the company's personnel but also hold a significant number of its management positions.

Personnel Breakdown by Unit

Units	(as of 31.12.2010)
Departments Affiliated with The Board of Directors	12
Departments Directly Affiliated with General Manager	984
Deputy General Management (Flight Operations)	7,807
Deputy General Management (Marketing and Sales)	2,817
Deputy General Management (Commercial)	1,799
Deputy General Management (Financial)	419
Deputy General Management (Human Resources)	368
TOTAL	14,206

About 93% of all personnel are employed in the company's flight management, marketing & sales, commercial, financial, and human resources units (assistant general manager level) while only 7% report directly to the general manager or to the board of directors. Turkish Airlines' international operations are conducted under the responsibility of the assistant general manager for marketing & sales, a position that was newly created in 2010.

Personnel Breakdown by Unit



Training

Turkish Airlines leads the way in training as well

Employing an experienced team of training specialists, Turkish Airlines has vast experience of its own and continuously carries out training in the areas of on-the-job and personal development and competency training.

The prerequisite for success: Superior training

23,374

Trainees
During 2010, a total of 23,374 trainees were provided with 1,488 hours of training by the Turkish Airlines' training division.

Turkish Airlines regards training activities as being the most fundamental basis and the strongest assurance of quality, excellence, high standards, and superior qualifications and competencies. Because it regularly makes use of the most advanced technology currently available, Turkish Airlines knows that excellence in the training of its personnel is an essential prerequisite for its success and that fulfilling this condition requires that training be kept up to date in line with ongoing changes in knowledge and technology.

In addition to keeping knowledge and skills fresh, it is also very important that training be conducted systematically and in accordance with current developments and advances in training methodologies. For this reason, Turkish Airlines has developed a Training System Model which seeks to integrate Aviation Academy training with adult education and modern pedagogy methods. This not only ensures that training is systematic but also that it is conducted more effectively and productively.

Recognizing the contributions that distance learning can make towards a company's training efforts, procurement and preparatory processes were completed for 125 e-learning courses while 345,000 training activities were launched. In this way, about 15,000 Turkish Airlines personnel take advantage of e-learning training services every year.

At the same time, an Executive MBA Program is conducted with outsourced academic support to provide Turkish Airlines management personnel with opportunities to improve their managerial knowledge and skills in line with developments taking place in the world's aviation industry.

During 2010, 23,374 trainees at Turkish Airlines were provided with a total of 1,488 hours of on-the-job training dealing with technical and commercial subjects, ground handling services, quality-related and behavioral issues, and other matters. While these training services are designed primarily for Turkish Airlines personnel, they are also made available to the employees of domestic and international aviation firms, maintenance centers, cargo companies, travel agencies, and other airlines as well as to airport operators, civil aviation concerns, and other individuals, agencies, and organizations.

Environmental and Technology-Supported Training Project
Through the Environmental and Technology-Supported Training Project, all documentation was supplied to trainees in electronic format, which resulted in significant economies in 2010.

Installation and use of maintenance training simulators
Advances in technology allow aircraft maintenance training to be more "practical-oriented" and to make greater use of simulators.

For this purpose, the following systems have been added to the Aviation Academy. Systems such as these are currently being used by only a few of the world's airlines today.

- A 7-station A320/A330/A340 ACT (MTFD-2D and Virtual Aircraft) developed by Airbus and supplied by the firm of CAE
- A 4-station B737NG and a 5-station B777 VMT (Virtual Maintenance Trainer), developed by Boeing and supplied by the firm of CAE.

These systems improve the quality of training and reduce training time while also making training more enjoyable for those taking part in it.

EASA
E-Examination Center
Turkish Airlines was authorized by the European Aviation Safety Agency (EASA) to conduct e-examinations in 2010. This authorization, which was introduced by EASA in 2009 and which has been granted to a limited number of organizations worldwide, entitles Turkish Airlines to assess the adequacy and currency of its customers' knowledge of aviation rules. Those who successfully pass the examination are granted EASA-recognized certification.

Turkish Airlines knows that excellence in the training of its personnel is an essential prerequisite for its success and that fulfilling this condition requires that training be kept up to date in line with ongoing changes in knowledge and technology.

Flight Training

14 Training Aircraft

The Flight Training Center, which is equipped with 14 training planes and 7 flight simulators, is recognized by national and international customers as a professionally qualified organization.

Cabin and cockpit personnel are trained at the Turkish Airlines Flight Academy.

A leader in flight training among the countries in Turkey's region, Turkish Airlines provides international standard-compliant training services at its recently renovated Flight Academy both to its own personnel and to its corporate customers.

The Prerequisite for Success: Superior Training

9,341

Cabin personnel trained

The Cabin Training Department provides training on 23 different subjects. Operating on a double shift, the department provided training to 9,341 cabin personnel during 2010.

Providing national and international standard-compliant flight training to cockpit and cabin personnel, the Turkish Airlines Flight Training Center has been Turkey's biggest training center in continuous operation since 1994.

Having commenced operations in 1995 with a single flight simulator, the Flight Training Center is presently equipped with:

- 14 training planes (10 C-172s, 2 DA 42s, 2 C510s)
- 7 flight simulators
- 1 CEET, 1 FNPT II, 2 IPT, 2 CST, 4 CBT trainers
- 24 classrooms.

The Turkish Airlines Flight Training Center is recognized by national and international customers as a fully qualified professional organization.

The center has concluded an agreement for a new B737-800 simulator. One B777 Door Trainer and two IPT (instrument procedures-trainer) units, which are currently being installed, are scheduled to go into service during 2011.

The center is structured so as to permit it to operate jointly with Turkish Airlines's business partners. By exchanging knowledge and experience with other flight simulator and training centers, it seeks to keep its resource access current while maintaining its own integration with the market.

Professional Training

In the process of recovery taking place in the wake of the global economic crisis during which many airlines put off their investments in operations and training, Turkish Airlines maintained its high standards of cockpit and cabin crew training in parallel with the rapid growth in its own fleet. New flight simulators and training planes were procured and average training time per person was increased.

At the Flight Training Academy, which is a part of the Turkish Airlines Flight Training Center, pilot training was provided to 70 students and to 21 trainers during 2010. Operating on a double shift, the Cabin Training Department provided training to 9,341 cabin personnel last year. In the case of cockpit training, which concentrates primarily on conversion, type, and recurrent training, a total of 14,194 cockpit personnel took part in training in 31 different areas. Turkish Airlines corporate culture training was also provided to support the orientation of foreign national pilots who joined Turkish Airlines in conjunction with the B777 fleet.

During the course of all scheduled and unscheduled IATA Operational Safety Audit (IOSA) and other national and international inspections conducted during 2010, the Turkish Airlines Flight Training Center passed every one with zero non-compliance. The center holds IQNet-approved TSE 9001, 18001, and 14001 quality certificates and conducts all of its operations without any letup of pace under Turkish Civil Aviation Authority TRTO and FTO authorizations, as a Ministry of Health-certified first-aid center, and as a Ministry of National Education-approved educational institution.

23

Different categories of training for 9,314 cabin personnel

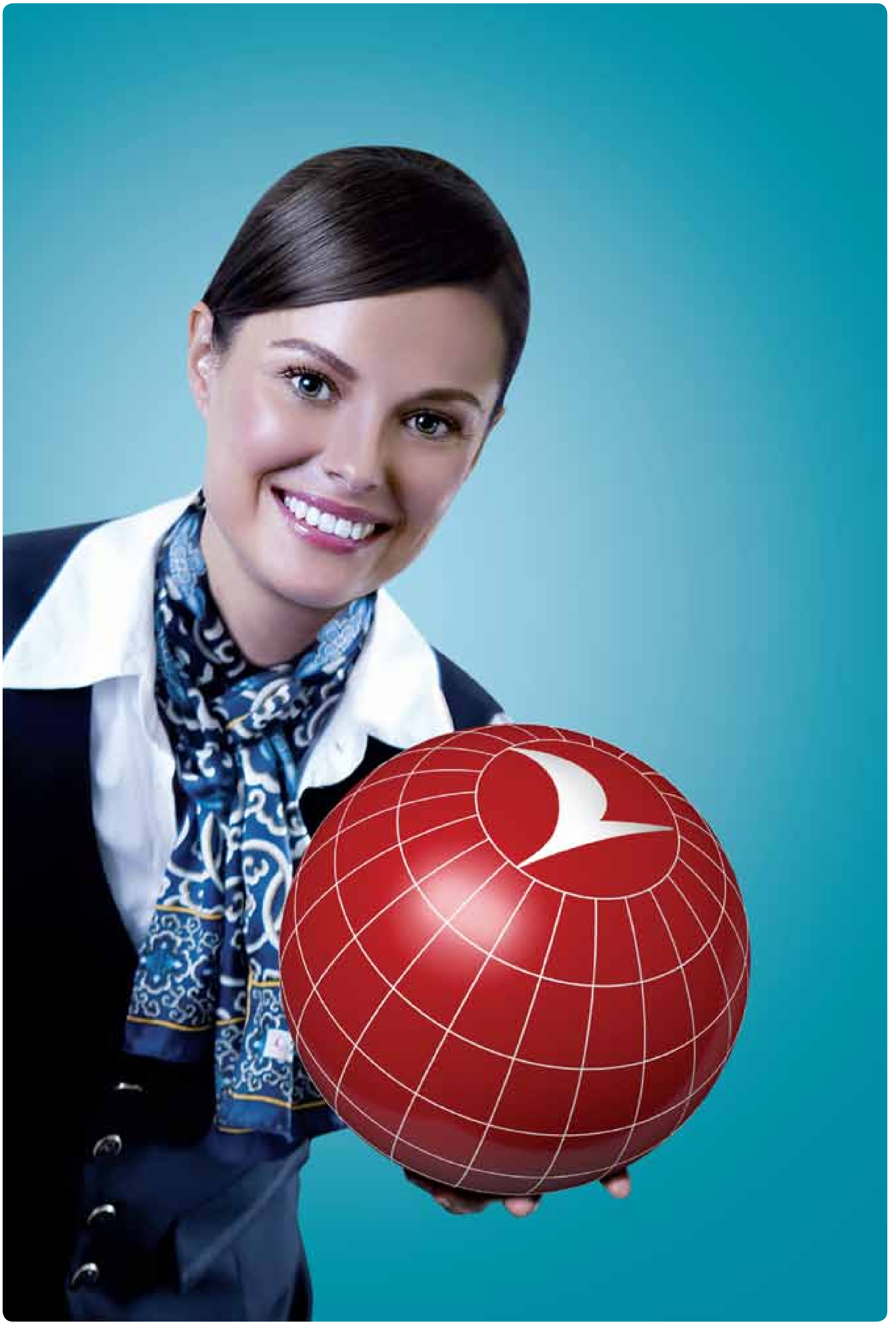
14,194

Cockpit Personnel Trained

A total of 14,194 cockpit personnel took part in training in 31 different areas consisting primarily of conversion, type, and recurrent training at the Turkish Airlines Flight Academy.

Turkish Airlines maintained its high standards of cockpit and cabin crew training in parallel with the rapid growth in its own fleet. New flight simulators and training planes were procured and average training time per person was increased.

Globally Yours



We are Turkish Airlines We are Globally Yours

The new additions to our aircraft fleet were designed to fit in with our new corporate identity.

Continuing to further strengthen its international market position in the aviation industry after 77 years of operation, Turkish Airlines recently launched a brand campaign which focused on the superior, high-quality service that the company provides to all of its domestic and international guests. Based around the theme “We are Turkish Airlines / We are globally yours”, the campaign draws attention to the international stature of Turkish Airlines. The motto quickly became identified with the brand and was reinforced with the appearance of the red globe that has also become an important element of Turkish Airlines’s corporate identity. Flying over the globe is the Turkish Airlines logo symbolizing the wild goose, nature’s only truly intercontinental traveler. The lines connecting the destinations that the airline flies to join with the Turkish Airlines logo at the top. This design of the globe is intended to emphasize the globe-spanning identity of the Turkish Airlines brand.

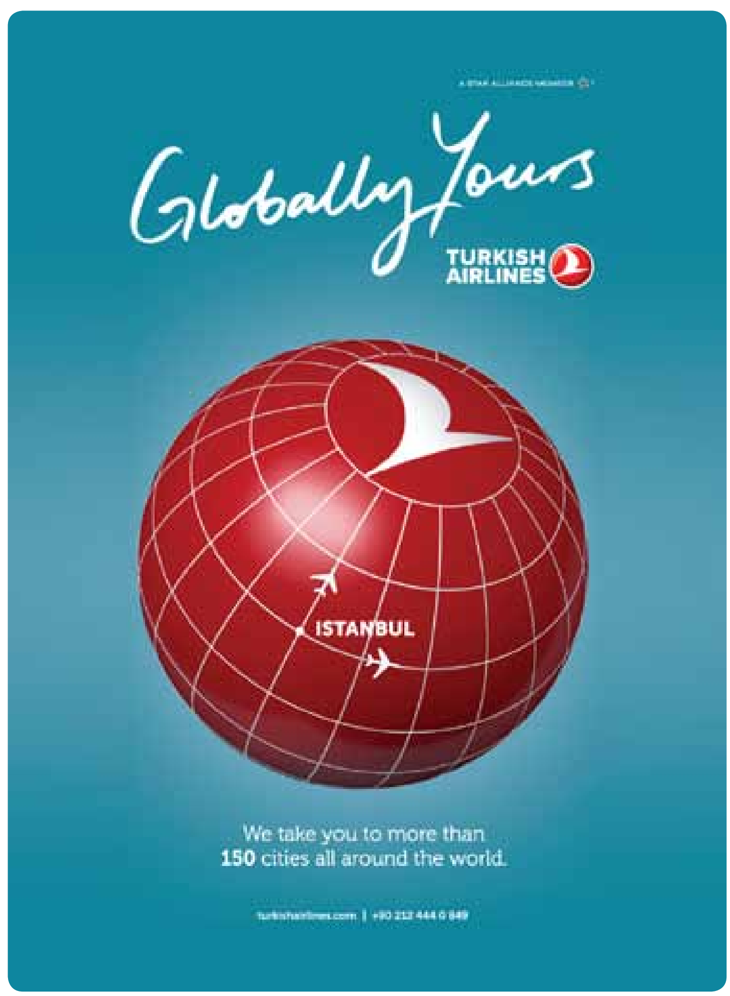
Continuing to further strengthen its international market position, Turkish Airlines’ brand campaign focused on the superior, high-quality service that the airline provides to all of its domestic and international guests. Based around the motto “We are Turkish Airlines / We are globally yours”, the campaign draws attention to the international stature of Turkish Airlines.

Social Media Investments

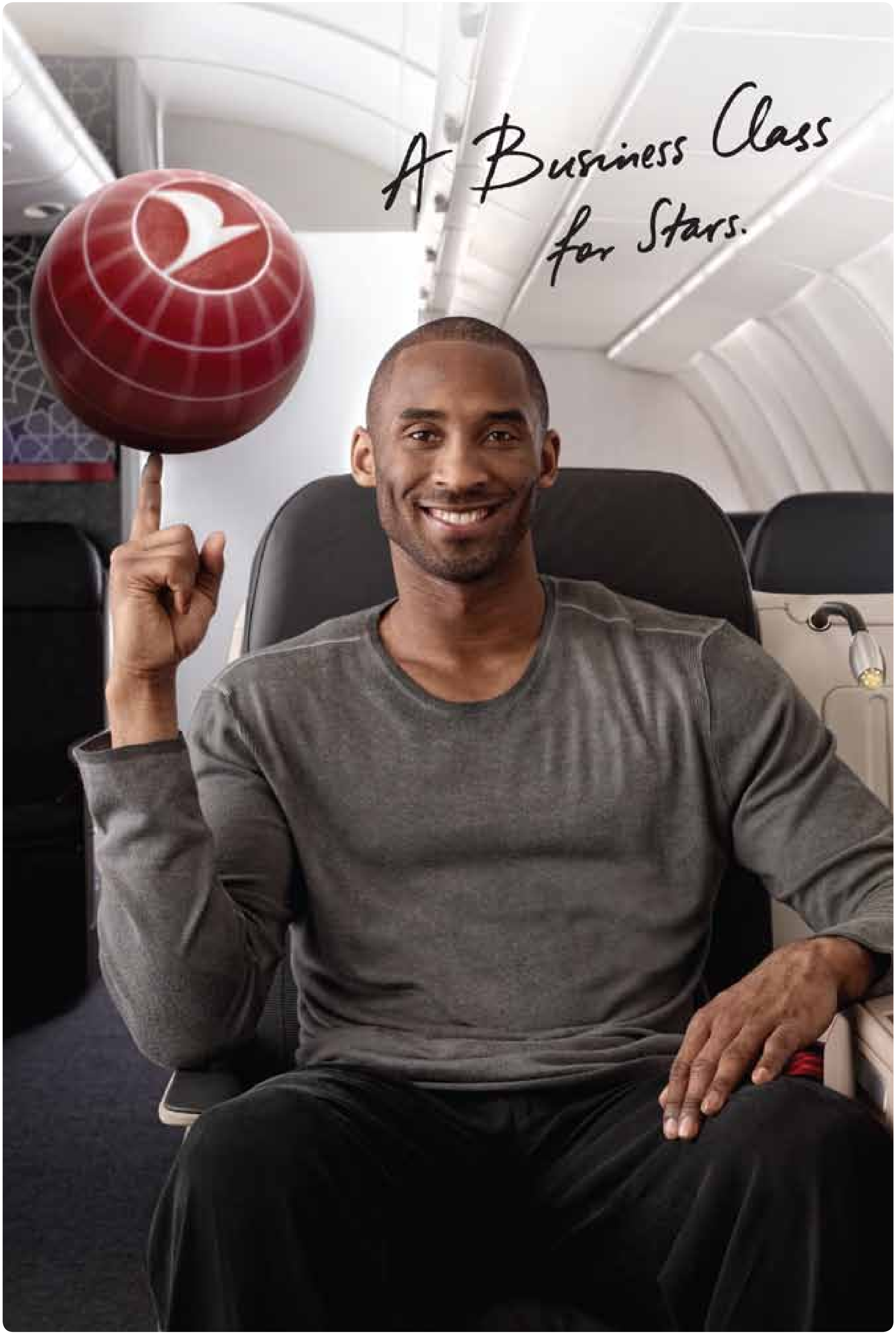
In 2010 Turkish Airlines undertook numerous investments in the area of social media, which has come to be seen as an important element of communication today. To this end, the company’s channel and presence on Facebook was strengthened. In addition to an English-language Facebook page, which can be accessed from anywhere in the world in line with Turkish Airlines’s global identity, a specially designed Turkish-language page was also created.

All Turkish Airlines-related promotional campaigns and activities are also now being published on the airline’s Twitter page. This has created another channel by means of which our passengers may obtain information about current developments at the company.

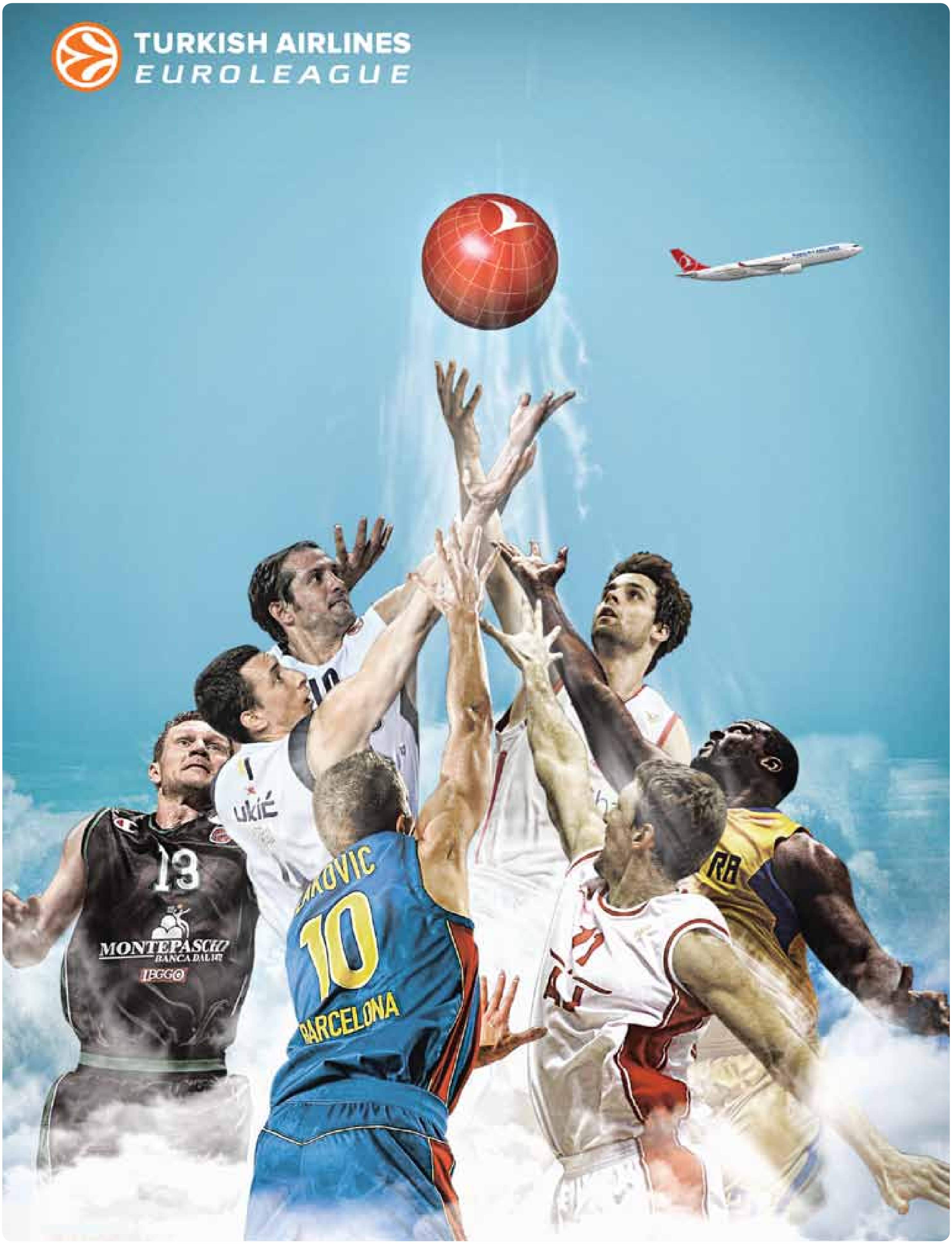
As a company with a high level of social awareness, we take pride in supporting national and international activities in the areas of sport, culture, art, and science and in channeling resources into social investments. The underlying objective of every step we take through the sponsorships and social investments that we undertake in many different areas is to bring us closer not just to our own target audience but to all interested parties in the global arena.



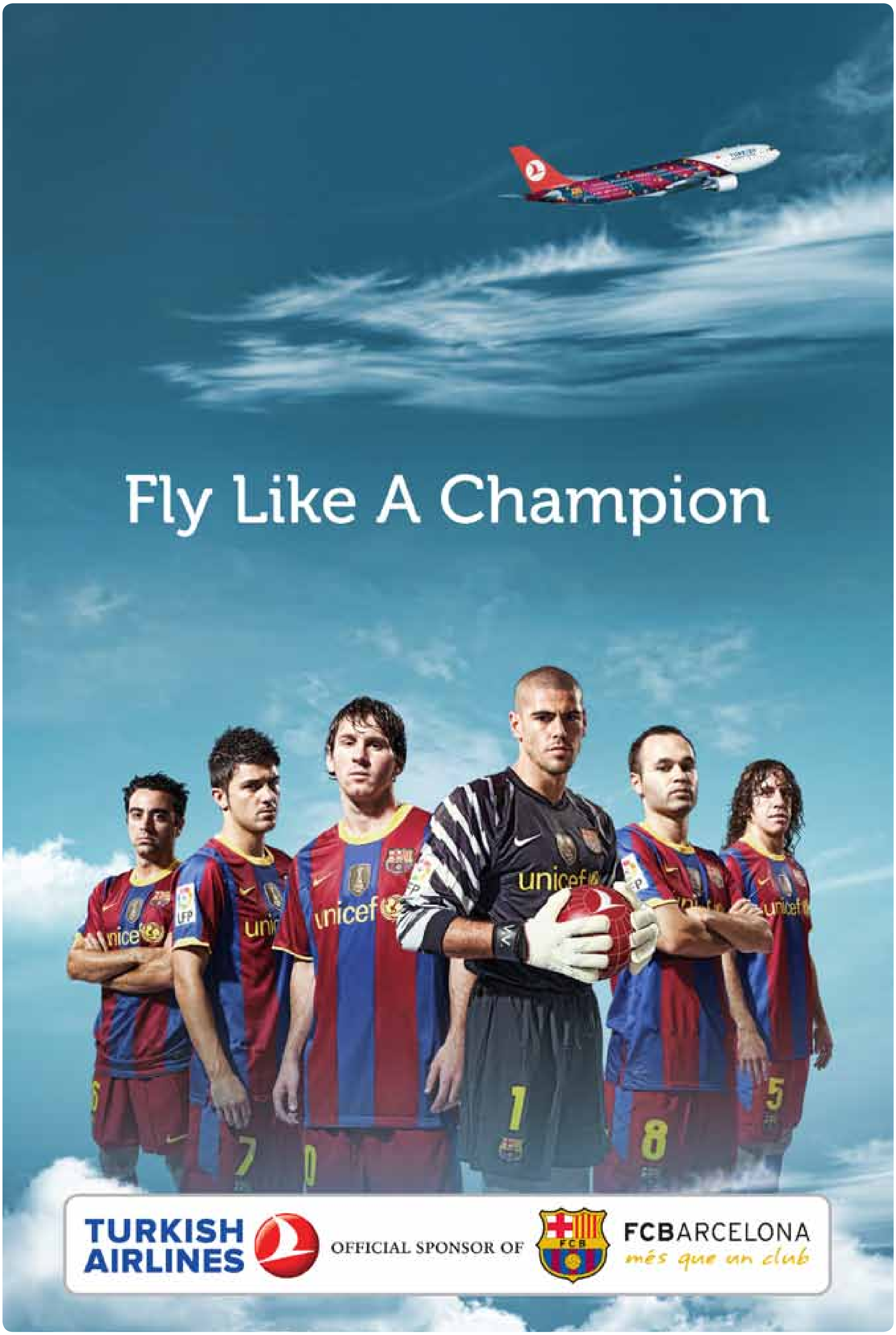
Brand Investments



Kobe Bryant: A Turkish Airlines brand emissary


TURKISH AIRLINES
EUROLEAGUE
13
MONTEPASCHI
10
BARCELONA

Sponsorship Investments



Official Sponsor of FC Barcelona

Sponsorship Investments

Global sponsorships that focus on brand awareness
Turkish Airlines' goal of being a global brand has a direct impact on the company's general strategies in the form of worldwide sponsorship activities. In segments where brand awareness needs to be raised, the forms of sport that most capture the attention of each target group are chosen. In territories where brand loyalty and choice need to be strengthened, testimonials are solicited from the most prestigious individuals and teams. The decision to make use of sports predominantly in sponsorships is based on the impact which sports have on the target audience. The company's Euroleague sponsorship is highly beneficial in the European market for example while its sponsorship of Barcelona and Manchester United, two of the world's biggest sports brands, represents a major success. Tennis and golf sponsorships target potential Business Class passengers while also contributing towards perceptions of the airline as a prestigious name.

National Sponsorships
Although Turkish Airlines is a global airline company in its vision and international goals, it is also a national flag carrier and this aspect of the company provides the basis for its effective and productive sponsorship activities in its home market, which is Turkey. Investments such as prime sponsorship of the national football and basketball teams and transportation sponsorship of clubs like Beşiktaş, Bursaspor, Fenerbahçe, Galatasaray, and Trabzonspor not only strengthen brand associations among target audiences but also make a big contribution towards Turkish sports as a whole through the support which is given to 47 federations and to 2nd- and 3rd-league football teams in Turkey.

Turkish Airlines became the 3rd international sponsor of FC Barcelona, a football club that was the first in history to win six trophies in a single (2008-2009) season.
Turkish Airlines is an official sponsor of FC Barcelona, a Spanish football team that has a huge and fiercely loyal following around the world. 18 January 2010 was the occasion for an event at Barcelona's Nou Camp Stadium that associated the Turkish Airlines brand with FC Barcelona's distinctive style of football. Under the sponsorship agreement signed that evening, the FC Barcelona team will fly to and from all training camps and games outside Spain aboard Turkish Airlines aircraft. This sponsorship agreement represents a major step forward towards Turkish Airlines' becoming a global brand.

A 3.5-year sponsorship agreement with Manchester United, an English football club and one of the most important in the world, was signed in Manchester on 22 January 2010.

Turkish Airlines becomes an official sponsor of Manchester United, one of the world's biggest football clubs.
A 3.5-year sponsorship agreement with Manchester United, an English football club and one of the most important in the world, was signed in Manchester on 22 January 2010. In its capacity as the team's official sponsor, Turkish Airlines will be transporting the team to and from games and training camps outside the UK.

During the 2009-2010 season, Turkish Airlines was the transportation sponsor for the Beşiktaş Gymnastics Club Association, the Fenerbahçe Sports Club, the Trabzonspor Club, the Galatasaray Sports Club, and the Bursaspor Club as well as for the Turkish National Football Team.
During the 2009-2010 season, Turkish Airlines was the transportation sponsor for five of Turkey's biggest football clubs as well as for the Turkish National Team. Under the agreements that have been signed, the members of these teams will be flying to and from games and training camps aboard Turkish Airlines aircraft.

Turkish Airlines will be sponsoring the 2012 European Championship Group Elimination Match between the German and Turkish national football teams.

Official Sponsor of Manchester United

Turkish Airlines in Basketball

Turkish Airlines signed a name sponsorship agreement with Euroleague Basketball, the most important professional club basketball competition in Europe.
Dubbed "Turkish Airlines Euroleague", the sponsorship agreement with Europe's highest-level tier and most important professional club basketball competition, was signed for a ten-year period with a five-year option. Under this agreement, the Euroleague Final Four playoffs will be conducted under the name "Turkish Airlines Euroleague Final Four".

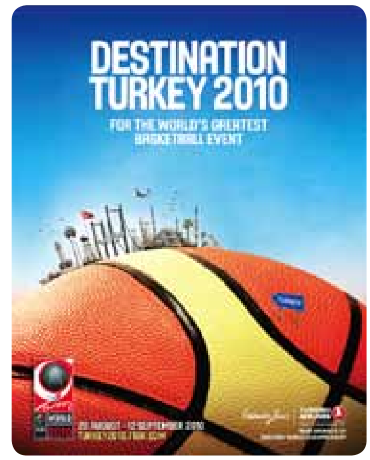
Under this agreement, the first such ever signed by Euroleague Basketball in the organization's history, Turkish Airlines also became a sponsor in Euro Cup, Europe's second biggest basketball competition after Euroleague.

Euroleague and Turkish Airlines have also agreed to undertake social responsibility projects in Turkey and other parts of the world under the "Euroleague For Life" program.

Turkish Airlines becomes the prime sponsor of the Turkish National Basketball Team.
Under an agreement signed at a ceremony held on 12 August 2010, Turkish Airlines became the prime sponsor of the Turkish Basketball Federation for two and a half years. The Turkish Airlines television advertisement for the Turkish national team also set a new record of sports as the highest and fastest basketball game ever played in the air in the history of the game.

Turkish Airlines: Prime sponsor for the World Basketball Championship games in Turkey

Turkish Airlines has become a sponsor of FIBA, an association of national organizations that governs international competition in basketball. This agreement gives the airline an important international platform on which to make its name known when the association's world championship games take place in Turkey in İstanbul, Ankara, İzmir, and Kayseri.



Shop&Miles Sailing Cup 2010
The İstanbul leg of the GarantiBank "Shop&Miles Sailing Cup" took place on 22-23 May 2010 and was followed by the Bodrum and Göçek legs on 30 July-1 August and 27-29 August respectively. First-place winners at each event took part in the Les Voiles de Saint-Tropez races held in France from 26 September to 2 October of the same year. Turkish Airlines acted as the transportation sponsor for the first-place winners of all three legs.

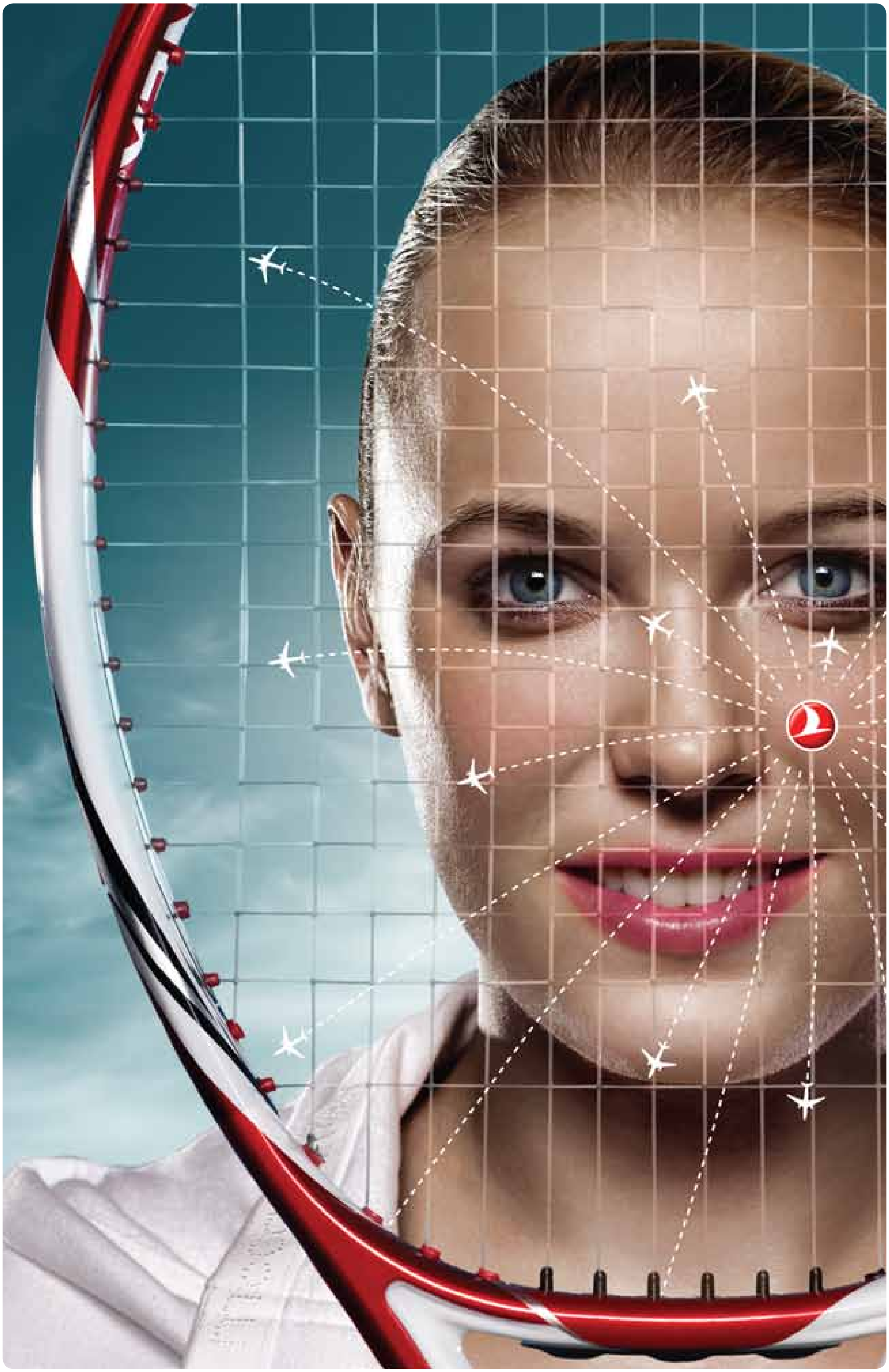
32nd Intercontinental Istanbul Eurasia Marathon
Turkish Airlines was the official transportation sponsor for the 32nd Intercontinental Istanbul Eurasia Marathon. This is the most important international marathon event held in Turkey and attracts hundreds of thousands of runners and spectators every year.

46th Presidential Cycling Tour of Turkey
In 2010, Turkish Airlines was a sponsor for the 46th Presidential Cycling Tour of Turkey, one of the most prestigious annual bicycle races in the country. A hundred twenty cyclists from 30 countries took part in this year's event, which began on April 1st and ended on the 18th.

AnadoluJet supports Turkish sports

Since the day it was founded, AnadoluJet has continued to stand by athletics and athletes and to act as a transportation sponsor for Turkish sports clubs. During the 2009-2010 season, AnadoluJet once again was the transportation sponsor for Ankaragücü, Ankaraspor, Gençlerbirliği, Hacettepespor, Hacettepe University Basketball team, TED Basketball, Çankırıspor, Trabzon Karadenizspor, Antalyaspor, Urfaspor, and Konyaspor. In 2010 AnadoluJet was also a sponsor of Ormanspor and of the Akut Snow Sports Club.

Caroline Wozniacki: A Turkish Airlines brand emissary

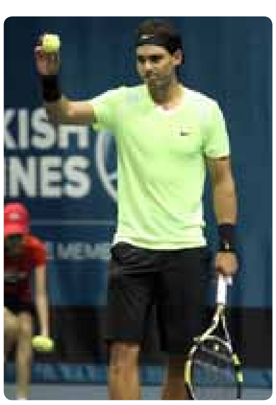


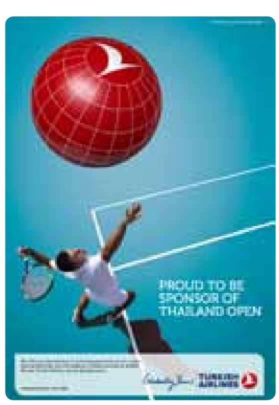
Turkish Airlines and Tennis

Caroline Wozniacki, the number one name in tennis, becomes the face of Turkish Airlines Business Class.
Chosen to be the face of Turkish Airlines Business Class in 2010, Caroline Wozniacki appeals to tennis fans in particular and to sports fans in general primarily in Turkish Airlines' brand communication efforts in Europe. Danish-born of Polish parents, Wozniacki will be representing Turkish Airlines in advertising films and public relations activities for three years.

Turkish Airlines sponsors PTT Thailand Open 2010
Turkish Airlines was on hand as a sponsor for the PTT Thailand Open professional tennis tournament when it took place in Bangkok on 25 September to 3 October 2010. This annual event, which has the material and moral support of the Thai royal family, attracts numerous internationally-renowned players such as Rafael Nadal.

Turkish Airlines acts as transportation sponsor for the Sony Ericsson WTA İstanbul Cup
Turkish Airlines served as the transportation sponsor for the Sony Ericsson WTA İstanbul Cup International Women's Tennis Tournament when it was held at the ENKA Sports Complex in İstanbul on 26 July to 1 August 2010.





Turkish Airlines and Golf

Turkish Airlines Challenge
Turkish Airlines was a sponsor for the European Challenge Tour golf tournament when it was held in Antalya last year. Conducted under the name "Turkish Airlines Challenge", the tournament began on April 29th and ended on May 2nd. It was attended by 156 professional golfers from countries across the world. The event provided an occasion for Turkish Airlines to support Turkey's tourism industry by drawing international attention to the country's golf potential and highlighting yet another aspect of Antalya as a travel destination.

Turkish Airlines Ladies Open
Turkish Airlines sponsored the Turkish Airlines Ladies Open golf tournament when it took place in Antalya from 6 to 9 May 2010. Broadcasts of the event, which was attended by 108 professional women golfers who came to Antalya from more than 30 countries, was seen by a billion people around the world.

Black Mountain Masters
Turkish Airlines was a sponsor for the Black Mountain Masters, a golf tournament on the Asian tour that was attended by 132 professional golfers during December 2010. One of the most prestigious events in the Asian golf calendar, the event provided an occasion for Turkish Airlines to engage in extensive promotional activities and to strengthen its connections with the Business Class target audience.

Culture, Art, and Social Responsibility

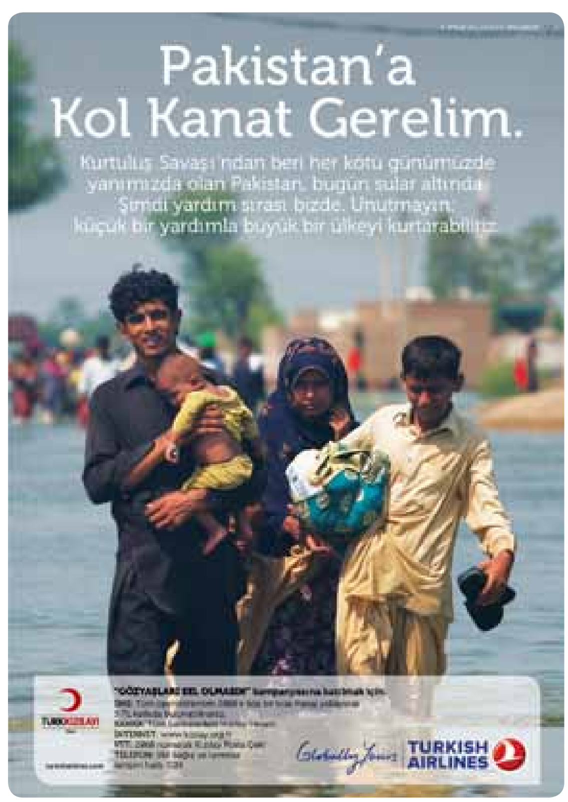
İstanbul 2010 European Capital of Culture

A cultural and artistic center of attraction and domain not just for Turkey but for the whole world, İstanbul played host to an extensive range of activities surrounding the city's designation as the 2010 European Capital of Culture.

The İstanbul 2010 Capital of Culture Agency, which undertook many different projects such as drawing attention to the city's unrivalled assets and protecting its cultural heritage, was the recipient of Turkish Airlines support as a financing sponsor. In line with this support, "2010 İstanbul Capital of Culture" decals were placed on all Turkish Airlines aircraft as a way of drawing attention to the year's event and to Turkish Airlines's involvement in it.

Turkish Airlines and Turkish Red Crescent join forces

Under a long-standing cooperation agreement with the Turkish Red Crescent Society, Turkish Airlines contributes towards the society's natural disaster recovery, blood drive, educational, and publicity activities on an ongoing basis. As part of this support, Turkish Airlines undertakes to transport the assistance provided by the society in the event of natural disasters taking place anywhere in the world. There are some social responsibility projects that can be applied by cooperations of Turkish Airlines and Turkish Red Crescent.

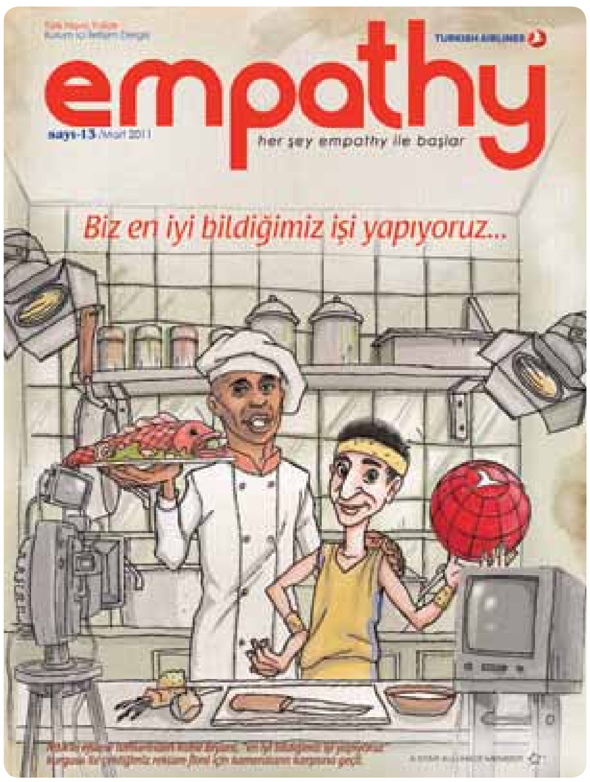


Internal and External Communication

Turkish Airlines believes that sustainable success can only be achieved first and foremost through employees who are happy and who truly love their company and can take pride in representing it. The Company thinks that investments in brand can be meaningful only to the degree that importance is given to human resources. It pays heed to every member of the 15,000-strong Turkish Airlines family and it develops and implements projects aimed at increasing employees' sense of belonging and motivation. Recognizing that satisfaction and a strong sense of identification throughout the company will result in unconditional customer satisfaction, it engages in an ongoing and meaningful effort to ensure the existence of a happy and tranquil working environment.

Empathy

Empathy, an internal communication monthly that Turkish Airlines launched in January 2010, is published in the Turkish and English languages and is made available to Turkish Airlines personnel everywhere in the world.



AirTV

AirTV is Turkish Airlines' corporate broadcast medium through which current news about the company is disseminated at 120 locations.

Global PR Management

Representatives of agencies which provide Turkish Airlines with communication consultancy services in about twenty countries took part a "Global PR Workshop" that the company held in İstanbul in September 2010. During this workshop, the ways in which Turkish Airlines is perceived were assessed and the brand's global public relations strategy was discussed.

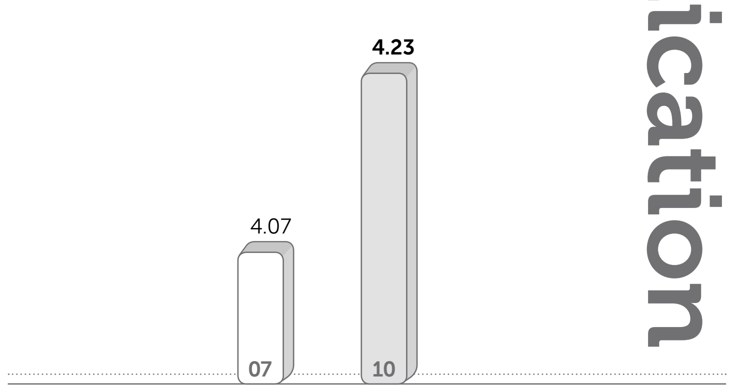
"Globally Yours" Photograph Project

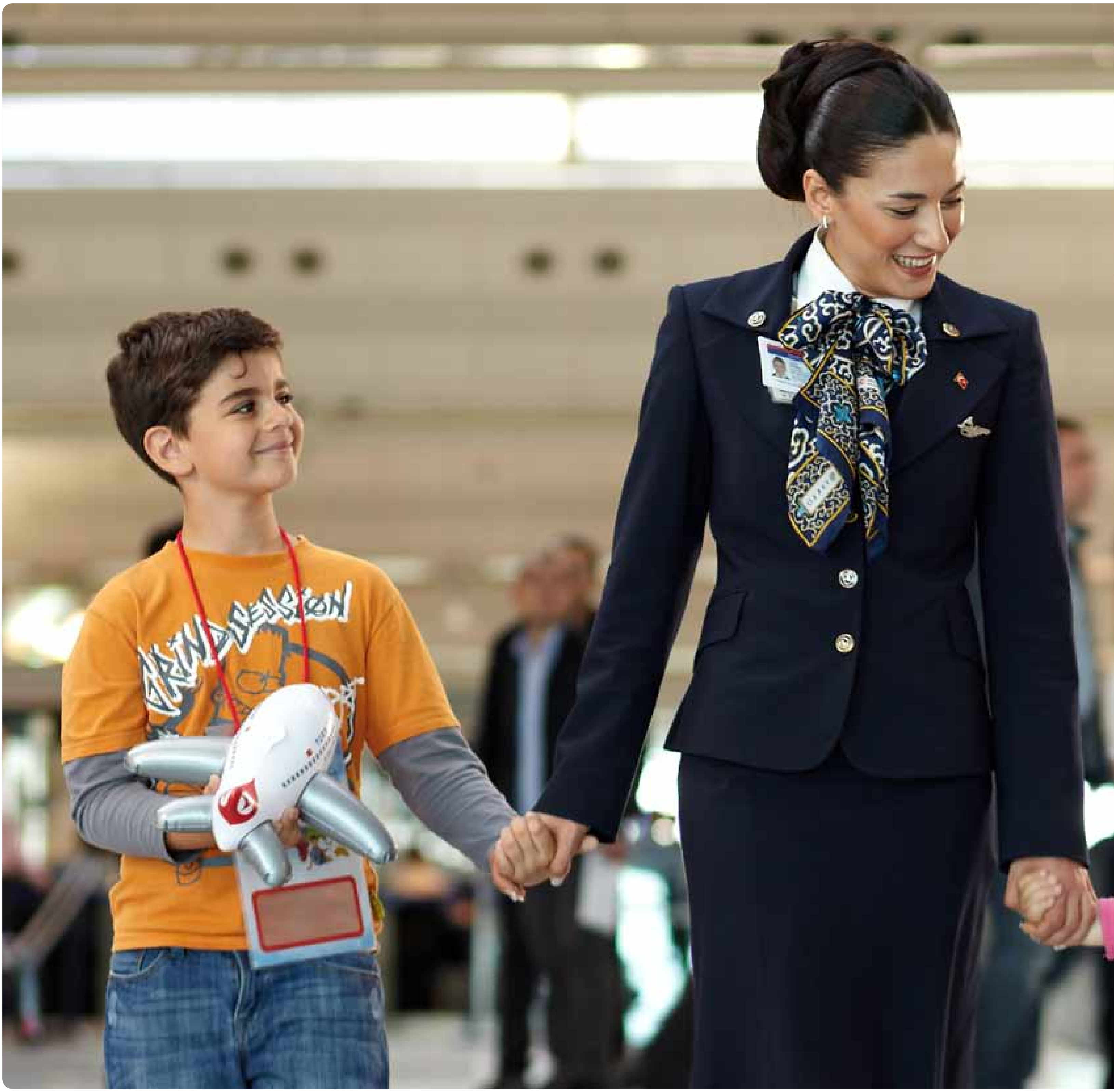
Under this worldwide project to acquaint personnel with the airline's "Globally Yours" philosophy, studios located in different parts of the world were commissioned to take the photographs of some 14,000 Turkish Airlines employees. Employing the theme of "globe", these entertaining photographs are to be used creatively in the conduct of in-house communication projects.

Employee Satisfaction Survey

A Turkish Airlines employee satisfaction survey was carried out, according to the results of which employees reported an average satisfaction rate of 4.23 points out of a possible 5.00. When a similar poll was conducted in 2007, the reported average was 4.07.

Employee Satisfaction Rate

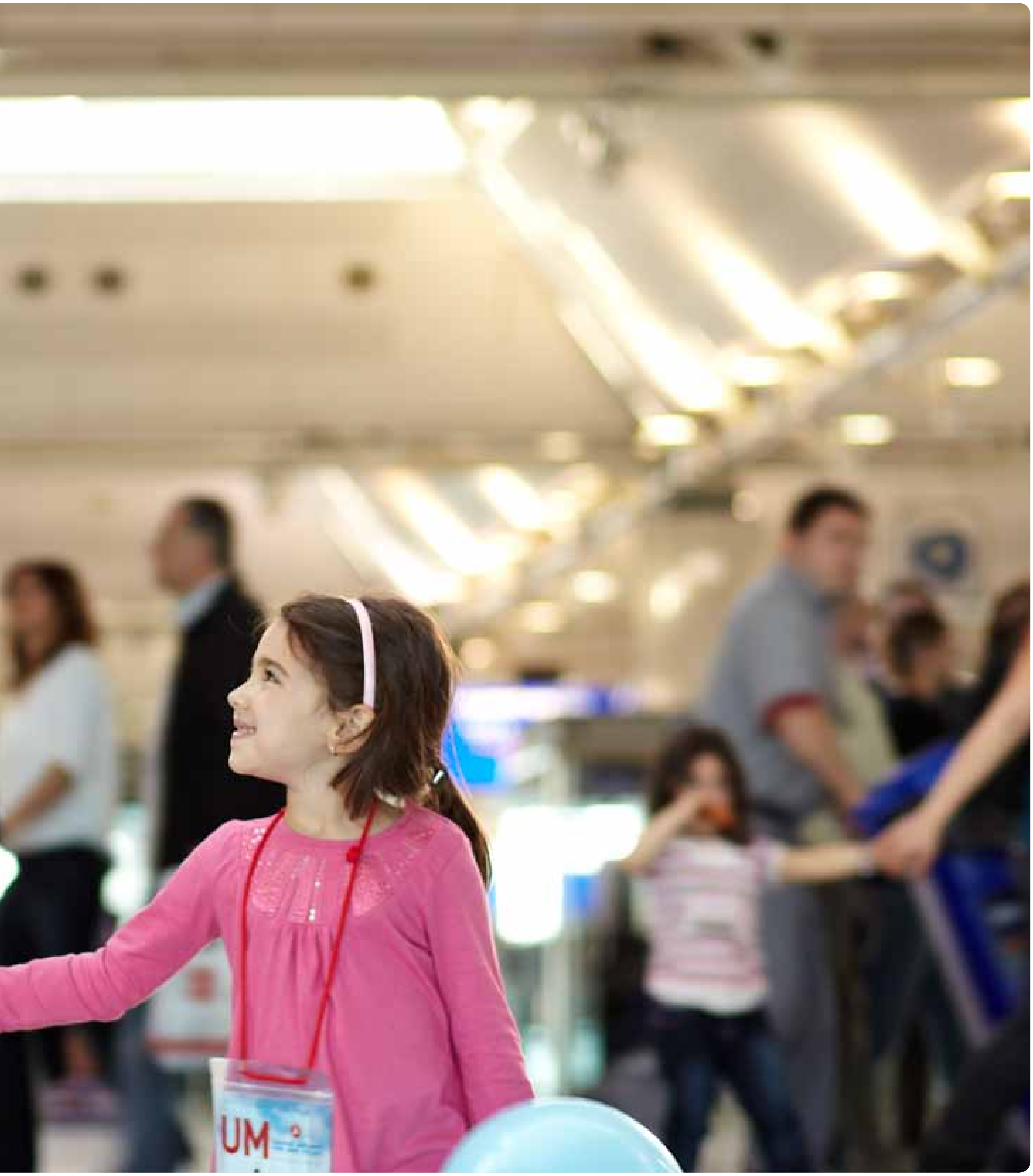




Turkish Airlines leads in way in its approach to quality as well

Turkish Airlines successfully pursues its ongoing goal to be the sector's leader in its approach to quality through efforts to improve and develop quality standards at every stage of its activities.

Quality Assurance and Environmental Concerns



Zero non-compliance

Having adopted a Total Quality Approach, Turkish Airlines adheres to a "Zero Error and Zero Non-Compliance" policy in the conduct of its activities.

Quality Assurance

831

Inspections

During 2010 Turkish Airlines and its suppliers were subjected to a total of 831 inspections of which 261 were unscheduled.

Continuity and maximum assurance in quality

Committed to adhering to a policy of continuity and maximum assurance in quality, Turkish Airlines cooperates with national and international authorities in the ongoing development and implementation of quality and safety standards.

The assurance of Turkish Airlines quality

In response to the global economic crisis, a number of cost-advantage policies were developed and implemented just as competition grew more intense in 2010. Nevertheless Turkish Airlines successfully positioned itself among the world's leading airline brands without any impairment whatsoever either in its quality or in its flight safety. Committed to adhering to a policy of continuity and maximum assurance in quality, Turkish Airlines cooperates with national and international authorities in the ongoing development and implementation of quality and safety standards.

During 2010 a variety of scheduled and unscheduled inspections were conducted throughout Turkish Airlines and its associated units by authorities, agencies, and customer airlines within the framework of various certifications and authorizations. At the national level these inspections were performed by the Turkish Civil Aviation Authority and under the Turkish Standards Institute's Quality Management System Monitoring and Auditing Program. At the international level, Turkish Airlines successfully passed inspections carried out by the UK Civil Aviation Authority, by the French Directorate General for Civil Aviation, by Jordanian and Ghanian civil aviation authorities, by the European Aviation Safety Agency, and by airlines that are Turkish Airlines's flight training customers.

The Quality Assurance Department carried out a total of 831 inspections, of which 261 were unscheduled, throughout Turkish Airlines and among its suppliers. In the course of these inspections, attention was given to even the most minute findings in line with the effort to achieve zero-error performance. SAFA/SANA (Safety Assessment of Foreign/National Aircraft) inspection activities continued to monitored and coordinated with Turkish

Airlines aircraft being subjected to a total of 609 inspections. Despite rises in both the number of inspections and the number of issues looked into, Turkish Airlines' SAFA/SANA record continues to improve.

Having been renewed in 2009, Turkish Airlines's TS-EN ISO 9001:2008 Quality Management System certification was validated again in 2010, thus providing Turkish Standards Institute confirmation of Turkish Airlines' quality. ISO 9001:2008 Quality Management System principles include such issues as "customer focus", "ongoing improvement", "employee participation" etc.

Activities related to the renewal of Turkish Airlines' AOC, EASA Part M, SHY-M, EASA Part 147, SHY-147, TRTO, and FTO certifications were coordinated and all of these certificates have been received.

During 2010 a variety of scheduled and unscheduled inspections were conducted throughout Turkish Airlines and its associated units by authorities, agencies, and customer airlines within the framework of various certifications and authorizations.

Environmental Awareness

22,000 tons

Fuel saved
Under Turkish Airlines's "Fuel Economy Project", 22,000 tons of fuel were saved, resulting in about 70,000 fewer tons of CO_2 emissions by the airline.

Maximum environmental awareness for the sake of future generations

The environmental pollution that's caused by the energy models still being used by many industries make the shift to renewable energy sources an important item on today's agenda. That's why Turkish Airlines strives to achieve a cleaner world by using energy resources efficiently.

Mindful of the future's environment today

Advances in technology make everyday life more convenient but they are also rapidly causing increasingly more harm to nature and the environment. The greenhouse gas emissions that are generated by many industrial activities are not only environmentally polluting but also play a signally important role in climate change. At a time when the need for the transportation sector in general and the airline industry in particular to change over to more renewable energy models is high on the world's agenda, Turkish Airlines is positioned in the landscape as a global actor.

In line with this and while always being mindful of flight safety and security issues, Turkish Airlines once again continued its efforts in 2010 to develop more environment-friendly policies, to leave a more livable environment for future generations by making more effective use of natural resources, and to increase environmental awareness.

As a result of various activities carried out under the Fuel Economy Project that was launched last year to make more efficient use of fuel and to reduce greenhouse gas emissions, about 22,000 fewer tons of fuel were used in 2010 than during the previous year. This also had the result of the airline's generating about 70,000 fewer tons of CO_2 emissions.

By controlling the factors that play an important role in fuel conservation through more efficient flight management, ground handling management, technical maintenance, and dispatching practices, another step was taken towards the goal of achieving a cleaner world.

Turkish Airlines Teknik AŞ and the Environment

Our environment policy commitment under the ISO 14001 Environmental Management System is to fulfill all the requirements of law with regard to the principle of respecting the world and to leave a livable environment for future generations by fostering among all our employees an consciousness that they are members of an organization which is aware of the environmental impact of its activities, which seeks to be environmentally compatible, and which constantly develops itself in this direction.

Work under the HABOM (Aviation Maintenance, Repair, and Overhaul Center) project is continuing in the areas of a trigeneration system to produce electricity and heat from natural gas, heat pumps that make use of underground heat sources for heating and cooling, producing heat and electricity from solar power, and storage systems for collected rainwater.

Under the "Green Airport Project" initiated by the Turkish Civil Aviation Authority (SHGM), Turkish Airlines has received certification as a "Green Airport Organization" by virtue of the environmental practices that it adheres to under its Environmental Quality Management System. The aim of the Green Airport Project is to encourage organizations that operate at airports to initiate new efforts and to continue with existing ones to systematically reduce, and if possible entirely eliminate, any harm which they have caused or may cause to human health and the environment.

In order to support efforts to combat climate change at both the national and international levels and to create carbon sinks that will reduce carbon emissions and their effects, Turkish Technicis giving priority to afforestation in the Kurtköy and Kemerburgaz areas of İstanbul province. As a first step in this direction, the company has financed the planting of 5,000 saplings in the Turkish Airlines Teknik Memorial Forest.

While always being mindful of flight safety and security issues, Turkish Airlines once again continued its efforts in 2010 to develop more environment-friendly policies, to leave a more livable environment for future generations by making more effective use of natural resources, and to increase environmental awareness.

Turkish Airlines assesses its financial risks and successfully deploys strategies to protect itself against them.

In order both to reduce our exposure to the risks caused by price volatilities in the aviation industry's costs and to achieve a sounder financial structure, financial risk management practices are continuously updated.

Financial Risk Management

20%

Risk mitigation strategies are deployed to cover 20% of the company's fuel consumption.

* Under a Board of Directors resolution dated 21 January 2011, this coverage is to be increased to 50%.

Turkish Airlines continues to adhere to effective risk management practices.

The risks to which the company is exposed are defined as follows:

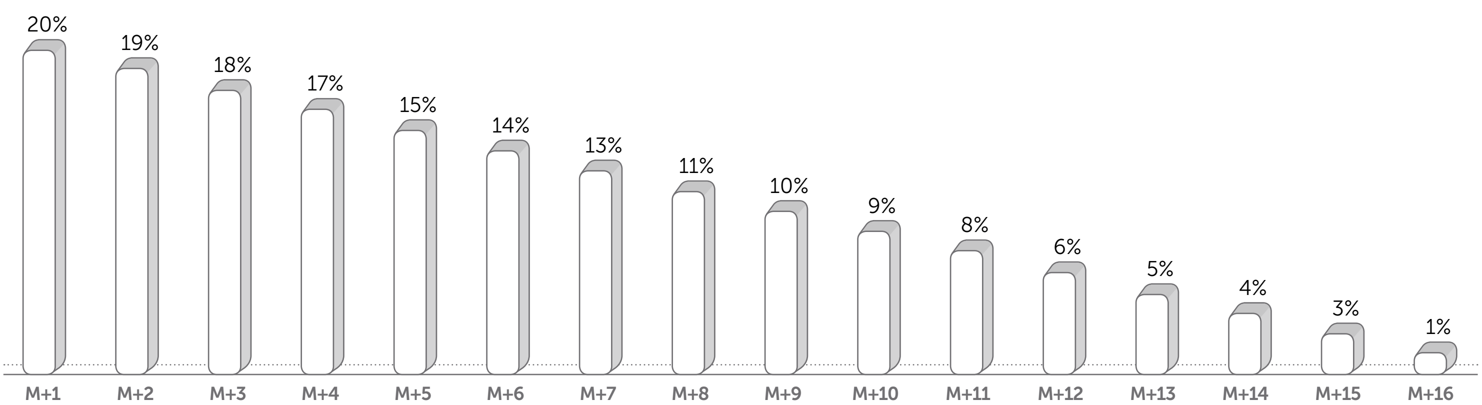
- Commodity price risk: The financial impact of movements in aviation fuel prices;
- Credit risk: Losses which may in future arise in situations where counterparties default on deposit and derivative transactions that are engaged in with domestic and international financial institutions and which may be sustained in the management of relationships with banks;
- Interest rate risk: Volatilities in aircraft financing caused by changes in interest rates and in the market values of foreign currency debt and cash items;
- Cash flow risk: The possibility that movements in cash positions and investment portfolios taking short-, medium-, and long-term cash flows into account will thwart the realization of identified business objectives;
- Exchange rate risk: The possibility that changes taking place in the exchange rates applicable to foreign currency-denominated asset and liability accounts may be incompatible;
- Carbon emissions risk: Changes in the prices of carbon emissions certificates.

Risk mitigation strategies were developed to make use of derivative markets in line with decisions taken so as to lock in commodity prices and credit interest rates in order to protect the company against those risks.

In future, efforts will continue to be made to keep risk management strategies current on the basis of analyses of the experience gained in dealing with commodity market risk since the very beginning as well as market developments and strategy options in order to achieve results which are both in line with the company's interests and which outperform sectoral averages.

The prices which the company might encounter in situations where movements in the market barrel price of Brent crude oil take place within the framework of different scenarios during the risk mitigation period and the fuel costs which the company might have to bear as a result of such changes are shown below.

Turkish Airlines Risk Hedging Strategy (as of 31.12.2010)

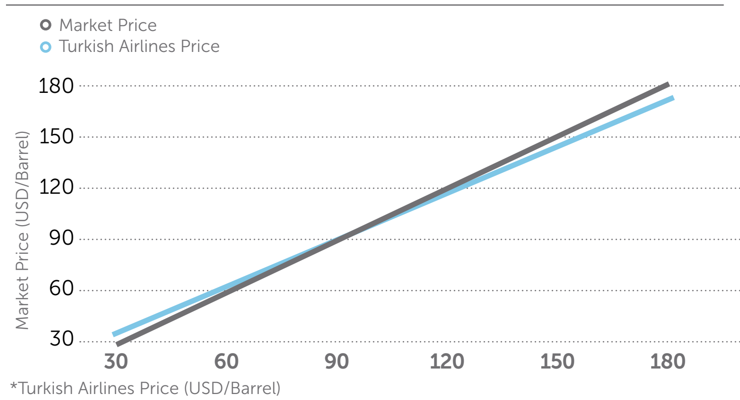


*M revers to the month that is accepted as the basis.

Commodity Price Risk Management

In order to reduce the impact that changes in oil prices have on aviation fuel costs by ensuring that the cost of aviation fuel is locked into a single price (or price range) and minimizing the effects that adverse conditions in fuel market may have, since December 2010 the company has been progressively making use of derivative instruments to protect itself against such risks. Denominated in terms of barrels of crude oil and thousands of tons of aviation fuel, these derivatives are designed so as to cover approximately 20% of the monthly amount of jet fuel which the company plans to consume during the next month.

Turkish Airlines Petroleum Market Pricing Scenario*
(as of 31.12.2010)

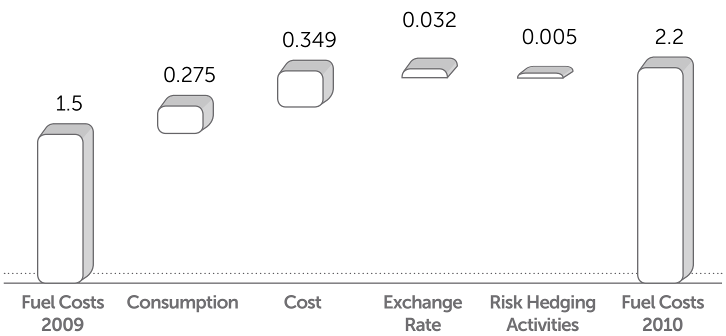


When the price of a barrel of crude oil is $180, the cost to the company is $170
When the price of a barrel of crude oil is $150, the cost to the company is $143
When the price of a barrel of crude oil is $120, the cost to the company is $116
When the price of a barrel of crude oil is $90, the cost to the company is $90
When the price of a barrel of crude oil is $60, the cost to the company is $63
When the price of a barrel of crude oil is $30, the cost to the company is $36

The chart compares fuel costs in 2009 with those in 2010 and shows the components of the changes in costs.

Turkish Airlines seeks to systematically minimize its risk exposure in line with its **Risk Mitigation Strategy Implementation Plan.**

2008-2009 Turkish Airlines' Fuel Cost Variations
(as of 31.12.2010) - TL Billion



Interest Rate Risk Management
Under the heading of interest rate risk management, the company engages in a consistent and ongoing effort to monitor and analyze interest rate markets, to manage the structure of its debt exposure, to lock in credit interest rate so as to balance risk and cost, to analyze its sensitivity to interest rate changes as well as its weighted-average term exposure, and to keep track of possible changes in costs arising from interest rates.

Cash Flow Risk Management
Cash flow risk is defined as the risk that movements in cash positions and investment portfolios, taking short-, medium-, and long-term cash flows into account, will prevent the company from achieving its business objectives.

In order to ensure that medium- and long-term liquidity and financial risks are managed effectively throughout the company, cash flow projections are regularly prepared for each coming month. These projections are denominated in EUR, USD, and TL. When preparing these projections, the company's exchange rate and fuel cost estimates for each period are reviewed and updated in order to be certain that the current cash flow projection is based on up-to-date and valid information. Once prepared, every cash flow projection is submitted to the Treasury and Risk Management Committee so that it may serve as the basis for that body's investment and financing decisions.

Exchange Rate Risk Management
The company defines exchange rate risk as the likelihood of changes in cash flows and revenues resulting from movements in foreign currency exchange rates. In particular, the company secures a large portion of its revenues in euros but makes a considerable volume of its expenditures in dollars and Turkish liras. These currencies' parities have been subject to volatile movements in the past and this situation is expected to continue in the future. These volatilities pose a significant risk for the company.

For this reason, the company reduces its exchange rate risk exposure arising from having to maintain positions in different currencies by holding onto cash items on hand in relative proportion to its expenses. By employing derivatives, it makes use of specific exchange rate risk mitigation methods in addition to general ones in order to manage its overall currency risk exposure.

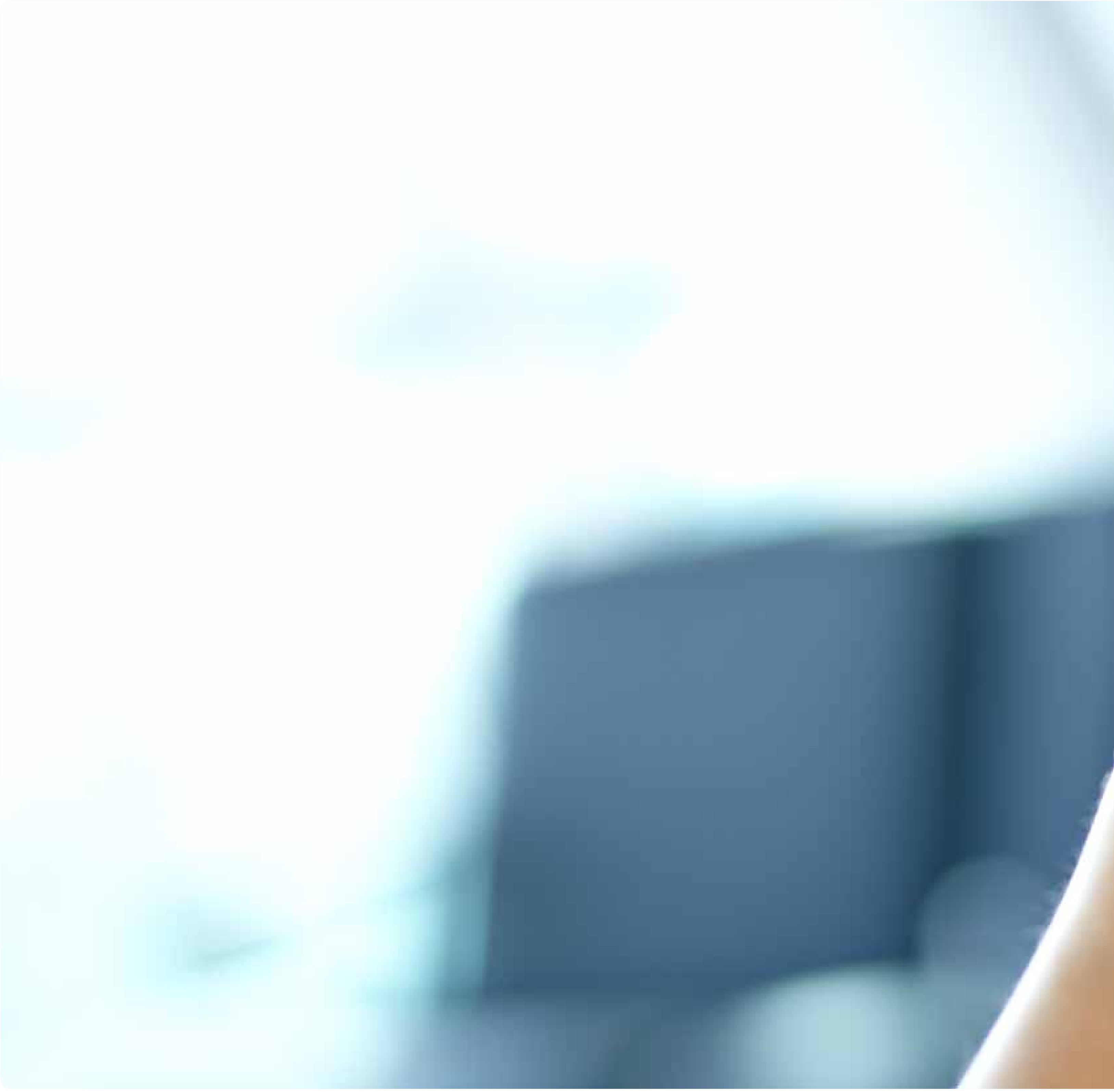
Credit Risk as an Adjunct of Bank Relationship Management
The company engages in dealings with national and international financial institutions. There are no problems with any of these entities at this time. However in view of the lessons learned from the international economic crisis of 2008-2009, various measures are being taken to deal with any credit risk which might in future arise as a result of deposit and derivative account dealings with financial institutions. Taking an approach which incorporates fair and objective criteria that will minimize long-term counterparty risks related to both deposit and derivative transactions, the company enters into agreements with financial institutions concerning the credit risks that might arise from its trading in derivatives.

In the case of bank deposits, the company's working principles call for determining the maximum total of deposits that may be held with each financial institution. The company prefers not to do business with any financial institution whose credit rating (as determined for financial institutions by the world's leading credit rating agencies) falls below the credit risk threshold that the company itself specifies. For those that are above the threshold, the company assigns limits based on risk levels determined in accordance with its own credit risk assessment methodology. The credit ratings and limits which the company does assign to such financial institutions are periodically reviewed and revised. If a financial institution's credit rating should go down, all dealings with it are immediately placed under close watch. If its rating should fall below prescribed limits, the company may have recourse to its option of unilaterally suspending its dealings with that particular bank.

The company seeks to protect itself from financial risk by formulating methodologies for dealing with the principal financial risks to which it is exposed. For this reason, the company enters into various agreements with non-Turkish-resident counterparties to manage the credit risks arising from its use of derivatives. These agreements incorporate the standards published by the International Swaps and Derivatives Association (ISDA) as well as other matters that are deemed to be necessary. Issues pertaining to credit risk management are governed by the ISDA's credit support annex (CSA), under which credit risk is reduced by engaging in offsets at specified intervals of time. In addition to such agreements, the company also determines specific derivative trading limits for each bank in light of current legal requirements and it monitors these limits as required.

Carbon Emissions Risk Management
Beginning on 1 January 2012, Aviation industry will become subject to the European Union Emission Trading Scheme (EU ETS). Because of this, all airlines that fly into Europe, Turkish Airlines being one of them, will be required to comply with the regulations of the EU's carbon emissions trading system.

Under EU ETS, an airline that exceeds its assigned carbon emissions quota will have to compensate for this by purchasing carbon credits from the exchange or by earning them through environmental protection projects. To this end, the company is currently involved in efforts to have its carbon emissions verified prior to obtaining a voluntary carbon quota and it is also planning what it must do to protect itself against the carbon emission risks that will be associated with such a quota.



Turkish Airlines' technological infrastructure enables it to achieve integrated control over all of its systems while ensuring that they remain operational 24 hours a day 7 days a week.

Advancing rapidly towards its goal of being a global airline in line with its expanding business volumes, Turkish Airlines continued to build up its technological infrastructure to make it even more secure and dynamic in keeping with its "corporate development" perspective.

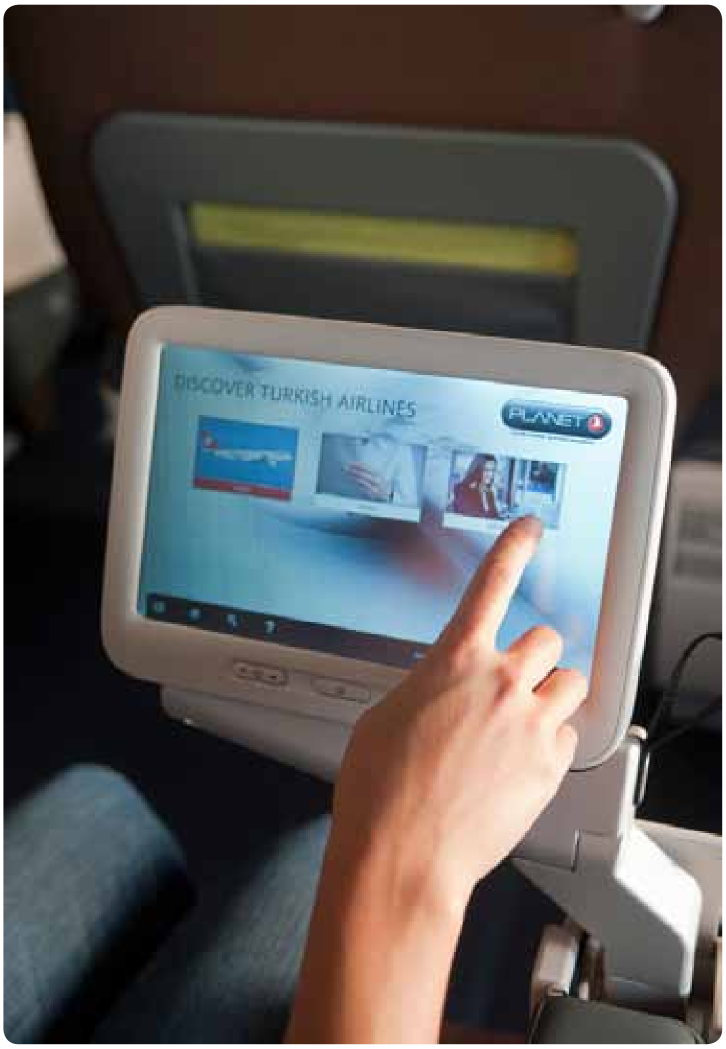
Corporate Development and Information Technologies

140%

Growth in IT system information flows

With the commissioning of the company's information technology investments undertaken in 2010, the information flow through its IT systems grew by 140% and reached 230 TB.

Rapid Development and Transformation in Information Technologies



The Transformational Role of Technology as We Enter a New Decade

In 2010 Turkish Airlines strengthened its information technologies staff and reorganized it so as to meet the company's business needs more directly and more effectively. Business analysis, application development, and infrastructure groups were organized as "solution groups" in parallel with business units' own requirements and structures. The roles of business analysis and project management were augmented. Demand management, portfolio management, business process management, and business intelligence groups were formed to build the structure needed for the conduct of corporate development activities.

A five-year project roadmap was drawn up with the participation of the business units involved, existing project priorities were reviewed, and those projects that are to be undertaken in the years ahead were evaluated. As part of this effort, an application and infrastructure architecture capable of supports the company's growth targets was designed and work was initiated as necessary to set investments in place on that architecture's foundation.

In 2010 the Corporate Development and Information Technologies Department launched a project portfolio management application that makes it possible to manage projects and resources more effectively, to keep track of and regularly report on projects' current standings, and to take action more quickly at points where intervention is necessary.

Services Provided

The Turkish Airlines Corporate Development and Information Technologies Department employs a team of 444 people who are qualified to work on different information technology platforms and who are skilled in coming up with creative technological solutions. This department is responsible principally for developing solutions and providing maintenance services for all reservation, ticketing, electronic commerce, customer relations and customer loyalty management, flight and ground handling operations, and enterprise resource planning and back office processes as well as for automating air cargo transport and technological maintenance processes. Ensuring the 24/7 operationality of all of the company's technological infrastructure systems, the department manages applications and systems that permit millions of online transactions to be performed. The Corporate Development and Information Technologies Department also provides end-user and field support services for Turkish Airlines personnel employed at airports, sales offices, and campuses both in Turkey and abroad.

The department's newly installed FLYWIZE flight planning system reduces operational errors arising from human factors to the minimum. It is expected that this application will save the company USD 16 million.

Commercial Solutions

- Passenger services
- Customer relations & loyalty management
- E-commerce solutions
- Financial solutions
- Cargo solutions
- Application development and integration

Operational Solutions

- Flight operations solutions
- Ground operations solutions
- Maintenance solutions

ERP & Back Office Solutions

- Human resources solutions
- Procurements solutions
- Accounting solutions
- Budget solutions
- Training solutions

Corporate Development Solutions

- Project portfolio and demand management
- Business intelligence & reporting
- Process and competency management

Instant Ticketing

The "Fly Turkish" application makes it possible for iPhone, iPad, and BlackBerry users to book tickets in less than a minute and to access all the services needed for a Turkish Airlines flight.

Under the heading of 2010 activities:

- System improvements raised the transfer passenger thru-check in performance to 91%.
- The Flywize Project was carried out to optimize special requirements on Turkish Airlines flights.
- Netline/Plan and Netline/Calib applications were introduced to increase network planning efficiencies.
- The Crew Inbound IVR Project dispenses flight crews' duty plans over the interactive voice response system.
- The MTCB System doubled the handling capacity of Turkish Airlines's reservation system to over 2,000 queries a second.
- Introduction of the Fly Turkish mobile application allows ticket sales to be made by iPhone users.
- An enterprise resource planning (ERP) project was launched with the aim of relocating all of the company's procurements, human resources, budgeting, and accounting processes to its SAP platform.
- A project was launched to renovate the Leg/Seg-based revenue management system. This is expected to produce a 0.5%-2.0% in the company's total revenues.
- A project was launched to renovate the crew planning system with the aim of achieving annual savings of at least 1% in flight crew costs.
- The terminal-based structure in domestic and international sales offices was replaced with a PC-based system.
- World Tracer was installed. This is a web-based application that seeks to minimize manually-conducted lost/missing baggage procedures by providing access to records all over the world.
- A 444 44 solution center Orange Line was set up to provide round-the-clock responses to any problems or requests that company office personnel may have with the desktop equipment, operating systems, and applications that they use.

In the area of application development, the Corporate Development and Information Technologies Department not only develops software entirely on its own but also purchases and adapts other firms' products in line with the company's needs. Through the projects that it completed in 2010 the department contributed towards increasing the company's productivity, improving its energy efficiency, and strengthening its alternative delivery channels.

Turkish Technic grows along with Turkish Airlines.

A wholly-owned subsidiary of Turkish Airlines, Turkish Techniccontributes towards efforts to make İstanbul an important technical center of attraction for the aviation industry by delivering service above international standards.

Turkish Technic

4

Turkish Technic conducts its activities at four hangars located in İstanbul and Ankara.

Excellence and Superior Quality in Technical Services

450

million dollars
Approximate value of HABOM project facilities

A wholly-owned subsidiary of Turkish Airlines, Turkish Technic was founded on 23 May 2006. Since then it has been developing itself continuously, by combining the 77 years of experience of its parent company with the dynamism of being a brand-new enterprise.

Turkish Technic carries out its maintenance and repair operations at four hangars: one at Ankara Esenboğa Airport and three at İstanbul Atatürk Airport. Two of the İstanbul facilities are for commercial aircraft and one is for VIP planes. The facilities together have a combined capacity to simultaneously service ten narrow-body and five wide-body aircraft. The VIP hangar can also service five light aircraft at the same time.

Turkish Technic Facilities
The services which Turkish Technic provides its customers consist primarily of line maintenance, station maintenance, and component maintenance. In 2010 Turkish Technic began component pool services to other customer fleets with the experience of servicing Turkish Airlines aircraft and it continues to expand the scope of its activities in this area.

Turkish Technic's four hangars located in İstanbul and Ankara have a total combined enclosed space of 73,500 m^2 in which it provides maintenance and repairs services for airlines and for VIP jet operators. It is a leading aircraft maintenance center in the region. It also provides component maintenance and repair services through shops specializing in everything from engines and auxiliary power units to landing gear. While its most important customer is Turkish Airlines, Turkish Technic also serves more than 600 others from Europe, Asia, the Americas, and Africa.

In order to make more effective use of the experience and skills that it has acquired over the years as well as of the highly-qualified and well-trained people that it employs, to maximize the strategic benefits of its geographical location, and to take greater advantage of a rapidly growing domestic and international aviation market, Turkish Technic has decided to set up a new international aviation maintenance and repair center. Called HABOM (Havacılık Bakım Onarım ve Modifikasyon Merkezi / Aviation Maintenance, Repair and Overhaul Center), this project is slated to become operational in the autumn of 2011, at which time it will have 370,000 m^2 of enclosed space capable of simultaneously servicing 11 narrow-body and 3 wide-body aircraft.

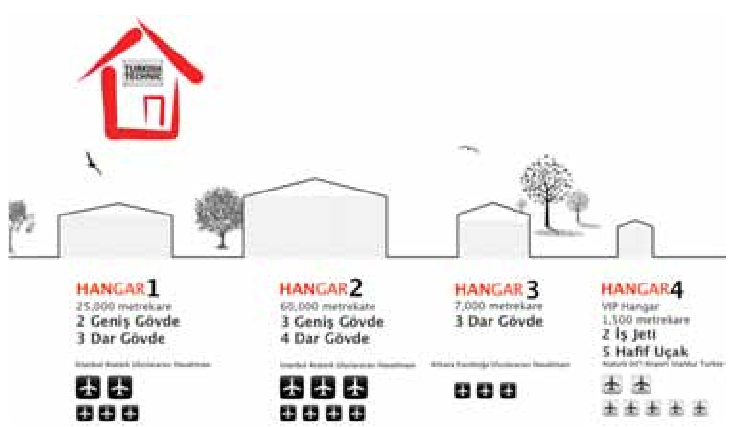
Turkish Technic provides line and station maintenance services for the following aircraft: Boeing 737 Classic and Next Generation (NG), Boeing 777, Airbus A320, Airbus A300, Airbus A310, Airbus A330, Airbus A340, Gulfstream G-IV, Gulfstream 550, Cessna 172, and Diamond DA 42.

In addition, Turkish Technic has the ability to conduct all of the maintenance on an aircraft by providing support for landing gear, avionics components, hydraulic/pneumatic components, brake systems, and tires and rims, and mechanical components.

Turkish Engine Center (TEC), a company in which Turkish Technic controls a stake, provides maintenance and repair services for CFM56 series and V2500 engines. During 2010 Turkish Technic expanded the scope of its landing gear component maintenance and repair activities. It enlarged the usable area of the landing gear workshop from 300 m^2 to 1,000 m^2 and also increased the number of spares necessary for maintenance. Working through new joint ventures, in 2011 Turkish Technic will be entering three more business lines: industrial gas turbines, engine propulsion systems and engine housing systems, and cabin interior equipment.

Through its experienced engineering team, Turkish Technic keeps a close watch on all developments in its sector in order to respond to increasing demand for its services. Projects coming on stream in 2010-2015 are intended to take the company beyond traditional MRO (maintenance-repair-overhaul) operations into the areas of manufacturing and of research and development. Some of these projects have already successfully gone into operation. In 2011 Turkish Technic will be inaugurating the operations of its biggest project: the Aviation Maintenance, Repair, and Overhaul Center (HABOM). This center represents an important step towards Turkish Technic's strategic goal of becoming one of the top five aircraft maintenance and repair companies by 2015.

2010 was a year during which Turkish Technic took its first steps towards realizing a number of major investment projects.



73,500

Instances of Superior Service
Turkish Technic provides aircraft maintenance and repairs at four hangars located in İstanbul and Ankara that have a total combined enclosed space of 73,500 m^2.

2010 Activity Highlights
2010 was a year of important investments and ventures for Turkish Technic. In March, work began on the HABOM (aircraft maintenance, repair, and overhaul) project to which the company has been giving great attention for several years. Costing about USD 450 million, the facility has been designed to incorporate the most advanced technology available and a modern complex will be structured as a campus that will have all of its own social and support functions. There will be two separate hangars dedicated to narrow-body and wide-body aircraft and a workshop building in which it will be possible to carry out maintenance on components. The simultaneous servicing capacities of the narrow-body and wide-body hangars will be 11 and 3 aircraft respectively. Construction work on the center is currently in progress at İstanbul Sabiha Gökçen International Airport with the narrow-body hangar slated to commence operations in the last quarter of 2011. All construction work at the center is to be completed by the last quarter of 2012 and HABOM will be the biggest aircraft maintenance&repair facility in region.

The Turkish Engine Center (TEC) is Turkish Technic's first joint venture with Pratt & Whitney, one of the world's three biggest manufacturers of aircraft engines. The center commenced maintenance operations in 2010 and is currently providing maintenance services for CFM56 and V2500 engines. Efforts will continue in 2011 to achieve the center's full maintenance operations capacity of 250 engines. The center is currently focusing its attentions on developing V2500 repair services, which involves setting up an in-house manufacturing shop. The Turkish Engine Center received LEED Gold Standard certification in 2010.

2010 was a year in which Turkish Technic took the first steps towards realizing a number of investment projects. Under this heading, the company signed two joint venture agreements in July. One was with Goodrich Corporation, one of the world's leading component manufacturers; the other was with Zorlu O&M, a power plant operations and maintenance service provider which is a subsidiary of one of Turkey's biggest corporate groups, Zorlu Holding.

Goodrich Turkish Service Center, Turkish Technic's other subsidiary, was officially established in December. The center is scheduled to commence operations during the first quarter of 2011 in a newly-constructed building with about 4,000 m^2 of indoor space located in the Gebze Industrial Park outside İstanbul. The first undertaking of its kind in this business line at the park, Goodrich Turkish Service Center will be providing maintenance, repair, and overhaul services on the thrust reverser and nacelle components which are used in the CFM56 series, V2500, CF6-80, Trent 700/800, GE90, and PW4000 engines.

The joint venture with Zorlu O&M will be combining the two firms' abilities, technologies, and experience in a new business line by starting out with maintenance and repair operations on the LM series industrial gas turbines that are used in combined-cycle power plants. The new company, which will also be providing maintenance and repairs services for CF6-80 series gas turbines, is slated to commence operations before the end of 2011.

In December 2010, Turkish Technic signed a joint venture agreement with Turkish Aerospace Industries (TUSAŞ) to set up a company that will design, manufacture, modify, market, and provide logistical support for aircraft cabin interior products and components. The new company will be undertaking the manufacture of a wide range of cabin interior products such as galleys, crew rests, magazine racks, literature pockets, dividers & wind screens, doghouses & bustles, stowage units, coatrooms, video control compartments, stairhouses and the like. In the conduct of its activities, the company will be focusing its attentions on selling the products that it makes to the international market. The joint venture company is to be set up and commence operations before the end of 2011.

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1. Declaration of Compliance with Principles of Corporate Governance

The Company has embraced the concept of fairness, transparency as well as promoting Turkey and Turkish Aviation sector internationally by upholding fully to these Principles of Corporate Governance of Capital Market Board (CMB)

2. Shareholder Relations Unit

The Investor Relations Department, which reports to the CFO, has been established as an unit that oversees the communication of accurate and timely information to our investors, maintaining relations and exchanging information with capital market supervisors, monitoring capital increases and public offering transactions and organizing presentations and informational meetings for domestic and international investors. Contact information for the Investor Relations Manager, Suna ÇELEBİ, is as follows: Contact Details: Phone 212-463-6363, Extension 13630, Fax 212-465-2307, E-mail ir@thy.com

3. Shareholder's Right to Obtain and Evaluate Information

50.88% of our Company's share is Free Floating at Istanbul Stock Exchange (ISE). During the year 2010, 457 requests have been submitted to our Company by e-mail. All of the requests mostly related to financial and operational data, were responded to without delay. In addition to those requests, a large number of investors and shareholders were provided with information by telephone. The Company does not discriminate among shareholders on the issue of exercise of shareholders' right to obtain and evaluate information. The Company has created a web site in order to allow shareholders to exercise their right to obtain information effectively.

4. Information on General Assembly Meeting

Pursuant to Article 6 of our Articles of Association, all share certificates of our Company are registered and are categorized into two groups: A and C. There is only one outstanding Group C share, which belongs to the Privatization Administration of the Prime Ministry (OIB) incase such duties of OIB are transferred then the transferee institution. Presently, 49.12% of Group A shares belong to OIB, and 50.88% are traded publicly.

In the course of 2010:

An Ordinary General Assembly was held on April 20, 2010 to review 2009 accounts and operations. Shareholders representing 451.773.388,65 TL of the 875 million TL of our Company's issued share capital attended the Ordinary General Assembly.

Invitations to the Ordinary General Assembly were promulgated by way of announcements in the agenda of the Trade Registry Gazette and in one newspaper circulated across the country, as well as through announcements on the Investor Relations page of our website. Pursuant to Article 29 of our Articles of Association, we are under no obligation to send notification of the meeting date by registered mail to shareholders holding share certificates traded on the stock exchange.

No time period has been stipulated for holders of registered shares to place notification with the share register in order to secure participation in the general assembly. Other conditions relating to this matter are set forth in Article 7 of our Articles of Association, as follows:

Transfer of shares is subject to the provisions of Turkish Commercial Code, Capital Market regulations and Civil Aviation regulations.

Transfer of registered shares will be effective with regard to the Incorporation upon registration in the Share Register. The shareholders will be under the obligation to evidence when required, according to the format as determined by the Board of Directors, their identities and nationalities and, if available, the "Foreign shareholding" relation as indicated in Article 6, before registration of the registered shares in the Share Register.

Until registration of the share transfer in the Share Register, the holder registered in the Share Register will be deemed as the holder of the shares by the Incorporation.

Share transfers will be registered in the Share Register upon resolution of the Board of Directors. The Board of Directors may refrain from registering any share transfers in the Share Register in cases which are not in consistency with this Articles of Association or the law or without indicating any reason therefore.

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Share transfers which are not in compliance with the foreign shareholding rate limits as indicated in Article 6 above, may not be registered in the Share Register. The Board of Directors will be under the obligation to reject the registration of such share transfers in the Share Register. Share transfers which are not registered in the Share Register by the Board of Directors will not be recognized by the Incorporation and the related transferee will not be granted to be a shareholder. The affirmative vote of the member, appointed to the Board of Directors to represent Group C share is required in the resolutions of the Board of Directors to affirm the share transfer and to register this in the Share Register.

Group C share may be transferred to any Turkish public institution substantially having the same powers granted to the Prime Ministry Privatization Directorate by Law No: 4046. In case of such a transfer then this will promptly be registered in the Share Register without requirement for any resolution of the Board of Directors.

The Board of Directors will be under the obligation to limit the transfer of the shares to the foreigners, in order to comply with the provisions of Civil Aviation and/or other laws, it is subject to, and with the limitations as indicated in this Articles of Association and to avoid from endangering the traffic and cabotage rights held by the Incorporation.

As per article 362 of the Turkish Commercial Code (TCC), the income statement, balance sheet, annual report and proposals for the method of distribution of net income will be made available to shareholders at the Head Office of the Company at least 15 days prior to the Ordinary General Assembly, accompanied by the report to be issued by auditors. In General Assembly Meetings, existing practice endeavors to respond to shareholder questions orally and to address more comprehensive questions in writing; however, since no questions requiring a written answer were encountered during these period, verbal explanations were deemed adequate.

The powers of authority of the General Assembly are set out in Article 27 of our Articles of Association; as such, the General Assembly is that body holding the powers of authority as stipulated in TCC and other laws. Outside of this article, there is no provision in the Articles of Association calling for resolutions by General Assembly on matters of material importance.

Under Article 14 of our Articles of Association, the validity of any resolution to be adopted by the Board of Directors on the matters listed below is contingent upon the participation of the Board member representing the Group C share in any meeting where such resolutions are to be adopted and upon that member casting an affirmative vote.

- Resolutions which will clearly adversely affect the mission of the Incorporations as indicated in Article 3.1 of this Articles of Association;

- Any suggestion to be made to the Shareholders Assembly for any modification in the Articles of Association;

- Increase of the share capital;

- Approval of transfer of registered shares and registration of the transfer in the Share Register;

- Any transaction, based on each contract, which exceeds 5 % of the total assets of the Incorporation as indicated in the latest balance sheet submitted to the Capital Market Board and which is directly or indirectly binding for the Incorporation, any resolution which will bring the Incorporation under any commitment, (provided that in case the share of the public in the Incorporation has decreased below 20% of the Incorporation’s share capital, then the provisions of this clause will automatically terminate);

- Merger, termination or liquidation of the Incorporation; - Any resolution about the cancellation of any flight route or for a remarkable decrease in the number of flights, excluding the routes which do not even have revenue to meet its own operating costs based on exclusive market conditions or through other sources.

- The privileges of Group C share may only be limited by the High Commission of Privatization or any other public institution which has taken over such duties.

Minutes of General Assembly Meetings are made available to shareholders within our Company all the time and are delivered to shareholders upon request. Furthermore, General Assembly minutes and attendance list are made available on the Investors’ Relations section of our website.

5. Voting Rights and Minority Rights

1. Voting Rights are set out in Article 31 of our Articles of Association, as appearing below.“Each shareholder or proxy attending the ordinary or extraordinary Shareholders Assembly Meetings will be vested with one vote for each share, provided that the provisions of Article 6/d of this Articles of Association are reserved.

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2. Under Clause 5 of Article 14 of our Articles of Association, It is required for the Board member representing Group C share to attend the meeting and his affirmative vote is required for the effectiveness of the resolutions of the Board of Directors regarding the followings issues:

- Resolutions which will clearly adversely affect the mission of the Incorporations as indicated in Article 3.1 of this Articles of Association;

- Any suggestion to be made to the Shareholders Assembly for any modification in the Articles of Association;

- Increase of the share capital;

- Approval of transfer of registered shares and registration of the transfer in the Share Register;

- Any transaction, based on each contract, which exceeds 5% of the total assets of the Incorporation as indicated in the latest balance sheet submitted to the Capital Market Board and which is directly or indirectly binding for the Incorporation, any resolution which will bring the Incorporation under any commitment, (provided that in case the share of the public in the Incorporation has decreased below 20% of the Incorporation's share capital, then the provisions of this clause will automatically terminate);

- Merger, termination or liquidation of the Incorporation;

- Any resolution about the cancellation of any flight route or for a remarkable decrease in the number of flights, excluding the routes which do not even have revenue to meet its own operating costs based on exclusive market conditions or through other sources. The privileges of Group C share may only be limited by the High Commission of Privatization or any other public institution which has taken over such duties.

3. Under Article 10 of our Articles of Association, The Board of Directors will consist of 7 members appointed by the Shareholders Assembly. It is obligatory to appoint 6 members of the Board of Directors, by electing amongst the candidates nominated by the Group A shareholders having highest votes, and to appoint one member by electing amongst the candidates nominated by the Group C shareholder.

Below principles will apply in the nomination of the candidates by the Group A shareholders:

a) In case the rate of being open to public is 15% (including), then the shareholders holding the Group A shares open to public will have the right to nominate one of the 6 members granted to Group A shares.

b) In case the rate of being open to public is 35% (35% and more), then the shareholders holding the Group A shares open to public will have the right to nominate two of the 6 members granted to Group A shares.

c) In order to be able nominate candidates for the Board of Directors by the shareholders holding Group A shares open for public, they are required to be represented at the rate of minimum 2% of the total issued share capital of the Incorporation during the Shareholders Assembly in which the members of the Board of Directors will be elected. Calculation of the aforementioned rate of 2% will be based only on the Group A shares open for public. Shareholders holding Group A shares open for public will determine the candidates nominated for the Board of Directors in a special meeting. In this meeting only shareholders holding Group A shares open for public, not held by the public, will be entitled to nominate candidates. In case shareholders holding Group A shares open for public are not represented in the rate of 2% at the Shareholders Assembly, then the right of such shareholders to nominate candidates for the Board of Directors, will be used by the other shareholders holding Group A shares not open for public according to the rules of Turkish Commercial Code and Capital Market.

d) In the event of any vacancy in any membership of the Board of Directors due to any reason like death, resignation, dismissal or cease of membership, then such vacant position will be occupied by the election of the Board of Directors made in compliance with Article 315 of Turkish Commercial Code. In the event of any vacancy in the Board of Directors due to any of the aforementioned reason, then the shareholders holding the group shares entitled to nominate the candidate office of which is then vacant, will be entitled to nominate a candidate for the vacant position and the Board of Directors will elect this candidate for this vacant position. In the event that the shareholders holding Group A shares open for public may not nominate any candidate for the vacant position in the Board of Directors then Group C shareholder will be entitled to nominate a candidate for the vacant position or in case Group C share has been converted to Group A share, then the shareholders holding Group A shares not open for public will be entitled to nominate a candidate for the

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vacant position. In the election for the vacant position of the candidate nominated by the shareholders holding Group A shares open for public, the rates of 15%, 35% and 2% as indicated in paragraphs (a), (b) and (c) above will not be taken into consideration. The appointment of the successor member of the Board will be submitted to the approval of the following Shareholders Assembly. The Board member approved by the Shareholders Assembly will continue the Office period of the predecessor member.

e) In the event information is given that any Board member representing a legal person has no more relation with that legal person or in the event such legal person transfers its shares to a third party, then this member will be deemed to have resigned, and provisions of paragraph (d) hereof will apply in nominating a candidate for the vacant position.

f) In the event of any modification in this Articles of Association and creation of new share groups, the right granted to the shareholders holding Group A shares open for public to nominate 2 Board members as indicated in paragraphs (a) and (b) above may not be cancelled or modified, unless the aforementioned modification is approved by the shareholders representing 65 % of the issued share capital.

4. No mutually-affiliated relationship exists with any other company.

5. Representation of minority shares in management is carried out in accordance with Article 10 of our Articles of Association, as specified above.

6. Our Articles of Association do not contain provisions for accumulated voting.

6. Dividend Policy and Timing of Distribution

The determination and distribution of profits from our Company are set forth in Article 36 of our Articles of Association, as follows.

The net profit, as indicated in the annual balance sheet, found after deducting from the revenue of the Incorporation, the amounts required to be paid or reserved by the Incorporation like general expenses and various depreciations and the taxes required to be paid by the Incorporation, following the deduction of the losses of the past years, will be distributed in compliance with the Capital Market regulations and in the following priority:

a) Legal reserve fund in the rate of 5% will be reserved. Our Dividend Policy is published at our web site.

b) First dividend in the rate and amount as determined by Capital Market Board will be deducted from the balance.

c) After deducting from the net profit the amounts indicated in clauses (a) and (b) above, the Shareholders Assembly will be entitled to resolve either to distribute as second dividend or to reserve as extraordinary reserve fund, the entire or any portion of the balance.

d) Second reserve fund will be reserved according to Article 466, paragraph 2, clause 3 of Turkish Commercial Code in the rate of one tenth of the amount found after deducting the profit share in the rate of 5% of the issued share capital from the amount resolved to be distributed to the shareholders and those entitled to participate the profit.

e) Unless legal reserves required by law and the first dividend determined in the Articles of Association for the shareholders are reserved, no resolution may be adopted to reserve other reserve funds, to transfer profit to the coming year, and unless first dividend is paid in cash and/or in share certificates, no resolution may be adopted to distribute profit to the privileged shareholders in profit distribution, to the holders of participation, founder and ordinary interest certificates, to the members of the Board and officers, employees and workers, to the trusts established for various purposes and similar persons and/or institutions.

The General Assembly shall determine the time and method of payment of dividends in accordance with the directives of Capital Market Board. In this regard, our Company's dividend distribution policy as formulated by the Board of Directors by taking the strategic targets, growth trend, financial needs and the expectations of the shareholders of the Incorporation into consideration and under the provisions of the Turkish Commercial Code, Capital Markets Law, other related legislation and its Articles of Association, and the Incorporation will basically distribute profit at the minimum ratio determined by the Capital Markets Board by means of cash and/or bonus shares and upon taking of the potential of the Incorporation to be able to distribute profit, it is always possible for the Board of Directors to resolve for distributing profit above the minimum ratio and submit it to the approval of the General Assembly and the profit share distribution shall be carried out within their legal terms.

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7. Transfer of Shares

Article 6 of our Articles of Association;

Shareholders Nature

The shares held by the foreigner shareholders may not exceed 40% of the issued share capital of the Incorporation. In calculating the rates of the shares held by the foreigner shareholders, the rate of foreign shareholding in the shares held by the shareholder holding Group A shares which are not open for public will be taken into consideration as well.

Foreign shareholder shall mean:

- foreign natural or legal persons;

- Turkish companies, share capital of over 49% of which are owned by foreigners;

- Turkish companies in which majority members of administrative and representative boards are not Turkish citizens and in which majority votes are not on Turkish partners according to their articles of associations;

- Turkish companies under actual control of the aforementioned.

In order to ensure that the aforementioned share rate limitations on the foreigner partners will be complied with the provisions of the Articles of Association, the Incorporation will use separate parts for foreign shareholders in registering the shareholders and their related share rates in the Share Register.

It is obligatory to promptly notify the Incorporation of any share purchase and sale reaching to 1% of the issued share capital of the Incorporation. Moreover, the shareholders who have reached or exceeded the maximum foreign shareholding rates as indicated in this Articles of Association, are obliged to promptly notify the Incorporation as they become aware of this. The purpose of such notification is to follow the foreigner element and remarkable share movements and to ensure the Board of Directors to perform its powers based on these, and only notification will not result with the nature of being a shareholder unless registered in the Share Register, and only the records in the Share Register will be relied on in such cases.

In cases where it is understood through the notifications or through other means that the total shares held by the foreigner shareholders have exceed 40% of the issued share capital of the Incorporation, then the Board of Directors will be under the obligation, to promptly notify the related shareholders lately within 7 (seven) days, starting from the latest share transfer, to dispose of the shares which exceed the foreign shareholding limit, in amounts and rates to be in conformity to the foreign shareholding limit and otherwise the Incorporation will be entitled to apply any of the measures indicated below. The foreign shareholder to whom the notice to dispose of its exceeding shares has been served, will be under the obligation to sell such shares which have caused the foreign shareholding limit to be exceeded, to a person who is not included in the foreign shareholder definition in this Articles of Association, within the period stated in the notice. In case such shares are not disposed despite the notification, then the Board of Directors will be under the obligation to meet in 3 (three) days and to take a resolution to cover the measures indicated below in regard to the shares exceeding the limit.

(i) To redeem with the nominal value, the shares held by the foreign shareholder which has caused the foreign shareholding limit to be exceed, through decreasing the share capital; with this purpose, the Incorporation will first notify the shareholder who has exceed the foreign shareholding limit that his shares will be redeemed. In case such a notice may not be served then the fact will be announced in two newspapers published at the place where the head office of the Incorporation is located. Expenses related with such redemption, will be collected from the shareholder who has caused the redemption, through deduction from the redemption amount.

(ii) In cases where the total share rate of the foreign shareholder is over the limit indicated in this Articles of Association, then the Board of Directors will be entitled to increase the share capital in order to reduce the rate of the shares exceeding the limit. In this case, new shares may be issued by limiting the preferential purchase options of the existing shareholders according to the rules of the Capital Market Board.

REASONING FOR THE ARTICLE: The reasoning for the rule in this Article is provided in the final paragraph of Article 7 of our Articles of Association and in paragraph below. The regulations to which our company is subject in its capacity as an airline and to which it must adhere are also explained.

a) An airline company that does not qualify as Turkish on account of provisions listed in Articles 31 and 49 of Turkish Civil Aviation Act No. 2920 may not obtain an operating license or, if it does possess an operating license, such operating license shall be revoked in the event

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it ceases to qualify as Turkish due such factors or events such as the transfer or sale of shares of the airline or due to the majority of the members of its Board of Directors being foreign, etc.

b) In order for flights to be possible from one state to another, that is, to secure rights to international traffic, bilateral inter-governmental aviation treaties must first be executed between the two given countries, and the majority ownership of the airline to be designated by the Turkish Government and the control of such company must lie in the hands of Turks (natural or legal persons). The criteria of nationality that qualifies our company as Turkish is a also a sine qua non condition for holding the right to traffic under the bilateral aviation treaties executed between states.

Hence, since the right of traffic may only be granted to an airline domiciled in Turkey if the majority of its shares of effective control thereof belong to Turkish citizens or companies, and since in the event such airline ceases to qualify as Turkish (or it fails to prove that it has not ceased to do so or if other contracting states to which flights will be made fail to believe that it has not done so) then the relevant airline shall lose its right to traffic, the criterion of nationality is an element of vital importance for an airline.

Hence, Article 6 of our Articles of Association contain provisions governing the foreign element in order to ensure that our airline's operating license and also our international traffic rights are secured, as explained above. Accordingly, restrictive rules were set out in terms of the limitations imposed on the foreign shareholding ratio for the protection of the traffic rights of our Company based on the criterion of nationality, should such limit be exceeded.

2- Articles of Association Article 7 (Transfer of Shares)

Transfer of shares is subject to the provisions of Turkish Commercial Code, Capital Market regulations and Civil Aviation regulations.

Transfer of registered shares will be effective with regard to the Incorporation upon registration in the Share Register. The shareholders will be under the obligation to evidence when required, according to the format as determined by the Board of Directors, their identities and nationalities and, if available, the "Foreign shareholding" relation as indicated in Article 6, before registration of the registered shares in the Share Register.

Until registration of the share transfer in the Share Register, the holder registered in the Share Register will be deemed as the holder of the shares by the Incorporation.

Share transfers will be registered in the Share Register upon resolution of the Board of Directors. The Board of Directors may refrain from registering any share transfers in the share Register in cases which are not in consistency with this Articles of Association or the law or without indicating any reason therefore.

Share transfers which are not in compliance with the foreign shareholding rate limits as indicated in Article 6 above, may not be registered in the Share Register. The Board of Directors will be under the obligation to reject the registration of such share transfers in the Share Register. Share transfers which are not registered in the Share Register by the Board of Directors will not be recognized by the Incorporation and the related transferee will not be granted to be a shareholder. The affirmative vote of the member, appointed to the Board of Directors to represent Group C share is required in the resolutions of the Board of Directors to affirm the share transfer and to register this in the Share Register.

Group C share may be transferred to any Turkish public institution substantially having the same powers granted to the Prime Ministry Privatization Directorate by Law No: 4046. In case of such a transfer then this will promptly be registered in the Share Register without requirement for any resolution of the Board of Directors.

The Board of Directors will be under the obligation to limit the transfer of the shares to the foreigners, in order to comply with the provisions of Civil Aviation and/or other laws, it is subject to, and with the limitations as indicated in this Articles of Association and to avoid from endangering the traffic and cabotage rights held by the Incorporation.

8. Company Public Disclosure Policy

Our Board of Directors has established Disclosure Policy to share information on the performance and forward looking developments within the scope of generally accepted accounting principles and Capital Market Legislation (CML), Capital Markets Board and Istanbul Stock Exchange regulations and Capital Markets Board Corporate Governance Guidelines in a fair, complete, accurate and comprehensible way with the capital market participants equally and keep an active and open dialogue always available.

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Turkish Airlines' policy to give correct, complete, understandable, analyzable and cost effective easily accessible information, except trade secrets, to the capital market participants and personnel about its activities and related strategies, critical subjects, risks and developments. The comprehensive public disclosure policy of our Company as approved by the Board of Directors may be found on our Company's website.

9. Material Disclosure

In addition to the financial statements and notes to financial statements for 2010, our Company made 95 Material Disclosure in accordance with CMB's Directive Series: VIII, No: 54 on Public Announcements of Special Circumstances, and no supplementary announcements were required by the CMB and ISE regarding such announcements. Our company has used its best efforts to ensure that its material disclosures were communicated to investors, deposit holders, agencies and organizations simultaneously, in due time and in an understandable, accurate and interpretable form. Since no Material Disclosure was made by our Company that was not delivered in a timely manner, no sanctions were imposed by the CMB or ISE during the applicable period. Furthermore, since our Company shares are not listed on any International Stock Exchange, no Material Disclosures were made to any International Stock Exchange.

10. Company's Website and Its Contents

Our Company's web address is www.thy.com.tr, and the Investors' Relations page may be accessed via this website. The website also has an English version. The Investor Relations page contains information on shareholding composition, Minutes of General Assemblies, proxy specimens, annual reports, financial statements, commercial operating data, presentations, Corporate Governance Guidelines, details on the Board of Directors, Material Disclosures, share information, analyst information, Articles of Association, Board Committees and contact information. Furthermore, a section with live data as well as historical data on Share performance of the Company procured from a data distribution company is available on the relevant page.

11. Disclosure of Natural Person(s) with Final Controlling Shareholding

No natural person exists with final controlling shareholding in our Company.

12. Disclosure of Ultimate Controlling Individual(s)

Board of Directors, Auditors, CEO, Executive Vice Presidents, Executive Assistant, Investor Relations Manager, Press Consultant, Director of Accounting, Director of Finance, Director of Investment Management, Director of Corporate Communications, as well as all staff of these Directors are prohibited from revealing any knowledge acquired during their terms of duty and fields of operation That could be used to the advantage of third parties or advantage of themselves.

13. Informing the Stakeholders

In our announcements to the public of information regarding our Company, in addition to forecast and material disclosure announcements other information and statements that are deemed to be of interest to other beneficiaries are delivered to the public in a timely and clear manner through the appropriate communications channels.

Not only stakeholders and investors, but also suppliers, financial institutions and other interested parties may obtain information about our company via our website. Personnel receive information regarding the Company's general practices and operations through internal annoucements through the Company intranet site.

14. Human Resource Policy

Our Company adheres to a Human Resource Code established by our Board of Directors, and the Company act in accordance with Labor Law No. 4857 regarding the personnel policies. In addition, our Company's personnel are unionized and as such work under a collective bargaining system. Employee/ employer relations are conducted in an effective and result-oriented manner at all levels and on any subject concerning collective bargaining and representatives appointed by the union in numbers and percentages as specified in Article 34 of Unions Law No. 2821 and by union directors. Training services are provided to all our personnel. No complaints of discrimination have been received from any employee.

15. Relations with Customers and Suppliers

Since the Company is an IATA member, ticket sales are subject to certain rules and regulations determined by IATA. In addition, forms for complaints and suggestions are made available to customers on board and at all airports and these are evaluated in an effort to improve customer satisfaction. Other efforts geared toward customer satisfaction include the practice of allowing a commitment and

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penalty-free 24-hour option for changes or cancellations on reservations made over phone, assistance provided to passengers with special needs or with disabilities, meeting basic passenger needs at times when flights are grounded during delays, taking the necessary measures to facilitate checkin. Customer satisfaction principles adopted by the Company in direct passenger relations form the basis of the agreements signed with agencies. Only agencies that comply with these principles are allowed to work with Turkish Airlines. Agencies that do not comply with the rules are issued the necessary warnings and the business relationship is terminated in the event of repeated violations. The Company engages in the purchase of goods and services in accordance with the Purchasing/Sale Regulations that have been drawn up with the resolution of the Company's Board of Directors and revised regularly since 1952 . Announcements for tenders are made in newspapers that have highest circulation nationwide within the timeframes set forth by Company, and also announced on the website www.thy.com. Procedures have been documented via Customer Relationship Management (CRM) for areas relating to customer loyalty analysis, global customer research, corporate prestige research and the hidden customer program, and implementation of the "hidden customer" program aimed at quality improvement has begun. Our company became a Star Alliance member to improve both customer satisfaction and our global mage. Cooperation still continues with member airlines of the Alliance to improve international products and services and to participate an global information sharing and auditing mechanisms.

Customer grievances may arise due to faults that occur from time to time in our Company's operations and services. We strive to address such grievances and restore satisfaction in the shortest possible time, and are looking to create a faithful customer profile. Our Customer Relations Department is engaged in efforts towards these ends. In order to complete work quickly and enable various departments to communicate findings from their own studies to the Customer Relations Directorate in as soon as possible, the company as whole has adopted a Department Performance assessment system, whose statistics are monitored by General Management.

16. Social Responsibility

The Company continued to operate by its service quality and social responsibility philosophy, keeping its leading position both in the country and abroad. No lawsuits have been filed against the Company in Turkey on the ground of causing environmental damage.

17. Structure of the Board of Directors, its Formation and Independent

Members

The Board of Directors is comprised of seven members elected by the General Assembly. Six Board Members are required to be elected from among the candidates receiving the highest number of votes in the election held by Class A shareholders. The other member is nominated by the Class C shareholder. At least five Board Members, including the Board Member representing the Class C share, must be Turkish citizens. The term of office for Board members is two years. The General Assembly may terminate the membership of a Board Member before the end of his/her term. Board Members whose term has expired may be reelected.

Members of the Board in 2010:

Hamdi TOPÇU - Chairman of the Board

Prof. Dr. Cemal ŞANLI - Deputy Chairman of the Board

Ph.D. Temel KOTİL - Member of the Board and General Manager

Ph.D. Turan EROL - Member of the Board

Orhan BİRDAL - Member of the Board

Muzaffer AKPINAR - Member of the Board

Mehmet BÜYÜKEKŞİ - Member of the Board

18. Qualifications of Board Members

The criteria for Board membership are specified in Article 11 of the Company's Articles of Association. In addition, Article 4/i of Law No. 4046 stipulates that in organizations to be privatized, Board Members shall be graduates of fouryear higher education programs. Care is taken to comply with the provisions of Articles 3.1.1, 3.1.2 and 3.1.5 of Section IV of the Corporate Governance Principles concerning the appointment of Board Members. Qualifications of the Company's Board Members are in accord with these articles. Article 11 and Provisional Article 1/c of the Articles of Association are quoted below.

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ARTICLE 11

Persons to be elected to the Board shall not have been placed under legal restraint; a Company where they owned an interest or worked as a manager shall not have been declared bankrupt or insolvent; they shall be a shareholder of the Company and shall not have been convicted of an infamous crime or any other crime specified in the Civil Aviation Law. If a member who is not a shareholder is elected, that individual may only assume duties after having become a shareholder.

The General Assembly may grant permission for the cases defined in Articles 334 and 335 of the Turkish Commercial Code.

Board Members representing Class C shares and at least five members (including those who represent Class C shares) must be Turkish citizens.

Provisional Article 1/c

With the exception of the provisions outlined in the Paragraph "d" below concerning elections to be held among candidates nominated by Class A shareholders in accordance with Law No. 4046, the Chairman of the Board of Directors, Board Members, Auditors and the General Manager shall be appointed upon the proposal of the Privatization Administration or the approval of the authorized Minister. This is carried out on the condition that they can satisfy the conditions set forth in the Law, and that the state's stake in the Company does not fall to below 50%.

19. Mission and Vision and Strategic Targets of theCompany

The Board of Directors shall approve the strategic targets set out by the management and continuously and effectively monitor these targets, the activities of the Company and its past performance. In doing so, the Board shall strive to ensure compliance with international standards and wherever necessary, take action before problems arise. The mission of the Company as it appears in Article 3 of the Articles of Association is indicated below:

a) To strengthen the Company's position as a global airline by expanding its long-distance flight network,

b) To position the Company as a technical services provider by transforming its maintenance unit into a leading maintenance base for the region,

c) To promote the Company's identity as a service provider in all areas of strategic civil aviation, including handling and flight training,

d) To maintain the Company's leading status in domestic air transportation,

e) To provide seamless, high-quality air transportation services by collaborating with a global airline alliance that complements its network in order to further improve the Company's image abroad and increase marketing opportunities and

f) To make Istanbul an important hub.

In addition, through its leadership position in the Civil Aviation Transport (SHT) sector of the Republic of Turkey, to be a premier European airline with global operations which is preferred for its flight safety, security, product range, service quality and competitive approach.

Vision:

a) Maintaining the growth trend that exceeds sector averages

b) Zero accidents

c) An understanding of service that captures the world's attention

d) Unit prices that are competitive with those of low-cost carriers

e) Sales and distribution costs that are below sector averages

f) Loyal customers who carry out reservation, ticketing and boarding activities themselves.

g) Personnel who understand that the added value they create is directly proportional to the Company's gains and who are committed to their own development

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h) A commercial approach that creates business for partners who are members of the Star Alliance and which harnesses the potential that those partners offer

i) Management that is recognized for its embrace of the principals of modern management, respecting the interests of its shareholders and all other stakeholders.

20. Risk Management and Internal Control

The airline industry by its nature is a high risk sector, and we believe that effective risk management systems at our Company are critical to ensuring sustainable growth. In an effort to establish the Financial Risk Management structure that will provide a reasonable degree of security against possible shocks by minimizing the fluctuations particularly relating to fuel prices, interest rates, cash flow and exchange rates, as well as counterparty risk, the Corporate Risk Management Department, which was formed in 2008, is devising the Company's Financial Risk Management strategy and works towards the management of actual/potential financial risks the Company is exposed to.

Addressed as a matter of first priority in this frame, hedging in relation to fuel prices from amongst Financial Risks was started in June 2009. From November 2009, hedging has been ongoing to protect against fuel price risk by increasing the hedging ratio and extending the transaction maturity. In order to minimize the impact of exchange rate fluctuations regarded as a major risk element in view of the Company's field of activity, and to keep under control the risks that will arise from possible differences between forecasted and actualized income and expenses on the basis of exchange rates, a proactive exchange rate policy is implemented based first and foremost on natural risk management for exchange rates, taking into account the investment of the available cash portfolio.

On the other hand, the Company keeps working as necessary to establish its liability in relation to carbon emissions and to lay down the strategy to protect against carbon emission risk within the frame of the Carbon Emission Trading System.

In the period ahead, the Company is intending to update the existing methodology and continue with active control of exchange rate, interest rate, fuel price and carbon emission risks and the credit risk of financial institutions with our Company.

The Company has an internal control mechanism in place that is implemented by the relevant units. Matters such as the correct pricing of tickets sold by employees or agencies, the compliance of foreign offices' accounting records with the Company's regulations and the correct and prompt fulfillment of tax obligations are all matters dealt with in this scope. The Company makes every effort to ensure that all records are accurate according to the Company regulations and directives. The Company is, in addition, subject to annual inspections by the Prime Ministry's Supreme Inspection Board. Separately, the Company is being audited by three auditors appointed in the General Assembly Meeting:

İsmail GERÇEK - Member of Auditing Board

Naci AĞBAL - Member of Auditing Board

Prof. Dr. Ateş VURAN - Member of Auditing Board

Two auditors shall be elected from among Class A shareholders and one auditor shall be the candidate nominated by the Class C shareholder. The auditors have a one year term of office. An auditor whose term has expired may be reelected.

Class A Auditors shall be determined in the following manner:

a) In the event that the proportion of publicly traded shares is 35% or more, the rights granted to Class A shareholders to elect two auditors shall belong to shareholders holding publicly-traded Class A shares.

b) Shareholders holding publicly traded Class A shares may nominate a candidate for membership of the Board of Auditors, provided they represent at least 2% of the total increased capital by attending the General Assembly Meeting in which the election of the Board of Directors elections took place. Only publicly traded Class A shares shall be considered in the calculation of this 2%. Shareholders holding publicly traded Class A shares shall determine their candidates for Board of Auditors membership in a meeting held between them. The right to nominate a candidate in this meeting shall belong to the holders of Class A shares which are publicly traded but not owned by the state. In the event that the holders of publicly traded Class A shares do not represent 2% at the General Assembly Meeting, these shareholders' rights to nominate candidates for Board of Auditors membership shall be exercised by those shareholders holding Class A shares which are not publicly traded, in accordance with the Turkish Commercial Code and Capital Markets Board Regulations.

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c) In the event of a vacancy on the Board of Auditors due to the death, resignation or dismissal of one of its members or otherwise, the vacant position shall be filled by means of an election to be held by the Board of Auditors in accordance with Article 351 of the Turkish Commercial Code. If the holders of publicly traded Class A shares have not nominated a candidate for the vacant position on the Board of Auditors, the right to nominate a candidate shall belong to the Class C Shareholder. If the Class C share has been converted into a Class A share, the right to nominate shall belong to the shareholders holding Class A shares that are not publicly traded. In such an election carried out to fill the position vacated by the candidate nominated by shareholders holding publicly traded Class A shares, the percentages of 35% and 2% as referenced in paragraphs "a", "b" and "c" shall not be taken into consideration.

d) In the event that these Articles of Association are later amended or new share classes created, paragraphs "a" and "b" above defining the right of shareholders holding publicly traded Class A shares to determine two auditors shall not be annulled or modified, unless such modification has been approved by shareholders representing at least 65% of the capital.

The duties of the Auditors are to examine the Company's general transactions and budget and assume the responsibilities stipulated in the Turkish Commercial Code. Auditors are authorized and assume the responsibility to submit proposals to the Board of Directors, to ensure that the Company is managed efficiently and its interests protected, call a general meeting in the event of vital and urgent matters, determine the agenda of such a meeting and draw up the report specified in Article 354 of the Turkish Commercial Code. Auditors are responsible for fulfilling the duties assigned to them by law and the Articles of Association in a satisfactory manner.

21. Responsibilities of Board Members and Directors Article

Article 15 of the Articles of Association defines the power and responsibilities of the Board of Directors and Article 19 defines the power and responsibilities of the General Manager.

Article 15. The Board of Directors represents and manages the Company. The Board of Directors is responsible for all tasks that are not assigned in the General Meeting by law, as well as the duties laid out in the Articles of Association, and it is granted all authority which these duties may require.

As set out in Article 319 of the Turkish Commercial Code, the Board of Directors may assign all or part of its management and representation powers to one or more of its members, to a general manager, assistant general manager, a manager or managers who are not members of the Board, or may form executive committees comprising of Board Members or non-members to exercise its powers and fulfill its duties. All financial and other information required for the Board of Directors to fulfill its duties as well as Board proposals and attachments shall be submitted in a timely manner.

All financial and other information needed for the Board of Directors to fulfill its duties as well as Board proposals and attachments shall be submitted in a timely manner. Article 19. The duties and powers of the General Manager shall be determined by the Board of Directors. The General Manager is required to be diligent in fulfilling his or her duties, and shall be held responsible for any behavior or actions which contravene this duty.

22. Activities of the Board of Directors

The activities of the Company's Board of Directors, specified in Article 14 of the Articles of Association, are as follows:

The Board of Directors shall meet whenever necessary and at least once a month. The meeting venue will be at Company headquarters; other venues may be chosen by a Board decision.

Matters to be discussed at Board meetings shall be specified in an agenda that will be communicated to Board Members prior to the meeting.

Invitations to Board meetings shall be made at least three days before the actual meeting.

The quorum for Board meetings is five members. Board decisions shall be taken with the affirmative vote of at least four members. A member who has failed to attend four consecutive Board meetings without a valid reason, or has not participated in six meetings over the course of a year shall be considered to have resigned.

Unless one of the members has requested a meeting, Board decisions may also be taken following the proposal of one of the members regarding a specific issue and with the written approval of all members. The validity of Board decisions is contingent on their having been set out in writing and signed. Failure to reach a quorum for a decision on any issue shall be treated as a rejection of the proposal in question.

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The validity of the decisions to be taken by the Board of Directors on the following matters requires the presence and affirmative vote of the Board Member representing Class C shares at the meeting during which the decision was taken.

- Decisions that would clearly adversely affect the Company's mission, as set out in Article 3.1 of the Articles of Association;

- Proposals to the General Assembly Meeting for an amendment to the Articles of Association;

- Capital increases;

- Approval of the transfer of registered shares and the recording of this in the share ledger;

- All transactions and decisions concerning direct or indirect commitments on behalf of the Company for more than 5% of the total assets appearing in the previous year's financial statements submitted by the Company to the Capital Markets Board per each contract (this provision shall be automatically annulled when state-owned shares fall below 20% of the Company's capital);

- The merger of the Company with other companies, its termination or liquidation;

- With the exception of those routes which are exclusively affected by market conditions, or those that cannot cover their operational costs with other resources, decisions concerning the termination of a route or a significant reduction in the number of flights.

The privileges of the Class C share may only be restricted by the Supreme Privatization Board or a state agency that has taken over its duties. In 2010, the Board held 61 meetings and made 105 decisions. The validity of Board decisions is subject to their having been written up and signed. The organization and communication of Board activities, the determination of the number of Board meetings, the following up of proposals made to the Board and the drawing up of agendas are all duties of the General Secretariat.

23. Prohibition to Deal and Compete with the Company

During the reporting period, Board Members were prohibited from dealing and competing with the Company in accordance with Articles 334 and 335 of the Turkish Commercial Code. In addition to these prohibitions, there are also rules set out in Section 11 of Turkish Airlines' Human Resources Regulations No. 07-001, which prohibits Company personnel from providing services to other organizations

24. Code of Ethics

Our Company has set forth its Code of Ethics within the scope of the Principals of Corporate Governance, which is published on our Website.

25. The Number, Structure, and Independency of the Board Committees

The Board of Directors' Financial Audit Committee is comprised of Mr. Mehmet BÜYÜKEKŞİ and Mr Muzaffer AKPINAR. The Corporate Governance Committee, which audits the implications regarding the corporate governance principles, is comprised of Prof. Dr. Cemal ŞANLI,.PhD. Turan EROL and Mr. Orhan BİRDAL.

26. Remuneration Paid to Board Members

Board Member remuneration is set by the General Assembly. Board Members may not obtain any loan or debt from the Company.

Türk Hava Yolları A.O. and Its Subsidiary
Consolidated Financial Statements
as of 31 December 2010

Türk Hava Yolları A.O. and Its Subsidiary
Independent Auditor's Report

To the Board of Directors of
Türk Hava Yolları A.O.

We have audited the accompanying consolidated balance sheet of Türk Hava Yolları A.O. and its subsidiary (together the "Group") as at 31 December 2010 and the related consolidated statement of comprehensive income, consolidated statement of changes in shareholder's equity and consolidated statement of cash flows for the year ended 31 December 2010, and a summary of significant accounting policies and other explanatory notes.

Management Responsibility on Financial Statements

The management is responsible for preparation and fair presentation of these financial statements in accordance with accounting standards published by Capital Markets Board. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards published by the Capital Markets Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Group, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Conclusion

In our opinion, accompanying consolidated financial statements of the Group as of 31 December 2010 and for the year then ended have been properly prepared, in all material respects in accordance with generally accepted accounting standards issued by Capital Markets Board.

Without qualifying our opinion, we would like to draw attention to the following matter:

As it is explained in detail in Note 2.2 and Note 41, the Group has classified the financial statements for the year ended 31 December 2009.

İstanbul, 23 March 2011

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Berkman Özata
Partner

Türk Hava Yolları A.O. and Its Subsidiary

Audited Consolidated Balance Sheet As Of 31 December 2010

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

ASSETS	Notes	31 December 2010	31 December 2009
Current Assets		**3.491.777.500**	**2.798.163.528**
Cash and cash equivalents	6	813.936.552	1.090.463.875
Financial assets	7	84.070.372	222.298.370
Trade receivables	10	577.622.814	443.690.225
Other receivables	11	1.649.525.777	749.041.369
Inventories	13	172.076.283	148.995.932
Other current assets	26	194.545.702	143.673.757
Non-current Assets		**7.157.108.485**	**5.772.234.243**
Other receivables	11	214.636.988	664.360.128
Financial assets	7	1.750.943	1.750.943
Investments accounted for using the equity method	16	193.562.028	152.052.556
Investment property	17	49.570.000	48.810.000
Tangible assets	18	6.443.437.235	4.811.019.050
Intangible assets	19	33.099.101	10.669.612
Other non-current assets	26	221.052.190	83.571.954
TOTAL ASSETS		**10.648.885.985**	**8.570.397.771**

Türk Hava Yolları A.O. and Its Subsidiary

Audited Consolidated Balance Sheet As Of 31 December 2010

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

LIABILITIES	Notes	31 December 2010	31 December 2009
Current Liabilities		**2.540.819.554**	**1.947.551.656**
Financial debt	8	493.120.594	412.266.841
Other financial liabilities	9	63.750.323	46.078.943
Trade payables	10	735.874.026	559.109.822
Other payables	11	162.798.563	156.633.381
Current tax liabilities	35	-	2.419.544
Provisions	22	20.480.602	7.287.354
Provisions for employee benefits	24	102.214.757	54.734.480
Passenger flight liabilities	26	673.843.879	586.525.279
Other current liabilities	26	288.736.810	122.496.012
Non- current Liabilities		**4.360.659.447**	**3.177.965.889**
Financial debt	8	3.684.958.785	2.575.899.283
Other payables	11	9.831.914	8.941.613
Provisions for employee benefits	24	170.505.529	151.875.562
Deferred tax liability	35	435.385.525	362.243.105
Other non- current liabilities	26	59.977.694	79.006.326
SHAREHOLDERS' EQUITY			
Equity Attributable to Shareholders of Parent		**3.747.406.984**	**3.444.880.226**
Share capital	27	1.000.000.000	875.000.000
Inflation difference on shareholders' equity	27	1.123.808.032	1.123.808.032
Restricted reserves assorted from profit differences	27	39.326.341	22.686.727
Currency translation differences	27	3.589.635	4.641.339
Cash flow hedge fund	27	15.383.772	(1.751.329)
Retained earnings	27	1.278.855.843	861.419.177
Net profit for the period	27	286.443.361	559.076.280
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**10.648.885.985**	**8.570.397.771**

Türk Hava Yolları A.O. and Its Subsidiary

Audited Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2010

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated .)

	Notes	1 January-31 December 2010	1 January-31 December 2009
Sales Revenues	28	8.422.771.140	7.035.882.903
Cost of Sales (-)	28	(6.609.264.529)	(5.200.371.472)
GROSS PROFIT		**1.813.506.611**	**1.835.511.431**
Marketing, Selling and Distribution Expenses (-)	29	(999.770.863)	(806.503.413)
Administrative Expenses (-)	29	(352.872.407)	(266.173.785)
Other Operating Income	31	149.669.257	91.136.104
Other Operating Expenses (-)	31	(128.343.992)	(130.079.895)
OPERATING PROFIT		**482.188.606**	**723.890.442**
Share of Investments Profit /Loss Accounted for Equity Method	16	(36.800.970)	12.813.703
Financial Income	32	72.851.263	172.982.144
Financial Expenses (-)	33	(152.549.546)	(172.708.672)
PROFIT BEFORE TAXES		**365.689.353**	**736.977.617**
Tax Expense (-)		**(79.245.992)**	**(177.901.337)**
Current Tax Expense (-)	35	(10.387.347)	(104.523.367)
Deferred Tax Expense (-)	35	(68.858.645)	(73.377.970)
PROFIT FOR THE PERIOD		**286.443.361**	**559.076.280**
OTHER COMPREHENSIVE INCOME /(EXPENSE)			
Change in Currency Translation Differences		(1.051.704)	181.933
Change in Cash Flow Hedge Fund		21.418.876	(2.189.161)
Tax (Expense) /Income on Items in Other Comprehensive Income		(4.283.775)	437.832
OTHER COMPREHENSIVE INCOME /(EXPENSE) (AFTER TAX)		16.083.397	(1.569.396)
TOTAL COMPREHENSIVE INCOME		302.526.758	557.506.884
Earnings Per Share (Kr)	36	0,29	0,56

Türk Hava Yolları A.O. and Its Subsidiary

Audited Consolidated Statement of Changes in Share Holders' Equity for the Year Ended 31 December 2010

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated .)

	Notes	Share capital	Inflation difference on shareholders' equity	Reserves assorted from profit	Currency translation differences	Cash flow hedge fund	Net profit for the period	Retained earnings	Total
As of 31 December 2008		175.000.000	1.672.901.479	-	4.459.406	-	1.134.226.211	-	2.986.587.096
Transfer of previous years' profit to capital reserves	27	-	-	22.686.727	-	-	(22.686.727)	-	-
Dividend paid	27	-	-	-	-	-	(99.213.754)	-	(99.213.754)
Capital increase	27	700.000.000	(549.093.447)	-	-	-	(150.906.553)	-	-
Transfer of previous years' profit to retained earnings	27	-	-	-	-	-	(861.419.177)	861.419.177	-
Total comprehensive income for the period		-	-	-	181.933	(1.751.329)	559.076.280	-	557.506.884
As of 31 December 2009		875.000.000	1.123.808.032	22.686.727	4.641.339	(1.751.329)	559.076.280	861.419.177	3.444.880.226
As of 31 December 2009		875.000.000	1.123.808.032	22.686.727	4.641.339	(1.751.329)	559.076.280	861.419.177	3.444.880.226
Transfer of previous years' profit to capital reserves	27	-	-	16.639.614	-	-	(16.639.614)	-	-
Capital increase	27	125.000.000	-	-	-	-	(125.000.000)	-	-
Transfer of previous years' profit to retained earnings	27	-	-	-	-	-	(417.436.666)	417.436.666	-
Total comprehensive income for the period		-	-	-	(1.051.704)	17.135.101	286.443.361	-	302.526.758
As of 31 December 2010		1.000.000.000	1.123.808.032	39.326.341	3.589.635	15.383.772	286.443.361	1.278.855.843	3.747.406.984

Türk Hava Yolları A.O. and Its Subsidiary

Audited Consolidated Statement of Cash Flows for the Year Ended 31 December 2010

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

CASH FLOW FROM OPERATING ACTIVITIES	Notes	1 January- 31 December 2010	1 January- 31 December 2009
Net profit before taxes		365.689.353	736.977.617
Adjustments to obtain net cash flow generated from operating activities:			
Depreciation and amortization	18-19	458.539.301	466.032.873
Provision for retirement pay liability	24	48.486.761	26.356.395
Provision for debts	22	13.193.248	(173.042)
Interest income	32	(38.397.854)	(159.789.136)
Gain on sale of fixed assets	31	(45.206.644)	(3.333.754)
Increase in provision for impairment	18	5.356.560	109.724.409
Loss/(profit) on equity investments accounted for using the equity method	16	36.800.970	(12.813.703)
Interest expense		87.999.221	116.763.052
Change in manufacturers' credit	26	(2.728.629)	(13.146.194)
Unrealized foreign exchange gain/(loss) on finance leases		13.262.857	(2.890.159)
Provision for doubtful receivables	10	37.489.876	22.513.003
Value increase or decrease on investment property	17	(760.000)	78.086
Change in fair value of derivative instruments	32-33	5.787.041	(9.016.534)
Dividend income	32	-	(42.014)
Operating profit before working capital changes		**985.512.061**	**1.277.240.899**
Increase in trade receivables	10	(171.422.465)	(118.750.751)
(Increase)/decrease in other short and long term receivables		(35.459.709)	2.298.881
Increase in inventories	13	(23.080.351)	(50.636.641)
Decrease in other current assets	26	8.798.815	19.889.671
(Increase)/decrease in other non-current assets	26	(137.480.236)	21.922.557
Increase in trade payables	10	176.764.204	125.692.267
Increase in other payables	11	7.055.483	41.742.703
Increase in other short and long term liabilities		104.740.795	35.344.127
Increase in short term employee benefits	24	47.480.277	6.916.055
Increase in passenger flight liabilities	26	87.318.600	99.131.282
Cash flow from operating activities		**1.050.227.474**	**1.460.791.050**
Payment of retirement pay liability	24	(29.856.794)	(16.939.915)
Interest paid		(86.727.275)	(117.019.197)
Taxes paid		(72.477.652)	(106.289.632)
Net cash flow from operating activities		**861.165.753**	**1.220.542.306**
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of tangible and intangible fixed assets	18-19-31	116.003.254	129.348.500
Interest received		34.658.151	181.134.732
Dividends received	16	-	542.016
Purchase of tangible and intangible fixed assets (*)	18-19	(629.433.434)	(278.557.603)
Prepayments for the purchase of aircrafts	11	(415.301.558)	(1.331.217.539)
(Increase)/decrease in short term financial investments	7	175.000.000	1.203.244.254
Cash outflow resulting from purchase of joint ventures		(34.162.146)	(39.418.996)
Net cash used in investing activities		**(753.235.733)**	**(134.924.636)**
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of principal in finance lease liabilities		(371.225.019)	(397.692.584)
Decrease in financial borrowings		(13.503.240)	(6.803.885)
Increase in other financial liabilities	9	270.916	3.650.707
Dividends paid		-	(99.213.754)
Net cash used in financing activities		**(384.457.343)**	**(500.059.516)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(276.527.323)**	**585.558.154**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**1.090.463.875**	**504.905.721**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**813.936.552**	**1.090.463.875**

(*) TL 1.560.106.711 portion of tangible and intangible assets purchases in total of TL 2.189.540.145 as of 31 December 2010 was financed through finance leases. (31 December 2009: 178.514.434 portion of tangible and intangible assets purchases in total of TL 407.150.331 was financed through finance leases.

Türk Hava Yolları A.O. and Its Subsidiary

Audited Notes to the Consolidated Financial Statements for the Year Ended 31 December 2010

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

1. THE COMPANY'S ORGANIZATION AND OPERATIONS

Türk Hava Yolları A.O. ("the Company" or "THY") was incorporated in Turkey in 1933. As of 31 December 2010 and 31 December 2009, the shareholders and their respective shareholdings in the Company are as follows:

	31 December 2010	31 December 2009
Republic of Turkey Prime Ministry Privatization Administration	49,12%	49,12%
Other (publicly held)	50,88%	50,88%
Total	100,00%	100,00%

The total number of employees working for Türk Hava Yolları A.O. and its subsidiary (the "Group") as of 31 December 2010 is 17.119 (31 December 2009: 15.269). The average number of employees working for the Group as of 31 December 2010 and 2009 is 16.027 and 14.696, respectively. The Company is registered in İstanbul, Turkey and its head office address is as follows:

Türk Hava Yolları A.O. Genel Yönetim Binası, Atatürk Havalimanı, 34149 Yeşilköy İSTANBUL.

The Company's stocks are traded on the Istanbul Stock Exchange since 1990.

THY Teknik A.Ş. is a single subsidiary of the Company.

Group management decisions regarding resources to be allocated to departments and examines the results and the activities on the basis of air transport and aircraft technical maintenance services for the purpose of departments performance evaluation. Each member of The Group companies prepare their financial statements in accordance with accounting policies are obliged to comply. The Group's main business of topics can be summarized as follows;

Air Transport ("Aviation")

The Company's main activity is domestic and international passenger and cargo air transportation.

Technical Maintenance Services ("Technical")

The Company's objective is become an important regional base for technical maintenance, in addition to this, repair and maintenance on civil aviation sector and give all kinds of technical and infrastructure support related to airline industry.

Approval of Financial Statements

Board of Directors has approved the financial statements as of 31 December 2010 and delegated authority for publishing it on 23 March 2011. General shareholders' meeting has the authority to modify the financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

<u>Basis of Preparation for Financial Statements and Significant Accounting Policies</u>

The company and its subsidiaries registered in Turkey maintain their books of account and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code and Tax Legislation. Subsidiaries that are registered in foreign countries maintain their books of account and prepare their statutory statements in accordance with the prevailing accounting principles in their registered countries.

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The Capital Markets Board ("CMB") has established principles, procedures and basis on the preparation of financial reports by enterprises and the representation of the reports with Communiqué Series XI, No: 29 "Communiqué on Capital Market Financial Reporting Standards". This Communiqué is applicable for the first interim financial statements to be prepared after 1 January 2008 and with this Communiqué, the Communiqué Series XI, No: 25 "Communiqué on Capital Market Accounting Standards" has been repealed. In accordance with this Communiqué, the companies are supposed to prepare their financial statements in accordance with the International Financial Reporting Standards ("IAS/IFRS") accepted by the European Union. Nevertheless, until the discrepancies between the IAS/IFRS accepted by the European Union, and the IAS/IFRS declared by IASB are announced by the Turkish Accounting Standards Board ("TASB"), IAS/IFRS will be in use. Under these circumstances, Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS"), which are the standards published by TASB, not contradicting with IAS/IFRS will be predicated on.

The accompanying consolidated financial statements have been prepared in accordance with IFRS and comply with CMB's decree announce on 17 April 2008 and 9 January 2009 regarding the format of the financial statements and footnotes since at the date of the issuance of these financial statements the differences of IAS/IFRS accepted by the European Union are not declared by the TASB that are accounted at fair value.

All financial statements, except for investment property and derivative financial instruments, have been prepared on cost basis principal.

Currency Used in Financial Statements

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Turkish Lira ("TL"), which is the functional currency of the Company, and the reporting currency for the consolidated financial statements.

Adjustment of Financial Statements in Hyperinflationary Periods

As per the 17 March 2005 dated, 11/367 numbered decree of CMB, companies engaged in Turkey and those of which prepare their financial statements in accordance with the CMB Accounting Standards (including IAS/IFRS exercisers), use of inflationary accounting standards have been discontinued effective 1 January 2005. Pursuant effectuation, "Financial Reporting Standards in Hyperinflationary Economies" issued by the International Accounting Standards Committee (IASC), ("IAS 29") was no longer applied henceforward.

Comparative Information and Restatement of Prior Period Financial Statements

Consolidated financial statements of the Group have been prepared comparatively with the prior period in order to give information about financial position and performance. In order to maintain consistency, with current year consolidated financial statements, comparative information is reclassified and significant changes are disclosed if necessary. In the current year, the Group has made several reclasses in the prior year consolidated financial statements in order to maintain consistency, with current year consolidated financial statements. Nature, cause and amounts of classifications are explained in Note 41.

Basis of the Consolidation

a) The consolidated financial statements include the accounts of the parent company, Türk Hava Yolları A.O., its Subsidiary and its Jointly Controlled Entities on the basis set out in sections (b) and (c) below. Financial statements of subsidiary and Jointly Controlled Entities are adjusted where applicable in order to apply the same accounting policies. All transactions, balances, profit and loss within the Group are eliminated during consolidation.

b) Subsidiary is the entity in which the Company has power to control the financial and operating policies for the benefit of the Company through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself, otherwise having the power to exercise control over the financial and operating policies for the benefit of the Company.

The table below sets out the consolidated Subsidiary and participation rate of the Group in this subsidiary as of 31 December 2010:

		Participation Rate		
Name of the Company	**Principal Activity**	**31 December 2010**	**31 December 2009**	**Country of Registration**
THY Teknik A.Ş.	Aircraft Maintenance Services	100%	100%	Turkey

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The balance sheet and statement of income of the subsidiary were consolidated on the basis of full consolidation. The carrying value of the investment held by the Group and its Subsidiary were eliminated against the related shareholders' equity. Intercompany transactions and balances between the Group and its Subsidiary were eliminated during consolidation process.

c) The Group has six joint ventures. These joint ventures are economical activities that decisions about strategic finance and operating policy are jointly controlled by the consensus of the Group and other participants. The Jointly Controlled are controlled by the Group jointly, and are valued by equity method.

The table below sets out consolidated affiliates and indicates the proportion of ownership interest of the Company in these affiliates at 31 December 2010 and 2009:

Company name	Country of registration and operation	Ownership Share (*)	Voting Power (*)	Principle Activity
Sun Express	Turkey	50%	50%	Air transportation
Turkish DO&CO	Turkey	50%	50%	Catering services
P&W T.T. Uçak Bakım Merkezi Ltd. Şti	Turkey	49%	49%	Maintenance services
Bosnia Herzegovina Airlines	Bosnia and Herzegovina	49%	49%	Air transportation
TGS	Turkey	50%	50%	Ground services
THY OPET	Turkey	50%	50%	Aviation fuel

(*) Share percentage and voting rights are the same in the year 2010 and 2009.

According to the equity method, subsidiaries are stated as the cost value adjusted as deducting the impairment in subsidiary from the change occurred in the subsidiary's assets after the acquisition date that is calculated by the Group's share in the consolidated balance sheet. Subsidiary's losses that exceed the Group's share are not considered (actually, that contains a long term investment which composes the net investment in the subsidiary).

2.2 Changes in Accounting Policies

Significant amendments in accounting policies and significant accounting errors are applied retrospectively and prior period financial statements should be restated. Changes in accounting estimates should be applied prospectively, if only for a period in which the change in the current period. If it relates to future periods they are recognized to prospectively both in the current period and in the future period.

The Group has reviewed its aircraft depreciation policy applied for its direct acquisitions or acquisitions through operating leases and has classified the cost of aircraft s into three parts, by considering the renewal of significant parts of the aircraft s identified during the major maintenance and repair of aircraft body and engine; body, major body repair; and engine and major engine repair. The Group also has decided to depreciate its major body repair and major engine repair parts over the shorter of the next repair's remaining period or the remaining period of the aircraft's useful life and to be capitalized subsequent to major body and major engine repairs for the depreciation over the shorter of the next repair period or the remaining period of the aircraft's useful life. As of 1 January 2009, the Group's financial statements are readjusted in accordance with International Financial Reporting Standards No: 8 ("IAS 8") "Accounting policies, Changes In Estimates and Errors". Following the readjustments, no change has been recorded in profit for the year ended as of 31 December 2009; however, depreciation charge recognized under cost of sales has increased by TL 118.981.293, maintenance costs has decreased by TL 49.921.706 and other operating expenses recognized under impairment loss of property, plant and equipment has increased by TL 69.059.587.

2.3 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.

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2.4 New and Revised International Financial Reporting Standards

a) There's no change in the current Standards which are related to the Group operations and are effective as of 31 December 2010.

b) There are no new and revised standards, amendments and interpretations affecting the Group's reported financial performance and/or financial positions as of 31 December 2010.

c) New and Revised IFRSs applied as of 31 December 2010 but has no effect on the consolidated financial statements:

IFRS 3 (revised), "Business Combinations" and consequential amendments to IAS 27, "Consolidated and separate financial statements", IAS 28, "Investments in associates", and IAS 31, "Interests in joint ventures", are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Major effects of adoption of the revised standards and changes in applications of existing standards are as follows:

a) to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquire.

b) to change the recognition and subsequent accounting requirements for contingent consideration.

c) to require that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being recognized as an expense in profit or loss as incurred.

d) in step acquisitions, previously held interests are to be remeasured to fair value at the date of the subsequent acquisition with the value included in goodwill calculation. Gain or loss arising from the re-measurement shall be recognized as part of profit or loss.

e) IFRS 3 (2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree.

The Group does not have any acquisition during the current year.

IAS 27 (revised in 2008) "Consolidated and Separate Financial Statements"

The application of IAS 27(2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries.

Specifically, the revised Standard has affected the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in IFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognized, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognized in profit or loss. Under IAS 27(2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Group to derecognize all assets, liabilities and non-controlling interests at their carrying amount and to recognize the fair value of the consideration received. Any retained interest in the former subsidiary is recognized at its fair value at the date control is lost. The resulting difference is recognized as a gain or loss in profit or loss.

The Group does not have any transactions with the non-controlling interests in the current year.

IAS 28 (revised in 2008) "Investments in Associates"

In accordance with the changes in IAS 28 (2008), when significant influence over an associate is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognized in profit or loss.

As part of Improvements to IFRSs issued in 2010, IAS 28(2008) has been amended to clarify that the amendments to IAS 28 regarding transactions where the investor loses significant influence over an associate should be applied prospectively.

IFRIC 17, "Distributions of non-cash assets to owners", effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.

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IFRIC 18, "Transfers of assets from customers", effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.

"Additional exemptions for first-time adopters" (Amendment to IFRS 1) was issued in July 2009. The amendments are required to be applied for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing IFRS preparer.

IFRS 2, "Share-based Payments – Group Cash-settled Share Payment Arrangements" is effective for annual periods beginning on or after 1 January 2010. This is not currently applicable to the Group, as the Group does not have share-based payment plans.

Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations clarify that all the assets and liabilities of a subsidiary should be classified as held for sale when the Group is committed to a sale plan involving loss of control of that subsidiary, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Improvements to International Financial Reporting Standards 2009 were issued in April 2009. The improvements cover the following standards/interpretations: IFRS 2 Share-based Payments, IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 8 Operating Segments, IAS 1 Presentation of Financial Statements, IAS 7 "Statement of Cash flows" IAS 17 Leases, IAS 18 Revenue, IAS 36 Impairment of Assets, IAS 38 Intangible Assets, IAS 39 Financial Instruments: Recognition and Measurement, IFRIC 9 Reassessment of Embedded Derivatives, IFRIC 16 Hedges of Net Investment in a Foreign Operation. The effective dates vary standard by standard but most are effective 1 January 2010. Amendments to IFRS 1 which are effective for annual periods on or after 1 July 2010 provide limited exemption for first time adopters to present comparative IFRS 7 fair value disclosures.

d) Amendments and interpretations that not yet effective, and the standards which are not adopted early implementation by the Group and existing standards:

IFRS 1 (amendments) *First-time Adoption of IFRS –Other exceptional situation*

Amendments to IFRS 1 which are effective for annual periods on or after 1 July 2010 provide limited exemption for first time adopters to present comparative IFRS 7 fair value disclosures.

On 20 December, IFRS 1 is amended to; provide relief for first-time adopters of IFRSs from having to reconstruct transactions that occurred before their date of transition to IFRSs, provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time. The amendment above will be effective for annual periods beginning on or after 1 July 2011.

These amendments are not relevant to the Group, as it is an existing IFRS preparer.

IFRS 7 "Financial Instruments: Disclosures"

In October 2010, IFRS 7 Financial Instruments: Disclosures is amended by IASB as part of its comprehensive review of off balance sheet activities. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendment will be effective for annual periods beginning on or after 1 July 2011. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

IFRS 9 Financial Instruments: Classification and Measurement

In November 2009, the first part of IFRS 9 relating to the classification and measurement of financial assets was issued. IFRS 9 will ultimately replace IAS 39 Financial Instruments: Recognition and Measurement. The standard requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measure the financial assets as either at amortized cost or at fair value. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group has not had an opportunity to consider the potential impact of the adoption of this standard.

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IAS 12 "Income Taxes"

In December 2010, IAS 12 the standard of "Income Taxes" is amended. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be , be through sale. The amendment will be effective for annual periods beginning on or after 1 January 2012. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

IAS 24(Revised 2009)" Related Party Disclosures "

In November 2009, IAS 24 Related Party Disclosures was revised. The revision to the standard provides government-related entities with a partial exemption from the disclosure requirements of IAS 24. The revised standard is mandatory for annual periods beginning on or after 1 January 2011. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

IAS 32 (Amendments) "Financial Instruments": Presentation and IAS 1 Presentation of Financial Statements

The amendments to IAS 32 and IAS 1 are effective for annual periods beginning on or after 1 February 2010. The amendments address the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously, such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. The Group has not yet had an opportunity to consider the potential impact of the adoption of this amendment to the standard.

IFRIC 14 (Amendments) "Pre-payment of a Minimum Funding Requirement "

Amendments to IFRIC 14 are effective for annual periods beginning on or after 1 January 2011. The amendments affect entities that are required to make minimum funding contributions to a defined benefit pension plan and choose to pre-pay those contributions. The amendment requires an asset to be recognized for any surplus arising from voluntary pre-payments made. The Group does not expect any impact of the adoption of this amendment on the financial statements.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. IFRIC 19 addresses only the accounting by the entity that issues equity instruments in order to settle, in full or part, a financial liability. The Group has not yet had an opportunity to consider the potential impact of the adoption of this amendment to the standard.

Annual Improvements May 2010

Further to the above amendments and revised standards, the IASB has issued Annual Improvements to IFRSs in May 2010 that cover 7 main standards/interpretations as follow: IFRS 1 First-time Adoption of International Financial Reporting Standards; IFRS 3 Business Combinations; IFRS 7 Financial Instruments: Disclosures; IAS 1 Presentation of Financial Statements, IAS 27 Consolidated and Separate Financial Statements; IAS 34 Interim Financial Reporting and IFRIC 13 Customer Loyalty Programmes. With the exception of amendments to IFRS 3 and IAS 27 which are effective on or after 1 July 2010, all other amendments are effective on or after 1 January 2011. Early adoption of these amendments is allowed. The Group has not yet had an opportunity to consider the potential impact of the adoption of these amendments to the standards.

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2.5 Summary of Significant Accounting Policies

Significant accounting policies applied in the preparation of accompanying financial statements are as follows:

2.5.1 Revenue

Rendering of services:

Revenue is measured at the fair value of the consideration received or to be received. Passenger fares and cargo revenues are recorded as operating revenue when the transportation service is provided. Tickets sold but not yet used (unflown) are recorded as passenger flight liabilities.

The Group develops estimations using historical statistics and data for unredeemed tickets. Total estimated unredeemed tickets are recognized as operating revenue. Agency commissions to relating to the passenger revenue are recognized as expense when the transportation service is provided.

Aircraft maintenance and infrastructure support services are accrued with regard to invoices prepared subsequent to the services.

Dividend and interest income:

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income generated from equity investments is registered as shareholders gain the dividend rights.

2.5.2 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories is the sum of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Average cost method is applied in the calculation of cost of inventories. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale.

2.5.3 Tangible Assets

Tangible assets are carried at cost less accumulated depreciation and any accumulated impairment losses.

Tangible assets are measured at net book value calculated by deduction of accumulated depreciation from cost values. Assets under construction that are held for rental or any other administrative or undefined purposes are carried at cost less any impairment loss, if any. Legal fees are also included in cost. Borrowing costs are capitalized for assets that need substantial time to prepare the asset for its intended use or sale. As the similar depreciation method used for other fixed assets, depreciation of such assets begins when they are available for use.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method. Expected useful life, residual value and depreciation method are reviewed each year for the possible effects of changes in estimates, and they are recognized prospectively if there are any changes in estimates.

Assets acquired under finance lease are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The Group has classified the cost of assets that are acquired directly or through finance leases into the following three parts, by considering the renewal of significant parts of the aircrafts identified during the overhaul maintenance and repair of aircraft body and engine; body, overhaul maintenance for the body, engine and overhaul maintenance for the engines. Overhaul maintenance for the body and overhaul engine repair parts are depreciated over the shorter of the remaining period to the next maintenance or the remaining period of the aircraft's useful life. They are capitalized subsequent to overhaul maintenance for the body and engines and are depreciated over the shorter of the next maintenance period or the remaining period of the aircraft's useful life.

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Gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The useful lives and residual values used for tangible assets are as follows:

	Useful Life (Years)	Residual Value
- Buildings	25-50	-
- Aircrafts and Engines	15-20	10-30%
- Cargo Aircraft and Engines	30	10%
- Overhaul maintenance for aircrafts' body	6	-
- Overhaul maintenance for engines	3-5	-
- Components	7	-
- Repairable Spare Parts	3-7	-
- Simulators	10-20	0-10%
- Machinery and Equipments	3-15	-
- Furniture and Fixtures	3-15	-
- Motor Vehicles	4-7	-
- Other Equipments	4-15	-
- Leasehold improvements	Lease period	-

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.5.4 Leasing Transactions

Leasing - the Group as the lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

2.5.5 Intangible Assets

Intangible assets include rights, information systems and software. Intangible assets are carried at the beginning cost including the restatement to the equivalent purchasing power for those accounted on or before 31 December 2004 less accumulated depreciation. Other intangible assets are depreciated over their useful life of 5 years, on a straight-line basis. Slot rights are assessed as intangible assets with infinite useful life, once there are no time restrictions on them time.

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2.5.6 Impairment on Assets

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the assets' recoverable amounts are estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is the present value of estimated future cash flows resulting from continuing use of an asset and from disposal at the end of its useful life. Impairment losses are accounted at the consolidated income statement.

An impairment loss recognized in prior periods for an asset is reversed if the subsequent increase in the asset's recoverable amount is caused by a specific event since the last impairment loss was recognized. Such a reversal amount is recognized as income in the consolidated financial statements and cannot exceed the previously recognized impairment loss and shall not exceed the carrying amount that would have been determined, net of amortization or depreciation, had no impairment loss been recognized for the asset in prior years.

Group determined aircrafts, spare engines and simulators together ("Aircrafts") as lower-line cash generating unit subject to impairment and impairment calculation was performed for Aircrafts collectively. In the examination of whether net book values of aircrafts, spare engines and simulators exceed their recoverable amounts, the higher value between value in use and sale expenses deducted net selling prices in US Dollars is used for determination of recoverable amounts. Net selling price for the aircrafts is determined according to second hand prices in international price guides.

Net selling price for spare engines and simulators is net book values based on US Dollar acquisition costs. In the accompanying consolidated financial statements, the change in the differences between net book values of these assets and recoverable amounts are recognized as provision income/losses under income/losses from other operations account. Changes in value due to exchange rate changes are shown under group of financial income/expenses.

2.5.7 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are directly recognized in the statement of income.

2.5.8 Financial Instruments

Financial assets and liabilities are recorded in the balance sheet when the Group is a legal party to these financial instruments.

a) Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where the Group acquires the financial asset principally for the purpose of selling in the near term, the financial asset is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short term profit taking as well as derivatives that are not designated and effective hedging instruments.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset.

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Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriates a shorter period.

Income is recognized on an effective interest basis for the financial assets except for the financial assets fair value through profit or loss.

Loans and receivables

Trade receivables, loans and after receivables recorded at fair value. At subsequent periods, loans and receivables are measured at amortized cost using the effective interest method.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss are assessed for indicator of impairment at each balance sheet date.

Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

For financial assets shown at amortized cost the amount of the impairment is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously recognize written of fare credited against the allowance account are recognized in profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available for sale equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The carrying amount of these assets approximates their fair value.

b) Financial liabilities

The Group's financial liabilities and equity instruments are classified in accordance with the contractual arrangements and recognition principles of a financial liability and equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The significant accounting policies for financial liabilities and equity instruments are described below. Financial liabilities are classified as either financial liabilities at fair value through profit and loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are initially measured at fair value, and at each reporting period revalued at fair value as of balance sheet date. Changes in fair value are recognized in profit and loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

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Other financial liabilities

Other financial liabilities, including bank borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derivative financial instruments and hedge accounting

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates.

The major source of interest rate risk is finance lease liabilities. The Group's policy is to convert some financial liabilities with fixed interest rates into financial liabilities with variable interest rates, and some financial liabilities denominated in EUR into financial liabilities denominated in US Dollar. The derivative financial instruments obtained for this purpose are not subject to hedge accounting and profit/ loss arising from the changes in the fair values of those instruments are directly accounted in the income statement. In 2009, Group converted some of the floating-rate loans into fixed-rate loans through derivative financial instruments. Also, Group began to obtain derivative financial instruments to hedge against jet fuel price risks beginning from 2009. Group accounts for those transactions as hedging against cash flow risks arising from jet fuel prices. Use of derivative financial instruments is managed according to Group policy which is written principles approved by Board of Directors and compliant with risk management strategy.

The Group does not use derivative financial instruments for speculative purposes.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognized in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to profit or loss for the period.

Derivative financial instruments are calculated according to the fair value and again calculated for the next reporting period at fair value base. If the changes in the fair value of derivatives which are determined as the hedge of future cash flows are the inactive parts of shareholders' equity, then they're recorded directly under income statement.

2.5.9 Foreign Currency Transactions

Transactions in foreign currencies are translated into Turkish Lira at the rates of exchange ruling at the transaction dates. Monetary 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 closing and average TL - US Dollar exchange rates for the periods are as follows:

	Closing Rate	**Average Rate**
Year ended 31 December 2010	1,5460	1,4990
Year ended 31 December 2009	1,5057	1,5457
Year ended 31 December 2008	1,5123	1,2976

The closing and average TL - Euro exchange rates for the periods are as follows:

	Closing Rate	**Average Rate**
Year ended 31 December 2010	2,0491	1,9886
Year ended 31 December 2009	2,1603	2,1508
Year ended 31 December 2008	2,1408	1,8969

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2.5.10 Earnings per Share

Earnings per share is calculated by dividing net profit by weighted average number of shares outstanding in the relevant period. In Turkey, companies are allowed to increase their capital by distributing free shares to share holders from accumulated profits. In calculation of earnings per share, such free shares are considered as issued shares. Therefore, weighted average number of shares in the calculation of earnings per share is found by applying distribution of free shares retrospectively.

2.5.11 Events Subsequent to the Balance Sheet Date

An explanation for any event between the balance sheet date and the publication date of the balance sheet, which has positive or negative effects on the Group (should any evidence come about events that were prior to the balance sheet date or should new events come about) they will be explained in the relevant footnote.

If such an event were to arise, the Group restates its financial statements accordingly.

2.5.12 Provisions, Contingent Assets and Liabilities

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous Contracts

Present liabilities arising from onerous contracts are calculated and accounted for as provision.

It is assumed that an onerous contract exists if Group has a contract which unavoidable costs to be incurred to settle obligations of the contract exceed the expected economic benefits of the contract.

2.5.13 Segmental Information

There are two operating segments of the Group, air transportation and aircraft technical maintenance operations; these include information for determination of performance evaluation and allocation of resources by the management. The Company management uses the operating profit calculated according to financial reporting standards issued by the Capital Markets Board while evaluating the performances of the segments.

2.5.14 Investment Property

Investment properties, which are properties, held to earn rentals and/or for capital appreciation are measured initially at cost, including transaction costs.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

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2.5.15 Taxation and Deferred Tax

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred Tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and affiliates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and Deferred Tax for the Period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over cost.

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2.5.16 Employee Benefits /Retirement Pay Provision

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard 19 (revised) “Employee Benefits” (“IAS 19”). The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses.

2.5.17 Statement of Cash Flow

In statement of cash flow, cash flows are classified according to operating, investment and finance activities.

Cash flows from operating activities reflect cash flows generated from sales of the Group.

Cash flows from investment activities express cash used in investment activities (direct investments and financial investments) and cash flows generated from investment activities of the Group.

Cash flows relating to finance activities express sources of financial activities and payment schedules of the Group.

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2.5.18 Share Capital and Dividends

Common shares are classified as equity. Dividends on common shares are recognized in equity in the period in which they are approved and declared.

2.5.19 Manufacturers’ Credits

Manufacturers’ credits are received against acquisition or lease of aircraft and engines. The Group records these credits as a reduction to the cost of the owned and amortizes them over the related asset’s remaining economic life. Manufacturers’ credits related to operating leases are recorded as deferred revenue and amortized over the lease term.

2.5.20 Maintenance and Repair Costs

Regular maintenance and repair costs for owned and leased assets are charged to operating expense as incurred. Aircraft and engine overhaul maintenance checks for owned and finance leased aircrafts are capitalized and depreciated over the shorter of the remaining period to the following overhaul maintenance checks or the remaining useful life of the aircraft and delivery maintenance checks of operating leased aircraft are accrued on a periodical basis. The maintenance expenses for the operational leased aircrafts are accrued on a periodical basis.

2.5.21 Frequent Flyer Program

The Group provides a frequent flyer program named “Miles and Smiles” in the form of free travel award to its members on accumulated mileage. Miles earned by flights are recognized as a separately identifiable component of the sales transaction(s). A portion of the fair value of the consideration received in respect of the initial sale shall be allocated to the award credits and the consideration allocated to award credits should be recognized as revenue when awards credits are redeemed.

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

2.6 Changes and Errors in Accounting Estimates

If estimated changes in accounting policies are for only one period, changes are applied on the current year but if the estimated changes effect the following periods, changes are applied both on the current and following years prospectively.

Changes in accounting policies or accounting errors applied retroactively and the financial statements of the previous periods were adjusted.

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2.7 Important Accounting Estimates and Assumptions

Preparation of the financial statements requires the amounts of assets and liabilities being reported, explanations of contingent liabilities and assets and the uses of accounting estimates and assumptions which would affect revenue and expense accounts reported during the accounting period. Group makes estimates and assumptions about the future periods. Actual results could differ from those estimations.

Accounting estimates and assumptions which might cause material adjustments on the book values of assets and liabilities in future financial reporting period were given below:

The Determination of Impairment on Long Term Assets:

Basic assumptions and calculation methods of the Group relating to impairment on assets are explained in Disclosure 2.5.6.

Calculation of the Liability for Frequent Flyer Program:

As explained in Note 2.5.21, Group has programs called "Miles and Smiles" and "Shop & Miles" which are applied for its members. In the calculations of the liability related with concerned programs, the rate of use and mile values which are determined by using statistical methods over the historical data were used.

Useful Lives and Salvage Values of Tangible Assets:

Group has allocated depreciation over tangible assets by taking into consideration the useful lives and salvage values which were explained in Note 2.5.3.

Deferred Tax:

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. There are deferred tax assets resulting from tax loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future in the Group. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. As a result of the assessment made, the Group has recognized deferred tax assets because it is probable that taxable profit will be available sufficient to recognize deferred tax assets.

3. BUSINESS COMBINATIONS

None.

4. JOINT VENTURES

See note 16.

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5. SEGMENTAL REPORTING

The management of the Group investigates the results and operations based on air transportation and aircraft technical maintenance services in order to determine in which resources to be allocated to segments and to evaluate the performances of segments. The detailed information on the sales data of the Group is given in Note 28.

5.1 Total Assets and Liabilities

Income statement items related to impairment of tangible fixed assets:

Total Assets	31 December 2010	31 December 2009
Aviation	10.539.002.128	8.541.116.335
Technic	775.767.109	534.901.509
Total	11.314.769.237	9.076.017.844
Less: Eliminations due to consolidation	(665.883.252)	(505.620.073)
Total assets in consolidated financial statements	10.648.885.985	8.570.397.771

Total Liabilities	31 December 2010	31 December 2009
Aviation	6.791.595.144	5.095.933.402
Technic	192.513.058	100.305.913
Total	6.984.108.202	5.196.239.315
Less: Eliminations due to consolidation	(82.629.201)	(70.721.770)
Total liabilities in consolidated financial statements	6.901.479.001	5.125.517.545

5.2 Operating Profit /(Loss)

Segment Results:

1 January - 31 December 2010	Aviation	Technic	Inter-segment elimination	Total
Sales to external customers	8.223.653.220	199.117.920	-	8.422.771.140
Inter-segment sales	50.470.804	521.588.023	(572.058.827)	-
Segment revenue	8.274.124.024	720.705.943	(572.058.827)	8.422.771.140
Cost of sales (-)	(6.597.577.591)	(584.975.934)	573.288.996	(6.609.264.529)
Gross profit	1.676.546.433	135.730.009	1.230.169	1.813.506.611
Marketing, sales and expenses (-)	(993.491.805)	(6.677.116)	398.058	(999.770.863)
Administrative expenses (-)	(302.964.757)	(54.533.025)	4.625.375	(352.872.407)
Other operating income	128.435.697	25.608.193	(4.374.633)	149.669.257
Other operating expense (-)	(102.163.087)	(28.963.851)	2.782.946	(128.343.992)
Operating profit	406.362.481	71.164.210	4.661.915	482.188.606
Share of investments' profit/(loss) accounted for using the equity method	(12.034.246)	(24.766.724)	-	(36.800.970)
Financial income	20.168.084	57.422.792	(4.739.613)	72.851.263
Financial expenses (-)	(100.988.494)	(51.638.750)	77.698	(152.549.546)
Profit before tax	313.507.825	52.181.528	-	365.689.353

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1 January - 31 December 2009	Aviation	Technic	Inter-segment elimination	Total
Sales to external customers	6.845.308.852	190.574.051	-	7.035.882.903
Inter-segment sales	17.973.830	526.831.414	(544.805.244)	-
Segment revenue	6.863.282.682	717.405.465	(544.805.244)	7.035.882.903
Cost of sales (-)	(5.151.969.975)	(579.093.922)	530.692.425	(5.200.371.472)
Gross profit	1.711.312.707	138.311.543	(14.112.819)	1.835.511.431
Marketing, sales and distribution expenses (-)	(801.665.991)	(5.171.892)	334.470	(806.503.413)
Administrative expenses (-)	(226.219.697)	(44.046.329)	4.092.241	(266.173.785)
Other operating income	82.872.341	17.160.521	(8.896.758)	91.136.104
Other operating expense (-)	(132.983.065)	(15.679.696)	(18.582.866)	(130.079.895)
Operating profit	633.316.295	90.574.147	-	723.890.442
Share of investments' profit/(loss) accounted for using the equity method	15.512.901	(2.699.198)	-	12.813.703
Financial income	168.769.873	4.212.271	-	172.982.144
Financial expenses (-)	(173.547.353)	838.681	-	(172.708.672)
Profit before tax	644.051.716	92.925.901	-	736.977.617

1 January -31 December 2010	Aviation	Technic	Inter-segment elimination	Total
Real decrease on tangible fixed asset impairment provision (Loss from other operations)	(5.356.560)	-	-	(5.356.560)
Decrease on tangible fixed asset impairment provision due to exchange rate changes (Financial expense)	-	-	-	-

1 January-31 December 2009	Aviation	Technic	Inter-segment elimination	Total
Real decrease on tangible fixed asset impairment provision (Loss from other operations)	(85.203.475)	-	-	(85.203.475)
Decrease on tangible fixed asset impairment provision due to exchange rate changes (Financial expense)	(24.520.934)	-	-	(24.520.934)

Income statement items related to investments accounted for equity method

1 January-31 December 2010	Aviation	Technic	Inter-segment elimination	Total
Share of investment profit/(loss) accounted for using the equity method	(12.034.246)	(24.766.724)		(36.800.970)

1 January-31 December 2009	Aviation	Technic	Inter-segment elimination	Total
Share of investment profit/(loss) accounted for using the equity method	15.512.901	(2.699.198)	-	12.813.703

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5.3 Investment Operations

1 January-31 December 2010	Aviation	Technic	Inter-segment elimination	Total
Purchase of tangible and intangible fixed assets	2.040.545.240	148.994.905	-	2.189.540.145
Current period amortization and depreciation	405.284.021	53.255.280	-	458.539.301
Investments accounted for using the equity method	139.869.760	53.692.268	-	193.562.028

1 January-31 December 2009	Aviation	Technic	Inter-segment elimination	Total
Purchase of tangible and intangible fixed assets	336.729.429	120.342.608	-	457.072.037
Current period amortization and depreciation	412.438.206	53.594.667	-	466.032.873
Investments accounted for using the equity method	129.630.762	22.421.794	-	152.052.556

6. CASH AND CASH EQUIVALENTS

	31 December 2010	31 December 2009
Cash	728.092	540.180
Cheques Receivable	32.002	769
Banks – Time deposits	686.094.724	974.329.053
Banks – Demand deposits	92.757.084	96.796.068
Other liquid assets	34.324.650	18.797.805
	813.936.552	1.090.463.875

Time Deposits:

Principal	Currency	Interest Rate	Maturity	31 December 2010
194.300.000	TL	8,03%-9,45%	21.02.2011	195.646.658
41.490.000	EUR	3,25%-3,60%	17.01.2011 - 07.03.2011	85.094.255
261.895.582	USD	3,06%-3,60%	23.03.2011	405.353.811
				686.094.724

Principal	Currency	Interest Rate	Maturity	31 December 2009
238.174.400	TL	5,85%-13,70%	04.01.2010 - 22.02.2010	238.174.400
87.427.313	EUR	1,75%-4,50%	18.01.2010 - 20.01.2010	188.869.224
363.475.745	USD	2,00%-6,00%	04.01.2010 - 25.02.2010	547.285.429
				974.329.053

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7. FINANCIAL ASSETS

Short-term financial assets are as follows:

	31 December 2010	31 December 2009
Time deposits with maturity of more than 3 months	-	175.000.000
Fair value of derivative instruments (Note 39)	84.070.372	47.298.370
	84.070.372	222.298.370

Time deposits with maturity of more than 3 months:

Principal	Currency	Interest Rate	Maturity	31 December 2009
175.000.000	TL	11.55%	20.07.2010	175.000.000
				175.000.000

Long-term financial assets are as follows:

	31 December 2010	31 December 2009
Sita Inc.	1.679.619	1.679.619
Star Alliance GMBH	44.465	44.465
Emek İnşaat ve İşletme A.Ş.	26.859	26.859
	1.750.943	1.750.943

Sita Inc., Star Alliance GMBH and Emek İnşaat ve İşletme A.Ş. are disclosed at cost since they are not traded in an active market.

Details of the long-term financial assets of the Group at 31 December 2010 are as follows:

Company name	Country of registration and operation	Ownership Share	Voting Right	Principle Activity
Sita Inc.	Netherlands	Less than 0,1%	Less than 0,1%	Information& Telecommunication Services
Star Alliance GMBH	Germany	5,55%	5,55%	Coordination Between Star Alliance Member Airlines
Emek İnşaat ve İşletme A.Ş.	Turkey	0,3%	0,3%	Construction

8. FINANCIAL BORROWINGS

Short-term financial borrowings are as follows:

	31 December 2010	31 December 2009
Bank loans	14.696.729	14.439.256
Finance lease obligations	478.423.865	397.827.585
	493.120.594	412.266.841

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The details of short-term part of long-term bank loans as of 31 December 2010 and 31 December 2009 are as follows:

Maturity	Interest Rate	Currency	Original Amount	Interest Accrual	TL
17.10.2011	Libor+3,50%	USD	9.422.728	83.565	14.696.729

Maturity	Interest Rate	Currency	Original Amount	Interest Accrual	TL
17.10.2011	Libor+3,50%	USD	9.422.728	167.002	14.439.256

Long-term financial borrowings are as follows:

	31 December 2010	31 December 2009
Bank loans	-	14.187.801
Finance lease obligations	3.684.958.785	2.561.711.482
	3.684.958.785	2.575.899.283

The details of long-term bank loans as of 31 December 2009 is as follows:

Maturity	Interest Rate	Currency	Original Amount	TL
17.10.2011	Libor + 3,50%	USD	9.422.728	14.187.801

Financial lease obligations are as follows:

	31 December 2010	31 December 2009
Less than 1 year	574.170.632	469.617.973
Between 1 – 5 years	1.904.550.140	1.438.363.567
Over 5 years	2.205.369.454	1.548.610.096
	4.684.090.226	3.456.591.636
Less: Future interest expenses	(520.707.576)	(497.052.569)
Principal value of future rentals stated in financial statements	4.163.382.650	2.959.539.067
Interest Range:		
Floating rate obligations	1.956.645.410	1.133.986.718
Fixed rate obligations	2.206.737.240	1.825.552.349
	4.163.382.650	2.959.539.067

As of 31 December 2010, the US Dollars and Euro denominated lease obligations' weighted average interest rates for the fixed rate obligations are 4,52% (31 December 2009: 4,91%) and for the floating rate obligations are 0,66% (31 December 2009: 0,78%).

9. OTHER FINANCIAL LIABILITIES

Short-term other financial liabilities of the Group are as follows:

	31 December 2010	31 December 2009
Fair value of derivative instruments (Note 39)	62.632.636	45.232.172
Borrowings to banks	1.117.687	846.771
	63.750.323	46.078.943

Borrowings to banks account consists of overnight interest-free borrowings obtained for settlement of monthly tax and social security premium payments.

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10. ACCOUNTS RECEIVABLE AND PAYABLE

Short-term trade receivables are as follows:

	31 December 2010	31 December 2009
Trade receivables	613.963.860	455.045.487
Due from related parties (Note 37)	31.289.397	30.436.630
Allowance for doubtful receivables	(67.630.443)	(41.791.892)
	577.622.814	443.690.225

The Group provided provision for the receivables carried to legal proceedings and for the others by making historical statistical calculations. Movement of the doubtful receivables for the period ended 31 December 2010 and 2009 are as follows:

	1 January - 31 December 2010	1 January - 31 December 2009
Opening balance	41.791.892	37.042.788
Charge for the period	37.489.876	22.513.003
Collections during the period	(11.136.802)	(15.357.120)
Foreign exchange loss	(74.649)	-
Receivables written-off	(439.874)	(2.406.779)
Closing balance	67.630.443	41.791.892

Explanations about the credit risk of Group's receivables are provided in Note 38 Credit Risk.

Short-term trade payables are as follows:

	31 December 2010	31 December 2009
Trade receivables	672.370.479	536.177.325
Due from related parties (Note 37)	61.509.126	20.971.493
Other	1.994.421	1.961.004
	735.874.026	559.109.822

11. OTHER RECEIVABLES AND PAYABLES

Other short-term receivables are as follows:

	31 December 2010	31 December 2009
Prepayments made for aircrafts, to be received back in cash (net)	1.610.230.030	724.055.005
Restriction on transfer of funds from banks (*)	15.851.565	5.647.994
Receivables from training of captain candidates	9.382.173	-
Receivables from purchasing transactions abroad	7.813.311	938.235
Receivables from foreign technical suppliers	1.656.654	265.974
Receivables from employees	1.321.982	1.165.585
Deposits and guarantees given	906.115	1.153.878
Receivables from tax office	52.323	1.933.804
Non-trade receivables from related parties (Note37)	-	12.581.316
Other receivables	2.311.624	1.299.578
	1.649.525.777	749.041.369

(*) These amounts are related with the accounts held in the banks in Tashkent, Benghazi and Adissababa as of December 31, 2010.

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Long-term other receivables are as follows:

	31 December 2010	31 December 2009
Prepayments made for aircrafts, to be received back in cash (net)	166.510.045	637.383.512
Deposits for interest swap agreement	14.656.095	7.663.566
Receivables from employees	11.207.991	6.045.185
Advance payments for operating leases	7.498.785	7.211.446
Receivables from purchasing transactions abroad	7.306.887	-
Deposits and guarantees given	6.234.707	4.863.237
Receivables from Sita deposit certificates	1.222.478	1.193.182
	214.636.988	664.360.128

Short-term other payables are as follows:

	31 December 2010	31 December 2009
Miscellaneous charge order advances	63.227.440	69.550.656
Social security premiums payable	32.540.402	25.835.403
Taxes and funds payable	32.434.572	31.244.933
Payables to insurance companies	16.448.096	14.832.195
Deposits and guarantees received	13.314.559	9.665.768
Charter advances	1.124.749	895.143
Other advances received	1.001.100	1.150.351
Other liabilities	2.707.645	3.458.932
	162.798.563	156.633.381

Long-term other payables are as follows:

	31 December 2010	31 December 2009
Deposits and guarantees received	9.831.914	8.941.613

12. RECEIVABLES AND PAYABLES FROM FINANCIAL SECTOR OPERATIONS

None (31 December 2009: None).

13. INVENTORIES

	31 December 2010	31 December 2009
Spare parts	150.027.358	133.739.727
Other inventories	36.417.572	29.624.852
	186.444.930	163.364.579
Provision for impairment (-)	(14.368.647)	(14.368.647)
	172.076.283	148.995.932

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Movement in change of diminution in value of inventories as of 31 December 2010 and 2009 are as follows:

	1 January - 31 December 2010	1 January - 31 December 2009
Provision at the beginning of the period	14.368.647	14.724.718
Provision recognized for the period	-	1.290.280
Cancellation of provisions recognized	-	(1.646.351)
Provision at the end of the period	14.368.647	14.368.647

14. BIOLOGICAL ASSETS

None (31 December 2009: None).

15. ASSETS FROM CONSTRUCTION CONTRACTS IN PROGRESS

None (31 December 2009: None).

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The joint ventures accounted for using the equity method are as follows:

	31 December 2010	31 December 2009
Güneş Ekspres Havacılık A.Ş. (Sun Express)	23.360.765	26.698.068
THY DO&CO İkram Hizmetleri A.Ş. (Turkish DO&CO)	46.516.347	34.054.590
P&W T.T. Uçak Bakım Merkezi Ltd. Şti. (TEC)	53.692.268	22.421.794
TGS Yer Hizmetleri A.Ş. (TGS)	56.501.684	63.482.168
THY OPET Havacılık Yakıtları A.Ş. (THY Opet)	13.490.964	2.459.495
Bosnia-Herzegovina Airlines (Air Bosna)	-	2.936.441
	193.562.028	152.052.556

Financial information for Sun Express as of 31 December 2010 and 31 December 2009 are as follows:

	31 December 2010	31 December 2009
Total assets	574.856.563	232.316.502
Total liabilities	528.135.034	178.920.367
Shareholders' equity	46.721.529	53.396.135
Group's share in associate's shareholders' equity	23.360.765	26.698.068

	1 January - 31 December 2010	1 January - 31 December 2009
Revenue	994.879.582	899.836.648
Profit/(loss) for the period	(3.810.100)	25.409.528
Group's share in profit/(loss) for the period	(1.905.050)	12.704.764

Financial information for THY DO&CO Catering Services as of 31 December 2010 and 31 December 2009 are as follows:

	31 December 2010	31 December 2009
Total assets	154.372.009	122.594.934
Total liabilities	61.339.316	52.485.754
Shareholders' equity	93.032.693	68.109.180
Group's share in associate's shareholders' equity	46.516.347	34.054.590

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	1 January - 31 December 2010	1 January - 31 December 2009
Revenue	332.540.555	267.960.365
Profit/(loss) for the period	29.923.513	16.987.205
Group's share in profit/(loss) for the period	14.961.757	8.493.603

Financial information for P&W T.T Uçak Bakım Merkezi Ltd. Şti as of 31 December 2010 and 31 December 2009 are as follows:

	31 December 2010	31 December 2009
Total assets	221.389.592	104.846.886
Total liabilities	111.813.535	59.088.122
Shareholders' equity	109.576.057	45.758.764
Group's share in associate's shareholders' equity	53.692.268	22.421.794

	1 January - 31 December 2010	1 January - 31 December 2009
Revenue	115.968.274	119.754
Profit/(loss) for the period	(50.544.335)	(5.508.567)
Group's share in profit/(loss) for the period	(24.766.724)	(2.699.198)

Financial information for Bosnia and Herzegovina Airlines as of 31 December 2010 and 31 December 2009 are as follows:

	31 December 2010	31 December 2009
Total assets	50.735.303	49.653.830
Total liabilities	58.714.113	43.661.093
Shareholders' equity	(7.978.810)	5.992.737
Group's share in associate's shareholders' equity	-	2.936.441

	1 January - 31 December 2010	1 January - 31 December 2009
Revenue	33.146.759	20.721.502
Profit/(loss) for the period	(33.963.163)	(13.524.756)
Group's share in profit/(loss) for the period	(16.641.951)	(6.627.130)

Financial information for TGS as of 31 December 2010 and 31 December 2009 are as follows:

	31 December 2010	31 December 2009
Total assets	199.967.385	142.871.824
Total liabilities	86.964.018	15.904.488
Shareholders 'equity	113.003.367	126.964.336
Group's share in associate's shareholders' equity	56.501.684	63.482.168

	1 January - 31 December 2010	1 January - 31 December 2009
Revenue	159.317.791	-
Profit/(loss) for the period	(13.960.968)	1.964.336
Group's share in profit/(loss) for the period	(6.980.484)	982.168

By the protocol and capital increase dated on 17 September 2009, 50% of TGS' capital, which has a nominal value of 6.000.000 TL, was acquired by HAVAŞ for 119.000.000 TL and a share premium at an amount of 113.000.000 TL has arised in the TGS's capital. Because the share premium is related to the 5-year service contract between the Company and TGS, the Company's portion (50%) of the share premium under the shareholders' equity of TGS was recognized as 'Deferred Income' (Note 26) to be amortized during the contract period.

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Financial information for THY Opet Havacılık Yakıtları A.Ş. as of 31 December 2010 and 31 December 2009 are as follows:

	31 December 2010	31 December 2009
Total assets	190.798.801	5.745.326
Total liabilities	163.816.873	826.333
Shareholders' equity	26.981.928	4.918.993
Group's share in associate's shareholders' equity	13.490.964	2.459.495

	1 January - 31 December 2010	1 January - 31 December 2009
Revenue	431.015.063	-
Profit/(loss) for the period	(2.937.036)	(81.009)
Group's share in profit/(loss) for the period	(1.468.518)	(40.504)

Details of investments accounted for using the equity method as of 31 December 2010 are as follows:

	1 January - 31 December 2010	1 July - 31 December 2009
Sun Express	(1.905.050)	12.704.764
Turkish DO&CO	14.961.757	8.493.603
P&W T.T. Uçak Bakım Merkezi Ltd. Şti.	(24.766.724)	(2.699.198)
Bosnia and Herzegovina Airlines	(16.641.951)	(6.627.130)
TGS	(6.980.484)	982.168
THY Opet	(1.468.518)	(40.504)
Total	(36.800.970)	12.813.703

17. INVESTMENT PROPERTY

	1 January - 31 December 2010	1 January - 31 December 2009
Opening balance	48.810.000	48.130.000
Purchases	-	758.086
Gain from the change in fair value/(loss)	760.000	(78.086)
Closing balance	49.570.000	48.810.000

Fair values of Group's investment property were obtained from the valuation performed by an independent valuation firm, which is not a related party to Group. Valuation was performed by the independent valuation firm, which is authorized by Capital Markets Board with reference to market prices.

The Group does not have any rent income from investment property.

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18. TANGIBLE ASSETS

	Land improvements and buildings	Technical equipments, simulators and vehicles	Other equipments, fixtures	Aircraft and spare engines	Components and repairable spare parts	Leasehold improvements	Construction in Progress	Aircrafts acquired by leasing	Total
Cost									
Opening balance at 1 January 2010	164.645.538	320.921.611	172.635.436	2.563.804.909	319.829.494	47.421.962	17.713.152	5.026.527.470	8.633.499.572
Additions	7.315.558	57.101.651	26.337.828	98.420.857	76.359.882	9.925.932	65.082.621	1.821.775.555	2.162.319.884
Disposals	(23.718.680)	(100.881.839)	(15.755.594)	(15.779.348)	(68.643.740)	(146.117)	-	(29.519.883)	(254.445.201)
Transfers	7.547.231	-	-	448.477.342	-	891.707	(9.079.123)	(447.837.157)	-
Closing balance at 31 December 2010	155.789.647	277.141.423	183.217.670	3.094.923.760	327.545.636	58.093.484	73.716.650	6.370.945.985	10.541.374.255
Accumulated depreciation									
Opening balance at 1 January 2010	58.398.566	253.105.940	135.673.684	1.852.152.821	147.045.447	26.183.316	-	1.349.920.748	3.822.480.522
Depreciation charge for the period	5.287.256	14.393.456	14.194.072	103.678.746	42.340.502	8.933.265	-	264.921.232	453.748.529
Disposals	(12.853.638)	(79.164.050)	(15.476.632)	(14.103.848)	(36.834.569)	(41.153)	-	(25.174.701)	(183.648.591)
Real increase/(decrease) at impairment	-	-	-	248.101.229	-	-	-	(248.101.229)	-
Impairment, increase/(decrease) due to exchange rate changes	-	-	672.729	(273.944.823)	-	-	-	278.628.654	5.356.560
Closing balance 31 December 2010	50.832.184	188.335.346	135.063.853	1.915.884.125	152.551.380	35.075.428	-	1.620.194.704	4.097.937.020
Net book value 31 December 2010	104.957.463	88.806.077	48.153.817	1.179.039.635	174.994.256	23.018.056	73.716.650	4.750.751.281	6.443.437.235

	Land improvements and buildings	Technical equipments, simulators and vehicles	Other equipments, fixtures	Aircraft and spare engines	Components and repairable spare parts	Leasehold improvements	Construction in Progress	Aircrafts acquired by leasing	Total
Cost									
Opening balance at 1 January 2009	164.645.538	311.294.139	166.561.736	2.755.313.950	366.092.558	29.093.614	62.709.927	4.855.582.307	8.711.293.769
Additions	-	19.336.919	20.689.613	60.122.026	93.157.533	2.311.972	27.889.945	230.255.083	453.763.091
Disposals	-	(9.709.447)	(14.615.913)	(283.401.122)	(139.420.597)	(2.850)	-	(84.407.359)	(531.557.288)
Transfers	-	-	-	31.770.055	-	16.019.226	(72.886.720)	25.097.439	-
Closing balance 31 December 2009	164.645.538	320.921.611	172.635.436	2.563.804.909	319.829.494	47.421.962	17.713.152	5.026.527.470	8.633.499.572
Accumulated depreciation									
Opening balance at 1 January 2009	55.667.061	248.016.427	139.815.066	2.023.627.036	185.009.980	22.559.087	-	980.614.975	3.655.309.632
Depreciation charge for the period	2.731.505	14.943.907	10.371.000	81.359.580	45.729.773	3.624.704	-	303.470.468	462.230.937
Disposals	-	(9.340.289)	(14.512.382)	(256.514.451)	(83.694.306)	(475)	-	(40.722.553)	(404.784.456)
Real increase/(decrease) at impairment	-	(551.167)	-	(14.512.305)	-	-	-	100.266.947	85.203.475
Impairment, increase/(decrease) due to exchange rate changes	-	37.062	-	18.192.961	-	-	-	6.290.911	24.520.934
Closing balance 31 December 2009	58.398.566	253.105.940	135.673.684	1.852.152.821	147.045.447	26.183.316	-	1.349.920.748	3.822.480.522
Net book value 31 December 2009	106.246.972	67.815.671	36.961.752	711.652.088	172.784.047	21.238.646	17.713.152	3.676.606.722	4.811.019.050

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19. INTANGIBLE ASSETS

	Slot Rights	Other Rights	Total
Cost			
Opening balance at 1 January 2010	-	80.264.956	80.264.956
Additions	20.007.450	7.212.811	27.220.261
Disposals	-	(648)	(648)
Closing balance at 31 December 2010	20.007.450	87.477.119	107.484.569
Amortization			
Opening balance at 1 January 2010	-	69.595.344	69.595.344
Amortization charge for the period	-	4.790.772	4.790.772
Disposals	-	(648)	(648)
Closing balance at 31 December 2010	-	74.385.468	74.385.468
Net book value 31 December 2010	20.007.450	13.091.651	33.099.101

	Slot Rights	Other Rights	Total
Cost			
Opening balance at 1 January 2009	-	76.958.343	76.958.343
Additions	-	3.308.946	3.308.946
Disposals	-	(2.333)	(2.333)
Closing balance at 31 December 2009	-	80.264.956	80.264.956
Amortization			
Opening balance at 1 January 2009	-	65.795.741	65.795.741
Amortization charge for the period	-	3.801.936	3.801.936
Disposals	-	(2.333)	(2.333)
Closing balance at 31 December 2009	-	69.595.344	69.595.344
Net book value 31 December 2009	-	10.669.612	10.669.612

The Group considers the slot rights as an intangible asset having infinitive useful life.

20. GOODWILL

None (31 December 2009: None).

21. GOVERNMENT GRANTS AND INCENTIVES

None (31 December 2009: None).

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22. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions for short-term liabilities are as follows:

	31 December 2010	31 December 2009
Provisions for legal claims	20.480.602	7.287.354

Changes in the provisions for legal claims at 31 December 2010 and 2009 periods set out below:

	1 January - 31 December 2010	1 January - 31 December 2009
Provision at the beginning of the period	7.287.354	7.460.396
Charge for the period	13.944.777	1.346.190
Provisions released	(751.529)	(1.519.232)
Provision at the end of the period	20.480.602	7.287.354

The Group recognizes provisions for lawsuits against it due to its operations. The lawsuits against the Group are usually reemployment lawsuits by former employees or damaged luggage or cargo.

a) Guarantees/Pledge/Mortgage ("GPM") given by the group: Amount of letter of guarantees given is TL 94.785.952 (31 December 2009: TL 92.014.638).

	31 December 2010		31 December 2009	
	Foreign currency amount	TL equivalent	Foreign currency amount	TL equivalent
A. Total amounts of GPM given on the behalf of its own legal entity		94.785.952		92.014.638
-Collaterals				
TL		6.035.525		19.717.897
EUR	5.550.118	11.372.746	3.806.312	8.222.775
USD	48.939.024	75.659.732	41.880.532	63.059.517
Other		1.717.949		1.014.449
B. Total amounts of GPM given on the behalf of subsidiaries that are included in full consolidation	-	-	-	-
C. Total amounts of GPM given in order to guarantee third party debts for routine trade operations	-	-	-	-
D. Total amounts of other GPM given	-	-	-	-
		94.785.952		92.014.638

The other CPMs given by the Company constitute 0% of the Company's equity (31 December 2009: 0%).

b) At the beginning of 2006, US Ministry of Justice Antitrust Unit and Europe Antitrust Authorities synchronously initiated an investigation in Europe and the United States about the fix of the air cargo prices that covers the leading airline companies. Within the context of this investigation, information and documents that the Company holds are requested to be presented by USA Columbia (Washington) Regional Court through official notification in April 6, 2006. Similar notifications are sent to the other concerning airline companies. Within the context of this investigation, the Company's inviolation of the agreement is declared to Anti-trust department of US Ministry of Justice, negotiations are continued by the American lawyers on behalf of the Company. As of the report date, the Company management thinks that the results of this investigation initiated by the US Ministry of Justice cannot be reliably measured. For this reason, no provision is provided for this issue in the accompanying financial statements. But, there is a possibility of financial liability to the Group as the result of this issue.

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c) The Group's discounted retirement pay provision is TL 170.505.529. The Group's liability for retirement pay would be approximately TL 320.367.926 as of 31 December 2010, if all employees were dismissed on that date.

d) The Competition Authority has ruled to run an investigation on the Company's operations in its meeting held on 1 July 2010. The investigation is based on the Company's operations to determine whether it has involved any exclusive activities for its domestic and international passenger transportation services against other airline companies. As of the report date, the Company management believes that the financial outcome of the investigation cannot be measured reliably. Therefore, the Company has not funded any provision amount in the accompanying consolidated financial statements.

23. COMMITMENTS

The Group's not accrued operational leasing debts details are as follows:

	31 December 2010	31 December 2009
Less than 1 year	357.740.489	312.850.973
Between 1 – 5 years	902.887.434	853.516.736
More than 5 years	319.073.603	422.992.569
	1.579.701.526	1.589.360.278

To be delivered between the years 2010-2015, the Group signed a contract for 89 aircrafts with a total value of 11.8 billion US Dollars, according to the price lists before the discounts made by the aircraft manufacturing firms. 10 of these aircrafts were delivered in 2010. The Group has made an advance payment of 1.152 Million US Dollars relevant to these purchases as of 31 December 2010.

24. EMPLOYEE BENEFITS

Short-term employee benefits are as follows:

	31 December 2010	31 December 2009
Salary accruals	50.239.944	38.827.130
Labor union agreement accrual (Note:31)	37.574.079	-
Due to personnel	541.330	1.437.729
Provisions for unused vacation	13.859.404	14.469.621
	102.214.757	54.734.480

Provisions for long-term retirement pay liability are comprised of the following:

	31 December 2010	31 December 2009
Provisions for retirement pay liability	170.505.529	151.875.562

Provision for retirement pay liability is recorded according to following explanations:

Under labor laws effective in Turkey, it is a liability to make legal retirement pay to employees whose employment is terminated in such way to receive retirement pay. In addition, according to Article 60 of Social Security Law numbered 506 which was changed by the laws numbered 2422, dated 6 March 1981 and numbered 4447, dated 25 August 1999, it is also a liability to make legal retirement pay to those who entitled to leave their work by receiving retirement pay. Some transfer provisions related to service conditions prior to retirement are removed from the Law by the changed made on 23 May 2002.

Retirement pay liability is subject to an upper limit of monthly TL 2.623 as of 1 January 2011 (1 January 2010: TL 2.427).

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Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees.

IAS 19 ("Employee Benefits") stipulates the development of company's liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows:

Main assumption is that maximum liability amount increases in accordance with the inflation rate for every service year. So, provisions in the accompanying financial statements as of 31 December 2010 are calculated by estimating present value of contingent liabilities due to retirement of employees. Provisions in the relevant balance sheet dates are calculated with the assumptions of 5,10% annual inflation rate (31 December 2009: 4,80%) and 10% discount rate. (31 December 2009: 11%). Estimated amount of retirement pay not paid due to voluntary leaves and retained in the Company is also taken into consideration as 2,99% (2009: 2,10%). Ceiling for retirement pay is revised semi-annually. Ceiling amount of TL 2.623 which is in effect since 1 January 2011 is used in the calculation of Group's provision for retirement pay liability.

Movement in the provision for retirement pay liability is as follows:

	1 January - 31 December 2010	1 January - 31 December 2009
Provisions at the beginning of the period	151.875.562	142.459.082
Charge for the period	29.993.375	15.405.411
Interest charges	8.990.304	8.870.209
Actuarial loss /(gain)	9.503.082	2.080.775
Payments	(29.856.794)	(16.939.915)
Provisions at the end of the period	170.505.529	151.875.562

25. RETIREMENT BENEFITS

None (31 December 2009: None).

26. OTHER ASSETS AND LIABILITIES

Details of other current assets are as follows:

	31 December 2010	31 December 2009
Prepaid taxes and funds	59.670.760	33.751.118
Technical maintenance income accruals	42.533.116	18.049.297
Prepaid operating lease expenses	19.457.461	19.410.997
Credit note accruals for received aircrafts and simulators	18.743.129	34.479.378
Other prepaid expenses	12.178.549	3.551.004
VAT to be refunded	11.091.767	9.825.050
Prepaid sales commissions	10.456.293	9.418.953
Prepaid insurance expenses	7.697.001	5.197.278
Deferred VAT	6.062.222	-
Interline passenger income accruals	2.554.403	3.409.593
Advances given for orders	1.680.460	3.788.745
Advances for business purposes	1.368.189	903.082
Other current assets	1.052.352	1.889.262
	194.545.702	143.673.757

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Other non-current assets are as follows:

	31 December 2010	31 December 2009
Advances given for fixed asset purchases	169.283.390	45.347.530
Maintenance reserves for engines	35.285.248	26.581.865
Prepaid aircraft financing expenses	12.735.035	7.543.182
Prepaid operating lease expenses	2.455.512	2.776.711
Prepaid Eximbank guarantee and exposure fee	482.667	1.183.491
Prepaid expenses	810.338	139.175
	221.052.190	83.571.954

Other short-term liabilities are as follows:

	31 December 2010	31 December 2009
Accruals for maintenance expense	231.895.137	98.389.811
Incentive premium accruals	17.466.706	5.049.461
Credit note for received aircrafts	12.495.245	-
Unearned revenue from share transfer of TGS (Note 16)	11.300.000	11.300.000
Accruals for other expenses	9.058.900	2.142.564
Unearned revenue accruals	6.360.139	5.534.473
Other liabilities	160.683	79.703
	288.736.810	122.496.012

Other long-term liabilities are as follows:

	31 December 2010	31 December 2009
Gross manufacturer's credits	40.474.695	39.419.630
Unearned revenue from share transfer of TGS (Note 16)	33.900.000	45.200.000
Unearned revenue accruals	904.107	5.904.110
Accumulated depreciations of manufacturer's credit	(15.301.108)	(11.517.414)
	59.977.694	79.006.326

Passenger flight liabilities are as follows:

	31 December 2010	31 December 2009
Flight liability generating from ticket sales	342.348.911	282.983.563
Flight liability generating from mileage sales	199.888.160	179.318.749
Frequent flyer program liability	131.606.808	124.222.967
	673.843.879	586.525.279

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27. SHAREHOLDERS' EQUITY

The ownership structure of the Group's share capital is as follows:

	Type	%	31 December 2010	%	31 December 2009
Republic of Turkey Prime Ministry Privatization Adm (*)	A, C	49,12	491.218.308	49,12	429.818.308
Other (Publicly held)	A	50,88	508.781.692	50,88	445.181.692
Paid-in capital			1.000.000.000		875.000.000
Restatement difference			1.123.808.032		1.123.808.032
Restated capital			2.123.808.032		1.998.808.032

(*) 1.644 shares belonging to various private shareholders were not taken into consideration when the Group was included to the privatization program in 1984. Subsequently, these shares were registered on behalf of Privatization Administration according to Articles of Association of the Group, approved by the decision of the Turkish Republic High Planning Board on 30 October 1990.

As of 31 December 2010 , the Group's issued and paid-in share capital consists of 99.999.999.999 Class A shares and 1 Class C share, all with a par value of Kr 1 each. These shares are issued to the name. The Class C share belongs to the Republic of Turkey Prime Ministry Privatization Administration and has the following privileges:

Articles of Association 7: Positive vote of the board member representing class C share and approval of the Board of Directors are necessary for transfer of shares issued to the name.

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

Articles of Association 14: The following decisions of the Board of Directors are subject to the positive vote of the class C Shareholder:

a) As defined in Article 3.1 of the Articles of Association, taking decisions that will negatively affect the Company's mission,

b) Suggesting change in the Articles of Association at General Assembly,

c) Increasing share capital,

d) Approval of transfer of the shares issued to the name and their registration to the Share Registry,

e) Making decisions or taking actions which will put the Company under commitment over 5% of its total assets considering the latest annual financial statements prepared for Capital Market Board per agreement (this statement will expire when the Company's shares held by Turkish State is below 20%),

f) Making decisions relating to merges and liquidation,

g) Making decisions to cancel flight routes or significantly decrease number of flights except for the ones that cannot recover even its operational expenses subject to the market conditions.

Restricted Reserves Assorted from Profit

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code (TCC). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

Foreign Currency Conversion Differences

Foreign currency translation differences are the changes due to foreign exchange rate changes in the shareholders' equity Sun Express and Bosnia-Herzegovina Airlines which are subsidiary accounted for equity method.

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Distribution of Dividends

Companies whose shares are traded at Istanbul Stock Exchange (ISE) are subject to the following dividend rules determined by Capital Markets Board:

According to the Serial:IV No:27 communiqué of Capital Markets Board, depending on the decision made in shareholders' meeting, the profit distribution can be made either by giving bonus shares to shareholders which are issued either in cash or by adding dividend to capital or giving some amount of cash and some amount of bonus shares to shareholders. If the primary dividend amount determined is less than 5% of the paid-in capital, the decision gives the option of not to distribute the related amount as to keep within the equity.

According to the CMB's decision on 9 January 2009, in calculation of distributable profit, the companies are required to prepare consolidated financial statements, those companies enabled to calculate distributable profit by taking into consideration the profit in the financial statements prepared and announced to the public in accordance with Serial:XI No:29. Regarding the same decision, retained earnings of the companies in legitimate records, profit for the period and total amount of the assets generating profit are to be stated in the accompanying notes of financial statements in accordance with Serial:XI No:29 communiqué.

As per the 27 January 2011 dated, 02/51 numbered decree of The Capital Markets Board ("CMB")

in relation to the profit distribution of earnings, minimum profit distribution is not required for listed companies , and accordingly, profit distribution should be made based on the requirements set out in the Board's Communiqué Serial:IV, No: 27 "Principles of Dividend Advance Distribution of Companies That Are Subject To The Capital Markets Board Regulations", terms of articles of corporations and profit distribution policies publicly disclosed by the companies;

Furthermore, based on the afore-mentioned decree, companies that are required to prepare consolidated financial statements should calculate their net distributable profits, to the extent that they can be recovered from equity in their statutory records, by considering the net profit for the period in the consolidated financial statements which are prepared and disclosed in accordance with the Communiqué Serial: XI, No: 29;

Within the frame of Communiqué Series: XI, No: 29, amount disclosed in notes to financial statements; following the deduction of companies' retained earnings, total of remaining profit for the period and other total resources that may apply to profit distribution;

Within the frame of 6th bulletin of Communiqué Series: IV No: 27, application of related period about profit distribution time;

a) If all dividends are distributed in cash, dividends made to continue the adoption of distributing until the end of following fifth month of the fiscal period.

b) If dividends are distributed as share, the Entity should apply for Capital Markets Board until the end of following fifth month of the fiscal period and finish profit distribution until the end of following sixth month of the fiscal period as the purpose of exported shares are recorded by Capital Markets Board.

c) In the case of combination of the options "a" and "b", it was decided that operations described earlier should be performed separately but within the time that referred to in subparagraph

TL 125.000.000 of the Company's profit for 2009 has decided to be distributed as the 1st dividend payment in the form of bonus shares in accordance with the resolution issued in the General Shareholders' Meeting held on 20 April 2010.

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The items of shareholders' equity of the Company in the statutory accounts as of 31 December 2010 as the dividends distributed not reflected are as follows:

Paid-in capital	1.000.000.000
Share premium	181.185
Legal reserves	55.692.565
Extraordinary reserves (*)	198.959.553
Other profit reserves	9
Special funds	49.727.910
Retained earnings (*)	303.035.058
Net profit for the period (*)	(102.228.443)
Total shareholders' equity	1.505.367.837

* Per legal records total amount which will be subject to distribution of dividends is TL 399.766.168.

Hedge Fund against the Cash Flow Risk

Hedge fund against cash flow risk arises from the accounting under shareholders' equity for the changes in the fair values of effective derivative financial instruments designated against financial risks of future cash flows. Total deferred gain/loss arising from hedging against financial risk are accounted when the effect of the hedged item goes into the income statement.

28. SALES AND COST OF SALES

Details of gross profit are as follows:

	1 January - 31 December 2010	1 January - 31 December 2009
Scheduled flights		
Passenger	7.387.449.566	6.242.396.046
Cargo and mail	626.771.496	442.452.326
Total scheduled flights	8.014.221.062	6.684.848.372
Unscheduled flights	68.549.374	60.234.596
Other revenue	340.027.137	290.836.108
Gross sales	8.422.797.573	7.035.919.076
Less: discounts and sales returns	(26.433)	(36.173)
Net sales	8.422.771.140	7.035.882.903
Cost of sales (-)	(6.609.264.529)	(5.200.371.472)
Gross profit	1.813.506.611	1.835.511.431

Geographical details of revenue from the scheduled flights are as follows:

	1 January - 31 December 2010	1 January - 31 December 2009
- Europe	2.889.916.772	2.621.154.415
- Far East	1.493.066.719	1.113.861.041
- Middle East	1.036.566.346	858.064.501
- America	523.157.884	380.388.615
- Africa	521.520.175	317.489.740
Total international flights	6.464.227.896	5.290.958.312
Domestic flights	1.549.993.166	1.393.890.060
Total revenue	8.014.221.062	6.684.848.372

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The details of the cost of sales are as follows:

	1 January - 31 December 2010	1 January - 31 December 2009
Fuel expense	2.161.733.716	1.523.170.749
Personnel expense	1.300.526.286	1.044.182.478
Landing and navigation expense	610.543.663	552.646.148
Ground services expenses	523.017.629	378.811.863
Maintenance expenses	490.503.070	331.881.235
Depreciation expenses	426.492.568	436.687.493
Passenger service and catering expenses	400.241.525	325.039.231
Operating lease expenses	367.477.243	275.052.324
Other airlines' seat rents	134.361.438	160.695.562
Short term leasing expenses	42.235.496	62.753.715
Other rent expenses	30.682.204	12.393.476
Insurance expenses	22.438.600	35.344.992
Service expenses	22.276.927	25.126.699
Utility expenses	8.234.983	6.075.303
Other tax expenses	7.456.084	5.763.728
Communication expenses	7.145.661	6.914.020
Transportation expenses	6.682.619	7.481.692
Cost of other sales	47.214.817	10.350.764
	6.609.264.529	5.200.371.472

29. RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SALES AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2010	1 January - 31 December 2009
Marketing, sales and distribution expenses	999.770.863	806.503.413
Administrative expense	352.872.407	266.173.785
	1.352.643.270	1.072.677.198

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Marketing, sales and distribution expenses are as follows:

	1 January - 31 December 2010	1 January - 31 December 2009
Personnel expenses	277.956.963	221.533.668
Commissions and incentive expenses	263.302.642	206.925.465
Reservation systems expense	165.359.495	154.300.075
Advertising expenses	124.418.782	84.163.376
Special passenger program mileage expenses	25.995.372	17.731.434
Service expenses	25.974.923	24.116.304
Passenger service and catering expense	18.893.343	14.014.565
Rent Expenses	17.740.737	23.857.845
Communication expense	12.843.288	11.727.334
Transportation expense	11.341.558	7.444.732
Membership fees	8.810.512	5.118.475
Tax expenses	8.334.247	7.990.340
Utility Expenses	3.753.851	3.291.672
Maintenance expenses	2.364.886	1.539.270
Depreciation expenses	1.006.904	868.435
Insurance expenses	776.036	751.543
Fuel expense	757.054	866.661
Other sales and marketing expenses	30.140.270	20.262.219
	999.770.863	806.503.413

General administrative expenses are as follows:

	1 January - 31 December 2010	1 January - 31 December 2009
Personnel expenses	185.591.789	144.413.318
Depreciation expenses	31.039.829	28.476.945
Insurance expenses	20.047.909	16.633.619
Tax expenses	16.789.756	11.669.858
Service expenses	16.485.952	12.020.015
Rent expenses	13.727.308	11.395.026
Aircraft financing administrative expenses	13.239.816	3.856.581
Fuel expense	11.352.455	6.598.695
Communication expense	9.495.881	7.632.253
Maintenance expenses	6.058.195	8.630.075
Utility expenses	2.756.973	2.488.024
Other administrative expenses	26.286.544	12.359.376
	352.872.407	266.173.785

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30. EXPENSES ACCORDING TO CATEGORIES

Expenses according to categories are explained in Notes 28 and 29.

31. OTHER OPERATING INCOME /EXPENSES

Other operating income consists of the following:

	1 January - 31 December 2010	1 January - 31 December 2009
Gain on sale of fixed assets	45.206.644	3.333.754
Insurance, indemnities, penalties income	25.624.334	24.459.577
Discounts received from maintenance spare parts suppliers	17.329.148	9.060.636
Provisions no longer required	11.888.331	16.876.352
TGS share premium (Note:16)	11.300.000	-
Returns received from rent firms	7.411.203	16.559.675
Banks protocol revenue	5.000.000	4.730.845
Purchase discounts	4.287.088	5.857.946
Star Alliance membership revenue	3.945.375	2.891.509
Other operating income	17.677.134	7.365.810
	149.669.257	91.136.104

	1 January - 31 December 2010	1 January - 31 December 2010
Provisions expenses	51.434.653	24.037.694
Labor union agreement salary difference (*)	51.130.281	-
Real increase in provisions for impairment of fixed assets (Note 18)	5.356.560	85.203.475
Expenses due to passengers without visa	6.192.781	4.796.605
Loss for transfer of buildings on General Directorate of State Airports Authority's lands	4.965.214	-
Expenses due to aircraft crash	766.804	5.503.191
Other operating expense	8.497.699	10.538.930
	128.343.992	130.079.895

* The Company made a wage increase of 6% on its own initiative regarding to the year 2009. Per labor union agreement which is signed in 2010; from 1 January 2009; wages of 31 December 2008 is increased by 8% for first half of 2009 and for the second half of the 2009 wages of 30 June 2009 is increased by 2%. The difference between wage increase per labor union agreement and the company's own initiative is shown as labor union agreement salary difference. As of 31.12.2010 the Company will be paid 37.574.097 TL.

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32. FINANCIAL INCOME

Financial income consists of the following:

	1 January - 31 December 2010	1 January - 31 December 2009
Interest income	38.397.854	159.789.136
Finance lease foreign exchange rate income	21.142.242	-
Discount interest income	13.311.167	4.134.460
Rediscount interest income		
The fair value of derivatives exchange income	-	9.016.534
Dividend income	-	42.014
	72.851.263	172.982.144

33. FINANCIAL EXPENSES

Finance expenses are as follows:

	1 January - 31 December 2010	1 January - 31 December 2009
Finance lease interest expense	120.231.843	116.382.383
Finance lease foreign exchange loss	12.876.525	-
Retirement pay interest cost	8.990.304	8.870.209
The fair value of derivatives exchange expense	5.787.041	-
Discount interest expense	3.252.322	17.530.474
Financial liabilities foreign exchange loss	386.332	2.890.159
Increase in the provisions for impairment of fixed assets due to changes in exchange rate	-	24.520.934
Foreign exchange loss	-	1.845.975
Other financial expense	1.025.179	668.538
	152.549.546	172.708.672

34. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None (31 December 2009: None).

35. TAX ASSETS AND LIABILITIES

Tax liability for the current profit is as follows:

	31 December 2010	31 December 2009
Provisions for corporate tax	10.387.347	70.893.068
Prepaid taxes and funds (*)	(70.058.107)	(68.473.524)
	(59.670.760)	2.419.544

(*) Prepaid taxes, excess part of corporate taxes to be paid as at 31 December 2010, are shown under other current assets.

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Tax liability consists of the following items:

	1 January - 31 December 2010	1 January - 31 December 2009
Current period tax expense	8.213.633	70.893.068
Change in corporate tax for the year 2009 (other)	2.173.714	-
Change in deferred tax for the year 2008 (foreign branch earning exemption) (*)	-	33.121.716
Change in corporate tax for the year 2008 (other)	-	508.583
Deferred tax expense	68.858.645	42.171.544
Change in corporate tax for the year 2008 (foreign branch earning exemption) (*)	-	31.206.426
Tax expense	79.245.992	177.901.337

(*) As a result of changes in accounting estimates related to the calculation method of foreign branch income, additional tax amount of 64.328.144 TL (33.121.716 TL corporate tax liabilities and 31.206.428 TL deferred tax liabilities that as a result of disappearance accumulated losses) is reflected in the financial statements dated 31 December 2009.

Tax effect regarding other comprehensive income is as follows:

	1 January - 31 December 2010		
	Amount before tax	Tax (expense) /income	Amount after tax
Foreign currency translation differences	(1.051.704)	-	(1.051.704)
Change in cash flow hedge fund	21.418.876	(4.283.775)	17.135.101
Other comprehensive income for the period	20.367.172	(4.283.775)	16.083.397

Change in translation differences of foreign currency that is included in other comprehensive income, is TL 1.051.704 for the period 1 January – 31 December 2010. In addition, the effect on taxation does not exist for the period.

Corporate Tax

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the years and periods. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rate in 2010 is 20% (2009: 20%) for the Group

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2010 is 20%. (2009: 20%). Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

Furthermore, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

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Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding tax applied in between 24 April 2003 – 22 July 2006 is 10% and commencing from 23 July 2006, this rate has been changed to 15% upon the Council of Ministers' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

Withholding tax at the rate of 19,8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, the investments without investment incentive certificates do not qualify for tax allowance.

Deferred Tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes and they are given below.

For calculation of deferred tax asset and liabilities, the rate of 20% (2009: 20%) is used.

In Turkey, the companies cannot declare a consolidated tax return, therefore subsidiaries that have deferred tax assets position were not netted off against subsidiaries that have deferred tax liabilities position and disclosed separately.

The deferred tax assets and (liabilities) as of 31 December 2010 and 31 December 2009 are as follows:

	31 December 2010	31 December 2009
Fixed assets	(525.486.010)	(437.228.761)
Provisions for ticket sales advance	(57.133.510)	(48.624.219)
Accrued expense	70.912.827	41.874.247
Provisions for ETB	33.895.715	30.375.112
Accumulated loss	19.490.674	-
Long-term lease obligations	19.236.155	21.625.506
Adjustment on inventories	(19.172.440)	(1.165.198)
Short-term lease obligations	13.647.501	21.321.316
Allowance for doubtful receivables	4.352.313	3.752.304
Provisions for impairment in inventories	2.873.729	2.873.729
Provisions for unused vacation	2.771.881	2.739.207
Income and prepaid expenses	(1.420.257)	(756.009)
Other	645.897	969.661
Deferred tax (liabilities)	(435.385.525)	(362.243.105)

The changes of deferred tax liability as of 31 December 2010 and 2009 are as follows:

	1 January - 31 December 2010	1 January - 31 December 2009
Deferred tax liabilities at the beginning period	362.243.105	289.302.967
Deferred tax expense	68.858.645	73.377.970
Hedge fund tax income	4.283.775	(437.832)
Deferred tax liabilities at the ending period	435.385.525	362.243.105

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	1 January - 31 December 2010	1 January - 31 December 2009
Reconciliation of provision for taxes:		
Profit from operations before tax	365.689.353	736.977.617
Domestic income tax rate of 20%	73.137.871	147.395.523
Taxation effects on:		
- revenue that is exempt from taxation	4.029.468	233.564
- effect of change in corporate tax for the year 2008/2009	2.173.714	-
- change in corporate tax for 2009		
- non-deductible expenses	-	(2.846.785)
- exceptions to overseas earnings	-	33.121.716
- other	(95.061)	(2.681)
Provisions for tax expense in income statement	79.245.992	177.901.337

36. EARNINGS PER SHARE

Earnings per share disclosed in the consolidated statements of income are determined by dividing the net income by the weighted number of shares that have been outstanding during the period concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, such bonus shares are regarded as issued shares. Accordingly, the weighted average number of shares outstanding during the years has been adjusted in respect of bonus shares issued without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and for each earlier year.

Earnings per share is calculated by dividing net profit by weighted average number of shares outstanding in the relevant period.

Number of total shares and calculation of earnings per share at 31 December 2010 and 2009 are as follows:

	1 January - 31 December 2010	1 January - 31 December 2009
Number of shares outstanding at 1 January (in full)	87.500.000.000	87.500.000.000
New shares issued (in full)	12.500.000.000	-
Number of shares outstanding at 31 December (in full)	100.000.000.000	87.500.000.000
Weighted average number of shares outstanding during the year (in full)	100.000.000.000	100.000.000.000
Net profit for period	286.443.361	559.076.280
Earnings per share (kr) (*)	0,29	0,56

(*) The earnings per share with par value of TL 1 is TL 0, 29 in December 2010; TL 0,56 in December 2009.

37. RELATED PARTY TRANSACTIONS

Short-term trade receivables from related parties (Note 10) are as follows:

	31 December 2010	31 December 2009
P & W T.T Uçak Bakım Merkezi	30.114.504	26.705.625
Sun Express	1.174.893	-
TGS	-	1.517
Bosnia Herzegovina Airlines	2.737.156	3.729.488
Doubtful Receivables (-)	(2.737.156)	-
	31.289.397	30.436.630

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Short-term non-trade receivables to related parties (Note 11) are as follows:

	31 December 2010	31 December 2009
TGS	-	12.546.944
Bosnia Herzegovina Airlines	-	34.372
	-	12.581.316

Short-term trade payables to related parties that are valued by equity method (Note 10) are as follows:

	31 December 2010	31 December 2009
TGS	29.890.972	-
THY Opet	25.999.690	-
THY DO&CO	5.618.464	7.629.804
Sun Express	-	13.341.689
	61.509.126	20.971.493

Transactions with related parties that are valued by equity method for the period ended as of 31 December 2010 are as follows:

	1 January - 31 December 2010	1 January - 31 December 2009
Service rendered to P&W T.T. (*)	52.748.735	23.467.921
Services rendered to TGS (*)	52.018.689	-
Services rendered to Sun Express	15.084.575	46.068.132
Services rendered to Bosnia Herzegovina Airlines	10.564.680	4.399.906
Services rendered to THY DO&CO	1.743.035	1.001.534
Services rendered to THY OPET	81.993	-
	132.241.707	74.937.493

(*) Majority of services rendered to TGS and P&W T.T Uçak Bakım Merkezi is compromised of fixed asset disposals.

	1 January - 31 December 2010	1 January - 31 December 2009
Services received from THY OPET	424.790.209	-
Services received from THY DO&CO	280.173.198	224.579.638
Services received from TGS	162.827.775	-
Services received from P&W T.T Uçak Bakım Merkezi	99.494.701	-
Services received from Sun Express	29.470.829	57.017.608
Services received from Bosnia Herzegovina Airlines	7.935.222	2.435.000
	1.004.691.934	284.032.246

Transactions between the Group , Sun Express and Bosnia Herzegovina airlines are codeshare operations; transactions between the Group and Turkish DO&CO are catering services and loan financing, transactions between the Group and TGS are ground services, transactions between the Group and P&W T.T are engine maintenance services, transactions between the Group and THY OPET are supply of aviation fuel service. Receivables from related parties are not collateralized and maturity of trade receivables is 30 days.

The total amount of salaries and other short term benefits provided for the Chairman and the Members of Board of Directors, General Manager, General Coordinator and Deputy General Managers are TL 4.220.465 TL (2009: 3.693.289 TL).

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38. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 8, cash and cash equivalents and equity attributable to equity holders of the Parent, comprising issued capital, reserves and retained earnings.

The Board of Directors of the Group periodically reviews the capital structure. During these analyses, the Board assesses the risks associated with each class of capital along with cost of capital. Based on the review of the Board of Directors, the Group aims to balance its overall capital structure through the issue of new debt or the redemption of existing debt.

The overall strategy of the Group remains the same since the year 2009.

	31 December 2010	31 December 2009
Total debts	4.977.703.728	3.595.046.545
Less: Cash and cash equivalents	(813.936.552)	(1.090.463.875)
Net debt	4.163.767.176	2.504.582.670
Total shareholders' equity	3.747.406.984	3.444.880.226
Total capital stock	7.911.174.160	5.949.462.896
Net debt/total capital stock ratio	0,53	0,42

(b) Financial Risk Factors

The risks of the Group, resulting from operations, include market risk (including currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's risk management program generally seeks to minimize the potential negative effects of uncertainty in financial markets on financial performance of the Group. The Group uses a small portion of derivative financial instruments in order to safeguard itself from various financial risks.

Risk management, in line with policies approved by the Board of Directors, is carried out. According to risk policy, financial risk is identified and assessed. By working together with Group's operational units, relevant instruments are used to reduce the risk.

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b.1) Credit Risk Management

Credit risk of financial instruments	Receivables					
	Trade receivables		Other receivables		Deposits in Banks	Derivative Instruments
31 December 2010	Related Party	Third Party	Related Party	Third Party		
Maximum credit risk as of balance sheet date (*)	31.289.397	546.333.417	-	1.864.162.765	778.851.808	84.070.372
The part of maximum risk under guarantee with collateral etc. (**)	-	6.903.023	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	31.289.397	459.996.786	-	1.864.162.765	778.851.808	84.070.372
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Net book value of financial assets that are past due but not impaired	-	86.336.631	-	-	-	-
-The part under guarantee with collateral etc.	-	2.447.478	-	-	-	-
D. Net book value of impaired assets			-	-	-	-
-Past due (gross carrying amount)	2.737.156	64.893.287	-	-	-	-
-Impairment (-)	(2.737.156)	(64.893.287)	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
-Not past due (gross carrying amount)	-	-	-	-	-	-
-Impairment (-)	-	-	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

(*) The factors that increase in credit reliability such as guarantees received are not considered in the balance.

(**) Guarantees consist of the guarantees in cash & letters of guarantee obtained from the customers.

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Credit Risk of Financial Instruments	**Receivables**					
	Trade receivables		**Other receivables**		**Deposits in Banks**	**Derivative Instruments**
31 December 2009	**Related Party**	**Third Party**	**Related Party**	**Third Party**		
Maximum credit risk as of balance sheet date (*)	30.436.630	413.253.595	12.581.316	1.400.820.181	1.246.125.121	47.298.370
The part of maximum risk under guarantee with collateral etc. (**)	-	3.437.802	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	30.436.630	331.244.557	12.581.316	1.400.820.181	1.246.125.121	47.298.370
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Net book value of financial assets that are past due but not impaired	-	82.009.038	-	-	-	-
-The part under guarantee with collateral etc.	-	2.442.335	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
-Past due (gross carrying amount)	-	40.576.100	-	-	-	-
-Impairment (-)	-	(40.576.100)	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
-Not past due (gross carrying amount)	-	1.215.792	-	-	-	-
-Impairment (-)	-	(1.215.792)	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

(*) The factors that increase in credit reliability such as guarantees received are not considered in the balance.
(**) Guarantees consist of the guarantees in cash & letters of guarantee obtained from the customers

The risk of a financial loss for the Group due to failing of one of the parties of the contract to meet its obligations is defined as credit risk.

The Group's credit risk is basically related to its receivables. The balance shown in the balance sheet is formed by the net amount after deducting the doubtful receivables arisen from the Group management's forecasts based on its previous experience and current economical conditions. Because there are so many customers, the Group's credit risk is dispersed and there is not important credit risk concentration.

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The aging of past due receivables as of 31 December 2010 are as follows:

31 December 2010	Receivables: Trade Receivables	Receivables: Other Receivables	Deposits in Banks	Derivative Instruments	Other
Past due 1-30 days	48.905.501	-	-	-	-
Past due 1-3 month	46.738.115	-	-	-	-
Past due 3-12 months	49.262.290	-	-	-	-
Past due 1-5 years	8.696.618	-	-	-	-
Past due more than 5 years	364.550				
Total past due receivables	153.967.074	-	-	-	-
The part under guarantee with collateral etc.	2.447.478	-	-	-	-

The aging of past due receivables as of 31 December 2009 are as follows:

31 December 2009	Receivables: Trade Receivables	Receivables: Other Receivables	Deposits in Banks	Derivative Instruments	Other
Past due 1-30 days	31.024.457	-	-	-	-
Past due 1-3 month	30.409.900	-	-	-	-
Past due 3-12 months	19.120.026	-	-	-	-
Past due 1-5 years	42.030.755	-	-	-	-
Total past due receivables	122.585.138	-	-	-	-
The part under guarantee with collateral etc.	2.442.335	-	-	-	-

As of balance sheet date, total amount of cash collateral and letter of guarantee, which is received by Group for past due not impaired receivable, is TL 2.447.478 (31 December 2009: TL 2.442.335).

As of the balance sheet date, Group has no guarantee for past due receivables for which provisions were recognized.

b.2) Liquidity risk management

The main responsibility of liquidity risk management rests upon Board of Directors. The Board built an appropriate risk management for short, medium and long term funding and liquidity necessities of the Group management. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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The tables below demonstrate the maturity distribution of non-derivative financial liabilities and are prepared based on the earliest date on which the Group can be required to pay. The interests that will be paid on the future liabilities are included in the related maturities. The adjustment column shows the item which causes possible cash flow in the future periods. The item in question is included in the maturity analysis and is not included balance sheet amount of financial liabilities in the balance sheet.

Group manages liquidity risk by keeping under control estimated and actual cash flows and by maintaining adequate funds and borrowing reserves through matching the maturities of financial assets and liabilities..

Liquidity risk table:

31 December 2010

Due date on the contract	Book value	Total cash outflow according to the contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Bank borrowings	14.696.729	15.022.192	-	15.022.192	-	-
Finance lease obligations	4.163.382.650	4.684.090.226	131.528.838	442.641.794	1.904.550.140	2.205.369.454
Trade payables	735.874.026	749.280.248	662.394.432	86.885.816	-	-
Other financial liabilities	1.117.687	1.117.687	1.117.687	-	-	-
Total	4.915.071.092	5.449.510.353	795.040.957	544.549.802	1.904.550.140	2.205.369.454

31 December 2009

Due date on the contract	Book value	Total cash outflow according to the contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Bank borrowings	28.627.057	29.847.936	7.680.629	7.536.703	14.630.604	-
Finance lease obligations	2.959.539.067	3.456.591.636	103.436.047	366.181.926	1.438.363.567	1.548.610.096
Trade payables	559.109.822	559.920.492	488.863.129	71.057.363	-	-
Other financial liabilities	846.771	846.771	846.771	-	-	-
Total	3.548.122.717	4.047.206.835	600.826.576	444.775.992	1.452.994.171	1.548.610.096

b.3) Market risk management

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Market risk exposures of the Group are measured using sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

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b.3.1) Foreign currency risk management

Transactions in foreign currencies expose the Group to foreign currency risk. The foreign currency denominated assets and liabilities of monetary and non-monetary items are as follows:

	31 December 2010				
	TL Equivalent	**US Dollar**	**Euro**	**GBP**	**Other**
1.Trade receivables	401.348.898	145.176.463	87.020.463	12.210.604	156.941.368
2a.Monetary financial assets	2.316.370.081	2.098.839.409	110.826.542	612.421	106.091.709
2b.Non monetary financial assets	-	-	-	-	-
3.Other	66.293.167	61.852.539	2.598.539	144.937	1.697.152
4.Current assets (1+2+3)	**2.784.012.146**	**2.305.868.411**	**200.445.544**	**12.967.962**	**264.730.229**
5.Trade receivables	-	-	-	-	-
6a.Monetary financial assets	(166.510.045)	(166.510.045)	-	-	-
6b.Non monetary financial assets	-	-	-	-	-
7.Other	180.292.325	144.001.412	29.331.543	888.663	6.070.707
8.Non current assets (5+6+7)	**13.782.280**	**(22.508.633)**	**29.331.543**	**888.663**	**6.070.707**
9.Total assets (4+8)	**2.797.794.426**	**2.283.359.778**	**229.777.087**	**13.856.625**	**270.800.936**
10.Trade payables	348.866.521	84.844.541	165.949.619	8.686.835	89.385.526
11.Financial liabilities	631.463.497	379.137.239	252.326.258	-	-
12a.Other liabilities, monetary	(4.731.681)	2.198.278	(10.958.333)	243.455	3.784.919
12b.Other liabilities, non monetary	489.632	56.367	433.265	-	-
13.Current liabilities (10+11+12)	**976.087.969**	**466.236.425**	**407.750.809**	**8.930.290**	**93.170.445**
14.Trade payables	-	-	-	-	-
15.Financial liabilities	3.781.139.557	1.801.134.839	1.980.004.718	-	-
16a.Other liabilities, monetary	9.829.695	3.453.108	5.418.972	2.604	955.011
16b.Other liabilities, non monetary	-	-	-	-	-
17.Non current liabilities (14+15+16)	**3.790.969.252**	**1.804.587.947**	**1.985.423.690**	**2.604**	**955.011**
18.Total liabilities (13+17)	**4.767.057.221**	**2.270.824.372**	**2.393.174.499**	**8.932.894**	**94.125.456**
19.Net asset /liability position of Off-balance sheet derivatives (19a-19b)	**(2.281.685)**	**(244.025.867)**	**241.744.182**	-	-
19a.Off-balance sheet foreign currency derivative assets	241.744.182		241.744.182	-	-
19b.Off-balance sheet foreign currency derivative liabilities	244.025.867	244.025.867	-	-	-
20.Net foreign currency asset/(liability) position (9-18+19)	**(1.971.544.480)**	**(231.490.461)**	**(1.921.653.230)**	**4.923.731**	**176.675.480**
21.Net foreign currency asset /liability position of monetary items (UFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(2.215.358.655)**	**(193.262.178)**	**(2.194.894.229)**	**3.890.131**	**168.907.621**
22.Fair value of foreign currency hedged financial assets	-	-	-	-	-
23.Hedged foreign currency assets	-	-	-	-	-
24.Hedged foreign currency liabilities	-	-	-	-	-
25.Exports	**6.528.219.249**	**924.361.219**	**2.349.790.637**	**153.310.525**	**3.100.756.868**
26.Imports	**2.634.053.757**	**1.771.619.115**	**599.994.315**	**30.330.811**	**232.109.519**

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	31 December 2009				
	TL Equivalent	**US Dollar**	**Euro**	**GBP**	**Other**
1.Trade receivables	318.804.899	91.640.001	108.281.865	8.393.269	110.489.764
2a.Monetary financial assets	1.596.717.983	1.276.912.740	214.803.790	12.413.729	92.587.724
2b.Non monetary financial assets	-	-	-	-	-
3.Other	1.982.078	1.066.174	94.361	103.224	718.319
4.Current assets (1+2+3)	**1.917.504.960**	**1.369.618.915**	**323.180.016**	**20.910.222**	**203.795.807**
5.Trade receivables	-	-	-	-	-
6a.Monetary financial assets	637.383.512	637.383.512	-	-	-
6b.Non monetary financial assets	-	-	-	-	-
7.Other	65.373.959	48.743.839	12.586.766	2.119.701	1.923.653
8.Non current assets (5+6+7)	**702.757.471**	**686.127.351**	**12.586.766**	**2.119.701**	**1.923.653**
9.Total assets (4+8)	**2.620.262.431**	**2.055.746.266**	**335.766.782**	**23.029.923**	**205.719.460**
10.Trade payables	297.880.412	120.793.475	107.571.626	5.863.884	63.651.427
11.Financial liabilities	457.499.014	252.991.955	204.507.059	-	-
12a.Other liabilities, monetary	14.337.275	7.789.570	3.479.885	336.138	2.731.682
12b.Other liabilities, non monetary	-	-	-	-	-
13.Current liabilities (10+11+12)	**769.716.701**	**381.575.000**	**315.558.570**	**6.200.022**	**66.383.109**
14.Trade payables	-	-	-	-	-
15.Financial liabilities	2.575.899.284	975.801.038	1.600.098.246	-	-
16a.Other liabilities, monetary	8.941.614	2.354.919	5.734.714	2.605	849.376
16b.Other liabilities, non monetary	-	-	-	-	-
17.Non current liabilities (14+15+16)	**2.584.840.898**	**978.155.957**	**1.605.832.960**	**2.605**	**849.376**
18.Total liabilities (13+17)	**3.354.557.599**	**1.359.730.957**	**1.921.391.530**	**6.202.627**	**67.232.485**
19.Net asset /liability position of Off-balance sheet derivatives (19a-19b)	**27.416.849**	**(257.400.455)**	**284.817.304**	-	-
19a.Off-balance sheet foreign currency derivative assets	284.817.304	-	284.817.304	-	-
19b.Off-balance sheet foreign currency derivative liabilities	257.400.455	257.400.455	-	-	-
20.Net foreign currency asset/(liability) position (9-18+19)	**(706.878.319)**	**438.614.854**	**(1.300.807.444)**	**16.827.296**	**138.486.975**
21.Net foreign currency asset /liability position of monetary items (UFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(801.651.205)**	**646.205.296**	**(1.598.305.875)**	**14.604.371**	**135.845.003**
22.Fair value of foreign currency hedged financial assets	-	-	-	-	-
23.Hedged foreign currency assets	-	-	-	-	-
24.Hedged foreign currency liabilities	-	-	-	-	-
25.Exports	**5.356.374.684**	**756.866.783**	**2.821.421.134**	**152.119.413**	**1.625.967.354**
26.Imports	**1.684.743.255**	**1.003.419.468**	**488.549.014**	**19.535.389**	**173.239.384**

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Foreign currency sensitivity

The Group is exposed to foreign exchange risk primarily from US dollar, Euro and GBP. The following table details the Group's sensitivity to a 10% increase and decrease in exchange rate of US Dollars, Euro and GBP. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Company where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss.

	31 December 2010 Profit /(Loss) Before Tax	
	If foreign currency appreciated against TL by 10%	If foreign currency depreciated against TL by 10%
1 - US Dollar net asset /liability	(23.149.046)	23.149.046
2- Part of hedged from US Dollar risk (-)	-	-
3- US Dollar net effect (1 +2)	(23.149.046)	23.149.046
4 - Euro net asset /liability	(192.165.323)	192.165.323
5 - Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	(192.165.323)	192.165.323
7 - GBP net asset /liability	492.373	(492.373)
8- Part of hedged from GBP risk (-)	-	-
9- GBP net effect (7 +8)	492.373	(492.373)
10 - Other foreign currency net asset /liability	17.667.548	(17.667.548)
11- Part of hedged other foreign currency risk (-)	-	-
12- Other foreign currency net effect (10+11)	17.667.548	(17.667.548)
TOTAL (3 + 6 + 9 + 12)	(197.154.448)	197.154.448

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	31 December 2009 Profit /(Loss) Before Tax	
	If foreign currency appreciated against TL by 10%	If foreign currency depreciated against TL by 10%
1 - US Dollar net asset /liability	43.861.485	(43.861.485)
2- Part of hedged from US Dollar risk (-)	-	-
3- US Dollar net effect (1 +2)	43.861.485	(43.861.485)
4 - Euro net asset /liability	(130.080.744)	130.080.744
5 - Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	(130.080.744)	130.080.744
7 - GBP net asset /liability	1.682.730	(1.682.730)
8- Part of hedged from GBP risk (-)	-	-
9- GBP net effect (7 +8)	1.682.730	(1.682.730)
10 - Other foreign currency net asset /liability	13.848.698	(13.848.698)
11- Part of hedged other foreign currency risk (-)	-	-
12- Other foreign currency net effect (10+11)	13.848.698	(13.848.698)
TOTAL (3 + 6 + 9 + 12)	(70.687.831)	70.687.831

b.3.2) Interest rate risk management

Group has been borrowing over fixed and variable interest rates. Considering the interest types of the current borrowings, borrowings with variable interest rates have the majority but in financing of aircrafts performed in the last years, Group tries to create a partial balance between borrowings with fixed and variable interest rates by increasing the weight of the borrowings with fixed interest rate in condition of the suitability of the cost. Due to the fact that the variable interest rates of the Group are dependent on Libor and Euribor, dependency to local risks is low.

Interest Rate Position Table

	31 December 2010	31 December 2009
Instruments with fixed interest rate		
Financial Liabilities	2.206.737.240	1.825.552.349
Financial Instruments with Variable Interest Rate		
Financial Liabilities	1.971.342.139	1.162.613.775
Interest Swap Agreements Not Subject to Hedge Accounting (net)	7.569.719	(829.874)
Interest Swap Agreements Subject to Hedge Accounting (Net)	(27.153.795)	(7.130.730)

As indicated in Note 39, the Group as of 31 December 2010 fixed the interest rate for TL 741.452.020 of floating–interest-rated financial liabilities via an interest rate swap contract.

Interest rate sensitivity

The following sensitivity analysis is determined according to the interest rate exposure in the reporting date and possible changes on this rate and it is fixed during all reporting period. Group management checks out possible effects that may arise when Libor and Euribor rates, which are the interest rates of the borrowings with variable interest rates, fluctuate 0,5% and reports these to the top management.

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In condition that 0,5% increase in Libor and Euribor interest rate and all other variables being constant:

Profit before taxes of the Group, for the year 2010, will decrease by TL 9.856.711 (as of 31 December 2009 it will decrease by TL 5.813.069). In contrast, if Libor and Euribor interest rate decreases 0,5%, profit before taxes for the year 2010 will increase by the same amounts.

Moreover, as a result of the interest rate swap contracts against cash flow risks, in case of a 0,5% increase in the Libor and Euribor interest rates, the shareholders' equity of the Group will increase by TL 14.732.662 without the deferred tax effect. In case of a 0,5% decrease in the Libor and Euribor interest rates, the shareholders' equity of the Group will decrease by the same amount without the deferred tax effect.

b.3.3) Fuel prices sensitivity

As explained in Note 39, Group made forward fuel purchase contracts in order to hedge cash flow risks arising from fuel purchases beginning from 2009. Due to forward fuel purchase contracts subject to hedge accounting, as a result of a 10% increase in fuel prices, the shareholders' equity of the Group will increase by TL 33.403.995 excluding the deferred tax effect. In case of a 10% decrease in fuel prices, the shareholders' equity of the Group will decrease by the same amount excluding the deferred tax effect.

39. FINANCIAL INSTRUMENTS

Fair Values of Financial Instruments

Fair values of financial assets and liabilities are determined as follows:

• In standard maturities and conditions, fair values of financial assets and liabilities which are traded in an active market are determined as quoted market prices.

• Fair values of derivative instruments are calculated by using quoted prices. In absence of prices, discounted cash flows analysis is used through applicable yield curve for maturities of derivative instruments (forward and swaps).

31 December 2010 Balance Sheet	Loans and Receivables	Derivative instruments which are reflected at fair value in shareholders' equity	Derivative instruments which are reflected fair value profit/(loss)	Investments available for sale at cost value	Financial liabilities at amortized cost	Book Value	Note
Financial Assets							
Cash and cash equivalents	813.936.552	-	-	-	-	813.936.552	6
Financial investments	-	44.396.158	39.674.214	1.750.943	-	85.821.315	7
Trade receivables	577.622.814	-	-	-	-	577.622.814	10
Other receivables	1.864.162.765	-	-	-	-	1.864.162.765	11
Financial liabilities							
Bank borrowings	-	-	-	-	14.696.729	14.696.729	8
Finance lease obligations	-	-	-	-	4.163.382.650	4.163.382.650	8
Other financial liabilities	-	22.537.592	40.095.044	-	1.117.687	63.750.323	9
Trade payables	-	-	-	-	735.874.026	735.874.026	10

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31 December 2009 Balance Sheet	Loans and Receivables	Derivative instruments which are reflected at fair value in shareholders' equity	Derivative instruments which are reflected fair value profit/ (loss)	Investments available for sale at cost value	Financial liabilities at amortized cost	Book Value	Note
Financial Assets							
Cash and cash equivalents	1.090.463.875	-	-	-	-	1.090.463.875	6
Financial investments	175.000.000	4.102.120	43.196.250	1.750.943	-	224.049.313	7
Trade receivables	443.690.225	-	-	-	-	443.690.225	10
Other receivables	1.413.401.497	-	-	-	-	1.413.401.497	11
Financial liabilities							
Bank borrowings	-	-	-	-	28.627.057	28.627.057	8
Finance lease obligations	-	-	-	-	2.959.539.067	2.959.539.067	8
Other financial liabilities	-	7.866.905	37.365.267	-	846.771	46.078.943	9
Trade payables	-	-	-	-	559.109.822	559.109.822	10

The Group considers the book values for financial assets are of fair value

Fair values of financial assets and liabilities are determined as follows:

• First level: Financial assets and liabilities, are valued with the stock exchange prices in the active market for the assets and liabilities same with each other.

• Second level: Financial assets and liabilities are valued with input obtained while finding the stock exchange price of the relevant asset or liability mentioned in the first level and the direct or indirect observation of price in the market.

• Third level: Financial assets and liabilities are valued by the input that does not reflect an actual data observed in the market while finding the fair value of an asset or liability.

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Financial assets and liabilities, which are presented at their fair values, level reclassifications are as follows:

		Fair value level as of the reporting date		
Financial assets	**31 December 2010**	**Level 1 TL**	**Level 2 TL**	**Level 3 TL**
Financial liabilities at fair value through profit or loss Derivative instruments	39.674.214	-	39.674.214	-
Financial assets subject to hedge accounting Derivative instruments	44.396.158	-	44.396.158	-
Total	84.070.372	-	84.070.372	-
Financial liabilities				
Financial liabilities at fair value through profit or loss Derivative instruments	40.095.044	-	40.095.044	-
Financial liabilities subject to hedge accounting Derivative instruments	22.537.592	-	22.537.592	-
Total	62.632.636	-	62.632.636	-

Derivative Instruments and Hedging Transactions

In order to hedge important operations and cash flows in the future against financial risks, Group made interest rate swap contracts to convert some of the fixed-rate finance lease liabilities into floating rate and cross-currency swap contracts to convert Euro-denominated finance lease liabilities into US Dollars. The changes in the fair values of those derivative instruments are directly accounted in the income statement for the period.

The floating-rate financial liabilities of the Group are explained in Note 38 (b.3.2). As of June 2009, in order to keep interest costs at an affordable level, considering long-term finance lease liabilities; Group made fixed-paid/floating-received interest rate swap contracts to fix interest rates of finance lease liabilities whose maturities are after the second half of 2010 and account for approximately 38% of floating rate US Dollar and Euro denominated liabilities. Effective part of the change in the fair values of those derivative instruments which are subject to hedge accounting for cash flows risks of floating-rate finance lease liabilities are accounted in cash flow hedge fund under the shareholders' equity.

At January 2010, in order to control risk arising from fluctuations in price of fuel which is approximately 33% of cost of sales as of 31 December 2010 and to lessen the effects of fluctuations in oil prices on fuel expenses, the Group began hedging transactions for approximately 20% of annual jet fuel consumption in 2010. For this purpose, the Group made forward fuel purchase contracts settled on cash basis. In accordance with the Company's BOD resolution issued on 21 January 2011, hedging rate which corresponds to 20% of the currently applied monthly consumption rate will be applied as 50% after 12 months following the transition of new strategy and this rate will be gradually increased by 2,5% in each month. The effective portion of fair value hedge of derivative instruments that are subject to cash flow hedge accounting due to future fuel purchases is recognized under hedge accounting fund in equity.

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Group's derivative instruments arisen from transactions stated above and their balances as of 31 December 2010 and 31 December 2009 are as follows:

31 December 2010	Positive fair value	Negative fair value	Total
Fixed-paid/floating received interest rate swap contracts for hedging against cash flow risks of interest rate	-	(22.537.592)	(22.537.592)
Forward fuel purchase contracts for hedging against cash flow risk of fuel prices	44.396.158	-	44.396.158
Fair values of derivative instruments for hedging purposes	44.396.158	(22.537.592)	21.858.566
Cross-currency swap contracts not subject to hedge accounting	7.675.593	(11.049.940)	(3.374.347)
Interest rate swap contracts not subject to hedge accounting	31.998.621	(29.045.104)	2.953.517
Fair values of derivative instruments not for hedging purposes	39.674.214	(40.095.044)	(420.830)
Total	84.070.372	(62.632.636)	21.437.736

31 December 2009	Positive fair value	Negative fair value	Total
Fixed-paid/floating received interest rate swap contracts for hedging against cash flow risks of interest rate	-	(7.130.730)	(7.130.730)
Forward fuel purchase contracts for hedging against cash flow risk of fuel prices	4.102.120	(736.175)	3.365.945
Fair values of derivative instruments for hedging purposes	4.102.120	(7.866.905)	(3.764.785)
Cross-currency swap contracts not subject to hedge accounting	15.596.383	(8.935.528)	6.660.855
Interest rate swap contracts not subject to hedge accounting	27.599.867	(28.429.739)	(829.872)
Fair values of derivative instruments not for hedging purposes	43.196.250	(37.365.267)	5.830.983
Total	47.298.370	(45.232.172)	2.066.198

Türk Hava Yolları A.O. and Its Subsidiary

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(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Hedging against fuel risk	Hedging against interest risk	Total
Increase/(decrease) in fair values of derivative instruments for hedging purposes	44.396.158	(22.537.592)	21.858.566
The amount of financial expenses inside hedge funds	-	1.700.882	1.700.882
Reclassified amount for inactive part in the risk elimination of fair value of hedging gains of fuel hedging derivative instrument to financial revenues	(4.329.733)	-	(4.329.733)
Total	40.066.425	(20.836.710)	19.229.715
Deferred tax effect	(8.013.285)	4.167.342	(3.845.943)
Hedge fund as of 31 December 2010	32.053.140	(16.669.368)	15.383.772

40. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

The Group has entered into a joint venture agreement with "Tusaş Türk Havacılık ve Uzay Sanayi A.Ş." for the establishment of a corporation under the name of "TCI Kabin İçi Sistemleri Sanayi ve Ticaret A.Ş."

Based on the BOD decision, the Company has decided to purchase 3 A330-200F type cargo aircrafts from Airbus in 2012,2013 and 2014.

In accordance with the leasing agreement signed with Crescent Leasing 2 Limited, the Company has leased 2 A320-200 type aircrafts for 72 months. Aircrafts are expected to be delivered in February and March 2011.

The Board of Directors of the Joint Venture has completed its procedures and process on the participation of 10% of the paid in capital of the newly established company. This new company will be established in Northern Cyprus to operate in domestic and international scheduled and nonscheduled flights and cargo flights. Accordingly, the Company and "KKTC Bayındırlık ve Ulaştırma Bakanlığı" have signed a joint venture agreement for the establishment of "Kuzey Kıbrıs Hava Yolları" corporation and in accordance with the agreement, the Company will own 10% of the newly established corporation.

41. OTHER ISSUES AFFECTING FINANCIAL STATEMENTS MATERIALLY OR NECESSARY TO MAKE FINANCIAL STATEMENTS SOUND, INTERPRETABLE AND UNDERSTANDABLE

As there is a change in the presentation and classification of the Group's financial statement items, prior financial statements are reclassified accordingly to maintain comparability. This reclassification has no effect over the prior period's equity and net profit/(loss) accounts. Significant reclassifications in the financial statements include:

Items amounting to TL 5.647.994 presented under "Cash and Cash Equivalents" in the 31 December 2009 balance sheet are recognized under "Other Receivables" in the 31 December 2010 balance sheet.

Gross due to/from related parties amount presented under "Trade Receivables" and "Trade Payables" in the 31 December 2009 balance sheet is offset within the Company. Total offset amounts to TL 1.691.656.

TL 4.637.259 of fuel expenses recognized under cost of sales for the 1 January – 31 December 2009 period is reclassified in administrative expenses.

Depreciation charge and maintenance costs recognized in costs of sales and impairment loss of property, plant and equipment recognized in other operating expenses for the 1 January – 31 December 2009 period are r0065classified in accordance with Note 2.2. Accounting Policies, Changes In Accounting Estimates and Errors.

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