

**TÜRK HAVA YOLLARI ANONİM  
ORTAKLIĞI AND ITS SUBSIDIARIES**

Convenience Translation to English of  
Condensed Consolidated  
Interim Financial Statements  
for the Nine-Month Period Ended 30 September 2013  
(Originally Issued in Turkish)

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Condensed Consolidated Balance Sheet as at 30 September 2013**  
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

		Not Reviewed	Audited
	Notes	30 September 2013	Restated (*) 31 December 2012
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	4	1.726.809.294	1.355.542.536
Financial Investments	5	-	476.958.794
Trade Receivables			
-Trade Receivables From Related Parties		257.310	18.975.259
-Trade Receivables From Non-Related Parties	20	1.310.627.756	758.427.363
Other Receivables			
-Other Receivables from Related Parties		-	8.531
-Other Receivables from Non-Related Parties		1.268.466.715	754.117.569
Derivative Financial Instruments		55.845.564	74.861.649
Inventories		275.344.894	259.199.763
Prepaid Expenses		168.860.398	136.483.380
Current Income Tax Assets		15.712.476	19.666.261
Other Current Assets		138.614.057	62.980.502
<b>TOTAL CURRENT ASSETS</b>		<b>4.960.538.464</b>	<b>3.917.221.607</b>
<b>Non-Current Assets</b>			
Financial Investments	2	2.337.686	2.049.244
Other Receivables			
-Other Receivables from Non-Related Parties		2.408.761.233	1.553.830.754
Equity Accounted Investees	7	367.061.163	269.069.545
Investment Property		65.598.557	57.985.000
Property and Equipment	8	16.090.303.094	12.693.339.589
Intangible Assets			
- Goodwill	9	52.523.964	-
- Other Intangible Assets	9	70.755.406	51.183.767
Prepaid Expenses		327.674.334	237.886.052
Other Non-Current Assets		2.923.832	15.797.083
<b>TOTAL NON-CURRENT ASSETS</b>		<b>19.387.939.269</b>	<b>14.881.141.034</b>
<b>TOTAL ASSETS</b>		<b>24.348.477.733</b>	<b>18.798.362.641</b>

(\*)Refer to Note 2

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Condensed Consolidated Balance Sheet as at 30 September 2013**  
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

		Not Reviewed	Audited
	Notes	30 September 2013	Restated (*) 31 December 2012
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Short-Term Portion of Long-Term Financial Debts	6	1.113.592.177	866.011.394
Other Financial Liabilities		56.419.168	31.064.076
Trade Payables			
-Trade Payables to Related Parties	20	313.373.359	215.000.995
-Trade Payables to Non-Related Parties		1.005.309.233	697.323.279
Payables Related to Employee Benefits		241.388.593	183.079.678
Other Payables			
-Other Payables to Related Parties		584.424	-
-Other Payables to Non-Related Parties		113.713.603	113.703.662
Derivative Financial Instruments		175.375.848	161.636.622
Deferred Income		42.595.359	41.819.652
Passenger Flight Liabilities	12	2.594.580.913	1.668.475.819
Provisions			
-Provisions for Employee Benefits		65.614.942	41.066.116
-Other Provisions	10	28.131.911	35.516.181
Other Current Liabilities		598.215.363	496.430.242
<b>TOTAL CURRENT LIABILITIES</b>		<b>6.348.894.893</b>	<b>4.551.127.716</b>
<b>Non- Current Liabilities</b>			
Financial Debts	6	9.784.407.421	7.800.982.204
Trade Payables			
- Trade Payables to Non- Related Parties		3.046.180	-
Other Payables			
-Other Payables to Non-Related Parties		51.452.408	15.659.634
Deferred Income		20.022.499	47.446.433
Provisions			
-Provisions for Employee Benefits		249.729.291	234.019.405
Deferred Tax Liability	18	1.099.117.329	744.083.660
<b>TOTAL NON- CURRENT LIABILITIES</b>		<b>11.207.775.128</b>	<b>8.842.191.336</b>
<b>Equity Attributable to Equity Holders of the Parent</b>			
Share Capital	13	1.380.000.000	1.200.000.000
Inflation Difference on Share Capital	13	1.123.808.032	1.123.808.032
Other Comprehensive Income or Expenses not to be Reclassified to Profit or Loss			
-Actuarial Losses from Defined Pension Plans		( 25.713.663)	( 25.713.663)
Other Comprehensive Income or Expenses to be Reclassified to Profit or Loss			
-Foreign currency translation differences	13	1.315.575.777	570.111.018
-Gains/ Losses from Cash Flow Hedges	13	( 57.089.562)	( 45.384.871)
Restricted Profit Reserves	13	59.372.762	39.326.341
Retained Earnings		2.169.569.348	1.387.991.694
Net Profit/ (Loss)		826.285.018	1.154.905.038
<b>TOTAL EQUITY</b>		<b>6.791.807.712</b>	<b>5.405.043.589</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>24.348.477.733</b>	<b>18.798.362.641</b>

(\*)Refer to Note 2

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Convenience Translation to English of Condensed Consolidated Interim Financial Statements Originally Issued in Turkish

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**

**Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income**

**For the Nine-Month Period Ended 30 September 2013**

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

	Notes	Not Reviewed		Restated(*)	
		1 January - 30 September 2013	1 July - 30 September 2013	1 January - 30 September 2012	1 July - 30 September 2012
<b>PROFIT OR LOSS</b>					
Sales Revenue	14	13.886.925.323	5.687.961.817	11.019.779.128	4.437.246.250
Cost of Sales (-)	14	( 10.957.065.497)	( 4.229.720.686)	( 8.500.512.021)	( 2.939.674.280)
<b>GROSS PROFIT/(LOSS)</b>		<b>2.929.859.826</b>	<b>1.458.241.131</b>	<b>2.519.267.107</b>	<b>1.497.571.970</b>
General Administrative Expenses (-)	15	( 323.555.423)	( 101.237.343)	( 282.727.506)	( 100.473.319)
Marketing and Sales Expenses (-)	15	( 1.365.945.411)	( 483.881.880)	( 1.135.423.186)	( 388.339.069)
Other Operating Income	16	189.439.856	44.023.976	158.799.809	42.977.839
Other Operating Expenses (-)	16	( 126.567.256)	( 52.778.109)	( 99.407.535)	( 41.428.323)
<b>OPERATING PROFIT</b>		<b>1.303.231.592</b>	<b>864.367.775</b>	<b>1.160.508.689</b>	<b>1.010.309.098</b>
Income from Investment Activities		47.788.467	19.233.189	38.417.898	6.155.894
Share of Investments' Profit/Loss Accounted by Using The Equity Method	8	97.875.171	103.937.701	5.187.717	14.560.910
<b>OPERATING PROFIT/LOSS BEFORE FINANCIAL INCOME/EXPENSE</b>		<b>1.448.895.230</b>	<b>987.538.665</b>	<b>1.204.114.304</b>	<b>1.031.025.902</b>
Financial Income	17	33.559.751	30.270.442	142.611.744	94.590.532
Financial Expenses (-)	17	( 351.358.463)	( 117.674.839)	( 185.211.316)	( 123.980.596)
<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>1.131.096.518</b>	<b>900.134.268</b>	<b>1.161.514.732</b>	<b>1.001.635.838</b>
<b>Tax Income/ Expense of Continuing Operations</b>		<b>( 304.811.500)</b>	<b>( 195.051.859)</b>	<b>( 285.326.516)</b>	<b>( 297.011.905)</b>
Current Tax Expense for the Period	18	( 1.701.131)	( 1.701.131)	( 48.093.204)	( 43.702.233)
Deferred Tax (Expense)/Income	18	( 303.110.369)	( 193.350.728)	( 237.233.312)	( 253.309.672)
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>826.285.018</b>	<b>705.082.409</b>	<b>876.188.216</b>	<b>704.623.933</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
<b>To Be Reclassified To Profit or Loss</b>		<b>733.760.068</b>	<b>256.119.758</b>	<b>( 229.009.911)</b>	<b>( 67.750.370)</b>
Change in Currency Translation Adjustment		745.464.759	288.361.094	( 229.307.209)	( 87.011.809)
Gains/ (Losses) of Cash Flow Hedge Reserves		( 14.630.864)	( 40.301.670)	371.623	24.076.799
Tax (Expense)/Income of Other Comprehensive Income to be Reclassified to Profit or Loss		2.926.173	8.060.334	( 74.325)	( 4.815.360)
<b>Not To Be Reclassified To Profit or Loss</b>		-	-	<b>( 7.813.989)</b>	-
Actuarial Losses from Defined Pension Plans		-	-	( 9.767.486)	-
Tax Expense/(Income) of Other Comprehensive Income		-	-	1.953.497	-
<b>OTHER COMPREHENSIVE INCOME</b>		<b>733.760.068</b>	<b>256.119.758</b>	<b>( 236.823.900)</b>	<b>( 67.750.370)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>1.560.045.086</b>	<b>961.202.167</b>	<b>639.364.316</b>	<b>636.873.563</b>
<b>Profit Per Share (Kr)</b>	23	0,60	0,51	0,63	0,51

(\*)Refer to Note 2

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Convenience Translation to English of Condensed Consolidated Interim Financial Statements Originally Issued in Turkish  
**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Condensed Consolidated Interim Statement of Changes in Equity**  
**For the Nine-Month Period Ended 30 September 2013**  
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

			Accumulated Other Comprehensive Income or Expenses Not To Be Reclassified To Profit or Loss	Accumulated Other Comprehensive Income or Expenses To Be Reclassified To Profit or Loss			Accumulated Profit		Total Equity
	Paid-in Share Capital	Inflation Difference on Share Capital	Actuarial Losses from Defined Pension Plans	Currency Translation Differences	Gains/ Losses of Cash Flow Hedges	Restricted Profit Reserves	Retained Earnings	Net Profit/ (Loss) for The Period	
<b>As of 31 December 2012</b>	<b>1.200.000.000</b>	<b>1.123.808.032</b>	-	<b>570.111.018</b>	<b>(45.384.871)</b>	<b>39.326.341</b>	<b>1.383.815.836</b>	<b>1.133.367.233</b>	<b>5.405.043.589</b>
Adjustments Related to Change in Accounting Policy ( Note : 2 )	-	-	(25.713.663)	-	-	-	4.175.858	21.537.805	-
<b>As of 1 January 2013</b>									
<b>Restated</b>	<b>1.200.000.000</b>	<b>1.123.808.032</b>	<b>(25.713.663)</b>	<b>570.111.018</b>	<b>(45.384.871)</b>	<b>39.326.341</b>	<b>1.387.991.694</b>	<b>1.154.905.038</b>	<b>5.405.043.589</b>
Transfers	-	-	-	-	-	20.046.421	1.134.858.617	(1.154.905.038)	-
Issuence of Bonus Shares	180.000.000	-	-	-	-	-	(180.000.000)	-	-
Dividends paid	-	-	-	-	-	-	(173.280.963)	-	(173.280.963)
Total Comprehensive Income	-	-	-	745.464.759	(11.704.691)	-	-	826.285.018	1.560.045.086
<b>As of 30 September 2013</b>	<b>1.380.000.000</b>	<b>1.123.808.032</b>	<b>(25.713.663)</b>	<b>1.315.575.777</b>	<b>(57.089.562)</b>	<b>59.372.762</b>	<b>2.169.569.348</b>	<b>826.285.018</b>	<b>6.791.807.712</b>

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Convenience Translation to English of Condensed Consolidated Interim Financial Statements Originally Issued in Turkish  
**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Condensed Consolidated Interim Statement of Changes in Equity**  
**For the Nine-Month Period Ended 30 September 2012**  
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Accumulated Other Comprehensive Income or Expenses Not To Be Reclassified To Profit or Loss		Accumulated Other Comprehensive Income or Expenses To Be Reclassified To Profit or Loss				Accumulated Profit		Total Equity
	Paid-in Share Capital	Inflation Difference on Share Capital	Actuarial Losses from Defined Pension Plans	Currency Translation Differences	Gains/ Losses of Cash Flow Hedges	Restricted Profit Reserves	Retained Earnings	Net Profit/ (Loss) for The Period	
<b>As of 31 December 2011</b>	<b>1.200.000.000</b>	<b>1.123.808.032</b>	-	<b>798.590.878</b>	<b>(46.613.446)</b>	<b>39.326.341</b>	<b>1.365.299.204</b>	<b>18.516.632</b>	<b>4.498.927.641</b>
Adjustments Related to Change in Accounting Policy ( Note:2 )	-	-	(4.175.858)	-	-	-	-	4.175.858	-
<b>As of 1 January 2012</b>									
<b>Restated</b>	<b>1.200.000.000</b>	<b>1.123.808.032</b>	<b>(4.175.858)</b>	<b>798.590.878</b>	<b>(46.613.446)</b>	<b>39.326.341</b>	<b>1.365.299.204</b>	<b>22.692.490</b>	<b>4.498.927.641</b>
Transfers	-	-	-	-	-	-	22.692.490	(22.692.490)	-
Actuarial Losses from Defined Pension Plans	-	-	(7.813.989)	-	-	-	-	-	(7.813.989)
Total Comprehensive Income	-	-	-	(229.307.209)	297.298	-	-	876.188.216	647.178.305
<b>As of 30 September 2012</b>	<b>1.200.000.000</b>	<b>1.123.808.032</b>	<b>(11.989.847)</b>	<b>569.283.669</b>	<b>(46.316.148)</b>	<b>39.326.341</b>	<b>1.387.991.694</b>	<b>876.188.216</b>	<b>5.138.291.957</b>

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Condensed Consolidated Interim Statement of Cash Flows**  
**For the Nine-Month Period Ended 30 September 2013**  
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

		Not Reviewed	Not Reviewed
		1 January- 30 September 2013	1 January- 30 September 2012
	Notes		Restated (*)
Profit Before Tax		1.131.096.518	1.151.747.246
<b>Adjustments to reconcile cash flow generated from operating activities:</b>			
Adjustments for Depreciation and Amortization	8-9	903.235.369	660.499.671
Adjustments for Provision for Employee Benefits		18.224.633	45.631.777
Adjustments for Provisions, Net	10	(11.163.950)	10.756.025
Adjustments for Interest Income	17	(74.219.713)	(116.125.042)
Gain on Sales of Fixed Assets		(7.128.505)	(6.440.429)
Adjustments Increase in Provision for Impairment	20	-	4.823
Share of Investments' Loss Accounted by Using The Equity Method	7	(97.875.171)	26.997.234
Adjustments for Interest Expense	19	240.665.848	159.728.416
Change in Manufacturers' Credit		(496.098)	(2.725.981)
Unrealized Foreign Exchange Loss and Translation Differences		185.611.652	(160.428.416)
Increase in Provision for Doubtful Receivables		4.638.308	3.257.678
Change in Fair Value Derivative Instruments	18-19	29.885.323	72.280.240
<b>Operating profit before working capital changes</b>		<b>2.322.474.214</b>	<b>1.845.183.242</b>
Adjustments for Increase in Trade Receivables		( 388.210.136)	(398.531.602)
Adjustments for Change in Other Short and Long Term Receivables		420.938.847	369.982.290
Adjustments for Decrease in Inventories		18.716.493	21.023.492
Adjustments for Change in Other Receivables Related to Operations		(24.150.565)	136.199.937
Adjustments for Change in Other Non- Current Assets and Prepaid Expenses		(29.991.320)	61.174.508
Adjustments for Increase in Trade Payables		229.438.309	55.941.399
Adjustments for Change in Payables to Employee Benefits and Other Payables		46.829.445	(363.466.577)
Change in Other Short-Term and Long-Term Deferred Income and Liabilities Related to Operations		(20.156.502)	7.155.018
Adjustments for Increase in Short-Term Provisions Employee Benefits		17.172.375	(80.317.335)
Adjustments for Increase in Passenger Flight Liabilities		632.414.778	652.956.874
<b>Cash Flows Generated From Operating Activities</b>		<b>3.225.475.938</b>	<b>2.307.301.246</b>
Payment of Retirement Pay Liabilities		(21.682.200)	(23.239.207)
Interest Paid		(204.332.532)	(149.390.759)
Taxes Paid		( 17.427.001)	(3.683.900)
<b>Net Cash Generated From Operating Activities</b>		<b>2.982.034.205</b>	<b>2.130.987.380</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds From Sale of Property and Equipment and Intangible Assets		35.239.517	64.314.447
Interest Received		72.812.856	110.750.041
Purchase of Property and Equipment and Intangible Assets (**)	8-9	(841.602.759)	(229.113.926)
Prepayments For The Purchase of Aircrafts		(1.392.437.890)	( 497.667.513)
Change in Financial Investments		469.933.674	(513.743.698)
Cash Outflow Arising From Capital Increase in Investments		( 1.012.500)	-
Cash Outflow Arising from Acquisition of Subsidiaries	2	( 45.929.808)	-
<b>Net Cash Used In Investing Activities</b>		<b>( 1.702.996.910)</b>	<b>( 1.065.460.649)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayment of Principal in Financial Lease Liabilities		( 745.383.211)	( 539.752.021)
Decrease in Other Financial Liabilities and Derivative Instruments		10.893.637	74.481.041
Dividends Paid		( 173.280.963)	-
<b>Net Cash Used In Financing Activities</b>		<b>( 907.770.537)</b>	<b>( 465.270.980)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>371.266.758</b>	<b>600.255.751</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>1.355.542.536</b>	<b>1.549.524.710</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>1.726.809.294</b>	<b>2.149.780.461</b>

(\*)Refer to Note 2

(\*\*) TL 1,619,259,398 portion of property and equipment and intangible assets purchases in total of TL 2,460,862,157 for the period ended 30 September 2013 was financed through finance leases. (30 September 2012: TL 1,508,627,764 portion of property and equipment and intangible assets purchases in total of TL 2,195,884,643 was financed through leases.)

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**

**Notes to the Condensed Consolidated Interim Financial Statements**

**For the Nine-Month Period Ended 30 September 2013**

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

**1. COMPANY ORGANIZATION AND ITS OPERATIONS**

Türk Hava Yolları Anonim Ortaklığı (the “Company” or “THY”) was incorporated in Turkey in 1933. As of 30 September 2013 and 31 December 2012, the shareholders and their respective shareholdings in the Company are as follows:

	<u>30 September 2013</u>	<u>31 December 2012</u>
Republic of Turkey Prime Ministry		
Privatization Administration	49.12 %	49.12 %
Other (publicly held)	50.88 %	50.88 %
Total	<u>100.00 %</u>	<u>100.00 %</u>

The number of employees working for the Company and its subsidiaries (together the “Group”) as of 30 September 2013 is 22,971. (31 December 2012: 19,109). The average number of employees working for the Group for the nine-month period ended 30 September 2013 and 2012 are 20,359 and 17,564 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 Borsa Istanbul since 1990.

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 department’s performance evaluation. Each member of the Group companies prepares its 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 main activity is providing repair and maintenance service on civil aviation sector and giving all kinds of technical and infrastructure support related to airline industry.

Subsidiaries and Associates

The table below sets out the consolidated subsidiaries and participation rate of the Group in these subsidiaries as of 30 September 2013 and 31 December 2012:

Name of the Company	Principal Activity	<u>Participation Rate</u>		Country of Registration
		30 September 2013	31 December 2012	
THY Teknik	Aircraft Maintenance Services	100%	100%	Turkey
THY Habom (*)	Aircraft Maintenance Services	100%	-	Turkey
HABOM (*)	Aircraft Maintenance Services	-	100%	Turkey
THY Aydın Çıldır	Training & Airport Operations	100%	100%	Turkey

(\*) Refer to Note 2.1 (d)

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**

**Notes to the Condensed Consolidated Interim Financial Statements**

**For the Nine-Month Period Ended 30 September 2013**

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

**1. COMPANY ORGANIZATION AND ITS OPERATIONS (cont'd)**

The table below sets out consolidated affiliates and indicates the proportion of ownership interest of the Company in these affiliates as of 30 September 2013 and 31 December 2012:

Company Name	Country of Registration and Operations	Ownership Share (*)	Voting Power (*)	Principal Activity
Güneş Ekspres Havacılık A.Ş. (Sun Express)	Türkiye	%50	%50	Hava Taşımacılığı
THY DO&CO İkrâm Hizmetleri A.Ş. (Turkish DO&CO)	Türkiye	%50	%50	İkrâm Hizmetleri
P&W T.T. Uçak Bakım Merkezi Ltd. Şti. (TEC)	Türkiye	%49	%49	Teknik Bakım
TGS Yer Hizmetleri A.Ş. (TGS)	Türkiye	%50	%50	Yer Hizmetleri
THY OPET Havacılık Yakıtları A.Ş. (THY Opet)	Türkiye	%50	%50	Havacılık Yakıtları
Goodrich Thy Teknik Servis Merkezi Ltd. Şti. (Goodrich)	Türkiye	%40	%40	Teknik Bakım
Uçak Koltuk Sanayi ve Ticaret A.Ş. (Uçak Koltuk)	Türkiye	%50	%50	Uçak Kabin İçi Ürünleri
TCI Kabin İçi Sistemleri San ve Tic. A.Ş. (TCI)	Türkiye	%51	%51	Uçak Kabin İçi Ürünleri
Türkbine Teknik Gaz Türbinleri Bakım Onarım A.Ş. (Türkbine Teknik)	Türkiye	%50	%50	Gaz Türbinleri Bakım Hizmeti

(\*) Share percentage and voting rights are the same in the year 2013 and 2012.

**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

**2.1 Basis of Presentation**

**(a) Declaration of Conformity**

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.

The condensed consolidated interim financial statements have been prepared in accordance with the communiqué numbered II-14.1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the Capital Markets Board (“CMB”) on 13 June 2013 which is published on Official Gazette numbered 28676.

According to the article 5th of the Communiqué, the Group prepares its condensed consolidated financial statements in accordance with Turkish Accounting Standards/Turkish Financial Reporting Standards, (“TAS/TFRS”) appendixes and interpretations as adopted by the Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”).

The condensed consolidated interim financial statements have been prepared in accordance with TAS 34 “Interim Financial Reporting”. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2012.

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

**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)**

**2.1 Basis of Presentation (cont'd)**

**(a) Declaration of Conformity (cont'd)**

Board of Directors has approved the condensed consolidated interim financial statements as of 30 September 2013 and delegated authority for publishing it on 8 November 2013. General assembly and related regulatory bodies have the authority to modify the financial statements.

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

**(b) Functional and Reporting Currency**

Functional currency

Although the currency of the country in which the Company is domiciled is Turkish Lira (TL), for the purpose of this report the Company's functional currency is determined as US Dollar. US Dollar is used to a significant extent in, and has a significant impact on, the operations of the Company and reflects the economic substance of the underlying events and circumstances relevant to the Company. Therefore, the Company uses the US Dollar in measuring items in its financial statements and as the reporting currency. All currencies other than the currency selected for measuring items in the financial statements are treated as foreign currencies. Accordingly, transactions and balances not already measured in US Dollar have been premeasured in US Dollar in accordance with the relevant provisions of TAS 21 (the Effects of Changes in Foreign Exchange Rates).

Translation to the presentation currency

The Group's presentation currency is TL. The US Dollar financial statements of the Group are translated into TL as the following methods under TAS 21 ("The Effects of Foreign Exchange Rates"):

- a) Assets and liabilities in the balance sheet are translated into TL at the prevailing US Dollar buying exchange rates of the Central Bank of Turkish Republic;
- b) The income statement is translated into TL by using the monthly average US Dollar exchange rates; and;
- c) All differences are recognized as a separate equity item under exchange differences.

**(c) Comparative Information**

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 reclassifications in the prior year consolidated financial statements in order to maintain consistency, with current year consolidated financial statements.

Based on the decision taken on 7 June 2013 by the CMB at its meeting numbered 20/670, a new illustrative financial statement and guidance to it has been issued effective from the interim periods ended after 31 March 2013, which is applicable for the companies that are subject to Communiqué on the Principles of Financial Reporting in Capital Markets. Based on these new illustrative financial statements, a number of changes made at the Group's consolidated financial statements.

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)**

**2.1 Basis of Presentation (cont'd)**

**(c) Comparative Information (cont'd)**

As a result of preparation of the condensed interim consolidated financial statements in accordance with the communiqué numbered II-14.1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the Capital Markets Board (“CMB”) on 13 June 2013 which is published on Official Gazette numbered 28676, significant classifications in the prior year consolidated financial statements have been indicated in following paragraphs as a summary on the basis of consolidated financial statements and items.

**Reclassifications in Balance Sheet as of 31 December 2012:**

- Trade Receivables/Payables From/To Related Parties” which were disclosed under “ Trade Receivables/Trade Payables” are disclosed under “Receivables and Payables from/to Related Parties” separately by TL 18,975,259 and TL 215,000,995, respectively. TL 758,427,363 and TL 697,323,279 are disclosed to “Trade Receivables from None-Related Parties” which is under “Trade Receivables/Trade Payables”.
- “Other Receivables from Related Parties” which was disclosed under “Other Receivables” is disclosed under other receivables as “Receivables from Related Parties” with the amount of TL 8,531.
- “Fair Value of Derivative Instruments” item which was disclosed under “Financial Investments and Other Financial Obligations” is disclosed separately under “Derivative Financial Instruments” as TL 74, 861, 649, and TL 161,636,622, respectively.
- “Prepaid Sales Commissions, Prepaid Operating Lease Expenses, Prepaid Insurance Expenses, Advances Given and Other Prepaid Expenses” items which were disclosed under Other Current Assets are disclosed under “Prepaid Expenses” by TL 136,483,380, separately.
- “Prepaid Operating Lease Expenses, Prepaid Aircraft Financing Expenses, Engine Maintenance Reserve, Payments for Purchases of Fixed Assets and Prepaid Expenses” which were disclosed under Other Non-Current Assets are disclosed under “Prepaid Expenses” amounting to TL 237,886,052.
- “Prepaid Taxes and Funds” amounting to TL 2,206,083 which was disclosed under Other Current Assets is reclassified and disclosed under “Current Income Tax Assets”. In addition, “Taxes and Funds Payable amounting to TL 17,460,178 that was disclosed under “Short-term Other Liabilities “as of 31 December 2012 is disclosed under “Prepaid Taxes and Funds” by the Group and therefore “Taxes Related to Current Assets” is presented as TL 19,666,261.
- “Financial Lease Obligations” item which was disclosed under “Financial Liabilities” is disclosed under “Short-term Portion of Long-term Borrowings” amounting to TL 866,011,394.
- The term “Employee Benefits” was revised as “Provision for Employee Benefit Obligations”. “Social Security Premiums Payable” which was disclosed under “Short-Term Other Liabilities” is disclosed under “Payables related to Employee Benefit Obligations” by TL 36,021,871, separately. In addition, Provisions for Unused Vacation Liabilities amounting to TL 41,066,116 ,which was disclosed under “Employee Benefits “as of 31 December 2012 is disclosed as “Short-term Provisions for Employee Benefits” under “Short -term Provisions”.
- ‘Rent Advances and Other Advances’ item which was disclosed under Short-Term Other Liabilities and “Unearned Revenue Accruals and Unearned Revenue from Share Transfer of TGS” was also disclosed under “Short-Term Liabilities” is disclosed under “Deferred Income on Current Liabilities” with TL of 21,228,770 and TL 20,590,882 ,respectively.

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)**

**2.1 Basis of Presentation (cont'd)**

**(c) Comparative Information (cont'd)**

**Reclassifications in the Statement of Profit and Loss and Other Comprehensive Income for the Nine-Month Interim Period Ended 30 September 2012**

Classifications in Statement of Profit and Loss and Other Comprehensive Income, previous name "Statement of Other Comprehensive", are summarized in the following paragraphs;

- "Discount Income" amounting to TL 4,595,392 (1 July-30 September 2012; TL 2,338,166) related to "Trade Operations and "Receivables from Training of Captain Candidates" and late payment interest income amounting to TL 8,892,878 (1 July-30 September 2012; TL 561,261) that were disclosed under "Financial Income" in previous periods are reclassified to "Other Operating Income".
- Discount interest expense amounting TL 6,937,577 (1 July-30 September 2012; TL 1,473,648) and foreign exchange expense amounting to TL 15,555,420 (1 July-30 September 2012: TL 15,555,420) arising from commercial operations that were disclosed under "Financial Income" in previous periods are reclassified to "Other Operating Expenses".
- Foreign exchange gains amounting to TL 6,102,215 which was disclosed under foreign exchange expenses is reclassified to "Financial Income".
- "Interest Income", amounting to TL 34,869,841 (1 July-30 September 2012; TL 6,056,819), that was earned from Financial Investments is classified to "Income from Investment Activities" under "Financial Income".
- Gain on sale of fixed assets amounting to TL 3,548,057 (1 July-30 September 2012; TL 99,075) which was disclosed under "Other Operating Income" is disclosed under "Income from Investment Activities".

As there is a change in the presentation and classification of the Group's financial statement items, due to the implemented ERP system which was practiced in 2012, prior financial statements are reclassified for maintaining comparability.. Significant reclassifications in the financial statements include:

- Other airlines' seat rent expenses, amounting to TL 142,345,585 (1 July-30 September 2012; TL 43,225,220) which was disclosed under "Cost of Sales" in the interim period 1 January-30 September 2012 was net-off with "Sales Revenue".
- Derivative interest income, amounting to TL 12,924,358 (1 July-30 September 2012; TL 5,011,136) which was disclosed under "Financial Income" in the interim period 1 January-30 September 2012 was net-off with "Financial Expenses".
- Maintenance returns from leasing companies, amounting to TL 12,760,680 which was disclosed under "Other Operating Income" in the interim period 1 January-30 September 2012 was net-off with "Cost of Sales".
- Service Expenses, amounting to TL 3.558.053 which was disclosed under "Marketing and Sales Expenses" in the interim period 1 January-30 June 2012 is disclosed under "Cost of Sales".
- TL 12,865,717 portion of depreciation expense amounting to TL 17,171,878 which was disclosed under "General Administrative Expenses" in the interim period 1 January-30 June 2012 is disclosed under "Cost of Sales" and the rest amounting to TL 4,306,161 is disclosed under "Marketing and Sales Expenses".

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

**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)**

**2.1 Basis of Presentation (cont'd)**

**(c) Comparative Information (cont'd)**

**Reclassifications in the Statement of Profit and Loss and Other Comprehensive Income for the Nine-Month Interim Period Ended 30 September 2012 (cont'd)**

- Communication and information expenses, amounting to TL 2,507,199 which was disclosed under “Marketing and Sales Expenses” in the interim period 1 January-30 June 2012 is classified to other expenses disclosed under “Cost of Sales”.
- Other sales and marketing expenses, amounting to TL 12,328,868 which was disclosed under “Marketing and Sales Expenses” in the interim period 1 January-30 June 2012 is reclassified to ground services expenses disclosed under “Cost of Sales”.
- Other administrative expenses, amounting to TL 3,007,323 which was disclosed under “General Administrative Expenses” in the interim period 1 January-30 June 2012 is reclassified to commissions and incentive expenses disclosed under “Marketing and Sales Expenses”.
- CIP lounge income, amounting to TL 2,838,560 which was disclosed under “Other Operating Income” in the interim period 1 January-30 June 2012 was net-off with “Cost of Sales”.
- Provisions for unused vacation expenses, amounting to TL 6,971,604 and withholding tax expenses on financial lease payments, amounting to TL 2,087,929 were both disclosed under “General Administrative Expenses” in the interim period 1 January-30 June 2012 is disclosed under “Cost of Sales”.
- Rent expenses, amounting to TL 8,512,205 which was disclosed under “Cost of Sales” in the interim period 1 January-30 June 2012 is reclassified to rent expenses disclosed under “Marketing and Sales Expenses”.
- Foreign exchange loss, amounting to TL 65,918,230 which was disclosed under “Financial Income” in the interim period 1 July-30 September 2012 is reclassified to “Financial Expenses”.

Moreover,

- Other income, amounting to TL 3,945,212 which was disclosed under “Other Operating Income” in the interim period 1 January-30 June 2013 is reclassified to “Cost of Sale”.
- Other airlines' seat rent expenses, amounting to TL 34,570,620 which was disclosed under “Cost of Sales” in the interim period 1 January-30 June 2013 was net-off with “Sales Revenue”.

**Reclassifications in the Statement of Changes in Equity for the Nine-Month Interim Period Ended 30 September 2012**

According to condensed consolidated interim financial statements in accordance with the communiqué numbered II-14.1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the Capital Markets Board; changes in preparation of “statement of changes in equity” are completed for the period ended 30 September 2013

- Other disclosures are given in Note 2.3 “Changes in Accounting Policies” related to the restatements in statement of changes in equity

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)**

**2.1 Basis of Presentation (cont'd)**

**(d) Business combinations**

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquire; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognized in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

***Acquisition of 100% shares of MNG Teknik Uçak Bakım Hizmetler Anonim Şirketi and Combination with Habom***

The share purchase agreement for the acquisition of all shares of MNG Teknik Uçak Bakım Hizmetleri Anonim Şirketi ("MNG Teknik") by Türk Hava Yolları Anonim Ortaklığı was signed between parties on 22 May 2013 having obtained the approval of the Competition Authority with a consideration of USD 24,114,736.

In the Extraordinary General Meeting of MNG Teknik dated 29 August 2013, it was decided to merge with Habom held in check by the same partners. This business combination was carried out under legal structure of MNG Teknik via transfer of all assets, liabilities, rights and obligations of Habom to MNG Teknik. As a result of the merger, the company's title was registered as THY HABOM A.Ş. on 13 September 2013.

The Group has consolidated operational results of MNG Teknik as at 30 September 2013 with full consolidation method. If the acquisition had occurred on 1 January 2013, it is estimated that consolidated revenue would have been higher by TL 35,618,745 and consolidated net income would have been lower by TL 20,371,752. The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)**

**2.1 Basis of Presentation (cont'd)**

**(d) Business combinations (cont'd)**

	<u>Note</u>	<u>Pre-acquisition value</u>	<u>Fair value adjustment</u>	<u>Acquisition value</u>
Property and equipment	8	101,436,163	-	101,436,163
Trade and other receivables		4,476,172	-	4,476,172
Other assets		7,131,521	-	7,131,521
Cash and cash equivalents		486,236	-	486,236
Financial debts		(78,827,091)	-	(78,827,091)
Trade and other payables		(27,549,448)	-	(27,549,448)
Other payables		(13,261,473)	-	(13,261,473)
<b>Identifiable assets and liabilities</b>		<b>( 6,107,920)</b>	-	<b>( 6,107,920)</b>
<b>Goodwill arising from acquisition</b>				<b>52,523,964</b>
Cash consideration paid				46,416,044
Cash and cash equivalents acquired				( 486,236)
Net cash outflow arising from acquisition				<b>45,929,808</b>

Pre-acquisition values are calculated in accordance with International Financial Reporting Standards just before the acquisition date.

Fair values of recognized assets and liabilities as well as the cost of the combination at the date of acquisition are provisionally accounted by the Group. The time period for recognition of additional items or adjustments to the fair values of assigned recognized assets, liabilities and contingent liabilities is limited to 12 months from the date of acquisition.

**(e) Additional paragraph for convenience translation to English**

The financial reporting standards promulgated by the Capital Markets Board of Turkey described in Note 2 to the condensed consolidated interim financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, presentation of the basic financial statements and also for certain disclosure requirements. Accordingly, the accompanying condensed consolidated interim financial statements are not intended to present the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with IFRS.

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)**

**2.2 Summary of Significant Accounting Policies**

The accounting policies used in preparation of condensed consolidated interim financial statements are consistent with those used in the preparation of consolidated statements for the year ended 31 December 2012 except for changes on application of TAS 19 as discussed in Note 2.3 and reclassifications made according to a new illustrative financial statement and guidance issued by CMB which is effective from the interim periods ended after 31 March 2013 and applicable for the companies that are subject to Communiqué on the Principles of Financial Reporting in Capital Markets based on the decision taken at its meeting numbered 20/670 and dated 7 June 2013 as discussed in Note 2.1.(c).

**2.3 Changes in Accounting Policies**

TAS 19 (“Employee Benefits”) has been revised effective from the annual period beginning after 1 January 2013. In accordance with the revised standard, actuarial gain / loss related to employee benefits shall be recognized in other comprehensive income.

The Group used to recognize the actuarial gain/loss related to employee benefits in profit or loss until 31 December 2012. The Group applied the change in accounting policy retrospectively as the standard stated and actuarial gains/losses reported under consolidated profit or loss in prior periods have been represented in Actuarial Losses in Defined Pension Plans under equity. As a result of this change, net profit for the year ended 31 December 2011 and 2012 has been increased by TL 4.175.858 and TL 21,537,805, respectively.

Accordingly, the Group has reclassified TL 7,130,265 from cost of sales, TL 976.749 from general administrative expenses and TL 1,660,473 from sales and marketing expenses with the deferred tax effect of TL 1.953.497 to “Actuarial losses from defined benefit plans” in the consolidated interim statement of profit or loss and other comprehensive income for the nine-month period ended 30 September 2012.

**2.4 Significant Accounting Estimates and Assumptions**

The significant estimates and assumptions used in preparation of these condensed consolidated interim financial statements are same with those used in the preparation of the Group’s consolidated financial statements as at and for the year ended 31 December 2012.

**2.5 New and Revised Standards and Interpretations**

In accounting policies considered in preparation of financial statements as of and for the nine-month period ended 30 September 2013, the Group applied all TFRS standards that are effective as of 1 January 2013 and all interpretations published by Turkey Financial Reporting Interpretations Committee (“TFRYK”) affected financial statements in the matter of correction and explain.

***New standards and interpretations not yet adopted as of 30 September 2013***

A number of new standards, amendments to standards and interpretations explained below are not yet effective as at 30 September 2013, and have not been applied in preparing these consolidated financial statements of the Group:

- IFRS 9 Financial Instruments could change the classification and measurement of financial assets and becomes effective for annual periods beginning on or after 1 January 2015.
- IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended): The amendments clarify the meaning of —currently has a legally enforceable right to set-off and also clarify the application of the IAS 32 offsetting criteria to settlement systems which apply gross settlement mechanisms that are not simultaneous. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2014.

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**Notes to the Condensed Consolidated Interim Financial Statements**

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

**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)**

***New standards and interpretations not yet adopted as of 30 September 2013(cont'd)***

The Group does not plan to adopt these standards early and the extent of the impact has not been determined yet.

**Resolutions promulgated by POA**

In addition to those mentioned above, the POA has promulgated the following resolutions regarding the implementation of Turkish Accounting Standards. "Illustrative financial statement and user guide" became immediately effective at its date of issuance; however, the other resolutions shall become effective for the annual reporting periods beginning after 31 December 2012.

• **2013-1 Illustrative Financial Statement and User Guide**

The POA promulgated "illustrative financial statement and user guide" on 20 May 2013 in order to ensure the uniformity of financial statements and facilitate their audit. The financial statement examples within this framework were published to serve as an example to financial statements to be prepared by companies obliged to apply TAS, excluding financial institutions established to engage in banking, insurance, private pensions or capital market.

• **2013-2 Accounting of Combinations under Common Control**

In accordance with the resolution it has been decided that i) combination of entities under common control should be recognized using the pooling of interest method, ii) and thus, goodwill should not be included in the financial statements and iii) while using the pooling of interest method, the financial statements should be prepared as if the combination has taken place as of the beginning of the reporting period in which the common control occurs and should be presented comparatively from the beginning of the reporting period in which the common control occurred. This resolution did not have an impact on the financial statements of the Group.

• **2013-3 Accounting of Redeemed Share Certificates**

Clarification has been provided on the conditions and circumstances where the redeemed share certificates shall be recognized as a financial liability or equity based financial instruments. These resolutions did not have an impact on the financial statements of the Group.

• **2013-4 Accounting of Cross Shareholding Investments**

If a subsidiary of a parent entity holds shares of the parent, then this is defined as cross shareholding investment and accounting of this cross investment is assessed based on the type and different recognition principles adopted. With the subject resolution, this topic has been assessed under three main headings as explained below and the recognition principles have been determined for each of them.

- i) The subsidiary holding the equity based financial instruments of the parent,
- ii) The associates or joint ventures holding the equity based financial instruments of the parent,
- iii) The parent's equity based financial instruments are held by an entity, which is accounted as an investment within the scope of TAS 38 and TFRS 9 by the parent.

This resolution did not have an impact on the financial statements of the Group.

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**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)**

**2.5 New and Revised Standards and Interpretations (cont'd)**

**The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA**

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the condensed interim consolidated financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Group will make changes, provided that necessary, to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

• **IFRS 10 Consolidated Financial Statements (Amendment)**

IFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments. The Group does not expect that this amendment will have any impact on the financial position or performance of the Group.

• **IFRIC Interpretation 21 Levies**

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation is effective for annual periods beginning on or after 1 January 2014, with early application permitted. Retrospective application of this interpretation is required. The Group does not expect that this amendment will have any impact on the financial position or performance of the Group.

• **IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial assets (Amendment)**

The IASB, as a consequential amendment to IFRS 13 Fair Value Measurement, modified some of the disclosure requirements in IAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. Earlier application is permitted for periods when the entity has already applied IFRS 13. The Group does not expect that this amendment will have any impact on the financial position or performance of the Group.

• **IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendment)**

In June 2013, the IASB issued amendments to IAS 39 Financial Instruments: Recognition and Measurement that provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be notated to a central counterparty as a result of laws or regulations. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. The Group does not expect that this amendment will have any impact on the financial position or performance of the Group.

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**Notes to the Condensed Consolidated Interim Financial Statements**

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**3. 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 14.

**3.1 Total Assets and Liabilities**

	<b>30 September 2013</b>	<b>31 December 2012</b>
Total Assets		
Aviation	24.174.931.771	18.616.877.435
Technic	1.743.073.588	1.235.350.264
Total	25.918.005.359	19.852.227.699
Less: Eliminations due to consolidation	(1.569.527.626)	(1.053.865.058)
Total assets in consolidated financial statements	24.348.477.733	18.798.362.641
Total Liabilities		
Aviation	17.313.153.723	13.245.057.747
Technic	607.873.107	309.832.394
Total	17.921.026.830	13.554.890.141
Less: Eliminations due to consolidation	(364.356.809)	(161.571.089)
Total liabilities in consolidated financial statements	17.556.670.021	13.393.319.052

**3.2 Profit / (Loss) before Tax**

Segment Results:

<b>1 January-30 September 2013</b>	<b>Aviation</b>	<b>Technic</b>	<b>Inter-segment elimination</b>	<b>Total</b>
Sales to External Customers	13.678.654.738	208.270.585	-	13.886.925.323
Inter-Segment Sales	11.157.334	526.315.695	(537.473.029)	-
Segment Revenue	13.689.812.072	734.586.280	(537.473.029)	13.886.925.323
Cost of Sales (-)	(10.839.428.181)	(649.272.754)	531.635.438	(10.957.065.497)
Gross Profit/ (Loss)	2.850.383.891	85.313.526	(5.837.591)	2.929.859.826
Administrative Expenses (-)	(249.693.360)	(87.842.369)	13.980.306	(323.555.423)
Marketing and Sales Expenses (-)	(1.359.749.569)	(6.830.585)	634.743	(1.365.945.411)
Other Operating Income	182.602.506	20.906.051	(14.068.701)	189.439.856
Other Operating Expenses (-)	(115.820.335)	(16.132.941)	5.386.020	(126.567.256)
Operating Profit/ (Loss)	1.307.723.133	(4.586.318)	94.777	1.303.231.592
Income from Investment Activities	46.197.528	(1.590.939)	-	47.788.467
Share of Investments' Profit/Loss				
Accounted by Using The Equity Method	115.533.937	(17.658.766)	-	97.875.171
Operating Profit/Loss before Financial				
Income/Expense	1.469.454.598	(20.654.145)	94.777	1.448.895.230
Financial Income	34.441.670	3.031.316	(3.913.235)	33.559.751
Financial Expense (-)	(335.741.139)	(19.435.782)	3.818.458	(351.358.463)
Profit / Loss Before Tax From Continuing				
Operations	1.168.155.129	(37.058.611)	-	1.131.096.518

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**

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**3. SEGMENTAL REPORTING (cont'd)**

**3.2 Profit / (Loss) before Tax (cont'd)**

<b>1 January- 30 September 2012</b>	<b>Aviation</b>	<b>Technic</b>	<b>Inter-segment elimination</b>	<b>Total</b>
Sales to External Customers	10.888.526.730	131.252.398	-	11.019.779.128
Inter-Segment Sales	28.815.523	508.207.892	(537.023.415)	-
Segment Revenue	10.917.342.253	639.460.290	(537.023.415)	11.019.779.128
Cost of Sales (-)	(8.484.402.942)	(540.268.864)	524.159.785	(8.500.512.021)
Gross Profit/ (Loss)	2.432.939.311	99.191.426	(12.863.630)	2.519.267.107
Administrative Expenses (-)	(221.941.209)	(64.619.080)	3.832.783	(282.727.506)
Marketing and Sales Expenses (-)	(1.129.109.131)	(6.824.548)	510.493	(1.135.423.186)
Other Operating Income	151.800.778	8.010.203	(1.011.172)	158.799.809
Other Operating Expense (-)	(91.924.610)	(7.482.925)	-	(99.407.535)
Operating Profit/ (Loss)	1.141.765.139	28.275.076	(9.531.526)	1.160.508.689
Income from Investment Activities	38.417.898	-	-	38.417.898
Share of Investment Profit/ (Loss)				
Accounted by Using the Equity Method	24.675.166	(19.487.449)	-	5.187.717
Operating Profit/Loss before Financial				
Income/Eexpense	1.204.858.203	8.787.627	(9.531.526)	1.204.114.304
Financial Income	137.567.952	5.043.792	-	142.611.744
Financial Expense (-)	(183.129.577)	(2.081.739)	-	(185.211.316)
Profit / Loss Before Tax From Continuing				
Operations	1.159.296.578	11.749.680	(9.531.526)	1.161.514.732

Income statement items related to equity accounted investees:

<b>1 January- 30 September 2013</b>	<b>Aviation</b>	<b>Technic</b>	<b>Inter-segment elimination</b>	<b>Total</b>
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Share of Investments' Profit/Loss				
Accounted by Using The Equity Method	115.533.937	(17.658.766)	-	97.875.171

<b>1 January- 30 September 2012</b>	<b>Aviation</b>	<b>Technic</b>	<b>Inter-segment elimination</b>	<b>Total</b>
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Share of Investments' Profit/Loss				
Accounted by Using The Equity Method	24.675.166	(19.487.449)	-	5.187.717

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**

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**3. SEGMENTAL REPORTING (cont'd)**

**3.3 Investment Operations**

<b>1 January- 30 September 2013</b>	<b>Aviation</b>	<b>Technic</b>	<b>Inter-segment elimination</b>	<b>Total</b>
Purchase of property and equipment and intangible fixed assets	2.074.753.162	233.193.380	-	2.307.946.542
Current period amortization and depreciation	845.426.428	57.812.072	-	903.238.500
Investments accounted by using the equity method	313.366.960	53.694.203	-	367.061.163
<b>1 January- 30 September 2012</b>	<b>Aviation</b>	<b>Technic</b>	<b>Inter-segment elimination</b>	<b>Total</b>
Purchase of property and equipment and intangible fixed assets	1.970.480.595	225.404.048	-	2.195.884.643
Current period amortization and depreciation	610.629.857	49.869.814	-	660.499.671
Investments accounted by using the equity method	218.109.676	63.978.682	-	282.088.358

**4. CASH AND CASH EQUIVALENTS**

	<b>30 September 2013</b>	<b>31 December 2012</b>
Cash	1.052.916	1.836.473
Banks – Time deposits	1.350.344.346	1.121.913.532
Banks – Demand deposits	337.611.186	222.290.264
Other liquid assets	37.800.846	9.502.267
	<b>1.726.809.294</b>	<b>1.355.542.536</b>

**Time Deposits:**

<b>Amount</b>	<b>Currency</b>	<b>Interest Rate</b>	<b>Maturity</b>	<b>30 September 2013</b>
193.585.000	TL	%5,05-%8,08	Ekim 2013	195.462.728
330.134.195	EUR	%2,42-%3,20	Aralık 2013	911.080.588
119.159.000	USD	%2,46-%3,08	Aralık 2013	243.801.030
				<b>1.350.344.346</b>
<b>Amount</b>	<b>Currency</b>	<b>Interest Rate</b>	<b>Maturity</b>	<b>31 December 2012</b>
813.916.500	TL	%7,14 - %9,22	Mart 2013	825.411.927
125.082.952	EUR	%2,81 - %3,27	Mart 2013	296.501.605
				<b>1.121.913.532</b>

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**

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**5. FINANCIAL INVESTMENTS**

Short-term financial investments are as follows:

	<u>30 September 2013</u>	<u>31 December 2012</u>
Time deposits with maturity more than 3 months	-	476.958.794

Time deposits with maturity of more than 3 months:

<u>Amount</u>	<u>Currency</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>31 December 2012</u>
41.827.004	USD	3,53%	Nisan 2013	75.250.687
170.000.000	TRY	%6,93-%7,27	Nisan 2013	170.577.495
97.844.734	EUR	%3,19-%3,20	Eylül 2013	231.130.612
				<u>476.958.794</u>

**6. FINANCIAL DEBTS**

Short term portions of long term financial debts are as follows:

	<u>30 September 2013</u>	<u>31 December 2012</u>
Finance lease obligations	1.113.592.177	866.011.394

Long term financial debts are as follows:

	<u>30 September 2013</u>	<u>31 December 2012</u>
Finance lease obligations	9.784.407.421	7.800.982.204

Financial lease obligations with respect to their maturities are as follows:

	<u>30 September 2013</u>	<u>31 December 2012</u>
Less than 1 year	1.366.437.227	1.068.307.603
Between 1 – 5 years	5.445.008.499	4.291.572.222
Over 5 years	5.701.499.639	4.624.307.819
	12.512.945.365	9.984.187.644
Less: Future interest expenses	(1.614.945.767)	(1.317.194.046)
Principal value of future rentals stated in financial statements	10.897.999.598	8.666.993.598

	<u>30 September 2013</u>	<u>31 December 2012</u>
Interest Range:		
Floating rate obligations	4.130.763.911	3.355.700.565
Fixed rate obligations	6.767.235.687	5.311.293.033
	<u>10.897.999.598</u>	<u>8.666.993.598</u>

As of 30 September 2013, the US Dollars and Euro denominated lease obligations' weighted average interest rates are 3,85% (31 December 2012: 4,14%) for the fixed rate obligations and 0,76% (31 December 2012: 0,61%) for the floating rate obligations.

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**

**Notes to the Condensed Consolidated Interim Financial Statements**

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**7. EQUITY ACCOUNTED INVESTEEES**

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

	<u>30 September 2013</u>	<u>31 December 2012</u>
Turkish DO&CO	83.490.253	60.907.106
THY Opet	72.271.063	66.777.834
TGS	78.905.153	64.547.149
TEC	43.710.077	53.595.748
Sun Express	69.460.313	8.388.295
Türkbine Teknik	7.791.413	7.373.945
Uçak Koltuk	4.568.275	4.166.036
TCI	6.198.740	2.901.708
Goodrich	665.876	411.724
	<u>367.061.163</u>	<u>269.069.545</u>

The shares of investment profit/ (loss) accounted for using the equity method are as follows:

	<u>1 January - 30 September 2013</u>	<u>1 July - 30 September 2013</u>	<u>1 January - 30 September 2012</u>	<u>1 April - 30 September 2012</u>
Turkish DO&CO	22.132.312	8.867.110	13.056.391	4.639.725
THY Opet	20.073.306	19.440.749	25.882.735	11.311.183
TGS	13.134.896	6.536.974	4.221.258	1.408.168
TEC	(15.974.883)	(3.039.384)	(17.138.519)	(10.088.586)
Sun Express	60.953.929	72.837.255	(5.440.673)	13.431.442
Türkbine Teknik	(570.607)	(124.085)	88.457	99.483
Uçak Koltuk	(240.145)	(60.577)	(100.010)	(4.863.452)
TCI	(1.068.190)	(444.152)	(2.963.346)	(1.208.981)
Goodrich	(565.447)	(76.189)	(844.116)	(168.072)
Bosna Hersek Havayolları	-	-	(11.574.460)	-
Total	<u>97.875.171</u>	<u>103.937.701</u>	<u>5.187.717</u>	<u>14.560.910</u>

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**

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

**8. PROPERTY AND EQUIPMENT**

	Land improvements and buildings	Technical equipments simulators and vehicles	Other equipments, and fixtures	Aircrafts	Spare engines	Components and repairable spare parts	Leasehold improvements	Construction in Progress	Total
<b>Cost</b>									
Opening balance at 1 January 2013	198.408.933	376.616.472	240.693.235	15.623.706.346	617.668.430	373.795.361	79.440.618	679.208.519	18.189.537.914
Foreign currency translation differences	34.460.357	51.973.834	36.713.686	2.361.427.434	89.592.593	59.561.680	11.412.622	116.590.873	2.761.733.079
Additions	1.687.327	19.255.614	23.828.368	1.799.362.350	73.354.018	110.531.610	2.235.876	257.649.436	2.287.904.599
Additions from business combination	95.852.356	13.504.753	14.527.198	-	-	-	-	-	123.884.307
Transfer between accounts	9.576.049	-	-	-	-	-	-	(9.576.049)	-
Disposals	-	(41.035.695)	(2.429.697)	(54.181.989)	(46.399.190)	(34.550.201)	-	-	(178.596.772)
Closing balance at 30 September 2013	339.985.022	420.314.978	313.332.790	19.730.314.141	734.215.851	509.338.450	93.089.116	1.043.872.779	23.184.463.127
<b>Accumulated Depreciation</b>									
Opening balance at 1 January 2013	73.594.821	202.883.246	175.979.342	4.659.039.951	187.327.416	145.803.610	51.569.939	-	5.496.198.325
Foreign currency translation differences	11.481.486	27.124.199	26.858.749	719.498.528	27.278.735	22.286.727	8.114.179	-	842.642.603
Depreciation charge for the period	4.223.592	21.784.463	20.971.385	745.620.736	51.023.207	41.576.649	9.330.847	-	894.530.879
Additions from business combination	12.596.916	3.598.750	6.252.478	-	-	-	-	-	22.448.144
Disposals	-	(40.945.923)	(2.373.367)	(54.181.989)	(41.653.789)	(22.504.850)	-	-	(161.659.918)
Closing balance at 30 September 2013	101.896.815	214.444.735	227.688.587	6.069.977.226	223.975.569	187.162.136	69.014.965	-	7.094.160.033
Net book value 30 September 2013	238.088.207	205.870.243	85.644.203	13.660.336.915	510.240.282	322.176.314	24.074.151	1.043.872.779	16.090.303.094
Net book value 31 December 2012	124.814.112	173.733.226	64.713.893	10.964.666.395	430.341.014	227.991.751	27.870.679	679.208.519	12.693.339.589

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

**8. PROPERTY AND EQUIPMENT (cont'd)**

	Land improvements and buildings	Technical equipments simulators and vehicles	Other equipments, and fixtures	Aircrafts	Spare engines	Components and repairable spare parts	Leasehold improvements	Construction in Progress	Total
<b><u>Cost</u></b>									
Opening balance at 1 January 2012	194.445.053	461.185.261	148.453.434	12.863.510.808	615.266.465	399.664.054	111.431.957	435.264.825	15.229.221.857
Foreign currency translation differences	(10.799.294)	(25.056.877)	(8.657.764)	(742.926.753)	(29.377.302)	(22.560.757)	(6.004.831)	(24.438.183)	(869.821.761)
Additions	4.396.187	72.081.186	9.334.638	1.760.405.373	34.741.717	80.101.457	2.179.648	218.670.863	2.181.911.069
Disposals	-	(36.974.232)	(23.115.437)	(55.096.155)	-	(104.445.578)	(13.214.255)	-	(232.845.657)
Transfer to assets held-for-sale	-	-	-	(349.887.841)	(86.057.523)	-	-	-	(435.945.364)
Transfers	9.373.184	(98.976.033)	103.665.694	2.825.895	-	-	(15.215.791)	(8.151.636)	(6.478.687)
<b>Closing balance at 30 September 2012</b>	<b>197.415.130</b>	<b>372.259.305</b>	<b>229.680.565</b>	<b>13.478.831.327</b>	<b>534.573.357</b>	<b>352.759.176</b>	<b>79.176.728</b>	<b>621.345.869</b>	<b>15.866.041.457</b>
<b><u>Accumulated Depreciation</u></b>									
Opening balance at 1 January 2012	64.597.647	321.520.088	69.210.291	3.291.791.980	139.105.118	185.035.832	65.366.028	-	4.136.626.984
Foreign currency translation differences	(3.626.171)	(15.356.797)	(12.048.988)	(132.973.402)	(6.099.242)	(10.207.387)	(26.327.347)	-	(206.639.334)
Depreciation charge for the period	2.473.830	17.957.571	18.256.392	537.341.241	29.681.761	38.274.119	10.141.262	-	654.126.176
Disposals	-	(36.068.494)	(5.873.362)	(53.077.653)	-	(76.190.892)	(2.422.727)	-	(173.633.128)
Transfer to assets held-for-sale	-	-	-	(325.941.482)	(31.387.132)	-	-	-	(357.328.614)
Transfers	9.373.184	(94.360.351)	93.724.271	-	-	-	(15.215.791)	-	(6.478.687)
<b>Closing balance at 30 September 2012</b>	<b>72.818.490</b>	<b>193.692.017</b>	<b>163.268.604</b>	<b>3.317.140.684</b>	<b>131.300.505</b>	<b>136.911.672</b>	<b>31.541.425</b>	<b>-</b>	<b>4.046.673.397</b>
<b>Net book value 30 September 2012</b>	<b>124.596.640</b>	<b>178.567.288</b>	<b>66.411.961</b>	<b>10.161.690.643</b>	<b>403.272.852</b>	<b>215.847.504</b>	<b>47.635.303</b>	<b>621.345.869</b>	<b>11.819.368.060</b>

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**9. INTANGIBLE ASSETS**

	<u>Slot Rights</u>	<u>Other Rights</u>	<u>Goodwill (Not:2.1 (e))</u>	<u>Total</u>
<b><u>Cost</u></b>				
Opening balance at 1 January 2013	23.069.393	128.876.837	-	151.946.230
Foreign currency translation differences	3.256.063	19.982.240	-	23.238.303
Additions	-	20.041.943	52.523.964	72.565.907
Disposals	-	(3.641)	-	(3.641)
Closing balance at 30 September 2013	<u>26.325.456</u>	<u>168.897.379</u>	<u>52.523.964</u>	<u>247.746.799</u>
<b><u>Accumulated Depreciation</u></b>				
Opening balance at 1 January 2013	-	100.762.463	-	100.762.463
Foreign currency translation differences	-	15.000.986	-	15.000.986
Amortization charge for the period	-	8.707.621	-	8.707.621
Disposals	-	(3.641)	-	(3.641)
Transfers	-	-	-	-
Closing balance at 30 September 2013	<u>-</u>	<u>124.467.429</u>	<u>-</u>	<u>124.467.429</u>
Net book value at 30 September 2013	<u>26.325.456</u>	<u>44.429.950</u>	<u>52.523.964</u>	<u>123.279.370</u>
Net book value at 31 December 2012	<u>23.069.393</u>	<u>28.114.374</u>	<u>-</u>	<u>51.183.767</u>

	<u>Slot Rights</u>	<u>Other Rights</u>	<u>Total</u>
<b><u>Cost</u></b>			
Opening balance at 1 January 2012	24.445.066	113.740.123	138.185.189
Foreign currency translation adjustment	(1.348.497)	(6.372.572)	(7.721.069)
Additions	-	13.973.574	13.973.574
Disposals	-	(30.187)	(30.187)
Transfers	-	6.478.687	6.478.687
Closing balance at 30 September 2012	<u>23.096.569</u>	<u>127.789.625</u>	<u>150.886.194</u>
<b><u>Accumulated Depreciation</u></b>			
Opening balance at 1 January 2012	-	91.222.250	91.222.250
Foreign currency translation adjustment	-	(4.965.573)	(4.965.573)
Amortization charge for the year	-	6.373.495	6.373.495
Disposals	-	(30.187)	(30.187)
Transfers	-	6.478.687	6.478.687
Closing balance at 30 September 2012	<u>-</u>	<u>99.078.672</u>	<u>99.078.672</u>
Net book value at 30 September 2012	<u>23.096.569</u>	<u>28.710.953</u>	<u>51.807.522</u>

The Group considers the slot rights as intangible assets having indefinite useful life.

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**10. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**

Provisions for short-term liabilities are as follows:

	<b>30 September 2013</b>	<b>31 December 2012</b>
Provisions for legal claims	<u>28.131.911</u>	<u>35.516.181</u>

Changes in the provisions for legal claims at 30 September 2013 and 2012 periods set out below:

	<b>1 January - 30 September 2013</b>	<b>1 January - 30 September 2012</b>
Provision at the beginning of the year	<u>35.516.181</u>	<u>26.224.798</u>
Charge for the period	1.251.299	10.829.974
Provisions released	(12.415.249)	(16.738)
Foreign currency translation differences	3.779.680	(57.213)
Provision at the end of the period	<u>28.131.911</u>	<u>36.980.821</u>

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

Investigation that was started by the Competition Authority's decision dated 8 July 2011 to detect the presence of the company's exclusionary actions in domestic and international flights from Istanbul against its competitors was concluded in favor of the Company on 30 December 2011 by the Competition Authority. However, on 22 July 2013, the Administrative Court annulled the decision on the ground that investigation report was based on incomplete investigation and research.

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**10. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)**

- a) Guarantees/Pledges/Mortgages (“GPM”) given by the group: Amount of letter of guarantees given is TL 146,177,487 as of 30 September 2013 (31 December 2012; TL 103,501,040)

	<b>30 September 2013</b>		<b>31 December 2012</b>	
	<b>Foreign currency amount</b>	<b>TL equivalent</b>	<b>Foreign currency amount</b>	<b>TL equivalent</b>
A. Total amounts of GPM given on the behalf of its own legal entity		146.177.487		103.501.040
-Collaterals				
TL		9.816.984		11.882.222
EUR	8.554.903	23.512.294	6.719.618	15.802.526
USD	53.660.295	109.155.771	40.957.707	73.011.209
Other		3.692.438		2.805.083
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	-	-	-	-
i. Total amount of GPM given on behalf of the Parent	-	-	-	-
ii. Total amount of GPM given on behalf of other group companies not covered in B and C	-	-	-	-
iii. Total amount of GPM given on behalf of third parties not covered in C	-	-	-	-
		<u>146.177.487</u>		<u>103.501.040</u>

The other CPMs given by the Company constitute 0% of the Company’s equity as of 30 September 2013 (31 December 2012: 0%).

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**11. COMMITMENTS**

The detail of the Group's not accrued operational leasing debts related to aircrafts that are not accrued is as follows:

	<b>30 September 2013</b>	<b>31 December 2012</b>
Less than 1 year	289.765.280	282.339.574
Between 1 – 5 years	966.948.561	810.999.803
More than 5 years	42.771.798	81.178.443
	<u>1.299.485.639</u>	<u>1.174.517.820</u>

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, 29 of these aircrafts were delivered in 2011, 19 of these aircrafts were delivered in 2012, and 16 of these aircrafts were delivered in the first nine months of 2013. To be delivered between the years 2013-2021, the Group signed a contract for 252 aircrafts with a total value of 37.5 billion US Dollars, according to the price lists before the discounts made by the aircraft manufacturing firms. The Group has made an advance payment of 1.492 million US Dollars relevant to these purchases as of 30 September 2013.

The Group also has operational lease agreement for 23 years related with the land for the construction of aircraft maintenance hangar which is still under construction. The liabilities of the Group related with this lease agreements are as follows:

	<b>30 September 2013</b>	<b>31 December 2012</b>
Less than 1 year	3.124.531	2.081.088
Between 1 – 5 years	16.143.411	16.417.472
More than 5 years	54.189.164	49.973.307
	<u>73.457.106</u>	<u>68.471.867</u>

**12. PASSENGER FLIGHT LIABILITIES**

Flight liability is as follows;

	<b>30 September 2013</b>	<b>31 December 2012</b>
Flight liability generating from ticket sales	2.178.300.938	1.271.723.065
Flight liability generating from sales of mileage and frequent flyer programme	416.279.975	396.752.754
	<u>2.594.580.913</u>	<u>1.668.475.819</u>

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**13. SHAREHOLDERS' EQUITY**

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

	<b>Class</b>	<b>%</b>	<b>30 September 2013</b>		<b>31 December 2012</b>	
Republic of Turkey						
Prime Ministry						
Privatization	A, C	49.12	677,856,000	49.12	589,465,086	
Adm.(*)						
Other (Publicly held)	A	50.88	<u>702,144,000</u>	50.88	<u>610,534,914</u>	
Paid-in capital			1,380,000,000		1,200,000,000	
Restatement difference			<u>1,123,808,032</u>		<u>1,123,808,032</u>	
Restated capital			<u><u>2,503,808,032</u></u>		<u><u>2,323,808,032</u></u>	

(\* ) 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 30 September 2013, the Group's issued and paid-in share capital consists of 137.999.999.999 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 nine members of which one member has to be nominated by the class C shareholder and the rest eight members has to be chosen by an election between class A shareholder's top rated.

Articles of Association 14: The following decisions of the Board of Directors are subject to the positive vote of the class C Shareholder:

- As defined in Article 3.1. of the Articles of Association, taking decisions that will negatively affect the Company's mission,
- Suggesting change in the Articles of Association at General Assembly,
- Increasing share capital,
- Approval of transfer of the shares issued to the name and their registration to the "Share Registry",
- 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%),
- Making decisions relating to merges and liquidation,
- 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.

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**13. SHAREHOLDERS' EQUITY (cont'd)**

**Restricted Profit Reserves**

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 Translation Differences**

Method for consolidation purpose is, according to TAS 21, monetary items in statutory financial statements is translated to USD using year-end exchange rates, non-monetary items in balance sheet, income/expenses and cash flow are translated to USD by using the exchange rate of the transaction date (historic rate), and currency translation differences are presented under equity. Translation profit/loss from foreign currency transactions is presented under currency translation item in financial income of income statement. Also, currency translation differences in equities of the Group's joint venture; Güneş Ekspres Havacılık A.Ş. (Sun Express) which is consolidated by using equity method, is presented under currency translation item. Foreign currency translation differences are the changes due to the foreign exchange rate changes in the shareholders' equity Sun Express which is subsidiary accounted for equity method.

**Distribution of Dividends**

Companies whose shares are traded at Borsa Istanbul (BIST) 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.

In accordance with the Capital Markets Board's (the "Board") Decree issued as of 27 January 2010 and numbered 02/51;

In relation to the profit distribution of earnings derived from the operations, 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: II, No: 14.1

Within the frame of Communiqué Series: II, No: 14.1, 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,

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**13. SHAREHOLDERS' EQUITY (cont'd)**

**Distribution of Dividends (cont'd)**

Within the frame of 6th bulletin of Communiqué Series: IV No: 27, dividend distribution should be completed by the end of 5th month following the end of the period.

At the Company's Ordinary General Assembly Meeting held on 29 March 2013, it is decided to distribute dividends amounting to TL 173,280,963 as cash and TL 180,000,000 as bonus share. As of 30 September 2013, the payment of cash dividends and distribution of bonus shares were completed.

The items of shareholders' equity of the Company in the statutory accounts as of 30 September 2013 are as follows:

Paid-in capital	1,380,000,000
Share premium	181,185
Legal reserves	75,739,047
Extraordinary reserves (*)	-
Other profit reserves	9
Special funds	11,384,167
Retained earnings (*)	-
Net loss for the period (*)	(94,830,030)
Total shareholders' equity	<u>1,372,474,378</u>

(\*) Per legal records, there are some amounts of balances subject to dividend distributions, but total of these amounts are negative.

**Gains/Losses from Cash Flow Hedges**

Hedge gain/losses against cash flow risk arise 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 of deferred gain/loss arising from hedging against financial risk are accounted in profit or loss when the effect of the hedged item has effect on profit or loss.

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**14. REVENUE AND COST OF SALES**

Details of gross profit are as follows:

	<b>1 January - 30 September 2013</b>	<b>1 July - 30 September 2013</b>	<b>1 January - 30 September 2012</b>	<b>1 July - 30 September 2012</b>
Scheduled flights				
Passenger	12.310.768.563	5.040.707.914	9.822.293.018	4.030.604.154
Cargo and mail	1.184.542.205	453.010.045	940.621.188	317.897.403
Total scheduled flights	13.495.310.768	5.493.717.959	10.762.914.206	4.348.501.557
Unscheduled flights	127.362.927	72.488.874	93.695.708	42.039.228
Other revenue	264.251.628	121.754.984	163.169.214	46.705.465
Net sales	13.886.925.323	5.687.961.817	11.019.779.128	4.437.246.250
Cost of sales (-)	(10.957.065.497)	(4.229.720.686)	(8.500.512.021)	(2.939.674.280)
Gross profit	2.929.859.826	1.458.241.131	2.519.267.107	1.497.571.970

Geographical details of revenue from the scheduled flights are as follows:

	<b>1 January - 30 September 2013</b>	<b>1 July - 30 September 2013</b>	<b>1 January - 30 September 2012</b>	<b>1 July - 30 September 2012</b>
- Europe	4.520.929.107	1.920.457.519	3.385.747.307	1.367.931.319
- Far East	2.847.510.572	1.112.269.478	2.484.825.139	1.003.934.973
- Middle East	1.700.409.157	614.572.581	1.464.708.907	591.781.077
- America	1.390.017.009	599.009.941	1.067.458.113	431.281.267
- Africa	1.093.120.173	437.712.791	796.644.079	321.865.245
Total international flights	11.551.986.018	4.684.022.310	9.199.383.545	3.716.793.881
Domestic flights	1.943.324.750	809.695.649	1.563.530.661	631.707.676
Total scheduled flight revenue	13.495.310.768	5.493.717.959	10.762.914.206	4.348.501.557

The details of the cost of sales are as follows:

	<b>1 January - 30 September 2013</b>	<b>1 July - 30 September 2013</b>	<b>1 January - 30 September 2012</b>	<b>1 July - 30 September 2012</b>
Fuel expenses	4.722.224.551	1.822.122.153	3.803.162.023	1.348.416.732
Personnel expenses	1.607.464.761	578.256.605	1.371.735.168	460.381.576
Depreciation expenses	865.173.460	306.902.103	624.885.319	213.700.615
Ground services expenses	765.291.121	292.365.491	606.269.686	205.166.076
Air traffic control expenses	617.958.322	242.009.371	455.248.674	157.628.475
Passenger service catering expenses	613.077.160	239.981.674	458.036.072	143.555.355
Landing and navigation	484.667.113	190.328.999	360.221.050	136.537.068
Maintenance expenses	415.750.349	176.391.923	279.523.244	73.768.082
Short term leasing expenses	400.034.487	210.302.659	72.811.385	42.929.942
Operating lease expenses	209.721.787	69.132.699	237.832.488	71.288.833
Insurance expenses	48.983.569	17.572.298	66.082.529	20.746.259
Other rent expenses	45.273.242	13.645.980	36.252.129	16.310.599
Transportation expenses	35.000.697	10.347.666	22.858.026	8.568.707
Service expenses	54.486.594	27.306.814	45.585.558	18.382.376
Tax expenses	13.838.140	4.450.360	12.051.356	5.420.838
Utility expenses	7.975.799	2.362.959	8.483.937	3.595.178
Other expenses	50.144.345	26.240.932	39.473.377	13.277.569
	10.957.065.497	4.229.720.686	8.500.512.021	2.939.674.280

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**15. GENERAL ADMINISTRATIVE EXPENSES AND MARKETING AND SALES EXPENSES**

General administrative expenses are as follows:

	<b>1 January - 30 September 2013</b>	<b>1 July - 30 September 2013</b>	<b>1 January - 30 September 2012</b>	<b>1 July - 30 September 2012</b>
Personnel expenses	186.913.284	56.074.153	175.961.985	59.598.955
Communication and information expenses	46.216.019	12.090.595	23.368.994	11.182.191
Depreciation expenses	29.245.726	11.616.789	27.146.863	12.635.853
Service expenses	15.891.610	6.338.814	17.151.929	2.672.440
Consultancy expenses	7.940.414	1.889.926	4.814.390	3.676.531
Rent expenses	7.399.547	2.347.829	7.417.857	3.914.605
System use and membership expenses	7.195.275	2.622.405	5.106.671	1.817.841
Maintenance expenses	4.929.674	735.862	4.191.716	1.182.682
Utility expenses	3.859.259	1.584.399	5.891.509	3.202.894
Insurance expenses	1.361.048	716.268	990.049	463.482
Other administrative expenses	12.603.567	5.220.303	10.685.543	125.845
	<b>323.555.423</b>	<b>101.237.343</b>	<b>282.727.506</b>	<b>100.473.319</b>

Marketing and sales expenses are as follows:

	<b>1 January - 30 September 2013</b>	<b>1 July - 30 September 2013</b>	<b>1 January - 30 September 2012</b>	<b>1 July - 30 September 2012</b>
Commissions and incentive expenses	469.087.428	171.183.944	387.821.607	148.555.919
Personnel expenses	354.769.860	129.730.171	309.354.246	95.824.697
Reservation systems expense	286.320.103	92.760.046	232.296.542	76.383.307
Advertising and promotion expenses	134.503.421	45.475.179	100.848.753	38.147.782
Rent expenses	18.417.579	7.155.268	26.766.055	4.847.433
Consultancy expenses	12.375.623	5.298.507	6.979.577	2.692.295
Communication and information expenses	11.077.512	4.309.187	7.334.766	2.579.032
Tax expenses	10.068.015	3.146.596	4.800.516	1.586.797
Depreciation expenses	8.819.314	3.204.901	8.467.489	2.907.404
Membership fees	6.978.469	1.988.340	8.907.180	2.808.478
Service expenses	6.781.987	2.566.760	4.130.661	1.531.106
Fuel expenses	1.173.789	439.387	1.030.242	174.713
Other sales and marketing expenses	45.572.311	16.623.594	36.685.552	10.300.106
	<b>1.365.945.411</b>	<b>483.881.880</b>	<b>1.135.423.186</b>	<b>388.339.069</b>

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**16. OTHER OPERATING INCOME / EXPENSES**

Other operating income/expense consists of the following:

	<b>1 January - 30 September 2013</b>	<b>1 July - 30 September 2013</b>	<b>1 January - 30 September 2012</b>	<b>1 July - 30 September 2012</b>
Income from investment incentives	68.517.082	24.538.792	42.715.299	11.178.599
Insurance, indemnities, penalties income	41.354.141	3.904.005	23.646.521	6.449.629
Grant credit income related to aircraft, engines and other purchases	17.606.071	3.573.512	17.687.507	8.614.934
Provisions released	14.726.177	3.511.024	19.848.808	4.710.200
TGS share premium	8.375.444	2.764.916	8.722.679	3.317.894
Non- interest revenues from banks	7.559.071	3.402.560	6.729.095	3.107.643
Rent income	2.923.173	896.569	2.997.254	1.379.450
Late payment interest income	2.112.556	1.058.950	8.892.878	561.261
Other operating income	26.266.141	373.648	27.559.768	3.658.229
	<b>189.439.856</b>	<b>44.023.976</b>	<b>158.799.809</b>	<b>42.977.839</b>

	<b>1 January - 30 September 2013</b>	<b>1 July - 30 September 2013</b>	<b>1 January - 30 September 2012</b>	<b>1 July - 30 September 2012</b>
Foreign exchange losses on trade operations, net	86.063.758	47.225.844	15.555.420	35.576.876
Indemnity and penalty expenses	4.807.728	842.872	4.304.634	(910.409)
Provision expenses	6.113.478	2.743.804	24.740.771	1.652.422
Other operating expenses	29.582.292	1.965.589	34.163.239	5.114.257
Real increase in provision on assets held-for-sale and impairment of fixed assets	-	-	20.643.471	(4.823)
	<b>126.567.256</b>	<b>52.778.109</b>	<b>99.407.535</b>	<b>41.428.323</b>

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**17. FINANCIAL INCOME/EXPENSES**

Financial income consists of the following:

	<b>1 January - 30 September 2013</b>	<b>1 July - 30 September 2013</b>	<b>1 January - 30 September 2012</b>	<b>1 July - 30 September 2012</b>
Interest income	32.152.894	1.721.324	59.437.965	44.919.029
Rediscount interest income	1.406.857	-	4.791.324	4.791.324
Gains on derivative financial instruments	-	-	72.280.240	44.880.179
Foreign exchange gains	-	28.549.118	6.102.215	-
	<b>33.559.751</b>	<b>30.270.442</b>	<b>142.611.744</b>	<b>94.590.532</b>

Finance expenses are as follows:

	<b>1 January - 30 September 2013</b>	<b>1 July - 30 September 2013</b>	<b>1 January - 30 September 2012</b>	<b>1 July - 30 September 2012</b>
Finance lease interest expenses	198.902.565	71.654.439	146.090.810	36.322.897
Foreign exchange loss	75.465.825	-	-	65.918.230
Finance lease administration expenses	21.893.453	3.491.218	20.201.659	4.925.063
Rediscount interest expense	15.915.624	3.478.056	95.025	2.017.557
Employee termination benefit interest expense	3.954.206	1.264.461	5.110.971	1.716.091
Transaction losses on derivative financial instruments	29.885.323	34.667.641	-	-
Other financial expense	5.341.467	3.119.024	13.712.851	13.080.758
	<b>351.358.463</b>	<b>117.674.839</b>	<b>185.211.316</b>	<b>123.980.596</b>

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**18. TAX ASSETS AND LIABILITIES**

Tax expense consists of the following items:

	<b>1 January - 30 September 2013</b>	<b>1 July - 30 September 2013</b>	<b>1 January - 30 September 2012</b>	<b>1 July - 30 September 2012</b>
Current period tax expense	1.701.131	1.701.131	48.093.204	43.702.233
Deferred tax expense/ (income)	303.110.369	193.350.728	237.233.312	253.309.672
Tax expense/ (income)	<u>304.811.500</u>	<u>195.051.859</u>	<u>285.326.516</u>	<u>297.011.905</u>

Tax effect related to other comprehensive income is as follows:

	<b>1 January - 30 September 2013</b>			<b>1 January - 30 September 2012</b>		
	Amount before tax	Tax (expense) /income	Amount after tax	Amount before tax	Tax (expense) /income	Amount after tax
Foreign currency translation difference	745.464.759	-	745.464.759	( 229.307.209)	-	( 229.307.209)
Change in cash flow hedge reserve	( 14.630.864)	2.926.173	( 11.704.691)	371.623	( 74.325)	297.298
Change in actuarial losses from defined pension plans	-	-	-	( 9.767.486)	1.953.497	( 7.813.989)
Other comprehensive income	<u>730.833.895</u>	<u>2.926.173</u>	<u>733.760.068</u>	<u>( 238.703.072)</u>	<u>1.879.172</u>	<u>( 236.823.900)</u>

There is no taxation effect related to the change in foreign currency translation adjustment that is included in other comprehensive income 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 2013 is 20% (2012: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2013 is 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.

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 is in use since 22 July 2006. Commencing from 22 July 2006, the rate has been changed to 15% from 10% upon the Council of Ministers' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

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**18. TAX ASSETS AND LIABILITIES (cont'd)**

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% 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 are as follows:

	<b>30 September 2013</b>	<b>31 December 2012</b>
Fixed assets	(1.304.017.086)	(887.354.639)
Provisions for ticket sales advance	(28.368.174)	(78.216.603)
Adjustment on inventories	(46.365.232)	(32.525.576)
Accumulated loss	3.085.155	-
Accruals for expenses	170.460.845	152.179.387
Provisions for employee termination benefits	49.945.858	46.503.155
Income and expense for future periods	19.069.900	17.216.979
Long-term lease obligations	11.038.868	12.075.091
Allowance for doubtful receivables	5.003.292	5.963.723
Provisions for unused vacation liabilities	13.122.988	11.641.538
Provisions for impairment of inventories	3.781.203	3.540.398
Other	4.125.054	4.892.887
Deferred tax liabilities	<u>(1.099.117.329)</u>	<u>(744.083.660)</u>

Deferred tax asset/liability balances are as follows:

	<b>30 September 2013</b>	<b>31 December 2012</b>
Deferred tax liabilities	<u>(1.099.117.329)</u>	<u>(744.083.660)</u>

The changes of deferred tax liability as of 1 January-30 September 2013 and 2012 are as follows:

	<b>1 January - 30 September 2013</b>	<b>1 January - 30 September 2012</b>
Opening balance at the beginning of the year	744.083.660	574.679.843
Deferred tax expense/ (income)	303.110.369	237.233.312
Hedge reserve gains/losses	(2.926.173)	74.325
Tax asset/ liability of actuarial losses from defined pension plans	-	(1.953.497)
Foreign currency translation adjustment	54.849.473	(59.326.350)
Deferred tax liability at the end of the period	<u>1.099.117.329</u>	<u>750.707.633</u>

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**19. 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 interest") 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 are 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 30 September 2013 and 2012:

	<b>1 January - 30 September 2013</b>	<b>1 July - 30 September 2013</b>	<b>1 January - 30 September 2012</b>	<b>1 July - 30 September 2012</b>
Number of shares outstanding at 1 January (in full)	120.000.000.000	120.000.000.000	120.000.000.000	120.000.000.000
New bonus shares issued (in full)	18.000.000.000	18.000.000.000	-	-
Number of shares outstanding at 30 September (in full)	138.000.000.000	138.000.000.000	120.000.000.000	120.000.000.000
Weighted average number of shares outstanding during the period (in full)	138.000.000.000	138.000.000.000	138.000.000.000	138.000.000.000
Net profit for period	826.285.018	705.082.409	876.188.216	704.623.933
Profit per share (Kr)	0,60	0,51	0,63	0,51

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**20. RELATED PARTY TRANSACTIONS**

Short-term trade receivables from related parties that are accounted by using the equity method are as follows:

	<b>30 September 2013</b>	<b>31 December 2012</b>
TCI	257.310	447.790
TEC	-	12.736.341
Sun Express	-	5.791.128
	<u>257.310</u>	<u>18.975.259</u>

Short-term trade payables to related parties that are accounted by using the equity method are as follows:

	<b>30 September 2013</b>	<b>31 December 2012</b>
THY Opet	198.524.475	139.538.456
Turkish DO&CO	42.580.346	16.035.217
Sun Express	36.413.347	19.426.776
TGS	29.203.155	27.246.944
TEC	5.800.428	12.462.870
Goodrich	851.608	289.812
TCI	-	244
Türkbine Teknik	-	676
	<u>313.373.359</u>	<u>215.000.995</u>

Transactions with related parties for the period ended as of 30 September 2013 are as follows:

<b>Sales</b>	<b>1 January- 30 September 2013</b>	<b>1 July- 30 September 2013</b>	<b>1 January- 30 September 2012</b>	<b>1 July- 30 September 2012</b>
Sun Express	72.726.911	32.963.535	28.914.247	8.557.925
THY Opet	1.512.848	485.862	265.333	116.552
TGS	21.492.600	7.749.535	11.390.110	6.446.655
TEC	9.721.435	1.547.977	12.211.772	2.146.861
Turkish DO&CO	4.183.272	2.406.895	1.557.980	573.107
TCI	162.414	69.339	854.000	104.167
Goodrich	47.174	1.856	1.103.103	757.691
Sun Express Deutschland	31.181	31.181	43.886	43.886
Türkbine Teknik	481	481	334.668	67.417
	<u>109.878.316</u>	<u>45.256.661</u>	<u>56.675.099</u>	<u>18.814.261</u>

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**20. RELATED PARTY TRANSACTIONS (cont'd)**

<u>Purchases</u>	<u>1 January- 30 September 2013</u>	<u>1 July- 30 September 2013</u>	<u>1 January- 30 September 2012</u>	<u>1 July- 30 September 2012</u>
THY Opet	2.865.233.726	1.120.940.388	2.338.291.926	846.470.232
Turkish DO&CO	366.316.896	141.808.257	295.931.366	96.594.780
TGS	277.225.307	106.106.833	229.600.873	82.115.016
Sun Express	304.835.633	149.656.629	34.032.388	33.446.499
TEC	97.845.130	36.402.761	26.379.636	4.389.528
Star Alliance Gmbh	448.071	154.327	-	-
Goodrich Thy Teknik Servis	100.248	568	6.517.535	-
TCI	11.945	7.157	-	(461.117)
Türkbine Teknik	-	-	5.680	(21.724)
	<u>3.912.016.956</u>	<u>1.555.076.920</u>	<u>2.930.759.404</u>	<u>1.062.533.214</u>

Transactions between the Group and Sun Express seat rental operations; transactions between the Group and Turkish DO&CO are catering services; transactions between the Group and TGS are ground services, transactions between the Group and P&W T.T are engine maintenance services and the transactions between the Group and THY Opet is the supply of aircraft fuel. 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 4,919,811 (30 September 2012; TL 4,744,854).

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**21. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS**

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:

	<b>30 September 2013</b>				
	<b>TL EQUIVALENT</b>	<b>TRY</b>	<b>EURO</b>	<b>GBP</b>	<b>OTHER</b>
1.Trade Receivables	1.229.037.081	212.334.721	384.021.800	71.742.832	560.937.728
2a.Monetary Financial Assets	1.489.197.391	34.511.701	962.077.520	3.382.175	489.225.995
2b.Non Monetary Financial Assets	-	-	-	-	-
3.Other	275.783.104	139.019.780	91.361.167	5.905.656	39.496.501
<b>4.Current Assets (1+2+3)</b>	<b>2.994.017.576</b>	<b>385.866.202</b>	<b>1.437.460.487</b>	<b>81.030.663</b>	<b>1.089.660.224</b>
5.Trade Receivables	-	-	-	-	-
6a.Monetary Financial Assets	-	-	-	-	-
6b.Non Monetary Financial Assets	-	-	-	-	-
7.Other	954.924.587	934.766.034	19.930.429	128.680	99.444
<b>8.Non Current Assets (5+6+7)</b>	<b>954.924.587</b>	<b>934.766.034</b>	<b>19.930.429</b>	<b>128.680</b>	<b>99.444</b>
<b>9.Total Assets (4+8)</b>	<b>3.948.942.163</b>	<b>1.320.632.236</b>	<b>1.457.390.916</b>	<b>81.159.343</b>	<b>1.089.759.668</b>
10.Trade Payables	979.751.797	605.885.779	224.290.673	7.924.564	141.650.781
11.Financial Liabilities	720.688.578	102.451.717	553.723.574	-	64.513.287
12a.Other Liabilities, Monetary	143.133.833	82.457.355	60.676.478	-	-
12b.Other Liabilities, Non Monetary	9.252.038	8.909.118	342.920	-	-
<b>13.Current Liabilities (10+11+12)</b>	<b>1.852.826.246</b>	<b>799.703.969</b>	<b>839.033.645</b>	<b>7.924.564</b>	<b>206.164.068</b>
14.Trade Payables	-	-	-	-	-
15.Financial Liabilities	6.118.619.254	548.378.002	4.632.131.406	-	938.109.846
16a.Other Liabilities, Monetary	303.195	303.195	-	-	-
16b.Other Liabilities, Non Monetary	221.965.557	212.321.580	9.643.977	-	-
<b>17.Non Current Liabilities (14+15+16)</b>	<b>6.340.888.006</b>	<b>761.002.777</b>	<b>4.641.775.383</b>	<b>-</b>	<b>938.109.846</b>
<b>18.Total Liabilities (13+17)</b>	<b>8.193.714.252</b>	<b>1.560.706.746</b>	<b>5.480.809.028</b>	<b>7.924.564</b>	<b>1.144.273.914</b>
<b>19.Net asset / liability position of off-balance sheet derivatives (19a-19b)</b>	<b>219.442.107</b>	<b>-</b>	<b>219.442.107</b>	<b>-</b>	<b>-</b>
19a.Off-balance sheet foreign currency derivative assets	219.442.107	-	219.442.107	-	-
19b.Off-balance sheet foreigncurrency derivative liabilities	-	-	-	-	-
<b>20.Net foreign currency asset/(liability) position (9-18+19)</b>	<b>(4.025.329.982)</b>	<b>(240.074.510)</b>	<b>(3.803.976.005)</b>	<b>73.234.779</b>	<b>(54.514.246)</b>
<b>21.Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(5.244.262.185)</b>	<b>(1.092.629.626)</b>	<b>(4.124.722.811)</b>	<b>67.200.443</b>	<b>(94.110.191)</b>
<b>22.Fair value of foreign currency hedged financial assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>23.Hedged foreign currency assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>24.Hedged foreign currency liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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**21. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)**

*Foreign currency risk management (cont'd)*

	31 December 2012				
	TL EQUIVALENT	TRY	EURO	GBP	OTHER
1.Trade Receivables	660.404.241	93.711.562	351.947.508	58.330.075	156.415.096
2a.Monetary Financial Assets	109.463.636	4.841.781	103.691.396	158.610	771.849
2b.Non Monetary Financial Assets	-	-	-	-	-
3.Other	109.716.104	62.332.441	30.325.674	632.795	16.425.194
<b>4.Current Assets (1+2+3)</b>	<b>879.583.981</b>	<b>160.885.784</b>	<b>485.964.578</b>	<b>59.121.480</b>	<b>173.612.139</b>
5.Trade Receivables	-	-	-	-	-
6a.Monetary Financial Assets	-	-	-	-	-
6b.Non Monetary Financial Assets	-	-	-	-	-
7.Other	88.027.061	41.019.659	6.374.765	40.617.449	15.188
<b>8.Non Current Assets (5+6+7)</b>	<b>88.027.061</b>	<b>41.019.659</b>	<b>6.374.765</b>	<b>40.617.449</b>	<b>15.188</b>
<b>9.Total Assets (5+9)</b>	<b>967.611.042</b>	<b>201.905.443</b>	<b>492.339.343</b>	<b>99.738.929</b>	<b>173.627.327</b>
10.Trade Payables	602.781.028	421.214.368	96.829.947	10.664.330	74.072.383
11.Financial Liabilities	547.464.447	37.215.631	510.248.816	-	-
12a.Other Liabilities, Monetary	35.808.560	13.729.271	12.513.007	319.513	9.246.769
12b.Other Liabilities, Non Monetary	33.859.220	33.760.522	98.698	-	-
<b>13.Current Liabilities (10+11+12)</b>	<b>1.219.913.255</b>	<b>505.919.792</b>	<b>619.690.468</b>	<b>10.983.843</b>	<b>83.319.152</b>
14.Trade Payables	-	-	-	-	-
15.Financial Liabilities	4.481.085.105	400.618.948	4.080.466.157	-	-
16a.Other Liabilities, Monetary	36.752.921	36.752.921	-	-	-
16b.Other Liabilities, Non Monetary	-	-	-	-	-
<b>17.Non Current Liabilities (14+15+16)</b>	<b>4.517.838.026</b>	<b>437.371.869</b>	<b>4.080.466.157</b>	<b>-</b>	<b>-</b>
<b>18.Total Liabilities (13+17)</b>	<b>5.737.751.281</b>	<b>943.291.661</b>	<b>4.700.156.625</b>	<b>10.983.843</b>	<b>83.319.152</b>
<b>19.Net asset / liability position of off-balance sheet derivatives (19a-19b)</b>	<b>212.227.400</b>	<b>-</b>	<b>212.227.400</b>	<b>-</b>	<b>-</b>
19a.Off-balance sheet foreign currency derivative assets	212.227.400	-	212.227.400	-	-
19b.Off-balance sheet foreigncurrency derivative liabilities	-	-	-	-	-
<b>20.Net foreign currency asset/(liability) position (9-18+19)</b>	<b>(4.557.912.839)</b>	<b>(741.386.218)</b>	<b>(3.995.589.882)</b>	<b>88.755.086</b>	<b>90.308.175</b>
<b>21.Net foreign currency asset / liability position of monetary items (UFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(4.934.024.184)</b>	<b>(810.977.796)</b>	<b>(4.244.419.023)</b>	<b>47.504.842</b>	<b>73.867.793</b>
<b>22.Fair value of foreign currency hedged financial assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>23.Hedged foreign currency assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>24.Hedged foreign currency liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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**21. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)**

Foreign currency risk management (cont'd)

Foreign currency sensitivity

The Group is exposed to foreign exchange risk primarily from TL, Euro and GBP. The following table details the Group's sensitivity to a 10% increase and decrease in TL, 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.

	<b>30 September 2013</b>	
	<b>Profit / (Loss) Before Tax</b>	
	If foreign currency appreciated 10 %	If foreign currency depreciated 10 %
1- TL net asset / liability	(24.007.451)	24.007.451
2- Part of hedged from TL risk (-)	-	-
3- TL net effect (1+2)	(24.007.451)	24.007.451
4- Euro net asset / liability	(380.397.601)	380.397.601
5- Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	(380.397.601)	380.397.601
7- GBP net asset / liability	7.323.478	(7.323.478)
8- Part of hedged from GBP risk (-)	-	-
9- GBP net effect (7+8)	7.323.478	(7.323.478)
10- Other foreign currency net asset / liability	(5.451.425)	5.451.425
11- Part of hedged other foreign currency risk (-)	-	-
12- Other foreign currency net effect (10+11)	(5.451.425)	5.451.425
<b>TOTAL (3 + 6 + 9 + 12)</b>	<b>(402.532.999)</b>	<b>402.532.999</b>

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**21. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)**

Foreign currency risk management (cont'd)

Foreign currency sensitivity (cont'd)

	<b>31 December 2012</b>	
	<b>Profit / (Loss) Before Tax</b>	
	If foreign currency appreciated 10 %	If foreign currency depreciated 10 %
1- TL net asset / liability	(74.138.622)	74.138.622
2- Part of hedged from TL risk (-)	-	-
3- TL net effect (1+2)	<u>(74.138.622)</u>	<u>74.138.622</u>
4- Euro net asset / liability	(399.558.988)	399.558.988
5- Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	<u>(399.558.988)</u>	<u>399.558.988</u>
7- GBP net asset / liability	8.875.509	(8.875.509)
8- Part of hedged from GBP risk (-)	-	-
9- GBP net effect (7+8)	<u>8.875.509</u>	<u>(8.875.509)</u>
10- Other foreign currency net asset / liability	9.030.818	(9.030.818)
11- Part of hedged other foreign currency risk (-)	-	-
12- Other foreign currency net effect (10+11)	<u>9.030.818</u>	<u>(9.030.818)</u>
TOTAL (3 + 6 + 9 + 12)	<u><u>(455.791.283)</u></u>	<u><u>455.791.283</u></u>

**22. EVENTS AFTER THE BALANCE SHEET DATE**

None.