CONVENIENCE TRANSLATION OF
REPORT AND FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

TÜRK HAVA YOLLARI A.O.
AND
ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 MARCH 2011

(Convenience Translation of Report And Financial Statements Originally Issued in Turkish)

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
CONSOLIDATED BALANCE SHEET
AS OF 31 MARCH 2011
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

ASSETS	Notes	(Not Audited) 31 March 2011	(Audited) 31 December 2010
Current Assets		**3.425.743.405**	**3.491.777.500**
Cash and cash equivalents	6	902.325.394	813.936.552
Financial assets	7	365.586.882	84.070.372
Trade receivables	10	805.606.411	577.622.814
Other receivables	11	967.216.563	1.649.525.777
Inventories	13	186.131.834	172.076.283
Other current assets	26	198.876.321	194.545.702
Non-current Assets		**8.686.870.193**	**7.157.108.485**
Other receivables	11	399.256.557	214.636.988
Financial assets	7	1.750.943	1.750.943
Investments accounted for using the equity method	16	213.983.003	193.562.028
Investment property	17	49.570.000	49.570.000
Tangible assets	18	7.808.317.156	6.443.437.235
Intangible assets	19	32.310.065	33.099.101
Other non-current assets	26	181.682.469	221.052.190
TOTAL ASSETS		**12.112.613.598**	**10.648.885.985**

(Convenience Translation of Report And Financial Statements Originally Issued in Turkish)

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
CONSOLIDATED BALANCE SHEET
AS OF 31 MARCH 2011
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

LIABILITIES	Notes	(Not Audited) 31 March 2011	(Audited) 31 December 2010
Current Liabilities		**3.120.269.182**	**2.540.819.554**
Financial debt	8	600.466.911	493.120.594
Other financial liabilities	9	58.244.587	63.750.323
Trade payables	10	808.772.903	735.874.026
Other payables	11	172.687.693	162.798.563
Current tax liabilities	35	321.524	-
Provisions	22	22.417.838	20.480.602
Employee benefit obligations	24	94.470.767	102.214.757
Passenger flight liabilites	26	1.021.345.800	673.843.879
Other current liabilities	26	341.541.159	288.736.810
Non- current Liabilitites		**5.523.373.329**	**4.360.659.447**
Financial debt	8	4.903.963.366	3.684.958.785
Other payables	11	30.807.651	9.831.914
Provision for retirement pay liability	24	166.771.355	170.505.529
Deferred tax liability	35	366.412.921	435.385.525
Other non- current liabilities	26	55.418.036	59.977.694
SHAREHOLDERS' EQUITY			
Equity Attributable to Shareholders of Parent		**3.468.971.087**	**3.747.406.984**
Share capital	27	1.000.000.000	1.000.000.000
Inflation difference on shareholders' equity	27	1.123.808.032	1.123.808.032
Restricted profit reserves	27	39.326.341	39.326.341
Differences from currency translation	27	5.347.644	3.589.635
Cash flow hedge fund (-)	27	67.481.551	15.383.772
Retained earnings	27	1.565.299.204	1.278.855.843
Net profit/(loss) for the period	27	(332.291.685)	286.443.361
TOTAL LIABILITIES		**12.112.613.598**	**10.648.885.985**

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

(Convenience Translation of Report And Financial Statements Originally Issued in Turkish)

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2011

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

	Notes	(Not Audited) 1 January- 31 March 2011	(Not Audited) 1 January- 31 March 2010
Sales revenue	28	2.108.934.969	1.655.073.034
Cost of sales (-)	28	(1.988.921.414)	(1.428.395.579)
GROSS PROFIT / (LOSS)		**120.013.555**	**226.677.455**
Marketing, sales and distribution expenses (-)	29	(289.201.848)	(215.835.848)
Administrative expenses (-)	29	(111.096.398)	(75.724.183)
Other operating income	31	25.703.489	155.000.663
Other operating expenses (-)	31	(14.388.556)	(16.922.604)
OPERATING PROFIT / (LOSS)		**(268.969.758)**	**73.195.483**
Share of investments' profit/ (loss) accounted for using the equity method	16	(9.668.329)	(24.524.751)
Financial income	32	34.443.203	150.639.586
Financial expenses (-)	33	(166.869.868)	(42.950.447)
PROFIT / (LOSS) BEFORE TAX		**(411.064.752)**	**156.359.871**
Tax (expense) / income		**78.773.067**	**(36.751.916)**
Current tax expense (-)	35	(3.223.982)	(4.513.134)
Deferred tax (expense) / income	35	81.997.049	(32.238.782)
PROFIT / (LOSS) FOR THE YEAR		**(332.291.685)**	**119.607.955**
OTHER COMPREHENSIVE INCOME / (EXPENSE)			
Differences from currency translation		1.758.009	(1.170.552)
Cash flow hedge fund		65.122.224	(2.285.826)
Tax income on items in other comprehensive income		(13.024.445)	457.163
OTHER COMPREHENSIVE INCOME/		53.855.788	(2.999.215)
TOTAL COMPREHENSIVE INCOME/		(278.435.897)	116.608.740
Earnings/(Loss) per share (Kr)	36	(0,33)	0,12

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

(Convenience Translation of Report And Financial Statements Originally Issued in Turkish)

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
CONSOLIDATED STATEMENT OF CHANGE IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2011
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated .)

	Notes	Issued capital	Inflation difference on shareholders' equity	Restricted profit reserves	Differences from currency translation	Cash flow hedge fund	Net profit/loss for the period	Retained earnings	Total shareholders' equity
As of 31 December 2009		875.000.000	1.123.808.032	22.686.727	4.641.339	(1.751.329)	559.076.280	861.419.177	3.444.880.226
Transfer of previous years' profit to retained earnings	27	-	-	-	-	-	(559.076.280)	559.076.280	-
Total comprehensive income for the period		-	-	-	(1.170.552)	(1.828.661)	119.607.955	-	116.608.742
As of 31 March 2010		875.000.000	1.123.808.032	22.686.727	3.470.787	(3.579.990)	119.607.955	1.420.495.457	3.561.488.968
As of 31 December 2010		1.000.000.000	1.123.808.032	39.326.341	3.589.635	15.383.772	286.443.361	1.278.855.843	3.747.406.984
Capital increase									
Transfer of previous years' profit to retained earnings	27	-	-	-	-	-	(286.443.361)	286.443.361	-
Total comprehensive income for the period		-	-	-	1.758.009	52.097.779	(332.291.685)	-	(278.435.897)
As of 31 March 2011		1.000.000.000	1.123.808.032	39.326.341	5.347.644	67.481.551	(332.291.685)	1.565.299.204	3.468.971.087

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

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

CASH FLOW FROM OPERATING ACTIVITIES	Notes	1 January-31 March 2011	1 January-31 March 2010
Net profit before taxes		(411.064.752)	156.359.871
Adjustments to obtain net cash flow generated from operating activities:			
Depreciation and amortization	18-19	146.378.266	117.586.670
Provision for retirement pay liability	24	6.185.497	6.628.071
Provisions	22	1.937.236	1.920.233
Interest income	32	(9.770.752)	(13.414.789)
Gain on sales of fixed assets	31	(9.740)	(17.901.983)
Decrease in provision for impairment	18	0	(125.895.775)
Loss/(profit) on equity investments accounted for using the equity method	16	9.668.329	24.524.751
Interest expense	33	34.015.525	27.560.865
Change in manufacturers' credit	26	(830.551)	(562.298)
Unrealized foreign exchange gain / (loss) on finance leases		120.722.970	(77.210.006)
Increase/(decrease) in provision for doubtful receivables	10	8.629.116	9.177.530
Change in fair value of derivative instruments	32-33	7.385.736	10.150.376
Operating profit before working capital changes		**(86.753.120)**	**118.923.516**
Increase in trade receivables	10	(236.612.713)	(177.992.934)
Increase in other short and long term receivables		(47.849.281)	642.352.990
Increase / (decrease) in inventories	13	(14.055.551)	(315.237)
Increase / (decrease) in other current assets	26	(4.330.619)	(31.787.954)
Increase / (decrease) in other non-current assets	26	39.369.721	(13.141.247)
Increase / (decrease) in trade payables	10	72.898.877	(9.625.163)
Increase / (decrease) in other payables	11	30.864.867	(1.485.560)
Increase / (decrease) in other short and long term liabilities	26	6.700.242	31.614.603
Increase / (decrease) in short-term employee benefits	24	(7.743.990)	16.891.589
Increase / (decrease) in passenger flight liabilities	26	347.501.921	183.496.388
Cash flow from operating activities		**99.990.354**	**758.930.991**
Payment of retirement pay liability	24	(9.919.671)	(4.466.682)
Interest paid		(23.830.300)	(25.222.863)
Tax payments		(1.435.655)	(2.432.593)
Net cash flow from operating activities		**64.804.728**	**726.808.853**
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of tangible and intangible fixed assets	18-19-31	5.129.702	29.980.509
Interest received		9.368.764	25.455.903
Purchase of of tangible and intangible fixed assets (net of increase in finance lease liabilitites) (*)	18-19	(204.022.973)	(64.381.583)
Prepayments for the purchase of aircrafts	11	544.072.123	(1.143.015.560)
Increase/ (decrease) in short term financial investments	7	(229.061.490)	(31.108.468)
Cash outflow resulting from purchase of joint ventures		14.043.705	9.886.587
Net cash used in investing activities		**139.529.831**	**(1.173.182.612)**
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of principal in finance lease liabilitites		(116.123.438)	(70.399.222)
Increase/(decrease) in other financial liabilities	9	177.721	14.919.802
Net cash used in financing activities		**(115.945.717)**	**(55.479.420)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**88.388.842**	**(501.853.179)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**813.936.552**	**1.090.463.875**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**902.325.394**	**588.610.696**

(*) 31 Mart 2011: 1,311,566,140 TL portion of tangible and intangible asset purchases in total of 1,515,589,113 TL. was financed through finance leases. (There is no tangible and intangible asset purchases which was financed through finance leases for the quarter ended 31 March 2010)

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

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

1. COMPANY ORGANIZATION AND ITS OPERATIONS

Türk Hava Yolları A.O. ("the Company" or "THY") was incorporated in Turkey in 1933. As of 31 March 2011 and 31 December 2010, the shareholders and their respective shareholdings in the Company are as follows:

	31 March 2011	31 December 2010
Republic of Turkey Prime Ministry Privatization Administration	49,12 %	49,12 %
Other (publicly held)	50,88 %	50,88 %
Total	100,00 %	100,00 %

The total number of employees working for Türk Hava Yolları A.O. and its subsidiary ("the Group") as of 31 March 2011 is 17.489. (31 March 2010: 15.435). The average number of employees working for the Group as of 31 March 2011 and 2010 is 17.356 and 15.280, respectively. The Company is registered in İstanbul, Turkey and its head office address is as follows:

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

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

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

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

Air Transport ("Aviation")

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

Technical Maintenance Services ("Technical")

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

Approval of Financial Statements

Board of Directors has approved the financial statements as of 31 March 2011 and delegated authority for publishing it on 12 May 2011. General shareholders' meeting has the authority to modify the financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Basis of Preparation for Financial Statements and Significant Accounting Policies

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

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

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

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

Currency Used In Financial Statements

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

(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)

Adjustment of Financial Statements in Hyperinflationary Periods

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

Comparative Information and Restatement of Prior Period Financial Statements

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

Basis of the Consolidation

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

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

The table below sets out the consolidated Subsidiary and participation rate of the Group in this subsidiary as of 31 March 2011:

		Participation Rate		
Name of the Company	Principal Activity	31 March 2011	31 December 2010	Country of Registration
THY Teknik A.Ş.	Aircraft Maintenance Services	100%	100%	Turkey

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

c) The Group has six joint ventures. These joint ventures are economical activities that decisions about strategic finance and operating policy are jointly controlled by the consensus of the Group and other participants. The affiliates to which the participation rates of the Group are 50% and 49 % are controlled by the Group jointly, and are valued by equity method.

(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)

The table below sets out consolidated joint ventures and indicates the proportion of ownership interest of the Company in these affiliates at 31 March 2011:

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

(*) Share percentage and voting rights are the same in the year 2011 and 2010.

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

2.2 Changes in Accounting Policies

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

2.3 Offsetting

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

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

2.4 New and Revised International Financial Reporting Standards

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported and disclosures in these financial statements. Details of other standards and interpretations adopted in these financial statements but that have had no material impact on the financial statements are set out in further sections.

(a) New and Revised IFRSs affecting presentation and disclosure only

Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)

The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The amendments have been applied retrospectively.

(b) New and Revised IFRSs affecting the reported financial performance and / or financial position

None.

(c) New and Revised IFRSs applied with no material effect on the consolidated financial statements

IAS 24(Revised 2009) ***Related Party Disclosures***

In November 2009, IAS 24 Related Party Disclosures was revised. The revision to the standard provides government-related entities with a partial exemption from the disclosure requirements of IAS 24. The revised standard is mandatory for annual periods beginning on or after 1 January 2011.

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

The amendments to IAS 32 and IAS 1 are effective for annual periods beginning on or after 1 February 2010. The amendments address the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously, such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated.

IFRS 1 (amendments) ***First-time Adoption of IFRS – Additional Exemptions and Two Other Amendments***

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

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

Amendments to IFRIC 14 are effective for annual periods beginning on or after 1 January 2011. The amendments affect entities that are required to make minimum funding contributions to a defined benefit pension plan and choose to pre-pay those contributions. The amendment requires an asset to be recognized for any surplus arising from voluntary pre-payments made.

IFRIC 19 ***Extinguishing Financial Liabilities with Equity Instruments***

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

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

2.4 New and Revised International Financial Reporting Standards (cont'd)

Annual Improvements May 2010

Further to the above amendments and revised standards, the IASB has issued Annual Improvements to IFRSs in May 2010 that cover 7 main standards/intepretations as follow: IFRS 1 *First-time Adoption of International Financial Reporting Standards*; IFRS 3 *Business Combinations;* IFRS 7 *Financial Instruments: Disclosures*; IAS 27 *Consolidated and Separate Financial Statements*; IAS 34 *Interim Financial Reporting* and IFRIC 13 *Customer Loyalty Programmes*. With the exception of amendments to IFRS 3 and IAS 27 which are effective on or after 1 July 2010, all other amendments are effective on or after 1 January 2011.

The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years.

(d) <u>New and Revised IFRSs in issue but not yet effective</u>

IFRS 1 (amendments) *First-time Adoption of IFRS – Additional Exemptions and Two Other Amendments*

On 20 December, IFRS 1 is amended to;

- provide relief for first-time adopters of IFRSs from having to reconstruct transactions that occurred before their date of transition to IFRSs.
- provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time.

The amendment above will be effective for annual periods beginning on or after 1 July 2011. These amendments are not relevant to the Group, as it is an existing IFRS preparer.

IFRS 7 *Financial Instruments: Disclosures*

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

IFRS 9 *Financial Instruments: Classification and Measurement*

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

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

2.4 New and Revised International Financial Reporting Standards (cont'd)

IAS 12 *Income Taxes*

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

2.5 Summary of Significant Accounting Policies

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

2.5.1 Revenue

Rendering of services:

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

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

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

Dividend and interest income:

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.2 Inventories

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

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

2.5.3 Tangible Assets

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

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

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

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

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

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.3 Tangible Assets (cont'd)

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

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

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

2.5.4 Leasing Transactions

Leasing - the Group as the lessee

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

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

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.5 Intangible Assets

Intangible assets include leasehold improvements, rights, information systems and software. Intangible assets are carried at the beginning cost including the restatement to the equivalent purchasing power for those accounted on or before 31 December 2004 less accumulated depreciation. Leasehold improvements are depreciated over their lease periods and other intangible assets are depreciated over their useful life of 5 years, on a straight-line basis.

2.5.6 Impairment on Assets

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

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

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

2.5.6 Impairment on Assets (cont'd)

Group determined aircrafts, spare engines and simulators together ("Aircrafts") as lower-line cash generating unit subject to impairment and impairment calculation was performed for Aircrafts collectively.

In the examination of whether net book values of aircrafts, spare engines and simulators exceed their recoverable amounts, the higher value between value in use and sale expenses deducted net selling prices in US Dollars is used for determination of recoverable amounts. Net selling price for the aircrafts is determined according to second hand prices in international price guides. Price guides are revised for two times in a year, changes in price guides are reflected to the consolidated financial statements prepared at June and December.

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.7 Borrowing Costs

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

2.5.8 Financial Instruments

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

a) <u>Financial assets</u>

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

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

<u>Financial assets at fair value through profit or loss</u>

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

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

<u>Effective interest method</u>

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

Income is recognized on an effective interest basis for held-to-maturity investments, available-for-sale financial assets and loans and receivables.

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.8 Financial Instruments (cont'd)

a) Financial assets (cont'd)

Loans and receivables

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

Impairment of financial assets

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

Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For loans and receivables the amount of the impairment is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

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

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

Cash and cash equivalents

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

b) Financial liabilities

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.8 Financial Instruments (cont'd)

b) Financial liabilities (cont'd)

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

Derivative financial instruments and hedge accounting

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

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

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

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.9 Foreign Currency Transactions

Transactions in foreign currencies are translated into Turkish Lira at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date.

Gains and losses arising on settlement and translation of foreign currency items are included in the statements of income.

Gains and losses arising on settlement and translation of foreign currency items are included in the statements of income.

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

	Closing Rate	Average Rate
Period ended 31 March 2011	1,5483	1,5706
Year ended 31 December 2010	1,5460	1,4990
Period ended 31 March 2010	1,5215	1,5019
Year ended 31 December 2009	1,5057	1,5457

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

	Closing Rate	Average Rate
Period ended 31 March 2011	2,1816	2,1466
Year ended 31 December 2010	2,0491	1,9886
Period ended 31 March 2010	2,0523	2,0797
Year ended 31 December 2009	2,1603	2,1508

2.5.10 Earnings per Share

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

2.5.11 Events Subsequent to the Balance Sheet Date

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.12 Provisions, Contingent Liabilities, Contingent Assets

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainities surrounding the obligation.

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

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

Onerous Contracts

Present liabilities arising from onerous contracts are calculated and accounted for as provision. It is assumed that an onerous contract exists if Group has a contract which unavoidable costs to be incurred to settle obligations of the contract exceed the expected economic benefits of the contract.

2.5.13 Segmental Information

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

2.5.14 Investment Property

Investment properties, which are properties, held to earn rentals and/or for capital appreciation are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.15 Taxation and Deferred Tax

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

Current tax

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

Deferred Tax

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and affiliates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.15 Taxation and Deferred Tax (cont'd)

Deferred Tax (cont'd)

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

Current and deferred tax for the period

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

2.5.16 Employee benefits / Retirement pay provision

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

2.5.17 Statement of cash flow

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

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

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

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.18 Share Capital and Dividends

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

2.5.19 Manufacturers' Credits

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

2.5.20 Maintenance and Repair Costs

Regular maintenance and repair costs for owned and leased assets are charged to operating expense as incurred. Overhaul maintenance checks for owned and finance leased aircraft are expensed as incurred and delivery maintenance checks of operating leased aircraft are accrued on a periodical basis.

2.5.21 Frequent Flyer Program

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

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

2.6 Changes and Errors in Accounting Estimates

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

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

2.7 Important Accounting Estimates and Assumptions

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.7 Important Accounting Estimates and Assumptions (Cont'd)

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

The Determination of Impairment on Long Term Assets:

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

Calculation of the Liability for Frequent Flyer Program:

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

Useful Lives and Salvage Values of Tangible Assets:

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

Deferred Tax:

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

3. BUSINESS COMBINATIONS

None.

4. JOINT VENTURES

See note 16.

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

5. SEGMENTAL REPORTING

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

5.1 Total Assets and Liabilities

Total Assets	31 March 2011	31 December 2010
Aviation	12.020.970.701	10.539.002.128
Technic	814.209.665	775.767.109
Total	12.835.180.366	11.314.769.237
Less: Eliminations due to consolidation	(722.566.768)	(665.883.252)
Total assets in consolidated financial statements	12.112.613.598	10.648.885.985

Total Liabilitites	31 March 2011	31 December 2010
Aviation	8.551.999.588	6.791.595.144
Technic	166.757.585	192.513.058
Total	8.718.757.173	6.984.108.202
Less: Eliminations due to consolidation	(75.114.662)	(82.629.201)
Total liabilitites in consolidated financial statements	8.643.642.511	6.901.479.001

5.2 Net Operating Profit / (Loss)

Segment Results:

1 January 2011- 31 March 2011	Aviation	Technic	Inter-segment elimination	Total
Sales to external customers	2.058.832.137	50.102.832	-	2.108.934.969
Inter-segment sales	12.123.959	148.174.243	(160.298.202)	-
Segment revenue	2.070.956.096	198.277.075	(160.298.202)	2.108.934.969
Cost of sales	(1.985.136.738)	(162.727.147)	158.942.471	(1.988.921.414)
Gross profit / (loss)	85.819.358	35.549.928	(1.355.731)	120.013.555
Marketing, sales and distribution expenses	(287.229.993)	(2.103.528)	131.673	(289.201.848)
Administrative expenses	(96.032.893)	(16.247.523)	1.184.018	(111.096.398)
Other operating income	21.926.700	4.044.842	(268.053)	25.703.489
Other operating expense	(11.939.908)	(2.756.741)	308.093	(14.388.556)
Operating profit / (loss)	(287.456.736)	18.486.978	-	(268.969.758)

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

5. SEGMENTAL REPORTING (cont'd)

5.2 Net Operating Profit / (Loss) (cont'd)

1 January 2010- 31 March 2010	Aviation	Technic	Inter-segment elimination	Total
Sales to external customers	1.616.603.459	38.469.575	-	1.655.073.034
Inter-segment sales	10.086.206	99.574.052	(109.660.258)	-
Segment revenue	1.626.689.665	138.043.627	(109.660.258)	1.655.073.034
Cost of sales	(1.415.163.127)	(121.988.567)	108.756.115	(1.428.395.579)
Gross profit / (loss)	211.526.538	16.055.060	(904.143)	226.677.455
Marketing, sales and distribution expenses	(214.448.851)	(1.464.360)	77.363	(215.835.848)
Administrative expenses	(65.140.712)	(11.481.984)	898.513	(75.724.183)
Other operating income	137.703.413	17.368.983	(71.733)	155.000.663
Other operating expense	(5.197.634)	(11.724.970)	-	(16.922.604)
Operating profit / (loss)	64.442.754	8.752.729	-	73.195.483

Income statement items related to impairment of tangible fixed assets

1 January -31 March 2011	Aviation	Technic	Inter-segment elimination	Total
Real decrease on tangible fixed asset impairment provision (Loss from other operations)	-	-	-	-
Decrease on tangible fixed asset impairment provision due to exchange rate changes (Financial expense)		-	-	-

1 January-31 March 2010	Aviation	Technic	Inter-segment elimination	Total
Real decrease on tangible fixed asset impairment provision (Loss from other operations)	79.824.202	-	-	79.824.202
Decrease on tangible fixed asset impairment provision due to exchange rate changes (Financial expense)	46.071.573	-	-	46.071.573

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

5. SEGMENTAL REPORTING (cont'd)

5.2 Net Operating Profit / (Loss) (cont'd)

Income statement items related to investments accounted for equity method

1 January-31 March 2011	Aviation	Technic	Inter-segment elimination	Total
Share of investment profit/ (loss) accounted for using the equity method	(3.206.672)	(6.461.657)	-	(9.668.329)

1 January-31 March 2010	Aviation	Technic	Inter-segment elimination	Total
Share of investment profit/ (loss) accounted for using the equity method	(21.464.910)	(3.059.841)	-	(24.524.751)

5.3 Investment Operations

1 January-31 March 2011	Aviation	Technic	Inter-segment elimination	Total
Purchase of of tangible and intangible fixed assets	1.463.005.843	52.583.270	-	1.515.589.113
Current period amortization and depreciation	131.274.771	15.103.495	-	146.378.266
Investmensts accounted for using the equity method	147.920.972	66.062.031	-	213.983.003

1 January-31 March 2010	Aviation	Technic	Inter-segment elimination	Total
Purchase of of tangible and intangible fixed assets	37.419.604	28.324.770	-	65.744.374
Current period amortization and depreciation	102.592.930	14.993.740	-	117.586.670
Investmensts accounted for using the equity method	110.120.290	59.925.376	-	170.045.666

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

6. CASH AND CASH EQUIVALENTS

	31 March 2011	31 December 2010
Cash	1.927.132	728.092
Cheques Receivable	79.584	32.002
Banks – Time deposits	711.567.616	686.094.724
Banks – Demand deposits	162.217.914	92.757.084
Other liquid assets	26.533.148	34.324.650
	902.325.394	813.936.552

Time Deposits

Amount	Currency	Interest Rate	Maturity	31 March 2011
316.410.000	TL	%8,00-%9,20	24.02.2011-01.06.2011	317.478.001
31.950.000	EUR	%3,00-%4,40	02.03.2011-16.05.2011	69.911.049
209.029.928	USD	%3,50-%4,51	11.02.2011-01.06.2011	324.178.566
				711.567.616

Amount	Currency	Interest Rate	Maturity	31 December 2010
194.300.000	TL	%8,03-%9,45	22.11.2010-21.02.2011	195.646.658
41.490.000	EUR	%3,25-%3,60	01.12.2010-07.03.2011	85.094.255
261.895.582	USD	%3,06-%3,60	24.11.2010-23.03.2011	405.353.811
				686.094.724

7. FINANCIAL ASSETS

Short-term financial assets are as follows:

	31 March 2011	31 December 2010
Time deposits with maturity more than 3 months	229.061.490	-
Derivative instruments at fair values (Note 39)	136.525.392	84.070.372
	365.586.882	84.070.372

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

7. FINANCIAL ASSETS (cont'd)

Time deposits with maturity of more than 3 months:

Amount	Currency	Interest Rate	Maturity	31 March 2011
107.550.000	TL	%8.50-9.30%	24.02.2011-24.02.2012	107.550.000
20.000.000	EUR	4,65%	09.03.2011-01.12.2011	43.632.000
50.300.000	USD	%3.85-%4.50	17.03.2011-26.03.2012	77.879.490
				229.061.490

Long-term financial assets are as follows:

	31 March 2011	31 December 2010
Sita Inc.	1.679.619	1.679.619
Star Alliance GMBH	44.465	44.465
Emek İnşaat ve İşletme A.Ş.	26.859	26.859
	1.750.943	1.750.943

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

Details of the long-term financial assets of the Group at 31 March 2011 are as follows:

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

8. FINANCIAL BORROWINGS

Short-term financial borrowings are as follows:

	31 March 2011	31 December 2010
Bank loans	14.867.882	14.696.729
Finance lease obligations	585.599.029	478.423.865
	600.466.911	493.120.594

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

8. FINANCIAL BORROWINGS (cont'd)

The details of short-term part of long-term bank loans as of 31 March 2011 and 31 December 2010 are as follows:

Maturity	Interest Rate	Currency	Original Amount	Interest Accrual	TL
17.10.2011	Libor+%3,50	USD	9.422.728	179.986	14.867.882

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

Long-term financial borrowings are as follows:

	31 March 2011	31 December 2010
Finance lease obligations	4.903.963.366	3.684.958.785
	4.903.963.366	3.684.958.785

Financial lease obligations are as follows:

	31 March 2011	31 December 2010
Less than 1 year	691.484.115	574.170.632
Between 1 – 5 years	2.451.051.008	1.904.550.140
Over 5 years	3.065.735.904	2.205.369.454
	6.208.271.027	4.684.090.226
Less: Future interest expenses	(718.708.632)	(520.707.576)
Principal value of future rentals stated in financial statements	5.489.562.395	4.163.382.650
Interest Range:		
Floating rate obligations	2.725.264.393	1.956.645.410
Fixed rate obligations	2.764.298.002	2.206.737.240
	5.489.562.395	4.163.382.650

As of 31 March 2011, the US Dollars and Euro denominated lease obligations' weighted average interest rates for the fixed rate obligations are 4,50% (31 March 2010: 4,92 %) and for the floating rate obligations are 0,63% (31 March 2010: 1,56%).

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

8. OTHER FINANCIAL LIABILITIES

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

	31 March 2011	31 December 2010
Fair value of derivative instruments (Note 39)	56.949.179	62.632.636
Borrowings to banks	1.295.408	1.117.687
	58.244.587	63.750.323

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

9. TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables are as follows:

	31 March 2011	31 December 2010
Trade receivables	870.027.686	613.963.860
Due from related parties (Note 37)	10.873.116	31.289.397
Allowance for doubtful receivables	(75.294.391)	(67.630.443)
	805.606.411	577.622.814

The Group provided provision for the receivables carried to legal proceedings and for the others by making historical statistical calculations. Movement of the doubtful receivables for the period ended 31 March 2011 and 2010 are as follows:

	1 January - 31 March 2011	1 January - 31 March 2010
Opening Balance	67.630.443	41.791.892
Charge for the period	8.629.116	12.091.458
Collections during the period	(1.134.440)	(2.913.928)
Foreign exchange loss	169.272	-
Closing Balance	75.294.391	50.969.422

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

Short-term trade payables are as follows:

	31 March 2011	31 December 2010
Trade payables	725.069.551	672.370.479
Due from related parties (Note 37)	81.474.316	61.509.126
Other	2.229.036	1.994.421
	808.772.903	735.874.026

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

11. OTHER RECEIVABLES AND PAYABLES

Other short-term receivables are as follows:

	31 March 2011	31 December 2010
Prepayments made for aircrafts, to be received back in cash (net)	869.451.101	1.610.230.030
Receivables from purchasing transactions abroad	54.506.463	7.813.311
Restriction on transfer of funds from banks (*)	15.688.267	15.851.565
Receivables from training of captain candidates	13.970.563	9.382.173
Deposits and guarentees given	4.171.344	906.115
Receivables from foreign technical suppliers	2.335.525	1.656.654
Receivables from employees	1.966.065	1.321.982
Receivables from tax office	52.323	52.323
Other receivables	5.074.912	2.311.624
	967.216.563	1.649.525.777

(*) As of 31 March 2011, the balance of this account is related to bank balance in Taşkent, Bingazi and Adissababa

Long-term other receivables are as follows:

	31 March 2011	31 December 2010
Prepayments made for aircrafts, to be received back in cash (net)	363.216.851	166.510.045
Receivables from employees	10.747.042	11.207.991
Advance payments for operating leases	7.524.265	7.498.785
Deposits and guarantess given	7.018.121	6.234.707
Interest swap agreement deposits	5.759.676	14.656.095
Receivables from purchasing transactions abroad	3.766.307	7.306.887
Receivables from Sita deposit certificates	1.224.295	1.222.478
	399.256.557	214.636.988

Short-term other payables are as follows:

	31 March 2011	31 December 2010
Miscellaneous charge order advances	80.785.106	63.227.440
Social security premiums payable	34.272.234	32.540.402
Taxes and funds payable	27.190.267	32.434.572
Deposits and guarantees received	16.106.438	13.314.559
Payables to insurance companies	5.700.681	16.448.096
Charter advances	4.918.470	1.124.749
Other advances received	1.902.418	1.001.100
Other liabilities	1.812.079	2.707.645
	172.687.693	162.798.563

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

11. OTHER RECEIVABLES AND PAYABLES (cont'd)

Other long-term payables are as follows:

	31 March 2011	31 December 2010
Interest swap agreements	20.236.281	-
Deposits and guarantees received	10.571.370	9.831.914
	30.807.651	9.831.914

12. RECEIVABLES AND PAYABLES FROM FINANCIAL SECTOR OPERATIONS

None (31 December 2010: None).

13. INVENTORIES

	31 March 2011	31 December 2010
Spare parts	167.456.512	150.027.358
Other inventories	33.043.969	36.417.572
	200.500.481	186.444.930
Provision for impairment (-)	(14.368.647)	(14.368.647)
	186.131.834	172.076.283

Movement in change of diminution in value of inventories as of 31 March 2011 and 2010 are as follows:

	1 January - 31 March 2011	1 January - 31 March 2010
Provision at the beginning of the period	14.368.647	14.368.647
Cancellation of provisions recognized	-	(1.290.280)
Provision at the end of the period	14.368.647	13.078.367

14. BIOLOGICAL ASSETS

None (31 December 2010: None).

15. ASSETS FROM CONSTRUCTION CONTRACTS IN PROGRESS

None (31 December 2010: None).

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

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	31 March 2011	31 December 2010
Güneş Ekspres Havacılık A.Ş. (Sun Express)	9.108.180	23.360.765
THY DO&CO İkram Hizmetleri A.Ş. (Turkish DO&CO)	47.800.794	46.516.347
P&W T.T. Uçak Bakım Merkezi Ltd. Şti.	66.062.031	53.692.268
TGS Yer Hizmetleri A.Ş. (TGS)	60.641.712	56.501.684
THY OPET Havacılık Yakıtları A.Ş. (THY Opet)	30.370.286	13.490.964
	213.983.003	193.562.028

Financial information for Sun Express as of 31 March 2011 and 31 December 2010 are as follows:

	31 March 2011	31 December 2010
Total assets	646.416.806	574.856.563
Total liabilities	628.200.446	528.135.034
Shareholders'equity	18.216.360	46.721.529
Group's share in associate's shareholders' equity	9.108.180	23.360.765

	1 January - 31 March 2011	1 January - 31 March 2010
Revenue	194.907.564	139.427.179
Profit/ (loss) for the period	(31.020.950)	(44.655.963)
Group's share in profit/(loss) for the period	(15.510.475)	(22.327.981)

Financial information for THY DO&CO Catering Services as of 31 March 2011 and 31 December 2010 are as follows:

	31 March 2011	31 December 2010
Total assets	172.902.895	154.372.009
Total liabilities	77.301.307	61.339.316
Shareholders'equity	95.601.588	93.032.693
Group's share in associate's shareholders' equity	47.800.794	46.516.347

	1 January - 31 March 2011	1 January - 31 March 2010
Revenue	78.747.091	71.624.000
Profit/ (loss) for the period	2.568.893	3.657.186
Group's share in profit/(loss) for the period	1.284.447	1.828.593

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

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (cont'd)

Financial information for P&W T.T Uçak Bakım Merkezi Ltd. Şti as of 31 March 2011 and 31 December 2010 are as follows:

	31 March 2011	31 December 2010
Total assets	219.595.733	221.389.592
Total liabilities	84.775.261	111.813.535
Shareholders'equity	134.820.472	109.576.057
Group's share in associate's shareholders' equity	66.062.031	53.692.268

	1 January - 31 March 2011	1 January - 31 March 2010
Revenue	49.060.060	40.063
Profit/ (loss) for the period	(13.187.055)	(6.244.574)
Group's share in profit/(loss) for the period	(6.461.657)	(3.059.841)

Financial information for Bosnia and Herzegovina Airlines as of 31 March 2011 and 31 December 2010 are as follows:

	31 March 2011	31 December 2010
Total assets	49.989.903	50.735.303
Total liabilities	59.953.321	58.714.113
Shareholders'equity	(9.963.418)	(7.978.810)

	1 January - 31 March 2011	1 January - 31 March 2010
Revenue	6.572.690	4.872.572
Profit/ (loss) for the period	(1.487.448)	(2.549.978)
Group's share in profit/(loss) for the period	-	(1.249.491)

Financial information for TGS as of 31 March 2011 and 31 December 2010 are as follows:

	31 March 2011	31 December 2010
Total assets	173.606.497	199.967.385
Total liabilities	52.323.074	86.964.018
Shareholders'equity	121.283.423	113.003.367
Group's share in associate's shareholders' equity	60.641.712	56.501.684

	1 January - 31 March 2011	1 January - 31 March 2010
Revenue	65.195.074	25.995.304
Profit/ (loss) for the period	8.280.056	1.404.526
Group's share in profit/(loss) for the period	4.140.028	702.263

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

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (cont'd)

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

Financial information for THY Opet Havacılık Yakıtları A.Ş. as of 31 March 2011 and 31 December 2010 are as follows:

	31 March 2011	31 December 2010
Total assets	240.003.927	190.798.801
Total liabilities	179.263.356	163.816.873
Shareholders'equity	60.740.571	26.981.928
Group's share in associate's shareholders' equity	30.370.286	13.490.964

	1 January - 31 March 2011	1 January - 31 March 2010
Revenue	278.796.726	-
Profit/ (loss) for the period	13.758.656	(836.588)
Group's share in profit/ (loss) for the period	6.879.328	(418.294)

Details of investments accounted for using the equity method as of 31 March 2011 are as follows:

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

17. INVESTMENT PROPERTY

	1 January - 31 March 2011	1 January - 31 March 2010
Opening balance, 1 January	49.570.000	48.810.000
Additions	-	-
Loss due to the change in fair value	-	-
Closing balance, 31 March	49.570.000	48.810.000

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

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

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

18. TANGIBLE ASSETS

	Land improvements and buildings	Technical equipments, simulators and vehicles	Other equipments, fixtures	Aircraft and spare engines	Components and repairable spare parts	Leasehold improvements	Construction in Progress	Aircrafts acquired by leasing	Total
Cost									
Opening balance at 1 January 2011	155.789.647	277.141.423	183.217.670	3.094.923.760	327.545.636	58.093.484	73.716.650	6.370.945.985	10.541.374.255
Additions	828.177	23.285.360	4.795.699	4.777.330	33.172.282	675.288	17.717.216	1.429.689.290	1.514.940.642
Disposals	-	(6.181.491)	(2.007.623)	(3.519.219)	(9.376.044)	(308.862)	-	(6.770.835)	(28.164.074)
Transfers	-	-	-	80.639.226	-	205.809	(874.888)	(79.970.147)	-
Closing balance at 31 March 2011	156.617.824	294.245.292	186.005.746	3.176.821.097	351.341.874	58.665.719	90.558.978	7.713.894.293	12.028.150.823
Accumulated depreciation									
Opening balance at 1 January 2011	50.832.184	188.335.346	135.063.853	1.915.884.125	152.551.380	35.075.428	-	1.620.194.704	4.097.937.020
Depreciation charge for the period	679.959	3.581.715	4.339.949	30.473.603	12.300.035	2.760.628	-	90.804.870	144.940.759
Disposals	-	(3.553.368)	(1.560.636)	(3.024.279)	(8.883.717)	(80.035)	-	(5.942.077)	(23.044.112)
Transfers	-	-	-	40.412.954	-	-	-	(40.412.954)	-
Real increase/(decrease) at impairment	-	-	-	-	-	-	-	-	-
Impairment, increase/(decrease) due to exchange rate changes	-	-	-	-	-	-	-	-	-
Closing balance 31 March 2011	51.512.143	188.363.693	137.843.166	1.983.746.403	155.967.698	37.756.021	-	1.664.644.543	4.219.833.667
Net book value 31 March 2011	105.105.681	105.881.599	48.162.580	1.193.074.694	195.374.176	20.909.698	90.558.978	6.049.249.750	7.808.317.156
Net book value 31 December 2010	104.957.463	88.806.077	48.153.817	1.179.039.635	174.994.256	23.018.056	73.716.650	4.750.751.281	6.443.437.235

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

18. TANGIBLE ASSETS (cont'd)

	Land improvements and buildings	Technical equipments, simulators and vehicles	Other equipments, fixtures	Aircraft and spare engines	Components and repairable spare parts	Leasehold improvements	Construction in Progress	Aircrafts acquired by leasing	Total
Cost									
Opening balance at 1 January 2010	164.645.538	320.921.611	172.635.436	2.563.804.909	319.829.494	47.421.962	17.713.152	5.026.527.470	8.633.499.572
Additions	-	6.643.035	5.194.424	1.841.760	26.339.894	1.675.625	1.057.171	10.645.002	53.396.911
Disposals	-	(75.785.639)	(1.298.764)	-	(10.280.652)	-	-	(7.420.568)	(94.785.623)
Transfers	-	-	-	-	-	227.434	(227.434)	-	-
Closing balance 31 March 2010	164.645.538	251.779.007	176.531.096	2.565.646.669	335.888.736	49.325.021	18.542.889	5.029.751.904	8.592.110.860
Accumulated depreciation									
Opening balance at 1 January 2010	58.398.566	253.105.940	135.673.684	1.852.152.821	147.045.447	26.183.316	-	1.349.920.748	3.822.480.522
Depreciation charge for the period	684.368	3.948.373	3.172.457	19.196.809	12.325.391	1.958.067	-	75.147.178	116.432.643
Disposals	-	(64.231.961)	(1.252.143)	-	(9.802.425)	-	-	(6.057.777)	(81.344.306)
Real increase/(decrease) at impairment	-	(134.350)	-	73.641.394	-	-	-	(153.331.246)	(79.824.202)
Impairment, increase/(decrease) due to exchange rate changes	-	(161.109)	-	(6.412.297)	-	-	-	(39.498.167)	(46.071.573)
Closing balance 31 March 2010	59.082.934	192.526.893	137.593.998	1.938.578.727	149.568.413	28.141.383	-	1.226.180.736	3.731.673.084
Net book value 31 March 2010	105.562.604	59.252.114	38.937.098	627.067.942	186.320.323	21.183.638	18.542.889	3.803.571.168	4.860.437.776
Net book value 31 December 2009	106.246.972	67.815.671	36.961.752	711.652.088	172.784.047	21.238.646	17.713.152	3.676.606.722	4.811.019.050

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

19. INTANGIBLE ASSETS

	Slot Rights	Other Rights	Total
Cost			
Opening balance at 1 January 2011	20.007.450	87.477.119	107.484.569
Additions	-	648.471	648.471
Disposals	-	-	-
Closing balance at 31 March 2011	20.007.450	88.125.590	108.133.040
Accumulated Depreciation			
Opening balance at 1 January 2011	-	74.385.468	74.385.468
Amortization charge for the period	-	1.437.507	1.437.507
Disposals	-	-	-
Closing balance at 31 March 2011	-	75.822.975	75.822.975
Net book value 31 March 2011	20.007.450	12.302.615	32.310.065
Net book value 31 December 2010	20.007.450	13.091.651	33.099.101

	Slot Rights	Other Rights	Total
Cost			
Opening balance at 1 January 2010	-	80.264.961	80.264.961
Additions	11.934.000	413.463	12.347.463
Disposals	-	-	-
Closing balance at 31 March 2010	11.934.000	80.678.424	92.612.424
Accumulated Depreciation			
Opening balance at 1 January 2010	-	69.595.344	69.595.344
Amortization charge for the period	-	1.154.027	1.154.027
Disposals	-	-	-
Closing balance at 31 March 2010	-	70.749.371	70.749.371
Net book value 31 March 2010	11.934.000	9.929.053	21.863.053
Net book value 31 December 2009	-	10.669.612	10.669.612

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

20 GOODWILL

None (31 December 2010: None).

21 GOVERNMENT GRANTS AND INCENTIVES

Incentive certificate no:28.12.2010 / 99256 was obtained from Turkish Treasury for financing the aircrafts planned for 2010-2015.According to this certificate, the Company will use the adventages for reduction of corporate tax, customs duty extemption and support for insurence premium of employers. (31 December 2010: None).

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

22. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions for short-term liabilites are as follows:

	31 March 2011	31 December 2010
Provisions for legal claims	22.417.838	20.480.602

Changes in the provisions for legal claims at 31 March 2011 and 2010 periods set out below:

	1 January - 31 March 2011	1 January - 31 March 2010
Provision at the beginning of the period	20.480.602	7.287.354
Charge for the period	1.937.236	1.931.177
Provisions released	-	(10.944)
Provision at the end of the period	22.417.838	9.207.587

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 damaged luggage or cargo.

a) Guarantees/Pledge/Mortgage ("GPM") given by the group: Amount of letter of guarantees given is TL 115.015.604 (31 December 2010: TL 94.785.952).

	31 March 2011		31 December 2010	
	Foreign currency amount	TL equivalent	Foreign currency amount	TL equivalent
A. Total amounts of GPM given on the behalf of its own legal entity		115.015.604		94.785.952
-Collaterals				
TL		20.304.733		6.035.525
EUR	7.536.643	16.441.940	5.550.118	11.372.746
USD	49.429.684	76.531.980	48.939.024	75.659.732
Other		1.736.951	-	1.717.949
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 partie debts for routine trade operations	-	-	-	-
D. Total amounts of other GPM given	-	-	-	-
		115.015.604		94.785.952

The other CPMs given by the Company constitute 0% of the Company's equity as of 31 March 2011 (31 December 2010: %0).

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

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

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

c) The Group's discounted retirement pay provision is TL 166.771.355. The Group's liability for retirement pay would be approximately TL 333.384.915 as of 31 March 2011, if all employees were dismissed on that date.

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

23. COMMITMENTS

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

	31 March 2011	31 December 2010
Less than 1 year	337.463.408	357.740.489
Between 1 – 5 years	887.934.988	902.887.434
More than 5 years	285.878.440	319.073.603
	1.511.276.836	1.579.701.526

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 and 9 of these aircrafts were delivered within three months of 2011. The Group has made an advance payment of 800 million US Dollars relevant to these purchases as of 31 March 2011.

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

24. EMPLOYEE BENEFITS

Short-term employee benefits are as follows:

	31 March 2011	31 December 2010
Salary accruals	53.305.407	50.239.944
Labor union agreement accrual	12.901.115	37.574.079
Due to personnel	1.938.914	541.330
Provisions for unused vacation	26.325.331	13.859.404
	94.470.767	102.214.757

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

	31 March 2011	31 December 2010
Provisions for retirement pay liability	166.771.355	170.505.529

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

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

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

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. IAS 19 ("Employee Benefits") stipulates the development of company's liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows:

Main assumption is that maximum liability amount increases in accordance with the inflation rate for every service year. So, provisions in the accompanying financial statements as of 31 March 2011 are calculated by estimating present value of contingent liabilities due to retirement of employees. Provisions in the relevant balance sheet dates are calculated with the assumptions of 5,10% annual inflation rate (31 December 2010: 4,80%) and 10% discount rate. (31 December 2010: 11%). Estimated amount of retirement pay not paid due to voluntary leaves and retained in the Company is also taken into consideration as 1.43% (2010: 2.95%). Ceiling for retirement pay is revised semi-annually. Ceiling amount of TL 2.623 which is in effect since 1 January 2011 is used in the calculation of Group's provision for retirement pay liability.

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

24. EMPLOYEE BENEFITS (cont'd)

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

	1 January - 31 March 2011	1 January - 31 March 2010
Provisions at the beginning of the period	170.505.529	151.875.562
Charge for the period	4.226.169	6.356.467
Interest charges	1.959.328	271.604
Payments	(9.919.671)	(4.466.682)
Provisions at the end of the period	166.771.355	154.036.951

25. RETIREMENT BENEFITS

None (31 December 2010: None).

26. OTHER ASSETS AND LIABILITIES

Details of other current assets are as follows:

	31 March 2011	31 December 2010
Prepaid taxes and funds	58.203.957	59.670.760
Technical maintenance income accruals	34.507.597	42.533.116
Advances given for orders	22.740.929	1.680.460
Other prepaid expenses	17.733.189	12.178.549
Prepaid operating lease expenses	16.882.198	19.457.461
Prepaid sales commissions	16.528.417	10.456.293
VAT to be refunded	13.993.503	11.091.767
Prepaid insurance expenses	7.220.851	7.697.001
Deferred VAT	5.158.725	6.062.222
Advances for business purposes	2.210.249	1.368.189
Interline passenger income accruals	1.927.048	2.554.403
Credit note accruals for received aircrafts and simulators	-	18.743.129
Other current assets	1.769.658	1.052.352
	198.876.321	194.545.702

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

26. OTHER ASSETS AND LIABILITIES (cont'd)

Other non-current assets are as follows:

	31 March 2011	31 December 2010
Advances given for fixed asset purchases	127.147.045	169.283.390
Maintenance reserves for engines	38.517.032	35.285.248
Prepaid aircraft financing expenses	12.788.005	12.735.035
Prepaid operating lease expenses	2.360.138	2.455.512
Prepaid expenses	516.369	810.338
fee	353.880	482.667
	181.682.469	221.052.190

Other short-term liabilies are as follows:

	31 March 2011	31 December 2010
Accruals for maintenance expense	254.198.382	231.895.137
Credit note for received aircrafts and simulators	28.471.512	12.495.245
Incentive premium accruals	25.279.798	17.466.706
Unearned revenue accruals	11.402.064	6.360.139
Unearned revenue from share transfer of TGS (Note 16)	11.300.000	11.300.000
Accruals for other expenses	10.702.498	9.058.900
Other liabilities	186.905	160.683
	341.541.159	288.736.810

Other long-term liabilities are as follows:

	31 March 2011	31 December 2010
Gross manufacturer's credits	40.534.910	40.474.695
Accumulated depreciations of manufacturer's credit	(16.191.874)	(15.301.108)
Unearned revenue from share transfer of TGS (Note 16)	31.075.000	33.900.000
Unerarned revenue accruals	-	904.107
	55.418.036	59.977.694

Passenger flight liabilities are as follows:

	31 March 2011	31 December 2010
Flight liability generating from ticket sales	712.652.585	342.348.911
Flight liability generating from mileage sales	171.364.927	199.888.160
Frequent flyer program liability	137.328.288	131.606.808
	1.021.345.800	673.843.879

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

27. SHAREHOLDERS' EQUITY

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

	Type	%	31 March 2011	%	31 December 2010
Republic of Turkey Prime Ministry Privitization Adm(*)	A, C	49,12	491.218.308	49,12	491.218.308
Other (Publicly held)	A	50,88	508.781.692	50,88	508.781.692
Paid-in capital			1.000.000.000		1.000.000.000
Restatement difference			1.123.808.032		1.123.808.032
Restated capital			2.123.808.032		2.123.808.032

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

As of 31 March 2011 , the Group's issued and paid-in share capital consists of 99.999.999.999 Class A shares and 1 Class C share, all with a par value of Kr 1 each. These shares are issued to the name. The Class C share belongs to the Republic of Turkey Prime Ministry Privatization Administration and has the following privileges:

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

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

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

a) As defined in Article 3.1 of the Articles of Association, taking decisions that will negatively affect the Company's mission,

b) Suggesting change in the Articles of Association at General Assembly,

c) Increasing share capital,

d) Approval of transfer of the shares issued to the name and their registration to the "Share Registry",

e) Making decisions or taking actions which will put the Company under commitment over 5% of its total assets considering the latest annual financial statements prepared for Capital Market Board per agreement (this statement will expire when the Company's shares held by Turkish State is below 20%),

27. SHAREHOLDERS' EQUITY (cont'd)

f) Making decisions relating to merges and liquidation,

g) Making decisions to cancel flight routes or significantly decrease number of flights except for the ones that cannot recover even its operational expenses subject to the market conditions.

Restricted Reserves Assorted from Profit

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code (TCC). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

Foreign Currency Translation Differences

Foreign currency translation differences are the changes due to foreign exchange rate changes in the shareholders' equity Sun Express which is a subsidiary accounted for equity method.

Distribution of Dividends

Companies whose shares are traded at Istanbul Stock Exchange (ISE) are subject to the following dividend rules determined by Capital Markets Board:

According to the Serial:XI No:29 Communique 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. However, for companies that have not made any dividend distributions in the prior period and therefore has classified their shares as "old shares" and "new shares" and those that will distribute dividends from the profit for the year obtained from their activities, primary dividend amount shall be distributed in cash.

According to the CMB's decision on 9 January 2009, in calculation of distributable profit, the companies are required to prepare consolidated financial statements, those companies enabled to calculate distributable profit by taking into consideration the profit in the financial statements prepared and announced to the public in accordance with Serial:XI No:29. Regarding the same decision, retained earnings of the companies in legitimate records, profit for the period and total amount of the assets generating profit are to be stated in the accompanying notes of financial statements in accordance with Serial:XI No:29 Communique.

27. SHAREHOLDERS' EQUITY (cont'd)

Distribution of Dividends (cont'd)

In accordance with the Capital Markets Board's (the "Board") Decree issued as of 27 January 2010, in relation to the profit distribution of earnings derived from the operations in 2009,

minimum profit distribution is not required for listed companies (December 31, 2008: 20%), and accordingly, profit distribution should be made based on the requirements set out in the Board's Communique 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 Communique Serial: XI, No: 29;

Within the frame of Communique Series: XI, No: 29, amount disclosed in notes to financial statements based on the Board decision dated 9 January 2009; following the deduction of companies' retained earnings, total of remaining profit for the period and other total resources that may apply to profit distribution;

Within the frame of Communique Series: XI, No: 29, amount disclosed in notes to financial statements based on the Board decision dated 9 January 2009; following the deduction of companies' retained earnings, total of remaining profit for the period and other total resources that may apply to profit distribution;

Within the frame of 6 th bulletin of Communique Series: IV No: 27, application of related period about profit distribution time;

a) If all dividends are distributed in cash, dividends made to continue the adoption of distributing until the end of following fifth month of the fiscal period.

b) If dividends are distributed as share, the Entity should apply for Capital Markets Board until the end of following fifth month of the fiscal period and finish profit distribution until the end of following sixth month of the fiscal period as the purpose of exported shares are recorded by Capital Markets Board.

c) In the case of combination of the options "a" and "b", it was decided that operations described earlier should be performed separately but within the time that referred to in subparagraph

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

27. SHAREHOLDERS' EQUITY (cont'd)

Distribution of Dividends (cont'd)

The items of shareholders' equity of the Company in the statutory accounts as of 31 March 2011 as the dividends distributed not reflected are as follows:

Paid-in capital	1.000.000.000
Share premium	181.185
Legal reserves	55.692.565
Extraordinary reserves (*)	198.959.553
Other profit reserves	9
Special funds	48.902.952
Retained earnings (*)	200.806.615
Net profit for the period (*)	(466.384.130)
Total shareholders' equity	1.038.158.749

* Per legal records these items will be subject to distribution of dividends.

Hedge Fund against the Cash Flow Risk

Hedge fund against cash flow risk arises from the accounting under shareholders' equity for the changes in the fair values of effective derivative financial instruments designated against financial risks of future cash flows. Total of deferred gain/loss arising from hedging against financial risk are accounted when the effect of the hedged item goes into the income statement.

28. SALES AND COST OF SALES

Details of gross profit are as follows:

	1 January - 31 March 2011	**1 January - 31 March 2010**
Scheduled flights		
Passenger	1.804.220.448	1.442.638.975
Cargo and mail	199.100.420	139.585.142
Total scheduled flights	2.003.320.868	1.582.224.117
Unscheduled flights	14.388.158	6.313.098
Other revenue	91.247.091	66.549.735
Gross sales	2.108.956.117	1.655.086.950
Less: discounts and sales returns	(21.148)	(13.916)
Net sales	2.108.934.969	1.655.073.034
Cost of sales (-)	(1.988.921.414)	(1.428.395.579)
Gross profit	120.013.555	226.677.455

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

28. SALES AND COST OF SALES (cont'd)

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

	1 January - 31 March 2011	1 January - 31 March 2010
- Europe	629.625.965	555.600.317
- Far East	453.045.659	310.648.725
- Middle East	297.742.142	209.173.882
- America	137.010.550	98.770.919
- Africa	131.200.429	102.545.575
Total international flights	1.648.624.745	1.276.739.418
Domestic flights	354.696.123	305.484.699
Total revenue	2.003.320.868	1.582.224.117

The details of the cost of sales are as follows:

	1 January - 31 March 2011	1 January - 31 March 2010
Fuel expense	730.765.259	455.433.630
Personnel expense	374.538.591	286.330.723
Landing and navigation expense	172.316.546	140.103.310
Ground services expenses	162.119.478	106.103.981
Depreciation expenses	136.721.278	108.940.504
Maintenance expenses	124.801.324	72.071.796
Passenger service and catering expenses	101.549.471	89.290.524
Operating lease expenses	99.736.745	85.432.097
Other airlines' seat rents	29.524.643	42.544.088
Short term leasing expenses	10.458.594	2.987.857
Other rent expenses	8.052.159	5.248.008
Insurance expenses	5.689.107	5.510.916
Service expenses	4.852.105	7.340.719
Tax expenses	3.146.157	2.601.616
Utility expenses	2.595.716	1.832.513
Transportation expenses	1.663.727	1.185.056
Communication expenses	635.866	838.558
Cost of other sales	19.754.648	14.599.683
	1.988.921.414	1.428.395.579

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

29 RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SALES AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 March 2011	**1 January - 31 March 2010**
Marketing, sales and distribution expenses	289.201.848	215.835.848
Administrative expense	111.096.398	75.724.183
	400.298.246	291.560.031

Marketing, sales and distribution expenses are as follows:

	1 January - 31 March 2011	**1 January - 31 March 2010**
Personnel expenses	85.779.721	58.529.587
Commissions and incentive expenses	65.948.774	53.999.905
Reservation systems expense	49.563.348	44.300.734
Advertising expenses	43.726.811	24.265.487
Service expenses	6.621.222	5.623.335
Special passenger program milage expenses	5.966.848	3.158.118
Rent expenses	4.658.216	4.798.177
Passenger service and catering expense	4.092.182	2.970.909
Transportation expense	3.145.688	1.936.026
Communnication expense	2.845.201	3.028.024
Tax expenses	2.468.108	1.687.100
Membership fees	1.935.274	1.682.369
Utility Expenses	1.085.460	1.058.544
Maintenance expenses	658.489	689.531
Fuel expense	300.064	157.376
Insurance expenses	206.632	186.199
Depreciation expenses	204.365	237.141
Other sales and marketing expenses	9.995.445	7.527.286
	289.201.848	215.835.848

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

29. RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SALES AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES (cont'd)

General administrative expenses are as follows:

	1 January - 30 September 2010	1 January - 30 September 2009
Personnel expenses	54.273.246	41.289.027
Depreciation expenses	10.842.779	863.720
Service expenses	9.452.623	8.409.025
Insurance expenses	5.618.617	2.978.127
Tax expenses	5.412.001	3.346.961
Communnication expense	4.477.800	3.150.527
Rent expenses	4.338.399	2.710.930
Service expenses	3.932.058	4.060.285
Fuel expense	3.398.546	2.791.489
Maintenance expenses	1.748.528	1.371.100
Utility expenses	1.372.358	822.397
Other administrative expenses	6.229.443	3.930.595
	111.096.398	75.724.183

30. EXPENSES ACCORDING TO CATEGORIES

Expenses according to categories are explained in Notes 28 and 29.

31. OTHER OPERATING INCOME / EXPENSES

Other operating income consists of the following:

	1 January - 31 March 2011	1 January - 31 March 2010
Discounts received from maintenance spare parts suppliers	7.008.415	1.620.502
Returns received from rent firms	2.877.941	11.204.817
TGS share premium (Note:16)	2.825.000	2.825.000
Income from free of charge materials	2.474.117	15.434.989
Banks protocol revenue	1.231.917	1.232.877
Provisions no longer required	1.134.440	7.391.554
Star Alliance membership revenue	824.578	666.892
Insurance, indemnities, penalties income	769.757	10.970.298
Purchase discounts	393.700	286.462
Rent income	47.441	368.007
Returns and discounts received from services	3.955.180	849.348
Gain on sale of fixed assets	9.740	17.901.983
Real decrease in provisions for impairment of fixed assets (Note 18)	-	79.824.202
Other operating income	2.151.263	4.423.732
	25.703.489	155.000.663

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

31. OTHER OPERATING INCOME / EXPENSES (cont'd)

	1 January - 31 March 2011	1 January - 31 March 2010
Provision expenses	10.566.352	14.022.635
Expenses due to passengers without visa	1.639.707	808.960
Other operating expense	2.182.497	2.091.009
	14.388.556	16.922.604

32. FINANCIAL INCOME

Financial income consists of the following:

	1 January - 31 March 2011	1 January - 31 March 2010
Foreign exchange rate income	21.770.933	13.254.876
Interest income	9.770.752	13.414.789
Rediscount interest income	2.901.518	394.865
Finance lease foreign exchange rate income	-	77.503.483
Decrease in provisions for impairment of fixed assets due to change in exchange rate(Note 18)	-	46.071.573
	34.443.203	150.639.586

33. FINANCIAL EXPENSES

Finance expenses are as follows:

	1 January - 31 March 2011	1 January - 31 March 2010
Finance lease foreign exchange rate expense	120.701.298	-
Finance lease interest expense	34.015.525	27.560.865
The fair value of derivatives exchange expense	7.385.736	10.150.376
Rediscount interest expense	2.610.623	2.331.082
Cost of ETB interest	1.959.328	2.220.508
Financial liabilities foreign exchange loss	21.672	293.477
Other financial expense	175.686	394.139
	166.869.868	42.950.447

34. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None (31 December 2010: None).

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

35. TAX ASSETS AND LIABILITIES

Tax liability for the current profit is as follows:

	31 March 2011	31 December 2010
Provisions for corporate tax	3.223.982	10.387.347
Prepaid taxes and funds	(61.106.415)	(70.058.107)
	(57.882.433)	(59.670.760)

(*) Prepaid taxes, excess part of corporate taxes to be paid as at 31 March 2011, are shown under other current assets.

Tax liability consists of the following items:

	1 January - 31 March 2011	1 January - 31 March 2010
Current period tax expense	3.223.982	2.339.420
Change in corporate tax for the year 2009 (other)	-	2.173.714
Deferred tax expense	(81.997.049)	32.238.782
Tax expense	(78.773.067)	36.751.916

Tax effect regarding other comprehensive income is as follows:

	1 January - 31 March 2011		
	Amount before tax	Tax (expense) /income	Amount after tax
Foreign currency translation differences	1.758.009	-	1.758.009
Change in cash flow hedge fund	65.122.224	(13.024.445)	52.097.779
Other comprehensive income for the period	66.880.233	(13.024.445)	53.855.788

Change in translation differences of foreign currency that is included in other comprehensive income, is TL 1.758.009 for the period 1January – 31 March 2011. In addition, the effect on taxation does not exist for the period.

Corporate Tax

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group’s results for the years and periods. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rate in 2011 is 20% (2010: 20%) for the Group.

35. TAX ASSETS AND TAX LIABILITIES (cont'd)

Corporate Tax (cont'd)

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2011 is 20%. (2010: 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 applied in between 24 April 2003 – 22 July 2006 is 10% and commencing from 23 July 2006, this rate has been changed to 15% upon the Council of Mininsters' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

Withholding tax at the rate of 19,8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, the investments without investment incentive certificates do not qualify for tax allowance.

Deferred Tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes and they are given below.

For calculation of deferred tax asset and liabilities, the rate of 20% (2010: 20%) is used.

In Turkey, the companies cannot declare a consolidated tax return, therefore subsidiaries that have deferred tax assets position were not net off against subsidiaries that have deferred tax liabilities position and disclosed separately.

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

35. TAX ASSETS AND TAX LIABILITIES (cont'd)

The deferred tax assets and liabilities as of 31 March 2011 and 31 December 2010 are as follows:

	31 March 2011	31 December 2010
Fixed assets	(548.043.339)	(525.486.010)
Provisions for ticket sales advance	(60.028.908)	(57.133.510)
Adjustment on inventories	(20.745.220)	(19.172.440)
Unearned revenue	(13.060.665)	(1.420.257)
Accumulated loss	108.792.669	19.490.674
Accruals for expenses	80.335.211	70.912.827
Provisions for ETB	34.129.550	33.895.715
Long-term lease obligations	25.650.534	19.236.155
Short-term lease obligations	13.062.842	13.647.501
Allowance for doubtful receivables	5.451.813	4.352.313
Provisions for unused vacation	5.265.066	2.771.881
Provisions for impairment in inventories	2.873.729	2.873.729
Other	(96.203)	645.897
Deferred tax assets/ (liabilities)	(366.412.921)	(435.385.525)

The changes of deferred tax liability as of 31 March 2011 and 2010 are as follows:

	1 January - 31 March 2011	1 January - 31 March 2010
Opening balance at 1 January	435.385.525	362.243.105
Deferred tax expense	(81.997.049)	32.238.782
Hedge fund tax income	13.024.445	(457.163)
Closing balance at 31 March	366.412.921	394.024.724

	1 January - 31 March 2011	1 January - 31 March 2010
Reconciliation of provision for taxes:		
Profit from operations before tax	(411.064.752)	156.359.871
Domestic income tax rate of 20%	(82.212.950)	31.271.974
Taxation effects on:		
- non-deductible expenses	4.971.880	4.961.955
- effect of change in corporate tax for the year 2009	-	2.173.714
- effect of change in corporate tax for the year 2010	462.384	-
- foreign branch earning exemption	-	2.334.390
- revenue that is exempt from taxation	-	(3.990.117)
- other	(1.994.381)	-
Provisions for tax expense in income statement	(78.773.067)	36.751.916

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

36. EARNINGS PER SHARE

Earnings per share disclosed in the consolidated statements of income are determined by dividing the net income by the weighted number of shares that have been outstanding during the period concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, such bonus shares are regarded as issued shares. Accordingly, the weighted average number of shares outstanding during the years has been adjusted in respect of bonus shares issued without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and for each earlier year.

Earnings per share is calculated by dividing net profit by weighted average number of shares outstanding in the relevant period.

Number of total shares and calculation of earnings per share at 31 March 2011 and 2010 are as follows:

	1 January - 31 March 2011	1 January - 31 March 2010
Number of shares outstanding at 1 January (in full)	87.500.000.000	17.500.000.000
New shares issued (in full)	12.500.000.000	70.000.000.000
Number of shares outstanding at 31 March (in full)	100.000.000.000	87.500.000.000
Weighted average number of shares outstanding during the year (in full)	100.000.000.000	100.000.000.000
Net profit for period	(332.291.685,00)	119.607.955
Earnings per share (kr) (*)	(0,33)	0,12

(*) The earnings per share with par value of TL 1 is TL (0,33) in March 2011; TL 0,12 in March 2010.

37. RELATED PARTY TRANSACTIONS

Short-term trade receivables from related parties (Note 10) are as follows:

	31 March 2011	31 December 2010
P & W T.T Uçak Bakım Merkezi Ltd. Şti.	8.323.857	30.114.504
Sun Express	2.549.259	1.174.893
Bosnia Herzegovina Airlines	4.731.765	2.737.156
Allowance for doubtful receivables (-)	(4.731.765)	(2.737.156)
	10.873.116	31.289.397

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

37. RELATED PARTY TRANSACTIONS (cont'd)

Short-term trade payables to related parties that are valued by equity method (Note 10) are as follows:

	31 March 2011	31 December 2010
THY Opet Havacılık Yakıtları A.Ş.	57.153.828	25.999.690
TGS	12.758.291	29.890.972
THY DO&CO İkram Hizmetleri A.Ş.	11.562.197	5.618.464
	81.474.316	61.509.126

Transactions with related parties that are valued by equity method for the period ended as of 31 March 2011 are as follows:

	1 January- 31 March 2011	1 January- 31 March 2010
Services rendered to TGS(*)	8.962.312	28.825.657
Services rendered to Bosnia Herzegovina Airlines	2.300.652	2.317.830
Services rendered to THY DO&CO	387.674	313.979
Services rendered to THY OPET	245.410	834
Services rendered to Sun Express	5.776.721	625.582
Service rendered to P&W T.T. (*)	4.188.320	15.493.343
	21.861.089	47.577.225

	1 January- 31 March 2011	1 January- 31 March 2010
Services received from THY OPET	272.115.908	-
Services received from THY DO&CO	68.413.218	61.344.665
Services received from TGS	67.974.688	25.679.216
Services received from P&W T.T Uçak Bakım Merkezi	38.489.979	71.773
Services received from Bosnia Herzegovina Airlines	1.686.588	1.427.871
Services received from Sun Express	71.734	8.567.304
	448.752.115	97.090.829

Transactions between the Group and Sun Express are codeshare operations; transactions between the Group and Turkish DO&CO are catering services and loan financing, transactions between the Group and TGS are ground services. 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 1.466.613 TL (2010: 1.190.673 TL).

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

38. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 8, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Board of Directors of the Group periodically reviews the capital structure. During these analyses, the Board assesses the risks associated with each class of capital along with cost of capital. Based on the review of the Board of Directors, the Group aims to balance its overall capital structure through the issue of new debt or the redemption of existing debt.

The overall strategy of the Group remains the same since the year 2010.

	31 March 2011	**31 December 2010**
Total debts	6.371.447.767	4.977.703.728
Less: Cash and cash equivalents	(902.325.394)	(813.936.552)
Net debt	5.469.122.373	4.163.767.176
Total shareholders' equity	3.468.971.087	3.747.406.984
Total capital stock	8.938.093.460	7.911.174.160
Net debt/total capital stock ratio	0,61	0,53

(b) Financial Risk Factors

The risks of the Group, resulting from operations, include market risk (including currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's risk management program generally seeks to minimize the potential negative effects of uncertainty in financial markets on financial performance of the Group. The Group uses a small portion of derivative financial instruments in order to safeguard itself from different financial risks.

Risk management, in line with policies approved by the Board of Directors, is carried out. According to risk policy, financial risk is identified and assessed. By working together with Group's operational units, relevant instruments are used to reduce the risk.

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

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

b.1) Credit Risk Management

	Trade receivables		Other receivables			
31 March 2011	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Deposits in Banks**	**Derivative Instruments**
Maximum credit risk as of balance sheet date (*)	10.873.116	794.733.295	-	1.366.473.120	1.102.847.020	136.525.392
The part of maximum risk under guarantee with collateral etc. (**)	-	4.775.167				
A. Net book value of financial assets that are neither past due nor impaired	10.873.116	632.429.435	-	1.366.473.120	1.102.847.020	136.525.392
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Net book value of financial assets that are past due but not impaired	-	162.303.860	-	-	-	-
-The part under guarantee with collateral etc.	-	2.673.734	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
-Past due (gross carrying amount)	4.731.765	70.562.626	-	-	-	-
-Impairment(-)	(4.731.765)	(70.562.626)	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
-Not past due (gross carrying amount)	-	-	-	-	-	-
-Impairment (-)	-	-	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
E.Off-balance sheet items with credit risk	-	-	-	-	-	-

(*)The factors that increase in credit reliability such as guarantees received are not considered in the balance.

(**)Guarantees consist of the guarantees in cash & letters of guarantee obtained from the customers

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

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

b.1) Credit Risk Management (cont'd)

Credit risk of financial instruments

	Receivables					
	Trade receivables		Other receivables			
31 December 2010	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Deposits in Banks**	**Derivative Instruments**
Maximum credit risk as of balance sheet date (*)	31.289.397	546.333.417	-	1.864.162.765	778.851.808	47.298.370
The part of maximum risk under guarantee with collateral etc. (**)	-	6.903.023	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	31.289.397	459.996.786	-	1.864.162.765	778.851.808	47.298.370
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Net book value of financial assets that are past due but not impaired	-	86.336.631	-	-	-	-
-The part under guarantee with collateral etc.	-	2.447.478	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
-Past due (gross carrying amount)	2.737.156	64.893.287	-	-	-	-
-Impairment(-)	(2.737.156)	(64.893.287)	-	-	-	-
-The part of net value under guarantee with collateral etc.	-		-	-	-	-
-Not past due (gross carrying amount)	-		-	-	-	-
-Impairment (-)	-	-	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
E.Off-balance sheet items with credit risk	-	-	-	-	-	-

(*)The factors that increase in credit reliability such as guarantees received are not considered in the balance.

(**)Guarantees consist of the guarantees in cash & letters of guarantee obtained from the customers

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

(b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

The risk of a financial loss for the Group due to failing of one of the parties of the contract to meet its obligations is defined as credit risk.

The Group's credit risk is basically related to its receivables. The balance shown in the balance sheet is formed by the net amount after deducting the doubtful receivables arisen from the Group management's forecasts based on its previous experience and current economical conditions. Because there are so many customers, the Group's credit risk is dispersed and there is not important credit risk concentration.

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

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

(b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

The aging of past due receivables as of 31 March 2011 are as follows:

	Receivables					
31 March 2011	**Trade Receivables**	**Other Receivables**	**Deposits in Banks**	**Derivative Instruments**	**Other**	**Total**
Past due 1-30 days	152.904.850	-	-	-	-	152.904.850
Past due 1-3 month	12.901.732	-	-	-	-	12.901.732
Past due 3-12 months	57.353.941	-	-	-	-	57.353.941
Past due 1-5 years	9.151.826	-	-	-	-	9.151.826
Past due more than 5 years	554.137					554.137
Total past due receivables	232.866.486	-	-	-	-	232.866.486
The part under guarantee with collateral etc	2.673.734					2.673.734

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

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

(b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

The aging of past due receivables as of 31 December 2010 are as follows:

	Receivables					
31 December 2010	**Trade Receivables**	**Other Receivables**	**Deposits in Banks**	**Derivative Instruments**	**Other**	**Total**
Past due 1-30 days	48.905.501	-	-	-	-	48.905.501
Past due 1-3 month	46.738.115	-	-	-	-	46.738.115
Past due 3-12 months	49.262.290	-	-	-	-	49.262.290
Past due 1-5 years	8.696.618	-	-	-	-	8.696.618
Past due more than 5 years	364.550	-	-	-	-	364.550
Total past due receivables	153.967.074	-	-	-	-	153.967.074
The part under guarantee with collateral etc	2.447.478	-	-	-	-	2.447.478

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

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

(b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

As of balance sheet date, total amount of cash collateral and letter of guarantee, which is received by Group for past due not impaired receivable, is TL 2.673.734 (31 Aralık 2010: 2.447.478 TL).

As of the balance sheet date, Group has no guarantee for past due receivables for which provisions were recognized.

b.2) Liquidity risk management

The main responsibility of liquidity risk management rests upon Board of Directors. The Board built an appropriate risk management for short, medium and long term funding and liquidity necessities of the Group management. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The tables below demonstrate the maturity distribution of nonderivative financial liabilities and are prepared based on the earliest date on which the Group can be required to pay. The interests that will be paid on the future liabilities are included in the related maturities. The adjustment column shows the item which causes possible cash flow in the future periods. The item in question is included in the maturity analysis and is not included balance sheet amount of financial liabilities in the balance sheet.

Group manages liquidity risk by keeping under control estimated and actual cash flows and by maintaining adequate funds and borrowing reserves through matching the maturities of financial assets and liabilities..

Liquidity risk table:

31 March 2011

Due date on the contract	Book value	Total cash outflow according to the contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Bank borrowings	14.867.882	15.044.540	7.596.500	7.448.040	-	-
Finance lease obligations	5.489.562.395	6.208.271.027	195.297.743	496.186.372	2.451.051.008	3.065.735.904
Trade payables	808.772.903	813.734.771	691.098.007	122.636.764	-	-
Other financial liabilities	1.295.408	1.295.408	1.295.408	-	-	-
Total	6.314.498.588	7.038.345.746	895.287.658	626.271.176	2.451.051.008	3.065.735.904

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

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

(b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

Liquidity risk table (cont'd):

31 December 2010

Due date on the contract	Book value	Total cash outflow according to the contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Bank borrowings	14.696.729	15.022.192	-	15.022.192	-	-
Finance lease obligations	4.163.382.650	4.684.090.226	131.528.838	442.641.794	1.904.550.140	2.205.369.454
Trade payables	735.874.026	749.280.248	662.394.432	86.885.816	-	-
Other financial liabilities	1.117.687	1.117.687	1.117.687	-	-	-
Total	4.915.071.092	5.449.510.353	795.040.957	544.549.802	1.904.550.140	2.205.369.454

b.3) Market risk management

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Market risk exposures of the Group are measured using sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

b.3.1) Foreign currency risk management

Transactions in foreign currencies expose the Group to foreign currency risk. The foreign currency denominated assets and liabilities of monetary and non-monetary items are as follows:

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

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

(b) Financial Risk Factors (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

	31 March 2011				
	TL Equivalent	**US Dollar**	**Euro**	**GBP**	**Other**
1.Trade receivables	619.270.129	207.932.599	134.173.250	18.298.676	258.865.604
2a.Monetary financial assets	1.714.993.279	1.413.325.977	143.547.463	1.410.612	156.709.227
2b.Non monetary financial assets	-	-	-	-	-
3.Other	90.465.978	87.390.692	1.514.831	156.874	1.403.581
4.Current assets (1+2+3)	**2.424.729.386**	**1.708.649.268**	**279.235.544**	**19.866.162**	**416.978.412**
5.Trade receivables	-	-	-	-	-
6a.Monetary financial assets	363.216.851	363.216.851			
6b.Non monetary financial assets	-	-	-	-	-
7.Other	115.123.822	68.737.592	26.409.768	14.894.493	5.081.969
8.Non current asstes (5+6+7)	**478.340.673**	**431.954.443**	**26.409.768**	**14.894.493**	**5.081.969**
9.Total assets (4+8)	**2.903.070.059**	**2.140.603.711**	**305.645.312**	**34.760.655**	**422.060.381**
10.Trade payables	466.479.967	173.532.270	170.052.026	10.455.893	112.439.778
11.Financial liabilities	657.426.530	355.750.536	301.675.994	-	-
12a.Other liabilitites, monetary	17.629.085	3.823.390	8.961.370	197.557	4.646.768
12b.Other liabilitites, non monetary	9.829.100	9.785.520	43.580	-	-
13.Current liabilities (10+11+12)	**1.151.364.682**	**542.891.716**	**480.732.970**	**10.653.450**	**117.086.546**
14.Trade payables	-	-	-	-	-
15.Financial liabilities	4.903.963.366	2.508.822.999	2.395.140.367	-	-
16a.Other liabilitites, monetary	30.664.882	23.657.943	5.790.160	2.708	1.214.070
16b.Other liabilitites, non monetary	-	-	-	-	-
17.Non current liabilities (14+15+16)	**4.934.628.248**	**2.532.480.942**	**2.400.930.527**	**2.708**	**1.214.070**
18.Total liabilities (13+17)	**6.085.992.930**	**3.075.372.658**	**2.881.663.497**	**10.656.158**	**118.300.616**
19.Net asset / liability position of Off-balance sheet derivatives (19a-19b)	**11.760.229**	**(237.240.997)**	**249.001.226**	-	-
19a.Off-balance sheet foreign currency derivative assets	249.001.226	-	249.001.226	-	-
19b.Off-balance sheet foreigncurrency derivative liabilities	237.240.997	237.240.997			
20.Net foreign currency asset/(liability) position (9-18+19)	**(3.171.162.642)**	**(1.172.009.944)**	**(2.327.016.959)**	**24.104.497**	**303.759.765**
21.Net foreign currency asset / liability position of monetary items (UFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(3.378.683.571)**	**(1.081.111.711)**	**(2.603.899.204)**	**9.053.130**	**297.274.215**
22.Fair value of foreign currency hedged financial assets	-	-	-	-	-
23.Hedged foreign currency assets	-	-	-	-	-
24.Hedged foreign currency liabilities	-	-	-	-	-
25.Exports	**2.024.015.317**	**85.894.351**	**261.806.844**	**2.630.973**	**1.673.683.149**
26.Imports	**748.715.253**	**509.073.889**	**161.055.859**	**6.636.637**	**71.948.868**

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

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

(b) Financial Risk Factors (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

	31 December 2010				
	TL Equivalent	**US Dollar**	**Euro**	**GBP**	**Other**
1.Trade receivables	401.348.898	145.176.463	87.020.463	12.210.604	156.941.368
2a.Monetary financial assets	2.316.370.081	2.098.839.409	110.826.542	612.421	106.091.709
2b.Non monetary financial assets	-	-	-	-	-
3.Other	66.293.167	61.852.539	2.598.539	144.937	1.697.152
4.Current assets (1+2+3)	**2.784.012.146**	**2.305.868.411**	**200.445.544**	**12.967.962**	**264.730.229**
5.Trade receivables	-	-	-	-	-
6a.Monetary financial assets	(166.510.045)	(166.510.045)	-	-	-
6b.Non monetary financial assets	-	-	-	-	-
7.Other	180.292.325	144.001.412	29.331.543	888.663	6.070.707
8.Non current asstes (5+6+7)	**13.782.280**	**(22.508.633)**	**29.331.543**	**888.663**	**6.070.707**
9.Total assets (4+8)	**2.797.794.426**	**2.283.359.778**	**229.777.087**	**13.856.625**	**270.800.936**
10.Trade payables	348.866.521	84.844.541	165.949.619	8.686.835	89.385.526
11.Financial liabilities	631.463.497	379.137.239	252.326.258	-	-
12a.Other liabilitites, monetary	(4.731.681)	2.198.278	(10.958.333)	243.455	3.784.919
12b.Other liabilitites, non monetary	489.632	56.367	433.265	-	-
13.Current liabilities (10+11+12)	**976.087.969**	**466.236.425**	**407.750.809**	**8.930.290**	**93.170.445**
14.Trade payables	-	-	-	-	-
15.Financial liabilities	3.781.139.557	1.801.134.839	1.980.004.718	-	-
16a.Other liabilitites, monetary	9.829.695	3.453.108	5.418.972	2.604	955.011
16b.Other liabilitites, non monetary	-	-	-	-	-
17.Non current liabilities (14+15+16)	**3.790.969.252**	**1.804.587.947**	**1.985.423.690**	**2.604**	**955.011**
18.Total liabilities (13+17)	**4.767.057.221**	**2.270.824.372**	**2.393.174.499**	**8.932.894**	**94.125.456**
19.Net asset / liability position of Off-balance sheet derivatives (19a-19b)	**(2.281.685)**	**(244.025.867)**	**241.744.182**	-	-
19a.Off-balance sheet foreign currency derivative assets	241.744.182	-	241.744.182	-	-
19b.Off-balance sheet foreigncurrency derivative liabilities	244.025.867	244.025.867	-	-	-
20.Net foreign currency asset/(liability) position (9-18+19)	**(1.971.544.480)**	**(231.490.461)**	**(1.921.653.230)**	**4.923.731**	**176.675.480**
21.Net foreign currency asset / liability position of monetary items (UFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(2.215.358.655)**	**(193.262.178)**	**(2.194.894.229)**	**3.890.131**	**168.907.621**
22.Fair value of foreign currency hedged financial assets	-	-	-	-	-
23.Hedged foreign currency assets	-	-	-	-	-
24.Hedged foreign currency liabilities	-	-	-	-	-
25.Exports	**6.528.219.249**	**924.361.219**	**2.349.790.637**	**153.310.525**	**3.100.756.868**
26.Imports	**2.634.053.757**	**1.771.619.115**	**599.994.315**	**30.330.811**	**232.109.516**

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

(b) Financial Risk Factors (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

Foreign currency sensitivity

The Group is exposed to foreign exchange risk primarily from US dollar, Euro and GBP. The following table details the Group's sensitivity to a 10% increase and decrease in US Dollars, Euro and GBP. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Company where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss.

	31 March 2011	
	Profit / (Loss) Before Tax	
	If foreign currency appreciated against TL by 10%	If foreign currency deppreciated against TL by 10%
1 - US Dollar net asset / liability	(117.200.994)	117.200.994
2- Part of hedged from US Dollar risk (-)	-	-
3- US Dollar net effect (1 +2)	(117.200.994)	117.200.994
4 - Euro net asset / liability	(232.701.696)	232.701.696
5 - Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	(232.701.696)	232.701.696
7 - GBP net asset / liability	2.410.450	(2.410.450)
8- Part of hedged from GBP risk (-)	-	-
9- GBP net effect (7 +8)	2.410.450	(2.410.450)
10 - Other foreign currency net asset / liability	30.375.977	(30.375.977)
11- Part of hedged other foreign currency risk (-)	-	-
12- Other foreign currency net effect (10+11)	30.375.977	(30.375.977)
TOTAL (3 + 6 + 9 + 12)	(317.116.264)	317.116.264

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

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

(b) Financial Risk Factors (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

Foreign currency sensitivity (cont'd)

	31 March 2010	
	Profit / (Loss) Before Tax	
	If foreign currency appreciated against TL by 10%	If foreign currency deppreciated against TL by 10%
1 - US Dollar net asset / liability	58.089.383	(58.089.383)
2- Part of hedged from US Dollar risk (-)	-	-
3- US Dollar net effect (1 +2)	58.089.383	(58.089.383)
4 - Euro net asset / liability	(116.333.947)	116.333.947
5 - Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	(116.333.947)	116.333.947
7 - GBP net asset / liability	1.156.564	(1.156.564)
8- Part of hedged from GBP risk (-)	-	-
9- GBP net effect (7 +8)	1.156.564	(1.156.564)
10 - Other foreign currency net asset / liability	19.711.250	(19.711.250)
11- Part of hedged other foreign currency risk (-)	-	-
12- Other foreign currency net effect (10+11)	19.711.250	(19.711.250)
TOTAL (3 + 6 + 9 + 12)	(37.376.750)	37.376.750

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

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

(b) Financial Risk Factors (cont'd)

b.3) Market risk management (cont'd)

b.3.2) Interest rate risk management

Group has been borrowing over fixed and variable interest rates. Considering the interest types of the current borrowings, borrowings with variable interest rates have the majority but in financing of aircrafts performed in the last years, Group tries to create a partial balance between borrowings with fixed and variable interest rates by increasing the weight of the borrowings with fixed interest rate in condition of the suitability of the cost. Due to the fact that the variable interest rates of the Group are dependent on Libor and Euribor, dependency to local risks is low.

Interest Rate Position Table

	31 March 2011	31 December 2010
Instruments with fixed interest rate		
Financial Liabilities	2.764.298.002	2.206.737.240
Financial Instruments with Variable Interest Rate		
Financial Liabilities	2.740.132.275	1.971.342.139
Interest Swap Agreements not subject to Hedge accounting (Net)	4.508.436	7.569.719
Interest swap agreements subject to Hedge accounting (Net)	(19.715.924)	(27.153.795)

As indicated in Note 39, the Group as of 31 March 2011 fixed the interest rate for TL 718.203.751 of floating–interest-rated financial liabilities via an interest rate swap contract.

Interest rate sensitivity

The following sensitivity analysis is determined according to the interest rate exposure in the reporting date and possible changes on this rate and it is fixed during all reporting period. Group management checks out possible effects that may arise when Libor and Euribor rates, which are the interest rates of the borrowings with variable interest rates, fluctuate 0, 5% and reports these to the top management.

In condition that 0, 5% increase in Libor and Euribor interest rate and all other variables being constant:

Profit before taxes of the Group, which belongs to three-month-period, will decrease by TL 3.425.165 (as of 31 March 2010 it will decrease by TL 1.319.871). In contrast, if Libor and Euribor interest rate decreases 0, 5%, profit before taxes for three-month-period will increase by the same amounts.

Moreover, as a result of the interest rate swap contracts against cash flow risks, in case of a 0,5% increase in the Libor and Euribor interest rates, the shareholders' equity of the Group will increase by TL 13.773.443 without the deferred tax effect. In case of a 0,5% decrease in the Libor and Euribor interest rates, the shareholders' equity of the Group will decrease by the same amount without the deferred tax effect.

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

(b) Financial Risk Factors (cont'd)

b.3) Market risk management (cont'd)

b.3.3) Fuel prices sensitivity

As explained in Note 39, Group made forward fuel purchase contracts in order to hedge cash flow risks arising from fuel purchases beginning from 2009. Due to forward fuel purchase contracts subject to hedge accounting, as a result of a 10% increase in fuel prices, the shareholders' equity of the Group will increase by TL 59.164.510 excluding the deferred tax effect. In case of a 10% decrease in fuel prices, the shareholders' equity of the Group will decrease by the same amount excluding the deferred tax effect.

39. FINANCIAL INSTRUMENTS

Fair Values of Financial Instruments

Fair values of financial assets and liabilities are determined as follows:

- In standard maturities and conditions, fair values of financial assets and liabilities which are traded in an active market are determined as quoted market prices.
- Fair values of derivative instruments are calculated by using quoted prices. In absence of prices, discounted cash flows analysis is used through applicable yield curve for maturities of derivative instruments (forward and swaps).

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

39. FINANCIAL INSTRUMENTS (cont'd)

Fair Values of Financial Instruments (cont'd)

31 March 2011 Balance Sheet	Loans and Receivables	Derivative instruments which are reflected at fair value in shareholders' equity	Derivative instruments which are reflected fair value profit/(loss)	Investments available for sale at cost value	Financial liabilities at amortized cost	Book Value	Note
Financial Assets							
Cash and cash equivalents	902.325.394	-	-	-	-	902.325.394	6
Financial investments	229.061.490	103.503.797	33.021.595	1.750.943	-	367.337.825	7
Trade receivables	805.606.411	-	-	-	-	805.606.411	10
Other receivables	1.366.473.120	-	-	-	-	1.366.473.120	11
Financial liabilities							
Bank borrowings	-	-	-	-	14.867.882	14.867.882	8
Finance lease obligations	-	-	-	-	5.489.562.395	5.489.562.395	8
Other financial liabilities	-	15.865.563	41.083.616	-	1.295.408	58.244.587	9
Trade payables	-	-	-	-	808.772.903	808.772.903	10

31 December 2010 Balance Sheet	Loans and Receivables	Derivative instruments which are reflected at fair value in shareholders' equity	Derivative instruments which are reflected fair value profit/(loss)	Investments available for sale at cost value	Financial liabilities at amortized cost	Book Value	Note
Financial Assets							
Cash and cash equivalents	813.936.552	-	-	-	-	813.936.552	6
Financial investments	-	44.396.158	39.674.214	1.750.943	-	85.821.315	7
Trade receivables	577.622.814	-	-	-	-	577.622.814	10
Other receivables	1.864.162.765	-	-	-	-	1.864.162.765	11
Financial liabilities							
Bank borrowings	-	-	-	-	14.696.729	14.696.729	8
Finance lease obligations	-	-	-	-	4.163.382.650	4.163.382.650	8
Other financial liabilities	-	22.537.592	40.095.044	-	1.117.687	63.750.323	9
Trade payables	-	-	-	-	735.874.026	735.874.026	10

The group considers the book values for financial assets are of fair value

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

39. FINANCIAL INSTRUMENTS (cont'd)

Fair Values of Financial Instruments (cont'd)

Fair values of financial assets and liabilities are determined as follows:

- First level: Financial assets and liabilities, are valued with the stock exchange prices in the active market for the assets and liabilities same with each other.

- Second level: Financial assets and liabilities are valued with input obtained while finding the stock exchange price of the relevant asset or liability mentioned in the first level and the direct or indirect observation of price in the market.

- Third level: Financial assets and liabilties are valued by the input that does not reflect an actual data observed in the market while finding the fair value of an asset or liability.

Financial assets and liabilities, which are presented in their fair values, level reclassifications are as follows:

		Fair value level as of the reporting date		
		Level 1	Level 2	Level 3
Financial assets	31 March 2011	TL	TL	TL
Financial assets at fair value through profit or loss				
Derivative instruments	33.021.595	-	33.021.595	-
Financial assets subject to hedge accounting				
Derivative instruments	103.503.797	-	103.503.797	-
Total	136.525.392	-	136.525.392	-
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative instruments	41.083.616	-	41.083.616	-
Financial liabilities subject to hedge accounting				
Derivative instruments	15.865.563	-	15.865.563	-
Total	56.949.179	-	56.949.179	-

39. FINANCIAL INSTRUMENTS (cont'd)

Derivative Instruments and Hedging Transactions

In order to hedge important operations and cash flows in the future against financial risks, Group made interest rate swap contracts to convert some of the fixed-rate finance lease liabilities into floating rate and cross-currency swap contracts to convert Euro-denominated finance lease liabilities into US Dollars. The changes in the fair values of those derivative instruments are directly accounted in the income statement for the period.

The floating-rate financial liabilities of the Group are explained in Note 38 (b.3.2). Beginning from June 2009, in order to keep interest costs at an affordable level, considering long-term finance lease liabilities; Group made fixed-paid/floating-received interest rate swap contracts to fix interest rates of finance lease liabilities whose maturities are after the second half of 2010 and account for approximately 74% of floating rate USD and Euro denominated liabilities. Effective part of the change in the fair values of those derivative instruments which are subject to hedge accounting for cash flows risks of floating-rate finance lease liabilities are accounted in cash flow hedge fund under the shareholders' equity.

At January 2010, in order to control risk arising from fluctuations in price of fuel which is approximately 37% of cost of sales as of 31 December 2010 and to lessen the effects of fluctuations in oil prices on fuel expenses, the Group began hedging transactions for approximately 20% of annual jet fuel consumption in 2010. For this purpose, the Group made forward fuel purchase contracts settled on cash basis. In accordance with the Company's BOD resolution issued on 21 January 2011, hedging rate which corresponds to 20% of the currently applied monthly consumption rate will be applied as 50% after 12 months following the transition of new strategy and this rate will be gradually increased by 2,5% in each month. The effective portion of fair value hedge of derivative instruments that are subject to cash flow hedge accounting due to future fuel purchases is recognized under hedge accounting fund in equity.

Group's derivative instruments arisen from transactions stated above and their balances as of 31 March 2011 and 31 December 2010 are as follows:

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

39. FINANCIAL INSTRUMENTS (cont'd)

Derivative Instruments and Hedging Transactions (cont'd)

31 March 2011	Pozitive fair value	Negative fair value	Total
Fixed-paid/floating received interest rate swap contracts for hedging against cash flow risks of interest rate	-	(15.865.563)	(15.865.563)
Forward fuel purchase contracts for hedging against cash flow risk of fuel prices	103.503.797	-	103.503.797
Fair values of derivative instruments for hedging purposes	103.503.797	(15.865.563)	87.638.234
Cross-currency swap contracts not subject to hedge accounting	5.781.684	(14.501.780)	(8.720.096)
Interest rate swap contracts not subject to hedge accounting	27.239.911	(26.581.836)	658.075
Fair values of derivative instruments not for hedging purposes	33.021.595	(41.083.616)	(8.062.021)
Total	136.525.392	(56.949.179)	79.576.213

31 December 2010	Pozitive fair value	Negative fair value	Total
Fixed-paid/floating received interest rate swap contracts for hedging against cash flow risks of interest rate	-	(22.537.592)	(22.537.592)
Forward fuel purchase contracts for hedging against cash flow risk of fuel prices	44.396.158	-	44.396.158
Fair values of derivative instruments for hedging purposes	44.396.158	(22.537.592)	21.858.566
Cross-currency swap contracts not subject to hedge accounting	7.675.593	(11.049.940)	(3.374.347)
Interest rate swap contracts not subject to hedge accounting	31.998.621	(29.045.104)	2.953.517
Fair values of derivative instruments not for hedging purposes	39.674.214	(40.095.044)	(420.830)
Total	84.070.372	(62.632.636)	21.437.736

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

39. FINANCIAL INSTRUMENTS (cont'd)

Derivative Instruments and Hedging Transactions (cont'd)

	Hedging against fuel risk	Hedging against interest risk	Total
Increase/(decrease) in fair values of derivative instruments for hedging purposes	103.503.797	(15.865.563)	87.638.234
The amount of financial expenses inside hedge funds	-	1.445.428	1.445.428
Reclassified amount for inactive part in the risk elimination of fair value of hedging gains of fuel hedging derivative instrument to financial revenues	(4.731.723)	-	(4.731.723)
Total	98.772.074	(14.420.135)	84.351.939
Deferred tax	(19.754.415)	2.884.027	(16.870.388)
Hedge fund as of 31 March 2011	79.017.659	(11.536.108)	67.481.551

40. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

The Regular General Assembly meeting was held on 8 April 2011 and the balance sheet and income statement accounts of 2010 are approved by majority of votes. Also per General Assembly meeting due to financials and activities for the year 2010, discharge of Board of Directors members and Audit Committee members is accepted.

In addition, it is decided in the General Shareholders' Meeting that 69,82% of the CMB (IFRS) net profit -which amounts to TL 200 million- of 286.443.361 TL to be distributed as "bonus profit share" (0,20TL per share of TL face value; paid-in capital to be raise from 1 billion TL to 1,2 billion TL as a result; the distribution date of "bonus share" to be determined by the Board of Directors according to the regulations of CMB.

In accordance with 14.04.2011 dated and 11-23/430-130 numbered decision of Competition Authority, Group's Board of Directors has decided to establish "TCI Kabin İçi Sistemleri ve Anonim Şirketi" with TL 7.500.000 capital amount and with shares of Türk Hava Yolları A.O. (% 30) , Türk Hava Yolları Teknik A.Ş. (% 20, 99998667), TUSAŞ - Türk Havacılık ve Uzay Sanayi A.Ş. (% 48,99998667), Mehmet Yalçın KAYA (% 0,00001333), İsmail DEMİR (% 0,00001333) respectively.

Group's Board of Directors also has decided to establish "Uçak Koltuk Üretimi Sanayi ve Ticaret A.Ş."(Aircraft Seat Production Industry and Commerce Incorporated Company) in which Türk Hava Yolları A.O. is the shareholder of 45.000 TL, Türk Hava Yolları Teknik A.Ş. is the shareholder of 4.977 TL , Associate Professor Temel Kotil is the shareholder of 1 TL, Professor Cemal Şanlı is the shareholder of 1 TL and Hamdi Topçu is the shareholder of 1 TL with a founding capital of 50.000 TL . The fields of activity of the company is going to be aircraft seat designing and production , replacement part production and modification, including marketing and sales of aircraft seats.

41. OTHER ISSUES AFFECTING FINANCIAL STATEMENTS MATERIALLY OR NECESSARY TO MAKE FINANCIAL STATEMENTS SOUND, INTERPRETABLE AND UNDERSTANDABLE

As there is a change in the presentation and classification of the Group's financial statement items, prior financial statements are reclassified accordingly to maintain comparability. These reclassification has no effect over the prior period's equity and net profit/(loss) accounts. Significant reclassifications in the financial statements include:

The Group has reviewed its aircraft depreciation policy applied for its direct acquisitions or acquisitions through financial leases and has classified the cost of aircrafts into three parts, by considering the renewal of significant parts of the aircrafts identified during the major maintenance and repair of aircraft body and engine; body, major body repair; engine and major engine repair. The Group also has decided to depreciate its major body repair and major engine repair parts over the shorter of the next repair's remaining period or the remaining period of the aircraft's useful life and to be capitalized subsequent to major body and major engine repairs for the depreciation over the shorter of the next repair period or the remaining period of the aircraft 's useful life. As of 1 January 2009, the Group's financial statements are readjusted in accordance with International Financial Reporting Standards No: 8 ("IAS 8") "Accounting policies, Changes In Estimates and Errors". Following the readjustments, no change has been recorded in profit for the year ended as of 31 December 2009; however, depreciation charge recognized under cost of sales has increased by TL 26.818.265, maintenance costs has decreased by TL 9.282.211 and other operating expenses recognized under impairment loss of property, plant and equipment has increased by TL 17.536.054.

TL 1.028.890 part of the 'communication expenses', which was stated under "Cost of sales" in the interim period between 1 January – 31 March 2011, is now classified under "General administrative expenses".