CONVENIENCE TRANSLATION OF REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying consolidated balance sheet of Türk Hava Yolları A.O. (the "Company") and its subsidiary (together the "Group") as at 30 June 2008 and the related consolidated statement of income, consolidated statement of changes in shareholders' equity and consolidated cash flow statement for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. The management is responsible for preparation and fair presentation of these financial statements in accordance with accounting standards published by Capital Markets Board. Our responsibility is to express a result on these financial statements based on our review.

Scope of Review

Financial statements of THY Teknik A.Ş. which is the subsidiary of the Company and Sun Express Havacılık A.Ş. and THY DO&CO İkram Hizmetleri A.Ş which are the associates of the Company have been reviewed by other independent audit firms. 6 % of total assets and 3 % of total sales revenue in the accompanying financial statements as at 30 June 2008 are contributed by these companies. Those statements were reviewed by other auditors whose reports have been furnished to us and our review, insofar as it relates to the amounts included for these entities is solely based on reports of the other auditors.

We conducted our review in accordance with the independent auditing standards issued by the Capital Market Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards published by Capital Markets Board and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our and other audit firms' review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the financial position of the Group as of 30 June 2008 and its financial performance and cash flows for the six months period then ended in accordance with the financial reporting standards issued by the Capital Markets Board (Note 2).

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU**

Berkman Özata
Partner

İstanbul, 28 August 2008

(Convenience Translation of Report And Financial Statements Originally Issued in Turkish)
TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
CONSOLIDATED BALANCE SHEETS
AS AT 30 JUNE 2008 AND 31 DECEMBER 2007
(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

ASSETS	Note	Reviewed 30 June 2008	Audited 31 December 2007
Current Assets		**2.076.176.488**	**1.487.528.554**
Cash and Cash Equivalents	6	533.921.248	552.951.215
Financial Assets	7	685.262.256	219.265.000
Accounts Receivable (net)	10	459.131.365	245.539.019
Other Receivables (net)	11	222.204.983	305.855.757
Inventories (net)	13	118.315.414	113.740.571
Other Current Assets	26	57.341.222	50.176.992
Non-Current Assets		**4.004.587.241**	**3.434.267.181**
Other Receivables (net)	11	16.886.854	21.756.328
Financial Assets	7	3.990.964	3.016.564
Investments Accounted for Equity Method	16	20.673.074	38.370.043
Investment Property	17	53.700.000	53.700.000
Tangible Assets (net)	18	3.790.083.366	3.234.359.407
Intangible Assets (net)	19	14.193.027	10.445.317
Deferred Tax Assets	35	1.939.927	2.544.815
Other Non-Current Assets	26	103.120.029	70.074.707
Total Assets		**6.080.763.729**	**4.921.795.735**

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

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI

CONSOLIDATED BALANCE SHEETS

AS AT 30 JUNE 2008 AND 31 DECEMBER 2007

(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

	Note	Reviewed 30 June 2008	Audited 31 December 2007
LIABILITIES			
Short Term Liabilities		**1.563.424.729**	**1.116.145.370**
Financial Debt (net)	8	272.301.193	228.918.371
Other Financial Liabilities (net)	9	14.838.723	877.628
Accounts Payable	10	451.430.474	364.523.991
Other Liabilities	11	106.772.001	83.387.054
Current Tax Liability	35	1.237.842	19.981.215
Provisions	22	6.782.084	4.779.221
Employee Benefits	24	31.602.010	28.241.528
Passenger Flight Liabilities	26	583.492.144	298.862.067
Other Short Term Liabilities	26	94.968.258	86.574.295
Long Term Liabilities		**2.357.884.161**	**1.901.342.808**
Financial Debt (net)	8	1.979.581.038	1.595.842.462
Other Liabilities	11	7.664.232	7.058.322
Retirement Pay Liability	24	140.411.053	131.959.011
Deferred Tax Liabilities	35	206.202.313	142.383.261
Other Long Term Liabilities	26	24.025.525	24.099.752
SHAREHOLDERS' EQUITY	27		
Equity Attributable to Equity Holders of the Parent		**2.159.454.839**	**1.904.307.557**
Share Capital		175.000.000	175.000.000
Restatement Effect on Shareholders' Equity		1.729.307.557	1.739.005.871
Share Premium		-	895.492
Restricted Reserves Assorted from Profit		-	61.014.406
Retained Earnings		-	(363.500.835)
Net Profit / (Loss) for the Period		255.147.282	291.892.623
Total Liabilities and Shareholders' Equity		**6.080.763.729**	**4.921.795.735**

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

(Convenience Translation of Report And Financial Statements Originally Issued in Turkish)
TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2008 AND 2007
(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

	Note	Reviewed 1 January – 30 June 2008	Not Reviewed 1 April – 30 June 2008	Reviewed 1 January – 30 June 2007	Not Reviewed 1 April – 30 June 2007
CONTINUING OPERATIONS					
Sales Revenues	28	2.613.631.634	1.524.425.861	2.128.026.238	1.167.081.038
Cost of Sales (-)	28	(2.050.976.856)	(1.139.780.010)	(1.620.217.033)	(851.856.639)
GROSS PROFIT / (LOSS)		**562.654.778**	**384.645.851**	**507.809.205**	**315.224.399**
Marketing, Selling and Distribution Expenses (-)	29,30	(301.864.370)	(166.526.963)	(297.423.485)	(150.403.046)
General Administrative Expenses (-)	29,30	(93.944.316)	(47.176.129)	(83.404.424)	(43.714.080)
Other Operating Income	31	171.924.594	(14.492.129)	178.296.342	62.403.464
Other Operating Expenses (-)	31	(11.112.272)	(9.899.521)	(12.160.909)	(7.302.592)
OPERATING PROFIT / (LOSS)		**327.658.414**	**146.551.109**	**293.116.729**	**176.208.145**
Share at Profit/(Loss) on Investments Accounted for Equity Method	16	(10.697.019)	(2.102.069)	(3.661.841)	3.395.400
Financial Income	32	216.213.351	(152.106.067)	131.581.187	100.974.364
Financial Expenses (-)	33	(211.393.204)	62.278.616	(304.587.956)	(205.688.946)
PROFIT BEFORE TAXES		**321.781.542**	**54.621.589**	**116.448.119**	**74.888.963**
Tax Income / (Expense)		**(66.634.260)**	**(11.369.056)**	**(27.177.544)**	**(26.226.612)**
- Current Tax Expense For The Period	35	(2.210.320)	(2.091.121)	(30.857.653)	(30.723.136)
- Deferred Tax Benefit / (Expense)	35	(64.423.940)	(9.277.935)	3.680.109	4.496.524
PROFIT FOR THE PERIOD		**255.147.282**	**43.252.533**	**89.270.575**	**48.662.351**
Earnings Per Share (Ykr)	36	**0,146**	**0,025**	**0,051**	**0,028**

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

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2008 AND 2007

(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

	Share Capital	Restatement Effect on Shareholders' Equity	Share Premium	Financial Assets Fair Value Reserve	Restricted Reserves Assorted from Profit	Net Profit / (Loss) for the Period	Retained Earnings	Total
Balances at 31 December 2006	175.000.000	1.739.005.871	895.492	(2.696.482)	61.014.406	178.782.921	(542.283.756)	1.609.718.452
Transfer of Previous Year's Profit to Accumulated Losses	-	-	-	-	-	(178.782.921)	178.782.921	-
Measurement of Financial Assets	-	-	-	(968.544)	-	-	-	(968.544)
Net profit for the period	-	-	-	-	-	89.270.575	-	89.270.575
Balances at 30 June 2007	175.000.000	1.739.005.871	895.492	(3.665.026)	61.014.406	89.270.575	(363.500.835)	1.698.020.483
Balances at 31 December 2007	175.000.000	1.739.005.871	895.492	-	61.014.406	291.892.623	(363.500.835)	1.904.307.557
Transfer of Equity Items and Restatement Differences to Accumulated Losses (Note 27)	-	(9.698.314)	(895.492)	-	(61.014.406)	-	71.608.212	-
Transfer of Previous Year's Profit to Accumulated Losses	-	-	-	-	-	(291.892.623)	291.892.623	-
Net profit for the period	-	-	-	-	-	255.147.282	-	255.147.282
Balances at 30 June 2008	175.000.000	1.729.307.557	-	-	-	255.147.282	-	2.159.454.839

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

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTH PERIODS ENDE 30 JUNE 2008 AND 2007

(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

CASH FLOWS FROM OPERATING ACTIVITIES	1 January - 30 June 2008	1 January - 30 June 2007
Profit before taxation	321.781.542	116.448.119
Adjustments to reconcile profit for the period to net cash provided by operating activities:		
Depreciation and amortization	183.489.781	179.052.012
Provision for retirement pay liability	15.280.841	17.134.573
Interest income	(38.573.963)	(13.444.193)
Profit on sale of fixed asset	-	(33.117)
(Decrease)/ Increase in provision for impairment	(276.567.643)	58.462.685
Share at (profit)/loss of investments accounted for equity method	10.697.019	3.661.842
Interest expense	46.480.322	44.699.840
Movement in manufacturers' credit	(12.062.911)	1.262.351
Foreign exchange loss /(gain) on financial liabilities	156.911.142	(114.977.693)
Increase in provision for doubtful receivables	2.438.195	3.676.001
Change in the fair value of derivative instruments	(974.400)	(4.124.634)
Operating profit before working capital change	**408.899.925**	**291.817.786**
Increase in accounts receivable	(216.030.541)	(86.630.675)
(Increase) / decrease in other short and long term receivables	88.520.248	(25.944.299)
Decrease/ (increase) in inventories	(4.574.843)	12.330.237
Increase in other current assets	(6.818.245)	(22.634.458)
Increase in other non-current assets	(33.391.307)	(10.767.197)
Increase in accounts payable	86.906.483	72.193.116
Increase / (decrease) in other liabilities	23.990.857	(2.123.392)
Increase in provision for short term liabilities	2.002.863	45.241.724
Increase in passenger flight liabilities	284.630.077	148.028.017
Increase/(decrease) in other short and long term liabilities	20.382.647	(43.095.095)
Employee benefits	3.360.482	45.523.872
Retirement benefits paid	(6.828.800)	(3.133.686)
Interests paid	(48.022.460)	(44.604.714)
Prepaid taxes	(20.953.697)	(3.749.349)
Cash generated from operations	**582.073.689**	**372.451.887**
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from sale of tangible and intangible assets	42.572	5.077.932
Interest received	38.573.963	13.444.193
Dividend received	6.999.950	-
(Increase)/decrease in financial investments	(465.997.256)	4.124.634
Acquisition of tangible & intangible assets (*)	(76.581.693)	(123.915.091)
Net cash used in investing activities	**(496.962.464)**	**(101.268.332)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payment of finance lease obligations	(116.285.460)	(104.999.279)
Decrease in bank loans	(1.816.827)	(2.019.184)
Increase in other financial liabilities	13.961.095	233.014
Net cash used in financing activities	**(104.141.192)**	**(106.785.449)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(19.029.967)	164.398.106
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	552.951.215	365.057.959
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**533.921.248**	**529.456.065**

(*) The portion amounted TRY 378.500.040 of the total purchases of tangible and intangible assets amounted TRY 481.834.779 for the period ended 30 June 2008 was made through finance lease (TRY 185.104.683 of TRY 313.547.411 for the year ended 30 June 2007) was made through finance lease.

(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

1 THE COMPANY'S ORGANIZATION AND OPERATIONS

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

As of 30 June 2008 and 31 December 2007, the shareholders and their respective shareholdings in the Company are as follows:

	30 June 2008	31 December 2007
Republic of Turkey Prime Ministry Privatization Administration	% 49,12	% 49,12
Others (Offered to Public)	% 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 30 June 2008 is 13.881 (30 June 2007: 13.068). The average number of employees working for the Group as of 30 June 2008 and 2007 is 13.373 and 12.858, 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.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

The Company and its Subsidiary and Affiliates registered in Turkey keep their books of account and prepare their statutory financial statements in accordance with the principles and obligations Turkish Commercial Code (the "TCC"), tax legislation. Subsidiaries that operate in other countries keep their books of account and prepare their statutory financial statements in accordance with legistations of those countries and in units of corresponding currencies.

i) Accounting Standards Applied:

Capital Markets Board ("CMB"), by Communiqué Serial XI No: 29 " Communique About The Principles of Financial Reporting in Capital Markets", determined the principles and procedures relating to preparation of financial reports and presentation of these reports to interested parties.This Communique is in effect to be applicable for the first interim financial statements of the reporting periods starting after 1 January 2008 and Communiqué Serial XI No: 25 "The Accounting Standards in the Capital Markets" was abolished. Depending on this communique, companies are required to prepare financial statements compliant with International Financial Reporting Standards ("IAS/IFRS") adopted by European Union. However, IAS/IFRS will be applied until the differences between the standards adopted by European Union and those promulgated by IASC are declared by Turkish Accounting Standards Board ("TASB"). In this context, Turkish Accounting/ Financial Reporting Standards ("TAS/TFRS") which are not contrary to standards adopted and promulgated by TASB and will be applied.

As of the Report date, since the differences between the standards adopted by European Union and those promulgated by IASC have not yet been declared by TASB, accompanying financial statements are prepared according to IAS/IFRS within the framework of CMB Communiqué Serial XI No: 29 and financial statements and footnotes were presented compliant with the formats made compulsory by CMB with the announcement dated 14 April 2008. In this direction, some reclassification were made in the financial statements of previous periods.

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

2.1 Fundamentals of The Presentation (cont'd)

i) Accounting Standards Applied (cont'd):

Currency Used In The Financial Statements

The financial statements of each company of the Group are presented in the currency (functional currency) of the economic environment in which they operate. Financial position and results of operations of each company are stated in New Turkish Lira (TRY) which is The Company's ruling currency and presentation currency for the consolidated financial statements.

ii) Preparation of Financial Statements in Hyperinflationary Periods

The Group ended inflation accounting application starting from 1 January 2005 in accordance with the decision of CMB dated 17 March 2005.

iii) Basis of 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 intra-group transactions, balances, income and expenses have been eliminated in 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 at 30 June 2008:

Name of the Company	Principal Activity	Direct Participation	Indirect Participation	Country of Registration
THY Teknik A.Ş.	Technical Maintenance	% 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 two affiliates. The affiliates to which the participation rate of the Group is 50% are controlled by the Group jointly, and are valued by equity method.

The table below sets out consolidated affiliates and indicates the proportion of ownership interest of the Company in these affiliates at 30 June 2008:

Name of the Company	Principal Activity	Direct Participation	Indirect Participation	Country of Registration
Güneş Ekspres Havacılık A.Ş.	Air Transportation	% 50	-	Turkey
THY DO&CO İkram Hizmetleri A.Ş	Catering Services	% 50	-	Turkey

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

2.1 Fundamentals of The Presentation (cont'd)

iii) Basis of Consolidation (cont'd)

In the accompanying financial statements, subsidiaries' operations' results, assets and liabilities are journalized by using equity method except for the subsidiaries that are journalized as assets available-for-sale based on IFRS 5 standard. According to the equity method, subsidiaries are stated as the cost value adjusted as deducting the impairment in subsidiary from the change occured in the subsidiary's assets after the acquisition date that is calculated by the Group's share in the consolidated balance sheet. Subsidiary's losses that exceed the Group's share are not considered (actually, that contains a long term investment which composes the net investment in the subsidiary).

2.2 Changes in Accounting Policies

Changes in accounting policies are applied retroactively and the financial statements of the previous period are adjusted. Group made necessary changes in accounting policies beginning from 1 January 2007 in order to comply with CMB's Serial XI, No 29 Communique.

2.3 Changes in Accounting Estimates and Errors

Changes in accounting policies or accounting errors noted are applied retroactively and the financial statements of the previous year are adjusted. If estimated changes in accounting policies are for only one period, changes are applied on the current year but if the estimated changes are for the following periods, changes are applied both on the current and following years prospectively.

2.4 New and Revised International Financial Reporting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("the IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2008.

<u>Standards, amendments and interpretations effective in 2008 but not relevant</u>

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but they are not relevant to the Group's operations:

IFRIC 11, "IFRS 2 – Group and treasury share transactions",
IFRIC 12, "Service concession arrangements",
IFRIC 14, "IAS 19- The limit on a defined benefit asset, minimum funding requirements and their interaction",

(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

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

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

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

• IFRS 8, "Operating segments"	Effective for annual periods beginning on or after 1 January 2009
• IFRIC 13, "Customer loyalty programmes"	Effective for annual periods beginning on or after 1 July 2008
• IFRIC 15, "Agreements for the construction of real estate"	Effective for annual periods beginning on or after 1 January 2009
• IFRIC 16, "Hedges of a net investment in a foreign operation"	Effective for annual periods beginning on or after 1 October 2008
• IFRS 2, "Share-based Payment" Amendment relating to vesting conditions and cancellations"	Effective for annual periods beginning on or after 1 January 2009
• IFRS 1, "First-time Adoption of International Financial Reporting Standards" — Amendment relating to cost of an investment on first-time adoption	Effective for annual periods beginning on or after 1 January 2009
• IFRS 3, "Business Combinations" • IAS 27, "Consolidated and Separate Financial Statements • IAS 28, "Investments in Associates" • IAS 31 "Interests in Joint Ventures" Comprehensive revision on applying the acquisition method	Effective for annual periods beginning on or after 1 July 2009
• IAS 23, "(Amendment) Borrowing costs" Comprehensive revision to prohibit immediate expensing	Effective for annual periods beginning on or after 1 January 2009
• IAS 27, "Consolidated and Separate Financial Statements" Amendment relating to cost of an investment on first-time adoption	Effective for annual periods beginning on or after 1 January 2009
• IAS 1, "Presentation of Financial Statements" • IAS 32, "Financial Instruments: Presentation" Amendments relating to disclosure of puttable instruments and obligations arising on liquidation	Effective for annual periods beginning on or after 1 January 2009
• IAS 1, "Presentation of Financial Statements" Comprehensive revision including requiring a statement of comprehensive income	Effective for annual periods beginning on or after 1 January 2009
• IAS 39, "Financial Instruments: Recognition and Measurement" Amendments for eligible hedged items	Effective for annual periods beginning on or after 1 January 2009

The Group's management anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

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

2.5 Summary of Significant Accounting Policies

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

2.5.1 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.

2.5.2 Revenue

Passenger fares and cargo revenues are recorded as operating revenue when the transportation service is provided. Tickets sold but not yet used (not flied) are recorded as passenger flight liabilities.

The Group develops estimations using historical statistics and data for unredeemed tickets. Total estimated unredeemed tickets are recognized as operating revenue.

Agency commissions to relating to the passenger revenue are recognized as expense when the transportation service is provided.

2.5.3 Inventories

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

2.5.4 Tangible Assets

Tangible assets are measured at net book value calculated by deduction of accumulated depreciation from cost values, cost values being restated until 31 December 2004 in accordance with inflation accounting. Depreciation is calculated over the useful lives for tangible assets on a straight-line basis.
The useful lives and residual values used for tangible assets are as follows:

	Useful Life (Years)	Residual Value
- Buildings	25-50	-
- Aircrafts	15-20	%10-30
- Cargo Aircraft	30	% 10
- Engines	15-20	%10-30
- 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	-

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 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.5 Leasing Transactions

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. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

2.5.6 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.
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2.5.7 Impairment on Assets

The carrying amounts of the Company'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 amortisation or depreciation, had no impairment loss been recognized for the asset in prior years.

As of 31 December 2007, an examination is made of whether net book values of aircrafts, spare engines and simulators exceed their recoverable amounts. Recoverable amount is determined as, higher of the present value of cash flows expected from the usage of an asset and its net selling price. Net selling price for the aircrafts is determined according to second hand prices in international price guides. Net selling price for spare engines and simulators is net book values based on US Dollar acquisition costs.

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.7 Impairment on Assets (cont'd)

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.

2.5.8 Borrowing Costs

All borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.5.9 Financial Instruments

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

a) Financial assets

Financial investments are initially measured at fair value, net off transaction costs except for those financial assets classified as fair value through profit or loss which are initially measured at fair value. Investments are recognized and derecognized on 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.

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

Financial assets at fair value through profit or loss

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

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

2.5 Summary Of Significant Accounting Policies (cont'd)

2.5.9 Financial Instruments (cont'd)

a) Financial assets (cont'd)

Effective interest method

The effective interest method is a method of calculating the amortised 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.

Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognized on an effective yield basis.

Available for sale investments

Certain shares and redeemable notes held by the Company are classified as being available for sale and are stated at fair value.

Gains and losses arising from changes in fair value are recognized directly in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognized directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investments revaluation reserve is included in profit or loss for the period.

Dividends on available for sale equity instruments are recognized in profit and loss when the Group's right to receive payments is established.

The fair value of available for sale monetary assets denominated in a foreign currency determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognized in profit or loss, and other changes are recognized in equity.

Loans and receivables

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

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

2.5 Summary Of Significant Accounting Policies (cont'd)

2.5.9 Financial Instruments (cont'd)

a) Financial assets (cont'd)

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 the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised 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)

2.5.9 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 amortised 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 amortised 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 significant interest rate risk arises from finance lease liabilities. The Group policy is to turn some financial liabilities with fixed interest rates into financial liabilties with variable interest rates, and some financial liabilities denominated in EUR into financial liabilities denominated in USD.

The Group uses derivative financial instruments for these purposes.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments are immediately recognized in profit or loss.

2.5.10 Business Combinations

Acquisition of subsidiaries are accounted per purchase method. Cost of business combination is calculated as the total of fair values of assets given, liabilities incurred or assumed and equity instruments issued in order to acquire the control of the subsidiary and other costs directly attributable to business combination.

(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

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

2.5 Summary Of Significant Accounting Policies (cont'd)

2.5.10 Business Combinations (cont'd)

According to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", identifiable assets, liabilities and contingent liabilities which qualify to be recognized according to IFRS 3 "Business Combinations" except held-for-sale assets and assets recognized at the value which is found by deducting selling expenses from fair value (or group to be sold) are recognized at fair value.

Goodwill originated from acquisition is determined as the part of the acquisition cost exceeding the Group's share in identifiable assets, liabilities and contingent liabilities of the business acquired and initially recognized at cost. After review, in case the Group's share in identifiable assets, liabilities and contingent liabilities relating to acquired busines exceeds the acquisition cost, the exceeding amount is directly recognized as income.

Minority interest in the acquired business are recognized as the amount of minority interest at the fair value of identifiable assets, liabilities and contingent liabilities of the business in question at the time of acquisition.

2.5.11 Foreign Currency Transactions

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

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

	Closing rate	Average rate
Period ended at 30 June 2008	1,2237	1,2265
Year ended at 31 December 2007	1,1647	1,3003
Period ended at 30 June 2007	1,3046	1,3687
Year ended at 31 December 2006	1,4056	1,4297

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

	Closing rate	Average rate
Period ended at 30 June 2008	1,9271	1,8782
Year ended at 31 December 2007	1,7102	1,7773
Period ended at 30 June 2007	1,7585	1,8183
Year ended at 31 December 2006	1,8515	1,8032

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.12 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.

2.5.13 Events Subsequent to the Balance Sheet Date

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

The Group; restates its financial statements if such subsequent events arise.

2.5.14 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 recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised 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 arised from onerous contracts are calculated and accounted for as provision.

It is assumed that an onerous contracts 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.

Guarantees

Provisions related to guarantee costs are accounted at the date of sale of the relevant products, according to the most appropriate expenditures estimated by management in order to settle the Group's obligations.

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.15 Related Parties

The affiliates, shareholders, top managers and Board Members of the Company, in each case together with their families and companies controlled by or affiliated with them, are considered and referred to as related parties in the accompanying financial statements.

2.5.16 Segmental information

A reportable segment is a business segment or a geographical segment identified based on the foregoing definitions for which segment information is required to be disclosed. A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

A business segment or geographical segment should be identified as a reportable segment if a majority of its revenue is earned from sales to external customers and if its revenue from sales to external customers and from transactions with other segments is 10% or more of the total revenue, external and internal, of all segments; or its segment result, whether profit or loss, is 10% or more of the combined result of all segments in profit or the combined result of all segments in loss, whichever is the greater in absolute amount; or its assets are 10% or more of the total assets of all segments.

The Group has chosen business segments as the Group's primary segment reporting format based on the risks and returns on products produced and services rendered reflecting the primary source of the enterprise's risks and returns. Geographical segments have not been disclosed in these consolidated financial statements as the secondary segment reporting format on the grounds of materiality as the operations of the Group in geographical areas other than Turkey are not reportable geographical segments individually when compared with the overall consolidated financial statements (Note 5).

2.5.17 Construction Contracts

None

2.5.18 Discontinued Operations

None

2.5.19 Government incentives and grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

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

2.5 Summary of Significant Accounting Policies (cont'd)

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

2.5.21 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.

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.21 Taxation and Deferred Tax

Deferred Tax (cont'd)

Deferred tax liabilities are recognised 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 recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise 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 realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

Current and deferred tax for the period

Current and deferred tax are recognised 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 recognised 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 acquiree's identifiable assets, liabilities and contingent liabilities over cost.

2.5.22 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 No. 19 (revised) "Employee Benefits" ("IAS 19").

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses.

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

2.5 Summary Of Significant Accounting Policies (cont'd)

2.5.23 Retirement Plans

None.

2.5.24 Agricultural Activities

None.

2.5.25 Statement of cash flows

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

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

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

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

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

2.5.26 Share Capital and Dividends

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

2.5.27 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.

2.5.28 Use of Estimates

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

2.5.29 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.

(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

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

2.5 Summary Of Significant Accounting Policies (cont'd)

2.5.30 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. The estimated cost of providing free travel, using the incremental cost method as adjusted for estimated redemption rates, is recognized as a liability. 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.

3 BUSINESS COMBINATIONS

None.

4 JOINT VENTURES

None.

5 SEGMENTAL REPORTING

Business Segments
The Group predominantly operates in one industry segment as of 30 June 2008, the primary businesses are air transportation of passengers and cargo within, to or from Turkey and to supply maintenance service for aircrafts.

Geographical Segments
The revenue analysis is based on the destinations that the Group serves. All passenger fare and cargo revenue within Turkey is attributed to the revenue from domestic services. Revenues from both scheduled and non-scheduled international flights are attributed to destinations' geographical areas.

5.1. Total Assets and Liabilities

Total Assets	**30 June 2008**	**31 December 2007**
Aviation	6.067.551.482	4.890.714.620
Technic	395.930.589	400.381.350
Total	6.463.482.071	5.291.095.970
Less: Eliminations of consolidation	(382.718.342)	(369.300.235)
Total assets according to consolidated financial statements	6.080.763.729	4.921.795.735

Total Liabilities	**30 June 2008**	**31 December 2007**
Aviation	3.908.096.643	2.986.407.063
Technic	74.837.270	86.802.582
Total	3.982.933.913	3.073.209.645
Less: Eliminations of consolidation	(61.625.023)	(55.721.467)
Total liabilities according to consolidated financial statements	3.921.308.890	3.017.488.178

(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

5 SEGMENTAL REPORTING (cont'd)

5.2. Net Operating Profit/(Loss)

01 January 2008-30 June 2008	Aviation	Technic	Eliminations between segments	Total
Sales revenue	2.536.993.927	270.091.634	(193.453.927)	2.613.631.634
Cost of sales	(2.003.653.733)	(231.330.193)	184.007.068	(2.050.976.856)
Gross profit or (loss)	533.340.196	38.761.441	(9.446.859)	562.654.778
Marketing, sellling and distribution expenses	(300.382.526)	(1.600.784)	118.940	(301.864.370)
General administration expenses	(79.720.704)	(15.882.064)	1.658.452	(93.944.316)
Other operating income	174.812.741	8.955.754	(11.843.901)	171.924.594
Other operating expenses	(7.087.537)	(23.538.103)	19.513.368	(11.112.272)
Operating profit or (loss)	320.962.170	6.696.244	-	327.658.414

01 January 2007-30 June 2007	Aviation	Technic	Eliminations between segments	Total
Sales revenue	2.103.386.787	303.246.690	(278.607.239)	2.128.026.238
Cost of sales	(1.595.448.071)	(301.721.486)	276.952.524	(1.620.217.033)
Gross profit or (loss)	507.938.716	1.525.204	(1.654.715)	507.809.205
Marketing, sellling and distribution expenses	(296.474.019)	(949.466)	-	(297.423.485)
General administration expenses	(69.357.610)	(14.046.814)	-	(83.404.424)
Other operating income	176.642.195	3.774.759	(2.120.612)	178.296.342
Other operating expenses	(11.073.280)	(4.862.956)	3.775.327	(12.160.909)
Operating profit or (loss)	307.676.002	(14.559.273)	-	293.116.729

5.3. Investment Operations

01 January 2008-30 June 2008	Aviation	Technic	Eliminations between segments	Total
Purchases of tangible and intangible assets	431.986.287	49.848.492	-	481.834.779
Current period amortization and depreciation expense	147.795.725	35.694.056	-	183.489.781

01 January 2007-30 June 2007	Aviation	Technic	Eliminations between segments	Total
Purchases of tangible and intangible assets	255.837.498	57.709.913	-	313.547.411
Current period amortization and depreciation expense	126.853.512	52.198.500	-	179.052.012

(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following:

	30 June 2008	31 December 2007
Cash	550.715	372.624
Cheques received	71.100	144.736
Banks – Time deposits	407.079.552	472.670.290
Banks – Demand Deposits	116.439.907	71.505.567
Other liquid assets	9.779.974	8.257.998
	533.921.248	552.951.215

Foreign currency bank balances are TRY 351.511.727 as at 30 June 2008 (31 December 2007: TRY 433.926.073).

Time Deposits:

Amount	Currency	Opening Date	Interest Rate	Maturity	30 June 2008
154.250.537	TRY	05.06.2008 - 30.06.2008	% 12,44 - % 17,68	01.07.2008 – 29.09.2008	154.250.537
76.250.000	Euro	21.04.2008 – 30.06.2008	% 3,60 - %5,31	01.07.2008 – 19.08.2008	146.941.375
86.530.719	USD	21.04.2008 - 30.06.2008	% 3,05 - % 5,02	01.07.2008 – 25.09.2008	105.887.640
					407.079.552

Amount	Currency	Opening Date	Interest Rate	Maturity	31 December 2007
102.700.000	TRY	05.11.2007- 31.12.2007	% 15,13-% 18,00	02.01.2008- 28.03.2008	102.700.000
197.365.000	Euro	22.10.2007- 31.12.2007	% 4,08-% 4,89	02.01.2008- 21.03.2008	337.533.623
27.849.804	USD	03.12.2007- 31.12.2007	% 3,66-% 5,80	02.01.2008- 28.01.2008	32.436.667
					472.670.290

7 FINANCIAL ASSETS

Short-term financial assets comprised the following:

	30 June 2008	31 December 2007
Time deposits with maturity more than 3 months	685.262.256	219.265.000

Time deposits with maturity more than 3 months:

Amount	Currency	Opening Date	Interest Rate	Maturity	30 June 2008
234.500.000	TRY	03.01.2008 - 04.06.2008	% 14,28 - % 16,58	04.07.2008 – 21.05.2009	234.500.000
23.660.000	Euro	04.06.2008	% 4,97	22.12.2008	45.595.186
331.100.000	USD	23.01.2008 - 04.06.2008	%4,46 - % 5,21	25.07.2008 – 04.06.2009	405.167.070
					685.262.256

(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

7 FINANCIAL ASSETS (cont'd)

Amount	Currency	Opening Date	Interest Rate	Maturity	31 December 2007
91.000.000	TRY	05.11.2007-31.12.2007	% 14,87-% 15,74	04.04.2008-05.06.2008	91.000.000
75.000.000	Euro	22.10.2007-31.12.2007	% 4,76-% 4,90	21.04.2008-21.05.2008	128.265.000
					219.265.000

Long-term financial assets comprised the following:

	30 June 2008	31 December 2007
Sita Inc.	1.679.619	1.679.619
Emek İnşaat ve İşletme A.Ş.	26.859	26.859
	1.706.478	1.706.478
Derivative instruments at fair values (Note 39)	2.284.486	1.310.086
	3.990.964	3.016.564

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

Details of long-term financial assets at 30 June 2008 is as follows:

Name of the Company	Place of Incorporation and Operation	Ownership Rate	Voting Power Rate	Principal Activity
Emek İnşaat ve İşletme A.Ş.	Turkey	%0,3	%0,3	Construction
Sita Inc.	Holland	Less than %0,1	Less than %0,1	Information & Telecommunication Services

8 FINANCIAL DEBT

Short-term financial liabilities comprised the following:

	30 June 2008	31 December 2007
Bank loans	3.807.200	3.735.162
Finance lease obligations	268.493.993	225.183.209
	272.301.193	228.918.371

Long -term financial liabilities comprised the following:

	30 June 2008	31 December 2007
Bank loans	26.258.006	26.715.577
Finance lease obligations	1.953.323.032	1.569.126.885
	1.979.581.038	1.595.842.462

(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

8 FINANCIAL DEBT (cont'd)

Short-term portion of long-term financial liabilities at 30 June 2008 is as follows:

Maturity	Interest Rate	Original Amount	Interest Accrual	TRY
15.08.2009	Libor + %1,25	2.959.707 US Dollars	151.513 US Dollars	3.807.200

Details of long-term bank borrowing at 30 June 2008 is as follows:

Maturity	Interest Rate	Original Amount	Interest Accrual	TRY
15.08.2009	Libor + %1,25	21.457.879 US Dollars	-	26.258.006

Short-term portion of long-term financial liabilities at 31 December 2007 is as follows:

Maturity	Interest Rate	Original Amount	Interest Accrual	TRY
15.08.2009	Libor + %1,25	2.959.707 US Dollars	247.266 US Dollars	3.735.162

Details of long-term bank borrowing at 31 December 2007 is as follows:

Maturity	Interest Rate	Original Amount	Interest Accrual	TRY
15.08.2009	Libor + %1,25	22.937.732 US Dollars	-	26.715.577

Finance lease obligations comprised the following:

	30 June 2008	**31 December 2007**
Not later than 1 year	344.642.818	298.808.141
Between 1-4 years	912.771.524	797.170.667
Over 4 years	1.454.120.610	1.137.792.480
	2.711.534.952	2.233.771.288
Less: Future interest expenses	(489.717.927)	(439.461.194)
Principal value of future rentals shown in the balance sheets	2.221.817.025	1.794.310.094
Interest Range:		
Floating rate obligations	1.101.506.860	1.123.591.167
Fixed rate obligations	1.120.310.165	670.718.927
	2.221.817.025	1.794.310.094

As of 30 June 2008, the US Dollars and Euro denominated lease obligations' weighted average interest rates for the fixed rate obligations are 4,97% and for the floating rate obligations are 3,30%.

Details of the unaccrued operating lease liabilities comprised the following:

	30 June 2008	**31 December 2007**
Not later than 1 year	129.696.030	130.984.676
Between 1-4 years	373.466.394	374.178.949
Over 4 years	464.513.118	522.289.995
	967.675.542	1.027.453.620

(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

9 OTHER FINANCIAL LIABILITIES

Other short-term financial liabilities comprised the following:

	30 June 2008	31 December 2007
Debt to banks	14.838.723	877.628

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

10 ACCOUNTS RECEIVABLE AND PAYABLE

Short-term accounts receivable comprised the following:

	30 June 2008	31 December 2007
Trade receivables	485.762.524	268.319.123
Due from related parties (Note 37)	860.432	702.938
Discount on receivables (-)	(3.648.377)	(2.078.023)
Allowance for doubtful receivables	(23.843.214)	(21.405.019)
	459.131.365	245.539.019

The Group's total short-term accounts receivable is TRY 486.622.956. The Group's average days in receivables is 30 days, total receivables due over 30 days is TRY 53.744.849 as of 30 June 2008. (31 December 2007: TRY 39.036.317). The Group provided provision amounted TRY 19.669.173 for the receivables that are carried to legal proceedings, and TRY 4.174.041 for the others by making historical statistical calculations, totally TRY 23.843.214. (31 December 2007: TRY 21.405.019). Movement of the doubtful receivables period ended 30 June 2008 and 2007 is as follows

	1 January - 30 June 2008	1 January - 30 June 2007
Opening Balance	21.405.019	18.447.881
Current period expense	2.589.204	3.839.923
Collected amount	(151.009)	(146.864)
Write- off	-	(8.883)
Closing Balance	23.843.214	22.132.057

The amount of guarantees in the form of cash equivalent received for accounts receivable is TRY 15.591.009 (31 December 2007: TRY 11.555.928), and the amount of guarantee letters received is TRY 92.262.032 (31 December 2007: TRY 86.032.736).

Short-term accounts payable comprised the following:

	30 June 2008	31 December 2007
Trade payables	441.131.684	360.281.125
Due to related parties (Note 37)	13.732.270	7.126.031
Discount on payables (-)	(3.604.701)	(3.130.776)
Other	171.221	247.611
	451.430.474	364.523.991

(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

11 OTHER RECEIVABLES AND LIABILITIES

Other short-term receivables comprised the following:

	30 June 2008	31 December 2007
Prepayments made for aircrafts, to be received back in cash	192.907.775	280.205.350
Due from related parties (non-trading) (Note 37)	7.859.168	10.293.642
Receivables from foreign acquisition transactions	13.649.233	11.466.895
Receivables from tax office	1.407.728	478.459
Receivables from foreign technical suppliers	1.588.670	1.634.072
Receivable from SITA deposit certificate	623.727	593.654
Due from personel	437.356	344.627
Deposits and guarantees given	264.711	385.359
VAT deductible	3.140.396	-
Other receivables	326.219	453.699
	222.204.983	305.855.757

Other long -term receivables comprised the following:

	30 June 2008	31 December 2007
Receivables from foreign acquisition transactions	9.758.637	11.750.866
Receivable from SITA deposit certificates	963.945	917.469
Deposits and guarantees given	2.476.226	2.239.135
Advance payments for operating leases	2.898.851	2.447.361
Due from related parties (non-trading) (Note 37)	-	3.591.420
Due from personel	789.195	810.077
	16.886.854	21.756.328

Other short-term liabilities comprised the following:

	30 June 2008	31 December 2007
Taxes and funds payable	16.209.922	19.849.575
Social security premiums payable	22.294.662	20.378.288
MCO advances	44.619.397	24.971.575
E-Pos ticket advances	1.173.732	380.719
Charter advances	6.615.764	350.971
Advances received for mile credit sales	-	8.359.465
Deposits and guarantees received	10.651.841	5.458.956
Other advances received	1.172.279	961.986
Other liabilities	4.034.404	2.675.519
	106.772.001	83.387.054

Other long-term receivables comprised the following:

	30 June 2008	31 December 2007
Deposits and guarantees received	7.664.232	7.058.322

12 RECEIVABLES AND PAYABLES FROM ACTIVITIES IN FINANCE SECTOR

None (31 December 2007: None).

(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

13 INVENTORIES

	30 June 2008	31 December 2007
Spare parts, flight equipments	97.175.442	91.924.069
Other inventories	44.089.516	32.662.010
	141.264.958	124.586.079
Provision for impairment (-)	(22.949.544)	(10.845.508)
	118.315.414	113.740.571

Movement in change of diminution in value of inventories as of 30 June 2008 and 2007 are as follows:

	1 January - 30 June 2008	1 January - 30 June 2007
Provision at the beginning of the period	10.845.508	4.910.688
Current period expense	12.104.036	4.127.802
Cancellation of provisions recognized	-	(2.581.976)
Provision at the end of the period	22.949.544	6.456.514

14 BIOLOGICAL ASSETS

None. (31 December 2007:None).

15 ASSETS FROM CONSTRUCTION CONTRACTS IN PROGRESS

None. (31 December 2007:None)

16 INVESTMENTS ACCOUNTED FOR EQUITY METHOD

The associates accounted per the equity method are as follows:

	30 June 2008	31 December 2007
Güneş Ekspres Havacılık A.Ş. (Sun Express)	-	18.301.705
THY DO&CO İkram Hizmetleri A.Ş. (Turkish DO&CO)	20.673.074	20.068.338
	20.673.074	38.370.043

Shareholders' equity of Sun Express, which is accounted per the equity method, shows a negative balance due to the period loss and accumulated losses. Since the Company does not have any responsibility regarding the debts and liabilities of Sun Express, "the associate accounted per the equity method" is shown as null in the accompanying financial statements.

Financial information for Sun Express as of 30 June 2008 and 31 December 2007 are as follows:

	30 June 2008	31 December 2007
Total Assets	95.532.128	97.835.411
Total Liabilities	107.827.026	61.232.001
Shareholder's Equity	(12.294.898)	36.603.410
Group's share in asssociates' shareholder's equity	-	18.301.705

(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

16 INVESTMENTS ACCOUNTED FOR EQUITY METHOD (cont'd)

Financial information for THY DO&CO as of 30 June 2008 and 31 December 2007 are as follows:

	30 June 2008	31 December 2007
Total Assets	94.555.647	98.361.252
Total Liabilities	53.209.499	58.224.577
Shareholder's Equity	41.346.148	40.136.675
Group's share in asssociates' shareholder's equity	20.673.074	20.068.338

Portions of financial assets accounted per equity method in profit/loss are as follows:

	30 June 2008	30 June 2007
Sun Ekspress	(11.301.755)	(5.795.002)
Turkish DO&CO	604.736	2.133.161
Total	(10.697.019)	(3.661.841)

Details of investments valued by equity method as of 30 June are as follws:

Name of the Company	Place of Incorporation and Operation	Ownership Rate	Voting Power Rate	Principal Activity
Güneş Ekspres Havacılık A.Ş. (Sun Express)	Turkey	50%	50%	Air transportation
THY DO&CO İkram Hizmetleri A.Ş.	Turkey	50%	50%	Catering services

17 INVESTMENT PROPERTY (NET)

	30 June 2008	31 December 2007
Openning Balance, 1 January	53.700.000	51.975.000
Gain from the change in the fair value	-	1.725.000
Year-end Balance	53.700.000	53.700.000

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI

Notes to the consolidated financial statements as at 30 June 2008
(All amounts expressed in New Turkish Lira (YTL) unless otherwise stated.)

18 TANGIBLE ASSETS (NET)

	Land, Land Improvements & Buildings	Technical Equipments, Simulators and Vehicles	Other Equipments, Fixtures	Aircraft and Spare Engines	Components and Repairable Spare Parts	Construction in Progress	Total Assets Owned	Leased Aircraft	Total
Cost									
Opening balance 1 January 2008	164.584.014	303.009.428	171.151.244	2.639.937.173	327.244.646	59.697.500	3.665.624.005	3.830.021.095	7.495.645.100
Additions	-	7.598.559	3.742.817	21.893.128	42.655.420	21.817.715	97.707.639	378.500.040	476.207.679
Disposals	-	(10.481.530)	(11.140.436)	(2.114.432)	(46.774.998)	-	(70.511.396)	-	(70.511.396)
Closing balance 30 June 2008	82.792	-	-	29.114.176	-	(30.839.825)	(1.642.857)	658.584	(984.273)
	164.666.806	300.126.457	163.753.625	2.688.830.045	323.125.068	50.675.390	3.691.177.391	4.209.179.719	7.900.357.110
Accumulated Depreciation									
Opening balance 1 January 2008	53.372.621	247.371.689	144.571.580	1.460.111.153	153.043.938	-	2.058.470.981	899.782.547	2.958.253.528
Depreciation for the period	1.368.259	6.364.602	4.235.186	46.212.539	33.011.441	-	91.192.027	89.434.091	180.626.118
Disposals	-	(10.481.530)	(11.097.864)	(2.114.432)	(31.376.598)	-	(55.070.424)	-	(55.070.424)
Closing balance 30 June 2008	54.740.880	243.254.761	137.708.902	1.504.209.260	154.678.781	-	2.094.592.584	989.216.638	3.083.809.222
Accumulated impairment	-	(3.463.838)	-	(594.996.143)	-	-	(598.459.981)	(428.004.541)	(1.026.464.522)
30 June 2008 net book value	109.925.926	53.407.858	26.044.723	589.624.642	168.446.287	50.675.390	998.124.826	2.791.958.540	3.790.083.366
31 December 2007 net book value	111.211.393	50.917.920	26.579.664	562.315.592	174.200.708	59.697.500	984.922.777	2.249.436.630	3.234.359.407

(All amounts expressed in New Turkish Lira (YTL) unless otherwise stated.)

18 TANGIBLE ASSETS (NET) (cont'd)

	Land, Land Improvements & Buildings	Technical Equipments, Simulators and Vehicles	Other Equipments, Fixtures	Aircraft and Spare Engines	Components and Repairable Spare Parts	Construction in Progress	Total Assets Owned	Leased Aircraft	Total
Cost									
Opening balance 1 January 2007	216.559.014	299.032.332	184.022.713	2.594.142.676	348.240.451	889.470	3.642.886.656	3.264.215.075	6.907.101.731
Additions	-	4.444.870	8.737.686	6.503.394	54.831.226	52.102.422	126.619.598	185.104.683	311.724.281
Disposals	-	(937.243)	(14.580.839)	-	(44.129.119)	-	(59.647.201)	-	(59.647.201)
Closing balance 30 June 2007	216.559.014	302.539.959	178.179.560	2.600.646.070	358.942.558	52.991.892	3.709.859.053	3.449.319.758	7.159.178.811
Accumulated Depreciation									
Opening balance 1 January 2007	50.636.378	249.655.257	167.630.870	1.377.629.493	168.324.320	-	2.013.876.318	742.326.360	2.756.202.678
Depreciation for the period	1.368.121	6.681.735	3.020.120	40.290.222	50.399.841	-	101.760.039	75.431.440	177.191.479
Disposals	-	(913.136)	(14.397.704)	-	(39.320.861)	-	(54.631.701)	-	(54.631.701)
Closing balance 30 June 2007	52.004.499	255.423.856	156.253.286	1.417.919.715	179.403.300	-	2.061.004.656	817.757.800	2.878.762.456
Accumulated impairment	-	(3.468.791)	-	(584.613.201)	-	-	(588.081.992)	(483.250.775)	(1.071.332.767)
30 June 2007 net book value	164.554.515	43.647.312	21.926.274	598.113.154	179.539.258	52.991.892	1.060.772.405	2.148.311.183	3.209.083.588
31 December 2006 net book value	165.922.636	46.281.627	16.391.843	587.302.935	179.916.131	889.470	996.704.642	2.141.324.327	3.138.028.969

(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

19 INTANGIBLE ASSETS (NET)

	Rights	Leasehold Improvements	Total
Cost			
Opening balance 1 January 2008	68.832.212	23.890.480	92.722.692
Additions	3.949.391	1.677.709	5.627.100
Disposals	(11.356)	-	(11.356)
Transfers	-	984.273	984.273
Closing balance 30 June 2008	72.770.247	26.552.462	99.322.709
Accumulated Depreciation			
Opening balance 1 January 2008	62.031.040	20.246.335	82.277.375
Amortization charge for the period	1.732.629	1.131.034	2.863.663
Disposals	(11.356)	-	(11.356)
Closing balance 30 June 2008	63.752.313	21.377.369	85.129.682
30 June 2008 net book value	9.017.934	5.175.093	14.193.027
31 December 2007 net book value	6.801.172	3.644.145	10.445.317

	Rights	Leasehold Improvements	Total
Cost			
Opening balance 1 January 2007	65.652.323	19.848.969	85.501.292
Additions	758.546	1.064.584	1.823.130
Disposals	(33.654)	-	(33.654)
Closing balance 30 June 2007	66.377.215	20.913.553	87.290.768
Accumulated Depreciation			
Opening balance 1 January 2007	58.966.832	19.025.840	77.992.672
Amortization charge for the period	1.515.154	345.379	1.860.533
Disposals	(4.337)	-	(4.337)
Closing balance 30 June 2007	60.477.649	19.371.219	79.848.868
30 June 2007 net book value	5.899.566	1.542.334	7.441.900
31 December 2006 net book value	6.685.491	823.129	7.508.620

20 GOODWILL

None.

21 GOVERNMENT GRANTS

None.

22 PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Provisions for short-term liabilities comprised the following:

	30 June 2008	31 December 2007
Other provisions for legal claims	5.422.848	4.695.954
Other provisions for liabilities	1.359.236	83.267
	6.782.084	4.779.221

(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

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

Movements in the provisions for legal claims at 30 June 2008 and 2007 periods set out below:

	1 January - 30 June 2008	**1 January- 30 June 2007**
Provision at 1 January	4.695.954	5.544.394
Charge for the period	835.850	416.522
Provisions released	(108.956)	(773.187)
Provision at the end of the period	5.422.848	5.187.729

a) Guarantees Given:

Amount of letter of guarantees given is TRY 41.616.655 as of 30 June 2008 (31 December 2007: TRY 43.439.870).

b) Letters of comfort:

	30 June 2008	**31 December 2007**
Letters of comfort given to Sun Express	-	US Dollar 2.900.000
	-	Euro 2.556.459

c) 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.

d) The Group's discounted retirement pay provision is TRY 140.411.053. The Group's liability for retirement pay would be approximately TRY 250.265.830 as of 30 June 2008, if all employees were dismissed on that date.

23 COMMITMENTS

The Group has signed agreements for delivery of 59 aircrafts with delivery dates between years 2005-2008. 5 of above mentioned aircrafts are delivered in 2005, 23 of these aircrafts are delivered in 2006 and 12 of these aircrafts are delivered in the 2007 and 7 of these aircrafts are delivered in first half of 2008. Total value of aircrafts is approximately US Dollar 4,7 billion according to the list prices before any discounts applicable by aircraft manufacturers. The Group paid a deposit of US Dollar 158 million as of 30 June 2008 related to aircrafts to be purchased.

(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

24 EMPLOYEE BENEFITS

Short-term employee benefits are as follows:

	30 June 2008	31 December 2007
Salary accruals	29.750.003	27.511.763
Debt to personnel	1.852.007	729.765
	31.602.010	28.241.528

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

	30 June 2008	31 December 2007
Provision for retirement pay liability	140.411.053	131.959.011

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 TRY 2.173,19 as of 1 July 2008 (1 July 2007: TRY 1.960,69)

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 parallel to inflation rate for every service year. Therefore, discount rate used is the expected real rate adjusted for the future inflationary effects. Because of this, provisions in the accompanying financial statements as of 30 June 2008 are calculated by estimating present value of probable liabilities arising due to retirement of employees. Provisions in the relevant balance sheet dates are calculated by using an approximate 5.71 % the real discount rate with the assumptions of 5 % annual inflation rate and 11 % discount rate. (31 December 2007: %5.71). Estimated amount of retirement pay not paid due to voluntary leaves and kept in the Company is also taken into consideration. Ceiling for retirement pay is revised semi-annually, ceiling amount of TRY 2.173,19 which is in effect since 1 July 2008 is used in the calculation of Group's provision for retirement pay liability.

(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

24 EMPLOYEE BENEFITS (cont'd)

Movements in the provision for retirement pay liability in the balance sheet are as follows:

	1 January- 30 June 2008	1 January- 30 June 2007
Provision at 1 January	131.959.011	117.304.910
Current service costs	11.559.385	13.783.003
Interest cost	3.721.457	3.351.570
Payments	(6.828.800)	(3.133.686)
Provision at the end of the period	140.411.053	131.305.797

25 RETIREMENT PLANS

None (31 December 2007: None).

26 OTHER ASSETS AND LIABILITIES

Details of other current assets comprised the following:

	30 June 2008	31 December 2007
Advances for business purposes	1.391.189	727.382
Advance given to personel	469.498	400.642
Prepaid sales commissions	11.612.899	11.254.831
Technical maintenance income accruals	6.200.319	5.458.505
Prepaid insurance expenses	3.520.659	3.366.409
Prepaid operating lease expenses	8.065.313	7.845.528
VAT to be refunded	4.004.591	3.462.269
Prepaid rent expenses	651.785	594.629
Prepaid taxes and funds	3.192.385	-
Advance given for orders	1.360.490	1.968.365
Interline passenger income accruals	5.017.878	7.715.608
Prepaid Eximbank USA guarantee and exposure fee	1.092.408	1.092.408
Prepaid aircraft financing expenses	805.090	764.269
Income Accruals	5.388.540	2.176.269
Deferred VAT	206.359	1.744.538
Prepaid other expenses	1.603.316	1.410.818
Prepaid financial expense of bank borrowing	21.690	21.690
Income accruals relating to aircrafts received	2.389.814	-
Expenses relating to future periods	345.985	169.056
Other currents assets	1.014	3.776
	57.341.222	50.176.992

Other non-current assets comprised the following:

	30 June 2008	31 December 2007
Prepayment for tangible assets	77.552.948	49.020.239
Maintenance reserve for engines	14.355.130	9.420.039
Prepaid Eximbank USA guarantee and exposure fee	3.166.505	3.704.559
Prepaid aircraft financing expenses	4.983.974	4.797.882
Prepaid operating lease expenses	2.726.258	2.743.798
Prepaid expenses	335.214	388.190
	103.120.029	70.074.707

(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

26 OTHER ASSETS AND LIABILITIES (cont'd)

Details of flight liabilities are as follows:

	30 June 2008	31 December 2007
Flight liability resulting from ticket sales	509.492.746	227.074.654
Flight liability resulting from mileage sales	73.999.398	71.787.413
	583.492.144	298.862.067

Other short-term liabilities comprised the following:

	30 June 2008	31 December 2007
Frequent flyer program liability	51.502.670	49.186.534
Manufacturer's credit related to aircrafts to be received	8.338.544	20.327.228
Accruals for maintenance costs	8.087.674	5.899.117
Accruals for sales incentive premiums	11.643.574	7.144.213
Accruals for other expenses	4.410.466	2.650.295
Deferred income	701.249	150.945
Other liabilities	10.284.081	1.215.963
	94.968.258	86.574.295

Long-term other current assets comprised the following**:**

	30 June 2008	31 December 2007
Gross manufacturer's credits	29.179.455	27.843.438
Accumulated depreciations of manufacturer's credit	(5.153.930)	(3.743.686)
	24.025.525	24.099.752

27 SHAREHOLDERS' EQUITY

Share Capital- Adjustment to Share Capital

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

	Group	%	30 June 2008	%	31 December 2007
Republic of Turkey Prime Ministry Privatization Administration(*)	A, C	49,12(**)	85.963.662	49,12(**)	85.963.662
Others (publicly held)	A	50,88(**)	89.036.338	50,88(**)	89.036.338
Share capital			175.000.000		175.000.000
Restatement effect (***)			1.729.307.557		1.739.005.871
Restated share capital			1.904.307.557		1.914.005.871

(*) 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.

27 SHAREHOLDERS' EQUITY (cont'd)

(**) The shares of the stock owned by Turkish Republic Privatization Administration are offered to the public between 16-18.05.2006 with the 12.05.2006 dated and 22/569 numbered allowance of CMB. The A group registered shares with the total of TRY 50.312.500 (28,75% of the issued capital) which were sold in Istanbul Stock Exchange Whole Sales Market in 24.05.2006 with the nominal value of TRY 1 consists of the 43.750.000 TRY amount of shares which is 25% of the total amount of the issued capital which is TRY 175.000.000 and the rest of the A Group registered shares consist of the additional selling amount of shares which is 15% of the total amount of the public offering as well as which comes out to the 3,75% of the issued capital which is TRY 6.562.500. The Privatization Administration's share on capital approached to 49,12% after Privatization Administration had acquired the 212.254 THY shares which are returned from credit sales.

(***) According to the Decision made at General Assembly held on 17 April 2008, accumulated losses arising from first-time restatement of financial statements for inflation were setted off against extraordinary reserves, legal reserves, share premium, special reserves and capital reserves arised from restatement of items of shareholdes' equity for inflation accounting after setting off against 2007 profit.

As at 30 June 2008, the Group's issued and paid-in share capital consists of 174.999.999.999 Class A shares and 1 Class C share, all with a par value of YKr 0.1 each. These shares are issued to the name. The Class C share belongs to the Republic of Turkey Prime Ministry Privatization Administration and has the following privileges:

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

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

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

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

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

c) Increasing share capital,

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

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

f) Making decisions relating to merges and liquidation,

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

(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

27 SHAREHOLDERS' EQUITY (cont'd)

Accumulated profits in statutory books can be distributed except for the following legal provision related to legal reserves. According to Turkish Commercial Code, legal reserves can be categorized as order I (first) legal reserves and order II (second) legal reserves. Order I (first) legal reserves are apportioned as 5% of statutory net profit to the extent that they reach to 20% of the company's paid-in capital. Order II (second) legal reserves equal to 10% of distributable profit exceeding 5% of paid-in capital. According to Turkish Commercial Code, legal reserves can only be used to set off losses as long as they do not exceed 50% of paid-in capital. Publicly held companies distribute dividends in the following way that Capital Market Board requires.

According to CMB's decision numbered 4/138 and dated 8 January 2008, beginning from 1 January 2008, minimum ratio of profit distribution will be applied as % 20 for corporations whose shares are publicly held (31 December 2007: %20). According to this decision, it is allowed that companies may distribute cash dividends or by increase of capital bonus shares to shareholders or as some amount of cash and some amount of bonus shares depending on a decision made by General Assembly, and also companies, in case first dividend amount is less than % 5 of share capital/issued capital, may retain that amount without distribution; but it is compulsory to distribute the first dividend in cash for corporations which increased capital without distributing dividends relating to previous period and therefore whose shares are seperated as "old" and "new" and these corporations will distribute the first dividend as cash out of profit as the result of 2007 operations.

28 SALES REVENUES AND COST OF SALES

Details of Gross Profit are as follows:

	1 January - 30 June 2008	1 April - 30 June 2008	1 January - 30 June 2007	1 April - 30 June 2007
Scheduled flights				
- Passenger	2.248.545.237	1.317.703.903	1.861.783.742	1.017.498.109
- Cargo and mail	178.768.218	100.944.521	155.746.094	80.392.721
Total scheduled flights	2.427.313.455	1.418.648.424	2.017.529.836	1.097.890.830
Non-scheduled flights	34.740.733	26.500.266	19.285.773	15.616.832
Other revenues	151.583.900	79.278.501	91.214.177	53.573.677
Total revenues	**2.613.638.088**	**1.524.427.191**	**2.128.029.786**	**1.167.081.339**
Less: Discounts and sales Returns	(6.454)	(1.330)	(3.548)	(301)
Net Sales	**2.613.631.634**	**1.524.425.861**	**2.128.026.238**	**1.167.081.038**
Cost of Sales (-)	(2.050.976.856)	(1.139.780.010)	(1.620.217.033)	(851.856.636)
Gross Operating Profit	**562.654.778**	**384.645.851**	**507.809.205**	**315.224.399**

(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

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

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

	1 January - 30 June 2008	**1 April - 30 June 2008**	**1 January - 30 June 2007**	**1 April - 30 June 2007**
- Europe	959.796.001	579.659.292	795.755.097	446.484.842
- Far East	430.706.760	239.197.423	386.666.315	208.297.022
- Middle East	263.150.347	155.152.774	199.981.760	94.417.336
- North America	94.827.137	53.668.698	93.070.844	52.268.389
- North Africa	60.642.913	35.758.067	46.659.912	25.249.575
- South Africa	21.563.285	10.464.822	-	-
- West Africa	9.835.600	5.842.874	5.562.726	2.830.018
- Middle Africa	9.015.745	4.562.272	7.856.634	3.867.001
	1.849.537.788	1.084.306.222	1.535.553.288	833.414.183
Domestic	577.775.667	334.342.202	481.976.548	264.476.647
Total Revenue from the scheduled flights	2.427.313.455	1.418.648.424	2.017.529.836	1.097.890.830

Cost of sales consists of the following:

	1 January - 30 June 2008	**1 April - 30 June 2008**	**1 January - 30 June 2007**	**1 April - 30 June 2007**
Fuel expenses	839.707.749	507.590.337	521.230.282	281.891.794
Staff expenses	400.837.374	207.135.867	353.481.662	181.342.211
Landing and navigation expenses	174.153.253	99.044.934	153.125.392	80.922.202
Depreciation expenses	172.643.135	94.737.460	170.804.045	85.949.279
Handling expenses	123.573.733	69.703.122	114.064.657	59.250.413
Passenger service and catering expenses	114.896.051	63.184.143	94.266.958	52.821.219
Maintenance expenses	112.974.072	44.379.685	67.177.288	32.584.356
Operating lease expenses	65.744.054	33.085.483	89.760.549	41.775.972
Insurance expenses	10.422.686	4.249.860	19.518.403	9.563.859
Other renting expenses	8.816.988	3.932.692	9.358.509	6.518.379
Service expenses	6.304.501	3.752.088	5.797.800	4.907.741
Communication expenses	3.430.063	1.787.136	2.912.259	1.588.636
Other taxes	2.832.753	1.025.593	1.633.262	911.274
Transportation expenses	2.650.727	1.612.583	3.378.875	2.491.471
Aircraft wet-lease expenses	2.363.966	394	2.877.622	2.578.773
Lighting, heating, energy and water expenses	1.376.731	465.726	2.016.028	931.232
Cost of other sales	8.249.020	4.092.907	8.813.442	5.827.828
	2.050.976.856	1.139.780.010	1.620.217.033	851.856.639

(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

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

	1 January – 30 June 2008	1 April - 30 June 2008	1 January - 30 June 2007	1 April - 30 June 2007
Marketing, Selling and Distribution Expenses	301.864.370	166.526.963	297.423.485	150.403.046
General Administrative Expenses	93.944.316	47.176.129	83.404.424	43.714.080
	395.808.686	213.703.092	380.827.909	194.117.126

Marketing, selling and distrubition expenses comprised the following:

	1 January - 30 June 2008	1 April - 30 June 2008	1 January - 30 June 2007	1 April - 30 June 2007
Marketing, selling and distribution expenses				
Staff expenses	94.900.522	49.250.580	84.432.717	42.582.819
Commission and promotion Expenses	77.918.859	39.643.351	109.319.036	49.140.485
Reservation system expenses	53.974.808	30.281.272	43.593.922	23.198.086
Code share expenses	11.595.850	8.173.691	8.535.772	5.324.560
Membership expenses	11.441.325	11.244.168	9.635.144	9.410.049
Advertisement expenses	11.014.719	6.522.185	4.018.643	2.754.746
Other renting expenses	9.314.402	4.856.197	9.177.956	4.369.076
Communication expenses	5.606.020	3.014.529	6.823.022	3.167.697
Service expenses	5.117.437	2.649.999	4.833.249	2.398.767
Passenger service and catering Expenses	3.627.569	2.146.247	3.204.858	1.823.944
Other taxes	3.237.311	1.561.329	2.123.416	949.871
Transportation expenses	2.232.049	1.059.824	2.256.063	1.093.726
Lighting, heating, energy water expenses	1.258.270	706.576	966.279	532.439
Maintenance expenses	796.777	494.974	792.682	449.261
Fuel expenses	430.649	206.670	379.411	185.835
Software and computer equipment expenses	409.854	265.183	330.134	144.799
Insurance expenses	287.348	101.585	310.847	123.640
Depreciation expenses	248.181	133.186	148.022	68.950
Other sales and marketing expenses	8.452.420	4.215.417	6.542.312	2.684.296
	301.864.370	166.526.963	297.423.485	150.403.046

(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

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

General administrative expenses comprised the following:

	1 January - 30 June 2008	1 April - 30 June 2008	1 January - 30 June 2007	1 April - 30 June 2007
General administrative expenses (-)				
Staff expenses	58.118.365	29.875.403	50.266.036	26.064.547
Depreciation expenses	10.598.465	5.560.428	8.099.945	4.198.495
Maintenance expenses	4.936.467	2.963.147	3.746.020	2.662.446
Fuel expenses	158.719	(1.562.203)	201.638	112.805
Service expenses	3.675.937	2.026.845	2.766.680	1.602.542
Other taxes	3.505.610	2.136.278	3.115.245	1.962.441
Software and computer equipment expenses	2.058.180	1.198.680	1.895.950	951.174
Commission and promotion expenses	1.963.883	1.089.650	1.842.669	1.001.342
Communication expenses	1.779.386	778.296	2.862.704	1.396.547
Other renting expenses	1.074.603	304.382	985.034	(2.359)
Insurance expenses	940.176	377.017	1.070.047	638.840
Lighting, heating, energy and water expenses	717.773	193.049	1.082.280	301.879
Other general administrative expenses	4.416.752	2.235.157	5.470.176	2.823.381
Total Operating Expenses	93.944.316	47.176.129	83.404.424	43.714.080

30 EXPENSES ACCORDING TO CATEGORIES

	1 January - 30 June 2008	1 April - 30 June 2008	1 January - 30 June 2007	1 April - 30 June 2007
Expenses according to categories				
Fuel expenses	840.297.117	506.234.803	521.811.331	282.190.434
Staff expenses	553.856.261	286.261.849	488.180.415	249.989.577
Depreciation expenses	183.489.781	100.431.074	179.052.012	90.216.724
Landing and navigation expenses	174.153.253	99.044.934	153.125.392	80.922.202
Handling expenses	123.573.733	69.703.122	114.064.657	59.250.413
Maintenance expenses	118.707.316	47.837.806	71.715.990	35.696.063
Passenger service and catering expenses	118.523.620	65.330.390	97.471.816	54.645.163
Rent expenses	98.909.863	50.352.840	120.695.442	60.564.401
Commission and promotion expenses	79.882.742	40.733.001	111.161.705	50.141.827
Other expenses	155.391.856	87.553.283	143.766.181	82.356.960
	2.446.785.542	1.353.483.102	2.001.044.941	1.045.973.764

(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

31 OTHER OPERATING INCOME / (EXPENSES)

Other operating income consists of the following:

	1 January - 30 June 2008	1 April - 30 June 2008	1 January - 30 June 2007	1 April - 30 June 2007
Real decrease in provision for diminution in value of tangible asset	153.880.476	(23.156.516)	147.849.641	53.149.006
Discounts received from spare parts suppliers	5.605.546	2.204.337	2.953.466	2.441.668
Indemnity and penalty income	2.809.693	1.306.133	8.470.636	890.282
Yapı Kredi protocol income	1.740.575	1.105.890	1.618.973	1.105.891
Provision released	1.379.297	148.367	1.292.860	801.366
Purchase discounts	898.185	678.273	530.968	92.515
Cost free material income	785.143	785.049	518.480	1.304
Rent income	485.409	250.806	446.136	185.106
Maintenance fee returns from fuel, service and handling companies	164.405	106.470	1.700.544	845.272
Profit on sale of scrap material	110.599	110.599	178.829	77.724
Maintenance fee returns from leasing companies	-	-	9.541.615	1.121.724
Other	4.065.266	1.968.463	3.194.194	1.691.606
	171.924.594	(14.492.129)	178.296.342	62.403.464

Other operating expenses consist of the following:

	1 January - 30 June 2008	1 April - 30 June 2008	1 January - 30 June 2007	1 April - 30 June 2007
Provision expense	6.866.640	5.866.068	9.698.435	5.780.618
Passengers without visa expense	248.756	184.789	298.061	95.877
Indemnity and penalty expense	77.866	77.866	1.082.749	1.014.851
Other expenses	3.919.010	3.770.798	1.081.664	411.246
	11.112.272	9.899.521	12.160.909	7.302.592

(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

32 FINANCIAL INCOME

Financial income consist of the following:

	1 January - 30 June 2008	1 April - 30 June 2008	1 January - 30 June 2007	1 April - 30 June 2007
Foreign exchange gain	51.687.755	(45.190.612)	-	-
Decrease in provision for diminution in value of tangible asset due to exchange rate changes	122.687.164	(126.360.361)	-	-
Financial liabilities foreign exchange gain	-	-	114.977.693	89.473.675
Interest income	38.573.963	21.983.046	13.444.193	8.397.178
Dividend income	-	-	2.540.169	2.540.169
Gain from the change in fair value of derivative instruments	974.400	(2.538.140)	-	-
Discount interest income	2.290.069	-	619.132	563.342
	216.213.351	(152.106.067)	131.581.187	100.974.364

33 FINANCIAL EXPENSES

Financial expenses consist of the following:

	1 January - 30 June 2008	1 April - 30 June 2008	1 January - 30 June 2007	1 April - 30 June 2007
Financial liabilities foreign exchange loss	156.911.143	(89.096.924)		
Foreign exchange losses	-	-	43.721.236	46.353.524
Finance lease interest expenses	42.579.281	18.082.052	43.366.189	21.215.608
Retirement pay interest cost	3.721.457	1.548.977	3.351.570	1.704.292
Discount expenses	4.266.194	3.720.030	2.366.519	140.248
Finacial debts interest expense	3.901.040	3.485.972	1.333.651	594.620
Loss from the change in fair value of derivative instruments	-	-	4.124.634	2.950.924
Increase in provision for diminution in value of tangible asset due to exchange rate changes	-	-	206.312.324	132.722.088
Other financial expenses	14.089	(18.723)	11.833	7.642
	211.393.204	(62.278.616)	304.587.956	205.688.946

34 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None (31 December 2007: None).

(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

35 TAX ASSETS AND TAX LIABILITIES

Corporate tax payable is as follows:

	30 June 2008	31 December 2007
Provision for corporate tax payable	2.210.320	122.471.610
Prepaid taxes and funds (*)	(972.478)	(102.490.395)
	1.237.842	19.981.215

(*) The amount of TRY 972.478 in prepaid taxes and funds is offset against taxes payable and the remaining amount of TRY 3.192.385 is presented in current assets.

Tax expense is as follows:

	1 January - 30 June 2008	1 January – 30 June 2007
Current period tax expense	2.210.320	30.857.653
Deferred tax expense	64.423.940	(3.680.109)
Tax expense	66.634.260	27.177.544

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

Corporate Income Tax Law numbered 5520 was published in the official gazette numbered 26205 dated 21 June 2006 and came into effect immediately. Herewith, Corporate Income Tax Law numbered 5422 has been abolished.

The corporate tax rate for the fiscal years starting from 2006 is 20% (30% those for benefiting from investment allowances in 2006, 2007 and 2008.) Corporate tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, exempt income and allowances. The annual corporate income tax return is required to be filled in the period between the 1st and 25th days of the fourth month following the close of the related fiscal year. Payments can be made up until the end of the month in which the tax return is to be filed.

In accordance with Income Tax Law Temporary Article 69, investment allowances available as of 31 December 2005 and due to insufficiency of profit are transferable to next years; can be deducted from the profits of 2006, 2007 and 2008 depending on taxpayers' choice. Investment allowances can be forwarded to next years by restatement with Producer Price Index (PPI).

In case of benefiting from investment allowances, the Corporate Tax rate is 30 % instead of 20%. Taxpayers have the option to benefit from investment allowances in all or any of the years 2006, 2007 and 2008.

Group preferred to deduct the investment allowances of 2005 from the earnings in 2006 and 2007. Therefore, the applicable current corporate tax rate is 30% for 2006 and 2007. Despite that, the parent company uses 20 % as deferred tax rate for deferred tax assets and liabilities which are of long-term.

(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

35 TAX ASSETS AND TAX LIABILITIES (cont'd)

Corporations are required to pay advance corporation tax quarterly, at the current rate on their corporate income. Advance tax is to be filed in the following second month's 14th day and paid on 17th day. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the related financial year. Tax authorities have the right to audit tax declarations and accounting records for 5 years, and may issue re-assessment based on their findings.

Except for the dividends paid to non-resident corporations, which have a representative office in Turkey, or resident corporations, dividends that are paid to non-resident corporations or corporations exempt from taxation in accordance with Income Tax Law article 75 paragraph 2 lines (1), (2) and (3) are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

	1 January - 30 June 2008	**1 January - 30 June 2007**
Reconciliation of provision for taxes:		
Profit from operations before tax	321.781.542	116.448.119
Tax at the domestic income tax rate of %20 (2007: %30)	64.356.308	34.934.436
Tax effect of :		
- revenue that is exempt from taxation	(2.899.935)	(1.743.342)
- investment incentive used	-	(7.310.727)
- expenses that are not deductible in determining taxable profit	5.177.887	431.576
- effect of change in tax rate at deferred tax calculation	-	865.601
Tax provision expense in statement of income	66.634.260	27.177.544

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements prepared in accordance with IFRS and its statutory financial statements. Deferred tax assets and liabilities calculated for temporary differences expected to be realized in future are calculated under the liability method.

(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

35 TAX ASSETS AND TAX LIABILITIES (cont'd)

The deferred tax assets and liabilities as of 30 June 2008 and 31 December 2007 are as follows:

	30 June 2008	31 December 2007
Long term lease obligations	52.675.005	61.960.569
Retirement pay liability	28.082.211	26.391.803
Short term lease obligations	18.305.413	17.036.113
Expense accruals	11.852.422	10.545.592
Provision for diminution in value of inventories	4.589.909	2.169.102
Allowance for doubtful receivables	1.352.142	865.498
Discount on receivables	728.341	415.605
Income and expenses relating to future periods	(339.226)	(112.032)
Discount on payables	(720.940)	(626.155)
Provision for advance ticket sales	(25.677.522)	(21.728.406)
Fixed assets	(295.248.746)	(236.888.551)
Other	138.605	132.416
	(204.262.386)	(139.838.446)

	30 June 2008	31 December 2007
Deferred tax assets	1.939.927	2.544.815
Deferred tax liabilities	(206.202.313)	(142.383.261)
Deferred tax assets / (liabilities), net	(204.262.386)	(139.838.446)

Movement in deferred tax liability as of 30 June 2008 and 2007 are as follows:

	1 January - 30 June 2008	1 January - 30 June 2007
1 January opening value of deferred tax	139.838.446	149.979.174
Deferred tax expense/ (income)	64.423.940	(3.680.109)
Deferred taxes netted off from financial assets fair value reserve	-	(242.136)
Current period deferred tax liability	204.262.386	146.056.929

(All amounts expressed in New Turkish Lira (TRY) 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 average 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 30 June 2008 and 2007 as follows:

	1 January - 30 June 2008	**1 January – 30 June 2007**
Number of shares outstanding on 1 January (in full)	175.000.000.000	175.000.000.000
New shares issued (in full)	-	-
Number of shares outstanding on 30 June (in full)	175.000.000.000	175.000.000.000
Weighted average number of shares outstanding during the period (in full)	175.000.000.000	175.000.000.000
Net profit for the period	255.147.282	89.270.575
Earnings per share (YKr)	0,146	0,051

37 RELATED PARTY DISCLOSURES

Due from related parties (short-term) comprised the following:

	30 June 2008	**31 December 2007**
Sun Express (Note 10)	860.432	702.938

Due from THY DO&CO İkram Hizmetleri A.Ş. comprised of short credit at an amount of EUR 4.000.000.The Group accrues 5,00 % interest on this debt.

Other non-trading due from related parties (short-term) comprised the following:

	30 June 2008	**31 December 2007**
THY DO&CO İkram Hizmetleri A.Ş. (Note 11)	7.859.168	10.293.642

Due from related parties (long-term) comprised the following:

	30 June 2008	**31 December 2007**
THY DO&CO İkram Hizmetleri A.Ş. (Note 11)	-	3.591.420

(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

37 RELATED PARTY DISCLOSURES (cont'd)

Due to related parties (short-term) comprised the following:

	30 June 2008	31 December 2007
Sun Express (Note 10)	7.336.640	2.644.738
THY DO&CO İkram Hizmetleri A.Ş. (Note 10)	6.395.630	4.481.293
	13.732.270	7.126.031

Transactions with related parties in the periods ended as of 30 June are as follows:

	1 January - 30 June 2008	1 January - 30 June 2007
Services rendered to Sun Express	4.177.292	574.034
Services rendered to THY DO&CO	382.550	1.389.258
Interest income fromTHY DO&CO	325.584	-
	4.885.426	1.963.292

	1 January - 30 June 2008	1 January - 30 June 2007
Services received from Sun Express	13.494.324	9.529.173
Services received from USAŞ (*)	-	272.657
Services received from THY DO&CO	65.349.612	46.285.817
	78.843.936	56.087.647

(*)Because the Group has sold Uçak Servisi A.Ş. (USAŞ) shares as of 15 November 2007, transactions made with USAŞ in 2008 presented.

Details of dividends received from related parties are as follows:

	1 January - 30 June 2008	1 January - 30 June 2007
Sun Express	6.999.950	-
Uçak Servisi A.Ş (USAŞ)	-	2.540.169
	6.999.950	2.540.169

The Group's total salary and similar benefits paid to the chairman of the board of directors and members, general manager, general coordinator and general deputy manager are TRY 1.283.578 (2007: TRY 981.261)

38 CHARACTERISTICS AND LEVEL OF RISKS ARISING 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 its profit and market value through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 8, and equity comprising issued capital, reserves and retained earnings, accumulated losses.

38 CHARACTERISTICS AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

(a) Capital risk management (cont'd)

The top management of the Group assesses the cost of capital and the risks associated with each class of capital. At the time of these analyses, top management assessess the risks associatable with each class of capital and gives the ones that are dependent to Board of Directors to the assessment of Board of Directors. As the results of the assessments of top management and Board of Directors, the Group provides the optimisation of the capital diversification through obtaining new debts, repayment of the existing debts and/or capital increase.

Overall strategy of the Group does not differ from the previous period.

(b) Financial risk factors

The Group is exposed to the market risk (foreign currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Risk management program of the Group generally focuses on the minimization of potential negative effects of uncertainty on the Group's performance. The Group uses financial derivative instruments in order to hedge against several financial risks.

(c) Significant accounting policies

Significant accounting policies on financial instruments are disclosed in note 2 "Basis of Presentation of Financial Statements", "2.5.9 Financial Instruments".

(d) Financial risk management objectives

A formally specified risk management model and its active application are not available within the Group. Currency risk, interest rate risk and liquidity risk are some important risks of the Group.

The Group management manages the risks through its decisions and applications. Even a formally specified risk management model is not available, corporate risk management model has been aimed and the related activities are being performed.

(e) Market risk

The Group is subject to the financial risks related to the changes in the exchange rate (Please see (f) below) and interest rate (Please see (g) below) due to its operations. Distribution of expenses and incomes based the types of exchange rates and distribution of debts based on the types of exchange rates and fixed and variable interest rates are managed by the company management

(f) Foreign currency risk management

There is a natural balance in the foreign currency risk between the Group's incomes and expenses. This balance is tried to be kept through taking into consideration the future forecasts and market conditions.

Foreign currency sensitivity

The Group is primarily subject to US Dollar and EUR foreign currency risk.

The table below demonstrates that the sensitivity of the Group against the 10 % change in US Dollar and Euro exchange rates. Negative amount demonstrates the decrease effect of the 10 % increase in the value of US Dollar and EUR against TRY in the net profit for the year.

38 CHARACTERISTICS AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

(f) Foreign currency risk management (cont'd)

	US Dollar effect (i)		Euro effect (ii)	
	1 January-30 June 2008	**1 January-30 June 2007**	**1 January-30 June 2008**	**1 January-30 June 2007**
Income statement effect	(32.537.943)	(76.377.838)	(70.055.883)	(26.685.560)

(i) Related to the receivables and payables in US Dollar not due yet as of the end of the period
(ii) Related to the receivables and payables in Euro not due yet as of the end of the period

If US Dollar or Euro is devaluated against TRY by 10 %, the amounts are the same as the figures in the table above and its effect in profit or loss will be reverse.

In the impairment calculation of aircrafts, spare engines, and simulators, US Dollar denominated market prices are used. Accordingly, the impairment provided by the Group for the tangible assets decreases when the US Dollar is evaluated against TRY, and increases when the US Dollar is devaluated against TRY. In this context, If US Dollar is evaluated by 10 % against TRY, there would be an increase amounted TRY 241.393.908 (01 January – 30 June 2007: TRY 174.530.598) in the net profit for the period except for the effects in the table above due to the decrease in the impairment of aircrafts, spare engines and simulators. If US Dollar is devaluated by 10 % against TRY, effect in the profit or loss would be reverse except for the effects in the table above.

(g) Interest rate risk management

The Group's liabilities are on fixed and variable interest rates. When the interest situations of the existing debts are being considered, it is seen that the variable interests compose the majority. In recent years, a partial balance between the debts with fixed interest and the debts with variable interest is tried to be provided through increasing the weight of the debts with fixed interest provided that the financing of the aircraft is favorable. Because the Group's debts with variable interest rate are dependent to Libor and Euribor, dependency to local risks is low.

The interest rates of the Group's financial liabilities are disclosed in note 8.

<u>Interest rate sensitivity</u>

Sensitivity analysis below is determined according to the interest rate risk that is subject to as of the reporting date and the change in this rate and is kept constant throughout the reporting period. The Group Management calculates the effects that are arisen from the fluctuation in the Libor and Euribor rates by 0,5 % that are the interest rates of the Group's variable interest rates and reports them to the top management.

When there is an increase by 0,5 % in Libor and Euribor interest rates and the other variables remain to be constant:

Group's net loss for six months period increases by TRY 2.263.144 (In 30 June 2007 period, it increases by TRY 2.737.912). When the Libor and Euribor interest rates decrease by 0,5 %, twelve months interest expense decreases as the same amount.

(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

38 CHARACTERISTICS AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

(h) Credit risk management

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. Additionally, the Group manages the risk through obtaining guarantees for its receivables.

(i) 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 liquidty 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.

	Less than 1 month	1 month-3 months	3 months-1 year	1 year-4 years	Over 4 years	Adjustments	Balance sheet amount
30 June 2008							
Bank borrowings	486.726	732.238	3.576.184	26.525.878	-	(1.255.820)	30.065.206
Finance lease obligations	24.365.617	51.188.343	269.088.858	912.771.524	1.454.120.610	(489.717.927)	2.221.817.025
Other financial liabilities	14.838.723	-	-	-	-	-	14.838.723
Accounts payable	387.015.683	-	68.019.493	-	-	(3.604.701)	451.430.474
	426.706.749	51.920.581	340.684.535	939.297.402	1.454.120.610	(494.578.448)	2.718.151.429
31 December 2007							
Bank borrowings	536.418	803.067	3.936.297	27.921.706	-	(2.746.749)	30.450.739
Finance lease obligations	26.525.543	45.909.340	226.373.258	797.170.667	1.137.792.480	(439.461.194)	1.794.310.094
Other financial liabilities	877.628	-	-	-	-	-	877.628
Accounts payable	322.809.225	-	44.845.542	-	-	(3.130.776)	364.523.991
	350.748.814	46.712.407	275.155.097	825.092.373	1.137.792.480	(445.338.719)	2.190.162.452

(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

38 CHARACTERISTICS AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

FOREIGN CURRENCY POSITION

Foreign currency risk arises from the change of the value of financial instruments due to change in exchange rates. The Group has a foreign currency risk because of the foreign currency denominated debts US Dollar, Euro and Sterling are the main currencies that make the foreign currency position of the Group.
The foreign currency position of the Company as of 30 June 2008 and 31 December 2007 in terms of TRY is as follows:

In Totals ;

	30 June 2008	31 December 2007
A. Foreign currency denominated assets	1.505.483.404	1.066.805.282
B. Foreign currency denominated liabilities	2.639.785.673	2.107.056.731
Net foreign currency position (A-B)(*)	**(1.134.302.269)**	**(1.040.251.449)**

(*) Although the Group seems to be in an open position based on its monetary assets and liabilities, the Group values its aircraft, spare engines and simulators according to their US Dollar selling prices as explained in Note 2.5.7. In this respect, the Group's management has the opinion that the Group's those tangible assets which are carried by their US Dollar values should also be considered in the overall evaluation of the sensitivity of the Group's assets and liabilities against the changes in foreign exchange rates. As of 30 June 2008, the value of aircraft, spare engines and simulators, which are carried by their US Dollar selling prices, is TRY 3.392.206.772 (31 December 2007: TRY 2.822.415.164).

	30 June 2008			31 December 2007		
Assets	**Currency**	**Currency Amount**	**TRY Amount**	**Currency**	**Currency Amount**	**TRY Amount**
Cash and Cash Equivalents	US Dollar	96.399.741	117.964.363	US Dollar	34.638.634	40.343.617
	Euro	84.065.178	162.002.005	Euro	206.002.086	352.304.767
	Sterling	1.504.046	3.653.628	Sterling	1.182.794	2.751.061
	Other	-	75.128.391	Other	-	47.238.521
Accounts Receivable (Short Term)	US Dollar	93.419.318	114.317.219	US Dollar	28.208.739	32.854.718
	Euro	50.722.887	97.748.076	Euro	35.242.383	60.271.524
	Sterling	4.433.512	10.769.886	Sterling	1.918.840	4.463.030
	Other	-	121.657.812	Other	-	55.340.461
Other Receivables (Short Term)	US Dollar	163.770.697	200.406.202	US Dollar	1.087.109	1.266.156
	Euro	4.226.718	8.145.308	Euro	183.005	312.975
	Sterling	183	445	Sterling	41.684	96.953
	Other	-	287.738	Other	-	365.767

(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

38 CHARACTERISTICS AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

	30 June 2008			31 December 2007		
Assets	**Currency**	**Currency Amount**	**TRY Amount**	**Currency**	**Currency Amount**	**TRY Amount**
Other Current Assets	US Dollar	20.603.372	25.212.347	US Dollar	260.258.692	303.123.298
	Euro	1.586.462	3.057.271	Euro	1.267.709	2.168.036
	Sterling	387.149	940.461	Sterling	148.300	344.931
	Other	-	4.389.703	Other	-	2.256.551
Financial Assets	US Dollar	331.100.000	405.167.070	US Dollar	-	-
	Euro	23.660.000	45.595.186	Euro	75.000.000	128.265.000
	Sterling	-	-	Sterling	-	-
	Other	-	-	Other	-	-
Accounts Receivable (Long Term)	US Dollar	-	-	US Dollar	2.785.939	3.244.783
	Euro	-	-	Euro	2.475.263	4.233.195
	Sterling	-	-	Sterling	31.050	72.219
	Other	-	-	Other	-	701.626
Other Receivables (Long Term)	US Dollar	4.556.237	5.575.467	US Dollar	3.483.254	4.056.946
	Euro	372.011	716.902	Euro	-	-
	Sterling	31.050	75.427	Sterling	-	-
	Other	-	732.498	Other	-	-
Other Tangible Assets	US Dollar	83.296.647	101.930.107	US Dollar	17.743.864	20.666.278
	Euro	5.133	9.892	Euro	36.761	62.869
	Sterling	-	-	Sterling	-	-
	Other	-	-	Other	-	-
TOTAL			**1.505.483.404**	**TOTAL**		**1.066.805.282**
Liabilities						
Bank Borrowings (Short Term)	US Dollar	3.111.220	3.807.200	US Dollar	3.206.973	3.735.162
	Euro	-	-	Euro	-	-
	Sterling	-	-	Sterling	-	-
	Other	-	-	Other	-	-

(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

38 CHARACTERISTICS AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

	30 June 2008			31 December 2007		
Liabilities	**Currency**	**Currency Amount**	**TRY Amount**	**Currency**	**Currency Amount**	**TRY Amount**
Finance Lease Obligations (Short Term)	US Dollar	144.465.109	176.781.953	US Dollar	145.185.979	169.098.110
	Euro	47.590.701	91.712.040	Euro	32.794.470	56.085.103
	Sterling	-	-	Sterling	-	-
	Other	-	-	Other	-	-
Accounts Payable (Short Term)	US Dollar	190.112.772	232.640.999	US Dollar	142.519.789	165.992.798
	Euro	39.168.033	75.480.717	Euro	36.363.863	62.189.479
	Sterling	6.019.900	14.623.541	Sterling	2.760.771	6.421.277
	Other	-	48.743.794	Other	-	40.634.022
Other Liabilities (Short Term)	US Dollar	317.118	388.058	US Dollar	-	-
	Euro	1.679.090	3.235.774	Euro	-	-
	Sterling	92.685	225.149	Sterling	-	-
	Other	-	4.901.178	Other	-	-
Bank Borrowings (Long Term)	US Dollar	21.457.879	26.258.006	US Dollar	22.937.732	26.715.577
	Euro	-	-	Euro	-	-
	Sterling	-	-	Sterling	-	-
	Other	-	-	Other	-	-
Finance Lease Obligations (Long Term)	US Dollar	765.447.377	936.677.956	US Dollar	837.543.822	975.487.289
	Euro	527.551.801	1.016.645.076	Euro	347.117.062	593.639.600
	Sterling	-	-	Sterling	-	-
	Other	-	-	Other	-	-
Other Liabilities (Long Term)	US Dollar	607.093	742.899	US Dollar	535.355	623.528
	Euro	3.061.373	5.899.572	Euro	3.201.426	5.475.078
	Sterling	1.920	4.664	Sterling	1.920	4.466
	Other	-	1.017.097	Other	-	955.242
TOTAL			**2.639.785.673**	**TOTAL**		**2.107.056.731**

38 CHARACTERISTICS AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

As of 30 June 2008, totals of export and import amounts are as follows:

Total export amount	1.881.714.921 YTL
Total import amount	742.716.350 YTL

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 qouted market prices.
- Fair values of financial assets and liabilities except derivative instruments are determined according to generally accepted pricing models. These models depend on discounted cash flows which uses given prices of observable market transactions
- Fair values of derivative instruments are calculated by using qouted prices. In absence of prices, discounted cash flows analysis is used through applicable yield curve for maturities of derivative instruments not containing options (forward and swap). On the other hand, option pricing models are used for derivative instruments containing options.

(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

39 FINANCIAL INSTRUMENTS (cont'd)

Categories and fair values of financial instruments:

30 June 2008 Balance Sheet	Financial assets at amortized cost	Loans and receivables	Financial assets at fair value through profit or loss	Investments available for sale	Financial liabilities at amortized cost	Carrying Value	Fair value	Note
Financial assets								
Cash and cash equivalents	533.921.248	-	-	-	-	533.921.248	533.921.248	6
Financial assets	685.262.256	-	2.284.486	1.706.478	-	689.253.220	689.253.220	7
Accounts receivable	-	459.131.365	-	-	-	459.131.365	459.131.365	10
Other receivables	-	202.354.615	-		-	202.354.615	202.354.615	11
Financial liabilities								
Bank borrowings	-	-	-	-	30.065.206	30.065.206	30.065.206	8
Finance lease obligations	-	-	-	-	2.221.817.025	2.221.817.025	2.221.817.025	8
Other financial liabilities	-	-	-	-	14.838.723	14.838.723	14.838.723	9
Accounts payable	-	-	-	-	451.430.474	451.430.474	451.430.474	10

31 December 2007 Balance Sheet	Financial assets at amortized cost	Loans and receivables	Financial assets at fair value through profit or loss	Investments available for sale	Financial liabilities at amortized cost	Carrying Value	Fair value	Note
Financial assets								
Cash and cash equivalents	552.951.215	-	-	-	-	552.951.215	552.951.215	6
Financial assets	219.265.000	-	1.310.086	1.706.478	-	222.281.564	222.281.564	7
Accounts receivable	-	245.539.019	-	-	-	245.539.019	245.539.019	10
Other receivables	-	292.010.115	-		-	292.010.115	292.010.115	11
Financial liabilities								
Bank borrowings	-	-	-	-	30.450.739	30.450.739	30.450.739	8
Finance lease obligations	-	-	-	-	1.794.310.094	1.794.310.094	1.794.310.094	8
Other financial liabilities	-	-	-	-	877.628	877.628	877.628	9
Accounts payable	-	-	-	-	364.523.991	364.523.991	364.523.991	10

39 FINANCIAL INSTRUMENTS (cont'd)

Derivative instruments

The Group made interest rate and exchange rate swap agreements for changing some financial leasing liabilities with fixed interest rate into financial leasing liabilities with floating interest rate, and changing financial leasing liabilities denominated in EUR into financial leasing liabilities denominated in USD.

Gains and losses on changes in the fair value of these transactions are immediately recognized in profit or loss.

Fair value of transaction at issue as of 30 June 2008 and 31 December 2007 asfollows:

	30 June 2008	31 December 2007
Cross rate swap contracts	(733.524)	(332.468)
Interest rate swap contracts	3.018.010	1.642.554
	2.284.486	1.310.086

40 EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

a) Group's Board of Directors decided to start İstanbul-Sinop-İstanbul flights three times in a week during 2008 summer schedule.

b) Group's Board of Directors invited tenders for renewing of Frequent Flyer Program Co/Branded credit card cooperation agreement which is currently signed between the Group and Garanti Bankası A.Ş and will be ended by 29.10.2008.

c) Group leased a B737-800 aircraft from Izadell Limited company for 96 months.

d) Group leased a B737-800 aircraft from Jacksondell Limited company for 96 months.

e) Group applied on 14.08.2008 to İstanbul Trade Registry Administration for the registration of TGS Ground Operations Inc. (TGS Yer Hizmetleri A.Ş.) which has A group operation licence and will be engaged in ground operations and it was registered on 20.08.2008.

f) Group's Board of Directors decided to receive consultancy service within the Enterprise Risk Management (ERM) in order to create risk transparency, to identify risk strategy and risk appetite, to construct a strong risk follow-up system, to constitute a risk management strategy aiming to inspire effective risk processes and shared risk culture, and operations in this direction has been initiated.

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

Consolidated financial statements were approved by Board of Directors on 28 August 2008 and authorization was given to be published.