

CONVENIENCE TRANSLATION OF REPORT AND FINANCIAL
STATEMENTS ORIGINALLY ISSUED IN TURKISH

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

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2009 AND
INDEPENDENT AUDITOR'S REVIEW REPORT

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 subsidiaries (together the “Group”) as at 30 June 2009 and the related consolidated statement of comprehensive 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 Sun Express Havacılık A.Ş. and THY DO&CO İkrâm Hizmetleri A.Ş. which are the associates of the Company have been reviewed by other independent audit firms. 0.5 % of total assets in the accompanying financial statements as at 30 June 2009 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 Markets 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.

Deloitte.

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 2009 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, 24 August 2009

(Convenience Translation of Report And Financial Statements Originally Issued in Turkish)
TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
CONSOLIDATED BALANCE SHEET
AS OF 30 JUNE 2009

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

ASSETS	Notes	30 June 2009	31 December 2008	1 January 2008 (Restated)
Current Assets		2.913.971.929	2.620.279.393	1.487.528.554
Cash and Cash Equivalents	6	1.095.443.631	504.905.721	480.196.215
Financial Assets	7	960.801.368	1.442.632.862	292.020.000
Trade Receivables	10	514.527.306	349.144.133	245.539.019
Other Receivables	11	19.685.257	61.673.958	305.855.757
Inventories	13	129.080.537	98.359.291	113.740.571
Other Current Assets	26	194.433.830	163.563.428	50.176.992
Non-current Assets		5.456.255.509	5.290.955.322	3.434.915.521
Other Receivables	11	312.499.622	22.808.881	21.756.328
Financial Assets	7	1.750.943	1.750.943	3.016.564
Investments Accounted for Equity Method	16	71.726.231	43.637.924	38.370.043
Investment Property	17	48.130.000	48.130.000	53.700.000
Tangible Assets	18	4.963.150.084	5.049.449.610	3.234.359.407
Intangible Assets	19	16.032.483	17.697.129	10.445.317
Deferred Tax Assets	35	-	1.986.324	3.193.155
Other Non-current Assets	26	42.966.146	105.494.511	70.074.707
TOTAL ASSETS		8.370.227.438	7.911.234.715	4.922.444.075

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 SHEET
AS OF 30 JUNE 2009

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

	Notes	30 June 2009	31 December 2008	1 January 2008 (Restated)
Current Liabilities		2.137.757.350	1.653.906.994	1.186.652.969
Financial Debt	8	424.452.130	419.289.229	228.918.371
Other Financial Liabilities	9	31.602.148	45.000.251	877.628
Trade Payables	10	507.375.268	435.109.211	364.523.991
Other Payables	11	206.194.076	161.554.179	83.387.054
Current Tax Liabilities	35	2.070.495	4.185.809	19.981.215
Provisions	22	7.675.615	7.460.396	4.779.221
Employee Benefits	24	55.866.226	47.818.425	39.664.361
Passenger Flight Liabilities	26	789.306.151	441.806.825	379.676.586
Other Current Liabilities	26	113.215.241	91.682.669	64.844.542
Non-current Liabilities		3.244.819.668	3.270.740.625	1.887.889.627
Financial Debt	8	2.715.530.043	2.798.005.235	1.595.842.462
Other Payables	11	7.987.134	7.865.284	7.058.322
Retirement Pay Liability	24	146.018.356	142.459.082	131.959.011
Deferred Tax Liabilities	35	345.209.918	291.289.291	128.930.080
Other Non-current Liabilities	26	30.074.217	31.121.733	24.099.752
EQUITY				
Equity Attributable to Equity				
Holders of the Parent		2.987.650.420	2.986.587.096	1.847.901.479
Share capital	27	875.000.000	175.000.000	175.000.000
Restatement Effect on Shareholders' Equity	27	1.123.808.032	1.672.901.479	1.739.005.871
Share Premium	27	-	-	895.492
Restricted Reserves Assorted from Profit	27	22.686.727	-	61.014.406
Foreign Currency Translation Differences	27	4.493.955	4.459.406	-
Hedging Reserves	27	(1.719.442)	-	-
Retained Earnings	27	861.419.177	-	(393.511.064)
Net Profit / (Loss) for the Period	27	101.961.971	1.134.226.211	265.496.774
TOTAL LIABILITIES AND EQUITY		8.370.227.438	7.911.234.715	4.922.444.075

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 STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2009

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

	Notes	1 January - 30 June 2009 (Reviewed)	1 April - 30 June 2009 (Not Reviewed)	(Restated) 1 January - 30 June 2008 (Reviewed)	(Restated) 1 April - 30 June 2008 (Not Reviewed)
Sales Revenue	28	2.965.465.290	1.686.829.231	2.602.644.618	1.518.031.463
Cost of Sales (-)	28	(2.305.812.549)	(1.224.267.506)	(2.069.297.762)	(1.148.512.325)
GROSS PROFIT / (LOSS)		659.652.741	462.561.725	533.346.856	369.519.138
Marketing, Sales and Distribution Expenses (-)	29,30	(374.752.825)	(206.178.310)	(290.417.421)	(158.432.682)
General Administrative Expenses (-)	29,30	(129.611.917)	(67.945.619)	(93.800.459)	(48.650.820)
Other Operating Income	31	56.838.138	2.431.006	170.099.661	(15.092.482)
Other Operating Expenses (-)	31	(111.461.500)	(147.979.979)	(3.792.592)	(2.579.841)
OPERATING PROFIT / (LOSS)		100.664.637	42.888.823	315.436.045	144.763.313
Share at Profit / (Loss) on Investments Accounted for Equity Method	16	(2.831.406)	8.476.879	(10.697.019)	(2.102.069)
Financial Income	32	193.495.494	(292.833.710)	216.316.234	(152.003.190)
Financial Expenses (-)	33	(83.282.890)	175.918.675	(211.393.204)	62.278.621
PROFIT / (LOSS) BEFORE TAX		208.045.835	(65.549.333)	309.662.056	52.936.675
Tax (Expense) / Income		(106.083.864)	12.362.252	(64.210.362)	(11.032.068)
Current Tax Expense (-)	35	(49.747.052)	(12.559.511)	(2.210.320)	(2.091.121)
Deferred Tax (Expense) / Income	35	(56.336.812)	24.921.763	(62.000.042)	(8.940.947)
PROFIT / (LOSS) FOR THE PERIOD		101.961.971	(53.187.081)	245.451.694	41.904.607
OTHER COMPREHENSIVE INCOME / (EXPENSE)					
Foreign Currency Translation Differences		34.549	4.493.955	-	-
Change in Hedging Reserves		(2.149.303)	(2.149.303)	-	-
Tax Income Relating Other Comprehensive Income Items		429.861	429.861	-	-
OTHER COMPREHENSIVE INCOME (AFTER TAX)		(1.684.893)	2.774.513	-	-
TOTAL COMPREHENSIVE INCOME / (EXPENSE)		100.277.078	(50.412.568)	245.451.694	41.904.607
Earnings per Share		0,0012	(0,0006)	0,0028	0,0005

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 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2009

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

	Share Capital	Restatement Effect on Shareholders' Equity	Share Premium	Restricted Reserves	Currency Translation Reserve	Hedge Fund Against Financial Risk	Profit / Loss for the Period	Retained Earnings	Total
Balances at 31 December 2007 (Restated Note 2.3)	175.000.000	1.739.005.871	895.492	61.014.406	-	-	265.496.774	(393.511.064)	1.847.901.479
Transfer of previous years' profit to accumulated loss	-	-	-	-	-	-	(265.496.774)	265.496.774	-
Offsetting of differences in shareholder's equity and restatement effect with accumulated loss	-	(9.698.314)	(895.492)	(61.014.406)	-	-	-	71.608.212	-
Total comprehensive income for the period (Restated Note 2.3)	-	-	-	-	-	-	245.451.694	-	245.451.694
Balances at 30 June 2008-Restated	175.000.000	1.729.307.557	-	-	-	-	245.451.694	(56.406.078)	2.093.353.173
Balances at 31 December 2008	175.000.000	1.672.901.479	-	-	4.459.406	-	1.134.226.211	-	2.986.587.096
Transfer of previous years' profit to accumulated loss	-	-	-	-	-	-	(1.134.226.211)	1.134.226.211	-
Transfer of previous years' profit to reserves	-	-	-	22.686.727	-	-	-	(22.686.727)	-
Dividends paid	-	-	-	-	-	-	-	(99.213.754)	(99.213.754)
Capital Increase	700.000.000	(549.093.447)	-	-	-	-	-	(150.906.553)	-
Total comprehensive income for the period	-	-	-	-	34.549	(1.719.442)	101.961.971	-	100.277.078
Balances at 30 June 2009	875.000.000	1.123.808.032	-	22.686.727	4.493.955	(1.719.442)	101.961.971	861.419.177	2.987.650.420

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 1 JANUARY-30 JUNE 2009

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

		1 January - 30 June 2009	1 January - 30 June 2008
			(Restated)
CASH FLOWS FROM OPERATING ACTIVITIES	Note		
Profit before taxation		208.045.835	309.662.056
Adjustments to reconcile profit for the period to net cash provided by operating activities:			
Depreciation and amortization	18-19	197.690.328	183.489.781
Provision for retirement pay liability	24	12.429.846	15.280.841
Interest income	32	(91.865.000)	(38.573.963)
Profit on sale of fixed asset	31	(3.073.699)	-
Increase/(decrease) in provision for impairment	18	20.337.899	(276.567.643)
Share at loss/(profit) of investments accounted for equity method	16	2.831.406	10.697.019
Interest expense	33	57.193.768	46.480.322
Movement in manufacturers' credit	26	(7.776.366)	(12.062.911)
Foreign exchange loss on financial liabilities	32-33	(12.881.675)	156.911.142
Increase/(decrease) in provision for doubtful receivables	10	(6.606.062)	2.438.195
Increase/(decrease) in fair value of derivative instruments	33	(23.061.932)	(974.400)
Operating Profit Before Working Capital Changes		353.264.348	396.780.439
Increase in accounts receivable	10	(158.777.111)	(216.030.541)
(Increase)/decrease in other short and long term receivables	11	(247.702.040)	88.520.249
Increase in inventories	13	(30.721.246)	(4.574.843)
Increase in other current assets	26	(30.870.402)	(6.818.245)
(Increase) / decrease in other non-current assets	26	62.528.365	(33.391.307)
Increase in accounts payable	10	72.266.057	86.906.483
Increase in other liabilities	11	44.761.747	23.990.857
Increase in provision for short term liabilities	22	215.219	2.002.863
Increase in other short and long term liabilities	26	28.261.423	25.733.290
Employee benefits	26	8.047.801	3.465.534
Increase in passenger flight liabilities	24	347.499.326	291.293.867
Cash generated by operating activities		448.773.487	657.878.646
Retirement benefits paid	24	(8.870.572)	(6.828.800)
Interests paid		(57.075.955)	(48.022.460)
Corporate tax adjustment for the year 2008	35	(33.121.718)	-
Prepaid taxes	26-35	(18.740.648)	(20.953.697)
Net cash generated from operations		330.964.594	582.073.689
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflow from the sales of intangible and tangible fixed asset	18-19	124.122.255	42.572
Interest received		99.496.303	38.573.963
Dividends received		-	6.999.950
Acquisition of tangible and intangible fixed assets(*) off with the increase in finance lease liabilities)	(netted) 18-19	(122.371.687)	(76.581.693)
(Increase)/decrease in financial investments	7	482.147.316	(465.997.256)
Cash outflow of associates acquisitions	16	(30.885.163)	-
Net cash (used in)/generated from investing activities		552.509.024	(496.962.464)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal payment of finance lease obligations		(190.886.131)	(116.285.460)
Decrease in financial liabilities		(2.403.217)	(1.816.827)
Increase / (decrease) in other financial liabilities	9	(432.606)	13.961.095
Dividends paid		(99.213.754)	-
Net cash used in financing activities		(292.935.708)	(104.141.192)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		590.537.910	(19.029.967)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		504.905.721	552.951.215
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		1.095.443.631	533.921.248

(*) TL 150.181.740 portion of tangible and intangible assets, which amounts to a total of TL 251.112.611 as of 30 June 2009 was made through finance leases. (30 June 2008: TL 378.500.040 portion of tangible and intangible assets, which amounts to a total of TL 481.834.779 was made through finance leases).

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH INTERIM PERIOD ENDED JUNE 30, 2009**

(Amounts expressed in TL unless otherwise specified.)

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 2009 and 31 December 2008, the shareholders and their respective shareholdings in the Company are as follows:

	<u>30 June 2009</u>	<u>31 December 2008</u>
Republic of Turkey Prime Ministry Privatization Administration	49,12%	49,12%
Other (publicly held)	50,88%	50,88%
Total	<u>100,00%</u>	<u>100,00%</u>

The total number of employees working for Türk Hava Yolları A.O. and its subsidiary ("the Group") as of 30 June 2009 is 14.672. (31 December 2008: 14.072). The average number of employees working for the Group as of 30 June 2009 and 2008 is 14.281 and 13.373, 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****Basis of Preparation for Financial Statements and Significant Accounting Policies**

The Company and its Turkish subsidiaries maintain their books of account and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code ("TCC") and tax legislation. Subsidiaries operating in foreign countries maintain their books of account in the currencies of those countries and prepare their statutory financial statements in accordance with the legislation effective in those countries.

Capital Market Board (CMB) Communiqué No XI-29 "Capital Markets Financial Reporting Standards" provides principals and standards regarding the preparation and presentation of financial statements. This Communiqué became effective for periods beginning after 1 January 2008 and with its issuance Communiqué No XI-25 "Capital Markets Accounting Standards" was superseded. Based on this Communiqué, the companies are required to prepare their financial statements based on International Financial Reporting Standards ("IFRS") as accepted by the European Union. However during the period in which the differences between the standards accepted by European Union and the standards issued by International Accounting Standards Board ("IASB") are announced by Turkish Accounting Standards Board ("TASB"), IAS/ IFRS will be applied. Accordingly, Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") issued by the TASB, which do not contradict with the aforementioned standards shall be applied.

As the differences between IAS/IFRS endorsed by the European Union and IAS/IFRS issued by the IASB have not been announced by TASB yet, these financial statements have been prepared within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as accepted by the CMB, in accordance with the CMB Financial Reporting Standards which are based on IAS/IFRS. Financial statements and the related notes to them are presented in accordance with the formats recommended by the CMB, with the announcement dated 17 April 2008 and 9 January 2009, including the compulsory disclosures.

Excluding investment property and some of the financial instruments valued at fair value, financial statements are prepared according to the historical costs accounting.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH INTERIM PERIOD ENDED JUNE 30, 2009**

(Amounts expressed in TL unless otherwise specified.)

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

2.1 Basis of Presentation (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 Turkish Lira (TL) which is the Company's ruling currency and presentation currency for the consolidated financial statements.

Preparation of Financial Statements in Hyperinflationary Periods

CMB, with its resolution dated 17 March 2005 declared that companies operating in Turkey which prepare their financial statements in accordance with CMB Accounting Standards, effective January 1, 2005, will not be subject to the application of inflation accounting. Consequently, in the accompanying financial statements IAS 29 "Financial Reporting in Hyperinflationary Economies" was not applied since January 1, 2005.

Comparative Information and Restatement of Prior Period Financial Statements

Consolidated financial statements of the Group have been prepared comparatively with the prior period in order to give information about financial position and performance. If the presentation or classification of the financial statements is changed, in order to maintain consistency, financial statements of the prior periods are also reclassified in line with the related changes. The nature, reason and amounts of reclassifications are explained in Note 41.

Fundamentals of the Consolidation

a) The consolidated financial statements include the accounts of the parent company, Türk Hava Yolları A.O., its Subsidiary and its Affiliates on the basis set out in sections (b) and (c) below. Financial statements of subsidiary and affiliates are adjusted where applicable in order to apply the same accounting policies.

All transactions, balances, profit and loss within the Group are eliminated during consolidation.

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

Fundamentals of the Consolidation (cont'd)

The table below sets out the consolidated Subsidiary and participation rate of the Group in this subsidiary at 30 June 2009:

<u>Name of the Company</u>	<u>Principal Activity</u>	<u>Participation Rate</u>		<u>Country of Registration</u>
		<u>30 June 2009</u>	<u>31 December 2008</u>	
THY Teknik A.Ş.	Technical Maintenance	100%	100%	Turkey
TGS Yer Hizmetleri A.Ş.	Ground Services	100%	100%	Turkey

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH INTERIM PERIOD ENDED JUNE 30, 2009**

(Amounts expressed in TL unless otherwise specified.)

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

2.1 Basis of Presentation (cont'd)

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 four affiliates. The affiliates to which the participation rates of the Group are 50% and 49 % are controlled by the Group jointly, and are valued by equity method.

The table below sets out consolidated affiliates and indicates the proportion of ownership interest of the Company in these affiliates at 30 June 2009:

<u>Name of the Company</u>	<u>Principal Activity</u>	<u>Participation rate</u>		<u>Country of Registration</u>
		<u>30 June 2009</u>	<u>31 December 2008</u>	
Güneş Ekspres Havacılık A.Ş. (Sun Express)	Air Transportation	50%	50%	Turkey
THY DO&CO İkrâm Hizmetleri A.Ş.	Catering Services	50%	50%	Turkey
P&W T.T. Uçak Bakım Merkezi Ltd. Şti.	Technical Maintenance	49%	49%	Turkey
Bosnia and Herzegovina Airlines	Air Transportation	49%	-	Bosnia Herzegovina Federation

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

2.2 Changes in Accounting Policies

Changes in accounting policies are applied retroactively and the financial statements of the previous period are adjusted.

2.3 Changes in Accounting Estimates and Errors

Changes in accounting estimates are applied in the current period if it relates to only one period; applied both in the current period and in future periods prospectively if it relates to future periods. IFRIC 13, "Customer Loyalty Programmes" will be effective for annual periods beginning on or after 1 January 2009. Although the interpretation has not yet become effective, Group has adopted early application of IFRIC 13. Under IFRIC 13, customer loyalty programs should be recognized as a separately identifiable component of the sales transaction(s). A portion of the fair value of the consideration received in respect of the initial sale shall be allocated to the award credits and the consideration allocated to award credits should be recognized as revenue when awards credits are redeemed. In the previous application, the estimated cost of providing free travel, using the incremental cost method as adjusted for estimated redemption rates, was recognized as a liability. IFRIC 13 has been implemented since 1 January 2007 and therefore previous period's financial statements are restated according to International Accounting Standard "Accounting Policies, Changes in Accounting Estimates and Errors" (IAS 8).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE SIX-MONTH INTERIM PERIOD ENDED JUNE 30, 2009

(Amounts expressed in TL unless otherwise specified.)

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

2.3 Changes in Accounting Estimates and Errors (cont'd)

Group has not calculated unused vacation provision in previous periods due to the large number of its personnel and insufficient data. In preparation of financial statements as of 31 December 2008, unused vacation provision was calculated and previous periods' financial statements were restated beginning from 1 January 2007 according to International Accounting Standard "Accounting Policies, Changes in Accounting Estimates and Errors" (IAS 8).

Group has reviewed its policy for maintenance expense accruals relating to aircrafts obtained through operational leases and decided to book accruals for engines, APU and landing gears in addition to fuselage maintenance accruals recorded in the 31 December 2008 financial statements. Due to these accruals previous periods' financial statements were restated beginning from 1 January 2007 according to International Accounting Standard "Accounting Policies, Changes in Accounting Estimates and Errors" (IAS 8).

The effects of restatements of the previous period financial statements as a result of the changes mentioned are summarized at the following table:

	30 June 2008				
	Previously Reported (After reclassifications)	Adjustment For Frequent Flyer Program	Adjustment For Unused Vacation Provision	Adjustment For Accrued Expense of Maintenance Reserve	Restated
Passenger flight liabilities	634.994.814	36.417.007	-	-	671.411.821
Other short term liabilities	43.465.588	-	-	34.145.085	77.610.673
Employee benefits	31.602.010	-	12.064.994	-	43.667.004
Deferred tax liabilities (net)	204.262.386	(7.283.401)	(2.413.001)	(6.829.017)	187.736.967
Net profit for the period	255.147.282	(3.831.218)	(513.727)	(5.350.643)	245.451.694
Accumulated Losses	-	(25.302.388)	(9.138.266)	(21.965.424)	(56.406.078)
Sales Revenue	2.609.749.776	(7.105.158)	-	-	2.602.644.618
Cost of Sales	(2.061.972.341)	-	(637.117)	(6.688.304)	(2.069.297.762)
Marketing, Sales and Distribution expenses	(290.268.520)	-	(148.901)	-	(290.417.421)
General administrative expenses	(93.944.317)	-	143.858	-	(93.800.459)
Other operating income	171.324.240	(1.224.579)	-	-	170.099.661
Other operating expense	(7.333.307)	3.540.715	-	-	(3.792.592)
Tax income /(expense)	(66.634.260)	957.804	128.433	1.337.661	(64.210.362)
Earnings per share (Kr)	0,0029	(0,0000)	(0,0000)	(0,0001)	0,0028

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH INTERIM PERIOD ENDED JUNE 30, 2009**

(Amounts expressed in TL unless otherwise specified.)

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)**2.3 Changes in Accounting Estimates and Errors (cont'd)**

	01 January 2008				
	Previously Reported (After reclassifications)	Adjustment For Frequent Flyer Program	Adjustment For Unused Vacation Provision	Adjustment For Accrued Expense of Maintenance Reserve	Restated
Passenger flight liabilities	348.048.601	31.627.985	-	-	379.676.586
Other short term liabilities	37.387.761	-	-	27.456.780	64.844.542
Employee benefits	28.241.529	-	11.422.832	-	39.664.361
Deferred tax liabilities (net)	139.838.444	(6.325.597)	(2.284.566)	(5.491.356)	125.736.925
Net profit for the period	291.892.623	(8.830.945)	(2.054.546)	(15.510.358)	265.496.774
Accumulated Losses	(363.500.835)	(16.471.443)	(7.083.720)	(6.455.066)	(393.511.064)

2.4 New and Revised International Financial Reporting Standards

In the current period, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (“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 2009. The adoption of these new and revised standards and interpretations caused the Group to change accounting policies in the relevant areas presented below:

- IAS 1 (Revised), “Presentation of financial statements”

The revised standard prohibits the presentation of items of income and expenses (that is, ‘nonowner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. The revised standard gives preparers of financial statements the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income or in two separate statements (a separate income statement followed by a statement of comprehensive income). Therefore, the Company has elected to present the items of income and expenses and components of other comprehensive income in one statement format. The financial statements and notes are prepared in accordance with the revisions to the standard.

IAS 1 (Revised) further requires entities to present a restated balance sheet at the beginning comparative period in addition to presenting balance sheets at the end of the current period and comparative period when entities restate or reclassify comparative information. The Group reclassified and restated certain comparative information as described in Note 2.3, therefore an additional opening statement of financial position as at 1 January 2008 is also presented.

Application of IAS 1 (revised) did not have an effect on the reported results or financial position of the Group.

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

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

• IFRS 7 (Change), “Financial instruments: Disclosures”

Amendments to IFRS 7 which was issued in March 2009 are applicable to the Group beginning on 1 January 2009. The amendments require enhanced disclosure on fair value measurements as well as on liquidity risks. Specifically, the amendments require the Group to disclose changes in valuation techniques for classes of financial instruments where valuation techniques were used to determine fair values. In addition for each class of financial instrument, the Group is required to disclose the level in the fair value hierarchy into which the fair value measurements are categorized. When valuation techniques used to determine fair values of financial instrument changes, the transfers between levels of the fair value hierarchy are required to be disclosed. Furthermore, the Group is required to provide a reconciliation of fair values measurements that are determined based on unobservable inputs. Sensitivity analysis on changes in assumptions related to unobservable inputs should also be presented if such changes would produce significant fair value changes.

IFRS 7 further clarifies that the current maturity analysis for non-derivative financial instruments should include issued financial guarantee contracts, and requires the Group to add disclosure of a maturity analysis for derivative financial liabilities.

The Group has implemented the amendments to IFRS 7 in 2009 and has disclosed fair value hierarchy information in Note 39 to the consolidated financial statements. In the current year, the Group did not make significant transfers between fair value hierarchy levels.

• IFRS 8 “Operating segments”

IFRS 8 “Operating Segments” replaces IAS 14 “Segment Reporting”. This standard requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance.

In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. According to the internal reports the Group determined the aviation and technic operations as operating segments.

• IFRIC 13, “Customer loyalty programs”

The Group has early adopted IFRIC 13 ‘Customer Loyalty Programmes’ in the current year and applied it for the previous period as of 1 January 2008. The adoption of IFRIC 13 has resulted in a change to the Group’s revenue recognition policy for its customer loyalty programme. In the previous application, the estimated cost of providing free travel, using the incremental cost method as adjusted for estimated redemption rates, was recognized as a liability. Under IFRIC 13, customer loyalty programs are recognized as a separately identifiable component of the sales transactions. A portion of the fair value of the consideration received in respect of the initial sale shall be allocated to the award credits as frequent flyer program passenger liabilities and the consideration allocated to award credits should be recognized as revenue when awards credits are redeemed.

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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 effective in 2009 but not relevant to the operations of the Group

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2009 but are not relevant to the operations of the Group:

- IFRS 1, “First-time Adoption of International Financial Reporting Standards” and IAS 27, “Consolidated and Separate Financial Statements” (Amendment on Investment Costs in First-time Adoption of IFRS)
- IFRS 2; “Share-based Payment” (Amendment on Vesting Conditions and Cancellations)
- IAS 1, “Presentation of Financial Statements” and IAS 32, “Financial Instruments: Presentation” (Amendment on Certain Puttable Financial Instruments and Certain Instruments Containing Obligations Arising on Liquidation)
- IAS 23 (Revised), “Borrowing costs”
- IAS 39, “Financial Instruments: Recognition and Measurement” (Amendments for embedded derivatives when reclassifying financial instruments)
- Amendments resulting from May 2008 Annual Improvements to IFRSs (IAS 1, “Presentation of Financial Statements”, IAS 16, “Property, Plant and Equipment”, IAS 19, “Employee Benefits”, IAS 20, “Government Grants”, IAS 23, “Borrowing Costs”, IAS 27, “Consolidated and Separate Financial Statements”, IAS 28, “Investments in Associates”, IAS 31 “Interests in Joint Ventures”, IAS 29 “Financial Reporting in Hyperinflationary Economies”, IAS 36, “Impairment of Assets”, IAS 39 “Financial Instruments: Recognition and Measurement”, IAS 40, “Investment Property”, IAS 41, “Agriculture”
- IFRIC 15, “Agreements for the Construction of Real Estate”
- IFRIC 16, “Hedges of a Net Investment in a Foreign Operation”

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

- IFRS 1 “First-time Adoption of IFRS” (Changes on Assets related to the Petroleum and Gas Natural Resources and Determination of whether an Agreement is a Leasing Transaction)
- IFRS 2, “Share-based Payment” (Amendment on the Share-based Cash Payment transactions of the Group)
- IFRS 3, “Business Combinations”, IAS 27, “Consolidated and Separate Financial Statements”, IAS 28, “Investments in Associates”, IAS 31 “Interests in Joint Ventures” (Amendment on the Application of Purchase Method)
- IAS 39, “Financial Instruments: Recognition and Measurement” (Amendment on Hedging Items)
- IFRIC 17, “Distributions of Non-cash Assets to Owners”

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH INTERIM PERIOD ENDED JUNE 30, 2009**

(Amounts expressed in TL unless otherwise specified.)

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

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

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

- Amendments resulting from May 2008 Annual Improvements to IFRSs (IFRS 5 , “Non-current Assets Held for Sale and Discontinued Operations)
- Amendments resulting from April 2009 Annual Improvements to IFRSs (IFRS 2 “Share-based Payment”, IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations, IFRS 8 “Operating Segments”, IAS 1 “Presentation of Financial Statements”, IAS 7 “Statement of Cash Flows”, IAS 17 “Leases”, IAS 36 “Impairment of Assets, IAS 38 “Intangible Assets”, IAS 39 “Financial Instruments: Recognition and Measurement”.

IFRIC 18 “Transfers of Assets From Customers” is effective for all transfers received on or after 1 July 2009.

IFRS 1, “First-time Adoption of IFRS” (Changes on Assets related to the Petroleum and Gas Natural Resources and Determination of whether an Agreement is a Leasing Transaction)

These changes bring up an exception for entities which have petroleum and gas natural resources as assets and uses full costing method while applying IFRS in the restatement of previous periods. In the first-time adoption of IFRS, entities preferring to apply this exception can use the same book value calculated according to old accounting standards. Another change in IFRS 1 is related to the determination of whether an agreement is a leasing transaction or not.

IFRS 2, “Share-based Payment”

The amendments to IFRS 2, “Share-based Payment” clarifies the accounting for cash basis group transactions. These amendments explains the accounting treatment for the share-based payment agreements in the financial statements of a subsidiary within a group. In such agreements, expenses of the subsidiary which receives goods or services from employees or suppliers are paid by the parent company or another company. The amendments states that goods and services received within a share-based payment agreement are accounted for regardless of payment is made by share or cash and by which entity within the group. It is anticipated that the amendments will have no material impact on the financial statements of the Group.

IFRS 3, “Business Combinations”

Under the revised standard, acquisition related costs are to be recognized as period expenses. Contingent consideration should be measured at fair value at the acquisition date and subsequent changes in the fair value of the contingent consideration should be recognized in profit and loss.

IAS 39, “Financial Instruments: Recognition and Measurement” Amendments relating to hedging items”

Inflation may only be hedged if changes in inflation are a contractually specified portion of cash flows of a recognised financial instrument.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in TL unless otherwise specified.)

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

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

IFRIC 17, "Distributions of non-cash assets to owners"

IFRIC 17 applies when non-cash assets are distributed to owners or when the owner is given a choice of taking cash in lieu of the non-cash assets. The adoption of the Interpretation in future periods will have no material impact on the financial statements of the Group.

IFRIC 18 "Transfers of Assets from Customers"

IFRIC 18 clarifies the accounting for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services.

The adoption of the Interpretation in future periods will have no material impact on the financial statements of the Group.

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

Rendering of services

Revenue is measured based on the future value of collected or to be collected receivable amounts. Passenger fares and cargo revenues are recorded as operating revenue when the transportation service is provided. Tickets sold but not yet used (not flown) 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 relating to the passenger revenue are recognized as expense when the transportation service is provided.

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

Dividend and interest income

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

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(Amounts expressed in TL unless otherwise specified.)

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)**2.5 Summary of Significant Accounting Policies (cont'd)****2.5.3 Inventories**

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

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

2.5.4 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.

2.5.5 Leasing Transactions**Leasing - the Group as the lessee**

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

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

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(Amounts expressed in TL unless otherwise specified.)

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.5 Leasing Transactions (cont'd)

Leasing - the Group as the lessee (cont'd)

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.

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 amortization or depreciation, had no impairment loss been recognized for the asset in prior years.

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(Amounts expressed in TL unless otherwise specified.)

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)

Group determined aircrafts, spare engines and simulators together ("Aircrafts") as lowest cash generating unit subject to impairment and impairment calculation was performed for Aircrafts collectively. In the examination of whether net book values of aircrafts, spare engines and simulators exceed their recoverable amounts, net selling prices in US Dollars are used for determination of recoverable amounts. Net selling price for the aircrafts is determined according to second hand prices in international price guides. Net selling price for spare engines and simulators is net book values based on US Dollar acquisition costs. In the accompanying 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

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

2.5.9 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.

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

Financial assets at fair value through profit or loss

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

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(Amounts expressed in TL unless otherwise specified.)

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 amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriates a shorter period. Income is recognized on an effective interest basis for held-to-maturity investments, available-for-sale financial assets and loans and receivables.

Loans and receivables

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

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss are assessed for indicator of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For loans and receivables the amount of the impairment is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

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

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

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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)

Cash and cash equivalents

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

b) Financial liabilities

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

Financial liabilities are classified as either financial liabilities at fair value through profit and loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

Other financial liabilities, including bank borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

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

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(Amounts expressed in TL unless otherwise specified.)

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)

Derivative financial instruments and hedge accounting

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

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

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

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

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealized gains or losses reported in profit or loss.

2.5.10 Business Combinations

None.

2.5.11 Foreign Currency Transactions

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)**2.5 Summary of Significant Accounting Policies (cont'd)****2.5.11 Foreign Currency Transactions (cont'd)**

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

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

	<u>Closing rate</u>	<u>Average rate</u>
Period ended 30 June 2009	1,5301	1,6056
Year ended 31 December 2008	1,5123	1,2976
Period ended 30 June 2008	1,2237	1,2265
Year ended 31 December 2007	1,1647	1,3003

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

	<u>Closing rate</u>	<u>Average rate</u>
Period ended 30 June 2009	2,1469	2,1400
Year ended 31 December 2008	2,1408	1,8969
Period ended 30 June 2008	1,9271	1,8782
Year ended 31 December 2007	1,7102	1,7773

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.

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

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.

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.14 Provisions, Contingent Liabilities, Contingent Assets (cont'd)

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

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

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

Onerous Contracts

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

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

2.5.15 Segmental Information

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

2.5.16 Construction Contracts

None.

2.5.17 Discontinued Operations

None.

2.5.18 Government Incentives and Grants

None.

2.5.19 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.

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.19 Investment Property (cont'd)

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

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

2.5.20 Taxation and Deferred Tax

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

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

Current tax

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

Deferred Tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and affiliates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.20 Taxation and Deferred Tax

Deferred Tax (cont'd)

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

Current and deferred tax for the period

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

2.5.21 Employee benefits / Retirement pay provision

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

2.5.22 Retirement Plans

None.

2.5.23 Agricultural Activities

None.

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.24 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.

2.5.25 Share Capital and Dividends

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

2.5.26 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.

2.5.27 Maintenance and Repair Costs

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

2.5.28 Frequent Flyer Program

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

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

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

2.6 Important Accounting Estimates and Assumptions

Preparation of the financial statements requires the amounts of assets and liabilities being reported, explanations of contingent liabilities and assets and the uses of accounting estimates and assumptions which would affect revenue and expense accounts reported during the accounting period. Group makes estimates and assumptions about the future periods. Actual results could differ from those estimations. Accounting estimates and assumptions which might cause material adjustments on the book values of assets and liabilities in future financial reporting period were given below:

The Determination of Impairment on Assets

Basic assumptions and calculation methods of the Group relating to impairment on assets are explained in Disclosure 2.5.7

Calculation of the Liability for "Frequent Flyer Program"

As explained in Note 2.5.28, Group has programs called "Miles and Smiles" and "Shop & Miles" which are applied for its members. In the calculations of the liability related with concerned programs, the rate of use and mile values which are determined by using statistical methods over the historical data were used.

Useful Lives and Salvage Values of Tangible Assets:

Group has allocated depreciation over tangible assets by taking into consideration the useful lives and salvage values which were explained in Note 2.5.4

3 BUSINESS COMBINATIONS

None.

4 JOINT VENTURES

See note 16.

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5 SEGMENTAL REPORTING

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

5.1. Total Assets and Liabilities

Total Assets	30 June 2009	31 December 2008
Aviation	8.347.131.054	7.871.289.987
Technic	519.523.976	444.802.648
Total	8.866.655.030	8.316.092.635
Less: Eliminations of consolidation	(496.427.592)	(404.857.920)
Total assets according to consolidated financial statements	8.370.227.438	7.911.234.715
Total Liabilities	30 June 2009	31 December 2008
Aviation	5.359.480.635	4.884.702.891
Technic	103.437.019	93.546.882
Total	5.462.917.654	4.978.249.773
Less: Eliminations of consolidation	(80.340.636)	(53.602.154)
Total liabilities according to consolidated financial statements	5.382.577.018	4.924.647.619

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5 SEGMENTAL REPORTING (cont'd)**5.2. Net Operating Profit / (Loss)**

Segment Results:

01 January 2009 - 30 June 2009	Eliminations between			Total
	Aviation	Technic	Segments	
External sales	2.886.402.363	79.062.927	-	2.965.465.290
Inter-segmental sales	-	268.135.886	(268.135.886)	-
Sales revenue	2.886.402.363	347.198.813	(268.135.886)	2.965.465.290
Cost of sales	(2.290.130.228)	(283.494.098)	267.811.777	(2.305.812.549)
Gross profit / (loss)	596.272.135	63.704.715	(324.109)	659.652.741
Marketing, sales and distribution expenses	(372.585.627)	(2.328.683)	161.485	(374.752.825)
General administrative expenses	(112.036.712)	(23.237.267)	5.662.062	(129.611.917)
Other operating income	46.450.792	12.531.653	(2.144.307)	56.838.138
Other operating expenses	(107.660.722)	(445.647)	(3.355.131)	(111.461.500)
Operating profit / (loss)	50.439.866	50.224.771	-	100.664.637

01 January 2008 - 30 June 2008	Eliminations between			Total
	Aviation	Technic	Segments	
External sales	2.529.888.769	72.755.849	-	2.602.644.618
Inter-segmental sales	-	173.443.135	(173.443.135)	-
Sales revenue	2.529.888.769	246.198.984	(173.443.135)	2.602.644.618
Cost of sales	(2.022.575.002)	(222.823.072)	176.100.312	(2.069.297.762)
Gross profit / (loss)	507.313.767	23.375.912	2.657.177	533.346.856
Marketing, sales and distribution expenses	(288.935.577)	(1.600.784)	118.940	(290.417.421)
General administrative expenses	(79.798.364)	(15.693.330)	1.691.235	(93.800.459)
Other operating income	173.588.162	946.068	(4.434.569)	170.099.661
Other operating expenses	(3.546.822)	(212.987)	(32.783)	(3.792.592)
Operating profit / (loss)	308.621.166	6.814.879	-	315.436.045

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5 SEGMENTAL REPORTING (cont'd)

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

Income statement items related to impairment of tangible fixed assets.

01 Jan 2009-30 Jun 2009	Aviation	Technic	Eliminations between segments	Total
Real increase on tangible fixed asset impairment provision (Loss from other operations)	(94.686.129)	-	-	(94.686.129)
Decrease on tangible fixed asset impairment provision due to exchange rate changes (Financial income)	74.348.230	-	-	74.348.230

01 Jan 2008-30 Jun 2008	Aviation	Technic	Eliminations between segments	Total
Real increase on tangible fixed asset impairment provision (Loss from other operations)	153.880.479	-	-	153.880.479
Decrease on tangible fixed asset impairment provision due to exchange rate changes (Financial income)	122.687.164	-	-	122.687.164

Income statement items related to investments accounted for equity method

01 Jan 2009-30 Jun 2009	Aviation	Technic	Eliminations between segments	Total
Share of profit/(loss) on investments accounted for equity method	(1.518.578)	(1.312.828)	-	(2.831.406)

01 Jan 2008-30 Jun 2008	Aviation	Technic	Eliminations between segments	Total
Share of profit/(loss) on investments accounted for equity method	(10.697.019)	-	-	(10.697.019)

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5 SEGMENTAL REPORTING (cont'd)**5.3. Investment Operations**

01 January 2009-30 June 2009	Aviation	Technic	Eliminations between segments	Total
Purchases of tangible and intangible assets	172.975.169	78.137.442	-	251.112.611
Current period amortization and depreciation expense	176.603.087	21.087.241	-	197.690.328
01 January 2009-30 June 2009				
Tangible fixed asset accumulated impairment	322.024.960	-	-	322.024.960
The associates accounted for equity method	47.918.069	23.808.162	-	71.726.231

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 2008-31 December 2008				
Tangible fixed asset accumulated impairment	360.198.667	-	-	360.198.667
The associates accounted for equity method	39.872.359	3.765.565	-	43.637.924

6 CASH AND CASH EQUIVALENTS

	30 June 2009	31 December 2008
Cash	833.155	356.049
Cheques received	-	244.458
Banks – Time deposits	925.973.811	365.786.513
Banks – Demand Deposits	145.617.849	122.908.559
Other liquid assets	23.018.816	15.610.142
	1.095.443.631	504.905.721

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6 CASH AND CASH EQUIVALENTS (cont'd)Time Deposits:

<u>Amount</u>	<u>Currency</u>	<u>Opening Date</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>30 June 2009</u>
		01.08.2008		01.07.2009	
312.061.000	TL	30.06.2009	%7,88-%22,00	23.09.2009	312.061.000
		04.06.2009		01.07.2009	
61.360.000	EURO	30.06.2009	%4,30-%5,00	20.07.2009	131.733.784
		21.07.2008		01.07.2009	
315.129.094	USD	30.06.2009	%1,00-%5,85	23.09.2009	482.179.027
					<u>925.973.811</u>

<u>Amount</u>	<u>Currency</u>	<u>Opening Date</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>31 December 2008</u>
		17.11.2008		02.01.2009	
90.700.000	TL	31.12.2008	%13,50-%23,50	22.01.2009	90.700.000
		07.11.2008	7,76%	05.02.2009	49.345.440
23.050.000	EURO	24.10.2008		02.01.2009	
149.270.034	USD	31.12.2008	%2,00-%7,50	22.01.2009	225.741.073
					<u>365.786.513</u>

7 FINANCIAL ASSETS

Short-term financial assets are as follows:

	<u>30 June 2009</u>	<u>31 December 2008</u>
Time deposits with maturity more than 3 months	913.255.076	1.403.033.703
Derivative instruments at fair values (Note 39)	47.546.292	39.599.159
	<u>960.801.368</u>	<u>1.442.632.862</u>

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7 FINANCIAL ASSETS (cont'd)

Time deposits with maturity of more than 3 months:

<u>Amount</u>	<u>Currency</u>	<u>Opening Date</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>30 June 2009</u>
		21.05.2009		05.10.2009	
243.000.000	TL	03.06.2009	12,25%-13,70%	22.02.2010	243.000.000
		23.03.2009		04.11.2009	
87.300.000	Euro	25.05.2009	4,30%-6,75%	21.12.2009	187.424.370
		23.01.2009		14.10.2009	
315.555.000	USD	22.05.2009	4,50%-6,75%	17.02.2010	482.830.706
					<u>913.255.076</u>

<u>Amount</u>	<u>Currency</u>	<u>Opening Date</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>31 December 2008</u>
		21.05.2008		05.01.2009	
544.600.000	TL	22.12.2008	19,15%-23,00%	03.09.2009	544.600.000
		07.07.2008		19.01.2009	
107.460.000	Euro	22.12.2008	6,50%-8,50%	04.05.2009	230.050.368
		23.01.2008		05.01.2009	
415.515.000	USD	15.12.2008	5,65%-8,55%	24.07.2009	628.383.335
					<u>1.403.033.703</u>

Long-term financial assets are as follows:

	<u>30 June 2009</u>	<u>31 December 2008</u>
Sita Inc.	1.679.619	1.679.619
Emek İnşaat ve İşletme A.Ş.	26.859	26.859
Star Alliance GMBH	44.465	44.465
	<u>1.750.943</u>	<u>1.750.943</u>

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

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7 FINANCIAL ASSETS (cont'd)

Details of the long-term financial assets of the Group at 30 June 2009 are 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.	Netherlands	Less than 0,1%	Less than 0,1%	Information & Telecommunication Services
Star Alliance GMBH	Germany	4,76%	4,76%	Coordination Between Star Alliance Member Airlines

8 FINANCIAL BORROWINGS

Short-term financial borrowings are as follows:

	30 June 2009	31 December 2008
Bank loans	32.940.661	34.900.371
Finance lease obligations	391.511.469	384.388.858
	<u>424.452.130</u>	<u>419.289.229</u>

Long-term financial borrowings are as follows:

	30 June 2009	31 December 2008
Finance lease obligations	<u>2.715.530.043</u>	<u>2.798.005.235</u>

The details of short-term bank loans as of 30 June 2009 are as follows:

<u>Maturity</u>	<u>Interest Rate</u>	<u>Currency</u>	<u>Original Amount</u>	<u>Interest Accrual</u>	<u>TL</u>
15.08.2009	Libor + 1,25%	USD	21.457.877	70.560 USD	32.940.661

Short-term portion of long-term financial liabilities at 31 December 2008 is as follows:

<u>Maturity</u>	<u>Interest Rate</u>	<u>Currency</u>	<u>Original Amount</u>	<u>Interest Accrual</u>	<u>TL</u>
15.08.2009	Libor + 1,25%	USD	22.937.732	139.945 USD	34.900.371

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8 FINANCIAL BORROWINGS (cont'd)

Financial lease obligations are as follows:

	<u>30 June 2009</u>	<u>31 December 2008</u>
Not later than 1 year	473.819.378	480.276.603
Between 1-5 years	1.501.781.332	1.566.966.270
Over 5 years	1.691.868.960	1.778.034.612
	<u>3.667.469.670</u>	<u>3.825.277.485</u>
Less: Future interest expenses	(560.428.158)	(642.883.392)
Principal value of future rentals shown in the balance sheets	<u>3.107.041.512</u>	<u>3.182.394.093</u>
Interest Range:		
Floating rate obligations	1.212.228.791	1.221.791.915
Fixed rate obligations	1.894.812.721	1.960.602.178
	<u>3.107.041.512</u>	<u>3.182.394.093</u>

As of 30 June 2009, the US Dollars and Euro denominated lease obligations' weighted average interest rates for the fixed rate obligations are 4,91% (31 December 2008: 4,90 %) and for the floating rate obligations are 1,02% (31 December 2008: 1,93%).

9 OTHER FINANCIAL LIABILITIES

Other financial liabilities of the Group are as follows:

	<u>30 June 2009</u>	<u>31 December 2008</u>
Fair value of derivative instruments (Note 39)	31.394.838	44.360.335
Debt to banks	207.310	639.916
	<u>31.602.148</u>	<u>45.000.251</u>

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

10 ACCOUNTS RECEIVABLE AND PAYABLE

Short-term trade receivables are as follows:

	<u>30 June 2009</u>	<u>31 December 2008</u>
Trade receivables	545.889.787	383.824.100
Due from related parties (Note 37)	2.003.604	4.741.388
Discount on receivables (-)	(2.929.359)	(2.378.567)
Allowance for doubtful receivables	(30.436.726)	(37.042.788)
	<u>514.527.306</u>	<u>349.144.133</u>

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10 ACCOUNTS RECEIVABLE AND PAYABLE (cont'd)

The Group provided provision for the receivables that are carried to legal proceedings and for the others by making historical statistical calculations. Movement of the doubtful receivables for the period ended 30 June 2009 and 2008 are as follows:

	1 January- 30 June 2009	1 January- 30 June 2008
Opening Balance	37.042.788	21.405.019
Current period expense	6.877.323	2.589.204
Collected amount	(11.127.538)	(151.009)
Write- off	(2.355.847)	-
Closing Balance	<u>30.436.726</u>	<u>23.843.214</u>

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

Short-term trade payables are as follows:

	30 June 2009	31 December 2008
Trade payables	487.472.815	427.496.732
Due to related parties (Note 37)	21.819.813	9.433.149
Discount on payables (-)	(2.149.751)	(2.428.283)
Other	232.391	607.613
	<u>507.375.268</u>	<u>435.109.211</u>

11 OTHER RECEIVABLES AND PAYABLES

Other short-term receivables are as follows:

	30 June 2009	31 December 2008
Prepayments made for aircrafts, to be received back in cash	-	30.220.978
Receivables from foreign acquisition transactions	4.878.963	5.551.351
Receivables from tax office	4.185.941	4.917.861
Receivables from insurance companies	4.183.140	-
Receivables from foreign technical suppliers	2.419.124	1.465.399
Deposits and guarantees given	1.046.603	949.250
Due from personnel	1.016.846	1.263.682
VAT deductible	439.107	4.295.567
Due from related parties (non-trading) (Note 37)	55.499	67.386
Bosnia Herzegovina Airlines Share Advancement	-	10.704.000
Other receivables	1.460.034	2.238.484
	<u>19.685.257</u>	<u>61.673.958</u>

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11 OTHER RECEIVABLES AND PAYABLES (cont'd)

Long-term other receivables are as follows:

	<u>30 June 2009</u>	<u>31 December 2008</u>
Prepayments made for aircrafts, to be received back in cash	291.945.887	-
Advance payments for operating leases	7.172.341	6.924.230
Due from personnel	6.309.460	6.410.064
Deposits and guarantees given	3.444.058	3.472.266
Receivables from foreign acquisition transactions	2.408.288	4.796.921
Receivable from SITA deposit certificates	1.219.588	1.205.400
	<u>312.499.622</u>	<u>22.808.881</u>

Short-term other payables are as follows:

	<u>30 June 2009</u>	<u>31 December 2008</u>
MCO advances	69.117.025	57.613.133
Advances received for mile credit sales	53.787.535	45.587.172
Taxes and funds payable	29.649.422	26.061.291
Social security premiums payable	23.994.803	21.564.459
Deposits and guarantees received	20.560.523	7.603.582
Charter advances	3.776.804	751.062
Other advances received	2.019.166	1.072.264
E-Pos ticket advances	1.634.542	162.591
Other liabilities	1.654.256	1.138.625
	<u>206.194.076</u>	<u>161.554.179</u>

Long-term other payables are as follows:

	<u>30 June 2009</u>	<u>31 December 2008</u>
Deposits and guarantees received	7.987.134	7.865.284

12 RECEIVABLES AND PAYABLES FROM FINANCIAL SECTOR OPERATIONS

None (31 December 2008: None).

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(Amounts expressed in TL unless otherwise specified.)

13 INVENTORIES

	<u>30 June 2009</u>	<u>31 December 2008</u>
Spare parts, flight equipments	118.694.257	87.165.280
Other inventories	23.670.329	25.918.729
	<u>142.364.586</u>	<u>113.084.009</u>
Provision for impairment (-)	<u>(13.284.049)</u>	<u>(14.724.718)</u>
	<u>129.080.537</u>	<u>98.359.291</u>

Movement in change of diminution in value of inventories as of 30 June 2009 and 2008 are as follows:

	<u>1 January - 30 June 2009</u>	<u>1 January - 30 June 2008</u>
Provision at the beginning of the period	14.724.718	10.845.508
Current period expense	-	12.104.036
Cancellation of provisions recognized	(1.440.669)	-
Provision at the end of the period	<u>13.284.049</u>	<u>22.949.544</u>

14 BIOLOGICAL ASSETS

None (31 December 2008: None).

15 ASSETS FROM CONSTRUCTION CONTRACTS IN PROGRESS

None (31 December 2008: None).

16 INVESTMENTS ACCOUNTED FOR EQUITY METHOD

The associates accounted per the equity method are as follows:

	<u>30 June 2009</u>	<u>31 December 2008</u>
Güneş Ekspres Havacılık A.Ş. (Sun Express)	12.348.969	13.811.371
THY DO&CO İkrâm Hizmetleri A.Ş. (Turkish DO&CO)	28.233.297	26.060.988
Bosnia Herzegovina Airlines	7.335.803	-
P&W T.T. Uçak Bakım Merkezi Ltd. Şti.	23.808.162	3.765.565
	<u>71.726.231</u>	<u>43.637.924</u>

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(Amounts expressed in TL unless otherwise specified.)

16 INVESTMENTS ACCOUNTED FOR EQUITY METHOD (cont'd)

Financial information for Sun Express as of 30 June 2009 and 31 December 2008 are as follows:

	30 June 2009	31 December 2008		
Total Assets	161.414.677	113.774.956		
Total Liabilities	136.716.739	86.152.214		
Shareholder's Equity	24.697.938	27.622.742		
Group's share in associate's shareholder's equity	12.348.969	13.811.371		
	1 January - 30 June 2009	1 April - 30 June 2009	1 January - 30 June 2008	1 April - 30 June 2008
Revenue	384.976.417	225.691.492	295.052.073	190.498.646
Profit / (Loss)	(2.993.902)	15.710.029	(22.603.510)	(5.688.480)
Group's share on Profit / (Loss)	(1.496.951)	7.855.015	(11.301.755)	(2.844.240)

Financial information for THY DO&CO Catering Services as of 30 June 2009 and 31 December 2008 are as follows:

	30 June 2009	31 December 2008		
Total Assets	115.520.890	93.245.421		
Total Liabilities	59.054.296	41.123.446		
Shareholder's Equity	56.464.594	52.121.975		
Group's share in associate's shareholder's equity	28.232.297	26.060.988		
	1 January - 30 June 2009	1 April - 30 June 2009	1 January - 30 June 2008	1 April - 30 June 2008
Revenue	112.121.604	61.577.605	81.719.711	45.697.240
Profit / (Loss)	4.344.619	2.346.010	1.209.473	1.484.344
Group's share on Profit / (Loss)	2.172.309	1.173.006	604.736	742.171

Financial information for P&W T.T. Aircraft Maintenance Center as of 30 June 2009 and 31 December 2008 are as follows:

	30 June 2009	31 December 2008
Total Assets	49.481.836	8.344.051
Total Liabilities	893.751	659.225
Shareholder's Equity	48.588.085	7.684.826
Group's share in associate's shareholder's equity	23.808.162	3.765.565

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16 INVESTMENTS ACCOUNTED FOR EQUITY METHOD (cont'd)

	1 January - 30 June 2009	1 April - 30 June 2009	1 January - 30 June 2008	1 April - 30 June 2008
Revenue	-	-	-	-
Profit / (Loss)	(2.679.240)	(2.890.540)	-	-
Group's share on Profit / (Loss)	(1.312.828)	(1.416.365)	-	-

Financial information for Bosnia and Herzegovina Airlines as of 30 June 2009 and 31 December 2008 are as follows:

	30 June 2009	31 December 2008
Total Assets	55.633.532	-
Total Liabilities	40.662.509	-
Shareholder's Equity	14.971.023	-
Group's share in associate's shareholder's equity	7.335.803	-

	1 January - 30 June 2009	1 April - 30 June 2009	1 January - 30 June 2008	1 April - 30 June 2008
Revenue	8.011.295	5.831.137	-	-
Profit / (Loss)	(4.477.543)	1.765.640	-	-
Group's share on Profit / (Loss)	(2.193.936)	865.224	-	-

Portions of financial assets accounted for equity method in profit / (loss) are as follows:

	1 January - 30 June 2009	1 April - 30 June 2009	1 January - 30 June 2008	1 April - 30 June 2008
Sun Ekspres	(1.496.951)	7.855.015	(11.301.755)	(2.844.240)
Turkish DO&CO	2.172.309	1.173.005	604.736	742.171
P&W T.T. Uçak Bakım Merkezi	(1.312.828)	(1.416.365)	-	-
Bosnia Herzegovina Airlines	(2.193.936)	865.224	-	-
Total	(2.831.406)	8.476.879	(10.697.019)	(2.102.069)

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16 INVESTMENTS ACCOUNTED FOR EQUITY METHOD (cont'd)

Details of investments accounted for equity method as of 30 June 2009 are as follows:

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 İkrım Hizmetleri A.Ş.	Turkey	50%	50%	Catering services
P&W T.T. Uçak Bakım Merkezi Ltd. Şti	Turkey	49%	49%	Maintenance services
Bosnia Herzegovina Airlines	Bosnia Herzegovina Federation	49%	49%	Air transportation

17 INVESTMENT PROPERTY

	30 January 2009	31 December 2008
Opening balance, 1 January	48.130.000	53.700.000
Gain / (loss) from the change in the fair value	-	(5.000.000)
Disposal	-	(570.000)
Closing balance	<u>48.130.000</u>	<u>48.130.000</u>

Fair values of Group's investment property was obtained from the valuation performed by an independent valuation firm which is not a related party to Group on 2 February 2009. Valuation was performed by the independent valuation firm which is authorized by Capital Markets Board with reference to market prices. The management of the Group deems that the fair value of investment property has not changed since 31 December 2008.

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18 TANGIBLE ASSETS

<u>Cost</u>	Land, Land Improvements & Buildings		Technical Equipments, Simulators and Vehicles		Other Equipments, Fixtures and Aircraft and Spare Engines		Components and Repairable Spare Parts		Construction in Progress		Total Assets Owned		Leased Aircraft		<u>Total</u>
Opening balance 1 January 2009	164.645.538	311.294.139	166.561.736	2.755.313.950	366.092.558	62.709.927	3.826.617.848	4.855.582.307	8.682.200.155						
Additions	-	5.730.184	5.264.062	10.016.044	63.859.026	14.443.589	99.312.905	150.781.470	250.094.375						
Disposals	-	(7.536.205)	(12.801.472)	(282.752.086)	(111.472.038)	-	(414.561.801)	(84.407.359)	(498.969.160)						
Transfers	-	-	-	27.587.567	-	(59.880.628)	(32.293.061)	31.318.513	(974.548)						
Closing balance 30 June 2009	164.645.538	309.488.118	159.024.326	2.510.165.475	318.479.546	17.272.888	3.479.075.891	4.953.274.931	8.432.350.822						
Accumulated Depreciation															
Opening balance 1 January 2009	55.667.061	248.175.054	139.815.066	1.553.458.595	185.009.980	-	2.182.125.756	1.090.426.122	3.272.551.878						
Depreciation for the period	1.368.737	7.901.936	4.718.038	52.064.129	17.777.534	-	83.830.374	110.202.524	194.032.898						
Disposals	-	(7.536.205)	(12.732.857)	(197.926.460)	(74.042.347)	-	(292.237.869)	(27.171.129)	(319.408.998)						
Closing balance 30 June 2009	57.035.798	248.540.785	131.800.247	1.407.596.264	128.745.167	-	1.973.718.261	1.173.457.517	3.147.175.778						
Accumulated impairment	-	607.852	-	(409.073.935)	-	-	(408.466.083)	86.441.123	(322.024.960)						
30 June 2009 net book value	107.609.740	61.555.185	27.224.079	693.495.276	189.734.379	17.272.888	1.096.891.547	3.866.258.537	4.963.150.084						
31 December 2008 net book value	108.978.477	63.277.712	26.746.670	731.686.913	181.082.578	62.709.927	1.174.482.277	3.874.967.333	5.049.449.610						

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18 TANGIBLE ASSETS (cont'd)

Cost	Land, Land Improvements & Buildings		Technical Equipment, Simulators and Vehicles		Other Equipment, Fixtures and Spare Parts		Aircraft and Spare Engines		Components and Repairable Spare Parts		Construction in Progress		Total Assets Owned		Leased Aircraft		Total	
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)								
Transfers	82.792		-	-	29.114.176	-	(30.839.825)	(1.642.857)	658.584	(984.273)								
Closing balance 30 June 2008	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								

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18 TANGIBLE ASSETS (cont'd)

Movements of Group's fixed asset impairment provision are as follows for the periods ending at 30 June 2009 and 2008:

	1 January - 30 June 2009	1 January - 30 June 2008
Opening balance	360.198.667	1.303.032.165
Cancellation of tangible asset disposal provision	(58.511.606)	-
Real increase / (decrease) in provision for diminution in value of tangible assets	94.686.129	(153.880.479)
Increase / (decrease) in provision for diminution in value of tangible assets due to exchange rate changes	(74.348.230)	(122.687.164)
Total Provision as of the end of the period	322.024.960	1.026.464.522

As explained in Note 2.5.7., the Group uses net US Dollars sales prices as the recoverable amount in the impairment calculation of its property, plant and equipment (i.e. aircrafts, spare engines and simulators - "Aircrafts"). The Group has TL 74.348.230 of decrease in impairment loss arising from exchange rates due to the increase of net TL sales prices of aircrafts as a result of the appreciation of US Dollars against the TRY and has TL 94.686.129 of increase in impairment loss as a result of recession in the US Dollar prices of aircrafts in the period that ended as of 30 June 2009 (Note 2.5.11). Also, cancelled provisional amount for aircrafts, which are derecognized from fixed assets, is TL 58.511.606 and total decrease in impairment loss amounts to TL 38.173.707.

19 INTANGIBLE ASSETS

	Rights	Leasehold Improvements	Total
Cost			
Opening balance 1 January 2009	76.958.343	29.093.614	106.051.957
Additions	663.667	354.569	1.018.236
Disposals	(2.333)	-	(2.333)
Transfers (*)	-	974.548	974.548
Closing balance 30 June 2009	<u>77.619.677</u>	<u>30.422.731</u>	<u>108.042.408</u>
Accumulated Depreciation			
Opening balance 1 January 2009	65.795.741	22.559.087	88.354.828
Amortization charge for the period	2.259.488	1.397.942	3.657.430
Disposals	(2.333)	-	(2.333)
30 June 2009 Closing balance	<u>68.052.896</u>	<u>23.957.029</u>	<u>92.009.925</u>
30 June 2009 net book value	<u>9.566.781</u>	<u>6.465.702</u>	<u>16.032.483</u>
31 December 2008 net book value	<u>11.162.602</u>	<u>6.534.527</u>	<u>17.697.129</u>

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19 INTANGIBLE ASSETS (cont'd)

	<u>Rights</u>	<u>Leasehold Improvements</u>	<u>Total</u>
<u>Cost</u>			
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	<u>72.770.247</u>	<u>26.552.462</u>	<u>99.322.709</u>
<u>Accumulated Depreciation</u>			
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)
30 June 2008 Closing balance	<u>63.752.313</u>	<u>21.377.369</u>	<u>85.129.682</u>
30 June 2008 net book value	<u>9.017.934</u>	<u>5.175.093</u>	<u>14.193.027</u>
31 December 2007 net book value	<u>6.801.172</u>	<u>3.644.145</u>	<u>10.445.317</u>

(*) Transferred from construction in progress.

20 GOODWILL

None (31 December 2008: None).

21 GOVERNMENT GRANTS AND INCENTIVES

None (31 December 2008: None).

22 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions for short-term liabilities are as follows:

	<u>30 June 2009</u>	<u>31 December 2008</u>
Provisions for legal claims	<u>7.675.615</u>	<u>7.460.396</u>

Movements in the provisions for legal claims at 30 June 2009 and 2008 periods set out below:

	<u>1 January - 30 June 2009</u>	<u>1 January - 30 June 2008</u>
Provision at 1 January	7.460.396	4.695.954
Charge for the period	530.868	835.850
Provisions released	(315.649)	(108.956)
Provision at the end of the period	<u>7.675.615</u>	<u>5.422.848</u>

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

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

a) Guarantees Given: Amount of letter of guarantees given is TL 93.120.691 as of 30 June 2009 (31 December 2008: TL 81.610.647).

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

c) The Group's discounted retirement pay provision is TL 146.018.356. The Group's liability for retirement pay would be approximately TL 291.964.045 as of 30 June 2009, if all employees were dismissed on that date.

23 COMMITMENTS

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

	<u>30 June 2009</u>	<u>31 December 2008</u>
Less than one year	247.618.517	201.619.938
Between 1 – 5 years	783.109.365	684.056.091
More than 5 years	445.624.384	422.009.094
	<u>1.476.352.266</u>	<u>1.307.685.123</u>

To be delivered between the years 2010-2011, the Group signed a contract for 19 aircrafts with a total value of 5 billion US Dollars, according to the price lists before the discounts made by the aircraft manufacturing firms. The Group has made an advance payment of 195 Million US Dollars relevant to these purchases as of 30 June 2009.

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24 EMPLOYEE BENEFITS

Short-term employee benefits are as follows:

	<u>30 June 2009</u>	<u>31 December 2008</u>
Salary accruals	36.269.341	33.409.789
Due to personnel	2.911.358	1.674.174
Provision for unused vacation	16.685.527	12.734.462
	<u>55.866.226</u>	<u>47.818.425</u>

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

	<u>30 June 2009</u>	<u>31 December 2008</u>
Provision for retirement pay liability	146.018.356	142.459.082

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

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

Retirement pay liability is subject to an upper limit of monthly TL 2.365 as of 1 July 2009 (1 July 2008: TL 2.173).

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 2009 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 6.26% the real discount rate with the assumptions of 5.40% annual inflation rate and 12% discount rate. (31 December 2008: 6.26%). Estimated amount of retirement pay not paid due to voluntary leaves and kept in the Company is also taken into consideration as 2.05% (2008: 2.99%). Ceiling for retirement pay is revised semi-annually, ceiling amount of TL 2.365 which is in effect since 1 July 2009 is used in the calculation of Group's provision for retirement pay liability.

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24 EMPLOYEE BENEFITS (cont'd)

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

	1 January - 30 June 2009	1 January - 30 June 2008
Provision at 1 January	142.459.082	131.959.011
Charge for the period	8.025.880	11.559.385
Interest charges	4.403.966	3.721.457
Payments	(8.870.572)	(6.828.800)
Provision at the end of the period	<u>146.018.356</u>	<u>140.411.053</u>

25 RETIREMENT BENEFITS

None (31 December 2008: None).

26 OTHER ASSETS AND LIABILITIES

Details of other current assets are as follows:

	30 June 2009	31 December 2008
Aircraft purchased for sale to Prime Ministry	71.434.382	-
Credit note accruals for received aircrafts	36.887.157	40.861.407
Technical maintenance income accruals	24.002.796	5.438.066
Prepaid operating lease expenses	15.169.296	11.010.997
Prepaid sales commissions	12.370.650	8.832.684
Prepaid insurance expenses	7.855.651	5.676.306
VAT to be refunded	6.691.920	5.469.834
Prepaid taxes and funds	3.914.873	58.951.175
Interline passenger income accruals	3.532.792	8.073.217
Advance given for orders	2.979.766	4.649.039
Advances for business purposes	2.040.661	1.005.304
Prepaid wet lease rent expenses	-	5.345.647
Other currents assets	7.553.886	8.249.752
	<u>194.433.830</u>	<u>163.563.428</u>

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26 OTHER ASSETS AND LIABILITIES (cont'd)

Other non-current assets are as follows:

	30 June 2009	31 December 2008
Maintenance reserve for engines	22.053.992	18.171.033
Prepayment for tangible assets	8.928.144	74.096.755
Prepaid aircraft financing expenses	7.178.497	7.197.530
Prepaid operational lease rent expense	3.017.433	3.175.779
Prepaid Eximbank USA guarantee and exposure fee	1.652.838	2.618.689
Prepaid expenses	135.242	234.725
	<u>42.966.146</u>	<u>105.494.511</u>

Other short-term liabilities are as follows:

	30 June 2009	31 December 2008
Accruals for maintenance costs	72.148.504	69.099.738
Accruals for sales incentive premiums	32.449.483	4.603.716
Manufacturer's credit related to aircrafts to be received	3.197.827	9.926.677
Accruals for other expenses	2.633.889	369.934
Other liabilities	1.762.552	7.251.639
Deferred income	1.022.986	430.965
	<u>113.215.241</u>	<u>91.682.669</u>

Other long-term liabilities are as follows:

	30 June 2009	31 December 2008
Gross manufacturer's credits	40.058.429	39.289.960
Accumulated depreciations of manufacturer's credit	(9.984.212)	(8.168.227)
	<u>30.074.217</u>	<u>31.121.733</u>

Passenger flight liabilities are as follows:

	30 June 2009	31 December 2008
Frequent flyer program liability	117.466.179	98.946.996
Flight liability resulting from ticket sales	560.681.302	253.091.354
Flight liability resulting from mileage sales	111.158.670	89.768.475
	<u>789.306.151</u>	<u>441.806.825</u>

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27 SHAREHOLDERS' EQUITY

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

	Group	%	30 June 2009	%	31 December 2008
Republic of Turkey Prime Ministry Privatization Administration (*)	A, C	49,12	429.818.308	49,12	85.963.662
Other (publicly held)	A	50,88	445.181.692	50,88	89.036.338
Share capital			875.000.000		175.000.000
Restatement effect			1.123.808.032		1.672.901.479
Restated capital			1.998.808.032		1.847.901.479

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

As of 30 June 2009, the Group's issued and paid-in share capital consists of 87.499.999.999 Class A shares and 1 Class C share, all with a par value of Kr 1 each. These shares are issued to the name. The Class C share belongs to the Republic of Turkey Prime Ministry Privatization Administration and has the following privileges:

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

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

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

- As defined in Article 3.1 of the Articles of Association, taking decisions that will negatively affect the Company's mission,
- Suggesting change in the Articles of Association at General Assembly,
- Increasing share capital,
- Approval of transfer of the shares issued to the name and their registration to the "Share Registry",
- Making decisions or taking actions which will put the Company under commitment over 5% of its total assets considering the latest annual financial statements prepared for Capital Market Board per agreement (this statement will expire when the Company's shares held by Turkish State is below 20%),
- Making decisions relating to mergers and liquidation,
- Making decisions to cancel flight routes or significantly decrease number of flights except for the ones that cannot recover even its operational expenses subject to the market conditions.

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27 SHAREHOLDERS' EQUITY (cont'd)

Restricted Reserves Assorted from Profit

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

Foreign Currency Translation Differences

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

Distribution of Dividends

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

Based on the CMB's decision issued on 9 January 2009, for listed companies, minimum profit distribution rate shall be applied as 20 % for the profits generated from 2008 results. (2008: 20%). Accordingly, depending on the decision made in general shareholders' meeting, the profit distribution can be made either by giving bonus shares to shareholders which are issued either in cash or by adding dividend to capital or giving some amount of cash and some amount of bonus shares to shareholders. If the primary dividend amount determined is less than 5% of the paid-in capital, the decision gives the option of not to distribute the related amount as to keep within the equity. However, for companies that have not made any dividend distributions in the prior period and therefore has classified their shares as "old shares" and "new shares" and those that will distribute dividends from the profit for the year obtained from their activities, primary dividend amount shall be distributed in cash.

According to the CMB's decision on 9 January 2009, in calculation of distributable profit by the companies required to prepare consolidated financial statements, those companies enabled to calculate distributable profit by taking into consideration the profit in the financial statements prepared and announced to the public in accordance with Serial:XI No:29.

In this context, if the dividend calculated according to regulations for the minimum profit distribution obligation of the CMB, determined out of the distributable profit with reference to CMB regulations are met totally with the distributable profit in statutory records, this amount; if not, total amount in statutory records are distributed. In case of a loss in either statutory records or in financial statements prepared according to CMB regulations, profit distribution will not be made.

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27 SHAREHOLDERS' EQUITY (cont'd)

Distribution of Dividends (cont'd)

According to the decision the CMB's decision on 9 January 2009; the total amount of the retained earnings, the profit for the year and the other sources in which might be considered in profit distribution in statutory records are to be disclosed in the notes to the financial statements prepared and announced to the public in accordance with Serial:XI, Nö:29; for the Company that amount is equal to TL 272.807.034 as profit for the year 2008, TL 7.806.889 TL as extra ordinary reserves and TL 303.035.058 as retained earnings. The total amount of the retained earnings are equal to TL 583.648.981.

However, the items of shareholders' equity of the Company, except profit for the year, in the statutory records as of 30 June 2009 are as follows:

Subscribed Capital	875.000.000
Share Premium	181.185
Legal Reserves	39.052.952
Extraordinary Reserves	7.806.889
Other profit reserves	9
Special funds	54.286.827
Retained Earnings	303.035.058
Total	<u>1.279.362.920</u>

Hedging Reserve

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

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28 SALES AND COST OF SALES

Details of gross profit are as follows:

	1 January - 30 June 2009	1 April - 30 June 2009	1 January - 30 June 2008	1 April - 30 June 2008
Scheduled flights				
Passenger	2.585.091.189	1.484.136.615	2.241.440.079	1.315.191.363
Cargo and mail	189.428.466	99.766.491	178.768.218	100.944.521
Total scheduled flights	2.774.519.655	1.583.903.106	2.420.208.297	1.416.135.884
Non-scheduled flights	21.758.366	17.647.951	34.740.733	26.500.266
Other revenues	169.195.420	85.281.032	147.702.042	75.396.643
Total revenues	2.965.473.441	1.686.832.089	2.602.651.072	1.518.032.793
Less: Discounts and sales returns	(8.151)	(2.858)	(6.454)	(1.330)
Net Sales	2.965.465.290	1.686.829.231	2.602.644.618	1.518.031.463
Cost of Sales (-)	(2.305.812.549)	(1.224.267.506)	(2.069.297.762)	(1.148.512.325)
Gross Operating Profit	659.652.741	462.561.725	533.346.856	369.519.138

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

	1 January - 30 June 2009	1 April - 30 June 2009	1 January - 30 June 2008	1 April - 30 June 2008
- Europe	1.089.094.935	631.295.889	959.021.511	579.725.152
- Far East	474.831.075	245.223.888	427.650.606	239.032.350
- Middle East	352.109.329	204.105.510	262.196.888	154.572.627
- North Africa	100.334.347	55.330.168	60.156.472	35.450.895
- North America	100.307.758	59.824.386	93.969.860	53.776.940
- South Africa	25.229.072	13.484.321	21.371.608	10.310.055
- West Africa	13.749.043	6.756.644	9.835.600	5.842.874
- Middle Africa	13.543.809	8.192.984	9.015.745	4.562.271
- South America	5.949.247	5.949.247	-	-
	2.175.148.615	1.230.163.037	1.843.218.290	1.083.273.164
Domestic	599.371.040	353.740.069	576.990.007	332.862.720
Total Revenue from the scheduled flights	2.774.519.655	1.583.903.106	2.420.208.297	1.416.135.884

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28 SALES AND COST OF SALES (cont'd)

The details of the cost of sales are as follows:

	1 January - 30 June 2009	1 April - 30 June 2009	1 January - 30 June 2008	1 April - 30 June 2008
Fuel expenses	615.937.341	337.089.831	839.707.749	505.928.357
Staff expenses	499.091.322	261.712.276	401.266.656	207.308.978
Landing and navigation expenses	256.483.751	140.168.815	174.153.253	99.044.934
Depreciation expenses	185.138.922	98.621.950	172.227.301	94.321.626
Handling expenses	176.957.416	92.464.308	123.573.733	69.703.122
Maintenance expenses	171.220.734	81.986.186	107.558.340	34.715.673
Passenger service and catering expenses	154.415.019	84.629.196	114.896.051	63.184.143
Operating lease expenses	175.506.257	89.472.120	68.108.020	33.085.877
Codeshare expenses	18.791.162	12.138.194	11.595.850	8.173.691
Insurance expenses	13.435.943	6.391.770	10.422.686	4.249.860
Service expenses	11.155.800	7.902.986	8.047.981	5.495.568
Other renting expenses	9.276.564	6.290.772	10.310.012	4.392.854
Communication expenses	4.339.312	1.669.535	3.430.063	1.787.136
Transportation expenses	3.214.606	1.470.833	4.207.987	3.169.843
Other taxes	2.951.426	409.450	2.832.753	1.025.593
Lighting, energy and water expenses	2.218.532	1.271.732	1.376.731	465.726
Cost of other sales	5.678.442	577.552	15.582.596	12.459.344
	<u>2.305.812.549</u>	<u>1.224.267.506</u>	<u>2.069.297.762</u>	<u>1.148.512.325</u>

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

	1 January - 30 June 2009	1 April - 30 June 2009	1 January - 30 June 2008	1 April - 30 June 2008
Marketing, Selling and Distribution Expenses	374.752.825	206.178.310	290.417.421	158.432.682
General Administrative Expenses	129.611.917	67.945.619	93.800.459	48.650.820
	<u>504.364.742</u>	<u>274.123.929</u>	<u>384.217.880</u>	<u>207.083.502</u>

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

Marketing, sales and distribution expenses are as follows:

	1 January - 30 June 2009	1 April - 30 June 2009	1 January - 30 June 2008	1 April - 30 June 2008
Staff expenses	105.821.656	54.950.839	95.049.424	49.329.990
Commission and promotion Expenses	94.128.632	53.499.366	77.918.859	39.643.351
Reservation system expenses	79.277.797	42.735.081	53.974.808	30.281.272
Advertisement expenses	35.364.296	22.600.321	11.014.719	6.522.185
Other renting expenses	11.872.611	5.970.341	9.724.256	5.121.381
Service expenses	10.568.569	5.375.428	5.117.437	2.649.999
Frequent flyer program mileage expenses	6.089.560	4.292.635	3.125.704	2.318.154
Communication expenses	5.501.130	2.875.241	5.606.020	3.014.529
Passenger service and catering expenses	5.446.880	3.065.047	3.627.569	2.053.122
Other taxes	3.843.728	2.261.756	3.237.311	1.561.329
Transportation expenses	2.750.960	1.236.491	2.232.049	1.059.824
Membership expenses	2.507.497	1.288.174	11.441.325	11.244.168
Lighting, heating, energy and water expenses	1.621.040	727.615	1.258.270	706.576
Maintenance expenses	809.533	483.424	796.777	494.974
Fuel expenses	471.090	300.370	430.649	206.670
Insurance expenses	458.447	249.877	287.348	101.585
Depreciation expenses	287.607	142.690	241.517	126.522
Other sales and marketing expenses	7.931.792	4.123.614	5.333.379	1.997.051
	<u>374.752.825</u>	<u>206.178.310</u>	<u>290.417.421</u>	<u>158.432.682</u>

General administrative expenses are as follows:

	1 January - 30 June 2009	1 April - 30 June 2009	1 January - 30 June 2008	1 April - 30 June 2008
Staff expenses	71.831.325	36.724.560	57.974.508	29.688.113
Depreciation expenses	12.263.799	5.777.168	11.020.967	5.982.926
Insurance expenses	9.253.465	4.244.960	940.176	377.017
Other renting expenses	5.759.319	3.093.383	3.132.783	1.503.061
Service expenses	5.473.023	3.268.751	3.275.937	1.626.845
Other taxes	4.986.660	3.471.532	3.505.610	2.136.278
Maintenance expenses	4.288.450	2.374.864	4.936.467	2.963.147
Communication expenses	3.296.362	1.830.255	1.779.386	778.296
Commission and promotion expenses	2.584.737	1.213.470	1.963.883	1.089.650
Lighting, heating, energy and water expenses	1.098.746	660.207	717.773	193.049
Fuel expenses	78.242	22.343	158.718	99.776
Other general administrative expenses	8.697.789	5.264.126	4.394.251	2.212.662
	<u>129.611.917</u>	<u>67.945.619</u>	<u>93.800.459</u>	<u>48.650.820</u>

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30 EXPENSES ACCORDING TO CATEGORIES

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

31 OTHER OPERATING INCOME / EXPENSES

Other operating income consists of the following:

	<u>1 January - 30 June 2009</u>	<u>1 April - 30 June 2009</u>	<u>1 January - 30 June 2008</u>	<u>1 April - 30 June 2008</u>
Maintenance fee returns from leasing companies	17.621.576	407.055	-	-
Provision released	11.443.187	6.794.904	154.718	148.367
Yapı Kredi protocol income	5.360.982	4.726.027	1.740.575	875.095
Discounts received from spare parts suppliers	4.509.453	3.602.601	5.605.546	2.204.337
Indemnity and penalty income	3.615.090	(23.081.599)	2.809.693	1.612.028
Purchase discounts	2.282.796	2.134.556	898.185	678.273
Rent income	1.166.764	923.474	485.409	250.806
Tax returned related to the aircraft leasing	989.194	560.780	1.454.258	1.148.363
Credit note income	607.993	607.993	-	-
Fixed asset sales income	3.073.699	3.042.880	6.203	4.991
Real decrease in provision for diminution in value of tangible assets (Note 18)	-	-	153.880.479	(23.156.515)
Rent return related to the returned aircraft	-	-	7.893	7.893
Other	6.167.404	2.712.335	3.056.702	1.133.880
	<u>56.838.138</u>	<u>2.431.006</u>	<u>170.099.661</u>	<u>(15.092.482)</u>
	<u>1 January - 30 June 2009</u>	<u>1 April - 30 June 2009</u>	<u>1 January - 30 June 2008</u>	<u>1 April - 30 June 2008</u>
Real increase in provision for diminution in value of tangible assets (Note 18)	94.686.129	138.841.928	-	-
Provision expense	7.408.191	3.187.335	3.325.925	2.325.353
Expenses relating to aircraft crash	3.780.829	1.929.546	-	-
Passengers without visa expense	1.084.428	829.762	248.756	184.789
Other expenses	4.501.923	3.191.408	217.911	69.699
	<u>111.461.500</u>	<u>147.979.979</u>	<u>3.792.592</u>	<u>2.579.841</u>

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32 FINANCE INCOME

Finance income consists of the following:

	<u>1 January - 30 June 2009</u>	<u>1 April - 30 June 2009</u>	<u>1 January - 30 June 2008</u>	<u>1 April - 30 June 2008</u>
Decrease in provision for diminution in value of tangible asset due to exchange rate changes (Note 18)	74.348.230	(241.694.637)	122.687.164	(126.360.362)
Interest income	91.865.000	40.649.324	38.573.962	21.983.045
Gain from the change in fair value of derivative instruments	23.061.932	30.324.289	974.400	(2.538.140)
Foreign exchange gain	2.319.758	(123.972.835)	51.790.639	(45.087.733)
Discount interest income	1.900.574	1.860.149	2.290.069	-
	<u>193.495.494</u>	<u>(292.833.710)</u>	<u>216.316.234</u>	<u>(152.003.190)</u>

33 FINANCE EXPENSES

Finance expenses are as follows:

	<u>1 January - 30 June 2009</u>	<u>1 April - 30 June 2009</u>	<u>1 January - 30 June 2008</u>	<u>1 April - 30 June 2008</u>
Financial liabilities foreign exchange loss	12.881.676	(210.551.312)	156.911.143	(89.096.924)
Finance lease interest expenses	56.696.161	25.298.043	42.579.281	18.082.052
Retirement pay interest cost	4.403.966	2.247.928	3.721.457	1.548.977
Discount expenses	8.764.705	6.884.311	4.266.194	3.720.030
Other financial debts interest expense	497.607	189.342	3.901.040	3.485.972
Other financial expenses	38.775	13.013	14.089	(18.728)
	<u>83.282.890</u>	<u>(175.918.675)</u>	<u>211.393.204</u>	<u>(62.278.621)</u>

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34 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None (31 December 2008: None).

35 TAX ASSETS AND LIABILITIES

Tax liability for the current profit is as follows:

	<u>30 June 2009</u>	<u>31 December 2008</u>
Provision for corporate tax payable	16.625.334	7.673.685
Prepaid taxes and funds	(14.554.839)	(3.487.876)
	<u>2.070.495</u>	<u>4.185.809</u>

Tax liability consists of the following items:

	<u>1 January - 30 June 2009</u>	<u>1 April - 30 June 2009</u>	<u>1 January - 30 June 2008</u>	<u>1 April - 30 June 2008</u>
Current period tax expense	16.625.334	12.559.511	2.210.320	2.091.121
Deferred tax expense / (income)	56.336.812	(24.921.763)	62.000.042	8.940.947
Corporate tax adjustment for the year 2008	33.121.718	-	-	-
Tax expense / (income)	<u>106.083.864</u>	<u>(12.362.252)</u>	<u>64.210.362</u>	<u>11.032.068</u>

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/or 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.

Investment incentive certificates are revoked commencing from January 1, 2006. The investment incentive amount that cannot be deducted from 2008 taxable income will not be carried forward to following years. 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. The applicable current corporate tax rate is 20% for 2008. The deferred tax rate used for the calculation of deferred tax assets and liabilities is also 20%.

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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.

Despite of the offset, if there are temporary tax amounts, it may be returned by cash or may be offset any other financial liabilities.

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.

In accordance with "Bringing Some Assets Into National Economy" Law No: 5811, which has become effective as of 22 November 2008, earnings of real persons and entities which are full fledged taxpayers obtained through their foreign offices/branches and their permanent agencies, including of those that are obtained by the end of 30 April 2009, are exempt from income and corporate taxation to the extent that such earnings are transferred to Turkey from the date of the issuance of the related law until 31 May 2009.

Article 7.4 of the General Communiqué issued on 6 December 2008 in regards to "Bringing Some Assets Into National Economy" Law Serial 1, No: 5811 requires the inclusion of such earnings to the exemption to the extent that they are transferred to Turkey as of 31 May 2009, even if earnings attributable to 2008 are subject to temporary tax filings for the 2008's temporary tax periods, since branch earnings obtained through their foreign offices/branches and permanent agencies are determined at the last day of the financial year. In this respect, the Company's TL 436.428.799 of foreign branch earnings exemption obtained in 2008 is subject to as a deduction against the 2008's Corporate Tax base. Unused and carry forward exemption amount of 2008 is also subject to deferred tax calculation.

During the calculation of prepaid tax for the 2009 March period, the issues about the calculation of foreign branch earnings were evaluated again by the Company management due to the factors of uncertainty in regulations, arising of different figures for the matter about which initiative can be used depending on the opinion taken from Tax authority, arising of different exception figures when the methods other than in the Tax authority's opinion was applied. Foreign branch earnings which were calculated previously on the location basis are calculated again in the line basis, the previous earnings figure TL 436.428.799 has decreased to TL 114.788.079. According to interpretations of tax expert, both methods are correct and defensible, the Company conservatively chosen to implement exception amount TL 114.788.079 and revised the 2008 corporate tax representation. This change is deemed as a change in accounting estimates and its tax effect at the amount of TL 64.328.143,94 is recognized in the financial statements as of 30 June 2009.

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35 TAX ASSETS AND TAX LIABILITIES (cont'd)

	1 January - 30 June 2009	1 January - 30 June 2008
Reconciliation of provision for taxes:		
Profit from operations before tax	208.045.835	309.662.056
Domestic income tax rate of %20	41.609.167	61.932.411
Tax effect of:		
- revenue that is exempt from taxation	(543.400)	(2.899.936)
- effect of foreign branch earning exemption	64.328.144	-
- non-deductible expenses	689.953	5.177.887
Tax provision expense in the statement of income	<u>106.083.864</u>	<u>64.210.362</u>

Tax effect regarding other comprehensive income is as follows:

	1 January - 30 June 2009		
	Amount before tax	Tax expense/ income	Amount after tax
Foreign currency translation differences	34.549	-	34.549
Differences in hedge fund against the cash flow risk	(2.149.303)	429.861	(1.719.442)
Other Comprehensive Income for the period	<u>(2.114.754)</u>	<u>429.861</u>	<u>(1.684.893)</u>

Other comprehensive income and its relevant tax effect do not exist for the period 1 January - 30 June 2008.

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.

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35 TAX ASSETS AND TAX LIABILITIES (cont'd)

The deferred tax assets and (liabilities) as of 30 June 2009 and 31 December 2008 are as follows:

	<u>30 June 2009</u>	<u>31 December 2008</u>
Fixed assets	(434.822.772)	(433.734.782)
Provision for ticket sales advances	(37.183.546)	(32.179.753)
Expense accruals	37.211.388	36.194.357
Long-term lease obligations	34.396.268	49.277.131
Retirement pay provision	29.203.670	28.491.817
Short-term lease obligations	21.406.449	21.716.516
Provision for unused vacation	3.357.105	2.546.893
Provision for diminution in value of inventories	2.656.810	2.944.944
Allowance for doubtful receivables	1.732.016	3.050.391
Income and expenses relating to future periods	(3.183.146)	1.037.855
Discount on payables	(418.043)	(485.657)
Discount on receivables	582.160	472.633
Accumulated financial loss	-	31.206.426
Other	(148.277)	158.262
	<u>(345.209.918)</u>	<u>(289.302.967)</u>
	<u>30 June 2009</u>	<u>31 December 2008</u>
Deferred tax assets	-	1.986.324
Deferred tax liabilities	(345.209.918)	(291.289.291)
Deferred tax assets / (liabilities), net	<u>(345.209.918)</u>	<u>(289.302.967)</u>

The movements of deferred tax liability as of 30 June 2009 and 2008 are as follows:

	<u>1 January - 30 June 2009</u>	<u>1 January - 30 June 2008</u>
1 January opening value of deferred tax	289.302.967	125.736.925
Deferred tax expense/ (income)	56.336.812	62.000.042
Deferred taxes netted off from financial assets fair value reserve	(429.861)	-
Current period deferred tax liability	<u>345.209.918</u>	<u>187.736.967</u>

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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 2009 and 2008 are as follows:

	<u>1 January - 30 June 2009</u>	<u>1 April - 30 June 2009</u>	<u>1 January - 30 June 2008</u>	<u>1 April - 30 June 2008</u>
Number of shares outstanding on 1 January (in full)	17.500.000.000	17.500.000.000	17.500.000.000	17.500.000.000
New shares issued (in full)	70.000.000.000	70.000.000.000	70.000.000.000	70.000.000.000
Number of shares outstanding on 30 June (in full)	<u>87.500.000.000</u>	<u>87.500.000.000</u>	<u>87.500.000.000</u>	<u>87.500.000.000</u>
Weighted average number of shares outstanding during the period (in full)	<u>87.500.000.000</u>	<u>87.500.000.000</u>	<u>87.500.000.000</u>	<u>87.500.000.000</u>
Net profit for the period	101.961.971	(53.187.081)	245.451.694	41.904.607
Earnings per share (Kr)*	0,0012	(0,0006)	0,0028	0,0005

(*) The earnings per share with par value of TL 1 is TL 0,12 in June 2009; TL 0,28 in June 2008.

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37 RELATED PARTY TRANSACTIONS

Short-term trade receivables from related parties are as follows:

	<u>30 June 2009</u>	<u>31 December 2008</u>
Sun Express (Note 10)	1.325.641	646.191
Air Bosna (Note 10)	665.927	-
Pratt & Whitney (Note 10)	12.036	-
THY DO&CO İkrâm Hizmetleri A.Ş. (Note 10)	-	4.095.197
	<u>2.003.604</u>	<u>4.741.388</u>

Short-term non-trade receivables from related parties are as follows:

	<u>30 June 2009</u>	<u>31 December 2008</u>
TGS Yer Hizmetleri A.Ş. (Note 11)	-	67.386
Air Bosna (Note 11)	55.060	-
Pratt & Whitney (Note 11)	439	-
	<u>55.499</u>	<u>67.386</u>

Short-term trade payables to related parties are as follows:

	<u>30 June 2009</u>	<u>31 December 2008</u>
Sun Express (Note 10)	11.710.816	9.433.149
THY DO&CO İkrâm Hizmetleri A.Ş. (Note 10)	10.108.997	-
	<u>21.819.813</u>	<u>9.433.149</u>

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

	<u>1 January - 30 June 2009</u>	<u>1 April - 30 June 2009</u>	<u>1 January - 30 June 2008</u>	<u>1 April - 30 June 2008</u>
Services rendered to Sun Express	16.984.680	10.867.151	4.177.292	2.124.395
Services rendered to THY DO&CO	328.151	197.453	382.550	234.989
Interest income from THY DO&CO	-	-	325.584	127.890
Services rendered to Air Bosna	156.610	109.926	-	-
Service rendered to P&W T.T. Uçak Bakım Merkezi	455.288	260.690	-	-
	<u>17.924.729</u>	<u>11.435.220</u>	<u>4.885.426</u>	<u>2.487.274</u>

	<u>1 January - 30 June 2009</u>	<u>1 April - 30 June 2009</u>	<u>1 January - 30 June 2008</u>	<u>1 April - 30 June 2008</u>
Services received from Sun Express	17.904.619	12.024.086	13.494.324	8.303.760
Services received from THY DO&CO	103.025.175	55.947.474	65.349.612	35.930.959
Service received from Air Bosna	63.973	53.943	-	-
Service received from Star Alliance GMBH	1.679.058	900.427	-	-
	<u>122.672.825</u>	<u>68.925.930</u>	<u>78.843.936</u>	<u>44.234.719</u>

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37 RELATED PARTY TRANSACTIONS (cont'd)

Transactions between the Group and Sun Express are codeshare operations; transactions between the Group and Turkish DO&CO are catering services and loan financing. Receivables from related parties are not collateralized and maturity of trade receivables is 30 days.

The total amount of salaries and other short term benefits provided for the Chairman and the Member of Board of Directors, General Manager, General Coordinator and General Deputy Managers are TL 1.536.814 (2008: TL 1.394.068).

38 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

(a) Capital risk management

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

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

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

The overall strategy of the Group remains the same since the year 2007.

	<u>30 June 2009</u>	<u>31 December 2008</u>
Total Debts	3.678.959.589	3.697.403.926
Less: Cash and Cash Equivalents	1.095.443.631	504.905.721
Net Debts	2.583.515.958	3.192.498.205
Total Shareholders' Equity	2.987.650.420	2.986.587.096
Total Capital	5.571.166.378	6.179.085.301
Net Debt/Total Capital	0,46	0,52

(b) Financial Risk Factors

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

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

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

(b) Financial Risk Factors (cont'd)

b.1) Credit risk management

Credit Risk of Financial Instruments

	Trade Receivables			Receivables			Deposits in Banks	Derivative Instruments
	Related Party	Third Party	Third Party	Related Party	Third Party	Third Party		
Maximum credit risk as of balance sheet date (*)	2.003.604	512.523.702	332.129.380	55.499	1.984.846.736	47.546.292		
- The part of maximum risk under guarantee with collateral etc. (**)	-	5.144.370	-	-	-	-		
A. Net book value of financial assets that are neither past due nor impaired	2.003.604	455.096.625	332.129.380	55.499	1.984.846.736	47.546.292		
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-		
C. Net book value of financial assets that are past due but not impaired	-	57.427.077	-	-	-	-		
- The part under guarantee with collateral etc.	-	3.414.006	-	-	-	-		
D. Net book value of impaired assets	-	-	-	-	-	-		
- Past due (gross carrying amount)	-	30.436.726	-	-	-	-		
- Impairment (-)	-	(30.436.726)	-	-	-	-		
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-		
- Not past due (gross carrying amount)	-	-	-	-	-	-		
- Impairment (-)	-	-	-	-	-	-		
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-		
E. Off-balance sheet items with credit risk	-	-	-	-	-	-		

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

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

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

(b) Financial Risk Factors (cont'd)

b.1) Credit risk management

Credit Risk of Financial Instruments

	Trade Receivables			Other Receivables			Derivative Instruments
	Related Party	Third Party	Third Party	Related Party	Third Party	Deposits in Bank	
31 December 2008							
Maximum credit risk as of balance sheet date (*)	4.741.388	344.402.745	84.415.453	67.386	1.891.728.775	39.599.159	
- The part of maximum risk under guarantee with collateral etc. (**)	-	7.506.082	-	-	-	-	
A. Net book value of financial assets that are neither past due nor impaired	4.741.388	314.650.601	84.415.453	67.386	1.891.728.775	39.599.159	
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-	
C. Net book value of financial assets that are past due but not impaired	-	29.752.144	-	-	-	-	
- The part under guarantee with collateral etc.	-	2.318.741	-	-	-	-	
D. Net book value of impaired assets	-	-	-	-	-	-	
- Past due (gross carrying amount)	-	37.042.788	-	-	-	-	
- Impairment (-)	-	(37.042.788)	-	-	-	-	
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	
- Not past due (gross carrying amount)	-	-	-	-	-	-	
- Impairment (-)	-	-	-	-	-	-	
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	
E. Off-balance sheet items with credit risk	-	-	-	-	-	-	

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

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

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

(b) Financial Risk Factors (cont'd)

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

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

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

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

(b) Financial Risk Factors (cont'd)

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

The aging of the past due receivables as of 30 June 2009 are as follows:

	<u>Receivables</u>			<u>Deposits in Banks</u>	<u>Derivatives</u>	<u>Other</u>	<u>Total</u>
	<u>Trade Receivables</u>	<u>Other Receivables</u>					
30 June 2009							
Past due 1-30 days	4.795.892	-	-	-	-	-	4.795.892
Past due 1-3 months	20.905.189	-	-	-	-	-	20.905.189
Past due 3-12 months	22.808.860	-	-	-	-	-	22.808.860
Past due 1-5 years	39.214.292	-	-	-	-	-	39.214.292
Past due more than 5 years	139.570	-	-	-	-	-	139.570
Total past due receivables	87.863.803	-	-	-	-	-	87.863.803
The part under guarantee with collateral	3.414.006	-	-	-	-	-	3.414.006

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

(b) Financial Risk Factors (cont'd)

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

The aging of the past due receivables as of 31 December 2008 are as follows:

31 December 2008	<u>Receivables</u>		<u>Deposits in</u>		<u>Other</u>	<u>Total</u>
	<u>Trade Receivables</u>	<u>Other Receivables</u>	<u>Banks</u>	<u>Derivatives</u>		
Past due 1-30 days	9.751.742	-	-	-	-	9.751.742
Past due 1-3 months	13.013.807	-	-	-	-	13.013.807
Past due 3-12 months	16.766.592	-	-	-	-	16.766.592
Past due 1-5 years	27.150.622	-	-	-	-	27.150.622
Past due more than 5 years	112.169	-	-	-	-	112.169
Total past due receivables	66.794.932	-	-	-	-	66.794.932
The part under guarantee with collateral	2.318.741	-	-	-	-	2.318.741

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

(b) Financial Risk Factors (cont'd)

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

As of balance sheet date, total amount of cash collateral and letter of guarantee which received by Group for past due not impaired receivable is TL 3.414.006 (31 December 2008: TL 2.318.741).

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

b.2) Liquidity risk management

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

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

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

Liquidity risk table:

30 June 2009

<u>Due Date on Agreement</u>	<u>Book Value</u>	<u>Total cash outflow</u>	<u>Less than 3</u>	<u>3-12 Months (II)</u>	<u>1-5 Years</u>	<u>More than 5 Years</u>
		<u>according to contract</u>				
		<u>(I+II+III+IV)</u>				
Non-derivative						
Financial liabilities						
Bank borrowings	32.940.661	33.015.932	33.015.932	-	-	-
Finance lease obligations	3.107.041.512	3.667.469.670	103.625.082	370.194.296	1.501.781.332	1.691.868.960
Trade payables	507.375.268	509.525.019	421.477.434	88.047.585	-	-
Other financial liabilities	207.310	207.310	207.310	-	-	-
Total liabilities	3.647.564.751	4.210.217.931	558.325.758	458.241.881	1.501.781.332	1.691.868.960

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

(b) Financial Risk Factors (cont'd)

b.2) Liquidity risk management (cont'd)

31 December 2008

<u>Due Date on Agreement</u>	<u>Book Value</u>	<u>Total cash outflow</u> <u>according to contract</u>	<u>Less than 3</u>	<u>3-12 Months (II)</u>	<u>1-5 Years (III)</u>	<u>More than 5 Years</u>
		<u>(I+II+III+IV)</u> <u>(I+II+III+IV)</u>	<u>Months (I)</u>			<u>(IV)</u>
Non-derivative						
Financial liabilities						
Bank borrowings	34.900.371	35.698.342	1.469.294	34.229.048	-	-
Finance lease obligations	3.182.394.093	3.825.277.485	107.114.326	373.162.277	1.566.966.270	1.778.034.612
Trade payables	435.109.211	437.537.494	382.178.541	55.358.953	-	-
Other financial liabilities	639.916	639.916	639.916	-	-	-
Total liabilities	3.653.043.591	4.299.153.237	491.402.077	462.750.278	1.566.966.270	1.778.034.612

b.3) Market risk management

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

b.3.1) Foreign currency risk management

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

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**38 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS
(cont'd)**

(b) Financial Risk Factors (cont'd)

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

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

30.06.2009

	TL Equivalent	US Dollar	Euro	GBP	Other
1.Trade Receivables	308.351.714	47.115.461	99.885.668	12.313.496	149.037.089
2a.Monetary Financial Assets	1.423.710.971	959.493.307	367.978.107	9.038.138	87.201.419
2b.Non Monetary Financial Assets	-	-	-	-	-
3.Other	8.340.697	2.562.197	5.506.160	-	272.340
4. CURRENT ASSETS	1.740.403.382	1.009.170.965	473.369.435	21.351.634	236.510.848
5.Trade Receivables	-	-	-	-	-
6a.Monetary Financial Assets	291.945.887	291.945.887	-	-	-
6b.Non-monetary Financial Assets	-	-	-	-	-
7.Other	18.115.749	15.996.938	830.616	16.406	1.271.789
8. NON CURRENT ASSETS	310.061.636	307.942.825	830.616	16.406	1.271.789
9. TOTAL ASSETS	2.050.465.018	1.317.113.790	474.200.551	21.368.040	237.782.637
10. Trade Payables	247.098.048	96.451.352	42.966.068	58.561.084	49.119.544
11. Financial Liabilities	455.846.970	258.990.913	196.856.057	-	-
12a. Other Monetary Financial Liabilities	8.900.299	1.749.427	3.917.152	186.069	3.047.651
12b. Other Non-monetary Financial Liabilities	-	-	-	-	-
13. CURRENT LIABILITIES	711.845.317	357.191.692	243.739.277	58.747.153	52.167.195
14. Trade Payables	-	-	-	-	-
15. Financial Liabilities	2.715.530.042	1.044.592.365	1.670.937.677	-	-
16a. Other Monetary Financial Liabilities	7.987.134	1.099.433	5.770.901	4.853	1.111.947
16b. Other Non Monetary Financial Liabilities	-	-	-	-	-
17. NON CURRENT LIABILITIES	2.723.517.176	1.045.691.798	1.676.708.579	4.853	1.111.947
18. TOTAL LIABILITIES	3.435.362.492	1.402.883.490	1.920.447.855	58.752.006	53.279.142
19. Net asset / liability position of Off-balance sheet derivatives (19a-19b)	12.814.911	(281.360.131)	294.175.042	-	-
19a. Off-balance sheet foreign currency derivative assets	294.175.042	-	294.175.042	-	-
19b. Off-balance sheet foreign currency derivative liabilities	281.360.131	281.360.131	-	-	-
20. Net foreign currency asset liability position (9-18+19)	(1.372.082.563)	(367.129.831)	(1.152.072.262)	(37.383.966)	184.503.495
21. Net foreign currency asset / liability position of monetary Items (1+2a+5+6a-10-11-12a-14-15-16a)	(1.411.353.920)	(104.328.835)	(1.452.584.080)	(37.400.372)	182.959.366
22. Fair value of foreign currency hedged financial assets	-	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-	-
25.Exports	2.220.480.882	360.135.388	1.052.283.007	79.270.244	728.792.243
26.Imports	876.023.029	592.127.923	210.290.086	9.339.376	64.265.645

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

(b) Financial Risk Factors (cont'd)

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

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

	31.12.2008				
	TL Equivalent	US Dollar	Euro	GBP	Othe
1.Trade Receivables	201.671.977	36.369.880	72.663.669	6.607.281	86.031.14
2a.Monetary Financial Assets	1.300.384.063	911.904.026	316.192.868	5.534.421	66.752.74
2b.Non Monetary Financial Assets	-	-	-	-	-
3.Other	7.419.216	2.458.692	41.404	4.760.149	158.97
4. CURRENT ASSETS	1.509.475.256	950.732.598	388.897.941	16.901.851	152.942.86
5.Trade Receivables	-	-	-	-	-
6a.Monetary Financial Assets	-	-	-	-	-
6b.Non-monetary Financial Assets	-	-	-	-	-
7.Other	72.794.855	72.789.485	4.400	-	97
8. NON CURRENT ASSETS	72.794.855	72.789.485	4.400	-	97
9. TOTAL ASSETS	1.582.270.111	1.023.522.083	388.902.341	16.901.851	152.943.83
10. Trade Payables	244.277.677	125.858.217	56.555.014	16.252.346	45.612.10
11. Financial Liabilities	463.649.564	251.539.094	212.110.470	-	-
12a. Other Monetary Financial Liabilities	9.761.078	4.472.433	2.789.862	81.221	2.417.56
12b. Other Non-monetary Financial Liabilities	-	-	-	-	-
13. CURRENT LIABILITIES	717.688.319	381.869.744	271.455.346	16.333.567	48.029.66
14. Trade Payables	-	-	-	-	-
15. Financial Liabilities	2.798.005.235	1.052.489.444	1.745.515.791	-	-
16a. Other Monetary Financial Liabilities	7.998.826	1.038.768	5.829.426	4.210	1.126.42
16b. Other Non Monetary Financial Liabilities	-	-	-	-	-
17. NON CURRENT LIABILITIES	2.806.004.061	1.053.528.212	1.751.345.217	4.210	1.126.42
18. TOTAL LIABILITIES	3.523.692.380	1.435.397.956	2.022.800.563	16.337.777	49.156.08
19. Net asset / liability position of Off-balance sheet derivatives (19a-19b)	12.349.552	(112.925.248)	125.274.800	-	-
19a. Off-balance sheet foreign currency derivative assets	125.274.800	-	125.274.800	-	-
19b. Off-balance sheet foreign currency derivative liabilities	112.925.248	112.925.248	-	-	-
20. Net foreign currency asset liability position (9-18+19)	(1.929.072.717)	(524.801.121)	(1.508.623.422)	564.074	103.787.75
21. Net foreign currency asset / liability position of monetary Items (1+2a+5+6a-10-11-12a-14-15-16a)	(2.021.636.341)	(487.124.050)	(1.633.944.026)	(4.196.075)	103.627.81
22. Fair value of foreign currency hedged financial assets	-	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-	-
25.Exports	4.540.026.181	536.061.102	2.404.349.759	141.055.054	1.458.560.26
26.Imports	1.651.794.897	937.339.395	495.108.749	14.626.988	204.719.76

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**38 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS:
(cont'd)**

(b) Financial Risk Factors (cont'd)

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

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

Foreign currency sensitivity

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

	30 June 2009	
	Profit / Loss Before Tax	
	If foreign currency appreciated against TL by 10%	If foreign currency appreciated against TL by 10%
1 - US Dollar net asset / liability	(36.712.983)	36.712.983
2- Part of hedged from US Dollar risk (-)	-	-
3- US Dollar net effect (1 +2)	(36.712.983)	36.712.983
4 - Euro net asset / liability	(115.207.226)	115.207.226
5 - Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	(115.207.226)	115.207.226
7 - GBP net asset / liability	(3.738.397)	3.738.397
8- Part of hedged from GBP risk (-)	-	-
9- GBP net effect (7 +8)	(3.738.397)	3.738.397
10 - Other foreign currency net asset / liability	18.450.350	(18.450.350)
11- Part of hedged other foreign currency risk (-)	-	-
12- Other foreign currency net effect (10+11)	18.450.350	(18.450.350)
TOTAL (3 + 6 + 9 + 12)	(137.208.256)	137.208.256

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**38 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS
(cont'd)**

(b) Financial Risk Factors (cont'd)

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

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

Foreign currency sensitivity (cont'd)

	30 June 2008	
	Profit / Loss Before Tax	
	If foreign currency appreciated against TL by 10%	If foreign currency appreciated against TL by 10%
1 - US Dollar net asset / liability	(40.672.429)	40.672.429
2- Part of hedged from US Dollar risk (-)	-	-
3- US Dollar net effect (1 +2)	(40.672.429)	40.672.429
4 - Euro net asset / liability	(87.569.854)	87.569.854
5 - Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	(87.569.854)	87.569.854
7 - GBP net asset / liability	58.649	(58.649)
8- Part of hedged from GBP risk (-)	-	-
9- GBP net effect (7 +8)	58.649	(58.649)
10 - Other foreign currency net asset / liability	14.753.407	(14.753.407)
11- Part of hedged other foreign currency risk (-)	-	-
12- Other foreign currency net effect (10+11)	14.753.407	(14.753.407)
TOTAL (3 + 6 + 9 + 12)	(113.430.227)	113.430.227

As explained in Note 2.5.7, the Group uses net US Dollars sales price as the recoverable amount in the impairment calculation of its property, plant and equipment (i.e. aircrafts, spare engines and simulations - "Aircrafts"). Accordingly, the impairment provided by the Group for the tangible assets decreases when the US Dollar is evaluated against TL, and increases when the US Dollar is devaluated against TL. In this context, If US Dollar is appreciated by 10 % against TL, there would be an increase amounted TL 322.024.959 (1 January-30 June 2008: TL 301.742.385) 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. However, since the decrease in impairment of tangible fixed assets is limited to their TL net book values, the effect of appreciation in exchange rates is limited to TL 322.024.959. If US Dollar is devaluated by 10 % against TL, there would be an decrease amounted TL 456.855.318 effect in the profit except for the effects in the table above.

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

(b) Financial Risk Factors (cont'd)

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

b.3.2) Interest rate risk management

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

Interest Rate Position Table:

	<u>30 June 2009</u>	<u>31 December 2008</u>
<u>Instruments with Fixed Interest Rate</u>		
Financial Assets – Time Deposits	1.839.228.887	1.768.820.216
Financial Liabilities	1.894.812.721	1.960.602.178
<u>Financial Instruments with Variable Interest Rate</u>		
Financial Liabilities	1.245.169.452	1.256.692.286
Interest Swap Agreements not subject to Hedge Accounting	13.099.516	(5.087.603)
Interest Swap Agreements subject to Hedge Accounting	(2.415.363)	-

As indicated in Note 39, the Group as of 30 June 2009, fixed the interest rate for TL 782.367.190 of floating-interest-rated financial liabilities via an interest rate swap contract.

Interest rate sensitivity

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

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

Profit Before Taxes of the Group which belongs to six-month-period will decrease in the amount of TL 5.336.946 (as of 30 June 2008 it will decrease by TL 2.828.930). In contrast, if Libor and Euribor interest rate decreases 0,5%, Profit Before Taxes for six-month-period will increase with the same amounts.

Moreover, as a result of the interest rate swap contracts against cash flow risks, in case of a 0,5% increase in the Libor and Euribor interest rates, the shareholders' equity of the Group will increase by TL 9.838.057 without the deferred tax effect. In case of a 0,5% decrease in the Libor and Euribor interest rates, the shareholders' equity of the Group will decrease by the same amount without the deferred tax effect.

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

(b) Financial Risk Factors (cont'd)

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

b.3.3) Fuel prices sensitivity

As explained in Note 39, Group made forward fuel purchase contracts in order to hedge cash flow risks arising from fuel purchases beginning from 2009. Due to forward fuel purchase contracts subject to hedge accounting, as a result of a 10 % increase in fuel prices, the shareholders' equity of the Group will increase by TL 1.316.396 excluding the deferred tax effect. In case of a 10% decrease in fuel prices, the shareholders' equity of the Group will decrease by the same amount excluding the deferred tax effect.

39 FINANCIAL INSTRUMENTS

Fair Values of Financial Instruments

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

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

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39 FINANCIAL INSTRUMENTS (cont'd)

Categories and fair values of financial instruments:

30 June 2009 Balance Sheet	Loans and receivables	Derivative instruments which fair value are reflected to shareholder's equity	Derivative instruments which are reflected fair value to profit/(loss)	Investments at cost value available for sale	Financial liabilities at amortized cost	Carrying Value	Note
Financial Assets							
Cash and cash equivalents	1.095.443.631	-	-	-	-	1.095.443.631	6
Financial investments	913.255.076	266.060	47.280.232	1.750.943	-	962.552.311	7
Accounts receivable	514.527.306	-	-	-	-	514.527.306	10
Other receivables	332.184.879	-	-	-	-	332.184.879	11
Financial liabilities							
Bank borrowings	-	-	-	-	32.940.661	32.940.661	8
Finance lease obligations	-	-	-	-	3.107.041.512	3.107.041.513	8
Other financial liabilities	-	2.415.363	28.979.475	-	207.310	31.602.148	9
Accounts payable	-	-	-	-	507.375.268	507.375.268	10
31 December 2008 Balance Sheet							
Financial Assets							
Cash and cash equivalents	504.905.721	-	-	-	-	504.905.721	6
Financial investment	1.403.033.703	-	39.599.159	1.750.943	-	1.444.383.805	7
Accounts receivable	349.144.133	-	-	-	-	349.144.133	10
Other receivables	84.482.839	-	-	-	-	84.482.839	11
Financial liabilities							
Bank borrowings	-	-	-	-	34.900.371	34.900.371	8
Finance lease obligations	-	-	-	-	3.182.394.093	3.182.394.093	8
Other financial liabilities	-	-	44.360.335	-	639.916	45.000.251	9
Accounts payable	-	-	-	-	435.109.211	435.109.211	10

Group is in the opinion that recorded values of financial instruments reflect their fair value

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39 FINANCIAL INSTRUMENTS (cont'd)

Fair Values of Financial Instruments (cont'd)

- First level: Financial assets and liabilities, are valued with the stock exchange prices in the active market for the assets and liabilities same with each other.
- Second level: Financial assets and liabilities are valued with input obtained while finding the stock exchange price of the relevant asset or liability mentioned in the first level and the direct or indirect observation of price in the market.
- Third level: Financial assets and liabilities are valued by the input that does not reflect an actual data observed in the market while finding the fair value of an asset or liability.

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

	30 June 2009	Fair value level as of the reporting date		
		Level 1 TL	Level 2 TL	Level 3 TL
Financial assets				
Financial assets at fair value through profit or loss				
Derivative instruments	47.280.232	-	47.280.232	-
Financial assets subject to hedge accounting				
Derivative instruments	266.060	-	266.060	-
Total	47.280.232	-	47.280.232	-
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative instruments	28.979.475		28.979.475	
Financial liabilities subject to hedge accounting				
Derivative instruments	2.149.363	-	2.149.363	-
	31.394.838	-	31.394.838	-

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39 FINANCIAL INSTRUMENTS (cont'd)

Derivative Instruments and Hedging Transactions

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

The floating-rate financial liabilities of the Group are explained in b.3.2. Beginning from June 2009, in order to keep interest costs at an affordable level, considering long-term finance lease liabilities; Group made fixed-paid/floating-received interest rate swap contracts to fix interest rates of finance lease liabilities whose maturities are after the second half of 2010 and account for approximately 62 % of floating rate USD and Euro denominated liabilities. Effective part of the change in the fair values of those derivative instruments which are subject to hedge accounting for cash flows risks of floating-rate finance lease liabilities are accounted in cash flow hedge fund under the shareholders' equity.

Beginning from June 2009, in order to control risk arising from fluctuations in price of fuel which is approximately 22% of operating expenses in the six-month period ended as of 30 June 2009 and to lessen the effects of fluctuations in oil prices on fuel expenses, Group began hedging transactions for approximately 10% of annual jet fuel consumption. For this purpose, Group made forward fuel purchase contracts settled on cash basis. Effective part of the change in the fair values of those derivative instruments which are subject to hedge accounting for cash flows risks of fuel purchases are accounted in cash flow hedge fund under the shareholders' equity.

Group's derivative instruments arisen from transactions stated above and their balances as of 30 June 2009 and 31 December 2008 are as follows:

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39 FINANCIAL INSTRUMENTS (cont'd)

30 June 2009	<u>Positive fair value</u>	<u>Negative fair value</u>	<u>Total</u>
Fixed-paid/floating received interest rate swap contracts for hedging against cash flow risks of interest rate	-	2.415.363	(2.415.363)
Forward fuel purchase contracts for hedging against cash flow risk of fuel prices	266.060	-	266.060
Fair values of derivative instruments for hedging purposes	<u>266.060</u>	<u>2.415.363</u>	<u>(2.149.303)</u>
Cross-currency swap contracts not subject to hedge accounting	6.706.859	1.505.618	5.201.241
Interest rate swap contracts not subject to hedge accounting	40.573.373	27.473.857	13.099.516
Fair values of derivative instruments not for hedging purposes	<u>47.280.232</u>	<u>28.979.475</u>	<u>18.300.757</u>
Total	<u>47.546.292</u>	<u>31.394.838</u>	<u>16.151.454</u>

31 December 2008	<u>Positive fair value</u>	<u>Negative fair value</u>	<u>Total</u>
Fixed-paid/floating received interest rate swap contracts for hedging against cash flow risks of interest rate	-	-	-
Forward fuel purchase contracts for hedging against cash flow risk of fuel prices	-	-	-
Fair values of derivative instruments for hedging purposes	<u>-</u>	<u>-</u>	<u>-</u>
Cross-currency swap contracts not subject to hedge accounting	5.068.202	4.741.776	326.426
Interest rate swap contracts not subject to hedge accounting	34.530.956	39.618.559	(5.087.603)
Fair values of derivative instruments not for hedging purposes	<u>39.599.158</u>	<u>44.360.335</u>	<u>(4.761.177)</u>
Total	<u>39.599.158</u>	<u>44.360.335</u>	<u>(4.761.177)</u>

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40 : EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

It had been announced by the Company Board of Directors in the material disclosure at October 5, 2007 that one G550 aircraft was determined to be purchased from the manufacturing firm Gulfstream Aerospace Corporation to be delivered in the year 2009. The Gulfstream G550 aircraft, which was purchased from Gulfstream Aerospace Corporation, has been sold to the Republic of Turkey Prime Ministry with regard to the decision of the Board of Directors of the Group.

In the Board of Directors meeting dated July 9, 2009, the Company determined to establish a corporation with OPET Petroleum (OPET Petrolcülük A.Ş.) of which 50% of the capital will be owned by THY and will provide jet fuel supplying services.

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

a-) The Board of Directors approved and authorized to issue the consolidated financial statements on 24 August 2009.

b-) The Group restated the previous periods' financial statements due to the changes in presentation and classification of financial statement items in order to maintain comparability. The changes have no material impact on the shareholders' equity and net profit / (loss) of the previous periods. The significant classifications are as follows:

Codeshare expenses, amounted to TL 11.595.850, was presented within "Operating Expenses" in the income statement as of 30 June 2008 whereas it is presented within "Cost of Sales" in the income statement as of 30 June 2009.

In the balance sheet as of 31 December 2008, TL 4.761.176 in "Other Financial Liabilities" is the offsetted amount for the "fair value of derivative instruments", whereas it is presented separately in the balance sheet as of 30 June 2009 as TL 39.599.159 in "Financial Assets" and TL 44.360.335 in "Other Financial Liabilities".