CONVENIENCE TRANSLATION OF
REPORT AND FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL
STATEMENTS FOR THE INTERIM
PERIOD ENDED 30 JUNE 2011

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

AUDITOR'S REVIEW REPORT ON CONSOLIDATED INTERIM FINANCIAL INFORMATION

To the Board of Directors of
Türk Hava Yolları Anonim Ortaklığı

Introduction

We have reviewed the accompanying consolidated balance sheet of Türk Hava Yolları Anonim Ortaklığı and its subsidiaries (together the "Group") as at 30 June 2011 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Group Management is responsible for the preparation and fair presentation of these consolidated interim financial information in accordance with financial reporting standards published by the Capital Markets Board. Our responsibility is to express a conclusion on these consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with the independent auditing standards published 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 the Capital Markets Board and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information does not present fairly, in all material respects, the financial position of the Group as of 30 June 2011 and its financial performance and cash flows for the six month period then ended in accordance with the financial reporting standards issued by the Capital Markets Board.

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

As explained in detail in Note 2.1 and Note 41, the Group has made certain adjustments and reclassifications to its consolidated financial statements for the interim periods ended 30 June 2010, 31 March 2010 and 31 March 2011.

İstanbul, 26 August 2011

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

Berkman Özata
Partner

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
AS OF 30 JUNE 2011
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

ASSETS	Notes	Current Period (Reviewed) 30 June 2011	Prior Period (Audited) 31 December 2010
Current Assets		**3.627.045.166**	**3.491.777.500**
Cash and cash equivalents	6	730.277.280	813.936.552
Financial assets	7	804.712.345	84.070.372
Trade receivables	10	898.891.245	577.622.814
Other receivables	11	820.016.561	1.649.525.777
Inventories	13	216.735.096	172.076.283
Other current assets	26	156.412.639	194.545.702
Non-current Assets		**9.795.066.830**	**7.157.108.485**
Other receivables	11	501.649.008	214.636.988
Financial assets	7	1.759.094	1.750.943
Investments accounted for using the equity method	16	222.233.192	193.562.028
Investment property	17	49.570.000	49.570.000
Tangible assets	18	8.726.319.586	6.443.437.235
Intangible assets	19	37.557.962	33.099.101
Other non-current assets	26	255.977.988	221.052.190
TOTAL ASSETS		**13.422.111.996**	**10.648.885.985**

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

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
AS OF 30 JUNE 2011
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

LIABILITIES	Notes	Current Period (Reviewed) 30 June 2011	Prior Period (Audited) 31 December 2010
Current Liabilities		**3.731.453.828**	**2.540.819.554**
Financial debt	8	672.071.774	493.120.594
Other financial liabilities	9	84.743.475	63.750.323
Trade payables	10	901.891.741	735.874.026
Other payables	11	207.630.279	162.798.563
Current tax liabilities	35	7.094.723	-
Provisions	22	23.838.298	20.480.602
Employee benefit obligations	24	115.545.501	102.214.757
Passenger flight liabilites	26	1.316.177.584	673.843.879
Other current liabilities	26	402.460.453	288.736.810
Non- current Liabilitites		**6.470.637.512**	**4.360.659.447**
Financial debt	8	5.932.874.152	3.684.958.785
Other payables	11	11.291.838	9.831.914
Provision for retirement pay liability	24	187.682.204	170.505.529
Deferred tax liability	35	285.822.529	435.385.525
Other non- current liabilities	26	52.966.789	59.977.694
SHAREHOLDERS' EQUITY			
Equity Attributable to Shareholders of Parent		**3.220.020.656**	**3.747.406.984**
Share capital	27	1.000.000.000	1.000.000.000
Inflation difference on shareholders' equity	27	1.123.808.032	1.123.808.032
Restricted profit reserves	27	39.326.341	39.326.341
Differences from currency translation	27	8.936.307	3.589.635
Cash flow hedge fund (-)	27	26.262.845	15.383.772
Retained earnings	27	1.565.299.204	1.278.855.843
Net profit/(loss) for the period	27	(543.612.073)	286.443.361
TOTAL LIABILITIES		**13.422.111.996**	**10.648.885.985**

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

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2011
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Notes	Current Period (Reviewed) 1 January- 30 June 2011	Current Period (Reviewed) 1 April- 30 June 2011	Restated Prior Period (Reviewed) 1 January- 30 June 2010	Restated Prior Period (Reviewed) 1 April- 30 June 2010
Sales revenue	28	4.904.799.590	2.795.864.621	3.743.404.536	2.088.331.502
Cost of sales (-)	28	(4.395.131.488)	(2.406.210.074)	(3.015.481.528)	(1.587.085.949)
GROSS PROFIT		**509.668.102**	**389.654.547**	**727.923.008**	**501.245.553**
Marketing, sales and distribution expenses (-)	29	(620.881.903)	(331.680.055)	(455.420.705)	(239.584.857)
Administrative expenses (-)	29	(185.601.576)	(74.505.178)	(150.689.742)	(74.965.559)
Other operating income	31	67.743.755	32.774.470	76.874.821	1.698.360
Other operating expenses (-)	31	(37.079.108)	(22.690.552)	(219.485.795)	(214.889.074)
OPERATING LOSS		**(266.150.730)**	**(6.446.768)**	**(20.798.413)**	**(26.495.577)**
Share of investments' profit/ (loss) accounted for using the equity method	16	(9.879.323)	(210.994)	(31.551.395)	(7.026.644)
Financial income	32	180.615.808	146.172.605	426.785.861	276.146.275
Financial expenses (-)	33	(590.190.045)	(423.320.177)	(77.804.586)	(34.854.139)
(LOSS) / PROFIT BEFORE TAX		**(685.604.290)**	**(283.805.334)**	**296.631.467**	**207.769.915**
Tax income / (expense)		**141.992.217**	**63.219.150**	**(65.331.310)**	**(42.079.058)**
Current tax expense (-)	35	(10.290.547)	(7.066.565)	(45.758.058)	(41.244.924)
Deferred tax income / (expense)	35	152.282.764	70.285.715	(19.573.252)	(834.134)
(LOSS) / PROFIT FOR THE YEAR		**(543.612.073)**	**(220.586.184)**	**231.300.157**	**165.690.857**
OTHER COMPREHENSIVE INCOME / (EXPENSE)					
Differences from currency translation		5.346.672	3.588.663	(5.026.470)	(3.855.918)
Cash flow hedge fund		13.598.841	(51.523.383)	(27.634.401)	(25.348.575)
Tax income on items in other comprehensive income		(2.719.768)	10.304.677	5.526.880	5.069.717
OTHER COMPREHENSIVE INCOME/(LOSS) (AFTER TAX)		16.225.745	(37.630.043)	(27.133.991)	(24.134.776)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE		(527.386.328)	(258.216.227)	204.166.166	141.556.081
(Loss) / Earnings per share (Kr)	36	(0,54)	(0,22)	0,23	0,17

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

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGE IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2011

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

	Notes	Issued capital	Inflation difference on shareholders' equity	Restricted profit reserves	Differences from currency translation	Cash flow hedge fund	Net profit/loss for the period	Retained earnings	Total shareholders' equity
As of 31 December 2009		875.000.000	1.123.808.032	22.686.727	4.641.339	(1.751.329)	559.076.280	861.419.177	3.444.880.226
Transfer of previous years' profit to capital reserves	27	-	-	16.639.614	-	-	(16.639.614)	-	-
Capital increase	27	125.000.000	-	-	-	-	(125.000.000)	-	-
Transfer of previous years' profit to retained earnings	27	-	-	-	-	-	(417.436.666)	417.436.666	-
Total comprehensive income/(loss) for the period		-	-	-	(5.026.470)	(22.107.521)	231.300.157	-	204.166.166
As of 30 June 2010		1.000.000.000	1.123.808.032	39.326.341	(385.131)	(23.858.850)	231.300.157	1.278.855.843	3.649.046.392
As of 31 December 2010		1.000.000.000	1.123.808.032	39.326.341	3.589.635	15.383.772	286.443.361	1.278.855.843	3.747.406.984
Transfer of previous years' profit to retained earnings	27	-	-	-	-	-	(286.443.361)	286.443.361	-
Total comprehensive income for the period		-	-	-	5.346.672	10.879.073	(543.612.073)	-	(527.386.328)
As of 30 June 2011		1.000.000.000	1.123.808.032	39.326.341	8.936.307	26.262.845	(543.612.073)	1.565.299.204	3.220.020.656

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

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2011

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

CASH FLOW FROM OPERATING ACTIVITIES	Notes	Current Period 1 January- 30 June 2011	Restated Prior Period 1 January- 30 June 2010
Net profit before taxes		(685.604.290)	296.631.467
Adjustments to obtain net cash flow generated from operating activities:			
Depreciation and amortization	18-19	330.658.559	220.609.932
Provision for retirement pay liability	24	30.463.918	16.914.760
Provisions, net	22	3.357.696	1.171.104
Interest income	32	(37.900.974)	(26.903.389)
Gain on sales of fixed assets	31	(9.740)	(37.444.958)
Decrease in provision for impairment	18	-	(43.854.123)
Loss/(profit) on equity investments accounted for using the equity method	16	9.879.323	31.551.395
Interest expense on finance leases	33	82.259.678	65.387.666
Change in manufacturers' credit	26	(456.798)	(491.329)
Unrealized foreign exchange gain / (loss) on finance leases	32,33	499.157.093	(137.993.041)
Increase/(decrease) in provision for doubtful receivables	10	21.829.544	20.515.502
Change in fair value of derivative instruments	32-33	(9.018.439)	1.488.405
Operating profit before working capital changes		**244.615.570**	**407.583.391**
Increase in trade receivables		(343.097.975)	(192.456.680)
Increase in other short and long term receivables		(129.951.840)	(2.068.230)
Increase / (decrease) in inventories	13	(44.658.813)	(6.249.459)
Increase / (decrease) in other current assets	26	38.133.063	18.451.061
Increase / (decrease) in other non-current assets	26	(34.925.798)	(140.548.823)
Increase / (decrease) in trade payables	10	166.017.715	54.343.165
Increase / (decrease) in other short-term and long-term payables	11	46.291.640	3.462.468
Increase / (decrease) in other short and long term liabilities		101.519.536	77.649.843
Increase / (decrease) in short-term employee benefits	24	13.330.744	106.824.914
Increase / (decrease) in passenger flight liabilities	26	642.333.705	396.563.467
Cash flow from operating activities		**699.607.547**	**723.555.117**
Payment of retirement pay liability	24	(13.287.243)	(6.171.911)
Interest paid		(78.319.744)	(69.625.698)
Tax payments		(3.195.824)	(11.894.212)
Net cash flow from operating activities		**604.804.736**	**635.863.296**
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of tangible and intangible fixed assets	18-19-31	5.544.634	63.448.498
Interest received		41.254.864	35.288.486
Purchase of of tangible and intangible fixed assets (*)	18-19	(417.515.015)	(131.934.419)
Prepayments for the purchase of aircrafts	11	672.449.036	(1.034.523.473)
Increase/ (decrease) in financial investments	7	(680.674.271)	168.996.190
Cash outflow resulting from purchase of joint ventures		(27.553.815)	(57.016.921)
Dividend received		-	2.500.000
Net cash used in investing activities		**(406.494.567)**	**(953.241.639)**
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of principal in finance lease liabilitites		(275.114.298)	(185.040.976)
(Decrease)/increase in financial borrowings		(7.135.832)	3.680.592
Increase/(decrease) in other financial liabilities	9	280.689	33.408.681
Net cash used in financing activities		**(281.969.441)**	**(147.951.703)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(83.659.272)**	**(465.330.046)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**813.936.552**	**1.096.111.869**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**730.277.280**	**630.781.823**

(*) TL 2.206.019.650 portion of tangible and intangible assets purchases in total of TL 2.623.534.665 for the six month period ended 30 June 2011 was financed through finance leases. (31 December 2010: There are no tangible or intangible asset purchases which were financed through finance leases.)

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

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

1. COMPANY ORGANIZATION AND ITS OPERATIONS

Türk Hava Yolları Anonim Ortaklığı ("the Company" or "THY") was incorporated in Turkey in 1933. As of 30 June 2011 and 31 December 2010, the shareholders and their respective shareholdings in the Company are as follows:

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

The total number of employees working for the Company and its subsidiaries (together the "Group") as of 30 June 2011 is 18.188. (30 June 2010: 15.937). The average number of employees working for the Group for the six month interim periods ended 30 June 2011 and 2010 are 17.543 and 15.487, respectively. The Company is registered in İstanbul, Turkey and its head office address is as follows:

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

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

Subsidiaries of the Company are THY Teknik A.Ş., Uçak Koltuk Üretimi Sanayi ve Ticaret A.Ş. and HABOM Havacılık Bakım Onarım ve Modifikasyon Merkezi A.Ş. Uçak Koltuk Üretimi Sanayi ve Ticaret A.Ş. is submitted on 27 May 2011 and HABOM Havacılık Bakım Onarım ve Modifikasyon Merkezi A.Ş. is submitted on 17 June 2011 and both firms are inactive yet.

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

Air Transport ("Aviation")

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

Technical Maintenance Services ("Technical")

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

Approval of Financial Statements

Board of Directors has approved the consolidated financial statements as of 30 June 2011 and delegated authority for publishing it on 26 August 2011. General shareholders' meeting has the authority to modify the financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Basis of Preparation for Financial Statements and Significant Accounting Policies

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

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

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

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

Currency Used In Financial Statements

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

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

2.1 Basis of Presentation (cont'd)

Adjustment of Financial Statements in Hyperinflationary Periods

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

Comparative Information and Restatement of Prior Period Financial Statements

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

The restatements made to the consolidated financial statements as of 30 June and 31 March 2010:

For the financial statements as of 31 December 2010, the Group has reviewed its aircraft depreciation policy applied for its direct acquisitions or acquisitions through finance leases and has classified the cost of aircrafts into three parts, by considering the renewal of significant parts of the aircrafts identified during the major maintenance and overhaul of aircraft fuselage and engine; fuselage, fuselage overhaul; and engine and engine overhaul. The Group also has decided to depreciate its fuselage overhaul and engine overhaul parts over the shorter of the next overhaul's remaining period or the remaining period of the aircraft's useful life and to be capitalized subsequent to fuselage and engine overhauls for the depreciation over the shorter of the next overhaul period or the remaining period of the aircraft's useful life. As of 30 June 2011, the Group has restated its consolidated statement of comprehensive income for the six month period ended 30 June 2010 presented for comparison purposes, in accordance with the change in policy for the year 2010. Following the restatements, depreciation charge recognized under cost of sales has increased by TL 36.738.665, maintenance costs has decreased by TL 36.163.423, other operating expenses recognized under impairment loss of property, plant and equipment has increased by TL 58.130.223, deferred tax charge decreased by TL 11.741.093 and profit for the period decreased by TL 46.964.372. As a consequence of this change, earnings per share for the six month period ended 30 June 2010 decreased by TL 0,05.

With respect to the matter explained above, for the financial statements as of 30 June 2011, the restatements made to the financial statements as of 31 March 2010 were also reviewed and to be comparative with 31 March 2011 financials, other operating expenses recognized under impairment loss of property, plant and equipment has increased by TL 67.498.319 for the three month period ended 31 March 2010, deferred tax charge decreased by TL 13.499.664 and profit for the period decreased by TL 53.998.655. As a consequence of this change, earnings per share for the three month period ended 31 March 2010 decreased by TL 0,05.

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

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

2.1 Basis of Presentation (cont'd)

Comparative Information and Restatement of Prior Period Financial Statements (cont'd)

The restatements made to the financial statements as of 31 March 2011 during the preparation of 30 June 2011 financials:

As explained in detail in Note 2.7, within the context of the aircraft investments of the Group, TL 9.265.796 of investment assistance corresponding to the three month period ended 31 March 2011has been restated in the financial statements in accordance with the method of accounting of the investment assistance based on the Counsel of Ministers' resolution about the government assistance in investments. As a consequence of this change, earnings per share for the six month period ended 31 March 2011 increased by TL 0,01.

Basis of the Consolidation

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

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

The table below sets out the consolidated Subsidiaries and participation rate of the Group in these subsidiaries as of 30 June 2011:

		Participation Rate		
Name of the Company	Principal Activity	30 June 2011	31 December 2010	Country of Registration
THY Teknik A.Ş.	Aircraft Maintenance Services	100%	100%	Turkey
Uçak Koltuk Üretimi San ve Tic. A.Ş.	Aircraft Seat Production	100%	-	Turkey
HABOM Havacılık Bakım Onarım ve Mod. Merkezi A.Ş.	Aircraft Maintenance Services	100%	-	Turkey

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

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

2.1 Basis of Presentation (cont'd)

Basis of the Consolidation (cont'd)

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

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

The table below sets out consolidated affiliates and indicates the proportion of ownership interest of the Company in these affiliates as of 30 June 2011:

Company name	Country of registration and operation	Ownership Share (*)	Voting Power (*)	Principle Activity
Güneş Ekspres Havacılık A.Ş. (Sun Express) (*)	Turkey	50%	50%	Air transportation
THY DO&CO İkram Hizmetleri A.Ş. (Turkish DO&CO) (*)	Turkey	50%	50%	Catering services
P&W T.T. Uçak Bakım Merkezi Ltd. Şti. (TEC) (*)	Turkey	49%	49%	Maintenance services
Bosnia Herzegovina Airlines (Air Bosna) (*)	Bosnia and Herzegovina	49%	49%	Air transportation
TGS Yer Hizmetleri A.Ş. (TGS) (*)	Turkey	50%	50%	Ground services
THY OPET Havacılık Yakıtları A.Ş. (THY Opet) (*)	Turkey	50%	50%	Aviation fuel
TCI Kabin İçi Sistemleri San ve Tic. A.Ş. (TCI)	Turkey	50%	50%	Cabin Interior Products
Goodrich Thy Teknik Servis Merkezi Ltd. Şti. (Goodrich)	Turkey	51%	51%	Maintenance services
Turkbine Teknik Gaz Türbinleri Bakım Onarım A.Ş. (Turkbine Teknik)	Turkey	40%	40%	Maintenance services

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

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

2.2 Changes in Accounting Policies

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

2.3 Offsetting

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

2.4 New and Revised International Financial Reporting Standards

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

None.

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

None.

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

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

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

Amendments to *IFRS 7 Financial Instruments: Disclosures* (as part of Improvements to IFRSs issued in 2010)

The amendment encourages qualitative disclosures in the context of the quantitative disclosure required to help users to form an overall picture of the nature and extent of risks arising from financial instruments. The amendment also clarifies the required level of disclosure around credit risk and collateral held and provides relief from disclosure of renegotiated loans.

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

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

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

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

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

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

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

IFRS 1 (Amendments) ***First-time Adoption of IFRS – Additional Exemptions***

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

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

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

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

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. IFRIC 19 addresses only the accounting by the entity that issues equity instruments in order to settle, in full or part, a financial liability.

Annual Improvements May 2010

Further to the above amendments and revised standards, the IASB has issued Annual Improvements to IFRSs in May 2010 that cover 5 main standards/intepretations as follow: IFRS 1 *First-time Adoption of International Financial Reporting Standards*; IFRS 3 *Business Combinations;* IAS 27 *Consolidated and Separate Financial Statements*; IAS 34 *Interim Financial Reporting* and IFRIC 13 *Customer Loyalty Programmes*. With the exception of amendments to IFRS 3 and IAS 27 which are effective on or after 1 July 2010, all other amendments are effective on or after 1 January 2011.

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

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

(d) New and Revised IFRSs in issue but not yet effective

IFRS 1 (amendments) ***First-time Adoption of IFRS – Two Amendments***

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

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

IFRS 7 "*Financial Instruments: Disclosures*"

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

IFRS 9 '*Financial Instruments: Classification and Measurement*'

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

IAS 12 "*Income Taxes*"

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

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

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

(d) New and Revised IFRSs in issue but not yet effective (cont'd)

IFRS 10 "Consolidated Financial Statements"

IFRS 10 replaces the consolidation guidance in IAS 27 "Consolidated and Separate Financial Statements" and IFRIC 12 "Consolidation — Special Purpose Entities" by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities).

Under IFRS 10, control is based on whether an investor has 1) power over the investee; 2) exposure, or rights, to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to affect the amount of the returns. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

IFRS 11 "*Joint Arrangements*"

IFRS 11 introduces new accounting requirements for joint arrangements, replacing IAS 31 "Interests in Joint Ventures". The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed. Additionally, IFRS 11 eliminates jointly controlled assets to now only differentiate between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

IFRS 12 "Disclosure of Interest In Other Entities"

IFRS 12 requires extensive disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. An entity is required to disclose information that helps users of its financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on its financial statements. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

IAS 27 "Separate Financial Statements (2011)"

The requirements relating to separate financial statements are unchanged and are included in the amended IAS 27. The other portions of IAS 27 are replaced by IFRS 10.

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

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

(d) New and Revised IFRSs in issue but not yet effective (cont'd)

IAS 28 "Investments in Associates and Joint Ventures (2011)"

IAS 28 is amended for conforming changes based on the issuance of IFRS 10, IFRS 11 and IFRS 12.

IFRS 13 "Fair Value Measurements"

On 12 May 2011, IASB issued IFRS 13 *Fair Value Measurement*, which establishes a single source of guidance for fair value measurement under IFRSs. IFRS 13 defines fair value, provides guidance on its determination and introduces consistent requirements for discloures on fair value measurements. The Standard does not include requirements on when fair value measurements is required; it prescribes how fair value is to be measured if another Standard requires it. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

IAS 1 ***Presentation of Financial Statements (2011) – Presentation of Items of Other Comprehensive Income***

The amendments to IAS 1 provides guidance on the presentation of items contained in other comprehensive income (OCI) and their classification within OCI. The new standard is mandatory for annual periods beginning on or after 1 July 2012. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

IAS 19 ***Employee Benefits (2011) (the "amendments")***

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

2.5 Summary of Significant Accounting Policies

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.1 Revenue

Rendering of services:

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

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

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

Dividend and interest income:

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

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

2.5.2 Inventories

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

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

2.5.3 Tangible Assets

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

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.3 Tangible Assets (cont'd)

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

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

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

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

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.4 Leasing Transactions

Leasing - the Group as the lessee

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

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

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

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

2.5.5 Intangible Assets

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

2.5.6 Impairment on Assets

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.6 Impairment on Assets (cont'd)

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

Group determined aircrafts, spare engines and simulators together ("Aircrafts") as lower-line cash generating unit subject to impairment and impairment calculation was performed for Aircrafts collectively. In the examination of whether net book values of aircrafts, spare engines and simulators exceed their recoverable amounts, the higher value between value in use and sale expenses deducted net selling prices in US Dollars is used for determination of recoverable amounts. Net selling price for the aircrafts is determined according to second hand prices in international price guides. Price guides are revised for two times in a year, changes in price guides are reflected to the consolidated financial statements prepared at June and December.

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

2.5.7 Borrowing Costs

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

2.5.8 Financial Instruments

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

a) Financial assets

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.8 Financial Instruments (cont'd)

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.

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.8 Financial Instruments (cont'd)

a) Financial assets (cont'd)

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

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

Cash and cash equivalents

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

b) Financial liabilities

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

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

Financial liabilities at fair value through profit or loss

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.8 Financial Instruments (cont'd)

b) Financial liabilities (cont'd)

Other financial liabilities

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

Derivative financial instruments and hedge accounting

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

The major source of interest rate risk is finance lease liabilities. The Group's policy is to convert some financial liabilities with fixed interest rates into financial liabilities with variable interest rates, and some financial liabilities denominated in EUR into financial liabilities denominated in USD. The derivative financial instruments obtained for this purpose are not subject to hedge accounting and profit/loss arising from the changes in the fair values of those instruments is directly accounted in the income statement. The Group converted some of the floating-rate loans into fixed-rate loans through derivative financial instruments.

Also, the Group began to obtain derivative financial instruments to hedge against jet fuel price risks beginning from 2009. The 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 the Group policy which is written principles approved by the Board of Directors and compliant with the risk management strategy.

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

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

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.9 Foreign Currency Transactions

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

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

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

	Closing Rate	Average Rate
Period ended 30 June 2011	1,6302	1,5641
Year ended 31 December 2010	1,5460	1,4990
Period ended 30 June 2010	1,5747	1,5163
Year ended 31 December 2009	1,5057	1,5457

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

	Closing Rate	Average Rate
Period ended 30 June 2011	2,3492	2,1949
Year ended 31 December 2010	2,0491	1,9886
Period ended 30 June 2010	1,9217	2,0158
Year ended 31 December 2009	2,1603	2,1508

2.5.10 Earnings per Share

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

2.5.11 Events Subsequent to the Balance Sheet Date

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.12 Provisions, Contingent Liabilities, Contingent Assets

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

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

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

Onerous Contracts

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

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

2.5.13 Segmental Information

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

2.5.14 Investment Property

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

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

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.15 Taxation and Deferred Tax

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

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

Current tax

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

Deferred Tax

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

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

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

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.15 Taxation and Deferred Tax (cont'd)

Deferred Tax (cont'd)

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

Current and deferred tax for the period

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

2.5.16 Employee Benefits / Retirement Pay Provision

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

2.5.17 Statement of Cash flows

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

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

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

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.18 Share Capital and Dividends

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

2.5.19 Manufacturers' Credits

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

2.5.20 Maintenance and Repair Costs

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

2.5.21 Frequent Flyer Program

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

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

2.6 Changes and Errors in Accounting Estimates

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

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

2.7 Important Accounting Estimates and Assumptions

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

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

2.7 Important Accounting Estimates and Assumptions (Cont'd)

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

The Determination of Impairment on Long Term Assets:

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

Calculation of the Liability for Frequent Flyer Program:

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

Useful Lives and Salvage Values of Tangible Assets:

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

Deferred Tax:

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

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

2.7 Important Accounting Estimates and Assumptions (Cont'd)

Corporate Tax Law 32/A and the effects of Resolution issued on "Government Assistance for Investments" by the Council of Ministers

A new incentive standard that reconstitutes government assistance for investments has been developed with the addition to the clause 32/A of the Corporate Tax Law to be effective from 28 February 2009 with the 9^{th} article of the 5838 numbered Law in order to support investments through taxes on income. The new investment system becomes effective upon the issuance of the Council of Ministers' resolution "Government Assistance for Investments" No:2009/15199 on 14 July 2009. Apart from the previous "investment incentive" application, which provides the deduction of certain portion of investment expenditures against corporate tax base, the new support system aims to provide incentive support to companies by deducting "contribution amount", which is calculated by applying the "contribution rate" prescribed in the Council of Ministers' resolution over the related investment expenditure, against the corporate tax imposed on the related investment to the extent the amount reaches to the corresponding "contribution amount".

The Group has obtained an Incentive Certificate dated 28 December 2010 and numbered 99256 from Turkish Treasury. For the related 89 aircrafts, 20% of investment assistance and 50% of reduction in the corporate tax rate will be used. The contribution amount that will be deducted from the corporate tax calculated over the earnings arising from the related investment, which will be used in the following years for the aircrafts delivered as of 30 June 2011 is TL 877.122.013.

There is no clear guidance in regards to the accounting for government tax incentives on investments in IAS 12 "Income Tax" and IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance". Since "contribution amount" exemption as explained in the new investment support system depends on the earnings from the related investment and the recovery of the related asset and utilization of contribution amount will be over many years, the Group management considers that the accounting for the related investment assistance will be more appropriate if the grant is classified as deferred income which is recognized as income on a systematic and rational basis over the useful life of the related assets, as explained in the paragraphs 24 and 26 of IAS 20.

As for the reasons mentioned above, as of 30 June 2011, the Group recognized TL 18,765.805 of the related contribution amount as other income in the accompanying comprehensive income statement and the investment assistance receivable in the long-term other assets based on the passage of time since the related aircraft entered into service.

3. BUSINESS COMBINATIONS

None.

4. JOINT VENTURES

See Note 16.

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

5. SEGMENTAL REPORTING

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

5.1 Total Assets and Liabilities

Total Assets	30 June 2011	31 December 2010
Aviation	13.309.682.665	10.539.002.128
Technic	854.801.851	775.767.109
Total	14.164.484.516	11.314.769.237
Less: Eliminations due to consolidation	(742.372.520)	(665.883.252)
Total assets in consolidated financial statements	13.422.111.996	10.648.885.985

Total Liabilitites	30 June 2011	31 December 2010
Aviation	10.089.662.007	6.791.595.144
Technic	169.800.087	192.513.058
Total	10.259.462.094	6.984.108.202
Less: Eliminations due to consolidation	(57.370.754)	(82.629.201)
Total liabilitites in consolidated financial statements	10.202.091.340	6.901.479.001

5.2 Net Operating Profit / (Loss)

Segment Results:

1 January 2011- 30 June 2011	Aviation	Technic	Inter-segment elimination	Total
Sales to external customers	4.805.621.816	99.177.774	-	4.904.799.590
Inter-segment sales	28.677.303	312.699.538	(341.376.841)	-
Segment revenue	4.834.299.119	411.877.312	(341.376.841)	4.904.799.590
Cost of sales	(4.410.674.058)	(325.322.646)	340.865.216	(4.395.131.488)
Gross profit / (loss)	423.625.061	86.554.666	(511.625)	509.668.102
Marketing, sales and distribution expenses	(616.764.506)	(4.249.219)	131.822	(620.881.903)
Administrative expenses	(154.481.748)	(32.999.067)	1.879.239	(185.601.576)
Other operating income	61.134.403	7.148.500	(539.148)	67.743.755
Other operating expense	(24.071.115)	(13.547.141)	539.148	(37.079.108)
Operating profit / (loss)	(310.557.905)	42.907.739	1.499.436	(266.150.730)
Share of investment profit/ (loss) accounted for using the equity method	1.037.846	(10.917.169)	-	(9.879.323)
Financial income	140.607.588	41.507.656	(1.499.436)	180.615.808
Financial loss	(554.849.463)	(35.340.582)	-	(590.190.045)
Profit / (loss) before tax	(723.761.934)	38.157.644	-	(685.604.290)

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

5. SEGMENTAL REPORTING (cont'd)

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

1 January 2010- 30 June 2010	Aviation	Technic	Inter-segment elimination	Total
Sales to external customers	3.659.581.407	83.823.129	-	3.743.404.536
Inter-segment sales	21.564.849	243.280.964	(264.845.813)	-
Segment revenue	3.681.146.256	327.104.093	(264.845.813)	3.743.404.536
Cost of sales	(3.017.648.645)	(260.965.828)	263.132.945	(3.015.481.528)
Gross profit / (loss)	663.497.611	66.138.265	(1.712.868)	727.923.008
Marketing, sales and distribution expenses	(452.537.595)	(3.057.771)	174.661	(455.420.705)
Administrative expenses	(128.150.009)	(24.503.990)	1.964.257	(150.689.742)
Other operating income	58.707.336	19.268.511	(1.101.026)	76.874.821
Other operating expense	(196.832.889)	(23.327.882)	674.976	(219.485.795)
Operating profit / (loss)	(55.315.546)	34.517.133	-	(20.798.413)
Share of investment profit/ (loss) accounted for using the equity method	(23.793.011)	(7.758.384)	-	(31.551.395)
Financial income	417.989.982	8.795.879	-	426.785.861
Financial loss	(76.945.265)	(859.321)	-	(77.804.586)
Profit before tax	261.936.160	34.695.307	-	296.631.467

Income statement items related to impairment of tangible fixed assets

1 January -30 June 2011	Aviation	Technic	Inter-segment elimination	Total
Real decrease on tangible fixed asset impairment provision (Loss from other operations)	-	-	-	-
Decrease on tangible fixed asset impairment provision due to exchange rate changes (Financial expense)		-	-	-

1 January-30 June 2010	Aviation	Technic	Inter-segment elimination	Total
Real decrease on tangible fixed asset impairment provision (Loss from other operations)	(138.734.086)	-	-	(138.734.086)
Decrease on tangible fixed asset impairment provision due to exchange rate changes (Financial expense)	182.588.209	-	-	182.588.209

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

5. SEGMENTAL REPORTING (cont'd)

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

Income statement items related to investments accounted for equity method

1 January-30 June 2011	Aviation	Technic	Inter-segment elimination	Total
Share of investment profit/ (loss) accounted for using the equity method	1.037.846	(10.917.169)	-	(9.879.323)

1 January-30 June 2010	Aviation	Technic	Inter-segment elimination	Total
Share of investment profit/ (loss) accounted for using the equity method	(23.793.011)	(7.758.384)	-	(31.551.395)

5.3 Investment Operations

1 January-30 June 2011	Aviation	Technic	Inter-segment elimination	Total
Purchase of of tangible and intangible fixed assets	2.531.962.485	91.572.180	-	2.623.534.665
Current period amortization and depreciation	299.766.133	30.892.426	-	330.658.559
Investmensts accounted for using the equity method	153.994.374	68.238.818	-	222.233.192

1 January-30 June 2010	Aviation	Technic	Inter-segment elimination	Total
Purchase of of tangible and intangible fixed assets	123.279.854	8.654.565	-	131.934.419
Current period amortization and depreciation	190.932.412	29.677.520	-	220.609.932
Investmensts accounted for using the equity method	114.764.779	55.226.833	-	169.991.612

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

6. CASH AND CASH EQUIVALENTS

	30 June 2011	31 December 2010
Cash	1.781.812	728.092
Cheques Receivable	-	32.002
Banks – Time deposits	502.036.145	686.094.724
Banks – Demand deposits	182.607.364	92.757.084
Other liquid assets	43.851.959	34.324.650
	730.277.280	813.936.552

Time Deposits:

Amount	Currency	Interest Rate	Maturity	30 June 2011
146.220.000	TL	5,85% - 11,00%	September 2011	146.964.720
20.000.000	EUR	3,83% - 4,65%	September 2011	47.288.693
188.436.269	USD	2,50% - 5,00%	September 2011	307.782.732
				502.036.145

Amount	Currency	Interest Rate	Maturity	31 December 2010
194.300.000	TL	8,03% - 9,45%	February 2011	195.646.658
41.490.000	EUR	3,25% - 3,60%	March 2011	85.094.255
261.895.582	USD	3,06% - 3,60%	March 2011	405.353.811
				686.094.724

7. FINANCIAL ASSETS

Short-term financial assets are as follows:

	30 June 2011	31 December 2010
Time deposits with maturity more than 3 months	680.666.120	-
Derivative instruments at fair values (Note 39)	124.046.225	84.070.372
	804.712.345	84.070.372

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

7. FINANCIAL ASSETS (cont'd)

Time deposits with maturity of more than 3 months:

Amount	Currency	Interest Rate	Maturity	30 June 2011
281.250.000	TL	8,50% - 10,70%	February 2012	281.250.000
10.000.000	EUR	3,95%	December 2011	23.492.000
230.600.000	USD	4,31% - 5,00%	March 2012	375.924.120
				680.666.120

Long-term financial assets are as follows:

	30 June 2011	31 December 2010
Sita Inc.	1.679.619	1.679.619
Star Alliance GMBH	44.465	44.465
Emek İnşaat ve İşletme A.Ş.	26.859	26.859
UATP Inc.	8.151	-
	1.759.094	1.750.943

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

Details of the long-term financial assets of the Group at 30 June 2011 are as follows:

Company name	Country of registration and operation	Ownership Share	Voting Right	Principle Activity
Sita Inc.	Netherlands	Less than 0,1%	Less than 0,1%	Information& Telecommunication Services
Star Alliance Gmbh	Germany	5,55%	5,55%	Coordination Between Star Alliance Member Airlines
Emek İnşaat ve İşletme A.Ş.	Turkey	0,3%	0,3%	Construction
UATP Inc.	USA	4%	4%	Payment Intermediation Between the Passenger and the Airline

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

8. FINANCIAL BORROWINGS

Short-term financial borrowings are as follows:

	30 June 2011	31 December 2010
Bank loans	664.326.559	478.423.865
Finance lease obligations	7.745.215	14.696.729
	672.071.774	493.120.594

The details of short-term part of long-term bank loans as of 30 June 2011 and 31 December 2010 are as follows:

30 June 2011

Maturity	Interest Rate	Currency	Original Amount	Interest Accrual	TL
October 2011	Libor+3,50%	USD	4.711.364	39.719	7.745.215

31 December 2010

Maturity	Interest Rate	Currency	Original Amount	Interest Accrual	TL
October 2011	Libor+3,50%	USD	9.422.728	83.565	14.696.729

Long-term financial borrowings are as follows:

	30 June 2011	31 December 2010
Finance lease obligations	5.932.874.152	3.684.958.785
	5.932.874.152	3.684.958.785

Financial lease obligations are as follows:

	30 June 2011	31 December 2010
Less than 1 year	808.251.150	574.170.632
Between 1 – 5 years	2.943.094.282	1.904.550.140
Over 5 years	3.784.010.610	2.205.369.454
	7.535.356.042	4.684.090.226
Less: Future interest expenses	(938.155.331)	(520.707.576)
Principal value of future rentals stated in financial statements	6.597.200.711	4.163.382.650
Interest Range:		
Floating rate obligations	2.983.559.678	1.956.645.410
Fixed rate obligations	3.613.641.033	2.206.737.240
	6.597.200.711	4.163.382.650

As of 30 June 2011, the US Dollars and Euro denominated lease obligations' weighted average interest rates are 4,47% (31 December 2010: 4,52%) for the fixed rate obligations and 0,62% (31 December 2010: 0,66%) for the floating rate obligations.

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

9. OTHER FINANCIAL LIABILITIES

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

	30 June 2011	31 December 2010
Fair value of derivative instruments (Note 39)	83.345.099	62.632.636
Borrowings to banks	1.398.376	1.117.687
	84.743.475	63.750.323

Borrowings 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:

	30 June 2011	31 December 2010
Trade receivables	971.203.861	613.963.860
Due from related parties (Note 37)	14.771.015	31.289.397
Allowance for doubtful receivables	(87.083.631)	(67.630.443)
	898.891.245	577.622.814

The Group provided provision for the receivables carried to legal proceedings and for the others by making historical statistical calculations. Movement of the doubtful receivables for the period ended 30 June 2011 and 2010 are as follows:

	1 January - 30 June 2011	1 January - 30 June 2010
Opening Balance	67.630.443	41.791.892
Charge for the period	21.829.544	20.515.502
Collections during the period	(2.758.934)	(3.803.729)
Foreign exchange loss	382.578	(263.407)
Closing Balance	87.083.631	58.205.318

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 2011	31 December 2010
Trade payables	786.755.593	672.370.479
Due from related parties (Note 37)	112.945.056	61.509.126
Other	2.191.092	1.994.421
	901.891.741	735.874.026

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

11. OTHER RECEIVABLES AND PAYABLES

Other short-term receivables are as follows:

	30 June 2011	31 December 2010
Prepayments made for aircrafts, to be received back in cash (net)	726.258.179	1.610.230.030
Restriction on transfer of funds from banks (*)	54.848.452	15.851.565
Receivables from training of captain candidates	21.733.038	9.382.173
Receivables from purchasing transactions abroad	9.249.393	7.813.311
Receivables from employees	2.502.029	1.321.982
Deposits and guarentees given	2.230.121	906.115
Receivables from foreign technical suppliers	1.691.279	1.656.654
Nontrading receivables from related parties (Note 37)	39.432	-
Other receivables	1.464.638	2.363.947
	820.016.561	1.649.525.777

(*) As of 30 June 2011, the balance of this account is related to bank balance in Taşkent and Şam.

Long-term other receivables are as follows:

	30 June 2011	31 December 2010
Prepayments made for aircrafts, to be received back in cash (net)	378.032.860	166.510.045
Receivables from purchasing transactions	58.925.262	7.306.887
Receivables from investment assistance	18.765.805	-
Interest swap agreement deposits	16.302.000	14.656.095
Receivables from employees	12.429.676	11.207.991
Deposits and guarantess given	7.954.912	6.234.707
Advance payments for operating leases	7.949.435	7.498.785
Receivables from Sita deposit certificates	1.289.058	1.222.478
	501.649.008	214.636.988

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

11. OTHER RECEIVABLES AND PAYABLES (cont'd)

Short-term other payables are as follows:

	30 June 2011	31 December 2010
Miscellaneous charge order advances	87.465.095	63.227.440
Taxes and funds payable	42.526.807	32.434.572
Social security premiums payable	42.094.906	32.540.402
Deposits and guarantees received	19.078.796	13.314.559
Payables to insurance companies	7.478.822	16.448.096
Charter advances	4.971.599	1.124.749
Other advances received	2.209.681	1.001.100
Other liabilities	1.804.573	2.707.645
	207.630.279	162.798.563

Long-term other payables are as follows:

	30 June 2011	31 December 2010
Deposits and guarantees received	11.291.838	9.831.914
	11.291.838	9.831.914

12. RECEIVABLES AND PAYABLES FROM FINANCIAL SECTOR OPERATIONS

None (31 December 2010: None).

13. INVENTORIES

	30 June 2011	31 December 2010
Spare parts	193.203.663	150.027.358
Other inventories	37.900.080	36.417.572
	231.103.743	186.444.930
Provision for impairment (-)	(14.368.647)	(14.368.647)
	216.735.096	172.076.283

There is no change in the diminution in value of inventories for the periods ended 30 June 2011 and 2010.

14. BIOLOGICAL ASSETS

None (31 December 2010: None).

15. ASSETS FROM CONSTRUCTION CONTRACTS IN PROGRESS

None (31 December 2010: None).

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

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	30 June 2011	**31 December 2010**
Sun Ekspress	4.568.019	23.360.765
Turkish DO&CO	53.283.486	46.516.347
TEC	64.491.318	53.692.268
TGS	65.131.486	56.501.684
THY Opet	29.886.383	13.490.964
TCI (*)	1.912.500	-
Goodrich (*)	2.960.000	-
Air Bosna	-	-
	222.233.192	193.562.028

(*) They did not start their operations as of 30 June 2011.

Financial information for Sun Express as of 30 June 2011 and 31 December 2010 are as follows:

	30 June 2011	**31 December 2010**
Total assets	707.236.057	574.856.563
Total liabilities	698.100.018	528.135.034
Shareholders'equity	9.136.039	46.721.529
Group's share in associate's shareholders' equity	4.568.019	23.360.765

	1 January - 30 June 2011	**1 April - 30 June 2011**	**1 January - 30 June 2010**	**1 April - 30 June 2010**
Revenue	578.040.086	383.132.522	373.634.902	234.207.723
Profit/ (loss) for the period	(41.509.004)	(10.488.054)	(44.113.456)	542.507
Group's share in profit/(loss) for the period	(20.754.502)	(5.244.027)	(22.056.728)	271.254

Financial information for THY DO&CO Catering Services as of 30 June 2011 and 31 December 2010 are as follows:

	30 June 2011	**31 December 2010**
Total assets	196.311.911	154.372.009
Total liabilities	89.744.939	61.339.316
Shareholders'equity	106.566.972	93.032.693
Group's share in associate's shareholders' equity	53.283.486	46.516.347

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

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

	1 January - 30 June 2011	1 April - 30 June 2011	1 January - 30 June 2010	1 April - 30 June 2010
Revenue	179.747.798	101.000.707	150.221.801	78.597.801
Profit/ (loss) for the period	13.534.278	10.965.385	11.827.620	8.170.434
Group's share in profit/(loss) for the period	6.767.139	5.482.692	5.913.810	4.085.217

Financial information for P&W T.T Uçak Bakım Merkezi Ltd. Şti as of 30 June 2011 and 31 December 2010 are as follows:

	30 June 2011	31 December 2010
Total assets	212.471.980	221.389.592
Total liabilities	80.857.046	111.813.535
Shareholders'equity	131.614.934	109.576.057
Group's share in associate's shareholders' equity	64.491.318	53.692.268

	1 January - 30 June 2011	1 April - 30 June 2011	1 January - 30 June 2010	1 April - 30 June 2010
Revenue	83.040.274	33.980.214	8.780.392	8.740.329
Profit/ (loss) for the period	(22.279.932)	(9.092.877)	(15.833.436)	(9.588.862)
Group's share in profit/(loss) for the period	(10.917.169)	(4.455.512)	(7.758.384)	(4.698.543)

Financial information for Bosnia and Herzegovina Airlines as of 30 June 2011 and 31 December 2010 are as follows:

	30 June 2011	31 December 2010
Total assets	62.387.908	50.735.303
Total liabilities	76.385.914	58.714.113
Shareholders'equity	(13.998.006)	(7.978.810)
Group's share in associate's shareholders' equity	-	-

	1 January - 30 June 2011	1 April - 30 June 2011	1 January - 30 June 2010	1 April - 30 June 2010
Revenue	18.892.486	12.319.796	16.425.089	11.552.517
Profit/ (loss) for the period	(4.422.058)	(2.934.610)	(3.329.167)	(779.189)
Group's share in profit/(loss) for the period	-	-	(1.631.293)	(381.803)

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

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

Financial information for TGS as of 30 June 2011 and 31 December 2010 are as follows:

	30 June 2011	31 December 2010
Total assets	186.393.212	199.967.385
Total liabilities	56.130.240	86.964.018
Shareholders'equity	130.262.972	113.003.367
Group's share in associate's shareholders' equity	65.131.486	56.501.684

	1 January - 30 June 2011	1 April - 30 June 2011	1 January - 30 June 2010	1 April - 30 June 2010
Revenue	139.311.012	74.115.938	58.511.241	32.515.937
Profit/ (loss) for the period	17.259.605	8.979.549	(9.247.350)	(10.651.876)
Group's share in profit/(loss) for the period	8.629.802	4.489.774	(4.623.675)	(5.325.938)

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

Financial information for THY Opet Havacılık Yakıtları A.Ş. as of 30 June 2011 and 31 December 2010 are as follows:

	30 June 2011	31 December 2010
Total assets	334.885.888	190.798.801
Total liabilities	275.113.147	163.816.873
Shareholders'equity	59.772.741	26.981.928
Group's share in associate's shareholders' equity	29.886.383	13.490.964

	1 January - 30 June 2011	1 April - 30 June 2011	1 January - 30 June 2010	1 April - 30 June 2010
Revenue	717.376.306	438.579.580	-	-
Profit/ (loss) for the period	12.790.813	(967.843)	(2.790.250)	(1.953.662)
Group's share in profit/ (loss) for the period	6.395.407	(483.921)	(1.395.125)	(976.831)

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

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

Details of investments accounted for using the equity method as of 30 June 2011 are as follows:

	1 January - 30 June 2011	1 April - 30 June 2011	1 January - 30 June 2010	1 April - 30 June 2010
Sun Ekspress	(20.754.502)	(5.244.027)	(22.056.728)	271.254
Turkish DO&CO	6.767.139	5.482.692	5.913.810	4.085.217
TEC	(10.917.169)	(4.455.512)	(7.758.384)	(4.698.543)
Air Bosna	-	-	(1.631.293)	(381.803)
TGS	8.629.802	4.489.774	(4.623.675)	(5.325.938)
THY Opet	6.395.407	(483.921)	(1.395.125)	(976.831)
Total	(9.879.323)	(210.994)	(31.551.395)	(7.026.644)

17. INVESTMENT PROPERTY

	1 January - 30 June 2011	1 January - 30 June 2010
Opening balance, 1 January	49.570.000	48.810.000
Additions	-	-
Loss due to the change in fair value	-	-
Closing balance, 30 June	49.570.000	48.810.000

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

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

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

18. TANGIBLEASSETS

	Land improvements and buildings	Technical equipments, simulators and vehicles	Other equipments, fixtures	Aircraft and spare engines	Components and repairable spare parts	Leasehold improvements	Construction in Progress	Aircrafts acquired by leasing	Total
Cost									
Opening balance at 1 January 2011	155.789.647	277.141.423	183.217.670	3.094.923.760	327.545.636	58.093.484	73.716.650	6.370.945.985	10.541.374.255
Additions	892.239	28.797.439	11.677.129	56.378.825	41.528.055	2.780.507	50.519.300	2.423.405.502	2.615.978.996
Disposals	-	(5.502.295)	(2.843.056)	(4.993.219)	(12.298.707)	(308.860)	-	(12.758.265)	(38.704.402)
Transfers	-	-	-	546.913.532	-	609.646	(1.690.536)	(545.832.642)	-
Closing balance at 30 June 2011	156.681.886	300.436.567	192.051.743	3.693.222.898	356.774.984	61.174.777	122.545.414	8.235.760.580	13.118.648.849
Accumulated depreciation									
Opening balance at 1 January 2011	50.832.184	188.335.346	135.063.853	1.915.884.125	152.551.380	35.075.428	-	1.620.194.704	4.097.937.020
Depreciation charge for the period	1.363.999	7.029.275	8.846.741	84.727.859	25.187.933	5.593.700	-	194.812.244	327.561.751
Disposals	-	(3.869.805)	(2.348.338)	(4.993.219)	(9.120.322)	(79.559)	-	(12.758.265)	(33.169.508)
Transfers	-	-	-	306.317.717	-	-	-	(306.317.717)	-
Real increase/(decrease) at impairment	-	-	-	-	-	-	-	-	-
Impairment, increase/(decrease) due to exchange rate changes	-	-	-	-	-	-	-	-	-
Closing balance 30 June 2011	52.196.183	191.494.816	141.562.256	2.301.936.482	168.618.991	40.589.569	-	1.495.930.966	4.392.329.263
Net book value 30 June 2011	104.485.703	108.941.751	50.489.487	1.391.286.416	188.155.993	20.585.208	122.545.414	6.739.829.614	8.726.319.586
Net book value 31 December 2010	104.957.463	88.806.077	48.153.817	1.179.039.635	174.994.256	23.018.056	73.716.650	4.750.751.281	6.443.437.235

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

18. TANGIBLE ASSETS (cont'd)

	Land improvements and buildings	Technical equipments, simulators and vehicles	Other equipments, fixtures	Aircraft and spare engines	Components and repairable spare parts	Leasehold improvements	Construction in Progress	Aircrafts acquired by leasing	Total
Cost									
Opening balance at 1 January 2010	164.645.538	320.921.611	172.635.436	2.540.985.371	319.829.494	47.421.962	17.713.152	4.999.425.302	8.583.577.866
Additions	-	12.747.446	10.910.684	9.341.042	39.757.441	2.868.898	5.011.114	30.596.423	111.233.048
Disposals	-	(88.646.390)	(3.177.859)	(3.335.325)	(24.218.772)	(131.481)	-	(17.938.037)	(137.447.864)
Transfers	2.056.982	-	-	346.302	-	269.775	(2.673.059)	-	-
Closing balance 30 June 2010	166.702.520	245.022.667	180.368.261	2.547.337.390	335.368.163	50.429.154	20.051.207	5.012.083.688	8.557.363.050
Accumulated depreciation									
Opening balance at 1 January 2010	58.398.566	253.105.940	135.673.684	1.916.801.769	147.045.447	26.183.316	-	1.235.350.094	3.772.558.816
Depreciation charge for the period	1.372.164	7.832.394	6.651.989	29.126.516	24.351.965	4.045.169	-	144.936.619	218.316.816
Disposals	-	(71.664.708)	(2.986.876)	(2.959.196)	(17.733.935)	(41.821)	-	(16.057.788)	(111.444.324)
Real increase/(decrease) at impairment	-	(260.645)	-	(289.636.143)	-	-	-	428.630.874	138.734.086
Impairment, increase/(decrease) due to exchange rate changes	-	(695.437)	-	(66.152.805)	-	-	-	(115.739.967)	(182.588.209)
Closing balance 30 June 2010	59.770.730	188.317.544	139.338.797	1.587.180.141	153.663.477	30.186.664	-	1.677.119.832	3.835.577.185
Net book value 30 June 2010	106.931.790	56.705.123	41.029.464	960.157.249	181.704.686	20.242.490	20.051.207	3.334.963.856	4.721.785.865
Net book value 31 December 2009	106.246.972	67.815.671	36.961.752	624.183.602	172.784.047	21.238.646	17.713.152	3.764.075.208	4.811.019.050

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

19. INTANGIBLE ASSETS

	Slot Rights	Other Rights	Total
Cost			
Opening balance at 1 January 2011	20.007.450	87.477.119	107.484.569
Additions	-	7.555.669	7.555.669
Disposals	-	-	-
Closing balance at 30 June 2011	20.007.450	95.032.788	115.040.238
Accumulated Depreciation			
Opening balance at 1 January 2011	-	74.385.468	74.385.468
Amortization charge for the period	-	3.096.808	3.096.808
Disposals	-	-	-
Closing balance at 30 June 2011	-	77.482.276	77.482.276
Net book value 30 June 2011	20.007.450	17.550.512	37.557.962
Net book value 31 December 2010	20.007.450	13.091.651	33.099.101

	Slot Rights	Other Rights	Total
Cost			
Opening balance at 1 January 2010	-	80.264.961	80.264.961
Additions	20.007.450	693.921	20.701.371
Disposals	-	(648)	(648)
Closing balance at 30 June 2010	20.007.450	80.958.234	100.965.684
Accumulated Depreciation			
Opening balance at 1 January 2010	-	69.595.344	69.595.344
Amortization charge for the period	-	2.293.116	2.293.116
Disposals	-	(648)	(648)
Closing balance at 30 June 2010	-	71.887.812	71.887.812
Net book value 30 June 2010	20.007.450	9.070.422	29.077.872
Net book value 31 December 2009	-	10.669.612	10.669.612

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

20 GOODWILL

None (31 December 2010: None).

21 GOVERNMENT GRANTS AND INCENTIVES

Incentive certificate no:28.12.2010 / 99256 was obtained from Turkish Treasury for financing the aircrafts planned for 2010-2015. According to this certificate, the Company will use the adventages for reduction of corporate tax, customs duty exemption and support for insurance premium of employers. Please refer to Note: 2.7 for the accounting of the related investment assistance.

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

22. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions for short-term liabilities are as follows:

	30 June 2011	31 December 2010
Provisions for legal claims	23.838.298	20.480.602

Changes in the provisions for legal claims at 30 June 2011 and 2010 periods set out below:

	1 January - 30 June 2011	1 January - 30 June 2010
Provision at the beginning of the period	20.480.602	7.287.354
Charge for the period	3.960.651	1.931.177
Provisions released	(602.955)	(760.073)
Provision at the end of the period	23.838.298	8.458.458

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

a) Guarantees/Pledge/Mortgage ("GPM") given by the group: Amount of letter of guarantees given is TL 109.660.919 (31 December 2010: TL 94.785.952).

	30 June 2011		31 December 2010	
	Foreign currency amount	TL equivalent	Foreign currency amount	TL equivalent
A. Total amounts of GPM given on the behalf of its own legal entity		109.660.919		94.785.952
-Collaterals				
TL	-	10.372.576	-	6.035.525
EUR	7.519.365	17.664.492	5.550.118	11.372.746
USD	49.089.024	80.024.927	48.939.024	75.659.732
Other	25.623.725	1.598.924		1.717.949
B. Total amounts of GPM given on the behalf of subsidiaries that are included in full consolidation	-	-	-	-
C. Total amounts of GPM given in order to guarantee third partie debts for routine trade operations	-	-	-	-
D. Total amounts of other GPM given	-	-	-	-
i. Total amount of GPM given on behalf of the Parent	-	-	-	-
ii. Total amount of GPM given on behalf of other group companies not covered in B and C	-	-	-	-
iii. Total amount of GPM given on behalf of third parties not covered in C	-	-	-	-
		109.660.919		94.785.952

The other CPMs given by the Company constitute 0% of the Company's equity as of 30 June 2011 (31 December 2010: %0).

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

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

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

c) The Group's discounted retirement pay provision is TL 187.682.204. The Group's liability for retirement pay would be approximately TL 339.100.433 as of 30 June 2011, if all employees were dismissed on that date.

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

23. COMMITMENTS

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

	30 June 2011	31 December 2010
Less than 1 year	324.971.408	357.740.489
Between 1 – 5 years	922.376.668	902.887.434
More than 5 years	263.995.567	319.073.603
	1.511.343.643	1.579.701.526

To be delivered between the years 2010-2015, the Group signed a contract for 89 aircrafts with a total value of 11,8 billion US Dollars, according to the price lists before the discounts made by the aircraft manufacturing firms. 10 of these aircrafts were delivered in 2010 and 19 of these aircrafts were delivered within the first six months of 2011. The Group has made an advance payment of 681 million US Dollars relevant to these purchases as of 30 June 2011.

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

23. COMMITMENTS (cont'd)

The Group also has operational lease agreement for 20 years related with the aircraft shed land which is still under construction. The liabilities of the Group related with this lease agreements are as follows:

	30 June 2011	31 December 2010
Less than 1 year	1.434.868	1.187.098
Between 1 – 5 years	9.839.093	8.705.382
More than 5 years	50.859.423	50.672.767
	62.133.384	60.565.247

24. EMPLOYEE BENEFITS

Short-term employee benefits are as follows:

	30 June 2011	31 December 2010
Salary accruals	62.884.440	50.239.944
Labor union agreement accrual	27.876.861	37.574.079
Due to personnel	24.309.970	13.859.404
Provisions for unused vacation	474.230	541.330
	115.545.501	102.214.757

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

	30 June 2011	31 December 2010
Provisions for retirement pay liability	187.682.204	170.505.529

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

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

Retirement pay liability is subject to an upper limit of monthly TL 2.732 as of 1 July 2011 (1 July 2010: TL 2.517).

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:

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

24. EMPLOYEE BENEFITS (cont'd)

Main assumption is that maximum liability amount increases in accordance with the inflation rate for every service year. So, provisions in the accompanying financial statements as of 30 June 2011 are calculated by estimating present value of contingent liabilities due to retirement of employees. Provisions in the relevant balance sheet dates are calculated with the assumptions of 5,10% annual inflation rate (31 December 2010: 4,80%) and 10% discount rate. (31 December 2010: 11%). Estimated amount of retirement pay not paid due to voluntary leaves and retained in the Company is also taken into consideration as 0.91% (31 December 2010: 2.95%). Ceiling for retirement pay is revised semi-annually. Ceiling amount of TL 2.732 which is in effect since 1 January 2011 is used in the calculation of Group's provision for retirement pay liability.

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

	1 January - 30 June 2011	1 January - 30 June 2010
Provisions at the beginning of the period	170.505.529	151.875.562
Charge for the period	26.526.971	12.452.093
Interest charges	3.936.947	4.462.667
Payments	(13.287.243)	(6.171.911)
Provisions at the end of the period	187.682.204	162.618.411

25. RETIREMENT BENEFITS

None (31 December 2010: None).

26. OTHER ASSETS AND LIABILITIES

Details of other current assets are as follows:

	30 June 2011	31 December 2010
Technical maintenance income accruals	36.134.868	42.533.116
Prepaid sales commissions	22.664.483	10.456.293
Other prepaid expenses	17.484.168	12.178.549
Prepaid operating lease expenses	17.432.693	19.457.461
VAT to be refunded	14.315.841	11.091.767
Deferred VAT	12.046.756	6.062.222
Advances given for orders	8.761.024	1.680.460
Prepaid insurance expenses	8.218.833	7.697.001
Income accruals on withholding tax return	5.895.722	-
Prepaid taxes and funds	4.520.471	59.670.760
Advances given to personnel	3.209.005	982.743
Interline passenger income accruals	2.498.474	2.554.403
Advances for business purposes	1.703.997	1.368.189
Credit note accruals for received aircrafts and simulators	-	18.743.129
Other current assets	1.526.304	69.609
	156.412.639	194.545.702

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

26. OTHER ASSETS AND LIABILITIES (cont'd)

Other non-current assets are as follows:

	30 June 2011	31 December 2010
Advances given for fixed asset purchases	181.712.399	169.283.390
Maintenance reserves for engines	41.328.613	35.285.248
Prepaid aircraft financing expenses	22.305.750	12.735.035
Income accruals on withholding tax return	7.460.413	-
Prepaid operating lease expenses	2.380.717	2.455.512
Prepaid expenses	514.982	810.338
Prepaid Eximbank guarantee and exposure fee	275.114	482.667
	255.977.988	221.052.190

Other short-term liabilities are as follows:

	30 June 2011	31 December 2010
Accruals for maintenance expense	309.391.108	231.895.137
Incentive premium accruals	41.800.213	17.466.706
Credit note for received aircrafts and simulators	19.956.965	12.495.245
Unearned revenue accruals	13.636.549	6.360.139
Unearned revenue from share transfer of TGS (Note 16)	11.300.000	11.300.000
Accruals for other expenses	5.374.359	9.058.900
Other liabilities	1.001.259	160.683
	402.460.453	288.736.810

Other long-term liabilities are as follows:

Gross manufacturer's credits	42.679.073	40.474.695
Accumulated depreciations of manufacturer's credit	(17.962.284)	(15.301.108)
Unearned revenue from share transfer of TGS (Note 16)	28.250.000	33.900.000
Unerarned revenue accruals	-	904.107
	52.966.789	59.977.694

Passenger flight liabilities are as follows:

	30 June 2011	31 December 2010
Flight liability generating from ticket sales	954.559.980	342.348.911
Flight liability generating from mileage sales	191.461.245	199.888.160
Frequent flyer program liability	170.156.359	131.606.808
	1.316.177.584	673.843.879

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

27. SHAREHOLDERS' EQUITY

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

	Type	%	30 June 2011	%	31 December 2010
Republic of Turkey Prime Ministry Privatization Adm.(*)	A, C	49,12	491.218.308	49,12	491.218.308
Other (Publicly held)	A	50,88	508.781.692	50,88	508.781.692
Paid-in capital			1.000.000.000		1.000.000.000
Restatement difference			1.123.808.032		1.123.808.032
Restated capital			2.123.808.032		2.123.808.032

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

As of 30 June 2011, the Group's issued and paid-in share capital consists of 99.999.999.999 Class A shares and 1 Class C share, all with a par value of Kr 1 each. These shares are issued to the name. The Class C share belongs to the Republic of Turkey Prime Ministry Privatization Administration and has the following privileges:

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

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

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

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

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

c) Increasing share capital,

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

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

f) Making decisions relating to merges and liquidation,

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

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, Bosnia Herzegovina Airlines and P&W T.T. Uçak Bakım Merkezi Ltd. Şti., which are subsidiaries accounted for equity method.

Distribution of Dividends

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

According to the Serial:IV No:27 Communiqué of Capital Markets Board, depending on the decision made in shareholders' meeting, the profit distribution can be made either by giving bonus shares to shareholders which are issued either in cash or by adding dividend to capital or giving some amount of cash and some amount of bonus shares to shareholders. If the primary dividend amount determined is less than 5% of the paid-in capital, the decision gives the option of not to distribute the related amount as to keep within the equity.

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

27. SHAREHOLDERS' EQUITY (cont'd)

Distribution of Dividends (cont'd)

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

In relation to the profit distribution of earnings derived from the operations, minimum profit distribution is not required for listed companies, and accordingly, profit distribution should be made based on the requirements set out in the Board's Communiqué Serial:IV No: 27 "Principles of Dividend Advance Distribution of Companies That Are Subject To The Capital Markets Board Regulations", terms of articles of corporations and profit distribution policies publicly disclosed by the companies;

Furthermore, based on the afore-mentioned decree, companies that are required to prepare consolidated financial statements should calculate their net distributable profits, to the extent that they can be recovered from equity in their statutory records, by considering the net profit for the period in the consolidated financial statements which are prepared and disclosed in accordance with the Communiqué Serial: XI, No: 29;

Within the frame of Communiqué Series: XI, No: 29, amount disclosed in notes to financial statements; following the deduction of companies' retained earnings, total of remaining profit for the period and other total resources that may apply to profit distribution;

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

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

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

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

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

27. SHAREHOLDERS' EQUITY (cont'd)

Distribution of Dividends (cont'd)

The items of shareholders' equity of the Company in the statutory accounts as of 30 June 2011 as the dividends distributed not reflected are as follows:

Paid-in capital	1.000.000.000
Share premium	181.185
Legal reserves	55.692.565
Extraordinary reserves (*)	198.959.553
Other profit reserves	9
Special funds	18.701.729
Retained earnings (*)	200.806.615
Net profit for the period (*)	(885.646.613)
Total shareholders' equity	588.695.043

* Per legal records there is no amount which will be subject to distribution of dividends.

Hedge Fund against the Cash Flow Risk

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

28. SALES AND COST OF SALES

Details of gross profit are as follows:

	1 January - 30 June 2011	**1 April - 30 June 2011**	**1 January - 30 June 2010**	**1 April - 30 June 2010**
Scheduled flights				
Passenger	4.224.662.046	2.420.441.598	3.276.585.201	1.833.946.226
Cargo and mail	434.767.721	235.667.301	291.870.270	152.285.128
Total scheduled flights	4.659.429.767	2.656.108.899	3.568.455.471	1.986.231.354
Unscheduled flights	45.296.177	30.908.019	25.200.936	18.887.838
Other revenue	200.100.775	108.853.684	149.766.249	83.216.514
Gross sales	4.904.826.719	2.795.870.602	3.743.422.656	2.088.335.706
Less: discounts and sales returns	(27.129)	(5.981)	(18.120)	(4.204)
Net sales	4.904.799.590	2.795.864.621	3.743.404.536	2.088.331.502
Cost of sales (-)	(4.395.131.488)	(2.406.210.074)	(3.015.481.528)	(1.587.085.949)
Gross profit	509.668.102	389.654.547	727.923.008	501.245.553

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

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

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

	1 January - 30 June 2011	**1 April - 30 June 2011**	**1 July - 30 June 2010**	**1 April - 30 June 2010**
- Europe	1.542.743.708	913.117.743	1.260.374.372	704.774.055
- Far East	1.002.586.132	549.540.473	682.048.784	371.400.059
- Middle East	656.676.100	358.933.958	452.878.905	243.705.023
- America	366.595.235	229.584.685	233.442.846	134.671.927
- Africa	283.564.782	152.364.353	223.040.885	120.495.310
Total international flights	3.852.165.957	2.203.541.212	2.851.785.792	1.575.046.374
Domestic flights	807.263.810	452.567.687	716.669.679	411.184.980
Total revenue	4.659.429.767	2.656.108.899	3.568.455.471	1.986.231.354

The details of the cost of sales are as follows:

	1 January - 30 June 2011	**1 April - 30 June 2011**	**1 July - 30 June 2010**	**1 April - 30 June 2010**
Fuel expense	1.689.756.355	958.991.096	1.006.628.253	551.194.623
Personnel expense	791.117.411	416.578.820	604.720.111	318.389.388
Landing and navigation expense	382.251.680	209.935.134	289.313.134	149.209.824
Ground services expenses	348.462.965	186.343.487	226.469.299	120.365.318
Depreciation expenses	310.670.248	173.948.970	203.049.282	94.108.778
Maintenance expenses	243.677.921	118.876.597	162.573.934	90.502.138
Passenger service and catering expenses	219.721.358	118.171.887	192.301.124	103.010.600
Operating lease expenses	199.344.882	99.608.137	177.313.005	91.880.908
Other airlines' seat rents	70.380.705	40.856.062	64.554.657	22.010.569
Other rent expenses	39.866.448	31.814.289	13.230.302	7.982.294
Insurance expenses	26.694.870	21.005.763	17.608.422	12.097.506
Service expenses	22.130.663	17.278.558	11.180.535	3.839.816
Short term leasing expenses	15.050.410	4.591.816	10.733.670	7.745.813
Transportation expenses	4.868.218	3.204.491	3.053.918	1.868.862
Tax expenses	4.419.338	1.273.181	2.917.701	316.085
Utility expenses	3.964.964	1.369.248	3.420.265	1.587.752
Communication expenses	1.523.485	887.619	1.755.506	916.948
Cost of other sales	21.229.567	1.474.919	24.658.410	10.058.727
	4.395.131.488	2.406.210.074	3.015.481.528	1.587.085.949

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

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

	1 January - 30 June 2011	1 April - 30 June 2011	1 July - 30 June 2010	1 April - 30 June 2010
Marketing, sales and distribution expenses	620.881.903	331.680.055	455.420.705	239.584.857
Administrative expenses	185.601.576	74.505.178	150.689.742	74.965.559
	806.483.479	406.185.233	606.110.447	314.550.416

Marketing, sales and distribution expenses are as follows:

	1 January - 30 June 2011	1 April - 30 June 2011	1 July - 30 June 2010	1 April - 30 June 2010
Personnel expenses	182.058.246	96.278.525	126.865.512	68.335.925
Commissions and incentive expenses	150.579.307	84.630.533	116.113.903	62.113.998
Reservation systems expense	104.791.936	55.228.588	91.368.332	47.067.598
Advertising expenses	88.434.392	44.707.581	48.684.629	24.419.142
Service expenses	14.953.559	8.332.337	12.137.528	6.514.193
Special passenger program milage expenses	13.386.589	7.419.741	7.793.734	4.635.616
Rent expenses	9.872.979	5.214.763	8.924.688	4.126.511
Passenger service and catering expense	9.343.718	5.251.536	7.808.160	4.837.251
Communication expense	6.414.156	3.568.955	6.286.874	3.258.850
Transportation expense	6.147.408	3.001.720	4.618.485	2.682.459
Tax expenses	4.809.311	2.341.203	3.380.535	1.693.435
Membership fees	4.217.182	2.281.908	4.070.803	2.388.434
Utility expenses	2.218.686	1.133.226	1.893.342	834.798
Maintenance expenses	1.346.292	687.803	1.441.521	751.990
Fuel expense	676.223	376.159	352.719	195.343
Insurance expenses	525.327	318.695	457.536	271.337
Depreciation expenses	415.204	210.839	475.510	238.369
Other sales and marketing expenses	20.691.388	10.695.943	12.746.894	5.219.608
	620.881.903	331.680.055	455.420.705	239.584.857

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

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

General administrative expenses are as follows:

	1 January - 30 June 2011	1 April - 30 June 2011	1 July - 30 June 2010	1 April - 30 June 2010
Personnel expenses	110.120.141	55.846.895	87.211.534	45.922.507
Depreciation expenses	19.573.107	10.120.484	17.085.140	8.676.115
Service expenses	9.167.278	5.235.220	7.889.360	3.829.075
Rent expenses	8.446.792	4.108.393	5.569.634	2.858.704
Communication expense	7.790.777	3.312.977	6.505.674	3.355.147
Fuel expense	6.847.170	3.448.624	5.524.789	2.733.300
Maintenance expenses	4.098.642	2.350.114	2.197.916	826.816
Tax expenses	3.571.073	(1.840.928)	7.290.083	3.943.122
Utility expenses	2.683.898	1.311.540	1.274.882	452.485
Insurance expenses	485.475	(5.133.142)	162.883	(2.815.244)
Other administrative expenses	12.817.223	(4.254.999)	9.977.847	5.183.532
	185.601.576	74.505.178	150.689.742	74.965.559

30. EXPENSES ACCORDING TO CATEGORIES

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

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

31. OTHER OPERATING INCOME / EXPENSES

Other operating income / expense consist of the following:

	1 January - 30 June 2011	1 April - 30 June 2011	1 January - 30 June 2010	1 April - 30 June 2010
Income from investment assistance (Note 2.7)	18.765.805	9.500.009	-	-
Withholding tax return on aircraft rents	9.370.726	9.370.726	1.058.953	456.361
Discounts received from maintenance spare parts suppliers	9.062.002	2.053.587	3.125.622	1.505.120
TGS share premium (Note:16)	5.650.000	2.825.000	5.650.000	2.825.000
Returns and discounts received from services	4.030.896	75.716	233.321	(616.027)
Insurance, indemnities, penalties income	3.778.736	3.008.979	15.034.938	4.064.640
Provisions no longer required	3.361.889	2.227.449	4.563.802	(2.827.752)
Banks protocol revenue	2.478.492	1.246.575	2.479.452	1.246.575
Star Alliance membership revenue	1.231.606	407.028	1.646.226	979.334
Purchase discounts	1.016.914	623.214	362.384	75.922
Rent income	110.645	63.204	489.841	121.834
Gain on sale of fixed assets	9.740	-	37.444.958	4.107.986
Returns received from rent firms	-	(2.877.941)	-	(11.204.817)
Other operating income	8.876.304	4.250.924	4.785.324	964.184
	67.743.755	32.774.470	76.874.821	1.698.360

	1 January - 30 June 2011	1 April - 30 June 2011	1 January - 30 June 2010	1 April - 30 June 2010
Provision expenses	25.790.195	15.223.843	22.446.679	8.424.044
Indemnity and penalty expense	6.088.670	4.449.711	2.340.679	1.718.138
Expenses due to passengers without visa	2.570.534	930.827	1.739.204	930.244
Real decrease in provision on impairment of fixed assets (Note: 18)	-	-	138.734.086	151.059.969
Collective aggreement payment differences	-	-	51.381.366	51.381.366
Other operating expense	2.629.709	2.086.171	2.843.781	1.375.313
	37.079.108	22.690.552	219.485.795	214.889.074

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

32. FINANCIAL INCOME

Financial income consists of the following:

	1 January - 30 June 2011	1 April - 30 June 2011	1 January - 30 June 2010	1 April - 30 June 2010
Foreign exchange rate income	130.083.999	108.313.066	74.889.589	61.634.713
Interest income	37.900.974	28.130.222	26.903.389	13.488.600
The fair value of derivatives exchange income	9.018.439	9.018.439	-	-
Rediscount interest income	3.612.396	710.878	2.893.160	2.498.295
Finance lease foreign exchange rate income	-	-	139.511.514	62.008.031
Decrease in provisions for impairment of fixed assets due to change in exchange rate(Note 18)	-	-	182.588.209	136.516.636
	180.615.808	146.172.605	426.785.861	276.146.275

33. FINANCIAL EXPENSES

Finance expenses are as follows:

	1 January - 30 June 2011	1 April - 30 June 2011	1 January - 30 June 2010	1 April - 30 June 2010
Finance lease foreign exchange rate expense	499.157.093	378.455.795	-	-
Finance lease interest expense	82.259.678	48.244.153	64.875.991	37.315.126
Rediscount interest expense	4.259.622	1.648.999	4.701.763	2.370.681
Cost of ETB interest	3.310.900	1.351.572	4.462.667	2.242.159
Financial liabilities foreign exchange loss	248.760	227.088	1.518.473	1.224.996
The fair value of derivatives exchange expense	-	(7.385.736)	1.488.405	(8.661.971)
Other financial expense	953.992	778.306	757.287	363.148
	590.190.045	423.320.177	77.804.586	34.854.139

34. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None (31 December 2010: None).

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

35. TAX ASSETS AND LIABILITIES

Tax liability for the current profit is as follows:

	30 June 2011	31 December 2010
Provisions for corporate tax	10.290.547	10.387.347
Prepaid taxes and funds	(3.195.824)	(70.058.107)
(Tax asset) / tax liability (*)	7.094.723	(59.670.760)

(*) Prepaid taxes, excess part of corporate taxes to be paid as at 31 December 2010, are shown under other current assets.

Tax liability consists of the following items:

	1 January - 30 June 2011	1 April - 30 June 2011	1 January - 30 June 2010	1 April - 30 June 2010
Current period tax expense	10.290.547	7.066.565	43.584.344	41.244.924
Change in corporate tax for the year 2009 (other)	-	-	2.173.714	-
Deferred tax expense / (income)	(152.282.764)	(70.285.715)	19.573.252	834.134
Tax (income)/expense	(141.992.217)	(63.219.150)	130.168.034	42.587.638

Tax effect regarding other comprehensive income is as follows:

	1 January - 30 June 2011		
	Amount before tax	Tax (expense) /income	Amount after tax
Foreign currency translation differences	5.346.672	-	5.346.672
Change in cash flow hedge fund	13.598.841	(2.719.768)	10.879.073
Other comprehensive income for the period	18.945.513	(2.719.768)	16.225.745

Change in translation differences of foreign currency that is included in other comprehensive income, is TL 5.346.672 for the period 1 January – 30 June 2011. In addition, the effect on taxation does not exist for the period.

Corporate Tax

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

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

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

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

Corporate Tax (cont'd)

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2011 is 20% (2010: 20%). Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

Furthermore, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding tax applied in between 24 April 2003 – 22 July 2006 is 10% and commencing from 22 July 2006, this rate has been changed to 15% upon the Council of Ministers' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

Deferred Tax

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

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

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

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

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

Deferred Tax (cont'd)

The deferred tax assets and liabilities as of 30 June 2011 and 31 December 2010 are as follows:

	30 June 2011	**31 December 2010**
Fixed assets	(574.163.940)	(525.486.010)
Provisions for ticket sales advance	(63.867.113)	(57.133.510)
Adjustment on inventories	(22.514.073)	(19.172.440)
Unearned revenue	(7.761.965)	(1.420.257)
Accumulated loss	196.619.997	19.490.674
Accruals for expenses	96.919.678	70.912.827
Provisions for ETB	37.536.441	33.895.715
Long-term lease obligations	25.040.881	19.236.155
Short-term lease obligations	10.676.327	13.647.501
Allowance for doubtful receivables	7.625.602	4.352.313
Provisions for unused vacation	4.861.994	2.771.881
Provisions for impairment in inventories	2.873.729	2.873.729
Other	329.913	645.897
Deferred tax assets/ (liabilities)	(285.822.529)	(435.385.525)

The changes of deferred tax liability as of 30 June 2011 and 2010 are as follows:

	1 January - 30 June 2011	**1 January - 30 June 2010**
Opening balance at 1 January	435.385.525	362.243.105
Deferred tax expense	(152.282.764)	19.573.252
Hedge fund tax income	2.719.768	(5.526.880)
Closing balance at 31 June	285.822.529	376.289.477

	1 January - 30 June 2011	**1 January - 30 June 2010**
Reconciliation of provision for taxes:		
Profit /(loss) from operations before tax	(685.604.290)	296.631.467
Domestic income tax rate of 20%	(137.120.858)	59.326.293
Taxation effects on:		
- income from investment assistance	(3.753.161)	-
- non-deductible expenses	1.395.578	1.725.295
- effect of change in corporate tax for the year 2009	-	2.173.714
- effect of change in corporate tax for the year 2010	462.384	-
- other	(2.976.160)	2.106.008
Tax charge / (benefit) in the income statement	(141.992.217)	65.331.310

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

36. EARNINGS PER SHARE

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

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

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

Number of total shares and calculation of earnings per share at 30 June 2011 and 2010 are as follows:

	1 January - 30 June 2011	1 April - 30 June 2010	1 January - 30 June 2010	1 April - 30 June 2010
Number of shares outstanding at 1 January (in full)	100.000.000.000	100.000.000.000	87.500.000.000	87.500.000.000
New shares issued (in full)	-	-	12.500.000.000	12.500.000.000
Number of shares outstanding at 30 June (in full)	100.000.000.000	100.000.000.000	100.000.000.000	100.000.000.000
Weighted average number of shares outstanding during the year (in full)	100.000.000.000	100.000.000.000	100.000.000.000	100.000.000.000
Net profit / (loss) for period	(543.612.073,00)	(220.586.184,00)	231.300.157,00	165.690.857,00
(Loss) / earnings per share (Kr) (*)	(0,54)	(0,22)	0,23	0,17

(*) The earnings/(loss) per share with par value of TL 1 is TL (0,54) for the period 1 January-30 June 2011, and TL 0,23 for the period 1 January-30 June 2010.

37. RELATED PARTY TRANSACTIONS

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

	30 June 2011	31 December 2010
P & W T.T Uçak Bakım Merkezi Ltd. Şti.	13.357.828	30.114.504
Sun Express	1.386.197	1.174.893
Bosnia Herzegovina Airlines	7.109.472	2.737.156
Allowance for doubtful receivables (-)	(7.109.472)	(2.737.156)
TCI	26.990	-
	14.771.015	31.289.397

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

37. RELATED PARTY TRANSACTIONS (cont'd)

Other short-term receivables from related parties are as follows:

	30 June 2011	31 December 2010
Goodrich Thy Teknik Servis	39.432	-
	39.432	-

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

	30 June 2011	31 December 2010
THY Opet Havacılık Yakıtları A.Ş.	76.152.739	25.999.690
TGS	16.457.657	29.890.972
THY DO&CO İkram Hizmetleri A.Ş.	20.334.660	5.618.464
	112.945.056	61.509.126

Transactions with related parties that are valued by equity method for the period ended as of 30 June 2011 are as follows:

	1 January - 30 June 2011	1 April - 30 June 2011	1 January - 30 June 2011	1 April - 30 June 2011
Services rendered to TGS	20.233.664	11.271.353	42.256.816	13.431.159
Services rendered to Sun Express	18.965.263	13.188.541	5.405.514	4.779.932
Service rendered to P&W T.T.	17.709.176	13.520.856	23.696.181	8.202.838
Services rendered to Bosnia Herzegovina Airlines	5.234.495	2.933.843	4.378.663	2.060.833
Services rendered to THY DO&CO	861.633	473.958	895.530	581.551
Services rendered to THY OPET	291.407	45.997	19.810	18.976
Services rendered to TCI	22.873	22.873	-	-
	63.318.511	41.457.421	76.652.514	29.075.289

	1 January - 30 June 2011	1 April - 30 June 2011	1 January - 30 June 2011	1 April - 30 June 2011
Services received from THY OPET	664.891.961	392.776.053	-	-
Services received from THY DO&CO	154.492.638	86.079.420	132.378.686	71.034.021
Services received from TGS	146.170.297	78.307.248	58.759.224	33.080.008
Services received from P&W T.T Uçak Bakım Merkezi	71.180.527	32.690.548	1.216.418	1.144.645
Services received from Bosnia Herzegovina Airlines	3.927.178	2.240.590	3.206.087	1.778.216
Services received from Sun Express	172.638	100.904	23.833.923	15.266.619
	1.040.835.239	592.194.763	219.394.338	122.303.509

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

37. RELATED PARTY TRANSACTIONS (cont'd)

Transactions between the Group and Sun Express and Bosnia Herzegovina Airlines seat rental operations; transactions between the Group and Turkish DO&CO are catering services and loan financing, transactions between the Group and TGS are ground services, transactions between the Group and P&W T.T are engine maintenance services and the transactions between the Group and THY OPET is the supply of aircraft fuel. Receivables from related parties are not collateralized and maturity of trade receivables is 30 days.

The total amount of salaries and other short term benefits provided for the Chairman and the Members of Board of Directors, General Manager, General Coordinator and Deputy General Managers are TL 2.757.513 (30 June 2010: TL 2.079.065).

38. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS

(a) Capital risk management

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

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

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

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

	30 June 2011	31 December 2010
Total debts	7.591.581.142	4.977.703.728
Less: Cash and cash equivalents and time deposits with maturity of more than three months	(1.410.943.400)	(813.936.552)
Net debt	6.180.637.742	4.163.767.176
Total shareholders' equity	3.220.020.656	3.747.406.984
Total capital stock	9.400.658.398	7.911.174.160
Net debt/total capital stock ratio	0,66	0,53

(b) Financial Risk Factors

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

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

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

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

(b) Financial Risk Factors (cont'd)

b.1) Credit Risk Management

Credit risk of financial instruments	Receivables					
	Trade receivables		Other receivables			
30 June 2011	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Deposits in Banks**	**Derivative Instruments**
Maximum credit risk as of balance sheet date (*)	14.771.015	884.120.230	39.432	1.321.626.137	1.365.309.629	124.046.225
The part of maximum risk under guarantee with collateral etc. (**)	-	4.590.017				
A. Net book value of financial assets that are neither past due nor impaired	14.771.015	732.475.850	39.432	1.321.626.137	1.365.309.629	124.046.225
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	-	151.644.380	-	-	-	-
-The part under guarantee with collateral etc.	-	2.128.042	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
-Past due (gross carrying amount)	7.109.472	79.974.159	-	-	-	-
-Impairment(-)	(7.109.472)	(79.974.159)	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
-Not past due (gross carrying amount)	-	-	-	-	-	-
-Impairment (-)	-	-	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
E.Off-balance sheet items with credit risk	-	-	-	-	-	-

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

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

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

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

(b) Financial Risk Factors (cont'd)

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

Credit risk of financial instruments

	Receivables					
	Trade receivables		Other receivables			
31 December 2010	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Deposits in Banks**	**Derivative Instruments**
Maximum credit risk as of balance sheet date (*)	31.289.397	546.333.417	-	1.864.162.765	778.851.808	84.070.372
The part of maximum risk under guarantee with collateral etc. (**)	-	6.903.023	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	31.289.397	459.996.786	-	1.864.162.765	778.851.808	84.070.372
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Net book value of financial assets that are past due but not impaired	-	86.336.631	-	-	-	-
-The part under guarantee with collateral etc.	-	2.447.478	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
-Past due (gross carrying amount)	2.737.156	64.893.287	-	-	-	-
-Impairment(-)	(2.737.156)	(64.893.287)	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
-Not past due (gross carrying amount)	-	-	-	-	-	-
-Impairment (-)	-	-	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
E.Off-balance sheet items with credit risk	-	-	-	-	-	-

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

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

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

(b) Financial Risk Factors (cont'd)

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

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

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

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

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

(b) Financial Risk Factors (cont'd)

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

The aging of past due receivables as of 30 June 2011 are as follows:

	Receivables					
30 June 2011	**Trade Receivables**	**Other Receivables**	**Deposits in Banks**	**Derivative Instruments**	**Other**	**Total**
Past due 1-30 days	133.759.846	-	-	-	-	133.759.846
Past due 1-3 month	45.362.414	-	-	-	-	45.362.414
Past due 3-12 months	48.189.973	-	-	-	-	48.189.973
Past due 1-5 years	11.214.275	-	-	-	-	11.214.275
Past due more than 5 years	201.503					201.503
Total past due receivables	238.728.011	-	-	-	-	238.728.011
The part under guarantee with collateral etc	2.128.042					2.128.042

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

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

(b) Financial Risk Factors (cont'd)

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

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

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

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

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

(b) Financial Risk Factors (cont'd)

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

As of balance sheet date, total amount of cash collateral and letter of guarantee, which is received by Group for past due not impaired receivable, is TL 2.128.042 (31 December 2010: TL 2.447.478).

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 2011

Due date on the contract	Book value	Total cash outflow according to the contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Bank borrowings	7.745.215	7.836.033	-	7.836.033	-	-
Finance lease obligations	5.940.619.367	7.535.356.042	185.770.789	622.480.361	2.943.094.282	3.784.010.610
Trade payables	901.891.741	905.779.022	758.349.113	147.429.909	-	-
Other financial liabilities	1.398.376	1.398.376	1.398.376	-	-	-
Total	6.851.654.699	8.450.369.473	945.518.278	777.746.303	2.943.094.282	3.784.010.610

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

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

(b) Financial Risk Factors (cont'd)

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

Liquidity risk table (cont'd):

31 December 2010

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

b.3) Market risk management

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

b.3.1) Foreign currency risk management

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

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

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

(b) Financial Risk Factors (cont'd)

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

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

	30 June 2011				
	TL Equivalent	**US Dollar**	**Euro**	**GBP**	**Other**
1.Trade receivables	677.913.645	191.716.242	168.673.002	19.590.816	297.933.585
2a.Monetary financial assets	1.422.159.681	1.121.062.451	119.988.688	1.066.003	180.042.539
2b.Non monetary financial assets	-	-	-	-	-
3.Other	56.928.722	53.328.944	579.617	643.504	2.376.657
4.Current assets (1+2+3)	**2.157.002.048**	**1.366.107.637**	**289.241.307**	**21.300.323**	**480.352.781**
5.Trade receivables	-	-	-	-	-
6a.Monetary financial assets	378.032.860	378.032.860	-	-	-
6b.Non monetary financial assets	-	-	-	-	-
7.Other	108.566.688	45.941.737	34.002.740	20.471.903	8.150.308
8.Non current asstes (5+6+7)	**486.599.548**	**423.974.597**	**34.002.740**	**20.471.903**	**8.150.308**
9.Total assets (4+8)	**2.643.601.596**	**1.790.082.234**	**323.244.047**	**41.772.226**	**488.503.089**
10.Trade payables	563.342.626	206.945.618	209.134.559	14.499.583	132.762.866
11.Financial liabilities	755.422.685	408.931.718	346.490.967	-	-
12a.Other liabilitites, monetary	14.047.305	3.151.133	5.397.028	219.736	5.279.408
12b.Other liabilitites, non monetary	1.126.843	939.795	187.048	-	-
13.Current liabilities (10+11+12)	**1.333.939.459**	**619.968.264**	**561.209.602**	**14.719.319**	**138.042.274**
14.Trade payables	-	-	-	-	-
15.Financial liabilities	5.932.874.152	2.880.683.308	3.052.190.844	-	-
16a.Other liabilitites, monetary	11.291.838	3.760.950	6.325.661	2.846	1.202.381
16b.Other liabilitites, non monetary	-	-	-	-	-
17.Non current liabilities (14+15+16)	**5.944.165.990**	**2.884.444.258**	**3.058.516.505**	**2.846**	**1.202.381**
18.Total liabilities (13+17)	**7.278.105.449**	**3.504.412.522**	**3.619.726.107**	**14.722.165**	**139.244.655**
19.Net asset / liability position of Off-balance sheet derivatives (19a-19b)	**18.580.455**	**(242.264.258)**	**260.844.713**	-	-
19a.Off-balance sheet foreign currency derivative assets	260.844.713	-	260.844.713	-	-
19b.Off-balance sheet foreigncurrency derivative liabilities	242.264.258	242.264.258	-	-	-
20.Net foreign currency asset/(liability) position (9-18+19)	**(4.615.923.398)**	**(1.956.594.546)**	**(3.035.637.347)**	**27.050.061**	**349.258.434**
21.Net foreign currency asset / liability position of monetary items (UFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(4.798.872.420)**	**(1.812.661.174)**	**(3.330.877.369)**	**5.934.654**	**338.731.469**
22.Fair value of foreign currency hedged financial assets	-	-	-	-	-
	-	-	-	-	-
24.Hedged foreign currency liabilities	-	-	-	-	-
25.Exports	**3.892.043.237**	**808.084.356**	**1.252.474.608**	**115.876.853**	**1.715.607.420**
26.Imports	**1.620.010.608**	**1.097.011.104**	**360.330.140**	**13.172.449**	**149.496.915**

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

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

(b) Financial Risk Factors (cont'd)

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

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

	31 December 2010				
	TL Equivalent	**US Dollar**	**Euro**	**GBP**	**Other**
1.Trade receivables	401.348.898	145.176.463	87.020.463	12.210.604	156.941.368
2a.Monetary financial assets	2.316.370.081	2.098.839.409	110.826.542	612.421	106.091.709
2b.Non monetary financial assets	-	-	-	-	-
3.Other	66.293.167	61.852.539	2.598.539	144.937	1.697.152
4.Current assets (1+2+3)	**2.784.012.146**	**2.305.868.411**	**200.445.544**	**12.967.962**	**264.730.229**
5.Trade receivables	-	-	-	-	-
6a.Monetary financial assets	166.510.045	166.510.045	-	-	-
6b.Non monetary financial assets	-	-	-	-	-
7.Other	180.292.325	144.001.412	29.331.543	888.663	6.070.707
8.Non current asstes (5+6+7)	**346.802.370**	**310.511.457**	**29.331.543**	**888.663**	**6.070.707**
9.Total assets (4+8)	**3.130.814.516**	**2.616.379.868**	**229.777.087**	**13.856.625**	**270.800.936**
10.Trade payables	348.866.521	84.844.541	165.949.619	8.686.835	89.385.526
11.Financial liabilities	631.463.497	379.137.239	252.326.258	-	-
12a.Other liabilitites, monetary	17.184.985	2.198.278	10.958.333	243.455	3.784.919
12b.Other liabilitites, non monetary	489.632	56.367	433.265	-	-
13.Current liabilities (10+11+12)	**998.004.635**	**466.236.425**	**429.667.475**	**8.930.290**	**93.170.445**
14.Trade payables	-	-	-	-	-
15.Financial liabilities	3.781.139.557	1.801.134.839	1.980.004.718	-	-
16a.Other liabilitites, monetary	9.829.695	3.453.108	5.418.972	2.604	955.011
16b.Other liabilitites, non monetary	-	-	-	-	-
17.Non current liabilities (14+15+16)	**3.790.969.252**	**1.804.587.947**	**1.985.423.690**	**2.604**	**955.011**
18.Total liabilities (13+17)	**4.788.973.887**	**2.270.824.372**	**2.415.091.165**	**8.932.894**	**94.125.456**
19.Net asset / liability position of Off-balance sheet derivatives (19a-19b)	**(2.281.685)**	**(244.025.867)**	**241.744.182**	-	-
19a.Off-balance sheet foreign currency derivative assets	241.744.182	-	241.744.182	-	-
19b.Off-balance sheet foreigncurrency derivative liabilities	244.025.867	244.025.867	-	-	-
20.Net foreign currency asset/(liability) position (9-18+19)	**(1.660.441.056)**	**101.529.629**	**(1.943.569.896)**	**4.923.731**	**176.675.480**
21.Net foreign currency asset / liability position of monetary items (UFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(1.904.255.231)**	**139.757.912**	**(2.216.810.895)**	**3.890.131**	**168.907.621**
22.Fair value of foreign currency hedged financial assets	-	-	-	-	-
23.Hedged foreign currency assets	-	-	-	-	-
24.Hedged foreign currency liabilities	-	-	-	-	-
25.Exports	**6.528.219.249**	**924.361.219**	**2.349.790.637**	**153.310.525**	**3.100.756.868**
26.Imports	**2.634.053.757**	**1.771.619.115**	**599.994.315**	**30.330.811**	**232.109.516**

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

(b) Financial Risk Factors (cont'd)

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

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

Foreign currency sensitivity

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

	30 June 2011 **Profit / (Loss) Before Tax**	
	If foreign currency appreciated against TL by 10%	If foreign currency deppreciated against TL by 10%
1 - US Dollar net asset / liability	(195.659.455)	195.659.455
2- Part of hedged from US Dollar risk (-)	-	-
3- US Dollar net effect (1 +2)	(195.659.455)	195.659.455
4 - Euro net asset / liability	(303.563.735)	303.563.735
5 - Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	(303.563.735)	303.563.735
7 - GBP net asset / liability	2.705.006	(2.705.006)
8- Part of hedged from GBP risk (-)	-	-
9- GBP net effect (7 +8)	2.705.006	(2.705.006)
10 - Other foreign currency net asset / liability	34.925.843	(34.925.843)
11- Part of hedged other foreign currency risk (-)	-	-
12- Other foreign currency net effect (10+11)	34.925.843	(34.925.843)
TOTAL (3 + 6 + 9 + 12)	(461.592.341)	461.592.341

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

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

(b) Financial Risk Factors (cont'd)

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

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

Foreign currency sensitivity (cont'd)

	31 December 2010	
	Profit / (Loss) Before Tax	
	If foreign currency appreciated against TL by 10%	If foreign currency deppreciated against TL by 10%
1 - US Dollar net asset / liability	10.152.963	(10.152.963)
2- Part of hedged from US Dollar risk (-)	-	-
3- US Dollar net effect (1 +2)	10.152.963	(10.152.963)
4 - Euro net asset / liability	(194.356.990)	194.356.990
5 - Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	(194.356.990)	194.356.990
7 - GBP net asset / liability	492.373	(492.373)
8- Part of hedged from GBP risk (-)	-	-
9- GBP net effect (7 +8)	492.373	(492.373)
10 - Other foreign currency net asset / liability	17.667.548	(17.667.548)
11- Part of hedged other foreign currency risk (-)	-	-
12- Other foreign currency net effect (10+11)	17.667.548	(17.667.548)
TOTAL (3 + 6 + 9 + 12)	(166.044.106)	166.044.106

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

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

(b) Financial Risk Factors (cont'd)

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

b.3.2) Interest rate risk management

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

Interest Rate Position Table

	30 June 2011	31 December 2010
Instruments with fixed interest rate		
Financial Liabilities	3.613.641.033	2.206.737.240
Financial Instruments with Variable Interest Rate		
Financial Liabilities	3.647.886.237	1.971.342.139
Interest Swap Agreements not subject to Hedge accounting (Net)	608.603	7.569.719
Interest swap agreements subject to Hedge accounting (Net)	(26.783.334)	(27.153.795)

As indicated in Note 39, the Group as of 30 June 2011 fixed the interest rate for TL 718.203.751 of floating–interest-rated financial liabilities via an interest rate swap contract.

Interest rate sensitivity

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

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

Loss before tax of the Group, which belongs to the six-month-period, will increase by TL 7.478.262 TL (as of 30 June 2010 profit before tax will decrease by TL 2.518.079). In contrast, if Libor and Euribor interest rate decreases 0,5%, loss before tax for the six-month-period will decrease by the same amounts.

Moreover, as a result of the interest rate swap contracts against cash flow risks, in case of a 0,5% increase in the Libor and Euribor interest rates, the shareholders' equity of the Group will increase by TL 13.824.852 without the deferred tax effect. In case of a 0,5% decrease in the Libor and Euribor interest rates, the shareholders' equity of the Group will decrease by the same amount without the deferred tax effect.

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

(b) Financial Risk Factors (cont'd)

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

b.3.3) Fuel prices sensitivity

As explained in Note 39, Group made forward fuel purchase contracts in order to hedge cash flow risks arising from fuel purchases beginning from 2009. Due to forward fuel purchase contracts subject to hedge accounting, as a result of a 10% increase in fuel prices, the shareholders' equity of the Group will increase by TL 50.107.265 excluding the deferred tax effect. In case of a 10% decrease in fuel prices, the shareholders' equity of the Group will decrease by TL 27.509.230 excluding the deferred tax effect.

39. FINANCIAL INSTRUMENTS

Fair Values of Financial Instruments

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

- In standard maturities and conditions, fair values of financial assets and liabilities which are traded in an active market are determined as quoted market prices.

- Fair values of derivative instruments are calculated by using quoted prices. In absence of prices, discounted cash flows analysis is used through applicable yield curve for maturities of derivative instruments (forward and swaps).

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

39. FINANCIAL INSTRUMENTS (cont'd)

Fair Values of Financial Instruments (cont'd)

30 June 2011 Balance Sheet	Loans and Receivables	Derivative instruments which are reflected at fair value in shareholders' equity	Derivative instruments which are reflected fair value profit/(loss)	Investments available for sale at cost value	Financial liabilities at amortized cost	Book Value	Note
Financial Assets							
Cash and cash equivalents	730.277.280	-	-	-	-	730.277.280	6
Financial investments	680.666.120	59.088.710	64.957.515	1.759.094	-	806.471.439	7
Trade receivables	898.891.245	-	-	-	-	898.891.245	10
Other receivables	1.321.665.569	-	-	-	-	1.321.665.569	11
Financial liabilities							
Bank borrowings	-	-	-	-	7.745.215	7.745.215	8
Finance lease obligations	-	-	-	-	6.597.200.711	6.597.200.711	8
Other financial liabilities	-	26.783.334	56.561.765	-	1.398.376	84.743.475	9
Trade payables	-	-	-	-	901.891.741	901.891.741	10

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

The Group considers the book values for financial assets approximate their fair values.

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

39. FINANCIAL INSTRUMENTS (cont'd)

Fair Values of Financial Instruments (cont'd)

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

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

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

- Third level: Financial assets and 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:

		Fair value level as of the reporting date		
		Level 1	Level 2	Level 3
Financial assets	30 June 2011	TL	TL	TL
Financial assets at fair value through profit or loss				
Derivative instruments	64.957.515	-	64.957.515	-
Financial assets subject to hedge accounting				
Derivative instruments	59.088.710	-	59.088.710	-
Total	124.046.225	-	124.046.225	-
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative instruments	56.561.765	-	56.561.765	-
Financial liabilities subject to hedge accounting				
Derivative instruments	26.783.334	-	26.783.334	-
Total	83.345.099	-	83.345.099	-

39. FINANCIAL INSTRUMENTS (cont'd)

Derivative Instruments and Hedging Transactions

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

The floating-rate financial liabilities of the Group are explained in Note 38 (b.3.2). Beginning from June 2009, in order to keep interest costs at an affordable level, considering long-term finance lease liabilities; Group made fixed-paid/floating-received interest rate swap contracts to fix interest rates of finance lease liabilities whose maturities are after the second half of 2010 and account for approximately 26% of floating rate USD and Euro denominated liabilities. Effective part of the change in the fair values of those derivative instruments which are subject to hedge accounting for cash flows risks of floating-rate finance lease liabilities are accounted in cash flow hedge fund under the shareholders' equity.

At January 2010, in order to control risk arising from fluctuations in price of fuel which is approximately 37% of cost of sales as of 31 December 2010 and to lessen the effects of fluctuations in oil prices on fuel expenses, the Group began hedging transactions for approximately 20% of annual jet fuel consumption in 2010. For this purpose, the Group made forward fuel purchase contracts settled on cash basis. In accordance with the Company's BOD resolution issued on 21 January 2011, hedging rate which corresponds to 20% of the currently applied monthly consumption rate will be applied as 50% after 12 months and this rate will be gradually increased by 2,5% in each month. In addition, the Company started to use zero cost 4 way collars in 2011 instead of forward fuel purchase contracts to hedge cash flow risk of fuel prices. The effective portion of fair value hedge of derivative instruments that are subject to cash flow hedge accounting due to future fuel purchases is recognized under hedge accounting fund in equity.

Group's derivative instruments arisen from transactions stated above and their balances as of 30 June 2011 and 31 December 2010 are as follows:

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

39. FINANCIAL INSTRUMENTS (cont'd)

Derivative Instruments and Hedging Transactions (cont'd)

30 June 2011	**Positive fair value**	**Negative fair value**	**Total**
Fixed-paid/floating received interest rate swap contracts for hedging against cash flow risks of interest rate	-	(26.783.334)	(26.783.334)
Forward fuel purchase contracts for hedging against cash flow risk of fuel prices	46.240.194	-	46.240.194
4 way collar contracts for hedging against cash flow risk of fuel prices	12.848.516	-	12.848.516
Fair values of derivative instruments for hedging purposes	59.088.710	(26.783.334)	32.305.376
Cross-currency swap contracts not subject to hedge accounting	20.708.456	(12.921.307)	7.787.149
Interest rate swap contracts not subject to hedge accounting	44.249.059	(43.640.458)	608.601
Fair values of derivative instruments not for hedging purposes	64.957.515	(56.561.765)	8.395.750
Total	124.046.225	(83.345.099)	40.701.126

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

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

39. FINANCIAL INSTRUMENTS (cont'd)

Derivative Instruments and Hedging Transactions (cont'd)

	Hedging against fuel risk	Hedging against interest risk	Total
Increase/(decrease) in fair values of derivative instruments for hedging purposes	59.088.710	(26.783.334)	32.305.376
The amount of financial expenses inside hedge funds	-	1.499.024	1.499.024
Reclassified amount for ineffecient part in the risk elimination of fair value of hedging gains of fuel hedging derivative instrument to financial revenues	(975.845)	-	(975.845)
Total	58.112.865	(25.284.310)	32.828.555
Deferred tax	(11.622.573)	5.056.862	(6.565.711)
Hedge fund as of 30 June 2011	46.490.292	(20.227.448)	26.262.844

40. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

The decision in the General Assembly to increase the paid-in capital from TL 1 billion to TL 1,2 billion was approved by the CMB with the decision No: 61/642 on 1 July 2011, and on 5 July 2011 an application was made to İstanbul Commerce Register Office for the register of the increse in the paid-in capital.

Turkbıne Teknik Gaz Türbinleri Bakım Onarım Anonim Şirketi (shortly Turkbıne Teknik) was established to operate on gas turbine maintenance and repair services and it was registered with a total capital of 16.571.494 which was distributed between Zorlu O/M Enerji Tesisleri İşletme ve Bakım Hizmetleri A.Ş. and Türk Hava Yolları Teknik A.Ş. 50% of the shares of Turbine Teknik belongs to Zorlu O/M Enerji Tesisleri İşletme ve Bakım Hizmetleri A.Ş. and the remaining 50% belongs to Türk Hava Yolları Teknik A.Ş.

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

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

TL 2.291.805 part of the 'communication expenses' item, which was stated under "Cost of sales" in the interim period between 1 January – 30 June 2010, is now classified under "General administrative expenses".

Out of TL 7.370.596 of maintenance expenses presented under cost of sales, TL 6.692.076 of it was net off with maintenance expenses received from leasing companies presented under other operating income, and the remaining TL 678.520 was net off with drawbacks and discounts from services presented under other operating income.

TL 6.227.096 part of the 'insurance expenses' item, which was stated under "General administrative expenses" in the interim period between 1 January – 30 June 2010, is now classified under "Cost of sales".

TL 1.442.957 part of the 'aircraft finance administrative expenses' item, which was stated under "General administrative expenses" in the interim period between 1 January – 30 June 2010, is now classified under "Cost of sales".