

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

Convenience Translation to English of
Condensed Consolidated
Interim Financial Statements
for the Six-Month Period Ended 30 June 2014
with Independent Auditor's Review Report
(Originally Issued in Turkish)



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(Convenience Translation to English of Review Report on Condensed Consolidated Interim Financial Statements Originally Issued in Turkish)

Independent Auditors' Report on Review of Interim Financial Information

To the Board of Directors of
Türk Hava Yolları Anonim Ortaklığı

Introduction

We have reviewed the accompanying condensed consolidated balance sheet of Türk Hava Yolları Anonim Ortaklığı and its subsidiaries (the "Group") as at 30 June 2014, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended and notes to the interim financial information ("the condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with Turkish Accounting Standards 34 *Interim Financial Reporting* ("TAS 34") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". 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 the Standards on Auditing 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 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with TAS 34 *Interim Financial Reporting*.

İstanbul, 19 August 2014

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Hatice Nesrin Tuncer
Partner

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Condensed Consolidated Balance Sheet as at 30 June 2014

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

		<u>Reviewed</u>	<u>Audited</u>
ASSETS	<u>Notes</u>	<u>30 June 2014</u>	<u>31 December 2013</u>
Current Assets			
Cash and Cash Equivalents	6	1.484.391.231	1.338.983.835
Financial Investments	7	791.285.307	42.774.034
Trade Receivables			
-Trade Receivables From Related Parties	10	430.796	382.750
-Trade Receivables From Non-Related Parties		1.475.771.779	1.147.707.413
Other Receivables			
-Other Receivables from Related Parties	10	7.506.796	4.087.847
-Other Receivables from Non-Related Parties		1.821.311.625	1.376.697.906
Derivative Financial Instruments	31	85.715.177	64.279.662
Inventories		398.287.884	342.324.371
Prepaid Expenses		142.425.272	89.366.115
Current Income Tax Assets	29	6.452.410	16.507.184
Other Current Assets		162.786.173	112.423.952
TOTAL CURRENT ASSETS		<u>6.376.364.450</u>	<u>4.535.535.069</u>
Non-Current Assets			
Financial Investments		2.440.194	2.452.721
Other Receivables			
-Other Receivables from Non-Related Parties		2.114.183.464	2.680.608.826
Equity Accounted Investees	4	398.595.164	389.674.199
Investment Property		75.930.229	76.320.000
Property and Equipment	11	18.814.497.978	17.165.656.116
Intangible Assets			
- Other Intangible Assets	12	129.386.278	113.081.412
- Goodwill	13	26.371.921	26.507.294
Prepaid Expenses		503.521.233	412.242.181
TOTAL NON-CURRENT ASSETS		<u>22.064.926.461</u>	<u>20.866.542.749</u>
TOTAL ASSETS		<u>28.441.290.911</u>	<u>25.402.077.818</u>

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Condensed Consolidated Balance Sheet as at 30 June 2014

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

		<u>Reviewed</u>	<u>Audited</u>
		<u>30 June 2014</u>	<u>31 December 2013</u>
LIABILITIES	Notes		
Current Liabilities			
Short-Term Portion of Long-Term Borrowings	8-14	1.301.675.364	1.188.220.823
Other Financial Liabilities	9	77.649.445	33.808.413
Trade Payables			
-Trade Payables to Related Parties	10	418.363.365	374.606.410
-Trade Payables to Non-Related Parties		1.133.781.208	1.076.575.170
Payables Related to Employee Benefits		283.870.998	307.983.476
Other Payables			
-Other Payables to Non-Related Parties		92.827.389	114.181.687
Derivative Financial Instruments	31	202.998.527	233.949.090
Deferred Income		40.289.884	46.629.988
Passenger Flight Liabilities	19	3.946.546.529	2.562.506.267
Current Profit Tax Liability	29	8.657.041	-
Short-term Provisions			
-Short-term Provisions for Employee Benefits	15	111.443.723	64.731.115
-Other Short-term Provisions	15	28.120.195	29.819.212
Other Current Liabilities		598.767.099	619.744.180
TOTAL CURRENT LIABILITIES		<u>8.244.990.767</u>	<u>6.652.755.831</u>
Non- Current Liabilities			
Long-Term Borrowings	8-14	11.637.344.775	10.364.269.509
Trade Payables			
- Trade Payables to Non-Related Parties		3.665.825	3.549.001
Other Payables			
-Other Payables to Non-Related Parties		32.315.109	30.917.704
Deferred Income		31.864.311	31.157.986
Long-term Provisions			
-Long-term Provisions for Employee Benefits	17	259.500.178	249.604.088
Deferred Tax Liability	29	1.076.270.776	1.107.333.343
TOTAL NON- CURRENT LIABILITIES		<u>13.040.960.974</u>	<u>11.786.831.631</u>
Equity Attributable to Equity Holders of the Parent			
Share Capital	20	1.380.000.000	1.380.000.000
Inflation Adjustment on Share Capital	20	1.123.808.032	1.123.808.032
Items That Will Never Be Reclassified to Profit or Loss			
-Actuarial Losses from Defined Pension Plans	20	(11.129.376)	(10.776.219)
Items That Are or May Be Reclassified to Profit or Loss			
-Foreign currency translation differences	20	1.637.845.049	1.657.731.904
-Losses from Hedging	20	(59.929.704)	(101.206.786)
Restricted Profit Reserves	20	59.372.762	59.372.762
Retained Earnings	20	2.853.560.663	2.170.853.236
Net Profit	20	171.811.744	682.707.427
TOTAL EQUITY		<u>7.155.339.170</u>	<u>6.962.490.356</u>
TOTAL LIABILITIES AND EQUITY		<u>28.441.290.911</u>	<u>25.402.077.818</u>

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

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

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

For the Six-Month Period Ended 30 June 2014

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

	Notes	Reviewed	Not Reviewed	Reviewed	Not Reviewed
		1 January - 30 June 2014	1 April- 30 June 2014	1 January - 30 June 2013	1 April- 30 June 2013
PROFIT OR LOSS					
Sales Revenue	21	11.266.341.285	6.138.813.381	8.198.963.506	4.610.975.559
Cost of Sales (-)	22	(9.528.579.906)	(4.915.842.570)	(6.728.928.656)	(3.578.922.445)
GROSS PROFIT		1.737.761.379	1.222.970.811	1.470.034.850	1.032.053.114
General Administrative Expenses (-)	23	(293.052.266)	(144.824.105)	(224.679.447)	(122.753.974)
Marketing and Sales Expenses (-)	23	(1.232.410.470)	(639.985.098)	(882.063.531)	(462.608.710)
Other Operating Income	24	127.640.252	67.682.754	105.382.802	54.676.911
Other Operating Expenses (-)	24	(27.538.824)	(10.908.230)	(73.789.147)	(38.202.556)
OPERATING PROFIT		312.400.071	494.936.132	394.885.527	463.164.785
Income from Investment Activities	25	62.846.797	35.102.078	72.561.248	41.008.229
Expense from Investment Activities	25	(8.303.588)	(8.179.728)	(27.680)	-
Share of Investments' Profit / Loss Accounted By Using The Equity Method	4	41.083.724	59.432.234	(6.062.530)	(12.044.944)
OPERATING PROFIT BEFORE FINANCIAL INCOME/EXPENSE		408.027.004	581.290.716	461.356.565	492.128.070
Financial Income	27	36.362.270	20.303.456	36.644.568	15.421.401
Financial Expenses (-)	27	(292.677.057)	(146.891.039)	(267.038.883)	(249.324.460)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		151.712.217	454.703.133	230.962.250	258.225.011
Tax Income/Expense of Continuing Operations		20.099.527	(56.551.206)	(109.759.641)	(114.682.879)
Current Tax Expense	29	(8.624.466)	(8.624.466)	-	-
Deferred Tax Income/Expense	29	28.723.993	(47.926.740)	(109.759.641)	(114.682.879)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		171.811.744	398.151.927	121.202.609	143.542.132
OTHER COMPREHENSIVE INCOME					
To Be Reclassified To Profit or Loss		21.390.227	(159.587.358)	477.640.310	381.468.014
Currency Translation Adjustment		(19.886.855)	(203.533.003)	457.103.665	360.915.860
Gains/ (Losses) of Cash Flow Hedge Reserves		47.350.790	49.551.276	25.670.806	27.602.320
Gains/(Losses) from Cash Flow Hedge Reserves of Investment Accounted by Using the Equity Method		4.245.563	5.380.781	-	(1.912.128)
Tax (Expense)/Income of Other Comprehensive Income		(10.319.271)	(10.986.412)	(5.134.161)	(5.138.038)
Not To Be Reclassified To Profit or Loss		353.157	8.357.297	-	-
Actuarial Gains/Losses from Defined Pension Plans of Investments Accounted by Using the Equity Method		441.446	10.446.621	-	-
Tax Expense/Income of Other Comprehensive Income		(88.289)	(2.089.324)	-	-
OTHER COMPREHENSIVE INCOME		21.743.384	(151.230.061)	477.640.310	381.468.014
TOTAL COMPREHENSIVE INCOME		193.555.128	246.921.866	598.842.919	525.010.146
Profit Per Share (Kr)	30	0,12	0,29	0,09	0,10

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

Convenience Translation to English of Condensed Consolidated Interim Financial Statements Originally Issued in Turkish
TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
Condensed Consolidated Interim Statement of Changes in Equity
For the Six-Month Period Ended 30 June 2014
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Paid-in Share Capital	Inflation Adjustment on Share Capital	Accumulated Items That Will Never Be Reclassified To Profit or Loss	Accumulated Items That Are or May Be Reclassified To Profit or Loss			Accumulated Profit		Total Equity
			Actuarial Gains/(Losses) from Defined Pension Plans	Currency Translation Differences	Gains/ (Losses) of Hedging	Restricted Profit Reserves	Retained Earnings /(Losses)	Net Profit for the Period	
As of 31 December 2013	1.380.000.000	1.123.808.032	(10.776.219)	1.657.731.904	(101.206.786)	59.372.762	2.170.853.236	682.707.427	6.962.490.356
Transfers	-	-	-	-	-	-	682.707.427	(682.707.427)	-
Total Comprehensive Income	-	-	(353.157)	(19.886.855)	41.277.082	-	-	171.811.744	192.848.814
As of 30 June 2014	1.380.000.000	1.123.808.032	(11.129.376)	1.637.845.049	(59.929.704)	59.372.762	2.853.560.663	171.811.744	7.155.339.170

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

	Accumulated Items That Will Never Be Reclassified To Profit or Loss			Accumulated Items That Are or May Be Reclassified To Profit or Loss			Accumulated Profit		Total Equity
	Paid-in Share Capital	Inflation Adjustment on Share Capital	Actuarial Losses from Defined Pension Plans	Currency Translation Differences	Gains/ (Losses) of Hedging	Restricted Profit Reserves	Retained Earnings /(Losses)	Net Profit for the Period	
As of 31 December 2012	1.200.000.000	1.123.808.032	-	570.111.018	(45.384.871)	39.326.341	1.383.815.836	1.133.367.233	5.405.043.589
Adjustments Related to Changes in Accounting Policy	-	-	(26.997.551)	-	-	-	4.647.727	22.349.824	-
Restated as of 1 January 2013	1.200.000.000	1.123.808.032	(26.997.551)	570.111.018	(45.384.871)	39.326.341	1.388.463.563	1.155.717.057	5.405.043.589
Transfers	-	-	-	-	-	20.046.421	1.134.858.617	(1.154.905.038)	-
Issuence of Bonus Shares	180.000.000	-	-	-	-	-	(180.000.000)	-	-
Dividends Paid	-	-	-	-	-	-	(173.280.963)	-	(173.280.963)
Total Comprehensive Income	-	-	-	457.103.665	20.536.645	-	-	121.202.609	598.842.919
As of 30 June 2013	1.380.000.000	1.123.808.032	(26.997.551)	1.027.214.683	(24.848.226)	59.372.762	2.170.041.217	122.014.628	5.830.605.545

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Condensed Consolidated Interim Statement of Cash Flows

For the Six-Month Period Ended 30 June 2014

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

	<u>Reviewed</u>	<u>Reviewed</u>
Notes	1 January - 30 June 2014	1 January - 30 June 2013
Profit Before Tax	151.712.217	230.962.250
Adjustments to Reconcile Cash Flow Generated from Operating Activities:		
Adjustments for Depreciation and Amortization	11-12 775.582.103	581.514.707
Adjustments for Provision for Employee Benefits	17 27.354.943	41.856.932
Adjustments for Provisions, Net	15 45.050.805	16.263.312
Adjustments for Interest Income	25-27 (37.709.002)	(52.334.553)
Gain/Loss on Sales of Fixed Assets, Net	25 8.173.162	(8.082.975)
Share of Investments' Profit / Loss Accounted by Using The Equity Method	4 (41.083.724)	6.062.530
Adjustments for Interest Expense	27 171.618.027	142.599.231
Change in Manufacturers' Credit	(4.760.453)	(508.193)
Unrealized Foreign Exchange Translation Differences	(17.047.509)	68.265.184
Change in Provision for Doubtful Receivables, Net	130.627	2.511.269
Change in Fair Value of Derivative Instruments	(52.944.443)	(4.782.318)
Operating Profit before Working Capital Changes	1.026.076.753	1.024.327.376
Adjustments for Change in Trade Receivables	(340.180.612)	(415.122.379)
Adjustments for Change in Other Short and Long Term Receivables	279.504.823	279.304.722
Adjustments for Change in Inventories	(58.783.994)	31.270.294
Adjustments for Change in Other Current Assets	(35.274.589)	(47.542.909)
Change in Short and Long Term Prepaid Expenses	(149.629.162)	(13.902.646)
Adjustments for Change in Trade Payables	110.525.174	180.356.736
Change in Other Short and Long Term Payables and Liabilities	(42.531.211)	34.897.689
Change in Other Short and Long Term Payables, Deferred Income and Liabilities	(23.476.732)	(11.703.197)
Change in Short Term Employee Benefits	-	18.386.568
Change in Passenger Flight Liabilities	1.423.083.936	1.104.040.070
Cash Flows Generated From Operating Activities	2.189.314.386	2.184.312.324
Payment of Retirement Pay Liabilities	17 (22.323.298)	(12.962.737)
Interest Paid	(167.138.386)	(138.899.134)
Taxes Paid	29 (6.452.410)	(10.292.910)
Net Cash Generated From Operating Activities	1.993.400.292	2.022.157.543
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Generated From Sale of Property and Equipment	30.572.806	13.153.216
Interest Received	33.403.979	50.903.873
Purchase of Property and Equipment and Intangible Assets (*)	11-12 (573.648.396)	(515.582.926)
Prepayments For The Purchase of Aircrafts	(99.178.141)	(792.980.155)
Change in Financial Investments	(758.322.593)	10.881.509
Cash Outflow Arising From Capital Increase in Investment	-	(1.012.500)
Dividends Received	32.470.899	-
Cash Outflow Arising From Acquisition of Subsidiaries	3 -	(45.929.808)
Net Cash Used In Investing Activities	(1.334.701.446)	(1.280.566.791)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of Financial Lease Liabilities	(558.122.861)	(510.977.155)
Change in Other Financial Liabilities	44.831.411	(51.150.094)
Dividends Paid	-	(173.280.962)
Net Cash Used In Financing Activities	(513.291.450)	(735.408.211)
NET INCREASE IN CASH AND CASH EQUIVALENTS	145.407.396	6.182.541
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1.338.983.835	1.355.542.536
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1.484.391.231	1.361.725.077

(*) TL 2,026,687,259 portion of property and equipment and intangible assets purchases in total of TL 2,600,335,655 for the six-month period ended 30 June 2014 was financed through finance leases. (30 June 2013: TL 1,150,268,960 portion of property and equipment and intangible assets purchases in total of TL 1,665,851,886 was financed through finance leases.)

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2014

(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 2014 and 31 December 2013, the shareholders and their respective shareholdings in the Company are as follows:

	<u>30 June 2014</u>	<u>31 December 2013</u>
Republic of Turkey Prime Ministry Privatization Administration	% 49,12	% 49,12
Other (publicly held)	% 50,88	% 50,88
Total	<u>% 100,00</u>	<u>% 100,00</u>

The number of employees working for the Company and its subsidiaries (together the “Group”) as of 30 June 2014 is 24,066. (31 December 2013: 23,160). The average number of employees working for the Group for the six-month period ended 30 June 2014 and 2013 are 23,601 and 21,256 respectively. The Company is registered in İstanbul, Turkey and its head office address is as follows:

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

The Company’s stocks are traded on Borsa Istanbul since 1990.

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

Air Transport (“Aviation”)

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

Technical Maintenance Services (“Technical”)

The main activity of this business is providing repair and maintenance service on civil aviation sector and giving all kinds of technical and infrastructure support related to airline industry.

Subsidiaries and Joint Ventures

The table below sets out the consolidated subsidiaries and participation rate of the Group in these joint ventures as of 30 June 2014 and 31 December 2013:

<u>Name of the Company</u>	<u>Principal Activity</u>	<u>Participation Rate</u>		<u>Country of Registration</u>
		<u>30 June 2014</u>	<u>31 December 2013</u>	
THY Teknik A.Ş. (THY TEKNİK)	Aircraft Maintenance Services	100%	100%	Turkey
THY Habom A.Ş. (THY HABOM)	Aircraft Maintenance Services	100%	100%	Turkey
THY Aydın Çıldır Havalimanı İşletme A.Ş.(THY Aydın Çıldır)	Training & Airport Operations	100%	100%	Turkey

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2014

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

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

The table below sets out consolidated joint ventures and indicates the proportion of ownership interest of the Company in these joint ventures as of 30 June 2014 and 31 December 2013:

Company Name	Country of Registration and Operations	Ownership Share (*)	Voting Power (*)	Principal Activity
Güneş Ekspres Havacılık A.Ş. (Sun Express)	Turkey	%50	%50	Aircraft Transportation
THY DO&CO İkrâm 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
TGS Yer Hizmetleri A.Ş. (TGS)	Turkey	%50	%50	Ground Services
THY OPET Havacılık Yakıtları A.Ş. (THY Opet)	Turkey	%50	%50	Fuel
Goodrich Thy Teknik Servis Merkezi Ltd. Şti. (Goodrich)	Turkey	%40	%40	Maintenance
Uçak Koltuk Sanayi ve Ticaret A.Ş (Uçak Koltuk)	Turkey	%50	%50	Cabin Interior
TCI Kabin İçi Sistemleri San ve Tic. A.Ş. (TCI)(**)	Turkey	%50	%50	Cabin Interior
Türkbine Teknik Gaz Türbinleri Bakım Onarım A.Ş. (Türkbine Teknik)	Turkey	%50	%50	Maintenance

(*) Share percentage and voting rights are the same in the year 2014 and 2013.

(**) 1% share of the Group was sold to the other main partner, TUSAŞ (Türk Havacılık ve Uzay Sanayi A.Ş)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Preparation of Financial Statements

The consolidated financial statements have been prepared in accordance with the communiqué numbered II-14.1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the Capital Markets Board (“CMB”) on 13 June 2013 which is published on Official Gazette numbered 28676. The accompanying condensed consolidated interim financial statements have been presented in accordance with formats announced by CMB on 7 June 2013.

The condensed consolidated interim financial statements for the six-month period ended 30 June 2014 have been prepared in accordance with TAS 34 “Interim Financial Reporting”. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2013.

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 from 1 January 2005. Accordingly, “Financial Reporting Standards in Hyperinflationary Economies”, (“IAS 29”) was no longer applied henceforward.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2014

(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 Measurements

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

Functional and Reporting Currency

Functional currency

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

Translation to the presentation currency

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

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

Additional paragraph for convenience translation to English

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

2.2 Statement of Compliance with TAS

The Company and its subsidiaries registered in Turkey maintain their books of account and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code and Tax Legislation.

The condensed consolidated interim financial statements have been prepared in accordance with Turkish Accounting Standards (TAS) announced by Public Oversight Accounting and Auditing Standards Authority ("POA") with regard to the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board ("CMB") on 13 June 2013 which is published on Official Gazette numbered 28676. TAS, are comprised of Turkish Accounting Standards, Turkish Financial Reporting Standards (TFRS), appendixes and interpretations.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2014

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

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

2.2 Statement of Compliance with TAS (cont'd)

Board of Directors has approved the condensed consolidated interim financial statements as of 30 June 2014 and delegated authority for publishing it on 18 August 2014. General assembly and related regulatory bodies have the authority to modify the financial statements.

2.3 Changes and Errors in Accounting Estimates

The significant estimates and assumptions used in preparation of these condensed consolidated interim financial statements as at 30 June 2014 are same with those used in the preparation of the Group's consolidated financial statements as at and for the year ended 31 December 2013.

2.4 Summary of Significant Accounting Policies

The accounting policies used in preparation of condensed consolidated interim financial statements as at 30 June 2014 are consistent with those used in the preparation of consolidated statements for the year ended 31 December 2013.

2.5 New and Revised Standards and Interpretations

In accounting policies considered in preparation of condensed consolidated interim financial statements as at and for the six-month period ended 30 June 2014, the Group applied all Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations that are effective as of 1 January 2014.

Accounting policies considered in preparation of condensed consolidated interim financial statements as of and for the six-month period ended 30 June 2014 have been applied consistently with those used in the previous year apart from TFRS standards that are effective as of 1 January 2014 and all interpretations published by Turkey Financial Reporting Interpretations Committee ("TFRYK"). Impacts of these standards and interpretations on the financial position or performance of the Group are explained in related paragraphs. The new standards, amendments and interpretations which are effective as at 1 January 2014 are as follows:

Investment Entities (Amendments to TFRS 10, TFRS 12 and TAS 27)

TFRS 10 is amended for entities that meet the definition of an investment entity to qualify for the consolidation exception. According to the amendment, financial assets of an investment entity should be measured at fair value under TFRS 9 Financial Instruments, or to the extent possible under TMS 39 Financial Instruments: Recognition and Measurement. The amendments had no significant impact on the financial position or performance of the Group.

TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments had no significant impact on the financial position or performance of the Group. TAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial assets (Amendments) As a consequential amendment to IFRS 13 Fair Value Measurement, some of the disclosure requirements in IAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets are modified. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. The amendment has affected disclosure principles of the recoverable amounts for non-financial assets. The amendments had no significant impact on the financial position or performance of the Group.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2014

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

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

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

TAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial assets (Amendments)

As a consequential amendment to IFRS 13 Fair Value Measurement, some of the disclosure requirements in IAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets are modified. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. The amendment has affected disclosure principles of the recoverable amounts for non-financial assets. The amendments had no significant impact on the financial position or performance of the Group.

TAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)

Amendments to IAS 39 Financial Instruments: Recognition and Measurement provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. The amendments had no significant impact on the financial position or performance of the Group.

TFRIC Interpretation 21 Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The Interpretation had no significant impact on the financial position or performance of the Group.

Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

TFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new TFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2014

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

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

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

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

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

IFRS 9 Financial Instruments – Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 - IFRS 9 (2013)

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. The new standard removes the 1 January 2015 effective date of IFRS 9. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging transactions. The standard does not have a mandatory effective date, but it is available for application now; a new mandatory effective date will be set when the IASB completes the impairment phase of its project on the accounting for financial instruments. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)

The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. When contributions are eligible for the practical expedient, a company is permitted (but not required) to recognize them as a reduction of the service cost in the period in which the related service is rendered. The amendment is effective for annual periods beginning on or after 1 July 2014. Early application is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

IFRS 14 Regulatory Deferral Accounts

IASB has started a comprehensive project for Rate Regulated Activities in 2012. As part of the project, IASB published an interim standard to ease the transition to IFRS for rate regulated entities. The standard permits first time adopters of IFRS to continue using previous GAAP to account for regulatory deferral account balances. The interim standard is effective for financial reporting periods beginning on or after 1 January 2016, although early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

IFRS 15 Revenue from Contracts with customers

The standard is the result of a joint project and IASB and FASB which replaces existing IFRS and US GAAP guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. The standard is effective for annual periods beginning on or after 1 January 2017, with early adoption permitted under IFRS. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2014

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

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

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

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

Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortization

The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. The amendments are effective for annual periods beginning on after 1 January 2016, and are to be applied prospectively. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

Amendments to IFRS 11 – Accounting for acquisition of interests in joint operations

The amendments clarify whether IFRS 3 Business Combinations applies when an entity acquires an interest in a joint operation that meets that standard's definition of a business. The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

The Group does not plan to adopt these standards early.

2.6 Determination of Fair Values

Various accounting policies and explanations of the Group necessitate to determinate the fair value of both financial and non-financial assets and liabilities. If applicable, additional information about assumptions used for determination of fair value are presented in notes particular to assets and liabilities.

Evaluation methods in terms of levels are described as follows:

- Level 1: Specific (uncorrected) prices in active markets for identical assets and obligations;
- Level 2: Directly (via prices) or indirectly (via producing from prices) variables which are observable for assets and liabilities and apart from specific prices mentioned in Level 1.
- Level 3: Variables which are not related to observable market variable for assets and liabilities (unobservable variables).

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2014

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

3. BUSINESS COMBINATIONS

Acquisition of 100% shares of MNG Teknik Uçak Bakım Hizmetler Anonim Şirketi and merger with HABOM

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

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

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	<u>Note</u>	<u>Pre-acquisition value</u>	<u>Fair value adjustment</u>	<u>Acquisition value</u>
Property and equipment		101.436.163	2.921.466	104.357.629
Intangible Assets		0	28.164.734	28.164.734
Trade and other receivables		4.476.172	-	4.476.172
Other assets		7.131.521	-	7.131.521
Cash and cash equivalents		486.236	-	486.236
Financial debts		(78.827.091)	-	(78.827.091)
Trade and other payables		(27.549.448)	-	(27.549.448)
Other liabilities		(13.261.473)	-	(13.261.473)
Deferred tax liability		-	(2.467.611)	(2.467.611)
Identifiable assets and liabilities		(6.107.920)	28.618.589	22.510.669
Goodwill arising from acquisition	13			23.905.375
Cash consideration paid				46.416.044
Cash and cash equivalents acquired				(486.236)
Net cash outflow arising from acquisition				45.929.808

Under TFRS 3, intangible assets recognised arising from the acquisition of MNG Teknik are stated below:

	<u>30 June 2014</u>
Company Licenses	18.748.146
Lease Contract	9.416.587
Total intangible assets recognised on acquisition	28.164.734

The incremental cash flows and change in cash flows methods are used in determining the fair values of company licenses and lease contract, respectively. Substitute cost method is used in determining the fair value of property and equipment.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2014

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

3. BUSINESS COMBINATIONS (cont'd)

Acquisition of 100% shares of MNG Teknik Uçak Bakım Hizmetler Anonim Şirketi and merger with HABOM (cont'd)

Pre-acquisition values are calculated in accordance with Turkish Financial Reporting Standards (TFRS) just before the acquisition date. As of 30 June 2013 and 31 December 2013, the fair values of assets and liabilities recognised on acquisition were determined on a provisional basis. Based on revision works on the independent valuation report regarding the fair value of intangible assets of MNG Teknik during the current period, as of 30 June 2013 and 31 December 2013, the goodwill amounts were realized as 28.618.589 TL and 31.733.507 TL, respectively, and, the amounts previously reported as of 30 June 2013 and 31 December 2013 were revised. The comparison of fair values of tangible and intangible assets and goodwill that are recognized according to the provisional and final studies is presented below:

30 June 2013 (*)	Provisional Study	Final Study
Intangible assets	-	28.164.734
Property and equipment	101.436.163	104.357.629
Deferred tax liability	-	(2.467.611)
Goodwill	52.523.964	23.905.375
	<u>153.960.127</u>	<u>153.960.127</u>
31 December 2013 (*)	Provisional Study	Final Study
Intangible assets	-	31.230.253
Property and equipment	112.476.726	115.716.172
Deferred tax liability	-	(2.736.191)
Goodwill (Note 13)	58.240.802	26.507.294
	<u>170.717.528</u>	<u>170.717.528</u>

(*) Differences between 30 June 2013 and 31 December 2013 values stem from the currency translation effect.

The goodwill is mainly attributable to the synergies expected to be achieved from integrating MNG Teknik into the Group's existing technic business.

4. INVESTMENTS ACCOUNTED BY USING THE EQUITY METHOD

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

	30 June 2014	31 December 2013
Turkish DO&CO	99.543.890	90.923.583
TGS	86.166.818	83.543.135
THY Opet	75.664.205	74.931.561
Sun Express	65.365.616	76.197.771
TEC	50.445.901	46.355.553
Türkbine Teknik	8.722.600	8.632.676
TCI	6.307.677	4.189.363
Uçak Koltuk	4.990.149	4.142.150
Goodrich	1.388.308	758.407
	<u>398.595.164</u>	<u>389.674.199</u>

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2014

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

4. INVESTMENTS ACCOUNTED BY USING THE EQUITY METHOD (cont'd)

Share of investments' profit / (loss) accounted by using to equity method are as follows:

	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
THY Opet	20.732.644	10.422.530	632.557	(4.460.973)
Turkish DO&CO	16.527.335	9.391.426	13.265.202	129.039
TGS	15.095.764	11.728.064	6.597.922	5.248.289
TEC	4.407.480	6.243.432	(12.935.499)	(8.446.654)
Uçak Koltuk	868.696	561.502	(179.568)	(128.026)
Goodrich	645.394	558.570	(489.258)	228.700
Türkbine Teknik	136.491	342.079	(446.522)	(135.096)
TCI	(3.872.516)	(3.872.516)	(624.038)	(985.192)
Sun Express	(13.457.564)	24.057.147	(11.883.326)	(3.495.031)
Total	41.083.724	59.432.234	(6.062.530)	(12.044.944)

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 21.

5.1 Total Assets and Liabilities

Total Assets	30 June 2014	31 December 2013
Aviation	28.279.729.647	25.229.616.381
Technic	2.115.042.030	1.885.839.508
Total	30.394.771.677	27.115.455.889
Less: Eliminations due to consolidation	(1.953.480.766)	(1.713.378.071)
Total assets in consolidated financial statements	28.441.290.911	25.402.077.818
Total Liabilities	30 June 2014	31 December 2013
Aviation	21.101.480.448	18.226.396.169
Technic	827.996.890	617.466.426
Total	21.929.477.338	18.843.862.595
Less: Eliminations due to consolidation	(643.525.597)	(404.275.133)
Total liabilities in consolidated financial statements	21.285.951.741	18.439.587.462

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2014

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

5. SEGMENTAL REPORTING (cont'd)

5.2 Profit before Tax

Segment Results:

1 January-30 June 2014	Aviation	Technic	Inter-segment elimination	Total
Sales to External Customers	11.037.863.165	228.478.120	-	11.266.341.285
Inter-Segment Sales	28.635.364	599.722.354	(628.357.718)	-
Segment Revenue	11.066.498.529	828.200.474	(628.357.718)	11.266.341.285
Cost of Sales (-)	(9.468.444.090)	(678.554.666)	618.418.850	(9.528.579.906)
Gross Profit	1.598.054.439	149.645.808	(9.938.868)	1.737.761.379
Administrative Expenses (-)	(191.370.222)	(117.017.706)	15.335.662	(293.052.266)
Marketing and Sales Expenses (-)	(1.226.619.520)	(6.646.244)	855.294	(1.232.410.470)
Other Operating Income	117.794.417	17.808.339	(7.962.504)	127.640.252
Other Operating Expenses (-)	(16.920.177)	(11.377.194)	758.547	(27.538.824)
Operating Profit/(Loss)	280.938.937	32.413.003	(951.869)	312.400.071
Income from Investment Activities	62.821.146	25.651	-	62.846.797
Expenses from Investment Activities	(8.303.588)	-	-	8.303.588
Share of Investments' Profit/Loss Accounted by Using The Equity Method	37.443.365	3.640.359	-	41.083.724
Operating Profit/(Loss) before Financial Income/(Expense)	372.899.860	36.079.013	(951.869)	408.027.004
Financial Income	45.143.052	979.295	(9.760.077)	36.362.270
Financial Expense (-)	(291.768.273)	(10.668.861)	9.760.077	(292.677.057)
Profit Before Tax From Continuing Operations	126.274.639	26.389.447	(951.869)	151.712.217

1 January-30 June 2013	Aviation	Technic	Inter-segment elimination	Total
Sales to External Customers	8.095.770.333	103.193.173	-	8.198.963.506
Inter-Segment Sales	6.267.801	331.860.632	(338.128.433)	-
Segment Revenue	8.102.038.134	435.053.805	(338.128.433)	8.198.963.506
Cost of Sales (-)	(6.689.429.790)	(372.029.202)	332.530.336	(6.728.928.656)
Gross Profit	1.412.608.344	63.024.603	(5.598.097)	1.470.034.850
Administrative Expenses (-)	(151.473.740)	(83.861.864)	10.656.157	(224.679.447)
Marketing and Sales Expenses (-)	(878.210.906)	(4.336.972)	484.347	(882.063.531)
Other Operating Income	99.035.288	15.492.135	(9.144.621)	105.382.802
Other Operating Expenses (-)	(65.412.778)	(11.151.544)	2.775.175	(73.789.147)
Operating Profit/(Loss)	416.546.208	(20.833.642)	(827.039)	394.885.527
Income from Investment Activities	72.561.248	-	-	72.561.248
Expenses from Investment Activities	(27.680)	-	-	27.680
Share of Investments' Profit/(Loss) Accounted by Using The Equity Method	9.038.099	(15.100.629)	-	(6.062.530)
Operating Profit/(Loss) before Financial Income/(Expense)	498.117.875	(35.934.271)	(827.039)	461.356.565
Financial Income	25.753.703	14.409.821	(3.518.956)	36.644.568
Financial Expense (-)	(260.939.458)	(9.618.381)	3.518.956	(267.038.883)
Profit Before Tax From Continuing Operations	262.932.120	(31.142.831)	(827.039)	230.962.250

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2014

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

5. SEGMENTAL REPORTING (cont'd)

5.2 Profit before Tax (cont'd)

Income statement items related to equity accounted investees:

1 January-30 June 2014	Aviation	Technic	Inter-segment elimination	Total
Share of Investments' Profit/(Loss) Accounted by Using The Equity Method	37.443.365	3.640.359	-	41.083.724

1 January-30 June 2013	Aviation	Technic	Inter-segment elimination	Total
Share of Investments' Profit/(Loss) Accounted by Using The Equity Method	9.038.099	(15.100.629)	-	(6.062.530)

5.3 Investment Operations

1 January - 30 June 2014	Aviation	Technic	Inter-segment elimination	Total
Purchase of property and equipment and intangible fixed assets	2.435.411.079	164.924.579	-	2.600.335.658
Current period amortization and depreciation	703.023.392	72.558.711	-	775.582.103
Investmensts accounted by using the equity method	336.639.368	61.955.796	-	398.595.164

1 January - 30 June 2013	Aviation	Technic	Inter-segment elimination	Total
Purchase of property and equipment and intangible fixed assets	1.534.506.839	131.345.047	-	1.665.851.886
Current period amortization and depreciation	544.550.997	36.963.710	-	581.514.707
Investmensts accounted by using the equity method	209.237.137	54.440.590	-	263.677.727

6. CASH AND CASH EQUIVALENTS

	30 June 2014	31 December 2013
Cash	2.698.873	2.231.785
Banks – Time deposits	1.079.040.936	782.265.403
Banks – Demand deposits	399.206.694	521.069.942
Other liquid assets	3.444.728	33.416.705
	<u>1.484.391.231</u>	<u>1.338.983.835</u>

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2014

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

6. CASH AND CASH EQUIVALENTS (cont'd)

Details of the time deposits as of 30 June 2014 are as follows:

<u>Amount</u>	<u>Currency</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>30 June 2014</u>
93.600.000	TL	%9,25 - %10,55	July 2014	93.600.000
457.695.704	USD	%2,15 - %2,86	September 2014	975.345.313
3.491.000	EUR	2,15%	July 2014	10.095.623
				<u>1.079.040.936</u>

Details of the time deposits as of 31 December 2013 are as follows:

<u>Amount</u>	<u>Currency</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>31 December 2013</u>
106.265.000	TL	%6,41 - %9,00	January 2014	106.268.154
265.442.777	USD	%2,14 - %2,91	March 2014	567.235.039
36.984.472	EUR	%0,82 - %2,54	January 2014	108.762.210
				<u>782.265.403</u>

7. FINANCIAL INVESTMENTS

Short-term financial investments are as follows:

	<u>30 June 2014</u>	<u>31 December 2013</u>
Time deposits with maturity more than 3 months	<u>791.285.307</u>	<u>42.774.034</u>

Time deposits with maturity of more than 3 months:

<u>Amount</u>	<u>Currency</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>30 June 2014</u>
452.843.000	TL	%10,55 - %11,15	November 2014	454.687.805
78.042.277	USD	%2,35 - %2,50	October 2014	166.043.675
58.898.188	EUR	%2,30 - %2,45	December 2014	170.553.827
				<u>791.285.307</u>

<u>Amount</u>	<u>Currency</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>31 December 2013</u>
20.000.000	USD	2,79%	April 2014	<u>42.774.034</u>

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2014

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

8. BORROWINGS

Short term portions of long term borrowings are as follows:

	30 June 2014	31 December 2013
Finance lease obligations (Note: 14)	<u>1.301.675.364</u>	<u>1.188.220.823</u>

Long term borrowings are as follows:

	30 June 2014	31 December 2013
Finance lease obligations (Note: 14)	<u>11.637.344.775</u>	<u>10.364.269.509</u>

9. OTHER FINANCIAL LIABILITIES

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

	30 June 2014	31 December 2013
Other financial liabilities	<u>77.649.445</u>	<u>33.808.413</u>

Other financial liabilities consist of overnight interest-free borrowings obtained for settlement of monthly tax and social security premium payments.

10. RELATED PARTY TRANSACTIONS

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

	30 June 2014	31 December 2013
TCI	<u>430.796</u>	<u>382.750</u>

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

	30 June 2014	31 December 2013
Turkish DO&CO(*)	<u>7.493.020</u>	<u>-</u>
TCI	<u>13.776</u>	<u>4.087.847</u>
	<u>7.506.796</u>	<u>4.087.847</u>

(*) Consists of receivables from dividend of 2013.

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

	30 June 2014	31 December 2013
THY Opet	<u>235.854.652</u>	<u>184.980.253</u>
Turkish DO&CO	<u>85.816.716</u>	<u>67.793.993</u>
TEC	<u>33.472.095</u>	<u>31.294.411</u>
Sun Express	<u>31.175.015</u>	<u>54.322.677</u>
TGS	<u>28.944.616</u>	<u>33.853.908</u>
Goodrich	<u>3.100.271</u>	<u>2.361.168</u>
	<u>418.363.365</u>	<u>374.606.410</u>

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2014

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

10. RELATED PARTY TRANSACTIONS (cont'd)

Transactions with related parties for the six-month period ended as of 30 June 2014 are as follows:

Sales

	1 January- 30 June 2014	1 April- 30 June 2014	1 January- 30 June 2013	1 April- 30 June 2013
Sun Express	51.728.134	22.170.669	39.763.376	29.339.563
TGS	12.278.209	5.413.271	11.759.786	4.778.572
TEC	9.494.860	3.633.991	8.173.458	6.696.077
Turkish DO&CO	1.284.621	673.757	1.776.377	1.099.065
THY Opet	926.198	233.947	1.026.986	886.813
TCI	335.884	120.843	93.075	76.502
Goodrich	57.943	(31.464)	45.318	21.350
Sun Express Deut.	8.390	-	-	(9.152)
	<u>76.114.239</u>	<u>32.215.014</u>	<u>62.638.376</u>	<u>42.888.790</u>

Purchases

	1 January- 30 June 2014	1 April- 30 June 2014	1 January- 30 June 2013	1 April- 30 June 2013
THY Opet	2.429.556.157	1.241.564.653	1.744.293.338	898.577.883
Turkish DO&CO	346.606.157	175.410.549	224.508.639	123.770.987
Sun Express	334.251.829	168.297.570	155.179.004	111.191.193
TGS	211.175.740	112.121.904	170.988.580	92.298.113
TEC	195.313.232	102.078.498	61.442.369	37.522.524
Star Alliance GMBH	353.004	144.884	293.744	293.744
TCI	49.991	49.991	4.788	4.788
Goodrich	-	-	99.680	99.680
	<u>3.517.306.110</u>	<u>1.799.668.049</u>	<u>2.356.810.142</u>	<u>1.263.758.912</u>

Transactions between the Group related to Sun Express and related to seat and aircraft rental operations; transactions between the Group and Turkish DO&CO are related to catering services; transactions between the Group and TGS are related to ground services, transactions between the Group and TEC are engine maintenance services and the transactions between the Group and THY Opet is related to 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 5,052,631 (30 June 2013; TL 3,311,307)

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2014

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

11. PROPERTY AND EQUIPMENT

	Land improvements and buildings	Technical equipments simulators and vehicles	Other equipments, and fixtures	Aircrafts	Spare engines	Components and repairable spare parts	Leasehold improvements	Construction in Progress	Total
Cost									
Opening balance at 1 January 2014	267.179.358	490.597.895	341.358.797	21.093.843.889	780.463.442	560.821.194	190.919.127	1.193.497.453	24.918.681.155
Foreign currency translation differences	(1.404.172)	(3.229.159)	(627.571)	(142.210.697)	(5.223.283)	(3.703.422)	(13.874.082)	4.108.274	(166.164.112)
Additions	2.172.388	57.969.816	21.008.811	2.200.044.811	75.962.328	66.146.340	72.497.679	88.304.824	2.584.106.997
Transfers from Investment(*)	-	-	-	-	-	-	634.004.269	(647.019.679)	(13.015.410)
Transfers	-	(10.071.766)	10.071.766	(10.468.249)	10.468.249	-	-	-	-
Disposals	-	(8.273.373)	(91.270.768)	(301.383.947)	(18.673.879)	(20.190.116)	(189.302)	-	(439.981.385)
Closing balance at 30 June 2014	267.947.574	526.993.413	280.541.035	22.839.825.807	842.996.857	603.073.996	883.357.691	638.890.872	26.883.627.245
Accumulated Depreciation									
Opening balance at 1 January 2014	92.712.778	233.311.744	247.873.088	6.622.694.220	246.509.985	220.355.668	89.567.556	-	7.753.025.039
Foreign currency translation differences	(521.680)	(1.465.224)	(7.085)	(39.884.362)	(1.883.769)	(1.597.752)	(835.259)	-	(46.195.131)
Depreciation charge for the period	2.641.411	22.640.329	18.814.435	618.525.881	36.725.721	43.325.508	20.861.491	-	763.534.776
Transfers	-	(2.220.268)	2.220.268	(9.080.606)	9.080.606	-	-	-	-
Disposals	-	(5.433.868)	(89.964.058)	(276.610.309)	(11.592.627)	(17.459.309)	(175.246)	-	(401.235.417)
Closing balance at 30 June 2014	94.832.509	246.832.713	178.936.648	6.915.644.824	278.839.916	244.624.115	109.418.542	-	8.069.129.267
Net book value 30 June 2014	173.115.065	280.160.700	101.604.387	15.924.180.983	564.156.941	358.449.881	773.939.149	638.890.872	18.814.497.978
Net book value 31 December 2013	174.466.580	257.286.151	93.485.709	14.471.149.669	533.953.457	340.465.526	101.351.571	1.193.497.453	17.165.656.116

(*) Tangible fixed assets in the amount of TL 13,015,410 have been reclassified to intangible assets (Note: 12).

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2014

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

11. PROPERTY AND EQUIPMENT (cont'd)

	Land improvements and buildings	Technical equipments simulators and vehicles	Other equipments, and fixtures	Aircrafts	Spare engines	Components and repairable spare parts	Leasehold improvements	Construction in Progress	Total
<u>Cost</u>									
Opening balance at 1 January 2013	198.408.933	376.616.472	240.693.235	15.623.706.346	617.668.430	373.795.361	79.440.618	679.208.519	18.189.537.914
Foreign currency translation differences	15.885.481	28.189.386	19.647.867	1.329.073.180	52.638.511	32.216.008	6.423.268	68.323.768	1.552.397.469
Additions	948.272	8.438.940	9.521.985	1.391.348.301	71.252.433	61.571.872	1.405.001	120.227.876	1.664.714.680
Additions from business combinations	-	13.504.753	17.448.664	-	-	-	95.852.356	-	126.805.773
Disposals	-	(38.653.630)	(1.918.582)	(42.531.829)	(16.382.056)	(22.487.079)	-	-	(121.973.176)
Closing balance at 30 June 2013	215.242.686	388.095.921	285.393.169	18.301.595.998	725.177.318	445.096.162	183.121.243	867.760.163	21.411.482.660
<u>Accumulated Depreciation</u>									
Opening balance at 1 January 2013	73.594.821	202.883.246	175.979.342	4.659.039.951	187.327.416	145.803.610	51.569.939	-	5.496.198.325
Foreign currency translation differences	5.981.563	14.674.284	14.721.205	399.376.499	16.140.416	12.269.929	4.490.171	-	467.654.067
Depreciation charge for the period	1.806.352	14.039.042	13.016.388	478.197.738	35.894.019	27.592.844	6.134.749	-	576.681.132
Additions from business combinations	0	3.598.750	6.252.478	-	-	-	12.596.916	-	22.448.144
Disposals	-	(38.650.262)	(1.881.747)	(42.531.829)	(16.382.056)	(17.177.386)	-	-	(116.623.280)
Closing balance at 30 June 2013	81.382.736	196.545.060	208.087.666	5.494.082.359	222.979.795	168.488.997	74.791.775	-	6.446.358.388
Net book value 30 June 2013	133.859.950	191.550.861	77.305.503	12.807.513.639	502.197.523	276.607.165	108.329.468	867.760.163	14.965.124.272

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2014

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

12. OTHER INTANGIBLE ASSETS

	<u>Slot Rights</u>	<u>Rights</u>	<u>Other</u>	<u>Total</u>
<u>Cost</u>				
Opening balance at 1 January 2014	27.620.894	212.416.323	10.441.512	250.478.729
Foreign currency translation differences	(141.063)	(1.619.077)	(53.325)	(1.813.466)
Additions	-	16.228.661	-	16.228.661
Disposals	-	(6.723)	-	(6.723)
Transfers	-	13.015.410	-	13.015.410
Closing balance at 30 June 2014	<u>27.479.831</u>	<u>240.034.594</u>	<u>10.388.187</u>	<u>277.902.612</u>
<u>Accumulated Depreciation</u>				
Opening balance at 1 January 2014	-	137.397.317	-	137.397.317
Foreign currency translation differences	-	(921.588)	-	(921.588)
Amortization charge for the period	-	11.694.613	352.714	12.047.327
Disposals	-	(6.723)	-	(6.723)
Closing balance at 30 June 2014	<u>-</u>	<u>148.163.619</u>	<u>352.714</u>	<u>148.516.333</u>
Net book value at 30 June 2014	<u>27.479.831</u>	<u>91.870.975</u>	<u>10.035.472</u>	<u>129.386.279</u>
Net book value at 30 June 2014	<u>27.620.894</u>	<u>75.019.006</u>	<u>10.441.512</u>	<u>113.081.412</u>

	<u>Slot Rights</u>	<u>Rights</u>	<u>Other</u>	<u>Total</u>
<u>Cost</u>				
Opening balance at 1 January 2013	23.069.393	128.876.837	-	151.946.230
Foreign currency translation differences	1.840.271	10.349.509	-	12.189.780
Additions	-	1.137.206	-	1.137.206
Additions from business combinations (Note 3)	-	18.748.147	9.416.587	28.164.734
Disposals	-	(1.102)	-	(1.102)
Closing balance at 30 June 2013	<u>24.909.664</u>	<u>159.110.597</u>	<u>9.416.587</u>	<u>193.436.848</u>
<u>Accumulated Depreciation</u>				
Opening balance at 1 January 2013	-	100.762.463	-	100.762.463
Foreign currency translation differences	-	8.334.801	-	8.334.801
Amortization charge for the period	-	4.833.575	-	4.833.575
Disposals	-	(1.102)	-	(1.102)
Closing balance at 30 June 2013	<u>-</u>	<u>113.929.737</u>	<u>-</u>	<u>113.929.737</u>
Net book value at 30 June 2013	<u>24.909.664</u>	<u>45.180.860</u>	<u>9.416.587</u>	<u>79.507.111</u>

The Group considers the slot rights and licenses generated from acquisition of MNG Teknik and included to rights as intangible assets having indefinite useful life.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2014

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

13. GOODWILL

	<u>30 June 2014</u>	<u>31 December 2013</u>
Opening balance	26.507.294	-
Additions (Note: 3)	-	23.905.375
Foreign currency translation differences	(135.373)	2.601.919
Closing balance	<u>26.371.921</u>	<u>26.507.294</u>

14. LEASING TRANSACTIONS

Maturities of finance lease obligations are as follows:

	<u>30 June 2014</u>	<u>31 December 2013</u>
Less than 1 year	1.602.250.328	1.464.764.110
Between 1 – 5 years	6.306.957.249	5.809.555.437
Over 5 years	6.836.134.728	5.970.519.946
	14.745.342.305	13.244.839.493
Less: Future interest expenses	(1.806.322.166)	(1.692.349.161)
Principal value of future rentals stated in financial statements	<u>12.939.020.139</u>	<u>11.552.490.332</u>
	<u>30 June 2014</u>	<u>31 December 2013</u>
Interest Range:		
Floating rate obligations	6.834.063.151	5.073.110.037
Fixed rate obligations	6.104.956.988	6.479.380.295
	<u>12.939.020.139</u>	<u>11.552.490.332</u>

As of 30 June 2014, the US Dollars, Euro and JPY denominated lease obligations' weighted average interest rates are 3.59% (31 December 2013: 3.80%) for the fixed rate obligations and 1% (31 December 2013: 0.88%) for the floating rate obligations.

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions are as follows:

(a) Short-term provisions for employee benefits

	<u>30 June 2014</u>	<u>31 December 2013</u>
Provisions for unused vacation	111.443.723	64.731.115

Changes in the provisions during 1 January - 30 June 2014 and 2013 periods are set out below:

	<u>1 January - 30 June 2014</u>	<u>1 January - 30 June 2013</u>
Provision at the beginning of the period	64.731.115	41.066.116
Provision for the current period	46.637.119	23.049.787
Foreign currency translation differences	75.489	-209.615
Provision at the end of the period	<u>111.443.723</u>	<u>63.906.288</u>

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2014

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

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

(b) Other short-term provisions:

	30 June 2014	31 December 2013
Provisions for legal claims	<u>28.120.195</u>	<u>29.819.212</u>

Changes in the provisions for legal claims during 1 January - 30 June 2014 and 2013 periods are set out below:

	1 January - 30 June 2014	1 January - 30 June 2013
Provision at the beginning of the period	<u>29.819.212</u>	<u>35.516.181</u>
Provision for the current period	5.455.603	741.893
Provisions released	(7.041.917)	(7.528.367)
Foreign currency translation differences	<u>(112.703)</u>	<u>365.861</u>
Provision at the end of the period	<u>28.120.195</u>	<u>29.095.568</u>

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

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

The investigation is ongoing and based on the management opinion, the probability of an outflow of resources embodying economic benefits with respect to this matter is uncertain, thus, no provision is recognized in the condensed consolidated interim financial statements as at and for six month period ended 30 June 2014.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2014

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

16. COMMITMENTS

- a) Guarantees/Pledges/Mortgages (“GPM”) given by the group: Amount of letter of guarantees given as of 30 June 2014 is TL 173,676,309 (31 December 2013: TL 168,237,282).

	30 June 2014		31 December 2013	
	Foreign currency amount	TL equivalent	Foreign currency amount	TL equivalent
A. Total amounts of GPM given on the behalf of its own legal entity		173.676.309	-	168.237.282
-Collaterals				
TL	-	25.243.563	-	19.793.631
EUR	9.608.403	27.786.539	10.289.903	30.216.299
USD	54.582.355	115.900.172	53.499.485	114.183.950
Other	-	4.746.035	-	4.043.402
B. Total amounts of GPM given on the behalf of subsidiaries that are included in full consolidation	-	-	-	-
C. Total amounts of GPM given in order to guarantee third party debts for routine trade operations	-	-	-	-
D. Total amounts of other GPM given	-	-	-	-
i. Total amount of GPM given on behalf of the Parent	-	-	-	-
ii. Total amount of GPM given on behalf of other group companies not covered in B and C	-	-	-	-
iii. Total amount of GPM given on behalf of third parties not covered in C		-		-
		<u>173.676.309</u>		<u>168.237.282</u>

The other CPMs given by the Company constitute 0% of the Group’s equity as of 30 June 2014 (31 December 2013: 0%).

- b) Operational leasing debts: The detail of the Group’s not accrued operational leasing debts related to aircrafts is as follows:

	30 June 2014	31 December 2013
Less than 1 year	373.741.219	306.818.229
Between 1 – 5 years	1.068.970.037	731.414.914
More than 5 years	154.052.564	37.873.466
	<u>1.596.763.820</u>	<u>1.076.106.609</u>

To be delivered between the years 2010-2015, the Group signed a contract for 92 aircrafts with a total value of 11.8 billion US Dollars, according to the price lists before the discounts made by the aircraft manufacturing firms. 10 of these aircrafts were delivered in 2010, 29 of these aircrafts were delivered in 2011, 20 of these aircrafts were delivered in 2012, 18 of these aircrafts were delivered in 2013 and 10 of these aircrafts were delivered in the first six-month period of 2014. To be delivered between the years 2013-2021, the Group signed a contract for 252 aircrafts with a total value of 37.5 billion US Dollars, according to the price lists before the discounts made by the aircraft manufacturing firms. 2 of these aircrafts were delivered in 2013 and 5 of these aircrafts were delivered in the first six-month period of 2014. The Group has made an advance payment of 1.560 million US Dollars relevant to these purchases as of 30 June 2014.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2014

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

16. COMMITMENTS (cont'd)

c) Other operational leasing debts:

The Group also has operational lease agreements for 15 years related to the land for the aircraft maintenance hangar which is in use and for 23 years related to the land for the aircraft maintenance hangar which is still under construction. The liabilities of the Group related with these lease agreements are as follows:

	<u>30 June 2014</u>	<u>31 December 2013</u>
Less than 1 year	11.210.914	10.291.602
Between 1 – 5 years	52.577.826	50.256.243
More than 5 years	109.603.579	118.021.858
	<u>173.392.319</u>	<u>178.569.703</u>

17. EMPLOYEE BENEFITS

Provision for long-term retirement pay liability as of 30 June 2014 and 31 December 2013 is comprised of the following:

	<u>30 June 2014</u>	<u>31 December 2013</u>
Provisions for retirement pay liability	259.500.178	249.604.088

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 3,438 as of 1 January 2014 (1 January 2013: TL 3,129).

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees.

IAS 19 (“Employee Benefits”) stipulates the development of company’s liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows:

Main assumption is that maximum liability amount increases in accordance with the inflation rate for every service year. So, provisions in the accompanying condensed interim financial statements as of 30 June 2014 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 6.00% annual inflation rate (31 December 2013: 6.00%) and 10.20% discount rate. (31 December 2013:10.20%). Estimated amount of retirement pay not paid due to voluntary leaves and retained in the Company is also taken into consideration as 2.29% (31 December 2013: 2.37%). Movement in the provision for retirement pay liability is as follows:

	<u>1 January - 30 June 2014</u>	<u>1 January - 30 June 2013</u>
Provisions at the beginning of the period	249.604.088	234.019.405
Service charge for the period	27.354.943	41.856.932
Interest charges	5.007.527	2.889.714
Payments	(22.323.298)	(12.962.737)
Foreign currency translation effect	(143.082)	418.460
Provisions at the end of the period	<u>259.500.178</u>	<u>266.221.774</u>

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2014

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

18. EXPENSES BY NATURE

Expenses by nature for the six-month period ended 1 January - 30 June 2014 and 2013 are as follows:

	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April- 30 June 2013
Fuel expenses	4.072.372.373	2.106.967.802	2.900.836.800	1.530.813.377
Personnel expenses	1.795.142.528	912.903.805	1.385.086.976	700.449.678
Depreciation expenses	775.582.103	392.571.512	581.514.707	290.403.367
Ground services expenses	654.814.405	332.887.984	472.925.630	248.730.425
Passenger service catering expenses	567.480.901	289.470.869	373.095.486	199.957.395
Air traffic control expenses	565.596.203	291.344.480	375.948.951	208.240.309
Landing and navigation expenses	438.335.187	228.116.647	294.338.114	161.771.115
Short term leasing expenses	415.139.315	212.591.203	189.731.828	126.839.848
Commission and incentives Income	398.726.612	226.645.232	297.903.484	162.857.770
Maintenance expenses	398.413.559	209.146.510	243.552.238	144.338.541
Reservation systems expense	252.466.028	128.352.061	193.560.057	103.484.574
Operating lease expenses	165.463.223	85.690.403	140.589.088	67.372.445
Advertising and promotion expenses	160.569.318	75.865.877	89.028.242	52.413.747
Service expenses	90.609.898	47.976.643	40.947.803	19.543.680
Other rent expenses	52.907.417	29.039.279	47.941.291	22.674.953
Communication and information expenses	43.592.450	23.478.676	40.893.749	25.729.005
Insurance expenses	35.600.303	17.438.660	32.056.051	15.780.053
Tax expenses	26.489.546	14.812.995	18.810.180	11.315.406
Transportation expenses	20.632.096	13.390.251	22.291.664	14.252.531
Consultancy expenses	11.905.679	5.444.243	13.127.604	6.765.756
Utility expenses	9.020.493	4.378.374	7.887.700	3.948.345
Membership fees	6.509.077	3.455.067	4.990.129	2.667.982
System use and membership expenses	5.603.964	3.322.668	4.572.870	2.835.361
Other expenses	91.069.964	45.360.532	64.040.992	41.099.466
	11.054.042.642	5.700.651.773	7.835.671.634	4.164.285.129

19. PASSENGER FLIGHT LIABILITIES

Passenger flight liability is as follows;

	30 June 2014	31 December 2013
Flight liability generating from ticket sales	3.519.091.205	2.109.459.830
Flight liability generating from sales of mileage and frequent flyer programme	427.455.324	453.046.437
	3.946.546.529	2.562.506.267

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2014

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

20. SHAREHOLDERS' EQUITY

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

	Class	%	30 June 2014	%	31 December 2013
Republic of Turkey Prime Ministry Privatization Administration (*)	A, C	49,12	677.884.849	49,12	677.884.849
Other (publicly held)	A	50,88	702.115.151	50,88	702.115.151
Paid-in capital			1.380.000.000		1.380.000.000
Restatement difference			1.123.808.032		1.123.808.032
Restated capital			2.503.808.032		2.503.808.032

(*) 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 2014, the Group's issued and paid-in share capital consists of 137,999,999,999 Class A shares and 1 Class C share, all with a par value of Kr 1 each. These shares are issued to the name. The Class C share belongs to the Republic of Turkey Prime Ministry Privatization Administration and has the following privileges:

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

Articles of Association 10: The Board of Directors consists of nine members of which one member has to be nominated by the class C shareholder and the rest eight members has to be chosen by an election between class A shareholder's top rated.

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

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

Restricted Profit Reserves

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2014

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

20. SHAREHOLDERS' EQUITY (cont'd)

Foreign Currency Translation Differences

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

Distribution of Dividends

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from February 1, 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of associations. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on interim financial statements of the company.

The items of shareholders' equity of the Company in the statutory accounts as of 30 June 2014 are as follows:

Paid-in capital	1.380.000.000
Share premium	181.185
Legal reserves	75.739.047
Other profit reserves	9
Special funds	8.964.217
Retained Losses (*)	(1.023.653.930)
Net loss for the period (*)	<u>(296.866.118)</u>
Total shareholders' equity	<u><u>144.364.410</u></u>

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

Gains/Losses from Cash Flow Hedges

Hedge gain/losses against cash flow risk arise from the accounting of the changes in the fair values of effective derivative financial instruments designated against financial risks of future cash flows under equity. Total of deferred gain/loss arising from hedging against financial risk are accounted in profit or loss when the effect of the hedged item has effect on profit or loss.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2014

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

21. REVENUE

Details of gross profit are as follows:

	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
Passenger				
Scheduled flights	9.890.399.775	5.440.924.767	7.270.060.650	4.120.554.992
Unscheduled flights	71.176.882	47.361.848	38.175.938	23.046.803
Total revenue from passenger flights	9.961.576.657	5.488.286.615	7.308.236.588	4.143.601.795
Cargo				
Transported by passenger aircrafts	570.527.710	297.020.185	426.491.241	235.098.761
Transported by cargo aircrafts	466.795.399	226.779.568	321.739.006	174.744.631
Total cargo revenue	1.037.323.109	523.799.753	748.230.247	409.843.392
Total revenue from passenger flights and cargo	10.998.899.766	6.012.086.368	8.056.466.835	4.553.445.187
Technical Revenue	228.478.120	109.269.181	103.193.175	41.537.437
Other revenue	38.963.399	17.457.832	39.303.496	15.992.935
Net sales	11.266.341.285	6.138.813.381	8.198.963.506	4.610.975.559
Cost of sales (-)	(9.528.579.906)	(4.915.842.570)	(6.728.928.656)	(3.578.922.445)
Gross profit	1.737.761.379	1.222.970.811	1.470.034.850	1.032.053.114

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

	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
- Europe	3.474.802.811	1.961.154.227	2.628.116.578	1.557.093.651
- Far East	2.540.005.039	1.365.440.925	1.742.592.893	950.797.570
- Middle East	1.625.404.957	891.500.658	1.088.055.277	581.948.209
- America	1.111.984.877	632.109.773	793.106.621	465.226.619
- Africa	866.484.525	403.993.298	657.933.834	349.848.325
Total international flights	9.618.682.209	5.254.198.881	6.909.805.203	3.904.914.374
Domestic flights	1.380.217.557	757.887.487	1.146.661.632	648.530.813
Total revenue from passenger flights and cargo	10.998.899.766	6.012.086.368	8.056.466.835	4.553.445.187

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2014

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

22. COST OF SALES

The details of the cost of sales are as follows:

	1 January - 30 June 2014	1 April - 30 June 2014	1 Ocak - 30 June 2013	1 April - 30 June 2013
Fuel expenses	4.071.676.903	2.106.620.801	2.900.102.398	1.530.421.712
Personnel expenses	1.331.000.501	690.288.464	1.029.208.156	526.993.274
Depreciation expenses	728.628.477	368.332.413	558.271.357	283.393.525
Ground services expenses	654.814.405	332.887.984	472.925.630	248.730.425
Passenger service catering expenses	567.480.901	289.470.869	373.095.486	199.957.395
Air traffic control expenses	565.596.203	291.344.480	375.948.951	208.240.309
Landing and navigation expenses	438.335.187	228.116.647	294.338.114	161.771.115
Short term aircraft leasing expenses	415.139.315	212.591.203	189.731.828	126.839.848
Maintenance expenses	395.421.542	207.484.658	239.358.426	141.539.780
Operating lease expenses	165.463.223	85.690.403	140.589.088	67.372.445
Service expenses	67.059.309	35.978.838	27.179.780	11.908.748
Insurance expenses	34.359.860	16.889.318	31.411.271	15.356.337
Other rent expenses	23.864.970	12.164.246	31.627.262	16.608.747
Transportation expenses	20.632.096	13.390.251	22.291.664	14.252.531
Tax expenses	10.378.775	4.894.205	9.387.780	5.274.741
Utility expenses	5.206.467	2.533.222	5.612.840	2.799.497
Other expenses	33.521.772	17.164.568	27.848.625	17.462.016
	9.528.579.906	4.915.842.570	6.728.928.656	3.578.922.445

23. GENERAL ADMINISTRATIVE EXPENSES AND MARKETING AND SALES EXPENSES

General administrative expenses are as follows:

	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
Personnel expenses	155.714.741	73.082.695	130.839.131	72.004.724
Depreciation expenses	39.553.474	20.680.687	17.628.937	4.114.148
Communication and information expenses	34.560.143	18.959.097	34.125.424	22.211.128
Service expenses	15.732.515	7.968.158	9.552.796	5.313.429
Rent expenses	9.863.011	7.419.867	5.051.718	3.742.887
System usage and membership expenses	5.603.964	3.322.668	4.572.870	2.835.361
Consultancy expenses	4.881.197	1.809.900	6.050.488	1.913.959
Utility expenses	3.814.026	1.845.152	2.274.860	1.148.848
Maintenance expenses	2.992.017	1.661.852	4.193.812	2.798.761
Tax expenses	2.308.717	1.563.306	2.500.981	1.102.043
Insurance expenses	1.240.443	549.342	644.780	423.716
Other general administrative expenses	16.788.018	5.961.381	7.243.650	5.144.970
	293.052.266	144.824.105	224.679.447	122.753.974

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2014

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

23. GENERAL ADMINISTRATIVE EXPENSES AND MARKETING AND SALES EXPENSES (cont'd)

Marketing and sales expenses are as follows:

	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
Commissions and incentive expenses	398.726.612	226.645.232	297.903.484	162.857.770
Personnel expenses	308.427.286	149.532.646	225.039.689	101.451.680
Reservation systems expense	252.466.028	128.352.061	193.560.057	103.484.574
Advertising and promotion expenses	160.569.318	75.865.877	89.028.242	52.413.747
Rent expenses	19.179.436	9.455.166	11.262.311	2.323.319
Tax expenses	13.802.054	8.355.484	6.921.419	4.938.622
Communication and information expenses	9.032.307	4.519.579	6.768.325	3.517.877
Service expenses	7.818.074	4.029.647	4.215.227	2.321.503
Depreciation expenses	7.400.152	3.558.412	5.614.413	2.895.694
Consultancy expenses	7.024.482	3.634.343	7.077.116	4.851.797
Membership fees	6.509.077	3.455.067	4.990.129	2.667.982
Fuel expenses	695.470	347.001	734.402	391.665
Other sales and marketing expenses	40.760.174	22.234.583	28.948.717	18.492.480
	1.232.410.470	639.985.098	882.063.531	462.608.710

24. OTHER OPERATING INCOME AND EXPENSES

Other operating income consists of the following:

	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
Foreign exchange gains on trade operations, net	36.938.565	21.276.307	-	-
Insurance, indemnities, penalties income	25.862.747	15.049.975	37.450.136	22.284.100
Provisions released	17.732.056	13.576.085	11.215.153	4.858.647
TGS share premium	7.506.217	3.772.072	5.610.528	2.789.842
Grant credit income related to aircraft, engines and other purchases	7.693.130	4.915.007	14.032.559	12.192.037
Non- interest income from banks	5.388.209	2.649.803	3.790.544	1.572.290
Rent income	2.567.455	140.284	2.026.604	434.898
Late payment interest income	326.093	43.865	1.053.606	922.894
Other operating income	23.625.780	6.259.356	30.203.672	9.622.203
	127.640.252	67.682.754	105.382.802	54.676.911

Other operating expenses consist of the following:

	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
Provision expenses	14.139.814	3.090.804	3.369.674	2.470.476
Indemnity and penalty expense	3.717.246	2.204.888	3.964.856	2.793.260
Discount interest expense arising from trade operations	1.849.382	285.140	2.603.572	2.250.267
Foreign exchange losses on trade operations, net	-	-	38.837.914	14.322.421
Other operating expenses	7.832.382	5.327.398	25.013.131	16.366.132
	27.538.824	10.908.230	73.789.147	38.202.556

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2014

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

25. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

Incomes from investment activities are as follows:

	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
Income from investment assistance	57.475.640	30.368.388	43.978.290	22.939.016
Financial investment interest income	5.240.731	4.603.264	20.472.303	9.958.558
Gains on sales of fixed assets	130.426	130.426	8.110.655	8.110.655
	<u>62.846.797</u>	<u>35.102.078</u>	<u>72.561.248</u>	<u>41.008.229</u>

Expenses from investment activities are as follows:

	1 Ocak - 30 Haziran 2014	1 Nisan - 30 Haziran 2014	1 Ocak - 30 Haziran 2013	1 Nisan - 30 Haziran 2013
Losses on sales of fixed assets	8.303.588	8.179.728	27.680	-

26. EXPENSES CLASSIFIED BY PRINCIPLE OF TYPE

Expenses for interim periods ended as of 30 June 2014 and 2013 are presented in Note 22 and Note 23 according to their functions.

27. FINANCIAL INCOME/EXPENSES

Financial income consists of the following:

	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
Interest income	27.161.520	12.175.368	30.431.570	15.421.401
Discount interest income related to prepayments for the aircrafts purchases	5.306.751	2.856.629	1.430.680	-
Earning from derivative financial instruments	3.893.999	5.271.459	4.782.318	-
	<u>36.362.270</u>	<u>20.303.456</u>	<u>36.644.568</u>	<u>15.421.401</u>

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2014

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

27. FINANCIAL INCOME/EXPENSES (cont'd)

Finance expenses are as follows:

	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
Finance lease interest expense	166.610.500	82.339.148	127.248.126	73.013.527
Foreign exchange losses arising from financial operations	106.383.313	52.899.304	104.014.943	139.606.130
Expenses for aircraft financing	9.509.120	5.605.263	18.402.235	12.517.941
Cost of employee termination benefits interest	5.007.527	2.447.185	2.889.714	1.388.002
Losses on derivative financial instruments, net(*)	-	-	-	9.000.780
Discount interest expense related to prepayments for the aircrafts purchases	-	-	12.461.391	12.461.391
Other financial expense	5.166.597	3.600.139	2.022.474	1.336.689
	<u>292.677.057</u>	<u>146.891.039</u>	<u>267.038.883</u>	<u>249.324.460</u>

(*) Losses on derivative financial instruments, amounting to TL 1,377,460 which was disclosed under "Financial Expenses" in the interim period 1 January- 31 March 2014 is reclassified to earnings from derivative financial instruments under "Financial Income" in the interim period 1 January-30 June 2014.

(*) Earning from derivative financial instruments, amounting to TL 13,783,098 which was disclosed under "Financial Expenses" in the interim period 1 January- 31 March 2013 is net-off with losses on derivative financial instruments, amounting to TL 9,000,0780 which was disclosed under "Financial Expenses" in the interim period 1 April-30 June 2013.

28. ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

For the interim period ended 30 June 2014, the Company's other comprehensive income/expense which is not to be reclassified to profit or loss is TL 353,157 as expense (30 June 2013: None), other comprehensive income/expense to be reclassified to profit or loss is TL 21,390,227 as income (30 June 2013: TL 470,640,310 as income).

29. TAX ASSETS AND LIABILITIES

Assets related to current tax consists of the following items:

	30 June 2014	31 December 2013
Prepaid taxes and funds	<u>6.452.410</u>	<u>16.507.184</u>

Current income tax liability:

	30 June 2014	31 December 2013
Provisions for corporate tax	<u>8.657.041</u>	<u>-</u>
Prepaid taxes and funds	<u>-</u>	<u>-</u>
Tax liability	<u>8.657.041</u>	<u>-</u>

Tax expense consists of the following items:

	1 January - 30 June 2014	1 January - 30 June 2013
Current period tax expense	<u>-</u>	<u>-</u>
Deferred tax income	<u>(76.650.733)</u>	<u>(4.923.238)</u>
Tax income	<u>(76.650.733)</u>	<u>(4.923.238)</u>

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2014

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

29. TAX ASSETS AND LIABILITIES (cont'd)

Tax effect related to other comprehensive income is as follows:

	1 January - 30 June 2014			1 January - 30 June 2013		
	Amount	Tax (expense)	Amount	Amount	Tax (expense)	Amount
	before tax	/income	after tax	before tax	/income	after tax
Changes in Foreign currency translation difference	(19.886.855)	-	(19.886.855)	457.103.665	-	457.103.665
Change in cash flow hedge reserve	51.596.353	(10.319.271)	41.277.082	25.670.806	(5.134.161)	20.536.645
Change in actuarial losses from defined pension plans	441.446	(88.289)	353.157	-	-	-
Other comprehensive income	32.150.944	-10.407.560	21.743.384	482.774.471	(5.134.161)	477.640.310

There is no taxation effect related to the change in foreign currency translation adjustment that is included in other comprehensive income for the period.

Corporate Tax

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

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

The effective tax rate in 2014 and 2013 is 20%.

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2013 is 20%. Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

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

Income Withholding Tax

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2014

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

29. TAX ASSETS AND LIABILITIES (cont'd)

Deferred Tax

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

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

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

The deferred tax assets / (liabilities) are as follows:

	30 June 2014	31 December 2013
Fixed assets	(1.561.300.884)	(1.531.002.251)
Provisions for ticket sales advance	(95.075.256)	(44.871.518)
Accruals for expenses	195.503.588	176.105.504
Provisions for employee benefits	51.253.875	49.289.273
Income and expense for future periods	16.041.809	26.572.442
Long-term lease obligations	10.032.010	10.394.612
Allowance for doubtful receivables	10.864.115	10.750.057
Provisions for unused vacation	20.292.376	12.462.435
Provision for impairment of inventories	3.712.665	2.866.078
Accumulated loss	281.464.823	184.051.336
Fair value corrections of business combinations	(2.722.218)	(2.736.192)
Other	(6.337.679)	(1.215.120)
Deferred tax liabilities	<u>(1.076.270.776)</u>	<u>(1.107.333.344)</u>

The changes of deferred tax liability for interim periods 1 January - 30 June 2014 and 2013 are as follows:

	1 January - 30 June 2014	1 January - 30 June 2013
Opening balance at 1 January	1.107.333.343	744.083.660
Deferred tax (income) / expense	(28.723.993)	109.759.641
Tax income from hedge reserve gains/losses	9.470.158	5.134.161
Fair value corrections of business combinations	-	2.467.610
Foreign currency translation adjustment	(11.808.732)	53.484.457
Deferred tax liability at the end of the period	<u>1.076.270.776</u>	<u>914.929.529</u>

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2014

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

30. EARNINGS PER SHARE

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

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

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

Number of total shares and calculation of earnings per share at 1 January - 30 June 2014 and 2013:

	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
Number of shares outstanding at 1 January (in full)	138.000.000.000	138.000.000.000	120.000.000.000	120.000.000.000
New bonus shares issued (in full)	-	-	18.000.000.000	18.000.000.000
Number of shares outstanding at 30 June (in full)	138.000.000.000	138.000.000.000	138.000.000.000	138.000.000.000
Weighted average number of shares outstanding during the period (in full)	138.000.000.000	138.000.000.000	138.000.000.000	138.000.000.000
Net loss for the period	171.811.744	398.151.927	121.202.609	143.542.132
Earnings per share (Kr)	0,12	0,29	0,09	0,10

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2014

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

31. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments and liabilities of the Group as of 30 June 2014 and 2013 are as follows:

Derivative Financial Assets

	<u>30 June 2014</u>	<u>31 December 2013</u>
Derivative instruments for interest rate cash flow hedge	44.398.556	41.282.298
Cross exchange rate swap agreements	22.664.362	12.920.386
Derivative instruments for fuel prices cash flow hedge	18.652.259	10.076.978
	<u>85.715.177</u>	<u>64.279.662</u>

Derivative Financial Liabilities:

	<u>30 June 2014</u>	<u>31 December 2013</u>
Derivative instruments for interest rate cash flow hedge	130.801.617	101.487.620
Cross exchange rate swap agreements	41.460.668	113.727.977
Derivative instruments for fuel prices cash flow hedge	30.736.242	18.733.493
	<u>202.998.527</u>	<u>233.949.090</u>

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2014

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

32. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS

Foreign currency risk management

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

	30 June 2014					
	TL EQUIVALENT	TL	EURO	GBP	JPY	OTHER
1.Trade Receivables	1.291.408.414	301.832.681	268.407.361	89.286.475	40.096.111	591.785.786
2a.Monetary Financial Assets	1.098.985.034	558.196.596	234.657.853	3.060.385	11.895.821	291.174.379
2b.Non Monetary Financial Assets	-	-	-	-	-	-
3.Other	658.883.680	443.732.587	104.414.810	20.033.383	2.350.707	88.352.193
4.Current Assets (1+2+3)	3.049.277.128	1.303.761.864	607.480.024	112.380.243	54.342.639	971.312.358
5.Trade Receivables	-	-	-	-	-	-
6a.Monetary Financial Assets	-	-	-	-	-	-
6b.Non Monetary Financial Assets	-	-	-	-	-	-
7.Other	121.205.026	2.910.606	96.001.146	155.727	386.463	21.751.084
8.Non Current Assets (5+6+7)	121.205.026	2.910.606	96.001.146	155.727	386.463	21.751.084
9.Total Assets (4+8)	3.170.482.154	1.306.672.470	703.481.170	112.535.970	54.729.102	993.063.442
10.Trade Payables	1.099.614.146	551.910.046	345.036.073	16.037.245	4.098.485	182.532.297
11.Financial Liabilities	899.011.979	68.541.120	615.291.695	-	215.179.164	-
12a.Other Liabilities, Monetary	771.167.230	596.791.322	148.813.669	1.397.630	2.709.841	21.454.768
12b.Other Liabilities, Non Monetary	136.919.731	129.477.932	7.441.799	-	-	-
13.Current Liabilities (10+11+12)	2.906.713.086	1.346.720.420	1.116.583.236	17.434.875	221.987.490	203.987.065
14.Trade Payables	486.069	486.069	-	-	-	-
15.Financial Liabilities	7.909.681.690	-	4.682.360.873	-	3.227.320.817	-
16a.Other Liabilities, Monetary	30.288.963	1.787.250	16.657.298	127.193	-	11.717.222
16b.Other Liabilities, Non Monetary	259.500.178	259.500.178	-	-	-	-
17.Non Current Liabilities (14+15+16)	8.199.956.900	261.773.497	4.699.018.171	127.193	3.227.320.817	11.717.222
18.Total Liabilities (13+17)	11.106.669.986	1.608.493.917	5.815.601.407	17.562.068	3.449.308.307	215.704.287
19.Net asset / liability position of off-balance sheet derivatives (19a-19b)	-	-	-	-	-	-
19a.Off-balance sheet foreign currency derivative assets	-	-	-	-	-	-
19b.Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-	-
20.Net foreign currency asset/(liability) position (9-18+19)	(7.936.187.832)	(301.821.447)	(5.112.120.237)	94.973.902	(3.394.579.205)	777.359.155
21.Net foreign currency asset / liability position of monetary items (UFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(8.319.856.629)	(359.486.530)	(5.305.094.394)	74.784.792	(3.397.316.375)	667.255.878
22.Fair value of foreign currency hedged financial assets	-	-	-	-	-	-
23.Hedged foreign currency assets	-	-	-	-	-	-
24.Hedged foreign currency liabilities	-	-	-	-	-	-

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2014

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

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

Foreign currency risk management (cont'd)

	31 December 2013					
	TL EQUIVALENT	TL	EURO	GBP	JPY	OTHER
1.Trade Receivables	1.008.645.931	201.509.522	274.755.954	63.400.212	22.252.119	446.728.124
2a.Monetary Financial Assets	543.803.453	155.675.333	152.223.433	3.096.083	23.452.000	209.356.604
2b.Non Monetary Financial Assets	-	-	-	-	-	-
3.Other	387.659.539	184.802.343	84.962.534	11.514.608	1.076.183	105.303.871
4.Current Assets (1+2+3)	1.940.108.923	541.987.198	511.941.921	78.010.903	46.780.302	761.388.599
5.Trade Receivables	-	-	-	-	-	-
6a.Monetary Financial Assets	-	-	-	-	-	-
6b.Non Monetary Financial Assets	-	-	-	-	-	-
7.Other	264.206.328	15.020.362	87.482.099	501.032	386.463	160.816.372
8.Non Current Assets (5+6+7)	264.206.328	15.020.362	87.482.099	501.032	386.463	160.816.372
9.Total Assets (4+8)	2.204.315.251	557.007.560	599.424.020	78.511.935	47.166.765	922.204.971
10.Trade Payables	969.871.904	452.325.406	317.042.284	21.783.396	4.044.025	174.676.793
11.Financial Liabilities	752.698.394	33.807.762	625.806.345	-	93.084.287	-
12a.Other Liabilities, Monetary	491.910.877	322.749.763	147.406.863	1.348.650	996.466	19.409.135
12b.Other Liabilities, Non Monetary	94.550.327	93.274.987	1.275.340	-	-	-
13.Current Liabilities (10+11+12)	2.309.031.502	902.157.918	1.091.530.832	23.132.046	98.124.778	194.085.928
14.Trade Payables	352.923	352.923	-	-	-	-
15.Financial Liabilities	6.461.648.607	-	5.107.964.213	-	1.353.684.394	-
16a.Other Liabilities, Monetary	25.090.461	2.052.026	12.100.112	184.294	-	10.754.029
16b.Other Liabilities, Non Monetary	249.604.088	249.604.088	-	-	-	-
17.Non Current Liabilities (14+15+16)	6.736.696.079	252.009.037	5.120.064.325	184.294	1.353.684.394	10.754.029
18.Total Liabilities (13+17)	9.045.727.581	1.154.166.955	6.211.595.157	23.316.340	1.451.809.172	204.839.957
19.Net asset / liability position of off-balance sheet derivatives (19a-19b)	-	-	-	-	-	-
19a.Off-balance sheet foreign currency derivative assets	-	-	-	-	-	-
19b.Off-balance sheet foreigncurrency derivative liabilities	-	-	-	-	-	-
20.Net foreign currency asset/(liability) position (9-18+19)	(6.841.412.330)	(597.159.395)	(5.612.171.137)	55.195.595	(1.404.642.407)	717.365.014
21.Net foreign currency asset / liability position of monetary items (UFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(7.149.123.782)	(454.103.025)	(5.783.340.430)	43.179.955	(1.406.105.053)	451.244.771
22.Fair value of foreign currency hedged financial assets	-	-	-	-	-	-
23.Hedged foreign currency assets	-	-	-	-	-	-
24.Hedged foreign currency liabilities	-	-	-	-	-	-

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2014

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

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

Foreign currency risk management (cont'd)

Foreign currency sensitivity

The Group is exposed to foreign exchange risk primarily from EURO, JPY, TL and GBP. The following table details the Group's sensitivity to a 10% increase and decrease in EURO, JPY, TL 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. A positive number indicates an increase in profit or loss and other equity items.

	30 June 2014	
	Profit / (Loss) Before Tax Effect	
	If foreign currency appreciated 10 %	If foreign currency depreciated 10 %
1- TL net asset / liability	(30.182.145)	30.182.145
2- Part of hedged from TL risk (-)	-	-
3- TL net effect (1+2)	(30.182.145)	30.182.145
4- Euro net asset / liability	(511.212.024)	511.212.024
5- Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	(511.212.024)	511.212.024
7- GBP net asset / liability	9.497.390	(9.497.390)
8- Part of hedged from GBP risk (-)	-	-
9- GBP net effect (7+8)	9.497.390	(9.497.390)
10- JPY net asset / liability	(339.457.921)	339.457.921
11- Part of hedged from JPY risk (-)	-	-
12- JPY net effect (10+11)	(339.457.921)	339.457.921
13- Other foreign currency net asset / liability	77.735.916	(77.735.916)
14- Part of hedged other foreign currency risk (-)	-	-
15- Other foreign currency net effect (13+14)	77.735.916	(77.735.916)
TOTAL (3 + 6 + 9 + 12+15)	(793.618.784)	793.618.784

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2014

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

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

Foreign currency risk management (cont'd)

Foreign currency sensitivity (cont'd)

	31 December 2013	
	Profit / (Loss) Before Tax Effect	
	If foreign currency appreciated 10 %	If foreign currency depreciated 10 %
1- TL net asset / liability	(59.715.940)	59.715.940
2- Part of hedged from TL risk (-)	-	-
3- TL net effect (1+2)	<u>(59.715.940)</u>	<u>59.715.940</u>
4- Euro net asset / liability	(561.217.114)	561.217.114
5- Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	<u>(561.217.114)</u>	<u>561.217.114</u>
7- GBP net asset / liability	5.519.560	(5.519.560)
8- Part of hedged from GBP risk (-)	-	-
9- GBP net effect (7+8)	<u>5.519.560</u>	<u>(5.519.560)</u>
10- JPY net asset / liability	(140.464.241)	140.464.241
11- Part of hedged from JPY risk (-)	-	-
12- JPY net effect (10+11)	<u>(140.464.241)</u>	<u>140.464.241</u>
13- Other foreign currency net asset / liability	71.736.501	(71.736.501)
14- Part of hedged other foreign currency risk (-)	-	-
15- Other foreign currency net effect (13+14)	<u>71.736.501</u>	<u>(71.736.501)</u>
TOTAL (3 + 6 + 9 + 12+15)	<u><u>(684.141.234)</u></u>	<u><u>684.141.234</u></u>

33. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors has decided to establish a joint ventures company in order to operate in mediation for transactions of VAT return, which will be collected while going abroad, related to domestically purchased goods by people who do not reside in Turkey.

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

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 period consolidated financial statements, comparative information is reclassified and significant changes are disclosed if necessary. The Group has made following reclassifications in the prior period consolidated financial statements in order to maintain consistency, with current period consolidated financial statements.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Six-Month Period Ended 30 June 2014

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

34. OTHER ISSUES AFFECTING FINANCIAL STATEMENTS MATERIALLY OR NECESSARY TO MAKE FINANCIAL STATEMENTS SOUND, INTERPRETABLE AND UNDERSTANDABLE (cont'd)

- Actuarial losses, amounting to TL 3,789,316 which were disclosed under “Foreign Currency Translation Differences” in the interim period 1 January- 30 June 2013 are reclassified to “Actuarial Gains/(Losses) from Defined Pension Plans”.
- Other airlines' seat rent expenses, amounting to TL 34,570,620 which was disclosed under “Cost of Sales” in the interim period 1 January- 30 June 2013 is net-off with “Sales Revenue”.
- Transportation expense, amounting to TL 2,361,367 which was disclosed under “Cost of Sales” in the interim period 1 January- 30 June 2013 is reclassified to “General Administrative Expenses”.
- Income from government grants and incentives, amounting to TL 43,978,290 which was disclosed under “Other Operating Income” in the interim period 1 January- 30 June 2013 is reclassified to “Income from Investment Activities”.
- Losses on sales of fixed assets, amounting to TL 27,680 which was disclosed under “Income from Investment Activities” in the interim period 1 January- 30 June 2013 are reclassified to “Expenses from Investment Activities”.
- Other airlines' seat rent expenses, amounting to TL (6,217,583) which was disclosed under “Cost of Sales” in the interim period 1 April- 30 June 2013 is net-off with “Sales Revenue”.
- Transportation expense, amounting to TL 1,599,257 which was disclosed under “Cost of Sales” in the interim period 1 April- 30 June 2013 is reclassified to “General Administrative Expenses”.
- Depreciation expense, amounting to TL 3,425,658 which was disclosed under “Cost of Sales” in the interim period 1 April- 30 June 2013 is reclassified to “Marketing, Sales and Distributions Expenses”.
- Income from government grants and incentives, amounting to TL 22,939,016 which was disclosed under “Other Operating Income” in the interim period 1 April- 30 June 2013 is reclassified to “Income from Investment Activities”.
- Interest income, amounting to TL 4,545,773 which was disclosed under “Income from Investment Activities” in the interim period 1 April- 30 June 2013 is reclassified to “Financial Income”.
- Foreign exchange loss related to trade receivables and payable, amounting to TL 10,952,771 which was disclosed under “Other Operating Expenses” in the interim period 1 April-30 June 2013 is reclassified to “Financial Expenses”.
- Discount interest expense, amounting to TL 353,305 which was disclosed under “Other Operating Expenses” in the interim period 1 April- 30 June 2013 is reclassified to “Financial Expenses”.
- The expense item, amounting to TL 27,680 which was disclosed under “Income from Investment Assistance” in the interim period 1 April- 30 June 2013 is reclassified to “Other Operating Expense”.