CONVENIENCE TRANSLATION OF REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2009

(Convenience Translation of Report And Financial Statements Originally Issued in Turkish)
TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
CONSOLIDATED BALANCE SHEET
AS OF 30 SEPTEMBER 2009
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

ASSETS	**Notes**	**30 September 2009**	**31 December 2008**	**1 January 2008 (Restated)**
Current Assets		**2.502.522.136**	**2.620.279.393**	**1.487.528.554**
Cash and Cash Equivalents	6	1.028.635.116	504.905.721	480.196.215
Financial Assets	7	692.798.356	1.442.632.862	292.020.000
Trade Receivables	10	477.370.911	349.144.133	245.539.019
Other Receivables	11	55.162.638	61.673.958	305.855.757
Inventories	13	134.758.198	98.359.291	113.740.571
Other Current Assets	26	113.796.917	163.563.428	50.176.992
Non-current Assets		**6.096.316.894**	**5.290.955.322**	**3.434.915.521**
Other Receivables	11	903.791.726	22.808.881	21.756.328
Financial Assets	7	1.750.943	1.750.943	3.016.564
Investments Accounted for Equity Method	16	159.362.381	43.637.924	38.370.043
Investment Property	17	48.130.000	48.130.000	53.700.000
Tangible Assets	18	4.906.522.200	5.049.449.610	3.234.359.407
Intangible Assets	19	16.658.873	17.697.129	10.445.317
Deferred Tax Assets	35	-	1.986.324	3.193.155
Other Non-current Assets	26	60.100.771	105.494.511	70.074.707
TOTAL ASSETS		**8.598.839.030**	**7.911.234.715**	**4.922.444.075**

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

(Convenience Translation of Report And Financial Statements Originally Issued in Turkish)
TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
CONSOLIDATED BALANCE SHEET
AS OF 30 SEPTEMBER 2009
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Notes	30 September 2009	31 December 2008	1 January 2008 (Restated)
Current Liabilities		**2.044.329.869**	**1.653.906.994**	**1.186.652.969**
Finacial Debt	8	400.906.190	419.289.229	228.918.371
Other Finacial Liabilities	9	78.996.291	45.000.251	877.628
Trade Payables	10	522.302.947	435.109.211	364.523.991
Other Payables	11	168.815.221	161.554.179	83.387.054
Current Tax Liabilities	35	64.989.975	4.185.809	19.981.215
Provisions	22	8.301.403	7.460.396	4.779.221
Employee Benefits	24	55.131.276	47.818.425	39.664.361
Passenger Flight Liabilites	26	612.788.857	441.806.825	379.676.586
Other Current Liabilities	26	132.097.709	91.682.669	64.844.542
Non-current Liabilities		**3.204.034.884**	**3.270.740.625**	**1.887.889.627**
Finacial Debt	8	2.651.952.373	2.798.005.235	1.595.842.462
Other Payables	11	7.569.844	7.865.284	7.058.322
Retirement Pay Liability	24	147.233.873	142.459.082	131.959.011
Deferred Tax Liabilities	35	320.957.874	291.289.291	128.930.080
Other Non-current Liabilities	26	76.320.920	31.121.733	24.099.752
EQUITY				
Equity Attributable to Equity Holders of the Parent		**3.350.474.277**	**2.986.587.096**	**1.847.901.479**
Share capital	27	875.000.000	175.000.000	175.000.000
Inflation Difference on Shareholders' Equity	27	1.123.808.032	1.672.901.479	1.739.005.871
Share Premium	27	-	-	895.492
Restricted Profit Reserves	27	22.686.727	-	61.014.406
Foreign Currency Translation Differences	27	4.816.422	4.459.406	-
Cash flow Hedge Fund	27	(13.226.618)	-	-
Retained Earnings	27	861.419.177	-	(393.511.064)
Net Profit / (Loss) for the Period	27	475.970.537	1.134.226.211	265.496.774
TOTAL LIABILITIES AND EQUITY		**8.598.839.030**	**7.911.234.715**	**4.922.444.075**

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

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI

CONSOLIDATED COMPREHENSİVE STATEMENT OF INCOME
FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2009
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Notes	1 January - 30 September 2009 (Not Reviewed)	1 July - 30 September 2009 (Not Reviewed)	(Restated) 1 January - 30 September 2008 (Not Reviewed)	(Restated) 1 July - 30 September 2008 (Not Reviewed)
Sales Revenue	28	5.054.621.454	2.089.156.164	4.393.756.316	1.791.111.698
Cost of Sales (-)	28	(3.672.091.948)	(1.366.279.399)	(3.355.134.476)	(1.285.836.714)
GROSS PROFIT / (LOSS)		**1.382.529.506**	**722.876.765**	**1.038.621.840**	**505.274.984**
Marketing, Sales and Distribution Expenses (-)	29,30	(582.677.940)	(207.925.115)	(439.467.186)	(149.049.765)
General Administrative Expenses (-)	29,30	(190.239.619)	(60.627.702)	(148.538.992)	(54.738.533)
Other Operating Income	31	74.047.533	17.209.395	216.922.818	46.823.157
Other Operating Expenses (-)	31	(40.632.955)	70.828.545	(5.285.283)	(1.492.691)
OPERATING PROFIT / (LOSS)		**643.026.525**	**542.361.888**	**662.253.197**	**346.817.152**
Share Profit / (Loss) on Investments Accounted for Equity Method	16	21.982.277	24.813.683	5.245.826	15.942.845
Financial Income	32	164.522.329	47.851.005	309.878.181	94.536.347
Financial Expenses (-)	33	(192.566.826)	(186.108.106)	(168.390.350)	42.028.454
PROFIT / (LOSS) BEFORE TAX		**636.964.305**	**428.918.470**	**808.986.854**	**499.324.798**
Tax (Expense) / Income		**(160.993.768)**	**(54.909.904)**	**(161.042.581)**	**(96.832.219)**
Current Tax Expense (-)	35	(126.032.208)	(76.285.156)	(58.387.751)	(56.177.431)
Deferred Tax (Expense) / Income	35	(34.961.560)	21.375.252	(102.654.830)	(40.654.788)
PROFIT / (LOSS) FOR THE PERIOD		**475.970.537**	**374.008.566**	**647.944.273**	**402.492.579**
OTHER COMPREHENSIVE INCOME / (EXPENSE)					
Foreign Currency Translation Differences		357.016	322.467	-	-
Differences in Hedge Fund Against Financial Risk		(16.533.273)	(14.383.970)	-	-
Tax Income Relating Other Comprehensive Income Items		3.306.655	2.876.794	-	-
OTHER COMPREHENSIVE INCOME (AFTER TAX)		(12.869.602)	(11.184.709)	-	-
TOTAL COMPREHENSIVE INCOME / (EXPENSE)		463.100.935	362.823.857	647.944.273	402.492.579
Earnings per Share	36	0,0054	0,0043	0,0074	0,0046

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

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TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2009
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Share Capital	Inflation Difference on Shareholders' Equity	Share Premium	Restricted Profit Reserves	Currency Translation Reserve	Cash Flow Hedge Fund	Profit / Loss for the Period	Retained Earnings	Total
Balances at 31 December 2007 (Restated Note 2.3)	175.000.000	1.739.005.871	895.492	61.014.406	-	-	265.496.774	(393.511.064)	1.847.901.479
Transfer of previous years' profit to retained earnings	-	-	-	-	-	-	(265.496.774)	265.496.774	-
Offsetting of differences in shareholder's equity and inflation difference with retained earnings	-	(9.698.314)	(895.492)	(61.014.406)	-	-	-	71.608.212	-
Total comprehensive income for the period (Restated Note 2.3)	-	-	-	-	-	-	647.944.273	-	647.944.273
Balances at 30 September 2008-Restated	175.000.000	1.729.307.557	-	-	-	-	647.944.273	(56.406.078)	2.495.845.752
Balances at 31 December 2008	175.000.000	1.672.901.479	-	-	4.459.406	-	1.134.226.211	-	2.986.587.096
Transfer of previous years' profit to retained earnings	-	-	-	-	-	-	(1.134.226.211)	1.134.226.211	-
Transfer of previous years' profit to reserves	-	-	-	22.686.727	-	-	-	(22.686.727)	-
Dividends paid	-	-	-	-	-	-	-	(99.213.754)	(99.213.754)
Capital increase	700.000.000	(549.093.447)	-	-	-	-	-	(150.906.553)	-
Total comprehensive income for the period	-	-	-	-	357.016	(13.226.618)	475.970.537	-	463.100.935
Balances at 30 September 2009	875.000.000	1.123.808.032	-	22.686.727	4.816.422	(13.226.618)	475.970.537	861.419.177	3.350.474.277

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

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTH PERIOD ENDED AS OF 30 SEPTEMBER 2009
(All amounts expressed in Turkish Lira (TRY) unless otherwise stated.)

			Restated
		1 January -	1 January -
CASH FLOWS FROM OPERATING ACTIVITIES	**Notes**	**30 September 2009**	**30 September 2008**
Profit before taxation		636.964.305	808.986.854
Adjustments to reconcile profit for the period to net cash provided by operating activities:			
Depreciation and amortization	18-19	305.531.793	274.647.840
Provision for retirement pay liability	24	20.730.848	21.835.546
Interest income	32	(126.082.810)	(73.686.120)
(Profit)/loss on sale of fixed asset	31	(3.321.249)	116.888
Increase/(decrease) in provision for impairment	18	68.142.474	(359.241.469)
Share at loss/(profit) of investments accounted for equity method	16	(21.982.277)	(5.245.826)
Interest expense	33	84.504.506	70.449.070
Movement in manufacturers' credit	26	(12.144.498)	(11.244.115)
Unrealized foreign exchange loss/(gain) on finance leases	32-33	(12.819.783)	81.416.493
Increase/(decrease) in provision for doubtful receivables	10	(4.476.928)	5.688.038
Change in fair value of derivative instruments	32	(20.585.992)	5.704.769
Operating Profit Before Working Capital Changes		**914.460.389**	**819.427.968**
Increase in accounts receivable	10	(123.749.850)	(181.024.533)
(Increase)/decrease in other short and long term receivables	11	(874.471.525)	173.599.731
(Increase)/decrease in inventories	13	(36.398.907)	12.546.097
(Increase)/decrease in other current assets	26	49.766.511	(8.038.865)
(Increase) / decrease in other non-current assets	26	45.393.740	(20.606.326)
Increase in accounts payable	10	87.193.736	28.708.141
Increase in other liabilities	11	6.965.602	36.448.231
Increase in provision for short term liabilities	22	841.007	3.178.711
Increase in other short and long term liabilities	26	97.758.724	68.559.704
Employee benefits	24	7.312.851	5.513.928
Increase in passenger flight liabilities	26	170.982.032	126.208.723
Cash generated by operating activities		**346.054.310**	**1.064.521.510**
Retirement benefits paid	24	(15.956.057)	(13.601.783)
Interests paid		(82.649.189)	(67.054.415)
Corporate tax adjustment for the year 2008	35	(33.630.298)	-
Prepaid taxes	26-35	(31.597.745)	(28.937.308)
Net cash generated from operations		**182.221.021**	**954.928.004**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflow from the sales of intangible and tangible fixed asset	18-19	135.546.773	506.760
Interest received		133.714.120	73.686.120
Dividends received		500.000	6.999.950
Acquisition of tangible and intangible fixes assets(*) (netted off with the increase in finance lease liabilities)	18-19	(183.419.690)	(136.676.298)
(Increase)/decrease in financial investments	7	758.028.012	(862.889.465)
Cash outflow of associates acquisitions	16	(93.885.163)	-
Net cash used in investing activities		**750.484.052**	**(918.372.933)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal payment of finance lease obligations		(297.912.609)	(173.252.099)
Decrease in financial liabilities		(34.073.259)	(2.694.959)
Increase / (decrease) in other financial liabilities	9	22.223.944	15.076.677
Dividends paid		(99.213.754)	-
Net cash used in financing activities		**(408.975.678)**	**(160.870.381)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**523.729.395**	**(124.315.310)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**504.905.721**	**480.196.215**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**1.028.635.116**	**355.880.905**

(*)TL 200.554.516 portion of tangible and intangible assets, which amounts to a total of TL 361.934.124 as of 30 September 2009 was made through finance leases. (30 September 2008: TL 622.163.883 portion of tangible and intangible assets, which amounts to a total of TL 837.489.390 was made through finance leases).

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

1 THE COMPANY'S ORGANIZATION AND OPERATIONS

Türk Hava Yolları A.O. ("the Company" or "THY") was incorporated in Turkey in 1933. The principal activity of the Company is domestic and international air transportation of passengers and cargo. As of 30 September 2009 and 31 December 2008, the shareholders and their respective shareholdings in the Company are as follows:

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

The total number of employees working for Türk Hava Yolları A.O. and its subsidiary ("the Group") as of 30 September 2009 is 15.035. (30 September 2008:14.128). The average number of employees working for the Group as of 30 September 2009 and 2008 is 14.523 and 13.608, respectively. The Company is registered in İstanbul, Turkey and its head office address is as follows:

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Basis of Preparation for Financial Statements and Significant Accounting Policies

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

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

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

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

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

2.1 Basis of Presentation (cont'd)

Currency Used In The Financial Statements

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

Preparation of Financial Statements in Hyperinflationary Periods

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

Comparative Information and Restatement of Prior Period Financial Statements

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

Basis of the Consolidation

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

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

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

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

		Participation Rate		
Name of the Company	Principal Activity	30 September 2009	31 December 2008	Country of Registration
THY Teknik A.Ş.	Technical Maintenance	100%	100%	Turkey

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

2.1 Basis of Presentation (cont'd)

Basis of the Consolidation (cont'd)

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

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

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

Name of the Company	Principal Activity	Participation rate 30 September 2009	Participation rate 31 December 2008	Country of Registration
Güneş Ekspres Havacılık A.Ş. (Sun Express)	Air Transportation	50%	50%	Turkey
THY DO&CO İkram Hizmetleri A.Ş.	Catering Services	50%	50%	Turkey
P&W T.T. Uçak Bakım Merkezi Ltd. Şti.	Technical Maintenance	49%	-	Turkey
Bosnia and Herzegovina Airlines	Air Transportation	49%	-	Bosnia Herzegovina Federation
TGS Yer Hizmetleri A.Ş.	Ground Services	50%	100%	Turkey

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

2.2 Changes in Accounting Policies

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

2.3 Changes in Accounting Estimates and Errors

Changes in accounting estimates are applied in the current period if it relates to only one period; applied both in the current period and in future periods prospectively if it relates to future periods. The Group has adopted early application of IFRIC 13 "Customer Loyalty Programs" which is effective for the accounting periods beginning on or after 1 January 2009. In the previous application, the estimated cost of providing free travel, using the incremental cost method as adjusted for estimated redemption rates, was recognized as a liability. Yet, under IFRIC 13, customer loyalty programs should be recognized as a separately identifiable component of sales transaction(s)

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

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

A portion of the fair value of the consideration received in respect of the initial sale shall be allocated to the award credits and the consideration allocated to award credits should be recognized as revenue when awards credits are redeemed. In the previous application, the estimated cost of providing free travel, using the incremental cost method as adjusted for estimated redemption rates, was recognized as a liability. IFRIC 13 has been implemented since 1 January 2007 and therefore previous period's financial statements are restated according to International Accounting Standard "Accounting Policies, Changes in Accounting Estimates and Errors" (IAS 8).

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

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

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

	30 September 2008				
	Previously Reported (After reclassifications)	Adjustment For Frequent Flyer Program	Adjustment For Unused Vacation Provision	Adjustment For Accrued Expense of Maintenance Reserve	Restated
Passenger flight liabilities	468.813.471	43.134.614	-	-	511.948.085
Other short term liabilities	77.587.953	-	-	39.042.755	116.630.708
Employee benefits	32.364.954	-	12.813.333	-	45.178.287
Deferred tax liabilities (net)	247.389.899	(8.626.923)	(2.562.670)	(7.808.551)	228.391.755
Net profit for the period	667.530.752	(9.205.303)	(1.112.402)	(9.268.774)	647.944.273
Accumulated Losses	-	(25.302.388)	(9.138.266)	(21.965.424)	(56.406.078)
Sales Revenue	4.411.325.721	(17.569.405)	-	-	4.393.756.316
Cost of Sales	(3.342.521.497)	-	(1.027.005)	(11.585.974)	(3.355.134.476)
Marketing, Sales and Distribution expenses	(439.187.743)	-	(279.443)	-	(439.467.186)
General administrative expenses	(148.454.938)	-	(84.054)	-	(148.538.992)
Other operating income	218.147.397	(1.224.579)	-	-	216.922.818
Other operating expense	(12.572.638)	7.287.355			(5.285.283)
Tax income /(expense)	(165.939.202)	2.301.326	278.100	2.317.195	(161.042.581)
Earnings per share (Kr)	0,0076	(0,0001)	(0,0000)	(0,0001)	0,0074

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

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

	01 January 2008				
	Previously Reported (After reclassifications)	Adjustment For Frequent Flyer Program	Adjustment For Unused Vacation Provision	Adjustment For Accrued Expense of Maintenance Reserve	Restated
Passenger flight liabilities	348.048.601	31.627.985	-	-	379.676.586
Other short term liabilities	37.387.762	-	-	27.456.780	64.844.542
Employee benefits	28.241.529	-	11.422.832	-	39.664.361
Deferred tax liabilities (net)	139.838.444	(6.325.597)	(2.284.566)	(5.491.356)	125.736.925
Net profit for the period	291.892.623	(8.830.945)	(2.054.546)	(15.510.358)	265.496.774
Accumulated Losses	(363.500.835)	(16.471.443)	(7.083.720)	(6.455.066)	(393.511.064)

2.4 New and Revised International Financial Reporting Standards

In the current period, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2009. The adoption of these new and revised standards and interpretations caused the Group to change accounting policies in the relevant areas presented below:

- IAS 1 (Revised), "Presentation of financial statements"

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

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

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

- IFRS 7 (Change), "Financial instruments: Disclosures"

Amendments to IFRS 7 which was issued in March 2009 are applicable to the Group beginning on 1 January 2009. The amendments require enhanced disclosure on fair value measurements as well as on liquidity risks. IFRS 7 (Change), "Financial instruments: Disclosures"

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

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

- IFRS 7 (Change), "Financial instruments: Disclosures" (cont'd)

Specifically, the amendments require the Group to disclose changes in valuation techniques for classes of financial instruments where valuation techniques were used to determine fair values. In addition for each class of financial instrument, the Group is required to disclose the level in the fair value hierarchy into which the fair value measurements are categorized. When valuation techniques used to determine fair values of financial instrument changes, the transfers between levels of the fair value hierarchy are required to be disclosed. Furthermore, the Group is required to provide a reconciliation of fair values measurements that are determined based on unobservable inputs. Sensitivity analysis on changes in assumptions related to unobservable inputs should also be presented if such changes would produce significant fair value changes.

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

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

- IFRS 8 "Operating segments"

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

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

- IFRIC 13, "Customer loyalty programs"

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

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

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

Standards, amendments and interpretations to existing standards that are effective in 2009 but not relevant to the operations of the Group

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

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

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

- IFRS 1 "First-time Adoption of IFRS" (Changes on Assets related to the Petrolium and Gas Natural Resources and Determination of whether an Agreement is a Leasing Transaction)
- IFRS 2, "Share-based Payment" (Amendment on the Share-based Cash Payment transactions of the Group)
- IFRS 3, "Business Combinations", IAS 27, "Consolidated and Separate Financial Statements", IAS 28, "Investments in Associates", IAS 31 "Interests in Joint Ventures" (Amendment on the Application of Purchase Method)
- IAS 39, "Financial Instruments: Recognition and Measurement" (Amendment on Hedging Items)
- IFRIC 17, "Distributions of Non-cash Assets to Owners"
- Amendments resulting from May 2008 Annual Improvements to IFRSs (IFRS 5 , "Non-current Assets Held for Sale and Discontinued Operations)

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

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

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

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

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

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

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

IFRS 2, "Share-based Payment"

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

IFRS 3, "Business Combinations"

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

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

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

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

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

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

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

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

IFRIC 18 "Transfers of Assets from Customers"

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

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

2.5 Summary of Significant Accounting Policies

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

2.5.1 Offsetting

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

2.5.2 Revenue

Rendering of services

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

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.2 Revenue (cont'd)

Dividend and interest income

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

2.5.3 Inventories

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

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

2.5.4 Tangible Assets

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

	Useful Life (Years)	Residual Value
- Buildings	25-50	-
- Aircrafts	15-20	10-30%
- Cargo Aircraft	30	10%
- Engines	15-20	10-30%
- Components	7	-
- Repairable Spare Parts	3-7	-
- Simulators	10-20	0-10%
- Machinery and Equipments	3-15	-
- Furniture and Fixtures	3-15	-
- Motor Vehicles	4-7	-
- Other Equipments	4-15	-

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.5 Leasing Transactions

Leasing - the Group as the lessee

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

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

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

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

2.5.6 Intangible Assets

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

2.5.7 Impairment on Assets

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

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.7 Impairment on Assets (cont'd)

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

In the examination of whether net book values of aircrafts, spare engines and simulators exceed their recoverable amounts, net selling prices in US Dollars are used for determination of recoverable amounts. Net selling price for the aircrafts is determined according to second hand prices in international price guides. Net selling price for spare engines and simulators is net book values based on US Dollar acquisition costs. In the accompanying financial statements, the change in the differences between net book values of these assets and recoverable amounts are recognized as provision income/losses under income/losses from other operations account. Changes in value due to exchange rate changes are shown under group of financial income/expenses.

2.5.8 Borrowing Costs

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

2.5.9 Financial Instruments

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

a) Financial assets

Financial investments are initially measured at fair value, net off transaction costs except for those financial assets classified as fair value through profit or loss which are initially measured at fair value. Investments are recognized and derecognized on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.
Financial assets are classified into the following specified categories: financial assets as "at fair value through profit or loss" (FVTPL), "held-to-maturity investments", "available-for-sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.9 Financial Instruments (cont'd)

a) Financial assets (cont'd)

Financial assets at fair value through profit or loss (cont'd)

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

Effective interest method

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

Loans and receivables

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

Impairment of financial assets

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

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.9 Financial Instruments (cont'd)

a) Financial assets (cont'd)

Cash and cash equivalents

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

b) Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.9 Financial Instruments (cont'd)

b)Financial liabilities (cont'd)

Derivative financial instruments and hedge accounting

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

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

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

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

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

2.5.10 Business Combinations

None.

2.5.11 Foreign Currency Transactions

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

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

	Closing rate	Average rate
Period ended 30 September 2009	1,4820	1,5675
Year ended 31 December 2008	1,5123	1,2976
Period ended 30 September 2008	1,2316	1,2191
Year ended 31 December 2007	1,1647	1,3003

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

	Closing rate	Average rate
Period ended 30 September 2009	2,1603	2,1376
Year ended 31 December 2008	2,1408	1,8969
Period ended 30 September 2008	1,7978	1,8565
Year ended 31 December 2007	1,7102	1,7773

2.5.12 Earnings Per Share

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

2.5.13 Events Subsequent to the Balance Sheet Date

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

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

2.5.14 Provisions, Contingent Liabilities, Contingent Assets

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

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

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

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

Onerous Contracts

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

2.5.15 Segmental Information

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

2.5.16 Construction Contracts

None.

2.5.17 Discontinued Operations

None.

2.5.18 Government Incentives and Grants

None.

2.5.19 Investment Property

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

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.20 Taxation and Deferred Tax

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

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

Current tax

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

Deferred Tax

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

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

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

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.20 Taxation and Deferred Tax (cont'd)

Deferred Tax (cont'd)

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

Current and deferred tax for the period

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

2.5.21 Employee benefits / Retirement pay provision

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard 19 (revised) "Employee Benefits" ("IAS 19").

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

2.5.22 Retirement Plans

None.

2.5.23 Agricultural Activities

None.

2.5.24 Statement of cash flows

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.24 Statement of cash flows (cont'd)

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

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

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

2.5.25 Share Capital and Dividends

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

2.5.26 Manufacturers' Credits

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

2.5.27 Maintenance and Repair Costs

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

2.5.28 Frequent Flyer Program

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

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

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

2.6 Important Accounting Estimates and Assumptions

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

The Determination of Impairment on Assets

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

Calculation of the Liability for "Frequent Flyer Program"

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

Useful Lives and Salvage Values of Tangible Assets:

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

3 BUSINESS COMBINATIONS

None.

4 JOINT VENTURES

See note 16.

5 SEGMENTAL REPORTING

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

5 SEGMENTAL REPORTING (cont'd)

5.1. Total Assets and Liabilities

Total Assets	**30 September 2009**	**31 December 2008**
Aviation	8.556.594.328	7.871.289.987
Technic	525.389.787	444.802.648
Total	9.081.984.115	8.316.092.635
Less: Eliminations of consolidation	(483.145.085)	(404.857.920)
Total assets according to consolidated financial statements	8.598.839.030	7.911.234.715

Total Liabilities	**30 September 2009**	**31 December 2008**
Aviation	5.675.325.957	4.884.702.891
Technic	99.423.280	93.546.882
Total	5.774.749.237	4.978.249.773
Less: Eliminations of consolidation	(526.384.484)	(53.602.154)
Total liabilities according to consolidated financial statements	5.248.364.753	4.924.647.619

5.2. Net Operating Profit / (Loss)

Segment
Results:

01 January -30 September 2009	**Aviation**	**Technic**	**Eliminations between Segments**	**Total**
External sales	4.946.851.353	107.770.101	-	5.054.621.454
Inter-segmental sales	-	397.496.317	(397.496.317)	-
Sales revenue	4.946.851.353	505.266.418	(397.496.317)	5.054.621.454
Cost of sales	(3.650.456.312)	(418.507.985)	396.872.349	(3.672.091.948)
Gross profit / (loss)	1.296.395.041	86.758.433	(623.968)	1.382.529.506
Marketing, sales and distribution expenses	(579.366.750)	(3.548.877)	237.687	(582.677.940)
General administrative expenses	(163.587.026)	(33.715.190)	2.530.588	(194.771.628)
Other operating income	62.183.171	14.008.669	(2.144.307)	74.047.533
Other operating expenses	(35.636.208)	(464.738)	-	36.100.946
Operating profit / (loss)	579.988.228	63.038.297	-	643.026.525

5 SEGMENTAL REPORTING (cont'd)

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

01 January -30 September 2008	**Aviation**	**Technic**	**Eliminations between Segments**	**Total**
External sales	4.290.032.746	103.723.570	-	4.393.756.316
Inter-segmental sales	-	277.125.276	(277.125.276)	-
Sales revenue	4.290.032.746	380.848.846	(277.125.276)	4.393.756.316
Cost of sales	(3.299.042.190)	(329.963.797)	273.871.511	(3.355.134.476)
Gross profit / (loss)	990.990.556	50.885.049	(3.253.765)	1.038.621.840
distribution expenses	(437.241.003)	(2.426.763)	200.580	(439.467.186)
General administrative expenses	(122.565.798)	(29.306.459)	3.333.265	(148.538.992)
Other operating income	215.218.139	1.984.759	(280.080)	216.922.818
Other operating expenses	(4.946.109)	(339.174)	-	(5.285.283)
Operating profit / (loss)	641.455.785	20.797.412	-	662.253.197

Income statement items related to impairment of tangible fixed assets.

01 January-30 September 2009	**Aviation**	**Technic**	**Eliminations between segments**	**Total**
Real increase on tangible fixed asset impairment provision (Loss from other operations)	(18.488.838)	-	-	(18.488.838)
Decrease on tangible fixed asset impairment provision due to exchange rate changes (Financial income)	(49.653.636)	-	-	(49.653.636)

01 January-30 September 2008	**Aviation**	**Technic**	**Eliminations between segments**	**Total**
Real increase on tangible fixed asset impairment provision (Loss from other operations)	169.273.682	-	-	169.273.682
Decrease on tangible fixed asset impairment provision due to exchange rate changes (Financial income)	189.967.787	-	-	189.967.787

5 SEGMENTAL REPORTING (cont'd)

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

Income statement items related to investments accounted for equity method

01 January-30 September 2009	Aviation	Technic	Eliminations between segments	Total
Share of profit /(loss) on investments accounted for equity method	22.306.266	(323.989)	-	21.982.277

01 January -30 September 2008	Aviation	Technic	Eliminations between segments	Total
Share of profit /(loss) on investments accounted for equity method	5.245.826	-	-	5.245.826

5.3. Investment Operations

01 January -30 September 2009	Aviation	Technic	Eliminations between segments	Total
Purchases of tangible and intangible assets	239.608.818	122.325.306	-	361.934.124
Current period amortization and depreciation expense	266.020.731	39.511.062	-	305.531.793
01 January-30 September 2009				
Tangible fixed asset accumulated impairment	369.829.536	-	-	369.829.536
The associates accounted for equity method	134.565.379	24.797.002	-	159.362.381

5 SEGMENTAL REPORTING (cont'd)

5.3. Investment Operations)

01 January -30 September 2008	Aviation	Technic	Eliminations between segments	Total
Purchases of tangible and intangible assets	767.572.599	69.916.792	-	837.489.391
Current period amortization and depreciation expense	228.598.497	46.049.343	-	274.647.840
01 January -31 December 2008				
Tangible fixed asset accumulated impairment	360.198.667	-	-	360.198.667
The associates accounted for equity method	39.872.359	3.765.565	-	43.637.924

6 CASH AND CASH EQUIVALENTS

	30 September 2009	31 December 2008
Cash	931.034	356.049
Cheques received	392	244.458
Banks – Time deposits	844.843.751	365.786.513
Banks – Demand Deposits	156.242.936	122.908.559
Other liquid assets	26.617.003	15.610.142
	1.028.635.116	504.905.721

Time Deposits:

Amount	Currency	Opening Date	Interest Rate	Maturity	30 September 2009
		21.05.2009	6,53%	01.10.2009	
199.220.000	TL	30.09.2009	12,95%	20.11.2009	199.220.000
		23.03.2009	4,30%	04.11.2009	
87.300.000	Euro	21.12.2009	6,75%	21.12.2009	188.594.190
		20.03.2009	0,20%	01.10.2009	
308.387.018	USD	30.09.2009	6,15%	21.12.2009	457.029.561
					844.843.751

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

7 FINANCIAL ASSETS

Short-term financial assets are as follows:

	30 September 2009	31 December 2008
Time deposits with maturity more than 3 months	633.084.431	1.403.033.703
Derivative instruments at fair values (Note 39)	59.713.925	39.599.159
	692.798.356	1.442.632.862

Time deposits with maturity of more than 3 months:

Amount	Currency	Opening Date	Interest Rate	Maturity	30 September 2009
		21.05.2009		22.02.2010	
293.000.000	TL	20.07.2009	%11,55-%13,70	20.07.2010	293.000.000
		20.07.2009		18.01.2010	
52.965.000	Euro	20.07.2009	%3,90-%4,50	18.01.2010	114.420.290
		23.01.2009		25.01.2010	
152.270.000	USD	22.05.2009	%4,50-%6,00	17.02.2010	225.664.141
					633.084.431

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

Long-term financial assets are as follows:

	30 September 2009	31 December 2008
Sita Inc.	1.679.619	1.679.619
Emek İnşaat ve İşletme A.Ş.	26.859	26.859
Star Alliance GMBH	44.465	44.465
	1.750.943	1.750.943

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

7 FINANCIAL ASSETS (cont'd)

Details of the long-term financial assets of the Group at 30 September 2009 are as follows:

Name of the Company	Place of Incorporation and Operation	Ownership Rate	Voting Power Rate	Principal Activity
Emek İnşaat ve İşletme A.Ş.	Turkey	0,3%	0,3%	Construction
Sita Inc.	Netherlands	Less than %0,1	Less than %0,1	Information & Telecommunication Services
Star Alliance GMBH	Germany	5,55%	5,55%	Coordination Between Star Alliance Member Airlines

8 FINANCIAL BORROWINGS

Short-term financial borrowings are as follows:

	30 September 2009	31 December 2008
Bank loans	-	34.900.371
Finance lease obligations	400.906.190	384.388.858
	400.906.190	419.289.229

The details of short-term bank loans as of 31 December 2008 are as follows:

	30 September 2009	31 December 2008
Finance lease obligations	2.651.952.373	2.798.005.235

The details of short-term bank loans as of 31 December 2008 are as follows:

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

8 FINANCIAL BORROWINGS (cont'd)

Financial lease obligations are as follows:

	30 September 2009	31 December 2008
Not later than 1 year	472.555.939	480.276.603
Between 1-5 years	1.467.751.925	1.566.966.270
Over 5 years	1.637.733.820	1.778.034.612
	3.578.041.684	3.825.277.485
Less: Future interest expenses	(525.183.121)	(642.883.392)
Principal value of future rentals shown in the balance sheets	3.052.858.563	3.182.394.093

Interest Range:		
Floating rate obligations	1.176.690.384	1.221.791.915
Fixed rate obligations	1.876.168.179	1.960.602.178
	3.052.858.563	3.182.394.093

As of 30 September 2009, the US Dollars and Euro denominated lease obligations' weighted average interest rates for the fixed rate obligations are 4,91% (31 December 2008: 4,90 %) and for the floating rate obligations are 0,78% (31 December 2008: 1,93%).

9 OTHER FINANCIAL LIABILITIES

Other financial liabilities of the Group are as follows:

	30 September 2009	31 December 2008
Fair value of derivative instruments (Note 39)	60.422.380	44.360.335
Debt to banks	18.573.911	639.916
	78.996.291	45.000.251

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

10 ACCOUNTS RECEIVABLE AND PAYABLE

Short-term trade receivables are as follows:

	30 September 2009	31 December 2008
Trade receivables	506.735.167	381.445.533
Due from related parties (Note 37)	3.201.604	4.741.388
Allowance for doubtful receivables	(32.565.860)	(37.042.788)
	477.370.911	349.144.133

10 ACCOUNTS RECEIVABLE AND PAYABLE (cont'd)

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

	1 January- 30 September 2009	1 January- 30 September 2008
Opening Balance	37.042.788	21.405.019
Current period expense	9.217.727	6.376.669
Collected amount	(11.326.157)	(485.920)
Written- off	(2.368.498)	(202.711)
Closing Balance	32.565.860	27.093.057

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

Short-term trade payables are as follows:

	30 September 2009	31 December 2008
Trade payables	496.609.208	425.068.449
Due to related parties (Note 37)	25.138.498	9.433.149
Other	555.241	607.613
	522.302.947	435.109.211

11 OTHER RECEIVABLES AND PAYABLES

Other short-term receivables are as follows:

	30 September 2009	31 December 2008
Prepayments made for aircrafts, to be received back in cash	31.038.959	30.220.978
Receivables from foreign acquisition transactions	3.238.429	5.551.351
Receivables from tax office	2.698.230	4.917.861
Receivables from insurance companies	4.183.140	-
Airbus Industrie Firmasından BFE Alacakları	1.487.026	-
Receivables from foreign technical suppliers	2.671.767	1.465.399
Deposits and guarantees given	1.320.854	949.250
Due from personnel	856.056	1.263.682
Receivables from Sita deposit certificates	588.567	-
VAT deductible	822.993	4.295.567
Due from related parties (non-trading) (Note 37)	190.999	67.386
Bosnia Herzegovina Airlines Share Advancement	-	10.704.000
Other receivables	6.065.618	2.238.484
	55.162.638	61.673.958

11 OTHER RECEIVABLES AND PAYABLES (Cont'd)

Long-term other receivables are as follows:

	30 September2009	31 December 2008
Prepayments made for aircrafts, to be received back in cash	869.969.429	-
Advance payments for operating leases	20.044.737	6.924.230
Due from personnel	6.404.013	6.410.064
Deposits and guarantees given	3.999.030	3.472.266
Receivables from foreign acquisition transactions	2.193.268	4.796.921
Receivable from SITA deposit certificates	1.181.249	1.205.400
	903.791.726	22.808.881

Short-term other payables are as follows:

	30 September 2009	31 December 2008
MCO advances	70.882.572	57.613.133
Advances received for mile credit sales	21.276.630	45.587.172
Taxes and funds payable	27.535.007	26.061.291
Social security premiums payable	24.399.685	21.564.459
Deposits and guarantees received	16.974.782	7.603.582
Charter advances	1.760.277	751.062
Other advances received	2.924.515	1.072.264
E-Pos ticket advances	597.991	162.591
Due to related parties (non-trade)	468	-
Other liabilities	2.463.294	1.138.625
	168.815.221	161.554.179

Long-term other payables are as follows:

	30 September 2009	31 December 2008
Deposits and guarantees received	7.569.844	7.865.284

12 RECEIVABLES AND PAYABLES FROM FINANCIAL SECTOR OPERATIONS

None (31 December 2008: None).

13 INVENTORIES

	30 September 2009	31 December 2008
Spare parts	124.991.584	87.165.280
Other inventories	22.875.040	25.918.729
	147.866.624	113.084.009
Provision for impairment (-)	(13.108.426)	(14.724.718)
	134.758.198	98.359.291

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

	1 January - 30 September 2009	1 January - 30 September 2008
Provision at the beginning of the period	14.724.718	10.845.508
Current period expense	-	17.058.691
Cancellation of provisions recognized	(1.616.292)	-
Provision at the end of the period	13.108.426	27.904.199

14 BIOLOGICAL ASSETS

None (31 December 2008: None).

15 ASSETS FROM CONSTRUCTION CONTRACTS IN PROGRESS

None (31 December 2008: None).

16 INVESTMENTS ACCOUNTED FOR EQUITY METHOD

The associates accounted per the equity method are as follows:

	30 September 2009	31 December 2008
A.Ş. (Sun Express)	32.969.418	13.811.371
THY DO&CO İkram Hizmetleri A.Ş. (Turkish DO&CO)	32.737.875	26.060.988
Airlines	6.246.553	-
Merkezi Ltd. Şti.	24.797.002	3.765.565
TGS	62.611.533	
	159.362.381	43.637.924

16 INVESTMENTS ACCOUNTED FOR EQUITY METHOD (cont'd)

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

	30 September 2009	31 December 2008
Total Assets	214.344.966	113.774.956
Total Liabilities	148.406.129	86.152.214
Shareholder's Equity	65.938.837	27.622.742
Group's share in associate's sha	32.969.418	13.811.371

	1 January - 30 September 2009	1 July - 30 September 2009	1 January - 30 September 2008	1 July - 30 September 2008
Revenue	691.551.817	306.575.400	570.963.443	275.911.370
Profit / (Loss)	37.665.080	40.658.982	1.709.938	24.313.448
Group's share on Profit / (Loss)	18.832.540	20.329.491	(854.969)	12.156.724

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

	30 September 2009	31 December 2008
Total Assets	127.030.210	93.245.421
Total Liabilities	61.554.460	41.123.446
Shareholder's Equity	65.475.750	52.121.975
Group's share in associate's	32.737.875	26.060.988

	1 January - 30 September 2009	1 July - 30 September 2009	1 January - 30 September 2008	1 July - 30 September 2008
Revenue	691.551.817	306.575.400	570.963.443	275.911.370
Profit / (Loss)	37.665.080	40.658.982	1.709.938	24.313.448
Group's share on Profit / (Loss)	18.832.540	20.329.491	(854.969)	12.156.724
				(10.446.788)

16 INVESTMENTS ACCOUNTED FOR EQUITY METHOD (cont'd)

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

	30 September 2009	31 December 2008
Total Assets	52.708.450	8.344.051
Total Liabilities	2.102.326	659.225
Shareholder's Equity	50.606.124	7.684.826
Group's share in associate's sha	24.797.002	3.765.565

	1 January - 30 September 2009	1 July - 30 September 2009	1 January - 30 September 2008	1 July - 30 September 2008
Revenue	-	-	-	-
Profit / (Loss)	(661.201)	2.018.039	-	-
Group's share on Profit / (Loss)	(323.989)	988.839	-	-

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

	30 September 2009	31 December 2008
Total Assets	55.127.721	-
Total Liabilities	42.379.654	-
Shareholder's Equity	12.748.066	-
Group's share in associate's sha	6.246.553	-

	1 January - 30 September 2009	1 July - 30 September 2009	1 January - 30 September 2008	1 July - 30 September 2008
Revenue	14.514.694	6.503.399	-	-
Profit / (Loss)	(6.764.683)	(2.287.140)	-	-
Group's share on Profit / (Loss)	(3.314.694)	(1.120.758)	-	-

Financial information for TGS as of 30 September 2009 and 31 December 2008 are as follows:

	30 September 2009	31 December 2008
Total Assets	125.411.559	-
Total Liabilities	188.494	-
Shareholder's Equity	125.223.065	-
Group's share in associate's sha	62.611.533	-

16 INVESTMENTS ACCOUNTED FOR EQUITY METHOD (cont'd)

Tender for ground services was won by Havaalanları Yer Hizmetleri A.Ş. (HAVAŞ) and 50 % of TGS's capital was transferred to HAVAŞ. By the protocol and capital increase dated on 17 September 2009, 50 % of TGS' capital which has a nominal value of 6.000.000 TL were acquired by HAVAŞ for 119.000.000 TL and a share premium at an amount of 113.000.000 TL has arised in the TGS's capital. Due to the fact that the share premium is related to the 5-year service contract between the Company and TGS, the Company's portion(50 %) of the share premium under the shareholders' equity of TGS was recognized as 'Deferred Income' to be amortized during the contract period.

	1 January - 30 September 2009	1 July - 30 September 2009	1 January - 30 September 2008	1 July - 30 September 2008
Revenue	883	883	-	-
Profit / (Loss)	223.065	223.065	-	-
Group's share on Profit / (Loss)	111.533	111.533	-	-

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

	1 January - 30 September 2009	1 July - 30 September 2009	1 January - 30 September 2008	1 July - 30 September 2008
Sun Ekspress	18.832.540	20.329.491	854.967	12.156.722
Turkish DO&CO	6.676.887	4.504.578	4.390.859	3.786.123
P&W T.T. Uçak Bakım	(323.989)	988.839	-	-
Bosnia Herzegovina Airlines	(3.314.694)	(1.120.758)	-	-
TGS	111.533	111.533	-	-
Total	21.982.277	24.813.683	5.245.826	15.942.845

16 INVESTMENTS ACCOUNTED FOR EQUITY METHOD (cont'd)

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

Name of the Company	Place of Incorporation and Operation	Ownership Rate	Voting Power Rate	Principal Activity
Güneş Ekspres Havacılık A.Ş. (Sun Express)	Turkey	50%	50%	Air transportation
THY DO&CO İkram Hizmetleri A.Ş.	Turkey	50%	50%	Catering services
P&W T.T. Uçak Bakım Merkezi Ltd. Şti	Turkey	49%	49%	Maintenance services
Bosnia Herzegovina Airlines	Herzegovina Fedaration	49%	49%	Air transportation
TGS	Turkey	50%	50%	Ground services

17 INVESTMENT PROPERTY

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

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

18 TANGIBLE ASSETS

	Land, Land Improvements and Buildings	Technical Equipments, Simulators and Vehicles	Other Equipments, Fixtures	Aircraft and Spare Engines	Components and Repairable Spare Parts	Construction in Progress	Total Assets Owned	Leased Aircraft	Total
Cost									
Opening balance 1 January 2009	164.645.538	311.294.139	166.561.736	2.755.313.950	366.092.558	62.709.927	3.826.617.848	4.855.582.307	8.682.200.155
Additions	-	12.650.988	12.919.128	10.016.043	100.132.143	22.368.099	158.086.401	200.554.516	358.640.917
Disposals	-	(7.869.436)	(13.659.733)	(283.401.122)	(134.165.938)	-	(439.096.229)	(84.407.359)	(523.503.588)
Transfers	-	-	-	27.587.577	-	(60.396.055)	(32.808.478)	31.672.391	(1.136.087)
Closing balance 30 September 2009	164.645.538	316.075.691	165.821.131	2.509.516.448	332.058.763	24.681.971	3.512.799.542	5.003.401.855	8.516.201.397
Accumulated Depreciation									
Opening balance 1 January 2009	55.667.061	248.175.054	139.815.066	1.553.458.594	185.009.980	-	2.182.125.755	1.090.426.122	3.272.551.877
Depreciation charge for the period	2.053.105	11.491.863	7.026.504	78.344.541	34.380.326	-	133.296.339	166.767.904	300.064.243
Disposals	-	(7.294.962)	(13.152.227)	(198.886.221)	(86.261.918)	-	(305.595.328)	(27.171.131)	(332.766.459)
Closing balance 30 September 2009	57.720.166	252.371.955	133.689.343	1.432.916.914	133.128.388	-	2.009.826.766	1.230.022.895	3.239.849.661
Accumulated impairment	-	241.474	-	(408.617.788)	-	-	(408.376.314)	38.546.778	(369.829.536)
30 September 2009 net book value	106.925.372	63.945.210	32.131.788	667.981.746	198.930.375	24.681.971	1.094.596.462	3.811.925.738	4.906.522.200
31 December 2008 net book value	108.978.477	63.277.712	26.746.670	731.686.913	181.082.578	62.709.927	1.174.482.277	3.874.967.333	5.049.449.610

18 TANGIBLE ASSETS (cont’d)

	Land, Land Improvements and Buildings	Technical Equipments, Simulators and Vehicles	Other Equipments, Fixtures	Aircraft and Spare Engines	Components and Repairable Spare Parts	Construction in Progress	Total Assets Owned	Leased Aircraft	Total
Cost									
Opening balance 1 January 2008	164.584.014	303.009.428	171.151.244	2.639.937.173	327.244.646	59.697.500	3.665.624.005	3.830.021.095	7.495.645.100
Additions	-	12.316.444	4.406.378	64.083.299	58.296.595	28.383.585	167.486.301	662.163.338	829.649.639
Disposals	(253.838)	(11.526.783)	(12.200.621)	(2.114.432)	(57.216.934)	-	(83.312.608)	-	(83.312.608)
Transfers	212.514	-	-	29.117.991	-	(33.817.061)	(4.486.556)	3.246.744	(1.239.812)
Closing balance 30 September 2008	164.542.690	303.799.089	163.357.001	2.731.024.031	328.324.307	54.264.024	3.745.311.142	4.495.431.177	8.240.742.319
Accumulated Depreciation									
Opening balance 1 January 2008	53.372.621	247.371.689	144.571.580	1.460.111.153	153.043.938	-	2.058.470.981	899.782.547	2.958.253.528
Depreciation for the period	2.052.104	10.660.251	6.405.839	70.427.252	41.862.421	-	131.407.867	138.732.510	270.140.377
Disposals	(114.650)	(11.526.783)	(12.072.871)	(2.114.432)	(39.032.491)	-	(64.861.227)	-	(64.861.227)
Closing balance 30 September 2008	55.310.075	246.505.157	138.904.548	1.528.423.973	155.873.868	-	2.125.017.621	1.038.515.057	3.163.532.678
Accumulated impairment	-	(3.126.273)	-	(570.838.303)	-	-	(573.964.576)	(369.826.120)	(943.790.696)
30 September 2008 net book value	109.232.615	54.167.659	24.452.453	631.761.755	172.450.439	54.264.024	1.046.328.945	3.087.090.000	4.133.418.945
31 December 2007 net book value	111.211.393	50.917.920	26.579.664	562.315.592	174.200.708	59.697.500	984.922.777	2.249.436.630	3.234.359.407

18 TANGIBLE ASSETS (cont'd)

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

	1 January - 30 September 2009	1 January - 30 September 2008
Opening balance	360.198.667	1.303.032.165
Cancellation of tangible asset disposal provision	(58.511.605)	-
Real increase / (decrease) in provision for diminution in value of tangible assets	18.488.838	(169.273.682)
Increase / (decrease) in provision for diminution in value of tangible assets due to exchange rate	49.653.636	(189.967.787)
Total Provision as of the end of the period	369.829.536	943.790.696

As explained in Note 2.5.7., the Group uses net US Dollars sales prices as the recoverable amount in the impairment calculation of its property, plant and equipment (i.e. aircrafts, spare engines and simulators - "Aircrafts"). The Group has TL 49.653.636 of increase in impairment loss arising from exchange rates due to the decrease of net TL sales prices of aircrafts as a result of the depreciation of US Dollars against the TRY and has 18.488.838 TL of increase in impairment loss as a result of recession in the US Dollar prices of aircrafts in the period that ended as of 30 September 2009 (Note 2.5.11). Also, cancelled provisional amount for aircrafts, which are derecognized from fixed assets, is TL 58.511.606 and total increase in impairment loss amounts to TL 9.630.869.

19 INTANGIBLE ASSETS

	Rights	Leasehold Improvements	Total
Cost			
Opening balance 1 January 2009	76.958.343	29.093.614	106.051.957
Additions	2.427.031	866.176	3.293.207
Disposals	(2.333)	-	(2.333)
Transfers (*)	-	1.136.087	1.136.087
Closing balance 30 September 2009	79.383.041	31.095.877	110.478.918
Accumulated Depreciation			
Opening balance 1 January 2009	65.795.741	22.559.087	88.354.828
Amortization charge for the period	3.435.105	2.032.445	5.467.550
Disposals	(2.333)	-	(2.333)
30 September 2009 Closing balance	69.228.513	24.591.532	93.820.045
30 September 2009 net book value	10.154.528	6.504.345	16.658.873
31 December 2008 net book value	11.162.602	6.534.527	17.697.129

19 INTANGIBLE ASSETS (cont'd)

	Rights	Leasehold Improvements	Total
Cost			
Opening balance 1 January 2008	68.832.212	23.890.480	92.722.692
Additions	4.828.121	3.011.631	7.839.752
Disposals	(11.356)	(433.760)	(445.116)
Transfers (*)	-	1.239.812	1.239.812
Closing balance 30 September 2008	73.648.977	27.708.163	101.357.140
Accumulated Depreciation			
Opening balance 1 January 2008	62.031.040	20.246.335	82.277.375
Amortization charge for the period	2.738.594	1.768.869	4.507.463
Disposals	(11.356)	(77.050)	(88.406)
30 September 2008 Closing balance	64.758.278	21.938.154	86.696.432
30 September 2008 net book value	8.890.699	5.770.009	14.660.708
31 December 2007 net book value	6.801.172	3.644.145	10.445.317

(*) Transferred from construction in progress.

20 GOODWILL

None (31 December 2008: None).

21 GOVERNMENT GRANTS AND INCENTIVES

None (31 December 2008: None).

22 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions for short-term liabilites are as follows:

	30 September 2009	31 December 2008
Provisions for legal claims	8.301.403	7.460.396

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

	1 January - 30 September 2009	1 January - 30 September 2008
Provision at 1 January	7.460.396	4.695.954
Charge for the period	1.343.330	1.270.778
Provisions released	(502.323)	(196.762)
Provision at the end of the period	8.301.403	5.769.970

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

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

a) Guarantees Given: Amount of letter of guarantees given is TL 84.224643 as of 30 September 2009 (31 December 2008: TL 81.610.647).

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

c) The Group's discounted retirement pay provision is TL 147.233.873. The Group's liability for retirement pay would be approximately TL 297.187.133 as of 30 September 2009, if all employees were dismissed on that date

23 COMMITMENTS

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

	30 September 2009	**31 December 2008**
Less than one year	305.311.472	201.619.938
Between 1 – 5 years	862.044.537	684.056.091
More than 5 years	693.857.578	422.009.094
	1.861.213.587	1.307.685.123

To be delivered between the years 2010-2011, the Group signed a contract for 19 aircrafts with a total value of 5 billion US Dollars, according to the price lists before the discounts made by the aircraft manufacturing firms. The Group has made an advance payment of 618 Million US Dollars relevant to these purchases as of 30 September 2009

24 EMPLOYEE BENEFITS

Short-term employee benefits are as follows:

	30 September 2009	**31 December 2008**
Salary accruals	37.474.800	33.409.789
Due to personnel	853.333	1.674.174
Provision for unused vacation	16.803.143	12.734.462
	55.131.276	47.818.425

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

	30 September 2009	**31 December 2008**
Provision for retirement pay liability	147.233.873	142.459.082

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

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

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

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

Main assumption is that maximum liability amount increases parallel to inflation rate for every service year. Therefore, discount rate used is the expected real rate adjusted for the future inflationary effects. Because of this, provisions in the accompanying financial statements as of 30 September 2009 are calculated by estimating present value of probable liabilities arising due to retirement of employees. Provisions in the relevant balance sheet dates are calculated by using an approximate 6.26% the real discount rate with the assumptions of 5.40% annual inflation rate and 12% discount rate. (31 December 2008: 6.26%). Estimated amount of retirement pay not paid due to voluntary leaves and kept in the Company is also taken into consideration as 2.17% (2008: 2.99%). Ceiling for retirement pay is revised semi-annually, ceiling amount of TL 2.365 which is in effect since 1 July 2009 is used in the calculation of Group's provision for retirement pay liability.

24 EMPLOYEE BENEFITS (cont'd)

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

	1 January - 30 September 2009	1 January - 30 September 2008
Provision at 1 January	142.459.082	131.959.011
Charge for the period	14.058.740	16.253.361
Interest charges	6.672.108	5.582.185
Payments	(15.956.057)	(13.601.783)
Provision at the end of the period	147.233.873	140.192.774

25 RETIREMENT BENEFITS

None (31 December 2008: None).

26 OTHER ASSETS AND LIABILITIES

Details of other current assets are as follows:

	30 September 2009	31 December 2008
Credit note accruals for received aircrafts	34.561.405	40.861.407
Technical maintenance income accruals	17.914.586	5.438.066
Prepaid operating lease expenses	15.779.764	11.010.997
Prepaid sales commissions	10.458.855	8.832.684
Prepaid insurance expenses	2.947.419	5.676.306
VAT to be refunded	8.387.272	5.469.834
Interline passenger income accruals	2.199.158	8.073.217
Advance given for orders	4.420.674	4.649.039
Advances for business purposes	5.634.902	1.005.304
Other prepaid expenses	4.566.280	973.430
Prepaid wet lease rent expenses	-	5.345.647
Prepaid taxes and funds	-	58.951.175
Other currents assets	6.926.602	7.276.322
	113.796.917	163.563.428

26 OTHER ASSETS AND LIABILITIES (cont'd)

Other non-current assets are as follows:

	30 September 2009	31 December 2008
Maintenance reserve for engines	23.695.671	18.171.033
Prepayment for tangible assets	24.112.719	74.096.755
Prepaid aircraft financing expenses	7.803.074	7.197.530
Prepaid operational lease rent expense	2.827.791	3.175.779
Prepaid Eximbank USA guarantee and exposure fee	1.407.432	2.618.689
Prepaid expenses	254.084	234.725
	60.100.771	105.494.511

Other short-term liabilies are as follows:

	30 September 2009	31 December 2008
Accruals for maintenance costs	77.423.063	69.099.738
Accruals for sales incentive premiums	41.582.169	4.603.716
Unearned income about share transfer of TGS (Not:16)	8.475.000	-
Deferred income	1.236.206	430.965
Accruals for other expenses	3.286.101	369.934
Other liabilities	95.170	7.251.639
Manufacturer's credit related to aircrafts to be received	-	9.926.677
	132.097.709	81.755.992

Other long-term liabilities are as follows:

	30 September 2009	31 December 2008
Unearned income about share transfer of TGS (Not:16)	48.025.000	-
Gross manufacturer's credits	38.799.159	39.289.960
Accumulated depreciations of manufacturer's credit	(10.503.239)	(8.168.227)
	76.320.920	31.121.733

Passenger flight liabilities are as follows:

	30 September 2009	31 December 2008
Frequent flyer program liability	113.834.177	98.946.996
Flight liability resulting from ticket sales	374.956.925	253.091.354
Flight liability resulting from mileage sales	123.997.755	89.768.475
	612.788.857	441.806.825

27 SHAREHOLDERS' EQUITY

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

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

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

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

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

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

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

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

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

c) Increasing share capital,

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

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

f) Making decisions relating to merges and liquidation,

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

27 SHAREHOLDERS' EQUITY (cont'd)

Restricted Reserves Assorted from Profit

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

Foreign Currency Translation Differences

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

Distribution of Dividends

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

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

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

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

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27 SHAREHOLDERS' EQUITY (cont'd)

Distribution of Dividends (cont'd)

According to the decision the CMB's decision on 9 January 2009; the total amount of the retained earnings, the profit for the year and the other sources in which might be considered in profit distribution in statutory records are to be disclosed in the notes to the financial statements prepared and announced to the public in accordance with Serial:XI, No:29; for the Company that amount is equal to TL 275.278.404 as profit, TL 7.806.889 TL as extra ordinary reserves and TL 303.035.058 as retained earnings. The total amount of the retained earnings are equal to TL 586.120.351

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

Subscribed Capital	875.000.000
Share Premium	181.185
Legal Reserves	39.052.952
Extraordinary Reserves	7.806.889
Other profit reserves	9
Special funds	53.505.266
Retained Earnings	303.035.058
Net profit for the period	275.278.404
Total shareholders	1.553.859.763

Hedge Fund Against the Cash Flow Risk

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

28 SALES AND COST OF SALES

Details of gross profit are as follows:

	1 January - 30 September 2009	1 July- 30 September 2009	1 January - 30 September 2008	1 July- 30 September 2008
Scheduled flights				
Passenger	4.459.628.951	1.874.537.762	3.828.186.468	1.586.746.389
Cargo and mail	296.253.945	106.825.479	276.554.358	97.786.140
Total scheduled flights	4.755.882.896	1.981.363.241	4.104.740.826	1.684.532.529
Non-scheduled flights	49.019.809	27.261.443	66.885.687	32.144.954
Other revenues	249.732.163	80.536.741	222.139.782	74.437.739
Total revenues	5.054.634.868	2.089.161.425	4.393.766.295	1.791.115.222
Less: Discounts and sales returns	(13.414)	(5.261)	(9.979)	(3.524)
Net Sales	5.054.621.454	2.089.156.164	4.393.756.316	1.791.111.698
Cost of Sales (-)	(3.672.091.948)	(1.366.279.399)	(3.355.134.476)	(1.285.836.714)
Gross Operating Profit	1.382.529.506	722.876.765	1.038.621.840	505.274.984

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

	1 January - 30 September 2009	1 July- 30 September 2009	1 January - 30 September 2008	1 July- 30 September 2008
- Europe	1.920.024.805	830.929.869	1.698.238.368	739.216.857
- Far East	771.777.450	296.946.376	677.724.188	250.073.582
- Middle East	573.950.303	221.840.973	433.057.955	170.861.067
- North Africa	165.301.034	64.966.688	101.348.293	41.191.821
- North America	187.478.810	87.171.051	163.926.849	69.956.989
- South Africa	42.634.638	17.405.566	33.793.785	12.422.177
- West Africa	23.210.227	9.461.184	17.879.517	8.043.917
- Middle Africa	28.000.756	14.456.947	15.175.249	6.159.504
- South America	21.183.605	15.234.357	-	-
	3.733.561.628	1.558.413.011	3.141.144.204	1.297.925.914
Domestic	1.022.321.268	422.950.230	963.596.622	386.606.615
Total Revenue from the scheduled flights	4.755.882.896	1.981.363.241	4.104.740.826	1.684.532.529

28 SALES AND COST OF SALES (cont'd)

The details of the cost of sales are as follows:

	1 January - 30 September 2009	1 July- 30 September 2009	1 January - 30 September 2008	1 July- 30 September 2008
Fuel expenses	1.064.976.463	449.039.122	1.414.470.778	574.763.029
Staff expenses	770.134.087	271.042.765	621.516.072	220.249.416
Landing and navigation expenses	409.729.623	153.245.872	283.115.117	108.961.864
Depreciation expenses	286.345.186	101.206.264	257.578.110	85.350.809
Handling expenses	277.799.973	100.842.558	198.496.829	74.923.096
Maintenance expenses	246.594.494	75.373.760	182.831.084	75.272.743
Passenger service and catering expenses	245.780.818	91.365.798	188.079.373	73.183.322
Operating lease expenses	251.909.131	76.402.875	104.859.469	36.751.449
Codeshare expenses	38.397.537	19.606.375	24.124.281	12.528.431
Insurance expenses	20.878.026	7.442.083	17.055.529	6.632.842
Other renting expenses	13.992.032	4.715.468	15.231.640	4.921.628
Communication expenses	6.258.157	1.918.845	5.670.272	2.240.209
Other taxes	5.310.556	2.359.130	4.013.014	1.180.261
Lighting, heating, energy and water expenses	3.772.625	1.554.093	2.364.648	987.918
Cost of other sales	30.213.240	10.164.391	35.728.260	7.889.697
	3.672.091.948	1.366.279.399	3.355.134.476	1.285.836.714

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

	1 January - 30 September 2009	1 July - 30 September 2009	1 January - 30 September 2008	1 July - 30 September 2008
Marketing, Selling and Distribution	582.677.940	207.925.115	439.467.186	149.049.765
General Administrative Expenses	190.239.619	60.627.702	148.538.992	54.738.533
	772.917.559	268.552.817	588.006.178	203.788.298

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

Marketing, sales and distribution expenses are as follows:

	1 January - 30 September 2009	1 July - 30 September 2009	1 January - 30 September 2008	1 July - 30 September 2008
Staff expenses	162.912.765	57.091.109	144.815.645	49.766.221
Commission and promotion expenses	153.969.142	59.840.510	123.577.841	45.658.982
Reservation system expenses	118.624.816	39.347.018	79.159.205	25.184.398
Advertisement expenses	52.932.212	17.567.916	17.369.991	6.355.272
Other renting expenses	17.990.560	6.117.949	13.624.297	3.900.041
Service expenses	17.144.664	6.576.095	8.059.060	2.941.623
Frequent flyer program mileage expenses	10.352.105	4.262.546	6.141.086	3.015.382
Communication expenses	8.416.229	2.915.100	7.695.351	2.089.331
Passenger service and catering expenses	8.877.589	3.430.709	5.769.611	2.142.042
Other taxes	5.633.955	1.790.227	4.755.432	1.518.121
Transportation expenses	4.670.537	1.919.577	3.362.261	1.130.212
Membership expenses	3.422.883	915.386	11.994.724	553.399
Lighting, heating, energy and water expenses	2.368.435	747.395	1.883.395	625.125
Maintenance expenses	1.110.666	301.133	996.733	199.955
Fuel expenses	694.036	222.946	612.544	181.895
Insurance expenses	603.538	145.091	378.594	91.247
Depreciation expenses	463.113	175.506	391.613	150.096
Other sales and marketing expenses	12.490.695	4.558.902	8.879.803	3.546.423
	582.677.940	207.925.115	439.467.186	149.049.765

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

General administrative expenses are as follows:

	1 January - 30 September 2009	1 July - 30 September 2009	1 January - 30 September 2008	1 July - 30 September 2008
Staff expenses	107.284.805	35.453.479	89.595.851	31.621.343
Depreciation expenses	18.723.494	6.459.692	16.678.117	5.657.150
Insurance expenses	14.161.348	4.907.882	1.267.357	327.180
Other renting expenses	8.312.243	2.552.924	4.290.909	1.158.126
Service expenses	7.845.184	2.372.160	5.934.738	2.658.801
Other taxes	9.398.736	4.412.076	5.116.780	1.611.171
Maintenance expenses	6.362.011	2.073.561	6.877.083	1.940.616
Communication expenses	5.054.878	1.758.516	2.402.091	622.705
Other general administrative expenses	13.096.920	637.412	16.376.066	9.141.441
	190.239.619	60.627.702	148.538.992	54.738.533

30 EXPENSES ACCORDING TO CATEGORIES

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

31 OTHER OPERATING INCOME / EXPENSES

Other operating income consists of the following:

	1 January - 30 September 2009	1 July - 30 September 2009	1 January - 30 September 2009	1 July - 30 September 2009
Maintenance fee returns from leasing companies	16.559.675	(1.061.901)	-	-
Provision released	11.828.480	385.762	543.121	388.403
Yapı Kredi protocol income	9.141.804	3.780.822	2.625.288	884.712
Discounts received from spare parts suppliers	6.493.694	1.984.241	28.238.552	22.633.006
Indemnity and penalty income	10.499.097	6.884.007	3.187.088	377.395
Purchase discounts	2.531.437	248.641	879.060	(19.125)
Rent income	2.711.850	1.545.087	736.415	251.006
Returns received from fuel, catering and handling firms	266.957	83.505	466.721	466.721
Fixed asset sales income	3.321.249	247.550	14.460	8.256
Real decrease in provision for diminution in value of tangible assets (Note 18)	-	-	169.273.682	15.393.203
Income from materials free of charge	1.192.827	1.192.827	926.050	918.157
Other	9.500.463	1.918.854	10.032.381	5.521.423
	74.047.533	17.209.395	216.922.818	46.823.157

	1 January - 30 September 2009	1 July - 30 September 2009	1 January - 30 September 2009	1 July - 30 September 2009
Real increase in provision for diminution in value of tangible assets (Note 18)	18.488.838	(76.197.290)	-	-
Provision expense	10.561.057	3.152.866	3.647.401	321.476
Expenses relating to aircraft crash	4.382.957	602.129	-	-
Passengers without visa expense	2.150.249	1.065.820	555.900	307.144
Other expenses	5.049.854	547.930	1.081.982	864.071
	40.632.955	(70.828.545)	5.285.283	1.492.691

32 FINANCIAL INCOME

Finance income consists of the following

	1 January - 30 September 2009	1 July 30 September 2009	1 January - 30 September 2008	1 July 30 September 2008
Decrease in provision for diminution in value of tangible asset due to exchange rate changes (Note 18)	-	-	189.967.787	67.280.623
Interest income	126.082.810	34.217.811	72.741.016	34.167.054
Gain from the change in fair value of derivative instruments	20.585.992	-	-	-
Foreign exchange gain	14.684.047	12.364.288	43.200.464	(8.590.175)
Discount interest income	2.669.480	768.906	3.941.273	1.651.204
Divident income	500.000	500.000	27.641	27.641
	164.522.329	47.851.005	309.878.181	94.536.347

33 FINANCIAL EXPENSES

Finance expenses are as follows

	1 January - 30 September 2009	1 July - 30 September 2009	1 January - 30 September 2008	1 July - 30 September 2008
Increase in provision for diminution in value of tangible assets due to exchange rate changes	49.653.636	124.001.866	-	-
Foreign exchange loss	33.297.323	22.310.864	-	-
Financial liabilities foreign exchange loss	1.864.266	(30.951)	81.416.493	(75.494.650)
Finance lease interest expenses	83.938.111	27.241.950	69.416.055	26.836.774
Loss from the change in fair value of derivative	-	2.475.940	-	974.400
Retirement pay interest expense	6.672.108	2.268.142	5.582.185	1.860.728
Discount expenses	16.430.674	7.665.969	5.186.703	920.509
Other finacial debts interest expense	566.395	68.788	1.033.015	(2.868.025)
Other financial expenses	144.313	105.538	5.755.899	5.741.810
	192.566.826	186.108.106	168.390.350	(42.028.454)

34 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None (31 December 2008: None).

35 TAX ASSETS AND LIABILITIES

Tax liability for the current profit is as follows:

	30 September 2009	31 December 2008
Provision for corporate tax payable	92.401.911	7.673.685
Prepaid taxes and funds	(27.411.936)	(3.487.876)
	64.989.975	4.185.809

Tax liability consists of the following items:

	1 January - 30 September 2009	1 July - 30 September 2009	1 January - 30 September 2008	1 July - 30 September 2008
Current period tax expense	92.401.910	75.776.576	58.387.751	56.177.431
Deferred tax expense / (income)	3.755.134	(21.375.252)	102.654.830	40.654.788
Change in deferred tax for the year 2008 (foreign earnings exemption)	31.206.426	-	-	-
Change in corporate tax for the year 2008 (foreign earnings exemption)	33.121.718	-	-	-
Change in corporate tax for the year 2008 (other)	508.580	508.580	-	-
Tax expense / (income)	160.993.768	54.909.904	161.042.581	96.832.219

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

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

The corporate tax rate for the fiscal years starting from 2006 is 20% (30% those for benefiting from investment allowances in 2006, 2007 and/or 2008.)

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

35 TAX ASSETS AND TAX LIABILITIES (cont'd)

Investment incntive certificates are revoked commencing from January 1, 2006. The investment incentive amount that cannot be deducted from 2008 taxable income will not be carried forward to following years. In accordance with Income Tax Law Temporary Article 69, investment allowances available as of 31 December 2005 and due to insufficiency of profit are transferable to next years; can be deducted from the profits of 2006, 2007 and 2008 depending on taxpayers' choice. Investment allowances can be forwarded to next years by restatement with Producer Price Index (PPI)

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

Group preferred to deduct the investment allowances of 2005 from the earnings in 2006 and 2007. Therefore, the applicable current corporate tax rate is 30% for 2006 and 2007. The applicable current corporate tax rate is 20% for 2008. The deferred tax rate used for the calculation of deferred tax assets and liabilities is also 20%

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

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

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

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

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

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

35 TAX ASSETS AND TAX LIABILITIES (cont’d)

Furthermore, the period of these exceptions are extended with Law No: 5917 article 46 which has become effective as of 10 July 2009 and the provisional article 3 added to the Law No: 5811. Accordingly commercial earnings obtained by corporations through permanent representatives and branches abroad, between the dates of 1 May 2009 and 31 December 2009 are exceptional from income and corporate tax provided that, those earnings be transferred to Turkey until the date 28 February 2010. The Company has calculated TL 133.552.357 foreign branch earnings for the nine months period and has calculated deferred tax asset for this amount as of 30 September 2009

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

In August 2009, the company has reflected TL 508.580 additional tax burden which is related to the corporate tax for the period 2008 into the financial statements as of 30 September 2009 via adjustment declaration.

	1 January - 30 September 2009	**1 January - 30 September 2008**
Reconciliation of provision for taxes:		
Profit from operations before tax	636.964.305	808.986.854
Domestic income tax rate of %20	127.392.861	161.797.371
Tax effect of:		
- revenue that is exempt from taxation	(2.081.877)	(3.207.340)
- effect of foreign branch earning exemption	33.630.298	-
- non-deductible expenses	2.052.486	2.452.550
Tax provision expense in the statement of	160.993.768	161.042.581

35 TAX ASSETS AND TAX LIABILITIES (cont'd)

Tax effect regarding other comperehensive income is as follows:

	1 January - 30 September 2009		
	Amount before tax	Tax expense/ income	Amount after tax
Foreign currency translation differences	357.016	-	357.016
Differences in hedge fund against the cash flow risk	(16.533.273)	3.306.655	(13.226.618)
Other comprehensive income for the period	(16.176.257)	3.306.655	(12.869.602)

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

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

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

Fixed assets	(434.551.771)	(433.734.782)
Provision for ticket sales advances	(40.295.104)	(32.179.753)
Expense accruals	41.717.506	36.194.357
Long-term lease obligations	27.067.439	49.277.131
Retirement pay provision	29.446.775	28.491.817
Short-term lease obligations	21.012.462	21.716.516
Foreign earnings examption (Earnings for the year 2009	26.710.471	-
Provision for unused vacation	2.728.764	2.546.893
Provision for diminution in value of inventories	2.621.685	2.944.944
Allowance for doubtful receivables	2.131.023	3.050.391
Income and expenses relating to future periods	183.249	1.037.855
Discount on payables	(487.603)	(485.657)
Discount on receivables	547.737	472.633
Accumulated loss	-	31.206.426
Other	209.493	158.262
	(320.957.874)	(289.302.967)

35 TAX ASSETS AND TAX LIABILITIES (cont'd)

	30 September 2009	31 December 2008
Deferred tax assets	-	1.986.324
Deferred tax liabilities	(320.957.874)	(291.289.291)
Deferred tax assets / (liabilities), net	(320.957.874)	(289.302.967)

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

	1 January - 30 September 2009	1 January - 30 September 2008
1 January opening value of deferred tax	289.302.969	125.736.925
Deferred tax expense/ (income)	34.961.560	102.654.830
Deferred taxes netted off from financial assets fair value reserve	(3.306.655)	-
Current period deferred tax liability	320.957.874	228.391.755

36 EARNINGS PER SHARE

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

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

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

Number of total shares and calculation of earnings per share at 30 September 2009 and 2008 are as follows:

	1 January - 30 September 2009	1 July - 30 September 2009	1 January - 30 September 2008	1 July - 30 September 2008
Number of shares outstanding on 1 January (in full)	17.500.000.000	17.500.000.000	17.500.000.000	17.500.000.000
New shares issued (in full)	70.000.000.000	70.000.000.000	70.000.000.000	70.000.000.000
Number of shares outstanding on 30 September (in full)	87.500.000.000	87.500.000.000	87.500.000.000	87.500.000.000
Weighted average number of shares outstanding during the period (in full)	87.500.000.000	87.500.000.000	87.500.000.000	87.500.000.000
Net profit for the period	475.970.537	374.008.566	647.944.273	402.492.579
Earnings per share (Kr)*	0,0054	0,0043	0,0074	0,0046

(*) The earnings per share with par value of TL 1 is TL 0,54 in September 2009; TL 0,74 in September 2008.

37 RELATED PARTY TRANSACTIONS

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

	30 September 2009	31 December 2008
Sun Express	763.775	646.191
Air Bosna	1.570.378	-
Pratt & Whitney	113.854	-
THY DO&CO İkram Hizmetleri A.Ş.	753.597	4.095.197
	3.201.604	4.741.388

Short-term non-trade receivables from related parties (Note11) are as follows:

	30 September 2009	31 December 2008
TGS Yer Hizmetleri A.Ş.	177.306	67.386
Air Bosna	13.255	-
Pratt & Whitney	438	-
	190.999	67.386

Short-term trade payables to related parties (Note 10) are as follows:

	30 September 2009	31 December 2008
Sun Express	8.672.253	9.433.149
THY DO&CO İkram Hizmetleri A.Ş.	16.466.245	-
	25.138.498	9.433.149

Short-term non-trade payables from related parties (Note 11) are as follows:

	30 September 2009	31 December 2008
TGS Yer Hizmetleri A.Ş.	468	-
	468	-

37 RELATED PARTY TRANSACTIONS (cont'd)

Transactions with related parties in the nine month period ended as of 30 September are as follows:

	1 January - 30 September 2009	1 July - 30 September 2009	1 January - 30 September 2008	1 July - 30 September 2008
Services rendered to Sun Express	29.987.707	13.020.590	6.008.414	1.831.122
Services rendered to THY DO&CO	628.402	248.852	591.446	208.896
Interest income from THY DO&CO	-	-	389.705	64.121
Services rendered to Air Bosna	935.728	444.521	-	-
Service rendered to P&W T.T. Uçak Bakım Merkezi	834.515	379.227	-	-
	32.386.352	14.093.190	6.989.565	2.104.139

	1 January - 30 September 2009	1 July - 30 September 2009	1 January - 30 September 2008	1 July - 30 September 2008
Services received from Sun Express	42.258.179	18.201.957	24.151.200	10.656.876
Services received from THY DO&CO	171.160.757	62.041.528	109.508.694	44.159.082
Service received from Air Bosna	1.238.432	614.201	-	-
	214.657.368	80.857.686	133.659.894	54.815.958

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

The total amount of salaries and other short term benefits provided for the Chairman and the Member of Board of Directors, General Manager, General Coordinator and General Deputy Managers are TL 2.767.462 (2008: TL 1.493.713

38 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

a. Capital risk management

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

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

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

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

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

	30 September 2009	**31 December 2008**
Total Debts	3.654.157.800	3.697.403.926
Less: Cash and Cash Equivalents	1.028.635.116	504.905.721
Net Debts	2.625.522.684	3.192.498.205
Total Shareholders‟ Equity	3.350.474.277	2.986.587.096
Total Capital	5.975.996.962	6.179.085.301
Net Debt/Total Capital	0,44	0,52

b. Financial Risk Factors

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

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

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

Credit Risk of Financial Instruments	**Receivables**					
	Trade Receivables		**Other Receivables**			
30 September 2009	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Deposits in Banks**	**Derivative Instruments**
Maximum credit risk as of balance sheet date (*)	3.201.604	474.169.307	190.999	958.763.365	1.634.171.118	59.713.925
- The part of maximum risk under guarantee with collateral etc. (**)	-	3.675.051	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	3.201.604	427.197.816	190.999	958.763.365	1.634.171.118	59.713.925
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Net book value of financial assets that are past due but not impaired	-	46.971.491	-		-	-
- The part under guarantee with collateral etc.	-	2.049.682	-	-		-
D. Net book value of impaired assets	-	-	-		-	-
- Past due (gross carrying amount)	-	32.565.860	-	-		-
-Impairment (-)	-	(32.565.860)	-		-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-		-
- Not past due (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-		-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-		-
(*)The factors that increase in credit reliability such as guarantees received are not considered in the balance.	-	-	-	-	-	-
(**)Guarantees consist of the guarantees in cash & letters of guarantee obtained from the customers	-	-	-	-	-	-

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

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

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

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

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

(b) Financial Risk Factors (cont'd)

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

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

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

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

(b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd

The Aging of past due receivables as of 30 September 2009 are as follows:

	Receivables					
30 September 2009	**Trade Receivables**	**Other Receivables**	**Deposits in Banks**	**Derivatives**	**Other**	**Total**
Past due 1-30 days	6.295.052	-	-	-	-	6.295.052
Past due 1-3 months	16.305.249	-	-	-	-	16.305.249
Past due 3-12 months	20.644.692	-	-	-	-	20.644.692
Past due 1-5 years	36.153.182	-	-	-	-	36.153.182
Past due more than 5 years	139.176	-	-	-	-	139.176
Total past due receivables	79.537.351	-	-	-	-	79.537.351
The part under guarantee with collateral	2.049.682	-	-	-	-	2.049.682

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

(b) Financial Risk Factors (cont'd)

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

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

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

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

(b) Financial Risk Factors (cont'd)

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

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

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

b.2) Liquidity risk management

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

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

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

Liquidity risk table:

30 September 2009

Due Date on Agreement	Book Value	Total cash outflow according to contract (I+II+III+IV)	3 Aydan Kısa (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative Financial liabilities						
Bank borrowings	-	-	-	-	-	-
Finance lease obligations	3.052.858.563	3.576.288.763	133.980.570	336.822.448	1.467.751.925	1.637.733.820
Trade payables	522.302.947	524.889.336	364.143.248	160.746.088	-	-
Other financial liabilities	18.573.911	18.573.911	18.573.911	-	-	-
Total liabilities	3.593.735.421	4.119.752.010	516.697.729	497.568.536	1.467.751.925	1.637.733.820

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

(b) Financial Risk Factors (cont'd)

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

31 December 2008

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

b.3) Market risk management

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

b.3.1) Foreign currency risk management

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

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

(b) Financial Risk Factors (cont'd)

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

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

	30 September 2009				
	TL Equivalent	US Dollar	Euro	GBP	Other
1.Trade Receivables	323.897.144	84.369.322	95.313.584	11.316.807	132.897.431
2a.Monetary Financial Assets	1.203.960.223	712.977.707	353.868.189	9.980.207	127.134.120
2b.Non Monetary Financial Assets	-	-	-	-	-
3.Other	37.193.986	18.491.988	13.106.565	254.682	5.340.751
4. CURRENT ASSETS	**1.565.051.353**	**815.839.017**	**462.288.338**	**21.551.696**	**265.372.302**
5.Trade Receivables	-	-	-	-	-
6a.Monetary Financial Assets	291.945.887	291.945.887	-	-	-
6b.Non-monetary Financial Assets	-	-	-	-	-
7.Other	32.308.531	29.413.083	1.197.862	165.701	1.531.885
8. NON CURRENT ASSETS	**324.254.418**	**321.358.970**	**1.197.862**	**165.701**	**1.531.885**
9. TOTAL ASSETS	**1.889.305.771**	**1.137.197.987**	**463.486.200**	**21.717.397**	**266.904.187**
10. Trade Payables	250.185.390	102.708.259	69.985.297	22.294.062	55.197.772
11. Financial Liabilities	459.737.166	240.990.791	218.746.375	-	-
12a. Other Monetary Financial Liabilities	20.685.643	11.225.843	4.502.505	312.582	4.644.713
12b. Other Non-monetary Financial Liabilities	-	-	-	-	-
13. CURRENT LIABILITIES	**730.608.199**	**354.924.893**	**293.234.177**	**22.606.644**	**59.842.485**
14. Trade Payables	-	-	-	-	-
15. Financial Liabilities	2.651.974.979	1.000.219.387	1.651.755.592	-	-
16a. Other Monetary Financial Liabilities	7.569.844	1.029.102	5.673.543	2.567	864.632
16b. Other Non Monetary Financial Liabilities	-	-	-	-	-
17. NON CURRENT LIABILITIES	**2.659.544.823**	**1.001.248.489**	**1.657.429.135**	**2.567**	**864.632**
18. TOTAL LIABILITIES	**3.390.153.022**	**1.356.173.382**	**1.950.663.312**	**22.609.211**	**60.707.117**
19. Net asset / liability position of Off-balance sheet derivatives (19a-19b)	**22.303.310**	**(266.266.307)**	**288.569.617**	-	-
19a. Off-balance sheet foreign currency derivative assets	288.569.617	-	288.569.617	-	-
19b. Off-balance sheet foreign currency derivative liabilities	266.266.307	266.266.307	-	-	-
20. Net foreign currency asset liability position (9-18+19)	**(1.478.543.941)**	**(485.241.702)**	**(1.198.607.495)**	**(891.814)**	**206.197.070**
21. Net foreign currency asset / liability position of monetary Items (1+2a+5+6a-10-11-12a-14-15-16a)	**(1.570.349.768)**	**(266.880.466)**	**(1.501.481.539)**	**(1.312.197)**	**199.324.434**
22. Fair value of foreign currency hedged financial assets	-	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-	-
25.Exports	**5.071.031.432**	**718.151.599**	**1.801.487.675**	**125.083.852**	**2.426.308.306**
26.Imports	**1.418.151.012**	**868.201.350**	**387.553.345**	**16.575.227**	**145.821.091**

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

(b) Financial Risk Factors (cont'd)

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

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

	31 December 2008				
	TL Equivalent	US Dollar	Euro	GBP	Other
1.Trade Receivables	201.671.977	36.369.880	72.663.669	6.607.281	86.031.147
2a.Monetary Financial Assets	1.300.384.063	911.904.026	316.192.868	5.534.421	66.752.748
2b.Non Monetary Financial Assets	-	-	-	-	-
3.Other	7.419.216	2.458.692	41.404	4.760.149	158.971
4. CURRENT ASSETS	**1.509.475.256**	**950.732.598**	**388.897.941**	**16.901.851**	**152.942.866**
5.Trade Receivables	-	-	-	-	-
6a.Monetary Financial Assets	-	-	-	-	-
6b.Non-monetary Financial Assets	-	-	-	-	-
7.Other	72.794.855	72.789.485	4.400	-	970
8. NON CURRENT ASSETS	**72.794.855**	**72.789.485**	**4.400**	**-**	**970**
9. TOTAL ASSETS	**1.582.270.111**	**1.023.522.083**	**388.902.341**	**16.901.851**	**152.943.836**
10. Trade Payables	244.277.675	125.858.217	56.555.012	16.252.346	45.612.100
11. Financial Liabilities	463.649.564	251.539.094	212.110.470	-	-
12a. Other Monetary Financial Liabilities	9.761.078	4.472.433	2.789.862	81.221	2.417.562
12b. Other Non-monetary Financial Liabilities	-	-	-	-	-
13. CURRENT LIABILITIES	**717.688.317**	**381.869.744**	**271.455.344**	**16.333.567**	**48.029.662**
14. Trade Payables	-	-	-	-	-
15. Financial Liabilities	2.798.005.235	1.052.489.444	1.745.515.791	-	-
16a. Other Monetary Financial Liabilities	7.998.826	1.038.768	5.829.426	4.210	1.126.422
16b. Other Non Monetary Financial Liabilities	-				
17. NON CURRENT LIABILITIES	**2.806.004.061**	**1.053.528.212**	**1.751.345.217**	**4.210**	**1.126.422**
18. TOTAL LIABILITIES	**3.523.692.378**	**1.435.397.956**	**2.022.800.561**	**16.337.777**	**49.156.084**
19. Net asset / liability position of Off-balance sheet derivatives (19a-19b)	**12.349.552**	**(112.925.248)**	**125.274.800**	**-**	**-**
19a. Off-balance sheet foreign currency derivative assets	125.274.800	-	125.274.800	-	-
19b. Off-balance sheet foreign currency derivative liabilities	112.925.248	112.925.248	-	-	-
20. Net foreign currency asset liability position (9-18+19)	**(1.929.072.715)**	**(524.801.121)**	**(1.508.623.420)**	**564.074**	**103.787.752**
21. Net foreign currency asset / liability position of monetary Items (1+2a+5+6a-10-11-12a-14-15-16a)	**(2.021.636.338)**	**(487.124.050)**	**(1.633.944.024)**	**(4.196.075)**	**103.627.811**
22. Fair value of foreign currency hedged financial assets	-	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-	-
25.Exports	**4.540.026.181**	**536.061.102**	**2.404.349.759**	**141.055.054**	**1.458.560.268**
26.Imports	**1.651.794.897**	**937.339.395**	**495.108.749**	**14.626.988**	**204.719.765**

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

(b) Financial Risk Factors (cont'd)

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

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

Foreign currency sensitivity

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

	30 September 2009	
	Profit / Loss Before Tax	
	If foreign currency appreciated against TL by 10%	If foreign currency appreciated against TL by 10%
1 - US Dollar net asset / liability	(48.524.170)	48.524.170
2- Part of hedged from US Dollar risk (-)	-	-
3- US Dollar net effect (1 +2)	(48.524.170)	48.524.170
4 - Euro net asset / liability	(119.860.750)	119.860.750
5 - Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	(119.860.750)	119.860.750
7 - GBP net asset / liability	(89.182)	89.182
8- Part of hedged from GBP risk (-)	-	-
9- GBP net effect (7 +8)	(89.182)	89.182
10 - Other foreign currency net asset / liability	20.619.707	(20.619.707)
11- Part of hedged other foreign currency risk (-)	-	-
12- Other foreign currency net effect (10+11)	20.619.707	(20.619.707)
TOTAL (3 + 6 + 9 + 12)	(147.854.395)	147.854.395

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

(b) Financial Risk Factors (cont'd))

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

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

Foreign currency sensitivity (cont'd)

	30 September 2009 Profit / Loss Before Tax	
	If foreign currency appreciated against TL by 10%	If foreign currency appreciated against TL by 10%
1 - US Dollar net asset / liability	(55.339.708)	55.339.708
2- Part of hedged from US Dollar risk (-)	-	-
3- US Dollar net effect (1 +2)	(55.339.708)	55.339.708
4 - Euro net asset / liability	(105.183.216)	105.183.216
5 - Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	(105.183.216)	105.183.216
7 - GBP net asset / liability	1.406.372	(1.406.372)
8- Part of hedged from GBP risk (-)	-	-
9- GBP net effect (7 +8)	1.406.372	(1.406.372)
10 - Other foreign currency net asset / liability	16.250.662	(16.250.662)
11- Part of hedged other foreign currency risk (-)	-	-
12- Other foreign currency net effect (10+11)	16.250.662	(16.250.662)
TOTAL (3 + 6 + 9 + 12)	(142.865.890)	142.865.890

As explained in Note 2.5.7, the Group uses net US Dollars sales price as the recoverable amount in the impairment calculation of its property, plant and equipment (i.e. aircrafts, spare engines and simulations - "Aircrafts"). Accordingly, the impairment provided by the Group for the tangible assets decreases when the US Dollar is evaluated against TL, and increases when the US Dollar is devaluated against TL. In this context, If US Dollar is appreciated by 10 % against TL, there would be an increase amounted TL 369.829.536 (1 January-30 September 2008: TL 303.078.945) in the net profit for the period except for the effects in the table above due to the decrease in the impairment of aircrafts, spare engines and simulators. However, since the decrease in impairment of tangible fixed assets is limited to their TL net book values, the effect of appreciation in exchange rates is limited to TL 322.024.959. If US Dollar is devaluated by 10 % against TL, there would be a decrease amounted TL 421.951.721 effect in the profit or except for the effects in the table above.

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

(b) Financial Risk Factors (cont'd)

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

b.3.2) Interest rate risk management

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

Interest Rate Position Table:

	30 September 2009	31 December 2008
Instruments with Fixed Interest Rate		
Financial Assets – Time Deposits	1.477.928.182	1.768.820.216
Financial Liabilities	1.876.168.179	1.960.602.178
Financial Instruments with Variable Interest Rate		
Financial Liabilities	1.176.690.384	1.256.692.286
Interest Swap Agreements not subject to Hedge Accounting	2.381.216	(5.087.603)
Interest Swap Agreements subject to Hedge Accounting	(16.533.273)	-

As indicated in Note 39, the Group as of 30 September 2009, fixed the interest rate for TL 881.524.381 of floating–interest-rated financial liabilities via an interest rate swap contract

Interest rate sensitivity

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

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

Profit Before Taxes of the Group which belongs to six-month-period will decrease in the amount of TL 4.412.589 (as of 30 September 2008 it will decrease by TL 3.925.263). In contrast, if Libor and Euribor interest rate decreases 0,5%, Profit Before Taxes for six-month-period will increase with the same amounts

Moreover, as a result of the interest rate swap contracts against cash flow risks, in case of a 0,5% increase in the Libor and Euribor interest rates, the shareholders' equity of the Group will increase by TL 9.838.075 without the deferred tax effect. In case of a 0,5% decrease in the Libor and Euribor interest rates, the shareholders' equity of the Group will decrease by the same amount without the deferred tax effect

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

(b) Financial Risk Factors (cont'd)

b.3.3) Fuel prices sensitivity

As explained in Note 39, Group made forward fuel purchase contracts in order to hedge cash flow risks arising from fuel purhases beginning from 2009.Due to forward fuel purhase contracts subject to hedge accounting, as a result of a 10 % increase in fuel prices, the shareholders' equity of the Group will increase by TL 4.351.700 excluding the deferred tax effect. In case of a 10% decrease in fuel prices, the shareholders' equity of the Group will decrease by the same amount excluding the deferred tax effect.

39 FINANCIAL INSTRUMENTS

Fair Values of Financial Instruments

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

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

39 FINANCIAL INSTRUMENTS (cont'd)

Categories and fair values of financial instruments:

30 September 2009 Balance Sheet	Loans and receivables	Derivative instruments which are reflected fair value to shareholder's equity	Derivative instruments which are reflected fair value to profit/(loss)	Investments at cost value available for sale	Financial liabilities at amortized cost	Carrying Value	Note
Financial Assets							
Cash and cash equivalents	1.028.635.116	-	-	-		1.028.635.116	6
Financial investments	633.084.431	640.873	59.073.051	1.750.943	-	694.549.299	7
Accounts receivable	477.370.911	-	-	-	-	477.370.911	10
Other receivables	958.954.364	-	-	-	-	958.954.364	11
Financial liabilities	-				-		
Bank borrowings	-	-	-	-	-	-	8
Finance lease obligations	-	-	-	-	3.052.858.563	3.052.858.563	8
Other financial liabilities		17.174.145	43.248.235	-	18.573.911	78.996.291	9
Accounts payable	-	-	-	-	522.302.947	522.302.947	10

31 December 2008 Balance Sheet	Loans and receivables	Derivative instruments which are reflected fair value to shareholder's equity	Derivative instruments which are reflected fair value to profit/(loss)	Investments at cost value available for sale	Financial liabilities at amortized cost	Carrying Value	Note
Financial Assets							
Cash and cash equivalents	504.905.721	-	-	-	-	504.905.721	6
Financial investments	1.403.033.703	-	39.599.159	1.750.943	-	1.444.383.805	7
Accounts receivable	349.144.133	-	-	-	-	349.144.133	10
Other receivables	84.482.839	-	-	-	-	84.482.839	11
Financial liabilities							
Bank borrowings	-	-	-	-	34.900.371	34.900.371	8
Finance lease obligations	-	-	-	-	3.182.394.093	3.182.394.093	8
Other financial liabilities	-	-	44.360.335	-	639.916	45.000.251	9
Accounts payable	-	-	-	-	435.109.211	435.109.211	10

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

39 FINANCIAL INSTRUMENTS (cont'd

Fair Values of Financial Instruments (cont'd)

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

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

		Fair value level as of the reporting date		
Financial assets	30 September 2009	Level 1 TL	Level 2 TL	Level 3 TL
Financial assets at fair value through profit or loss				
Derivative instruments	59.073.052	-	59.073.052	-
Financial assets subject to hedge accounting				
Derivative instruments	640.873	-	640.873	-
Total	59.713.925	-	59.713.925	-
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative instruments	43.248.235	-	43.248.235	-
Financial liabilities subject to hedge accounting				
Derivative instruments	17.174.146	-	17.174.146	-
	60.422.381	-	60.422.381	-

39 FINANCIAL INSTRUMENTS (cont'd)

Derivative Instruments and Hedging Transactions:

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

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

Beginning from September 2009, in order to control risk arising from fluctuations in price of fuel which is approximately 24% of operating expenses in the six-month period ended as of 30 September 2009 and to lessen the effects of fluctuations in oil prices on fuel expenses, Group began hedging transactions for approximately 10% of annual jet fuel consumption.For this purpose, Group made forward fuel purchase contracts settled on cash basis. Effective part of the change in the fair values of those derivative instruments which are subject to hedge accounting for cash flows risks of fuel purchases are accounted in cash flow hedge fund under the shareholders' equity.

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

39 FINANCIAL INSTRUMENTS (cont'd)

30 September 2009	**Pozitive fair value**	**Negative fair value**	**Total**
Fixed-paid/floating received interest rate swap contracts for hedging against cash flow risks of interest rate	-	16.135.269	(16.135.269)
Forward fuel purchase contracts for hedging against cash flow risk of fuel prices	640.873	1.038.877	(398.004)
Fair values of derivative instruments for hedging purposes	640.873	17.174.146	(16.533.273)
Cross-currency swap contracts not subject to hedge accounting	17.114.767	3.671.166	13.443.601
Interest rate swap contracts not subject to hedge accounting	41.958.284	39.577.069	2.381.215

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

40 EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

The Board of Directors decided to purhase 2 A330-200 F cargo aircraft fromAirbus in order to be delivered witnin the second half of 2010 and the first half of 2011.

The Board of Directors decided to convert the option of 3 A 330 Airbus aircraft into firm order to be delivered within 2012.

The Board of Directors decided to structure Anadolu Jet as a wholly-owned airline company.

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

a-) The Board of Directors approved and authorized to issue the consolidated financial statements on 12 November 2009.

b-) Compliant with Capital Markets Board ("CMB") Communiqué Serial: XI No: 29, the Group restated the previous periods' financial statements due to the changes in presentation and classification of financial statement items in order to maintain comparability. The changes have no material impact on the shareholders' equity and net profit / (loss) of the previous periods. The significant classifications are as follows:

Codeshare expenses, amounted to TL 24.124.281, was presented within "Operating Expenses" in the income statement as of 30 September 2008 whereas it is presented within "Cost of Sales" in the income statement as of 30 September 2009.

In the balance sheet as of 31 December 2008, TL 4.761.176 in "Other Financial Liabilities" is the offsetted amount for the "fair value of derivative instruments", whereas it is presented separately in the balance sheet as of 30 September 2009 as TL 59.599.159 in "Financial Assets" and TL 60.422.380 in "Other Financial Liabilities".

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