

CONVENIENCE TRANSLATION OF  
REPORT AND FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH

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

CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS FOR THE  
NINE-MONTH INTERIM  
PERIOD ENDED 30 SEPTEMBER 2012

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

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
**AS AT 30 SEPTEMBER 2012**

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

ASSETS	Notes	Current Period	Prior Period
		(Not Reviewed)	(Audited)
		30 September 2012	31 December 2011
<b>Current Assets</b>		<b>5.759.661.457</b>	<b>4.070.067.688</b>
Cash and cash equivalents		2.149.780.461	1.549.524.710
Financial assets	4	758.209.519	213.899.678
Trade receivables		1.156.690.545	761.416.621
Other receivables		1.037.374.779	792.710.189
Inventories		230.762.315	251.785.807
Other current assets		85.058.546	221.258.483
Non-current assets held for sale	20	341.785.292	279.472.200
<b>Non-current Assets</b>		<b>12.770.019.526</b>	<b>12.331.420.131</b>
Other receivables		369.072.667	583.806.507
Financial assets		2.050.963	1.767.872
Investments accounted for using the equity method	7	282.088.358	294.960.592
Investment property		50.199.117	54.720.000
Property and equipment	8	11.819.368.058	11.092.594.872
Intangible assets	9	51.807.522	46.962.939
Other non-current assets		195.432.841	256.607.349
<b>TOTAL ASSETS</b>		<b>18.529.680.983</b>	<b>16.401.487.819</b>

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

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

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
**AS AT 30 SEPTEMBER 2012**

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

<b>LIABILITIES</b>	<b>Notes</b>	<b>Current Period</b>	<b>Prior Period</b>
		<b>(Not Reviewed)</b>	<b>(Audited)</b>
		<b>30 September 2012</b>	<b>31 December 2011</b>
<b>Current Liabilities</b>		<b>4.720.307.642</b>	<b>3.947.951.098</b>
Financial debt	5	836.427.261	790.159.337
Other financial liabilities	6	232.964.633	158.483.592
Trade payables		918.758.893	862.817.494
Other payables		109.095.360	148.777.810
Current tax liabilities	21	27.573.295	5.368.643
Provisions	11	36.980.822	26.224.798
Provisions for employee benefits		171.334.393	251.651.728
Passenger flight liabilities	13	1.797.317.828	1.144.360.954
Other current liabilities		589.855.157	560.106.742
<b>Non- current Liabilities</b>		<b>8.671.081.384</b>	<b>7.954.609.080</b>
Financial debt	5	7.602.974.264	7.122.723.496
Other payables		38.230.295	11.439.394
Provisions for employee benefits		214.025.018	191.632.448
Deferred tax liability	21	750.707.633	574.679.843
Other non- current liabilities		65.144.174	54.133.899
<b>SHAREHOLDERS' EQUITY</b>			
<b>Equity Attributable to Shareholders' of Parent</b>		<b>5.138.291.957</b>	<b>4.498.927.641</b>
Share capital	14	1.200.000.000	1.200.000.000
Inflation difference on share capital	14	1.123.808.032	1.123.808.032
Restricted reserves assorted from profit reserves	14	39.326.341	39.326.341
Currency translation differences	14	569.283.669	798.590.878
Cash flow hedge fund	14	( 46.316.148)	( 46.613.446)
Retained earnings	14	1.383.815.836	1.365.299.204
Net profit for the period	14	868.374.227	18.516.632
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>18.529.680.983</b>	<b>16.401.487.819</b>

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

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

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2012**

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

		Current Period (Not Reviewed) 1 January - 30 September 2012	Current Period (Not Reviewed) 1 July - 30 September 2012	(Restated) Prior Period (Not Reviewed) 1 January - 30 September 2011	(Restated) Prior Period (Not Reviewed) 1 July - 30 September 2011
	Notes				
Sales revenue	15	11.162.124.713	4.480.471.470	8.605.869.428	3.706.276.089
Cost of sales (-)	15	( 8.662.748.551)	( 3.012.056.274)	( 7.357.088.883)	( 2.929.591.152)
<b>GROSS PROFIT</b>		<b>2.499.376.162</b>	<b>1.468.415.196</b>	<b>1.248.780.545</b>	<b>776.684.937</b>
Marketing and sales expenses (-)	16	( 1.137.083.659)	( 385.770.638)	( 982.416.096)	( 377.758.983)
Administrative expenses (-)	16	( 283.704.254)	( 71.234.585)	( 290.940.745)	( 103.313.127)
Other operating income	17	161.620.276	37.338.927	128.827.893	58.475.753
Other operating expenses (-)	17	( 76.914.538)	( 4.377.798)	( 45.030.525)	( 11.055.546)
<b>OPERATING PROFIT</b>		<b>1.163.293.987</b>	<b>1.044.371.102</b>	<b>59.221.072</b>	<b>343.033.034</b>
Share of investments' profit/ (loss) accounted for using the equity method	7	5.187.717	14.560.910	18.649.725	26.255.341
Financial income	18	197.791.998	16.516.013	356.412.947	314.834.107
Financial expenses (-)	19	( 214.526.456)	( 73.812.188)	( 178.140.613)	25.286.916
<b>PROFIT BEFORE TAX</b>		<b>1.151.747.246</b>	<b>1.001.635.837</b>	<b>256.143.131</b>	<b>709.409.398</b>
<b>Tax income/(expense)</b>		<b>( 283.373.019)</b>	<b>( 297.011.905)</b>	<b>( 141.061.334)</b>	<b>( 203.890.374)</b>
Current tax expense (-)	21	( 48.093.204)	( 43.702.233)	( 14.435.325)	4.520.926
Deferred tax income/(expense)	21	( 235.279.815)	( 253.309.672)	( 126.626.009)	( 208.411.300)
<b>PROFIT FOR THE PERIOD</b>		<b>868.374.227</b>	<b>704.623.932</b>	<b>115.081.797</b>	<b>505.519.024</b>
<b>OTHER COMPREHENSIVE INCOME / (LOSS)</b>					
Change in currency translation differences		( 229.307.209)	( 87.011.809)	623.417.821	189.816.506
Change in cash flow hedge fund		371.623	24.076.799	28.194.411	10.041.224
Tax income/(loss) on items in other comprehensive income		( 74.325)	( 4.815.360)	( 5.638.882)	( 2.008.245)
<b>OTHER COMPREHENSIVE INCOME/(LOSS) (AFTER TAX)</b>		<b>( 229.009.911)</b>	<b>( 67.750.370)</b>	<b>645.973.350</b>	<b>197.849.485</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>		<b>639.364.316</b>	<b>636.873.562</b>	<b>761.055.147</b>	<b>703.368.509</b>
<b>Earnings/(loss) per share (Kr)</b>	22	0,72	0,59	0,10	0,42

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

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

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**NOT REVIEWED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2012**  
**(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)**

	Notes	Share capital	Inflation difference on share capital	Restricted reserves assorted from profit reserves	Currency translation differences	Cash flow hedge fund	Net profit for the period	Retained earnings	Total
As at 31 December 2010		1.000.000.000	1.123.808.032	39.326.341	3.589.635	15.383.772	286.443.361	1.278.855.843	3.747.406.984
Capital Increase		200.000.000	-	-	-	-	-	(200.000.000)	-
Transfer of previous years' profit to retained earnings	14	-	-	-	-	-	(286.443.361)	286.443.361	-
Total comprehensive income/(loss)		-	-	-	623.417.821	22.555.529	115.081.797	-	761.055.147
As at 30 September 2011		1.200.000.000	1.123.808.032	39.326.341	627.007.456	37.939.301	115.081.797	1.365.299.204	4.508.462.131
As at 31 December 2011		1.200.000.000	1.123.808.032	39.326.341	798.590.878	(46.613.446)	18.516.632	1.365.299.204	4.498.927.641
Transfer of previous years' profit to retained earnings	14	-	-	-	-	-	(18.516.632)	18.516.632	-
Total comprehensive income /(loss)		-	-	-	(229.307.209)	297.298	868.374.227	-	639.364.316
As at 30 September 2012		1.200.000.000	1.123.808.032	39.326.341	569.283.669	(46.316.148)	868.374.227	1.383.815.836	5.138.291.957

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

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2012**  
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

		Current Period (Not Reviewed) 1 January - 30 September 2012	Restated Prior Period (Not Reviewed) 1 January - 30 September 2011
	Notes		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit/(loss) before taxes		1.151.747.246	256.143.130
<b>Adjustments to obtain net cash flow generated from operating activities</b>			
Depreciation and amortization	8-9	660.499.671	584.978.221
Provision for retirement pay liability		45.631.777	25.893.196
Provisions, net	11	10.756.025	3.357.696
Interest income	18	(116.125.042)	(66.126.241)
Gain on sales of fixed assets		(6.440.429)	(5.101.919)
Increase in provision for impairment	20	4.823	-
Loss on equity investments accounted for using the equity method	7	26.997.234	4.706.850
Interest expense on finance leases	19	159.728.416	118.683.950
Change in manufacturers' credit		(2.725.981)	1.770.006
Unrealized foreign exchange (gain)/loss on finance leases		(160.428.416)	148.883.637
Increase in provision for doubtful receivables		3.257.678	23.473.126
Change in fair value of derivative instruments	18-19	72.280.240	(1.198.545)
<b>Operating profit before working capital changes</b>		<b>1.845.183.242</b>	<b>1.095.463.107</b>
Increase in trade receivables		(398.531.602)	(404.281.965)
Decrease/(increase) in other short and long term receivables		369.982.290	(174.219.124)
Decrease/(increase) in inventories		21.023.492	(68.281.442)
Decrease in other current assets		136.199.937	26.817.949
Decrease/(increase) in other non-current assets		61.174.508	(77.719.376)
Increase in trade payables		55.941.399	271.620.500
(Decrease)/increase in other short-term and long-term payables		(363.466.577)	32.106.353
(Decrease)/increase in other short-term and long-term liabilities		(22.204.653)	4.546.644
Diğer Kısa ve Uzun Vadeli Yükümlülüklerdeki Artış		29.359.671	184.808.065
(Decrease)/Increase in short-term employee benefits		(80.317.335)	98.472.011
Increase in passenger flight liabilities		652.956.874	497.876.010
<b>Cash flows from operating activities</b>		<b>2.307.301.246</b>	<b>1.487.208.732</b>
Payment of retirement pay liabilities		(23.239.207)	(22.615.056)
Interest paid		(149.390.759)	(106.231.338)
Taxes paid	21	(3.683.900)	(10.336.831)
<b>Net cash generated from operating activities</b>		<b>2.130.987.380</b>	<b>1.348.025.507</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of property and equipment and intangible assets		64.314.447	27.628.748
Interest received		110.750.041	66.126.241
Purchase of property and equipment and intangible assets (*)	8-9	(229.113.926)	(553.549.960)
Returns /(Prepayments)for the purchase of aircrafts		(497.667.513)	717.037.516
Increase in financial assets		(513.743.698)	(372.708.844)
Cash outflow for associate purchase		-	(71.185.997)
<b>Net cash used in investing activities</b>		<b>(1.065.460.649)</b>	<b>(186.652.296)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayment of principal in finance lease liabilities		(539.752.021)	(433.426.123)
Decrease financial borrowings		-	(8.905.838)
Increase in other financial liabilities		74.481.041	22.286.591
<b>Net cash used in financing activities</b>		<b>(465.270.980)</b>	<b>(420.045.370)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND EQUIVALENTS</b>		<b>600.255.751</b>	<b>741.327.841</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>1.549.524.710</b>	<b>813.936.552</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>2.149.780.461</b>	<b>1.555.264.393</b>

(\*) TL 1,508,627,764 of property and equipment and intangible assets purchases in total of TL 2,195,884,643 for the nine-month period ended 30 September 2012 was financed through finance leases. (30 September 2011: TL 2,915,095,294 of property and equipment and intangible assets purchases in total of TL 3,560,030,051 was financed through finance leases.)

## TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

### Notes to the Condensed Consolidated Financial Statements

#### For the Nine-Month Interim Period Ended 30 September 2012

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

## 1. COMPANY ORGANIZATION AND ITS OPERATIONS

Türk Hava Yolları Anonim Ortaklığı (the “Company” or “THY”) was incorporated in Turkey in 1933. As of 30 September 2012 and 31 December 2011, the shareholders and their respective shareholdings in the Company are as follows:

	<u>30 September 2012</u>	<u>31 December 2011</u>
Republic of Turkey Prime Ministry		
Privatization Administration	49.12 %	49.12 %
Other (publicly held)	50.88 %	50.88 %
Total	<u>100.00 %</u>	<u>100.00 %</u>

The total number of employees working for the Company and its subsidiaries (together the “Group”) as of 30 September 2012 is 17,507 (31 December 2012: 18,489). The average number of employees working for the Group for the nine-month interim period ended 30 September 2012 and 2011 are 17,564 and 17,898, respectively. The Company is registered in İstanbul, Turkey and its head office address is as follows:

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

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

Subsidiaries of the Company are THY Teknik A.Ş. (THY Teknik A.Ş.), HABOM Havacılık Bakım Onarım ve Modifikasyon Merkezi A.Ş. (HABOM) and THY Aydın Çıldır Havalimanı İşletme A.Ş. (THY Aydın Çıldır).

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

### Air Transport (“Aviation”)

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

### Technical Maintenance Services (“Technical”)

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

### **Approval of Financial Statements**

Board of Directors has approved the consolidated financial statements as of 30 September 2012 and delegated authority for publishing it on 16 November 2012. General shareholders’ meeting has the authority to modify the financial statements.

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

### **2.1 Basis of Presentation**

#### Basis of Preparation for Financial Statements and Significant Accounting Policies

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting”. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2011.

## TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

### Notes to the Condensed Consolidated Financial Statements

#### For the Nine-Month Interim Period Ended 30 September 2012

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

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

### 2.1 Basis of Presentation (cont'd)

#### Basis of Preparation for Financial Statements and Significant Accounting Policies (cont'd)

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

Subsidiaries that are registered in foreign countries maintain their books of account and prepare their statutory statements in accordance with the prevailing accounting principles and the local currency in their registered countries.

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

Statutory Decree No: 660, which has been become effective and published in the Official Gazette on 2 November 2011, and the Additional Clause 1 of the Law No: 2499 were nullified and accordingly, Public Oversight, Accounting and Audit Standards Institution (the “Institution”) was established. As per Additional Article 1 of the Statutory Decree, applicable laws and standards will apply until new standards and regulations be issued by the Institution and will become effective. In this respect, the respective matter has no effect over the “Basis of The Preparation of Financial Statements” Note disclosed in the accompanying financial statements as of the reporting date.

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

#### Currency Used in Financial Statements

##### Functional currency

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



**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Notes to the Condensed Consolidated Financial Statements**  
**For the Nine-Month Interim Period Ended 30 September 2012**  
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

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

**2.1 Basis of Presentation (cont'd)**

Currency Used in Financial Statements (cont'd)

Translation to the presentation currency

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

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

Comparative Information and Restatement of Prior Period Financial Statements

Consolidated financial statements of the Group have been prepared comparatively with the prior period in order to give information about financial position and performance. In order to maintain consistency, with current year consolidated financial statements, comparative information is reclassified and significant changes are disclosed if necessary. In the current year, the Group has made adjustments and reclassifications in the prior year consolidated financial statements in order to maintain consistency, with current year consolidated financial statements. The content, reasons and amounts of reclassifications are explained in Note:26.

The Group changed its functional currency from Turkish Lira to US Dollar and prepared its consolidated financial statements based on US Dollar. With regards to this change, the financial statements for the nine-month period ended 30 September 2011 are restated. Net loss for the period decreased by TL 581,952,516 after restatement. As a result of this restatement, loss per share for the nine-month period ended 30 September 2011 decreased by 0.48 Kr.

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES****Notes to the Condensed Consolidated Financial Statements****For the Nine-Month Interim Period Ended 30 September 2012**

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

**2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)****2.1 Basis of Presentation (cont'd)**Subsidiaries and Associates

The table below sets out the consolidated subsidiaries and participation rate of the Group in these subsidiaries as of 30 September 2012:

<u>Name of the Company</u>	<u>Principal Activity</u>	<u>Participation Rate</u>		<u>Country of Registration</u>
		<u>30 September 2012</u>	<u>31 December 2011</u>	
THY Teknik	Aircraft Maintenance Services	100%	100%	Turkey
HABOM	Aircraft Maintenance Services	100%	100%	Turkey
THY Aydın Çıldır	Airport Operations	100%	-	Turkey

The table below sets out consolidated affiliates and indicates the proportion of ownership interest of the Company in these affiliates as of 30 September 2012:

<u>Company Name</u>	<u>Country of Registration and Operations</u>	<u>Ownership Share</u>	<u>Voting Power</u>	<u>Principal Activity</u>
Güneş Ekspres Havacılık A.Ş. (Sun Express)	Turkey	50%	50%	Air transportation
THY DO&CO İkrâm Hizmetleri A.Ş. (Turkish DO&CO)	Turkey	50%	50%	Catering services
P&W T.T. Uçak Bakım Merkezi Ltd. Şti. (TEC)	Turkey	49%	49%	Maintenance services
Bosna Hersek Havayolları (Air Bosna) (*)	Bosna Hersek Federasyonu	-	-	Air transportation
TGS Yer Hizmetleri A.Ş. (TGS)	Turkey	50%	50%	Ground services
THY OPET Havacılık Yakıtları A.Ş. (THY Opet)	Turkey	50%	50%	Aviation fuel
Goodrich Thy Teknik Servis Merkezi Ltd. Şti. (Goodrich)	Turkey	40%	40%	Maintenance services
Uçak Koltuk Sanayi ve Ticaret A.Ş. (Uçak Koltuk)	Turkey	50%	50%	Cabin interior products
TCI Kabin İçi Sistemleri San ve Tic. A.Ş. (TCI)	Turkey	51%	51%	Cabin interior products
Turkbine Teknik Gaz Türbinleri Bakım Onarım A.Ş. (Turkbine Teknik)	Turkey	50%	50%	Maintenance services

Share percentage and voting rights are the same in the year 2012 and 2010, except for Bosna Hersek Havayolları.

(\*) The Board of Directors of the Company decided to cease its partnership in Bosnia Herzegovina Airlines; therefore, the Company has transferred its 49% participation for free of charge with the Share Transfer Agreement signed between the Company and Federation of Bosnia Herzegovina on 14 June 2012.

## TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

### Notes to the Condensed Consolidated Financial Statements

#### For the Nine-Month Interim Period Ended 30 September 2012

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

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

### 2.2 Significant Accounting Policies

The same accounting policies have been followed in these condensed interim consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements as at and for the year ended 31 December 2011.

### 2.3 Significant Accounting Assumptions

The same presentation and methods of computation have been followed in these condensed interim consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements as at and for the year ended 31 December 2011.

### 2.4 New and Revised International Financial reporting Standards

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

Amendments to IAS 12 *Deferred Taxes – Recovery of Underlying Assets*

Amendments to IFRS 7 *Disclosures – Transfers of Financial Assets*

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

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS 7	<i>Disclosures – Offsetting of Financial Assets and Financial Liabilities</i>
IFRS 9	<i>Financial Instruments</i>
IFRS 10	<i>Consolidated Financial Statements</i>
IFRS 11	<i>Joint Arrangements</i>
IFRS 12	<i>Disclosure of Interests in Other Entities</i>
IFRS 13	<i>Fair Value Measurement</i>
Amendments to IAS 1	<i>Presentation of Items of Other Comprehensive Income</i>
IAS 19 (as revised in 2011)	<i>Employee Benefits</i>
IAS 27 (as revised in 2011)	<i>Separate Financial Statement</i>
IAS 28 (as revised in 2011)	<i>Investments in Associates and Joint Ventures</i>
IFRIC 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
Amendments to IAS 32	<i>Financial Instruments: Presentation - Offsetting of Financial Assets and Financial Liabilities</i>

## TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

### Notes to the Condensed Consolidated Financial Statements

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

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

#### *Annual Improvements 2009/2011 Cycle*

Further to the above amendments and revised standards, the IASB have issued Annual Improvements to IFRSs in May 2012 that cover 5 main standards/interpretations as follows:

- IFRS 1 - Permit the repeated application of IFRS 1, borrowing costs on certain qualifying assets
- IAS 1 - Clarification of the requirements for comparative information
- IAS 16 - Classification of servicing equipment
- IAS 32 - Clarify that tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12 Income Taxes
- IAS 34 - Clarify interim reporting of segment information for total assets in order to enhance consistency with the requirements in IFRS 8 Operating Segments

All amendments are effective on or after 1 January 2013. Early adoptions of these amendments are allowed. The Group has not yet had an opportunity to consider the potential impact of the adoption of these amendments to the standards.

## 3. SEGMENTAL REPORTING

The management of the Group investigates the results and operations based on air transportation and aircraft technical maintenance services in order to determine in which resources to be allocated to segments and to evaluate the performances of segments. The detailed information on the sales data of the Group is given in Note 15.

### 3.1 Total Assets and Liabilities

Total Assets	<b>30 September 2012</b>	<b>31 December 2011</b>
Aviation	18.390.857.959	16.339.859.248
Technic	1.180.370.494	1.097.317.847
Total	19.571.228.453	17.437.177.095
Less: Eliminations due to consolidation	(1.041.547.470)	(1.035.689.276)
Total assets in consolidated financial statements	18.529.680.983	16.401.487.819
Total Liabilities	<b>30 September 2012</b>	<b>31 December 2011</b>
Aviation	13.255.924.868	11.745.959.309
Technic	252.971.967	248.997.863
Total	13.508.896.835	11.994.957.172
Less: Eliminations due to consolidation	(117.507.809)	(92.396.994)
Total liabilities in consolidated financial statements	13.391.389.026	11.902.560.178

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**3. SEGMENTAL REPORTING (cont'd)**

**3.2 Net Operating Profit / (Loss)**

Segment Results:

<b>1 January-30 September 2012</b>	<b>Aviation</b>	<b>Technic</b>	<b>Inter-segment elimination</b>	<b>Total</b>
Sales to external customers	11.030.872.315	131.252.398	-	11.162.124.713
Inter-segment sales	28.815.523	508.207.892	(537.023.415)	-
Segment revenue	11.059.687.838	639.460.290	(537.023.415)	11.162.124.713
Cost of sales (-)	(8.646.639.472)	(540.268.864)	524.159.785	(8.662.748.551)
Gross profit / (loss)	2.413.048.366	99.191.426	(12.863.630)	2.499.376.162
Marketing and sales expenses (-)	(1.130.769.604)	(6.824.548)	510.493	(1.137.083.659)
Administrative expenses (-)	(222.917.956)	(64.619.080)	3.832.783	(283.704.254)
Other operating income	154.621.246	8.010.203	(1.011.172)	161.620.276
Other operating expenses (-)	(69.431.613)	(7.482.925)		(76.914.538)
Operating profit / (loss)	1.144.550.439	28.275.075	(9.531.527)	1.163.293.987
Share of investment profit/ (loss) accounted for using the equity method	24.675.166	(19.487.449)	-	5.187.717
Financial income	192.748.206	5.043.792	-	197.791.998
Financial expenses (-)	(212.444.717)	(2.081.739)	-	(214.526.456)
Profit / (loss) before tax	1.149.529.094	11.749.679	(9.531.527)	1.151.747.246

<b>1 January-30 September 2011</b>	<b>Aviation</b>	<b>Technic</b>	<b>Inter-segment elimination</b>	<b>Total</b>
Sales to external customers	8.441.054.357	164.815.071	-	8.605.869.428
Inter-segment sales	40.955.528	444.636.256	(485.591.784)	-
Segment revenue	8.482.009.885	609.451.327	(485.591.784)	8.605.869.428
Cost of sales (-)	(7.345.554.180)	(496.209.106)	484.674.403	(7.357.088.883)
Gross profit / (loss)	1.136.455.706	113.242.221	(917.381)	1.248.780.545
Marketing and sales expenses (-)	(976.462.095)	(6.220.248)	266.247	(982.416.096)
Administrative expenses (-)	(243.314.862)	(49.857.842)	2.231.959	(290.940.745)
Other operating income	119.565.200	15.002.370	(5.739.677)	128.827.893
Other operating expenses (-)	(32.707.522)	(13.408.590)	1.085.587	(45.030.525)
Operating profit / (loss)	3.536.427	58.757.910	(3.073.265)	59.221.072
Share of investment profit/ (loss) accounted for using the equity method	34.767.381	(16.117.655)	-	18.649.725
Financial income	354.008.716	2.404.231	-	356.412.947
Financial expenses (-)	(177.087.435)	(1.053.178)	-	(178.140.613)
Profit / (loss) before tax	215.225.088	43.991.308	(3.073.265)	256.143.131

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**3. SEGMENTAL REPORTING (cont'd)**

**3.2 Net Operating Profit / (Loss) (cont'd)**

Income statement items related to investments accounted for equity method:

<b>1 January-30 September 2012</b>	<b>Aviation</b>	<b>Technic</b>	<b>Inter-segment elimination</b>	<b>Total</b>
Share of investment profit/ (loss) accounted for using the equity method	24.675.166	(19.487.449)	-	5.187.717

<b>1 January-30 September 2012</b>	<b>Aviation</b>	<b>Technic</b>	<b>Inter-segment elimination</b>	<b>Total</b>
Share of investment profit/ (loss) accounted for using the equity method	34.767.381	(16.117.655)	-	18.649.725

**3.3 Investment Operations**

<b>1 January - 30 September 2012</b>	<b>Aviation</b>	<b>Technic</b>	<b>Inter-segment elimination</b>	<b>Total</b>
Purchase of tangible and intangible fixed assets	1.970.480.595	225.404.048	-	2.195.884.643
Current period amortization and depreciation	610.629.857	49.869.814	-	660.499.671
Investments accounted for using the equity method	218.109.675	63.978.682	-	282.088.358

<b>1 January - 30 September 2012</b>	<b>Aviation</b>	<b>Technic</b>	<b>Inter-segment elimination</b>	<b>Total</b>
Purchase of tangible and intangible fixed assets	3.401.097.469	158.932.582	-	3.560.030.051
Current period amortization and depreciation	533.509.817	51.468.404	-	584.978.221
Investments accounted for using the equity method	194.676.071	73.840.104	-	268.516.175

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**4. FINANCIAL ASSETS**

Short-term financial assets are as follows:

	<u>30 September 2012</u>	<u>31 December 2011</u>
Time deposits with maturity more than 3 months	646.993.708	133.533.101
Derivative instruments at fair values	111.215.811	80.366.577
	<u>758.209.519</u>	<u>213.899.678</u>

Time deposits with maturity of more than 3 months:

<u>Amount</u>	<u>Currency</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>30 September 2012</u>
394.690.500	TL	%7.78-%9.22	March 2013	396.901.632
75.774.754	EUR	%3.02-%3.19	March 2013	175.414.644
41.827.004	USD	%3.53-%3.53	April 2013	74.677.432
				<u>646.993.708</u>
<u>Amount</u>	<u>Currency</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>31 December 2011</u>
20.000.000	TL	%8.16-%9.60	April 2012	20.000.000
46.457.607	EUR	%4.67-%5.50	June 2012	113.533.101
				<u>133.533.101</u>

**5. FINANCIAL BORROWINGS**

Short-term financial borrowings are as follows:

	<u>30 September 2012</u>	<u>31 December 2011</u>
Finance lease obligations	836.427.261	790.159.337

Long-term financial borrowings are as follows:

	<u>30 September 2012</u>	<u>31 December 2011</u>
Finance lease obligations	7.602.974.264	7.122.723.496

Financial lease obligations are as follows:

	<u>30 September 2012</u>	<u>31 December 2011</u>
Less than 1 year	1.002.913.433	964.312.250
Between 1 - 5 years	3.911.587.417	3.599.737.058
Over 5 years	4.544.362.340	4.498.997.066
	9.458.863.190	9.063.046.374
Less: Future interest expenses	(1.019.461.665)	(1.150.163.541)
Principal value of future rentals stated in financial statements	<u>8.439.401.525</u>	<u>7.912.882.833</u>

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**5. FINANCIAL BORROWINGS (cont'd)**

	<u>30 September 2012</u>	<u>31 December 2011</u>
Interest Range:		
Floating rate obligations	3.453.223.272	3.984.803.923
Fixed rate obligations	4.986.178.253	3.928.078.910
	<u>8.439.401.525</u>	<u>7.912.882.833</u>

As of 30 September 2012, the US Dollars and Euro denominated lease obligations' weighted average interest rates are 4.15% (31 December 2011: 4.47 %) for the fixed rate obligations and 0.63% (31 December 2011: 0.88 %) for the floating rate obligations.

**6. OTHER FINANCIAL LIABILITIES**

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

	<u>30 September 2012</u>	<u>31 December 2011</u>
Fair value of derivative instruments	171.434.114	154.871.082
Borrowings to banks	61.530.519	3.612.510
	<u>232.964.633</u>	<u>158.483.592</u>

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

**7. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

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

	<u>30 September 2012</u>	<u>31 December 2011</u>
Turkish DO&CO	65.478.098	60.594.468
P&W T.T Uçak Bakım Merkezi	53.424.769	74.626.727
TGS	75.966.383	72.672.672
THY Opet	62.492.857	37.295.786
TCI	1.391.256	1.703.496
Türkbine Teknik	7.823.061	8.182.875
Goodrich	808.976	1.744.878
Uçak Koltuk	1.293.014	50.000
Sun Ekspres	13.409.944	26.515.230
Air Bosna (Note 2.1)	-	11.574.460
	<u>282.088.358</u>	<u>294.960.592</u>



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

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

	<b>1 January - 30 September 2012</b>	<b>1 July - 30 September 2012</b>	<b>1 January - 30 September 2011</b>	<b>1 July - 30 September 2011</b>
THY Opet	25.882.735	11.311.183	8.619.641	2.256.375
Turkish DO&CO	13.056.391	4.639.725	13.226.188	6.441.936
TGS	4.221.258	1.408.168	14.488.352	5.858.059
Türkbine Teknik Gaz Türbinleri Bakım Onarım A.Ş.	88.457	99.483	-	-
Uçak Koltuk Üretimi A.Ş.	(100.010)	(4.863.452)	-	-
Goodrich	(844.116)	(168.072)	-	-
TCI	(2.963.346)	(1.208.981)	(253.196)	(253.196)
Sun Ekspres	(5.440.673)	13.431.442	5.291.252	25.999.583
Bosna Hersek Havayolları	(11.574.460)	-	(6.604.856)	(6.604.856)
P&W T.T. Uçak Bakım Merkezi Ltd. Şti.	(17.138.519)	(10.088.586)	(16.117.656)	(7.442.560)
<b>Total</b>	<b>5.187.717</b>	<b>14.560.910</b>	<b>18.649.725</b>	<b>26.255.341</b>

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

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**8. PROPERTY AND EQUIPMENT**

	Land improvements and buildings	Technical equipment, simulator and vehicles	Other equipments, fixtures	Aircrafts	Spare engines	Components and repairable spare parts	Leasehold improvements	Construction In Progress	Total
<b>Cost</b>									
Opening balance at 1 January 2012	194.445.053	461.185.261	148.453.434	12.863.510.808	615.266.465	399.664.054	111.431.957	435.264.825	15.229.221.857
Foreign currency translation reserve	(10.799.294)	(25.056.877)	(8.657.764)	(742.926.753)	(29.377.302)	(22.560.757)	(6.004.831)	(24.438.183)	(869.821.761)
Additions	4.396.187	72.081.186	9.334.638	1.760.405.373	34.741.717	80.101.457	2.179.648	218.670.863	2.181.911.069
Disposals	-	(36.974.232)	(23.115.437)	(55.096.155)	-	(104.445.578)	(13.214.255)	-	(232.845.657)
Transfer to assets held-for-sale	-	-	-	(349.887.841)	(86.057.523)	-	-	-	(435.945.364)
Transfers	9.373.184	(98.976.033)	103.665.694	2.825.895	-	-	(15.215.791)	(8.151.636)	(6.478.687)
Closing balance at 30 September 2012	197.415.130	372.259.305	229.680.565	13.478.831.327	534.573.357	352.759.176	79.176.728	621.345.869	15.866.041.457
<b>Accumulated depreciation</b>									
Opening balance at 1 January 2012	64.597.647	321.520.088	69.210.291	3.291.791.980	139.105.118	185.035.834	65.366.028	-	4.136.626.986
Foreign currency translation reserve	(3.626.171)	(15.356.797)	(12.048.988)	(132.973.402)	(6.099.242)	(10.207.387)	(26.327.347)	-	(206.639.334)
Depreciation charge for the period	2.473.830	17.957.571	18.256.392	537.341.241	29.681.761	38.274.119	10.141.262	-	654.126.176
Disposals	-	(36.068.494)	(5.873.362)	(53.077.653)	-	(76.190.892)	(2.422.727)	-	(173.633.128)
Transfer to assets held-for-sale	-	-	-	(325.941.482)	(31.387.132)	-	-	-	(357.328.614)
Transfers	9.373.184	(94.360.351)	93.724.271	-	-	-	(15.215.791)	-	(6.478.687)
Closing balance at 30 September 2012	72.818.490	193.692.017	163.268.604	3.317.140.684	131.300.505	136.911.674	31.541.425	-	4.046.673.399
Net book value at 30 September 2012	124.596.640	178.567.288	66.411.961	10.161.690.643	403.272.852	215.847.502	47.635.303	621.345.869	11.819.368.058
Net book value at 31 December 2011	129.847.406	139.665.173	79.243.143	9.571.718.828	476.161.347	214.628.220	46.065.929	435.264.825	11.092.594.871

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**8. PROPERTY AND EQUIPMENT (cont'd)**

	Land improvements and buildings	Technical equipment, simulator and vehicles	Other equipments, fixtures	Aircrafts	Spare engines	Components and repairable spare parts	Leasehold improvements	Construction In Progress	Total
<b><u>Cost</u></b>									
Opening balance at 1 January 2011	155.789.647	366.891.008	109.351.091	9.080.064.151	362.331.413	327.545.637	65.684.659	73.716.649	10.541.374.255
Foreign currency translation reserve	31.495.842	75.073.727	21.945.399	1.658.294.009	152.452.427	63.411.649	10.653.367	15.461.024	2.028.787.444
Additions	9.620.608	37.493.477	16.095.688	3.253.915.944	68.497.298	67.388.756	3.929.973	94.023.740	3.550.965.484
Disposals	(107.647)	(5.953.531)	(10.398.027)	(83.051.077)	(52.128.142)	(94.098.264)	(20.597.704)	-	(266.334.392)
Transfers	-	-	-	-	-	-	2.497.081	(2.497.081)	-
Closing balance at 30 September 2011	196.798.450	473.504.681	136.994.151	13.909.223.027	531.152.996	364.247.778	62.167.376	180.704.332	15.854.792.791
<b><u>Accumulated depreciation</u></b>									
Opening balance at 1 January 2012	50.832.183	263.568.628	60.901.609	3.419.063.349	114.334.463	152.551.379	36.685.410	-	4.097.937.021
Foreign currency translation reserve	20.233.743	41.745.069	12.316.703	250.828.218	24.824.968	29.533.394	5.898.244	-	385.380.339
Depreciation charge for the period	2.144.474	12.682.670	13.916.904	448.197.189	51.604.384	41.245.962	10.028.762	-	579.820.345
Disposals	(34.820)	(4.483.123)	(9.445.247)	(66.096.736)	(32.501.065)	(68.423.837)	(15.477.210)	-	(196.462.038)
Closing balance at 30 September 2011	73.175.580	313.513.244	77.689.969	4.051.992.020	158.262.750	154.906.898	37.135.206	-	4.866.675.667
Net book value at 30 September 2011	123.622.870	159.991.437	59.304.182	9.857.231.007	372.890.246	209.340.880	25.032.170	180.704.332	10.988.117.125

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**9. INTANGIBLE ASSETS**

	<u>Slot Rights</u>	<u>Other Rights</u>	<u>Total</u>
<b><u>Cost</u></b>			
Opening balance at 1 January 2012	24.445.066	113.740.123	138.185.189
Foreign currency translation reserve	(1.348.497)	(6.372.572)	(7.721.069)
Additions	-	13.973.574	13.973.574
Disposals	-	(30.187)	(30.187)
Transfers	-	6.478.687	6.478.687
Closing balance at 30 September 2012	<u>23.096.569</u>	<u>127.789.625</u>	<u>150.886.194</u>
<b><u>Accumulated Depreciation</u></b>			
Opening balance at 1 January 2012	-	91.222.250	91.222.250
Foreign currency translation reserve	-	(4.965.573)	(4.965.573)
Amortization charge for the period	-	6.373.495	6.373.495
Disposals	-	(30.187)	(30.187)
Transfers	-	6.478.687	6.478.687
Closing balance at 30 September 2012	<u>-</u>	<u>99.078.672</u>	<u>99.078.672</u>
Net book value 30 September 2012	<u>23.096.569</u>	<u>28.710.953</u>	<u>51.807.522</u>
Net book value 31 December 2011	<u>24.445.066</u>	<u>22.517.873</u>	<u>46.962.939</u>

	<u>Slot Rights</u>	<u>Other Rights</u>	<u>Total</u>
<b><u>Cost</u></b>			
Opening balance at 1 January 2011	20.007.450	87.477.119	107.484.569
Foreign currency translation reserve	3.873.369	18.207.835	22.081.204
Additions	-	9.064.567	9.064.567
Closing balance at 30 September 2011	<u>23.880.819</u>	<u>114.749.521</u>	<u>138.630.340</u>
<b><u>Accumulated Depreciation</u></b>			
Opening balance at 1 January 2011	-	74.385.468	74.385.468
Foreign currency translation reserve	-	14.957.633	14.957.633
Amortization charge for the period	-	5.157.876	5.157.876
Closing balance at 30 September 2011	<u>-</u>	<u>94.500.977</u>	<u>94.500.977</u>
Net book value 30 September 2011	<u>23.880.819</u>	<u>20.248.544</u>	<u>44.129.363</u>

**10. GOVERNMENT GRANTS AND INCENTIVES**

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

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**11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**

Provisions for short-term liabilities are as follows:

	<u><b>30 September 2012</b></u>	<u><b>31 December 2011</b></u>
Provisions for legal claims	36.980.822	26.224.798

Changes in the provisions for legal claims at 30 September 2012 and 2011 periods set out below:

	<u><b>1 January - 30 September 2012</b></u>	<u><b>1 January - 30 September 2011</b></u>
Provision at the beginning of the period	26.224.798	20.480.602
Charge for the period	10.772.673	8.507.295
Provisions released	(16.649)	(602.955)
Provision at the end of the period	<u>36.980.822</u>	<u>28.384.942</u>

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

a) Guarantees/Pledge/Mortgage (“GPM”) given by the group: Amount of letter of guarantees given is TL 89,401,419 (31 December 2011: TL 97,177,999)

	<u><b>30 September 2012</b></u>		<u><b>31 December 2011</b></u>	
	<b>Foreign currency amount</b>	<b>TL equivalent</b>	<b>Foreign currency amount</b>	<b>TL equivalent</b>
A. Total amounts of GPM given on the behalf of its own legal entity	-	89.401.419	-	97.177.999
- Collaterals				
TL	8.290.349	8.290.348	10.419.036	10.419.036
EUR	9.186.671	21.207.429	7.536.458	18.417.595
USD	32.645.512	58.252.444	35.434.308	66.931.865
Other	25.706.851	1.651.198	-	1.409.503
B. Total amounts of GPM given on the behalf of subsidiaries that are included in full consolidation	-	-	-	-
C. Total amounts of GPM given in order to guarantee third partie debts for routine trade operations	-	-	-	-
D. Total amounts of other GPM given	-	-	-	-
i. Total amount of GPM given on behalf of the Parent	-	-	-	-
ii. Total amount of GPM given on behalf of other group companies not covered in B and C	-	-	-	-
iii. Total amount of GPM given on behalf of third parties not covered in C	-	-	-	-
	-	<u>-</u>	-	<u>-</u>
		<u>89.401.419</u>		<u>97.177.999</u>

The other CPMs given by the Group constitute 0 % of the Group’s equity as of 30 September 2012 (31 December 2011: 0%).

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

b) The Group's discounted retirement pay provision is TL 214,025,018. The Group's liability for retirement pay would be approximately TL 410,905,653 as of 30 September 2012, if all employees were dismissed on that date.

**12. COMMITMENTS**

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

	<u><b>30 September 2012</b></u>	<u><b>31 December 2011</b></u>
Less than 1 year	291.179.250	335.010.923
Between 1 - 5 years	853.589.026	1.000.864.431
More than 5 years	108.846.264	218.425.929
	<u><u>1.253.614.540</u></u>	<u><u>1.554.301.283</u></u>

To be delivered between the years 2010-2015, the Group signed a contract for 89 aircrafts with a total value of 11.8 billion US Dollars, according to the price lists before the discounts made by the aircraft manufacturing firms. 10 of these aircrafts were delivered in 2010, 29 of these aircrafts were delivered in 2011 and 16 of these aircrafts were delivered as of September 2012. The Group has made an advance payment of 450 million US Dollars relevant to these purchases as of 30 September 2012.

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

	<u><b>30 September 2012</b></u>	<u><b>31 December 2011</b></u>
Less than 1 year	2.055.974	1.934.734
Between 1 - 5 years	16.219.354	12.572.518
More than 5 years	49.370.252	58.055.544
	<u><u>67.645.580</u></u>	<u><u>72.562.796</u></u>

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**13. PASSENGER FLIGHT LIABILITIES**

Passenger flight liabilities are as follows:

	<u>30 September 2012</u>	<u>31 December 2011</u>
Flight liability generating from ticket sales	1.384.702.588	757.564.187
Flight liability generating from mileage sales	412.615.240	386.796.767
	<u>1.797.317.828</u>	<u>1.144.360.954</u>

**14. SHAREHOLDERS' EQUITY**

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

	<u>Group</u>	<u>%</u>	<u>30 September</u>	<u>%</u>	<u>31 December</u>
			<u>2012</u>		<u>2011</u>
Republic of Turkey					
Prime Ministry					
Privatization Adm.(*)	A, C	49.12	589,465,086	49.12	589,465,086
Other (Publicly held)	A	50.88	610,534,914	50.88	610,534,914
Paid-in capital			1,200,000,000		1,200,000,000
Restatement difference			1,123,808,032		1,123,808,032
Restated capital			<u>2,323,808,032</u>		<u>2,323,808,032</u>

(\*) 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 September 2012, the Group's issued and paid-in share capital consists of 119,999,999,999 Class A shares and 1 Class C share, all with a par value of Kr 1 each. These shares are issued to the name. The Class C share belongs to the Republic of Turkey Prime Ministry Privatization Administration and has the following privileges:

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

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

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

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#### **14. SHAREHOLDERS' EQUITY (cont'd)**

- 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 mergers 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.

#### **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**

Method for consolidation purpose is, according to IAS 21, monetary items in statutory financial statements is translated to USD using year-end exchange rates, non-monetary items in balance sheet, income/expenses and cash flow are translated to USD by using the exchange rate of the transaction date(historic rate), and currency translation differences are presented under equity. Translation profit/loss from foreign currency transactions is presented under currency translation item in financial income of income statement.

#### **Distribution of Dividends**

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

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



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**14. SHAREHOLDERS' EQUITY (cont'd)**

**Distribution of Dividends (cont'd)**

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

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

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

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

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

- a) If all dividends are distributed in cash, dividends made to continue the adoption of distributing until the end of following fifth month of the fiscal period.
- b) If dividends are distributed as share, the Entity should apply for Capital Markets Board until the end of following fifth month of the fiscal period and finish profit distribution until the end of following sixth month of the fiscal period as the purpose of exported shares are recorded by Capital Markets Board.
- c) In the case of combination of the options "a" and "b", it was decided that operations described earlier should be performed separately but within the time that referred to in subparagraph

The items of shareholders' equity of the Company in the statutory accounts as of 30 September 2012 as the dividends distributed not reflected are as follows:

Paid-in capital	1,200,000,000
Share premium	181,185
Legal reserves	55,692,565
Extraordinary reserves (*)	198,959,553
Other profit reserves	9
Special funds	14,616,129
Retained earnings (*)	(1,040,021,111)
Net profit for the period (*)	1,283,199,578
Total shareholders' equity	<u>1,712,627,888</u>

\* Per legal records, the amounts subject to distribution of dividends, of which total is TL 442,138,020

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**14. SHAREHOLDERS' EQUITY (cont'd)****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.

**15. SALES AND COST OF SALES**

Details of gross profit are as follows:

	<b>1 January - 30 September 2012</b>	<b>1 July - 30 September 2012</b>	<b>1 January - 30 September 2011</b>	<b>1 July - 30 September 2011</b>
Scheduled flights				
Passenger	9.769.535.793	4.087.701.641	7.410.249.601	3.212.673.752
Cargo and mail	880.693.464	297.453.907	706.247.880	271.374.215
Total scheduled flights	10.650.229.257	4.385.155.548	8.116.497.481	3.484.047.967
Unscheduled flights	88.493.135	41.203.009	107.354.722	61.993.371
Other revenue	423.402.321	54.112.913	382.017.225	160.234.751
Net sales	11.162.124.713	4.480.471.470	8.605.869.428	3.706.276.089
Cost of sales (-)	(8.662.748.551)	(3.012.056.274)	(7.357.088.883)	(2.929.591.152)
Gross profit	2.499.376.162	1.468.415.196	1.248.780.545	776.684.937

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

	<b>1 January - 30 September 2012</b>	<b>1 July - 30 September 2012</b>	<b>1 January - 30 September 2011</b>	<b>1 July - 30 September 2011</b>
- Europe	3.350.299.402	1.379.461.761	2.773.399.643	1.238.710.272
- Far East	2.458.809.658	1.012.397.250	1.713.606.241	715.735.624
- Middle East	1.449.373.781	596.769.264	1.105.731.826	453.081.121
- America	1.056.282.101	434.916.583	674.571.633	309.828.167
- Africa	788.303.420	324.578.282	493.725.138	211.585.009
Total international flights	9.103.068.362	3.748.123.140	6.761.034.481	2.928.940.193
Domestic flights	1.547.160.895	637.032.408	1.355.463.000	555.107.774
Total revenue	10.650.229.257	4.385.155.548	8.116.497.481	3.484.047.967

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**15. SALES AND COST OF SALES (cont'd)**

The details of the cost of sales are as follows:

	<b>1 January - 30 September 2012</b>	<b>1 July - 30 September 2012</b>	<b>1 January - 30 September 2011</b>	<b>1 July - 30 September 2011</b>
Fuel expense	3.793.797.698	1.339.052.407	2.945.987.680	1.255.454.248
Personnel expense	1.370.811.251	465.798.083	1.234.232.905	443.718.920
Landing and navigation expense	762.455.522	274.141.959	664.746.682	282.378.939
Ground services expenses	632.373.155	227.599.308	579.856.082	231.330.239
Depreciation expenses	624.885.319	223.514.491	547.304.003	206.571.878
Passenger service and catering expenses	449.730.980	151.781.014	380.447.120	151.332.791
Maintenance expenses	268.194.236	56.932.285	307.892.762	82.280.292
Other airlines' seat rents	139.363.952	40.243.587	128.242.802	57.821.948
Short term leasing expenses	72.811.385	42.929.942	19.202.195	4.178.540
Service expenses	74.952.815	41.417.374	30.996.707	8.815.635
Operating lease expenses	237.815.846	71.272.191	310.042.989	110.721.760
Insurance expenses	66.049.000	20.712.730	40.862.423	14.105.352
Other rent expenses	40.795.601	10.889.311	25.871.945	8.602.844
Transportation expenses	22.917.062	8.627.743	16.394.498	5.427.811
Tax expenses	16.741.961	11.256.775	6.661.289	2.250.448
Utility expenses	8.483.937	3.595.178	6.661.194	2.701.918
Cost of other sales	80.568.831	22.291.896	111.685.607	61.897.589
	<b>8.662.748.551</b>	<b>3.012.056.274</b>	<b>7.357.088.883</b>	<b>2.929.591.152</b>

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**16. MARKETING AND SALES EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES**

Marketing and sales expenses are as follows:

	<b>1 January - 30 September 2012</b>	<b>1 July - 30 September 2012</b>	<b>1 January - 30 September 2011</b>	<b>1 July - 30 September 2011</b>
Commissions and incentive expenses	344.547.650	134.201.552	285.832.526	135.191.032
Personnel expenses	308.041.814	93.495.571	262.856.180	80.874.840
Reservation systems expense	232.296.542	76.383.307	171.357.078	66.553.137
Advertising expenses	90.386.589	33.547.753	123.480.809	35.052.486
Frequent flyer program milage expenses	37.044.322	15.891.325	25.187.797	12.679.551
Service expenses	26.385.605	7.507.118	25.354.174	10.395.054
Depreciation expense	8.467.489	7.213.565	922.659	-3.885.553
Tax Expenses	7.792.652	2.434.382	7.125.009	6.666.807
Communication expense	9.149.440	338.776	11.322.675	7.104.504
Membership fees	9.818.082	2.967.711	7.349.089	3.130.918
Fuel expense	1.030.242	174.713	1.135.704	459.235
Other sales and marketing expenses	62.123.232	11.614.865	60.492.396	23.536.972
	<b>1.137.083.659</b>	<b>385.770.638</b>	<b>982.416.096</b>	<b>377.758.983</b>

General administrative expenses are as follows:

	<b>1 January - 30 September 2012</b>	<b>1 July - 30 September 2012</b>	<b>1 January - 30 September 2011</b>	<b>1 July - 30 September 2011</b>
Personnel expenses	177.086.498	50.230.200	168.435.410	58.501.884
Service expenses	27.770.160	22.874.386	13.999.838	5.989.991
Depreciation expenses	27.146.863	-5.494.232	36.751.559	15.251.144
Fuel expense	1.502.281	732.715	11.440.065	7.930.992
Communication expense	5.529.166	1.860.535	10.541.713	7.032.640
Other general administrative expenses	44.669.287	1.030.981	49.772.160	8.606.477
	<b>283.704.254</b>	<b>71.234.584</b>	<b>290.940.745</b>	<b>103.313.127</b>

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**17. OTHER OPERATING INCOME / EXPENSES**

Other operating income / expense consist of the following:

	<b>1 January - 30 September 2012</b>	<b>1 July - 30 September 2012</b>	<b>1 January - 30 September 2011</b>	<b>1 July - 30 September 2011</b>
Income from investment assistance	42.715.299	11.178.599	31.693.528	12.849.899
Discounts received from maintenance spare parts suppliers	21.611.509	12.538.936	24.556.110	15.516.281
Insurance, indemnities, penalties income	22.801.825	12.651.943	5.963.040	2.175.197
Provisions no longer required	19.848.808	4.710.200	6.780.634	3.897.813
TGS share premium	8.722.679	3.072.677	8.770.859	3.121.514
Banks protocol revenue	2.805.093	(816.359)	3.867.957	1.931.073
Purchase discounts	732.692	140.393	3.166.184	3.166.184
Other operating income	42.382.372	(6.137.461)	44.029.581	15.817.792
income	<u>161.620.277</u>	<u>37.338.928</u>	<u>128.827.893</u>	<u>58.475.753</u>

	<b>1 January - 30 September 2012</b>	<b>1 July - 30 September 2012</b>	<b>1 January - 30 September 2011</b>	<b>1 July - 30 September 2011</b>
Increase in provision on impairment of assets-held-for-sale	20.643.472	(4.823)	-	-
Provision expenses	24.740.771	1.652.422	33.019.841	7.201.418
Indemnity and penalty expense	4.387.496	(827.547)	7.488.885	1.388.938
Other operating expense	27.142.800	3.557.747	4.521.799	2.465.190
Total other operating expense	<u>76.914.539</u>	<u>4.377.799</u>	<u>45.030.525</u>	<u>11.055.546</u>

**18. FINANCIAL INCOME**

Financial income consists of the following:

	<b>1 January - 30 September 2012</b>	<b>1 July - 30 September 2012</b>	<b>1 January - 30 September 2011</b>	<b>1 July - 30 September 2011</b>
Interest income	116.125.042	56.548.245	66.126.241	28.151.675
Rediscount interest income	9.386.716	7.129.490	4.438.154	833.880
The fair value of derivatives exchange income	72.280.240	44.880.179	-	-
Foreign exchange rate income (*)	-	(92.041.901)	285.848.552	285.848.552
	<u>197.791.998</u>	<u>16.516.013</u>	<u>356.412.947</u>	<u>314.834.107</u>

(\*) It is composed of currency translation differences in income and expense (Note: 2.1).

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**19. FINANCIAL EXPENSES**

Finance expenses are as follows:

	<b>1 January - 30 September 2012</b>	<b>1 July - 30 September 2012</b>	<b>1 January - 30 September 2011</b>	<b>1 July - 30 September 2011</b>
Finance lease interest expense	179.216.827	46.070.863	143.128.291	60.817.491
Cost of ETB interest	1.714.129	(1.680.751)	6.130.750	2.820.155
Rediscount interest expense	7.032.602	3.491.205	7.736.995	3.486.617
Other financial expense	17.109.693	16.477.666	19.946.032	7.757.111
The fair value of derivatives exchange expense	-	-	1.198.545	10.317.355
Foreign exchange loss (*)	9.453.205	9.453.205	-	(110.485.645)
	<u>214.526.456</u>	<u>73.812.188</u>	<u>178.140.613</u>	<u>(25.286.916)</u>

(\*) It is composed of currency translation differences in income and expense (Note: 2.1).

**20. ASSETS HELD FOR SALE**

The Group has decided to dispose of seven A340-type aircrafts in 2011 and two A310-type aircrafts in 2012 and had negotiations with several companies interested in this subject. These assets, which are expected to be sold within twelve months, are classified as non-current assets held for sale. Also in 2012, five spare engines of those aircrafts are classified as assets held for sale. The movement of the assets held for sale as of 30 September 2012 is as follows:

Net book value of assets held for sale as of 1 January 2012	<b><u>1 January- 30 September 2012</u></b> 279.472.200
Provisions for impairment	(20.399.121)
Translation differences	(19.677.759)
Additions to assets held for sale	78.616.750
Maintenance entries	23.773.222
Adjusted net book value of assets held for sale as of 30 September 2012	<u>341.785.292</u>

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**21. TAX ASSETS AND LIABILITIES**

Tax liability for the current profit is as follows:

	<u>30 September 2012</u>	<u>31 December 2011</u>
Provisions for corporate tax	48.093.204	18.956.251
Prepaid taxes and funds	(20.519.909)	(13.587.608)
Tax liability (*)	<u>27.573.295</u>	<u>5.368.643</u>

(\*) Prepaid taxes, excess part of corporate taxes to be paid are shown under other current assets.

Tax liability consists of the following items:

	<u>1 Ocak - 30 September 2012</u>	<u>1 Ocak - 30 September 2011</u>
Current period tax expense	48.093.204	14.435.325
Deferred tax income	235.279.815	126.626.009
Tax income	<u>283.373.019</u>	<u>141.061.334</u>

Tax effect regarding other comprehensive income is as follows:

	<u>1 January - 30 September 2012</u>		
	<u>Amount before tax</u>	<u>Tax (expense) /income</u>	<u>Amount after tax</u>
Foreign currency translation differences	( 229.307.209)	-	( 229.307.209)
Change in cash flow hedge fund	371.623	( 74.325)	297.298
Other comprehensive income for the period	<u>( 228.935.586)</u>	<u>( 74.325)</u>	<u>( 229.009.911)</u>

Change in translation differences of foreign currency that is included in other comprehensive income, is TL 229,307,209 for the period 1 January - 30 September 2012 (1 January - 30 September 2011: TL 623,417,821). In addition, the effect on taxation does not exist for the period.

Corporate Tax

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

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

The effective tax rate in 2012 is 20% (2011: 20%).

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**21. TAX ASSETS AND LIABILITIES (cont'd)**

Corporate Tax (cont'd)

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2012 is 20% (2011: 20%). Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

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

Income Withholding Tax

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

Deferred Tax

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

For calculation of deferred tax asset and liabilities, the rate of 20% (2011: 20%) is used.

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



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**21. TAX ASSETS AND LIABILITIES (cont'd)**

*Deferred Tax (Cont'd)*

The deferred tax assets and liabilities as of 30 September 2012 and 31 December 2011 are as follows:

	<b>30 September 2012</b>	<b>31 December 2011</b>
Fixed assets	(874.895.798)	(901.848.053)
Provisions for ticket sales advance	(62.260.312)	(56.547.535)
Adjustment on inventories	(20.454.078)	(42.833.609)
Accruals for expenses	137.197.411	119.292.064
Provisions for ETB	37.154.501	38.326.490
Income and expense for future periods	13.086.257	14.950.671
Long-term lease obligations	11.185.820	13.141.314
Short-term lease obligations	2.488.385	7.288.257
Allowance for doubtful receivables	5.579.631	6.360.975
Provisions for unused vacation	4.805.839	2.382.874
Other	(4.595.289)	1.914.838
Provisions for impairment in inventories	-	2.873.729
Accumulated loss	-	207.976.984
Labor union accruals	-	12.041.158
Ertelenen vergi yükümlülükleri	<u>(750.707.633)</u>	<u>(574.679.843)</u>

The changes of deferred tax liability as of 30 September 2012 and 2011 are as follows:

	<b>1 January - 30 September 2012</b>	<b>1 January - 30 September 2011</b>
Opening balance at 1 January	574.679.843	435.385.525
Deferred tax expense	235.279.815	126.626.009
Hedge fund tax income	(74.325)	(5.638.882)
Foreign currency translation differences	( 59.177.700)	39.986.760
Closing balance	<u>750.707.633</u>	<u>596.359.412</u>

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**22. EARNINGS PER SHARE**

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

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

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

Number of total shares and calculation of earnings per share at 30 September 2012 and 2011:

	<b>1 January - 30 September 2012</b>	<b>1 July - 30 September 2012</b>	<b>1 January - 30 September 2011</b>	<b>1 July - 30 September 2011</b>
Number of shares outstanding at 1 January (in full)	120.000.000.000	120.000.000.000	100.000.000.000	100.000.000.000
New shares issued (in full)	-	-	-	-
Number of shares outstanding at 30 September (in full)	120.000.000.000	120.000.000.000	100.000.000.000	100.000.000.000
Weighted average number of shares outstanding during the year (in full)	120.000.000.000	120.000.000.000	100.000.000.000	100.000.000.000
Net profit / (loss) for period	868.374.227	704.623.932	115.081.797	505.519.024
Earnings / (loss) per share (Kr) (*)	0,72	0,59	0,10	0,42

(\*) The earnings/(loss) per share with par value of TL 1 is TL 0.72 for the period 1 January-30 September 2012, and TL 0.10 for the period 1 January-30 September 2011.

**23. RELATED PARTY TRANSACTIONS**

Short-term trade receivables from related parties that are valued by equity method are:

	<b>30 September 2012</b>	<b>31 December 2011</b>
P & W T.T Uçak Bakım Merkezi Ltd. Şti.	3.070.045	-
TCI	533.587	58.387
Türkbine Teknik Gaz Türbinleri Bakım A.Ş.	64.408	312.350
Sun Express Deutschland	41.770	-
Güneş Exspress Havacılık A.Ş.	-	5.072.047
Bosna Hersek Hava Yolları	-	1.526.276
	<b>3.709.810</b>	<b>6.969.060</b>

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**23. RELATED PARTY TRANSACTIONS**

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

	<u>30 September 2012</u>	<u>31 December 2011</u>
Goodrich THY Teknik Servis Merkezi Ltd. Şti.	751.366	38.638
TCI Kabinçi Sistemleri A.Ş.	7.959	7.959
Türkbine Teknik Gaz Türbinleri Bakım A.Ş.	2.185	9.671
Uçak Koltuk Üretimi San.ve Tic.A.Ş.	1.910	1.814
	<u>763.420</u>	<u>58.082</u>

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

	<u>30 September 2012</u>	<u>31 December 2011</u>
THY Opet	177.949.278	127.045.062
Turkish DO&CO	24.501.420	25.136.455
TGS	23.663.953	21.907.112
Güneş Exspress Havacılık A.Ş.	6.769.546	-
Goodrich THY Teknik Servis Merkezi Ltd. Şti.	222.313	-
Bosna Hersek Hava Yolları	84.193	-
P & W T.T Uçak Bakım Merkezi Ltd. Şti.	-	6.855.313
	<u>233.190.703</u>	<u>180.943.942</u>

Transactions with related parties that are valued by equity method for the period ended as of 30 September 2012 are as follows:

	<u>1 January - 30 September 2012</u>	<u>1 July - 30 September 2012</u>	<u>1 January - 30 September 2011</u>	<u>1 July - 30 September 2011</u>
Services rendered to :				
Güneş Exspress Havacılık A.Ş.	28.914.247	8.557.925	37.749.567	18.784.304
P & W T.T Uçak Bakım Merkezi Ltd. Şti	12.211.772	2.146.861	34.895.991	17.186.815
TGS	11.390.110	6.446.655	28.944.474	8.710.810
Turkish DO&CO	1.557.980	573.107	1.437.737	576.104
Goodrich THY Teknik Servis Merkezi Ltd. Şti.	1.103.103	757.691	223.662	223.662
TCI Kabinçi Sistemleri A.Ş.	854.000	104.167	141.068	118.195
Türkbine Teknik Gaz	334.668	67.417	7.022.454	7.022.454
THY Opet	265.333	116.552	374.241	82.834
Sun Express Deutschland	43.886	43.886	-	-
	<u>56.675.099</u>	<u>18.814.261</u>	<u>110.789.194</u>	<u>52.705.178</u>

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**23. RELATED PARTY TRANSACTIONS (cont'd)**

	<b>1 January - 30 September 2012</b>	<b>1 July - 30 September 2012</b>	<b>1 January - 30 September 2011</b>	<b>1 July - 30 September 2011</b>
Services received from :				
THY Opet	2.338.291.926	846.470.232	1.370.928.731	706.036.770
Turkish DO&CO	295.931.366	96.594.780	249.142.520	94.649.882
TGS	229.600.873	82.115.016	234.073.469	87.791.535
Güneş Exspress Havacılık A.Ş.	34.032.388	33.446.499	247.118	74.480
P & W T.T Uçak Bakım Merkezi Ltd. Şti	26.379.636	4.389.528	111.332.859	40.152.332
Aydın Çıldır Havaalanı	10.779	10.779	-	-
Türkbine Teknik Gaz Türbinleri Bakım A.Ş.	5.680	(21.724)	-	-
TCI Kabinçi Sistemleri A.Ş.	-	(461.117)	-	-
Goodrich THY Teknik Servis Merkezi Ltd. Şti.	-	(6.517.535)	273.226	273.226
	<u>2.924.252.648</u>	<u>1.056.026.458</u>	<u>1.965.997.923</u>	<u>928.978.225</u>

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

The total amount of salaries and other short term benefits provided for the Chairman and the Members of Board of Directors, General Manager, General Coordinator and Deputy General Managers are TL 4,744,854 (30 September 2011: TL 3,416,331).

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**24. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS**

*Foreign currency risk management*

Foreign currency position of the Group for the periods ended 30 September 2012 and 31 December 2011 are as follows:

	30 September 2012				
	TL TOTAL	TL	EUR	GBP	Other
1.Trade receivables	853.774.467	281.739.993	155.384.913	43.679.176	372.970.385
2a.Monetary financial assets	29.407.188	287.120	28.218.073	7.500	894.495
2b.Non monetary financial assets	-	-	-	-	-
3.Other	44.183.312	4.413.446	20.328.841	600.315	18.840.710
<b>4.Current assets (1+2+3)</b>	<b>927.364.967</b>	<b>286.440.559</b>	<b>203.931.827</b>	<b>44.286.991</b>	<b>392.705.590</b>
5.Trade receivables	-	-	-	-	-
6a.Monetary financial assets	-	-	-	-	-
6b.Non monetary financial assets	-	-	-	-	-
7.Other	14.536.071	-	14.536.071	-	-
<b>8.Non current assets (5+6+7)</b>	<b>14.536.071</b>	<b>-</b>	<b>14.536.071</b>	<b>-</b>	<b>-</b>
<b>9.Total assets (4+8)</b>	<b>941.901.038</b>	<b>286.440.559</b>	<b>218.467.898</b>	<b>44.286.991</b>	<b>392.705.590</b>
10.Trade payables	670.136.195	437.536.905	129.467.106	8.162.335	94.969.849
11.Financial liabilities	557.568.650	74.791.124	482.777.526	-	-
12a.Other liabilities, monetary	70.130.072	38.689.456	12.827.402	310.604	18.302.610
12b.Other liabilities, non monetary	-	-	-	-	-
<b>13.Current liabilities (10+11+12)</b>	<b>1.297.834.917</b>	<b>551.017.485</b>	<b>625.072.034</b>	<b>8.472.939</b>	<b>113.272.459</b>
14.Trade payables	-	-	-	-	-
15.Financial liabilities	3.610.940.704	55.929.109	3.555.011.595	-	-
16a.Other liabilities, monetary	40.087.819	40.087.819	-	-	-
16b.Other liabilities, non monetary	-	-	-	-	-
<b>17.Non current liabilities (14+15+16)</b>	<b>3.651.028.523</b>	<b>96.016.928</b>	<b>3.555.011.595</b>	<b>-</b>	<b>-</b>
<b>18.Total liabilities (13+17)</b>	<b>4.948.863.440</b>	<b>647.034.413</b>	<b>4.180.083.629</b>	<b>8.472.939</b>	<b>113.272.459</b>
<b>19.Net asset / liability position of Off-balance sheet derivatives (19a-19b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
19a.Off-balance sheet foreign currency derivative assets	-	-	-	-	-
19b.Off-balance sheet foreigncurrency derivative liabilities	-	-	-	-	-
<b>20.Net foreign currency asset/(liability) position (9-18+19)</b>	<b>(4.006.962.402)</b>	<b>(360.593.854)</b>	<b>(3.961.615.731)</b>	<b>35.814.052</b>	<b>279.433.131</b>
<b>21.Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(4.065.681.785)</b>	<b>(365.007.300)</b>	<b>(3.996.480.643)</b>	<b>35.213.737</b>	<b>260.592.421</b>
<b>22.Fair value of foreign currency hedged financial assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>23.Hedged foreign currency assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>24.Hedged foreign currency liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>25.Exports</b>	<b>9.540.967.636</b>	<b>1.450.499.403</b>	<b>2.293.274.921</b>	<b>282.451.899</b>	<b>5.514.741.413</b>
<b>26.Imports</b>	<b>2.305.635.166</b>	<b>1.425.332.141</b>	<b>417.036.804</b>	<b>23.026.895</b>	<b>440.239.326</b>

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

Foreign currency risk management (cont'd)

	31 December 2011				
	TL TOTAL	TL	EUR	GBP	Other
1.Trade receivables	552.043.752	185.113.977	109.556.908	20.855.509	236.517.358
2a.Monetary financial assets	1.379.232.996	355.589.247	827.874.879	1.037.973	194.730.897
2b.Non monetary financial assets	-	-	-	-	-
3.Other	783.280.900	777.111.536	3.880.392	911.868	1.377.104
<b>4.Current assets (1+2+3)</b>	<b>2.714.557.648</b>	<b>1.317.814.760</b>	<b>941.312.179</b>	<b>22.805.350</b>	<b>432.625.359</b>
5.Trade receivables	-	-	-	-	-
6a.Monetary financial assets	-	-	-	-	-
6b.Non monetary financial assets	-	-	-	-	-
7.Other	12.669.299	634.694	7.647.026	270.045	4.117.534
<b>8.Non current assets (5+6+7)</b>	<b>12.669.299</b>	<b>634.694</b>	<b>7.647.026</b>	<b>270.045</b>	<b>4.117.534</b>
<b>9.Total assets (4+8)</b>	<b>2.727.226.947</b>	<b>1.318.449.454</b>	<b>948.959.205</b>	<b>23.075.395</b>	<b>436.742.893</b>
10.Trade payables	724.967.077	339.514.208	250.583.484	9.038.313	125.831.072
11.Financial liabilities	445.023.191	524.414	444.498.777	-	-
12a.Other liabilities, monetary	39.346.934	27.913.536	7.516.665	394.154	3.522.579
12b.Other liabilities, non monetary	632.032	620.338	11.694	-	-
<b>13.Current liabilities (10+11+12)</b>	<b>1.209.969.234</b>	<b>368.572.496</b>	<b>702.610.620</b>	<b>9.432.467</b>	<b>129.353.651</b>
14.Trade payables	-	-	-	-	-
15.Financial liabilities	3.286.402.558	-	3.286.402.558	-	-
16a.Other liabilities, monetary	34.330.826	26.521.260	4.790.822	-	3.018.744
16b.Other liabilities, non monetary	-	-	-	-	-
<b>17.Non current liabilities (14+15+16)</b>	<b>3.320.733.384</b>	<b>26.521.260</b>	<b>3.291.193.380</b>	<b>-</b>	<b>3.018.744</b>
<b>18.Total liabilities (13+17)</b>	<b>4.530.702.618</b>	<b>395.093.756</b>	<b>3.993.804.000</b>	<b>9.432.467</b>	<b>132.372.395</b>
<b>19.Net asset / liability position of Off-balance sheet derivatives (19a-19b)</b>	<b>254.424.060</b>	<b>-</b>	<b>254.424.060</b>	<b>-</b>	<b>-</b>
19a.Off-balance sheet foreign currency derivative assets	254.424.060	-	254.424.060	-	-
19b.Off-balance sheet foreigncurrency derivative liabilities	-	-	-	-	-
<b>20.Net foreign currency asset/(liability) position (9-18+19)</b>	<b>(1.549.051.611)</b>	<b>923.355.698</b>	<b>(2.790.420.735)</b>	<b>13.642.928</b>	<b>304.370.498</b>
<b>21.Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(2.598.793.838)</b>	<b>146.229.806</b>	<b>(3.056.360.519)</b>	<b>12.461.015</b>	<b>298.875.860</b>
<b>22.Fair value of foreign currency hedged financial assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>23.Hedged foreign currency assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>24.Hedged foreign currency liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
25.Exports	11.305.317.391	2.570.894.658	2.815.171.973	262.108.817	5.657.141.943
26.Imports	4.091.338.689	2.682.995.840	910.380.714	37.519.114	460.443.020

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

Foreign currency risk management (cont'd)

Foreign currency sensitivity

The Group is exposed to foreign exchange risk primarily from 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.

	<b>30 September 2012</b>	
	<b>Profit / (Loss) Before Tax</b>	
	If foreign currency appreciated 10%	If foreign currency depreciated 10%
1- Turkish Lira net asset / liability	(36.059.385)	36.059.385
2- Part of hedged from Turkish Lira risk (-)	-	-
3- Turkish Lira net effect (1 +2)	<u>(36.059.385)</u>	<u>36.059.385</u>
4- Euro net asset / liability	(396.161.573)	396.161.573
5- Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	<u>(396.161.573)</u>	<u>396.161.573</u>
7- GBP net asset / liability	3.581.405	(3.581.405)
8- Part of hedged from GBP risk (-)	-	-
9- GBP net effect (7 +8)	<u>3.581.405</u>	<u>(3.581.405)</u>
10- Other foreign currency net asset / liability	27.943.313	(27.943.313)
11- Part of hedged other foreign currency risk (-)	-	-
12- Other foreign currency net effect (10+11)	<u>27.943.313</u>	<u>(27.943.313)</u>
<b>TOTAL (3 + 6 + 9 + 12)</b>	<u><u>(400.696.240)</u></u>	<u><u>400.696.240</u></u>





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

As there is a change in the presentation and classification of the Group's financial statement items, prior financial statements are reclassified accordingly to maintain comparability. Significant reclassifications in the financial statements include:

TL 19,356 of trade receivables as of 31 December 2011 is classified under other receivables.

TL 1,039,048 of other receivables as of 31 December 2011 is classified under trade receivables; TL 28,526,223 is classified under other current assets.

TL 12,815,279 of other current assets as of 31 December 2011 is classified under other receivables.

TL 1,204,246 of short-term trade payables as of 31 December 2011 is classified under other current assets; TL 352,836 is classified under provisions for employee benefits.

TL 27,295 of trade payables as of 31 December 2011 is classified under other short-term payables; TL 136,452,869 is classified under other short-term liabilities.

TL 67,762,337 of other short-term payables as of 31 December 2011 is classified under passenger flight liabilities.

TL 1,500,183 of other short term liabilities as of 31 December 2011 is classified under short-term trade payables.

TL 9,347,577 of passenger and catering expenses which was stated under marketing and selling expenses in the period between 1 January - 30 September 2011, is classified under cost of sales in the current period.

TL 100,315,937 part of the income which was stated under passenger and cargo income in the period between 1 January - 30 September 2011, is classified in other sales income in the current period.

TL 15,759,773 part of the income which was stated under other sales income in the period between 1 January - 30 September 2011, is classified in passenger and cargo income in the current period.

TL 10,750,864 part of the income which was stated under other sales income in the period between 1 January - 30 September 2011, is classified in other operational income in the current period.

TL 1,449,186 part of the income which was stated under other operational income in the period between 1 January - 30 September 2011, is classified in other sales income in the current period.

TL 1,641,294 which was stated under other operational expenses in the period between 1 January - 30 September 2011, is classified in general administrative expenses in the current period.

TL 16,742,666 which was stated under cost of sales in the period between 1 January - 30 September 2011, is classified in financial expenses in the current period.

TL 66,164,328 which was stated under financial expenses in the period between 1 January - 30 September 2011, is classified in financial income in the current period.

TL 10,551,034 2011 and TL 10,253,924 in 2012 which were stated under sales and marketing expenses in the periods 1 January - 30 September 2011 and 1 January - 30 September 2012, respectively, were classified in cost of sales.