

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

Convenience Translation to English of
Condensed Consolidated
Interim Financial Statements
for the Nine-Month Period Ended 30 September 2014
(Originally Issued in Turkish)

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Condensed Consolidated Balance Sheet as at 30 September 2014

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

		<u>Not Reviewed</u>	<u>Audited</u>
ASSETS	<u>Notes</u>	<u>30 September 2014</u>	<u>31 December 2013</u>
Current Assets			
Cash and Cash Equivalents	6	2.244.073.322	1.338.983.835
Financial Investments	7	286.520.333	42.774.034
Trade Receivables			
-Trade Receivables From Related Parties	10	601.185	382.750
-Trade Receivables From Non-Related Parties		1.471.279.782	1.147.707.413
Other Receivables			
-Other Receivables from Related Parties	10	8.054.975	4.087.847
-Other Receivables from Non-Related Parties		2.180.860.048	1.376.697.906
Derivative Financial Instruments	31	243.981.108	64.279.662
Inventories		413.460.918	342.324.371
Prepaid Expenses		157.410.781	89.366.115
Current Income Tax Assets	29	12.146.892	16.507.184
Other Current Assets		198.995.433	112.423.952
TOTAL CURRENT ASSETS		<u>7.217.384.777</u>	<u>4.535.535.069</u>
Non-Current Assets			
Financial Investments		2.618.894	2.452.721
Other Receivables			
-Other Receivables from Non-Related Parties		1.882.949.735	2.680.608.826
Equity Accounted Investees	4	501.836.245	389.674.199
Investment Property		81.490.722	76.320.000
Property and Equipment	11	21.059.024.792	17.165.656.116
Intangible Assets			
- Other Intangible Assets	12	130.812.237	113.081.412
- Goodwill	13	28.303.179	26.507.294
Prepaid Expenses		604.255.317	412.242.181
TOTAL NON-CURRENT ASSETS		<u>24.291.291.121</u>	<u>20.866.542.749</u>
TOTAL ASSETS		<u>31.508.675.898</u>	<u>25.402.077.818</u>

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Condensed Consolidated Balance Sheet as at 30 September 2014

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

		<u>Not Reviewed</u>	<u>Audited</u>
LIABILITIES	Notes	30 September 2014	31 December 2013
Current Liabilities			
Short-Term Portion of Long-Term Borrowings	8-14	1.412.032.347	1.188.220.823
Other Financial Liabilities	9	42.950.749	33.808.413
Trade Payables			
-Trade Payables to Related Parties	10	419.215.004	374.606.410
-Trade Payables to Non-Related Parties		1.294.202.463	1.076.575.170
Payables Related to Employee Benefits		284.608.501	307.983.476
Other Payables			
-Other Payables to Non-Related Parties		110.668.464	114.181.687
Derivative Financial Instruments	31	228.996.891	233.949.090
Deferred Income		25.622.510	46.629.988
Passenger Flight Liabilities	19	3.245.165.180	2.562.506.267
Short-term Provisions			
-Short-term Provisions for Employee Benefits	15	125.905.119	64.731.115
-Other Short-term Provisions	15	31.947.532	29.819.212
Other Current Liabilities		609.587.925	619.744.180
TOTAL CURRENT LIABILITIES		<u>7.830.902.685</u>	<u>6.652.755.831</u>
Non- Current Liabilities			
Long-Term Borrowings	8-14	12.524.114.416	10.364.269.509
Trade Payables			
- Trade Payables to Non-Related Parties		3.781.814	3.549.001
Other Payables			
-Other Payables to Non-Related Parties		76.942.099	30.917.704
Deferred Income		36.993.921	31.157.986
Long-term Provisions			
-Long-term Provisions for Employee Benefits	17	260.483.205	249.604.088
Deferred Tax Liability	29	1.554.284.447	1.107.333.343
TOTAL NON- CURRENT LIABILITIES		<u>14.456.599.902</u>	<u>11.786.831.631</u>
Equity Attributable to Equity Holders of the Parent			
Share Capital	20	1.380.000.000	1.380.000.000
Inflation Adjustment on Share Capital	20	1.123.808.032	1.123.808.032
Items That Will Never Be Reclassified to Profit or (Loss)			
-Actuarial Losses from Defined Pension Plans	20	(11.957.849)	(10.776.219)
Items That Are or May Be Reclassified to Profit or (Loss)			
-Foreign currency translation differences	20	2.210.683.738	1.657.731.904
-Losses from Hedging	20	60.437.093	(101.206.786)
Restricted Profit Reserves	20	59.372.762	59.372.762
Retained Earnings	20	2.853.560.663	2.170.853.236
Net Profit	20	1.545.268.872	682.707.427
TOTAL EQUITY		<u>9.221.173.311</u>	<u>6.962.490.356</u>
TOTAL LIABILITIES AND EQUITY		<u>31.508.675.898</u>	<u>25.402.077.818</u>

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

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income
For the Nine-Month Period Ended 30 September 2014
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

		Not Reviewed	Not Reviewed	Not Reviewed	Not Reviewed
	Dipnot Referansları	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
PROFIT OR LOSS					
Sales Revenue	21	18.437.113.286	7.170.772.001	13.886.925.323	5.687.961.817
Cost of Sales (-)	22	(14.821.211.630)	(5.292.631.724)	(10.952.859.881)	(4.227.876.437)
GROSS PROFIT		3.615.901.656	1.878.140.277	2.934.065.442	1.460.085.380
General Administrative Expenses (-)	23	(435.162.599)	(142.110.333)	(327.761.039)	(103.081.592)
Marketing and Sales Expenses (-)	23	(1.811.219.825)	(578.809.355)	(1.365.945.411)	(483.881.880)
Other Operating Income	24	153.873.816	26.233.564	120.922.774	19.485.184
Other Operating Expenses (-)	24	(56.611.770)	(29.072.946)	(128.444.234)	(54.655.087)
OPERATING PROFIT		1.466.781.278	1.154.381.207	1.232.837.532	837.952.005
Income from Investment Activities	25	116.965.579	54.118.782	118.233.020	45.671.772
Expense from Investment Activities	25	(34.452.334)	(26.148.746)	(1.927.471)	(1.899.791)
Share of Investments' Profit / (Loss) Accounted By Using The Equity Method	4	142.900.904	101.817.180	97.875.171	103.937.701
OPERATING PROFIT BEFORE FINANCIAL INCOME/EXPENSE		1.692.195.427	1.284.168.423	1.447.018.252	985.661.687
Financial Income	27	511.203.196	590.424.989	32.152.893	1.721.323
Financial Expenses (-)	27	(289.920.990)	(112.827.996)	(348.074.627)	(87.248.742)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		1.913.477.633	1.761.765.416	1.131.096.518	900.134.268
Tax Income/Expense of Continuing Operations		(368.208.761)	(388.308.288)	(304.811.500)	(195.051.859)
Current Tax Expense	29	(8.813.448)	(188.982)	(1.701.131)	(1.701.131)
Deferred Tax Expense	29	(359.395.313)	(388.119.306)	(303.110.369)	(193.350.728)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		1.545.268.872	1.373.457.128	826.285.018	705.082.409
<u>OTHER COMPREHENSIVE INCOME</u>					
To Be Reclassified To Profit or Loss		714.595.713	693.205.486	733.760.068	256.119.758
Currency Translation Adjustment		552.951.834	572.838.689	745.464.759	288.361.094
Gains/ (Losses) of Cash Flow Hedge Reserves		205.490.195	158.139.405	(4.123.356)	(30.955.488)
Gains/(Losses) from Cash Flow Hedge Reserves of Investment Accounted by Using the Equity Method		(3.435.346)	(7.680.909)	(10.507.508)	(9.346.182)
Tax (Expense)/Income of Other Comprehensive Income		(40.410.970)	(30.091.699)	2.926.173	8.060.334
Not To Be Reclassified To Profit or Loss		(1.181.630)	(1.534.787)	-	-
Actuarial Gains/(Losses) from Defined Pension Plans of Investments Accounted by Using the Equity Method		(1.477.038)	(1.918.484)	-	-
Tax (Expense)/Income of Other Comprehensive Income		295.408	383.697	-	-
OTHER COMPREHENSIVE INCOME		713.414.083	691.670.699	733.760.068	256.119.758
TOTAL COMPREHENSIVE INCOME		2.258.682.955	2.065.127.827	1.560.045.086	961.202.167
Profit Per Share (Kr)	30	1,12	1,00	0,60	0,51

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

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

	Paid-in Share Capital	Inflation Adjustment on Share Capital	Accumulated Items That Will Never Be Reclassified To Profit or Loss	Accumulated Items That Are or May Be Reclassified To Profit or Loss			Accumulated Profit		Total Equity
			Actuarial Gains/(Losses) from Defined Pension Plans	Currency Translation Differences	Gains/ (Losses) of Hedging	Restricted Profit Reserves	Retained Earnings /(Losses)	Net Profit for the Period	
As of 31 December 2013	1.380.000.000	1.123.808.032	(10.776.219)	1.657.731.904	(101.206.786)	59.372.762	2.170.853.236	682.707.427	6.962.490.356
Transfers	-	-	-	-	-	-	682.707.427	(682.707.427)	-
Total Comprehensive Income	-	-	(1.181.630)	552.951.834	161.643.879	-	-	1.545.268.872	2.258.682.955
As of 30 September 2014	1.380.000.000	1.123.808.032	(11.957.849)	2.210.683.738	60.437.093	59.372.762	2.853.560.663	1.545.268.872	9.221.173.311

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

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

	Paid-in Share Capital	Inflation Adjustment on Share Capital	Accumulated Items That Will Never Be Reclassified To Profit or Loss	Accumulated Items That Are or May Be Reclassified To Profit or Loss			Accumulated Profit		Total Equity
			Actuarial Gains/(Losses) from Defined Pension Plans	Currency Translation Differences	Gains/ (Losses) of Hedging	Restricted Profit Reserves	Retained Earnings /(Losses)	Net Profit for the Period	
As of 31 December 2012	1.200.000.000	1.123.808.032	-	570.111.018	(45.384.871)	39.326.341	1.383.815.836	1.133.367.233	5.405.043.589
Adjustments Related to Changes in Accounting Policy	-	-	(26.997.551)	-	-	-	4.647.727	22.349.824	-
Restated as of 1 January 2013	1.200.000.000	1.123.808.032	(26.997.551)	570.111.018	(45.384.871)	39.326.341	1.388.463.563	1.155.717.057	5.405.043.589
Transfers	-	-	-	-	-	20.046.421	1.135.670.636	(1.155.717.057)	-
Issuence of Bonus Shares	180.000.000	-	-	-	-	-	(180.000.000)	-	-
Dividends Paid	-	-	-	-	-	-	(173.280.963)	-	(173.280.963)
Total Comprehensive Income	-	-	-	745.464.759	(11.704.691)	-	-	826.285.018	1.560.045.086
As of 30 September 2013	1.380.000.000	1.123.808.032	(26.997.551)	1.315.575.777	(57.089.562)	59.372.762	2.170.853.236	826.285.018	6.791.807.712

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
Condensed Consolidated Interim Statement of Cash Flows
For the Nine-Month Period Ended 30 September 2014
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

		<u>Not Reviewed</u>	<u>Not Reviewed</u>
	Notes	1 January - 30 September 2014	1 January - 30 September 2013
Profit Before Tax		1.913.477.633	1.131.096.518
Adjustments to Reconcile Cash Flow Generated from Operating Activities:			
Adjustments for Depreciation and Amortization	11-12	1.185.468.513	903.238.500
Adjustments for Provision for Employee Benefits	17	31.287.957	33.234.732
Adjustments for Provisions, Net	15	62.987.566	(17.293.185)
Adjustments for Interest Income	25-27	(56.822.735)	(72.812.855)
Gain/(Loss) on Sales of Fixed Assets, Net	25	33.543.619	(7.128.505)
Share of Investments' Profit / (Loss) Accounted by Using The Equity Method	4	(142.900.904)	(97.875.171)
Adjustments for Interest Expense	27	242.884.808	215.488.558
Change in Manufacturers' Credit		(6.214.640)	(496.098)
Unrealized Foreign Exchange Translation Differences		(496.559.873)	34.984.646
Change in Provision for Doubtful Receivables, Net		4.148.931	4.638.308
Change in Fair Value of Derivative Instruments		(854.711)	19.922.087
Operating Profit before Working Capital Changes		2.770.446.164	2.146.997.535
Adjustments for Change in Trade Receivables		(233.355.333)	(388.210.136)
Adjustments for Change in Other Short and Long Term Receivables		80.884.776	424.222.687
Adjustments for Change in Inventories		(45.478.209)	18.716.493
Adjustments for Change in Other Current Assets		(57.550.393)	(12.142.180)
Change in Short and Long Term Prepaid Expenses		(214.446.980)	(41.999.709)
Adjustments for Change in Trade Payables		155.480.291	229.438.309
Change in Other Short and Long Term Payables and Liabilities		(10.965.883)	64.001.820
Change in Other Short and Long Term Payables, Deferred Income and Liabilities		(68.853.010)	(20.156.502)
Change in Passenger Flight Liabilities		482.868.234	632.414.778
Cash Flows Generated From Operating Activities		2.859.029.657	3.053.283.095
Payment of Retirement Pay Liabilities	17	(28.229.948)	(21.680.645)
Interest Paid		(243.499.275)	(182.439.079)
Taxes Paid	29	(12.146.892)	(17.427.001)
Net Cash Generated From Operating Activities		2.575.153.542	2.831.736.370
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Generated From Sale of Property and Equipment		10.297.501	24.065.359
Interest Received		39.529.269	72.812.856
Purchase of Property and Equipment and Intangible Assets (*)	11-12	(783.747.242)	(688.687.144)
Prepayments For The Purchase of Aircrafts		78.096.914	(1.392.437.890)
Change in Financial Investments		(211.334.616)	478.490.052
Cash Outflow Arising From Capital Increase in Investment		(75.119)	(1.012.500)
Dividends Received		32.470.899	-
Cash Outflow Arising From Acquisition of Subsidiaries	3	-	(45.929.808)
Net Cash Used In Investing Activities		(834.762.394)	(1.552.699.075)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of Financial Lease Liabilities		(841.801.082)	(745.383.211)
Change in Other Financial Liabilities		6.499.421	10.893.637
Dividends Paid		-	(173.280.963)
Net Cash Used In Financing Activities		(835.301.661)	(907.770.537)
NET INCREASE IN CASH AND CASH EQUIVALENTS		905.089.487	371.266.758
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		1.338.983.835	1.355.542.536
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		2.244.073.322	1.726.809.294

(*) TL 3,045,157,395 portion of property and equipment and intangible assets purchases in total of TL 3,828,904,637 for the nine-month period ended 30 September 2014 was financed through finance leases. (30 September 2013: TL 1,619,259,398 portion of property and equipment and intangible assets purchases in total of TL 2,307,946,542 was financed through finance leases.)

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine-Month Period Ended 30 September 2014

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

1. COMPANY ORGANIZATION AND ITS OPERATIONS

Türk Hava Yolları Anonim Ortaklığı (the “Company” or “THY”) was incorporated in Turkey in 1933. As of 30 September 2014 and 31 December 2013, the shareholders and their respective shareholdings in the Company are as follows:

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

The number of employees working for the Company and its subsidiaries (together the “Group”) as of 30 September 2014 is 24,674 (31 December 2013: 23,160). The average number of employees working for the Group for the nine-month period ended 30 September 2014 and 2013 are 23,906 and 22,235 respectively. The Company is registered in İstanbul, Turkey and its head office address is as follows:

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

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

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

Air Transport (“Aviation”)

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

Technical Maintenance Services (“Technical”)

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

Subsidiaries and Joint Ventures

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

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine-Month Period Ended 30 September 2014

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

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

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

Company Name	Country of Registration and Operations	Ownership Share (*)	Voting Power (*)	Principal Activity
Güneş Ekspres Havacılık A.Ş. (Sun Express)	Turkey	%50	%50	Aircraft Transportation
THY DO&CO İkrâm Hizmetleri A.Ş. (Turkish DO&CO)	Turkey	%50	%50	Catering Services
P&W T.T. Uçak Bakım Merkezi Ltd. Şti. (TEC)	Turkey	%49	%49	Maintenance
TGS Yer Hizmetleri A.Ş. (TGS)	Turkey	%50	%50	Ground Services
THY OPET Havacılık Yakıtları A.Ş. (THY Opet)	Turkey	%50	%50	Fuel
Goodrich Thy Teknik Servis Merkezi Ltd. Şti. (Goodrich)	Turkey	%40	%40	Maintenance
Uçak Koltuk Sanayi ve Ticaret A.Ş. (Uçak Koltuk)	Turkey	%50	%50	Cabin Interior
TCI Kabin İçi Sistemleri San ve Tic. A.Ş. (TCI)(*)	Turkey	%50	%50	Cabin Interior
Türkbine Teknik Gaz Türbinleri Bakım Onarım A.Ş. (Türkbine Teknik)	Turkey	%50	%50	Maintenance
Vergi İade Aracılık A.Ş.	Turkey	%30	%30	VAT Return & Consultancy

(*) Except from TCI, share percentage and voting rights are the same in the year 2014 and 2013. 1% share of TCI was sold to the other main partner, TUSAŞ (Türk Havacılık ve Uzay Sanayi A.Ş) in 2014.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Preparation of Financial Statements

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

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

Adjustment of Financial Statements in Hyperinflationary Periods

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine-Month Period Ended 30 September 2014

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

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

2.1 Basis of Presentation (cont'd)

Basis of Measurements

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

Functional and Reporting Currency

Functional currency

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

Translation to the presentation currency

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

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

Additional paragraph for convenience translation to English

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

2.2 Statement of Compliance with TAS

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

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine-Month Period Ended 30 September 2014

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

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

2.2 Statement of Compliance with TAS (cont'd)

Board of Directors has approved the condensed consolidated interim financial statements as of 30 September 2014 and delegated authority for publishing it on 10 November 2014. General assembly and related regulatory bodies have the authority to modify the financial statements.

2.3 Changes and Errors in Accounting Estimates

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

2.4 Summary of Significant Accounting Policies

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

2.5 New and Revised Standards and Interpretations

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

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

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

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

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

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the TAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments had no significant impact on the financial position or performance of the Group.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine-Month Period Ended 30 September 2014

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

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

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

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

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

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

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

TFRIC Interpretation 21 Levies

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

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

The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. When contributions are eligible for the practical expedient, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered. The amendments had no significant impact on the financial position or performance of the Group.

Standards issued but not yet effective and not early adopted

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

TFRS 9 Financial Instruments – Classification and Measurement

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine-Month Period Ended 30 September 2014

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

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

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

Standards issued but not yet effective and not early adopted (cont'd)

Amendments to TAS 16 and TAS 38 – Clarification of Acceptable Methods of Depreciation and Amortization

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

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

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

IFRS 9 Financial Instruments – Hedge Accounting and Amendments to TFRS 9, TFRS 7 and TAS 39 - IFRS 9 (2013)

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to TAS 39 and TFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of TAS 39 for all of their hedging transactions. Further, the new standard removes the 1 January 2015 effective date of IFRS 9. The new version of IFRS 9 issued after IFRS 9 (2013) introduces the mandatory effective date of 1 January 2018 for IFRS 9, with early adoption permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRS 9 Financial Instruments (2014)

IFRS 9, published in July 2014, replaces the existing guidance in TAS 39 *Financial Instruments Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from TAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine-Month Period Ended 30 September 2014

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

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

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

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

IFRS 14 Regulatory Deferral Accounts

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

IFRS 15 Revenue from Contracts with Customers

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

Amendments to TFRS 11 – Accounting for Acquisition of Interests in Joint Operations

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

Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture (Amendments to TFRS 10 and TAS 28)

The amendments address the conflict between the existing guidance on consolidation and equity accounting. The amendments require the full gain to be recognized when the assets transferred meet the definition of a "business" under TFRS 3 *Business Combinations*. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

Equity Method in Separate Financial Statements (Amendments to TAS 27)

The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures, but also for subsidiaries. The amendments apply retrospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine-Month Period Ended 30 September 2014

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

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

2.6 Determination of Fair Values

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

Evaluation methods in terms of levels are described as follows:

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

3. BUSINESS COMBINATIONS

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

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

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

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

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine-Month Period Ended 30 September 2014

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

3. BUSINESS COMBINATIONS (cont'd)

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

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

	30 September 2014
Company Licenses	18.748.147
Lease Contract	9.416.587
Total intangible assets recognised on acquisition	28.164.734

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

Pre-acquisition values are calculated in accordance with Turkish Financial Reporting Standards (TFRS) just before the acquisition date. As of 30 September 2013 and 31 December 2013, the fair values of assets and liabilities recognised on acquisition were determined on a provisional basis. Based on revision works on the independent valuation report regarding the fair value of intangible assets of MNG Teknik during the current period, as of 30 September 2013 and 31 December 2013, the goodwill amounts were realized as 25.264.087 TL and 26.507.294 TL, respectively, and, the amounts previously reported as of 30 September 2013 and 31 December 2013 were revised. The comparison of fair values of tangible and intangible assets and goodwill that are recognized according to the provisional and final studies is presented below:

30 September 2013 (*)	Provisional Study	Final Study
Intangible assets	-	29.765.535
Property and equipment	107.201.498	110.289.011
Deferred tax liability	-	(2.607.863)
Goodwill	55.509.272	25.264.087
	162.710.770	162.710.770
31 December 2013 (*)	Provisional Study	Final Study
Intangible assets	-	31.230.254
Property and equipment	112.476.726	115.716.171
Deferred tax liability	-	(2.736.192)
Goodwill (Note 13)	58.240.801	26.507.294
	170.717.527	170.717.527

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

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
Notes to the Condensed Consolidated Interim Financial Statements
For the Nine-Month Period Ended 30 September 2014
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

4. INVESTMENTS ACCOUNTED BY USING THE EQUITY METHOD

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

	<u>30 September 2014</u>	<u>31 December 2013</u>
Sun Express	127.909.753	76.197.771
Turkish DO&CO	109.194.303	90.923.583
TGS	98.358.756	83.543.135
THY Opet	94.367.773	74.931.561
TEC	50.601.361	46.355.553
Türkbine Teknik	9.295.945	8.632.676
TCI	7.812.714	4.189.363
Uçak Koltuk	3.157.634	4.142.150
Goodrich	1.062.887	758.407
Vergi İade Aracılık	75.119	-
	<u>501.836.245</u>	<u>389.674.199</u>

Financial information for Sun Express as of 30 September 2014 and 31 December 2013 are as follows:

	<u>30 September 2014</u>	<u>31 December 2013</u>
Assets	1.512.517.363	1.065.244.740
Liabilities	1.256.697.857	912.849.199
Shareholders' equity	255.819.506	152.395.541
Group's share in associate's shareholders' equity	127.909.753	76.197.771

	<u>1 January - 30 September 2014</u>	<u>1 July - 30 September 2014</u>	<u>1 January - 30 September 2013</u>	<u>1 July - 30 September 2013</u>
Sales Revenue	2.318.057.895	1.164.669.576	1.846.846.093	977.411.841
Profit for the Period	113.247.046	140.162.174	121.907.858	145.674.510
Share of the Group on the Profit for the Period	56.623.523	70.081.087	60.953.929	72.837.255

Financial information for Turkish DO&CO as of 30 September 2014 and 31 December 2013 are as follows:

	<u>30 September 2014</u>	<u>31 December 2013</u>
Assets	388.679.356	319.646.734
Liabilities	170.290.751	137.799.569
Shareholders' equity	218.388.605	181.847.165
Group's share in associate's shareholders' equity	109.194.303	90.923.583

	<u>1 January - 30 September 2014</u>	<u>1 July - 30 September 2014</u>	<u>1 January - 30 September 2013</u>	<u>1 July - 30 September 2013</u>
Sales Revenue	600.106.209	225.700.594	454.979.738	184.847.373
Profit for the Period	52.355.494	19.300.824	44.264.624	17.734.220
Share of the Group on the Profit for the Period	26.177.747	9.650.412	22.132.312	8.867.110

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine-Month Period Ended 30 September 2014

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

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

Financial information for TGS as of 30 September 2014 and 31 December 2013 are as follows:

	<u>30 September 2014</u>	<u>31 December 2013</u>
Assets	331.789.766	247.171.203
Liabilities	135.072.255	80.084.934
Shareholders' equity	196.717.511	167.086.269
Group's share in associate's shareholders' equity	98.358.756	83.543.135

	<u>1 January - 30 September 2014</u>	<u>1 July - 30 September 2014</u>	<u>1 January - 30 September 2013</u>	<u>1 July - 30 September 2013</u>
Sales Revenue	432.665.766	169.221.167	331.091.395	132.826.193
Profit for the Period	54.662.086	24.470.558	26.269.792	13.073.948
Share of the Group on the Profit for the Period	27.331.043	12.235.279	13.134.896	6.536.974

By the protocol and capital increase dated on 17 September 2009, 50 % of TGS' capital, which has a nominal value of 6,000,000 TL, was acquired by HAVAŞ for 119,000,000 TL and a share premium at an amount of 113,000,000 TL has arisen in the TGS's capital. Because the share premium is related to the 5-year service contract between the Company and TGS, the Company's portion (50 %) of the share premium under the shareholders' equity of TGS was recognized as 'Deferred Income' to be amortized during the contract period.

Financial information for THY Opet as of 30 September 2014 and 31 December 2013 are as follows:

	<u>30 September 2014</u>	<u>31 December 2013</u>
Assets	830.783.369	700.221.142
Liabilities	642.047.824	550.358.020
Shareholders' equity	188.735.545	149.863.122
Group's share in associate's shareholders' equity	94.367.773	74.931.561

	<u>1 January - 30 September 2014</u>	<u>1 July - 30 September 2014</u>	<u>1 January - 30 September 2013</u>	<u>1 July - 30 September 2013</u>
Sales Revenue	4.703.547.771	1.876.459.120	3.584.784.282	1.558.038.147
Profit for the Period	78.806.010	37.340.722	40.146.612	38.881.498
Share of the Group on the Profit for the Period	39.403.005	18.670.361	20.073.306	19.440.749

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine-Month Period Ended 30 September 2014

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

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

Financial information for TEC as of 30 September 2014 and 31 December 2013 are as follows:

	<u>30 September 2014</u>	<u>31 December 2013</u>
Assets	302.525.075	309.937.317
Liabilities	199.256.993	215.334.148
Shareholders' equity	103.268.082	94.603.169
Group's share in associate's shareholders' equity	50.601.361	46.355.553

	<u>1 January - 30 September 2014</u>	<u>1 July - 30 September 2014</u>	<u>1 January - 30 September 2013</u>	<u>1 July - 30 September 2013</u>
Sales Revenue	349.188.086	138.023.506	90.964.631	10.906.854
Loss for the Period	(2.139.600)	(11.134.457)	(32.601.802)	(6.202.824)
Share of the Group on the Loss for the Period	(1.048.404)	(5.455.884)	(15.974.883)	(3.039.384)

Financial information for Turkbine Teknik as of 30 September 2014 and 31 December 2013 are as follows:

	<u>30 September 2014</u>	<u>31 December 2013</u>
Assets	18.916.448	15.108.091
Liabilities	324.558	(2.157.261)
Shareholders' equity	18.591.890	17.265.352
Group's share in associate's shareholders' equity	9.295.945	8.632.676

	<u>1 January - 30 September 2014</u>	<u>1 July - 30 September 2014</u>	<u>1 January - 30 September 2013</u>	<u>1 July - 30 September 2013</u>
Sales Revenue	1.421.597	135.186	243.838	16.018
Loss for the Period	(148.724)	(421.706)	(1.141.214)	(248.170)
Share of the Group on the Loss for the Period	(74.362)	(210.853)	(570.607)	(124.085)

Financial information for TCI as of 30 September 2014 and 31 December 2013 are as follows:

	<u>30 September 2014</u>	<u>31 December 2013</u>
Assets	24.313.287	16.410.105
Liabilities	8.687.859	8.195.668
Shareholders' equity	15.625.428	8.214.437
Group's share in associate's shareholders' equity	7.812.714	4.189.363

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine-Month Period Ended 30 September 2014

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

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

Financial information for TCI as of 30 September 2014 and 31 December 2013 are as follows (cont'd)

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Sales Revenue	6.452.286	129.005	395.088	-
Loss for the Period	(8.612.860)	(867.828)	(2.094.490)	(870.886)
Share of the Group on the Loss for the Period	(4.306.430)	(433.914)	(1.068.190)	(444.152)

Financial information for Uçak Koltuk as of 30 September 2014 and 31 December 2013 are as follows:

	30 September 2014	31 December 2013
Assets	20.130.212	14.898.756
Liabilities	13.814.945	6.614.456
Shareholders' equity	6.315.267	8.284.300
Group's share in associate's shareholders' equity	3.157.634	4.142.150

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Sales Revenue	12.532.822	13.345	104.683	104.683
Loss for the Period	(1.927.640)	(3.665.032)	(480.290)	(121.154)
Share of the Group on the Loss for the Period	(963.820)	(1.832.516)	(240.145)	(60.577)

Financial information for Goodrich as of 30 September 2014 and 31 December 2013 are as follows:

	30 September 2014	31 December 2013
Assets	7.636.840	9.064.019
Liabilities	4.979.622	7.168.001
Shareholders' equity	2.657.218	1.896.018
Group's share in associate's shareholders' equity	1.062.887	758.407

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Sales Revenue	14.661.910	4.110.959	10.753.164	8.509.770
Loss for the Period	(600.140)	(2.213.625)	(1.413.618)	(190.473)
Share of the Group on the Loss for the Period	(240.056)	(885.450)	(565.447)	(76.189)

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine-Month Period Ended 30 September 2014

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

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

Financial information for Vergi İade Aracılık A.Ş. as of 30 September 2014 and 31 December 2013 are as follows:

	<u>30 September 2014</u>		<u>31 December 2013</u>	
Assets	250.398		-	
Liabilities	-		-	
Shareholders' equity	250.398		-	
Group's share in associate's shareholders' equity	75.119		-	
	<u>1 January - 30 September 2014</u>	<u>1 July - 30 September 2014</u>	<u>1 January - 30 September 2013</u>	<u>1 July - 30 September 2013</u>
Sales Revenue	-	-	-	-
Loss for the Period	(4.473)	(4.473)	-	-
Share of the Group on the Loss for the Period	(1.342)	(1.342)	-	-

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

	<u>1 January - 30 September 2014</u>	<u>1 July - 30 September 2014</u>	<u>1 January - 30 September 2013</u>	<u>1 July - 30 September 2013</u>
Sun Express	56.623.523	70.081.087	60.953.929	72.837.255
Turkish DO&CO	26.177.747	9.650.412	22.132.312	8.867.110
TGS	27.331.043	12.235.279	13.134.896	6.536.974
THY Opet	39.403.005	18.670.361	20.073.306	19.440.749
TEC	(1.048.404)	(5.455.884)	(15.974.883)	(3.039.384)
Türkbine Teknik	(74.362)	(210.853)	(570.607)	(124.085)
TCI	(4.306.430)	(433.914)	(1.068.190)	(444.152)
Uçak Koltuk	(963.820)	(1.832.516)	(240.145)	(60.577)
Goodrich	(240.056)	(885.450)	(565.447)	(76.189)
Vergi İade Aracılık	(1.342)	(1.342)	-	-
Total	<u>142.900.904</u>	<u>101.817.180</u>	<u>97.875.171</u>	<u>103.937.701</u>

5. SEGMENTAL REPORTING

The management of the Group investigates the results and operations based on air transportation and aircraft technical maintenance services in order to determine in which resources to be allocated to segments and to evaluate the performances of segments. The detailed information on the sales data of the Group is given in Note 21.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine-Month Period Ended 30 September 2014

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

5. SEGMENTAL REPORTING (cont'd)

5.1 Total Assets and Liabilities

Total Assets	30 September 2014	31 December 2013
Aviation	31.354.485.766	25.229.616.381
Technic	2.283.906.633	1.885.839.508
Total	33.638.392.399	27.115.455.889
Less: Eliminations due to consolidation	(2.129.716.501)	(1.713.378.071)
Total assets in consolidated financial statements	31.508.675.898	25.402.077.818
Total Liabilities	30 September 2014	31 December 2013
Aviation	22.082.813.273	18.226.396.169
Technic	915.902.609	617.466.426
Total	22.998.715.882	18.843.862.595
Less: Eliminations due to consolidation	(711.213.295)	(404.275.133)
Total liabilities in consolidated financial statements	22.287.502.587	18.439.587.462

5.2 Profit/(Loss) before Tax

Segment Results:

1 January-30 September 2014	Aviation	Technic	Inter-segment elimination	Total
Sales to External Customers	18.107.229.910	329.883.376	-	18.437.113.286
Inter-Segment Sales	48.185.849	936.007.837	(984.193.686)	-
Segment Revenue	18.155.415.759	1.265.891.213	(984.193.686)	18.437.113.286
Cost of Sales (-)	(14.758.541.462)	(1.035.118.256)	972.448.088	(14.821.211.630)
Gross Profit	3.396.874.297	230.772.957	(11.745.598)	3.615.901.656
Administrative Expenses (-)	(286.207.904)	(176.366.609)	27.411.914	(435.162.599)
Marketing and Sales Expenses (-)	(1.802.937.130)	(9.572.771)	1.290.076	(1.811.219.825)
Other Operating Income	145.148.599	22.128.771	(13.403.554)	153.873.816
Other Operating Expenses (-)	(31.787.365)	(25.582.967)	758.562	(56.611.770)
Operating Profit	1.421.090.497	41.379.381	4.311.400	1.466.781.278
Income from Investment Activities	116.939.929	25.650	-	116.965.579
Expenses from Investment Activities	(34.342.451)	(109.883)	-	(34.452.334)
Share of Investments' Profit/Loss Accounted by Using The Equity Method	143.163.445	(262.541)	-	142.900.904
Operating Profit before Financial Income/(Expense)	1.646.851.420	41.032.607	4.311.400	1.692.195.427
Financial Income	532.384.565	5.347.985	(26.529.354)	511.203.196
Financial Expense (-)	(296.285.741)	(20.164.603)	26.529.354	(289.920.990)
Profit Before Tax From Continuing Operations	1.882.950.244	26.215.989	4.311.400	1.913.477.633

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
Notes to the Condensed Consolidated Interim Financial Statements
For the Nine-Month Period Ended 30 September 2014
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

5. SEGMENTAL REPORTING (cont'd)

5.2 Profit/(Loss) before Tax (cont'd)

1 January-30 September 2013	Aviation	Technic	Inter-segment elimination	Total
Sales to External Customers	13.678.654.738	208.270.585	-	13.886.925.323
Inter-Segment Sales	11.157.334	526.315.695	(537.473.029)	-
Segment Revenue	13.689.812.072	734.586.280	(537.473.029)	13.886.925.323
Cost of Sales (-)	(10.835.222.565)	(649.272.754)	531.635.438	(10.952.859.881)
Gross Profit	2.854.589.507	85.313.526	(5.837.591)	2.934.065.442
Administrative Expenses (-)	(253.898.976)	(87.842.369)	13.980.306	(327.761.039)
Marketing and Sales Expenses (-)	(1.359.749.569)	(6.830.585)	634.743	(1.365.945.411)
Other Operating Income	114.085.424	20.906.051	(14.068.701)	120.922.774
Other Operating Expenses (-)	(117.697.313)	(16.132.941)	5.386.020	(128.444.234)
Operating Profit/(Loss)	1.237.329.073	(4.586.318)	94.777	1.232.837.532
Income from Investment Activities	116.642.081	1.590.939	-	118.233.020
Expenses from Investment Activities	(1.927.471)	-	-	(1.927.471)
Share of Investments' Profit/(Loss) Accounted by Using The Equity Method	115.533.937	(17.658.766)	-	97.875.171
Operating Profit/(Loss) before Financial Income/(Expense)	1.467.577.620	(20.654.145)	94.777	1.447.018.252
Financial Income	33.034.812	3.031.316	(3.913.235)	32.152.893
Financial Expense (-)	(332.552.080)	(19.435.782)	3.913.235	(348.074.627)
Profit/(Loss) Before Tax From Continuing Operations	1.168.060.352	(37.058.611)	94.777	1.131.096.518

Income Statement Items related to Equity Accounted Investees:

1 January-30 September 2014	Aviation	Technic	Inter-segment elimination	Total
Share of Investments' Profit/(Loss) Accounted by Using The Equity Method	143.163.445	(262.541)	-	142.900.904

1 January-30 September 2013	Aviation	Technic	Inter-segment elimination	Total
Share of Investments' Profit/(Loss) Accounted by Using The Equity Method	115.533.937	(17.658.766)	-	97.875.171

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine-Month Period Ended 30 September 2014

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

5. SEGMENTAL REPORTING (cont'd)

5.3 Investment Operations

	Inter-segment			
	Aviation	Technic	elimination	Total
1 January - 30 September 2014				
Purchase of property and equipment and intangible fixed assets	3.569.196.894	259.707.743	-	3.828.904.637
Current period amortization and depreciation	1.069.026.213	116.442.300	-	1.185.468.513
Investments accounted by using the equity method	339.181.091	162.655.154	-	501.836.245
1 January - 30 September 2013				
Purchase of property and equipment and intangible fixed assets	2.074.753.162	233.193.380	-	2.307.946.542
Current period amortization and depreciation	845.426.428	57.812.072	-	903.238.500
Investments accounted by using the equity method	313.366.960	53.694.203	-	367.061.163

6. CASH AND CASH EQUIVALENTS

	30 September 2014	31 December 2013
Cash	3.126.396	2.231.785
Banks – Time deposits	1.831.217.241	782.265.403
Banks – Demand deposits	404.190.701	521.069.942
Other liquid assets	5.538.984	33.416.705
	2.244.073.322	1.338.983.835

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

Amount	Currency	Interest Rate	Maturity	30 September 2014
583.642.000	TL	%8,76 - %11,15	November 2014	595.859.806
190.074.277	USD	%1,90 - %2,50	December 2014	434.681.147
275.828.685	EUR	%1,80 - %2,45	December 2014	800.676.288
				1.831.217.241

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

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine-Month Period Ended 30 September 2014

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

7. FINANCIAL INVESTMENTS

Short-term financial investments are as follows:

	<u>30 September 2014</u>	<u>31 December 2013</u>
Time deposits with maturity more than 3 months	286.520.333	42.774.034

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 2014</u>
22.253.301	USD	%2,10 - %2,40	January 2015	50.724.805
81.382.543	EUR	%2,25 - %2,30	January 2015	235.795.528
				<u>286.520.333</u>

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

8. BORROWINGS

Short term portions of long term borrowings are as follows:

	<u>30 September 2014</u>	<u>31 December 2013</u>
Finance lease obligations (Note: 14)	1.412.032.347	1.188.220.823

Long term borrowings are as follows:

	<u>30 September 2014</u>	<u>31 December 2013</u>
Finance lease obligations (Note: 14)	12.524.114.416	10.364.269.509

9. OTHER FINANCIAL LIABILITIES

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

	<u>30 September 2014</u>	<u>31 December 2013</u>
Other financial liabilities	42.950.749	33.808.413

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine-Month Period Ended 30 September 2014

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

10. RELATED PARTY TRANSACTIONS

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

	30 September 2014	31 December 2013
TCI	578.472	382.750
Goodrich	22.713	-
	601.185	382.750

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

	30 September 2014	31 December 2013
Turkish DO&CO(*)	7.639.340	-
TCI	415.635	4.087.847
	8.054.975	4.087.847

(*) Consists of receivables from dividend of 2013.

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

	30 September 2014	31 December 2013
THY Opet	237.676.142	184.980.253
Turkish DO&CO	58.516.056	67.793.993
TEC	48.788.951	31.294.411
Sun Express	41.352.358	54.322.677
TGS	32.881.497	33.853.908
Goodrich	-	2.361.168
	419.215.004	374.606.410

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine-Month Period Ended 30 September 2014

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

10. RELATED PARTY TRANSACTIONS (cont'd)

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

Sales

	1 January- 30 September 2014	1 July- 30 September 2014	1 January- 30 September 2013	1 July- 30 September 2013
Sun Express	73.673.323	21.945.189	64.062.527	24.299.151
TEC	32.557.952	23.063.092	9.024.791	851.333
TGS	21.544.904	9.266.695	17.909.610	6.149.824
Turkish DO&CO	2.193.663	909.042	2.440.048	663.671
Türkbine Teknik	1.976.779	1.976.779	481	481
THY Opet	1.458.406	532.208	1.211.198	184.212
Goodrich	143.467	85.524	47.136	1.818
TCI	191.620	(144.264)	153.206	60.131
Sun Express DE	8.390	-	29.765	29.765
	<u>133.748.504</u>	<u>57.634.265</u>	<u>94.878.762</u>	<u>32.240.386</u>

Purchases

	1 January- 30 September 2014	1 July- 30 September 2014	1 January- 30 September 2013	1 July- 30 September 2013
THY Opet	3.811.014.161	1.381.458.004	2.862.105.457	1.117.812.119
TEC	731.338.331	536.025.099	96.001.022	34.558.653
Turkish DO&CO	540.301.941	193.695.784	365.562.965	141.054.326
Sun Express	514.164.442	179.912.613	298.817.974	143.638.970
TGS	330.960.037	119.784.297	276.867.810	105.879.230
Star Alliance GMBH	505.632	152.628	331.817	38.073
TCI	84.022	34.031	7.205	2.417
Goodrich	-	-	99.680	-
	<u>5.928.368.566</u>	<u>2.411.062.456</u>	<u>3.899.793.930</u>	<u>1.542.983.788</u>

Transactions between the Group and Sun Express are related to seat and aircraft rental operations; transactions between the Group and Turkish DO&CO are related to catering services; transactions between the Group and TGS are related to ground services, transactions between the Group and TEC are related to engine maintenance services and the transactions between the Group and THY Opet are related to the supply of aircraft fuel. Receivables from related parties are not collateralized and maturity of trade receivables is 30 days.

The total amount of salaries and other short term benefits provided for the Chairman and the Members of Board of Directors, General Manager, General Coordinator and Deputy General Managers are TL 7,385,606 (30 September 2013; TL 4,919,811)

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine-Month Period Ended 30 September 2014

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

11. PROPERTY AND EQUIPMENT

	Land improvements and buildings	Technical equipments simulators and vehicles	Other equipments, and fixtures	Aircrafts	Spare engines	Components and repairable spare parts	Leasehold improvements	Construction in Progress	Total
Cost									
Opening balance at 1 January 2014	267.179.358	490.597.895	341.358.797	21.093.843.889	780.463.442	560.821.194	190.919.127	1.193.497.453	24.918.681.155
Foreign currency translation differences	18.234.087	38.568.294	20.128.937	1.585.107.118	61.489.947	42.969.690	53.011.599	49.624.687	1.869.134.359
Additions	2.445.952	118.276.313	34.394.118	3.191.481.658	167.156.946	121.770.157	122.526.211	53.860.212	3.811.911.567
Transfers from Investment(*)	-	-	-	-	-	-	617.297.403	(630.305.652)	(13.008.249)
Transfers	-	(10.066.473)	10.066.473	(10.462.748)	10.462.748	-	-	-	-
Disposals	-	(9.844.092)	(99.794.585)	(302.258.924)	(18.664.066)	(29.979.430)	(205.144)	-	(460.746.241)
Closing balance at 30 September 2014	287.859.397	627.531.937	306.153.740	25.557.710.993	1.000.909.017	695.581.611	983.549.196	666.676.700	30.125.972.591
Accumulated Depreciation									
Opening balance at 1 January 2014	92.712.778	233.311.744	247.873.088	6.622.694.220	246.509.985	220.355.668	89.567.556	-	7.753.025.039
Foreign currency translation differences	6.496.324	17.216.845	13.188.506	484.226.195	19.418.130	17.211.190	8.051.585	-	565.808.775
Depreciation charge for the period	3.966.558	35.239.842	29.372.698	942.374.941	52.652.028	64.618.423	36.794.616	-	1.165.019.106
Transfers	-	(2.219.102)	2.219.102	(9.075.834)	9.075.834	-	-	-	-
Disposals	-	(7.001.937)	(98.122.778)	(277.498.305)	(11.586.535)	(22.504.471)	(191.095)	-	(416.905.121)
Closing balance at 30 September 2014	103.175.660	276.547.392	194.530.616	7.762.721.217	316.069.442	279.680.810	134.222.662	-	9.066.947.799
Net book value 30 September 2014	184.683.737	350.984.545	111.623.124	17.794.989.776	684.839.575	415.900.801	849.326.534	666.676.700	21.059.024.792
Net book value 31 December 2013	174.466.580	257.286.151	93.485.709	14.471.149.669	533.953.457	340.465.526	101.351.571	1.193.497.453	17.165.656.116

(*) Construction in progress in the amount of TL 13,008,249 has been reclassified to intangible assets (Note: 12).

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine-Month Period Ended 30 September 2014

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

11. PROPERTY AND EQUIPMENT (cont'd)

	Land improvements and buildings	Technical equipments simulators and vehicles	Other equipments, and fixtures	Aircrafts	Spare engines	Components and repairable spare parts	Leasehold improvements	Construction in Progress	Total
Cost									
Opening balance at 1 January 2013	198.408.933	376.616.472	240.693.235	15.623.706.346	617.668.430	373.795.361	79.440.618	679.208.519	18.189.537.914
Foreign currency translation differences	34.460.357	51.973.834	36.713.686	2.361.427.434	89.592.593	59.561.680	11.412.622	116.590.873	2.761.733.079
Additions	1.687.327	19.255.614	23.828.368	1.799.362.350	73.354.018	110.531.610	2.235.876	257.649.436	2.287.904.599
Additions from business combinations	-	13.504.753	17.614.711	-	-	-	95.852.356	-	126.971.820
Disposals	-	(41.035.695)	(2.429.697)	(54.181.989)	(46.399.190)	(34.550.201)	-	-	(178.596.772)
Transfers	9.576.049	-	-	-	-	-	-	(9.576.049)	-
Closing balance at 30 September 2013	244.132.666	420.314.978	316.420.303	19.730.314.141	734.215.851	509.338.450	188.941.472	1.043.872.779	23.187.550.640
Accumulated Depreciation									
Opening balance at 1 January 2013	73.594.821	202.883.246	175.979.342	4.659.039.951	187.327.416	145.803.610	51.569.939	-	5.496.198.325
Foreign currency translation differences	11.481.486	27.124.199	26.858.749	719.498.528	27.278.735	22.286.727	8.114.179	-	842.642.603
Depreciation charge for the period	4.223.592	21.784.463	20.971.385	745.620.736	51.023.207	41.576.649	9.330.847	-	894.530.879
Additions from business combinations	-	3.598.750	6.252.478	-	-	-	12.596.916	-	22.448.144
Disposals	-	(40.945.923)	(2.373.367)	(54.181.989)	(41.653.789)	(22.504.850)	-	-	(161.659.918)
Closing balance at 30 September 2013	89.299.899	214.444.735	227.688.587	6.069.977.226	223.975.569	187.162.136	81.611.881	-	7.094.160.033
Net book value 30 September 2013	154.832.767	205.870.243	88.731.716	13.660.336.915	510.240.282	322.176.314	107.329.591	1.043.872.779	16.093.390.607

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
Notes to the Condensed Consolidated Interim Financial Statements
For the Nine-Month Period Ended 30 September 2014
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

12. OTHER INTANGIBLE ASSETS

	<u>Slot Rights</u>	<u>Rights</u>	<u>Other</u>	<u>Total</u>
<u>Cost</u>				
Opening balance at 1 January 2014	27.620.894	212.416.323	10.441.512	250.478.729
Foreign currency translation differences	1.871.330	16.016.928	707.424	18.595.682
Additions	-	16.993.070	-	16.993.070
Disposals	-	(6.719)	-	(6.719)
Transfers	-	13.008.249	-	13.008.249
Closing balance at 30 September 2014	<u>29.492.224</u>	<u>258.427.851</u>	<u>11.148.936</u>	<u>299.069.011</u>
<u>Accumulated Depreciation</u>				
Opening balance at 1 January 2014	-	137.397.317	-	137.397.317
Foreign currency translation differences	-	10.350.418	66.351	10.416.769
Amortization charge for the period	-	19.224.889	1.224.518	20.449.407
Disposals	-	(6.719)	-	(6.719)
Closing balance at 30 September 2014	<u>-</u>	<u>166.965.905</u>	<u>1.290.869</u>	<u>168.256.774</u>
Net book value at 30 September 2014	<u>29.492.224</u>	<u>91.461.946</u>	<u>9.858.067</u>	<u>130.812.237</u>
Net book value at 30 December 2013	<u>27.620.894</u>	<u>75.019.006</u>	<u>10.441.512</u>	<u>113.081.412</u>

	<u>Slot Rights</u>	<u>Rights</u>	<u>Other</u>	<u>Total</u>
<u>Cost</u>				
Opening balance at 1 January 2013	23.069.393	128.876.837	-	151.946.230
Foreign currency translation differences	3.256.063	21.047.830	535.211	24.839.104
Additions	-	20.041.943	-	20.041.943
Additions from business combinations (Note 3)	-	18.748.147	9.416.587	28.164.734
Disposals	-	(3.641)	-	(3.641)
Closing balance at 30 September 2013	<u>26.325.456</u>	<u>188.711.116</u>	<u>9.951.798</u>	<u>224.988.370</u>
<u>Accumulated Depreciation</u>				
Opening balance at 1 January 2013	-	100.762.463	-	100.762.463
Foreign currency translation differences	-	15.000.986	-	15.000.986
Amortization charge for the period	-	8.707.621	-	8.707.621
Disposals	-	(3.641)	-	(3.641)
Closing balance at 30 September 2013	<u>-</u>	<u>124.467.429</u>	<u>-</u>	<u>124.467.429</u>
Net book value at 30 September 2013	<u>26.325.456</u>	<u>64.243.687</u>	<u>9.951.798</u>	<u>100.520.941</u>

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine-Month Period Ended 30 September 2014

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

13. GOODWILL

	30 September 2014	31 December 2013
Opening balance	26.507.294	-
Additions (Note: 3)	-	23.905.375
Foreign currency translation differences	1.795.885	2.601.919
Closing balance	<u>28.303.179</u>	<u>26.507.294</u>

14. LEASING TRANSACTIONS

Maturities of finance lease obligations are as follows:

	30 September 2014	31 December 2013
Less than 1 year	1.696.073.450	1.464.764.110
Between 1 – 5 years	6.611.611.137	5.809.555.437
Over 5 years	7.365.816.481	5.970.519.946
	<u>15.673.501.068</u>	<u>13.244.839.493</u>
Less: Future interest expenses	(1.737.354.305)	(1.692.349.161)
Principal value of future rentals stated in financial statements	<u>13.936.146.763</u>	<u>11.552.490.332</u>
	30 September 2014	31 December 2013
Interest Range:		
Floating rate obligations	7.239.011.607	5.073.110.037
Fixed rate obligations	6.697.135.156	6.479.380.295
	<u>13.936.146.763</u>	<u>11.552.490.332</u>

As of 30 September 2014, the US Dollars, Euro and JPY denominated lease obligations' weighted average interest rates are 3.69% (31 December 2013: 3.80%) for the fixed rate obligations and 1.01% (31 December 2013: 0.88%) for the floating rate obligations.

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions are as follows:

(a) Short-term provisions for employee benefits

	30 September 2014	31 December 2013
Provisions for unused vacation	<u>125.905.119</u>	<u>64.731.115</u>

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

	1 January - 30 September 2014	1 January - 30 September 2013
Provision at the beginning of the period	64.731.115	41.066.116
Provision for the current period	61.057.806	24.527.898
Foreign currency translation differences	116.198	20.928
Provision at the end of the period	<u>125.905.119</u>	<u>65.614.942</u>

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine-Month Period Ended 30 September 2014

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

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

(b) Other short-term provisions:

	<u>30 September 2014</u>	<u>31 December 2013</u>
Provisions for legal claims	31.947.532	29.819.212

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

	<u>1 January - 30 September 2014</u>	<u>1 January - 30 September 2013</u>
Provision at the beginning of the period	29.819.212	35.516.181
Provision for the current period	8.971.677	1.209.746
Provisions released	(7.041.917)	(8.444.459)
Foreign currency translation differences	198.560	(149.557)
Provision at the end of the period	<u>31.947.532</u>	<u>28.131.911</u>

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

Investigation that was started by the Competition Authority's decision dated 8 July 2011 to detect the presence of the company's exclusionary actions in domestic and international flights from Istanbul against its competitors was concluded in favor of the Company on 30 December 2011 by the Competition Authority. However, on 22 July 2013, the Administrative Court annulled the decision on the ground that investigation report was based on incomplete investigation and research. Competition Authority has renewed the investigation in accordance with the decision of the Administrative Court. The investigation is ongoing and based on the management opinion, the probability of an outflow of resources embodying economic benefits with respect to this matter is uncertain, thus, no provision is recognized in the condensed consolidated interim financial statements as at and for nine month period ended 30 September 2014.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine-Month Period Ended 30 September 2014

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

16. COMMITMENTS

a) Guarantees/Pledges/Mortgages (“GPM”) given by the group: Amount of letter of guarantees given as of 30 September 2014 is TL 169,865,752 (31 December 2013: TL 168,237,282).

	30 September 2014		31 December 2013	
	Foreign currency amount	TL equivalent	Foreign currency amount	TL equivalent
A. Total amounts of GPM given on the behalf of its own legal entity	-	169.865.752	-	168.237.282
-Collaterals				
TL	-	25.321.755	-	19.793.631
EUR	8.243.497	23.835.247	10.289.903	30.216.299
USD	50.482.355	115.044.238	53.499.485	114.183.950
Other	-	5.664.512	-	4.043.402
B. Total amounts of GPM given on the behalf of subsidiaries that are included in full consolidation	-	-	-	-
C. Total amounts of GPM given in order to guarantee third party debts for routine trade operations	-	-	-	-
D. Total amounts of other GPM given	-	-	-	-
i. Total amount of GPM given on behalf of the Parent	-	-	-	-
ii. Total amount of GPM given on behalf of other group companies not covered in B and C	-	-	-	-
iii. Total amount of GPM given on behalf of third parties not covered in C	-	-	-	-
		<u>169.865.752</u>		<u>168.237.282</u>

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

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

	30 September 2014	31 December 2013
Less than 1 year	440.125.748	306.818.229
Between 1 – 5 years	1.273.754.345	731.414.914
More than 5 years	260.970.778	37.873.466
	<u>1.974.850.871</u>	<u>1.076.106.609</u>

To be delivered between the years 2010-2015, the Group signed a contract for 92 aircrafts with a total value of 11.8 billion US Dollars, according to the price lists before the discounts made by the aircraft manufacturing firms. 10 of these aircrafts were delivered in 2010, 29 of these aircrafts were delivered in 2011, 20 of these aircrafts were delivered in 2012, 18 of these aircrafts were delivered in 2013 and 10 of these aircrafts were delivered in the first nine-month period of 2014. To be delivered between the years 2013-2021, the Group signed a contract for 252 aircrafts with a total value of 37.5 billion US Dollars, according to the price lists before the discounts made by the aircraft manufacturing firms. 2 of these aircrafts were delivered in 2013 and 8 of these aircrafts were delivered in the first nine-month period of 2014. The Group has made an advance payment of 1.493 million US Dollars relevant to these purchases as of 30 September 2014.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine-Month Period Ended 30 September 2014

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

16. COMMITMENTS (cont'd)

c) Other operational leasing debts:

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

	30 September 2014	31 December 2013
Less than 1 year	11.614.789	10.291.602
Between 1 – 5 years	54.546.563	50.256.243
More than 5 years	110.918.553	118.021.858
	<u>177.079.905</u>	<u>178.569.703</u>

17. EMPLOYEE BENEFITS

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

	30 September 2014	31 December 2013
Provisions for retirement pay liability	<u>260.483.205</u>	<u>249.604.088</u>

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

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

Retirement pay liability is subject to an upper limit of monthly TL 3,438 as of 1 January 2014 (1 January 2013: TL 3,129).

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

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

Main assumption is that maximum liability amount increases in accordance with the inflation rate for every service year. So, provisions in the accompanying condensed interim financial statements as of 30 September 2014 are calculated by estimating present value of contingent liabilities due to retirement of employees. Provisions in the relevant balance sheet dates are calculated with the assumptions of 6.00% annual inflation rate (31 December 2013: 6.00%) and 10.20% discount rate. (31 December 2013:10.20%). Estimated amount of retirement pay not paid due to voluntary leaves and retained in the Company is also taken into consideration as 2.35% (31 December 2013: 2.37%). Movement in the provision for retirement pay liability is as follows:

	1 January - 30 September 2014	1 January - 30 September 2013
Provisions at the beginning of the period	249.604.088	234.019.405
Service charge for the period	31.287.957	33.234.732
Interest charges	7.446.750	3.954.206
Additions from business combinations	-	2.719.786
Payments	(28.229.948)	(21.680.645)
Foreign currency translation effect	374.358	(2.518.193)
Provisions at the end of the period	<u>260.483.205</u>	<u>249.729.291</u>

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine-Month Period Ended 30 September 2014

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

18. EXPENSES BY NATURE

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

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Fuel expenses	6.368.716.321	2.296.343.948	4.723.398.340	1.822.561.540
Personnel expenses	2.728.579.009	933.436.481	2.149.147.905	764.060.929
Depreciation expenses	1.185.468.513	409.533.947	903.238.500	321.723.793
Ground services expenses	1.010.540.754	355.726.349	765.291.121	292.365.491
Passenger service and catering expenses	904.853.481	337.372.580	613.077.160	239.981.674
Air traffic control expenses	875.599.937	310.003.734	617.958.322	242.009.371
Landing and navigation expenses	671.289.735	232.954.548	484.667.114	190.329.000
Short term leasing expenses	669.087.278	253.947.963	405.359.478	215.627.650
Commission and incentives Income	595.765.147	197.038.535	469.087.428	171.183.944
Maintenance expenses	593.661.342	195.247.783	420.680.023	177.127.785
Reservation systems expense	365.762.168	113.296.140	286.320.103	92.760.046
Operating lease expenses	263.479.779	98.016.556	209.721.787	69.132.699
Advertising and promotion expenses	223.065.875	62.496.557	134.503.421	45.475.179
Service expenses	150.434.947	59.825.049	77.160.191	36.212.388
Other rent expenses	80.654.609	27.747.192	65.765.378	17.824.087
Communication and information expenses	61.543.808	17.951.358	57.293.531	16.399.782
Insurance expenses	55.268.000	19.667.697	50.344.617	18.288.566
Tax expenses	40.103.025	13.613.479	28.747.157	9.936.977
Transportation expenses	36.918.023	16.285.927	30.795.077	8.503.413
Consultancy expenses	18.861.188	6.955.509	20.316.037	7.188.433
Utility expenses	12.762.446	3.741.953	11.835.058	3.947.358
Membership fees	9.321.646	2.812.569	6.978.469	1.988.340
System usage expenses	8.092.184	2.488.220	7.195.275	2.622.405
Other expenses	137.764.839	47.047.338	107.684.839	47.589.059
	17.067.594.054	6.013.551.412	12.646.566.331	4.814.839.909

19. PASSENGER FLIGHT LIABILITIES

Passenger flight liability is as follows;

	30 September 2014	31 December 2013
Flight liability generating from ticket sales	2.791.126.912	2.109.459.830
Flight liability generating from sales of mileage and frequent flyer programme	454.038.268	453.046.437
	3.245.165.180	2.562.506.267

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine-Month Period Ended 30 September 2014

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

20. SHAREHOLDERS' EQUITY

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

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

(*) 1,644 shares belonging to various private shareholders were not taken into consideration when the Group was included to the privatization program in 1984. Subsequently, these shares were registered on behalf of Privatization Administration according to Articles of Association of the Group, approved by the decision of the Turkish Republic High Planning Board on 30 October 1990.

As of 30 September 2014, the Group's issued and paid-in share capital consists of 137,999,999,999 Class A shares and 1 Class C share, all with a par value of Kr 1 each. These shares are issued to the name. The Class C share belongs to the Republic of Turkey Prime Ministry Privatization Administration and has the following privileges:

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

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

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

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

Restricted Profit Reserves

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine-Month Period Ended 30 September 2014

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

20. SHAREHOLDERS' EQUITY (cont'd)

Foreign Currency Translation Differences

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

Distribution of Dividends

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

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

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

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

Gains/Losses from Cash Flow Hedges

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine-Month Period Ended 30 September 2014

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

21. REVENUE

Details of gross profit are as follows:

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Passenger				
Scheduled flights	16.358.203.995	6.467.804.220	12.310.768.563	5.040.707.913
Unscheduled flights	151.692.123	80.515.241	110.061.888	71.885.950
Total revenue from passenger flights	16.509.896.118	6.548.319.461	12.420.830.451	5.112.593.863
Cargo				
Transported by passenger aircrafts	868.365.847	297.838.137	679.352.118	252.860.877
Transported by cargo aircrafts	671.189.767	204.394.368	522.491.125	200.752.119
Total cargo revenue	1.539.555.614	502.232.505	1.201.843.243	453.612.996
Total revenue from passenger flights and cargo	18.049.451.732	7.050.551.966	13.622.673.694	5.566.206.859
Technical Revenue	329.883.375	101.405.255	208.270.585	105.077.410
Other revenue	57.778.179	18.814.780	55.981.044	16.677.548
Net sales	18.437.113.286	7.170.772.001	13.886.925.323	5.687.961.817
Cost of sales (-)	(14.821.211.630)	(5.292.631.724)	(10.952.859.881)	(4.227.876.437)
Gross profit	3.615.901.656	1.878.140.277	2.934.065.442	1.460.085.380

Geographical details of total revenue from the passenger flights and cargo are as follows:

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
- Europe	5.942.761.088	2.442.556.644	4.581.229.837	1.952.084.407
- Far East	3.852.785.881	1.388.698.443	2.829.320.314	1.089.371.581
- Middle East	2.208.518.237	836.530.701	1.596.928.805	604.654.437
- America	2.060.326.942	828.498.117	1.479.463.879	635.096.017
- Africa	1.508.034.325	552.813.997	1.088.899.134	438.623.679
Total international flights	15.572.426.473	6.049.097.902	11.575.841.969	4.719.830.121
Domestic flights	2.477.025.259	1.001.454.064	2.046.831.725	846.376.738
Total revenue from passenger flights and cargo	18.049.451.732	7.050.551.966	13.622.673.694	5.566.206.859

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine-Month Period Ended 30 September 2014

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

22. COST OF SALES

The details of the cost of sales are as follows:

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Fuel expenses	6.367.667.159	2.295.990.256	4.722.224.551	1.822.122.153
Personnel expenses	2.044.829.296	713.828.795	1.607.464.761	578.256.605
Depreciation expenses	1.108.496.565	379.868.088	865.173.460	306.902.103
Ground services expenses	1.010.540.754	355.726.349	765.291.121	292.365.491
Passenger service and catering expenses	904.853.481	337.372.580	613.077.160	239.981.674
Air traffic control expenses	875.599.937	310.003.734	617.958.322	242.009.371
Landing and navigation expenses	671.289.735	232.954.548	484.667.114	190.329.000
Short term aircraft leasing expenses	669.087.278	253.947.963	405.359.478	215.627.650
Maintenance expenses	589.180.673	193.759.131	415.750.349	176.391.923
Operating lease expenses	263.479.779	98.016.556	209.721.787	69.132.699
Service expenses	112.317.404	45.258.095	54.486.594	27.306.814
Insurance expenses	52.907.840	18.547.980	48.983.569	17.572.298
Transportation expenses	36.918.023	16.285.927	30.795.077	8.503.413
Other rent expenses	35.742.360	11.877.390	39.948.252	8.320.990
Tax expenses	17.143.227	6.764.452	13.838.140	4.450.360
Utility expenses	7.402.659	2.196.192	7.975.799	2.362.959
Other expenses	53.755.460	20.233.688	50.144.347	26.240.934
	14.821.211.630	5.292.631.724	10.952.859.881	4.227.876.437

23. GENERAL ADMINISTRATIVE EXPENSES AND MARKETING AND SALES EXPENSES

General administrative expenses are as follows:

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Personnel expenses	228.989.796	73.275.055	186.913.284	56.074.153
Depreciation expenses	65.899.584	26.346.110	29.245.726	11.616.789
Communication and information expenses	47.957.096	13.396.953	46.216.019	12.090.595
Service expenses	25.170.651	9.438.136	15.891.610	6.338.814
Rent expenses	15.403.697	5.540.686	7.399.547	2.347.829
System usage expenses	8.092.184	2.488.220	7.195.275	2.622.405
Consultancy expenses	7.127.157	2.245.960	7.940.414	1.889.926
Utility expenses	5.359.787	1.545.761	3.859.259	1.584.399
Maintenance expenses	4.480.669	1.488.652	4.929.674	735.862
Tax expenses	2.794.704	485.987	4.841.002	2.340.021
Insurance expenses	2.360.160	1.119.717	1.361.048	716.268
Other general administrative expenses	21.527.114	4.739.096	11.968.181	4.724.531
	435.162.599	142.110.333	327.761.039	103.081.592

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine-Month Period Ended 30 September 2014

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

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

Marketing and sales expenses are as follows:

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Commissions and incentive expenses	595.765.147	197.038.535	469.087.428	171.183.944
Personnel expenses	454.759.917	146.332.631	354.769.860	129.730.171
Reservation systems expense	365.762.168	113.296.140	286.320.103	92.760.046
Advertising and promotion expenses	223.065.875	62.496.557	134.503.421	45.475.179
Rent expenses	29.508.552	10.329.116	18.417.579	7.155.268
Tax expenses	20.165.094	6.363.040	10.068.015	3.146.596
Communication and information expenses	13.586.712	4.554.405	11.077.512	4.309.187
Service expenses	12.946.892	5.128.818	6.781.987	2.566.760
Consultancy expenses	11.734.031	4.709.549	12.375.623	5.298.507
Depreciation expenses	11.072.364	3.672.212	8.819.314	3.204.901
Membership fees	9.321.646	2.812.569	6.978.469	1.988.340
Fuel expenses	1.049.162	353.692	1.173.789	439.387
Other sales and marketing expenses	62.482.265	21.722.091	45.572.311	16.623.594
	<u>1.811.219.825</u>	<u>578.809.355</u>	<u>1.365.945.411</u>	<u>483.881.880</u>

24. OTHER OPERATING INCOME AND EXPENSES

Other operating income consists of the following:

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Insurance, indemnities, penalties income	33.030.742	7.167.995	41.354.141	3.904.005
Grant credit income related to aircraft, engines and other purchases	26.622.032	18.928.902	17.606.071	3.573.512
Foreign exchange gains on trade operations, net	24.101.310	(12.837.255)	-	-
Provisions released	18.088.949	356.893	14.726.177	3.511.024
TGS share premium	11.248.448	3.742.231	8.375.444	2.764.916
Non- interest income from banks	8.363.601	2.975.392	7.011.785	3.221.241
Rent income	2.692.150	124.695	2.923.173	896.569
Late payment interest income	447.176	121.083	2.112.556	1.058.950
Other operating income	29.279.408	5.653.628	26.813.427	554.967
	<u>153.873.816</u>	<u>26.233.564</u>	<u>120.922.774</u>	<u>19.485.184</u>

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine-Month Period Ended 30 September 2014

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

24. OTHER OPERATING INCOME AND EXPENSES (cont'd)

Other operating expenses consist of the following:

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Provision expenses	25.505.542	11.365.728	6.113.478	2.743.804
Discount interest expense arising from trade operations	6.626.255	4.776.873	3.249.001	645.429
Indemnity and penalty expense	6.209.654	2.492.408	4.807.728	842.872
Foreign exchange losses on trade operations, net	-	-	86.063.758	47.225.844
Other operating expenses	18.270.319	10.437.937	28.210.269	3.197.138
	<u>56.611.770</u>	<u>29.072.946</u>	<u>128.444.234</u>	<u>54.655.087</u>

25. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

Incomes from investment activities are as follows:

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Income from investment assistance	90.443.930	32.968.290	68.517.082	24.538.792
Financial investment interest income	25.612.934	20.372.203	40.659.962	20.187.659
Gains on sales of fixed assets	908.715	778.289	9.055.976	945.321
	<u>116.965.579</u>	<u>54.118.782</u>	<u>118.233.020</u>	<u>45.671.772</u>

Expenses from investment activities are as follows:

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Losses on sales of fixed assets	34.452.334	26.148.746	1.927.471	1.899.791

26. EXPENSES CLASSIFIED BY PRINCIPLE OF TYPE

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

27. FINANCIAL INCOME/EXPENSES

Financial income consists of the following:

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Foreign exchange gains arising from financial operations, net(*)	479.993.395	586.376.708	-	-
Interest income	31.209.801	4.048.281	32.152.893	1.721.323
	<u>511.203.196</u>	<u>590.424.989</u>	<u>32.152.893</u>	<u>1.721.323</u>

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine-Month Period Ended 30 September 2014

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

27. FINANCIAL INCOME/EXPENSES (cont'd)

Finance expenses are as follows:

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Finance lease interest expense	224.709.725	58.099.225	198.902.565	71.654.439
Losses on derivative financial instruments, net(**)	25.109.021	29.003.020	29.885.323	34.667.641
Expenses for aircraft financing	14.226.001	4.716.881	21.893.453	3.491.218
Discount interest expense related to prepayments for the aircrafts purchases(***)	10.728.333	16.035.084	12.631.787	1.601.076
Cost of employee termination benefits interest	7.446.750	2.439.223	3.954.206	1.064.492
Foreign exchange losses arising from financial operations,net(*)	-	-	75.465.825	(28.549.118)
Other financial expense	7.701.160	2.534.563	5.341.468	3.318.994
	289.920.990	112.827.996	348.074.627	87.248.742

(*) Foreign exchange losses, amounting to TL 106,383,313, which was disclosed under "Financial Expenses" in the interim period 1 January- 30 June 2014 is reclassified to foreign exchange gains under "Financial Income" in the interim period 1 January-30 September 2014.

(**) Earning from derivative financial instruments, amounting to TL 3,893,999 which was disclosed under "Financial Income" in the interim period 1 January- 30 June 2014 is net-off with losses on derivative financial instruments which was disclosed under "Financial Expenses" in the interim period 1 January-30 September 2014, and earning from derivative financial instruments, amounting to TL 4,782,318 which was disclosed under "Financial Income" in the interim period 1 January- 30 June 2013 is net-off with losses on derivative financial instruments which was disclosed under "Financial Expenses" in the interim period 1 January-30 September 2013.

(***) Discount interest income related to prepayments for the aircrafts purchases, amounting to TL 5,306,751 which was disclosed under "Financial Income" in the interim period 1 January- 30 June 2014 is net-off with discount interest expense related to prepayments for the aircrafts purchases which was disclosed under "Financial Expenses" in the interim period 1 July-30 September 2014, and discount interest income related to prepayments for the aircrafts purchases, amounting to TL 1,430,680 which was disclosed under "Financial Income" in the interim period 1 January-30 June 2013 is net-off with discount interest expense related to prepayments for the aircrafts purchases which was disclosed under "Financial Expenses" in the interim period 1 July-30 September 2013.

28. ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

For the interim period ended 30 September 2014, the Company's other comprehensive income/expense which is not to be reclassified to profit or loss is TL 1,181,630 as expense (30 September 2013: None), other comprehensive income/expense to be reclassified to profit or loss is TL 714,595,713 as income (30 September 2013: TL 733,760,068 as income).

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine-Month Period Ended 30 September 2014

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

29. TAX ASSETS AND LIABILITIES

Assets related to current tax consists of the following items:

	30 September 2014	31 December 2014
Prepaid taxes and funds	12.146.892	16.507.184

Tax expense consists of the following items:

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Current period tax expense	8.813.448	188.982	1.701.131	1.701.131
Deferred tax expense	359.395.313	388.119.306	303.110.369	193.350.728
Tax expense	368.208.761	388.308.288	304.811.500	195.051.859

Tax effect related to other comprehensive income is as follows:

	1 January - 30 September 2014			1 January - 30 September 2013		
	Amount	Tax (expense)	Amount	Amount	Tax (expense)	Amount
	before tax	/income	after tax	before tax	/income	after tax
Changes in foreign currency translation difference	552.951.834	-	552.951.834	745.464.759	-	745.464.759
Change in cash flow hedge reserve	202.054.849	(40.410.970)	161.643.879	(14.630.864)	2.926.173	(11.704.691)
Change in actuarial losses from defined pension plans	(1.477.038)	295.408	(1.181.630)	-	-	-
Other comprehensive income	753.529.645	(40.115.562)	713.414.083	730.833.895	2.926.173	733.760.068

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

Corporate Tax

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

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

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

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

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine-Month Period Ended 30 September 2014

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

29. TAX ASSETS AND LIABILITIES (cont'd)

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding tax is in use since 22 July 2006. Commencing from 22 July 2006, the rate has been changed to 15% 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 TFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and they are given below.

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

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

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

	30 September 2014	31 December 2013
Fixed assets	(1.867.537.272)	(1.531.002.251)
Provisions for ticket sales advance	(81.921.693)	(44.871.518)
Accruals for expenses	198.477.642	176.105.504
Provisions for employee benefits	51.498.205	49.289.273
Income and expense for future periods	(14.170.489)	26.572.442
Long-term lease obligations	9.969.993	10.394.612
Allowance for doubtful receivables	11.931.645	10.750.057
Provisions for unused vacation	23.041.546	12.462.435
Provision for impairment of inventories	4.695.929	2.866.078
Accumulated loss	113.699.038	184.051.336
Fair value corrections of business combinations	(2.921.570)	(2.736.192)
Other	(1.047.421)	(1.215.119)
Deferred tax liabilities	<u>(1.554.284.447)</u>	<u>(1.107.333.343)</u>

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

	1 January - 30 September 2014	1 January - 30 September 2013
Opening balance at 1 January	1.107.333.343	744.083.660
Deferred tax expense	359.395.313	303.110.369
Tax expense from hedge reserve gains/losses	39.227.841	(2.926.173)
Fair value corrections of business combinations	-	2.607.863
Foreign currency translation adjustment	48.327.950	54.849.473
Deferred tax liability at the end of the period	<u>1.554.284.447</u>	<u>1.101.725.192</u>

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine-Month Period Ended 30 September 2014

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

30. EARNINGS PER SHARE

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

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

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

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

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Number of shares outstanding at 1 January (in full)	138.000.000.000	138.000.000.000	120.000.000.000	120.000.000.000
New bonus shares issued (in full)	-	-	18.000.000.000	18.000.000.000
Number of shares outstanding at 30 September (in full)	138.000.000.000	138.000.000.000	138.000.000.000	138.000.000.000
Weighted average number of shares outstanding during the period (in full)	138.000.000.000	138.000.000.000	138.000.000.000	138.000.000.000
Net profit for the period	1.545.268.872	1.373.457.128	826.285.018	705.082.409
Earnings per share (Kr)	1,12	1,00	0,60	0,51

31. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial assets and liabilities of the Group as of 30 September 2014 and 2013 are as follows:

Derivative Financial Assets

	<u>30 September 2014</u>	<u>31 December 2013</u>
Derivative instruments for interest rate cash flow hedge	33.530.860	41.282.298
Cross exchange rate swap agreements	197.137.002	12.920.386
Derivative instruments for fuel prices cash flow hedge	13.313.246	10.076.978
	<u>243.981.108</u>	<u>64.279.662</u>

Derivative Financial Liabilities:

	<u>30 September 2014</u>	<u>31 December 2013</u>
Derivative instruments for interest rate cash flow hedge	151.705.227	101.487.620
Cross exchange rate swap agreements	10.068.810	113.727.977
Derivative instruments for fuel prices cash flow hedge	67.222.854	18.733.493
	<u>228.996.891</u>	<u>233.949.090</u>

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
Notes to the Condensed Consolidated Interim Financial Statements
For the Nine-Month Period Ended 30 September 2014
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

32. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS

Foreign currency risk management

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

	30 September 2014					
	TL EQUIVALENT	TL	EUR	GBP	JPY	Other
1.Trade Receivables	1.419.601.863	341.721.975	289.360.355	97.498.221	24.667.409	666.353.903
2a.Monetary Financial Assets	2.014.484.077	598.670.861	1.106.037.478	4.305.391	21.903.164	283.567.183
2b.Non Monetary Financial Assets	-					
3.Other	815.697.661	605.462.716	110.767.541	23.183.409	3.450.568	72.833.427
4.Current Assets (1+2+3)	4.249.783.601	1.545.855.552	1.506.165.374	124.987.021	50.021.141	1.022.754.513
5.Trade Receivables	-	-	-	-	-	-
6a.Monetary Financial Assets	-	-	-	-	-	-
6b.Non Monetary Financial Assets	-	-	-	-	-	-
7.Other	88.662.059	3.303.791	63.357.777	50.307	386.463	21.563.721
8.Non Current Assets (5+6+7)	88.662.059	3.303.791	63.357.777	50.307	386.463	21.563.721
9.Total Assets (4+8)	4.338.445.660	1.549.159.343	1.569.523.151	125.037.328	50.407.604	1.044.318.234
10.Trade Payables	1.109.060.523	536.829.254	346.374.338	10.144.849	4.571.748	211.140.334
11.Financial Liabilities	939.744.971	34.657.460	652.408.300	-	252.679.211	-
12a.Other Liabilities, Monetary	914.958.764	735.647.485	151.692.514	1.376.921	4.270.687	21.971.157
12b.Other Liabilities, Non Monetary	141.227.392	141.227.392	-	-	-	-
13.Current Liabilities (10+11+12)	3.104.991.650	1.448.361.591	1.150.475.152	11.521.770	261.521.646	233.111.491
14.Trade Payables	369.200	369.200	-	-	-	-
15.Financial Liabilities	8.716.399.089	-	5.216.802.301	-	3.499.596.788	-
16a.Other Liabilities, Monetary	32.926.724	2.753.185	16.692.477	126.793	-	13.354.269
16b.Other Liabilities, Non Monetary	272.389.452	272.389.452	-	-	-	-
17.Non Current Liabilities (14+15+16)	9.022.084.465	275.511.837	5.233.494.778	126.793	3.499.596.788	13.354.269
18.Total Liabilities (13+17)	12.127.076.115	1.723.873.428	6.383.969.930	11.648.563	3.761.118.434	246.465.760
19.Net asset / liability position of off-balance sheet derivatives (19a-19b)	-	-	-	-	-	-
19a.Off-balance sheet foreign currency derivative assets	-	-	-	-	-	-
19b.Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-	-
20.Net foreign currency asset/(liability) position (9-18+19)	(7.788.630.455)	(174.714.085)	(4.814.446.779)	113.388.765	(3.710.710.830)	797.852.474
21.Net foreign currency asset / liability position of monetary items (UFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(8.279.373.331)	(369.863.748)	(4.988.572.097)	90.155.049	(3.714.547.861)	703.455.326
22.Fair value of foreign currency hedged financial assets	-	-	-	-	-	-
23.Hedged foreign currency assets	-	-	-	-	-	-
24.Hedged foreign currency liabilities	-	-	-	-	-	-

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine-Month Period Ended 30 September 2014

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

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

Foreign currency risk management (cont'd)

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine-Month Period Ended 30 September 2014

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

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

Foreign currency risk management (cont'd)

Foreign currency sensitivity

The Group is exposed to foreign exchange risk primarily from EURO, JPY, TL and GBP. The following table details the Group's sensitivity to a 10% increase and decrease in EURO, JPY, TL and GBP. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit or loss and other equity items.

	30 September 2014	
	Profit / (Loss) Before Tax Effect	
	If foreign currency appreciated 10 %	If foreign currency depreciated 10 %
1- TL net asset / liability	(17.471.409)	17.471.409
2- Part of hedged from TL risk (-)	-	-
3- TL net effect (1+2)	(17.471.409)	17.471.409
4- Euro net asset / liability	(481.444.678)	481.444.678
5- Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	(481.444.678)	481.444.678
7- GBP net asset / liability	11.338.877	(11.338.877)
8- Part of hedged from GBP risk (-)	-	-
9- GBP net effect (7+8)	11.338.877	(11.338.877)
10- JPY net asset / liability	(371.071.083)	371.071.083
11- Part of hedged from JPY risk (-)	-	-
12- JPY net effect (10+11)	(371.071.083)	371.071.083
13- Other foreign currency net asset / liability	79.785.247	(79.785.247)
14- Part of hedged other foreign currency risk (-)	-	-
15- Other foreign currency net effect (13+14)	79.785.247	(79.785.247)
TOTAL (3 + 6 + 9 + 12+15)	(778.863.046)	778.863.046

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine-Month Period Ended 30 September 2014

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

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

- Discount interest expense, amounting to TL 1,876,978 which was disclosed under “Financial Expenses” in the interim period 1 January- 30 September 2013 is reclassified to “Other Operating Expenses”.
- Income from government grants and incentives, amounting to TL 68,517,082 which was disclosed under “Other Operating Income” in the interim period 1 January- 30 September 2013 is reclassified to “Income from Investment Activities”.
- Transportation expense, amounting to TL 4,205,616 which was disclosed under “Cost of Sales” in the interim period 1 January- 30 September 2013 is reclassified to “General Administrative Expenses”.
- Losses on sales of fixed assets, amounting to TL 1,927,471 which was disclosed under “Income from Investment Activities” in the interim period 1 January- 30 September 2013 are reclassified to “Expenses from Investment Activities”.
- Discount interest income, amounting to TL 1,406,858 which was disclosed under “Financial Income” in the interim period 1 January- 30 September 2013 is net off with discount interest expense under “Financial Expenses”.
- Discount interest expense, amounting to TL 1,876,978 which was disclosed under “Financial Expenses” in the interim period 1 July- 30 September 2013 is reclassified to “Other Operating Expenses”.
- Income from government grants and incentives, amounting to TL 24,538,792 which was disclosed under “Other Operating Income” in the interim period 1 July- 30 September 2013 is reclassified to “Income from Investment Activities”.
- Transportation expense, amounting to TL 1,844,249 which was disclosed under “Cost of Sales” in the interim period 1 July- 30 September 2013 is reclassified to “General Administrative Expenses”.
- Losses on sales of fixed assets, amounting to TL 1,899,791 which was disclosed under “Income from Investment Activities” in the interim period 1 July- 30 September 2013 are reclassified to “Expenses from Investment Activities”.
- Foreign exchange gains arising from financial operations amounting to TL 28,549,118 which was disclosed under “Financial Income” in the interim period 1 July- 30 September 2013 are reclassified to foreign exchange losses arising from financial operations under “Financial Expenses”.