CONVENIENCE TRANSLATION OF REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2008

(Convenience Translation of Report And Financial Statements Originally Issued in Turkish)
TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
CONSOLIDATED BALANCE SHEETS
AS AT 31 MARCH 2008 AND 31 DECEMBER 2007
(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

ASSETS	**Note**	**Not Audited 31 March 2008**	**Audited 31 December 2007**
Current Assets		**1.646.684.530**	**1.487.528.554**
Cash and Cash Equivalents	6	481.782.543	552.951.215
Financial Assets	7	330.590.700	219.265.000
Accounts Receivable (net)	10	383.843.980	245.539.019
Other Receivables (net)	11	286.098.538	305.855.757
Inventories (net)	13	110.932.458	113.740.571
Other Current Assets	26	53.436.311	50.176.992
Non-Current Assets		**3.999.115.464**	**3.434.267.181**
Accounts Receivable (net)	10	-	-
Other Receivables (net)	11	28.785.472	21.756.328
Financial Assets	7	6.529.104	3.016.564
Investments At Equity	16	29.775.092	38.370.043
Investment Property	17	53.700.000	53.700.000
Tangible Assets (net)	18	3.787.167.242	3.234.359.407
Intangible Assets (net)	19	10.157.172	10.445.317
Deferred Tax Assets	35	3.035.779	2.544.815
Other non-current Assets	26	79.965.603	70.074.707
Total Assets		**5.645.799.994**	**4.921.795.735**

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

(Convenience Translation of Report And Financial Statements Originally Issued in Turkish)
TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
CONSOLIDATED BALANCE SHEETS
AS AT 31 MARCH 2008 AND 31 DECEMBER 2007
(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

	Note	Not Audited 31 March 2008	Audited 31 December 2007
LIABILITIES			
Short Term Liabilities		**1.238.240.558**	**1.116.145.370**
Financial Debt (net)	8	265.107.880	228.918.371
Other Financial Liabilities (net)	9	504.818	877.628
Accounts Payable	10	356.301.117	364.523.991
Other Liabilities	11	94.028.990	84.116.819
Tax Liability for the Period	35	-	19.981.215
Provisions for Liabilities	22	7.775.556	4.779.221
Other Short Term Liabilities	26	514.522.197	412.948.125
Long Term Liabilities		**2.291.357.130**	**1.901.342.808**
Financial Debt (net)	8	1.923.038.759	1.595.842.462
Other Financial Liabilities (net)	9	-	-
Accounts Payable	10	-	-
Other Liabilities	11	8.358.892	7.058.322
Provisions for Liabilities	22	-	-
Retirement Pay Liability	24	136.164.566	131.959.011
Deferred Tax Liabilities	35	198.020.230	142.383.261
Other Long Term Liabilities	26	25.774.683	24.099.752
SHAREHOLDERS' EQUITY	27		
Shareholders' Equity of Parent Company		**2.116.202.306**	**1.904.307.557**
Share Capital		175.000.000	175.000.000
Restatement Effect on Shareholders' Equity		1.739.005.871	1.739.005.871
Adjustment to Share Capital (-)		-	-
Share Premium		895.492	895.492
Revaluation Surplus		87.163.765	-
Foreign Currency Translation Differences		-	-
Restrained Reserves from Profit		61.014.406	61.014.406
Accumulated Losses		(71.608.212)	(363.500.835)
Net Profit / (Loss) for the Period		124.730.984	291.892.623
Minority Interests		-	-
Total Liabilities and Shareholders' Equity		**5.645.799.994**	**4.921.795.735**

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

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI

CONSOLIDATED STATEMENTS OF INCOME

FOR THE PERIODS ENDED 31 MARCH 2008 AND 31 DECEMBER 2007

(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

	Note	Not Audited 1 January – 31 March 2008	Not Audited 1 January – 31 March 2007
CONTINUING OPERATIONS			
Sales Revenues	28	1.089.205.773	960.945.200
Cost of Sales (-)	28	(911.196.846)	(768.360.394)
Gross Profit / (Loss) From Commercial Operations		**178.008.927**	**192.584.806**
Interest,Fee,Premium,Commission and Other Income		-	-
Interest,Fee,Premium,Commission and Other Expenses (-)		-	-
GROSS PROFIT / (LOSS)		**178.008.927**	**192.584.806**
Marketing, Selling and Distribution Expenses (-)	29,30	(135.337.407)	(147.020.439)
General Administrative Expenses (-)	29,30	(46.768.187)	(39.690.344)
Research and Development Expenses (-)	29,30	-	-
Other Operating Income	31	105.810.417	115.892.878
Other Operating Expenses (-)	31	(1.212.751)	(4.858.317)
OPERATING PROFIT / (LOSS)		**100.500.999**	**116.908.584**
Stake in Profit/Loss of Investments At Equity	16	(8.594.950)	(7.057.241)
Financial Income	32	415.785.081	71.309.088
Financial Expenses (-)	33	(349.485.878)	(139.601.275)
PROFIT /(LOSS) BEFORE TAXES FROM CONTINUING OPERATIONS		**158.205.252**	**41.559.156**
Tax Income / (Expense) from Continuing Operations		**33.474.268**	**950.932**
-Tax Income / (Expense) For The Period	35	(119.199)	(134.517)
- Deferred Tax Income / (Expense)	35	(33.355.069)	(816.415)
PROFIT / (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		**124.730.984**	**40.608.224**
PROFIT / (LOSS) FOR THE PERIOD		**124.730.984**	**40.608.224**
Earnings Per Share (Ykr)	36	**0,071**	**0,023**

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

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE PERIODS ENDED 31 MARCH 2008 AND 2007

(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

				Revaluations					
	Share Capital	Restatement Effect on Shareholders' Equity	Share Premium	Revaluation Surplus on Tangible Assets	Financial Assets Fair Value Reserve	Restrained Reserves from Profit	Net Profit for the Period	Accumulated Losses	Total
Balances at 31 December 2006	175.000.000	1.739.005.871	895.492	-	(2.696.482)	61.014.406	178.782.921	(542.283.756)	1.609.718.452
Transfer of Previous Year's Profit to Accumulated Losses	-	-	-	-	-	-	(178.782.921)	178.782.921	-
Measurement of Financial Assets	-	-	-	-	886.465	-	-	-	886.465
Net profit for the period	-	-	-	-	-	-	40.608.224	-	40.608.224
Balances at 31 March 2007	175.000.000	1.739.005.871	895.492	-	(1.810.017)	61.014.406	40.608.224	(363.500.835)	1.651.213.141
Balances at 31 December 2007	175.000.000	1.739.005.871	895.492	-	-	61.014.406	291.892.623	(363.500.835)	1.904.307.557
Transfer of Previous Year's Profit to Accumulated Losses	-	-	-	-	-	-	(291.892.623)	291.892.623	-
Revaluation Surplus on Tangible Assets	-	-	-	87.163.765	-	-	-	-	87.163.765
Net profit for the year	-	-	-	-	-	-	124.730.984	-	124.730.984
Balances at 31 March 2008	175.000.000	1.739.005.871	895.492	87.163.765	-	61.014.406	124.730.984	(71.608.212)	2.116.202.306

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

(Convenience Translation of Report And Financial Statements Originally Issued in Turkish)
TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS 1 JANUARY-31 MARCH 2008 AND 2007
(All amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

CASH FLOWS FROM OPERATING ACTIVITIES	1 January - 31 March 2008	1 January - 31 March 2007
Profit/ (Loss) before taxation	158.205.252	41.559.156
Adjustments to reconcile profit for the period to net cash provided by operating activities:		
Depreciation and amortization	83.058.711	88.835.288
Provision for retirement pay liability	8.550.977	23.961.096
Interest income	(16.590.917)	(5.047.015)
Profit on sale of fixed asset	-	(27.769)
Decrease in provision for impairment	(317.129.820)	(21.110.399)
Loss from investments at equity	8.594.951	7.057.241
Interest expense	24.913.677	22.890.190
Movement in manufacturers' credit	(1.551.827)	(2.621.513)
Foreign exchange loss /(gain) on financial liabilities	246.008.067	(25.504.018)
Increase in provision for doubtful receivables	204.626	3.600.392
Change in the fair value of derivative instruments	(3.512.540)	1.173.710
Deferred tax liability netted of financial assets fair value reserve	21.790.936	-
Taxation	-	5.267.664
Operating profit before working capital change	**212.542.093**	**140.034.023**
Increase in accounts receivable	(138.509.587)	(67.398.223)
Increase in financial assets	(111.325.700)	(1.173.710)
(Increase) / decrease in other short and long term receivables	(10.776.368)	9.231.287
Decrease in inventories	2.808.113	16.180.527
Increase in other current assets	(3.259.319)	(11.481.085)
Increase in other non-current assets	(9.890.896)	(840.489)
Increase / (decrease) in accounts payable	(8.222.874)	1.335.828
Increase / (decrease) in other liabilities	11.212.741	(6.588.596)
Increase in provision for short term liabilities	2.996.335	1.411.114
Increase in other short and long term liabilities	104.800.830	9.395.887
Retirement benefits paid	(4.345.421)	(1.940.067)
Interests paid	(24.119.746)	(22.534.090)
Prepaid taxes	(20.100.418)	(5.402.181)
Cash generated from operations	**3.809.783**	**60.230.225**
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from sale of tangible and intangible assets	12.892.549	80.322
Interest received	16.590.917	5.047.015
Acquisition of tangible & intangible assets (*)	(160.390.999)	(29.516.361)
Change in Advances Given For Aircrafts and Other Tangible Assets	23.504.443	(58.533.590)
Increase in Revaluation Surplus	87.163.767	-
Net cash used in investing activities	**(20.239.323)**	**(82.922.614)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payment of finance lease obligations	(53.486.182)	(52.416.706)
Decrease in bank loans	(880.140)	(1.034.006)
Increase in other financial liabilities	(372.810)	194.936
Net cash used in financing activities	**(54.739.132)**	**(53.255.776)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(71.168.672)	(75.948.165)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	552.951.215	365.057.959
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**481.782.543**	**289.109.794**

(*) The portion amounted TRY 165.347.481 of the total purchases of tangible and intangible assets amounted TRY 222.386.428 for the period ended 31 March 2008 was made through finance lease (TRY 126.261.123 of TRY 157.931.257 for the year ended 31 March 2007) was made through finance lease.

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

1 THE COMPANY'S ORGANIZATION AND OPERATIONS

Türk Hava Yolları A.O. ("the Company" or "THY") was incorporated in Turkey in 1933. The principal activity of the Company is domestic and international air transportation of passengers and cargo.

As of 31 March 2008 and 31 December 2007, the shareholders and their respective shareholdings in the Company are as follows:

	31 March 2008	**31 December 2007**
Republic of Turkey Prime Ministry Privatization Administration	% 49,12	% 49,12
Others (Offered to Public)	% 50,88	% 50,88
Total	% 100,00	% 100,00

The total number of employees working for Türk Hava Yolları A.O. and its subsidiary ("the Group") as of 31 March 2008 is 13.185 (31 March 2007: 12.897). The average number of employees working for the Group as of 31 March 2008 and 2007 is 13.019 and 12.815, 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.

<u>Approval of Financial Statements</u>

Board of Directors approved consolidated financial statements at 30 May 2008 and authorized to be published.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Fundamentals of The Presentation

The Company and its Subsidiary and Affiliates registered in Turkey keep their books of account and prepare their statutory financial statements in accordance with the principles and obligations Turkish Commercial Code (the "TCC"), tax legislation. Subsidiaries that operate in other countries keep their books of account and prepare their statutory financial statements in accordance with legistations of those countries and in units of corresponding currencies.

i) Accounting Standards Applied:

Principles specified in "Announcement About Financial Statements Formats and Footnotes Prepared in Accordance with Communique Serial:XI, No:29 Principles For Financial Reporting in Capital Markets" which was declared with the decision of CMB dated 17 April 2008 and numbered 11/467 were used in the preparation of consolidated financial statements and footnotes as of 31 March 2008.

Group restated balance sheet as of 31 December 2007 and statement of income for the period 01 January-31 March 2007 in order to make those financial statements compliant with consolidated balance sheet and statement of income as of 31 March 2008 which were prepared according to principles mentioned above.

The Group and its Subsidiary and Affiliates registered in Turkey keep their books of account and prepare their statutory financial statements in accordance with the principles and obligations published by the CMB, Turkish Commercial Code (the "TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance.

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

2.1 Fundamentals of The Presentation (cont'd)

i) Accounting Standards Applied:
Currency Used In The Financial Statements

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

ii) Preparation of Financial Statements in Hyperinflationary Periods
The Group ended inflation accounting application starting from 1 January 2005 in accordance with the decision of CMB dated 17 March 2005.

iii) Basis of Consolidation

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

All intra-group transactions, balances, income and expenses have been eliminated in consolidation.

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

The table below sets out the consolidated Subsidiary and participation rate of the Group in this subsidiary at 31 March 2008:

Name of the Company	Principal Activity	Direct Participation	Indirect Participation	Country of Registration
THY Teknik A.Ş.	Technical Maintenance	% 100	-	Turkey

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

c) The Group has two affiliates. The affiliates to which the participation rate of the Group is 50% are controlled by the Group jointly, and are valued by equity method.

The table below sets out consolidated affiliates and indicates the proportion of ownership interest of the Company in these affiliates at 31 March 2008:

Name of the Company	Principal Activity	Direct Participation	Indirect Participation	Country of Registration
Güneş Ekspres Havacılık A.Ş.	Air Transportation	% 50	-	Turkey
THY DO&CO İkram Hizmetleri A.Ş	Catering Services	% 50	-	Turkey

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

2.1 Fundamentals of The Presentation (cont'd)

iii) Basis of Consolidation (cont'd)

In the accompanying financial statements, subsidiaries' operations' results, assets and liabilities are journalized by using equity method except for the subsidiaries that are journalized as assets available-for-sale based on IFRS 5 standard. According to the equity method, subsidiaries are stated as the cost value adjusted as deducting the impairment in subsidiary from the change occured in the subsidiary's assets after the acquisition date that is calculated by the Group's share in the consolidated balance sheet. Subsidiary's losses that exceed the Group's share are not considered (actually, that contains a long term investment which composes the net investment in the subsidiary).

2.2 Changes in Accounting Policies

Changes in accounting policies are applied retroactively and the financial statements of the previous period are adjusted. Group made necessary changes in accounting policies beginning from 1 January 2007 in order to comply with CMB's Serial XI, No 29 Communique.

2.3 Changes in Accounting Estimates and Errors

Changes in accounting policies or accounting errors noted are applied retroactively and the financial statements of the previous year are adjusted. If estimated changes in accounting policies are for only one period, changes are applied on the current year but if the estimated changes are for the following periods, changes are applied both on the current and following years prospectively.

2.4 New and Revised International Financial Reporting Standards

In the current period, Group applied the new and revised standards and interpretations which were promulgated by International Accounting Standards Board and International Financial Reporting Committee and in use beginning from 1 January 2008 Group, related to its field of operations.

Although the following standards and changes and interpretations in previous standards are compulsory for financial periods beginning at 1 January 2008 or after that date, these are not related to Group's operations:

- IFRIC 11, "IFRS 2 – Members' Shares in Co-operative Entities and Similar Instruments"
- IFRIC 12, "Service Concession Arrangements",
- IFRIC 14, "IAS 19- The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction",

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

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

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

Standards which are not in effect currently and not adopted by Group for early application and changes in and interpretations about current standards

The following Standards and Interpretations are promulgated, but not come into force as of the date these financial statements were approved:

• IAS 23, "Borrowing Costs (Revised) "	Effective for periods beginning on or after 1 January 2009
• IFRS 8, "Operating Segments"	Effective for periods beginning on or after 1 January 2009
• IFRIC 13, "Customer Loyalty Programmes"	Effective for periods beginning on or after 1 July 2008
• IFRS 2, "Share-Based Payments" Amendment of IFRS 2 for Vesting Conditions and Cancellations.	Effective for periods beginning on or after 1 January 2009
• IFRS 3, "Business Combinations" • IAS 27, "Consolidated and Separate Financial Statements • IAS 28, "Investments in Associates" • IAS 31 "Interests In Joint Ventures" Comprehensive Change About The Application of Purchase Method	Effective for periods beginning on or after 1 July 2009
• IAS 1, "Presentation of Financial Statements" • IAS 32, "Financial Instruments: Presentation" Puttable instruments and obligations arising on liquidation	Effective for periods beginning on or after 1 January 2009
• IAS 1, "Presentation of Financial Statements"	Effective for periods beginning on or after 1 January 2009

Group's management thinks that the application of the above Standards and Interpretations in future periods will not have a significant influence upon the Group's financial statements.

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

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

2.5 Summary Of Significant Accounting Policies

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

2.5.1 Offsetting

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

2.5.2 Revenue

Passenger fares and cargo revenues are recorded as operating revenue when the transportation service is provided. Tickets sold but not yet used (not flied) are recorded as passenger flight liabilities.

The Group develops estimations using historical statistics and data for unredeemed tickets. Total estimated unredeemed tickets are recognized as operating revenue.

Agency commissions to relating to the passenger revenue are recognized as expense when the transportation service is provided.

2.5.3 Inventories

Inventories are valued at the lower of cost or net realizable value by using the moving weighted average cost method.

2.5.4 Tangible Assets

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

	Useful Life (Years)	Residual Value
- Buildings	25-50	-
- Aircrafts	15-20	%10-30
- Cargo Aircraft	30	% 10
- Engines	15-20	%10-30
- Components	7	-
- Repairable Spare Parts	2-3	-
- Simulators	10-20	%0-10
- Machinery and Equipments	3-15	-
- Furniture and Fixtures	3-15	-
- Motor Vehicles	4-7	-
- Other Equipments	4-15	-

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

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

2.5 Summary Of Significant Accounting Policies (cont'd)

2.5.5 Leasing Transactions

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

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss.

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

2.5.6 Intangible Assets

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

2.5.7 Impairment on Assets

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the assets' recoverable amounts are estimated. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is the present value of estimated future cash flows resulting from continuing use of an asset and from disposal at the end of its useful life. Impairment losses are accounted at the consolidated income statement.

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

As of 31 December 2007, an examination is made of whether net book values of aircrafts, spare engines and simulators exceed their recoverable amounts. Recoverable amount is determined as, higher of the present value of cash flows expected from the usage of an asset and its net selling price. Net selling price for the aircrafts is determined according to second hand prices in international price guides. Net selling price for spare engines and simulators is net book values based on US Dollar acquisition costs.

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

2.5 Summary Of Significant Accounting Policies (cont'd)

2.5.7 Impairment on Assets (cont'd)

In the accompanying financial statements, the change in the differences between net book values of these assets and recoverable amounts are recognized as provision income/losses under income/losses from other operations account. Changes in value due to exchange rate changes and real changes are disclosed separately.

2.5.8 Borrowing Costs

Borrowing costs incurred for the purchasing, construction or production of assets of which putting into use or sale requires a significant amount of time or borrowing costs which can be matched with production are added into the cost of the asset until it can be put into use or sale. Financial invesment income earned from investing the unused amount of credit related to investments is offset against borrowing costs which can be capitalized.

All borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.5.9 Financial Instruments

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

a) Financial assets

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

Other financial assets are classified into the following specified categories: financial assets as "at fair value through profit or loss" (FVTPL), "held-to-maturity investments", "available-for-sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss

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

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

2.5 Summary Of Significant Accounting Policies (cont'd)

2.5.9 Financial Instruments (cont'd)

a) Financial assets (cont'd)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriates a shorter period.

Income is recognized on an effective interest basis for held-to-maturity investments, available-for-sale financial assets and loans and receivables.

Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognized on an effective yield basis.

Available for sale financial assets

Certain shares and redeemable notes held by the Company are classified as being available for sale and are stated at fair value.

Gains and losses arising from changes in fair value are recognized directly in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognized directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investments revaluation reserve is included in profit or loss for the period.

Dividends on available for sale equity instruments are recognized in profit and loss when the Group's right to receive payments is established.

The fair value of available for sale monetary assets denominated in a foreign currency determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognized in profit or loss, and other changes are recognized in equity.

Loans and receivables

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

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

2.5 Summary Of Significant Accounting Policies (cont'd)

2.5.9 Financial Instruments (cont'd)

a) Financial assets (cont'd)

Impairment of financial assets

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

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

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

In respect of available for sale equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Cash and cash equivalents

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

b) Financial liabilities

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

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

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

2.5 Summary Of Significant Accounting Policies (cont'd)

2.5.9 Financial Instruments (cont'd)

b) Financial liabilities (cont'd)

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

Other financial liabilities, including bank borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognized on an effective yield basis.

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

Derivative financial instruments and hedge accounting

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

The significant interest rate risk arises from finance lease liabilities. The Group policy is to turn some financial liabilities with fixed interest rates into financial liabilties with variable interest rates, and some financial liabilities denominated in EUR into financial liabilities denominated in USD.

The Group uses derivative financial instruments for these purposes.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments are immediately recognized in profit or loss.

2.5.10 Business Combinations

Acquisition of subsidiaries are accounted per purchase method. Cost of business combination is calculated as the total of fair values of assets given, liabilities incurred or assumed and equity instruments issued in order to acquire the control of the subsidiary and other costs directly attributable to business combination. According to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", identifiable assets, liabilities and contingent liabilities which qualify to be recognized according to IFRS 3 "Business Combinations" except held-for-sale assets and assets recognized at the value which is found by deducting selling expenses from fair value (or group to be sold) are recognized at fair value.

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

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

2.5 Summary Of Significant Accounting Policies (cont'd)

2.5.10 Business Combinations (cont'd)

Goodwill originated from acquisition is determined as the part of the acquisition cost exceeding the Group's share in identifiable assets, liabilities and contingent liabilities of the business acquired and initially recognized at cost. After review, in case the Group's share in identifiable assets, liabilities and contingent liabilities relating to acquired busines exceeds the acquisition cost, the exceeding amount is directly recognized as income.

Minority interest in the acquired business are recognized as the amount of minority interest at the fair value of identifiable assets, liabilities and contingent liabilities of the business in question at the time of acquisition.

2.5.11 Foreign Currency Transactions

Transactions in foreign currencies are translated into New Turkish Lira at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date. Gains and losses arising on settlement and translation of foreign currency items are included in the statements of income.

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

	Closing rate	Average rate
Period ended at 31 March 2008	1,2765	1,1966
Year ended at 31 December 2007	1,1647	1,3003
Period ended at 31 March 2007	1,3801	1,4039
Year ended at 31 December 2006	1,4056	1,4297

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

	Closing rate	Average rate
Period ended at 31 March 2008	2,0156	1,7934
Year ended at 31 December 2007	1,7102	1,7773
Period ended at 31 March 2007	1,8383	1,8393
Year ended at 31 December 2006	1,8515	1,8032

2.5.12 Earnings Per Share

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

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

2.5 Summary Of Significant Accounting Policies (cont'd)

2.5.13 Events Subsequent to the Balance Sheet Date

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

The Group; restates its financial statements if such subsequent events arise.

2.5.14 Provisions, contingent liabilities, contingent assets

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

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

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

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

Onerous Contracts

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

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

Guarantees

Provisions related to guarantee costs are accounted at the date of sale of the relevant products, according to the most appropriate expenditures estimated by management in order to settle the Group's obligations.

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

2.5 Summary Of Significant Accounting Policies (cont'd)

2.5.15 Related Parties

The affiliates, shareholders, top managers and Board Members of the Company, in each case together with their families and companies controlled by or affiliated with them, are considered and referred to as related parties in the accompanying financial statements

2.5.16 Segmental information

A reportable segment is a business segment or a geographical segment identified based on the foregoing definitions for which segment information is required to be disclosed. A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

A business segment or geographical segment should be identified as a reportable segment if a majority of its revenue is earned from sales to external customers and if its revenue from sales to external customers and from transactions with other segments is 10% or more of the total revenue, external and internal, of all segments; or its segment result, whether profit or loss, is 10% or more of the combined result of all segments in profit or the combined result of all segments in loss, whichever is the greater in absolute amount; or its assets are 10% or more of the total assets of all segments.

The Group has chosen business segments as the Group's primary segment reporting format based on the risks and returns on products produced and services rendered reflecting the primary source of the enterprise's risks and returns. Geographical segments have not been disclosed in these consolidated financial statements as the secondary segment reporting format on the grounds of materiality as the operations of the Group in geographical areas other than Turkey are not reportable geographical segments individually when compared with the overall consolidated financial statements (Note 5).

2.5.17 Construction agreements

None

2.5.18 Discontinued operations

None

2.5.19 Government incentives and grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

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

2.5 Summary Of Significant Accounting Policies (cont'd)

2.5.20 Investment properties

Investment properties, which are properties, held to earn rentals and/or for capital appreciation are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

2.5.21 Taxation and deferred tax

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

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

Current tax

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

Deferred Tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

2.5 Summary Of Significant Accounting Policies (cont'd)

2.5.21 Taxation and deferred tax (cont'd)

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

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

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

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

Current and deferred tax for the period

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

2.5.22 Employee benefits / Retirement pay provision

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No. 19 (revised) "Employee Benefits" ("IAS 19").

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

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

2.5 Summary Of Significant Accounting Policies (cont'd)

2.5.23 Retirement plans

None.

2.5.24 Agricultural activities

None.

2.5.25 Statement of cash flows

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

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

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

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

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

2.5.26 Share Capital and Dividends

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

2.5.27 Manufacturers' Credits

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

2.5. Use of Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the period. Actual results could differ from those estimations.

2.5.29 Maintenance and Repair Costs

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

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

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

2.5 Summary Of Significant Accounting Policies (cont'd)

2.5.30 Frequent Flyer Program

The Group provides a frequent flyer program named "Miles and Smiles" in the form of free travel award to its members on accumulated mileage. The estimated cost of providing free travel, using the incremental cost method as adjusted for estimated redemption rates, is recognized as a liability.

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

3 BUSINESS COMBINATIONS

None (31 December 2007: None).

4 JOINT VENTURES

None (31 December 2007: None).

5 SEGMENTAL REPORTING

Business Segments

The Group predominantly operates in one industry segment as of 31 March 2008, the primary businesses are air transportation of passengers and cargo within, to or from Turkey and to supply maintenance service for aircrafts.

Geographical Segments

The revenue analysis is based on the destinations that the Group serves. All passenger fare and cargo revenue within Turkey is attributed to the revenue from domestic services. Revenues from both scheduled and non-scheduled international flights are attributed to destinations' geographical areas.

5.1. Total Assets and Liabilities

Total Assets	**31 March 2008**	**31 December 2007**
Aviation	5.618.219.986	4.890.714.620
Technic	383.738.598	400.381.350
Total	6.001.958.584	5.291.095.970
Less: Eliminations of consolidation	(356.158.590)	(369.300.235)
Total assets according to consolidated financial statements	5.645.799.994	4.921.795.735

Total Liabilities	**31 March 2008**	**31 December 2007**
Aviation	3.502.017.680	2.986.407.063
Technic	72.195.175	86.802.582
Total	3.574.212.855	3.073.209.645
Less: Eliminations of consolidation	(44.615.167)	(55.721.467)
Total liabilities according to consolidated financial statements	3.529.597.688	3.017.488.178

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

5 SEGMENTAL REPORTING (cont'd)

5.2. Net Operating Profit/(Loss)

01 January 2008-31 March 2008	Aviation	Technic	Eliminations between segments	Total
Sales revenue	1.053.039.645	123.845.009	(87.678.881)	1.089.205.773
Cost of sales	(874.790.353)	(121.232.018)	84.825.525	(911.196.846)
Gross profit or (loss)	178.249.292	2.612.991	(2.853.356)	178.008.927
Marketing, sellling and distribution expenses(-)	(134.574.721)	(781.894)	19.208	(135.337.407)
General administration expenses	(39.572.386)	(7.462.197)	266.396	(46.768.187)
Other operating income	105.133.529	3.572.394	(2.895.506)	105.810.417
Other operating expenses	(949.014)	(5.726.995)	5.463.258	(1.212.751)
Operating profit	108.286.700	(7.785.701)	-	100.500.999

01 January 2007-31 March 2007	Aviation	Technic	Eliminations between segments	Total
Sales Revenue	952.389.141	145.319.736	(136.763.677)	960.945.200
Cost of Sales	(754.721.868)	(146.274.401)	132.635.875	(768.360.394)
Gross profit or (loss)	197.667.273	(954.665)	(4.127.802)	192.584.806
Marketing, sellling and distribution expenses(-)	(146.612.164)	(384.482)	(23.793)	(147.020.439)
General administration expenses	(34.422.587)	(5.291.550)	23.793	(39.690.344)
Other operating income	115.409.982	482.896	-	115.892.878
Other operating expenses	(4.287.220)	(4.698.899)	4.127.802	(4.858.317)
Operating profits	127.755.284	(10.846.700)	-	116.908.584

5.3. Investment Operations

01 January 2008 -31 March 2008	Aviation	Technic	Eliminations between segments	Total
Purchases of tangible and intangible assets	199.409.353	22.977.075	-	222.386.428
Current period amortization and depreciation expense	71.800.631	11.258.080	-	83.058.711

01 January 2007 -31 March 2007	Aviation	Technic	Eliminations between segments	Total
Purchases of tangible and intangible assets	127.912.709	30.018.548	-	157.931.257
Current period amortization and depreciation expense	63.075.662	25.759.626	-	88.835.288

6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following:

	31 March 2008	31 December 2007
Cash	1.065.979	372.624
Cheques received	138.566	144.736
Banks – Time deposits	382.332.057	472.670.290
Banks – Demand Deposits	88.658.057	71.505.567
Other liquid assets	9.587.884	8.257.998
	481.782.543	552.951.215

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

6 CASH AND CASH EQUIVALENTS (cont'd)

Foreign currency bank balances are TRY 409.633.266 as at 31 March 2008 (31 December 2007: TRY 495.902.966).

Time Deposits:

Amount	Currency	Opening Date	Interest Rate	Maturity	31 March 2008
104.000.000	TRY	05.11.2007 - 31.03.2008	% 13,90 - % 15,74	01.04.2008 – 05.06.2008	104.000.000
92.360.000	Euro	22.10.2007 – 31.03.2008	% 3,32 - %5,76	01.04.2008 – 21.05.2008	186.160.816
72.206.221	USD	25.01.2008 - 31.03.2008	% 3,40 - % 5,80	01.04.2008 – 27.06.2008	92.171.241
					382.332.057

Amount	Currency	Opening Date	Intereset Rate	Maturity	31 December 2007
102.700.000	YTL	05.11.2007- 31.12.2007	% 14,88-% 18,00	02.01.2008- 05.05.2008	102.700.000
197.365.000	Euro	22.10.2007- 31.12.2007	% 4,04-% 4,90	02.01.2008- 21.05.2008	337.533.623
27.849.804	USD	03.12.2007- 31.12.2007	% 3,66-% 5,80	02.01.2008- 28.01.2008	32.436.667
					472.670.290

7 FINANCIAL ASSETS

Short-term financial assets comprised the following:

	31 March 2008	31 December 2007
Time deposits with maturity more than 3 months:	330.590.700	219.265.000

Long-term financial assets comprised the following:

	31 March 2008	31 December 2007
Sita Inc.	1.679.619	1.679.619
Emek İnşaat ve İşletme A.Ş.	26.859	26.859
	1.706.478	1.706.478
Derivative instruments at fair values (Note 39)	4.822.626	1.310.086
	6.529.104	3.016.564

Details of long-term financial assets at 31 March 2008 is as follows:

Name of the Company	Place of Incorporation and Operation	Ownership Rate	Voting Power Rate	Principal Activity
Emek İnşaat ve İşletme A.Ş.	Turkey	%0,3	%0,3	Construction
Sita Inc.	Holland	Less than %0,1	Less than %0,1	Information & Telecommunication Services

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

8 FINANCIAL DEBT

Short-term financial liabilities comprised the following:

	31 March 2008	31 December 2007
Bank loans	3.993.258	3.735.162
Finance lease obligations	261.114.622	225.183.209
	265.107.880	228.918.371

Long -term financial liabilities comprised the following:

	31 March 2008	31 December 2007
Bank loans	28.335.499	26.715.577
Finance lease obligations	1.894.703.260	1.569.126.885
	1.923.038.759	1.595.842.462

Short-term portion of long-term financial liabilities at 31 March 2008 is as follows:

Maturity	Interest Rate	Original Amount	Interest Accrual	TRY
15.08.2009	Libor + %1,25	2.959.707 US Dollars	168.579 US Dollars	3.993.258

Details of long-term bank borrowing at 31 March 2008 is as follows:

Maturity	Interest Rate	Original Amount	Interest Accrual	TRY
15.08.2009	Libor + %1,25	22.197.806 ABD Doları	-	28.335.499

Short-term portion of long-term Financial Liabilities at 31 December 2007 is as follows:

Maturity	Interest Rate	Original Amount	Interest Accrual	TRY
15.08.2009	Libor + %1,25	2.959.707 ABD Doları	247.266 ABD Doları	3.735.162

Details of long-term bank borrowing at 31 December 2007 is as follows:

Maturity	Interest Rate	Original Amount	Interest Accrual	TRY
15.08.2009	Libor + %1,25	22.937.732 ABD Doları	-	26.715.577

Finance lease obligations comprised the following:

	31 March 2008	31 December 2007
Not later than 1 year	327.713.890	298.808.141
Between 1-4 years	896.142.620	797.170.667
Over 4 years	1.391.386.647	1.137.792.480
	2.615.243.157	2.233.771.288
Less: Future interest expenses	(459.425.275)	(439.461.194)
Principal value of future rentals shown in the balance sheets	2.155.817.882	1.794.310.094
Interest Range:		
Floating rate obligations	1.197.344.513	1.123.591.167
Fixed rate obligations	958.473.369	670.718.927
	2.155.817.882	1.794.310.094

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

8 FINANCIAL DEBT (cont'd)

As of 31 March 2008, the US Dollars and Euro denominated lease obligations' weighted average interest rates for the fixed rate obligations are 4,92% and for the floating rate obligations are 3,30%.

Details of the unaccrued operating lease liabilities comprised the following:

	31 March 2008	31 December 2007
Not later than 1 year	134.686.006	130.984.676
Between 1-4 years	382.191.878	374.178.949
Over 4 years	502.384.383	522.289.995
	1.019.262.267	1.027.453.620

9 OTHER FINANCIAL LIABILITIES

Other short-term financial liabilities comprised the following:

	31 March 2008	31 December 2007
Debt to banks	504.818	877.628

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

10 ACCOUNTS RECEIVABLE AND PAYABLE (NET)

Short-term accounts receivable comprised the following:

	31 March 2008	31 December 2007
Trade receivables	407.010.790	268.319.123
Discount on receivables (-)	1.067.022	702.938
Allowance for doubtful receivables	(2.624.187)	(2.078.023)
Deposits and Guarantees Given	(21.609.645)	(21.405.019)
	383.843.980	245.539.019

The Group's total short-term accounts receivable is TRY 408.077.812. The Group's average days in receivables is 30 days, total receivables due over 30 days is TRY 54.712.933as of 31 March 2008. (31 December 2007: TRY 39.036.317). The Group provided provision amounted TRY 17.107.243 for the receivables that are carried to legal proceedings, and TRY 4.502.402 for the others by making historical statistical calculations, totally TRY 21.609.645. (31 December 2007: TRY 21.405.019). Movement of the doubtful receivables period ended 31 March 2008 and 2007 is as follows:

	1 January - 31 March 2008	1 January - 31 March 2007
Opening Balance	21.405.019	18.447.881
Current period expense	210.977	3.644.696
Collected amount	(6.351)	(43.586)
Write- off	-	(718)
Closing Balance	21.609.645	22.048.273

The amount of guarantees in the form of cash equivalent received for accounts receivable is TRY 13.052.277 (31 December 2007: TRY 11.555.928), and the amount of guarantee letters received is TRY 89.549.827 (31 December 2007: TRY 86.032.736).

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

10 ACCOUNTS RECEIVABLE AND PAYABLE (NET)

Short-term accounts payable comprised the following:

	31 March 2008	31 December 2007
Trade payables	352.261.367	360.281.125
Discount on payables (-)	9.062.756	7.126.031
Deposits and guarantees received	(5.308.010)	(3.130.776)
Other	285.004	247.611
	356.301.117	364.523.991

11 OTHER RECEIVABLES AND LIABILITIES

Other short-term receivables comprised the following:

	31 March 2008	31 December 2007
Receivables from foreign technical suppliers	257.759.191	280.205.350
Non-commercial receivable from Turkish DO&CO A.Ş	12.291.295	10.293.642
Receivables from foreign acquisition transactions	9.995.544	11.466.895
Receivables from tax office	2.566.542	478.459
Receivables from foreign technical suppliers	1.663.763	1.634.072
Receivable from SITA deposit certificate	650.639	593.654
Due from Personel	509.135	344.627
Deposits and Guarantees Given	328.258	385.359
Other receivables	334.171	453.699
	286.098.538	305.855.757

Other long -term receivables comprised the following:

	31 March 2008	31 December 2007
Receivables from foreign acquisition transactions	21.291.727	11.750.866
Receivable from SITA deposit certificate	1.005.537	917.469
Deposits and guarantees given	2.518.591	2.239.135
Advance payments for operating leases	3.094.996	2.447.361
Receivable from Turkish DO&CO A.Ş	-	3.591.420
Due from Personel	874.621	810.077
	28.785.472	21.756.328

Other short-term liabilities comprised the following:

	31 March 2008	31 December 2007
Taxes and funds payable	21.316.306	19.849.575
Social security premiums payable	20.415.583	20.378.288
MCO advances	30.991.845	24.971.575
E-Pos ticket advances	2.285.347	380.719
Charter advances	4.418.663	350.971
Advances received for mile Credit sales	-	8.359.465
Deposits and guarantees received	8.923.161	5.458.956
Other advances received	1.170.090	961.986
Debt to personnel	949.917	729.765
Other liabilities	3.558.078	2.675.519
	94.028.990	84.116.819

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

11 OTHER RECEIVABLES AND LIABILITIES (cont'd)

Other long-term receivables comprised the following:

	31 March 2008	31 December 2007
Deposits and guarantees received	8.358.892	7.058.322
	8.358.892	7.058.322

12 RECEIVABLES AND PAYABLES FROM ACTIVITIES IN FINANCE SECTOR

None (31 December 2007: None).

13 INVESTORIES

	31 March 2008	31 December 2007
Spare parts, flight equipments	95.232.084	91.924.069
Other inventories	29.113.634	32.662.010
	124.345.718	124.586.079
Provision for impairment (-)	(13.413.260)	(10.845.508)
	110.932.458	113.740.571

Movement in change of diminution in value of inventories as of 31 March 2008 and 2007 are as follows:

	1 January - 31 March 2008	1 January - 31 March 2007
Provision at 1 January	10.845.508	4.910.688
Current period expense	2.567.752	4.127.802
Provision at the end of the period	13.413.260	9.038.490

14 BIOLOGICAL ASSETS

None. (31 December 2007:none).

15 ASSETS FROM CONSTRUCTION CONTRACTS IN PROGRESS

None. (31 December 2007:none)

16 INVESTMENTS AT EQUITY

The affiliates accounted for using the equity method are as follows:

	31 March 2008	31 December 2007
Güneş Ekspres Havacılık A.Ş. (Sun Express)	9.844.190	18.301.705
THY DO&CO İkram Hizmetleri A.Ş. (Turkish DO&CO)	19.930.902	20.068.338
	29.775.092	38.370.043

Financial information for Sun Express as of 31 March 2008 and 31 December 2007 are as follows:

	31 March 2008	31 December 2007
Total Assets	102.735.132	97.835.411
Total Liabilities	83.046.751	61.232.001
Shareholder's Equity	19.688.381	36.603.410
Group's share in asssociates' shareholder's equity	9.844.190	18.301.705

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

16 INVESTMENTS AT EQUITY (cont'd)

Financial information for THY DO&CO as of 31 March 2008 and 31 December 2007 are as follows:

	31 March 2008	31 December 2007
Total Assets	89.135.695	98.361.252
Total Liabilities	49.273.891	58.224.577
Shareholder's Equity	39.861.804	40.136.675
Group's share in asssociates' shareholder's equity	19.930.902	20.068.338

Portions of financial assets accounted per equity method in profit/loss are as follows:

	31 March 2008	31 March 2007
Sun Ekspress	(8.457.515)	(7.681.874)
Turkish DO&CO	(137.435)	624.633
Toplam	(8.594.950)	(7.057.241)

The Group's financial assets as of 31 March 2008 are as follows:

Name of the Company	Place of Incorporation and Operation	Ownership Rate	Voting Power Rate	Principal Activity
Güneş Ekspres Havacılık A.Ş. (Sun Express)	Turkey	50%	50%	Air transportation
THY DO&CO İkram Hizmetleri A.Ş.	Turkey	50%	50%	Catering services

17 INVESTMENT PROPERTY (NET)

	31 March2008	31 December 2007
Openning Balance, 1 January	53.700.000	51.975.000
Income from the change in the fair value	-	1.725.000
Year-end Balance	53.700.000	53.700.000

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

18 TANGIBLE ASSETS (NET)

	Land, Land Improvements & Buildings	Technical Equipments, Simulators and Vehicles	Other Equipments, Fixtures	Aircraft and Spare Engines	Components and Repairable Spare Parts	Construction in Progress	Total Assets Owned	Leased Aircraft	Total
Cost									
Opening balance 1 January 2008	164.584.014	303.009.428	171.151.244	2.639.937.173	327.244.646	59.697.500	3.665.624.005	3.830.021.095	7.495.645.100
Additions	-	2.760.784	1.366.930	18.841.836	17.625.691	15.370.394	55.965.635	165.347.482	221.313.117
Disposals	-	(9.487.653)	(6.793.213)	-	(30.250.652)	(1.628.722)	(48.160.240)	-	(48.160.240)
Closing balance 31 March 2008	164.584.014	296.282.559	165.724.961	2.658.779.009	314.619.685	73.439.172	3.673.429.400	3.995.368.577	7.668.797.977
Accumulated Depreciation									
Opening balance 1 January 2007	53.372.621	247.371.689	144.571.580	1.460.111.153	153.043.938	-	2.058.470.981	899.782.547	2.958.253.528
Depreciation for the period	684.061	2.998.148	2.079.718	22.149.327	9.979.984	-	37.891.238	43.806.015	81.697.253
Disposals	-	(9.457.473)	(6.749.562)	-	(19.060.656)	-	(35.267.691)	-	(35.267.691)
Closing balance 31 March 2008	54.056.682	240.912.364	139.901.736	1.482.260.480	143.963.266	-	2.061.094.528	943.588.562	3.004.683.090
Accumulated impairment	-	(3.091.823)	-	(558.888.870)	-	-	(561.980.693)	(423.921.653)	(985.902.346)
Revaluations funds	-	-	-	-	-	-	-	108.954.701	108.954.701
31 March 2008 net book value	110.527.332	52.278.372	25.823.225	617.629.659	170.656.419	73.439.172	1.050.354.179	2.736.813.063	3.787.167.242
31 December 2007 net book value	111.211.393	50.917.920	26.579.664	562.315.592	174.200.708	59.697.500	984.922.777	2.249.436.630	3.234.359.407

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

18 TANGIBLE ASSETS (cont'd)

	Land, Land Improvements & Buildings	Technical Equipments, Simulators and Vehicles	Other Equipments, Fixtures	Aircraft and Spare Engines	Components and Repairable Spare Parts	Construction in Progress	Total Assets Owned	Leased Aircraft	Total
Cost									
Opening balance 1 January 2007	164.584.014	299.032.332	184.022.713	2.594.142.676	348.240.451	889.470	3.590.911.656	3.264.215.075	6.855.126.731
Transfers from finance leased aircraft	-	-	-	-	-	-	-	-	-
Additions	-	1.468.589	433.744	-	28.792.838	532.571	31.227.742	126.261.123	157.488.865
Disposals	-	(2.406.729)	(9.935.767)	-	(18.625.518)	-	(30.968.014)	-	(30.968.014)
Closing balance 31 December 2007	164.584.014	298.094.192	174.520.690	2.594.142.676	358.407.771	1.422.041	3.591.171.384	3.390.476.198	6.981.647.582
Accumulated Depreciation									
Opening Balance 1 January 2006	50.636.378	249.655.257	167.630.870	1.377.629.493	168.324.320	-	2.013.876.318	742.326.360	2.756.202.678
Transfers from finance leased aircraft	-	-	-	-	-	-	-	-	-
Depreciation for the period	684.061	3.323.290	1.535.263	20.123.954	24.879.400	-	50.545.968	37.384.753	87.930.721
Disposals	-	(2.400.967)	(9.918.292)	-	(18.625.518)	-	(30.944.777)	-	(30.944.777)
Closing Balance 31 December 2007	51.320.439	250.577.580	159.247.841	1.397.753.447	174.578.202	-	2.033.477.509	779.711.113	2.813.188.622
Accumulated impairment	-	2.924.711	-	564.006.587	-	-	566.931.298	424.828.388	991.759.686
31 March 2007 net book value	113.263.575	44.591.901	15.272.849	632.382.642	183.829.569	1.422.041	990.762.577	2.185.936.697	3.176.699.274
31 December 2006 net book value	113.947.636	46.281.627	16.391.843	587.302.935	179.916.131	889.470	944.729.642	2.141.324.327	3.086.053.969

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

19 INTANGIBLE ASSETS (NET)

	Rights	Leasehold Improvements	Total
Cost			
Opening balance 1 January 2008	68.832.212	23.890.480	92.722.692
Additions	443.461	629.851	1.073.312
Disposals	(11.356)	-	(11.356)
Closing balance 31 March 2008	69.264.317	24.520.331	93.784.648
Accumulated Depreciation			
Opening balance 1 January 2007	62.031.040	20.246.335	82.277.375
Amortization charge for the period	791.796	569.662	1.361.458
Disposals	(11.356)	-	(11.356)
Closing balance 31 March 2008	62.811.480	20.815.997	83.627.477
31 March 2008 net book value	6.452.837	3.704.334	10.157.172
31 December 2007 net book value	6.801.172	3.644.145	10.445.317

	Rights	Leasehold Improvements	Total
Cost			
Opening balance 1 January 2007	65.652.323	19.848.969	85.501.292
Additions	89.666	352.726	442.392
Disposals	(34.200)	-	(34.200)
Closing balance 31 March 2007	65.707.789	20.201.695	85.909.484
Accumulated Depreciation			
Opening balance 1 January 2007	58.966.832	19.025.840	77.992.672
Amortization charge for the period	778.606	125.961	904.567
Disposals	(4.885)	-	(4.885)
Closing balance 31 March 2007	59.740.553	19.151.801	78.892.354
31 March 2007 net book value	5.967.236	1.049.894	7.017.130
31 December 2006 net book value	6.685.491	823.129	7.508.620

20 GOODWILL

None (31 December 2007: None).

21 GOVERNMENT GRANTS

None (31 December 2007: None).

22 PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Provisions for short-term liabilities comprised the following:

	31 March2008	31 December 2007
Other provisions for legal claims	5.478.404	4.695.954
Other provisions for liabilities	2.297.152	83.267
	7.775.556	4.779.221

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

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

Movements in the provisions for legal claims at 31 March 2008 and 2007 periods set out below:

	1 January - 31 March 2008	**1 January- 31 March 2007**
Provision at 1 January	4.695.954	5.544.394
Charge for the period	782.450	446.622
Provisions released	-	(175.161)
Provision at the end of the period	5.478.404	5.815.855

a) Guarantees Given:

Amount of letter of guarantees given is TRY 48.512.809 as of 31 March 2008 (31 December 2007: TRY 43.439.870).

b) Letters of comfort:

	31 March 2008	**31 December 2007**
Letters of comfort given to Sun Express	-	US Dollar 2.900.000
	-	Euro 2.556.459

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

d) The Group's discounted retirement pay provision is TRY 136.164.566. The Group's liability for retirement pay would be approximately TRY 247.643.244 as of 31 March 2008, if all employees were dismissed on that date.

23 COMMITMENTS

The Group has signed agreements for delivery of 59 aircrafts with delivery dates between years 2005-2008. 5 of above mentioned aircrafts are delivered in 2005, 23 of these aircrafts are delivered in 2006 and 12 of these aircrafts are delivered in the 2007 and 3 of these aircrafts are delivered in 2008. Total value of aircrafts is approximately US Dollar 4,7 billion according to the list prices before any discounts applicable by aircraft manufacturers. The Group paid a deposit of US Dollar 202 million as of 31 March 2008 related to aircrafts to be purchased.

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

24 EMPLOYEE BENEFITS

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

	31 March 2008	31 December 2007
Provision for retirement pay liability	136.164.566	131.959.011

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 TRY 2.087,92 as of 31 March 2008 (2007: TRY 2.030,19)

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

Main assumption is that maximum liability amount increases parallel to inflation rate for every service year. Therefore, discount rate used is the expectd real rate adjusted for the future inflationary effects. Because of this, provisions in the accompanying financial statements as of 31 March 2008 are calculated by estimating present value of probable liabilities arising due to retirement of employees. Provisions in the relevant balance sheet dates are calculated by using an approximate 5.71 % the real discount rate with the assumptions of 5 % annual inflation rate and 11 % discount rate. (31 December 2007: %5.71). Estimated amount of retirement pay not paid due to voluntary leaves and kept in the Company is also taken into consideration. Ceiling for retirement pay is revised semi-annually, ceiling amount of TRY 2.087 which is in effect since 1 January 2008 is used in the calculation of Group's provision for retirement pay liability.

Movements in the provision for retirement pay liability in the balance sheet are as follows:

	1 January- 31 March 2008	1 January- 31 March 2007
Provision at 1 January	131.959.011	117.304.909
Current service costs	6.378.498	22.313.819
Interest cost	2.172.479	1.647.277
Payments	(4.345.422)	(1.940.067)
Provision at the end of the period	136.164.566	139.325.938

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

25 RETIREMENT PLANS

None (31 December 2007: None).

26 OTHER ASSETS AND LIABILITIES

Details of other current assets comprised the following:

	31 March 2008	31 December 2007
Advances for business purposes	1.321.204	727.382
Advance given to personel	582.427	400.642
Prepaid sales commissions	9.598.810	11.254.831
Technical maintenance income accruals	8.238.472	5.458.505
Prepaid insurance expenses	4.549.338	3.366.409
Prepaid operating lease expenses	8.083.569	7.845.528
VAT to be refunded	3.923.011	3.462.269
Prepaid rent expenses	3.410.937	594.629
Prepaid expenses and funds	1.509.283	-
Advance given for orders	4.688.743	1.968.365
Interline passenger income accruals	2.915.197	7.715.608
Prepaid Eximbank USA guarantee and exposure fee	1.092.408	1.092.408
Prepaid aircraft financing expenses	792.257	764.269
Income Accruals	1.030.233	2.176.269
Deferred VAT	485	1.744.538
Prepaid other expenses	1.674.188	1.579.874
Prepaid financial expense of bank borrowing	21.690	21.690
Other current assets	4.059	3.776
	53.436.311	50.176.992

Other non-current assets comprised the following:

	31 Mart 2008	31 December 2007
Payment for tangible assets	55.415.942	49.020.239
Maintenance reserve for engines	12.850.413	9.420.039
Prepaid Eximbank USA guarantee and exposure fee	3.440.413	3.704.559
Prepaid aircraft financing expenses	4.940.255	4.797.882
Prepaid operating lease expenses	2.925.533	2.743.798
Prepaid expenses	393.047	388.190
	79.965.603	70.074.707

Other short-term liabilities comprised the following:

	31 March 2008	31 December 2007
Flight liability resulting from ticket sales	302.083.614	227.074.654
Flight liability resulting from mileage sales	71.273.189	71.787.413
Frequent flyer program liability	47.961.955	49.186.534
Manufacturer’s credit related to aircrafts to be received	17.100.769	20.327.228
Accruals for maintenance costs	8.037.338	5.899.117
Accruals for sales incentive premiums	14.069.770	7.144.213
Accruals for wages	27.804.637	27.511.763
Accruals for other expenses	21.142.981	2.650.295
Deferred income	1.261.265	150.945
Other liabilities	3.786.679	1.215.963
	514.522.197	412.948.125

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

26 OTHER ASSETS AND LIABILITIES

Long-term other current assets comprised the following**:**

	31 March 2008	31 December 2007
Gross manufacturer's credits	30.516.140	27.843.438
Accumulated depreciations of manufacturer's credit	(4.741.457)	(3.743.686)
	25.774.683	24.099.752

27 SHAREHOLDERS' EQUITY

Share Capital- Adjustment to Share Capital

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

	Group	%	31 March 2008	%	31 December 2007
Republic of Turkey Prime Ministry Privatization Administration(*)	A, C	49,12(**)	85.963.662	49,12(**)	85.963.662
Others (publicly held)	A	50,88(**)	89.036.338	50,88(**)	89.036.338
Share capital (historic)			175.000.000		175.000.000
Restatement effect			1.739.005.871		1.739.005.871
Restated share capital			1.914.005.871		1.914.005.871

(*) 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.

(**) The shares of the stock owned by Turkish Republic Privatization Administration are offered to the public between 16-18.05.2006 with the 12.05.2006 dated and 22/569 numbered allowance of CMB. The A group registered shares with the total of TRY 50.312.500 (28,75% of the issued capital) which were sold in Istanbul Stock Exchange Whole Sales Market in 24.05.2006 with the nominal value of TRY 1 consists of the 43.750.000 TRY amount of shares which is 25% of the total amount of the issued capital which is TRY 175.000.000 and the rest of the A Group registered shares consist of the additional selling amount of shares which is 15% of the total amount of the public offering as well as which comes out to the 3,75% of the issued capital which is TRY 6.562.500. The Privatization Administration's share on capital approached to 49,12% after Privatization Administration had acquired the 212.254 THY shares which are returned from credit sales.

As at 31 March 2008, the Group's issued and paid-in share capital consists of 174.999.999.999 Class A shares and 1 Class C share, all with a par value of YKr 0.1 each. These shares are issued to the name. The Class C share belongs to the Republic of Turkey Prime Ministry Privatization Administration and has the following privileges:

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

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

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

27 SHAREHOLDERS' EQUITY (cont'd)

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

According to CMB Communique Serial: XI, No:29 "Principles For Financial Reporting In Capital Markets", of Shareholders' Equity items, "Share Capital", "Restrained Reserves From Profit" and "Share Premium" which is a legal reserve according to Article 466 of Turkish Commercial Code are presented at amounts in statutory records. In this context, inflations restatement differences arised in the measurements in the framework of IAS/IFRS are matched with;

- "share capital restatement differences" which follows "Share Capital", if arising from "Share Capital" and not yet added to capital,

- retained earnings, if arising from "Restrained Reserves From Profit" and "Share Premium" and not yet subject to profit distribution or capital increase.

Other items of Share Capital are presented in the amounts measured in the framework of IAS/IFRS. In this context, restatement differences (such as restatement effect on shareholders' equity) which is presented in an account apart from main account and relating to other share capital items which must be presented in the amounts in statutory records are distributed to relevant share capital items. Therefore, of previously arised restatement differences

- those arising from share capital are distributed to "Share Capital Restatement Differences"

- those arising from 'restrained reserves from profit' or 'share premium' are distributed to retained earnings.

- those arising from other share capital items (other reserves) are distributed to relevant share capital item. On the other hand, if previously arised restatement differences have been used in capital increase, profit distribution or offset against losses; the amount used is deducted from the amount of relevant share capital item which is determined according to IAS/IFRS.

Group measures the aircrafts whose net book values are lower than recoverable amounts according to their recoverable amounts. As a result of this measurement, TRY 87.163.765 net of taxes is presented directly as revaluation surplus under Share Capital as of 31 March 2008.

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

27 SHAREHOLDERS' EQUITY (cont'd)

Accumulated profits in statutory books can be distributed except for the following legal provision related to legal reserves. According to Turkish Commercial Code, legal reserves can be categorized as order I (first) legal reserves and order II (second) legal reserves. Order I (first) legal reserves are apportioned as 5% of statutory net profit to the extent that they reach to 20% of the company's paid-in capital. Order II (second) legal reserves equal to 10% of distributable profit exceeding 5% of paid-in capital. According to Turkish Commercial Code, legal reserves can only be used to set off losses as long as they do not exceed 50% of paid-in capital. Publicly held companies distribute dividends in the following way that Capital Market Board requires.

According to CMB's decision numbered 4/138 and dated 8 January 2008, beginning from 1 January 2008, minimum ratio of profit distribution will be applied as % 20 for corporations whose shares are publicly held (31 December 2007: %20). According to this decision, it is allowed that companies may distribute cash dividends or by increase of capital bonus shares to shareholders or as some amount of cash and some amount of bonus shares depending on a decision made by General Assembly, and also companies, in case first dividend amount is less than % 5 of share capital/issued capital, may retain that amount without distribution; but it is compulsory to distribute the first dividend in cash for corporations which increased capital without distributing dividends relating to previous period and therefore whose shares are seperated as "old" and "new" and these corporations will distribute the first dividend as cash out of profit as the result of 2007 operations.

28 SALES REVENUES

Sales revenues consists of the following

	1 January - 31 March 2008	**1 January - 31 March 2007**
Scheduled flights		
- Passenger	930.841.334	844.285.633
- Cargo and mail	77.823.697	75.353.373
Total scheduled flights	1.008.665.031	919.639.006
Non-scheduled flights	8.240.467	3.668.941
Other revenues	72.305.399	37.640.500
Total revenues	**1.089.210.897**	**960.948.447**
Less: Discounts and sales Returns	(5.124)	(3.247)
Net Sales	**1.089.205.773**	**960.945.200**
Cost of Sales (-)	(911.196.846)	(768.360.394)
Gross Operating Profit	**178.008.927**	**192.584.806**

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

28 SALES REVENUES (cont'd)

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

	1 January - 31 March 2008	1 January - 31 March 2007
- Europe	380.136.709	349.270.255
- Far East	191.509.337	178.369.293
- Middle East	107.997.573	105.564.424
- North America	41.158.439	40.802.455
- North Africa	24.884.846	21.410.337
- South Africa	11.098.463	-
- Middle Africa	4.453.473	3.989.633
- West Africa	3.992.726	2.732.708
	765.231.566	702.139.105
Domestic	243.433.465	217.499.901
Total Revenue from the scheduled flights	1.008.665.031	919.639.006

Cost of sales consists of the following:

	1 January - 31 March 2008	1 January - 31 March 2007
Fuel expenses	332.117.412	239.338.488
Staff expenses	193.701.507	172.139.451
Depreciation expenses	77.905.675	84.854.766
Landing and navigation expenses	75.108.319	72.203.190
Maintenance expenses	68.594.387	34.592.932
Handling expenses	53.870.611	54.814.244
Passenger service and catering expenses	51.711.908	41.445.739
Operating lease expenses	32.658.571	47.984.577
Insurance expenses	6.172.826	9.954.544
Other renting expenses	4.884.296	2.840.130
Service expenses	2.552.413	890.059
Other taxes	1.807.160	721.988
Communication expenses	1.642.927	1.323.623
Aircraft wet-lease expenses	2.363.572	298.849
Transportation expenses	1.038.144	887.404
Lighting, heating, energy and water expenses	911.005	1.084.796
Cost of other sales	4.156.113	2.985.614
	911.196.846	768.360.394

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

	1 January - 31 March 2008	1 January - 31 March 2007
Marketing, Selling and Distribution Expenses	135.337.407	147.020.439
General Administrative Expenses	46.768.187	39.690.344
	182.105.594	186.710.783

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

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

Marketing, selling and distrubition expenses comprised the following:

	1 January - 31 March 2008	1 January - 31 March 2007
Marketing, selling and distribution expenses		
Staff expenses	45.649.942	41.849.898
Commission and promotion Expenses	38.275.508	60.178.551
Reservation system expenses	23.693.536	20.395.836
Advertisement expenses	4.492.534	1.263.897
Other renting expenses	4.458.205	4.808.880
Code share expenses	3.422.159	3.211.212
Communication expenses	2.591.491	3.655.325
Service expenses	2.467.438	2.434.482
Other taxes	1.675.982	1.173.545
Passenger service and catering expenses	1.481.322	1.380.914
Transportation expenses	1.172.225	1.162.337
Lighting, heating, energy and water expenses	551.694	433.840
Maintenance expenses	301.803	343.421
Fuel expenses	223.979	193.576
Membership expenses	197.157	225.095
Insurance expenses	185.763	187.207
Software and computer equipment expenses	144.671	185.335
Depreciation expenses	114.995	79.072
Other sales and marketing expenses	4.237.003	3.858.016
	135.337.407	147.020.439

General administrative expenses comprised the following:

	1 January - 31 March 2008	1 January - 31 March 2007
General administrative expenses (-)		
Staff expenses	28.242.962	24.201.489
Depreciation expenses	5.038.041	3.901.450
Maintenance expenses	1.973.320	1.083.574
Fuel expenses	1.720.922	88.833
Service expenses	1.649.092	1.164.138
Other taxes	1.369.332	1.152.804
Communication expenses	1.001.090	1.466.157
Commission and promotion expenses	874.233	841.327
Software and computer equipment expenses	859.500	944.776
Other renting expenses	770.221	987.393
Insurance expenses	563.159	431.207
Lighting, heating, energy and water expenses	524.724	780.401
Other general administrative expenses	2.181.591	2.646.795
	46.768.187	39.690.344

Notes to the consolidated financial statements as at 31 March 2008.
(All amounts are expressed in New Turkish Lira (TRY) unless otherwise stated.)

30 EXPENSES ACCORDING TO CATEGORIES

	1 January - 31 March 2008	1 January - 31 March 2007
Expenses according to their categories		
Fuel expenses	334.062.313	239.620.897
Staff expenses	267.594.411	238.190.838
Depreciation expenses	83.058.711	88.835.288
Landing and navigation expenses	75.108.319	72.203.190
Maintenance expenses	70.869.510	36.019.927
Handling expenses	53.870.611	54.814.244
Passenger service and catering expenses	53.193.230	42.826.653
Rent expenses	48.557.024	60.131.041
Commission and promotion expenses	39.149.741	61.019.878
Other expenses	67.838.569	61.409.221
	1.093.302.439	955.071.177

31 OTHER OPERATING INCOME / (EXPENSES)

Other operating income consists of the following:

	1 January - 31 March 2008	1 January - 31 March 2007
Real decrease in provision for diminution in value of tangible asset	96.430.686	94.700.635
Discounts received from spare parts suppliers	3.401.209	511.798
Indemnity and penalty income	1.503.560	7.580.354
Provision released	1.230.930	491.494
Inventory count surplus	685.475	400.102
Yapı Kredi protocol income	634.685	513.082
Rent income	234.603	261.030
Purchase discounts	219.912	438.453
Refund of rent relating to returning aircraft	77.843	455.001
Maintenance fee returns from fuel, service and handling Companies	57.935	855.272
Refund as per arrangement by builder of aircraft	24.827	-
Maintenance fee returns from leasing companies	-	8.419.891
Profit on sale of scrap material	-	101.105
Others	1.308.752	1.164.661
	105.810.417	115.892.878

Other operating expenses consist of the following:

	1 January - 31 March 2008	1 January - 31 March 2007
Provision expense	1.000.572	3.917.817
Passengers without visa expense	63.967	202.184
Indemnity and penalty expense	-	67.898
Other expenses	148.212	670.418
	1.212.751	4.858.317

Notes to the consolidated financial statements as at 31 March 2008.
(All amounts are expressed in New Turkish Lira (TRY) unless otherwise stated.)

32 FINANCIAL INCOME

Financial income consist of the following

	1 January - 31 March 2008	1 January - 31 March 2007
Decrease in provision for diminution in value of tangible asset due to exchange rate changes	220.699.130	-
Foreign exchange incomes	172.692.425	66.206.283
Interest income	16.590.917	5.047.015
Rediscount interest income	2.290.069	55.790
Gain /loss from the change in fair value of derivative Instruments	3.512.540	-
	415.785.081	71.309.088

33 FINANCIAL EXPENSES

Financial expenses consist of the following:

	1 January - 31 March 2008	1 January - 31 March 2007
Foreign exchange losses	321.822.120	38.069.977
Finance lease interest expenses	24.497.229	22.150.581
Retirement pay interest cost	2.172.480	1.647.278
Discount expenses	546.164	2.226.271
Finacial debts interest expense	415.068	739.031
Loss from the change in fair value of derivative Instruments	-	1.173.710
Increase in provision for diminution in value of tangible Asset due to exchange rate changes	-	73.590.236
Other financial expenses	32.817	4.191
	349.485.878	139.601.275

34 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None (31 December 2007: None).

35 TAX ASSETS AND TAX LIABILITIES

Corporate tax payable is as follows:

	31 March 2008	31 December 2007
Provision for corporate tax payable	119.199	122.471.610
Prepaid taxes and funds (*)	(119.199)	(102.490.395)
	-	19.981.215

(*) The amount of TRY 119.199 in prepaid taxes and funds is offset against taxes payable and the remaining amount of TRY 1.509.283 is presented in current assets.

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

35 TAX ASSETS AND TAX LIABILITIES (cont'd)

Tax expense is as follows:

	1 January - 31 March 2008	**1 January - 31 March 2007**
Current period tax expense	119.199	134.517
Deferred tax expense	33.355.069	816.415
Tax expense	33.474.268	950.932

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

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

The corporate tax rate for the fiscal years starting from 2006 is 20% (30% those for benefiting from investment allowances in 2006, 2007 and 2008.) Corporate tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, exempt income and allowances. The annual corporate income tax return is required to be filled in the period between the 1st and 25th days of the fourth month following the close of the related fiscal year. Payments can be made up until the end of the month in which the tax return is to be filed.

In accordance with Income Tax Law Temporary Article 69, investment allowances available as of 31 December 2005 and due to insufficiency of profit are transferable to next years; can be deducted from the profits of 2006, 2007 and 2008 depending on taxpayers' choice. Investment allowances can be forwarded to next years by restatement with Producer Price Index (PPI).

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

Group preferred to deduct the investment allowances of 2005 from the earnings in 2006 and 2007. Therefore, the applicable current corporate tax rate is 30% for 2006 and 2007. Despite that, the parent company uses 20 % as deferred tax rate for deferred tax assets and liabilities which are of long-term.

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

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

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

35 TAX ASSETS AND TAX LIABILITIES (cont'd)

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

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

	1 January - 31 March 2008	**1 January - 31 March 2007**
Reconciliation of provision for taxes:		
	158.205.252	41.559.156
Profit from operations before tax		
	31.641.050	12.467.747
Tax at the domestic income tax rate of %20 (2007: %30)		
Tax effect of :		
	1.798.869	807.899
- revenue that is exempt from taxation	-	(12.682.772)
- investment incentive used	34.349	427.305
- expenses that are not deductible in determining taxable profit	-	(69.247)
- effect of change in tax rate at deferred tax calculation		
	33.474.268	950.932

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

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

35 TAX ASSETS AND TAX LIABILITIES (cont'd)

The deferred tax assets and liabilities as of 31 March 2008 and 31 December 2007 are as follows:

	31 March 2008	**31 December 2007**
Long term lease obligations	61.055.086	61.960.569
Retirement pay liability	27.232.914	26.391.803
Period loss	23.748.736	-
Short term lease obligations	19.407.278	17.036.113
Expense accruals	12.434.591	10.545.592
Provision for diminution in value of inventories	2.682.652	2.169.102
Allowance for doubtful receivables	900.480	865.498
Discount on receivables	524.837	415.605
Income and expenses relating to future periods	(830.817)	(112.032)
Other	132.417	132.416
Discount on payables	(1.061.602)	(626.155)
Provision for advance ticket sales	(23.373.669)	(21.728.406)
Fixed assets	(317.837.354)	(236.888.551)
	(194.984.451)	(139.838.446)

	31 March 2008	**31 December 2007**
Deferred tax assets	3.035.779	2.544.815
Deferred tax liabilities	(198.020.230)	(142.383.261)
Deferred tax assets / (liabilities), net	(194.984.451)	(139.838.446)

Movement in deferred tax liability as of 31 March 2008 and 2007 are as follows:

	1 January - 31 March 2008	**1 January - 31 March 2007**
1 January opening value of deferred tax	139.838.446	149.979.174
Deferred tax expense	33.355.069	816.415
Deferred taxes netted off from revaluation surplus fund	21.790.936	-
Deferred taxes netted off from financial assets fair value reserve	-	221.614
Current period deferred tax liability	194.984.451	151.017.203

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

36 EARNINGS PER SHARE

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

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

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

Number of total shares and calculation of earnings per share at 31 March 2008 and 2007 as follows:

	1 January - 31 March 2008	**1 January - 31 March 2007**
Number of shares outstanding on 1 January (in full)	175.000.000.000	175.000.000.000
New shares issued (in full)	-	-
Number of shares outstanding on 31 March (in full)	175.000.000.000	175.000.000.000
Weighted average number of shares outstanding during the period (in full)	175.000.000.000	175.000.000.000
Net profit for the period	124.730.984	40.608.224
Earnings per share (YKr)	0,071	0,023

37 RELATED PARTY DISCLOSURES

Due from related parties (short-term) comprised the following:

	31 March 2008	**31 December 2007**
Sun Express	1.067.022	702.938
	1.067.022	702.938

Due from THY DO&CO İkram Hizmetleri A.Ş. comprised of short credit at an amount of EUR 6.000.000.The Group accrues 5,00 % interest on this debt.

Other non-commercial due from related parties (short-term) comprised the following:

	31 March 2008	**31 December 2007**
THY DO&CO İkram Hizmetleri A.Ş.	12.291.295	10.293.642
	12.291.295	10.293.642

Due from related parties (long-term) comprised the following:

	31 March 2008	**31 December 2007**
THY DO&CO İkram Hizmetleri A.Ş.	-	3.591.420
	-	3.591.420

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

37 RELATED PARTY DISCLOSURES

Due to related parties (short-term) comprised the following:

	31 March 2008	31 December 2007
Sun Express	3.980.700	2.644.738
THY DO&CO İkram Hizmetleri A.Ş.	5.082.055	4.481.293
	9.062.756	7.126.031

Transactions with related parties in the periods ended as of 31 March are as follows:

	1 January - 31 March 2008	1 January - 31 March 2007
Services rendered to Sun Express	2.052.897	106.043
Services rendered to THY DO&CO	147.561	112.714
Interest income fromTHY DO&CO	197.694	-
	2.398.152	218.757

	1 January - 31 March 2008	1 January - 31 March 2007
Services received from Sun Express (Güneş Ekspress Havacılık A.Ş.)	5.190.564	2.537.635
Services received from USAŞ (*)	-	130.081
Services received from THY DO&CO	29.418.653	21.233.403
	34.609.217	23.901.119

(*)Because the Group has sold Uçak Servisi A.Ş. (USAŞ) shares as of 15 November 2007, transactions made with USAŞ in 2008 presented.

As of 31 March 2008 and 2007, There is no dividend received from related parties.

The Group's total salary and similar benefits paid to the chairman of the board of directors and members, general manager, general coordinator and general deputy manager are TRY 505.541 (2007: TRY 421.442)

38 CHARACTERISTICS AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing its profit and market value through the optimisation of the debt and equity balance.
The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 8, and equity comprising issued capital, reserves and retained earnings, accumulated losses.

The top management of the Group assesses the cost of capital and the risks associated with each class of capital. At the time of these analyses, top management assessess the risks associatible with each class of capital and gives the ones that are dependent to Board of Directors to the assessment of Board of Directors. As the results of the assessments of top management and Board of Directors, the Group provides the optimisation of the capital diversification through obtaining new debts, repayment of the existing debts and/or capital increase.

Overall strategy of the Group does not differ from the previous period.

38 CHARACTERISTICS AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

(b) Financial risk factors

The Group is exposed to the market risk (foreign currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Risk management program of the Group generally focuses on the minimization of potential negative effects of uncertainty on the Group's performance. The Group uses financial derivative instruments in order to hedge against several financial risks.

(c) Significant accounting policies

Significant accounting policies on financial instruments are disclosed in note 2 "Basis of Presentation of Financial Statements", "2.5.9 Financial Instruments".

(d) Financial risk management objectives

A formally specified risk management model and its active application are not available within the Group. Currency risk, interest rate risk and liquidity risk are some important risks of the Group.

The Group management manages the risks through its decisions and applications. Even a formally specified risk management model is not available, corporate risk management model has been aimed and the related activities are being performed.

(e) Market risk

The Group is subject to the financial risks related to the changes in the exchange rate (Please see (f) below) and interest rate (Please see (g) below) due to its operations. Distribution of expenses and incomes based the types of exchange rates and distribution of debts based on the types of exchange rates and fixed and variable interest rates are managed by the company management.

(f) Foreign currency risk management

There is a natural balance in the foreign currency risk between the Group's incomes and expenses. This balance is tried to be kept through taking into consideration the future forecasts and market conditions.

Foreign currency sensitivity

The Group is primarily subject to US Dollar and EUR foreign currency risk.

The table below demonstrates that the sensitivity of the Group against the 10 % change in US Dollar and Euro exchange rates. Negative amount demonstrates the decrease effect of the 10 % increase in the value of US Dollar and EUR against TRY in the net profit for the year.

38 CHARACTERISTICS AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

(f) Foreign currency risk management (cont'd)

	US Dollar effect (i)		Euro effect (ii)	
	1 January-31 March 2008	**1 January-31 March 2007**	**1 January-31 March 2007**	**1 January-31 March 2006**
Income statement effect	(83.653.576)	(82.402.664)	(56.741.278)	(28.813.845)

(i) Related to the receivables and payables in US Dollar not due yet as of the end of the period
(ii) Related to the receivables and payables in Euro not due yet as of the end of the period

If US Dollar or Euro is devaluated against TRY by 10 %, the amounts are the same as the figures in the table above and its effect in profit or loss will be reverse.

In the impairment calculation of aircrafts, spare engines, and simulators, US Dollar denominated market prices are used. Accordingly, the impairment provided by the Group for the tangible assets decreases when the US Dollar is evaluated against TRY, and increases when the US Dollar is devaluated against TRY. In this context, If US Dollar is evaluated by 10 % against TRY, there would be an increase amounted TRY 176.233.169 (01 January – 31 December 2007: TRY 160.913.750) in the net profit for the period except for the effects in the table above due to the decrease in the impairment of aircrafts, spare engines and simulators. If US Dollar is devaluated by 10 % against TRY, effect in the profit or loss would be reverse except for the effects in the table above.

(g) Interest rate risk management

The Group's liabilities are on fixed and variable interest rates. When the interest situations of the existing debts are being considered, it is seen that the variable interests compose the majority. In recent years, a partial balance between the debts with fixed interest and the debts with variable interest is tried to be provided through increasing the weight of the debts with fixed interest provided that the financing of the aircraft is favorable. Because the Group's debts with variable interest rate are dependent to Libor and Euribor, dependency to local risks is low.

The interest rates of the Group's financial liabilities are disclosed in note 8.

<u>Interest rate sensitivity</u>

Sensitivity analysis below is determined according to the interest rate risk that is subject to as of the reporting date and the change in this rate and is kept constant throughout the reporting period. The Group Management calculates the effects that are arisen from the fluctuation in the Libor and Euribor rates by 0,5 % that are the interest rates of the Group's variable interest rates and reports them to the top management.

When there is an increase by 0,5 % in Libor and Euribor interest rates and the other variables remain to be constant:

Group's net loss for three months period increases by TRY 1.229.673 (In 31March 2007 period, it increases by TRY 1.495.146). When the Libor and Euribor interest rates decrease by 0,5 %, twelve months interest expense decreases as the same amount.

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

38 CHARACTERISTICS AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

(h) Credit risk management

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

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

(i) Liquidity risk management

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

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

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

	Less than 1 month	1 month-3 months	3 months-1 year	1 year-4 years	Over 4 years	Adjustments	Balance sheet amount
31 March 2008							
Bank borrowings	524.446	776.087	3.858.882	28.950.389	-	(1.781.047)	32.328.757
Finance lease obligations	40.454.936	45.925.590	241.333.364	896.142.620	1.391.386.647	(459.425.275)	2.155.817.882
Other financial liabilities	504.818	-	-	-	-	-	504.818
Accounts payable	308.589.116	-	53.020.011	-	-	(5.308.010)	356.301.117
	350.073.316	46.701.677	298.212.257	925.093.009	1.391.386.647	(466.514.332)	2.544.952.574
31 December 2007							
Bank borrowings	536.418	803.067	3.936.297	27.921.706	-	(2.746.749)	30.450.739
Finance lease obligations	26.525.543	45.909.340	226.373.258	797.170.667	1.137.792.480	(439.461.194)	1.794.310.094
Other financial liabilities	877.628	-	-	-	-	-	877.628
Accounts payable	322.809.225	-	44.845.542	-	-	(3.130.776)	364.523.991
	350.748.814	46.712.407	275.155.097	825.092.373	1.137.792.480	(445.338.719)	2.190.162.452

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

38 CHARACTERISTICS AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

FOREIGN CURRENCY POSITION

Foreign currency risk arises from the change of the value of financial instruments due to change in exchange rates. The Group has a foreign currency risk because of the foreign currency denominated debts US Dollar, Euro and Sterling are the main currencies that make the foreign currency position of the Group.
The foreign currency position of the Company as of 31 March 2008 and 31 December 2007 in terms of TRY is as follows:

In Totals ;

	31 March 2008	**31 December 2007**
A. Foreign currency denominated assets	960.404.037	1.066.805.281
B. Foreign currency denominated liabilities	2.911.701.750	2.447.300.528
Net foreign currency position (A-B)(*)	**(1.951.297.713)**	**(1.380.495.247)**

(*) Although the Group seems to be in an open position based on its monetary assets and liabilities, the Group values its aircraft, spare engines and simulators according to their US Dollar selling prices as explained in Note 2.5.7. In this respect, the Group's management has the opinion that the Group's those tangible assets which are carried by their US Dollar values should also be considered in the overall evaluation of the sensitivity of the Group's assets and liabilities against the changes in foreign exchange rates. As of 31 March 2008, the value of aircraft, spare engines and simulators, which are carried by their US Dollar selling prices, is TRY 3.366.093.200 (31 December 2007: TRY 2.822.415.164).

	31 March 2008			**31 December 2007**		
Assets	**Currency**	**Currency Amount**	**TRY Amount**	**Currency**	**Currency Amount**	**TRY Amount**
Cash and Cash Equivalents	US Dollar	116.287.559	148.441.069	US Dollar	34.638.634	40.343.617
	Euro	99.505.254	200.562.790	Euro	237.147.566	405.569.767
	Sterling	1.145.418	2.918.869	Sterling	1.182.794	2.751.061
	Other	-	57.710.538	Other	-	47.238.521
Accounts Receivable (Short Term)	US Dollar	66.257.907	84.578.218	US Dollar	28.208.739	32.854.718
	Euro	44.623.229	89.942.581	Euro	35.242.383	60.271.524
	Sterling	3.870.220	9.862.481	Sterling	1.918.840	4.463.030
	Other	-	91.692.895	Other	-	55.340.461
Other Receivables (Short Term)	US Dollar	4.966.721	6.340.020	US Dollar	1.087.109	1.266.156
	Euro	6.482.557	13.066.242	Euro	183.005	312.975
	Sterling	362	922	Sterling	41.684	96.953
	Other	-	370.359	Other	-	365.767

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

38 CHARACTERISTICS AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

	31 March 2008			31 December 2007		
Assets	**Currency**	**Currency Amount**	**TRY Amount**	**Currency**	**Currency Amount**	**TRY Amount**
Other Current Assets	US Dollar	13.939.476	17.793.741	US Dollar	260.258.692	303.123.298
	Euro	1.718.403	3.463.612	Euro	1.267.709	2.168.036
	Sterling	214.122	545.646	Sterling	148.300	344.931
	Other	-	4.651.040	Other	-	2.256.551
Financial Assets	US Dollar	128.319.624	163.800.000	US Dollar	-	-
	Euro	-	-	Euro	43.854.520	75.000.000
	Sterling	-	-	Sterling	-	-
	Other	-	-	Other	-	-
Accounts Receivable (Long Term)	US Dollar	-	-	US Dollar	2.785.939	3.244.783
	Euro	-	-	Euro	2.475.263	4.233.195
	Sterling	-	-	Sterling	31.050	72.219
	Other	-	-	Other	-	701.626
Other Receivables (Long Term)	US Dollar	4.652.155	5.938.476	US Dollar	3.483.254	4.056.946
	Euro	369.573	744.912	Euro	-	-
	Sterling	31.050	79.125	Sterling	-	-
	Other	-	704.454	Other	-	-
Other Tangible Assets	US Dollar	44.514.172	56.822.340	US Dollar	17.743.864	20.666.278
	Euro	178.860	360.510	Euro	36.761	62.868
	Sterling	5.178	13.196	Sterling	-	-
	Other	-	-	Other	-	-
TOTAL			**960.404.037**	**TOTAL**		**1.066.805.281**

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

38 CHARACTERISTICS AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

	31 March 2008			31 December 2007		
Liabilities	**Currency**	**Currency Amount**	**TRY Amount**	**Currency**	**Currency Amount**	**TRY Amount**
Bank Borrowings (Short Term)	US Dollar	3.128.286	3.993.258	US Dollar	3.206.973	3.735.162
	Euro	-	-	Euro	-	-
	Sterling	-	-	Sterling	-	-
	Other	-	-	Other	-	-
Finance Lease Obligations (Short Term)	US Dollar	143.851.881	183.626.926	US Dollar	145.185.979	169.098.110
	Euro	38.443.986	77.487.699	Euro	32.794.470	56.085.103
	Sterling	-	-	Sterling	-	-
	Other	-	-	Other	-	-
Accounts Payable (Short Term)	US Dollar	125.939.313	160.761.534	US Dollar	142.519.789	165.992.798
	Euro	23.673.060	47.715.420	Euro	36.363.863	62.189.479
	Sterling	5.683.981	14.484.490	Sterling	2.760.771	6.421.277
	Other	-	39.245.172	Other	-	40.634.022
Other Debts (Short Term)	US Dollar	1.364.636	1.741.957	US Dollar	-	-
	Euro	1.249.783	2.519.063	Euro	-	-
	Sterling	104.437	266.138	Sterling	-	-
	Other	-	1.983.508	Other	-	-
Other Short Term Liabilities	US Dollar	78.839.543	100.638.676	US Dollar	70.337.574	81.922.173
	Euro	4.425.736	8.920.514	Euro	2.210.348	3.780.138
	Sterling	118.660.142	302.381.639	Sterling	97.628.726	227.074.653
	Other	-	5.442.644	Other	-	3.367.074
Bank Borrowings (Long Term)	US Dollar	22.197.806	28.335.499	US Dollar	22.937.732	26.715.577
	Euro	-	-	Euro	-	-
	Sterling	-	-	Sterling	-	-
	Other	-	-	Other	-	-

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

38 CHARACTERISTICS AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

	31 March 2008			31 December 2007		
Liabilities	**Currency**	**Currency Amount**	**TRY Amount**	**Currency**	**Currency Amount**	**TRY Amount**
Finance Lease Obligations (Long Term)	US Dollar	799.918.235	1.021.095.627	US Dollar	837.543.822	975.487.289
	Euro	433.423.117	873.607.634	Euro	347.117.062	593.639.600
	Sterling	-	-	Sterling	-	-
	Other	-	-	Other	-	-
Other Debts (Long Term)	US Dollar	484.908	618.985	US Dollar	535.355	623.528
	Euro	3.290.305	6.631.938	Euro	3.201.426	5.475.078
	Sterling	1.920	4.893	Sterling	1.920	4.466
	Other	-	1.103.076	Other	-	955.250
Other Liabilities (Short Term)	US Dollar	22.382.378	28.571.106	US Dollar	20.691.810	24.099.751
	Euro	260.149	524.356	Euro	-	-
	Sterling	-	-	Sterling	-	-
	Other	-	-	Other	-	-
TOTAL			**2.911.701.750**	**TOTAL**		**2.447.300.528**

As of 31 March 2008, totals of export and import amounts are as follows:

Total export amount	TRY 765.231.566
Total import amount	TRY 351.917.935

39 FINANCIAL INSTRUMENTS

Fair Values of Financial Instruments

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

- In standard maturities and conditions, fair values of financial assets and liabilities which are traded in an active market are determined as qouted market prices.
- Fair values of financial assets and liabilities except derivative instruments are determined according to generally accepted pricing models. These models depend on discounted cash flows which uses given prices of observable market transactions
- Fair values of derivative instruments are calculated by using qouted prices. In absence of prices, discounted cash flows analysis is used through applicable yield curve for maturities of derivative instruments not containing options (forward and swap). On the other hand, option pricing models are used for derivative instruments containing options.

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

39 FINANCIAL INSTRUMENTS (cont'd)

Categories and fair values of financial instruments

31 March 2008 Balance Sheet	Financial assets at amortized cost	Loans and receivables	Financial assets at fair value through profit or loss	Investments available for sale	Financial liabilities at amortized cost	Carrying Value	Fair value	Note
Financial assets								
Cash and cash equivalents	481.782.543	-	-	-	-	481.782.543	481.782.543	6
Financial assets	330.590.700	-	4.822.626	1.706.478	-	337.119.804	337.119.804	7
Accounts receivable	-	383.843.980	-	-	-	383.843.980	383.843.980	10
Other receivables	-	314.884.010	-		-	314.884.010	314.884.010	11
Financial liabilities								
Bank borrowings	-	-	-	-	32.328.757	32.328.757	32.328.757	8
Finance lease obligations	-	-	-	-	2.155.817.882	2.155.817.882	2.155.817.882	8
Other financial liabilities	-	-	-	-	504.818	504.818	504.818	9
Accounts payable	-	-	-	-	356.301.117	356.301.117	356.301.117	10

31 December 2007 Balance Sheet	Financial assets at amortized cost	Loans and receivables	Financial assets at fair value through profit or loss	Investments available for sale	Financial liabilities at amortized cost	Carrying Value	Fair value	Note
Financial assets								
Cash and cash equivalents	552.951.215	-	-	-	-	552.951.215	552.951.215	6
Financial assets	219.265.000	-	1.310.086	1.706.478	-	222.281.564	222.281.564	7
Accounts receivable	-	245.539.019	-	-	-	245.539.019	245.539.019	10
Other receivables	-	327.612.085	-		-	327.612.085	327.612.085	11
Financial liabilities								
Bank borrowings	-	-	-	-	30.450.739	30.450.739	30.450.739	8
Finance lease obligations	-	-	-	-	1.794.310.094	1.794.310.094	1.794.310.094	8
Other financial liabilities	-	-	-	-	877.628	877.628	877.628	9
Accounts payable	-	-	-	-	364.523.991	364.523.991	364.523.991	10

39 FINANCIAL INSTRUMENTS (cont'd)

Derivative instruments

The Group made interest rate and exchange rate swap agreements for changing some financial leasing liabilities with fixed interest rate into financial leasing liabilities with floating interest rate, and changing financial leasing liabilities denominated in EUR into financial leasing liabilities denominated in USD.

Gains and losses on changes in the fair value of these transactions are immediately recognized in profit or loss.

Fair value of transaction at issue as of 31 March 2008 and 31 December 2007 asfollows:

	31 March 2008	31 December 2007
Cross rate swap contracts	(676.687)	(332.468)
Interest rate swap contracts	5.499.313	1.642.554
	4.822.626	1.310.086

40 EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

a) Due to the claim that privatization by public offering of class A shares which is 25 % of the Group's capital owned by Privatization Administration will cause also privatization of THY Teknik A.Ş, Aviation Labor Union sued Privatization Administration at State Council Bureau 13 with File numbered 2006/2376 in order to cancel sale of public shares in the capital of THY Teknik A.Ş by public offering and with motion for stay. Privatization Administration declared to the Group that State Council decided on judgment of dismissal.

b) Within the reorganization activities, Board of Directors decided to abolish Vice Presidency (Ground Operations) and to change Directoriate of Ground Operations (İstanbul Station) as Directoriate of Ground Operations and to tie it with all subdivisions to Presidency; and to abolish Directoriate of Ground Operations (Domestic Stations) and tie it with all subdivisions to Directoriate of Ground Operations, and also to tie Directoriate of Catering with all subdivisions which was under Vice Presidency (Ground Operations) to Vice Presidency (Commercial).

c) Board of Directors decided to start İstanbul-Birmingham and Ankara-Samsun flights with at least 3 frequency depending on the fleet conditions in 2008 summer season.

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

None.