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 2009

(Convenience Translation of Report And Financial Statements Originally Issued in Turkish)
TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
CONSOLIDATED BALANCE SHEETS
AS OF 31 MARCH 2009 AND 31 DECEMBER 2008
(All amounts expressed in Turkish Lira (TRY) unless otherwise stated.)

ASSETS	**Note**	**Not Audited 31 March 2009**	**Audited 31 December 2008**
Current Assets		**2.862.825.467**	**2.580.680.234**
Cash and Cash Equivalents	6	733.662.020	504.905.721
Financial Assets	7	1.347.698.532	1.403.033.703
Accounts Receivable	10	436.481.018	349.144.133
Other Receivables	11	100.180.833	61.673.958
Inventories	13	112.973.666	98.359.291
Other Current Assets	26	131.829.398	163.563.428
Non-Current Assets		**5.714.824.275**	**5.290.955.322**
Other Receivables	11	24.188.822	22.808.881
Financial Assets	7	1.750.943	1.750.943
Investments Accounted for Equity Method	16	60.606.159	43.637.924
Investment Property	17	48.130.000	48.130.000
Tangible Assets	18	5.449.921.587	5.049.449.610
Intangible Assets	19	16.722.456	17.697.129
Deferred Tax Assets	35	397.878	1.986.324
Other Non-Current Assets	26	113.106.430	105.494.511
Total Assets		**8.577.649.742**	**7.871.635.556**

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 OF 31 MARCH 2009 AND 31 DECEMBER 2008
(All amounts expressed in Turkish Lira (TRY) unless otherwise stated.)

	Note	Not Audited 31 March 2009	Audited 31 December 2008
LIABILITIES			
Short Term Liabilities		**1.864.275.846**	**1.614.307.835**
Financial Debt	8	470.359.586	419.289.229
Other Financial Liabilities	9	12.252.162	5.401.092
Accounts Payable	10	437.566.665	435.109.211
Other Liabilities	11	172.995.087	161.554.179
Current Tax Liability	35	4.001.811	4.185.809
Provisions	22	7.576.947	7.460.396
Employee Benefits	24	55.102.910	47.818.425
Passenger Flight Liabilities	26	582.924.177	441.806.825
Other Short Term Liabilities	26	121.496.501	91.682.669
Long Term Liabilities		**3.576.097.154**	**3.270.740.625**
Financial Debt	8	3.016.863.558	2.798.005.235
Other Liabilities	11	8.267.870	7.865.284
Retirement Pay Liability	24	145.879.892	142.459.082
Deferred Tax Liabilities	35	370.959.420	291.289.291
Other Long Term Liabilities	26	34.126.414	31.121.733
SHAREHOLDERS' EQUITY			
Equity Attributable to Equity Holders of the Parent		**3.137.276.742**	**2.986.587.096**
Share Capital	27	175.000.000	175.000.000
Restatement Effect on Shareholders' Equity	27	1.672.901.479	1.672.901.479
Share Premium		-	-
Restricted Reserves Assorted from Profit		-	-
Foreign Currency Translation Differences	27	-	4.459.406
Retained Earnings		1.134.226.211	-
Net Profit / (Loss) for the Period		155.149.052	1.134.226.211
Total Liabilities and Shareholders' Equity		**8.577.649.742**	**7.871.635.556**

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 PERIOD ENDED 31 MARCH 2009 AND 31 MARCH 2008
(All amounts expressed in Turkish Lira (TRY) unless otherwise stated.)

	Note	Not Audited 1 January – 31 March 2009	Not Audited 1 January – 31 March 2008
CONTINUING OPERATIONS			
Sales Revenues	28	1.278.636.059	1.084.613.155
Cost of Sales (-)	28	(1.081.545.043)	(919.123.457)
GROSS PROFIT / (LOSS)		**197.091.016**	**165.489.698**
Marketing, Selling and Distribution Expenses (-)	29,30	(168.574.515)	(131.984.739)
General Administrative Expenses (-)	29,30	(61.666.298)	(46.811.619)
Other Operating Income	31	98.562.932	185.192.143
Other Operating Expenses (-)	31	(7.637.321)	(1.212.751)
OPERATING PROFIT / (LOSS)		**57.775.814**	**170.672.732**
Share at Profit/(Loss) on Investments Accounted for Equity Method	16	(11.308.284)	(8.594.950)
Financial Income	32	493.591.561	368.319.424
Financial Expenses (-)	33	(266.463.923)	(273.671.825)
PROFIT BEFORE TAXES		**273.595.168**	**256.725.381**
Tax Income / (Expense)		**(118.446.116)**	**(53.178.294)**
- Current Tax Expense For The Period	35	(37.187.541)	(119.199)
- Deferred Tax Benefit / (Expense)	35	(81.258.575)	(53.059.095)
PROFIT FOR THE PERIOD		**155.149.052**	**203.547.087**
Earnings Per Share (kr)	36	**0,088**	**0,116**
OTHER COMPREHENSIVE INCOME			
Foreign Currency Translation Differences		(4.459.406)	-
OTHER COMPREHENSIVE INCOME (AFTER TAXES)		**(4.459.406)**	**-**
TOTAL COMPREHENSIVE INCOME		**150.689.646**	**203.547.087**

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE PERIOD ENDED 31 MARCH 2009 AND 2008

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

	Share Capital	Restatement Effect on Shareholders' Equity	Share Premium	Revaluation Reserve	Finansal Varlık Değer Azalış Fonu	Kardan Ayrılan Kısıtlanmış Yedekler	Yabancı Para Çevrim Farkları	Net Profit / (Loss) for the Period	Retained Earnings	Total
Balances at 31 December 2007	175.000.000	1.739.005.871	895.492	-	-	61.014.406	-	265.496.774	(393.511.064)	1.847.901.479
Transfer of previous year's profit to accumulated loss	-	-	-	-	-	-	-	(265.496.774)	265.496.774	-
Net profit for the period	-	-	-	-	-	-	-	203.547.087	-	203.547.087
Balances at 31 March 2008-Restated	175.000.000	1.739.005.871	895.492	-	-	61.014.406	-	203.547.087	(128.014.290)	2.051.448.566
Balances at 31 March 2008- Previously reported	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
Transfer of previous year's profit to accumulated loss	-	-	-	-	-	-	-	-	-	-
Transfer of fixed assets revaluation reserve to net profit	-	-	-	(87.163.765)	-	-	-	87.163.765	-	-
Frequent Flyer Program – Adjustment For IFRIC 13 (Note 2.3)	-	-	-	-	-	-	-	(4.653.758)	(25.302.388)	(29.956.146)
Adjustment For Unused Vacation Provision (Note 2.3)	-	-	-	-	-	-	-	(295.277)	(9.138.266)	(9.433.543)
Adjustment For Maintenance Reserve Expense Accrual (Not 2.3)	-	-	-	-	-	-	-	(3.398.627)	(21.965.424)	(25.364.051)
Balances at 31 March 2008-Restated	175.000.000	1.739.005.871	895.492	-	-	61.014.406	-	203.547.087	(128.014.290)	2.051.448.566
Balances at 31December 2008	175.000.000	1.672.901.479	-	-	-	-	4.459.406	1.134.226.211	-	2.986.587.096
Transfer of previous year's profit to accumulated loss	-	-	-	-	-	-	-	(1.134.226.211)	1.134.226.211	-
Total comprehensive income for the period	-	-	-	-	-	-	(4.459.406)	155.149.052	-	150.689.646
Balances at 31March 2009	175.000.000	1.672.901.479	-	-	-	-	-	155.149.052	1.134.226.211	3.137.276.742

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 PERIOD ENDED 1 JANUARY-31 MARCH 2009 AND 2008

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

CASH FLOWS FROM OPERATING ACTIVITIES

	Note	1 January – 31 March 2009	1 January – 31 March 2008
Profit before taxation		273.595.168	256.725.381
Adjustments to reconcile profit for the period to net cash provided by operating activities:			
Depreciation and amortization	18,19	93.148.519	83.058.711
Provision for retirement pay liability	24	7.461.593	8.550.977
Interest income	32	(51.215.676)	(16.590.917)
Profit on sale of fixed asset	31	(30.819)	-
Decrease in provision for impairment	18	(360.198.667)	(426.084.522)
Share at loss/(profit) of investments accounted for equity method	16	(21.427.641)	8.594.951
Interest expense	33	31.706.381	24.913.677
Movement in manufacturers' credit	26	3.711.558	(1.551.827)
Foreign exchange loss on financial liabilities	32,33	223.432.990	246.008.067
Increase in provision for doubtful receivables	10	689.628	204.626
Increase/(decrease) in fair value of derivative instruments	33	7.262.358	(3.512.540)
Deferred tax asset netted off financial asset fair value reserve		-	21.790.936
Operating Profit Before Working Capital Changes		**208.135.392**	**202.107.520**
Increase in accounts receivable	10	(88.026.513)	(138.509.587)
Increase in other short and long term receivables	11	(39.886.816)	(10.776.368)
(Increase)/ decrease in inventories	13	(14.614.375)	2.808.113
(Increase) / decrease in other current assets	26	31.734.030	(3.259.319)
Increase in other non-current assets	26	(7.611.919)	(9.890.896)
Increase/(decrease) in accounts payable	10	2.457.454	(8.222.874)
Increase / (decrease) in other liabilities	11	11.843.494	11.212.741
Increase / (decrease) in provision for short term liabilities	22	116.551	2.996.335
Increase in passenger flight liabilities	26	141.117.352	5.817.197
Increase/(decrease) in other short and long term liabilities	26	29.106.955	109.049.110
Employee benefits	24	7.284.485	369.096
Cash generated by operating activities		**281.656.090**	**163.701.068**
Retirement benefits paid	24	(4.040.784)	(4.345.421)
Interests paid		(24.383.408)	(24.119.746)
Prepaid taxes	26,35	(37.371.539)	(20.100.418)
Net cash generated from operations		**215.860.359**	**115.135.483**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflow from the sales of intangible and tangible fixed asset and investment properties	18,19	259.650	12.892.549
Interest received		51.215.676	16.590.917
Acquisition of tangible and intangible fixes assets(*)	18,19	(3.935.066)	(160.390.999)
Change in advances given for aircrafts and other fixed assets		-	23.504.443
Increase in Revaluation Reserve		-	87.163.767
Net cash used in investing activities		**47.540.260**	**(20.239.323)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal payment of finance lease obligations		(88.339.339)	(53.486.182)
Decrease in bank loans		(1.228.864)	(880.140)
Increase / (decrease) in other financial liabilities	9	(411.288)	(372.810)
Increase in short term financial assets		55.335.171	(111.325.700)
Net cash used in financing activities		**(34.644.320)**	**(166.064.832)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		228.756.299	(71.168.672)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		504.905.721	552.951.215
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**733.662.020**	**481.782.543**

(*) The portion amounted TRY 150.093.434 of the total purchases of tangible and intangible assets amounted TRY 205.075.289 for the period ended 31 March 2009 was made through finance lease (TRY165.347.481 of TRY 222.386.428 for the year ended 31 March 2008 was made through finance lease.)

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 2009 and 31 December 2008, the shareholders and their respective shareholdings in the Company are as follows:

	31 March 2009	31 December 2008
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 2009 is 14.119. (31 March 2008: 13.185). The average number of employees working for the Group as of 31March 2008 and 2007 is 14.108 and 13.019, respectively.

The Company is registered in İstanbul, Turkey and its head office address is as follows:

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

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.

2.1.1 Accounting Standards Applied

Capital Markets Board ("CMB"), by Communiqué Serial XI No: 29 " Communique About The Principles of Financial Reporting in Capital Markets", determined the principles and procedures relating to preparation of financial reports and presentation of these reports to interested parties. This Communique is in effect to be applicable for the first interim financial statements of the reporting periods starting after 1 January 2008 and Communiqué Serial XI No: 25 "The Accounting Standards in the Capital Markets" was abolished. Depending on this communique, companies are required to prepare financial statements compliant with International Financial Reporting Standards ("IAS/IFRS") adopted by European Union. However, IAS/IFRS will be applied until the differences between the standards adopted by European Union and those promulgated by IASC are declared by Turkish Accounting Standards Board ("TASB"). In this context, Turkish Accounting/ Financial Reporting Standards ("TAS/TFRS") which are not contrary to standards adopted and promulgated by TASB and will be applied.

As of the report date, since the differences between the standards adopted by European Union and those promulgated by IASC have not yet been declared by TASB, accompanying financial statements are prepared according to IAS/IFRS within the framework of CMB Communiqué Serial XI No: 29 and financial statements and footnotes were presented compliant with the formats made compulsory by CMB with the announcement dated 14 April 2008. In this direction, some reclassifications were made in the financial statements of previous periods.

With a change in IAS 1 and compulsory for the periods beginning at and after 1 January 2009, the items of income and expense other than contributions by the shareholders which met the definition of income and expense, but previously accounted for shareholders' equity and disclosed in the statement of changes in shareholders' equity must be disclosed under "comprehensive income", together with all income and expense items pertaining to the period. Group began to implement the changes about the presentation of financial statements in 2009.

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

2.1 Basis of Presentation (cont'd)

2.1.2 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.

2.1.3 Fundamentals of the Consolidations

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.

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 2009:

		Participation Rate		
Name of the Company	Principal Activity	31 March 2009	31 December 2008	Country of Registration
THY Teknik A.Ş.	Technical Maintenance	100%	100%	Turkey
TGS Yer Hizmetleri A.Ş.	Ground Handling Services	100%	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 four affiliates. The affiliates to which the participation rates of the Group are 50% and 49 % are controlled by the Group jointly, and are valued by equity method.

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

2.1 Basis of Presentation (cont'd)

2.1.3 Fundamentals of the consolidations (cont'd)

The table below sets out consolidated affiliates and indicates the proportion of ownership interest of the Company in these affiliates at 31 March 2009 and 31 December 2008:

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

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 occurred in the subsidiary's assets after the acquisition date that is calculated by the Group's share in the consolidated balance sheet. Subsidiary's losses that exceed the Group's share are not considered (actually, that contains a long term investment which composes the net investment in the subsidiary).

2.2 Currency Used In The Financial Statements

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

2.3 Changes in Accounting Policies, Accounting Estimates and Errors

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

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 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

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

Restatement of Previous Periods' Financial Statements

IFRIC 13, "Customer Loyalty Programmes" will be effective for annual periods beginning on or after 1 January 2009. Although the interpretation has not yet became effective, Group has adopted early application of IFRIC 13. Under IFRIC 13, customer loyalty programs should be recognized as a separately identifiable component of the sales transaction(s). A portion of the fair value of the consideration received in respect of the initial sale shall be allocated to the award credits and the consideration allocated to award credits should be recognized as revenue when awards credits are redeemed. In the previous application, the estimated cost of providing free travel, using the incremental cost method as adjusted for estimated redemption rates, was recognized as a liability. IFRIC 13 has been implemented since 1 January 2007 and therefore previous period's financial statements are restated according to International Accounting Standard "Accounting Policies, Changes in Accounting Estimates and Errors" (IAS 8).

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

As previously reported in 31 March 2008 financial statements, the review of whether net book values of aircrafts exceeded their recoverable amounts was made per aircraft basis, therefore a revaluation reserve was recognized for the aircrafts whose recoverable amounts exceeding the net book values. However, Group determined collectively aircrafts,engines and simulators ("Aircrafts") as the bottomline cash generating unit to test for impairment and the calculation of impairment was made for Aircrafts (as fleet) and 31 March 2008 financial statements were restated for the periods after 2008. In preparing 31 March 2009 financial statements, Group restated and disclosed comparatively 31 March 2008 financial statements according to International Accounting Standard "Accounting Policies, Changes in Accounting Estimates and Errors" (IAS 8).

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

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

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

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

Restatement of Previous Periods' Financial Statements

	31 March 2008					
	Previously Reported (After reclassifications)	Adjustment For Frequent Flyer Program	Adjustment For Unused Vacation Provision	Adjustment For Accrued Expense of Maintenance Reserve	Revaluation Reserve	Restated
Passenger flight liabilities	421.318.758	37.445.182	-	-		458.763.940
Other short term liabilities	93.203.439	-	-	31.705.062		124.908.501
Employee benefits	28.241.529	-	11.195.918	-		39.437.447
Deferred tax liabilities (net)	194.984.451	(7.489.036)	(2.239.184)	(6.341.012)		178.915.219
Net profit for the period	87.163.765				(87.163.765)	0
Accumulated Losses	(71.608.212)	(25.302.388)	(9.138.265)	(21.965.425)		(128.014.290)
Net profit for the period	124.730.984	(4.653.758)	(295.277)	(3.398.627)	87.163.765	203.547.087
Sales Revenue	1.089.205.773	(4.592.618)	-	-		1.084.613.155
Cost of Sales	(914.619.002)	-	(256.172)	(4.248.283)		(919.123.457)
Marketing, Sales and Distribution expenses	(131.915.248)	-	(69.491)	-		(131.984.739)
General administrative expenses	(46.768.187)	-	(43.432)	-		(46.811.619)
Other operating income	105.810.417	(1.224.579)	-	-	80.606.309	185.192.143
Financial income	339.971.028				28.348.396	368.319.424
Tax income /(expense)	(33.474.268)	1.163.439	73.819	849.656	(21.790.940)	(53.178.294)
Earnings per share (Kr)	(0,019)	0,001	0,000	0,000		(0,030)

2.4 New and Revised International Financial Reporting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("the IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2009.

IAS 1, Presentation of Financial Statements (Amendment)

The amendment requires that statement of changes in shareholders' equity include only income and expense transactions with shareholders. Income and expense transactions with parties other than shareholders be disclosed in "Comprehensive Income Statement" separately. Including those disclosed under directly shareholders' equity, all income and expense items can be presented in one financial statement (Comprehensive Income Statement) or two separate financial statements (Income Statement and Comprehensive Income Statement). In this context, Group chosen to disclose in one financial statement and financial statements and footnotes are prepared according to the changes.

IFRS 8 "Operating Segments"

IFRS 8 "Operating Segments" supersedes IAS 14 'Segment Reporting". The standard specifies how an entity should report information about its operating segments based on the segment criteria used in internal reporting which are prepared by the management. The adoption of these standards in future periods will have no material impact on the financial statements of the Group.

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

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

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

- IFRS 1 (Amendment), "First-time Adoption of International Financial Reporting Standards",
- IFRS 2 (Amendment), " Share-based Payments",
- IFRS 7 (Amendment), " Financial Instruments: Disclosures",
- IFRS 8, "Operating Segments",
- IAS 23 (Amendment), "Borrowing Costs",
- IAS 32 (Amendment), " Financial Instruments: Presentation",
- IAS 39 (Amendment), "Financial Instruments: Recognition and Measurement",
- IFRIC 15, "Agreements for the Construction of Real Estate",
- IFRIC 16, "Hedges of a Net Investment in a Foreign Operation",

<u>Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group</u>

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

• IFRIC 17, "Distributions of non-cash assets to owners"	Effective for annual periods beginning on or after 1 July 2009
• IFRIC 18, "Transfers of Assets from Customers"	Effective for transfers received on or after 1 July 2009
• IFRS 3, "Business Combinations" • IAS 27, "Consolidated and Separate Financial Statements" • IAS 28, "Investments in Associates" • IAS 31 "Interests in Joint Ventures" Comprehensive revision on applying the acquisition method	Effective for annual periods beginning on or after 1 July 2009
• IAS 39, "Financial Instruments: Recognition and Measurement" Amendments for eligible hedged items	Effective for annual periods beginning on or after 1 July 2009

IFRS 3 "Business Combinations"

The amendments require the recognition of an acquisition related cost of a business combination as an expense in the period in which the cost is incurred. It also requires subsequent changes in the fair value of a contingent consideration recognized in business combination to be recognized in the statement of income rather than in equity.

IFRIC 17 "Distributions of Non-Cash Assets To Owners"

IFRIC 17 applies to all reciprocal non-cash distributions of assets by an entity to its owners, including the distributions that give owners a choice of receiving either non-cash assets or a cash alternative. The adoption of the Interpretation in future periods will have no material impact on the financial statements of the Group.

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

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

IFRIC 18 "Transfers of Assets From Customers"

The Interpretation clarifies the accounting for cash received from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services. The adoption of the Interpretation in future periods will have no material impact on the financial statements of the Group.

IAS 39, "Financial Instruments: Recognition and Measurement" Amendments Relating to Hedging Items.

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

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.

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

2.5 Summary of Significant Accounting Policies (cont'd)

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

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

2.5.5 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.

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)

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

Group determined aircrafts, spare engines and simulators together ("Aircrafts") as bottom-line cash generating unit subject to impairment and impairment calculation was performed for Aircrafts collectively. In the examination of whether net book values of aircrafts, spare engines and simulators exceed their recoverable amounts, net selling prices in US Dollars are used for determination of recoverable amounts. Net selling price for the aircrafts is determined according to second hand prices in international price guides. Net selling price for spare engines and simulators is net book values based on US Dollar acquisition costs.

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

2.5.8 Borrowing Costs

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

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

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 amortized cost using the effective interest method less impairment, with revenue recognized on an effective yield basis.

Available for sale investments

Certain shares and redeemable notes held by the Group 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 amortized 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 amortized cost using the effective interest method.

Impairment of financial assets

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

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)

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

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

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

Cash and cash equivalents

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

b) Financial liabilities

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

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

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

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

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

2.5 Summary Of Significant Accounting Policies (cont'd)

i. Financial Instruments (cont'd)

b) Financial liabilities (cont'd)

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

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 liabilities 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

None.

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 31 March 2009	1,6880	1,6478
Year ended 31 December 2008	1,5123	1,2976
Period ended 31 March 2009	1,2765	1,1966
Year ended 31 December 2007	1,1647	1,3003

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

	Closing rate	Average rate
Period ended 31 March 2009	2,2258	2,1525
Year ended 31 December 2008	2,1408	1,8969
Period ended 31 March 2008	2,0156	1,7934
Year ended 31 December 2007	1,7102	1,7773

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.12 Earnings Per Share

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

2.5.13 Events Subsequent to the Balance Sheet Date

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

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

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

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

Onerous Contracts

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.15 Related Parties

Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence or joint control over the other party in making financial and operating decisions.

A party is related to an entity if:

(a) directly, or indirectly through one or more intermediaries, the party:

(i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);

(ii) has an interest in the entity that gives it significant influence over the entity; or

(iii) has joint control over the entity;

(b) the party is an associate (as defined in IAS 28 Investments in Associates) of the entity;

(c) the party is a joint venture in which the entity is a venturer (see IAS 31 Interests in Joint Ventures);

(d) the party is a member of the key management personnel of the entity or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

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 Contracts

None

2.5.18 Discontinued Operations

None

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.19 Construction Contracts

None

2.5.20 Discontinued Operations

None

2.5.19 Government Incentives and Grants

Grants from the government are recognized 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 recognized 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.

2.5.20 Investment Property

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

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

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

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

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

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

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the 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 19 (revised) "Employee Benefits" ("IAS 19").

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

2.5.23 Retirement Plans

None.

2.5.24 Agricultural Activities

None.

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

2.5 Summary Of Significant Accounting Policies (cont'd)

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 recognized 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.

2.5.28 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.

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. Miles earned by flights are recognized as a separately identifiable component of the sales transaction(s). A portion of the fair value of the consideration received in respect of the initial sale shall be allocated to the award credits and the consideration allocated to award credits should be recognized as revenue when awards credits are redeemed.

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

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

2.6 Important Accounting Estimates and Assumptions

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

The Determination of Impairment on Assets

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

Calculation of the Liability for "Frequent Flyer Program"

As explained in Note 2.5.30, Group has programs called "Miles and Smiles" and "Shop & Miles" which are applied for its members. In the calculations of the liability related with concerned programs, the rate of use and mile values which are determined by using statistical methods over the historical data were used. Furthermore, Group, as explained in Note 2.3 adopted IFRIC 13 "Customer Loyalty Programs" earlier even though the interpretation has not come into force yet.

Useful Lives and Salvage Values of Financial Assets:

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

3 BUSINESS COMBINATIONS

None.

4 JOINT VENTURES

None.

5 SEGMENTAL REPORTING

Business Segments

The Group predominantly operates in one industry segment as of 31 March 2009, 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 SEGMENTAL REPORTING (cont'd)

5.1. Total Assets and Liabilities

Total Assets	**31 March 2009**	**31 December 2008**
Aviation	8.537.435.607	7.831.690.828
Technic	504.701.187	444.054.277
Total	9.042.136.794	8.275.745.105
Less: Eliminations of consolidation	(464.487.052)	(404.109.549)
Total assets according to consolidated financial statements	8.577.649.742	7.871.635.556

Total Liabilities	**31 March 2009**	**31 December 2008**
Aviation	5.404.618.277	4.845.103.732
Technic	94.825.731	93.546.882
Total	5.499.444.008	4.938.650.614
Less: Eliminations of consolidation	(59.071.008)	(53.602.154)
Total liabilities according to consolidated financial statements	5.440.373.000	4.885.048.460

5.2. Net Operating Profit/(Loss)

Segment Result:

01 January 2009-31 March 2009	**Aviation**	**Technic**	**Eliminations between segments**	**Total**
Sales revenue	1.236.363.942	166.241.500	(123.969.383)	1.278.636.059
Cost of sales	(1.076.391.619)	(128.212.665)	123.059.241	(1.081.545.043)
Gross profit or (loss)	159.972.323	38.028.835	(910.142)	197.091.016
Marketing, selling and distribution expenses	(167.593.720)	(1.055.014)	74.219	(168.574.515)
General administration expenses	(53.387.507)	(9.114.714)	835.923	(61.666.298)
Other operating income	92.869.536	8.417.724	(2.724.328)	98.562.932
Other operating expenses	(5.932.513)	(4.429.136)	2.724.328	(7.637.321)
Operating profit or (loss)	25.928.119	31.847.695	-	57.775.814

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, selling 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 or (loss)	108.286.700	(7.785.701)	-	100.500.999

5 SEGMENTAL REPORTING (cont'd)

Income statement items related to impairment of tangible fixed assets

01 January 2009-31 March 2009	Aviation	Technic	Eliminations between segments	Total
Real increase on tangible fixed asset impairment accrual (Loss from other operations)	44.155.800	-	-	44.155.800
Decrease on tangible fixed asset impairment accrual due to exchange rate changes (Financial income)	316.042.867	-	-	316.042.867

01 January 2008-31 March 2008	Aviation	Technic	Eliminations between segments	Total
Real increase on tangible fixed asset impairment accrual (Loss from other operations)	177.036.994	-	-	177.036.994
Decrease on tangible fixed asset impairment accrual due to exchange rate changes (Financial income)	249.047.526	-	-	249.047.526

Income statement items related to investments accounted for equity method

01 January 2009-31 March 2009	Aviation	Technic	Eliminations between segments	Total
Share of profit /(loss) on investment that valued by share holder's equity method	25.901.929	103.537	(37.313.750)	(11.308.284)

01 January 2008-31 March 2008	Aviation	Technic	Eliminations between segments	Total
Share of profit /(loss) on investment that valued by share holder's equity method	(10.646.770)	-	2.051.820	(8.594.950)

5 SEGMENTAL REPORTING (cont'd)

5.3. Investment Activities

01 January 2009-31 March 2009	Aviation	Technic	Eliminations between segments	Total
Purchases of tangible and intangible assets	173.654.361	31.420.928	-	205.075.289
Current period amortization and depreciation expense	87.819.258	5.329.261	-	93.148.519
Tangible fixed asset accumulated impairment	-	-	-	-
The associates accounted for equity method	35.381.632	25.224.527	-	60.606.159

01 January 2008-31 March 2008	Aviation	Technic	Eliminations between segments	Total
Maddi ve maddi olmayan varlık alımı	199.409.353	22.977.076	-	222.386.429
Cari dönem amortisman gideri ve itfa payı	71.800.631	11.258.080	-	83.058.711
Maddi varlıklar birikmiş değer düşüklüğü	876.947.645	-	-	876.947.645
Özkaynak yöntemiyle değerlenen iştirakler	29.775.092	-	-	29.775.092

6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following:

	31 March 2009	31 December 2008
Cash	2.403.945	356.049
Cheques received	32.274	244.458
Banks – Time deposits	534.771.152	365.786.513
Banks – Demand Deposits	164.515.711	122.908.559
Other liquid assets	31.938.938	15.610.142
	733.662.020	504.905.721

Foreign currency bank balances are TRY 466.837.150 as at 31 March 2009 (31 December 2008: TRY 339.442.970).

6 CASH AND CASH EQUIVALENTS (cont'd)

Time Deposits:

Amount	Currency	Opening Date	Interest Rate	Maturity	31 March 2009
179.840.000	TRY	22.01.2009- 31.03.2009	9,45% - 15,30%	01.04.2009 21.05.2009	179.840.000
51.810.000	Euro	05.02.2009- 31.03.2009	1,50% - 4,60%	01.04.2009- 22.05.2009	115.318.698
141.950.506	USD	15.01.2009 31.03.2009	1,00% - 6,25%	01.04.2009 22.05.2009	239.612.454
					534.771.152

Amount	Currency	Opening Date	Interest Rate	Maturity	31 December 2008
90.700.000	TRY	17.11.2008- 31.12.2008	13,50% - 23.50%	02.01.2009 22.01.2009	90.700.000
23.050.000	Euro	07.11.2008	7,76%	05.02.2009	49.345.440
149.270.034	USD	24.10.2008 31.12.2008	2,00% - 7,50%	02.01.2009 22.01.2009	225.741.073
					365.786.513

7 FINANCIAL ASSETS

Short-term financial assets comprised the following:

	31 March 2009	31 December 2008
Time deposits with maturity more than 3 months	1.347.698.532	1.403.033.703

Foreign currency bank balances are TRY 928.598.532 as at 31 March 2009. (31 December 2008: TRY 858.433.703).

Time deposits with maturity more than 3 months:

Amount	Currency	Opening Date	Interest Rate	Maturity	31 March 2009
419.100.000	TRY	21.05.2008- 06.03.2009	13,25% - 22,00%	06.04.2009- 03.09.2009	419.100.000
89.540.000	Euro	07.07.2008- 23.03.2009	4,75% - 6,75%	06.04.2009- 21.12.2009	199.298.132
432.050.000	USD	22.05.2008- 25.03.2009	4,50% - 8,55%	17.04.2009- 25.01.2010	729.300.400
					1.347.698.532

7 FINANCIAL ASSETS (cont'd)

Amount	Currency	Opening Date	Interest Rate	Maturity	31 December 2009
544.600.000	TRY	21.05.2008 22.12.2008	19,15% - 23,00%	05.01.2009 03.09.2009	544.600.000
107.460.000	Euro	07.07.2008- 22.12.2008	6,50% - 8,50%	19.01.2009 04.05.2009	230.050.368
415.515.000	USD	23.01.2008- 15.12.2008	5,65% - 8,55%	05.01.2009 24.07.2009	628.383.335
					1.403.033.703

Long-term financial assets comprised the following:

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

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

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.	Netherlands	Less than 0,1%	Less than 0,1%	Information & Telecommunication Services
Star Alliance GMBH	Germany	5,56%	5,56%	Coordination Between Star Alliance Member Airlines

8 FINANCIAL DEBT

Short-term financial liabilities comprised the following:

	31 March 2009	31 December 2008
Bank loans	37.602.721	34.900.371
Finance lease obligations	432.756.865	384.388.858
	470.359.586	419.289.229

Long-term financial liabilities comprised the following:

	31 March 2009	31 December 2008
Finance lease obligations	3.016.863.558	2.798.005.235
	3.016.863.558	2.798.005.235

8 FINANCIAL DEBT (cont'd)

Details of short-term bank borrowing at 31 March 2009 is as follows:

Maturity	Interest Rate	Original Amount	Interest Accrual	TRY
15.08.2009	Libor + 1,25%	22.197.806 US Dollars	78.688 US Dollars	37.602.721

Short-term portion of long-term bank borrowing at 31 December 2008 is as follows:

Maturity	Interest Rate	Original Amount	Interest Accrual	TRY
15.08.2009	Libor + 1,25%	22.937.732 US Dollars	139.945 US Dollars	34.900.371

Finance lease obligations comprised the following:

	31 March 2009	31 December 2008
Not later than 1 year	516.248.544	480.276.603
Between 1-5 years	1.681.461.332	1.566.966.270
Over 5 years	1.897.742.466	1.778.034.612
	4.095.452.342	3.825.277.485
Less: Future interest expenses	(645.831.919)	(642.883.392)
Principal value of future rentals shown in the balance sheets	3.449.620.423	3.182.394.093
Interest Range:		
Floating rate obligations	1.411.788.563	1.221.791.915
Fixed rate obligations	2.037.831.860	1.960.602.178
	3.449.620.423	3.182.394.093

As of 31 March 2009, the US Dollars and Euro denominated lease obligations' weighted average interest rates for the fixed rate obligations are 4,91% and for the floating rate obligations are 1,56%.

9 OTHER FINANCIAL LIABILITIES

Other short-term financial liabilities comprised the following:

	31 March 2009	31 December 2008
Derivative instruments at fair values (Note 39)	12.023.534	4.761.176
Debt to banks	228.628	639.916
	12.252.162	5.401.092

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

Short-term accounts receivable comprised the following:

	31 March 2009	31 December 2008
Trade Receivables	473.513.596	383.824.100
Due from related parties (Note 37)	3.867.183	4.741.388
Discount on receivables (-)	(3.167.345)	(2.378.567)
Allowance for doubtful receivables	(37.732.416)	(37.042.788)
	436.481.018	349.144.133

10 ACCOUNTS RECEIVABLE AND PAYABLE (cont'd)

The Group provided provision for the receivables that are carried to legal proceedings and for the others by making historical statistical calculations. Movement of the doubtful receivables period ended 31 March 2009 and 2008 is as follows:

	1 January- 31 March 2009	1 January - 31 March 2008
Opening Balance	37.042.788	21.405.019
Current period expense	3.935.570	210.977
Collected amount	(3.245.942)	(6.351)
Closing Balance	37.732.416	21.609.645

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

Short-term accounts payable comprised the following:

	31 March 2009	31 December 2008
Trade payables	427.168.551	427.496.732
Due to related parties (Note 37)	12.124.004	9.433.149
Discount on payables (-)	(2.375.437)	(2.428.283)
Other	649.547	607.613
	437.566.665	435.109.211

11 OTHER RECEIVABLES AND LIABILITIES

Other short-term receivables comprised the following:

	31 March 2009	31 December 2008
Prepayments made for aircrafts, to be received back in cash	-	30.220.978
Due from related parties (non-trading) (Note 37)	438	67.386
Receivables from foreign acquisition transactions	6.903.897	5.551.351
Receivables from tax office	28.713.753	4.917.861
Due from insurance companies (*)	56.923.436	
Receivables from foreign technical suppliers	1.668.182	1.465.399
Receivable from SITA deposit certificate	670.378	600.600
Due from personnel	968.222	1.263.682
Bosnia Herzegovina Airlines Share Advancement	-	10.704.000
Deposits and guarantees given	1.126.970	949.250
VAT deductible	843.138	4.295.567
Other receivables	2.362.418	1.637.884
	100.180.833	61.673.958

(*)Boeing 737-800 type TC JGE aircraft which joined the Group's fleet on 27 March 2002 through finance lease by Perge Aviation Ltd. Co. had a crash while landing at Amsterdam Shipol airport.Compliant to the lease agreement, the aircraft was insured by group brokage firm Albatros at a value of USD 41.767.200. Expertise study has been continuing. The net book value of the aircraft is TRY 56.923.436 and it is derecognized from the fixed assets and classified as receivable from insurance company at its net book value as of the reporting date, due to the amount which will be compensated from insurance company is not certain. After the expertise study was completed, depending on the final compensation amount, the receivable from insurance company and relevant records will be updated in the financial statements.

11 OTHER RECEIVABLES AND LIABILITIES (cont'd)

Other long -term receivables comprised the following:

	31 March 2009	31 December 2008
Receivables from foreign acquisition transactions	3.543.360	4.796.921
Receivable from SITA deposit certificates	1.345.444	1.205.400
Deposits and guarantees given	3.343.292	3.472.266
Advance payments for operating leases	9.884.121	6.924.230
Due from personnel	6.072.605	6.410.064
	24.188.822	22.808.881

Other short-term liabilities comprised the following:

	31 March 2009	31 December 2008
Taxes and funds payable	14.652.531	26.061.291
Social security premiums payable	22.584.747	21.564.459
MCO advances	66.328.291	57.613.133
E-Pos ticket advances	1.543.916	162.591
Charter advances	1.974.168	751.062
Advances received for mile credit sales	24.638.232	45.587.172
Deposits and guarantees received	24.273.999	7.603.582
Other advances received	1.649.010	1.072.264
Other liabilities	15.350.193	1.138.625
	172.995.087	161.554.179

Other long-term receivables comprised the following:

	31 March 2009	31 December 2008
Deposits and guarantees received	8.267.870	7.865.284

12 RECEIVABLES AND PAYABLES FROM ACTIVITIES IN FINANCE SECTOR

None (31 December 2008: None).

13 INVENTORIES

	31 March 2009	31 December 2008
Spare parts, flight equipments	104.646.065	87.165.280
Other inventories	21.957.209	25.918.729
	126.603.274	113.084.009
Provision for impairment (-)	(13.629.608)	(14.724.718)
	112.973.666	98.359.291

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

	1 January- 31 March 2009	1 January - 31 March 2008
Provision at the beginning of the period	14.724.718	10.845.508
Current period expense	-	2.567.752
Cancellation of provisions recognized	(1.095.110)	-
Provision at the end of the period	13.629.608	13.413.260

14 BIOLOGICAL ASSETS

None. (31 December 2008: None).

15 ASSETS FROM CONSTRUCTION CONTRACTS IN PROGRESS

None. (31 December 2008:None).

16 INVESTMENTS ACCOUNTED FOR EQUITY METHOD

The associates accounted per the equity method are as follows:

	31 March 2009	31 March 2008
Güneş Ekspres Havacılık A.Ş. (Sun Express)	-	(8.457.515)
THY DO&CO İkram Hizmetleri A.Ş. (Turkish DO&CO)	27.060.292	(137.435)
Bosnia&Herzegovina Airlines d.o.o	8.321.340	-
P&W T.T. Uçak Bakım Merkezi Ltd. Şti.	25.224.527	-
	60.606.159	(8.594.950)

In the financial statements as of 31 March 2008, shareholders' equity of Sunexpress accounted per equity method has become negative due to loss for the period and accumulated losses. Since the Group has no responsibility for the debts and liabilities of Sunexpress, in the accompanying financials statements, "the associate accounted per the equity method" is disclosed as nil.

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

	31 March 2009	31 December 2008
Total Assets	119.509.879	113.774.956
Total Liabilities	121.332.810	86.152.214
Shareholder's Equity	(1.822.930)	27.622.742
Group's share in associate's shareholder's equity	-	13.811.371

	31 March 2009	31 March 2008
Revenue	159.284.925	104.553.427
Profit/Loss	(18.703.931)	(16.915.030)
Group's share on Profit/Loss	(9.351.965)	(8.457.515)

Financial information for THY DO&CO as of 31 March 2009 and 31 December 2008 are as follows:

	31 March 2009	31 December 2008
Total Assets	101.818.912	93.245.421
Total Liabilities	47.698.328	41.123.446
Shareholder's Equity	54.120.584	52.121.975
Group's share in associate's shareholder's equity	27.060.292	26.060.988

	31 March 2009	31 March 2008
Revenue	50.543.999	36.002.471
Profit/Loss	1.998.609	(274.871)
Group's share on Profit/Loss	999.304	(137.435)

16 INVESTMENTS ACCOUNTED FOR EQUITY METHOD (cont'd)

Financial information for P&W T.T Uçak Bakım Merkezi Ltd. Şti as of 31 March 2009 and 31 December 2008 are as follows:

	31 March 2009	31 December 2008
Total Assets	52.563.397	8.344.051
Total Liabilities	1.084.771	659.225
Shareholder's Equity	51.478.626	7.684.826
Group's share in associate's shareholder's equity	25.224.527	3.765.565

	31 March 2009	31 March 2008
Revenue	-	-
Profit/Loss	211.300	-
Group's share on Profit/Loss	103.537	-

Financial information for Bosnia&Herzegovina Airlines d.o.o as of 31 March 2009 and 31 December 2008 are as follows:

	31 March 2009	31 December 2008
Total Assets	61.989.810	-
Total Liabilities	45.007.483	-
Shareholder's Equity	16.982.326	-
Group's share in associate's shareholder's equity	8.321.340	-

	31 March 2009	31 March 2008
Revenue	2.180.158	-
Profit/Loss	(6.243.183)	-
Group's share on Profit/Loss	(3.059.160)	-

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

	31 March 2009	31 December 2008
Sun Ekspress	(9.351.965)	(1.949.791)
Turkish DO&CO	999.304	5.992.650
P&W T.T. Uçak Bakım Merkezi Ltd. Şti.	103.537	(470.485)
Bosnia&Herzegovina Airlines d.o.o	(3.059.160)	
Total	(11.308.284)	3.572.374

16 INVESTMENTS ACCOUNTED FOR EQUITY METHOD (cont'd)

Details of investments valued by equity method as of 31 March 2009 are as follows:

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

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	31 March 2009	31 December 2008
Opening Balance, 1 January	48.130.000	53.700.000
Gain / (loss) from the change in the fair value	-	(5.000.000)
Disposal	-	(570.000)
Year-end Balance	48.130.000	48.130.000

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 2009	164.645.538	311.294.139	166.561.736	2.755.313.950	366.092.558	62.709.927	3.826.617.848	4.855.582.307	8.682.200.155
Additions	-	1.312.429	3.589.870	17.544.888	25.270.481	6.440.123	54.157.791	150.093.434	204.251.225
Disposals	-	(573.672)	(789.474)	-	(55.673.134)	-	(57.036.280)	(84.407.359)	(141.443.639)
Transfers	-	-	-	3.306	-	(19.386.623)	(19.383.317)	19.383.317	-
Closing balance 31 March 2009	164.645.538	312.032.896	169.362.132	2.772.862.144	335.689.905	49.763.427	3.804.356.042	4.940.651.699	8.745.007.741
Accumulated Depreciation									
Opening balance 1 January 2009	55.667.061	248.175.054	139.815.066	1.553.458.595	185.009.980	-	2.182.125.756	1.090.426.122	3.272.551.878
Depreciation for the period	684.368	3.660.118	2.545.401	25.750.754	3.725.240	-	36.365.881	54.983.901	91.349.782
Disposals	-	(384.239)	(750.076)	-	(40.197.268)	-	(41.331.583)	(27.483.923)	(68.815.506)
Closing balance 31 March 2009	56.351.429	251.450.933	141.610.391	1.579.209.349	148.537.952	-	2.177.160.054	1.117.926.100	3.395.086.154
Accumulated impairment	-	-	-	-	-	-	-	-	-
31 March 2009 net book value	108.294.109	60.581.963	27.751.741	1.193.652.795	187.151.953	49.763.427	1.627.195.988	3.822.725.599	5.449.921.587
31 December 2008 net book value	108.978.477	63.277.712	26.746.670	731.686.913	181.082.578	62.709.927	1.174.482.277	3.874.967.333	5.049.449.610

18 TANGIBLE ASSETS (NET) (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 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 2008	53.372.621	247.371.689	144.571.580	1.460.111.153	153.043.938	-	2.058.470.981	899.782.547	2.958.253.528
Depreciation for the period	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)	(314.966.952)	(876.947.645)
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

18 TANGIBLE ASSETS (NET) (cont'd)

Movements of Group's fixed asset impairment provision are as follows for the periods ending at 31 March 2009 and 2008:

	1 January- 31 March 2009	1 January- 31 March 2008
Opening Balances	360.198.667	1.303.032.165
Real increase /(decrease) in provision for diminution in value of tangible assets	(44.155.800)	(177.036.994)
Increase / (decrease) in provision for diminution in value of tangible assets due to exchange rate changes	(316.042.867)	(249.047.526)
Total Provision as of the end of the period	-	876.947.645

As explained in Note 2.5.7, the Group uses net US Dollars sales prices as the recoverable amount in the impairment calculation of its property, plant and equipment (i.e. aircrafts, spare engines and simulations - "Aircrafts"). The Group has TRY 316.042.867 of decrease in impairment loss arising from exchange rates due to the increase of net TRY sales prices of aircrafts as a result of the appreciation of US Dollars against the TRY and has TRY 44.155.800 of decrease in impairment loss as a result of increase in the US Dollar prices of aircrafts in the period that ended as of 31 March 2009 (Note 2.5.11). Consequently, The Group's total decrease in impairment loss amounts to TRY 360.198.667.

19 INTANGIBLE ASSETS (NET)

	Rights	Leasehold Improvements	Total
Cost			
Opening balance 1 January 2009	76.958.343	29.093.614	106.051.957
Additions	61.830	762.234	824.064
Disposals	-	-	-
Closing balance 31 March 2009	77.020.173	29.855.848	106.876.021
Accumulated Depreciation			
Opening balance 1 January 2009	65.795.741	22.559.087	88.354.828
Amortization charge for the period	1.132.655	666.082	1.798.737
Disposals	-	-	-
Closing balance 31 March 2009	66.928.396	23.225.169	90.153.565
31 March 2008 net book value	10.091.777	6.630.679	16.722.456
31 December 2008 net book value	11.162.602	6.534.527	17.697.129

19 INTANGIBLE ASSETS (NET) (cont'd)

	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 2008	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

20 GOODWILL

None. (31 December 2008: None).

21 GOVERNMENT GRANTS

None. (31 December 2008: None).

22 PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Provisions for short-term liabilities comprised the following:

	31 March 2009	31 December 2008
Other provisions for legal claims	7.439.165	7.460.396
Other provisions for liabilities	137.782	-
	7.576.947	7.460.396

Movements in the provisions for legal claims at 31 March 2009 and 2008 periods set out below:

	1 January-31 March 2009	1 January-31 March 2008
Provision at 1 January	7.460.396	4.695.954
Charge for the period	278.784	782.450
Provisions released	300.015	-
Provision at the end of the period	7.439.165	5.478.404

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

a) Guarantees Given:

Amount of letter of guarantees given is TRY 103.451.856as of 31 March 2009 (31 December 2008: TRY 81.610.647).

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

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

c) The Group's discounted retirement pay provision is TRY 145.879.892. The Group's liability for retirement pay would be approximately TRY 280.204.495 as of 31 March 2009, if all employees were dismissed on that date.

23 COMMITMENTS

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

	31 March 2009	31 December 2008
Less than one year	243.055.633	201.619.938
Between 1 – 5 years	827.140.823	684.056.091
More than 5 years	538.843.889	422.009.094
	1.609.040.345	1.307.685.123

24 EMPLOYEE BENEFITS

Short-term employee benefits are as follows:

	31 March 2009	31 December 2008
Salary accruals	43.988.319	33.409.789
Debt to personnel	762.742	1.674.174
Unused vacation provision	10.351.850	12.734.462
	55.102.910	47.818.425

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

	31 March 2009	31 December 2008
Provision for retirement pay liability	145.879.892	142.459.082

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

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

24 EMPLOYEE BENEFITS (cont'd)

Retirement pay liability is subject to a monthly upper limit as of the following dates:
1 January 2008 : TRY 2.082,92
1 July 2008 : TRY 2.173,19
1 January 2009 : TRY 2.260,05

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

Main assumption is that maximum liability amount increases parallel to inflation rate for every service year. Therefore, discount rate used is the expected real rate adjusted for the future inflationary effects. Because of this, provisions in the accompanying financial statements as of 31 March 2009 are calculated by estimating present value of probable liabilities arising due to retirement of employees. Provisions in the relevant balance sheet dates are calculated by using an approximate 6.26 % the real discount rate with the assumptions of 5.40 % annual inflation rate and 12% discount rate. (31 December 2008: 6.26 %). Estimated amount of retirement pay not paid due to voluntary leaves and kept in the Company is also taken into consideration as 2.99 % (2008: 2.99%). Ceiling for retirement pay is revised semi-annually, ceiling amount of TRY 2.260,05 which is in effect since 1 January 2009 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 2009	**1 January- 31 March 2008**
Provision at 1 January	142.459.082	131.959.011
Current service costs	5.305.555	6.378.498
Interest cost	2.156.038	2.172.479
Payments	(4.040.783)	(4.345.422)
Provision at the end of the period	145.879.892	136.164.566

25 RETIREMENT PLANS

None (31 December 2008: None).

26 OTHER ASSETS AND LIABILITIES

Details of other current assets comprised the following:

	31 March 2009	31 December 2008
Advances for business purposes	2.680.060	1.005.304
Advance given to personnel	1.342.432	820.624
Prepaid sales commissions	9.512.092	8.832.684
Technical maintenance income accruals	22.342.854	5.438.066
Prepaid insurance expenses	5.615.608	5.676.306
Prepaid operating lease expenses	13.116.699	11.010.997
VAT to be refunded	6.252.984	5.469.834
Prepaid wet lease rent expenses	-	5.345.647
Prepaid financial lease interest expenses	502.066	1.112.512
Prepaid rent expenses	553.932	406.502
Prepaid taxes and funds	7.490.996	58.951.175
Advance given for orders	4.428.505	4.649.039
Interline passenger income accruals	6.864.474	8.073.217
Prepaid Eximbank USA guarantee and exposure fee	1.092.408	1.092.408
Prepaid aircraft financing expenses	1.102.442	1.062.573
Income accruals	1.721.585	1.828.282
Manufacturers' credits income accruals relating to aircrafts received	40.831.986	40.861.407
Deferred VAT	1.137.627	275.568
Prepaid other expenses	4.214.495	973.430
Prepaid financial expense of bank borrowing	12.050	21.088
Expenses relating to future periods	999.585	643.475
Other currents assets	14.519	13.290
	131.829.398	163.563.428

Other non-current assets comprised the following:

	31 March 2009	31 December 2008
Prepayment for tangible assets	79.853.236	74.096.755
Maintenance reserve for engines	19.590.545	18.171.033
Prepaid Eximbank USA guarantee and exposure fee	2.344.781	2.618.689
Prepaid aircraft financing expenses	7.646.581	7.197.530
Prepaid operating lease expenses	3.436.781	3.175.779
Prepaid expenses	234.506	234.725
	113.106.430	105.494.511

Details of passenger flight liabilities are as follows:

	31 March 2009	31 December 2008
Frequent flyer program liability	93.957.999	98.946.996
Flight liability resulting from ticket sales	388.593.844	253.091.354
Flight liability resulting from mileage sales	100.372.177	89.768.475
	582.924.177	441.806.825

26 OTHER ASSETS AND LIABILITIES (cont'd)

Other short-term liabilities comprised the following:

	31 March 2009	**31 December 2008**
Manufacturer's credit related to aircrafts to be received	10.633.554	9.926.677
Accruals for maintenance costs	81.302.049	69.099.738
Accruals for sales incentive premiums	18.249.321	4.603.716
Accruals for other expenses	2.664.460	369.934
Deferred income	869.683	430.965
Other liabilities	7.777.434	7.251.639
	121.496.501	91.682.669

Long-term other current assets comprised the following:

	31 March 2009	**31 December 2008**
Gross manufacturer's credits	44.192.293	39.289.960
Accumulated depreciations of manufacturer's credit	(10.065.879)	(8.168.227)
	34.126.414	31.121.733

27 SHAREHOLDERS' EQUITY

Share Capital- Adjustment to Share Capital

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

	Group	**%**	**31 March 2009**	**%**	**31 December 2008**
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			175.000.000		175.000.000
Restatement effect (***)			1.672.901.479		1.672.901.479
Restated share capital			1.847.901.479		1.847.901.479

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

As at 31 March 2009, 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.

27 SHAREHOLDERS' EQUITY (cont'd)

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

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

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

c) Increasing share capital,

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

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

f) Making decisions relating to merges and liquidation,

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

Restricted Reserves Assorted from Profit

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

Foreign Currency Translation Differences

Foreign currency translation differences are the changes due to foreign exchange rate changes in the shareholders' equity of Güneş Ekspres Havacılık A.Ş. which is a subsidiary accounted for equity method.

Distribution of Dividends

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

Based on the CMB's decision issued on 9 January 2009, for listed companies, minimum profit distribution rate shall be applied as 20 % for the profits generated from 2008 results. (2007: 20%). Accordingly, depending on the decision made in general shareholders' meeting, the profit distribution can be made either by giving bonus shares to shareholders which are issued either in cash or by adding dividend to capital or giving some amount of cash and some amount of bonus shares to shareholders. If the primary dividend amount determined is less than 5% of the paid-in capital, the decision gives the option of not to distribute the related amount as to keep within the equity. However, for companies that have not made any dividend distributions in the prior period and therefore has classified their shares as "old shares" and "new shares" and those that will distribute dividends from the profit for the year obtained from their activities, primary dividend amount shall be distributed in cash.

27 SHAREHOLDERS' EQUITY (cont'd)

Distribution of Dividends (cont'd)

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

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

According to the decision the CMB's decision on 9 January 2009; the total amount of the retained earnings, the profit for the year and the other sources in which might be considered in profit distribution in statutory records are to be disclosed in the notes to the financial statements prepared and announced to the public in accordance with Serial:XI, No:29; for the Company that amount is equal to TRY 272.807.034 as profit for the year,7.806.889 TL as extra ordinary reserves and TRY 303.035.058 as retained earnings. The total amount of the retained earnings are equal to TRY 583.648.981.

However, the items of shareholders' equity of the Company, except profit for the year, in the statutory records as of 31 March 2009 are as follows:

Subscribed capital	175.000.000
Restatement Effect on Shareholders' Equity	533.595.133
Share Premium	181.185
Legal Reserves	16.366.224
Extraordinary Reserves	7.806.889
Other profit reserves	9
Special funds	41.516.237
Retained Earnings	303.035.058
Total	1.077.500.735

28 SALES REVENUES AND COST OF SALES

Details of Gross Profit are as follows:

	1 January- 31 March 2009	1 January- 31 March 2008
Scheduled flights		
- Passenger	1.100.954.574	926.248.716
- Cargo and mail	89.661.975	77.823.697
Total scheduled flights	1.190.616.549	1.004.072.413
Non-scheduled flights	4.110.415	8.240.467
Other revenues	83.914.388	72.305.399
Total revenues	**1.278.641.352**	**1.084.618.279**
Less: Discounts and sales returns	(5.293)	(5.124)
Net Sales	**1.278.636.059**	**1.084.613.155**
Cost of Sales (-)	(1.081.545.043)	(919.123.457)
Gross Operating Profit	**197.091.016**	**165.489.698**

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

	1 January- 31 March 2009	1 January- 31 March 2008
- Europe	457.799.046	379.296.359
- Far East	229.607.186	188.618.256
- Middle East	148.003.819	107.624.261
- North Africa	45.004.178	24.705.577
- North America	40.483.372	40.192.920
- South Africa	11.744.751	11.061.553
- West Africa	6.992.399	3.992.726
- Middle Africa	5.350.827	4.453.474
	944.985.578	759.945.126
Domestic	245.630.971	244.127.287
Total Revenue from the scheduled flights	1.190.616.549	1.004.072.413

28 SALES REVENUES AND COST OF SALES (cont'd)

Cost of sales consists of the following:

	1 January- 31 March 2009	1 January- 31 March 2008
Fuel expenses	278.847.510	332.117.412
Staff expenses	237.379.046	193.957.678
Landing and navigation expenses	116.314.936	75.108.319
Maintenance expenses	89.234.548	72.842.667
Depreciation expenses	86.516.972	77.905.675
Handling expenses	84.493.108	53.870.611
Passenger service and catering expenses	69.785.823	51.711.908
Operating lease expenses	58.499.455	32.658.571
Aircraft wet-lease expenses	27.534.682	2.363.572
Insurance expenses	7.044.173	6.172.826
Codeshare expenses	6.652.968	3.422.159
Service expenses	3.252.814	2.552.413
Other renting expenses	2.985.792	5.917.158
Communication expenses	2.669.777	1.642.927
Other taxes	2.541.976	1.807.160
Transportation expenses	1.743.773	1.038.144
Lighting, heating, energy and water expenses	946.800	911.005
Cost of other sales	5.100.890	3.123.252
	1.081.545.043	919.123.457

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

	1 January- 31 March 2009	1 January- 31 March 2008
Marketing, Selling and Distribution Expenses	168.574.515	131.984.739
General Administrative Expenses	61.666.298	46.811.619
	230.240.813	178.796.358

Marketing, selling and distribution expenses comprised the following:

	1 January- 31 March 2009	1 January- 31 March 2008
Marketing, selling and distribution expenses		
Staff expenses	50.870.817	45.719.434
Commission and promotion Expenses	40.629.266	38.275.508
Reservation system expenses	36.542.716	23.693.536
Advertisement expenses	12.763.975	4.492.534
Other renting expenses	5.902.270	4.602.875
Service expenses	5.193.141	2.467.438
Communication expenses	2.625.889	2.591.491
Passenger service and catering expenses	2.381.833	1.574.447
Other taxes	1.581.972	1.675.982
Transportation expenses	1.514.469	1.172.225
Membership expenses	1.219.323	197.157
Lighting, heating, energy and water expenses	893.425	551.694
Maintenance expenses	326.109	301.803
Insurance expenses	208.570	185.763
Fuel expenses	170.720	223.979
Depreciation expenses	144.917	114.995
Other sales and marketing expenses	5.605.003	4.143.878
Total marketing, selling and distribution expenses	168.574.515	131.984.739

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

General administrative expenses comprised the following:

	1 January- 31 March 2009	1 January- 31 March 2008
General administrative expenses (-)		
Staff expenses	35.106.765	28.286.395
Depreciation expenses	6.486.631	5.038.041
Insurance expenses	5.008.505	563.159
Other renting expenses	2.665.936	1.629.722
Service expenses	2.204.272	1.649.092
Maintenance expenses	1.913.586	1.973.320
Other taxes	1.515.128	1.369.332
Communication expenses	1.466.107	1.001.090
Commission and promotion expenses	1.371.267	874.233
Lighting, heating, energy and water expe	438.539	524.724
Fuel expenses	55.899	1.720.922
Other general administrative expenses	3.433.663	2.181.589
Total general administrative expenses	61.666.298	46.811.619

30 EXPENSES ACCORDING TO CATEGORIES

	1 January- 31 March 2009	1 January- 31 March 2008
Expenses according to categories		
Fuel expenses	279.074.129	334.062.313
Staff expenses	323.356.628	267.963.507
Depreciation expenses	93.148.519	83.058.711
Landing and navigation expenses	116.314.936	75.108.319
Maintenance expenses	91.474.243	75.117.790
Handling expenses	84.493.108	53.870.611
Passenger service and catering expenses	72.167.656	53.286.355
Rent expenses	104.241.102	50.594.057
Commission and promotion expenses	42.000.532	39.149.741
Other expenses	105.515.003	65.708.411
	1.311.785.856	1.097.919.815

31 OTHER OPERATING INCOME / (EXPENSES)

Other operating income consists of the following:

	1 January- 31 March 2009	1 January- 31 March 2008
Real decrease in provision for diminution in value of tangible assets (Note 18)	44.155.800	177.036.994
Indemnity and penalty income	26.696.689	1.197.665
Maintenance fee returns from leasing companies	17.214.521	-
Provision released	4.648.283	6.351
Discounts received from spare parts suppliers	906.852	3.401.209
Yapı Kredi protocol income	634.955	865.480
Excess of stock count	551.274	685.475
Tax returned related to the aircraft leasing	428.414	305.895
Rent income	243.290	234.603
Purchase discounts	148.240	219.912
Fixed asset sales income	30.819	1.212
Commission income	13.389	11.497
Profit on sale of scrap material	3.404	24.827
Other	2.887.002	1.201.023
	98.562.932	185.192.143

Other operating expenses consist of the following:

	1 January- 31 March 2009	1 January- 31 March 2008
Provision expense	4.220.856	1.000.572
Expenses relating to aircraft crash	1.851.283	-
Indemnity and penalty expense	617.799	-
Passengers without visa expense	254.666	63.967
Other expenses	692.717	148.212
	7.637.321	1.212.751

32 FINANCIAL INCOME

Financial income consists of the following:

	1 January- 31 March 2009	1 January- 31 March 2008
Decrease in provision for diminution in value of tangible assets due to exchange rate changes (Note 18)	316.042.867	249.047.526
Foreign exchange gain	126.292.593	96.878.372
Interest income	51.215.676	16.590.917
Discount interest income	40.425	2.290.069
Income from the change in fair value of derivative instruments	-	3.512.540
	493.591.561	368.319.424

33 FINANCIAL EXPENSES

Financial expenses consist of the following:

	1 January- 31 March 2009	1 January- 31 March 2008
Financial liabilities foreign exchange loss	223.432.988	246.008.067
Finance lease interest expenses	31.398.118	24.497.229
Loss from the change in fair value of derivative instruments	7.262.358	-
Retirement pay interest cost	2.156.038	2.172.480
Discount expenses	1.880.394	546.164
Financial debts interest expense	308.265	415.068
Other financial expenses	25.762	32.817
	266.463.923	273.671.825

34 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None (31 December 2008: None).

35 TAX ASSETS AND TAX LIABILITIES

Corporate tax payable is as follows:

	31 March 2009	31 December 2008
Provision for corporate tax payable	37.187.541	7.673.685
Prepaid taxes and funds	(33.185.730)	(3.487.876)
	4.001.811	4.185.809

35 TAX ASSETS AND TAX LIABILITIES (cont'd)

Tax expense is as follows:

	1 January- 31 March 2009	1 January- 31 March 2008
Current period tax expense	37.187.541	119.199
Deferred tax expense / (income)	81.258.575	53.059.095
Tax expense	118.446.116	53.178.294

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. The applicable current corporate tax rate is 20% for 2008. The deferred tax rate used for the calculation of deferred tax assets and liabilities is also 20%.

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

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

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

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.

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

Article 7.4 of the General Communiqué issued on 6 December 2008 in regards to "Bringing Some Assets Into National Economy" Law Serial 1, No: 5811 requires the inclusion of such earnings to the exemption to the extent that they are transferred to Turkey as of 31 May 2009, even if earnings attributable to 2008 are subject to temporary tax filings for the 2008's temporary tax periods, since branch earnings obtained through their foreign offices/branches and permanent agencies are determined at the last day of the financial year.

In this respect, the Company's TRY 436.428.799 of foreign branch earnings exemption obtained in 2008 is subject to as a deduction against the 2008's Corporate Tax base. Unused and carry forward exemption amount of 2008 is also subject to deferred tax calculation.

During the calculation of prepaid tax for the 2009 March period, the issues about the calculation of foreign branch earnings were evaluated again by the Company managemet due to the factors of uncertainty in regulations, arising of different figures for the matter about which initiative can bu used depending on the opinion taken from Tax authority, arising of different exception figures when the methods other than in the Tax autority's opinion was applied. Foreign branch earnings which were calculated previously on the location basis are calculated again in the line basis, the previous earnings figure TRY 436.428.799 has decreased to TRY 114.788.079.According to interpretations of chartered accountant, both methods are correct and defensible, the Company conservatively chosen to implement exception amount TRY 114.788.079 and revised the 2008 corporate tax representation. This change is deemed as a change in accounting estimates and its tax effect at the amount of 64.328.143,94 is recognized in the financial statements as of 31 March 2009.

35 TAX ASSETS AND TAX LIABILITIES (cont'd)

	1 January-31 March 2009	**1 January-31 March 2008**
Reconciliation of provision for taxes:		
Profit from operations before tax	273.595.168	256.725.381
Tax at the domestic income tax rate of %20	54.719.034	51.345.076
Tax effect of :		
- revenue that is exempt from taxation	(3.309.374)	1.798.869
- effect of foreign branch earnings exemption	63.370.839	-
- expenses that are not deductible in determining taxable profit	3.665.617	34.349
Tax provision expense in statement of income	118.446.116	53.178.294

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.

35 TAX ASSETS AND TAX LIABILITIES (cont'd)

The deferred tax assets and liabilities as of 31 March 2009 and 31 December 2008 are as follows:

	31 March 2009	**31 December 2008**
Long term lease obligations	48.955.616	49.277.131
Accumulated financial loss	26.075.918	31.206.426
Retirement pay liability	29.175.979	28.491.817
Short term lease obligations	24.992.030	21.716.516
Expense accruals	37.454.937	36.194.357
Provision for diminution in value of inventories	2.725.922	2.944.944
Provision for unused vacation	2.070.370	2.546.893
Allowance for doubtful receivables	1.520.016	3.050.391
Discount on receivables	633.241	472.633
Income and expenses relating to future periods	2.474.343	1.037.855
Discount on payables	(475.087)	(485.657)
Provision for advance ticket sales	(34.365.714)	(32.179.753)
Fixed assets	(511.766.730)	(433.734.782)
Other	(32.383)	158.262
	(370.561.542)	(289.302.967)

	31 March 2009	**31 December 2008**
Deferred tax assets	397.878	1.986.324
Deferred tax liabilities	(370.959.420)	(291.289.291)
Deferred tax assets / (liabilities), net	(370.561.542)	(289.302.967)

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

	1 January- 31 March 2009	**1 January- 31 March 2008**
1 January opening value of deferred tax	289.302.967	125.736.925
Deferred tax expense/ (income)	81.258.575	53.178.294
Current period deferred tax liability	370.561.542	178.915.219

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 2009 and 2008 as follows:

36 EARNINGS PER SHARE (cont'd)

	1 January- 31 March 2009	1 January- 31 March 2008
Number of shares outstanding on 1 January (in full)	17.500.000.000	17.500.000.000
New shares issued (in full)		-
Number of shares outstanding on 31 December (in full)	17.500.000.000	17.500.000.000
Weighted average number of shares outstanding during the period (in full)	17.500.000.000	17.500.000.000
Net profit for the period	155.149.052	203.547.087
Earnings per share (*Kr)	0,088	0,116

(*) The earnings per share with par value of TRY 1 is TRY 0,89 in March 2009; TRY 1,16 in March 2008.

37 RELATED PARTY DISCLOSURES

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

	31 March 2009	31 December 2008
Sun Express (Note 10)	2.000.011	646.191
THY DO&CO İkram Hizmetleri A.Ş. (Note 10)	1.641.833	4.095.197
Pratt & Whitney (Note 10)	225.339	-
	3.867.183	4.741.388

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

	31 March 2009	31 December 2008
TGS Yer Hizmetleri A.Ş.(Note 11)	-	67.386
Pratt & Whitney (Note 11)	438	-
	438	67.386

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

	31 March 2009	31 December 2008
Sun Express (Note 10)	4.959.011	9.433.149
THY DO&CO İkram Hizmetleri A.Ş. (Note 10)	7.164.993	-
	12.124.004	9.433.149

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

	1 January- 31 March 2009	1 January- 31 March 2008
Services rendered to Sun Express	6.117.529	2.052.897
Services rendered to THY DO&CO	130.698	147.561
Interest income from THY DO&CO	-	197.694
Services rendered to Airbosnia	46.685	-
Services rendered to P & W T.T	194.598	
	6.489.510	2.398.152

37 RELATED PARTY DISCLOSURES (cont'd)

	1 January- 31 March 2009	1 January- 31 March 2008
Services received from Sun Express	5.880.533	5.190.564
Services received from THY DO&CO	47.077.701	29.418.653
Services received from AirBosnia	10.030	-
Services received from Star Alliance GMBH	778.631	-
	53.746.895	34.609.217

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

The total amount of salaries and other short term benefits provided for the Chairman and the Member of Board of Directors,General Manager, General Coordinator and General Deputy Managers are TRY 851.268 (2008: TRY 528.354).

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 assesses the risks associatable 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.

	31 March 2009	31 December 2008
Total Debts	3.937.041.971	3.657.804.767
Less: Cash and Cash Equivalents	(733.662.020)	(504.905.721)
Net Debts	3.203.379.951	3.152.899.046
Total Shareholders' Equity	3.137.276.742	2.986.587.096
Total Capital	6.340.656.693	6.139.486.142
Net Debt/Total Capital	0.51	0.51

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

(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.

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

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

(b) Financial risk factors (cont'd)

b.1) Credit risk management

Credit Risk of Financial Instruments	Receivables				
	Trade Receivables		Other Receivables		
31 March 2009	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Deposits in Banks**
Maximum credit risk as of balance sheet date (*)	3.867.183	432.613.835	438	67.445.781	2.046.985.395
- The part of maximum risk under guarantee with collateral etc. (**)	-	3.823.498	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	3.867.183	384.641.039	438	67.445.781	2.046.985.395
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-
C. Net book value of financial assets that are past due but not impaired	-	47.972.796	-	-	-
- The part under guarantee with collateral etc.	-	3.049.285	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
- Past due (gross carrying amount)	-	37.732.416	-	-	-
- Impairment (-)	-	(37.732.416)	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-

(*)The factors that increase in credit reliability such as guarantees received are not considered in the balance.
(**)Guarantees consist of the guarantees in cash & letters of guarantee obtained from the customers

(Amounts expressed in TRY unless otherwise specified.)

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

(a) Financial risk factors (cont'd)

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

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

(*)The factors that increase in credit reliability such as guarantees received are not considered in the balance
(**)Guarantees consist of the guarantees in cash & letters of guarantee obtained from the customers

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

(b) Financial risk factors (cont'd)

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

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

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

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

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

The aging of the past due receivables are as follows:

	Receivables					
31 March 2009	**Trade Receivables**	**Other Receivables**	**Deposits in Banks**	**Derivatives**	**Other**	**Total**
Past due 1-30 days	10.003.291	-	-	-	-	10.003.291
Past due 1-3 months	17.720.294	-	-	-	-	17.720.294
Past due 3-12 months	27.457.183	-	-	-	-	27.457.183
Past due 1-5 years	30.371.054	-	-	-	-	30.371.054
Past due more than 5 years	153.390	-	-	-	-	153.390
Total past due receivables	85.705.212	-	-	-	-	85.705.212
The part under guarantee with collateral	3.049.285	-	-	-	-	

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

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

The aging of the past due receivables are as follows:

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

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

(b) Financial risk factors (cont'd)

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

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

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

b.2) Liquidity risk management

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

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

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

Liquidity Risk Table

31 March 2009

Due Date on Agreement	Book Value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative Financial liabilities						
Bank borrowings	37.602.721	37.923.478	1.476.789	36.446.689	-	-
Finance lease obligations	3.449.620.423	4.095.452.342	147.513.195	368.735.349	1.681.461.332	1.897.742.466
Trade payables	437.566.665	439.942.102	367.214.964	72.727.138	-	-
Other financial liabilities	228.628	-	228.628	-	-	-
Total liabilities	3.925.018.437	4.573.317.922	516.433.577	477.909.176	1.681.461.332	1.897.742.466

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

(b) Financial risk factors (cont'd)

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

Liquidity Risk Table (cont'd):

31 December 2008

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

b.3) Market Risk Management

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

b.3.1) Foreign currency risk management

Transactions in foreign currencies expose the Group to foreign currency risk.

The foreign currency denominated assets and liabilities of monetary and non-monetary items are as follows:

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

(b) Financial risk factors (cont'd)

b.3) Market Risk Management (cont'd)

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

	31 March 2009				
	TRY Equivalent (Functional currency)	**US Dollar**	**Euro**	**GBP**	**Other**
1. Trade Receivables	306.853.807	83.765.730	101.230.825	11.317.269	110.539.983
2a. Monetary Financial Assets	1.446.636.247	1.015.615.453	328.238.296	8.051.814	94.730.684
2b. Non Monetary Financial Assets	-	-	-	-	-
3. Other	12.818.159	3.891.302	1.936.992	6.574.109	415.756
4. CURRENT ASSETS	**1.766.308.213**	**1.103.272.485**	**431.406.113**	**25.943.192**	**205.686.423**
5. Trade Receivables	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-	-
7. Other	79.103.792	77.672.777	1.394.846	36.169	-
8. NON CURRENT ASSETS	**79.103.792**	**77.672.777**	**1.394.846**	**36.169**	**-**
9. TOTAL ASSETS	**1.845.412.005**	**1.180.945.262**	**432.800.959**	**25.979.361**	**205.686.423**
10. Trade Payables	281.867.668	166.598.734	40.704.073	27.607.050	46.957.812
11. Financial Liabilities	470.359.596	287.378.153	182.981.443	-	-
12a. Other Monetary Financial Liabilities	13.380.657	9.765.562	3.794.041	105.562	2.715.493
12b. Other Non-monetary Financial Liabilities	-	-	-	-	-
13. CURRENT LIABILITIES	**768.607.921**	**463.742.448**	**227.479.557**	**27.712.612**	**49.673.305**
14. Trade Payables	-	-	-	-	-
15. Financial Liabilities	3.016.889.314	1.232.534.233	1.784.355.081	-	-
16a. Other Monetary Financial Liabilities	8.267.869	1.121.532	6.060.882	4.589	1.080.866
16b. Other Non Monetary Financial Liabilities	-	-	-	-	-
17. NON CURRENT LIABILITIES	**3.025.157.184**	**1.233.655.765**	**1.790.415.963**	**4.589**	**1.080.866**
18. TOTAL LIABILITIES	**3.793.765.105**	**1.697.398.213**	**2.017.895.520**	**27.717.201**	**50.754.171**
19. Net asset / liability position of Off-balance sheet derivatives (19a-19b)	-	-	-	-	-
19a. Off-balance sheet foreign currency derivative assets	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-
20. Net foreign currency asset liability position (9-18+19)	(1.948.353.100)	(516.452.951)	(1.585.094.561)	(1.737.840)	154.932.252
21. Net foreign currency asset / liability position of monetary Items (1+2a+5+6a-10-11-12a-14-15-16a)	(2.040.275.051)	(598.017.030)	(1.588.426.399)	(8.348.118)	154.516.496
22. Fair value of foreign currency hedged financial assets	-	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-	-
25.Exports		158.325.228	455.880.022	35.569.984	319.039.683
26.Imports		309.667.310	108.141.552	9.236.981	43.779.717

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

	31 December 2008				
	TRY Equivalent (Functional currency)	**US Dollar**	**Euro**	**GBP**	**Other**
1. Trade Receivables	201.671.977	36.369.880	72.663.669	6.607.281	86.031.147
2a. Monetary Financial Assets	1.276.603.808	912.217.454	291.072.563	5.624.087	67.689.704
2b. Non Monetary Financial Assets	-	-	-	-	-
3. Other	7.419.217	2.458.692	41.404	4.760.149	158.971
4. CURRENT ASSETS	1.471.731.061	937.123.809	363.753.228	16.974.200	153.879.822
5. Trade Receivables	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-	-
7. Other	72.794.855	72.789.485	4.400	-	970
8. NON CURRENT ASSETS	72.794.855	72.789.485	4.400	-	970
9. TOTAL ASSETS	1.558.489.856	1.023.835.512	363.782.035	16.991.517	153.880.792
10. Trade Payables	244.277.677	125.858.217	56.555.014	16.252.346	45.612.100
11. Financial Liabilities	419.289.229	251.539.094	167.750.135	-	-
12a. Other Monetary Financial Liabilities	11.915.050	6.364.962	3.048.592	74.914	2.426.581
12b. Other Non-monetary Financial Liabilities	-	-	-	-	-
13. CURRENT LIABILITIES	675.481.956	383.762.274	227.353.741	16.327.260	48.038.681
14. Trade Payables	-	-	-	-	-
15. Financial Liabilities	2.798.005.235	1.052.489.444	1.745.515.791	-	-
16a. Other Monetary Financial Liabilities	8.006.641	1.046.583	5.829.426	4.210	1.126.422
16b. Other Non Monetary Financial Liabilities	-	-	-	-	-
17. NON CURRENT LIABILITIES	2.806.011.876	1.053.536.027	1.751.345.217	4.210	1.126.422
18. TOTAL LIABILITIES	3.481.493.832	1.437.298.301	1.978.698.958	16.331.470	49.165.103
19. Net asset / liability position of Off-balance sheet derivatives (19a-19b)	-	-	-	-	-
19a. Off-balance sheet foreign currency derivative assets	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-
20. Net foreign currency asset liability position (9-18+19)	(1.923.003.976)	(413.462.789)	(1.614.916.923)	660.047	104.715.689
21. Net foreign currency asset / liability position of monetary Items (1+2a+5+6a-10-11-12a-14-15-16a)	(2.003.218.048)	(488.710.966)	(1.614.962.727)	(4.100.102)	104.555.747
22. Fair value of foreign currency hedged financial assets	-	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-	-
25.Exports	4.540.026.181	536.061.102	2.404.349.759	141.055.054	1.458.560.268
26.Imports	1.651.794.897	937.339.395	495.108.749	14.626.988	204.719.765

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

(b) Financial risk factors (cont'd)

b.3) Market Risk Management (cont'd)

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

Foreign currency sensitivity

The Group is exposed to foreign exchange risk primarily from US dollar and Euro.

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

	31 March 2009	
	Profit/Loss Before Tax	
	If foreign currency appreciated against TRY by 10%	If foreign currency devaluated against TRY by 10%
1 - US Dollar net asset / liability	(51.645.295)	51.645.295
2- Part of hedged from US Dollar risk (-)	-	-
3- US Dollar net effect (1 +2)	(51.645.295)	51.645.295
4- Euro net asset / liability	(158.523.699)	158.523.699
5- Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	(158.523.699)	158.523.699
7 - GBP net asset / liability	(173.791)	173.791
8- Part of hedged from GBP risk (-)	-	-
9- GBP net effect (7 +8)	(173.791)	173.791
10 - Other foreign currency net asset / liability	15.493.225	(15.493.225)
11- Part of hedged other foreign currency risk (-)	-	-
12- Other foreign currency net effect (10+11)	15.493.225	(15.493.225)
TOTAL (3 + 6 + 9 + 12)	**(194.849.560)**	**194.849.560**

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

(b) Financial risk factors (cont'd)

b.3) Market Risk Management (cont'd)

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

Foreign currency sensitivity (cont'd)

	31 March 2008 Profit/Loss Before Tax	
	If foreign currency appreciated against TRY by 10%	If foreign currency devaluated against TRY by 10%
1 - US Dollar net asset / liability	(103.003.331)	103.003.331
2- Part of hedged from US Dollar risk (-)	-	-
3- US Dollar net effect (1 +2)	(103.003.331)	103.003.331
4- Euro net asset / liability	(36.017.306)	36.017.306
5- Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	(36.017.306)	36.017.306
7 - GBP net asset / liability	(454.754)	454.754
8- Part of hedged from GBP risk (-)	-	-
9- GBP net effect (7 +8)	(454.754)	454.754
10 - Other foreign currency net asset / liability	10.703.846	(10.703.846)
11- Part of hedged other foreign currency risk (-)	-	-
12- Other foreign currency net effect (10+11)	10.703.846	(10.703.846)
TOTAL (3 + 6 + 9 + 12)	**(128.771.545)**	**128.771.545**

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

(b) Financial risk factors (cont'd)

b.3) Market Risk Management (cont'd)

b.3.2) Interest rate risk management

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

Interest Rate Position Table:

	31 March 2009	31 December 2008
Instruments with Fixed Interest Rate		
Financial Assets – Time Deposits	1.882.469.684	1.768.820.216
Financial Liabilities	2.037.831.860	1.960.602.178
Financial Instruments with Variable Interest Rate		
Financial Liabilities	1.449.391.284	1.256.692.286

Interest Rate Sensitivity

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

In condition that 0.5% increase in Libor and Euribor interest rate and all other variables being constant:

Profit Before Taxes of the Group which belongs to 12-month-period will decrease in the amount of TRY 1.811.739 (as of 31 March 2008, It will decrease TRY 1.537.092). In contrast, If Libor and Euribor interest rate decreases 0.5%, Profit Before Taxes for 12-month-period will increase with the same amounts.

39 FINANCIAL INSTRUMENTS

Fair Values of Financial Instruments

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

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

39 FINANCIAL INSTRUMENTS (cont'd)

Categories and fair values of financial instruments:

31 March 2009 Balance Sheet	Financial assets at amortized cost	Loans and receivables	Financial assets at fair value through profit or loss	Derivative instruments which are reflected fair value to profit/(loss)	Investments available for sale	Financial liabilities at amortized cost	Carrying Value	Note
Financial assets								
Cash and cash equivalents	733.662.020	-	-	-	-		733.662.020	6
Financial assets	1.347.698.532	-	-	-	1.750.943	-	1.349.449.475	7
Accounts receivable	-	436.481.018	-	-	-	-	436.481.018	10
Other receivables	-	67.446.220	-	-	-	-	67.446.220	11
Financial liabilities		-				-		
Bank borrowings	-	-	-	-	-	37.602.721	37.602.721	8
Finance lease obligations	-	-	-	-	-	3.449.620.423	3.449.620.423	8
Other financial liabilities	-	-	-	12.023.534	-	228.628	12.252.162	9
Accounts payable	-	-	-	-	-	437.566.665	-	10

31 December 2008 Balance Sheet	Financial assets at amortized cost	Loans and receivables	Financial assets at fair value through profit or loss	Derivative instruments which are reflected fair value to profit/(loss)	Investments available for sale	Financial liabilities at amortized cost	Carrying Value	Note
Financial assets								
Cash and cash equivalents	504.905.721	-	-	-	-	-	504.905.721	6
Financial assets	1.403.033.703	-	-	-	1.750.943	-	1.404.784.646	7
Accounts receivable	-	349.144.133	-	-	-	-	349.144.133	10
Other receivables	-	84.482.839	-	-	-	-	84.482.839	11
Financial liabilities								
Bank borrowings	-	-	-	-	-	34.900.371	34.900.371	8
Finance lease obligations	-	-	-	-	-	3.182.394.093	3.182.394.093	8
Other financial liabilities	-	-	-	4.761.176	-	639.916	5.401.092	9
Accounts payable	-	-	-	-	-	435.109.211	435.109.211	10

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

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 2009 and 31 December 2008 as follows:

	31 March 2009	31 December 2008
Cross rate swap contracts	976.143	326.427
Interest rate swap contracts	(12.999.677)	(5.087.603)
	(12.023.534)	(4.761.176)

40 EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

a) The following decisions were made on the General Assembly held on 4 May 2009:
The Group made a profit of TRY 1.134.226.211 in the period of 01.01.2008-31.12.2008 according to the consolidated financial statements prepared compliant with International Financial Reporting Standards within the provisions of Capital Markets Board ("CMB") Communiqué Serial XI No: 29 and audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (member of Deloitte Touche Tohmatsu) and approved by the General Assembly. The net profit for the period according to statutory records is TRY 272.807.034,09.

According to the decision made on the General Assembly dated 04.05.2009, the Group will distribute TRY 99.213.754,21cash dividend;composed of TRY 73.210.619,10 out of TRY 224.117.171,86 which is the first dividend amount calculated based on the net profit for the year 2008 per IFRS financial statements and the second dividend amount of TRY 26.003.135,11.In this context, gross dividend of TRY 0,56694 (56,694%) and net dividend of TRY 0,48190 (48,190 %) per each share with a nominal value of TRY 1 will be paid on 21 May 2009.

The Group applied to Capital Markets Board (CMB) on 12.05.2009 for the increase of its issued capital of TRY 175.000.000 to TRY 875.000.000 with a free share issue of TRY 700.000.000 at 400 % rate, composed of TRY 150.906.552,76 (86,2323%) out of the profit for the year 2008 and TRY 549.093.447,24 (313,7677 %) which is the sum of share capital inflation restatement difference in the statutory records, TRY 533.595.132,60 and special funds inflation restatement difference, TRY 15.498.314,64 and for the registration of the shares representing the increased capital and the delivery of the official documents proving the registration.

b) The Board of Directors decided to sell two A310-300 aircrafts to Ariana Afghan Airlines.

c) The Board of Directors selected DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (member of Deloitte Touche Tohmatsu) in order to perform independent audits for the years 2009,2010 and 2011 in compliance with the provisions of Capital Markets Law numbered 2499.

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

a-) The Board of Directors approved and was authorized to issue the consolidated financial statements on 15.05.2009.

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

Foreign exchange differences disclosed under "Financial Income" and "Financial Expenses" in the statement of income as of 31 March 2008 are separated as foreign exchange gains and foreign exchange differences on financial liabilities and disclosed netted off under "Financial Income" and "Financial Expenses" in the statement of income as of 31 March 2009.

Codeshare expenses at the amount of TRY 3.422.159 disclosed under "Operating Expenses" in the statement of income as of 31 March 2008 is disclosed under "Cost of Sales" in the statement of income as of 31 March 2009.