CONVENIENCE TRANSLATION OF
REPORT AND FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 MARCH 2010

(Convenience Translation of Report And Financial Statements Originally Issued in Turkish)
TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
CONSOLIDATED BALANCE SHEET
AS OF 31 MARCH 2010
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

ASSETS	Notes	(Not Audited) 31 March 2010	(Audited) 31 December 2009
Current Assets		**3.156.920.828**	**2.799.855.184**
Cash and cash equivalents	6	594.258.690	1.096.111.869
Financial assets	7	223.886.380	222.298.370
Trade receivables	10	572.849.976	445.381.881
Other receivables	11	1.441.152.902	743.393.375
Inventories	13	149.311.169	148.995.932
Other current assets	26	175.461.711	143.673.757
Non-current Assets		**5.666.883.810**	**5.772.234.243**
Other receivables	11	467.263.171	664.360.128
Financial assets	7	1.750.943	1.750.943
Investmensts accounted for using the equity method	16	170.045.666	152.052.556
Investment property	17	48.810.000	48.810.000
Tangible assets	18	4.860.437.776	4.811.019.050
Intangible assets	19	21.863.053	10.669.612
Other non-current assets	26	96.713.201	83.571.954
TOTAL ASSETS		**8.823.804.638**	**8.572.089.427**

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

(Convenience Translation of Report And Financial Statements Originally Issued in Turkish)
TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
CONSOLIDATED BALANCE SHEET
AS OF 31 MARCH 2010
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

LIABILITIES	**Notes**	**(Not Audited) 31 March 2010**	**(Audited) 31 December 2009**
Current Liabilities		**2.187.022.712**	**1.949.243.312**
Financial debt	8	398.620.372	412.266.841
Other financial liabilities	9	61.121.708	46.078.943
Trade payables	10	551.176.315	560.801.478
Other payables	11	155.518.828	156.633.381
Current tax liabilities	35	4.500.085	2.419.544
Provisions	22	9.207.587	7.287.354
Employee benefit obligations	24	71.626.069	54.734.480
Passenger flight liabilites	26	770.021.667	586.525.279
Other current liabilities	26	165.230.081	122.496.012
Non- current Liabilitites		**3.075.292.958**	**3.177.965.889**
Financial debt	8	2.444.274.525	2.575.899.283
Other payables	11	8.570.606	8.941.613
Provision for retirement pay liability	24	154.036.951	151.875.562
Deferred tax liability	35	394.024.724	362.243.105
Other non- current liabilities	26	74.386.152	79.006.326
SHAREHOLDERS' EQUITY			
Equity Attributable to Shareholders of Parent		**3.561.488.968**	**3.444.880.226**
Share capital	27	875.000.000	875.000.000
Inflation difference on shareholders' equity	27	1.123.808.032	1.123.808.032
Restricted profit reserves	27	22.686.727	22.686.727
Differences from currency translation	27	3.470.787	4.641.339
Cash flow hedge fund (-)	27	(3.579.990)	(1.751.329)
Retained earnings	27	1.420.495.457	861.419.177
Net profit/(loss) for the period	27	119.607.955	559.076.280
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**8.823.804.638**	**8.572.089.427**

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

(Convenience Translation of Report And Financial Statements Originally Issued in Turkish)
TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2010
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Notes	Not Auidited 1 January-31 March 2010	Not Auidited 1 January-31 March 2009
Sales revenue	28	1.655.073.034	1.308.896.786
Cost of sales (-)	28	(1.411.888.415)	(1.111.805.770)
GROSS PROFIT / (LOSS)		**243.184.619**	**197.091.016**
Marketing, sales and distribution expenses (-)	29,30	(215.835.848)	(168.574.515)
Administrative expenses (-)	29,30	(74.695.293)	(61.666.298)
Other operating income	31	137.464.609	98.562.932
Other operating expenses (-)	31	(16.922.604)	(7.637.321)
OPERATING PROFIT / (LOSS)		**73.195.483**	**57.775.814**
Share of investments' profit/ (loss) accounted for using the equity method	16	(24.524.751)	(11.308.284)
Financial income	32	150.639.586	493.591.561
Financial expenses (-)	33	(42.950.447)	(266.463.923)
PROFIT / (LOSS) BEFORE TAX		**156.359.871**	**273.595.168**
Tax (expense) / income		**(36.751.916)**	**(118.446.116)**
Current tax expense (-)	35	(4.513.134)	(37.187.541)
Deferred tax (expense) / income	35	(32.238.782)	(81.258.575)
PROFIT / (LOSS) FOR THE YEAR		**119.607.955**	**155.149.052**
OTHER COMPREHENSIVE INCOME / (EXPENSE)			
Differences from currency translation		(1.170.552)	(4.459.406)
Cash flow hedge fund		(2.285.826)	-
Tax income on items in other comprehensive income		457.163	-
OTHER COMPREHENSIVE INCOME/ (EXPENSE) (AFTER TAX)		(2.999.215)	(4.459.406)
TOTAL COMPREHENSIVE INCOME/ (EXPENSE) FOR THE PERIOD		116.608.740	150.689.646
Earnings/(Loss) per share (Kr)	36	0,14	0,18

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

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI

CONSOLIDATED STATEMENT OF CHANGE IN SHAREHOLDERS' EQUITY FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2010

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

	Issued capital	Inflation difference on shareholders' equity	Restricted profit reserves	Differences from currency translation	Cash flow hedge fund	Net profit/loss for the period	Retained earnings	Total shareholders' equity
As of 31 December 2008	175.000.000	1.672.901.479	-	4.459.406	-	1.134.226.211	-	2.986.587.096
Transfer of previous years' profit to retained earnings	-	-	-	-	-	(1.134.226.211)	1.134.226.211	-
Total comprehensive income for the period	-	-	-	(4.459.406)	-	155.149.052	-	150.689.646
As of 31 March 2009	175.000.000	1.672.901.479	-	-	-	155.149.052	1.134.226.211	3.137.276.742
As of 31 December 2009	875.000.000	1.123.808.032	22.686.727	4.641.339	(1.751.329)	559.076.280	861.419.177	3.444.880.226
Transfer of previous years' profit to retained earnings	-	-	-	-	-	(559.076.280)	559.076.280	-
Total comprehensive income for the period	-	-	-	(1.170.552)	(1.828.661)	119.607.955	-	116.608.742
As of 31 March 2010	875.000.000	1.123.808.032	22.686.727	3.470.787	(3.579.990)	119.607.955	1.420.495.457	3.561.488.968

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

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TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2010

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

CASH FLOW FROM OPERATING ACTIVITIES	**Notes**	**1 January-31 March 2010**	**1 January-31 March 2009**
Net profit before taxes		156.359.871	273.595.168
Adjustments to obtain net cash flow generated from operating activities:			
Depreciation and amortization	18-19	90.768.405	93.148.519
Provision for retirement pay liability	24	6.628.071	7.461.593
Interest income	32	(13.414.789)	(51.215.676)
Gain on sales of fixed assets	31	(17.901.983)	(30.819)
Gain in provision for impairment	18	(108.359.721)	(360.198.667)
Loss/(profit) on equity investments accounted for using the equity method	16	24.524.751	(21.427.641)
Interest expense	33	27.560.865	31.706.381
Change in manufacturers' credit	26	(562.298)	3.711.558
Unrealized foreign exchange loss/(gain) on finance leases	32-33	(77.210.006)	223.432.990
Increase/(decrease) in provision for doubtful receivables	10	9.177.530	689.628
Change in fair value of derivative instruments	32-33	10.150.376	7.262.358
Change in provisions	22	1.920.233	116.551
Operating profit before working capital changes		**109.641.305**	**208.251.943**
Increase in trade receivables	10	(177.992.934)	(88.026.513)
Decrease/(increase) in other short and long term receivables	11	642.352.990	(39.886.816)
Decrease/(increase) in inventories	13	(315.237)	(14.614.375)
Decrease/(increase) in other current assets	26	(31.787.954)	31.734.030
Decrease/(increase) in other non-current assets	26	(13.141.247)	(7.611.919)
Increase/(decrease) in trade payables	10	(9.625.163)	2.457.454
(Decrease)/Increase in other payable	11	(1.485.560)	11.843.494
Increase in other short and long term liabilities	26	41.501.190	29.106.955
Increase in employee benefits	24	16.891.589	7.284.485
Increase in passenger flight liabilities	26	183.496.388	141.117.352
Cash flow from operating activities		**759.535.367**	**281.656.090**
Payment of retirement pay liability	24	(4.466.682)	(4.040.784)
Interest paid		(25.222.863)	(24.383.408)
Tax payments	26-35	(2.432.593)	(37.371.539)
Net cash flow from operating activities		**727.413.229**	**215.860.359**
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of tangible and intangible fixed assets	18-19	29.980.509	259.650
Interest received		25.455.903	51.215.676
Purchase of of tangible and intangible fixed assets (net of increase in finance lease liabilitites) (*)	18-19	(55.099.372)	(3.935.066)
Prepayments for the purchase of aircrafts	11	(1.143.015.560)	-
(Increase)/decrease in short term financial investments	7	(31.108.468)	55.335.171
Net cash used in investing activities		**(1.173.786.988)**	**102.875.431**
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of principal in finance lease liabilitites		(70.399.222)	(88.339.339)
Decrease in financial borrowings		-	(1.228.864)
Increase/(decrease) in other financial liabilities	9	14.919.802	(411.288)
Net cash used in financing activities		**(55.479.420)**	**(89.979.491)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(501.853.179)**	**228.756.299**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**1.096.111.869**	**504.905.721**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**594.258.690**	**733.662.020**

(*) There is no tangible and intangible assets purchases which was financed through finance leases for the quarter ended 31 March 2010. (31 March 2009: TL 150.093.434 portion of tangible and intangible assets purchases in total of TL 205.075.289 was financed through finance leases).

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

1. THE COMPANY'S ORGANIZATION AND OPERATIONS

Türk Hava Yolları A.O. ("the Company" or "THY") was incorporated in Turkey in 1933. The principal activity of the Company is domestic and international air transportation of passengers and cargo. As of 31 March 2010 and 31 December 2009, the shareholders and their respective shareholdings in the Company are as follows:

	31 March 2010	31 December 2009
Republic of Turkey Prime Ministry Privatization Administration	% 49,12	% 49,12
Other (publicly held)	% 50,88	% 50,88
Total	% 100,00	% 100,00

The total number of employees working for Türk Hava Yolları A.O. and its subsidiary ("the Group") as of 31 March 2010 is 15.435. (31 March 2009: 14.119). The average number of employees working for the Group as of 31 March 2010 and 2009 is 15.280 and 14.108, 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.

Approval of Financial Statements

Board of Directors has approved the financial statements as of 31 March 2010 and delegated authority for publishing it on 14 May 2010. General shareholders' meeting has the authority to modify the financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Basis of Preparation for Financial Statements and Significant Accounting Policies

The company and its subsidiaries registered in Turkey maintain their books of account and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code and Tax Legislation. Subsidiaries that are registered in foreign countries maintain their books of account and prepare their statutory statements in accordance with the prevailing accounting principles in their registered countries.

The Capital Markets Board ("CMB") has established principles, procedures and basis on the preparation of financial reports by enterprises and the representation of the reports with Communiqué Series XI, No: 29 "Communiqué on Capital Market Financial Reporting Standards". This Communiqué is applicable for the first interim financial statements to be prepared after 1 January 2008 and with this Communiqué, the Communiqué Series XI, No: 29 "Communiqué on Capital Market Accounting Standards" has been repealed. In accordance with this Communiqué, the companies are supposed to prepare their financial statements in accordance with the International Financial Reporting Standards ("IAS/IFRS") accepted by the European Union.

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

2.1 Basis of Presentation (Cont'd)

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

Nevertheless, until the discrepancies between the IAS/IFRS accepted by the European Union, and the IAS/IFRS declared by IASB are announced by the Turkish Accounting Standards Board ("TASB"), IAS/IFRS will be in use. Under these circumstances, Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS"), which are the standards published by TASB, not contradicting with IAS/IFRS will be predicated on.

The accompanying consolidated financial statements have been prepared in accordance with IFRS and comply with CMB's decree announce on 17 April 2009 and 9 January 2009 regarding the format of the financial statements and footnotes since at the date of the issuance of these financial statements the differences of IAS/ IFRS accepted by the European Union are not declared by the TASB. Accordingly, some reclassifications are made in the prior year financial statements.

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

Currency Used In Financial Statements

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Turkish Lira ("TRY"), which is the functional currency of the Company, and the reporting currency for the consolidated financial statements.

Adjustment of Financial Statements in Hyperinflationary Periods

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

Comparative Information and Restatement of Prior Period Financial Statements

Consolidated financial statements of the Group have been prepared comparatively with the prior period in order to give information about financial position and performance. In order to maintain consistency, with current year consolidated financial statements, comparative information is reclassified and significant changes are disclosed if necessary.

Basis of the Consolidation

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

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

2.1 Basis of Presentation (Cont'd)

Basis of the Consolidation (Cont'd)

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 2010:

		Participation Rate		
Name of the Company	Principal Activity	31 March 2010	31 December 2009	Country of Registration
THY Teknik A.Ş.	Aircraft Maintenance 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 six joint ventures. These joint ventures are economical activities that decisions about strategic finance and operating policy are jointly controlled by the consensus of the Group and other participants. The affiliates to which the participation rates of the Group are 50% and 49 % are controlled by the Group jointly, and are valued by equity method.

The table below sets out consolidated affiliates and indicates the proportion of ownership interest of the Company in these affiliates at 31 March 2010:

		Participation share		
Company name	Principle activity	31 March 2010	31 December 2009	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.	Maintenance	49%	49%	Turkey
Bosnia Herzegovina Airlines	Air Transportation	49%	49%	Bosnia Herzegovina
TGS Yer Hizmetleri A.Ş.	Ground Services	50%	100%	Turkey
THY Opet Havacılık Yakıtları A.Ş.	Fuel Sales	50%	50%	Turkey

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

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

2.2 Changes in Accounting Policies

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

2.3 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.

2.4 New and Revised International Financial Reporting Standards

Updated following new standards and interpretations applied in the current period financial statements and the reported amounts and disclosures effect has been made. Applied in these financial statements but does not have an impact on the reported amounts of other standards and interpretations in detail later in this chapter also explains in part.

<u>Standards and Interpretations those are effective as of 31 March 2010 with no impact on the consolidated financial statements;</u>

<u>IFRS 1 (amendments) First-time Adoption of IFRS – Additional Exemptions</u>

IFRS 1 has been amended to provide additional exemptions from full retrospective application of IFRS for the measurement of oil and gas assets and leases. Entities that use full cost accounting for exploration and evaluation assets as well as assets in the development or production phases can measure these assets at the amounts that were determined under the previously applied accounting principles. This exemption however requires the entity to test for impairment at the date of IFRS transition. Likewise, when the deemed cost exemption is taken, the related decommissioning and restoration liabilities are measured at the date of IFRS transition in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Adjustments of the carrying amounts are to be recognized in retained earnings. The amendments further clarifies that upon transition to IFRS, an entity does not need to reassess the determination of an arrangement containing a lease.

<u>IFRS 2 (Amendments) Share-based Payments – Group Cash-settled Share Payment Arrangements</u>

Amendments to IFRS 2 *Share-based Payment* clarify the accounting for group cash-settled share-based payment transactions. Specifically, it addresses how an individual subsidiary in a group should account for some share-based payment arrangements in its own financial statements. In these arrangements, the subsidiary receives goods or services from employees or suppliers but its parent or another entity in the group must pay those suppliers.

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

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

Standards and Interpretations those are effective as of 31 March 2010 with no impact on the consolidated financial statements (Cont'd)

IFRS 3 (as revised in 2008) Business Combinations

IFRS 3(2008) is effective for business combinations where the acquisition date is on or after the beginnin first annual period beginning on or after 1 July 2009. The main impact of the adoption is as follows:

a) to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquire.
b) to change the recognition and subsequent accounting requirements for contingent consideration.
c) to require that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being recognized as an expense in profit or loss as incurred.

IFRS 5 (Amendments related to Annual Improvements 2008 and 2009) Non-current Assets Held for Sale and Discontinued Operations

Amendments to IFRS 5 clarify disclosure requirements when an entity plans to sell the controlling interest in a subsidiary. When a subsidiary is held for sale, all of its assets and liabilities should be classified as held for sale under IFRS 5, even when the entity retains a non-controlling interest in the subsidiary after the sale. The amendments also clarify that disclosure requirements in other Standards other than IFRS 5 do not generally apply to non-current assets classified as held for sale and discontinued operations.

IFRS 8 (Amendments Related to Annual Improvements 2009) Operating Segments

Amendments to IFRS 8 clarifies that the disclosure of segment assets and liabilities are only required to be reported if and only if those segment assets and liabilities are included in measures used by the chief operating decision maker of the Company.

IAS 1 (Amendments Related to Annual Improvements 2009) Presentation of Financial Statements

Amendments to IAS 1 specifies that the classification of convertible instruments is not affected by the terms of the liability even if it could at anytime result in its settlement by the issuance of equity instruments at the option of the counterparty.

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

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

Standards and Interpretations those are effective as of 31 March 2010 with no impact on the consolidated financial statements (Cont'd)

IAS 7 (Amendments Related to Annual Improvements 2009) Statement of Cash Flows

Amendments to IAS 7 clarifies that only expenditures that results in a recognized asset in the statement of financial position/balance sheet can be classified as cash flow from investing activities. All expenditure on unrecognized assets should be classified into other categories. This amendment ensures there is no mismatch between cash flow from investing activities and recognized assets in the statement of financial position/balance sheet.

IAS 17 (Amendments Related to Annual Improvements 2009) Leases

Amendments to IAS 17 clarify three areas related with land leases. Prior to the amendments, lease of land with an indefinite useful life is classified as operating lease unless title passed at the end of the lease term. The standard has been amended where this classification is no longer relevant and a general assessment of the characteristics and substance of lease on land should be made. Land leases can be classified as finance leases under this amendment. In addition, where the lease arrangement contain both land and building, the classification of the lease as operating or finance lease should be done separately in accordance with the general principles of the Standard. Entities should reassess the substance of unexpired leases especially in the classification of the land elements of the lease arrangements. When an entity newly classifies a lease as a finance lease, the recognition and measurement of the lease should be done retrospectively. If the necessary information to apply the new classification retrospectively is not available, the fair values of the related assets and liabilities should be used with the difference to be recognized in retained earnings.

IAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

IAS 27 (revised) is effective for annual periods beginning on or after 1 July 2009. The revisions to the Standard are consequential amendments arising from amendments to IFRS 3 Business Combinations. The revisions to IAS 27 principally affect the accounting for transactions or events that result in a change in the Group's interests in its subsidiaries. The revised standard requires that ownership decreases or increases that do not result in change in control to be recorded in equity with no impact on goodwill nor will it give rise to a gain or loss. In addition, losses incurred by a subsidiary will be allocated between the controlling and non-controlling interests even if the losses exceed the non-controlling equity investment in the subsidiary. In instances whereloss of control in a subsidiary takes place, any retained interest is remeasured to fair value.

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

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

Standards and Interpretations those are effective as of 31 March 2010 with no impact on the consolidated financial statements (Cont'd)

IAS 36(Amendments Related to Annual Improvements 2009) Impairment of Assets

The amendments to IAS 36 clarify that when assessing goodwill impairment, the lowest level of cash generating unit that an entity can allocate goodwill to should not be larger than an operating segment under the guidelines of IFRS 8 Operating Segments. The application of these amendments may result in recognition of impairment charges.

IAS 38 (Amendments Related to Annual Improvements 2009) Intangible Assets

The amendments to IAS 38 deal specifically with the identification and measurement of intangible assets that are acquired in a business combination. It specifies that if an intangible asset acquired in a business combination is only identifiable with another intangible asset, the group of intangibles can be recognized as a single asset provided the individual assets share similar useful lives. In addition, it clarifies that different valuation techniques can be used to value intangible assets where no active market exists. The impact of these amendments include more intangible assets can be recognized in business combinations and more intangible assets may be recorded and measured using valuation techniques.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

The amendments provide clarification on certain aspects of hedge accounting: the designation of a one-sided risk in a hedged item and the designation of inflation as a hedged risk or a portion of a hedged risk only if it represents contractually specified cashflow.

IFRIC 9(Amendments Related to Annual Improvements 2009) Reassessment of Embedded Derivatives

Amendments to IFRIC 9 follow the revision to IFRS 3 Business Combinations; specifically it clarifies that this interpretation does not apply to embedded derivatives in contracts that were acquired in a business combination that is in scope of the revised IFRS 3 (2008). It also clarifies that it is not applicable to embedded derivatives in contracts in business combinations between entities or businesses under common control and also not applicable in contracts acquired as part of the formation of a joint venture. This amendment clarifies when reassessment of embedded derivatives is required during business combinations and restructurings. These amendments are effective for periods beginning on or after 1 January 2010 or concurrent with the adoption of IFRS 3 (2008).

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

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

Standards and Interpretations those are effective as of 31 March 2010 with no impact on the consolidated financial statements (Cont'd)

IFRIC 16 (Amendments Related to Annual Improvements 2009) Hedges of Net Investment in a Foreign Operation

Amendments to IFRIC 16 clarify that qualifying hedge instruments may be held by any entity within a group company provided the designation, documentation and effectiveness assessment of IAS 39 have been met.

IFRIC 17 Distributions of Non-cash Assets to Owners

IFRIC 17 is effective for annual periods beginning on or after 1 July 2009. The interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders. It specifies that non-cash asset distributions should be accounted for at fair values.

IFRS 1 (amendments) First-time Adoption of IFRS – Additional Exemptions

Amendments to IFRS 1 which are effective for annual periods on or after 1 July 2010 provide limited exemption for first time adopters to present comparative IFRS 7 fair value disclosures.

IFRS 9 Financial Instruments: Classification and Measurement

In November 2009, the first part of IFRS 9 relating to the classification and measurement of financial assets was issued. IFRS 9 will ultimately replace IAS 39 Financial Instruments: Recognition and Measurement. The standard requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measure the financial assets as either at amortized cost or at fair value. The new standard is mandatory for annual periods beginning on or after 1 January 2013.

IAS 24(Revised 2009) Related Party Disclosures

In November 2009, IAS 24 Related Party Disclosures was revised. The revision to the standard provides government-related entities with a partial exemption from the disclosure requirements of IAS 24. The revised standard is mandatory for annual periods beginning on or after 1 January 2011.

IAS 32(Amendments) Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements

The amendments to IAS 32 and IAS 1 are effective for annual periods beginning on or after 1 February 2010. The amendments address the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously, such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated.

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

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

Standards and Interpretations those are effective as of 31 March 2010 with no impact on the consolidated financial statements (Cont'd)

IFRIC 14 (Amendments) Pre-payment of a Minimum Funding Requirement

Amendments to IFRIC 14 are effective for annual periods beginning on or after 1 January 2011. The amendments affect entities that are required to make minimum funding contributions to a defined benefit pension plan and choose to pre-pay those contributions. The amendment requires an asset to be recognized for any surplus arising from voluntary pre-payments made.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. IFRIC 19 addresses only the accounting by the entity that issues equity instruments in order to settle, in full or part, a financial liability.

2.5 Summary of Significant Accounting Policies

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

2.5.1 Revenue

Rendering of services:

Revenue is measured at the fair value of the consideration received or to be received. Passenger fares and cargo revenues are recorded as operating revenue when the transportation service is provided. Tickets sold but not yet used (unflown) 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.

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

Dividend and interest income:

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

Dividend income generated from equity investments is registered as shareholders gain the dividend rights.

2.5.2 Inventories

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

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

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

2.5 Summary of Significant Accounting Policies (Cont'd)

2.5.3 Tangible Assets

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

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

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

2.5.4 Leasing Transactions

Leasing - the Group as the lessee

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

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs.

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

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

2.5 Summary of Significant Accounting Policies (Cont'd)

2.5.5 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.

2.5.6 Impairment on Assets

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

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

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

Group determined aircrafts, spare engines and simulators together ("Aircrafts") as lower-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, the higher value between value in use and sale expenses deducted net selling prices in US Dollars is used for determination of recoverable amounts. Net selling price for the aircrafts is determined according to second hand prices in international price guides. Price guides are revised for two times in a year, changes in price guides are reflected to the consolidated financial statements prepared at June and Deccember.

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.

2.5.7 Borrowing Costs

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

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

2.5 Summary of Significant Accounting Policies (Cont'd)

2.5.8 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 recognized and derecognized on a 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, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

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.

Effective interest method

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

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

Loans and receivables

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

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

2.5 Summary of Significant Accounting Policies (Cont'd)

2.5.8 Financial Instruments (Cont'd)

a) Financial assets (Cont'd)

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss are assessed for indicator of impairment at each balance sheet date.

Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For loans and receivables the amount of the impairment is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

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

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

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

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

2.5 Summary of Significant Accounting Policies (Cont'd)

2.5.8 Financial Instruments (Cont'd)

b) Financial liabilities

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

Other financial liabilities, including bank borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derivative financial instruments and hedge accounting

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

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

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

Derivative financial instruments are calculated according to the fair value and again calculated for the next reprting perion at fair value base.If the changes in the fair value of derivaties which are determined as the hedge of future cash flows are the inactive parts of shareholders' equity, then they're recorded directly under income statement.

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

2.5 Summary of Significant Accounting Policies (Cont'd)

2.5.9 Foreign Currency Transactions

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

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

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

	Closing Rate	Average Rate
Period ended 31 March 2010	1,5215	1,5019
Year ended 31 December 2009	1,5057	1,5457
Period ended 31 March 2009	1,6880	1,6478
Year ended 31 December 2008	1,5123	1,2976

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

	Closing Rate	Average Rate
Period ended 31 March 2010	2,0523	2,0797
Year ended 31 December 2009	2,1603	2,1508
Period ended 31 March 2009	2,2258	2,1525
Year ended 31 December 2008	2,1408	1,8969

2.5.10 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.

2.5.11 Events Subsequent to the Balance Sheet Date

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

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

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

2.5 Summary of Significant Accounting Policies (Cont'd)

2.5.12 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 arising from onerous contracts are calculated and accounted for as provision.

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

2.5.13 Segmental Information

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

2.5.14 Investment Property

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

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

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

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

2.5 Summary of Significant Accounting Policies (Cont'd)

2.5.15 Taxation and Deferred Tax

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

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

Current tax

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

Deferred Tax

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and affiliates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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.

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

2.5 Summary of Significant Accounting Policies (Cont'd)

2.5.15 Taxation and Deferred Tax (Cont'd)

Current and deferred tax for the period

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

2.5.16 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.

2.5.17 Statement of cash flow

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.

2.5.18 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.

2.5.19 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. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Summary of Significant Accounting Policies (Cont'd)

2.5.20 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.

2.5.21 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.

2.6 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 Long Term Assets

Basic assumptions and calculation methods of the Group relating to impairment on assets are explained in Disclosure 2.5.6.

Calculation of the Liability for "Frequent Flyer Program"

As explained in Note 2.5.21, Group has programs called "Miles and Smiles" and "Shop & Miles" which are applied for its members. In the calculations of the liability related with concerned programs, the rate of use and mile values which are determined by using statistical methods over the historical data were used.

Useful Lives and Salvage Values of Tangible Assets:

Group has allocated depreciation over tangible assets by taking into consideration the useful lives and salvage values which were explained in Note 2.5.3.

3. BUSINESS COMBINATIONS

None.

4. JOINT VENTURES

See note 16.

5. SEGMENTAL REPORTING

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

5.1 Total Assets and Liabilities

Total Assets	**31 March 2010**	**31 December 2009**
Aviation	8.765.257.256	8.542.807.991
Technic	553.849.934	534.901.509
Total	9.319.107.190	9.077.709.500
Less: Elimimnations due to consolidation	(495.302.552)	(505.620.073)
Total assets in consolidated financial statements	8.823.804.638	8.572.089.427

Total Liabilitites	**31 March 2010**	**31 December 2009**
Aviation	5.203.768.286	5.097.625.058
Technic	114.556.905	100.305.913
Total	5.318.325.191	5.197.930.971
Less: Elimimnations due to consolidation	(56.009.523)	(70.721.770)
Total liabilitites in consolidated financial statements	5.262.315.668	5.127.209.201

5.2 Net Operating Profit / (Loss)

Segment Results:

1 January 2010-31 March 2010	**Aviation**	**Technic**	**Inter-segment elimination**	**Total**
Sales to external customers	1.616.603.459	38.469.575	-	1.655.073.034
Inter-segment sales	10.086.206	99.574.052	(109.660.258)	-
Segment revenue	1.626.689.665	138.043.627	(109.660.258)	1.655.073.034
Cost of sales	(1.398.655.963)	(121.988.567)	108.756.115	(1.411.888.415)
Gross profit / (loss)	228.033.702	16.055.060	(904.143)	243.184.619
Marketing, sales and distribution expenses	(214.448.851)	(1.464.360)	77.363	(215.835.848)
Administrative expenses	(64.111.822)	(11.481.984)	898.513	(74.695.293)
Other operating income	120.167.359	17.368.983	(71.733)	137.464.609
Other operating expense	(5.197.634)	(11.724.970)	-	(16.922.604)
Operating profit / (loss)	64.442.754	8.752.729	-	73.195.483

5. SEGMENTAL REPORTING (Cont'd)

5.2 Net Operating Profit / (Loss) (Cont'd)

1 January 2009-31 March 2009	Aviation	Technic	Inter-segment elimination	Total
Sales to external customers	1.264.197.777	44.699.009	-	1.308.896.786
Inter-segment sales	6.319.863	121.542.491	(127.862.354)	-
Segment revenue	1.270.517.640	166.241.500	(127.862.354)	1.308.896.786
Cost of sales	(1.110.545.317)	(128.212.665)	126.952.212	(1.111.805.770)
Gross profit / (loss)	159.972.323	38.028.835	(910.142)	197.091.016
Marketing, sales and distribution expenses	(167.593.720)	(1.055.014)	74.219	(168.574.515)
Administrative expenses	(53.405.507)	(9.114.714)	853.923	(61.666.298)
Other operating income	92.869.536	8.417.724	(2.724.328)	98.562.932
Other operating expense	(5.932.513)	(4.411.136)	2.706.328	(7.637.321)
Operating profit / (loss)	25.910.119	31.865.695	-	57.775.814

Income statement items related to impairment of tangible fixed assets

1 January 2010-31 March 2010	Aviation	Technic	Inter-segment elimination	Total
Real decrease on tangible fixed asset impairment provision (Loss from other operations)	62.288.148	-	-	62.288.148
Decrease on tangible fixed asset impairment provision due to exchange rate changes (Financial expense)	46.071.573	-	-	46.071.573

1 January 2009-31 March 2009	Aviation	Technic	Inter-segment elimination	Total
Real decrease on tangible fixed asset impairment provision (Loss from other operations)	44.155.800	-	-	44.155.800
Decrease on tangible fixed asset impairment provision due to exchange rate changes (Financial expense)	316.042.867	-	-	316.042.867

5. SEGMENTAL REPORTING (Cont'd)

5.2 Net Operating Profit / (Loss) (Cont'd)

Income statement items related to investments accounted for equity method

1 January 2010-31 March 2010	Aviation	Technic	Inter-segment elimination	Total
Share of investmen profit/ (loss) accounted for using the equity method	(21.464.910)	(3.059.841)	-	(24.524.751)

1 January 2009-31 March 2009	Aviation	Technic	Inter-segment elimination	Total
Share of investmen profit/ (loss) accounted for using the equity method	25.901.929	103.537	(37.313.750)	(11.308.284)

5.3 Investment Operations

1 January 2010-31 March 2010	Aviation	Technic	Inter-segment elimination	Total
Purchase of of tangible and intangible fixed assets	26.774.602	28.324.770	-	55.099.372
Current period amortization and depreciation	75.774.665	14.993.740	-	90.768.405
Investmensts accounted for using the equity method	110.120.290	59.925.376	-	170.045.666

1 January 2009-31 March 2009	Aviation	Technic	Inter-segment elimination	Total
Purchase of of tangible and intangible fixed assets	173.654.361	31.420.928	-	205.075.289
Current period amortization and depreciation	87.819.258	5.329.261	-	93.148.519
Investmensts accounted for using the equity method	35.381.632	25.224.527	-	60.606.159

6. CASH AND CASH EQUIVALENTS

	31 March 2010	31 December 2009
Cash	938.072	540.949
Banks – Time deposits	461.920.609	974.329.053
Banks – Demand deposits	109.843.298	100.193.848
Other liquid assets	21.556.711	21.048.019
	594.258.690	1.096.111.869

Time Deposits:

Amount	Currency	Interest Rate	Maturity	31 March 2010
134.396.968	TL	8,12%-9,6%	01.04.2010	134.396.968
106.056.242	EUR	1,88%-3,5%	15.04.2010	217.659.227
72.207.962	USD	0,5%-3,6%	15.04.2010	109.864.414
				461.920.609

Currency	Currency	Interest Rate	Maturity	31 December 2009
238.174.400	TL	%5,85-%13,7	04.01.2010 22.02.2010	238.174.400
87.427.313	EUR	%1,75-%4,50	18.01.2010 20.01.2010	188.869.224
363.475.745	USD	%2,00-%7,50	04.01.2010 25.02.2010	547.285.429
				974.329.053

7. FINANCIAL ASSETS

Short-term financial assets are as follows:

	31 March 2010	31 December 2009
Time deposits with maturity more than 3 months	175.000.000	175.000.000
Derivative instruments at fair values (Note 39)	48.886.380	47.298.370
	223.886.380	222.298.370

Time deposits with maturity of more than 3 months:

Amount	Currency	Interest Rate	Maturity	31 March 2010
175.000.000	TL	9,82%	20.07.2010	175.000.000
				175.000.000

7. FINANCIAL ASSETS (Cont'd)

Amount	Currency	Interest Rate	Maturity	31 December 2009
175.000.000	TL	11,55%	20.07.2010	175.000.000
				175.000.000

Long-term financial assets are as follows:

	31 March 2010	31 December 2009
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 the long-term financial assets of the Group at 31 March 2010 are as follows:

Company name	Country of registration and operation	Ownership Share	Voting Right	Principle Activity
Emek İnşaat ve İşletme A.Ş.	Turkey	0,3%	0,3%	Construction
Sita Inc.	Netherlands	Less than 0,1%	Less than 0,1%	Information& Telecommunication Services
Star Alliance GMBH	Germany	5,55%	5,55%	Coordination Between Star Alliance Member Airlines

8. FINANCIAL BORROWINGS

Short-term financial borrowings are as follows:

	31 March 2010	31 December 2009
Bank loans	14.883.960	14.439.256
Finace lease obligations	383.736.412	397.827.585
	398.620.372	412.266.841

8 FINANCIAL BORROWINGS (Cont'd)

The details of short-term part of long-term bank loans as of 31 March 2010 and 31 December 2009 are as follows:

Maturity	Interest Rate	Currency	Original Amount	Interest Accrual	TL
17.10.2011	Libor+%3,50	USD	9.422.728	359.697	14.883.960

Maturity	Interest Rate	Currency	Original Amount	Interest Accrual	TL
17.10.2011	Libor+%3,50	USD	9.422.728	167.002	14.439.256

Long-term financial borrowings are as follows:

	31 March 2010	31 December 2009
Bank loans	14.336.681	14.187.801
Finace lease obligations	2.429.937.844	2.561.711.482
	2.444.274.525	2.575.899.283

The details of long-term bank loans as of 31 March 2010 and 31 December 2009 are as follows:

Maturity	Interest Rate	Currency	Original Amount	TL
17.10.2011	Libor + %3,50	USD	9.422.728	14.336.681

Maturity	Interest Rate	Currency	Original Amount	TL
17.10.2011	Libor + %3,50	USD	9.422.728	14.187.801

Financial lease obligations are as follows:

	31 March 2010	31 December 2009
Less than 1 year	450.096.593	469.617.973
Between 1 – 5 years	1.363.230.475	1.438.363.567
Over 5 years	1.481.278.227	1.548.610.096
	3.294.605.295	3.456.591.636
Less: Future interest expenses	(480.931.039)	(497.052.569)
Principal value of future rentals stated in financial statements	2.813.674.256	2.959.539.067
Interest Range:		
Floating rate obligations	1.026.676.230	1.133.986.718
Fixed rate obligations	1.786.998.026	1.825.552.349
	2.813.674.256	2.959.539.067

As of 31 March 2010, the US Dollars and Euro denominated lease obligations' weighted average interest rates for the fixed rate obligations are 4,92% (31 March 2009: 4,91 %) and for the floating rate obligations are 0,65% (31 March 2009: 1,56%).

9 OTHER FINANCIAL LIABILITIES

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

	31 March 2010	31 December 2009
Fair value of derivative instruments (Note 39)	59.434.115	45.232.172
Borrowings to banks	1.687.593	846.771
	61.121.708	46.078.943

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

10 ACCOUNTS RECEIVABLE AND PAYABLE

Short-term trade receivables are as follows:

	31 March 2010	31 December 2009
Trade receivables	589.271.933	455.045.487
Due from related parties (Note 37)	34.547.465	32.128.286
Allowance for doubtful receivables	(50.969.422)	(41.791.892)
	572.849.976	445.381.881

The Group provided provision for the receivables carried to legal proceedings and for the others by making historical statistical calculations. Movement of the doubtful receivables for the period ended 31 March 2010 and 2009 are as follows:

	1 January - 31 March 2010	1 January - 31 March 2009
Opening Balance	41.791.892	37.042.788
Charge for the period	12.091.458	3.935.570
Collections during the period	(2.913.928)	(3.245.942)
Closing Balance	50.969.422	37.732.416

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

Short-term trade payables are as follows:

	31 March 2010	31 December 2009
Trade receivables	534.274.282	536.177.325
Due from related parties (Note 37)	15.123.631	22.663.149
Other	1.778.402	1.961.004
	551.176.315	560.801.478

11 OTHER RECEIVABLES AND PAYABLES

Other short-term receivables are as follows:

	31 March 2010	31 December 2009
Prepayments made for aircrafts, to be received back in cash (net)	1.433.644.856	724.055.005
Receivables from purchasing transactions abroad	1.939.110	938.235
Deposits and guarantess given	1.100.609	1.153.878
Receivables from employees	950.275	1.165.585
Non-trade receivables from related parties (Note37)	820.674	12.581.316
Receivables from foreign technical suppliers	709.361	265.974
Receivables from tax office	587.793	1.933.804
Other receivables	1.400.224	1.299.578
	1.441.152.902	743.393.375

Long-term other receivables are as follows:

	31 March 2010	31 December 2009
Prepayments made for aircrafts, to be received back in cash (net)	433.425.709	637.383.512
Interest swap agreement deposits	13.388.748	7.663.566
Advance payments for operating leases	8.094.914	7.211.446
Receivables from employees	6.028.179	6.045.185
Deposits and guarantess given	5.119.917	4.863.237
Receivables from Sita deposit certificates	1.205.704	1.193.182
	467.263.171	664.360.128

Short-term other payables are as follows:

	31 March 2010	31 December 2009
Miscellaneous charge order advances	80.764.614	69.550.656
Social security premiums payable	26.387.144	25.835.403
Taxes and funds payable	24.612.141	31.244.933
Deposits and guarantees received	11.244.507	9.665.768
Charter advances	5.517.457	895.143
E-Pos ticket advances	3.459.701	936.185
Other advances received	1.667.149	1.150.351
Other liabilities	1.866.115	2.522.747
Payables to insurance companies	-	14.832.195
	155.518.828	156.633.381

Long-term other payables are as follows:

	31 March 2010	31 December 2009
Deposits and guarantees received	8.570.606	8.941.613

12 RECEIVABLES AND PAYABLES FROM FINANCIAL SECTOR OPERATIONS

None (31 March 2009: None).

13 INVENTORIES

	31 March 2010	31 December 2009
Spare parts	137.289.138	133.739.727
Other inventories	25.100.398	29.624.852
	162.389.536	163.364.579
Provision for impairment (-)	(13.078.367)	(14.368.647)
	149.311.169	148.995.932

Movement in change of diminution in value of inventories as of 31 March 2010 and 2009 are as follows:

	1 January - 31 March 2010	1 January - 31 March 2009
Provision at the beginning of the period	14.368.647	14.724.718
Cancellation of provisions recognized	(1.290.280)	(1.095.110)
Provision at the end of the period	13.078.367	13.629.608

14 BIOLOGICAL ASSETS

None (31 December 2009: None).

15 ASSETS FROM CONSTRUCTION CONTRACTS IN PROGRESS

None (31 December 2009: None).

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	31 March 2010	31 December 2009
Güneş Ekspres Havacılık A.Ş. (Sun Express)	3.329.857	26.698.068
THY DO&CO İkram Hizmetleri A.Ş. (Turkish DO&CO)	35.883.184	34.054.590
Bosnia-Herzegovina Airlines	1.556.630	2.936.441
P&W T.T. Uçak Bakım Merkezi Ltd. Şti.	59.925.376	22.421.794
TGS Yer Hizmetleri A.Ş. (TGS)	64.184.431	63.482.168
THY OPET Havacılık Yakıtları A.Ş. (THY Opet)	5.166.188	2.459.495
	170.045.666	152.052.556

Financial information for Sun Express as of 31 March 2010 and 31 December 2009 are as follows:

	31 March 2010	31 December 2009
Total assets	212.080.577	232.316.502
Total liabilities	205.420.864	178.920.367
Shareholders'equity	6.659.714	53.396.135
Group's share in associate's shareholders' equity	3.329.857	26.698.068

	1 January - 31 March 2010	1 January - 31 March 2009
Revenue	139.427.179	159.284.925
Profit/ (loss) for the period	(44.655.963)	(18.703.931)
Group's share in profit/ (loss) for the period	(22.327.981)	(9.351.965)

Financial information for THY DO&CO Catering Services as of 31 March 2010 and 31 December 2009 are as follows:

	31 March 2010	31 December 2009
Total assets	129.540.429	122.594.934
Total liabilities	57.774.061	52.485.754
Shareholders'equity	71.766.368	68.109.180
Group's share in associate's shareholders' equity	35.883.184	34.054.590

	1 January - 31 March 2010	1 January - 31 March 2009
Revenue	71.624.000	50.543.999
Profit/ (loss) for the period	3.657.186	1.998.609
Group's share in profit/ (loss) for the period	1.828.593	999.304

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Cont'd)

Financial information for P&W T.T Uçak Bakım Merkezi Ltd. Şti as of 31 March 2010 and 31 December 2009 are as follows:

	31 March 2010	31 December 2009
Total assets	126.581.145	104.846.886
Total liabilities	4.284.455	59.088.122
Shareholders'equity	122.296.690	45.758.764
Group's share in associate's shareholders' equity	59.925.376	22.421.794

	1 January - 31 March 2010	1 January - 31 March 2009
Revenue	40.063	-
Profit/ (loss) for the period	(6.244.574)	211.300
Group's share in profit/ (loss) for the period	(3.059.841)	103.537

Financial information for Bosnia and Herzegovina Airlines as of 31 March 2010 and 31 December 2009 are as follows:

	31 March 2010	31 December 2009
Total assets	49.934.998	49.653.830
Total liabilities	46.758.201	43.661.093
Shareholders'equity	3.176.797	5.992.737
Group's share in associate's shareholders' equity	1.556.630	2.936.441

	1 January - 31 March 2010	1 January - 31 March 2009
Revenue	4.872.572	2.180.158
Profit/ (loss) for the period	(2.549.978)	(6.243.183)
Group's share in profit/ (loss) for the period	(1.249.491)	(3.059.160)

Financial information for TGS as of 31 March 2010 and 31 December 2009 are as follows:

	31 March 2010	31 December 2009
Total assets	174.029.715	142.871.824
Total liabilities	45.660.854	15.907.488
Shareholders'equity	128.368.861	126.964.336
Group's share in associate's shareholders' equity	64.184.431	63.482.168

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Cont'd)

	1 January - 31 March 2010	**1 January - 31 March 2009**
Revenue	25.995.304	-
Profit/ (loss) for the period	1.404.526	-
Group's share in profit/ (loss) for the period	702.263	-

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

Financial information for THY Opet Havacılık Yakıtları A.Ş. as of 31 March 2010 and 31 December 2009 are as follows

	31 March 2010	**31 December 2009**
Total assets	12.381.712	5.745.326
Total liabilities	2.049.336	826.333
Shareholders'equity	10.332.376	4.918.993
	-	
Group's share in associate's shareholders' equity	5.166.188	2.459.495

	1 January - 31 March 2010	**1 January - 31 March 2009**
Revenue	-	-
Profit/ (loss) for the period	(836.588)	-
Group's share in profit/ (loss) for the period	(418.294)	-

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

	1 January - 31 March 2010	**1 January - 31 March 2009**
Sun Ekspress	(22.327.981)	(9.351.965)
Turkish DO&CO	1.828.593	999.304
P&W T.T. Uçak Bakım Merkezi Ltd. Şti.	(3.059.841)	103.537
Bosnia and Herzegovina Airlines	(1.249.491)	(3.059.160)
TGS	702.263	-
THY Opet	(418.294)	-
	(24.524.751)	(11.308.284)

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Cont'd)

Details of investments accounted for using the equity method as of 31 March 2010 are as follows:

Company name	Country of registration and operation	Ownership Share	Voting power	Principle Activity
Sun Express	Turkey	50%	50%	Air transportation
Turkish DO&CO	Turkey	50%	50%	Catering services
P&W T.T. Uçak Bakım Merkezi Ltd. Şti	Turkey	49%	49%	Maintanance services
Bosnia Herzegovina Airlines	Herzegovina Federation	49%	49%	Air transportation
TGS	Turkey	50%	50%	Ground services
THY OPET Havacılık Yakıtları A.Ş.	Turkey	50%	50%	Aviation fuel

17 INVESTMENT PROPERTY

	1 January - 31 March 2010	**1 January - 31 March 2009**
Opening balance, 1 January	48.810.000	48.130.000
Purchases	-	758.086
Loss due to the change in fair value	-	(78.086)
Closing balance, 31 March	48.810.000	48.810.000

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

18 TANGIBLE ASSETS

	Land improvements and buildings	Technical equipments, simulators and vehicles	Other equipments, fixtures	Aircraft and spare engines	Components and repairable spare parts	Leasehold improvements	Construction in Progress	Aircrafts acquired by leasing	Total
Cost									
Opening balance at 1 January 2010	164.645.538	320.921.611	172.635.436	2.540.985.371	319.829.494	47.421.962	17.713.152	4.999.425.302	8.583.577.866
Additions	-	6.643.035	5.194.424	1.841.760	26.339.894	1.675.625	1.057.171	-	42.751.909
Disposals	-	(75.785.639)	(1.298.764)	-	(10.280.652)	-	-	-	(87.365.055)
Transfers	-	-	-	-	-	227.434	(227.434)	-	-
Closing balance at 31 March 2010	164.645.538	251.779.007	176.531.096	2.542.827.131	335.888.736	49.325.021	18.542.889	4.999.425.302	8.538.964.720
Accumulated depreciation									
Opening balance at 1 January 2010	58.398.566	253.105.940	135.673.684	1.916.801.769	147.045.447	26.183.316	-	1.235.350.094	3.772.558.816
Depreciation charge for the period	684.368	3.948.373	3.172.457	13.421.640	12.325.391	1.958.067	-	54.104.082	89.614.378
Disposals	-	(64.231.961)	(1.252.143)	-	(9.802.425)	-	-	-	(75.286.529)
Real increase/(decrease) at impairment	-	(134.350)	-	(8.051.923)	-	-	-	(54.101.875)	(62.288.148)
Impairment, increase/(decrease) due to exchange rate changes	-	(161.109)	-	(6.412.297)	-	-	-	(39.498.167)	(46.071.573)
Closing balance 31 March 2010	59.082.934	192.526.893	137.593.998	1.915.759.189	149.568.413	28.141.383	-	1.195.854.134	3.678.526.944
Net book value 31 March 2010	105.562.604	59.252.114	38.937.098	627.067.942	186.320.323	21.183.638	18.542.889	3.803.571.168	4.860.437.776
Net book value 31 December 2009	106.246.972	67.815.671	36.961.752	624.183.602	172.784.047	21.238.646	17.713.152	3.764.075.208	4.811.019.050

18 TANGIBLE ASSETS (Cont'd)

	Land improvements and buildings	Technical equipments, simulators and vehicles	Other equipments, fixtures	Aircraft and spare engines	Components and repairable spare parts	Leasehold improvements	Construction in Progress	Aircrafts acquired by leasing	Total
Cost									
Opening balance at 1 January 2009	164.645.538	311.294.139	166.561.736	2.755.313.950	366.092.558	29.093.614	62.709.927	4.855.582.307	8.711.293.769
Additions	-	1.312.429	3.589.870	17.544.888	25.270.481	762.234	6.440.123	150.093.434	205.013.459
Disposals	-	(573.672)	(789.474)	-	(55.673.134)	-	-	(84.407.359)	(141.443.639)
Transfers	-	-	-	3.306	-	-	(19.386.623)	19.383.317	-
Closing balance at 31 March 2009	164.645.538	312.032.896	169.362.132	2.772.862.144	335.689.905	29.855.848	49.763.427	4.940.651.699	8.774.863.589
Accumulated depreciation									
Opening balance at 1 January 2009	55.667.061	248.016.427	139.815.066	2.023.627.036	185.009.980	22.559.087	-	980.614.975	3.655.309.632
Depreciation charge for the period	684.368	3.660.118	2.545.401	25.750.754	3.725.240	666.082	-	54.983.901	92.015.864
Disposals	-	(384.239)	(750.076)	-	(40.197.268)	-	-	(27.483.923)	(68.815.506)
Real increase at impairment	-	(129.871)	-	(12.668.116)	-	-	-	(31.357.813)	(44.155.800)
Impairment, increase/(decrease) due to exchange rate changes	-	288.498	-	(457.500.326)	-	-	-	141.168.961	(316.042.867)
Closing balance 31 March 2009	56.351.429	251.450.933	141.610.391	1.579.209.348	148.537.952	23.225.169	-	1.117.926.101	3.318.311.323
Net book value 31 March 2009	108.294.109	60.581.963	27.751.741	1.193.652.796	187.151.953	6.630.679	49.763.427	3.822.725.598	5.456.552.266
Net book value 31 December 2008	108.978.477	63.277.712	26.746.670	731.686.914	181.082.578	6.534.527	62.709.927	3.874.967.332	5.055.984.137

18 TANGIBLE ASSETS (Cont'd)

As explained in Note 2.5.6., since it is higher than 'value in use', the Group uses net US Dollar sales prices after cost of sales as the recoverable value in calculation of impairment in its property, plant and equipment (i.e. aircrafts, spare engines and simulators - "Aircrafts"). The Group has TL 46.071.573 of decrease in impairment loss arising from exchange rate changes due to the decrease of net TL sales prices of aircrafts as a result of the appreciation of US Dollar against the TRY and has 62.288.148 TL of decrease in impairment loss as a result of increase in the US Dollar prices of aircrafts in the period ended 31 March 2010 (Note 2.5.9). Total decrease in impairment loss amounts to TL 108.359.721.

19 INTANGIBLE ASSETS

	Rights
Cost	
Opening balance at 1 January 2010	80.264.961
Additions	12.347.463
Closing balance at 31 March 2010	92.612.424
Amortization	
Opening balance at 1 January 2010	69.595.344
Amortization charge for the period	1.154.027
Closing balance at 31 March 2010	70.749.371
Net book value 31 March 2010	21.863.053
Net book value 31 December 2009	10.669.612

	Rights
Cost	
Opening balance at 1 January 2009	76.958.343
Additions	61.830
Closing balance at 31 March 2009	77.020.173
Amortization	
Opening balance at 1 January 2009	65.795.741
Amortization charge for the period	1.132.655
Closing balance at 31 March 2009	66.928.396
Net book value 31 March 2009	10.091.777
Net book value 31 December 2008	11.162.602

20 GOODWILL

None (31 December 2009: None)

21 GOVERNMENT GRANTS AND INCENTIVES

None (31 December 2009: None)

22 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions for short-term liabilites are as follows:

	31 March 2010	31 December 2009
Provisions for legal claims	9.207.587	7.287.354

Changes in the provisions for legal claims at 31 March 2010 and 2009 periods set out below:

	1 January - 31 March 2010	1 January - 31 March 2009
Provision at the beginning of the period	7.287.354	7.460.396
Charge for the period	1.931.177	278.784
Provisions released	(10.944)	(300.015)
Provision at the end of the period	9.207.587	7.439.165

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/Pledge/Mortgage ("GPM") given by the group: Amount of letter of guarantees given is TL 94.314.172 as of 31 March 2010 (31 December 2009: TL 92.014.638).

	31 March 2010	31 December 2009
A. Total amounts of GPM given on the behalf of its own legal entity	94.314.172	92.014.638
B. Total amounts of GPM given on the behalf of subsidiaries that are included in full consolidation	-	-
C. Total amounts of GPM given in order to guarantee third partie debts for routine trade operations	-	-
D. Total amounts of other GPM given	-	-
	94.314.172	92.014.638

22 PROVISIONS, CONTINGENT ASSETS AND 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) Dispute Related to Collective Bargaining

Since it is understood that an agreement will not be reached in the 22nd Term talks on collective bargaining between the Company and labor union Türkiye Sivil Havacılık Sendikası ("Hava-İş"), a "Record of Dispute" is signed on 3 March 2010 and mediation process started.

The Company made a wage increase of 6% on its own initiative regarding to the year 2009. The Company offered to make a wage increase of 3% for first and second half of the year 2010 and also if the inflation rate for the first half of 2010 is higher than 3% the difference between inflation rate and 3% will be reflected to the wage increase in second half of the year 2010. Inflation difference in the second half of the year will be reflected on the following year's first half. By 31 March 2010 the company made provision, for the first quarter of 2010 within the scope of suggested increase rate.

d) The Group's discounted retirement pay provision is TL 154.036.951. The Group's liability for retirement pay would be approximately TL 309.579.032 as of 31 March 2010, if all employees were dismissed on that date.

23 COMMITMENTS

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

	31 March 2010	31 December 2009
Less than 1 year	346.918.714	312.850.973
Between 1 – 5 years	881.216.765	853.516.736
More than 5 years	393.463.659	422.992.569
	1.621.599.138	1.589.360.278

To be delivered between the years 2010-2014, the Group signed a contract for 64 aircrafts with a total value of 9.6 billion US Dollars, according to the price lists before the discounts made by the aircraft manufacturing firms. The Group has made an advance payment of 1.234 Million US Dollars relevant to these purchases as of 31 March 2010.

24 EMPLOYEE BENEFITS

Short-term employee benefits are as follows:

	31 March 2010	31 December 2009
Salary accruals	50.016.572	38.827.130
Due to personnel	2.942.488	1.437.729
Provisions for unused vacation	18.667.009	14.469.621
	71.626.069	54.734.480

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

	31 March 2010	31 December 2009
Provisions for retirement pay liability	154.036.951	151.875.562

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

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

Retirement pay liability is subject to an upper limit of monthly TL 2.427 as of 1 April 2010 (1 April 2009: TL 2.260).

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

Main assumption is that maximum liability amount increases in accordance with the inflation rate for every service year. So, provisions in the accompanying financial statements as of 31 March 2010 are calculated by estimating present value of contingent liabilities due to retirement of employees. Provisions in the relevant balance sheet dates are calculated with the assumptions of 4,80% annual inflation rate (31 December 2009: 4,80%) and 11% discount rate. (31 December 2009: 11%). Estimated amount of retirement pay not paid due to voluntary leaves and retained in the Company is also taken into consideration as 2.95% (2009: 2.17%). Ceiling for retirement pay is revised semi-annually. Ceiling amount of TL 2.427 which is in effect since 1 January 2010 is used in the calculation of Group's provision for retirement pay liability.

24 EMPLOYEE BENEFITS (Cont'd)

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

	1 January - 31 March 2010	1 January - 31 March 2009
Provisions at the beginning of the period	151.875.562	142.459.082
Charge for the period	6.356.467	5.305.555
Interest charges	271.604	2.156.038
Payments	(4.466.682)	(4.040.783)
Provisions at the end of the period	154.036.951	145.879.892

25 RETIREMENT BENEFITS

None (31 December 2009: None).

26 OTHER ASSETS AND LIABILITIES

Details of other current assets are as follows:

	31 March 2010	31 December 2009
Credit note accruals for received aircrafts	35.779.090	34.479.378
Prepaid taxes and funds	35.764.590	33.751.118
Technical maintenance income accruals	32.070.381	18.049.297
Prepaid operating lease expenses	16.693.582	19.410.997
Advances given for orders	13.587.459	3.788.745
Prepaid sales commissions	11.584.906	9.418.953
VAT to be refunded	9.675.345	9.825.050
Other prepaid expenses	8.953.252	3.543.305
Prepaid insurance expenses	5.116.062	5.197.278
Advances for business purposes	1.471.793	903.082
Interline passenger income accruals	1.054.609	3.409.593
Other current assets	3.710.642	1.896.961
	175.461.711	143.673.757

Other non-current assets are as follows:

	31 March 2010	31 December 2009
Advances given for fixed asset purchases	58.508.743	45.347.530
Maintenance reserves for engines	27.079.981	26.581.865
Prepaid aircraft financing expenses	7.304.736	7.543.182
Prepaid operating lease expenses	2.708.536	2.776.711
Prepaid Eximbank guarantee and exposure fee	970.745	1.183.491
Prepaid expenses	140.460	139.175
	96.713.201	83.571.954

26 OTHER ASSETS AND LIABILITIES (Cont'd)

Other short-term liabilies are as follows:

	31 March 2010	31 December 2009
Accruals for maintenance expense	118.566.672	98.389.811
Incentive premium accruals	19.878.512	5.049.461
Unearned revenue from share transfer of TGS (Note 16)	11.300.000	11.300.000
Unerarned revenue accruals	6.479.872	5.534.473
Accruals for other expenses	8.709.088	2.142.564
Other liabilities	295.937	79.703
	165.230.081	122.496.012

Other long-term liabilities are as follows:

	31 March 2010	31 December 2009
Unearned revenue from share transfer of TGS (Note 16)	42.375.000	45.200.000
Unerarned revenue accruals	4.671.234	5.904.110
Gross manufacturer's credits	39.833.278	39.419.630
Accumulated depreciations of manufacturer's credit	(12.493.360)	(11.517.414)
	74.386.152	79.006.326

Passenger flight liabilities are as follows:

	31 March 2010	31 December 2009
Frequent flyer program liability	113.770.304	124.222.967
Flight liability generating from ticket sales	504.235.565	282.983.563
Flight liability generating from mileage sales	152.015.798	179.318.749
	770.021.667	586.525.279

27 SHAREHOLDERS' EQUITY

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

	Type	%	31 March 2010	%	31 December 2009
Republic of Turkey Prime Ministry Privitization Adm(*)	A, C	49,12	429.818.308	49,12	429.818.308
Other (Publicly held)	A	50,88	445.181.692	50,88	445.181.692
Paid-in capital			875.000.000		875.000.000
Restatement difference			1.123.808.032		1.123.808.032
Restated capital			1.998.808.032		1.998.808.032

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

As of 31 March 2010 , the Group's issued and paid-in share capital consists of 87.499.999.999 Class A shares and 1 Class C share, all with a par value of Kr 1 each. These shares are issued to the name. The Class C share belongs to the Republic of Turkey Prime Ministry Privatization Administration and has the following privileges:

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

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

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

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

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

c) Increasing share capital,

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

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

f) Making decisions relating to merges and liquidation,

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

27 SHAREHOLDERS' EQUITY (Cont'd)

Restricted Reserves Assorted from Profit

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

Foreign Currency Translation Differences

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

Distribution of Dividends

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

According to the Serial:XI No:29 communiqué of Capital Markets Board, depending on the decision made in shareholders' meeting, the profit distribution can be made either by giving bonus shares to shareholders which are issued either in cash or by adding dividend to capital or giving some amount of cash and some amount of bonus shares to shareholders. If the primary dividend amount determined is less than 5% of the paid-in capital, the decision gives the option of not to distribute the related amount as to keep within the equity. However, for companies that have not made any dividend distributions in the prior period and therefore has classified their shares as "old shares" and "new shares" and those that will distribute dividends from the profit for the year obtained from their activities, primary dividend amount shall be distributed in cash.

According to the CMB's decision on 9 January 2009, in calculation of distributable profit, the companies are 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. Regarding the same decision, retained earnings of the companies in legitimate records, profit for the period and total amount of the assets generating profit are to be stated in the accompanying notes of financial statements in accordance with Serial:XI No:29 communiqué.

In accordance with the Capital Markets Board's (the "Board") Decree issued as of 27 January 2010, in relation to the profit distribution of earnings derived from the operations in 2009, minimum profit distribution is not required for listed companies (December 31, 2008: 20%), and accordingly, profit distribution should be made based on the requirements set out in the Board's Communiqué Serial:IV,No: 27 "Principles of Dividend Advance Distribution of Companies That Are Subject To The Capital Markets Board Regulations", terms of articles of corporations and profit distribution policies publicly disclosed by the companies;

27 SHAREHOLDERS' EQUITY (Cont'd)

Distribution of Dividends (Cont'd)

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

Within the frame of Communiqué Series: XI, No: 29, amount disclosed in notes to financial statements based on the Board decision dated 9 January 2009; following the deduction of companies' retained earnings, total of remaining profit for the period and other total resources that may apply to profit distribution;

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

a) If all dividends are distributed in cash, dividends made to continue the adoption of distributing until the end of following fifth month of the fiscal period.

b) If dividends are distributed as share, the Entity should apply for Capital Markets Board until the end of following fifth month of the fiscal period and finish profit distribution until the end of following sixth month of the fiscal period as the purpose of exported shares are recorded by Capital Markets Board.

c) In the case of combination of the options "a" and "b", it was decided that operations described earlier should be performed separately but within the time that referred to in subparagraph

The items of shareholders' equity of the Company in the statutory accounts as of 31 March 2010 as the dividends distributed not reflected are as follows:

Paid-in capital	875.000.000
Share premium	181.185
Legal reserves	39.052.952
Extraordinary reserves	7.806.889
Other profit reserves	9
Special funds	52.236.969
Retained earnings	635.827.337
Net profit for the period	(9.839.489)
Total shareholders' equity	1.600.265.852

27 SHAREHOLDERS' EQUITY (Cont'd)

Hedge Fund against the Cash Flow Risk

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

28 SALES AND COST OF SALES

Details of gross profit are as follows:

	1 January - 31 March 2010	1 January - 31 March 2009
Scheduled flights		
Passenger	1.442.638.975	1.130.486.640
Cargo and mail	139.585.142	90.390.636
Scheduled flights	1.582.224.117	1.220.877.276
Unscheduled flights	6.313.098	4.110.415
Other revenue	66.549.735	83.914.388
Gross sales	1.655.086.950	1.308.902.079
Less: discounts and sales returns	(13.916)	(5.293)
Net sales	1.655.073.034	1.308.896.786
Cost of sales (-)	(1.411.888.415)	(1.111.805.770)
Gross profit	243.184.619	197.091.016

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

	1 January - 31 March 2010	1 January - 31 March 2009
- Europe	555.600.317	469.326.167
- Far East	310.648.725	235.297.499
- Middle East	209.173.882	151.815.103
- Africa	102.545.575	70.869.982
- America	98.770.919	41.462.093
Total international flights	1.276.739.418	968.770.844
Domestic flights	305.484.699	252.106.432
Total revenue from scheduled flights	1.582.224.117	1.220.877.276

28 SALES AND COST OF SALES (Cont'd)

The details of the cost of sales are as follows:

	1 January - 31 March 2010	1 January - 31 March 2009
Fuel expense	455.433.630	278.847.510
Personnel expense	286.330.723	237.379.046
Landing and navigation expense	140.103.310	116.314.936
Ground services expense	106.103.981	84.493.108
Passenger service and catering expense	89.290.524	69.785.823
Operating lease expense	85.432.097	58.499.455
Depreciation expense	82.122.239	86.516.971
Maintenace expense	81.354.007	89.234.548
Codeshare expenses	42.544.088	36.913.695
Insurance expense	5.510.916	7.044.173
Other leasing expensses	5.248.008	2.985.792
Short term leasing expensses	2.987.857	27.534.682
Tax expense	2.601.616	2.541.976
Communication expense	1.867.448	2.669.777
Utility expense	1.832.513	946.800
Cost of other sales	23.125.458	10.097.478
	1.411.888.415	1.111.805.770

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

	1 January- 31 March 2010	1 January- 31 March 2009
Marketing, sales and distribution expense	215.835.848	168.574.515
Administrative expense	74.695.293	61.666.298
	290.531.141	230.240.813

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

Marketing, sales and distribution expenses are as follows:

	1 January- 31 March 2010	1 January- 31 March 2009
Personnel expense	58.529.587	50.870.817
Commissions and incentives expense	53.999.905	40.629.266
Reservation systems expense	44.300.734	36.542.716
Advertising expense	24.265.487	12.763.975
Service expense	5.623.335	5.193.141
Rent expense	4.798.177	5.902.270
Special passenger program milage expense	3.158.118	1.796.925
Communnication expense	3.028.024	2.625.889
Passenger service and catering expense	2.970.909	2.381.833
Transportation expense	1.936.026	1.514.469
Tax expense	1.687.100	1.581.972
Membership fees	1.682.369	1.219.323
Utility expense	1.058.544	893.425
Depreciation expense	237.141	144.917
Other marketing and sales expense	8.560.392	4.513.577
	215.835.848	168.574.515

General administrative expenses are as follows:

	1 January- 31 March 2010	1 January- 31 March 2009
Personnel expense	41.289.027	35.106.765
Depreciation expense	8.409.025	6.486.631
Service expense	4.060.285	2.204.272
Tax expense	3.346.961	1.515.128
Insurance expense	2.978.127	5.008.505
Rent expense	2.710.930	2.665.936
Communnications expense	2.121.637	1.466.107
Maintenance expense	1.371.100	1.913.586
Other administrative expense	8.408.201	5.299.368
	74.695.293	61.666.298

30 EXPENSES ACCORDING TO CATEGORIES

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

31 OTHER OPERATING INCOME / EXPENSES

Other operating income consists of the following:

	1 January- 31 March 2010	1 January- 31 March 2009
Real increase in provisions for impairment of fixed assets (Note 18)	62.288.148	44.155.800
Income from free of charge materials	15.434.989	-
Reimbursment of maintenance fee from leasing companies	11.204.817	17.214.521
Gain on sale of fixed asstes	17.901.983	30.819
Insurance, indemnities, penalties income	10.970.298	26.696.689
Provisions no longer required	7.391.554	4.648.283
Discounts received from maintenance spare parts suppliers	1.620.502	906.852
Banks protocol revenue	1.232.877	634.955
Other operating income	9.419.441	4.275.013
	137.464.609	98.562.932

Other operating expense consists of the following:

	1 January- 31 March 2010	1 January- 31 March 2009
Provisisons expense	14.022.635	4.220.856
Expense due to aircraft crash	288.366	1.851.283
Expense due to passengers without visa	808.960	254.666
Other operating expense	1.802.643	1.310.516
	16.922.604	7.637.321

32 FINANCIAL INCOME

Financial income consists of the following:

	1 January- 31 March 2010	1 January- 31 March 2009
Finance lease foreign exhange rate income	77.503.483	-
Foreign exhange rate income	13.254.876	126.292.593
Decrease in the provisions for impairment of fixed assets due to changes in exchange rate (Note 18)	46.071.573	316.042.867
Interest income	13.414.789	51.215.676
Rediscount interest income	394.865	40.425
	150.639.586	493.591.561

33 FINANCIAL EXPENSES

Finance expenses are as follows:

	1 January- 31 March 2010	1 January- 31 March 2009
Finance lease interest expense	27.560.865	31.398.118
Loss due to changes in the fair value of derivative instruments	10.150.376	7.262.358
Rediscount expense	2.331.082	1.880.394
Retirement pay interest expense	2.220.508	2.156.038
Financial liabilities foreign exchange loss	293.477	223.432.988
Other financial expense	394.139	334.027
	42.950.447	266.463.923

34 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None (31 December 2009: None).

35 TAX ASSETS AND LIABILITIES

Tax liability for the current profit is as follows:

	31 March 2010	31 December 2009
Provisions for corporate tax	4.513.134	70.893.068
Prepaid taxes and funds	(13.049)	(68.473.524)
	4.500.085	2.419.544

Tax liability consists of the following items:

	1 January- 31 March 2010	1 January- 31 March 2009
Current period tax expense	2.339.420	37.187.541
Deferred tax expense	32.238.782	81.258.575
Change in deferred tax for the year 2009 (other)	2.173.714	-
Tax expense	36.751.916	118.446.116

35 TAX ASSETS AND TAX LIABILITIES (Cont'd)

The Group is subject to taxation in accordance with the tax procedures and the legislation effective in Turkey. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the years and periods.

Corporate Tax Law of 5520 entered into force by 21 June 2006 and published in the Official Gazette No. 26205. With this Law, Law No. 5422 was repealed from application.

The corporate tax rate is 20% since 2006.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized. Companies file their tax returns within the 25th of the fourth month following the close of the related financial year.

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

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

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

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

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

	1 January- 31 March 2010	**1 January- 31 March 2009**
Reconciliation of provision for taxes:		
Profit from operations before tax	156.359.871	273.595.198
Domestic income tax rate of 20%	31.271.974	54.719.034
Taxation effects on:		
- revenue that is exempt from taxation	(3.990.117)	(3.309.374)
- accummulated loss	2.334.390	-
- foreign branch earning exemption	-	63.370.839
- change in corporate tax for 2009 (other)	2.173.714	-
- non-deductible expenses	4.961.955	3.665.617
Provisions for tax expense in income statement	36.751.916	118.446.116

35 TAX ASSETS AND TAX LIABILITIES (Cont'd)

Tax effect regarding other comprehensive income is as follows:

	1 January - 31 March 2010		
	Amount before tax	Tax (expense) /income	Amount after tax
Foreign currency translation differences	(1.170.552)	-	(1.170.552)
Change in cash flow hedge fund	(2.285.826)	457.163	(1.828.663)
Other comprehensive income for the period	(3.456.378)	457.163	(2.999.215)

Change in translation differences of foreign currency that is included in other comprehensive income, is TL 1.170.552 for the period 1 January – 31 March 2010. In addition, the effect on taxation does not exist for the period.

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

The deferred tax assets and (liabilities) as of 31 March 2010 and 31 December 2009 are as follows:

	31 March 2010	31 December 2009
Fixed assets	(458.220.950)	(437.228.761)
Provisions for ticket sales advances	(51.244.756)	(48.624.219)
Accrued expense	42.985.729	41.874.247
Provisions for retirement pay liability	30.505.044	30.375.112
Long-term lease obligations	20.280.400	21.625.506
Short-term lease obligations	19.264.485	21.321.316
Adjustment on inventories	(12.538.628)	(1.165.198)
Allowance for doubtful receivables	5.555.651	3.752.304
Provisions for impairment in inventories	2.615.673	2.873.729
Provisions for unused vacation	2.436.860	2.739.207
Accummulated loss	2.334.390	-
Other	2.001.378	213.652
Deferred tax assets/ (liabilities)	(394.024.724)	(362.243.105)

The changes of deferred tax liability as of 31 March 2010 and 2009 are as follows:

	1 January- 31 March 2010	1 January- 31 March 2009
Opening balance at January 1	362.243.105	289.302.967
Deferred tax expense	32.238.782	81.258.575
Hedge fund tax income	(457.163)	-
Closing balance at 31 March	394.024.724	370.561.542

36 EARNINGS PER SHARE

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

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

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

Number of total shares and calculation of earnings per share at 31 March 2010 and 2009 are as follows:

	1 January- 31 March 2010	1 January- 31 March 2009
Number of shares outstanding at 1 January(in full)	17.500.000.000	17.500.000.000
New shares issued (in full)	70.000.000.000	70.000.000.000
Number of shares outstanding at 31 March (in full)	87.500.000.000	87.500.000.000
Weighted average number of shares outstanding during the year (in full)	87.500.000.000	87.500.000.000
Net profit for period	119.607.955	155.149.052
Earnings per share (kr) (*)	0,14	0,18

(*) The earnings per share with par value of TL 1 is TL 0, 14 in March 2010; TL 0,18 in March 2009.

37 RELATED PARTY TRANSACTIONS

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

	31 March 2010	31 December 2009
TGS	29.099.733	1.517
Bosnia Herzegovina Airlines	5.187.675	3.729.488
Sun Express	220.593	1.074.744
P & W T.T Uçak Bakım Merkezi	38.540	26.705.625
THY Opet	924	-
THY DO&CO İkram Hizmetleri A.Ş.	-	616.912
	34.547.465	32.128.286

37 RELATED PARTY TRANSACTIONS (Cont'd)

Short-term non-trade receivables to related parties (Note 11) are as follows:

	31 March 2010	31 December 2009
TGS	272.866	12.546.944
Bosnia Herzegovina Airlines	547.808	34.372
	820.674	12.581.316

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

	31 March 2010	31 December 2009
Sun Express	6.094.950	14.416.433
TGS	188.246	-
THY DO&CO İkram Hizmetleri A.Ş.	8.840.435	8.246.716
	15.123.631	22.663.149

Transactions with related parties period ended as of 31 March 2010 are as follows:

	1 January- 31 March 2010	1 January- 31 March 2009
Services rendered to TGS(*)	28.825.657	-
Service rendered to P&W T.T.	15.493.343	194.598
Services rendered to Bosnia Herzegovina Airlines	2.317.830	46.685
Services rendered to Sun Express	625.582	6.117.529
Services rendered to THY DO&CO	313.979	130.698
Services rendered to THY OPET	834	-
	47.577.225	6.489.510

(*) Majority of services rendered to TGS is compromised of fixed asset disposals.

	1 January- 31 March 2010	1 January- 31 March 2009
Services received from THY DO&CO	61.344.665	47.077.701
Services received from TGS	25.679.216	-
Services received from Sun Express	8.567.304	5.880.533
Service received from Bosnia Herzegovina Airlines	1.427.871	10.030
Service received from P&W T.T.	71.773	-
	97.090.829	52.958.234

37 RELATED PARTY TRANSACTIONS (Cont'd)

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

The total amount of salaries and other short term benefits provided for the Chairman and the Member of Board of Directors, General Manager, General Coordinator and General Deputy Managers are TL 1.190.673 (2009: TL 851.268).

38 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

(a) Capital risk management

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

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

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

The overall strategy of the Group remains the same since the year 2009.

	31 March 2010	31 December 2009
Total debts	3.455.192.920	3.595.046.545
Less: Cash and cash equivalents	(594.258.690)	(1.096.111.869)
Net debt	2.860.934.230	2.498.934.676
Total shareholders' equity	3.561.488.968	3.444.880.226
Total capital stock	6.422.423.198	5.943.814.902
Net debt/total capital stock ratio	0,45	0,42

b. Financial Risk Factors

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

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

38 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

b.1)Credit Risk Management

Credit risk of financial instruments	**Receivables**					
	Trade receivables		**Other receivables**			
31 March 2010	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Deposits in Banks**	**Derivative Instruments**
Maximum credit risk as of balance sheet date (*)	34.547.465	538.302.511	1.939.110	1.906.476.963	746.763.907	48.886.380
The part of maximum risk under guarantee with collateral etc. (**)	-	5.872.582	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	34.547.465	462.509.107	12.581.316	1.395.172.187	1.249.522.901	47.298.370
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	-	75.793.404	-	-	-	-
-The part under guarantee with collateral etc.	-	5.872.582	-	-	-	-
D. Net book value of impaired assets			-	-	-	-
-Past due (gross carrying amount)	-	50.969.422	-	-	-	-
-Impairment(-)	-	(50.969.422)	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
-Not past due (gross carrying amount)	-		-	-	-	-
-Impairment (-)	-	-	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
E.Off-balance sheet items with credit risk		-				

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

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

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

b.1)Credit Risk Management

Credit Risk of Financial Instruments	**Receivables**					
	Trade receivables		**Other receivables**			
31 December 2009	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Deposits in Banks**	**Derivative Instruments**
Maximum credit risk as of balance sheet date (*)	32.128.286	413.253.595	12.581.316	1.395.172.187	1.249.522.901	47.298.370
The part of maximum risk under guarantee with collateral etc. (**)	-	3.437.802	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	32.128.286	331.244.557	12.581.316	1.395.172.187	1.249.522.901	47.298.370
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	-	82.009.038	-	-	-	-
-The part under guarantee with collateral etc.	-	2.442.335	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
-Past due (gross carrying amount)	-	40.576.100	-	-	-	-
-Impairment(-)	-	(40.576.100)	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
-Not past due (gross carrying amount)	-	1.215.792	-	-	-	-
-Impairment (-)	-	(1.215.792)	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
E.Off-balance sheet items with credit risk	-	-	-	-	-	-

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

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

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

(b) Financial Risk Factors (Cont'd)

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

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

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

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

(b) Financial Risk Factors (Cont'd)

b.1) Credit risk management (Cont')

The Aging of past due receivables as of 31 March 2010 are as follows.

	Receivables					
31 March 2010	**Trade Receivables**	**Other Receivables**	**Deposits in Banks**	**Derivative Instruments**	**Other**	**Total**
Past due 1-30 days	34.228.686	-	-	-	-	34.228.686
Past due 1-3 month	24.241.286	-	-	-	-	24.241.286
Past due 3-12 months	30.255.380	-	-	-	-	30.255.380
Past due 1-5 years	38.037.474	-	-	-	-	38.037.474
Total past due receivables	126.762.826	-	-	-	-	126.762.826
The part under guarantee with collateral etc	5.872.582					5.872.582

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

(b) Financial Risk Factors (Cont'd)

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

The Aging of past due receivables as of 31 December 2009 are as follows;

	Receivables					
31 December 2009	**Trade Receivables**	**Other Receivables**	**Deposits in Banks**	**Derivative Instruments**	**Other**	**Total**
Past due 1-30 days	31.024.457	-	-	-	-	31.024.457
Past due 1-3 month	30.409.900	-	-	-	-	30.409.900
Past due 3-12 months	19.120.026	-	-	-	-	19.120.026
Past due 1-5 years	42.030.755	-	-	-	-	42.030.755
Total past due receivables	122.585.138	-	-	-	-	122.585.138
The part under guarantee with collateral etc	2.442.335	-	-	-	-	2.442.335

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

(b) Financial Risk Factors (Cont'd)

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

As of balance sheet date, total amount of cash collateral and letter of guarantee, which is received by Group for past due not impaired receivable, is TL 5.872.582 (31 December 2009: TL 2.442.335).

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

b.2) Liquidity risk management

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

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

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

Liquidity risk table:

31 March 2010

Due date on the contract	Book value	Total cash outflow according to the 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	29.220.641	37.776.935	7.761.226	7.615.790	22.399.919	-
Finance lease obligations	2.813.674.256	3.294.605.295	129.852.956	320.243.637	1.363.230.475	1.481.278.227
Trade payables	551.176.315	551.791.741	474.535.438	77.256.303		
Other financial liabilities	1.687.593	1.687.593	1.687.593	-	-	-
Total	3.395.758.805	3.885.861.564	613.837.213	405.115.730	1.385.630.394	1.481.278.227

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

(b) Financial Risk Factors (Cont'd)

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

Liquidity risk table (Cont'd):

31 December 2009

Due date on the contract	Book value	Total cash outflow according to the 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	28.627.057	29.847.936	7.680.629	7.536.703	14.630.604	-
Finance lease obligations	2.959.539.067	3.456.591.636	103.436.047	366.181.926	1.438.363.567	1.548.610.096
Trade payables	560.801.478	561.612.148	490.554.785	71.057.363	-	-
Other financial liabilities	846.771	846.771	846.771	-	-	-
Total	3.549.814.373	4.048.898.491	602.518.232	444.775.992	1.452.994.171	1.548.610.096

b.3) Market risk management

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

b.3.1) Foreign currency risk management

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

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

(b) Financial Risk Factors (Cont'd)

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

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

	31 March 2010				
	TL Equivalent	**US Dollar**	**Euro**	**GBP**	**Other**
1.Trade receivables	377.398.392	94.941.157	113.217.717	12.504.874	156.734.644
2a.Monetary financial assets	1.903.930.215	1.550.172.790	253.570.633	579.554	99.607.238
2b.Non monetary financial assets	-	-	-	-	-
3.Other	3.298.672	1.740.001	245.050	42.557	1.271.064
4.Current assets (1+2+3)	**2.284.627.279**	**1.646.853.948**	**367.033.400**	**13.126.985**	**257.612.946**
5.Trade receivables	-	-	-	-	-
6a.Monetary financial assets	433.425.709	433.425.709	-	-	-
6b.Non monetary financial assets	-	-	-	-	-
7.Other	81.383.166	60.802.632	14.976.864	2.937.646	2.666.024
8.Non current asstes (5+6+7)	**514.808.875**	**494.228.341**	**14.976.864**	**2.937.646**	**2.666.024**
9.Total assets (4+8)	**2.799.436.154**	**2.141.082.289**	**382.010.264**	**16.064.631**	**260.278.970**
10.Trade payables	253.459.638	91.224.093	99.522.253	4.262.151	58.451.141
11.Financial liabilities	458.020.624	250.198.890	207.821.734	-	-
12a.Other liabilitites, monetary	13.000.899	4.710.698	4.150.341	234.341	3.905.519
12b.Other liabilitites, non monetary	-	-	-	-	-
13.Current liabilities (10+11+12)	**724.481.161**	**346.133.681**	**311.494.328**	**4.496.492**	**62.356.660**
14.Trade payables	-	-	-	-	-
15.Financial liabilities	2.444.274.525	952.433.460	1.491.841.065	-	-
16a.Other liabilitites, monetary	8.570.606	2.306.542	5.451.759	2.499	809.806
16b.Other liabilitites, non monetary	-	-	-	-	-
17.Non current liabilities (14+15+16)	**2.452.845.131**	**954.740.002**	**1.497.292.824**	**2.499**	**809.806**
18.Total liabilities (13+17)	**3.177.326.292**	**1.300.873.683**	**1.808.787.152**	**4.498.991**	**63.166.466**
19.Net asset / liability position of Off-balance sheet derivatives (19a-19b)	**4.122.640**	**(259.314.780)**	**263.437.420**	**-**	**-**
19a.Off-balance sheet foreign currency derivative assets	263.437.420	-	263.437.420	-	-
19b.Off-balance sheet foreigncurrency derivative liabilities	259.314.780	259.314.780	-	-	-
20.Net foreign currency asset/(liability) position (9-18+19)	**(373.767.498)**	**580.893.826**	**(1.163.339.468)**	**11.565.640**	**197.112.504**
21.Net foreign currency asset / liability position of monetary items (UFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(462.571.976)**	**777.665.973**	**(1.441.998.802)**	**8.585.437**	**193.175.416**
22.Fair value of foreign currency hedged financial assets	-	-	-	-	-
23.Hedged foreign currency assets	-	-	-	-	-
24.Hedged foreign currency liabilities	-	-	-	-	-
25.Exports	**1.289.911.578**	**186.070.705**	**637.286.918**	**54.459.376**	**412.094.579**
26.Imports	**588.579.034**	**394.329.626**	**138.421.187**	**9.421.721**	**46.406.500**

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

(b) Financial Risk Factors (Cont'd)

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

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

	31 December 2009				
	TL Equivalent	**US Dollar**	**Euro**	**GBP**	**Other**
1.Trade receivables	318.804.899	91.640.001	108.281.865	8.393.269	110.489.764
2a.Monetary financial assets	1.596.717.983	1.276.912.740	214.803.790	12.413.729	92.587.724
2b.Non monetary financial assets	-	-	-	-	-
3.Other	1.982.078	1.066.174	94.361	103.224	718.319
4.Current assets (1+2+3)	**1.917.504.960**	**1.369.618.915**	**323.180.016**	**20.910.222**	**203.795.807**
5.Trade receivables	-	-	-	-	-
6a.Monetary financial assets	637.383.512	637.383.512	-	-	-
6b.Non monetary financial assets	-	-	-	-	-
7.Other	65.373.959	48.743.839	12.586.766	2.119.701	1.923.653
8.Non current asstes (5+6+7)	**702.757.471**	**686.127.351**	**12.586.766**	**2.119.701**	**1.923.653**
9.Total assets (4+8)	**2.620.262.431**	**2.055.746.266**	**335.766.782**	**23.029.923**	**205.719.460**
10.Trade payables	297.880.412	120.793.475	107.571.626	5.863.884	63.651.427
11.Financial liabilities	457.499.014	252.991.955	204.507.059	-	-
12a.Other liabilitites, monetary	14.337.275	7.789.570	3.479.885	336.138	2.731.682
12b.Other liabilitites, non monetary	-	-	-	-	-
13.Current liabilities (10+11+12)	**769.716.701**	**381.575.000**	**315.558.570**	**6.200.022**	**66.383.109**
14.Trade payables	-	-	-	-	-
15.Financial liabilities	2.575.899.284	975.801.038	1.600.098.246	-	-
16a.Other liabilitites, monetary	8.941.614	2.354.919	5.734.714	2.605	849.376
16b.Other liabilitites, non monetary	-	-	-	-	-
17.Non current liabilities (14+15+16)	**2.584.840.898**	**978.155.957**	**1.605.832.960**	**2.605**	**849.376**
18.Total liabilities (13+17)	**3.354.557.599**	**1.359.730.957**	**1.921.391.530**	**6.202.627**	**67.232.485**
19.Net asset / liability position of Off-balance sheet derivatives (19a-19b)	**27.416.849**	**(257.400.455)**	**284.817.304**	**-**	**-**
19a.Off-balance sheet foreign currency derivative assets	284.817.304	-	284.817.304	-	-
19b.Off-balance sheet foreigncurrency derivative liabilities	257.400.455	257.400.455	-	-	-
20.Net foreign currency asset/(liability) position (9-18+19)	**(706.878.319)**	**438.614.854**	**(1.300.807.444)**	**16.827.296**	**138.486.975**
21.Net foreign currency asset / liability position of monetary items (UFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(801.651.205)**	**646.205.296**	**(1.598.305.875)**	**14.604.371**	**135.845.003**
22.Fair value of foreign currency hedged financial assets	-	-	-	-	-
23.Hedged foreign currency assets	-	-	-	-	-
24.Hedged foreign currency liabilities	-	-	-	-	-
25.Exports	**5.356.374.684**	**756.866.783**	**2.821.421.134**	**152.119.413**	**1.625.967.354**
26.Imports	**1.684.743.255**	**1.003.419.468**	**488.549.014**	**19.535.389**	**173.239.384**

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

(b) Financial Risk Factors (Cont'd)

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

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

Foreign currency sensitivity

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

	31 March 2010 Profit / (Loss) Before Tax	
	If foreign currency appreciated against TL	If foreign currency appreciated against TL
1 - US Dollar net asset / liability	58.089.383	(58.089.383)
2- Part of hedged from US Dollar risk (-)		
3- US Dollar net effect (1 +2)	58.089.383	(58.089.383)
4 - Euro net asset / liability	(116.333.947)	116.333.947
5 - Part of hedged from Euro risk (-)		
6- Euro net effect (4+5)	(116.333.947)	116.333.947
7 - GBP net asset / liability	1.156.564	(1.156.564)
8- Part of hedged from GBP risk (-)		
9- GBP net effect (7 +8)	1.156.564	(1.156.564)
10 - Other foreign currency net asset / liability	19.711.250	(19.711.250)
11- Part of hedged other foreign currency risk (-)		
12- Other foreign currency net effect (10+11)	19.711.250	(19.711.250)
TOTAL (3 + 6 + 9 + 12)	(37.376.750)	37.376.750

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

(b) Financial Risk Factors (Cont'd)

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

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

Foreign currency sensitivity (Cont'd)

	31 March 2009	
	Profit / (Loss) Before Tax	
	If foreign currency appreciated against TL	If foreign currency appreciated against TL
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

As explained in Note 2.5.6, the Group uses net US Dollars sales price as the recoverable amount in the impairment calculation of its property, plant and equipment (i.e. aircrafts, spare engines and simulations - "Aircrafts"). Accordingly, the impairment provided by the Group for the tangible assets decreases when the US Dollar is evaluated against TL, and increases when the US Dollar is devaluated against TL. In this context, If US Dollar is appreciated by 10 % against TL, there would be an increase amounted TL 444.031.380 (1 January-31 March 2009: None) in the net profit for the period except for the effects in the table above due to the decrease in the impairment of aircrafts, spare engines and simulators. If US Dollar is devaluated by 10 % against TL, there would be a decrease amounted TL 404.055.382 effect in the profit or except for the effects in the table above.

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

(b) Financial Risk Factors (Cont'd)

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

b.3.2) Interest rate risk management

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

Interest Rate Position Table

	31 March 2010	**31 December 2009**
Instruments with fixed interest rate		
Financial Assets – Time Deposits	636.920.609	1.149.329.053
Financial Liabilities	1.786.998.034	1.825.552.349
Financial Instruments with Variable Interest Rate		
Financial Liabilities	1.055.896.869	1.162.613.775
Interest Swap Agreements not subject to Hedge Accounting (net)	3.844.834	(829.874)
Interest swap agreements subject to hedge acounting (Net)	(16.159.456)	(7.130.730)

As indicated in Note 39, the Group as of 31 March 2010 fixed the interest rate for TL 837.710.480 of floating–interest-rated financial liabilities via an interest rate swap contract.

Interest rate sensitivity

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

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

Profit before taxes of the Group, which belongs to three-month-period, will decrease for TL 1.319.871 (as of 31 March 2009 it will decrease by TL 1.811.739). In contrast, if Libor and Euribor interest rate decreases 0, 5%, Profit Before Taxes for six-month-period will increase with the same amounts

Moreover, as a result of the interest rate swap contracts against cash flow risks, in case of a 0,5% increase in the Libor and Euribor interest rates, the shareholders' equity of the Group will increase by TL 17.371.218 without the deferred tax effect. In case of a 0,5% decrease in the Libor and Euribor interest rates, the shareholders' equity of the Group will decrease by the same amount without the deferred tax effect.

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

(b) Financial Risk Factors (Cont'd)

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

b.3.3) Fuel prices sensitivity

As explained in Note 39, Group made forward fuel purchase contracts in order to hedge cash flow risks arising from fuel purchases beginning from 2009. Due to forward fuel purchase contracts subject to hedge accounting, as a result of a 10% increase in fuel prices, the shareholders' equity of the Group will increase by TL 20.799.427 excluding the deferred tax effect. In case of a 10% decrease in fuel prices, the shareholders' equity of the Group will decrease by the same amount excluding the deferred tax effect

39 FINANCIAL INSTRUMENTS

Fair Values of Financial Instruments

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

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

39 FINANCIAL INSTRUMENTS (Cont'd)

Categories and fair values of financial instruments:

31 March 2010 Balance Sheet	Loans and Receivables	Derivative instruments which are reflected fair value to share holder's equity	Derivative instruments which are reflected fair value profit/(loss)	Investment at cost value available for sale	Financial liabilities at amortized cost	Carrying Value	Note
Financial Assets							
Cash and cash equivalents	594.258.690	-	-	-	-	594.258.690	6
Financial investments	175.000.000	9.964.979	38.921.401	1.750.943	-	225.637.323	7
Trade receivables	572.849.976	-	-	-	-	572.849.976	10
Other receivables	1.908.416.073	-	-	-	-	1.908.416.073	11
Financial liabilities							
Bank borrowings	-	-	-	-	29.220.641	29.220.641	8
Finance lease obligations	-	-	-	-	2.813.674.256	2.813.674.256	8
Other financial liabilities	-	16.159.486	43.240.795	-	1.687.593	61.087.874	9
Trade payables	-	-	-	-	551.176.315	551.176.315	10

31 December 2009 Balance Sheet	Loans and Receivables	Derivative instruments which are reflected fair value to share holder's equity	Derivative instruments which are reflected fair value profit/(loss)	Investment at cost value available for sale	Financial liabilities at amortized cost	Carrying Value	Note
Financial Assets							
Cash and cash equivalents	1.096.111.869	-	-	-	-	1.096.111.869	6
Financial investments	175.000.000	4.102.120	43.196.250	1.750.943	-	224.049.313	7
Trade receivables	445.381.881	-	-	-	-	445.381.881	10
Other receivables	1.407.753.503	-	-	-	-	1.407.753.503	11
Financial liabilities							
Bank borrowings	-	-	-	-	14.187.801	14.187.801	8
Finance lease obligations	-	-	-	-	2.959.539.067	2.959.539.067	8
Other financial liabilities	-	7.866.905	37.365.267	-	846.771	46.078.943	9
Trade payables	-	-	-	-	560.801.478	560.801.478	10

The Group considers the legitimate values of financial assets are of fair value

39 FINANCIAL INSTRUMENTS (Cont'd)

Fair Values of Financial Instruments (Cont'd)

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

- First level: Financial assets and liabilities, are valued with the stock exchange prices in the active market for the assets and liabilities same with each other.

- Second level: Financial assets and liabilities are valued with input obtained while finding the stock exchange price of the relevant asset or liability mentioned in the first level and the direct or indirect observation of price in the market.

- Third level: Financial assets and liabilties are valued by the input that does not reflect an actual data observed in the market while finding the fair value of an asset or liability.

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

		Fair value level as of the reporting date		
Financial assets	31 March 2010	Level 1 TL	Level 2 TL	Level 3 TL
Financial assets at fair value through profit or loss				
Derivative instruments	38.921.401	-	38.921.401	-
Financial assets subject to hedge accounting				
Derivative instruments	9.964.979	-	9.964.979	-
Total	48.886.380	-	48.886.380	-
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative instruments	43.240.795	-	43.240.795	-
Financial liabilities subject to hedge accounting				
Derivative instruments	16.159.456	-	16.159.456	-
	59.400.251	-	59.400.251	-

39 FINANCIAL INSTRUMENTS (Cont'd)

Derivative Instruments and Hedging Transactions

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

The floating-rate financial liabilities of the Group are explained in b.3.2. Beginning from June 2009, in order to keep interest costs at an affordable level, considering long-term finance lease liabilities; Group made fixed-paid/floating-received interest rate swap contracts to fix interest rates of finance lease liabilities whose maturities are after the second half of 2010 and account for approximately 79 % of floating rate USD and Euro denominated liabilities. Effective part of the change in the fair values of those derivative instruments which are subject to hedge accounting for cash flows risks of floating-rate finance lease liabilities are accounted in cash flow hedge fund under the shareholders' equity.
Beginning from January 2010, in order to control risk arising from fluctuations in price of fuel which is approximately 32% of cost of sales as of 31 March 2010 and to lessen the effects of fluctuations in oil prices on fuel expenses, the Group began hedging transactions for approximately 20% of annual jet fuel consumption in 2010. For this purpose, the Group made forward fuel purchase contracts settled on cash basis. Effective part of the change in the fair values of those derivative instruments which are subject to hedge accounting for cash flows risks of fuel purchases are accounted in cash flow hedge fund under the shareholders' equity

Group's derivative instruments arisen from transactions stated above and their balances as of 31 March 2010 and 31 December 2009 are as follows:

39 FINANCIAL INSTRUMENTS (Cont'd)

Derivative Instruments and Hedging Transactions

31 March 2010	**Pozitive fair value**	**Negative fair value**	**Total**
Fixed-paid/floating received interest rate swap contracts for hedging against cash flow risks of interest rate	-	(16.159.456)	(16.159.456)
Forward fuel purchase contracts for hedging against cash flow risk of fuel prices	9.964.979	-	9.964.979
Fair values of derivative instruments for hedging purposes	9.964.979	(16.159.456)	(6.194.477)
Cross-currency swap contracts not subject to hedge accounting	5.961.551	(14.125.779)	(8.164.228)
Interest rate swap contracts not subject to hedge accounting	32.959.850	(29.115.016)	3.844.834
Fair values of derivative instruments not for hedging purposes	38.921.401	(43.240.795)	(4.319.394)
Total	48.886.380	(59.400.251)	(10.513.871)

31 December 2009	**Pozitive fair value**	**Negative fair value**	**Total**
Fixed-paid/floating received interest rate swap contracts for hedging against cash flow risks of interest rate	-	(7.130.730)	(7.130.730)
Forward fuel purchase contracts for hedging against cash flow risk of fuel prices	4.102.120	(736.175)	3.365.945
Fair values of derivative instruments for hedging purposes	4.102.120	(7.866.905)	(3.764.785)
Cross-currency swap contracts not subject to hedge accounting	15.596.383	(8.935.528)	6.660.855
Interest rate swap contracts not subject to hedge accounting	27.599.867	(28.429.739)	(829.872)
Fair values of derivative instruments not for hedging purposes	43.196.250	(37.365.267)	5.830.983
Total	47.298.370	(45.232.172)	2.066.198

39 FINANCIAL INSTRUMENTS (Cont'd)

Derivative Instruments and Hedging Transactions

	Hedging against fuel risk	**Hedging against interest risk**	**Total**
Increase/(decrease) in fair values of derivative instruments for hedging purposes	9.964.979	(16.159.456)	(6.194.477)
The amount of financial expenses inside hedge funds	-	2.086.484	2.086.484
Reclassified amount for inactive part in the risk elimination of fair value of hedging gains of fuel hedging derivative instrument to financial revenues	(366.992)	-	(366.992)
Total	9.597.987	(14.072.972)	(4.474.985)
Deferred tax	(1.919.597)	2.814.594	894.997
Hedge fund as of 31 March 2010	7.678.390	(11.258.378)	(3.579.988)

40 EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

The Regular General Assembly meeting was held on 20 April 2010 and decided by majority of votes that; Balance sheet and income statements of 2009 closing with net profit of TL 559.076.280, whereas it is TL 332.792.278 per statutory records. Also per General Assembly meeting due to financials and activities for the year 2009, discharge of Board of Directors members and Audit Committee members is accepted.

In accordance with the 466th bulletin of Turkish Commercial Code it is decided per General Shareholders Assembly that; allowance of 5% of first legal reserve funds from net period profit which is TL 16.639.613; distribution of TL 125.000.000 of first dividend profit for the year 2009 (nearly 23.0435%); since the group is in need of financial demand due to aircraft purchases the whole distribution of profit should be done by bonus shares; so to increase comprising issued capital of the company from TL 875.000.000 to TL 1.000.000.000; due to giving the whole of bonus shares which is TL 125.000.000 to shareholders, not to allocate second legal reserves; to transfer balances which is TL 417.436.666.per CMB and TL 191.152.665 per statutory records to extraordinary reserves; and to determine the distribution date of bonus shares in accordance with CMB regulations.

The Board of Directors decided to increase issued capital of Türk Hava Yolları Teknik A.Ş. from 318.000.000 to 693.000.000 (375.000.000 cash increase).

The 22nd Term negotitation between the Company and labor union Türkiye Sivil Havacılık Sendikası ("Hava-İş") is completed on 21 April 2010. The process will continue after preparation and presentation of official mediation report.

The Board of Directors decided to lease 3 of A320-200 aircrafts which are delivered on May 2010.

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

The Board of Directors approved and authorized to issue the consolidated financial statements on 14 May 2010.

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

'Codeshare expenses' item, which was offsetted under 'Sales revenue' and amounting to TL30.260.726 in the balance sheet between 1 January-31 March 2010, is now classified under 'Cost of sales'.