CONVENIENCE TRANSLATION OF
REPORT AND FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

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

CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD
ENDED 31 MARCH 2012

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2012
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

ASSETS	Notes	Current Period (Not Audited) 31 March 2012	Prior Period (Audited) 31 December 2011
Current Assets		**4,625,547,466**	**4,071,271,934**
Cash and cash equivalents	6	948,785,055	1,549,524,710
Financial assets	7	896,932,914	213,899,678
Trade receivables	10	1,117,152,500	760,396,929
Other receivables	11	863,285,245	809,440,825
Inventories	13	292,742,656	251,785,807
Other current assets	26	201,388,456	206,751,785
Non-current assets held for sale	34	305,260,640	279,472,200
Non-current Assets		**11,590,427,054**	**12,331,420,131**
Other receivables	11	470,325,591	583,806,507
Financial assets	7	1,771,756	1,767,872
Investments accounted for using the equity method	16	261,226,918	294,960,592
Investment property	17	51,359,568	54,720,000
Tangible assets	18	10,538,019,872	11,092,594,872
Intangible assets	19	37,084,257	46,962,939
Other non-current assets	26	230,639,092	256,607,349
TOTAL ASSETS		**16,215,974,520**	**16,402,692,065**

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 AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2012
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

LIABILITIES	Notes	Current Period (Not Audited) 31 March 2012	Prior Period (Audited) 31 December 2011
Current Liabilities		**4,547,049,597**	**3,949,155,344**
Financial debt	8	763,662,240	790,159,337
Other financial liabilities	9	145,794,139	158,483,592
Trade payables	10	1,069,891,790	999,354,557
Other payables	11	212,300,013	216,512,852
Current tax liabilities	35	-	5,368,643
Provisions	22	23,668,344	26,224,798
Provisions for employee benefits	24	334,463,652	251,298,892
Passenger flight liabilites	26	1,515,079,830	1,076,598,617
Other current liabilities	26	482,189,589	425,154,056
Non- current Liabilitites		**7,411,073,838**	**7,954,609,080**
Financial debt	8	6,937,234,259	7,122,723,496
Other payables	11	14,315,565	11,439,394
Provisions for employee benefits	24	183,071,629	191,632,448
Deferred tax liability	35	209,713,864	574,679,843
Other non- current liabilities	26	66,738,521	54,133,899
SHAREHOLDERS' EQUITY			
Equity Attributable to Shareholders' of Parent		**4,257,851,085**	**4,498,927,641**
Share capital	27	1,200,000,000	1,200,000,000
Inflation difference on shareholders' equity	27	1,123,808,032	1,123,808,032
Restricted reserves assorted from profit reserves	27	39,326,341	39,326,341
Currency translation differences	27	566,635,333	798,590,878
Cash flow hedge fund	27	(26,351,486)	(46,613,446)
Retained earnings	27	1,383,815,836	1,365,299,204
Net profit for the year	27	(29,382,971)	18,516,632
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**16,215,974,520**	**16,402,692,065**

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 AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2012
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Notes	Not Audited Current Period 1 January 31 March 2012	Not Audited Prior Period 1 January 31 March 2011
Sales revenue	28	2,842,650,760	2,096,617,340
Cost of sales (-)	28	(2,619,631,379)	(2,012,393,802)
GROSS PROFIT		**223,019,381**	**84,223,538**
Marketing and sales expenses (-)	29	(345,234,414)	(289,219,632)
Administrative expenses (-)	29	(96,944,018)	(101,021,406)
Other operating income	31	53,481,364	34,969,311
Other operating expenses (-)	31	(9,296,207)	(12,749,597)
OPERATING LOSS		**(174,973,894)**	**(283,797,786)**
Share of investments' profit/ (loss) accounted for using the equity method	16	(20,923,131)	(9,668,337)
Financial income	32	23,847,956	14,429,528
Financial expenses (-)	33	(226,800,625)	(46,146,907)
LOSS BEFORE TAX		**(398,849,694)**	**(325,183,502)**
Tax expense		**369,466,723**	**105,371,223**
Current tax expense (-)	35	(3,047,776)	(3,223,982)
Deferred tax expense (-)	35	372,514,499	108,595,205
LOSS FOR THE PERIOD		**(29,382,971)**	**(219,812,279)**
OTHER COMPREHENSIVE INCOME / (EXPENSE)			
Change in currency translation differences		(231,955,545)	1,758,009
Change in cash flow hedge fund		25,327,450	65,122,224
Tax expense (-)/income (+) on items in other comprehensive income		(5,065,490)	(13,024,445)
OTHER COMPREHENSIVE INCOME (AFTER TAX)		**(211,693,585)**	**53,855,788**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(241,076,556)**	**(165,956,491)**
Earnings per share (Kr)	36	(0.02)	(0.18)

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY
FOR THE PERIOD ENDED 31 MARCH 2012
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Notes	Share capital	Inflation difference on shareholders' equity	Restricted reserves assorted from profit reserves	Currency translation differences	Cash flow hedge fund	Net profit for the year	Retained earnings	Total shareholders' equity
As of 31 December 2010		1,000,000,000	1,123,808,032	39,326,341	3,589,635	15,383,772	286,443,361	1,278,855,843	3,747,406,984
Transfer of previous years' profit to retained earnings	27	-	-	-	-	-	(286,443,361)	286,443,361	-
Total comprehensive income/(loss)		-	-	-	1,758,009	52,097,779	(219,812,279)	-	(165,956,491)
As of 31 March 2011		1,000,000,000	1,123,808,032	39,326,341	5,347,644	67,481,551	(219,812,279)	1,565,299,204	3,581,450,493
As of 31 December 2011		1,200,000,000	1,123,808,032	39,326,341	798,590,878	(46,613,446)	18,516,632	1,365,299,204	4,498,927,641
Transfer of previous years' profit to retained earnings	27	-	-	-	-	-	(18,516,632)	18,516,632	-
Total comprehensive income/(loss)		-	-	-	(231,955,545)	20,261,960	(29,382,971)	-	(241,076,556)
As of 31 March 2012		1,200,000,000	1,123,808,032	39,326,341	566,635,333	(26,351,486)	(29,382,971)	1,383,815,836	4,257,851,085

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 AND ITS SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR PERIOD 31 MARCH 2012
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated .)

	Notes	Current Period 1 January- 31 March 2012	Prior Period 1 January- 31 March 2011
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit before taxes		(398,849,694)	(325,183,502)
Adjustments to obtain net cash flow generated from operating activities:			
Depreciation and amortization	18-19	211,596,375	158,148,384
Provision for retirement pay liability	24	7,976,223	6,185,497
Provisions, net	22	(2,556,454)	1,937,236
Interest income	32	(1,369,186)	(9,770,752)
Gain on sales of fixed assets	31	(6,118)	(9,740)
Increase in provision for impairment	18	-	-
Loss on equity investments accounted for using the equity method	16	20,923,131	9,668,329
Interest expense on finance leases	33	47,925,054	34,015,525
Change in manufacturers' credit	26	(990,960)	(830,551)
Unrealized foreign exchange loss on finance leases	32.33	435,385,794	30,120,229
Increase in provision for doubtful receivables	10	5,159,704	8,629,116
Impairment on investment property	17	-	-
Change in fair value of derivative instruments	32-33	4,340,437	7,385,736
Operating profit before working capital changes		**329,534,306**	**(79,704,493)**
Increase in trade receivables		(412,458,192)	(236,612,713)
Increase in other short and long term receivables		(54,531,510)	(47,849,281)
Increase in inventories	13	(56,957,181)	(14,055,551)
Decrease in other current assets	26	(7,403,495)	(4,330,619)
Decrease in other non-current assets	26	10,306,961	39,369,721
Increase in trade payables	10	133,166,409	72,898,877
Increase in other short-term and long-term payables	11	12,782,901	30,864,867
Increase in other short and long term liabilities		98,184,271	6,700,242
Increase in short-term employee benefits	24	111,336,241	(7,743,990)
Increase in passenger flight liabilities	26	509,406,664	367,051,122
Cash flow from operating activities		**673,367,375**	**126,588,182**
Payment of retirement pay liability	24	(16,537,042)	(9,919,671)
Interest paid		(64,497,743)	(23,830,300)
Taxes paid	35	(10,152,179)	(28,033,483)
CASH FLOW FROM INVESTING ACTIVITIES		**582,180,411**	**64,804,728**
YATIRIM FAALİYETLERİNE İLİŞKİN NAKİT AKIMLARI			
Proceeds from sale of tangible and intangible fixed assets	18-19-31	72,575,444	5,129,702
Interest received		1,369,186	9,368,764
Purchase of of tangible and intangible fixed assets (*)	18-19	(451,669,457)	(204,022,973)
Prepayments for the purchase of aircrafts	11	28,359,608	544,072,123
Increase in financial investments	7	(665,478,292)	(229,061,490)
Cash outflow resulting from purchase of joint ventures		-	14,043,705
Net cash used in investing activities		**(1,014,843,511)**	**139,529,831**
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of principal in finance lease liabilitites		(175,431,824)	(116,123,438)
Increase in financial borrowings		6,417,787	-
Increase in other financial liabilities	9	937,482	177,721
Net cash used in financing activities		**(168,076,555)**	**(115,945,717)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(600,739,655)**	**88,388,842**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE		**1,549,524,710**	**813,936,552**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**948,785,055**	**902,325,394**

(*) TL 338.849.831 portion of tangible and intangible assets purchases in total of TL 487.749.416 for the year period 31 March 2012 was financed through finance leases. (31 March 2011: TL 1.311.655.050 portion of tangible and intangible assets purchases in total of TL 1.514.940.642 was financed through leases.)

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

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

1. COMPANY ORGANIZATION AND ITS OPERATIONS

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

	31 March 2012	31 December 2011
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 the Company and its subsidiaries (together the "Group") as of 31 March 2011 is 18.392 (31 December 2011: 18.489). The average number of employees working for the Group for the year ended 31 March 2012 and 2011 are 18.406 and 17.356, respectively. The Company is registered in İstanbul, Turkey and its head office address is as follows:

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

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

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

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

Air Transport ("Aviation")

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

Technical Maintenance Services ("Technical")

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

Approval of Financial Statements

Board of Directors has approved the consolidated financial statements as of 31 March 2012 and delegated authority for publishing it on 12 May 2012. General shareholders' meeting has the authority to modify the financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Basis of Preparation for Financial Statements and Significant Accounting Policies

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation (cont'd)

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

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

The accompanying consolidated financial statements have been prepared in accordance with IFRS and comply with CMB's decree announce on 17 April 2008 and 9 January 2009 regarding the format of the financial statements and footnotes.

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

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

Functional Currency and Presentation Currency

The Group evaluated the effect of US Dollar upon the Company's operations and decided to change the functional currency as US Dollars from Turkish Lira beginning from 1 January 2011. Consolidated financial statements are presented in Turkish Lira which is presentation currency.

Translation to the presentation currency

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

(a) Assets and liabilities in the balance sheet are translated into TL at US Dollar buy exchange rate of the Central Bank of Turkish Republic as of balance sheet date.

(b) The income statement is translated into TL by using average monthly US Dollar exchange rates

(c) All differences are recognized as a separate equity item under exchange differences.

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

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

2.1 Basis of Presentation (cont'd)

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. In the current year, the Group has made several reclassifications in the prior year consolidated financial statements in order to maintain consistency, with current year consolidated financial statements. Nature, cause and amounts of classifications are explained in Note 41.

The Group changed its functional currency from Turkish Lira to US Dollar and prepared consolidated financial statements based on US Dollar. With regard to this change, the financial statements of the three-month period ended as of 31 March 2011 are restated.

Net loss for the period decreased by TL 103.213.610 after restatement. As a result of this restatement, loss per share for the three-month period ended as of 31 March 2011decreased by 0,09 Kr.

Within the method of accounting for invesment incentive received for aircraft purhases with regard to Ministry Council resolution about government grants, TL 9.265.796 are recorded as other income in the financial statements as of 31 March 2011 and loss for the period decreased by TL 9.265.796. As a result of this change, loss per share decreased by 0,01 Kr.

Basis of the Consolidation

a) The consolidated financial statements include the accounts of the parent company, THY, its Subsidiaries and its Affiliates on the basis set out in sections (b) and (c) below. Financial statements of the subsidiaries 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.

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 Subsidiaries and participation rate of the Group in these subsidiaries as of 31 March 2012:

Name of the Company	Principal Activity	Participation Rate 31 March 2012	31 December 2011	Country of Registration
THY Teknik	Aircraft Maintenance Services	100%	100%	Turkey
HABOM	Aircraft Maintenance Services	100%	-	Turkey

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

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

2.1 Basis of Presentation (cont'd)

Basis of the Consolidation (Cont'd)

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

c) The Group has ten 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 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 as of 31 March 2012:

Company Name	Country of Registration and Operation	Ownership Share (*)	Voting Power (*)	Principle Activity
Güneş Ekspres Havacılık A.Ş. (Sun Express) (*)	Turkey	50%	50%	Air transportation
THY DO&CO İkram Hizmetleri A.Ş. (Turkish DO&CO) (*)	Turkey	50%	50%	Catering services
P&W T.T. Uçak Bakım Merkezi Ltd. Şti. (TEC) (*)	Turkey	49%	49%	Maintenance services
Bosnia Herzegovina Airlines (Air Bosna) (*)	Bosnia and Herzegovina	49%	49%	Air transportation
TGS Yer Hizmetleri A.Ş. (TGS) (*)	Turkey	50%	50%	Ground services
THY OPET Havacılık Yakıtları A.Ş. (THY Opet) (*)	Turkey	50%	50%	Aviation fuel
Goodrich Thy Teknik Servis Merkezi Ltd. Şti. (Goodrich) (**)	Turkey	40%	40%	Maintenance services
Uçak Koltuk Sanayi ve Ticaret A.Ş (Uçak Koltuk)(**)	Turkey	50%	50%	Cabin Interior Products
TCI Kabin İçi Sistemleri San ve Tic. A.Ş. (TCI) (**)	Turkey	51%	51%	Cabin Interior Products
Turkbine Teknik Gaz Türbinleri Bakım Onarım A.Ş. (Turkbine Teknik) (**)	Turkey	50%	50%	Maintenance services

(*) Share percentage and voting rights are the same in the year 2011 and 2010.
(**) Established in the year 2011.

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

Significant amendments in accounting policies and significant accounting errors are applied retrospectively and prior period financial statements should be restated. Changes in accounting estimates should be applied prospectively, if only for a period in which the change in current period. If it relates to future periods they are recognized to prospectively both in the current period and in the future period.

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

(a) New and Revised IFRSs affecting presentation and disclosure only

None.

(b) New and Revised IFRSs affecting the reported financial performance and / or financial position

None.

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

The following new and revised IFRSs have also been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

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

The amendment is effective for annual periods beginning on or after 1 January 2012. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be, through sale. The Group does not have investment property. The amendment did not have any effect on the consolidated financial statements.

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

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

These amendments to IFRS 7 did not have a significant effect on the Group's disclosures. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

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

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

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

New and Revised IFRSs in issue but not yet effective

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

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

The amendments to IFRS 7 require an entity to disclose information about rights of offset and related agreements for financial instruments under an enforceable master netting agreement or similar arrangement. The new disclosures are required for annual or interim periods beginning on or after 1 January 2013.

IFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

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

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

IFRS 9 was amended to defer the mandatory effective date of both the 2009 and 2010 versions of IFRS 9 to annual periods beginning on or after 1 January 2015. Prior to the amendments, application of IFRS 9 was mandatory for annual periods beginning on or after 1 January 2013. The amendments continue to permit early application. The amendments modify the existing comparative transition disclosures in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and IFRS 7 Financial Instruments: Disclosures. Instead of requiring restatement of comparative financial statements, entities are either permitted or required to provide modified disclosures on transition from IAS 39 Financial Instruments: Recognition and Measurement to IFRS 9 depending on the entity's date of adoption and whether the entity chooses to restate prior periods.

The Group management anticipates that IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2015 and that the application of IFRS 9 may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five Standards are described below.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-12 Consolidation – Special Purpose Entities has been withdrawn upon the issuance of IFRS 10. Under IFRS 10, there is only one basis for consolidation, which is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers has been withdrawn upon the issuance of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

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

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

The Group management anticipates that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. The application of IFRS 10 may result in the Group consolidating investees that were not previously consolidated. Under IFRS 11, a jointly controlled entity may be classified as a joint operation or joint venture, depending on the rights and obligations of the parties to the joint arrangement. However, the management has not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

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

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

The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to IAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the amendments to IAS 19 may have impact on amounts reported in respect of the Groups' defined benefit plans. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

On 19 October 2011 the IASB issued an Interpretation, IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine, clarifying the requirements for accounting for stripping costs in the production phase of a surface mine. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The Interpretation is effective for annual periods beginning on or after 1 January 2013 with earlier application permitted.

The amendments to IAS 32 are intended to clarify existing application issues relating to the offsetting rules and reduce the level of diversity in current practice. The amendments are effective for annual periods beginning on or after 1 January 2014.

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

2.5 Summary of Significant Accounting Policies

Significant accounting policies applied in the preparation of accompanying consolidated 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. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

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.

2.5.3 Tangible Assets

Tangible assets are carried at cost less accumulated depreciation and any accumulated impairment losses.

Assets under construction that are held for rental or any other administrative or undefined purposes are carried at cost less any impairment loss, if any. Legal fees are also included in cost. Borrowing costs are capitalized for assets that need substantial time to prepare the asset for its intended use or sale. As the similar depreciation method used for other fixed assets, depreciation of such assets begins when they are available for use.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method. Expected useful life, residual value and depreciation method are reviewed each year for the possible effects of changes in estimates, and they are recognized prospectively if there are any changes in estimates.

Assets acquired under finance lease are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The Group has classified the cost of assets that are acquired directly or through finance leases into the following three parts, by considering the renewal of significant parts of the aircrafts identified during the overhaul maintenance and overhaul of aircraft fuselage and engine; fuselage, overhaul maintenance for the fuselage, engine and overhaul maintenance for the engines. Overhaul maintenance for the fuselage and overhaul engine repair parts are depreciated over the shorter of the remaining period to the next maintenance or the remaining period of the aircraft's useful life. They are capitalized subsequent to overhaul maintenance for the fuselage and engines and are depreciated over the shorter of the next maintenance period or the remaining period of the aircraft's useful life.

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.

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.3 Tangible Assets (cont'd)

The useful lives and residual values used for tangible assets are as follows:

	Useful Life (Years)	Residual Value
- Buildings	25-50	-
- Aircrafts and Engines	20	10%
- Cargo Aircraft and Engines	20	10%
- Overhaul maintenance for aircrafts' fuselage	6	-
- Overhaul maintenance for engines	3-6-8-13	-
- Components	7	-
- Repairable Spare Parts	3-7	-
- Simulators	10-20	10%
- Machinery and Equipments	3-15	-
- Furniture and Fixtures	3-15	-
- Motor Vehicles	4-7	-
- Other Equipments	4-15	-
- Leasehold improvements	Lease period	-

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.

Finance lease payments are composed of financing expense and principal payment which is the decrease in finance lease obligations and thus enabling the calculation of fixed rate interest based on the remaining principal. Financing expenses are recorded in the income statement.

The payments for operational leases and any incentives received or receviable from lessor are recorded in the income statement on a straight-line basis during the lease period.

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. Other intangible assets are depreciated over their lease periods and other intangible assets are depreciated over their useful life of 5 years, on a straight-line basis. Slot rights are assessed as intangible assets with infinite useful life, once there are no time restrictions on them time.

2.5.6 Non-current Assets Held For Sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Such assets can be a separate line of business, a disposal group or a single non-current asset.

2.5.7 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.

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.

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.8 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.
All other borrowing costs are recorded in the profit and loss of the relevant period.

2.5.9 Financial Instruments

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

a) Financial assets

Financial investments are 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.

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.9 Financial Instruments (Cont'd)

a) Financial assets (Cont'd)

Loans and receivables

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

Impairment of financial assets

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

Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

For financial assets at amortized cost, 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.

b) Financial liabilities

The Group's financial liabilities and equity instruments are classified in accordance with the contractual arrangements and recognition principles of a financial liability and equity instrument.

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.9 Financial Instruments (cont'd)

b) Financial liabilities (cont'd)

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The significant accounting policies for financial liabilities and equity instruments are described below.

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

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

Other financial liabilities, including bank borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. 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 is directly accounted in the income statement. The Group converted some of the floating-rate loans into fixed-rate loans through derivative financial instruments.

The Group accounts for those transactions as hedging against cash flow risks arising from interest rates beginning from 2009. Also, the Group began to obtain derivative financial instruments to hedge against jet fuel price risks beginning from 2009. The Group accounts for those transactions as hedging against cash flow risks arising from jet fuel prices.

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.9 Financial Instruments (cont'd)

b) Financial liabilities (cont'd)

Derivative financial instruments and hedge accounting (cont'd)

Use of derivative financial instruments is managed according to the Group policy which is written principles approved by the Board of Directors and compliant with the 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 reporting period at fair value base. If the changes in the fair value of derivatives which are determined as the hedge of future cash flows are the ineffective, then they are recorded directly under income statement.

2.5.10 Foreign Currency Transactions

Transactions in foreign currencies are translated into US Dollar 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 2012	1,7729	1,7899
Year ended 31 December 2011	1,8889	1,6708
Period ended 31 March 2011	1,5483	1,5706
Year ended 31 December 2010	1,5460	1,4990

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

	Closing Rate	Average Rate
Period ended 31 March 2012	1,3348	1,3108
Year ended 31 December 2011	1,2938	1,3912
Period ended 31 March 2011	1,4090	1,3992
Year ended 31 December 2010	1,3254	1,3266

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.11 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 shareholders 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.

2.5.12 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.

2.5.13 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.

2.5.14 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.

2.5.15 Investment Property

Investment properties, which are properties, held to earn rentals and/or for capital appreciation are measured initially at cost, including transaction costs.

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

2.5 Summary of Significant Accounting Policies (Cont'd)

2.5.15 Investment Property (cont'd)

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

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

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

2.5.16 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.

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

2.5 Summary of Significant Accounting Policies (Cont'd)

2.5.16 Taxation and Deferred Tax (cont'd)

Deferred Tax (cont'd)

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

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

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

Current and deferred tax for the period

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

2.5.17 Government Grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

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

2.5 Summary of Significant Accounting Policies (Cont'd)

2.5.18 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.

2.5.19 Statement of Cash flows

In statement of cash flows, 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.

2.5.20 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.

2.5.21 Manufacturers' Credits

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

2.5.22 Maintenance and Repair Costs

Regular maintenance and repair costs for owned and leased assets are charged to operating expense as incurred. Aircraft and engine overhaul maintenance checks for owned and finance leased aircrafts are capitalized and depreciated over the shorter of the remaining period to the following overhaul maintenance checks or the remaining useful life of the aircraft and delivery maintenance checks of operating leased aircraft are accrued on a periodical basis. The maintenance expenses for the operational leased aircrafts are accrued on a periodical basis.

2.5.23 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.

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

2.5 Summary of Significant Accounting Policies (Cont'd)

2.5.23 Frequent Flyer Program (cont'd)

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 Changes and Errors in Accounting Estimates

If estimated changes in accounting policies are for only one period, changes are applied on the current year but if the estimated changes effect the following periods, changes are applied both on the current and following years prospectively.

Significant accounting errors applied retroactively and the financial statements of the previous periods were adjusted.

2.7 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 2.5.7.

Calculation of the Liability for Frequent Flyer Program:

As explained in Note 2.5.23, 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.

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

2.7 Important Accounting Estimates and Assumptions (cont'd)

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.

Deferred Tax:

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. There are deferred tax assets resulting from tax loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future in the Group. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized.

The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. As a result of the assessment made, the Group has recognized deferred tax assets because it is probable that taxable profit will be available sufficient to recognize deferred tax assets.

Corporate Tax Law 32/A and the effects of Resolution issued on "Government Assistance for Investments" by the Council of Ministers:

A new incentive standard that reconstitutes government assistance for investments has been developed with the addition to the clause 32/A of the Corporate Tax Law to be effective from 28 February 2009 with the 9th article of the 5838 numbered Law in order to support investments through taxes on income. The new investment system becomes effective upon the issuance of the Council of Ministers' resolution "Government Assistance for Investments" No:2009/15199 on 14 July 2009.

Apart from the previous "investment incentive" application, which provides the deduction of certain portion of investment expenditures against corporate tax base, the new support system aims to provide incentive support to companies by deducting "contribution amount", which is calculated by applying the "contribution rate" prescribed in the Council of Ministers' resolution over the related investment expenditure, against the corporate tax imposed on the related investment to the extent the amount reaches to the corresponding "contribution amount".

The Group has obtained an Incentive Certificate dated 28 December 2010 and numbered 99256 from Turkish Treasury. For the related 89 aircrafts to be obtained in 2010-2015, 20% of investment assistance and 50% of reduction in the corporate tax rate will be used. The contribution amount that will be deducted from the corporate tax calculated over the earnings arising from the related investment, which will be used in the following years for the aircrafts delivered as of 31 March 2012 is TL 1.241.870.010.

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

2.7 Important Accounting Estimates and Assumptions (Cont'd)

There is no clear guidance in regards to the accounting for government tax incentives on investments in IAS 12 "Income Tax" and IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance". Since "contribution amount" exemption as explained in the new investment support system depends on the earnings from the related investment and the recovery of the related asset and utilization of contribution amount will be over many years, the Group management considers that the accounting for the related investment assistance will be more appropriate if the grant is classified as deferred income which is recognized as income on a systematic and rational basis over the useful life of the related assets, as explained in the paragraphs 24 and 26 of IAS 20.

As for the reasons mentioned above, as of 31 March 2012, the Group recognized TL 14.157.142 of the related contribution amount as other income in the accompanying comprehensive income statement and the investment assistance receivable in the long-term other assets based on the passage of time since the related aircraft entered into service.

3. BUSINESS COMBINATIONS

None.

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

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 2012	31 December 2012
Aviation	16,123,733,829	16,339,859,248
Technic	1,087,478,368	1,097,317,847
Total	17,211,212,197	17,437,177,095
Less: Eliminations due to consolidation	(995,237,677)	(1,034,485,030)
Total assets in consolidated financial statements	16,215,974,520	16,402,692,065

Total Liabilitites	31 March 2012	31 December 2012
Aviation	11,781,344,696	11,745,959,309
Technic	238,191,615	248,997,863
Total	12,019,536,311	11,994,957,172
Less: Eliminations due to consolidation	(61,412,876)	(91,192,748)
Total liabilitites in consolidated financial statements	11,958,123,436	11,903,764,424

5.2 Net Operating Profit / (Loss)

Segment Results:

1 January-31 March 2012	Aviation	Technic	Inter-segment elimination	Total
Sales to external customers	2,774,044,450	68,606,310	-	2,842,650,760
Inter-segment sales	6,006,865	136,036,719	(142,043,584)	-
Segment revenue	2,780,051,315	204,643,029	(142,043,584)	2,842,650,760
Cost of sales	(2,594,562,141)	(166,618,301)	141,549,063	(2,619,631,379)
Gross profit / (loss)	185,489,174	38,024,728	(494,521)	223,019,381
Marketing, sales and distribution expenses	(343,190,859)	(2,192,524)	148,969	(345,234,414)
Administrative expenses	(82,646,054)	(15,334,295)	1,036,331	(96,944,018)
Other operating income	52,685,878	1,521,645	(726,159)	53,481,364
Other operating expense	(4,338,741)	(5,215,538)	258,072	(9,296,207)
Operating profit / (loss)	(192,000,602)	16,804,016	222,692	(174,973,894)
Share of investment profit/ (loss) accounted for using the equity method	(14,960,622)	(5,962,509)	-	(20,923,131)
Financial income	23,111,160	736,796	-	23,847,956
Financial loss	(226,354,528)	(446,097)	-	(226,800,625)
Profit / (loss) before tax	(410,204,592)	11,132,206	222,692	(398,849,694)

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

5. SEGMENTAL REPORTING (Cont'd)

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

1 January-31 March 2011	Aviation	Technic	Inter-segment elimination	Total
Sales to external customers	2,046,514,508	50,102,832	-	2,096,617,340
Inter-segment sales	11,895,945	148,174,243	(160,070,188)	-
Segment revenue	2,058,410,453	198,277,075	(160,070,188)	2,096,617,340
Cost of sales	(1,999,243,073)	(162,727,147)	149,576,418	(2,012,393,802)
Gross profit / (loss)	59,167,380	35,549,928	(10,493,770)	84,223,538
Marketing, sales and distribution expenses	(287,247,778)	(2,103,528)	131,674	(289,219,632)
Administrative expenses	(85,957,900)	(16,247,523)	1,184,017	(101,021,406)
Other operating income	30,924,469	4,044,842	-	34,969,311
Other operating expense	(9,992,856)	(2,756,741)	-	(12,749,597)
Operating profit / (loss)	(293,106,685)	18,486,978	(9,178,079)	(283,797,786)
Share of investment profit/ (loss) accounted for using the equity method	(3,206,680)	(6,461,657)	-	(9,668,337)
Financial income	14,176,066	253,462	-	14,429,528
Financial loss	(45,771,084)	(375,823)	-	(46,146,907)
Profit / (loss) before tax	(327,908,383)	11,902,960	(9,178,079)	(325,183,502)

Income statement items related to investments accounted for equity method

1 January-31 March 2012	Aviation	Technic	Inter-segment elimination	Total
Share of investment profit/ (loss) accounted for using the equity method	(14,960,622)	(5,962,509)	-	(20,923,131)

1 January-31 March 2011	Aviation	Technic	Inter-segment elimination	Total
Share of investment profit/ (loss) accounted for using the equity method	(3,206,680)	(6,461,657)	-	(9,668,337)

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

5. SEGMENTAL REPORTING (Cont'd)

5.3 Investment Operations

1 January-31 March 2012	Aviation	Technic	Inter-segment elimination	Total
intangible fixed assets	418,187,906	65,842,592	-	484,030,498
Current period amortization and depreciation	197,731,073	13,865,301	-	211,596,374
Investmensts accounted for using the equity method	186,800,572	74,426,346		261,226,918

1 January-31 March 2011	Aviation	Technic	Inter-segment elimination	Total
intangible fixed assets	1,468,491,649	47,097,464	-	1,515,589,113
Current period amortization and depreciation	143,012,807	15,135,577	-	158,148,384
Investmensts accounted for using the equity method	147,920,972	66,062,031	-	213,983,003

6. CASH AND CASH EQUIVALENTS

	31 March 2012	31 December 2011
Cash	2,335,119	5,959,669
Banks – Time deposits	672,852,308	1,291,657,138
Banks – Demand deposits	217,426,848	213,883,414
Other liquid assets	36,058,750	38,024,489
Private sector bonds	20,112,030	-
	948,785,055	1,549,524,710

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

6. CASH AND CASH EQUIVALENTS (cont'd)

Time Deposits:

Amount	Currency	Interest Rate	Maturity	31 March 2012
102,932,174	TL	%6,30-%11,31	April 2012	104,579,883
172,504,468	EUR	%3,60-%5,75	June 2012	409,364,058
86,772,580	USD	%4,10-%5,00	May 2012	158,908,367
				672,852,308

Amount	Currency	Interest Rate	Maturity	31 December 2011
193,850,000	TL	%6,30-%12,25	February 2012	204,608,315
322,754,001	EUR	%5,30-%6,25	March 2012	790,619,702
153,906,163	USD	%4,50-%6,25	March 2012	296,429,121
				1,291,657,138

7. FINANCIAL ASSETS

Short-term financial assets are as follows:

	31 March 2012	31 December 2011
Time deposits with maturity more than 3 months	784,414,776	133,533,101
Derivative instruments at fair values (Note 39)	112,518,138	80,366,577
	896,932,914	213,899,678

Time deposits with maturity of more than 3 months:

Amount	Currency	Interest Rate	Maturity	31 March 2012
149,648,817	EUR	%4,66-%5,70	December 2012	354,128,961
242,701,683	USD	%5,05-%5,50	December 2012	430,285,814
				784,414,775

Amount	Currency	Interest Rate	Maturity	31 December 2011
20,000,000	TL	%8,16-%9,60	April 2012	20,000,000
46,457,607	EUR	%4,67-%5,50	June 2012	113,533,101
				133,533,101

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

7. FINANCIAL ASSETS (cont'd)

Long-term financial assets are as follows:

	31 March 2012	31 December 2011
Sita Inc.	1,674,613	1,679,619
Star Alliance Gmbh	44,465	44,465
UATP Inc.	25,819	16,929
Emek İnşaat ve İşletme A.Ş.	26,859	26,859
	1,771,756	1,767,872

Sita Inc., Star Alliance GMBH, Emek İnşaat ve İşletme A.Ş. and UATP Inc. 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 2012 are as follows:

Company name	Country of registration and operation	Ownership Share	Voting Right	Principle Activity
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
UATP Inc.	USA	4%	4%	Payment Intermediation Between the Passenger and the Airline
Emek İnşaat ve İşletme A.Ş.	Turkey	0,3%	0,3%	Construction

8. FINANCIAL BORROWINGS

Short-term financial borrowings are as follows:

	31 March 2012	31 December 2011
Finance lease obligations	763,662,240	790,159,337

Long-term financial borrowings are as follows:

	31 March 2012	31 December 2011
Finance lease obligations	6,937,234,259	7,122,723,496

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

8. FINANCIAL BORROWINGS (cont'd)

Financial lease obligations are as follows:

	31 March 2012	31 December 2011
Less than 1 year	934,132,274	964,312,250
Between 1 – 5 years	3,526,895,354	3,599,737,058
Over 5 years	4,378,925,575	4,498,997,066
	8,839,953,203	9,063,046,374
Less: Future interest expenses	(1,139,056,704)	(1,150,163,541)
Principal value of future rentals stated in financial statements	7,700,896,499	7,912,882,833
Interest Range:		
Floating rate obligations	3,641,013,186	3,984,803,923
Fixed rate obligations	4,059,883,313	3,928,078,910
	7,700,896,499	7,912,882,833

As of 31 March 2012, the US Dollars and Euro denominated lease obligations' weighted average interest rates are 4,45% (31 December 2011: 4,47%) for the fixed rate obligations and 0,79% (31 December 2011: 0,88%) for the floating rate obligations.

9. OTHER FINANCIAL LIABILITIES

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

	31 March 2012	31 December 2011
Fair value of derivative instruments (Note 39)	141,474,848	154,871,082
Borrowings to banks	4,319,291	3,612,510
	145,794,139	158,483,592

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 2012	31 December 2011
Trade receivables	1,175,519,290	830,595,090
Due from related parties (Note 37)	20,405,128	6,969,060
Allowance for doubtful receivables	(78,771,918)	(77,167,221)
	1,117,152,500	760,396,929

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

10. ACCOUNTS RECEIVABLE AND PAYABLE (Cont'd)

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 2012 and 2011 are as follows:

	1 January - 31 March 2012	1 January - 31 March 2011
Opening Balance	77,167,221	67,630,443
Charge for the period	5,159,704	8,629,116
Collections during the period	(3,409,323)	(1,134,440)
Currency translation adjustment	(145,684)	169,272
Closing Balance	78,771,918	75,294,391

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 2012	31 December 2011
Trade payables	878,441,881	814,102,929
Due from related parties (Note 37)	188,065,413	180,943,942
Other	3,384,496	4,307,686
	1,069,891,790	999,354,557

11. OTHER RECEIVABLES AND PAYABLES

Other short-term receivables are as follows:

	31 March 2012	31 December 2011
Prepayments made for aircrafts, to be received back in cash (net)	678,351,527	710,354,962
Receivables from purchasing transactions abroad	83,111,758	7,779,605
Restriction on transfer of funds from banks (*)	64,825,589	55,060,221
Receivables from training of captain candidates	28,072,153	28,526,223
Receivables from employees	2,835,623	2,808,754
Receivables from foreign technical suppliers	2,531,145	1,049,534
Nontrading receivables from related parties (Note 37)	453,208	58,082
Other receivables	3,104,242	3,803,444
	863,285,245	809,440,825

(*) As of 31 March 2012, the balance of this account is related to bank balances and blocked deposits in Benghazi, Khartum, Addisababa, Acra, Bangladesh and Damascus.

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

11. OTHER RECEIVABLES AND PAYABLES

Long-term other receivables are as follows:

	31 March 2012	31 December 2011
Prepayments made for aircrafts, to be received back in cash (net)	344,795,853	409,666,323
Receivables from investment assistance (Note 2.7)	58,170,557	44,013,416
Interest swap agreement deposits	29,394,682	31,563,519
Receivables from training of certain candidates	17,887,105	13,673,264
Deposits and guarentees given	9,239,147	9,036,180
Advance payments for operating leases	8,679,795	9,232,914
Receivables from Sita deposit certificates	1,392,875	1,484,013
Receivables from purchasing transactions abroad	765,577	65,136,878
	470,325,591	583,806,507

Short-term other payables are as follows:

	31 March 2012	31 December 2011
Miscellaneous charge order advances	76,840,869	67,762,338
Social security premiums payable	56,402,487	55,938,507
Deposits and guarantess received	27,691,561	24,359,807
Taxes and funds payable	28,516,054	34,707,756
Other advances received	11,482,642	5,256,463
Payables to insurance companies	2,809,291	24,514,696
Charter advances	2,683,531	2,202,096
Other liabilities	5,873,578	1,771,189
	212,300,013	216,512,852

Long-term other payables are as follows:

	31 March 2012	31 December 2011
Deposits and guarantees received	14,315,565	11,439,394

12. RECEIVABLES AND PAYABLES FROM FINANCIAL SECTOR OPERATIONS

None (31 December 2011: None).

13. INVENTORIES

	31 March 2012	31 December 2011
Spare parts	272,712,687	224,154,746
Other inventories	36,507,443	45,186,648
	309,220,130	269,341,394
Provision for impairment (-)	(16,477,474)	(17,555,587)
	292,742,656	251,785,807

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

13. INVENTORIES (cont'd)

Movement in change of diminution in value of inventories for the periods ended 31 March 2012 and 2011.

	1 January - 31 March 2012	1 January - 31 December 2011
Provision at the beginning of the period	17,555,587	14,368,647
Foreign currency translation reserve	(1,078,113)	33,048
Provision at the end of the period	16,477,474	14,401,695

14. BIOLOGICAL ASSETS

None (31 December 2011: None).

15. ASSETS FROM CONSTRUCTION CONTRACTS IN PROGRESS

None (31 December 2011: None).

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	31 March 2012	31 December 2011
Turkish DO&CO	61,465,758	60,594,468
P&W T.T Uçak Bakım Merkezi	64,208,695	74,626,727
TGS	75,645,600	72,672,672
THY Opet	45,611,449	37,295,786
TCI	2,292,741	1,703,496
Türkbine Teknik Gaz Türbinleri Bakım Onarım A.Ş.	7,676,739	8,182,875
Goodrich	1,570,546	1,744,878
Air Bosna	2,705,390	11,574,460
Uçak Koltuk	50,000	50,000
Sun Ekspress	-	26,515,230
	261,226,918	294,960,592

Financial information for Sun Express as of 31 March 2012 and 31 December 2011 are as follows:

	31 March 2012	31 December 2011
Total assets	687,368,208	714,361,841
Total liabilities	703,514,155	661,331,381
Shareholders'equity	(16,145,947)	53,030,460
Group's share in associate's shareholders' equity	-	26,515,230

	31 March 2012	31 March 2011
Revenue	247,992,828	194,907,564
Profit/ (loss) for the period	(37,744,230)	(31,020,950)
Group's share in profit/(loss) for the period	(18,872,115)	(15,510,475)

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

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

Financial information for THY DO&CO Catering Services as of 31 March 2012 and 31 December 2011 are as follows:

	31 March 2012	31 December 2011
Total assets	219,717,290	212,403,249
Total liabilities	96,785,775	91,214,313
Shareholders'equity	122,931,515	121,188,936
Group's share in associate's shareholders' equity	61,465,758	60,594,468

	31 March 2012	31 March 2011
Revenue	106,602,274	78,747,091
Profit/ (loss) for the period	1,742,580	2,568,893
Group's share in profit/(loss) for the period	871,290	1,284,447

Financial information for P&W T.T Uçak Bakım Merkezi Ltd. Şti as of 31 March 2012 and 31 December 2011 are as follows:

	31 March 2012	31 December 2011
Total assets	204,626,695	225,887,983
Total liabilities	73,588,541	73,588,541
Shareholders'equity	131,038,154	152,299,442
Group's share in associate's shareholders' equity	64,208,695	74,626,727

	31 March 2012	31 March 2011
Revenue	170,833,111	49,060,060
Profit/ (loss) for the period	(10,263,768)	(13,187,055)
Group's share in profit/(loss) for the period	(5,029,246)	(6,461,657)

Financial information for Bosnia and Herzegovina Airlines as of 31 March 2012 and 31 December 2011 are as follows:

	31 March 2012	31 December 2011
Total assets	28,057,548	69,857,068
Total liabilities	24,036,053	46,235,721
Shareholders'equity	5,521,205	23,621,347
Group's share in associate's shareholders' equity	2,705,390	11,574,460

	31 March 2012	31 March 2011
Revenue	2,983,639	6,572,690
Profit/ (loss) for the period	(17,006,810)	(1,487,448)
Group's share in profit/(loss) for the period	(8,333,337)	-

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

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

Financial information for TGS as of 31 March 2012 and 31 December 2011 are as follows:

	31 March 2012	31 December 2011
Total assets	194,196,282	191,800,346
Total liabilities	42,905,083	46,455,002
Shareholders'equity	151,291,199	145,345,344
Group's share in associate's shareholders' equity	75,645,600	72,672,672

	31 March 2012	31 March 2011
Revenue	73,562,350	65,195,074
Profit/ (loss) for the period	5,945,855	8,280,056
Group's share in profit/(loss) for the period	2,972,928	4,140,028

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' (Note 26) to be amortized during the contract period.

Financial information for THY Opet Havacılık Yakıtları A.Ş. as of 31 March 2012 and 31 December 2011 are as follows:

	31 March 2012	31 December 2011
Total assets	487,520,372	415,486,059
Total liabilities	396,297,474	340,894,488
Shareholders'equity	91,222,898	74,591,571
Group's share in associate's shareholders' equity	45,611,449	37,295,786

	31 March 2012	31 March 2011
Revenue	781,363,218	278,796,726
Profit/ (loss) for the period	16,631,327	13,758,656
Group's share in profit/(loss) for the period	8,315,664	6,879,320

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

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

Financial information for TCI Kabin İçi Sistemleri San. ve Tic. A.Ş as of 31 March 2012 and 31 December 2011 are as follows:

	31 March 2012	31 December 2011
Total assets	5,474,867	5,693,147
Total liabilities	979,296	2,352,958
Shareholders'equity	4,495,571	3,340,189
Group's share in associate's shareholders' equity	2,292,741	1,703,496

	31 March 2012	31 March 2011
Revenue	1,147,637	-
Profit/ (loss) for the period	(1,390,584)	-
Group's share in profit/(loss) for the period	(709,198)	-

Financial information for Turkbine Teknik Gaz Turbinleri Bakım Onarım A.Ş. as of 31 March 2012 and 31 December 2011 are as follows:

	31 March 2012	31 December 2011
Total assets	15,701,808	16,714,081
Total liabilities	348,330	348,330
Shareholders'equity	15,353,478	16,365,751
Group's share in associate's shareholders' equity	7,676,739	8,182,875

	31 March 2012	31 March 2011
Revenue	304,185	-
Profit/ (loss) for the period	(14,381)	-
Group's share in profit/(loss) for the period	(7,191)	-

Financial information for Goodrich THY Teknik Servis Merkezi Ltd. Şti. as of 31 March 2012 and 31 December 2011 are as follows:

	31 March 2012	31 December 2011
Total assets	9,897,810	5,489,742
Total liabilities	5,971,445	1,127,545
Shareholders'equity	3,926,365	4,362,197
Group's share in associate's shareholders' equity	1,570,546	1,744,878

	31 March 2012	31 March 2011
Revenue	1,993,302	-
Profit/ (loss) for the period	(329,815)	-
Group's share in profit/(loss) for the period	(131,926)	-

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

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

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

	31 March 2012	**31 March 2011**
Sun Ekspress	(18,872,115)	(15,510,475)
Turkish DO&CO	871,290	1,284,447
P&W T.T. Uçak Bakım Merkezi Ltd. Şti.	(5,029,246)	(6,461,657)
Bosna Hersek Havayolları	(8,333,337)	-
TGS	2,972,928	4,140,028
THY Opet	8,315,664	6,879,320
TCI	(709,198)	-
Türkbine Teknik Gaz Türbinleri Bakım Onarım A.Ş.	(7,191)	-
Goodrich	(131,926)	-
Toplam	(20,923,131)	(9,668,337)

17. INVESTMENT PROPERTY

	1 January-31 March 2012	**1 January-31 March 2011**
Opening balance	54,720,000	49,570,000
Foreign currency translation reserve	(3,360,432)	-
Closing balance	51,359,568	49,570,000

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.

The Group does not have any rent income from investment property.

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

18. TANGIBLEASSETS

	Land improvements and buildings	Technical equipments, simulators and vehicles	Other equipments, fixtures	Aircrafts	Spare engines	Components and repairable spare parts	Leasehold improvements	Construction in Progress	Total
Cost									
Opening balance at 1 January 2012	194,445,053	461,185,261	148,453,434	############	615,266,465	399,664,054	111,431,957	435,264,825	15,229,221,857
Foreign currency translation reserve	(3,755,094)	(47,194,536)	(9,422,430)	304,546,112	(82,226,226)	(21,874,415)	(9,744,475)	(45,896,094)	84,432,842
Additions	-	43,962,962	3,534,532	369,950,202	-	33,682,296	3,084,190	29,535,234	483,749,416
Disposals	-	(221,102)	(130,757)	(12,821,282)	-	(141,141,207)	(1,421,206)	-	(155,735,554)
Transfer to Assets held-for-sale	-	-	-	-	#########	-	-	-	(55,742,126)
Transfer from construction-in-progress	-	-	-	1,247,147	-	-	222,385	(1,469,532)	-
Closing balance at 31 March 2012	190,689,959	457,732,585	142,434,779	############	477,298,113	270,330,728	103,572,851	417,434,433	15,585,926,435
Accumulated depreciation									
Opening balance at 1 January 2012	64,597,647	321,520,088	69,210,291	3,291,791,980	139,105,118	185,035,833	65,366,028	-	4,136,626,985
Foreign currency translation reserve	6,489,450	(7,146,413)	8,456,753	816,255,631	(5,011,723)	(10,714,842)	6,498,333	-	814,827,189
Depreciation charge for the period	762,981	6,680,524	5,285,154	168,843,909	13,417,869	9,677,051	4,681,440	-	209,348,928
Disposals	-	(181,742)	(115,285)	(12,821,282)	-	(78,501,918)	(1,421,206)	-	(93,041,433)
Transfer to Assets held-for-sale	-	-	-	-	#########	-	-	-	(19,855,106)
Closing balance at 31 March 2012	71,850,078	320,872,457	82,836,913	4,264,070,238	127,656,158	105,496,124	75,124,595	-	5,047,906,563
Net book value 31 March 2012	118,839,881	136,860,128	59,597,866	9,262,362,749	349,641,955	164,834,604	28,448,256	417,434,433	10,538,019,872

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

18. TANGIBLEASSETS (Cont'd)

	Land improvements and buildings	Technical equipments, simulators and vehicles	Other equipments, fixtures	Aircrafts	Spare engines	Components and repairable spare parts	Leasehold improvements	Construction in Progress	Total
Cost									
Opening balance at 1 January 2011	155,789,647	277,141,423	183,217,670	9,103,538,332	362,331,413	327,545,636	58,093,484	73,716,650	10,541,374,255
Foreign currency translation reserve	220,015	169,530	233,000	(7,798,388)	521,186	149,524	78,304	(129,395)	(6,556,224)
Additions	828,177	23,285,360	4,795,699	1,429,689,290	4,777,330	33,172,282	675,288	17,717,216	1,514,940,642
Disposals	-	(6,181,491)	(2,007,623)	(6,770,835)	(3,519,219)	(9,376,044)	(308,862)	-	(28,164,074)
Transfers	-	-	-	669,079	-	-	205,809	(874,888)	-
Closing balance at 31 March 2011	156,837,839	294,414,822	186,238,746	############	364,110,710	351,491,398	58,744,023	90,429,583	12,021,594,599
Accumulated depreciation									
Opening balance at 1 January 2011	50,832,184	188,335,346	135,063,853	3,419,013,334	117,065,495	152,551,380	35,075,428	-	4,097,937,020
Foreign currency translation reserve	65,972	279,786	161,486	2,979,183	89,748	178,460	14,133	-	3,768,768
Depreciation charge for the period	679,959	3,581,715	4,339,949	118,902,370	14,146,220	12,300,035	2,760,628	-	156,710,877
Disposals	-	(3,553,368)	(1,560,636)	(12,728,292)	(8,199,300)	(8,883,717)	(80,035)	-	(35,005,348)
Closing balance at 31 March 2011	51,578,115	188,643,479	138,004,652	3,528,166,595	123,102,163	156,146,158	37,770,154	-	4,223,411,316
Net book value 31 March 2011	105,259,724	105,771,343	48,234,094	6,991,160,883	241,008,547	195,345,240	20,973,869	90,429,583	7,798,183,283

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

19. INTANGIBLE ASSETS

	Slot Rights	Other Rights	Total
Cost			
Opening balance at 1 January 2012	24,445,066	113,740,123	138,185,189
Foreign currency translation reserve	(3,501,206)	787,770	(2,713,436)
Additions	-	281,082	281,082
Closing balance at 31 March 2012	20,943,860	114,808,975	135,752,835
Accumulated Depreciation			
Opening balance at 1 January 2012	-	91,222,250	91,222,250
Foreign currency translation reserve	-	5,198,882	5,198,882
Amortization charge for the period	-	2,247,446	2,247,446
Closing balance at 31 March 2012	-	98,668,578	98,668,578
Net book value 31 March 2012	20,943,860	16,140,397	37,084,257

	Slot Rights	Other Rights	Total
Cost			
Opening balance at 1 January 2011	20,007,450	87,477,119	107,484,569
Additions	-	648,471	648,471
Closing balance at 31 March 2011	20,007,450	88,125,590	108,133,040
Accumulated Depreciation			
Opening balance at 1 January 2011	-	74,385,468	74,385,468
Amortization charge for the period	-	1,437,507	1,437,507
Closing balance at 31 March 2011	-	75,822,975	75,822,975
Net book value 31 March 2011	20,007,450	12,302,615	32,310,065

The Group considers the slot rights as an intangible asset having infinitive useful life.

20 . GOODWILL

None (31 December 2011: None).

21 . GOVERNMENT GRANTS AND INCENTIVES

Incentive certificate no:28.12.2010 / 99256 was obtained from Turkish Treasury for financing the aircrafts planned for 2010-2015. According to this certificate, the Company will use the adventages for reduction of corporate tax, customs duty exemption and support for insurance premium of employers. Please refer to Note: 2.7 for the accounting of the related investment assistance.

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

22. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions for short-term liabilities are as follows:

	31 March 2012	31 December 2011
Provisions for legal claims	23,668,344	26,224,798

Changes in the provisions for legal claims at 31 March 2012 and 2011 periods set out below:

	1 January - 31 March 2012	1 January - 31 March 2011
Provision at the beginning of the period	26,224,798	20,480,602
Charge for the period	500,951	1,937,236
Provisions released	(3,057,405)	-
Provision at the end of the period	23,668,344	22,417,838

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

a) Guarantees/Pledge/Mortgage ("GPM") given by the group: Amount of letter of guarantees given is TL 90.305.524 (31 December 2011: TL 97.177.999)

	31 March 2012		31 December 2012	
	Foreign currency amount	TL equivalent	Foreign currency amount	TL equivalent
A. Total amounts of GPM given on the behalf of its own legal entity	-	90,305,524	-	97,177,999
-Collaterals				
TL	10,376,383	10,376,383	10,419,036	10,419,036
EUR	7,647,735	18,097,599	7,536,458	18,417,595
USD	34,105,244	60,465,188	35,434,308	66,931,865
Other	25,506,851	1,366,354	-	1,409,503
B. Total amounts of GPM given on the behalf of subsidiaries that are included in full consolidation	-	-	-	-
C. Total amounts of GPM given in order to guarantee third partie debts for routine trade operations	-	-	-	-
D. Total amounts of other GPM given	-	-	-	-
i. Total amount of GPM given on behalf of the Parent	-	-	-	-
ii. Total amount of GPM given on behalf of other group companies not covered in B and C	-	-	-	-
iii. Total amount of GPM given on behalf of third parties not covered in C	-	-	-	-
		90,305,524		97,177,999

The other CPMs given by the Company constitute 0% of the Company's equity as of 31 March 2012 (31 December 2011: %0).

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

22. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)

b) The Group's discounted retirement pay provision is TL 183.071.629. The Group's liability for retirement pay would be approximately TL 373.909.398 as of 31 March 2012, if all employees were dismissed on that date.

c) The Competition Authority has ruled to run an investigation on the company's operations to determine whether it has involved any exclusive activities for its domestic and international passenger transportation services against other airline companies. As of the report date, The Competition Authority has rejected the investigation, but give right to appeal to Supreme Court.

23. COMMITMENTS

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

	31 March 2012	31 December 2011
Less than 1 year	299,709,595	335,010,923
Between 1 – 5 years	917,710,987	1,000,864,431
More than 5 years	170,938,512	218,425,929
	1,388,359,094	1,554,301,283

To be delivered between the years 2010-2015, the Group signed a contract for 89 aircrafts with a total value of 11,8 billion US Dollars, according to the price lists before the discounts made by the aircraft manufacturing firms. 10 of these aircrafts were delivered in 2010, 29 of these aircrafts were delivered in 2011 and 3 of these aircrafts were delivered as of March 2012. The Group has made an advance payment of 581 million US Dollars relevant to these purchases as of 31 March 2012.

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

	31 March 2012	31 December 2011
Less than 1 year	2,042,381	1,934,734
Between 1 – 5 years	14,296,666	12,572,518
More than 5 years	50,859,278	58,055,544
	67,198,325	72,562,796

24. EMPLOYEE BENEFITS

Short-term employee benefits are as follows:

	31 March 2012	31 December 2011
Salary accruals	138,321,632	129,494,899
Labor union agreement accrual (*)	163,176,244	106,364,433
Provisions for unused vacation	30,357,396	11,914,374
Due to personnel	2,608,380	3,525,186
	334,463,652	251,298,892

(*) 23. Labor Union Agreement negotiations started at 2 February 2012 between the Group and Turkey Civil Aviation Labor Union (Hava-İş). Since the parties could not agree on clauses, the negotiations with a supervisor ended. The Group has calculated and booked a provision of TL 163.176.244 for salary increases attained to Labor Union Agreement for the period between 1 January 2011 and 31 March 2012.

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

24. EMPLOYEE BENEFITS (Cont'd)

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

	31 March 2012	31 December 2011
Provisions for retirement pay liability	183,071,629	191,632,448

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 2.805 as of 1 January 2012 (1 January 2011: TL 2.623 TL).
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 2012 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 5,00 % annual inflation rate (31 December 2011: 5,00%) and 9,5% discount rate. (31 December 2011: 9,5 %). Estimated amount of retirement pay not paid due to voluntary leaves and retained in the Company is also taken into consideration as 2.12 % (31 December 2011: 2.13%). Ceiling for retirement pay is revised semi-annually. Ceiling amount of TL 2.805 which is in effect since 1 January 2012 is used in the calculation of Group's provision for retirement pay liability.

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

	1 January - 31 March 2012	1 January - 31 March 2011
Provisions at the beginning of the period	191,632,448	170,505,529
Charge for the period	5,926,948	4,226,169
Interest charges	2,049,275	1,959,328
Payments	(16,537,042)	(9,919,671)
Provisions at the end of the period	183,071,629	166,771,355

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

25. RETIREMENT BENEFITS

None (31 December 2011: None).

26. OTHER ASSETS AND LIABILITIES

Details of other current assets are as follows:

	31 March 2012	31 December 2011
Deferred VAT	43,082,199	48,561,653
Technical maintenance income accruals	37,797,232	47,204,715
Other prepaid expenses	26,813,961	18,297,778
Prepaid sales commissions	22,930,553	18,467,423
Prepaid taxes and funds	17,245,737	12,807,153
VAT to be refunded	14,195,487	12,815,278
Prepaid operating lease expenses	13,649,052	17,968,896
Advances given for orders	10,233,436	12,040,036
Credit note accruals for received aircrafts	6,152,248	-
Prepaid insurance expenses	4,040,126	8,693,312
Interline passenger income accruals	3,136,931	3,359,270
Advances given to personnel	1,297,107	779,083
Advances given for orders	639,776	4,764,395
Income accruals on withholding tax return	-	911,899
Other current assets	174,612	80,894
	201,388,457	206,751,785

Other non-current assets are as follows:

	31 March 2012	31 December 2011
Maintenance reserves for engines	116,833,749	90,967,384
Advances given for fixed asset purchases	75,360,500	116,072,898
Prepaid aircraft financing expenses	24,700,506	30,613,937
Income accruals on withholding tax return	10,257,558	13,918,869
Prepaid operating lease expenses	2,248,938	2,516,897
Prepaid expenses	1,133,705	2,289,548
Prepaid Eximbank guarantee and exposure fee	104,136	227,816
	230,639,092	256,607,349

Other short-term liabilities are as follows:

	31 March 2012	31 December 2011
Accruals for maintenance expense	390,718,806	392,633,037
Credit note for received aircrafts and simulators	29,848,201	1,034,502
Incentive premium accruals	24,445,440	4,473,928
Unearned revenue accruals	16,943,374	3,751,411
Unearned revenue from share transfer of TGS (Note 16)	12,958,455	13,806,320
Accruals for other expenses	6,184,090	8,284,231
Other liabilities	1,091,222	1,170,627
	482,189,588	425,154,056

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

26. OTHER ASSETS AND LIABILITIES (Cont'd)

Other long-term liabilities are as follows:

	31 March 2012	31 December 2011
Gross manufacturer's credits	46,414,995	49,451,906
manufacturer's credit	(22,504,045)	(22,930,646)
Unearned revenue from share transfer of TGS (Note 16)	22,677,295	27,612,639
Unerarned revenue accruals	20,150,276	-
	66,738,521	54,133,899

Passenger flight liabilities are as follows:

	31 March 2012	31 December 2011
Flight liability generating from ticket sales	1,100,461,339	689,801,850
Frequent flyer program liability	254,063,533	192,757,250
Flight liability generating from mileage sales	160,554,958	194,039,517
	1,515,079,830	1,076,598,617

27. SHAREHOLDERS' EQUITY

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

	Type	%	31 March 2012	%	31 December 2011
Republic of Turkey Prime Ministry Privatization Adm.(*)	A, C	49,12	589.465.086	49,12	491.218.308
Other (Publicly held)	A	50,88	610.534.914	50,88	508.781.692
Paid-in capital			1.200.000.000		1.000.000.000
Restatement difference			1.123.808.032		1.123.808.032
Restated capital			2.323.808.032		2.123.808.032

(*) 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 2012, the Group's issued and paid-in share capital consists of 119.999.999.999 Class A shares and 1 Class C share, all with a par value of Kr 1 each. These shares are issued to the name. The Class C share belongs to the Republic of Turkey Prime Ministry Privatization Administration and has the following privileges:

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

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

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

27. SHAREHOLDERS' EQUITY (Cont'd)

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

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

c) Increasing share capital,

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

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

f) Making decisions relating to merges and liquidation,

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

Restricted Reserves Assorted from Profit

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

Foreign Currency Translation Differences

Method for consolidation purpose is, according to IAS 21, monetary items in statutory financial statements is translated to USD using year-end exchange rates, non-monetary items in balance sheet, income/expenses and cash flow are translated to USD by using the exchange rate of the transaction date(historic rate), and currency translation differences are presented under equity. Translation profit/loss from foreign currency transactions is presented under currency translation item in financial income of income statement. Also, currency translation differences in equities of the Groups's joint ventures; Güneş Ekspres Havacılık A.Ş. (Sun Ekspress) and Bosnia Herzegovina Airlines which are consolidated by using equity method, are presented under currency translation item. Foreign currency translation differences are the changes due to foreign exchange rate changes in the shareholders' equity Sun Express and Bosnia Herzegovina Airlines, which are subsidiaries 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:IV No:27 Communiqué of Capital Markets Board, depending on the decision made in shareholders' meeting, the profit distribution can be made either by giving bonus shares to shareholders which are issued either in cash or by adding dividend to capital or giving some amount of cash and some amount of bonus shares to shareholders. If the primary dividend amount determined is less than 5% of the paid-in capital, the decision gives the option of not to distribute the related amount as to keep within the equity.

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

27. SHAREHOLDERS' EQUITY (Cont'd)

Distribution of Dividends (cont'd)

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

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

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

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

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

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

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

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

The items of shareholders' equity of the Company in the statutory accounts as of 31 March 2012 as the dividends distributed not reflected are as follows:

Paid-in capital	1.200.000.000
Share premium	181.185
Legal reserves	55.692.565
Extraordinary reserves (*)	198.959.553
Other profit reserves	9
Special funds	16.258.612
Retained earnings (*)	(1.040.021.112)
Net profit for the period (*)	70.574.443
Total shareholders' equity	501.645.255

* Per legal records there is no amount which will be subject to distribution of dividends.

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

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 2012	1 January - 31 March 2011
Scheduled flights		
Passenger	2,369,092,783	1,791,902,819
Cargo and mail	271,988,484	199,100,420
Total scheduled flights	2,641,081,267	1,991,003,239
Unscheduled flights	11,141,341	14,388,158
Other revenue	190,428,152	91,225,943
Net sales	2,842,650,760	2,096,617,340
Cost of sales (-)	(2,619,631,379)	(2,012,393,802)
Gross profit	223,019,381	84,223,538

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

	1 January - 31 March 2012	1 January - 31 March 2011
- Europe	782,286,313	625,826,945
- Far East	639,053,711	450,423,601
- Middle East	382,834,967	295,798,562
- America	243,245,157	136,232,925
- Africa	210,773,992	130,376,943
flights	2,258,194,140	1,638,658,976
Domestic flights	382,887,127	352,344,264
Total revenue	2,641,081,267	1,991,003,240

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

28. SALES AND COST OF SALES (Cont'd)

The details of the cost of sales are as follows:

	1 January - 31 March 2012	1 January - 31 March 2011
Fuel expense	1,092,369,295	730,765,259
Personnel expense	436,029,229	374,538,591
expense	254,149,874	172,316,546
expenses	157,614,827	162,119,478
Depreciation expenses	197,699,411	147,711,928
catering expenses	131,814,722	105,641,653
Operating lease expenses	87,344,664	99,736,745
Maintenance expenses	116,414,538	117,968,203
Other airlines' seat rents	54,760,212	29,524,643
Insurance expenses	23,276,328	10,771,100
Service expenses	13,856,556	4,852,105
Other rent expenses	13,652,671	8,052,159
expenses	4,587,440	10,458,594
Aircraft finance administrative fees	2,421,957	10,906,343
Tax expenses	2,040,235	3,146,157
Utility expenses	2,395,954	2,595,716
Transportation expenses	1,922,148	1,663,727
Cost of other sales	27,281,318	19,624,855
	2,619,631,379	2,012,393,802

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

	1 January - 31 March 2012	1 January - 31 March 2011
Marketing, sales and distribution expenses	345,234,414	289,219,632
Administrative expenses	96,944,018	101,021,406
	442,178,432	390,241,038

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

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 2012	1 January - 31 March 2011
Personnel expenses	105,573,899	85,779,721
Commissions and incentive expenses	88,340,311	65,948,774
Reservation systems expense	72,550,293	49,563,348
Advertising expenses	25,469,911	43,726,811
Frequent flyer program mileage expenses	6,565,192	5,966,848
Service expenses	9,140,751	6,621,222
Rent expenses	6,261,117	4,658,216
Communication expense	4,777,624	2,845,201
Transportation expense	5,008,465	3,145,688
Membership fees	2,886,183	1,935,274
Tax Expenses	2,499,708	2,468,108
Utility expenses	1,497,685	1,085,460
Maintenance expenses	722,716	658,489
Depreciation expense	631,817	216,047
Fuel expense	432,513	300,064
Insurance expenses	302,810	206,632
Other sales and marketing expenses	12,573,419	14,093,729
	345,234,414	289,219,632

General administrative expenses are as follows:

	1 January - 31 March 2012	1 January - 31 March 2011
Personnel expenses	60,489,191	54,273,246
Depreciation expense	13,265,147	10,220,408
Service expenses	5,205,441	3,932,058
Rent expenses	3,841,235	4,338,399
Fuel expenses	378,560	3,398,546
Communication expenses	1,348,331	4,564,979
Tax Expenses	1,808,948	5,412,001
Insurance expenses	132,476	536,624
Utility expenses	1,528,253	1,372,358
Other administrative expenses	8,946,436	12,972,787
	96,944,018	101,021,406

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

30. EXPENSES ACCORDING TO CATEGORIES

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

31. OTHER OPERATING INCOME / EXPENSES

Other operating income / expense consist of the following:

	1 January - 31 March 2012	1 January - 31 March 2011
Income from investment assistance (Note 2.7)	14,157,142	9,265,796
Discounts received from maintenance spare parts suppliers	1,457,391	7,008,415
Insurance, indemnities, penalties income	2,328,433	769,757
Provisions released	6,466,728	1,134,440
TGS share premium (Note:16)	2,825,001	2,825,000
Returns and discounts received from services	12,760,680	3,955,180
Banks protocol revenue	1,845,349	1,231,917
Star Alliance membership revenue	1,859,463	824,578
Other operating income	9,781,177	7,954,228
	53,481,364	34,969,311

	1 January - 31 March 2012	1 January - 31 March 2011
Provision expenses	5,660,655	10,566,352
Indemnity and penalty expense	2,602,881	1,638,959
Other operating expense	1,032,671	544,286
	9,296,207	12,749,597

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

32. FINANCIAL INCOME

Financial income consists of the following:

	1 January - 31 March 2012	1 January - 31 March 2011
Interest income	22,478,770	9,568,158
Rediscount interest income	1,369,186	2,648,056
Foreign exchange rate income (*)	-	2,213,314
	23,847,956	14,429,528

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

33. FINANCIAL EXPENSES

Finance expenses are as follows:

	1 January - 31 March 2012	1 January - 31 March 2011
Foreign exchange rate expense (*)	165,194,671	-
Finance lease interest expense	54,342,841	34,015,525
Change in the fair values of derivative instruments	4,340,437	7,385,736
Cost of ETB interest	2,049,275	1,959,328
Rediscount interest expense	610,748	2,610,623
Other financial expense	262,653	175,695
	226,800,625	46,146,907

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

34. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The Group has decided to dispose of seven A340-type aircrafts and had negotiations with several companies interested in this subject. These assets, which are expected to be sold within twelve months, are classified as non-current assets held for sale as of 31 December 2011. Also in 2012, five spare engines of those aircrafts are classified as assets held for sale.

The movement in the assets held for sale as of 31 March 2012 is as follows:

	31 March 2012	31 December 2011
Net book value of non-current assets held-for-sale (Note 18)	279,472,200	652,177,708
Provision for decrease in value (Note 31)	-	(329,671,431)
Foreign currency translation differences	(17,162,780)	(43,034,077)
Spare engine classification	35,546,572	-
Maintenance entries	7,404,648	-
Adjusted net book value of non-current assets held-for-sale	305,260,640	279,472,200

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

35. TAX ASSETS AND LIABILITIES

Tax liability for the current profit is as follows:

	31 March 2012	31 December 2011
Provisions for corporate tax	3,095,329	18,956,251
Prepaid taxes and funds	(4,783,536)	(13,587,608)
(Tax asset) / tax liability (*)	(1,688,207)	5,368,643

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

Tax expense consists of the following items:

	1 January - 31 March 2012	1 January - 31 March 2011
Current period tax expense	3,047,776	3,223,982
Deferred tax income	(372,514,499)	(108,595,205)
Tax expense	(369,466,723)	(105,371,223)

Tax effect regarding other comprehensive income is as follows:

	1 January - 31 March 2012		
	Amount before tax	Tax (expense) /income	Amount after tax
Foreign currency translation differences	(231,955,545)	-	(231,955,545)
Change in cash flow hedge fund	25,327,450	(5,065,490)	20,261,960
Other comprehensive income for the period	(206,628,095)	(5,065,490)	(211,693,585)

Change in translation differences of foreign currency that is included in other comprehensive income, is TL 231.955.545 for the period 1 January – 31 March 2012 (1 January – 31 March 2011: TL 8.516.231). In addition, the effect on taxation does not exist for the period.

Corporate Tax

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

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

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

35. TAX ASSETS AND TAX LIABILITIES (cont'd)

Corporate Tax (cont'd)

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

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

Income Withholding Tax

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

Deferred Tax

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

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

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

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

35. TAX ASSETS AND TAX LIABILITIES (cont'd)

Deferred Tax (cont'd)

The deferred tax assets/(liabilities) as of 31 March 2012 and 31 December 2011 are as follows:

	31 March 2012	31 December 2011
Fixed assets	(535,197,155)	(901,848,053)
Provisions for ticket sales advance	(51,830,602)	(56,547,535)
Adjustment on inventories	(21,674,003)	(42,833,609)
Accumulated loss	193,666,654	207,976,984
Accruals for expenses	118,212,962	119,292,064
Provisions for employee benefits	36,614,326	38,326,490
Income and expense for future periods	5,993,224	14,950,671
Long-term lease obligations	8,888,042	13,141,314
Labor union accruals	12,041,158	12,041,158
Short-term lease obligations	7,084,249	7,288,257
Allowance for doubtful receivables	6,194,025	6,360,975
Provisions for unused vacation	6,071,479	2,382,874
Provisions for impairment in inventories	2,873,729	2,873,729
Other	1,348,048	1,914,838
Deferred tax assets/ (liabilities)	(209,713,864)	(574,679,843)

The changes of deferred tax liability as of 31 March 2012 and 2011 are as follows:

	31 March 2012	31 March 2011
Opening balance at 1 January	574,679,843	435,385,525
Deferred tax income	(372,514,499)	(108,595,205)
Hedge fund tax expense/(income)	(4,052,392)	13,024,445
Foreign currency translation differences	11,600,912	19,848,290
Closing balance at 31 March	209,713,864	359,663,055

	1 January - 31 March 2012	1 January - 31 March 2011
Reconciliation of provision for taxes:		
Profit /(loss) from operations before tax	(398,849,694)	(325,183,502)
Domestic income tax rate of 20%	(79,769,939)	(65,036,700)
Taxation effects on:		
- income from investment assistance	(2,831,428)	-
- non-deductible expenses	1,576,197	4,971,880
- effect of change in corporate tax for the year 2010	-	462,384
- foreign exchange rate translation gain/loss	(292,626,179)	(47,702,454)
- equity method	4,184,626	1,933,667
Tax charge / (benefit) in the income statement	(369,466,723)	(105,371,223)

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

36. EARNINGS PER SHARE

Earnings per share disclosed in the consolidated statements of income are determined by dividing the net income by the weighted 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 2012 and 2011:

	1 January - 31 March 2012	1 January - 31 March 2011
Number of shares outstanding at 1 January (in full)	100,000,000,000	87,500,000,000
New shares issued (in full)	20,000,000,000	12,500,000,000
Number of shares outstanding at 31 March (in full)	120,000,000,000	100,000,000,000
Weighted average number of shares outstanding during the period (in full)	120,000,000,000	120,000,000,000
Net profit / (loss) for period	(29,382,971)	(219,812,279)
(Loss) / earnings per share (Kr) (*)	(0.02)	(0.18)

(*) The earnings/(loss) per share with par value of TL 1 is TL (0,02) for the period 1 January-31 March 2012, and TL (0,18) for the period 1 January-31 March 2011.

37. RELATED PARTY TRANSACTIONS

Short-term trade receivables from related parties that are valued by equity method (Note 10) are:

	31 March 2012	31 December 2011
P & W T.T Uçak Bakım Merkezi Ltd. Şti.	12,360,923	-
Sun Express	6,947,510	5,072,047
Bosnia Herzegovina Airlines	1,000,467	1,526,276
Türkbine Teknik Gaz Türbinleri Bakım A.Ş.	96,228	312,350
TCI	-	58,387
	20,405,128	6,969,060

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

37. RELATED PARTY TRANSACTIONS (cont'd)

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

	31 March 2012	31 December 2011
Goodrich THY Teknik Servis Merkezi Ltd. Şti.	432,794	38,638
Türkbine Teknik Gaz Türbinleri Bakım A.Ş.	10,641	9,671
TCI Kabiniçi Sistemleri A.Ş.	7,959	7,959
Uçak Koltuk Üretimi San.ve Tic.A.Ş.	1,814	1,814
	453,208	58,082

Short-term trade payables to related parties that are valued by equity method (Note 10) are as follows:

	31 March 2012	31 December 2011
THY Opet	134,833,800	127,045,062
TGS	19,890,472	21,907,112
Turkish DO&CO	31,561,635	25,136,455
TCI Kabiniçi Sistemleri A.Ş.	543,665	-
Goodrich THY Teknik Servis Merkezi Ltd. Şti.	1,235,841	-
P & W T.T Uçak Bakım Merkezi Ltd. Şti.	-	6,855,313
	188,065,413	180,943,942

Transactions with related parties that are valued by equity method for the period ended as of 31 March 2012 are as follows:

Sales	1 January - 31 March 2012	1 January - 31 March 2011
Sun Ekspress	13,021,360	5,776,721
P & W T.T Uçak Bakım Merkezi Ltd. Şti	5,300,539	4,188,320
TGS	2,418,268	8,962,312
Bosnia Herzegovina Airlines	1,615,515	2,300,652
Türkbine Teknik Gaz Türbinleri Bakım A.Ş.	178,481	-
Turkish DO&CO	449,303	387,674
THY Opet	76,134	245,410
TCI	385,286	-
	23,444,886	21,861,089

Purhases	1 January - 31 March 2012	1 January - 31 March 2011
THY Opet	673,888,372	272,115,908
Turkish DO&CO	87,502,787	68,413,218
TGS	68,653,883	67,974,688
P & W T.T Uçak Bakım Merkezi Ltd. Şti	21,990,108	38,489,979
Bosnia Herzegovina Airlines	1,844,731	1,686,588
TCI	461,117	-
Sun Ekspress	77,981	71,734
	854,418,979	448,752,115

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

37. RELATED PARTY TRANSACTIONS (cont'd)

Transactions between the Group and Sun Express and Bosnia Herzegovina Airlines seat rental operations; transactions between the Group and Turkish DO&CO are catering services and loan financing, transactions between the Group and TGS are ground services, transactions between the Group and P&W T.T are engine maintenance services and the transactions between the Group and THY OPET is the supply of aircraft fuel. Receivables from related parties are not collateralized and maturity of trade receivables is 30 days.

The total amount of salaries and other short term benefits provided for the Chairman and the Members of Board of Directors, General Manager, General Coordinator and Deputy General Managers are TL 1.320.887 (31 March 2011: TL 1.466.613).

38. NATURE AND LEVEL OF RISKS DERIVING 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 2011.

	31 March 2012	**31 December 2011**
Total debts	8,916,582,428	9,072,976,046
Less: Cash and cash equivalents and time deposits with maturity of more than three months	(1,733,199,831)	(1,683,057,811)
Net debt	7,183,382,597	7,389,918,235
Total shareholders' equity	4,257,851,085	4,498,927,641
Total capital stock	11,441,233,682	11,888,845,876
Net debt/total capital stock ratio	0.63	0.62

(b) Financial Risk Factors

The risks of the Group, resulting 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.

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

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

(b) Financial Risk Factors (cont'd)

b.1) Credit Risk Management

Credit risk of financial instruments

	Receivables					
	Trade receivables		Other receivables			
31 March 2012	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Deposits in Banks**	**Derivative Instruments**
Maximum credit risk as of balance sheet date (*)	20,405,128	1,096,747,372	453,208	1,333,157,628	1,674,693,932	112,518,138
-The part of maximum risk under guarantee with collateral etc. (**)	-	5,497,258	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	20,405,128	938,192,681	453,208	1,333,157,628	1,674,693,932	112,518,138
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	-	158,554,691	-	-	-	-
-The part under guarantee with collateral etc.	-	2,881,958	-	-	-	-
D. Net book value of impaired assets						
-Past due (gross carrying amount)	-	78,771,918	-	-	-	-
-Impairment(-)	-	(78,771,918)	-	-	-	-
-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

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

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

(b) Financial Risk Factors (cont'd)

b.1) Credit Risk Management

Credit risk of financial instruments	**Receivables**					
	Trade receivables		**Other receivables**			
31 December 2011	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Deposits in Banks**	**Derivative Instruments**
Maximum credit risk as of balance sheet date (*)	6,969,060	753,427,869	58,082	1,393,189,250	1,639,073,653	80,366,577
-The part of maximum risk under guarantee with collateral etc. (**)	-	5,168,078	-	-	-	-
A. Net book value of financial assets that are	-	-	-	-	-	-
neither past due nor impaired	6,969,060	577,633,964	58,082	1,393,189,250	1,639,073,653	80,366,577
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	-	175,793,905	-	-	-	-
-The part under guarantee with collateral etc.	-	2,847,053	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
-Past due (gross carrying amount)	-	77,167,221	-	-	-	-
-Impairment(-)	-	(77,167,221)	-	-	-	-
-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 DERIVING 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 economic conditions. Because there are so many customers, the Group's credit risk is dispersed and there is not important credit risk concentration.

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

38. NATURE AND LEVEL OF RISKS DERIVING 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 March 2012 are as follows:

	Receivables					
31 March 2012	**Trade Receivables**	**Other Receivables**	**Deposits in Banks**	**Derivative Instruments**	**Other**	**Total**
Past due 1-30 days	128,054,508	-	-	-	-	128,054,508
Past due 1-3 months	50,243,655	-	-	-	-	50,243,655
Past due 3-12 months	41,233,587	-	-	-	-	41,233,587
Past due 1-5 years	16,961,710	-	-	-	-	16,961,710
Past due more than 5 years	833,149	-	-	-	-	833,149
Total past due receivables	237,326,609	-	-	-	-	237,326,609
The part under guarantee with collateral etc.	2,881,958	-	-	-	-	2,881,958

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

38. NATURE AND LEVEL OF RISKS DERIVING 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 2011 are as follows:

	Receivables					
31 December 2011	**Trade Receivables**	**Other Receivables**	**Deposits in Banks**	**Derivative Instruments**	**Other**	**Total**
Past due 1-30 days	154,588,150	-	-	-	-	154,588,150
Past due 1-3 months	22,320,528	-	-	-	-	22,320,528
Past due 3-12 months	61,015,941	-	-	-	-	61,015,941
Past due 1-5 years	14,317,716	-	-	-	-	14,317,716
Past due more than 5 years	718,791	-	-	-	-	718,791
Total past due receivables	252,961,126	-	-	-	-	252,961,126
The part under guarantee with collateral etc.	2,847,053	-	-	-	-	2,847,053

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

38. NATURE AND LEVEL OF RISKS DERIVING 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 2.881.958 (31 December 2011: TL 2.847.053).

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 2012

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						
Finance lease obligations	7,700,896,499	8,839,953,203	254,904,074	679,228,200	3,526,895,354	4,378,925,575
Trade payables	1,069,891,790	1,075,261,834	897,758,220	177,503,614	-	-
Other financial liabilities	4,319,291	4,319,291	4,319,291	-	-	-
Total	8,775,107,580	9,919,534,328	1,156,981,585	856,731,814	3,526,895,354	4,378,925,575

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

38. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS

(b) Financial Risk Factors (cont'd)

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

31 December 2011

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						
Finance lease obligations	7,912,882,833	9,063,046,374	229,775,641	734,536,609	3,599,737,058	4,498,997,066
Trade payables	999,354,557	1,003,921,054	867,468,186	136,452,868	-	-
Other financial liabilities	3,612,510	3,612,510	3,612,510	-	-	-
Total	8,915,849,900	10,070,579,938	1,100,856,337	870,989,477	3,599,737,058	4,498,997,066

31 March 2012

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)
Derivative financial liabilities						
Derivative cash inflows outflows,net	(28,956,710)	(37,873,928)	1,099,867	(1,396,863)	(33,019,447)	(4,557,485)
Total	(28,956,710)	(37,873,928)	1,099,867	(1,396,863)	(33,019,447)	(4,557,485)

31 December 2011

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)
Derivative financial (liabilities)/assets,net						
Derivative cash inflows outflows,net	(74,504,505)	(56,835,471)	10,220,246	(13,597,247)	(43,600,906)	(9,857,564)
Total	(74,504,505)	(56,835,471)	10,220,246	(13,597,247)	(43,600,906)	(9,857,564)

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:

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

38. NATURE AND LEVEL OF RISKS DERIVING 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 2012				
	TL Equivalent	**TL**	**Euro**	**GBP**	**Other**
1.Trade receivables	1,000,647,650	344,018,134	237,022,210	29,260,533	390,346,773
2a.Monetary financial assets	1,761,332,982	875,433,758	692,723,870	3,470,645	189,704,709
2b.Non monetary financial assets	-	-	-	-	-
3.Other	1,058,515,663	1,048,754,687	8,484,009	639,605	637,362
4.Current assets (1+2+3)	**3,820,496,295**	**2,268,206,579**	**938,230,089**	**33,370,783**	**580,688,844**
5.Trade receivables	-	-	-	-	-
6a.Monetary financial assets	-		-	-	-
6b.Non monetary financial assets	-	-	-	-	-
7.Other	7,267,580	358,070	2,846,400	87,460	3,975,650
8.Non current asstes (5+6+7)	**7,267,580**	**358,070**	**2,846,400**	**87,460**	**3,975,650**
9.Total assets (4+8)	**3,827,763,875**	**2,268,564,649**	**941,076,489**	**33,458,243**	**584,664,494**
10.Trade payables	795,419,163	329,055,467	250,088,306	5,735,115	210,540,275
11.Financial liabilities	448,977,805	-	448,977,805	-	-
12a.Other liabilitites, monetary	23,612,357	9,888,979	7,296,446	242,958	6,183,974
12b.Other liabilitites, non monetary	664,474	366,704	297,542	228	-
13.Current liabilities (10+11+12)	**1,268,673,799**	**339,311,150**	**706,660,099**	**5,978,301**	**216,724,249**
14.Trade payables	-	-	-	-	-
15.Financial liabilities	3,342,521,421		3,342,521,421	-	-
16a.Other liabilitites, monetary	35,434,609	28,277,009	4,756,017	-	2,401,583
16b.Other liabilitites, non monetary	-	-	-	-	-
17.Non current liabilities (14+15+16)	**3,377,956,030**	**28,277,009**	**3,347,277,438**	**-**	**2,401,583**
18.Total liabilities (13+17)	**4,646,629,829**	**367,588,159**	**4,053,937,537**	**5,978,301**	**219,125,832**
19.Net asset / liability position of Off-balance sheet derivatives (19a-19b)	**238,150,065**	**-**	**238,150,065**	**-**	**-**
19a.Off-balance sheet foreign currency derivative assets	238,150,065		238,150,065	-	-
19b.Off-balance sheet foreigncurrency derivative liabilities	-			-	-
20.Net foreign currency asset/(liability) position (9-18+19)	**(580,715,889)**	**1,900,976,490**	**(2,874,710,983)**	**27,479,942**	**365,538,662**
21.Net foreign currency asset / liability position of monetary items (UFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(1,883,984,723)**	**852,230,437**	**(3,123,893,915)**	**26,753,105**	**360,925,650**
22.Fair value of foreign currency hedged financial assets	-	-	-	-	-
23.Hedged foreign currency assets	-	-	-	-	-
24.Hedged foreign currency liabilities	-	-	-	-	-
25.Exports	**278,105,935**	**153,276**	**180,869,965**	**5,106,814**	**91,975,880**
26.Imports	**2,363,851,111**	**441,553,134**	**699,476,362**	**87,824,797**	**1,134,996,819**

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

38. NATURE AND LEVEL OF RISKS DERIVING 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 2011				
	TL Equivalent	**TL**	**Euro**	**GBP**	**Other**
1.Trade receivables	552,043,752	185,113,977	109,556,908	20,855,509	236,517,358
2a.Monetary financial assets	1,379,232,996	355,589,247	827,874,879	1,037,973	194,730,897
2b.Non monetary financial assets	-	-	-	-	-
3.Other	783,280,900	777,111,536	3,880,392	911,868	1,377,104
4.Current assets (1+2+3)	**2,714,557,648**	**1,317,814,760**	**941,312,179**	**22,805,350**	**432,625,359**
5.Trade receivables	-	-	-	-	-
6a.Monetary financial assets	-		-	-	-
6b.Non monetary financial assets	-	-	-	-	-
7.Other	12,669,299	634,694	7,647,026	270,045	4,117,534
8.Non current asstes (5+6+7)	**12,669,299**	**634,694**	**7,647,026**	**270,045**	**4,117,534**
9.Total assets (4+8)	**2,727,226,947**	**1,318,449,454**	**948,959,205**	**23,075,395**	**436,742,893**
10.Trade payables	724,967,077	339,514,208	250,583,484	9,038,313	125,831,072
11.Financial liabilities	445,023,191	524,414	444,498,777	-	-
12a.Other liabilitites, monetary	39,346,934	27,913,536	7,516,665	394,154	3,522,579
12b.Other liabilitites, non monetary	632,032	620,338	11,694	-	-
13.Current liabilities (10+11+12)	**1,209,969,234**	**368,572,496**	**702,610,620**	**9,432,467**	**129,353,651**
14.Trade payables	-	-	-	-	-
15.Financial liabilities	3,286,402,558		3,286,402,558	-	-
16a.Other liabilitites, monetary	34,330,826	26,521,260	4,790,822	-	3,018,744
16b.Other liabilitites, non monetary	-	-	-	-	-
17.Non current liabilities (14+15+16)	**3,320,733,384**	**26,521,260**	**3,291,193,380**	**-**	**3,018,744**
18.Total liabilities (13+17)	**4,530,702,618**	**395,093,756**	**3,993,804,000**	**9,432,467**	**132,372,395**
19.Net asset / liability position of Off-balance sheet derivatives (19a-19b)	**254,424,060**	-	**254,424,060**	-	-
19a.Off-balance sheet foreign currency derivative assets	254,424,060	-	254,424,060	-	-
19b.Off-balance sheet foreigncurrency derivative liabilities	-	-	-	-	-
20.Net foreign currency asset/(liability) position (9-18+19)	**(1,549,051,611)**	**923,355,698**	**(2,790,420,735)**	**13,642,928**	**304,370,498**
21.Net foreign currency asset / liability position of monetary items (UFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(2,598,793,838)**	**146,229,806**	**(3,056,360,519)**	**12,461,015**	**298,875,860**
22.Fair value of foreign currency hedged financial assets	-	-	-	-	-
23.Hedged foreign currency assets	-	-	-	-	-
24.Hedged foreign currency liabilities	-	-	-	-	-
25.Exports	**11,305,317,391**	**2,570,894,658**	**2,815,171,973**	**262,108,817**	**5,657,141,943**
26.Imports	**4,091,338,689**	**2,682,995,840**	**910,380,714**	**37,519,114**	**460,443,020**

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

38. NATURE AND LEVEL OF RISKS DERIVING 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 TL, Euro and GBP (2010: US Dollar, Euro and GBP). The following table details the Group's sensitivity to a 10% increase and decrease in TL, 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 2012	
	Profit / (Loss) Before Tax	
	If foreign currency appreciated 10 %	If foreign currency depreciated 10 %
1 - Turkish Lira net asset / liability	190,097,649	(190,097,649)
2- Part of hedged from Turkish Lira risk (-)	-	-
3- Turkish Lira net effect (1 +2)	190,097,649	(190,097,649)
4 - Euro net asset / liability	(287,471,098)	287,471,098
5 - Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	(287,471,098)	287,471,098
7 - GBP net asset / liability	2,747,994	(2,747,994)
8- Part of hedged from GBP risk (-)	-	-
9- GBP net effect (7 +8)	2,747,994	(2,747,994)
asset / liability	36,553,866	(36,553,866)
currency risk (-)	-	-
net effect (10+11)	36,553,866	(36,553,866)
TOTAL (3 + 6 + 9 + 12)	(58,071,589)	58,071,589

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

38. NATURE AND LEVEL OF RISKS DERIVING 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 December 2011	
	Profit / (Loss) Before Tax	
	If foreign currency appreciated 10 %	If foreign currency depreciated 10 %
1 - Turkish Lira net asset / liability	92,335,570	(92,335,570)
2- Part of hedged from Turkish Lira risk (-)	-	-
3- Turkish Lira net effect (1 +2)	92,335,570	(92,335,570)
4 - Euro net asset / liability	(279,042,074)	279,042,074
5 - Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	(279,042,074)	279,042,074
7 - GBP net asset / liability	1,364,293	(1,364,293)
8- Part of hedged from GBP risk (-)	-	-
9- GBP net effect (7 +8)	1,364,293	(1,364,293)
asset / liability	30,437,050	(30,437,050)
currency risk (-)	-	-
net effect (10+11)	30,437,050	(30,437,050)
TOTAL (3 + 6 + 9 + 12)	(154,905,161)	154,905,161

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.

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

38. NATURE AND LEVEL OF RISKS DERIVING 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 (cont'd)

Interest Rate Position Table

	31 March 2012	31 December 2011
Instruments with fixed interest rate		
Financial Liabilities	4,059,883,313	3,928,078,910
Financial Instruments with Variable Interest Rate		
Financial Liabilities	3,641,013,186	3,984,803,923
Interest Swap Agreements not subject to Hedge accounting (Net)	(1,820,977)	(59,611)
Interest swap agreements subject to Hedge accounting (Net)	(63,636,009)	(62,888,643)

As indicated in Note 39, the Group as of 31 March 2012 fixed the interest rate for TL 646.477.322 of floating–interest-rated financial liabilities via an interest rate swap contract.

Interest rate sensitivity

The 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:

Loss before tax of the Group, which belongs to the three-month-period, will increase by TL 4.551.266 TL (as of 31 March 2011, increase by TL 3.425.165). In contrast, if Libor and Euribor interest rate decreases 0,5%, loss before tax for the three-month-period will decrease by 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 12.121.105 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.

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 84.875.696 excluding the deferred tax effect. In case of a 10% decrease in fuel prices, the shareholders' equity of the Group will decrease by TL 22.339.936excluding 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 (forward and swaps).

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

39. FINANCIAL INSTRUMENTS (cont'd)

Fair Values of Financial Instruments (cont'd)

31 March 2012 Balance Sheet	Loans and Receivables	Derivative instruments which are reflected at fair value in shareholders' equity	Derivative instruments which are reflected fair value profit/(loss)	Investments available for sale at cost value	Financial liabilities at amortized cost	Book Value	Note
Financial Assets							
Cash and cash equivalents	948,785,055	-	-	-	-	948,785,055	6
Financial investments	784,414,776	43,297,732	69,220,406	1,771,756	-	898,704,670	7
Trade receivables	1,117,152,500	-	-	-	-	1,117,152,500	10
Other receivables	1,333,610,836	-	-	-	-	1,333,610,836	11
Financial liabilities							
Bank borrowings	-	-	-	-	-	-	8
Finance lease obligations	-	-	-	-	7,700,896,499	7,700,896,499	8
Other financial liabilities	-	63,636,009	77,838,839	-	4,319,291	145,794,139	9
Trade payables	-	-	-	-	1,069,891,790	1,069,891,790	10

31 December 2011 Balance Sheet	Loans and Receivables	Derivative instruments which are reflected at fair value in shareholders' equity	Derivative instruments which are reflected fair value profit/(loss)	Investments available for sale at cost value	Financial liabilities at amortized cost	Book Value	Note
Financial Assets							
Cash and cash equivalents	1,549,524,710	-	-	-	-	1,549,524,710	6
Financial investments	133,533,101	6,796,870	73,569,707	1,767,872	-	215,667,550	7
Trade receivables	760,396,929	-	-	-	-	760,396,929	10
Other receivables	1,393,247,332	-	-	-	-	1,393,247,332	11
Financial liabilities							
Bank borrowings	-	-	-	-	-	-	8
Finance lease obligations	-	-	-	-	7,912,882,833	7,912,882,833	8
Other financial liabilities	-	70,753,275	84,117,807	-	3,612,510	158,483,592	9
Trade payables	-	-	-	-	999,354,557	999,354,557	10

The Group considers the book values for financial assets approximate their fair values.

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

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 liabilities 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		
		Level 1	Level 2	Level 3
Financial assets	31 March 2012	TL	TL	TL
Financial assets at fair value through profit or loss				
Derivative instruments	69,220,406	-	69,220,406	-
Financial assets subject to hedge accounting				
Derivative instruments	43,297,732	-	43,297,732	-
Total	112,518,138	-	112,518,138	-
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative instruments	77,838,839	-	77,838,839	-
Financial liabilities subject to hedge accounting				
Derivative instruments	63,636,009	-	63,636,009	-
Total	141,474,848	-	141,474,848	-

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 Note 38 (b.3.2). Beginning from September 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 18 % 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.

In 2009, in order to control risk arising from fluctuations in price of fuel which is approximately 37% of cost of sales 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. For this purpose, the Group made forward fuel purchase contracts settled on cash basis. In accordance with the Company's BOD resolution issued on 21 January 2011, hedging rate which corresponds to 20% of the currently applied monthly consumption rate will be applied as 50% after 12 months and this rate will be gradually increased by 2,5% in each month. In addition, the Company started to use zero cost 4 way collars in 2011 instead of forward fuel purchase contracts to hedge cash flow risk of fuel prices. The effective portion of fair value hedge of derivative instruments that are subject to cash flow hedge accounting due to future fuel purchases is recognized under hedge accounting fund in equity.

Group's derivative instruments arisen from transactions stated above and their balances as of 31 March 2012 and 31 December 2011 are as follows:

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

39. FINANCIAL INSTRUMENTS (cont'd)

Derivative Instruments and Hedging Transactions (cont'd)

31 March 2012	**Positive fair value**	**Negative fair value**	**Total**
Fixed-paid/floating received interest rate swap contracts for hedging against cash flow risks of interest rate	-	(63,636,009)	(63,636,009)
Forward fuel purchase contracts for hedging against cash flow risk of fuel prices	2,455,939	-	2,455,939
4 way collar contracts for hedging against cash flow risk of fuel prices	40,841,793		40,841,793
Fair values of derivative instruments for hedging purposes	43,297,732	(63,636,009)	(20,338,277)
Cross-currency swap contracts not subject to hedge accounting	21,330,053	(27,630,417)	(6,300,364)
Interest rate swap contracts not subject to hedge accounting	39,392,759	(41,213,736)	(1,820,977)
Forward currency contracts not for hedging purposes	8,497,594	(8,994,686)	(497,092)
Fair values of derivative instruments not for hedging purposes	69,220,406	(77,838,839)	(8,618,433)
Total	112,518,138	(141,474,848)	(28,956,710)

31 December 2011	**Positive fair value**	**Negative fair value**	**Total**
Fixed-paid/floating received interest rate swap contracts for hedging against cash flow risks of interest rate	-	(62,888,643)	(62,888,643)
Forward fuel purchase contracts for hedging against cash flow risk of fuel prices	6796870	-	6,796,870
4 way collar contracts for hedging against cash flow risk of fuel prices	-	(7,864,632)	(7,864,632)
Fair values of derivative instruments for hedging purposes	6,796,870	(70,753,275)	(63,956,405)
Cross-currency swap contracts not subject to hedge accounting	43,169,453	(61,992,542)	(18,823,089)
Interest rate swap contracts not subject to hedge accounting	20,717,103	(20,776,714)	(59,611)
Forward currency contracts not for hedging purposes	9,683,151	(1,348,551)	8,334,600
Fair values of derivative instruments not for hedging purposes	73,569,707	(84,117,807)	(10,548,100)
Total	80,366,577	(154,871,082)	(74,504,505)

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

39. FINANCIAL INSTRUMENTS (cont'd)

Derivative Instruments and Hedging Transactions (cont'd)

	Hedging against fuel risk	**Hedging against interest risk**	**Total**
Increase/(decrease) in fair values of derivative instruments for hedging purposes	43,297,732	(63,636,009)	(20,338,277)
The amount of financial expenses inside hedge funds		8,516,228	8,516,228
Reclassified amount for ineffecient part in the risk elimination of fair value of hedging gains of fuel hedging derivative instrument to financial revenues	(15,852,535)	-	(15,852,535)
Foreign currency translation differences		(5,264,774)	(5,264,774)
Total	27,445,197	(60,384,555)	(32,939,358)
Deferred tax	(5,489,039)	12,076,911	6,587,872
Hedge fund as of 31 March 2012	21,956,158	(48,307,644)	(26,351,486)

40. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

None.

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

As there is a change in the presentation and classification of the Group's financial statement items, prior financial statements are reclassified accordingly to maintain comparability. This reclassification has no effect over the prior period's equity and net profit/ (loss) accounts. Significant reclassifications in the financial statements include:

Out of TL 87.179 of communication expenses which was stated under "Cost of sales '' in the period between 1 January – 31 March 2011, is now classified under "General administrative expenses".

Out of TL 6.833.121 of maintenance expenses presented under cost of sales, TL 2.877.941 of it was net off with maintenance expenses received from leasing companies presented under other operating income, and the remaining TL 3.955.180 was net off with drawbacks and discounts from services presented under other operating income.

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

TL 5.081.993 part of the 'insurance expenses' item, which was stated under "General administrative expenses" in the interim period between 1 January – 31 March 2011, is now classified under "Cost of sales".

TL 10.906.343 part of the 'aircraft finance administrative expenses' item, which was stated under "General administrative expenses" in the interim period between 1 January – 31 March 2011, is now classified under "Cost of sales".

TL 1.639.707 part of the 'Expense for the passengers without a visa' item, which was stated under "Other operating expense" in the interim period between 1 January – 31 March 2011, is now classified under "Cost of sales".

TL 4.092.182 part of the 'Passengers service and catering expense' item, which was stated under "Marketing and sale expense" in the interim period between 1 January – 31 March 2011, is now classified under "Cost of sales".

TL 2.255.064 part of deposits and guarantees given which is under short term receivables as of 31 December 2011 was net off with trade payables.