

CONDENSED CONVENIENCE TRANSLATION
OF REPORT AND FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

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

CONSOLIDATED FINANCIAL
STATEMENTS FOR THE
THREE-MONTH INTERIM
PERIOD ENDED 31 MARCH 2013

(Convenience Translation of Report and Financial Statements Originally Issued in Turkish)
TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
AS OF 31 MARCH 2013

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

ASSETS	Notes	Current Period 31 March 2013	Prior Period 31 December 2012
Current Assets		4,462,256,622	3,899,761,429
Cash and cash equivalents		1,661,125,350	1,355,542,536
Financial investments	4	317,677,402	551,820,443
Trade receivables		1,186,520,721	777,402,622
Other receivables		806,002,938	754,126,100
Inventories		293,104,023	259,199,763
Other current assets		197,826,188	201,669,965
Non-current Assets		15,569,715,276	14,881,141,034
Other receivables		1,583,519,999	1,553,830,754
Financial investments		2,079,248	2,049,244
Investments accounted by using the equity method	7	280,901,357	269,069,545
Investment property		58,833,989	57,985,000
Property and equipment, net	8	13,369,278,012	12,693,339,589
Intangible assets	9	50,542,404	51,183,767
Other non-current assets		224,560,267	253,683,135
TOTAL ASSETS		20,031,971,898	18,780,902,463

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
CONDENSED CONSOLIDATED BALANCE SHEET
AS OF 31 MARCH 2013

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

LIABILITIES	Notes	Current Period 31 March 2013	Prior Period 31 December 2012
Current Liabilities		5,591,351,271	4,533,667,538
Financial debt	5	899,499,794	866,011,394
Other financial liabilities	6	167,400,357	192,700,698
Trade payables		964,935,843	912,324,274
Other payables		257,079,881	153,494,125
Provisions	11	36,516,428	35,516,181
Provisions for employee benefits		237,065,445	188,123,923
Passenger flight liabilities	13	2,430,850,903	1,668,475,819
Other current liabilities		598,002,620	517,021,124
Non- current Liabilities		9,135,025,167	8,842,191,336
Financial debt	5	8,073,026,869	7,800,982,204
Other payables		23,026,550	15,659,634
Provisions for employee benefits		249,049,512	234,019,405
Deferred tax liability	20	743,808,359	744,083,660
Other non- current liabilities		46,113,877	47,446,433
SHAREHOLDERS' EQUITY			
Equity Attributable to Shareholders' of Parent		5,305,595,460	5,405,043,589
Share capital	14	1,200,000,000	1,200,000,000
Inflation difference on shareholders' equity	14	1,123,808,032	1,123,808,032
Restricted profit reserves	14	39,326,341	39,326,341
Currency translation differences	14	666,298,823	570,111,018
Cash flow hedge reserves	14	(45,400,380)	(45,384,871)
Retained earnings	14	2,343,902,167	1,362,278,031
Net (loss)/profit for the year	14	(22,339,523)	1,154,905,038
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		20,031,971,898	18,780,902,463

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
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2013
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Notes	Current Period 1 January 31 March 2013	Prior Period 1 January 31 March 2012
Sales revenue	15	3,628,776,150	2,841,376,208
Cost of sales (-)	15	(3,188,130,866)	(2,609,159,123)
GROSS PROFIT		440,645,284	232,217,085
Marketing and sales expenses (-)	16	(422,880,479)	(340,212,937)
Administrative expenses (-)	16	(101,163,363)	(95,980,562)
Other operating income	17	63,722,136	40,720,684
Other operating expenses (-)	17	(2,853,156)	(9,296,207)
OPERATING LOSS		(22,529,578)	(172,551,937)
Share of investments' profit accounted by using the equity method	7	5,982,414	(20,923,131)
Financial income	18	55,178,465	21,423,542
Financial expenses (-)	19	(65,894,062)	(226,798,168)
LOSS BEFORE TAX		(27,262,761)	(398,849,694)
Tax expense		4,923,238	369,466,723
Current tax expense (-)	20	-	(3,047,776)
Deferred tax expense (-) / income (+)	20	4,923,238	372,514,499
LOSS FOR THE YEAR		(22,339,523)	(29,382,971)
OTHER COMPREHENSIVE INCOME / (EXPENSE)			
Change in currency translation adjustment		115,007,470	(238,499,218)
Share of investment accounted by using the equity method in foreign currency translation		(18,819,665)	6,543,673
Change in cash flow hedge reserves		(19,386)	25,327,450
Tax impact of hedge fund reserves		3,877	(5,065,490)
OTHER COMPREHENSIVE INCOME/ (LOSS) (AFTER TAX)		96,172,296	(211,693,585)
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR		73,832,773	(241,076,556)
Loss per share (Kr)	21	(0.019)	(0.024)

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
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2013
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Notes	Share capital	Inflation difference on shareholders' equity	Restricted profit reserves	Currency translation differences	Cash flow hedge reserves	Net profit/ (loss) for the year	Retained earnings	Total
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	-	-	-	-	-	(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
As of 31 December 2012	1,200,000,000	1,123,808,032	39,326,341	570,111,018	(45,384,871)	1,133,367,233	1,383,815,836	5,405,043,589
Change in accounting policy (Note: 2.1)	-	-	-	-	-	21,537,805	(21,537,805)	-
Restated as of 1 January 2013	1,200,000,000	1,123,808,032	39,326,341	570,111,018	(45,384,871)	1,154,905,038	1,362,278,031	5,405,043,589
Dividend payable	-	-	-	-	-	(173,280,902)	-	(173,280,902)
Transfer of previous years' profit to retained earnings	-	-	-	-	-	(981,624,136)	981,624,136	-
Total comprehensive income	-	-	-	96,187,805	(15,509)	(22,339,523)	-	73,832,773
As of 31 March 2013	1,200,000,000	1,123,808,032	39,326,341	666,298,823	(45,400,380)	(22,339,523)	2,343,902,167	5,305,595,460

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
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2013
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Notes	Current Period 1 January- 31 March 2013	Prior Period 1 January- 31 March 2012
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit before taxes		(27,262,761)	(398,849,694)
Adjustments to obtain net cash flow generated from operating activities:			
Depreciation and amortization	8-9	291,111,340	211,596,375
Provision for retirement pay liability		13,331,261	7,976,223
Provisions, net	11	496,772	(2,556,454)
Interest income	18	(28,452,018)	(1,369,186)
Loss on sales of fixed assets		27,276	(6,118)
Gain on equity investments accounted by using the equity method	7	(22,754,753)	20,923,131
Interest expense on finance leases	19	59,389,484	47,925,054
Change in manufacturers' credit		-	(990,960)
Unrealized foreign exchange loss and translation differences		(59,575,142)	435,385,794
Increase in provision for doubtful receivables		43,636	5,159,704
Change in fair value of derivative instruments	18-19	(28,392,230)	4,340,437
Operating profit before working capital changes		197,962,865	329,534,306
Increase in trade receivables		(391,532,946)	(412,458,192)
Decrease in other short and long term receivables		485,873,083	(54,531,510)
Increase in inventories		(29,636,314)	(56,957,181)
(Increase)/decrease in other current assets		6,689,795	(7,403,495)
(Increase)/decrease in other non-current assets		32,321,474	10,306,961
Increase in trade payables		38,637,264	133,166,409
Increase in other short-term and long-term payables		106,772,391	12,782,901
Decrease in other short and long term liabilities		(123,637,951)	98,184,271
(Decrease)/increase in short-term employee benefits		45,461,732	111,336,241
Increase in passenger flight liabilities		726,356,626	509,406,664
Cash flow from operating activities		1,095,268,019	673,367,375
Payment of retirement pay liability		(7,808,027)	(16,537,042)
Interest paid		(53,584,003)	(64,497,743)
Taxes paid	20	(6,174,765)	(10,152,179)
Net cash generated from investing activities		1,027,701,224	582,180,411
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of property and equipment and intangible fixed assets		17,937,555	72,575,444
Interest received		23,362,837	1,369,186
Purchase of property and equipment and intangible fixed assets (*)	8-9	(286,662,759)	(451,669,457)
Prepayments for the purchase of aircrafts		(532,896,850)	28,359,608
Decrease in short term financial investments		250,081,576	(665,478,292)
Cash outflow resulting from purchase of joint ventures		(1,012,500)	-
Net cash used in investing activities		(529,190,141)	(1,014,843,511)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of principal in finance lease liabilities		(187,066,432)	(175,431,824)
Decrease in financial borrowings		-	6,417,787
Decrease in other financial liabilities		(5,861,837)	937,482
Net cash used in financing activities		(192,928,269)	(168,076,555)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		305,582,814	(600,739,655)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		1,355,542,536	1,549,524,710
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		1,661,125,350	948,785,055

(*) TL 503,436,113 portion of property and equipment and intangible assets purchases in total of TL 784,454,154 for the year ended 31 March 2013 was financed through finance leases. (31 March 2012: TL 338,849,831 portion of property and equipment and intangible assets purchases in total of TL 484,030,498 was financed through leases.)

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements

For the Three-Month Period Ended 31 March 2013

(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 2013 and 31 December 2012, the shareholders and their respective shareholdings in the Company are as follows:

	<u>31 March 2013</u>	<u>31 December 2012</u>
Republic of Turkey Prime Ministry		
Privatization Administration	49.12 %	49.12 %
Other (publicly held)	50.88 %	50.88 %
Total	<u>100.00 %</u>	<u>100.00 %</u>

The total number of employees working for the Company and its subsidiaries (together the “Group”) as of 31 March 2013 is 20,127. (31 December 2012: 19,109). The average number of employees working for the Group for the three-month period ended 31 March 2013 and 2012 are 19,666 and 18,406, respectively. The Company is registered in İstanbul, Turkey and its head office address is as follows:

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

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

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

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 main activity is giving repair and maintenance service on civil aviation sector and giving 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 2013 and delegated authority for publishing it on 17 May 2013. 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 condensed consolidated interim financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting”. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2012.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements

For the Three-Month Period Ended 31 March 2013

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

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

The 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: 25 “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.

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.

Currency Used In Financial Statements

Functional currency

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
For the Three-Month Period Ended 31 March 2013
(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)

Currency Used In Consolidated Financial Statements (cont'd)

Translation to the presentation currency

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

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

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. The content, reason and amounts of classifications are explained in Note 25. And also the Group has adopted IAS 19 Employee Benefits (2011) standard (firstly applied 1 January 2012), and changed the basis of the expenses of benefits and liabilities. With regards to this change, net profit for the year ended 31 December 2012 has increased by TL 21,537,805 and the retained earnings has decreased by the same amount after restatement.

Subsidiaries and Associates

The table below sets out the consolidated subsidiaries and participation rate of the Group in these subsidiaries as of 31 March 2013:

Name of the Company	Principal Activity	Participation Rate		Country of Registration
		31March2013	31 December 21	
THY Teknik	Aircraft Maintenance Services	100%	100%	Turkey
HABOM	Aircraft Maintenance Services	100%	100%	Turkey
THY Aydın Çıldır	Training & Airport Operations	100%	100%	Turkey

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements

For the Three-Month Period Ended 31 March 2013

(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)

Subsidiaries and Associates (Cont'd)

The table below sets out consolidated affiliates and indicates the proportion of ownership interest of the Company in these affiliates as of 31 March 2013:

Company Name	Country of Registration and Operations	Ownership Share (*)	Voting Power (*)	Principal Activity
Sun Ekspres Havacılık A.Ş.	Turkey	%50	%50	Aircraft Transportation
THY DO&CO İkrâm Hizmetleri A.Ş. (Turkish DO&CO)	Turkey	%50	%50	Catering Services
P&W T.T. Uçak Bakım Merkezi Ltd. Şti.	Turkey	%49	%49	Maintenance
TGS Yer Hizmetleri A.Ş. (TGS)	Turkey	%50	%50	Ground Services
THY OPET Havacılık Yakıtları A.Ş. (THY Opet)	Turkey	%50	%50	Fuel
Goodrich Thy Teknik Servis Merkezi Ltd. Şti. (Goodrich)	Turkey	%40	%40	Maintenance
Uçak Koltuk Sanayi ve Ticaret A.Ş. (Uçak Koltuk)	Turkey	%50	%50	Cabin Interior
TCI Kabin İçi Sistemleri San ve Tic. A.Ş.	Turkey	%51	%51	Cabin Interior
Turkbine Teknik Gaz Türbinleri Bakım Onarım A.Ş. (Turkbine Teknik)	Turkey	%50	%50	Maintenance

(*) Share percentage and voting rights are the same in the year 2013 and 2012.

2.2 Significant Accounting Policies

The same accounting policies have been followed in these condensed interim consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements as at and for the year ended 31 December 2012.

2.3 Significant Accounting Assumptions

The same presentation and methods of computation have been followed in these condensed interim consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements as at and for the year ended 31 December 2012.

2.4 New and Revised International Financial Reporting Standards

(a) New and Revised IFRSs effective from year 2013 applied with no material effect on the consolidated financial statements, amendments and interpretations to current standards

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

Amendments to IAS 1 Clarification of requirements for comparative information

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in Other Entities

IFRS 13 Fair Value Measurement

Amendments to IFRS 7 Disclosures – Offsetting of Financial Assets and Financial Liabilities

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements

For the Three-Month Period Ended 31 March 2013

(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)

(a) New and Revised IFRSs effective from year 2013 applied with no material effect on the consolidated financial statements, amendments and interpretations to current standards (cont'd)

Amendments to IFRS 10, IFRS 11 Consolidated Financial Statements, Joint Arrangements and IFRS 12 Disclosures of Interests in Other Entities: Transition Guide

IAS 19 (as revised in 2011) Employee Benefits

IAS 27 (as revised in 2011) Separate Financial Statements

IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures

Amendments to IFRS 2009/2011 Cycle Annual Improvements apart from Amendments to IAS 1

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*

The amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* is effective for the annual periods beginning on or after 1 July 2012. The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed the 'statement of profit or loss'. 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 items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may 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 do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments can be applied retrospectively. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to IAS 1 *Presentation of Financial Statements*

(as part of the *Annual Improvements to IFRSs 2009-2011 Cycle* issued in May 2012)

The amendments to IAS 1 as part of the *Annual Improvements to IFRSs 2009-2011 Cycle* are effective for the annual periods beginning on or after 1 January 2013. IAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to IAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements

For the Three-Month Period Ended 31 March 2013

(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)

(a) **New and Revised IFRSs effective from year 2013 applied with no material effect on the consolidated financial statements, amendments and interpretations to current standards (cont'd)**

New and revised Standards on consolidation, joint arrangements, associates and disclosures

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 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* will be withdrawn upon the effective date 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 proportional consolidation.

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.

In June 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time. The application of these four standards does not have a significant impact on amounts reported in the consolidated financial statements.

IFRS 13 Fair Value Measurement

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.

The application of these new standard do not have a significant impact on financial statements.

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

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

(a) **New and Revised IFRSs effective from year 2013 applied with no material effect on the consolidated financial statements, amendments, and interpretations to current standards (cont'd)**

Amendments to IFRS 7 Offsetting Financial Assets and Financial Liabilities and the related disclosures

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

IAS 19 Employee Benefits

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. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. The amendments to IAS 19 require retrospective application. However, the Group management has not yet performed a detailed analysis of the impact of the application of the amendments and hence has not yet quantified the extent of the impact.

Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012

- Amendments to IAS 16 *Property, Plant and Equipment*;
- Amendments to IAS 32 *Financial Instruments: Presentation*; and
- Amendments to IAS 34 *Interim Financial Reporting*

Amendments to IAS 16

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The amendments to IAS 16 do not have a significant effect on the consolidated financial statements.

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

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

(a) New and Revised IFRSs effective from year 2013 applied with no material effect on the consolidated financial statements, amendments and interpretations to current standards (cont'd)

Amendments to IAS 32

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 *Income Taxes*. The amendments to IAS 32 do not have a significant effect on the consolidated financial statements.

Amendments to IAS 34

The amendments to IAS 34 clarify that total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendments to IAS 34 do not have a significant effect on the consolidated financial statements.

(b) New and revised IFRSs in issue but not yet effective and nor adopted earlier by the Group

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

IFRS 9

Financial Instruments(2)

Amendments to IFRS 9 and IFRS 7 *Mandatory Effective Date of IFRS 9 and Transition Disclosures*(2)

Amendments to IAS 32

Offsetting Financial Assets and Financial Liabilities(1)

(1) Effective for annual periods beginning on or after 1 January 2014.

(2) Effective for annual periods beginning on or after 1 January 2015.

3. 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 15.

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3. SEGMENTAL REPORTING (cont'd)

3.1 Total Assets and Liabilities

Total Assets	31 March 2013	31 December 2012
Aviation	19,837,877,730	18,599,417,257
Technic	1,316,632,745	1,235,350,264
Total	21,154,510,475	19,834,767,521
Less: Eliminations due to consolidation	(1,122,538,577)	(1,053,865,058)
Total assets in consolidated financial statements	<u>20,031,971,898</u>	<u>18,780,902,463</u>

Total Liabilities	31 March 2013	31 December 2012
Aviation	14,564,951,198	13,227,597,569
Technic	383,479,100	309,832,394
Total	14,948,430,298	13,537,429,963
Less: Eliminations due to consolidation	(222,053,860)	(161,571,089)
Total liabilities in consolidated financial statements	<u>14,726,376,438</u>	<u>13,375,858,874</u>

3.2 Net Operating Profit / (Loss)

Segment Results:

1 January-31 March 2013	Aviation	Technic	Inter-segment elimination	Total
Sales to external customers	3,566,986,708	61,789,442	-	3,628,776,150
Inter-segment sales	3,538,138	145,337,790	(148,875,928)	-
Segment revenue	3,570,524,846	207,127,232	(148,875,928)	3,628,776,150
Cost of sales (-)	(3,159,934,529)	(174,587,704)	146,391,367	(3,188,130,866)
Gross profit	<u>410,590,317</u>	<u>32,539,528</u>	<u>(2,484,561)</u>	<u>440,645,284</u>
Marketing, sales and distribution expenses (-)	(421,090,037)	(2,058,882)	268,440	(422,880,479)
Administrative expenses (-)	(72,113,701)	(37,740,932)	8,691,270	(101,163,363)
Other operating income (-)	57,017,380	11,081,086	(4,376,330)	63,722,136
Other operating expense	(1,604,712)	(2,547,507)	1,299,063	(2,853,156)
Operating profit/ (loss)	<u>(27,200,753)</u>	<u>1,273,293</u>	<u>3,397,882</u>	<u>(22,529,578)</u>
Share of investment profit accounted by using the equity method	9,730,935	(3,748,521)		5,982,414
Financial income	51,226,046	4,712,669	(760,250)	55,178,465
Financial expense (-)	(61,368,604)	(5,403,760)	878,302	(65,894,062)
Profit/ (loss) before tax	<u>(27,612,376)</u>	<u>(3,166,319)</u>	<u>3,515,934</u>	<u>(27,262,761)</u>

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3. SEGMENTAL REPORTING (Cont'd)**3.2 Net Operating Profit / (Loss) (cont'd)**

1 January-31 March 2012	Aviation	Technic	Inter-segment elimination	Total
Sales to external customers	2,772,769,898	68,606,310	-	2,841,376,208
Inter-segment sales	6,006,865	136,036,719	(142,043,584)	-
Segment revenue	2,778,776,763	204,643,029	(142,043,584)	2,841,376,208
Cost of sales (-)	(2,584,089,885)	(166,618,301)	141,549,063	(2,609,159,123)
Gross profit	194,686,878	38,024,728	(494,521)	232,217,085
Marketing, sales and distribution expenses (-)	(338,169,382)	(2,192,524)	148,969	(340,212,937)
Administrative expenses (-)	(81,682,598)	(15,334,295)	1,036,331	(95,980,562)
Other operating income	39,925,198	1,521,645	(726,159)	40,720,684
Other operating expense (-)	(4,338,741)	(5,215,538)	258,072	(9,296,207)
Operating profit/(loss)	(189,578,645)	16,804,016	222,692	(172,551,937)
Share of investment profit/ (loss) accounted by using the equity method	(14,960,622)	(5,962,509)	-	(20,923,131)
Financial income	20,686,746	736,796	-	21,423,542
Financial loss (-)	(226,352,071)	(446,097)	-	(226,798,168)
Profit/ (loss) before tax	(410,204,592)	11,132,206	222,692	(398,849,694)

Income statement items related to investments accounted for equity method:

1 January-31 March 2013	Aviation	Technic	Inter-segment elimination	Total
Share of investment profit/ (loss) accounted by using the equity method	9,734,790	(3,752,376)	-	5,982,414

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

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3. SEGMENTAL REPORTING (Cont'd)

3.3 Investment Operations

1 January-31 March 2013	Aviation	Technic	Inter-segment elimination	Total
Purchase of property and equipment	698,166,463	86,287,691	-	784,454,154
Current period amortization and depreciation	261,783,363	29,327,977	-	291,111,340
Investments accounted by using the equity method	221,836,829	59,064,528	-	280,901,357

1 January-31 March 2012	Aviation	Technic	Inter-segment elimination	Total
Purchase of property and equipment and 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
Investments accounted by using the equity method	186,800,572	74,426,346	-	261,226,918

4. FINANCIAL INVESTMENTS

Short-term financial investments are as follows:

	<u>31 March 2013</u>	<u>31 December 2012</u>
Time deposits with maturity more than 3 months	229,870,446	476,958,794
Fair values of derivative financial instruments	87,806,956	74,861,649
	<u>317,677,402</u>	<u>551,820,443</u>

Time deposits with maturity of more than 3 months:

<u>Amount</u>	<u>Currency</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>31 March 2013</u>
100,000	USD	2.05%	September 2013	180,992
97,844,734	EUR	3,19%-3,20%	September 2013	229,689,454
				<u>229,870,446</u>

<u>Amount</u>	<u>Currency</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>31 December 2012</u>
41,827,004	USD	%3.53	April 2013	75,250,687
170,000,000	TRY	%6.93-%7.27	April 2013	170,577,495
97,844,734	EUR	%3.19-%3.20	September 2013	231,130,612
				<u>476,958,794</u>

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5. FINANCIAL BORROWINGS

Short-term financial borrowings are as follows:

	<u>31 March 2013</u>	<u>31 December 2012</u>
Finance lease obligations	899,499,794	866,011,394

Long-term financial borrowings are as follows:

	<u>31 March 2013</u>	<u>31 December 2012</u>
Finance lease obligations	8,073,026,869	7,800,982,204

Financial lease obligations are as follows:

	<u>31 March 2013</u>	<u>31 December 2012</u>
Less than 1 year	1,105,356,842	1,068,307,603
Between 1 – 5 years	4,436,111,314	4,291,572,222
Over 5 years	4,777,771,403	4,624,307,819
	<u>10,319,239,559</u>	<u>9,984,187,644</u>
Less: Future interest expenses	(1,346,712,896)	(1,317,194,046)
Principal value of future rentals stated in financial statements	<u>8,972,526,663</u>	<u>8,666,993,598</u>

	<u>31 March 2013</u>	<u>31 December 2012</u>
Interest Range:		
Floating rate obligations	3,671,626,874	3,355,700,565
Fixed rate obligations	5,300,899,789	5,311,293,033
	<u>8,972,526,663</u>	<u>8,666,993,598</u>

As of 31 March 2013, the US Dollars and Euro denominated lease obligations' weighted average interest rates are 4,04% (31 December 2012: 4,14%) for the fixed rate obligations and 0,74% (31 December 2012: 0,61%) for the floating rate obligations.

6. OTHER FINANCIAL LIABILITIES

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

	<u>31 March 2013</u>	<u>31 December 2012</u>
Fair value of derivative instruments	141,836,821	161,636,622
Borrowings to banks	25,563,536	31,064,076
	<u>167,400,357</u>	<u>192,700,698</u>

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

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7. INVESTMENTS ACCOUNTED BY USING THE EQUITY METHOD

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

	31 March 2013	31 December 2012
Turkish DO&CO	74,043,269	60,907,106
THY Opet	71,719,433	66,777,834
TGS	66,906,530	64,547,149
TCI	5,687,468	2,901,708
Uçak Koltuk	4,756,892	4,166,036
TEC	50,422,085	53,595,748
Türkbine Teknik	7,153,783	7,373,945
Goodrich	211,897	411,724
Sun Ekspres (*)	-	8,388,295
	280,901,357	269,069,545

(*) As of 31 March 2013, because the total equity of Sun Express is negative, therefore the balance sheet value of the Group investment has been set to zero.

The shares of investment profit/(loss) accounted for using the equity method are as follows:

	1 January- 31 March 2013	1 January- 31 March 2012
Turkish DO&CO	13,136,163	871,290
THY Opet	5,093,530	8,315,664
TGS	1,349,633	2,972,928
TCI	361,154	(709,198)
Uçak Koltuk	(51,542)	-
TEC	(4,488,845)	(5,029,246)
Türkbine Teknik Gaz Türbinleri Bakım Onarım A.Ş.	(311,426)	(7,191)
Goodrich	(717,958)	(131,926)
Bosnia and Herzegovina Airlines (*)	-	(8,333,337)
Sun Ekspres	(8,388,295)	(18,872,115)
Total	5,982,414	(20,923,131)

(*) Group's partnership has ended as of year 2012, and the shares of the group were transferred to Bosnia and Herzegovina Federation.

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8. PROPERTY AND EQUIPMENT, NET

	Land improvements and buildings	Technical equipments simulators and vehicles	Other equipments, and fixtures	Aircrafts	Spare engines	Components and repairable spare parts	Leasehold improvements	Construction in Progress	Total
<u>Cost</u>									
Opening balance at 1 January 2013	198,408,933	376,616,472	240,693,235	15,623,706,346	617,668,430	373,795,361	79,440,618	679,208,519	18,189,537,914
Foreign currency translation differences	2,905,011	5,559,001	3,539,728	236,358,458	9,031,807	5,639,174	1,169,279	11,198,698	275,401,156
Additions	-	3,822,544	3,793,275	621,145,642	5,242,246	56,536,743	488,444	99,653,995	790,682,889
Disposals	-	(265,843)	(1,053,306)	(16,931,446)	(6,180,505)	(43,326,368)	-	-	(67,757,468)
Closing balance at 31 March 2013	201,313,944	385,732,174	246,972,932	16,464,279,000	625,761,978	392,644,910	81,098,341	790,061,213	19,187,864,491
<u>Accumulated depreciation</u>									
Opening balance at 1 January 2013	73,594,821	202,883,246	175,979,342	4,659,039,951	187,327,416	145,803,610	51,569,939		5,496,198,325
Foreign currency translation differences	1,088,715	3,047,873	2,640,339	70,894,599	2,880,588	2,133,768	791,116		83,476,998
Depreciation charge for the year	887,982	6,409,265	6,271,177	229,829,473	17,133,089	25,307,792	2,865,013		288,703,791
Disposals	-	(262,527)	(1,029,256)	(16,931,446)	(6,180,505)	(25,388,901)	-		(49,792,635)
Closing balance at 31 March 2013	75,571,518	212,077,857	183,861,602	4,942,832,577	201,160,588	147,856,269	55,226,068		5,818,586,479
Net book value 31 March 2013	125,742,426	173,654,317	63,111,330	11,521,446,423	424,601,390	244,788,641	25,872,273	790,061,213	13,369,278,012
Net book value 31 December 2012	124,814,112	173,733,226	64,713,893	10,964,666,395	430,341,014	227,991,751	27,870,679	679,208,519	12,693,339,589

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8. PROPERTY AND EQUIPMENT, NET (cont'd)

	Land improvements and buildings	Technical equipments simulators and vehicles	Other equipments, and fixtures	Aircrafts	Spare engines	Components and repairable spare parts	Leasehold improvements	Construction in Progress	Total
Cost									
Opening balance at 1 January 2012	194,445,053	461,185,261	148,453,434	12,863,510,808	615,266,465	399,664,054	111,431,957	435,264,825	15,229,221,857
Foreign currency translation differences	(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 from non-current assets held-for-sale	-	-	-	-	(55,742,126)	-	-	-	(55,742,126)
Transfers from investment	-	-	-	1,247,147	-	-	222,385	(1,469,532)	-
Closing balance at 31 March 2012	190,689,959	457,732,585	142,434,779	13,526,432,987	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 differences	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 year	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 non-current assets held-for-sale	-	-	-	-	(19,855,106)	-	-	-	(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 at 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

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9. INTANGIBLE ASSETS

	Slot Rights	Other Rights	Total
<u>Cost</u>			
Opening balance at 1 January 2013	23,069,393	128,876,837	151,946,230
differences	337,770	1,899,969	2,237,739
Additions	-	1,034,061	1,034,061
Disposals	-	-	-
Closing balance at 31 March 2013	<u>23,407,163</u>	<u>131,810,867</u>	<u>155,218,030</u>
<u>Accumulated Depreciation</u>			
Opening balance at 1 January 2013	-	100,762,463	100,762,463
differences	-	1,505,614	1,505,614
Amortization charge for the year	-	2,407,549	2,407,549
Disposals	-	-	-
Closing balance at 31 March 2013	<u>-</u>	<u>104,675,626</u>	<u>104,675,626</u>
Net book value at 31 March 2013	<u>23,407,163</u>	<u>27,135,241</u>	<u>50,542,404</u>
Net book value at 31 December 2012	<u>23,069,393</u>	<u>28,114,374</u>	<u>51,183,767</u>
<u>Cost</u>			
Opening balance at 1 January 2012	24,445,066	113,740,123	138,185,189
adjustment	(3,501,206)	787,770	(2,713,436)
Additions	-	281,082	281,082
Closing balance at 31 March 2012	<u>20,943,860</u>	<u>114,808,975</u>	<u>135,752,835</u>
<u>Accumulated Depreciation</u>			
Opening balance at 1 January 2012	-	91,222,250	91,222,250
adjustment	-	5,198,882	5,198,882
Amortization charge for the year	-	2,247,446	2,247,446
Closing balance at 31 March 2012	<u>-</u>	<u>98,668,578</u>	<u>98,668,578</u>
Net book value at 31 March 2012	<u>20,943,860</u>	<u>16,140,397</u>	<u>37,084,257</u>

The Group considers the slot rights as intangible assets having indefinite useful life.

10. GOVERNMENT GRANTS AND INCENTIVES

Incentive certificate no:28.12.2011 / 99256 was obtained from Turkish Treasury for financing the aircrafts planned for the period after 2010. According to this certificate, the Company will use the advantages for reduction of corporate tax, customs duty exemption and support for insurance premium of employers.

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11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions for short-term liabilities are as follows:

	<u>31 March 2013</u>	<u>31 December 2012</u>
Provisions for legal claims	36,516,428	35,516,181

Changes in the provisions for legal claims at 31 March 2013 and 2012 periods set out below:

	<u>1 January - 31 March 2013</u>	<u>1 January - 31 March 2012</u>
Provision at the beginning of the year	35,516,181	26,224,798
Charge for the period	784,025	492,446
Provisions released	(287,253)	(3,005,500)
Foreign currency translation differences	503,475	(43,401)
Provision at the end of the year	<u>36,516,428</u>	<u>23,668,343</u>

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

a) Guarantees/Pledges/Mortgages (“GPM”) given by the group: Amount of letter of guarantees given is TL 93,629,830 (31 December 2012: TL 103,501,040)

	<u>31 March 2013</u>		<u>31 December 2012</u>	
	<u>Foreign currency amount</u>	<u>TL equivalent</u>	<u>Foreign currency amount</u>	<u>TL equivalent</u>
A. Total amounts of GPM given on the behalf of its own legal entity	-	93,629,830	-	#####
-Collaterals				
TL	#####	13,725,723	#####	11,882,222
EUR	6,752,889	15,659,274	6,719,618	15,802,526
USD	#####	61,842,722	#####	73,011,209
Other		2,402,111	-	2,805,083
B. Total amounts of GPM given on the behalf of subsidiaries that are included in full consolidation	-	-	-	-
C. Total amounts of GPM given in order to guarantee third party debts for routine trade operations	-	-	-	-
D. Total amounts of other GPM given	-	-	-	-
i. Total amount of GPM given on behalf of the Parent	-	-	-	-
ii. Total amount of GPM given on behalf of other group companies not covered in B and C	-	-	-	-
iii. Total amount of GPM given on behalf of third parties not covered in C	-	-	-	-
		<u>93,629,830</u>		<u>#####</u>

The other CPMs given by the Company constitute 0% of the Company’s equity as of 31 March 2013 (31 December 2012: 0%).

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

b) The Group's discounted retirement pay provision is TL 249,049,512. The Group's liability for retirement pay would be approximately TL 425,092,044 as of 31 March 2013, if all employees were dismissed on that date.

12. COMMITMENTS

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

	<u>31 March 2013</u>	<u>31 December 2012</u>
Less than 1 year	271,347,745	282,339,574
Between 1 – 5 years	779,426,579	810,999,803
More than 5 years	78,018,066	81,178,443
	<u>1,128,792,390</u>	<u>1,174,517,820</u>

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, 23 of these aircrafts were delivered in 2012, and 7 of these aircrafts were delivered in the first three months of 2013. To be delivered between the years 2013-2020, the Group signed a contract for 157 aircrafts with a total value of 23.6 billion US Dollars, according to the price lists before the discounts made by the aircraft manufacturing firms. The Group has made an advance payment of 1.024 million US Dollars relevant to these purchases as of 31 March 2013.

The Group also has operational lease agreement for 23 years related with the land for the construction of aircraft maintenance hangar which is still under construction. The liabilities of the Group related with this lease agreements are as follows:

	<u>31 March 2013</u>	<u>31 December 2012</u>
Less than 1 year	2,778,163	2,081,088
Between 1 – 5 years	10,649,626	16,417,472
More than 5 years	51,886,275	49,973,307
	<u>65,314,064</u>	<u>68,471,867</u>

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13. PASSENGER FLIGHT LIABILITIES

Flight liability is as follows;

	31 March 2013	31 December 2012
Flight liability generating from ticket sales	2,027,103,404	1,271,723,065
Flight liability generating from sales of mileage	403,747,499	396,752,754
	<u>2,430,850,903</u>	<u>1,668,475,819</u>

14. SHAREHOLDERS' EQUITY

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

	Class	%	31 March 2013	%	31 December 2012
Republic of Turkey					
Prime Ministry Privatization Adm.(*)	A, C	49.12	589,465,086	49.12	589,465,086
Other (Publicly held)	A	50.88	610,534,914	50.88	610,534,914
Paid-in capital			1,200,000,000		1,200,000,000
Restatement difference			1,123,808,032		1,123,808,032
Restated capital			<u>2,323,808,032</u>		<u>2,323,808,032</u>

(*) 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 2013, 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 nine members of which one member has to be nominated by the class C shareholder and the rest eight members has to be chosen by an election between class A shareholder's top rated.

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

- 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

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14. SHAREHOLDERS' EQUITY (cont'd)

Board per agreement (this statement will expire when the Company's shares held by Turkish State is below 20%),

f) Making decisions relating to mergers 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 Profit Reserves

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

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 venture; Güneş Ekspres Havacılık A.Ş. (Sun Express) which is consolidated by using equity method, is presented under currency translation item. Foreign currency translation differences are the changes due to the foreign exchange rate changes in the shareholders' equity Sun Express which is subsidiary accounted for equity method.

Distribution of Dividends

Companies whose shares are traded at Borsa Istanbul (BIST) 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.

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,

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14. SHAREHOLDERS' EQUITY (cont'd)

Distribution of Dividends (cont'd)

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, dividend distribution should be completed by the end of 5th month following the end of the period.

The items of shareholders' equity of the Company in the statutory accounts as of 31 March 2013 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	13,804,176
Retained earnings (*)	174,367,831
Net loss for the period (*)	(278,882,226)
Total shareholders' equity	<u>1,364,123,093</u>

* Per legal records 373,327,384 TL will be subject to distribution of dividends.

At the Company's Ordinary General Meeting (29 March 2013), it is agreed that TL 173,280,902 of cash and TL 180,000,000 of bonus share will be given as dividend. In addition, TL 11,328,090 of reserve fund will be set aside. As the capital increase is not registered, it is not placed on the accounts. Dividends are represented in the Payables to Shareholders' Accounts.

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.

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15. SALES AND COST OF SALES

Details of gross profit are as follows:

	1 January - 31 March 2013	1 January - 31 March 2012
Scheduled flights		
Passenger	3,153,040,330	2,369,092,783
Cargo and mail	315,845,336	271,988,484
Total scheduled flights	3,468,885,666	2,641,081,267
Unscheduled flights	13,528,236	11,141,341
Other revenue	146,362,248	189,153,600
Net sales	3,628,776,150	2,841,376,208
Cost of sales (-)	(3,188,130,866)	(2,609,159,123)
Gross profit	440,645,284	232,217,085

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

	1 January - 31 March 2013	1 January - 31 March 2012
- Europe	1,058,010,128	782,286,313
- Far East	787,437,046	639,053,711
- Middle East	502,988,422	382,834,967
- America	326,075,253	243,245,157
- Africa	305,261,938	210,773,992
Total international flights	2,979,772,787	2,258,194,140
Domestic flights	489,112,879	382,887,127
Total scheduled flight revenue	3,468,885,666	2,641,081,267

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15. SALES AND COST OF SALES (cont'd)

The details of the cost of sales are as follows:

	1 January - 31 March 2013	1 January - 31 March 2012
Fuel expenses	1,375,300,982	1,092,369,295
Personnel expenses	493,941,699	435,617,000
Landing and navigation expenses	280,727,310	222,228,996
Depreciation expenses	271,452,174	197,699,411
Ground services expenses	234,805,693	189,535,705
Passenger service catering expenses	165,951,351	131,814,722
Maintenance expenses	96,182,642	103,653,858
Operating lease expenses	73,216,643	87,344,664
Short term leasing expenses	61,017,849	4,587,440
Other airlines' seat rents	40,793,363	54,760,212
Service expenses	25,635,066	18,936,115
Other rent expenses	17,301,157	13,652,671
Insurance expenses	16,054,934	23,276,328
Transportation expenses	8,801,247	6,943,625
Tax expenses	4,240,355	3,003,691
Utility expenses	2,801,974	2,395,954
Other cost	19,906,427	21,339,436
	<u>3,188,130,866</u>	<u>2,609,159,123</u>

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

	1 January - 31 March 2013	1 January - 31 March 2012
Marketing, sales and distribution expenses	422,880,479	340,212,937
Administrative expenses	101,163,363	95,980,562
	<u>524,043,842</u>	<u>436,193,499</u>

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16. 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 2013	1 January - 31 March 2012
Personnel expenses	122,285,242	104,864,078
Commissions and incentive expenses	118,002,163	88,340,311
Reservation systems expense	90,075,483	72,550,293
Advertising expenses	29,756,445	25,469,911
Private passenger programme mileage expenses	15,821,532	6,565,192
Service expenses	10,230,481	9,951,642
Rent expenses	8,938,992	6,298,024
Tax expenses	3,262,657	2,499,708
Communication expenses	3,224,322	4,945,539
Depreciation expenses	6,144,377	631,817
Membership fees	2,584,224	4,238,668
Fuel expenses	342,737	432,513
Other expenses	12,211,824	13,425,241
	422,880,479	340,212,937

General administrative expenses are as follows:

	1 January - 31 March 2013	1 January - 31 March 2012
Personnel expenses	58,867,977	60,077,055
Service expenses	13,244,245	5,617,577
Depreciation expenses	13,514,789	13,265,147
Communication expenses	4,067,665	1,348,331
Maintenance expenses	2,515,082	1,739,110
Tax expenses	1,398,938	845,492
Rent expenses	1,374,362	3,841,235
Utility expenses	1,126,012	1,528,253
Fuel expenses	609,217	378,560
Insurance expenses	221,064	132,476
Other expenses	4,224,012	7,207,326
	101,163,363	95,980,562

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17. OTHER OPERATING INCOME / EXPENSES

Other operating income/expense consist of the following:

	1 January - 31 March 2013	1 January - 31 March 2012
Income from investment incentives	21,039,274	14,157,142
Insurance, indemnities, penalties income	13,029,398	2,328,433
Provisions released	6,356,506	6,466,728
Discounts received from maintenance services suppliers	1,840,522	1,457,391
TGS share premium	2,820,686	2,825,001
Banks protocol revenue	2,035,271	1,845,349
Rent income	1,591,706	1,481,601
Other operating income	15,008,773	10,159,039
	63,722,136	40,720,684
	1 January - 31 March 2013	1 January - 31 March 2012
Indemnity and penalty expense	1,171,596	2,602,881
Provision expense	899,198	5,660,655
Loss on sales of fixed assets	27,680	-
Other operating expense	754,682	1,032,671
	2,853,156	9,296,207

18. FINANCIAL INCOME

Financial income consists of the following:

	1 January - 31 March 2013	1 January - 31 March 2012
Foreign exchange gains (*)	10,372,851	-
Interest income	28,452,017	20,054,356
Profit from derivative transactions	13,783,098	-
Rediscount interest income	2,570,499	1,369,186
	55,178,465	21,423,542

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

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19. FINANCIAL EXPENSES

Finance expenses are as follows:

	1 January - 31 March 2013	1 January - 31 March 2012
Finance lease interest expense	54,234,599	51,918,427
Finance lease administration expense	5,884,294	2,421,957
Rediscount interest expense	3,587,672	610,748
Cost of employee termination benefits interest	1,501,712	2,049,275
Other financial expense	685,785	262,653
Foreign exchange loss (*)	-	165,194,671
Loss from derivative transactions	-	4,340,437
	65,894,062	226,798,168

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

20. TAX ASSETS AND LIABILITIES

Tax liability for the current profit is as follows:

	31 March 2013	31 December 2012
Provisions for corporate tax	-	32,616,486
Prepaid taxes and funds	-	(32,616,486)
Tax liability	-	-

Tax expense consists of the following items:

	1 January - 31 March 2013	1 January - 31 March 2012
Current period tax expense	-	3,047,776
Deferred tax expense/ (income)	(4,923,238)	(372,514,499)
Tax expense/ (income)	(4,923,238)	(369,466,723)

Tax effect related to other comprehensive income is as follows:

	1 January - 31 March 2013		
	Amount before tax	Tax (expense) /income	Amount after tax
Foreign currency translation difference	115,007,470	-	115,007,470
Share of investment accounted by using the equity method in foreign currency translation	(18,819,665)	-	(18,819,665)
Change in cash flow hedge reserve	(19,386)	3,877	(15,509)
Other comprehensive income	96,168,419	3,877	96,172,296

Change in foreign currency translation adjustment that is included in other comprehensive income is TL 115,007,470 for the period 1 January – 31 March 2013 (1 January – 31 March 2012: TL (238,499,218)). In addition, the effect of taxation does not exist for the period.

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

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 2013 is 20% (2012: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2013 is 20% (2012: 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 is in use since 22 July 2006. Commencing from 22 July 2006, the rate has been changed to 15% from 10% 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% (2012: 20%) is used.

In Turkey, the companies can not 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.

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

Deferred Tax (cont'd)

The deferred tax assets and liabilities as of 31 March 2013 and 31 March 2012 are as follows:

	31 March 2013	31 December 2012
Property, equipment and intangible assets	(939,888,103)	(887,354,639)
Provisions for ticket sales advance	(83,317,791)	(78,216,603)
Correction on inventories	(33,926,595)	(32,525,576)
Accruals for expenses	172,768,527	152,179,387
Provisions for employee benefits	49,602,891	46,503,155
Income and expense accruals	9,339,609	17,216,979
Long-term lease obligations	10,069,158	10,493,700
Short-term lease obligations	1,014,354	1,581,391
Allowance for doubtful receivables	5,011,574	5,963,723
Provisions for unused vacation liabilities	2,130,028	11,641,538
Other	5,375,795	4,892,887
Provisions for impairment of inventories	3,540,398	3,540,398
Tax losses carry forward	54,471,796	-
Deferred tax liabilities	<u>(743,808,359)</u>	<u>(744,083,660)</u>

The changes of deferred tax liability as of 31 March 2013 and 2012 are as follows:

	31 March 2013	31 March 2012
Opening balance at the beginning of the year	744,083,660	574,679,843
Deferred tax expense/ (income)	(4,923,238)	(372,514,499)
Hedge fund tax expense/(income)	(3,877)	5,065,490
Foreign currency translation adjustment	4,651,814	2,483,030
Deferred tax liability at the end of the year	<u>743,808,359</u>	<u>209,713,864</u>

21. 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.

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21. EARNINGS PER SHARE (cont'd)

Number of total shares and calculation of earnings per share at 31 March 2013 and 2012:

	1 January - 31 March 2013	1 January - 31 March 2012
Number of shares outstanding at 1 January (in full)	120,000,000,000	100,000,000,000
New shares issued (in full)	-	-
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 for period	(22,339,523)	(29,382,971)
Loss per share (Kr)	(0.019)	(0.024)

22. RELATED PARTY TRANSACTIONS

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

	31 March 2013	31 December 2012
TEC	8,466,987	12,736,341
Sun Express	4,272,514	5,791,128
Goodrich	680,301	-
TCI	70,827	447,790
SunExpress-Deutschland	17,427	-
Uçak Koltuk	1,516	-
	13,509,572	18,975,259

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

	31 March 2013	31 December 2012
TCI	1,546	7,959
Uçak Koltuk	97	96
Türkbine Teknik	-	476
	1,643	8,531

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

	31 March 2013	31 December 2012
THY Opet	333,400,607	139,538,456
TGS	37,010,740	27,246,944
TEC	36,199,499	12,462,870
Sun Express	33,886,871	19,426,776
Turkish DO&CO	20,170,942	16,035,217
TCI	441	244
Goodrich	-	289,812
Türkbine Teknik	-	676
	460,669,100	215,000,995

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22. RELATED PARTY TRANSACTIONS (cont'd)

Transactions with related parties that are accounted by using the equity method for the year ended as of 31 March 2013 are as follows:

<u>Sales</u>	1 January - 31 March 2013	1 January - 31 March 2012
Sun Ekspres	10,423,813	13,021,360
TGS	7,738,974	2,418,268
TEC	1,477,381	5,300,539
Turkish DO&CO	677,312	449,303
THY Opet	140,173	76,134
Goodrich	23,968	-
TCI	16,573	385,286
Sun Express Deutschland	9,152	-
Uçak Koltuk	185	-
Bosna Hersek Hava Yolları	-	1,615,515
Türkbine Teknik	-	178,481
	20,507,531	23,444,886

<u>Purchases</u>	1 January - 31 March 2013	1 January - 31 March 2012
THY Opet	845,715,455	673,888,372
Turkish DO&CO	100,737,652	87,502,787
TGS	78,771,427	68,653,883
Sun Ekspres	43,987,811	77,981
TEC	23,919,845	21,990,108
TCI	-	461,117
Bosnia Herzegovina Airlines	-	1,844,731
	1,093,132,190	854,418,979

Transactions between the Group and Sun Express seat rental operations; transactions between the Group and Turkish DO&CO are catering services ; 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 1,538,769 (31 March 2012: TL 1,320,887).

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23. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENT

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:

	31 March 2013				
	TL Equivalent	TL	Euro	GBP	Other
1.Trade receivables	1,008,542,613	293,967,953	323,969,905	48,187,960	342,416,795
2a.Monetary financial assets	1,487,686,141	36,524,468	1,126,805,031	6,199,194	318,157,448
2b.Non monetary financial assets	-	-	-	-	-
3.Other	151,154,064	99,003,732	33,308,176	234,297	18,607,859
4.Current assets (1+2+3)	2,647,382,818	429,496,153	1,484,083,112	54,621,451	679,182,102
5.Trade receivables					
6a.Monetary financial assets					
6b.Non monetary financial assets					
7.Other	48,369,333	41,895,102	6,519,385	-	(45,154)
8.Non current asstes (5+6+7)	48,369,333	41,895,102	6,519,385	-	(45,154)
9.Total assets (4+8)	2,695,752,151	471,391,255	1,490,602,497	54,621,451	679,136,948
10.Trade payables	711,638,953	489,586,048	124,058,863	9,177,504	88,816,538
11.Financial liabilities	530,870,637	8,066,956	504,930,538	-	17,873,143
12a.Other liabilities, monetary	63,301,599	39,482,014	13,145,428	258,025	10,416,132
12b.Other liabilities, non monetary	9,848,718	8,488,390	1,360,328	-	-
13.Current liabilities (10+11+12)	1,315,659,907	545,623,408	643,495,157	9,435,529	117,105,813
14.Trade payables	-	-	-	-	-
15.Financial liabilities	4,399,227,317	-	4,106,565,515	-	292,661,802
16a.Other liabilities, monetary	67,787,301	67,787,301	-	-	-
16b.Other liabilities, non monetary	-	-	-	-	-
17.Non current liabilities (14+15+16)	4,467,014,618	67,787,301	4,106,565,515	-	292,661,802
18.Total liabilities (13+17)	5,782,674,525	613,410,709	4,750,060,672	9,435,529	409,767,615
19.Net asset / liability position of off-balance sheet derivatives (19a-19b)	-	-	-	-	-
19a.Off-balance sheet foreign currency derivative assets	-	-	-	-	-
19b.Off-balance sheet foreigncurrency derivative liabilities	-	-	-	-	-
20.Net foreign currency asset/(liability) position (9-18+19)	(3,086,922,374)	(142,019,454)	(3,259,458,175)	45,185,922	269,369,333
21.Net foreign currency asset / liability position of monetary items (UFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(3,276,597,053)	(274,429,898)	(3,297,925,408)	44,951,625	250,806,628
22.Fair value of foreign currency hedged financial assets	-	-	-	-	-
23.Hedged foreign currency assets	-	-	-	-	-
24.Hedged foreign currency liabilities	-	-	-	-	-
25.Exports	2,941,491,224	583,141,780	934,131,919	104,791,808	1,319,425,717
26.Imports	1,162,872,638	712,304,387	276,809,525	8,081,594	165,677,132

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23. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENT (cont'd)

Foreign currency risk management (cont'd)

	31 December 2012				
	TL Equivalent	TL	Euro	GBP	Other
1.Trade receivables	660,404,241	93,711,562	351,947,508	58,330,075	156,415,096
2a.Monetary financial assets	34,601,987	4,841,781	28,829,747	158,610	771,849
2b.Non monetary financial assets	-	-	-	-	-
3.Other	184,577,753	137,194,090	30,325,674	632,795	16,425,194
4.Current assets (1+2+3)	879,583,981	235,747,433	411,102,929	59,121,480	173,612,139
5.Trade receivables	-	-	-	-	-
6a.Monetary financial assets	-	-	-	-	-
6b.Non monetary financial assets	-	-	-	-	-
7.Other	88,027,061	41,019,659	6,374,765	40,617,449	15,188
8.Non current asstes (5+6+7)	88,027,061	41,019,659	6,374,765	40,617,449	15,188
9.Total assets (4+8)	967,611,042	276,767,092	417,477,694	99,738,929	173,627,327
10.Trade payables	602,781,028	421,214,368	96,829,947	10,664,330	74,072,383
11.Financial liabilities	547,464,447	37,215,631	510,248,816	-	-
12a.Other liabilities, monetary	35,808,560	13,729,271	12,513,007	319,513	9,246,769
12b.Other liabilities, non monetary	33,859,220	33,760,522	98,698	-	-
13.Current liabilities (10+11+12)	1,219,913,255	505,919,792	619,690,468	10,983,843	83,319,152
14.Trade payables	-	-	-	-	-
15.Financial liabilities	4,481,085,105	400,618,948	4,080,466,157	-	-
16a.Other liabilities, monetary	36,752,921	36,752,921	-	-	-
16b.Other liabilities, non monetary	-	-	-	-	-
17.Non current liabilities (14+15+16)	4,517,838,026	437,371,869	4,080,466,157	-	-
18.Total liabilities (13+17)	5,737,751,281	943,291,661	4,700,156,625	10,983,843	83,319,152
19.Net asset / liability position of off-balance sheet derivatives (19a-19b)	-	-	-	-	-
19a.Off-balance sheet foreign currency derivative assets	-	-	-	-	-
19b.Off-balance sheet foreigncurrency derivative liabilities	-	-	-	-	-
20.Net foreign currency asset/(liability) position (9-18+19)	(4,770,140,239)	(666,524,569)	(4,282,678,931)	88,755,086	90,308,175
21.Net foreign currency asset / liability position of monetary items (UFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(5,008,885,833)	(810,977,796)	(4,319,280,672)	47,504,842	73,867,793
22.Fair value of foreign currency hedged financial assets	-	-	-	-	-
23.Hedged foreign currency assets	-	-	-	-	-
24.Hedged foreign currency liabilities	-	-	-	-	-
25.Exports	12,644,882,230	1,944,308,679	3,039,289,827	372,993,006	7,288,290,718
26.Imports	4,490,581,439	3,155,191,192	31,266,879	697,737,895	606,385,473

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

Foreign currency risk management (cont'd)

Foreign currency sensitivity (cont'd)

	31 December 2012	
	Profit / (Loss) Before Tax	
	If foreign currency appreciated 10 %	If foreign currency depreciated 10 %
1 - US dollar net asset / liability	(66,652,457)	66,652,457
2- Part of hedged from US dollar risk (-)	-	-
3- US dollar net effect (1 +2)	(66,652,457)	66,652,457
4 - Euro net asset / liability	(428,267,893)	428,267,893
5 - Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	(428,267,893)	428,267,893
7 - GBP net asset / liability	8,875,509	(8,875,509)
8- Part of hedged from GBP risk (-)	-	-
9- GBP net effect (7 +8)	8,875,509	(8,875,509)
10 - Other foreign currency net asset / liability	9,030,818	(9,030,818)
11- Part of hedged other foreign currency risk (-)	-	-
12- Other foreign currency net effect (10+11)	9,030,818	(9,030,818)
TOTAL (3 + 6 + 9 + 12)	(477,014,023)	477,014,023

24. EVENTS AFTER THE BALANCE SHEET DATE

During 24. Labor Union Agreement negotiations, the decision of going to strike on 15 May 2013 was announced to the Group on May 5, 2013 by Turkey Civil Aviation Labor Union (HAVA-İş) through a notary public, and the strike was performed on the mentioned date. The Group did not make a decision for lock-out against to the strike and the operations continued. The strike in practice as of approval date of the report did not caused any failure in operations of the Group.

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25. 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, due to the implemented ERP system, prior financial statements are reclassified for maintaining comparability. These reclassifications have no effect over the prior period's equity and net profit/ (loss) accounts. Significant reclassifications in the financial statements include:

TL 12,760,680 part of "Maintenance Returns from Leasing Companies" item, which was stated under "Other Operating Income" in the interim period 1 January-31 March 2012, is now offset "Maintenance Expenses" under "Cost of Sales".

TL 963,456 part of the "Other Tax Expenses" item, which was stated under "General Administrative Expenses" in the interim period 1 January-31 March 2012, is now classified under "Cost of Sales".

TL 5,021,477 part of the "Transportation Expenses" item, which was stated under "Marketing and Sales Expenses" in the interim period 1 January-31 March 2012, is now classified under "Cost of Sales".

TL 1,274,552 part of "Star Alliance Membership Income" item, which was stated under "Other Operating Income" in the interim period 1 January-31 March 2012, is now offset "Other Expenses" stated under "Cost of Sales".

TL 2,421,957 part of the "Aircraft Finance Administrative Expenses" item, which was stated under "Cost of Sales" in the interim period 1 January-31 March 2012, is now classified under "Financial Expenses".

TL 2,424,414 part of "Interest Income from Derivatives" item, which was stated under "Financial Income" in the interim period 1 January-31 March 2012, is now classified under "Financial Leasing Interest Expenses" stated under "Financial Expenses".

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