CONVENIENCE TRANSLATION OF REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2008

Deloitte.

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

AUDITOR'S REPORT

To the Board of Directors of
Türk Hava Yolları A.O.

We have audited the accompanying consolidated balance sheet of Türk Hava Yolları A.O. and its subsidiary (together the "Group") as at 31 December 2008 and the related consolidated statement of income, consolidated change in shareholder's equity statement and consolidated cash flow statement for the year ended 31 December 2008, and a summary of significant accounting policies and other explanatory notes.

Management Responsibility on Financial Statements

The management is responsible for preparation and fair presentation of these financial statements in accordance with accounting standards published by Capital Markets Board. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards published by the CMB. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Group, as well as evaluating the overall presentation of the financial statements.

Deloitte.

Independent Auditors' Responsibility on Financial Statements (cont'd)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Financial statements of THY Teknik A.Ş. which is the subsidiary of the company, Gunes Ekspres Havacılık A.Ş. and THY DO&CO İkram Hizmetleri A.Ş which are the affiliates and accounted on the equity method have been audited by other independent audit firms. %6 of total assets and %2 of total sales revenue of accompanying financial statements are contributed by those companies. Those statements were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for these entities is solely based on reports of the other auditors.

Conclusion

In our and other audit firms' opinion, accompanying consolidated financial statements of the Group as of 31 December 2008 and for the year then ended have been properly prepared, in all material respects in accordance with generally accepted accounting standards issued by Capital Markets Board.

Without qualifying our opinion, we would like to draw attention to the following matter:

As it is explained in detail in Note 2.3, the Group has restated the financial statements for the year ended 31 December 2007 and balance sheet as of 31 December 2006.

İstanbul, 7 April 2009

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU**

B. Öz

Berkman Özata
Partner

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

ASSETS	Note	Audited 31 December 2008	Audited and Restated 31 December 2007
Current Assets		**2.580.680.234**	**1.487.528.554**
Cash and Cash Equivalents	6	504.905.721	480.196.215
Financial Assets	7	1.403.033.703	292.020.000
Accounts Receivable	10	349.144.133	245.539.019
Other Receivables	11	61.673.958	305.855.757
Inventories	13	98.359.291	113.740.571
Other Current Assets	26	163.563.428	50.176.992
Non-Current Assets		**5.290.955.322**	**3.434.915.521**
Other Receivables	11	22.808.881	21.756.328
Financial Assets	7	1.750.943	3.016.564
Investments Accounted for Equity Method	16	43.637.924	38.370.043
Investment Property	17	48.130.000	53.700.000
Tangible Assets	18	5.049.449.610	3.234.359.407
Intangible Assets	19	17.697.129	10.445.317
Deferred Tax Assets	35	1.986.324	3.193.155
Other Non-Current Assets	26	105.494.511	70.074.707
Total Assets		**7.871.635.556**	**4.922.444.075**

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

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

	Note	Audited 31 December 2008	Audited and Restated 31 December 2007
LIABILITIES			
Short Term Liabilities		**1.614.307.835**	**1.186.652.969**
Financial Debt	8	419.289.229	228.918.371
Other Financial Liabilities	9	5.401.092	877.628
Accounts Payable	10	435.109.211	364.523.991
Other Liabilities	11	161.554.179	83.387.054
Current Tax Liability	35	4.185.809	19.981.215
Provisions	22	7.460.396	4.779.221
Employee Benefits	24	47.818.425	39.664.361
Passenger Flight Liabilities	26	441.806.825	379.676.586
Other Short Term Liabilities	26	91.682.669	64.844.542
Long Term Liabilities		**3.270.740.625**	**1.887.889.627**
Financial Debt	8	2.798.005.235	1.595.842.462
Other Liabilities	11	7.865.284	7.058.322
Retirement Pay Liability	24	142.459.082	131.959.011
Deferred Tax Liabilities	35	291.289.291	128.930.080
Other Long Term Liabilities	26	31.121.733	24.099.752
SHAREHOLDERS' EQUITY			
Equity Attributable to Equity Holders of the Parent		**2.986.587.096**	**1.847.901.479**
Share Capital	27	175.000.000	175.000.000
Restatement Effect on Shareholders' Equity	27	1.672.901.479	1.739.005.871
Share Premium		-	895.492
Restricted Reserves Assorted from Profit		-	61.014.406
Foreign Currency Translation Differences	27	4.459.406	-
Retained Earnings		-	(393.511.064)
Net Profit / (Loss) for the Period		1.134.226.211	265.496.774
Total Liabilities and Shareholders' Equity		**7.871.635.556**	**4.922.444.075**

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

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2008 AND 31 DECEMBER 2007
(All amounts expressed in Turkish Lira (TRY) unless otherwise stated.)

	Note	Audited 1 January- 31 December 2008	Audited and Restated 1 January- 31 December 2007
CONTINUING OPERATIONS			
Sales Revenues	28	6.123.174.209	4.859.508.826
Cost of Sales (-)	28	(4.650.231.377)	(3.605.924.596)
GROSS PROFIT / (LOSS)		**1.472.942.832**	**1.253.584.230**
Marketing, Selling and Distribution Expenses (-)	29,30	(635.876.008)	(576.810.259)
General Administrative Expenses (-)	29,30	(203.813.181)	(170.639.967)
Other Operating Income	31	56.690.528	226.544.680
Other Operating Expenses (-)	31	(102.559.670)	(9.919.460)
OPERATING PROFIT / (LOSS)		**587.384.501**	**722.759.224**
Share at Profit/(Loss) on Investments Accounted for Equity Method	16	3.572.374	15.489.140
Financial Income	32	1.427.882.203	309.116.345
Financial Expenses (-)	33	(713.373.140)	(676.136.015)
PROFIT BEFORE TAXES		**1.305.465.938**	**371.228.694**
Tax Income / (Expense)		**(171.239.727)**	**(105.731.920)**
- Current Tax Expense For The Period	35	(7.673.685)	(122.471.610)
- Deferred Tax Benefit / (Expense)	35	(163.566.042)	16.739.690
PROFIT FOR THE PERIOD		**1.134.226.211**	**265.496.774**
Earnings Per Share (kr)	36	**0,648**	**0,152**

The accompanying notes form an integral part of these financial statements

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2008 AND 2007

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

	Share Capital	Restatement Effect on Shareholders' Equity	Share Premium	Financial Assets Fair Value Reserve	Restricted Reserves Assorted from Profit	Currency Translation Reserve	Net Profit / (Loss) for the Period	Retained Earnings	Total
Balances at 31 December 2006-Previously reported	175.000.000	1.739.005.871	895.492	(2.696.482)	61.014.406	-	178.782.921	(542.283.756)	1.609.718.452
Frequent Flyer Program – Adjustment For IFRIC 13 (Note 2.3)	-	-	-	-	-	-	-	(16.471.443)	(16.471.443)
Adjustment For Unused Vacation Provision (Note 2.3)	-	-	-	-	-	-	-	(7.083.719)	(7.083.719)
Adjustment For Maintenance Reserve Expense Accrual (Not 2.3)	-	-	-	-	-	-	-	(6.455.066)	(6.455.066)
Balances at 31 December 2006-Restated	175.000.000	1.739.005.871	895.492	(2.696.482)	61.014.406	-	178.782.921	(572.293.985)	1.579.708.223
Transfer of previous year's profit to previous year's loss	-	-	-	-	-	-	(178.782.921)	178.782.921	-
Measurement of Financial Assets	-	-	-	2.696.482	-	-	-	-	2.696.482
Net profit for the period	-	-	-	-	-	-	265.496.774	-	265.496.774
31 December 2007 Balance -Restated	175.000.000	1.739.005.871	895.492	-	61.014.406	-	265.496.774	(393.511.064)	1.847.901.479
Balances at 31 December 2007-Previously reported	175.000.000	1.739.005.871	895.492	-	61.014.406	-	291.892.623	(363.500.835)	1.904.307.557
Frequent Flyer Program – Adjustment For IFRIC 13 (Note 2.3))	-	-	-	-	-	-	(8.830.945)	(16.471.443)	(25.302.388)
Adjustment For Unused Vacation Provision (Note 2.3)	-	-	-	-	-	-	(2.054.546)	(7.083.719)	(9.138.266)
Adjustment For Maintenance Reserve Expense Accrual (Not 2.3)	-	-	-	-	-	-	(15.510.358)	(6.455.066)	(21.965.424)
Balances at 31 December 2007-Restated	175.000.000	1.739.005.871	895.492	-	61.014.406	-	265.496.774	(393.511.064)	1.847.901.479
Transfer of previous year's profit to previous year's loss (Note 27)	-	(66.104.392)	(895.492)	-	(61.014.406)	-	-	128.014.290	-
Foreign currency translation difference (Note27)	-	-	-	-	-	4.459.406	-	-	4.459.406
Transfer of previous year's profit to previous year's loss	-	-	-	-	-	-	(265.496.774)	265.496.774	-
Net profit for the period	-	-	-	-	-	-	1.134.226.211	-	1.134.226.211
Balances at 31 December 2008	175.000.000	1.672.901.479	-	-	-	4.459.406	1.134.226.211	-	2.986.587.096

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

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2008 AND 2007

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

CASH FLOWS FROM OPERATING ACTIVITIES	Note	1 January- 31 December 2008	Restated 1 January- 31 December 2007
Profit before taxation		1.305.465.938	371.228.694
Adjustments to reconcile profit for the period to net cash provided by operating activities:			
Depreciation and amortization	18,19	393.826.194	364.850.565
Provision for retirement pay liability	24	23.354.581	19.461.897
Interest income	32	(123.120.093)	(45.848.879)
Profit on sale of fixed asset	31	(55.645)	(131.324)
(Decrease)/ Increase in provision for impairment	18	(942.833.498)	290.162.081
Share at loss of investments accounted for equity method	16	(3.572.374)	(15.489.140)
Interest expense	33	105.396.609	91.110.738
Movement in manufacturers' credit	26	(3.378.570)	12.959.975
Foreign exchange loss /(gain) on financial liabilities	32,33	586.719.977	(258.280.289)
Increase in provision for doubtful receivables	10	15.637.769	2.957.138
Loss on sale of financial assets		-	4.967.798
Increase in value of investment property	17	5.000.000	(1.725.000)
Increase in fair value of derivative instruments	33	6.071.262	2.796.990
Deferred Tax Asset Netted Off Financial Asset Fair Value Reserve		-	(674.120)
Dividend income	32	(35.033)	(2.540.292)
Operating Profit Before Working Capital Changes		**1.368.477.117**	**835.806.832**
(Increase) / decrease in accounts receivable	10	(119.242.883)	5.319.971
(Increase) / decrease in other short and long term receivables	11	243.129.246	100.003.412
Decrease in inventories	13	15.381.280	19.934.631
(Increase) / decrease in other current assets	26	(54.435.261)	562.588
Increase in other non-current assets	26	(35.419.804)	(45.120.423)
Increase in accounts payable	10	70.585.220	35.068.902
Increase / (decrease) in other liabilities	11	78.974.087	(5.971.753)
Increase / (decrease) in provision for short term liabilities	22	2.681.175	(816.049)
Increase in passenger flight liabilities	26	62.130.239	30.442.865
Increase/(decrease) in other short and long term liabilities	26	37.238.679	(1.789.384)
Employee benefits	24	8.154.065	8.659.982
Cash generated by operating activities		**1.677.653.160**	**982.101.574**
Retirement benefits paid	24	(12.854.510)	(4.807.795)
Interests paid		(102.736.069)	(88.479.266)
Prepaid taxes	26,35	(82.420.266)	(104.442.414)
Net cash generated from operations		**1.479.642.315**	**784.372.099**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash generated from the sale of financial asset		-	3.142.924
Cash inflow from the sales of intangible and tangible fixed asset and investment properties	18,19	26.482.893	5.385.011
Interest received		82.172.581	45.848.879
Dividend received	37	7.034.983	2.540.292
Cash outflow due to the acquisition of associates	7,16	(4.280.515)	-
Increase in short term financial investments	7	(1.070.066.191)	(292.020.000)
Acquisition of Tangible and Intangible Fixes Assets(*)	18,19	(230.333.395)	(224.114.270)
Net cash used in investing activities		**(1.188.989.644)**	**(459.217.164)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal payment of finance lease obligations		(261.788.079)	(206.665.601)
Decrease in bank loans		(3.917.374)	(3.855.209)
Increase / (decrease) in other financial liabilities	9	(237.712)	504.131
Net cash used in financing activities		**(265.943.165)**	**(210.016.679)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		24.709.506	115.138.256
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		480.196.215	365.057.959
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**504.905.721**	**480.196.215**

(*) The portion amounted TRY 1.019.175.119 of the total purchases of tangible and intangible assets amounted TRY 1.299.191.959 for the period ended 31 December 2008 was made through finance lease (TRY565.806.020 of TRY 811.508.468 for the year ended 31 December 2007 was made through finance lease.)

1 THE COMPANY'S ORGANIZATION AND OPERATIONS

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

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

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

The total number of employees working for Türk Hava Yolları A.O. and its subsidiary ("the Group") as of 31 December 2008 is 14.072. (31 December 2007: 12.951). The average number of employees working for the Group as of 31 December 2008 and 2007 is 13.724 and 13.043, respectively.

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

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

The Company and its Subsidiary and Affiliates registered in Turkey keep their books of account and prepare their statutory financial statements in accordance with the principles and obligations Turkish Commercial Code (the "TCC"), tax legislation.

2.1.1 Accounting Standards Applied

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

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

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

2.1 Basis of Presentation (cont'd)

2.1.2 Preparation of Financial Statements in Hyperinflationary Periods

The Group ended inflation accounting application starting from 1 January 2005 in accordance with the decision of CMB dated 17 March 2005.

2.1.3 Fundamentals of the Consolidations

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

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

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

		Participation Rate		
Name of the Company	Principal Activity	31 December 2008	31 December 2007	Country of Registration
THY Teknik A.Ş.	Technical Maintenance	100%	100%	Turkey

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

TGS Yer Hizmetleri A.Ş which was established on 20 August 2008 with 100 % ownership of the Company in order to operate in handling services business and has Group A Business License was not consolidated as of 31 December 2008 since it has not yet started its operations.

c) The Group has three affiliates. The affiliates to which the participation rates of the Group are 50% and 49 % are controlled by the Group jointly, and are valued by equity method.

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

2.1 Basis of Presentation (cont'd)

2.1.3 Fundamentals of the consolidations (cont'd)

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

		Participation rate		
Name of the Company	Principal Activity	31 December 2008	31 December 2007	Country of Registration
Güneş Ekspres Havacılık A.Ş.	Air Transportation	50%	50%	Turkey
THY DO&CO İkram Hizmetleri A.Ş.	Catering Services	50%	50%	Turkey
P&W T.T. Uçak Bakım Merkezi Ltd. Şti.	Technical Maintenance	49%	-	Turkey

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

2.2 Currency Used In The Financial Statements

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

Beginning from 1 January 2005, six zeros were removed from the currency in Turkey and New Turkish Lira was set as the new currency of the Republic of Turkey. The Council of Ministers has decided to remove the phrase "New" in the currency effective after 1 January 2009. Therefore, as of 31 December 2008 the Company's functional and reporting currency and comparative amounts in previous periods are presented by using the rate of 1 New Turkish Lira = 1 Turkish Lira (TRY).

2.3 Changes in Accounting Policies, Accounting Estimates and Errors

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

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

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

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

Restatement of Previous Periods' Financial Statements

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

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

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

	31 December 2007				
	Previously Reported (After reclassifications)	Adjustment For Frequent Flyer Program	Adjustment For Unused Vacation Provision	Adjustment For Accrued Expense of Maintenance Reserve	Restated
Passenger flight liabilities	348.048.601	31.627.985	-	-	379.676.586
Other short term liabilities	37.387.761	-	-	27.456.781	64.844.542
Employee benefits	28.241.529	-	11.422.832	-	39.664.361
Deferred tax liabilities (net)	139.838.444	(6.325.597)	(2.284.566)	(5.491.356)	125.736.925
Net profit for the period	291.892.623	(8.830.945)	(2.054.546)	(15.510.358)	265.496.774
Accumulated Losses	(363.500.835)	(16.471.443)	(7.083.719)	(6.455.066)	(393.511.064)
Sales Revenue	4.877.448.756	(17.939.930)	-	-	4.859.508.826
Cost of Sales	(3.584.547.121)	-	(1.989.527)	(19.387.948)	(3.605.924.596)
Marketing, Sales and Distribution expenses	(576.454.165)	-	(356.094)	-	(576.810.259)
General administrative expenses	(170.417.405)	-	(222.562)	-	(170.639.967)
Other operating expenses	(16.820.709)	6.901.249	-	-	(9.919.460)
Tax income /(expense)	(112.330.882)	2.207.736	513.637	3.877.590	(105.731.920)
Earnings per share (Kr)	0,167	(0,005)	(0,001)	(0,009)	0,152

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

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

	31 December2006				
	Previously Reported (After classifications)	Adjustment For Frequent Flyer Program	Adjustment For Unused Vacation Provision	Adjustment For Accrued Expense of Maintenance Reserve	Restated
Passenger flight liabilities	321.743.168	20.589.304	-	-	342.332.472
Other short term liabilities	183.944.515	-	-	8.068.833	192.013.348
Employee benefits	22.149.729	-	8.854.649	-	31.004.378
Deferred tax liabilities (net)	149.979.174	(4.117.861)	(1.770.930)	(1.613.767)	142.476.617
Accumulated Losses	(542.283.756)	(16.471.443)	(7.083.719)	(6.455.066)	(572.293.985)

2.4 New and Revised International Financial Reporting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("the IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2008.

Standards, amendments and interpretations effective in 2008 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but they are not relevant to the Group's operations:

IFRIC 11, "IFRS 2 – Group and treasury share transactions",
IFRIC 12, "Service concession arrangements",
IFRIC 14, "IAS 19- The limit on a defined benefit asset, minimum funding requirements and their interaction",
UMS 39, UFRS 7 "Reclassification of financial assets (updated)"

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

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

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

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

• IFRS 8, "Operating segments"	Effective for annual periods beginning on or after 1 January 2009
• IFRIC 15, "Agreements for the construction of real estate"	Effective for annual periods beginning on or after 1 January 2009
• IFRIC 16, "Hedges of a net investment in a foreign operation"	Effective for annual periods beginning on or after 1 October 2008
• IFRIC 17, "Distributions of non-cash assets to owners"	Effective for annual periods beginning on or after 1 July 2009
• IFRIC 18, "Transfers of Assets from Customers"	Effective for transfers received on or after 1 July 2009
• IFRS 2, "Share-based Payment" Amendment relating to vesting conditions and cancellations"	Effective for annual periods beginning on or after 1 January 2009
• IFRS 1, "First-time Adoption of International Financial Reporting Standards" Amendment relating to cost of an investment on first-time adoption	Effective for annual periods beginning on or after 1 January 2009
• IFRS 3, "Business Combinations"	Effective for annual periods beginning on or after 1 July 2009
• IAS 27, "Consolidated and Separate Financial Statements"	
• IAS 28, "Investments in Associates"	
• IAS 31 "Interests in Joint Ventures" Comprehensive revision on applying the acquisition method	Effective for annual periods beginning on or after 1 July 2009
• IAS 23, "(Amendment) Borrowing costs" Comprehensive revision to prohibit immediate expensing"	Effective for annual periods beginning on or after 1 January 2009
• IAS 27, "Consolidated and Separate Financial Statements" Amendment relating to cost of an investment on first-time adoption	Effective for annual periods beginning on or after 1 January 2009

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

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

• IAS 1, "Presentation of Financial Statements"	Effective for annual periods beginning on or after 1 January 2009
• IAS 32, "Financial Instruments: Presentation" Amendments relating to disclosure of puttable instruments and obligations arising on liquidation	Effective for annual periods beginning on or after 1 January 2009
• IAS 1, "Presentation of Financial Statements" Comprehensive revision including requiring a statement of comprehensive income	Effective for annual periods beginning on or after 1 January 2009
• IAS 39, "Financial Instruments: Recognition and Measurement" Amendments for eligible hedged items	Effective for annual periods beginning on or after 1 July 2009

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company are summarized below:

Changes on the IFRS 1, "First-time Adoption of International Financial Reporting Standards and IAS 27, "Consolidated and Separate Financial Statements"

The change enables companies adopting IFRS first time to determine cost of investments in subsidiaries, associates and joint ventures in the opening balance sheets according to IAS 27 or estimated costs. The change in IAS 27 requires recognize dividends from subsidiaries, associates and joint ventures in the statement of income for the purposes of unconsolidated financial statements. This change is not expected to have any influence on the financial statements of the Group.

IFRS 2 "Share-Based Payments"

The amendments clarify the definition of vesting conditions and introduce the concept of a 'non-vesting condition' which is a condition that is neither a service condition nor a performance condition. The standard also requires the application of similar criteria to be used in the recognition of awards cancelled by either an entity or the counterparty (employer or employee). The adoption IFRS 2 in future periods will have no material impact on the financial statements of the Group.

IFRS 8 "Operating Segments"

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

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

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

IAS 32 and IAS 1 'Puttable Instruments and Obligations Arising On Liquidation'

Under the revised IAS 32, subject to specified criteria are being met, puttable instruments and obligations arising on liquidation will be classified as equity while, the amendment to IAS 1 requires the definition and disclosure of such instruments, which are classified as equity. The adoption of these standards in future periods will have no material impact on the financial statements of the Group.

IAS 23 (Revised) "Borrowing Costs"

The amendment requires an entity to capitalize borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The amendment will eliminate the expensing option of borrowing costs in the period in which they are incurred. Group will adopt IAS 23 (Revised) after 1 January 2009.

IFRS 3 "Business Combinations"

The amendments require the recognition of an acquisition related cost of a business combination as an expense in the period in which the cost is incurred. It also requires subsequent changes in the fair value of a contingent consideration recognized in business combination to be recognized in the statement of income rather than in equity. This change is not expected to have any influence on the financial statements of the Group.

IFRIC 15 "Agreements for the Construction of Real Estate"

IFRIC 15 provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and, accordingly, when revenue from the construction should be recognized. This change is not expected to have any influence on the financial statements of the Group.

IFRIC 16 "Hedges of A Net Investment In A Foreign Operation"

IFRIC 16 provides guidance on three main issues: The presentation currency used in the entity's financial statements cannot be used as a basis for the application of hedge accounting. Therefore, a hedged risk can be considered as the exchange differences arising between the functional currency of the foreign operation and the presentation currency used in the financial statements of the parent entity. A hedging instrument can be held within the Company or companies. The adoption of the Interpretation in future periods will have no material impact on the financial statements of the Group.

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

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

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

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

IFRIC 18 "Transfers of Assets From Customers"

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

IAS 1 (Revised) "Presentation of Financial statements"

IAS 1 has been revised in order to improve users' ability to analyze and compare the information given in financial statements. Changes made to the revised standard are: the statement of changes in equity can only include transactions with shareholders; in addition to statement of income, presentation of a new "Statement of Other Comprehensive Income" showing all income and expense items as profit and loss; and interpretation of prior financial statements in the current period, or presentation of the prior effects of the retrospective application of new accounting policies in a newly formed column in the financial statements. The Company will apply the related amendments in 2009.

IAS 39, "Financial Instruments: Recognition and Measurement" Amendments relating to hedging items. The amendment clarifies that inflation may only be hedged if changes in inflation are a contractually specified portion of cash flows of a recognized financial instrument.

<u>Not yet entered into force in 2008, but the group has been adopted by the early implementation of standards</u>

IFRIC 13 " Customer Loyalty Programmes"	Effective for annual periods beginning on or after 1 January 2009

IFRIC 13 "Customer Loyalty Programmes"

Under IFRIC 13, customer loyalty programmes should be recognized as a separately identifiable component of the sales transaction(s). A portion of the fair value of the consideration received in respect of the initial sale shall be allocated to the award credits and the consideration allocated to award credits should be recognized as revenue when awards credits are redeemed. The adoption IFRIC 13 in future periods will have no material impact on the financial statements of the Company because the interpretation is not relevant to its operations. Although the interpretation has not yet entered into force, Group has adopted early application of IFRIC 13. (Note 2.3)

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

2.5 Summary of Significant Accounting Policies

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

2.5.1 Offsetting

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

2.5.2 Revenue

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

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

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

2.5.3 Inventories

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

2.5.4 Tangible Assets

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

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.5 Leasing Transactions

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

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

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

2.5.6 Intangible Assets

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

2.5.7 Impairment on Assets

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

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.7 Impairment on Assets (cont'd)

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

2.5.8 Borrowing Costs

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

2.5.9 Financial Instruments

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

a) Financial assets

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

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

Financial assets at fair value through profit or loss

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

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)

Held-to-maturity investments

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

Available for sale investments

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

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

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

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

Loans and receivables

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

Impairment of financial assets

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

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

2.5 Summary Of Significant Accounting Policies (cont'd)

2.5.9 Financial Instruments (cont'd)

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

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

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

Cash and cash equivalents

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

b) Financial liabilities

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

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

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

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

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

2.5 Summary Of Significant Accounting Policies (cont'd)

2.5.9 Financial Instruments (cont'd)

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

Derivative financial instruments and hedge accounting

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

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

The Group uses derivative financial instruments for these purposes.

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

2.5.10 Business Combinations

None.

2.5.11 Foreign Currency Transactions

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

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

	Closing rate	Average rate
Year ended 31 December 2008	1,5123	1,2976
Year ended 31 December 2007	1,1647	1,3003

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

	Closing rate	Average rate
Year ended 31 December 2008	2,1408	1,8969
Year ended 31 December 2007	1,7102	1,7773

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.12 Earnings Per Share

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

2.5.13 Events Subsequent to the Balance Sheet Date

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

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

2.5.14 Provisions, Contingent Liabilities, Contingent Assets

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

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

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

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

Onerous Contracts

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.15 Related Parties

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

A party is related to an entity if:
(a) directly, or indirectly through one or more intermediaries, the party:
(i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
(ii) has an interest in the entity that gives it significant influence over the entity; or
(iii) has joint control over the entity;
(b) the party is an associate (as defined in IAS 28 Investments in Associates) of the entity;
(c) the party is a joint venture in which the entity is a venturer (see IAS 31 Interests in Joint Ventures);
(d) the party is a member of the key management personnel of the entity or its parent;
(e) the party is a close member of the family of any individual referred to in (a) or (d);
(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
(g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

2.5.16 Segmental Information

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

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.17 Construction Contracts

None

2.5.18 Discontinued Operations

None

2.5.19 Government Incentives and Grants

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

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

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

2.5.20 Investment Property

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

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

2.5.21 Taxation and Deferred Tax

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

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

Current tax

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.21 Taxation and Deferred Tax

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 utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

Current and deferred tax for the period

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

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

2.5 Summary Of Significant Accounting Policies (cont'd)

2.5.22 Employee benefits / Retirement pay provision

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard 19 (revised) "Employee Benefits" ("IAS 19").

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

2.5.23 Retirement Plans

None.

2.5.24 Agricultural Activities

None.

2.5.25 Statement of cash flows

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

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

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

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

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

2.5.26 Share Capital and Dividends

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

2.5.27 Manufacturers' Credits

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

2.5.28 Use of Estimates

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

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

2.5 Summary Of Significant Accounting Policies (cont'd)

2.5.29 Maintenance and Repair Costs

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

2.5.30 Frequent Flyer Program

The Group provides a frequent flyer program named "Miles and Smiles" in the form of free travel award to its members on accumulated mileage. Miles earned by flights are recognized as a separately identifiable component of the sales transaction(s). A portion of the fair value of the consideration received in respect of the initial sale shall be allocated to the award credits and the consideration allocated to award credits should be recognized as revenue when awards credits are redeemed.

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

2.6 Important Accounting Estimates and Assumptions

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

The Determination of Impairment on Assets

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

Calculation of the Liability for "Frequent Flyer Program"

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

Useful Lives and Salvage Values of Financial Assets:

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

3 BUSINESS COMBINATIONS

None.

4 JOINT VENTURES

None.

5 SEGMENTAL REPORTING

Business Segments

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

Geographical Segments

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

5.1. Total Assets and Liabilities

Total Assets	**31 December 2008**	**31 December 2007**
Aviation	7.831.690.828	4.890.714.620
Technic	444.054.277	401.029.690
Total	8.275.745.105	5.291.744.310
Less: Eliminations of consolidation	(404.109.549)	(369.300.235)
Total assets according to consolidated financial statements	7.871.635.556	4.922.444.075

Total Liabilities	**31 December 2008**	**31 December 2007**
Aviation	4.845.103.732	3.042.813.141
Technic	93.546.882	87.450.922
Total	4.938.650.614	3.130.264.063
Less: Eliminations of consolidation	(53.602.154)	(55.721.467)
Total liabilities according to consolidated financial statements	4.885.048.460	3.074.542.596

5.2. Net Operating Profit/(Loss)

Segment Result:

01 January 2008-30 December 2008	**Aviation**	**Technic**	**Eliminations between segments**	**Total**
Sales revenue	6.005.865.887	615.219.281	(497.910.959)	6.123.174.209
Cost of sales	(4.607.738.807)	(533.636.020)	491.143.450	(4.650.231.377)
Gross profit or (loss)	1.398.127.080	81.583.261	(6.767.509)	1.472.942.832
Marketing, selling and distribution expenses	(632.369.295)	(3.714.723)	208.010	(635.876.008)
General administration expenses	(172.203.555)	(34.289.692)	2.680.066	(203.813.181)
Other operating income	58.451.034	17.899.690	(19.660.196)	56.690.528
Other operating expenses	(89.018.085)	(37.081.214)	23.539.629	(102.559.670)
Operating profit or (loss)	562.987.179	24.397.322	-	587.384.501

5 SEGMENTAL REPORTING (cont'd)

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

Income statement items related to impairment of tangible fixed assets

01 January 2008-31 December 2008	Aviation	Technic	Eliminations between segments	Total
Real increase on tangible fixed asset impairment accrual (Loss from other operations)	(69.275.908)	-	-	(69.275.908)
Decrease on tangible fixed asset impairment accrual due to exchange rate changes (Financial income)	1.012.109.406	-	-	1.012.109.406

Income statement items related to investments accounted for equity method

01 January 2008-31 December 2008	Aviation	Technic	Eliminations between segments	Total
Share of profit /(loss) on investments accounted for equity method	4.042.859	(470.485)	-	3.572.374

Segment Result:

01 December 2007-31 December 2007	Aviation	Technic	Eliminations between segments	Total
Sales revenue	4.803.709.345	593.130.196	(537.330.715)	4.859.508.826
Cost of sales	(3.571.461.131)	(565.035.173)	530.571.708	(3.605.924.596)
Gross profit or (loss)	1.232.248.214	28.095.023	(6.759.007)	1.253.584.230
Marketing, selling and distribution expenses	(574.362.175)	(2.454.780)	6.696	(576.810.259)
General administration expenses	(143.115.793)	(28.341.664)	817.490	(170.639.967)
Other operating income	223.299.004	9.004.150	(5.758.474)	226.544.680
Other operating expenses	(9.169.488)	(12.443.267)	11.693.295	(9.919.460)
Operating profit or (loss)	728.899.762	(6.140.538)	-	722.759.224

Income statement items related to impairment of tangible fixed assets

01 January 2007-31 December 2007	Aviation	Technic	Eliminations between segments	Total
Real increase on tangible fixed asset impairment accrual (Loss from other operations)	178.731.865	-	-	178.731.865
Decrease on tangible fixed asset impairment accrual due to exchange rate changes (Financial income)	(468.893.946)	-	-	(468.893.946)

5 SEGMENTAL REPORTING (cont'd)

Income statement items related to investment that valued by share holder's equity method

01 January 2007-31 December 2007	**Aviation**	**Technic**	**Eliminations between segments**	**Total**
Share of profit /(loss) on investment that valued by share holder's equity method	15.489.140	-	-	15.489.140

5.3. Investment Operations

01 January 2008-30 December 2008	**Aviation**	**Technic**	**Eliminations between segments**	**Total**
Purchases of tangible and intangible assets	1.180.306.571	118.885.388	-	1.299.191.959
Current period amortization and depreciation expense	310.842.502	82.983.692	-	393.826.194
Tangible fixed asset accumulated impairment	360.198.667	-	-	360.198.667
The associates accounted for equity method	39.872.359	3.765.565	-	43.637.924

01 January 2007-30 December 2007	**Aviation**	**Technic**	**Eliminations between segments**	**Total**
Purchases of tangible and intangible assets	703.014.972	108.493.496	-	811.508.468
Current period amortization and depreciation expense	262.343.010	102.507.555	-	364.850.565
Tangible fixed asset accumulated impairment	1.303.032.165	-	-	1.303.032.165
The associates accounted for equity method	38.370.043	-	-	38.370.043

6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following:

	31 December 2008	**31 December 2007**
Cash	356.049	372.624
Cheques received	244.458	144.736
Banks – Time deposits	365.786.513	399.915.290
Banks – Demand Deposits	122.908.559	71.505.567
Other liquid assets	15.610.142	8.257.998
	504.905.721	480.196.215

Foreign currency bank balances are TRY 339.442.970 as at 31 December 2008 (31 December 2007: TRY 391.171.073).

6 CASH AND CASH EQUIVALENTS (cont'd)

Time Deposits:

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

Amount	Currency	Opening Date	Interest Rate	Maturity	31 December 2007
72.700.000	TRY	05.11.2007- 31.12.2007	%17,90 - %18,52	02.01.2008- 05.02.2008	72.700.000
172.365.000	Euro	22.10.2007- 31.12.2007	%4,75 - %5,75	02.01.2008- 21.02.2008	294.778.623
27.849.804	USD	03.12.2007- 31.12.2007	%4,30 - %5,80	01.01.2008- 28.01.2008	32.436.667
					399.915.290

7 FINANCIAL ASSETS

Short-term financial assets comprised the following:

	31 December 2008	31 December 2007
Time deposits with maturity more than 3 months	1.403.033.703	292.020.000

Foreign currency bank balances are TRY 858.433.703 as at 31 December 2008 (31 December 2007: TRY 171.020.000).

Time deposits with maturity more than 3 months:

Amount	Currency	Opening Date	Interest Rate	Maturity	31 December 2008
544.600.000	TRY	21.05.2008 22.12.2008	19,15 %- 23,00%	05.01.2009 03.09.2009	544.600.000
107.460.000	Euro	07.07.2008- 22.12.2008	6,50% - 8,50%	19.01.2009 04.05.2009	230.050.368
415.515.000	USD	23.01.2008- 15.12.2008	5,65% - 8,55%	05.01.2009 24.07.2009	628.383.335
					1.403.033.703

Amount	Currency	Opening Date	Interest Rate	Maturity	31 December 2007
121.000.000	TRY	05.11.2007- 18.12.2007	17,50% - 18,52%	04.04.2008- 05.06.2008	121.000.000
100.000.000	Euro	22.10.2007- 24.12.2007	5,50% - 5,76%	21.03.2008- 21.05.2008	171.020.000
					292.020.000

7 FINANCIAL ASSETS (cont'd)

Long-term financial assets comprised the following:

	31 December 2008	31 December 2007
Sita Inc.	1.679.619	1.679.619
Emek İnşaat ve İşletme A.Ş.	26.859	26.859
Star Alliance GMBH	44.465	-
	1.750.943	1.706.478
Derivative instruments at fair values (Note 39)	-	1.310.086
	1.750.943	3.016.564

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

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

Name of the Company	Place of Incorporation and Operation	Ownership Rate	Voting Power Rate	Principal Activity
Emek İnşaat ve İşletme A.Ş.	Turkey	0,3%	0,3%	Construction
Sita Inc.	Netherlands	Less than 0,1%	Less than 0,1%	Information & Telecommunication Services
Star Alliance GMBH	Germany	5,88%	5,88%	Coordination Between Star Alliance Member Airlines

8 FINANCIAL DEBT

Short-term financial liabilities comprised the following:

	31 December 2008	31 December 2007
Bank loans	34.900.371	3.735.162
Finance lease obligations	384.388.858	225.183.209
	419.289.229	228.918.371

Long-term financial liabilities comprised the following:

	31 December 2008	31 December 2007
Bank loans	-	26.715.577
Finance lease obligations	2.798.005.235	1.569.126.885
	2.798.005.235	1.595.842.462

8 FINANCIAL DEBT (cont'd)

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

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

As of 31.12.2008 Groups has no long term bank borrowings.

Short-term portion of long-term financial liabilities at 31 December 2007 is as follows:

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

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

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

Finance lease obligations comprised the following:

	31 December 2008	31 December 2007
Not later than 1 year	480.276.603	298.808.141
Between 1-5 years	1.566.966.270	986.535.222
Over 5 years	1.778.034.612	948.427.925
	3.825.277.485	2.233.771.288
Less: Future interest expenses	(642.883.392)	(439.461.194)
Principal value of future rentals shown in the balance sheets	3.182.394.093	1.794.310.094
Interest Range:		
Floating rate obligations	1.221.791.915	1.123.591.167
Fixed rate obligations	1.960.602.178	670.718.927
	3.182.394.093	1.794.310.094

As of 31 December 2008, the US Dollars and Euro denominated lease obligations' weighted average interest rates for the fixed rate obligations are 4,90% and for the floating rate obligations are 1,93%.

9 OTHER FINANCIAL LIABILITIES

Other short-term financial liabilities comprised the following:

	31 December 2008	31 December 2007
Derivative instruments at fair values (Note 39)	4.761.176	-
Debt to banks	639.916	877.628
	5.401.092	877.628

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

10 ACCOUNTS RECEIVABLE AND PAYABLE

Short-term accounts receivable comprised the following:

	31 December 2008	31 December 2007
Trade Receivables	383.824.100	268.319.123
Due from related parties (Note 37)	4.741.388	702.938
Discount on receivables (-)	(2.378.567)	(2.078.023)
Allowance for doubtful receivables	(37.042.788)	(21.405.019)
	349.144.133	245.539.019

The Group provided provision for the receivables that are carried to legal proceedings and for the others by making historical statistical calculations. Movement of the doubtful receivables period ended 31 December 2008 and 2007 is as follows:

	1 January- 31 December 2008	1 January - 31 December 2007
Opening Balance	21.405.019	18.447.881
Current period expense	20.707.670	6.377.605
Collected amount	(4.895.781)	(2.520.959)
Write- off	(174.120)	(899.508)
Closing Balance	37.042.788	21.405.019

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

Short-term accounts payable comprised the following:

	31 December 2008	31 December 2007
Trade payables	427.496.732	360.281.125
Due to related parties (Note 37)	9.433.149	7.126.031
Discount on payables (-)	(2.428.283)	(3.130.776)
Other	607.613	247.611
	435.109.211	364.523.991

11 OTHER RECEIVABLES AND LIABILITIES

Other short-term receivables comprised the following:

	31 December 2008	31 December 2007
Prepayments made for aircrafts, to be received back in cash	30.220.978	280.205.350
Due from related parties (non-trading) (Note 37)	67.386	10.293.642
Receivables from foreign acquisition transactions	5.551.351	11.466.895
Receivables from tax office	4.917.861	478.459
Receivables from foreign technical suppliers	1.465.399	1.634.072
Receivable from SITA deposit certificate	600.600	593.654
Due from personnel	1.263.682	344.627
Bosnia Herzegovina Airlines Share Advancement	10.704.000	-
Deposits and guarantees given	949.250	385.359
VAT deductible	4.295.567	-
Other receivables	1.637.884	453.699
	61.673.958	305.855.757

Other long -term receivables comprised the following:

	31 December 2008	31 December 2007
Receivables from foreign acquisition transactions	4.796.921	11.750.866
Receivable from SITA deposit certificates	1.205.400	917.469
Deposits and guarantees given	3.472.266	2.239.135
Advance payments for operating leases	6.924.230	2.447.361
Due from related parties (non-trading) (Note 37)	-	3.591.420
Due from personnel	6.410.064	810.077
	22.808.881	21.756.328

Other short-term liabilities comprised the following:

	31 December 2008	31 December 2007
Taxes and funds payable	26.061.291	19.849.575
Social security premiums payable	21.564.459	20.378.288
MCO advances	57.613.133	24.971.575
E-Pos ticket advances	162.591	380.719
Charter advances	751.062	350.971
Advances received for mile credit sales	45.587.172	8.359.465
Deposits and guarantees received	7.603.582	5.458.956
Other advances received	1.072.264	961.986
Other liabilities	1.138.625	2.675.519
	161.554.179	83.387.054

Other long-term receivables comprised the following:

	31 December 2008	31 December 2007
Deposits and guarantees received	7.865.284	7.058.322

12 RECEIVABLES AND PAYABLES FROM ACTIVITIES IN FINANCE SECTOR

None (31 December 2007: None).

13 INVENTORIES

	31 December 2008	31 December 2007
Spare parts, flight equipments	87.165.280	91.924.069
Other inventories	25.918.729	32.662.010
	113.084.009	124.586.079
Provision for impairment (-)	(14.724.718)	(10.845.508)
	98.359.291	113.740.571

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

	1 January- 31 December 2008	1 January- 31 December 2007
Provision at the beginning of the period	10.845.508	4.910.688
Current period expense	13.078.367	8.516.796
Cancellation of provisions recognized	(9.199.157)	(2.581.976)
Provision at the end of the period	14.724.718	10.845.508

14 BIOLOGICAL ASSETS

None. (31 December 2007: None).

15 ASSETS FROM CONSTRUCTION CONTRACTS IN PROGRESS

None. (31 December 2007:None).

16 INVESTMENTS ACCOUNTED FOR EQUITY METHOD

The associates accounted per the equity method are as follows:

	31 December 2008	31 December 2007
Güneş Ekspres Havacılık A.Ş. (Sun Express)	13.811.371	18.301.705
THY DO&CO İkram Hizmetleri A.Ş. (Turkish DO&CO)	26.060.988	20.068.338
P&W T.T. Uçak Bakım Merkezi Ltd. Şti.	3.765.565	-
	43.637.924	38.370.043

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

	31 December 2008	31 December 2007
Total Assets	113.774.956	97.835.411
Total Liabilities	86.152.214	61.232.001
Shareholder's Equity	27.622.742	36.603.410
Group's share in associate's shareholder's equity	13.811.371	18.301.705
Revenue	765.171.890	541.761.918
Profit/Loss	(3.899.580)	21.239.662
Group's share on Profit/Loss	(1.949.790)	10.619.831

16 INVESTMENTS ACCOUNTED FOR EQUITY METHOD (cont'd)

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

	31 December 2008	**31 December 2007**
Total Assets	93.245.421	98.361.252
Total Liabilities	41.123.446	58.224.577
Shareholder's Equity	52.121.975	40.136.675
Group's share in associate's shareholder's equity	26.060.988	20.068.338
Revenue	190.142.882	149.131.138
Profit/Loss	11.985.300	9.738.618
Group's share on Profit/Loss	5.992.650	4.869.309

Financial information for P&W T.T Uçak Bakım Merkezi Ltd. Şti as of 31 December 2008 and 31 December 2007 are as follows:

	31 December 2008	**31 December 2007**
Total Assets	8.344.051	-
Total Liabilities	659.225	-
Shareholder's Equity	7.684.826	-
Group's share in associate's shareholder's equity	3.765.565	-
Revenue	-	-
Profit/Loss	(960.174)	-
Group's share on Profit/Loss	(470.485)	-

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

	31 December 2008	**31 December 2007**
Sun Ekspress	(1.949.791)	10.619.831
Turkish DO&CO	5.992.650	4.869.309
P&W T.T. Uçak Bakım Merkezi Ltd. Şti.	(470.485)	-
Total	3.572.374	15.489.140

Details of investments valued by equity method as of 31 December 2008 are as follows:

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

17 INVESTMENT PROPERTY (NET)

	31 December 2008	31 December 2007
Opening Balance, 1 January	53.700.000	51.975.000
Gain / (loss) from the change in the fair value	(5.000.000)	1.725.000
Disposal	(570.000)	-
Year-end Balance	48.130.000	53.700.000

Fair values of Group's investment property as at 31 December 2008 was obtained from the valuation performed by an independent valuation firm which is not a related party to Group on 2 February 2009. Valuation was performed by the independent valuation firm which is authorized by Capital Markets Board with reference to market prices.

18 TANGIBLE ASSETS (NET)

	Land, Land Improvements& Buildings	Technical Equipments, Simulators and Vehicles	Other Equipments, Fixtures	Aircraft and Spare Engines	Components and Repairable Spare Parts	Construction in Progress	Total Assets Owned	Leased Aircraft	Total
Cost									
Opening balance 1 January 2008	164.584.014	303.009.428	171.151.244	2.639.937.173	327.244.646	59.697.500	3.665.624.005	3.830.021.095	7.495.645.100
Additions	10.644	20.494.791	8.968.480	85.287.700	102.489.872	42.532.535	259.784.022	1.019.175.119	1.278.959.141
Disposals	(253.838)	(12.210.080)	(13.557.988)	(2.114.432)	(63.641.960)	-	(91.778.298)	-	(91.778.298)
Transfers	304.718	-	-	32.203.509	-	(39.520.108)	(7.011.881)	6.386.093	(625.788)
Closing balance 31 December 2008	164.645.538	311.294.139	166.561.736	2.755.313.950	366.092.558	62.709.927	3.826.617.848	4.855.582.307	8.682.200.155
Accumulated Depreciation									
Opening balance 1 January 2008	53.372.621	247.371.689	144.571.580	1.460.111.153	153.043.938	-	2.058.470.981	899.782.547	2.958.253.528
Depreciation for the period	2.409.090	12.680.870	8.589.280	94.370.543	77.231.045	-	195.280.828	190.643.575	385.924.403
Disposals	(114.650)	(11.877.505)	(13.345.794)	(1.023.101)	(45.265.003)	-	(71.626.053)	-	(71.626.053)
Closing balance 31 December 2008	55.667.061	248.175.054	139.815.066	1.553.458.595	185.009.980	-	2.182.125.756	1.090.426.122	3.272.551.878
Accumulated impairment		158.627		(470.168.442)			(470.009.815)	109.811.148	(360.198.667)
31 December 2008 net book value	108.978.477	63.277.712	26.746.670	731.686.913	181.082.578	62.709.927	1.174.482.277	3.874.967.333	5.049.449.610
31 December 2007 net book value	111.211.393	50.917.920	26.579.664	562.315.592	174.200.708	59.697.500	984.922.777	2.249.436.630	3.234.359.407

18 TANGIBLE ASSETS (NET) (cont'd)

	Land, Land Improvements& Buildings	Technical Equipments, Simulators and Vehicles	Other Equipments, Fixtures	Aircraft and Spare Engines	Components and Repairable Spare Parts	Construction in Progress	Total Assets Owned	Leased Aircraft	Total
Cost									
Opening balance 1 January 2007	164.584.014	299.032.332	184.022.713	2.594.142.676	348.240.451	889.470	3.590.911.656	3.264.215.075	6.855.126.731
Additions	-	18.351.381	17.599.129	45.794.497	97.781.251	60.911.307	240.437.565	565.806.020	806.243.585
Disposals	-	(14.374.285)	(30.583.704)	-	(118.777.056)	-	(163.735.045)	-	(163.735.045)
Transfers	-	-	113.106	-	-	(2.103.277)	(1.990.171)	-	(1.990.171)
Closing balance 31 December 2007	164.584.014	303.009.428	171.151.244	2.639.937.173	327.244.646	59.697.500	3.665.624.005	3.830.021.095	7.495.645.100
Accumulated Depreciation									
Opening balance 1 January 2007	50.636.378	249.655.257	167.630.870	1.377.629.493	168.324.320	-	2.013.876.318	742.326.360	2.756.202.678
Depreciation for the period	2.736.243	12.074.399	7.261.263	82.481.660	98.551.773	-	203.105.338	157.456.187	360.561.525
Disposals	-	(14.357.967)	(30.320.553)	-	(113.832.155)	-	(158.510.675)	-	(158.510.675)
Closing balance 31 December 2007	53.372.621	247.371.689	144.571.580	1.460.111.153	153.043.938	-	2.058.470.981	899.782.547	2.958.253.528
Accumulated impairment	-	(4.719.819)	-	(617.510.428)	-	-	(622.230.247)	(680.801.918)	(1.303.032.165)
31 December 2007 net book value	111.211.393	50.917.920	26.579.664	562.315.592	174.200.708	59.697.500	984.922.777	2.249.436.630	3.234.359.407
31 December 2006 net book value	165.922.636	46.281.627	16.391.843	587.302.935	179.916.131	889.470	996.704.642	2.141.324.327	3.138.028.969

18 TANGIBLE ASSETS (NET) (cont'd)

Movements of Group's fixed asset impairment provision are as follows for the periods ending at 31 December 2008 and 2007:

	1 January- 31 December 2008	1 January- 31 December 2007
Opening Balances	1.303.032.165	1.012.870.084
Real increase /(decrease) in provision for diminution in value of tangible assets	69.275.908	(178.731.865)
Increase / (decrease) in provision for diminution in value of tangible assets due to exchange rate changes	(1.012.109.406)	468.893.946
Total Provision as of the end of the period	360.198.667	1.303.032.165

As explained in Note 2.5.7, the Group uses net US Dollars sales prices as the recoverable amount in the impairment calculation of its property, plant and equipment (i.e. aircrafts, spare engines and simulations - "Aircrafts"). The Group has TRY 1.012.109.406 of decrease in impairment loss arising from exchange rates due to the increase of net TRY sales prices of aircrafts as a result of the appreaciation of US Dollars against the TRY and has TRY 69.275.908 of increase in impairment loss as a result of recession in the US Dollar prices of aircrafts in the period that ended as of 31 December 2008 (Note 2.5.11). Consequently, The Group's total decrease in impairment loss amounts to TRY 942.833.498.

19 INTANGIBLE ASSETS (NET)

	Rights	Leasehold Improvements	Total
Cost			
Opening balance 1 January 2008	68.832.212	23.890.480	92.722.692
Additions	8.138.832	12.093.986	20.232.818
Disposals	(12.701)	(7.516.640)	(7.529.341)
Transfers	-	625.788	625.788
Closing balance 31 December 2008	76.958.343	29.093.614	106.051.957
Accumulated Depreciation			
Opening balance 1 January 2008	62.031.040	20.246.335	82.277.375
Amortization charge for the period	3.777.402	4.124.389	7.901.791
Disposals	(12.701)	(1.811.637)	(1.824.338)
Closing balance 31 December 2008	65.795.741	22.559.087	88.354.828
31 December 2008 net book value	11.162.602	6.534.527	17.697.129
31 December 2007 net book value	6.801.172	3.644.145	10.445.317

19 INTANGIBLE ASSETS (NET) (cont'd)

	Rights	Leasehold Improvements	Total
Cost			
Opening balance 1 January 2007	65.652.323	19.848.969	85.501.292
Additions	3.213.543	2.051.340	5.264.883
Disposals	(33.654)	-	(33.654)
Transfers	-	1.990.171	1.990.171
Closing balance 31 December 2007	68.832.212	23.890.480	92.722.692
Accumulated Depreciation			
Opening balance 1 January 2007	58.966.832	19.025.840	77.992.672
Additions	3.068.545	1.220.495	4.289.040
Disposals	(4.337)	-	(4.337)
Closing balance 31 December 2007	62.031.040	20.246.335	82.277.375
31 December 2007 net book value	6.801.172	3.644.145	10.445.317
31 December 2006 net book value	6.685.491	823.129	7.508.620

20 GOODWILL

None.

21 GOVERNMENT GRANTS

None.

22 PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Provisions for short-term liabilities comprised the following:

	31 December 2008	31 December 2007
Other provisions for legal claims	7.460.396	4.695.954
Other provisions for liabilities	-	83.267
	7.460.396	4.779.221

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

	1 January - 31 December 2008	1 January – 31 December 2007
Provision at 1 January	4.695.954	5.544.394
Charge for the period	3.031.707	283.140
Provisions released	(267.265)	(1.131.580)
Provision at the end of the period	7.460.396	4.695.954

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

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

a) Guarantees Given:

Amount of letter of guarantees given is TRY 81.610.647 as of 31 December 2008 (31 December 2007: TRY 43.439.870).

b) Letters of Comfort:

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

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

d) The Group's discounted retirement pay provision is TRY 142.459.082. The Group's liability for retirement pay would be approximately TRY 265.943.937 as of 31 December 2008, if all employees were dismissed on that date.

23 COMMITMENTS

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

	31 December 2008	31 December 2007
Less than one year	201.619.938	130.984.676
Between 1 – 5 years	684.056.091	483.430.705
More than 5 years	422.009.094	413.038.239
	1.307.685.123	1.027.453.620

The Group has signed agreements for delivery of 59 aircrafts with delivery dates between years 2005-2008. 5 of above mentioned aircrafts are delivered in 2005, 23 of these aircrafts are delivered in 2006 and 12 of these aircrafts are delivered in the 2007 and 19 of these aircrafts are delivered in 2008 and the delivery of 59 aircrafts were completed. Total value of aircrafts is approximately US Dollar 4,7 billion according to the producer firm's list prices before any discounts applicable by aircraft manufacturers. The Group has signed an agreement for purchase of 4 aircrafts to be delivered on the first quarter of 2009, costing US Dollar 172 million total, according to the producer's list prices before discounts. The Group has made advance payment of US Dollar 20 million to this firm as of 31 December 2008.

24 EMPLOYEE BENEFITS

Short-term employee benefits are as follows:

	31 December 2008	31 December 2007
Salary accruals	33.409.789	27.511.764
Debt to personnel	1.674.174	729.765
Unused vacation provision	12.734.462	11.422.832
	47.818.425	39.664.361

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

	31 December 2008	31 December 2007
Provision for retirement pay liability	142.459.082	131.959.011

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

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

Retirement pay liability is subject to an upper limit of monthly TRY 2.260,05 as of 1 January 2009 (1 January 2008: TRY 2.087,92).

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

Main assumption is that maximum liability amount increases parallel to inflation rate for every service year. Therefore, discount rate used is the expected real rate adjusted for the future inflationary effects. Because of this, provisions in the accompanying financial statements as of 31 December 2008 are calculated by estimating present value of probable liabilities arising due to retirement of employees. Provisions in the relevant balance sheet dates are calculated by using an approximate 6.26 % the real discount rate with the assumptions of 5.40 % annual inflation rate and 12% discount rate. (31 December 2007: %5.71). Estimated amount of retirement pay not paid due to voluntary leaves and kept in the Company is also taken into consideration as 2.99 % (2007: 2.72%). Ceiling for retirement pay is revised semi-annually, ceiling amount of TRY 2.260,05 which is in effect since 1 January 2009 is used in the calculation of Group's provision for retirement pay liability.

24 EMPLOYEE BENEFITS

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

	1 January- 31 December 2008	1 January- 31 December 2007
Provision at 1 January	131.959.011	117.304.910
Current service costs	17.941.602	12.758.760
Interest cost	8.260.634	6.703.137
Actuarial gain	(2.847.655)	-
Payments	(12.854.510)	(4.807.796)
Provision at the end of the period	142.459.082	131.959.011

25 RETIREMENT PLANS

None (31 December 2007: None).

26 OTHER ASSETS AND LIABILITIES

Details of other current assets comprised the following:

	31 December 2008	31 December 2007
Advances for business purposes	1.005.304	727.382
Advance given to personnel	820.624	400.642
Prepaid sales commissions	8.832.684	11.254.831
Technical maintenance income accruals	5.438.066	5.458.505
Prepaid insurance expenses	5.676.306	3.366.409
Prepaid operating lease expenses	11.010.997	7.845.528
VAT to be refunded	5.469.834	3.462.269
Prepaid wet lease rent expenses	5.345.647	-
Prepaid financial lease interest expenses	1.112.512	1.003.842
Prepaid rent expenses	406.502	594.629
Prepaid taxes and funds	58.951.175	-
Advance given for orders	4.649.039	1.968.365
Interline passenger income accruals	8.073.217	7.715.608
Prepaid Eximbank USA guarantee and exposure fee	1.092.408	1.092.408
Prepaid aircraft financing expenses	1.062.573	764.269
Income accruals	1.828.282	2.176.269
Manufacturers' credits income accruals relating to aircrafts received	40.861.407	-
Deferred VAT	275.568	1.744.538
Prepaid other expenses	973.430	406.976
Prepaid financial expense of bank borrowing	21.088	21.690
Expenses relating to future periods	643.475	169.056
Other currents assets	13.290	3.776
	163.563.428	50.176.992

(Amounts expressed in TRY unless otherwise stated)

26 OTHER ASSETS AND LIABILITIES

Other non-current assets comprised the following:

	31 December 2008	31 December 2007
Prepayment for tangible assets	74.096.755	49.020.239
Maintenance reserve for engines	18.171.033	9.420.039
Prepaid Eximbank USA guarantee and exposure fee	2.618.689	3.704.559
Prepaid aircraft financing expenses	7.197.530	4.797.882
Prepaid operating lease expenses	3.175.779	2.743.798
Prepaid expenses	234.725	388.190
	105.494.511	70.074.707

Details of passenger flight liabilities are as follows:

	31 December 2008	31 December 2007
Frequent flyer program liability	98.946.996	80.814.519
Flight liability resulting from ticket sales	253.091.354	227.074.654
Flight liability resulting from mileage sales	89.768.475	71.787.413
	441.806.825	379.676.586

Other short-term liabilities comprised the following:

	31 December 2008	31 December 2007
Manufacturer's credit related to aircrafts to be received	9.926.677	20.327.228
Accruals for maintenance costs	69.099.738	33.355.898
Accruals for sales incentive premiums	4.603.716	7.144.213
Accruals for other expenses	369.934	2.650.295
Deferred income	430.965	150.945
Other liabilities	7.251.639	1.215.963
	91.682.669	64.844.542

Long-term other current assets comprised the following:

	31 December 2008	31 December 2007
Gross manufacturer's credits	39.289.960	27.843.438
Accumulated depreciations of manufacturer's credit	(8.168.227)	(3.743.686)
	31.121.733	24.099.752

27 SHAREHOLDERS' EQUITY

Share Capital- Adjustment to Share Capital

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

	Group	%	31 December 2008	%	31 December 2007
Republic of Turkey Prime Ministry Privatization Administration(*)	A, C	49,12(**)	85.963.662	49,12(**)	85.963.662
Others (publicly held)	A	50,88(**)	89.036.338	50,88(**)	89.036.338
Share capital			175.000.000		175.000.000
Restatement effect (***)			1.672.901.479		1.739.005.871
Restated share capital			1.847.901.479		1.914.005.871

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

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

(***) According to the Decision made at General Assembly held on 17 April 2008, accumulated losses arising from first-time restatement of financial statements for inflation were setted off against extraordinary reserves, legal reserves, share premium, special reserves and capital reserves arised from restatement of items of shareholdes' equity for inflation accounting after setting off against 2007 profit.

Retained Earnings	(393.511.064)
Net period profit	265.496.774
Restricted Reserves Assorted from Profit	61.014.406
Share Premium	895.492
Capital Inflation Adjustment Difference	66.104.392
	-

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

27 SHAREHOLDERS' EQUITY (cont'd)

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

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

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

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

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

c) Increasing share capital,

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

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

f) Making decisions relating to merges and liquidation,

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

Restricted Reserves Assorted from Profit

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

Foreign Currency Translation Differences

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

27 SHAREHOLDERS' EQUITY (cont'd)

Distribution of Dividends

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

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

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

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

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

However, the items of shareholders' equity of the Company, except profit for the year, in the statutory records as of 31 December 2008 are as follows:

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

28 SALES REVENUES AND COST OF SALES

Details of Gross Profit are as follows:

	1 January - 31 December 2008	1 January - 31 December 2007
Scheduled flights		
- Passenger	5.372.181.012	4.288.124.779
- Cargo and mail	381.265.205	320.313.440
Total scheduled flights	5.753.446.217	4.608.438.219
Non-scheduled flights	79.011.633	55.981.490
Other revenues	290.729.962	195.099.796
Total revenues	**6.123.187.812**	**4.859.519.505**
Less: Discounts and sales returns	(13.603)	(10.679)
Net Sales	**6.123.174.209**	**4.859.508.826**
Cost of Sales (-)	(4.650.231.377)	(3.605.924.596)
Gross Operating Profit	**1.472.942.832**	**1.253.584.230**

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

	1 January - 31 December 2008	1 January - 31 December 2007
- Europe	2.339.635.934	1.864.333.122
- Far East	957.987.938	840.076.118
- Middle East	700.021.271	455.236.678
- North America	220.517.817	211.861.564
- North Africa	156.956.164	102.318.306
- South Africa	48.995.003	12.451.621
- West Africa	27.517.999	16.293.665
- Middle Africa	20.181.995	17.772.215
	4.471.814.121	3.520.343.289
Domestic	1.281.632.096	1.088.094.930
Total Revenue from the scheduled flights	5.753.446.217	4.608.438.219

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

Cost of sales consists of the following:

	1 January - 31 December 2008	**1 January - 31 December 2007**
Fuel expenses	1.850.738.704	1.174.134.082
Staff expenses	856.558.103	739.111.335
Landing and navigation expenses	399.283.075	331.960.978
Depreciation expenses	371.409.129	346.726.772
Handling expenses	276.261.303	227.210.951
Passenger service and catering expenses	259.376.473	211.204.158
Maintenance expenses	233.448.486	193.703.763
Operating lease expenses	147.455.022	165.884.682
Codeshare expenses	141.212.392	121.009.853
Other renting expenses	24.958.770	15.166.928
Service expenses	22.961.843	5.845.162
Insurance expenses	21.169.619	31.339.269
Communication expenses	7.019.829	5.307.418
Aircraft wet-lease expenses	6.898.765	8.644.856
Other taxes	6.154.225	4.449.236
Transportation expenses	5.776.863	2.350.624
Lighting, heating, energy and water expenses	4.285.948	7.782.769
Cost of other sales	15.262.828	14.091.760
	4.650.231.377	3.605.924.596

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

	1 January - 31 December 2008	1 January - 31 December 2007
Marketing, Selling and Distribution Expenses	635.876.008	576.810.259
General Administrative Expenses	203.813.181	170.639.967
	839.689.189	747.450.226

Marketing, selling and distribution expenses comprised the following:

	1 January - 31 December 2008	1 January - 31 December 2007
Marketing, selling and distribution expenses		
Staff expenses	199.988.876	174.507.198
Commission and promotion Expenses	189.842.053	214.794.109
Reservation system expenses	104.458.574	81.639.787
Advertisement expenses	34.517.643	17.941.039
Other renting expenses	17.635.490	17.968.550
Membership expenses	12.929.861	10.104.609
Service expenses	11.688.333	9.252.686
Communication expenses	11.335.043	12.161.793
Passenger service and catering expenses	9.388.785	6.852.235
Other taxes	6.672.221	4.612.134
Transportation expenses	5.187.679	4.946.627
Lighting, heating, energy and water expenses	2.686.730	2.101.925
Maintenance expenses	1.410.155	1.710.098
Fuel expenses	789.684	846.778
Depreciation expenses	708.667	507.897
Insurance expenses	527.870	548.350
Other sales and marketing expenses	26.108.344	16.314.444
Total marketing, selling and distribution expenses :	635.876.008	576.810.259

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

General administrative expenses comprised the following:

	1 January - 31 December 2008	1 January - 31 December 2007
General administrative expenses (-)		
Staff expenses	122.824.047	103.031.818
Depreciation expenses	21.708.398	17.615.896
Maintenance expenses	11.817.364	7.629.252
Service expenses	8.398.360	6.312.313
Other taxes	7.734.389	6.727.369
Other renting expenses	6.828.249	5.980.929
Commission and promotion expenses	4.636.545	3.767.516
Communication expenses	3.730.409	4.823.437
Insurance expenses	2.610.354	2.280.134
Lighting, heating, energy and water expenses	2.127.523	2.152.697
Fuel expenses	296.111	407.546
Other general administrative expenses	11.101.432	9.911.060
Total Operating Expenses	203.813.181	170.639.967

30 EXPENSES ACCORDING TO CATEGORIES

	1 January - 31 December 2008	1 January - 31 December 2007
Expenses according to categories		
Fuel expenses	1.851.824.499	1.175.388.406
Staff expenses	1.179.371.026	1.016.650.351
Landing and navigation expenses	399.283.075	331.960.978
Depreciation expenses	393.826.194	364.850.565
Handling expenses	276.261.303	227.210.951
Passenger service and catering expenses	268.765.258	218.056.393
Maintenance expenses	246.676.005	203.043.113
Rent expenses	344.988.688	334.655.798
Commission and promotion expenses	194.478.598	218.561.625
Other expenses	334.445.920	262.996.642
	5.489.920.566	4.353.374.822

31 OTHER OPERATING INCOME / (EXPENSES)

Other operating income consists of the following:

	1 January - 31 December 2008	1 January - 31 December 2007
Real decrease in provision for diminution in value of tangible assets (Note 18)	-	178.731.865
Discounts received from spare parts suppliers	8.174.830	5.831.205
Material sales income	7.486.917	-
Indemnity and penalty income	6.268.389	5.354.254
Yapı Kredi protocol income	3.510.000	3.388.398
Provision released	4.903.880	3.655.647
Purchase discounts	6.423.388	4.172.900
Cost free material income	6.302.617	1.054.398
Rent income	979.550	912.474
Returns received from fuel, catering and handling companies	479.134	1.802.460
Profit on sale of scrap material	761.611	283.261
Fixed asset sales income	179.102	132.624
Valuation difference of investment property	-	1.725.000
Other service income	-	1.148.542
Rent return related to the returned aircraft	7.893	455.006
Discount and return on services taken	-	964.234
Return pursuant to the agreement done with aircraft manufacturers	-	702.503
Tax returned related to the aircraft leasing	1.540.571	97.187
Commission income	61.582	118.644
Excess of stock count	1.155.523	1.195.563
Maintenance fee returns from leasing companies	-	13.020.663
Other	8.455.541	1.797.852
	56.690.528	226.544.680

Other operating expenses consist of the following:

	1 January - 31 December 2008	1 January - 31 December 2007
Real increase in provision for diminution in value of tangible assets (Note 18)	69.275.908	-
Provision expense	23.492.206	6.424.973
Valuation difference of investment property	5.000.000	-
Indemnity and penalty expense	1.140.017	1.012.296
Passengers without visa expense	1.973.061	1.112.743
Loss on sale of fixed assets	123.457	1.300
Other expenses	1.555.021	1.368.148
	102.559.670	9.919.460

32 FINANCIAL INCOME

Financial income consists of the following:

	1 January - 31 December 2008	1 January - 31 December 2007
Decrease in provision for diminution in value of tangible assets due to exchange rate changes (Note 18)	1.012.109.406	-
Interest income	123.120.093	45.848.879
Foreign exchange gain	287.925.459	-
Discount interest income	4.692.212	2.446.885
Financial liabilities foreign exchange gain	-	258.280.289
Dividend income	35.033	2.540.292
	1.427.882.203	309.116.345

33 FINANCIAL EXPENSES

Financial expenses consist of the following:

	1 January - 31 December 2008	1 January - 31 December 2007
Financial liabilities foreign exchange loss	586.719.978	-
Finance lease interest expenses	103.921.630	88.707.976
Loss from the change in fair value of derivative instruments	6.071.262	2.796.990
Retirement pay interest cost	8.260.634	6.703.137
Discount expenses	6.801.332	2.890.995
Financial debts interest expense	1.474.979	2.402.762
Increase in provision for diminution in value of tangible asset due to exchange rate changes (Note18)	-	468.893.946
Foreign exchange losses	-	98.750.693
Loss on sale of marketable securities	-	4.967.798
Other financial expenses	123.325	21.718
	713.373.140	676.136.015

34 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None (31 December 2007: None).

35 TAX ASSETS AND TAX LIABILITIES

Corporate tax payable is as follows:

	31 December 2008	**31 December 2007**
Provision for corporate tax payable	7.673.685	122.471.610
Prepaid taxes and funds (*)	(3.487.876)	(102.490.395)
	4.185.809	19.981.215

Tax expense is as follows:

	1 January - 31 December 2008	**1 January - 31 December 2007**
Current period tax expense	7.673.685	122.471.610
Deferred tax expense / (income)	163.566.042	(16.739.690)
Tax expense	171.239.727	105.731.920

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

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

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

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

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

Group preferred to deduct the investment allowances of 2005 from the earnings in 2006 and 2007. Therefore, the applicable current corporate tax rate is 30% for 2006 and 2007. The applicable current corporate tax rate is 20% for 2008. The deferred tax rate used for the calculation of deferred tax assets and liabilities is also 20%.

35 TAX ASSETS AND TAX LIABILITIES (cont'd)

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

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

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods. In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the related financial year. Tax authorities have the right to audit tax declarations and accounting records for 5 years, and may issue re-assessment based on their findings.

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

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

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

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

35 TAX ASSETS AND TAX LIABILITIES (cont'd)

	1 January- 31 December 2008	1 January- 31 December 2007
Reconciliation of provision for taxes:		
Profit from operations before tax	1.305.465.938	371.228.694
Tax at the domestic income tax rate of %20 (2007: %30)	261.093.188	111.368.608
Tax effect of :		
- revenue that is exempt from taxation	(5.848.893)	(3.036.319)
- investment incentive used	-	(9.404.519)
- effect of foreign branch earnings exemption	(87.285.760)	-
- expenses that are not deductible in determining taxable profit	3.281.192	1.084.716
- effect of change in tax rate at deferred tax Calculation	-	5.719.434
Tax provision expense in statement of income	171.239.727	105.731.920

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

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

	31 December 2008	31 December 2007
Long term lease obligations	49.277.131	61.960.569
Accumulated financial loss	31.206.426	-
Retirement pay liability	28.491.817	26.391.803
Short term lease obligations	21.716.516	17.036.113
Expense accruals	36.194.357	22.362.546
Provision for diminution in value of inventories	2.944.944	2.169.102
Provision for unused vacation	2.546.893	2.284.567
Allowance for doubtful receivables	3.050.391	865.498
Discount on receivables	472.633	415.605
Income and expenses relating to future periods	1.037.855	(112.032)
Discount on payables	(485.657)	(626.155)
Provision for advance ticket sales	(32.179.753)	(21.728.406)
Fixed assets	(433.734.782)	(236.888.551)
Other	158.262	132.416
	(289.302.967)	(125.736.925)

	31 December 2008	31 December 2007
Deferred tax assets	1.986.324	3.193.155
Deferred tax liabilities	(291.289.291)	(128.930.080)
Deferred tax assets / (liabilities), net	(289.302.967)	(125.736.925)

35 TAX ASSETS AND TAX LIABILITIES (cont'd)

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

	1 Janurary - 31 December 2008	**1 Janurary - 31 December 2007**
1 January opening value of deferred tax	125.736.925	142.476.615
Deferred tax expense/ (income)	163.566.042	(16.739.690)
Current period deferred tax liability	289.302.967	125.736.925

36 EARNINGS PER SHARE

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

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

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

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

	1 January - 31 December 2008	**1 January - 31 December 2007**
Number of shares outstanding on 1 January (in full)	175.000.000.000	175.000.000.000
New shares issued (in full)	-	-
Number of shares outstanding on 31 December (in full)	175.000.000.000	175.000.000.000
Weighted average number of shares outstanding during the period (in full)	175.000.000.000	175.000.000.000
Net profit for the period	1.134.226.211	265.496.774
Earnings per share (*Kr)	0,648	0,152

(*) The earnings per share with par value of TRY 1 is TRY 6,48 in 2008; TRY1,52 in 2007.

37 RELATED PARTY DISCLOSURES

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

	31 December 2008	31 December 2007
Sun Express (Note 10)	646.191	702.938
THY DO&CO İkram Hizmetleri A.Ş. (Note 10)	4.095.197	-
	4.741.388	702.938

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

	31 December 2008	31 December 2007
Subsidiary:		
TGS Yer Hizmetleri A.Ş.(Note 11)	67.386	-
Joint Venture:		
THY DO&CO İkram Hizmetleri A.Ş. (Note 11)	-	10.293.642
	67.386	10.293.642

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

	31 December 2008	31 December 2007
THY DO&CO İkram Hizmetleri A.Ş. (Note 11)	-	3.591.420

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

	31 December 2008	31 December 2007
Sun Express (Note 10)	9.433.149	2.644.738
THY DO&CO İkram Hizmetleri A.Ş. (Note 10)	-	4.481.293
	9.433.149	7.126.031

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

	1 January - 31 December 2008	1 January - 31 December 2007
Services rendered to Sun Express	8.038.397	7.522.413
Services rendered to THY DO&CO	792.687	559.408
Interest income from THY DO&CO	401.509	1.478.805
	9.232.593	9.560.626

	1 January - 31 December 2008	1 January - 31 December 2007
Services received from Sun Express	30.909.242	22.434.065
Services received from USAŞ (*)	147.850.051	109.001.142
Services received from THY DO&CO	-	1.144.635
	178.759.293	132.579.842

(*)Because the Group has sold Uçak Servisi A.Ş. (USAŞ) shares as of 15 November 2007, transactions made with USAŞ in 2008 are not presented.

37 RELATED PARTY DISCLOSURES (cont'd)

Transactions between the Group and Sun Express are codeshare operations; transactions between the Group and Turkish DO&CO are catering services and loan financing. Receivables from related parties are not collateralized and maturity of trade receivables is 30 days. The maturity of non-trading receivable outstanding as at 31 December 2007 from THY DO&CO İkram Hizmetleri is 31 March 2009. For this receivable, Group accrued 5% interest based on Euro. Group collected the receivable on 12 November 2008.Group has not booked any provision for related party receivables.

Details of dividends received from related parties are as follows:

	1 January - 31 December 2008	1 January - 31 December 2007
Sun Express	6.999.950	-
Star Alliance Services GmbH	35.033	-
Uçak Servisi A.Ş (USAŞ)	-	2.539.966
Emek İnşaat ve İşletme A.Ş.	-	327
	7.034.983	2.540.293

The total amount of salaries and other short term benefits provided for the Chairman and the Member of Board of Directors,General Manager, General Coordinator and General Deputy Managers are TRY 3.003.116 (2007: TRY 1.963.485).

38 CHARACTERISTICS AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

(a) Capital risk management

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 8, and equity comprising issued capital, reserves and retained earnings, accumulated losses.

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

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

	31 December 2008	31 December 2007
Total Debts	3.657.804.767	2.190.162.452
Less: Cash and Cash Equivalents	(504.905.721)	(480.196.215)
Net Debts	3.152.899.046	1.709.966.237
Total Shareholders' Equity	2.986.587.096	1.847.901.479
Total Capital	6.139.486.142	3.557.867.716
Net Debt/Total Capital	0.51	0.48

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

(b) Financial risk factors

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

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

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

(b) Financial risk factors (cont'd)

b.1) Credit risk management

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

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

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

(b) Financial risk factors (cont'd)

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

Credit Risk of Financial Instruments	**Receivables**				
	Trade Receivables		**Other Receivables**		
31 December 2007	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Deposits in Bank**
Maximum credit risk as of balance sheet date (*)	702.938	244.836.081	13.885.062	313.727.023	763.440.857
- The part of maximum risk under guarantee with collateral etc. (**)	-	2.985.698	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	702.938	227.204.782	13.885.062	313.727.023	763.440.857
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	-	17.631.299	-	-	-
- The part under guarantee with collateral etc.	-	1.548.185	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
- Past due (gross carrying amount)	-	21.405.019	-	-	-
- Impairment (-)	-	(21.405.019)	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-

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

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

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

(b) Financial risk factors (cont'd)

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

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

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

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

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

The aging of the past due receivables are as follows:

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

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

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

The aging of the past due receivables are as follows:

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	Receivables					
31 December 2007	**Trade Receivables**	**Other Receivables**	**Deposits in Banks**	**Derivatives**	**Other**	**Total**
Past due 1-30 days	3.457.874	-	-	-	-	3.457.874
Past due 1-3 months	6.958.296	-	-	-	-	6.958.296
Past due 3-12 months	5.380.723	-	-	-	-	5.380.723
Past due 1-5 years	23.172.953	-	-	-	-	23.172.953
Past due more than 5 years	66.472	-	-	-	-	66.472
Total past due receivables	39.036.318	-	-	-	-	39.036.318
The part under guarantee with collateral	1.548.185	-	-	-	-	1.548.185

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

(b) Financial risk factors (cont'd)

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

As of balance sheet date, total amount of cash collateral and letter of guarantee which received by Group for past due not impaired receivable was TRY 2.318.741. (31 December 2007 TRY 1.548.185)

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

b.2) Liquidity risk management

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

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

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

Liquidity Risk Table

31 December 2008

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

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

(b) Financial risk factors (cont'd)

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

Liquidity Risk Table (cont'd):

31 December 2007

Due Date on Agreement	Book Value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative Financial liabilities						
Bank borrowings	30.450.739	33.197.488	1.339.485	3.936.297	27.921.706	-
Financial lease obligations	1.794.310.094	2.233.771.288	72.434.883	226.373.258	986.535.221	948.427.925
Trade payables	364.523.991	367.654.767	322.809.225	44.845.542	-	-
Other financial liabilities	877.628	877.628	877.628	-	-	-
Total liabilities	2.190.162.452	2.635.501.171	397.461.221	275.155.097	1.014.456.927	948.427.925

b.3)Market Risk Management

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

b.3.1) Foreign currency risk management

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

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

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

(b) Financial risk factors (cont'd)

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

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

	31 December 2008				
	TRY Equivalent (Functional currency)	**US Dollar**	**Euro**	**GBP**	**Other**
1. Trade Receivables	201.671.977	36.369.880	72.663.669	6.607.281	86.031.147
2a. Monetary Financial Assets	1.262.639.867	898.295.237	290.202.499	5.534.421	66.752.748
2b. Non Monetary Financial Assets	-	-	-	-	-
3. Other	7.419.217	2.458.692	41.404	4.760.149	158.971
4. CURRENT ASSETS	1.471.731.061	937.123.809	363.753.228	16.974.200	153.879.822
5. Trade Receivables	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-	-
7. Other	72.794.855	72.789.485	4.400	-	970
8. NON CURRENT ASSETS	72.794.855	72.789.485	4.400	-	970
9. TOTAL ASSETS	1.544.525.915	1.009.913.294	363.757.628	16.974.200	153.880.792
10. Trade Payables	244.277.677	125.858.217	56.555.014	16.252.346	45.612.100
11. Financial Liabilities	419.289.229	251.539.094	167.750.135	-	-
12a. Other Monetary Financial Liabilities	9.761.078	4.472.433	2.789.861	81.221	2.417.562
12b. Other Non-monetary Financial Liabilities	-	-	-	-	-
13. CURRENT LIABILITIES	673.327.984	381.869.744	227.095.010	16.333.567	48.029.662
14. Trade Payables	-	-	-	-	-
15. Financial Liabilities	2.798.005.235	1.052.489.444	1.745.515.791	-	-
16a. Other Monetary Financial Liabilities	7.998.826	1.038.768	5.829.426	4.210	1.126.422
16b. Other Non Monetary Financial Liabilities	-	-	-	-	-
17. NON CURRENT LIABILITIES	2.806.004.061	1.053.528.212	1.751.345.217	4.210	1.126.422
18. TOTAL LIABILITIES	3.479.332.045	1.435.397.956	1.978.440.227	16.337.777	49.156.084
19. Net asset / liability position of Off-balance sheet derivatives (19a-19b)	-	-	-	-	-
19a. Off-balance sheet foreign currency derivative assets	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-
20. Net foreign currency asset liability position (9-18+19)	(1.934.806.130)	(425.484.662)	(1.614.682.599)	636.423	104.724.708
21. Net foreign currency asset / liability position of monetary Items (1+2a+5+6a-10-11-12a-14-15-16a)	(2.015.020.202)	(500.732.839)	(1.614.728.403)	(4.123.726)	104.564.766
22. Fair value of foreign currency hedged financial assets	-	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-	-
25. Exports	4.540.026.181	536.061.102	2.404.349.759	141.055.054	1.458.560.268
26. Imports	1.651.794.897	937.339.395	495.108.749	14.626.988	204.719.765

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

(b) Financial risk factors (cont'd)

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

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

	31 December 2007				
	TRY Equivalent (Functional currency)	**US Dollar**	**Euro**	**GBP**	**Other**
1. Trade Receivables	152.929.733	32.854.718	60.271.524	4.463.030	55.340.461
2a. Monetary Financial Assets	851.108.316	320.548.967	480.569.767	2.751.061	47.238.521
2b. Non Monetary Financial Assets	-	-	-	-	-
3. Other	29.729.317	24.184.104	2.481.011	441.884	2.622.318
4. CURRENT ASSETS	1.033.767.366	377.587.789	543.322.302	7.655.975	105.201.300
5. Trade Receivables	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-	-
7. Other	33.037.915	27.968.007	4.296.063	72.219	701.626
8. NON CURRENT ASSETS	33.037.915	27.968.007	4.296.007	72.219	701.626
9. TOTAL ASSETS	1.066.805.281	405.555.796	547.618.365	7.728.194	105.902.926
10. Trade Payables	275.237.576	165.992.798	62.189.479	6.421.277	40.634.022
11. Financial Liabilities	228.918.371	172.833.268	56.085.103	-	-
12a. Other Monetary Financial Liabilities	-	-	-	-	-
12b. Other Non-monetary Financial Liabilities	-	-	-	-	-
13. CURRENT LIABILITIES	504.155.947	338.826.066	118.274.582	6.421.277	40.634.022
14. Trade Payables	-	-	-	-	-
15. Financial Liabilities	1.595.842.462	1.002.202.862	593.639.600	-	-
16a. Other Monetary Financial Liabilities	7.058.322	623.528	5.475.078	4.466	955.250
16b. Other Non Monetary Financial Liabilities	-	-	-	-	-
17. NON CURRENT LIABILITIES	1.602.900.784	1.002.826.390	599.114.678	4.466	955.250
18. TOTAL LIABILITIES	2.107.056.731	1.341.652.456	717.389.260	6.425.743	41.589.272
19. Net asset / liability position of Off-balance sheet derivatives (19a-19b)	-	-	-	-	-
19a. Off-balance sheet foreign currency derivative assets	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-
20. Net foreign currency asset liability position (9-18+19)	(1.040.251.450)	(936.096.660)	(169.770.895)	1.302.451	64.313.654
21. Net foreign currency asset / liability position of monetary Items (1+2a+5+6a-10-11-12a-14-15-16a)	(1.103.018.682)	(988.248.771)	(176.547.969)	788.348	60.989.710
22. Fair value of foreign currency hedged financial assets	-	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-	-
25.Exports	3.541.007.680	404.030.508	2.086.025.988	133.603.007	917.348.176
26.Imports	1.443.809.705	848.244.161	409.655.308	14.561.708	171.348.529

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

(b) Financial risk factors (cont'd)

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

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

Foreign currency sensitivity

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

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

	31 December 2008	
	Profit/Loss Before Tax	
	If foreign currency appreciated against TRY by 10%	If foreign currency devaluated against TRY by 10%
1 - US Dollar net asset / liability	(42.548.468)	42.548.468
2- Part of hedged from US Dollar risk (-)	-	-
3- US Dollar net effect (1 +2)	(42.548.468)	42.548.468
4- Euro net asset / liability	(161.468.260)	161.468.260
5- Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	(161.468.260)	161.468.260
7 - GBP net asset / liability	63.642	(63.642)
8- Part of hedged from GBP risk (-)	-	-
9- GBP net effect (7 +8)	63.642	(63.642)
10 - Other foreign currency net asset / liability	10.472.471	(10.472.471)
11- Part of hedged other foreign currency risk (-)	-	-
12- Other foreign currency net effect (10+11)	10.472.471	(10.472.471)
TOTAL (3 + 6 + 9 + 12)	**(193.480.615)**	**193.480.615**

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

(b) Financial risk factors (cont'd)

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

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

Foreign currency sensitivity (cont'd)

	31 December 2007	
	Profit/Loss Before Tax	
	If foreign currency appreciated against TRY by 10%	If foreign currency devaluated against TRY by 10%
1 - US Dollar net asset / liability	(93.609.667)	93.609.667
2- Part of hedged from US Dollar risk (-)	-	-
3- US Dollar net effect (1 +2)	(93.609.667)	93.609.667
4- Euro net asset / liability	(16.977.090)	16.977.090
5- Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	(16.977.090)	16.977.090
7 - GBP net asset / liability	130.245	(130.245)
8- Part of hedged from GBP risk (-)	-	-
9- GBP net effect (7 +8)	130.245	(130.245)
10 - Other foreign currency net asset / liability	6.431.365	(6.431.365)
11- Part of hedged other foreign currency risk (-)	-	-
12- Other foreign currency net effect (10+11)	6.431.365	(6.431.365)
TOTAL (3 + 6 + 9 + 12)	**(104.025.147)**	**104.025.147**

As explained in Note 2.5.7, the Group uses net US Dollars sales price as the recoverable amount in the impairment calculation of its property, plant and equipment (i.e. aircrafts, spare engines and simulations - "Aircrafts"). Accordingly, the impairment provided by the Group for the tangible assets decreases when the US Dollar is evaluated against TRY, and increases when the US Dollar is devaluated against TRY. In this context, If US Dollar is appreciated by 10 % against TRY, there would be an increase amounted TRY 360.198.667 (01 January – 31 December 2007: TRY 227.192.643) in the net profit for the period except for the effects in the table above due to the decrease in the impairment of aircrafts, spare engines and simulators. However, since the decrease in impairment of tangible fixed assets is limited to their TRY net book values, the effect of appreciation in exchange rates is limited to TRY 360.198.667.If US Dollar is devaluated by 10 % against TRY, effect in the profit or loss would be reverse except for the effects in the table above.

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

(b) Financial risk factors (cont'd)

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

b.3.2) Interest rate risk management

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

Interest Rate Position Table:

	31 December 2008	31 December2007
Instruments with Fixed Interest Rate		
Financial Assets – Time Deposits	1.768.820.216	691.935.290
Financial Liabilities	1.960.602.178	670.718.927
Financial Instruments with Variable Interest Rate		
Financial Liabilities	1.256.692.286	1.154.041.906

Interest Rate Sensitivity

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

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

Profit Before Taxes of the Group which belongs to 12-month-period will decrease in the amount of TRY 6.283.461 (as of 31 December 2007, It will decrease TRY 5.770.210). In contrast, If Libor and Euribor interest rate decreases 0.5%, Profit Before Taxes for 12-month-period will increase with the same amounts.

39 FINANCIAL INSTRUMENTS

Fair Values of Financial Instruments

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

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

39 FINANCIAL INSTRUMENTS (cont'd)

Categories and fair values of financial instruments:

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

31 December 2007 Balance Sheet	Financial assets at amortized cost	Loans and receivables	Financial assets at fair value through profit or loss	Derivative instruments which are reflected fair value to profit/(loss)	Investments available for sale	Financial liabilities at amortized cost	Carrying Value	Note
Financial assets								
Cash and cash equivalents	480.196.215	-	-	-	-	-	480.196.215	6
Financial assets	292.020.000	-	1.310.086	-	1.706.478	-	295.036.564	7
Accounts receivable	-	245.539.019	-	-	-	-	245.539.019	10
Other receivables	-	327.612.085	-	-		-	327.612.085	11
Financial liabilities								
Bank borrowings	-	-	-	-	-	30.450.739	30.450.739	8
Finance lease obligations	-	-	-	-	-	1.794.310.094	1.794.310.094	8
Other financial liabilities	-	-	-	-	-	877.628	877.628	9
Accounts payable	-	-	-	-	-	364.523.991	364.523.991	10

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

39 FINANCIAL INSTRUMENTS (cont'd)

Derivative instruments

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

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

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

	31 December 2008	31 December 2007
Cross rate swap contracts	326.427	(332.468)
Interest rate swap contracts	(5.087.603)	1.642.554
	(4.761.176)	1.310.086

40 EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

a) For the purpose of the amendment of Article 6 and the addition of temporary Article 3 to the Company's Articles of Association for the New Turkish Lira compliance, the Company's Extraordinary General Assembly Meeting was held on 22 January 2009. Upon the approval (no: 5942) of the Capital Markets Board and General Directorate of Domestic Trade of the Ministry of Industry and Trade granted on 15 December 2008, the Company is entitled to amend Article 6 and add temporary Article 3 to the Company's Articles of Association.

b) Board of Directors has decided to hedge approximately 10% of its annually estimated jet fuel consumption in order to minimize both the adverse effects of fuel market and the effect of price fluctuations over the cost of jet fuel and fix the cost of jet fuel at a constant rate within in certain limits

c) Board of Directors has decided to purchase an A320 simulator and A330/A340 simulator to be delivered within 10 months and 13 months as of the effective date of the relevant agreements, respectively.

d) One of the Company's aircraft, TC JGE - Boeing 737-800, which was leased from Perge Aviation Ltd. on 27 March 2002 had an accident while landing at the Shipol Airport in Netherlands. The aircraft was insured in consideration of US$ 41.767.200 by the group broker company, Albatros, under the Company's Fleet Insurance Policies, in compliance with the terms of the leasing agreement.

f) Collective Agreement No: 21 made between the Company and the Turkish Civil Aviation Union (HAVA İŞ) terminated as of 31 December 2008. Since the negotiations on the Collective Agreement No: 22, which is expected to be signed for a 2-year period by the contract parties, cannot be initiated due to the majority determination of collective agreement and the extension of authorization procedures, irrespective of considering the finalization of these negotiations and extension period, the Board has decided to give 6% of rise to its employees as effective from 1 January 2009.

g) Board of Directors has decided to purchase 5 aircrafts (777-300 ERs) from Boeing for the October 2010- February 2011 period. Each aircraft will be delivered on a monthly basis.

h) Board of Directors has decided to a sign a partnership agreement with Havaş Havaalanları Yer Hizmetleri A.Ş. for newly established company, TGS Yer Hizmetleri A.Ş.

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

a-) Consolidated financial statements were approved by Board of Directors on 07 April 2009 and authorization was given to be published. The General Assembly has the authority to change financial statements.

b-) In preparation of financial statements compliant with Communiqué Serial XI No: 29, Group reclassified previous periods' financial statements for the changes in presentation and classifications of financial statement items in order to ensure comparability. The reclassifications have no effect on prior year equity and net profit/(loss). Material reclassifications made are as follows:

The item disclosed on 31.12.2007 balance sheet under "Cash and Cash Equivalents", amounting 292.020.000, is disclosed on 31.12.2008 balance sheet under "Financial Investments".

The item disclosed on 31.12.2007 balance sheet under "Other Short-Term Receivables (net)", amounting 1.128.024, is disclosed on 31.12.2008 balance sheet under "Other Current Assets".

The item disclosed on 31.12.2007 balance sheet under "Other Long-Term Receivables (net)", amounting 2.329.400, is disclosed on 31.12.2008 balance sheet under "Other Non-Current Assets".

The item disclosed on 31.12.2007 balance sheet under "Other Liabilities (net)", amounting 40.227.863, is disclosed on 31.12.2008 balance sheet under "Other Payables".

The item disclosed on 31.12.2007 balance sheet under "Other Short-Term Liabilities (net)", amounting 28.241.528, is disclosed on 31.12.2008 balance sheet under "Employee Benefits".

The item disclosed on 31.12.2007 balance sheet under "Other Short-Term Liabilities (net)", amounting 24.099.752, is disclosed on 31.12.2008 balance sheet under "Other Long-Term Liabilities".

The item disclosed on 31.12.2007 balance sheet under "Other Short-Term Trade Receivables (net)", amounting 385.359, is disclosed on 31.12.2008 balance sheet under "Other Short-Term Receivables".

The item disclosed on 31.12.2007 balance sheet under "Short-Term Receivables from Related Parties (net)", amounting 10.293.642, is disclosed on 31.12.2008 balance sheet under "Other Short-Term Receivables".

41 OTHER ISSUES AFFECTING FINANCIAL STATEMENTS MATERIALLY OR NECESSARY TO MAKE FINANCIAL STATEMENTS SOUND, INTERPRETABLE AND UNDERSTANDABLE (cont'd)

The item disclosed on 31.12.2007 balance sheet under "Long-Term Receivables from Related Parties (net)", amounting 3.591.420, is disclosed on 31.12.2008 balance sheet under "Other Long-Term Receivables".

The item disclosed on 31.12.2007 balance sheet under "Long-Term Trade Receivables (net)", amounting 4.686.496, is disclosed on 31.12.2008 balance sheet under "Other Long-Term Receivables".

The item disclosed on 31.12.2007 balance sheet under "Short-Term Advances Received (net)", amounting 35.024.716, is disclosed on 31.12.2008 balance sheet under "Other Short-Term Payables".

The item disclosed on 31.12.2007 balance sheet under "Short-Term Trade Payables (net)", amounting 5.458.956, is disclosed on 31.12.2008 balance sheet under "Other Short-Term Payables".

The item disclosed on 31.12.2007 balance sheet under "Inventories (net)", amounting 1.968.365, is disclosed on 31.12.2008 balance sheet under "Other Current Assets".

The item disclosed on 31.12.2007 balance sheet under "Short-Term Trade Receivables (net)", amounting 114.196, is disclosed on 31.12.2008 balance sheet under "Other Receivables".

The item related with "Interline passenger and cargo revenue" disclosed on 31.12.2007 income statement, disclosed previously as netted, amounting 104.840.425, is disclosed as gross under "Revenue from Sales" and "Cost of Goods Sold", to enable comparability with 31.12.2008 income statement.

The fuel expense disclosed on 31.12.2007 income statement under "Operating Expenses", amounting 4.562.157, is disclosed on 31.12.2008 income statement as "Cost of Sales".

The code share expenses disclosed on 31.12.2007 income statement under "Operating Expenses", amounting 18.014.837, is disclosed on 31.12.2008 income statement as "Cost of Sales".

The cargo handling expense disclosed on 31.12.2007 income statement under "Operating Expenses", amounting 3.371.755, is disclosed on 31.12.2008 income statement as "Cost of Sales".

The impairment disclosed on 31.12.2007 income statement under "Losses from Other Operations", amounting 178.731.865, is disclosed on 31.12.2008 income statement as "Other Operating Income".

41 OTHER ISSUES AFFECTING FINANCIAL STATEMENTS MATERIALLY OR NECESSARY TO MAKE FINANCIAL STATEMENTS SOUND, INTERPRETABLE AND UNDERSTANDABLE (cont'd)

The associate income disclosed on 31.12.2007 income statement under "Income from Other Operations", amounting 15.489.140, is disclosed on 31.12.2008 income statement as "Shares at Profit/Loss of Investments Accounted For Equity Method".

The interest income disclosed on 31.12.2007 income statement under "Income from Other Operations", amounting 45.848.879, is disclosed on 31.12.2008 income statement as "Financial Income".

The dividend income disclosed on 31.12.2007 income statement under "Income from Other Operations", amounting 2.540.292, is disclosed on 31.12.2008 income statement as "Financial Income".

The impairment foreign currency gain disclosed on 31.12.2007 income statement under "Profits from Other Operations", amounting 468.893.946, is disclosed on 31.12.2008 income statement as "Financial Income".

The foreign currency loss disclosed on 31.12.2007 income statement under "Losses from Other Operations", amounting 98.750.693, is disclosed on 31.12.2008 income statement as "Financial Income".

The loss on sale of marketable securities disclosed on 31.12.2007 income statement under "Loss from Other Operations", amounting 4.967.798, is disclosed on 31.12.2008 income statement as "Financial Income".

The retirement pay provision interest cost disclosed on 31.12.2007 income statement under "Losses from Other Operations", amounting 6.703.137, is disclosed on 31.12.2008 income statement as "Financial Expense".

The discount income disclosed on 31.12.2007 income statement under "Losses from Other Operations", amounting 2.446.885, is disclosed on 31.12.2008 income statement as "Financial Income".

The dividend income disclosed on 31.12.2007 income statement under "Income from Other Operations", amounting 2.540.293, is disclosed on 31.12.2008 income statement as "Financial Income".

The discount expense disclosed on 31.12.2007 income statement under "Losses from Other Operations", amounting 2.890.995, is disclosed on 31.12.2008 income statement as "Financial Expenses".

The item disclosed on 31.12.2007 income statement under "Income from Other Operations", amounting 1.137.412, is disclosed on 31.12.2008 income statement as "Losses from Other Operations".