TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Convenience Translation to English of
Consolidated Financial Statements
for the Year Ended 31 December 2013 with
Independent Auditor's Report
(Originally Issued in Turkish)

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(Convenience Translation to English of Independent Auditor's Report Originally Issued in Turkish)

Independent Auditor's Report

To the Board of Directors of
Türk Hava Yolları Anonim Ortaklığı;

Introduction

We have audited the accompanying consolidated balance sheet of Türk Hava Yolları Anonim Ortaklığı ("the Company) and its Subsidiaries (collectively referred to as the ''Group'') as at 31 December 2013 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Group Management's Responsibility for the Consolidated Financial Statements

The Group's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Turkish Accounting Standards ("TAS") published by the Public Oversight Accounting and Auditing Standards Authority ("POA") and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to error and/or fraud.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the consolidated financial statements provide a true and fair view of the Group.

An audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to error and/or fraud. In making those risk assessments; the Company's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design procedures that are appropriate for the circumstances in order to identify the relation between the consolidated financial statements prepared by the Group's management and its internal control system. An audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Group's management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly the financial position of the Group as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with TAS (Note 2).

Other Matter

The audit of consolidated financial statements of the Group as at 31 December 2012 was conducted by another auditor. Predecessor auditor expressed an unmodified opinion on independent auditors' report dated 14 March 2013 for the consolidated financial statements prepared in accordance with financial reporting standards promulgated by Capital Markets Board of Turkey prior to the adjustments and reclassifications as stated in Note 2 and Note 49.

Reports on Independent Auditor's Responsibilities Arising from Other Regulatory Requirements

In accordance with Article 402 of the Turkish Commercial Code ("TCC"); the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit, additionally, no significant matter has come to our attention that causes us to believe that the Company's Group's bookkeeping activities for the period 1 January – 31 December 2013 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

Pursuant to Article 378 of Turkish Commercial Code no. 6102, Board of Directors of publicly traded companies are required to form an expert committee, and to run and to develop the necessary system for the purposes of: early identification of causes that jeopardize the existence, development and continuity of the company; applying the necessary measures and remedies in this regard; and, managing the related risks. According to subparagraph 4, Article 398 of the code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by the POA, shall describe the structure of the system and the practices of the committee. This report shall be submitted to the Board of Directors along with the auditor's report. The Company has not formed the aforesaid committee as a separate committee, instead it has been decided that Corporate Governance Committee fulfil these duties. The Committee submitted the relevant report based on its studies during 2013 for early identification of risks that jeopardize the existence of the company and its development, applying the necessary measures and remedies in this regard, and managing the risks to the Board of Directors. Our audit does not include evaluating the operational efficiency and adequacy of the operations carried out by the management of the Group in order to manage these risks. As of the balance sheet date, POA has not announced the principles of this report yet so no separate report has been drawn up relating to it.

İstanbul, 6 March 2014

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik
Anonim Şirketi

Hatice Nesrin Tuncer, SMMM
Partner

Consolidated Balance Sheet as at 31 December 2013

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

		Audited	Audited
ASSETS	**Notes**	**31 December 2013**	**(Restated) (*) 31 December 2012**
Current Assets			
Cash and Cash Equivalents	6	1.338.983.835	1.355.542.536
Financial Investments	7	42.774.034	476.958.794
Trade Receivables			
-Trade Receivables From Related Parties	10	382.750	18.975.259
-Trade Receivables From Non-Related Parties	11	1.147.707.413	754.635.214
Other Receivables			
-Other Receivables from Related Parties	10	4.087.847	8.531
-Other Receivables from Non-Related Parties	13	1.376.697.906	755.052.298
Derivative Financial Instruments	45	64.279.662	74.861.649
Inventories	14	342.324.371	259.199.763
Prepaid Expenses	16	89.366.115	84.553.331
Current Income Tax Assets	41	16.507.184	19.666.261
Other Current Assets	31	112.423.952	62.045.773
TOTAL CURRENT ASSETS		**4.535.535.069**	**3.861.499.409**
Non-Current Assets			
Financial Investments	7	2.452.721	2.049.244
Other Receivables			
-Other Receivables from Non-Related Parties	13	2.680.608.826	1.584.919.109
Equity Accounted Investees	4	389.674.199	269.069.545
Investment Property	17	76.320.000	57.985.000
Property and Equipment	18	17.162.416.670	12.693.339.589
Intangible Assets			
- Other Intangible Assets	19	81.851.159	51.183.767
- Goodwill	20	58.240.802	-
Prepaid Expenses	16	412.242.181	237.886.052
TOTAL NON-CURRENT ASSETS		**20.863.806.558**	**14.896.432.306**
TOTAL ASSETS		**25.399.341.627**	**18.757.931.715**

(*)Refer to Note 2

The accompanying notes are an integral part of these consolidated financial statements

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

		Audited	Audited
			(Restated) (*)
LIABILITIES	**Notes**	**31 December 2013**	**31 December 2012**
Current Liabilities			
Short-Term Portion of Long-Term Borrowings	8-21	1.188.220.823	866.011.394
Other Financial Liabilities	9	33.808.413	31.064.076
Trade Payables			
-Trade Payables to Related Parties	10	374.606.410	215.000.995
-Trade Payables to Non-Related Parties	11	1.076.575.170	693.789.816
Payables Related to Employee Benefits	12	307.983.476	183.079.678
Other Payables			
-Other Payables to Non-Related Parties	13	114.181.687	76.806.199
Derivative Financial Instruments	45	233.949.090	161.636.622
Deferred Income	16	46.629.988	41.819.652
Passenger Flight Liabilites	30	2.562.506.267	1.668.475.819
Short-term Provisions			
-Provisions for Employee Benefits	26	64.731.115	41.066.116
-Other Provisions	26	29.819.212	35.516.181
Other Current Liabilities	31	619.744.180	496.430.242
TOTAL CURRENT LIABILITIES		**6.652.755.831**	**4.510.696.790**
Non- Current Liabilities			
Long-Term Borrowings	8-21	10.364.269.509	7.800.982.204
Trade Payables			
- Trade Payables to Non- Related Parties		3.549.001	-
Other Payables			
-Other Payables to Non-Related Parties	13	30.917.704	15.659.634
Deferred Income	16	31.157.986	47.446.433
Long-term Provisions			
-Provisions for Employee Benefits	28	249.604.088	234.019.405
Deferred Tax Liability	41	1.104.597.152	744.083.660
TOTAL NON- CURRENT LIABILITIES		**11.784.095.440**	**8.842.191.336**
Equity Attributable to Equity Holders of the Parent			
Share Capital	32	1.380.000.000	1.200.000.000
Inflation Adjustment on Share Capital	32	1.123.808.032	1.123.808.032
Items That Will Never Be Reclassified to Profit or Loss			
-Actuarial Losses from Defined Pension Plans	32	(6.986.903)	(26.997.551)
Items That Are or May Be Reclassified to Profit or Loss			
-Foreign currency translation differences	32	1.653.942.588	570.111.018
-Losses from Hedging	32	(101.206.786)	(45.384.871)
Restricted Profit Reserves	32	59.372.762	39.326.341
Retained Earnings	32	2.170.853.236	1.388.463.563
Net Profit	32	682.707.427	1.155.717.057
TOTAL EQUITY		**6.962.490.356**	**5.405.043.589**
TOTAL LIABILITIES AND EQUITY		**25.399.341.627**	**18.757.931.715**

(*)Refer to Note 2

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

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

PROFIT OR LOSS	Notes	Audited 1 January - 31 December 2013	Audited (Restated) (*) 1 January - 31 December 2012
Sales Revenue	33	18.776.784.325	14.762.062.246
Cost of Sales (-)	34	(15.304.655.417)	(11.716.974.068)
GROSS PROFIT		**3.472.128.908**	**3.045.088.178**
General Administrative Expenses (-)	35	(434.976.154)	(371.529.589)
Marketing and Sales Expenses (-)	35	(1.947.304.294)	(1.588.790.893)
Other Operating Income	36	230.555.047	170.551.907
Other Operating Expenses (-)	36	(80.372.043)	(115.962.720)
OPERATING PROFIT		**1.240.031.464**	**1.139.356.883**
Income from Investment Activities	37	131.813.063	488.674.809
Share of Investments' Profit / Loss Accounted By Using The Equity method	4	108.973.512	5.961.253
OPERATING PROFIT BEFORE FINANCIAL INCOME/EXPENSE		**1.480.818.039**	**1.633.992.945**
Financial Income	39	50.145.542	88.516.891
Financial Expenses (-)	39	(565.719.326)	(337.397.405)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**965.244.255**	**1.385.112.431**
Tax Expense of Continuing Operations		**(282.536.828)**	**(229.395.374)**
Current Tax Expense	41	-	(32.616.486)
Deferred Tax Expense	41	(282.536.828)	(196.778.888)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**682.707.427**	**1.155.717.057**
OTHER COMPREHENSIVE INCOME			
To Be Reclassified To Profit or Loss		**1.028.009.655**	**(227.251.285)**
Currency Translation Adjustment		1.083.831.570	(228.479.860)
Gains/ (Losses) of Cash Flow Hedge Reserves		(65.561.681)	5.980.432
Actuarial Gains/(Losses) from Cash Flow Hedge Reserves of Investment Accounted by Using the Equity Method		(4.215.713)	(4.444.713)
Tax (Expense)/Income of Other Comprehensive Income		13.955.479	(307.144)
Not To Be Reclassified To Profit or Loss		**20.010.648**	**(22.349.824)**
Actuarial Gains/(Losses) from Defined Pension Plans		25.626.991	(26.922.256)
Actuarial Gains/(Losses) from Defined Pension Plans of Investments Accounted by Using the Equity Method		(613.681)	(1.015.024)
Tax Expense/(Income) of Other Comprehensive Income		(5.002.662)	5.587.456
OTHER COMPREHENSIVE INCOME		**1.048.020.303**	**(249.601.109)**
TOTAL COMPREHENSIVE INCOME		**1.730.727.730**	**906.115.948**
Earning Per Share (Kr)	42	0,49	0,84

(*)Refer to Note 2

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

Convenience Translation to English of Consolidated Financial Statements Originally Issued in Turkish
TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES
Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2013
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

			Accumulated Items That Will Never Be Reclassified To Profit or Loss	Accumulated Items That Are or May Be Reclassified To Profit or Loss			Accumulated Profit		
	Paid-in Share Capital	Inflation Adjustment on Share Capital	Actuarial Losses from Defined Pension Plans	Currency Translation Differences	Gains/ (Losses) of Hedging	Restricted Profit Reserves	Retained Earnings	Net Profit/ (Loss) for The Period	Total Equity
As of 31 December 2012	**1.200.000.000**	**1.123.808.032**	**-**	**570.111.018**	**(45.384.871)**	**39.326.341**	**1.383.815.836**	**1.133.367.233**	**5.405.043.589**
Adjustments Related to Change in Accounting Policy (*)	-	-	(26.997.551)	-	-	-	4.647.727	22.349.824	-
Restated as of 1 January 2013	**1.200.000.000**	**1.123.808.032**	**(26.997.551)**	**570.111.018**	**(45.384.871)**	**39.326.341**	**1.388.463.563**	**1.155.717.057**	**5.405.043.589**
Transfers	-	-	-	-	-	20.046.421	1.135.670.636	(1.155.717.057)	-
Issuence of Bonus Shares	180.000.000	-	-	-	-	-	(180.000.000)	-	-
Dividends paid	-	-	-	-	-	-	(173.280.963)	-	(173.280.963)
Total Comprehensive Income	-	-	20.010.648	1.083.831.570	(55.821.915)	-	-	682.707.427	1.730.727.730
As of 31 December 2013	**1.380.000.000**	**1.123.808.032**	**(6.986.903)**	**1.653.942.588**	**(101.206.786)**	**59.372.762**	**2.170.853.236**	**682.707.427**	**6.962.490.356**

(*)Refer to Note 2

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

Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2012
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

			Accumulated Items That Will Never Be Reclassified To Profit or Loss	Accumulated Items That Are or May Be Reclassified To Profit or Loss			Accumulated Profit		
	Paid-in Share Capital	Inflation Adjustment on Share Capital	Actuarial Losses from Defined Pension Plans	Currency Translation Differences	Gains/ (Losses) of Hedging	Restricted Profit Reserves	Retained Earnings	Net Profit/ (Loss) for The Period	Total Equity
As of 31 December 2011	**1.200.000.000**	**1.123.808.032**	**-**	**798.590.878**	**(46.613.446)**	**39.326.341**	**1.365.299.204**	**18.516.632**	**4.498.927.641**
Adjustments Related to Change in Accounting Policy (*)	-	-	(4.647.727)	-	-	-	-	4.647.727	-
Restated as of 1 January 2012	**1.200.000.000**	**1.123.808.032**	**(4.647.727)**	**798.590.878**	**(46.613.446)**	**39.326.341**	**1.365.299.204**	**23.164.359**	**4.498.927.641**
Transfers	-	-	-	-	-	-	23.164.359	(23.164.359)	-
Total Comprehensive Income	-	-	(22.349.824)	(228.479.860)	1.228.575	-	-	1.155.717.057	906.115.948
As of 31 December 2012	**1.200.000.000**	**1.123.808.032**	**(26.997.551)**	**570.111.018**	**(45.384.871)**	**39.326.341**	**1.388.463.563**	**1.155.717.057**	**5.405.043.589**

(*)Refer to Note 2

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

Consolidated Statement of Cash Flows
For the Year Ended 31 December 2013
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Notes	Audited 31 December 2013	Audited (Restated) (*) 31 December 2012
Profit Before Tax		965.244.255	1.385.112.431
Adjustments to reconcile cash flow generated from operating activities:			
Adjustments for Depreciation and Amortization	18-19	1.240.527.159	1.029.762.920
Adjustments for Provision for Employee Benefits	28	34.408.148	60.507.343
Adjustments for Provisions, Net	26	18.890.248	37.546.895
Adjustments for Interest Income	37-39	(79.271.750)	(128.572.218)
Gain on Sales of Fixed Assets	37	(1.658.418)	(3.321.066)
Share of Investments' (Profit) / Loss Accounted by Using The Equity Method	4	(108.973.512)	(5.961.253)
Adjustments for Interest Expense	39	263.962.623	221.745.105
Change in Manufacturers' Credit		(4.706.888)	(1.572.071)
Unrealized Foreign Exchange Translation Differences		210.351.868	26.671.522
Change in Provision for Doubtful Receivables	46	37.442.673	(2.649.923)
Increase in Fair Value of Investment Property	37	(7.242.401)	(6.333.810)
Change in Fair Value of Derivative Instruments	39	44.471.986	(25.503.133)
Provision for Impairment	36	-	(351.142.323)
Operating profit before working capital changes		**2.613.445.991**	**2.236.290.419**
Adjustments for Change in Trade Receivables		(193.366.224)	(45.639.594)
Adjustments for Change in Other Short and Long Term Receivables		(2.872.430)	(397.691.391)
Adjustments for Change in Inventories		(28.524.263)	(21.699.604)
Adjustments for Change in Other Receivables Related to Operations		(640.438)	(8.267.025)
Adjustments for Change in Other Non- Current Assets and Prepaid Expenses		(113.633.417)	30.294.489
Adjustments for Change in Trade Payables		272.248.976	94.891.149
Adjustments for Change in Short and Long Term Payables Related to Operations and Deferred Income		28.648.858	63.771.342
Adjustments for Change in Short-Term Provisions for Employee Benefits		79.175.438	(97.151.900)
Adjustments for Change in Passenger Flight Liabilities		503.722.973	463.637.936
Cash Flows Generated From Operating Activities		**3.158.205.464**	**2.318.435.821**
Payment of Retirement Pay Liabilities	28	(28.139.267)	(25.874.633)
Interest Paid		(272.577.511)	(226.630.375)
Taxes Paid		(16.507.184)	(25.029.904)
Net Cash Generated From Operating Activities		**2.840.981.502**	**2.040.900.909**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds From Sale of Property and Equipment, Intangible Assets and Investment Property		38.199.601	38.384.180
Interest Received		36.432.249	172.162.930
Purchase of Property and Equipment and Intangible Assets (**)	18-19	(1.092.367.554)	(759.657.869)
Prepayments For The Purchase of Aircrafts		(1.128.522.317)	(588.878.369)
Change in Financial Investments		513.555.407	(353.211.312)
Cash Outflow Arising From Capital Increse in Investments		(1.721.250)	(9.603.468)
Dividends Received		21.500.000	-
Cash Outflow Arising from Acquisition of Subsidiaries		(45.929.808)	-
Net Cash Used In Investing Activities		**(1.658.853.672)**	**(1.500.803.908)**
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of Financial Lease Liabilities		(1.022.387.330)	(762.001.461)
Decrease in Other Financial Liabilities and Derivative Instruments		(3.018.238)	27.922.286
Dividends Paid		(173.280.963)	-
Net Cash Used In Financing Activities		**(1.198.686.531)**	**(734.079.175)**
NET DECREASE / IN CASH AND CASH EQUIVALENTS		**(16.558.701)**	**(193.982.174)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE		**1.355.542.536**	**1.549.524.710**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**1.338.983.835**	**1.355.542.536**

(*)Refer to Note 2
(**) TL 1,854,263,247 portion of property and equipment and intangible assets purchases in total of TL 2,946,630,801 for the year ended 31 December 2013 was financed through finance leases. (31 December 2012: TL 1,883,990,615 portion of property and equipment and intangible assets purchases in total of TL 2,643,648,484 was financed through finance leases.)

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

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

1. COMPANY ORGANIZATION AND ITS OPERATIONS

Türk Hava Yolları Anonim Ortaklığı (the "Company" or "THY") was incorporated in Turkey in 1933. As of 31 December 2013 and 31 December 2012, the shareholders and their respective shareholdings in the Company are as follows:

	31 December 2013	31 December 2012
Republic of Turkey Prime Ministry Privatization Administration	% 49,12	% 49,12
Other (publicly held)	% 50,88	% 50,88
Total	% 100,00	% 100,00

The number of employees working for the Company and its subsidiaries (together the "Group") as of 31 December 2013 is 23,160. (31 December 2012: 19,109). The average number of employees working for the Group for the year ended 31 December 2013 and 2012 are 21,032 and 18,789 respectively. The Company is registered in İstanbul, Turkey and its head office address is as follows:

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

The Company's stocks are traded on Borsa Istanbul since 1990.

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

Air Transport ("Aviation")

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

Technical Maintenance Services ("Technical")

The main activity of this business is providing repair and maintenance service on civil aviation sector and giving all kinds of technical and infrastructure support related to airline industry.

Subsidiaries and Joint Ventures

The table below sets out the consolidated subsidiaries and participation rate of the Group in these joint ventures as of 31 December 2013 and 31 December 2012:

		Participation Rate		Country of
Name of the Company	Principal Activity	31 December 2013	31 December 2012	Registration
THY Teknik A.Ş. (THY TEKNİK)	Aircraft Maintenance Services	100%	100%	Turkey
THY Habom A.Ş. (THY HABOM) (*)	Aircraft Maintenance Services	100%	-	Turkey
Habom Havacılık Bakım Onarım ve Modifikasyon A.Ş. (HABOM) (*)	Aircraft Maintenance Services	-	100%	Turkey
THY Aydın Çıldır Havalimanı İşletme A.Ş.(THY Aydın Çıldır)	Training & Airport Operations	100%	100%	Turkey

(*) Refer to Note 3

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

1. COMPANY ORGANIZATION AND ITS OPERATIONS (cont'd)

The table below sets out consolidated joint ventures and indicates the proportion of ownership interest of the Company in these joint ventures as of 31 December 2013 and 31 December 2012:

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Preperation of Financial Statements

The consolidated financial statements have been prepared in accordance with the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board ("CMB") on 13 June 2013 which is published on Official Gazette numbered 28676.

The accompanying consolidated financial statements have been presented in accordance with formats announced by CMB on 7 June 2013. A number of changes made at the Group's previous consolidated financial statements in order to comply with formats announced by CMB on 7 June 2013. (Refer to Note: 49)

Adjustment of Financial Statements in Hyperinflationary Periods

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

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

2.1 Basis of Presentation (cont'd)

Basis of Measurements

All financial statements, except for investment property and derivative financial instruments, have been prepared on cost basis principal. Methods used for fair value measurement are given in Note: 2.5.8 and Note: 2.5.14.

Functional and Reporting Currency

Functional currency

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

Translation to the presentation currency

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

a) Assets and liabilities in the balance sheet are translated into TL at the prevailing US Dollar buying exchange rates of the Central Bank of Turkish Republic;

b) The statement of profit or loss and other comprehensive income is translated into TL by using the monthly average US Dollar exchange rates; and;

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

Basis of the Consolidation

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

b. The Group has nine joint ventures (Note: 1). These joint ventures are economical activities that decisions about strategic finance and operating policy are jointly controlled by the consensus of the Group and other participants. The affiliates are controlled by the Group jointly, and are accounted for by using the equity method.

According to the equity method, joint ventures are stated as the cost value adjusted as deducting the impairment in joint venture from the change occurred in the joint venture's assets after the acquisition date that is calculated by the Group's share in the consolidated balance sheet. Joint venture'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 joint venture).

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

2.1 Basis of Presentation (cont'd)

Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquire; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognized in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Additional paragraph for convenience translation to English

Turkish Accounting Standards promulgated by Public Oversight Accounting and Auditing Standards Authority described in Note 2 to the consolidated financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, presentation of the basic financial statements and also for certain disclosure requirements. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with IFRS.

2.2 Statement of Compliance with TAS

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

The consolidated financial statements have been prepared in accordance with Turkish Accounting Standards (TAS) announced by Public Oversight Accounting and Auditing Standards Authority ("POA") with regard to the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board ("CMB") on 13 June 2013 which is published on Official Gazette numbered 28676. TAS, are comprised of Turkish Accounting Standards, Turkish Financial Reporting Standards (TFRS), appendixes and interpretations

Board of Directors has approved the condensed consolidated financial statements as of 31 December 2013 and delegated authority for publishing it on 6 March 2014. General assembly and related regulatory bodies have the authority to modify the financial statements.

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

2.3. Changes in Accounting Policies

TAS 19 ("Employee Benefits") has been revised effective from the annual period beginning after 1 January 2013. In accordance with the revised standard, actuarial gain / loss related to employee benefits shall be recognized in other comprehensive income.

The Group used to recognize the actuarial gain/loss related to employee benefits in profit or loss until 31 December 2012. The Group applied the change in accounting policy retrospectively as the standard stated and actuarial gains/losses reported under consolidated profit or loss in prior periods have been represented in Actuarial Losses in Defined Pension Plans under equity. As a result of this change, retained earnings of 31 December 2012 have been increased by TL 4,647,727 and the consolidated net profit for the year, then ended has been increased by TL 22,349,824.

Accordingly, an amount of TL 27,734,275 including TL 19,653,247 from "Cost of Sales", TL 2,692,225 from "General Administrative Expenses", TL 4,576,784 from "Sales and Marketing Expenses" and TL 812,019 from "Share of Investments' Profit/Loss Accounted by Using the Equity Method" and TL 22,349,824 from "Net Profit/Loss for the Current Period" with the deferred tax effect of TL 5,384,451 and also TL 4,647,727 from "Retained Earnings" are disclosed under "Actuarial Losses from Defined Benefit Plans" in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2012.

In addition, earning per share for the year ended 31 December 2012 has increased by Kr 0.02.

2.4 Changes and Errors in Accounting Estimates

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

Changes in accounting policies or accounting errors applied retroactively and the financial statements of the previous periods were adjusted.

The significant estimates and assumptions used in preparation of these consolidated financial statements as at 31 December 2013 are same with those used in the preparation of the Group's consolidated financial statements as at and for the year ended 31 December 2012.

2.5 Summary of Significant Accounting Policies

2.5.1 Revenue

Rendering of services:

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

The Group develops estimations using historical statistics and data for unredeemed tickets. Total estimated unredeemed tickets are recognized as operating revenue. Agency commissions to relating to the passenger revenue are recognized as expense when the transportation service is provided.

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

Dividend and interest income:

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

Dividend income generated from equity investments are recognised as shareholders gain the dividend rights.

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

2.5. Summary of Significant Accounting Policies (cont'd)

2.5.2 Inventories

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

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

2.5.3 Property and Equipment

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

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

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

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

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

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

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

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

2.5. Summary of Significant Accounting Policies (cont'd)

2.5.3 Property and Equipment Assets (cont'd)

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

	Useful Life (Years)	Residual Value
- Buildings	25-50	-
- Aircrafts and Engines	15-20	10-30%
- Cargo Aircraft and Engines	30	10%
- Overhaul maintenance for aircrafts' fuselage	6	-
- Overhaul maintenance for engines	3-8	-
- Components	7	-
- Repairable Spare Parts	3-7	-
- Simulators	10-20	10%
- Machinery and Equipments	3-15	-
- Furniture and Fixtures	3-15	-
- Motor Vehicles	4-7	-
- Other Equipments	4-15	-
- Leasehold improvements	Lease period/5 years	-

2.5.4 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 consolidated balance sheet as a finance lease obligation.

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

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

2.5.5 Intangible Assets

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

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

2.5. Summary of Significant Accounting Policies (cont'd)

2.5.5 Intangible Assets (cont'd)

Goodwill

Goodwill that arises upon acquisition of subsidiaries is presented in intangible assets. For the measurement of goodwill at initial recognition, refer to Note 2.1.

Subsequent Measurement

Goodwill is measured at cost less accumulated impairment losses.

2.5.6 Impairment on Assets

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

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

Group determined aircrafts, spare engines and simulators together ("Aircrafts") as lower-line cash generating unit subject to impairment and impairment calculation was performed for Aircrafts collectively. In the examination of whether net book values of aircrafts, spare engines and simulators exceed their recoverable amounts, the higher value between value in use and sale expenses deducted net selling prices in US Dollars is used for determination of recoverable amounts. Net selling price for the aircrafts is determined according to second hand prices in international price guides.

In the accompanying financial statements, the change in the differences between net book values of these assets and recoverable amounts are recognized as provision income/losses under other operating income/losses.

2.5.7 Borrowing Costs

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.8 Financial Instruments

Financial assets and liabilities are recognized in the financial statements when the Group is a legal party to these financial instruments.

(a) Financial assets

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

Investments are recorded or deleted from records on the date of trading activity based on an agreement providing a requirement for investment instrument delivery in compliance with the duration determined by related market.

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

Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset.

Effective interest method

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

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

Loans and receivables

Trade, loan 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.

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

2.5. Summary of Significant Accounting Policies (cont'd)

2.5.8. Financial Instruments (cont'd)

(a) Financial assets (cont'd)

Impairment of financial assets (cont'd)

For financial assets at amortized cost, the amount of the impairment is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

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

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

Cash and cash equivalents

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

(b) Financial liabilities

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

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

2.5. Summary of Significant Accounting Policies (cont'd)

2.5.8. Financial Instruments (cont'd)

(b) Financial liabilities(cont'd)

Other financial liabilities

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

Derivative financial instruments and hedge accounting

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

The major source of interest rate risk is finance lease liabilities. The Group's policy is to convert some financial liabilities with fixed interest rates into financial liabilities with variable interest rates, and some financial liabilities denominated in EUR into financial liabilities denominated in USD. The derivative financial instruments obtained for this purpose are not subject to hedge accounting and profit/loss arising from the changes in the fair values of those instruments is directly accounted in profit or loss. The Group converted some of the floating-rate loans into fixed-rate loans through derivative financial instruments.

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

Use of derivative financial instruments is managed according to the Group policy which is written principles approved by the Board of Directors and compliant with the risk management strategy.

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

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

Derivative financial instruments are calculated according to the fair value at contract date and again are calculated in the following reporting period at fair value base. The effective portion of changes in the fair value of derivatives are recognized in equity which are designated as hedging instruments in a hedge of future cash flows. Any ineffective portion of changes in the fair value of the derivatives are recognized in profit or loss.

2.5.9. Foreign Currency Transactions

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

Gains and losses arising on settlement and translation of foreign currency items are included in profit or loss.

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

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

2.5. Summary of Significant Accounting Policies (cont'd)

2.5.9. Foreign Currency Transactions (cont'd)

The closing and average TL - US Dollar exchange rates as at 31 December 2013 and 2012 are as follows:

	Closing Rate	Average Rate
Year ended 31 December 2013	2.1343	1.9033
Year ended 31 December 2012	1.7826	1.7922
Year ended 31 December 2011	1.8899	1.6702

The closing and average US Dollar - Euro exchange rates as at 31 December 2013 and 2012 are as follows:

	Closing Rate	Average Rate
Year ended 31 December 2013	1.3759	1.3287
Year ended 31 December 2012	1.3193	1.2856
Year ended 31 December 2011	1.2938	1.3912

2.5.10. Earnings per Share

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

2.5.11. Events After to the Balance Sheet Date

Events after the balance sheet date are those events, that occur between the balance sheet date and the date when the financial statements are authorized for issues even if they are occurred subsequent to any announcement for net profit or selected financial information is made.

If adjustment is necessary for such events, Group's financial statements are adjusted according to the new situations.

2.5.12. Provisions, Contingent Liabilities, Contingent Assets

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.12 Provisions, Contingent Liabilities, Contingent Assets (cont'd)

Onerous Contracts

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

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

2.5.13 Segmental Information

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

2.5.14 Investment Property

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

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

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

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

2.5.15 Taxation and Deferred Tax

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

Income tax expense represents the sum of the current tax and deferred tax expenses.

Current tax

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income 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.

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.

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

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.15 Taxation and Deferred Tax (cont'd)

Deferred Tax (cont'd)

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

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

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

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

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

Current and deferred tax for the period

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

2.5.16. Government Grants

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

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

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

2.5. Summary of Significant Accounting Policies (cont'd)

2.5.16. Government Grants (cont'd)

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

2.5.17. 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. Actuarial gains and losses are accounted as other comprehensive income.

2.5.18. Statement of Cash flows

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

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

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

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

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

2.5.19. 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.

2.5.20. 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.

2.5.21. Maintenance and Repair Costs

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

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

2.5. Summary of Significant Accounting Policies (cont'd)

2.5.22. Frequent Flyer Program

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

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

2.6. Important Accounting Estimates and Assumptions

Preparation of the financial statements requires the amounts of assets and liabilities being reported, explanations of contingent liabilities and assets and the uses of accounting estimates and assumptions which would affect revenue and expense accounts reported during the accounting period. Group makes estimates and assumptions about the future periods. Actual results could differ from those estimations.

Accounting estimates and assumptions which might cause material adjustments on the book values of assets and liabilities in future financial reporting period were given below:

The Determination of Impairment on Long Term Assets:

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

Calculation of the Liability for Frequent Flyer Program:

As explained in Note 2.5.22, Group has programs called "Miles and Smiles" and "Shop & Miles" which are applied for its members. In the calculations of the liability related with concerned programs, the rate of use and mile values which are determined by using statistical methods over the historical data were used.

Useful Lives and Salvage Values of Tangible Assets:

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

Deferred Tax:

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

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

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

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

2.6. Important Accounting Estimates and Assumptions (con'd)

Corporate Tax Law 32/A and the effects of Resolution issued on "Government Assistance for Investments" by the Council of Minister: (cont'd)

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

The Group has obtained an Incentive Certificate dated 28 December 2010 and numbered 99256 from Turkish Treasury. For the related aircraft investment, 20% of investment contribution and 50% of reduction in the corporate tax rate will be used. The contribution amount that will be deducted from the corporate tax calculated over the earnings arising from the related investment, which will be used in the following years for the aircrafts delivered as of 31 December 2013 is TL 1,915,627,447 (31 December 2012: TL 1,761,739,184).

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

2.7. New and Revised Standards and Interpretations

In accounting policies considered in preparation of financial statements as at and for the year ended 31 December 2013, the Group applied all Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations that are effective as of 1 January 2013.

New standards and interpretations not yet adopted as of 31 December 2013

A number of new standards, amendments to standards and interpretations explained below are not yet effective as at 31 December 2013, and have not been applied in preparing these consolidated financial statements of the Group:

- IFRS 9 Financial Instruments could change the classification and measurement of financial assets and becomes effective for annual periods beginning on or after 1 January 2015.

- IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended): The amendments clarify the meaning of ―currently has a legally enforceable right to set-off and also clarify the application of the IAS 32 offsetting criteria to settlement systems which apply gross settlement mechanisms that are not simultaneous. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2014.

The Group does not plan to adopt these standards early and the extent of the impact has not been determined yet.

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

2.7. New and Revised Standards and Interpretations (cont'd)

Resolutions promulgated by POA

Until a regulation is implemented in TAS, the POA has promulgated the following resolutions in order to increase the comparability, verifiability, understandability and suitability to requirements of financial statements having to be prepared in accordance with TAS and to facilitate the audit.

- **2013-l Illustrative Financial Statement and User Guide**

The POA promulgated "illustrative financial statement and user guide" on 20 May 2013 in order to ensure the uniformity of financial statements and facilitate their audit. The financial statement examples within this framework were published to serve as an example to financial statements to be prepared by companies obliged to apply TAS, excluding financial institutions established to engage in banking, insurance, private pensions or capital market. The Group has made the reclassifications stated in Note: 49 in order to comply with the requirements of this resolution.

- **2013-2 Accounting of Combinations under Common Control**

In accordance with the resolution it has been decided that i) combination of entities under common control should be recognized using the pooling of interest method, ii) and thus, goodwill should not be included in the financial statements and iii) while using the pooling of interest method, the financial statements should be prepared as if the combination has taken place as of the beginning of the reporting period in which the common control occurs and should be presented comparatively from the beginning of the reporting period in which the common control occurred. This resolution did not have an impact on the consolidated financial statements of the Group.

- **2013-3 Accounting of Redeemed Share Certificates**

Clarification has been provided on the conditions and circumstances where the redeemed share certificates shall be recognized as a financial liability or equity based financial instruments. This resolution did not have an impact on the consolidated financial statements of the Group.

- **2013-4 Accounting of Cross Shareholding Investments**

If a subsidiary of a parent entity holds shares of the parent, then this is defined as cross shareholding investment and accounting of this cross investment is assessed based on the type and different recognition principles adopted. With the subject resolution, this topic has been assessed under three main headings as explained below and the recognition principles have been dete1mined for each of them.

i) The subsidiary holding the equity based financial instruments of the parent,

ii) The associates or joint ventures holding the equity based financial instruments of the parent,

iii) The parent's equity based financial instruments are held by an entity, which is accounted as an investment within the scope of TAS 38 and TFRS 9 by the parent.

This resolution did not have an impact on the consolidated financial statements of the Group.

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

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

2.8. Determination of Fair Values

Various accounting policies and explanations of the Group necessitate to determinate the fair value of both financial and non-financial assets and liabilities. If applicable, additional information about assumptions used for determination of fair value are presented in notes particular to assets and liabilities.

Evaluation methods in terms of levels are described as follows:

- Level 1: Specific (uncorrected) prices in active markets for identical assets and obligations;
- Level 2: Directly (via prices) or indirectly (via producing from prices) variables which are observable for assets and liabilities and apart from specific prices mentioned in Level 1.
- Level 3: Variables which are not related to observable market variable for assets and liabilities (unobservable variables).

3. BUSINESS COMBINATIONS

Acquisition of 100% shares of MNG Teknik Uçak Bakım Hizmetler Anonim Şirketi and merger with Habom

The share purchase agreement for the acquisition of all shares of MNG Teknik Uçak Bakım Hizmetleri Anonim Şirketi ("MNG Teknik") by Türk Hava Yolları Anonim Ortaklığı was signed between parties on 22 May 2013 having obtained the approval of the Competition Authority.

In the Extraordinary General Assembly Meeting of MNG Teknik dated 29 August 2013, it was decided to merge with Habom which are under common control. This merger was carried out under legal structure of MNG Teknik via transfer of all assets, liabilities, rights and obligations of Habom to MNG Teknik. As a result of the merger, the company's title was registered as THY HABOM A.Ş. on 13 September 2013.

The Group has consolidated operational results of MNG Teknik as at 31 December 2013 with full consolidation method. If the acquisition had occurred on 1 January 2013, it is estimated that consolidated revenue would have been higher by TL 35,618,745 and consolidated net income would have been lower by TL 20,371,752. The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Note	Pre- acquisition value	Fair value adjustment	Acquisition value
Property and equipment	18	101.436.163	-	101.436.163
Trade and other receivables		4.476.172	-	4.476.172
Other assets		7.131.521	-	7.131.521
Cash and cash equivalents		486.236	-	486.236
Financial debts		(78.827.091)	-	(78.827.091)
Trade and other payables		(27.549.448)	-	(27.549.448)
Other payables		(13.261.473)	-	(13.261.473)
Identifable assets and liabilities		**(6.107.920)**	**-**	**(6.107.920)**
Goodwill arising from acquisition				**52.523.964**
Cash consideration paid				46.416.044
Cash and cash equivalents acquired				(486.236)
Net cash outflow arising from acquisition				**45.929.808**

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

3. BUSINESS COMBINATIONS (cont'd)

Acquisition of 100% shares of MNG Teknik Uçak Bakım Hizmetler Anonim Şirketi and merger with Habom (cont'd)

Pre-acquisition values are calculated in accordance with Turkish Financial Reporting Standards (TFRS) just before the acquisition date.

Fair values of recognized assets and liabilities as well as the cost of the combination at the date of acquisition are provisionally accounted by the Group. The time period for recognition of additional items or adjustments to the fair values of assigned recognized assets, liabilities and contingent liabilities is limited to 12 months from the date of acquisition.

4. INVESTMENTS ACCOUNTED BY USING THE EQUITY METHOD

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

	31 December 2013	31 December 2012
Turkish DO&CO	90.923.583	60.907.106
THY Opet	74.931.561	66.777.834
TGS	83.543.135	64.547.149
TEC	76.197.771	8.388.295
Sun Express	46.355.553	53.595.748
Türkbine Teknik	8.632.676	7.373.945
Uçak Koltuk	4.142.150	4.166.036
TCI	4.189.363	2.901.708
Goodrich	758.407	411.724
	389.674.199	269.069.545

Financial information for Sun Express as of 31 December 2013 and 31 December 2012 are as follows:

	31 December 2013	31 December 2012
Total assets	1.065.244.740	647.916.867
Total liabilities	912.849.199	631.140.277
Shareholders'equity	152.395.541	16.776.590
Group's share in joint venture's shareholders' equity	76.197.771	8.388.295

	1 January - 31 December 2013	1 January - 31 December 2012
Revenue	2.614.606.743	1.735.457.511
Profit/ (loss) for the period	113.274.964	(20.526.372)
Group's share in profit/(loss) for the period	56.637.482	(10.263.186)

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

4. INVESTMENTS ACCOUNTED BY USING THE EQUITY METHOD (cont'd)

Financial information for Turkish DO&CO as of 31 December 2013 and 31 December 2012 are as follows:

	31 December 2013	31 December 2012
Total assets	319.646.734	248.740.873
Total liabilities	137.799.569	126.926.662
Shareholders'equity	181.847.165	121.814.211
Group's share in joint venture's shareholders' equity	90.923.583	60.907.106

	1 January - 31 December 2013	1 January - 31 December 2012
Revenue	624.133.315	465.279.242
Profit for the period	62.730.768	18.091.704
Group's share in profit for the period	31.365.384	9.045.852

Financial information for TEC as of 31 December 2013 and 31 December 2012 are as follows:

	31 December 2013	31 December 2012
Total assets	309.937.317	225.834.697
Total liabilities	215.334.148	116.455.611
Shareholders'equity	94.603.169	109.379.086
Group's share in joint venture's shareholders' equity	46.355.553	53.595.748

	1 January - 31 December 2013	1 January - 31 December 2012
Revenue	249.765.163	163.637.539
Loss for the period	(33.724.557)	(34.593.459)
Group's share in loss for the period	(16.525.033)	(16.950.794)

Financial information for TGS as of 31 December 2013 and 31 December 2012 are as follows:

	31 December 2013	31 December 2012
Total assets	247.171.203	191.883.128
Total liabilities	80.084.934	62.788.835
Shareholders'equity	167.086.269	129.094.293
Group's share in joint venture's shareholders' equity	83.543.135	64.547.149

	1 January - 31 December 2013	1 January - 31 December 2012
Revenue	455.895.415	331.119.437
Profit for the period	37.030.104	12.981.772
Group's share in profit for the period	18.515.052	6.490.886

By the protocol and capital increase dated on 17 September 2009, 50 % of TGS' capital, which has a nominal value of 6,000,000 TL, was acquired by HAVAŞ for 119,000,000 TL and a share premium at an amount of 113,000,000 TL has arised in the TGS's capital. Because the share premium is related to the 5-year service contract between the Company and TGS, the Company's portion (50 %) of the share premium under the shareholders' equity of TGS was recognized as 'Deferred Income' (Note 16) to be amortized during the contract period.

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

4. INVESTMENTS ACCOUNTED BY USING THE EQUITY METHOD (cont'd)

Financial information for THY Opet as of 31 December 2013 and 31 December 2012 are as follows:

	31 December 2013	31 December 2012
Total assets	700.221.142	578.119.047
Total liabilities	550.358.020	444.563.380
Shareholders'equity	149.863.122	133.555.667
Group's share in joint venture's shareholders' equity	74.931.561	66.777.834

	1 January - 31 December 2013	1 January - 31 December 2012
Revenue	4.681.105.071	3.856.846.373
Profit for the period	45.310.172	60.380.095
Group's share in profit for the period	22.655.086	30.190.047

Financial information for Uçak Koltuk as of 31 December 2013 and 31 December 2012 are as follows:

	31 December 2013	31 December 2012
Total assets	14.898.756	9.626.260
Total liabilities	6.614.456	1.294.188
Shareholders'equity	8.284.300	8.332.072
Group's share in joint venture's shareholders' equity	4.142.150	4.166.036

	1 January - 31 December 2013	1 January - 31 December 2012
Revenue	183.528	21.602
Loss / (Profit) for the period	(1.346.113)	8.195.892
Group's share in loss /(profit) for the period	(673.057)	4.097.946

Financial information for TCI as of 31 December 2013 and 31 December 2012 are as follows:

	31 December 2013	31 December 2012
Total assets	16.410.105	6.680.844
Total liabilities	8.195.668	991.221
Shareholders'equity	8.214.437	5.689.623
Group's share in joint venture's shareholders' equity	4.189.363	2.901.708

	1 January - 31 December 2013	1 January - 31 December 2012
Revenue	2.155.586	1.133.385
Loss for the period	(4.458.424)	(6.822.991)
Group's share in loss for the period	(2.273.796)	(3.479.684)

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

4. INVESTMENTS ACCOUNTED BY USING THE EQUITY METHOD (cont'd)

Financial information for Turkbine Teknik as of 31 December 2013 and 31 December 2012 are as follows:

	31 December 2013	31 December 2012
Total assets	15.108.091	15.325.079
Total liabilities	(2.157.261)	577.189
Shareholders'equity	17.265.352	14.747.890
Group's share in joint venture's shareholders' equity	8.632.676	7.373.945

	1 January - 31 December 2013	1 January - 31 December 2012
Revenue	1.705.776	1.252.656
Loss for the period	(363.832)	(707.763)
Group's share in loss for the period	(181.916)	(353.882)

Financial information for Goodrich as of 31 December 2013 and 31 December 2012 are as follows:

	31 December 2013	31 December 2012
Total assets	9.064.019	7.284.016
Total liabilities	7.168.001	6.254.706
Shareholders'equity	1.896.018	1.029.310
Group's share in joint venture's shareholders' equity	758.407	411.724

	1 January - 31 December 2013	1 January - 31 December 2012
Revenue	14.404.840	13.581.638
Loss for the period	(1.364.225)	(3.103.680)
Group's share in loss for the period	(545.690)	(1.241.472)

Share of investments' profit/(loss) accounted by using to equity method are as follows:

	1 January - 31 December 2013	1 January - 31 December 2012
Sun Express	56.637.482	(10.263.186)
Turkish DO&CO	31.365.384	9.045.852
THY Opet	22.655.086	30.190.047
TGS	18.515.052	6.490.886
Bosna Hersek Havayolları	-	(11.574.460)
Türkbine Teknik	(181.916)	(353.882)
Goodrich	(545.690)	(1.241.472)
Uçak Koltuk	(673.057)	4.097.946
TCI	(2.273.796)	(3.479.684)
TEC	(16.525.033)	(16.950.794)
Total	108.973.512	5.961.253

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

5. SEGMENTAL REPORTING

The management of the Group investigates the results and operations based on air transportation and aircraft technical maintenance services in order to determine in which resources to be allocated to segments and to evaluate the performances of segments. The detailed information on the sales data of the Group is given in Note 33.

5.1 Total Assets and Liabilities

Total Assets	31 December 2013	31 December 2012
Aviation	25.229.616.381	18.576.446.509
Technic	1.883.103.317	1.235.350.264
Total	27.112.719.698	19.811.796.773
Less: Eliminations due to consolidation	(1.713.378.071)	(1.053.865.058)
Total assets in consolidated financial statements	25.399.341.627	18.757.931.715

Total Liabilitites	31 December 2013	31 December 2012
Aviation	18.226.396.169	13.204.626.821
Technic	614.730.235	309.832.394
Total	18.841.126.404	13.514.459.215
Less: Eliminations due to consolidation	(404.275.133)	(161.571.089)
Total liabilitites in consolidated financial statements	18.436.851.271	13.352.888.126

5.2 Profit / (Loss) before Tax

Segment Results:

1 January - 31 December 2013	Aviation	Technic	Inter-segment elimination	Total
Sales to External Customers	18.459.362.069	317.422.256	-	18.776.784.325
Inter-Segment Sales	30.469.756	778.177.154	(808.646.910)	-
Segment Revenue	18.489.831.825	1.095.599.410	(808.646.910)	18.776.784.325
Cost of Sales (-)	(15.129.787.875)	(987.675.780)	812.808.238	(15.304.655.417)
Gross Profit	3.360.043.950	107.923.630	4.161.328	3.472.128.908
Administrative Expenses (-)	(337.878.995)	(115.314.855)	18.217.696	(434.976.154)
Marketing and Sales Expenses (-)	(1.937.967.673)	(10.194.727)	858.106	(1.947.304.294)
Other Operating Income	227.265.459	23.109.078	(19.819.490)	230.555.047
Other Operating Expenses (-)	(65.064.004)	(17.024.926)	1.716.887	(80.372.043)
Operating Profit/ (Loss)	1.246.398.737	(11.501.800)	5.134.527	1.240.031.464
Income from Investment Activities	139.076.819	524.910	7.788.666	131.813.063
Accounted by Using The Equity Method	127.162.420	(18.188.908)	-	108.973.512
Operating Profit/Loss before Financial Income/(Expense)	1.512.637.976	(29.165.798)	(2.654.139)	1.480.818.039
Financial Income	61.368.752	5.059.839	(16.283.049)	50.145.542
Financial Expense (-)	(571.821.258)	(9.601.962)	15.703.894	565.719.326
Profit / (Loss) Before Tax From Continuing Operations	1.002.185.470	(33.707.921)	(3.233.294)	965.244.255

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

5. SEGMENTAL REPORTING (cont'd)

5.2 Profit / (Loss) before Tax (cont'd)

1 January - 31 December 2012	Aviation	Technic	Inter-segment elimination	Total
Sales to External Customers	14.580.603.989	181.458.257	-	14.762.062.246
Inter-Segment Sales	48.332.280	686.807.235	(735.139.515)	-
Segment Revenue	14.628.936.269	868.265.492	(735.139.515)	14.762.062.246
Cost of Sales (-)	(11.725.165.823)	(712.824.923)	721.016.678	(11.716.974.068)
Gross Profit/ (Loss)	2.903.770.446	155.440.569	(14.122.837)	3.045.088.178
Administrative Expenses (-)	(296.548.347)	(82.315.076)	7.333.834	(371.529.589)
Marketing and Sales Expenses (-)	(1.580.298.722)	(9.306.890)	814.719	(1.588.790.893)
Other Operating Income	158.156.894	12.395.013	-	170.551.907
Other Operating Expense (-)	(104.480.554)	(11.482.166)	-	(115.962.720)
Operating Profit/ (Loss)	1.080.599.717	64.731.450	(5.974.284)	1.139.356.883
Income from Investment Activities	488.674.809	-	-	488.674.809
Accounted by Using the Equity Method	26.431.485	(20.470.232)	-	5.961.253
Operating Profit/Loss before Financial Income/Eexpense	1.595.706.011	44.261.218	(5.974.284)	1.633.992.945
Financial Income	88.671.642	(154.751)	-	88.516.891
Financial Expense (-)	(337.360.329)	(37.076)	-	337.397.405
Profit / Loss Before Tax From Continuing Operations	1.347.017.324	44.069.391	(5.974.284)	1.385.112.431

Income statement items related to equity accounted investees:

1 January-31 December 2013	Aviation	Technic	Inter-segment elimination	Total
Share of Investments' Profit/Loss Accounted by Using The Equity Method	127.162.420	(18.188.908)	-	108.973.512

1 January- 30 December 2012	Aviation	Technic	Inter-segment elimination	Total
Share of Investments' Profit/Loss Accounted by Using The Equity Method	26.431.485	(20.470.232)	-	5.961.253

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

5. SEGMENTAL REPORTING (cont'd)

5.3 Investment Operations

1 January - 31 December 2013	Aviation	Technic	Inter-segment elimination	Total
Purchase of property and equipment and intangible fixed assets	2.630.087.903	316.542.898	-	2.946.630.801
Current period amortization and depreciation	1.154.356.982	86.170.177	-	1.240.527.159
Investmensts accounted by using the equity method	332.202.531	57.471.668	-	389.674.199

1 January - 31 December 2012	Aviation	Technic	Inter-segment elimination	Total
equipment and intangible fixed assets	2.517.407.045	126.241.439	-	2.643.648.484
Current period amortization and depreciation	964.625.827	65.137.093	-	1.029.762.920
Investmensts accounted by using the equity method	206.493.307	62.576.238	-	269.069.545

6. CASH AND CASH EQUIVALENTS

	31 December 2013	31 December 2012
Cash	2.231.785	1.836.473
Banks – Time deposits	782.265.403	1.121.913.532
Banks – Demand deposits	521.069.942	222.290.264
Other liquid assets	33.416.705	9.502.267
	1.338.983.835	1.355.542.536

Details of the time deposits as of 31 December 2013 are as follows:

Amount	Currency	Interest Rate	Maturity	31 December 2013
106.265.000	TL	%6,41 - %9	January 2014	106.268.154
36.984.472	EUR	%0,82 - %2,54	January 2014	108.762.210
265.442.777	USD	%2,14 - %2,91	March 2014	567.235.039
				782.265.403

Details of the time deposits as of 31 December 2012 are as follows:

Amount	Currency	Interest Rate	Maturity	31 December 2012
813.916.500	TL	%7,14 - %9,22	March 2013	825.411.927
125.082.952	EUR	%2,81 - %3,27	March 2013	296.501.605
				1.121.913.532

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

7. FINANCIAL INVESTMENTS

Short-term financial investments are as follows:

	31 December 2013	31 December 2012
Time deposits with maturity more than 3 months	42.774.034	476.958.794

Time deposits with maturity of more than 3 months:

Amount	Currency	Interest Rate	Maturity	31 December 2013
20.000.000	USD	2,79%	April 2014	42.774.034

Amount	Currency	Interest Rate	Maturity	31 December 2012
41.827.004	USD	3,53%	April 2013	75.250.687
170.000.000	TRY	%6,93-%7,27	April 2013	170.577.495
97.844.734	EUR	%3,19-%3,20	September 2013	231.130.612
				476.958.794

Long-term financial investments are as follows:

	31 December 2013	31 December 2012
Sita Inc.	1.679.619	1.679.619
Star Alliance Gmbh	44.465	44.465
Emek İnşaat ve İşletme A.Ş.	26.859	26.859
UATP Inc.	16.929	16.929
Foreign currency translation reserve	684.849	281.372
	2.452.721	2.049.244

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

Details of the long-term financial investments of the Group at 31 December 2013 are as follows:

Company Name	Country of Registration and Operations	Ownership Share	Voting Power	Principal Activity
Sita Inc.	Netherlands	Less than 0.1%	Less than 0.1%	Information & Telecommunication Services
Star Alliance Gmbh	Germany	5.55%	5.55%	Coordination Between Star Alliance Member Airlines
UATP Inc.	USA	4%	4%	Payment Intermediation Between the Passenger and the Airlines
Emek İnşaat ve İşletme A.Ş.	Turkey	0.3%	0.3%	Construction

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

8. BORROWINGS

Short term portions of long term borrowings are as follows:

	31 December 2013	31 December 2012
Finance lease obligations (Note: 21)	1.188.220.823	866.011.394

Long term borrowings are as follows:

	31 December 2013	31 December 2012
Finance lease obligations (Note: 21)	10.364.269.509	7.800.982.204

9. OTHER FINANCIAL LIABILITIES

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

	31 December 2013	31 December 2012
Other financial liabilities	33.808.413	31.064.076

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

10. RELATED PARTY TRANSACTIONS

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

	31 December 2013	31 December 2012
TCI	382.750	447.790
TEC	-	12.736.341
Sun Express	-	5.791.128
	382.750	18.975.259

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

	31 December 2013	31 December 2012
TCI	4.087.847	7.959
Türkbine Teknik	-	476
Uçak Koltuk Üretimi	-	96
	4.087.847	8.531

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

10. RELATED PARTY TRANSACTIONS (cont'd)

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

	31 December 2013	31 December 2012
THY Opet	184.980.253	139.538.456
Turkish DO&CO	67.793.993	16.035.217
Sun Express	54.322.677	19.426.776
TGS	33.853.908	27.246.944
TEC	31.294.411	12.462.870
Goodrich	2.361.168	289.812
TCI	-	244
Türkbine Teknik	-	676
	374.606.410	215.000.995

Transactions with related parties for the year ended as of 31 December 2013 are as follows:

Sales

	31 December 2013	31 December 2012
Sun Express	85.596.025	42.182.656
TGS	28.690.121	32.959.604
TEC	12.334.619	15.621.347
Turkish DO&CO	5.285.615	2.566.491
THY Opet	3.097.997	160.909
TCI	228.038	944.319
Goodrich	148.057	1.890.294
Türkbine Teknik	51.652	360.275
Sun Express Deut.	40.217	70.008
Uçak Koltuk	-	29.231
	135.472.341	96.785.134

Purchases

	31 December 2013	31 December 2012
THY Opet	3.943.188.972	3.192.744.391
Turkish DO&CO	538.461.828	385.433.214
Sun Express	435.937.741	73.735.876
TGS	389.830.809	311.898.310
TEC	191.381.580	36.222.756
Star Alliance GMBH	840.053	-
Goodrich	323.276	8.149.394
TCI	69.656	-
Türkbine Teknik	-	146.619
	5.500.033.915	4.008.330.560

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

10. RELATED PARTY TRANSACTIONS (cont'd)

Transactions between the Group related to Sun Express and related to seat and aircraft rental operations; transactions between the Group and Turkish DO&CO are related to catering services; transactions between the Group and TGS are related to ground services, transactions between the Group and TEC are engine maintenance services and the transactions between the Group and THY Opet is related to the supply of aircraft fuel. Receivables from related parties are not collateralized and maturity of trade receivables is 30 days.

The total amount of salaries and other short term benefits provided for the Chairman and the Members of Board of Directors, General Manager, General Coordinator and Deputy General Managers are TL 8,524,363 (31 December 2012; TL 6,301,658).

11. TRADE RECEIVABLES AND PAYABLES

Trade receivables from non-related parties as of 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Trade receivables	1.289.341.336	828.016.124
Allowance for doubtful receivables	(141.633.923)	(73.380.910)
	1.147.707.413	754.635.214

Provision for doubtful receivables has been determined based on last experiences for uncollectible receivables. Details for credit risk, foreign currency risk and impairment for trade receivables are explained in Note 46.

Trade payables to non-related parties as of 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Trade payables	1.075.555.053	691.657.030
Other Trade Payables	1.020.117	2.132.786
	1.076.575.170	693.789.816

12. PAYABLES RELATED TO EMPLOYEE BENEFITS

Payables related to employee benefits as of 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Salary accruals	260.194.780	147.057.807
Social security premiums payable	43.654.175	36.021.871
Labor union agreement accrual (*)	4.134.521	-
	307.983.476	183.079.678

(*)The accrual for the Labor Union Agreement consists of increases in salaries according to the agreement of THY HABOM signed on 25 February 2014 and effective from 1 August 2013.

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

13. OTHER RECEIVABLES AND PAYABLES

Other short-term receivables from non-related parties as of 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Prepayments made for aircrafts, to be received back in cash (net)	1.111.916.468	475.603.418
Receivables from purchasing transactions abroad	119.869.279	98.482.319
Restriction on transfer of funds from banks (*)	85.538.901	160.469.134
Receivables from training of captain candidates	28.889.363	2.751.021
V.A.T Return	17.369.268	11.832.018
Receivables from employees	3.304.898	2.511.696
Other receivables	9.809.729	3.402.692
	1.376.697.906	755.052.298

(*) As of 31 December 2013, the balance of this account is related to bank balances and blocked deposits in Khartum, Akra, Addis Ababa, Taşkent, Sao Paulo, Kazablanka, Dakka and Buenos Aires.

Other long-term receivables from non-related parties as of 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Prepayments made for aircrafts, to be received back in cash (net)	2.120.392.457	1.167.114.676
Receivables from investment assistance (Note 2.5.16)	199.642.624	107.714.141
Restriction on transfer of funds from banks (*)	185.575.908	176.900.543
Receivables from training of captain candidates	102.223.282	44.470.842
Interest swap agreement deposits	53.400.186	44.677.053
Deposits and guarentees given	15.170.163	26.601.535
Income accruals on withholding tax return	2.354.762	15.797.083
Receivables from Sita deposit certificates	1.849.444	1.643.236
	2.680.608.826	1.584.919.109

(*) As of 31 December 2013 and 2012 this amount stems from the accounts in Iran and Syria. It is obligated by Iran Civil Aviation Authority that until November 2012 parity for the ticket sales should be used according to the exchange rate of IRR (Iranian Exchange Rate) which is published by Iranian Central Bank (CB Level 1) as official parity. After devaluation in Iran, Iranian Central Bank does not allow to use CB Level 1 parity for foreign exchange money transfers since July 2012. The Group has EUR 60 million according to the CB Level 1 due to the sales until November 2012. After negotiations with Iranian Civil Aviation Authority and Iranian Central Bank, it is agreed to use CB Level 1 party for foreign transfer of this amount, however this transfer is not made yet. Parity for the related period is determined as 1EUR=15,966. As of 31 December 2013 and 2012 this balance is shown at this parity at balance sheet.)

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

13. OTHER RECEIVABLES AND PAYABLES (cont'd)

Other short-term payables to non-related parties are as follows:

	31 December 2013	31 December 2012
Taxes and funds payable	81.943.879	41.742.240
Deposits and guarantess received	18.117.653	21.881.619
Payables to insurance companies	8.602.152	3.290.177
Other liabilities	5.518.003	9.892.163
	114.181.687	76.806.199

Other long-term payables to non-related parties are as follows:

	31 December 2013	31 December 2012
Deposits and guarantees received	30.917.704	15.659.634

14. INVENTORIES

	31 December 2013	31 December 2012
Spare parts	288.403.089	230.339.657
Other inventories	68.251.673	46.562.105
	356.654.762	276.901.762
Provision for impairment (-)	(14.330.391)	(17.701.999)
	342.324.371	259.199.763

Movement in change of decrease in value of inventories for the periods ended 31 December 2013 and 2012.

	1 January - 31 December 2013	1 January - 31 December 2012
Provision at the beginning of the period	17.701.999	17.555.587
Foreign currency translation effect	2.739.001	(993.935)
(Reversals) /Provision set during the period	(6.110.609)	1.140.347
Provision at the end of the period	14.330.391	17.701.999

15. BIOLOGICAL ASSETS

None (31 December 2012: None).

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

16. PRE-PAID EXPENSES AND DEFERRED INCOME

Pre-paid expenses and deferred incomes as of 31 December 2013 and 2012 are as follows:

Short-term prepaid expenses

	31 December 2013	31 December 2012
Prepaid sales commissions	30.382.160	21.096.986
Prepaid operating lease expenses	16.133.614	14.191.310
Other prepaid expenses	15.591.581	8.844.769
Prepaid advertising expenses	13.953.426	4.565.568
Advances given for orders	9.283.739	35.473.673
Prepaid other rent expenses	4.021.595	381.025
	89.366.115	84.553.331

Long-term prepaid expenses

	31 December 2013	31 December 2012
Prepaid maintenance of engine expense	311.691.062	146.478.543
Advances given for fixed asset purchases	52.089.326	60.987.232
Prepaid aircraft financing expenses	33.770.950	27.830.021
Other Prepaid expenses	12.850.445	699.010
Prepaid operating lease expenses	1.840.398	1.891.246
	412.242.181	237.886.052

Short-term deferred income

	31 December 2013	31 December 2012
Unearned revenue from share transfer of TGS (Note: 4)	16.961.685	12.870.201
Unearned bank protocol income	12.272.118	7.720.681
Other advances received	12.095.796	20.187.231
Other deferred income	4.258.542	-
Charter advances	1.041.847	1.041.539
	46.629.988	41.819.652

Long-term deferred income

	31 December 2013	31 December 2012
Gross manufacturer’s credits	59.077.997	49.342.847
Accumulated depreciations of manufacturer’s credit	(36.261.496)	(25.877.761)
Unerarned bank protocol income	8.277.860	10.732.856
Other advances received	63.625	-
Unearned revenue from share transfer of TGS (Note: 4)	-	13.248.491
	31.157.986	47.446.433

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

17. INVESTMENT PROPERTY

	1 January- 31 December 2013	**1 January- 31 December 2012**
Opening balance	57.985.000	54.720.000
Foreign currency translation difference	11.592.599	(3.068.810)
Disposal	(500.000)	-
Fair value gain (Note 37)	7.242.401	6.333.810
Closing balance	76.320.000	57.985.000

Valuation was performed by the independent valuation firm, which is authorized by Capital Markets Board with reference to market prices for similar properties.

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

Determination of fair value of investment property is within the scope of Level 3 in terms of valuation technique.

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

18. PROPERTY AND EQUIPMENT

	Land improvements and buildings	Technical equipments simulators and vehicles	Other equipments, and fixtures	Aircrafts	Spare engines	Components and repairable spare parts	Leasehold improvements	Construction in Progress	Total
Cost									
Opening balance at 1 January 2013	198.408.933	376.616.472	240.693.235	15.623.706.346	617.668.430	373.795.361	79.440.618	679.208.519	18.189.537.914
Foreign currency translation differences	50.758.543	78.448.375	52.336.616	3.340.915.790	126.293.664	86.008.634	16.565.015	173.815.300	3.925.141.937
Additions	16.840.529	65.156.820	34.916.365	2.214.600.352	88.137.166	136.001.760	7.346.994	353.927.914	2.916.927.900
Additions from business combination	95.852.356	13.504.753	14.527.198	-	-	-	-	-	123.884.307
Transfers (*)	9.747.371	121.891	-	-	-	-	-	(13.454.280)	(3.585.018)
Disposals	(16.861.874)	(43.250.416)	(4.354.063)	(85.378.599)	(51.635.818)	(34.984.561)	-	-	(236.465.331)
Closing balance at 31 December 2013	354.745.858	490.597.895	338.119.351	21.093.843.889	780.463.442	560.821.194	103.352.627	1.193.497.453	24.915.441.709
Accumulated Depreciation									
2013	73.594.821	202.883.246	175.979.342	4.659.039.951	187.327.416	145.803.610	51.569.939	-	5.496.198.325
differences	16.392.273	38.272.051	37.546.770	1.032.252.809	39.364.275	33.721.956	11.670.541	-	1.209.220.675
period	9.246.828	31.576.872	32.235.486	1.016.780.059	66.210.218	57.206.508	12.326.072	-	1.225.582.043
Additions from business combination	12.596.916	3.598.750	6.252.478	-	-	-	-	-	22.448.144
Disposals	(5.117.056)	(43.019.175)	(4.140.988)	(85.378.599)	(46.391.924)	(16.376.406)	-	-	(200.424.148)
Closing balance at 31 December 2013	106.713.782	233.311.744	247.873.088	6.622.694.220	246.509.985	220.355.668	75.566.552	-	7.753.025.039
Net book value 31 December 2013	248.032.076	257.286.151	90.246.263	14.471.149.669	533.953.457	340.465.526	27.786.075	1.193.497.453	17.162.416.670

(*) Tangible asset amounting to TL 3,585,018 is transferred to intangible assets.

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

18. PROPERTY AND EQUIPMENT (cont'd)

	Land improvements and buildings	Technical equipments simulators and vehicles	Other equipments, and fixtures	Aircrafts	Spare engines	Components and repairable spare parts	Leasehold improvements	Construction in Progress	Total
Cost									
Opening balance at 1 January 2012	194.445.053	461.185.261	148.453.434	12.863.510.809	615.266.465	399.664.054	111.431.957	435.264.825	15.229.221.858
Foreign currency translation differences	(13.372.432)	(11.893.982)	(32.665.326)	(1.198.885.929)	(40.357.310)	(22.460.963)	(19.301.794)	(16.786.206)	(1.355.723.942)
Additions	7.963.128	29.345.241	21.907.776	2.145.180.214	42.759.275	107.991.879	3.066.771	268.881.536	2.627.095.820
Disposals	-	(3.044.015)	(668.343)	(4.915.771)	-	(111.399.609)	(540.525)	-	(120.568.263)
Transfer to assets held-for-sale	-	-	-	1.815.991.128	-	-	-	-	1.815.991.128
Transfers	9.373.184	(98.976.033)	103.665.694	2.825.895	-	-	(15.215.791)	(8.151.636)	(6.478.687)
Closing balance at 31 December 2012	198.408.933	376.616.472	240.693.235	15.623.706.346	617.668.430	373.795.361	79.440.618	679.208.519	18.189.537.914
Accumulated Depreciation									
Opening balance at 1 January 2012	64.597.647	321.520.088	69.210.291	3.291.791.980	139.105.118	185.035.834	65.366.028	-	4.136.626.986
Foreign currency translation differences	(3.713.730)	(46.270.367)	(10.871.418)	(676.742.705)	(9.554.028)	(10.413.104)	(11.725.708)	-	(769.291.060)
Depreciation charge for the period	3.337.720	24.324.384	24.439.402	848.529.631	57.776.326	49.368.777	13.300.035	-	1.021.076.275
Disposals	-	(2.330.508)	(523.204)	(4.915.771)	-	(78.187.897)	(154.625)	-	(86.112.005)
Transfer to assets held-for-sale	-	-	-	1.200.376.816	-	-	-	-	1.200.376.816
Transfers	9.373.184	(94.360.351)	93.724.271	-	-	-	(15.215.791)	-	(6.478.687)
Closing balance at 31 December 2012	73.594.821	202.883.246	175.979.342	4.659.039.951	187.327.416	145.803.610	51.569.939	-	5.496.198.325
Net book value 31 December 2012	124.814.112	173.733.226	64.713.893	10.964.666.395	430.341.014	227.991.751	27.870.679	679.208.519	12.693.339.589
Net book value 31 December 2011	129.847.406	139.665.173	79.243.143	9.571.718.829	476.161.347	214.628.220	46.065.929	435.264.825	11.092.594.872

* Due to the implemented ERP system which was practiced in 1 July 2012, The Group made some changes in classification of tangible and intangible assets. Tangible assets and accumulated depreciation amounting to a summation of TL 6,478,687 was transferred to Intangible Assets.

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

19. OTHER INTANGIBLE ASSETS

	Slot Rights	Other Rights	Total
Cost			
Opening balance at 1 January 2013	23.069.393	128.876.837	151.946.230
Foreign currency translation differences	4.551.501	29.466.538	34.018.039
Additions	-	29.702.901	29.702.901
Disposals	-	(3.712)	(3.712)
Transfers	-	3.585.018	3.585.018
Closing balance at 31 December 2013	27.620.894	191.627.582	219.248.476
Accumulated Depreciation			
Opening balance at 1 January 2013	-	100.762.463	100.762.463
Foreign currency translation differences	-	21.693.450	21.693.450
Amortization charge for the period	-	14.945.116	14.945.116
Disposals	-	(3.712)	(3.712)
Closing balance at 31 December 2013	-	137.397.317	137.397.317
Net book value at 31 December 2013	27.620.894	54.230.265	81.851.159

	Slot Rights	Other Rights	Total
Cost			
Opening balance at 1 January 2012	24.445.066	113.740.124	138.185.190
Foreign currency translation differences	(1.375.673)	(7.175.696)	(8.551.369)
Additions	-	16.552.664	16.552.664
Disposals	-	(718.942)	(718.942)
Transfers	-	6.478.687	6.478.687
Closing balance at 31 December 2012	23.069.393	128.876.837	151.946.230
Accumulated Depreciation			
Opening balance at 1 January 2012	-	91.222.250	91.222.250
Foreign currency translation differences	-	(5.513.033)	(5.513.033)
Amortization charge for the period	-	8.686.645	8.686.645
Disposals	-	(112.086)	(112.086)
Transfers	-	6.478.687	6.478.687
Closing balance at 31 December 2012	-	100.762.463	100.762.463
Net book value at 31 December 2012	23.069.393	28.114.374	51.183.767

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

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

20. GOODWILL

	31 December 2013
Cost	
Opening balance at 1 January 2013	-
Additions (Note: 3)	52.523.964
Foreign currency translation differences	5.716.838
Closing balance at 31 December 2013	58.240.802

21. LEASING TRANSACTIONS

Maturities of finance lease obligations are as follows:

	31 December 2013	31 December 2012
Less than 1 year	1.464.764.110	1.068.307.603
Between 1 – 5 years	5.809.555.437	4.291.572.222
Over 5 years	5.970.519.946	4.624.307.819
	13.244.839.493	9.984.187.644
Less: Future interest expenses	(1.692.349.161)	(1.317.194.046)
Principal value of future rentals stated in financial statements	11.552.490.332	8.666.993.598

	31 December 2013	31 December 2012
Interest Range:		
Floating rate obligations	5.073.110.037	3.355.700.565
Fixed rate obligations	6.479.380.295	5.311.293.033
	11.552.490.332	8.666.993.598

As of 31 December 2013, the US Dollars, Euro and JPY denominated lease obligations' weighted average interest rates are 3.80% (31 December 2012: 4.14%) for the fixed rate obligations and 0.88% (31 December 2012: 0.61%) for the floating rate obligations.

22. SERVICE CONCESSION AGREEMENTS

None (31 December 2012: None).

23. IMPAIRMENT IN ASSETS

None (31 December 2012: None).

24. GOVERNMENT GRANTS AND INCENTIVES

Incentive certificate No: 28.12.2011 / 99256 was obtained from Turkish Treasury for financing the aircrafts planned for the period after 2010. According to this certificate, the Company will use the advantages for reduction of corporate tax, customs duty exemption and support for insurance premium of employers. Please refer to Note: 2.5.16 for the accounting of the related investment contribution

25. BORROWING COSTS

During the year of 2013, there is no capitalized borrowing cost on property and equipment. (31 December 2012: None).

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

26. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions as of 31 December 2013 and 2012 are as follows:

(a) Short-term provisions for employee benefits

	31 December 2013	31 December 2012
Provisions for unused vacation	64.731.115	41.066.116

Changes in the provisions during 31 December 2013 and 2012 periods are set out below:

	1 January - 31 December 2013	1 January - 31 December 2012
Provision at the beginning of the year	41.066.116	11.914.374
Additions from business combination	2.278.037	-
Provision for the current period	22.377.281	29.210.389
Foreign currency translation differences	(990.319)	(58.647)
Provision at the end of the period	64.731.115	41.066.116

(b) Other short-term provisions:

	31 December 2013	31 December 2012
Provisions for legal claims	29.819.212	35.516.181

Changes in the provisions for legal claims during 31 December 2013 and 2012 periods are set out below:

	1 January - 31 December 2013	1 January - 31 December 2012
Provision at the beginning of the year	35.516.181	26.224.798
Provision for the current period	3.282.172	15.507.398
Provisions released	(9.047.242)	(7.170.892)
Foreign currency translation differences	68.101	954.877
Provision at the end of the period	29.819.212	35.516.181

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

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

27. COMMITMENTS

a) Guarantees/Pledges/Mortgages ("GPM") given by the group: Amount of letter of guarantees given as of 31 December 2013 is TL 168,237,282 (31 December 2012: TL 103,501,040).

	31 December 2013		**31 December 2012**	
	Foreign currency amount	**TL equivalent**	**Foreign currency amount**	**TL equivalent**
A. Total amounts of GPM given on the behalf of its own legal entity		168.237.282		103.501.040
-Collaterals				
TL	-	19.793.631	-	11.882.222
EUR	10.289.903	30.216.299	6.719.618	15.802.526
USD	53.499.485	114.183.950	40.957.707	73.011.209
Other	-	4.043.402	-	2.805.083
B. Total amounts of GPM given on the behalf of subsidiaries that are included in full consolidation	-	-	-	-
C. Total amounts of GPM given in order to guarantee third party debts for routine trade operations	-	-	-	-
D. Total amounts of other GPM given	-	-	-	-
i. Total amount of GPM given on behalf of the Parent	-	-	-	-
ii. Total amount of GPM given on behalf of other group companies not covered in B and C	-	-	-	-
iii. Total amount of GPM given on behalf of third parties not covered in C	-	-		-
		168.237.282		103.501.040

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

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

	31 December 2013	**31 December 2012**
Less than 1 year	306.818.229	282.339.574
Between 1 – 5 years	668.136.183	810.999.803
More than 5 years	151.948.537	81.178.443
	1.126.902.949	1.174.517.820

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

27. COMMITMENTS (cont'd)

b) Operational leasing debts: (cont'd)

To be delivered between the years 2010-2015, the Group signed a contract for 89 aircrafts with a total value of 11.8 billion US Dollars, according to the price lists before the discounts made by the aircraft manufacturing firms. 10 of these aircrafts were delivered in 2010, 29 of these aircrafts were delivered in 2011, 19 of these aircrafts were delivered in 2012 and 18 of these aircrafts were delivered in 2013. To be delivered between the years 2013-2021, the Group signed a contract for 252 aircrafts with a total value of 37.5 billion US Dollars, according to the price lists before the discounts made by the aircraft manufacturing firms. The Group has made an advance payment of 1.529 million US Dollars relevant to these purchases as of 31 December 2013.

c) Other operational leasing debts:

The Group also has operational lease agreements for 15 years related to the land for the aircraft maintenance hangar which is in use and for 23 years related to the land for the aircraft maintenance hangar which is still under construction. The liabilities of the Group related with these lease agreements are as follows:

	31 December 2013	**31 December 2012**
Less than 1 year	10.291.602	2.081.088
Between 1 – 5 years	50.256.243	16.417.472
More than 5 years	118.021.858	49.973.307
	178.569.703	68.471.867

28. EMPLOYEE BENEFITS

Provision for long-term retirement pay liability as of 31 December 2013 and 2012 is comprised of the following:

	31 December 2013	**31 December 2012**
Provisions for retirement pay liability	249.604.088	234.019.405

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

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

Retirement pay liability is subject to an upper limit of monthly TL 3,438 as of 1 January 2014 (1 January 2013: TL 3,129).

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.

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

28. EMPLOYEE BENEFITS (cont'd)

IAS 19 ("Employee Benefits") stipulates the development of company's liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows:

Main assumption is that maximum liability amount increases in accordance with the inflation rate for every service year. So, provisions in the accompanying financial statements as of 31 December 2013 are calculated by estimating present value of contingent liabilities due to retirement of employees. Provisions in the relevant balance sheet dates are calculated with the assumptions of 6.00% annual inflation rate (31 December 2012: 5.00%) and 10.20% discount rate. (31 December 2012: 7.63%). Estimated amount of retirement pay not paid due to voluntary leaves and retained in the Company is also taken into consideration as 2.37% (31 December 2012: 2.40%). Ceiling for retirement pay is revised semi-annually. Ceiling amount of TL 3,438 which is in effect since 1 January 2014 is used in the calculation of Group's provision for retirement pay liability.

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

	1 January - 31 December 2013	1 January - 31 December 2012
Provisions at the beginning of the period	234.019.405	191.632.448
Effect of business combination	2.797.612	-
Service charge for the period	57.237.528	33.585.087
Interest charges	8.967.974	4.802.966
Actuarial gain / (loss)	(25.626.992)	26.922.256
Payments	(28.139.267)	(25.874.633)
Foreign currency translation effect	347.828	2.951.281
Provisions at the end of the period	249.604.088	234.019.405

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

29. EXPENSES BY NATURE

Expenses by nature for the years ended 31 December 2013 and 2012 are as follows:

	1 January - 31 December 2013	1 January - 31 December 2012
Fuel expenses	6.574.220.845	5.160.597.731
Personnel expenses	3.026.021.360	2.492.920.458
Depreciation expenses	1.240.527.159	1.029.762.920
Ground services expenses	1.060.201.271	824.244.995
Passenger service catering expenses	891.516.771	622.510.934
Air traffic control expenses	864.180.730	633.465.331
Landing and navigation expenses	663.698.287	494.716.002
Commission and incentives Income	632.021.257	530.632.435
Maintenance expenses	608.898.333	395.064.193
Short term leasing expenses	578.564.737	121.741.196
Reservation systems expense	389.415.337	301.657.615
Operating lease expenses	283.209.307	312.873.093
Advertising and promotion expenses	252.395.319	191.636.103
Other expenses	142.334.177	121.221.560
Service expenses	123.806.654	119.125.251
Other rent expenses	84.729.834	85.640.155
Insurance expenses	77.332.407	86.814.456
Communication and information expenses	58.033.421	39.822.198
Tax expenses	36.685.626	25.796.751
Transportation expenses	36.673.174	31.819.818
Consultancy expenses	25.412.102	16.581.380
Utility expenses	15.650.445	19.869.276
Membership fees	11.075.966	12.618.507
System use and membership expenses	10.331.346	6.162.192
	17.686.935.865	13.677.294.550

30. PASSENGER FLIGHT LIABILITIES

Passenger flight liability is as follows;

	31 December 2013	31 December 2012
Flight liability generating from ticket sales	2.109.459.830	1.271.723.065
Flight liability generating from sales of mileage and frequent flyer programme	453.046.437	396.752.754
	2.562.506.267	1.668.475.819

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

31. OTHER ASSETS AND LIABILITIES

Details of other current assets as of 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Deferred VAT	102.299.545	57.926.347
Personnel and job advances	9.644.840	3.337.806
Other current assets	479.567	781.620
	112.423.952	62.045.773

Other short-term liabilities as of 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Accruals for maintenance expenses	611.392.419	480.887.247
Accruals for other expenses	4.318.568	14.182.943
Other liabilities	4.033.193	1.360.052
	619.744.180	496.430.242

32. SHAREHOLDERS' EQUITY

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

	Class	%	31 December 2013	%	31 December 2012
Republic of Turkey Prime Ministry Privatization Administration (*)	A, C	49,12	677.856.000	49,12	589.465.086
Other (publicly held)	A	50,88	702.144.000	50,88	610.534.914
Paid-in capital			1.380.000.000		1.200.000.000
Restatement difference			1.123.808.032		1.123.808.032
Restated capital			2.503.808.032		2.323.808.032

(*) 1,644 shares belonging to various private shareholders were not taken into consideration when the Group was included to the privatization program in 1984. Subsequently, these shares were registered on behalf of Privatization Administration according to Articles of Association of the Group, approved by the decision of the Turkish Republic High Planning Board on 30 October 1990.

32. SHAREHOLDERS' EQUITY (cont'd)

As of 31 December 2013, the Group's issued and paid-in share capital consists of 137.999.999.999 Class A shares and 1 Class C share, all with a par value of Kr 1 each. These shares are issued to the name. The Class C share belongs to the Republic of Turkey Prime Ministry Privatization Administration and has the following privileges:

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

Articles of Association 10: The Board of Directors consists of nine members of which one member has to be nominated by the class C shareholder and the rest eight members has to be chosen by an election between class A shareholder's top rated.

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

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

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

c) Increasing share capital,

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

e) Making decisions or taking actions which will put the Company under commitment over 5% of its total assets considering the latest annual financial statements prepared for Capital Market 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 Profit Reserves

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

Foreign Currency Translation Differences

Method for consolidation purpose is, according to TAS 21, monetary items in statutory financial statements is translated to USD using year-end exchange rates, non-monetary items in balance sheet, income/expenses and cash flow are translated to USD by using the exchange rate of the transaction date (historic rate), and currency translation differences are presented under equity. Translation profit/loss from foreign currency transactions is presented under foreign currency exchange losses item under financial expenses in profit or loss and translation profit/loss from trading operations is presented under foreign exchange losses item in operating expenses. Also, currency translation differences in equities of the Group's joint venture; Güneş Ekspres Havacılık A.Ş. (Sun Express) which is consolidated by using equity method, is presented under currency translation item. Foreign currency translation differences are the changes due to the foreign exchange rate changes in the shareholders' equity Sun Express which is subsidiary accounted for equity method.

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

32. SHAREHOLDERS' EQUITY (cont'd)

Distribution of Dividends

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from February 1, 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of associations. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on financial statements of the company.

At the Company's Ordinary General Assembly Meeting held on 29 March 2013, it is decided to distribute dividends amounting to TL 173,280,902 as cash and TL 180,000,000 as bonus share. As at 31 December 2013, the payment of cash dividends and distribution of bonus shares were completed.

The items of shareholders' equity of the Company in the statutory accounts as of 31 December 2013 are as follows:

Paid-in capital	1.380.000.000
Share premium	181.185
Legal reserves	75.739.047
Extraordinary reserves (*)	-
Other profit reserves	9
Special funds	10.577.516
Retained earnings (*)	0
Net profit for the period	(1.023.653.930)
Total shareholders' equity	442.843.827

(*) Per legal records, there are some amounts of balances subject to dividend distributions, but total of these amounts are negative.

Gains/Losses from Cash Flow Hedges

Hedge gain/losses against cash flow risk arise from the accounting of the changes in the fair values of effective derivative financial instruments designated against financial risks of future cash flows under equity. Total of deferred gain/loss arising from hedging against financial risk are accounted in profit or loss when the effect of the hedged item has effect on profit or loss.

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

33. REVENUE

Details of gross profit are as follows:

	1 January - 31 December 2013	**1 January - 31 December 2012**
Scheduled flights		
Passenger	16.587.466.680	13.128.871.780
Cargo and mail	1.638.176.082	1.288.141.709
Total scheduled flights	18.225.642.762	14.417.013.489
Unscheduled flights	162.840.851	127.776.312
Technical Revenue	317.422.256	188.895.224
Other revenue	70.878.456	28.377.221
Net sales	18.776.784.325	14.762.062.246
Cost of sales (-)	(15.304.655.417)	(11.716.974.068)
Gross profit	3.472.128.908	3.045.088.178

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

	1 January - 31 December 2013	**1 January - 31 December 2012**
- Europe	6.103.089.788	4.772.031.464
- Far East	3.928.544.390	3.214.994.008
- Middle East	2.257.537.309	1.874.211.753
- America	1.871.684.644	1.427.284.335
- Africa	1.512.471.540	1.081.276.013
Total international flights	15.673.327.671	12.369.797.573
Domestic flights	2.552.315.091	2.047.215.916
Total scheduled flights	18.225.642.762	14.417.013.489

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

34. COST OF SALES

The details of the cost of sales are as follows:

	1 January - 31 December 2013	1 January - 31 December 2012
Fuel expenses	6.572.690.533	5.159.187.276
Personnel expenses	2.261.315.199	1.847.455.115
Depreciation expenses	1.183.623.060	982.774.191
Ground services expenses	1.060.201.271	824.244.995
Passenger service catering expenses	891.516.771	622.510.934
Air traffic control expenses	864.180.730	633.465.331
Landing and navigation expenses	663.698.287	494.716.002
Maintenance expenses	602.494.058	387.897.396
Short term aircraft leasing expenses	578.564.737	121.741.196
Operating lease expenses	283.209.307	312.873.093
Service expenses	89.263.220	84.198.175
Insurance expenses	75.445.618	85.514.580
Other rent expenses	50.149.164	43.004.409
Transportation expenses	36.673.174	31.819.818
Tax expenses	18.787.659	17.157.765
Utility expenses	11.008.092	12.430.824
Other expenses	61.834.537	55.982.968
	15.304.655.417	11.716.974.068

35. GENERAL ADMINISTRATIVE EXPENSES AND MARKETING AND SALES EXPENSES

General administrative expenses are as follows:

	1 January - 31 December 2013	1 January - 31 December 2012
Personnel expenses	266.042.066	225.371.238
Depreciation expenses	44.574.203	35.826.796
Communication and information expenses	43.193.773	30.053.436
Service expenses	22.219.578	28.891.431
System usage and membership expenses	10.331.346	6.162.192
Consultancy expenses	9.518.180	6.806.424
Rent expenses	8.682.388	10.213.003
Maintenance expenses	6.404.275	7.166.797
Utility expenses	4.642.353	7.438.452
Insurance expenses	1.886.789	1.299.876
Other general administrative expenses	17.481.203	12.299.944
	434.976.154	371.529.589

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

35. GENERAL ADMINISTRATIVE EXPENSES AND MARKETING AND SALES EXPENSES (cont'd)

Marketing and sales expenses are as follows:

	1 January - 31 December 2013	1 January - 31 December 2012
Commissions and incentive expenses	632.021.257	530.632.435
Personnel expenses	498.664.095	420.094.105
Reservation systems expense	389.415.337	301.657.615
Advertising and promotion expenses	252.395.319	191.636.103
Rent expenses	25.898.282	32.422.743
Tax expenses	17.897.967	8.638.986
Consultancy expenses	15.893.922	9.774.956
Communication and information expenses	14.839.648	9.768.762
Depreciation expenses	12.329.896	11.161.933
Service expenses	12.323.856	6.035.645
Membership fees	11.075.966	12.618.507
Fuel expenses	1.530.312	1.410.455
Other sales and marketing expenses	63.018.437	52.938.648
	1.947.304.294	1.588.790.893

36. OTHER OPERATING INCOME / EXPENSES

Other operating income consists of the following:

	1 January - 31 December 2013	1 January - 31 December 2012
Foreign exchange gains on trade operations, net	76.147.165	-
Insurance, indemnities, penalties income	52.395.739	61.303.525
Grant credit income related to aircraft, engines and other purchases	17.910.135	16.267.517
Provisions released	14.784.893	24.358.091
TGS share premium (Note: 4)	11.187.211	14.088.535
Non- interest income from banks	9.627.810	8.906.897
Late payment interest income	7.420.527	6.352.932
Rent income	7.140.139	4.318.765
Other operating income	33.941.428	34.955.645
	230.555.047	170.551.907

Other operating expenses consist of the following:

	1 January - 31 December 2013	1 January - 31 December 2012
Provision expenses	43.162.345	28.869.760
Indemnity and penalty expense	5.594.677	4.942.022
Foreign exchange losses on trade operations, net	-	64.544.740
Other operating expenses	31.615.021	17.606.198
	80.372.043	115.962.720

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

37. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

Incomes from investment activities are as follows:

	31 December 2013	31 December 2012
Income from investment assistance	93.786.035	62.319.152
Financial investment interest income	29.126.209	65.558.458
Gain on sale of fixed assets	1.658.418	3.321.066
Fair value gain on investment property	7.242.401	6.333.810
Cancellation of provision for impairmet for tangible assets and assets held-for-sale (*)	--	351.142.323
	131.813.063	488.674.809

(*)Consist of cancellation of impairment charge recognized in in previous year of 7 A-340 aircrafts which were classified as assets held for sale in 2011 and reclassified to property and equipment in 2012 due to change in sales plan.

38. EXPENSES CLASSIFIED BY PRINCIPLE OF TYPE

Expenses for the years ended as of 31 December 2013 and 2012 are presented in Note 33 and Note 34 according to their functions.

39. FINANCIAL INCOME/EXPENSES

Financial income consists of the following:

	31 December 2013	31 December 2012
Interest income	50.145.542	63.013.758
Earning from derivative financial instruments	-	25.503.133
	50.145.542	88.516.891

Finance expenses are as follows:

	31 December 2013	31 December 2012
Finance lease interest expense	247.443.605	208.066.460
Foreign exchange losses	223.079.056	96.486.559
Losses on derivative financial instruments	44.471.986	-
Administrative expenses for aircraft financing	26.600.791	14.559.832
Discount interest expense related to prepayments for the aircrafts purchases	7.551.044	8.875.679
Cost of employee termination benefits interest	8.967.974	4.802.966
Other financial expense	7.604.870	4.605.909
	565.719.326	337.397.405

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

40. ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

For the period ended 31 December 2013, the Company's other comprehensive income which is not to be reclassified to profit or loss is TL 20,010,648 as income (31 December 2012: TL 22,349,824 as expense), other comprehensive income to be reclassified to profit or loss is TL 1,028,009,655 as income (31 December 2012: TL 227,251,285 as expense).

41. TAX ASSETS AND LIABILITIES

Assets related to current tax consists of the following items:

	31 December 2013	31 December 2012
Prepaid taxes and funds	16.507.184	19.666.261

Tax expense consists of the following items:

	1 January - 31 December 2013	1 January - 31 December 2012
Current period tax expense	-	32.616.486
Deferred tax expense	282.536.828	196.778.888
Tax expense	282.536.828	229.395.374

Tax effect related to other comprehensive income is as follows:

	1 January - 31 December 2013			1 January - 31 December 2012		
	Amount before tax	Tax (expense) /income	Amount after tax	Amount before tax	Tax (expense) /income	Amount after tax
Changes in Foreign currency translation difference	1.083.831.570	-	1.083.831.570	(228.479.860)	-	(228.479.860)
Change in cash flow hedge reserve	(69.777.394)	13.955.479	(55.821.915)	1.535.719	(307.144)	1.228.575
Change in actuarial losses from defined pension plans	25.013.310	(5.002.662)	20.010.648	(27.937.280)	5.587.456	(22.349.824)
Other comprehensive income	1.039.067.486	8.952.817	1.048.020.303	(254.881.421)	5.280.312	(249.601.109)

There is no taxation effect related to the change in foreign currency translation adjustment that is included in other comprehensive income for the period.

Corporate Tax

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

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

41. TAX ASSETS AND LIABILITIES (cont'd)

Corporate Tax (cont'd)

The effective tax rate in 2013 is 20% (2012: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2013 is 20%. Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

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

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding tax is in use since 22 July 2006. Commencing from 22 July 2006, the rate has been changed to 15% from 10% upon the Council of Ministers' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

Deferred Tax

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

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

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

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

41. TAX ASSETS AND LIABILITIES (cont'd)

Deferred Tax (cont'd)

The deferred tax assets / (liabilities) are as follows:

	31 December 2013	31 December 2012
Fixed assets	(1.531.002.251)	(919.880.215)
Provisions for ticket sales advance	(44.871.518)	(78.216.603)
Accruals for expenses	174.802.486	152.179.387
Provisions for employee benefits	50.592.290	46.803.881
Income and expense for future periods	26.572.442	17.216.979
Long-term lease obligations	10.394.612	12.075.091
Allowance for doubtful receivables	10.750.057	5.963.723
Provisions for unused vacation	12.462.435	8.213.223
Provision for impairment of inventories	2.866.078	3.540.398
Accumulated loss	184.051.336	-
Other	(1.215.119)	8.020.476
Deferred tax liabilities	(1.104.597.152)	(744.083.660)

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

	1 January - 31 December 2013	1 January - 31 December 2012
Opening balance at 1 January	744.083.660	574.679.843
Deferred tax expense	282.536.828	196.778.888
Tax income from hedge reserve gains/losses	(13.112.336)	1.196.086
Tax expenses of actuarial losses from defined pension plans	5.125.398	(5.384.451)
Foreign currency translation adjustment	85.963.602	(23.186.706)
Deferred tax liability at the end of the period	1.104.597.152	744.083.660

Reconciliation of provision for taxes:	1 January - 31 December 2013	1 January - 31 December 2012
Profit from operations before tax	965.244.255	1.385.112.431
Domestic income tax rate of 20%	193.048.851	277.022.486
Taxation effects on:		
- income from investment assistance	(18.757.207)	(12.445.209)
- non-deductible expenses	6.792.351	2.406.311
- foreign exchange rate translation gain / (loss)	125.045.660	(36.770.976)
- equity method	(21.794.705)	(1.192.251)
- other	(1.798.122)	375.013
Tax charge in profit or loss	282.536.828	229.395.374

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

42. EARNINGS PER SHARE

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

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus interest") 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 are 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 2013 and 2012:

	1 January - 31 December 2013	**1 January - 31 December 2012**
Number of shares outstanding at 1 January (in full)	120.000.000.000	120.000.000.000
New bonus shares issued (in full)	18.000.000.000	-
Number of shares outstanding at 31 December (in full)	138.000.000.000	138.000.000.000
Weighted average number of shares outstanding during the period (in full)	138.000.000.000	138.000.000.000
Net profit for period	682.707.427	1.155.717.057
Profit per share (Kr)	0,49	0,84

43. EFFECTS OF EXCHANGE RATE CHANGES

Analysis of effects of exchange rate changes as at 31 December 2013 and 2012 is presented in Note 46.

44. REPORTING IN HYPERINFLATIONARY ECONOMIES

The Group has terminated the application of being inflation accounting effective from 1 January 2005 based on the decision of CMB on 17 March 2005.

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

45. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments and liabilities of the Group as of 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Derivative instruments for interest rate cash flow hedge	41.282.298	42.919.379
Cross exchange rate swap agreements	12.920.386	22.176.806
Derivative instruments for fuel prices cash flow hedge	10.076.978	9.765.464
	64.279.662	74.861.649

	31 December 2013	31 December 2012
Derivative instruments for interest rate cash flow hedge	101.487.620	142.390.259
Cross exchange rate swap agreements	113.727.977	19.246.363
Derivative instruments for fuel prices cash flow hedge	18.733.493	-
	233.949.090	161.636.622

46. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS

(a) Capital risk management

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

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

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

The overall strategy of the Group does not change compared to 2012.

	31 December 2013	31 December 2012
Total debts	13.041.029.326	9.606.848.485
Less: Cash and cash equivalents and time deposits with maturity of more than three months	(1.381.757.869)	(1.832.501.330)
Net debt	11.659.271.457	7.774.347.155
Total shareholders' equity	6.962.490.356	5.405.043.589
Total capital stock	18.621.761.813	13.179.390.744
Net debt/total capital stock ratio	0,63	0,59

46. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS

(b) Financial Risk Factors

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

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

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

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

(b) Financial Risk Factors (cont'd)

b.1) Credit Risk Management

	Receivables					
	Trade receivables		Other receivables			
31 December 2013	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Deposits in Banks**	**Derivative Instruments**
Maximum credit risk as of balance sheet date (*)	382.750	1.147.707.413	4.087.847	4.057.306.722	1.346.109.379	64.279.662
-The part of maximum risk under guarantee with collateral etc. (**)	-	31.828.539	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	382.750	761.719.849	4.087.847	4.057.306.722	1.346.109.379	64.279.662
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	-	385.987.564	-	-	-	-
-The part under guarantee with collateral etc.	-	10.274.940	-	-	-	-
D. Net book value of impaired assets						
-Past due (gross carrying amount)	-	141.633.923	-	-	-	-
-Impairment(-)	-	(141.633.923)	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
-Not past due (gross carrying amount)	-	-	-	-	-	-
-Impairment (-)	-	-	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
E.Off-balance sheet items with credit risk	-	-	-	-	-	-

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

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

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

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

(b) Financial Risk Factors (cont'd)

b.1) Credit Risk Management (cont'd)

	Receivables					
	Trade receivables		Other receivables			
31 December 2012	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Deposits in Banks**	**Derivative Instruments**
Maximum credit risk as of balance sheet date (*)	18.975.259	758.427.363	8.531	2.339.971.407	1.821.162.590	74.861.649
-The part of maximum risk under guarantee with collateral etc. (**)	-	9.844.132	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	18.975.259	442.712.030	8.531	2.339.971.407	1.821.162.590	74.861.649
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	-	315.715.333	-	-	-	-
-The part under guarantee with collateral etc.	-	3.574.589	-	-	-	-
D. Net book value of impaired assets						
-Past due (gross carrying amount)	-	73.380.910	-	-	-	-
-Impairment(-)	-	(73.380.910)	-	-	-	-
-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

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

(b) Financial Risk Factors (cont'd)

b.1) Credit Risk Management (cont'd)

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

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

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

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

(b) Financial Risk Factors (cont'd)

b.1) Credit Risk Management (cont'd)

The aging of past due receivables as of 31 December 2013 are as follows:

	Receivables					
31 December 2013	**Trade Receivables**	**Other Receivables**	**Deposits in Banks**	**Derivative Instruments**	**Other**	**Total**
Past due 1-30 days	83.380.022	0	-	-	-	83.380.022
Past due 1-3 months	90.112.596	-	-	-	-	90.112.596
Past due 3-12 months	337.402.180	-	-	-	-	337.402.180
Past due 1-5 years	16.726.689	-	-	-	-	16.726.689
Past due more than 5 years	-	-	-	-	-	-
Total past due receivables	527.621.487	-	-	-	-	527.621.487
The part under guarantee with collateral etc.	10.274.940	-	-	-	-	10.274.940

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

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

(b) Financial Risk Factors (cont'd)

b.1) *Credit Risk Management (cont'd)*

The aging of past due receivables as of 31 December 2012 are as follows:

	Receivables					
31 December 2012	**Trade Receivables**	**Other Receivables**	**Deposits in Banks**	**Derivative Instruments**	**Other**	**Total**
Past due 1-30 days	183.386.997	-	-	-	-	183.386.997
Past due 1-3 months	95.288.491	-	-	-	-	95.288.491
Past due 3-12 months	80.449.746	-	-	-	-	80.449.746
Past due 1-5 years	29.971.009	-	-	-	-	29.971.009
Past due more than 5 years	-	-	-	-	-	-
Total past due receivables	389.096.243	-	-	-	-	389.096.243
The part under guarantee with collateral etc.	3.574.589	-	-	-	-	3.574.589

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

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

(b) Financial Risk Factors (cont'd)

b.1) Credit Risk Management (cont'd)

As of balance sheet date, total amount of cash collateral and letter of guarantee, which is received by Group for past due not impaired receivable, is TL 10,274,940 (31 December 2012: TL 3,574,589).

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

b.2) Impairment

Provisions for doubtful trade receivables consist of provisions for receivables in legal dispute and provisions calculated based on experiences on uncollectible receivables.

Changes in provisions for doubtful receivables for the years ended 31 December 2013 and 2012 are as follows:

	1 January - 31 December 2013	1 January - 31 December 2012
Opening Balance	73.380.910	79.913.899
Charge for the period	39.880.173	13.362.362
Collections during the period	(5.737.651)	(16.012.185)
Additions from business combinations	3.300.151	-
Currency translation adjustment	31.896.860	(3.883.166)
Receivables written-off	(1.086.520)	-
Closing Balance	141.633.923	73.380.910

b.3) Liquidity risk management

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

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

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

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

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

(b) Financial Risk Factors (cont'd)

b.3) Liquidity risk management (cont'd)

Liquidity risk table:

31 December 2013

Due date on the contract	Book value	Total cash outflow according to the contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Finance lease obligations	11.552.490.332	13.244.839.493	339.918.526	1.124.845.584	5.809.555.437	5.970.519.946
Trade payables	1.451.181.580	1.457.603.865	1.454.054.864	-	3.549.001	-
Other financial liabilities	33.808.413	33.808.413	33.808.413	-	-	-
Total	13.037.480.325	14.736.251.771	1.827.781.803	1.124.845.584	5.813.104.438	5.970.519.946

31 December 2012

Due date on the contract	Book value	Total cash outflow according to the contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Finance lease obligations	8.666.993.598	9.984.187.644	245.252.701	823.054.902	4.291.572.222	4.624.307.819
Trade payables	908.790.811	909.471.958	909.471.958	-	-	-
Other financial liabilities	31.064.076	31.064.076	31.064.076	-	-	-
Total	9.606.848.485	10.924.723.678	1.185.788.735	823.054.902	4.291.572.222	4.624.307.819

31 December 2013

Due date on the contract	Book value	Total cash outflow according to the contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Derivative financial (liabilities) / assets, net						
Derivative cash inflows outflows,net	(169.669.428)	(141.197.757)	(32.313.484)	(57.121.495)	(65.694.436)	13.931.658
Total	(169.669.428)	(141.197.757)	(32.313.484)	(57.121.495)	(65.694.436)	13.931.658

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

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

(b) Financial Risk Factors (cont'd)

b.3) Liquidity risk management (cont'd)

31 December 2012

Due date on the contract	Book value	Total cash outflow according to the contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Derivative financial (liabilities)/assets,net						
Derivative cash inflows outflows,net	(86.774.973)	(71.960.047)	(16.065.497)	(9.064.927)	(39.600.180)	(7.229.443)
Total	(86.774.973)	(71.960.047)	(16.065.497)	(9.064.927)	(39.600.180)	(7.229.443)

b.4) *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 evaluated 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.4.1) Foreign currency risk management

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

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

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

(b) Financial Risk Factors (cont'd)

b.4) Market risk management (cont'd)

b.4.1) Foreign currency risk management (cont'd)

	31 December 2013				
	TL EQUIVALENT	**TL**	**EURO**	**GBP**	**OTHER**
1.Trade Receivables	947.327.630	31.353.397	338.112.213	75.143.932	502.718.088
2a.Monetary Financial Assets	543.803.453	155.675.333	152.223.433	3.096.083	232.808.604
2b.Non Monetary Financial Assets	-				
3.Other	387.659.539	184.802.343	84.962.534	11.514.608	106.380.054
4.Current Assets (1+2+3)	**1.878.790.622**	**371.831.073**	**575.298.180**	**89.754.623**	**841.906.746**
5.Trade Receivables	-				
6a.Monetary Financial Assets	-				
6b.Non Monetary Financial Assets	-				
7.Other	997.534.972	748.349.005	87.482.099	501.032	161.202.836
8.Non Current Assets (5+6+7)	**997.534.972**	**748.349.005**	**87.482.099**	**501.032**	**161.202.836**
9.Total Assets (4+8)	**2.876.325.594**	**1.120.180.078**	**662.780.279**	**90.255.655**	**1.003.109.582**
10.Trade Payables	969.871.905	452.325.406	317.042.284	21.783.396	178.720.819
11.Financial Liabilities	752.698.394	33.807.762	625.806.345	-	93.084.287
12a.Other Liabilities, Monetary	68.266.019	6.150.112	62.115.743	164	-
12b.Other Liabilities, Non Monetary	12.453.925	11.178.585	1.275.340	-	-
13.Current Liabilities (10+11+12)	**1.803.290.243**	**503.461.865**	**1.006.239.712**	**21.783.560**	**271.805.106**
14.Trade Payables	3.549.001	3.549.001	-	-	-
15.Financial Liabilities	6.461.648.607	-	5.107.964.213	-	1.353.684.394
16a.Other Liabilities, Monetary	224.355	224.355	-	-	-
16b.Other Liabilities, Non Monetary	202.053.957	202.053.957	-	-	-
17.Non Current Liabilities (14+15+16)	**6.667.475.920**	**205.827.313**	**5.107.964.213**	**-**	**1.353.684.394**
18.Total Liabilities (13+17)	**8.470.766.163**	**709.289.178**	**6.114.203.925**	**21.783.560**	**1.625.489.500**
19.Net asset / liability position of off-balance sheet derivatives (19a-19b)	**-**	**-**	**-**	**-**	**-**
19a.Off-balance sheet foreign currency derivative assets	-	-		-	-
19b.Off-balance sheet foreigncurrency derivative liabilities	-	-	-	-	-
20.Net foreign currency asset/(liability) position (9-18+19)	**(5.594.440.569)**	**410.890.900**	**(5.451.423.646)**	**68.472.095**	**(622.379.918)**
21.Net foreign currency asset / liability position of monetary items (UFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(6.765.127.198)**	**(309.027.906)**	**(5.622.592.939)**	**56.456.455**	**(889.962.808)**
22.Fair value of foreign currency hedged financial assets	-	-	-	-	-
23.Hedged foreign currency assets	-	-	-	-	-
24.Hedged foreign currency liabilities	-	-	-	-	-

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

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

(b) Financial Risk Factors (cont'd)

b.4) Market risk management (cont'd)

b.4.1) Foreign currency risk management (cont'd)

	31 December 2012				
	TL EQUIVALENT	**TL**	**EURO**	**GBP**	**OTHER**
1.Trade Receivables	634.402.805	25.181.888	351.122.013	65.978.982	192.119.922
2a.Monetary Financial Assets	1.663.471.138	733.264.141	561.563.227	1.892.829	366.750.941
2b.Non Monetary Financial Assets	-	-	-	-	-
3.Other	119.057.956	41.727.171	47.948.107	717.425	28.665.253
4.Current Assets (1+2+3)	**2.416.931.899**	**800.173.200**	**960.633.347**	**68.589.236**	**587.536.116**
5.Trade Receivables	-	-	-	-	-
6a.Monetary Financial Assets	-	-	-	-	-
6b.Non Monetary Financial Assets	-	-	-	-	-
7.Other	330.950.818	322.569.155	8.381.663	-	-
8.Non Current Assets (5+6+7)	**330.950.818**	**322.569.155**	**8.381.663**	**-**	**-**
9.Total Assets (4+8)	**2.747.882.717**	**1.122.742.355**	**969.015.010**	**68.589.236**	**587.536.116**
10.Trade Payables	607.473.920	424.954.742	96.952.598	10.679.777	74.886.803
11.Financial Liabilities	502.511.260	30.961.079	471.550.181	-	-
12a.Other Liabilities, Monetary	63.814.374	87.238	63.727.136	-	-
12b.Other Liabilities, Non Monetary	33.859.220	33.760.522	98.698	-	-
13.Current Liabilities (10+11+12)	**1.207.658.774**	**489.763.581**	**632.328.613**	**10.679.777**	**74.886.803**
14.Trade Payables	-	-	-	-	-
15.Financial Liabilities	4.078.465.791	-	4.078.465.791	-	-
16a.Other Liabilities, Monetary	-	-	-	-	-
16b.Other Liabilities, Non Monetary	186.265.911	186.265.911	-	-	-
17.Non Current Liabilities (14+15+16)	**4.264.731.702**	**186.265.911**	**4.078.465.791**	**-**	**-**
18.Total Liabilities (13+17)	**5.472.390.476**	**676.029.492**	**4.710.794.404**	**10.679.777**	**74.886.803**
19.Net asset / liability position of off-balance sheet derivatives (19a-19b)	**-**	**-**	**-**	**-**	**-**
19a.Off-balance sheet foreign currency derivative assets	-	-		-	-
19b.Off-balance sheet foreigncurrency derivative liabilities	-	-	-	-	-
20.Net foreign currency asset/(liability) position (9-18+19)	**(2.724.507.759)**	**446.712.863**	**(3.741.779.394)**	**57.909.459**	**512.649.313**
21.Net foreign currency asset / liability position of monetary items (UFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(2.954.391.402)**	**302.442.970**	**(3.798.010.466)**	**57.192.034**	**483.984.060**
22.Fair value of foreign currency hedged financial assets	**-**	**-**	**-**	**-**	**-**
23.Hedged foreign currency assets	**-**	**-**	**-**	**-**	**-**
24.Hedged foreign currency liabilities	**-**	**-**	**-**	**-**	**-**

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

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

(b) Financial Risk Factors (cont'd)

b.4) Market risk management (cont'd)

b.4.1) Foreign currency risk management (cont'd)

Foreign currency sensitivity

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

	31 December 2013	
	Profit / (Loss) Before Tax	
	If foreign currency appreciated 10 %	If foreign currency depreciated 10 %
1- TL net asset / liability	41.089.090	(41.089.090)
2- Part of hedged from TL risk (-)	-	-
3- TL net effect (1+2)	41.089.090	(41.089.090)
4- Euro net asset / liability	(545.142.365)	545.142.365
5- Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	(545.142.365)	545.142.365
7- GBP net asset / liability	6.847.210	(6.847.210)
8- Part of hedged from GBP risk (-)	-	-
9- GBP net effect (7+8)	6.847.210	(6.847.210)
10- Other foreign currency net asset / liability	(62.237.992)	62.237.992
11- Part of hedged other foreign currency risk (-)	-	-
12- Other foreign currency net effect (10+11)	(62.237.992)	62.237.992
TOTAL (3 + 6 + 9 + 12)	(559.444.057)	559.444.057

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

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

(b) Financial Risk Factors (cont'd)

b.4) Market risk management (cont'd)

b.4.1) Foreign currency risk management (cont'd)

Foreign currency sensitivity (cont'd)

	31 December 2012	
	Profit / (Loss) Before Tax	
	If foreign currency appreciated 10 %	If foreign currency depreciated 10 %
1- TL net asset / liability	44.671.286	(44.671.286)
2- Part of hedged from TL risk (-)	-	-
3- TL net effect (1+2)	44.671.286	(44.671.286)
4- Euro net asset / liability	(374.177.939)	374.177.939
5- Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	(374.177.939)	374.177.939
7- GBP net asset / liability	8.875.509	(8.875.509)
8- Part of hedged from GBP risk (-)	-	-
9- GBP net effect (7+8)	8.875.509	(8.875.509)
10- Other foreign currency net asset / liability	9.030.818	(9.030.818)
11- Part of hedged other foreign currency risk (-)	-	-
12- Other foreign currency net effect (10+11)	9.030.818	(9.030.818)
TOTAL (3 + 6 + 9 + 12)	(311.600.326)	311.600.326

b.4.2) Interest rate risk management

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

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

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

(b) Financial Risk Factors (cont'd)

b.4) Market risk management (cont'd)

b.4.2) Interest rate risk management (cont'd)

Interest Rate Position Table

	31 December 2013	**31 December 2012**
Instruments with fixed interest rate		
Financial Liabilities	6.479.380.295	5.311.293.033
Financial Instruments with Variable Interest Rate		
Financial Liabilities	5.073.110.037	3.355.700.565
Interest Swap Agreements not subject to Hedge accounting (Net)	(101.775.690)	(11.666.319)
Interest swap agreements subject to Hedge accounting (Net)	(32.146.390)	(59.464.968)

As indicated in Note 47, the Group fixed the interest rate for TL 534,839,185 of floating–interest-rated financial liabilities via an interest rate swap contract as of 31 December 2013.

Interest rate sensitivity

The following sensitivity analysis is determined according to the interest rate exposure in the reporting date and possible changes on this rate and it is fixed during all reporting period. Group management checks out possible effects that may arise when Libor and Euribor rates, which are the interest rates of the borrowings with variable interest rates, fluctuate 0.5% and reports these to the top management.

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

Current profit before tax of the Group will decrease by TL 25,365,550 (as of 31 December 2012 profit before tax will decrease by TL 16,778,503). In contrast, if Libor and Euribor interest rate decreases 0.5%, net current profit before tax will increase by the same amounts.

Moreover, as a result of the interest rate swap contracts against cash flow risks, in case of a 0,5% increase in the Libor and Euribor interest rates, the shareholders' equity of the Group will increase by TL 66,930,624 excluding the deferred tax effect. (For the year ended 31 December 2012, the shareholders' equity of the Group will increase by TL 13,823,126 excluding the deferred tax effect.) In the case of a 0.5% decrease in the Libor and Euribor interest rates, the shareholders' equity of the Group will decrease by the same amount excluding the deferred tax effect.

b.4.3) Fuel prices sensitivity

As explained in Note 47, Group has entered into forward fuel purchase contracts in order to hedge cash flow risks arising from fuel purchases beginning from 2009. Due to forward fuel purchase contracts subject to hedge accounting, as a result of a 10% increase in fuel prices, the shareholders' equity of the Group will increase by TL 101,753,630 excluding the deferred tax effect. In case of a 10% decrease in fuel prices, the shareholders' equity of the Group will decrease by TL 50,999,922 excluding the deferred tax effect.

47. FINANCIAL INSTRUMENTS

Fair Values of Financial Instruments

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

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

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

47. FINANCIAL INSTRUMENTS (cont'd)

Fair Values of Financial Instruments (cont'd)

31 December 2013 Balance Sheet	Loans and Receivables	Derivative instruments accounted for hedge accounting	Derivative instruments at fair value through profit/(loss)	Investments available for sale at cost value	Financial liabilities at amortized cost	Book Value	Note
Financial Assets							
Cash and cash equivalents	1.338.983.835	-	-	-	-	1.338.983.835	6
Financial investments	42.774.034	10.076.979	54.202.683	2.452.721	-	109.506.417	7
Trade receivables	1.148.090.163	-	-	-	-	1.148.090.163	10
Other receivables	4.061.394.579	-	-	-	-	4.061.394.579	13
Financial liabilities							
Bank borrowings	-	-	-	-	-	-	8
Finance lease obligations	-	-	-	-	11.552.490.332	11.552.490.332	8
Other financial liabilities	-	32.146.390	201.802.700	-	33.808.413	267.757.503	9
Trade payables	-	-	-	-	1.454.730.581	1.454.730.581	10

31 December 2012 Balance Sheet	Loans and Receivables	Derivative instruments accounted for hedge accounting	Derivative instruments at fair value through profit/(loss)	Investments available for sale at cost value	Financial liabilities at amortized cost	Book Value	Note
Financial Assets							
Cash and cash equivalents	1.355.542.536	-	-	-	-	1.355.542.536	6
Financial investments	476.958.794	9.765.473	65.096.176	2.049.244	-	553.869.687	7
Trade receivables	773.610.473	-	-	-	-	773.610.473	10
Other receivables	2.339.979.938	-	-	-	-	2.339.979.938	13
Financial liabilities							
Bank borrowings	-	-	-	-	-	-	8
Finance lease obligations	-	-	-	-	8.666.993.598	8.666.993.598	8
Other financial liabilities	-	59.464.968	102.171.654	-	31.064.076	192.700.698	9
Trade payables	-	-	-	-	912.324.274	912.324.274	10

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

47. FINANCIAL INSTRUMENTS (cont'd)

Fair Values of Financial Instruments (cont'd)

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

- First level: Financial assets and liabilities, are valued with the stock exchange prices in the active market for the assets and liabilities same with each other.
- Second level: Financial assets and liabilities are valued with input obtained while finding the stock exchange price of the relevant asset or liability mentioned in the first level and the direct or indirect observation of price in the market.
- Third level: Financial assets and liabilities are valued by the input that does not reflect an actual data observed in the market while finding the fair value of an asset or liability.

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

		Fair value level as of the reporting date		
		Level 1	Level 2	Level 3
Financial assets	31 December 2013	TL	TL	TL
Financial assets at fair value through profit or loss				
Derivative instruments	54.202.683	-	54.202.683	-
Financial assets subject to hedge accounting				
Derivative instruments	10.076.979	-	10.076.979	-
Total	64.279.662	-	64.279.662	-
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative instruments	201.802.700	-	201.802.700	-
Financial liabilities subject to hedge accounting				
Derivative instruments	32.146.390	-	32.146.390	-
Total	233.949.090	-	233.949.090	-

47. FINANCIAL INSTRUMENTS (cont'd)

Derivative Instruments and Hedging Transactions

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

The floating-rate financial liabilities of the Group are explained in Note 46 b.4.2. Beginning from September 2009, in order to keep interest costs at an affordable level, considering long-term finance lease liabilities; Group made fixed-paid/floating-received interest rate swap contracts to fix interest rates of finance lease liabilities whose maturities are after the second half of 2010 and account for approximately 26% of floating rate USD and Euro denominated liabilities. Effective part of the change in the fair values of those derivative instruments which are subject to hedge accounting for cash flows risks of floating-rate finance lease liabilities are accounted in cash flow hedge fund under the shareholders' equity.

In 2010, in order to control risk arising from fluctuations in price of fuel which is approximately 37% of cost of sales to lessen the effects of fluctuations in oil prices on fuel expenses, the Group began hedging transactions for approximately 20% of annual jet fuel consumption. For this purpose, the Group made forward fuel purchase contracts settled on cash basis. In accordance with the Company's BOD resolution issued on 21 January 2011, hedging rate which corresponds to 20% of the currently applied monthly consumption rate will be applied as 50% after 12 months and this rate will be gradually increased by 2,5% in each month. In addition, the Company started to use zero cost 4 way collars in 2011 instead of forward fuel purchase contracts to hedge cash flow risk of fuel prices. The effective portion of fair value hedge of derivative instruments that are subject to cash flow hedge accounting due to future fuel purchases is recognized under hedge accounting fund in equity.

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

47. FINANCIAL INSTRUMENTS (cont'd)

Derivative Instruments and Hedging Transactions (cont'd)

Group's derivative instruments arisen from transactions stated above and their balances as of 31 December 2013 and 31 December 2012 are as follows:

31 December 2013	**Positive fair value**	**Negative fair value**	**Total**
Fixed-paid/floating received interest rate swap contracts for hedging against cash flow risks of interest rate	-	(32.146.390)	(32.146.390)
Forward fuel purchase contracts for hedging against cash flow risk of fuel prices	-	(18.733.493)	(18.733.493)
4 way collar contracts for hedging against cash flow risk of fuel prices	10.076.979	-	10.076.979
Fair values of derivative instruments for hedging purposes	10.076.979	(50.879.883)	(40.802.904)
Cross-currency swap contracts not subject to hedge accounting	17.161.052	(35.014.730)	(17.853.678)
Interest rate swap contracts not subject to hedge accounting	37.041.631	(138.817.321)	(101.775.690)
Forward currency contracts not for hedging purposes	-	(9.237.156)	(9.237.156)
Fair values of derivative instruments not for hedging purposes	54.202.683	(183.069.207)	(128.866.524)
Total	64.279.662	(233.949.090)	(169.669.428)

31 December 2012	**Positive fair value**	**Negative fair value**	**Total**
Fixed-paid/floating received interest rate swap contracts for hedging against cash flow risks of interest rate	-	(59.464.968)	(59.464.968)
Forward fuel purchase contracts for hedging against cash flow risk of fuel prices	-	-	-
4 way collar contracts for hedging against cash flow risk of fuel prices	9.765.473	-	9.765.473
Fair values of derivative instruments for hedging purposes	9.765.473	(59.464.968)	(49.699.495)
Cross-currency swap contracts not subject to hedge accounting	20.161.677	(35.253.615)	(15.091.938)
Interest rate swap contracts not subject to hedge accounting	41.005.786	(52.672.105)	(11.666.319)
Forward currency contracts not for hedging purposes	3.928.713	(14.245.934)	(10.317.221)
Fair values of derivative instruments not for hedging purposes	65.096.176	(102.171.654)	(37.075.478)
Total	74.861.649	(161.636.622)	(86.774.973)

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

47. FINANCIAL INSTRUMENTS (cont'd)

Derivative Instruments and Hedging Transactions (cont'd)

	Hedging against fuel risk	Hedging against interest risk	Hedging against curreny risk	Total
Increase/(decrease) in fair values of derivative instruments for hedging purposes	(10.076.979)	36.362.100	87.181.132	113.466.253
The amount of financial expenses inside hedge funds	-	(1.560.278)	-	(1.560.278)
Reclassified amount for ineffecient part in the risk elimination of fair value of hedging gains of fuel hedging derivative instrument to financial revenues	-	-	-	-
Foreign currency translation differences	(274.009)	11.282.667	2.347.322	13.355.980
Total	(10.350.988)	46.084.489	89.528.454	125.261.955
Deferred tax	2.070.198	(8.219.675)	(17.905.692)	(24.055.169)
Hedge fund as of 31 December 2013	(8.280.790)	37.864.814	71.622.762	101.206.786

	Hedging against fuel risk	Hedging against interest risk	Hedging against curreny risk	Total
Increase/(decrease) in fair values of derivative instruments for hedging purposes	9.765.473	(59.464.968)	-	(49.699.495)
The amount of financial expenses inside hedge funds	-	(1.255.299)	-	(1.255.299)
Reclassified amount for ineffecient part in the risk elimination of fair value of hedging gains of fuel hedging derivative instrument to financial revenues	5.679.985	-	-	5.679.985
Foreign currency translation differences	(1.567.896)	(9.888.384)	-	(11.456.280)
Total	13.877.562	(70.608.651)	-	(56.731.089)
Deferred tax	(2.775.512)	14.121.730	-	11.346.218
Hedge fund as of 31 December 2013	11.102.050	(56.486.921)	-	(45.384.871)

48. EVENTS AFTER THE BALANCE SHEET DATE

None.

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

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

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

Based on the decision taken on 7 June 2013 by the CMB at its meeting numbered 20/670, a new illustrative financial statement and guidance to it has been issued effective from the interim periods ended after 31 March 2013, which is applicable for the companies that are subject to Communiqué on the Principles of Financial Reporting in Capital Markets. Based on these new illustrative financial statements, a number of changes made at the Group's consolidated financial statements.

As a result of preparation of the condensed interim consolidated financial statements in accordance with the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board ("CMB") on 13 June 2013 which is published on Official Gazette numbered 28676, significant classifications in the prior year consolidated financial statements have been indicated in following paragraphs as a summary on the basis of consolidated financial statements and items.

Reclassifications in Balance Sheet as of 31 December 2012:

- Trade Receivables/Payables From/To Related Parties" which were disclosed under " Trade Receivables/Trade Payables" are disclosed under "Receivables and Payables from/to Related Parties" separately by TL 18,975,259 and TL 215,000,995, respectively.TL 758,427,363 and TL 697,323,279 are disclosed to "Trade Receivables/Payables From/To None-Related Parties" which is under "Trade Receivables/Trade Payables".
- "Other Receivables from Related Parties" which was disclosed under "Other Receivables" is disclosed under other receivables as "Receivables from Related Parties" with the amount of TL 8,531.
- "Fair Value of Derivative Instruments" item which was disclosed under "Financial Investments and Other Financial Obligations" is disclosed separately under "Derivative Financial Instruments" as TL 74, 861, 649, and TL 161,636,622, respectively.
- "Prepaid Sales Commissions, Prepaid Operating Lease Expenses, Prepaid Insurance Expenses, Advances Given and Other Prepaid Expenses" items which were disclosed under Other Current Assets are disclosed under "Prepaid Expenses" by TL 136,483,380, separately. Among these expenses, the amount of TL 15,291,272 related to "Captain Candidates" is reclassified to "Long-Term Other Receivables".
- "Prepaid Operating Lease Expenses, Prepaid Aircraft Financing Expenses, Engine Maintenance Reserve, Payments for Purchases of Fixed Assets and Prepaid Expenses" which were disclosed under Other Non-Current Assets are disclosed under "Prepaid Expenses" amounting to TL 237,886,052.
- "Prepaid Taxes and Funds" amounting to TL 2,206,083 which was disclosed under Other Current Assets is reclassified and disclosed under "Current Income Tax Assets". In addition, "Taxes and Funds Payable amounting to TL 17,460,178 that was disclosed under "Short-term Other Liabilities "as of 31 December 2012 is disclosed under "Prepaid Taxes and Funds" by the Group and therefore "Taxes Related to Current Assets" is presented as TL 19,666,261.
- "Financial Lease Obligations" item which was disclosed under "Financial Liabilities" is disclosed under "Short-term Portion of Long-term Borrowings" amounting to TL 866,011,394.

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

Reclassifications in Balance Sheet as of 31 December 2012: (cont'd)

- The term "Employee Benefits" was revised as "Provision for Employee Benefit Obligations". "Social Security Premiums Payable" which was disclosed under "Short-Term Other Liabilities" is disclosed under "Payables related to Employee Benefit Obligations" by TL 36,021,871, separately. In addition, Provisions for Unused Vacation Liabilities amounting to TL 41,066,116 which was disclosed under "Employee Benefits" is disclosed as "Short-term Provisions for Employee Benefits" under "Short -term Provisions".
- "Rent Advances and Other Advances" item which was disclosed under Short-Term Other Liabilities and "Unearned Revenue Accruals and Unearned Revenue from Share Transfer of TGS" was also disclosed under "Short-Term Liabilities" is disclosed under "Deferred Income on Current Liabilities" with TL of 21,228,770 and TL 20,590,882, respectively.
- An amount of TL 47,446,433 including "Gross Grant Loans", "Accumulated Depreciation of Grant Loans", "Unearned Revenue relating to Share Transfer of TGS" and "Bank Protocol Income relating to Future Months" is presented under "Long-Term Deferred Income" as a separate financial statement item.

Reclassifications in the Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2012

Classifications in Statement of Profit and Loss and Other Comprehensive Income, previous name "Statement of Comprehensive Income", are summarized in the following paragraphs;

- "Discount Income" amounting to TL 5,681,632 related to "Trade Operations" and "Receivables from Training of Captain Candidates" and "Late Payment Interest Income" amounting to TL 671,300 that was disclosed under "Financial Income" in previous periods are reclassified to "Other Operating Income".
- "Discount Interest expense" amounting TL 8,250,296 and "Foreign Exchange Expense" amounting to TL 64,544,740 arising from commercial operations that were disclosed under "Financial Income" in previous periods are reclassified to "Other Operating Expenses".
- "Interest Income", amounting to TL 69,558,458 that was earned from "Long-Term Financial Investments" is reclassified to "Income from Investment Activities" from "Financial Income". Furthermore, "Gain on Sale of Fixed Assets" amounting to TL 3,321,066, "Gain on Changes in Fair Value of Investment Property" amounting to TL 6,333,810 and "Income from Government Grants and Incentives" amounting to TL 62,319,152 which were disclosed under "Other Operating Income" are reclassified to "Income from Investment Activities" and the provision cancellation for impairment value of "Assets Held for Sale" and "Tangible Assets" amounting to TL 351,142,323 is reclassified to "Investment Income".

As there is a change in the presentation and classification of the Group's financial statement items, due to the implemented ERP system which was practiced in 2012, prior financial statements are reclassified for maintaining comparability. Significant reclassifications in the financial statements include:

- Maintenance accrual, amounting to TL 934,729 which was disclosed under "Other Current Assets" as at 31 December 2012 is reclassified to "Other Receivables".
- Income accruals related to withholding returns, amounting to TL 15.797.083 which was disclosed under "Other Non-Current Assets" as at 31 December 2012 is reclassified to "Other Long-Term Receivables".

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

Reclassifications in the Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2012 (cont'd)

- Payables to insurance companies, amounting to TL 40,430,926 which was disclosed under "Other Payables" as at 31 December 2012 is net-off with prepaid insurance expenses which was disclosed under "Prepaid Expenses".
- Reverse-balance, amounting to TL 3,792,149 which was disclosed under "Prepaid Expenses" as at 31 December 2012 is net-off with trade receivables.
- Payable to insurance companies, amounting to TL 3,533,463 which was disclosed under "Trade Payables" as at 31 December 2012 is reclassified to "Short-term Trade Payables".
- Other airlines' seat rent expenses, amounting to TL 184,489,880 which was disclosed under "Cost of Sales" for the year ended 31 December 2012 is net-off with "Sales Revenue".
- Maintenance returns from leasing companies, amounting to TL 12,760,680 which was disclosed under "Other Operating Income" for the year ended 31 December 2012 is net-off with "Cost of Sales".
- Discount interest income in advance related to aircraft purchasing, amounting to TL 1,708,364 which was disclosed under "Financial Income" for the year ended 31 December 2012 is net-off with "Financial Expenses".
- Interest cost for the retirement pay liability, amounting to TL 2,840,806 which was disclosed under "Financial Expenses" for the year ended 31 December 2012 is reclassified to "Cost of Sales".
- According to eliminations within the Group, an amount of TL 37,548,308 including personnel expense amounting to TL 30,110,741, service expense amounting to TL 4,248,310, maintenance expense amounting to TL 2,854,637 and other cost of sales amounting to TL 334,620 which were disclosed under "Cost of Sales" for the year ended 31 December 2012 are net-off with "Sales Revenue" and the amount of TL 107,949 which was disclosed under "Cost of Sales" is net-off with "Other Operating Income".