CONVENIENCE TRANSLATION OF REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2009

AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of Türk Hava Yolları A.O. and its subsidiary (together the "Group") as at 31 December 2009 and the related consolidated statement of comprehensive income, consolidated change in shareholder's equity statement and consolidated cash flow statement for the year ended 31 December 2009, and a summary of significant accounting policies and other explanatory notes.

Management Responsibility on Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards published by the Capital Markets Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Group, as well as evaluating the overall presentation of the financial statements.

Auditor's Responsibility (Cont'd)

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

Financial statements of Gunes Ekspres Havacılık A.Ş. and THY DO&CO Ikram Hizmetleri A.Ş. that are joint ventures of the company and accounted on the equity method have been audited by other independent audit firms. %0, 7 of total assets of accompanying financial statements is contributed by those companies. Those statements were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for these entities is solely based on reports of the other auditors.

Conclusion

In our and other audit firms' opinion, accompanying consolidated financial statements of the Group as of 31 December 2009 and for the year then ended have been properly prepared, in all material respects in accordance with generally accepted accounting standards issued by Capital Markets Board.

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

As it is explained in detail in Note 41, the Group has classified the financial statements for the year ended 31 December 2008 and balance sheet as of 1 January 2008.

İstanbul, 5 April 2010

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

Berkman Özata
Partner

(Convenience Translation of Report And Financial Statements Originally Issued in Turkish)
TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
CONSOLIDATED BALANCE SHEET
AS OF 31 DECEMBER 2009
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

ASSETS	Notes	Audited 31 December 2009	Audited (Restated Note 41) 31 December 2008	Audited (Restated Note 41) 1 January 2008
Current Assets		**2.799.855.184**	**2.620.279.393**	**1.487.528.554**
Cash and Cash Equivalents	6	1.096.111.869	504.905.721	480.196.215
Financial Assets	7	222.298.370	1.442.632.862	292.020.000
Trade Receivables	10	445.381.881	349.144.133	245.539.019
Other Receivables	11	743.393.375	61.673.958	305.855.757
Inventories	13	148.995.932	98.359.291	113.740.571
Other Current Assets	26	143.673.757	163.563.428	50.176.992
Non-current Assets		**5.772.234.243**	**5.290.955.322**	**3.434.915.521**
Other Receivables	11	664.360.128	22.808.881	21.756.328
Financial Assets	7	1.750.943	1.750.943	3.016.564
Investmensts Accounted for Using the Equity Method	16	152.052.556	43.637.924	38.370.043
Investment Property	17	48.810.000	48.130.000	53.700.000
Tangible Assets	18	4.811.019.050	5.055.984.137	3.238.003.554
Intangible Assets	19	10.669.612	11.162.602	6.801.172
Deferred Tax Assets	35	-	1.986.324	3.193.155
Other Non-current Asstes	26	83.571.954	105.494.511	70.074.705
TOTAL ASSETS		**8.572.089.427**	**7.911.234.715**	**4.922.444.075**

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
CONSOLIDATED BALANCE SHEET
AS OF 31 DECEMBER 2009
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated)

LIABILITIES	Notes	Audited 31 December 2009	Audited (Restated Note 41) 31 December 2008	Audited (Restated Note 41) 1 January 2008
Current Liabilities		**1.949.243.312**	**1.653.906.994**	**1.186.652.969**
Financial debt	8	412.266.841	419.289.229	228.918.371
Other financial liabilities	9	46.078.943	45.000.251	877.628
Trade payables	10	560.801.478	435.109.211	364.523.991
Other payables	11	156.633.381	115.967.007	83.387.054
Current tax liabilities	35	2.419.544	4.185.809	19.981.215
Provisions	22	7.287.354	7.460.396	4.779.221
Employee benefit obligations	24	54.734.480	47.818.425	39.664.361
Passenger flight liabilites	26	586.525.279	487.393.997	379.676.586
Other current liabilities	26	122.496.012	91.682.669	64.844.542
Non- current Liabilitites		**3.177.965.889**	**3.270.740.625**	**1.887.889.627**
Financial debt	8	2.575.899.283	2.798.005.235	1.595.842.462
Other payables	11	8.941.613	7.865.284	7.058.322
Provision for retirement pay liability	24	151.875.562	142.459.082	131.959.011
Deferred tax liability	35	362.243.105	291.289.291	128.930.080
Other non- current liabilities	26	79.006.326	31.121.733	24.099.752
SHAREHOLDERS' EQUITY				
Equity Attributable to Shareholders of Parent		**3.444.880.226**	**2.986.587.096**	**1.847.901.479**
Share capital	27	875.000.000	175.000.000	175.000.000
Inflation difference on shareholders' equity	27	1.123.808.032	1.672.901.479	1.739.005.871
Share premium	27	-	-	895.492
Restricted profit reserves	27	22.686.727	-	61.014.406
Differences from currency translation	27	4.641.339	4.459.406	-
Cash flow hedge fund (-)	27	(1.751.329)	-	-
Retained Earnings	27	861.419.177	-	(393.511.064)
Net Profit/(Loss) for the Period	27	559.076.280	1.134.226.211	265.496.774
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**8.572.089.427**	**7.911.234.715**	**4.922.444.075**

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

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

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

	Notes	Audited 31 December 2009	Audited (Restated Note 41) 31 December 2008
Sales revenue	28	7.035.882.903	6.123.174.209
Cost of sales (-)	28	(5.135.949.144)	(4.542.670.584)
GROSS PROFIT / (LOSS)		**1.899.933.759**	**1.580.503.625**
Marketing, sales and distribution expenses (-)	29,30	(806.503.413)	(635.876.008)
Administrative expenses (-)	29,30	(261.536.526)	(203.813.181)
Other operating income	31	91.136.104	56.690.528
Other operating expenses (-)	31	(199.139.482)	(210.120.463)
OPERATING PROFIT / (LOSS)		**723.890.442**	**587.384.501**
Share of investments' profit/ (loss) accounted for using the equity method	16	12.813.703	3.572.374
Financial income	32	172.982.144	1.427.882.203
Financial expenses (-)	33	(172.708.672)	(713.373.140)
PROFIT / (LOSS) BEFORE TAX		**736.977.617**	**1.305.465.938**
Tax (expense) / income		**(177.901.337)**	**(171.239.727)**
Current tax expense (-)	35	(104.523.367)	(7.673.685)
Deferred tax (expense) / income	35	(73.377.970)	(163.566.042)
PROFIT / (LOSS) FOR THE YEAR		**559.076.280**	**1.134.226.211**
OTHER COMPREHENSIVE INCOME / (EXPENSE)			
Differences from currency translation		181.933	4.459.406
Cash flow hedge fund		(2.189.161)	-
Tax income on items in other comprehensive income		437.832	-
OTHER COMPREHENSIVE INCOME/ (EXPENSE) (AFTER TAX)		(1.569.396)	4.459.406
TOTAL COMPREHENSIVE INCOME/ (EXPENSE) FOR THE YEAR		557.506.884	1.138.685.617
Earnings/(Loss) per share (Kr)	36	0,64	1,30

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

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI

CONSOLIDATED STATEMENT OF CHANGE IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Issued capital	Inflation Difference on Shareholders' Equity	Share premium	Restricted Profit Reserves	Differences from currency translation	Cash flow hedge fund	Net profit / loss for the period	Retained earnings	Total shareholders' equity
As of 31 December 2007	175.000.000	1.739.005.871	895.492	61.014.406	-	-	265.496.774	(393.511.064)	1.847.901.479
Transfer of previous years' profit to retained earnings	-	-	-	-	-	-	(265.496.774)	265.496.774	-
Ofset of differences in shareholder's equity and inflation difference with retained earnings	-	(66.104.392)	(895.492)	(61.014.406)	-	-	-	128.014.290	-
Total comprehensive income for the year	-	-	-	-	4.459.406	-	1.134.226.211	-	1.138.685.617
As of 31 December 2008	175.000.000	1.672.901.479	-	-	4.459.406	-	1.134.226.211	-	2.986.587.096
Transfer of previous years' profit to retained earnings	-	-	-	-	-	-	(1.134.226.211)	1.134.226.211	-
Transfer of previous years' profit to reserves	-	-	-	22.686.727	-	-	-	(22.686.727)	-
Dividends paid	-	-	-	-	-	-	-	(99.213.754)	(99.213.754)
Capital increase	700.000.000	(549.093.447)	-	-	-	-	-	(150.906.553)	-
Total comprehensive income for the year	-	-	-	-	181.933	(1.751.329)	559.076.280	-	557.506.884
As of 31 December 2009	875.000.000	1.123.808.032	-	22.686.727	4.641.339	(1.751.329)	559.076.280	861.419.177	3.444.880.226

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

(Convenience Translation of Report And Financial Statements Originally Issued in Turkish)
TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2009
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

CASH FLOW FROM OPERATING ACTIVITIES

	Notes	January 1- 31 December 2009	January 1- 31 December 2008
Net profit before taxes		736.977.617	1.305.465.938
Adjustments to obtain net cash flow generated from operating activities:			
Depreciation and amortization	18-19	347.051.580	286.265.401
Provision for retirement pay liability	24	26.356.395	23.354.581
Interest income	32	(159.789.136)	(123.120.093)
Profit/(loss) on sales of fixed assets	31	(3.333.754)	(55.645)
Increase/(decrease) in provision for impairment	18	178.783.996	(835.272.705)
Loss/(profit) on equity investments accounted for using the quity method	16	(12.813.703)	(3.572.374)
Interest expense	33	116.763.052	105.396.609
Movement in manufacturers' credit	26	(13.146.194)	(3.378.570)
Unrealized foreign exchange loss/(gain) on finance leases	32-33	(2.890.159)	586.719.977
Increase/(decrease) in provision for doubtful receivables	10	4.749.104	15.637.769
Impairment on investment property	17	78.086	5.000.000
Movement in fair value of derivative instruments	32-33	(9.016.534)	6.071.262
Dividend income	32	(42.016)	(35.033)
Operating profit before working capital changes		**1.209.728.334**	**1.368.477.117**
Increase in trade receivables	10	(100.986.852)	(119.242.883)
(Increase)/decrease in other short and long term receivables	11	7.946.875	(6.855.126)
(Increase)/decrease in other short and long term receivables	13	(50.636.641)	15.381.280
(Increase)/decrease in other current assets	26	19.889.671	(54.435.261)
(Increase)/decrease in other non-current assets	26	21.922.557	(35.419.804)
Increase in trade payables	10	125.692.267	70.585.220
Increase in other payable	11	41.742.703	33.386.915
Increase/(decrease) in provision for short term liabilitites	22	(173.042)	2.681.175
Increase in other short and long term liabilities	26	35.344.129	37.238.679
Increase in employee benefits	24	6.916.055	8.154.065
Increase in passenger flight liabilities	26	99.131.282	107.717.411
Cash flow from operating activities		**1.416.517.338**	**1.427.668.788**
Payment of retirement pay liability	24	(16.939.915)	(12.854.510)
Interest paid		(117.019.197)	(102.736.065)
Tax payments	26-35	(106.289.632)	(82.420.270)
Net cash flow from operating activities		**1.176.268.594**	**1.229.657.943**
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of tangible and intangible fixed assets	18-19	129.348.500	26.482.893
Interest received		181.134.732	82.172.581
Dividends received		542.016	7.034.983
Purchase of of tangible and intangible fixed assets (net of increase in finance lease liabilitites) (*)	18-19	(228.635.897)	(230.333.395)
Prepayments for the purchase of aircrafts		(1.331.217.539)	249.984.372
(Increase)/decrease in short term financial investments	7	1.203.244.254	(1.109.665.350)
Cash outflow for the purchase of investments accounted at equity method	16	(39.418.996)	(4.280.515)
Net cash used in investing activities		**(85.002.930)**	**(978.604.431)**
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of principal in finance lease liabilitites		(397.692.584)	(261.788.079)
Decrease in financial borrowings		(6.803.885)	(3.917.374)
Increase in other financial liabilities	9	3.650.707	39.361.447
Dividends paid		(99.213.754)	-
Net cash used in financing activities		**(500.059.516)**	**(226.344.006)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**591.206.148**	**24.709.506**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**504.905.721**	**480.196.215**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**1.096.111.869**	**504.905.721**

(*)TL 178.514.434 portion of tangible and intangible assets purchases in total of TL 407.150.331 as of 31 December 2009 was financed through finance leases. (31 December 2008: TL 1.019.175.119 portion of tangible and intangible assets purchases in total of TL 1.299.191.959 was financed through finance leases.

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

1 THE COMPANY'S ORGANIZATION AND OPERATIONS

Türk Hava Yolları A.O. ("the Company" or "THY") was incorporated in Turkey in 1933. The principal activity of the Company is domestic and international air transportation of passengers and cargo. As of 31 December 2009 and 31 December 2008, the shareholders and their respective shareholdings in the Company are as follows:

	31 December 2009	31 December 2008
Republic of Turkey Prime Ministry Privatization Administration	49,12%	49,12%
Other (publicly held)	50,88%	50,88%
Total	100,00%	100,00%

The total number of employees working for Türk Hava Yolları A.O. and its subsidiary ("the Group") as of 31 December 2009 is 15.269. (31 December 2008:14.072). The average number of employees working for the Group as of 31 December 2009 and 2008 is 14.696 and 13.724, respectively.

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

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

Approval of Financial Statements

Board of Directors has approved the financial statements as of 31 December 2009 and delegated authority for publishing it on 5 April 2010. General shareholders' meeting has the authority to modify the financial statements.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Basis of Preparation for Financial Statements and Significant Accounting Policies

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

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

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

2.1 Basis of Presentation (Cont'd)

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

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

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

All financial statements have been prepared on cost basis principal. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Currency Used In Financial Statements

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

Adjustment of Financial Statements in Hyperinflationary Periods

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

Comparative Information and Restatement of Prior Period Financial Statements

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

Basis of the Consolidation

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

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

2.1 Basis of Presentation (Cont'd)

Basis of the Consolidation (Cont'd)

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

The table below sets out the consolidated Subsidiary and participation rate of the Group in this subsidiary at 31 December 2009:

		Participation Rate		
Name of the Company	Principal Activity	31 December 2009	31 December 2008	Country of Registration
THY Teknik A.Ş.	Aircraft Maintenance Services	100%	100%	Turkey

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

c) The Group has six joint ventures. These joint ventures are economical activities that decisions about strategic finance and operating policy are jointly controlled by the consensus of the Group and other participants. The affiliates to which the participation rates of the Group are 50% and 49 % are controlled by the Group jointly, and are valued by equity method.

The table below sets out consolidated affiliates and indicates the proportion of ownership interest of the Company in these affiliates at 31 December 2009:

		Participation share		
Company name	Principle activity	31 December 2009	31 December 2008	Country of registration
Güneş Ekspres Havacılık A.Ş.	Air Transportation	50%	50%	Turkey
THY DO&CO İkram Hizmetleri A.Ş.	Catering Services	50%	50%	Turkey
P&W T.T. Uçak Bakım Merkezi Ltd. Şti.	Maintenance	49%	49%	Turkey
Bosnia Herzegovina Airlines	Air Transportation	49%	-	Bosnia Herzegovina
TGS Yer Hizmetleri A.Ş.	Ground Services	50%	100%	Turkey
THY Opet Havacılık Yakıtları A.Ş.	Fuel sales	50%	50%	Turkey

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

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

2.2 Changes in Accounting Policies

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

2.3 Offsetting

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

2.4 New and Revised International Financial Reporting Standards

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

<u>Standards affecting presentation and disclosure in 2009 financial statements</u>

- IAS 1 (Revised), "*Presentation of financial statements*"

IAS 1(2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. The Group presents in the consolidated statement changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

- IFRS 7 (Change), "*Financial instruments: Disclosures*"

The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk The Group in the current period, towards the implementation of these standards in the transition process, as mentioned in relation to the extended description has chosen not offer any comparative information (Note: 38).

- IFRS 8 "*Operating segments*"

IFRS 8 is an explanation standard that requires of the revised the Group's reportable segment that (Note: 5). The Group presented the segment information for the first time in a manner that is consistent with its internal reporting. According to internal reporting, aviation and technical operations were identified as operating segments.

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

2.4 New and Revised International Financial Reporting Standards

Standards affecting presentation and disclosure in 2009 financial statements (Cont'd)

IFRIC 13, "*Customer loyalty programs*"

According to IFRIC 13, customer loyalty programs should be accounted as a separate component of the sales process. Group has adopted the early application of IFRIC 13 "Customer Loyalty Program", and on 1 January 2008 as retroactively applied as is. The Implementation of IFRIC 13, with the Group's customer loyalty programs changes has caused changes in the recording policy of revenues. While free travel has calculated by incremental cost method and recorded estimated cost as liability at previous application, according to the IFRIC 13, customer loyalty programs have started to account a separate component of sales operations. A fraction of fair value of collected the sales amount is distributed as unearned income with the name of "liability of passenger of frequent flight program". Besides, as these interests are used by the Entity, they are recorded as revenue.

Standards and Interpretations those are effective in 2009 with no impact on the 2009 consolidated financial statements

With the following new and revised standards and comments were applied in these financial statements. There is no significant effect of implementation these standards and comments on the amounts that reported in the financial statements. However, this may affect the accounting of future transactions or contracts.

Amendments to IFRS 1 "*First-time Adoption of International Financial Reporting Standards*" and IAS 27 "*Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*"

The Group presents in the consolidated statement changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Amendments to IFRS 2 "*Share-based Payment - Vesting Conditions and Cancellations*"

The amendments clarify the definition of vesting conditions for the purposes of IFRS 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment for cancellations.

UMS 23 'IAS 23, "*Borrowing costs*" (2007)

The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred.

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

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

Standards and Interpretations that are effective in 2009 with no impact on the 2009 consolidated financial statements (Cont'd)

Amendments to IAS 32 "*Financial Instruments*: Presentation" and IAS 1 "*Presentation of Financial Statements –Puttable Financial Instruments and Obligations Arising on Liquidation*".

The revisions to IAS 32 amend the criteria for debt/equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met

IAS 39, "*Financial Instruments: Recognition and Measurement*" Amendments relating to hedging items

The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.

"*Embedded Derivatives*" (Amendments to IFRIC 9 and IAS 39)

The amendments clarify the accounting for embedded derivatives in the case of a reclassification of a financial asset out of the 'fair value through profit or loss' category as permitted by the October 2008 amendments to IAS 39.

UFRYK 15 "*Agreements for the Construction of Real Estate*"

The Interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and when revenue from the construction of real estate should be recognized. The requirements have not affected the accounting for the Group's construction activities.

UFRYK 16 "*Hedges of a Net Investment in a Foreign Operation*"

The Interpretation provides guidance on the detailed requirements for net investment hedging for certain hedge accounting designations.

IFRIC 18 "*Transfers of Assets from Customers*"

The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognize the asset at its fair value on the date of the transfer, with the credit recognized as revenue in accordance with IAS 18 Revenue

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

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

Standards and Interpretations those are effective in 2009 with no impact on the 2009 consolidated financial statements (Cont'd)

IAS 38 *'Intangible Assets'* Standards Changes

In addition to improvements in IFRS (2008), IAS 38 standard has been amended as purposes of: A business has only access to purchased products or advertising or promotional expenses could be accounted to the point of services taken.

Amendments to IAS 40 "*Investment Property*"

As part of Improvements to IFRSs (2008), IAS 40 has been amended to include within its scope investment property in the course of construction.

Amendments to IAS 39 "*Financial Instruments: Recognition, Measurement*", and IFRS 7 "*Financial Instruments: Disclosures regarding reclassifications of financial assets*"

The amendments to IAS 39 permit an entity to reclassify non-derivative financial assets out of the 'fair value through profit or loss' (FVTPL) and 'available-for-sale' (AFS) categories in very limited circumstances. Such reclassifications are permitted from 1 July 2008. Reclassifications of financial assets made in periods beginning on or after 1 November 2008 take effect only from the date when the reclassification is made.

Amendments to IAS 20 "*Accounting for Government Grants and Disclosure of Government Assistance*":

As part of Improvements to IFRSs (2008), IAS 20 has been amended to require that the benefit of a government loan at a below-market rate of interest be treated as a government grant. This accounting treatment was not permitted prior to these amendments.

Standards and Interpretations that are issued but not yet effective in 2009 and have not been early adopted

UFRS 3, "*Business Combinations* (2008)"

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

a) to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquire,

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

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

Standards and Interpretations that are issued but not yet effective in 2009 and have not been early-adopted (Cont'd)

IFRS 3, "*Business Combinations* (2008)" (Cont'd)

b) to change the recognition and subsequent accounting requirements for contingent consideration

c) to require that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being recognized as an expense in profit or loss as incurred..

The group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

IFRS 9 "*Financial Instruments: Classification and Measurement*"

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

IAS 24" (Revised 2009) *Related Party Disclosures*"

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

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

IAS 27 (revised) is effective for annual periods beginning on or after 1 July 2009. The revised standard requires that ownership decreases or increases that do not result in change in control to be recorded in equity.

The Group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010.

IFRIC 17, "*Distributions of non-cash assets to owners*"

IFRIC 17 is effective for annual periods beginning on or after 1 July 2009. The interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.

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

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

Standards and Interpretations that are issued but not yet effective in 2009 and have not been early-adopted (Cont'd)

IFRIC 19 "*Extinguishing Financial Liabilities with Equity Instruments*"

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

Amendments related to Annual Improvements to IFRS (2009)

As part of the Annual Improvement project, in addition to the amendments mentioned above, other amendments were made to various standards and interpretations. These amendments are effective for annual periods beginning on or after 1 January 2010.

2.5 Summary of Significant Accounting Policies

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

2.5.1 Revenue

Rendering of services:

Revenue is measured based on the future value of collected or to be collected receivable amounts. Passenger fares and cargo revenues are recorded as operating revenue when the transportation service is provided. Tickets sold but not yet used (not flied) are recorded as passenger flight liabilities.

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

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

Dividend and interest income:

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

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

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

2.5 Summary of Significant Accounting Policies

2.5.2 Inventories

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

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

2.5.3 Tangible Assets

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

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

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

2.5.4 Leasing Transactions

Leasing - the Group as the lessee

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

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

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

2.5 Summary of Significant Accounting Policies (Cont'd)

2.5.4 Leasing Transactions (Cont'd)

Leasing - the Group as the lessee (Cont'd)

attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs

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

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

2.5.5 Intangible Assets

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

2.5.6 Impairment on Assets

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

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

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

Group determined aircrafts, spare engines and simulators together ("Aircrafts") as lower-line cash generating unit subject to impairment and impairment calculation was performed for Aircrafts collectively.

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

2.5 Summary of Significant Accounting Policies (Cont'd)

2.5.6 Impairment on Assets (Cont'd)

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. Net selling price for spare engines and simulators is net book values based on US Dollar acquisition costs. In the accompanying financial statements, the change in the differences between net book values of these assets and recoverable amounts are recognized as provision income/losses under income/losses from other operations account. Changes in value due to exchange rate changes are shown under group of financial income/expenses.

2.5.7 Borrowing Costs

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

2.5.8 Financial Instruments

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

a) <u>Financial assets</u>

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

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

<u>Financial assets at fair value through profit or loss</u>

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.

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)

Effective interest method

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

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

Loans and receivables

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

Impairment of financial assets

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

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

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

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

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)

Cash and cash equivalents

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

b) Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

Other financial liabilities, including bank borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. 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.

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)

Derivative financial instruments and hedge accounting

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

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

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

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealized gains or losses reported in profit or loss.

2.5.9 Foreign Currency Transactions

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

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

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 for the periods are as follows:

	Closing Rate	Average Rate
Year ended 31 December 2009	1,5057	1,5457
Year ended 31 December 2008	1,5123	1,2976
Year ended 31 December 2007	1,1647	1,3003

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

	Closing Rate	Average Rate
Year ended 31 December 2009	2,1603	2,1508
Year ended 31 December 2008	2,1408	1,8969
Year ended 31 December 2007	1,7102	1,7773

2.5.10 Earnings per Share

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

2.5.11 Events Subsequent to the Balance Sheet Date

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

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

2.5.12 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.

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)

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

Onerous Contracts

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

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

2.5.13 Segmental Information

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

2.5.14 Investment Property

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

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

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

2.5.15 Taxation and Deferred Tax

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

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

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

2.5 Summary of Significant Accounting Policies (Cont'd)

2.5.15 Taxation and Deferred Tax (Cont'd)

Current tax

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

Deferred Tax

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

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

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

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

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 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 Employee benefits / Retirement pay provision

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard 19 (revised) "Employee Benefits" ("IAS 19"). The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses.

2.5.17 Statement of cash flows

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

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

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

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

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

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

2.5 Summary of Significant Accounting Policies (Cont'd)

2.5.18 Share Capital and Dividends

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

2.5.19 Manufacturers' Credits

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

2.5.20 Maintenance and Repair Costs

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

2.5.21 Frequent Flyer Program

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

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

2.6 Important Accounting Estimates and Assumptions

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

The Determination of Impairment on Long Term Assets

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

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

2.6 Important Accounting Estimates and Assumptions (Cont'd)

Calculation of the Liability for "Frequent Flyer Program"

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

Useful Lives and Salvage Values of Tangible Assets:

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

3. BUSINESS COMBINATIONS

None.

4. JOINT VENTURES

See note 16.

5 SEGMENTAL REPORTING

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

5.1. Total Assets and Liabilities

Total Assets	**31 December 2009**	**31 December 2008**
Aviation	8.542.807.991	7.871.289.987
Technic	534.901.509	444.802.648
Total	9.077.709.500	8.316.092.635
Less: Elimimnations due to consolidation	(505.620.073)	(404.857.920)
Total assets in consolidated financial statements	8.572.089.427	7.911.234.715

Total Liabilitites	**31 December 2009**	**31 December 2008**
Aviation	5.529.700.126	4.884.702.891
Technic	100.305.913	93.546.882
Total	5.630.006.039	4.978.249.773
Less: Elimimnations due to consolidation	(502.796.838)	(53.602.154)
Total liabilitites in consolidated financial statements	5.127.209.201	4.924.647.619

5 SEGMENTAL REPORTING (Cont'd)

5.2. Net Operating Profit / (Loss)

Segment Results:

1 January-31 December 2009	Aviation	Technic	Inter-segment elimination	Total
Sales to external customers	6.845.308.852	190.574.051	-	7.035.882.903
Inter-segment sales	17.973.830	526.831.414	(544.805.244)	-
Segment revenue	6.863.282.682	717.405.465	(544.805.244)	7.035.882.903
Cost of sales	(5.087.547.647)	(579.093.922)	530.692.425	(5.135.949.144)
Gross profit / (loss)	1.775.735.035	138.311.543	(14.112.819)	1.899.933.759
Marketing, sales and distribution expenses	(801.665.991)	(5.171.892)	334.470	(806.503.413)
Administrative expenses	(221.582.438)	(44.046.329)	4.092.241	(261.536.526)
Other operating income	82.872.341	17.160.521	(8.896.758)	91.136.104
Other operating expense	(202.042.652)	(15.679.696)	18.582.866	(199.139.482)
Operating profit / (loss)	633.316.295	90.574.147	-	723.890.442

1 January-31 December 2008	Aviation	Technic	Inter-segment elimination	Total
Sales to external customers	5.974.927.490	148.246.719	-	6.123.174.209
Inter-segment sales	30.938.398	434.468.304	(465.406.702)	-
Segment revenue	6.005.865.888	582.715.023	(465.406.702)	6.123.174.209
Cost of sales	(4.500.178.013)	(501.131.764)	458.639.193	(4.542.670.584)
Gross profit / (loss)	1.505.687.875	81.583.259	(6.767.509)	1.580.503.625
Marketing, sales and distribution expenses	(632.369.295)	(3.714.723)	208.010	(635.876.008)
Administrative expenses	(172.203.555)	(34.289.692)	2.680.066	(203.813.181)
Other operating income	58.451.257	17.899.690	(19.660.419)	56.690.528
Other operating expense	(196.578.878)	(37.081.437)	23.539.852	(210.120.463)
Operating profit / (loss)	562.987.404	24.397.097	-	587.384.501

Income statement items related to impairment of tangible fixed assets.

1 January-31 December 2009	Aviation	Technic	Inter-segment elimination	Total
Real increase on tangible fixed asset impairment provision (Loss from other operations)	(154.263.062)	-	-	(154.263.062)
Increase on tangible fixed asset impairment provision due to exchange rate changes (Financial expense)	(24.520.934)	-	-	(24.520.934)

5 SEGMENTAL REPORTING (Cont'd)

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

1 January-31 December 2008	Aviation	Technic	Inter-segment elimination	Total
Real increase on tangible fixed asset impairment provision (Loss from other operations)	(176.836.702)	-	-	(176.836.702)
Increase on tangible fixed asset impairment provision due to exchange rate changes (Financial expense)	1.012.109.405	-	-	1.012.109.405

Income statement items related to investments accounted for equity method

1 January-31 December 2009	Aviation	Technic	Inter-segment elimination	Total
Share of investmen profit/ (loss) accounted for using the equity method	15.512.901	(2.699.198)	-	12.813.703

1 January-31 December 2008	Aviation	Technic	Inter-segment elimination	Total
Share of investmen profit/ (loss) accounted for using the equity method	4.042.859	(470.485)	-	3.572.374

5.3. Investment Operations

1 January-31 December 2009	Aviation	Technic	Inter-segment elimination	Total
Purchase of of tangible and intangible fixed assets	286.807.723	120.342.608	-	407.150.331
Current period amortization and depreciation	293.456.913	53.594.667	-	347.051.580
Investmensts accounted for using the equity method	129.630.762	22.421.794	-	152.052.556

1 January-31 December 2008	Aviation	Technic	Inter-segment elimination	Total
Purchase of of tangible and intangible fixed assets	1.180.306.571	118.885.388	-	1.299.191.959
Current period amortization and depreciation	203.281.709	82.983.692	-	286.265.401
Investmensts accounted for using the equity method	39.872.359	3.765.565	-	43.637.924

6 CASH AND CASH EQUIVALENTS

	31 December 2009	31 December 2008
Cash	540.180	356.049
Cheques received	769	244.458
Banks – Time deposits	974.329.053	365.786.513
Banks – Demand Deposits	100.193.848	122.908.559
Other liquid assets	21.048.019	15.610.142
	1.096.111.869	504.905.721

Time Deposits:

Amount	Currency	Opening Date	Interest Rate	Maturity	31 December 2009
		21.05.2009	%5,85-%13,7	04.01.2010	
238.174.400	TL	31.12.2009		22.02.2010	238.174.400
		20.07.2009	%1,75-%4,50	18.01.2010	
87.427.313	EUR	31.12.2009		20.01.2010	188.869.224
		23.01.2009	%0,20-%6,00	04.01.2010	
363.475.745	USD	31.12.2009		25.02.2010	547.285.429
					974.329.053

Amount	Currency	Opening Date	Interest Rate	Maturity	31 December 2008
		17.11.2008	%13,50-	02.01.2009	
90.700.000	TL	31.12.2008	%23,50	22.01.2009	90.700.000
23.050.000	EUR	07.11.2008	%7,76	05.02.2009	49.345.440
		24.10.2008		02.01.2009	
149.270.034	USD	31.12.2008	%2,00-%7,50	22.01.2009	225.741.073
					365.786.513

7 FINANCIAL ASSETS

Short-term financial assets are as follows:

	31 December 2009	31 December 2008
Time deposits with maturity more than 3 months	175.000.000	1.403.033.703
Derivative instruments at fair values (Note 39)	47.298.370	39.599.159
	222.298.370	1.442.632.862

Time deposits with maturity of more than 3 months:

Amount	Currency	Opening Date	Interest Rate	Maturity	31 December 2009
		20.07.2009	11,55%	20.07.2010	
175.000.000	TL	20.07.2009	12,50%	20.07.2010	175.000.000
					175.000.000

7 FINANCIAL ASSETS (Cont'd)

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

Long-term financial assets are as follows:

	31 December 2009	31 December 2008
Sita Inc.	1.679.619	1.679.619
Emek İnşaat ve İşletme A.Ş.	26.859	26.859
Star Alliance GMBH	44.465	44.465
	1.750.943	1.750.943

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

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

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

8 FINANCIAL BORROWINGS

Short-term financial borrowings are as follows:

	31 December 2009	31 December 2008
Bank loans	14.439.256	34.900.371
Finace lease obligations	397.827.585	384.388.858
	412.266.841	419.289.229

8 FINANCIAL BORROWINGS (Cont'd)

Long-term financial borrowings are as follows:

	31 December 2009	31 December 2008
Bank loans	14.187.801	-
Finace lease obligations	2.561.711.482	2.798.005.235
	2.575.899.283	2.798.005.235

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

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

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

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

The details of short-term bank loans as of 31 December 2009 are as follows:

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

Financial lease obligations are as follows:

	31 December 2009	31 December 2008
Less than 1 year	469.617.973	480.276.603
Between 1 – 5 years	1.438.363.567	1.566.966.270
Over 5 years	1.548.610.096	1.778.034.612
	3.456.591.636	3.825.277.485
Less: Future interest expenses	(497.052.569)	(642.883.392)
Principal value of future rentals stated in financial statements	2.959.539.067	3.182.394.093
Interest Range:		
Floating rate obligations	1.133.986.718	1.221.791.915
Fixed rate obligations	1.825.552.349	1.960.602.178
	2.959.539.067	3.182.394.093

As of 31 December 2009, the US Dollars and Euro denominated lease obligations' weighted average interest rates for the fixed rate obligations are 4,91% (31 December 2008: 4,90 %) and for the floating rate obligations are 0,78% (31 December 2008: 1,93%).

9 OTHER FINANCIAL LIABILITIES

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

	31 December 2009	31 December 2008
Fair value of derivative instruments (Note 39)	45.232.172	44.360.335
Borrowings from banks	846.771	639.916
	46.078.943	45.000.251

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

10 ACCOUNTS RECEIVABLE AND PAYABLE

Short-term trade receivables are as follows:

	31 December 2009	31 December 2008
Trade receivables	455.045.487	381.445.533
Due from related parties (Note 37)	32.128.286	4.741.388
Allowance for doubtful receivables	(41.791.892)	(37.042.788)
	445.381.881	349.144.133

The Group provided provision for the receivables carried to legal proceedings and for the others by making historical statistical calculations. Movement of the doubtful receivables for the period ended 31 December 2009 and 2008 are as follows:

	1January - 31 December 2009	1 January - 31 December 2008
Opening Balance	37.042.788	21.405.019
Current period expense	22.513.003	20.707.670
Bad debts collected	(15.357.120)	(4.895.781)
Receivables written-off	(2.406.779)	(174.120)
Closing Balance	41.791.892	37.042.788

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

Short-term trade payables are as follows:

	31 December 2009	31 December 2008
Trade receivables	536.177.325	425.068.449
Due from related parties (Note 37)	22.663.149	9.433.149
Other	1.961.004	607.613
	560.801.478	435.109.211

11 OTHER RECEIVABLES AND PAYABLES

Other short-term receivables are as follows:

	31 December 2009	31 December 2008
Prepayments made for aircrafts, to be received back in cash (net)	724.055.005	30.220.978
Non-trade receivables from related parties (Note37)	12.581.316	67.386
Receivables from tax office	1.933.804	4.917.861
Receivables from employees	1.165.585	1.263.682
Deposits and guarantess given	1.153.878	949.250
Receivables from foreign acquisition transactions	938.235	5.551.351
Receivables from foreign technical suppliers	265.974	1.465.399
Deductible VAT	-	4.295.567
Bosnia Herzegovina Airlines Share Advancement	-	10.704.000
Diğer alacaklar	1.299.578	2.238.484
	743.393.375	61.673.958

Long-term other receivables are as follows:

	31 December 2009	31 December 2008
Prepayments made for aircrafts, to be received back in cash (net)	637.383.512	-
Interest swap agreement deposits	7.663.566	-
Advance payments for operating leases	7.211.446	6.924.230
Receivables from employees	6.045.185	6.410.064
Deposits and guarantess given	4.863.237	3.472.266
Receivables from Sita deposit certificates	1.193.182	1.205.400
Receivables from foreign acquisition transactions	-	4.796.921
	664.360.128	22.808.881

Short-term other payables are as follows:

	31 December 2009	31 December 2008
MCO advances	69.550.656	57.613.133
Taxes and funds payable	31.244.933	26.061.291
Social security premiums payable	25.835.403	21.564.459
Payables to insurance companies	14.832.195	-
Deposits and guarantees received	9.665.768	7.603.582
Other advances received	1.150.351	1.072.264
E-Pos ticket advances	936.185	162.591
Charter advances	895.143	751.062
Other liabilities	2.522.747	1.138.625
	156.633.381	115.967.007

11 OTHER RECEIVABLES AND PAYABLES (Cont'd)

Long-term other payables are as follows:

	31 December 2009	31 December 2008
Deposits and guarantees received	8.941.613	7.865.284

12 RECEIVABLES AND PAYABLES FROM FINANCIAL SECTOR OPERATIONS

None (31 December 2009: None).

13 INVENTORIES

	31 December 2009	31 December 2008
Spare parts	133.739.727	87.165.280
Other inventories	29.624.852	25.918.729
	163.364.579	113.084.009
Provision for impairment (-)	(14.368.647)	(14.724.718)
	148.995.932	98.359.291

Movement in change of diminution in value of inventories as of 31 December 2009 and 2008 are as follows:

	1 January - 31 December 2009	1 January - 31 December 2008
Provision at the beginning of the period	14.724.718	10.845.508
Current period expense	1.290.280	13.078.367
Cancellation of provisions recognized	(1.646.351)	(9.199.157)
Provision at the end of the period	14.368.647	14.724.718

14 BIOLOGICAL ASSETS

None (31 December 2008: None).

15 ASSETS FROM CONSTRUCTION CONTRACTS IN PROGRESS

None (31 December 2008: None).

16 INVESTMENTS ACCOUNTED FOR EQUITY METHOD

The associates accounted per the equity method are as follows:

	31 December 2009	**31 December 2008**
Güneş Ekspres Havacılık A.Ş. (Sun Express)	26.698.068	13.811.371
THY DO&CO İkram Hizmetleri A.Ş. (Turkish DO&CO)	34.054.590	26.060.988
Bosnia-Herzegovina Airlines	2.936.441	-
P&W T.T. Uçak Bakım Merkezi Ltd. Şti.	22.421.794	3.765.565
TGS Yer Hizmetleri A.Ş. (TGS)	63.482.168	-
THY OPET Havacılık Yakıtları A.Ş.	2.459.495	-
	152.052.556	43.637.924

Financial information for Sun Express as of 31 December 2009 and 31 December 2008 are as follows:

	31 December 2009	**31 December 2008**
Total assets	232.316.502	113.774.956
Total liabilities	178.920.367	86.152.214
Shareholders'equity	53.396.135	27.622.742
Group's share in associate's shareholders' equity	26.698.068	13.811.371

	1 January - 31 December 2009	**1 January - 31 December 2008**
Revenue	899.836.648	765.171.890
Profit/ (loss) for the period	25.409.528	(3.899.580)
Group's share in profit/ (loss) for the period	12.704.764	(1.949.790)

Financial information for THY DO&CO Catering Services as of 31 December 2009 and 31 December 2008 are as follows:

	31 December 2009	**31 December 2008**
Total assets	122.594.934	93.245.421
Total liabilities	52.485.754	41.123.446
Shareholders'equity	68.109.180	52.121.975
Group's share in associate's shareholders' equity	34.054.590	26.060.988

	1 January - 31 December 2009	**1 January - 31 December 2008**
Revenue	267.960.365	190.142.882
Profit/ (loss) for the period	16.987.205	11.985.300
Group's share in profit/ (loss) for the period	8.493.603	5.992.650

16 INVESTMENTS ACCOUNTED FOR EQUITY METHOD (Cont'd)

Financial information for P&W T.T Uçak Bakım Merkezi Ltd. Şti as of 31 December 2009 and 31 December 2008 are as follows:

	31 December 2009	31 December 2008
Total assets	104.846.886	8.344.051
Total liabilities	59.088.122	659.225
Shareholders'equity	45.758.764	7.684.826
Group's share in associate's shareholders' equity	22.421.794	3.765.565

	1 January - 31 December 2009	1 January - 31 December 2008
Revenue	119.754	-
Profit/ (loss) for the period	(5.508.567)	(960.174)
Group's share in profit/ (loss) for the period	(2.699.198)	(470.485)

Financial information for Bosnia and Herzegovina Airlines as of 31 December 2009 and 31 December 2008 are as follows:

	31 December 2009	31 December 2008
Total assets	49.653.830	-
Total liabilities	43.661.093	-
Shareholders'equity	5.992.737	-
Group's share in associate's shareholders' equity	2.936.441	-

	1 January - 31 December 2009	1 January - 31 December 2008
Revenue	20.721.502	-
Profit/ (loss) for the period	(13.524.756)	-
Group's share in profit/ (loss) for the period	(6.627.130)	-

Financial information for TGS as of 31 December 2009 and 31 December 2008 are as follows:

	31 December 2009	31 December 2008
Total assets	142.871.824	-
Total liabilities	15.907.488	-
Shareholders'equity	126.964.336	-
Group's share in associate's shareholders' equity	63.482.168	-

16 INVESTMENTS ACCOUNTED FOR EQUITY METHOD (Cont'd)

	1 January - 31 December 2009	1 January - 31 December 2008
Revenue	-	-
Profit/ (loss) for the period	1.964.336	-
Group's share in profit/ (loss) for the period	982.168	-

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

Financial information for THY Opet Havacılık Yakıtları A.Ş. as of 31 December 2009 and 31 December 2008 are as follows

	31 December 2009	31 December 2008
Total assets	5.745.326	-
Total liabilities	826.333	-
Shareholders'equity	4.918.993	-
Group's share in associate's shareholders' equity	2.459.495	-

	1 January - 31 December 2009	1 January - 31 December 2008
Revenue	-	-
Profit/ (loss) for the period	(81.009)	-
Group's share in profit/ (loss) for the period	(40.504)	-

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

	1 January - 31 December 2009	1 January - 31 December 2008
Sun Ekspress	12.704.764	(1.949.791)
Turkish DO&CO	8.493.603	5.992.650
P&W T.T. Uçak Bakım Merkezi Ltd. Şti.	(2.699.198)	(470.485)
Bosna Hersek Havayolları	(6.627.130)	-
TGS	982.168	-
THY OPET Havacılık Yakıtları A.Ş.	(40.504)	-
Toplam	12.813.703	3.572.374

16 INVESTMENTS ACCOUNTED FOR EQUITY METHOD (Cont'd)

Details of investments accounted for equity method as of 31 December 2009 are as follows:

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

17 INVESTMENT PROPERTY

	1 January - 31 December 2009	1 January - 31 December 2008
Opening balance, January 1	48.130.000	53.700.000
Purchases	758.086	-
Loss due to the change in fair value	(78.086)	(5.000.000)
Disposal	-	(570.000)
Closing balance, December 31	48.810.000	48.130.000

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

18 TANGIBLE ASSETS

	Land, land improvements and buildings	Technical equipments, simulators and vehicles	Other equipments, fixtures	Aircraft and spare engines	Components and repairable spare parts	Special costs	Construction in Progress	Aircrafts acquired by leasing	Total
Cost									
Opening balance at 1 January 2009	164.645.538	311.294.139	166.561.736	2.755.313.950	366.092.558	29.093.614	62.709.927	4.855.582.307	8.711.293.769
Additions	-	19.336.919	20.689.613	37.302.488	93.157.533	2.311.972	27.889.945	203.152.915	403.841.385
Disposals	-	(9.709.447)	(14.615.913)	(283.401.122)	(139.420.597)	(2.850)	-	(84.407.359)	(531.557.288)
Transfers	-	-	-	31.770.055	-	16.019.226	(72.886.720)	25.097.439	-
Closing balance at 31 December 2009	164.645.538	320.921.611	172.635.436	2.540.985.371	319.829.494	47.421.962	17.713.152	4.999.425.302	8.583.577.866
Accumulated depreciation									
Opening balance at 1 January 2009	55.667.061	248.016.427	139.815.066	2.023.627.036	185.009.980	22.559.087	-	980.614.975	3.655.309.632
Depreciation charge for the year	2.731.505	14.943.907	10.371.000	53.590.864	45.729.773	3.624.704	-	212.257.891	343.249.644
Disposals	-	(9.340.289)	(14.512.382)	(256.514.451)	(83.694.306)	(475)	-	(40.722.553)	(404.784.456)
Impairment, real increase/(decrease)	-	(551.167)	-	77.905.359	-	-	-	76.908.870	154.263.062
Impairment, increase/(decrease) due to exchange rate changes	-	37.062	-	18.192.961	-	-	-	6.290.911	24.520.934
Closing balance 31 December 2009	58.398.566	253.105.940	135.673.684	1.916.801.769	147.045.447	26.183.316	-	1.235.350.094	3.772.558.816
Net book value 31 December 2009	106.246.972	67.815.671	36.961.752	624.183.602	172.784.047	21.238.646	17.713.152	3.764.075.208	4.811.019.050
Net book value 31 December 2008	108.978.477	63.277.712	26.746.670	731.686.914	181.082.578	6.534.527	62.709.927	3.874.967.332	5.055.984.137

18 TANGIBLE ASSETS (cont'd)

	Land, land improvements and buildings	Technical equipments, simulators and vehicles	Other equipments, fixtures	Aircraft and spare engines	Components and repairable spare parts	Special costs	Construction in Progress	Aircrafts acquired by leasing	Total
Cost									
Opening balance at 1 January 2008	164.584.014	303.009.428	171.151.244	2.639.937.173	327.244.646	23.890.480	59.697.500	3.830.021.095	7.519.535.580
Additions	10.644	20.494.791	8.968.480	85.287.700	102.489.872	12.093.986	42.532.535	1.019.175.119	1.291.053.127
Disposals	(253.838)	(12.210.080)	(13.557.988)	(2.114.432)	(63.641.960)	(7.516.640)	-	-	(99.294.938)
Transfers	304.718	-	-	32.203.509	-	625.788	(39.520.108)	6.386.093	-
Closing balance at 31 December 2008	164.645.538	311.294.139	166.561.736	2.755.313.950	366.092.558	29.093.614	62.709.927	4.855.582.307	8.711.293.769
Accumulated depreciation									
Opening balance at 1 January 2008	53.372.621	252.091.508	144.571.580	2.077.621.580	153.043.938	20.246.335	-	1.580.584.464	4.281.532.026
Depreciation charge for the year	2.409.090	12.680.870	8.589.280	42.672.639	77.231.045	4.124.389	-	134.780.686	282.487.999
Disposals	(114.650)	(11.877.505)	(13.345.794)	(1.023.101)	(45.265.003)	(1.811.637)	-	-	(73.437.690)
Impairment, real increase	-	2.080.031	-	65.194.491	-	-	-	109.562.180	176.836.702
Impairment, decrease due to exchange rate changes	-	(6.958.477)	-	(160.838.573)	-	-	-	(844.312.355)	(1.012.109.405)
Closing balance 31 December 2008	55.667.061	248.016.427	139.815.066	2.023.627.036	185.009.980	22.559.087	-	980.614.975	3.655.309.632
Net book value 31 December 2008	108.978.477	63.277.712	26.746.670	731.686.914	181.082.578	6.534.527	62.709.927	3.874.967.332	5.055.984.137
Net book value 31 December 2007	111.211.393	50.917.920	26.579.664	562.315.593	174.200.708	3.644.145	59.697.500	2.249.436.631	3.238.003.554

18 TANGIBLE ASSETS (cont'd)

As explained in Note 2.5.6., since it is higher than 'value in use', the Group uses net US Dollar sales prices after cost of sales as the recoverable value in calculation of impairment in its property, plant and equipment (i.e. aircrafts, spare engines and simulators - "Aircrafts"). The Group has TL 24.520.934 of increase in impairment loss arising from exchange rate changes due to the decrease of net TL sales prices of aircrafts as a result of the depreciation of US Dollar against the TRY and has 154.263.062 TL of increase in impairment loss as a result of decline in the US Dollar prices of aircrafts in the year ended 31 December 2009 (Note 2.5.9). Total increase in impairment loss amounts to TL 178.783.996.

19 INTANGIBLE ASSETS

	Rights
Cost	
Opening balance at 1 January 2009	76.958.343
Additions	3.308.946
Disposals	(2.333)
Closing balance at 31 December 2009	80.264.956
Amortization	
Opening balance at 1 January 2009	65.795.741
Additions	3.801.936
Amortization for the year	(2.333)
Closing balance at 31 December 2009	69.595.344
Net book value 31 December 2009	10.669.612
Net book value 31 December 2008	11.162.602

	Rights
Cost	
Opening balance at 1 January 2008	68.832.212
Additions	8.138.832
Disposals	(12.701)
Closing balance at December 31,2008	76.958.343
Amortization	
Opening balance at January 1, 2008	62.031.040
Additions	3.777.402
Amortization for the year	(12.701)
Closing balance at 31 December 2008	65.795.741
Net book value 31 December 2008	11.162.602
Net book value 31 December 2007	6.801.172

20 GOODWILL

None (31 December 2008: None)

21 GOVERNMENT GRANTS AND INCENTIVES

None (31 December 2008: None)

22 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions for short-term liabilites are as follows:

	31 December 2009	31 December 2008
Provisions for legal claims	7.287.354	7.460.396

Movements in the provisions for legal claims at 30 December 2009 and 2008 periods set out below:

	1 January- 31 December 2009	1 January- 31 December 2008
Provision at the beginning of the period	7.460.396	4.695.954
Charge for the period	1.346.190	3.031.707
Provisions released	(1.519.232)	(267.265)
Provision at the end of the period	7.287.354	7.460.396

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

a) Guarantees/Pledge/Mortgage ("GPM") given by the group: Amount of letter of guarantees given is TL 92.014.638 as of 31 December 2009 (31 December 2008: TL 81.610.647).

	31 December 2009	31 December 2008
A. Total amounts of GPM given on the behalf of its own legal entity	92.014.638	81.610.647
B. Total amounts of GPM given on the behalf of subsidiaries that are included in full consolidation	-	-
C. Total amounts of GPM given in order to guarantee third partie debts for routine trade operations	-	-
D. Total amounts of other GPM given	-	-
	92.014.638	81.610.647

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

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

c) Dispute Related to Collective Bargaining

Since it is understood that an agreement will not be reached in the 22nd Term talks on collective bargaining between the Company and labor union Türkiye Sivil Havacılık Sendikası ("Hava-İş"), a "Record of Dispute" is signed and mediation process started. The Company made a wage increase of 6% on its own initiative, however, "Hava-İş" demands a retroactive increase in wages. Since collective bargaining is not concluded as of balance sheet date, there is not any provision in financial statements for the matter due to the fact that the result is uncertain for 2009 whether it will cause additional charge for the Company or not.

d) The Group's discounted retirement pay provision is TL 151.875.562. The Group's liability for retirement pay would be approximately TL 299.090.230 as of 31 December 2009, if all employees were dismissed on that date.

23 COMMITMENTS

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

	31 December 2009	31 December 2008
Less than 1 year	312.850.973	201.619.938
Between 1 – 5 years	853.516.736	684.056.091
More than 5 years	422.992.569	422.009.094
	1.589.360.278	1.307.685.123

To be delivered between the years 2010-2012, the Group signed a contract for 24 aircrafts with a total value of 5.9 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 913 Million US Dollars relevant to these purchases as of 31 December 2009.

24 EMPLOYEE BENEFITS

Short-term employee benefits are as follows:

	31 December 2009	31 December 2008
Salary accruals	38.827.130	33.409.789
Due to personnel	1.437.729	1.674.174
Provisions for unused vacation	14.469.621	12.734.462
	54.734.480	47.818.425

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

	31 December 2009	31 December 2008
Provisions for retirement pay liability	151.875.562	142.459.082

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

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

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

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

Main assumption is that maximum liability amount increases in accordance with the inflation rate for every service year. So, provisions in the accompanying financial statements as of 31 December 2009 are calculated by estimating present value of contingent liabilities due to retirement of employees. Provisions in the relevant balance sheet dates are calculated with the assumptions of 4,80% annual inflation rate (31 December 2008: 5,40%) and 11% discount rate. (31 December 2008: 12%). Estimated amount of retirement pay not paid due to voluntary leaves and retained in the Company is also taken into consideration as 2.17% (2008: 2.99%). Ceiling for retirement pay is revised semi-annually. Ceiling amount of TL 2.427 which is in effect since 1 January 2010 is used in the calculation of Group's provision for retirement pay liability.

24 EMPLOYEE BENEFITS (Cont'd)

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

	1 January- 31 December 2009	1 January- 31 December 2008
Provisions at the beginning of the period	142.459.082	131.959.011
Charge for the period	15.405.411	17.941.602
Interest charges	8.870.209	8.260.634
Actuarial loss /(gain)	2.080.775	(2.847.655)
Payments	(16.939.915)	(12.854.510)
Provisions at the end of the period	151.875.562	142.459.082

25 RETIREMENT BENEFITS

None (31 December 2008: None).

26 OTHER ASSETS AND LIABILITIES

Details of other current assets are as follows:

	31 December 2009	31 December 2008
Credit note accruals for received aircrafts	34.479.378	40.861.407
Prepaid taxes and funds	33.751.118	58.951.175
Prepaid operating lease expenses	19.410.997	11.010.997
Technical maintenance income accruals	18.049.297	5.438.006
VAT to be refunded	9.825.050	5.469.834
Prepaid sales commissions	9.418.953	8.832.684
Prepaid insurance expenses	5.197.278	5.676.306
Advance given for orders	3.788.745	4.649.039
Other prepaid expenses	3.543.305	4.668.513
Interline passenger income accruals	3.409.593	8.073.217
Advances for business purposes	903.082	1.005.304
Prepaid wet lease rent expenses	-	5.345.647
Other currents assets	1.896.961	3.581.299
	143.673.757	163.563.428

26 OTHER ASSETS AND LIABILITIES (Cont'd)

Other non-current assets are as follows:

	31 December 2009	31 December 2008
Prepayment for tangible assets	45.347.530	74.096.755
Maintenance reserves for engines	26.581.865	18.171.033
Peşin ödenen uçak finansman giderleri	7.543.182	7.197.530
Prepaid aircraft financing expenses	2.776.711	3.175.779
Prepaid Eximbank guarantee and exposure fee	1.183.491	2.618.689
Prepaid expenses	139.175	234.725
	83.571.954	105.494.511

Other short-term liabilies are as follows:

	31 December 2009	31 December 2008
Accruals for maintenance costs	98.389.811	69.099.738
Unearned revenue from share transfer of TGS (Note:16)	11.300.000	-
Other unerarned revenue	5.534.473	430.965
Incentive premium accruals	5.049.461	4.603.716
Accruals for other expenses	2.142.564	369.934
Other liabilities	79.703	7.251.639
Manufacturer's credit related to aircrafts to be received	-	9.926.677
	122.496.012	91.682.669

Other long-term liabilities are as follows:

	31 December 2009	31 December 2008
Unearned revenue from share transfer of TGS (Note:16)	45.200.000	-
Other unerarned revenue	5.904.110	-
Gross manufacturer's credits	39.419.630	39.289.960
Accumulated depreciations of manufacturer's credit	(11.517.414)	(8.168.227)
	79.006.326	31.121.733

Passenger flight liabilities are as follows:

	31 December 2009	31 December 2008
Frequent flyer program liability	124.222.967	98.946.996
Flight liability generating from ticket sales	282.983.563	253.091.354
Flight liability generating from mileage sales	179.318.749	135.355.647
	586.525.279	487.393.997

27 SHAREHOLDERS' EQUITY

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

	Type	%	31 December 2009	%	31 December 2008
Republic of Turkey Prime Minestry Privitization Adm(*)	A, C	49,12	429.818.308	49,12	85.963.662
Other (Publicly held)	A	50,88	445.181.692	50,88	89.036.338
Paid-in capital			875.000.000		175.000.000
Restatement effect			1.123.808.032		1.672.901.479
Restated capital			1.998.808.032		1.847.901.479

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

As of 30 December 2009, the Group's issued and paid-in share capital consists of 87.499.999.999 Class A shares and 1 Class C share, all with a par value of Kr 1 each. These shares are issued to the name. The Class C share belongs to the Republic of Turkey Prime Ministry Privatization Administration and has the following privileges:

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

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

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

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

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

c) Increasing share capital,

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

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

f) Making decisions relating to merges and liquidation,

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

27 SHAREHOLDERS' EQUITY (cont'd)

Restricted Reserves Assorted from Profit

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

Foreign Currency Translation Differences

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

Distribution of Dividends

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

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

According to the CMB's decision on 9 January 2009, in calculation of distributable profit, the companies are required to prepare consolidated financial statements, those companies enabled to calculate distributable profit by taking into consideration the profit in the financial statements prepared and announced to the public in accordance with Serial:XI No:29. Regarding the same decision, retained earnings of the companies in legitimate records, profit for the period and total amount of the assets generating profit are to be stated in the accompanying notes of financial statements in accordance with Serial:XI No:29 communiqué.

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

27 SHAREHOLDERS' EQUITY (cont'd)

Distribution of Dividends (Cont'd)

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

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

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

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

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

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

The items of shareholders' equity of the Company in the statutory records as of 31 December 2009 are as follows

Paid-in capital	875.000.000
Share premium	181.185
Legal reserves	39.052.952
Extraordinary reserves (*)	7.806.889
Other profit reserves	9
Special funds	53.064.572
Retained earnings (*)	303.035.058
Net profit for the period (*)	332.792.278
Total shareholders' equity	1.610.932.943

* According to legitimate regulations, total amount, subject to dividend distribution is TL 643.634.225

27 SHAREHOLDERS' EQUITY (cont'd)

Hedge Fund against the Cash Flow Risk

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

28 SALES AND COST OF SALES

Details of gross profit are as follows:

	1 January- 31 December 2009	1 January- 31 December 2008
Scheduled flights		
Passenger	6.242.396.046	5.415.875.828
Cargo and mail	442.452.326	381.265.205
Scheduled flights	6.684.848.372	5.797.141.033
Unscheduled flights	60.234.596	79.011.633
Other revenue	290.836.108	247.035.147
Gross sales	7.035.919.076	6.123.187.813
Less: discounts and sales returns	(36.173)	(13.604)
Net sales	7.035.882.903	6.123.174.209
Cost of sales (-)	(5.135.949.144)	(4.542.670.584)
Gross profit	1.899.933.759	1.580.503.625

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

	31 December 2009	31 December 2008
	31 Aralık 2009	31 Aralık 2008
- Europe	2.621.154.415	2.349.389.459
- Far East	1.113.861.041	961.855.198
- Middle East	858.064.501	703.042.695
- Africa	380.388.615	254.735.557
- America	317.489.740	221.418.430
Total international flights	5.290.958.312	4.490.441.339
Domestic flights	1.393.890.060	1.306.699.694
Total revenue from scheduled flights	6.684.848.372	5.797.141.033

28 SALES AND COST OF SALES (cont'd)

The details of the cost of sales are as follows:

	1 January- 31 December 2009	1 January- 31 December 2008
Fuel expense	1.527.808.008	1.850.738.704
Personnel expense	1.044.182.478	856.558.103
Landing and navigation expense	552.646.148	399.283.075
Depreciation expense	317.706.200	263.848.336
Handling expense	378.811.863	276.261.303
Maintenance expense	381.802.941	233.448.486
Passenger service and catering expense	325.039.231	259.376.473
Operating lease expense	275.052.324	154.353.787
Codeshare expenses	160.695.562	141.212.392
Insurance expense	35.344.992	21.169.619
Short term leasing expense	62.753.715	6.898.765
Other leasing expensses	12.393.476	24.958.770
Communnication expense	6.914.020	7.019.829
Other tax	5.763.728	6.154.225
Utility expense	6.075.303	4.285.948
Cost of other sales	42.959.155	37.102.769
	5.135.949.144	4.542.670.584

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

	1 January- 31 December 2009	1 January- 31 December 2008
Marketing, sales and distribution expense	806.503.413	635.876.008
Administrative expense	261.536.526	203.813.181
	1.068.039.939	839.689.189

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

Marketing, sales and distribution expenses are as follows:

	1 January- 31 December 2009	**1 January- 31 December 2008**
Personnel expense	221.533.668	199.988.876
Commissions and incentives expense	206.925.465	189.842.053
Reservation systems expense	154.300.075	104.458.574
Advertising expense	84.163.376	34.517.643
Service expense	24.116.304	11.688.333
Other rent expense	23.857.845	17.635.490
Special passenger program milage expense	17.731.434	14.100.772
Passenger service and catering expense	14.014.565	9.388.785
Communnication expense	11.727.334	11.335.043
Other tax	7.990.340	6.672.221
Transportation expense	7.444.732	5.187.679
Membership expense	5.118.475	12.929.861
Utility expense	3.291.672	2.686.730
Maintenance expense	1.539.270	1.410.155
Depreciation expense	868.435	708.667
Fuel expense	866.661	789.684
Insurance expense	751.543	527.870
Other marketing and sales expense	20.262.219	12.007.572
	806.503.413	635.876.008

General administrative expenses are as follows:

	1 January- 31 December 2009	**1 January- 31 December 2008**
Personnel expense	144.413.318	122.824.047
Depreciation expense	28.476.945	21.708.398
Insurance expense	16.633.619	2.610.354
Service expense	12.020.015	8.398.360
Other tax	11.669.858	7.734.389
Other rent expense	11.395.026	6.828.249
Maintenance expense	8.630.075	11.817.364
Communnication expense	7.632.253	3.730.409
Other administrative expense	20.665.417	18.161.611
	261.536.526	203.813.181

30 EXPENSES ACCORDING TO CATEGORIES

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

31 OTHER OPERATING INCOME / EXPENSES

Other operating income consists of the following:

	1 January- 31 December 2009	1 January- 31 December 2008
Reimbursment of maintenance fee from leasing companies	16.559.675	-
Provision released	16.876.352	4.903.880
Banks protocol revenue	4.730.845	3.510.000
Discounts received from maintenace spare parts suppliers	9.060.636	8.174.830
Insurance, indemnities, penalties income	24.005.243	6.268.389
Purchase discount	5.857.946	6.423.388
Rent income	1.753.645	979.550
Fixed assets sale income	3.333.754	179.102
Income from free of charge materials	911.946	6.302.617
Other operating income	8.046.062	19.948.772
	91.136.104	56.690.528

	1 January- 31 December 2009	1 January- 31 December 2008
Real increase in provisions for impairment of fixed assets (Note 18)	154.263.062	176.836.702
Provisisons expense	24.037.694	23.492.206
Expense due to aircraft crash	5.503.191	-
Expense due to passengers without visa	4.796.605	1.973.061
Other operating expense	10.538.930	7.818.494
	199.139.482	210.120.463

32 FINANCIAL INCOME

Finance income consists of the following

	1 January- 31 December 2009	1 January- 31 December 2008
Decrease in the provisions for impairment of fixed assets due to changes in exchange rate (Note 18)	-	1.012.109.405
Interest income	159.789.136	123.120.093
Gain due to changes in the fair value of derivative instruments	9.016.534	-
Rediscount interest income	4.134.460	4.692.212
Foreign exhange rate income	-	287.925.459
Dividends income	42.014	35.034
	172.982.144	1.427.882.203

33 FINANCIAL EXPENSES

Finance expenses are as follows

	1 January- 31 December 2009	1 January- 31 December 2008
Decrease in the provisions for impairment due to changes in exchange rate (Note 18)	24.520.934	-
Foreign exchange loss	1.845.975	-
Financial liabilities foreign exchange loss	2.890.159	586.719.978
Finance lease interest expense	116.382.383	103.921.630
Gain due to changes in the fair value of derivative instruments	-	6.071.262
Retirement pay interest expense	8.870.209	8.260.634
Rediscount expense	17.530.474	6.801.332
Other finacial debts interest expense	380.669	1.474.979
Other financial expense	287.869	123.325
	172.708.672	713.373.140

34 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None (31 December 2008: None).

35 TAX ASSETS AND LIABILITIES

Tax liability for the current profit is as follows:

	31 December 2009	31 December 2008
Provisions for corporate tax	70.893.068	7.673.685
Prepaid taxes and funds	(68.473.524)	(3.487.876)
	2.419.544	4.185.809

Tax liability consists of the following items:

	1 January- 31 December 2009	1 January- 31 December 2008
Current period tax expense	70.893.068	7.673.685
Deferred tax expense / (income)	73.377.970	163.566.042
Change in deferred tax for the year 2008 (foreign earnings exemption)	33.121.716	-
Change in corporate tax for the year 2008 (other)	508.583	-
Tax expense / (income)	177.901.337	171.239.727

35 TAX ASSETS AND TAX LIABILITIES (cont'd)

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

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

The corporate tax rate is 20% since 2006 (2006, 2007 and 2008 years: 30% for investment deduction).

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

Investment incentive certificates are revoked commencing from January 1, 2006. The investment incentive amount that cannot be deducted from 2008 taxable income will not be carried forward to following years. In accordance with Income Tax Law Temporary Article 69, investment allowances available as of 31 December 2005 and due to insufficiency of profit are transferable to next year's; can be deducted from the profits of 2006, 2007 and 2008 depending on taxpayers' choice. Investment allowances can be forwarded to next year's by restatement with Producer Price Index (PPI)

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

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

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

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

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

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

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

35 TAX ASSETS AND TAX LIABILITIES (cont'd)

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

Article 7.4 of the General Communiqué issued on 6 December 2008 in regards to "Bringing Some Assets Into National Economy" Law Serial 1, No: 5811 requires the inclusion of such earnings to the exemption to the extent that they are transferred to Turkey as of 31 May 2009, even if earnings attributable to 2008 are subject to temporary tax filings for the 2008's temporary tax periods, since branch earnings obtained through their foreign offices/branches and permanent agencies are determined at the last day of the financial year.In this respect, the Company's TL 436.428.799 of foreign branch earnings exemption obtained in 2008 is subject to as a deduction against the 2008's Corporate Tax base. Unused and carry forward exemption amount of 2008 is also subject to deferred tax calculation.

During the calculation of prepaid tax for the 2009 March period, the issues about the calculation of foreign branch earnings were evaluated again by the Company management due to the factors of uncertainty in regulations, arising of different figures for the matter about which initiative can be used depending on the opinion taken from Tax authority, arising of different exception figures when the methods other than in the Tax authority's opinion was applied. Foreign branch earnings, which were calculated previously on the location basis, are calculated again in the line basis, the previous earnings figure TL 436.428.799 has decreased to TL 114.788.079. Because of the changes made in accounting estimates, an additional tax burden of TL 64.328.144 is stated in the financial statements as of 31 December 2009.

Furthermore, the period of these exceptions are extended with Law No: 5917 article 46 which has become effective as of 10 July 2009 and the provisional article 3 added to the Law No: 5811. Accordingly commercial earnings obtained by corporations through permanent representatives and branches abroad, between the dates of 1 May 2009 and 31 December 2009 are exceptional from income and corporate tax if, those earnings were transferred to Turkey until the date 28 February 2010. The Company has calculated TL 156.045.544 foreign branch earnings for the year 2009 and has incorporated this amount to the calculation of corporation of tax relevant year.

In August 2009, the company has reflected TL 508.580 additional tax burden, which is related to the corporate tax for the period 2008 into the financial statements as of 31 December 2009 via adjustment declaration.

35 TAX ASSETS AND TAX LIABILITIES (cont'd)

	1 January- 31 December 2009	1 January- 31 December 2008
Reconciliation of provision for taxes:		
Profit from operations before tax	736.977.617	1.305.465.938
Domestic income tax rate of 20%	147.395.523	261.093.188
Taxation effects on:		
- revenue that is exempt from taxation	(2.846.785)	(5.848.893)
- foreign branch earning exemption	33.119.035	(87.285.760)
- non-deductible expenses	233.564	3.281.192
Provisions for tax expense in income statement	177.901.337	171.239.727

Tax effect regarding other comprehensive income is as follows:

	1 January - 31 December 2009		
	Amount before tax	Tax (expense) /income	Amount after tax
Foreign currency translation differences	181.933	-	181.933
Change in cash flow hedge fund	(2.189.161)	437.832	(1.751.329)
Other comprehensive income for the period	(2.007.228)	437.832	(1.569.396)

Change in translation differences of foreign currency that is included in other comprehensive income, is TL 4.459.406. In addition, the effect on taxation does not exist for the period 1 January - 31 December 2008.

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

35 TAX ASSETS AND TAX LIABILITIES (cont'd)

The deferred tax assets and (liabilities) as of 31 December 2009 and 31 December 2008 are as follows:

	31 December 2009	31 December 2008
Fixed assets	(437.228.761)	(433.734.782)
Provisions for ticket sales advances	(48.624.219)	(32.179.753)
Accrued expense	41.874.247	36.194.357
Provisions for retirement pay	30.375.112	28.491.817
Long-term lease obligations	21.625.506	49.277.131
Short-term lease obligations	21.321.316	21.716.516
Allowance for doubtful receivables	3.752.304	3.050.391
Provisions for impairment in inventories	2.873.729	2.944.944
Provisions for unused vacation	2.739.207	2.546.893
Adjustment of inventories	(1.165.198)	-
Income and expenses relating to future periods	(756.009)	1.037.855
Discount on receivables	279.604	472.633
Discount on payables	(164.343)	(485.657)
Accummulated loss	-	31.206.428
Other	854.400	158.260
	(362.243.105)	(289.302.967)

	31 December 2009	31 December 2008
Deferred tax assets	-	1.986.324
Deferred tax liabilities	(362.243.105)	(291.289.291)
Deferred tax assets/ (liabilities), net	(362.243.105)	(289.302.967)

The movements of deferred tax liability as of 31 December 2009 and 2008 are as follows:

	1 January- 31 December 2009	1 January- 31 December 2008
Opening balance at January 1	289.302.967	125.736.925
Deferred tax expense	73.377.970	163.566.042
Hedge fund tax income	(437.832)	-
Closing balance at December 31	362.243.105	289.302.967

36 EARNINGS PER SHARE

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

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

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

Number of total shares and calculation of earnings per share at 31 December 2009 and 2008 are as follows:

	1 January- 31 December 2009	**1 January- 31 December 2008**
Number of shares outstanding at 1 January	17.500.000.000	17.500.000.000
New shares issued (in full)	70.000.000.000	70.000.000.000
Number of shares outstanding at December 31 (in full)	87.500.000.000	87.500.000.000
Weighted average number of shares outstanding during the period (in full)	87.500.000.000	87.500.000.000
Net profit for the period	559.076.280	1.134.226.211
Earnings per share (kr) (*)	0,64	1,30

(*) The earnings per share with par value of TL 1 is TL 0, 64 in December 2009; TL 1, 3 in December 2008.

37 RELATED PARTY TRANSACTIONS

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

	31 December 2009	**31 December 2008**
P & W T.T Uçak Bakım Merkezi	26.705.625	-
Bosnia Herzegovina Airlines	3.729.488	-
Sun Express	1.074.744	646.191
THY DO&CO İkram Hizmetleri A.Ş.	616.912	4.095.197
TGS	1.517	-
	32.128.286	4.741.388

37 RELATED PARTY TRANSACTIONS (cont'd)

Transactions with related parties in the nine month period ended as of 31 December are as follows:

	31 December 2009	31 December 2008
TGS (*)	12.546.944	67.386
Bosnia Herzegovina Airlines	34.372	-
	12.581.316	67.386

(*) TL 12.279.145 (EURO 5.684.000), a portion of the Group's non-trade reveivables from TGS, consist of the credit given to TGS which is due to 5 January 2010. (İnterest rate: 2%)

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

	31 December 2009	31 December 2008
Sun Express	14.416.433	9.433.149
THY DO&CO İkram Hizmetleri A.Ş.	8.246.716	-
	22.663.149	9.433.149

Transactions with related parties in the nine-month period ended as of 31 December are as follows:

	1 January- 31 December 2009	1 January- 31 December 2008
Services rendered to Sun Express	46.068.132	8.038.397
Services rendered to Bosnia Herzegovina Airlines	4.399.906	-
Services rendered to THY DO&CO	1.001.534	792.687
Service rendered to P&W T.T.	23.467.921	-
Interest income from THY DO&CO	-	401.509
	74.937.493	9.232.593

	1 January- 31 December 2009	1 January- 31 December 2008
Services received from THY DO&CO	224.579.638	147.850.051
Services received from Sun Express	57.017.608	30.909.242
Service received from Bosnia Herzegovina Airlines	2.435.000	-
	284.032.246	178.759.293

37 RELATED PARTY TRANSACTIONS (cont'd)

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

The total amount of salaries and other short term benefits provided for the Chairman and the Member of Board of Directors, General Manager, General Coordinator and General Deputy Managers are TL 3.693.289 (2008: TL 3.003.116).

38 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

(a) Capital risk management

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

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

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

The overall strategy of the Group remains the same since the year 2008.

	31 December 2009	**31 December 2008**
Total debts	3.595.046.545	3.697.403.926
Less: Cash and cash equivalents	(1.096.111.869)	(504.905.721)
Net debt	2.498.934.676	3.192.498.205
Total shareholders' equity	3.444.880.226	2.986.587.096
Total capital stock	5.943.814.902	6.179.085.301
Net debt/total capital stock ratio	0,42	0,52

b. Financial Risk Factors

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

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

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

b.1)Credit Risk Management

Credit Risk of Financial Instruments

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

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

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

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

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

Credit Risk of Financial Instruments	**Receivables**					
	Trade receivables		**Other receivables**			
31 December 2008	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Deposits in Banks**	**Derivative Instruments**
Maximum credit risk as of balance sheet date (*)	4.741.388	344.402.745	67.386	84.415.453	1.891.728.775	39.599.159
The part of maximum risk under guarantee with collateral etc. (**)	-	7.506.082	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	4.741.388	314.650.601	67.386	84.415.453	1.891.728.775	39.599.159
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Net book value of financial assets that are past due but not impaired	-	29.752.144	-	-	-	-
-The part under guarantee with collateral etc.	-	2.318.741	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
-Past due (gross carrying amount)	-	37.042.788	-	-	-	-
-Impairment(-)	-	(37.042.788)	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
-Not past due (gross carrying amount)	-	-	-	-	-	-
-Impairment (-)	-	-	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
E.Off-balance sheet items with credit risk	-	-	-	-	-	-

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

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

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

(b) Financial Risk Factors (cont'd)

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

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

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

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

(b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont')

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

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

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

(b) Financial Risk Factors (cont'd)

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

The aging of the past due receivables as of 31 December 2008 are as follows.

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

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

(b) Financial Risk Factors (cont'd)

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

As of balance sheet date, total amount of cash collateral and letter of guarantee, which is received by Group for past due not impaired receivable, is TL 3.414.006 (31 December 2008: TL 2.318.741).

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

b.2) Liquidity risk management

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

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

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

Liquidity risk table:

31 December 2009

Due date on the contract	Book value	Total cash outflow according to the contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Bank borrowings	28.627.057	29.847.936	7.680.629	7.536.703	14.630.604	-
Finance lease obligations	2.959.539.067	3.456.591.636	103.436.047	366.181.926	1.438.363.567	1.548.610.096
Trade payables	560.801.478	561.612.148	490.554.785	71.057.363	-	-
Other financial liabilities	846.771	846.771	846.771	-	-	-
Total	3.549.814.373	4.048.898.491	602.518.232	444.775.992	1.452.994.171	1.548.610.096

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

(b) Financial Risk Factors (cont'd)

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

Liquidity risk table (Cont'd):

31 December 2008

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

b.3) Market risk management

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

b.3.1) Foreign currency risk management

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

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

(b) Financial Risk Factors (cont'd)

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

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

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

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

(b) Financial Risk Factors (cont'd)

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

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

	31 December 2008				
	TL Equivalent	**US Dollar**	**Euro**	**GBP**	**Other**
1.Trade receivables	201.671.977	36.369.880	72.663.669	6.607.281	86.031.147
2a.Monetary financial assets	1.300.384.063	911.904.026	316.192.868	5.534.421	66.752.748
2b.Non monetary financial assets	-	-	-	-	-
3.Other	7.419.216	2.458.692	41.404	4.760.149	158.971
4.Current assets (1+2+3)	**1.509.475.256**	**950.732.598**	**388.897.941**	**16.901.851**	**152.942.866**
5.Trade receivables	-	-	-	-	-
6a.Monetary financial assets	-	-	-	-	-
6b.Non monetary financial assets	-	-	-	-	-
7.Other	72.794.855	72.789.485	4.400	-	970
8.Non current asstes (5+6+7)	**72.794.855**	**72.789.485**	**4.400**	-	**970**
9.Total assets (4+8)	**1.582.270.111**	**1.023.522.083**	**388.902.341**	**16.901.851**	**152.943.836**
10.Trade payables	244.277.675	125.858.217	56.555.012	16.252.346	45.612.100
11.Financial liabilities	463.649.564	251.539.094	212.110.470	-	-
12a.Other liabilitites, monetary	9.761.078	4.472.433	2.789.862	81.221	2.417.562
12b.Other liabilitites, non monetary	-	-	-	-	-
13.Current liabilities (10+11+12)	**717.688.317**	**381.869.744**	**271.455.344**	**16.333.567**	**48.029.662**
14.Trade payables	-	-	-	-	-
15.Financial liabilities	2.798.005.235	1.052.489.444	1.745.515.791	-	-
16a.Other liabilitites, monetary	7.998.826	1.038.768	5.829.426	4.210	1.126.422
16b.Other liabilitites, non monetary	-	-	-	-	-
17.Non current liabilities (14+15+16)	**2.806.004.061**	**1.053.528.212**	**1.751.345.217**	**4.210**	**1.126.422**
18.Total liabilities (13+17)	**3.523.692.378**	**1.435.397.956**	**2.022.800.561**	**16.337.777**	**49.156.084**
19.Net asset / liability position of Off-balance sheet derivatives (19a-19b)	**12.349.552**	**(112.925.248)**	**125.274.800**	-	-
19a.Off-balance sheet foreign currency derivative assets	125.274.800	-	125.274.800	-	-
19b.Off-balance sheet foreigncurrency derivative liabilities	112.925.248	112.925.248	-	-	-
20.Net foreign currency asset/(liability) position (9-18+19)	**(1.929.072.715)**	**(524.801.121)**	**(1.508.623.420)**	**564.074**	**103.787.752**
21.Net foreign currency asset / liability position of monetary items (UFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(2.021.636.338)**	**(487.124.050)**	**(1.633.944.024)**	**(4.196.075)**	**103.627.811**
22.Fair value of foreign currency hedged financial assets	-	-	-	-	-
23.Hedged foreign currency assets	-	-	-	-	-
24.Hedged foreign currency liabilities	-	-	-	-	-
25.Exports	**4.540.026.181**	**536.061.102**	**2.404.349.759**	**141.055.054**	**1.458.560.268**
26.Imports	**1.651.794.897**	**937.339.395**	**495.108.749**	**14.626.988**	**204.719.765**

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

(b) Financial Risk Factors (cont'd)

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

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

Foreign currency sensitivity

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

	31 December 2009	
	Profit / (Loss) Before Tax	
	If foreign currency appreciated against TL by 10%	If foreign currency appreciated against TL by 10%
1 - US Dollar net asset / liability	43.861.485	(43.861.485)
2- Part of hedged from US Dollar risk (-)	-	-
3- US Dollar net effect (1 +2)	43.861.485	(43.861.485)
4 - Euro net asset / liability	(130.080.744)	130.080.744
5 - Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	(130.080.744)	130.080.744
7 - GBP net asset / liability	1.682.730	(1.682.730)
8- Part of hedged from GBP risk (-)	-	-
9- GBP net effect (7 +8)	1.682.730	(1.682.730)
10 - Other foreign currency net asset / liability	13.848.698	(13.848.698)
11- Part of hedged other foreign currency risk (-)	-	-
12- Other foreign currency net effect (10+11)	13.848.698	(13.848.698)
TOTAL (3 + 6 + 9 + 12)	(70.687.831)	70.687.831

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

(b) Financial Risk Factors (cont'd)

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

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

Foreign currency sensitivity (Cond't)

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

As explained in Note 2.5.6, the Group uses net US Dollars sales price as the recoverable amount in the impairment calculation of its property, plant and equipment (i.e. aircrafts, spare engines and simulations - "Aircrafts"). Accordingly, the impairment provided by the Group for the tangible assets decreases when the US Dollar is evaluated against TL, and increases when the US Dollar is devaluated against TL. In this context, If US Dollar is appreciated by 10 % against TL, there would be an increase amounted TL 360.275.994 (1 January-31 December 2008: TL 360.198.667) in the net profit for the period except for the effects in the table above due to the decrease in the impairment of aircrafts, spare engines and simulators. If US Dollar is devaluated by 10 % against TL, there would be a decrease amounted TL 401.499.641 effect in the profit or except for the effects in the table above.

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

(b) Financial Risk Factors (cont'd)

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

b.3.2) Interest rate risk management

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

Interest Rate Position Table

	31 December 2009	**31 December 2008**
Instruments with fixed interest rate		
Financial Assets – Time Deposits	1.149.329.053	1.768.820.216
Financial Liabilities	1.825.552.349	1.960.602.178
Financial Instruments with Variable Interest Rate		
Financial Liabilities	1.162.613.775	1.256.692.286
Interest Swap Agreements not subject to Hedge Accounting (net)	(829.874)	(5.087.603)
Interest swap agreements subject to hedge acounting (Net)	(7.130.730)	-

As indicated in Note 39, the Group as of 31 December 2009 fixed the interest rate for TL 877.507.548 of floating–interest-rated financial liabilities via an interest rate swap contract.

Interest rate sensitivity

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

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

Profit before taxes of the Group, which belongs to twelve-month-period, will decrease for TL 6.283.461 (as of 31 December 2008 it will decrease by TL 6.283.461). In contrast, if Libor and Euribor interest rate decreases 0, 5%, Profit Before Taxes for six-month-period will increase with the same amounts

Moreover, as a result of the interest rate swap contracts against cash flow risks, in case of a 0,5% increase in the Libor and Euribor interest rates, the shareholders' equity of the Group will increase by TL 18.318.580 without the deferred tax effect. In case of a 0,5% decrease in the Libor and Euribor interest rates, the shareholders' equity of the Group will decrease by the same amount without the deferred tax effect.

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

(b) Financial Risk Factors (cont'd)

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

b.3.3) Fuel prices sensitivity

As explained in Note 39, Group made forward fuel purchase contracts in order to hedge cash flow risks arising from fuel purchases beginning from 2009. Due to forward fuel purchase contracts subject to hedge accounting, as a result of a 10 % increase in fuel prices, the shareholders' equity of the Group will increase by TL 11.038.146 excluding the deferred tax effect. In case of a 10% decrease in fuel prices, the shareholders' equity of the Group will decrease by the same amount excluding the deferred tax effect

39 FINANCIAL INSTRUMENTS

Fair Values of Financial Instruments

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

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

39 FINANCIAL INSTRUMENTS (cont'd)

Categories and fair values of financial instruments:

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

31 December 2008 Balance Sheet	Loans and Receivables	Derivative instruments which are reflected fair value to share holder's equity	Derivative instruments which are reflected fair value profit/(loss)	Investment at cost value available for sale	Financial liabilities at amortized cost	Carrying Value	Note
Financial Assets							
Cash and cash equivalents	504.905.721	-	-	-	-	504.905.721	6
Financial investments	1.403.033.703	-	39.599.159	1.750.943	-	1.444.383.805	7
Trade receivables	349.144.133	-	-	-	-	349.144.133	10
Other receivables	84.482.839	-	-	-	-	84.482.839	11
Financial liabilities							
Bank borrowings	-	-	-	-	34.900.371	34.900.371	8
Finance lease obligations	-	-	-	-	3.182.394.093	3.182.394.093	8
Other financial liabilities	-	-	44.360.335	-	639.916	45.000.251	9
Trade payables	-	-	-	-	435.109.211	435.109.211	10

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

39 FINANCIAL INSTRUMENTS (cont'd)

Fair Values of Financial Instruments (cont'd)

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

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

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

		Fair value level as of the reporting date		
	31 December	Level 1	Level 2	Level 3
Financial assets	2009	TL	TL	TL
Financial assets at fair value through profit or loss				
Derivative instruments	43.196.250	-	43.196.250	-
Financial assets subject to hedge accounting				
Derivative instruments	4.102.120	-	4.102.120	-
Total	47.298.370	-	47.298.370	-
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative instruments	37.365.267	-	37.365.267	-
Financial liabilities subject to hedge accounting				
Derivative instruments	7.866.905	-	7.866.905	-
	45.232.172	-	45.232.172	-

39 FINANCIAL INSTRUMENTS (cont'd)

Derivative Instruments and Hedging Transactions

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

The floating-rate financial liabilities of the Group are explained in b.3.2. Beginning from June 2009, in order to keep interest costs at an affordable level, considering long-term finance lease liabilities; Group made fixed-paid/floating-received interest rate swap contracts to fix interest rates of finance lease liabilities whose maturities are after the second half of 2010 and account for approximately 76 % of floating rate USD and Euro denominated liabilities. Effective part of the change in the fair values of those derivative instruments which are subject to hedge accounting for cash flows risks of floating-rate finance lease liabilities are accounted in cash flow hedge fund under the shareholders' equity.

Beginning from September 2009, in order to control risk arising from fluctuations in price of fuel which is approximately 30% of cost of sales as of 31 December 2009 and to lessen the effects of fluctuations in oil prices on fuel expenses, the Group began hedging transactions for approximately 10% of annual jet fuel consumption in 2009 . For this purpose, the Group made forward fuel purchase contracts settled on cash basis. Effective part of the change in the fair values of those derivative instruments which are subject to hedge accounting for cash flows risks of fuel purchases are accounted in cash flow hedge fund under the shareholders' equity

Group's derivative instruments arisen from transactions stated above and their balances as of 31 December 2009 and 31 December 2008 are as follows:

39 FINANCIAL INSTRUMENTS (cont'd)

Derivative Instruments and Hedging Transactions (Cont'd)

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

31 December 2008	Pozitive fair value	Negative fair value	Total
Fixed-paid/floating received interest rate swap contracts for hedging against cash flow risks of interest rate	-	-	-
Forward fuel purchase contracts for hedging against cash flow risk of fuel prices	-	-	-
Fair values of derivative instruments for hedging purposes	-	-	-
Cross-currency swap contracts not subject to hedge accounting	5.068.203	(4.741.776)	326.427
Interest rate swap contracts not subject to hedge accounting	34.530.956	(39.618.559)	(5.087.603)
Fair values of derivative instruments not for hedging purposes	39.599.159	(44.360.335)	(4.761.176)
Total	39.599.159	(44.360.335)	(4.761.176)

39 FINANCIAL INSTRUMENTS (cont'd)

Derivative Instruments and Hedging Transactions (Cont'd)

	Hedging against fuel risk	Hedging against interest risk	Total
Increase/(decrease) in fair values of derivative instruments for hedging purposes	3.365.945	(7.130.730)	(3.764.785)
The amount of financial expenses inside hedge funds	-	2.165.655	2.165.655
Reclassified amount for inactive part in the risk elimination of fair value of hedging gains of fuel hedging derivative instrument to financial revenues	(590.031)	-	(590.031)
Total	2.775.914	(4.965.075)	(2.189.161)
Deferred tax	(555.183)	993.015	437.832
Hedge fund as of 31 December 2009	2.220.731	(3.972.060)	(1.751.329)

40 EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

The Board of Directors decided to purchase 14 of A321-200 and 6 of A319-100 aircrafts to be delivered in 2011 and 2012; and to order at option 10 of A319/A321 aircrafts to be delivered in 2013.

The Board of Directors, having 49% of the shares of Bosnia Herzegovina Airlines, approved the decision a capital increase by 8.000.000 –KM. In accordance with this decision, the "Corporation" will pay for its share in this capital increase in cash.

The Board of Directors decided to lease 2 of B737-700 aircrafts which are to be delivered by March and April 2010.

The Board of Directors decided to purchase 10 of B737-800 and 10 of B737-900ER aircrafts from Boeing Company to be delivered between 2011 and 2014. The Board of Directors also decided to order at option 15 of B737-800/B737-900ER aircrafts to be delivered between 2013 and 2015.

The Board of Directors decided to lease 1 of B737-700 aircraft to be delivered by March 2010.

The Board of Directors decided to increase authorized capital from TL 500 million to TL 2 billion and to include the following matters into Articles of Incorporation: to establish training institutions related to fields of activities of the Corporation and to make donations and financial aid in compliance with regulatory provisions. The Board of Directors made an application to Capital Markets Board.

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

The Board of Directors approved and authorized to issue the consolidated financial statements on 5 April 2010.

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

In the balance sheet as of 31 December 2008, TL 4.761.176 in "Other Financial Liabilities" is the offsetted amount for the "fair value of derivative instruments", whereas it is presented separately in the balance sheet as of 31 December 2009 as TL 39.599.159 in "Financial Assets" and TL 44.360.335 in "Other Financial Liabilities.

'Advances received for milage credit sales' item, which was stated under 'Other receivables and payables' and amounting to TL 45.587.172 in the balance sheet as of 31 December 2008, is now classified under 'Other short term liabilities'.

'Special costs' item, which was stated under 'Intangible assets' and amounting to net book value of TL6.534.527 in the balance sheet as of 31 December 2008, is now classified under 'Tangible assets'.

The Group reconsidered the depreciation accounting method of its aircrafts, spare engines and simulators, which are subject to impairment while preparing the financial statements for the year ended at 31 December 2009. In previous years, the Group made depreciation calculation over cost value impairment according to paragraph of 63 th in the International Accounting Standard 36 "Impairment of Assets"; after the recognition of impairment loss, the depreciation charge for the asset is adjusted in future periods to allocate the asset's revised charging amount, less its residual value, on a systematic basis over its remaining useful life. The mentioned change does not lead to a change in balance sheet items, equity and net profit for the year, however, led to a reclassification between "Depreciation expense for the year" and "Provision for impairment loss for the year". Thus, 2008 financial statements were restated based on International Accounting Standard 8 "Changes and Inaccuracies in Accounting Policies and Accounting Predictions" ("IAS 8). Because of this change, "Depreciation expense" under "Cost of sales" item decreased by TL107.560.793 and "Real increase in provision for impairment in value of tangible assets" increased by the same amount