

CONVENIENCE TRANSLATION OF
REPORT AND FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

**TÜRK HAVA YOLLARI
TEKNİK A.Ş.**

CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH INTERIM
PERIOD ENDED 30 JUNE 2012

Convenience Translation of Report and Financial Statements Originally Issued in Turkish

REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

To the Board of Directors of
Türk Hava Yolları Teknik A.Ş.

Introduction

We have reviewed the accompanying condensed balance sheet of Türk Hava Yolları Teknik A.Ş. (the "Company") as of 30 June 2012 and the related condensed statement of comprehensive income, changes in equity and cash flows for the six-month period then ended. Company Management is responsible for the preparation and presentation of this interim financial information in accordance with financial reporting standards published by the Capital Markets Board. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the independent auditing standards published by the Capital Markets Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards published by the Capital Markets Board and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is nor prepared, in all material respects, in accordance with the financial reporting standards issued by the Capital Markets Board.

Deloitte.

Emphasis of Matter

The Company's management decided to change its functional currency from Turkish Lira to US Dollar and considered that it would be appropriate to apply the change from the beginning of 2011. Turkish Lira is continued to be used as presentation currency and the financial statements are presented in Turkish Lira. The Company's accompanying financial statements as of 31 December 2011 and 30 June 2011 are prepared in US Dollar by the method explained in Note 2.1 and translated into Turkish Lira by the method explained in the same Note.

As explained in detail in Note 2.1, the Company made certain reclassifications and adjustments to its financial statements for the year ended 31 December 2011 and for the interim period ended 30 June 2011.

İstanbul, 31 Ağustos 2012

DRT Bağımsız Denetim ve Ş. M. M. M. A. Ş.

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

(Convenience Translation of Report and Financial Statements Originally Issued in Turkish)
TÜRK HAVA YOLLARI TEKNİK A.Ş.
CONDENSED BALANCE SHEET AS AT 30 JUNE 2012
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Notes	Current Period Reviewed 30 June 2012	(Restated) Prior Year Audited 31 December 2011
Current Assets		670,621,599	712,946,991
Cash and Cash Equivalents	3	42,564,462	30,380,515
Trade Receivables		146,955,965	184,113,551
<i>Trade Receivables from Related Parties</i>	21	82,464,396	100,324,159
<i>Other Trade Receivables</i>		64,491,569	83,789,392
Other Receivables	4	2,957,808	1,328,153
Inventories	5	425,354,543	449,427,847
Other Current Assets	11	52,788,821	47,696,925
Non- Current Assets		438,514,408	381,202,639
Financial Investments		5,025	5,025
Investments Accounted by Using the Equity Method	6	75,510,058	85,254,704
Tangible Assets	7	342,496,925	267,643,586
Intangible Assets	8	2,525,713	2,155,074
Other Non-Current Assets	11	17,976,687	26,144,250
TOTAL ASSETS		1,109,136,007	1,094,149,630

(Convenience Translation of Report and Financial Statements Originally Issued in Turkish)
TÜRK HAVA YOLLARI TEKNİK A.Ş.
CONDENSED BALANCE SHEET AS AT 30 JUNE 2012
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Notes	Current Period Reviewed 30 June 2012	(Restated) Prior Year Audited 31 December 2011
Current Liabilities		186,531,979	182,180,404
Financial Debt		3,460,881	3,439,030
Trade Payables		79,404,752	111,180,997
<i>Trade Payables to Related Parties</i>	21	21,675,041	29,980,486
<i>Other Trade Payables</i>		57,729,711	81,200,511
Other Payables	4	56,191,777	30,929,535
Current Tax Liabilities	19	1,043,522	5,367,118
Provisions	9	6,367,974	3,418,323
Provisions for Employee Benefits		27,100,941	18,831,857
Other Current Liabilities	11	12,962,132	9,013,544
Non- Current Liabilities		52,574,366	64,505,758
Provisions for Employee Benefits		32,509,062	32,928,181
Deferred Tax Liability	19	18,906,448	31,577,577
Other Non- Current Liabilities	11	1,158,856	-
SHAREHOLDERS' EQUITY			
Equity Attributable to Equity			
 Holders' of the Parent			
Share Capital	12	870,029,662	847,463,468
Restricted Profit Reserves	12	608,654,250	543,006,000
Currency Translation Differences	12	8,080,406	5,126,685
Retained Earnings	12	109,418,065	146,635,004
Net (Loss)/Profit for the Period/Year	12	149,742,058	147,909,290
TOTAL LIABILITIES AND SHAREHOLDERS'		(5,865,117)	4,786,489
		1,109,136,007	1,094,149,630

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

TÜRK HAVA YOLLARI TEKNİK A.Ş.

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012**

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

		Current Period Reviewed 1 January- 30 June 2012	(Restated) Prior Period Reviewed 1 January- 30 June 2011
	Notes		
Sales Revenue	13	394,738,743	411,884,312
Cost of Sales (-)	13	(351,770,232)	(323,345,195)
GROSS PROFIT		42,968,511	88,539,117
Marketing, Sales and Distribution Expenses (-)	14	(4,759,037)	(4,248,617)
Administrative Expenses (-)	14	(38,258,825)	(44,609,298)
Other Operating Income	16	7,746,519	7,183,750
Other Operating Expenses (-)	16	(3,593,989)	(1,996,875)
OPERATING PROFIT		4,103,179	44,868,077
Share of Investments' Losses Accounted by Using the Equity Method	6	(8,438,380)	(8,675,095)
Financial Income	17	4,646,217	1,733,702
Financial Expenses (-)	18	(14,714,549)	(5,278,606)
(LOSS)/PROFIT BEFORE TAX		(14,403,533)	32,648,078
Tax Income/(Expense)		8,538,416	(15,117,237)
- Current Tax Expense	19	(4,041,316)	(9,873,546)
- Deferred Tax Income/(Expense)	19	12,579,732	(5,243,691)
(LOSS)/PROFIT FOR THE PERIOD		(5,865,117)	17,530,841
Change in Currency Translation Differences		(37,216,939)	35,087,434
TOTAL COMPREHENSIVE (LOSS)/INCOME		(43,082,056)	52,618,275

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

TÜRK HAVA YOLLARI TEKNİK A.Ş.

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012

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

	Share Capital	Restricted Profit Reserves	Currency Translation Differences	Retained Earnings	Net Profit/ (Loss) for the Period	Total Equity
Balance at 1 January 2011	430,026,000	4,042,000	429,061	135,314,907	13,679,068	583,491,036
Transfer	-	-	-	12,594,383	(12,594,383)	-
Transfer to Reserves	-	1,084,685	-	-	(1,084,685)	-
Capital Payment	70,980,000	-	-	-	-	70,980,000
Comprehensive Income for the Period	-	-	35,087,434	-	17,530,841	52,618,275
Balance at 30 June 2011	501,006,000	5,126,685	35,516,495	147,909,290	17,530,841	707,089,311
Balance at 1 January 2012	543,006,000	5,126,685	146,635,004	147,909,290	4,786,489	847,463,468
Transfer	-	-	-	1,832,768	(1,832,768)	-
Transfer to Reserves	-	2,953,721	-	-	(2,953,721)	-
Capital Payment	65,648,250	-	-	-	-	65,648,250
Comprehensive Income for the Period	-	-	(37,216,939)	-	(5,865,117)	(43,082,056)
Balance at 30 June 2012	608,654,250	8,080,406	109,418,065	149,742,058	(5,865,117)	870,029,662

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

(Convenience Translation of Report and Financial Statements Originally Issued in Turkish)
TÜRK HAVA YOLLARI TEKNİK A.Ş.
CONDENSED STATEMENT OF CASH FLOWS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012
 (All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Notes	Current Period Reviewed 1 January- 30 June 2012	(Restated) Prior Period Reviewed 1 January- 30 June 2011
Cash flow from operating activities			
Net (loss)/profit before taxes		(5,865,117)	17,530,841
Depreciation and amortization	5,7,8	31,792,648	30,715,159
Interest income	17	(605,377)	(420,611)
Provision for employee benefits		3,932,841	5,388,014
Losses on equity investments accounted by using the equity method	6	8,438,380	8,675,095
Change in provision for doubtful receivables		603,125	11,593,441
Discount expense	18	103,936	50,537
Discount income	17	(159,496)	(193,760)
Deferred tax (income)/expense	19	(12,579,732)	5,243,691
Unrealized foreign exchange (gain)/loss		(16,316,676)	13,748,875
Income tax expense	19	4,041,316	9,873,546
Gain on sales of fixed assets	16	(125,102)	(1,886,271)
Provision expense	9	2,949,651	1,946,274
Operating profit before working capital changes		16,210,397	102,264,831
Changes in working capital			
Decrease in trade receivables		36,457,574	37,870,812
Increase in inventories		(7,138,864)	(82,689,808)
Increase in other receivables		(1,636,000)	(303,116)
Decrease/(Increase) in other current non-current assets		3,075,667	(4,327,466)
Decrease/(Increase) in trade payables		(31,616,749)	1,299,416
Increase/(Decrease) in other payables		25,262,242	(2,420,510)
Increase/(Decrease) in other liabilities		13,376,528	(36,810,158)
Cash flows generated from operating activities		53,990,795	14,884,001
Interest income		605,377	420,611
Retirement benefits paid		(4,351,960)	(962,715)
Taxes paid		(8,394,281)	(3,195,824)
Net cash generated from operating activities		41,849,931	11,146,073
Cash flow from investment activities			
Acquisition of tangible assets	7	(94,043,128)	(50,533,791)
Cash inflow from sale of tangible fixed assets		263,776	4,337,961
Acquisition of intangible assets	8	(764,229)	(48,870)
Capital increase in investments accounted under equity method		(792,504)	(24,368,350)
Net cash used in investing activities		(95,336,085)	(70,613,050)
Cash flow from financing activities			
Changes in financial liabilities		21,851	51,826
Capital increase		65,648,250	70,980,000
Net cash generated from financing activities		65,670,101	71,031,826
Increase in cash and cash equivalents		12,183,947	11,564,849
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		30,380,515	31,791,561
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		42,564,462	43,356,410

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

CONDENSED NOTES TO FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012 (All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

Türk Hava Yolları Teknik A.Ş. ("the Company") was incorporated on 23 May 2006 with the purpose to bring the Company to an important technical maintenance base in the area in air transport sector and provide maintenance and repair services to civil aviation sector and every kind of technical and infrastructural assistance related with the airlines sector.

Total number of employees working for the company as at 30 June 2012 is 2,037 (31 December 2011: 2,139).

	<u>30 June 2012</u>	<u>31 December 2011</u>
Administrative Staff	622	642
Production Staff	1,415	1,497
Total	2,037	2,139

The company is registered in Turkey and its head office address is as follows:
İstanbul Bakırköy-Yeşilköy Atatürk Airport Gate B

Approval of Financial Statements:

Board of Directors approved and gave permission to publish the financial statements as at 30 June 2012 on 31 August 2012. General shareholders' meeting has the authority to modify the financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Basis of Preparation for Financial Statements and Significant Accounting Policies

The interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting". They do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company as at and for the year ended 31 December 2011.

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.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

CONDENSED NOTES TO FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012 (All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

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

2.1 Basis of Presentation (cont'd)

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

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

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

The financial statements have been prepared on cost basis principal.

Currency Used in Financial Statements

Functional currency

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

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

CONDENSED NOTES TO FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012

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

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

2.1 Basis of Presentation (cont'd)

Currency Used in Financial Statements (cont'd)

Translation to the presentation currency

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

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

Comparative Information and Restatement of Prior Period Financial Statements

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

The Company changed its functional currency from Turkish Lira to US Dollar and prepared its financial statements based on US Dollar and considered that it would be appropriate to apply the change from the beginning of 2011. With regards to this change, the financial statements for the year ended 31 December 2011 and for the six-month period ended 30 June 2011 are restated.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

CONDENSED NOTES TO FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012 (All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

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

2.1 Basis of Presentation (cont'd)

Comparative Information and Restatement of Prior Period Financial Statements (cont'd)

	31 December 2011		
	Reported in the Previous Year	Reclassified Amount	Restated Balance
Assets			
Inventories	379,238,605	70,189,242	449,427,847
Investments Accounted by Using the Equity Method	85,012,266	242,438	85,254,704
Tangible Assets	234,243,281	33,400,305	267,643,586
Intangible Assets	2,084,480	70,594	2,155,074
Liabilities			
Deferred Tax Liability	10,845,556	20,732,021	31,577,577
Income Statement			
Sales Revenue	818,968,812	2,926,044	821,894,856
Cost of Sales (-)	(671,588,224)	(8,034,118)	(679,622,342)
Marketing, Sales and Distribution Expenses (-)	(8,691,209)	37,605	(8,653,604)
Administrative Expenses (-)	(81,113,586)	9,734,370	(71,379,216)
Other Operating Income	17,698,882	131,606	17,830,488
Other Operating Expenses (-)	(3,880,757)	(291,621)	(4,172,378)
Share of Investments' Loss Accounted by Using the Equity Method	(27,729,523)	(2,308,363)	(30,037,886)
Financial Income	31,135,746	(28,376,860)	2,758,886
Financial Expenses (-)	(1,239,037)	(4,799,425)	(6,038,462)
Tax Expense (-)	(21,759,534)	(16,034,325)	(37,793,859)
	<u>51,801,570</u>	<u>(47,015,087)</u>	<u>4,786,483</u>

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

CONDENSED NOTES TO FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012

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

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

2.1 Basis of Presentation (cont'd)

Comparative Information and Restatement of Prior Period Financial Statements (cont'd)

	30 June 2011		
	Reported in the Previous Period	Reclassified Amount	Restated Balance
Assets			
Inventories	384,522,311	18,900,118	403,422,429
Investments Accounted by Using the Equity Method	64,491,318	2,204,823	66,696,141
Tangible Assets	147,976,587	5,732,513	153,709,100
Intangible Assets	545,137	(6,027)	539,110
Liabilities			
Deferred Tax Liability	8,437,263	4,743,880	13,181,143
Income Statement			
Sales Revenue	411,877,312	7,000	411,884,312
Cost of Sales (-)	(325,322,646)	1,977,451	(323,345,195)
Marketing, Sales and Distribution			
Expenses (-)	(4,249,219)	602	(4,248,617)
Administrative Expenses (-)	(44,586,612)	(22,686)	(44,609,298)
Other Operating Income	7,148,500	35,250	7,183,750
Other Operating Expenses (-)	(1,959,596)	(37,279)	(1,996,875)
Share of Investments' Loss Accounted by Using the Equity Method	(10,917,167)	2,242,072	(8,675,095)
Financial Income	41,507,656	(39,773,954)	1,733,702
Financial Expenses (-)	(35,340,582)	30,061,976	(5,278,606)
Tax Expense (-)	(10,774,850)	(4,342,387)	(15,117,237)
	<u>27,382,796</u>	<u>(9,851,955)</u>	<u>17,530,841</u>

Subsidiaries

The table below sets out the investments accounted by using the equity method and participation rate of the Company as of 30 June 2012.

<u>Company Name</u>	<u>Principle Activity</u>	<u>Participation Share</u>		<u>Country of Registration</u>
		<u>30 June 2012</u>	<u>31 December 2011</u>	
P&W T.T. Uçak Bakım Merkezi Ltd. Şti.	Technical Maintenance	49%	49%	Turkey
Goodrich THY Teknik Servis Merkezi Ltd. Şti.	Technical Maintenance	40%	40%	Turkey
Turkbine Teknik Gaz Turb. Bakım Onarım A.Ş.	Technical Maintenance	50%	50%	Turkey
TCI Kabiniçi Sistemleri San. Ve Tic. A.Ş.	Cabin interior maintenance	21%	21%	Turkey

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

CONDENSED NOTES TO FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012 (All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

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

2.2 Significant Accounting Policies

Except the functional currency change that has been explained in Note 2.1, the same accounting policies have been followed in these interim financial statements as were applied in the preparation of the Company's financial statements as at and for the year ended 31 December 2011.

2.3 Significant Accounting Assumptions

Except the functional currency change that has been explained in Note 2.1, the same presentation and methods of computation have been followed in these condensed interim financial statements as were applied in the preparation of the Company's financial statements as at and for the year ended 31 December 2011.

2.4 New and Revised International Financial reporting Standards

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

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

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

(b) New and Revised IFRSs in issue but not yet effective

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

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

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

CONDENSED NOTES TO FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012

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

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

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

(b) New and Revised IFRSs in issue but not yet effective (cont'd)

Annual Improvements 2009/2011 Cycle

Further to the above amendments and revised standards, the IASB have issued Annual Improvements to IFRSs in May 2012 that cover 5 main standards/interpretations as follows:

- IFRS 1 - Permit the repeated application of IFRS 1, borrowing costs on certain qualifying assets
- IAS 1 - Clarification of the requirements for comparative information
- IAS 16 - Classification of servicing equipment
- IAS 32 - Clarify that tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12 Income Taxes
- IAS 34 - Clarify interim reporting of segment information for total assets in order to enhance consistency with the requirements in IFRS 8 Operating Segments

All amendments are effective on or after 1 January 2013. Early adoptions of these amendments are allowed. The Company has not yet had an opportunity to consider the potential impact of the adoption of these amendments to the standards.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

CONDENSED NOTES TO FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012

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

3. CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents as at 30 June 2012 and 31 December 2011 are as follows:

	<u>30 June 2012</u>	<u>31 December 2011</u>
Cash	77,796	-
Banks (Demand Deposits)	1,347,453	871,892
Banks (Time Deposits)	41,139,213	29,508,623
	<u>42,564,462</u>	<u>30,380,515</u>

The detail of time deposits as at 30 June 2012 and 31 December 2011 are as follows:

<u>Capital</u>	<u>Currency</u>	<u>Opening Date</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>30 June 2012</u>
19,800,000	US Dollar	June 2012	4.10%	July 2012	35,768,700
5,370,512	TL	June 2012	11.31%	July 2012	5,370,513
					<u>41,139,213</u>

<u>Capital</u>	<u>Currency</u>	<u>Opening Date</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>31 December 2011</u>
13,636,838	US Dollar	December 2011	6.00% - 6.25%	January 2012	25,758,623
3,750,000	TL	December 2011	8.00% - 12.25%	January 2012	3,750,000
					<u>29,508,623</u>

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

CONDENSED NOTES TO FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012

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

4. OTHER RECEIVABLES AND PAYABLES

Details of other short-term receivables as at 30 June 2012 and 31 December 2011 are as follows:

	<u>30 June 2012</u>	<u>31 December 2011</u>
Receivables from Foreign Technical Suppliers	2,260,309	1,049,534
Non-Trade Receivables from Related Parties (Note 21)	514,397	92,480
Due from Personnel	28,493	3,237
Deposits and Guarantees Given	17,432	10,312
Receivables from Tax Office	5,452	5,674
Doubtful Receivables	12,607	15,437
Allowance for Doubtful Receivables (-)	(12,607)	(15,437)
Other Receivables	131,725	166,916
	<u>2,957,808</u>	<u>1,328,153</u>

Movement of provision for doubtful receivables for the periods 1 January - 30 June 2012 and 1 January 30 June 2011 are as follows:

	<u>1 January- 30 June 2012</u>	<u>1 January- 30 June 2011</u>
Provision at the beginning of the Period	15,437	14,937
Charge for the Current Period	7,049	329
Collected Amount	(9,175)	-
Currency Translation Differences	(704)	771
Provision at the end of the Period	<u>12,607</u>	<u>16,037</u>

Details of other short-term payables as at 30 June 2012 and 31 December 2011 are as follows:

	<u>30 June 2012</u>	<u>31 December 2011</u>
Non-Trade Payables to Related Parties (Note 21)	24,030,871	2,119,884
Deposits and Guarantees Received	13,684,017	9,611,603
Taxes, Charges and Other Payables	9,939,594	9,941,468
Order Advances Received	4,757,271	5,165,376
Social Security Premiums Payables	3,689,122	3,697,467
Due to personnel	90,902	393,737
	<u>56,191,777</u>	<u>30,929,535</u>

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

**CONDENSED NOTES TO FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012**
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

5. INVENTORIES

	<u>30 June 2012</u>	<u>31 December 2011</u>
Technical Equipment Inventories	209,246,960	223,354,303
Components and Repairable Spare Parts	355,409,363	399,120,534
Accumulated Depreciation from		
Components and Repairable Spare Parts (-)	(140,272,961)	(185,035,832)
Technical Equipment Inventories in Transit	971,181	11,988,842
Scrap Equipment Inventories	16,789,755	17,555,587
Provision for Impairment (-)	(16,789,755)	(17,555,587)
	<u>425,354,543</u>	<u>449,427,847</u>

Movement for allowance for impairment on inventory is as follows:

	<u>1 January 30 June 2012</u>	<u>1 January 30 June 2011</u>
Provision at the beginning of the Period	17,555,587	14,368,647
Charge for the Current Period	-	-
Cancellation of Recognized Provision	-	-
Currency Translation Differences	(765,832)	782,561
Provision at the end of the Period	<u>16,789,755</u>	<u>15,151,208</u>

Movement of components and repairable spare parts are as follows:

<u>Cost</u>	<u>Components and Repairable Spare Parts</u>
Opening Balance, 1 January 2012	399,120,534
Additions	57,853,311
Disposals	(84,153,539)
Currency Translation Differences	(17,410,943)
Closing Balance, 30 June 2012	<u>355,409,363</u>
<u>Accumulated Depreciation</u>	
Opening Balance, 1 January 2012	185,035,832
Current Charge for the Period	23,534,469
Disposals	(58,564,096)
Currency Translation Differences	(9,733,244)
Closing Balance, 30 June 2012	<u>140,272,961</u>
Net Book Value at 30 June 2012	<u>215,136,402</u>
Net Book Value at 31 December 2011	<u>214,084,702</u>

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ**CONDENSED NOTES TO FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012**
*(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)***5. INVENTORIES (cont'd)**

<u>Cost</u>	<u>Components and Repairable Spare Parts</u>
Opening Balance, 1 January 2011	327,545,637
Additions	43,276,151
Disposals	(13,299,350)
Currency Translation Differences	17,839,160
Closing Balance, 30 June 2011	375,361,598
<u>Accumulated Depreciation</u>	
Opening Balance, 1 January 2011	152,551,379
Current Charge for the Period	24,738,970
Disposals	(11,060,401)
Currency Translation Differences	2,709,907
Closing Balance, 30 June 2011	168,939,855
Net Book Value at 30 June 2011	206,421,743
Net Book Value at 31 December 2010	174,994,258

6. INVESTMENTS ACCOUNTED BY USING THE EQUITY METHOD

Investments accounted by equity method are as follows:

	<u>30 June 2012</u>	<u>31 December 2011</u>
P&W T.T. Uçak Bakım Merkezi Ltd. Şti.	65,952,006	74,626,725
Turbine Teknik Gaz Turbinleri Bakım Onarım A.Ş.	7,818,449	8,181,661
Goodrich THY Teknik Servis Merkezi Ltd. Şti.	987,779	1,744,879
TCI Kabiniçi Sistemleri Sanayi ve Ticaret A.Ş.	751,824	701,439
	75,510,058	85,254,704

Losses from the investments accounted by using the equity method are as follows:

	<u>1 January- 30 June 2012</u>	<u>1 January- 30 June 2011</u>
P&W T.T. Uçak Bakım Merkezi Ltd. Şti.	(7,049,938)	(8,675,095)
TCI Kabiniçi Sistemleri Sanayi ve Ticaret A.Ş.	(701,372)	-
Goodrich THY Teknik Servis Merkezi Ltd. Şti.	(676,044)	-
Turbine Teknik Gaz Turbinleri Bakım Onarım A.Ş.	(11,026)	-
	(8,438,380)	(8,675,095)

CONDENSED NOTES TO FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

7. TANGIBLE ASSETS

Cost	Plant, Machinery and Equipment		Furniture and Fixtures		Other Tangible Assets		Construction in Progress		Leasehold Improvements		Total
	Vehicles				Assets		Progress	Improvements			
Opening Balance, 1 January 2012	7,988,923	99,669,203	10,305,090	1,738,906	217,655,856	25,722,851	363,080,829				
Additions	125,485	5,757,459	423,807	152,261	87,560,667	23,449	94,043,128				
Disposals	(25)	(269,988)	(97,015)	(4,977)	-	(8,657)	(380,662)				
Transfer	-	-	-	-	(431,715)	431,715	-				
Currency Translation Differences	(348,501)	(4,347,895)	(449,544)	(75,857)	(9,494,860)	(1,122,115)	(15,838,772)				
Closing Balance, 30 June 2012	7,765,882	100,808,779	10,182,338	1,810,333	295,289,948	25,047,243	440,904,523				
Accumulated Depreciation											
Opening Balance, 1 January 2012	5,964,561	68,142,434	6,399,991	947,571	-	13,982,686	95,437,243				
Charge for the Period	188,153	3,780,502	696,264	135,239	-	3,158,441	7,958,599				
Disposals	(19)	(194,859)	(44,624)	(332)	-	(2,154)	(241,988)				
Currency Translation Differences	(280,194)	(3,172,596)	(332,161)	(51,336)	-	(909,969)	(4,746,256)				
Closing Balance, 30 June 2012	5,872,501	68,555,481	6,719,470	1,031,142	-	16,229,004	98,407,598				
Net Book Value, 30 June 2012	1,893,381	32,253,298	3,462,868	779,191	295,289,948	8,818,239	342,496,925				
Net Book Value, 31 December 2011	2,024,362	31,526,769	3,905,099	791,335	217,655,856	11,740,165	267,643,586				

CONDENSED NOTES TO FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012
(All amounts are expressed in Turkish Lira (TL), unless otherwise stated.)

7. TANGIBLE ASSETS (cont'd)

<u>Cost</u>	Plant, Machinery and Equipment	Vehicles	Furniture and Fixtures	Other Tangible Assets	Construction in Progress	Leasehold Improvements	Total
Opening Balance, 1 January 2011	75,187,081	7,960,285	7,729,734	1,350,308	63,992,344	19,867,947	176,087,699
Additions	3,418,062	231,823	556,742	219,514	46,107,650	-	50,533,791
Disposals	(1,797,462)	(1,893,338)	(631,246)	(213,948)	-	(308,950)	(4,844,944)
Transfer	-	-	-	-	(642,850)	642,850	-
Currency Translation Differences	4,094,925	433,543	420,984	73,543	3,485,223	1,082,072	9,590,290
Closing Balance, 30 June 2011	80,902,606	6,732,313	8,076,214	1,429,417	112,942,367	21,283,919	231,366,836
<u>Accumulated Depreciation</u>							
Opening Balance, 1 January 2011	51,699,211	6,824,526	4,346,035	697,725	-	6,810,594	70,378,091
Charge for the Period	2,511,283	133,197	647,332	84,793	-	2,463,285	5,839,890
Disposals	(975,867)	(1,011,273)	(288,912)	(44,348)	-	(72,854)	(2,393,254)
Currency Translation Differences	2,815,701	371,685	236,699	38,000	-	370,924	3,833,009
Closing Balance, 30 June 2011	56,050,328	6,318,135	4,941,154	776,170	-	9,571,949	77,657,736
Net Book Value, 30 June 2011	24,852,278	414,178	3,135,060	653,247	112,942,367	11,711,970	153,709,100
Net Book Value, 31 December 2010	23,487,870	1,135,759	3,383,699	652,583	63,992,344	13,057,353	105,709,608

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

CONDENSED NOTES TO FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

8. INTANGIBLE ASSETS

	<u>Rights</u>
<u>Cost</u>	
Opening Balance, 1 January 2012	3,288,584
Additions	764,229
Currency Translation Differences	(143,458)
Closing Balance, 30 June 2012	<u>3,909,355</u>
<u>Accumulated Depreciation</u>	
Opening Balance, 1 January 2012	1,133,510
Charge for the Period	299,580
Currency Translation Differences	(49,448)
Closing Balance, 30 June 2012	<u>1,383,642</u>
Net Book Value, 30 June 2012	<u>2,525,713</u>
Net Book Value, 31 December 2011	<u>2,155,074</u>

	<u>Rights</u>
<u>Cost</u>	
Opening Balance, 1 January 2011	1,185,504
Additions	48,870
Currency Translation Differences	64,566
Closing Balance, 30 June 2011	<u>1,298,940</u>
<u>Accumulated Depreciation</u>	
Opening Balance, 1 January 2011	591,326
Charge for the Period	136,299
Currency Translation Differences	32,205
Closing Balance, 30 June 2011	<u>759,830</u>
Net Book Value, 30 June 2011	<u>539,110</u>
Net Book Value, 31 December 2010	<u>594,178</u>

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

CONDENSED NOTES TO FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012 (All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

9. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

i) Provisions:

	<u>30 June 2012</u>	<u>31 December 2011</u>
Provision for Legal Claims (-)	<u>6,367,974</u>	<u>3,418,323</u>

Movement of provision for legal claims as of 30 June 2012 and 2011 are as follows:

	<u>1 January- 30 June 2012</u>	<u>1 January- 30 June 2011</u>
Provision at the beginning of the Period	3,418,323	898,752
Charge for the Period	<u>2,949,651</u>	<u>1,946,274</u>
Provision at the end of the Period (*)	<u>6,367,974</u>	<u>2,845,026</u>

(*) TL 3,758,069 of the legal claims are reinstatement cases (31 December 2011: TL 3,066,843).

ii) Contingent Assets and Liabilities:

30 June 2012

As of 30 June 2012, 63 demanding compensation lawsuit is opened against THY Teknik A.Ş. and for this legal case provision of TL 2,949,651 is provided in the financial statements.

31 December 2011

As of 31 December 2011, 63 demanding compensation lawsuit is opened against THY Teknik A.Ş. and for this legal case provision of TL 2,519,572 is provided in the financial statements.

iii) Contingent Liabilities:

30 June 2012

<u>DESCRIPTION</u>	<u>AMOUNT TL</u>
Letters of Guarantee Given	3,548,382
TOTAL	<u>3,548,382</u>

31 December 2011

<u>DESCRIPTION</u>	<u>AMOUNT TL</u>
Letters of Guarantee Given	3,350,864
TOTAL	<u>3,350,864</u>

iv) Mortgages and guarantees on assets:

None (31 December 2011: None).

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

CONDENSED NOTES TO FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012 (All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

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

v) Insurance on assets:

30 June 2012

Type of Asset Insured	Amount	Currency
Building and Machinery, Plant, Equipment	175,826,466	TL
Vehicles	552,410	TL
Insurance of Spare Parts	250,000,000	US Dollar
Other	280,000	TL
Total TL	176,658,876	
Total USD	250,000,000	

31 December 2011

Type of Asset Insured	Amount	Currency
Building and Machinery, Plant, Equipment	189,504,204	TL
Vehicles	469,760	TL
Insurance of Spare Parts	250,000,000	US Dollar
Other	280,000	TL
Total TL	190,253,964	
Total USD	250,000,000	

10. COMMITMENTS

Company as lessee

Leasing Agreements:

Leasing period is 20 years and related to the construction in progress of aircraft hangar land. The Company does not have the right to buy the asset at the end of the leasing period.

As of 30 June 2012 leasing payment amounting to TL 1,790,467 (31 December 2011: TL 3,700,644) is accounted as rent expense in income statement.

Commitments Related to Operating Lease Land can not be Cancelled	30 June 2012	31 December 2011
Within 1 Year	2,081,088	1,934,234
1-5 Years	16,417,472	16,440,986
After 5 Years	49,973,307	54,186,976
	68,471,867	72,562,196

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ**CONDENSED NOTES TO FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012**
*(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)***11. OTHER ASSETS AND LIABILITIES**

Other short-term assets are as follows:

	<u>30 June 2012</u>	<u>31 December 2011</u>
Deferred VAT	37,419,869	23,864,553
Advances Given for Orders	12,518,495	12,040,032
Income Accruals	1,399,592	11,573,101
Prepaid Expenses	1,360,972	174,899
Advances Given to Personnel	49,054	31,987
Business Advances Given	40,839	12,353
	<u>52,788,821</u>	<u>47,696,925</u>

Other short-term liabilities are as follows:

	<u>30 June 2012</u>	<u>31 December 2011</u>
Expense Accruals	6,361,935	8,204,628
Deferred Revenue	6,111,623	243,270
Other Liabilities	488,574	565,646
	<u>12,962,132</u>	<u>9,013,544</u>

Other non-current assets are as follows:

	<u>30 June 2012</u>	<u>31 December 2011</u>
Advances Given for Tangible Assets	17,561,064	23,998,471
Prepaid Expenses	415,623	2,145,779
	<u>17,976,687</u>	<u>26,144,250</u>

Other non-current liabilities are as follows:

	<u>30 June 2012</u>	<u>31 December 2011</u>
Deferred Revenue	1,158,856	-
	<u>1,158,856</u>	<u>-</u>

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

CONDENSED NOTES TO FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012 (All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

12. SHAREHOLDERS' EQUITY

a) Share Capital/ Elimination Adjustments

As of 30 June 2012 the Company's share capital is composed of 693,000,000 shares issued with par value of TL 1 each. These shares are written to the name. The company is not included in the registered capital system.

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

	<u>%</u>	<u>30 June 2012</u>	<u>%</u>	<u>31 December 2011</u>
THY A.O.	100	693,000,000	100	693,000,000
Unpaid Capital		(84,345,750)		(149,994,000)
		<u>608,654,250</u>		<u>543,006,000</u>

b) Capital Reserves

None (31 December 2011: None).

c) Profit Reserves

Restricted Reserves assorted from profit consists of legal reserves.

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

d) Retained Earnings

Retained Earnings/(Loss) consists of extraordinary reserves and other retained earnings

The Company's shareholders' equity items as per period ends are as follows:

	<u>30 June 2012</u>	<u>31 December 2011</u>
Paid Capital	608,654,250	543,006,000
Legal Reserves	8,080,406	5,126,685
Extraordinary Reserves	97,407,010	97,407,010
Other Retained Earnings	52,335,048	50,502,280
Currency Translation Reserves	109,418,065	146,635,004
Net (Loss)/Profit for the Period/Year	(5,865,117)	4,786,489
	<u>870,029,662</u>	<u>847,463,468</u>

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ**CONDENSED NOTES TO FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012**
*(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)***13. SALES AND COST OF SALES**

Sales are as follows:

	1 January- 30 June 2012	1 January- 30 June 2011
Aircraft Maintenance Income	140,312,358	123,811,700
Component Maintenance Income	74,471,152	59,647,063
Pool Income	71,008,801	55,722,841
Equipment Sales Income	46,575,984	42,733,356
Engine Maintenance Income	9,347,493	25,738,633
Line Maintenance Income	4,296,665	66,111,849
Bfe&Retrofit Income	62,517	169,192
Other	48,663,773	37,949,678
Sales Revenue (Net)	394,738,743	411,884,312
Cost of Sales (-)	(351,770,232)	(323,345,195)
Gross Operating Profit	42,968,511	88,539,117

	1 January- 30 June 2012	1 January- 30 June 2011
Personnel Expense	111,918,517	123,252,855
Equipment Expense	96,986,024	84,001,749
Maintenance Expense	33,141,803	27,562,362
Depreciation Expense	28,726,941	29,117,512
Transportation Expense	9,204,320	7,682,286
Provision for Employee Benefit	2,193,783	1,552,469
Collective Agreement Salary Expense	1,932,287	1,246,365
Other	67,666,557	48,929,597
	351,770,232	323,345,195

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

**CONDENSED NOTES TO FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012**
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

14. MARKETING SELLING AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

	1 January- 30 June 2012	1 January- 30 June 2011
Marketing Selling and Distribution Expenses (-)	4,759,037	4,248,617
General Administrative Expenses (-)	38,258,825	44,609,298
Total Operating Expenses	43,017,862	48,857,915

15. EXPENSES BY NATURE

	1 January- 30 June 2012	1 January- 30 June 2011
Sales and Marketing Expenses (-)		
Personnel Expenses	2,803,643	2,898,502
Collective Agreement Salary Expenses	35,749	21,901
Provision for Employee Benefit	31,114	25,438
Depreciation Expenses	11,416	13,068
Other Expenses	1,877,115	1,289,708
	4,759,037	4,248,617

	1 January- 30 June 2012	1 January- 30 June 2011
General Administrative Expenses (-)		
Personnel Expenses	19,752,400	19,869,384
Service Expenses	8,040,296	4,005,716
Depreciation Expenses	3,054,291	1,584,579
Rent Expenses	2,348,771	2,418,271
Equipment Expenses	1,523,481	2,424,724
Lighting, Heating and Water Expenses	761,030	1,159,657
Provision for Doubtful Receivable Expenses	603,125	11,593,441
Provision for Employee Benefit	409,609	330,914
Collective Agreement Salary Expenses	288,638	146,699
Other Expenses	1,477,184	1,075,913
	38,258,825	44,609,298
Total Operating Expenses	43,017,862	48,857,915

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ**CONDENSED NOTES TO FINANCIAL STATEMENTS
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*(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)***16. OTHER OPERATING INCOME/EXPENSES**

	1 January- 30 June 2012	1 January- 30 June 2011
Cancelled Allowances	5,461,664	1,957,180
Plant Maintenance Income	876,857	739,819
Gain on Sale of Fixed Assets	125,102	1,886,271
Other income	1,282,896	2,600,480
Total Other Operating Income	7,746,519	7,183,750

	1 January- 30 June 2012	1 January- 30 June 2011
Provision Expenses for Lawsuits	(2,949,651)	(1,946,274)
Commission Expenses	(5,957)	(5,407)
Other	(638,381)	(45,194)
Total Other Operating Expense	(3,593,989)	(1,996,875)

17. FINANCIAL INCOME

	1 January- 30 June 2012	1 January- 30 June 2011
Maturity Difference Income	3,881,344	1,119,331
Interest Income	605,377	420,611
Discount income	159,496	193,760
Total Financial Income	4,646,217	1,733,702

18. FINANCIAL EXPENSE

	1 January- 30 June 2012	1 January- 30 June 2011
Foreign Exchange Losses (*)	(14,609,785)	(5,221,166)
Discount Expense	(103,936)	(50,537)
Bank Expense	(828)	(1,818)
Maturity Difference Income	-	(5,085)
Total Financial Expense	(14,714,549)	(5,278,606)

(*) Foreign exchange losses consist of currency translation difference expenses (Note 2.1).

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19. TAX ASSETS AND LIABILITIES

Tax liability as of 30 June 2012 and 31 December 2011 are as follows:

	<u>30 June 2012</u>	<u>31 December 2011</u>
Provision for Corporate Tax	4,070,685	18,866,938
Prepaid Taxes	(3,027,163)	(13,499,820)
Tax Liability	<u>1,043,522</u>	<u>5,367,118</u>

The Company's tax expense consists of current corporate tax and deferred tax expenses.

	<u>1 January- 30 June 2012</u>	<u>1 January- 30 June 2011</u>
Tax Expense for the Period	(4,041,316)	(9,873,546)
Deferred Tax Income/(Expense)	12,579,732	(5,243,691)
	<u>8,538,416</u>	<u>(15,117,237)</u>

Corporate Tax

The Company is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Company's results for the years and periods.

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

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

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

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

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19. TAX ASSETS AND LIABILITIES (cont'd)

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding tax applied in between 24 April 2003 – 22 July 2006 is 10% and commencing from 22 July 2006, this rate has been changed to 15% upon the Council of Ministers' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

Deferred Tax

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

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

Deferred Tax assets and (liabilities) as of 30 June 2012 and 31 December 2011 are as follows:

	<u>30 June 2012</u>	<u>31 December 2011</u>
Inventories	(25,764,208)	(35,932,334)
Fixed Assets	(5,244,944)	(6,402,158)
Provision for Employee Benefit	6,501,812	6,585,636
Provision for Lawsuits	1,273,595	683,665
Provision for Doubtful Receivables	2,715,458	3,465,751
Other	1,611,839	21,863
	<u>(18,906,448)</u>	<u>(31,577,577)</u>
	<u>1 January-</u>	<u>1 January-</u>
	<u>30 June 2012</u>	<u>30 June 2011</u>
Deferred Tax Liability as of 1 January	31,577,577	7,715,989
Deferred Tax (Income)/Expense	(12,579,732)	5,243,691
Currency Translation Differences	(91,397)	221,463
Deferred Tax Liability as of 30 June	<u>18,906,448</u>	<u>13,181,143</u>

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ**CONDENSED NOTES TO FINANCIAL STATEMENTS
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*(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)***20. EARNINGS PER SHARE**

There are not any equity (dilutive equity instruments) that have reducing effects on the earnings per share.

The calculation of weighted average of total shares and earnings per share is as follows:

	<u>1 January – 30 June 2012</u>	<u>1 January – 30 June 2011</u>
Numbers of Total Outstanding Shares at 1 January (in full)	543,006,000	430,026,000
New Shares Issued (in full)	65,648,250	70,980,000
Numbers of Total Outstanding Shares at 30 June (in full)	608,654,250	501,006,000
Weighted Average Number of Shares Outstanding During the period (in full)	585,464,446	470,259,333
Net (Loss)/Profit for the period	<u>(5,865,117)</u>	<u>17,530,841</u>
(Loss)/Profit per share (Kr)	(1.00)	3.73

21. RELATED PARTY TRANSACTIONS**a) Due to/from Related Parties:**

Short-term trade receivables from related parties as of 30 June 2012 and 31 December 2011 are as follows:

	<u>30 June 2012</u>	<u>31 December 2011</u>
Türk Hava Yolları A.O.	58,893,322	82,353,578
P&W THY Teknik Uçak Motoru Bakım Merkezi Ltd. Şti. ("PW & TT")	17,723,636	12,632,282
Güneş Express Havacılık A.Ş. ("Sun Express")	4,140,887	3,785,290
Bosna Hersek Havayolları ("Airbosna")	1,010,088	945,602
TCI Kabiniçi Sistemleri A.Ş.	418,523	58,387
TGS Yer Hizmetleri A.Ş.	178,381	204,702
Turkbine Teknik Gaz Türbinleri Bakım Onarım A.Ş.	73,585	312,350
THY Do & Co İkram Hizmetleri A.Ş. ("Do & Co")	24,366	25,280
Türk Hava Yolları Opet Havacılık Yakıtları A.Ş.	1,608	-
Türk Hava Yolları Habom A.Ş.	-	6,688
	<u>82,464,396</u>	<u>100,324,159</u>

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CONDENSED NOTES TO FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012 (All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

21. RELATED PARTY TRANSACTIONS (cont'd)

a) Due to/from Related Parties (cont'd):

Short-term non-trade receivables from related parties as of 30 June 2012 and 31 December 2011 are as follows:

	<u>30 June 2012</u>	<u>31 December 2011</u>
Türk Hava Yolları A.O.	496,001	34,398
TCI Kabiniçi Sistemleri A.Ş.	7,959	7,959
Goodrich Thy Teknik Servis Ltd. Şti.	6,438	38,638
Turkbine Teknik Gaz Türbinleri Bakım Onarım A.Ş.	2,185	9,671
Uçak Koltuk Üretimi San. ve Tic. A.Ş.	1,814	1,814
	<u>514,397</u>	<u>92,480</u>

Short-term trade payables to related parties as of 30 June 2012 and 31 December 2011 are as follows:

	<u>30 June 2012</u>	<u>31 December 2011</u>
Türk Hava Yolları A.O.	14,924,730	27,606,631
Türk Hava Yolları Habom A.Ş.	4,454,244	1,472,844
Goodrich Thy Teknik Servis Ltd. Şti.	1,455,201	-
Pratt & Whitney THY Teknik Uçak Motoru Bakım Merkezi Ltd. ("PW & TT")	634,952	608,231
TGS Yer Hizmetleri A.Ş.	117,018	244,540
Türk Hava Yolları Opet Havacılık Yakıtları A.Ş.	69,154	-
TCI Kabiniçi Sistemleri A.Ş.	10,907	-
Güneş Express Havacılık A.Ş. ("Sun Express")	7,925	48,240
Turkbine Teknik Gaz Türbinleri Bakım Onarım A.Ş.	910	-
	<u>21,675,041</u>	<u>29,980,486</u>

Short-term non trade payables to related parties as of 30 June 2012 and 31 December 2011 are as follows:

	<u>30 June 2012</u>	<u>31 December 2011</u>
Türk Hava Yolları A.O.	24,030,871	2,119,884
	<u>24,030,871</u>	<u>2,119,884</u>

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

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21. RELATED PARTY TRANSACTIONS (cont'd)

b) Purchases and Sales from/to Related Parties:

Transactions with related parties between the periods 30 June 2012 and 2011 are as follows:

	<u>1 January- 30 June 2012</u>	<u>1 January- 30 June 2011</u>
Goods and Services given to THY A.O.	282,881,100	314,736,728
Goods and Services given Sun Express	19,994,124	12,983,614
Goods and Services given P&W T.T.	7,111,127	13,498,284
Goods and Services given TCI	749,833	22,873
Goods and Services given TGS	437,540	358,202
Goods and Services given Goodrich	345,412	-
Goods and Services given Turkbine	267,252	-
Goods and Services given Airbosna	211,036	816,136
Goods and Services given THY Habom A.Ş.	10,369	-
Goods and Services given THY Opet	2,741	-
	<u><u>312,010,534</u></u>	<u><u>342,415,837</u></u>

	<u>1 January- 30 June 2012</u>	<u>1 January- 30 June 2011</u>
Goods and Services purchased from THY A.O.	16,180,189	28,677,303
Goods and Services purchased from THY Habom	10,311,664	-
Goods and Services purchased from Goodrich	6,517,535	-
Goods and Services purchased from TGS	569,989	1,263,602
Goods and Services purchased from TCI	461,117	-
Goods and Services purchased from Sun Express	459,790	-
Goods and Services purchased from Türk Hava	409,783	-
Goods and Services purchased from Turkbine	27,404	-
Goods and Services purchased from P&W T.T.	392	67,092
	<u><u>34,937,863</u></u>	<u><u>30,007,997</u></u>

c) Total amount of salaries and other benefits provided to key management personnel as of 30 June 2012 is TL 585,147 (30 June 2011: TL 537,890).

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

**CONDENSED NOTES TO FINANCIAL STATEMENTS
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(all amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

22. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS

Foreign Currency Risk Management

The Company's currency position as of 30 June 2012 and 31 December 2011 is as follows:

	Foreign Exchange Position Table								
	Current Period - 30 June 2012			Prior Year - 31 December 2011					
	TL Equivalent	TL	Euro	GBP	TL Equivalent	TL	Euro	GBP	Other
1. Trade Receivables	3,790,166	-	3,769,134	21,032	7,202,355	1,019,280	6,128,389	54,686	-
2. Financial Monetary Assets	523,721	-	407,427	116,294	183,552	-	98,606	84,946	-
3. Other	12,278,094	429,611	11,815,704	32,779	7,145,434	3,891,252	2,716,883	537,299	-
4. Total Current Assets (1+2+3)	16,591,981	429,611	15,992,265	170,105	14,531,341	4,910,532	8,943,878	676,931	-
5. Other	4,228,518	1,382,093	2,846,425	-	1,452,867	637,635	660,950	154,282	-
6. Total Non-current Assets (5)	4,228,518	1,382,093	2,846,425	-	1,452,867	637,635	660,950	154,282	-
7. Total Assets (4+6)	20,820,499	1,811,704	18,838,690	170,105	15,984,208	5,548,167	9,604,828	831,213	-
8. Trade Payables	12,133,319	5,560,264	6,498,754	74,301	35,286,852	1,552,262	32,986,256	586,182	162,152
9. Financial Liabilities	-	-	-	-	993,067	990,566	2,501	-	-
10. Other Monetary Liabilities	491,745	169,548	322,197	-	400,120	-	332,147	67,973	-
11. Other Non-Monetary Liabilities	577,139	478,782	98,357	-	1,906,647	1,897,608	9,039	-	-
12. Total Short-term Liabilities (8+9+10+11)	13,202,203	6,208,594	6,919,308	74,301	38,586,686	4,440,436	33,329,943	654,155	162,152
13. Total Liabilities (12)	13,202,203	6,208,594	6,919,308	74,301	38,586,686	4,440,436	33,329,943	654,155	162,152
14. Net Foreign Currency Asset / (Liabilities) Position (7-13)	7,618,296	(4,396,890)	11,919,382	95,804	(21,602,478)	1,107,731	(23,725,115)	177,058	(162,152)
15. Position of Monetary Items Net Foreign Currency Asset / (Liability) (1+2-8-9-10)	(8,311,177)	(5,729,812)	(2,644,390)	63,025	(29,294,132)	(1,523,548)	(27,093,909)	(514,523)	(162,152)
16. Export	46,701,386	-	-	-	79,800,547	-	-	-	-
17. Import	182,377,715	-	-	-	324,893,002	-	-	-	-

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22. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Foreign Currency Risk Management (cont'd)

Foreign Currency Sensitivity

The Company is exposed to foreign currency risk due to TL, EUR and GBP (2011: TL, EUR and GBP) exchange rate fluctuations. The following table details the Company's sensitivity to a 10% increase and decrease in TL, EUR and GBP exchange rates. 10% is used in the reporting of currency risk to the key management and it represents the management's expectation on the potential exchange currency fluctuations. Sensitivity analysis can only be made on the year-end outstanding foreign currency denominated monetary items and it shows the year end effects of the 10% of exchange currency fluctuation on the related items. The analysis includes foreign loans as well as loans that are denominated other than the creditors' functional currency and used for the Company's foreign operations. Positive value represents an increase in profit/loss and other equity items.

	30 June 2012	
	Income / (Loss) before Tax	
	Foreign Currency Appreciated by 10%	Foreign Currency Depreciated by 10%
1- Net TL asset / liability	(572,981)	572,981
2- Part of hedge from TL risk (-)	-	-
3- TL Net Effect (1+2)	<u>(572,981)</u>	<u>572,981</u>
4- Net Euro asset / liability	(264,439)	264,439
5- Part of hedge from Euro risk (-)	-	-
6- Euro Net Effect (4+5)	<u>(264,439)</u>	<u>264,439</u>
7- Net GBP asset / liability	6,303	(6,303)
8- Part of hedge from GBP risk (-)	-	-
9- GBP Net Effect (7+8)	<u>6,303</u>	<u>(6,303)</u>
TOTAL (3+6+9)	<u><u>(831,117)</u></u>	<u><u>831,117</u></u>

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22. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Foreign Currency Risk Management (cont'd)

Foreign Currency Sensitivity (cont'd)

	31 December 2011	
	Income / (Loss) before Tax	
	Foreign Currency Appreciated by 10%	Foreign Currency Depreciated by 10%
1- Net TL asset / liability	(152,355)	152,355
2- Part of hedge from TL risk (-)	-	-
3- TL Net Effect (1+2)	(152,355)	152,355
4- Net Euro asset / liability	(2,709,391)	2,709,391
5- Part of hedge from Euro risk (-)	-	-
6- Euro Net Effect (4+5)	(2,709,391)	2,709,391
7- Net GBP asset / liability	(51,452)	51,452
8- Part of hedge from GBP risk (-)	-	-
9- GBP Net Effect (7+8)	(51,452)	51,452
TOTAL (3+6+9)	(2,913,198)	2,913,198

23. SUBSEQUENT EVENTS

None.