

**TÜRK HAVA YOLLARI TEKNİK
ANONİM ŞİRKETİ
Financial Statements And
Independent Auditor's Report
As of 30 June 2006**

CONTENTS	PAGES
INDEPENDENT AUDITOR'S REPORT	
BALANCE SHEET	1-2
INCOME STATEMENT	3
CASH FLOW STATEMENT	4
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	20
NOTES TO THE FINANCIAL STATEMENTS.....	5-20



GÜRELİ YEMİNLİ MALİ
MÜŞAVİRLİK A.Ş.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ
LIMITED INDEPENDENT AUDITOR'S REPORT
FOR THE PERIOD ENDED JUNE 30, 2006

We have audited the accompanying balance sheet of **TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ** ("Company") as of June 30, 2006 and the related interim Statements of Income, Cash flow and Changes in Shareholders' Equity for the period then ended. These financial statements are the responsibility of the Company's management.

Our audit on the interim balance sheet and statement of income has been limited in comparison with the audit of the annual financial statements in accordance with the generally accepted accounting principles, basis and standards. Our audit mainly consists of understanding the system during the preparation of the interim balance sheet and statement of income, analytical inspection, information gathering and application of various audit techniques obliged by the limited auditing principles. For this reason, our report is to be evaluated differently from the annual independent auditor's reports.

In our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of **TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ** as of June 30, 2006 in accordance with the accounting standards (Note2) issued by The Capital Market Board and the procedures regarding the preparation of interim financial statements (6 September 2006)

An Independent Member of BAKER TILLY INTERNATIONAL
GÜRELİ YEMİNLİ MALİ MÜŞAVİRLİK A.Ş.


GYM
G Ü R E L İ
YEMİNLİ MALİ MÜŞAVİRLİK ANONİM ŞİRKETİ

Dr. Hakkı DEDE
Certified Public Accountant

TÜRK HAVA YOLLARI TEKNİK A.Ş.
BALANCE SHEETS AS OF 30 JUNE 2006 and 23 MAY 2006

(Currency- In New Turkish Lira Unless Stated Otherwise.)

ASSETS	Notes	Audited (Limited Review) 30 June 2006	Audited (Limited Review) 23 May 2006
Current Assets		155.768.218	101.271.531
Cash and Cash Equivalents	4	106.251	-
Marketable Securities (net)	5	-	-
Trade Receivables (net)	7	1.672.634	-
Financial Leasing Receivables (net)	8	-	-
Receivables from Related Parties (net)	9	54.932.735	-
Other Receivables (net)	10	1.021.492	-
Live Assets (net)	11	-	-
Inventories (net)	12	97.424.135	101.271.531
Receivables from Construction Contracts in Progress (net)	13	-	-
Deferred Tax Assets	14	-	-
Other Current Assets	15	610.971	-
Non-Current Assets		181.281.692	185.858.790
Trade Receivables (net)	7	-	-
Financial Leasing Receivables (net)	8	-	-
Receivables from Related Parties (net)	9	-	-
Other Receivables (net)	10	-	-
Financial Assets (net)	16	-	-
Positive/Negative Goodwill (net)	17	-	-
Real Estates Held for Investment Purposes (net)	18	-	-
Tangible Assets (net)	19	181.162.180	185.750.464
Intangible Assets (net)	20	13.593	14.233
Deferred Tax Assets	14	-	-
Other Non-Current Assets	15	105.919	94.093
Total Assets		337.049.910	287.130.321

The accompanying policies and explanatory notes are an integral part of the financial statements.

TÜRK HAVA YOLLARI TEKNİK A.Ş.
BALANCE SHEETS AS OF 30 JUNE 2006 and 23 MAY 2006

(Currency- In New Turkish Lira Unless Stated Otherwise.)

	Notes	Audited (Limited Review) 30 June 2006	Audited (Limited Review) 23 May 2006
LIABILITIES			
Short Term Liabilities			
Financial Payables (net)	6	60.716.754	1.739.479
Principal and Interest Payments of Long Term Liabilities (net)	6	-	-
Financial Leasing Payables (net)	8	-	-
Other Financial Liabilities (net)	10	-	-
Trade Payables (net)	7	21.360.508	-
Payables to The Related Parties (net)	9	10.527.647	-
Advances Received	21	-	-
Continuing Construction Agreements in Progress (net)	13	-	-
Provisions for Expenses and Liabilities	23	6.771.909	-
Deferred Tax Liabilities	14	156.416	1.739.479
Other Liabilities (net)	10	21.900.274	-
Long Term Liabilities			
Financial Payables (net)	6	7.320.614	7.107.127
Financial Leasing Payables (net)	8	-	-
Other Financial Liabilities (net)	10	-	-
Trade Payables (net)	7	-	-
Payables to the Related Parties (net)	9	7.107.127	7.107.127
Advances Received	21	-	-
Provisions for Expenses and Liabilities	23	213.487	-
Deferred Tax Liabilities	14	-	-
Other Liabilities (net)	10	-	-
MINORITY INTEREST			
	24	-	-
SHAREHOLDERS' EQUITY			
Capital	25	269.012.542	278.283.715
Capital Reserves	26-27-28	271.325.800	271.325.800
-Share Premiums		-	-
-Profit from Invalidation of Shares		-	-
-Revaluation Fund Reserve		-	-
-Financial Assets Revaluation Fund		-	-
-Inflation Adjustment Differences of Shareholders' Equity		-	-
Retained Earnings	26-27-28	6.957.915	6.957.915
-Legal Reserves		-	-
-Statutory Reserves		-	-
-Extraordinary Reserves		-	-
-Special Reserves		6.957.915	6.957.915
-Income From Sales of Subsidiary Shares and Real Estates Held for Addition to Share capital		-	-
-Foreign Currency Translation Differences		-	-
Net Period Loss		(9.271.173)	-
Previous Years' Profit/Loss	26-27-28	-	-
Total Shareholders' Equity and Liabilities		337.049.910	287.130.321

The accompanying policies and explanatory notes are an integral part of the financial statements.

TÜRK HAVA YOLLARI TEKNİK A.Ş.
INCOME STATEMENT FOR THE PERIOD ENDED 30 JUNE 2006

(Currency- In New Turkish Lira Unless Stated Otherwise.)

	Notes	Audited (Limited Review) 23 May – 30 June 2006
OPERATING INCOME		
Sales (net)	36	38.754.569
Cost of Sales (-)	36	(49.768.260)
Sales of Services (net)		9.794
Other Operating Income / Interest+Dividend+Rent (net)	36	-
		(11.003.897)
GROSS OPERATING PROFIT		
Operational Expenses (-)	37	(1.448.597)
		(12.452.494)
NET OPERATIONAL LOSS		
Income and Profit from Other Operations	38	2.642.509
Expense and Losses from Other Operations (-)	38	(1.044.223)
Financial Expenses (-)	39	(28)
		(10.854.236)
OPERATION LOSS		
Profit/(Loss) on Net Monetary Position (net)	40	-
MINORITY INTEREST		
PROFIT/(LOSS)	24	-
		(10.854.236)
LOSS BEFORE TAX		
Taxes	41	1.583.063
		(9.271.173)
NET PERIOD LOSS		
		(9.271.173)
LOSSES PER SHARE		
	42	(3.41)

The accompanying policies and explanatory notes are an integral part of the financial statements.

TÜRK HAVA YOLLARI TEKNİK A.Ş.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 JUNE 2006

(Currency- In New Turkish Lira Unless Stated Otherwise.)

Share Capital	Inflation Adjustment Differences of Shareholders' Equity	Share Premiums	Legal Reserves	Extraordinary Reserves	Special Reserves	Net Period (Loss)	Previous Years' Profit/(Losses)	Total
271.325.800	-	-	-	-	6.957.915	-	-	278.283.715
-	-	-	-	-	-	(9.271.173)	-	(9.271.173)
271.325.800	-	-	-	-	6.957.915	(9.271.173)	-	269.012.542

23 May 2006
Current Period Loss

30 June 2006

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of 30 June 2006

(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

1 ORGANIZATION AND BUSINESS SEGMENTS

Türk Hava Yolları Teknik A.Ş. ("Company") has been established in 23.05.2006, 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.

Türk Hava Yolları Anonim Ortaklığı (THY A.O.), has decided to establish a company with the corporate name THY Teknik A.Ş. taking the successful practices in the international sector into consideration by placing capital in kind amounting to at most 15 % of the assets of THY A.O. as of March 31,2006 and based on the registered values on the uniform balance sheet of THY A.O. also as of March 31, 2006.

As of 30 June 2006 the total number of the employees in the company is 2299.

The company is registered in Turkey and the official address of the company is as follows:

"İstanbul Bakırköy-Yeşilköy Atatürk Havalimanı B Kapısı"

2 BASIS OF PRESENTATION

Accounting Principles Applied:

The company maintains its books of accounts in New Turkish Lira (YTL) and prepares the financial statements in accordance with Uniform Chart of Accounts, Turkish Commercial Code, Turkish Tax Laws and communiqués of the Capital Markets Board (CMB).

The interim financial statements of the company are prepared in compliance with the accounting and reporting principles published by the Capital Markets Board. Capital Markets Board has published an extensive set of accounting principles in the communiqué Series XI, No: 25 "Communiqué on Accounting Standards of Capital Markets" ("communiqué"). In the mentioned communiqué, it has been stated that application of the accounting principles published by the International Accounting Standards Board (IASB) and International Accounting Standards Committee (IASC) will be in accordance with the CMB accounting principles as an alternative.

CMB has announced in line with the decision taken on 17 March 2005 that it is no longer necessary for companies active in Turkey which prepare financial statements according to CMB Accounting Standards to apply inflation accounting, validity starting from 01 January 2005. Financial statements and notes to the financial statements have been prepared according to the format obliged by CMB with the announcement declared on December 20, 2004.

Adjustment of Financial Statements in Hyper Inflationary Periods

According to Part 15 of the communiqué, "Adjustment of Financial Statements in High Inflationary Periods", financial tables prepared in a currency of hyper inflationist economy should be restated at the purchasing power of currency as at balance sheet date while the financial tables prepared in previous years are likely to be restated at balance sheet date purchasing power of currency. According to the mentioned communiqué, high inflationary period starts with the period when the index at the date of yearly balance exceeds the double of the index at the beginning of the 3rd.previous period including the related period, and when the index of the related balance sheet date has increased 10% or more than the index at the beginning of accounting period.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of 30 June 2006

(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

Furthermore, even though the change in the price indexes do not increase in the rates mentioned above, when there are indicators of a high inflation such as determination of the prices of goods and services with foreign currencies or the preference of the public to keep savings in foreign currency, Part 15 can be applied.

Comparative Information and Adjustment of Previous Period's Financial Statements

The financial statements of the current period have not been prepared in comparative based due to the fact that the company has been established in 23.05.2006.

Offsetting

Financial assets and liabilities are presented with offset values in the balance sheet when a legal right and sanction power is present or the assets are in equivalence with the liabilities.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used for the preparation of financial tables are mentioned below:

3.1 Revenue Recognition

Revenue is measured at original invoice amount of the sales of goods or services. The income from sales are recorded in the financial tables when the important risks and benefits arising from ownership are transferred to the customers. Interest income is realized according to the matching concept; the accrued income is determined taking the valid interest rate and the interest rate effective in the time period until the maturity date.

Net sales presents the value, when the returns and commissions are deducted from the invoice value of the sold product or completed service, excluding the sales tax. When there is a significant amount of cost of financing the fair value is calculated via deduction of the collections probable in future with the embedded yield rate in the cost of financing. The difference between the real values and the nominal values are recorded as interest income according to interest accrual basis.

3.2 Inventories

Inventories are reflected to the financial statements at the lower of acquisition cost or net realizable value. The inventory costing methods used by the Company is "moving weighted average costing method".

3.3 Tangible Fixed Assets

Fixed assets are reflected to the financial statements by deducting their accumulated depreciation from their acquisition values as of June 30, 2006. Depreciation is calculated for all of the categories by straight-line method based on useful life. The following rates, determined in accordance with the useful lives of the fixed assets, are used in calculation of depreciation:

	<u>Useful Lives (Years)</u>
- Components	5-8-10
- Repairable Spare Parts	2-3
- Machinery, Plant and Equipment	3-5-7-10
- Furnitures and Fixtures	3-4-5
- Motor Vehicles	4-5-7
- Other Tangible Fixed Assets	5

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of 30 June 2006

(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

3.4 Intangible Fixed Assets

Intangible fixed assets consist of computer softwares. Other intangible fixed assets are amortized with straight line method based on their useful lives.

3.5 Impairment of Assets

The carrying value of non-current assets comprising tangible and intangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If the recoverable amount of an asset is below its carrying amount, impairment loss is recognized by making provision.

3.6 Financial Instruments and Financial Risk Management

The company determines the appraised fair values of the financial instruments using the current market information and appropriate evaluation methods. However; by appraisal of fair value, interpretation of market information is required. According to this, the presented appraisals in this report may not show the amounts, which can be obtained by the company regarding the current market conditions in case the company's assets are disposed.

Contingent items such as time deposits, receivables, letter of guarantees and letter of credits are significant financial instruments that could affect the financial situation of the company if not fulfilled by the counterparty.

Fair values of some of the financial assets are considered to be equal to their cost values due to their short-term nature.

The most significant financial assets of the company are cash and cash equivalents, trade receivables, receivables from related parties, and assets ready for sale.

It is estimated that the book values of the trade receivables and receivables from related parties are approximately equal to their market values after the provisions for uncollectible receivables are subtracted and the receivables are rediscounted.

It is estimated that the book values of the trade payables and payables to related parties are approximately equal to their market values after the payables are rediscounted.

Financial expenses are accounted for using the accrual principle. They are followed under other expense accruals if not paid in the related period. The trade and other payables and payables to affiliates are presented with their nominal values which are considered to be approximate to the market values.

Credit Risk

The possession of financial assets brings forth the risk of failure of the counterparty to fulfill the conditions of the agreement.

Price Risk

- Foreign Exchange Rate Risk

The company is exposed to foreign exchange rate risk as a result of the exchange rate fluctuations between the foreign currencies and the New Turkish Lira (YTL).

- Interest Risk

The company is exposed to interest risk as a result of the assets and liabilities which bear interest.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of 30 June 2006

(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

3.7 Exchange Differences Effects

All transactions denominated in foreign currencies are translated into YTL at the actual rates of exchange ruling at the dates of the transactions. All foreign currency denominated monetary assets and liabilities stated at the balance sheet are translated into YTL at the rates of exchange ruling at the date of the balance sheet. Foreign exchange differences arising from the above-mentioned translations and valuations are reflected to the income statement.

As of related dates, the period end and average USD exchange rates are as follows:

	<u>Period End Exchange</u>	<u>Average Exchange</u>
	<u>Rates</u>	<u>Rates</u>
23 May 2006	1,5055	1,4236
30 June 2006	1,6029	1,4723

3.8 Earnings Per Share

Net profit per share is calculated by dividing net profit available to common shareholders by the weighted average number of common shares outstanding for the period.

The companies in Turkey can increase their capital issuing shares to the current shareholders from retained earnings in ratio with their shares (non paid-up shares). When net earnings per share is calculated, these shares are accepted as issued shares. Hence, the weighted average used in calculation is obtained by retrospective application of non paid-up shares.

3.9 Events After Balance Sheet Date

The Company is liable for adjusting the amounts and disclosures in the financial statements if they arise after the balance sheet date. The non-adjusting subsequent events are disclosed in the notes to the financial statements provided that they comprise the issues effecting the economic decisions of the users.

3.10 Provisions, Contingent Liabilities and Assets

A provision shall be recognized when an entity has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and reliable estimate can be made of the amount of the obligation .

The assets and liabilities which can be confirmed according to eventuation of one or more issues which are not fully in control of the company and which arise from previous transactions are not presented in the financial statements and they are determined as contingent liabilities and assets.

3.11 Related Parties

On the basis of these financial statements, the shareholders, senior managers, the members of Board of Directors, their families and other companies, participations and partnerships under their control are considered as related parties. The transactions with the related parties as a result of ordinary operations of the company are realized with prices in accordance with the market conditions.

3.12 Reporting Financial Information By Segments and Geographic Areas

Fields of Activities

ÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of 30 June 2006

(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

The company operates mainly in only one field. The main field of activity of the company is to provide domestic maintenance and repairment services for airplanes.

Geographic Areas

None.

3.13 Taxes and Deferred Taxes

The taxes presented in the financial statements consist of the taxes for the current period and the changes in the deferred taxes. The company calculates the current and deferred taxes from the period results.

The provision for the corporate tax liability which is calculated based on the period results is made in the financial statements. Legal tax rate is applied to the tax basis calculated as a result of addition of non deductible expenses specified by the tax laws and deduction of exemptions specified in the tax laws (such as associated company privilege) and discounts (such as investment incentives) to the corporate profit.

Deferred tax is calculated using liability method, over the temporary differences between the recorded values of assets and liabilities in the financial statements and their tax values. In calculation of deferred tax, the legal tax rates valid on the balance sheet date is used according to the current tax legislations. The deferred tax liability is calculated for all of the taxable temporary differences, whereas the deferred tax asset is only recorded when it is probable that the calculated asset can be amortized and a taxable profit is obtainable in the future

The deferred tax is calculated with the tax rates effective in the period which assets arise or the liabilities are settled and recorded in the statement of income as income or expense.

The corporate tax payable amount is offset because it is related with the prepaid corporate tax amount. The deferred tax asset and liability is offset likewise.

3.14 Retirement Pay

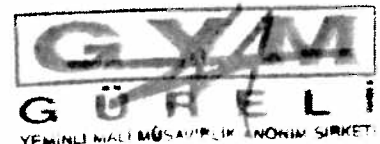
According to Turkish Labor Law, employee termination benefits are reflected to financial tables when the termination indemnities are deserved. The amount of the benefit is calculated over the severance indemnity upper limit as of the balance sheet date. Total provision reflects the probable present value of the amount of liability that will arise in the future according to the retirement of the all employees. The interest cost which is added to the termination indemnity is presented in the operational expenses as interest expense.

3.15 Changes in Accounting Policies, Estimates and Errors

Preparing the financial statements in accordance with the Capital Markets Board communiqués requires the management to estimate the amount of the assets and liabilities in the financial statements and make estimates for the possible liabilities and commitments at the balance sheet date. The estimates are revised regularly and thereby necessary adjustments are made and recorded to the income statement of the relating periods.

3.16 Maintenance and Repairment Expenses

The expenditures incurred for the regular repair and maintenance of tangible assets and leased assets are recorded as operational expenses in the related period. The major expenditures for the repairment of the airplanes are recorded as expense when they are incurred.



TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of 30 June 2006

(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

4 CASH AND CASH EQUIVALENTS

The cash and cash equivalents of the company as of June 30, 2006 are as follows:

	<u>30 June 2006</u>	<u>23 May 2006</u>
Banks	106.251	-
	<u>106.251</u>	<u>-</u>

As of June 30, 2006 the balance for the foreign currency bank accounts is YTL 105.506 (May 23, 2006: None).

5 MARKETABLE SECURITIES (NET)

None. (23 May 2006: None).

6 FINANCIAL PAYABLES (NET)

None (23 May 2006: None.).

7 TRADE RECEIVABLES AND PAYABLES (NET)

i) Short Term Trade Receivables are as follows:

	<u>30 June 2006</u>	<u>23 May 2006</u>
Trade Receivables (net)	1.781.164	-
Provision for Doubtful Receivables	(108.530)	-
	<u>1.672.634</u>	<u>-</u>

ii) Short Term Trade Payables are as follows:

	<u>30 June 2006</u>	<u>23 May 2006</u>
Trade Payables	21.360.508	-
	<u>21.360.508</u>	<u>-</u>

ii) Long Term Trade Payables : None. (23 May 2006: None).

8 FINANCIAL LEASING RECEIVABLES AND PAYABLES (NET)

i) Financial Leasing Receivables: None. (23 May 2006: None).

ii) Financial Leasing Payables: None (23 May 2006: None).

9 RECEIVABLES FROM/PAYABLES TO THE RELATED PARTIES (NET)

i) Receivables from/Payables to the Related Parties as of 30 June 2006 and 23 May 2006 :

Short Term Receivables from the Related Parties are as follows :

	<u>30 June 2006</u>	<u>23 May 2006</u>
THY A.O. Non Trade Receivables	747.607	-
THY A.O.Trade Receivables	54.185.128	-
	<u>54.932.735</u>	<u>-</u>

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of 30 June 2006

(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

Payables to the Related Parties are as follows:

	30 June 2006	23 May 2006
THY A.O. Non Trade Payables	14.667.793	7.107.127
THY A.O. Trade Payables	2.966.981	-
	17.634.774	7.107.127

ii) The transactions with the Related Parties for the period ended 30 June 2006 are as follows:

	30 June 2006
Services given to THY A.O.	54.717.637
	54.717.637

YTL 17.101.210. of this amount takes place in the reserve income account for the following months and YTL 37.616.427.- of this amount takes place in the income accounts.

	30 June 2006
Services and Goods received from THY A.O.	5.892.997
	5.892.997

There are not any dividends provided from the Related Parties as of June 30, 2006.

10 OTHER RECEIVABLES AND PAYABLES (NET)

i) Other Short Term Receivables are as follows:

	30 June 2006	23 May 2006
Receivables from various companies	1.015.316	-
Other Receivables	6.176	-
	1.021.492	-

ii) Other Long Term Receivables : None (23 May 2006: None).

iii) Other Short Term Financial Liabilities : None (23 May 2006: None).

iv) Other Short Term Liabilities are as follows:

	30 June 2006	23 May 2006
Taxes and Funds Payable	1.611.129	-
Social Security Premiums Payable	2.601.943	-
Deferred Income	17.654.277	-
Other Payables	32.925	-
	21.900.274	-

11 LIVE ASSETS (NET)

None. (23 May 2006: None).

12 INVENTORIES (NET)

	30 June 2006	23 May 2006
Technical Equipment Inventories	97.247.328	101.271.531
Other Inventories	176.807	-
	97.424.135	101.271.531

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of 30 June 2006

(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

13 CONSTRUCTION CONTRACTS IN PROGRESS

None. (23 May 2006: None).

14 DEFERRED TAX ASSETS AND LIABILITIES

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with CMB Accounting Standards and their tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for CMB Accounting Standards and tax purposes and the temporary differences are calculated over the revaluation of tangible assets (except for lands), intangible assets, inventories and prepaid expenses and the discount of receivables, provision for severance indemnities, previous year losses, provision for doubtful receivables and investment incentive discount amounts. The tax rate applied for temporary differences is 20 %.

Temporary Differences: Deferred Tax Liability

	<u>30 June 2006</u>	<u>23 May 2006</u>
Fixed Assets	(113.718)	(1.739.479)
Provision for Employment Termination Indemnities	(42.698)	-
	<u>(156.416)</u>	<u>(1.739.479)</u>

15 OTHER CURRENT/NON CURRENT ASSETS AND SHORT/LONG TERM LIABILITIES

i) Other current assets are as follows:

	<u>30 June 2006</u>	<u>23 May 2006</u>
Personnel Salary Advance	31.337	-
Personnel Job Advance	21.773	-
Deferred VAT	545.372	-
Other	12.489	-
	<u>610.971</u>	<u>-</u>

ii) Other Non Current Assets are as follows:

	<u>30 June 2006</u>	<u>23 May 2006</u>
Advances Given for Domestic Purchases	11.852	-
Inventories for Disposal	94.067	94.093
	<u>105.919</u>	<u>94.093</u>

16 FINANCIAL ASSETS (NET)

None. (23 May 2006: None).

17 POSITIVE/NEGATIVE GOODWILL(NET)

None.(23 Mayıs 2006: None.).

18 REAL ESTATES WITH INVESTMENT PROPERTIES (NET)

None. (23 May 2006: None).

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of 30 June 2006

(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

19 TANGIBLE ASSETS (NET)

	30 June 2006	23 May 2006
Tangible Assets (net)	181.162.180	185.750.464
	181.162.180	185.750.464

	Plant, Machinery and Equipment	Vehicles	Furniture and Fixtures	Other Tangible Fixed Assets	Components and Repairable Spare Parts	Total
<u>Cost</u>						
Opening Balance, 23 May 2006	90.173.879	21.397.810	14.922.825	626.673	314.678.248	441.799.435
Additions	106.255	-	1.858	280	3.528.765	3.637.158
Disposals	-	-	-	-	-5.153.720	-5.153.720
Ending Balance, 30 June 2006	90.280.134	21.397.810	14.924.683	626.953	313.053.293	440.282.873
<u>Accumulated Depreciation</u>						
Opening Balance, 23 May 2006	78.676.714	20.807.867	14.210.485	365.219	141.988.686	256.048.971
Current Period Depreciation	302.117	22.535	18.766	5.422	7.876.600	8.225.442
Disposals	-	-	-	-	-5.153.720	-5.153.720
Ending Balance, 30 June 2006	78.978.831	20.830.402	14.229.252	370.642	144.711.566	259.120.693
30 June 2006 net book value	11.301.302	567.408	695.432	256.311	168.341.727	181.162.180

20 INTANGIBLE ASSETS NET

	Rights
<u>Cost</u>	
Opening Balance, 23 May 2006	126.430
Additions	-
Disposals	-
Ending Balance, 30 June 2006	126.430
<u>Accumulated Depreciation</u>	
Opening Balance, 23 May 2006	(112.198)
Current Period Depreciation	(639)
Disposals	-
Ending Balance, 30 June 2006	(112.837)
30 June 2006 net book value	13.593

21 ADVANCES RECEIVED

i) Short Term Advances Received :None (23 May 2006: None).

ii) Long Term Advances Received: None (23 May 2006: None).

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of 30 June 2006

(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise)

22 RETIREMENT BENEFITS PLANS

There are not any other retirement commitment agreements made other than the provision for termination indemnity which is disclosed in the provisions for expenses and liabilities.

23 PROVISIONS FOR EXPENSES AND LIABILITIES

i) Short Term Provisions for Expenses and Liabilities are as follows:

	<u>30 June 2006</u>	<u>23 May 2006</u>
Salary Accruals	4.148.456	-
Provision for Equipments Purchased	1.898.074	-
Other Provisions	725.379	-
	<u>6.771.909</u>	<u>-</u>

ii) Long Term Provisions for Expenses and Liabilities are as follows:

	<u>30 June 2006</u>	<u>23 May 2006</u>
Provision for Employment Termination Indemnity	213.487	-

The provision for Employment termination indemnity is made in framework of the explanations stated below:

Under the Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement. The amount payable is equivalent to one gross salary for every service year completed. The gross salary is the amount valid at the date the labor contract expires, however as of June 30, 2006 the upper limit is YTL 1.771 (May 23, 2006).

The employment period required before retirement increases progressively according to a varying scala based on a new legislation which was set into force in 1999. The system stated above can be classified as a not funded identified retirement bonus. The provision in the financial statements reflects the estimated present value of the deserved retirement bonuses.

The termination indemnity liability recorded in the income statement is as follows:

	<u>30 June 2006</u>	<u>23 May 2006</u>
Current Service Costs	213.487	-
	<u>213.487</u>	<u>-</u>

The change in termination indemnity liability recorded in the balance sheet is as follows:

	<u>30 June 2006</u>	<u>23 May 2006</u>
Provision made at the beginning of the Period	-	-
Current Period Expense	213.487	-
Payments	-	-
Provisions made at the end of the Period	<u>213.487</u>	<u>-</u>

The estimated deserved termination indemnity liability has been discounted with an annual rate of 5.61 % taking the increases of the payable liability amount and the related ceiling amount into consideration. (23 May 2006: 5.61 %)

24 MINORITY INTEREST

None. (2005: None).

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of 30 June 2006

(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

25 CAPITAL

The structure of the Company's capital is as follows:

	%	30 June 2006	%	23 May 2006
THY A.O.	100	271.325.800	100	271.325.800
		271.325.800		271.325.800

As of June 30, 2006 the issued and paid in share capital of the Company is comprised with 271.325.800 shares issued with the nominal value of YTL 1 per share. These shares are registered shares.

The 7th Article of the Articles of Association: The transfer of the company shares can be taken into consideration as long as the transfer is registered in the share registry. If the transfer is not registered in the share registry book, in perspective of the company the shareholder is the individual with the name written on the share registry. The recordings to the share registry book can be made with the decision of the Board of Directors resolution.

The 10th Article of the Articles of Association: The Board of Directors consists of 5 members.

26-27-28 CAPITAL RESERVES, PROFIT RESERVES AND PREVIOUS YEARS' LOSSES

As a result of adjusting the financial statements for inflation, the items in shareholders' equity such as share capital, emission premiums, legal reserves, other distributable reserves, special reserves and extraordinary reserves are shown in the balance sheet at historical values in accordance with the Communiqué Serie: XI No: 25. The adjustment differences of these items are shown aggregately in "Shareholders' Equity Inflation Adjustment Differences Account".

	30 June 2006	23 May 2006
Capital	271.325.800	271.325.800
Share Premiums	-	-
Legal Reserves	-	-
Extraordinary Reserves	-	-
Other Profit Reserves	6.957.915	6.957.915
Shareholders' Equity Inflation Adjustment Differences	-	-
Net period profit/(loss)	(9.271.173)	-
Previous Years' Losses	-	-
	269.012.542	278.283.715

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code (TCC). The TCC stipulates that the first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group's historical 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 historical paid-in share capital. Under TCC, the legal reserves are not available for distribution unless they exceed 50% of the historical paid-in share capital but may be used to offset losses in the event that historical general reserve is exhausted.

29 FOREIGN CURRENCY POSITION

Foreign currency risk arise when the value of any financial asset changes according to the changes in the rates of foreign currencies. The company is exposed to foreign currency risk as a result of the liabilities in foreign currencies. As of June 30, 2006 the company does not utilize any kind of financial instrument in order to protect from the effects of the variances of foreign currency rates. The main foreign currencies units which constitute the mentioned risk are USD, Euro and Pound.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of 30 June 2006

(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

As of 30 June 2006 and 23 May 2006, the YTL equivalents of the Company's foreign currency position are as follows:

30 June 2006	US Dollar	Euro	British Pound	Other Currencies	Total
Assets					
Cash and Cash Equivalents	105.506	-	-	-	105.506
Trade Receivables (net)	2.682.377	13.643	-	-	2.696.020
Receivables from Related Parties (net)	54.908.498	19.247	-	-	54.927.745
Other Receivables (short term)	3.058	9.448	-	9.648	22.154
Order Advances Given for Inventory Purchases (net)	135.815	32.566	6.954	3.241	178.576
	57.835.254	74.904	6.954	12.889	57.930.001
Liabilities					
Trade Payables (short term) (net)	17.924.998	2.767.933	305.605	36	20.998.572
Payables to the Related Parties (net)	1.841.994	721.647	61.082	10.618	2.635.341
Provisions for Expenses and Liabilities (short term)	91.238	24.619	-	-	115.857
Other Liabilities (net)	17.449.176	19.017	-	-	17.468.193
	37.307.406	3.533.216	366.687	10.654	41.217.963
Net Foreign Currency Position	20.527.848	(3.458.312)	(359.733)	2.235	16.712.038

30 GOVERNMENT GRANTS AND INCENTIVES

None. (23 May 2006: None).

31 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The discounted employment termination indemnity of THY Teknik A.Ş. is 213.487. As of 30 June 2006 the total amount THY Teknik A.Ş. will pay in case of termination of contracts of all employees, is approximately YTL 424.630

32 MERGERS

None. (23 May 2006: None).

33 SEGMENT REPORTING

None. (23 May 2006: None).

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of 30 June 2006

(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

34 EVENTS AFTER BALANCE SHEET DATE

According to the decision taken by the Board of Directors, the sharecapital of THY Teknik A.Ş. is increased to YTL 318.000.000 from YTL 271.325.800, the Extraordinary General Meeting for decision for acceptance of the amendment of the 6th Article of the Articles of Association will be made in 18.09.2006 Monday at 10:00 in the address of Atatürk Havalimanı B kapısı I.Hangar Genel Müdürlük Binası, Yeşilköy, İstanbul and general management is authorized for execution of all of the related processes. (23 May 2006: None.)

35 DISCONTINUING OPERATIONS

None. (23 May 2006: None).

36 OPERATING INCOME

Operating Income is as follows:

	30 June 2006
Maintenance Income	6.926.596
Rental Income	125.661
Airplane Equipment Sale Income	10.405.903
Pool Income	7.999.904
Detecting Services	9.953.111
Other Income	3.353.188
	-
Net Sales	38.764.363
Cost of Sales (-)	(49.768.260)
Gross Operating Profit	(11.003.897)

Cost of Sales is as follows:

	30 June 2006
Fuel Expenses	137.233
Personnel Expenses	11.001.193
Depreciation Expenses	8.226.081
Customs Expenses	107.091
Airplane Equipment Expenses	10.405.903
Maintenance Expenses	14.362.334
Current Period Employment Termination	200.087
Indemnity Expenses	
Additional Payment Expense	1.452.583
Accession Expenses	135.102
Food Expenses	145.582
Other Rental Expenses	95.897
Transportation Expenses	51.673
Cost of Repairable Equipment	3.163.417
Cost of Other Sales	284.084
	-
	49.768.260

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of 30 June 2006

(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

37 OPERATING EXPENSES (-)

Operating Expenses are as follows:

	<u>30 June 2006</u>
Sales and Marketing Expenses (-)	
Personnel Expenses	130.055
Temporary Duty Expenses	1.539
Other Expenses	2.032
	<u>133.626</u>
	<u>30 June 2006</u>
General Administrative Expenses (-)	
Personnel Expenses	530.743
Apron Expenses	90.253
Computer Software and Equipment Expenses	358.625
Maintenance Expenses	80.875
Additional Payment Expenses	74.078
Court and Public Notary Expenses	14.059
Utility and Energy Expenses	130.274
Other Expenses	36.064
	<u>1.314.971</u>
Total Operating Expenses	<u>1.448.597</u>

38 INCOME/(EXPENSE) AND PROFIT/(LOSS) FROM OTHER OPERATIONS

Income and Profit from Other Operations are as follows:

	<u>30 June 2006</u>
Exchange Difference Income	1.281.684
Component Income	1.270.315
Income from Free Equipment	90.510
	<u>2.642.509</u>

Expense and Loss from Other Operations are as follows:

	<u>30 June 2006</u>
Exchange Difference Expense	(935.503)
Provision Expenses	(108.530)
Other	(190)
	<u>(1.044.223)</u>

39 FINANCIAL EXPENSES

Financial Expenses are as follows:

	<u>30 June 2006</u>
Bank Expense	28
	<u>28</u>

40 PROFIT/(LOSS) ON NET MONETARY POSITION

None.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of 30 June 2006

(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

41 TAXES

The tax income/(expense) as of June 30, 2006 is as follows:

	30 June 2006
Deferred Tax Income	1.583.063
	1.583.063

Corporate Tax:

The Company is subject to Corporate Tax in Turkey.

The necessary provisions have been made for estimated tax liabilities as a result of Group's operations in the current period. The corporate tax to be accrued over the taxable profit is calculated by adding undeductible expenses to the accounting profit and deducting investment allowances, income not subject to taxation and the dividends received, from companies located in Turkey, from the accounting profit.

Prevailing Rates of Corporate Tax:

- 2006: 20 %

Companies calculate their temporary taxes on their quarterly financial profits in Turkey. The temporary tax is calculated from the year 2006 corporate income as of temporary tax periods with the tax rate of 20 %.

According to Turkish Tax Law, arisen losses can be carried forward against income for a maximum period of 5 years. On the other hand such losses can not be deducted from previous years' profits.

There is not an exact mutual agreement procedure with Tax Authorities in Turkey. Annual corporate tax returns are submitted to the relating tax offices until the 25th of April in the following year. Moreover, the tax authorities have the right to examine the legal books of account within 5 years.

Withholding Tax:

In addition to corporate tax, income withholding tax and fund share must be calculated over the dividends distributed to companies other than the foreign companies, which have a place of business in Turkey and the companies which add these dividends into their corporate tax declarations. The rate of withholding tax has been determined as 10% for all companies starting from April 24, 2003. The addition of profit to equity capital is not considered as profit distribution and these profit shares are not subject to withholding.

42 EARNINGS PER SHARE

There are not any equity items (dilutive equity instruments) that have reducing effects on the Earnings per Share

The calculation of the weighted average and Earning per Share of the total share amount as of 30 June 2006 is as follows:

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of 30 June 2006

(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

	30 June 2006
Total Share Amount as of 23 May 2006 (Whole amount)	271.325.800
New Shares Announced (Increase in Cash) (Whole Amount)	-
Share Amount as of 30 June 2006 (Whole Amount)	271.325.800
Weighted Average of the total share amount in the Period(W Amount)	271.325.800
Net Period Loss	(9.271.173)
Loss Per Share	(3.41)

43 CASH FLOW STATEMENT

	Audited (Limited Review)
	30 June 2006
CASH FLOW PROVIDED FROM OPERATIONS	
Net Period Loss Before Tax	(10.854.236)
Adjustments to Reach the Cash Flow used in Operations:	
Depreciation	8.226.081
Provision for Termination Indemnities	213.487
Operating Profit before Changes in Working Capital	(2.414.668)
Increase in Trade Receivables	(1.672.634)
Increase in Short and Long Term Receivables from Related Parties	(54.932.735)
Increase in Other Short and Long Term Receivables	(1.021.492)
Decrease in Inventories	3.847.395
Increase in Other Current Assets	(610.971)
Increase in Other Non Current Assets	(11.825)
Increase in Trade Payables	21.360.508
Increase in Payables to the Related Parties	10.527.647
Increase in Short Term Provisions for Expenses and Liabilities	6.771.909
Increase in Other Short and Long Term Liabilities	21.900.274
Net Cash Provided from Operations	3.743.408
CASH FLOW RELATING TO INVESTMENT ACTIVITIES	
Tangible Fixed Asset Purchase	(3.637.158)
Net Cash Used in Investment Operations	(3.637.158)
CASH FLOW RELATING TO FINANCIAL ACTIVITIES	
NET INCREASE IN CASH AND CASH EQUIVALENTS	106.251
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	106.251

44 OTHER SIGNIFICANT ISSUES

None. (23 May 2006: None).