

CONVENIENCE TRANSLATION OF REPORT AND FINANCIAL  
STATEMENTS ORIGINALLY ISSUED IN TURKISH

**TÜRK HAVA YOLLARI TEKNİK A.Ş.**

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2009

## Convenience Translation of Review Report and Financial Statements Originally Issued in Turkish

### AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Türk Hava Yolları Teknik A.Ş. ("the Company") which comprise the balance sheet as at 31 December 2009 and the statements of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and summary of significant accounting policies and other explanatory notes. The financial statements of the Company as of 31 December 2008 were audited by another auditor whose report dated 19 March 2009, expressed unqualified opinion on those statements.

#### Management Responsibility for the Financial Statements

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

#### Auditor's Responsibility

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

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

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

# Deloitte.

## Opinion

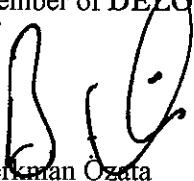
In our opinion, the financial statements present fairly, in all material respects, the financial position of Türk Hava Yolları Teknik A.Ş. as of 31 December 2009 and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards issued by the Capital Markets Board.

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

As discussed in Note 2.4, the Company has restated its 2008 financial statements. We also audited the adjustments described in Note 2.4 that were applied to restate the 2008 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

Istanbul, 1 April 2010

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

  
Berkman Özata  
Partner

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(Convenience Translation of Report and Financial Statements Originally Issued in Turkish)  
**TÜRK HAVA YOLLARI TEKNİK A.Ş.**  
**BALANCE SHEET AS OF 31 DECEMBER 2009**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

ASSETS	Notes	Current Period 31.12.2009	Restated Previous Period 31.12.2008	Restated Previous Period 31.12.2007
<b>Current Assets</b>		<b>459.574.561</b>	<b>407.965.602</b>	<b>377.501.471</b>
Cash and Cash Equivalents	6	22.574.372	46.078.999	38.657.984
Trade Receivables	10,37	121.007.306	72.299.531	57.956.090
<i>Related Party Trade Receivables</i>		84.712.110	49.096.193	48.609.900
<i>Other Trade Receivables</i>		36.295.196	23.203.338	9.346.190
Other Receivables	11,37	2.382.322	6.390.354	2.010.866
Inventories	13	307.072.271	273.318.800	273.381.000
Other Current Assets	26	6.538.290	9.877.918	5.495.531
<b>Non-current Assets</b>		<b>75.326.948</b>	<b>36.837.046</b>	<b>23.528.218</b>
Investments Accounted for Using the Equity Method	16	22.421.794	3.765.565	-
Tangible Assets	18	49.125.563	30.165.471	19.942.642
Intangible Assets	19	588.757	413.310	67.100
Deferred Tax Assets	35	-	1.986.322	3.193.154
Other Non-current Assets	26	3.190.834	506.378	325.322
<b>TOTAL ASSETS</b>		<b>534.901.509</b>	<b>444.802.648</b>	<b>401.029.689</b>

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

(Convenience Translation of Report and Financial Statements Originally Issued in Turkish)  
**TÜRK HAVA YOLLARI TEKNİK A.Ş.**  
**BALANCE SHEET AS OF 31 DECEMBER 2009**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

<b>LIABILITIES</b>	<b>Notes</b>	<b>Current Period 31.12.2009</b>	<b>Restated Previous Period 31.12.2008</b>	<b>Restated Previous Period 31.12.2007</b>
<b>Current Liabilities</b>		<b>81.705.010</b>	<b>85.741.932</b>	<b>82.770.102</b>
Financial debt	8	40.451	55.649	-
Trade payables	10,37	49.782.220	51.554.956	58.032.178
<i>Related Party Trade Payables</i>		<i>19.639.083</i>	<i>19.187.273</i>	<i>16.526.582</i>
<i>Other Trade Payables</i>		<i>30.143.137</i>	<i>32.367.683</i>	<i>41.505.596</i>
Other payables	11,37	21.433.691	19.088.385	13.488.972
Current tax liabilities	35	2.419.544	4.185.809	2.059.488
Provisions	22	98.545	97.950	394.186
Employee benefit obligations	24	7.156.135	9.286.701	3.241.698
Other current liabilities	26	774.424	1.472.482	5.553.580
 <b>Non-Current Liabilities</b>		 <b>18.600.903</b>	 <b>13.899.236</b>	 <b>7.274.178</b>
Financial debt	9	-	23.069	-
Provision for retirement pay liability	24	18.363.932	13.876.167	7.274.178
Deferred tax liability	35	236.971	-	-
 <b>SHAREHOLDERS' EQUITY</b>				
<b>Equity Attributable to Shareholders of Parent</b>	<b>27</b>	<b>434.595.596</b>	<b>345.161.480</b>	<b>310.985.409</b>
Share capital		318.000.000	288.324.696	288.324.696
Restricted profit reserves		2.099.288	1.083.311	1.055.200
Retained Earnings		54.737.496	21.577.402	27.324.514
Net Profit/(Loss) for the Year		59.758.812	34.176.071	(5.719.001)
 <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		 <b>534.901.509</b>	 <b>444.802.648</b>	 <b>401.029.689</b>

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

(Convenience Translation of Report and Financial Statements Originally Issued in Turkish)  
**TÜRK HAVA YOLLARI TEKNİK A.Ş.**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

	Notes	Current Period 1 January - 31 December 2009	Restated Previous Period 1 January - 31 December 2008
Sales revenue	28	700.204.190	610.071.767
Cost of sales (-)	28	(580.096.057)	(536.429.075)
<b>GROSS PROFIT</b>		<b>120.108.133</b>	<b>73.642.692</b>
Marketing, sales and distribution expenses (-)	29	(5.171.892)	(3.714.723)
Administrative expenses (-)	29	(59.251.691)	(47.269.925)
Other operating income	31	17.160.521	2.231.259
Other operating expenses (-)	31	(474.330)	(449.249)
<b>OPERATING PROFIT</b>		<b>72.370.741</b>	<b>24.440.054</b>
Share of investments' profit/ (loss) accounted for using the equity method	16	(2.699.198)	(470.485)
Financial income	32	43.211.864	77.143.052
Financial expenses (-)	33	(38.160.912)	(58.056.033)
<b>PROFIT BEFORE TAX</b>		<b>74.722.495</b>	<b>43.056.588</b>
Tax (expense) / income		(14.963.683)	(8.880.517)
-Current tax expense (-)		(12.740.390)	(7.673.685)
-Deferred tax (expense) / income	35	(2.223.293)	(1.206.832)
<b>PROFIT FOR THE YEAR</b>		<b>59.758.812</b>	<b>34.176.071</b>
<b>OTHER COMPREHENSIVE INCOME</b>		-	-
<b>OTHER COMPREHENSIVE INCOME (AFTER TAX)</b>		<b>59.758.812</b>	<b>34.176.071</b>
<b>Earnings per share (Kr)</b>	36	<b>18,79</b>	<b>10,75</b>

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

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

TÜRK HAVA YOLLARI TEKNİK A.Ş.

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2009

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

	Issued capital	Restricted Profit Reserves	Retained earnings	Net profit / loss for the year	Total equity
<b>As of 31 December 2007 - Previously Reported</b>	288.324.696	1.055.200	29.917.873	(5.719.001)	313.578.768
Restatement Effect (Note 2.4)	-	-	(2.593.359)	-	(2.593.359)
<b>Balance at 31 December 2007 - Restated</b>	288.324.696	1.055.200	27.324.514	(5.719.001)	310.985.409
Transfer	-	-	(5.719.001)	5.719.001	-
Transfer to Reserves	-	28.111	(28.111)	-	-
Net Comprehensive Income for the Year	-	-	-	34.176.071	34.176.071
<b>Balance at 31 December 2008 - Restated</b>	288.324.696	1.083.311	21.577.402	34.176.071	345.161.480
<b>Balance at 31 December 2008 - Previously Reported</b>	288.324.696	1.083.311	24.170.761	36.928.627	350.507.395
Restatement Effect (Note 2.4)	-	-	(2.593.361)	(2.752.554)	(5.345.915)
<b>Balance at 31 December 2008 - Restated</b>	288.324.696	1.083.311	21.577.402	34.176.071	345.161.480
Transfer	-	-	34.176.071	(34.176.071)	-
Transfer to Reserves	-	1.015.977	(1.015.977)	-	-
Capital Payment	29.675.304	-	-	-	29.675.304
Net Comprehensive Income for the Year	-	-	-	59.758.812	59.758.812
<b>Balance at 31 December 2009</b>	318.000.000	2.099.288	54.737.496	59.758.812	434.595.596

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



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

TÜRK HAVA YOLLARI TEKNİK A.Ş.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2009

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

		1 January -	Restated
	Notes	31 December 2009	1 January - 31 December 2008
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net Income Before Tax		74.722.495	43.056.588
<b>Adjustments to obtain net cash flow generated from operating activities:</b>			
Depreciation and amortization	13-18-19	53.594.666	82.983.692
Provision for retirement pay liability	24	5.442.712	7.203.994
Share at Loss of Investments Accounted for Equity Method	16	2.699.198	470.485
Increase/ (decrease) in provision for impairment	13	(356.071)	3.879.210
Discount expenses	33	2.534	15.403
Increase in provision for doubtful receivables	10	15.199.031	12.878.135
<b>Operating profit before working capital changes</b>		<b>151.304.565</b>	<b>150.487.507</b>
Increase in trade receivables		(28.293.423)	(26.750.686)
Increase in Other Short and Long Term Receivables from Related Parties		(35.742.926)	(350.467)
(Increase) / Decrease in Other Short and Long Term Receivables		4.135.041	(4.515.314)
Increase in Inventories		(79.127.172)	(81.048.055)
(Increase) / Decrease in Other Current Assets		3.339.628	(4.382.385)
Increase in Other Non-Current Assets		(2.684.456)	(181.056)
Decrease in Trade Payables		(2.224.546)	(9.137.913)
Increase in Payables to Related Parties		1.300.152	5.211.000
Increase in Provisions for Other Short Term Liabilities		2.345.306	5.599.413
Decrease in Other Short and Long Term Liabilities		(3.676.371)	(882.641)
<b>Cash Provided by Operating Activities</b>		<b>10.675.798</b>	<b>34.049.403</b>
Retirement Benefits Paid	24	(954.947)	(602.005)
Prepaid Taxes	35	(14.506.656)	(5.547.364)
<b>Net Cash (Used in) / Provided by Operating Activities</b>		<b>( 4.785.805)</b>	<b>27.900.034</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Cash Inflow From Sale of Intangible and Tangible Fixed Assets	18	184.642	73.823
Acquisitions of Tangible and Intangible Assets	18-19	(27.185.075)	(16.395.509)
Increase in financial investments		(21.355.427)	(4.236.050)
<b>Net Cash Used in Investing Activities</b>		<b>( 48.355.860)</b>	<b>( 20.557.736)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Capital Increase		29.675.304	-
Change in Financial Liabilities		(38.266)	78.717
<b>Net Cash Provided by Financing Activities</b>		<b>29.637.038</b>	<b>78.717</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>( 23.504.627)</b>	<b>7.421.015</b>
<b>CASH AND CASH EQUIVALENTS</b>			
<b>AT THE BEGINNING OF THE YEAR</b>		<b>46.078.999</b>	<b>38.657.984</b>
<b>CASH AND CASH EQUIVALENTS</b>			
<b>AT THE END OF THE YEAR</b>		<b>22.574.372</b>	<b>46.078.999</b>

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

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

(Amounts 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.

The total number of employees working for the Company as of 31 December 2009 is 2.519 (31 December 2008: 2.552).

	<u>31 December 2009</u>	<u>31 December 2008</u>
Administrative Staff	621	607
Production Staff	1.898	1.949
<b>Total</b>	<b>2.519</b>	<b>2.556</b>

The average number of employees working for the Company as of 31 December 2009 is 2.572 (31 December 2008: 2.539).

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 has approved the financial statements as of 31 December 2009 and delegated authority for publishing it on 1 April 2010. General shareholders' meeting has the authority to modify the financial statements.

### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

#### 2.1 Basis of Presentation

The Company keeps its books of account and prepares its statutory financial statements in accordance with the principles and obligations Turkish Commercial Code (the "TCC"), tax legislation.

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

Until the differences between the standards accepted by the European Union and the standards issued by International Accounting Standards Board ("IASB") are announced by the TASB, financial statements shall be prepared in accordance with IASs/IFRSs under the CMB's Decree Volume: XI, No: 29. The accompanying financial statements and notes are presented in accordance with the standard format required by the announcement of the CMB on 17 April 2008 and 9 January 2009.

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

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

#### 2.1 Basis of Presentation (cont'd)

##### Presentation in Turkish Lira

The financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates (its functional currency). Company's financial position and operating results are presented in Turkish Lira (TL) which is Company's functional and reporting currency for financial statements (with 1 TL=1 TL ratio).

#### 2.2 Preparation of Financial Statements in Hyperinflationary Periods

CMB, with its resolution dated 17 March 2005 declared that companies operating in Turkey which prepare their financial statements in accordance with CMB Accounting Standards, effective 1 January 2005, will not be subject to the application of inflation accounting. Consequently, in the accompanying financial statements IAS 29 "Financial Reporting in Hyperinflationary Economies" was not applied.

#### 2.3 Fundamentals of the Consolidation

The table below sets out affiliate and indicates the proportion of ownership interest of the Company in the joint venture at 31 December 2009:

<u>Name of the Company</u>	<u>Principal Activity</u>	<u>Participation Rate</u>		<u>Country of Registration</u>
		<u>31 December 2009</u>	<u>1 December 2008</u>	
P & W T.T. Uçak Bakım Merkezi Ltd. Şti.	Technical Maintenance	49%	49%	Turkey

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

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

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

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

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

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

The Company has not calculated unused vacation provision in previous periods due to the large number of its personnel and lack of an healthy database. The Company's management has changed the present value calculation of provision for retirement pay of prior periods accounted in balance sheet. In preparation of financial statements as of 31 December 2009, unused vacation provision was calculated and previous periods' financial statements were restated beginning from 1 January 2008 according to International Accounting Standard "Accounting Policies, Changes in Accounting Estimates and Errors" (IAS 8).

The value of Company's joint venture was journalized by its cost value by the company in the previous years. In the accompanying financial statements, subsidiaries' operations' results, assets and liabilities are journalized by using equity method except for the subsidiaries that are journalized as assets available-for-sale based on IFRS 5 standard. According to the equity method, subsidiaries are stated as the cost value adjusted as deducting the impairment in subsidiary from the change occurred in the subsidiary's assets after the acquisition date that is calculated by the Company's share in the balance sheet.

The effects of restatements of the previous period financial statements as a result of the changes mentioned above are summarized at the following table:

	31 December 2008				
	Previously Reported (After reclassifications)	Adjustment for unused vacation provision	Adjustment for retirement pay provision	Adjustment for investments accounted for equity method	Restated
Investments accounted for equity method	4.236.050	-	-	(470.485)	3.765.565
Employee benefits	10.941.204	3.159.323	2.934.963	-	17.035.490
Deferred tax asset (net)	767.466	631.863	586.993	-	1.986.322
Net profit for the year	36.928.625	65.901	(2.347.970)	(470.485)	34.176.071
Retained earnings	24.170.761	(2.593.359)	-	-	21.577.402
Cost of sales	(533.576.488)	82.376	(2.934.963)	-	(536.429.075)
Share at Profit/(Loss) on Investments Accounted for Equity Method	-	-	-	(470.485)	(470.485)
Tax expense	(9.451.035)	(16.475)	586.993	-	(8.880.516)
Earnings per share (Kır)	11,61	0,02	(0,73)	(0,15)	10,75

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

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

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

	1 January 2008		
	Previously Reported (After reclassifications)	Adjustment for unused vacation provision	Restated
Employee benefits	7.274.178	3.241.698	10.515.876
Deferred tax asset (net)	2.544.817	648.337	3.193.154
Retained earnings	29.917.873	(2.593.359)	27.324.514

#### 2.5 Offsetting

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

#### 2.6 New and Revised International Financial Reporting Standards

In the current period, the new and revised Standards and Interpretations below are applied and these Standards and Interpretations have effects on amounts and explanations on these financial statements that is reported. The details of the standards and interpretations that is applied but did not have an effect on the reported amounts is explained in the following chapters.

##### Standards affecting presentation and disclosure in 2009 financial statements

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

IAS 1 (2007), make changes in terminologies, financial statement formats and contents, including revised headers used for financial statements. The company shows changes about shareholders in the statement of changes in equity and 'non-owner changes in equity' in the comprehensive income statement.

- IAS 7 (Amendment), "Financial Instruments: Disclosures"

Changes in IAS 7 brings extended descriptions about fair value measurement and liquidity risk.

The company applied the changes in IAS 7 during 2009 and in Note 39 gives information about fair value level. In the current year, the entity did not make an important reclassmnet during the calculation of fair value between the three levels of inputs.

- IFRS 8 "Operating segments"

This standard is a standard of description requires that the reportable parts of the company to be reorganized.

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

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

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

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

The following new and revised standards and interpretations are executed in the financial statements. Execution of these standards and interpretations did not have an important effect on reported amounts of the financial statements, but it may effect entering future transactions and agreements in the accounts.

- IFRS 1, "First-time Adoption of International Financial Reporting Standards" and IAS 27, "Consolidated and Separate Financial Statements" (Amendment on Investment Costs in First-time Adoption of IFRS)
- IAS 23(Revised), "Borrowing Costs"
- IAS 38, "Intangible Assets" Standards Changes
- IAS 40, "Investment Property" Standards Changes
- IAS 20, "Government Grants and disclosure of government assistance" Standards Changes
- IFRIC 13, "Customer Loyalty Programmes"
- IFRS 2, "Share-based Payment" (Amendment on the Share-based Cash Payment transactions)
- IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"
- IAS 1, "Presentation of Financial Statements" and IAS 32 "Financial Instruments Presentation (amendment on financial instruments with option of repurchase and liabilities arising in converting into cash)
- IAS 32, "Financial Instruments Presentation and IAS 1 "Presentation of Financial Statements" – Amendment on marketable financial instrument and obligations in settlement.
- IAS 39, "Financial Instruments: Recognition and Measurement" (Amendments relating to reclassification of financial instruments)
- Amendments in 2008 (IAS 1 "Presentation of Financial Statements"; IAS 16 "Property Plant Equipment"; IAS 19 "Employee Benefits"; IAS 27 "Consolidated and Separate Financial Statements"; IAS 28 "Investment in Associates"; IAS 31 "Interest in Joint Ventures"; IAS 29 "Financial Reporting in High Inflation Economies"; IAS 36 "Impairment of Assets"; IAS 39 "Financial Instruments: Recognition and Measurement" ; IAS 40 "Investment Property"; IAS 41" Agricultural Activities"
- IFRIC 15, "Real Estate Construction Agreements"
- IFRIC 16, "Hedges of a Net Investment in a Foreign Operation"
- IFRIC 18, "Transfer of Assets from Customers"

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

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

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

- IFRS 3, "Business Combinations", IAS 27 "Consolidated and Separate Financial Statements"; IAS 28, "Investments in Associates", IAS 31 "Interests in Joint Ventures" (Amendment on the Application of Purchase Method)
- IFRS 9, "Financial Instruments"
- IAS 24 (2009) "Related Party Disclosures"
- IFRIC 17, "Distributions of Non-cash Assets to Owners"
- IFRIC 19, "Financial liabilities to be paid by using equity instruments"

Amendments related to Annual Improvements to IFRS (2009)

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

### 2.7 Summary of Significant Accounting Policies

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

#### 2.7.1 Revenue

Revenue is recognized on accrual basis at the fair value of the amount received or to be received based on the assumptions that revenue is measured reliably and it is probable that economic benefits associated with the sale will flow to the Company. Net sales are calculated after the sales returns and sales discounts.

Revenue from sale of goods and services rendered is recognised when all the following conditions are satisfied:

- The Company has transferred to the buyer all the significant risks and rewards of ownership
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

When there is significant amount of cost of financing included in the sales, the fair value is determined by discounting all probable future cash flows with the yield rate, which is embedded in the cost of financing. The difference between the fair value and the nominal value is recorded as interest income according to the accrual basis.

The Company provides maintenance and repair services to civil aviation sector, and technical and infrastructural assistance related with the airlines sector. Income is recorded based on accrual basis.

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS

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

#### 2.7 Summary of Significant Accounting Policies (cont'd)

##### 2.7.2 Inventories

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

Average cost method is applied in the calculation of cost of inventories. Net realizable value represents estimated selling price at regular business operation less all estimated costs of completion and estimated costs which is necessary to make sales.

Components and repairable spare parts depreciated over their useful lives are as follows:

	<u>Useful Life (years)</u>
- Components	7
- Repairable spare parts (R Equipment)	7
- Repairable spare parts (X Equipment)	3

##### 2.7.3 Tangible assets

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

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

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

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

The useful lives of tangible assets are as follows:

	<u>Useful Life (years)</u>
- Machinery and equipment	3-15
- Furniture and fixtures	4-15
- Vehicles	4-7
- Other tangible assets	4-15
- Leasehold Improvements	5

##### 2.7.4 Intangible Assets

Intangible assets include information systems and other intangible assets. These intangible assets are recorded in the purchased cost accounted on 31 December 2009. Other intangible assets are depreciated over their useful life, on a straight-line basis.



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

### 2.7 Summary of Significant Accounting Policies (cont'd)

#### 2.7.5 Impairment on Assets

Assets with indefinite useful lives such as goodwill are not subject to amortization. Such assets are subject to impairment test each year. Assets that are subject to amortisation are reviewed for impairment when the carrying amount of an asset is irrecoverable. An impairment loss is recognised when the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For assessing impairment, assets are grouped at the lowest level to which there are separate identifiable cash flows (cash-generating units). At each reporting date, non-financial assets other than goodwill that suffered impairment are reviewed for any possibility on the reversal of impairment.

#### 2.7.6 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All of the other borrowing costs are recognized in the statement of income in the period in which they occur. As of 31 December 2009 and 2008, the Company does not have any capitalized borrowing costs.

#### 2.7.7 Financial Instruments

##### Financial assets

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

Other financial assets are classified into the following specified categories: financial assets as "at fair value through profit or loss" (FVTPL), "held-to-maturity investments", "available-for-sale" (AFS) financial assets and "loans and receivables". Classification is made according to the financial asset's purpose of obtaining and features at the first recording.

##### Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at fair value through profit or loss.

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

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

#### 2.7 Summary of Significant Accounting Policies (cont'd)

##### 2.7.7 Financial Instruments (cont'd)

###### *Financial assets at FVTPL*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

###### *Held-to-maturity investments*

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

###### *Available for sale financial assets*

Investments other than (a) held-to-maturity debt securities and (b) held for trading securities are classified as available-for-sale, (c) loans and receivables and are measured at subsequent reporting dates at fair value except available-for-sale investments that do not have quoted prices in active markets and whose fair values cannot be reliably measured are stated at cost and restated to the equivalent purchasing power. Gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period. Impairment losses recognized in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognized in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

###### *Sale and repurchase agreements*

Securities purchased under agreements to resell ("reverse repos") are recorded as reverse repo receivables on the cash and due from banks account, together with the difference between sale and repurchase price, which is accrued evenly over the life of the agreement using the effective yield method.

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

### 2.7 Summary of Significant Accounting Policies (cont'd)

#### 2.7.7 Financial Instruments (cont'd)

##### *Loans and receivables*

Trade and other loans and receivables, which does not traded in the market, with fixed and determinable payments are classified in this category. Loans and receivables are measured at amortized cost using the effective interest method.

##### *Impairment of Financial Assets*

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

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

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

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

##### *Cash and cash equivalents*

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

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

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FOR THE YEAR ENDED 31 DECEMBER 2009

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

#### 2.7 Summary of Significant Accounting Policies (cont'd)

##### 2.7.7 Financial Instruments (cont'd)

###### *Financial liabilities*

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

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

###### *Other financial liabilities*

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

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

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

##### 2.7.8 Foreign Currency Transactions

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

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

	<u>Closing Rate</u>	<u>Average Rate</u>
31 December 2009	1,5057	1,5457
31 December 2008	1,5123	1,2976
31 December 2007	1,1647	1,3003
31 December 2006	1,4056	1,4297

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

	<u>Closing Rate</u>	<u>Ortalama Kur</u>
31 December 2009	2,1603	2,1508
31 December 2008	2,1408	1,8969
31 December 2007	1,7102	1,7773
31 December 2006	1,8515	1,8032

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

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

#### 2.7 Summary of Significant Accounting Policies (cont'd)

##### 2.7.9 Earnings per Share

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

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

##### 2.7.10 Events Subsequent to the Balance Sheet Date

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

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

##### 2.7.11 Provisions, Contingent Liabilities ve Contingent Assets

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

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

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

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

##### 2.7.12 Related Parties

Related parties in the financial statements refer to partners, top level management, members of the Board of Directors, and close family members in charge of the Company, as well as the companies, affiliates and partnerships controlled by these individuals or associated with them. Transactions with related parties are performed based on prices at arm's length.

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

### 2.7 Summary of Significant Accounting Policies (cont'd)

#### 2.7.13 Taxation and Deferred Tax

Income tax expense represents the sum of the tax currently payable and deferred tax liability (or asset).

##### *Current tax*

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

##### *Deferred Tax*

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS

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

#### 2.7 Summary of Significant Accounting Policies (cont'd)

##### 2.7.13 Taxation and Deferred Tax (cont'd)

###### *Current and deferred tax for the period*

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over cost. Taxes on financial statements contain changes in current period taxes and deferred tax. The Company calculates current period tax and deferred tax based on period results.

##### 2.7.14 Employee benefit /retirement pay provision

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

The retirement benefit obligation recognized in the balance sheet have been measured as the net current value of the liabilities that are expected to emerge from the retirements of all employees and disclosed as such on the financial statements. Any actuarial gains and losses calculated are carried on the income statement.

##### 2.7.15 Statement of Cash Flow

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

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

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

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

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

##### 2.7.16 Share Capital and Dividends

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

**TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

*(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)*

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

**2.8 Critical Accounting Estimates and Assumptions**

*Useful Lives of Inventories*

Component and repairable equipments are subject to depreciation and their useful lives are explained in Note 2.7.2.

**3. BUSINESS COMBINATIONS**

None (31 December 2008: None).

**4. ASSOCIATES**

None (31 December 2008: None).

**5. SEGMENTAL REPORTING**

None (31 December 2008: None).



# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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### 6. CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents as of 31 December 2009 and 2008 are as follows:

	<u>31 December 2009</u>	<u>31 December 2008</u>
Banks (Demand Deposits)	1.174.862	743.281
Banks (Time Deposits)	21.399.510	45.335.718
	<u>22.574.372</u>	<u>46.078.999</u>

The details of time deposits as of 31 December 2009 and 2008 are as follows:

<u>Capital</u>	<u>Currency</u>	<u>Opening Date</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>31 December 2009</u>
13.592.569	US Dollar	December 2009	0,20% -3,00%	January 2010	20.466.331
933.179	TL	December 2009	6,25%-6,5%	January 2010	933.179
					<u>21.399.510</u>

<u>Capital</u>	<u>Currency</u>	<u>Opening Date</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>31 December 2008</u>
24.952.534	US Dollar	December 2008	2,60% - 6,35%	January 2009	37.735.718
7.600.000	TL	December 2008	18%	January 2009	7.600.000
					<u>45.335.718</u>

### 7. FINANCIAL ASSETS

None (31 December 2008: None).

**TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ****NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009***(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)***8. FINANCIAL BORROWINGS**

The details of financial borrowings as of 31 December 2009 and 2008 are as follows:

	<u>31 December 2009</u>	<u>31 December 2008</u>
Short term	40.451	55.649
Long term	-	23.069
	<u>40.451</u>	<u>78.718</u>

The details of short term financial liabilities as of 31 December 2009 and 2008 are as follows:

**31 December 2009**

<u>Name of Bank</u>	<u>Maturity</u>	<u>Original Amount</u>	<u>Currency</u>	<u>Balance</u>
Garanti Kredi Kartı	-	17.483	TL	17.483
Türkiye Teknoloji Geliştirme Proje Destekleme Vakfı	30 June 2010	15.254	US Dollar	22.968
				<u>40.451</u>

**31 December 2008**

<u>Name of Bank</u>	<u>Maturity</u>	<u>Original Amount</u>	<u>Currency</u>	<u>Balance</u>
Garanti Kredi Kartı	-	9.150	TL	9.150
Garanti Kredi Kartı	-	239	US Dollar	362
Türkiye Teknoloji Geliştirme Proje Destekleme Vakfı	30 June- 31 December 2009	30.508	US Dollar	46.137
				<u>55.649</u>

The details of long term financial liabilities as of 31 December 2008 are as follows:

**31 December 2008**

<u>Name of Bank</u>	<u>Maturity</u>	<u>Original Amount</u>	<u>Currency</u>	<u>Balance</u>
Türkiye Teknoloji Geliştirme Proje Destekleme Vakfı	30 June 2010	15.254	US Dollar	23.069

**9. OTHER FINANCIAL LIABILITIES**

None (31 December 2008: None).

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

### 10. TRADE RECEIVABLES AND PAYABLES

Short term trade receivables as of 31 December 2009 and 2008 are as follows:

	<u>31 December 2009</u>	<u>31 December 2008</u>
Trade Receivables	47.793.309	32.590.422
Trade Receivables from Related Parties (Note 37)	84.712.110	49.096.193
Credit Note Receivables	108.911	218.310
Notes Receivables	1.523.432	3.327.060
Discount on Notes Receivables (-)	(2.534)	(15.403)
Allowance for Doubtful Receivables (-)	(13.127.922)	(12.917.051)
	<u>121.007.306</u>	<u>72.299.531</u>

Movement of the doubtful receivables for the period ended 31 December 2009 and 2008 are as follows:

	<u>1 January- 31 December 2009</u>	<u>1 January- 31 December 2008</u>
Provision at the beginning of the year	12.917.051	382.511
Current year charge	15.199.031	12.878.135
Collections	(12.623.578)	(343.595)
Receivables written off	(2.364.582)	-
	<u>13.127.922</u>	<u>12.917.051</u>

The Company does not have long term trade receivables as of 31 December 2009 and 2008.

#### Guarantees Received for Receivables

Total amounts of the Company's guarantees received for trade receivables are as follows:

	<u>31 December 2009</u>		<u>31 December 2008</u>	
	Nominal Value	Fair Value	Nominal Value	Fair Value
Letters of Guarantees	3.951.919	3.951.919	2.116.075	2.116.075
	<u>3.951.919</u>	<u>3.951.919</u>	<u>2.116.075</u>	<u>2.116.075</u>

Short term trade payables are as follows:

	<u>31 December 2009</u>	<u>31 December 2008</u>
Trade Receivables	28.319.432	31.760.070
Trade Receivables from Related Parties (Note 37)	19.639.083	19.187.273
Discount on Notes Receivables (-)	(92.259)	-
Other Trade Receivables	1.915.964	607.613
	<u>49.782.220</u>	<u>51.554.956</u>

The Company does not have long term trade payables as of 31 December 2009 and 2008.

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

### 11. OTHER RECEIVABLES AND PAYABLES

Details of other short term receivables as of 31 December 2009 and 2008 are as follows:

	<u>31 December 2009</u>	<u>31 December 2008</u>
Receivables from Tax Office	1.902.538	4.911.603
Receivables from Foreign Technical Suppliers	265.974	1.465.399
THY A.O. Non-Trade Receivables (Note 37)	132.228	5.219
Due from Personnel	5.473	5.987
Doubtful Receivables	18.846	24.939
Allowance of Doubtful Receivables (-)	(18.846)	(24.939)
Deposits and Guarantees Given	4.810	1.951
Other Receivables	71.299	195
	<u>2.382.322</u>	<u>6.390.354</u>

Movement of provision for doubtful receivables for the years ended 31 December 2009 and 31 December 2008 are as follows:

	<u>1 January - 31 December 2009</u>	<u>1 January - 31 December 2008</u>
Provision at the beginning of the year	24.939	21.152
Current year charge	6.331	4.148
Collected amount	(12.424)	(361)
<b>Provision at the end of the year</b>	<u>18.846</u>	<u>24.939</u>

The details of other short term payables as of 31 December 2009 and 2008 are as follows:

	<u>31 December 2009</u>	<u>31 December 2008</u>
THY A.O. Non-Trade Payables (Note 37)	5.654.773	4.806.431
Taxes, Charges and Other Payables	9.888.081	9.227.069
Social Security Premiums Payables	4.187.464	3.859.598
Order Advances Received	1.105.153	1.035.086
Deposits and Guarantees Received	17.543	25.982
Payables to Personnel	580.677	134.219
	<u>21.433.691</u>	<u>19.088.385</u>

### 12. RECEIVABLES AND PAYABLES FROM FINANCIAL SECTOR OPERATIONS

None (31 December 2008: None).

**TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ****NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009***(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)***13. INVENTORIES**

	<u>31 December 2009</u>	<u>31 December 2008</u>
Technical Equipment Inventories	133.669.283	85.795.112
Obsolete Equipment Inventories	14.368.647	14.724.718
BFE Equipment Inventories	70.444	1.370.168
Components and Spare Parts Repairable	319.829.495	366.092.559
Accumulated Depreciation of Components and Spare Parts Repairable (-)	(147.045.446)	(185.009.980)
Technical Equipment Inventories in Transit	548.495	5.070.941
Provision for Impairment (-)	(14.368.647)	(14.724.718)
	<u><u>307.072.271</u></u>	<u><u>273.318.800</u></u>

Movement of allowance for impairment on inventory is as follows:

	<u>1 January - 31 December 2009</u>	<u>1 January - 31 December 2008</u>
Provision at the beginning of the year	14.724.718	10.845.508
Current year charge	1.290.280	13.078.367
Cancellation of provisions recognized	(1.646.351)	(9.199.157)
Provision at the end of the year	<u><u>14.368.647</u></u>	<u><u>14.724.718</u></u>

Movement of components and spare parts are as follows:

	<u>Components and Spare Parts Repairable</u>
<b>Cost</b>	
Opening balance, 1 January 2009	366.092.559
Additions	93.157.533
Disposals	(139.420.597)
Closing balance, 31 December 2009	<u>319.829.495</u>
<b>Accumulated Depreciation</b>	
Opening balance, 1 January 2009	185.009.980
Current charge for the year	45.729.772
Disposals	(83.694.306)
Closing balance, 31 December 2009	<u>147.045.446</u>
<b>Net book value at 31 December 2009</b>	<u><u>172.784.049</u></u>
<b>Net book value at 31 December 2008</b>	<u><u>181.082.579</u></u>

**TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

*(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)*

**13. INVENTORIES (cont'd)**

	<b>Components and Spare Parts Repairable</b>
<b>Cost</b>	
Opening balance, 1 January 2008	327.244.647
Additions	102.489.872
Disposals	(63.641.960)
Closing balance, 30 June 2008	366.092.559
<b>Accumulated Depreciation</b>	
Opening balance, 1 January 2008	153.043.938
Current charge for the period	77.231.045
Disposals	(45.265.003)
Closing balance, 31 December 2008	185.009.980
<b>Net book value at 31 December 2008</b>	<b>181.082.579</b>
<b>Net book value at 31 December 2007</b>	<b>174.200.709</b>

**14. BIOLOGICAL ASSETS**

None (31 December 2008: None).

**15. ASSETS FROM CONSTRUCTION CONTRACTS IN PROGRESS**

None (31 December 2008: None).

**16. INVESTMENTS ACCOUNTED FOR EQUITY METHOD**

Investments accounted for equity method are as follows:

	<b>31 December 2009</b>	<b>31 December 2008</b>
P&W T.T. Uçak Bakım Merkezi Ltd. Şti.	22.421.794	3.765.565
	<b>22.421.794</b>	<b>3.765.565</b>

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

	<b>31 December 2009</b>	<b>31 December 2009</b>
Assets	104.846.886	8.344.051
Liabilities	59.088.122	659.225
Shareholders' Equity	45.758.764	7.684.826
The Company's share in shareholders' equity	22.421.794	3.765.565
	<b>1 January- 31 December 2009</b>	<b>1 January- 31 December 2008</b>
Revenue	119.754	-
Profit / (loss)	(5.508.567)	(960.174)
The Company's share on Profit / (Loss)	(2.699.198)	(470.485)

**TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ**

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**16. INVESTMENTS ACCOUNTED FOR EQUITY METHOD (cont'd)**

Portions of investments valued by equity method in profit / (loss) are as follows:

	<u>1 January - 31 December 2009</u>	<u>1 January - 31 December 2008</u>
P&W T.T. Uçak Bakım Merkezi Ltd. Şti.	(2.699.198)	(470.485)
	<u>(2.699.198)</u>	<u>(470.485)</u>

Financial assets accounted for equity method in profit/loss as of 31 December 2009 and 31 December 2008 are as follows:

<u>Name of the company</u>	<u>Place of Incorporation and Operation</u>	<u>Ownership Rate</u>	<u>Voting Power Rate</u>	<u>Principal Activity</u>
P&W T.T. Uçak Bakım Merkezi Ltd. Şti	Turkey	49%	49%	Maintenance Services

**17. INVESTMENT PROPERTY**

None (31 December 2008: None).

**TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ**

**NOTES TO FINANCIAL STATEMENTS  
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*(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)*

**18. TANGIBLE ASSETS**

	Plant, Machinery and Equipment	Vehicles	Furniture and Fixtures	Other Tangible Assets	Construction in Progress	Leasehold Improvements	Total
Opening balance 1 January 2009	75.156.306	7.360.727	4.796.817	934.858	5.058.945	2.978.523	96.286.176
Additions	9.802.766	276.808	1.548.196	146.583	15.060.404	-	26.834.757
Disposals	(5.691.772)	(332.439)	(85.444)	(2.820)	-	(2.850)	(6.115.325)
Transfer	-	-	-	-	(16.019.226)	16.019.226	-
Closing balance 31 December 2009	79.267.300	7.305.096	6.259.569	1.078.621	4.100.123	18.994.899	117.005.608
<b>Accumulated Depreciation</b>							
Opening balance 1 January 2009	55.812.129	6.853.982	2.398.718	465.810	-	590.066	66.120.705
Charge for the year	4.877.408	230.199	855.691	111.657	-	1.615.068	7.690.023
Disposals	(5.520.396)	(332.439)	(76.134)	-	1.239	(475)	(5.930.683)
Closing balance 31 December 2009	55.169.141	6.751.742	3.178.275	576.228	-	2.204.659	67.880.045
Net book value 31 December 2009	24.098.159	553.354	3.081.294	502.393	4.100.123	16.790.240	49.125.563
Net book value 31 December 2008	19.344.177	506.745	2.398.099	469.048	5.058.945	2.388.457	30.165.471



**TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

*(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)*

**18. TANGIBLE ASSET (cont'd)**

<u>Cost</u>	<u>Plant, Machinery and Equipment</u>	<u>Vehicles</u>	<u>Furniture and Fixtures</u>	<u>Other Tangible Assets</u>	<u>Construction in Progress</u>	<u>Leasehold Improvements</u>	<u>Total</u>
Opening balance 1 January 2008	76.098.885	10.755.181	4.363.750	930.054	576.637	1.990.172	94.714.679
Additions	9.122.321	201.774	1.062.782	131.181	4.482.308	988.351	15.988.717
Disposals	(10.064.900)	(3.596.228)	(629.715)	(126.377)	-	-	(14.417.220)
Closing balance 31 December 2008	75.156.306	7.360.727	4.796.817	934.858	5.058.945	2.978.523	96.286.176
<u>Accumulated Depreciation</u>							
Opening balance 1 January 2008	61.630.110	10.221.278	2.342.419	475.165	-	103.065	74.772.037
Charge for the year	4.188.920	228.826	681.088	106.230	-	487.001	5.692.065
Disposals	(10.006.901)	(3.596.122)	(624.789)	(115.585)	-	-	(14.343.397)
Closing balance 31 December 2008	55.812.129	6.853.982	2.398.718	465.810	-	590.066	66.120.705
Net book value 31 December 2008	19.344.177	506.745	2.398.099	469.048	5.058.945	2.388.457	30.165.471
Net book value 31 December 2007	14.468.775	533.903	2.021.333	454.887	576.637	1.887.107	19.942.642

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

### 19. INTANGIBLE ASSETS

<u>Cost</u>	<u>Rights</u>
Opening balance, 1 January 2009	592.204
Additions	350.318
Closing balance, 31 December 2009	942.522
<u>Accumulated Depreciation</u>	
Opening balance, 1 January 2009	178.894
Charge for the period	174.871
Closing balance, 31 December 2009	353.765
<b>Net book value 31 December 2009</b>	<b>588.757</b>
<b>Net book value 31 December 2008</b>	<b>413.310</b>

<u>Cost</u>	<u>Rights</u>
Opening balance, 1 January 2008	198.114
Additions	406.791
Disposals	(12.701)
Closing balance, 31 December 2008	592.204
<u>Accumulated Depreciation</u>	
Opening balance, 1 January 2008	131.013
Charge for the period	60.582
Disposals	(12.701)
Closing balance, 31 December 2008	178.894
<b>Net book value 31 December 2008</b>	<b>413.310</b>
<b>Net book value 31 December 2007</b>	<b>67.101</b>

### 20. GOODWILL

None (31 December 2008: None).

### 21. GOVERNMENT GRANTS

None (31 December 2008: None).

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS  
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22. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

*i) Provisions*

	<u>31 December 2009</u>	<u>31 December 2008</u>
Provisions for Legal Claims	98.545	97.950

Movements in the allowance for legal claims at 31 December 2009 and 2008 years set out below:

	<u>1 January - 31 December 2009</u>	<u>1 January - 31 December 2008</u>
Provision at the beginning of the year	97.950	-
Charge for the year	595	97.950
Provision at the end of the year	<u>98.545</u>	<u>97.950</u>

*ii) Contingent Assets and Liabilities:*

**31 December 2009**

As of 31 December 2009, 3 demanding compensation lawsuit is opened against THY Teknik A.Ş. and for this legal case provision of TL 98.545 is provided in the financial statements.

**31 December 2008**

As of 31 December 2008, 2 demanding compensation lawsuits are opened against THY Teknik A.Ş. and for these legal cases provision of TL 97.950 is provided in the financial statements.

*iii) Contingent Liabilities:*

**31 December 2009**

<u>DESCRIPTION</u>	<u>TL AMOUNT</u>
Letters of Guarantee Given	702.305
<b>TOTAL</b>	<b>702.305</b>

**31 December 2008**

<u>DESCRIPTION</u>	<u>TL AMOUNT</u>
Letters of Guarantee Given	610.460
<b>TOTAL</b>	<b>610.460</b>

*iv) Mortgages and guarantees on assets:*

None (31 December 2008: None).

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009  
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## 22. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

*v) Insurance on asset:*

### 31 December 2009

Type of Assets Insured	Amount	Currency
Buildings and Machinery Plant Equipment	190.923.104	TL
Vehicles	308.933	TL
Insurance of Spare Parts	250.000.000	US Dollar
Other	290.000	TL
<b>Total TL</b>	<b>191.522.037</b>	
<b>Total USD</b>	<b>250.000.000</b>	

### 31 December 2008

Type of Assets Insured	Amount	Currency
Buildings and Machinery Plant Equipment	138.454.678	TL
Vehicles	243.940	TL
Insurance of Spare Parts	250.000.000	US Dollar
Other	280.000	TL
<b>Total TL</b>	<b>138.978.618</b>	
<b>Total USD</b>	<b>250.000.000</b>	

## 23. COMMITMENTS

None (31 December 2008: None).

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS  
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## 24. EMPLOYEE BENEFITS

Short term employee benefits are as follows:

	<u>31 December 2009</u>	<u>31 December 2008</u>
Salary Accruals	6.382.549	6.127.378
Provision for unused vacation	773.586	3.159.323
	<u>7.156.135</u>	<u>9.286.701</u>

Provision for long term retirement pay liability comprised the following:

	<u>31 December 2009</u>	<u>31 December 2008</u>
Provision for Retirement Pay Liability	18.363.932	13.876.167

Under the Turkish Labor Law, the Company is required to pay employment termination benefits to each employee who has qualified for such payment. Also, employees are entitled to retirement pay provisions subsequent to the completion of their retirement period by gaining a right to receive retirement payments in accordance with the amended Article of 60 the applicable Social Insurance Law No: 506 and the related Decrees No: 2422 and 4447 issued on 6 March 1981 and 25 August 1999, respectively. Some transition provisions related to the pre-retirement service term was excluded from law since the related law was changed as of 23 May 2002.

The amount retirement pay liability consists of one month's salary limited to a maximum of TL 2.365,16 as of 31 December 2009. (2008: TL 2.087,92)

The liability is not funded, as there is no funding requirement in Turkey. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. IAS 19 "Employee Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as of 31 December 2009, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 11% (2008: 12%) and a discount rate of 4,8% (2008: 5.4%) resulting in a real discount rate of approximately 5.92% (2008: 6.26%). The anticipated rate of forfeitures is considered. The maximum liability is revised semi annually, in Company's Severance Pay Provision calculation, TL 2.427,04 ceiling amount as of 1 January 2010 has been taken into account.

**TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ**

NOTES TO FINANCIAL STATEMENTS  
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**24. EMPLOYEE BENEFITS (cont'd)**

Movement of provision for retirement pay liability is as follows:

	<u>1 January - 31 December 2009</u>	<u>1 January - 31 December 2008</u>
Provision at the beginning of the period	13.876.167	7.274.178
Current service costs	4.621.794	6.748.495
Interest costs	820.918	455.499
Payments	(954.947)	(602.005)
Provision at the end of the period	<u>18.363.932</u>	<u>13.876.167</u>

**25. RETIREMENT PLANS**

None (31 December 2008: None).

**26. OTHER ASSETS AND LIABILITIES**

Other short term assets are as follows:

	<u>31 December 2009</u>	<u>31 December 2008</u>
Advances Given for Orders	3.788.745	4.640.873
Income Accruals	1.840.440	4.281.044
Prepaid Expenses	839.688	643.475
Advances Given to Personnel	69.417	36.958
Deferred VAT	-	275.568
	<u>6.538.290</u>	<u>9.877.918</u>

Other short term liabilities are as follows:

	<u>31 December 2009</u>	<u>31 December 2008</u>
Deferred Income	-	330.729
Expense Accruals	721.356	875.341
Other liabilities	53.068	266.412
	<u>774.424</u>	<u>1.472.482</u>

Other non current assets are as follows:

	<u>31 December 2009</u>	<u>31 December 2008</u>
Prepayments for Tangible Assets	3.055.485	278.498
Prepaid Expenses	135.349	227.880
	<u>3.190.834</u>	<u>506.378</u>

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS  
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## 27. SHAREHOLDERS' EQUITY

### a) Share Capital / Elimination Adjustments

As of 31 December 2009, the Company's share capital is comprised of 318.000.000 shares issued with par value of 1 TL 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:

	%	31 December 2009	%	31 December 2008
THY A.O.	100	318.000.000	100	318.000.000
Unpaid Capital		-		(29.675.304)
		<u>318.000.000</u>		<u>288.324.696</u>

### b) Reserves

None (31 December 2008: None).

### c) Restricted Reserves Assorted from Profit

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 consist of extraordinary reserves and other retained earnings.

In accordance with the CMB's decision numbered 7/242 dated on 25 February 2005; if the amount of net distributable profit based on the CMB's requirement on the minimum profit distribution arrangements, which is computed over the net profit determined based on the CMB's regulations, does not exceed the net distributable profit in the statutory accounts, the whole amount should be distributed, otherwise; all distributable amount in the statutory accounts, the whole amount should be distributed, otherwise; all distributable amount in the statutory accounts are distributed. However, no profit distribution would be made if any financial statements prepared in accordance with the CMB or any statutory accounts carrying net loss for the period.

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

### 27. SHAREHOLDERS' EQUITY (cont'd)

The Company's shareholders' equity items as per year ends are explained below:

	<u>31 December 2009</u>	<u>31 December 2008</u>
Subscribed Capital	318.000.000	288.324.696
Legal Reserves	2.099.288	1.083.311
Extraordinary Reserves	39.886.471	20.582.917
Retained Earnings	14.851.025	994.483
Net Profit for the Year	59.758.812	34.176.073
	<u>434.595.596</u>	<u>345.161.480</u>

#### e) Distribution of Dividends

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

### 28. SALES AND COST OF SALES

Sales are as follows:

	<u>1 January - 31 December 2009</u>	<u>1 January - 31 December 2008</u>
Line Maintenance Income	124.745.634	82.728.697
Aircraft Maintenance Income	193.525.804	176.721.385
Engine Maintenance Income	116.624.462	115.823.683
Component Maintenance Income	85.470.097	58.675.067
Bfe&Retrofit Income	1.025.449	33.353.229
Pool Income	76.515.167	55.728.541
Other	102.297.577	87.041.165
<b>Sales Revenues (Net)</b>	<b>700.204.190</b>	<b>610.071.767</b>
Cost of Sales (-)	(580.096.057)	(536.429.075)
<b>Gross Operating Profit/(Loss)</b>	<b>120.108.133</b>	<b>73.642.692</b>



# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS  
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## 28. SALES AND COST OF SALES (cont'd)

	<u>1 January - 31 December 2009</u>	<u>1 January - 31 December 2008</u>
Equipment Expenses	196.088.581	117.231.645
Staff Expenses	198.076.773	180.193.410
Maintenance Expenses	72.727.981	66.534.348
Depreciation Expenses	48.749.477	82.010.457
Bfe&Retrofit Expenses	1.002.135	32.504.256
Retirement Pay Provision Expense	3.666.847	6.064.114
Other	59.784.263	51.890.845
	<u><b>580.096.057</b></u>	<u><b>536.429.075</b></u>

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

	<u>1 January - 31 December 2009</u>	<u>1 January - 31 December 2008</u>
Marketing, Selling and Distribution Expenses (-)	5.171.892	3.714.723
General Administrative Expenses (-)	59.251.691	47.269.925
<b>Total Operating Expenses</b>	<u><b>64.423.583</b></u>	<u><b>50.984.648</b></u>

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**30. EXPENSES BY NATURE**

	<u>1 January - 31 December 2009</u>	<u>1 January - 31 December 2008</u>
<b>Sales and Marketing Expenses (-)</b>		
Staff Expenses	3.205.974	2.280.571
Depreciation Expenses	21.429	15.041
Other Expenses	1.944.489	1.419.111
	<u>5.171.892</u>	<u>3.714.723</u>
	<u>1 January - 31 December 2009</u>	<u>1 January - 31 December 2008</u>
<b>General Administrative Expenses</b>		
Equipment Expenses	1.960.246	1.652.455
Staff Expenses	27.554.735	24.151.355
Service Expenses	5.357.541	4.000.349
Rent Expenses	1.643.792	1.451.878
Lighting, Heating and Water Expenses	1.361.284	1.245.689
Allowance for Doubtful Receivable Expenses	15.205.362	12.882.283
Depreciation Expenses	4.823.760	958.194
Other Expenses	1.344.971	927.722
	<u>59.251.691</u>	<u>47.269.925</u>
<b>Total Operating Expenses</b>	<u>64.423.583</u>	<u>50.984.648</u>

**31. OTHER OPERATING INCOME/ EXPENSES**

Other operating income consists of the following:

	<u>1 January - 31 December 2009</u>	<u>1 January - 31 December 2008</u>
Plant Maintenance Income	1.096.397	924.601
Provisions Released	12.636.002	343.956
Other Income	3.428.122	962.702
<b>Total other operating income</b>	<u>17.160.521</u>	<u>2.231.259</u>
	<u>1 January - 31 December 2009</u>	<u>1 January - 31 December 2008</u>
Commission Expenses	(13.149)	(7.927)
Other	(461.181)	(441.322)
<b>Total other operating expenses</b>	<u>(474.330)</u>	<u>(449.249)</u>

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### 32. FINANCIAL INCOME

	<u>1 January - 31 December 2009</u>	<u>1 January - 31 December 2008</u>
Interest Income	841.663	1.645.528
Foreign Exchange Gain	38.999.593	73.545.651
Maturity Difference Income	3.262.946	1.951.873
Discount Interest Income	92.259	-
Cancellation of Discount of the prior period	15.403	-
<b>Total Financial Income</b>	<b><u>43.211.864</u></b>	<b><u>77.143.052</u></b>

### 33. FINANCE EXPENSES

	<u>1 January - 31 December 2009</u>	<u>1 January - 31 December 2008</u>
Foreign Exchange Losses	(37.324.085)	(57.572.211)
Bank Expenses	(13.375)	(12.920)
Retirement Pay Interest Cost	(820.918)	(455.499)
Discount Expenses	(2.534)	(15.403)
<b>Total Financial Expenses</b>	<b><u>(38.160.912)</u></b>	<b><u>(58.056.033)</u></b>

### 34. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None (31 December 2008: None).

### 35. TAX ASSETS AND LIABILITIES

Tax liability for the current profit is as follows:

	<u>31 December 2009</u>	<u>31 December 2008</u>
Provision for Corporate Tax Liability	12.740.390	7.673.685
Prepaid Taxes	(10.320.846)	(3.487.876)
Corporate Tax Liability	<b><u>2.419.544</u></b>	<b><u>4.185.809</u></b>

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

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### 35. TAX ASSETS AND LIABILITIES (cont'd)

#### 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 rate of tax in 2009 is 20% (2008: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 2009 is 20% (2008: 20%).

Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. Tax carry back is not allowed.

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

#### Income withholding tax:

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding tax applied in between 24 April 2003 – 22 July 2006 is 10% and commencing from 23 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.

Withholding tax at the rate of 19,8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, companies can deduct 40% of the investments within the scope of the investment incentive certificate and that are directly related to production facilities of the Company. The investments without investment incentive certificates do not qualify for tax allowance.

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### 35. TAX ASSETS AND LIABILITIES (cont'd)

#### Investment Incentives

The application of investment incentives is revoked commencing from 1 January 2006. However, companies are allowed to offset their carried forward outstanding allowances as of 31 December 2005 against the 2006, 2007 and 2008's taxable income in cases where they have insufficient taxable profits. Non-deductible investment incentives from the 2008's taxable income cannot be carried forward to following years.

Upon the resolution made by the Constitutional Court on 15 October 2009, the legal arrangement, which proposes to eliminate the vested rights was revoked on the basis of being contradictory to the constitution. Deadline of the investment incentive period is, thereby, ceased as of the reporting date. The related resolution was published in the Official Gazette on 8 January 2010.

	<u>1 January - 31 December 2009</u>	<u>1 January - 31 December 2008</u>
<u>Confirmation of Tax Provision</u>		
Profit from operations before tax	74.722.495	43.056.588
Tax rate of 20%	14.944.499	8.611.318
Effects of Tax		
- revenue that is exempt from taxation	(2.399.933)	(1.805.843)
- non-deductible expenses	2.419.117	2.075.042
Provisions for tax expense in income statement	<u>14.963.683</u>	<u>8.880.517</u>

#### Deferred tax

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

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

	<u>31 December 2009</u>	<u>31 December 2008</u>
Inventories	(8.636.031)	(6.373.452)
Fixed Assets	(1.436.482)	(778.356)
Provision for diminution in value of inventories	2.873.729	2.944.944
Provision for retirement pay	3.672.786	2.775.233
Allowance for doubtful receivables	2.382.426	2.575.627
Other	906.601	842.326
	<u>(236.971)</u>	<u>1.986.322</u>

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**35. TAX ASSETS AND LIABILITIES (cont'd)**

	<u>1 January – 31 December 2009</u>	<u>1 January – 31 December 2008</u>
1 January opening value of deferred tax	1.986.322	3.193.154
Deferred tax expense	(2.223.293)	(1.206.832)
Current period deferred tax (liability)/asset	<u>(236.971)</u>	<u>1.986.322</u>

**36. 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 – 31 December 2009</u>	<u>1 January – 31 December 2008</u>
Numbers of total outstanding shares (in full)	318.000.000	318.000.000
Number of outstanding shares (in full)	318.000.000	318.000.000
Weighted average number of shares outstanding during the period (in full)	318.000.000	318.000.000
Net profit for the year	59.758.812	34.176.071
Earnings per share (Ykr)	18,79	10,75

**37. RELATED PARTY TRANSACTIONS**

**a) Due to/from Related Parties:**

Short-term trade receivables from related parties as of 31 December 2009 and 2008 are as follows:

	<u>31 December 2009</u>	<u>31 December 2008</u>
THY AO	56.409.795	48.633.925
Sun Ekspres	979.778	462.268
Pratt & Whitney	26.705.625	-
Do & Co	616.912	-
	<u>84.712.110</u>	<u>49.096.193</u>

Short-term non-trade receivables from related parties as of 31 December 2009 and 2008 are as follows:

	<u>31 December 2009</u>	<u>31 December 2008</u>
THY AO	132.228	5.219
	<u>132.228</u>	<u>5.219</u>

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Short-term trade payables to related parties as of 31 December 2009 and 2008 are as follows:

	<u>31 December 2009</u>	<u>31 December 2008</u>
THY AO	19.639.083	19.187.273

Short-term non trade payables to related parties as of 31 December 2009 and 2008 are as follows:

	<u>31 December 2009</u>	<u>31 December 2008</u>
THY AO	5.654.773	4.806.431

**b) Purchases and Sales from/to Related Parties**

	<u>1 January– 31 December 2009</u>	<u>1 January – 31 December 2008</u>
Services rendered to THY A.O.	524.479.322	488.230.310
Services rendered to Sun Express	15.979.403	6.443.943
Services rendered and sales to P&W T.T. Uçak Bakım Merkezi Ltd.Şti.	7.863.429	1.478.608
	<u>548.322.154</u>	<u>496.152.861</u>
	<u>1 January– 31 December 2009</u>	<u>1 January – 31 December 2008</u>
Services received from THY A.O	48.084.162	38.155.961
Services received from Sun Express	176.927	155.476
Services received from P&W T.T.	9.362	-
	<u>48.270.451</u>	<u>38.311.437</u>

c) The total amount of salaries and other benefits provided to key management personnel is TL 950.707 (31 December 2008: TL 765.202).

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**38. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS**

**(a) Capital risk management**

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

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

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

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

**(b) Financial Risk Factors**

The Company is exposed to the market risk (foreign currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Risk management program of the Company generally focuses on the minimization of potential negative effects of uncertainty on the Company's performance.



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

(b) Financial Risk Factors (cont'd)

**CREDIT RISK OF FINANCIAL INSTRUMENTS**

**31 December 2009**

	Receivables			Deposits at Banks	
	Trade receivables	Other receivables			
	Related Party	Third Party	Related Party	Third Party	
Maximum credit risk as of balance sheet date (*)	84.712.110	36.295.196	132.228	2.250.094	22.574.372
The part of maximum risk under guarantee with collateral etc.	-	4.106.407	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	84.712.110	11.830.167	132.228	2.250.094	22.574.372
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-
C. Net book value of financial assets that are past due but not impaired	-	24.465.029	-	-	-
-The part under guarantee with collateral etc.	-	4.106.407	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
-Past due (gross carrying amount)	-	11.912.130	-	-	-
-Impairment(-)	-	(11.912.130)	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-
-Not past due (gross carrying amount)	-	1.215.792	-	-	-
-Impairment (-)	-	(1.215.792)	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-
(*)The factors that increase in credit reliability such as guarantees received are not considered in the balance.	-	-	-	-	-

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

**(b) Financial Risk Factors (cont'd)**

**Credit Risk of Financial Instruments**

**31 December 2008**

	Receivables				Deposits at Banks
	Trade receivables		Other receivables		
	Related Party	Third Party	Related Party	Third Party	
Maximum credit risk as of balance sheet date (*)	49.096.193	23.203.338	5.219	6.385.135	46.078.999
The part of maximum risk under guarantee with collateral etc.	-	1.662.903	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	47.212.207	9.865.431	5.219	6.385.135	46.078.999
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired as past due or impaired	1.883.986	11.891.039	-	-	-
C. Net book value of financial assets that are past due but not impaired	-	1.446.868	-	-	-
-The part under guarantee with collateral etc.	-	1.446.868	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
-Past due (gross carrying amount)	-	11.080.301	-	-	-
-Impairment(-)	-	(11.080.301)	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-
-Not past due (gross carrying amount)	-	1.836.750	-	-	-
-Impairment (-)	-	(1.836.750)	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-
(*)The factors that increase in credit reliability such as guarantees received are not considered in the balance.	-	-	-	-	-

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

**(b) Financial Risk Factors (cont'd)**

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

The risk of financial loss of the Company due to one of the financial instrument parties not meeting the requirements of the agreement is defined as credit risk.

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

The Company's aging of past due receivables as of 31 December 2009 and 31 December 2008 are as follows:

Current Period	Receivables				
	Trade Receivables	Other Receivables	Deposits in Banks	Derivative Instruments	Other
Past due 1-30 days	6.166.793	-	-	-	-
Past due 1-3 months	13.222.341	-	-	-	-
Past due 3-12 months	11.611.926	-	-	-	-
Past due 1-5 years	5.376.099	-	-	-	-
Past due more than 5 years	-	-	-	-	-
The part under guarantee with collateral	(4.106.407)	-	-	-	-

Prior Period	Receivables				
	Trade Receivables	Other Receivables	Deposits in Banks	Derivative Instruments	Other
Past due 1-30 days	5.168.193	-	-	-	-
Past due 1-3 months	4.291.451	-	-	-	-
Past due 3-12 months	4.903.955	-	-	-	-
Past due 1-5 years	-	-	-	-	-
Past due more than 5 years	-	-	-	-	-
The part under guarantee with collateral	(1.446.868)	-	-	-	-

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

**(b) Financial Risk Factors (cont'd)**

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

As of balance sheet date, total amount of cash collateral and letter of guarantee which received by the Company for past due not impaired receivable was TL 4.106.457 (31 December 2008: TL 1.446.868).

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

**b.2)Liquidity risk management**

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

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

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

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

#### (b) Financial Risk Factors (cont'd)

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

##### Liquidity Risk Table

###### 31.12.2009

Due Date on Agreement	Book Value	Total Cash Outflow According to Contract	Less than 3 months	3-12 months	1-5 years	More than 5 years
<b>Non Derivative Financial Liabilities</b>	<b>71.256.362</b>	<b>71.348.620</b>	<b>71.308.169</b>	<b>40.451</b>		
Financial Borrowings	40.451	40.451	-	40.451	-	-
Trade Payables	49.782.220	49.874.478	49.874.478	-	-	-
Other Financial Liabilities	21.433.691	21.433.691	21.433.691	-	-	-

###### 31.12.2008

Due Date on Agreement	Book Value	Total Cash Outflow According to Contract	Less than 3 months	3-12 months	1-5 years	More than 5 years
<b>Non Derivative Financial Liabilities</b>	<b>70.722.059</b>	<b>70.722.059</b>	<b>70.643.341</b>	<b>55.649</b>	<b>23.069</b>	
Financial Borrowings	78.718	78.718	-	55.649	23.069	-
Trade Payables	51.554.956	51.554.956	51.554.956	-	-	-
Other Financial Liabilities	19.088.385	19.088.385	19.088.385	-	-	-

##### b.3) Market risk management

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

##### b.3.1) Foreign currency risk management

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

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

(b) Financial Risk Factors (cont'd)

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

**b.3.1) Foreign currency risk management**

Foreign Currency Position Table

	Current Period					Prior Period				
	TL Equivalent	USD	Euro	GBP	Other	TL Equivalent	USD	Euro	GBP	Other
1. Trade Receivables	108.655.067	104.869.637	3.762.729	22.701	-	70.086.101	67.356.613	2.694.044	34.727	717
2a. Monetary Financial Assets	21.604.790	21.386.958	163.263	54.569	-	41.175.766	41.098.124	45.802	31.840	-
2b. Non Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
3. Other	4.660.702	4.464.985	143.712	41.236	10.769	5.950.198	2.684.708	1.800.471	134.223	1.330.797
4. Total Current Assets (1+2+3)	134.920.559	130.721.580	4.069.704	118.506	10.769	117.212.065	111.139.445	4.540.317	200.790	1.331.514
5. Trade Receivables	-	-	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
6b. Non Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
7. Other	3.064.099	2.188.213	-	875.886	-	-	-	-	-	-
8. Total Non Current Assets (5+6+7)	3.064.099	2.188.113	-	875.886	-	-	-	-	-	-
9. Total Assets (4+8)	137.984.658	132.909.793	4.069.704	994.392	10.769	117.212.065	111.139.445	4.540.317	200.790	1.331.514
10. Trade Payables	(38.477.970)	(32.490.303)	(5.643.513)	(249.764)	(94.390)	(37.103.415)	(29.894.851)	(7.101.310)	(96.076)	(11.178)
11. Financial Liabilities	(22.968)	(22.968)	-	-	-	(55.649)	(55.649)	-	-	-
12a. Other Monetary Liabilities	(7.259.568)	(6.976.215)	(99.080)	(61.090)	(123.183)	(6.115.965)	(5.655.759)	(447.219)	(3.986)	(9.001)
12b. Other Non Monetary Liabilities	-	-	29.214	-	-	-	-	-	-	-
13. Total Current Liabilities (10+11+12)	(45.760.506)	(39.489.486)	(5.742.593)	(310.854)	(217.573)	(43.275.029)	(35.606.259)	(7.548.529)	(100.062)	(20.179)
14. Trade Payables	-	-	-	-	-	-	-	-	-	-
15. Financial Liabilities	-	-	-	-	-	(23.069)	(23.069)	-	-	-
16a. Other Monetary Liabilities	-	-	-	-	-	-	-	-	-	-
16b. Other Non Monetary Liabilities	-	-	-	-	-	-	-	-	-	-
17. Total Non Current Liabilities (14+15+16)	-	-	-	-	-	(23.069)	(23.069)	-	-	-
18. Total Liabilities (13+17)	(45.760.506)	(39.489.486)	(5.742.593)	(310.854)	(217.573)	(43.298.098)	(35.629.328)	(7.548.529)	(100.062)	(20.179)
19. Net asset / (Liability) position of Off-Balance Sheet Derivatives (19a-19b)	-	-	-	-	-	-	-	-	-	-
19a. Off-balance sheet foreign currency derivative assets	-	-	-	-	-	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-	-	-	-	-	-
20. Net Foreign Currency Asset / (Liability) Position (9-18+19)	92.224.152	93.420.307	(1.672.889)	683.638	(206.805)	73.913.968	75.510.116	(3.008.212)	100.728	1.311.335
21. Net Foreign Currency Asset / (Liability) Position of Monetary Items (1+2a+5+6a-10-11-12a-14-15-16a)	84.499.351	86.767.109	(1.816.601)	(233.584)	(217.573)	67.963.770	72.825.409	(4.808.683)	(33.495)	(19.462)
23. Exports	65.405.694	-	-	-	-	68.212.060	-	-	-	-
24. Imports	198.898.994	-	-	-	-	275.214.591	-	-	-	-

**TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ**

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009

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

(b) Financial Risk Factors (cont'd)

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

Foreign currency sensitivity

The Company is exposed to foreign currency rate risk due to US Dollar and Euro exchange rate fluctuations. The following table details the Company's sensitivity to a 10% increase and decrease in US Dollar and Euro 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.

**Foreign Currency Sensitivity Analysis Table**

	Current Period	
	Foreign Currency Appreciated	Foreign Currency Devaluated
Profit / (Loss)		
In the event of 10% change in US Dollar against TL;		
1- US Dollar Net Asset / Liability	6.941.369	(6.941.369)
2- Part of Hedged from US Dollar Risk (-)	-	-
<b>3- US Dollar Net Effect (1+2)</b>	<b>6.941.369</b>	<b>(6.941.369)</b>
In the event of 10% change in Euro against TL;		
4- Euro Net Asset / Liability	(145.328)	145.328
5- Part of Hedged from Euro Risk (-)	-	-
<b>6- Euro Net Effect (4+5)</b>	<b>(145.328)</b>	<b>145.328</b>
<b>TOTAL</b>	<b>6.796.091</b>	<b>(6.796.091)</b>

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS

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

#### (b) Financial Risk Factors (cont'd)

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

##### Foreign currency sensitivity (cont'd)

	Prior Period	
	Foreign Currency Appreciated	Foreign Currency Appreciated
	Profit / (Loss)	
	ABD Dolarının TL Karşısında % 10 değer değişimi halinde;	
1- US Dollar Net Asset / Liability	5.826.033	(5.826.033)
2- Part of Hedged from US Dollar Risk (-)		
3- US Dollar Net Effect (1+2)	5.826.033	(5.826.033)
	Avro' nun TL Karşısında % 10 değer değişimi halinde;	
4- Euro Net Asset / Liability	(384.695)	384.695
5- Part of Hedged from Euro Risk (-)		
6- Euro Net Effect (4+5)	(384.695)	384.695
<b>TOTAL</b>	<b>5.441.338</b>	<b>(5.441.338)</b>



# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

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### 39. FINANCIAL INSTRUMENTS (cont'd)

Categories and fair value of financial instruments

	<u>Loans and receivables</u>	<u>Financial liabilities at amortized cost</u>	<u>Carrying Value (*)</u>	<u>Note</u>
<b>31 December 2009</b>				
<b><u>Financial assets</u></b>				
Cash and cash equivalents	22.574.372	-	22.574.372	6
Trade receivables	121.007.306	-	121.007.306	10
Other receivables	2.382.322	-	2.382.322	11
<b><u>Financial liabilities</u></b>				
Borrowings	-	40.451	40.451	8
Trade payables	-	49.782.220	49.782.220	10
Non-trade payables to related parties	-	5.654.773	5.654.773	11
<b>31 December 2008</b>				
<b><u>Financial assets</u></b>				
Cash and cash equivalents	46.078.999	-	46.078.999	6
Trade receivables	72.299.531	-	72.299.531	10
Other receivables	6.390.354	-	6.390.354	11
<b><u>Financial liabilities</u></b>				
Borrowings	-	78.718	78.718	8
Trade payables	-	51.554.956	51.554.956	10
Non-trade payables to related parties	-	4.806.831	4.806.831	11

(\*) Company assumes that the carrying values of financial assets reflect fair value

### 40. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

In the General Assembly meeting on 10 February 2010, it was decided to increase the share capital of Pratt & Whitney Thy Teknik Uçak Motor Bakım Merkezi Ltd.Şti. from TL 52.227.500 to TL 135.010.000. As to the decision, TL 22.526.692,99 is met by cash and TL 18.036.732,01 is met by capital in kind from the total subscribed capital of Türk Hava Yolları Teknik A.Ş. amounted TL 40.563.425.

TL 42.219.075 part of the Share of United Technologies International Corporation is subscribed and and paid in cash as of date of registration.

Related decision is registered on 22.02.2010 and published at Trade Register Gazette numbered 7511 dated 01.03.2010.