

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 2010

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 2010 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.

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 2010 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.

Istanbul, 11 March 2011

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



Berkhan Özata
Partner

CONTENTS	PAGE
BALANCE SHEET	1-2
STATEMENT OF COMPREHENSIVE INCOME.....	3
STATEMENT OF CHANGES IN EQUITY.....	4
STATEMENT OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS.....	6-55
NOTE 1 ORGANIZATION AND OPERATIONS OF THE COMPANY.....	
NOTE 2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS.....	
NOTE 3 BUSINESS COMBINATIONS.....	
NOTE 4 BUSINESS ASSOCIATIONS.....	
NOTE 5 SEGMENT REPORTING.....	
NOTE 6 CASH AND CASH EQUIVALENTS	
NOTE 7 FINANCIAL ASSETS.....	
NOTE 8 FINANCIAL LIABILITIES.....	
NOTE 9 OTHER FINANCIAL LIABILITIES	
NOTE 10 TRADE RECEIVABLES AND PAYABLES	
NOTE 11 OTHER RECEIVABLES AND PAYABLES	
NOTE 12 RECEIVABLES AND PAYABLES FROM OPERATIONS IN FINANCE SECTOR	
NOTE 13 INVENTORIES.....	
NOTE 14 BIOLOGICAL ASSETS.....	
NOTE 15 ASSETS FROM CONSTRUCTION CONTRACTS IN PROGRESS	
NOTE 16 INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD	
NOTE 17 INVESTMENT PROPERTY	
NOTE 18 TANGIBLE ASSETS	
NOTE 19 INTANGIBLE ASSETS	
NOTE 20 GOODWILL.....	
NOTE 21 GOVERNMENT GRANTS AND INCENTIVES.....	
NOTE 22 PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES	
NOTE 23 COMMITMENTS	
NOTE 24 EMPLOYMENT BENEFITS.....	
NOTE 25 RETIREMENT PLANS.....	
NOTE 26 OTHER ASSETS AND LIABILITIES	
NOTE 27 EQUITY	
NOTE 28 SALES REVENUE AND COST OF SALES.....	
NOTE 29 RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES.....	
NOTE 30 EXPENSES BY NATURE	
NOTE 31 OTHER OPERATING INCOME / (EXPENSES).....	
NOTE 32 FINANCE INCOME	
NOTE 33 FINANCE EXPENSES.....	
NOTE 34 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	
NOTE 35 TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES).....	
NOTE 36 EARNINGS PER SHARE	
NOTE 37 BALANCES AND TRANSACTIONS WITH RELATED PARTIES.....	
NOTE 38 NATURE AND EXTENT OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS.....	
NOTE 39 FINANCIAL INSTRUMENTS (DISCLOSURES OF FAIR VALUE AND HEDGE ACCOUNTING)	
NOTE 40 EVENTS SUBSEQUENT TO THE BALANCE SHEET.....	

(Convenience Translation of Report and Financial Statements Originally Issued in Turkish)
TÜRK HAVA YOLLARI TEKNİK A.Ş.
BALANCE SHEET AS OF 31 DECEMBER 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

ASSETS	Notes	Current period 31 December 2010	Prior period 31 December 2009
Current Assets		570,043,107	459,574,561
Cash and Cash Equivalents	6	30,405,267	22,574,372
Trade Receivables	10,37	185,970,991	121,007,306
<i>Related Party Trade Receivables</i>		<i>101,868,812</i>	<i>84,712,110</i>
<i>Other Trade Receivables</i>		<i>84,102,179</i>	<i>36,295,196</i>
Other Receivables	11,37	1,703,837	2,382,322
Inventories	13	330,342,340	307,072,271
Other Current Assets	26	21,620,672	6,538,290
 Non-current Assets		 205,747,347	 75,326,948
Financial investments	7	14	-
Investments Accounted Under			
Equity Method	16	53,692,268	22,421,794
Tangible Assets	18	105,709,608	49,125,563
Intangible Assets	19	594,177	588,757
Other Non-current Assets	26	45,751,280	3,190,834
 TOTAL ASSETS		 775,790,454	 534,901,509

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.)

		Current period 31 December 2010	Prior period 31 December 2009
CURRENT LIABILITIES		157,157,679	81,705,010
Financial debt	8	13,304	40,451
Trade payables	10,37	79,842,069	49,782,220
<i>Related Party Trade Payables</i>		<i>31,859,813</i>	<i>19,639,083</i>
<i>Other Trade Payables</i>		<i>47,982,256</i>	<i>30,143,137</i>
Other payables	11,37	25,754,928	21,433,691
Current tax liabilities	35	-	2,419,544
Provisions	22	898,751	98,545
Employee benefit obligations	24	46,414,025	7,156,135
Other current liabilities	26	4,234,602	774,424
Non-Current Liabilities		35,378,724	18,600,903
Provision for retirement pay liability	24	27,229,192	18,363,932
Deferred tax liability	35	7,952,960	236,971
Other non current liabilities	26	196,572	-
EQUITY			
Equity Attributable to Equity			
Holders of the Parent		583,254,051	434,595,596
Share capital	27	430,026,000	318,000,000
Restricted reserves assorted from profit		4,042,587	2,099,288
Foreign currency translation reserves		380,549	-
Retained earnings		112,553,008	54,737,496
Net Profit/(Loss) for the Period		36,251,907	59,758,812
TOTAL LIABILITIES AND EQUITY		775,790,454	534,901,509

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 2010

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

		Audited	Audited
	Notes	1 January - 31 December 2010	1 January - 31 December 2009
Sales revenue	28	720,705,944	700,204,190
Cost of sales (-)	28	(584,975,934)	(580,096,057)
GROSS PROFIT		135,730,010	120,108,133
Marketing, sales and distribution expenses (-)	29	(8,372,961)	(5,171,892)
Administrative expenses (-)	29	(72,555,352)	(59,251,691)
Other operating income	31	25,608,193	17,160,521
Other operating expenses (-)	31	(9,245,679)	(474,330)
OPERATING PROFIT		71,164,211	72,370,741
Share of investments' profit/ (loss) accounted under the equity method	16	(24,766,724)	(2,699,198)
Financial income	32	57,422,792	43,211,864
Financial expenses (-)	33	(51,638,750)	(38,160,912)
PROFIT BEFORE TAX		52,181,529	74,722,495
Tax (expense) / income		(15,929,622)	(14,963,683)
-Current tax expense		(8,213,633)	(12,740,390)
-Deferred tax expense	35	(7,715,989)	(2,223,293)
PROFIT FOR THE PERIOD		36,251,907	59,758,812
Other Comprehensive Income		380,549	-
TOTAL COMPREHENSIVE INCOME		36,632,456	59,758,812
Earnings per share (Kr)		9.76	18.79

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 2010

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

	Issued capital	Restricted profit reserves	Foreign currency translation reserves	Retained earnings	Net profit / loss for the period	Total equity
Balance at 31 December 2008 - Previously reported	288.324.696	1.083.311	-	24.170.761	36.928.627	350.507.395
Restatement effect				(2.593.361)	(2.752.554)	(5.345.915)
Balance at 31 December 2008	288.324.696	1.083.311	-	21.577.400	34.176.073	345.161.480
Transfer	-	-	-	34.176.073	(34.176.073)	-
Transfer to Reserves	-	1.015.977	-	(1.015.977)	-	-
Capital Payment	29.675.304	-	-	-	-	29.675.304
Net Comprehensive Income for the Year	-	-	-	-	-	-
Balance at 31 December 2009	318.000.000	2.099.288	-	54.737.496	-	374.836.784
Balance at 1 January 2010	318.000.000	2.099.288	-	54.737.496	59.758.812	434.595.596
Transfer	-	-	-	59.758.812	(59.758.812)	-
Transfer to Reserves	-	1.943.300	-	(1.943.300)	-	-
Capital Payment	112.026.000	-	-	-	-	112.026.000
Net Comprehensive Income for the Year	-	-	380.549	-	36.251.907	36.632.456
Balance at 31 December 2010	374.910.050	4.042.588	380.459	112.553.008	36.251.907	583.254.051

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 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

	Notes	1 January - 31 December 2010	1 January - 31 December 2009
CASH FLOW FROM OPERATING ACTIVITIES			
Net Income Before Tax		52.181.529	74.722.495
Adjustments to obtain net cash flow generated from operating activities:			
Depreciation and amortization	13,18,19	53.255.280	53.594.666
Provision for retirement pay liability	24	10.226.970	5.442.712
Share at Loss of Investments Accounted for Equity Method	16	24.766.724	2.699.198
Change in provision for impairment	13	-	(356.071)
Discount expenses	33	97.110	2.534
Fixed Asset Sales Revenue		(19.808.977)	-
Change in provision for doubtful receivables	10,11	18.022.327	15.199.031
Operating profit before working capital changes		138.740.963	151.304.565
Change in trade receivables		(65.925.420)	(28.293.423)
Change in Other Short and Long Term Receivables from Related Parties		(17.156.702)	(35.742.926)
Change in Other Short and Long Term Receivables		677.485	4.135.041
Change in Inventories		(65.610.571)	(79.127.172)
Change in Other Current Assets		(12.208.081)	3.339.628
Change in Other Non-Current Assets		(42.560.447)	(2.684.456)
Change in Trade Payables		17.839.119	(2.224.546)
Change in Payables to Related Parties		12.220.730	1.300.152
Change in Short Term Provisions		800.206	2.345.306
Change in Other Short and Long Term Liabilities		47.235.877	(3.676.371)
Cash Provided by Operating Activities		14.053.159	10.675.798
Retirement Benefits Paid	24	(1.361.710)	(954.947)
Prepaid Taxes	35	(13.507.478)	(14.506.656)
Net Cash Used in Operating Activities		(816.029)	(4.785.805)
CASH FLOW FROM INVESTING ACTIVITIES			
Cash Inflow From Sale of Intangible and Tangible Fixed Assets	18	24.939.758	184.642
Acquisitions of Tangible and Intangible Assets	18,19	(72.635.024)	(27.185.075)
Capital Increase in Investments Accounted Under Equity Method		(56.037.198)	(21.355.427)
Foreign Currency Translation Gains from Investments Accounted Under Equity Method		380.549	-
Change in Financial Investments		(14)	-
Net Cash Used in Investing Activities		(103.351.929)	(48.355.860)
CASH FLOW FROM FINANCING ACTIVITIES			
Capital Increase		112.026.000	29.675.304
Change in Financial Liabilities		(27.147)	(38.266)
Net Cash Provided by Financing Activities		111.998.853	29.637.038
NET DECREASE IN CASH AND CASH EQUIVALENTS		7.830.895	(23.504.627)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		22.574.372	46.078.999
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		30.405.267	22.574.372

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 2010

(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 2010 is 2.913 (31 December 2009: 2.519).

	<u>31 December 2010</u>	<u>31 December 2009</u>
Administrative Staff	736	621
Production Staff	2.177	1.898
Total	2.913	2.519

The average number of employees working for the Company as of 31 December 2009 is 2.648 (31 December 2009: 2.572).

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 will approve the financial statements as of 31 December 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 2010

(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.

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 2010:

<u>Name of the Company</u>	<u>Principal Activity</u>	<u>Participation Rate</u>		<u>Country of Registration</u>
		<u>31 December 2010</u>	<u>31 December 2009</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).

2.4 Offsetting

Financial assets and liabilities are offset and the net amount is 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 liabilities simultaneously.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

2.5 New and Revised International Financial Reporting Standards

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported and disclosures in these financial statements. Details of other standards and interpretations adopted in these financial statements but that have had no material impact on the financial statements are set out in the related paragraphs.

(a) **New and Revised IFRSs affecting presentation and disclosure only**

None.

(b) **New and Revised IFRSs affecting the reported financial performance and / or balance sheet**

None.

(c) **New and Revised IFRSs applied with no material effect on the consolidated financial statements**

Amendments to IAS 7 *Statement of Cash Flows* (as part of Improvements to IFRSs issued in 2009)

The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.

Amendments to IAS 1 *Presentation of Financial Statements* (as part of Improvements to IFRSs issued in 2010)

The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The amendments have been applied retrospectively.

IFRS 3 (revised in 2008) Business Combinations

IFRS 3 (revised), "Business Combinations" and consequential amendments to IAS 27, "Consolidated and separate financial statements", IAS 28, "Investments in associates", and IAS 31, "Interests in joint ventures", are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The main impact of the adoption is as follows:

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

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

- a) to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree.
- b) to change the recognition and subsequent accounting requirements for contingent consideration.
- c) to require that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being recognized as an expense in profit or loss as incurred.
- d) in step acquisitions, previously held interests are to be remeasured to fair value at the date of the subsequent acquisition with the value included in goodwill calculation. Gain or loss arising from the re-measurement shall be recognized as part of profit or loss.
- e) IFRS 3 (2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree.

Grup has not applied this interpretation due to no business combinations as of or after July 1, 2009.

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

The application of IAS 27(2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries.

Specifically, the revised Standard has affected the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in IFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under IAS 27(2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes in accounting policies have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions.

Grup has no change in its subsidiary's shares and this interpretation is not applied.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

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

IAS 28 (revised in 2008) Investments in Associates

The principle adopted under IAS 27(2008) (see above) that a loss of control is recognised as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendments to IAS 28. Therefore, when significant influence over an associate is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognised in profit or loss.

As part of *Improvements to IFRSs* issued in 2010, IAS 28(2008) has been amended to clarify that the amendments to IAS 28 regarding transactions where the investor loses significant influence over an associate should be applied prospectively. Group has no associate and this interpretation is not applied.

IFRIC 17, "Distributions of non-cash assets to owners", effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.

IFRIC 18, "Transfers of assets from customers", effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.

"Additional exemptions for first-time adopters" (Amendment to IFRS 1) was issued in July 2009. The amendments are required to be applied for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing IFRS preparer.

IFRS 2, "Share-based Payments – Group Cash-settled Share Payment Arrangements" is effective for annual periods beginning on or after 1 January 2010. This is not currently applicable to the Group, as the Group does not have share-based payment plans.

Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (as part of *Improvements to IFRSs* issued in 2008) clarify that all the assets and liabilities of a subsidiary should be classified as held for sale when the Group is committed to a sale plan involving loss of control of that subsidiary, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale. Group has no non-current assets held for sale and discontinued operations, this interpretation is not applied.

Improvements to International Financial Reporting Standards 2009 were issued in April 2009. The improvements cover 12 main standards/intepretations as follows: IFRS 2 *Share-based Payments*, IFRS 8 *Operating Segments*, IAS 1 *Presentation of Financial Statements*, IAS 17 *Leases*, IAS 18 *Revenue*, IAS 36 *Impairment of Assets*, IAS 38 *Intangible Assets*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRIC 9 *Reassessment of Embedded Derivatives*, IFRIC 16 *Hedges of Net Investment in a Foreign Operation*. The effective dates vary standard by standard but most are effective 1 January 2010.

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

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

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

IFRS 1 (amendments) *First-time Adoption of IFRS – Additional Exemptions and Two Other Amendments*

Amendments to IFRS 1 which are effective for annual periods on or after 1 July 2010 provide limited exemption for first time adopters to present comparative IFRS 7 fair value disclosures.

On 20 December, IFRS 1 is amended to;

- provide relief for first-time adopters of IFRSs from having to reconstruct transactions that occurred before their date of transition to IFRSs.
- provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time.

The amendment above will be effective for annual periods beginning on or after 1 July 2011. These amendments are not relevant to the Group, as it is an existing IFRS preparer.

IFRS 7 *Financial Instruments: Disclosures*

In October 2010, IFRS 7 *Financial Instruments: Disclosures* is amended by IASB as part of its comprehensive review of off balance sheet activities. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendment will be effective for annual periods beginning on or after 1 July 2011. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

IFRS 9 *Financial Instruments: Classification and Measurement*

In November 2009, the first part of IFRS 9 relating to the classification and measurement of financial assets was issued. IFRS 9 will ultimately replace IAS 39 *Financial Instruments: Recognition and Measurement*. The standard requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measure the financial assets as either at amortized cost or at fair value. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group has not had an opportunity to consider the potential impact of the adoption of this standard.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

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

IAS 12 *Income Taxes*

In December 2010, IAS 12 is amended. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 *Investment Property*. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be, be through sale. The amendment will be effective for annual periods beginning on or after 1 January 2012. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

IAS 24(Revised 2009) *Related Party Disclosures*

In November 2009, IAS 24 Related Party Disclosures was revised. The revision to the standard provides government-related entities with a partial exemption from the disclosure requirements of IAS 24. The revised standard is mandatory for annual periods beginning on or after 1 January 2011. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

IAS 32(Amendments) *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements*

The amendments to IAS 32 and IAS 1 are effective for annual periods beginning on or after 1 February 2010. The amendments address the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously, such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. The Group has not yet had an opportunity to consider the potential impact of the adoption of this amendment to the standard.

IFRIC 14 (Amendments) *Pre-payment of a Minimum Funding Requirement*

Amendments to IFRIC 14 are effective for annual periods beginning on or after 1 January 2011. The amendments affect entities that are required to make minimum funding contributions to a defined benefit pension plan and choose to pre-pay those contributions. The amendment requires an asset to be recognized for any surplus arising from voluntary pre-payments made. The Group does not expect any impact of the adoption of this amendment on the financial statements.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. IFRIC 19 addresses only the accounting by the entity that issues equity instruments in order to settle, in full or part, a financial liability. The Group has not yet had an opportunity to consider the potential impact of the adoption of this amendment to the standard.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

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

Annual Improvements May 2010

Further to the above amendments and revised standards, the IASB has issued Annual Improvements to IFRSs in May 2010 that cover 7 main standards/interpretations as follow: IFRS 1 *First-time Adoption of International Financial Reporting Standards*; IFRS 3 *Business Combinations*; IFRS 7 *Financial Instruments: Disclosures*; IAS 27 *Consolidated and Separate Financial Statements*; IAS 34 *Interim Financial Reporting* and IFRIC 13 *Customer Loyalty Programmes*. With the exception of amendments to IFRS 3 and IAS 27 which are effective on or after 1 July 2010, all other amendments are effective on or after 1 January 2011. Early adoption of these amendments are allowed. The Group has not yet had an opportunity to consider the potential impact of the adoption of these amendments to the standards.

2.6 Summary of Significant Accounting Policies

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

2.6.1 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

FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

2.6 Summary of Significant Accounting Policies (cont'd)

2.6.2 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

2.6.3 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

2.6.4 Intangible Assets

Intangible assets include information systems and other intangible assets. These intangible assets are recorded in the purchased cost accounted on 31 December 2010. Other intangible assets are depreciated over their useful life, on a straight-line basis.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

2.6 Summary of Significant Accounting Policies (cont'd)

2.6.5 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.

2.6.6 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 2010 and 2009, the Company does not have any capitalized borrowing costs.

2.6.7 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 appropriates 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 2010

(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)

2.6.7 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.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(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)

2.6.7 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

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(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)

2.6.7 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 2010	1,5460	1,4910
31 December 2009	1,5057	1,5457
31 December 2008	1,5123	1,2976
31 December 2007	1,1647	1,3003

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

	<u>Closing Rate</u>	<u>Average Rate</u>
31 December 2010	2,0491	1,9886
31 December 2009	2,1603	2,1508
31 December 2008	2,1408	1,8969
31 December 2007	1,7102	1,7773

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(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)

2.6.9 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.

2.6.10 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.

2.6.11 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.

2.6.12 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.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

(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)

2.6.13 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

FOR THE YEAR ENDED 31 DECEMBER 2010

(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)

2.6.13 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.

2.6.14 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 International 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.

2.6.15 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.

2.6.16 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 2010
(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 2.6.2.

3. BUSINESS COMBINATIONS

None (31 December 2009: None).

4. ASSOCIATES

None (31 December 2009: None).

5. SEGMENTAL REPORTING

None (31 December 2009: None).

6. CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents as of 31 December 2010 and 2009 are as follows:

	<u>31 December</u> <u>2010</u>	<u>31 December</u> <u>2009</u>
Banks (Demand Deposits)	3.066.897	1.174.862
Banks (Time Deposits)	27.338.370	21.399.510
	<u><u>30.405.267</u></u>	<u><u>22.574.372</u></u>

The details of time deposits as of 31 December 2010 and 2009 are as follows:

<u>Capital</u>	<u>Currency</u>	<u>Opening Date</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>31 December 2010</u>
16.195.582	US Dollar	December 2010	3,75% -3,90%	January 2011	25.038.370
2.300.000	TL	December 2010	8%	January 2011	2.300.000
					<u><u>27.338.370</u></u>
<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	0,20% -3,00%	January 2010	933.179
					<u><u>21.399.510</u></u>

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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

7. FINANCIAL ASSETS

	<u>31 December 2010</u>	<u>31 December 2009</u>
THY-OPET Havacılık Yakıtları A.Ş	14	-
GOODRICH THY TEKNİK Servis Merkezi Ltd.Şti.		
GOODRICH THY TEKNİK Servis Merkezi Ltd.Şti. Capital Commitment		
	<u>14</u>	<u>-</u>

8. FINANCIAL BORROWINGS

The details of financial borrowings as of 31 December 2010 and 2009 are as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Short term	13.304	40.451
	<u>13.304</u>	<u>40.451</u>

The details of short term financial liabilities as of 31 December 2010 and 2009 are as follows:

31 December 2010

<u>Name of Bank</u>	<u>Maturity</u>	<u>Original Amount</u>	<u>Currency</u>	<u>Balance</u>
Garanti Kredi Kartı	-	10.439	TL	10.439
Garanti Kredi Kartı	-	1.853	US Dollar	2.865
				<u>13.304</u>

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>

9. OTHER FINANCIAL LIABILITIES

None (31 December 2009: None).

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

10. TRADE RECEIVABLES AND PAYABLES

Short term trade receivables as of 31 December 2010 and 2009 are as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Trade Receivables	113.854.908	47.793.309
Trade Receivables from Related Parties (Note 37)	101.868.812	84.712.110
Credit Note Receivables	145.071	108.911
Notes Receivables	0	1.523.432
Discount on Notes Receivables (-)	(4.851)	(2.534)
Allowance for Doubtful Receivables (-)	<u>(29.892.949)</u>	<u>(13.127.922)</u>
	<u>185.970.991</u>	<u>121.007.306</u>

Movement of the doubtful receivables for the period ended 31 December 2010 and 2009 are as follows:

	<u>1 January - 31 December 2010</u>	<u>1 January - 31 December 2009</u>
Provision at the beginning of the year	13.127.922	12.917.051
Current year charge	18.021.327	15.199.031
Collections	(1.256.300)	(12.623.578)
Receivables written off	-	(2.364.582)
	<u>29.892.949</u>	<u>13.127.922</u>

The Company does not have long term trade receivables as of 31 December 2010 and 2009.

Guarantees Received for Receivables

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

	<u>31 December 2010</u>		<u>31 December 2009</u>	
	Nominal Value	Fair Value	Nominal Value	Fair Value
Letters of Guarantees	<u>1.952.654</u>	<u>1.952.654</u>	<u>3.951.919</u>	<u>3.951.919</u>
	<u>1.952.654</u>	<u>1.952.654</u>	<u>3.951.919</u>	<u>3.951.919</u>

Short term trade payables are as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Trade Payables	46.040.265	28.319.432
Trade Payables from Related Parties (Note 37)	31.859.813	19.639.083
Discount on Notes Payables (-)	(52.430)	(92.259)
Other Trade Payables	<u>1.994.421</u>	<u>1.915.964</u>
	<u>79.842.069</u>	<u>49.782.220</u>

The Company does not have long term trade payables as of 31 December 2010 and 2009.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

11. OTHER RECEIVABLES AND PAYABLES

Details of other short term receivables as of 31 December 2010 and 2009 are as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Receivables from Tax Office	5.463	1.902.538
Receivables from Foreign Technical Suppliers	1.656.654	265.974
Non-Trade Receivables from Related Parties (Note 37)	21.407	132.228
Due from Personnel	4.681	5.473
Doubtful Receivables	14.937	18.846
Allowance of Doubtful Receivables (-)	(14.937)	(18.846)
Deposits and Guarantees Given	14.920	4.810
Other Receivables	712	71.299
	<u>1.703.837</u>	<u>2.382.322</u>

Movement of provision for doubtful receivables for the years ended 31 December 2010 and 31 December 2009 are as follows:

	<u>1 January - 31 December 2010</u>	<u>1 January - 31 December 2009</u>
Provision at the beginning of the year	18.846	24.939
Current year charge	1.000	6.331
Collected amount	(4.909)	12.424
Provision at the end of the year	<u>14.937</u>	<u>18.846</u>

The details of other short term payables as of 31 December 2010 and 2009 are as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Non-Trade Payables to Related Parties (Note 37)	8.295.797	5.654.773
Taxes, Charges and Other Payables	8.179.564	9.888.081
Social Security Premiums Payables	4.986.042	4.187.464
Order Advances Received	943.522	1.105.153
Deposits and Guarantees Received	3.212.980	17.543
Payables to Personnel	137.023	580.677
	<u>25.754.928</u>	<u>21.433.691</u>

12. RECEIVABLES AND PAYABLES FROM FINANCIAL SECTOR OPERATIONS

None (31 December 2009: None).

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

13. INVENTORIES

	31 December 2010	31 December 2009
Technical Equipment Inventories	150.010.071	133.669.283
BFE Equipment Inventories	17.287	70.444
Components and Spare Parts Repairable	327.545.637	319.829.495
Accumulated Depreciation (-)	(152.551.379)	(147.045.446)
Technical Equipment Inventories in Transit	5.320.724	548.495
Obsolete Equipment Inventories	14.368.647	14.368.647
Provision for Impairment (-)	(14.368.647)	(14.368.647)
	330.342.340	307.072.271

Movement of allowance for impairment on inventory is as follows:

	1 January - 31 December 2010	1 January - 31 December 2009
Provision at the beginning of the year	14.368.647	14.724.718
Current year charge	-	1.290.280
Cancellation of provisions recognized	-	(1.646.351)
Provision at the end of the year	14.368.647	14.368.647

Movement of components and spare parts are as follows:

	Components and Spare Parts Repairable
Cost	
Opening balance, 1 January 2010	319.829.495
Additions	76.359.882
Disposals	(68.643.740)
Closing balance, 31 December 2010	327.545.637
Accumulated Depreciation	
Opening balance, 1 January 2010	147.045.446
Current charge for the year	42.340.502
Disposals	(36.834.569)
Closing balance, 31 December 2010	152.551.379
Net book value at 31 December 2010	174.994.258
Net book value at 31 December 2009	172.784.049

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

13. INVENTORIES (cont'd)

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

14. BIOLOGICAL ASSETS

None (31 December 2009: None).

15. ASSETS FROM CONSTRUCTION CONTRACTS IN PROGRESS

None (31 December 2009: None).

16. INVESTMENTS ACCOUNTED FOR EQUITY METHOD

Investments accounted for equity method are as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
P&W T.T. Uçak Bakım Merkezi Ltd. Şti.	53.692.268	22.421.794
	53.692.268	22.421.794

Financial information for P&W T.T.Uçak Bakım Merkezi Ltd. Şti as of 31 December 2010 and 31 December 2009 is as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Assets	221.389.592	104.846.886
Liabilities	111.813.535	59.088.122
Shareholders' Equity	109.576.057	45.758.764
The Company's share in shareholders' equity	53.692.268	22.421.794

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

	<u>1 January - 31 December 2010</u>	<u>1 January - 31 December 2009</u>
Revenue	115.968.274	119.754
Profit / (loss)	(50.544.335)	(5.508.567)
The Company's share on Profit / (Loss)	(24.766.724)	(2.699.198)
The Company's share on foreign currency translation gain	380.549	-

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

	<u>1 January - 31 December 2010</u>	<u>1 January - 31 December 2009</u>
P&W T.T. Uçak Bakım Merkezi Ltd. Şti.	(24.766.724)	(1.312.828)
	<u>(24.766.724)</u>	<u>(1.312.828)</u>

Financial assets accounted for equity method in profit/loss as of 31 December 2010 and 31 December 2009 are as follows:

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

17. INVESTMENT PROPERTY

None (31 December 2009: None).

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

18. TANGIBLE ASSETS

<u>Cost</u>	Plant, Machinery and Equipment		Vehicles	Furniture and Fixtures	Other Tangible Assets	Construction in Progress	Leasehold Improvements	Total
Opening balance 1 January 2010	79.267.300	7.305.096	6.259.569	1.078.621	4.100.123	18.994.899	117.005.608	
Additions	8.896.900	941.431	1.483.726	282.058	60.783.928	4.000	72.392.043	
Disposals	(12.977.119)	(286.242)	(13.561)	(10.371)	-	22.659	(13.309.952)	
Transfer	-	-	-	-	(891.707)	891.707	-	
Closing balance 31 December 2010	75.187.081	7.960.285	7.729.734	1.350.308	63.992.344	19.867.947	176.087.699	
Accumulated Depreciation								
Opening balance 1 January 2010	55.169.141	6.751.742	3.178.275	576.228	-	2.204.659	67.880.045	
Charge for the year	2.280.591	145.055	553.595	61.317	-	2.284.997	5.325.555	
Disposals	(6.487.991)	(244.356)	(7.026)	(6.706)	-	-	(6.746.079)	
Closing balance 31 December 2010	50.961.741	6.652.441	3.724.844	630.838	-	4.489.656	66.459.521	
Net book value 31 December 2010	24.225.340	1.307.844	4.004.890	719.470	63.992.344	15.378.291	109.628.178	
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	

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

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

18. TANGIBLE ASSET (cont'd)

<u>Cost</u>	Plant, Machinery and Equipment					Construction in Progress	Leasehold Improvements	Total
	Vehicles	Furniture and Fixtures	Other Tangible Assets	Construction in Progress	Leasehold Improvements			
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	-	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	
<u>Accumulated Depreciation</u>								
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	-	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 2010

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

19. INTANGIBLE ASSETS

<u>Cost</u>	<u>Rights</u>
Opening balance, 1 January 2010	942.522
Additions	242.981
Closing balance, 31 December 2010	<u>1.185.503</u>
<u>Accumulated Depreciation</u>	
Opening balance, 1 January 2010	353.765
Charge for the period	237.561
Closing balance, 31 December 2010	<u>591.326</u>
Net book value 31 December 2010	<u>594.177</u>
Net book value 31 December 2009	<u>588.757</u>

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

20. GOODWILL

None (31 December 2009: None).

21. GOVERNMENT GRANTS

None (31 December 2009: None).

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

22. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

i) Provisions

	<u>31 December 2010</u>	<u>31 December 2009</u>
Provisions for Legal Claims	898.751	98.545

Movements in the allowance for legal claims at 31 December 2010 and 2009 years set out below:

	<u>1 January - 31 December 2010</u>	<u>1 January - 31 December 2009</u>
Provision at the beginning of the year	98.545	97.950
Charge for the year	800.206	595
Provision at the end of the year	<u>898.751</u>	<u>98.545</u>

ii) Contingent Assets and Liabilities:

31 December 2010

As of 31 December 2010, 15 demanding compensation lawsuit is opened against THY Teknik A.Ş. and for this legal case provision of TL 898.206 is provided in the financial statements.

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.

iii) Contingent Liabilities:

31 December 2010

DESCRIPTION	TL AMOUNT
Letters of Guarantee Given	2.599.853
TOTAL	2.599.853

31 December 2008

DESCRIPTION	TL AMOUNT
Letters of Guarantee Given	702.305
TOTAL	702.305

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

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

iii) Contingent Liabilities:

Guarantees given

	31 December 2010	31 December 2009
CPMs given in the name of its own legal personality	2.599.853	702.305
CPMs given on behalf of te fully consolidated companies business	-	-
Total amount of other CPMs given	-	-
	2.599.853	702.305

iv) Mortgages and guarantees on assets:

None (31 December 2009: None).

v) Insurance on asset:

31 December 2010

Type of Assets Insured	Amount	Currency
Buildings and Machinery Plant Equipment	183.213.441	TL
Vehicles	354.761	TL
Insurance of Spare Parts	250.000.000	US Dollar
Other	280.000	TL
Total TL	183.848.202	
Total USD	250.000.000	

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
Total TL	191.522.037	
Total USD	250.000.000	

23. COMMITMENTS

None (31 December 2009: None).

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

24. EMPLOYEE BENEFITS

Short term employee benefits are as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Salary Accruals	7.649.626	6.382.549
Union Agreement Salary Expenses	37.574.079	-
Provision for unused vacation	1.190.320	773.586
	<u>32.906.161</u>	<u>7.156.135</u>

Provision for long term retirement pay liability comprised the following:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Provision for Retirement Pay Liability	27.229.192	18.363.932

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 2.427,04 as of 31 December 2010. (2009: TL 2.173,19)

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 2010, 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 5,10% (2009: 4,80%) and a discount rate of 10% (2009: 11%) resulting in a real discount rate of approximately 4,66% (2009: 5,92%). The anticipated rate of forfeitures is considered. The maximum liability is revised semi annually, in Company's Severance Pay Provision calculation, TL 2.623,23 ceiling amount as of 1 January 2010 has been taken into account.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

24. EMPLOYEE BENEFITS (cont'd)

Movement of provision for retirement pay liability is as follows:

	<u>1 January - 31 December 2010</u>	<u>1 January - 31 December 2009</u>
Provision at the beginning of the period	18.363.932	13.876.167
Current service costs	9.140.554	4.621.794
Interest costs	1.086.416	820.918
Payments	(1.361.710)	(954.947)
Provision at the end of the period	<u><u>27.229.192</u></u>	<u><u>18.363.932</u></u>

25. RETIREMENT PLANS

None (31 December 2009: None).

26. OTHER ASSETS AND LIABILITIES

Other short term assets are as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Advances Given for Orders	1.680.460	3.788.745
Income Accruals	12.764.818	1.840.440
Prepaid Expenses	162.197	839.688
Advances Given to Personnel	94.983	69.417
Prepaid Taxes and dues	2.874.301	-
Deferred VAT	-	-
	<u><u>21.620.672</u></u>	<u><u>6.538.290</u></u>

Other short term liabilities are as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Expense Accruals	2.713.145	721.356
Deferred Revenue	1.479.997	-
Other Liabilities	41.460	53.068
	<u><u>4.234.602</u></u>	<u><u>774.424</u></u>

Other non current assets are as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Prepayments for Tangible Assets	44.944.407	3.055.485
Prepaid Expenses	806.873	135.349
	<u><u>45.751.280</u></u>	<u><u>3.190.834</u></u>

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

26. OTHER ASSETS AND LIABILITIES (cont'd)

Other non current liabilities are as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Income Relating to Future Years	196.572	-
	<u>196.572</u>	<u>-</u>

27. SHAREHOLDERS' EQUITY

a) Share Capital / Elimination Adjustments

As of 31 December 2010, the Company's share capital is comprised of 693.000.000 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	693.000.000	100	318.000.000
Unpaid Capital		(262.974.000)		(29.675.304)
		<u>430.026.000</u>		<u>288.324.696</u>

b) Reserves

None (31 December 2009: 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.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(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 2010</u>	<u>31 December 2009</u>
Subscribed Capital	430.026.000	318.000.000
Legal Reserves	4.042.587	2.099.288
Extraordinary Reserves	76.809.151	39.886.471
Retained Earnings	35.743.857	14.851.025
Foreign Currency Translation Reserves	380.549	-
Net Profit for the Year	36.251.907	59.758.812
	<u>583.254.051</u>	<u>434.595.596</u>

28. SALES AND COST OF SALES

Sales are as follows:

	<u>1 January - 31 December 2010</u>	<u>1 January - 31 December 2009</u>
Line Maintenance Income	144.843.892	124.745.634
Aircraft Maintenance Income	190.111.134	193.525.804
Engine Maintenance Income	42.419.527	116.624.462
Component Maintenance Income	86.759.518	85.470.097
Pool Income	92.348.935	76.515.167
Sales of Goods Income	83.001.271	44.917.569
Bfe&Retrofit Income	195.611	1.025.449
Other	81.026.056	57.380.008
Sales Revenues (Net)	<u>720.705.944</u>	<u>700.204.190</u>
Cost of Sales (-)	<u>(584.975.934)</u>	<u>(580.096.057)</u>
Gross Operating Profit/(Loss)	<u>135.730.010</u>	<u>120.108.133</u>

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

28. SALES AND COST OF SALES (cont'd)

	1 January - 31 December 2010	1 January - 31 December 2009
Equipment Expenses	160.615.718	196.088.581
Personnel Expenses	231.606.526	198.076.773
Maintenance Expenses	55.840.830	72.727.981
Depreciation and Amortization Expenses	51.835.098	48.749.477
Bfe&Retrofit Expenses	-	1.002.135
Retirement Pay		
Provision Expense	6.537.708	3.666.847
Transportation Expense	11.307.379	12.412.394
Other	67.232.675	47.371.869
	<u>584.975.934</u>	<u>580.096.057</u>

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

	1 January - 31 December 2010	1 January - 31 December 2009
Marketing, Selling and Distribution Expenses (-)	3.057.762	1.593.403
General Administrative Expenses (-)	39.010.752	15.805.772
Total Operating Expenses	<u>42.068.514</u>	<u>17.399.175</u>

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

30. EXPENSES BY NATURE

	1 January - 31 December 2010	1 January - 31 December 2009
Sales and Marketing Expenses (-)		
Personnel Expenses	4.189.088	3.205.974
Penalty Expenses	1.695.845	70.081
Depreciation and Amortization Expenses	19.887	21.429
Retirement Pay Provision Expense	88.653	-
Other Expenses	2.379.488	1.874.408
	2.379.488	1.874.408
	1 January - 31 December 2010	1 January - 31 December 2009
General Administrative Expenses		
Equipment Expenses	1.739.130	1.960.246
Personnel Expenses	33.225.521	27.554.735
Service Expenses	5.987.668	5.357.541
Rent Expenses	5.608.092	1.643.792
Lighting, Heating and Water Expenses	1.274.875	1.361.284
Allowance for Doubtful Receivable Expenses	18.022.327	15.205.362
Depreciation and Amortization Expenses	1.400.295	4.823.760
Retirement Pay Provision Expense	1.152.483	-
Other Expenses	4.144.961	1.344.971
	72.555.352	59.251.691
Total Operating Expenses	80.928.313	64.423.583

31. OTHER OPERATING INCOME/ EXPENSES

Other operating income consists of the following:

	1 January - 31 December 2010	1 January - 31 December 2009
Plant Maintenance Income	1.391.988	1.096.397
Provisions Released	1.261.209	12.636.002
Gain on sale of fixed assets	19.808.977	-
Other Income	3.146.019	3.428.122
Total other operating income	25.608.193	17.160.521

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

31. OTHER OPERATING INCOME/ EXPENSES (cont'd)

	1 January - 31 December 2010	1 January - 31 December 2009
Commission Expenses	(9.560)	(13.149)
Union agreement salary expenses (*)	(8.424.576)	-
Other	(811.543)	(461.181)
Total other operating expenses	(9.245.679)	(474.330)

(*) In 2009, Company made an official 6% wage increase for the related year. 8% salary increase for the first six months of 2009 and 2% salary increase for the last six months of 2009 for the were estimated by the Company as a result of union agreement negotiations. The difference between the salary increases estimated to be made after union agreement negotiations and the salary increase made in 2009 year, is represented as Union agreement salary expenses.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

32. FINANCIAL INCOME

	1 January - 31 December 2010	1 January - 31 December 2009
Interest Income	665.169	841.663
Foreign Exchange Gain	55.252.400	38.999.593
Maturity Difference Income	1.450.258	3.262.946
Discount Interest Income	-	(92.259)
Cancellation of Discount of the prior period	54.965	15.403
Total Financial Income	57.422.792	43.211.864

33. FINANCE EXPENSES

	1 January - 31 December 2010	1 January - 31 December 2009
Foreign Exchange Losses	(18.097.046)	(6.768.841)
Bank Expenses	(80.584)	(79.760)
Retirement Pay Interest Cost	(543.208)	(271.604)
Discount Expenses	(99.634)	(5.188)
Total Financial Expenses	(18.820.472)	(7.125.393)

34. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None (31 December 2009: None).

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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

35. TAX ASSETS AND LIABILITIES

Tax liability for the current profit is as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Provision for Corporate Tax Liability	8.213.633	12.740.390
Prepaid Taxes	<u>(11.087.934)</u>	<u>(10.320.846)</u>
Corporate Tax Liability / (Prepaid tax)	<u><u>(2.874.301)</u></u>	<u><u>2.419.544</u></u>

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

	<u>1 January - 31 December 2010</u>	<u>1 January - 31 December 2009</u>
Current Tax Provisin	<u>(8.213.633)</u>	<u>(12.740.390)</u>
Deferred Tax expense	<u>(7.715.989)</u>	<u>(2.223.293)</u>
	<u><u>(15.929.622)</u></u>	<u><u>(14.963.683)</u></u>

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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

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 2010 is 20% (2009: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 2010 is 20% (2009: 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.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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

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 2010</u>	<u>1 January - 31 December 2009</u>
<u>Reconciliation of Tax Provision</u>		
Profit from operations before tax	52.181.529	74.722.495
Tax rate of 20%	10.436.306	14.944.499
Effects of Tax		
- non-deductible expenses	2.325.296	2.419.117
- other	3.168.020	(2.399.933)
Provisions for tax expense in income statement	<u>15.929.622</u>	<u>14.963.683</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 2010 and 2009 are as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Inventories	(18.310.559)	(8.636.031)
Fixed Assets	(1.138.143)	(1.436.482)
Provision for diminution in value of inventories	2.873.729	2.873.729
Provision for retirement pay	5.445.838	3.672.786
Allowance for doubtful receivables	2.150.510	2.382.426
Other	1.025.665	906.601
	<u>(7.952.960)</u>	<u>(236.971)</u>

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

35. TAX ASSETS AND LIABILITIES (cont'd)

	<u>1 January – 31 December 2010</u>	<u>1 January – 31 December 2009</u>
1 January opening value of deferred tax	(236.971)	1.986.322
Deferred tax expense	(7.715.989)	(2.223.293)
Current period deferred tax (liability)/asset	<u>(7.952.960)</u>	<u>(236.971)</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 2010</u>	<u>1 January – 31 December 2009</u>
Numbers of total outstanding shares (in full)	693.000.000	318.000.000
Weighted average number of shares outstanding during the period (in full)	371.612.659	318.000.000
Net profit for the year	36.251.631	59.758.812
Earnings per share (Ykr)	9,76	18,79

37. RELATED PARTY TRANSACTIONS

a) Due to/from Related Parties:

Short-term trade receivables from related parties as of 31 December 2010 and 2009 are as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Türk Hava Yolları A.O. ("THY AO")	59.484.691	56.409.795
Güneş Express Havacılık A.Ş. ("Sun Ekspres")	1.568.172	979.778
Pratt & Whitney THY Teknik Uçak Motoru Bakım Merkezi Ltd. ("PW & TT")	40.657.708	26.705.625
Turkish Do & Co İkrım Hizmetleri A.Ş. ("Do & Co")	12.329	616.912
TGS Yer Hizmetleri A.Ş. ("TGS")	145.912	-
	<u>101.868.812</u>	<u>84.712.110</u>

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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

37. RELATED PARTY TRANSACTIONS (cont'd)

Short-term non-trade receivables from related parties as of 31 December 2010 and 2009 are as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Türk Hava Yolları A.O.	21.407	132.228
	<u>21.407</u>	<u>132.228</u>

Short-term trade payables to related parties as of 31 December 2010 and 2009 are as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
THY AO	30.812.354	19.639.083
Pratt & Whitney	684.673	-
TGS Yer Hizmetleri A.Ş	362.786	-
	<u>31.859.813</u>	<u>19.639.083</u>

Short-term non trade payables to related parties as of 31 December 2010 and 2009 are as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
THY AO	8.295.797	5.654.773

b) Purchases and Sales from/to Related Parties

	<u>1 January– 31 December 2010</u>	<u>1 January – 31 December 2009</u>
Services rendered to THY A.O.	530.483.397	524.479.322
Services rendered to Sun Express	14.266.152	15.979.403
Services rendered and sales to P&W T.T. Uçak Bakım Merkezi Ltd.Şti.	52.748.735	7.863.429
Services rendered to TGS	2.004.123	-
Services rendered to DO&CO	135.429	-
	<u>599.637.836</u>	<u>548.322.154</u>

	<u>1 January– 31 December 2010</u>	<u>1 January – 31 December 2009</u>
Services received from THY A.O	55.552.571	48.084.162
Services received from Sun Express	239.181	176.927
Services received from P&W T.T.	434	9.362
Services received from TGS	1.445.575	-
Services received from DO&CO	126	-
	<u>57.237.887</u>	<u>48.270.451</u>

c) The total amount of salaries and other benefits provided to key management personnel is TL 973.203 (31 December 2000: TL 950.707).

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

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.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

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 2010					
	Trade receivables			Receivables		
	Related Party	Third Party	Related Party	Third Party	Other receivables	Deposits at Banks
Maximum credit risk as of balance sheet date (*)	101.868.812	54.209.230	-	21.407	-	30.405.267
The part of maximum risk under guarantee with collateral etc.	-	(1.952.654)	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	101.868.812	14.090.304	-	21.407	-	30.405.267
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	-	40.118.926	-	-	-	-
-The part under guarantee with collateral etc.	-	(1.952.654)	-	-	-	-
D. Net book value of impaired assets	-	29.892.949	-	-	-	-
-Past due (gross carrying amount)	-	(29.892.949)	-	-	-	-
-Impairment(-)	-	-	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
-Not past due (gross carrying amount)	-	-	-	-	-	-
-Impairment (-)	-	-	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

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

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

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

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	-	11.912.130	-	-	-
-Past due (gross carrying amount)	-	(11.912.130)	-	-	-
-Impairment(-)	-	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	1.215.792	-	-	-
-Not past due (gross carrying amount)	-	(1.215.792)	-	-	-
-Impairment (-)	-	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-

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

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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

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 2010 and 31 December 2009 are as follows:

Current Period	Receivables				
	Trade Receivables	Other Receivables	Deposits in Banks	Derivative Instruments	Other
Past due 1-30 days	11.459.033	-	-	-	-
Past due 1-3 months	19.615.819	-	-	-	-
Past due 3-12 months	36.847.751	-	-	-	-
Past due 1-5 years	2.089.272	-	-	-	-
Past due more than 5 years	-	-	-	-	-
The part under guarantee with collateral	(1.952.654)	-	-	-	-

Prior 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	(3.951.919)	-	-	-	-

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

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 non-derivative 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.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

31.12.2010

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
Non Derivative Financial Liabilities	105.586.956	105.586.956	105.573.652	13.304		
<i>Financial Borrowings</i>	13.304	13.304	-	13.304	-	-
<i>Trade Payables</i>	79.818.724	79.818.724	79.818.724	-	-	-
<i>Other Financial Liabilities</i>	25.754.928	25.754.928	25.754.928	-	-	-

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
Non Derivative Financial Liabilities	71.256.362	71.348.620	71.308.169	40.451		
<i>Financial Borrowings</i>	40.451	40.451	-	40.451	-	-
<i>Trade Payables</i>	49.782.220	49.874.478	49.874.478	-	-	-
<i>Other Financial Liabilities</i>	21.433.691	21.433.691	21.433.691	-	-	-

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:

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

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

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	167.778.925	161.324.979	6.127.946	326.000	-	108.655.067	104.869.637	3.762.729	22.701	-
2a. Monetary Financial Assets	27.711.831	27.150.352	488.358	73.121	-	21.604.790	21.386.958	163.263	54.569	-
2b. Non Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
3. Other	12.898.858	10.418.183	2.458.983	21.692	-	4.660.702	4.464.985	143.712	41.236	10.769
4. Total Current Assets (1+2+3)	208.389.614	198.893.514	9.075.287	420.813	-	134.920.559	130.721.580	4.069.704	118.506	10.769
5. Trade Receivables	-	-	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
6b. Non Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
7. Other	(27.945.330)	(27.336.622)	(382.400)	(226.308)	-	3.064.099	2.188.213	-	875.886	-
8. Total Non Current Assets (5+6+7)	(27.945.330)	(27.336.622)	(382.400)	(226.308)	-	3.064.099	2.188.113	-	875.886	-
9. Total Assets (4+8)	180.444.284	171.556.892	8.692.887	194.505	-	137.984.658	132.909.793	4.069.704	994.392	10.769
10. Trade Payables	(71.889.154)	(61.588.270)	(9.498.806)	(582.464)	(219.614)	(38.477.970)	(32.490.303)	(5.643.513)	(249.764)	(94.390)
11. Financial Liabilities	(2.850)	(2.850)	-	-	-	(22.968)	(22.968)	-	-	-
12a. Other Monetary Liabilities	(3.566.875)	(1.243.414)	(1.842.641)	(71.757)	(409.063)	(7.259.568)	(6.976.215)	(99.080)	(61.090)	(123.183)
12b. Other Non Monetary Liabilities	(489.632)	(56.367)	(433.265)	-	-	-	-	-	-	-
13. Total Current Liabilities (10+11+12)	(75.948.511)	(62.890.901)	(11.774.712)	(654.221)	(628.677)	(45.760.506)	(39.489.486)	(5.742.593)	(310.854)	(217.573)
14. Trade Payables	-	-	-	-	-	-	-	-	-	-
15. Financial Liabilities	-	-	-	-	-	-	-	-	-	-
16a. Other Monetary Liabilities	-	-	-	-	-	-	-	-	-	-
16b. Other Non Monetary Liabilities	-	-	-	-	-	-	-	-	-	-
17. Total Non Current Liabilities (14+15+16)	-	-	-	-	-	-	-	-	-	-
18. Total Liabilities (13+17)	(75.948.511)	(62.890.901)	(11.774.712)	(654.221)	(628.677)	(45.760.506)	(39.489.486)	(5.742.593)	(310.854)	(217.573)
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)	104.495.773	108.665.991	(3.081.825)	(459.716)	(628.677)	92.224.152	93.420.307	(1.672.889)	683.538	(206.805)
21. Net Foreign Currency Asset / (Liability) Position of Monetary Items (1+2a+5+6a-10-11-12a-14-15-16a)	120.031.877	125.640.797	(4.725.143)	(255.100)	(628.677)	84.499.351	86.767.109	(1.816.601)	(233.584)	(217.573)
23. Exports	63.991.353	-	-	-	-	65.405.694	-	-	-	-
24. Imports	291.493.094	-	-	-	-	198.898.994	-	-	-	-

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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

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	Profit / (Loss)	
	Foreign Currency Appreciated	Foreign Currency Devaluated
In the event of 10% change in US Dollar against TL;		
1- US Dollar Net Asset / Liability	10.051.264	(10.051.264)
2- Part of Hedged from US Dollar Risk (-)	-	-
3- US Dollar Net Effect (1+2)	10.051.264	(10.051.264)
In the event of 10% change in Euro against TL;		
4- Euro Net Asset / Liability	(378.011)	378.011
5- Part of Hedged from Euro Risk (-)	-	-
6- Euro Net Effect (4+5)	(378.011)	378.011
TOTAL	9.673.253	(9.673.253)

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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

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	
	Profit / (Loss)	
	Foreign Currency Appreciated	Foreign Currency Appreciated
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 (-)		
3- US Dollar Net Effect (1+2)	6.941.369	(6.941.369)
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 (-)		
6- Euro Net Effect (4+5)	(145.328)	145.328
TOTAL	6.796.041	(6.796.041)

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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

39. FINANCIAL INSTRUMENTS (cont'd)

Categories and fair value of financial instruments

	Loans and receivables	Financial liabilities at amortized cost	Carrying Value	Note
31 December 2010				
Financial assets				
Cash and Cash Equivalents	30.405.267	-	30.405.267	6
Trade Receivables	185.970.991	-	185.970.991	10
Other Receivables	1.703.837	-	1.703.837	11
Financial liabilities				
Financial debt	-	13.304	13.304	8
Trade payables	-	79.842.069	79.842.069	10
Other non trade payables due to related parties	-	8.295.797	8.295.797	11
31 December 2009				
Financial assets				
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
Financial liabilities				
Financial debt	-	40.451	40.451	8
Trade payables	-	49.782.220	49.782.220	10
Other non trade payables due to related parties	-	5.654.773	5.654.773	11

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

40. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

In the Board of Directors meeting on 16 February 2010, Company decided to transfer all kind of repair and maintenance work of domestic and foreign line check stations to its certain shareholder THY Anonim Ortaklığı and necessary equipment and personnel will be provided by the Company.