

CONVENIENCE TRANSLATION OF REPORT AND FINANCIAL  
STATEMENTS ORIGINALLY ISSUED IN TURKISH

**TÜRK HAVA YOLLARI  
TEKNİK A.Ş.**

FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2011

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

### REVIEW REPORT ON FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2011

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

#### Introduction

We have reviewed the accompanying balance sheet of Türk Hava Yolları Teknik A.Ş. (“the Company”) as of 30 June 2011 and the related statements of comprehensive income, changes in equity and cash flows for the six month interim period then ended. Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with the financial reporting standards issued by the Capital Markets Board. Our responsibility is to express a conclusion on these interim financial statements based on our review.

#### Scope of Review

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

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the financial position of the Company as of 30 June 2011 and its financial performance and cash flows for the six months period then ended in accordance with the financial reporting standards issued by the Capital Markets Board.

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

İstanbul, 24 August 2011



Berkman 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.....	6-56
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 INVESMENTS ACCOUNTED 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 AND CONTINGENCIES .....	
NOTE 24 EMPLOYEE BENEFITS .....	
NOTE 25 RETIREMENT PLANS .....	
NOTE 26 OTHER ASSETS AND LIABILITIES .....	
NOTE 27 SHAREHOLDERS' EQUITY.....	
NOTE 28 SALES 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 RELATED PARTY TRANSACTIONS.....	
NOTE 38 NATURE AND EXTENT OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS .....	
NOTE 39 FINANCIAL INSTRUMENTS.....	
NOTE 40 EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE.....	

(Convenience Translation of Report And Financial Statements Originally Issued in Turkish)  
**TÜRK HAVA YOLLARI TEKNİK A.Ş.**  
**BALANCE SHEET AS OF 30 JUNE 2011**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

ASSETS	Notes	Current period Reviewed 30 June 2011	Prior period Audited 31 December 2010
<b>Current Assets</b>		<b>595.606.476</b>	<b>570.043.107</b>
Cash and Cash Equivalents	6	43.356.410	30.405.267
Trade Receivables	10, 37	136.456.198	185.970.991
<i>Related Party Trade Receivables</i>		63.473.410	101.868.812
<i>Other Trade Receivables</i>		72.982.788	84.102.179
Other Receivables	11, 37	2.006.954	1.703.837
Inventories	13	384.522.311	330.342.340
Other Current Assets	26	29.264.603	21.620.672
<b>Non-current Assets</b>		<b>259.195.375</b>	<b>205.747.347</b>
Financial investments	7	3.747.520	14
Investments Accounted Under Equity Method	16	64.491.318	53.692.268
Tangible Assets	18	147.976.587	105.709.608
Intangible Assets	19	545.137	594.177
Other Non-current Assets	26	42.434.813	45.751.280
<b>TOTAL ASSETS</b>		<b>854.801.851</b>	<b>775.790.454</b>

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

(Convenience Translation of Report And Financial Statements Originally Issued in Turkish)  
**TÜRK HAVA YOLLARI TEKNİK A.Ş.**  
**BALANCE SHEET AS OF 30 JUNE 2011**  
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

	Notes	Current period Reviewed 30 June 2011	Prior period Audited 31 December 2010
<b>Current Liabilities</b>		<b>131.589.433</b>	<b>157.157.679</b>
Finacial Debt	8	65.129	13.304
Trade payables	10, 37	80.947.725	79.842.069
<i>Related Party Trade Payables</i>		29.994.177	31.859.813
<i>Other Trade Payables</i>		50.953.548	47.982.256
Other payables	11, 37	24.720.712	25.754.928
Current tax liabilities	35	7.094.723	-
Provisions	22	2.845.026	898.751
Employee benefit obligations	24	11.750.366	46.414.025
Other current liabilities	26	4.165.752	4.234.602
 <b>Non-Current Liabilities</b>		 <b>38.210.654</b>	 <b>35.378.724</b>
Provision for retirement pay liability	24	29.773.391	27.229.192
Deferred tax liability	35	8.437.263	7.952.960
Other non current liabilities	26	-	196.572
 <b>EQUITY</b>			
<b>Equity Attributable to Equity</b>			
<b>Holders of the Parent</b>	27	<b>685.001.764</b>	<b>583.254.051</b>
Share capital		501.006.000	430.026.000
Restricted reserves assorted from profit		5.126.685	4.042.587
Foreign currency translation reserves		3.765.466	380.549
Retained earnings		147.720.817	112.553.008
Net Profit/(Loss) for the Period		27.382.796	36.251.907
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>854.801.851</b>	<b>775.790.454</b>

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

(Convenience Translation of Report And Financial Statements Originally Issued in Turkish)  
**TÜRK HAVA YOLLARI TEKNİK A.Ş.**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2010**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

		Reviewed	Not reviewed	Reviewed	Not reviewed
	Notes	1 January - 30 June 2011	1 April - 30 June 2011	1 January - 30 June 2010	1 April - 30 June 2010
Sales revenue	28	411.877.312	213.600.237	327.186.652	188.973.779
Cost of sales (-)	28	( 325.322.646)	( 162.595.499)	( 261.048.388)	( 139.142.380)
<b>Gross Profit/ (Loss) from finance sector operations</b>		-	-	-	-
<b>GROSS PROFIT</b>		<b>86.554.666</b>	<b>51.004.738</b>	<b>66.138.264</b>	<b>49.831.399</b>
Marketing, sales and distribution expenses (-)	29	(4.249.219)	(2.145.691)	(3.057.762)	(1.593.403)
Administrative expenses (-)	29	(44.586.612)	(26.199.815)	(39.010.752)	(15.805.772)
Other operating income	31	7.148.500	3.103.658	19.268.511	1.971.259
Other operating expenses (-)	31	(1.959.596)	(1.342.129)	(8.685.233)	(8.683.261)
<b>OPERATING PROFIT</b>		<b>42.907.739</b>	<b>24.420.761</b>	<b>34.653.028</b>	<b>25.720.222</b>
Share of investments' profit/ (loss) accounted under the equity method	16	(10.917.167)	(4.455.510)	(7.758.384)	(4.698.543)
Financial income	32	41.507.656	24.888.083	26.757.030	13.384.565
Financial expenses (-)	33	(35.340.582)	(19.444.993)	(18.820.472)	(7.125.393)
<b>PROFIT BEFORE TAX</b>		<b>38.157.646</b>	<b>25.408.341</b>	<b>34.831.202</b>	<b>27.280.851</b>
<b>Tax (expense) / income</b>		<b>(10.774.850)</b>	<b>(6.178.480)</b>	<b>(9.334.827)</b>	<b>(6.481.910)</b>
-Current tax expense		(10.290.547)	(7.066.565)	(7.826.493)	(5.487.073)
-Deferred tax expense	35	(484.303)	888.085	(1.508.334)	(994.837)
<b>PROFIT FOR THE PERIOD</b>		<b>27.382.796</b>	<b>19.229.861</b>	<b>25.496.375</b>	<b>20.798.941</b>
Other Comprehensive Income		3.765.466	3.384.917	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>31.148.262</b>	<b>22.614.778</b>	<b>25.496.375</b>	<b>20.798.941</b>
<b>Earnings Per Share (Kr)</b>	36	<b>3,95</b>	<b>2,77</b>	<b>3,68</b>	<b>3,00</b>

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

TÜRK HAVA YOLLARI TEKNİK A.Ş.

STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2010

(Amounts 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
<b>Balance at 31 December 2009</b>	<b>318.000.000</b>	<b>2.099.288</b>	-	<b>54.737.496</b>	<b>59.758.812</b>	<b>434.595.596</b>
Transfer	-	-	-	59.758.812	(59.758.812)	-
Transfer to Reserves	-	1.943.300	-	(1.943.300)	-	-
Capital Payment	56.910.050	-	-	-	-	56.910.050
Net Comprehensive Income for the Year	-	-	-	-	25.496.375	25.496.375
<b>Balance at 30 June 2010</b>	<b>374.910.050</b>	<b>4.042.588</b>	-	<b>112.553.008</b>	<b>25.496.375</b>	<b>517.002.021</b>
<b>Balance at 31 December 2010</b>	<b>430.026.000</b>	<b>4.042.587</b>	<b>380.549</b>	<b>112.553.008</b>	<b>36.251.907</b>	<b>583.254.051</b>
Transfer	-	-	-	36.251.907	(36.251.907)	-
Transfer to Reserves	-	1.084.098	-	(1.084.098)	-	-
Capital Payment	70.980.000	-	-	-	-	70.980.000
Net Comprehensive Income for the Year	-	-	3.384.917	-	27.382.796	30.767.713
<b>Balance at 30 June 2011</b>	<b>501.006.000</b>	<b>5.126.685</b>	<b>3.765.466</b>	<b>147.720.817</b>	<b>27.382.796</b>	<b>685.001.764</b>

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

(Convenience Translation of Report And Financial Statements Originally Issued in Turkish)  
**TÜRK HAVA YOLLARI TEKNİK A.Ş.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 1 JANUARY-30 JUNE 2010**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

	Notes	1 January - 30 June 2011	1 January - 30 June 2010
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net Income Before Tax		38.157.646	34.831.202
<b>Adjustments to obtain net cash flow generated from operating activities:</b>			
Depreciation and Amortization	13-18-19	30.892.426	29.791.656
Provision for Retirement Pay Liability	24	3.336.825	3.474.154
Share at Loss of Investments Accounted for Equity Method	16	10.917.167	7.758.384
Discount Expenses	33	55.445	99.634
Fixed Asset Sales Revenue		(1.877.015)	(15.383.639)
Change in Provision for Doubtful Receivables	10	11.586.445	14.505.763
Interest Income	32	(420.008)	
<b>Operating profit before working capital changes</b>		<b>92.648.931</b>	<b>74.844.818</b>
Change in trade receivables		(522.499)	(21.596.923)
Change in Other Short and Long Term Receivables from Related Parties		38.395.402	(3.520.703)
Change in Other Short and Long Term Receivables		(300.195)	1.147.304
Change in Inventories		(79.367.904)	(42.029.543)
Change in Other Current Assets		(7.643.931)	(6.312.049)
Change in Other Non-Current Assets		293.956	(653.530)
Change in Trade Payables		2.971.292	(3.044.198)
Change in Payables to Related Parties		(1.865.636)	(7.426.033)
Change in Short Term Provisions		1.946.275	(8.545)
Change in Other Short and Long Term Liabilities		(35.963.297)	21.957.293
<b>Cash Provided by Operating Activities</b>		<b>10.592.394</b>	<b>13.357.891</b>
Retirement Benefits Paid	24	(792.626)	(962.715)
Prepaid Taxes	35	(3.195.824)	(4.768.438)
Interest Received		417.086	232.336
<b>Net Cash Used in Operating Activities</b>		<b>7.021.030</b>	<b>7.859.074</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Cash Inflow From Sale of Intangible and Tangible Fixed Assets	18	3.998.708	18.468.309
Acquisitions of Tangible and Intangible Assets	18,19	(50.044.125)	(8.654.565)
Investments Accounted Under Equity Method		(18.331.300)	(40.563.423)
Participation Capital Payment		(3.747.506)	(14)
Changes in Advances Given		3.022.511	(53.903.449)
<b>Net Cash Used in Investing Activities</b>		<b>( 65.101.712)</b>	<b>( 84.653.142)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Capital Increase		70.980.000	56.910.050
Change in Financial Liabilities		51.825	1.784.834
<b>Net Cash Provided by Financing Activities</b>		<b>71.031.825</b>	<b>58.694.884</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>12.951.143</b>	<b>( 18.099.184)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>30.405.267</b>	<b>22.574.372</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>43.356.410</b>	<b>4.475.188</b>



# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS

FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011

(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 30 June 2011 is 2.187 (30 June 2010: 2.649).

	<u>30 June 2011</u>	<u>30 June 2010</u>
Administrative Staff	668	692
Production Staff	1.519	1.957
<b>Total</b>	<b><u>2.187</u></b>	<b><u>2.649</u></b>

The average number of employees working for the Company as of 30 June 2011 is 2.518 (30 June 2010: 2.535).

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

### 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 "Communique 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/TFRS") 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 standart 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 SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011

(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 30 June 2010:

Name of the Company	Principal Activity	Participation Rate		Country of Registration
		30 June 2010	31 December 2009	
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 (actually, that contains a long term 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 SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011  
(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

a) There is no change in standard and interpretations affecting the basis of presentation and notes of financial statements as of June 2010.

b) Standards, amendments and interpretations to existing standards effective in June 2010 but not relevant to the Group:

- 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. This is not currently applicable to the Company, as it does not have any business combination as of the balance sheet date.

- 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 Company, 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.

Improvements to International Financial Reporting Standards 2009 were issued in April 2009. The improvements cover 12 main standards/interpretations as follows: IFRS 2 Share-based Payments, IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 8 Operating Segments, IAS 1 Presentation of Financial Statements, IAS 7 Statement of Cash Flows, 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.

(c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective and have not been early adopted:

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 July 2010.

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS

FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011

(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)

##### **IFRS 1 (amendments), "First-time Adoption of IFRS – Additional Exemptions"**

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.

##### **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

##### **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.

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS

FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011

(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)

(c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective and have not been early adopted (cont'd):

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

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

##### **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 1 Presentation of Financial Statements; 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 is allowed. The Group has not yet had an opportunity to consider the potential impact of the adoption of these amendments to the standards.

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

##### **IFRS 1 (amendments) *First-time Adoption of IFRS – Two Amendments***

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 Company, 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.

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS  
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011  
(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)

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

#### **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.

#### **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.

#### **IFRS 10 *Consolidated Financial Statements***

IFRS 10 replaces the consolidation guidance in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation — Special Purpose Entities* by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has 1) power over the investee; 2) exposure, or rights, to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to affect the amount of the returns. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

#### **IFRS 11 *Joint Arrangements***

IFRS 11 introduces new accounting requirements for joint arrangements, replacing IAS 31 *Interests in Joint Ventures*. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed. Additionally, IFRS 11 eliminates jointly controlled assets to now only differentiate between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS  
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011  
(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)

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

#### **IFRS 12 *Disclosure of Interest In Other Entities***

IFRS 12 requires extensive disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. An entity is required to disclose information that helps users of its financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on its financial statements. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

#### **IAS 27 *Separate Financial Statements* (2011)**

The requirements relating to separate financial statements are unchanged and are included in the amended IAS 27. The other portions of IAS 27 are replaced by IFRS 10.

#### **IAS 28 *Investments in Associates and Joint Ventures* (2011)**

IAS 28 is amended for conforming changes based on the issuance of IFRS 10, IFRS 11 and IFRS 12.

#### **IFRS 13 *Fair Value Measurements***

On 12 May 2011, IASB issued IFRS 13 Fair Value Measurement, which establishes a single source of guidance for fair value measurement under IFRSs. IFRS 13 defines fair value, provides guidance on its determination and introduces consistent requirements for disclosures on fair value measurements. The Standard does not include requirements on when fair value measurements is required; it prescribes how fair value is to be measured if another Standard requires it. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

#### **IAS 1 *Presentation of Financial Statements* (2011) – *Presentation of Items of Other Comprehensive Income***

The amendments to IAS 1 provides guidance on the presentation of items contained in other comprehensive income (OCI) and their classification within OCI. The new standard is mandatory for annual periods beginning on or after 1 July 2012. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

#### **IAS 19 *Employee Benefits* (2011) (the "amendments")**

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011 (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

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.

##### 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



# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS

FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011

(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)

##### 2.6.3 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 30 June 2011. Other intangible assets are depreciated over their useful life, on a straight-line basis.

##### 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.

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS  
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011  
(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)

#### 2.6.6 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 30 June 2011 and 2010, 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 appropriate a shorter period.

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

##### *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.

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS

FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011

(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)

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

###### Financial assets (cont'd)

###### *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.

###### *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.

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS

FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011

(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)

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

###### Financial assets (cont'd)

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.

###### 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.

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS  
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011  
(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)

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

##### 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.

#### 2.6.8 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>
30 June 2011	1,6302	1,5641
30 June 2010	1,5747	1,5163
31 December 2010	1,5460	1,4910

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

	<u>Closing Rate</u>	<u>Average Rate</u>
30 June 2011	2,2910	2,1949
30 June 2010	1,9217	2,0158
31 December 2010	2,0941	1,9886

#### 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.

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS

FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011

*(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)

#### 2.6.10 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.

#### 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.

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS  
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011  
(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)

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

##### *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.

##### *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.

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS

FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011

(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)

#### 2.6.14 Employee benefit /retirement pay provision

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

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

#### 2.6.15 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.

### 2.7 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.



# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS  
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011  
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

## 3. BUSINESS COMBINATIONS

None (31 December 2010:None).

## 4. BUSINESS ASSOCIATIONS

None (31 December 2010: None).

## 5. SEGMENT REPORTING

None (31 December 2010: None).

## 6. CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents as of 30 June 2011 and 31 December 2010 are as follows:

	<u>30 June 2011</u>	<u>31 December 2010</u>
Cash	111.666	-
Banks (Demand Deposits)	1.468.799	3.066.897
Banks (Time Deposits)	41.775.945	27.338.370
	<u>43.356.410</u>	<u>30.405.267</u>

The details of time deposits as of 30 June 2011 and 31 December 2010 are as follows:

<u>Capital</u>	<u>Currency</u>	<u>Opening Date</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>30 June 2011</u>
25.626.269	US Dollar	June 2011	2,50% -3,20%	July 2011	41.775.945
					<u>41.775.945</u>

<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	8,00%	January 2011	2.300.000
					<u>27.338.370</u>

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS  
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011  
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

## 7. FINANCIAL ASSETS

	<u>30 June 2011</u>	<u>31 December 2010</u>
Thy-Opet Havacılık Yakıtları A.Ş	20	14
Goodrich Thy Teknik Servis Merkezi Ltd.Şti. (*)	2.960.000	2.960.000
Goodrich Thy Teknik Servis Merkezi Ltd.Şti.	-	-
Capital Subscribe (-)	-	(2.960.000)
TCI Kabiniçi Sistemleri San. ve Tic. A.Ş (**)	1.575.000	-
TCI Kabiniçi Sistemleri San. ve Tic. A.Ş	(787.500)	-
Capital Subscribe (-)	-	-
Uçak Koltuk Üretimi San.ve Tic.A.Ş (***)	4.997	-
Uçak Koltuk Üretimi San.ve Tic.A.Ş	(4.997)	-
Capital Subscribe (-)	-	-
	<u>3.747.520</u>	<u>14</u>

(\*)Goodrich Thy Teknik Servis Merkezi Limited Şirketi is established as of 14 December 2010 and has not begun its operations.

(\*\*)TCI Kabiniçi Sistemleri San. ve Tic. A.Ş is established as of 9 May 2011 and has not begun its operations.

(\*\*\*)Uçak Koltuk Üretimi San.ve Tic.A.Ş is established as of 27 May 2011 has not begun its operations.

## 8. FINANCIAL LIABILITIES

The details of financial borrowings as of 30 June 2011 and 31 December 2010 are as follows:

	<u>30 June 2011</u>	<u>31 December 2010</u>
Short term	65.129	13.304
	<u>65.129</u>	<u>13.304</u>

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS  
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011  
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

## 8. FINANCIAL LIABILITIES (cont'd)

The details of short term financial liabilities as of 30 June 2011 and 31 December 2010 are as follows:

### 30 June 2011

<u>Name of Bank</u>	<u>Maturity</u>	<u>Original Amount</u>	<u>Currency</u>	<u>Balance</u>
Garanti Credit Card	-	55.650	TL	55.650
Garanti Credit Card	-	5.815	TL	9.479
				<b>65.129</b>

### 31 December 2010

<u>Name of Bank</u>	<u>Maturity</u>	<u>Original Amount</u>	<u>Currency</u>	<u>Balance</u>
Garanti Credit Card	-	10.439	TL	10.439
Garanti Credit Card	-	1.853	USD	2.865
				<b>13.304</b>

## 9. OTHER FINANCIAL LIABILITIES

None (31 December 2010: None).

## 10. TRADE RECEIVABLES AND PAYABLES

Short term trade receivables as of 30 June 2011 and 31 December 2010 are as follows:

	<u>30 June 2011</u>	<u>31 December 2010</u>
Trade Receivables	111.415.909	113.854.908
Trade Receivables from Related Parties (Note 37)	63.473.410	101.868.812
Credit Note Receivables	611.004	145.071
Discount on Receivables (-)	(3.015)	(4.851)
Allowance for Doubtful Receivables (-)	(39.041.110)	(29.892.949)
	<b>136.456.198</b>	<b>185.970.991</b>

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011 (Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

### 10. TRADE RECEIVABLES AND PAYABLES (cont'd)

Movement of the doubtful receivables for the period ended 30 June 2011 and 31 December 2010 are as follows:

	<b>1 January - 30 June 2011</b>	<b>1 January - 30 June 2010</b>
Provision at the beginning of the year	29.892.949	13.127.922
Current year charge	11.586.445	14.505.763
Collections	(2.438.284)	(2.482.135)
	<b><u>39.041.110</u></b>	<b><u>25.151.550</u></b>

The Company does not have long term trade receivables as of 30 June 2011 and 31 December 2010.

#### Guarantees Received for Receivables

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

	<b>30 June 2011</b>		<b>31 December 2010</b>	
	Nominal Value	Fair Value	Nominal Value	Fair Value
Letter of guarantees	1.910.552	1.910.552	1.952.654	1.952.654
	<b><u>1.910.552</u></b>	<b><u>1.910.552</u></b>	<b><u>1.952.654</u></b>	<b><u>1.952.654</u></b>

Short term trade payables for the period ended 30 June 2011 and 31 December 2010 are as follows:

	<b>30 June 2011</b>	<b>31 December 2010</b>
Trade Payables	48.951.088	46.040.265
Trade Payables from Related Parties (Note 37)	29.994.177	31.859.813
Discount on Notes Payables (-)	(188.632)	(52.430)
Other Trade Payables	2.191.092	1.994.421
	<b><u>80.947.725</u></b>	<b><u>79.842.069</u></b>

The Company does not have long term trade payables as of 30 June 2011 and 31 December 2010.

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS  
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011  
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

## 11. OTHER RECEIVABLES AND PAYABLES

Details of other short term receivables as of 30 June 2011 and 31 December 2010 are as follows:

	<u>30 June 2011</u>	<u>31 December 2010</u>
Receivables from Tax Office	2.978	5.463
Receivables from Foreign Technical Suppliers	1.691.279	1.656.654
THY A.O. Non-Trade Receivables (Note 37)	207.343	21.407
Due from Personnel	15.072	4.681
Doubtful Receivables	16.037	14.937
Allowance of Doubtful Receivables (-)	(16.037)	(14.937)
Deposits and Guarantees Given	5.452	14.920
Other Receivables	84.830	712
	<u><b>2.006.954</b></u>	<u><b>1.703.837</b></u>

Movement of provision for doubtful receivables for the years ended 30 June 2011 and 30 June 2010 are as follows:

	<u>1 January - 30 June 2011</u>	<u>1 January - 30 June 2010</u>
Provision at the beginning of the year	14.937	18.846
Current year charge	1.100	1.000
Collected amount	-	(2.498)
Provision at the end of the year	<u><b>16.037</b></u>	<u><b>17.348</b></u>

The details of other short term payables as of 30 June 2011 and 31 December 2010 are as follows:

	<u>30 June 2011</u>	<u>31 December 2010</u>
THY A.O. Non-Trade Payables (Note 37)	3.230.022	8.295.797
Taxes, Charges and Other Payables	8.490.530	8.179.564
Social Security Premiums Payables	5.140.261	4.986.042
Order Advances Received	2.110.676	943.522
Deposits and Guarantees Received	5.623.161	3.212.980
Payables to Personnel	126.062	137.023
	<u><b>24.720.712</b></u>	<u><b>25.754.928</b></u>

**TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ**

NOTES TO FINANCIAL STATEMENTS  
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011  
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

**12. RECEIVABLES AND PAYABLES FROM OPERATIONS IN FINANCIAL SECTOR**

None (31 December 2010: None).

**13. INVENTORIES**

	<u>30 June 2011</u>	<u>31 December 2010</u>
Technical Equipment Inventories	193.186.376	150.010.071
BFE Equipment Inventories	17.287	17.287
Components and Spare Parts Repairable	356.774.985	327.545.637
Accumulated Depreciation for		
Components and Spare Parts Repairable(-)	(168.618.990)	(152.551.379)
Technical Equipment Inventories in Transit	3.162.653	5.320.724
Obsolete Equipment Inventories	14.368.647	14.368.647
Provision for Impairment (-)	(14.368.647)	(14.368.647)
	<u><b>384.522.311</b></u>	<u><b>330.342.340</b></u>

Movement of allowance for impairment on inventory is as follows:

	<u>1 January - 30 June 2011</u>	<u>1 January - 30 June 2010</u>
Provision at the beginning of the year	14.368.647	14.368.647
Current year charge	-	-
Cancellation of provisions recognized	-	-
Provision at the end of the year	<u><b>14.368.647</b></u>	<u><b>14.368.647</b></u>

Movement of components and spare parts are as follows:

<u>Cost</u>	<u>Components and Spare Parts Repairable</u>
Opening balance, 1 January 2011	327.545.637
Additions	41.528.055
Disposals	(12.298.707)
Closing balance, 30 June 2011	<u><b>356.774.985</b></u>
<u>Accumulated Depreciation</u>	
Opening balance, 1 January 2011	152.551.379
Current charge for the year	25.187.933
Disposals	(9.120.322)
Closing balance, 30 June 2011	<u><b>168.618.990</b></u>
<b>Net book value at 30 June 2011</b>	<u><b>188.155.995</b></u>
<b>Net book value at 31 December 2010</b>	<u><b>174.994.258</b></u>

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS  
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011  
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

## 13. INVENTORIES (cont'd)

<u>Cost</u>	<u>Components and Spare Parts Repairable</u>
Opening balance, 1 January 2010	319.829.495
Additions	39.757.440
Disposals	(24.218.772)
Closing balance, 30 June 2010	335.368.163
<u>Accumulated Depreciation</u>	
Opening balance, 1 January 2010	147.045.446
Current charge for the year	24.351.965
Disposals	(17.733.935)
Closing balance, 30 June 2010	153.663.476
<b>Net book value at 30 June 2010</b>	<b>181.704.687</b>
<b>Net book value at 31 December 2009</b>	<b>172.784.049</b>

## 14. BIOLOGICAL ASSETS

None (31 December 2010: None).

## 15. ASSETS FROM CONSTRUCTION CONTRACTS IN PROGRESS

None (31 December 2010: None).

## 16. INVESTMENTS ACCOUNTED UNDER EQUITY METHOD

Investments accounted under equity method are as follows:

	<u>30 June 2011</u>	<u>31 December 2010</u>
P&W T.T. Uçak Bakım Merkezi Ltd. Şti.	64.491.318	53.692.268
	<b>64.491.318</b>	<b>53.692.268</b>

Financial information for P&W T.T.Uçak Bakım Merkezi Ltd. Şti as of 30 June 2011 and 31 December 2010 is as follows:

	<u>30 June 2011</u>	<u>31 December 2010</u>
Assets	212.471.980	221.389.592
Liabilities	80.857.046	111.813.535
Shareholders' Equity	131.614.934	109.576.057
The Company's share in shareholders' equity	64.491.318	53.692.268

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS

FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011

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

### 16. INVESTMENTS ACCOUNTED UNDER EQUITY METHOD (cont'd)

	<u>1 January - 30 June 2011</u>	<u>1 January - 30 June 2010</u>
Revenue	83.040.274	8.780.392
Profit / (loss)	(22.279.932)	(15.833.436)
The Company's share on Profit / (Loss)	(10.917.167)	(7.758.384)

Financial assets accounted for equity method in profit/loss are as follows:

	<u>1 January - 30 June 2011</u>	<u>1 January - 30 June 2010</u>
P&W T.T. Uçak Bakım Merkezi Ltd. Şti.	(10.917.167)	(7.758.384)
	<u>(10.917.167)</u>	<u>(7.758.384)</u>

Financial assets accounted for equity method in profit/loss as of 30 June 2011 and 31 December 2010 are as follows:

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

### 17. INVESTMENT PROPERTY

None (31 December 2010: None).



**TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ**

NOTES TO FINANCIAL STATEMENTS  
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011  
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

**18. TANGIBLE ASSETS**

	Plant, Machinery and	Vehicles	Furniture and Fixtures	Other Tangible Assets	Construction in Progress	Leasehold Improvements	Total
<b>Cost</b>							
Opening balance 1 January 2011	75.187.081	7.960.285	7.729.734	1.350.308	63.992.344	19.867.947	176.087.699
Additions	3.402.535	227.434	570.989	212.492	45.557.322	-	49.970.772
Disposals	(1.210.274)	(3.915.640)	(667.942)	(246.248)	-	(308.860)	(6.348.964)
Transfer	-	-	-	-	(609.646)	609.646	-
Closing balance 30 June 2011	77.379.342	4.272.079	7.632.781	1.316.552	108.940.020	20.168.733	219.709.507
<b>Accumulated Depreciation</b>							
Opening balance 1 January 2011	51.699.211	6.824.526	4.346.036	697.725	-	6.810.593	70.378.091
Charge for the year	2.494.972	60.520	600.886	66.685	-	2.359.037	5.582.100
Disposals	(706.390)	(3.013.262)	(354.444)	(73.616)	-	79.559	(4.227.271)
Closing balance 30 June 2011	53.487.793	3.871.784	4.592.478	690.794	-	9.090.071	71.732.920
<b>Net book value 30 June 2011</b>	<b>23.891.549</b>	<b>400.295</b>	<b>3.040.303</b>	<b>625.758</b>	<b>108.940.020</b>	<b>11.078.662</b>	<b>147.976.587</b>
<b>Net book value 31 December 2010</b>	<b>23.487.870</b>	<b>1.135.759</b>	<b>3.383.698</b>	<b>652.583</b>	<b>63.992.344</b>	<b>13.057.354</b>	<b>105.709.608</b>

**TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ**

NOTES TO FINANCIAL STATEMENTS  
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011  
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

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

<b>Cost</b>	<b>Plant, Machinery and</b>	<b>Vehicles</b>	<b>Furniture and Fixtures</b>	<b>Other Tangible Assets</b>	<b>Construction in Progress</b>	<b>Leasehold Improvements</b>	<b>Total</b>
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	3.071.533	742.047	755.876	91.973	3.859.545	-	8.520.974
Disposals	(9.568.308)	(244.356)	(7.716)	(10.371)	-	-	(9.830.750)
Transfer	-	-	-	-	(269.775)	269.775	-
Closing balance 30 June 2010	72.770.525	7.802.788	7.007.729	1.160.223	7.689.893	19.264.674	115.695.832
<b>Accumulated Depreciation</b>							
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 30 June 2010	50.961.741	6.652.441	3.724.844	630.838	-	4.489.656	66.459.521
<b>Net book value 30 June 2010</b>	<b>21.808.784</b>	<b>1.150.346</b>	<b>3.282.884</b>	<b>529.385</b>	<b>7.689.893</b>	<b>14.775.017</b>	<b>49.236.310</b>
<b>Net book value 31 December 2009</b>	<b>24.098.159</b>	<b>553.354</b>	<b>3.081.294</b>	<b>502.393</b>	<b>4.100.123</b>	<b>16.790.240</b>	<b>49.125.563</b>

## TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS  
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011  
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

### 19. INTANGIBLE ASSETS

	<u>Rights</u>
<b><u>Cost</u></b>	
Opening balance, 1 January 2011	1.185.503
Additions	73.353
Closing balance, 30 June 2011	<u>1.258.856</u>
<b><u>Accumulated Depreciation</u></b>	
Opening balance, 1 January 2011	591.326
Charge for the period	122.393
Closing balance, 30 June 2011	<u>713.719</u>
<b>Net book value 30 June 2011</b>	<u><b>545.137</b></u>
<b>Net book value 31 December 2010</b>	<u><b>594.177</b></u>

	<u>Rights</u>
<b><u>Cost</u></b>	
Opening balance, 1 January 2010	942.522
Additions	133.592
Closing balance, 30 June 2010	<u>1.076.114</u>
<b><u>Accumulated Depreciation</u></b>	
Opening balance, 1 January 2010	353.765
Charge for the period	114.136
Closing balance, 30 June 2010	<u>467.901</u>
<b>Net book value 30 June 2010</b>	<u><b>608.213</b></u>
<b>Net book value 31 December 2009</b>	<u><b>588.757</b></u>

### 20. GOODWILL

None (31 December 2010: None).

### 21. GOVERNMENT GRANTS AND INCENTIVES

None (31 December 2010: None)

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS  
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011  
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

## 22. PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

### *i) Provisions*

	<u>30 June 2011</u>	<u>31 December 2010</u>
Provisions for Legal Claims	2.845.026	898.751

Movements in the allowance for legal claims at 30 June 2011 and 30 June 2010 years set out below:

	<u>1 January - 30 June 2011</u>	<u>1 January - 30 June 2010</u>
Provision at the beginning of the period	898.751	98.545
Charge for the year	1.946.275	-
Konusu kalmayan karşılık	-	(8.545)
Provision at the end of the year	<u>2.845.026</u>	<u>90.000</u>

### *ii) Contingent Assets and Liabilities:*

#### **30 June 2011**

As of 30 June 2011, 56 demanding compensation lawsuit is opened against THY Teknik A.Ş. and for this legal case provision of TL 2.845.026 is provided in the financial statements.

#### **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 898.751 is provided in the financial statements.

### *iii) Contingent Liabilities:*

#### **30 June 2011**

<u>DESCRIPTION</u>	<u>TL AMOUNT</u>
Letters of Guarantee Given	2.831.176
<b><u>TOTAL</u></b>	<b><u>2.831.176</u></b>

#### **31 December 2010**

<u>DESCRIPTION</u>	<u>TL AMOUNT</u>
Letters of Guarantee Given	2.599.853
<b><u>TOTAL</u></b>	<b><u>2.599.853</u></b>

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS  
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011  
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

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

*iv) Mortgages and guarantees on assets:*

None (31 December 2010: None).

*v) Insurance on assets:*

### **30 June 2011**

Type of Assets Insured	Tutar	Döviz Cinsi
Buildings and Machinery Plant Equipment	189.103.776	TL
Vehicles	567.060	TL
Insurance of Spare Parts	250.000.000	USD
Other	280.000	TL
<b>Total TL</b>	<b>189.950.836</b>	
<b>Total USD</b>	<b>250.000.000</b>	

### **31 December 2010**

Type of Assets Insured	Tutar	Döviz Cinsi
Buildings and Machinery Plant Equipment	183.213.441	TL
Vehicles	354.761	TL
Insurance of Spare Parts	250.000.000	USD
Other	280.000	TL
<b>Total TL</b>	<b>183.848.202</b>	
<b>Total USD</b>	<b>250.000.000</b>	

## 23. COMMITMENTS AND CONTINGENCIES

The Group as lessee

*Leasing arrangements*

Operating leases related to land of construction in progress aircraft shed with lease terms of 20 years. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

As of 30 June 2011 amount of TL 607.987 is recognized as rent expense in income statement. (31 December 2010: TL 1.134.038).

	30 June 2011	31 December 2010
Non-cancelable operating lease commitments		
Not longer than 1 year	1.434.868	1.187.098
Longer than 1 year and not longer than 5 years	9.839.093	8.705.382
Longer than 5 years	50.859.423	50.672.767
	<b>62.133.384</b>	<b>60.565.247</b>

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS  
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011  
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

## 24. EMPLOYEE BENEFITS

Short term employee benefits are as follows:

	<u>30 June 2011</u>	<u>31 December 2010</u>
Salary Accruals	4.923.137	7.649.626
Union Agreement Salary Expenses	-	37.574.079
Provision for unused vacation	6.827.229	1.190.320
	<u>11.750.366</u>	<u>46.414.025</u>

Long term provision for retirement pay liability are as follows:

	<u>30 June 2011</u>	<u>31 December 2011</u>
Provision for Retirement Pay Liability	29.773.391	27.229.192

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 2.731,85 as of 30 June 2011 (2010: TL 2.427,04).

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

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as of 31 December 2009, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 5,10% (31 December 2010 : 5,10%) and a discount rate of 10% (31 December 2010:10%) resulting in a real discount rate of approximately 4,66% (31 December 2010: 4,66%). The anticipated rate of forfeitures is considered. The maximum liability is revised semi annually, in Company's Severance Pay Provision calculation, TL 2.731,85 ceiling amount as of 1 July 2011 has been taken into account.

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011 (Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

### 24. EMPLOYEE BENEFITS (cont'd)

Movement of provision for retirement pay liability is as follows:

	<b>1 January - 31 December 2011</b>	<b>1 January - 31 December 2010</b>
Provision at the beginning of the period	27.229.192	18.363.932
Current service costs	2.710.777	2.930.946
Interest costs	626.048	543.208
Payments	(792.626)	(962.715)
Provision at the end of the period	<b>29.773.391</b>	<b>20.875.371</b>

### 25. RETIREMENT PLANS

None (31 December 2010: None).

### 26. OTHER ASSETS AND LIABILITIES

Other short term assets are as follows:

	<b>30 June 2011</b>	<b>31 December 2010</b>
Advances Given for Orders	8.761.020	1.680.460
Income Accruals	7.736.188	12.764.818
Prepaid Expenses	508.025	162.197
Advances Given to Personnel	149.577	94.983
Prepaid Taxes	63.037	2.874.301
Deferred VAT	12.046.756	4.043.913
	<b>29.264.603</b>	<b>21.620.672</b>

Other short term liabilities are as follows:

	<b>30 June 2011</b>	<b>31 December 2010</b>
Expense Accruals	3.244.210	2.713.145
Deferred Revenue	747.550	1.479.997
Other Liabilities	173.992	41.460
	<b>4.165.752</b>	<b>4.234.602</b>

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS  
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011  
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

## 26. OTHER ASSETS AND LIABILITIES (cont'd)

Other non current assets are as follows:

	<u>30 June 2011</u>	<u>31 December 2010</u>
Prepayments for Tangible Assets	41.921.896	44.944.407
Prepaid Expenses	512.917	806.873
	<u>42.434.813</u>	<u>45.751.280</u>

Other long term liabilities are as follows:

	<u>30 June 2011</u>	<u>31 December 2010</u>
Income Relating to Future Years	-	196.572
	<u>-</u>	<u>196.572</u>

## 27. SHAREHOLDERS' EQUITY

### a) Share Capital / Elimination Adjustments

As of 30 June 2011, 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:

	%	<u>30 June 2011</u>	%	<u>31 December 2010</u>
THY A.O.	100	693.000.000	100	693.000.000
Unpaid Capital		(191.994.000)		(262.974.000)
		<u>501.006.000</u>		<u>430.026.000</u>

### b) Reserves

None (31 December 2010: 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.



## TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS  
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011  
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

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

#### d) Retained Earnings

Retained earnings consist of extraordinary reserves and other retained earnings.

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

	<u>30 June 2011</u>	<u>31 December 2010</u>
Paid Capital	501.006.000	430.026.000
Legal Reserves	5.126.685	4.042.587
Extraordinary Reserves	97.407.010	76.809.151
Retained Earnings	50.313.807	35.743.857
Foreign currency translation reserves	3.765.466	380.549
Net Profit for the Year	27.382.796	36.251.907
	<u><b>685.001.764</b></u>	<u><b>583.254.051</b></u>

### 28. SALES AND COST OF SALES

Sales are as follows:

	<u>1 January - 30 June 2011</u>	<u>1 April - 30 June 2011</u>	<u>1 January - 30 June 2010</u>	<u>1 April - 30 June 2010</u>
Line Maintenance Income	66.110.725	31.066.028	68.111.143	36.598.959
Aircraft Maintenance Income	123.809.596	63.713.717	100.189.916	51.298.532
Engine Maintenance Income	25.738.196	15.837.174	22.589.305	19.757.757
Component Maintenance Income	59.646.049	39.863.032	45.736.476	27.223.269
Pool Income	55.721.894	27.563.622	43.432.099	23.222.419
Equipment Sales Income	42.732.630	22.522.994	20.430.640	17.043.439
Bfe&Retrofit Income	169.189	-	91.897	(88.379)
Other	37.949.033	13.033.670	26.605.176	13.917.783
<b>Sales Revenues (Net)</b>	<u><b>411.877.312</b></u>	<u><b>213.600.237</b></u>	<u><b>327.186.652</b></u>	<u><b>188.973.779</b></u>
Cost of Sales (-)	<u>(325.322.646)</u>	<u>(162.595.499)</u>	<u>(261.048.388)</u>	<u>(139.142.380)</u>
<b>Gross Operating Profit/(Loss)</b>	<u><b>86.554.666</b></u>	<u><b>51.004.738</b></u>	<u><b>66.138.264</b></u>	<u><b>49.831.399</b></u>

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS  
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011  
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

## 28. SALES AND COST OF SALES (continued)

Cost of sales are as follows;

	1 January - 30 June 2011	1 April - 30 June 2011	1 January - 30 June 2010	1 April - 30 June 2010
Equipment Expenses	84.515.470	42.272.034	57.763.525	31.843.725
Personnel Expenses	124.006.621	50.025.121	107.416.537	50.544.773
Maintenance Expenses	27.730.922	14.712.533	22.919.992	12.739.960
Depreciation Expenses	29.295.583	15.091.971	27.359.713	13.562.899
Bfe&Retrofit Expenses	-	-	82.559	-
Retirement Pay Provision Expense	1.561.963	(1.359.164)	1.968.231	1.799.533
Collective Agreement				
Salary Expense	1.253.987	1.253.987	9.911.619	9.911.619
Transportation Expense	7.729.268	4.747.991	5.696.540	3.315.360
Other	49.228.832	35.851.026	27.929.672	15.424.511
	<b>325.322.646</b>	<b>162.595.499</b>	<b>261.048.388</b>	<b>139.142.380</b>

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

	1 January - 30 June 2011	1 April - 30 June 2011	1 January - 30 June 2010	1 April - 30 June 2010
Marketing, Selling and Distribution Expenses (-)	4.249.219	2.145.691	3.057.762	1.593.403
General Administrative Expenses (-)	44.586.612	26.199.815	39.010.752	15.805.772
<b>Total Operating Expenses</b>	<b>48.835.831</b>	<b>28.345.506</b>	<b>42.068.514</b>	<b>17.399.175</b>

**TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ**

NOTES TO FINANCIAL STATEMENTS  
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011  
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

**30. EXPENSES BY NATURE**

	<b>1 January - 30 June 2011</b>	<b>1 April - 30 June 2011</b>	<b>1 January - 30 June 2010</b>	<b>1 April - 30 June 2010</b>
<b>Sales and Marketing</b>				
Personnel Expenses	2.898.913	1.392.901	1.926.370	1.045.082
Depreciation Expenses	13.070	6.967	8.922	4.714
Retirement Pay Provision Expense	25.442	55.768	-	-
Collective Agreement Salary Expense	21.904	21.904	-	-
Other	1.289.890	668.151	1.122.470	543.607
	<b>4.249.219</b>	<b>2.145.691</b>	<b>3.057.762</b>	<b>1.593.403</b>
	<b>1 January - 30 June 2011</b>	<b>1 April - 30 June 2011</b>	<b>1 January - 30 June 2010</b>	<b>1 April - 30 June 2010</b>
<b>General Administrative</b>				
Equipment Expenses	2.423.491	1.507.521	247.212	-62.027
Personnel Expenses	19.859.279	9.740.849	14.987.791	8.068.539
Service Expenses	4.003.679	2.069.351	3.847.251	1.876.445
Rent Expenses	2.417.041	1.098.947	1.147.147	960.939
Lighting, Heating and Receivable Expenses	1.159.067	752.340	542.468	184.715
Depreciation Expenses	11.586.445	9.447.171	14.506.763	2.777.504
Depreciation Expenses	1.583.773	689.993	2.423.021	1.230.305
Retirement Pay Provision Expense	330.746	(63.502)	-	-
Collective Agreement Salary Expense	146.624	146.624	-	-
Other	1.076.467	810.521	1.309.099	769.352
	<b>44.586.612</b>	<b>26.199.815</b>	<b>39.010.752</b>	<b>15.805.772</b>
<b>Total Operating Expenses</b>	<b>48.835.831</b>	<b>28.345.506</b>	<b>42.068.514</b>	<b>17.399.175</b>

**TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ**

NOTES TO FINANCIAL STATEMENTS  
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011  
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

**31. OTHER OPERATING INCOME/ (EXPENSES)**

	<b>1 January - 30 June 2011</b>	<b>1 April - 30 June 2011</b>	<b>1 January - 30 June 2010</b>	<b>1 April - 30 June 2010</b>
Plant Maintenance Income	736.189	390.510	636.116	343.072
Provisions Released	2.438.284	1.514.336	2.493.178	986.108
Gain on sale of fixed assets	1.877.015	(156.577)	15.383.639	-
Other Income	2.097.012	1.355.389	755.578	642.079
<b>Total other operating income</b>	<b>7.148.500</b>	<b>3.103.658</b>	<b>19.268.511</b>	<b>1.971.259</b>

	<b>1 January - 30 June 2011</b>	<b>1 April - 30 June 2011</b>	<b>1 January - 30 June 2010</b>	<b>1 April - 30 June 2010</b>
Commission Expenses	(5.306)	(2.664)	(3.891)	(3.100)
Retired personnel compensation and bonus expenses	(1.946.275)	(1.333.515)	-	-
Union agreement salary expenses	-	-	(8.675.661)	(8.675.661)
Other	(8.015)	(5.950)	(5.681)	(4.500)
<b>Total other operating expenses</b>	<b>(1.959.596)</b>	<b>(1.342.129)</b>	<b>(8.685.233)</b>	<b>(8.683.261)</b>

**32. FINANCE INCOME**

	<b>1 January - 30 June 2011</b>	<b>1 April - 30 June 2011</b>	<b>1 January - 30 June 2010</b>	<b>1 April - 30 June 2010</b>
Interest Income	420.008	232.336	140.700	63.165
Foreign Exchange Gain	39.776.438	23.866.383	25.740.214	12.887.822
Maturity Difference Income	1.117.727	849.342	797.953	461.648
Discount Interest Income	188.632	(188.632)	-	-
Cancellation of Discount of the prior period	4.851	(248.610)	78.163	(28.070)
<b>Total Financial Income</b>	<b>41.507.656</b>	<b>24.888.083</b>	<b>26.757.030</b>	<b>13.384.565</b>

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS  
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011  
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

## 33. FINANCE EXPENSES

	1 January - 30 June 2011	1 April - 30 June 2011	1 January - 30 June 2010	1 April - 30 June 2010
Foreign Exchange Losses	(34.651.515)	(19.131.749)	(18.097.047)	(6.768.842)
Bank Expenses	(1.995)	(1.919)	(80.584)	(79.760)
Retirement Pay Interest Cost	(626.048)	(313.024)	(543.208)	(271.604)
Discount Expenses	(55.445)	1.699	(99.634)	(5.188)
Late Interest Expense	(5.579)	-	-	-
<b>Total Financial Expenses</b>	<b>(35.340.582)</b>	<b>(19.444.993)</b>	<b>(18.820.472)</b>	<b>(7.125.393)</b>

## 34. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None (31 December 2010: None).

## 35. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

Tax liability for the current profit is as follows:

	30 June 2011	31 December 2010
Provision for Corporate Tax Liability	10.290.547	8.213.633
Prepaid Taxes	(3.195.824)	(8.213.633)
Corporate Tax Liability	7.094.723	-

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

	1 January - 30 June 2011	1 April - 30 June 2011	1 January - 30 June 2011	1 April - 30 June 2011
Tax Provision for the Period	(10.290.547)	(7.066.565)	(7.826.493)	(5.487.073)
Deferred Tax Expense	(484.303)	888.085	(1.508.334)	(994.837)
	<b>(10.774.850)</b>	<b>(6.178.480)</b>	<b>(9.334.827)</b>	<b>(6.481.910)</b>

## TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS  
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011  
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

### 35. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED 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. Turkish tax legislation, does not allow parent company to give tax declaration via its subsidiaries consolidated financial statements. For this reason, tax liabilities reflected to those financial statements were calculated separately for all the companies covered in consolidation.

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 2011 is 20% (2010: 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 SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011

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

#### 35. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED 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>Confirmation of Tax Provision</u>	<u>1 January - 30 June 2011</u>	<u>1 January - 30 June 2010</u>
Profit from operations before tax	38.157.646	34.831.201
Tax rate of 20%	7.631.529	6.966.240
Effects of Tax		
- non-deductible expenses	1.123.290	1.123.290
- Share of investments' loss accounted under the equity method	2.183.433	1.551.677
- other	(163.402)	(306.380)
Provisions for tax expense in income statement	<u>10.774.850</u>	<u>9.334.827</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.

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS  
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011  
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

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

The deferred tax assets and liabilities as of 30 June 2011 and 31 December 2010 are as follows:

	<u>30 June 2011</u>	<u>31 December 2010</u>
Inventories	(21.775.324)	(18.310.559)
Tangible / Intangible Assets	(925.826)	(1.138.143)
Inventory Impairment Provision	2.873.729	2.873.729
Retirement Pay Provision	5.954.678	5.445.838
Provision for Doubtful Receivables	3.538.152	2.150.510
Other	1.897.328	1.025.665
	<u>( 8.437.263)</u>	<u>( 7.952.960)</u>
	<u>1 January-</u>	<u>1 April-</u>
	<u>30 June 2011</u>	<u>30 June 2010</u>
Deferred tax liability as of 1 January	(7.952.960)	(236.971)
Deferred Tax Expense	(484.303)	(1.508.334)
Deferred Tax Liability Charge for the Period	<u>(8.437.263)</u>	<u>(1.745.305)</u>



# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011 (Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

### 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 – 30 June 2011</u>	<u>1 January – 30 June 2010</u>
Numbers of total outstanding shares (in full)	693.000.000	693.000.000
Number of outstanding shares (in full)	693.000.000	693.000.000
Weighted average number of shares outstanding during the period (in full)	693.000.000	693.000.000
Net profit for the year	27.382.796	25.496.375
Earnings per share (kr)	<u>3,95</u>	<u>3,68</u>

### 37. RELATED PARTY TRANSACTIONS

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

Short-term trade receivables from related parties as of 30 June 2011 and 31 December 2010 are as follows:

	<u>30 June 2011</u>	<u>31 December 2010</u>
Türk Hava Yolları A.O.	43.701.439	59.484.691
Sun Ekspres	1.365.276	1.568.172
Pratt & Whitney THY Teknik Uçak Motoru Bakım Merkezi Ltd. ("PW & TT")	18.299.169	40.657.708
Turkish Do & Co İkrâm Hizmetleri ("Do & Co")	12.764	12.329
TGS Yer Hizmetleri A.Ş.	67.772	145.912
TCI Kabinîçi Sistemleri A.Ş.	26.990	-
Bosna &Herzegovina Airlines	751.836	-
Provision for Doubtful Receivable of Bosna &Herzegovina Airlines (-)	(751.836)	-
	<u>63.473.410</u>	<u>101.868.812</u>

Short-term non-trade receivables from related parties as of 30 June 2011 and 31 December 2010 are as follows:

	<u>30 June 2011</u>	<u>31 December 2010</u>
Türk Hava Yolları A.O.	167.911	21.407
Goodrich Thy Teknik Servis	39.432	-
	<u>207.343</u>	<u>21.407</u>

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS  
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011  
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

## 37. RELATED PARTY TRANSACTIONS (cont'd)

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

Short-term trade payables to related parties as of 30 June 2011 and 31 December 2010 are as follows:

	<u>30 June 2011</u>	<u>31 December 2010</u>
Türk Hava Yolları A.O.	29.508.856	30.789.009
Pratt & Whitney THY Teknik Uçak Motoru Bakım Merkezi Ltd. ("PW & TT")	-	684.673
TGS Yer Hizmetleri A.Ş	485.321	386.131
	<u>29.994.177</u>	<u>31.859.813</u>

Short-term non trade payables to related parties as of 30 June 2011 and 31 December 2010 are as follows:

	<u>30 June 2011</u>	<u>31 December 2010</u>
Türk Hava Yolları A.O.	3.230.022	8.295.797

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

Transactions with related parties in the periods ended as of 30 June are as follows:

	<u>1 January- 30 June 2011</u>	<u>1 January- 30 June 2010</u>
Goods and services rendered to THY A.O.	314.736.728	244.249.327
Goods and services rendered to Sun Express	12.983.614	4.496.342
Goods and services rendered to P&W T.T.	13.498.284	8.153.994
Goods and services rendered to TGS	358.202	1.549.605
Goods and services rendered to DO&CO	-	128.552
Goods and services rendered to TCI	22.873	-
Goods and services rendered to Bosna & Herzegovina	816.136	-
	<u>342.415.837</u>	<u>258.577.820</u>
	<u>1 January- 30 June 2011</u>	<u>1 January- 30 June 2010</u>
Goods and services received from THY A.O.	28.677.303	60.343.617
Goods and services received from Sun Express	-	2.355.586
Goods and services received from P&W T.T.	67.092	1.144.645
Goods and services received from TGS	1.263.602	369.875
	<u>30.007.997</u>	<u>64.213.723</u>

c) The total amount of salaries and other benefits provided to key management personnel is TL 537.890 (30 June 2010: TL 476.612).

## TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS  
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011  
*(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)*

### 38. NATURE AND EXTENT 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 SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011  
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

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

(b) Financial Risk Factors (cont'd)

	30 June 2011			Receivables			Deposits at Banks
	Related Party	Third Party	Third Party	Related Party	Third Party	Third Party	
Maximum credit risk as of balance sheet date (*)	63.473.410	72.982.788		207.343	1.799.611		43.356.410
The part of maximum risk under guarantee with collateral etc.	-	(1.910.552)		-	-		-
A. Net book value of financial assets that are neither past due nor impaired	63.473.410	50.237.424		207.343	1.799.611		43.356.410
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	-	24.524.058		-	-		-
-The part under guarantee with collateral etc.	-	1.910.552		-	-		-
D. Net book value of impaired assets							
-Past due (gross carrying amount)	751.836	39.041.110		-	-		-
-Impairment(-)	(751.836)	(39.041.110)		-	-		-
-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 SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011  
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

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

(b) Financial Risk Factors (cont'd)

**CREDIT RISK OF FINANCIAL INSTRUMENTS**

	30 June 2010			Receivables			Deposits at Banks
	Related Party	Third Party	Third Party	Related Party	Third Party	Third Party	
Maximum credit risk as of balance sheet date (*)	101.868.812	84.102.179	1.682.430	21.407	1.682.430	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	1.682.430	21.407	1.682.430	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	-	70.011.875	-	-	-	-	
-The part under guarantee with collateral etc.	-	(1.952.654)	-	-	-	-	
D. Net book value of impaired assets	-	29.892.949	14.937	-	14.937	-	
-Past due (gross carrying amount)	-	(29.892.949)	(14.937)	-	(14.937)	-	
-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 SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011

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

**38. NATURE AND EXTENT 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.

The Company's aging of past due receivables as of 30 June 2011 and 31 December 2010 are as follows:

Current period	<u>Trade Receivables</u>	<u>Other Receivables</u>	<u>Deposits in Banks</u>	<u>Derivative instruments</u>	<u>Other</u>
Past due 1-30 days	4.348.900	-	-	-	-
Past due 1-3 months	17.835.726	-	-	-	-
Past due 3-12 months	34.733.501	-	-	-	-
Past due 1-5 years	4.115.511	-	-	-	-
The part due under guarantee with collateral	(1.910.552)	-	-	-	-

Prior period	<u>Trade Receivables</u>	<u>Other Receivables</u>	<u>Deposits in Banks</u>	<u>Derivative instruments</u>	<u>Other</u>
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	-	-	-	-
The part due under guarantee with collateral	(1.952.654)	-	-	-	-

## TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

### NOTES TO FINANCIAL STATEMENTS

FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011

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

#### 38. NATURE AND EXTENT 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 1.910.552 (31 December 2010: TL 1.952.654).

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

###### b.2) Liquidity risk management

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

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

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

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS

FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011

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

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

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

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

##### **Liquidity Risk Table**

**30.06.2011**

Due Date on Agreement	Book Value	Total Cash Outflow According to Contract				More than 5 years	
		Less than 3 months	3-12 months	1-5 years			
<b>Non Derivative Financial Liabilities</b>	<b>105.733.566</b>	<b>105.733.566</b>	<b>105.668.437</b>	<b>65.129</b>	-	-	
Financial Borrowings	65.129	65.129	-	65.129	-	-	
Trade Payables	80.947.725	80.947.725	80.947.725	-	-	-	
Other Financial Liabilities	24.720.712	24.720.712	24.720.712	-	-	-	

**31.12.2010**

Due Date on Agreement	Book Value	Total Cash Outflow According to Contract				More than 5 years	
		Less than 3 months	3-12 months	1-5 years			
<b>Non Derivative Financial Liabilities</b>	<b>105.610.301</b>	<b>105.610.301</b>	<b>105.596.997</b>	<b>13.304</b>	-	-	
Financial Borrowings	13.304	13.304	-	13.304	-	-	
Trade Payables	79.842.069	79.842.069	79.842.069	-	-	-	
Other Financial Liabilities	25.754.928	25.754.928	25.754.928	-	-	-	

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 SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2011  
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

**38. NATURE AND EXTENT 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 (cont'd)*

Foreign Currency Position Table

	Current Period					Prior Period				
	TL Equivalent	US Dollar	EURO	GBP	Other	TL Equivalent	US Dollar	EURO	GBP	Other
1. Trade Receivables	123,220,130	121,283,965	1,927,219	8,946	-	108,655,067	104,869,637	3,762,729	22,701	-
2a. Monetary Financial Assets	43,197,041	42,889,762	111,058	196,221	-	21,604,790	21,386,958	163,263	54,569	-
2b. Non Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
3. Other	20,908,474	20,309,668	54,590	544,216	-	4,660,702	4,464,985	143,712	41,236	10,769
<b>4. Total Current Assets (1+2+3)</b>	<b>187,325,646</b>	<b>184,483,395</b>	<b>2,092,867</b>	<b>749,384</b>	<b>-</b>	<b>134,920,559</b>	<b>130,721,580</b>	<b>4,069,704</b>	<b>118,506</b>	<b>10,769</b>
7. Other	8,674,908	3,095,769	5,575,732	3,407	-	3,064,099	2,188,213	-	875,886	-
<b>8. Total Non Current Assets (5+6+7)</b>	<b>8,674,908</b>	<b>3,095,769</b>	<b>5,575,732</b>	<b>3,407</b>	<b>-</b>	<b>3,064,099</b>	<b>2,188,213</b>	<b>-</b>	<b>875,886</b>	<b>-</b>
<b>9. Total Assets (4+8)</b>	<b>196,000,554</b>	<b>187,579,164</b>	<b>7,668,599</b>	<b>752,791</b>	<b>-</b>	<b>137,984,658</b>	<b>132,909,793</b>	<b>4,069,704</b>	<b>994,392</b>	<b>10,769</b>
10. Trade Payables	(39,811,494)	(35,438,450)	(3,292,290)	(426,522)	(654,232)	(38,477,970)	(32,490,303)	(5,643,513)	(249,764)	(94,390)
11. Financial Liabilities	(5,814)	(5,814)	-	-	-	(22,968)	(22,968)	-	-	-
12a. Other Monetary Liabilities	(1,980,298)	(1,976,304)	(1,128)	-	(2,865)	(7,259,568)	(6,976,215)	(99,080)	(61,090)	(123,184)
12b. Other Non Monetary Liabilities	(1,126,843)	(939,795)	(187,048)	-	-	-	-	-	-	-
<b>13. Total Current Liabilities (10+11+12)</b>	<b>(42,924,449)</b>	<b>(38,360,363)</b>	<b>(3,480,466)</b>	<b>(426,522)</b>	<b>(657,097)</b>	<b>(45,760,506)</b>	<b>(39,489,486)</b>	<b>(5,742,593)</b>	<b>(310,854)</b>	<b>(217,574)</b>
<b>17. Total Non Current Liabilities (14+15+16)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>18. Total Liabilities (13+17)</b>	<b>(42,924,449)</b>	<b>(38,360,363)</b>	<b>(3,480,466)</b>	<b>(426,522)</b>	<b>(657,097)</b>	<b>(45,760,506)</b>	<b>(39,489,486)</b>	<b>(5,742,593)</b>	<b>(310,854)</b>	<b>(217,574)</b>
20. Net Foreign Currency Asset / (Liability) Position (9-18+19)	153,076,105	149,218,801	4,188,133	326,269	(657,097)	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-14-15-16n)	124,619,566	126,753,159	(1,255,141)	(221,354)	(657,097)	84,499,351	86,767,109	(1,816,601)	(233,584)	(217,574)
23. Exports	39,877,280	-	-	-	-	65,405,694	-	-	-	-
24. Imports	114,787,451	-	-	-	-	198,898,994	-	-	-	-

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS

FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2010

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

### 38. NATURE AND EXTENT 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 risk 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.

<b>Foreign Currency Sensitivity Analysis Table</b>		
<b>Current Period</b>		
	<b>Profit / (Loss)</b>	
	<b>Foreign Currency Appreciated</b>	<b>Foreign Currency Devaluated</b>
In the event of 10% change in US Dollar against TL;		
1- US Dollar Net Asset / Liability	15.100.253	(15.100.253)
2- Part of Hedged from US Dollar Risk (-)		
<b>3- US Dollar Net Effect (1+2)</b>	<b>15.100.253</b>	<b>(15.100.253)</b>
In the event of 10% change in Euro against TL;		
4- Euro Net Asset / Liability	(100.411)	100.411
5- Part of Hedged from Euro Risk (-)		
<b>6- Euro Net Effect (4+5)</b>	<b>(100.411)</b>	<b>100.411</b>
<b>TOTAL</b>	<b>14.999.842</b>	<b>(14.999.842)</b>
<b>Prior Period</b>		
	<b>Profit / (Loss)</b>	
	<b>Foreign Currency Appreciated</b>	<b>Foreign Currency Devaluated</b>
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 (-)	-	-
<b>3- US Dollar Net Effect (1+2)</b>	<b>10.051.264</b>	<b>(10.051.264)</b>
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 (-)	-	-
<b>6- Euro Net Effect (4+5)</b>	<b>(378.011)</b>	<b>378.011</b>
<b>TOTAL</b>	<b>9.673.253</b>	<b>(9.673.253)</b>

# TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS

FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2010

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

### 39. FINANCIAL INSTRUMENTS

Categories and fair value of financial instruments:

<u>30 June 2011</u>	<u>Loans and receivables</u>	<u>Financial liabilities at amortized cost</u>	<u>Carrying Value</u>	<u>Note</u>
<u>Financial assets</u>				
Cash and Cash Equivalents	43.356.410	-	43.356.410	6
Trade Receivables	136.456.198	-	136.456.198	10
Other Receivables	2.006.954	-	2.006.954	11
<u>Financial liabilities</u>				
Financial debt	-	65.129	65.129	8
Trade payables	-	80.947.725	80.947.725	10
Other non trade payables due to related parties	-	3.230.022	3.230.022	11

<u>31 December 2010</u>	<u>Loans and receivables</u>	<u>Financial liabilities at amortized cost</u>	<u>Carrying Value</u>	<u>Note</u>
<u>Financial assets</u>				
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
<u>Financial liabilities</u>				
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

- Company assumes that the carrying values of financial assets reflect fair value.

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

Türbine Teknik Gaz Türbinleri Bakım Onarım A.Ş. was founded as of 4 July 2011 by the Company and Zorlu O&M Company affiliated to Zorlu Holding in order to do the maintenance, repair, and revision of some aircraft engine, aircraft engine types, and industrial gas turbines used in energy santrals outside the scope of existing operation field.