

**TÜRK HAVA YOLLARI TEKNİK
ANONİM ŞİRKETİ
Financial Statements And
Independent Auditor's Report
as of December 31, 2007**

CONTENTS

PAGES

INDEPENDENT AUDITOR'S REPORT

BALANCE SHEET 1-2

INCOME STATEMENT 3

CASH FLOW STATEMENT 4

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY 28

NOTES TO THE FINANCIAL STATEMENTS 5-32



BAKER TILLY G Ü R E L İ

GÜRELİ YEMİNLİ MALİ MÜŞAVİRLİK
VE BAĞIMSIZ DENETİM HİZMETLERİ A.Ş.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE PERIOD ENDED DECEMBER 31, 2007

TO THE BOARD OF DIRECTORS OF
TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ;

We have audited the accompanying financial statements of **Türk Hava Yolları Teknik Anonim Şirketi** ("the Company"), which comprise the balance sheet as at December 31, 2007 and the income statement, statement of changes in shareholders' equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Responsibility of Management in Accordance with Financial Statements

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

Responsibility of Independent Auditing Firm

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Türk Hava Yolları Teknik Anonim Şirketi** as of December 31, 2007 and its financial performance and its cash flows for the year then ended in accordance with financial reporting standards published by Capital Markets Board (CMB).

GYM
G Ü R E L İ
YEMİNLİ MALİ MÜŞAVİRLİK VE BAĞIMSIZ
DENETİM HİZMETLERİ A.Ş.



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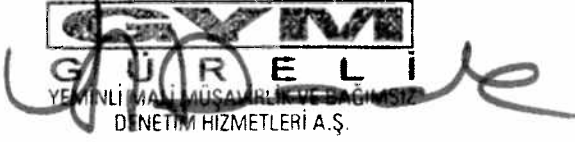
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Matters Without Qualifying Opinion

Within the scope of HABOM Project, the Company has decided to sign a "Joint Venture" agreement to build an aircraft engine overhaul center with Pratt&Whitney, which is one of the subsidiary of United Technologies Corporation on January 07, 2008. According to the agreement the Company will transfer its engine overhaul unit in full to the new established company. THY Teknik A.Ş will have 49 percent and Pratt&Whitney will have 51 percent shares in the new established company. For this reason, the financial statements of the new company will be consolidated to THY Teknik A.Ş's financial statements by using equity method.

Istanbul 26.03.2008

GÜRELİ YEMİNLİ MALİ MÜŞAVİRLİK VE BAĞIMSIZ DENETİM HİZMETLERİ A.Ş.
An Independent Member of BAKER TILLY INTERNATIONAL



Dr. Hakkı DEDE
Certified Public Accountant

TÜRK HAVA YOLLARI TEKNİK A.Ş.
BALANCE SHEET AS OF DECEMBER 31, 2007 and DECEMBER 31, 2006

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

ASSETS	Note	Audited December 31, 2007	Audited December 31, 2006
Current Assets		377.543.144	369.374.686
Cash and Cash Equivalents	4	38.657.984	14.755.306
Marketable Securities (net)	5	-	-
Trade Receivables (net)	7	9.347.692	13.645.322
Financial Leasing Receivables (net)	8	-	-
Receivables from Related Parties (net)	9	48.750.945	36.714.972
Other Receivables (net)	10	1.868.319	955.135
Live Assets (net)	11	-	-
Inventories (net)	12	275.342.556	299.845.941
Receivables from Construction Contracts in Progress (net)	13	-	-
Deferred Tax Assets	14	-	-
Other Current Assets	15	3.575.648	3.458.010
Non-Current Assets		23.361.969	13.294.187
Trade Receivables (net)	7	-	-
Financial Leasing Receivables (net)	8	-	-
Receivables from Related Parties (net)	9	-	-
Other Receivables (net)	10	-	-
Financial Assets (net)	16	-	-
Positive / Negative Goodwill (net)	17	-	-
Real Estates Held for Investment Purposes (net)	18	-	-
Tangible Assets (net)	19	18.537.625	13.284.253
Intangible Assets (net)	20	1.954.208	9.934
Deferred Tax Assets	14	2.544.815	-
Other Non-Current Assets	15	325.322	-
Total Assets		400.905.113	382.668.873

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

TÜRK HAVA YOLLARI TEKNİK A.Ş.
BALANCE SHEET AS OF DECEMBER 31, 2007 and DECEMBER 31, 2006
(Currency- In New Turkish Lira Unless Stated Otherwise.)

	Note	Audited December 31, 2007	Audited December 31, 2006
LIABILITIES			
Short-term Liabilities			
Financial Payables (net)	6	-	-
Principal and Interest Payments of Long Term Liabilities (net)	6	-	-
Financial Leasing Payables (net)	8	-	-
Other Financial Payables (net)	10	-	-
Trade Payables (net)	7	41.509.096	39.490.188
Payables to Related Parties (net)	9	18.782.702	-
Advances Received	21	795.966	459.937
Continuing Construction Agreements in Progress (net)	13	-	-
Provision for Expenses and Liabilities	23	8.248.464	11.523.061
Deferred Tax Liabilities	14	-	-
Other Liabilities (net)	15	10.715.939	8.476.649
		7.274.178	3.421.267
Long-Term Liabilities			
Financial Liabilities (net)	6	-	-
Financial Leasing Payables (net)	8	-	-
Other Financial Payables (net)	10	-	-
Trade Payables (net)	7	-	-
Payables to related Parties (net)	9	-	-
Advances Received	21	-	-
Provision For Expenses and Liabilities	23	7.274.178	1.995.478
Deferred Tax Liabilities	14	-	1.425.789
Other Liabilities (net)	10	-	-
MINORITY INTEREST			
	24	-	-
SHAREHOLDERS' EQUITY			
		313.578.768	319.297.771
Capital			
		288.324.696	288.324.696
Capital Reserves			
-Share Premiums	26-27-28	-	-
-Profit from Invalidation of Shares		-	-
-Revaluation Fund Reserve		-	-
-Financial Assets Revaluation Fund		-	-
-Inflation Adjustment Differences of Shareholders' Equity		-	-
		28.061.917	6.957.915
Retained Earnings			
- Legal Reserves	26-27-28	1.055.200	-
- Statutory Reserves		-	-
- Extraordinary Reserves		20.048.802	-
- Special Reserves		6.957.915	6.957.915
-Income From Sales of Subsidiary Shares and Real Estates Held for Addition to Share capital		-	-
- Foreign Currency Translation Differences		-	-
		(5.719.003)	24.015.160
Net Profit for the Year		(5.719.003)	24.015.160
Previous Years' Profit / Loss		2.911.158	-
Total Shareholders' Equity and Liabilities		400.905.113	382.668.873

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

TÜRK HAVA YOLLARI TEKNİK A.Ş.
INCOME STATEMENT FOR THE PERIOD ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006

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

	Note	Audited January 01- December 31, 2007	Audited May 23-December 31, 2006
OPERATING INCOME			
Sales (net)	36	593.130.196	354.802.097
Cost of Sales (-)	36	(564.366.842)	(307.525.342)
Sales of Services (net)		-	-
Other Operating Income / Interest+Dividend+Rent (net)	36	-	-
GROSS OPERATING PROFIT		28.763.354	47.276.755
Operational Expenses (-)	37	(30.796.444)	(12.016.937)
NET OPERATIONAL (EXPENSES)/ INCOME		(2.033.090)	35.259.818
Income and Profit from Other Operations	38	38.625.458	28.999.748
Expense and Losses from Other Operations (-)	38	(43.688.758)	(34.223.784)
Financial Expenses (-)	39	(9.966)	(1.188)
OPERATING (LOSS) / PROFIT		(7.106.356)	30.034.594
(Loss)/Profit on Net Monetary Position (net)	40	-	-
MINORITY INTEREST PROFIT/(LOSS)	24	-	-
(LOSS)/PROFIT BEFORE TAX		(7.106.356)	30.034.594
Taxes on Income	41	1.387.353	(6.019.434)
NET (LOSS)/PROFIT FOR THE YEAR		(5.719.003)	24.015.160
(LOSS)/EARNINGS PER SHARE (Ykr)	42	(1,80)	8,25

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

TÜRK HAVA YOLLARI TEKNİK A.Ş.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED DECEMBER 31, 2007

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

	Share Capital	Legal Reserves	Extraordinary Reserves	Special Reserves	Net Period (Loss)	Accumulated Profit	Total
May 23, 2006	271.325.800	-	-	6.957.915	-	-	278.283.715
Capital Increase	16.998.896	-	-	-	-	-	16.998.896
Current Period Profit	-	-	-	-	24.015.160	-	24.015.160
December 31, 2006	288.324.696	-	-	6.957.915	24.015.160	-	319.297.771
Transfer	-	1.055.200	20.048.802	-	(24.015.160)	2.911.158	-
Capital Increase	-	-	-	-	-	-	-
Current Period Loss	-	-	-	-	(5.719.003)	-	(5.719.003)
December 31, 2006	288.324.696	1.055.200	20.048.802	6.957.915	(5.719.003)	2.911.158	313.578.768

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

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of December 31, 2007
(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

1 ORGANIZATION AND BUSINESS SEGMENTS

Türk Hava Yolları Teknik A.Ş. ("Company") has been established in 23.05.2006, with the purpose to bring the company to an important technical maintenance base in the area in air transport sector and provide maintenance and repair services to civil aviation sector and every kind of technical and infrastructural assistance related with the airlines sector.

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

As of December 31, 2007 the average number of the employees in the company is 2.537. (31.12.2006: 2.435)

As of December 31, 2007 the total number of the employees in the company is 2.498. (31.12.2006: 2.483)

The company is registered in Turkey and the official address of the company is as follows:
"İstanbul Bakırköy-Yeşilköy Atatürk Havalimanı B Kapısı".

2 BASIS OF PRESENTATION

Accounting Principles Applied:

The interim financial statements of the company are prepared in compliance with the accounting and reporting principles published by the Capital Markets Board. Capital Markets Board has published an extensive set of accounting principles in the communiqué Series XI, No: 25 "Communiqué on Accounting Standards of Capital Markets" ("communiqué"). On the other hand, in the Supplementary Article 1 which is added into Communiqué Serial XI No: 25 Accounting Standards in the Capital Markets by the issuance of Communiqué Serial XI No: 27 Changes in Communiqué About The Accounting Standards in the Capital Markets, it is stated that application of International Financial Reporting Standards is deemed as the fulfillment of preparation and announcement responsibilities required by Communiqué Serial XI No: 25. Taking this into account, in the General Assembly of the Company, it is decided that accounting set of International Financial Reporting Standards will be applied starting from January 01, 2007 instead of applying of accounting standards in Communiqué Serial XI No: 25. The Company started to apply IFRS compliant with the alternative provision stated above as of the period ended as of December 31, 2007 and restated the comparative financial statements.

In the preparation of financial statements and notes as of December 31, 2007, the principles stated in the "Guide on the Formats of Financial Statements and Accompanying Notes" announced by the CMB decision dated December 10, 2004 and numbered 1604, were applied.

The Company's books of accounts and statutory financial statements are prepared in accordance with the principles and obligations published by the CMB, Turkish Commercial Code (the "TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance.

Adjustment of Financial Statements in Hyper Inflationary Periods

CMB has announced in line with the decision taken on March 17,2005 that it is no longer necessary to apply inflation accounting, validity starting from January 01,2005.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of December 31, 2007
(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

Comparative Information and Adjustment of Previous Period's Financial Statements

The financial statements of the current period have been prepared in comparative basis with December 31, 2006.

Offsetting

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Revenue Recognition

Revenue is measured at original invoice amount of the sales of goods or services. The income from sales is recorded in the financial tables when the important risks and benefits arising from ownership are transferred to the customers. Interest income is realized according to the matching concept; the accrued income is determined taking the valid interest rate and the interest rate effective in the time period until the maturity date. Net sales present the value, when the returns and commissions are deducted from the invoice value of the sold product or completed service, excluding the sales tax. When there is a significant amount of cost of financing the fair value is calculated via deduction of the collections probable in future with the embedded yield rate in the cost of financing. The difference between the real values and the nominal values are recorded as interest income according to accrual basis.

The Company provides maintenance and repair services to civil aviation sector and every kind of technical and infrastructural assistance related with the airlines sector. Incomes are recorded according to accrual basis.

3.2 Inventories

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

The following rates, determined in accordance with the useful lives of the components and repairable, are used in calculation of depreciation:

Useful Lives (Years)

- Components	4-5-8-10
- Repairable Spare Parts	2-3

3.3 Tangible Fixed Assets

Fixed assets are reflected to the financial statements by deducting their accumulated depreciation from their acquisition values as of December 31, 2007. Depreciation is calculated for all of the categories by straight-line method based on useful life.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of December 31, 2007
(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

Useful lives of fixed assets are as follows:

Useful Lives (Years)

- Machinery, Plant and Equipment	3-4-5-7-10-15
- Furniture and Fixtures	4-5-10-15
- Motor Vehicles	4-5-6-7
- Other Tangible Fixed Assets	4-5-10-15

3.4 Intangible Fixed Assets

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

3.5 Impairment of Assets

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

a. Financial Instruments and Financial Risk Management

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

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

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

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

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

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

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

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of December 31, 2007
(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

Credit Risk

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

Price Risk

- Foreign Exchange Rate Risk

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

- Interest Risk

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

- Market Risk

The Company invests in treasury bills under short term reverse repurchase agreements or deposits to banks on a daily basis. Fair values of this kind of investments fluctuate depending on market conditions.

b. Exchange Differences Effects

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

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

	<u>Period End Exchange</u> <u>Rates</u>
December 31, 2006	1,4056
December 31, 2007	1,1647

c. Earnings Per Share

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

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

3.6 Events After Balance Sheet Date

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

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of December 31, 2007
(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

3.7 Provisions, Contingent Liabilities and Assets

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

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

3.8 Related Parties

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

3.9 Reporting Financial Information By Segments and Geographic Areas

Fields of Activities

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

Geographic Areas

None.

3.10 Taxes and Deferred Taxes

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

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

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

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

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

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of December 31, 2007
(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

3.11 Retirement Pay

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

3.12 Changes in Accounting Policies, Estimates and Errors

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

3.13 Maintenance and Repairment Expenses

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

4 CASH AND CASH EQUIVALENTS

The cash and cash equivalents of the company are as follows:

	December 31, 2007	December 31, 2006
Banks	38.657.984	14.755.306
	38.657.984	14.755.306

As of December 31, 2007 the balance for the time deposit bank accounts is YTL 38.030.202. There are no blocked time deposits. (December 31, 2006: 14.544.553).

Time deposits of The Company are as follows:

Amount	Currency	Beginning	Interest Rate	Due Date	December 31, 2007
6.700.000	YTL	27.12.2007- 31.12.2007	%18	11.01.2008	6.700.000
26.899.804	USD	03.12.2007- 31.12.2007	%4,20 - %5,80	02.01.2008- 28.01.2007	31.330.202
					38.030.202
Amount	Currency	Beginning	Interest Rate	Due Date	December 31, 2006
4.082.312	YTL	29.12.2006	%19	04.01.2007	4.082.312
7.443.256	USD	29.12.2006	%5,25	04.01.2007	10.462.241
					14.544.553

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of December 31, 2007
(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

5 MARKETABLE SECURITIES (NET)

None. (December 31, 2006: None)

6 FINANCIAL PAYABLES (NET)

None. (December 31, 2006: None)

7 TRADE RECEIVABLES AND PAYABLES (NET)

Short Term Trade Receivables are as follows:

	December 31, 2007	December 31, 2006
Trade Receivables	9.231.994	13.607.367
Deposits and Guarantees Given	1.502	3.219
Credit Note Receivables	114.196	34.736
Doubtful Receivables	382.511	108.530
Provision for Doubtful Receivables	(382.511)	(108.530)
	9.347.692	13.645.322

Movement of Doubtful Receivables for the period ended December 31, 2007 and December 31, 2006 is as follows:

	December 31, 2007	December 31, 2006
Opening Balance	108.530	-
Current Period Expenses	273.981	108.530
Closing Balance	382.511	108.530

Guarantees Received for Receivables

Letter of Guarantees Received for Trade Receivables amount is USD 1.160.000, EURO 75.000 and YTL 40.000.

	December 31, 2007	December 31, 2006
Suppliers	41.482.331	38.185.788
Deposits and Guarantees	3.500	1.179
Other	23.265	1.303.221
	41.509.096	39.490.188

8 FINANCIAL LEASING RECEIVABLES AND PAYABLES (NET)

There exist no financial leasing receivables and payables of The Company as of December 31, 2007 and December 31, 2006.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of December 31, 2007
(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

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

Short term receivables from the related parties are as follows:

	December 31, 2007	December 31, 2006
THY A.O. Trade Receivables	48.036.598	36.714.972
THY A.O. Non-trade Receivables	141.045	-
Sun Express	573.302	-
	48.750.945	36.714.972

There are no long term receivables from the related parties as of December 31, 2007.

Short term payables to the related parties are as follows:

	December 31, 2007	December 31, 2006
THY A.O. Trade Payables	16.526.582	-
THY A.O. Non Trade Payables	2.256.120	-
	18.782.702	-

There are no long term payables to the related parties as of December 31, 2007.

The transactions with the related parties for the period ended December 31, 2007 are as follows;

	December 31, 2007	December 31, 2006
Services and Goods Given to THY A.O.	527.728.814	284.656.905
Services and Goods Given to Sun Express	6.576.006	2.864.060
	534.304.820	287.520.965

The entire amount takes place in the income statement.

	December 31, 2007	December 31, 2006
Services and Goods Received from THY A.O.	31.601.035	35.519.696
	31.601.035	35.519.696

10 OTHER RECEIVABLES AND PAYABLES (NET)

Other short term receivables are as follows:

	December 31, 2007	December 31, 2006
Receivables from Foreign Companies	1.393.353	827.011
Receivables from Tax Administration	460.132	127.125
Receivables from Personnel	8.821	-
Doubtful Receivables	21.152	-
Provision for Doubtful Receivables	(21.152)	-
Other Receivables	6.013	999
	1.868.319	955.135

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of December 31, 2007
(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

There are no other short term payables. (December 31, 2006: None)

11 LIVE ASSETS (NET)

None. (December 31 2006: None).

12 INVENTORIES (NET)

	December 31, 2007	December 31, 2006
Technical Equipment Inventories	88.585.477	90.792.200
BFE Equipment Inventories	3.338.592	28.340.623
Components and Repairables	327.244.647	348.240.452
Components and Repairables Accumulated Depreciation (-)	(153.043.938)	(168.324.320)
Technical Equipment Inventories in Transit	5.321.034	80.591
Waste Equipment Inventories	10.845.508	4.910.688
Provision for Decrease in Value of Inventories (-)	(10.845.508)	(4.910.688)
Advances Given	1.961.556	690.027
Other	1.935.188	26.368
	<u>275.342.556</u>	<u>299.845.941</u>

The transactions related with components and repairables are as follows:

	<u>Components and Repairables</u>
<u>Cost</u>	
Opening Balance, December 31, 2006	348.240.452
Additions	97.781.251
Disposals	(118.777.056)
Ending Balance, December 31, 2007	<u>327.244.647</u>
<u>Accumulated Depreciation</u>	
Opening Balance, December 31, 2006	168.324.320
Current Period Depreciation	98.551.773
Disposals	(113.832.155)
Ending Balance, December 31, 2007	<u>153.043.938</u>
December 31,2007, Net Book Value	<u>174.200.709</u>
December 31,2006, Net Book Value	<u>179.916.132</u>

Components and Repairables were disclosed under tangible Assets as of 23.05.2006. These are disclosed as inventories as of 31.12.2006. The reason for disclosing components and repairables as inventories, is that Company has not any aircraft in the fixed assets and the above equipments take place in assets for services to customers in airline industry.

13 CONSTRUCTION CONTRACTS IN PROGRESS (NET)

None. (December 31,2006: None).

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of December 31, 2007
(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

14 DEFERRED TAX ASSETS AND LIABILITIES

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

Temporary Differences: Deferred Tax Liability

	December 31, 2007	December 31, 2006
Inventories	(460.315)	(2.400.116)
Fixed Assets	(845.004)	(800.791)
Provision for Decrease in Value of Inventories	2.169.102	982.138
Provision for Employment Termination Indemnities	1.454.836	399.095
Provision for Doubtful Receivables	41.583	-
Other	184.613	393.885
	2.544.815	(1.425.789)
December 31, 2006 Deferred Tax Liabilities	(1.425.789)	
Deferred Tax Income	3.970.604	
December 31, 2007 Deferred Tax Assets	2.544.815	

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

Other current assets are as follows:

	December 31, 2007	December 31, 2006
Short Term Prepaid Expenses	169.056	139.302
Revenue Accruals	1.117.953	15.445
Deferred VAT	1.735.770	2.947.788
Job Advances	2.349	-
Prepaid Taxes and Funds	523.763	285.114
Personnel Advances	26.757	70.361
	3.575.648	3.458.010

Other non-current assets are as follows:

	December 31, 2007	December 31, 2006
Long Term Prepaid Expenses	325.322	-
	325.322	-

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of December 31, 2007
(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

Other short-term liabilities are as follows:

	December 31, 2007	December 31, 2006
Taxes and Funds Payable	6.085.381	4.750.990
Soc. Sec. Premiums Payable	4.103.205	3.520.974
Payable to Personnel	244.800	-
Income for The Following Months	150.945	-
Other Payables	131.608	204.685
	10.715.939	8.476.649

16 FINANCIAL ASSETS (NET)

None. (December 31, 2006: None).

17 POSITIVE/NEGATIVE GOODWILL(NET)

None. (December 31, 2006: None).

18 INVESTMENT PROPERTY (NET)

None. (December 31, 2006: None).

19 TANGIBLE ASSETS (NET)

	December 31, 2007	December 31, 2006
Tangible Assets (net)	18.055.536	13.280.043
Advances Given	482.089	4.210
	18.537.625	13.284.253

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of December 31, 2007
(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

Cost	Plant, Machinery and Equipment	Vehicles	Furniture and Fixture	Other Non-			Total
				Current Assets	Constructions in Progress	Advances Given	
Opening Balance, December 31, 2006	83.516.726	13.661.635	14.746.642	695.262	512.712	4.210	113.137.187
Additions	6.768.052	276.547	1.294.138	247.057	2.054.096	477.879	11.117.769
Disposals	(14.185.893)	(3.183.001)	(11.677.038)	(12.265)	-	-	(29.058.197)
Transfer	-	-	-	-	(1.990.171)	-	(1.990.171)
Closing Balance, December 31, 2006	76.098.885	10.755.181	4.363.742	930.054	576.637	482.089	93.206.588

Depreciation for the Current Period

Opening Balance, December 31, 2006	72.711.721	13.166.693	13.574.091	400.428	-	-	99.852.934
Depreciation for the Current Period	3.081.538	237.586	431.763	86.641	-	-	3.837.528
Disposals	(14.163.149)	(3.183.001)	(11.663.445)	(11.904)	-	-	(29.021.499)
Closing Balance, December 31, 2007	61.630.110	10.221.278	2.342.419	475.165	-	-	74.668.963
December 31, 2007, Net Book Value	14.468.775	533.903	2.021.333	454.887	576.637	482.089	18.537.625
December 31, 2006, Net Book Value	10.805.005	494.942	1.172.551	294.833	512.712	4.210	13.284.253

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of December 31, 2007
(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

<u>Cost</u>	Plant, Machinery and Equipment	Vehicles	Furniture and Fixture	Other Non- Current Assets	Components and Repairable	Constructions in Progress	Advances Given	Total
Opening Balance, May 23, 2006	90.173.879	21.397.810	14.922.825	626.673	314.678.248	-	-	441.799.435
Additions	1.363.646	64.212	618.511	73.707	63.926.342	512.712	4.210	66.563.340
Disposals	(8.020.799)	(7.800.387)	(794.694)	(5.118)	(30.364.138)	-	-	(46.985.136)
Transfer	-	-	-	-	(348.240.452)	-	-	(348.240.452)
Closing Balance, December 31, 2006	83.516.726	13.661.635	14.746.642	695.262	-	512.712	4.210	113.137.187
Accumulated Depreciation								
Opening Balance, May 23, 2006	78.676.714	20.807.867	14.210.485	365.219	141.988.686	-	-	256.048.971
Depreciation for the Current Period	1.618.753	105.648	149.754	40.328	56.699.772	-	-	58.614.255
Disposals	(7.583.746)	(7.746.822)	(786.148)	(5.118)	(30.364.138)	-	-	(46.485.972)
Transfer	-	-	-	-	(168.324.320)	-	-	(168.324.320)
Closing Balance, December 31, 2006	72.711.721	13.166.693	13.574.091	400.429	-	-	-	99.852.934
December 31, 2006, Net Book Value	10.805.005	494.942	1.172.551	294.833	-	512.712	4.210	13.284.253

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of December 31, 2007
(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

20 INTANGIBLE ASSETS (NET)

	Rights	Leasehold Improvements	Total
Cost			
Opening Balance, December 31,2006	126.430	-	126.430
Additions	72.356	-	72.356
Transfer	-	1.990.172	1.990.172
Disposals	672	-	672
Closing Balance, December 31,2007	198.114	1.990.172	2.188.286
Accumulated Depreciation			
Opening Balance, December 31,2006	116.496	-	116.496
Depreciation for the Current Period	15.189	103.065	118.254
Disposals	672	-	672
Closing Balance, December 31, 2007	131.013	103.065	234.078
December 31,2007, Net Book Value	67.101	1.887.107	1.954.208
December 31,2006, Net Book Value	9.934	-	9.934

	Rights	Leasehold Improvements	Total
Cost			
Opening Balance, May 23, 2006	126.430	-	126.430
Additions	-	-	-
Disposals	-	-	-
Closing Balance, December 31, 2006	126.430	-	126.430
Accumulated Depreciation			
Opening Balance, May 23, 2006	(112.198)	-	(112.198)
Depreciation for the Current Period	(4.298)	-	(4.298)
Disposals	-	-	-
Closing Balance, December 31, 2006	(116.496)	-	(116.496)
December 31,2006, Net Book Value	9.934	-	9.934

21 ADVANCES RECEIVED

Short Term Advances Received are as follows:

	December 31, 2007	December 31, 2006
Advances Received	795.966	459.937
	795.966	459.937

Long Term Advances Received: None (December 31,2006: None).

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of December 31, 2007
(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

22 RETIREMENT BENEFIT PLANS

There are no other retirement commitment agreements made other than the provision for termination indemnity that is disclosed in the provisions for expenses and liabilities.

23 PROVISIONS FOR EXPENSES AND LIABILITIES

Short Term Provisions for Expenses and Liabilities are as follows:

	December 31, 2007	December 31, 2006
Salary Accruals	5.271.027	4.316.665
Provision for Taxes	2.583.251	6.333.124
Other Provisions	394.186	873.272
	8.248.464	11.523.061

Long Term Provisions for Expenses and Liabilities are as follows:

	December 31, 2007	December 31, 2006
Provision for Termination Indemnity	7.274.178	1.995.478

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

According to Serie XI No: 25 provision for severance indemnity liability is set according to the calculation of present value of the possible liabilities which is to be paid in case of retirement of employees providing service. An estimated inflation expectation and an appropriate discount rate is determined, which the net of both provide the real discount rate. The determined real discount rate is used in the calculation of the present value of severance indemnity amount which will be paid in the future as of balance sheet date. The assumption rate of severance indemnity amounts which are not paid as a result of arbitrary severances and will remain to the company are taken into consideration by the calculation. In this framework, the provision related to the assumption liability, which arises from the retirements of the company's employees in the future, is reflected to the financial statements via assumption of the present value of the liability. This amount is limited to YTL 2.030 for December 31, 2007. (December 31, 2006 YTL 1.857)

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

	December 31, 2007	December 31, 2006
Current Service Costs	5.434.531	1.995.478
Interest Cost	114.027	-
	5.548.558	1.995.478

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of December 31, 2007
(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

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

	December 31, 2007	December 31, 2006
Provision at the beginning of the Period	1.995.478	-
Current Period Expense	5.548.558	1.995.478
Payment During the Period	(269.858)	-
Provisions at the end of the Period	7.274.178	1.995.478

The estimated deserved termination indemnity liability has been discounted with an annual rate of 5,71 % taking the increases of the payable liability amount and the related ceiling amount into consideration. (31 December 2006: 5,71 %)

24 MINORITY INTEREST

None. (December 31, 2006: None).

25 CAPITAL

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

	%	December 31, 2007	%	December 31, 2006
THY A.O.	100	318.000.000	100	318.000.000
Unpaid capital		(29.675.304)		(29.675.304)
		288.324.696		288.324.696

In the Extraordinary General Assembly Meeting held on September 18, 2006; it has been decided to increase the company's paid-up capital to YTL 318.000.000 from YTL 271.325.800. YTL 7.107.128 portion of the increased amount is paid by THY A.O in kind, and the remaining amount of YTL 39.567.072 has been committed free from collation by THY A.O. On 29.12.2006, ¼ of subscribed capital has been paid in cash. As of December 31, 2007, the share capital of the Company has been comprised of 318.000.000 shares issued with par value of 1 YTL each. These shares are written to the name.

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

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

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of December 31, 2007
(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

	December 31, 2007	December 31, 2006
Capital	288.324.696	288.324.696
Share premiums	-	-
Legal Reserves	1.055.200	-
Extraordinary Reserves	20.048.802	-
Other Profit Reserves	6.957.915	6.957.915
Shareholders' Equity Inflation Adjustments Differences	-	-
Net Period Profit/(Loss)	(5.719.003)	24.015.160
Previous Years' Losses	2.911.158	-
	<u>313.578.768</u>	<u>319.297.771</u>

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

29 FOREIGN CURRENCY POSITION

Foreign currency risk arises when the value of any financial asset changes according to the changes in the rates of foreign currencies. The company is exposed to foreign currency risk as a result of the liabilities in foreign currencies. As of December 31, 2007 the company does not utilize any kind of financial instrument in order to protect from the effects of the variances of foreign currency rates. The main foreign currency units, which constitute the mentioned risk, are USD, Euro and Sterling.

As of December 31, 2007, the YTL equivalents of the Company's foreign currency position are as follows:

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of December 31, 2007
(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

December 31, 2007	US Dollars	Euro	Sterling	Other Currencies	Total
Assets					
Cash and Cash Equivalents	31.831.953	70.466	-	2.988	31.905.407
Trade Receivables (net)	8.746.610	394.624	-	-	9.141.235
Due from Related Parties	46.807.843	498.386	56.232	802	47.363.263
Other Receivables (short term)	56	2.107	-	21.573	23.736
Other Current Assets	733.676	-	-	367.344	1.101.020
Order Advances Given For Inventory Purchases	1.031.797	901.721	18.803	9.236	1.961.556
	89.151.935	1.867.305	75.035	401.941	91.496.216
Liabilities					
Trade Payables (short term) (net)	30.060.604	2.003.855	72.777	21.479	32.158.716
Due to Related Parties	10.986.334	2.507.850	127.802	87.121	13.709.107
Provision for Expenses and Liabilities (short term)	114.474	901	170	-	115.544
Other Liabilities (net)	280.129	23.745	9.615	-	313.490
	41.441.542	4.536.351	210.364	108.600	46.296.857
Net Foreign Currency Position	47.710.393	(2.669.046)	(135.329)	293.341	45.199.359

As of December 31, 2006, the YTL equivalents of the Company's foreign currency position are as follows:

December 31, 2006	US Dollars	Euro	Sterling	Other Currencies	Total
Assets					
Cash and cash Equivalents	10.657.797	4.125	-	-	10.661.922
Trade Receivables (net)	11.171.852	682.416	-	-	11.854.268
Due from Related Parties (net)	36.714.972	-	-	-	36.714.972
Other Receivables (short term)	25.097	18.980	60	49.229	93.365
Order Advances Given For Inventory Purchases	161.885	257.658	24.892	-	444.435
	58.731.603	963.179	24.952	49.229	59.768.962
Liabilities					
Trade Payables (short term) (net)	24.626.072	1.262.216	99.871	-	25.988.159
Due to Related Parties	523.718	6.414	-	852	530.984
Provision for Expenses and Liabilities (short term)	13.848	10.056	-	-	23.904
	25.163.638	1.278.686	99.871	852	26.543.047
Net Foreign Currency Position	33.567.965	(315.508)	(74.919)	48.377	33.225.914

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of December 31, 2007
(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

30 GOVERNMENT GRANTS AND INCENTIVES

None. (December 31, 2006: None).

31 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Termination Indemnity Liabilities

The discounted employment termination indemnity of THY Teknik A.Ş. is 7.274.178 YTL.

Insurance Coverage on Assets

The insurance coverage of Company is 250.000.000 USD and 132.304.298 YTL.

Contingent Liabilities

The total amounts of contingent liabilities in the balance sheet are as follows:

	USD	EURO	YTL
Guarantee Letters Given	1.045.330	47.105	571.338

32 MERGERS

None. (December 31, 2006: None).

33 SEGMENT REPORTING

None (December 31, 2006: None).

34 EVENTS AFTER BALANCE SHEET DATE

Within the scope of HABOM Project, the Company has decided to sign a "Joint Venture" agreement to build an aircraft engine overhaul center with Pratt&Whitney, which is one of the subsidiary of United Technologies Corporation on January 07, 2008. According to the agreement the Company will transfer its engine overhaul unit in full to the new established company. THY Teknik A.Ş will have 49 percent and Pratt&Whitney will have 51 percent shares in the new established company. For this reason, the balance of the new company will be consolidated to THY Teknik A.Ş's financial statements by using equity method.

35 DISCONTINUING OPERATIONS

None. (December 31, 2006: None).

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of December 31, 2007
(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

36 OPERATING INCOME

Operating Income is as follows:

	January 01- December 31, 2007	May 23 - December 31, 2006
Line Maintenance Income	67.109.669	59.852.158
Letter Check Services Income	94.164.767	50.189.193
Engine Services Income	141.389.754	86.205.344
Component Services Income	39.517.167	17.816.908
Pool Income	51.350.008	54.855.470
BFE & Retrofit Income	107.356.216	42.929.112
Other	92.242.616	42.953.912
Net Sales	593.130.196	354.802.097
Cost of Sales (-)	(564.366.842)	(307.525.342)
Gross Operating Profit/ (Loss)	28.763.354	47.276.755

Cost of sales is as follows:

	January 01- December 31, 2007	May 23 - December 31, 2006
Inventory Expense	70.182.339	46.569.969
BFE & Retrofit Expense	106.637.762	43.018.399
Personnel Expense	172.665.997	88.023.750
Repair Expense	74.265.812	51.496.930
Depreciation Expense	102.507.555	58.618.552
Provision for Termination Indemnity Expense	5.278.700	1.995.478
Other	32.828.677	17.802.264
	564.366.842	307.525.342

37 OPERATING EXPENSES (-)

Operating Expenses are as follows:

	January 01- December 31, 2007	May 23 - December 31, 2006
Sales and Marketing Expenses (-)		
Personnel Expense	1.356.843	875.903
Other Expenses	1.097.936	149.444
	2.454.779	1.025.347

	January 01- December 31, 2007	May 23 - December 31, 2006
General Administrative Expenses (-)		
Inventory Expense	1.853.246	108.555
Personnel Expense	18.549.338	6.451.872
Other Expenses	7.939.081	4.431.163
	28.341.665	10.991.590
Total Operating Expenses	30.796.444	12.016.937

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of December 31, 2007
(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

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

Income and Profit from Other Operations are as follows:

	January 01- December 31, 2007	May 23 - December 31, 2006
F/X Income	27.849.136	26.433.166
Commission Income	-	1.962.364
Income from No-Charge Equipment	472.046	163.550
Interest Income	1.772.173	189.451
Other Income	8.532.103	251.217
	38.625.458	28.999.748

Expense and Loss from Other Operations are as follows:

	January 01- December 31, 2007	May 23 - December 31, 2006
F/X Expense	31.245.488	28.992.828
Prov. for Decrease in Value of Inventories	5.934.820	4.910.688
Provision for Doubtful Receivables	295.133	108.530
Other	6.213.317	211.738
	43.688.758	34.223.784

39 FINANCIAL EXPENSES

Financial Expenses are as follows:

	January 01- December 31, 2007	May 23 - December 31, 2006
Bank Expenses	9.966	1.188
	9.966	1.188

40 PROFIT/(LOSS) ON NET MONETARY POSITION

None.

41 TAXES

The tax income/(expense) as of December 31, 2007 is as follows:

	January 01- December 31, 2007	May 23 - December 31, 2006
Provision for Period Tax	(2.583.251)	(6.333.124)
Deferred Tax Income	3.970.604	313.690
	1.387.353	(6.019.434)

Deferred Tax Income is explained in Note 14.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of December 31, 2007

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

Corporate Tax:

The Company is subject to Corporate Tax in Turkey.

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

Prevailing Rates of Corporate Tax:

- 2007: %20

Companies calculate their temporary taxes on their quarterly financial profits in Turkey. The temporary tax is calculated from the year 2007 corporate income as of temporary tax periods with the tax rate of 20%.

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

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

Withholding Tax:

In addition to corporate tax, income withholding tax and fund share must be calculated over the dividends distributed to companies other than the foreign companies, which have a place of business in Turkey and the companies, which add these dividends into their corporate tax declarations. The rate of withholding tax has been determined as 10% for all companies starting from April 24, 2003. The rate of withholding tax has been determined as 15 % after the cabinet decision No: 2006/10731 published in Official Gazette on July 23, 2006/26237. The addition of profit to equity capital is not considered as profit distribution and withholding tax is not charged. In the year 2002 and before, withholding tax had been applied to some exceptional income which was excepted from corporate tax, without considering if they are distributed or not, has been removed. In accordance with the 2nd article of the law numbered 5479 which has come into force after being published in the Official Gazette dated April 08, 2006, the 19th article of the Income Tax Law numbered 193 entitled "Investment Incentive Exemption in Commercial Profits" has been repealed. According to the article 69th which has been added to the Income Tax Law with the mentioned law, the investment Incentive Exemption amounts which were present as of December 31,2005 but could not have been deducted from year 2005 profits can be deducted in the year 2006 and the following years

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of December 31, 2007
(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

42 EARNINGS PER SHARE / (LOSS)

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

The calculation of the weighted average and Earning per Share of the total share amount as of December 31, 2007 is as follows:

	January 01- December 31, 2007	May 23 – December 31, 2006
Total Share Amount as of Periods (In full)	318.000.000	318.000.000
New Shares Announced (Increase in Cash) (In full)	-	-
Total Share Amount as of Periods (In full)	318.000.000	318.000.000
Weighted Average of the total share amount in the Period (In full)	318.000.000	318.000.000
Net Period Profit / (Loss)	(5.719.003)	24.015.160
(Loss)/Earnings Per Share (Ykr)	(1,80)	8,25

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of December 31, 2007
(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

43. CASH FLOW STATEMENT

	Audited	Audited
	December 31, 2007	December 31, 2006
CASH FLOW PROVIDED FROM OPERATIONS		
Net Profit for the Year	(5.719.003)	24.015.160
Adjustments to Reach the Cash Flow used in Operations:		
Depreciation	102.507.555	58.618.553
Increase in Provision for Stock in Value	5.934.820	4.910.688
Increase in Provision for Doubtful Receivables	273.981	108.530
Increase in Provision for Termination Indemnities	5.278.700	1.995.478
Operating Profit before Changes in Working Capital	108.276.053	89.648.409
Increase / (Decrease) in Trade Receivables	4.023.649	(13.753.852)
Increase in Short and Long Term Receivables from Related Parties	(12.035.973)	(36.714.972)
Increase in Other Short and Long Term Receivables	-	(955.135)
Increase / (Decrease) in Inventories	(79.983.208)	(23.568.966)
Increase in Other Current Assets	(117.638)	(3.458.010)
Increase in Other Non Current Assets	(325.322)	94.093
Increase in Trade Payables	2.018.908	39.490.188
Decrease in Payables to Related Parties	18.782.702	(7.107.127)
Increase in Advances Given	336.029	459.937
Increase in Short Term Provisions for Expenses and Liabilities	(3.274.597)	11.523.061
Increase / (Decrease) in Other Short and Long Term Liabilities	(2.644.499)	8.162.960
Net Cash Provided from Operations	63.820.586	63.820.586
CASH FLOW RELATING TO INVESTMENT ACTIVITIES		
Net Cash Provided from sales of Tangible Fixed Assets	36.700	499.164
Tangible Fixed Asset Purchase	(11.190.126)	(66.563.340)
Net Cash Used in Investment Operations	(11.153.426)	(66.064.176)
CASH FLOW RELATING TO FINANCIAL ACTIVITIES		
Capital Increase	-	16.998.896
NET INCREASE IN CASH AND CASH EQUIVALENTS	23.902.678	14.755.306
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	14.755.306	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	38.657.984	14.755.306

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of December 31, 2007
(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

44 OTHER SIGNIFICANT ISSUES

Within the HABOM Project, the Company has signed a Memorandum of Understanding on November 8, 2007 with Goodrich Aerostructures, which is subsidiary of Goodrich Corporation to form a joint venture company which will provide nacelle and thrust reverser maintenance service.

45 ADDITIONAL INFORMATION ON 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 optimization of the debt and equity balance.

The capital structure of the Company consists equity comprising issued capital, reserves and retained earnings as disclosed in notes 25, 26, 27 and 28 respectively.

The top management of the Company assesses the cost of capital and the risks associated with each class of capital. At the time of these analyses, top management assesses the risks associatible with each class of capital and gives the ones that are dependent to Board of Directors to the assessment of Board of Directors. As the results of the assessments of top management and Board of Directors, the Company provides the optimization of the capital diversification through obtaining new debts, repayment of the existing debts and/or capital increase.

(b) Significant accounting policies

Significant accounting policies on financial instruments are disclosed in note 3 "Summary of Significant Accounting Policies", "3.5-a Financial Instruments and Financial Risk Management".

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of December 31, 2007
(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

(b) Categories of Financial Instruments

December 31, 2007 Balance Sheet	Financial Assets shown on Amortized Cost	Credits and Receivables	Investments Available For Sale	Financial Liabilities Shown on Amortized Cost	Book Value	Approximate Current Value	Note
Financial Assets							
Cash and Cash Equivalents	38.657.984	-	-	-	38.657.984	38.657.984	4
Trade Receivables	-	9.347.692	-	-	9.347.692	9.347.692	7
Due from Related Parties	-	48.750.945	-	-	48.750.945	48.750.945	9
Financial Assets							
Financial Liabilities							
Financial Debts	-	-	-	-	-	-	16
Finance Lease Liabilities	-	-	-	-	-	-	6
Other Financial Liabilities	-	-	-	-	-	-	8
Trade Payables	-	-	-	-	-	-	10
Due to Related Parties	-	-	-	41.509.096	41.509.096	41.509.096	7
				18.782.702	18.782.702	18.782.702	9
December 31, 2006 Balance Sheet	Financial Assets shown on Amortized Cost	Credits and Receivables	Investments Available For Sale	Financial Liabilities Shown on Amortized Cost	Book Value	Approximate Current Value	Note
Financial Assets							
Cash and Cash Equivalents	14.755.306	-	-	-	14.755.306	14.755.306	4
Trade Receivables	-	13.645.322	-	-	13.645.322	13.645.322	7
Due from Related Parties	-	36.714.972	-	-	36.714.972	36.714.972	9
Financial Assets							
Financial Liabilities							
Financial Debts	-	-	-	-	-	-	16
Finance Lease Liabilities	-	-	-	-	-	-	6
Other Financial Liabilities	-	-	-	-	-	-	8
Trade Payables	-	-	-	-	-	-	10
Due to Related Parties	-	-	-	39.490.188	39.490.188	39.490.188	7
							9

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of December 31, 2007
(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

(d) Financial Risk Management Objectives

A formally specified risk management model and its active application are not available within the Company. Currency risk, interest rate risk and liquidity risk are some important risks of the Company.

The Company management manages the risks through its decisions and applications. Even a formally specified risk management model is not available, corporate risk management model has been aimed and the related activities are being performed.

(e) Market risk

The Company is subject to the financial risks related to the changes in the exchange rate (Please see (f) below) and interest rate (Please see (g) below) due to its operations. Distribution of expenses and incomes based the types of exchange rates and distribution of debts based on the types of exchange rates and fixed and variable interest rates are managed by the company management.

(f) Foreign currency risk management

There is a natural balance in the foreign currency risk between the Company's incomes and expenses. This balance is tried to be kept through taking into consideration the future forecasts and market conditions.

Foreign currency sensitivity

The Company is primarily subject to US Dollar and EUR foreign currency risk.

The table below demonstrates that the sensitivity of the Group against the 10 % change in US Dollar and Euro exchange rates. Negative amount demonstrates the decrease effect of the 10 % increase in the value of US Dollar and EUR against YTL in the net profit for the year.

	US Dollar Effect (i)		Euro Effect (ii)	
	January 1- December 31, 2007	January 1 - December 31, 2006	January 1- December 31, 2007	January 1 - December 31, 2006
Income Statement Effect	4.771.039	3.356.797	(1.641.990)	(31.550)

(i) Related to the receivables and payables in US Dollar not due yet as of the end of the period

(ii) Related to the receivables and payables in Euro not due yet as of the end of the period

If US Dollar and Euro is devaluated against YTL by 10 %, the amounts are the same as the figures in the table above and its effect in the income statement will be reverse.

(g) Interest rate risk management

Company's current financial performance does not require borrowing.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of December 31, 2007
(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

(h) Credit risk management

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

(i) Liquidity management

The Group 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.

Liquidity and interest risk tables

The tables below demonstrate the maturity distribution of no derivative financial liabilities and 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, and these interests are shown in the adjustment columns in order to confirm with the balance sheet amounts.

	<u>Less than 1</u> <u>month</u>	<u>1 month -3</u> <u>month</u>	<u>3 month-1</u> <u>year</u>	<u>1 year-4 year</u>	<u>Over 4 years</u>	<u>Balance Sheet</u> <u>Amount</u>
December 31, 2007						
Financial Liabilities	-	-	-	-	-	-
Finance Lease Liabilities	-	-	-	-	-	-
Other Financial Liabilities	-	-	-	-	-	-
Trade Payables	41.505.596	-	3.500	-	-	41.509.096
Due to Related Parties	18.782.702	-	-	-	-	18.782.702
	60.288.298	-	3.500	-	-	60.291.798
December 31, 2006						
Financial Liabilities	-	-	-	-	-	-
Finance Lease Liabilities	-	-	-	-	-	-
Other Financial Liabilities	-	-	-	-	-	-
Trade Payables	39.489.009	1.179	-	-	-	39.490.188
Due to Related Parties	-	-	-	-	-	-
	39.489.009	1.179	-	-	-	39.490.188