

INDEPENDENT AUDITORS' REVIEW REPORT

To the Board of Directors of
Türk Hava Yolları Anonim Ortaklığı

1. We have reviewed the accompanying balance sheet of Türk Hava Yolları Anonim Ortaklığı (“the Company”) as at 30 June 2004, and the related statements of income, shareholders' equity and cash flows for the six-month period then ended, all expressed in the equivalent purchasing power of the Turkish Lira at 30 June 2004. These financial statements are the responsibility of the Company’s management.
2. We conducted our review in accordance with International Standards on Auditing applicable for limited review engagements. Our review consisted of obtaining an understanding of the system for the preparation of the financial statements, applying analytical procedures to the underlying financial data and of making inquiries of persons responsible for financial and accounting matters. This limited scope review was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.
3. Based on our limited scope review, we are not aware of any material modifications that should be made to the accompanying financial statements for them to be in conformity with International Financial Reporting Standards.

DENETİM SERBEST MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU**

Selçuk Ürkmez, Partner

İstanbul, 23 September 2004

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
BALANCE SHEETS

AS AT 30 JUNE 2004 AND 31 DECEMBER 2003

(All figures are adjusted for the effect of inflation in TL units current at 30 June 2004 pursuant to IAS 29)

<u>ASSETS</u>	<u>Note</u>	30 June 2004 <u>TL 000,000</u>	31 December 2003 <u>TL 000,000</u>
Cash and Cash Equivalents	5	687,527,746	713,493,365
Accounts Receivable (Net)	6	184,893,669	127,752,176
Due from Related Parties (Short Term)	7	57,485,893	128,209
Inventories	8	56,417,548	49,545,698
Other Receivables and Current Assets	9	70,857,687	57,129,921
TOTAL CURRENT ASSETS		1,057,182,543	948,049,369
Due from Related Parties (Long Term)	7	-	56,612,316
Long Term Advances Given	10	10,714,754	11,047,016
Investments At Equity	11	10,132,000	7,685,218
Financial Assets Available For Sale	11	15,430,301	16,543,162
Fixed Assets (Net)	12	1,993,230,550	2,132,268,056
Other Long Term Receivables and Assets	13	12,567,925	14,394,046
TOTAL NON-CURRENT ASSETS		2,042,075,530	2,238,549,814
TOTAL ASSETS		3,099,258,073	3,186,599,183

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
BALANCE SHEETS

AS AT 30 JUNE 2004 AND 31 DECEMBER 2003

(All figures are adjusted for the effect of inflation in TL units current at 30 June 2004 pursuant to IAS 29)

<u>LIABILITIES</u>	<u>Note</u>	30 June 2004 <u>TL 000,000</u>	31 December 2003 <u>TL 000,000</u>
Bank Borrowings	14	7,147,648	-
Short Term Portion of Finance Lease Obligations	15	218,152,676	263,544,518
Accounts Payable		213,361,595	194,603,281
Due to Related Parties	16	7,104,600	5,807,390
Other Short Term Payables	17	33,098,720	53,884,344
Deposits and Advances Received	18	29,642,498	60,386,957
Passenger Flight Liabilities	19	227,220,054	121,313,453
Other Accrued Liabilities	20	67,686,564	71,469,133
Provision for Corporate Tax	21	7,834,235	20,829,614
TOTAL CURRENT LIABILITIES		811,248,590	791,838,690
Long Term Portion of Finance Lease Obligations	15	1,170,472,557	1,299,183,713
Manufacturers' Credit (Net)	22	3,586,097	4,596,272
Long Term Deferred Tax Liabilities	21	59,746,912	47,219,408
Retirement Pay Liability	23	88,257,769	85,042,463
Other Long Term Payables	17	5,155,527	5,924,704
TOTAL NON-CURRENT LIABILITIES		1,327,218,862	1,441,966,560
SHAREHOLDERS' EQUITY			
Share Capital	24	1,818,098,320	1,818,098,320
Share Premium		850,621	850,621
Reserves	24	134,087,593	134,087,593
Accumulated Losses		(992,245,913)	(1,000,242,601)
TOTAL SHAREHOLDERS' EQUITY		960,790,621	952,793,933
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,099,258,073	3,186,599,183

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI**STATEMENTS OF INCOME FOR****THE SIXTH MONTH PERIOD ENDED 30 JUNE 2004 AND 2003***(All figures are adjusted for the effect of inflation in TL units current at 30 June 2004 pursuant to IAS 29)*

	Note	1 January- 30 June 2004 TL 000,000	1 January- 30 June 2003 TL 000,000
Operating Revenues	28,33	1,174,973,530	1,196,286,270
Operating Expenses	29,33	<u>(1,150,102,416)</u>	<u>(1,135,225,166)</u>
OPERATING PROFIT		24,871,114	61,061,104
Income from Other Operations	31,33	19,716,722	94,965,508
Loss from Other Operations	32	<u>(6,003,450)</u>	<u>(7,023,537)</u>
INCOME BEFORE FINANCIAL INCOME / (EXPENSE), MONETARY GAIN / (LOSS) AND TAXATION		38,584,386	149,003,075
Financial (Expense) / Income (Net)	30	<u>(78,887,721)</u>	<u>200,794,071</u>
Monetary Gain / (Loss)		<u>75,577,898</u>	<u>(374,448,694)</u>
INCOME / (LOSS) BEFORE TAXATION		35,274,563	(24,651,548)
Taxation Charge	21	<u>(27,277,875)</u>	<u>(872,041)</u>
NET PROFIT / (LOSS)		<u>7,996,688</u>	<u>(25,523,589)</u>
Basic Earnings / (Loss) per Share (TL in full)		46	(146)

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY****FOR THE SIXTH MONTHS PERIOD ENDED 30 JUNE 2004 AND 2003***(All figures are adjusted for the effect of inflation in TL units current at 30 June 2004 pursuant to IAS 29)*

	Share Capital TL 000,000	Share Premium TL 000,000	Reserves TL 000,000	Accumulated Losses TL 000,000
Balances at 31 December 2002	1,818,098,320	850,621	134,087,593	(1,231,501,881)
Loss for the period	-	-	-	(25,523,589)
Balances at 30 June 2003	<u>1,818,098,320</u>	<u>850,621</u>	<u>134,087,593</u>	<u>(1,257,025,470)</u>
Balances at 31 December 2003	1,818,098,320	850,621	134,087,593	(1,000,242,601)
Profit for the period	-	-	-	7,996,688
Balances at 30 June 2004	<u>1,818,098,320</u>	<u>850,621</u>	<u>134,087,593</u>	<u>(992,245,913)</u>

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
STATEMENTS OF CASH FLOWS

FOR THE SIXTH MONTHS PERIOD ENDED 30 JUNE 2004 AND 2003

(All figures are adjusted for the effect of inflation in TL units current at 30 June 2004 pursuant to IAS 29)

	1 January-30 June 2004 TL 000,000	1 January-30 June 2003 TL 000,000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit / (loss) prior to taxation	35,274,563	(24,651,548)
Adjustments to reconcile profit / (loss) for the period to net cash provided by operating activities:		
Depreciation	144,639,210	151,711,112
Provision for Employee Termination Benefits	8,198,117	302,942
Interest Income	(16,314,528)	(17,234,466)
Gain on Fixed Asset Sales	(51,504)	(58,406)
Monetary (Gain) / Loss on Deferred Taxes Assets/Liabilities	(3,552,680)	(6,248,772)
Impairment Loss / (Gain)	24,267,740	(65,727,223)
Monetary Loss on modification of RJ70/100 (Income) / Loss from Financial Investment Accounted per Equity Method	(2,446,782)	4,727,669
Interest Expense	23,869,394	33,777,671
Movement in Manufacturers' Credit	(1,010,175)	(2,899,125)
Foreign Exchange Loss/(Gain) on Finance Leases (Net of Monetary Gain)	(18,513,513)	90,526,882
Provision for Diminution in Value of Financial Assets Available For Sale	2,544,731	597,225
Amortization of Deferred Income from USAŞ Share Transfer	(1,718,509)	(1,481,178)
Decrease in Provision for Doubtful Receivable	(4,745,826)	(3,981,468)
Operating Profit Before Working Capital Changes	190,440,238	163,226,551
(Increase) / Decrease in Trade Receivables	(52,395,667)	(13,305,433)
(Increase) / Decrease in Due From Related Parties	(745,368)	(9,638)
(Increase) / Decrease in Inventories	(6,871,850)	5,330,030
(Increase) / Decrease in Other Receivables and Short Term Assets	(13,727,767)	13,599,845
(Increase) / Decrease in Other Long Term Receivables and Assets	1,826,120	406,000
(Increase) / Decrease in Long Term Advances Given	332,262	16,342,920
Increase / (Decrease) in Trade Payables	17,674,186	(14,461,790)
Increase / (Decrease) in Due to Related Parties	1,297,210	1,653,524
Increase / (Decrease) in Other Payables and Accrued Expenses	(23,958,733)	(7,182,597)
Increase / (Decrease) in Deposits and Advances Received	(30,744,459)	(42,574,104)
Increase / (Decrease) in Passenger Flight Liabilities	105,906,601	80,207,649
Increase / (Decrease) in Other Long Term Trade Payables	-	(147,853)
Cash Generated from Operations	189,032,773	203,085,104
Retirement Benefits Paid	(4,982,810)	(7,894,259)
Interest Paid	(25,166,299)	(39,906,114)
Income Taxes Paid	(24,193,073)	-
Net Cash Provided by Operating Activities	134,690,591	155,284,731
CASH FLOWS FROM INVESTING ACTIVITIES		
Changes in Marketable Securities	-	4,743,687
Cash (Outflows) / Inflows from (Purchase) / Sale of Financial Assets	(7,868)	848
Cash Proceeds from Fixed Assets Sales	10,328,484	4,231,753
Interest Received	16,314,528	17,234,466
Acquisition of Fixed Assets	(53,507,678)	(18,079,831)
Net Cash Provided by / (Used in) Investing Activities	(26,872,534)	8,130,923
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payment of Finance Leases	(140,931,324)	(148,153,350)
Principal Payment of Bank Borrowings	7,147,648	(915,421)
Net Cash used in Financing Activities	(133,783,676)	(149,068,771)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(25,965,619)	14,346,883
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	713,493,365	437,406,064
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	687,527,746	451,752,947

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
NOTES TO THE FINANCIAL STATEMENTS
AS OF 30 JUNE 2004

1. THE COMPANY'S OPERATIONS

Türk Hava Yolları A.O. ("the Company" or "THY") was incorporated in Turkey in 1933. The principal activity of the Company is domestic and international air transportation of passengers and cargo.

As of 30 June 2004, the shareholders and their respective shareholdings in the Company were as follows:

Turkish Republic Privatization Administration	98.17 %
Others	<u>1.83 %</u>
Total	<u>100.00%</u>

The total number of employees working for the Company as of 30 June 2004 is 10,142. (31 December 2003: 10,239). The average number of employees working for the Company in 30 June 2004 and 31 December 2003 is 10,242 and 10,683, respectively.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") (formerly referred to as IAS). The basis used in the preparation of the accompanying financial statements are as follows:

The Company maintains their books of account and prepares their statutory financial statements in accordance with accounting principles promulgated by the Turkish Commercial Code (the "TCC"), the Capital Market Board of Turkey ("CMB"), and tax legislation (collectively, "Turkish Practices"). The accompanying financial statements are based on the statutory records, with adjustments and reclassifications, including restatement for the changes in the general purchasing power of the Turkish Lira, for the purpose of fair presentation in accordance with IFRS.

On 15 November 2003, Capital Market Board ("CMB") published Communiqué No: 25 of Series XI, "Communiqué on Accounting Standards in Capital Markets". The Communiqué is applicable to the first interim financial statements ending after 1 January 2005 and is effective from the date of publishing. However, companies may choose to adopt Communiqué No: 25 of Series XI, for years or interim periods ending on or after 31 December 2003.

As explained in the first tentative clause of Article 34 of the foresaid Communiqué – General Provisions related with financial statements obligations, preparation and public announcement of financial statements in accordance with IFRS until the beginning of that period in which application Communiqué No: 25 of Series XI becomes enforceable, is counted for fulfillment of provisions of preparation of financial statements and public announcement in accordance with that Communiqué. Consequently, the Company prepared and publicly announced its financial statements starting from the period ended 30 June 2003 in accordance with IFRS.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
NOTES TO THE FINANCIAL STATEMENTS
AS OF 30 JUNE 2004

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

The companies which choose to apply Communiqué No: 25 of Series XI or IFRS as of 31 December 2003 are not required to report in accordance with CMB Communiqué No: 1 of Series XI "Rules and Principles Relating to Financial Statements and Reports in Capital Markets", Communiqué No: 20 of Series XI "Rules and Principles Relating to Adjustment of Financial Statements in Hyperinflationary Periods" and Communiqué No: 21 of Series XI "Rules and Principles Relating to Consolidated Financial Statements and Accounting For Equity Participations".

The basis of the financial statements used in the preparation of the accompanying financial statements are set out below and in Note 4.

Inflation Accounting

In the accompanying financial statements, restatement adjustments that are made to compensate for the effect of changes in the general purchasing power of the Turkish Lira are based on International Accounting Standard No: 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29").

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous periods be restated in the same terms. One characteristic that leads to the classification of an economy as hyperinflationary, necessitating the application of IAS 29, is a cumulative three-year inflation rate approaching or exceeding 100%. Such cumulative rate in Turkey is 110 % for the three years ended 30 June 2004 based on the wholesale price index announced by the Turkish State Institute of Statistics.

The restatement was calculated by means of conversion factors derived from the Turkish countrywide wholesale price indices ("WPI") announced by the State Institute of Statistics (with the index beginning in 1994 at 100). Such indices and the conversion factors used to restate the accompanying financial statements as at 30 June 2004 are given below:

	<u>Index</u>	<u>Conversion Factor</u>
31 December 2002	6,478.8	1.2321
30 June 2003	7,222.2	1.1053
31 December 2003	7,382.1	1.0813
30 June 2004	7,982.7	1.0000

The comparison of the periodical change of the value of TL against the US Dollar with the Turkish countrywide WPI is set out below:

<u>Years</u>	<u>June 2004</u>	<u>December</u>			
		<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Currency Devaluation US Dollar	6.5%	(14.6%)	13.5%	114.3%	24.4%
WPI	8.1%	13.9%	30.8%	88.6%	32.7%

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
NOTES TO THE FINANCIAL STATEMENTS
AS OF 30 JUNE 2004

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

Inflation Accounting (cont'd)

As at 30 June 2004, the exchange rate announced by the Turkish Central Bank (which is a market rate) was TL 1,485,911 = US Dollar 1 (31 December 2003: TL 1,395,835=US Dollar 1).

The main procedures for the application of IAS 29 are as follows:

- All amounts not already expressed in terms of the measuring unit current at the balance sheet date are restated by applying the relevant conversion factors. Corresponding figures for previous periods are similarly restated.
- Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date. Monetary items are money held and items to be received or paid in money
- Property, plant and equipment, investments and similar assets are restated from the date of their purchase, not to exceed their market value. Depreciation is similarly restated. The components of shareholders' equity are restated by applying the relevant conversion factors from the dates the components are contributed or otherwise arose.
- All items in the statement of income, except for the non-monetary items in the balance sheet, which have an effect on the statement of income, are restated by applying the relevant conversion factors from the dates when the income and expense items are initially recorded in the financial statements.
- The gain or loss on the net monetary position is the result of the effect of general inflation and is the difference resulting from the restatement of non-monetary assets, shareholders' equity and income statement items. The gain or loss on the net monetary position is included in net income.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
NOTES TO THE FINANCIAL STATEMENTS
AS OF 30 JUNE 2004

3. SEGMENTAL REPORTING

3.1 Business Segments

The Company operates predominantly in one industry segment, its primary business being the air transportation of passengers and cargo within, to or from Turkey. The activity of the Company's equity investment is also related to the airline business.

3.2 Geographical Segments

The analysis of turnover is based on the destinations that THY serves. All passenger fare and cargo revenue within Turkey is attributed to the revenue from domestic services. Turnover from both scheduled and non-scheduled international flight revenues are attributed to flight destination's geographical area.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of the accompanying financial statements are as follows:

4.1 Revenue Recognition and Commission Expenses

Passenger fares and cargo revenues are recorded as operating revenue when the transportation service is provided. Tickets sold but not yet used are recorded as passenger flight liabilities.

The Company develops estimations using historical statistics and data for unredeemed tickets. Total estimated unredeemed tickets of TL 17,590 Billion (approximately) were recognized as operating revenue as of 30 June 2004 (30 June 2003: TL 24,246 Billion).

Commissions to agencies relating to the passenger revenue are recognized as expense when the transportation service is provided. Commissions on tickets sold in advance are recorded as prepaid expenses in the current assets.

4.2 Inventory Valuation

Inventories are valued at the lower of cost or net realizable value using the moving weighted average method.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
NOTES TO THE FINANCIAL STATEMENTS
AS OF 30 JUNE 2004

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.3 Financial Investments

The Company designates its investments portfolio in accordance with IAS 39 (“Financial Instruments Recognition and Measurement”) as follows:

Securities Held for Trading:

Securities held for trading are those acquired principally for the purpose of generating profit from short-term fluctuations in their price. Subsequent to initial recognition, held for trading securities are valued at their fair value if reliably measured. Gains or losses on held for trading securities are recognized in net profit or loss for the period in which they arise.

Investments Held to Maturity:

Held-to-maturity investments are securities with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity.

Investments Available for Sale:

Available-for-sale investments are those that the ownership rate is less than 20% and are not held for trading. Subsequent to acquisition, available for sale investments which are traded at stock markets are valued at market rate. Otherwise, they are accounted for in accordance with IAS 29. Gains or losses on available for sale investments are recognized in net profit or loss for the period in which they arise.

Investments At Equity:

Investment that the ownership rate is 50% and the Company is not in a position to exercise joint control are carried at equity.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
NOTES TO THE FINANCIAL STATEMENTS
AS OF 30 JUNE 2004

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.4 Tangible and Intangible Assets

Tangible and intangible assets are reflected at cost restated for the effects of inflation cost.

Depreciation is provided on a straight-line basis for all categories of property, plant and equipment, except for rotables and repairables, which are depreciated on a group basis. The useful lives and residual values used for the depreciable assets are as follows:

	<u>Useful Life</u>	<u>Residual Value</u>
- Land	-	-
- Buildings	25-50	-
- Aircraft	15	30%
- Engines	15	30%
- Rotable Assets	5-8-10	-
- Repairables	2-3	-
- Simulator	10	-
- Machinery and Equipment	3-5-7-10	-
- Furniture and Fixtures	3-4-5	-
- Motor Vehicles	4-5-7	-
- Other Equipment	5	-

Impairment on Assets:

The Company restates aircraft and spare engines for the effects of inflation in a way that restated values will not exceed the acquisition value in US Dollar. An examination is then made of whether this amount of each aircraft may exceed its recoverable amount. In accordance with IAS 36 ("Impairment of Assets"), recoverable amount is determined as higher of asset's net selling price or its value in use. Net selling price is determined as the lowest estimation of the Company's management developed from the International Aircraft Price Guide. The decrease in carrying amount is recognized as impairment loss under operating expense.

4.5 Manufacturers' Credits

Manufacturers' credits are received against acquisition and/or lease of aircraft and engines. The Company records these credits as a reduction to the cost of the owned or financial leased assets and amortizes them over the related asset's remaining useful life. Manufacturers' credits related to operational leases are recorded as deferred revenue and amortized over the lease term.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
NOTES TO THE FINANCIAL STATEMENTS
AS OF 30 JUNE 2004

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.6 Maintenance and Repair Costs

Regular maintenance and repair costs for owned and leased flight equipment are charged to operating expense as incurred. Heavy maintenance checks for owned and finance leased aircraft are expensed as incurred and delivery maintenance checks of operational leased aircraft are accrued on a periodical basis.

4.7 Frequent Flyer Program

THY provides a frequent flyer program which is called Miles and Miles in the form of free travel award to its members on accumulated mileage. The estimated cost of providing free travel, using the incremental cost method as adjusted for estimated redemption rates, is recognized as a liability and charged to operations as program members accumulate mileage.

THY also sells mileage credits to participating partners in the “Shop and Miles” program. A portion of such revenue is deferred and amortized as transportation is provided.

4.8 Taxation and deferred taxes

Taxes on income for the period comprise of current tax and deferred tax. The Company accounts for current and deferred taxation on the results for the period, in accordance with IAS 12 (“Income Taxes, Revised”).

Provision is made in the financial statements for the Company’s estimated liability to Turkish corporation tax on its results for the period. The charge for current tax is based on the results for the period as adjusted for items, which are non-assessable or disallowed.

Deferred tax assets and liabilities are recognized using the liability method in respect of material temporary differences arising from different treatment of items for accounting and taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are only provided to the extent that if it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax is charged or credited in the statement of income.

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority. Deferred tax assets and liabilities are also offset.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
NOTES TO THE FINANCIAL STATEMENTS
AS OF 30 JUNE 2004

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.9 Employee Retirement and Termination Indemnities

Employee retirement and termination benefits as required by Turkish Labor Law are recognized in the accompanying financial statements as earned. Future retirement payments are discounted to their present value at the balance sheet date at an interest rate determined by the net of an expected inflation rate and an appropriate discount rate according to IAS 19 ("Employee Benefits"). The interest amount included in employee retirement expense is disclosed in the financial result as interest expense.

4.10 Related Parties

The shareholders, key management personnel and board members of the Company, in each case together with their families and companies controlled by or affiliated with them, are considered and referred to as related parties in the accompanying financial statements.

4.11 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 with the exchange rate ruling at the balance sheet date. Gains and losses arising on settlement and translation of foreign currency items are included in the statements of income.

The ending and average TL to US Dollar exchange rates for the periods are as follows:

	<u>Ending Rate</u>	<u>Average Rate</u>
31 December 2001	1,439,567	1,196,780
31 December 2002	1,634,501	1,504,597
30 June 2003	1,421,717	1,577,127
31 December 2003	1,395,835	1,495,307
30 June 2004	1,485,911	1,397,627

4.12 Leases

The Company leases aircraft, simulator, computer equipment and vehicles in the form of either finance leases or operating leases. According to IAS 17 ("Leases"), finance leases are reflected in the Company's assets by recording finance leased assets and liabilities equal to the present value of the lease payments. The finance leased assets are depreciated over their useful lives. Operating leases are accounted for as operating expense when incurred.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
NOTES TO THE FINANCIAL STATEMENTS
AS OF 30 JUNE 2004

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.13 Financial Instruments

Financial Assets

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arms length transaction. Market value is the amount obtainable from the sale or payable on the acquisition, of a financial instrument in an active market, if one exists.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented here in may not necessarily be indicative of the amounts the Company could realize in a current market exchange.

Balances with banks, receivables, contingent liabilities like letters of guarantee, letters of credit are important financial instruments which would have negative effects on the financial structure of the Company if the other party failed to comply with the terms and conditions of the agreement.

The fair values of certain financial assets carried at cost are considered to be representative of carrying values due to their short-term nature.

The Company's principal financial assets are cash and cash equivalents, accounts receivable, due from related parties and available for sale financial assets.

Book values of trade receivables and due from related parties along with the related allowances for uncollectibility are estimated to be their fair value except receivables discounted to their present value when they hold significant credit periods.

Financial assets, except for Sun Express, Uçak Servis A.Ş. and France Telekom where the Company is not in a position to exercise significant influence or joint control, are stated at cost as their fair value can not be reliably measured.

Sun Express is accounted for using the equity method as the Company exercises a significant influence. Uçak Servis A.Ş. and France Telekom shares are classified as available for sale investments and changes in fair value relating available for sale investments are recognized in net profit or loss.

Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include accounts and other payables, due to related parties and finance lease obligations.

Financial expenses are accounted for on an accrual basis and are traced under related financial liability account to the extent that they are not settled in the period in which they arise. Accounts and other payables and due to related parties are recorded at their nominal value, which approximates their fair value.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
NOTES TO THE FINANCIAL STATEMENTS
AS OF 30 JUNE 2004

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.13 Financial Instruments (cont'd)

Credit Risk

The Company's credit risk is primarily attributable to its trade receivables. The amounts disclosed in the balance sheet are net of allowances for doubtful receivables, estimated by the Company's management based on prior experience and the current economic environment.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counter parties and customers.

Price Risk

- Currency Risk:

The Company is exposed to exchange rate fluctuations between foreign currencies and Turkish Lira due to the nature of its business. The major part of the Company's ticket income is in Euro and US Dollar or linked to these currencies and the major part of its expenses is denominated in US Dollars and Turkish Lira.

- Interest Risk:

Most of the interest rates related to leasing transactions are based on LIBOR; therefore the Company is exposed to interest rate fluctuations on international markets. The Company does not have hedging transactions to limit currency and interest rate risks.

- Market Risk:

The Company invests in government bonds acquired under reverse repurchase agreements made for short periods or deposits to banks on a daily basis. Fair values of these investments fluctuate based on market conditions.

- Liquidity Risk

Usually, tickets are sold in advance and transportation is provided later. Therefore the Company takes advantage of collecting revenue in advance and incurring transportation cost later.

The Company also benefits from the difference between the collection and the payment period to its counter parties.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
NOTES TO THE FINANCIAL STATEMENTS
AS OF 30 JUNE 2004

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.13. Financial Instruments (cont'd)

4.14 Offsetting

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

4.15 Use of estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimations.

4.16 Earnings per Share

IAS 33 ("Earnings per Share") requires disclosure of basic earnings per share and diluted earnings per share (if applicable) for companies whose shares are publicly traded or which are in the process of issuing shares in a public market.

There were no dilutive equity instruments outstanding which would require the calculation of separate diluted earnings per share.

A summary of the weighted average number of shares outstanding during 30 June 2004 and 2003 and the basic earnings per share calculation is as follows:

	<u>30 June 2004</u>	<u>30 June 2003</u>
Number of Shares outstanding at January 1, (in full)	175,000,000,000	175,000,000,000
Bonus shares issued (by transfer of the Revaluation fund) (in full)	-	-
New shares issued (cash increase) (in full)	-	-
Number of Shares outstanding at 30 June, (in full)	<u>175,000,000,000</u>	<u>175,000,000,000</u>
Weighted average number of shares outstanding during the period (in full)	<u>175,000,000,000</u>	<u>175,000,000,000</u>
Net Profit / (Loss) for the period (TL Million)	7,996,688	(25,523,589)
Basic Earnings / (Loss) per Share (TL)	46	(146)

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
NOTES TO THE FINANCIAL STATEMENTS
AS OF 30 JUNE 2004

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	30 June 2004	31 December 2003
	<u>TL 000,000</u>	<u>TL 000,000</u>
Cash	323,222	188,892
Cheques Received	111,161	59,587
Banks	685,029,416	705,092,915
Other Liquid Assets	2,063,947	8,151,971
	<u>687,527,746</u>	<u>713,493,365</u>

Foreign currency bank balances are TL 657,906,746 Million at 30 June 2004 (31 December 2003: TL 701,677,686 Million).

Time Deposits:

<u>Amount</u>	<u>Currency</u>	<u>Opening Date</u>	<u>Interest rate %</u>	<u>Maturity</u>	30 June 2004
					<u>TL 000,000</u>
25,000,000	TL Million	28.06.2004-	18.04%-	01.07.2004-	25,000,000
		30.06.2004	18.45%	12.07.2004	
77,300,000	USD	04.06.2004-	0.84%-2.85%	01.07.2004-	114,860,920
		30.06.2004		23.07.2004	
271,550,000	EUR	28.05.2004-	2.85%-3.43%	05.07.2004-	490,655,005
		30.06.2004		22.10.2004	
					<u>630,515,925</u>

<u>Amount</u>	<u>Currency</u>	<u>Opening Date</u>	<u>Interest rate %</u>	<u>Maturity</u>	31 December 2003
					<u>TL 000,000</u>
2,595,262	TL Million	31.12.2003	19.78%	02.01.2004	2,595,262
205,300,000	USD	18.08.2003-	2.41%-	02.01.2004	
		31.12.2003	3.83%	23.02.2004	309,879,551
181,500,000	EURO	25.08.2003-	2.81%-	02.01.2004	
		31.12.2003	3.69%	23.02.2004	342,499,438
					<u>654,974,251</u>

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
NOTES TO THE FINANCIAL STATEMENTS
AS OF 30 JUNE 2004

6. ACCOUNTS RECEIVABLE (Net)

Accounts receivable consists of the following:

	30 June 2004	31 December 2003
	<u>TL 000,000</u>	<u>TL 000,000</u>
Trade Receivables	201,457,130	148,952,221
Discount on Receivables	(472,939)	(363,697)
Provision for Doubtful Receivables	<u>(16,090,522)</u>	<u>(20,836,348)</u>
	<u><u>184,893,669</u></u>	<u><u>127,752,176</u></u>

7. DUE FROM RELATED PARTIES

Short term due from related parties consists of the following:

	30 June 2004	31 December 2003
	<u>TL 000,000</u>	<u>TL 000,000</u>
Güneş Ekspres Havacılık A.Ş. (Sun Express)	1,221,970	113,473
Uçak Servisi A.Ş. (USAŞ)	-	14,736
Turban Turizm A.Ş. (*)	40,949,000	-
Turkish Republic Privatization Administration(*)	<u>15,314,923</u>	<u>-</u>
Due from Related Parties - Short Term	<u><u>57,485,893</u></u>	<u><u>128,209</u></u>

Long term due from related parties consists of the following:

	30 June 2004	31 December 2003
	<u>TL 000,000</u>	<u>TL 000,000</u>
Turkish Republic Privatization Administration (*)	-	15,416,891
Turban Turizm A.Ş. (*)	-	41,195,425
Due from Related Parties - Long Term	<u><u>-</u></u>	<u><u>56,612,316</u></u>

(*) Interest at a rate of 40.16% is applied to the receivables from Turkish Republic Privatization Administration and Turban as to be valid for one year commencing from December 2002 based on the article sent by the Turkish Republic Privatization Administration to THY on 17 February 2003. Interest rate has been changed to 23.35% after December 2003 based on the article sent on 31 May 2004. Since the receivable from Turkish Republic Privatization Administration and Turban has been paid to the Company on 16 July and 27 July 2004 respectively; related balances are classified as "Due from Related Parties – Short Term".

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
NOTES TO THE FINANCIAL STATEMENTS
AS OF 30 JUNE 2004

8. INVENTORIES

Inventories consist of the following:

	30 June 2004	31 December 2003
	<u>TL 000,000</u>	<u>TL 000,000</u>
Spare Parts, Flight Equipment	45,870,475	39,759,255
Other Inventories	10,547,073	9,786,443
	<u>56,417,548</u>	<u>49,545,698</u>

9. OTHER RECEIVABLES AND CURRENT ASSETS

Other receivables and current assets consist of the following:

	30 June 2004	31 December 2003
	<u>TL 000,000</u>	<u>TL 000,000</u>
VAT Receivable	558,467	119,925
Tax to be Refunded	3,151,611	2,969,862
Third Party Maintenance Service Income Accrual	10,718,602	13,404,756
Prepaid Operating Lease Expenses	2,461,118	3,311,516
Prepaid Sales Commissions	18,240,974	9,750,230
Deposits Given Related to the Outstanding Litigation	-	2,056,791
Prepaid Rent Expenses	514,304	425,784
Other Prepaid Expenses	3,646,137	4,090,804
Receivables from Personnel	915,888	583,025
Business Advances	270,545	145,516
Restriction on Transfer of funds from Banks (*)	27,110,117	18,028,287
Receivable from SITA Deposit Certificates	161,688	164,244
Receivable of VAT Return from Tax Office	278,437	6,331
Interline Passenger Income Accrual	982,427	296,508
Other Receivables	1,847,372	1,776,342
	<u>70,857,687</u>	<u>57,129,921</u>

(*) The restriction on transfer of funds from banks is related to funds held at banks in Iran, Libya, Egypt ,Algeria and New Delhi and are classified in other receivables and current assets as they can be transferred to Turkey or used for payment of expenses in related sales bureaus within a period more than 3 months but less than a year.

10. LONG TERM ADVANCES GIVEN

Long term advances given consist of the following:

	30 June 2004	31 December 2003
	<u>TL 000,000</u>	<u>TL 000,000</u>
Pre-delivery Payments for Aircraft	7,097,852	7,174,021
Deposits Given for Operational Leases	1,530,488	1,554,680
Other Deposits Given	2,086,414	2,318,315
Total Long Term Advances Given	<u>10,714,754</u>	<u>11,047,016</u>

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
NOTES TO THE FINANCIAL STATEMENTS
AS OF 30 JUNE 2004

11. FINANCIAL ASSETS

The investment accounted for using the equity method is as follows:

	30 June 2004 <u>TL 000,000</u>	31 December 2003 <u>TL 000,000</u>
Güneş Ekspres Havacılık A.Ş. (Sun Express)	<u>10,132,000</u>	<u>7,685,218</u>

Financial assets available for sale are as follows:

	30 June 2004 <u>TL 000,000</u>	31 December 2003 <u>TL 000,000</u>
Emek İnşaat ve İşletme A.Ş.	25,513	19,072
Sita INC.	1,696,258	1,696,258
France Telekom Shares	19,201,430	19,201,430
Diminution in Value of France Telekom Shares	(11,422,027)	(10,535,544)
Uçak Servis A.Ş. (USAŞ)	8,153,847	6,729,845
Diminution in Value of USAŞ Shares	(2,226,147)	(567,899)
Other Financial assets	1,427	-
	<u>15,430,301</u>	<u>16,543,162</u>

Tender for the catering service was won by Uçak Servis A.Ş. (USAŞ) and service agreement was signed on 1 January 2002. Based on share transfer agreement made between USAŞ's main shareholder Gate Gourmet Holding A.G. (GGH) and the Company, USAŞ will transfer its group B free shares corresponding to 15% of its total share capital to the Company. According to the agreement, ownership of first 10% of shares was transferred on 21 June 2002, 1.25% of shares was transferred on 2 January 2003 and 1.25% of shares were transferred on 2 January 2004 and it will be completed to 15% by transferring the ownership of each 1.25% share in the years 2005 and 2006. Consequently, 712,5 million shares corresponding to first 12.5% of share of USAŞ's share capital, which was transferred to the Company, was recorded to "Financial Assets" and "Deferred income" accounts at market value of TL 16,009,042 Million. "Deferred income" amount will be amortized to income during 5 years catering service agreement on a straight-line basis. The Company has sold 6% of USAŞ shares (342 Million shares) in İstanbul Stock Exchange Market in 2003.

Details of the Company's long-term financial assets at 30 June 2004 are as follows:

<u>Name of the Company</u>	<u>Place of Incorporation And Operation</u>	<u>Proportion of Ownership Interest</u>	<u>Proportion of Voting Power Held</u>	<u>Principal Activity</u>
Güneş Ekspres Havacılık A.Ş. (Sun Express)	Turkey	50 %	50 %	Air Transportation
Emek İnşaat ve İşletme A.Ş.	Turkey	0.3 %	0.3%	Construction
Sita INC.	Holland	Less than 0,1%	None	Information & Telecommunication Services
Uçak Servis A.Ş. (USAŞ)	Turkey	6.5%	6.5%	Catering
France Telecom	France	Less than 0,1%	None	Telecommunication

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
NOTES TO THE FINANCIAL STATEMENTS
AS OF 30 JUNE 2004

12. FIXED ASSETS

	Land, Land Improvements & Building	Technical Equipments, Simulators and Vehicles	Other Equipments, Fixtures and Softwares	Aircraft and Spare Engines	Rotables and Repairable Spare Parts	Construction In Progress	Total Owned Assets	Leased Aircraft	Other Leased Fixed Assets & Simulators	Total Leased Assets	Total
Cost											
Opening Balance 1 January 2004	156,375,708	239,190,207	274,557,041	540,948,369	247,800,876	51,992	1,458,924,193	3,861,389,415	60,469,979	3,921,859,394	5,380,783,587
Additions	-	520,053	688,408	-	47,730,360	4,568,857	53,507,678	-	-	-	53,507,678
Disposals	(353,906)	(2,473,490)	(4,066,166)	-	(22,631,489)	(4,522,043)	(34,047,094)	(11,866,688)	-	(11,866,688)	(45,913,782)
Closing balance 30 June 2004	156,021,802	237,236,770	271,179,283	540,948,369	272,899,747	98,806	1,478,384,777	3,849,522,727	60,469,979	3,909,992,706	5,388,377,483
Accumulated Depreciation											
Opening Balance 1 January 2004	40,880,631	192,372,123	243,166,239	338,585,908	123,164,790	-	938,162,961	1,118,348,397	45,283,777	1,163,632,174	2,101,801,865
Current period depreciation	1,298,953	6,923,051	6,503,720	2,886,905	38,015,104	-	55,627,733	86,879,732	2,131,745	89,011,477	144,639,210
Disposal	(127,996)	(2,468,779)	(4,030,858)	-	(22,631,489)	-	(29,259,122)	(2,581,005)	-	(2,581,005)	(31,840,127)
Closing Balance 30 June 2004	42,051,588	196,826,395	245,639,101	341,472,813	138,548,405	-	964,538,302	1,202,647,124	47,415,522	1,250,062,646	2,214,600,948
Accumulated impairment	-	6,395,992	-	117,154,113	-	-	123,550,105	1,053,388,656	3,607,224	1,056,995,880	1,180,545,985
30 June 2004 Net Book Value	113,970,214	34,014,383	25,540,182	82,321,443	134,351,342	98,806	390,296,370	1,593,486,947	9,447,233	1,602,934,180	1,993,230,550
31 December 2003 Net Book Value	115,495,077	39,912,370	31,390,802	104,439,895	124,636,087	51,992	415,926,223	1,705,281,492	11,060,341	1,716,341,833	2,132,268,056

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
NOTES TO THE FINANCIAL STATEMENTS
AS OF 30 JUNE 2004

13. OTHER LONG TERM RECEIVABLES AND ASSETS

Other long term receivables and assets consist of the following

	30 June 2004 <u>TL 000,000</u>	31 December 2003 <u>TL 000,000</u>
Prepaid Aircraft Financing Expense	2,932,445	3,435,234
Prepaid Eximbank USA Guarantee and Exposure Fee	7,549,037	8,755,605
Due from personnel	1,316,017	1,406,325
Receivables from SITA Deposit Certificate	679,424	698,527
Other Receivables	91,002	98,355
	<u>12,567,925</u>	<u>14,394,046</u>

14. BANK BORROWINGS

Bank borrowings of TL 7,147,648 Million consist of overnight interest free borrowings for the purposes of settlement of tax and social security premium payments.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
NOTES TO THE FINANCIAL STATEMENTS
AS OF 30 JUNE 2004

15. FINANCE LEASE OBLIGATIONS

The future lease rental payments under financial leases are:

	30 June 2004 <u>TL 000,000</u>	31 December 2003 <u>TL 000,000</u>
Not later than one year	261,196,249	308,447,731
Between 1 - 2 years	258,373,312	258,143,165
Between 2 - 5 years	429,436,610	464,312,252
Over 5 years	589,192,932	690,057,229
	<u>1,538,199,103</u>	<u>1,720,960,377</u>
Less: Future interest expense	(149,573,870)	(158,232,146)
	<u>1,388,625,233</u>	<u>1,562,728,231</u>
Present value of future rentals shown in the balance sheets	<u>1,388,625,233</u>	<u>1,562,728,231</u>
Represented by :		
Current Liabilities	218,152,676	263,544,518
Long Term Liabilities	1,170,472,557	1,299,183,713
	<u>1,388,625,233</u>	<u>1,562,728,231</u>
Interest Range		
Floating rate obligations	1,029,875,530	1,158,610,656
Fixed rate obligations	358,749,703	404,117,575
	<u>1,388,625,233</u>	<u>1,562,728,231</u>

As of 30 June 2004, the US Dollar denominated lease obligations' interest rates are between 5.96% and 8.00% for the fixed rate obligations, and LIBOR plus a margin ranging between 0.02% and 3.00% for the floating rate obligations.

16. DUE TO RELATED PARTIES

Due to related parties consist of the following:

	30 June 2004 <u>TL 000,000</u>	31 December 2003 <u>TL 000,000</u>
Sun Express	544,463	261,322
Uçak Servis A.Ş. (USAŞ)	6,560,137	5,546,068
	<u>7,104,600</u>	<u>5,807,390</u>

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
NOTES TO THE FINANCIAL STATEMENTS
AS OF 30 JUNE 2004

17. OTHER SHORT TERM AND LONG TERM PAYABLES

Other short term payables consist of the following:

	30 June 2004 <u>TL 000,000</u>	31 December 2003 <u>TL 000,000</u>
Taxes and Funds Payable	20,156,964	19,531,002
Social Security Premiums Payable	8,512,701	11,276,802
Payable to Personnel	286,154	2,170,255
State Airport Administration (“DHMI”) Protocol Payable	-	17,279,977
Discount on DHMI Protocol Payable	-	(1,403,155)
Deferred Income from USAŞ Share Transfer (Note 11)	3,437,018	2,962,350
Deferred Income	54,178	212,777
Other Liabilities	651,705	1,854,336
	<u>33,098,720</u>	<u>53,884,344</u>

Other long term payables consist of the following:

Deferred Income from USAŞ Share Transfer (Note 11)	5,155,527	5,924,704
	<u>5,155,527</u>	<u>5,924,704</u>

18. DEPOSITS AND ADVANCES RECEIVED

Advances received consist of the following:

	30 June 2004 <u>TL 000,000</u>	31 December 2003 <u>TL 000,000</u>
Deposits and Guarantees Received	13,366,829	16,992,709
Advances Received for Mileage Credit Sales	12,286,259	27,539,308
Deposit Received From Turkish Republic Religious Affairs	306,315	13,669,352
Other Advances Received	3,683,095	2,185,588
	<u>29,642,498</u>	<u>60,386,957</u>

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
NOTES TO THE FINANCIAL STATEMENTS
AS OF 30 JUNE 2004

19. PASSENGER FLIGHT LIABILITIES

	30 June 2004 <u>TL 000,000</u>	31 December 2003 <u>TL 000,000</u>
Flight Liability - Advanced Ticket Sales	197,151,961	89,056,061
Flight Liability Resulting from Sales of Mileage	30,068,093	32,257,392
	<u>227,220,054</u>	<u>121,313,453</u>

20. OTHER ACCRUED LIABILITIES

Other accrued liabilities consist of the following:

	30 June 2004 <u>TL 000,000</u>	31 December 2003 <u>TL 000,000</u>
Sales Incentive Premium Accrual	2,717,473	4,621,625
Fuel Oil Privilege Expense Accrual	11,102,848	10,378,426
Rejected Passengers Expense Accrual	1,435,390	784,887
DHMİ Expense Accrual	5,316,702	39,317
Accrued Salaries	15,994,840	22,822,908
Accrued Maintenance Costs	14,663,848	12,538,015
Accrued Frequent Flyer Liability	8,608,621	12,377,112
Provision for Legal Claims	4,281,173	5,519,339
Rent Accrual for RJs that will be Returned	3,035,221	1,084,127
Other Liabilities	530,448	1,303,377
	<u>67,686,564</u>	<u>71,469,133</u>

21. TAXATION

Corporate Tax Payable is as follows:

	30 June 2004 <u>TL 000,000</u>	31 December 2003 <u>TL 000,000</u>
Corporate Tax Payable	11,197,694	85,417,291
Prepaid Taxes and Funds	(3,363,459)	(64,587,677)
	<u>7,834,235</u>	<u>20,829,614</u>

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
NOTES TO THE FINANCIAL STATEMENTS
AS OF 30 JUNE 2004

21. TAXATION (Cont'd)

Major components of tax charge consist of the following:

	30 June 2004 <u>TL 000,000</u>	31 December 2003 <u>TL 000,000</u>
Current Tax Charge	11,197,694	439,459
Deferred Tax Charge	16,080,181	432,582
Tax Charge	<u>27,277,875</u>	<u>872,041</u>

Corporate Tax:

The Company is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated tax liabilities based on the Company's financial results for the period.

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 tax rates are as follows:

- In 2002 and prior years: 33%, being 30% corporate tax plus a 10% fund.
- In 2003: 30% (10% fund contribution was abolished.)
- In 2004: 33% (the corporate tax rate was increased from 30% to 33% by Law No. 5035 published in the Official Gazette on 2 January 2004)

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate was increased from 25% to 30%, effective from 24 April 2003, and to 33% for 2004.

Tax losses can be carried forward for offsetting against future taxable income for up to 5 years. However, losses cannot be carried back for offsetting against profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns until 15 April following the close of the accounting period to which they relate. The tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
NOTES TO THE FINANCIAL STATEMENTS
AS OF 30 JUNE 2004

21. TAXATION (Cont'd)

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 that are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003 for all companies. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Income withholding tax was also calculated in 2002 and prior years on various types of income and gains exempt from corporation tax, whether distributed or not. Such withholding tax has been removed in general. However, 19.8% withholding tax is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Such allowances may be used to relieve corporation tax liability until the profits reach the calculated level of exemption. If companies fail to make a profit or incur losses, any allowance outstanding may be carried forward to following years so as to be deducted from taxable income of subsequent profitable years.

Inflation Adjusted Tax Calculation:

For 2003 and previous years, fixed assets and the related depreciation were revalued annually. Law No. 5024 published in the Official Gazette No. 25332 on 30 December 2003 requires the application of inflation accounting in Turkey in 2004 and future years, if the actual rate of inflation meets certain thresholds. Application of the new principles is optional in the first quarterly advance tax return in 2004, however the application is obligatory in the case of realization of the stated conditions in second quarter ending 30 June 2004. Because stated conditions has been met for the six month period ended 30 June 2004, the Company has adjusted its statutory records according to this law.

Deferred Tax:

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising from the differences between its financial statements as reported for IFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes and are calculated over accounts like retirement pay provision and provision for doubtful receivables.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
NOTES TO THE FINANCIAL STATEMENTS
AS OF 30 JUNE 2004

21. TAXATION (cont'd)

Temporary Differences: Deferred Tax Assets / (Liabilities)

	30 June 2004 <u>TL 000,000</u>	31 December 2003 <u>TL 000,000</u>
Allowance for Unrecoverable		
Bank Accounts	304	1,313,698
Prepaid Expenses	347,908	-
Provision for Doubtful Receivables	758,271	405,401
Restatement of Inventory	3,934,077	5,378,549
Short Term Lease Obligation	56,461,191	59,159,904
Provision for Advance Ticket Sales	(23,747,565)	(17,449,538)
Accrued Liabilities	14,575,751	11,052,572
Fixed Assets	(530,794,434)	(524,116,781)
Long Term Lease Obligation	386,255,944	389,755,112
Retirement Pay Provision	29,125,064	25,512,738
Long Term Assets	(1,301,312)	(2,152,205)
Manufacturers' Credit	1,183,412	1,378,880
Deferred Income	2,835,556	2,666,123
Discount on Receivables	156,070	109,109
Discount on Payables	-	(420,946)
Diminishing in Value of Financial		
Assets	718,262	1,204,094
Interest Accrual on Bank Accounts	(255,411)	(1,016,118)
Deferred Tax Liability	<u>(59,746,912)</u>	<u>(47,219,408)</u>

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
NOTES TO THE FINANCIAL STATEMENTS
AS OF 30 JUNE 2004

21. TAXATION (cont'd)

Movement in Deferred Tax Liability per balance sheet can be reconciled with Net Deferred Tax (Benefit) / Charge per Income Statement as follows:

	30 June 2004 <u>TL 000,000</u>	31 December 2003 <u>TL 000,000</u>
Deferred Tax Charge Related to the Origination and Reversal of Temporary Differences	(11,713,506)	(5,383,366)
Deferred Tax (Charge) / Benefit Resulting from Change in Effective Tax Rate	<u>(4,366,673)</u>	<u>4,950,784</u>
Net Deferred Tax Charge	<u>(16,080,179)</u>	<u>(432,582)</u>
Monetary (Loss) / Gain on Deferred Tax Asset / (Liabilities)	<u>3,552,675</u>	<u>6,248,772</u>
Change in Net Deferred Tax	<u><u>(12,527,504)</u></u>	<u><u>5,816,190</u></u>

The reconciliation from the expected to the disclosed tax charge is as follows:

	30 June 2004 <u>TL 000,000</u>	30 June 2003 <u>TL 000,000</u>
Profit /(loss) before taxation	35,274,563	(24,651,548)
Expected tax (at 2004: 33%, 2003:30%)	11,640,606	(7,395,464)
Reconciling Items:		
Non deductible expenses	3,610,139	3,964,563
Monetary losses not deductible	8,254,145	9,480,111
Deferred tax charge / (benefit) resulting from change in effective tax rate	4,366,673	(4,950,784)
Investment incentives used	<u>(593,688)</u>	<u>(226,385)</u>
Actual Tax Charge	<u><u>27,277,875</u></u>	<u><u>872,041</u></u>

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
NOTES TO THE FINANCIAL STATEMENTS
AS OF 30 JUNE 2004

22. MANUFACTURER’S CREDIT (Net)

Unearned income from manufacturer’s credits consists of the following:

	30 June 2004 <u>TL 000,000</u>	31 December 2003 <u>TL 000,000</u>
Gross Manufacturer’s Credit	18,773,000	19,069,742
Accumulated Amortization (-)	<u>(15,186,903)</u>	<u>(14,473,470)</u>
	<u><u>3,586,097</u></u>	<u><u>4,596,272</u></u>

23. RETIREMENT PAY LIABILITY

Under Turkish Labor Law, employees are entitled to receive a lump sum payment when their employment is terminated without due cause or when they retire, complete 25 years of service (20 years for women), are called up for military service. The amount payable consists of one month's gross salary per year of service. The gross salary is the salary at the date of termination, but subject to a limit of TL 1,485,430,000 as at 30 June 2004 (TL 1,389,950,000 as at 31 December 2003 at historic money values). The number of years’ service required before retirement is rising according to a sliding scale based on new legislation enacted in 1999. The system described above can be classified as an unfunded defined benefit system. The total provision provided in the financial statements represents the estimated present value of the vested benefit obligation.

Amounts recognized in the income statement as provision for termination benefit are as follows:

	30 June 2004 <u>TL 000,000</u>	30 June 2003 <u>TL 000,000</u>
Current Service Cost	5,678,343	4,431,424
Interest Cost	<u>2,519,774</u>	<u>2,800,916</u>
	<u><u>8,198,117</u></u>	<u><u>7,232,340</u></u>

Movements in the provision for termination benefit in the balance sheet are as follows:

	2004 <u>TL 000,000</u>
Provision at January 1	85,042,463
Charge for the Period	8,198,117
Payments During the Period	<u>(4,982,811)</u>
Provision at June 30	<u><u>88,257,769</u></u>

The estimated value of the vested benefit obligation is discounted with an approximate rate of 6% per annum after considering the effect of increase in eligible pay and its limit.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
NOTES TO THE FINANCIAL STATEMENTS
AS OF 30 JUNE 2004

24. SHARE CAPITAL

The Company's share capital was held in each period as follows:

			30 June 2004 <u>TL 000,000</u>	31 December 2003 <u>TL 000,000</u>
	<u>Class</u>	<u>%</u>		
Turkish Republic Privatization Administration(*)	A, C	98.17	171,788,948	171,788,948
Others	A	1.83	3,211,052	3,211,052
Share Capital (Historic)			<u>175,000,000</u>	<u>175,000,000</u>
Restatement Effect			<u>1,643,098,320</u>	<u>1,643,098,320</u>
Restated			<u>1,818,098,320</u>	<u>1,818,098,320</u>

(*) 1,644 shares belonging to various private shareholders were not taken into consideration when THY was taken in to the privatization program in 1984. Subsequently, these shares were registered under the Privatization Administration according to THY's articles of association which was approved by decision of the Turkish Republic High Planning Board on 30 October 1990.

As at 30 June 2004, the Company's issued and paid-in share capital consists of 174,999,999,999 Class A shares and 1 Class C share, all with a par value of 1,000 TL each. These shares are issued to name. The Class C share, which belongs to the Privatization Administration, is a unique share with a par value of 1,000 TL with the following privileges:

Main Agreement Article 7: The Directors elected to represent C shareholders should have an affirmative vote for recording of transfer of ordinary shares on the share register.

Main Agreement Article 10: The Board of Directors of the Company consists of seven members of which one member has to be nominated by the class C shareholder.

Main Agreement Article 14: The following Board of Directors' decisions are subject to the class C Shareholder's affirmative vote:

- a) As explained in Article 3.1 of the Main Agreement, taking decisions that will negatively effect the Company's mission
- b) To suggest a change in the Main Agreement at General Assembly
- c) To increase the share capital
- d) Registration of the transfer of the shares issued to name in the 'Register of the Company'
- e) To make decisions or taking actions which will put the Company under direct or indirect commitment for more than 5% of total assets for each agreement in the latest annual financial statements prepared for Turkish Capital Market Board (this statement will be valid until the Company's shares held by Turkish State are below 20%)
- f) To make decisions about to merging with another companies and liquidation.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
NOTES TO THE FINANCIAL STATEMENTS
AS OF 30 JUNE 2004

24. SHARE CAPITAL (cont'd)

g) To make decisions to close flight routes or significantly decrease number of flights except routes that cannot recover even its operational expenses under market conditions.

Main Agreement Temporary Article 1: The Company's chairman of the Board of Directors, members of the Board of Directors, auditors and general manager who meet the conditions mentioned in law numbered 4066, are to be selected from candidates suggested by A group shareholders, then assigned by a nomination of the Turkish Republic Privatization Administration and the approval of the Prime Minister or authorized minister, until the Company's shares held by Turkish State are below 50%.

The profit per unconsolidated financial statements prepared based on the Communiqué No: 25 of Series XI/IFRS standards should be taken into account in profit distribution by the companies that are not obliged to prepare consolidated financial statements. The first legal reserve is appropriated out of the net profit in the unconsolidated financial statements and the restated capital figure in the unconsolidated financial statements should be taken into account in designation the first legal reserve on the base of the Article 466 of Turkish Commercial Code. Furthermore, according to the CMB decree no: 1630 dated 30 December 2003, the amounts that are revealed in the financial statements prepared in accordance with IFRS, which are followed in prior years' losses under shareholders' equity account group, should be considered as deductions when calculating the inflation adjusted distributable profit figure.

The Shareholder's Equity accounts of the Company as of 30 June 2004 and 30 June 2003, based on the Communiqué No: 25 of Series XI, "Communiqué on Capital Market Accounting Standards" issued by the Capital Market Board on 15 November 2003, are stated below with their nominal amounts and the differences arises from indexation of equity items is recognized in "Shareholders' Equity Inflation Adjustment Differences" account.

	30 June 2004	31 December 2003
	<u>TL 000,000</u>	<u>TL 000,000</u>
Share Capital	175,000,000	175,000,000
Share Premium	181,185	181,185
Legal Reserves	417,011	417,011
Extraordinary Reserves	7,806,889	7,806,889
Other Reserves	9	9
Shareholders' Equity Inflation Adjustment Differences (*)	1,769,631,440	1,769,631,440
Net Profit for the Period / Year (According to IFRS)	7,996,688	231,259,280
Accumulated Losses (According to IFRS)	<u>(1,000,242,601)</u>	<u>(1,231,501,881)</u>
	<u>960,790,621</u>	<u>952,793,933</u>

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
NOTES TO THE FINANCIAL STATEMENTS
AS OF 30 JUNE 2004

24. SHARE CAPITAL (cont'd)

	30 June 2004	31 December 2003
	<u>TL 000,000</u>	<u>TL 000,000</u>
(*) Shareholders' Equity Inflation Adjustment Differences:		
Share Capital	1,643,098,320	1,643,098,320
Share Premium	669,436	669,436
Legal Reserves	57,540,072	57,540,072
Extraordinary Reserves	63,276,513	63,276,513
Other Reserves	5,047,099	5,047,099
	<u>1,769,631,440</u>	<u>1,769,631,440</u>

25. CONTINGENT LIABILITIES

a) Guarantees Given:

	30 June 2004	31 December 2003
	<u>TL 000,000</u>	<u>TL 000,000</u>
Guarantee Letters Given	36,282,578	36,784,861

b) Purchase Commitments:

The Company has an option to purchase aircraft with total value of approximately US Dollar 1.2 Billion. THY paid a deposit of US Dollar 5.2 Million in order to secure the option until December 2000. As of the report date, the duration to use this option has expired, and the Company's management expects to use the deposit while buying new aircrafts.

a) Letter of Comfort:

	<u>30 June 2004</u>	<u>31 December 2003</u>
Letters of Comfort Given to Sun Express	USD 2,900,000	USD 2,900,000
	EURO 2,556,459	EURO 2,556,459

d) Land and buildings built on State Airports Administration (DHMI) lands, and their legal structure:

The majority of THY's airport and terminal buildings, repair and maintenance centers, data processing centers, and training facilities are located on the land leased from the State Airports Administration (DHMI). The buildings and facilities on these leased lands have been constructed by THY and are recorded as fixed assets of the Company. However the land on which all these buildings were built is not registered as THY's property. The title of the property on which all these buildings were built belongs to the Ministry of Finance and allocated to DHMI for its use. The Company pays rent to DHMI for the land. The rent agreements made with DHMI are valid for one year. The agreements are renewed automatically at the beginning of each year if there is not any disapproval from any sides. The net book value of these buildings are TL 93,953,312 Million as of 30 June 2004 and THY amortizes these buildings based on their useful lives of 50 years. It is possible for THY to amortize related buildings in a period less than 50 years in case, DHMI does not renew the rent agreement.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
NOTES TO THE FINANCIAL STATEMENTS
AS OF 30 JUNE 2004

25. CONTINGENT LIABILITIES (cont'd)

There were informal claims from DHMI that THY should start paying rent for the buildings after 10 years from the date of construction. The latest claim was made by DHMI in 1996 for one building and no further claim was made for other buildings built by THY on this land. The Company's management believes that they do not need to pay rent for buildings built on DHMI land with THY financing. The authority to resolve this conflict rests with the Ministry of Transportation. In the event the dispute is resolved against THY, it may cause THY to pay rent for the airport facilities in the future.

e) The Company discounted its retirement pay provision to TL 88,257,769 Million (see note 23) according to IAS 19. The Company's total undiscounted liability for retirement pay would be TL 143,463,369 Million as of 30 June 2004, if all employees had been dismissed as at that date.

f) 8 RJ 100/70 aircraft were grounded on May 2004 due to corrosion identified on 2 RJ 100 aircraft during delivery maintenance check, were also identified in other RJ 100/70 aircraft in the fleet. On July 2004, 6 of these aircraft, which have further lease periods, were given back to service as a result of written approval of air worthiness by Civil Aviation Directorate of Turkey.

According to conditions of the lease agreements, at the end of the lease period, the Company has to deliver the aircraft in air worthy condition and related maintenance checks were completed. A provision amount of US Dollar 3,439,000 related to these maintenance checks including treatment for corrosion has been provided in the accompanying financial statements.

According to the Company's management, cost of corrosion treatment should be paid by manufacturer, because corrosion identified in the aircraft was caused by manufacturer's error. However, manufacturer is of the opinion that corrosion was caused by improper operating of the aircraft. The matter has been brought in to legal process through British Courts in accordance with conditions of the lease agreement and discussions among the Company, lessor and manufacturer have been continuing. If legal process or discussions among related parties results in favor of the Company, provision for corrosion treatment will be reversed and recognized as income.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
NOTES TO THE FINANCIAL STATEMENTS
AS OF 30 JUNE 2004

26. OPERATING LEASE COMMITMENTS

Commitments for future operating leases are as follows:

	30 June 2004	31 December
	<u>TL 000,000</u>	<u>2003</u>
		<u>TL 000,000</u>
Not later than one year	45,971,164	45,552,898
Between 1 and 2 years	16,092,119	28,003,874
Between 2 and 5 years	2,294,618	1,602,981
	<hr/>	<hr/>
	64,357,901	75,159,753

27. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

- Market price of 202,735 France Telecom securities, which is quoted at the Paris Stock Exchange, included in the financial investments available for sale as of 30 June 2004, has decreased from Euro 21.24 at 30 June 2004 to Euro 20.47 at 21 September 2004. Hence, the total market value of these securities decreased by TL 282,063 Million.
- Market price of 370,500,000 USAŞ securities, which is traded in Istanbul Stock Exchange Market, and included in the financial investments available for sale as of 30 June 2004, has increased from TL 15,999 at 30 June 2004 to TL 18,000 at 21 September 2004. Hence, the total market value of these securities increased by TL 741,371 Million.
- As of 1 July 2004 retirement pay ceiling has been increased from TL 1,485,430,000 to TL 1,574,740,000.
- The Company's Board of Directors on their meeting dated 20 July 2004, has decided to purchase 5 A330-200 aircraft to satisfy the Company's need for 5 wide body - long range aircraft and 12 A321-200, 19 A320-200 and 15 B737-800 aircraft to satisfy the Company's need for 46 medium range aircraft. As a result of this decision, the Company has signed a purchase agreement with Airbus to purchase 5 A330-200, 12 A321-200 and 19 A320-200 on 5 September 2004.

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
NOTES TO THE FINANCIAL STATEMENTS
AS OF 30 JUNE 2004

28. OPERATING REVENUES

Operating Revenues are as follows

	30 June 2004 <u>TL 000,000</u>	31 December 2003 <u>TL 000,000</u>
Scheduled Services		
- Passenger	921,607,865	901,308,500
- Cargo and mail	113,482,639	134,534,985
	<u>1,035,090,504</u>	<u>1,035,843,485</u>
Non-scheduled Services	14,283,735	14,877,269
Other Revenues	125,599,291	145,565,516
Total Revenues	<u>1,174,973,530</u>	<u>1,196,286,270</u>

Geographical analysis of the scheduled services' traffic revenue is as follows:

	30 June 2004 <u>TL 000,000</u>	31 December 2003 <u>TL 000,000</u>
International		
- Europe	407,849,219	427,207,044
- Middle East	120,340,473	124,166,241
- South Africa	-	7,069,638
- North Africa	28,152,493	49,561,772
- North America	59,120,077	50,042,614
- Far East	178,758,336	143,392,856
	<u>794,220,598</u>	<u>801,440,165</u>
Domestic	240,869,906	234,403,320
Total Scheduled Services' Traffic Revenue	<u>1,035,090,504</u>	<u>1,035,843,485</u>

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
NOTES TO THE FINANCIAL STATEMENTS
AS OF 30 JUNE 2004

29. OPERATING EXPENSE

Operating expenses consist of the following:

	30 June 2004	30 June 2003
	<u>TL 000,000</u>	<u>TL 000,000</u>
Fuel Oil Expenses	193,872,014	180,192,003
Maintenance Expenses	45,285,644	61,595,606
Passenger Service and Catering Expenses	63,609,268	68,748,186
Landing and Navigation Expenses	102,072,953	106,217,132
Handling and Station Expenses	78,594,974	80,084,387
Staff Expenses	274,300,262	246,683,340
Marketing and Selling Expenses	146,298,797	140,526,661
General Operations	29,540,653	27,557,824
General Administrative Expenses	7,425,061	9,835,588
Insurance Expenses	14,537,531	13,156,237
Depreciation Expenses	144,639,210	151,711,112
Operating Lease Expenses	21,272,309	42,351,558
Impairment Loss	24,267,740	-
Other Expenses	4,386,000	6,565,332
	<u>1,150,102,416</u>	<u>1,135,225,166</u>

30. FINANCIAL (EXPENSE) /INCOME (NET)

Financial (expense) / income consist of the following:

	30 June 2004	30 June 2003
	<u>TL 000,000</u>	<u>TL 000,000</u>
Interest Income	16,314,528	17,234,466
Income from Investment Accounted from Equity Method	2,446,782	-
Foreign Exchange Gains	123,628,506	363,864,092
Discount Income	29,703	661,413
Financial Income	<u>142,419,519</u>	<u>381,759,971</u>
Foreign Exchange Losses	(190,904,640)	(136,976,155)
Expense from Investment Accounted from Equity Method	-	(4,727,669)
Interest Expenses	(3,206,274)	(12,186)
Finance Lease Interest Expense	(20,663,120)	(33,765,485)
Retirement Pay Interest Cost	(2,519,774)	(2,800,916)
Diminution in Value of Financial Assets	(2,544,731)	(597,225)
Discounting Expense	(1,468,701)	(2,086,264)
Financial Expense	<u>(221,307,240)</u>	<u>(180,965,900)</u>
Financial (Expense) / Income (Net)	<u>(78,887,721)</u>	<u>200,794,071</u>

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
NOTES TO THE FINANCIAL STATEMENTS
AS OF 30 JUNE 2004

31. INCOME FROM OTHER OPERATIONS

Income from other operations consists of the following:

	30 June 2004 <u>TL 000,000</u>	30 June 2003 <u>TL 000,000</u>
Commission Income	99,561	338,568
Dividend Income	284,737	3,401,383
Insurance Claims Received	157,249	2,088,335
Gain from Sale of Fixed Assets	51,504	58,406
Discounts Received From Spare Parts Suppliers	4,729,720	5,035,710
Reversal of Unnecessary Provision	7,631,588	9,655,123
Manufacturer's Credit Income	938,650	1,939,309
Free of Cost Materials Income	679,377	848,287
Decrease in Provision for Impairment of Fixed Assets	-	65,727,223
Other	5,144,336	5,873,164
	<u>19,716,722</u>	<u>94,965,508</u>

32. LOSS FROM OTHER OPERATIONS

Loss from other operations consists of the following:

	30 June 2004 <u>TL 000,000</u>	30 June 2003 <u>TL 000,000</u>
Penalty Expenses	-	1,538,115
Provision Expenses	1,814,755	4,918,036
Rent Expense of RJ 100/70 Aircraft For The Non-Operating Period	1,744,673	-
Rent Expense of RJ 100/70 Aircraft To Be Returned	2,032,660	-
Other Expenses	411,362	567,386
	<u>6,003,450</u>	<u>7,023,537</u>

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI
NOTES TO THE FINANCIAL STATEMENTS
AS OF 30 JUNE 2004

33. TRANSACTIONS WITH RELATED PARTIES

For the purposes of the accompanying financial statements, the Company's shareholders and the Company's equity participations are referred to as related parties.

Transactions with related parties are as follows:

	30 June 2004 <u>TL 000,000</u>	30 June 2003 <u>TL 000,000</u>
Services given to Sun Express	1,681,669	1,038,912
Services given to USAŞ	<u>109,506</u>	<u>103,306</u>
	<u>1,791,175</u>	<u>1,142,218</u>
Services taken from Sun Express	1,434,121	136,389
Services taken from USAŞ	<u>28,932,632</u>	<u>28,412,866</u>
	<u>30,366,753</u>	<u>28,549,255</u>

Dividend income from equity investments are as follows:

	30 June 2004 <u>TL 000,000</u>	30 June 2003 <u>TL 000,000</u>
Uçak Servisi A.Ş.	-	1,893,742
Emek İnşaat and İşletim A.Ş.	<u>287,614</u>	<u>-</u>
	<u>287,614</u>	<u>1,893,742</u>

**TÜRK HAVA YOLLARI
ANONİM ORTAKLIđI**

FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2004