

**TÜRK HAVA YOLLARI TEKNİK
ANONİM ŞİRKETİ
Financial Statements And
Independent Auditor's Report
As of December 31, 2006**

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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, 2006

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, 2006 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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.

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.

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, 2006 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). (Istanbul, 20/03/2007)

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, 2006 and MAY 23, 2006

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

ASSETS	Notes	Audited December 31, 2006	Audited May 23, 2006
Current Assets		369.374.686	101.271.531
Cash and Cash Equivalents	4	14.755.306	-
Marketable Securities (net)	5	-	-
Trade Receivables (net)	7	13.645.322	-
Financial Leasing Receivables (net)	8	-	-
Receivables from Related Parties (net)	9	36.714.972	-
Other Receivables (net)	10	955.135	-
Live Assets (net)	11	-	-
Inventories (net)	12	299.845.941	101.271.531
Receivables from Construction Contracts in Progress (net)	13	-	-
Deferred Tax Assets	14	-	-
Other Current Assets	15	3.458.010	-
Non-Current Assets		13.294.187	185.858.790
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	13.284.253	185.750.464
Intangible Assets (net)	20	9.934	14.233
Deferred Tax Assets	14	-	-
Other Non-Current Assets	15	-	94.093
Total Assets		382.668.873	287.130.321

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, 2006 and MAY 23, 2006

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

	Note	Audited December 31, 2006	Audited May 23, 2006
LIABILITIES			
Short-term Liabilities			
		59.949.835	1.739.479
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	39.490.188	-
Payables to Related Parties (net)	9	-	-
Advances Received	21	459.937	-
Continuing Construction Agreements in Progress (net)	13	-	-
Provision for Expenses and Liabilities	23	11.523.061	-
Deferred Tax Liabilities	14	-	1.739.479
Other Liabilities (net)	10	8.476.649	-
Long-Term Liabilities			
		3.421.267	7.107.127
Financial Liabilities (net)	6	-	-
Financial Leasing Payables (net)	8	-	-
Other Financial Payables (net)	10	-	-
Trade Payables (net)	7	-	-
Payables to related Parties (net)	9	-	7.107.127
Advances Received	21	-	-
Provision For Expenses and Liabilities	23	1.995.478	-
Deferred Tax Liabilities	14	1.425.789	-
Other Liabilities (net)	10	-	-
MINORITY INTEREST	24	-	-
SHAREHOLDERS' EQUITY			
		319.297.771	278.283.715
Capital			
	25	288.324.696	271.325.800
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		-	-
Retained Earnings	26-27-28	6.957.915	6.957.915
- Legal Reserves		-	-
- Statutory Reserves		-	-
- Extraordinary Reserves		-	-
- 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		-	-
Net Profit for the Year		24.015.160	-
Previous Years' Profit / Loss	26-27-28	-	-
Total Shareholders' Equity and Liabilities		382.668.873	287.130.321

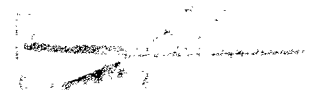
The accompanying policies and explanatory notes are an integral part of the financial statements.

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

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

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

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

	Share Capital	Inflation Adjustment Differences of Shareholders' Equity	Share Premiums	Legal Reserves	Extraordinary Reserves	Special Reserves	Net Period (Loss)	Accumulated Profit/(Losses)	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

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, 2006

(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 the successful practices in the international sector 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, 2006 the total number of the employees in the company is 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:

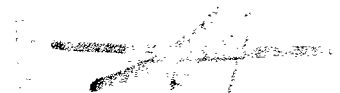
The company maintains its books of accounts in New Turkish Lira (YTL) and prepares the financial statements in accordance with Uniform Chart of Accounts, Turkish Commercial Code, Turkish Tax Laws and communiqués of the Capital Markets Board (CMB).

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"). In the mentioned communiqué, it has been stated that application of the accounting principles published by the International Accounting Standards Board (IASB) and International Accounting Standards Committee (IASC) will be in accordance with the CMB accounting principles as an alternative.

CMB has announced in line with the decision taken on 17 March 2005 that it is no longer necessary for companies active in Turkey which prepare financial statements according to CMB Accounting Standards to apply inflation accounting, validity starting from 01 January 2005. Financial statements and notes to the financial statements have been prepared according to the format obliged by CMB with the announcement declared on December 20, 2004.

Adjustment of Financial Statements in Hyper Inflationary Periods

According to Part 15 of the communique, "Adjustment of Financial Statements in High Inflationary Periods", financial tables prepared in a currency of hyper inflationist economy should be restated at the purchasing power of currency as at balance sheet date while the financial tables prepared in previous years are likely to be restated at balance sheet date purchasing power of currency. According to the mentioned communique, high inflationary period starts with the period when the index at the date of yearly balance exceeds the double of the index at the beginning of the 3rd.previous period including the related period. and when the index of the related balance sheet date has increased 10% or more than the index at the beginning of accounting period.



TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of December 31, 2006

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

Furthermore, even though the change in the price indexes do not increase in the rates mentioned above, when there are indicators of a high inflation such as determination of the prices of goods and services with foreign currencies or the preference of the public to keep savings in foreign currency, Part 15 can be applied.

Comparative Information and Adjustment of Previous Period's Financial Statements

The financial statements of the current period have not been prepared in comparative based due to the fact that the company has been established in 23.05.2006.

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 are 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 presents 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 interest 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 repairables, are used in calculation of depreciation:

Useful Lives (Years)

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

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of December 31, 2006

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

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, 2006. Depreciation is calculated for all of the categories by straight-line method based on useful life. The following rates, determined in accordance with the useful lives of the components and reparable in fixed assets, are used in calculation of depreciation in inventories:

Useful Lives (Years)

- Machinery, Plant and Equipment	3-4-5-7-10-15
- Furnitures 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 softwares. 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.

3.6 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.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of December 31, 2006

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

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.

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.

3.7 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 Rates</u>
May 23, 2006	1,5055
December 31, 2006	1,4056

3.8 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 is 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.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of December 31, 2006

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

3.9 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.

3.10 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.

3.11 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.

3.12 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.

3.13 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 is 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.



TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of December 31, 2006

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

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.

3.14 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.

3.15 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.

3.16 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 as of June 30, 2006 are as follows:

	December 31, 2006	May 23, 2006
Banks	14.755.306	-
	14.755.306	-

As of December 31, 2006 the balance for the time deposit bank accounts is YTL 14.544.553
There are no blockedtime deposits. (May 23, 2006: None).

Time deposits of The Company are as follows:



TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of December 31, 2006

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

Bank	YTL Amount	Currency	Beginning	Due Date
Finansbank	10.462.241	USD	29.12.2006	04.01.2007
Garanti	4.082.312	YTL	29.12.2006	04.01.2007
TOTAL	14.544.553			

5 MARKETABLE SECURITIES (NET)

None. (23 May 2006: None).

6 FINANCIAL PAYABLES (NET)

None (23 May 2006: None.).

7 TRADE RECEIVABLES AND PAYABLES (NET)

Short Term Trade Receivables are as follows:

	December 31, 2006	May 23, 2006
Trade Receivables	13.607.367	-
Deposits and Guarantees Given	3.219	-
Credite Note Receivables	34.736	-
Doubtful Receivables	108.530	-
Provision for Doubtful Rceivables	(108.530)	-
	13.645.322	-

Guarantees Received for Receivables

Letter of Guarantees Received for Trade Receivables amount is USD 600.000 and EURO 25.000.

Short Term Trade Payables are as follows:

	December 31, 2006	May 23, 2006
Suppliers	39.489.009	-
Deposits and Guarantees Given	1.179	-
	39.490.188	-

8 FINANCIAL LEASING RECEIVABLES AND PAYABLES (NET)

There exists no financial leasing receivables and payables of The Company as of December 31, 2006 and May 23, 2005.

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

Short Term Receivables from the Related Parties are as follows :

	December 31, 2006	May 23, 2006
THY A.O. Trade Receivables	36.714.972	-
	36.714.972	-

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of December 31, 2006

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

There are not any receivables from the Related Parties as of December 31, 2006.

There are not any payables to the Related Parties as of December 31, 2006.

Long Term Payables to the Related Parties are as follows :

	December 31, 2006	May 23, 2006
THY A.O. Non Trade Payables	-	7.107.127
	-	7.107.127

The transactions with the Related Parties for the period ended December 31, 2006 are as follows;

	December 31, 2006
Services Given to THY A.O.	284.656.905
	284.656.905

All of the amount takes place in the income statement.

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

10 OTHER RECEIVABLES AND PAYABLES (NET)

Other Short Term Receivables are as follows:

	December 31, 2006	May 23, 2006
Receivables from various companies	827.011	-
Other Receivables	128.124	-
	955.135	-

Other Short Term Liabilities are as follows:

	December 31, 2006	23 Mayıs 2006
Taxes and Funds Payable	4.750.990	-
Social Security Premiums Payable	3.520.974	-
Other Payables	204.685	-
	8.476.649	-

11 LIVE ASSETS (NET)

None. (23 May 2006: None).

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of December 31, 2006

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

12 INVENTORIES (NET)

	31 Aralık 2006	23 Mayıs 2006
Technical Equipment Inventories	90.792.200	101.271.531
BFE Equipment Inventories	28.340.623	
Components and Repairable	348.240.452	
Components and Repairable	(168.324.320)	
Accumulated Depreciation (-)		
Technical Equipment Inventories in Transit	80.591	
Waste Equipment Inventories	4.910.688	
Provision for Decrease in Value of Inventories (-)	(4.910.688)	
Advances Given	690.027	
Other	26.368	
	299.845.941	101.271.531

Components and Repairables were disclosed under tangible Assets as of 23.05.2006. In the current period, these are disclosed as inventories as of 31.12.2006 the reason of components and repairables disclosed inventories, is that Company has not any plane in the fixed assets and the above equipments take place in asset for services to customers in airline industry.

13 CONSTRUCTION CONTRACTS IN PROGRESS

None. (23 May 2006: None).

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 CMB Accounting Standards and their tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for CMB Accounting 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, 2006	May 23, 2006
Fixed Assets	(3.200.907)	(1.739.479)
Provision for Decrease in Value of Inventories	982.138	-
Provision for Employment Termination		
Indemnities	399.095	
Other	393.885	-
	(1.425.789)	(1.739.479)
May 23, 2006 Deferred Tax Liabilities	(1.739.479)	
Deferred Tax Income	313.690	
December 31, 2006 Deferred Tax Liabilities	(1.425.789)	

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Notes to the Financial Statements as of December 31, 2006

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

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

Other current assets are as follows:

	<u>December 31, 2006</u>	<u>May 23, 2006</u>
Short Term Prepaid Expenses	139.302	-
Expense Accruals	15.445	-
Deferred VAT	2.947.788	-
Prepaid Taxes	285.114	-
Personnel Advance	70.361	-
	<u>3.458.010</u>	<u>-</u>

Other Non Current Assets are as follows:

	<u>December 31, 2006</u>	<u>May 23, 2006</u>
Ready to dispose Inventories	-	94.093
	<u>-</u>	<u>94.093</u>

16 FINANCIAL ASSETS (NET)

None. (23 May 2006: None).

17 POSITIVE/NEGATIVE GOODWILL(NET)

None.(23 Mayıs 2006: None.).

18 INVESTMENT PROPERTY (NET)

None. (23 May 2006: None).

19 TANGIBLE ASSETS (NET)

	<u>December 31, 200</u>	<u>May 23, 2006</u>
Tangible Assets (net)	13.280.043	185.750.464
Advances Given	4.210	-
	<u>13.284.253</u>	<u>185.750.464</u>

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Notes to the Financial Statements as of December 31, 2006
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Cost	Plant, Machinery and Equipment	Vehicles	Furniture and Fixture	Other Non-Current Assets	Components and Repairs	Contractions in Progress	Advances Received	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 to Inventories (-)					(348.240.452)			(348.240.452)
Ending Balance, December 31, 2006	83.516.726	13.661.635	14.746.642	695.262	0	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 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 to Inventories					(168.324.320)			(168.324.320)
Ending Balance, December 31, 2006	72.711.721	13.166.693	13.574.091	400.429	0			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

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Notes to the Financial Statements as of December 31, 2006

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

20 INTANGIBLE ASSETS (NET)

<u>Cost</u>	<u>Rights</u>
Opening Balance, May 23, 2006	126.430
Additional	-
Disposals	-
Ending Balance, December 31, 2006	126.430
<u>Accumulated Depreciation</u>	
Opening Balance, May 23, 2006	(112.198)
Depreciation for the Period	(4.298)
Disposals	-
Ending Balance, December 31, 2006	(116.496)
December 31, 2006 net book value	9.934

21 ADVANCES RECEIVED

Advances received are as follows:

	<u>December 31, 2006</u>	<u>May 23, 2006</u>
Advances Received	459.937	-
	459.937	-

Long Term Advances Received: None (May 23, 2006: None).

22 RETIREMENT BENEFITS PLANS

There are not any other retirement commitment agreements made other than the provision for termination indemnity which 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:

	<u>December 31, 2006</u>	<u>May 23, 2006</u>
Salary Accruals	4.316.665	-
Provisions for Taxes	6.333.124	-
Other Provisions	873.272	-
	11.523.061	-

Long Term Provisions for Expenses and Liabilities are as follows:

	<u>December 31, 2006</u>	<u>May 23, 2006</u>
Provision for Termination Indemnity	1.995.478	-

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of December 31, 2006

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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 made 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 assumptional inflation expectation and an appropriate discount rate is determined, which the net of both will 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 assumptional rate of severance indemnity amounts which are not paid as a result of arbitrary severences and will remain to the company are taken into consideration by the calculation. In this framework, the provision related to the assumptional 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 1.857 (May 31, 2005 YTL 1.770) for December 31, 2006.

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

	<u>December 31, 2006</u>	<u>May 23, 2006</u>
Current Service Costs	1.995.478	-
	<u>1.995.478</u>	<u>-</u>

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

	<u>December 31, 2006</u>	<u>May 23, 2006</u>
Provision at the beginning of the Period	-	-
Current Period Expense	1.995.478	-
Provisions at the end of the Period	<u>1.995.478</u>	<u>-</u>

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. (23 May 2006: 5,61 %)

24 MINORITY INTEREST

None. (2005: None).

25 CAPITAL

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

	<u>%</u>	<u>December 31, 2006</u>	<u>%</u>	<u>May 23, 2006</u>
THY A.O.	100	318.000.000	100	271.325.800
Unpaid capital		(29.675.304)		-
		<u>288.324.696</u>		<u>271.325.800</u>

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 collusion by THY A.O. On 29.12.2006. ¼ of subscribed capital has been paid in cash. As of December 31, 2006, the share capital of the Company has been comprised of 318.000.000 shares issued with par value of 1 YTL each. This shares are written to the name.

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Notes to the Financial Statements as of December 31, 2006
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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".

	<u>December 31, 2006</u>	<u>May 23, 2006</u>
Capital	288.324.696	271.325.800
Share premiums	-	-
Legal Resrves	-	-
Extraordinary Reserves	-	-
Other Profit Reserves	6.957.915	6.957.915
Shareholders' Equity Inflation Adjustments Differences	-	-
Net Period Profit/(Loss)	24.015.160	-
Previous Years' Loses	-	-
	<u>319.297.771</u>	<u>278.283.715</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 Group'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 arise 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, 2006 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, 2006 and May 23, 2006, the YTL equivalents of the Company's foreign currency position are as follows:

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Notes to the Financial Statements as of December 31, 2006
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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
Receivables 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
	<u>58.731.603</u>	<u>963.179</u>	<u>24.952</u>	<u>49.229</u>	<u>59.768.962</u>
Liabilities					
Trade Payables (short term) (net)	24.626.072	1.262.216	99.871	-	25.988.159
Provisions for expenses and Liabilities (short term)	523.718	6.414	-	852	530.984
Other Liabilities (net)	13.848	10.056	-	-	23.904
	<u>25.163.638</u>	<u>1.278.686</u>	<u>99.871</u>	<u>852</u>	<u>26.543.047</u>
Net foreign currency position	<u>33.567.965</u>	<u>(315.508)</u>	<u>(74.919)</u>	<u>48.377</u>	<u>33.225.914</u>

30 GOVERNMENT GRANTS AND INCENTIVES

None. (May 23, 2006: None).

31 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Termination Indemnity Liabilities

The discounted employment termination indemnity of THY Teknik A.Ş. is YTL 1.995.478.

Insurance Coverage on Assets

The insurance coverage of Company could not be determined because the insurance policies has been prepared by THY A.O. before the formation of THY Teknik A.Ş.

Contingent Liabilities

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

	USD	EURO	GBP	YTL
Guarantee Letters Given	5.703	25.033	111.762	159.648

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of December 31, 2006
(Amounts are stated in New Turkish Lira (YTL) unless stated otherwise.)

32 MERGERS

None. (23 May 2006: None).

33 SEGMENT REPORTING

None. (23 May 2006: None).

34 EVENTS AFTER BALANCE SHEET DATE

None. (23 May 2006: None).

35 DISCONTINUING OPERATIONS

None. (23 May 2006: None).

36 OPERATING INCOME

Operating Income is as follows:

	May 23 – December 31, 2006
Maintenance Income	210.371.128
Rental Income	7.666.195
Aircraft Equipment Sale Income	68.919.192
Pool Income	54.855.470
Other Income	12.990.112
	-
Net Sales	354.802.097
Cost of Sales (-)	(307.525.342)
Gross Operating Profit	47.276.755

Cost of sales is as follows:

	May 23 – December 31, 2006
Maintenance Equipment Expenses	56.035.369
Personnel Expenses	91.960.230
Depreciation Expenses	58.614.254
Maintenance Services Expenses	51.496.930
Personnel Bonus Payment	14.315.512
Repair Cost	31.431.182
Cost of Other Sales	3.671.865
	-
	307.525.342

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements as of December 31, 2006

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

37 OPERATING EXPENSES (-)

Operating Expenses are as follows:

	May 23 – December 31, 2006
Sales and Marketing Expenses (-)	
Personnel Expenses	875.903
Other Expenses	149.444
	1.025.347

	May 23 – December 31, 2006
General Administrative Expenses (-)	
Personnel Expenses	6.451.872
Security, Surveillance Audit Expenses	1.513.346
Apron Expenses	118.537
Transportation Expenses	1.304.111
IT Expenses	654.397
Rental Expenses	135.800
Travel Expenses	228.958
Other Expenses	584.569
	10.991.590
Total Operating Expenses	12.016.937

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

Income and Profit from Other Operations are as follows:

	May 23 - December 31, 2006
F/X Income	26.433.166
Commission Income	1.962.364
Income from No-Charge Equipment	163.550
Interest Income	189.451
Other Income	251.216
	28.999.748

Expense and Loss from Other Operations are as follows:

	May 23 – December 31, 2006
Exchange Difference Expense	28.992.828
Provision for Decrease in Value of Inventories	4.910.688
Provision for Doubtful Receivables	108.530
Other	211.738
	34.223.784

39 FINANCIAL EXPENSES

Financial Expenses are as follows:

	May 23 – December 31, 2006
Bank Expense	1.188
	1.188

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Notes to the Financial Statements as of December 31, 2006

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40 PROFIT/(LOSS) ON NET MONETARY POSITION

None.

41 TAXES

The tax income/(expense) as of December 31, 2006 is as follows:

	May 23 – December 31, 2006
Provision for Period Tax	(6.333.124)
Deferred Tax Income	313.690
	<u>(6.019.434)</u>

Deferred Tax Income is explained in Note 14.

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 Group's operations in the current period. The corporate tax to be accrued over the taxable profit is calculated by adding undeductible 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.

Prevailling Rates of Corporate Tax:

- 2006: 20 %

Companies calculate their temporary taxes on their quarterly financial profits in Turkey. The temporary tax is calculated from the year 2006 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 can not 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.

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Notes to the Financial Statements as of December 31, 2006
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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 23.07.2006/26237. 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 were 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 08.04.2006 , 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 31.12.2005 but could not have been deducted from 2005 profits can be deducted in the year 2006 and the following years.

42 EARNINGS PER SHARE

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, 2006 is as follows:

	31 Aralık 2006
Total Share Amount as of 23 May 2006 (In full)	271.325.800
New Shares Announced (Increase in Cash) (In full)	-
Share Amount as of December 31, 2006 (In full)	318.000.000
Weighted Average of the total share amount in the Period (In full)	291.088.750
Net Period Profit	24.015.160
Earning Per Share (Ykr)	8,25

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43 CASH FLOW STATEMENT

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

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44 OTHER SIGNIFICANT ISSUES

None. (23 May 2006: None).