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ACKNOWLEDGEMENTS

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Also , I would like to thank Mrs. RANA ARICA for her advices , and providing me the source of this project.

TURKISH AIRLINES

Turkish Airlines expanded and upgraded operations in 1994. Good progress was made towards improving efficiency and productivity in line with plans for privatizing the company in the future.

The upward trend in passenger traffic continued during the year. Turkish Airlines carried a total of 7,273,679 passengers in 1994, a gain of 12.2% over the previous year.

On domestic lines, the increase in the number of passengers was higher than the increase in available seat capacity. Load factor climbed 8.3 points to reach 71%. This improvement in utilization stemmed from the revival of domestic tourism, discounting fares to cities in the east and freezing fares from April until the end of the year.

On international lines, available capacity and the number of passengers have increased at the same pace, resulting in a load factor of 57.8%. Turkish Airlines ranked seventh among the 23 members of the Association of European Airlines (AEA) in terms of increase in passengers of scheduled international flights. New acquisitions enlarged the fleet while sales of older aircraft lowered the average age. Turkish Airlines purchased seven B737-400s, three RJ-100s and one A340 in accordance with the fleet plan while nine DC-9s were sold to an American company. At year-end, the Fleet numbered 59 with a total seating capacity of 8,797 and an average age of 4.5 years. The inclusion of three A340s in the fleet made it possible to fly nonstop between Istanbul and New York. A decision was taken to transform three B727 aircraft into cargo planes and to sell the remaining four.

During the year Turkish Airlines flew to 78 destinations, 24 within Turkey and 54 abroad. Siirt was a new destination domestically. Internationally, Turkish Airlines discontinued service to Barcelona and Manchester due to lack of passenger demand. July 3 marked the inauguration of our new Cargo Terminal Building. Good results in cargo traffic were obtained by utilizing both passenger aircraft and leased cargo planes. During 1994, Turkish Airlines carried 80,280 tons of cargo, an increase of 21.2% over the previous year.

A remarkable increase in employee productivity was achieved during the year as a smaller workforce handled a higher volume of business. The number of permanent employees declines from 8,689 to 8,507 due to attrition while the policy of employing temporary staff during the peak summer season continued.

Pre-training and infrastructure studies were completed for the software package purchased from British Airways, including Reservations, Automated Ticketing and check-in systems. This package, scheduled to be introduced on April 1, 1995, is a major component of efforts to upgrade service quality. The completion of our new flight and technical training building and the installation of a B737 flight simulator enables Turkish Airlines to train its own pilots as well as those of other airlines.

1994 saw a change in the legal status of Turkish Airlines. Law 1046, published in the Official Gazette on November 27, 1994 made Turkish Airlines a State Economic Enterprise under the Jurisdiction of Privatization Administration. The Supreme Planning Council resolved to raise authorized capital to TL 10,000 billion in 1994; this decision was approved in March 1995. Current paid-in capital amounts to TL 5,500 billion.

Turkish Airlines posted an operating profit of TL 1.687.9 billion for 1994 the outcome of operating revenues of TL 31.470.0 billion and operating expenses of TL 27.782.1 billion. However, accounts for the year recorded a loss of TL 2.188.5 billion due to financing costs of TL 3.876.4 billion.

In closing, we would like to thank our pilots, cabin attendants, ground personnel, managers and employees at all levels for their efforts in making Turkish Airlines an internationally competitive airline. Most of all, though, we would like to thank our passengers and cargo customers for choosing to fly with Turkish Airlines.

LEGAL STATUS OF TURKISH AIRLINES

Turkish Airlines was founded in Ankara on May 20, 1933 as part of the ministry of defense under the name "State Airlines Administration" affiliated with the Ministry of Public Works in 1935, the airline came under the jurisdiction of the Ministry of Transportation in 1938 under the title "General Management of State Airlines". In 1955, the airline attained a new organizational status that enable it to function like a privately held corporation and was renamed Turkish Airlines Co. Inc. In 1984, the airline was reclassified as a "State Economic Enterprise" by Decree Law No 233 published in The Official Newspaper on November 9. In September 1990, approximately 100 of the shares in the airline were transferred to the Prime Ministry Public Participation Administration. On September 25, 1990 the decision was taken to privatize the airline within the scope of law No. 3291 and 5% of the shares were sold to the public. The new status of the company was ratified by the Supreme Planning Council on October 30, 1990 and its Articles of Association approved and registered.

Promulgation of law No. 4046 on November 27, 1994 concerning changes in privatization procedures redefined Turkish Airlines as a State Economic Enterprise under the jurisdiction of the Privatization Administration.

HIGHLIGHTS OF 1994

The Reservations, Automated Ticketing and Check-in software package purchased from British Airways is set for implementation on April 1, 1995 following conclusion of preliminary training and infrastructure studies in 1994.

Completion of the new Training Centre and installation of a B737 full flight simulator enabled Turkish Airlines to train our own pilots as well as those of other airlines. The fleet was enlarged and modernized with the purchase of seven B737-400s, RJ-100s and A340 aircraft. Nine DC-9s were sold to an American airline. Three B727s will be remodeled as cargo planes while the remaining four will be sold.

The new Cargo Terminal Building was inaugurated on July 3, 1994. Valuation and improvement studies were carried out by the consultancy companies SH&E, McKinsey and Coppers&Lybrand to prepare Turkish Airlines for privatization. A Route Management Department was established to analyze the productivity of Turkish Airlines route structure. Our television commercials were awarded an international prize.

Vienna-based Waste Management on Board named Turkish Airlines the "World's Greenest Airlines" among 53 airlines. Turkish Airlines participated in meetings to prepare feasibility studies on the establishment of ECO Air accordance with the decision taken at the Presidents Assembly of ECO (Economic Cooperation Organization) member

states. Siirt became a new domestic destination for Turkish Airlines. Flights to Barcelona were discontinued in July and Stockholm flights were suspended temporarily. The 1993 fleet plan was revised and a personnel plan was prepared. An agreement was signed with GALILEO-International. This enables Turkish Airlines' tickets to be sold in various countries together with reservations for other services. Czechoslovak Airlines became the third airline to purchase Turkish Airlines' Yield Evaluation project "TRACES" after Icelandair and LOT Polish Airlines.

FLIGHT OPERATION

During the year 11 new aircraft were added to the fleet. A total of seven B737-400 aircraft were acquired. Two were delivered in January, one in March, two April, one in May and one in June. A A340-300 jetliner joined the fleet in July. In addition, delivery of two RJ-100 aircraft was taken in March and a third in April.

Turkish Airlines discontinued usage of its DC-9 aircraft in the 1994 winter schedule. These nine aircraft were sold in September to an American airline. In March, one of the seven B727 aircraft was leased to Cyprus Turkish Airlines.

FLEET COMPOSITION

TYPE OF AIRCRAFT	NUMBER (YEAR AVE.)	NUMBER (YEAR-END)	UNIT SEAT CAPACITY	TOTAL SEAT CAPACITY
DC9-32	6.7	-	-	-
B727-200	6.2	7	164	1,148
A310-200	7.0	7	225	1,175
A310-300	7.0	7	(3)198, (4)210	1,434
B737-400	24.8	25	150	3,750
B737-500	2.0	2	117	234
A340-300	2.4	3	288	864
RJ100	7.3	8	99	792
TOTAL	63.0	59		9,797

TOTAL SEAT CAPACITY FOR EACH TYPE (YEAR END)



Three of the B727 aircraft will be converted into cargo planes and the remaining four will be sold. At year-end, as a result of all these changes and the crash of a B737-400 in Van, the number of aircraft in the fleet stood at 59 with total seat capacity of 9,727 in 1994. 176,073 block hours were flown by 63 aircraft (59 at year-end) and leased cargo planes. This excludes non-commercial training and test flights.

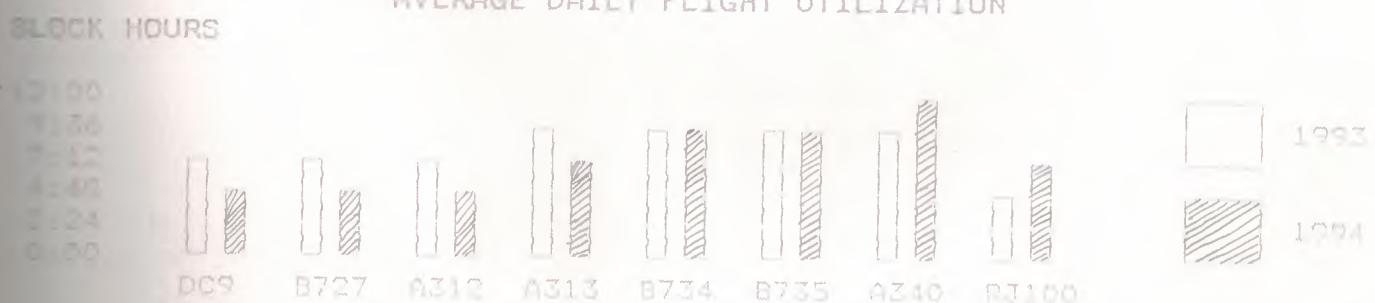
TOTAL SEAT CAPACITY (AS OF YEAR-END)

9800		9727
9600		
9400	9275	
9200		
9000		
	1993	1994

Total block hours flown and average daily flight utilization for each type of aircraft are given below in comparison with 1993:

TYPE OF AIRCRAFT	BLOCK HOURS FLOWN	AVERAGE DAILY FLIGHT UTILIZATION	1993	1994
	1993		1993	
DC9	21,843	9,503	6:40	3:52
B727-200	17,140	10,682	6:43	4:45
A310-200	19,000	15,348	7:26	6:00
A310-300	25,964	19,764	10:10	7:44
B737-400	49,630	78,503	9:06	8:52
B737-500	7,461	7,791	10:13	10:40
A340-300	2,415	10,051	8:36	11:21
A3100	2,715	17,191	5:00	6:28
OTHERS	3,542	7,240		
TOTAL	149,710	176,073		

AVERAGE DAILY FLIGHT UTILIZATION



BLOCK HOURS FLOWN

BLOCK HOURS (000)



The average number of captains, pilots and flight engineer officers for each type of aircraft in 1993 and 1994 are given below:

NUMBER OF AIRCRAFT	1993			1994				
	1993	1994	CPT.	PLT.	FEO	CPT.	PLT.	FEO
A340	0.8	2.4	19	11	-	39	11	-
A310	14.0	14.0	113	26	-	97	25	-
B737	17.1	26.4	90	123	-	125	101	-
B727	7.0	6.2	26	25	24	26	25	24
A3100	1.5	7.3	13	13	-	28	38	-
DC9	9.0	6.7	27	30	-	12	13	-

The annual block hours flown by the captains, pilots and flight engineer officers for each type of aircraft in 1993 and 1994 are given below:

TYPE OF AIRCRAFT		
	1993	1994
	CPT-PLT-FEO	CPT-PLT-FEO
A340	14,748	43,818
A310	113,604	78,481
B737	105,137	207,840
B727	63,002	22,562
A3100	3,870	38,891
DC9	62,807	19,959

Japan flying to Tokyo in shift with opening of the Osaka route.

PART time cabin attendants were employed for the 1994 summer season in line with the addition of new aircraft. By August temporary cabin attendants numbered 417. Four Japanese hostesses were trained in Istanbul preparation of the opening of a route to Osaka. These hostesses other Japanese hostesses until the

PASSENGER DISTRIBUTION 1994 INTERNATIONAL LINES

EUROPE	:	%78
MEG EAST	:	%10
MEG WEST	:	%7
AMERICA	:	%3
ASIA	:	%2

GROUND OPERATIONS

Priority was given integration with the British Airways system due to go on-line in April 1995.

Part-time employees were hired and trained on Departure Control System (DCS) and passenger service. During the year 200 part-time employees were hired in Istanbul, 39 in Ankara, six in Izmir, nine in Adana and one in Antalya.

Computerization of domestic check-in procedures at Esenboga (Ankara) and Ataturk (Istanbul) airports necessitates remodeling of check-in counters in the domestic terminals. Check in procedures for both domestic and international routes were computerized at Menderes Airport in Izmir. Adoption of "through check-in" procedures enhances passenger services at transit points, ensuring a higher level of passenger comfort.

PASSENGER DISTRIBUTION 1994 TOTAL TRAFFIC

DOMESTIC	257
INTERNATIONAL	337
BLOCK CHARTERS	35
PILOTIMAGE	31

FUEL PROCUREMENT

Turkish Airlines consumed the following amounts of oil product in 1994 :

NAME OF PROD.	LITRES (000)	KG	COST (TL MILLION)
JET A-1	657.005	-	5.701.846
JP-4	1.121	-	12.424
K. BENZINE	-	311.674	5.611
S. BENZINE	-	213.352	4.313
DIESEL FUEL	-	1.787.860	20.458
FUEL OIL 4	-	330.800	1.684
FUEL OIL 6	-	1.753.310	5.522
MINERAL OIL	-	37.653	1.463
AIRCRAFT OIL	-	82.463	2.461
OTHER OIL	-	728.961	38.493
TOTAL	658.126	5.246.023	3.794.223

The amounts of JET A-1 and JP-4 consumed at airport in Turkey and abroad in 1994, are as follows :

	LITRES (000)	COST (TL Mil.)
IN TURKEY	451.266	2.464.765
ABROAD	206.860	1.349.505
TOTAL	658.126	3.714.270

COMMERCIAL ACTIVITIES

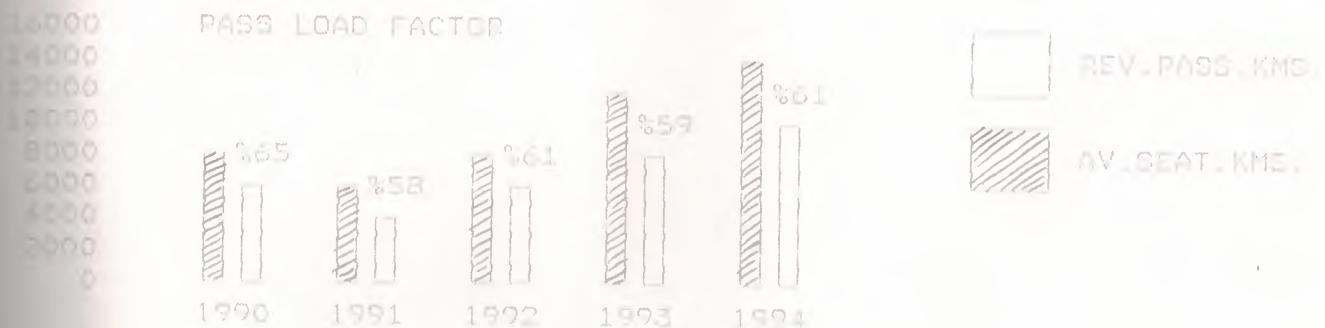
TRAFFIC

A total of 7,273,679 passengers flew on Turkish Airlines in 1994, 19.2 % more than a year earlier. Of these passengers 4,189,886 travelled on domestic routes, 2,665,853 on international routes, 81,308 on pilgrimage flights and 336,652 on block charter flights. Capacity (available seat-kms) was up by 15.8 % while traffic (revenue passenger-kms) increased by 19.0 %. Load factor climbed from 58.7 % to 60.5 %. During the year Turkish Airlines transported 80,290 tons of cargo and 3,612 tons of mail.

Turkish Airlines operated with 63 aircraft during the year and 59 at year end, flying 94,853,242 kms to 70 destinations, making a total of 176,072 block hours.

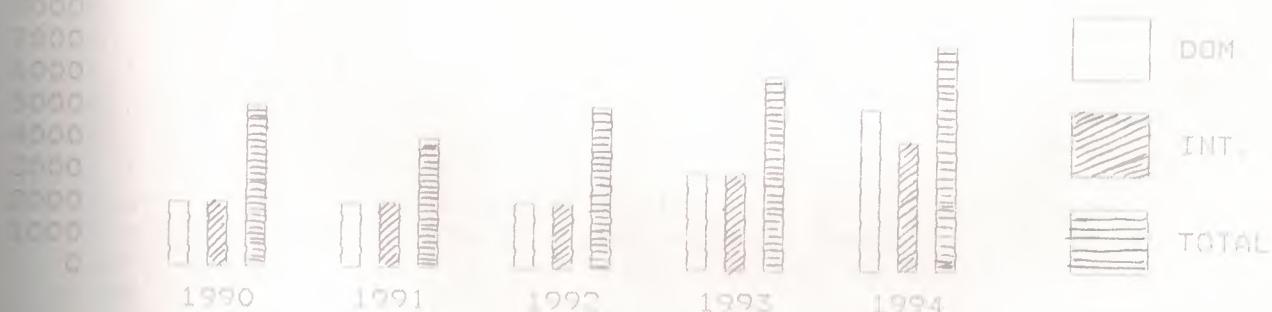
AVAILABLE SEAT KMS/REVENUE PASSENGER KMS

MILLION



TOTAL PASSENGERS CARRIED

MILLION (00)



Turkish Airlines achieved significant increases in both traffic and capacity during 1994.

On scheduled domestic routes, capacity rose by 13.4% while traffic showed a steady increase of 28.4%. Passenger load factor improved to 72.0%, 8.3 points higher than the previous year. Passenger load factor was favorably impacted by the revival of domestic tourism, discounted fares to destinations in the eastern part of the country, and the freezing of fares in April until the end of the year.

On scheduled international routes, both capacity and traffic rose by 13.7%. Passenger load factor remained steady at 57.8%.

Our Eastern routes performed especially well during 1994. Traffic

was up 24.1% and capacity increased by 12.3% on these routes, resulting in a load factor of 63.4%, 0.3 points higher than the year before. The 1994/95 winter schedule inaugurated two new routes: Istanbul-Abu Dhabi-Karachi-Dubai-Istanbul and Istanbul-Dubai-Karachi-Abu Dhabi-Istanbul.

In North America, acquisition of long-range A340-300 aircraft enabled Turkish Airlines to fly nonstop between Istanbul and New York as of July 16. largely due to this, capacity on this route climbed by 30.1% by year-end and traffic increased by 31.1%, resulting a load factor of 68.0%, 0.4 points over the previous year. Turkish Airlines now operates from John F. Kennedy Airport, rather than Newark, in line with passenger preferences and the convenience of flight connections.

In Europe, load factor decreased by 2.6 points to 56.3 % as the increase in capacity outpaced the gain in traffic. Capacity was up 22.7 % while traffic climbed by 7.9 %. Turkish Airlines discontinued service to Barcelona and Stockholm. German routes posted the highest load factor in Europe. Summer travel of Turkish citizens working abroad boosted arrival traffic in July and departure traffic in August. Higher load factor were achieved in July with the inauguration of routes between

two Germany cities and between Switzerland and Italy. A new route between Istanbul-Bucharest-Kiev-Bucharest-Istanbul was introduced in the 1994/95 winter schedule.

In the Middle East, load factor declined two points to 58.2 % due to a 29.2 % increase in capacity and a 24.2 % gain in traffic.

In Africa, load factor was down 6.9 points to 58.7 %, following a 3.2 % decline in traffic and a 6.9 % increase in capacity.

Turkish Airlines ranked second in domestic traffic growth and seventh in scheduled international traffic among AEA member airlines for 1994. Turkish Airlines' performance made it the fastest growing airline in the Far East, the second in North America and the third in the Middle East.

CARGO

Cargo traffic was up considerably in 1994. Passenger aircraft carried 22,105 tons cargo, 11.4 % over 1993 results. Cargo transported by freighter aircraft more than doubled to reach 18,175 tons, an increase of 104.3 %. Cargo carried by passenger aircraft included 17,541 tons on domestic routes, 34,582 tons on international routes, 23 tons on pilgrimage flights and 259 tons on block charter flights. The majority (60.8 %) of international cargo was carried between points in Turkey and Europe. Domestically, the largest amount of cargo (9,186 tons) was transported between Istanbul and Izmir. Heavy cargo traffic was also seen between Istanbul and Ankara, Adana and Antalya.

Almost half (48.3 %) of the cargo carried by leased freighter aircraft was on routes between Turkey and Europe. The export of meat from Adana to Amman started in June and continued through the summer. A total of 1,419 tons of cargo was transported on these flights.

The increase in cargo traffic is analyzed in the table below:

	TONS	DISTRIBUTION%)	INCREASE '94/'93(%)
Cargo By Passenger Aircraft	22,105	77.4	11.4
Cargo by Freightier Aircraft	18,175	22.6	104.3
	80,280	100	24.2

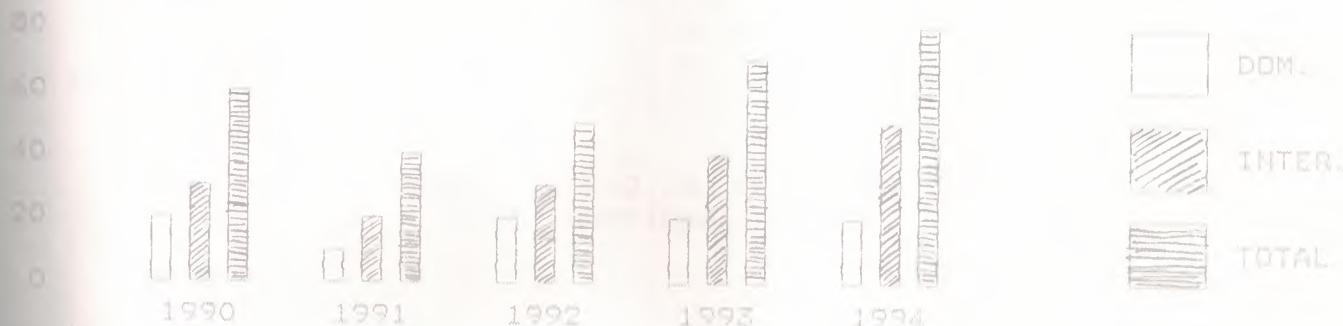
CARGO DISTRIBUTION
1994 TOTAL

INTER LINER : 266
DOMESTIC : 234

CARGO DISTRIBUTION
1994 INTERNATIONAL LINES

EUROPE	: %57
AMERICA	: %23
Far EAST	: %12
M.EAST	: %8
AFRICA	: %0

TOTAL CARGO CARRIED (TONS)
(000 TONS)



Textiles make up 72.2 % of the cargo departing from Istanbul by freighter and passenger aircraft. The decrease in the transportation of animal and plant products stemmed from the introduction of direct flights from Antalya to ship flowers to Europe. Previously, flower exports were routed through Istanbul.

	BY CATEGORY OF GOODS		BY ARRIVAL POINTS	
	1993	1994	1993	1994
TEXTILE	14.516	21.692	NYC	6.043
FOOD	1.654	2.210	LHR	2.785
MAIL	1.430	1.126	FRA	1.867
ANIMAL&PLANT PRO.	1.224	629	SLO	999
OTHERS	2.747	4.373	OTHERS	9.877
TOTAL	21.571	30.030	TOTAL	21.571
				30.030

BY CATEGORY OF GOOD

TEXTILE	: %72
OTHER	: %15
FOOD	: %7
MAIL	: %4
PLN.PRO.	: %2
ANIMAL&	: %0

BY ARRIVAL POINTS

OTHER	:	%53
NEW YORK	:	%24
LONDON	:	%10
FRANKFURT	:	%8
MOSCOW	:	%5

COMMERCIAL DEVELOPMENT

Turkish Airlines gained markets share in the total Turkish International passenger market in 1994, boosting its share from 21 % to 22 %. Turkish private carriers also increased their share, from 28 % to 29 while the share of foreign airlines declined from 51 % to 49 %.

AGREEMENTS:

A joint venture agreement was signed with Balkan Bulgarian Airlines. The existing joint venture agreement with Czechoslovak Airlines was extended to include the 1994 summer and 1994/95 winter season.

Commercial agreements were signed with the Russian Federation carriers that operate charter flights to Turkey.

Partnership agreements were signed with Meridiana, Maersk Air, Japan Air System, Iranair and Delta Airlines.

MARKET SHARES IN TOTAL TURKISH INTERNATIONAL MARKET

1993

FOREIGN	:	%51
PRIV. AIRLINE	:	%28
TUR	:	%21

1994

FOREIGN	:	%49
PRIV. AIRLINE	:	%29
TUR	:	%22

BLOCK CHAPTER FLIGHTS:

In 1994, 2,102 block charter flights were operated, 1,901 of them on the national routes and 201 within Turkey. 1994 pilgrimages flights were organized in coordination with the Religious Affairs Foundation. Category A travel agencies also organized a limited number of pilgrimage flights but were included in Turkish Airlines' scheduled and additional flights.

Total of 774 flights transported 81,308 pilgrims to Saudi Arabia.

NEW ROUTES:

Flights to Siirt(SXZ) were inaugurated in September and a sales office opened in the southeast Anatolian city. Turkish Airlines has applied to open a route to Osaka. This was postponed to 1995 however as Russia did not give permission to use the Trans-Siberia route.

PASSENGER FLIGHTS:

Turkish Airlines introduced a number of changes in its passenger service in 1994. Kiev flights were joined with Bucharest in the winter schedule. New York flights began to be operated to JFK instead of Newark starting October 26th. During the 1994-95 winter season, operations to Paphos(Cyprus)were transferred to Cyprus Turkish Airlines and flights to Stockholm were temporarily discontinued. In response to the significant decrease in passenger potential to Spain flights to Barcelona were cancelled in July. Routes Benghazi and Tripoli did not operate in accordance with the 1992 United Nations embargo on commercial air traffic to Libya. The acquisition of a third A340 aircraft enabled Turkish Airlines to fly nonstop to New York as of July 16. Previously New York flights had been routed via Brussels. In 1994, 40 more travel agencies in Turkey were computerized, bringing the total of computerized agencies to 158.

CARGO FLIGHTS:

The new Cargo Terminal began operating on July 3. Long-haul DC-8 freighter aircraft were leased on a "ACMI" (Aircraft,Crew,Maintenance,Insurance) basis. A third AN-12 cargo aircraft was leased from Air Sofia in June for medium-haul transportation. Maastricht Airport became the third gathering and distribution center for cargo after Frankfurt and Brussels in a bid to expand Turkish Airlines flight network in Europe. Wholesaler agency agreements were signed with Korea and Taiwan in order to enlarge the cargo sales network in Far East. "On-line" connections to Turkish Airlines Computerized Cargo Reservation System became available at stations in Ankara,Adana and Antalya within Turkey and at Singapore, Bangkok and Tokyo stations abroad.

PRODUCT DEVELOPMENT ACTIVITIES:

In 1994, membership in the Frequent Flyer Program reached 16,147 with 1,101 bronze, 239 silver, 156 gold and 13,651 red cardholders. Membership in the Courtesy Card program increased to 2,823. The Company Club program, renamed Corporate Club as of April 21, enrolled 860 companies with a total of 12,728 personnel. Plans went ahead for the introduction in April 1995 of the RTZ(Toros 2)Reservation System purchased from British Airways. Employees trained in England or Turkey were assigned responsibility for the cutover and for training of personnel. The purchase of the Toros 2 system improved the terms of agreement with SITA International,SABRE and AMEDEUS computerized reservation systems. An agreement was signed with the Sahara Hotel Reservation System. Beginning in 1995,World Span and AMEDEUS users will be able to book flights through the Bank Settlement Plan (BSP) of the Central Bank. Turkish Airlines was selected as a pilot airline for the introduction of automatic invoicing of credit card sales.

1993 - 1994
OPERATIONAL
RESULTS

	1993	1994	94/93 % CHANGE
DOMESTIC ROUTES			
NUMBER OF FLIGHTS	37,963	42,961	13.2
KMS FLOWN (THOUSANDS)	19,144	22,999	20.1
AVAILABLE SEAT-KMS (MILLIONS)	2,763	3,223	16.6
REVENUE PASSANGER-KMS (MILLIONS)	1,734	2,278	31.4
PASSENGER LOAD FACTOR (%)	62.8	70.7	7.9 P
AVAILABLE TON-KMS (MILLIONS)	335	384	14.6
REVENUE TON-KMS (MILLIONS)	154	199	29.2
OVERALL LOAD FACTOR (%)	46.0	51.8	5.9 P
REVENUE PASSENGERS (THOUSANDS)	3,422	4,216	23.2
CARGO (TONS)	26,103	27,342	4.7
MAIL (TONS)	1,898	1,741	-8.3
EXCESS BAGGAGE (TONS)	524	498	-5.0

1993 - 1994
OPERATIONAL
RESULTS

	1993	1994	94/93 % CHANGE
INTERNATIONAL ROUTES			
NUMBER OF FLIGHTS	29,479	35,048	18.9
KMS FLOWN (THOUSANDS)	60,662	71,855	18.5
AVAILABLE SEAT-KMS (MILLIONS)	10,265	11,861	15.5
REVENUE PASSANGER-KMS (MILLIONS)	5,940	6,855	15.4
PASSENGER LOAD FACTOR (%)	57.9	57.8	-0.1 P
AVAILABLE TON-KMS (MILLIONS)	1,412	1,676	18.7
REVENUE TON-KMS (MILLIONS)	720	853	18.5
OVERALL LOAD FACTOR (%)	51.0	50.9	-0.1 P
REVENUE PASSENGERS (THOUSANDS)	2,677	3,057	14.2
CARGO (TONS)	38,544	52,938	37.3
MAIL (TONS)	2,072	1,878	-9.4
EXCESS BAGGAGE (TONS)	863	714	-17.3



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Pre-training and infrastructure studies were completed for the software package purchased from British Airways, including Reservations, Automated Ticketing and check-in systems. This package, scheduled to be introduced on April 1, 1995, is a major component of efforts to upgrade service quality. The completion of our new flight and technical training building and the installation of a B737 flight simulator enables Turkish Airlines to train its own pilots as well as those of other airlines.

1994 saw a change in the legal status of Turkish Airlines. Law 1046, published in the Official Gazette on November 27, 1994 made Turkish Airlines a State Economic Enterprise under the Jurisdiction of Privatization Administration. The Supreme Planning Council resolved to raise authorized capital to TL 10,000 billion in 1994; this decision was approved in March 1995. Current paid-in capital amounts to TL 5,500 billion.

Turkish Airlines posted an operating profit of TL 1.687.9 billion for 1994 the outcome of operating revenues of TL 31.470.0 billion and operating expenses of TL 27.782.1 billion. However, accounts for the year recorded a loss of TL 2.188.5 billion due to financing costs of TL 3.876.4 billion.

In closing, we would like to thank our pilots, cabin attendants, ground personnel, managers and employees at all levels for their efforts in making Turkish Airlines an internationally competitive airline. Most of all, though, we would like to thank our passengers and cargo customers for choosing to fly with Turkish Airlines.

LEGAL STATUS OF TURKISH AIRLINES

Turkish Airlines was founded in Ankara on May 20, 1933 as part of the ministry of defense under the name "State Airlines Administration" affiliated with the Ministry of Public Works in 1935, the airline came under the jurisdiction of the Ministry of Transportation in 1938 under the title "General Management of State Airlines". In 1955, the airline attained a new organizational status that enable it to function like a privately held corporation and was renamed Turkish Airlines Co. Inc. In 1984, the airline was reclassified as a "State Economic Enterprise" by Decree Law No 233 published in The Official Newspaper on November 9. In September 1990, approximately 100 of the shares in the airline were transferred to the Prime Ministry Public Participation Administration. On September 25, 1990 the decision was taken to privatize the airline within the scope of law No. 3291 and 5% of the shares were sold to the public. The new status of the company was ratified by the Supreme Planning Council on October 30, 1990 and its Articles of Association approved and registered.

Promulgation of law No. 4046 on November 27, 1994 concerning changes in privatization procedures redefined Turkish Airlines as a State Economic Enterprise under the jurisdiction of the Privatization Administration.

HIGHLIGHTS OF 1994

The Reservations, Automated Ticketing and Check-in software package purchased from British Airways is set for implementation on April 1, 1995 following conclusion of preliminary training and infrastructure studies in 1994.

Completion of the new Training Centre and installation of a B737 full flight simulator enabled Turkish Airlines to train our own pilots as well as those of other airlines. The fleet was enlarged and modernized with the purchase of seven B737-400s, RJ-100s and A340 aircraft. Nine DC-9s were sold to an American airline. Three B727s will be remodeled as cargo planes while the remaining four will be sold.

The new Cargo Terminal Building was inaugurated on July 3, 1994. Valuation and improvement studies were carried out by the consultancy companies SH&E, McKinsey and Coppers&Lybrand to prepare Turkish Airlines for privatization. A Route Management Department was established to analyze the productivity of Turkish Airlines route structure. Our television commercials were awarded an international prize.

Vienna-based Waste Management on Board named Turkish Airlines the "World's Greenest Airlines" among 53 airlines. Turkish Airlines participated in meetings to prepare feasibility studies on the establishment of ECO Air accordance with the decision taken at the Presidents Assembly of ECO (Economic Cooperation Organization) member

states. Siirt became a new domestic destination for Turkish Airlines. Flights to Barcelona were discontinued in July and Stockholm flights were suspended temporarily. The 1993 fleet plan was revised and a personnel plan was prepared. An agreement was signed with GALILEO-International. This enables Turkish Airlines' tickets to be sold in various countries together with reservations for other services. Czechoslovak Airlines became the third airline to purchase Turkish Airlines' Yield Evaluation project "TRACES" after Icelandair and LOT Polish Airlines.

FLIGHT OPERATION

During the year 11 new aircraft were added to the fleet. A total of seven B737-400 aircraft were acquired. Two were delivered in January, one in March, two April, one in May and one in June. A A340-300 jetliner joined the fleet in July. In addition, delivery of two RJ-100 aircraft was taken in March and a third in April.

Turkish Airlines discontinued usage of its DC-9 aircraft in the 1994 winter schedule. These nine aircraft were sold in September to an American airline. In March, one of the seven B727 aircraft was leased to Cyprus Turkish Airlines.

FLEET COMPOSITION

TYPE OF AIRCRAFT	NUMBER (YEAR AVE.)	NUMBER (YEAR-END)	UNIT SEAT CAPACITY	TOTAL SEAT CAPACITY
DC9-32	6.7	-	-	-
B727-200	6.2	7	164	1,148
A310-200	7.0	7	225	1,175
A310-300	7.0	7	(3)198,(4)210	1,434
B737-400	24.8	25	150	3,750
B737-500	2.0	2	117	234
A340-300	2.4	3	288	864
RJ100	7.3	8	99	792
TOTAL	63.0	59		9,797

TOTAL SEAT CAPACITY FOR EACH TYPE (YEAR END)



Three of the B727 aircraft will be converted into cargo planes and the remaining four will be sold. At year-end, as a result of all these changes and the crash of a B737-400 in Van, the number of aircraft in the fleet stood at 59 with total seat capacity of 9,727 in 1994. 176,073 block hours were flown by 63 aircraft (59 at year-end) and leased cargo planes. This excludes non-commercial training and test flights.

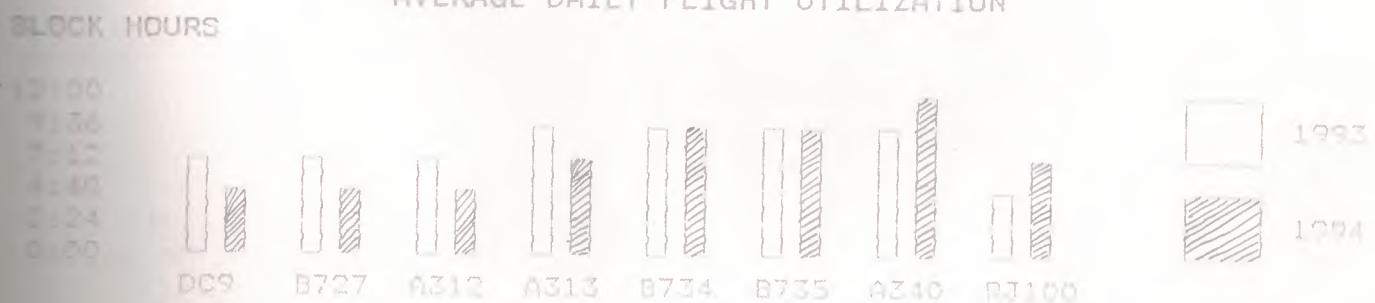
TOTAL SEAT CAPACITY (AS OF YEAR-END)

9800		9727
9600		
9400	9275	
9200		
9000		
	1993	1994

Total block hours flown and average daily flight utilization for each type of aircraft are given below in comparison with 1993:

TYPE OF AIRCRAFT	BLOCK HOURS FLOWN	AVERAGE DAILY FLIGHT UTILIZATION	1994	
	1993		1993	1994
DC9	21,843	9,503	6:40	3:52
B727-200	17,140	10,682	6:43	4:45
A310-200	19,000	15,348	7:26	6:00
A310-300	25,964	19,764	10:10	7:44
B737-400	49,630	78,503	9:06	8:52
B737-500	7,461	7,791	10:13	10:40
A340-300	2,415	10,051	8:36	11:21
A3100	2,715	17,191	5:00	6:28
OTHERS	3,542	7,240		
TOTAL	149,710	176,073		

AVERAGE DAILY FLIGHT UTILIZATION



BLOCK HOURS FLOWN

BLOCK HOURS (000)



The average number of captains, pilots and flight engineer officers for each type of aircraft in 1993 and 1994 are given below:

NUMBER OF AIRCRAFT	1993			1994				
	1993	1994	CPT.	PLT.	FEO	CPT.	PLT.	FEO
A340	0.8	2.4	19	11	-	39	11	-
A310	14.0	14.0	113	26	-	97	25	-
B737	17.1	26.4	90	123	-	125	101	-
B727	7.0	6.2	26	25	24	26	25	24
A3100	1.5	7.3	13	13	-	28	38	-
DC9	9.0	6.7	27	30	-	12	13	-

The annual block hours flown by the captains, pilots and flight engineer officers for each type of aircraft in 1993 and 1994 are given below:

1993		
	CPT-PLT-FEO	CPT-PLT-FEO
A340	14,748	43,818
A310	113,604	78,481
B737	105,137	207,840
B727	63,002	22,562
A3100	3,870	38,891
DC9	62,807	19,959

PART time cabin attendants were employed for the 1994 summer season in line with the addition of new aircraft. By August temporary cabin attendants numbered 417. Four Japanese hostesses were trained in Istanbul preparation of the opening of a route to Osaka. These hostesses other Japanese hostesses until the

beginning flying to Tokyo in shift with beginning of the Osaka route.

PASSENGER DISTRIBUTION 1994 INTERNATIONAL LINES

EUROPE	: %78
MEAR EAST	: %10
THE EAST	: %7
AMERICA	: %3
ASIA	: %2

GROUND OPERATIONS

Priority was given integration with the British Airways system due to go on-line in April 1995.

Part-time employees were hired and trained on Departure Control System (DCS) and passenger service. During the year 200 part-time employees were hired in Istanbul, 39 in Ankara, six in Izmir, nine in Adana and one in Antalya.

Computerization of domestic check-in procedures at Esenboga (Ankara) and Ataturk (Istanbul) airports necessitates remodeling of check-in counters in the domestic terminals. Check in procedures for both domestic and international routes were computerized at Menderes Airport in Izmir. Adoption of "through check-in" procedures enhances passenger services at transit points, ensuring a higher level of passenger comfort.

PASSENGER DISTRIBUTION 1994 TOTAL TRAFFIC

DOMESTIC	257
INTERNATIONAL	337
BLOCK CHARTERS	35
PILOTIMAGE	31

FUEL PROCUREMENT

Turkish Airlines consumed the following amounts of oil product in 1994 :

NAME OF PROD.	LITRES (000)	KG	COST (TL MILLION)
JET A-1	657.005	-	5.701.846
JP-4	1.121	-	12.424
K. BENZINE	-	311.674	5.611
S. BENZINE	-	213.352	4.313
DIESEL FUEL	-	1.787.860	20.458
FUEL OIL 4	-	330.800	1.684
FUEL OIL 6	-	1.753.310	5.522
MINERAL OIL	-	37.653	1.468
AIRCRAFT OIL	-	82.463	2.461
OTHER OIL	-	728.961	38.493
TOTAL	658.126	5.246.023	3.794.223

The amounts of JET A-1 and JP-4 consumed at airport in Turkey and abroad in 1994, are as follows :

	LITRES (000)	COST (TL Mil.)
IN TURKEY	451.266	2.464.765
ABROAD	206.860	1.349.505
TOTAL	658.126	3.714.270

COMMERCIAL ACTIVITIES

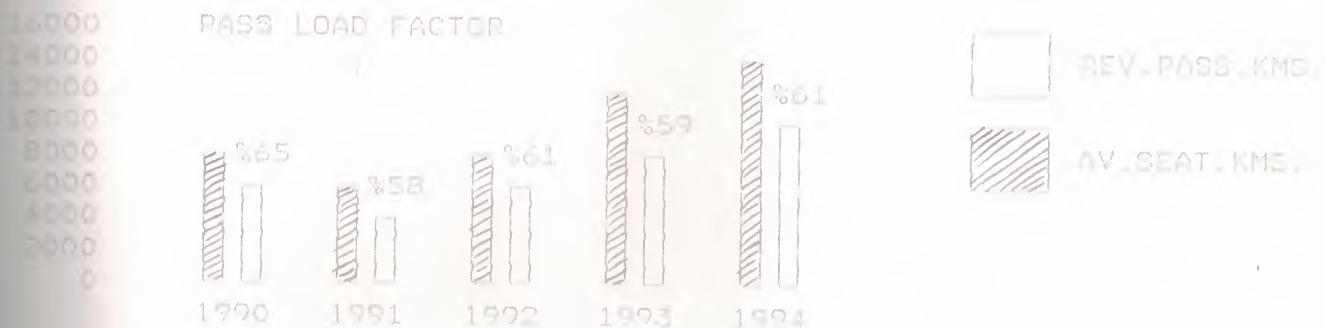
TRAFFIC

A total of 7,273,679 passengers flew on Turkish Airlines in 1994, 19.2 % more than a year earlier. Of these passengers 4,189,886 travelled on domestic routes, 2,665,853 on international routes, 81,308 on pilgrimage flights and 336,652 on block charter flights. Capacity (available seat-kms) was up by 15.8 % while traffic (revenue passenger-kms) increased by 19.0 %. Load factor climbed from 58.7 % to 60.5 %. During the year Turkish Airlines transported 80,290 tons of cargo and 3,612 tons of mail.

Turkish Airlines operated with 63 aircraft during the year and 59 at year end, flying 94,853,242 kms to 70 destinations, making a total of 176,072 block hours.

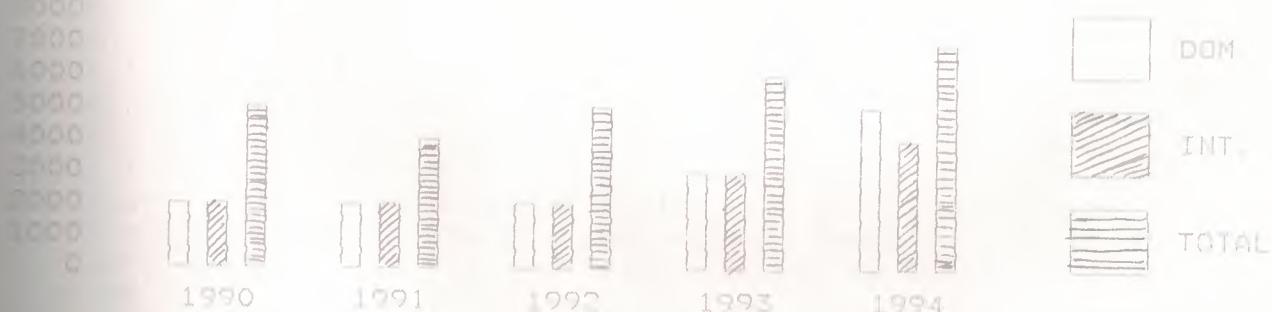
AVAILABLE SEAT KMS/REVENUE PASSENGER KMS

MILLION



TOTAL PASSENGERS CARRIED

MILLION (00)



Turkish Airlines achieved significant increases in both traffic and capacity during 1994.

On scheduled domestic routes, capacity rose by 13.4% while traffic showed a steady increase of 28.4%. Passenger load factor improved to 72.0%, 8.3 points higher than the previous year. Passenger load factor was favorably impacted by the revival of domestic tourism, discounted fares to destinations in the eastern part of the country, and the freezing of fares in April until the end of the year.

On scheduled international routes, both capacity and traffic rose by 13.7%. Passenger load factor remained steady at 57.8%.

Our Eastern routes performed especially well during 1994. Traffic

was up 24.1% and capacity increased by 12.3% on these routes, resulting in a load factor of 63.4%, 0.3 points higher than the year before. The 1994/95 winter schedule inaugurated two new routes: Istanbul-Abu Dhabi-Karachi-Dubai-Istanbul and Istanbul-Dubai-Karachi-Abu Dhabi-Istanbul.

In North America, acquisition of long-range A340-300 aircraft enabled Turkish Airlines to fly nonstop between Istanbul and New York as of July 16. largely due to this, capacity on this route climbed by 30.1% by year-end and traffic increased by 31.1%, resulting a load factor of 68.0%, 0.4 points over the previous year. Turkish Airlines now operates from John F. Kennedy Airport, rather than Newark, in line with passenger preferences and the convenience of flight connections.

In Europe, load factor decreased by 2.6 points to 56.3 % as the increase in capacity outpaced the gain in traffic. Capacity was up 22.7 % while traffic climbed by 7.9 %. Turkish Airlines discontinued service to Barcelona and Stockholm. German routes posted the highest load factor in Europe. Summer travel of Turkish citizens working abroad boosted arrival traffic in July and departure traffic in August. Higher load factor were achieved in July with the inauguration of routes between

two Germany cities and between Switzerland and Italy. A new route between Istanbul-Bucharest-Kiev-Bucharest-Istanbul was introduced in the 1994/95 winter schedule.

In the Middle East, load factor declined two points to 58.2 % due to a 29.2 % increase in capacity and a 24.2 % gain in traffic.

In Africa, load factor was down 6.9 points to 58.7 %, following a 3.2 % decline in traffic and a 6.9 % increase in capacity.

Turkish Airlines ranked second in domestic traffic growth and seventh in scheduled international traffic among AEA member airlines for 1994. Turkish Airlines' performance made it the fastest growing airline in the Far East, the second in North America and the third in the Middle East.

CARGO

Cargo traffic was up considerably in 1994. Passenger aircraft carried 22,105 tons cargo, 11.4 % over 1993 results. Cargo transported by freighter aircraft more than doubled to reach 18,175 tons, an increase of 104.3 %. Cargo carried by passenger aircraft included 17,541 tons on domestic routes, 34,582 tons on international routes, 23 tons on pilgrimage flights and 259 tons on block charter flights. The majority (60.8 %) of international cargo was carried between points in Turkey and Europe. Domestically, the largest amount of cargo (9,186 tons) was transported between Istanbul and Izmir. Heavy cargo traffic was also seen between Istanbul and Ankara, Adana and Antalya.

Almost half (48.3 %) of the cargo carried by leased freighter aircraft was on routes between Turkey and Europe. The export of meat from Adana to Amman started in June and continued through the summer. A total of 1,419 tons of cargo was transported on these flights.

The increase in cargo traffic is analyzed in the table below:

	TONS	DISTRIBUTION%)	INCREASE '94/'93(%)
Cargo By Passenger Aircraft	22,105	77.4	11.4
Cargo by Freightier Aircraft	18,175	22.6	104.3
	80,280	100	24.2

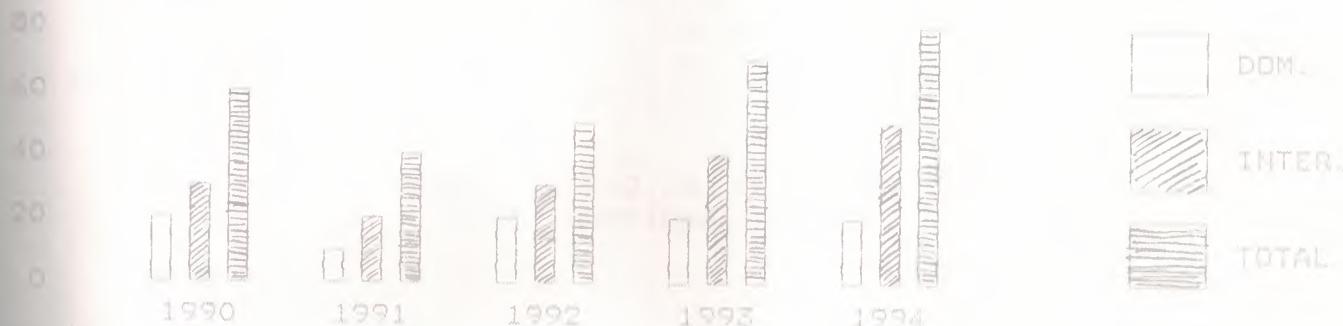
CARGO DISTRIBUTION
1994 TOTAL

INTER LINER : 266
DOMESTIC : 234

CARGO DISTRIBUTION
1994 INTERNATIONAL LINES

EUROPE	: %57
AMERICA	: %23
Far EAST	: %12
M.EAST	: %8
AFRICA	: %0

TOTAL CARGO CARRIED (TONS)
(000 TONS)



Textiles make up 72.2 % of the cargo departing from Istanbul by freighter and passenger aircraft. The decrease in the transportation of animal and plant products stemmed from the introduction of direct flights from Antalya to ship flowers to Europe. Previously, flower exports were routed through Istanbul.

	BY CATEGORY OF GOODS		BY ARRIVAL POINTS	
	1993	1994	1993	1994
TEXTILE	14.516	21.692	NYC	6.043
FOOD	1.654	2.210	LHR	2.785
MAIL	1.430	1.126	FRA	1.867
ANIMAL&PLANT PRO.	1.224	629	SLO	999
OTHERS	2.747	4.373	OTHERS	9.877
TOTAL	21.571	30.030	TOTAL	21.571
				30.030

BY CATEGORY OF GOOD

TEXTILE	: %72
OTHER	: %15
FOOD	: %7
MAIL	: %4
PLN.PRO.	: %2
ANIMAL&	: %0

BY ARRIVAL POINTS

OTHER	:	%53
NEW YORK	:	%24
LONDON	:	%10
FRANKFURT	:	%8
MOSCOW	:	%5

COMMERCIAL DEVELOPMENT

Turkish Airlines gained markets share in the total Turkish International passenger market in 1994, boosting its share from 21 % to 22 %. Turkish private carriers also increased their share, from 28 % to 29 while the share of foreign airlines declined from 51 % to 49 %.

AGREEMENTS:

A joint venture agreement was signed with Balkan Bulgarian Airlines. The existing joint venture agreement with Czechoslovak Airlines was extended to include the 1994 summer and 1994/95 winter season.

Commercial agreements were signed with the Russian Federation carriers that operate charter flights to Turkey.

Partnership agreements were signed with Meridiana, Maersk Air, Japan Air System, Iranair and Delta Airlines.

MARKET SHARES IN TOTAL TURKISH INTERNATIONAL MARKET

1993

FOREIGN	:	%51
PRIV. AIRLINE	:	%28
TUR	:	%21

1994

FOREIGN	:	%49
PRIV. AIRLINE	:	%29
TUR	:	%22

BLOCK CHAPTER FLIGHTS:

In 1994, 2,102 block charter flights were operated, 1,901 of them on the national routes and 201 within Turkey. 1994 pilgrimages flights were organized in coordination with the Religious Affairs Foundation. Category A travel agencies also organized a limited number of pilgrimage flights but were included in Turkish Airlines' scheduled and additional flights.

Total of 774 flights transported 81,308 pilgrims to Saudi Arabia.

NEW ROUTES:

Flights to Siirt(SXZ) were inaugurated in September and a sales office opened in the southeast Anatolian city. Turkish Airlines has applied to open a route to Osaka. This was postponed to 1995 however as Russia did not give permission to use the Trans-Siberia route.

PASSENGER FLIGHTS:

Turkish Airlines introduced a number of changes in its passenger service in 1994. Kiev flights were joined with Bucharest in the winter schedule. New York flights began to be operated to JFK instead of Newark starting October 26th. During the 1994-95 winter season, operations to Paphos(Cyprus) were transferred to Cyprus Turkish Airlines and flights to Stockholm were temporarily discontinued. In response to the significant decrease in passenger potential to Spain flights to Barcelona were cancelled in July. Routes Benghazi and Tripoli did not operate in accordance with the 1992 United Nations embargo on commercial air traffic to Libya. The acquisition of a third A340 aircraft enabled Turkish Airlines to fly nonstop to New York as of July 16. Previously New York flights had been routed via Brussels. In 1994, 40 more travel agencies in Turkey were computerized, bringing the total of computerized agencies to 158.

CARGO FLIGHTS:

The new Cargo Terminal began operating on July 3. Long-haul DC-8 freighter aircraft were leased on a "ACMI" (Aircraft, Crew, Maintenance, Insurance) basis. A third AN-12 cargo aircraft was leased from Air Sofia in June for medium-haul transportation. Maastricht Airport became the third gathering and distribution center for cargo after Frankfurt and Brussels in a bid to expand Turkish Airlines' flight network in Europe. Wholesaler agency agreements were signed with Korea and Taiwan in order to enlarge the cargo sales network in Far East. "On-line" connections to Turkish Airlines' Computerized Cargo Reservation System became available at stations in Ankara, Adana and Antalya within Turkey and at Singapore, Bangkok and Tokyo stations abroad.

PRODUCT DEVELOPMENT ACTIVITIES:

In 1994, membership in the Frequent Flyer Program reached 16,147 with 1,101 bronze, 239 silver, 156 gold and 13,651 red cardholders. Membership in the Courtesy Card program increased to 2,823. The Company Club program, renamed Corporate Club as of April 21, enrolled 860 companies with a total of 12,728 personnel. Plans went ahead for the introduction in April 1995 of the RTZ(Toros 2) Reservation System purchased from British Airways. Employees trained in England or Turkey were assigned responsibility for the cutover and for training of personnel. The purchase of the Toros 2 system improved the terms of agreement with SITA International, SABRE and AMEDEUS computerized reservation systems. An agreement was signed with the Sahara Hotel Reservation System. Beginning in 1995, World Span and AMEDEUS users will be able to book flights through the Bank Settlement Plan (BSP) of the Central Bank. Turkish Airlines was selected as a pilot airline for the introduction of automatic invoicing of credit card sales.

1993 - 1994
OPERATIONAL
RESULTS

	1993	1994	94/93 % CHANGE
DOMESTIC ROUTES			
NUMBER OF FLIGHTS	37,963	42,961	13.2
KMS FLOWN (THOUSANDS)	19,144	22,999	20.1
AVAILABLE SEAT-KMS (MILLIONS)	2,763	3,223	16.6
REVENUE PASSANGER-KMS (MILLIONS)	1,734	2,278	31.4
PASSENGER LOAD FACTOR (%)	62.8	70.7	7.9 P
AVAILABLE TON-KMS (MILLIONS)	335	384	14.6
REVENUE TON-KMS (MILLIONS)	154	199	29.2
OVERALL LOAD FACTOR (%)	46.0	51.8	5.9 P
REVENUE PASSENGERS (THOUSANDS)	3,422	4,216	23.2
CARGO (TONS)	26,103	27,342	4.7
MAIL (TONS)	1,898	1,741	-8.3
EXCESS BAGGAGE (TONS)	524	498	-5.0

1993 - 1994
OPERATIONAL
RESULTS

	1993	1994	94/93 % CHANGE
INTERNATIONAL ROUTES			
NUMBER OF FLIGHTS	29,479	35,048	18.9
KMS FLOWN (THOUSANDS)	60,662	71,855	18.5
AVAILABLE SEAT-KMS (MILLIONS)	10,265	11,861	15.5
REVENUE PASSANGER-KMS (MILLIONS)	5,940	6,855	15.4
PASSENGER LOAD FACTOR (%)	57.9	57.8	-0.1 P
AVAILABLE TON-KMS (MILLIONS)	1,412	1,676	18.7
REVENUE TON-KMS (MILLIONS)	720	853	18.5
OVERALL LOAD FACTOR (%)	51.0	50.9	-0.1 P
REVENUE PASSENGERS (THOUSANDS)	2,677	3,057	14.2
CARGO (TONS)	38,544	52,938	37.3
MAIL (TONS)	2,072	1,878	-9.4
EXCESS BAGGAGE (TONS)	863	714	-17.3

1993 - 1994
OPERATIONAL AND
FINANCIAL RESULTS

	1993	1994	94/93 % CHANGE
OPERATIONAL RESULTS (TOTAL ROUTES)			
NUMBER OF FLIGHTS	67,442	78,009	15.7
KMS FLOWN (THOUSANDS)	78,806	94,854	18.9
AVAILABLE SEAT-KMS (MILLIONS)	13,028	15,084	15.8
REVENUE PASSANGER-KMS (MILLIONS)	7,675	9,133	19.0
PASSENGER LOAD FACTOR (%)	58.9	60.5	1.6 P
AVAILABLE TON-KMS (MILLIONS)	1,747	2,059	17.9
REVENUE TON-KMS (MILLIONS)	874	1,052	20.4
OVERALL LOAD FACTOR (%)	50.0	51.1	1.1 P
REVENUE PASSENGERS (THOUSANDS)	6,099	7,274	19.3
CARGO (TONS)	64,647	80,280	24.2
MAIL (TONS)	3,970	3,619	-8.8
EXCESS BAGGAGE (TONS)	1,387	1,212	-12.6
INVESTMENTS (MILLION TL)	461,416	385,681	-16.4
EMPLOYEES AT YEAR END	8,689	8,509	-2.1

1993 - 1994
OPERATIONAL AND
FINANCIAL RESULTS

	1993	1994	94/93 % CHANGE
FINANCIAL RESULTS (MILLION TL)			
OPERATING REVENUES	9,295,291	27,277,964	193.5
OPERATING EXPENSES	10,498,230	28,099,964	167.7
OPERATING PROFIT (LOSS)	-1,202,939	-822,000	-31.7
INCOME & PROFIT FROM OTHER OPER.	884,394	2,835,908	220.7
EXPENSES & LOSS FROM OTHER OPER.	43,394	1,236,090	2748.5
FINANCIAL EXPENSES	993,680	3,876,382	290.1
ORDINARY PROFIT OR LOSS	-152,680	-2,276,564	1391.1
EXTRAORDINARY REVENUES & PROFITS	207,481	1,356,173	553.6
EXTRAORDINARY EXPENSES & LOSSES	168,737	446,069	164.4
PROVISIONS FOR TAXES & OTHER			
STATUTORY OBLIGATIONS	714	0	+100.0
NET PROFIT (LOSS)	-1,317,589	-2,189,460	66.1
PAID-IN EXTERNAL PROJECTS CREDITS	2,224,124	2,186,901	-1.7
EXCHANGE RATE TO 1\$	10,273.84	29,638.06	

1990 - 1994
OPERATIONAL
RESULTS

	1990	1991	1992	1993	1994
DOMESTIC ROUTES					
NUMBER OF FLIGHTS	24,758	20,987	25,644	37,363	42,961
KMS FLOWN (THOUSANDS)	11,537	10,052	12,207	19,144	22,399
AVAILABLE SEAT-KMS (MILLIONS)	1,725	1,454	1,779	2,763	3,223
REVENUE PASSENGER-KMS (MILLIONS)	1,213	846	1,148	1,734	2,278
PASSENGER LOAD FACTOR (%)	70.3	58.2	64.5	62.8	70.7
AVAILABLE TON-KMS (MILLIONS)	208	175	219	335	384
REVENUE TON-KMS (MILLIONS)	108	76	103	154	199
OVERALL LOAD FACTOR (%)	51.9	43.4	47.0	46.0	51.8
REVENUE PASSENGERS (THOUSANDS)	2,595	1,788	2,418	3,422	4,216
CARGO (TONS)	20,991	13,729	18,583	26,103	27,342
MAIL (TONS)	1,952	1,840	1,847	1,898	1,741
EXCESS BAGGAGE (TONS)	438	458	440	524	498

1990 - 1994
OPERATIONAL
RESULTS

	1990	1991	1992	1993	1994
INTERNATIONAL ROUTES					
NUMBER OF FLIGHTS	19,738	16,061	24,031	29,479	35,048
KMS FLOWN (THOUSANDS)	39,551	32,115	48,285	60,662	71,855
AVAILABLE SEAT-KMS (MILLIONS)	7,242	5,762	8,414	10,265	11,861
REVENUE PASSANGER-KMS (MILLIONS)	4,577	3,323	5,019	5,940	6,655
PASSENGER LOAD FACTOR (%)	63.2	57.6	59.7	57.9	57.8
AVAILABLE TON-KMS (MILLIONS)	981	761	1,135	1,412	1,676
REVENUE TON-KMS (MILLIONS)	530	386	589	720	853
OVERALL LOAD FACTOR (%)	54.0	50.7	51.9	51.0	50.9
REVENUE PASSENGERS (THOUSANDS)	1,979	1,519	2,269	2,677	3,057
CARGO (TONS)	31,330	21,564	29,411	38,544	52,938
MAIL (TONS)	1,224	1,244	1,653	2,072	1,878
EXCESS BAGGAGE (TONS)	727	695	816	863	714

1990 - 1994
OPERATIONAL AND
FINANCIAL RESULTS

	1990	1991	1992	1993	1994
OPERATIONAL RESULTS (TOTAL ROUTES)					
NUMBER OF FLIGHTS	44,496	37,048	49,675	67,442	78,009
KMS FLOWN (THOUSANDS)	51,088	42,167	60,555	78,806	94,854
AVAILABLE SEAT-KMS (MILLIONS)	8,972	7,222	10,194	13,028	15,084
REVENUE PASSENGER-KMS (MILLIONS)	5,790	4,169	6,167	7,675	9,133
PASSENGER LOAD FACTOR (%)	64.5	57.7	60.5	58.9	60.5
AVAILABLE TON-KMS (MILLIONS)	1,189	936	1,354	1,747	2,059
REVENUE TON-KMS (MILLIONS)	638	462	692	874	1,052
OVERALL LOAD FACTOR (%)	53.7	49.4	51.1	50.0	51.1
REVENUE PASSENGERS (THOUSANDS)	4,574	3,307	4,688	6,099	7,274
CARGO (TONS)	52,321	35,293	47,994	64,647	80,280
MAIL (TONS)	3,176	3,084	3,500	3,970	3,619
EXCESS BAGGAGE (TONS)	1,165	1,153	1,256	1,387	1,212
INVESTMENTS (MILLION TL)	49,401	327,877	106,261	461,416	385,681
EMPLOYEES AT YEAR END	9,088	8,233	8,181	8,689	8,509

1990 - 1994
OPERATIONAL AND
FINANCIAL RESULTS

	1990	1991	1992	1993	1994
FINANCIAL RESULTS (MILLION TL)					
OPERATING REVENUES	1,541,553	2,301,975	5,017,450	9,295,291	27,277,964
OPERATING EXPENSES	1,681,975	2,624,275	5,349,985	10,498,230	28,099,964
OPERATING PROFIT (LOSS)	-140,422	-322,300	-332,535	-1,202,939	-822,000
INCOME & PROFIT FROM OTHER OPER.	48,667	39,273	136,302	884,394	2,835,908
EXPENSES & LOSS FROM OTHER OPER.	9,240	26,405	27,600	43,394	1,236,090
FINANCIAL EXPENSES	170,729	284,364	385,255	993,680	3,876,382
ORDINARY PROFIT OR LOSS	-131,302	-271,496	-276,553	-152,680	-2,276,574
EXTRAORDINARY REVENUES & PROFITS	119,229	217,119	98,674	207,481	1,356,173
EXTRAORDINARY EXPENSES & LOSSES	67,676	109,997	86,454	168,137	446,069
PROVISIONS FOR TAXES & OTHER					
STATUTORY OBLIGATIONS	0	1,058	2,244	714	0
NET PROFIT (LOSS)	-220,171	-487,732	-599,112	-1,317,589	-2,188,460
PAID-IN EXTERNAL PROJECTS CREDITS	412,342	783,458	1,229,084	2,224,124	2,186,901
EXCHANGE RATE TO 1\$	2,606.27	4,178.71	6,865.84	10,973.84	29,638.06

1993-1994 C A R G O R E S U L T S

	1993	1994	94/95 % CHANGE
NUMBER OF LANDINGS (PASS.FLIGHTS)	66,926	76,308	14.0
NUMBER OF LANDINGS (CARGO FLIGHTS)	516	1,701	229.7
CARGO CARRIED (TONS-PASS.FLIGHTS)	55,749	62,105	11.4
CARGO CARRIED (TONS-CARGO FLIGHTS)	8,898	18,175	104.3
TOTAL CARGO (TONS)	64,647	80,280	24.2
MAIL (TONS)	3,970	3,619	-8.8

DOMESTIC ROUTES

CARGO (TONS)	26,103	27,342	4.7
MAIL (TONS)	1,898	1,741	-8.3

INTERNATIONAL ROUTES

CARGO (TONS)	38,544	52,938	37.3
MAIL (TONS)	2,072	1,678	-9.4

M A J O R R O U T E S F O R C A R G O

WITH PASSENGER AIRCRAFT		WITH FREIGHTER AIRCRAFT	
ROUTES	CARGO (TONS)	ROUTES	CARGO (TONS)
ISTANBUL-IZMIR-ISTANBUL	9,136	IST.-SANON-NEW YORK	5,089
ISTANBUL-ANKARA-ISTANBUL	8,320	ADANA-AMMAN-ADANA	1,419
ISTANBUL-ADANA-ISTANBUL	5,351	IST.-MAASTRICHT-IST.	1,386
ISTANBUL-LONDRA-ISTANBUL	3,827	IST.-FRANKFURT-IST.	1,031
ISTANBUL-ANTALYA-ISTANBUL	2,610	IST.-ANTALYA-LONDRA-IST.	997

TECHNICAL ACTIVITIES

Turkish Airlines carries out a full range of technical maintenance services on its fleet. Due to this support, block hours increased by 17.6 % to reach 176,079.

Nine DC9 aircraft were sold to Valujet company, based in Atlanta/USA. All necessary documentation was prepared and handed to the buyer within the contracted time.

TYPE OF MAINTENANCE	1993	1994
Aircraft Maintenance	729	729
Passenger Aircraft Maintenance	38	56
Airline Giderme	25,298	26,262

During the year, Turkish Airlines carried out S-1 maintenance (performed every four years) of one A310, S-2 maintenance (performed every eight years) of two A310s and D maintenance of two DC9s, guaranteeing the safe operation of these aircraft. Maintenance, engineering and supply services of two G-4 Gulf Stream jets belonging to the Prime Ministry and the Turkish Air Forces continued throughout the year.

MAJOR MAINTENANCES COMPLETED IN 1994

TYPE OF AIRCRAFT	NAME OF AIRCRAFT	TYPE OF MAINTENANCE	IN	OUT	MANHOURS
A310	TC-JCC	S-2 (8 years)	04.01.1994	01.04.1994	16,134
DC9	TC-JAF	D4	03.01.1994	06.04.1994	12,026
A310	TC-JDC	S-1 (4 years)	23.03.1994	02.04.1994	3,403
DC9	TC-JBL	D3	07.04.1994	11.07.1994	10,502
A310	TC-JCU	S-2 (8 years)	14.11.1994	24.12.1994	8,976

PERIODICAL MAINTENANCE BY TYPE OF AIRCRAFT

TYPE OF AIRCRAFT	A	B	C	Y	L	S	O
737	91	18	0	-	-	-	-
737	442	-	20	-	-	-	-
A310	76	62	9	2	-	3	-
A340	25	-	2	-	-	-	-
A3100	31	-	12	-	229	-	-
DC9	64	10	5	-	-	-	-
TOTAL	729	90	56	2	229	3	2

Maintenance of the three B727 aircraft owned by Cyprus Turkish Airlines was performed according to the current Technical Maintenance Agreement. The present hanger and the work force capacity enabled Turkish Airlines to offer technical facilities to aircraft belonging to private carriers and individuals. These services provided additional revenue of US\$ 5,370,262 and TL. 14,457,777,063 in 1994.

Sales of surplus equipment and components to Turkish and foreign companies earned US\$ 1,002,404.

A loan of US\$ 525,310 was obtained for services included in the warranties for the aircraft in the fleet as covered by present agreements.

NUMBER OF TRANSIT STOPOVER AND MAINTENANCE AND OVERHAUL SERVICES OFFERED

TYPE OF AIRCRAFT	TRANSIT	STOPOVER	OVERHAUL
B 727	2,201	855	3,314
B 737	14,179	4,119	7,442
B 310	5,788	2,228	7,538
B 340	1,109	265	1,298
B 100	3,485	810	3,296
B 9	1,965	702	2,774
TOTAL	28,727	8,979	26,262

In 1994, a total of 1,090,105 man-hours were spent on technical services for the aircraft in the Turkish Airlines fleet. The distribution of man-hours spent for the last three years by type of aircraft is shown below:

TYPE OF AIRCRAFT	1992	1993	1994
OTHER THAN AIRCRAFT	456,780	334,403	417,250
B 727	150,489	151,298	162,376
B 737	27,896	127,807	112,254
B 310	210,623	280,341	244,997
B 340	-	3,150	17,322
B 100	-	3,763	34,436
B 9	193,684	175,456	101,470
B 77	12,976	13,735	-
TOTAL	1,052,448	1,089,951	1,090,105

ENGINE CHANGES

TYPE OF AIRCRAFT	PLANNED	DUE TO DEFECT
727	5	8
737	-	4
310	1	8
340	-	-
RJ 100	-	6
?	-	4
TOTAL	6	30

On June 1, 1994, maintenance on APUs (Auxiliary Power Units) of A340 and RJ 100 aircraft was carried out by Allied Signal GmbH according to Maintenance Service Agreement.

Engineering studies on equipment needed for in-house overhaul of CFM56-3B engines on B737 aircraft were completed.

Work on the development and modernization of engine brakes was concluded.

Overhaul of two Main Landing Gears and five Nose Landing Gears of the B737 aircraft and overhaul of their components was carried out for Istanbul Airlines.

Computerized Testing System Project was initiated to test and repair components.

PLANNING ACTIVITIES

The Planning Department provided coordination between the relevant departments of the company and the consultancy companies working on specific subjects to prepare Turkish Airlines for privatization while assisting them as a "data bank".

MCKE worked on the valuation of the company. McKinsey, the advisor to the Privatization Administration, was assigned to determine the present value of Turkish Airlines as well as the enhanced value resulting from implementation of an improvement program. McKinsey was also charged with preparing an introductory brochure for potential investors. Coopers&Lybrand, which had been assigned by the Treasury, finalized work aimed at improving Turkish Airlines' financial structure. The consultancy companies utilized the present fleet plan to evaluate future profitability. Profit/loss situations for the coming years were estimated according to various scenarios. These studies were carried out in cooperation with the Planning Department. In 1995, deadlines were fixed for the implementation of improvement measures in accordance with estimates of relevant departments. Their results will be closely followed and included in the Fleet Plan. A Personnel Plan based on the productivity of employees and benchmarking the data of foreign airlines' ACA averages, was finalized as a sub-plan of the 1994-1998 Fleet Plan prepared in 1993. The Fleet Plan was revised according to improvement measures. Work to revise the related Finance, Operations, Technical and Personnel Plans continued. As called for in the Fleet Plan, four outdated DC-9 aircraft were sold by tender to an American airline. Three of the seven B727 aircraft will be converted into freighter aircraft and the remaining four will be sold. A close eye was kept on changes in the Turkish market. Market shares were analyzed by linking the Turkish private airline companies' development in domestic, international traffic and foreign airline companies' passenger and cargo traffic departing from Turkey. A monthly bulletin named HÜCBAKİCİ (the eye view) began to be published in March. Containing a summary related to commercial aviation worldwide, the bulletin is distributed in-house as well as to other interested companies. JAR, the Aviation Requirements that will be compulsory for JAA (Joint Aviation Authorities) member states in Europe after 1997, were coordinated within the company. An introductory report on JAR was prepared. Turkish Airlines contributed to the studies of ECO (Economic Cooperation Organization) which includes Turkey, Iran, Pakistan and the ten Republics of Presidents Assembly concerning the establishment of EC Air. Notice was taken of the developing relations with Armenia and Azerbaijan among other countries and the impact of this on Turkish Airlines. Reports evaluating important issues such as European Customs and growth of the cargo market and the cost of fuel were prepared and distributed. A detailed productivity analyses of all the scheduled flights was carried out in coordination with the EDP (Electronic Data Processing) department. The results were turned over to the Commercial Department where a Route Management department was established. Information on flight delays at 12 busy European airports was collected and sent to ECA. Data from member airlines will form the basis for recommendations to ameliorate this problem. Evaluation of the results will begin after January 1995.

INVESTMENTS:

Turkish Airlines' 1994 Program allocated TL 4,720,865 million for investments. A total of TL 385,681 million was spent, or 7.8% of the budgeted amount. The low level of expenditure stemmed from cutbacks in the investment program in line with the government's austerity program announced on April 5th, 1994.

INVESTMENT PROJECTS:

AIRCRAFT REQUIREMENT PROJECT:

Turkish Airlines has committed itself to purchasing five A340-300 aircraft and Buyer Furnished Equipment (BFE) to answer the need for wide-bodied long range aircraft during the period 1990-2000. During 1994, one A340 aircraft was purchased through a lease agreement, bringing the number of A340-300s in the fleet to three.

FLIGHT & TECHNICAL TRAINING CENTER PROJECT:

In 1994, a B727 full flight simulator was acquired through a lease agreement. The construction of the Simulator Building where the B727 simulator and VACBT training will be offered was completed within the year. The simulator will go into service in March 1995.

COMPUTER PROJECT:

In 1994, Turkish Airlines purchased Central Data Processing Unit peripheral devices, terminal connections equipment, microcomputer equipment, software packages and expansion of peripheral modules. Preparing to switch to a new Reservation System purchased from British Airways neared completion. The new system is expected to provide yield management and more efficient traffic activities.

GENERAL DISTRIBUTION SYSTEM PROJECT:

Turkish Airlines has established a partnership with GALILEO, one of the International General Distribution Systems (CGS), becoming the general distributor in Turkey. Procurement of the required computer systems has begun and preparation for the distribution of Galileo system in Turkey has been completed.

CARGO BUILDING FURNISHING & MECHANIZATION PROJECT:

Procurement of furniture and equipment for the Cargo Terminal at Istanbul Airport is included in this project.

OTHER PROJECTS:

- In 1994 investment projects are:
 - Aircraft Development, comprising the improvement of aircraft systems for greater passenger comfort,
 - Aircraft Equipment Renewal, for the renewal of damaged and worn out equipment as well as procurement of new equipment required by the growing fleet.
 - Engine Procurement, to meet the spare engine needs of the aircraft fleet.

In addition, investments are planned in the areas of Communications, Expansion & Installation of Selected Airports, Vehicle Purchasing, Construction of a Second Maintenance Center, and Modification Equipment.

ELECTRONIC DATA PROCESSING ACTIVITIES:

TROYA SYSTEM:

In 1994, looking for advanced functionality, Turkish Airlines made a decision to replace its reservations, ticketing and departure control systems with British Airways' RTZ system. Installation and modifications of the systems have started and the system is expected to be operational by April 1, 1995. The reservation system will provide 26 reservation classes, nesting function and segment based control. It will also facilitate advanced connectivity to GDS systems such as Sabre, Amadeus and Sabre and provide direct connections with international hotel reservation system SAHARA, travelling information system TIMATIC and lost baggage tracking system BAHHMAS. In the near future, connections to international credit cards and lost ticket system AIRINC will be set up. With the new departure control system, there will be an advanced weight and balance system in place. The CARGO IMP messages module, connections with TRACEC sales offices system, incorporation of cargo flights in flight schedule system, and CCS (Cargo Community System) connections have been implemented. On-line access to the cargo system has been delivered to Ankara, Adana and Antalya Cargo units and connection tests have been completed for Singapore, Bangkok and Tokyo. Feasibility study on CCS implementation for Turkish cargo community has been made.

CREW MANAGEMENT SYSTEM:

Modifications to the 07-025, 07-029 and 07-029A regulations have been applied to all related programs. In accordance with this, automatic cabin crew assignment criteria have been reestablished. The system has been made available to users in Antalya, Ankara and Izmir airports. A Net research for an advanced functionally crew management system has been completed and precontract negotiations are in progress.

FLIGHT OPERATIONS CONTROL SYSTEM:

With the application of "Store Flight Plan (RPL), the RPL's of routes or periodical flight schedule changes can be obtained and forwarded to the countries involved. An application that enables mainframe end-users to select and print flight plan reports on-line on any mainframe connected terminal/printer via a gateway to Jeppesen service has been developed and put into service. Flight operations system has been made available to the end-users in Antalya, Ankara and Izmir airports. An on-line connection has been established with the Eurocontrol system.

FLIGHT SCHEDULE SYSTEM:

In Eurocontrol CRM (Control Flow Management Unit), flight schedule has been formed according to SSIM CR7 format and a facility has been implemented for shipping schedule changes as LCR messages. CLOT analysis software has been modified according to user requirements. Also, product research has been made for a CLOT Analysis software, which is required for higher functionality. Proposals have been evaluated and the SCOPRE package from PDC has been selected for implementation.

MESSAGE SWITCHING SYSTEM:

The message archiving module has been renewed. Sign-in has been implemented in the programs for user security. The system has been put into service in Izmir and Ankara airports. A facility has been introduced to the system for sending messages to AFTN addresses in COTI network. Integration of PTT telex connection to the system is in progress.

MANAGEMENT INFORMATION SYSTEM (MIS):

Point-to-point analysis module has been renewed as part of the KTC project. Queries have been developed to enable the analysis of realized and forecasted passenger amount. Modelling study has been done to provide passenger revenue estimates for the route analysis. Modelling results are being used in MIS.

REVENUE ACCOUNTING SYSTEM:

Sales Office System has been installed 13 sales offices. All TK flight numbers are being loaded to the revenue accounting system. Inventory system is being redesigned and developed under revenue accounting system. Enhancements have been made to the Special Fares Control system.

EXPENSE SYSTEM:

Catering Inventory Control System enhancements have been made for inventory control at the stations. Modifications have been made to the catering costs system to provide accurate catering cost calculations. A Goto software package solution is required for the control and management of catering functions to provide cost control by reducing overages. Software proposals are being evaluated. Economic fuel monitoring module has been implemented.

Maintenance AND INVENTORY CONTROL SYSTEM (TAMES):

PC based fall-back system that provides access to the locations of materials in the warehouse has been implemented to be used during TAMES system outage. Enhancement have been made to the modification control module form tracking daily flight information per aircraft. Maintenance Cards module has been enhanced with reporting and data entry programs.

INFCOMPUTER ACTIVITIES:

One hundred PCs have been installed in various user departments. PC based local area networks have been installed in reservations and route departmental depatments.

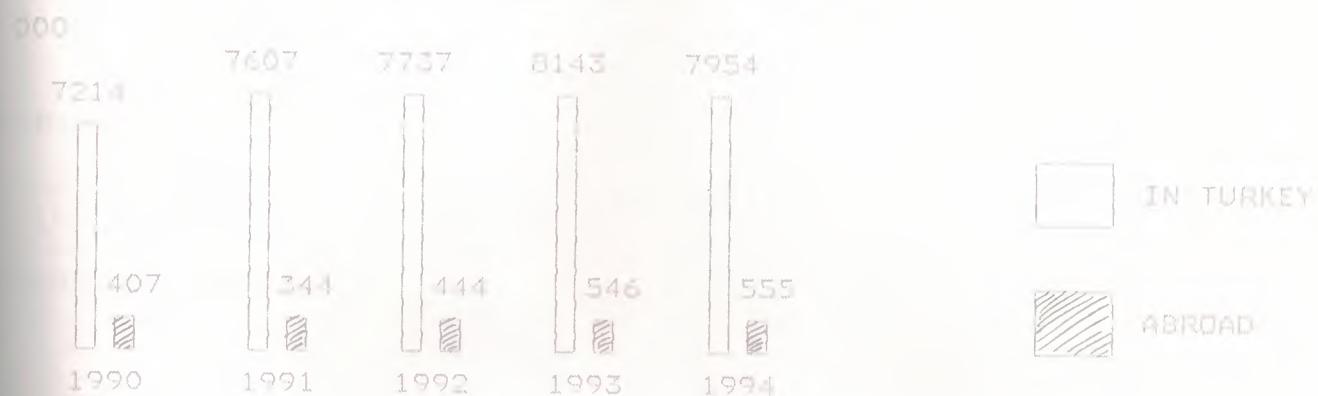
ADMINISTRATIVE ACTIVITIES:

PERSONNEL:

In agreement with the Social Security Administration enables Turkish Airlines to access information on employees through shared data lines. A system to keep track of employees' work hours was introduced. These records will be collated by a central office.

In 1994, new employees were not hired to fill empty position, with the exception of specially qualified personnel. By year-end, the number of employees had dropped by 2.1% to 8,509. Part-time employment of bilingual university students continued in 1994 for flight and ground operations. This achieved remarkable savings and gave university students valuable work experience.

THY'S PERSONNEL OVER THE YEARS



EDUCATION LEVELS OF THE PERSONNEL OVER THE YEARS

EDUCATION LEVELS	1990	1991	1992	1993	1994
Primary	2,053	1,812	1,708	1,600	1,433
Secondary	705	622	602	558	553
High School	3,965	3,631	3,652	3,965	3,817
University	2,365	2,168	2,219	2,566	2,706
TOTAL	9,088	8,233	8,181	8,689	8,509

BREAKDOWN OF PERSONNEL IN SPECIALIZATION GROUPS

MANAGER	%21
TECHNICIAN	%19
ATTENDANT	%17
PHARMICIAN	%15
STAFF	%14
MANAGEMENT	%7
DESIGN OFF	%4
TELEMARKET	%4
LEGAL LAWYER	%2
TELEGRAM	%1

**DISTRIBUTION OF PERSONNEL
ACCORDING TO DEPARTMENTS**

	ON REGULAR PAYROLL	UNDER CONTRACT	TOTAL
TOTAL UNITS DIRECTLY REPORTING TO CEO	493	5	498
ADMINISTRATIVE	149	9	158
PLANNING	32	—	32
FINANCIAL	269	—	269
SUPPORT	321	—	321
COMMERCIAL	1,543	182	1,725
FLIGHT OPERATIONS	1,571	219	1,790
GROUND OPERATIONS	1,843	—	1,843
TECHNICAL	1,873	—	1,873
TOTAL	8,094	415	8,509

TRAINING

The tables below show the variety of Turkish Airlines' training program and the number of participants:

COMMERCIAL TRAINING

	PLANNED		REALIZED	
	COURSES	PARTICIPANTS	COURSES	PARTICIPANTS
1993	97	1,940	121	2,168
1994	111	2,220	119	2,297

TECHNICAL TRAINING

	PLANNED		REALIZED	
	COURSES	PARTICIPANTS	COURSES	PARTICIPANTS
1993	26	520	40	755
1994	24	480	31	562

ADMINISTRATIVE TRAINING

	PLANNED		REALIZED	
	COURSES	PARTICIPANTS	COURSES	PARTICIPANTS
1993	45	900	66	1,036
1994	45	900	26	324

COMPUTER TRAINING

	PLANNED COURSES	PARTICIPANTS	REALIZED COURSES	PARTICIPANTS
1993	-	-	-	-
1994	4	80	10	118

FOREIGN LANGUAGE TRAINING

	PLANNED COURSES	PARTICIPANTS	REALIZED COURSES	PARTICIPANTS
1993	-	-	4	59
1994	14	280	31	428

TRAINING:

Extensive training courses began in September on TOROS II, the new reservation and check-in system scheduled to go into operation in April 1995. Approximately 1,500 people received training on the new system. After reviewing the results of the September and October TOROS II training courses, daily one-hour seminars were organized on yield improvement and customer relations.

Professional training was made compulsory as of November 10, 1994. Newly recruited employees received preliminary training courses before assignment to permanent positions. Employees who have not received adequate professional training are recalled for retraining. Employees are required to pass exams at the end of the training courses in order to be assigned to a permanent position.

The Commercial and Ground Operations departments carried out studies to determine the training required for each job. It is now compulsory for employees to complete all the relevant courses in order to continue in their post.

TRAINING COURSES OF 1994



FINANCE

Operational results for 1994, including both foreign exchange and Turkish Lira accounts, are given below in comparison with 1993 figures.

IN TL MILLIONS	31.12.1993	31.12.1994
Total Net Sales&Revenues	10,386,452	31,470,045
Total Operating Expenses	(10,710,361)	(29,782,323)
Operating Profit (Loss)		
Before Reserves for Depreciation & Severance Benefits)	(323,909)	3,687,702
Reserves for Depreciation Severance Benefits	(993,680)	(2,076,382)
Balance Sheet Profit (Loss)	(1,317,509)	(2,188,460)
Balance Sheet Profit (Loss)	(91,1)	(56,61)
in millions of U.S dollars		

FINANCIAL ACTIVITIES:

The first half of 1994 was characterized by extreme volatility in the currency markets. A stabilization program introduced in April restored relative stability to the markets by mid-year. Turkish Airlines continued its relations with commercial banks within guidelines for financial policy established in 1992 and 1993. In the prevailing competitive market conditions, Turkish Airlines worked with both public and private sector banks and thus obtained advantageous terms for letters of credit and guarantees. Short-term funds were accessed at highly competitive rates. Turkish Airlines was also able to secure good terms for foreign exchange transactions. The practice of tendering individual transactions encouraged banks to work with Turkish Airlines. Implementation of fund management and an effective finance policy have saved maximum benefits for Turkish Airlines in line with current economic conditions and modern banking techniques.

FINANCIAL STATEMENT OF THY FOR 1995:

THY realised its first profit after 9 years. The finally audited balance sheet, which was submitted to Istanbul stock exchange and to the capital market council, shows 34 million dollars profit as of June 30, 1995.

As of 30 June 1995, THY realized a profit of 616 million TL compared to a loss of 1.1 trillion TL during the same period last year and of 1994 was closed with a loss of 2.2 trillion TL. However, the financial results of the first quarter of this year showed that this loss was reduced to 1.5 trillion TL and by the end of second quarter, profit was obtained solely from operational revenues. Net sales revenue almost doubled increasing from 10 trillion TL (USD 475 million) to 21 trillion TL (USD 531 million). During the first 6 months of 1995, THY managed to carry 3,826,417 passengers realizing an increase of 21% and to the same period of last year.

THY accomplished a great success in financial activities reducing financial expenses from 112 million to 24 million dollars. Undoubtedly, devoted efforts of our personnel in every unit, our passengers' confidence also contributed to this achievement.

The financial highlights of the results for the first 6 months of 1995 are as follows:

REVENUES:

THY gained 2.6 trillion TL from domestic lines and 17 trillion TL from international lines, thus increasing its dollar based revenue rate to 45%. The total net sales revenue, of which 2 trillion TL was obtained from cargo services, increased by 86% compared to the same period of last year and reached 22.2 trillion TL. In dollar terms this represents an increase from 476 million USD in 1994 to 531 million USD in 1995.

EXPENSES:

Total expenses increased only from 16 trillion TL to 23 trillion TL by 45% compared to last year, representing a decrease by 13% from 445 million USD to 560 million USD.

Financial expenses, which had a significant effect on profit, were reduced by 78%, from 112 million dollars to 24 million dollars, and the share in general expenses was reduced from 17.4% to only 4.4%.

PROFIT/LOSS:

THY decreased its losses in dollar terms in 1994 and improved itself considerably in 1995, thus realised first time in 9 years a profit of 616 million dollars.

It is considered a great success to realise a profit of 616 million solely by commercial activities without any sale of asset in a period while giant companies in airline business were in loss.

FINANCIAL EXPENSES:

THY's significant boost in 1992 and 1993, doubling its number of aircraft and competing with the giant airlines with its new fleet, brought THY in a heavy financial burden. While it was planned to reach a break even point in 1994, the year was closed with a loss because of the economic measures taken by the government on April 1994, that were resulted with high interest rates and dramatic devaluation of TL. Despite of a profit from its commercial activities, considering 3.8 billion TL financial expenses THY closed the year of 1994 with 2.2 TL loss. During this period, the share of financial expenses in the general expenses have been reduced by finding low interest loan facilities and finally at the beginning of the summer season all the short term TL bank loans had been paid off and commercial loans significantly reduced allowing HLY to realize a profit by reducing its financial expenses to 4.4%.

SUBSIDIARIES AND AFFILIATES

AUTHORIZED TURKISH AIRLINES

	CAPITAL(TL)	SHARE(TL)	(%)	CAPITAL
TURKISH AIR TRANSPORT (THT)	20.000.000.000	18.099.500.000	99,50	18.099.500.000
CYPRUS TURKISH AIRLINES	30.000.000.000	15.000.000.000	50	7.785.321.692,16
SUN EXPRESS	48.000.000.000	24.000.000.000	50	18.000.000.000
HAVAŞ	100.000.000.000	48.998.500.000	48,9985	48.998.500.000
EMEK CONSTRUCTION	1.000.000.000	3.000.000	0,3	3.000.000

Profit share transferred to Turkish Airlines balance sheet :

	1992	1993
TURKISH AIR TRANSPORT (THT)	-	-
CYPRUS TURKISH AIRLINES	82.669.531	1.087.343.433 (*)
SUN EXPRESS	-	-
HAVAŞ	15.549.192.830,43	3.255.358.153,81
EMEK CONSTRUCTION	-	(**)

(*) Sermaye taahhüdüne mahsup edilmiştir.

(**) Safi işletme karı şirketin ihtiyaçlarına alınmıştır.

AFFILIATES

TURKISH AIR TRANSPORT (THT)

THT serves secondary routes with low passenger load factor and airports not large enough to accommodate jet aircraft. Formalites are continuing to finalize the transfer of THT to Turkish Airlines.

CYPRUS TURKISH AIRLINES

An airline flying daily between the Turkish Republic of Northern Cyprus and major destinations in TURKEY. Turkish Airlines owns 50% of the Cypriot airline; the other major shareholder (50%) is

TC.M.KONSOLİDE İNKİŞAF SANDİĞİ

SUN EXPRESS

An airline operating charteflights for tourist. Luthansa holds a 40% share in carrier.

AIRPORTS GROUND HANDLING & TRANSPORTATION SERVICES (HAVAŞ)

Havas provides airport and ground handling services to Turkish and foreign carriers operating scheduled and non-scheduled flights to Turkish airports. The shares held by the General Directorate of State Airports (DHMI), amounting to 51%, were transferred to Privatization Administration on Novembar 25, 1993 by a decree of the Supreme Planing Council within the framework of the privatization program.

EMEK CONSTRUCTION

The major shareholders of this construction and property management company are T.C. KIZILAY DERNEĞİ (Red Crescent Association) with 49%.

FINANCIAL STRUCTURE

Turkish Airlines entered the authorized capital system with share capital of TL 700 billion on October 26, 1990 in accordance with Decree no. 815 of the Capital Markets Board. Decree no 89/12 of the Supreme Planning Council dated July 17, 1989 had made the Prime Minister Mass Housing and Public Participation Administration an equity partner of Turkish Airlines.

Authorized capital, which was raised to TL 2.5 trillion effective December 31, 1992, was increased to TL 6 trillion in accordance with Decree no. 93/22 of the Supreme Planning Council dated September 10, 1993 and registered on January 28, 1994. The Supreme Planning Council is in the process of completing the legalities required to raise authorized capital to TL 10 trillion in accordance with Decree no. 94/13 taken on May 5, 1994.

Turkish Airlines continues to be classified as State Economic Enterprise. The Privatisation Administration holds 98.20% of the shares.

AUTHORIZED CAPITAL	PAID-IN CAPITAL
6.000.000.000.000	5.500.000.000.000

The distribution of shareholders as of December 31, 1994 is shown below:

SHAREHOLDER	CAPITAL SHARE	%
PRIVZ. ADMINISTR.	5.400.729.026.397	98.19507
PTT	1.000.000	0.00002
TCDD (TURKISH RAILWAYS)	100.000	0.00000
PRIVATE ENTITIES	99.269.873.603	1.80491
TOTAL	5.500.000.000.000	%100

CONTRIBUTION TO THE TURKISH ECONOMY

Out of total revenues for 1994 of TL 31.470.045.498.237,26 TL 25.331.380.395.122,65 was in currency or convertible to foreign currency.

Foreign currency expenditures for the year 1994 totaled TL 18.709.293.288,598. Consequently, the net foreign exchange contribution of Turkish Airlines to the Turkish economy is TL 6,422,087,106,524,65 or \$244,803,973,22.

These figures are shown below for the period 1990-1994 in Turkish Lira and U.S dollars.

TURKISH LIRA (in million)

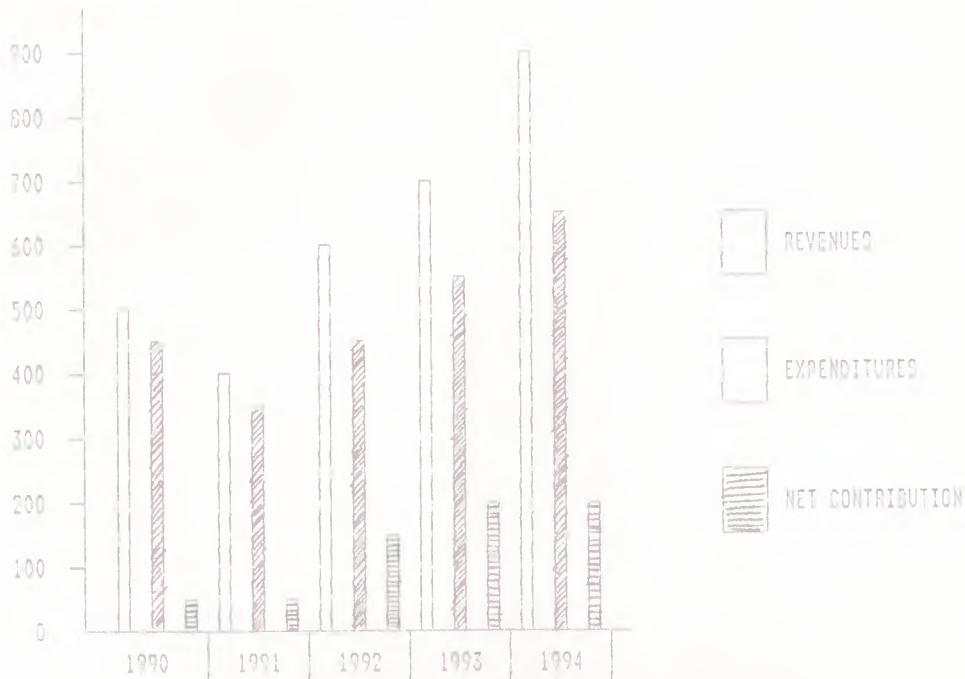
YEAR	REVENUES	EXPENDITURES	NET CONTRIBUTION
1990	1.269.912,9	1.138.856,3	131.056,6
1991	1.916.803,4	1.636.035,1	280.768,3
1992	4.209.371,0	2.925.802,9	1.283.568,1
1993	7.481.785,6	6.109.973,6	1.371.812,0
1994	25.331.380,4	18.909.293,3	6.422.087,1

U.S DOLLARS (in million)

YEAR	REVENUES	EXPENDITURES	NET CONTRIBUTION
1990	480,6	428,2	52,4
1991	386,2	351,0	35,2
1992	599,2	410,5	188,7
1993	674,4	539,1	135,5
1994	802,7	617,2	244,2

CONTRIBUTION TO THE TURKISH ECONOMY

MILLION (USD)



COMPARATIVE SUMMARY OF RESULTS

REVENUES	1993	1993 Change %
Ticket Revenues	7.935.380.027.621,10	22.277.217.600.630,40
Excess Baggage Revenues	61.208.221.205,01	173.543.960.230,35
Mail Revenues	30.330.836.804,12	77.179.436.516,94
Cargo Revenues	808.207.057.989,98	2.775.165.103.730,75
Special Leasing Revenues	165.203.903.749,15	743.110.553.790,10
Other Revenues	244.348.039.067,21	779.115.978.044,67
Non-Operating Revenues	50.603.842.789,99	452.631.815.409,71
Other Operation Revenues	884.374.826.279,39	2.835.907.951.293,05
Extraordinary Revenues and Profits	207.480.556.773,23	1.356.173.098.582,29
TOTAL	10.387.166.402.278,27	31.470.045.498.237,26
EXPENSES		
Direct Operating Expenses	3.147.324.170.847,14	8.096.216.822.965,30
Passenger Services Expenses	744.656.726.986,31	2.124.494.244.397,24
Direct Maintenance Expenses	641.317.350.832,15	1.317.123.315.881,28
Manufacturing Overhead Expenses	3.084.665.897.195,86	10.150.298.843.967,54
Marketing & Distribution Expenses	1.517.597.573.217,02	4.146.720.154.600,66
General Administrative Expenses	1.151.126.172.302,92	2.245.111.170.896,50
Other Operation Expenses	54.936.802.472,42	1.136.080.444.250,66
Finance Expenses	993.675.024.998,60	3.876.582.146.541,06
Extraordinary Expenses and Losses	168.776.578.225,42	446.068.437.878,24
TOTAL	11.704.041.255.080,91	33.658.505.681.476,35

Taxes Payable and Other Fiscal Liabilities	714.261.000,00		
PROFIT (OR LOSS)	-1.317.589.113.802,64	-2.188.460.183.239,09	66,1 %

TRAFFIC

Available Seat-Km	13.032.561.072	15.084.286.080	15,7 %
Revenue Passenger-Km	7.674.733.955	9.133.176.921	19,0 %
Mail-Tons	3.970	3.619	-8,8 %
Cargo-Tons	64.647	80.280	-22,9 %
Passenger Load Factor %	59%	61%	2,0 %
Flight Hours (block)	146.710	176.079	17,6 %

AVERAGES PER AIRCRAFT AT TOTAL FLIGHT

Number of Revenue Passenger Per Aircraft	117	121	3,4 %
Average Available Seats Per Aircraft	199	191	-4,0 %
Average Flight Distance	1.182	1.216	2,8 %
Average Speed (Km/Hour)	533	539	1,1 %

TURKISH AIRLINES INC.
BALANCE SHEET FOR 1993

ASSETS

1993

I. CURRENT ASSETS

100-108	A. Cash and banks B. Securities and Treasury Bonds Allowances for Decline in Value in Securities and Treasury Bonds	408.184.680.832,04 539.019.062.319,00
120	C. Receivable	
	1. Notes Receivable Discounted Notes Receivable	
123	2. Treasury	17.514.385.799,29
125	3. Official Offices	36.042.519.376,49
126	4. State Economic Enterprises	9.226.467.185,00
127	5. Establishment (or Main Establishment) Shares in Other Establishments	
128	6. Subsidiaries	199.116.284.979,40
129	7. Real and Legal Person	35.711.717.791,27
130	8. External Receivables	62.951.612.701,74
131	9. Personnel	119.611.989.922,85
133	10. Deposits and Guarantees Given	6.783.500,00
134	11. Other Receivables	135.187.526,67
137-138		27.830.152.492,33
	TOTAL (C)	508.847.101.275,04
139	Allowances for Doubtful Receivables	27.089.955.544,48
		481.757.145.730,56
140-149	D. Advances Given E. Inventories	134.762.660.332,97
150-159		483.308.222.484,65
160-169	1. Raw Materials	
170-174	2. Semi-Finished Products	
175-178	3. Finished Products	
180-183	4. Goods	
	5. Other Inventories	230.320,00
	TOTAL (E)	483.308.452.804,65
189	Allowances for Declines in Inventories	-
190-198	F. Other Current Assets	926.171.372.154,90
199 (-)	Allowances for Other Current Assets	
	TOTAL (F)	926.171.372.154,90
	TOTAL CURRENT ASSETS	2.973.233.374.174,12

II. FIXED ASSETS

200-209	A. Saving Bonds/Supplementary Securities B. Receivables	-
210	1. Notes Receivables	-
213	2. Treasury	-
215	3. Official Offices	43.162.965.795,74
216	4. State Economic Enterprises	-
217	5. Establishment, (or Main Establishment) Shares in Other Establishments	-
219		-

212	6. Subsidiaries	
220	7. Real an Legal Person	
221	8. External Receivables	71.594.725.988,67
223	9. Personnel	
224	10. Deposits and Guarantees Given	453.106.978.918,42
227	11. Other Receivables	
	TOTAL (B)	567.864.671.712,83
228-229	C. Advances Given	214.066.081.439,73
	D. Shares in Establishments and Subsidiaries	
231	1. Shares in Other Establishments	17.999.500.000,00
231	2. Shares in Subsidiaries	48.802.700.000,00
	TOTAL (D)	66.802.200.000,00
234	(-) Debts concerning Capital Responsibilities	14.302.021.740,84
		52.500.178.259,16
	E. Tangible Fixed Assets	
235	1. Land and Real Estate	867.362,20
238	2. Buildings	178.410.425.740,14
240	3. Plants, Machinery and Equipment	218.113.873.928,56
241	4. Aircraft	12.992.185.324.771,62
242	5. Components	876.795.982.839,00
243	6. Transportation Means and Equipment	91.802.121.088,19
244+245	7. Furniture and Fixtures	33.718.377.799,28
246	8. Other Tangible Fixed Assets	1.202.520.193,97
248	9. Investment in Process	174.841.101.424,35
249	10. Investment Expenses	
	TOTAL (E)	14.567.070.595.147,31
250-263	Accumulated Depreciation (-)	6.088.141.164.379,61
		8.478.929.430.767,70
265-268	F. Intangible Assets	1.625.078.514,46
269	Accumulated Depreciation (-)	1.115.658.277,49
	TOTAL (F)	509.220.236,97
270-273	G. Assets Subject to Special consumption	10.368.104.698,98
274	Accumulated Depreciation (-)	3.216.488.614,62
	TOTAL (G)	7.151.616.084,36
	H. Other Fixed Assets	
275	1. Expenses for Following Years	299.609.221.853,50
276	2. Inventories Required for Following Years	
277	3. Inventories and tangible Fixed Assets to be Disposed	
284	4. Reduction Value Added	6.048.635.437,00
	TOTAL (H)	305.657.857.290,50
	FIXED ASSETS TOTAL	9.626.679.055.791,25
	GRAND TOTAL	12.599.912.429.965,37
	REGULATING ACCOUNTS	29.198.327.804.456,77

LIABILITIES 1993

I. SHORT TERM EXTERNAL SOURCES

	A. Credits Received. Credits and Bond Debentures Installment	
300	1. Treasury	
301	2. Central Bank of Turkey	
302	3. State Investment Bank	
305	4. Other Banks	1.323.472.379.257,84
307	5. Establishment Shares in Other Establishments	
309	6. Subsidiaries	
312	7. Foreign Credits	1.006.601.294.650,50
313	8. Other Credits	
314	9. Bonds Installments	
	TOTAL (A)	2.330.073.673.900,34
	B. Debts	
320	1. Notes Payable	
323	2. Treasury	
325	3. Official Offices	354.827.697.551,02
326	4. State Economic Enterprises	608.769.087.845,06
327	5. Establishment	
328	6. Shares in Other Establishments	79.760.158.647,99
329	7. Subsidiaries	13.276.279.765,84
330	8. Real and Legal Persons	177.246.446.111,31
331	9. Foreign Depts	442.068.978.786,44
333	10. Personnel	4.879.232.509,25
334	11. Deposits and Guarantees Received	32.120.716.247,73
337-339	12. Other Debts	326.120.534.971,15
	TOTAL (B)	2.046.077.132.437,79
340-349	C. Advances Received	15.655.126.531,11
350-359	D. Taxes. Duties and Stoppages	153.246.290.592,50
360-369	E. Accrued Expenses	835.240.539.972,52
370-385	F. Other External Sources	8.885.672.582,04
	TOTAL SHORT TERM EXTERNAL SOURCES	5.389.176.636.024,30

II. LONG TERM EXTERNAL SOURCES

	A. Credit Received	
400	1. Treasury	
401	2. Central Bank of Turkey	
402	3. State Investment Bank	
405	4. Other Banks	433.047.802.861,36
407	5. Establishment	
408	Shares in Other Establishments	
411	6. Subsidiaries	
412	7. Foreign Credits	2.095.568.929.446,28
413	8. Other Credits	
414	9. Bond Debentures	
	TOTAL (A)	2.528.616.732.307,64

	B. Debts	
420	1. Notes Payable	
423	2. Treasury	
425	3. Official Offices	
426	4. State Economic Enterprises	
427	5. Establishment	
428	Shares in Other Establishments	
429	6. Subsidiaries	
430	7. Real and Legal Persons	25.552.315.846.088
431	8. Foreign Debts	-
434	9. Deposits and Guarantees Received	-
435-439	10. Other Debts	23.328.825.390.44

TOTAL (B) **48.881.041.236.52**

440-449	C. Advances Received	-
470-475	D. Other External Sources	117.720.238.00
	TOTAL LONG TERM EXTERNAL SOURCES	2.577.615.493.782.16
	TOTAL EXTERNAL SOURCES	7.966.792.129.806.46

III. SHAREHOLDERS EQUITY

	A. Capital paid	
480	Capital	2.500.000.000.000.00
481	Capital Unpaid (-)	2.500.000.000.000.00
482-483	B. Revaluation in Funds	-
	C. Reserves	4.080.606.307.434.33
485		6.180.369.925.72
486	1. General Reserves	165.890.132.43
	2. Reserves for Contingencies	
	TOTAL (C)	6.354.230.058.15
490-494	D. Special Reserves	691.845.428.179.78
	E. Profits	
495	1. Profits of Previous Years	
496	2. Net Profit of the Year	
	a. Gross Profit of the Year	
	b. Legal Responsibilities (-)	
	F. Losses	
498	1. Loss of Previous Years (-)	(1.328.096.551.710.71)
499	2. Loss of Year (-)	(1.317.589.113.802.64)
	TOTAL SHAREHOLDERS EQUITY	4.633.120.300.158.91
	GRAND TOTAL	12.599.912.429.965.37
	Regulating Accounts	29.198.327.804.456.77

	1. GROSS SALES REVENUE	
500-524	a. Revenue of Goods and Services Sold	10,029,369,786,681,25
525	b. Subsidiies	-
530	c. Tax Returns	-
	TOTAL (1)	10,029,369,786,681,25
	2. DEDUCTIONS FROM GROSS SALES REVENUE	
540	a. Sales Taxes	247,119,825,205,15
546-548	b. Return	405,339,943,304,35
550	c. Cash Discount	-
555-559	d. Other	-
	TOTAL (2)	652,459,768,509,48
	3. NET SALES REVENUE(1-2)	9,375,910,018,171,77
600-653	4. COST OF GOODS AND SERVICES SOLD	7,846,645,971,493,88
	5. GROSS SALES PROFIT/LOSS (3-4) 1,529,264,026,677,89	
	6. EXPENSES OF PERIOD	
660-661	a. Research and Developments Expenses	-
662-663	b. Marketing Sales and Distribution Expenses	1,517,597,573,217,02
664-666	c. General Administrative Expenses	1,151,126,172,302,92
	TOTAL (6)	2,668,723,745,519,94
	7. OPERATING PROFIT/LOSS(5-6)	-1,139,459,718,842,05
	8. NON OPERATING REVENUES AND PROFITS	
570-571	a. Interest and Commission Revenues	33,297,299,487,11
573	b. Profit Share in Other Establishments	-
574	c. Dividends from Subsidiaries	15,636,286,001,43
575	d. Unused Portions and Reserves	4,492,163,465,44
576	e. Revenues and Profit of previous Years	151,207,850,552,60
577-589	f. Other Revenue and Profit	805,708,523,599,02
	TOTAL (8)	1,010,542,123,106,50
	9. NON OPERATING EXPENSES	
670-671	a. Interest and Commission Expenses	420,984,496,330,23
672	b. Expenses of Unworking Parts	14,712,428,631,56
673	c. Expenses of Reserves for Doubtful Receivables	11,542,666,211,44
676	d. Expenses and Losses of Previous Years	153,624,084,740,28
677-689	e. Other Expenses and Losses	587,807,821,552,08
	TOTAL (9)	1,188,671,518,067,07
	10. PROFIT/LOSS BEFORE TAXES (7+8+9)	-1,317,587,113,802,64
	11. TAXES, SHARE OF LEGAL OBLIGATIONS AND BONUSES	-
	12. NET PROFIT/LOSS (10+11+12)	-1,317,587,113,802,64

TURKISH AIRLINES INC.
31.12.1994
DETAILED BALANCE SHEET

1993 ACCOUNT NO.	1994 ACCOUNT NO.		
100-108	100-108 A.Liquid Assets		
100	100 1. Cash	62.071.225,89	-
105-106	101 2. Cheques Received		-
372	102 3. Banks	1.032.353.258,45	
104	103 4. Cheques Given and Payment Orders(-)	(27.524.939.987,83)	
	108 5. Other Liquid Assets	31.893.153.324,08	
	TOTAL (A)	1.036.783.543.207,59	
110-119	110-119 B.Marketable Securities		
110	110 1. Share Certificates	-	-
111	111 2. Private Sector Bonds and Notes	-	-
112	112 3. Public Sector Bonds and Notes	39.859.916.353,00	
118	118 4. Other Marketable Securities	-	-
119	119 5. Provision for Dec.in Value of Market.Sec.(-)	-	-
	TOTAL (B)	39.859.916.353,00	
120-129	120-129 C.Trade Receivables		
120	120 1. Customers	1.394.818.636.051,34	
121	121 2. Notes Receivables	-	-
122	122 3. Rediscount on Notes Receivables (-)	-	-
126	126 4. Deposits and Guaranties Given	-	-
128	128 5. Doubtful Receivables	92.768.631.563,12	
129	129 6. Provision for Doubtful Receivables(-)	(92.768.232.095,49)	
	TOTAL (C)	1.394.819.035.518,97	
131-139	131-139 D.Other Receivable		
131	131 1. Due from Shareholders	22.017.734,94	
132	132 2. Due from Affiliates	9.993.020.159,51	
133	133 3. Due from Subsidiaries	-	-
135	135 4. Due from Personnel	371.479.164,03	
136	136 5. Other Receivables	38.786.612.811,44	
137	137 6. Rediscount on Other Notes Receivables(-)	-	-
138	138 7. Other Doubtful Receivables	-	-
139	139 8. Provision for Other Doubtful Receivables(-)	-	-
	TOTAL (D)	49.374.129.869,92	

1993
ACCOUNT NO.

1994
ACCOUNT NO.

	150-159	E. Inventories		
150	150	1. Raw Material and Supplies	768.203.165.140,18	160-169
1. Semi-finished Goods in Production	-			151
170-174	152	3. Finished Goods	-	-
175-178	153	4. Trade Goods	-	-
180-18	157	5. Other Inventories		230.320,00
189	158	6. Provision for Inventories(-)		-
140.10/142.01	159	7. Advances Given for Purchases		5.213.505.695,87
145.07/149.02				
		TOTAL (E)		773.416.901.156,05

	180-181	F. Prepaid Expenses and Income Accruals		
180	1. Prepaid Expenses for Future Months		765.915.312.325,49	
181	2. Income Accruals		1.611.513.831.895,20	

		TOTAL (F)		2.377.429.144.220,69
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	190-199	G. Other Current Assets		
190	1. Defered VAT		8.909.899.417,00	
191	2. Deductable VAT		92.056.786.359,18	
192	3. Other VAT		-	
193	4. Prepaid Taxes and Funds		229.446.534,00	
195	5. Work Advances		103.860.337.874,88	
196	6. Advances to Personnel		9.501.807.014,24	
197	7. Inventory Shortages		-	
198	8. Other Current Assets		-	
199	9. Provision for Other Current Asests(-)		-	

		TOTAL (G)		214.558.277.199,69
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		TOTAL CURRENT ASSETS		5.086.240.947.525,52
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H. LONG TERM ASSETS

1993
ACCOUNT NO.

1994
ACCOUNT NO.

	220-229	A. Trade Receivables		
220	1. Customer		1.000,00	
221	2. Notes Receivables		-	
222	3. Rediscount on Notes Receivables (-)		-	
226	4. Deposits and Guaranties Given		1.396.330.438.427,42	
229	5. Provision for Doubtful Receivables (-)		-	
		TOTAL (A)		1.396.330.438.427,42

	231-239	B. Other Receivables		
231	1. Due fro Shareholders		-	

219	232	2. Due fro Affiliates	-
218	233	3. Due fro Subsidiaries	-
223	235	4. Due fro Personnel	-
227	236	5. Other Receivables	140.162.288.772,33
	237	6. Rediscount on Other Notes Receivables (-)	-
	239	7. Provision For Other Doubtful Receivables (-)	-

TOTAL (B) 140.162.288.772,33

240-249	C. Financial Fixed Assets		
240	1. Long Term Securities	-	
241	2. Decrease in Value of Securities (-)	-	
242	3. Affiliates	88.001.500.000,00	
243	4. Capital Commitments for Affiliates (-)	(13.214.678.307,84)	
244	5. Decrease in Value of Affiliates Shares (-)	-	
245	6. Subsidiaries	18.099.500.000,00	
246	7. Capital Commitments for Subsidiaries (-)	-	
247	8. Decrease in Value of Subsidiaries Shares (-)	-	
248	9. Other Financial Fixed Assets	-	
249	10. Decrease in Value of Other Finan.Fixed Assets (-)	-	

TOTAL (C) 92.886.321.692,16

240-249	D. Tangible Fixed Assets		
251	2. Land Improvements	-	867.62,20
252	3. Buildings	59.167.144.202,14	
253	4. Plant Machinery and Equipent	2.013.393.025.080,92	
254	5. Motor Vehicles	26.743.567.394.478,50	
255	6. Furnitures and Fixtures	76.064.871.645,20	
256	7. Other Tangible Fixed Assets	4.939.288.919,54	
257	8. Accumulated Depreciation (-)	(12.921.809.980.869,20)	
258	9. Construction in Progress	245.161.002.199,00	
259	10. Advances Given	-	

TOTAL (D) 16.520.483.613.018,31

1993 1994
ACCOUNT NO. ACCOUNT NO.

	260-269 E. Intangible Assets	
265	260 1-Rights	15.481.229.756,82
	261 2-Goodwill	-
	262 3-Establishment and Formation Expenses	-
-	263 4-Research and Development Expenses	-
273	264 5-Special Costs	38.861.809.813,66
268	267 6-Other Intangible Fixed Assets	-
269/274	268 7-Accumulated Amortization (-)	(12.939.953.106,82)
	269 8-Advances to Suppliers	-
	TOTAL (E)	41.403.086.463,66
	271-279 F. Assets Subject to Amortization	
	271 1-Exploration/Research Expenses	-
	272 2-Preparation and Development Expenses	-
	277 3-Other Amortizable Assets	-
	278 4-Accumulated Amortization (-)	-
	279 5-Advances to Suppliers	-
	TOTAL (F)	-
	280-281 G. Prepaid Expenses and Accrued Income	
275	280 1-Prepaid Expenses for Future Periods	475.777.179.419,52
	281 2-Income Accruals	-
	TOTAL (G)	475.777.179.419,52
	291-297 H. Other Fixed Assets	
284	291 1-Deductible VAT in Future Years	9.807.177.907,00
	292 2-Other VAT	-
	297 3-Other Fixed Assets	-
	TOTAL (H)	9.807.177.907,00
	TOTAL LONG TERM ASSETS	18.676.850.106.700,40
	TOTAL ASSETS	24.563.091.054.225,92
	REGULATING ACCOUNTS	110.294.834.139.659,02

LIABILITIES

I.SHORT TERM LIABILITIES

1993

1994

ACCOUNT NO. ACCOUNT NO. 31.12.1994

	300-309	A.Financial Liabilities	
305	300	1-Bank Loans	956.436.300.000,00
312	303	2-Current Maturities of Long Term Credits abd Accrued Interest	2.150.066.095.064,59
	304	3-Current Maturities of Bonds and Accrued Interest	-
	305	4-Bonds and Notes Issued	-
	306	5-Other Securities Issued	-
	308	6-Value Difference of Securities Issued(-)	-
	309	7-Other Financials Liabilities	-
		TOTAL (A)	3.114.502.395.064,59
325.15/21/30	320-329	B.Trade Payables	
	320	1-Suppliers	4.737.794.494.858,08
	321	2-Notes Payables	-
	322	3-Rediscount on Notes Payables(-)	-
	326	4-Deposits and Guaranties Received	165.710.334.927,13
	329	5-Other Trade Payables	209.294.629.615,90
		TOTAL (B)	5.112.799.459.401,11
	331-339	C.Other Liabilities	
325.16	331	1-Due to Shareholders	-
329.10	332	2-Due to Affilates	-
328	333	3-Due to Subsidiaries	-
333	335	4-Due to Personnel	124.687.970.127,79
	336	5-Other Liabilities	139.904.119,77
	337	6-Rediscount on Other Notes Payable(-)	-
		TOTAL (C)	124.627.874.247,56
341	340-349	D.Advances Received	40.831.664.821,22
		TOTAL (D)	40.831.664.821,22

1993 ACCOUNT NO.	1994 ACCOUNT NO.	
350.20/43/44/354.01 351/11/29/352 351.10/350.40/351.12 351.13-15/27/30 350.41/351.17 326.35 350.42/351.20/21 351.25/19/24/16 351.54/350.11	360-369 E.Taxes Payable and Other Fiscal Liabilities 360 1-Taxes and Funds Payable 361 2-Social Security Withholdings Payable 368 3-Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities 369 4-Other Fiscal Liabilities Payable TOTAL (E)	267.260.572.922,28 27.725.228.498,00 - 1.974.733.359,00 296.960.534.779,28
369.63	370-379 F.Provisions for Liabilities and Expenses 370 1-Provisions for Income Taxes and Other Legal Liabilities on Profit 371 2-Prepaid Income Taxes and Other Legal Liabilities on Profit (-) 372 3-Provisions for Termination Indemnities 379 4-Provisions for Other Debts and Liabilities	- - - 275.777.349,00
	TOTAL (F)	275.777.349,00
370 360.01/361/363.02/ 369.10/26/60-62/ 80/90/95	380-381 G.Income and Expense Accruals Relating to Future Months 380 1-Income Relating to Future Months 381 2-Expense Accruals TOTAL (G)	5.694.341.777,00 1.656.496.606.539,54 1.662.190.948.316,54
350.20.3 378	391-399 H.Other Short Term Liabilities 391 1-VAT Payable 392 2-Other VAT 397 3-Inventory Overages 399 4-Other Short Term Liabilities TOTAL (H)	57.609.831.239,62 - - - 57.609.831.239,62
	TOTAL SHORT TERM LIABILITIES	10.409.990.485.218,92

II.LONG TERM LIABILITIES

1993 ACCOUNT NO.	1994 ACCOUNT NO.	
	400-409	A.Financial Liabilities
405/412 400	1	1-Bank Loans 4.815.646.159.701,02
	2	2-Bonds Issued -
	3	3-Other Securities Issued -
	4	4-Value Difference of Securities Issued(-) -
	5	5-Other Financials Liabilities -
		TOTAL (A) 4.815.646.159.701,02
	420-429	B.Trade Payables
	1	1-Suppliers -
	2	2-Notes Payables -
	3	3-Rediscount on Notes Payables(-) -
	4	4-Deposits and Guaranties Received -
	5	5-Other Trade Payables- -
		TOTAL (B) -
	431-439	C.Other Liabilities
	1	1-Due to Shareholders -
	2	2-Due to Affiliates -
	3	3-Due to Subsidiaries -
430	4	4-Other Payables 25.552.315.846,08
	5	5-Rediscount on Other Notes Payable(-) -
	6	6-Debts to The Public Sector Deffered or Payable by Instalments -
		TOTAL (C) 25.552.315.846,08
	440-449	D.Advances Received
	472-479	E.Provisions for Debts and Expenses -
490.15-30	1	1-Provisions for Termination Indemnities 1.027.088.329.582,40
490.10	2	2-Provisions for Other Debts and Expenses 10.437.971.667,56
		TOTAL (E) 1.037.526.301.249,96
	480-481	F.Income Relating to Future Periods and Expense Accruals
470	1	1-Income Relating to Future Periods 29.430.062,00
	2	2-Expense Accruals -
		TOTAL (F) 29.430.062,00
	492-499	G.Other Long Term Liabilities
	1	1-VAT Deffered to Following Years -
	2	2-Other Long Term Liabilities -
		TOTAL (G) -
		TOTAL LONG TERM LIABILITIES 5.878.754.206.859,06

III. SHAREHOLDERS EQUITY

1993 ACCOUNT NO.	1994 ACCOUNT NO.		
	500-501	A. Paid-in-Capital	
480	500	1-Capital	6.000.000.000.000,00
481	501	2-Un-paid Capital (-)	(500.000.000.000,00)
		TOTAL (A)	5.500.000.000.000,00
	520-529	B. Capital Reserves	
	520	1-Share Premium	
	521	2-SHare Premium of Cancelled Shares	
482	522	3-Revaluation Funds of Tangible Fixed Assets	7.561.756.826.931,56
		4-Revaluation Funds of Investments	35.434.682.229,64
		5-Other Capital Reserves	-
		TOTAL (B)	7.597.191.509.161,20
	540-549	C. Profits Reserves	
485.10-11/486.11	540	1-Legal Reserves	6.242.749.306,72
	541	2-Statutory Reserves	-
486.10	542	3-Extraordinary Reserves	111.480.751,43
494	548	4-Other Reserves	8.566.017,42
483	549	5-Special Funds	4.929.905.663,61
		TOTAL (C)	11.292.701.739,18
495	570	D. Retained Earnings	-
		TOTAL (D)	-
498	580	E. Accumulated Deficits (-)	(2.645.685.665.513,35)
		TOTAL (E)	(2.645.685.665.513,35)
499	590-591	F. Net Profits (Loss) for The Period	(2.188.460.183.239,09)
		TOTAL (F)	(2.188.460.183.239,09)
		TOTAL SHAREHOLDERS EQUITY	8.274.338.362.147,94
		TOTAL LIABILITIES (SOURCES)	24.563.091.054.225,92
		REGULATING ACCOUNTS	110.294.834.139.659,02

TURKISH AIRLINES INC.
01.01.1994-31.12.1994
DETAILED STATEMENT OF INCOME



1993 ACCOUNT NO.	1994 ACCOUNT NO.		01.01.1994-31.12.1994
500-524	600-602	A.Gross Sales	
	600	1.Domestic Sales	10.560.522.870.723,20
	601	2.Export Sales	17.991.745.301.817,90
	602	3.Other Sales	452.631.815.409,71
		TOTAL (A)	29.004.899.987.950,81
546-548	601-12	B.Sales Deductions(-)	
	610	1.Sales Returns(-)	(1.134.740.953.524,39)
540-555-559	611	2.Sales Discounts(-)	
	612	3.Other Deductions(-)	(592.194.586.064,50)
		TOTAL (B)	1.726.935.539.588,89
600-653	620-23	C.Net Sales (A-B)	27.277.964.448.361,92
620		D.Cost of Sales (-)	
		1.Cost of Goods Sold (Product)(-)	-
		2.Cost of Goods Sold (Trade)(-)	-
		3.Cost of Services Rendered(-)	(21.708.133.327.209,45)
		4.Cost of Sales (Other)(-)	-
		TOTAL (D)	(21.708.133.327.209,45)
		1.GROSS PROFIT OR LOSS (C-D)	5.569.831.121.152,47
660-661	630-32	E.Operating Expenses(-)	
662-663	630	1.Research and Development Expenses(-)	-
	631	2.Marketeting Selling and Distribution Expenses(-)	(4.146.720.154.690,66)
664-666	632	3.General Administration Expenses (-)	(2.245.111.170.896,58)
		TOTAL (E)	(6.391.831.325.587,24)
		2.OPERATING PROFIT OR LOSS (1-E)	(822.000.204.434,77)
574	640-49	F.Income and Profit From Other Operations	
	640	1.Divident Income From Affiliates	4.342.701.586,81
573	641	2.Divident Income From Subsidiaries	-
570-571	642	3.Interest income	93.775.809.277,74
	643	4.Commission Income	-
575	644	5.Provisions No Longer Required	10.563.589.284,63
	645	6.Profit on Sale of Marketable Securities	-
584	646	7.Profit From Foreign Currency Exchange	2.524.128.631.723,38
	647	8.Rediscount Income	-
577-589	649	9.Other Income and Profit	203.097.219.420,49
		TOTAL (F)	2.835.907.951.293,05

1993
ACCOUNT NO.

1994
ACCOUNT NO.

652-659	G.Expenses and Losses Other Operations(-)	
652	1.Revenue Share interest Expense	(7.869.553.007,00)
653	2.Commission Expenses(-)	-
683	3.Provisions(-)	(65.030.851.546,84)
655	4.Loss on Sale of Marketable Securities(-)	-
684	5.Loss From Foreign Currency Exchange(-) (1.136.420.711.743,80)	
657	6.Rediscount Interest Expense(-)	-
677-689	7.Other Ordinary Expenses and Losses(-)	(26.769.327.882,02)

TOTAL (G) (1.236.090.444.259,66)

670-671	H.Financial Expenses(-)	
660	1.Financial Expenses (Short Term)(-)	(1.764.936.557.884,00)
661	2.Financial Expenses (Long Term)(-)	(2.111.445.586.657,06)

TOTAL (H) (3.876.382.146.541,06)

3.ORDINARY PROFIT OR LOSS (F-G-H) (2.276.564.639.507,67)

671-679	I.Extraordinary Revenues and Profits	
671	1.Previous Period Revenues and Profits	166.864.776.019,12
673	2.Other Extraordinary Revenues and Profits	1.189.308.322.563,17

TOTAL (I) 1.356.173.098.582,29

680-689	J.Extraordinary Expenses and Losses(-)	
680	1.Idle Capacity Expenses and Losses(-)	(5.547.801.782,76)
681	2.Previous Period Expenses and Losses(-)	(413.195.574.452,04)
689	3.Other Extraordinary Expenses and Losses(-)	(27.325.061.644,14)

TOTAL (J) (446.068.437.878,94)

4.EXTRAORDINARY PROFIT OR LOSS (I-J) 910.104.660.703,35
5.PROFIT OR LOSS FOR THE PERIOD (2+3+4) (2.188.460.183.239,09)

691 K.Provisions for Taxes Payable and Other
Statutory Obligations(-)

NET PROFIT/LOSS FOR THE YEAR (2.188.460.183.239,09)

FINANCIAL REVIEW

1. BALANCE SHEET

Application of Accounting Standards General Notification No.1,published in the Official Gazette No.21447 on 26.12.1992 requires that real and legal entities who keep balance sheet-based accounts to keep their books according to the Uniform Accounting System as of January 1,1994.1993 accounts have been adapted to the new accounting standards,in order to provide a uniformity between 1993 and 1994.

a) Liquid Assets

Liquid Assets increased fro TL 399.491.778.757,00 in 1993 to TL 1.036.783.543.207,59 in 1994,an increase of 159,5% or TL 637.291.764.450,59.

Although bureaucratic obstacles continued in the transfer of revenues obtained fro sales in the Middle East;sales revenues of TL 108.161.057.324 equivalent to total of US\$ 2.015.837 and SFR 1.982.745,was able to be transferred.

The increase in liquid assets stems from the revaluation of year-end foreign currency balances at year-end exchange rates according to the Tax Procedure Law.

b) Marketable Securities

This account,which aounted to TL 39.859.916.353 as of 31.12.1994 is composed of Revenue Sharing Certificates with a nominal value of US\$ 405.000 which was given by Privatization Administration against its commitment to raise the share capital of Turkish Airlines to TL 5.5 trillion in 1994 and repo transaction of TL 23.999.947.920 with a maturity of 02.01.1995 between Turkish Airlines and Garanti Bank and the interest accrued on the above certificates as of 31.12.1994.

c) Trade Receivables

Trade Receivables, which amounted to TL 445,163,42,40 in 1993, increased by TL 949,655,376,086,57 to reach TL 1,394,839,025,518,77 at the end of 1994. These consist of TL 340,353,105,740,29 from the Treasury, TL 13,289,507,062,79 from official offices due to charges for ticket sales, TL 16,002,718,623 from State Economic Enterprises and TL 109,433,665,355,33 from Turkish Air Transport. The rest represents trade receivables due from real and legal entities in Turkey and abroad due to operating activities.

d) Other Receivables

Other Receivables increased from TL 36,637,754,752,11 at the end of 1993 to TL 49,374,129,869,92 in 1994, an increase of TL 12,736,375,117,81. These are composed of TL 223,017,754,94 from the Privatization Administration, TL 9,993,020,159,51 from our subsidiary HAVAS, TL 371,479,164,03 from our employees, TL 34,133,540,100 from a credit given to Turkish Airlines by the company CFMI and TL 1,653,072,711,44 from other receivables.

e) Inventories

This account, which consists of spare parts for aircraft and engines, supplies, material for in-flight services and other inventories, amounted to TL 485,926,360,635,78 as of 31.12.1993, increased by TL 257,490,534,520,27 during the year of 1994 to reach TL 773,416,901,156,05 as of December 31 1994.

f) Prepaid Expenses & Accrued Income

This group of accounts amounted to TL 858,491,831,072,09 at end-1993, increased by TL 1,518,937,148,60 to reach TL 2,377,429,144,220,69 at the end of 1994. The balance of this account is composed of TL 765,915,312,325,49 in prepaid expenses and TL 1,611,513,813,295,20 in accruals which were either not received as of year-end or not deposited at the bank.

g) Other Current Assets

Other current assets, which stood at TL 242,572,784,926,44 at the end of 1993, decreased by TL 25,414,707,727,14 to TL 214,556,277,199,30 at the year-end of 1994.

The balance of this account consists of VAT to be transferred off deducted, advance payments of taxes and funds, business advances in Turkey and abroad and advances given to employees for travel, vacation and moving expenses.

2) Fixed Assets

a) Trade receivables

This account increased by TL 937,981,263,509,00 during 1994 to reach TL 1,396,330,439,427,42 as of 1994, up from TL 458,349,175,918,42 compared to previous year.

The account is composed of TL 1,000 from the Dogan Group of Companies and TL 1,396,330,438,427,42 from deposits and guarantees given in Turkey and abroad. The largest portion of the latter amount belongs to the deposits given to GPA-GE and ILFC companies for B 737 aircraft which equals TL 1,358,144,643,600,00.

b) Other Receivables

This group of accounts rose from TL 66,352,529,356,167 at the year end of 1993 to TL 140,162,288,772,33, an increase of TL 73,809,758,773,66. It is made up of credit memorandum granted at the deliveries of A-340 aircraft bearing serial numbers of 23-25-57 by CFMI company.

a) Financial Fixed Assets

Affiliates and Subsidiaries

In order to become the sole owner of TMT, Board of Directors of Turkish Airlines received on 22.04.1993 to purchase the TL shares of TMT equivalent to 45% of the nominal value of TL 3.701.000.000 which is held by other shareholders. Thus, TL 1.700.000.000 on shares with a nominal value of TL 2.400.000.000 was paid to Tiritoglu; TL 100.000.000 was paid on shares with a nominal value of TL 200.000.000 to UPAS. Thus Turkish Airlines became 99.50% shareholder of TL 18.000.500.000 as of 31.12.1994. Legal procedures are continuing to acquire the outstanding shares. Turkish Airlines holds 50% shares of Cyprus Turkish Airlines (TL 15.000.000.000) and 0.5% shares of Emek Insaat (TL 3.000.000) 18.9285% shares of Havas (TL 48.998.500.000) and 50% shares of Sun Express (TL 24.000.000.000). TL 92.886.321.692.16 of the total was paid in as of 31.12.1994 entered to our share capital in the year 1994. Dividends of TL 3.225.358.153.81 were received from Havas. In 1993,

d) Tangible Fixed Assets

The purchase values accumulated depreciation and net book value of tangible fixed assets as of 31.12.1994 is shown in the table below.

Tangible fixed assets	TL 1993	TL 1994
TL 14.567.070.525.147,31	TL 14.875.222.998.740,17	
increased by	TL 39.442.293.593.687,50	
as of 1994.	as of 1994.	

In 1994, the following amounts were added to the account : TL 0.152.273.910.024 due to revaluation at the ratio of 107.6%, TL 304.637.773.674.98 due to exchange rate differentials, TL 191.455.278.818.96 due to purchases, TL 5.255.737.315,02 due to transfers between accounts and TL 70.312.900.774,65 due to investments. At the same time, the following amounts were deducted: TL 18.367.160.770,96 due to written off, TL 102.671.995.662,63 due to sales of assets, TL 384.953.481,46 due to transfers between accounts and TL 17.495.491.972,37 due to dispatches.

e) Intangible Fixed Assets

This account which stood at TL 7.600.056.521,33 in 1993, increased by TL 33.742.250.142,33 to reach TL 41.403.086.163,66 as of 1994. This balance is the net value of license fees and assetized expenditures for the repair and decoration of rented buildings.

f) Prepaid Expenses & Accrued Income

At the end of 1994, this group of accounts stood at TL 175.777.179.410,52 increased by TL 176.167.957.566,02 compared to 1993 in which was TL 299.609.221.853,50.

The balance consists of assetized expenditures related to major overhaul of aircraft and airport infrastructure and computer equipment purchased from TBM in 1993, the transfer right of the Munich office, modification charges made for the first 4 B-737 aircraft, assetized aircraft insurance premiums for 1995 paid to Ray Sigorta, the assetized price differential for the A-340 aircraft bearing serial number of 20 which was not covered by the lessor thus was paid by Lessee to be amortized over 10 years, assetization of the portion belonging to 1996 and subsequent years of the promotional expenses for two A-340 and five B-100 aircraft which were delivered in 1993 with taking into account the financing period, assetized expenses arising from changes made to the fourth and subsequent A-340 aircraft as BFI, and assetized modification expenses for RD-100s for the portion belonging to 1996 and subsequent years.

c) Other Fixed Assets

The account rose from TL 6.048.635.437.00 in 1993 to TL 7.807.177.907 at the end of 1994, an increase of TL 1.758.542.470.00 consists of VAT to be deducted from tangible fixed asset purchases.

B. LIABILITIES

A comparison of the main accounts in the balance sheet for 1993 and 1994 is given below:

Current Maturities of Long Term Bank Loans (Eternal)

This account which had a balance of TL 1.006.601.274.850,50 as of 31.12.1993 reflects current maturities of the Dutch Government credit and commercial and export credits utilized to finance the purchase of Airbus aircraft, which were transferred to this account from long term loan on 31.12.1993 to be paid in 1994. In 1994, TL 1.160.299.685.971.22 in exchange rate differential was added to the account, against this TL 2.106.900.280.621.72 in loan payments on the maturity dates was paid off. The current balance of TL 2.158.066.095.064,52 which was transferred from the long term bank loan account on 31.12.1994 is shown as current maturities on long term bank loans to be paid in 1995.

Short Term Bank Loans (Domestic)

As of 31.12.1993 the balance of this account stood at the aggregate account of TL 1.323.472.379.257,84 made up of loans from various bank in the amount of \$ 53.497.918,66 and TL 549.997.886.334,00.

During 1994, the account increased by TL 1.063.337.711.131,16 due to exchange rate differentials on foreign currency denominated loans, \$ 18.597.918,66 (TL 1.260.375.924.055) was paid off, leaving the balance of foreign currency denominated loans.

\$ 14.000.000 (TL 576.436.300.000) as of 31.12.1994, TL loans of \$ 9.997.866.334 were fully paid off. In December 1994 a total of TL 380 million in TL loans was utilized, resulting in a year-end balance of TL 956.436.300.000, including both TL and foreign currency denominated loans.

d) Trade Payables

This group of account, which accounted to TL 1.611.161.461.512,71 at the end of 1993 increased by TL 3.501.637.297.888,40 during 1994 to reach TL 5.112.799.459.401,11 at the end of 1994. This consists of amount owed to domestic and foreign sellers for the purchase of goods and services and deposits and guarantees given in Turkey and abroad.

e) Other Liabilities

The account decreased in 1994 by TL 310.087.726.677,52 falling from TL 434.915.670.925,08 the TL 124.827.874.247,56. Out of this latter amount TL 124.887.270.127,79 is due to personnel TL 139.904.118,17 is due to others. The decreased in this account stems from the accrual differences on TL 119.952.957.427,04 until 31.12.1994 related to the 15th collective bargaining agreement that became effective on 1.10.1994 but could not be ratified.

f) Advances Received

This balance of this account which keeps track of advances received from customer against MCO to be issued as tickets in the future amounted to TL 40.834.664.621,22 as of 31.12.1994 with an increasement of TL 25.176.538.290,11 over the 1993 balance.

c) Taxes Payable and Other Fiscal Liabilities
This account is composed of taxes stoppages and duties payable in 1995 on 1994 operations.

1) Provisions for Debts and Expenses

This account which registered TL 275.777.347.00 at the year end 1994 reflects the accrued expenses of our domestic offices.

g) Income Relating to Future Periods and Expense Accruals

This account which registered TL 1.662.193.748.316.54 at year end 1994 is composed of payment orders which were authorized as of 31.12.1994 but not yet paid by the banks wages due to domestic employees accrued interest on external project credits and expenses on finance credits expensed for heating oil handling accommodations meals and hospitality for offices abroad and various other expenses relating to future periods.

h) Other Short Term Liabilities

This account which amounted to TL 57.607.631.237.62 at the end of 1994 was declared to the tax office in January 1995 as VAT to be paid for December 1994.

Shareholders Equity

a) Capital

The ceiling of registered capital was raised from TL 2.5 trillion to TL 6 trillion 28.01.1994 within this framework. The authorized capital Turkish Airlines was raised from TL 2.5 trillion to TL 5.5 trillion with the permission no 96/451 of the capital markets board on 16.6.1994 with TL 1.5 trillion to be paid in cash and TL 1.5 trillion against evaluation fund. The increase was fully paid-in during the year.

b) Capital Reserves

Revaluation fund of tangible fixed assets this account which stood at TL 4.075.676.401.770.72 in 1993 increased by TL 3.846.000.425.160 net to reach TL 7.921.756.826.931.56 as a result of the amortization and revaluation of tangible fixed assets at the rate of 107,6% in 1994.

Revaluation Fund on Subsidiaries

The balance of TL 35.434.682.227.64 is our share on HAVAS against capital increase covered by the revaluation fund reserves.

c) Profit Reserves

This account is made up of TL 6.242.749.306.72 in legal reserves TL 111.480.751.43 in extraordinary reserves TL 8.566.017.42 in other profit reserves TL 4.927.905.663.61 in fixed asset revaluation fund transferred from BHIT. The balance amounted to TL 11.292.701.739.10 at the end of 1994.

d) Accumulated Deficits

The end 1994 balance of TL 2.645.355.065.516.35 reflects the total accumulated deficits of 1988, 1990, 1991 and 1992 of TL 6.328.076.551.710.71 plus the 1993 deficit of TL 1.817.539.113.602.54.

STATEENT OF INCOME

Turkish Airlines posted total sales of TL 29.004.893.987.51. After deducting sales returns and taxes of TL 1.726.935.537.588.09 net sales amounted to TL 27.277.964.448.361.72 Net sales are composed of TL 22.277.217.600.630.40 in ticket sales for scheduled flights,

TL 175,543,760,230,37 in revenue from cargo, TL 2,775,169,103,732,75 in revenue from cargo, TL 77,177,436,516,71 in revenues for mail, TL 1,522,228,531,64,77 in ticket sales for unscheduled flights (domestic and foreign charters and pilgrimage flights) and TL 250,631,818,409,71 in other operating income. Other operation posted earnings of TL 2,835,907,951,293,05 while extraordinary expenses and profits amounted to TL 1,356,177,073,562,29. With these additions, Turkish Airlines posted total revenues of TL 31,470,045,478,237,29 for the year.

Cost of sales of TL 21,708,133,327,209,45 plus operating expenses of TL 5,371,831,325,587,24 resulted in total operating expenses for the period of TL 28,079,964,652,796,69. Expenses and losses from other operations of TL 1,236,090,544,257,56, financial expenses of TL 3,876,382,146,541,06 and extraordinary expenses and losses of TL 148,068,137,878,94 combined to make total expenses of TL 33,658,505,681,476,35. Thus, with total revenues of TL 31,470,045,478,237,26 for the year and total expenses of TL 33,658,505,681,476,35, Turkish Airlines closed 1994 with a loss of TL 2,188,460,183,239,09. A summary of revenues and expenses for 1994 are given in comparison with those of 1993 in the tables below:

A-REVENUES

Gross sales revenues showed a 182,2 increase over 1993 while total income rose 170,0% over the previous year.

Net income derived from ticket sales (81,7%), excess baggage (0,6%), mail (0,3%), cargo (10,2%) unscheduled flights (5,5%) and 1,7% for royalty fees, services provided to other companies advertising, pool revenue, coisions received and from other similar sources.

B-EXPENSES

Total operating expenses for 1994 were 168% higher than in 1993.

Total cost of goods and services sold made up 77,3% of operating expenses. Total cost of goods and services is composed of direct operating expenses (37,3%), passenger services (9,8%), direct maintenance (6,1%) and general production (46,8%).

Total expenses for the period which account for 22,7% of operating expenses are composed of marketing sales and distribution (64,9%) and general administrative expenses (35,1%).

INCOME AND PROFIT FROM OTHER OPERATIONS

Dividend income from affiliates of TL 4,342,701,586,81 interest income of TL 93,775,809,277,74 provisions no longer required of TL 10,563,582,264,63 profit from foreign currency exchange of TL 2,524,125,631,723,38 and other income and profit of TL 203,097,215,420,42 contributed to income and profit from other operations totaling TL 2,835,907,951,293,05.

EXPENSES AND PROFIT FROM OTHER OPERATIONS

This account totaled TL 1,236,090,444,257,56 composed of revenue due to interest expense of TL 7,869,553,087,00 provisions expenses of TL 5,030,851,546,84 loss from foreign currency exchange of TL 136,420,711,743,80 and other ordinary expenses and losses of TL 28,769,327,882,02. Other ordinary expenses and losses of TL 28,769,327,882,02 is composed of expenses for handling services provided to other airlines, duty-free, pool expenses, lodging and hospitality given to other companies.

FINANCIAL EXPENSES

Financial expenses for 1994 totaled TL 3,876,382,146,541,06 compared to TL 3,933,679,824,998,60 a year earlier. Short-term financial expenses increased from TL 118,052,600,727,30 in 1993 to TL 1,764,936,557,684 in 1994 while long-term financial expenses increased from TL 375,627,224,271,30 to TL 2,111,445,588,657,06 in 1994.

EXTRAORDINARY REVENUES AND PROFITS

Extraordinary revenues and profits increased to TL 1,356,173,098,582,29 in 1994, up TL 1,148,692,541,809,06 over the previous year. Revenues and profits of the previous period of TL 166,864,776,019,12 and other extraordinary revenues and profits of TL 1,189,308,322,563,17 made up this account in 1994.

EXTRAORDINARY EXPENSES AND LOSSES

Extraordinary expenses and losses for the year totaled TL 446,068,437,878,94 TL 277,331,859,653,46 over the previous year. Idle capacity expenses and losses of TL 5,547,801,782,76 expenses and losses of the previous period of TL 413,125,574,452,04 and other extraordinary expenses and losses of TL 27,325,061,644,14 were the entries in this account.

TERMINOLOGY AND ABBREVIATIONS

Available Seat-Kilometers.	:The product of the total number of seats offered on all stages of the routes under consideration and of the corresponding stage distances (great circle)
Revenue Passenger-Kilometers	:The product of the total number of passengers of all stages of the routes under consideration and of the corresponding stage distances (great circle)
Available Ton-Kilometers	:The average total supply of capacity available per aircraft of the carriage of revenue load (passengers, all baggage, freight and mail)
Passenger Load Factor	:Revenue passenger-km expressed as percentage of available seat-kms
Overall Load Factor	:Revenue ton-kms expresses as percentage of available ton-kms
Revenue Passengers Carried	:Passengers of all fare type classes counted on a point to point basis, paying 25% or less of the applicable fare for the journey
Block Hours	:Total aircraft hours in revenue operations measured from the time the aircraft moves from the loading point until it stops at the unloading point
Kms Flown	:The product of the revenue operations and kms flown
Average Daily Aircraft Utilization	:Total revenue hours flown by aircraft type(block to block) during a period divided by the number of aircraft days available
ICAO	:International Civil Aviation Organization
IATA	:International Air Transport Association
AEA	:Association of European Airlines

REPORT

First of all, I gratitude, feeling indebted to THY personnel, I prepared this report during 3 weeks. In this period thanks for cooperation and studies to THY.

Turkish Airlines was taken into the privatization program of state-owned Companies in 1990. It has since then implemented a drastic restructuring and investment program which makes it today a profitable highly competitive International carrier in a strategic location with financial stability and a great potential for growth.

Turkish Airlines, the oldest Airline in the region with 62 years of operation is today a mid-size fast-growing international carrier with one of the world's youngest fleet, a very strong presence in Europe and the middle East and a considerable strategic advantage in the southern CIS countries.

Indeed, THY has doubled its fleet since 1989 and currently operates 64 aircraft, of which 3 are cargo only. Its average age is about 4 years which makes it one of the youngest fleet in the world. (Exhibit 1)

At the same time between 1989 and 1994, we increased the revenue passenger kilometers flown by 81 %, while the number of employees increased by 1.5 % only (Exhibit 2)

In US Dollar terms, the airline's revenue grew at a rate of 14.4 % per year between 1989 and 1994. Last year, revenue surpassed the billion US dollar mark. In the first six months of 1995, we already reached USD 550 million. (Exhibit 3)

As for the markets we serve they are:

Of course, Turkey, where THY possesses a virtual monopoly for scheduled flights to 27 destinations, with the highly popular tourist resort Bodrum as one of the latest additions. (Exhibit 4)

We offer 22 international destinations outside of Europe to the US, Japan, South-east Asia and, predominantly the Middle East and the now Turkic republics of the CIS. Our most profitable routes are in those two regions where we are considered a premium flag carrier (Exhibit 5)

We also offer 32 destination for international flights within Europe with a dense network into Germany (9 destinations) (Exhibit 6) Major cities like Paris, FRA, LON etc, we have two flights a day.

An additional important point, as you can see on this map is that our network is centred around our home base Istanbul airport which we use as a hub not only to connect international to domestic flights but also international flights. As I mentioned earlier, the location of Istanbul is very strategic for the region and serves as transit platform to travel from far away places to the middle-east or the Southern CIS countries. You could for example fly from New York non-stop to Istanbul with a connection to Ashkhabad or from Tokyo non-stop to Istanbul with a connection to Athens or Bucharest.

This is equally valid for cargo traffic, especially when taking into consideration the new THY cargo terminal and vast cargo handling facilities in the Istanbul hub.(Exhibit 7)

Our ongoing growth is partly driven by a market far from saturation. Per capita of population the number of passenger kilometres of passengers in domestic and international flight is far below comparable countries. Mexico, in the same range of per capita income as Turkey, has 4 to 6 times more air traffic according to these measures; similar ratios exist for comparisons with Chile or Peru.

The market is clearly under exploited and presents great potential for growth in passenger traffic.(Exhibit 8)

Foreseeing these attractive growth markets and in order to elevate Turkish Airlines standard to very high international levels, our fleet was built up and renewed considerably starting the early nineties. Of course, this restructuring of the fleet and the opening of new routes such as direct flights to Tokyo-Sidney-New York-Singapore-Bangkok with A340 and introducing First Class service has required very heavy investments from our part in the period of 1987-1994, but Turkish Airlines has now returned to significant profitability.

Simultaneously, this period did not permit profitability due to a number of internal and external reasons, e.g., the Gulf War in 1990 and its aftermath which particularly affected Turkey.

Improving market conditions and management action have contributed to averting this trend. After a loss USD 120 million in 1993, operating break-even was surpassed in 1994. The first six months of 1995 show a strong profit with almost 5 percent return on sales.(Exhibit 9)

This recovery is based on a number of internal strengths, such as high productivity in technical areas, as well as structural adjustments in the fast growing domestic market.

Comparisons with international airline data show that our technical operations, including maintenance, flight deck crew and cabin attendants are among the most productive in the world.(Exhibit 10)

This, combined with reasonable salary levels, provides some explanation for THY's favourable cost position. As you can see on the screen THY labour cost average 15 % of total costs as opposed to European Airlines average of 22-24 %. (Exhibit 11)

However, further improvements on the cost side are on the way, such as input price reductions especially for catering (so far about USD 8 million realigned) and also for fuel purchases in foreign airports.

Furthermore, a tight lid on personnel increases and general and administrative costs permits us to gain further cost leverage from the high growth rates.

But more important than operating cost reductions are revenue improvements.

Turkish Airlines is already today the number one exporter in Turkey bringing in a total amount of 653 millions Dollars for the year 1994.

On the Domestic Scene, inflation and currency devaluation had reduced the yield to only 33% of the European average for domestic flights. The latest adjustment made by THY has increased its domestic yields significantly from 7.29 US Cent in 1994 to 13 US Cent in 1995 without affecting the load factor which even increased from 78.8 to 80.5 after the price adjustment in 1995.

We can therefore see that there is a great potential on the Domestic market and that Turkish Airlines could increase the yields significantly. (Exhibit 12)

As for the improvements on the international scene we are building up position and gaining more share of the market through a series of infrastructure investments:

Reservation, Check-in and Automatic Ticketing System which was borrowed from British Airways and installed in April 1995.

The system has online links to General Distribution System such as Galileo, Sabre and Amadeus. Sahara Hotel Reservations, Timatic and Bahamas System are also connected to the new system. A Yield Management System will be implemented in 1996 to complement the functionality in addition more of the lucrative Business and First Class segment captured through a broader scope of our international sales operations supported by an updated customer loyalty scheme.

Cargo Reservations and Handling, Revenue Accounting, Crew Scheduling, Flight Schedule Planning and Slot System, Flight Operations System, Accounting and Human Resources have been developed in-house and are widely used in the corporation.

In addition Turkish Airlines have established a major skill building program with the creation of a Flight Training Center consisting of B737-400 and RJ-100 full flight Simulators, as well as a separate Cabin Crew Training Center with cabin simulators now under construction.

THY has a FAA approved maintenance station on its existing facilities but investments to improve & increase the maintenance capacity are being implemented with the building a new maintenance block to accommodate the needs of THY as well as enable to provide third party maintenance. These three major investments will permit the airline to increase skill, reduce costs and even create additional revenues.

It also seems important to mention the additional gains that could be expected from the cooperation with another carrier. We estimate that Turkish Airlines could gain USD 20 to 50 million annually from cooperating with a major partner, excluding the partner's own advantages. Synergies would be possible due to lower input prices, broad better sales coverage, joint cargo activities and passenger

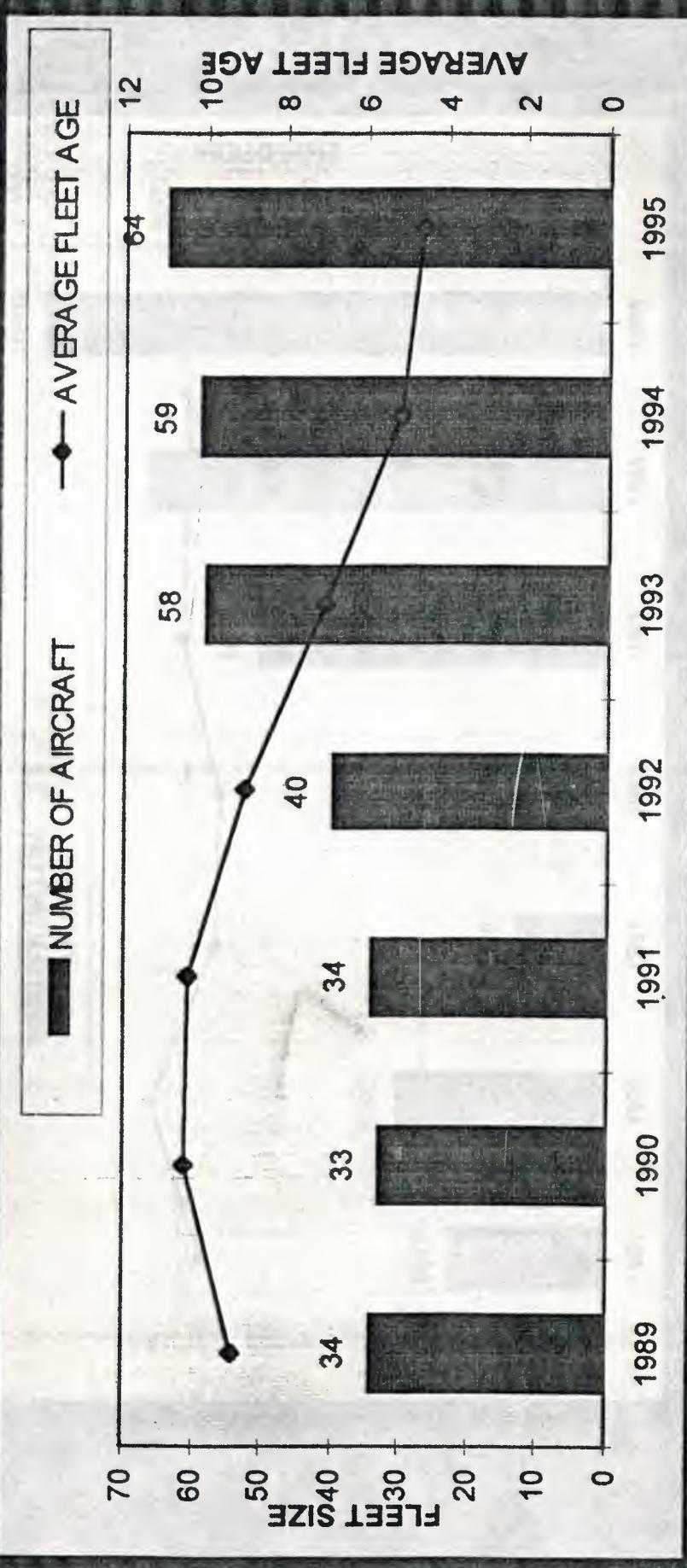
traffic feed.

Lastly, current privatization strategy favors the sale of about one third of THY's stock to a strong airline partner before further public offerings would reduce the state share to 51% or less with the possibility of a management contract that would provide direct operational control of the airline to the partner. Thus forming an attractive perspective for international investors.

In conclusion, I hope I have been clear in showing that THY is a fast growing airline of high international standards with great potential for growth and having recovered its financial stability and profitability, that it is now ready for privatization as an attractive investment.

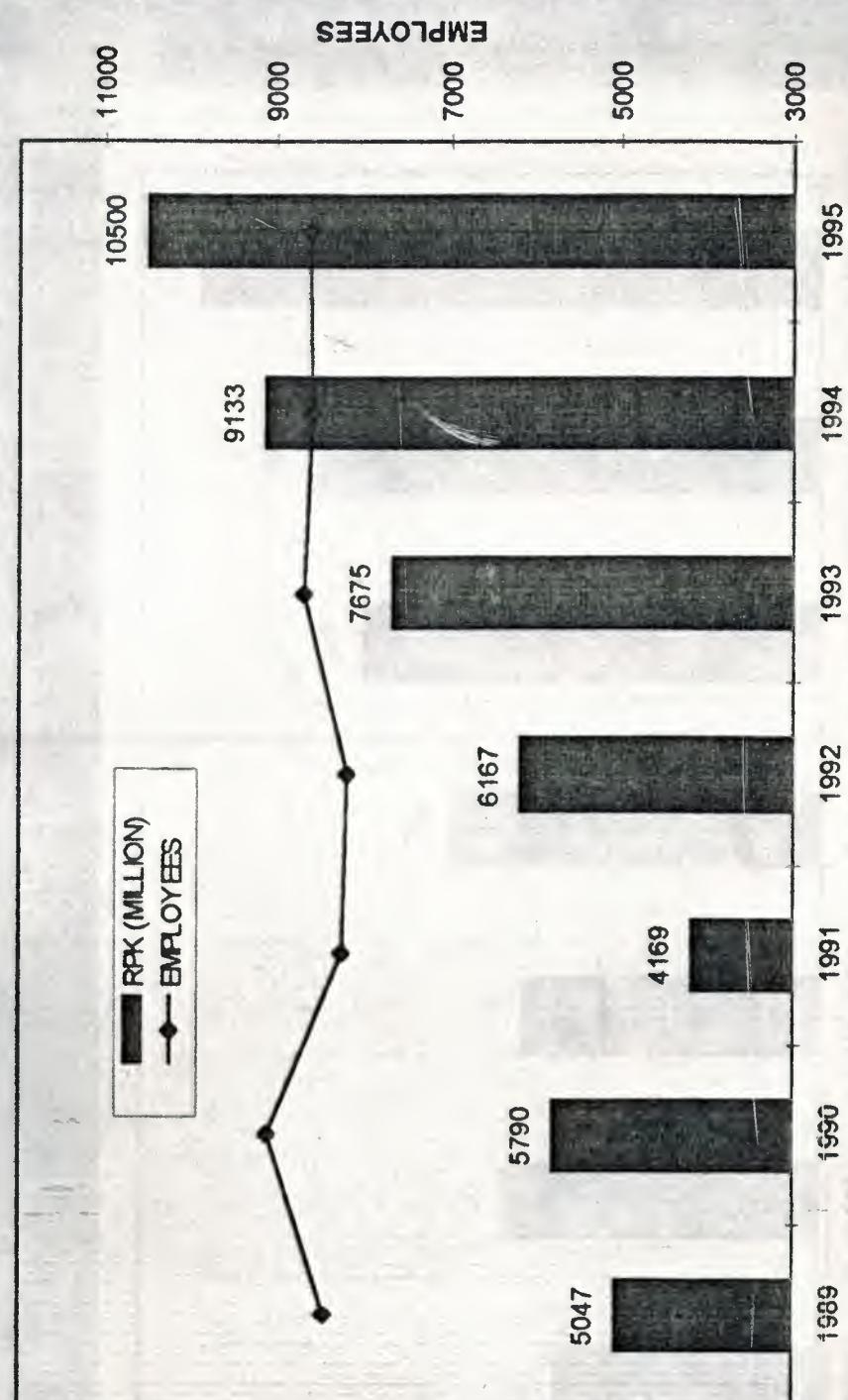
THY

NUMBER OF AIRCRAFT & AVERAGE AGE 1989 - 1995

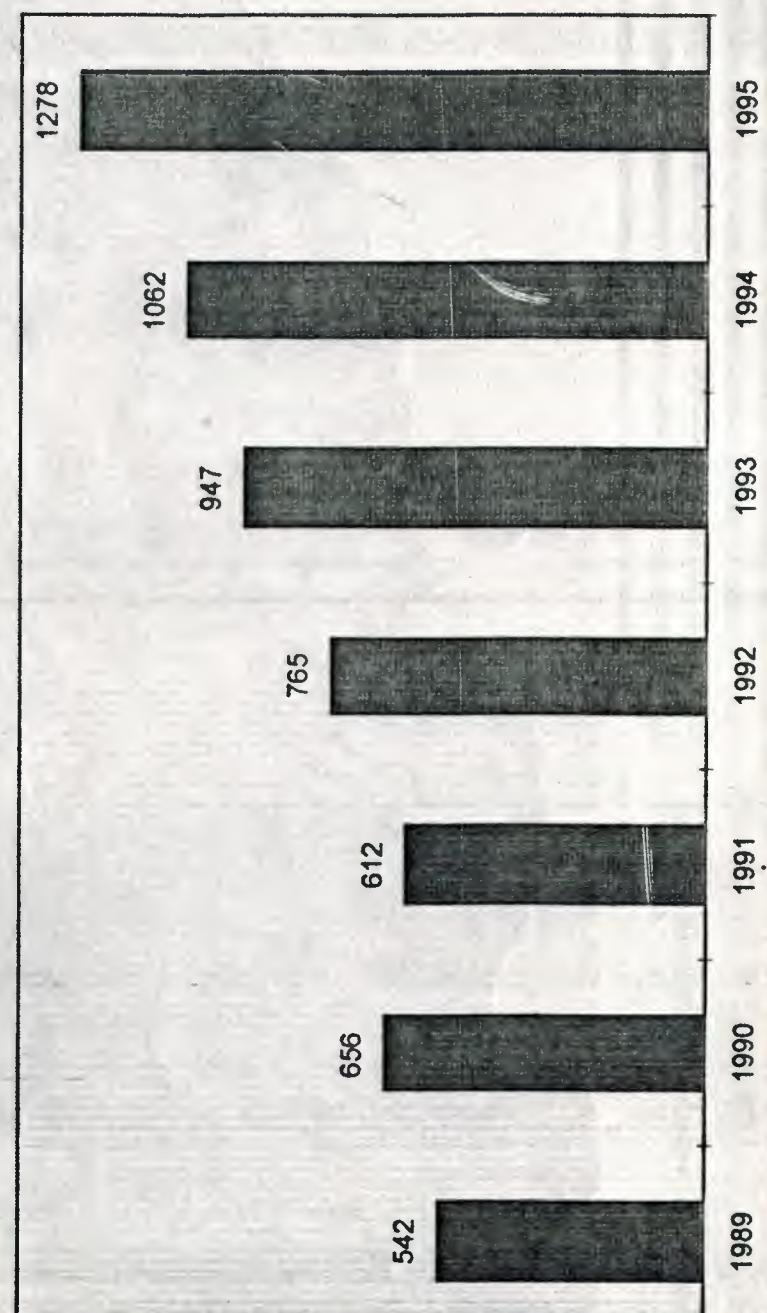


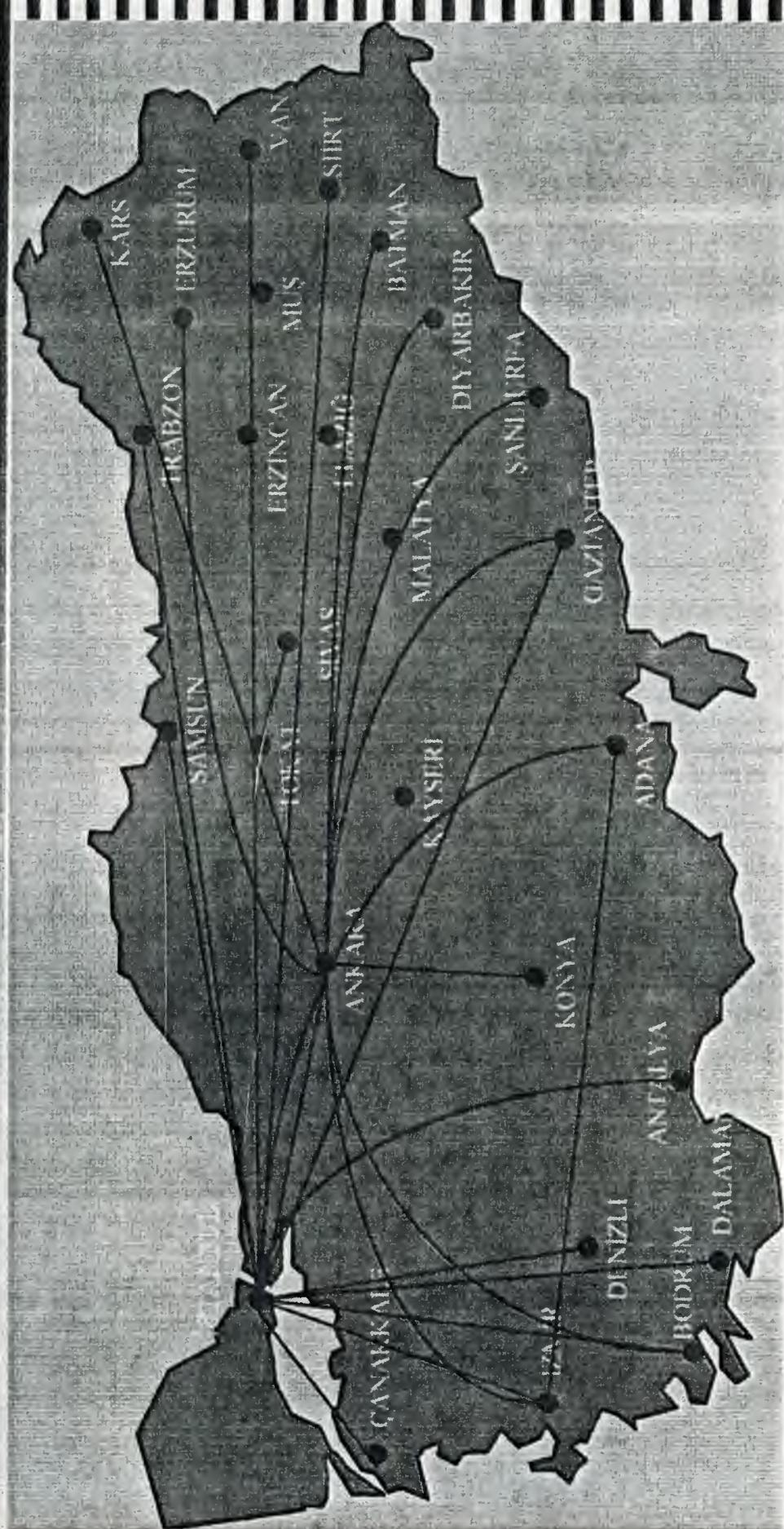
THY

RPK & EMPLOYEE GROWTH 1989 - 1995



THY
REVENUE GROWTH
1989 - 1995
MILLION USD





THY WORLD NETWORK

TOTAL 81 DESTINATIONS



THE EUROPE NETWORK



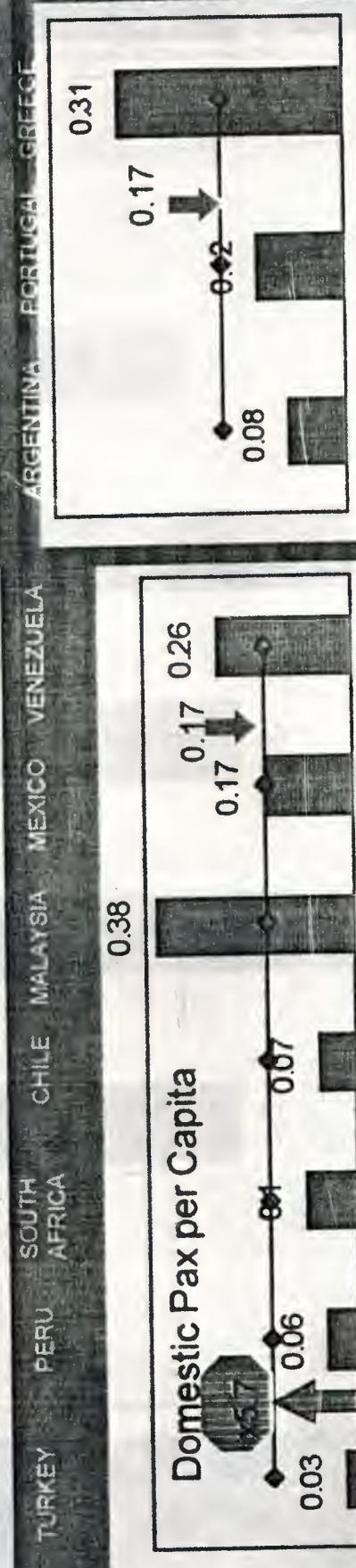
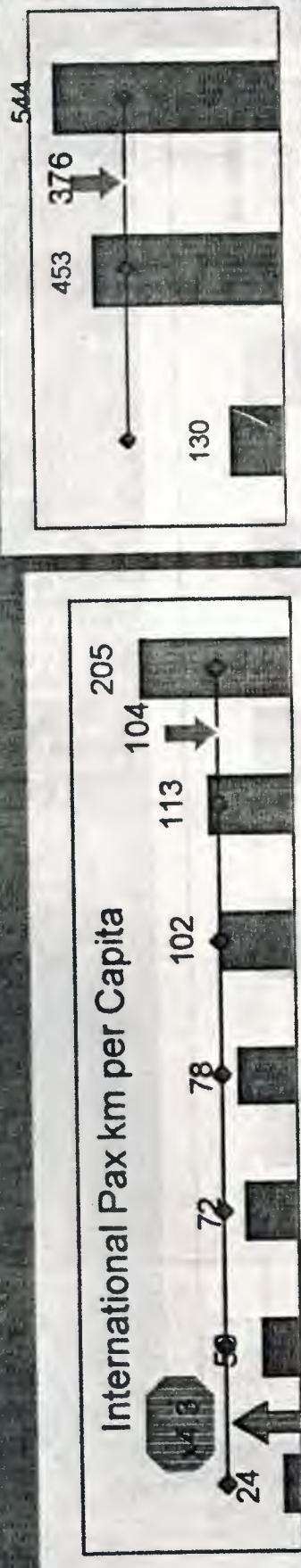
32 CITIES AS OF 1995

TURKEY IS IN THE MIDDLE OF THE WORLD



THY IS CONNECTING 54 INTERNATIONAL
& 27 DOMESTIC CITIES

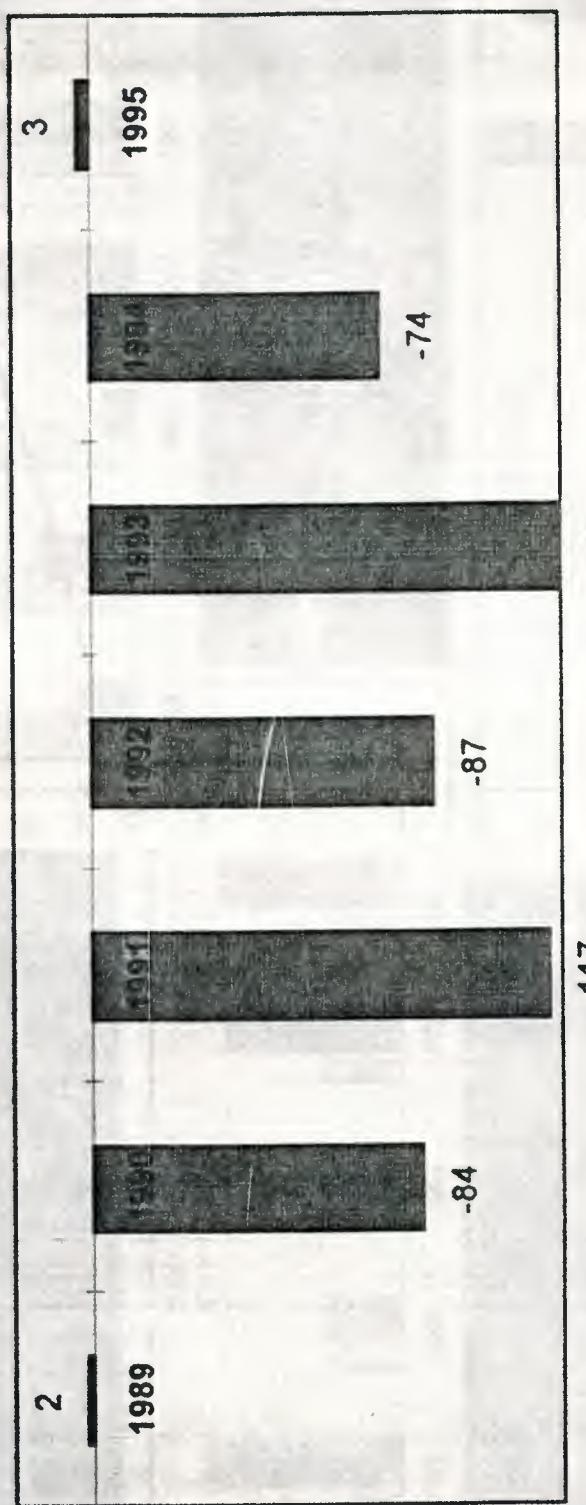
TURKEY HAS A GREAT GROWTH POTENTIAL IN PASSENGER TRAFFIC



GRPI per Capita USD 2.000-10.000

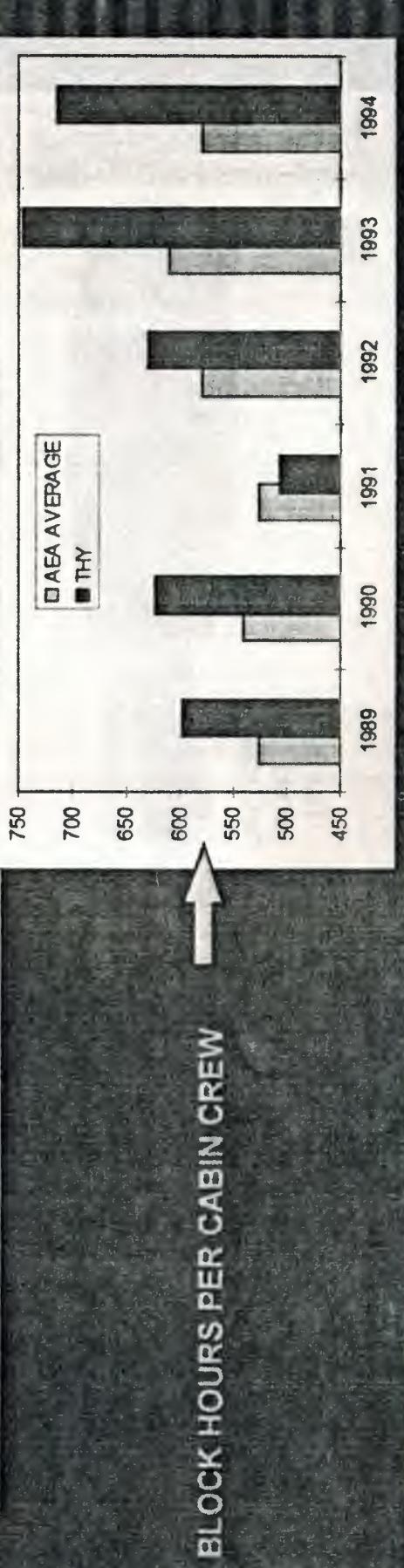
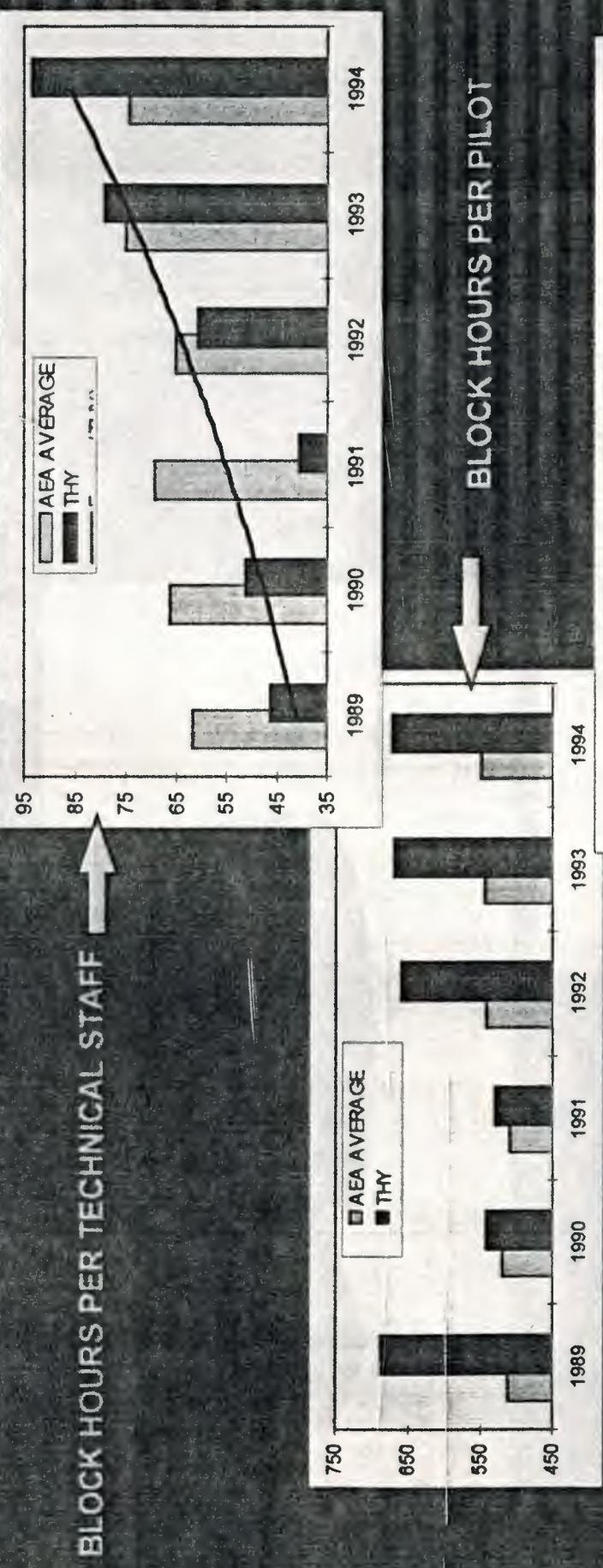
THY

NET PROFIT(LOSS)
1989 - 1995
(MILLION USD)



THY

PERSONNEL PRODUCTIVITY INDICATORS



THY HAS LOW LABOUR COST

AVERAGE EUROPEAN AIRLINES



LABOUR COST
22-24%

OTHER COSTS
76%

TURKISH AIRLINES



LABOUR COST
15%

OTHER COSTS
85%

THY HAS A LOW DOMESTIC PRICE ELASTICITY

PAX YIELD USC

11

729



LOAD FACTOR %

80.5

78.8

