

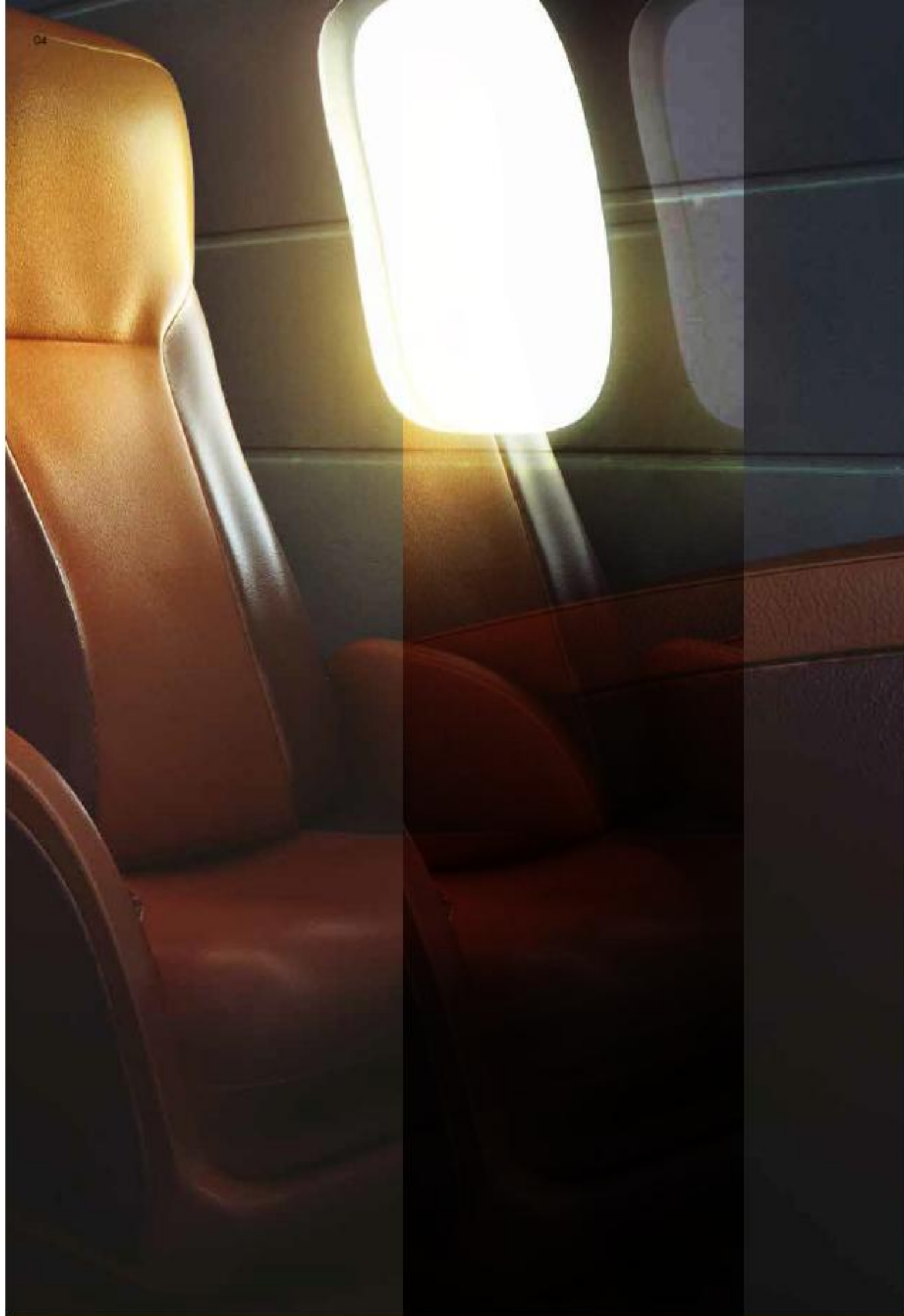
ANNUAL REPORT '14





TABLE OF CONTENTS

05 Our Mission and Vision	06 Quality Policy	08 Message from the Chairman of the Board	10 Board Members	11 Organizational Chart	12 Air Fleet Development across the World
14 Employee Profile	16 Quality Documents and Other Certificates	17 Certificates from Overseas Authorities	18 Training at Turkish Technic Inc.	19 Our Hangars	22 Overhaul and Line Maintenance Capabilities
23 Activities and Capacities of Component Factories	36 Our International Customers	38 Our Domestic Customers	40 Signed Agreements	41 Fairs and Conferences	42 Aircraft Maintenance in Numbers
44 Our Investments and Projects	46 Our Engineering Activities	47 R&D Directorate	48 Fleet Management	50 Financial Information	



MISSION

To direct the industry in any and all maintenance, repair, modification and design services of aircraft and components;

- In accordance with the aviation rules and standards,
- By meeting the expectations of its stakeholders in the best manner,
- By developing constantly its capabilities with the optimum quality and price understanding,
- Actualizing with the environmental and social responsibility awareness

VISION

To become a developing, safe and global company in the area of aviation technical services that makes its stakeholders proud.

A young child with short hair, wearing a blue hoodie, is seen from behind, looking out of a bright, oval airplane window. The child is seated in a blue airplane seat. The scene is illuminated by the bright light coming through the window, creating a warm, golden glow. The background shows the interior of the airplane cabin with another window visible to the right.

QUALITY POLICY



MAINTENANCE/ FLIGHT SAFETY

To offer reliable services and products by treasuring Maintenance/ Flight Safety above all else.



CUSTOMER ORIENTATION

To ensure customer satisfaction by offering products and services in accordance with customer expectations; to take all the necessary measures required to solve customer complaints in accordance with our principles of safety, transparency, objectivity, confidentiality, accessibility, integrity, equality and sensibility.



ENVIRONMENTAL CONSCIOUSNESS

To ensure all our employees are aware of how to protect and improve the environment.



STANDARDS & RULES COMPLIANCE

To ensure all employees comply with national and international rules and regulations, as well as with company procedures, through the use of professional and technical implementation.



QUALITY MANAGEMENT SYSTEM

To ensure that a quality management system is embraced by lending particular importance to quality service manner, and to constantly enhance its efficiency.



CONTINUOUS DEVELOPMENT & PRODUCTIVITY

To become a continuously developing organization through planning, knowledge and technology based approaches, and through the maintenance of company loyalty and high team spirit.



HUMAN FACTORS

To work in accordance with human factor principles.



COOPERATION WITH AUDITORS

To ensure that all employees cooperate with the Turkish General Directorate of Civil Aviation (SHGM), as well as quality auditors of other authorities, companies and customers.



EFFECTIVE MANAGEMENT

To achieve company aims and goals in accordance with the designated strategies of authority and responsibility awareness by improving communication, harmony and cooperation among employees.



OCCUPATIONAL HEALTH AND SAFETY

To ensure that occupational health and safety principles are always followed by paying great attention to human and environmental factors in all company activities.



REPORTING

To encourage employees to report incidents/mistakes related to maintenance.



CALIBRATION SERVICES

To offer calibration services in a quality, error-free and reliable way by applying internationally accepted methods in accordance with ISO 17025 standards, as well as the terms agreed with customers.

MESSAGE FROM THE CHAIRMAN OF THE BOARD

With our rapidly growing flight network, as well as advertisements and promotional activities throughout the world, we feel justifiably proud to wave our flag in faraway countries and to be able to call ourselves a global brand.



Dear fellow employees,

The aviation industry is one of the fastest growing sectors in the world. At Turkish Airlines Corporation, Turkey's leading company in the aviation sector, we constantly revive and improve ourselves, and take firm steps towards achieving bigger goals.

With our rapidly growing flight network, as well as advertisements and promotional activities throughout the world, we feel justifiably proud to wave our flag in faraway countries and to be able to call ourselves a global brand. With its quality technical maintenance and repair services, Turkish Technic Inc., no doubt, has played a big role in Turkish Airlines' success. By thoroughly analyzing the present-day sector and the sector of tomorrow, it takes firm steps towards achieving its goal of becoming one of the players who will dominate the maintenance and repair sector in the future. In order to secure Turkish Technic Inc.'s place as one of the sector's biggest players, we have made investments in business lines which will increase our brand awareness in the world and provide us with a competitive advantage. In addition to our five affiliates, which we founded over the past four years, we also established an R&D center under the roof of Turkish Technic Inc. With this R&D center we aim to also be active in research and development activities. In the long and medium term, it is obvious that these investments will add value to the 2023 vision of Turkish Technic Inc. and Turkey itself. The market size of the world MRO (Maintenance, Repair and Overhaul) market was \$57.7 billion in 2014. It is expected to grow by an annual average of 4.17% by 2024, reaching \$86.8 billion. Positive sector indicators gave us the opportunity to broaden our product range and inspired growth points. The motor sector is again expected to maintain the lion's share of this. Moving away from the traditional MRO model, Turkish Technic Inc. has adopted a next-generation MRO approach, which has the ability to dominate the sector and which allows us to introduce competitive products. Aside from its maintenance and repair activities it has also engaged in production. Adding the approach "Production" to "Maintenance Repair and Overhaul", which has been abbreviated as MRO up until now, it proceeds towards becoming "MROP".

HABOM facilities, which will make our country one of the most important MRO centers in its region, was officially opened at Istanbul Sabiha Gökçen Airport on June 27, 2014 in a large opening ceremony. HABOM, one of Turkish Airlines Corporation's prestigious projects, is a candidate for becoming one of the world's best aviation maintenance, repair and modification centers with its architectural structure, which is in line with the "green building" concept and which pays attention to the needs of today's modern MRO enterprises, as well as with its technological infrastructure and equipment. This integrated facility is able to simultaneously offer maintenance, repair and revision services for 14 aircrafts – of which 11 are narrow-bodied and three are wide-bodied – in a closed area of 374,000 m². Facilities worth about \$500 million, are designed with state-of-the-art technology and planned in the form of a modern campus with all social amenities.

Turkish Technic Inc., which is aware of Turkey's advantageous geographical position when it comes to civil aviation, increased its hangar capacity, making Istanbul a regional aircraft maintenance center.

With its innovative perspective, Turkish Technic Inc. puts its signature on important projects in the field of R&D. The Wireless IFE system, developed by the R&D team, has been integrated into an aircraft and positive results have been achieved after testing. The first prototype for a Universal Motor Washing device has been produced and tested. The applicable Turkish Directorate of Aircraft Maintenance (UBB) and Turkish Motor Maintenance (MB) have confirmed that the results are positive. Production of devices was then begun using an approach that will cover all motors in the fleet of Turkish Airlines. Two AC/DC load bank designs were made. After their manufacture, they were delivered to the Department of Component Workshops. Pre-designs for the seat-back screens, which were designed within the scope of cable IFE design, have been finalized and are ready for production. In 2014, Turkish Technic Inc. received "Production Organization Approval" with reference no. EASA.21G.0043 and "Production Organization" approval with reference no. TR.21G.001 from the Turkish Directorate General of Civil Aviation.

With its initiatives directly or indirectly fostering Turkey's 2023 vision, Turkish Technic Inc. cleansed itself of the philosophy of proceeding only with commercial concerns, and paid importance to national concerns as well. Thus, it became a company leading the organizations and activities that will also strengthen the domestic subordinate industry. With its investments, reorganization work and its policies, which constantly provide employment opportunities, Turkish Technic Inc. stands behind its vision of becoming one of the most preferred maintenance centers in the global MRO market, achieving its goals for 2014. With its human and environmentally conscious approaches, as well as its focus on innovations and sustainable perfectionism, the company takes firm steps towards carrying its national market leadership into the global market. I would like to express my gratitude to everyone who has contributed to the successes we have achieved so far. I hope 2015 will be a successful year for our company and I greet each of you with respect.

Hamdi TOPÇU

Chairman of the Board and CEO of Turkish Technic Inc.



BOARD MEMBERS



Hamdi Topçu

CHAIRMAN & CHIEF EXECUTIVE
OFFICER



İsmail Gerçek

DEPUTY CHAIRMAN OF BOARD OF DIRECTORS /
MEMBER OF EXECUTIVE BOARD



Metin Kilci

MEMBER OF BOARD OF
DIRECTORS



Prof. Dr. İsmail Demir

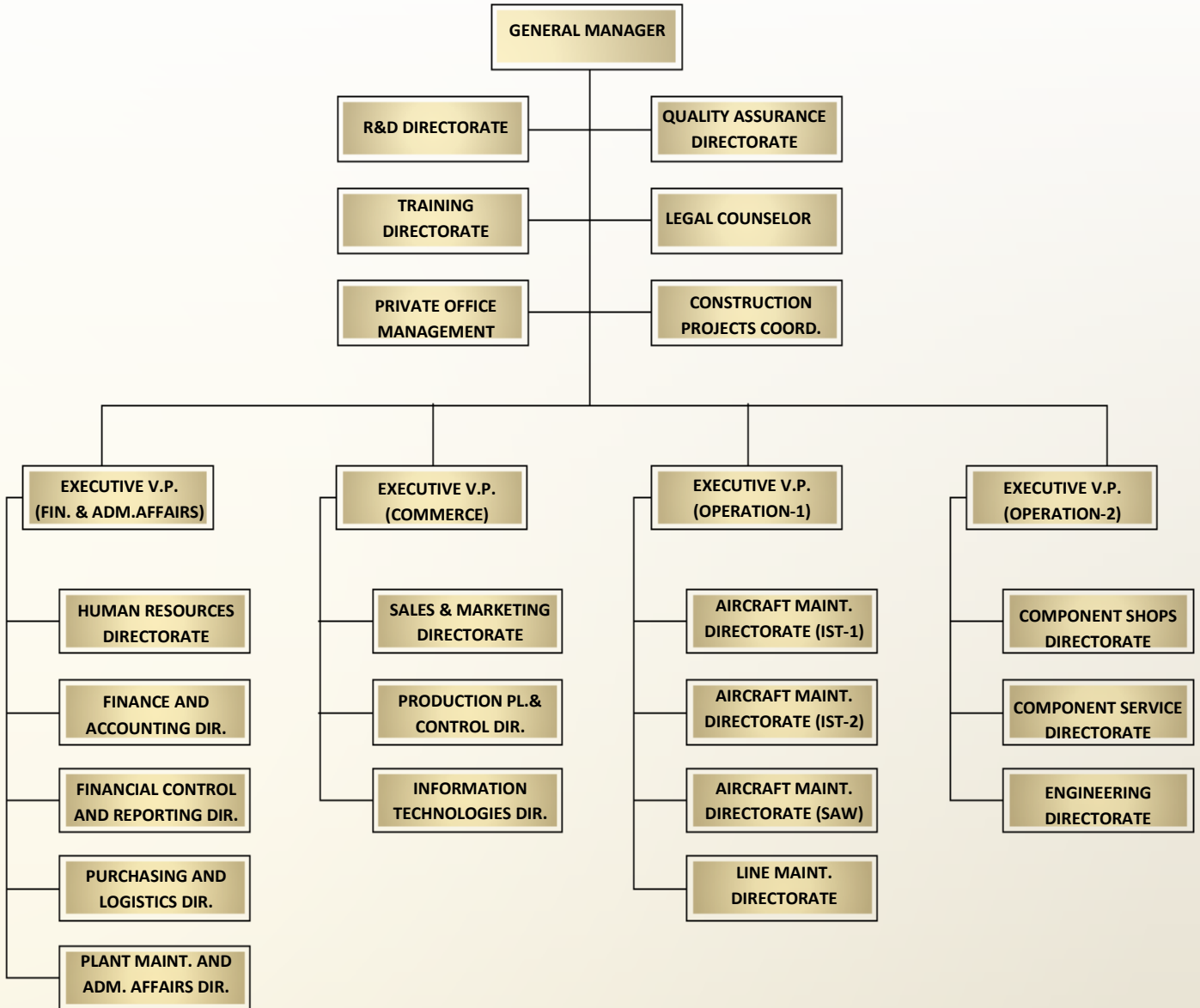
MEMBER OF BOARD OF DIRECTORS



Dr. Fuat Oktay

MEMBER OF BOARD OF DIRECTORS

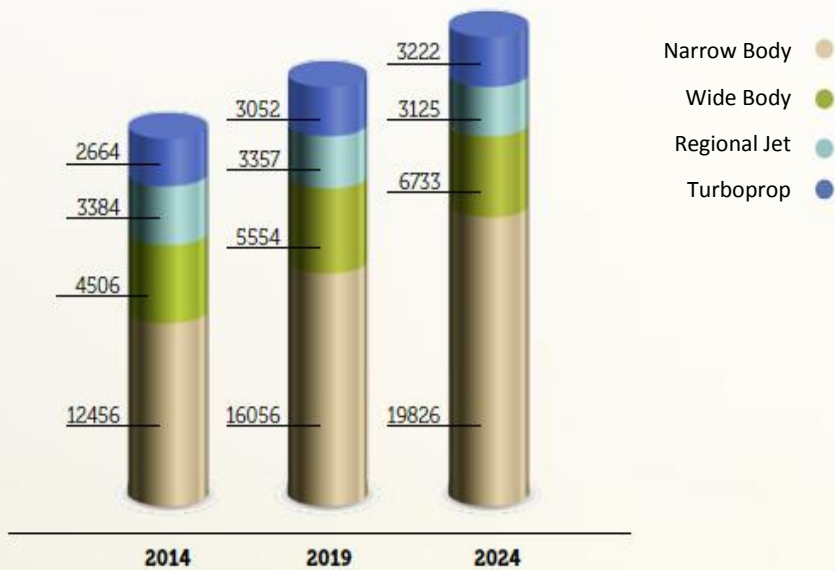
TURKISH TECHNIC INC. ORGANIZATION CHART



WORLD AIRCRAFT FLEET DEVELOPMENT

WORLD AIRCRAFT FLEET DEVELOPMENT

The number of aircraft providing service throughout the world is expected to be 23,010 in 2013. In the next ten years, the number of aircraft is expected to grow by 4.3% annually. The number of aircraft providing service in 2024 is expected to reach 32,906 in 2023 according to this growth.



WORLD MRO MARKET

The global MRO market in 2014 grew by 4.17% year over year, amounting to 57.7 billion dollars. In the next five years, the MRO market is expected to achieve a figure of 73 billion dollars. And in the following five years, the growth is projected to reach 86 billion dollars. It is anticipated that American market which is the largest market in 2013 will give its place to Asia in 2023.

An average growth of **4.17%** is anticipated in the global market by 2024.

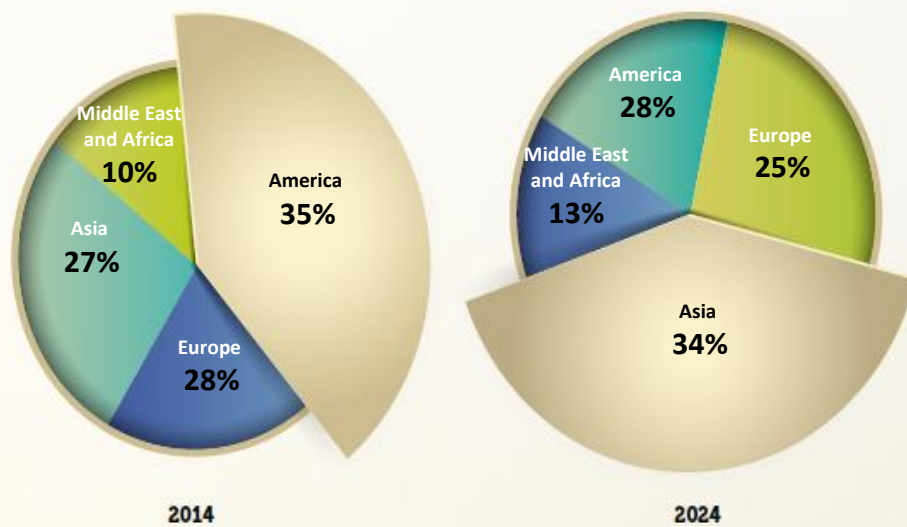
Currently being at the level of **57.7 billion \$** the market is expected to reach at the level of **87 billion \$** by 2024.

Engine maintenance stands as the largest segment with the highest growth rate.



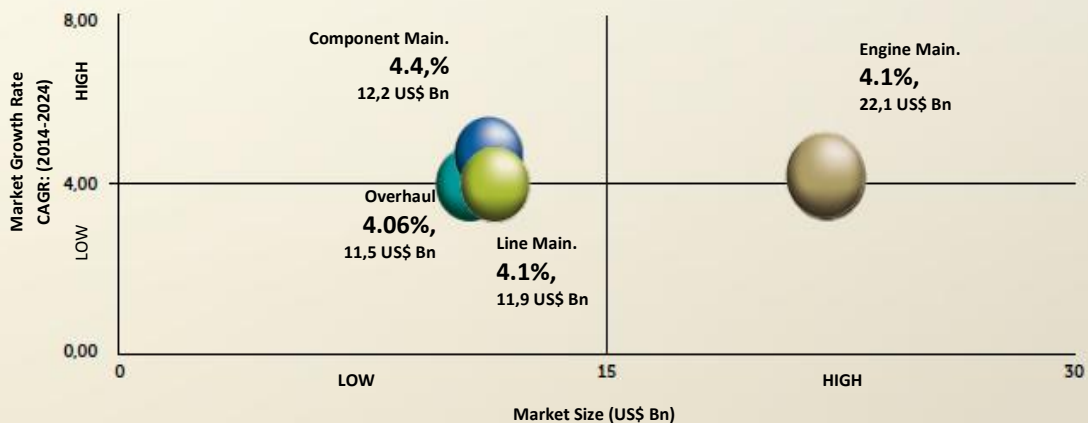
MRO MARKET DEVELOPMENT ACCORDING TO REGIONS

While the share of America and Europe region is decreased, shares of Asia, Middle East and Africa are increased.



MRO MARKET GROWTH ACCORDING TO MAINTENANCE SEGMENT

When growth trend of MRO market is analyzed according to maintenance segment, it is seen that Engine Maintenance segment is the largest segment. It is observed that component overhaul segment is the first and engine maintenance segment is the second in terms of growth speed between 2014 -2024.



EMPLOYEE PROFILE



Distribution of Employees According to Title

Title Group	Number of Personnel	%
Technician	3508	79.8%
Other	35	0.8%
Officer	166	3.8%
Specialist	154	3.5%
Engineer	309	7.0%
Manager	223	5.1%
Total	4395	100.0%

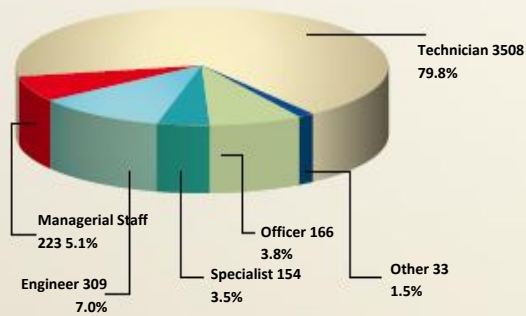
Total employee number of Turkish Technic Inc. is 4395 as of 31.12.2014.

Average age of the employees is 32.9 and average employment period is 6.9 years.

Employee turnover rate of 2014 is 5.24% including transfers within subsidiary companies of Turkish Airlines.

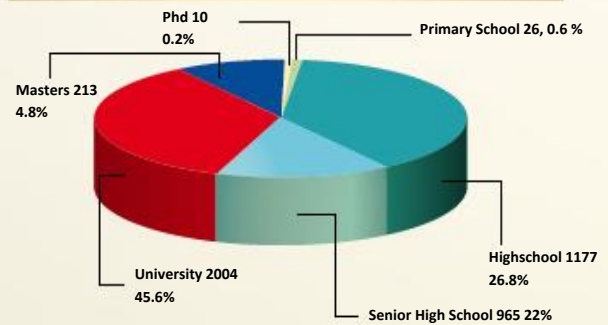
Employee Sub Group	Total
GENERAL MANAGER	1
ASSISTANT GENERAL MANAGER	3
CHAIRMAN	15
MANAGER	66
COORDINATOR	1
CHIEF	127
PROJECT MANAGER (TT)	9
CONSULTANT	1
TRAX CONSULTANT	1
PROGRAMMER	1
ATTORNEY	5
PHYSICIAN	2
CHIEF ENGINEER	24
PROJECT ENGINEER	7
SENIOR ENGINEER	22
ENGINEER	256
TEACHER	21
SPECIALIST	128
HEALTH OFFICER	5
OFFICER	161
CHIEF TECHNICIAN	183
TECHNICIAN	1838
ASSISTANT TECHNICIAN	1487
WORKER	31
TOTAL	4395

PERSONNEL TITLE DISTRIBUTION

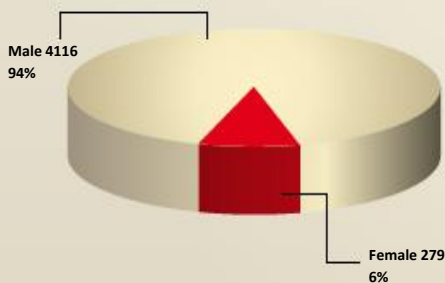


PERSONNEL EDUCATIONAL STATUS

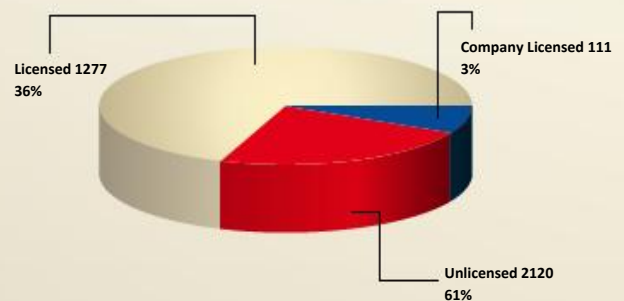
TOTAL: 4395



PERSONNEL MALE / FEMALE RATIO



PERSONNEL LICENSE STATUS





QUALITY DOCUMENTS AND CERTIFICATES

QUALITY CERTIFICATES

ISO 9001:2008 Quality Management System

AS 9100:2009, Rev. C Aviation Quality Management System

ISO 14001:2004 Environmental Management

OHSAS 18001:2007 Occupational Health and Safety Management

Green Company Certificate

TS EN ISO/IEC 17025:2012 Calibration Accreditation Certificate

TS ISO 10002:2006 Customer Satisfaction Management System

SHGM - EASA – FAA-USA DOT CERTIFICATES

SHGM SHY-145 Maintenance Company Approval Certificate (TR.145.001)

EASA Part-145 Maintenance Organization Approval Certificate
(EASA.145.0276)

SHGM SHY-21 Production Organization Approval Certificate (TR.21G.001)

EASA Part 21 Design Organization Approval Certificate (EASA.21J.418)

EASA Part 21 Production Organization Approval Certificate
(EASA.21G.0043)

FAA Approved Maintenance Center Certificate (TQKY144F)

DOT Pressurized Cylinder Test Center Approval Certificate (RIN D030)

CERTIFICATES FROM OTHER AUTHORITIES

CERTIFICATES FROM OTHER AUTHORITIES

Aruba DCA Approval Certificate
Bahrain DCA Approval Certificate
Bermuda CAA Approval Certificate
Bosnia-Herzegovina DCA Approval Certificate
Egypt CAA Approval Certificate
South Korea CAA Approval Certificate
India DGCA Approval Certificate
Libya CAA Approval Certificate
Tajikistan CAA Approval Certificate
Pakistan CAA Approval Certificate
Qatar CAA Approval Certificate
Russia CAA Approval Certificate
Kuwait CAA Approval Certificate
BAE GCAA Approval Certificate
Jordan CAA Approval Certificate
Malaysia CAA Approval Certificate
Moldova CAA Approval Certificate
Senegal CAA Approval Certificate



TRAINING IN TURKISH TECHNIC INC.

Turkish Technic training while providing, Engine Run-Up, Component, A Category Task, Level 1 and Level 2 Task theoretical and on-job trainings to aircraft maintenance technician, Human Factor, Company Procedures, Safety Management System (SMS), Aviation Regulations, Hazardous Materials, Electrical Wiring Interconnection Systems (EWIS), Fuel Tank Safety, De-icing Anti-Icing, Occupational Health Safety and Environmental Trainings are some trainings that have been conducted to keep their required and update knowledge. Turkish Technic 145 Training Department's conducted trainings and their details listed in below table.

Month	Number of Trainings Organized	Turkish Technic Inc. Number of Participants	Number of External Company Participants		Total Number of Participants
			Turkish Airlines Inc.	Other Companies	
JANUARY	249	2352	3	5	2360
FEBRUARY	205	2033	4	2	2039
MARCH	239	2596	2	0	2598
APRIL	240	2996	7	4	3007
MAY	214	2352	4	10	2366
JUNE	253	3353	2	6	3361
JULY	147	1686	2	3	1691
AUGUST	200	1826	1	0	1827
SEPTEMBER	410	3005	2	2	3009
OCTOBER	324	6148	3	0	6151
NOVEMBER	467	8088	2	4	8094
DECEMBER	358	3642	0	2	3644
TOTAL	3306	40077	32	38	40147

HANGARS

İST-1/HANGAR 1

FEATURES AND OFFERED SERVICES

35,000 m² Indoor Area
10,000 m² Hangar Area

- Landing Gears
- Brake
- Paint
- NDT
- Engine, APU and Fuel Systems
- Structural Repair, Cabin Interior
- Machine, Coating and Welding
- Pneumatic
- Oxygen and Filling
- Avionics

The capacity to serve 2 wide-body and 3 narrow-body aircraft at the same time...



HANGARS



IST-1/HANGAR 2

FEATURES AND OFFERED SERVICES

75,000 m2 Indoor Area
13,600 m2 Hangar Area

- Aircraft Revision Electronic and Electric
- Aircraft Painting
- Structural Repair, Composite
- Cabin Interior
- Seat
- Cabin Textile
- Warehouse

The capacity to serve 3 wide-body and 4 narrow-body aircraft at the same time...





ENVIRONMENTAL FACILITIES

FEATURES AND OFFERED SERVICES

14,000 m2 Indoor Area

- Engine Testcell
- Hangar Equipment
- Temporary Workshops Building (Battery, Cargo Equipment, Galley Equipment, Emergency Equipment, Nitrogen Shop)
- Pneumatic Building
- Purifying Building
- Explosive Materials Warehouse
- Power Plant
- Wheel & Tire Shop
- Autoclave Plant



İST-2/BUSINESS JET HANGAR

FEATURES AND OFFERED SERVICES

1500 m² Indoor Area

- 2 Business Jets, 5 pcs 5.700 kg, The capacity to provide maintenance-repair service to 6 aircraft at the same time.



ESB / HANGAR 1

7,750 m² Indoor Area

OVERHAUL AND LINE MAINTENANCE CAPABILITIES

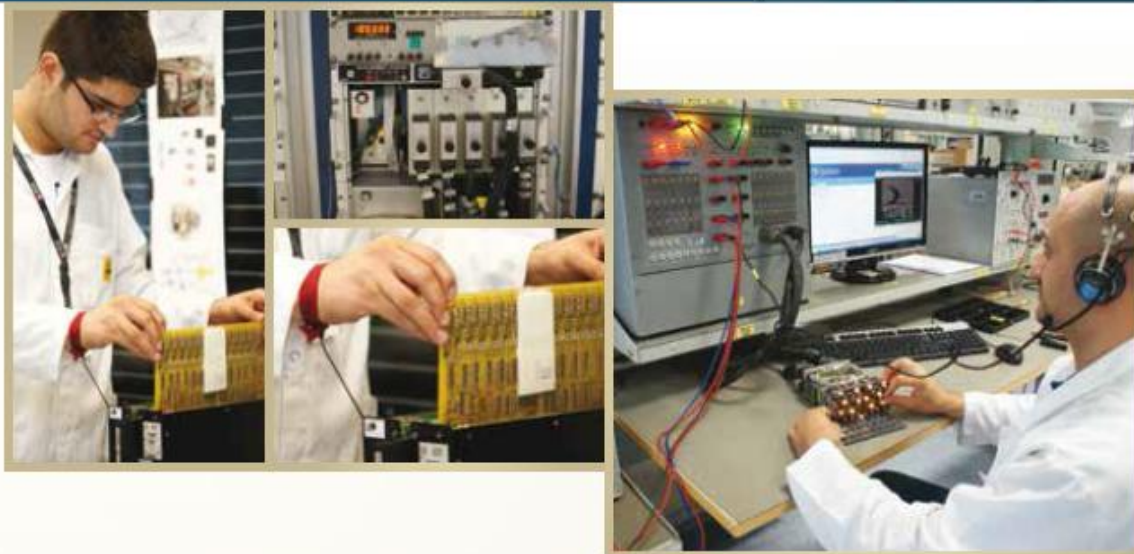
LIST OF CAPABILITIES OF TURKISH TECHNIC INC.

Aircraft Manufacturer	Aircraft Type	Overhaul	Line Maintenance
Airbus	Airbus A300	✓	✓
	Airbus A310	✓	✓
	Airbus A319 / A320 / A321	✓	✓
	Airbus A330	✓	✓
	Airbus A340	✓	✓
Boeing	Boeing 737 CL & NG	✓	✓
	Boeing 757		✓
	Boeing 767		✓
	Boeing 777	✓	✓
Gulfstream	Gulfstream G IV Series	✓	✓
	Gulfstream GV-SP Series	✓	✓

APU Models	Control
Honeywell GTCP331-250F	✓
Honeywell GTCP331-250H	✓
Honeywell GTCP85-129H	✓
Honeywell GTCP131-9B	✓
Hamilton Sundstrand APS2000	✓
Hamilton Sundstrand APS3200	✓

Landing Gear Capabilities	Control
Airbus A310	✓
Airbus A320 Series	✓
Airbus A330	✓
Airbus A340	✓
Boeing 737 CL	✓
Boeing 737 NG	✓

→ Activities and Capacities of Component Shops



ATE SHOP

ATE Shop has 605 part numbers for test/repair/overhaul. In 2014, almost 4938 units have been released to service from the ATE Shop. Total component circulation this year is increased 30% with respect to 2013.

Significant Shop capabilities;

1. Fourth ATEC Series 6 (#4) has been installed to SAW facilities and acceptance was performed. ATEC Series 6 #4 is now ready for operation.
2. The first ATEC Series 6 which was bought in 1994 will be renovated. Renovation will be performed in Aug 2015 which will help to increase performance of the shop.
3. Electronic Control Unit (FADEC3) capability has been gained.

RADIO&IFE SHOP

Radio & IFE shop has 504 part numbers for test/repair/overhaul. In 2014, almost 4321 units have been released to service from the Radio & IFE Shop. Total component circulation this year is increased 15% with respect to 2013

In 2014 solid state video player test bench which will be used 737-800 and A320 fleet has been taken as FOC and related component training has been completed. PTS-3500 test bench for Collins Weather Radar components has been purchased.

The test bench which is used Thales IFE components on A320 fleet has been taken as FOC.

Significant Shop Capabilities;

1. New generation Cobham ACPs



Activities and Capacities of Component Shops



INSTRUMENTS SHOP

There are 942 different MPNs in Instruments Shop test/repair/overhaul capability. Approximately 7000 components were maintained in the instruments shop in 2014.

When we compare maintained components in 2013 and 2014, %15 increase has been obtained in 2014.

Significant Shop Capabilities;

1. WINDOW/PITOT HEAT MODULE
2. STDBY ATTITUDE INDICATOR
3. ICE DETECTOR
4. RATE OF CLIMB INDICATOR
5. ENG.PRIMARY DISPLAY UNI
6. ANGLE OF ATTACK SENSOR
7. CARGO SMOKE DETECTOR
8. FUEL QTY IND
9. STDBY ALT./AS. IND.
10. STANDBY ALTIMETER



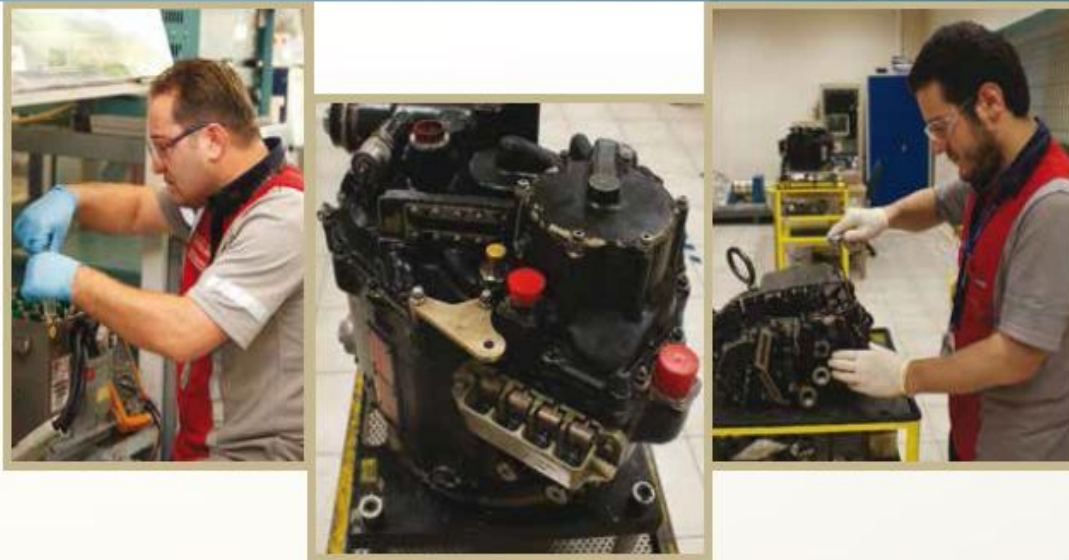
ELECTRICAL SHOP

Electrical Shop has has 586 p/ns of test/repair/overhaul capabilities. During 2014 4767 w/os were closed with an increase of 22,5% compared to 2013.

In 2014 Hot Cup test and repair works started in Galley section. 12 p/n's test and repair capability granted for Hot Cups. Also new Ignition Test System was purchased from Unison. With this new test system 4 Ignition Lead's test, repair and overhaul capability granted which were mostly being outsourced for test/repair and overhaul.

Significant Shop Capabilities;

1. Steam&Convection Ovens,
2. Coffee Makers & Water Boilers & Espresso Makers,
3. Ignition System Components,
4. Retractable Landing Lights, Logo Lights, Anticollusion Lights, Strobe Lights,
5. Recirculation, Cargo and Extraction Fans,
6. B737-800 Starter&Generator,
7. A320 APU Generator,
8. A/T Switchpack,
9. Drain Masts,
10. Hot Cups,



BATTERY SHOP

Battery Shop has 24 p/ns of test/repair/overhaul capabilities. During 2014, 1675 w/os were closed with an increase of 15,3% compared to 2013.

In 2014 first Lead Acid Battery capability granted for Battery Shop with test and repair capability of BA27-01.

Significant Shop Capabilities;

1. Ni-Cd Main Batteries,
2. Battery Packs,
3. Lead Acid Batteries,

IDG & GENERATOR SHOP

IDG & Generator Shop has 24 p/ns of test/repair/overhaul capabilities. During 2014 187 w/os were closed with an increase of 6,8% compared to 2013.

In 2014 A320NG IDG test and repair capabilities were granted.

Significant Shop Capabilities;

1. IDG (B777, B737-800, A340, A330, A320NG, A320 CLASSIC),
2. CSD (B737-400).

→ Activities and Capacities of Component Shops



CALIBRATION SHOP

There are 17282 ea. P/N with calibration capabilities in calibration shop.
In 2014 10874 ea tools has been calibrated in shop.

Project in 2014

1. MET/CAL project purchase has been completed. Installation is waiting.

Significant Shop capabilities

1. Electrical calibration (general test and measurement device and specific sets),
2. Temperature and humidity calibration, Mechanical calibrations (pressure and torque (accredited); force, dimension, mass-scales).

FUEL COMPONENTS SHOP

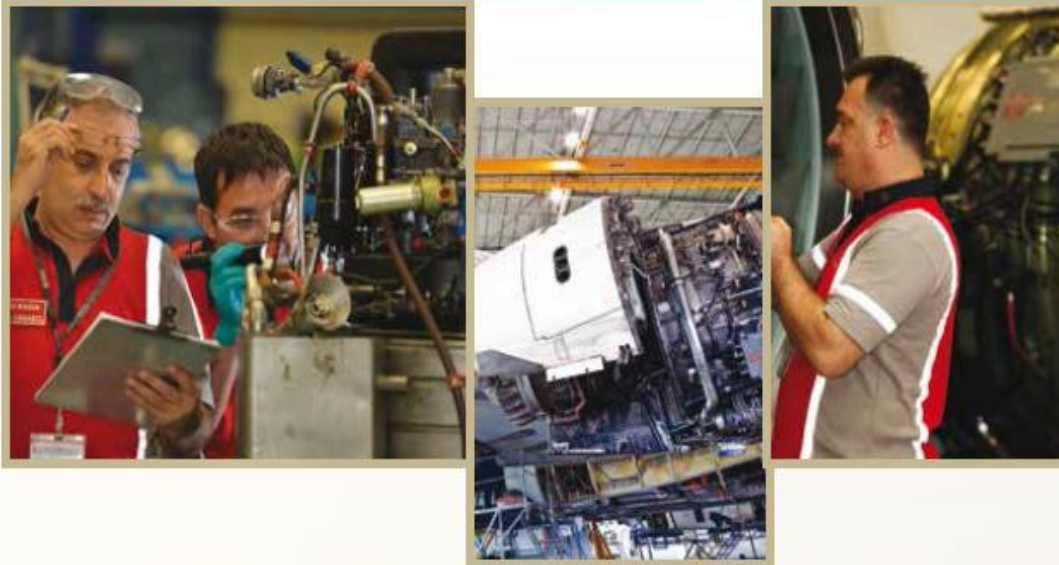
There are 504 ea. P/N with test, repair and overhaul capabilities in Fuel Components Shop .

The circulation of these PNs are 3608 ea. in a year and has increased %22,9 compared to the previous year.

In 2014, all CFM56-7B HMU PNs belonged to Honeywell and all CFM56-7B LPT COOLING VALVE PNs have been added to the capability list.

Important Shop Capability

1. CFM56-7B HMU O/H Capability (Honeywell Authorized Repair Station),
2. V2500 FMU O/H Capability (Woodward Authorized Repair Station),
3. CFM56-5A/-5B/-5C HMU O/H Capability,
4. CFM56-3/-5/-7 Main Fuel Pump O/H Capability,
5. V2500 Main Fuel Pump O/H Capabilities,
6. CFM56-7B HPT/LPT Valve O/H Capabilities,
7. CFM56-7B VBV Actuator O/H Capability,
8. CFM56-7B VSV Actuator O/H Capability,
9. V2500 ACC Actuator Capability,
10. A320 Series and B737-800 Booster Pump Capabilities.



APU SHOP

APU Shop has 5 types of APU capability and 43 piece part as well. APU Shop visits for year 2014 is around 70. For modernization of the Shop, APU video boroscope device, APU bearing clearance inspection device and APU piece part run out device have been purchased. In addition to that, 2 of 5 APUs which were purchased at affordable price, have been released to service and remaining three have been disassembled in to piece parts and LRUs and a very good benefit has been made comparing with purchasing price.

ENGINE SHOP

Engine Shop has limited maintenance and repair capabilities for CFM56-3 / 5C / 7B, V2500, GE90 types of engines. Limited maintenance and repair for 3 of CFM56-3, 6 of CFM56-5C, 36 of CFM56-7B, 40 of V2500 and 5 of GE90 engines has been performed in 2014.

Approved Capabilities in 2014

GE90 Fan Stator Module Removal / Installation
GE90 Stg 6 LPT Blade Replacement

Engine Capabilities

1. CFM56-3 Engine Top Casing , AGB/TGB replacement, QEC/LRU replacement,
2. CFM56-5A Engine Top Casing, QEC/LRU replacement,
3. CFM56-5B Engine Top Casing, AGB/TGB replacement, QEC/LRU replacement,
4. CFM56-5C Engine Top Casing, AGB/TGB replacement, QEC/LRU replacement,
5. CFM56-7B Engine Top Casing & VSV Bushing replacement, AGB/TGB replacement, QEC/LRU replacement,
6. V2500 Engine QEC/LRU replacement,
7. GE90 Fan Stator Module Removal / Installation.
8. GE90 Stg 6 LPT Blade Replacement,

→ Activities and Capacities of Component Shops



ENGINE TESTCELL

Engine Test-Cell has got the capability of 6 different engine types and all the engine part numbers for CFM56-7B are added to capability list.

In 2014, 98 engines have been tested in Test-Cell so far (34 of the engine are third party). There is 13% increase compared to the year 2013.

HYDRAULIC SHOP

Hydraulic Shop has capability of 874 part numbers for test/repair/overhaul. In 2014, almost 3500 units have been released to service from the Hydraulic Shop. Total component circulation this year is increased 20% with respect to 2013.

Hydraulic Shop increased the work field three times with moving the new facility Habom. Moreover, new Lube&Scavenge Test Bench and Servo-Actuator Test Bench provided increase in capacity and raise up the maintenance quality.

Major Shop Capabilities:

1. Landing Gear LRU's,
2. Flight Control Actuators,
3. Engine Driven/AC Driven Pumps,
4. Thrust Reverser Actuators,
5. Engine/APU Lubrication Pumps,
6. Pressure/Flow Control Modules,
7. Door Actuators and Snubbers,
8. Accumulators,
9. Pressure Switch,



PNEUMATIC SHOP

The total 587 part numbers of the pneumatic components are in the capability of the Pneumatic Shop. The Pneumatic shop has closed total of 5964 work orders in 2014, including 1788 customer work orders. There is 11 % rise in the number of closed work orders when compared to 2013.

Capabilities of Pneumatic Shop;

1. Pressurization and Air Conditioning system components,
2. Air Cycle Machines,
3. Flow control valves,
4. Engine Bleed System components, required to be tested with hot air (400 °C),
5. Pressure Regulation Valves, Shutoff Valves, Check Valves, Safety Valves, Trim air valves, Anti ice valves
6. Pneumatic Engine Starters, Pneumatic Thrust Reverser Actuators (CDU),
7. Air Chillers,
8. Thermostats that control hot air flow, transducers and sensors,

SANITARY SHOP

The total of 124 part numbers of the sanitary components are in the capability of Sanitary Shop. The sanitary Shop has closed 1560 work orders, including 471 customer work orders, in 2014. There is 14,2 % rise in the number of closed work orders when compared to 2013.

Capabilities of Sanitary Shop;

1. Toilet Assemblies,
2. Rinse Valves, Drain Stop Valves, Ball Valves,
3. Flush Control Units / Modules,
4. Vacuum blowers, generators and Separators.



→ Activities and Capacities of Component Shops



METAL PLATING SHOP

The new Metal Coating Shop has been constructed at Turkish Technic Saw Facilities.

Chrome, nickel plating capabilities were developed for A340 parts, whereas a new chrome tank capable of plating big-size A310/A320 Sliding Tubes.

The new Coating furnace was ordered from national company.

The new Chemical Laboratory has been constructed at Turkish Technic Saw Facilities.

Nadcap Certification Receiving Program has been started for New Coating Shop at Turkish Technic SAW Facility.

CAPABILITIES OF PLATING SHOP

In the coating shop, the following coating processes are applied on the aircraft parts.

- Cadmium Plating
- LHE Cadmium Plating
- Brush Cadmium Plating
- Hard Chrome Plating
- Sulfamate Nickel Plating
- Chemical Conversion Coating
- Chromic Acid Anodizing
- Alodine
- Etching and Passivating

This division, focusing on the parts of landing gears, has the equipment and experience to provide coating services to all components included in the capabilities of Landing Gear Shop, including A330/340 series. In the unit, where chromium and cadmium coating is removed, the coating-removal of engine parts is also performed. The state-of-the-art local coating device for local cadmium coating which is generally required on the aircraft is also included shops inventory.

In the laboratory division, it is performed chemical analyses of coating and washing baths, microbiological analysis for aircraft fuel and aircraft hydraulic analyses.



SPECIAL PROCESSES SHOP

For blasting shop of SAW Facilities, following machines are ordered:

- 1 dry blasting cabinet, 1 dry blasting chamber, 1 plastic blasting cabinet, 1 plastic blasting chamber, have been received and set-up.
- 1 robotic shot-peen bench, 1 glass bead peening bench, 1 mobile blasting bench, were ordered and scheduled to deliver in December 2014.

For cleaning shop of SAW Facilities,

- 18 new cleaning tanks are purchased and delivered.
- The setup of two Cleaning Shops, one in Narrow Body Hangar with 10 tanks and the other in Workshops Building with 8 tanks, is going on. The set-up is scheduled to be completed within December 2014.

In SAW Workshop Building Cleaning Shop, a more user and environment friendly, much more cheaper and much more affective "paint stripping" chemical is chosen for the Landing Gear parts to be processed. The set-up will be done according to PHASE 2 transition plan. This study and decision has leded a 160,000.00 TL profit just in set-up. According to the annual consumption assumption, this number will most probably do up to 220,000.00 TL by the end of one year.

WELDING & PLASMA SPRAY SHOP

The shop consists of 3 sections, namely plasma, welding and heat treatment sections.

Welding Section

With 4 ea TIG Welding machines available in the shop, the welding operations can be performed on materials such as aluminum, steel, titanium etc. materials.

In June 2014, Welding Section in SAW facilities has been started to welding operations.

Plasma Spray Section

1 ea Manual Plasma Bench, 1 ea Flame Spray (powder and wire) system and 1 ea blasting bench for conditioning before plasma are available in the shop.

Heat Treatment Section

There are 1 ea atmospheric big heat treatment furnace and 1 ea atmospheric small heat treatment furnace in the shop.

→ Activities and Capacities of Component Shops



WHEEL SHOP

Within Wheel & Brake Shop, totally 19200 ea components maintenance were performed in 2014, including 9300 ea components from Turkish Airlines Inc. and 9900 ea components from the other customers. The number of components delivered in working condition has increased by 14%.

BRAKE SHOP

Within Brake Shop, totally 2200 ea components maintenance were performed in 2014, including 1600 ea components from Turkish Airlines Inc. and 650 ea components from the other customers. The number of components delivered in working condition has increased by 15%.

Capabilities Of Wheel And Brake Shop;

The capabilities of Wheel and Brake Shop include test, repair, modification and overhaul procedures required to be executed for the Wheel and Brake assys of B737-400/500/800/900, A310, A300, B757, A319/320/321, A330/340, B777 and GULF planes in Turkish Airlines Inc. fleet and other customers' fleet.



LANDING GEAR SHOP

Landing Gear Shop has Test / Repair / Overhaul capability at 1442 Part Numbers.

In 2014, 68 Landing Gear have been overhauled.

Significant Projects / New Capabilities in 2014

1. Assembly and Test stand for Airbus A320/A321 MLG.
2. First time A330 Landing gear overhaul has been performed for customer.
3. Signed expandable kit material agreement between Turkish Technic and Messier Bugatti Dowty for A320/A321.

MACHINE SHOP

Machine shop is performed machining, grinding and blending operation of basically landing & gear part, aircraft parts and aircraft components.

In June 2014 Machine Shop in SAW facilities has been started to operation.

In 2014 following machines are purchased to develop shop capabilities.

- BELOTTI CNC Composite machining center,
- DANOBAT CNC cylindrical grinding machine,
- SORALUCE CNC machining center,
- STUDER cylindrical grinding machine,
- OKUMA CNC vertical machining center.

→ Activities and Capacities of Component Shops



MECHANIC SHOP

Mechanic Shop has Test / Repair / Overhaul capability at 1009 Part Numbers.

In 2014, approximately 2650 unit have been released to service which means 13 % rise according to 2013.

Mechanic shop has moved to its new facility in Sabiha Gokcen Interational Airport, which has approximately 7 times bigger workshop area.

Three cleaning tanks have been installed in mechanic shop facility, by which heat exchangers are started to be cleaned in shop.

Significant Shop Capabilities;

1. Horizontal Stabilizer Actuator,
2. IDG – Fuel/Oil – Air/Oil – APU Oil Coolers,
3. Heat Exchanger – Condenser - Precooler,
4. Boeing Cockpit Seats,
5. Cockpit Windows,
6. Cargo Compartement Latches,
7. Boeing TE Flap Transmission Assemblies.

ELECTROMECHANIC SHOP

Electromechanic Shop has Test / Repair / Overhaul capability at 279 Part Numbers.

In 2014, approximately 2200 unit have been released to service which means 9 % rise according to 2013.

Electromechanic shop has moved to its new facility in Sabiha Gokcen Interational Airport, which has approximately 7 times bigger workshop area.

The Linear & Rotary Test Stand, which has been purchased to increase the capability of the shop, will be installed at the mid 2015.

The new Outflow Test Stand, which will minimize the testing times of the outflow valves has been installed at the shop, trials are about to finish.

Significant Shop Capabilities;

1. Horizontal Stabilizer Actuator,
2. IDG – Fuel/Oil – Air/Oil – APU Oil Coolers,
3. Heat Exchanger – Condenser - Precooler,
4. Boeing Cockpit Seats,
5. Cockpit Windows,
6. Cargo Compartement Latches,
7. Boeing TE Flap Transmission Assemblies.



OKSYGEN SHOP

Oksygen Shop has Test / Repair / Overhaul capability at 371 part numbers.

In 2014, approximately 15000 unit have been released to service which means 20 % rise according to 2013.

Production of Mask Test Bench is continued by R&D Department.

Significant Shop Capabilities;

1. Slide reservoir,
2. Fire extinguisher,
3. Crew mask,
4. Oxygen bottle.

SLIDE SHOP

Slide Shop has Test / Repair / Overhaul capability at 230 part numbers.

In 2014, approximately 1000 unit have been released to service which means 25 % rise according to 2013.

In 2014, slide reservoir capabilities has been gained which is changed after A320 mode.

Significant Shop Capabilities;

1. A310 slide,
2. A320 slide,
3. A330/340 slide,
4. B777 slide,
5. B737-800 slide.

INTERNATIONAL CUSTOMERS

Airlines	Country	Continent	Region
AerCap	USA	North America	North America
Aeroflot Russian Airlines	Russia	Europe	Commonwealth of Independent States
Aerologic	Germany	Europe	West Europe
Afriqiyah Airways	Libya	Africa	North Africa
Air Arabia	United Arab Emirates	Middle East	Middle East
Air Astana	Kazakhstan	Europe	Commonwealth of Independent States
Air Berlin	Germany	Europe	West Europe
Air Bulgaria (&Hemus Air)	Bulgaria	Europe	East Europe
Air France	France	Europe	West Europe
Air India	India	Asia	India Sub Continent
Air Moldova	Moldova	Europe	Commonwealth of Independent States
Air Via	Bulgaria	Europe	East Europe
Airblue	Pakistan	Asia	India Sub Continent
Alitalia	Italy	Europe	West Europe
Ariana Afqhan Airlines	Afghanistan	Asia	India Sub Continent
Astra Airlines	Greece	Europe	South Europe
Avion Express	Lithuania	Europe	East Europe
Azerbaijan Hava Yolları	Azerbaijan	Europe	Commonwealth of Independent States
BBAM (WellsFargo)	USA	North America	North America
Berkut Air	Kazakhstan	Europe	Commonwealth of Independent States
Blue Air Transport Aerian	Romania	Europe	East Europe
Brussels Airlines	Belgium	Europe	West Europe
Buraq Air	Libya	Africa	North Africa
Eastok Avia	United Arab Emirates	Middle East	Middle East
Ethiopian Airlines	Ethiopia	Africa	East Africa
Fly Dubai	United Arab Emirates	Middle East	Middle East
Fly Niki	Austria	Europe	West Europe
GECAS	Ireland	Europe	West Europe
Germania	Germany	Europe	West Europe
Germanwings	Germany	Europe	West Europe
Gulf Air	Bahrain	Middle East	Middle East
HI FLY	Portugal	Europe	West Europe
Iberia	Spain	Europe	West Europe
Iberworld	Spain	Europe	West Europe
Iraqi Airways	Iraq	Middle East	Middle East
Jet Airways	India	Asia	India Sub Continent
KLM Royal Dutch Airlines	Netherlands	Europe	West Europe
Kolavia	Russia	Europe	Commonwealth of Independent States
Lufthansa Airlines	Germany	Europe	West Europe
MAHAN AIR	Iran	Middle East	Middle East
Meridianafly	Italy	Europe	West Europe
Midex Carqo	United Arab Emirates	Middle East	Middle East
Neos S.p.A	Italy	Europe	West Europe
Oren Air (Orenburg Airlines)	Russia	Europe	Commonwealth of Independent States
PIA-Pakistan International Airlines	Pakistan	Asia	India Sub Continent
Privat Air	Germany	Europe	West Europe
Qatar Airways	Qatar	Middle East	Middle East
Royal Jet	United Arab Emirates	Middle East	Middle East
Royal Jordanian	Jordan	Middle East	Middle East
Sabena Technic	Belgium	Europe	West Europe
Safi Airways	Afghanistan	Asia	India Sub Continent
Senegal Airlines	Senegal	Africa	West Africa
Shaheen Air	Pakistan	Asia	India Sub Continent
Spice Jet	India	Asia	India Sub Continent
Sr Technics	Switzerland,	Europe	West Europe
SunExpress Deutschland	Germany	Europe	West Europe
Transaero Airlines	Russia	Europe	Commonwealth of Independent States
Travel Services Hungary	Hungary	Europe	East Europe
Turkmenistan Airlines	Turkmenistan	Europe	Commonwealth of Independent States
Ural Airlines	Russia	Europe	Commonwealth of Independent States
White Airways	Portugal	Europe	West Europe
Windrose	Ukraine	Europe	Commonwealth of Independent States
XI Airways France	France	Europe	West Europe
Yakutia Airlines	Russia	Europe	Commonwealth of Independent States
Yemen Airways	Yemen	Middle East	Middle East
Zagrosjet	Iraq	Middle East	Middle East



DOMESTIC CUSTOMERS



Airlines	Country	Continent	Region
ACT Airlines	Turkey	Europe	South Europe
Atlasjet	Turkey	Europe	South Europe
Borajet	Turkey	Europe	South Europe
Corendon Airlines	Turkey	Europe	South Europe
Freebird Airlines Inc.	Turkey	Europe	South Europe
General Aviation Inc.	Turkey	Europe	South Europe
Iz Airlines Inc.	Turkey	Europe	South Europe
MNG Airlines	Turkey	Europe	South Europe
MNG Jet	Turkey	Europe	South Europe
Onur Air	Turkey	Europe	South Europe
Pegasus Airlines Inc.	Turkey	Europe	South Europe
Prima Aviation Services Inc.	Turkey	Europe	South Europe
Tailwind Airlines	Turkey	Europe	South Europe
SunExpress	Turkey	Europe	South Europe
Turkish Airlines Inc.	Turkey	Europe	South Europe
ULS Cargo	Turkey	Europe	South Europe

UNDERSIGNED AGREEMENTS

AIRCRAFT MAINTENANCE AGREEMENTS;

Aercap A330
Aercap A330
Aerologic B777-200F
AIRBLUE A319
AIRBLUE A320
Air Moldova_A320
Airblue A319
Astra Airlines A320
Atlasjet A320
BBAM (WellsFargo) B737
Germania A319
Germania B737ng
Germania B737ng A319
Izair B737-800
Jet Airways A330
Jet Airways B777
NORDWIND A321
Onur Air A330
Pegasus B737-800
Qatar A320
Royaljet B737-700
Spicejet B737-800
SunExpress Deutschland B737-800
XI Airways France B737-800
XI Airways France B737-800

COMPONENT POOL AGREEMENTS;

Air Arabia(FAS) A320 Pool
Air Arabia(MISIR) A320 Pool
Air Arabia(Sharjah) A320 Pool
Atlasjet Ukraine A320 Pool
Freebird A320-A321 Pool
Pegasus A320
Zagrosjet A320 Pool

LANDING GEAR MAINTENANCE AGREEMENTS;

Freebird_A320
MAHAN AIR_A340
Royal Jet_737-700
SHAHEEN AIR_A330
WernerAero_A320
Yemen Airways_A330

APU MAINTENANCE AGREEMENTS;

AEROTRON APS3200
SunExpress GTCP131-9B APU
SunExpressDeutschland GTCP131-9B APU
Turkmenistan GTCP131-9B

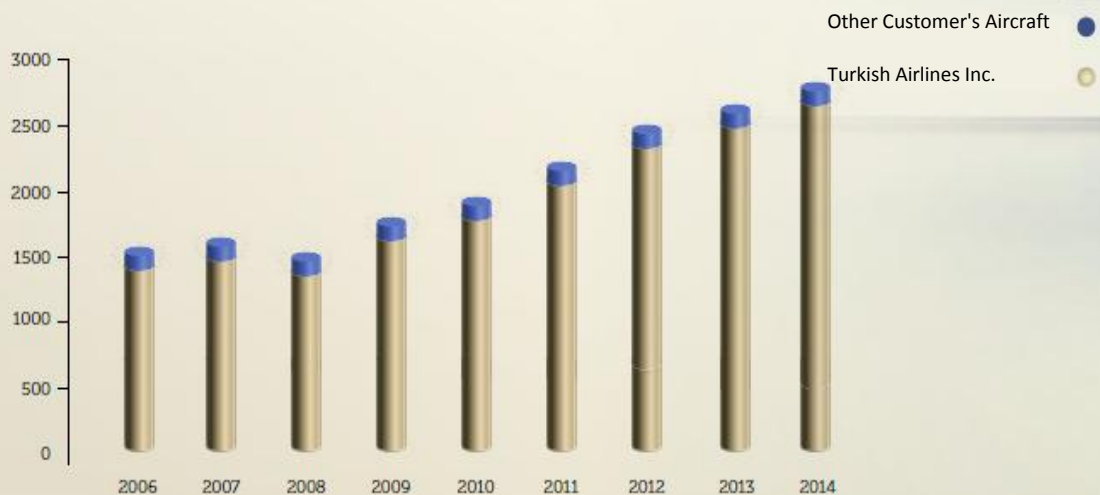
EXHIBITIONS AND CONFERENCES

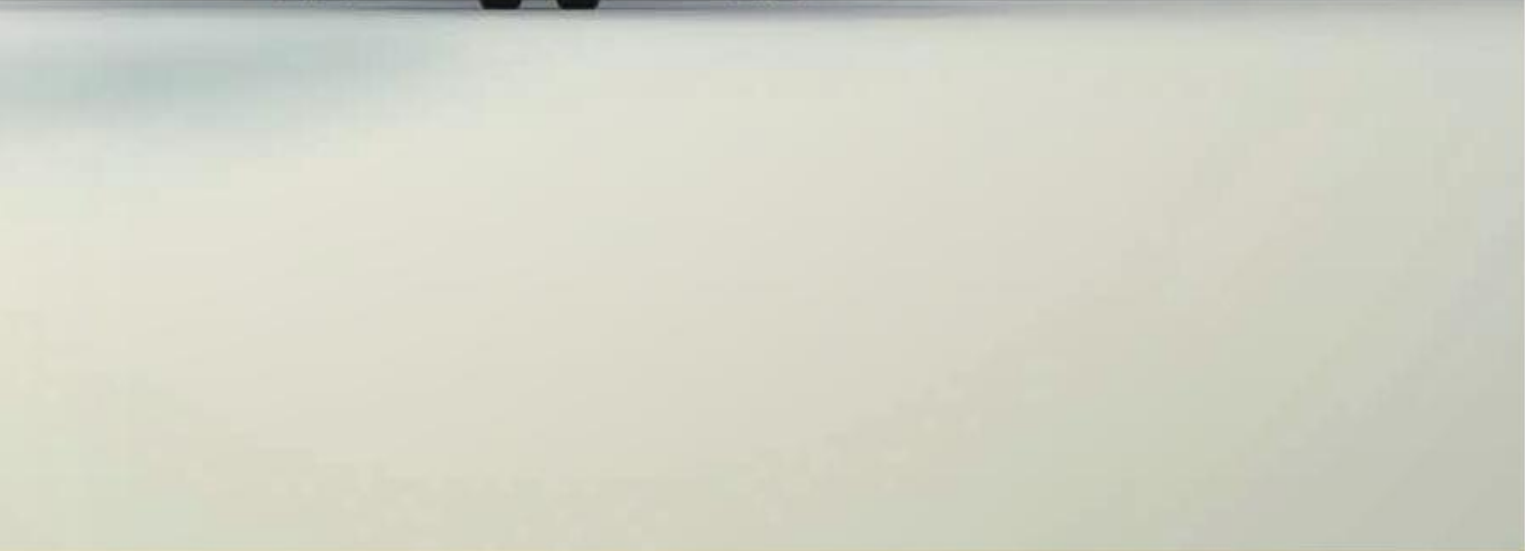
Exhibition	Date	Location
MRO ASIA	5-6.11.2014	Singapore
ISTANBUL AIR SHOW	25-28.09.2014	Istanbul
MRO AFRICA 2014	18-20.03.2014	Johannesburg
AIRCRAFT MAINTENANCE RUSSIA & CIS	25-26.02.2014	Moscow
MRO AMERICAS	08-10.04.2014	Phoenix
MRO MIDDLE EAST	05-06.02.2014	Dubai
MRO EUROPE	07-09.10.2014	Madrid
ILA BERLIN AIR SHOW	20-25.05.2014	Berlin
HIGH TECH PORT EXPO BY MUSIAD	26-30.11.2014	Istanbul
ISTAT EUROPE	21-23.09.2014	Istanbul
109. IATP Conference	1-5.03.2014	Hamburg
Airline E&M: China & E. Asia Conference	18-20.03.2014	Hong Kong
MRO Eastern Eur., Baltics, Russ. Conf.	10-11.06.2014	Warsaw
110. IATP Conference	September 27 - October 1, 2014	Seattle Washington
Airline Engineering & Maintenance: Middle East & North Africa Conference	2-3.06.2014	Muscat Oman
EBACE 2014 European Business Aviation Convention & Exhibition	20-22.05.2014	Geneva
AP&M Expo	7-8.05.2014	London

NUMBERS OF AIRCRAFT MAINTENANCE

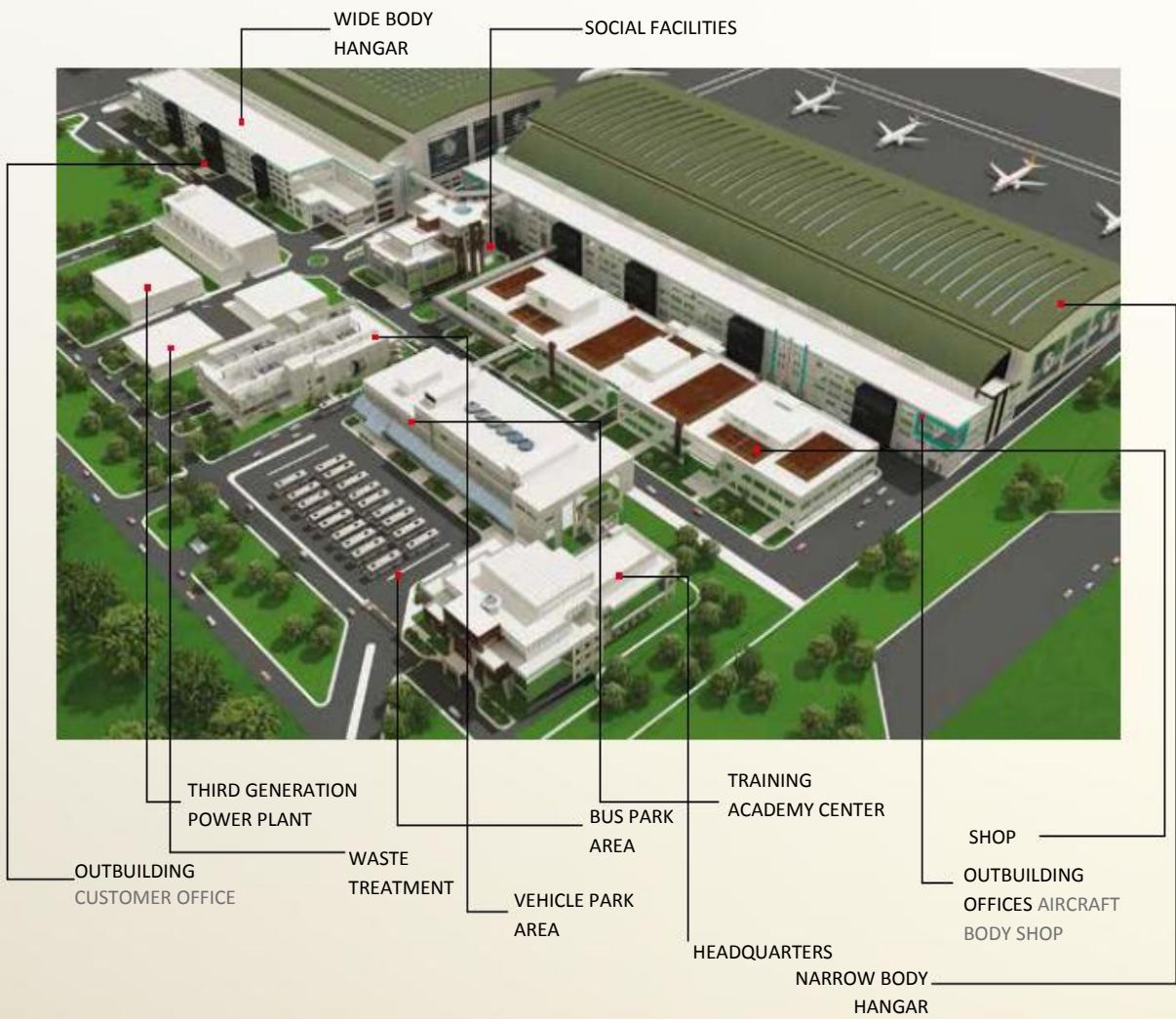
Maintenance Numbers	Turkish Airlines Inc.									Other Customer's Aircraft								
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2006	2007	2008	2009	2010	2011	2012	2013	2014
A+L	1,366	1,425	1,371	1,637	1,796	1,955	2,115	2,274	2,433	14	11	-	-	18	11	9	32	64
B	55	48	40	16	22	20	53	69	94	-	1	-	1	8	8	-	-	-
C	55	50	63	64	86	92	69	78	112	37	45	31	40	71	66	64	68	56
D	4	15	1	3	-	-	-	-	-	-	-	2	1	-	2	1	2	1
S	5	3	4	6	1	10	14	13	16	-	-	3	1	-	1	1	-	-
Total	1,485	1,541	1,479	1,726	1,905	2,077	2,251	2,434	2,655	51	57	36	43	97	88	75	102	121

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Turkish Airlines Inc.	1485	1541	1479	1726	1905	2077	2251	2434	2655
Other Customer's Aircraft	51	57	36	43	97	88	75	102	121
Total	1536	1598	1515	1769	2002	2165	2326	2536	2776





OUR INVESTMENTS AND PROJECTS



Official opening of HABOM project which is the maintenance-repair center project of Turkish Technic Inc. was held on June 27th, 2014 with the participation of Prime Minister of the Republic of Turkey, Recep Tayyip Erdogan. Wide body hangar has commenced operation as of June, 2014. In 2014, moving of operational and administrative units from facilities at Ataturk International Airport to Aviation Maintenance and Repair Center (HABOM) facilities at Sabiha Gokcen International Airport has commenced gradually. As of November 2014, administrative building at HABOM facilities commenced operation and headquarters of our company has become HABOM facilities at Sabiha Gokcen International Airport as of this date.

Established in partnership with Pratt & Whitney, Turkish Engine Center Company has achieved a turnover higher than it was planned for 2014. An increase of 50% was achieved in engine maintenance sales in 2014, compared to 2013. Improving internal repair capabilities in 2014, Turkish Engine Center has supplied 2 million M/H without work loss. Having a very efficient operational year Turkish Engine Center, has realized timely deliveries at the rate of 95% and the time that engines remain in the shop was decreased by 45%.

Established as a joint venture with Zorlu O & M, TURKBINE Technic Gas Turbines Inc. has completed the first aircraft engine (CF6-80C2) repair in 2014 and made delivery to the customer.

Established together with Turkish Aerospace Industries (TAI) Turkish Cabin Interior (TCI) completed production of the first TCI Galley employed in Boeing 737 2014 of Turkish Airlines Inc. and launched it in 2014. Following the 10 sets of deliveries completed successfully, TCI was accepted by Boeing to have galley production capability and added to Boeing Approved Suppliers list for Middle East Region. Following the first 10 sets of delivery completed in May 2014, 2nd group Turkish Airlines Inc. Boeing 737 production was commenced and the initial products were delivered successfully according to the shipping date planned for December, 2014. Design and engineering study for Airbus A330 galleys has been completed. A330 Galleys manufactured by TCI will be installed to Turkish Airlines Inc. airplanes and introduced to use following the first delivery on August 18th, 2015. Turkish Cabin Interior plans to participate in A320 and B737 retrofit programs of Turkish Airlines in 2015.

Establish as a joint venture with Goodrich, Goodrich Turkish Technic Service Center company moved to Aviation Maintenance and Repair Center (HABOM) facilities of Turkish Technic Inc. located at Sabiha Gökçen International Airport as of September, 2014 and continues its operations there. Having established a partnership with Assan Hanil company, TSI-Turkish Seats Industry Inc. has launched the first economy class seat it manufactured in 2014. Aiming to manufacture business class seat for wide body airplanes, the company has established a company in the United States in 2014 for this purpose and made an investment.

ENGINEERING ACTIVITIES



Turkish Airlines Fleet B-RNP 1 Operation Project

B-RNP 1 operations are operations carried out by using GPS and there are applications at different locations throughout the world. Engineering study to carry out this operation at Turkish Airlines fleet was realized and authorization was obtained for wide body airplanes and B-RNP1 Operation was included in AOC

Giving Courses in Universities Regarding Commercial Airplane Systems

Our specialist engineers give courses on Aircraft Systems at Istanbul Technical University and Basic Aircraft Knowledge and Avionics Systems at Yıldız Technical University. In the courses, extensive and applied information on aircraft systems, aircraft maintenance and maintenance management is provided. It is aimed to provide theoretical information together with applied information to the students.

Peace Eagle Project

On site engineering support has been commencing on B737 AEW/C (Airborne Warning and Control) aircraft, delivered within scope of the 5 year agreement signed between Under secretariat for Defense Industry and Boeing Company and started its service at Konya 3rd Main Jet Base.

PED (Portable Electronic Device) Usage

EASA and SHGM's publications with regard to use of PED (Portable Electronic Device) on board were reviewed, and conditions for the use of Non-Transmitting PEDs on board were established. The announcements are being done for the use of PED on board of Turkish Airlines aircraft.

Fiber Optic AVOD IFE and Cabin Renewal Project

Engineering and coordination services were provided for the installation of Fiber Optic AVOD IFE system of Lumexis Company to TC-JNF and TC-JNG aircraft in A330 fleet of Turkish Airlines. Modification was carried out on TC-JNF airplane and STC approval was obtained. Turkish Airlines has become the first company to have Fiber Optic AVOD IFE system on A330 aircraft.

Installation of Sharklet on A321 Aircrafts of Turkish Airlines

Engineering study was performed and nine aircraft were modified in order to install Sharklet on A321 aircraft which ensure and improve fuel economy & aircraft performance.

R&D MANAGEMENT



Our company's R&D Center has carried out the following activities in 2014.

Completed Projects;

- Electrical Shop Chemical RFID Project,
- Load Bank (AC and DC) Production Project,
- Arinc 429 Signal Generator,
- APU Starter Test Equipment,
- Outflow Valve Functional Test Equipment.

Carried out Projects;

- Aircraft Maintenance Processes (Networked MRO) Automation (TEYDEB project numbered 3120965),
- Wireless In-Flight Entertainment System (TEYDEB project numbered 3120903),
- Fully Automated Smart Test System Design and Prototype Production for Crew Oxygen Masks (TEYDEB project numbered 3130518),
- Aircraft Vacuum Toilet System Digital Test Device Design and Prototype Production (TEYDEB project numbered 3130641),
- In-Flight RFID (Radio-Frequency Identification) Project,
- Aircraft Health and Condition Monitoring Project (WQAR),
- MRO Process Management Software Project,
- Outflow Valve Pressure Tester,
- Power Drive Unit Tester,
- Automatic Helmholtz Coil Test Equipment,
- Flap Position Sensor Test Equipment,
- Radome Electromagnetic Interference Test Room,
- Universal Air Flow Test Equipment,
- Integrated Drive Generator Rotor Test System,
- Electronic Flash Test System,
- Multi Purpose Process Controller,
- Flash Counter Light Box,
- Wired In-Flight Entertainment System,
- Aircraft Engine Washing System.

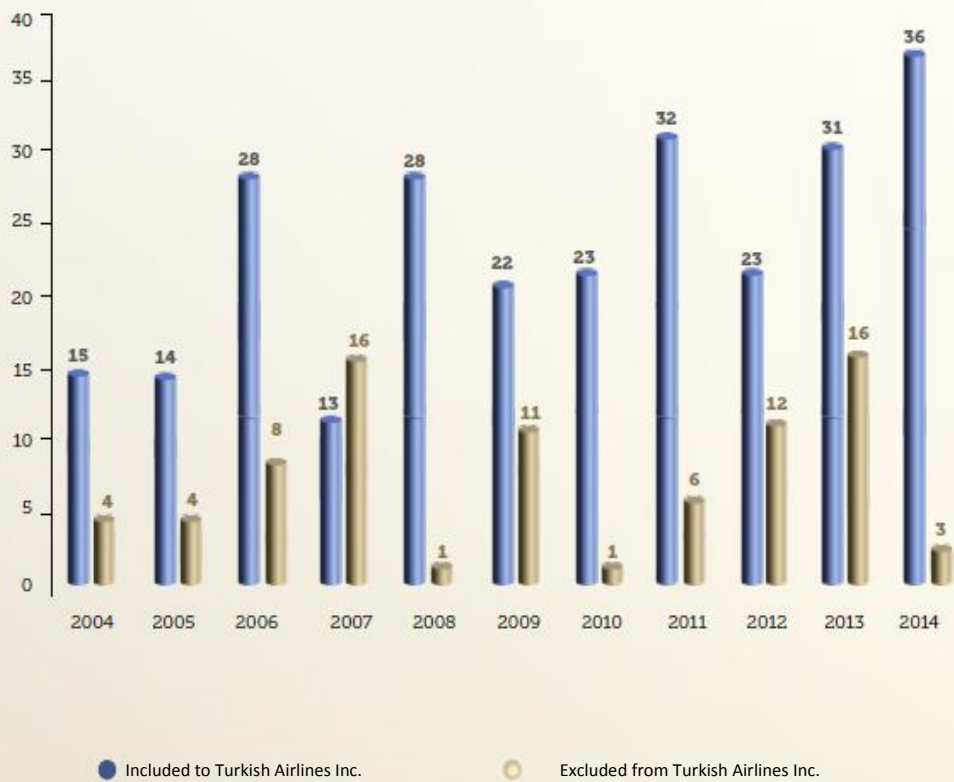
Industry and University Cooperation's;

- Within scope of Teydeb projects, support is provided by Istanbul Technical University Faculty of Aeronautics and Astronautics, Yildiz Technical University Faculty of Mechanical Engineering and Istanbul Commerce University academic staff with regard to academic support required for the projects.
- Wireless In-Flight Entertainment System and Aircraft Health and Condition Monitoring projects are being carried out together with Havelsan Inc..
- An agreement has been signed for cooperative study on airplane data analysis with the participation of Boeing and Istanbul Technical University.
- Studies were carried out with Gebze High Technology Institute (Now Gebze Technical University) and Istanbul Technical University during MRO process management's automation study.

FLEET ASSET

FLEET ASSET MANAGEMENT

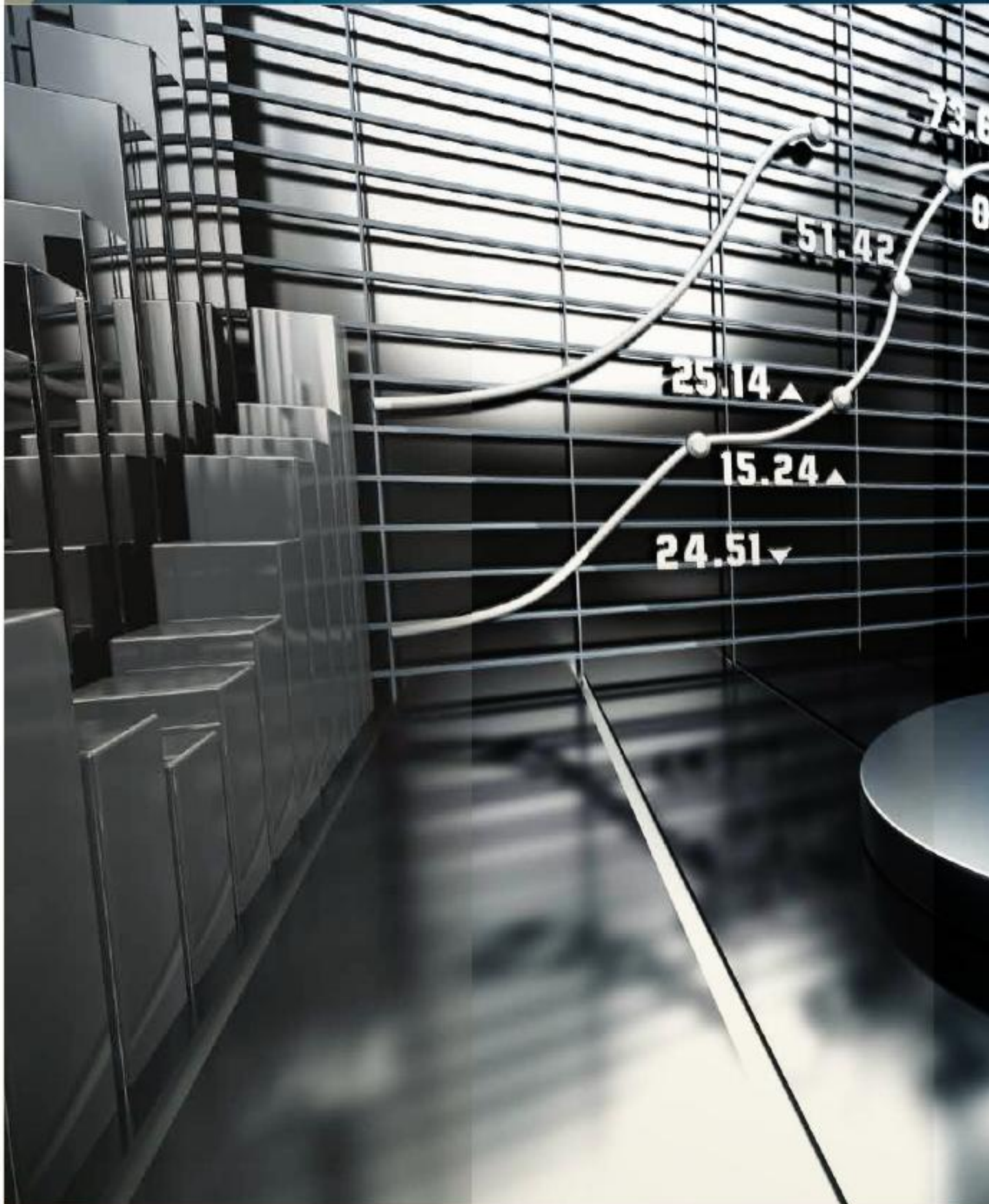
The number of phased in and phased out aircraft under the coordination of Fleet Asset Management is shown in the following diagram by the years.



**TOTAL SUPPORT SERVICES GIVEN BY TURKISH TECHNIC
INC. TO OTHER OPERATORS WITH TOTAL CARE
COORDINATION IN 2014**

Customer	Aircraft Type	Number of Aircraft	Contract Type	RAMP	A Maintenance	B Maintenance	C Maintenance	S Maintenance	Line Maintenance
Ariana Afgan Airlines	A310	2	Maintenance Services and Engineering Additional Service Brake Maintenance Services Line Maintenance Component Supply Facilities	-	8	5	2	-	-
Somon Airlines	B737-300 B737-800 B737-900	5	Additional Services Line Maintenance Brake Maintenance Services Maintenance Services and Engineering Wheel and Tire Maintenance Services	292	29	-	2	-	49

FINANCIAL INFORMATION





AUDIT REPORTS

INDEPENDENT AUDITOR REPORT

To Turkish Technic Inc. Board of Directors;

We have audited the financial position statement of Turkish Technic Inc. (the "Company") dated 31 December 2014 and the accompanying financial statements which is comprised of profit or loss and other comprehensive income statement, equity statement changes and cash flow chart and footnotes and other explanatory notes that summarize significant accounting policies pertaining to the fiscal period ending on the same date.

Responsibility of the Management for the Financial Statements

Company management is responsible for the preparation and fair presentation of these financial statements in accordance with Turkish Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to error or fraud.

Independent Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

The independent audit we carry out has been executed according to the Independent Audit Standards which constitutes a part of Turkish Auditing Standards published by Public Oversight, Accounting and Auditing Standards Authority.

Those standards require that we comply with ethical requirements and plan and perform the independent audit to obtain reasonable assurance whether the financial statements do not contain material misstatement.

Independent audit involves application of audit procedures in order to obtain audit evidence with regard to amounts and disclosures in the financial statements. Selection of these procedures is based on the professional judgment of the independent auditor including assessment of the errors in the financial statements or fraud-based "material misstatement" risks. Independent auditor assesses the internal control of the company with regard to preparation and fair presentation of financial statements in order to design audit procedure compliant with the conditions while performing risk assessments, however, such assessment does not aim to provide an insight with regard to effectiveness of the internal control of the company.

Independent audit also includes assessment of the compliance of accounting policies used by the company management and whether the accounting estimations that are done are reasonable in addition to assessment of presentation of financial statements, as a whole.

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

Opinion

In our opinion, financial statements, in all material respects, reflect the financial position of the Company as of 31 December 2014, and its financial performance and its cash flows for the fiscal year then ended, in accordance with Turkish Accounting Standards.

Aspect That Does not Influence the Opinion

As explained in Note 5, we would like to emphasize that the company carries out extensive transactions with the related parties.

The company has realized 87% of the sales pertaining to 1 January - 31 December 2014 period with the related companies. This aspect does not influence our independent audit opinion.

Report Concerning Other Obligations Stipulated by the Legislation

1) According to the 402nd clause of Turkish Commercial Code, nothing has come to our attention that causes us to believe that the Company's bookkeeping system, financial statements in the fiscal period of 1 January-31 December 2014 are not appropriate, in all material respects, in accordance with Turkish Commercial Code and clauses related to the financial reporting in the Company's articles of association.

2) As per paragraph four of article 402 of Turkish Commercial Code, Board of Directors have made the required explanations to our party and submitted the requested documentation.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative

(SIGNATURE)

Hatice Nesrin Tuncer, Independent Financial Consultant and Public Accountant
Responsible Auditor

March 6th, 2015
Istanbul, Turkey

TABLE OF CONTENTS

TABLE OF CONTENTS

BALANCE SHEET

LOSS OR PROFIT AND OTHER COMPREHENSIVE INCOME STATEMENT

EQUITY CHANGE TABLE

CASH FLOWS STATEMENT

NOTES ON FINANCIAL STATEMENTS

NOTE 1	ORGANIZATION AND OPERATIONS OF THE COMPANY
NOTE 2	BASIS OF PRESENTATION OF FINANCIAL STATEMENTS
NOTE 3	SHARES IN OTHER SUBSIDIARIES
NOTE 4	CASH AND CASH EQUIVALENTS
NOTE 5	FINANCIAL INVESTMENTS
NOTE 6	OTHER FINANCIAL LIABILITIES
NOTE 7	RELATED PARTY TRANSACTIONS
NOTE 8	TRADE RECEIVABLE AND PAYABLES
NOTE 9	PAYABLES RELATED TO EMPLOYEE BENEFITS
NOTE 10	OTHER RECEIVABLES AND PAYABLES
NOTE 11	INVENTORIES
NOTE 12	PRE-PAID EXPENSES AND DEFERRED INCOME
NOTE 13	TANGIBLE FIXED ASSETS
NOTE 14	INTANGIBLE FIXED ASSETS
NOTE 15	PROVISIONS, CONTINGENTS ASSETS AND LIABILITIES
NOTE 16	COMMITMENTS AND CONTINGENCIES
NOTE 17	EMPLOYEE BENEFITS
NOTE 18	OTHER ASSETS AND LIABILITIES
NOTE 19	EQUITIES
NOTE 20	REVENUE AND COST OF SALES
NOTE 21	RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES
NOTE 22	OTHER OPERATING INCOME AND EXPENSES
NOTE 23	INCOME AND EXPENSES FROM INVESTING ACTIVITIES
NOTE 24	EXPENSES RECLASSIFIED ON THE BASIS OF LINE
NOTE 25	FINANCING INCOMES AND EXPENSES
NOTE 26	ANALYSIS OF OTHER COMPREHENSIVE INCOME COMPONENTS
NOTE 27	TAX ASSET AND LIABILITIES
NOTE 28	EARNINGS PER SHARE
NOTE 29	EFFECTS OF EXCHANGE RATE CHANGES
NOTE 30	REPORTING IN HYPERINFLATIONARY ECONOMIES
NOTE 31	NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS
NOTE 32	FINANCIAL INSTRUMENTS
NOTE 33	EVENTS AFTER THE BALANCE SHEET DATE

TURKISH TECHNIC INC.
Balance sheet as of 31 December 2014

ASSETS	Footnote References	Independently Audited 31 December 2014	Independently Audited 31 December 2013
Current Assets	4	2,246,213	2,046,901
Trade Receivables		377,785,878	161,423,303
-Trade Receivables From Related Parties	7	315,438,870	111,221,498
-Trade Receivables From Non-Related Parties	8	62,347,008	50,201,805
Other Receivables		24,229,230	9,857,621
- Other Receivables from Related Parties	7	16,531,890	4,958,461
-Other Receivables From Non-Related Parties	10	7,697,340	4,899,160
Inventories	11	960,756,559	650,689,705
Prepaid Expenses	12	8,596,247	5,926,652
Current Income Tax Assets	27	-	1,716,795
Other Current Assets	18	58,527	84,265,205
TOTAL CURRENT ASSETS		1,373,672,654	915,926,182
Non-Current Assets			
Financial Investments	5	5,025	5,025
Equity Accounted Investments	3	64,796,684	56,306,699
Tangible Fixed Assets	13	851,142,788	701,744,956
Intangible Fixed Assets		29,467,074	7,323,887
- Other Intangible Fixed Assets	14	29,467,074	7,323,887
Prepaid Expenses	12	40,904,661	49,188,535
TOTAL FIXED ASSETS		986,316,232	814,569,102
TOTAL ASSETS		2,359,988,886	1,730,495,284

(All amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

TURKISH TECHNIC INC.

Balance sheet as of 31 December 2014

	Footnote References	Independently Audited 31 December 2014	Independently Audited 31 December 2013
Short Term Liabilities		674,406,353	359,397,392
Other Financial Liabilities	6	6,925,527	3,992,929
Commercial liabilities		273,423,640	125,386,041
-Commercial Liabilities to Related Parties	7	91,366,062	27,463,485
-Commercial Liabilities to Non-Related Parties	8	182,057,578	97,922,556
Payables Related to Employee Benefits	9	40,008,736	22,463,709
Other Liabilities		145,675,471	70,557,339
-Other Liabilities to Related Parties			
-Other Liabilities to Non-Related Parties	7	82,755,440	49,569,338
Deferred Incomes	10	62,920,031	20,988,001
Term Profit Tax Liability	12	188,880,704	129,508,367
Short-Term Provisions	27	1,860,232	-
-Short-Term Provisions For Employee Benefits		15,951,284	6,418,125
- Other Short-Term Provisions			
Other Short Term Liabilities	15	9,167,176	4,106,669
			2,311,456
Long Term Liabilities	15	6784,108	1,070,882
Other Liabilities		1,680,759	
-Other Liabilities to Related Parties			
Deferred Incomes			
Long-term provisions		543,879,889	314,497,814
-Long-Term Provisions For Employee Benefits	7	432,230,870	228,440,942
- Other Long-Term Provisions	12	-	177,055
Deferred Tax Liability	17	59,546,206	42,515,141
		56,008,879	42,515,141
EQUITIES			
Equities Attributable to Equity Holder of the Parent	15	3,537,327	-
Paid-in Capital	27	52,102,813	43,364,676
Accumulated Other Extensive Incomes and Expenses that Will Be Reclassified to Profit or Loss			
- Actuarial Losses from Defined Pension Plans	19	1,141,702,644	1,056,600,078
		693,000,000	693,000,000
Accumulated Other Extensive Incomes and Expenses that Will Be Reclassified to Profit or Loss		1,994,961	(2,785,745)
- Foreign Exchange Translation Differences		1,994,961	(2,785,745)
Restricted Profit Reserves			
Profits of Previous Years		353,515,750	263,953,309
Net Term Loss		353,515,750	263,953,309
TOTAL EQUITIES		9,504,301	92,775,641
		92,928,213	35,024,343
		(9240,581)	(41,869,393)
		2,359,988,886	1,730,495,284

(All amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

TURKISH TECHNIC INC.

Statement of Profit or Loss and Other Comprehensive Income For The Year Ended 31 December 2014

	Note	Independently Audited 1 January – 31 December 2014	Independently Audited 1 January – 31 December 2013
Revenue	20	1,536,575,097	986,249,916
Cost of Sales (-)	20	(1,322,798,770)	(871,866,035)
GROSS PROFIT		213,776,327	114,383,881
General Management Expenses (-)	21	(165,528,167)	(96,509,979)
Marketing and Sales Expenses (-)	21	(10,033,873)	(9,066,201)
Research and Development Costs (-)	21	(11,821,011)	(9,904,785)
Other Operating Incomes	22	12,561,824	18,303,658
Other Operating Expenses (-)	22	(35,939,239)	(15,432,692)
OPERATIONAL PROFIT		3,015,861	1,773,882
Income from Investment Activities	23	(200,507)	(351,512)
Share of Investments' Losses Accounted by Using the Equity	3	(901,133)	(17,612,894)
OPERATING PROFIT / (LOSS) before FINANCIAL INCOME / (EXPENSE)		1,914,221	(16,190,524)
Financial Incomes	25	4,599,208	5,597,118
Financial Expenses (-)	25	(1,180,322)	(159,136)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		5,333,107	(12,184,772)
Tax income of Continuing Operations		(14,573,688)	(29,648,621)
- Current Tax Expense	27	(9,686,012)	-
- Deferred Tax Expense	27	(4,887,676)	(29,684,621)
CURRENT LOSS FROM CONTINUING OPERATIONS OTHER COMPREHENSIVE INCOMES		(9,240,581)	(41,869,393)
Items That Will Never Be Reclassified to Profit or Loss		4,780,706	(336,016)
Actuarial Losses From Defined Pension Plans		5,975,883	(420,020)
Tax Impact of Actuarial Losses		(1,195,177)	84,004
Items That Will Be Reclassified to Profit or Loss		89,562,441	177,111,500
Foreign Exchange Translation Differences		89,562,441	177,111,500
OTHER COMPREHENSIVE INCOME		94,343,147	176,775,484
TOTAL COMPREHENSIVE INCOME		85,102,566	134,906,091

(All amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

TURKISH TECHNIC INC.

Equity Change Statement For The Year Ended 31 December 2014

	Paid-in Capital	Accumulated Other Extensive Incomes and Expenses that Will Never Be Reclassified to Profit and Loss	Accumulated Other Extensive Incomes and Expenses that Will Be Reclassified to Profit and Loss	Restricted Profit Reserves	Accumulated Profits		Total Equity
		Actuarial Losses From Defined Pension Plans	Foreign Exchange Translation Differences		Profit of Previous Years	Net Term Profit / (Loss)	
Balance sheets as of 1 January 2013	693,000,000	(2,449,729)	86,841,809	8,080,406	120,647,508	15,573,993	921,693,987
Transfers	-	-	-	1,197,158	14,376,835	(15,573,993)	-
Total Comprehensive Income	-	(336,016)	177,111,500	-	-	(41,869,393)	134,906,091
Balance sheets as of 31 December 2013	693,000,000	(2,785,745)	263,953,309	9,277,564	135,024,343	(41,869,393)	1,056,600,078
Balance sheets as of 1 January 2014	693,000,000	(2,785,745)	263,953,309	9,277,564	135,024,343	(41,869,393)	1,056,600,078
Transfers	-	-	-	226,737	(42,096,130)	41,869,393	-
Total Comprehensive Income	-	4,780,706	89,562,441	-	-	(9,240,581)	85,102,566
Balance sheets as of 31 December 2014	693,000,000	1,994,961	353,515,750	9,504,301	92,928,213	(9,240,581)	1,141,702,644

(All amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

TURKISH TECHNIC INC.
Cash Flow Statement For The Year Ended 31 December 2014

	Note	Independently Audited 1 January – 31 December 2014	Independently Audited 1 January – 31 December 2013
Loss for the Period		(9,240,581)	(41,869,393)
Adjustments to Reconcile Net (Loss) / Profit for the Period:			
Adjustments for depreciation and amortization	11,13,14	150,884,690	76,809,128
Adjustments for provisions, net	15	12,951,504	(2,338,142)
Adjustments for provisions for employee benefits	17	25,828,317	6,153,470
Adjustments for provisions for doubtful receivables	10,31	8,836,574	6,478,570
Adjustments for interest income and expenses		21,859,799	2,399,582
Adjustments for rediscount expenses	22	61,951	417,589
Adjustments for rediscount incomes	22	(64,128)	(89,845)
Adjustments for unrealized foreign exchange loss and translation differences		35,008,355	(40,182,655)
Adjustments for losses from sale of fixed assets	24	200,507	351,512
Share of Investment's loss accounted by using the equity method	3	901,133	17,612,894
Adjustments for deferred tax (Income) / expense	27	4,887,676	29,684,621
Adjustments for tax (Income) / expense	27	9,686,012	-
Cash Flows Before Working Capital Changes		261,801,809	55,427,331
Adjustments for increase in inventories		(400,337,796)	(113,277,474)
Adjustments for (increase)/ decrease in trade receivables		(225,260,073)	(30,866,033)
Adjustments for increase in other receivables		(14,372,636)	(9,276,518)
Adjustments for decrease / (increase) in other current and non current assets		80,717,355	(46,190,134)
Adjustments for increase/(decrease) in trade payables and due to related parties		148,101,727	17,573,263
Adjustments for increase/(decrease) in other payables and due to related parties		256,872,977	261,821,038
Adjustments for (increase)/ decrease in prepaid expenses		5,614,279	(41,617,389)
Adjustments for (increase)/ decrease in deferred incomes		59,195,282	43,846,833
Adjustments for payables related to employee benefits		17,545,027	6,903,602
Adjustments for increase in other short and long-term liabilities		609,877	45,757,876
Cash Flows Generated From Operating Activities		190,487,828	190,102,395
Received interest		175,284	238,890
Tax payments	27	(8,669,800)	(1,716,795)
Employee severance payment	17	(6,358,696)	(3,426,780)
Net Cash Flows Generated From Operating Activities		175,634,616	185,197,710
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash input from sales of tangible fixed assets	13	81,038	166,339
Cash output from purchase of tangible fixed assets	13	(161,476,307)	(197,761,259)
Cash output from purchase of intangible fixed assets	14	(13,186,257)	(1,229,578)
Sale on the share of affiliates		165,000	-
Capital contribution to affiliates		(4,350,000)	(1,539,395)
Cash Flows Used for Investment Activities		(178,766,526)	(200,363,893)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash inputs from indebtedness		6,925,527	-
Cash outputs for debt payments		(3,992,929)	(645,328)
Cash Flows (Used) / from Financing Activities		2,932,598	(645,328)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(199,312)	15,811,511
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		2,046,901	17,858,412
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		2,246,213	2,046,901

(All amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

TURKISH TECHNIC INC.

Notes to the Financial Statements For The Year Ended 31 December 2014

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

Turkish Technic Inc. ("the Company") was incorporated on 23 May 2006 with the purpose to bring the Company to an important technical maintenance base in the area in air transport sector and to provide maintenance and repair services to civil aviation sector and every kind of technical and infrastructural assistance related with the airlines sector.

The average number of employees working for the company as at 31 December 2014 is 2,764 (31 December 2013: 2,012). The total number of employees working for the company as at 31 December 2014 is 4,395 (31 December 2013: 1,981). 1,717 employees were transferred from Turkish Airlines Habom to the Company in 2014.

	31 December 2014	31 December 2013
Administrative Staff	900	619
Production Staff	3.495	1.362
Total	4.395	1.981

The company is registered in Turkey and its head office address is as follows:
Istanbul Pendik Sabiha Gokcen International Airport E Gate Turkish Airlines HABOM Cargo Road.

Affiliates

As of 31 December 2014 and 31 December 2013, affiliates accounted by using equity method and participation rate of the Company in these affiliates are as below:

Company title	Field of activity	Participation Rate		Country of registration
		31 December 2014	31 December 2013	
Turkbine Teknik Gaz Turbinleri Bakım Onarım Anonim Şirketi ("Turkbine Technic")	Technical Maintenance	50%	50%	Turkey
P&W T.T. Uçak Bakım Merkezi Limited Şirketi ("TEC")	Technical Maintenance	49%	49%	Turkey
Goodrich THY Teknik Servis Merkezi Limited Şirketi ("Goodrich")	Technical Maintenance	40%	40%	Turkey
TCI Kabinçi Sistemleri Sanayi ve Ticaret Anonim Şirketi ("TCI")	Cabin Interior Maintenance Service	20%	21%	Turkey

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Preparation of the Financial Statements

Accompanying financial statements were prepared as per Turkish Accounting Standards ("TAS") published and enforced by the Public Oversight Accounting and Auditing Standards Authority ("POA").

TAS is comprised of Turkish Accounting Standards, Turkish Financial Reporting Standards (TFRS), appendixes and interpretations.

Financial statements and complementary footnotes are presented according to the reporting formats stated in "Financial Statement Examples and Usage Guide" published by POA on 20 April 2013.

Adjustment of Financial Statements in Hyperinflationary Periods

As per the 17 March 2005 dated, 11/367 numbered decree of CMB, companies engaged in Turkey and those of which prepare their financial statements in accordance with the CMB Accounting Standards (including IAS/IFRS exercisers), use of inflationary accounting standards have been discontinued effective from 1 January 2005. Accordingly, "Financial Reporting Standards in Hyperinflationary Economies", ("LAS 29") was no longer applied henceforward.

Basis of Measurements

Financial statements have been prepared on cost basis principle. Methods used for fair value measurement are given in Note: 2.5.7.

Functional and Reporting Currency

Functional Currency

Although the currency of the country in which the Company is domiciled is Turkish Lira (TL), for the purpose of this report the Company's functional currency is determined as US Dollar. US Dollar is used to a significant extent in, and has a significant impact on, the operations of the Company and reflects the economic substance of the underlying events and circumstances relevant to the Company. Therefore, the Company uses the US Dollar in measuring items in its financial statements and as the reporting currency. All currencies other than the currency selected for measuring items in the financial statements are treated as foreign currencies. Accordingly, transactions and balances not already measured in US Dollar have been premeasured in US Dollar in accordance with the relevant provisions of TAS 21 (the Effects of Changes in Foreign Exchange Rates).

Translation to the presentation currency

The Company's presentation currency is TL. The US Dollar financial statements of the Company are translated into TL as the following methods under TAS 21 ("The Effects of Foreign Exchange Rates"):

- a) Assets and liabilities in the balance sheet are translated into TL at the prevailing US Dollar buying exchange rates of the Central Bank of Turkish Republic.
- b) The statement of profit or loss and other comprehensive income is translated into TL by using the monthly average US Dollar exchange rates.
- c) All differences are recognized as a separate equity item under exchange differences.

TURKISH TECHNIC INC.

Notes to the Financial Statements For The Year Ended 31 December 2014

Basis of the Consolidation

The company has four Affiliates (Note: 1). Company's Affiliates are economic activities dependent on joint control that require declarations of strategic, financial and management policy by unanimous vote of the company and other partners. The businesses that are controlled by the company collectively are recognized with sharing the owners' equity method. According to the equity method, Affiliates are stated as the cost value adjusted as deducting the impairment in Affiliates from the change occurred in the Affiliate's assets after the acquisition date that is calculated by the Company's share in the consolidated balance sheet. Affiliate's losses that exceed the Company's share are not considered (actually, that contains a long term investment which composes the net investment in the Affiliate).

2.2 Statement of Compliance with TAS

The Company maintain their books of account and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code and Tax Legislation.

The annexed financial statements have been prepared in accordance with Turkish Accounting Standards (TAS) announced by Public Oversight Accounting and Auditing Standards Authority ("POA") with regard to the communique numbered II-14.1 "Communique on the Principles of Financial Reporting In Capital Markets" ("the Communique") announced by the Capital Markets Board ("CMB") on 13 June 2013 which is published on Official Gazette numbered 28676. TAS is comprised of Turkish Accounting Standards, Turkish Financial Reporting Standards (TFRS), appendixes and interpretations.

2.3 Changes in Accounting Policies

Major changes in accounting policies are applied retroactively and the financial statements of the previous periods are adjusted.

2.4 Changes and Errors in Accounting Estimates

If estimated changes in accounting policies are for only one period, changes are applied on the current year but if the estimated changes effect the following periods, changes are applied both on the current and following years prospectively.

Changes in accounting policies or accounting errors applied retroactively and the financial statements of the previous periods were adjusted.

The significant estimates and assumptions used in preparation of these consolidated financial statements as at 31 December 2014 are same with those used in the preparation of the Group's consolidated financial statements as at and for the year ended 31 December 2013.

2.5 Summary of Significant Accounting Policies

The summary of significant accounting policies which were applied during the preparation of financial statement are as follows:

2.5.1 Revenue

Revenue is recognized on accrual basis at the fair value of the amount received or to be received based on the assumptions that revenue is measured reliably and it is probable that economic benefits associated with the sale will flow to the Company. Net sales are calculated after the sales returns and sales discounts.

Revenue from sale of goods and services rendered is recognized when all the following conditions are satisfied:

- The company has transferred to the buyer all the significant risks and rewards of ownership,
- The company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will flow to the entity,
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company provides maintenance and repair services to civil aviation sector, and technical and infrastructural, assistance related with the airlines sector. Income is recorded based on accrual basis against the invoices issued upon provision of service.

When there is significant amount of cost of financing included in the sales, the fair value is determined by discounting all probable future cash flows with the yield rate, which is embedded in the cost of financing. The difference is recorded according to the accrual basis.

Interest income accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

2.5.2 Inventories

Inventories are stated at the lower of cost or net realizable value. Cost of inventories is the sum of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Average cost method is applied in the calculation of cost of inventories. Net realizable value represents estimated selling price at regular business operation less all estimated costs of completion and estimated costs which is necessary to make sales.

TURKISH TECHNIC INC.

Notes to the Financial Statements For The Year Ended 31 December 2014

Components and repairable spare parts depreciated over their useful lives are as follows:

	Useful Life (year)
• Components	7
• Repairable spare parts (R Equipment)	7
• Repairable spare parts (X Equipment)	3
• Repairable spare parts (V Equipment)	7

2.5.3 Tangible Fixed Assets

Tangible assets are carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The useful lives of tangible assets are as follows:

	Useful Life (year)
• Plant, machinery and devices	3-15
• Fixtures	3-15
• Vehicles	4-7
• Other tangible fixed assets	4-15
• Leasehold improvements	4-16

2.5.4 Intangible Fixed Assets

Intangible assets include information systems and other intangible assets.

These intangible assets are recorded in the purchase cost; other intangible assets are depreciated over their useful life, on a straight-line basis.

2.5.5 Impairment on Assets

At the end of each reporting period, the Company Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units. Or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount. In such case the impairment loss is treated as a revaluation decrease.

2.5.6 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All of the other borrowing costs are recognized in the statement of income in the period in which they occur. As of 31 December 2014 and 2013, the Company does not have any capitalized borrowing costs.

2.5.7 Financial Instruments

Financial assets

Financial investments are initially measured at fair value, net off transaction costs except for those financial assets classified as fair value through profit or loss which are initially measured at fair value. Investments are recognized and derecognized on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Other financial assets are classified into the following specified categories: financial assets as "at fair value through profit or loss", "held-to-maturity investments", "available-for-sale" financial assets and "loans and receivables". Classification is made according to the asset's purpose of obtaining and features at the first recording.

TURKISH TECHNIC INC.

Notes to the Financial Statements For The Year Ended 31 December 2014

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate a shorter period.

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

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where the Group acquires the financial asset principally for the purpose of selling in the near term, the financial asset is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short term profit taking as well as derivatives that are not designated and effective hedging instruments.

Held-to-maturity investments

Investments in debt securities with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognized on an effective yield basis.

2.5.8 Foreign Currency Transaction

Transactions in foreign currencies are translated into US Dollar at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date. Gains and losses arising on settlement and translation of foreign currency items are included in profit or loss.

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

	Closing Rate	Average Rate
31 December 2014	2.3189	2.1879
31 December 2013	2.1343	1.9033
31 December 2012	1.7826	1.7922

2.5.9 Earnings per share

Earnings / (losses) per share is calculated by dividing net profit / (loss) by weighted average number of shares outstanding in the relevant period.

In Turkey, companies are allowed to increase their capital by distributing "free shares" to shareholders from accumulated profits. In calculation of earnings per share, such free shares are considered as issued shares. Therefore, weighted average number of shares in the calculation of earnings per share is found by applying distribution of free shares retrospectively.

2.5.10 Events Subsequent to the Balance Sheet Date

An explanation for any event between the balance sheet date and the publication date of the balance sheet, which has positive or negative effects on the Company (should any evidence come about events that were prior to the balance sheet date or should new events come about) they will be explained in the relevant footnote.

If such an event were to arise, the Company restates its financial statements accordingly.

2.5.11 Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of the related cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of receivable can be measured reliably.

2.5.12 Related Parties

Related parties in the financial statements refer to partners, top level management, members of the Board of Directors, and close family members in charge of the Company, as well as the companies, affiliates and partnerships controlled by these individuals or associated with them. Transactions with related parties are performed based on prices at arm's length.

TURKISH TECHNIC INC.

Notes to the Financial Statements For The Year Ended 31 December 2014

2.5.13 Taxation and Deferred Tax

Income tax expense represents the sum of the tax currently payable and deferred tax expense (or benefit).

Current tax

Current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition other than in a business combination of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and affiliates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over cost. Taxes on financial statements contain changes in current period taxes and deferred tax. The Company calculates current period tax and deferred tax based on period results.

2.5.14 Employee Benefit/Retirement Pay Provision

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard 19 (Revised) "Employee Benefits" ("IAS 19"). The retirement benefit obligation recognized in the balance sheet have been measured as the net current value of the liabilities that are expected to emerge from the retirements of all employees and disclosed as such on the financial statements. Any actuarial gains and losses calculated are carried on the income statement.

2.5.15 Statement of Cash Flow

Cash flows from operating activities reflect cash flows generated from sales of the Company.

Cash flows from investment activities express cash used in investment activities (direct investments and financial investments) and cash flows generated from investment activities of the Company.

Cash flows relating to finance activities express sources of financial activities and payment schedules of the Company.

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

TURKISH TECHNIC INC.

Notes to the Financial Statements For The Year Ended 31 December 2014

2.5.16 Share Capital and Dividends

Common shares are classified as equity. Dividends on common shares are recognized in equity in the period in which they are approved and declared.

2.6 Critical Accounting Estimates and Assumptions

2.6.1 Useful Lives of Inventories

Components and repairable spare parts are subject to depreciation and their useful lives are explained in Note 2.5.2.

2.6.2 Provision for Doubtful Trade Receivables

The Company makes a provision for trade receivables which are overdue and whose ability to be collected is assessed to be lower based on the past collectability experience, by taking letters of guarantees received into consideration. As explained in Note 8, the provision for doubtful trade receivables amounts to TL 64,471,772 as at 31 December 2014 (31 December 2013: TL 51,009,539).

2.6.3 Deferred tax

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TFRS purposes and its statutory tax financial statements. The partial or complete recoverable amount of deferred tax assets are estimated under current circumstances. Future profit projections, losses in current period, the final dates for utilizing unused losses and other tax assets and tax planning strategies are taken into consideration for such evaluation. Based on the information obtained, a provision is set aside for a portion of or for the total of deferred tax asset if future taxable profit is not sufficient against deferred tax assets.

2.7 New and Revised Standards and Interpretation

In accounting policies considered in preparation of financial statements as at and for the year ended 31 December 2014, the Company applied all Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations that are effective as of 1 January 2014.

Standards which were published on 31 December 2014 but not enforced yet and not subject to early implementation.

A number of new standards, amendments to standards and interpretations explained below are not yet effective as at 31 December 2014, and have not been applied in preparing these financial statements of the Company:

TFRS 9 Financial Instruments– Classification and Measurement

With the amendment published on December 2012, the new standard shall be valid for the annual fiscal periods commencing on 1 January 2015 and afterwards. The first phase of TFRS 9 Financial Instruments standard brings new provisions on the measurement and classification of the financial assets and liabilities. Amendments made in TFRS 9 shall actually affect the measurement and classification of the financial assets and of the financial liabilities, of which fair value difference is classified as measured by reflecting the same on the profit or loss, and it requires presentation of such part of this sort of financial liabilities that is concerned with credit risk, in the other comprehensive income statement. Earlier application of the standard is allowed. Company evaluates the impacts of the standard on its financial situation and performance.

TAS 16 and TAS 38 - Clarification of applicable depreciation and amortization methods

Amendment of TAS 16 Tangible Fixed Assets standard clearly states that income based amortization calculation methods cannot be used in amortization calculations of tangible fixed assets. Amendment of TAS 38 Intangible Fixed Assets standard sets forth a rebuttable assumption that use of income based amortization methods are not suitable for amortization of intangible fixed assets. These amendments shall be applicable for the annual fiscal periods commencing on and after 1 January 2016 and will be applied prospectively. Earlier application of the standard is allowed. Amendments are expected to have no significant impact on the financial situation or performance of the Company.

TFRS 11 - Recognition of shares acquired from joint operations

Amendments clarify that whether TFRS 3 Company Mergers standard will be applied for shares acquired from mutual activities according to the definition of company of a company standard. Amendments require company merger recognition for shares that are acquired during joint operations which constitute a company. These amendments shall be applicable for the annual fiscal periods commencing on and after 1 January 2016 and will be applied prospectively. Earlier application of the standard is allowed. Amendments are expected to have no significant impact on the financial situation or performance of the Company.

New or amended standards and interpretations published by International Accounting Standards Board (IASB) but not published by POA.

New standards, interpretations and amendments in the current TFRS standards listed as follows are published by IASB however, is not enforced within the reporting period; however, these new standards, interpretations and amendments are not yet adapted to TFRS / published by POA and therefore do not constitute a part of IFRS. Accordingly, reference is made to standards published by IASB, however, not published by POA as IFRS or IAS. The company shall make required amendments in its financial statements and footnotes when these standards and interpretations are enforced in TFRS:

TURKISH TECHNIC INC.

Notes to the Financial Statements For The Year Ended 31 December 2014

IFRS 14 Regulating Deferring Accounts

IASB has commenced a comprehensive project in 2012 on Operations with Adjusted Rate. IASB has published a Standard with a limited scope in order to provide a provisional solution for the ones which will apply IFRS for the first time for companies rates of which are regulated, as a part of the project. This Standard allows the companies which will apply IFRS for the first time to have their regulating deferring accounts to be recognized in transition to IFRS in the same manner with the recognition according to currently generally accepted accounting principles. This Standard is valid for the annual fiscal periods commencing on and after 1 January 2016, and earlier application is allowed. Amendments are expected to have no significant impact on the financial situation or performance of the Company.

IFRS 15 Agreements Signed with Customers

The new standard introduces a new control-based model for agreements signed with customers by amending the guidelines included in International Financial Reporting Standards (IFRS) and United States Generally Accepted Accounting Principles. This new standard introduced new guidelines on the aspects of separation of products and services included in the agreement, recognition throughout time in recognition of the revenue and stipulates measurement of the revenue amount as an amount that the company expects to be entitled for rather than the fair value. This amendment is valid for the annual fiscal periods commencing on and after 1 January 2017, and earlier application is allowed. Company evaluates the impacts of the standard on its financial situation and performance.

Asset sale or contribution of the investor company to its affiliate or business partner (amendments in IFRS 10 and IAS 28)

These amendments consider the conflict between consolidation and equity accounting applications in force. Amendments require recognition of the entire revenue in the case that the transferred assets conform to the definition of "work" in IFRS 3 Company Mergers standard. These amendments shall be applicable for the annual fiscal periods commencing on and after 1 January 2016 and will be applied prospectively. Earlier application of the standard is allowed. Amendments are expected to have no significant impact on the financial situation or performance of the Company.

2.8 Determination of Fair Values

Various accounting policies and explanations of the company require determination of the fair values of both financial and non-financial assets and liabilities. If applicable, additional information concerning the assumptions used in determination of fair values are provided in footnotes specific for asset or liability.

Appraisal methods according to levels are defined as follows;

Level 1 : Priced quoted (unadjusted) in the assets market for identical assets and liabilities;

Level 2 : Data which is not included in the quoted prices in Level 1 and observed directly (through prices) or indirectly (derived from prices) in terms of assets and liabilities;

Level 3 : Data that is not based on observable market data with regard to assets or liabilities (unobservable data).

3. SHARES IN OTHER SUBSIDIARIES

As at 31 December shares in other companies are as follows:

	31 December 2014	31 December 2013
TEC	51,646,819	46,355,553
Turbine Technic	8,283,911	8,632,686
TCI	3,897,723	560,053
Goodrich	968,231	758,407
	64,796,684	56,306,699

As of 31 December financial information for TEC is as follows:

	31 December 2014	31 December 2013
Current assets	206,368,965	216,278,145
Non-current assets	93,046,126	93,660,172
Short term liabilities	159,070,766	188,258,946
Long term liabilities	34,942,654	30,021,169
Equities	105,401,671	94,603,169
Company Share in Equity	51,646,819	46,355,553

	1 January - 31 December 2014	1 January - 31 December 2013
Revenue	426,704,079	246,765,163
Profit (/loss) for the period	2,468,289	(32,421,795)
Profit (/loss) for the period Company share	1,209,462	(15,886,680)

TURKISH TECHNIC INC.

Notes to the Financial Statements For The Year Ended 31 December 2014

As at 31 December, financial information for Turkbine Technic is as follows:

	31 December 2014	31 December 2013
Current assets	8,860,387	10,062,695
Non-current assets	4,296,684	5,045,416
Short term liabilities	(3,410,750)	(2,157,261)
Equities	16,567,821	17,265,372
Company Share in Equity	8,283,911	8,632,686

	1 January - 31 December 2014	1 January - 31 December 2013
Revenue	1,732,012	1,705,776
Loss for the Period	(2,067,103)	(349,776)
Profit (loss) for the period Company share	(1,033,551)	(174,888)

As of 31 December financial information for Goldrich is as follows:

	31 December 2014	31 December 2013
Current assets	5,430,148	7,012,590
Non-current assets	1,116,637	2,051,429
Short term liabilities	4,570,803	7,168,001
Equities	2,420,578	1,896,018
Actuarial loss	(444,596)	-
Company Share in Equity	968,231	758,407

	1 January - 31 December 2014	1 January - 31 December 2013
Revenue	17,833,369	14,404,840
Profit (/loss) for the period	340,200	(1,311,524)
Profit (/loss) for the period Company share	136,080	(524,609)

As of 31 December financial information for TCI is as follows:

	31 December 2014	31 December 2013
Current assets	27,783,147	9,295,441
Non-current assets	2,001,776	1,290,107
Short term liabilities	10,296,307	8,187,013
Equities	19,488,616	2,666,920
Company Share in Equity	3,897,723	560,053

TURKISH TECHNIC INC.

Notes to the Financial Statements For The Year Ended 31 December 2014

	1 January - 31 December 2014	1 January - 31 December 2013
Revenue	7,190,017	2,155,586
Loss for the Period	(6,065,618)	(4,889,128)
Profit (loss) for the period Company share	(1,213,124)	(1,026,717)

Shares in profit / (loss) of shares at other companies are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
TEC	1,209,462	(15,886,680)
TCI	(1,213,124)	(1,026,717)
Goodrich	136,080	(524,609)
Turbine Technic	(1,033,551)	(174,888)
	(901,133)	(17,612,894)

4. CASH AND CASH EQUIVALENTS

As at 31 December details of cash and cash equivalents are as follows:

	31 December 2014	31 December 2013
Banks (demand deposits)	538.208	796.901
Banks (time deposits)	1,708,005	1,250,000
	2,246,213	2,046,901

As at 31 December details of the time deposits are as follows:

Capital	Currency	Opening Date	Interest rate	Maturity	31 December 2014
250,000	USD	31 December 2014	0.8%	2 January 2015	579,725
400,000	Euro	31 December 2014	1.9%	2 January 2015	1,128,280
					1,708,005

Capital	Currency	Opening Date	Interest rate	Maturity	31 December 2014
1,250,000	TL	31 December 2013	9.0%	2 January 2014	1,250,000
					1,250,000

TURKISH TECHNIC INC.

Notes to the Financial Statements For The Year Ended 31 December 2014

5. FINANCIAL INVESTMENTS

As at 31 December details of financial investments are as follows:

	31 December 2014	Share Rate %	31 December 2013	Share Rate %
Uçak Koltuk Üretimi Sanayi ve Ticaret Anonim Şirketi ("Aircraft Seat")	5,005	10	5,005	10
Türk Hava Yolları Opet Havacılık Yakıtları Anonim Şirketi ("THY Opet")	20	<1	20	<1
	5,025		5,025	

6. OTHER FINANCIAL LIABILITIES

As at 31 December details of other financial liabilities are as follows:

	31 December 2014	31 December 2013
Payables to banks	6,925,527	3,992,929
	6,925,527	3,992,929

As at 31 December details of other financial liabilities are as follows:

31 December 2014				
Bank Name	Date of Maturity	Original Currency	Currency	Amount
Finansbank	1 January 2015	6,925,527	TL	6,925,527
				6,925,527
31 December 2013				
Bank Name	Date of Maturity	Original Currency	Currency	Amount
Finansbank	1 January 2014	3,992,929	TL	3,992,929
				3,992,929

Short term financial borrowings consist of overnight interest-free borrowings obtained for settlement of monthly social security premium payments.

7. RELATED PARTY TRANSACTIONS

As at 31 December short term trade receivables from related parties are as follows:

	31 December 2014	31 December 2013
Turkish Airlines Inc.	300,843,209	87,053,022
Sun Express	9,856,034	10,244,685
TEC	3,434,541	6,924,681
Turkish Airlines Habom	612,989	6,428,887
TCI	102,490	321,177
TGS Yer Hizmetleri A.Ş. ("TGS")	232,649	140,511
Goodrich	292,712	108,535
Turkbine Technic	64,246	-
	315,438,870	111,221,498

As at 31 December other short term receivables from related parties are as follows:

	31 December 2014	31 December 2013
Turkish Airlines Inc.	16,526,153	3,269,930
TCI	5,166	1,687,847
Turkbine Technic	476	569
Aircraft Seat	95	115
	16,531,890	4,958,461

As at 31 December short term trade payables to related parties are as follows:

	31 December 2014	31 December 2013
Turkish Airlines Habom	45,148,750	9,880,096
Turkish Airlines Inc.	42,828,124	13,835,192
TGS	2,268,653	196,399
Goodrich	665,802	2,216,403
Turkish Airlines Opet	223,588	253,073
TEC	113,997	193,647
Sun Express	77,357	-
TCI	38,175	888,675
Turkish Airlines Aydın Çıldır Airport	1,616	-
	91,366,062	27,463,485

TURKISH TECHNIC INC.

Notes to the Financial Statements For The Year Ended 31 December 2014

As at 31 December other short term payables to related parties are as follows:

	31 December 2014	31 December 2013
Turkish Airlines Inc.	82,755,440	49,552,430
Turkish Airlines Habom	-	16,908
	82,755,440	49,569,338

As at 31 December other long term payables to related parties are as follows:

	31 December 2014	31 December 2013
Turkish Airlines Inc.	432,230,870	228,440,942
	432,230,870	228,440,942

For the years ended 31 December, transactions with related parties are as follows:

Sales	1 January - 31 December 2014	1 January - 31 December 2013
Turkish Airlines Inc.	1,186,177,473	709,274,662
Sun Express	91,512,871	63,207,815
Turkish Airlines Habom	33,009,481	9,071,428
TEC	21,262,025	7,524,787
Turkbine Technic	2,195,742	51,652
TGS	1,528,009	959,027
Goodrich	777,146	123,925
TCI	234,823	156,768
Aircraft Seat	276	690
Turkish Airlines Opet	-	22,547
	1,336,697,845	790,393,301
Purchases	1 January - 31 December 2014	1 January - 31 December 2013
Turkish Airlines Inc.	94,714,451	41,415,553
Turkish Airlines Habom	61,920,444	38,225,663
TGS	7,079,930	1,435,372
Turkish Airlines Opet	1,459,320	1,052,511
TEC	162,681	96,564
TCI	69,204	64,900
Sun Express	26,937	-
Turkish Airlines Do & Co	23,046	-
	165,456,013	82,290,563

For the year ended 31 December 2014, total amount of salaries and other benefits provided to key management personnel is TL 2,573,131 (31 December 2013: TL 2,082,232).

8. TRADE RECEIVABLE AND PAYABLES

As at 31 December trade receivables from non-related parties are as follows:

	31 December 2014	31 December 2013
Trade receivables	122,732,266	99,326,325
Notes receivables	4,090,988	1,890,990
Discount on receivables	(4,474)	(5,971)
Provision for doubtful receivables	(64,471,772)	(51,009,539)
	62,347,008	50,201,805

Provision for doubtful receivables has been determined based on last experiences for uncollectible receivables. Details for credit risk, foreign currency risk and impairment for trade receivables are explained in Note 31.

As at 31 December trade payables to non-related parties are as follows:

	31 December 2014	31 December 2013
Commercial liabilities	155,351,256	84,659,926
Accrued Expenses	26,772,160	13,318,566
Discount on payables	(65,838)	(55,936)
	182,057,578	97,922,556

9. PAYABLES RELATED TO EMPLOYEE BENEFITS

As at 31 December payables related to employee benefits are as follows:

	31 December 2014	31 December 2013
Salary accruals (*)	31,511,231	18,316,055
Social security premiums payable	8,458,985	4,142,635
Personnel credit card payables	24,491	4,124
Payables to personnel	14,029	895
	40,008,736	22,463,709

(*) Salary accruals are comprised of salary expenses of December.

TURKISH TECHNIC INC.

Notes to the Financial Statements For The Year Ended 31 December 2014

10. OTHER RECEIVABLES AND PAYABLES

As at 31 December other receivables from non-related parties are as follows:

	31 December 2014	31 December 2013
Receivables from foreign technical suppliers	7,561,051	4,594,612
Deposits and guarantees given	35,291	23,618
Receivables from personnel	18,153	14,159
Doubtful receivables	1,041	2,539
Provision for doubtful receivables (-)	(1,041)	(2,539)
Other receivables	82,845	266,771
	7,697,340	4,899,160

For the years ended 31 December the movements of provision for doubtful receivables are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Provision at the beginning of the period	2,539	6,3
Current year charge	1,027	-
Collections	(2,138)	(4,473)
Foreign currency translation	(387)	702
Provision at the end of the period	1,041	2,539

As at 31 December other payables to non-related parties are as follows:

	31 December 2014	31 December 2013
Taxes, duties and other deductions to be paid	46,736,569	9,093,050
Deposits and guarantees taken	14,490,290	8,834,803
Other payables	1,693,172	3,060,148
	62,920,031	20,988,001

11. INVENTORIES

As at 31 December inventories are as follows:

	31 December 2014	31 December 2013
Components and repairable spare parts	800,829,359	560,821,195
Technical equipment inventories	361,264,704	293,511,456
Scrap equipment inventories	27,110,088	18,831,939
Technical equipment inventories in transit	106,533,955	12,211,174
Accumulated depreciation of components and repairable spare parts (-)	(307,874,719)	(220,355,668)
Provision for impairment of inventories (-)	(27,106,828)	(14,330,391)
	960,756,559	650,689,705

For the years ended 31 December, the movements of provision for impairment of inventories are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Provision at the beginning of the period	14,330,391	17,701,999
Foreign currency translation	1,938,810	2,749,614
Current period provision	10,837,627	-
Reversal of provision for impairment	-	(6,121,222)
Provision at the end of the period	27,106,828	14,330,391

For the year ended 31 December 2014, the movement of components and repairable spare parts are as follows:

Cost	Components and repairable spare parts
Opening Balance 1 January 2014	560,821,195
Foreign currency translation	48,506,577
Additions	230,601,666
Disposals	(39,100,079)
Closing balance 31 December 2014	800,829,359
Accumulated Depreciation	
Opening Balance 1 January 2014	220,355,668
Foreign currency translation	22,926,480
Current charge for the period	90,270,942
Disposals	(25,678,371)
Closing balance 31 December 2014	307,874,719
Net book value 31 December 2014	492,954,640

TURKISH TECHNIC INC.

Notes to the Financial Statements For The Year Ended 31 December 2014

For the year ended 31 December 2013, the movement of components and repairable spare parts are as follows:

Cost	Components and repairable spare parts
Opening Balance 1 January 2013	373,795,361
Foreign currency translation	73,748,360
Additions	152,508,047
Disposals	(39,230,573)
Closing balance 31 December 2013	560,821,195
Accumulated Depreciation	
Opening Balance 1 January 2013	145,803,609
Foreign currency translation	33,721,954
Current charge for the period	57,206,510
Disposals	(16,376,405)
Closing balance 31 December 2013	220,355,668
Net book value 31 December 2013	340,465,527

12. PRE-PAID EXPENSES AND DEFERRED INCOME

As at 31 December short-term pre-paid expenses are as follows:

	31 December 2014	31 December 2013
Advances given for purchases	6,645,880	4,089,174
Expenses for the future months	1,950,367	1,837,478
	8,596,247	5,926,652

As at 31 December long-term pre-paid expenses are as follows:

	31 December 2014	31 December 2013
Advances given for purchases	40,702,281	48,887,877
Long-term prepaid expenses	202,380	300,658
	40,904,661	49,188,535

As at 31 December short-term pre-paid expenses are as follows:

	31 December 2014	31 December 2013
Advances received	188,606,455	128,653,668
Expenses for the future months	274,249	854,699
	188,880,704	129,508,367

13. TANGIBLE FIXED ASSETS

	Plant, Machinery and Devices	Vehicles	Fixtures	Other tangible fixed assets	Ongoing investments	Special Costs	Total
Cost							
Opening Balance 1 January 2014	148,208,520	10,533,582	14,321,627	2,806,321	634,481,270	31,551,137	841,902,457
Foreign currency translation	12,818,860	911,071	1,238,707	242,725	4,877,591	5,272,924	72,817,878
Additions	40,212,038	2,144,294	5,145,361	867,869	11,521,907	101,584,838	161,476,307
Disposals	(1,078,915)	(367,247)	(12,042)	(364)	-	(61,497)	(1,520,065)
Transfer (*)	272,837	-	4,770,536	355,742	(697,965,785)	679,732,057	(12,834,613)
Closing balance 31 December 2014	200,433,340	13,221,700	25,464,189	4,272,293	2,914,983	815,535,459	1,061,841,964
Accumulated Depreciation							
Opening Balance 1 January 2014	92,992,136	7,092,426	10,404,907	1,622,649	-	28,045,383	140,157,501
Foreign currency translation	8,986,203	676,060	1,021,893	165,354	-	4,573,236	15,422,746
Current year depreciation	16,591,865	1,375,021	2,047,476	418,014	-	35,925,073	56,357,449
Disposals	(840,296)	(329,152)	(10,705)	(344)	-	(58,023)	(1,238,520)
Closing balance 31 December 2014	117,729,908	8,814,355	13,463,571	2,205,673	-	68,485,669	210,699,176
Net book value 1 January 2014	55,216,384	3,441,156	3,916,720	1,183,672	634,481,270	3,505,754	701,744,956
Net book value 31 December 2014	82,703,432	4,407,345	12,000,618	2,066,620	2,914,983	747,049,790	851,142,788

(All amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

As at 31 December 2013, details of the tangible fixed assets are as follows:

	Plant, Machinery and Devices	Vehicles	Fixtures	Other tangible fixed assets	Ongoing investments	Special Costs	Total
Cost							
Opening Balance 1 January 2013	106,750,096	9,129,541	10,747,618	1,924,393	390,270,847	25,161,531	543,984,026
Foreign currency translation	21,061,376	1,801,223	2,120,463	379,676	76,998,910	4,964,271	107,325,919
Additions	22,342,211	783,647	1,476,176	502,252	171,231,638	1,425,335	197,761,259
Disposals	(1,945,163)	(1,180,829)	(22,630)	-	-	-	(3,148,622)
Transfer	-	-	-	-	(4,020,125)	-	(4,020,125)
Closing balance 31 December 2013	148,208,520	10,533,582	14,321,627	2,806,321	634,481,270	31,551,137	841,902,457
Accumulated Depreciation							
Opening Balance 1 January 2013	69,754,869	6,024,281	7,143,928	1,126,974	-	18,769,787	102,819,839
Foreign currency translation	14,787,852	1,175,533	1,609,862	251,931	-	4,306,316	22,131,494
Current year depreciation	10,043,697	912,105	1,668,113	243,744	-	4,969,280	17,836,939
Disposals	(1,594,282)	(1,019,493)	(16,996)	-	-	-	(2,630,771)
Closing balance 31 December 2013	92,992,136	7,092,426	10,404,907	1,622,649	-	28,045,383	140,157,501
Net book value 31 December 2013	55,216,384	3,441,156	3,916,720	1,183,672	634,481,270	3,505,754	701,744,956

(All amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

14. INTANGIBLE FIXED ASSETS

As at 31 December 2014, details of the intangible fixed assets are as follows:

	Rights
Cost	
Opening Balance 1 January 2014	11,539,013
Foreign currency translation	998,035
Additions	13,186,257
Transfer	12,834,613
Closing balance 31 December 2014	38,557,918
Accumulated Depreciation	
Opening Balance 1 January 2014	4,215,126
Foreign currency translation	619,419
Current period redemption	4,256,299
Closing balance 31 December 2014	9,090,844
Net book value 31 December 2014	29,467,074

As at 31 December 2013, details of the intangible fixed assets are as follows:

	Rights
Cost	
Opening Balance 1 January 2013	5,252,928
Foreign currency translation	1,036,382
Additions	1,229,578
Transfer	4,020,125
Closing balance 31 December 2013	11,539,013
Accumulated Depreciation	
Opening Balance 1 January 2013	1,866,831
Foreign currency translation	582,616
Current period redemption	1,765,679
Closing balance 31 December 2013	4,215,126
Net book value 31 December 2013	7,323,887

(All amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

TURKISH TECHNIC INC.

Notes to the Financial Statements For The Year Ended 31 December 2014

15. PROVISIONS, CONTINGENTS ASSETS AND LIABILITIES

As at 31 December short-term provisions are as follows:

(a) Short-term provisions for employee benefits

	31 December 2014	31 December 2013
Provisions for unused vacation	9,167,176	4,106,669
	9,167,176	4,106,669

For the years ended 31 December the movements of provision for unused vacation are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Provision at the beginning of the period	4,106,669	1,503,632
Current year charge	5,139,306	2,056,752
Foreign currency translation	(78,799)	546,285
Provision at the end of the period	9,167,176	4,106,669

(b) Other short-term provisions

	31 December 2014	31 December 2013
Provisions for legal claims	6,784,108	2,311,456
	6,784,108	2,311,456

For the years ended 31 December the movements of other short term provisions are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Provision at the beginning of the period	2,311,456	6,746,697
Current year charge	4,278,151	1,075,604
Provisions no longer required	(3,279)	(5,470,498)
Foreign currency translation	197,780	(40,347)
Provision at the end of the period (*)	6,784,108	2,311,456

(*) As at 31 December 2014, provision for legal claims amounting to TL 2,266,187 is related with reinstatement cases (31 December 2013: TL 233,758).

(All amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

TURKISH TECHNIC INC.

Notes to the Financial Statements For The Year Ended 31 December 2014

	31 December 2014	31 December 2013
Provision for other indemnities (*)	3,537,327	-
	3,537,327	-

For the years ended 31 December the movements of other indemnity provisions are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Provision at the beginning of the period	-	-
Current year charge	3,537,327	-
Provision at the end of the period	3,537,327	-

(*) In the case that employees transferred from Turkish Airlines Habom to the Company are discharged from the company by being granted with severance payment; it is the payment to be done in addition to severance payment being calculated by taking into consideration the period of employment at Turkish Airlines Habom.

16. COMMITMENTS AND CONTINGENCIES

Company as a lessee

Leasing Agreements:

Leasing period is 20 years and is related to the aircraft hangar land. The Company does not have the right to buy the asset at the end of the leasing period.

As at 31 December 2014 leasing payment amounting to TL 3,367,315 (31 December 2013: TL 2,369,600) is accounted as rent expense in income statement.

Commitments related to operating leasing that can not be cancelled

	31 December 2014	31 December 2013
Within one year	4,155,469	3,278,285
One- five years	18,996,429	16,937,805
After five years	57,024,195	56,855,733
	80,176,093	77,071,823

(All amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

TURKISH TECHNIC INC.

Notes to the Financial Statements For The Year Ended 31 December 2014

17. EMPLOYEE BENEFITS

As at 31 December provisions for retirement pay liability are as follows:

	31 December 2014	31 December 2013
Provision for employee benefits	56,008,879	42,515,141
	56,008,879	42,515,141

Provision for employment termination benefits is made within the frame of following explanations:

Under labor laws effective in Turkey, it is a liability to make legal retirement pay to employees whose employment is terminated in such way to receive retirement pay. In addition, according to Article 60 of Social Security Law numbered 506 which was changed by the laws numbered 2422, dated 6 March 1981 and numbered 4447, dated 25 August 1999, it is also a liability to make legal retirement pay to those who entitled to leave their work by receiving retirement pay. Some transfer provisions related to service conditions prior to retirement are removed from the Law by the changed made on 23 May 2002.

Retirement pay liability is subject to an upper limit of monthly TL 3,541 as of 1 January 2015 (1 January 2014: TL 3,438).

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. IAS 19 ("Employee Benefits") stipulates the development of company's liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows:

Main assumption is that maximum liability amount increases in accordance with the inflation rate for every service year. Therefore, applied discount ratio expresses the real ratio expected upon adjustment of the future inflation impacts. So, provisions in the accompanying financial statements as of 31 December 2014 are calculated by estimating present value of contingent liabilities due to retirement of employees. Provisions in the relevant balance sheet dates are calculated by using real discount ratio obtained nearly as 3.32% (31 December 2013: 3.96%) according to the assumptions of 5.50% annual inflation rate (31 December 2013: 6.00%) and 9% discount rate (31 December 2013: 10.20%). Estimated amount of retirement pay not paid due to voluntary leaves and retained in the Company is also taken into consideration. Ceiling for retirement pay is revised semi-annually, ceiling amount of TL 3,541 which is in effect since 1 January 2015 is used in the calculation of Group's provision for retirement pay liability. Change under severance payment obligation is as follows:

(All amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

TURKISH TECHNIC INC.

Notes to the Financial Statements For The Year Ended 31 December 2014

	1 January - 31 December 2014	1 January - 31 December 2013
Provision at the beginning of the period	42,515,141	39,368,431
Service charge for the period	24,687,862	4,593,589
Interest charges	1,140,455	1,559,881
Payments	(6,358,696)	(3,426,780)
Actuarial (income) / loss	(5,975,883)	420,020
Provision at the end of the period	56,008,879	42,515,141

18. OTHER ASSETS AND LIABILITIES

As at 31 December other assets and liabilities are as follows:

	31 December 2014	31 December 2013
Advances Paid to Employees	36,304	35,339
Work advances	22,223	3,386
Carried over value added tax ("VAT")	-	84,226,480
	58,527	84,265,205

19. EQUITIES

As at 31 December the ownership structure of the Company's share capital is as follows:

	%	31 December 2014	%	31 December 2013
Turkish Airlines Inc.	100	693,000,000	100	693,000,000
		693,000,000		693,000,000

As at 31 December 2014, the Company's share capital is comprised of 693,000,000 shares issued with par value of TL 1 each (2013: 693,000,000 shares with par value of TL 1/each). These shares are written to the name. The Company is not included in the registered capital system.

Restricted Profit Reserves

Restricted reserves assorted from profit consist of legal reserves.

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code (TCC). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Publicly traded companies make the dividend payment accordance with procedure laid by CBM.

(All amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

TURKISH TECHNIC INC.

Notes to the Financial Statements For The Year Ended 31 December 2014

Foreign Exchange Translation Differences

Method for consolidation purpose is, according to TAS 21, monetary items in statutory financial statements is translated to USD using year-end exchange rates, non-monetary items in balance sheet, income/expenses and cash flow are translated to USD by using the exchange rate of the transaction date (historic rate), and currency translation differences are presented under equity. Translation profit/loss from foreign currency transactions is presented under foreign currency exchange losses item under financial expenses in profit or loss and translation profit/loss from trading operations is presented under foreign exchange losses item in operating expenses.

The items of shareholders' equity of the Company as of 31 December 2014 are as follows:

	31 December 2014	31 December 2013
Paid-in capital	693,000,000	693,000,000
Items that will never be reclassified to profit or loss	1,994,961	(2,785,745)
Restricted profit reserves	9,504,301	9,277,564
Foreign currency translation	353,515,750	263,953,309
Profits of previous years	92,928,213	135,024,343
Net loss	(9,240,581)	(41,869,393)
	1,141,702,644	1,056,600,078

20. REVENUE AND COST OF SALES

For the years ended 31 December revenue is as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Aircraft maintenance incomes	513,832,735	360,100,901
Pool incomes	323,174,790	220,285,473
Line maintenance incomes	297,557,992	9,706,633
Component maintenance incomes	281,577,408	248,167,242
Equipment sales income	71,706,924	122,906,866
Other	48,725,248	25,082,801
Revenue	1,536,575,097	986,249,916
Cost of Sales (-)	(1,322,798,770)	(871,866,035)
Gross Profit From Business Operations	213,776,327	114,383,881

(All amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

TURKISH TECHNIC INC.

Notes to the Financial Statements For The Year Ended 31 December 2014

For the years ended 31 December cost of sales are as follows:

	31 December 2014	31 December 2013
Repair expenses	432,819,698	138,036,679
Equipment expenses	353,599,365	308,939,684
Personnel expenses	333,255,762	215,357,159
Depreciation Expenses	108,055,819	71,281,281
Shipping expenses	32,897,481	24,907,643
Provision for employee termination	11,728,156	3,823,778
Other	50,442,489	109,519,811
	1,322,798,770	871,866,035

21. RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

For the year ended 31 December general administrative expenses are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Personnel expenses	53,399,231	46,820,834
Depreciation Expenses	42,794,518	5,460,038
Service expenses	23,393,499	25,404,038
Provision for employee termination	12,813,896	723,591
Rent Expenses	5,785,926	5,273,356
Equipment expenses	5,653,158	3,179,663
Lighting, heating and water expenses	3,480,380	1,782,216
Other expenses	18,207,559	7,866,243
	165,528,167	96,509,979

For the year ended 31 December marketing, sales and distribution expenses are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Staff costs	4,755,123	4,790,583
Provision for employee termination	124,534	44,667
Depreciation Expenses	19,122	34,452
Other expenses	5,135,094	4,196,499
	10,033,873	9,066,201

(All amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

TURKISH TECHNIC INC.

Notes to the Financial Statements For The Year Ended 31 December 2014

For the year ended 31 December research and development expenses are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Personnel expenses	9,704,732	8,572,102
Service expenses	1,050,677	1,089,734
Provision for employee termination benefit	21,276	1,553
Depreciation Expenses	15,231	33,357
Other expenses	1,029,095	208,039
	11,821,011	9,904,785

22. OTHER OPERATING INCOME / EXPENSES

For the year ended 31 December other operating income is as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Other equipment incomes	5,582,168	2,462,152
Plant maintenance income	1,740,363	2,416,280
Insurance, indemnities and penalties income	1,387,404	3,957,166
Foreign exchange incomes on trade operations, net	1,188,099	-
R&D support fund income	819,228	-
Late payment interest income of trade receivables	426,778	2,399,582
Income from discount of payables	64,128	89,845
Provisions no longer required (Note 15)	3,279	5,470,498
Reversal of provision for doubtful receivables	2,138	1,201,759
Other	1,348,239	306,376
	12,561,824	18,303,658

For the year ended 31 December other operating expenses are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Interest expenses concerning business operations	22,035,083	1,909,995
Provision for doubtful receivables	8,836,574	6,478,570
Provision for the legal claims	4,278,151	1,075,604
Expense of discount of receivables	61,951	417,589
Other equipment sales expenses	-	4,517,925
Foreign exchange losses on trade operations, net	-	249,115
Other	727,480	783,894
	35,939,239	15,432,692

(All amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

TURKISH TECHNIC INC.

Notes to the Financial Statements For The Year Ended 31 December 2014

23. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

For the year ended 31 December income and expenses from investing activities are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Loss on sale of fixed assets	200,507	351,512
	200,507	351,512

24. EXPENSES CLASSIFIED ON THE BASIS OF LINE

Expenses for the years ended 31 December are presented in Note 20 and Note 21 according to their functions.

25. FINANCING INCOMES AND EXPENSES

For the years ended 31 December financial income are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Foreign exchange incomes	4,423,924	5,358,228
Interest incomes	175,284	238,890
	4,599,208	5,597,118

For the years ended 31 December financial expenses are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Cost of employee termination benefits interest	1,140,455	1,559,881
Bank expenses	39,867	31,485
	1,180,322	1,591,366

(All amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

TURKISH TECHNIC INC.

Notes to the Financial Statements For The Year Ended 31 December 2014

26. ANALYSIS OF OTHER COMPREHENSIVE INCOME COMPONENTS

For the year ended 31 December 2014, the Company's other comprehensive income which is not to be reclassified to profit or loss is TL 4,780,706 as income (31 December 2013: TL 336,016 as expense), other comprehensive income to be reclassified to profit or loss is TL 89,562,441 as income (31 December 2013: TL 177,111,500 as income).

27. TAX ASSET AND LIABILITIES

As at 31 December assets related to current tax are as follows:

	31 December 2014	31 December 2013
Tax provision	10,530,032	1,716,795
Prepaid taxes	(8,669,800)	(1,716,795)
Term profit tax liability	1,860,232	-

For the years ended 31 December, tax expenses are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Current year tax charge	(9,686,012)	-
Deferred tax expense	(4,887,676)	(29,684,621)
	(14,873,688)	(29,684,621)

Corporate Tax

The Company is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Company's results for the years and periods.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rate in 2014 is 20% (2012: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2013 is 20%. Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

(All amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

TURKISH TECHNIC INC.

Notes to the Financial Statements For The Year Ended 31 December 2014

Furthermore, there is no procedure for a final and definitive agreement on tax assessments in Turkey. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish companies of foreign companies. Commencing from 22 July 2006, the income withholding tax rate has been changed to 15% from 10% upon the Council of Ministers' Resolution No: 2006/ 10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

Deferred Tax

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TFRS purposes and its statutory tax financial statements.

These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and they are given below.

For calculation of deferred tax asset and liabilities, the rate of 20% is used.

As at 31 December, the deferred tax assets and liabilities are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Inventories	(55,045,900)	(49,207,611)
Provision for impairment of inventories	5,421,366	2,866,078
Fixed assets	(35,855,674)	(22,861,836)
Advances taken for orders	10,369,834	9,544,325
Provision for employee benefits	11,909,242	9,324,362
Bad debt commercial receivables	6,104,776	4,338,963
Provisions for legal claims	1,356,822	462,292
Leave rights	1,833,435	821,334
Other	1,803,286	1,347,417
	(52,102,813)	(43,364,676)

(All amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

TURKISH TECHNIC INC.

Notes to the Financial Statements For The Year Ended 31 December 2014

For the years ended 31 December, the movements of deferred tax liability are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Deferred tax liability at the beginning of the period	43,364,676	9,515,877
Deferred tax expense	4,887,676	29,684,621
Tax expense of actuarial losses from defined pension plans	1,195,177	(84,004)
Foreign currency translation	2,655,284	4,248,182
Deferred tax liability at the end of the period	52,102,813	43,364,676

For the years ended 31 December, the movements of deferred tax benefit (expense) are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Profit from operations before tax	5,333,107	(12,184,772)
20% tax rate	(1,066,621)	2,436,954
Taxation effects on:		
- translation differences	(8,936,350)	(29,826,365)
- non-deductible expenses	(6,172,965)	(222,702)
- deductions	1,782,476	1,450,071
- equity method	(180,228)	(3,522,579)
Tax charge in profit or loss	(14,573,688)	(29,684,621)

28. EARNINGS PER SHARE

There is not any equity (dilutive equity instruments) that have reducing effects on the earnings per share.

The calculation of weighted average of total shares and earnings per share is as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Number of total outstanding shares as of 1 January (in full)	693,000,000	693,000,000
Number of total outstanding shares as of 31 December (in full)	693,000,000	693,000,000
Weighted Average number of total share stock outstanding during the period (in full)	693,000,000	693,000,000
Loss for the Period	(9,240,581)	(41,869,393)
Earnings per share (Kr)	(1.33)	(6.04)

(All amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

TURKISH TECHNIC INC.

Notes to the Financial Statements For The Year Ended 31 December 2014

29. EFFECTS OF EXCHANGE RATE CHANGES

Analysis of effects of exchange rate changes as at 31 December 2014 and 2013 is presented in Note 31.

30. REPORTING IN HYPERINFLATIONARY ECONOMIES

The Company has terminated the application of being inflation accounting effective from 1 January 2005 based on the decision of CMB on 17 March 2005.

31. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS

(a) Capital risk management

The company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing its profit and market value through the optimization of the debt and equity balance. The capital structure of the Company consists of debt which includes the borrowings including financial loans and in order of cash and cash equivalents, equity comprising issued capital, reserves and retained earnings.

(b) Financial risk factors

The Company is exposed to the market risk (foreign currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Risk management program of the Company generally focuses on the minimization of potential negative effects of uncertainty on the Company's performance.

(All amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

TURKISH TECHNIC INC.

Notes to the Financial Statements For The Year Ended 31 December 2014

31 December 2014	Receivables				Deposits in bank
	Trade Receivables		Other Receivables		
	Related Party	Other party	Related Party	Other party	
Maximum Credit Risk as of balance sheet date (*)	315.438.870	62.347.008	16,531,890	7,697,340	2,246,213
- The part of maximum risk under guarantee with collateral etc.	-	3322.753	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	315.438.870	41.254.207	16,531,890	7,697,340	2,246,213
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-
C. Net book value of financial assets that are past due but not impaired	-	21.092.801	-	-	-
-the part under guarantee with collateral etc.	-	3.322.753	-	-	-
D. Net book value of impaired assets	-	64.471.772	-	1,041	-
- Past due (gross carrying amount)	-	(64.471.772)	-	(1,041)	-
-Impairment (-)	-	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-
- Before due (gross carrying amount)	-	-	-	-	-
-Impairment (-)	-	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-
E. Off balance sheet items with credit risk	-	-	-	-	-

(*)The factors that increase credit reliability such as guarantees received are not considered in the balance

(All amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

31 December 2013	Receivables				Deposits in bank
	Trade Receivables		Other Receivables		
	Related Party	Other party	Related Party	Other party	
Maximum Credit Risk as of balance sheet date (*)	111,221,498	50,201,805	4,958,461	4,899,160	2,046,901
- The part of maximum risk under guarantee with collateral etc.	-	3,897,210	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	111,221,498	29,177,711	4,958,461	4,899,160	2,046,901
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-
C. Net book value of financial assets that are past due but not impaired	-	21,024,094	-	-	-
-the part under guarantee with collateral etc.	-	3,897,210	-	-	-
D. Net book value of impaired assets	-	51,009,539	-	2,539	-
- Past due (gross carrying amount)	-	(51,009,539)	-	(2,539)	-
-Impairment (-)	-	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-
- Before due (gross carrying amount)	-	-	-	-	-
-Impairment (-)	-	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-
E. Off balance sheet items with credit risk	-	-	-	-	-

(*)The factors that increase credit reliability such as guarantees received are not considered in the balance

(All amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

TURKISH TECHNIC INC.

Notes to the Financial Statements For The Year Ended 31 December 2014

Credit risk management

The risk of financial loss of the Company due to one of the financial instrument parties not meeting the requirements of the agreement is defined as credit risk.

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

The company's aging of past due receivables as of 31 December 2014 and 31 December 2013 are as follows:

31 December 2014	Trade Receivables	Other Receivables	Bank Deposits	Other	Total
Past due 1-30 days	2,224	-	-	-	2,224
Past due 1-3 months	498,097	-	-	-	498,097
Past due 3-12 months	5,018,055	-	-	-	5,018,055
Past due 1-5 years	15,574,425	-	-	-	15,574,425
Total past due receivables	21,092,801	-	-	-	21,092,801
The part under guarantee with collateral etc.	3,322,753	-	-	-	3,322,753
31 December 2013	Trade Receivables	Other Receivables	Bank Deposits	Other	Total
Past due 1-30 days	3,625,754	-	-	-	3,625,754
Past due 1-3 months	662,920	-	-	-	662,920
Past due 3-12 months	2,918,713	-	-	-	2,918,713
Past due 1-5 years	13,816,707	-	-	-	13,816,707
Total past due receivables	21,024,094	-	-	-	21,024,094
The part under guarantee with collateral etc.	3,897,210	-	-	-	3,897,210

As of balance sheet date, total amount of cash collateral and letter of guarantees which are received by the Company for past due but not impaired receivables amounts to TL 3,322,753 (31 December 2013: TL 3,897,210).

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

(All amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

TURKISH TECHNIC INC.

Notes to the Financial Statements For The Year Ended 31 December 2014

Impairment

Provisions for doubtful trade receivables consist of provisions on receivables in legal dispute and provisions calculated based on experiences on uncollectible receivables. Changes in provisions for doubtful receivables for the years ended 31 December 2014 and 2013 is as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Provision at the beginning of the period	51,009,539	38,007,632
Current year charge	8,835,547	6,478,570
Collections	-	(1,197,286)
Foreign currency translation	4,626,686	7,720,623
End of period balance	64,471,772	51,009,539

Liquidity risk management

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

The tables below demonstrate the maturity distribution of no derivative financial liabilities and are prepared based on the earliest date on which the Group can be required to pay. The tables below are prepared based on the earliest date on which the Group can be required to pay. The interests that will be paid on the future liabilities are included in the related maturities.

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

Liquidity risk tables

31 December 2014						
Expected Maturities	Book Value	Total cash outflow according to the contract	Less than 3 months	3 -12 months	1 -5 years	More than 5 years
Non-derivative financial liabilities						
Financial borrowings	6,925,527	6,925,527	6,925,527	-	-	-
Commercial liabilities	273,423,640	273,423,640	273,423,640	-	-	-
Other payables	145,675,471	145,675,471	145,675,471	-	-	-
Total	426,024,638	426,024,638	426,024,638	-	-	-

(All amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

TURKISH TECHNIC INC.

Notes to the Financial Statements For The Year Ended 31 December 2014

31 December 2013						
Expected Maturities	Book Value	Total cash outflow according to the contract	Less than 3 months	3 -12 months	1 -5 years	More than 5 years
Non-derivative financial liabilities						
Financial borrowings	3,992,929	3,992,929	3,992,929	-	-	-
Commercial liabilities	125,386,041	125,386,041	125,386,041	-	-	-
Other payables	70,557,339	70,557,339	70,557,339	-	-	-
Total	199,936,309	199,936,309	199,936,309	-	-	-

Market risk management

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Market risk exposures of the Company are evaluated using sensitivity analysis. There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

Foreign Currency Risk Management

Transactions in foreign currencies expose the Company to foreign currency risk. The Company's foreign currency denominated assets and liabilities of monetary and non-monetary items are as follows:

(All amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

Foreign currency position of the company as at 31 December 2014 and 31 December 2013 is as follows:

	31 December 2014					31 December 2013				
	TL Equivalent	TL	Euro	GBP	Other	TL Equivalent	TL	Euro	GBP	Other
1. Trade Receivables	12,811,691	2,353,388	10,208,515	207,162	42,626	17,710,922	8,808,845	8,825,934	76,144	-
2. Monetary Financial assets	1,278,817	103,036	1,163,195	12,586	-	1,530,556	1,419,798	101,187	9,571	-
3. Other	13,814,283	10,545,767	3,251,449	17,068	-	10,409,021	8,890,817	1,270,341	71,315	176,548
4. Total Current Assets (1+2+3)	27,904,791	13,002,191	14,623,159	236,816	42,626	29,650,499	19,119,459	10,197,461	157,030	176,548
5. Other	37,786,527	-	37,786,527	-	-	48,502,221	526,136	47,200,849	451,847	323,389
6. Total Non Current Assets (5)	37,786,527	-	37,786,527	-	-	48,502,221	526,136	47,200,849	451,847	323,389
7. Total Assets (4-6)	65,691,318	13,002,191	52,409,686	236,816	42,626	78,152,720	19,645,596	57,398,310	608,877	499,937
8. Trade Payables	65,810,712	34,130,093	29,797,523	1,611,848	271,248	68,219,594	53,397,437	13,857,573	835,872	128,712
9. Finance Borrowings	6,925,527	6,925,527	-	-	-	3,992,929	3,992,929	-	-	-
10. Other Monetary Liabilities	248,243	27,141	221,102	-	-	8,077,450	8,304,674	(227,224)	-	-
11. Other Non-Monetary Liabilities	78,207,344	73,622,195	4,436,552	18,935	129,662	7,527,621	6,252,282	1,275,340	-	-
12. Total Short-Term Liabilities (8+9+10+11)	151,191,826	114,704,956	34,455,177	1,630,783	400,910	87,817,595	71,947,323	14,905,688	835,872	128,712
14. Trade Payables	-	-	-	-	-	-	-	-	-	-
15. Finance Borrowings	-	-	-	-	-	-	-	-	-	-
16a. Other Monetary Liabilities	-	-	-	-	-	695,787	618,467	77,319	-	-
16b. Other Non-Monetary Liabilities	59,546,207	59,546,207	-	-	-	-	-	-	-	-
17. Total Long Term Liabilities (14+15+16)	-	-	-	-	-	695,787	618,467	77,319	-	-
13. Total Liabilities (12)	210,738,033	223,271,377	34,455,177	1,630,783	400,910	87,817,595	71,947,323	14,905,688	835,872	128,712
14. Net Foreign Currency Asset / (Liability) Position (7-13)	(85,500,508)	(101,702,765)	17,954,509	(1,393,967)	(358,284)	(9,664,875)	(52,301,727)	42,492,622	(226,995)	371,225
15. Net Foreign Currency Asset / (Liability) Position of Monetary Items (1+2-8-9-10)	(58,893,974)	(38,626,338)	(18,646,915)	(1,392,100)	(228,622)	(61,048,495)	(55,466,397)	(4,703,228)	(750,157)	(128,712)

(All amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

TURKISH TECHNIC INC.

Notes to the Financial Statements For The Year Ended 31 December 2014

Foreign currency sensitivity

The Company is exposed to foreign currency risk due to TL, EUR and GBP (2013: TL, EUR and GBP) exchange rate fluctuations. The following table shows the sensitivity of the Company to increase and decrease of 10% in foreign exchange rates of TL, Euro and GBP (2013: TL, Euro and GBP). 10% is used in the reporting of currency risk to the key management and it represents the management's expectation on the potential exchange currency fluctuations.

Sensitivity analysis can only be made on the year-end outstanding foreign currency denominated monetary items and it shows the year end effects of the 10% of exchange currency fluctuation on the related items. Positive value represents an increase in profit/loss and other equity items.

	31 December 2014	
	Pretax Profit / (Loss)	
	If foreign currency appreciated 10%	If foreign currency depreciated 10%
1- TL net asset / liability	(3,862,634)	3,862,634
2- Part of hedged from TL risk (-)	-	-
3- TL net effect (1+2)	(3,862,634)	3,862,634
4- Euro net asset / liability	(1,864,691)	1,864,691
5- Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	(1,864,691)	1,864,691
7- GBP net asset / liability	(139,210)	139,210
8- Part of hedged from GBP risk (-)	-	-
9- GBP net effect (1+2)	(139,210)	139,210
10- Other net asset / liability	(22,862)	22,862
11- Part of hedged from other risk (-)	-	-
12- Other net effect (10+11)	(22,862)	22,862
TOTAL (3+6+9+12)	(5,889,397)	5,889,397

(All amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

TURKISH TECHNIC INC.

Notes to the Financial Statements For The Year Ended 31 December 2014

31 December 2013		
Pretax Profit / (Loss)		
	If foreign currency appreciated 10%	If foreign currency depreciated 10%
1- TL net asset / liability	(5,546,640)	5,546,640
2- Part of hedged from TL risk (-)	-	-
3- TL net effect (1+2)	(5,546,640)	5,546,640
4- Euro net asset / liability	(470,323)	470,323
5- Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	(470,323)	470,323
7- GBP net asset / liability	(75,016)	75,016
8- Part of hedged from GBP risk (-)	-	-
9- GBP net effect (1+2)	(75,016)	75,016
10- Other net asset / liability	(12,871)	12,871
11- Part of hedged from other risk (-)	-	-
12- Other net effect (10+11)	(12,871)	12,871
TOTAL (3+6+9+12)	(6,104,850)	6,104,850

c) Interest rate risk

The Company is not exposed to interest rate risk since there are no financial instruments with floating interest rate.

(All amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

TURKISH TECHNIC INC.

Notes to the Financial Statements For The Year Ended 31 December 2014

32. FINANCIAL INSTRUMENTS*Fair Values of Financial Instruments*

31 December 2014	Loans and receivables	Financial liabilities at amortized costs	Book value	Note
Financial assets				
Cash and cash equivalents	2,246,213	-	2,246,213	4
Trade receivables	377,785,878	-	377,785,878	7.8
Other receivables	24,229,230	-	24,229,230	7.10
Finance liabilities	-			
Financial borrowings	-	6,925,527	6,925,527	6
Commercial liabilities	-	273,423,640	273,423,640	7.8
Commercial liabilities to related parties	-	82,755,440	82,755,440	7.10
31 December 2013	Loans and receivables	Financial liabilities at amortized costs	Book value	Note
Financial assets				
Cash and cash equivalents	2,046,901	-	2,046,901	4
Trade receivables	161,423,303	-	161,423,303	7.8
Other receivables	9,857,621	-	9,857,621	7.10
Finance liabilities	-			
Financial borrowings	-	3,992,929	3,992,929	6
Commercial liabilities	-	125,386,041	125,386,041	7.8
Commercial liabilities to related parties	-	49,569,338	49,569,338	7.10

33. EVENTS AFTER THE BALANCE SHEET DATE

None.





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