



**TÜRK HAVA YOLLARI TEKNİK
ANONİM ŞİRKETİ**

Convenience Translation to English of
Financial Statements
As At and For The Year Ended
31 December 2015 with
Independent Auditors' Report
(Originally Issued in Turkish)



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**CONVENIENCE TRANSLATION TO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
(Originally issued in Turkish)**

To the Board of Directors of THY Teknik A.Ş.

Report on the Financial Statements

We have audited the accompanying financial statements of THY Teknik A.Ş. (the "Company"), which comprise the balance sheet as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a significant accounting policies and other explanatory information.

Management's Responsibility 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 fraud or error.

Independent Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Turkish Standards on Auditing published by Public Oversight, Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2015, and its financial performance and its cash flows for the year then ended, in accordance with Turkish Accounting Standards.

Emphasis of Matter

We draw attention to Note 8 to the financial statements which describes the large-scale operations with related parties of the Company. For the period 1 January – 31 December 2015; 84% of sales are realized with the related companies. Our opinion is not qualified in respect of this matter.

Reports on Responsibilities of Independent Auditor Specified in Other Regulations

- 1) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities, financial statements for the period 1 January - 31 December 2015 are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and requested documents in connection with the audit.

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

Hatice Nesrin Tuncer
Partner
18 March 2016
İstanbul, Türkiye

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TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Balance Sheet as at 31 December 2015

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

	Notes	Audited 31 December 2015	Restated (*) Audited 31 December 2014	Restated (*) Audited 31 December 2013
ASSETS				
Current Asset				
Cash and Cash Equivalents	5	5.883.476	5.564.888	10.014.830
Trade Receivables		590.306.557	406.170.538	181.135.769
- Trade Receivables From Related Parties	8	502.834.122	316.995.058	110.836.297
- Trade Receivables From Non-Related Parties	9	87.472.435	89.175.480	70.299.472
Other Receivables		20.065.397	25.211.266	9.951.391
- Other Receivables From Related Parties	8	19.172.512	16.531.890	4.958.461
- Other Receivables From Non-Related Parties	11	892.885	8.679.376	4.992.930
Inventories	12	1.478.367.928	978.387.858	655.148.238
Prepaid Expenses	13	29.839.071	11.026.255	7.909.344
Current Income Tax Assets	28	-	-	1.716.795
Other Current Assets	19	54.406	2.483.181	87.863.813
TOTAL CURRENT ASSET		2.124.516.835	1.428.843.986	953.740.180
Non-Current Assets				
Financial Investments	6	5.025	5.025	5.025
Equity Accounted Investees	4	88.969.887	64.796.684	56.306.699
Property and Equipment	14	1.209.996.235	942.958.187	795.533.451
Intangible Assets		32.312.594	34.250.014	7.367.864
-Other Intangible Assets	15	32.312.594	34.250.014	7.367.864
Prepaid Expenses	13	14.952.575	52.896.768	61.528.527
TOTAL NON-CURRENT ASSETS		1.346.236.316	1.094.906.678	920.741.566
TOTAL ASSET		3.470.753.151	2.523.750.664	1.874.481.746

(*) See Note 3 for restatement.

The accompanying notes are an integral part of these financial statements.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Balance Sheet as at 31 December 2015

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

	Notes	Audited 31 December 2015	Restated (*) Audited 31 December 2014	Restated (*) Audited 31 December 2013
Current Liabilities		1.007.726.095	671.787.191	389.805.003
Other Financial Liabilities	7	11.125.057	9.120.652	3.992.929
Trade Payables		309.725.551	250.921.821	130.360.512
- Trade Payables to Related Parties	8	56.565.614	50.520.437	22.609.638
- Trade Payables to Non-Related Parties	9	253.159.937	200.401.384	107.750.874
Payables Related to Employee Benefits	10	58.346.943	46.750.259	35.176.101
Other Payables		234.973.626	149.908.432	72.379.683
- Other Payables to Related Parties	8	153.116.353	82.755.440	49.552.430
- Other Payables to Non-Related Parties	11	81.857.273	67.152.992	22.827.253
Deferred Income	13	329.871.498	193.335.583	137.801.608
Current Tax Liabilities	28	29.195.620	1.860.232	-
Short-term Provisions		30.105.835	18.209.453	9.023.288
- Provisions for Employee Benefits	16	13.033.930	11.006.065	6.525.625
- Other Short-term Provisions	16	17.071.905	7.203.388	2.497.663
Other Current Liabilities		4.381.965	1.680.759	1.070.882
Non-Current Liabilities		653.999.740	550.485.707	320.852.263
Other Financial Liabilities		172	412	649
Other Payables		446.585.028	435.703.384	231.637.020
- Other Payables to Related Parties	8	446.585.028	432.230.870	228.440.942
- Other Payables to Non-Related Parties		-	3.472.514	3.196.078
Deferred Income	13	3.268.946	-	177.055
Long-term Provisions		80.049.351	62.679.098	45.672.863
- Long-term Provisions for Employee Benefits	18	73.189.555	59.141.771	45.672.863
- Other Short-term Provisions	16	6.859.796	3.537.327	-
Deferred Tax Liabilities	28	124.096.243	52.102.813	43.364.676
SHAREHOLDER'S EQUITY				
Equity Attributable to Equity Holders of the Parent		1.809.027.316	1.301.477.766	1.163.824.480
Share Capital	20	960.850.000	693.000.000	693.000.000
Adjustments to Share Capital		84.081	84.081	84.081
Items That Will Never Be Reclassified to Profit or Loss		(1.216.164)	1.751.268	(3.171.742)
- Actuarial Losses from Defined Pension Plans		(1.216.164)	1.751.268	(3.171.742)
Items That Are or May Be Reclassified to Profit or Loss		716.459.868	377.800.605	276.614.703
- Foreign Currency Translation Differences		716.459.868	377.800.605	276.614.703
Effect of Merger Under Common Control		-	267.850.000	195.850.000
Restricted Profit Reserves		10.925.693	9.917.309	9.690.572
(Accumulated Losses) Retained Earnings		(49.933.881)	(8.469.871)	33.626.259
Net Profit (Loss)		171.857.719	(40.455.626)	(41.869.393)
TOTAL LIABILITIES AND EQUITY		3.470.753.151	2.523.750.664	1.874.481.746

(*) See Note 3 for restatement.

The accompanying notes are an integral part of these financial statements.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Statement of Profit or Loss and Other Comprehensive Income For The Year Ended 31 December 2015

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

	Notes	Audited 1 January - 31 December 2015	Restated (*) Audited 1 January - 31 December 2014
Revenue	21	2.529.703.793	1.602.417.989
Cost of Sales (-)	21	(1.988.976.465)	(1.358.288.626)
GROSS PROFIT		540.727.328	244.129.363
General Administrative Expenses (-)	22	(268.764.933)	(227.881.090)
Marketing and Sales Expenses (-)	22	(11.865.902)	(11.424.578)
Research and Development Expenses (-)	22	(9.698.102)	(11.821.011)
Other Operating Income	23	42.806.922	13.792.352
Other Operating Expenses (-)	23	(25.201.976)	(14.732.272)
OPERATING PROFIT		268.003.337	(7.937.236)
Loss from Investment Activities	24	(72.396)	(174.858)
Share of Investments' Profit (Losses) Accounted by Using the Equity Method	4	10.477.181	(901.133)
OPERATING PROFIT/ (LOSS) BEFORE FINANCIAL INCOME		278.408.122	(9.013.227)
Financial Income	26	17.263.323	6.489.979
Financial Expenses (-)	26	(33.799.267)	(23.358.690)
PROFIT/ (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		261.872.178	(25.881.938)
Tax Expense of Continuing Operations		(90.014.459)	(14.573.688)
- Current Tax Expense	28	(34.326.909)	(9.686.012)
- Deferred Tax Expense	28	(55.687.550)	(4.887.676)
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		171.857.719	(40.455.626)
OTHER COMPERHENSIVE INCOME			
Not To Be Reclassified Profit or Loss		(2.967.432)	4.923.010
Actuarial Losses /(Gain) From Defined Pension Plans		(3.709.290)	6.118.186
Tax Benefit /(Expense) of Actuarial Losses From Defined Pension Plans		741.858	(1.195.176)
To Be Reclassified To Profit or Loss		338.659.263	101.185.902
Currency Translation Differences		312.983.220	109.263.190
Currency Translition Differences of Equity Accounted Investees		25.676.043	(8.077.288)
OTHER COMPERHENSIVE INCOME		335.691.831	106.108.912
TOTAL COMPERHENSIVE INCOME		507.549.550	65.653.286

(*) See Note 3 for restatement.

The accompanying notes are an integral part of these financial statements.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Statement of Changes in Equity For The Year Ended 31 December 2015

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

	Paid Share Capital	Adjustment to Share Capital	Accumulated Other Comprehensive Income or Expenses Not to be Reclassified to Profit or Loss	Accumulated Other Comprehensive Income or Expenses to be Reclassified to Profit or Loss	Retained Earnings			Effect of Business Combination Under Common Control	Total Equity
					Restricted Profit Reserves	Retained Earnings/ (Accumulated Losses)	Net Profit/ (Loss) for the Period		
Balances as at 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
Effect of Business Combination Under Common Control (Note 3)	-	84.081	(385.997)	12.661.394	413.008	(101.398.084)	-	195.850.000	107.224.402
Restated balances as at 1 January 2014	693.000.000	84.081	(3.171.742)	276.614.703	9.690.572	33.626.259	(41.869.393)	195.850.000	1.163.824.480
Transfers	-	-	-	-	226.737	(42.096.130)	41.869.393	-	-
Total Comprehensive Income	-	-	4.923.010	101.185.902	-	-	(40.455.626)	-	65.653.286
Share Capital Increase	-	-	-	-	-	-	-	72.000.000	72.000.000
Balances as at 31 December 2014	693.000.000	84.081	1.751.268	377.800.605	9.917.309	(8.469.871)	(40.455.626)	267.850.000	1.301.477.766
Balances as at 1 January 2015	693.000.000	-	2.137.265	365.139.212	9.504.301	92.928.213	(40.455.626)	-	1.122.253.365
Effect of Business Combination Under Common Control (Note 3)	-	84.081	(385.997)	12.661.394	413.008	(101.398.084)	-	267.850.000	179.224.402
Restated balances as at 1 January 2015	693.000.000	84.081	1.751.268	377.800.605	9.917.309	(8.469.871)	(40.455.626)	267.850.000	1.301.477.766
Transfers	-	-	-	-	1.008.384	(41.464.010)	40.455.626	-	-
Total Comprehensive Income	-	-	(2.967.432)	338.659.263	-	-	171.857.719	-	507.549.550
Effect of Business Combination Under Common Control (Note 3)	267.850.000	-	-	-	-	-	-	(267.850.000)	-
Balances as at 31 December 2015	960.850.000	84.081	(1.216.164)	716.459.868	10.925.693	(49.933.881)	171.857.719	-	1.809.027.316

The accompanying notes are an integral part of these financial statements.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements For The Year Ended 31 December 2015

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

		Audited	Restated (*)
	Notes	1 January - 31 December 2015	1 January - 31 December 2014
Profit (Loss) Before Tax		171.857.719	(40.455.626)
Adjustments to reconcile cash flow generated from operating activities:			
Adjustments for depreciation and amortisation	12, 14, 15	286.920.612	163.196.383
Adjustments for provisions, net	16	13.818.098	12.476.937
Adjustments for provisions for employee benefits	18	11.763.960	26.848.099
Adjustments for provisions for doubtful receivables	11, 32	5.218.199	8.834.436
Adjustments for interest income and expenses		33.073.339	22.324.847
Adjustments for discount for receivables and payables	23	(20.319)	(2.177)
Unrealized foreign exchange loss and translation differences		137.378.387	57.285.889
Loss from sale of fixed asset	24	72.396	174.858
Share of Investment's loss accounted by using the equity method	4	(10.477.181)	901.133
Adjustments for deferred tax expense	28	55.687.550	4.887.676
Adjustments for tax expense	28	34.326.909	9.686.012
Operating Profit Before Working Capital Changes		739.619.669	266.158.467
Adjustments for increase in inventories		(663.378.431)	(413.510.562)
Adjustments for increase in trade receivables		(189.333.899)	(233.867.028)
Adjustments for decrease/ (increase) in other receivables		5.145.869	(15.259.875)
Adjustments for decrease in other current assets		2.428.775	2.428.775
Adjustments for increase in trade payables and due to related parties		58.803.730	120.561.309
Adjustments for increase in other payables		11.232.767	44.602.175
Adjustments for increase in prepaid expenses		19.131.377	5.514.848
Adjustments for increase in deferred income		139.804.861	55.356.920
Adjustments for increase in payables related to employee benefits		11.596.684	11.574.158
Adjustments for increase in other current liabilities		2.701.206	609.877
Cash Flows Generated From (Used in) Operating Activities		137.752.608	(72.879.079)
Interest received	26	725.928	1.033.843
Taxes paid		(6.761.747)	(8.669.800)
Employee benefits indemnity paid	18	(1.425.466)	(7.261.005)
Net Cash Generated From /(Used in) Operating Activities		130.291.323	(87.776.041)
Cash Flows Generated From Investing Activities			
Proceeds from sale of property and equipment		66.245	112.127
Purchase of property and equipment	14	(142.058.848)	(164.708.936)
Purchase of intangible assets	15	(6.734.252)	(17.652.586)
Cash inflow arising from capital decrease in investments		-	165.000
Cash outflow arising from capital increase in investments		(3.450.000)	(4.350.000)
Cash Flows Used in Investing Activities		(152.176.855)	(186.434.395)
Cash Flows Generated From Financing Activities			
Cash inflow arising from capital increase		-	72.000.000
Interest payment		(31.440.777)	(22.035.083)
Change in other payables to related parties		51.641.732	214.668.091
Increase in financial borrowings		2.004.165	5.127.486
Net Cash From Financing Activities		22.205.120	269.760.494
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		318.588	(4.449.942)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	5.564.888	10.014.830
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		5.883.476	5.564.888

The accompanying notes are integral part of these financial statements.

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

Türk Hava Yolları Teknik Anonim Şirketi ("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.

According to resolution of Extraordinary General Assembly Meeting dated 22 May 2015, it was decided to merge with Türk Hava Yolları Havacılık Ağır Bakım Onarım Merkezi Anonim Şirketi ("THY Habom") via transfer of all assets, liabilities, rights and obligations according to Turkish Commercial Code ("TCC"). This merger was carried out under legal structure of THY Teknik and was registered in Trade Registry Gazette on 4 June 2015.

Total number of average employees working for the company as at 31 December 2015 is 5.317 (31 December 2014: 4.911). Total number of employees working for the company as at 31 December 2015 is 5.646 (31 December 2014:5.214).

	<u>31 December 2015</u>	<u>31 December 2014</u>
Administrative staff	1.635	1.570
Production staff	4.011	3.644
Total	5.646	5.214

The company is registered in Turkey and its head office address is as follows:

Sanayi Mh.Havaalanı İc yolu Cd. S.G. Havaalanı Sit.Grş.Kp.N.1/1 Pendik/İSTANBUL

Associates

As at 31 December 2015 and 31 December 2014, associates accounted by using equity method and participation rate of the Company in these associates are as below:

Name of the Company	Principal Activity	Participation Rate		Country of Registration
		31 December 2015	31 December 2014	
Turkbine Teknik Gaz Turbinleri Bakım Onarım Anonim Şirketi ("Turkbine Teknik")	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 Kabin içi Sistemleri Sanayi ve Ticaret Anonim Şirketi ("TCI")	Cabin Interior	20%	20%	Turkey

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Preparation

Preparation of the Financial Statements

The accompanying financial statements have been prepared in accordance with Turkish Accounting Standards ("TAS") which is issued by Public Oversight, Accounting and Auditing Standards Authority ("POA"). TAS is composed of Turkish Accounting Standards, Turkish Financial Reporting Standards ("TFRS"), appendices and interpretations.

The financial statements together with explanatory notes are presented in accordance with the reporting templates defined in the "Illustrative Financial Statements and Application Guidance" promulgated by POA on 20 May 2013.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.1 Basis of Presentation *(continued)*

Adjustment of Financial Statements in Hyperinflationary Periods

As per the resolution dated 17 March 2005, 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", ("IAS 29") was no longer applied henceforward.

Basis of Measurements

All financial statements have been prepared on cost basis principal. 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; and;
- c. All differences are recognized as a separate equity item under exchange differences.

Basis of the Consolidation

The company has four associates (Note: 1). Company's associates are economic activities dependent on joint control that require declarations of strategical, 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, associates are stated as the cost value adjusted as deducting the impairment in associates from the change occurred in the associates's assets after the acquisition date that is calculated by the Company's share in the balance sheet. Associates'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 associates).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.2 Statement of Compliance with TAS

The accompanying financial statements have been prepared in accordance with Turkish Accounting Standards ("TAS") which is issued by Public Oversight, Accounting and Auditing Standards Authority ("POA").

The accompanying financial statements have been prepared in accordance with TAS. TAS is composed of Turkish Accounting Standards, Turkish Financial Reporting Standards, appendices and interpretations.

2.3 Changes in Accounting Policies

The significant changes in accounting policies are applied retrospectively and prior period financial statements are restated accordingly.

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 financial statements as at 31 December 2015 are same with those used in the preparation of the Company's financial statements as at and for the year ended 31 December 2014.

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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

2.5.1 Revenue (continued)

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.

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.

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

	<u>Useful Life (Years)</u>
Components	7
Repairable spare parts (R Material)	7
Repairable spare parts (XMaterial)	3
Repairable spare parts (V Material)	7

2.5.3 Tangible 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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

2.5.3 Fixed Assets (continued)

The useful lives of tangible assets are as follows:

	<u>Useful Life (Years)</u>
Plant, property and equipment	3-15
Furniture and fixtures	3-15
Vehicles	4-7
Other tangible assets	4-15
Leasehold improvements	4-16

2.5.4 Intangible 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 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 (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company 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 which 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 2015 and 2014, 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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

2.5.7 Financial Instruments (continued)

Financial Assets (continued)

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 financial asset's purpose of obtaining and features at the first recording.

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 appropriates a shorter period.

Income is recognised 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 Company 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 Company 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 period are as follows:

	Closing Rate	Average Rate
31 December 2015	2,9076	2,7270
31 December 2014	2,3189	2,1879
31 December 2013	2,1343	1,9033

2.5.9 Earnings Per Share

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

2.5.9 Earnings Per Share (continued)

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 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.

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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

2.5.13 Taxation and Deferred Tax (continued)

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. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.5 Summary of Significant Accounting Policies *(continued)*

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.

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 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 9, the provision for doubtful trade receivables amounts to TL 89.848.198 as at 31 December 2015 (31 December 2014: TL 67.681.847).

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. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

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 2015, the Company applied all Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations that are effective as of 1 January 2015.

New standards and interpretations not yet adopted as of 31 December 2015

A number of new standards, amendments to standards and interpretations explained below are not yet effective as at 31 December 2015, and have not been applied in preparing these financial statements of the Company:

TFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2018. Phase 1 of this new TFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

TAS 16 and TAS 38 – Clarification of acceptable methods of depreciation and amortization

The amendments to TAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments to TAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. The amendments are effective for annual periods beginning on after 1 January 2016, and are to be applied prospectively. Early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

TFRS 11 – Accounting for acquisition of interests in joint operations

The amendments clarify whether TFRS 3 Business Combinations applies when an entity acquires an interest in a joint operation that meets that standard's definition of a business. The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

TFRS 14 Regulatory Deferral Accounts

IASB has started a comprehensive project for Rate Regulated Activities in 2012. As part of the project, IASB published an interim standard to ease the transition to IFRS for rate regulated entities. The standard permits first time adopters of IFRS to continue using previous GAAP to account for regulatory deferral account balances. The interim standard is effective for financial reporting periods beginning on or after 1 January 2016, although early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.7 New and Revised Standards and Interpretation (continued)

Sale or contribution of assets between an investor and its associate or joint venture (Amendments to TFRS 10 and TAS 28)

The amendments address the conflict between the existing guidance on consolidation and equity accounting. The amendments require the full gain to be recognized when the assets transferred meet the definition of a "business" under TFRS 3 *Business Combinations*. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

Equity method in separate financial statements (Amendments to TAS 27)

The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures, but also for subsidiaries. The amendments apply retrospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

Disclosure Initiative (Amendments to TAS 1)

The narrow-focus amendments to TAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing TAS 1 requirements. In most cases the amendments respond to overly prescriptive interpretations of the wording in TAS 1. The amendments relate to the following: materiality, order of the notes, subtotals, accounting policies and disaggregation. The amendments apply for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

Investment Entities: Applying the Consolidation Exception (Amendments to TFRS 10, TFRS 12 and TAS 28)

Before the amendment, it was unclear how to account for an investment entity subsidiary that provides investment-related services. As a result of the amendment, intermediate investment entities are not permitted to be consolidated. So where an investment entity's internal structure uses intermediates, the financial statements will provide less granular information about investment performance – i.e. less granular fair values of, and cash flows from, the investments making up the underlying investment portfolio. The amendments apply retrospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

Improvements to TFRSs

The IASB issued Annual Improvements to IFRSs - 2012–2014 Cycle. The amendments are effective as of 1 January 2016. Earlier application is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

TFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"

The amendments clarify the requirements of TFRS 5 when an entity changes the method of disposal of an asset (or disposal group) and no longer meets the criteria to be classified as held-for-distribution.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.7 New and Revised Standards and Interpretation (continued)

Improvements to TFRSs (continued)

TFRS 7 "Financial Instruments: Disclosures"

TFRS 7 is amended to clarify when servicing arrangement are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. TFRS 7 is also amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to TFRS 7)*.

TAS 19 "Employee Benefits"

TAS 19 has been amended to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

TAS 34 "Interim Financial Reporting"

TAS 34 has been amended to clarify that certain disclosure, if they are not included in the notes to interim financial statements, may be disclosed "elsewhere in the interim financial report" – i.e. incorporated by cross-reference from the interim financial statements to another part of the interim financial report (e.g. management commentary or risk report).

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TFRS by the POA, thus they do not constitute part of TFRS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS.

IFRS 9 Financial Instruments – Hedge Accounting and amendments to TFRS 9, TFRS 7 and TAS 39 - (2013)

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging transactions. This standard is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

IFRS 9 Financial Instruments (2014)

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from TMS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.7 New and Revised Standards and Interpretation *(continued)*

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA *(continued)*

IFRS 15 Revenue from Contracts with customers

The standard replaces existing IFRS and US GAAP guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under IFRS. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

2.8 Determination of Fair Values

Various accounting policies and explanations of the Company necessitate to determinate the fair value of both financial and non-financial assets and liabilities. If applicable, additional information about assumptions used for determination of fair value are presented in notes particular to assets and liabilities.

Evaluation methods in terms of levels are described as follows:

- Level 1: Specific (uncorrected) prices in active markets for identical assets and obligations;
- Level 2: Directly (via prices) or indirectly (via producing from prices) variables which are observable for assets and liabilities and apart from specific prices mentioned in Level 1.
- Level 3: Variables which are not related to observable market variable for assets and liabilities (unobservable variables).

3. BUSINESS COMBINATION UNDER COMMON CONTROL

According to resolution of Extraordinary General Assembly Meeting dated 22 May 2015, it was decided to merge with THY Habom via transfer of all assets, liabilities, rights and obligations according to Turkish Commercial Code ("TCC"). This merger was carried out under legal structure of THY Teknik and was registered in Trade Registry Gazette on 4 June 2015.

A "business combination involving entities or business under common control" is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

The merger is a business combination under common control, since the Company and THY Habom are controlled by ultimate parent, named THY A.O, both before and after the combination.

The Company has consolidated the financial statements of THY Habom beginning from 1 January 2014 according to "Accounting Principles of Merger of Entities Under Common Control" stated in third resolution of application of Turkish Accounting Standards ("TAS") by Public Oversight Authority ("POA"). The merger is assumed to be realized at 1 January 2014 and according to the related resolution, 1 January 2014 and 31 December 2014 financial statements are restated.

4. SHARES IN OTHER SUBSIDIARIES

As at 31 December the shares in other subsidiaries are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
TEC	77.475.957	51.646.819
Turbine Teknik	6.742.671	8.283.911
TCI	2.652.413	3.897.723
Goodrich	2.098.846	968.231
	<u>88.969.887</u>	<u>64.796.684</u>

As at 31 December financial informations for TEC are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Current assets	333.650.217	206.368.965
Non-current assets	105.645.573	93.046.126
Current liabilities	227.363.339	159.070.766
Non-current liabilities	53.818.254	38.140.546
Equity	158.114.197	105.401.671
Company's share in equity	77.475.957	51.646.819

	<u>1 January - 31 December 2015</u>	<u>1 January - 31 December 2014</u>
Revenue	655.502.093	426.704.079
Profit for the period	28.018.291	2.468.289
Company's share in profit for the period	13.728.960	1.209.462

As at 31 December financial informations for Turbine Teknik are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Current assets	10.232.740	8.860.387
Non-current assets	3.585.221	4.296.684
Current liabilities	188.751	(3.410.750)
Non-current liabilities	143.867	-
Equity	13.485.343	16.567.821
Company's share in equity	6.742.672	8.283.911

	<u>1 January - 31 December 2015</u>	<u>1 January - 31 December 2014</u>
Revenue	2.359.271	1.732.012
Profit /(loss) for the period	649.121	(2.067.103)
Company's share in profit/ (loss) for the period	324.560	(1.033.551)

4. SHARES IN OTHER SUBSIDIARIES (continued)

As at 31 December financial informations for Goodrich are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Current assets	11.055.512	5.430.148
Non-current assets	1.843.355	1.116.637
Current liabilities	6.487.618	4.126.207
Non-current liabilities	1.164.135	-
Equity	5.247.115	2.420.578
Companys's share in equity	2.098.846	968.231
	<u>1 January - 31 December 2015</u>	<u>1 January - 31 December 2014</u>
Revenue	27.314.261	17.833.369
Profit for the period	1.844.729	340.200
Company's share in profit for the period	737.892	136.080

As at 31 December financial informations for TCI are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Current assets	29.893.377	27.783.147
Non-current assets	2.218.931	2.001.776
Current liabilities	11.581.244	10.296.307
Non-current liabilities	7.269.000	-
Equity	13.262.064	19.488.616
Companys's share in equity	2.652.413	3.897.723
	<u>1 January - 31 December 2015</u>	<u>1 January - 31 December 2014</u>
Revenue	24.101.526	7.190.017
Loss for the period	(21.571.155)	(6.065.618)
Company's share in loss for the period	(4.314.231)	(1.213.124)

Shares of investment's profit (losses) accounted by using equity method are as follows:

	<u>1 January - 31 December 2015</u>	<u>1 January - 31 December 2014</u>
TEC	13.728.960	1.209.462
TCI	(4.314.231)	(1.213.124)
Goodrich	737.892	136.080
Turbine	324.560	(1.033.551)
	<u>10.477.181</u>	<u>(901.133)</u>

5. CASH AND CASH EQUIVALENTS

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

	<u>31 December 2015</u>	<u>31 December 2014</u>
Cash on hand	-	14.973
Banks (demand deposits)	5.771.676	955.965
Banks (time deposits)	111.800	4.593.950
	<u>5.883.476</u>	<u>5.564.888</u>

As at 31 December 2015, details of the time deposits are as follows:

<u>Capital</u>	<u>Currency</u>	<u>Opening date</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>31 December 2015</u>
111.800	TL	31 December 2015	%10,97	4 January 2016	111.800
					<u>111.800</u>

<u>Capital</u>	<u>Currency</u>	<u>Opening date</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>31 December 2014</u>
2.770.000	TL	31 December 2014	% 14,50	2 January 2015	2.770.000
400.000	Euro	31 December 2014	% 1,9	2 January 2015	1.128.280
250.000	USD	31 December 2014	% 0,8	2 January 2015	579.725
50.000	USD	31 December 2014	% 2,11	2 January 2015	115.945
					<u>4.593.950</u>

6. FINANCIAL INVESTMENTS

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

	<u>31 December</u>	<u>Share</u>	<u>31 December</u>	<u>Share</u>
	<u>2015</u>	<u>%</u>	<u>2014</u>	<u>%</u>
Uçak Koltuk Üretimi Sanayi Ticaret Anonim Şirketi ("Uçak Koltuk")	5.005	10	5.005	10
Türk Hava Yolları Opet Havacılık Yakıtları Anonim Şirketi ("THY Opet")	20	<1	20	<1
	<u>5.025</u>		<u>5.025</u>	

7. OTHER FINANCIAL LIABILITIES

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

	<u>31 December 2015</u>	<u>31 December 2014</u>
Payables to banks	11.125.057	9.120.652
	<u>11.125.057</u>	<u>9.120.652</u>

7. OTHER FINANCIAL LIABILITIES (continued)

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

31 December 2015

<u>Name of Bank</u>	<u>Maturity</u>	<u>Original amount</u>	<u>Currency</u>	<u>Amount</u>
Ziraat Bankası	4 January 2016	11.086.290	TL	11.086.290
Finansbank	4 January 2016	38.471	TL	38.471
Bank Asya	4 July 2016	296	TL	296
				<u>11.125.057</u>

31 December 2014

<u>Name of Bank</u>	<u>Maturity</u>	<u>Original amount</u>	<u>Currency</u>	<u>Amount</u>
Finansbank	2 January 2015	6.925.527	TL	6.925.527
Finansbank	2 January 2015	2.195.125	TL	2.195.125
				<u>9.120.652</u>

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

8. RELATED PARTY TRANSACTIONS

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

	<u>31 December 2015</u>	<u>31 December 2014</u>
Türk Hava Yolları Anonim Ortaklığı ("THY A.O.")	474.990.736	300.877.911
Güneş Express Havacılık A.Ş. ("Sun Ekspres")	15.784.227	11.496.850
TEC	8.960.020	3.435.956
Goodrich	1.249.661	296.885
TCI	1.202.352	590.560
TGS Yer Hizmetleri A.Ş. ("TGS")	598.160	232.649
Others	48.966	64.247
	<u>502.834.122</u>	<u>316.995.058</u>

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

	<u>31 December 2015</u>	<u>31 December 2014</u>
THY A.O.	19.172.512	16.526.153
Others	-	5.737
	<u>19.172.512</u>	<u>16.531.890</u>

8. RELATED PARTY TRANSACTIONS (continued)

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

	<u>31 December 2015</u>	<u>31 December 2014</u>
THY A.O.	51.387.303	47.131.163
Goodrich	3.497.925	665.888
TGS	1.572.906	2.268.653
THY Opet	89.215	223.588
Others	18.265	231.145
	<u>56.565.614</u>	<u>50.520.437</u>

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

	<u>31 December 2015</u>	<u>31 December 2014</u>
THY A.O.	153.116.353	82.755.440
	<u>153.116.353</u>	<u>82.755.440</u>

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

	<u>31 December 2015</u>	<u>31 December 2014</u>
THY A.O.	446.585.028	432.230.870
	<u>446.585.028</u>	<u>432.230.870</u>

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

	<u>1 January - 31 December 2015</u>	<u>1 January - 31 December 2014</u>
Sales		
THY A.O.	1.996.620.219	1.188.163.776
Sun Express	76.309.060	105.504.168
TEC	37.906.385	21.913.399
Goodrich	889.259	787.345
TGS	545.650	1.547.752
Turbine Teknik	452.642	2.195.742
Others	265.013	690.050
	<u>2.112.988.228</u>	<u>1.320.802.232</u>

8. RELATED PARTY TRANSACTIONS (continued)

	1 January - 31 December 2015	1 January - 31 December 2014
Purchases		
THY A.O.	128.902.982	101.070.383
Goodrich	18.255.389	7.990.503
TGS	10.196.248	7.198.536
Uçak Koltuk	1.079.694	1.153.115
THY Opet	978.633	1.459.320
TCI	88.484	120.386
Sun Express	50.030	655.717
Others	26.705	186.508
	159.578.165	119.834.468
Interest expenses		
THY A.O.	31.440.777	22.035.083
	31.440.777	22.035.083

For the years ended 31 December 2015, total amount of salaries and other benefits provided to key management personnel is TL 3.152.756 (31 December 2014: TL 3.591.863).

9. TRADE RECEIVABLES AND PAYABLES

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

	31 December 2015	31 December 2014
Trade receivables	170.970.211	143.831.884
Notes receivables	6.366.631	4.099.472
Discount on receivables	(16.209)	(4.474)
Cheques received	-	567.958
Income accruals (*)	-	8.362.487
Provision for doubtful receivables	(89.848.198)	(67.681.847)
	87.472.435	89.175.480

(*) Income accrual comprised maintenance income accruals, which services are provided in the year 2014 and invoiced in the year 2015.

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 32.

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

	31 December 2015	31 December 2014
Trade payables	218.107.151	173.695.062
Accrued expenses	35.162.626	26.772.160
Discount on payables	(109.840)	(65.838)
	253.159.937	200.401.384

10. PAYABLES RELATED TO EMPLOYEE BENEFITS

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

	<u>31 December 2015</u>	<u>31 December 2014</u>
Salary accruals (*)	44.926.825	36.499.208
Social security premiums payable	13.391.247	10.203.618
Personnel credit card payables	16.312	30.050
Payables to personnel	12.559	17.383
	<u>58.346.943</u>	<u>46.750.259</u>

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

11. OTHER RECEIVABLES AND PAYABLES

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

	<u>31 December 2015</u>	<u>31 December 2014</u>
Other receivables	441.039	331.632
Receivables from personnel	246.826	646.414
Deposits and guarantees given	149.892	140.279
Receivables from foreign technical suppliers	55.128	7.561.051
Doubtful receivables	1.305	1.041
Provision for doubtful receivables (-)	(1.305)	(1.041)
	<u>892.885</u>	<u>8.679.376</u>

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

	<u>1 January - 31 December 2015</u>	<u>1 January - 31 December 2014</u>
Provision at the beginning of the year	1.041	2.539
Foreign currency translation	264	(387)
Current year charge	-	1.027
Collections during year	-	(2.138)
Provision at the end of the year	<u>1.305</u>	<u>1.041</u>

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

	<u>31 December 2015</u>	<u>31 December 2014</u>
Taxes and funds payable	61.177.886	50.305.363
Deposits and guaranteed received	20.222.458	14.490.290
Other payables	456.929	2.357.339
	<u>81.857.273</u>	<u>67.152.992</u>

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Financial Statements For The Year Ended 31 December 2015

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

12. INVENTORIES

As at 31 December inventories are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Components and repairable spare parts	1.429.381.547	800.829.359
Technical equipment inventories	485.817.859	372.469.023
Scrap equipment inventories	57.137.122	27.110.088
Technical equipment inventories in transit	47.041.643	112.960.935
Accumulated depreciation of components and repairable spare parts (-)	(493.468.201)	(307.874.719)
Provision for impairment of inventories (-)	(47.542.042)	(27.106.828)
	<u>1.478.367.928</u>	<u>978.387.858</u>

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

	<u>1 January - 31 December 2015</u>	<u>1 January - 31 December 2014</u>
Provision at the beginning of the year	27.106.828	14.330.391
Foreign currency translation	8.144.434	1.938.810
Current year provision	12.290.780	10.837.627
Provision at the end of the year	<u>47.542.042</u>	<u>27.106.828</u>

For the year ended 31 December 2015, the movement of components and repairable spare parts are as follows:

	Components and repairable spare parts
<u>Cost</u>	
Opening balance 1 January 2015	800.829.359
Foreign currency translation	203.306.847
Additions	495.023.500
Disposals	(69.778.159)
Closing balance 31 December 2015	<u>1.429.381.547</u>
<u>Accumulated depreciation</u>	
Opening balance 1 January 2015	307.874.719
Foreign currency translation	84.831.626
Current charge for the year	163.398.361
Disposals	(62.636.505)
Closing balance 31 December 2015	<u>493.468.201</u>
Net book value 31 December 2015	<u>935.913.346</u>

12. INVENTORIES (continued)

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

<u>Cost</u>	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
<u>Accumulated depreciation</u>	
Opening balance 1 January 2014	220.355.668
Foreign currency translation	22.926.480
Current charge for the year	90.270.942
Disposals	(25.678.371)
Closing balance 31 December 2014	307.874.719
Net book value 31 December 2014	492.954.640

13. PRE-PAID EXPENSES AND DEFERRED INCOME

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

	<u>31 December 2015</u>	<u>31 December 2014</u>
Advances given for orders (*)	25.990.495	7.089.002
Short-term prepaid expenses (**)	3.848.576	3.937.253
	29.839.071	11.026.255

(*) Advances given for orders comprise advances given for purchasing of trading goods, components and consumables.

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

	<u>31 December 2015</u>	<u>31 December 2014</u>
Advances given for fixed asset purchases	1.568.688	40.702.281
Long-term prepaid expenses (**)	13.383.887	12.194.487
	14.952.575	52.896.768

(**) TL 15.115.584 of prepaid expenses comprise costs related with Kıyı Emniyeti Genel Müdürlüğü ("KEGM") in order to hire the land of Devlet Hava Meydanları İşletmesi Genel Müdürlüğü ("DHMI") (31 December 2014: TL 13.978.993).

13. PRE-PAID EXPENSES AND DEFERRED INCOME (continued)

As at 31 December short-term deferred income are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Advances received	285.957.195	192.934.913
Short-term deferred income	43.914.303	400.670
	<u>329.871.498</u>	<u>193.335.583</u>

As at 31 December long-term deferred income are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Long-term deferred income	3.268.946	-
	<u>3.268.946</u>	<u>-</u>

14. PROPERTY AND EQUIPMENT

For the year ended 31 December 2015, the movement of property and equipment are as follows:

<u>Cost</u>	Plant,		Furniture and		Other		Leasehold	Total
	Machinery and Equipment	Vehicles	Fixtures	Tangible Assets	Construction in Progress	Improvements		
Opening balance 1 January 2015	206.236.246	13.517.293	57.721.712	4.272.293	2.917.193	911.074.136	1.195.738.873	
Foreign currency translation	52.357.998	3.431.640	14.653.110	1.084.608	740.589	231.294.728	303.562.673	
Additions	79.631.963	2.670.869	7.754.949	709.298	2.679.538	48.612.231	142.058.848	
Disposals	(475.423)	(93.066)	(485.847)	(7.350)	-	(21.310)	(1.082.996)	
Transfers (*)	84.672	-	2.347.038	17.541	(2.563.318)	-	(114.067)	
Closing balance 31 December 2015	337.835.456	19.526.736	81.990.962	6.076.390	3.774.002	1.190.959.785	1.640.163.331	
Accumulated depreciation								
Opening balance 1 January 2015	120.289.322	8.999.035	29.630.356	2.205.673	-	91.656.300	252.780.686	
Foreign currency translation	32.198.806	2.408.712	8.134.559	602.944	-	27.858.776	71.203.797	
Current charge for the period	25.473.721	1.942.113	9.716.307	649.884	-	69.344.943	107.126.968	
Disposals	(398.842)	(67.373)	(457.580)	(574)	-	(19.986)	(944.355)	
Closing balance 31 December 2015	177.563.007	13.282.487	47.023.642	3.457.927	-	188.840.033	430.167.096	
Net book value 1 January 2015	85.946.924	4.518.258	28.091.356	2.066.620	2.917.193	819.417.836	942.958.187	
Net book value 31 December 2015	160.272.449	6.244.249	34.967.320	2.618.463	3.774.002	1.002.119.752	1.209.996.235	

(*) As at 31 December 2015, construction in progress amounting to TL 114.067 is transferred to intangible assets.

14. **PROPERTY AND EQUIPMENT** (continued)

For the year 31 December 2014, the movement of property and equipment are as follows:

Cost	Plant, Machinery and Equipment		Vehicles	Furniture and Fixtures	Other Tangible Assets	Construction in Progress	Leasehold Improvements	Total
Opening balance 1 January 2014	163.411.128	10.784.256	31.653.018	2.806.321	635.166.152	119.117.631	962.938.506	
Foreign currency translation	14.133.813	932.752	2.737.685	242.725	54.936.827	10.302.729	83.286.531	
Additions	40.295.579	2.263.835	7.774.319	867.869	11.524.118	101.983.216	164.708.936	
Disposals	(1.078.915)	(463.550)	(12.042)	(364)	-	(61.497)	(1.616.368)	
Transfers (*)	(10.525.359)	-	15.568.732	355.742	(698.709.904)	679.732.057	(13.578.732)	
Closing balance 31 December 2014	206.236.246	13.517.293	57.721.712	4.272.293	2.917.193	911.074.136	1.195.738.873	
Accumulated depreciation								
Opening balance 1 January 2014	97.045.092	7.314.863	19.376.062	1.622.649	-	42.046.389	167.405.055	
Foreign currency translation	9.232.030	692.079	2.161.032	165.354	-	6.233.812	18.484.307	
Current charge for the period	17.098.427	1.412.108	5.858.036	418.014	-	43.434.122	68.220.707	
Disposals	(840.296)	(420.015)	(10.705)	(344)	-	(58.023)	(1.329.383)	
Transfers	(2.245.931)	-	2.245.931	-	-	-	-	
Closing balance 31 December 2014	120.289.322	8.999.035	29.630.356	2.205.673	-	91.656.300	252.780.686	
Net book value 1 January 2014	66.366.036	3.469.393	12.276.956	1.183.672	635.166.152	77.071.242	795.533.451	
Net book value 31 December 2014	85.946.924	4.518.258	28.091.356	2.066.620	2.917.193	819.417.836	942.958.187	

(*) As at 31 December 2014, construction in progress amounting to TL 13.578.732 is transferred to intangible assets.

15. INTAGIBLE ASSETS

For the year ended 31 December 2015, the movement of other intangible assets is as follows:

	Rights
<u>Cost</u>	
Opening balance 1 January 2015	43.820.857
Foreign currency translation	11.124.503
Additions	6.734.252
Disposals	(4.764)
Transfers	114.067
Closing balance 31 December 2015	61.788.915
<u>Accumulated depreciation</u>	
Opening balance 1 January 2015	9.570.843
Foreign currency translation	3.514.959
Current charge for the period	16.395.283
Disposals	(4.764)
Closing balance 31 December 2015	29.476.321
Net book value 31 December 2015	32.312.594

For the year ended 31 December 2014, the movement of other intangible assets is as follows:

	Rights
<u>Cost</u>	
Opening balance 1 January 2014	11.587.326
Foreign currency translation	1.002.215
Additions	17.652.586
Transfers	13.578.730
Closing balance 31 December 2014	43.820.857
<u>Accumulated depreciation</u>	
Opening balance 1 January 2014	4.219.462
Foreign currency translation	646.647
Current charge for the period	4.704.734
Closing balance 31 December 2014	9.570.843
Net book value 31 December 2014	34.250.014

16. PROVISIONS, CONTINGENT AND LIABILITIES

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

(a) Short-term provisions for employee benefits

	31 December 2015	31 December 2014
Provisions for unused vacation	13.033.930	11.006.065
	13.033.930	11.006.065

16. PROVISIONS, CONTINGENTS AND LIABILITIES (continued)

(a) Short-term provisions for employee benefits (continued)

For the years ended 31 December 2015 and 2014 the movements of provision for unused vacation are as follows:

	<u>1 January – 31 December 2015</u>	<u>1 January – 31 December 2014</u>
Provision at the beginning of the period	11.006.065	6.525.625
Foreign currency translation	(1.382)	20.280
Current period charge	4.256.794	5.139.306
Provision no longer required	(2.227.547)	(679.146)
Provision at the end of the period	<u>13.033.930</u>	<u>11.006.065</u>

(b) Other short-term provisions

	<u>31 December 2015</u>	<u>31 December 2014</u>
Provision for legal claims	17.071.905	7.203.388
	<u>17.071.905</u>	<u>7.203.388</u>

For the years ended 31 December the movements of provision for legal claims are as follows:

	<u>1 January – 31 December 2015</u>	<u>1 January – 31 December 2014</u>
Provision at the beginning of the period	7.203.388	2.497.663
Foreign currency translation	585.680	226.275
Current period charge (Note 23)	11.941.316	4.482.729
Provision no longer required	(2.658.479)	(3.279)
Provision at the end of the period (*)	<u>17.071.905</u>	<u>7.203.388</u>

(*) As at 31 December 2015, provision for legal claims amounting to TL 9.046.984 is related with reinstatement cases (31 December 2014: TL 3.083.076).

(c) Other long-term provisions

	<u>31 December 2015</u>	<u>31 December 2014</u>
Provisions for other long term provision (*)	6.859.796	3.537.327
	<u>6.859.796</u>	<u>3.537.327</u>

(*) Provisions for the personnel, except for retirement pay liability, who have transferred from THY Habom to the Company, considering the working years who have entitled to leave their work by receiving retirement pay.

For the years ended 31 December the movements of provision for other long term provision are as follows:

	<u>1 January – 31 December 2015</u>	<u>1 January – 31 December 2014</u>
Provision at the beginning of the period	3.537.327	-
Foreign currency translation	816.455	-
Current period charge	2.506.014	3.537.327
Provision at the end of the period	<u>6.859.796</u>	<u>3.537.327</u>

17. COMMITMENTS AND CONTINGENCIES

Company as lessee

Leasing Agreements:

Leasing period is 20 years and is related to the construction in progress of 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 2015 leasing payment amounting to TL 11.059.416 (31 December 2014: TL 9.410.095) is accounted as rent expense in income statement.

Commitments related to operating leasing that can not be cancelled

	<u>31 December 2015</u>	<u>31 December 2014</u>
Within one year	13.702.343	11.877.722
One- five years	61.523.431	55.682.839
After five years	107.282.413	109.844.945
	<u>182.508.187</u>	<u>177.405.506</u>

18. EMPLOYEE BENEFITS

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

	<u>31 December 2015</u>	<u>31 December 2014</u>
Provision for employee benefits	73.189.555	59.141.771
	<u>73.189.555</u>	<u>59.141.771</u>

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 4.093 as of 1 January 2016 (1 January 2015: TL 3.541).

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:

18. EMPLOYEE BENEFITS (continued)

Main assumption is that maximum liability amount increases in accordance with the inflation rate for every service year. So, provisions in the accompanying financial statements as of 31 December 2015 are calculated by estimating present value of contingent liabilities due to retirement of employees. Provisions in the relevant balance sheet dates are calculated with the assumptions of 7,00% annual inflation rate (31 December 2014: 5,50%) and 11.00% interest rate. (31 December 2014: 9,00%). Estimated amount of retirement pay not paid due to voluntary leaves and retained in the Company is also taken into consideration as 3,74% (31 December 2014: 3,32%). Ceiling for retirement pay is revised semi-annually. Ceiling amount of TL 4.093 which is in effect since 1 January 2016 is used in the calculation of Company's provision for retirement pay liability. The movements of provision for employee benefits are as follows:

	1 January - 31 December 2015	1 January - 31 December 2014
Provisions at the beginning of the year	59.141.771	45.672.863
Service charge for the year	9.553.053	25.626.770
Interest charges	2.210.907	1.221.329
Payments	(1.425.466)	(7.261.005)
Actuarial loss (gain)/ loss	3.709.290	(6.118.186)
Provisions at the end of the year	73.189.555	59.141.771

19. OTHER ASSET AND LIABILITIES

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

	31 December 2015	31 December 2014
Personnel advances	39.154	36.304
Job advances	15.252	34.106
Deferred VAT	-	2.412.771
	54.406	2.483.181

20. SHAREHOLDERS' EQUITY

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

	<u>%</u>	<u>31 December 2015</u>	<u>%</u>	<u>31 December 2014</u>
THY A.O.	100	960.850.000	100	693.000.000
		<u>960.850.000</u>		<u>693.000.000</u>

As at 31 December 2015, the Company's share capital is comprised of 960.850.000 shares issued with par value of TL 1 each (2014: 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.

On 4 June 2015, the Company has merged with THY Habom by taking over all its assets and liabilities. After the merger the share capital of the company has increased by TL 267.850.000 to TL 960.850.000.

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. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital. Publicly traded companies make the dividend payment accordance with procedure laid by CMB.

Foreign Currency 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 2015 are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Share capital	960.850.000	693.000.000
Adjustments to share capital	84.081	84.081
Items that will never be reclassified to profit or loss	(1.216.164)	1.751.268
Foreign currency translation	716.459.868	377.800.605
Effect of business combination under common control	-	267.850.000
Restricted profit reserves	10.925.693	9.917.309
Retained earnings	(49.933.881)	(8.469.871)
Net profit/ (loss)	171.857.719	(40.455.626)
	<u>1.809.027.316</u>	<u>1.301.477.766</u>

21. REVENUE AND COST OF SALES

For the years ended 31 December revenue is as follows:

	<u>1 January - 31 December 2015</u>	<u>1 January - 31 December 2014</u>
Aircraft maintenance income	848.525.353	597.936.274
Line maintenance income	539.159.426	297.557.992
Pool income	519.752.618	323.174.790
Component maintenance income	358.131.620	233.702.370
Equipment sales income	106.902.903	52.555.844
Engine maintenance income	93.062.593	93.302.296
Others	64.169.280	4.188.423
Revenue	<u>2.529.703.793</u>	<u>1.602.417.989</u>
Cost of sales (-)	(1.988.976.465)	(1.358.288.626)
Gross profit	<u>540.727.328</u>	<u>244.129.363</u>

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

	<u>1 January - 31 December 2015</u>	<u>1 January - 31 December 2014</u>
Personnel expenses	603.511.097	390.880.687
Equipment expenses	533.437.022	313.736.873
Maintenance expenses	272.732.230	198.619.866
Service expenses	248.062.132	261.085.049
Depreciation and amortization expenses	205.109.637	119.160.352
Transportation expenses	59.766.437	39.055.462
Rent expenses	13.516.720	13.382.728
Utilization expenses	9.556.166	5.776.207
Others	43.285.024	16.591.402
	<u>1.988.976.465</u>	<u>1.358.288.626</u>

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

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

	<u>1 January - 31 December 2015</u>	<u>1 January - 31 December 2014</u>
Personnel expenses	94.984.370	109.097.224
Depreciation and amortisation expenses	81.753.812	43.980.746
Service expenses	36.496.904	23.393.499
Equipment expenses	10.739.108	5.653.158
Utilization expenses	8.996.328	3.480.380
Rent expenses	7.656.769	5.785.926
Others	28.137.642	36.490.157
	<u>268.764.933</u>	<u>227.881.090</u>

22. RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES (continued)

For the years ended 31 December marketing, selling and distribution expenses are as follows:

	<u>1 January - 31 December 2015</u>	<u>1 January - 31 December 2014</u>
Personnel expenses	5.893.908	5.741.457
Service expenses	1.395.815	2.740.618
Equipment expenses	638.679	84.763
Depreciation and amortization expenses	41.694	40.062
Others	3.895.806	2.817.678
	<u>11.865.902</u>	<u>11.424.578</u>

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

	<u>1 January - 31 December 2015</u>	<u>1 January - 31 December 2014</u>
Personnel expenses	7.202.980	9.726.008
Service expenses	668.254	1.050.677
Depreciation and amortization expenses	10.705	15.231
Others	1.816.163	1.029.095
	<u>9.698.102</u>	<u>11.821.011</u>

23. OTHER OPERATING INCOME AND EXPENSES

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

	<u>1 January - 31 December 2015</u>	<u>1 January - 31 December 2014</u>
Income from other material sales	14.666.333	5.582.168
Reversal of provision for doubtful receivables	6.426.694	2.138
Insurance, indemnities and penalties income	6.190.684	1.387.404
Late payment interest income of trade receivables	3.905.945	426.778
Provisions no longer required for legal claims (Note 16)	2.658.479	3.279
Plant maintenance income	2.286.058	1.740.363
Foreign exchange gain from trade operations, net	1.582.599	1.237.066
Income from discount of payables	28.098	64.128
Others	5.062.032	3.349.028
	<u>42.806.922</u>	<u>13.792.352</u>

23. OTHER OPERATING INCOME AND EXPENSES (continued)

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

	1 January - 31 December 2015	1 January - 31 December 2014
Provision for doubtful receivables	11.644.893	8.836.574
Provision for legal claims (Note 16)	11.941.316	4.482.729
Expense of discount of receivables	7.779	61.951
Others	1.607.988	1.351.018
	25.201.976	14.732.272

24. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

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

	1 January - 31 December 2015	1 January - 31 December 2014
Loss on sales of fixed assets	72.396	174.858
	72.396	174.858

25. EXPENSES RECLASSIFIED ON THE BASIS OF LINE

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

26. FINANCIAL INCOME AND EXPENSES

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

	1 January - 31 December 2015	1 January - 31 December 2014
Foreign exchange gains,net	16.537.395	5.456.136
Interest income	725.928	1.033.843
	17.263.323	6.489.979

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

	1 January - 31 December 2015	1 January - 31 December 2014
Interest expenses on loans	31.440.777	22.035.083
Cost of employee termination benefits interest	2.210.907	1.221.329
Bank expenses	147.583	102.278
	33.799.267	23.358.690

27. ANALYSIS OF OTHER COMPREHENSIVE INCOME COMPONENTS

For the year ended 31 December 2015, the Company's other comprehensive income which is not to be reclassified to profit or loss is TL 2.967.432 as income (31 December 2014: TL 4.932.010 as expense), other comprehensive income to be reclassified to profit or loss is TL 338.664.961 as income (31 December 2014: TL 101.185.902 as income).

28. TAX ASSET AND LIABILITIES

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

	<u>31 December 2015</u>	<u>31 December 2014</u>
Current corporate tax provision	34.097.135	10.530.032
Prepaid taxes and funds	(4.901.515)	(8.669.800)
Current tax liabilities	<u>29.195.620</u>	<u>1.860.232</u>

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

	<u>31 December 2015</u>	<u>31 December 2014</u>
Current period tax expense	(34.326.909)	(9.686.012)
Deferred tax expense	(55.687.550)	(4.887.676)
	<u>(90.014.459)</u>	<u>(14.573.688)</u>

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 2015 is 20% .

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2014 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.

Furthermore, there is no procedure for a final and definitive agreement on tax assessments. 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 branches of foreign companies. Income withholding tax is in use since 22 July 2006. Commencing from 22 July 2006, the 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.

28. TAX ASSET AND LIABILITIES (continued)

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.

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

	<u>31 December 2015</u>	<u>31 December 2014</u>
Inventories	(96.995.609)	(55.045.900)
Fixed assets	(82.954.899)	(35.855.674)
Provision for employment termination indemnity	14.637.911	11.909.242
Advances taken for orders	13.002.428	10.369.834
Provision for inventories	9.508.408	5.421.366
Provision for doubtful receivables	8.752.758	6.104.776
Provision for legal claims	3.414.381	1.356.822
Provision for vacation pay	2.606.786	1.833.435
Others	3.931.593	1.803.286
	<u>(124.096.243)</u>	<u>(52.102.813)</u>

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

	<u>1 January - 31 December 2015</u>	<u>1 January - 31 December 2014</u>
Deferred tax liability at the beginning of the period	52.102.813	43.364.676
Foreign currency translation	17.047.738	2.655.284
Deferred tax expense	55.687.550	4.887.676
Tax income of actuarial losses from defined pension plans	(741.858)	1.195.177
Deferred tax liability at the end of the period	<u>124.096.243</u>	<u>52.102.813</u>

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

	<u>1 January - 31 December 2015</u>	<u>1 January - 31 December 2014</u>
Reconciliation of current tax provision		
Profit (loss) from operations before tax	261.872.178	(25.881.938)
%20 tax rate	(52.374.436)	5.176.387
Taxation effects on:		
- foreign exchange rate translation loss	(31.576.694)	(7.888.821)
- deductions	468.045	1.782.476
- non-deductible expenses	(8.626.810)	(6.282.503)
- equity method	2.095.436	(180.227)
- Unrecognized tax losses carried forward	-	(7.181.000)
	<u>(90.014.459)</u>	<u>(14.573.688)</u>

28. TAX ASSET AND LIABILITIES (continued)

Deferred Tax (continued)

Unrecognised deferred tax asset liabilities

As at 31 December 2014, unrecognized deferred tax asset/ (liability) of THY Habom is as follows:

	31 December 2014
Adjustments in tangible and intangible assets	(5.549.865)
Deferred income	(2.494.370)
Inventories	(284.928)
Tax losses carry forward	28.797.599
Provisions for employment termination indemnity	626.578
Provision for unused vacation	367.778
Other	4.341
	21.467.133

As at 31 December, the breakdown of the tax losses carried forward in terms of their final years of utilization is as follows:

Expiry years of the tax losses carried forward	31 December 2014
2015	2.302.043
2016	8.231.126
2017	24.947.046
2018	72.602.780
2019	35.905.002
Total tax losses carried forward	143.987.997

As at 31 December 2014, THY Habom has not recognized in respect of tax losses amounting to TL 143.987.997 because the management has assumed that it is not appropriate to forecast future taxable profits taking into account all factors concerning the entity's expected future profitability. The Company merged with THY Habom on 4 June 2015. As at 31 December 2015, the Company set off the tax losses carried forward amounting to TL 112.967.983, which was the net equity of THY Habom on the merger date.

29. 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 2015	1 January – 31 December 2014
Number of total outstanding shares as of 1 January (in full)	960.850.000	960.850.000
Number of outstanding shares as of 31 December (in full)	960.850.000	960.850.000
Weighted Average number of shares outstanding during the period (in full)	960.850.000	960.850.000
Net income/ (loss) for the period	171.857.719	(40.455.626)
Earnings/(loss) per share (Kr)	17,89	(4,21)

30. EFFECT OF EXCHANGE RATE CHANGES

Analysis of effects of exchange rate changes as at 31 December 2015 and 2014 is presented in Note 32.

31. 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.

32. 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 optimisation 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.

32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (continued)

(b) Financial risk factors (continued)

	Receivables					
	Trade Receivables			Other Receivables		
31 December 2015	Related party	Third party	Third party	Related party	Third party	Deposits in banks
Maximum Credit Risk as of balance sheet date (*)	502.834.122	87.472.435	19.172.512	892.885	5.883.476	-
- The part of maximum risk under guarantee with collateral etc.	-	7.041.421	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	502.834.122	11.750.623	19.172.512	892.885	5.883.476	-
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	-	-	-	-	-	-
- the part under guarantee with collateral etc	-	75.721.812	-	-	-	-
D. Net book value of impaired assets	-	7.041.421	-	-	-	-
- Past due (gross carrying amount)	-	89.848.198	-	1.305	-	-
- Impairment (-)	-	(89.848.198)	-	(1.305)	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
- Not past 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.

32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (continued)

(b) Financial risk factors (continued)

	Receivables				
	Trade receivables		Other receivables		
31 December 2014	Related party	Third party	Related party	Third party	Deposits in banks
Maximum Credit Risk as of balance sheet date (*)	362.756.797	89.175.480	-	8.679.376	5.549.915
- The part of maximum risk under guarantee with collateral etc.	-	3.581.760	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	362.756.797	56.028.041	-	8.679.376	5.549.915
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	-	-	-	-	-
- the part under guarantee with collateral etc	-	33.147.439	-	-	-
D. Net book value of impaired assets	-	3.581.760	-	-	-
- Past due (gross carrying amount)	-	-	-	-	-
- Impairment (-)	-	67.681.847	-	-	-
- The part of net value under guarantee with collateral etc.	-	(67.681.847)	-	-	-
- Not past 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.

32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS
(continued)

(b) Financial risk factors (continued)

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 management's forecasts based on its previous experience and current economical conditions. Because there are so many customers, the Company's credit risk is dispersed and there is not important credit risk concentration.

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

31.12.2015	<u>Trade</u> <u>Receivables</u>	<u>Other</u> <u>Receivables</u>	<u>Deposits</u> <u>in Banks</u>	<u>Others</u>	<u>Total</u>
Past due 1-30 days	16.025.763	-	-	-	16.025.763
Past due 1-3 months	29.232.081	-	-	-	29.232.081
Past due 3-12 months	12.680.506	-	-	-	12.680.506
Past due 1-5 years	17.783.462	-	-	-	17.783.462
Total past due receivables	75.721.812	-	-	-	75.721.812
The part under guarantee with colleateral etc.	7.041.421	-	-	-	7.041.421
31.12.2014	<u>Trade</u> <u>Receivables</u>	<u>Other</u> <u>Receivables</u>	<u>Deposits</u> <u>in Banks</u>	<u>Others</u>	<u>Total</u>
Past due 1-30 days	4.206.842	-	-	-	4.206.842
Past due 1-3 months	1.239.574	-	-	-	1.239.574
Past due 3-12 months	6.148.601	-	-	-	6.148.601
Past due 1-5 years	18.542.764	-	-	-	18.542.764
Total past due receivables	30.137.781	-	-	-	30.137.781
The part under guarantee with colleateral etc.	3.581.760	-	-	-	3.581.760

32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS
(continued)

(b) Financial risk factors (continued)

Credit risk management (continued)

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 7.041.421 (31 December 2014: TL 3.581.760).

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

Impairment

Provisions for doubtful trade receivables consist of provisions for 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 2015 and 2014 is as follows:

	1 January - 31 December 2015	1 January - 31 December 2014
Provision at the beginning of the year	67.681.847	53.964.070
Foreign currency translation	16.948.152	4.882.230
Current year charge	11.644.893	8.835.547
Collections during year	(6.426.694)	-
Provision at the end of the year	89.848.198	67.681.847

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 nonderivative financial liabilities and are prepared based on the earliest date on which the Company can be required to pay. The interests that will be paid on the future liabilities are included in the related maturities

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.

32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS
(continued)

(b) Financial risk factors (continued)

Liquidity risk management (continued)

31 December 2015

Due date on contract	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	11.125.057	11.125.057	11.125.057	-	-	-
Trade payables	309.725.551	309.835.391	309.835.391	-	-	-
Other payables	234.973.626	234.973.626	234.973.626	-	-	-
Total	555.824.234	555.934.074	555.934.074	-	-	-

31 December 2014

Due date on contract	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	9.120.652	9.120.652	9.120.652	-	-	-
Trade payables	250.921.821	250.987.659	250.987.659	-	-	-
Other payables	149.908.432	149.908.432	149.908.432	-	-	-
Total	409.950.905	410.016.743	410.016.743	-	-	-

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:

32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (continued)

(b) Financial risk factors (continued)

Foreign currency risk management (continued)

As at 31 December 2015 and 2014 foreign currency positions of the company are as follows:

	Foreign Currency Position Table									
	31 December 2015				31 December 2014					
	TL Equivalent	TL	Euro	GBP	Others	TL Equivalent	TL	Euro	GBP	Others
1. Trade Receivables	20.063.040	3.382.295	16.240.198	440.547	-	12.811.691	2.353.388	10.208.515	207.162	42.626
2. Monetary Financial Assets	4.942.739	486.759	3.833.419	622.561	-	1.278.817	103.036	1.163.195	12.586	-
2b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
3. Other	7.882.718	3.277.924	4.567.262	37.532	-	13.814.284	10.545.767	3.251.449	17.068	-
4. Total Current Assets (1+2+3)	32.888.497	7.146.978	24.640.879	1.100.640	-	27.904.792	13.002.191	14.623.159	236.816	42.626
5. Trade Receivables	-	-	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
5. Other	24.785	-	24.785	-	-	37.786.527	-	37.786.527	-	-
6. Total Non-Current Assets (5)	24.785	-	24.785	-	-	37.786.527	-	37.786.527	-	-
7. Total Assets (4+6)	32.913.282	7.146.978	24.665.664	1.100.640	-	65.691.318	13.002.191	52.409.685	236.816	42.626
8. Trade Payables	68.667.589	35.953.467	28.638.944	2.392.628	1.682.550	65.810.712	34.130.093	29.797.523	1.611.848	271.248
9. Financial Borrowings	11.124.762	11.124.762	-	-	-	6.925.527	6.925.527	-	-	-
10. Other Monetary Liabilities	-	-	-	-	-	248.243	27.141	221.102	-	-
11. Other Non-Monetary Liabilities	187.798.786	185.662.304	2.015.880	2.150	118.452	78.207.344	73.622.195	4.436.552	18.935	129.662
12. Total Short-Term Liabilities (8+9+10+11)	267.591.137	232.740.533	30.654.824	2.394.778	1.801.002	151.191.826	114.704.956	34.455.177	1.630.783	400.910
14. Trade Payables	-	-	-	-	-	-	-	-	-	-
15. Financial Borrowings	-	-	-	-	-	-	-	-	-	-
16a. Other Monetary Liabilities	-	-	-	-	-	-	-	-	-	-
16b. Other Non-Monetary Liabilities	80.049.351	80.049.351	-	-	-	59.546.207	59.546.207	-	-	-
17. Total Long-Term Liabilities (14+15+16)	80.049.351	80.049.351	-	-	-	59.546.207	59,546,207	-	-	-
13. Total Liabilities (12+17)	347.640.488	312.789.884	30.654.824	2.394.778	1.801.002	210.738.033	174.251.163	34.455.177	1.630.783	400.910
14. Net Foreign Currency Asset/ (Liability) Position (7-13)	(314.727.206)	(305.642.906)	(5.989.160)	(1.294.138)	(1.801.002)	(145.046.715)	(161.248.972)	17.954.508	(1.393.967)	(358.284)
15. Net Foreign Currency Asset/ (Liability) Position of Monetary Items (1+2-8-9-10)	(54.786.572)	(43.209.175)	(8.565.327)	(1.329.520)	(1.682.550)	(58.893.974)	(38.626.337)	(18.646.915)	(1.392.100)	(228.622)

32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (continued)

(b) Financial risk factors (continued)

Foreign currency risk management (continued)

Foreign currency sensitivity

The Company is exposed to foreign currency risk due to TL, Euro and GBP (2014: TL, Euro and GBP) exchange rate fluctuations. The following table details the Company's sensitivity to a 10% increase and decrease in TL, Euro and GBP exchange rates. 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. The analysis includes foreign loans as well as loans that are denominated other than the creditors' functional currency and used for the Company's foreign operations. Positive value represents an increase in profit/loss and other equity items.

	31 December 2015	
	Profit (Loss) Before Tax	
	If foreign currency appreciated 10 %	If foreign currency depreciated 10 %
1-TL net asset / liability	(4.320.918)	4.320.918
2-Part of hedged from TL risk (-)	-	-
3-TL net effect (1+2)	(4.320.918)	4.320.918
4-Euro net asset / liability	(856.533)	856.533
5-Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	(856.533)	856.533
7-GBP net asset / liability	(132.952)	132.952
8-Part of hedged from GBPrisk (-)	-	-
9-GBP net effect (7+8)	(132.952)	132.952
10-Other net asset / liability	(168.255)	168.255
11-Part of hedged from Other risk (-)	-	-
12-Other net effect (10+11)	(168.255)	168.255
TOTAL (3+6+9+12)	(5.478.658)	5.478.658

32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS
(continued)

(b) Financial risk factors (continued)

Foreign currency risk management (continued)

Foreign currency sensitivity (continued)

	31 December 2014	
	Profit (Loss) Before Tax	
	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 GBPrisk (-)	-	-
9-GBP net effect (7+8)	(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

c) Interest rate risk management

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

33. FINANCIAL INSTRUMENTS

Fair values of financial instruments

31 December 2015	Loans and receivables	Financial liabilities at amortized costs	Book value	Note
<u>Financial assets</u>				
Cash and cash equivalents	5.883.476	-	5.883.476	5
Trade receivables	590.306.557	-	590.306.557	9
Other receivables	20.065.397	-	20.065.397	11
<u>Financial liabilities</u>				
Financial borrowings	-	11.125.057	11.125.057	7
Trade payables	-	338.586.357	338.586.357	9
Other payables to related parties	-	153.116.353	153.116.353	8
31 December 2014	Loans and receivables	Financial liabilities at amortized costs	Book value	Note
<u>Financial assets</u>				
Cash and cash equivalents	5.564.888	-	5.564.888	5
Trade receivables	406.170.538	-	406.170.538	9
Other receivables	25.211.266	-	25.211.266	11
<u>Financial liabilities</u>				
Financial borrowings	-	9.120.652	9.120.652	7
Trade payables	-	250.921.821	250.921.821	9
Other payables to related parties	-	82.755.440	82.755.440	8

34. EVENTS AFTER THE BALANCE SHEET DATE

None.