

**TÜRK HAVA YOLLARI TEKNİK
ANONİM ŞİRKETİ**

Convenience Translation to English of
Condensed Interim Financial Statements
for the Six-Month Period Ended 30 June 2015
with Independent Auditor's Review Report
(Originally Issued in Turkish)

**TÜRK HAVA YOLLARI TEKNİK
ANONİM ŞİRKETİ**

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(Convenience Translation to English of Review Report on Condensed Interim Financial Statements
Originally Issued in Turkish)

Independent Auditors' Report on Review of Interim Financial Information

To the Board of Directors of Türk Hava Yolları Teknik Anonim Şirketi

Introduction

We have reviewed the accompanying condensed consolidated balance sheet of Türk Hava Yolları Teknik Anonim Şirketi (the "Company"), as at 30 June 2015, the condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with Turkish Accounting Standard 34, 'Interim Financial Reporting' ("TAS 34") issued by Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Independent Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with TAS 34, 'Interim Financial Reporting'.

Emphasis of Matter

We draw attention to Note 19 to the condensed interim financial information which describes the large-scale operations with related parties of the Company. For the period 1 January – 30 June 2015, 87% of sales are realized with the related companies. Our conclusion is not qualified in respect of this matter.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

A member of KPMG International Cooperative

Hatice Nesrin Tuncer

Partner

14 August 2015

İstanbul, Türkiye

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Convenience Translation to English of Condensed Interim Financial Statements
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TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Condensed Balance Sheet as at 30 June 2015

(All amounts are expressed in Turkish Lira (TL))

ASSETS	Notes	Reviewed 30 June 2015	Restated (*) Audited 31 December 2014	Restated (*) Audited 1 January 2014
Current Assets				
Cash and Cash Equivalents	4	3.052.360	5.564.888	10.014.830
Trade Receivables		420.661.157	406.170.538	181.135.769
- Trade Receivables From Related Parties	19	339.160.037	316.995.058	110.836.297
- Trade Receivables From Non-Related Parties	5	81.501.120	89.175.480	70.299.472
Other Receivables		30.069.329	25.211.266	9.951.391
- Other Receivables From Related Parties	19	17.552.341	16.531.890	4.958.461
- Other Receivables From Non-Related Parties		12.516.988	8.679.376	4.992.930
Inventories	6	1.277.586.270	978.387.858	655.148.238
Prepaid Expenses	12	78.544.154	11.026.255	7.909.344
Current Income Tax Assets		494.876	-	1.716.795
Other Current Assets		383.245	2.483.181	87.863.813
TOTAL CURRENT ASSETS		1.810.791.391	1.428.843.986	953.740.180
Non-Current Assets				
Financial Investments		5.025	5.025	5.025
Equity Accounted Investees	7	79.116.263	64.796.684	56.306.699
Property and Equipment	8	1.077.074.796	942.958.187	795.533.451
Intangible Assets		37.546.968	34.250.014	7.367.864
- Other Intangible Assets	9	37.546.968	34.250.014	7.367.864
Prepaid Expenses	12	46.977.388	52.896.768	61.528.527
TOTAL NON-CURRENT ASSETS		1.240.720.440	1.094.906.678	920.741.566
TOTAL ASSETS		3.051.511.831	2.523.750.664	1.874.481.746

(*) See Note 3 for restatement.

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

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Condensed Balance Sheet as at 30 June 2015

(All amounts are expressed in Turkish Lira (TL))

	Notes	Reviewed 30 June 2015	Restated (*) Audited 31 December 2014	Restated (*) Audited 1 January 2014
Current Liabilities		921.785.110	671.787.191	389.805.003
Other Financial Liabilities		9.461.515	9.120.652	3.992.929
Trade Payables		367.960.769	250.921.821	130.360.512
- Trade Payables to Related Parties	19	37.038.222	50.520.437	22.609.638
- Trade Payables to Non-Related Parties	5	330.922.547	200.401.384	107.750.874
Payables Related to Employee Benefits		52.516.623	46.750.259	35.176.101
Other Payables		199.403.780	149.908.432	72.379.683
- Other Payables to Related Parties	19	136.938.293	82.755.440	49.552.430
- Other Payables to Non-Related Parties		62.465.487	67.152.992	22.827.253
Deferred Income	12	261.246.014	193.335.583	137.801.608
Current Tax Liability		-	1.860.232	-
Short-term Provisions		28.601.752	18.209.453	9.023.288
- Provisions for Employee Benefits	11	13.169.217	11.006.065	6.525.625
- Other Short-term Provisions	11	15.432.535	7.203.388	2.497.663
Other Current Liabilities		2.594.657	1.680.759	1.070.882
Non-Current Liabilities		607.784.378	550.485.707	320.852.263
Other Financial Liabilities		677.500	412	649
Other Payables		443.590.817	435.703.384	231.637.020
- Other Payables to Related Parties	19	443.590.817	432.230.870	228.440.942
- Other Payables to Non-Related Parties		-	3.472.514	3.196.078
Deferred Income	12	4.328.925	-	177.055
Long-term Provisions		70.941.705	62.679.098	45.672.863
- Provisions for Employee Benefits		63.267.148	59.141.771	45.672.863
- Other Long-term Provisions		7.674.557	3.537.327	-
Deferred Tax Liability	17	88.245.431	52.102.813	43.364.676
EQUITY				
Equity Attributable to Equity Holders of the Parent		1.521.942.343	1.301.477.766	1.163.824.480
Share Capital	13	960.850.000	693.000.000	693.000.000
Adjustment to Share Capital		84.081	84.081	84.081
Items That Will Never Be Reclassified to Profit or Loss		(984.570)	1.751.268	(3.171.741)
- Actuarial Losses from Defined Pension Plans		(984.570)	1.751.268	(3.171.741)
Items That Are or May Be Reclassified to Profit or Loss		592.310.753	377.800.605	276.614.702
- Foreign Currency Translation Differences		592.310.753	377.800.605	276.614.702
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)	82.990.676
Net Profit/ (Loss) for the period		8.690.267	(40.455.626)	(91.233.810)
TOTAL LIABILITIES AND EQUITY		3.051.511.831	2.523.750.664	1.874.481.746

(*) See Note 3 for restatement.

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

Convenience Translation to English of Condensed Interim Financial Statements
Originally Issued in Turkish

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ
Condensed Interim Statement of Profit or Loss and Other Comprehensive Income
For the Six-Month Period Ended 30 June 2015

(All amounts are expressed in Turkish Lira (TL))

	Notes	Reviewed 1 January - 30 June 2015	Restated (*) Reviewed 1 January - 30 June 2014
Revenue	14	1.043.849.794	737.161.268
Cost of Sales (-)	14	<u>(875.101.896)</u>	<u>(622.677.743)</u>
GROSS PROFIT		<u>168.747.898</u>	<u>114.483.525</u>
General Administrative Expenses (-)	15	(126.208.284)	(107.064.642)
Marketing and Sales Expenses (-)		(6.649.724)	(6.722.073)
Research and Development Expenses (-)		(5.277.465)	(6.112.042)
Other Operating Income	16	18.972.222	15.029.494
Other Operating Expenses (-)	16	<u>(20.084.654)</u>	<u>(7.326.090)</u>
OPERATING PROFIT		<u>29.499.993</u>	<u>2.288.172</u>
Loss from Investing Activities		(72.396)	(109.882)
Share of Investments' Profit Accounted by Using the Equity Method	7	<u>6.959.117</u>	<u>3.746.251</u>
OPERATING PROFIT BEFORE FINANCIAL EXPENSE		<u>36.386.714</u>	<u>5.924.541</u>
Financial Income		12.749.618	1.493.433
Financial Expenses (-)		<u>(14.931.606)</u>	<u>(10.946.631)</u>
PROFIT/ (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		<u>34.204.726</u>	<u>(3.528.657)</u>
Tax Expense of Continuing Operations		(25.514.459)	(605.335)
- Current Tax Expense	17	-	(8.624.453)
- Deferred Tax (Expense)/ Income	17	<u>(25.514.459)</u>	<u>8.019.118</u>
PROFIT/ (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		<u>8.690.267</u>	<u>(4.133.992)</u>
OTHER COMPEHENSIVE INCOME			
Not To Be Reclassified to Profit or Loss		(2.735.838)	-
Actuarial Losses From Defined Pension Plans		(3.419.798)	-
Tax Benefit of Actuarial Losses From Defined Pension Plans		683.960	-
To Be Reclassified to Profit or Loss		214.510.148	(5.610.243)
Currency Translation Differences		200.150.141	(4.941.315)
Currency Translation Differences of Equity Accounted Investees		<u>14.360.007</u>	<u>(668.928)</u>
OTHER COMPREHENSIVE INCOME		<u>211.774.310</u>	<u>(5.610.243)</u>
TOTAL COMPREHENSIVE INCOME		<u>220.464.577</u>	<u>(9.744.235)</u>

(*) See Note 3 for restatement.

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

Convenience Translation to English of Condensed Interim Financial Statements Originally Issued in Turkish

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Condensed Interim Statement of Changes in Equity

For the Six-Month Period Ended 30 June 2015

(All amounts are expressed in Turkish Lira (TL).)

			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			
	Paid Share Capital	Adjustment to Share Capital	Actuarial Losses From Defined Pension Plans	Currency Translation Differences	Restricted Profit Reserves	Retained Earnings	Net Profit/ (Loss) for the Period	Effect of Business Combination Under Common Control	Total Equity
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	-	-	-	(5.610.243)	-	-	(4.133.992)	-	(9.744.235)
Share Capital Increase	-	-	-	-	-	-	-	72.000.000	72.000.000
Balance as at 30 June 2014	693.000.000	84.081	(3.171.742)	271.004.460	9.917.309	(8.469.871)	(4.133.992)	267.850.000	1.226.080.245
Balances as at 1 January 2015	693.000.000	--	2.137.265	365.139.212	9.504.301	92.928.213	(40.455.626)	--	1.122.253.364
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	377.800.606	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	-	-	(2.735.838)	214.510.148	-	-	8.690.267	-	220.464.577
Effect of Business Combination Under Common Control (Note 3)	267.850.000	-	-	-	-	-	-	(267.850.000)	-
Balance as at 30 June 2015	960.850.000	84.081	(984.570)	592.310.754	10.925.693	(49.933.881)	8.690.267	-	1.521.942.344

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

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Condensed Interim Statement of Cash Flows

For the Six-Month Period Ended 30 June 2015

(All amounts are expressed in Turkish Lira (TL).)

	Notes	Reviewed 1 January - 30 June 2015	Restated (*) Reviewed 1 January - 30 June 2014
Profit /(Loss) for the period		8.690.267	(4.133.992)
Adjustments to reconcile cash flow generated from operating activities:			
Adjustments for depreciation and amortisation	6,8,9	130.371.880	72.557.027
Adjustments for provisions, net	11	13.415.706	9.018.409
Adjustments for provisions for employee benefits		4.335.269	13.075.051
Adjustments for provisions for doubtful receivables	5	114.806	3.062.841
Adjustments for interest income and expenses		14.350.293	9.870.905
Adjustments for discount for receivables and payables, net	16	2.426	(218.497)
Unrealized foreign exchange and translation differences		(4.862.106)	(2.080.061)
(Gain)/Loss on sale of property, plant and equipment		72.396	(109.882)
Share of Investment's profit accounted by using the equity method	7	(6.959.117)	(3.746.251)
Adjustments for deferred tax (benefit)/ expense	17	25.514.459	(8.019.118)
Adjustments for tax expense	17	-	8.624.453
Operating Profit Before Working Capital Changes		185.046.279	97.900.885
Adjustments for increase in inventories		(299.198.412)	(92.213.444)
Adjustments for increase in trade receivables		(14.607.851)	(87.781.985)
Adjustments for increase in other receivables		(4.858.063)	(3.717.455)
Adjustments for (increase)/ decrease in other current and non current assets		1.605.060	5.673.139
Adjustments for increase in trade payables and due to related parties		117.038.948	13.418.411
Adjustments for increase in other payables and due to related parties		49.495.348	111.682.970
Adjustments for increase in prepaid expense		(61.598.519)	(14.134.012)
Adjustments for increase in deferred income		72.239.356	17.029.044
Adjustments in payables related to employee benefits		5.766.364	10.025.337
Adjustments for increase in other current and non current liabilities		(842.281)	2.499.600
Cash Flows Generated From Operating Activities		50.086.229	60.382.490
Interest received		548.681	762.523
Taxes paid		(1.860.232)	-
Employee benefit indemnity paid		(878.643)	(5.675.309)
Net Cash Generated From Operating Activities		47.896.035	55.469.705
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property and equipment	8	548.077	105.431
Purchase of property and equipment	8	(36.444.419)	(95.004.358)
Purchase of intangible assets	9	(5.771.328)	(1.969.947)
Cash generated from sale of shares of investment		-	165.000
Cash outflow arising from capital increase in investments		-	(2.440.000)
Net cash used in investing activities		(41.667.670)	(99.143.874)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share capital increase		-	51.365.516
Increase in financial borrowings		4.741.322	12.756.197
Repayments of principal in financial borrowings		(13.482.215)	(40.122)
Net Cash (Used In)/ From Financing Activities		(8.740.893)	64.081.591
NET (INCREASE)/DECREASE IN CASH AND CASH EQUIVALENTS		(2.512.528)	20.407.422
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	5.564.888	10.014.830
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		3.052.360	30.422.252

(*) See Note 3 for restatement.

The accompanying notes are an integral part of these

condensed interim financial statements.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Condensed Interim Financial Statements

For the Six-Month Period Ended 30 June 2015

(All amounts are expressed in Turkish Lira (TL).)

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

Türk Hava Yolları Teknik Anonim Şirketi (“THY Teknik” or 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 Havaçılık 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 30 June 2015 is 4.882 (31 December 2014: 5.024). Total number of employees working for the company as at 30 June 2015 is 5.210 (31 December 2014:5.214).

	30 June 2015	31 December 2014
Administrative staff	1.467	1.237
Production staff	3.743	3.977
Total	5.210	5.214

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

Sanayi Mahallesi Havaalanı İçyolu Caddesi

Sabiha Gökçen Havaalanı Sitesi Giriş.Kapısı No:1/1 Pendik/İSTANBUL

Associates

As at 30 June 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
		30 June 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 Kabiniçi Sistemleri Sanayi ve Ticaret Anonim Şirketi (“TCI”)	Cabin Interior	20%	20%	Turkey

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Preparation of Financial Statements

The financial statements have been prepared in accordance with the communiqué numbered II-14.1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the Capital Markets Board (“CMB”) on 13 June 2013 which is published on Official Gazette numbered 28676.

The condensed interim financial statements for the six-month period ended 30 June 2015 have been prepared in accordance with TAS 34 “Interim Financial Reporting”. They do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company as at and for the year ended 31 December 2014.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Condensed Interim Financial Statements

For the Six-Month Period Ended 30 June 2015

(All amounts are expressed in Turkish Lira (TL).)

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

2.1 Basis of Presentation *(continued)*

Adjustment of Financial Statements in Hyperinflationary Periods

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

Basis of Measurements

All financial statements have been prepared on cost basis principal.

Functional and Reporting Currency

Functional Currency

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

Translation to the presentation currency

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

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

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Condensed Interim Financial Statements

For the Six-Month Period Ended 30 June 2015

(All amounts are expressed in Turkish Lira (TL).)

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

2.2 Statement of Compliance with TAS

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

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

2.3 Changes and Errors in Accounting Estimates

The significant estimates and assumptions used in preparation of these condensed interim financial statements as at 30 June 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.

2.4 Summary of Significant Accounting Policies

The accounting policies used in preparation of condensed interim financial statements as at 30 June 2015 are consistent with those used in the preparation of statements for the year ended 31 December 2014.

2.5 New and Revised Standards and Interpretations

In accounting policies considered in preparation of condensed interim financial statements as at and for the six-month period ended 30 June 2015, the Company applied all Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations that are effective as of 1 January 2014.

Accounting policies considered in preparation of condensed interim financial statements as of and for the six-month period ended 30 June 2015 have been applied consistently with those used in the previous year apart from TFRS standards that are effective as of 1 January 2014 and all interpretations published by Turkey Financial Reporting Interpretations Committee (“TFRYK”). Impacts of these standards and interpretations on the financial position or performance of the Company are explained in related paragraphs. The new standards, amendments and interpretations which are effective as at 1 January 2014 are as follows:

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.

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Notes to the Condensed Interim Financial Statements

For the Six-Month Period Ended 30 June 2015

(All amounts are expressed in Turkish Lira (TL).)

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

2.5 New and Revised Standards and Interpretations *(continued)*

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.

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.

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

2.5 New and Revised Standards and Interpretations *(continued)*

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.

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).

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(All amounts are expressed in Turkish Lira (TL).)

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

2.5 New and Revised Standards and Interpretations *(continued)*

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.

IFRS 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.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.5 New and Revised Standards and Interpretations (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 2017, 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.

2.6 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 Standarts (“TAS”) by Public Oversight Authority (“POA”). The merger is assumed to be realized at 1 January 2014, 30 June 2014 and 31 December 2014 are restated.

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(All amounts are expressed in Turkish Lira (TL).)

4. CASH AND CASH EQUIVALENTS

As at 30 June 2015 and 31 December 2014, cash and cash equivalents comprised the following :

	<u>30 June 2015</u>	<u>31 December 2014</u>
Cash	36.427	14.973
Banks- demand deposits	389.537	955.965
Banks- time deposits	2.626.396	4.593.950
	<u>3.052.360</u>	<u>5.564.888</u>

As at 30 June 2015 and 31 December 2014, the details of time deposits comprised the following::

<u>Capital</u>	<u>Currency</u>	<u>Opening date</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>30 June 2015</u>
245.000	USD	30 June 2015	% 0,50	1 July 2015	658.144
660.000	EUR	30 June 2015	% 1,56	1 July 2015	1.968.252
					<u>2.626.396</u>

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

5. TRADE RECEIVABLES AND PAYABLES

As at 30 June 2015 and 31 December 2014, trade receivables from non-related comprised the following:

	<u>30 June 2015</u>	<u>31 December 2014</u>
Trade receivables	148.566.956	143.831.884
Notes receivables	11.324.157	4.099.472
Discount on receivables (-)	(7.125)	(4.474)
Cheques received	-	567.958
Income accrual (*)	-	8.362.487
Provision for doubtful receivables	(78.382.868)	(67.681.847)
	<u>81.501.120</u>	<u>89.175.480</u>

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

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Condensed Interim Financial Statements

For the Six-Month Period Ended 30 June 2015

(All amounts are expressed in Turkish Lira (TL).)

5. TRADE RECEIVABLES AND PAYABLES (continued)

For the periods ended 30 June 2015 and 2014, the movements of provision for doubtful receivables comprised the following:

	1 January - 30 June 2015	1 January - 30 June 2014
Provision at the beginning of the period	67.681.847	53.964.070
Foreign currency translation	10.586.215	(1.191.881)
Current period charge	6.412.427	3.062.481
Collections during period	(6.297.621)	-
Provision at the end of the period	78.382.868	55.834.670

As at 30 June 2015 ve 31 December 2014, trade payables to non-related parties comprised the following:

	30 June 2015	31 December 2014
Trade payables	295.520.268	173.695.062
Expense accruals	35.474.808	26.772.160
Discount on payables	(72.529)	(65.838)
	330.922.547	200.401.384

6. INVENTORIES

As at 30 June 2015 ve 31 December 2014, inventories comprised the following:

	30 June 2015	31 December 2014
Components and repairable spare parts	1.044.479.144	800.829.359
Technical equipment inventories	503.179.004	372.469.023
Scrap equipment inventories	117.633.790	27.110.088
Technical equipment inventories in transit	87.723.461	112.960.935
Accumulated depreciation of components and repairable spare parts (-)	(430.965.120)	(307.874.719)
Provision for impairment of inventories (-)	(44.464.009)	(27.106.828)
	1.277.586.270	978.387.858

For the periods ended 30 June 2015 and 2014, the movements of provision for impairment of inventories are as follows:

	1 January - 30 June 2015	1 January - 30 June 2014
Provision at the beginning of the period	27.106.828	14.330.391
Foreign currency translation	4.458.825	(84.558)
Current period charge	12.898.356	4.317.493
Provision at the beginning of the period	44.464.009	18.563.326

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Notes to the Condensed Interim Financial Statements

For the Six-Month Period Ended 30 June 2015

(All amounts are expressed in Turkish Lira (TL).)

6. INVENTORIES (continued)

For the period ended 30 June 2015, the movement of components and repairable spare parts comprised the following:

<u>Cost</u>	<u>Components and repairable spare parts</u>
Opening balance 1 January 2015	800.829.359
Foreign currency translation	126.881.151
Additions	192.907.300
Disposals	(76.138.666)
Closing balance 30 June 2015	1.044.479.144
<u>Accumulated depreciation</u>	
Opening balance 1 January 2015	307.874.719
Foreign currency translation	52.256.082
Current charge for the period	73.604.510
Disposals	(2.770.191)
Closing balance 30 June 2015	430.965.120
Net book value 30 June 2015	613.514.024

For the period ended 30 June 2014, the movement of components and repairable spare parts comprised the following:

<u>Cost</u>	<u>Components and repairable spare parts</u>
Opening balance 1 January 2014	560.821.195
Foreign currency translation	(2.864.149)
Additions	64.137.688
Disposals	(19.821.392)
Closing balance 30 June 2014	602.273.342
<u>Accumulated depreciation</u>	
Opening balance 1 January 2014	220.355.668
Foreign currency translation	(1.915.601)
Current charge for the period	43.324.506
Disposals	(17.140.459)
Closing balance 30 June 2014	244.624.114
Net book value 30 June 2014	357.649.228

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Notes to the Condensed Interim Financial Statements

For the Six-Month Period Ended 30 June 2015

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7. SHARES IN OTHER SUBSIDIARIES

As at 30 June 2015 and 31 December 2014, shares in other subsidiaries comprised the following:

	<u>30 June 2015</u>	<u>31 December 2014</u>
TEC	66.119.209	51.646.819
Turkbine Teknik	6.817.139	8.283.911
TCI	5.156.086	3.897.723
Goodrich	1.023.829	968.231
	<u>79.116.263</u>	<u>64.796.684</u>

For the periods ended 30 June 2015 and 2014, the shares of investment profit/(losses) accounted for using the equity method comprised the following:

	<u>1 January – 30 June 2015</u>	<u>1 January – 30 June 2014</u>
TEC	7.724.149	4.407.480
TCI	(1.010.558)	(1.443.114)
Goodrich	(179.590)	645.394
Turkbine Teknik	425.116	136.491
	<u>6.959.117</u>	<u>3.746.251</u>

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Notes to the Condensed Interim Financial Statements

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8 PROPERTY AND EQUIPMENT

For the period ended 30 June 2015, the movement of property and equipment comprised the following:

	Machinery and Equipment	Vehicles	Furniture and Fixtures	Other Tangible Assets	Construction in Progress	Leasehold Improvements	Total
<u>Cost</u>							
Opening balance 1 January 2015	206.236.824	13.517.293	57.721.136	4.272.293	2.917.193	911.074.135	1.195.738.874
Foreign currency translation	32.675.583	2.141.642	9.145.174	676.889	462.192	144.348.027	189.449.507
Additions	16.403.402	4.535	5.178.457	124.441	3.286.919	11.446.665	36.444.419
Disposals	(360.401)	(79.850)	(101.035)	(6.791)	-	-	(548.077)
Transfers (*)	78.228	-	1.584.007	16.206	(1.783.826)	-	(105.385)
Closing balance 30 June 2015	255.033.636	15.583.620	73.527.739	5.083.038	4.882.478	1.066.868.827	1.420.979.338
<u>Accumulated depreciation</u>							
Opening balance 1 January 2015	120.289.900	8.999.034	29.629.780	2.205.673	-	91.656.301	252.780.688
Foreign currency translation	19.602.692	1.464.965	4.907.876	364.426	-	16.101.560	42.441.519
Current charge for the period	11.381.204	861.455	4.443.591	305.404	-	32.144.121	49.135.775
Disposals	(293.505)	(63.261)	(96.135)	(539)	-	-	(453.440)
Closing balance 30 June 2015	150.980.291	11.262.193	38.885.112	2.874.964	-	139.901.982	343.904.542
Net book value 30 June 2015	104.053.345	4.321.427	34.642.627	2.208.074	4.882.478	926.966.845	1.077.074.796

(*) As at 30 June 2015, construction in progress amounting to TL 105.385 is transferred to intangible assets.

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Notes to the Condensed Interim Financial Statements

For the Six-Month Period Ended 30 June 2015

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8. PROPERTY AND EQUIPMENT (continued)

For the period ended at 30 June 2014, the movement of property and equipment comprised the following :

	Machinery and Equipment	Vehicles	Furniture and Fixtures	Other Tangible Assets	Construction in Progress	Leasehold Improvements	Total
<u>Cost</u>							
Opening balance 1 January 2014	163.411.704	10.784.256	31.652.442	2.806.321	635.166.152	119.117.631	962.938.506
Foreign currency translation	(834.554)	(55.077)	(161.652)	(14.332)	(3.243.833)	(608.340)	(4.917.788)
Additions	21.876.603	1.917.082	3.107.482	510.776	6.724.834	60.867.581	95.004.358
Disposals	(239.263)	(405.160)	(9.460)	(333)	-	(56.313)	(710.529)
Transfers	(9.887.830)	-	9.888.146	-	(622.426.070)	622.425.754	-
Closing balance 30 June 2014	174.326.660	12.241.101	44.476.958	3.302.432	16.221.083	801.746.312	1.052.314.547
<u>Accumulated depreciation</u>							
Opening balance 1 January 2014	97.045.093	7.314.863	19.376.059	1.622.649	-	42.046.387	167.405.051
Foreign currency translation	(598.802)	(48.948)	(188.075)	(11.811)	-	(510.728)	(1.358.364)
Current charge for the year	7.877.443	635.480	2.665.797	193.187	-	16.228.083	27.599.990
Disposals	(134.468)	(405.160)	(8.822)	(333)	-	(56.315)	(605.098)
Closing balance 30 June 2014	104.189.267	7.496.235	21.844.959	1.803.692	-	57.707.427	193.041.579
Net book value 30 June 2014	70.137.394	4.744.866	22.632.000	1.498.740	16.221.082	744.038.885	859.272.967

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Notes to the Condensed Interim Financial Statements

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9. INTANGIBLE ASSETS

For the period ended 30 June 2015, the movement of intangible assets comprised the following:

<u>Cost</u>	<u>Rights</u>
Opening balance 1 January 2015	43.820.857
Foreign currency translation	6.942.856
Additions	5.771.328
Transfer	105.385
Closing balance 30 June 2015	56.640.426
<u>Accumulated depreciation</u>	
Opening balance 1 January 2015	9.570.843
Foreign currency translation	1.891.020
Current charge for the period	7.631.595
Closing balance 30 June 2015	19.093.458
Net book value 30 June 2015	37.546.968

For the period ended 30 June 2014, the movement of intangible assets comprised the following:

<u>Cost</u>	<u>Rights</u>
Opening balance 1 January 2014	11.587.326
Foreign currency translation	(59.178)
Additions	1.969.947
Closing balance 30 June 2014	13.498.095
<u>Accumulated depreciation</u>	
Opening balance 1 January 2014	4.219.460
Foreign currency translation	(51.326)
Current charge for the period	1.632.531
Closing balance 30 June 2014	5.800.665
Net book value 30 June 2014	7.697.430

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10. COMMITMENTS AND CONTINGENTIES

Leasing Agreements :

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

For the period ended 30 June 2015 leasing payment amounting to TL 2.321.769 (30 June 2014: TL 5.174.989) is accounted as rent expense in income statement.

*Commitments related to operating leasing that
can not be cancelled*

	<u>30 June 2015</u>	<u>31 December 2014</u>
Within one year	5.501.542	11.877.722
One- five years	22.006.170	55.682.839
After five years	60.557.406	109.844.945
	<u>88.065.118</u>	<u>177.405.506</u>

11. PROVISIONS, CONTINGENTS ASSETS AND LIABILITIES

As at 30 June 2015 and 31 December 2014 short-term provisions are as follows:

(a) Short-term provisions for employee benefits

	<u>30 June 2015</u>	<u>31 December 2014</u>
Provisions for unused vacation	13.169.217	11.006.065
	<u>13.169.217</u>	<u>11.006.065</u>

For the periods ended 30 June 2015 and 2014 the movements of provision for unused vacation are as follows:

	<u>1 January – 30 June 2015</u>	<u>1 January – 30 June 2014</u>
Provision at the beginning of the period	11.006.065	6.525.625
Foreign currency translation	48.365	5.501
Current period provision	3.953.676	7.154.521
Payments during the period	(1.838.889)	-
Provision at the end of the period	<u>13.169.217</u>	<u>13.685.647</u>

(b) Other short-term provisions

	<u>30 June 2015</u>	<u>31 December 2014</u>
Provisions for legal claims	15.432.535	7.203.388
	<u>15.432.535</u>	<u>7.203.388</u>

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11. PROVISIONS, CONTINGENTS ASSETS AND LIABILITIES (continued)

(b) Other short-term provision (continued)

For the periods ended 30 June 2015 and 2014 the movements of provision for legal claims are as follows:

	1 January – 30 June 2015	1 January – 30 June 2014
Provision at the beginning of the period	7.203.388	2.497.663
Foreign currency translation	1.034.508	(53.914)
Charge for the period	10.211.492	2.708.362
Reversal of provision for the legal claims	(3.016.853)	-
Provision at the end of the period (*)	15.432.535	5.152.111

(*)As at 30 June 2015, provision for legal claims amounting to TL 13.428.079 is related with reinstatement cases (30 June 2014: TL 2.625.060).

12. PREPAID EXPENSES AND DEFERRED INCOME

As at 30 June 2015 and 31 December 2014, short term prepaid expenses comprised the following:

	30 June 2015	31 December 2014
Advances given for orders (*)	72.101.146	7.089.002
Short-term prepaid expenses (**)	6.443.008	3.937.253
	78.544.154	11.026.255

As at 30 June 2015 and 31 December 2014, long term prepaid expenses comprised the following:

	30 June 2015	31 December 2014
Advances given for fixed asset purchases	33.640.722	40.702.281
Long-term prepaid expenses (**)	13.336.666	12.194.487
	46.977.388	52.896.768

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

(**) As at 30 June 2015, TL 14.791.547 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).

As at 30 June 2015 and 31 December 2014, short term deferred income comprised the following:

	30 June 2015	31 December 2014
Advances received	258.469.008	192.934.913
Deferred income	2.777.006	400.670
	261.246.014	193.335.583

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13. SHAREHOLDERS' EQUITY

As at 30 June 2015 and 31 December 2014, the ownership structure of the Company's share capital is as follows:

	<u>%</u>	<u>30 June 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 30 June 2015, the Company's share capital is comprised of 960.850.000 shares issued with par value of TL 1 each (31 December 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.

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14. REVENUE AND COST OF SALES

For the periods ended 30 June 2015 and 2014 revenue is as follows:

	1 January - 30 June 2015	1 January - 30 June 2014
Aircraft maintenance income	362.279.326	304.532.711
Line maintenance income	218.719.928	83.464.216
Pool income	215.124.358	150.076.715
Component maintenance income	116.334.902	136.766.661
Engine maintenance income	63.535.380	14.362.412
Equipment sales income	45.112.461	46.556.874
Others	22.743.439	1.401.679
Revenue	1.043.849.794	737.161.268
Cost of sales (-)	(875.101.896)	(622.677.743)
Gross profit	168.747.898	114.483.525

For the periods ended 30 June 2015 and 2014 cost of sales is as follows:

	1 January - 30 June 2015	1 January - 30 June 2014
Personnel expenses	273.849.979	176.850.514
Equipment expenses	261.840.982	159.605.774
Maintenance expenses	95.124.774	102.978.476
Depreciation and amortisation expenses	92.287.335	56.974.620
Service expenses	87.578.042	92.546.328
Transportation expenses	28.857.756	6.057.487
Rent expenses	6.813.528	11.368.729
Lighting, heating and water expenses	5.227.458	3.595.156
Others	23.522.042	12.700.659
	875.101.896	622.677.743

15. GENERAL ADMINISTRATIVE EXPENSES

For the periods ended 30 June 2015 and 2014 general administrative expenses is as follows:

	1 January - 30 June 2015	1 January - 30 June 2014
Personnel expenses	48.246.933	50.111.622
Depreciation and amortisation expenses	38.084.545	15.483.938
Service expenses	15.601.967	16.518.484
Equipment expenses	4.347.819	3.506.538
Lighting, heating and water expenses	4.948.061	1.862.234
Rent expenses	3.429.265	2.801.670
Others	11.549.694	16.780.156
	126.208.284	107.064.642

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16. OTHER OPERATING INCOME AND EXPENSES

For the periods ended 30 June 2015 and 2014 other operating income is as follows:

	1 January - 30 June 2015	1 January - 30 June 2014
Provisions no longer required for doubtful trade and other receivables	6.297.621	6.707.303
Provisions no longer required	3.016.853	-
Insurance, indemnities and penalties income	3.013.519	146.595
Late payment interest income of trade receivables	2.251.983	224.236
Plant maintenance income	1.096.263	1.014.443
Foreign exchange gain from trade operations	446.099	508.241
Other equipment income	251.630	-
Income from discount of payables	-	223.024
Others	2.598.254	6.205.652
	18.972.222	15.029.494

For the periods ended 30 June 2015 ve 2014 other operating expense is as follows:

	1 January - 30 June 2015	1 January - 30 June 2014
Provision for the legal claims	10.211.492	2.708.362
Provision for doubtful receivables	6.412.427	3.062.481
Expense of discount of receivables, net	2.426	-
Others	3.458.309	1.555.247
	20.084.654	7.326.090

17. TAX ASSET AND LIABILITIES

The Company's current tax expense comprises current tax expense and deferred tax expense.

	1 January – 30 June 2015	1 January – 30 June 2014
Current period tax expense	-	(8.624.453)
Deferred tax (expense)/ income	(25.514.459)	8.019.118
	(25.514.459)	(605.335)

Corporate Taxes

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% (2014: 20%).

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17. TAX ASSET AND LIABILITIES (continued)

Corporate Taxes (continued)

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% upon the Council of Ministers' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

Deferred Tax

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes and they are given below.

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

As at 30 June 2015 and 31 December 2014, the deferred tax assets and liabilities comprised the following:

	<u>30 June 2015</u>	<u>31 December 2014</u>
Provisions for retirement pay liability	14.188.341	11.909.242
Advances received	12.012.800	10.369.834
Tax losses carried forward	9.591.579	-
Provision for impairment of inventories	8.892.802	5.421.366
Provision for doubtful receivables	7.126.404	6.104.776
Provision for legal claims	3.086.507	1.356.822
Provisions for vacation pay liability	2.633.843	1.833.435
Fixed assets	(66.358.796)	(35.855.674)
Inventories	(78.803.161)	(55.045.900)
Others	(615.751)	1.803.286
	<u>(88.245.430)</u>	<u>(52.102.813)</u>

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17. TAX ASSET AND LIABILITIES (continued)

Deferred Tax (continued)

For the periods ended 30 June 2015 and 2014, the movements of deferred tax liability comprised the following:

	1 January – 30 June 2015	1 January – 30 June 2014
Deferred tax liability at the beginning of the period	52.102.813	43.364.676
Foreign currency translation	11.312.119	(743.978)
Deferred tax expense/ (benefit)	25.514.459	(8.019.118)
Actuarial gain	(683.960)	-
Deferred tax liability at the end of the period	88.245.431	34.601.580

As at 30 June 2015 and 31 December 2014, the breakdown of tax losses carried forward in terms of their final years of utilization is as follows:

Expiry years of the tax losses carried forward	30 June 2015	31 December 2014
2015	-	2.302.043
2016	-	8.231.126
2017	-	24.947.046
2018	699.737	72.602.780
2019	35.905.002	35.905.002
2020	11.353.157	-
Total	47.957.896	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. After the merger the management has assumed that it is appropriate to forecast future taxable profits taking into account all factors concerning the entity's expected future profitability and than the Company recognized TL 9.591.579 deferred tax asset from TL 47.957.896 accumulated loss.

18. EARNINGS/ (LOSS) 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– 30 June 2015	1 January– 30 June 2014
Number of total outstanding shares as of 1 January (in full)	960.850.000	960.850.000
Number of outstanding shares as of 30 June (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 profit/ (loss) for the period	8.690.267	(4.133.992)
Earnings/(loss) per share (Kr)	0,90	(0,43)

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19. RELATED PARTY TRANSACTIONS

As at 30 June 2015 and 31 December 2014 trade receivables from related parties are as follows:

	30 June 2015	31 December 2014
THY A.O.	309.474.802	300.877.911
Güneş Express Havacılık Anonim Şirketi ("Sun Ekspres")	14.402.970	11.496.850
TEC	13.051.222	3.435.956
TCI	1.249.746	590.560
TGS Yer Hizmetleri Anonim Şirketi ("TGS")	331.805	232.649
Goodrich	649.492	296.885
Turkbine Teknik.	-	64.247
	339.160.037	316.995.058

As at 30 June 2015 and 31 December 2014 other receivables from related parties are as follows:

	30 June 2015	31 December 2014
THY A.O.	17.552.341	16.526.153
Others	-	5.737
	17.552.341	16.531.890

As at 30 June 2015 and 31 December 2014 trade payables to related parties are as follows:

	30 June 2015	31 December 2014
THY A.O.	34.923.212	47.131.163
Goodrich	1.049.226	665.888
TGS	872.615	2.268.653
THY Opet	132.118	223.588
Others	61.051	231.145
	37.038.222	50.520.437

As at 30 June 2015 and 31 December 2014 short term other payables to related parties are as follows:

	30 June 2015	31 December 2014
THY A.O.	136.938.293	82.755.440
	136.938.293	82.755.440

As at 30 June 2015 and 31 December 2014 long term other payables to related parties are as follows:

	30 June 2015	31 December 2014
THY A.O.	443.590.817	432.230.870
	443.590.817	432.230.870

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Notes to the Condensed Interim Financial Statements

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19. RELATED PARTY TRANSACTIONS (continued)

For the periods ended 30 June 2015 and 2014, transactions with related parties are as follows:

	1 January- 30 June 2015	1 January- 30 June 2014
Sales		
THY A.O.	847.314.055	514.976.542
Sun Express	39.745.286	53.715.082
TEC	17.779.770	8.958.677
TGS	378.244	12.082
Goodrich	367.589	57.116
TCI	272.561	257.094
Turkbine Teknik	195.837	14.716
THY Opet	44.137	-
	906.097.479	577.991.309
Purchases		
THY A.O.	57.054.710	28.376.167
Goodrich	5.807.768	-
TGS	5.076.237	2.428.212
THY Opet	456.478	729.773
Others	375.086	50.695
	68.770.229	31.584.847

For the periods ended 30 June 2015, total amount of salaries and other benefits provided to key management personnel is TL 1.394.636 (30 June 2014: TL 1.998.631).

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20. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS

Foreign Currency Risk Management

As at 30 June 2015 and 31 December 2014, the Company's foreign currency position table comprised the following:

	Foreign Currency Position Table									
	30 June 2015					31 December 2014				
	TL Equivalent	TL	EUR	GBP	Other	TL Equivalent	TL	EUR	GBP	Other
1. Trade Receivables	16.789.700	4.135.878	12.390.653	170.404	92.765	12.811.691	2.353.388	10.208.515	207.162	42.626
2. Monetary Financial Assets	2.340.250	330.679	2.001.021	8.551	-	1.278.817	103.036	1.163.195	12.586	-
2b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
3. Other	26.301.715	12.703.324	10.871.996	2.694.832	31.562	13.814.283	10.545.767	3.251.449	17.068	-
4. Total Current Assets (1+2+3)	45.431.665	17.169.881	25.263.670	2.873.786	124.328	27.904.791	13.002.191	14.623.159	236.816	42.626
5. Other	30.080.313	-	30.080.313	-	-	37.786.527	-	37.786.527	-	-
6. Total Non- Current Assets (5)	30.080.313	-	30.080.313	-	-	37.786.527	-	37.786.527	-	-
7. Total Assets (4+6)	75.511.978	17.169.881	55.343.983	2.873.786	124.328	65.691.318	13.002.191	52.409.685	236.816	42.626
8. Trade Payables	88.474.441	33.771.723	49.428.593	4.949.128	324.997	65.810.712	34.130.093	29.797.523	1.611.848	271.248
9. Financial Borrowings	9.461.242	9.461.242	-	-	-	6.925.527	6.925.527	-	-	-
10. Other Monetary Liabilities	-	-	-	-	-	248.243	27.141	221.102	-	-
11. Other Non- Monetary Liabilities	124.592.434	123.835.884	540.175	7.179	209.196	78.207.344	73.622.195	4.436.552	18.935	129.662
12. Total Current Liabilities (8+9+10+11)	222.528.117	167.068.849	49.968.768	4.956.307	534.193	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	70.941.705	70.941.705	-	-	-	62.679.099	62.679.099	-	-	-
17. Non Current Liabilities (14+15+16)	70.941.705	70.941.705	-	-	-	62.679.099	62.679.099	-	-	-
13. Total Liabilities (12)	293.469.821	238.010.553	49.968.768	4.956.307	534.193	210.738.033	174.251.163	34.455.177	1.630.783	400.910
14. Net Foreign Currency Asset/ (Liability) Position (7-13)	(217.957.844)	(220.840.672)	5.375.215	(2.082.521)	(409.865)	(85.500.508)	(101.702.765)	17.954.509	(1.393.967)	(358.284)
15. Net Foreign Currency Asset/ (Liability) Position of Monetary Items (1+2-8-9-10)	(78.805.733)	(38.766.408)	(35.036.919)	(4.770.173)	(232.232)	(58.893.974)	(38.626.338)	(18.646.915)	(1.392.100)	(228.622)

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

Foreign Currency Risk Management (continued)

Foreign currency sensitivity

The Company is exposed to foreign currency risk due to TL, EUR and GBP (2015: TL, EUR and GBP) exchange rate fluctuations. The following table details the Company's sensitivity to a 10% increase and decrease in TL, EUR 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.

	30 June 2015	
	Profit/ (Loss) Before Tax	
	<u>If foreign currency appreciated 10 %</u>	<u>If foreign currency depreciated 10 %</u>
1-TL net asset / liability	(3.876.641)	3.876.641
2-Part of hedged from TL risk (-)	-	-
3-TL net effect (1+2)	<u>(3.876.641)</u>	<u>3.876.641</u>
4-EUR net asset / liability	(3.503.692)	3.503.692
5-Part of hedged from EUR risk (-)	-	-
6- EUR net effect (4+5)	<u>(3.503.692)</u>	<u>3.503.692</u>
7-GBP net asset / liability	(477.017)	477.017
8-Part of hedged from GBPrisk (-)	-	-
9-GBP net effect (7+8)	<u>(477.017)</u>	<u>477.017</u>
10-Other net asset / liability	(23.223)	23.223
11-Part of hedged from Other risk (-)	-	-
12-Other net effect (10+11)	<u>(23.223)</u>	<u>23.223</u>
TOTAL (3+6+9+12)	<u><u>(7.880.573)</u></u>	<u><u>7.880.573</u></u>

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20. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS
(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	(3.955.647)	3.955.647
2-Part of hedged from TL risk (-)	-	-
3-TL net effect (1+2)	<u>(3.955.647)</u>	<u>3.955.647</u>
4-EUR net asset / liability	(2.130.129)	2.130.129
5-Part of hedged from EUR risk (-)	-	-
6- EUR net effect (4+5)	<u>(2.130.129)</u>	<u>2.130.129</u>
7-GBP net asset / liability	(139.732)	139.732
8-Part of hedged from GBP risk (-)	-	-
9-GBP net effect (7+8)	<u>(139.732)</u>	<u>139.732</u>
10-Other net asset / liability	(22.862)	22.862
11-Part of hedged from Other risk (-)	-	-
12-Other net effect (10+11)	<u>(22.862)</u>	<u>22.862</u>
TOTAL (3+6+9+12)	<u><u>(6.248.370)</u></u>	<u><u>6.248.370</u></u>

21. EVENTS AFTER THE BALANCE SHEET DATE

None.