TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Convenience Translation to English of
Consolidated Financial Statements
for the Year Ended 31 December 2014 with
Independent Auditor's Report
(Originally Issued in Turkish)

KPMG

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Convenience Translation of the Independent Auditors' Report
Originally Prepared and Issued in Turkish to English

To the Board of Directors of
Türk Hava Yolları Anonim Ortaklığı,

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Türk Hava Yolları Anonim Ortaklığı ("the Company") and its subsidiaries (collectively referred to as "the Group") which comprise the consolidated balance sheet as at 31 December 2014, the consolidated statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued by the Capital Markets Board of Turkey ("CMB") and Standards on Auditing which is a component of the Turkish Auditing Standards published by the 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

Opinion

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

Report on Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 24 February 2015.

2) 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 for the period 1 January - 31 December 2014, the Company's bookkeeping activities and financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

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

Hatice Nesrin Tuncer, SMMM
Partner
24 February 2015
İstanbul, Turkey

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

		Audited	Audited
ASSETS	**Notes**	**31 December 2014**	**31 December 2013**
Current Assets			
Cash and Cash Equivalents	6	1.473.508.453	1.338.983.835
Financial Investments	7	200.932.718	42.774.034
Trade Receivables			
-Trade Receivables From Related Parties	10	628.622	382.750
-Trade Receivables From Non-Related Parties	11	1.056.706.451	1.147.707.413
Other Receivables			
-Other Receivables from Related Parties	10	7.505.738	4.087.847
-Other Receivables from Non-Related Parties	13	2.772.633.154	1.376.697.906
Derivative Financial Instruments	44	353.543.745	64.279.662
Inventories	14	452.228.491	342.324.371
Prepaid Expenses	16	138.866.880	89.366.115
Current Income Tax Assets	41	18.570.204	16.507.184
Other Current Assets	31	89.723.728	112.423.952
TOTAL CURRENT ASSETS		**6.564.848.184**	**4.535.535.069**
Non-Current Assets			
Financial Investments	7	2.664.861	2.452.721
Other Receivables			
-Other Receivables from Non-Related Parties	13	2.454.780.090	2.680.608.826
Equity Accounted Investees	4	525.582.579	389.674.199
Investment Property	17	82.560.000	76.320.000
Property and Equipment	18	21.335.501.851	17.165.656.116
Intangible Assets			
- Other Intangible Assets	19	165.458.929	113.081.412
- Goodwill	20	28.799.966	26.507.294
Prepaid Expenses	16	715.410.602	412.242.181
TOTAL NON-CURRENT ASSETS		**25.310.758.878**	**20.866.542.749**
TOTAL ASSETS		**31.875.607.062**	**25.402.077.818**

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

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

		Audited	Audited
LIABILITIES	**Notes**	**31 December 2014**	**31 December 2013**
Current Liabilities			
Short-Term Portion of Long-Term Borrowings	8-21	1.421.172.095	1.188.220.823
Other Financial Liabilities	9	44.261.101	33.808.413
Trade Payables			
-Trade Payables to Related Parties	10	343.039.672	374.606.410
-Trade Payables to Non-Related Parties	11	1.195.561.375	1.076.575.170
Payables Related to Employee Benefits	12	296.516.690	307.983.476
Other Payables			
-Other Payables to Non-Related Parties	13	165.560.060	114.181.687
Derivative Financial Instruments	44	990.806.416	233.949.090
Deferred Income	16	22.095.569	46.629.988
Passenger Flight Liabilites	30	3.242.625.728	2.562.506.267
Current Tax Provision	41	1.860.231	-
Short-term Provisions			
-Provisions for Employee Benefits	26	133.462.891	64.731.115
-Other Provisions	26	36.593.232	29.819.212
Other Current Liabilities	31	611.789.688	619.744.180
TOTAL CURRENT LIABILITIES		**8.505.344.748**	**6.652.755.831**
Non- Current Liabilities			
Long-Term Borrowings	8-21	12.333.917.978	10.364.269.509
Trade Payables			
- Trade Payables to Non- Related Parties		3.472.514	3.549.001
Other Payables			
-Other Payables to Non-Related Parties	13	33.177.620	30.917.704
Deferred Income	16	32.930.871	31.157.986
Long-term Provisions			
-Provisions for Employee Benefits	28	294.422.303	249.604.088
Deferred Tax Liability	41	1.517.937.898	1.107.333.343
TOTAL NON- CURRENT LIABILITIES		**14.215.859.184**	**11.786.831.631**
Equity Attributable to Equity Holders of the Parent			
Share Capital	32	1.380.000.000	1.380.000.000
Inflation Adjustment on Share Capital	32	1.123.808.032	1.123.808.032
Items Those Will Never Be Reclassified to Profit or Loss			
-Actuarial Losses from Defined Pension Plans	32	(20.415.807)	(12.436.923)
Items Those Are or May Be Reclassified to Profit or Loss			
-Foreign currency translation differences	32	2.367.369.791	1.659.392.608
-Losses from Hedging	32	(428.551.847)	(101.206.786)
Restricted Profit Reserves	32	59.372.762	59.372.762
Retained Earnings	32	2.853.560.663	2.170.853.236
Net Profit for the Period	32	1.819.259.536	682.707.427
TOTAL EQUITY		**9.154.403.130**	**6.962.490.356**
TOTAL LIABILITIES AND EQUITY		**31.875.607.062**	**25.402.077.818**

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

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

		Audited	Audited
PROFIT OR LOSS	**Notes**	**1 January - 31 December 2014**	**1 January - 31 December 2013**
Sales Revenue	33	24.157.801.405	18.776.784.325
Cost of Sales (-)	34	(19.812.624.371)	(15.304.655.417)
GROSS PROFIT		**4.345.177.034**	**3.472.128.908**
General Administrative Expenses (-)	35	(598.748.595)	(434.976.154)
Marketing and Sales Expenses (-)	35	(2.462.255.861)	(1.947.304.294)
Other Operating Income	36	178.577.444	218.962.448
Other Operating Expenses (-)	36	(104.192.122)	(82.685.160)
OPERATING PROFIT		**1.358.557.900**	**1.226.125.748**
Income from Investment Activities	37	210.887.363	145.511.240
Expenses from Investment Activities (-)	37	(52.200.322)	(2.105.578)
Share of Investments' Profit / Loss Accounted By Using The Equity Method	4	160.773.731	108.973.512
OPERATING PROFIT BEFORE FINANCIAL INCOME/EXPENSE		**1.678.018.672**	**1.478.504.922**
Financial Income	39	980.209.225	50.145.542
Financial Expenses (-)	39	(397.081.094)	(563.406.209)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**2.261.146.803**	**965.244.255**
Tax Expense of Continuing Operations		**(441.887.267)**	**(282.536.828)**
Current Tax Expense	41	(9.875.007)	-
Deferred Tax Expense	41	(432.012.260)	(282.536.828)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**1.819.259.536**	**682.707.427**
OTHER COMPREHENSIVE INCOME			
To Be Reclassified To Profit or Loss		**380.632.122**	**1.033.459.675**
Currency Translation Adjustment		707.977.183	1.089.281.590
Gains/ (Losses) of Cash Flow Hedge Reserves		(417.647.105)	(65.561.681)
Actuarial Gains/(Losses) from Cash Flow Hedge Reserves of Investment Accounted by Using the Equity Method		8.465.779	(4.215.713)
Tax (Expense)/Income of Other Comprehensive Income		81.836.265	13.955.479
Not To Be Reclassified To Profit or Loss		**(7.978.884)**	**14.560.628**
Actuarial Gains/(Losses) from Defined Pension Plans		(10.492.174)	18.814.466
Actuarial Gains/(Losses) from Defined Pension Plans of Investments Accounted by Using the Equity Method		518.569	(613.681)
Tax Expense/(Income) of Other Comprehensive Income		1.994.721	(3.640.157)
OTHER COMPREHENSIVE INCOME		**372.653.238**	**1.048.020.303**
TOTAL COMPREHENSIVE INCOME		**2.191.912.774**	**1.730.727.730**
Earning Per Share (Kr)	42	1,32	0,49

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

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2014

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

			Accumulated Items Those Will Never Be Reclassified To Profit or Loss	Accumulated Items Those Are or May Be Reclassified To Profit or Loss			Accumulated Profit		
	Paid-in Share Capital	Inflation Adjustment on Share Capital	Actuarial Losses from Defined Pension Plans	Currency Translation Differences	Gains/ (Losses) of Hedging	Restricted Profit Reserves	Retained Earnings	Net Profit for The Period	Total Equity
As of 1 January 2014	1.380.000.000	1.123.808.032	(12.436.923)	1.659.392.608	(101.206.786)	59.372.762	2.170.853.236	682.707.427	6.962.490.356
Transfers	-	-	-	-	-	-	682.707.427	(682.707.427)	-
Total Comprehensive Income	-	-	(7.978.884)	707.977.183	(327.345.061)	-	-	1.819.259.536	2.191.912.774
As of 31 December 2014	1.380.000.000	1.123.808.032	(20.415.807)	2.367.369.791	(428.551.847)	59.372.762	2.853.560.663	1.819.259.536	9.154.403.130

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

Convenience Translation to English of Consolidated Financial Statements Originally Issued in Turkish

TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2014

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

			Accumulated Items That Will Never Be Reclassified To Profit or Loss	Accumulated Items That Are or May Be Reclassified To Profit or Loss			Accumulated Profit		
	Paid-in Share Capital	Inflation Adjustment on Share Capital	Actuarial Losses from Defined Pension Plans	Currency Translation Differences	Gains/ (Losses) of Hedging	Restricted Profit Reserves	Retained Earnings	Net Profit for The Period	Total Equity
As of 1 January 2013	1.200.000.000	1.123.808.032	(26.997.551)	570.111.018	(45.384.871)	39.326.341	1.388.463.563	1.155.717.057	5.405.043.589
Transfers	-	-	-	-	-	20.046.421	1.135.670.636	(1.155.717.057)	-
Issuance of Bonus Shares	180.000.000	-	-	-	-	-	(180.000.000)	-	-
Dividends paid	-	-	-	-	-	-	(173.280.963)	-	(173.280.963)
Total Comprehensive Income	-	-	14.560.628	1.089.281.590	(55.821.915)	-	-	682.707.427	1.730.727.730
As of 31 December 2013	1.380.000.000	1.123.808.032	(12.436.923)	1.659.392.608	(101.206.786)	59.372.762	2.170.853.236	682.707.427	6.962.490.356

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

Consolidated Statement of Cash Flows
For the Year Ended 31 December 2014
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Notes	Audited 1 January - 31 December 2014	Audited 1 January - 31 December 2013
Net Profit		1.819.259.536	682.707.427
Adjustments to reconcile cash flow generated from operating activities:			
Adjustments for Depreciation and Amortization	18-19	1.625.997.651	1.240.527.159
Adjustments for Provision for Employee Benefits	28	71.764.855	41.220.674
Adjustments for Provisions, Net	15-26	75.018.425	18.890.248
Adjustments for Interest Income	37-39	(76.188.692)	(79.271.750)
Gain on Sales of Fixed Assets	37	1.581.607	(1.658.418)
Share of Investments' (Profit) / Loss Accounted by Using The Equity Method	4	(160.773.731)	(108.973.512)
Adjustments for Interest Expense	39	360.960.866	261.649.506
Change in Manufacturers' Credit	16	(6.015.242)	(648.585)
Unrealized Foreign Exchange Translation Differences		(892.320.013)	210.292.593
Change in Provision for Doubtful Receivables	46	8.857.705	37.442.673
Increase in Fair Value of Investment Property	37	(6.240.000)	(18.835.000)
Tax Expense	41	441.887.267	282.536.828
Change in Fair Value of Derivative Instruments	39	(53.168.614)	31.058.964
Operating profit before working capital changes		**3.210.621.620**	**2.596.938.807**
Adjustments for Change in Trade Receivables		179.204.340	(193.366.224)
Adjustments for Change in Other Short and Long Term Receivables		(691.558.532)	(2.872.430)
Adjustments for Change in Inventories		(75.711.210)	(28.524.263)
Adjustments for Change in Other Receivables Related to Operations		32.036.733	(640.438)
Adjustments for Change in Short and Long Term Prepaid Expenses		(291.625.158)	(113.633.417)
Adjustments for Change in Trade Payables		(36.282.626)	272.248.976
Adjustments for Change in Short and Long Term Payables Related to Operations		2.813.091	79.175.438
Adjustments for Change in Other Short and Long Term Liabilities Related to Operations and Deferred Income		(85.848.594)	28.648.858
Adjustments for Change in Passenger Flight Liabilities		432.305.456	503.722.973
Cash Flows Generated From Operating Activities		**2.675.955.120**	**3.141.698.280**
Payment of Retirement Pay Liabilities	28	(32.067.388)	(28.139.267)
Net Cash Generated From Operating Activities		**2.643.887.732**	**3.113.559.013**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds From Sale of Property and Equipment, Intangible Assets and Investment Property		414.185.090	38.199.601
Interest Received		88.224.455	36.432.249
Purchase of Property and Equipment and Intangible Assets (*)	18-19	(1.074.213.563)	(1.092.367.554)
Prepayments For The Purchase of Aircrafts		(285.045.336)	(1.128.522.317)
Change in Financial Investments		(157.887.972)	513.555.407
Cash Outflow Arising From Capital Increase in Investments		(300.000)	(1.721.250)
Dividends Received		32.470.899	21.500.000
Cash Outflow Arising from Acquisition of Subsidiaries		-	(45.929.808)
Net Cash Used In Investing Activities		**(982.566.427)**	**(1.658.853.672)**
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of Financial Lease Liabilities		(1.196.700.032)	(1.022.387.330)
Change in Other Financial Liabilities and Derivative Instruments		7.098.680	(3.018.238)
Interest Paid		(337.195.335)	(272.577.511)
Dividends Paid		-	(173.280.963)
Net Cash Used In Financing Activities		**(1.526.796.687)**	**(1.471.264.042)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**134.524.618**	**(16.558.701)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**1.338.983.835**	**1.355.542.536**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**1.473.508.453**	**1.338.983.835**

(*) TL 3,539,374,557 portion of property and equipment and intangible assets purchases in total of TL 4,613,588,120 for the year ended 31 December 2014 was financed through finance leases. (31 December 2013: TL 1,854,263,247 portion of property and equipment and intangible assets purchases in total of TL 2,946,630,801 was financed through finance leases.)

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

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

1. COMPANY ORGANIZATION AND ITS OPERATIONS

Türk Hava Yolları Anonim Ortaklığı (the "Company" or "THY") was incorporated in Turkey in 1933. As of 31 December 2014 and 31 December 2013, the shareholders and their respective shareholdings in the Company are as follows:

	31 December 2014	31 December 2013
Republic of Turkey Prime Ministry Privatization Administration	% 49,12	% 49,12
Other (publicly held)	% 50,88	% 50,88
Total	% 100,00	% 100,00

The number of employees working for the Company and its subsidiaries (together the "Group") as of 31 December 2014 is 25,126. (31 December 2013: 23,160). The average number of employees working for the Group for the year ended 31 December 2014 and 2013 are 24,244 and 21,032 respectively. The Company is registered in İstanbul, Turkey and its head office address is as follows:

Türk Hava Yolları A.O. Genel Yönetim Binası, Atatürk Havalimanı, 34149 Yeşilköy İSTANBUL.

The Company's stocks are traded on Borsa Istanbul since 1990.

Group management decisions regarding resources to be allocated to departments and examines the results and the activities on the basis of air transport and aircraft technical maintenance services for the purpose of department's performance evaluation. Each member of the Group companies prepares its financial statements in accordance with accounting policies are obliged to comply. The Group's main business of topics can be summarized as follows.

Air Transport ("Aviation")

The Company's main activity is domestic and international passenger and cargo air transportation.

Technical Maintenance Services ("Technical")

The main activity of this business is providing repair and maintenance service on civil aviation sector and giving all kinds of technical and infrastructure support related to airline industry.

Subsidiaries and Joint Ventures

The table below sets out the consolidated subsidiaries and participation rate of the Group in these joint ventures as of 31 December 2014 and 31 December 2013:

		Participation Rate		Country of
Name of the Company	Principal Activity	31 December 2014	31 December 2013	Registration
THY Teknik A.Ş. (THY TEKNİK)	Aircraft Maintenance Services	%100	%100	Turkey
THY Habom A.Ş. (THY HABOM) (*)	Aircraft Maintenance Services	%100	-	Turkey
Habom Havacılık Bakım Onarım ve Modifikasyon A.Ş. (HABOM) (*)	Aircraft Maintenance Services	-	%100	Turkey
THY Aydın Çıldır Havalimanı İşletme A.Ş.(THY Aydın Çıldır)	Training & Airport Operations	%100	%100	Turkey

(*) Refer to Note 3

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

1. COMPANY ORGANIZATION AND ITS OPERATIONS (cont'd)

The table below sets out consolidated joint ventures and indicates the proportion of ownership interest of the Company in these joint ventures as of 31 December 2014 and 31 December 2013:

Company Name	Country of Registration and Operations	Ownership Share	Voting Power	Principal Activity
Güneş Ekspres Havacılık A.Ş. (Sun Express)	Turkey	%50	%50	Aircraft Transportation
THY DO&CO İkram Hizmetleri A.Ş. (Turkish DO&CO)	Turkey	%50	%50	Catering Services
P&W T.T. Uçak Bakım Merkezi Ltd. Şti. (TEC)	Turkey	%49	%49	Maintenance
TGS Yer Hizmetleri A.Ş. (TGS)	Turkey	%50	%50	Ground Services
THY OPET Havacılık Yakıtları A.Ş. (THY Opet)	Turkey	%50	%50	Fuel
Goodrich Thy Teknik Servis Merkezi Ltd. Şti. (Goodrich)	Turkey	%40	%40	Maintenance
Uçak Koltuk Sanayi ve Ticaret A.Ş (Uçak Koltuk)	Turkey	%50	%50	Cabin Interior
TCI Kabin İçi Sistemleri San ve Tic. A.Ş. (TCI) (*)	Turkey	%50	%50	Cabin Interior
Türkbine Teknik Gaz Türbinleri Bakım Onarım A.Ş. (Türkbine Teknik)	Turkey	%50	%50	Maintenance
Vergi İade Aracılık A.Ş.	Turkey	%30	%30	VAT Return and Consultancy

(*) Share percentage and voting rights for all of the joint ventures are the same in the year 2014 and 2013 except for TCI. 1% shares of TCI was sold to the other shareholder (TUSAŞ) Türk Havacılık ve Uzay Sanayi A.Ş. in the year 2014.

The Group owns 49%, 40% and 30% equity shares of TEC, Goodrich and Vergi İade Aracılık A.Ş. respectively. However, based on the contractual arrangements between the Group and the other respective investors, decisions about the relevant activities of the arrangements require both the Group and the other respective investor agreeing. Therefore, the Group concluded that the Group has joint control over TEC, Goodrich and Vergi İade Aracılık A.Ş..

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Preperation of Financial Statements

The consolidated financial statements as of 31 December 2014 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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.1 Basis of Presentation (cont'd)

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, except for investment property and derivative financial instruments, have been prepared on cost base principal. Historical cost is generally based on the fair value of the consideration given in exchange for goods or services. Methods used for fair value measurement are given in Note: 2.4.8 and Note: 2.4.14.

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 Group's presentation currency is TL. The US Dollar financial statements of the Group 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

a. The consolidated financial statements include the accounts of the parent company, THY, its Subsidiaries and its Affiliates on the basis set out in sections (b) below. Financial statements of the subsidiaries and affiliates are adjusted where applicable in order to apply the same accounting policies. All transactions, balances, profit and loss within the Group are eliminated during consolidation.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.1 Basis of Presentation (cont'd)

Basis of the Consolidation (cont'd)

b. The Group has ten joint ventures (Note: 1). These joint ventures are economical activities that decisions about strategic finance and operating policy are jointly controlled by the consensus of the Group and other participants. The affiliates are controlled by the Group jointly, and are accounted for by using the equity method.

According to the equity method, joint ventures are stated as the cost value adjusted as deducting the impairment in joint venture from the change occurred in the joint venture's assets after the acquisition date that is calculated by the Group's share in the consolidated balance sheet. Joint venture's losses that exceed the Group's share are not considered (actually, that contains a long term investment which composes the net investment in the joint venture).

Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control occurs when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquire; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognized in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.2 Statement of Compliance with TAS

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

The consolidated 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.

Board of Directors has approved the consolidated financial statements as of 31 December 2014 and delegated authority for publishing it on 24 February 2015. General assembly and related regulatory bodies have the authority to modify the financial statements.

2.3 Changes and Errors in Accounting Estimates

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

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

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

2.4 Summary of Significant Accounting Policies

2.4.1 Revenue

Rendering of services:

Revenue is measured at the fair value of the consideration received or to be received. Passenger fares and cargo revenues are recorded as operating revenue when the transportation service is provided. Tickets sold but not yet used (unflown) are recorded as passenger flight liabilities.

The Group develops estimations using historical statistics and data for unredeemed tickets. Total estimated unredeemed tickets are recognized as operating revenue. Agency commissions to relating to the passenger revenue are recognized as expense when the transportation service is provided.

Aircraft maintenance and infrastructure support services are recognized on accrual basis at the fair value of the amount obtained or to be obtained based on the assumptions that delivery is realized, the income can be reliably determined and the inflow of the economic benefits related with the transaction to the Group is probable.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

2.4.1 Revenue (cont'd)

Dividend and interest income:

Interest income is accrued on a timely 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.

Dividend income generated from equity investments are recognised as shareholders gain the dividend rights.

2.4.2 Inventories

Inventories are stated at the lower of cost and 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 the estimated selling price less all estimated costs of completion and costs necessary to make a sale.

2.4.3 Property and Equipment

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

Assets under construction are carried at cost less any impairment loss, if any. Legal fees are also included in cost. Borrowing costs are capitalized for assets that need substantial time to prepare the asset for its intended use or sale. As the similar depreciation method used for other fixed assets, depreciation of such assets begins when they are available for use.

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. Expected useful life, residual value and depreciation method are reviewed each year for the possible effects of changes in estimates, and they are recognized prospectively if there are any changes in estimates.

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

The Group has classified the cost of assets that are acquired directly or through finance leases into the following parts, by considering the renewal of significant parts of the aircrafts identified during the overhaul maintenance and overhaul of aircraft fuselage and engine; a) fuselage, b) overhaul maintenance for the fuselage, c) engine and d) overhaul maintenance for the engines. Overhaul maintenance for the fuselage and overhaul engine repair parts are depreciated over the shorter of the remaining period to the next maintenance or the remaining period of the aircraft's useful life.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

2.4.3 Property and Equipment (cont'd)

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

The useful lives and residual values used for tangible assets are as follows:

	Useful Life (Years)	Residual Value
- Buildings	25-50	-
- Aircrafts and Engines	20	10-30%
- Cargo Aircraft and Engines	20	10%
- Overhaul maintenance for aircrafts' fuselage	6	-
- Overhaul maintenance for engines	3-8	-
- Overhaul maintenance for spare engines	3-13	-
- Components	7	-
- Repairable Spare Parts	3-7	-
- Simulators	20	10%
- Machinery and Equipment	3-15	-
- Furniture and Fixtures	3-15	-
- Motor Vehicles	4-7	-
- Other Equipment	4-15	-
- Leasehold improvements	Lease period/5 years	-

2.4.4 Leasing Transactions

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

2.4.5 Intangible Assets

Intangible assets include rights, information systems and software. Other intangible assets are depreciated over their lease periods and other intangible assets are depreciated over their useful life of 5 years, on a straight-line basis. Slot rights are assessed as intangible assets with infinite useful life, once there are no time restrictions on them time.

Goodwill

Goodwill that arises upon acquisition of subsidiaries is presented in intangible assets. For the measurement of goodwill at initial recognition, refer to Note 2.1.

Subsequent Measurement

Goodwill is measured at cost less accumulated impairment losses.

2.4.6 Impairment on Assets

The carrying amounts of the Group's assets are reviewed at each reporting date (and for assets with indefinite useful lives, whenever there is an indication of impairment) to determine whether there is any indication of impairment. If any such indication exists then the assets' recoverable amounts are estimated. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is the present value of estimated future cash flows resulting from continuing use of an asset and from disposal at the end of its useful life. Impairment losses are accounted in profit or loss.

An impairment loss recognized in prior periods for an asset is reversed if the subsequent increase in the asset's recoverable amount is caused by a specific event since the last impairment loss was recognized. Such a reversal amount is recognized as income in the consolidated financial statements and cannot exceed the previously recognized impairment loss and shall not exceed the carrying amount that would have been determined, net of amortization or depreciation, had no impairment loss been recognized for the asset in prior years.

Group determined aircrafts, spare engines and simulators together ("Aircrafts") as lower-line cash generating unit subject to impairment and impairment calculation was performed for Aircrafts collectively. In the examination of whether net book values of aircrafts, spare engines and simulators exceed their recoverable amounts, the higher value between value in use and sale expenses deducted net selling prices in US Dollars is used for determination of recoverable amounts. Net selling price for the aircrafts is determined according to second hand prices in international price guides.

The differences between net book values of these assets and recoverable amounts are recognized as impairment gains or losses under income and expenses from investment activities.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

2.4.7 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. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.4.8 Financial Instruments

Financial assets and liabilities are recognized in the financial statements when the Group is a legal party to these financial instruments.

(a) Financial assets

Financial investments are recognized on a 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, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Investments are recorded or deleted from records on the date of trading activity based on an agreement providing a requirement for investment instrument delivery in compliance with the duration determined by related market.

Financial assets are classified into the following specified categories: financial assets as "at fair value through profit or loss", "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognized in profit or loss.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

2.4.8 Financial Instruments (cont'd)

(a) Financial assets (cont'd)

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 recognized on an effective interest basis for available-for-sale financial assets and loans and receivables.

Loans and receivables

Trade, loan and other receivables are initially recorded at fair value. At subsequent periods, loans and receivables are measured at amortized cost using the effective interest method.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss are assessed for indicator of impairment at each balance sheet date.

Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

For financial assets at amortized cost, the amount of the impairment is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously recognize written of fare credited against the allowance account are recognized in profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available for sale equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

2.4.8 Financial Instruments (cont'd)

(a) Financial assets (cont'd)

Cash and cash equivalents

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. The carrying amount of these assets approximates their fair value.

(b) Financial liabilities

The Group's financial liabilities and equity instruments are classified in accordance with the contractual arrangements and recognition principles of a financial liability and equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The significant accounting policies for financial liabilities and equity instruments are described below.

Financial liabilities are classified as either financial liabilities at fair value through profit and loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are initially measured at fair value, and at each reporting period revalued at fair value as of balance sheet date. Changes in fair value are recognized in profit and loss.

Other financial liabilities

Other financial liabilities, including bank borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derivative financial instruments and hedge accounting

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates.

The major source of interest rate risk is finance lease liabilities. The Group's policy is to convert some financial liabilities with fixed interest rates into financial liabilities with variable interest rates, and some financial liabilities denominated in EUR into financial liabilities denominated in USD. The derivative financial instruments obtained for this purpose are not subject to hedge accounting and profit/loss arising from the changes in the fair values of those instruments is directly accounted in profit or loss. The Group converted some of the floating-rate loans into fixed-rate loans through derivative financial instruments.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

2.4.8 Financial Instruments (cont'd)

(b) Financial liabilities (cont'd)

Derivative financial instruments and hedge accounting (cont'd)

The Group applies hedge accounting since 2009 to these transactions, as they are designated to hedge against cash flow risks arising from fluctuations in interest rates. The Group also enters into derivative financial instruments to hedge against jet fuel price risks. The Group applies hedge accounting to these transactions, as they are designated to hedge against cash flow risks arising from fluctuations in jet fuel prices.

Use of derivative financial instruments is managed according to the Group policy which is written principles approved by the Board of Directors and compliant with the risk management strategy.

The Group does not use derivative financial instruments for speculative purposes.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognized in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to profit or loss for the period.

Derivative financial instruments are calculated according to the fair value at contract date and again are calculated in the following reporting period at fair value base. The effective portion of changes in the fair value of derivatives which are designated as cash flow hedge are recognized in other comprehensive income. Any ineffective portion of changes in the fair value of the derivatives are recognized in profit or loss.

2.4.9 Foreign Currency Transactions

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 TL - US Dollar exchange rates as at 31 December 2014 and 2013 are as follows:

	Closing Rate	Average Rate
Year ended 31 December 2014	2.3189	2.1865
Year ended 31 December 2013	2.1343	1.9033
Year ended 31 December 2012	1.7826	1.7922

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

2.4.9 Foreign Currency Transactions (cont'd)

The closing and average US Dollar - Euro exchange rates as at 31 December 2014 and 2013 are as follows:

	Closing Rate	Average Rate
Year ended 31 December 2014	1.2164	1.3282
Year ended 31 December 2013	1.3759	1.3287
Year ended 31 December 2012	1.3193	1.2856

2.4.10 Earnings per Share

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

2.4.11 Events After to the Balance Sheet Date

Events after the balance sheet date are those events, which occur between the balance sheet date and the date when the financial statements are authorized for issue.

If adjustment is necessary for such events, Group's financial statements are adjusted to reflect such events.

2.4.12 Provisions, Contingent Liabilities, Contingent Assets

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group 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 those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous Contracts

Present liabilities arising from onerous contracts are calculated and accounted for as provision.

It is assumed that an onerous contract exists if Group has a contract which unavoidable costs to be incurred to settle obligations of the contract exceed the expected economic benefits of the contract.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

2.4.13 Segmental Information

There are two operating segments of the Group, air transportation and aircraft technical maintenance operations; these include information for determination of performance evaluation and allocation of resources by the management. The Company management uses the operating profit calculated according to TAS while evaluating the performances of the segments.

2.4.14 Investment Property

Investment properties, which are properties, held to earn rentals and/or for capital appreciation are measured initially at cost, including transaction costs.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

2.4.15 Taxation and Deferred Tax

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense represents the sum of the current tax and deferred tax expenses.

Current tax

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income 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.

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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

2.4.15 Taxation and Deferred Tax (cont'd)

Deferred Tax (cont'd)

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 Group 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 Group 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 Group 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 acquirer's identifiable assets, liabilities and contingent liabilities over cost.

2.4.16 Government Grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

2.4.16 Government Grants (cont'd)

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

2.4.17 Employee Benefits / Retirement Pay Provision

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. 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 represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses. Actuarial gains and losses are accounted as other comprehensive income.

2.4.18 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.

2.4.19 Manufacturers' Credits

Manufacturers' credits are received against acquisition or lease of aircraft and engines. The Group records these credits as a reduction to the cost of the owned and amortizes them over the related asset's remaining economic life. Manufacturers' credits related to operating leases are recorded as deferred revenue and amortized over the lease term.

2.4.20 Maintenance and Repair Costs

Regular maintenance and repair costs for owned and leased assets are charged to operating expense as incurred. Aircraft and engine overhaul maintenance checks for owned and finance leased aircrafts are capitalized and depreciated over the shorter of the remaining period to the following overhaul maintenance checks or the remaining useful life of the aircraft. For aircraft held under operating leases the Company is contractually committed to either return the aircraft in a certain condition or to compensate the lessor upon return of the aircraft. The estimated airframes and engine maintenance costs are accrued and charges to profit or loss over the lease term, based on the present value of the estimated future cost of the major airframe overhaul, engine maintenance calculated by reference to hours or order operated during the year.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

2.4.21 Frequent Flyer Program

The Group provides a frequent flyer program named "Miles and Smiles" in the form of free travel award to its members on accumulated mileage. Miles earned by flights are recognized as a separately identifiable component of the sales transaction(s). The amount deferred as a liability is measured based on the fair value of the awarded miles. The fair value is measured on the basis of the value of the awards for which they could be redeemed. The amount deferred is recognized as revenue on redemption of the points including a portion of the points that the Group does not expect to be redeemed by the customers ("breakage").

The Group also sells mileage credits to participating partners in "Shop and Miles" program. A portion of such revenue is deferred and amortized as transportation is provided.

2.5 Important Accounting Estimates and Assumptions

Preparation of the financial statements requires the amounts of assets and liabilities being reported, explanations of contingent liabilities and assets and the uses of accounting estimates and assumptions which would affect revenue and expense accounts reported during the accounting period. Group makes estimates and assumptions about the future periods. Actual results could differ from those estimations.

Accounting estimates and assumptions which might cause material adjustments on the book values of assets and liabilities in future financial reporting period were given below:

The Determination of Impairment on Long Term Assets:

Basic assumptions and calculation methods of the Group relating to impairment on assets are explained in Note 2.4.6.

Calculation of the Liability for Frequent Flyer Program:

As explained in Note 2.4.21, Group has programs called "Miles and Smiles" and "Shop & Miles" which are applied for its members. In the calculations of the liability related with concerned programs, the rate of use and mile values which are determined by using statistical methods over the historical data were used.

Useful Lives and Salvage Values of Tangible Assets:

Group has allocated depreciation over tangible assets by taking into consideration the useful lives and salvage values which were explained in Note 2.4.3.

Deferred Tax:

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. There are deferred tax assets resulting from tax loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future in the Group. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.5 Important Accounting Estimates and Assumptions (cont'd)

Corporate Tax Law 32/A and the effects of Resolution issued on "Government Assistance for Investments" by the Council of Ministers:

A new incentive standard that reconstitutes government assistance for investments has been developed with the addition to the clause 32/A of the Corporate Tax Law to be effective from 28 February 2009 with the 9th article of the 5838 numbered Law in order to support investments through taxes on income. The new investment system becomes effective upon the issuance of the Council of Ministers' resolution "Government Assistance for Investments" No: 2009/15199 on 14 July 2009.

Apart from the previous "investment incentive" application, which provides the deduction of certain portion of investment expenditures against corporate tax base, the new support system aims to provide incentive support to companies by deducting "contribution amount", which is calculated by applying the "contribution rate" prescribed in the Council of Ministers' resolution over the related investment expenditure, against the corporate tax imposed on the related investment to the extent the amount reaches to the corresponding "contribution amount".

In 2012, one more new regulation on this subject is made and "Resolution Issued on Government Assistance for Investment" dated 15 June 2012 and numbered 2012/3305 is published in the Official Journal on 19 June 2012 and becomes effective. The support elements have changed with this decision. One of these changes is investment contribution rate; according to the Resolution No 2009/15199 investment contribution rate is set as 20% for Region I, and it has been changed to 15% by Resolution No 2012/3305.

The Group has obtained an Incentive Certificate dated 28 December 2010 and numbered 99256 for the finance lease aircrafts that joined its fleet between 2010 and 2014 (except December) from Turkish Ministry of Economy General Directorate of Incentive Implementation and Foreign Investments. For the related aircraft investment, 20% of investment contribution and 50% of reduction in the corporate tax rate apply. On the other hand, for the aircrafts to be joined the fleet from December 2014, according to Resolution No 2012/3305, the Group has obtained an Incentive Certificate dated 18 December 2014 and numbered 117132 and a closing petition is presented for the Incentive Certificate numbered 99956. According to the Incentive Certificate dated 18 December 2014 and numbered 117132, investment contribution rate is 15% and reduced corporate tax rate is 50%.

As new incentive has different investment contribution rate, contribution amount is calculated separately for the two documents. The total contribution amount due to the investments within these scopes of incentives as of 31 December 2014 is 2,571,643,428 TL. (31 December 2013: 1,915,627,447 TL)

There is no clear guidance in regards to the accounting for government tax incentives on investments in TAS 12 "Income Tax" and TAS 20 "Accounting for Government Grants and Disclosure of Government Assistance". Since "contribution amount" exemption as explained in the new investment support system depends on the earnings from the related investment and the recovery of the related asset and utilization of contribution amount will be over many years, the Group management considers that the accounting for the related investment contribution will be more appropriate if the grant is classified as profit or loss on a systematic and rational basis over the useful life of the related assets.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.6. New and Revised Standards and Interpretations

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

Standards issued but not yet effective and not early adopted as of 31 December 2014

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

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 2015. 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 Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

Amendments to 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 Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

Amendments to 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 Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.6. New and Revised Standards and Interpretations (cont'd)

The New Standards, Amendments and Interpretations these 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 Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

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 Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

IFRS 15 Revenue from Contracts with Customers

The standard is the result of a joint project and IASB and FASB which 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 Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

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 Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.7 Determination of Fair Values

Various accounting policies and explanations of the Group 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: Quoted (unadjusted) prices in active markets for identical assets and obligations.
- Level 2: Variables obtained directly (via prices) or indirectly (by deriving from prices) which are observable for similar assets and liabilities other than quoted prices mentioned in Level 1.
- Level 3: Variables which are not related to observable market variable for assets and liabilities (unobservable variables).

3. BUSINESS COMBINATIONS

Acquisition of 100% Shares of MNG Teknik Uçak Bakım Hizmetler Anonim Şirketi and Merger with Habom

The share purchase agreement for the acquisition of all shares of MNG Teknik Uçak Bakım Hizmetleri Anonim Şirketi ("MNG Teknik") by Türk Hava Yolları Anonim Ortaklığı was signed between parties on 22 May 2013 having obtained the approval of the Competition Authority.

In the Extraordinary General Assembly Meeting of MNG Teknik dated 29 August 2013, it was decided to merge with Habom which are under common control. This merger was carried out under legal structure of MNG Teknik via transfer of all assets, liabilities, rights and obligations of Habom to MNG Teknik. As a result of the merger, the company's title was registered as THY HABOM A.Ş. on 13 September 2013.

The Group has consolidated operational results of MNG Teknik as at 31 December 2013 with full consolidation method. If the acquisition had occurred on 1 January 2013, it is estimated that consolidated revenue would have been higher by TL 35,618,745 and consolidated net income would have been lower by TL 20,371,752. The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

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

3. BUSINESS COMBINATIONS (cont'd)

Acquisition of 100% Shares of MNG Teknik Uçak Bakım Hizmetler Anonim Şirketi and Merger with Habom (cont'd)

	Note	Pre- acquisition value	Fair value adjustment	Acquisition value
Property and equipment	18	101.436.163	2.921.466	104.357.629
Intangible assets	19	-	28.164.734	28.164.734
Trade and other receivables		4.476.172	-	4.476.172
Other assets		7.131.521	-	7.131.521
Cash and cash equivalents		486.236	-	486.236
Financial debts		(78.827.091)	-	(78.827.091)
Trade and other payables		(27.549.448)	-	(27.549.448)
Other payables		(13.261.473)	-	(13.261.473)
Deferred Tax Liability		-	(2.467.611)	(2.467.611)
Identifable assets and liabilities		**(6.107.920)**	**28.618.589**	**22.510.669**
Goodwill arising from acquisition	20			**23.905.375**
Cash consideration paid				46.416.044
Cash and cash equivalents acquired				(486.236)
Net cash outflow arising from acquisition				**45.929.808**

Under TFRS 3, intangible assets recognised arising from the acquisition of MNG Teknik are stated below:

	31 December 2014
Company licenses	18.748.147
Rent contract	9.416.587
Total intangible assets recognized at the acquistion	**28.164.734**

The incremental cash flows and change in cash flows methods are used in determining the fair values of company licenses and lease contract, respectively. Substitute cost method is used in determining the fair value of property and equipment.

Pre-acquisition values are calculated in accordance with Turkish Financial Reporting Standards (TFRS) just before the acquisition date. As of 31 December 2013, the fair values of assets and liabilities recognised on acquisition were determined on a provisional basis. Based on revision works on the independent valuation report regarding the fair value of intangible assets of MNG Teknik during the current period, as of 31 December 2013, the goodwill amounts were realized as 26,507,294 TL and, the amount previously reported as of 31 December 2013 was revised. The comparison of fair values of tangible and intangible assets and goodwill that are recognized according to the provisional and final studies is presented below:

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

3. BUSINESS COMBINATIONS (cont'd)

Acquisition of 100% Shares of MNG Teknik Uçak Bakım Hizmetler Anonim Şirketi and Merger with Habom (cont'd)

31 December 2013	Provisional Study	Final Study
Intangible assets	-	31.230.254
Property and equipment	112.476.726	115.716.171
Deferred tax liability	-	(2.736.192)
Goodwill (Note 20)	58.240.801	26.507.294
	170.717.527	170.717.527

The goodwill is mainly attributable to the synergies expected to be achieved from integrating MNG Teknik into the Group's existing technic business.

4. INVESTMENTS ACCOUNTED BY USING THE EQUITY METHOD

The joint ventures accounted for using the equity method are as follows:

	31 December 2014	31 December 2013
Sun Express	140.564.167	76.197.771
Turkish DO&CO	119.468.390	90.923.583
TGS	98.293.507	83.543.135
THY Opet	93.244.646	74.931.561
TEC	51.646.819	46.355.553
TCI	9.744.308	4.189.363
Türkbine Teknik	8.283.911	8.632.676
Uçak Koltuk	3.104.726	4.142.150
Goodrich	968.231	758.407
Vergi İade Aracılık	263.874	-
	525.582.579	389.674.199

Financial information for Sun Express as of 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014	31 December 2013
Total assets	1.463.107.152	1.065.244.740
Total liabilities	1.181.978.818	912.849.199
Shareholders'equity	281.128.334	152.395.541
Group's share in joint venture's shareholders' equity	140.564.167	76.197.771

	1 January - 31 December 2014	1 January - 31 December 2013
Revenue	2.953.531.791	2.614.606.743
Profit for the period	125.101.596	113.274.964
Group's share in profit for the period	62.550.798	56.637.482

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

4. INVESTMENTS ACCOUNTED BY USING THE EQUITY METHOD (cont'd)

Financial information for Turkish DO&CO as of 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014	31 December 2013
Total assets	399.814.348	319.646.734
Total liabilities	160.877.568	137.799.569
Shareholders'equity	238.936.780	181.847.165
Group's share in joint venture's shareholders' equity	119.468.390	90.923.583

	1 January - 31 December 2014	1 January - 31 December 2013
Revenue	812.182.463	624.133.315
Profit for the period	72.903.669	62.730.768
Group's share in profit for the period	36.451.835	31.365.384

Financial information for TGS as of 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014	31 December 2013
Total assets	324.405.779	247.171.203
Total liabilities	127.818.765	80.084.934
Shareholders'equity	196.587.014	167.086.269
Group's share in joint venture's shareholders' equity	98.293.507	83.543.135

	1 January - 31 December 2014	1 January - 31 December 2013
Revenue	578.189.926	455.895.415
Profit for the period	54.525.133	37.030.104
Group's share in profit for the period	27.262.567	18.515.052

By the protocol and capital increase dated on 17 September 2009, 50 % of TGS' capital, which has a nominal value of 6,000,000 TL, was acquired by HAVAŞ for 119,000,000 TL and a share premium at an amount of 113,000,000 TL has arised in the TGS's capital. Because the share premium is related to the 5-year service contract between the Company and TGS, the Company's portion (50 %) of the share premium under the shareholders' equity of TGS was recognized as 'Deferred Income' (Note 16) to be amortized during the contract period and has been amortized during the year 2014.

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

4. INVESTMENTS ACCOUNTED BY USING THE EQUITY METHOD (cont'd)

Financial information for THY Opet as of 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014	31 December 2013
Total assets	703.609.926	700.221.142
Total liabilities	517.120.635	550.358.020
Shareholders'equity	186.489.291	149.863.122
Group's share in associate's shareholders' equity	93.244.646	74.931.561

	1 January - 31 December 2014	1 January - 31 December 2013
Revenue	5.919.814.877	4.681.105.071
Profit for the period	76.564.407	45.310.172
Group's share in profit for the period	38.282.204	22.655.086

Financial information for TEC as of 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014	31 December 2013
Total assets	299.415.091	309.937.317
Total liabilities	194.013.420	215.334.148
Shareholders'equity	105.401.671	94.603.169
Group's share in joint venture's shareholders' equity	51.646.819	46.355.553

	1 January - 31 December 2014	1 January - 31 December 2013
Revenue	426.704.079	249.765.163
Profit /(Loss) for the period	2.468.289	(33.724.557)
Group's share in profit for the period	1.209.462	(16.525.033)

Financial information for TCI as of 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014	31 December 2013
Total assets	29.784.923	16.410.105
Total liabilities	10.296.307	8.195.668
Shareholders'equity	19.488.616	8.214.437
Group's share in joint venture's shareholders' equity	9.744.308	4.189.363

	1 January - 31 December 2014	1 January - 31 December 2013
Revenue	7.190.017	2.155.586
Loss for the period	(6.065.618)	(4.458.424)
Group's share in loss for the period	(3.032.809)	(2.273.796)

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

4. INVESTMENTS ACCOUNTED BY USING THE EQUITY METHOD (cont'd)

Financial information for Turkbine Teknik as of 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014	31 December 2013
Total assets	13.157.071	15.108.091
Total liabilities	(3.410.750)	(2.157.261)
Shareholders'equity	16.567.821	17.265.352
Group's share in joint venture's shareholders' equity	8.283.911	8.632.676

	1 January - 31 December 2014	1 January - 31 December 2013
Revenue	1.732.012	1.705.776
Loss for the period	(2.067.103)	(363.832)
Group's share in loss for the period	(1.033.552)	(181.916)

Financial information for Uçak Koltuk as of 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014	31 December 2013
Total assets	25.988.026	14.898.756
Total liabilities	19.778.574	6.614.456
Shareholders'equity	6.209.452	8.284.300
Group's share in joint venture's shareholders' equity	3.104.726	4.142.150

	1 January - 31 December 2014	1 January - 31 December 2013
Revenue	12.755.938	183.528
Loss for the period	(2.033.455)	(1.346.113)
Group's share in loss for the period	(1.016.728)	(673.057)

Financial information for Goodrich as of 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014	31 December 2013
Total assets	6.546.785	9.064.019
Total liabilities	4.126.207	7.168.001
Shareholders'equity	2.420.578	1.896.018
Group's share in joint venture's shareholders' equity	968.231	758.407

	1 January - 31 December 2014	1 January - 31 December 2013
Revenue	17.833.369	14.404.840
Profit / (Loss) for the period	340.200	(1.364.225)
Group's share in profit / (loss) for the period	136.080	(545.690)

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

4. INVESTMENTS ACCOUNTED BY USING THE EQUITY METHOD (cont'd)

Financial information for Vergi İade Aracılık A.Ş. as of 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014	31 December 2013
Total assets	939.810	-
Total liabilities	60.229	-
Shareholders'equity	879.581	-
Group's share in joint venture's shareholders' equity	263.874	-

	1 January - 31 December 2014	1 January - 31 December 2013
Revenue	172	-
Loss for the period	(120.419)	-
Group's share in loss for the period	(36.126)	-

Share of investments' profit/(loss) accounted by using to equity method are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Sun Express	62.550.798	56.637.482
Turkish DO&CO	36.451.835	31.365.384
TGS	27.262.567	18.515.052
THY Opet	38.282.204	22.655.086
TEC	1.209.462	(16.525.033)
TCI	(3.032.809)	(2.273.796)
Türkbine Teknik	(1.033.552)	(181.916)
Uçak Koltuk	(1.016.728)	(673.057)
Goodrich	136.080	(545.690)
Vergi İade Aracılık	(36.126)	-
Total	160.773.731	108.973.512

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

5. SEGMENTAL REPORTING

The management of the Group investigates the results and operations based on air transportation and aircraft technical maintenance services in order to determine in which resources to be allocated to segments and to evaluate the performances of segments. The detailed information on the sales data of the Group is given in Note 33.

5.1 Total Assets and Liabilities

Total Assets	**31 December 2014**	**31 December 2013**
Aviation	31.716.005.527	25.232.352.572
Technic	2.574.663.895	1.883.103.317
Total	34.290.669.422	27.115.455.889
Less: Eliminations due to consolidation	(2.415.062.360)	(1.713.378.071)
Total assets in consolidated financial statements	31.875.607.062	25.402.077.818

Total Liabilitites	**31 December 2014**	**31 December 2013**
Aviation	22.572.978.008	18.229.132.360
Technic	1.106.772.345	614.730.235
Total	23.679.750.353	18.843.862.595
Less: Eliminations due to consolidation	(958.546.421)	(404.275.133)
Total liabilitites in consolidated financial statements	22.721.203.932	18.439.587.462

5.2 Profit / (Loss) before Tax

Segment Results:

1 January - 31 December 2014	**Aviation**	**Technic**	**Inter-segment elimination**	**Total**
Sales to External Customers	23.711.122.730	446.678.675	-	24.157.801.405
Inter-Segment Sales	83.944.048	1.366.495.349	(1.450.439.397)	-
Segment Revenue	23.795.066.778	1.813.174.024	(1.450.439.397)	24.157.801.405
Cost of Sales (-)	(19.741.568.451)	(1.492.993.984)	1.421.938.064	(19.812.624.371)
Gross Profit	4.053.498.327	320.180.040	(28.501.333)	4.345.177.034
Administrative Expenses (-)	(398.266.097)	(238.241.325)	37.758.827	(598.748.595)
Marketing and Sales Expenses (-)	(2.452.694.825)	(11.224.759)	1.663.723	(2.462.255.861)
Other Operating Income	171.585.839	19.200.950	(12.209.345)	178.577.444
Other Operating Expenses (-)	(88.982.199)	(16.176.900)	966.977	(104.192.122)
Operating Profit	1.285.141.045	73.738.006	(321.151)	1.358.557.900
Income from Investment Activities	210.861.713	25.650	-	210.887.363
Expenses from Investment Activities (-)	(51.999.813)	(200.509)	-	(52.200.322)
Share of Investments' Profit/Loss Accounted by Using The Equity Method	161.739.125	(965.394)	-	160.773.731
Operating Profit/Loss before Financial Income/(Expense)	1.605.742.070	72.597.753	(321.151)	1.678.018.672
Financial Income	1.012.338.099	12.777.881	(44.906.755)	980.209.225
Financial Expense (-)	(413.302.692)	(28.685.157)	44.906.755	(397.081.094)
Profit Before Tax From Continuing Operations	2.204.777.477	56.690.477	(321.151)	2.261.146.803

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

5. SEGMENTAL REPORTING (cont'd)

5.2 Profit / (Loss) before Tax (cont'd)

1 January - 31 December 2013	Aviation	Technic	Inter-segment elimination	Total
Sales to External Customers	18.459.362.069	317.422.256	-	##############
Inter-Segment Sales	30.469.756	778.177.154	(808.646.910)	-
Segment Revenue	18.489.831.825	1.095.599.410	(808.646.910)	18.776.784.325
Cost of Sales (-)	#############	(987.675.780)	812.808.238	(15.304.655.417)
Gross Profit	3.360.043.950	107.923.630	4.161.328	3.472.128.908
Administrative Expenses (-)	(337.878.995)	(115.314.855)	18.217.696	(434.976.154)
Marketing and Sales Expenses (-)	(1.937.967.673)	(10.194.727)	858.106	(1.947.304.294)
Other Operating Income	215.672.860	23.109.078	(19.819.490)	218.962.448
Other Operating Expenses (-)	(67.377.121)	(17.024.926)	1.716.887	(82.685.160)
Operating Profit/ (Loss)	1.232.493.021	(11.501.800)	5.134.527	1.226.125.748
Income from Investment Activities	152.774.996	524.910	(7.788.666)	145.511.240
Expenses from Investment Activities (-)	(2.105.578)	-	-	(2.105.578)
Share of Investments' Profit/Loss Accounted by Using The Equity Method	127.162.420	(18.188.908)	-	108.973.512
Operating Profit/Loss before Financial Income/(Expense)	1.510.324.859	(29.165.798)	(2.654.139)	1.478.504.922
Financial Income	61.368.752	5.059.839	(16.283.049)	50.145.542
Financial Expense (-)	(570.087.296)	(9.601.962)	16.283.049	(563.406.209)
Profit / (Loss) Before Tax From Continuing Operations	1.001.606.315	(33.707.921)	(2.654.139)	965.244.255

Income statement items related to equity accounted investees:

1 January-31 December 2014	Aviation	Technic	Inter-segment elimination	Total
Share of Investments' Profit/Loss Accounted by Using The Equity Method	161.739.125	(965.394)	-	160.773.731

1 January-31 December 2013	Aviation	Technic	Inter-segment elimination	Total
Share of Investments' Profit/Loss Accounted by Using The Equity Method	127.162.420	(18.188.908)	-	108.973.512

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

5. SEGMENTAL REPORTING (cont'd)

5.3 Investment Operations

1 January-31 December 2014	Aviation	Technic	Inter-segment elimination	Total
Purchase of property and equipment and intangible fixed assets	4.223.349.161	390.238.959	-	4.613.588.120
Current period amortization and depreciation	1.461.905.503	164.092.148	-	1.625.997.651
Investmensts accounted by using the equity method	460.785.895	64.796.684	-	525.582.579

1 January-31 December 2013	Aviation	Technic	Inter-segment elimination	Total
equipment and intangible fixed assets	2.630.087.903	316.542.898	-	2.946.630.801
Current period amortization and depreciation	1.154.356.982	86.170.177	-	1.240.527.159
Investmensts accounted by using the equity method	332.202.531	57.471.668	-	389.674.199

6. CASH AND CASH EQUIVALENTS

	31 December 2014	31 December 2013
Cash	4.594.505	2.231.785
Banks – Time deposits	1.166.687.220	782.265.403
Banks – Demand deposits	265.602.663	521.069.942
Other liquid assets	36.624.065	33.416.705
	1.473.508.453	1.338.983.835

Details of the time deposits as of 31 December 2014 are as follows:

Amount	Currency	Interest Rate	Maturity	31 December 2014
364.621.500	TL	%8,90 - %14,50	February 2015	365.890.973
223.304.483	EUR	%0,50 - %2,90	February 2015	632.320.815
72.446.301	USD	%0,80 - %3,20	January 2015	168.475.432
				1.166.687.220

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

6. CASH AND CASH EQUIVALENTS (cont'd)

Details of the time deposits as of 31 December 2013 are as follows:

Amount	Currency	Interest Rate	Maturity	31 December 2013
106.265.000	TL	%6,41 - %9,00	January 2014	106.268.154
36.984.472	EUR	%0,82 - %2,54	January 2014	108.762.210
265.442.777	USD	%2,14 - %2,91	March 2014	567.235.039
				782.265.403

7. FINANCIAL INVESTMENTS

Short-term financial investments are as follows:

	31 December 2014	31 December 2013
Time deposits with maturity more than 3 months	200.932.718	42.774.034

Time deposits with maturity of more than 3 months:

Amount	Currency	Interest Rate	Maturity	31 December 2014
200.000.000	TL	%10,54	April 2015	200.932.718

Amount	Currency	Interest Rate	Maturity	31 December 2013
20.000.000	USD	%2,79	Nisan 2014	42.774.034

Long-term financial investments are as follows:

	31 December 2014	31 December 2013
Sita Inc.	1.679.619	1.679.619
Star Alliance Gmbh	44.465	44.465
Emek İnşaat ve İşletme A.Ş.	26.859	26.859
UATP Inc.	16.929	16.929
Foreign currency translation reserve	896.989	684.849
	2.664.861	2.452.721

Sita Inc., Star Alliance GMBH, Emek İnşaat ve İşletme A.Ş. and UATP Inc. are disclosed at cost since they are not traded in an active market.

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

7. FINANCIAL INVESTMENTS (cont'd)

Details of the long-term financial investments of the Group at 31 December 2014 are as follows:

Company Name	Country of Registration and Operations	Ownership Share	Voting Power	Principal Activity
Sita Inc.	Netherlands	Less than 0.1%	Less than 0.1%	Information & Telecommunication Services
Star Alliance Gmbh	Germany	% 5,55	% 5,55	Coordination Between Star Alliance Member Airlines
UATP Inc.	USA	% 4	% 4	Payment Intermediation Between the Passenger and the Airlines
Emek İnşaat ve İşletme A.Ş.	Turkey	% 0,3	% 0,3	Construction

8. BORROWINGS

Short term portions of long term borrowings are as follows:

	31 December 2014	31 December 2013
Finance lease obligations (Note: 21)	1.421.172.095	1.188.220.823

Long term borrowings are as follows:

	31 December 2014	31 December 2013
Finance lease obligations (Note: 21)	12.333.917.978	10.364.269.509

9. OTHER FINANCIAL LIABILITIES

Short-term other financial liabilities of the Group are as follows:

	31 December 2014	31 December 2013
Other financial liabilities	44.261.101	33.808.413

Borrowings to banks account consists of overnight interest-free borrowings obtained for settlement of monthly tax and social security premium payments.

10. RELATED PARTY TRANSACTIONS

Short-term trade receivables from related parties that are accounted by using the equity method are as follows:

	31 December 2014	31 December 2013
TCI	628.622	382.750

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

10. RELATED PARTY TRANSACTIONS (cont'd)

Other short-term receivables from related parties are as follows:

	31 December 2014	31 December 2013
Turkish DO&CO (*)	7.500.000	-
TCI	5.738	4.087.847
	7.505.738	4.087.847

(*) It consists of dividends receivables of 2013.

Short-term trade payables to related parties that are accounted by using the equity method are as follows:

	31 December 2014	31 December 2013
THY Opet	189.943.919	184.980.253
Turkish DO&CO	61.772.316	67.793.993
TGS	34.633.137	33.853.908
Sun Express	32.490.009	54.322.677
TEC	23.831.376	31.294.411
Goodrich	368.915	2.361.168
	343.039.672	374.606.410

Transactions with related parties for the year ended as of 31 December 2014 are as follows:

Sales

	1 January- 31 December 2014	1 January- 31 December 2013
Sun Express	150.658.677	103.190.861
TGS	34.531.241	22.565.735
TEC	30.040.412	12.334.619
Turkish DO&CO	2.821.063	3.452.065
Türkbine Teknik	2.044.846	6.092
THY Opet	1.991.046	2.527.532
TCI	591.501	201.288
Goodrich	274.336	147.218
Sun Express Deut.	8.238	38.231
	222.961.360	144.463.641

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

10. RELATED PARTY TRANSACTIONS (cont'd)

Purchases

	1 January- 31 December 2014	1 January- 31 December 2013
THY Opet	4.958.251.802	3.926.534.933
Turkish DO&CO	726.291.122	531.694.324
Sun Express	693.130.107	442.689.324
TGS	469.453.807	385.772.288
TEC	394.632.382	191.381.580
Star Alliance GMBH	578.836	639.882
TCI	69.806	64.901
UATP	70.590	-
Goodrich	-	322.628
	7.242.478.452	5.479.099.860

Transactions between the Group and Sun Express are related to seat and aircraft rental operations; transactions between the Group and Turkish DO&CO are related to catering services; transactions between the Group and TGS are related to ground services, transactions between the Group and TEC are related to engine maintenance services and the transactions between the Group and THY Opet are related to the supply of aircraft fuel. Receivables from related parties are not collateralized and maturity of trade receivables is 30 days.

The total amount of salaries and other short term benefits provided for the Chairman and the Members of Board of Directors, General Manager, General Coordinator and Deputy General Managers are TL 9,547,290 (31 December 2013: TL 8,524,363).

11. TRADE RECEIVABLES AND PAYABLES

Trade receivables from non-related parties as of 31 December 2014 and 2013 are as follows:

	31 December 2014	31 December 2013
Trade receivables	1.212.917.019	1.289.341.336
Allowance for doubtful receivables	(156.210.568)	(141.633.923)
	1.056.706.451	1.147.707.413

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 45.

Trade payables to non-related parties as of 31 December 2014 and 2013 are as follows:

	31 December 2014	31 December 2013
Trade payables	1.193.986.469	1.075.555.053
Other Trade Payables	1.574.906	1.020.117
	1.195.561.375	1.076.575.170

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

12. PAYABLES RELATED TO EMPLOYEE BENEFITS

Payables related to employee benefits as of 31 December 2014 and 2013 are as follows:

	31 December 2014	31 December 2013
Salary accruals	244.046.245	260.194.780
Social security premiums payable	52.470.445	43.654.175
Labor union agreement accrual (*)	-	4.134.521
	296.516.690	307.983.476

(*)The accrual for the Labor Union Agreement consists of increases in salaries according to the agreement of THY HABOM signed on 25 February 2014 and effective from 1 August 2013.

13. OTHER RECEIVABLES AND PAYABLES

Other short-term receivables from non-related parties as of 31 December 2014 and 2013 are as follows:

	31 December 2014	31 December 2013
Prepayments made for aircrafts, to be received back in cash (net)	2.295.496.353	1.111.916.468
Receivables from purchasing transactions abroad	286.913.259	126.455.582
Restriction on transfer of funds from banks (*)	47.149.116	85.538.901
Receivables from training of captain candidates	27.486.280	28.889.363
V.A.T Return	112.618.432	17.369.268
Receivables from employees	1.696.767	3.304.898
Other receivables	1.272.947	3.223.426
	2.772.633.154	1.376.697.906

(*) As of 31 December 2014, the balance of this account is bank deposits in Sudan, Ghana, Ethiopia, Uzbekistan, Morroca, Bangladesh, Egypt, Niger and Argentina.

Other long-term receivables from non-related parties as of 31 December 2014 and 2013 are as follows:

	31 December 2014	31 December 2013
Prepayments made for aircrafts, to be received back in cash (net)	1.506.837.373	2.120.392.457
Receivables from investment assistance (Note 2.4.16)	324.895.879	199.642.624
Restriction on transfer of funds from banks (*)	13.667.007	185.575.908
Receivables from training of captain candidates	135.797.708	102.223.282
Interest swap agreement deposits	444.788.209	53.400.186
Deposits and guarentees given	26.872.257	15.170.163
Income accruals on withholding tax return	-	2.354.762
Receivables from Sita deposit certificates	1.921.657	1.849.444
	2.454.780.090	2.680.608.826

(*) As of 31 December 2014 the balance of this account is related to bank deposits in Syria.

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

13. OTHER RECEIVABLES AND PAYABLES (cont'd)

Other short-term payables to non-related parties are as follows:

	31 December 2014	31 December 2013
Taxes and funds payable	118.571.362	81.943.879
Deposits and guarantess received	27.469.788	18.117.653
Payables to insurance companies	14.645.470	8.602.152
Other liabilities	4.873.440	5.518.003
	165.560.060	114.181.687

Other long-term payables to non-related parties are as follows:

	31 December 2014	31 December 2013
Deposits and guarantees received	33.177.620	30.917.704

14. INVENTORIES

	31 December 2014	31 December 2013
Spare parts	342.487.692	288.403.089
Other inventories	136.847.627	68.251.673
	479.335.319	356.654.762
Provision for impairment (-)	(27.106.828)	(14.330.391)
	452.228.491	342.324.371

Movements of provision for impairment on inventories for the periods ended 31 December 2014 and 2013 are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Provision at the beginning of the period	14.330.391	17.701.999
Foreign currency translation reserve	1.239.464	2.739.001
Reversals	11.536.973	(6.110.609)
Provision / (reversal) at the end of the period	27.106.828	14.330.391

15. BIOLOGICAL ASSETS

None (31 December 2013: None).

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

16. PRE-PAID EXPENSES AND DEFERRED INCOME

Pre-paid expenses and deferred incomes as of 31 December 2014 and 2013 are as follows:

Short-term prepaid expenses

	31 December 2014	31 December 2013
Prepaid sales commissions	28.811.772	30.382.160
Prepaid operating lease expenses	27.223.455	16.133.614
Other prepaid expenses	21.610.325	15.591.581
Prepaid advertising expenses	23.342.633	13.953.426
Advances given for orders	34.602.108	9.283.739
Prepaid other rent expenses	3.276.587	4.021.595
	138.866.880	89.366.115

Long-term prepaid expenses

	31 December 2014	31 December 2013
Prepaid maintenance of engine expense	528.448.280	311.691.062
Advances given for fixed asset purchases	111.912.536	52.089.326
Prepaid aircraft financing expenses	60.976.483	33.770.950
Prepaid expenses	12.763.202	12.850.445
Prepaid operating lease expenses	1.310.101	1.840.398
	715.410.602	412.242.181

Short-term deferred income

	31 December 2014	31 December 2013
Other advances received	17.219.980	13.137.643
Unearned bank protocol revenue accruals	3.792.150	12.272.118
Other income accruals	1.083.439	4.258.542
Unearned revenue from share transfer of TGS (Note: 4)	-	16.961.685
	22.095.569	46.629.988

Long-term deferred income

	31 December 2014	31 December 2013
Gross manufacturer's credits	76.072.137	59.077.997
Accumulated depreciations of manufacturer's credit	(47.240.393)	(36.261.496)
Unearned bank protocol revenue accruals	3.601.950	6.719.648
Unerarned revenue accruals	497.177	1.558.212
Other advances received	-	63.625
	32.930.871	31.157.986

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

17. INVESTMENT PROPERTY

	1 January- 31 December 2014	1 January- 31 December 2013
Opening balance	76.320.000	57.985.000
Disposal	-	(500.000)
Fair value gain (Note 37)	6.240.000	18.835.000
Closing balance	82.560.000	76.320.000

Valuation was performed by the independent valuation firm, which is authorized by Capital Markets Board with reference to market prices for similar properties.

The Group does not have any rent income from investment property.

Determination of fair value of investment property is within the scope of Level 3 in terms of valuation technique.

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

18. PROPERTY AND EQUIPMENT

	Land improvements and buildings	Technical equipments simulators and vehicles	Other equipments, and fixtures	Aircrafts	Spare engines	Components and repairable spare parts	Leasehold improvements	Construction in Progress	Total
Cost									
Opening balance at 1 January 2014	248.460.695	490.597.895	341.358.797	21.093.843.889	780.463.442	560.821.194	209.637.790	1.193.497.453	24.918.681.155
Foreign currency translation differences	29.524.354	49.432.667	27.187.347	2.012.046.647	80.084.960	59.489.984	62.527.357	43.907.442	2.364.200.758
Additions	105.977.215	134.746.488	49.011.560	3.729.275.416	169.071.597	218.287.632	127.381.099	56.440.362	4.590.191.369
Transfers (*)	-	257.264	4.833.641	351.768.669	-	-	633.035.407	(1.036.262.124)	(46.367.143)
Transfers between the account	(9.160)	(10.181.777)	10.181.777	(57.615.516)	57.615.516	-	9.160	-	-
Disposals	-	(10.566.058)	(102.284.728)	(924.779.348)	(18.877.848)	(36.868.036)	(378.126)	-	(1.093.754.144)
Closing balance at 31 December 2014	383.953.104	654.286.479	330.288.394	26.204.539.757	1.068.357.667	801.730.774	1.032.212.687	257.583.133	30.732.951.995
Accumulated Depreciation									
Opening balance at 1 January 2014	92.745.787	233.311.744	247.873.088	6.622.694.220	246.509.985	220.355.668	89.534.547	-	7.753.025.039
Foreign currency translation differences	8.393.986	15.515.960	17.982.139	616.270.889	27.565.170	22.967.085	11.003.148	-	719.698.377
Depreciation charge for the period	6.195.880	48.922.421	40.417.097	1.287.231.325	69.269.410	90.214.196	54.148.952	-	1.596.399.281
Transfers	(1.531)	(2.244.520)	2.244.520	(45.586.030)	45.586.030	-	1.531	-	-
Disposals	-	(10.383.000)	(99.761.498)	(523.782.659)	(11.719.249)	(25.662.230)	(363.917)	-	(671.672.553)
Closing balance at 31 December 2014	107.334.122	285.122.605	208.755.346	7.956.827.745	377.211.346	307.874.719	154.324.261	-	9.397.450.144
Net book value 31 December 2014	276.618.982	369.163.874	121.533.048	18.247.712.012	691.146.321	493.856.055	877.888.426	257.583.133	21.335.501.851

(*) Tangible asset amounting to TL 46,367,143 is transferred to intangible assets.

As of 31 December 2014, carrying value of the aircrafts and spare engines acquired through finance leases is TL 17,111,559,529 (31 December 2013: TL 13,199,692,726)

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

18. PROPERTY AND EQUIPMENT (cont'd)

	Land improvements and buildings	Technical equipments simulators and vehicles	Other equipments, and fixtures	Aircrafts	Spare engines	Components and repairable spare parts	Leasehold improvements	Construction in Progress	Total
Cost									
Opening balance at 1 January 2013	198.408.933	376.616.472	240.693.235	15.623.706.346	617.668.430	373.795.361	79.440.618	679.208.519	18.189.537.914
Foreign currency translation differences	40.325.736	78.448.375	52.654.596	3.340.915.790	126.293.664	86.008.634	26.997.822	173.815.300	3.925.459.917
Additions	16.840.529	65.156.820	34.916.365	2.214.600.352	88.137.166	136.001.760	7.346.994	353.927.914	2.916.927.900
Additions from business combination	-	13.504.753	17.448.664	-	-	-	95.852.356	-	126.805.773
Transfers (*)	9.747.371	121.891	-	-	-	-	-	(13.454.280)	(3.585.018)
Disposals	(16.861.874)	(43.250.416)	(4.354.063)	(85.378.599)	(51.635.818)	(34.984.561)	-	-	(236.465.331)
Closing balance at 31 December 2013	248.460.695	490.597.895	341.358.797	21.093.843.889	780.463.442	560.821.194	209.637.790	1.193.497.453	24.918.681.155
Accumulated Depreciation									
Opening balance at 1 January 2013	73.594.821	202.883.246	175.979.342	4.659.039.951	187.327.416	145.803.610	51.569.939	-	5.496.198.325
Foreign currency translation differences	15.021.194	38.272.051	37.546.770	1.032.252.809	39.364.275	33.721.956	13.041.620	-	1.209.220.675
Depreciation charge for the period	9.246.828	31.576.872	32.235.486	1.016.780.059	66.210.218	57.206.508	12.326.072	-	1.225.582.043
Additions from business combination	-	3.598.750	6.252.478	-	-	-	12.596.916	-	22.448.144
Disposals	(5.117.056)	(43.019.175)	(4.140.988)	(85.378.599)	(46.391.924)	(16.376.406)	-	-	(200.424.148)
Closing balance at 31 December 2013	92.745.787	233.311.744	247.873.088	6.622.694.220	246.509.985	220.355.668	89.534.547	-	7.753.025.039
Net book value 31 December 2013	155.714.908	257.286.151	93.485.709	14.471.149.669	533.953.457	340.465.526	120.103.243	1.193.497.453	17.165.656.116
Net book value 31 December 2012	124.814.112	173.733.226	64.713.893	10.964.666.395	430.341.014	227.991.751	27.870.679	679.208.519	12.693.339.589

(*) Tangible asset amounting to TL 3,585,018 is transferred to intangible assets.

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

19. OTHER INTANGIBLE ASSETS

	Slot Rights and Acquired Technical Licenses	Other Rights	Other Intangible Assets	Total
Cost				
Opening balance at 1 January 2014	48.409.635	191.627.582	10.441.512	250.478.729
Foreign currency translation differences	2.388.987	22.595.507	903.113	25.887.607
Additions	-	23.396.751	-	23.396.751
Disposals	-	(6.796)	-	(6.796)
Transfers	-	46.367.143	-	46.367.143
Closing balance at 31 December 2014	50.798.622	283.980.187	11.344.625	346.123.434
Accumulated Amortization				
Opening balance at 1 January 2014	-	137.397.317	-	137.397.317
Foreign currency translation differences	-	13.585.536	90.078	13.675.614
Amortization charge	-	28.110.490	1.487.880	29.598.370
Disposals	-	(6.796)	-	(6.796)
Closing balance at 31 December 2014	-	179.086.547	1.577.958	180.664.505
Net book value at 31 December 2014	50.798.622	104.893.640	9.766.667	165.458.929

	Slot Rights and Acquired Technical Licenses	Other Rights	Other Intangible Assets	Total
Cost				
Opening balance at 1 January 2013	23.069.393	128.876.837	-	151.946.230
Foreign currency translation differences	4.551.501	29.466.538	1.024.925	35.042.964
Additions	-	29.702.901	-	29.702.901
Additions from business combination (Note:3)	20.788.741	-	9.416.587	30.205.328
Disposals	-	(3.712)	-	(3.712)
Transfers	-	3.585.018	-	3.585.018
Closing balance at 31 December 2013	48.409.635	191.627.582	10.441.512	250.478.729
Accumulated Amortization				
Opening balance at 1 January 2013	-	100.762.463	-	100.762.463
Foreign currency translation differences	-	21.693.450	-	21.693.450
Amortization charge	-	14.945.116	-	14.945.116
Disposals	-	(3.712)	-	(3.712)
Closing balance at 31 December 2013	-	137.397.317	-	137.397.317
Net book value at 31 December 2013	48.409.635	54.230.265	10.441.512	113.081.412

The Group considers slot rights and licences obtained by purchase of MNG Teknik as intangible assets having indefinite useful lives due to those slot rights and licences do not have expiry dates.

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

20. GOODWİLL

	31 December 2014	31 December 2013
Cost		
Opening balance	26.507.294	-
Additions (Note: 3)	-	23.905.375
Foreign currency translation differences	2.292.672	2.601.919
Closing balance	28.799.966	26.507.294

The goodwill recognized from the acquisition of MNG Teknik has been recognized in the consolidated financial statements as of 31 December 2014. In 2014, an impairment test has been implemented by the Company and no impairment has been noted on the net book value of goodwill.

21. LEASING TRANSACTIONS

Maturities of finance lease obligations are as follows:

	31 December 2014	31 December 2013
Less than 1 year	1.706.310.711	1.464.764.110
Between 1 – 5 years	6.603.317.934	5.809.555.437
Over 5 years	7.111.520.058	5.970.519.946
	15.421.148.703	13.244.839.493
Less: Future interest expenses	(1.666.058.630)	(1.692.349.161)
Principal value of future rentals stated in financial statements	13.755.090.073	11.552.490.332

	31 December 2014	31 December 2013
Interest Range:		
Floating rate obligations	7.367.381.644	5.073.110.037
Fixed rate obligations	6.387.708.429	6.479.380.295
	13.755.090.073	11.552.490.332

The Group leased certain of its aircrafts and spare engines under finance leases. The average lease term is 10 years (2013: 10 years). The Group has options to purchase related asset for an insignificant amount at the end of the lease terms. The Group's obligations under finance leases are secured by the lessors' title to the leased asset.

As of 31 December 2014, the US Dollars, Euro and JPY denominated lease obligations' weighted average interest rates are 3.69% (31 December 2013: 3.80%) for the fixed rate obligations and 0.98% (31 December 2013: 0.88%) for the floating rate obligations.

22. SERVICE CONCESSION AGREEMENTS

None (31 December 2013: None).

23. IMPAIRMENT IN ASSETS

None (31 December 2013: None).

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

24. GOVERNMENT GRANTS AND INCENTIVES

Incentive certificates No: 28.12.2010 / 99256 and No: 18.12.2014 / 117132 were obtained from Turkish Treasury for financing the aircrafts. According to this certificate, the Company will use the advantages for reduction of corporate tax, customs duty exemption and support for insurance premium of employers. Please refer to Note: 2.4.16 for the accounting of the related investment contribution.

25. BORROWING COSTS

During the year of 2014, there is no capitalized borrowing cost on property and equipment. (31 December 2013: None).

26. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions as of 31 December 2014 and 2013 are as follows:

(a) Short-term provisions for employee benefits

	31 December 2014	31 December 2013
Provisions for unused vacation	133.462.891	64.731.115

Changes in the provisions during 31 December 2014 and 2013 periods are set out below:

	1 January - 31 December 2014	1 January - 31 December 2013
Provision at the beginning of the year	64.731.115	41.066.116
Additions from business combination	-	2.278.037
Provision for the current year	68.544.633	22.377.281
Foreign currency translation differences	187.143	(990.319)
Provision at the end of the year	133.462.891	64.731.115

The Group recognizes an obligation for unused vacation days based on salaries of employees at the end of each reporting period.

(b) Other short-term provisions:

	31 December 2014	31 December 2013
Provisions for legal claims	36.593.232	29.819.212

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

26. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

(b) Other short-term provisions (cont'd):

Changes in the provisions for legal claims during 31 December 2014 and 2013 periods are set out below:

	1 January - 31 December 2014	1 January - 31 December 2013
Provision at the beginning of the year	29.819.212	35.516.181
Provision for the current year	13.522.458	3.282.172
Provisions released	(7.048.666)	(9.047.242)
Foreign currency translation differences	300.228	68.101
Provision at the end of the year	36.593.232	29.819.212

The Group recognizes provisions for lawsuits against it due to its operations. The law suits against the Group are usually reemployment law suits by former employees or related to damaged luggage or cargo. The estimate has been made on the basis of the legal advices. These amounts have not been discounted for the purpose of measuring the provision for legal claims, because the effect is not material. It is expected that provision amount will be paid during 2015.

27. COMMITMENTS

a) Guarantees/Pledges/Mortgages ("GPM") given by the group: Amount of letter of guarantees given as of 31 December 2014 is TL 135,529,571 (31 December 2013: TL 168,237,282).

	31 December 2014		31 December 2013	
	Foreign currency amount	TL equivalent	Foreign currency amount	TL equivalent
A. Total amounts of GPM given on the behalf of its own legal entity	-	135.529.571	-	168.237.282
-Collaterals				
TL	-	26.518.572	-	19.793.631
EUR	8.258.497	23.294.742	10.289.903	30.216.299
USD	34.558.606	80.137.952	53.499.485	114.183.950
Other	-	5.578.305	-	4.043.402
B. Total amounts of GPM given on the behalf of subsidiaries that are included in full consolidation	-	-	-	-
C. Total amounts of GPM given in order to guarantee third party debts for routine trade operations	-	-	-	-
D. Total amounts of other GPM given	-	-	-	-
i. Total amount of GPM given on behalf of the Parent	-	-	-	-
ii. Total amount of GPM given on behalf of other group companies not covered in B and C	-	-	-	-
iii. Total amount of GPM given on behalf of third parties not covered in C		-		-
		135.529.571		168.237.282

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

27. COMMITMENTS (cont'd)

The other CPMs given by the Company constitute 0% of the Group's equity as of 31 December 2014 (31 December 2013: 0%).

b) Operational leasing debts: The detail of the Group's not accrued operational leasing debts related to aircrafts is as follows:

	31 December 2014	31 December 2013
Less than 1 year	439.941.210	306.818.229
Between 1 – 5 years	1.229.218.248	668.136.183
More than 5 years	222.194.617	151.948.537
	1.891.354.075	1.126.902.949

c) Other operational leasing debts:

The Group also has operational lease agreements for 15 years related to the land for the aircraft maintenance hangar which is in use and for 23 years related to the land for the aircraft maintenance hangar which is still under construction. The liabilities of the Group related with these lease agreements are as follows:

	31 December 2014	31 December 2013
Less than 1 year	11.877.722	10.291.602
Between 1 – 5 years	55.682.839	50.256.243
More than 5 years	109.844.944	118.021.858
	177.405.505	178.569.703

d) Future aircraft purchase commitments:

To be delivered between the years 2010-2015, the Group signed a contract for 92 aircrafts with a total value of 11.8 billion US Dollars, according to the price lists before the discounts made by the aircraft manufacturing firms. 10 of these aircrafts were delivered in 2010, 29 of these aircrafts were delivered in 2011, 20 of these aircrafts were delivered in 2012, 18 of these aircrafts were delivered in 2013 and 10 of these aircrafts were delivered in 2014. To be delivered between the years 2013-2021, the Group signed a contract for 252 aircrafts with a total value of 37.5 billion US Dollars, according to the price lists before the discounts made by the aircraft manufacturing firms. 2 of these aircrafts were delivered in 2013 and 10 of these aircrafts were delivered in 2014. The Group has made an advance payment of 1,660 million US Dollars relevant to these purchases as of 31 December 2014.

28. EMPLOYEE BENEFITS

Provision for long-term retirement pay liability as of 31 December 2014 and 2013 is comprised of the following:

	31 December 2014	31 December 2013
Provisions for retirement pay liability	294.422.303	249.604.088

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

28. EMPLOYEE BENEFITS (cont'd)

Provision for retirement pay liability is recorded according to following explanations:

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

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

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees.

IAS 19 ("Employee Benefits") stipulates the development of company's liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows:

Main assumption is that maximum liability amount increases in accordance with the inflation rate for every service year. So, provisions in the accompanying financial statements as of 31 December 2014 are calculated by estimating present value of contingent liabilities due to retirement of employees. Provisions in the relevant balance sheet dates are calculated with the assumptions of 5.50% annual inflation rate (31 December 2013: 6.00%) and 9.00% interest rate. (31 December 2013: 10.20%). Estimated amount of retirement pay not paid due to voluntary leaves and retained in the Company is also taken into consideration as 2.40% (31 December 2013: 2.37%). Ceiling for retirement pay is revised semi-annually. Ceiling amount of TL 3,541 which is in effect since 1 January 2015 is used in the calculation of Group's provision for retirement pay liability.

Movement in the provision for retirement pay liability is as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Provisions at the beginning of the period	249.604.088	234.019.405
Effect of business combination	-	2.797.612
Service charge for the period	61.272.681	57.237.528
Interest charges	8.166.478	8.967.974
Actuarial gain / (loss)	10.492.174	(18.814.466)
Payments	(32.067.388)	(28.139.267)
Foreign currency translation effect	(3.045.730)	(6.464.698)
Provisions at the end of the period	294.422.303	249.604.088

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

29. EXPENSES BY NATURE

Expenses by nature for the years ended 31 December 2014 and 2013 are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Fuel expenses	8.392.841.933	6.574.220.845
Personnel expenses	3.708.134.832	3.026.021.360
Depreciation expenses	1.625.997.651	1.240.527.159
Ground services expenses	1.371.442.008	1.060.201.271
Passenger service catering expenses	1.220.822.431	891.516.771
Air traffic control expenses	1.167.042.545	864.180.730
Landing and navigation expenses	891.533.698	663.698.287
Short term leasing expenses	811.059.846	578.564.737
Maintenance expenses	805.950.317	608.898.333
Commission and incentives Income	775.551.700	632.021.257
Reservation systems expense	465.610.622	389.415.337
Operating lease expenses	373.819.866	283.209.307
Advertising and promotion expenses	370.079.692	252.395.319
Service expenses	245.232.393	123.806.654
Other rent expenses	109.858.715	84.729.834
Communication and information expenses	80.769.645	58.033.421
Insurance expenses	78.691.518	77.332.407
Transportation expenses	52.172.027	36.673.174
Tax expenses	51.657.401	36.685.626
Consultancy expenses	28.061.227	25.412.102
Utility expenses	17.547.361	15.650.445
Membership fees	12.947.334	11.075.966
System use and membership expenses	11.410.093	10.331.346
Other expenses	205.393.972	142.334.177
	22.873.628.827	17.686.935.865

30. PASSENGER FLIGHT LIABILITIES

Passenger flight liability is as follows;

	31 December 2014	31 December 2013
Flight liability generating from ticket sales	2.789.537.334	2.109.459.830
Flight liability generating from sales of mileage and frequent flyer programme	453.088.394	453.046.437
	3.242.625.728	2.562.506.267

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

31. OTHER ASSETS AND LIABILITIES

Details of other current assets as of 31 December 2014 and 2013 are as follows:

	31 December 2014	31 December 2013
Deferred VAT	87.084.938	102.299.545
Personnel and job advances	2.352.410	9.644.840
Other current assets	286.380	479.567
	89.723.728	112.423.952

Other short-term liabilities as of 31 December 2014 and 2013 are as follows:

	31 December 2014	31 December 2013
Accruals for maintenance expenses	597.491.859	611.392.419
Accruals for other expenses	11.487.373	4.318.568
Other liabilities	2.810.456	4.033.193
	611.789.688	619.744.180

32. SHAREHOLDERS' EQUITY

The ownership structure of the Group's share capital is as follows:

	Class	%	31 December 2014	%	31 December 2013
Republic of Turkey Prime Ministry Privatization Administration (*)	A, C	49,12	677.884.849	49,12	677.884.849
Other (publicly held)	A	50,88	702.115.151	50,88	702.115.151
Paid-in capital			1.380.000.000		1.380.000.000
Restatement difference (**)			1.123.808.032		1.123.808.032
Restated capital			2.503.808.032		2.503.808.032

(*) 1,644 shares belonging to various private shareholders were not taken into consideration when the Group was included to the privatization program in 1984. Subsequently, these shares were registered on behalf of Privatization Administration according to Articles of Association of the Group, approved by the decision of the Turkish Republic High Planning Board on 30 October 1990.

(**) Inflation adjustment on share capital represents indexation of historical capital payments based on inflation indices until 2004.

As of 31 December 2014, the Group's issued and paid-in share capital consists of 137,999,999,999 Class A shares and 1 Class C share, all with a par value of Kr 1 each. These shares are issued to the name. The Class C share belongs to the Republic of Turkey Prime Ministry Privatization Administration and has the following privileges:

Articles of Association 7: Positive vote of the board member representing class C share and approval of the Board of Directors are necessary for transfer of shares issued to the name.

Articles of Association 10: The Board of Directors consists of nine members of which one member has to be nominated by the class C shareholder and the rest eight members has to be chosen by an election between class A shareholder's top rated.

32. SHAREHOLDERS' EQUITY (cont'd)

Articles of Association 14: The following decisions of the Board of Directors are subject to the positive vote of the class C Shareholder:

a) As defined in Article 3.1. of the Articles of Association, taking decisions that will negatively affect the Company's mission,

b) Suggesting change in the Articles of Association at General Assembly,

c) Increasing share capital,

d) Approval of transfer of the shares issued to the name and their registration to the "Share Registry",

e) Making decisions or taking actions which will put the Company under commitment over 5% of its total assets considering the latest annual financial statements prepared for Capital Market Board per agreement (this statement will expire when the Company's shares held by Turkish State is below 20%),

f) Making decisions relating to merges and liquidation,

g) Making decisions to cancel flight routes or significantly decrease number of flights except for the ones that cannot recover even its operational expenses subject to the market conditions.

Restricted Profit 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 held companies distribute dividends due form of Capital Market Board (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. Also, currency translation differences in equities of the Group's joint venture which is consolidated by using equity method, is presented under currency translation item.

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

32. SHAREHOLDERS' EQUITY (cont'd)

Distribution of Dividends

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from February 1, 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of associations. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on financial statements of the company.

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

Paid-in capital	1.380.000.000
Share premium	181.185
Legal reserves	75.739.047
Extraordinary reserves	9
Special funds	475.065
Retained earnings (*)	(1.023.653.930)
Net profit for the period (*)	818.203.579
Total shareholders' equity	1.250.944.955

(*) Per legal records, these are the balances subject to dividend distributions, but total of these amounts are negative.

Gains/Losses from Cash Flow Hedges

Hedge gain/losses against cash flow risk arise from the accounting of the changes in the fair values of effective derivative financial instruments designated against financial risks of future cash flows under equity. Total of deferred gain/loss arising from hedging against financial risk are accounted in profit or loss when the hedged item impacts profit or loss.

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

33. REVENUE

Details of gross profit are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Passenger revenue		
Scheduled	21.321.744.117	16.587.466.680
Unscheduled	181.445.007	137.350.704
Total passenger revenue	21.503.189.124	16.724.817.384
Cargo revenue		
Carried by passenger aircraft	1.213.854.441	931.653.088
Carried by cargo aircraft	915.714.753	732.013.141
Total cargo revenue	2.129.569.194	1.663.666.229
Total passenger and cargo revenue	23.632.758.318	18.388.483.613
Technical revenue	446.678.676	319.928.999
Other revenue	78.364.411	68.371.713
Net sales	24.157.801.405	18.776.784.325
Cost of sales (-)	(19.812.624.371)	(15.304.655.417)
Gross profit	4.345.177.034	3.472.128.908

Geographical details of revenue from the scheduled flights are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
- Europe	7.739.944.667	6.101.037.615
- Far East	5.510.324.778	4.228.517.327
- Middle East	2.746.196.700	2.057.326.448
- America	2.665.261.133	1.981.878.529
- Africa	1.950.319.415	1.535.619.716
Total international flights	20.612.046.693	15.904.379.635
Domestic flights	3.020.711.625	2.484.103.978
Total passenger and cargo revenue	23.632.758.318	18.388.483.613

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

34. COST OF SALES

The details of the cost of sales are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Fuel expenses	8.391.407.936	6.572.690.533
Personnel expenses	2.788.065.425	2.261.315.199
Depreciation expenses	1.514.309.369	1.183.623.060
Ground services expenses	1.371.442.008	1.060.201.271
Passenger service catering expenses	1.220.822.431	891.516.771
Air traffic control expenses	1.167.042.545	864.180.730
Landing and navigation expenses	891.533.698	663.698.287
Maintenance expenses	799.836.180	602.494.058
Short term aircraft leasing expenses	811.059.846	578.564.737
Operating lease expenses	373.819.866	283.209.307
Service expenses	187.979.503	89.263.220
Insurance expenses	75.238.532	75.445.618
Other rent expenses	48.824.802	50.149.164
Transportation expenses	52.172.027	36.673.174
Tax expenses	24.457.430	18.787.659
Utility expenses	9.765.794	11.008.092
Other expenses	84.846.979	61.834.537
	19.812.624.371	15.304.655.417

35. GENERAL ADMINISTRATIVE EXPENSES AND MARKETING AND SALES EXPENSES

General administrative expenses are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Personnel expenses	307.183.478	266.042.066
Depreciation expenses	96.724.403	44.574.203
Communication and information expenses	61.159.509	43.193.773
Service expenses	39.677.509	22.219.578
Rent expenses	22.680.342	8.682.388
System usage and membership expenses	11.410.093	10.331.346
Consultancy expenses	9.743.387	9.518.180
Utility expenses	7.781.567	4.642.353
Maintenance expenses	6.114.137	6.404.275
Insurance expenses	3.452.986	1.886.789
Other general administrative expenses	32.821.184	17.481.203
	598.748.595	434.976.154

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

35. GENERAL ADMINISTRATIVE EXPENSES AND MARKETING AND SALES EXPENSES (cont'd)

Marketing and sales expenses are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Commissions and incentive expenses	775.551.700	632.021.257
Personnel expenses	612.885.929	498.664.095
Reservation systems expense	465.610.622	389.415.337
Advertising and promotion expenses	370.079.692	252.395.319
Rent expenses	38.353.571	25.898.282
Tax expenses	27.199.971	17.897.967
Consultancy expenses	18.317.840	15.893.922
Communication and information expenses	19.610.136	14.839.648
Depreciation expenses	14.963.879	12.329.896
Service expenses	17.575.381	12.323.856
Membership fees	12.947.334	11.075.966
Fuel expenses	1.433.997	1.530.312
Other sales and marketing expenses	87.725.809	63.018.437
	2.462.255.861	1.947.304.294

36. OTHER OPERATING INCOME / EXPENSES

Other operating income consists of the following:

	1 January - 31 December 2014	1 January - 31 December 2013
Insurance, indemnities, penalties income	47.746.955	52.395.739
Grant credit income related to aircraft, engines and other purchases	40.327.430	17.910.135
Turnover premium from suppliers	21.891.480	7.814.250
Provisions released	16.948.673	14.784.893
TGS share premium (Note: 4)	11.377.283	11.187.211
Non- interest income from banks	11.218.398	9.627.810
Rent income	2.893.249	7.140.139
Discount interest income	2.724.200	2.157.367
Foreign exchange gains on operational assets and liabilities	-	64.554.566
Other operating income	23.449.776	31.390.338
	178.577.444	218.962.448

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

36. OTHER OPERATING INCOME / EXPENSES (cont'd)

Other operating expenses consist of the following:

	1 January - 31 December 2014	1 January - 31 December 2013
Foreign exchange losses on operational assets and liabilities	45.622.406	-
Provision expenses	32.280.170	43.162.345
Indemnity and penalty expense	8.490.189	5.594.677
Discount interest expenses	6.289.618	4.557.626
Other operating expenses	11.509.739	29.370.512
	104.192.122	82.685.160

37. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

Incomes from investment activities are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Income from investment incentive	124.974.665	93.786.035
Gain on sale of fixed assets	50.618.715	3.763.996
Financial investment interest income	29.053.983	29.126.209
Fair value gain on investment property	6.240.000	18.835.000
	210.887.363	145.511.240

Expenses from investment activities are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Loss on sale of fixed assets	52.200.322	2.105.578

38. EXPENSES CLASSIFIED BY PRINCIPLE OF TYPE

Expenses for the years ended as of 31 December 2014 and 2013 are presented in Note 34 and Note 35 according to their functions.

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

39. FINANCIAL INCOME/EXPENSES

Financial income consists of the following:

	1 January - 31 December 2014	1 January - 31 December 2013
Foreign exchange gains on financial liabilities	879.905.901	-
Fair value gains on derivative financial instruments	53.168.615	-
Interest income	47.134.709	50.145.542
	980.209.225	50.145.542

Finance expenses are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Finance lease interest expense	341.435.347	247.443.605
Administrative expenses for aircraft financing	23.444.385	26.600.791
Other financial expense	12.675.843	7.604.870
Discount interest expense related to prepayments for the aircrafts purchases	11.359.041	5.237.927
Cost of employee termination benefits interest	8.166.478	8.967.974
Foreign exchange losses on financial liabilities	-	236.492.078
Fair value losses on derivative financial instruments	-	31.058.964
	397.081.094	563.406.209

40. ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

For the period ended 31 December 2014, the Company's other comprehensive income which is not to be reclassified to profit or loss is TL 7,978,884 as expense (31 December 2013: TL 14,560,628 as income), other comprehensive income to be reclassified to profit or loss is TL 380,632,122 as income (31 December 2013: TL 1,033,459,675 as income).

41. TAX ASSETS AND LIABILITIES

Assets related to current tax consists of the following items:

	31 December 2014	31 December 2013
Prepaid taxes and funds	18.570.204	16.507.184

Current tax provision consists of the following items:

	31 December 2014	31 December 2013
Provisions for corporate tax	10.530.031	-
Prepaid taxes and funds	(8.669.800)	-
Tax liability	1.860.231	-

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

41. TAX ASSETS AND LIABILITIES (cont'd)

Tax expense consists of the following items:

	1 January - 31 December 2014	1 January - 31 December 2013
Current period tax expense	9.875.007	-
Deferred tax expense	432.012.260	282.536.828
Tax expense	441.887.267	282.536.828

Tax effect related to other comprehensive income is as follows:

	1 January - 31 December 2014			1 January - 31 December 2013		
	Amount before tax	Tax (expense) /income	Amount after tax	Amount before tax	Tax (expense) /income	Amount after tax
Changes in Foreign currency translation difference	707.977.183	-	707.977.183	1.089.281.590	-	1.089.281.590
Change in cash flow hedge reserve	(409.181.326)	81.836.265	(327.345.061)	(69.777.394)	13.955.479	(55.821.915)
Change in actuarial losses from defined pension plans	(9.973.605)	1.994.721	(7.978.884)	18.200.785	(3.640.157)	14.560.628
Other comprehensive income	288.822.252	83.830.986	372.653.238	1.037.704.981	10.315.322	1.048.020.303

There is no taxation effect related to the change in foreign currency translation adjustment that is included in other comprehensive income for the period.

Corporate Tax

The Group is subject to Turkish corporate taxes. The effective tax rate in 2014 is 20% (2013: 20%) Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the years and periods. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

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.

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.

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

41. TAX ASSETS AND LIABILITIES (cont'd)

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.

Deferred Tax

The Group 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.

In Turkey, the companies cannot declare a consolidated tax return; therefore, subsidiaries that have deferred tax assets position were not netted off against subsidiaries that have deferred tax liabilities position and disclosed separately.

The deferred tax assets / (liabilities) are as follows:

	31 December 2014	31 December 2013
Fixed assets	(2.049.359.536)	(1.568.960.811)
Provisional income	(32.480.742)	(64.076.875)
Fair value corrections of business combinations	(2.550.150)	(2.736.192)
Change in fair value of derivative instruments	127.452.534	33.933.884
Accruals for expenses	124.113.078	120.595.493
Miles accruals	73.975.785	63.436.255
Income and expense for future periods	65.021.992	41.184.737
Provisions for employee benefits	58.257.883	49.289.273
Tax loss carried forward	55.307.738	184.051.336
Provisions for unused vacation	26.371.176	12.462.432
Allowance for doubtful receivables	12.108.475	9.461.175
Long-term lease obligations	11.524.099	10.569.324
Provision for impairment of inventories	4.996.076	3.659.323
Other	7.323.694	(202.697)
Deferred tax liabilities	(1.517.937.898)	(1.107.333.343)

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

41. TAX ASSETS AND LIABILITIES (cont'd)

Deferred Tax (cont'd)

The changes of deferred tax liability as of 31 December 2014 and 2013 are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Opening balance at 1 January	1.107.333.343	744.083.660
Deferred tax expense	432.012.260	282.536.828
Tax income from hedge reserve gains/losses	(83.529.421)	(13.112.336)
Tax expenses of actuarial losses on retirement pay obligation	(2.098.435)	3.762.893
Fair value adjustment differences from business combinations	2.550.150	2.736.192
Foreign currency translation adjustment	61.670.001	87.326.106
Deferred tax liability at the end of the period	1.517.937.898	1.107.333.343

Reconciliation of provision for taxes:	1 January - 31 December 2014	1 January - 31 December 2013
Profit from operations before tax	2.261.146.803	965.244.255
Domestic income tax rate of 20%	452.229.361	193.048.851
Taxation effects on:		
- income from investment assistance	(24.994.933)	(18.757.207)
- non-deductible expenses	1.327.886	6.792.351
- equity method	(32.154.746)	(21.794.705)
- adjustment for prior year loss	(44.903.623)	(1.798.122)
- foreign currency translation difference	90.383.322	125.045.660
Tax charge in statement of profit or loss	441.887.267	282.536.828

42. EARNINGS PER SHARE

Earnings per share disclosed in the consolidated statements of income are determined by dividing the net income by the weighted number of shares that have been outstanding during the period concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus interest") to existing shareholders from retained earnings. For the purpose of earnings per share computations, such bonus shares are regarded as issued shares. Accordingly, the weighted average number of shares outstanding during the years has been adjusted in respect of bonus shares issued without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and for each earlier year.

Earnings per share are calculated by dividing net profit by weighted average number of shares outstanding in the relevant period.

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

42. EARNINGS PER SHARE (cont'd)

Number of total shares and calculation of earnings per share at 31 December 2014 and 2013:

	1 January - 31 December 2014	1 January - 31 December 2013
Number of shares outstanding at 1 January (in full)	138.000.000.000	120.000.000.000
New bonus shares issued (in full)	-	18.000.000.000
Number of shares outstanding at 31 December (in full)	138.000.000.000	138.000.000.000
Weighted average number of shares outstanding during the period (in full)	138.000.000.000	138.000.000.000
Net profit for period	1.819.259.536	682.707.427
Profit per share (Kr)	1,32	0,49

43. EFFECTS OF EXCHANGE RATE CHANGES

Analysis of effects of exchange rate changes as at 31 December 2014 and 2013 is presented in Note 45.

44. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial assets and liabilities of the Group as of 31 December 2014 and 2013 are as follows:

Derivative financial assets	31 December 2014	31 December 2013
Derivative instruments for interest rate cash flow hedge	27.350.348	41.282.298
Cross exchange rate swap agreements	321.318.565	12.920.386
Derivative instruments for fuel prices cash flow hedge	4.874.832	10.076.978
	353.543.745	64.279.662

Derivative financial liabilities	31 December 2014	31 December 2013
Derivative instruments for interest rate cash flow hedge	157.141.616	101.487.620
Cross exchange rate swap agreements	3.427.569	113.727.977
Derivative instruments for fuel prices cash flow hedge	830.237.231	18.733.493
	990.806.416	233.949.090

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

45. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 8, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Board of Directors of the Group periodically reviews the capital structure. During these analyses, the Board assesses the risks associated with each class of capital along with cost of capital. Based on the review of the Board of Directors, the Group aims to balance its overall capital structure through the issue of new debt or the redemption of existing debt.

The overall strategy of the Group does not change compared to 2013.

	31 December 2014	31 December 2013
Total debts	15.341.424.735	13.041.029.326
Less: Cash and cash equivalents and time deposits with maturity of more than three months	(1.674.441.171)	(1.381.757.869)
Net debt	13.666.983.564	11.659.271.457
Total shareholders' equity	9.154.403.130	6.962.490.356
Total capital stock	22.821.386.694	18.621.761.813
Net debt/total capital stock ratio	0,60	0,63

(b) Financial Risk Factors

The risks of the Group, resulting from operations, include market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's risk management program generally seeks to minimize the potential negative effects of uncertainty in financial markets on financial performance of the Group. The Group uses a small portion of derivative financial instruments in order to safeguard itself from different financial risks.

Risk management, in line with policies approved by the Board of Directors, is carried out. According to risk policy, financial risk is identified and assessed. By working together with Group's operational units, relevant instruments are used to reduce the risk.

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

45. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)

(b) Financial Risk Factors (cont'd)

b.1) Credit risk management

	Receivables					
	Trade receivables		Other receivables			
31 December 2014	Related Party	Third Party	Related Party	Third Party	Deposits in Banks	Derivative Instruments
Maximum credit risk as of balance sheet date (*)	628.622	1.056.706.451	7.505.738	5.227.413.244	1.633.222.601	353.543.745
-The part of maximum risk under guarantee with collateral etc. (**)	-	50.186.269	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	628.622	542.737.910	7.505.738	5.227.413.244	1.633.222.601	353.543.745
B. Net book value of financial assets those are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Net book value of financial assets those are past due but not impaired	-	513.968.541	-	-	-	-
-The part under guarantee with collateral etc.	-	16.089.276	-	-	-	-
D. Net book value of impaired assets						
-Past due (gross carrying amount)	-	156.210.568	-	-	-	-
-Impairment(-)	-	(156.210.568)	-	-	-	-
-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 in credit reliability such as guarantees received are not considered in the balance.
(**)Guarantees consist of the guarantees in cash & letters of guarantee obtained from the customers

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

45. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)

(b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

	Receivables					
	Trade receivables		Other receivables			
31 December 2013	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Deposits in Banks**	**Derivative Instruments**
Maximum credit risk as of balance sheet date (*)	382.750	1.147.707.413	4.087.847	4.057.306.732	1.346.109.379	64.279.662
-The part of maximum risk under guarantee with collateral etc. (**)	-	31.828.539	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired						
B. Net book value of financial assets those are renegotiated,	382.750	761.719.849	4.087.847	4.057.306.722	1.346.109.379	64.279.662
if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Net book value of financial assets those are past due but not impaired	-	385.987.564	-	-	-	-
-The part under guarantee with collateral etc.	-	10.274.940	-	-	-	-
D. Net book value of impaired assets						
-Past due (gross carrying amount)	-	141.633.923	-	-	-	-
-Impairment(-)	-	(141.633.923)	-	-	-	-
-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 in credit reliability such as guarantees received are not considered in the balance.

(**)Guarantees consist of the guarantees in cash & letters of guarantee obtained from the customers

45. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)

(b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

The risk of a financial loss for the Group due to failing of one of the parties of the contract to meet its obligations is defined as credit risk.

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

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

45. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)

(b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

The aging of past due receivables as of 31 December 2014 are as follows:

	Receivables					
31 December 2014	**Trade Receivables**	**Other Receivables**	**Deposits in Banks**	**Derivative Instruments**	**Other**	**Total**
Past due 1-30 days	114.651.438	-	-	-	-	114.651.438
Past due 1-3 months	117.511.045	-	-	-	-	117.511.045
Past due 3-12 months	422.314.872	-	-	-	-	422.314.872
Past due 1-5 years	15.701.754	-	-	-	-	15.701.754
Past due more than 5 years	-	-	-	-	-	-
Total past due receivables	670.179.109	-	-	-	-	670.179.109
The part under guarantee with collateral etc.	16.089.276	-	-	-	-	16.089.276

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

45. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)

(b) Financial Risk Factors (cont'd)

b.1) *Credit risk management (cont'd)*

The aging of past due receivables as of 31 December 2013 are as follows:

	Receivables					
31 December 2013	**Trade Receivables**	**Other Receivables**	**Deposits in Banks**	**Derivative Instruments**	**Other**	**Total**
Past due 1-30 days	83.380.022	-	-	-	-	83.380.022
Past due 1-3 months	90.112.596	-	-	-	-	90.112.596
Past due 3-12 months	337.402.180	-	-	-	-	337.402.180
Past due 1-5 years	16.726.689	-	-	-	-	16.726.689
Past due more than 5 years	-	-	-	-	-	-
Total past due receivables	527.621.487	-	-	-	-	527.621.487
The part under guarantee with collateral etc.	10.274.940	-	-	-	-	10.274.940

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

45. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)

(b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

As of balance sheet date, total amount of cash collateral and letter of guarantee, which is received by Group for past due not impaired receivable, is TL 16,089,276 (31 December 2013: TL 10,274,940).

As of the balance sheet date, The Group has no guarantee for past due receivables for which provisions were recognized.

b.2) 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 2014 and 2013 are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Opening Balance	141.633.923	73.380.910
Charge for the period	18.757.712	39.880.173
Collections during the period	(9.900.007)	(5.737.651)
Additions from business combinations	-	3.300.151
Currency translation adjustment	5.718.940	39.354.529
Receivables written-off	-	(8.544.189)
Closing Balance	156.210.568	141.633.923

b.3) 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 Group management. The Group 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 Group can be required to pay. The interests that will be paid on the future liabilities are included in the related maturities. The adjustment column shows the item which causes possible cash flow in the future periods. The item in question is included in the maturity analysis and is not included balance sheet amount of financial liabilities in the balance sheet.

Group 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.

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

45. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)

(b) Financial Risk Factors (cont'd)

b.3) Liquidity risk management (cont'd)

Liquidity risk table:

31 December 2014

Due date on the contract	Book value	Total cash outflow according to the contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Finance lease obligations	13.755.090.073	15.421.148.703	387.854.688	1.318.456.023	6.603.317.934	7.111.520.058
Trade payables	1.542.073.561	1.542.073.561	1.538.601.047	-	3.472.514	-
Other financial liabilities	44.261.101	44.261.101	44.261.101	-	-	-
Total	15.341.424.735	17.007.483.365	1.970.716.836	1.318.456.023	6.606.790.448	7.111.520.058

31 December 2013

Due date on the contract	Book value	Total cash outflow according to the contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Finance lease obligations	11.552.490.332	13.244.839.493	339.918.526	1.124.845.584	5.809.555.437	5.970.519.946
Trade payables	1.454.730.581	1.454.730.581	1.451.181.580	-	3.549.001	-
Other financial liabilities	33.808.413	33.808.413	33.808.413	-	-	-
Total	13.041.029.326	14.733.378.487	1.824.908.519	1.124.845.584	5.813.104.438	5.970.519.946

31 December 2014

Due date on the contract	Book value	Total cash outflow according to the contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Derivative financial (liabilities) / assets, net						
Derivative cash inflows outflows,net	(637.262.671)	(590.196.890)	(65.878.692)	(291.562.311)	(236.673.860)	3.917.973
Total	(637.262.671)	(590.196.890)	(65.878.692)	(291.562.311)	(236.673.860)	3.917.973

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

45. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)

(b) Financial Risk Factors (cont'd)

b.3) Liquidity risk management (cont'd)

31 December 2013

Due date on the contract	Book value	Total cash outflow according to the contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Derivative financial (liabilities) / assets, net						
Derivative cash inflows outflows,net	(169.669.428)	(141.197.757)	(32.313.484)	(57.121.495)	(65.694.436)	13.931.658
Total	(169.669.428)	(141.197.757)	(32.313.484)	(57.121.495)	(65.694.436)	13.931.658

b.4) *Market risk management*

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

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

45. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)

(b) Financial Risk Factors (cont'd)

b.4) Market risk management (cont'd)

b.4.1) Foreign currency risk management

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

	31 December 2014					
	TL EQUIVALENT	**TL**	**EURO**	**GBP**	**JPY**	**OTHER**
1.Trade Receivables	976.563.310	169.915.452	265.843.459	99.288.722	17.133.635	424.382.042
2a.Monetary Financial Assets	1.505.177.767	621.100.360	667.662.768	3.715.664	2.971.479	209.727.496
2b.Non Monetary Financial Assets	-	-	-	-	-	-
3.Other	911.540.429	671.249.729	127.920.262	22.724.898	3.868.094	85.777.446
4.Current Assets (1+2+3)	**3.393.281.506**	**1.462.265.541**	**1.061.426.489**	**125.729.284**	**23.973.208**	**719.886.984**
5.Trade Receivables	-	-	-	-	-	-
6a.Monetary Financial Assets	-	-	-	-	-	-
6b.Non Monetary Financial Assets	-	-	-	-	-	-
7.Other	140.069.792	3.993.268	115.012.726	50.307	386.463	20.627.028
8.Non Current Assets (5+6+7)	**140.069.792**	**3.993.268**	**115.012.726**	**50.307**	**386.463**	**20.627.028**
9.Total Assets (4+8)	**3.533.351.298**	**1.466.258.809**	**1.176.439.215**	**125.779.591**	**24.359.671**	**740.514.012**
10.Trade Payables	1.039.514.414	537.517.504	344.115.293	22.502.850	3.738.639	131.640.128
11.Financial Liabilities	951.733.127	44.261.101	653.293.194	-	254.178.832	-
12a.Other Liabilities, Monetary	991.004.518	766.782.421	157.371.793	1.403.400	49.335.932	16.110.972
12b.Other Liabilities, Non Monetary	170.056.123	170.056.123	-	-	-	-
13.Current Liabilities (10+11+12)	**3.152.308.182**	**1.518.617.149**	**1.154.780.280**	**23.906.250**	**307.253.403**	**147.751.100**
14.Trade Payables	-	-	-	-	-	-
15.Financial Liabilities	8.556.629.454	-	5.146.573.238	-	3.410.056.216	-
16a.Other Liabilities, Monetary	30.586.411	1.824.478	17.315.666	119.051	-	11.327.216
16b.Other Liabilities, Non Monetary	294.422.303	294.422.303	-	-	-	-
17.Non Current Liabilities (14+15+16)	**8.881.638.168**	**296.246.781**	**5.163.888.904**	**119.051**	**3.410.056.216**	**11.327.216**
18.Total Liabilities (13+17)	**12.033.946.350**	**1.814.863.930**	**6.318.669.184**	**24.025.301**	**3.717.309.619**	**159.078.316**
19.Net asset / liability position of off-balance sheet derivatives (19a-19b)	-	-	-	-	-	-
19a.Off-balance sheet foreign currency derivative assets	-	-	-	-	-	-
19b.Off-balance sheet foreigncurrency derivative liabilities	-	-	-	-	-	-
20.Net foreign currency asset/(liability) position (9-18+19)	**(8.500.595.052)**	**(348.605.121)**	**(5.142.229.969)**	**101.754.290**	**(3.692.949.948)**	**581.435.696**
21.Net foreign currency asset / liability position of monetary items (UFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(9.087.726.847)**	**(559.369.692)**	**(5.385.162.957)**	**78.979.085**	**(3.697.204.505)**	**475.031.222**
22.Fair value of foreign currency hedged financial assets	-	-	-	-	-	-
23.Hedged foreign currency assets	-	-	-	-	-	-
24.Hedged foreign currency liabilities	-	-	-	-	-	-

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

45. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)

(b) Financial Risk Factors (cont'd)

b.4) Market risk management (cont'd)

b.4.1) Foreign currency risk management (cont'd)

	31 December 2013					
	TL EQUIVALENT	**TL**	**EURO**	**GBP**	**JPY**	**OTHER**
1.Trade Receivables	1.008.645.931	201.509.522	274.755.954	63.400.212	22.252.119	446.728.124
2a.Monetary Financial Assets	543.803.453	155.675.333	152.223.433	3.096.083	23.452.000	209.356.604
2b.Non Monetary Financial Assets	-	-	-	-	-	-
3.Other	387.659.539	184.802.343	84.962.534	11.514.608	1.076.183	105.303.871
4.Current Assets (1+2+3)	**1.940.108.923**	**541.987.198**	**511.941.921**	**78.010.903**	**46.780.302**	**761.388.599**
5.Trade Receivables	-	-	-	-	-	-
6a.Monetary Financial Assets	-	-	-	-	-	-
6b.Non Monetary Financial Assets	-	-	-	-	-	-
7.Other	264.206.328	15.020.362	87.482.099	501.032	386.463	160.816.372
8.Non Current Assets (5+6+7)	**264.206.328**	**15.020.362**	**87.482.099**	**501.032**	**386.463**	**160.816.372**
9.Total Assets (4+8)	**2.204.315.251**	**557.007.560**	**599.424.020**	**78.511.935**	**47.166.765**	**922.204.971**
10.Trade Payables	969.871.904	452.325.406	317.042.284	21.783.396	4.044.025	174.676.793
11.Financial Liabilities	752.698.394	33.807.762	625.806.345	-	93.084.287	-
12a.Other Liabilities, Monetary	491.910.877	322.749.763	147.406.863	1.348.650	996.466	19.409.135
12b.Other Liabilities, Non Monetary	94.550.327	93.274.987	1.275.340	-	-	-
13.Current Liabilities (10+11+12)	**2.309.031.502**	**902.157.918**	**1.091.530.832**	**23.132.046**	**98.124.778**	**194.085.928**
14.Trade Payables	352.923	352.923	-	-	-	-
15.Financial Liabilities	6.461.648.607	-	5.107.964.213	-	1.353.684.394	-
16a.Other Liabilities, Monetary	25.090.461	2.052.026	12.100.112	184.294	-	10.754.029
16b.Other Liabilities, Non Monetary	249.604.088	249.604.088	-	-	-	-
17.Non Current Liabilities (14+15+16)	**6.736.696.079**	**252.009.037**	**5.120.064.325**	**184.294**	**1.353.684.394**	**10.754.029**
18.Total Liabilities (13+17)	**9.045.727.581**	**1.154.166.955**	**6.211.595.157**	**23.316.340**	**1.451.809.172**	**204.839.957**
19.Net asset / liability position of off-balance sheet derivatives (19a-19b)	-	-	-	-	-	-
19a.Off-balance sheet foreign currency derivative assets	-	-	-	-	-	-
19b.Off-balance sheet foreigncurrency derivative liabilities	-	-	-	-	-	-
20.Net foreign currency asset/ (liability) position (9-18+19)	**(6.841.412.330)**	**(597.159.395)**	**(5.612.171.137)**	**55.195.595**	**(1.404.642.407)**	**717.365.014**
21.Net foreign currency asset / (liability) position of monetary items (UFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(7.149.123.782)**	**(454.103.025)**	**(5.783.340.430)**	**43.179.955**	**(1.406.105.053)**	**451.244.771**
22.Fair value of foreign currency hedged financial assets	-	-	-	-	-	-
23.Hedged foreign currency assets	-	-	-	-	-	-
24.Hedged foreign currency liabilities	-	-	-	-	-	-

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

45. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)

(b) Financial Risk Factors (cont'd)

b.4) Market risk management (cont'd)

b.4.1) Foreign currency risk management (cont'd)

Foreign currency sensitivity

The Group is exposed to foreign exchange risk primarily from TL, EURO, JPY and GBP. The following table details the Group's sensitivity to a 10% increase and decrease in TL, EURO, JPY and GBP. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit or loss.

	31 December 2014 Profit / (Loss) Before Tax	
	If foreign currency appreciated 10 %	If foreign currency depreciated 10 %
1- TL net asset / (liability)	(34.860.512)	34.860.512
2- Part hedged from TL risk (-)	-	-
3- TL net effect (1+2)	(34.860.512)	34.860.512
4- Euro net asset / (liability)	(514.222.997)	514.222.997
5- Part hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	(514.222.997)	514.222.997
7- JPY net asset / (liability)	(369.294.995)	369.294.995
8- Part hedged from JPY risk (-)	-	-
9- JPY net effect (7+8)	(369.294.995)	369.294.995
10- GBP net asset / (liability)	10.175.429	(10.175.429)
11- Part hedged from GBP risk (-)	-	-
12- GBP net effect (10+11)	10.175.429	(10.175.429)
13- Other foreign currency net asset / (liability)	58.143.570	(58.143.570)
14- Part hedged other foreign currency risk (-)	-	-
15- Other foreign currency net effect (13+14)	58.143.570	(58.143.570)
TOTAL (3 + 6 + 9 + 12+15)	(850.059.505)	850.059.505

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

45. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)

(b) Financial Risk Factors (cont'd)

b.4) Market risk management (cont'd)

b.4.1) Foreign currency risk management (cont'd)

Foreign currency sensitivity (cont'd)

	31 December 2013 Profit / (Loss)	
	If foreign currency appreciated 10 %	If foreign currency depreciated 10 %
1- TL net asset / (liability)	(59.715.940)	59.715.940
2- Part hedged from TL risk (-)	-	-
3- TL net effect (1+2)	(59.715.940)	59.715.940
4- Euro net asset / (liability)	(561.217.114)	561.217.114
5- Part hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	(561.217.114)	561.217.114
7- JPY net asset / (liability)	(140.464.241)	140.464.241
8- Part hedged from JPY risk (-)	-	-
9- JPY net effect (7+8)	(140.464.241)	140.464.241
10- GBP net asset / (liability)	5.519.560	(5.519.560)
11- Part hedged from GBP risk (-)	-	-
12- GBP net effect (10+11)	5.519.560	(5.519.560)
13- Other foreign currency net asset / (liability)	71.736.501	(71.736.501)
14- Part hedged other foreign currency risk (-)	-	-
15- Other foreign currency net effect (13+14)	71.736.501	(71.736.501)
TOTAL (3 + 6 + 9 + 12+15)	(684.141.234)	684.141.234

b.4.2) Interest rate risk management

Group has been borrowing over fixed and variable interest rates. Considering the interest types of the current borrowings, borrowings with variable interest rates have the majority but in financing of aircrafts performed in the last years, Group tries to create a partial balance between borrowings with fixed and variable interest rates by increasing the weight of the borrowings with fixed interest rate in condition of the suitability of the cost. Due to the fact that the variable interest rates of the Group are dependent on Libor and Euribor, dependency to local risks is low.

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

45. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)

(b) Financial Risk Factors (cont'd)

b.4) Market risk management (cont'd)

b.4.2) Interest rate risk management (cont'd)

Interest Rate Position Table

	31 December 2014	31 December 2013
Instruments with fixed interest rate		
Financial Liabilities	6.387.708.429	6.479.380.295
Financial Instruments with Variable Interest Rate		
Financial Liabilities	7.367.381.644	5.073.110.037
Interest Swap Agreements not subject to Hedge accounting (Net)	(37.999.575)	(27.303.159)
Interest swap agreements subject to Hedge accounting (Net)	(92.658.035)	(37.142.830)

As indicated in Note 46, the Group fixed the interest rate for TL 410,081,492 of floating-interest-rated financial liabilities via an interest rate swap contract as of 31 December 2014.

Interest rate sensitivity

The following sensitivity analysis is determined according to the interest rate exposure in the reporting date and possible changes on this rate and it is fixed during all reporting period. Group management checks out possible effects that may arise when Libor and Euribor rates, which are the interest rates of the borrowings with variable interest rates, fluctuate 0.5% and reports these to the top management.

In condition that 0.5% increase in Libor and Euribor interest rate and all other variables being constant:

Current profit before tax of the Group will decrease by TL 36,836,908 (as of 31 December 2013 profit before tax will decrease by TL 25,365,550). In contrast, if Libor and Euribor interest rate decreases 0.5%, net current profit before tax will increase by the same amounts.

Moreover, as a result of the interest rate swap contracts against cash flow risks, in case of a 0.5% increase in the Libor and Euribor interest rates, the shareholders' equity of the Group will increase by TL 52,822,433 excluding the deferred tax effect. (For the year ended 31 December 2013, the shareholders' equity of the Group will increase by TL 66,930,624 excluding the deferred tax effect.) In the case of a 0.5% decrease in the Libor and Euribor interest rates, the shareholders' equity of the Group will decrease by the same amount excluding the deferred tax effect.

45. NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (cont'd)

(b) Financial Risk Factors (cont'd)

b.4) Market risk management (cont'd)

b.4.3) Fuel prices sensitivity

As explained in Note 46, Group has entered into forward fuel purchase contracts in order to hedge cash flow risks arising from fuel purchases beginning from 2009. Due to forward fuel purchase contracts subject to hedge accounting, as a result of a 10% increase in fuel prices, the shareholders' equity of the Group will increase by TL 101,753,630 excluding the deferred tax effect. In case of a 10% decrease in fuel prices, the shareholders' equity of the Group will decrease by TL 50,999,922 excluding the deferred tax effect.

46. FINANCIAL INSTRUMENTS

Fair Values of Financial Instruments

Fair values of financial assets and liabilities are determined as follows:

- In standard maturities and conditions, fair values of financial assets and liabilities which are traded in an active market are determined as quoted market prices.
- Fair values of derivative instruments are calculated by using quoted prices. In absence of prices, discounted cash flows analysis is used through applicable yield curve for maturities of derivative instruments (forward and swaps).

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

46. FINANCIAL INSTRUMENTS (cont'd)

Fair Values of Financial Instruments (cont'd)

31 December 2014 Balance Sheet	Loans and Receivables	Derivative instruments accounted for hedge accounting	Derivative instruments at fair value through profit/(loss)	Investments available for sale at cost value	Financial liabilities at amortized cost	Book Value	Note
Financial Assets							
Cash and cash equivalents	1.473.508.453	-	-	-	-	1.473.508.453	6
Financial investments	200.932.718	275.993.477	77.550.268	2.664.861	-	557.141.324	7-44
Trade receivables	1.057.335.073	-	-	-	-	1.057.335.073	10-11
Other receivables	5.234.918.982	-	-	-	-	5.234.918.982	10-13
Financial liabilities							
Bank borrowings	-	-	-	-	-	-	8
Finance lease obligations	-	-	-	-	13.755.090.073	13.755.090.073	8-21
Other financial liabilities	-	922.895.268	67.911.148	-	44.261.101	1.035.067.517	9-44
Trade payables	-	-	-	-	1.542.073.561	1.542.073.561	10

31 December 2013 Balance Sheet	Loans and Receivables	Derivative instruments accounted for hedge accounting	Derivative instruments at fair value through profit/(loss)	Investments available for sale at cost value	Financial liabilities at amortized cost	Book Value	Note
Financial Assets							
Cash and cash equivalents	1.338.983.835	-	-	-	-	1.338.983.835	6
Financial investments	42.774.034	10.076.979	54.202.683	2.452.721	-	109.506.417	7-44
Trade receivables	1.148.090.163	-	-	-	-	1.148.090.163	10-11
Other receivables	4.061.394.579	-	-	-	-	4.061.394.579	10-13
Financial liabilities							
Bank borrowings	-	-	-	-	-	-	8
Finance lease obligations	-	-	-	-	11.552.490.332	11.552.490.332	8-21
Other financial liabilities	-	143.057.454	90.891.636	-	33.808.413	267.757.503	9-44
Trade payables	-	-	-	-	1.454.730.581	1.454.730.581	10

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

46. FINANCIAL INSTRUMENTS (cont'd)

Fair Values of Financial Instruments (cont'd)

Fair values of financial assets and liabilities are determined as follows:

- First level: Financial assets and liabilities, are valued with the stock exchange prices in the active market for the assets and liabilities same with each other.
- Second level: Financial assets and liabilities are valued with input obtained while finding the stock exchange price of the relevant asset or liability mentioned in the first level and the direct or indirect observation of price in the market.
- Third level: Financial assets and liabilities are valued by the input that does not reflect an actual data observed in the market while finding the fair value of an asset or liability.

Financial assets and liabilities, which are presented in their fair values, level reclassifications are as follows:

		Fair value level as of the reporting date		
		Level 1	Level 2	Level 3
Financial assets	31 December 2014	TL	TL	TL
Financial assets at fair value through profit or loss				
Derivative instruments	77.550.268	-	77.550.268	-
Financial assets subject to hedge accounting				
Derivative instruments	275.993.477	-	275.993.477	-
Total	353.543.745	-	353.543.745	-
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative instruments	67.911.148	-	67.911.148	-
Financial liabilities subject to hedge accounting				
Derivative instruments	922.895.268	-	922.895.268	-
Total	990.806.416	-	990.806.416	-

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

46. FINANCIAL INSTRUMENTS (cont'd)

Fair Values of Financial Instruments (cont'd)

		Fair value level as of the reporting date		
		Level 1	Level 2	Level 3
Financial assets	31 December 2013	TL	TL	TL
Financial assets at fair value through profit or loss				
Derivative instruments	54.202.683	-	54.202.683	-
Financial assets subject to hedge accounting				
Derivative instruments	10.076.979	-	10.076.979	-
Total	64.279.662	-	64.279.662	-
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative instruments	90.891.636	-	90.891.636	-
Financial liabilities subject to hedge accounting				
Derivative instruments	143.057.454	-	143.057.454	-
Total	233.949.090	-	233.949.090	-

Derivative Instruments and Hedging Transactions

In order to hedge important operations and cash flows in the future against financial risks, Group made interest rate swap contracts to convert some of the fixed-rate finance lease liabilities into floating rate and cross-currency swap contracts to convert Euro-denominated finance lease liabilities into US Dollars. The changes in the fair values of those derivative instruments are directly accounted in the income statement for the period.

The floating-rate financial liabilities of the Group are explained in Note 45 b.4.2. Beginning from September 2009, in order to keep interest costs at an affordable level, considering long-term finance lease liabilities; Group made fixed-paid/floating-received interest rate swap contracts to fix interest rates of finance lease liabilities whose maturities are after the second half of 2010 and account for approximately 26% of floating rate USD and Euro denominated liabilities. Effective part of the change in the fair values of those derivative instruments which are subject to hedge accounting for cash flows risks of floating-rate finance lease liabilities are accounted in cash flow hedge fund under the shareholders' equity.

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

46. FINANCIAL INSTRUMENTS (cont'd)

Derivative Instruments and Hedging Transactions (cont'd)

In 2010, in order to control risk arising from fluctuations in price of fuel which is approximately 37% of cost of sales to lessen the effects of fluctuations in oil prices on fuel expenses, the Group began hedging transactions for approximately 20% of annual jet fuel consumption. For this purpose, the Group made forward fuel purchase contracts settled on cash basis. In accordance with the Company's BOD resolution issued on 21 January 2011, hedging rate which corresponds to 20% of the currently applied monthly consumption rate will be applied as 50% after 12 months and this rate will be gradually increased by 2.5% in each month. In addition, the Company started to use zero cost 4 way collars in 2011 instead of forward fuel purchase contracts to hedge cash flow risk of fuel prices. The effective portion of fair value hedge of derivative instruments that are subject to cash flow hedge accounting due to future fuel purchases is recognized under hedge accounting fund in equity.

Group's derivative instruments arisen from transactions stated above and their balances as of 31 December 2014 and 31 December 2013 are as follows:

31 December 2014	Positive fair value	Negative fair value	Total
Fixed-paid/floating received interest rate swap contracts for hedging against cash flow risks of interest rate	-	(92.658.035)	(92.658.035)
Forward fuel purchase contracts for hedging against cash flow risk of fuel prices	4.874.832	(207.601.336)	(202.726.504)
Collar contracts for hedging against cash flow risk of fuel prices	-	(622.635.897)	(622.635.897)
Forward currency contracts for hedging purposes	271.118.645	-	271.118.645
Fair values of derivative instruments for hedging purposes	275.993.477	(922.895.268)	(646.901.791)
Cross-currency swap contracts not subject to hedge accounting	19.897.473	(2.875.949)	17.021.524
Interest rate swap contracts not subject to hedge accounting	26.484.004	(64.483.579)	(37.999.575)
Forward currency contracts not for hedging purposes	31.168.791	(551.620)	30.617.171
Fair values of derivative instruments not for hedging purposes	77.550.268	(67.911.148)	9.639.120
Total	353.543.745	(990.806.416)	(637.262.671)

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

46. FINANCIAL INSTRUMENTS (cont'd)

Derivative Instruments and Hedging Transactions (cont'd)

31 December 2013	**Positive fair value**	**Negative fair value**	**Total**
Fixed-paid/floating received interest rate swap contracts for hedging against cash flow risks of interest rate	-	(37.142.830)	(37.142.830)
Forward fuel purchase contracts for hedging against cash flow risk of fuel prices	-	(18.733.493)	(18.733.493)
Collar contracts for hedging against cash flow risk of fuel prices	10.076.979	-	10.076.979
Forward currency contracts for hedging purposes		(87.181.131)	(87.181.131)
Fair values of derivative instruments for hedging purposes	10.076.979	(143.057.454)	(45.799.344)
Cross-currency swap contracts not subject to hedge accounting	17.161.052	(17.309.690)	(148.638)
Interest rate swap contracts not subject to hedge accounting	37.041.631	(64.344.790)	(27.303.159)
Forward currency contracts not for hedging purposes	-	(9.237.156)	(9.237.156)
Fair values of derivative instruments not for hedging purposes	54.202.683	(90.891.636)	(36.688.953)
Total	64.279.662	(233.949.090)	(82.488.297)

	Hedging against fuel risk	**Hedging against interest risk**	**Hedging against curreny risk**	**Total**
Fair values of derivative instruments for hedging purposes	(825.362.399)	(92.658.036)	271.118.645	(646.901.790)
The amount of financial expenses inside hedge funds	-	-	-	-
Ineffecient part in the risk elimination of fair value of hedging gains of fuel hedging derivative instrument to financial revenues	109.370.299	5.331.029	-	114.701.328
Foreign currency translation differences	-	(3.489.348)	-	(3.489.348)
Total	(715.992.100)	(90.816.355)	271.118.645	(535.689.810)
Deferred tax	143.198.420	18.163.272	(54.223.729)	107.137.963
Hedge reserve as of 31 December 2014	(572.793.680)	(72.653.083)	216.894.916	(428.551.847)

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

46. FINANCIAL INSTRUMENTS (cont'd)

Derivative Instruments and Hedging Transactions (cont'd)

	Hedging against fuel risk	Hedging against interest risk	Hedging against curreny risk	Total
Fair values of derivative instruments for hedging purposes	(8.656.514)	(37.142.830)	(87.181.131)	(132.980.475)
The amount of financial expenses inside hedge funds	-	6.556.718	-	6.556.718
Ineffecient part in the risk elimination of fair value of hedging gains of fuel hedging derivative instrument to financial revenues	18.733.493	-	-	18.733.493
Foreign currency translation differences	274.009	(19.092.227)		(18.818.218)
Total	10.350.988	(49.678.339)	(87.181.131)	(126.508.482)
Deferred tax	(2.070.198)	9.935.668	17.436.226	25.301.696
Hedge reserve as of 31 December 2013	8.280.790	(39.742.671)	(69.744.905)	(101.206.786)

47. EVENTS AFTER THE BALANCE SHEET DATE

None.

48. OTHER ISSUES AFFECTING FINANCIAL STATEMENTS MATERIALLY OR NECESSARY TO MAKE FINANCIAL STATEMENTS SOUND, INTERPRETABLE AND UNDERSTANDABLE

Consolidated financial statements of the Group have been prepared comparatively with the prior period in order to give information about financial position and performance. In order to maintain consistency, with current year consolidated financial statements, comparative information is reclassified and significant changes are disclosed if necessary. In the current year, the Group has made several reclassifications in the prior year consolidated financial statements in order to maintain consistency, with current year consolidated financial statements.

- The Group began representing interest payments recognized in cash flows from operations in the previous periods in cash flows from financial operations on the grounds that reflect cash flows more appropriately. To provide comparability, in the cash flow statement for the year ended at 31 December 2013, amounting to TL 272,577,511 interest payments recognized in cash flows from operations is reclassified accordingly.
- Actuarial gains, amounting to TL 6,812,525 which was disclosed under "Foreign Currency Translation Differences" in the period 1 January- 31 December 2013 is reclassified to "Actuarial Gains/(Losses) from Defined Pension Plans".
- Discount interest expense, amounting to TL 2,313,117 which was disclosed under "Financial Expenses" in the period 1 January- 31 December 2013 is reclassified to "Other Operating Expenses".
- Losses on sales of fixed assets, amounting to TL 2,105,578 which was disclosed under "Income from Investment Activities" in the period 1 January- 31 December 2013 are reclassified to "Expenses from Investment Activities".

48. OTHER ISSUES AFFECTING FINANCIAL STATEMENTS MATERIALLY OR NECESSARY TO MAKE FINANCIAL STATEMENTS SOUND, INTERPRETABLE AND UNDERSTANDABLE (cont'd)

- Fair value losses on derivative financial instruments, amounting to TL 13,413,022 which was disclosed under "Financial Expense" in the period 1 January- 31 December 2013 are reclassified to foreign exchange losses arising from financial operations.
- Foreign exchange gains on trade operations, amounting to TL 11,592,599 which was disclosed under "Other Operating Income" in the period 1 January- 31 December 2013 is reclassified to "Income from Investment Activities".