# TURKISH TECHNIC INC. ANNUAL REPORT



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# TURKISH TECHNIC INC. ANNUAL REPORT 2012



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# Quality Policy

To always offer reliable services and products, prioritizing Maintenance/Flig ht Safety.

To ensure customer satisfaction by offering products and services in line with the customer expectations; in case of customer complaints, to take all precautions in accordance with reliability, transparency, objectiveness, confidentiality, accessibility, integrity, equality and sensibility principles in

> order to settle the complaint

3

MANAGEME

To ensure the adoption of quality management system, keeping the quality service understanding on the forefront and increase system efficiency all the time.

To achieve the company's objectives and targets within the frame of defined strategies by improving the communication, harmony and cooperation among employees and with the awareness of responsibility and authority.

To be a ever developing organization with planning, information and technology based approaches, maximizing organization loyalty and team spirit.

6

To ensure absolute compliance with the occupational health and safety principles, basing on human and environmental factors in all operations of the company.

To ensure adoption of environmental protection and development awareness by all employees. 8

To ensure absolute support and compliance of the personnel with the national and international rules and directives as well as company procedures, accompanied by a good occupational and technical practice.

9

To work in line with the human factor principles.

To sustain all personnel to be in collaboration with the quality auditors of General Directorate of Civil Aviation, other authorities, companies and customers.

11

To encourage personnel to report incidents/errors related with the maintenance.

To provide calibration services at quality, errorfree and reliable level, applying the internationally recognized methods in accordance with the conditions agreed with the customer and ISO 17025 standard.



# Message from Chairman



he aviation, information and healthcare industries, described as the sectors that will shape the future as agreed by the authorities, have seen aggressive investments across the world. We, as Turkish Airlines Inc., are positioned as the flag carrier airline of Turkey in the aviation sector and take firmer steps towards greater targets with a self-updating and developing corporate identity. With the global scaled advertising and promotion activities as well as rapidly growing flight network, we feel the right proud of carrying our flight to the far nations and lands.

U

pon proper analysis of the sector's today and future with its dynamic structure, Turkish Technic Inc., which undoubtedly has made great contributions to this success, takes firm steps forward in line with the target of becoming the main player that will direct the sector in the future. According to the Turkish Technic Inc. Capital Markets Board Report, the company generated TL 803,823,249 revenue and TL 13,124,264 net period profit.

The amount of 31.6 billion US Dollars, corresponding to approximately 46% of the volume of 68.4 billion US Dollars, which Global Aviation, Maintenance, Repair, Overhaul and Revision (MRO) market is anticipated to reach by the end of 10 years, belongs to only engine maintenance. Turkish Engine Center (TEC), established in partnership with Pratt&Whitney to get an aggressive share from this giant market, started its operations in 2010 and increased its customer number, continuing its operations up to 2012. This investment, one of the concrete initiatives in the process of Turkey's changing its shell, will provide added value to Turkish Technic Inc. and Turkey's 2023 vision in the middle and long-run.

It is anticipated to reach to level of 59.5 billion US Dollars with the annual average growth rate of 3.7% of MRO market by 2017 and the level of 68.4 billion US Dollars in 2022 with the annual growth rate of 2.8% within 5 years after 2017. It is estimated that the engine segment again will maintain to have the biggest slice of the cake.

In the passenger transportation leg of the sector, it is envisaged that the size of global fleet will be brought to 29,955 aircraft within next 10 years with the annual growth rate of 3.7%. These positive indicators in the operator and MRO legs of the sector give inspiration to us to expand the product range and grow. Turkish Technic Inc. has adopted a new generation MRO approach, which may direct the sector and place up-todate and competitive products on its display, moving away from traditional MRO pattern. With the addition of "Production" approach at the end of "Maintenance Repair and Overhaul" term, which is abbreviated as MRO since the emergence of the sector, it, in fact, broke the taboos in the course of becoming MROP with the producer identity taken over in addition to maintenance and repair activities.

HABOM (Aviation Maintenance Repair and Modification Center) is one of the best examples of this change. The project which is still under construction in Istanbul Sabiha Gökçen International Airport is described as the excellence center. This integrated facility will provide aircraft maintenance, repair and revision service in an indoor area of 374.000 m2. With the capacity of serving 11 narrow-body aircraft and 3 wide-body aircraft simultaneously, HABOM will employ 3,000 people when it reached to full capacity. For HABOM, which is being constructed at full speed and planned to come into operation in the 3rd quarter of 2013, more than 1,000 technicians were employed on full-time basis to be trained by the end of 2012.

Goodrich Turkish Technic Service Center (Turkish Technic Inc. Service Center), which is another significant investment and started to operate in 2011, continued its activities in 2012 successfully as the joint venture of Turkish Technic Inc. and Goodrich. This joint venture, established to carry out Nacelle and Thrust Reverser maintenance, repair and revisions operations, takes firm steps towards having a voice in its market. Turkbine Turkish Technic Inc., established between Zorlu Holding and Turkish Technic Inc., performed the maintenance and repair of industrial gas turbines in 2012 and completed EASA Part 145 application for the maintenance of CF6-80 aircraft engines. For the licence application in the first quarter of 2013, the audits are expected to be made.

TCI (Turkish Cabin Interior), the first company established in the field of production among Turkish Inc., Turkish Technic Inc. and TAI, is engaged in the design, production, sales and marketing of cabin interior products. The galley, trolley, other various overhead cabinets etc. in the aircraft are included in the product range.

Our company, which started operations in 2010, completed the production of its first product Boeing 737-800 galley prototype in 2012. It completed the design of fivegalleys of Airbus A330 type aircraft and realized 83% of the program. The Boeing is intended to be included in the authorized supplier list within 2013 after going through supplier process. TCI also will also contracts manufacturers which meet certain certification conditions for the production of textile products such as leather, cover and carpet. VIP cabin interior products will also be added to the product range in the long run. The company, operating in TAI Ankara facilities provisionally, is planned to move to HABOM facilities in 2013.

The Aircraft Seat Production company (TSI), another manufacturing company which commenced its operations in 2011, is a firm established with the partnership of Turkish Airlines Inc., Turkish Technic Inc. and ASSAN HANIL. It will carry out economy and convertible seat design, production and marketing activities for Boeing and Airbus narrow-body aircraft. The production of economy class aircraft seat prototype for Boeing 737-800 aircraft was completed in 2012. It also obtained the ADOA (Alternative Design Organization Approval) design approval certificate from EASA in 2010 and took the first steps to be Boeing supplier. In 2013, it is intended to obtain POA and ETSO certificates from EASA and commence the Boeing supply process officially. The serial production date aimed for the products which are still in the prototype phase is the 3rd quarter of 2013. The permanent space was allocated in HABOM facilities just as it was done in TCI. A team was made in 2012 for the projection of business class seats, which are intended to be included in the product range in the middle term.

Turkish Technic Inc. has almost 3,000 employees totally, including approximately 800 sub-contractors. The ratio of incomes generated from other customers outside of THY to the total income, which is one of the key performance indicators, brought results with the continuous improvement efforts and this rate, being about 8% in 2006, reached to approximately 30% as of the end of 2012.

Turkish Technic Inc. standing behind the vision of becoming one of the preferred maintenance centers in global MRO market with its investments, re-structuring activities and continuous employment policies, achieved its 2012 targets successfully and also ensured a structure that will follow and interpret the performances in line with increasing number of subsidiaries.

Turkish Technic Inc. joined Airbus MRO Network with an official ceremony held in Istanbul in January 2012 and became the 17th member of this network. The Airbus MRO Network is designed to allow exploiting Airbus experiences of the corporations, which provide quality maintenance service to the Airbus customers in every part of the world in a competitive environment. Airbus MRO Network has been continuing its activities since 2005, when it was founded, to be benchmark for the customer satisfaction and maintenance efficiency.

With its initiatives supporting Turkey's 2023 vision directly or indirectly, Turkish Technic Inc. freed itself from the philosophy of progressing with only commercial concerns and embraced the national concerns as well. In this context, it has become a corporation that leads the organizations and activities to strengthen the local sub-industry. Within this scope, Aviation Industry Exhibition, Forum and Fair, which was organized by Turkish Technic Inc. in 2010 for the first time, was organized in 2012 for the third time with the cooperation of ITO (Istanbul Trade Chamber) and ensured to reach to wider masses.

Hamdi TOPÇU
Turkish Technic Inc.
Chairman of Board of
Directors

07





Hamdi TOPÇU Chairman of Board of Directors



Assoc. Prof. Dr. İsmail DEMİR Vice Chairman/ General Manager



Metin KİLCİ Board Member



Assoc. Prof. Dr. Turan EROL Board Member



Dr. Fuat OKTAY Board Member

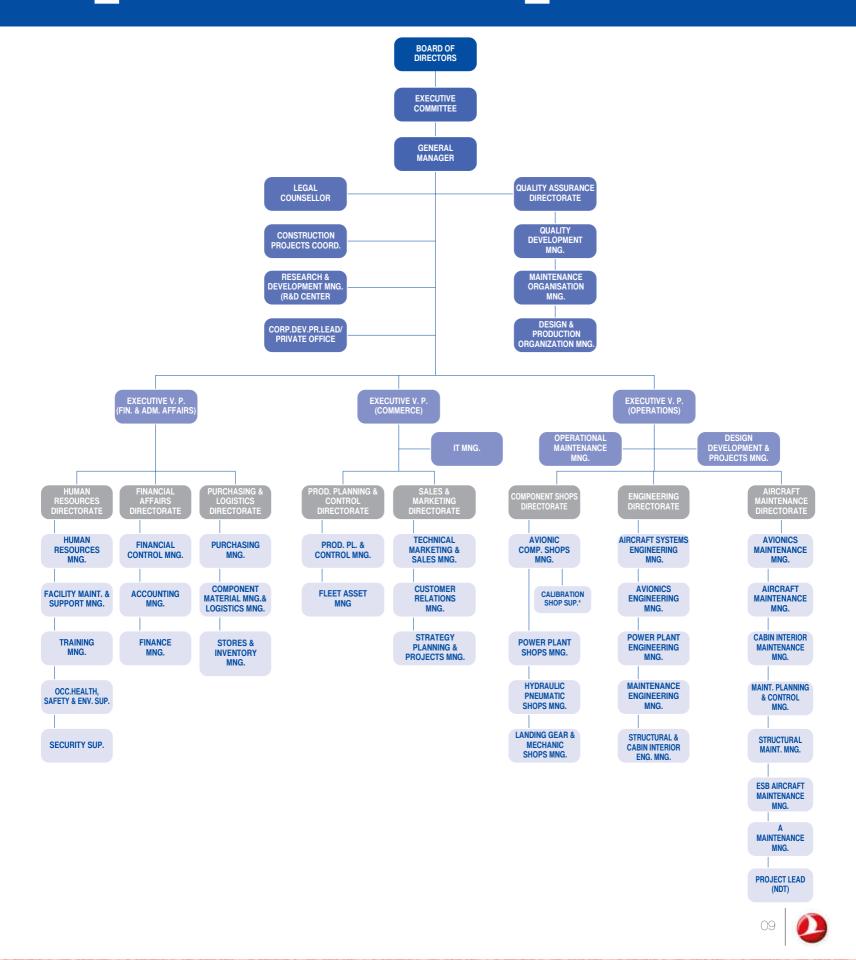


Coşkun KILIÇ Member of Audit Board



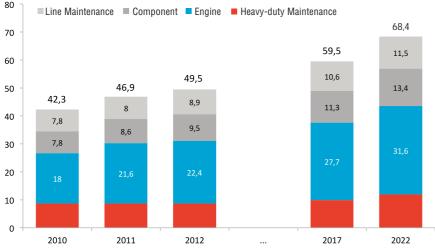
Abdullah Soner AKKURT Member of Audit Board

# Organization Chart



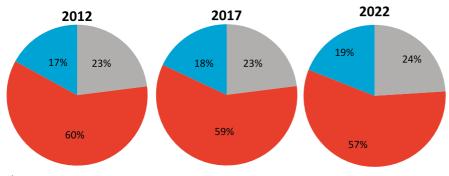
# Global Maintenance, Repair, Overhaul (MRO) Market





International consultancy firms estimate that the number of aircraft in 2012 was 20,840. In the next years, the number of aircraft is expected to increase by 3.2% annually in the initial five years and then by 4.2% annually in the following five years. The number of aircraft is expected to be 29,955 in 2022.

#### **Growth of Aircraft Fleet**



Although fleets grow by 3.2% on average annually, this growth rate does not reflect to the MRO market. The main cause of it is the increase in the number of new aircraft that joins to the fleet and therefore existence of retired aircraft.

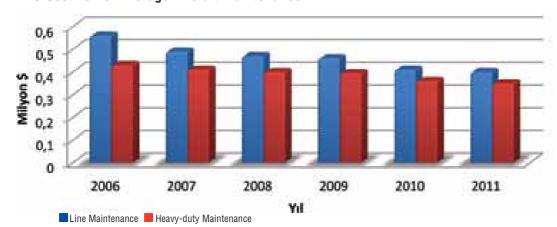
■ WideBody ■ Narrow Body ■ Regional Jet



# Global Maintenance, Repair, Overhaul (MRO) Market



#### MRO Cost As Per Average Aircraft Maintenance



As the maintenance cost of new generation aircraft is lower, the MRO cost as per aircraft shows decline trend.

The global MRO market in 2012 grew by 5.7% year over year, amounting to 49.5 billion dollars. In the next five years, the MRO market is expected to grow by 3.7% annually.

And in the following five years, the growth is projected to be at the rate of 2.8% annually. The major reason of it is the presence of new generation aircraft that entered in the market, prolongation of maintenance frequencies and decrease in average aircraft maintenance costs. It is estimated that the MRO market will amount to 59.5 billion dollars in 2017 and to 68.4 billion dollars in 2022.

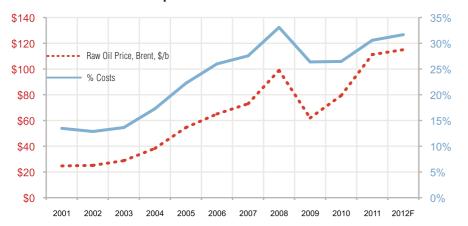
As seen above, the engine maintenance makes up the biggest part of the market just as in the previous years. The component maintenance has a good growth trend and is expected to increase its market share in the next years.



## Turkish Maintenance, Repair, Overhaul (MRO) Market



#### **Oil Prices and Aviation Operation Costs**



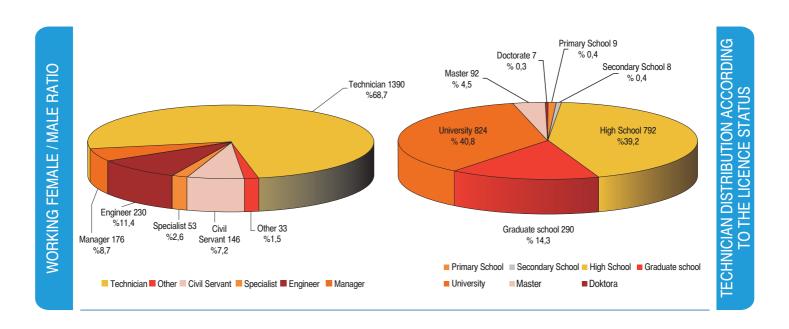
firms, which have been felt for a long time in the maintenance-repair market, continued in 2012. In the questionnaires made by international consultancy firms, it is stated that the component OEM companies classified these strategies and determined the ones intended for maintenance companies. These strategies include restricted access to the technical documents, OEM licence agreements, restricted access to the parts, service authorization, spare part management, limiting supply through purchasing liquated parts.

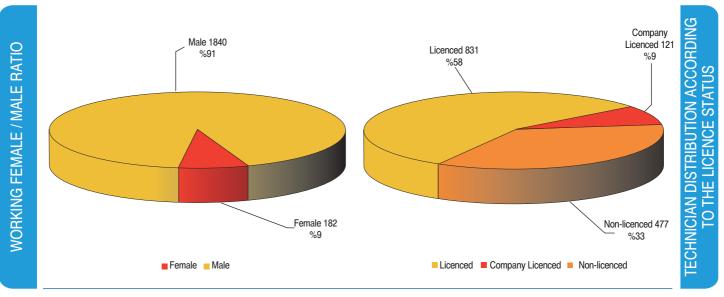
The fuel costs are anticipated to remain as a significant cost resource for airlines. Consequently, airlines pursue oppression policy on maintenance centers to decrease the costs.



# Employee Profile

- The total number of Turkish Technic Inc. personnel is 2.022 as of 31.12.2012.
   The average age of the employees is 36 and their average employment period is 9,6 years.
- While the average number of personnel in 2011 was 2,059 in 2012, turnover is 6.97%.





# Quality Documents and Certificates



# Certificates from Other Authorities



# Training in Turkish Technic Inc.



- In 2012, Training Management provided 2307 trainings. It ensured 29429 people were informed about various subjects.
- In addition to trainees working within Turkish Technic Inc., the local and foreign participants outside of the company were provided training.
- It is cooperated with ISKUR (Turkish Employment Agency) comprehensively in order to provide qualified personnel to the aviation industry and meet the technical personnel need of the company. The project, initiated with the aim of training technicians with a sufficient level of knowledge to adapt to the working environment in the aircraft maintenance, continues in 2012/2013.
- The courses organized to develop English language levels of the personnel are still ongoing and the language levels of our personnel is measured and certified via examinations which are recognized by the national and international authorities. In the examinations held between the dates 11/08/2012 31/12/2012, the English language level of 1114 personnel has been certified.

MONTHS	NUMBER OF TRAININGS ORGANIZED	TURKISH TECHNIC NUMBER OF PARTICIPANTS	NUMBER OF EXTERNAL COMPANY PARTICIPANTS	TOTAL PARTICIPANT NUMBER
JANUARY	201	2104	236	2340
FEBRUARY	241	2171	104	2275
MARCH	237	2471	131	2602
APRIL	202	1783	68	1851
MAY	213	2541	450	2991
JUNE	159	1494	230	1724
JULY	174	1961	212	2173
AUGUST	126	1470	68	1538
SEPTEMBER	158	2937	57	2994
OCTOBER	173	2955	57	3012
NOVEMBER	187	2476	170	2646
DECEMBER	236	3047	236	3283
TOTAL	2307	27410	2019	29429



# Hangar - II

 $85m \times 160m \times 26m$  (length x width x height) 75.000 m<sup>2</sup> indoor area 13.600 m<sup>2</sup> indoor area

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

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

Warehouse





## VIP Aircraft Hangar, Other Facilities and Esenboğa Hangar



1.500 m<sup>2</sup> indoor area

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

## Other Facilities >> 14.000 m<sup>2</sup> indoor area



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

### >> Esenboğa Hangar



106m x 54m x 17m

(length x width x height)

7.750 m<sup>2</sup> indoor area



# Overhaul and Line Maintenance Capabilities



### Maintenance Capabilities - AIRBUS

	Line Maintenand	Base e Maintenance
A300	√	√
A300-600	√	√
A310	\	√
A318	\	
A319/A320/A321	\	√
A330 Series	\	√
A340 Series	√	√



### Maintenance Capabilities - BOEING

	Line Maintenance	Base Maintenance
B707*	√	
B727*	√	
B737-200	√	
B737-300/400/500	√	\ \
B737-600/700/800/900ER	√	√
B757-200/-300	√	
B767-200/-300	√	√
B777-200/-300	√	

<sup>(\*)</sup> authorized by DCGA. No EASA authorization



### Maintenance Capabilities - OTHER

	Line Maintenar	ıce   Mai	Base intenance
MD 80 Series	$\sqrt{}$		
BAE RJ-70/-85-100	√		
Gulfstream GIII / G-IV	√		
Gulfstream G500/550	√		√
CESSNA 172	√		
Diamond DA 42	√		



#### **AVIONICS COMPONENT SHOPS**

Avionics systems consist of the combination of hundreds of systems, each of which has different functions, including particularly communication, navigation and imaging systems Most of avionics components are designed with an integrated architecture that has software uploaded to enable the fulfillment of desired functions. When these devices break down, they must be tested and repaired with certified testing systems.

In Turkish Technic, 20.000 avionics component are maintained annually.

### Some of the equipment used for maintenance in our facilities is as follows:

- ATEC Series 6 and ATEC 5000 test systems,
- IDG/Generator testing systems,
- Ignition testing systems,
- · Starter Torque Benches,
- 680C Vibration Transducer Calibrator,
- Testek TS1650 Automatic test equipment,
- · Panasonic System 3000I STS tester,
- Honeywell RWT-4B Weather Radar test system.
- TURKISH TECHNIC is a Level-1 Service Center for KANNAD, ARTEX, ELTA, and TECHTEST type ELTs. ELT Reprogramming (Recoding) service can be performed in TURKISH TECHNIC facilities as well,
- CVR (Cockpit Voice Recorder), and FDR (Flight Data Recorder) download processes can also be performed in TURKISH TECHNIC facilities.

### Here are some of the component groups for which it is provided testing, repair and overhaul services:

- · Air data group of components,
- Standby Gyros,
- · Indicators, displays and sensors,
- Galley components,



- Engine and APU ignition system components,
- Electrical power generation and distribution components,
- Internal and external illumination components and fans.
- Flight accumulators,
- Communication system components,
- Navigation components,
- Flight entertainment system (IFE) components,
- System computers on the flight.

Turkish Technic Calibration Laboratory accredited by Turkish Accreditation Agency (TÜRKAK) (Accreditation No:AB-0092-K Torque and Pressure scopes) provides calibration services to its customers in a way to meet civil aviation rules and ISO/IEC17025 standard.

Turkish Technic Calibration Laboratory has measurement and calibration capabilities in the following subjects and scopes.

#### **Electrical**

- DC/AC Voltage,
- DC/AC Current,
- DC & AC AF Power,
- · Resistance, Capacity. Inductance,
- · Frequency, Phase,
- Temperature & Relative Humidity Mechanics,
- Pressure,
- Strength/Torque,
- Mass/Scale,
- · Dimensional.





#### PNEUMATIC SHOP

The total of 588 part numbers of the pneumatic components are in the capability of the Pneumatic Shop. The pneumatic shop has closed total of 4618 work orders in 2012, including 1068 customer work orders. There is 17,8% rise in the number of closed work orders when compared to 2011.

#### **CAPABILITIES OF PNEUMATIC SHOP**

- Pressurization and Air Conditioning system components,
- · Air Cycle Machines,

- Flow control valves.
- Engine Bleed System components, required to be tested with hot air (400 °C),
- Pressure Regulation Valves, Shutoff Valves, Check Valves, Safety Valves, Trim air valves, Anti ice valves,
- Pneumatic Engine Starters, Pneumatic Thrust Reverser Actuators (CDU),
- · Air Chillers,
- Thermostats that control hot air flow, transducers and sensors.

#### **SANITARY SHOP**

The total of 124 part numbers of the sanitary components are in the capability of Sanitary Shop. The sanitary Shop has closed 1250 work orders, including 372 customer work orders, in 2012. There is 6,7% rise in the number of closed work orders when compared to 2011.

#### **CAPABILITIES OF SANITARY SHOP**

- Toilet Assemblies.
- Rinse Valves, Drain Stop Valves, Ball Valves,
- Flush Control Units / Modules,
- Vacuum blowers, generators and Separators.





#### HYDRAULIC SHOP



The hydraulic hardware and the software of the Vertical actuator load test bench has been upgraded. All Cargo Door Hydraulic Actuators can now be tested with the test bench. Barcode system has been introduced to Hydraulic Shop Tool Shop, so all tool kits can be issued easily without time consuming. A new customer work order tracking system software has been designed and started for using. With this new improvement customer work order can be assigned to a technician, required parts for a workorder can be searched from Tames, and part awaiting units can be easily handled. Requisition specification for Universal Test Console, aiming to acquire data from the test bench sensors and display various test results (voltage, pressure, flow) graphically, has been prepared and will be sent to tenders for quotation. A340 MLG Pitch Damper test fixture has been designed using shop's own opportunities and manufactured. The test fixture enables making actuator tests at different angles. Shop started working as two shifts including all personnel. This improvement helps controlling the work flow. 3945 work order (1301 work order belongs to third party customer, 2644 work order belongs to THY and Pool) have been closed.

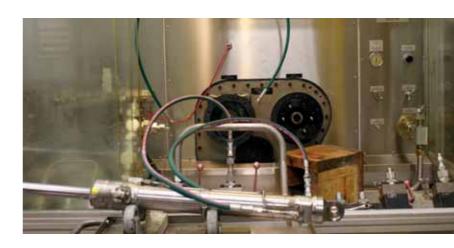
#### CAPABILITIES OF HYDRAULIC SHOP

Hydraulic shop gives maintenance and repair services for the aircraft hydraulic system components, flight control components, landing gear hydraulic components and Engine/APU Lubrication system units with the skydrol, jetoil, redoil test benches up to 5000 psi operation

pressure for both Boeing and Airbus. Servo Valves are also being tested with a semi automatic electro hydraulic servo valve test bench.

### Hydraulic Shop has following repair capabilities in general:

- Spoiler Actuators, Servo Control Actuators, Flap/Slat Actuators (Ch 27)
- Engine Driven Pumps, AC Pumps, Reservoirs, Hoses (Ch 29)
- Retraction Actuators, Up/Down Locks, Steering Valves, Brake System Components, Servo Valves (Ch 32)
- Oil pumps, Lube Pumps (Ch 49)
- Snubbers, Manual Selector Valves, Cargo Door Actuators (Ch 52)
- Thrust Reverser Actuation System Components (Ch 78)



#### EMERGENCY EQUIPMENT AND HYDROSTATIC SHOP



In Oxygen shop with a capability of 391 part numbers, it was closed totally 10.680 workorders in 2012. It is seen 14% rise in the number of workorders closed when compared to 2011. In 2012, DOT certificate was renewed and rendered valid until 2017. In the slide shop with a capability of 195 part numbers, it was closed 569 workorders totally in 2012.

### CAPABILITIES OF EMERGENCY EQUIPMENT AND TUBE FILLING SHOP

The oxygen and regulator shop offers all testing, repair and overhaul services to the customers regarding the components containing pressurized gas according to "Department of Transportation" [DOT] rules and Component Maintenance Manuals (CMM).

The hydrostatic tests of the bottles are performed with a water jacket method as per DOT CFR 49 rules.

The range of services includes: Slides, Oxygen Cylinders, Regulators, Valves, Reservoirs, Aspirators, Fire Extinguishers and Crew oxygen masks.

#### **INSTRUMENTS SHOP**

Within Instruments Shop, 4313 components were maintained in 2012 which 2868 of them were released as serviceable. The number of components that are delivered in a serviceable condition increased at the rate of 16% year over year.

For the chemical room of Electricity and Instruments Shop, the project titled "Follow-up of chemicals withRFID" was initiated and when the project is completed, it will be ensured an improvement of traceability that will constitute an example for the other divisions as well.



## MECHANIC – ELECTROMECHANIC – CARGO EQUIPMENT GALLEY EQUIPMENT SHOPS



In Mechanic Shop with a capability of 1092 part numbers, totally 3248 workorders in 2012were closed, including 1236 customer workorders. There is a 10% rise in the number of workorders closed when compared to 2011.

In Electromechanic Shop with a capability of 328 part numbers, 1250 workorders, including 568 customer workorders, were closed in 2012. There is a53% rise in the number of workorders closed when compared to 2011.

The Galley Equipments Shop maintains Full size, Half size, Standard Units and Ice units that are registered in the inventory of DO&CO and in 2012 this type of 2083 Galley Equipment was maintained. There is 61% rise in the number of maintained Galley Equipments when compared to 2011.

#### CAPABILITIES OF ELECTROMECHANIC SHOP

- Outflow Valves.
- Skin Air Valves.
- · Airbus cockpit seats,
- · Various Linear/Rotary Actuators,
- Position Pick Off Units.

#### CAPABILITIES OF MECHANIC SHOP

- B737-400/-800 Stabilizer Trim Actuator.
- B737-800 TE Flap Transmissions,
- Heat Exchangers,
- Ball Screws.
- Oil Temperature Regulators,
- Vibration Isolations,
- · Re-heaters, Condensers,
- Flap Actuators,
- Boeing Cockpit Seats,
- · Latches,
- Windshields,
- Oil Coolers,
- Flexible Shafts.

#### CAPABILITIES OF GALLEY EQUIPMENTS SHOP

The Galley Equipments Shop maintains the following type of galley equipment included in the fleet. Full Size Trolley. Half Size Trolley, Foldable Trolley, Waste

#### WHEEL AND BRAKE SHOP

Within Wheel&Brake Shop, totally 14401 ea components maintenance were performed in 2012, including 8194 ea components from Turkish Airlines Inc. and 6207 ea components from the other customers. The number of components delivered in working condition has increased by 11%. Within Brake Shop, totally 1867 ea components maintenance were performed in 2012, including 1340 ea components from Turkish Airlines Inc. and 527 ea components from the other customers. The number of components delivered in working condition has increased by 11%.

#### CAPABILITIES OF WHEEL AND BRAKE SHOP

The capabilities of Wheel&Brake Shop include Repair, Testing, Modification and Overhaul procedures required to be executed for the Wheel&BrakeAssys of B737-400/500/800/900, A310,A300, B757,A319/320/321, A330/340,B777 and GULF planes in Turkish Airlines Inc. fleet and other customers' fleet.

#### WHEEL AND BRAKE SHOP

It was cooperated with TEI and the firm was assigned as subcontractor. Spherical chromium grinding processes were ensured to be carried out by TEI. Thus the machine shop was indirectly introduced with the capability of chromium repair. One bench that can process the landing gear parts which are bulky and have complex geometrical structures (DANOBAT) was admitted and the processing tests of the parts were performed in the facilities of the firm. Now the transportation of the bench to HABOM facilities is expected.

#### CAPABILITIES OF MACHINE SHOP

The Machine Shop serves Aircraft Maintenance Shops, Structural Shops and the shops affiliated with the Department of Component Shops with machining methods.

#### Our Shop consists of 4 Sections:

Turning Section, Milling Section, Grinding Section, Leveling Section

#### **IFE SHOP**

Below Panasonic IFE systems are in IFE SHOP capability list:

- System 3000i,
- MPES System,
- EX2 (partly for now, fully in very new future in 2013).









#### WHEEL AND BRAKE SHOP

2 employees from the shop personnel were given FAA certified Shoot-peen training. In 2013, another training will be carried out, in order for other personnel to get this training. For blasting shop of HABOM Facilities, technical specifications of following machines are prepared in order to fulfill shop needs:

- 1 robotic shot-peen bench
- 1 glass bead peening bench
- 1 dry blasting chamber
- 1 dry plastic blasting chamber
- 1 blasting cabinet
- 1 dry plastic blasting cabinet

The proposals send by the suppliers were evaluated technically and the reports were prepared.

#### CAPABILITIES OF SPECIAL PROCESSES SHOP

The Special Processes Shop consists of two sections: Blasting section and cleaning section.

**BLASTING SECTION:** In blasting section, there are two shot peen benches.

One of them is capable of semi-automatic / manual shot peen, whereas the other one can only be operated manually.

#### WELDING&PLASMA SPRAY SHOP

In order to store the plasma powders used in the plasma shop at the appropriate temperature and humidity conditions, a ventilated chemical cabinet was purchased. Data logger was ordered in order to control and register the appropriateness of the temperature in the cabinet.

#### CAPABILITIES OF WELDING AND PLASMASHOP

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

#### WELDINGSECTION

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

#### PLASMA SPRAY SECTION

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

The shot peen process is based on spraying steel media on the part via pressurized air (3-7 bars).

**CLEANING SECTION:** There are 10 tanks available in the cleaning section, which are used to perform necessary chemical cleaning processes of various component parts from different shops.

#### **HEAT TREATMENT SECTION**

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



#### **COATING SHOP**

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

The state-of-the-art Brush Coating device was purchased. On-the-job trainings were received for brush cadmium and anodizing. Brush coating was rendered more efficient, faster and reliable.

#### CAPABILITIES OF COATING SHOP

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

 Cadmium, Chromium, Nickel, Chromic Acid, Alodine, Passivation This division, focusing on the parts of landing gears, has the equipment and experience to provide coating services to all components included in the capabilities of Landing Gear Shop, including A330/340 series. In the unit, where chromium and cadmium coating is removed, the coating-removal of engine parts is also performed. The state-of-the-art local coating device for local cadmium coating which is generally required on the aircraft is also included shops inventory. In the laboratory division, it is performed chemical analyses of coating and washing baths, microbiological analysis for aircraft fuel and aircraft hydraulics analyses.

#### **CARGO EQUIPMENTS SHOP**

The Cargo Equipments Shop repaired 3357 AKE type containers, 4003 AKH type containers and 460 Pallets in 2012. In addition to these maintenances, 150 AKE type containers and 850 AKH type containers were newly assembled. The total number of works done in 2012 is 8820. There is a 147% rise in the number of maintained Cargo Equipments when compared to 2011.

Driessen's containers, which joined the fleet newly, it was provided training by the firm and the maintenance of Driessen's containers became possible.

#### CAPABILITIES OF CARGO EQUIPMENT SHOP

The Cargo Equipment Shop maintains the following type of containers and pallets included in the fleet.

- AKE type container,
- · AKH type container,
- · Pallets.



#### LANDING GEAR SHOP

Landing Gear Shop, executes overhaul operations of Boeing 737 Classic, B737NG, Airbus A300 (-B4 and - 600 variants), A310 (-200 and -300 variants), A319, A320, A321, A330 and A340 landing gears, ensuring them to become operational with EASA and FAA authorities.

The stand for Airbus A320 main landing gear leg was built with reference to the visuals of Messier Bugatti Dowty and it was started to be used in the workshop. Thanks to this stand, the assembly and connection of A320 landing gears to the testing tool got easy. On-the-job and theoretical training was purchased from Boeing, related with the maintenance and repair of landing gears. The relevant training was provided by the expert Boeing Engineers in Istanbul and the participating personnel were given certificates by Boeing. Airbus A330, A340 Basic, A340

Growth were added to the capabilities. The efforts to include the main landing gears of Airbus A340 Enhanced, in the capabilities are still ongoing. When the necessary appliances and tools required for the capability are completed, it will be included in the capability.

#### **CAPABILITIES OF LANDING GEAR SHOP**

Approximately 90 landing gears are overhauled annually. The landing gears within the capability of the workshop are 737 Classic, B737NG, Airbus A300 (-B4 and -600 variants), A310 (-200 and -300 variants), A319, A320, A321,A330 and A340. Within the workshop, there are Landing Gear Harness and Painting divisions. It is planned to the include B757 landing gears in the short-term and B777 landing gears in the long-term, to the overhaul capability of the Landing Gear Shop.

### ATE (Automatic Test Equipment) SHOP

The third "ATEC Series 6" was purchased and the admission of it was completed on August 2012. Upon the commissioning of third ATEC Series6, 163 TPS (Test program Set] will be operated on three different ATEs and it will provide the opportunity to test more components daily. TESTEK TS1650S, automatic test system was installed and admitted in December 2012. Additionally, 7 different TPS were admitted in various fleet types.







#### **ELECTRIC, BATTERY AND IDG / GENERATOR SHOPS**

Within Electric Shop, 3894 components were released serviceable and 5116 components were maintained in 2012. The number of components that are released serviceable increased at the rate of 36.8% year over year. The Ignition Test Bench, which was completed to be procured, will have the capability to serve all engine and APU ignition system components in THY fleet as well as in the national and foreign fleets that we serve, when its

final part is completed in March. In addition to 4 chargers/analyzers available in battery shop, it was procured 4 more devices and ensured capacity increase. For accessing the overhaul and cleaning sections of CMMs, it was made wireless screen with remote control. Within the scope of IDG/Generator Test Bench modernization, the software of the bench was updated and the CT hardware was modernized.



#### **CALIBRATION LABORATORY**

On February 3, 2012, the Calibration Laboratory of Turkish Technic Inc. was accredited by Turkish Accreditation Agency (TURKAK) in the scope of Torque and Pressure.

The accreditation preparation works were completed in the scopes of Temperature & Humidity, Electrical magnitudes (DCI, ACI, DCV, ACV, R] and frequency. Therefore, it was applied to TURKAK for accreditation scope expansion in November 2012.

#### **FUEL COMPONENT SHOP**

Fuel Component shop have Testing, Repair, Modification and Overhaul of ENGINE, APU and Fuel System Components capabilities that belong to A310, A320, A340, B737-400, B737-800 aircraft.

#### Capabilities:

CFM56-5B/-5C Hydromechanical Unit (O/H Capability),

- CFM56-7B Hydromechanical Unit (Honeyvvell's authorized repair station) (O/H Capability),
- V2500 Fuel Meetering Unit (Woodward Governor authorized repair station) (O/H Capability),
- CFM56-3A/-3B/-3C .CF6-80C2, CF6-80A3 Main Engine Control (O/H Capability),
- CFM56-3C, 5B /5C / 7B and V2500 Main Fuel Pumps (O/H Capability),
- CFM56-3C, 5B/5C/7B VSV and VBV Actuators (O/H Capability),
- All Fuel Booster pumps belonging to A310, A340, B737-4-00, B737-800 and RJ100 aircraft (O/H Capability),
- CFM56-3C/-5C/-7B, CF6-80C2, CF6-80A3 and LF507-1F Engine Fuel nozzles and APU fue nozzles (Testing Capability),
- GTCP131-9B, GTCP331-250H .GTCP85-129H, APS3200 / 2000 Fuel Control Units (O/H Capability),
- CFM56-3 T, CFM56-7B Turbine Clearance Control Valve (O/H Capability),
- CFM56-5B/-5C HPTACC, LPTACC and RACC Valve (O/H Capability).





#### **APU SHOP**



The studies were conducted in order for "Cooling Fan" component used in APS3200 APUs to be repaired and tested within Turkish Technic Inc. and the testing bench was designed and manufactured by the Directorate of Design and Development. For "Curvic Coupling Runout" controls of a group of rotating parts of APUs, which are within the capability of shop, the testing bench was designed and tendered out by the Directorate of Design and Development.

In order to wash APU and engine bearings before precontrol in accordance with the relevant procedures, the technical specification was prepared for "Multi-station Ultrasonic Washing System" and the procurement process was initiated In order to make Epoxy and RTV repairs on APS3200 and GTCP131-9B APU parts in APU Shop as well, it was received 5-day training in the Directorate of Composite Shop which is affiliated with the Department of Aircraft Maintenance and the relevant repairs were started to be made within the shop.

#### **CAPABILITIES OF APU SHOP**

APU Shop is the Authorized Repair Station of Hamilton Sundstrand and Licenced Repair Station of Honeywell,

which is both FAA and EASA certified. The shop was founded in 1980 and consists of four main divisions:

- · Disassembly / Assembly,
- Part Control,
- Balance,
- Test.

With its current capacity, it repairs 100 APUs annually.

#### Capabilities:

- APS3200,
- APS2000.
- GTCP131-9B.
- GTCP331-250H.



#### **ENGINE SHOP**

Engine Shop is an FAA & EASA authorized maintenance facility including CF6-80C2, CFM56 and V2500 type of engines. Within its capability of engine shop, 7 engines were repaired including top case, HPT and LPT Module repair processes. QEC and LRU components of 51 engines were replaced in 2012.

New capability applications including V2500 Carbon Seal repair and CFM56-7B Spinner cone, Fan Blade Platform and Thrust Link repairs have been approved by EASA. Capability studies for TRF Replacement process of CF6-80E1 type of engines and Fan Split Matingprocess for GE-90 type of engines are still continuing.

#### CAPABILITIES OF ENGINE SHOP

- CF6-80C2 Overhaul.
- CFM56-3 Top Casing, AGB/TGB Replacement, QEC/LRU Replacement,
- CFM56-5A Top Casing, QEC/LRU replacements,
- CFM56-5B Top Casing, AGB/TGB Replacement, QEC/LRU Replacement,
- CFM56-5C Top Casing, AGB/TGB Replacement, QEC/LRU Replacement,
- CFM56-7B Top Casing & VSV Bushing, Replacement, AGB/TGB Replacement, QEC/LRU Replacement,
- V2500 QEC/LRU Replacement.

#### **ENGINE TESTCELL SHOP**

In 2012, totally 65 engines were tested and 5 engines were applied preservation process. While 70 engines were processed in 2012, this number was realized as 74 in 2011.

Due to increase in preservation processes except for tests, the necessary works were completed for the engine preservation process on the stand without adapter installation.

#### CAPABILITIES OF ENGINE TESTCELL SHOP

Engine TestCell was founded in 1979 and consists of four main sections:

- Engine Test Preparation Area,
- · Testing Channel,
- Control Room.
- Fuel Farm.

With its current capacity, it can perform 120 test of engines annually.

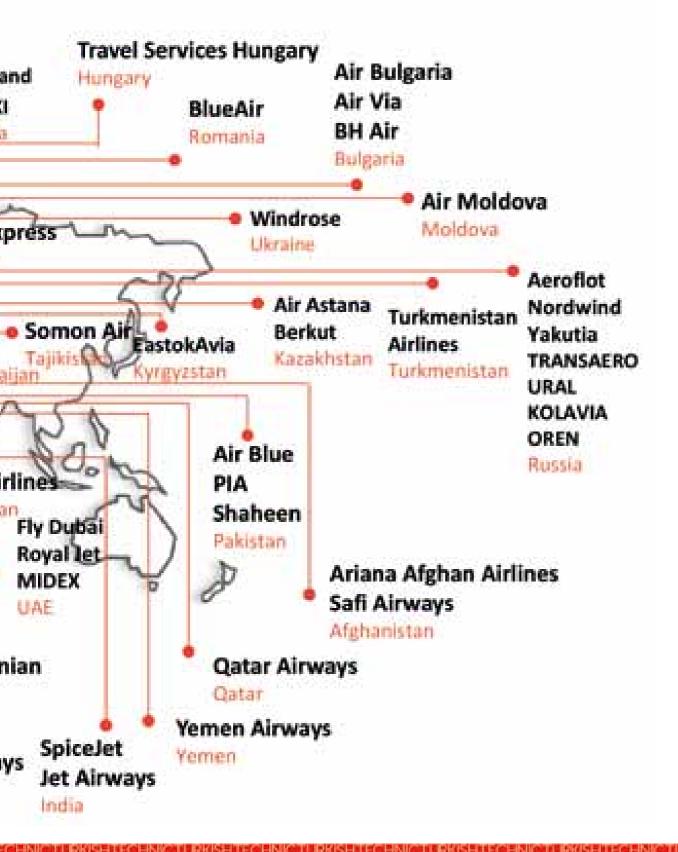
#### Capabilities:

- CFM56-3C / -3B,
- CFM56-5C,
- CFM56-7B,
- CF6-80C2A2 /-80A3,
- V2500-A5.



## International Customers





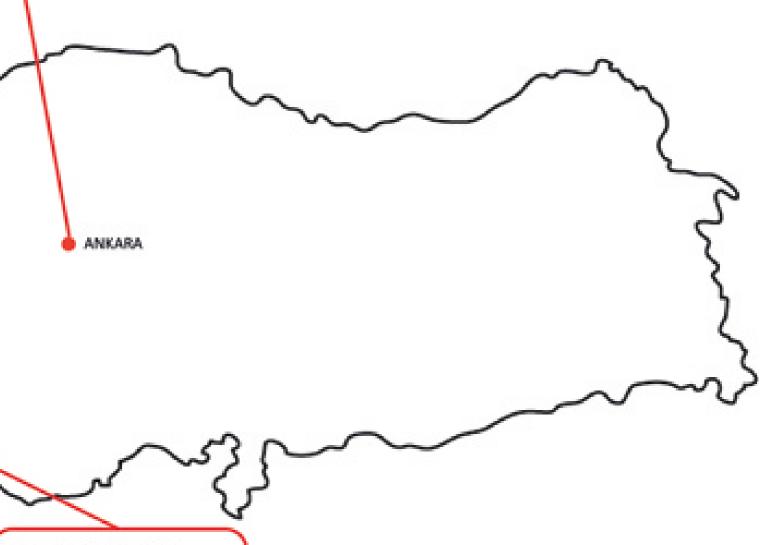
# National Customers

**TURKISH AIRLINES** TEC **ACT AIR CARGO** ATLAS JET **BORA Jet FREEBIRD ULS AIR CARGO** MNG AIRLINES MNG Jet ONUR AIR **PEGASUS** myTECHNIC MNG TECHNIC PRIMA AVIATION TAILWIND ZORLU ENERJİ

TURKISH REPUBLIC PRIN TURKISH REPUBLIC AIR I TURKISH REPUBLIC NAV

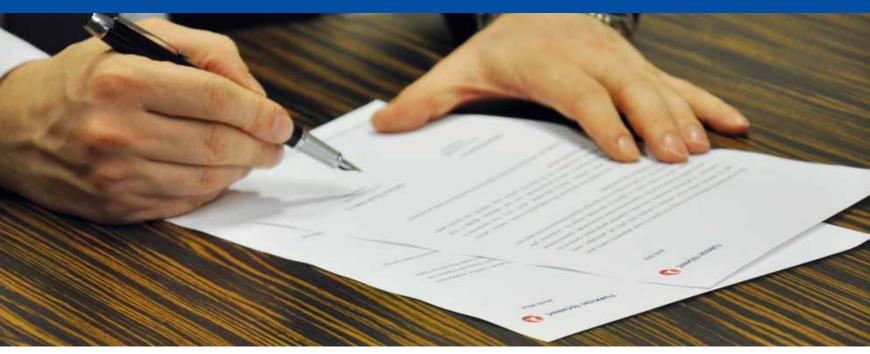


TE MINISTRY & PRESIDENCY
ORCES COMMAND
AL FORCES COMMAND



SUN EXPRESS CORENDON SKY AIRLINES

## Agreements Signed in 2012



BASE MAINTENANCE	LANDING GEARS	APU	POOL
Smartlynx	SKY Airlines	Oren Air	MNG Airlines
ILFC	Ariana Afghan	Atlas Jet	ONUR Airlines
Dana Jet	SKY Bosnia	IzAir	Ariana Afghan
Senegal Airlines	ATLAS Jet	Cargo Air	
BHAir	Tailwind	Pegasus	
Air Berlin	AZAL (Azerbaijan Airlines)	Turkmenistan Airlines	
IzAir		White Air	
Atlas Jet		MNG Airlines	
Alitalia		Safi Airways	
Royal Jet		Sun Express Deutschland	
TNT			
Air Blue			
Ariana Afghan			
Oren Air			
ULS Cargo			
Iraq Airlines			
Pegasus			
Orbest			
Air Astana			
Meridiana Fly			
Air Moldova			
Somon Airlines			

## Customer Visits and Hosted Customers

	Country	Interviewed Customer	Country	Interviewed Customer	Country	Interviewed Customer
1	Abu Dhabi	Royal Jet	India	LJet Airways	Portugal	TAP Portugal
2	Germany	Air Berlin	India	SpiceJet	Portugal	White Airways
3	Germany	DC-Aviation	India	Go Air	Qatar	Amiri Flight
4	Austria	Austrian Airlines	India	Kingfisher	Qatar	Qatar Airways'
5	Austria	Niki	The Netherlands&Belgium	Sabena Technic	Russia	Globus
6	Bahrain	Bahrain Air	Iraq	Iraq Airways	Russia	Kolavia
7	Bahrain	Gulf Air	Iran	Iran Air	Russia	Moskovia
8	Belgium	Brussels Airlines	Iran	Mahan Air	Russia	Nordstar
9	Belgium	TNT Airways SA	Spain	Orbest Airlines	Russia	OrenAir
10	Belgium	Jetairfly Belgium	Italy	Meridianafly	Russia	S7
11	Brunei and Indonesia	Batavia Air	Lebanon	MASCO	Russia	Transaero
12	Brunei and Indonesia	Lion Air	Luxembourg	Luxair	TR Antalya	Corendon Airlines
13	Brunei and Indonesia	Merpati	Egypt	Air Cairo	TR Antalya	Sky Airlines
14	Brunei and Indonesia	Royal Brunei Airlines	Egypt	Egypt Air	TR Antalya	SunExpress
15	Czech Republic	Czech Airlines	Egypt	Egypt Air M&E	TR-Ankara	Undersecretariat of Nationa
16	Czech Republic	Travel Service	Egypt	Midwest		Intelligence Organization
17	Denmark	PrimeraAir	Egypt	NileAir	Turkmenistan	Turkmenistan Airlines
18	Indonesia	Siriwijaya	Mauritania	Mauritania Airlines	Ukraine	Donbassaero
19	Ethiopia	Ethiopian Airlines	Poland	EnterAir	Jordan	Alnaser Airlines
20	Marocco	Royal Air Maroc	Poland	Lot Polish	Jordan	Jordan Aviation
21	Georgia	Fly-Georgia	Poland	OLT Express	Jordan	Petra Airlines
22	Georgia	Georgian Airways	Portugal	Euro Atlantic	Jordan	Royal Falcon
23	South Africa	South African Airways	Portugal	HI FLY	Jordan	Royal Jordanian
24	India	IndiGo Airlines	Portugal	Masterjet		

### Hosted Customers

	Country	Company	Duty
1	Great Britain	Jet2.com	Technical President
2	Iraq	Iraq Airways	Technical President
3	Senegal	Senegal Airlines	Technical President
4	Saudi Arabia	Saudi Royal Flight	Contract Manager
5	Iraq	Iraq Hajj Commete	CEO
6	Dubai	Fly Dubai,	Technical President
7	Iran	Iran Aseman Airlines	Repair Supply Manager
8	India	SpiceJet	Technical President
9	Turkmenistan	Turkmenistan Airlines	Technical President
10	Luxembourg	Lux air	Vice technical president, quality department
11	Austria	Niki	Technical President
12	Germany	Air Berlin	Lease Manager
13	Germany	Germania	Technical President, Purchasing Managers
14	Germany	Lufthansa Technik	Europe and Turkey Manager
15	The Netherlands	TNT	Fleet Manager, Technical President
16	Ireland	GECAS	VP

# The Exhibitions/Conferences Attended by Turkish Technic Inc.

- MRO MIDDLE EAST / DUBAI FEBRUARY 01-20, 2012

  Dubai
- MRO AFRICA / KENYA FEBRUARY 21-23, 2012 Kenya
- 105<sup>th</sup> IATP CONFERENCE / MADRID MARCH 03-07, 2012 Spain
- AIRCRAFT MAINTENANCE RUSIA & CIS / MOSCOW MARCH 01-02, 2012 Russian
- AP&M EXPO / LONDON MAY 01-03, 2012
  The United Kingdom
- UMB / MUMBAI MAY 29 JUNE 01, 2012 India



- MRO AMERICAS / DALLAS APRIL 03-05, 2012
  THE USA
- AIRLINE CARRIER PURCHASING CONFERENCE 2012 / LAS VEGAS AUGUST 18 21, 2012 THE USA
- AIREXISTANBUL / ISTANBUL SEPTEMBER 06 09, 2012

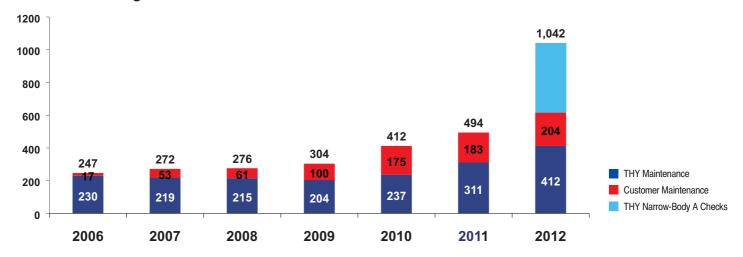
  Turkey
- MRO INDIA 2012 / MUMBAI SEPTEMBER 25 27, 2012 India
- MRO EUROPE 2012 / AMSTERDAM OCTOBER 10 11, 2012
  The Netherlands
- TUHESFO / ISTANBUL OCTOBER 18 20, 2012
  Turkey
- 106<sup>th</sup> IATP CONFERENCE / XIAMEN OCTOBER 13 17, 2012 Xiamen
- AVIATION OUTLOOK ASIA 2012 / SINGAPORE OCTOBER 17 18, 2012 Singapore
- MRO ASIA 2012 / SINGAPORE NOVEMBER 13 15 Singapore
- UMB / ISTANBUL NOVEMBER 14 -15, 2012
  Turkey



### The Numbers of Aircraft Maintenance



In comparison to 2011, the number of completed base maintenance checks in 2012 for THY aircraft has risen in parallel with increase of fleet size. Same increase is also valid for the number of base maintenance checks performed on 3P aircraft. Turkish Technic has taken overall THY A-Check services excluding line maintenance activities as of June 2012.



### Component Maintenance in Numbers



#### Number of Component Maintenance Events/ Man-Hour



### Production, Planning and Control in Figures

- NUMBER OF LETTER CHECKS PLANNED;
  - App. 5200
- TOTAL NUMBER OF MAINTENANCE PACKAGES PREPARED;
  - App. 8500
- NUMBER OF EO's + COMP. REMOVALS PLANNED;
  - App. 10.500 (including AD's)
- NUMBER OF HARD TIME OF LIFE LIMITED COMPONENTS TRACKED ON BEHALF OF THY;
  - App. 85.000 LLPs (Life Limited Part)
  - App. 50.000 Hard Time (including sub-assy)

- CONSUMABLE MATERIALS MANAGED
  - 31,000 SKUs for app. 6.680.000 consumables (total value of app. TL 260 million)
- NUMBER OF ENGINES, APUs AND LANDING GEARS TRACKED ON BEHALF OF THY;
  - App. 444 Engines (App. \$ 4.4 billion)
  - App. 624 Landing gears (App. \$ 1.07 billion)
  - App. 207 APUs- (App. \$ 210 million)
- CUSTOMER (3RD PARTY);
  - Prepared 1097 Maintenance RFPs for 107 operators
  - Prepared 204 Maintenance Check Packages

### Our Investments and Projects



Thanks to its qualified and trained labor force, Turkish Technic Inc. decided to establish a new international aviation maintenance repair center in Istanbul Sabiha Gökçen International Airport in order to better make use of its strategic position and rapidly growing national and international aviation market with the experience and capabilities of years. The construction of this big project titled HABOM was completed substantially in 2012. HABOM can serve 11 narrow-body and 3 wide-body aircraft at the same with in an indoor area of 370.000 m².





The facilities in the value of approximately 450 million US Dollars were designed by employing latest technologies and the modern maintenance complex with social means was structured just like a campus. In addition to maintenance and repair activities, this campus will also host manufacturing subsidiaries such as Turkish Cabin Interior Systems Industries Inc. and become an important aviation campus in Turkey and in the world. In 2012, more than 700 technicians and engineers

### Our Investments and Projects







were employed with technicians constituting the great majority and the number of people working for HABOM project reached to 1.300.



Turkish Engine Center (TEC), established together with global aircraft engine manufacturer Pratt&Whitney and the subsidiary of Turkish Technic Inc., continued maintenance and repair operations in 2012 and increased the number of customers served outside of THY.

Another subsidiary Goodrich Turkish Technic Service Center (GTTSC) obtained EASA Part 145 and FAR 145 certificates and continued repair and maintenance operations.

TURKBINE, established together with Zorlu O&M, engaged in maintenance and repair operations of Industrial Gas Turbines in 2012 and completed Part 145 application for the maintenance of CF6-80 aircraft engines.



Turkish Cabin Interior Systems Industries Inc., established together with TUSAŞ, completed in 2010, the production of Boeing 737-800 galley prototype, which will be its first product. It completed the design of give galleys belonging to Airbus A330 type aircraft and realized 83% of the program. The Boeing is intended to be included in the authorized supplier list within 2013 after going through supplier process.

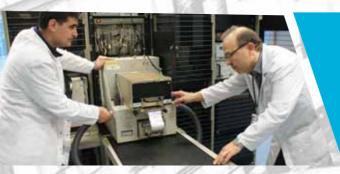
Turkish Seat Industries Inc. (TSI) completed prototype production for economy class aircraft seat for Boeing s 737-800 type aircraft. It also obtained ADOA design approval certificate from ESA in 2012 and took the first steps to be Boeing supplier. In 2013, it is intended to obtain POA and ETSO certificates from EASA and commence the Boeing supply process officially.

### Engineering Activities

As a result of group works performed with Airbus, the periodical maintenance frequencies of the aircraft in THY fleet were increased and ensured 20% - 65% saving on the basis of fleet. In THY facilities, the renovation project was designed for G4 Prime Ministry Aircraft, the STC design and implementation of which are conducted together for the first time. For the aircraft of THY and other customers, many minor changes were made

In Design Organization, the number of engineers, technicians and operators was increased three times in 2012. Our design ability is developed with new design tools and testing capabilities.

五十年1月11日



#### **Performance Based Navigation:**

ICAO PBN (Performance Based Navigation)
Applications which use the modern GPS
Technology will enable Fuel and Time Savings
for Turkish Airlines operations. Turkish Technic
accomplished the preparation of RNP
Approach, RNP 4 and RNP 10 Operation
Application Documents to Turkish CAA and
approvals have been obtained for these
operations.

It was applied to EASA in order to expand EASA21J.418 authority scope of Part 21 Design Organization Approval Certificate at STC level and the application passed through preliminary examinations. It was prepared two Cabin Renewal STC projects and submitted to EASA for approval.



We have been one of the first MROs, which gained the capability of NGS (Nitrogen Generation System) installation on B737NG aircraft in order to prevent fire possibility in fuel tanks.

#### **SESAR**

SESAR Project has been started by Eurocontrol to prevent the bottlenecks of the dense European Air Traffic, to significantly reduce the CO2 output, to enhance the flight safety and to decrease all the costs. Turkish Technic participated in the SESAR Project as a pioneer member with THY. Work in the Projects has begun with our participation at expert level.



### Wireless Internet, Live TV and Cellular Phone Usage for Wide-Body Aircraft:

For being a stronger player in the global arena and to increase the competition value, THY is increasing the cabin quality and comfort level. Related with this, THY started to install to its B777 aircrafts Global Communication Suite (GCS) Systems of Panasonic that enables the Wireless Internet, Live TV and Cellular Phone Usage in the aircrafts. In the first quarter, all B777 aircrafts will be equipped with GCS System. Similar work has been started for A330 aircraft and the first installation has been accomplished in the end of 2012. It is planned that all A330 aircraft will be equipped with GCS Systems by the end of 2013.

#### **HAVELSAN Projects**

Parallel to the goals of Turkey's National Aircraft Manufacturing Projects Turkish Technic has cooperated with HAVELSAN and they started to together to design wireless QAR and IFE Systems for aircrafts.



### B737-800 aircraft seat replacement:

In cooperation with TSI, which is a subsidiary company of THY, passenger seat production and integration of new seats into the aircraft equipped with Koito seats has been commenced.



## R&D Management

## The following activities were conducted under the responsibility of the Process Development Management till November 2012. The Activities Carried Out;

- A Value Stream Mapping and Root Cause Analysis Workshop (for Managers) was held.
- It was continued to provide Root Cause Analysis Training within the company.
- In 2012, it was made 5S inspection twice.
- The system for following Company's Targets was renewed. Some improvements were made related with follow-up and coordination of targets.
- The MEDA works were coordinated until the end of August 2012.
- It was continued to follow and coordinate suggestion system in order increase efficiency in the company.
- t was continued to report until the end of December, how often the materials that are sent abroad for repair are sent for repair. The task was passed on to Comp.
   & Material Mgmnt. & Logistics Directorate afterwards.

#### **Supported Projects**;

- The Expenditure Inventory Management Project was supported on the basis of process management.
- The studies for Poor Quality Cost continue in the company.

#### The Activities that Started with the R&D Management;

#### **Initiated Projects**;

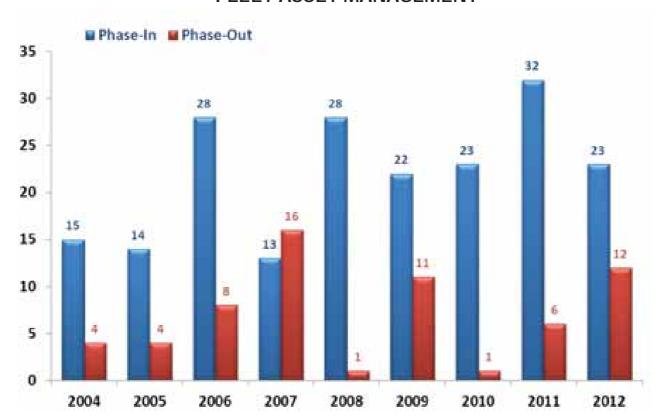
- In August 2010, the studies were started for the establishment of Turkish Technic Inc. R&D Center. The R&D Center was approved by the Ministry of Industry in November 2012 and begun to operate officially.
- It was made first patent application as Turkish Technic Inc
- The scope of responsibility of 3 projects, initiated with Havelsan, passed to R&D Center.
- The R&D projects to be initiated for 2013 were determined.



### Fleet Asset Management

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

#### **FLEET ASSET MANAGEMENT**



TOTAL SUPPORT SERVICES GIVEN BY TURKISH TECHNIC TO OTHER OPERATORS WITH TOTAL CARE COORDINATION IN 2012

CUSTOMER	AIRCRAFT TYPE	NUMBER OF AIRCRAFT	CONTRACT TYPE	RAMP	MAINTENANCE A	MAINTENANCE B	MAINTENANCE C	MAINTENANCE S	LINE MAINTENANCE
ARIANA AFGAN AIRLINES	A310	2	MS& ENGINEERING ADDITIONAL SUPPORT BRAKE SERVICES LINE MAINTENANCE COMPONENT POOL SERVICES	-	11	7	1	1	-
IRAQI AIRWAYS	B737-700	2	MS& ENGINEERING LINE MAINTENANCE BRAKE SERVICES GTA COMPONENT POOL SERVICES TIRE & WHEEL	144	6	-	2	-	9
SOMON AIRLINES	B737-300 B737-800 B737-900	5	ADDITIONAL SUPPORT LINE MAINTENANCE BRAKE SERVICES MS& ENGINEERING TIRE & WHEEL	295	24	-	1	-	42



### Independent Audit Report

### Deloitte.

#### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Türk Hava Yolları Teknik A.Ş.

We have audited the accompanying financial statements of Türk Hava Yolları Teknik Anonim Şirketi (the "Company"), which comprise the balance sheet as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with financial reporting standards published by Capital Markets Board. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards published by the Capital Markets Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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



### Independent Audit Report

### Deloitte.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Türk Hava Yolları Teknik Anonim Şirketi as at 31 December 2012, and of its financial performance and its cash flows for the year then ended, in accordance with the financial reporting standards published by the Capital Markets Board.

Without qualifying our opinion, we would like to draw attention to the following matter:

The Company's management decided to change its functional currency from Turkish Lira to US Dollar due to the reasons explained in Note 2.1 and considered that it would be appropriate to apply the change from the beginning of 2011. Turkish Lira is continued to be used as presentation currency and the financial statements are presented in Turkish Lira. The Company's accompanying financial statements as of 31 December 2011 are prepared in US Dollar by the method explained in Note 2.1 and translated into Turkish Lira by the method explained in the same Note.

Istanbul, 6 March 2013

LLT Boguno 2 Desetin ve Suum A.Z.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of DELOITTE TOUCHE TOHMATSU LIMITED

# Turkish Technic Inc. Independently Audited Balance Sheet As of 31 December 2012 (Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

	Notes	Audited Current Period 31 December 2012	(Restated) Audited Prior Period 31 December 2011	(Restated) Audited Prior Period 31 December 2010
Current Assets		710,814,205	710,645,419	570,043,107
Cash and Cash Equivalents	3	17,858,412	30,380,515	30,405,267
Trade Receivables	6	143,972,995	194,798,720	185,970,990
Trade Receivables from Related Parties		91,563,793	111,009,328	101,868,812
Other Trade Receivables		52,409,202	83,789,392	84,102,178
Other Receivables	7	581,103	1,328,153	1,703,837
Inventories	8	462,543,729	447,126,273	330,342,340
Other Current Assets	15	85,857,966	37,011,758	21,620,673
Non-Current Assets		513,662,051	381,207,664	209,437,366
Financial Investments	4	5,025	5,025	14
Investments Accounted by Using				
Equity Method	9	62,098,144	85,259,728	53,692,268
Tangible Assets	10	441,164,187	267,643,586	105,709,608
Intangible Assets	11	3,386,097	2,155,075	594,177
Other Non-Current Assets	15	7,008,598	26,144,250	45,751,280
Deferred Tax Asset		-	-	3,690,019
TOTAL ASSETS		1,224,476,256	1,091,853,083	779,480,473

# Turkish Technic Inc. Independently Audited Balance Sheet As of 31 December 2012 (Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

			(Restated) Audited	(Restated) Audited
		Current Period 31 December	Prior Period 31 December	Prior Period 31 December
	Notes	2012	2011	2010
Current Liabilities		253,046,607	231,906,648	214,187,717
Financial Borrowings	5	4,638,257	3,439,030	13,304
Trade Payables	6	101,771,788	111,180,997	79,842,069
Trade Payables to Related Parties		36,699,334	29,980,486	31,859,813
Other Trade Payables		65,072,454	81,200,511	47,982,256
Other Payables	7	113,803,815	80,655,779	82,784,966
Current Tax Liabilities	23	-	5,367,118	-
Provisions	12	6,746,697	3,418,323	898,751
Provisions for Employee Benefits	14	18,645,212	18,831,857	46,414,025
Other Current Liabilities	15	7,440,838	9,013,544	4,234,602
Non-Current Liabilitites		49,735,662	54,560,512	27,425,764
Provisions for Employee Benefits	14	39,368,431	32,928,181	27,229,192
Other Non-Current Liabilities	15	851,354	-	196,572
Deferred Tax Liability	23	9,515,877	21,632,331	-
SHAREHOLDERS' EQUITY				
Equity Attributable to Equity				
Holders' of the Parent	16	921,693,987	805,385,923	537,866,992
Share Capital		693,000,000	543,006,000	430,026,000
Restricted Profit Reserves		8,080,406	5,126,685	4,042,000
Currency Translation Adjustment		86,841,809	133,652,009	(4,042,022)
Retained Earnings		120,647,508	106,756,329	86,017,475
Net Profit for the Year		13,124,264	16,844,900	21,823,539
TOTAL LIABILITIES AND				
SHAREHOLDERS' EQUITY		1,224,476,256	1,091,853,083	779,480,473

## Turkish Technic Inc. Independently Audited Comprehensive Income Statement for the Year Ending on 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

	Notes	Audited Current Period 1 January- 31 December 2012	(Restated) Audited Prior Period 1 January- 31 December 2011
Sales Revenue	17	803,823,249	833,987,822
Cost of Sales (-)	17	(681,552,897)	(674,066,716)
GROSS PROFIT	_	122,270,352	159,921,106
Marketing, Sales and	_		
Distribution Expenses (-)	18	(9,306,890)	(8,653,604)
General Administrative Expenses (-)	18	(86,881,628)	(71,379,216)
Research and Development Expenses (-)	18	(801,361)	-
Other Operating Income	20	11,863,703	17,830,488
Other Operating Expenses (-)	20	(6,232,519)	(4,172,379)
OPERATING PROFIT	_	30,911,657	93,546,395
Share of Investments' Losses Accounted			
by Using the Equity Method	9	(20,470,232)	(30,037,885)
Financial Income	21	5,543,869	2,758,886
Financial Expenses (-)	22	(6,618,444)	(10,336,584)
PROFIT BEFORE TAX	-	9,366,850	55,930,812
Tax Income/(Expense)		3,757,414	(39,085,912)
- Current Tax Expense	23	(8,378,749)	(18,866,938)
<ul> <li>Deferred Tax Income/(Expense)</li> </ul>	23	12,136,163	(20,218,974)
PROFIT FOR THE YEAR		13,124,264	16,844,900
Other Comprehensive (Expense)/Income		(46,810,200)	137,694,031
TOTAL COMPREHENSIVE (LOSS)/INCOME	<u> </u>	(33,685,936)	154,538,931

## Turkish Technic Inc. Independently Audited Statement of Changes in Equity for the Year Ending on 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.

ļ	Share Capital	Restricted Profit Reserves	Currency Translation Adjustment	Retained Earnings	Net Profit for the Year	Total Equity
Balance at 1 January 2011	430,026,000	4,042,000	(4,042,022)	86,017,475	21,823,539	537,866,992
Transfer	5 <b>6</b> 5	7.002	•	21,823,539	(21,823,539)	
Transfer to Reserves	•	1,084,685	٠	(1,084,685)		i
Capital Payment	112,980,000		•	•		112,980,000
Comprehensive Income for the Year	٠	*;	137,694,031	1:	16,844,900	154,538,931
Balance at 31 December 2011	543,006,000	5,126,685	133,652,009	106,756,329	16,844,900	805,385,923
Balance at 1 January 2012	543,006,000	5,126,685	133,652,009	106,756,329	16,844,900	805,385,923
Transfer	Ť		*	16,844,900	(16,844,900)	į
Transfer to Reserves	•	2,953,721	•	(2,953,721)		•
Capital Payment	149,994,000		•			149,994,000
Comprehensive Income for the Year	•	52	(46,810,200)	•	13,124,264	(33,685,936)
Balance at 31 December 2012	693,000,000	8,080,406	86,841,809	120,647,508	13,124,264	921,693,987

### Turkish Technic Inc. Independently Audited Cash Flow Statement for the Year Ending on 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.

Cash flows from operating activities   13   10   15   16   16   16   17   18   18   18   18   18   18   18			Audited Current Period 1 January-	(Restated) Audited Prior Period 1 January-
Cash flows from operating activities         Notes         2012         2011           Cash flows from operating activities         13,124,264         16,844,900           Depreciation and amorization         8,10,11         65,137,093         68,272,669           Interest income         21         (1,217,790)         (10,21,73)           Provision for employment termination benefits         14         8,436,527         7,617,943           Provision for employment termination benefits         14         8,436,527         7,617,943           Provision for mused vacation pay liability         14         8,436,527         30,037,885           Losses on equity investments accounted by using the equity method         9         20,470,254         12,918,333           Change in provision for doubtful receivables         18         5,247,544         12,918,335           Discount income         21         (306,307)         (107,701)           Deferred tax (income)/expense         23         (12,136,163)         20,218,974           Unrealized forcign exchange (gain)/loss         14(868,693)         26,963           Gain on ales of fixed assets         20         (12,274)         (9,101,943)           Frovision expense         23         8,378,749         18,866,938           Gain on sale			•	•
Net profit before taxes		Notes		
Net profit before taxes	Cash flows from operating activities	11000		
Depreciation and amortization			13.124.264	16.844.900
Interest income		8,10,11		
Provision for employment termination benefits	•			
Provision for unused vacation pay liability   14   168,760   144,552			( , , ,	
Losses on equity investments accounted by using the equity method				
the equity method Change in provision for doubtful receivables Change in provision for doubtful receivables 18 5,247,544 12,918,335 Discount income 21 (306,307) Deferred tax (income)/expense 22 37,118 53,337 Discount income 21 (306,307) Deferred tax (income)/expense 23 (12,136,163) 29,268,530 Income tax expense 23 Ray 38,378,49 18,866,938 Gain on sales of fixed assets 20 (12,274) (9,101,943) Provision expense 12 3,328,374 2,519,572  Net cash used by operating activities before movements in working capital Movements in working capital Decrease/(Increase) in trade receivables Increase in other receivables Roy 20 Decrease in other receivables Roy 20 Decrease in other receivables Roy 20 Decrease in other payables Roy 20 Decrease in other payables Roy 20 Decrease in other payables Roy 3,348,359 Decrease in other payables Roy 3,348,359 Decrease in other payables Roy 3,348,359 Decrease in other payables Roy 3,348,359 Decrease in other payables Roy 3,348,359 Decrease in other payables Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy 3,348,359 Roy	* * *		,	
Change in provision for doubtful receivables   18   5,247,544   12,918,335   Discount expense   22   37,118   53,337   10,007,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,000   10,0		9	20,470,232	30,037,885
Discount expense		18	5,247,544	12.918.335
Discount income   21				
Deferred tax (income)/expense				
Unrealized foreign exchange (gain)/loss   23				
Income tax expense				
Gain on sales of fixed assets         20         (12,274)         (9,101,943)           Provision expense         12         3,328,374         2,519,572           Net cash used by operating activities         95,787,321         196,971,818           Movements in working capital         95,787,321         196,971,818           Movements in working capital         45,552,718         (21,798,902)           Decrease (Increase) in trade receivables         45,552,718         (21,798,902)           Decrease in in where tree in where receivables         735,395         375,184           (Increase)/Decrease in other current and non-current assets         (31,987,594)         42,21,573           (Decrease)/Increase in trade payables         (9,102,902)         31,446,629           Increase (Decrease) in other payables         7         33,148,036         (2,129,187)           Decrease in other liabilities         (1,076,757)         (23,144,550)           Cash generated from operating activities         56,222,124         96,273,670           Interest income         1,215,598         1,006,545           Employment termination benefits paid         14         (1,996,277)         (1,918,954)           Taxes paid         23         (1,146,524)         (13,499,820)           Net cash generated from operating a		23		
Provision expense   12   3,328,374   2,519,572     Net cash used by operating activities   95,787,321   196,971,818     Movements in working capital   95,787,321   196,971,818     Movements in working capital   196,971,818     Decrease/(Increase) in trade receivables   45,552,718   (21,798,902)     Increase in inventories   (76,834,093)   (89,669,095)     Decrease in other receivables   735,395   375,184     (Increase)/Decrease in other current and non-current assets   (31,987,594)   4,221,573     (Increase)/Decrease in trade payables   7   33,148,036   (2,129,187)     Decrease in other labilities   (1,076,757)   (23,144,550)     Cash generated from operating activities   56,222,124   96,273,670     Interest income   1,215,598   1,006,545     Employment termination benefits paid   14   (1,996,277)   (1,918,954)     Taxes paid   14   (1,996,277)   (1,918,954)     Net cash generated from operating activities   43,974,921   81,861,441     Cash flows used by investment activities   43,974,921   (1,349,982)     Net cash generated from operating activities   39,948   10,967,485     Purchase of intangible assets   10   (203,581,428)   (153,794,972)     Proceeds on disposal of tangible assets   11   (2,149,412)   (1,840,932)     Proceeds on disposal of tangible assets   10   (203,581,428)   (153,794,972)     Proceeds on disposal of tangible assets   10   (203,581,428)   (153,794,972)     Proceeds on disposal of tangible assets   10   (203,581,428)   (153,794,972)     Proceeds on disposal of tangible assets   10   (203,581,428)   (153,794,972)     Proceeds on disposal of tangible assets   10   (203,581,428)   (153,794,972)     Proceeds on disposal of tangible assets   11   (2,149,412)   (1,840,932)     Proceeds on disposal of tangible assets   11   (2,149,412)   (1,840,932)     Proceeds on disposal of tangible assets   11   (2,149,412)   (1,840,932)     Proceeds on disposal of tangible assets   11   (3,94,942)   (3,94,942)   (3,94,942)   (3,94,942)   (3,94,942)   (3,94,942)   (3,94,942)   (3,94,942)   (3,94,942)   (3,	•			
Net cash used by operating activities before movements in working capital   95,787,321   196,971,818   Movements in working capital   Decrease/(Increase) in trade receivables   45,552,718   (21,798,902)   Increase in inventories   (76,834,093)   (89,669,095)   Decrease in other receivables   735,395   375,184   (21,798,092)   Increase in other receivables   (76,834,093)   (89,669,095)   Decrease in other receivables   735,395   375,184   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76,757)   (10,76				
Decrease (Increase) in trade receivables   45,552,718   (21,798,902)   (76,834,093)   (89,669,095)   (76,834,093)   (89,669,095)   (76,834,093)   (89,669,095)   (76,834,093)   (89,669,095)   (76,834,093)   (89,669,095)   (76,834,093)   (89,669,095)   (10,932,092)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,902)   (10,932,			5,520,571	2,017,012
Novements in working capital   Decrease (Increase) in trade receivables   45,552,718   (21,798,902)   Increase in inventories   (76,834,093)   (89,669,095)   Decrease in other receivables   735,395   375,184   (Increase)/Decrease in other current and non-current assets   (31,987,594)   4,221,573   (Decrease)/Increase in trade payables   (9,102,902)   31,446,629   Increase/(Decrease) in other payables   7   33,148,036   (2,129,187)   Decrease in other liabilities   (1,076,757)   (23,144,350)   (23,144,350)   (23,144,350)   (23,144,350)   (23,144,350)   (23,144,350)   (23,144,350)   (23,144,350)   (23,144,350)   (23,144,350)   (23,144,350)   (23,144,350)   (23,144,350)   (23,144,350)   (23,144,350)   (23,144,350)   (23,144,350)   (23,144,350)   (23,144,350)   (23,144,350)   (23,144,350)   (23,144,350)   (23,144,350)   (23,144,350)   (23,144,350)   (23,144,350)   (23,144,350)   (23,144,350)   (23,144,350)   (23,144,350)   (23,144,350)   (23,144,350)   (23,144,350)   (23,144,350)   (23,144,350)   (23,144,350)   (23,144,350)   (23,144,350)   (23,144,350)   (23,144,350)   (23,144,350)   (23,144,350)   (24,144,39,22)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)   (24,144,412)			95,787,321	196,971,818
Decrease/(Increase) in trade receivables   45,552,718   (21,798,902)     Increase in inventories   76,834,093   (89,669,095)     Decrease in other receivables   735,395   375,184     (Increase)/Decrease in other current and non-current assets   (31,987,594   4,221,573     (Decrease)/Increase in trade payables   (9,102,902   31,446,629     Increase/(Decrease) in other payables   7   33,148,036   (2,129,187)     Decrease in other liabilities   (1,076,757)   (23,144,350)     Cash generated from operating activities   56,222,124   96,273,670     Interest income   1,215,598   1,006,545     Employment termination benefits paid   14   (1,996,277)   (1,918,954)     Taxes paid   23   (11,466,524)   (13,499,820)     Net cash generated from operating activities   43,974,921   81,861,441     Cash flows used by investment activies   39,948   10,967,485     Purchase of tangible assets   10   (203,581,428)   (153,794,972)     Proceeds on disposal of tangible assets   11   (2,149,412)   (1,840,932)     Capital increase in investments accounted by using equity mehtod   (1,999,359)   (53,618,489)     Increase in financial investments   4   -   (5,011)     Net cash used in investing activities   (207,690,251)   (198,291,919)     Cash flows from financing activities   151,193,227   116,405,726     Capital increase in cash and cash equivalents   (12,522,103)   (24,752)     CASH AND CASH EQUIVALENTS AT THE   3   30,380,515   30,405,267     CASH AND CASH EQUIVALENTS AT THE   3   17,858,412   30,380,515   30,405,267     CASH AND CASH EQUIVALENTS AT THE   3   17,858,412   30,380,515   30,405,267     CASH AND CASH EQUIVALENTS AT THE   3   17,858,412   30,380,515   30,405,267     CASH AND CASH EQUIVALENTS AT THE   3   17,858,412   30,380,515   30,405,267     CASH AND CASH EQUIVALENTS AT THE   3   17,858,412   30,405,267     CASH AND CASH EQUIVALENTS AT THE   3   17,858,412   30,405,267     CASH AND CASH EQUIVALENTS AT THE   3   10,405,726     CASH AND CASH EQUIVALENTS AT THE   3   10,405,726     CASH AND CASH EQUIVALENTS AT THE   3   1	~ -		, ,	
Increase in inventories			45.552.718	(21.798.902)
Decrease in other receivables	, ,			
(Increase)/Decrease in other current and non-current assets         (31,987,594)         4,221,573           (Decrease)/Increase in trade payables         (9,102,902)         31,446,629           Increase/(Decrease) in other payables         7         33,148,036         (2,129,187)           Decrease in other liabilities         (1,076,757)         (23,144,350)           Cash generated from operating activities         56,222,124         96,273,670           Interest income         1,215,598         1,006,545           Employment termination benefits paid         14         (1,996,277)         (1,918,954)           Taxes paid         23         (11,466,524)         (13,499,820)           Net cash generated from operating activities         43,974,921         81,861,441           Cash flows used by investment activies         9         (1,466,524)         (13,499,820)           Net cash generated from operating activities         39,948         10,967,485           Purchase of tangible assets         10         (203,581,428)         (153,794,972)           Proceeds on disposal of tangible assets         11         (2,149,412)         (1,840,932)           Capital increase in intensities accounted by using equity mehtod         (1,999,359)         (53,618,489)           Increase in financial investments         4				
Decrease   Increase in trade payables   (9,102,902)   31,446,629     Increase   Increase   Increase   (1,076,757)   (23,144,350)     Decrease in other liabilities   (1,076,757)   (23,144,350)     Cash generated from operating activities   1,215,598   1,006,545     Employment termination benefits paid   14   (1,996,277)   (1,918,954)     Taxes paid   23   (11,466,524)   (13,499,820)     Net cash generated from operating activities   43,974,921   81,861,441     Cash flows used by investment activies   39,948   10,967,485     Purchase of tangible assets   10   (203,581,428)   (153,794,972)     Proceeds on disposal of tangible assets   11   (2,149,412)   (1,840,932)     Capital increase in investments accounted by using equity mehtod   (1,999,359)   (53,618,489)     Increase in financial investments   4   -		ets	· ·	
Increase (Decrease) in other payables   7   33,148,036   (2,129,187)     Decrease in other liabilities   (1,076,757)   (23,144,350)     Cash generated from operating activities   56,222,124   96,273,670     Interest income   1,215,598   1,006,545     Employment termination benefits paid   14   (1,996,277)   (1,918,954)     Taxes paid   23   (11,466,524)   (13,499,820)     Net cash generated from operating activities   43,974,921   81,861,441     Cash flows used by investment activies   43,974,921   81,861,441     Cash flows used by investment activies   10   (203,581,428)   (153,794,972)     Purchase of tangible assets   10   (203,581,428)   (153,794,972)     Proceeds on disposal of tangible assets   11   (2,149,412)   (1,840,932)     Capital increase in investments accounted by using equity mehtod   (1,999,359)   (53,618,489)     Increase in financial investments   4   -   (5,011)     Net cash used in investing activities   (207,690,251)   (198,291,919)     Cash flows from financing activities   1,199,227   3,425,726     Capital increase in financial borrowings   1,199,227   3,425,726     Capital increase   149,994,000   112,980,000     Net cash generated from financing activities   151,193,227   116,405,726     Decrease in cash and cash equivalents   (12,522,103)   (24,752)     CASH AND CASH EQUIVALENTS AT THE   3   30,380,515   30,405,267     CASH AND CASH EQUIVALENTS AT THE   3   17,888,412   30,380,515				
Decrease in other liabilities		7		
Cash generated from operating activities         56,222,124         96,273,670           Interest income         1,215,598         1,006,545           Employment termination benefits paid         14         (1,996,277)         (1,918,954)           Taxes paid         23         (11,466,524)         (13,499,820)           Net cash generated from operating activities         43,974,921         81,861,441           Cash flows used by investment activies         10         (203,581,428)         (153,794,972)           Purchase of tangible assets         10         (203,581,428)         (153,794,972)           Purchase of intangible assets         11         (2,149,412)         (1,840,932)           Capital increase in investments accounted by using equity mehtod         (1,999,359)         (53,618,489)           Increase in financial investments         4         -         (5,011)           Net cash used in investing activities         (207,690,251)         (198,291,919)           Capital increase         1,199,227         3,425,726           Capital increase         149,994,000         112,980,000           Net cash generated from financing activities         151,193,227         116,405,726           Decrease in cash and cash equivalents         (12,522,103)         (24,752)           CASH A				
Interest income				
Taxes paid         23         (11,466,524)         (13,499,820)           Net cash generated from operating activities         43,974,921         81,861,441           Cash flows used by investment activies         Unchase of tangible assets         10         (203,581,428)         (153,794,972)           Purchase of itangible assets         10         (203,581,428)         (153,794,972)           Purchase of intangible assets         11         (2,149,412)         (1,840,932)           Capital increase in investments accounted by using equity mehtod         (1,999,359)         (53,618,489)           Increase in financial investments         4         -         (5,011)           Net cash used in investing activities         (207,690,251)         (198,291,919)           Cash flows from financing activities         1,199,227         3,425,726           Capital increase in financial borrowings         1,199,227         3,425,726           Capital increase         149,994,000         112,980,000           Net cash generated from financing activities         151,193,227         116,405,726           Decrease in cash and cash equivalents         (12,522,103)         (24,752)           CASH AND CASH EQUIVALENTS AT THE         3         30,380,515         30,405,267           CASH AND CASH EQUIVALENTS AT THE         3				
Net cash generated from operating activities         43,974,921         81,861,441           Cash flows used by investment activies         10         (203,581,428)         (153,794,972)           Purchase of tangible assets         10         (203,581,428)         (153,794,972)           Proceeds on disposal of tangible assets         11         (2,149,412)         (1,840,932)           Capital increase in investments accounted by using equity mehtod         (1,999,359)         (53,618,489)           Increase in financial investments         4         -         (5,011)           Net cash used in investing activities         (207,690,251)         (198,291,919)           Cash flows from financing activities         1,199,227         3,425,726           Capital increase         149,994,000         112,980,000           Net cash generated from financing activities         151,193,227         116,405,726           Decrease in cash and cash equivalents         (12,522,103)         (24,752)           CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR         3         30,380,515         30,405,267           CASH AND CASH EQUIVALENTS AT THE         3         17,858,412         30,380,515	Employment termination benefits paid	14	(1,996,277)	(1,918,954)
Cash flows used by investment activies         Purchase of tangible assets       10       (203,581,428)       (153,794,972)         Proceeds on disposal of tangible assets       39,948       10,967,485         Purchase of intangible assets       11       (2,149,412)       (1,840,932)         Capital increase in investments accounted by using equity mehtod       (1,999,359)       (53,618,489)         Increase in financial investments       4       —       (5,011)         Net cash used in investing activities       (207,690,251)       (198,291,919)         Cash flows from financing activities       1,199,227       3,425,726         Capital increase       149,994,000       112,980,000         Net cash generated from financing activities       151,193,227       116,405,726         Decrease in cash and cash equivalents       (12,522,103)       (24,752)         CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR       3       30,380,515       30,405,267         CASH AND CASH EQUIVALENTS AT THE       3       17,858,412       30,380,515	Taxes paid	23	(11,466,524)	(13,499,820)
Purchase of tangible assets         10         (203,581,428)         (153,794,972)           Proceeds on disposal of tangible assets         39,948         10,967,485           Purchase of intangible assets         11         (2,149,412)         (1,840,932)           Capital increase in investments accounted by using equity mehtod         (1,999,359)         (53,618,489)           Increase in financial investments         4         —         (5,011)           Net cash used in investing activities         (207,690,251)         (198,291,919)           Cash flows from financing activities         1,199,227         3,425,726           Capital increase         149,994,000         112,980,000           Net cash generated from financing activities         151,193,227         116,405,726           Decrease in cash and cash equivalents         (12,522,103)         (24,752)           CASH AND CASH EQUIVALENTS AT THE         3         30,380,515         30,405,267           CASH AND CASH EQUIVALENTS AT THE         3         17,858,412         30,380,515	Net cash generated from operating activities	_	43,974,921	81,861,441
Proceeds on disposal of tangible assets         39,948         10,967,485           Purchase of intangible assets         11         (2,149,412)         (1,840,932)           Capital increase in investments accounted by using equity mehtod         (1,999,359)         (53,618,489)           Increase in financial investments         4         -         (5,011)           Net cash used in investing activities         (207,690,251)         (198,291,919)           Cash flows from financing activities         1,199,227         3,425,726           Capital increase         149,994,000         112,980,000           Net cash generated from financing activities         151,193,227         116,405,726           Decrease in cash and cash equivalents         (12,522,103)         (24,752)           CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR         3         30,380,515         30,405,267           CASH AND CASH EQUIVALENTS AT THE         3         17,858,412         30,380,515	•			
Purchase of intangible assets       11       (2,149,412)       (1,840,932)         Capital increase in investments accounted by using equity mehtod       (1,999,359)       (53,618,489)         Increase in financial investments       4       -       (5,011)         Net cash used in investing activities       (207,690,251)       (198,291,919)         Cash flows from financing activities       1,199,227       3,425,726         Capital increase in financial borrowings       149,994,000       112,980,000         Net cash generated from financing activities       151,193,227       116,405,726         Decrease in cash and cash equivalents       (12,522,103)       (24,752)         CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR       3       30,380,515       30,405,267         CASH AND CASH EQUIVALENTS AT THE       3       17,858,412       30,380,515	-	10	(203,581,428)	(153,794,972)
Capital increase in investments accounted by using equity mehtod       (1,999,359)       (53,618,489)         Increase in financial investments       4       -       (5,011)         Net cash used in investing activities       (207,690,251)       (198,291,919)         Cash flows from financing activities       1,199,227       3,425,726         Capital increase in financial borrowings       149,994,000       112,980,000         Net cash generated from financing activities       151,193,227       116,405,726         Decrease in cash and cash equivalents       (12,522,103)       (24,752)         CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR       3       30,380,515       30,405,267         CASH AND CASH EQUIVALENTS AT THE       3       17,858,412       30,380,515			,	, ,
by using equity mehtod Increase in financial investments  Net cash used in investing activities Cash flows from financing activities Increase in financial borrowings Capital increase Net cash generated from financing activities Net cash generated from financing activities The Cash AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR CASH AND CASH EQUIVALENTS AT THE CASH AND CASH EQUIVALENTS AT THE CASH AND CASH EQUIVALENTS AT THE CASH AND CASH EQUIVALENTS AT THE CASH AND CASH EQUIVALENTS AT THE CASH AND CASH EQUIVALENTS AT THE CASH AND CASH EQUIVALENTS AT THE CASH AND CASH EQUIVALENTS AT THE CASH AND CASH EQUIVALENTS AT THE CASH AND CASH EQUIVALENTS AT THE CASH AND CASH EQUIVALENTS AT THE CASH AND CASH EQUIVALENTS AT THE CASH AND CASH EQUIVALENTS AT THE CASH AND CASH EQUIVALENTS AT THE CASH AND CASH EQUIVALENTS AT THE CASH AND CASH EQUIVALENTS AT THE CASH AND CASH EQUIVALENTS AT THE CASH AND CASH EQUIVALENTS AT THE CASH AND CASH EQUIVALENTS AT THE CASH AND CASH EQUIVALENTS AT THE CASH CASH EQUIVALENTS AT THE CASH CASH EQUIVALENTS AT THE CASH CASH EQUIVALENTS AT THE CASH CASH EQUIVALENTS AT THE CASH CASH EQUIVALENTS AT THE CASH CASH EQUIVALENTS AT THE CASH CASH EQUIVALENTS AT THE CASH CASH EQUIVALENTS AT THE CASH CASH EQUIVALENTS AT THE CASH CASH EQUIVALENTS AT THE CASH CASH EQUIVALENTS AT THE CASH CASH EQUIVALENTS AT THE CASH CASH EQUIVALENTS AT THE CASH CASH CASH EQUIVALENTS AT THE CASH CASH CASH EQUIVALENTS AT THE CASH CASH CASH EQUIVALENTS AT THE CASH CASH CASH EQUIVALENTS AT THE CASH CASH CASH EQUIVALENTS AT THE CASH CASH CASH CASH EQUIVALENTS AT THE CASH CASH CASH EQUIVALENTS AT THE CASH CASH CASH EQUIVALENTS AT THE CASH CASH CASH EQUIVALENTS AT THE CASH CASH CASH CASH CASH CASH CASH CASH		11	(2,149,412)	(1,840,932)
Increase in financial investments 4 - (5,011)  Net cash used in investing activities (207,690,251) (198,291,919)  Cash flows from financing activities  Increase in financial borrowings 1,199,227 3,425,726  Capital increase 149,994,000 112,980,000  Net cash generated from financing activities 151,193,227 116,405,726  Decrease in cash and cash equivalents (12,522,103) (24,752)  CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR  CASH AND CASH EQUIVALENTS AT THE 3 30,380,515 30,405,267	-		(1 999 359)	(53 618 489)
Net cash used in investing activities         (207,690,251)         (198,291,919)           Cash flows from financing activities         1,199,227         3,425,726           Increase in financial borrowings         1,199,227         3,425,726           Capital increase         149,994,000         112,980,000           Net cash generated from financing activities         151,193,227         116,405,726           Decrease in cash and cash equivalents         (12,522,103)         (24,752)           CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR         3         30,380,515         30,405,267           CASH AND CASH EQUIVALENTS AT THE         3         17,858,412         30,380,515			(1,555,555)	(55,010,407)
Cash flows from financing activities         Increase in financial borrowings       1,199,227       3,425,726         Capital increase       149,994,000       112,980,000         Net cash generated from financing activities       151,193,227       116,405,726         Decrease in cash and cash equivalents       (12,522,103)       (24,752)         CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR       3       30,380,515       30,405,267         CASH AND CASH EQUIVALENTS AT THE       3       17,858,412       30,380,515		4	<u>-</u>	
Increase in financial borrowings         1,199,227         3,425,726           Capital increase         149,994,000         112,980,000           Net cash generated from financing activities         151,193,227         116,405,726           Decrease in cash and cash equivalents         (12,522,103)         (24,752)           CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR         3         30,380,515         30,405,267           CASH AND CASH EQUIVALENTS AT THE         3         17,858,412         30,380,515			( 207,690,251)	( 198,291,919)
Capital increase         149,994,000         112,980,000           Net cash generated from financing activities         151,193,227         116,405,726           Decrease in cash and cash equivalents         (12,522,103)         (24,752)           CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR         3         30,380,515         30,405,267           CASH AND CASH EQUIVALENTS AT THE         3         17,858,412         30,380,515				
Net cash generated from financing activities  Decrease in cash and cash equivalents  CASH AND CASH EQUIVALENTS AT THE  BEGINNING OF THE YEAR  CASH AND CASH EQUIVALENTS AT THE  3  30,380,515  17,858,412  30,380,515	_			
Decrease in cash and cash equivalents  CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR  CASH AND CASH EQUIVALENTS AT THE  3 30,380,515 30,405,267  CASH AND CASH EQUIVALENTS AT THE 3 17,858,412 30,380,515				
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR CASH AND CASH EQUIVALENTS AT THE 3 30,380,515 30,405,267		_		
BEGINNING OF THE YEAR  CASH AND CASH EQUIVALENTS AT THE  3 30,380,515 30,405,267			(12,522,103)	(24,752)
1 1/ 333 417 311 331 313	BEGINNING OF THE YEAR	3	30,380,515	30,405,267
		3	17,858,412	30,380,515

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.,

#### 1. ORGANIZATION AND OPERATIONS OF THE COMPANY

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

Total number of employees working for the company as at 31 December 2012 is 2,022 (31 December 2011: 2,139).

	31 December 2012	<b>31 December 2011</b>
Adminstrative Staff	632	642
Production Staff	1,390	1,497
Total	2,022	2,139

The company is registered in Turkey and its head office address is as follows: İstanbul Bakırköy-Yeşilköy Atatürk Airport Gate B.

#### **Approval of Financial Statements:**

Board of Directors approved and gave permission to publish the financial statements as at 31 December 2012 on 6 March 2013. General shareholders' assembly has the authority to modify the financial statements.

#### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

#### 2.1 Basis of Presentation

The Company keeps its books of account and prepares its statutory financial statements in accordance with the principles and obligations of Turkish Commercial Code (the "TCC") and tax legislation.

Capital Markets Board ("CMB"), by Communiqué Serial XI No:29 "Communiqué About the Principles of Financial Reporting in Capital Markets", determined the principles and procedures relating to preparation of financial reports and presentation of these reports to interested parties. This Communiqué is in effect to be applicable for the first interim financial statements of the reporting periods starting after 1 January 2008 and Communiqué Serial XI No:25 "The Accounting Standards in the Capital Markets" was abolished. Depending on this communiqué, companies are required to prepare financial statements compliant with International Financial Reporting Standards ("IAS/IFRS") adopted by European Union. However, IAS/IFRS will be applied until the differences between the standards adopted by European Union and those promulgated bu IASC are declared by Turkish Accounting Standards Board ("TASB"). In this context, Turkish Accounting / Financial Reporting Standards ("TAS/TFRS") which are not contrary to standards adopted and promulgated by TASB and will be applied.

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

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

#### 2.1 Basis of Presentation (cont'd)

Since the differences between the standards accepted by the European Union and the standards issued by International Accounting Standards Board ("IASB") are not announced by the TASB as of the date of this report, financial statements are prepared in accordance with IASs/IFRSs under the CMB's Decree Volume: XI, No:29 and the accompanying financial statements and notes are presented in accordance with the standard format required by the announcement of the CMB on 17 April 2008 and 9 January 2009.

Statutory Decree No:660, which has become effective and published in the Offical Gazette on 2 November 2011, and the Additional Clause 1 of the Law No: 2499 were nullified and accordingly, Public Oversight, Accounting and Audit Standards Institution (the "Institution") was established. As per Additional Article 1 of the Statutory Decree, applicable laws and standards will apply until new standards and regulations are issued by the Institution and becomes effective. In this respect, the respective matter has no effect the "Basis of the Preparation of Financial Statements" Note disclosed in the accompanying financial statements as of the reporting date.

#### **Currency Used in Financial Statements**

#### 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, or 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 remeasured in US Dollar in accordance with the relevant provisions of IAS 21 (the Effects of Changes in Foreign Exchange Rates).

#### Translation to the presentation currency

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

- (a) Assets and liabilities in the balance sheet are translated into TL from US Dollar at the prevailing exchange rates of the Central Bank of Turkish Republic;
- (b) The income statement 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.



(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.,

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

#### 2.1 Basis of Presentation (cont'd)

#### Comparative Information and Restatement of Prior Period Financial Statements

Financial statements of the Company 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 financial statements, comparative information is reclassified and significant changes are disclosed if necessary. In the current year, the Company has made several reclasses in the prior year financial statements in order to maintain consistency, with current year financial statements. Nature, cause and amounts of classifications are explained below:

- Credit note and customs income in the amount of TL 5,927,543 recognized under "Other Income" has been netted of with "Cost of Sales".
- TL 10,685,168 recognized under "Income Accruals" has been reclassified to "Trade Receivables".

The Company changed its functional currency from Turkish Lira to US Dollar and prepared its financial statements based on US Dollar as of 30 June 2012 and considered that it would be appropriate to apply the change from the beginning of 2011. With regards to this change, the financial statements for the year ended 31 December 2011 are restated.

		31 December 2011	
	Reported in	Reclassified	Restated
	Prior Period	Amount	Balance
Assets			
Trade Receivables	184,113,552	10,685,168	194,798,720
Other Current Assets	47,696,926	(10,685,168)	37,011,758
Inventories	379,238,605	67,887,668	447,126,273
Investments Accounted by Using			
Equity Method	85,012,266	247,462	85,259,728
Tangible Assets	234,243,281	33,400,305	267,643,586
Intangible Assets	2,084,480	70,595	2,155,075
Liabilities			
Other Current Liabilities	30,929,535	49,726,244	80,655,779
Deferred Tax Liability	10,845,556	10,786,775	21,632,331
Income Statement			
Sales Revenue	818,968,812	15,019,010	833,987,822
Cost of Sales (-)	(671,588,224)	(2,478,492)	(674,066,716)
Marketing, Sales and			
Distribution Expenses (-)	(8,691,209)	37,605	(8,653,604)
General Administrative Expenses (-)	(81,113,586)	9,734,370	(71,379,216)
Other Operating Income	17,698,882	131,606	17,830,488
Other Operating Expenses (-)	(3,880,757)	(291,622)	(4,172,379)
Share of Investments' Losses			
Accounted by Using Equity Method	(27,729,523)	(2,308,362)	(30,037,885)
Financial Income	31,135,746	(28,376,860)	2,758,886
Financial Expenses (-)	(1,239,037)	(9,097,547)	(10,336,584)
Tax Expense (-)	(21,759,534)	(17,326,378)	(39,085,912)
	51,801,570	( 34,956,670)	16,844,900

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

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

#### 2.1 Basis of Presentation (cont'd)

#### Important Accounting Estimates and Assumptions

The preparation of financial statements require the use of estimations and assumptions that may have an effect over the assets and liabilities reported at the balance sheet date, contingent assets and liabilities disclosures and income and expenses reported during the accounting period. The estimates and assumptions are based on the best available information on the current circumstances and operations; however, they may differ from the actual results. If changes in accounting estimates only relate to one period, the change is reflected in the current period in which the change is made, if they relate to future periods, the change is both reflected in the current period in which the change is made and prospectively for future periods.

#### **Basis of Consolidation**

The table below sets out the affiliates accounted by using equity method and participation rate of the Company in these affiliates as of 31 December 2012:

		<u>Participa</u>	tion Rate	
		31 December	31 December	Country of
Name of the Company	<b>Principal Activity</b>	2012	<u>2011</u>	Registration
Turkbine Teknik Gaz Turb.	Technical	50%	50%	Turkey
Bakım Onarım A.Ş.	Maintenance	3070	3070	Turkey
P&W T.T. Uçak Bakım	Technical	49%	49%	Turkey
Merkezi Ltd. Şti.	Maintenance	1270	1270	runcy
Goodrich THY Teknik	Technical	40%	40%	Turkey
Servis Merkezi Ltd. Şti.	Maintenance	4070	4070	Turkey
TCI Kabiniçi Sistemleri	Cabin Interior	21%	21%	Turkov
San. Ve Tic. A.S.	Maintenance	2170	2170	Turkey

In the accompanying financial statements, joint venture's operations' results, assets and liabilities are journalized by using equity method except for the subsidiaries that are journalized as assets available-for-sale based. According to the equity method, subsidiaries are stated as the cost value adjusted as deducting the impairment in subsidiary from the change occurred in the subsidiary's assets after the acquisition date that is calculated by the Company's share in the balance sheet. Subsidiary's losses that exceed the Company's share are not considered (substantially, that contains any long-termed investment which composes the net investment in the subsidiary).

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

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

#### 2.2 New and Revised International Financial Reporting Standards

a) Amendments to IFRSs affecting amounts reported in the financial statements

None.

b) IFRSs effective as of 2012 with no material effect on the financial statements, amendments to and interpretations of effective standards

#### Amendments to IFRS 7 Disclosures - Transfers of Financial Assets

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

These amendments to IFRS 7 did not have a significant effect on the Company's disclosures. However, if the Company enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

#### Amendments to IAS 12 Deferred Taxes – Recovery of Underlying Assets

The amendment is effective for annual periods beginning on or after 1 January 2012. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 *Investment Property*. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be, through sale. The Company does not have investment property. The amendment did not have any effect on the financial statements.

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.

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

#### 2.2 New and Revised International Financial Reporting Standards

#### c) New and revised IFRSs in issue but not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
Amendments to IAS 1	Clarification of the Requirements for Comparative Information <sup>2</sup>
IFRS 9	Financial Instruments <sup>5</sup>
IFRS 10	Consolidated Financial Statements <sup>3</sup>
IFRS 11	Joint Arrangements <sup>3</sup>
IFRS 12	Disclosure of Interests in Other Entities <sup>3</sup>
IFRS 13	Fair Value Measurement <sup>3</sup>
Amendments to IFRS 7	Disclosures - Offsetting Financial Assets and Financial
	Liabilities <sup>3</sup>
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures <sup>5</sup>
Amendments to IFRS 10, IFRS 11	Consolidated Financial Statements, Joint Arrangements and
and IFRS 12	Disclosures of Interests in Other Entities: Transition Guide <sup>3</sup>
IAS 19 (as revised in 2011)	Employee Benefits <sup>3</sup>
IAS 27 (as revised in 2011)	Separate Financial Statements <sup>3</sup>
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures <sup>3</sup>
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities <sup>4</sup>
Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle except for the amendment to IAS 1 <sup>3</sup>
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine <sup>3</sup>

<sup>&</sup>lt;sup>1</sup> Effective for annual periods beginning on or after 1 July 2012.

The Company anticipates that the application of new standards will not have a material effect on financial statements.



<sup>&</sup>lt;sup>2</sup> Effective for annual periods beginning on or after 1 January 2013 as part of the *Annual Improvements to IFRSs 2009-2011 Cycle* issued in May 2012.

<sup>&</sup>lt;sup>3</sup> Effective for annual periods beginning on or after 1 January 2013.

<sup>&</sup>lt;sup>4</sup> Effective for annual periods beginning on or after 1 January 2014.

<sup>&</sup>lt;sup>5</sup> Effective for annual periods beginning on or after 1 January 2015.

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

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

#### 2.3 Summary of Significant Accounting Policies

Significant accounting policies used in preparation of the accompanying financial statements are as follows:

#### 2.3.1 Revenue

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

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

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

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

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

The Company provides maintenance and repair services to civil aviation sector, and technical and infrastructural, assistance related with the airlines sector. Income is recorded based on accrual basis.

#### 2.3.2 Inventories

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

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

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.,

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

#### 2.3 Summary of Significant Accounting Policies (cont'd)

#### 2.3.2 Inventories (cont'd)

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

	<u>Useful Life (Years)</u>
- Components	7
- Repairable spare parts (R Equipment)	7
- Repairable spare parts (X Equipment)	3

#### 2.3.3 Tangible Assets

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

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

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

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

The useful lives of tangible assets are as follows:

	Useful Life (Years)
- Plant, property and equipment	3-15
- Furniture and fixtures	4-15
- Vehicles	4-7
- Other tangible assets	4-15
- Leasehold improvements	5

#### 2.3.4 Intangible Assets

Intangible assets include information systems and other intangible assets. These intangible assets are recorded in the purchase cost. Other intangible assets are depreciated over their useful life, on a straight-line basis.

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

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

#### 2.3 Summary of Significant Accounting Policies (cont'd)

#### 2.3.5 Impairment on Assets

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

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

#### 2.3.6 Borrowing Costs

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

All of the other borrowing costs are recognized in the statement of income in the period in which they occur. As of 31 December 2012 and 2011, the Company does not have any capitalized borrowing costs.

#### 2.3.7 Financial Instruments

#### Financial assets

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

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

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.

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

#### 2.3 Summary of Significant Accounting Policies (cont'd)

2.3.7 Financial Instruments (cont'd)

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

Financial assets at FVTPL

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Held-to-maturity investments

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

Available for sale financial assets

Investments other than (a) held-to-maturity debt securities and (b) held for trading securities are classified as available-for-sale, (c) loans and receivables and are measured at subsequent reporting dates at fair value except available-for-sale investments that do not have quoted prices in active markets and whose fair values cannot be reliably measured are stated at cost and restated to the equivalent purchasing power. Gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period. Impairment losses recognized in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognized in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

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

#### 2.3 Summary of Significant Accounting Policies (cont'd)

2.3.7 Financial Instruments (cont'd)

Financial assets (cont'd)

Sale and repurchase agreements

Securities purchased under agreements to resell ("reverse repos") are recorded as reverse repo receivables on the cash and due from banks account, together with the difference between sale and repurchase price, which is accrued evenly over the life of the agreement using the effective yield method.

Loans and receivables

Trade and other loans and receivables, which does not traded in the market, with fixed and determinable payments are classified in this category. 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 loans and receivables 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.

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.,

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

#### 2.3 Summary of Significant Accounting Policies (cont'd)

2.3.7 Financial Instruments (cont'd)

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.

#### Financial liabilities

The Company'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.

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.

#### 2.3.8 Foreign Currency Transactions

Transactions in foreign currencies are translated into US Dollars at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into US Dollars at the exchange rate ruling at the balance sheet date. Monetary gains / losses arising on settlement / translation of foreign currency items are included in the statements of income.

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.,

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

#### 2.3 Summary of Significant Accounting Policies (cont'd)

#### 2.3.8 Foreign Currency Transactions (cont'd)

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

	Closing Rate	Average rate
31 December 2012	1.7826	1.7922
31 December 2011	1.8889	1.6708
31 December 2010	1.5460	1.4990

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

	Closing Rate	Average rate
31 December 2012	1.3193	1.2856
31 December 2011	1.2938	1.3912
31 December 2010	1.3254	1.3266

#### 2.3.9 Earnings per Share

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

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.

#### 2.3.10 Events Subsequent to the Balance Sheet Date

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

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

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.,

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

#### 2.3 Summary of Significant Accounting Policies (cont'd)

#### 2.3.11 Provisions, Contingent Liabilities and Contingent Assets

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

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

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

#### 2.3.12 Related Parties

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

#### 2.3.13 Taxation and Deferred Tax

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

#### Current tax

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

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

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

#### 2.3 Summary of Significant Accounting Policies (cont'd)

2.3.13 Taxation and Deferred Tax (cont'd)

Deferred tax

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

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

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

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

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

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.,

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

#### 2.3 Summary of Significant Accounting Policies (cont'd)

2.3.13 Taxation and Deferred Tax (cont'd)

Current and deferred tax for the period

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

#### 2.3.14 Employee Benefit / Retirement Pay Provision

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard 19 (Revised) "Employee Benefits" ("IAS 19").

The retirement benefit obligation recognized in the balance sheet have been measured as the net current value of the liabilities that are expected to emerge from the retirements of all employees and disclosed as such on the financial statements. Any actuarial gains and losses calculated are carried on the income statement.

#### 2.3.15 Statement of Cash Flow

In statement of cash flow, cash flows are classified according to operating, investment and finance activities.

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

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

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

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

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.,

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

# 2.3 Summary of Significant Accounting Policies (cont'd)

### 2.3.16 Share Capital and Dividends

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

# 2.4 Critical Accounting Estimates and Assumptions

### 2.4.1 Useful Lives of Inventories

Components and repairable spare parts are subject to depreciation and their useful lives are explained in Note 2.3.2.

# 2.4.2 Provision for Doubtful Trade Receivables

The Company makes a provision for trade receivables which are overdue and whose ability to be collected is assessed to be lower based on the past collectability experience, by taking letters of guarantees received into consideration. As explained in Note 6, the provision for doubtful trade receivables amounts to TL 38,007,632 as of 31 December 2012 (31 December 2011: TL 38,669,345).

# 2.4.3 Deferred Tax

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

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.,

# 3. CASH AND CASH EQUIVALENTS

The detail of cash and cash equivalents as at 31 December 2012 and 31 December 2011 is as follows:

	31 December 2012	<b>31 December 2011</b>
Banks (Demand Deposits)	771,024	871,892
Banks (Time Deposits)	17,087,388	29,508,623
	17,858,412	30,380,515

The detail of time deposits as at 31 December 2012 and 31 December 2011 is as follows:

<b>Capital</b>	Currency	<b>Opening Date</b>	<b>Interest Rate</b>	<b>Maturity</b>	31 December 2012
7,005,154	USD	December 2012		January 2013	12,487,388
4,600,000	TL	December 2012	8.40%	January 2013	4,600,000 17,087,388
<u>Capital</u>	Currency	<b>Opening Date</b>	Interest Rate	Maturity	31 December 2011
13,636,838	USD	December 2011	6.00%-6.25%	January 2012	25,758,623
3,750,000	TL	December 2011	8.00% -12.25%	January 2012	3,750,000
				×-	29,508,623

# 4. FINANCIAL INVESTMENTS

	31 December	Share	31 December	Share
	2012	%	2011	%
Uçak Koltuk Üretimi San.ve Tic. A.Ş.	5,005	10	5,005	10
THY Opet Havacılık Yakıtları A.Ş.	20	<1	20	<1
	5,025		5,025	

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

# 5. FINANCIAL BORROWINGS

The detail of financial borrowings as of 31 December 2012 and 31 December 2011 is as follows:

	31 December 2012	<b>31 December 2011</b>
Short term	4,638,257	3,439,030
	4,638,257	3,439,030

The detail of short term financial borrowings as of 31 December 2012 and 31 December 2011 is as follows:

# **31 December 2012**

Name of Bank	<b>Maturity</b>	<b>Original Amount</b>	Currency	Amount
Finansbank	1 January 2013	4,577,714	TL	4,577,714
Garanti Credit Card	<del>.</del>	56,063	TL	56,063
Garanti Credit Card	12	2,514	USD	4,480
30				4,638,257

# 31 December 2011

Name of Bank	<b>Maturity</b>	Original Amount	Currency	<b>Amount</b>
Halk Bank	1 January 2012	3,373,295	TL	3,373,295
Garanti Credit Card	9€	64,321	TL	64,321
Garanti Credit Card	{\ <del>_</del> -	749	USD	1,414
				3,439,030

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

# 6. TRADE RECEIVABLES AND PAYABLES

Short term trade receivables as of 31 December 2012 and 31 December 2011 are as follows:

	31 December 2012	31 December 2011
Trade receivables		
from related parties (Note 25)	91,563,793	111,009,328
Trade receivables	89,347,665	121,770,340
Credit note receivables	1,111,970	693,945
Discount on receivables (-)	(42,801)	(5,548)
Provision for doubtful receivables (-)	(38,007,632)	(38,669,345)
	143,972,995	194,798,720

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.;

# 6. TRADE RECEIVABLES AND PAYABLES (cont'd)

Movement of provision for doubtful receivables for the period ended 31 December 2012 and 31 December 2011 is as follows:

	1 January- 31 December 2012	1 January- 31 December 2011
Provision at the beginning of the year	38,669,345	29,892,949
Current year charge	5,235,889	12,917,835
Collections	(5,897,602)	(4,141,439)
	38,007,632	38,669,345

The Company does not have long term trade receivables as of 31 December 2012 and 31 December 2011.

The nature and level of risk derived from trade receivables is explained in Note 26.

### **Guarantees Received for Receivables**

The detail of guarantees received by the Company for trade receivables is given below:

	31 December 2012		31 December 2011	
	Nominal	Fair	Nominal	Fair
	Value	Value	Value	Value
Letters of Guarantees	4,623,957	4,623,957	2,077,755	2,077,755
	4,623,957	4,623,957	2,077,755	2,077,755

The detail of short term trade payables as of 31 December 2012 and 31 December 2011 is as follows:

	31 December 2012	<b>31 December 2011</b>
Trade payables	65,480,122	76,995,546
Trade payables to related parties (Note 25)	36,699,334	29,980,486
Discount on payables (-)	(407,668)	(100,998)
Other trade payables	<u> </u>	4,305,963
	101,771,788	111,180,997

The Company does not have long term trade payables as of 31 December 2012 and 31 December 2011.

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.,

# 7. OTHER RECEIVABLES AND PAYABLES

The detail of other short term receivables as at 31 December 2012 and 31 December 2011 is as follows:

	31 December 2012	31 December 2011
Non-trade receivables from	A 57	
related parties (Note 25)	493,583	92,480
Deposits and guarantees given	18,343	10,312
Due from personnel	5,491	3,237
Receivables from tax office	5,452	5,674
Doubtful receivables	6,310	15,437
Provision for doubtful receivables (-)	(6,310)	(15,437)
Receivables from foreign technical suppliers	ta <del>=</del>	1,049,534
Other receivables	58,234	166,916
	581,103	1,328,153

Movement of provision for doubtful receivables for the periods ended 31 December 2012 and 31 December 2011 is as follows:

	1 January-	1 January-
	31 December 2012	31 December 2011
Provision at the beginning of the year	15,437	14,937
Charge for the current year	11,655	500
Collected amount	(20,782)	
Provision at the end of the year	6,310	15,437

The detail of other short term payables as at 31 December 2012 and 31 December 2011 are as follows:

	31 December 2012	31 December 2011
Order advances received	84,249,235	54,891,637
Taxes, charges and other payables	10,931,255	9,941,448
Deposits and guarantees received	9,766,908	9,611,603
Non-trade payables to		
related parties (Note 25)	4,946,452	2,119,884
Social security premiums payables	3,823,155	3,697,467
Due to personnel	86,810	393,740
	113,803,815	80,655,779

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

# 8. INVENTORIES

	31 December 2012	31 December 2011
Components and repairable spare parts	373,795,361	399,120,534
Accumulated depreciation of		
components and repairable spare parts (-)	(145,803,609)	(185,035,832)
Technical equipment inventories	227,729,530	221,052,729
Scrap equipment inventories	16,567,627	17,555,587
Technical equipment inventories in transit	7,282,974	11,988,842
Provision for impairment (-)	(17,701,999)	(17,555,587)
Other	673,845	-
	462,543,729	447,126,273

Movement for provision for impairment on inventory is as follows:

	1 January-	1 January-
	31 December 2012	31 December 2011
Provision at the begining of the year	17,555,587	14,368,647
Charge for the current year	1,134,372	120 ACC
Currency translation adjustment	(987,960)	3,186,940
Provision at the end of the year	17,701,999	17,555,587

Movement of components and repairable spare parts is as follows:

	Components and repairable spare
Cost	parts
Opening balance, 1 January 2012	399,120,534
Additions	107,991,879
Disposals	(110,856,089)
Currency translation adjustment	(22,460,963)
Closing balance, 31 December 2012	373,795,361
<b>Accumulated Depreciation</b>	· · · · · · · · · · · · · · · · · · ·
Opening balance, 1 January 2012	185,035,832
Current charge for the year	49,368,776
Disposals	(78,187,897)
Currency translation adjustment	(10,413,102)
Closing balance, 31 December 2012	145,803,609
Net Book Value at 31 December 2012	227,991,752
Net Book Value at 31 December 2011	214,084,702

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.,

# 8. INVENTORIES (cont'd)

	Components and repairable spare
Cost	parts
Opening balance, 1 January 2011	327,545,637
Additions	89,451,315
Disposals	(90,525,447)
Currency translation adjustment	72,649,029
Closing balance, 31 December 2011	399,120,534
Accumulated Depreciation	41 <del></del>
Opening balance, 1 January 2011	152,551,379
Current charge for the year	54,119,194
Disposals	(13,049,738)
Currency translation adjustment	(8,585,003)
Closing balance, 31 December 2011	185,035,832
Net Book Value at 31 December 2011	214,084,702
Net Book Value at 31 December 2010	174,994,258

The depreciation charges in the amount of TL 49,368,776 incurred for the year ended 31 December 2012 were recognized in cost of sales (31 December 2011: TL 54,119,194).

# 9. INVESTMENTS ACCOUNTED BY USING THE EQUITY METHOD

Investments accounted by equity method are as follows:

31 December 2012	31 December 2011
53,595,752	74,626,725
7,373,945	8,186,685
716,723	701,439
411,724	1,744,879
62,098,144	85,259,728
	53,595,752 7,373,945 716,723 411,724

Financial information for P & W T.T. Uçak Bakım Merkezi Ltd. Şti. as of 31 December 2012 and 31 December 2011 is as follows:

	31 December 2012	31 December 2011
Assets	225,834,697	225,887,983
Liabilities	116,455,611	73,588,544
Shareholders' Equity	109,379,086	152,299,439
Company's share in shareholder's equity	53,595,752	74,626,725

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.,

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

Share of P & W T.T. Uçak Bakım Merkezi Ltd. Şti. accounted by using equity method in profit/(loss) is as follows:

	1 January-	1 January-
	31 December 2012	31 December 2011
Revenue	163,637,539	170,451,280
Profit/(Loss)	(34,593,459)	(52,384,000)
Company's share in profit/(loss)	(16,950,794)	(25,668,159)

Financial information for Goodrich THY Teknik Servis Merkezi Ltd. Şti. as of 31 December 2012 and 31 December 2011 is as follows:

	31 December 2012	<b>31 December 2011</b>
Assets	7,284,016	5,386,726
Liabilities	6,254,706	1,024,528
Shareholders' Equity	1,029,310	4,362,198
Company's share in shareholder's equity	411,724	1,744,879

Share of Goodrich THY Teknik Servis Merkezi Ltd. Şti. accounted by using equity method in loss is as follows:

	1 January-	1 January-
	31 December 2012	31 December 2011
Revenue	13,581,638	195,432
Profit/(Loss)	(3,103,680)	(4,186,172)
Company's share in profit/(loss)	(1,241,472)	(1,674,469)

Financial information for Turkbine Teknik Gaz Turbinleri Bakım Onarım A.Ş. as of 31 December 2012 and 31 December 2011 is as follows:

	31 December 2012	31 December 2011
Assets	15,325,079	16,721,700
Liabilities	577,189	348,330
Shareholders' Equity	14,747,890	16,373,370
Company's share in shareholder's equity	7,373,945	8,186,685

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.,

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

Share of Turkbine Teknik Gaz Turbinleri Bakım Onarım A.Ş. accounted by using equity method in loss is as follows:

	1 January-	1 January-
	<b>31 December 2012</b>	31 December 2011
Revenue	1,252,656	304,185
Profit/(Loss)	(707,763)	(5,017,196)
Company's share in profit/(loss)	(353,882)	(2,508,598)

Financial information for TCI Kabiniçi Sistemleri Sanayi ve Ticaret A.Ş. as of 31 December 2012 and 31 December 2011 is as follows:

	31 December 2012	<b>31 December 2011</b>
Assets	4,404,188	5,693,144
Liabilities	991,221	2,352,958
Shareholders' Equity	3,412,967	3,340,186
Company's share in shareholder's equity	716,723	701,439

Share of TCI Kabiniçi Sistemleri Sanayi ve Ticaret A.Ş. accounted by using equity method in loss is as follows:

	1 January-	1 January-
	31 December 2012	31 December 2011
Revenue	1,133,385	-
Profit/(Loss)	(9,162,301)	(888,848)
Company's share in profit/(loss)	(1,924,084)	(186,659)

Losses from the investments accounted by using the equity method are as follows:

1 January-	1 January-
31 December 2012	31 December 2011
(16,950,794)	(25,668,159)
(1,924,084)	(186,659)
(1,241,472)	(1,674,469)
(353,882)	(2,508,598)
(20,470,232)	(30,037,885)
	31 December 2012 (16,950,794) (1,924,084) (1,241,472) (353,882)

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.

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	Plant, Machinery		Furniture and	Other Tangible	Construction in	Leasehold	
	and Equipment	Vehicles	Fixtures	Assets	Progress	Improvements	Total
Cost							
Opening balance, 1 January 2012	99,669,203	7,988,923	10,305,090	1,738,906	217,655,856	25,722,851	363,080,829
Additions	14,735,120	1,593,978	1,199,068	294,635	184,863,822	894,805	203,581,428
Disposals	(2,045,229)	(3,774)	(176,610)	(11,289)	,	(8,543)	(2,245,445)
Currency translation adjustment	(5,608,998)	(449,586)	(579,930)	(97,859)	(12,248,831)	(1,447,582)	(20,432,786)
Closing balance, 31 December 2012	106,750,096	9,129,541	10,747,618	1,924,393	390,270,847	25,161,531	543,984,026
Accumulated Depreciation							
Opening balance, 1 January 2012	68,142,434	5,964,561	6,399,991	947,571	ř	13,982,686	95,437,243
Charge for the year	7,480,038	399,157	1,273,116	243,008	<b>(i</b> )	5,575,887	14,971,206
Disposals	(2,032,810)	(3,774)	(169,013)	(10,279)	200	(1,895)	(2,217,771)
Currency translation adjustment	(3,834,793)	(335,663)	(360,166)	(53,326)	*	(786,891)	(5,370,839)
Closing balance, 31 December 2012	69,754,869	6,024,281	7,143,928	1,126,974	Y	18,769,787	102,819,839
Net Book Value, 31 December 2012	36,995,227	3,105,260	3,603,690	797,419	390,270,847	6,391,744	441,164,187
Net Book Value, 31 December 2011	31,526,769	2,024,362	3,905,099	791,335	217,655,856	11,740,165	267,643,586

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.

10. TANGIBLE ASSETS (cont'd)

	Plant, Machinery and Equipment	Vehicles	Furniture and Fixtures	Other Tangible Assets	Construction in Progress	Leasehold Improvements	Total
Cost							
Opening balance, 1 January 2011	75,187,082	7,960,286	7,729,733	1,350,307	63,992,344	19,867,947	176,087,699
Additions	10,008,671	474,136	1,643,267	392,565	141,107,438	168,895	153,794,972
Disposals	(2,202,907)	(2,211,074)	(782,353)	(303,464)	F	(357,978)	(5,857,776)
Transfer	•	•	•	ř.	(1,637,311)	1,637,311	ř.
Currency translation adjustment	16,676,357	1,765,575	1,714,443	299,498	14,193,385	4,406,676	39,055,934
Closing balance, 31 December 2011	99,669,203	7,988,923	10,305,090	1,738,906	217,655,856	25,722,851	363,080,829
5							<b>1</b> /1
Accumulated Depreciation							
Opening balance, 1 January 2011	51,699,211	6,824,525	4,346,036	697,726	(1)	6,810,593	70,378,091
Charge for the year	6,274,277	48,875	1,470,531	202,040	a	5,745,931	13,741,654
Disposals	(1,297,845)	(2,122,507)	(380,518)	(106,949)	a	(84,415)	(3,992,234)
Currency translation adjustment	11,466,791	1,213,668	963,942	154,754		1,510,577	15,309,732
Closing balance, 31 December 2011	68,142,434	5,964,561	6,399,991	947,571	340	13,982,686	95,437,243
Net Book Value, 31 December 2011	31,526,769	2,024,362	3,905,099	791,335	217,655,856	11,740,165	267,643,586
Net Book Value, 31 December 2010	23,487,871	1,135,761	3,383,697	652,581	63,992,344	13,057,354	105,709,608

The depreciation charges incurred for the year ended 31 December 2012 were included under following accounts: TL 8,509,634 (31 December 2011: TL 7,810,756) in cost of sales, TL 23,954 (31 Aralık 2011: TL 21,987) in marketing, selling and distribution expenses and TL 6,437,618 (31 December 2011: TL 5,908,911) in general administrative expenses.

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.,

# 11. INTANGIBLE ASSETS

	Rights
Cost	\ <del>;</del>
Opening balance, 1 January 2012	3,288,584
Additions	2,149,412
Currency translation adjustment	(185,068)
Closing balance, 31 December 2012	5,252,928
Accumulated Depreciation	÷.
Opening balance, 1 January 2012	1,133,509
Charge for the year	797,111
Currency translation adjustment	(63,789)
Closing balance, 31 December 2012	1,866,831
Net Book Value, 31 December 2012	3,386,097
Net Book Value, 31 December 2011	2,155,075

	Rights
Cost	*
Opening balance, 1 January 2011	1,185,503
Additions	1,840,932
Disposals	(794)
Currency translation adjustment	262,943
Closing balance, 31 December 2011	3,288,584
Accumulated Depreciation	
Opening balance, 1 January 2011	591,326
Charge for the year	411,821
Disposals	(794)
Currency translation adjustment	131,156
Closing balance, 31 December 2011	1,133,509
Net Book Value, 31 December 2011	2,155,075
Net Book Value, 31 December 2010	594,177

The depreciation charges incurred for the year ended 31 December 2012 were included under following accounts: TL 453,078 (31 December 2011: TL 234,079) in cost of sales, TL 1,275 (31 Aralık 2011: TL 659) in marketing, selling and distribution expenses and TL 342,758 (31 December 2011: TL 177,083) in general administrative expenses.

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.

# 12. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

### i) Provisions;

	31 December 2012	31 December 2011
Provision for legal claims (-)	6,746,697	3,418,323

Movement of provision for legal claims as of 31 December 2012 and 31 December 2011 is as follows:

	1 January-	1 January-
	31 December 2012	31 December 2011
Provision at the begining of the year	3,418,323	898,751
Charge for the year	3,328,374	2,519,572
Provision at the end of the year (*)	6,746,697	3,418,323

(\*) TL 5,395,492 of provision for legal claims are reinstatement cases (31 December 2011: TL 2,250,000).

ii) Contingent Assets and Liabilities;

# 31 December 2012

As of 31 December 2012, 70 demanding compensation lawsuits are filed against THY Teknik A.Ş. and provision in the amount of TL 1,351,205 is provided in the financial statements related to these cases.

### **31 December 2011**

As of 31 December 2011, 63 demanding compensation lawsuits are filed against THY Teknik A.Ş. and provision in the amount of TL 1,168,323 is provided in the financial statements related to these cases.

# iii) Contingent Liabilities;

# 31 December 2012

Nature	Amount TL
Letters of Guarantee Given	3,938,509
Total	3,938,509

# **31 December 2011**

Nature	Amount TL
Letters of Guarantee Given	3,350,864
Total	3,350,864

iv) Mortgages and guarantees on assets;

None (31 December 2011: None).



(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.,

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

v) Insurance on assets;

### 31 December 2012

Type of Asset Insured	Amount	Currency
Building and Machinery, Plant, Equipment	175,826,466	TL
Vehicles	604,410	TL
Spare Parts	250,000,000	US Dollar
Other	280,000	TL
Total TL	176,710,876	
Total USD	250,000,000	

### 31 December 2011

Type of Asset Insured	Amount	Currency
Building and Machinery, Plant, Equipment	183,213,441	TL
Vehicles	354,761	TL
Spare Parts	250,000,000	US Dollar
Other	280,000	TL
Total TL	183,848,202	
Total USD	250,000,000	

### 13. COMMITMENTS

Company as lessee

Leasing Agreements:

Leasing period is 23 years and is related to the construction in progress of aircraft hangar land. The Company does not have the right to buy the asset at the end of the leasing period.

As of 31 December 2012 leasing payment amounting to TL 5,574,829 (31 December 2011: TL 3,700,644) is accounted as rent expense in income statement.

### Commitments related to operating

leasing that can not be canceled	31 December 2012	31 December 2011
Within 1 year	2,081,088	1,934,234
1-5 years	16,417,472	16,440,986
After 5 years	49,973,307	54,186,976
	68,471,867	72,562,196



(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

### 14. EMPLOYEE BENEFITS

Short term employee benefits as of 31 December 2012 and 31 December 2011 are as follows:

	31 December 2012	31 December 2011
Salary accruals	17,141,580	14,347,043
Provision for unused vacation pay liability	1,503,632	1,334,872
Collective agreement salary expenses	=	3,149,942
	18,645,212	18,831,857

Provision for employment termination benefits as of 31 December 2012 and 31 December 2011 is as follows:

	<b>31 December 2012</b>	<b>31 December 2011</b>
Provision for employment termination benefits	39,368,431	32,928,181

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.

The amount payable consists of one month's salary limited to a maximum of TL 3,033.98 (31 December 2011: TL 2,731.85) for each period of service at 31 December 2012.

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:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2012, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 5.00% (31 December 2011: 5.00%) and a discount rate of 7.63% (31 December 2011: 9.50%), resulting in a real discount rate of approximately 2.50% (31 December 2011: 4.29%). The anticipated rate of forfeitures is considered. The maximum liability is revised semi annually and TL 3,129.25 ceiling amount as of 1 January 2013 has been taken into account in provision for employment termination benefit calculation.

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

14.	EMPLOYEE BENEFITS (cont'd)		
	Movement of provision for employment termination	on benefit is as follows:	
		1 January-	1 January-
		31 December 2012	31 December 2011
	Provision at the beginning of the year	32,928,181	27,229,192
	Current service cost	4,547,334	6,450,978
	Interest cost	827,032	1,166,965
	Payments	(1,996,277)	(1,918,954)
	Actuarial loss	3,062,161	\
	Provision at the end of the year	39,368,431	32,928,181
15.	OTHER ASSETS AND LIABILITIES		
	Other short-term assets are as follows:		
		31 December 2012	31 December 2011
	Deferred VAT	55,731,154	23,864,553
	Advances given for orders	26,100,497	12,040,032
	Prepaid taxes	2,279,343	=
	Prepaid expenses	1,644,468	174,898
	Advances given to personnel	98,686	31,987
	Income accruals	2,305	887,934
	Business advances given	1,513	12,354
		85,857,966	37,011,758
	Other short-term liabilities are as follows:		
		31 December 2012	31 December 2011
	Expense accruals	6,130,837	8,200,903
	Deferred revenue	738,000	243,270
	Other liabilities	572,001	569,371
		7,440,838	9,013,544
	Other non-current assets are as follows:		
		31 December 2012	31 December 2011
	Advances given for tangible assets	6,652,888	23,998,473
	Prepaid expenses	355,710	2,145,777
		7,008,598	26,144,250
	Other non-current liabilities are as follows:		
		31 December 2012	31 December 2011
	Deferred revenue	851,354	-
		851,354	<u>~</u>

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

# 16. SHAREHOLDERS' EQUITY

a) Share Capital/Elimination Adjustments

As of 31 December 2012, the Company's share capital is comprised of 693,000,000 shares issued with par value of TL 1 each. These shares are written to the name. The Company is not included in the registered capital system.

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

	%	<b>31 December 2012</b>	%	<b>31 December 2011</b>
THY A.O.	100	693,000,000	100	693,000,000
Unpaid Capital				(149,994,000)
		693,000,000		543,006,000

b) Capital Reserves

None (31 December 2011: None).

c) Restricted Profit Reserves

Restricted reserves assorted from profit consist of legal reserves.

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code (TCC). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

# d) Retained Earnings

Retained earnings consist of extraordinary reserves and other retained earnings

The Company's shareholders' equity items as per period ends are as follows:

	31 December 2012	31 December 2011
Share capital	693,000,000	543,006,000
Restricted profit reserves	8,080,406	5,126,685
Currency translation adjustment	86,841,809	133,652,009
Retained earnings	120,647,508	106,756,329
Net profit for the year	13,124,264	16,844,900
	921,693,987	805,385,923

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

# 17. SALES AND COST OF SALES

The detail of sales is as follows:

	1 January- 31 December 2012	1 January- 31 December 2011
Aircraft maintenance income	286,371,376	270,892,469
Component maintenance income	160,461,721	140,775,388
Pool income	159,135,829	135,416,784
Equipment sales income	84,171,164	93,728,532
Engine maintenance income	27,367,284	35,252,528
Line maintenance income	4,025,345	71,638,922
Bfe&Retrofit income	136,916	280,528
Other	82,153,614	86,002,671
Sales Revenue (Net)	803,823,249	833,987,822
Cost of Sales (-)	(681,552,897)	(674,066,716)
<b>Gross Operating Profit</b>	122,270,352	159,921,106

The detail for cost of sales is given below:

	1 January- 31 December 2012	1 January- 31 December 2011
Personnel expenses	217,770,336	221,102,336
Equipment expenses	207,306,946	205,590,938
Maintenance expenses	81,034,449	85,068,457
Depreciation expenses	58,331,488	62,164,029
Transportation expenses	19,478,092	16,389,876
Provision for employment termination benefit	6,544,166	5,547,841
Collective agreement salary expense	v	2,631,388
Other	91,087,420	75,571,851
	681,552,897	674,066,716

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

# 18. RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

	1 January- 31 December 2012	1 January- 31 December 2011
Marketing, Selling and Distribution Expenses (-)	(9,306,890)	(8,653,604)
General Administrative Expenses (-)	(86,881,628)	(71,379,216)
Research and Development Expenses (-)	(801,361)	-
<b>Total Operating Expenses</b>	(96,989,879)	(80,032,820)

# 19. EXPENSES BY NATURE

Marketing, Selling and Distribution Expenses	1 January- 31 December 2012	1 January- 31 December 2011
Personnel expenses	5,515,946	5,774,118
Depreciation expenses	25,229	22,646
Provision for employment termination benefits	76,095	64,510
Collective agreement salary expenses	1/A SE	73,398
Penalty expenses	-	42,555
Other	3,689,620	2,676,377
	9,306,890	8,653,604

General Administrative Expenses	1 January- 31 December 2012	1 January- 31 December 2011
Personnel expenses	41,191,368	34,865,998
Service expenses	18,298,293	5,186,217
Depreciation expenses	6,780,376	6,085,994
Rent expenses	5,767,323	5,030,001
Provision expense for doubtful receivables	5,247,544	12,918,335
Equipment expenses	2,720,794	3,479,281
Lighting, heating and water expenses	1,649,531	1,192,975
Provision for employment termination benefits	989,234	838,627
Collective agreement salary expenses		420,329
Other	4,237,165	1,361,459
	86,881,628	71,379,216
Research and Development Expenses	1 January- 31 December 2012	1 January- 31 December 2011
Personnel expenses	801,361	- 31 December 2011
	201 361	<u> </u>

20	OTHED	ODED	ATING	INCOME/EXPENSES

20.	OTHER OPERATING INCOME/EXPENSES		
		1 January- 31 December 2012	1 January- 31 December 2011
	Cancelled provisions	5,918,384	4,141,439
	Plant maintenance income	2,003,189	1,741,024
	Gain on sale of fixed assets	12,274	9,101,943
	Other income	3,929,856	2,846,082
	<b>Total Other Operating Income</b>	11,863,703	17,830,488
		1 January-	1 January-
		31 December 2012	31 December 2011
	Provision expenses for lawsuits	(3,328,374)	(2,519,572)
	Commision expenses	(504,749)	(10,854)
	Other	(2,399,396)	(1,641,953)
	Total Other Operating Expense	(6,232,519)	(4,172,379)
21.	FINANCIAL INCOME		
		1 January-	1 January-
		31 December 2012	31 December 2011
	Maturity difference income	4,019,659	1,639,012
	Interest income	1,217,903	1,012,173
	Discount income	306,307	107,701
	Total Financial Income	5,543,869	2,758,886
22.	FINANCIAL EXPENSE		
		1 January-	1 January-
	Facility and Large Inc.	31 December 2012	31 December 2011
	Foreign exchange losses	(5,747,654)	(9,103,318)

	1 January-	1 January-
	31 December 2012	31 December 2011
Foreign exchange losses	(5,747,654)	(9,103,318)
Retirement pay interest cost	(827,032)	(1,166,965)
Discount expenses	(37,118)	(53,337)
Bank expenses	(6,640)	(7,833)
Late interest expenses		(5,131)
<b>Total Financial Expense</b>	(6,618,444)	(10,336,584)
	1	

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

### 23. TAX ASSETS AND LIABILITIES

Tax liability as of 31 December 2012 and 31 December 2011 is as follows:

	31 December 2012	<b>31 December 2011</b>
Provision for corporate tax	8,378,749	18,866,938
Prepaid taxes	(8,378,749)	(13,499,820)
Tax liability	<u></u> _	5,367,118

The Company's tax expense consists of current period corporate tax and deferred tax expenses.

	1 January-	1 January-
	<b>31 December 2012</b>	31 December 2011
Tax expense for the period	(8,378,749)	(18,866,938)
Deferred tax income/(expense)	12,136,163	(20,218,974)
	3,757,414	(39,085,912)

# Corporate Tax

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

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

The effective tax rate in 2012 is 20% (2011: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2012 is 20% (2011: 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.



(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

# 23. 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 applied in between 24 April 2003 – 22 July 2006 is 10% and commencing from 22 July 2006, this rate has been changed to 15% upon the Council of Ministers' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

# Deferred Tax

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

For calculation of deferred tax asset and liabilities, the rate of 20% (2011: 20%) is used.

	1 January-	1 January-
Reconciliation of tax expense	31 December 2012	31 December 2011
Profit from continuing operations	9,366,850	55,930,812
Tax rate of 20%	1,873,370	11,186,162
Tax effects:		
- translation differences	(12,818,279)	15,993,899
- non-deductible expenses	2,056,253	3,278,668
- portion in losses of investments accounted		
by using equity method	4,094,046	6,007,577
- other	1,037,196	2,619,606
Income tax expense recognised in profit or loss	(3,757,414)	39,085,912

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

# 23. TAX ASSETS AND LIABILITIES (cont'd)

Deferred tax assets and liabilities as of 31 December 2012 and 31 December 2011 are as follows:

	1 January-	1 January-
	31 December 2012	31 December 2011
Deferred tax liability/(asset) as of 1 January	21,632,331	(3,690,019)
Deferred tax income/(expense)	(12,136,163)	20,218,974
Currency translation differences	19,709	5,103,376
Deffered tax liability as of 31 December	9,515,877	21,632,331
	31 December 2012	31 December 2011
Inventories	(28,682,250)	(35,932,334)
Fixed assets	(4,360,384)	(6,402,158)
Reserve provision	7,971,568	9,945,253
Provision for employment termination benefits	7,873,687	6,585,636
Provision for doubtful receivables	3,768,748	3,465,751
Provision for lawsuits	1,349,339	683,665
Other	2,563,415	21,856
	(9,515,877)	(21,632,331)

# 24. EARNINGS PER SHARE

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

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

	1 January-	1 January-
	31 December 2012	31 December 2011
Number of total outstanding shares (in full)	693,000,000	693,000,000
Number of outstanding shares (in full)	693,000,000	693,000,000
Weighted average number of shares		
outstanding during the period (in full)	693,000,000	693,000,000
Net profit for the year	13,124,264	16,844,900
Earnings per share (Kr)	1.89	2.43

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.,

### 25. RELATED PARTY TRANSACTIONS

# a) Due to/from Related Parties

Short-term trade receivables from related parties as of 31 December 2012 and 31 December 2011 are as follows:

	31 December 2012	31 December 2011
Türk Hava Yolları A.O.	70,852,498	82,353,578
Pratt & Whitney THY Teknik Uçak Motoru		
Bakım Merkezi Ltd. Şti. ("PW & TT")	13,151,595	23,317,450
Güneş Ekspres Havacılık A.Ş.	5,791,128	3,785,290
Goodrich Thy Teknik Servis Merkezi A.Ş.	1,184,209	. <del></del>
TCI Kabiniçi Sistemleri A.Ş.	452,486	58,387
TGS Yer Hizmetleri A.Ş.	121,050	204,704
Türk Hava Yolları Habom A.Ş.	6,109	6,688
Türk Hava Yolları Opet Havacılık Yakıtları A.Ş.	3,281	
Turkbine Teknik Gaz Türbinleri Bakım Onarım A.Ş.	1,437	312,349
Turkish Do & Co İkram Hizmetleri A.Ş.		
("Do & Co")	:=	25,280
Bosna &Herzegovina Airlines D.O.O. (*)		945,602
-	91,563,793	111,009,328

(\*) THY A.O., shareholder of the Company, has alienated its shares in Bosna & Herzogovina Airlines D.O.O. as of 10 July 2012. Therefore, Bosna & Herzogovina Airlines D.O.O. is not disclosed as a related party as of 31 December 2012.

Short-term non-trade receivables from related parties as of 31 December 2012 and 31 December 2011 are as follows:

31 December 2012	31 December 2011
485,052	34,398
7,959	7,959
476	9,671
96	1,814
( <del>-</del>	38,638
493,583	92,480
	7,959 476 96

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.,

# 25. RELATED PARTY TRANSACTIONS (cont'd)

a) Due to/from Related Parties (cont'd)

Short-term trade payables to related parties as of 31 December 2012 and 31 December 2011 are as follows:

	31 December 2012	31 December 2011
Türk Hava Yolları A.O.	27,010,044	27,606,631
Türk Hava Yolları Habom A.Ş.	7,624,571	1,472,844
Goodrich Thy Teknik Servis Merkezi A.Ş.	1,474,021	<u> </u>
Pratt & Whitney THY Teknik Uçak Motoru		
Bakım Merkezi Ltd. Şti. ("PW & TT")	415,254	608,231
TGS Yer Hizmetleri A.Ş.	130,359	244,540
Türk Hava Yolları Opet Havacılık Yakıtları A.Ş.	38,276	-
TCI Kabiniçi Sistemleri A.Ş.	4,696	-
Turkbine Teknik Gaz Türbinleri Bakım Onarım A.Ş.	2,113	=
Güneş Ekspres Havacılık A.Ş.		48,240
	36,699,334	29,980,486

Short-term non trade payables to related parties as of 31 December 2012 and 31 December 2011 are as follows:

	<b>31 December 2012</b>	31 December 2011
Türk Hava Yolları A.O.	4,946,452	2,119,884
	4,946,452	2,119,884

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

# 25. RELATED PARTY TRANSACTIONS (cont'd)

# b) Purchases and Sales from/to Related Parties

Transactions with related parties between the periods 31 December 2012 and 31 December 2011 are as follows:

1 January-

1 January-

	1 January-	1 January-
	31 December 2012	31 December 2011
Türk Hava Yolları A.O.	640,043,832	619,591,864
Güneş Ekspres Havacılık A.Ş.	40,979,823	27,917,390
Pratt & Whitney THY Teknik Uçak Motoru		
Bakım Merkezi Ltd. Şti. ("PW & TT")	12,565,842	25,407,861
Goodrich Thy Teknik Servis Merkezi A.Ş.	1,890,294	-
TGS Yer Hizmetleri A.Ş.	1,000,161	861,068
TCI Kabiniçi Sistemleri A.Ş.	944,319	218,619
Turkbine Teknik Gaz Türbinleri Bakım Onarım A.Ş.	360,275	7,408,796
Türk Hava Yolları Habom A.Ş.	151,935	11,893
Uçak Koltuk Üretimi San. ve Tic. A.Ş.	29,231	- · · · · · · · · · · · · · · · · · · ·
Türk Hava Yolları Opet Havacılık Yakıtları A.Ş.	14,868	-
Turkish Do & Co İkram Hizmetleri A.Ş.		
("Do & Co")	-	8,865
Bosna &Herzegovina Airlines D.O.O. (*)		2,111,715
	697,980,580	683,538,071
		■ Yeller Daugher.
	1 January-	1 January-
To Line VIII A O	31 December 2012	31 December 2011
Türk Hava Yolları A.O.	45,946,245	53,349,507
Türk Hava Yolları Habom A.Ş.	27,855,303	4,500,694
Goodrich Thy Teknik Servis Merkezi A.Ş.	8,149,394	-
TGS Yer Hizmetleri A.Ş.	1,195,094	1,907,638
Türk Hava Yolları Opet Havacılık Yakıtları A.Ş.	871,168	-
Güneş Ekspres Havacılık A.Ş.	421,649	191,141
Turkbine Teknik Gaz Türbinleri Bakım Onarım A.Ş.	146,619	-
Pratt & Whitney THY Teknik Uçak Motoru		
		221 - 52 -
Bakım Merkezi Ltd. Şti. ("PW & TT")	66,832 <b>84,652,304</b>	321,606 <b>60,270,586</b>

c) Key Management Personnel Compensation

Total amount of salaries and other benefits provided to key management personnel as of 31 December 2012 is TL 1,067,982 (31 December 2011: TL 1,135,475).

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

# 26. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS

# (a) Capital risk management

The company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing its profit and market value thorugh the optimisation of the debt and equity balance.

The capital structure of the Company consists of debt which includes the borrowings disclosed in Note 5 and equity comprising issued capital, reserves, retained earnings and accumulated losses.

### (b) Financial Risk Factors

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

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

# 26. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

CREDIT RISK OF FINANCIAL INSTRUMENTS		Receivables	ables		
	Trade Receivables	ceivables	Other Re	Other Receivables	Denosite at
31 December 2012	Related Party	Third Party	Third Party Related Party Third Party	Third Party	Banks
Maximum credit risk as of balance sheet date (*)	91,563,793	52,409,202	493,583	87,520	17,858,412
-The part of maximum risk under guarantee with collateral etc.	•	(4,623,957)	· ·	£	Ť
A. Net book value of financial assets that are	91,563,793	20,469,816	493,583	87,520	17,858,412
neither past due nor impaired					
B. Net book value of financial assets that are		ı	116	•	•
renegotiated, if not that will be accepted as					
past due or impaired					
C. Net book value of financial assets that are					
past due but not impaired	•	31,939,386	516	•	•
-The part under guarantee with collaterals etc.		(4,623,957)	•	8	•
D. Net book value of impaired assets					
-Past due (gross carrying amount)		38,007,632	:(1	6,310	•
-Impairment (-)	5.00	(38,007,632)		(6,310)	
-The part of net value under guarantee with collateral etc.	1	Ē		ĵ.	ř
-Not past due (gross carrying amount)		T	•	•	
-Impairment (-)		7	3	•	•
-The part of net value under guarantee with collateral etc.		•	2002	٠	•
<ul> <li>E. Off balance sheet items with credit risk</li> </ul>	1	i	E.	•	5

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

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

# 26. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(b) Financial Risk Factors (cont'd)

CREDIT RISK OF FINANCIAL INSTRUMENTS		Receivables	ables		
	Trade Receivables	eivables	Other Receivables	ceivables	
31 December 2011	Rolated Darty	Third Darty	Third Barty Bolated Barty Third Barty	Third Party	Deposits at
ST DECEMBER 2011	Neigica Fally	THEOLEGIC	NCIAICU FAILY	Tillia raity	Dames
Maximum credit risk as of balance sheet date (*)	111,009,328	83,789,392	92,480	1,235,673	30,380,515
-The part of maximum risk under guarantee with collateral etc.	*	(2,077,755)	•	ľ	
A. Net book value of financial assets that are	111,009,328	7,282,785	92,480	1,235,673	30,380,515
neither past due nor impaired					
B. Net book value of financial assets that are		t)	•	•	•
renegotiated, if not that will be accepted as					
past due or impaired					
C. Net book value of financial assets that are					
past due but not impaired	•	76,506,607	•		٠
-The part under guarantee with collaterals etc.	100 100 100 100	(2,077,755)	• 6	E.	
D. Net book value of impaired assets					
-Past due (gross carrying amount)	•	38,669,345	ì	15,437	•
-Impairment (-)		(38,669,345)		(15,437)	9
-The part of net value under guarantee with collateral etc.		3(1)			
-Not past due (gross carrying amount)		•	i)	Ü	į.
-Impairment (-)	*	t	<b>(</b> )	ř	*
-The part of net value under guarantee with collateral etc.	<b>(</b>	1		Ĩ	
E. Off balance sheet items with credit risk	3	)1	•	1	•

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

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

# 26. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

# (b) Financial Risk Factors (cont'd)

# b.1) Credit risk management

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

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

The company's aging of past due receivables as of 31 December 2012 and 31 December 2011 are as follows:

Current period	Trade Receivables	Other Receivables	Deposits in Banks	<u>Derivative</u> <u>Instruments</u>	Other
Past due 1-30 days	5,934,813	, <del></del>	-	-	-
Past due 1-3 months	11,833,216		-	:=.	-
Past due 3-12 months	10,285,865	*	-		-
Past due 1-5 years	3,885,492	(2)	=	-	-
The part under guarantee with collateral	(4,623,957)	+	÷	-	¥

Prior period	Trade Receivables	Other Receivables	Deposits in Banks	<u>Derivative</u> <u>Instruments</u>	<u>Other</u>
Past due 1-30 days	15,509,504	-	Ē	-	Ė
Past due 1-3 months	8,317,326	-	-	8€8	-
Past due 3-12 months	45,199,627	-	-	-	-
Past due 1-5 years	7,480,150		-	-	-
The part under guarantee with collateral	(2,077,755)	<u>)</u>	2	-	ų.

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.,

# 26. NATURE AND LEVEL OF RISK DERIVED 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 guarantees which are received by the Company for past due but not impaired receivables amounts to TL 4,623,957 (31 December 2011: TL 2,077,755).

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

### b.2) Liquidity risk management

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

The tables below demonstrate the maturity distribution of non-derivative financial liabilities. The tables below are prepared based on the earliest date on which the Company can be required to pay. The interests that will be paid on the future liabilities are included in the related maturities.

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

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.

# 26. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

# (b) Financial Risk Factors (cont'd)

### b.2) Liquidity risk management (cont'd)

# Liquidity risk tables

### 31 December 2012

Due date per agreement	Book value	Total cash outflow per agreement	Less than 3 months	3-12 months	1-5 years	More than 5 years
Non Derivative						
<b>Financial Liablities</b>	220,213,860	220,621,528	220,621,528	_	≅	=
Financial Borrowings	4,638,257	4,638,257	4,638,257	_	9	<u>_</u>
Trade Payables	101,771,788	102,179,456	102,179,456	-	-	-
Other Payables	113,803,815	113,803,815	113,803,815	-	-	-

### 31 December 2011

Due date per agreement	Book value	Total cash outflow per agreement	Less than 3 months	3-12 months	1-5 years	More than 5 years
Non Derivative						
Financial Liablities	195,275,806	195,376,804	195,376,804	-	Ξ.	=
Financial Borrowings	3,439,030	3,439,030	3,439,030	: <del>-</del>	-	-
Trade Payables	111,180,997	111,281,995	111,281,995	-	-	-
Other Payables	80,655,779	80,655,779	80,655,779		-	-

### b.3) Market risk management

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

### Foreign currency risk management

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

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

# 26. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

5) Financial Risk Factors (cont'd)

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

Foreign currency risk management (cont'd)

			rorei	roreign Currency Position Table	1 able					
		31 D	31 December 2012				31.1	31 December 2011		
	TL Equivalent	т.	EUR	GBP	Other	TL Equivalent	п	EUR	GBP	Other
1. Trade Receivables	17,745,682	7,721,020	10,005,861	18,801		7,202,355	1,019,280	6,128,389	54,686	
2. Monetary Financial Assets	5,025,438	4,729,270	145,426	150,742	x	183,552	3	909'86	84,946	.*
3. Other	22,427,418	1,478,597	20,790,931	10,463	147,427	7,145,434	3,891,252	2,716,883	537,299	*
4. Total Current Assets (1+2+3)	45,198,538	13,928,887	30,942,218	180,006	147,427	14,531,341	4,910,532	8,943,878	676,931	
5. Other	6,766,827	402,210	6,364,617	36	12	1,452,867	637,635	056'099	154,282	9
6. Total Non Current Assets (5)	6,766,827	402,210	6,364,617	*	9	1,452,867	637,635	056'099	154,282	32
7. Total Assets (4+6)	51,965,365	14,331,097	37,306,835	180,006	147,427	15,984,208	5,548,167	9,604,828	831,213	
8. Trade Payables	35,629,064	26,482,010	8,366,951	397,916	382,187	35,286,852	1,552,262	32,986,256	586,182	162,152
9. Financial Borrowings	4,633,777	4,633,777				3,437,615	3,437,615		٠	۰
10. Other Monetary Liabilities	212,354	87,238	125,116	\$1	<u>#</u> 7	400,120	16	332,147	67,973	257
11. Other Non Monetary Liabilities.	33,859,221	33,760,523	869'86	(8)	*	1,906,647	1,897,608	9,039		
12. Total Current Liabilities (8+9+10+11)	74,334,416	64,963,548	8,590,765	397,916	382,187	41,031,234	6,887,485	33,327,442	654,155	162,152
13. Total Liabilities (12)	74,334,416	64,963,548	8,590,765	397,916	382,187	41,031,234	6,887,485	33,327,442	654,155	162,152
14. Net Foreign Currency Asset / (Liability) Position (7-13)	(22,369,051)	(50,632,451)	28,716,070	(217,910)	(234,760)	(25,047,026)	(1,339,318)	(23,722,614)	177,058	(162,152)
15. Net Foreign Currency Asset / (Liability) Position of Monetary Items (1+2-8-9-10)	(17,704,075)	(18.752,735)	1,659,220	(228,373)	(382,187)	(31,738,680)	(3,970,597)	(27,091,408)	(514,523)	(162,152)
16. Exports	89,081,900					79,800,547				
17. Imports	374,988,292					324,893,002				

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.,

# 26. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

- (b) Financial Risk Factors (cont'd)
- b.3) Market risk management (cont'd)

# Foreign currency risk management (cont'd)

# Foreign Currency Sensitivity

The Company is exposed to foreign currency risk due to TL, EUR and GBP exchange rate fluctuations. The following table details the Company's sensitivity to a 10% increase and decrease in TL, EUR and GBP exchange rates. 10% is used in, the reporting of currency risk to the key management and it represents the management's expectation on the potential exchange currency fluctuations. Sensitivity analysis can only made on the year-end outstanding foreign currency denominated monetary items and it shows the year end effects of the 10% of exchange currency fluctuation on the related items. The analysis includes foreign loans as well as loans that are denominated other than the creditors' functional currency and used for the Company's foreign operations. Positive value represents an increase in profit/loss and other equity items.

# 31 December 2012 Profit / (Loss) Before Tax

	110111 (2000)	
	Foreign Currency	Foreign Currency
	Appreciated by 10%	Depreciated by 10%
1- Net TL asset / liability 2- Part of hedge from TL risk (-)	(1,875,274)	1,875,274
3- TL net effect (1+2)	(1,875,274)	1,875,274
4- Net EUR asset / liability 5- Part of hedge from EUR risk (-)	165,922	(165,922)
6- EUR net effect (4+5)	165,922	(165,922)
7- Net GBP asset / liability 8- Part of hedge from GBP risk (-)	(22,837)	22,837
9- GBP net effect (7+8)	(22,837)	22,837
10- Net other currency asset / liability 11- Part of hedge from other currency risk (-)	(38,219)	38,219
12- Other currency net effect (10+11)	(38,219)	38,219
TOTAL (3+6+9+12)	(1,770,408)	1,770,408

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.,

# 26. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

- (b) Financial Risk Factors (cont'd)
- b.3) Market risk management (cont'd)

# Foreign currency risk management (cont'd)

Foreign Currency Sensitivity (cont'd)

# 31 December 2011 Profit / (Loss) Before Tax

	Foreign Currency Appreciated by 10%	Foreign Currency Depreciated by 10%
1- Net TL asset / liability 2- Part of hedge from TL risk (-)	(397,060)	397,060
3- TL net effect (1+2)	(397,060)	397,060
4- Net EUR asset / liability 5- Part of hedge from EUR risk (-)	(2,709,141)	2,709,141
6- EUR net effect (4+5)	(2,709,141)	2,709,141
7- Net GBP asset / liability 8- Part of hedge from GBP risk (-)	(51,452)	51,452
9- GBP net effect (7+8)	(51,452)	51,452
10- Net other currency asset / liability 11- Part of hedge from other currency risk (-)	(16,215)	16,215
12- Other currency net effect (10+11)	(16,215)	16,215
TOTAL (3+6+9+12)	(3,173,868)	3,173,868

b.4) Interest rate risk

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

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

# 26. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

# (c) Categories and fair value of financial instruments

31 December 2012	Loans and receivables	Financial liabilities at amortized cost	Carrying value	Notes
Financial assets				
Cash and cash equivalents	17,858,412	5 <del></del>	17,858,412	3
Trade receivables	143,972,995	1 <b>=</b> 1	143,972,995	6
Other receivables	581,103	( <b>H</b> )	581,103	7
Financial liabilites				
Financial borrowings	-	4,638,257	4,638,257	5
Trade payables		101,771,788	101,771,788	6 7
Other payables		113,803,815	113,803,815	7
31 December 2011 Financial assets	Loans and receivables	Financial liabilities at amortized cost	Carrying value	Notes
Cash and cash equivalents	30,380,515	-	30,380,515	3
Trade receivables	194,798,720	i -	194,798,720	6
Other receivables Financial liabilites	1,328,153	-	1,328,153	7
Financial borrowings	-	3,439,030	3,439,030	5
Trade payables		111,180,997	111,180,997	6
Other payables		80,655,779	80,655,779	7

The Company anticipates that the carrying value of financial instruments approximates their fair value.

# 27. EVENTS AFTER BALANCE SHEET DATE

None.







