

Table of Contents

TURKISH TECHNIC INC. ANNUAL REPORT 2012



- 03 • Vision and Mission
- 04 • Quality Policy
- 06 • Board of Directors and Members of Audit Board
- 09 • Organization Chart
- 10 • Global Maintenance, Repair and Overhaul (MRO) Market
- 12 • Turkey Maintenance, Repair and Overhaul (MRO) Market
- 13 • Employee Profile
- 14 • Quality Certificate and Certificates
- 16 • Training in Turkish Technic Inc.
- 17 • Hangar - I
- 18 • Hangar - II and Esenboğa Hangar
- 19 • VIP Aircraft Hangar and Other Facilities
- 20 • Overhaul and Line Maintenance Capabilities
- 21 • Component Maintenance Activities and Capabilities
- 34 • International Customers
- 36 • Domestic Customers
- 38 • Agreements Signed in 2012
- 39 • Customer Visits and Hosted Customers
- 40 • Fairs/Conferences Participated by Turkish Technic Inc.
- 42 • Aircraft Maintenance Numbers
- 43 • Total Component Maintenance Numbers
- 44 • Investments and Projects
- 46 • Engineering Activities
- 47 • R&D Management
- 48 • Fleet Asset Management
- 49 • FINANCIAL INFORMATION AND AUDIT REPORTS
- 50 • Independent Audit Report
- 52 • Turkish Technic Inc. Independently Audited Balance Sheet As of 31 December 2012
- 54 • Turkish Technic Inc. Independently Audited Comprehensive Income Statement for the Year Ending on 31 December 2012
- 55 • Turkish Technic Inc. Independently Audited Statement of Changes in Equity for the Year Ending on 31 December 2012
- 56 • Turkish Technic Inc. Independently Audited Cash Flow Statement for the Year Ending on 31 December 2012
- 57 • Turkish Technic Inc. Footnotes of Independently Audited Financial Statements as of 31 December 2012



7

ENVIRONMENTAL
AWARENESS

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

8

COMPLIANCE
WITH THE
STANDARDS &
RULES

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

HUMAN
FACTOR

To work in line with the human factor principles.

10

COOPERATION
WITH
AUDITORS

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

11

REPORTING

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

12

CALIBRATION
SERVICES

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.

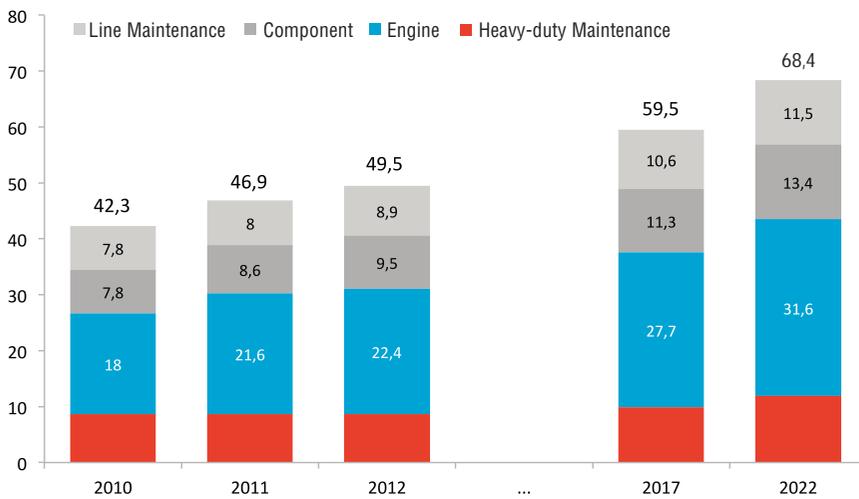


Message from Chairman



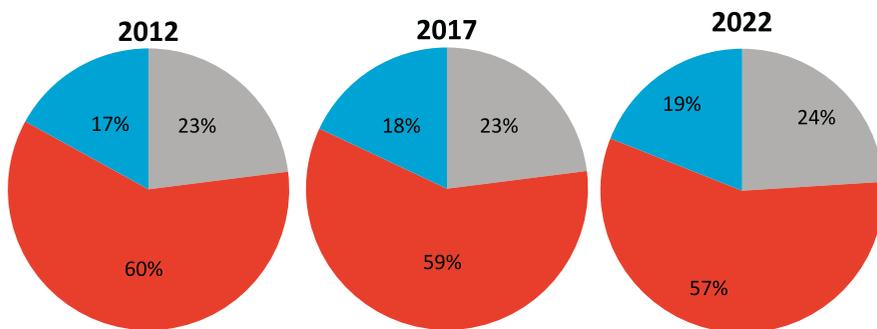
The aviation, information and healthcare industries, described as the sectors that will shape the future as agreed by the authorities, have seen aggressive investments across the world. We, as Turkish Airlines Inc., are positioned as the flag carrier airline of Turkey in the aviation sector and take 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.

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



Quality Documents and Certificates

QUALITY CERTIFICATES

ISO 9001:2008 Quality System Management
AS 9100C Aviation Quality Management System
ISO 14001:2004 Environmental Management
OHSAS 18001:2007 Occupational Health and Safety Management
Green Company Certificate
TS EN ISO/IEC 17025:2010 Accreditation Certificate

SHGM - EASA - FAA-USA DOT CERTIFICATES

SHY-145/JAR-145 Approval Certificate
EASA Part-145 Approval Certificate
EASA Part-21 Approval Certificate
FAA Maintenance Repair Center Certificate (TQKY 144F)
Tube Filling Plant Approval Certificate



Certificates from Other Authorities

CERTIFICATES FROM OTHER AUTHORITIES

Aruba CAA Approval Certificate

Bahrain CAA Approval Certificate

Bermuda CAA Approval Certificate

Bosnia-Herzegovina CAA Approval Certificate

Egypt CAA Approval Certificate

Jordan CAA Approval Certificate

Korea CAA Approval Certificate

Pakistan CAA Approval Certificate

Qatar CAA Approval Certificate

Russia CAA Approval Certificate

Kuwait DGCA Approval Certificate

BAE GCAA Approval Certificate

Mauritania CAA Approval Certificate

Senegal CAA Approval Certificate



VIP Aircraft Hangar, Other Facilities and Esenboğa Hangar



1.500 m² 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 m² 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 m² indoor area



Activities and Capacities of Component Shops

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.



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 with RFID" 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.



Activities and Capacities of Component Shops

MECHANIC – ELECTROMECHANIC – CARGO EQUIPMENT GALLEY EQUIPMENT SHOPS



In Mechanic Shop with a capability of 1092 part numbers, totally 3248 workorders in 2012 were 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 a 53% 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 a 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

Activities and Capacities of Component Shops

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 PLASMA SHOP

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

WELDING SECTION

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.



Activities and Capacities of Component Shops



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 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.

Activities and Capacities of Component Shops

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 (Honeywell's authorized repair station) (O/H Capability),
- V2500 Fuel Metering 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).



Activities and Capacities of Component Shops

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 pre-control 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 Mating process 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.



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 PRIMA
TURKISH REPUBLIC AIR F
TURKISH REPUBLIC NAVA



IZ AIR



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 Intelligence Organization
16	Czech Republic	Travel Service	Egypt	Midwest		
17	Denmark	PrimeraAir	Egypt	NileAir	Turkmenistan	Turkmenistan Airlines
18	Indonesia	Sirijayaya	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



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.



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.



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.
- It 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 Mgmt. & 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.





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.



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.

İstanbul, 6 March 2013

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

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	Current Period 31 December 2012	(Restated) Audited Prior Period 31 December 2011	(Restated) Audited Prior Period 31 December 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
<i>Trade Payables to Related Parties</i>		36,699,334	29,980,486	31,859,813
<i>Other Trade Payables</i>		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 Liabilities		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)
- Deferred Tax Income/(Expense)	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		(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.)

	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	-	-	-	21,823,539	(21,823,539)	-
Transfer to Reserves	-	1,084,685	-	(1,084,685)	-	-
Capital Payment	112,980,000	-	-	-	-	112,980,000
Comprehensive Income for the Year	-	-	137,694,031	-	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	-	-	-	16,844,900	(16,844,900)	-
Transfer to Reserves	-	2,953,721	-	(2,953,721)	-	-
Capital Payment	149,994,000	-	-	-	-	149,994,000
Comprehensive Income for the Year	-	-	(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., Footnotes of Independently Audited Financial Statements as of 31 December 2012

(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).

	<u>31 December 2012</u>	<u>31 December 2011</u>
Administrative 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 by IASC are declared by Turkish Accounting Standards Board ("TASB"). In this context, Turkish Accounting / Financial Reporting Standards ("TAS/IFRS") which are not contrary to standards adopted and promulgated by TASB and will be applied.



Turkish Technic Inc. Footnotes of Independently Audited Financial Statements as of 31 December 2012

(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 Official 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.



Turkish Technic Inc. Footnotes of Independently Audited Financial Statements as of 31 December 2012

(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 Prior Period	Reclassified Amount	Restated 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)
	<u>51,801,570</u>	<u>(34,956,670)</u>	<u>16,844,900</u>



Turkish Technic Inc. Footnotes of Independently Audited Financial Statements as of 31 December 2012

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



Turkish Technic Inc. Footnotes of Independently Audited Financial Statements as of 31 December 2012

(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.



Turkish Technic Inc. Footnotes of Independently Audited Financial Statements as of 31 December 2012

(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	<i>Presentation of Items of Other Comprehensive Income¹</i>
Amendments to IAS 1	<i>Clarification of the Requirements for Comparative Information²</i>
IFRS 9	<i>Financial Instruments⁵</i>
IFRS 10	<i>Consolidated Financial Statements³</i>
IFRS 11	<i>Joint Arrangements³</i>
IFRS 12	<i>Disclosure of Interests in Other Entities³</i>
IFRS 13	<i>Fair Value Measurement³</i>
Amendments to IFRS 7	<i>Disclosures – Offsetting Financial Assets and Financial Liabilities³</i>
Amendments to IFRS 9 and IFRS 7	<i>Mandatory Effective Date of IFRS 9 and Transition Disclosures⁵</i>
Amendments to IFRS 10, IFRS 11 and IFRS 12	<i>Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guide³</i>
IAS 19 (as revised in 2011)	<i>Employee Benefits³</i>
IAS 27 (as revised in 2011)	<i>Separate Financial Statements³</i>
IAS 28 (as revised in 2011)	<i>Investments in Associates and Joint Ventures³</i>
Amendments to IAS 32	<i>Offsetting Financial Assets and Financial Liabilities⁴</i>
Amendments to IFRSs	<i>Annual Improvements to IFRSs 2009-2011 Cycle except for the amendment to IAS 1³</i>
IFRIC 20	<i>Stripping Costs in the Production Phase of a Surface Mine³</i>

¹ Effective for annual periods beginning on or after 1 July 2012.

² 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.

³ Effective for annual periods beginning on or after 1 January 2013.

⁴ Effective for annual periods beginning on or after 1 January 2014.

⁵ Effective for annual periods beginning on or after 1 January 2015.

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



Turkish Technic Inc., Footnotes of Independently Audited Financial Statements as of 31 December 2012

(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 reliably and it is probable that economic benefits associated with the sale will flow to the Company. Net sales are calculated after the sales returns and sales discounts.

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

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



Turkish Technic Inc., Footnotes of Independently Audited Financial Statements as of 31 December 2012

(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 depreciation and any accumulated impairment losses.

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

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

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

The useful lives of tangible assets are as follows:

	<u>Useful Life (Years)</u>
- 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.



Turkish Technic Inc. Footnotes of Independently Audited Financial Statements as of 31 December 2012

(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.



Turkish Technic Inc. Footnotes of Independently Audited Financial Statements as of 31 December 2012

(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.



Turkish Technic Inc. Footnotes of Independently Audited Financial Statements as of 31 December 2012

(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.



Turkish Technic Inc. Footnotes of Independently Audited Financial Statements as of 31 December 2012

(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.



Turkish Technic Inc. Footnotes of Independently Audited Financial Statements as of 31 December 2012

(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:

	<u>Closing Rate</u>	<u>Average rate</u>
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:

	<u>Closing Rate</u>	<u>Average rate</u>
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.



Turkish Technic Inc. Footnotes of Independently Audited Financial Statements as of 31 December 2012

(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.



Turkish Technic Inc. Footnotes of Independently Audited Financial Statements as of 31 December 2012

(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.



Turkish Technic Inc. Footnotes of Independently Audited Financial Statements as of 31 December 2012

(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.



Turkish Technic Inc. Footnotes of Independently Audited Financial Statements as of 31 December 2012

(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 current period, the final dates for utilizing unused losses and other tax assets and tax planning strategies are taken into consideration for such evaluation. Based on the information obtained, a provision is set aside for a portion of or for the total of deferred tax asset if future taxable profit is not sufficient against deferred tax assets.



Turkish Technic Inc. Footnotes of Independently Audited Financial Statements as of 31 December 2012

(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:

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

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

<u>Capital</u>	<u>Currency</u>	<u>Opening Date</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>31 December 2012</u>
7,005,154	USD	December 2012	3.55%	January 2013	12,487,388
4,600,000	TL	December 2012	8.40%	January 2013	4,600,000
					<u>17,087,388</u>
<u>Capital</u>	<u>Currency</u>	<u>Opening Date</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>31 December 2011</u>
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
					<u>29,508,623</u>

4. FINANCIAL INVESTMENTS

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

Turkish Technic Inc. Footnotes of Independently Audited Financial Statements as of 31 December 2012

(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:

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

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

31 December 2012

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

31 December 2011

<u>Name of Bank</u>	<u>Maturity</u>	<u>Original Amount</u>	<u>Currency</u>	<u>Amount</u>
Halk Bank	1 January 2012	3,373,295	TL	3,373,295
Garanti Credit Card	-	64,321	TL	64,321
Garanti Credit Card	-	749	USD	1,414
				<u>3,439,030</u>

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:

	<u>31 December 2012</u>	<u>31 December 2011</u>
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)
	<u>143,972,995</u>	<u>194,798,720</u>



Turkish Technic Inc. Footnotes of Independently Audited Financial Statements as of 31 December 2012

(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:

	<u>1 January- 31 December 2012</u>	<u>1 January- 31 December 2011</u>
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)
	<u>38,007,632</u>	<u>38,669,345</u>

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:

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

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

	<u>31 December 2012</u>	<u>31 December 2011</u>
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	-	4,305,963
	<u>101,771,788</u>	<u>111,180,997</u>

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



Turkish Technic Inc. Footnotes of Independently Audited Financial Statements as of 31 December 2012

(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:

	<u>31 December 2012</u>	<u>31 December 2011</u>
Non-trade receivables from 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	-	1,049,534
Other receivables	58,234	166,916
	<u>581,103</u>	<u>1,328,153</u>

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

	<u>1 January- 31 December 2012</u>	<u>1 January- 31 December 2011</u>
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	<u>6,310</u>	<u>15,437</u>

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

	<u>31 December 2012</u>	<u>31 December 2011</u>
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
	<u>113,803,815</u>	<u>80,655,779</u>



Turkish Technic Inc. Footnotes of Independently Audited Financial Statements as of 31 December 2012

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

8. INVENTORIES (cont'd)

<u>Cost</u>	<u>Components and repairable spare parts</u>
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	<u>399,120,534</u>
<u>Accumulated Depreciation</u>	
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	<u>185,035,832</u>
Net Book Value at 31 December 2011	<u>214,084,702</u>
Net Book Value at 31 December 2010	<u>174,994,258</u>

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:

	<u>31 December 2012</u>	<u>31 December 2011</u>
P&W T.T. Uçak Bakım Merkezi Ltd. Şti.	53,595,752	74,626,725
Turbine Teknik Gaz Turbinleri Bakım Onarım A.Ş.	7,373,945	8,186,685
TCI Kabiniçi Sistemleri Sanayi ve Ticaret A.Ş.	716,723	701,439
Goodrich THY Teknik Servis Merkezi Ltd. Şti.	411,724	1,744,879
	<u>62,098,144</u>	<u>85,259,728</u>

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

	<u>31 December 2012</u>	<u>31 December 2011</u>
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



Turkish Technic Inc. Footnotes of Independently Audited Financial Statements as of 31 December 2012

(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- 31 December 2012	1 January- 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 Kabinîçi Sistemleri Sanayi ve Ticaret A.Ş. as of 31 December 2012 and 31 December 2011 is as follows:

	31 December 2012	31 December 2011
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 Kabinîçi Sistemleri Sanayi ve Ticaret A.Ş. accounted by using equity method in loss is as follows:

	1 January- 31 December 2012	1 January- 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- 31 December 2012	1 January- 31 December 2011
P&W T.T. Uçak Bakım Merkezi Ltd. Şti.	(16,950,794)	(25,668,159)
TCI Kabinîçi Sistemleri Sanayi ve Ticaret A.Ş.	(1,924,084)	(186,659)
Goodrich THY Teknik Servis Merkezi Ltd. Şti.	(1,241,472)	(1,674,469)
Turkbine Teknik Gaz Turbinleri Bakım Onarım A.Ş.	(353,882)	(2,508,598)
	(20,470,232)	(30,037,885)



Turkish Technic Inc. Footnotes of Independently Audited Financial Statements as of 31 December 2012

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

10. TANGIBLE ASSETS (cont'd)

Cost	Plant, Machinery and Equipment					Other Tangible Assets	Construction in Progress	Leaschold Improvements	Total
	Plant, Machinery and Equipment	Vehicles	Furniture and Fixtures						
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)	-	(357,978)	(5,857,776)		
Transfer	-	-	-	-	(1,637,311)	1,637,311	-		
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		
Accumulated Depreciation									
Opening balance, 1 January 2011	51,699,211	6,824,525	4,346,036	697,726	-	6,810,593	70,378,091		
Charge for the year	6,274,277	48,875	1,470,531	202,040	-	5,745,931	13,741,654		
Disposals	(1,297,845)	(2,122,507)	(380,518)	(106,949)	-	(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	-	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.



Turkish Technic Inc. Footnotes of Independently Audited Financial Statements as of 31 December 2012

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

12. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

i) Provisions:

	<u>31 December 2012</u>	<u>31 December 2011</u>
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:

	<u>1 January- 31 December 2012</u>	<u>1 January- 31 December 2011</u>
Provision at the beginning 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 (*)	<u>6,746,697</u>	<u>3,418,323</u>

(*) 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).



Turkish Technic Inc. Footnotes of Independently Audited Financial Statements as of 31 December 2012

(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



Turkish Technic Inc. Footnotes of Independently Audited Financial Statements as of 31 December 2012

(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:

	<u>31 December 2012</u>	<u>31 December 2011</u>
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
	<u>18,645,212</u>	<u>18,831,857</u>

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

	<u>31 December 2012</u>	<u>31 December 2011</u>
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.



Turkish Technic Inc. Footnotes of Independently Audited Financial Statements as of 31 December 2012

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

14. EMPLOYEE BENEFITS (cont'd)

Movement of provision for employment termination benefit is as follows:

	1 January- 31 December 2012	1 January- 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	-



Turkish Technic Inc. Footnotes of Independently Audited Financial Statements as of 31 December 2012

(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:

	%	31 December 2012	%	31 December 2011
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



Turkish Technic Inc. Footnotes of Independently Audited Financial Statements as of 31 December 2012

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

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

	<u>1 January- 31 December 2012</u>	<u>1 January- 31 December 2011</u>
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)	-
Total Operating Expenses	<u>(96,989,879)</u>	<u>(80,032,820)</u>

19. EXPENSES BY NATURE

Marketing, Selling and Distribution Expenses	<u>1 January- 31 December 2012</u>	<u>1 January- 31 December 2011</u>
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	-	73,398
Penalty expenses	-	42,555
Other	3,689,620	2,676,377
	<u>9,306,890</u>	<u>8,653,604</u>

General Administrative Expenses	<u>1 January- 31 December 2012</u>	<u>1 January- 31 December 2011</u>
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
	<u>86,881,628</u>	<u>71,379,216</u>

Research and Development Expenses	<u>1 January- 31 December 2012</u>	<u>1 January- 31 December 2011</u>
Personnel expenses	801,361	-
	<u>801,361</u>	<u>-</u>



Turkish Technic Inc. Footnotes of Independently Audited Financial Statements as of 31 December 2012

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

20. OTHER OPERATING INCOME/EXPENSES

	<u>1 January- 31 December 2012</u>	<u>1 January- 31 December 2011</u>
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
Total Other Operating Income	<u>11,863,703</u>	<u>17,830,488</u>

	<u>1 January- 31 December 2012</u>	<u>1 January- 31 December 2011</u>
Provision expenses for lawsuits	(3,328,374)	(2,519,572)
Commission expenses	(504,749)	(10,854)
Other	(2,399,396)	(1,641,953)
Total Other Operating Expense	<u>(6,232,519)</u>	<u>(4,172,379)</u>

21. FINANCIAL INCOME

	<u>1 January- 31 December 2012</u>	<u>1 January- 31 December 2011</u>
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	<u>5,543,869</u>	<u>2,758,886</u>

22. FINANCIAL EXPENSE

	<u>1 January- 31 December 2012</u>	<u>1 January- 31 December 2011</u>
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)
Total Financial Expense	<u>(6,618,444)</u>	<u>(10,336,584)</u>



Turkish Technic Inc. Footnotes of Independently Audited Financial Statements as of 31 December 2012

(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:

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

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

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

Corporate Tax

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

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

The effective tax rate in 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.



Turkish Technic Inc. Footnotes of Independently Audited Financial Statements as of 31 December 2012

(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.

	<u>1 January- 31 December 2012</u>	<u>1 January- 31 December 2011</u>
Reconciliation of tax expense		
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	<u><u>(3,757,414)</u></u>	<u><u>39,085,912</u></u>

Turkish Technic Inc. Footnotes of Independently Audited Financial Statements as of 31 December 2012

(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- 31 December 2012	1 January- 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- 31 December 2012	1 January- 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



Turkish Technic Inc. Footnotes of Independently Audited Financial Statements as of 31 December 2012

(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:

	<u>31 December 2012</u>	<u>31 December 2011</u>
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	-
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	-
Turbine Teknik Gaz Türbinleri Bakım Onarım A.Ş.	1,437	312,349
Turkish Do & Co İkrâm Hizmetleri A.Ş. ("Do & Co")	-	25,280
Bosna &Herzegovina Airlines D.O.O. (*)	-	945,602
	<u>91,563,793</u>	<u>111,009,328</u>

(*) 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:

	<u>31 December 2012</u>	<u>31 December 2011</u>
Türk Hava Yolları A.O.	485,052	34,398
TCI Kabiniçi Sistemleri A.Ş.	7,959	7,959
Turbine Teknik Gaz Türbinleri Bakım Onarım A.Ş.	476	9,671
Uçak Koltuk Üretimi San. ve Tic. A.Ş.	96	1,814
Goodrich Thy Teknik Servis Merkezi A.Ş.	-	38,638
	<u>493,583</u>	<u>92,480</u>



Turkish Technic Inc. Footnotes of Independently Audited Financial Statements as of 31 December 2012

(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:

	<u>31 December 2012</u>	<u>31 December 2011</u>
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	-
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	-
Turbine Teknik Gaz Türbinleri Bakım Onarım A.Ş.	2,113	-
Güneş Ekspres Havacılık A.Ş.	-	48,240
	<u>36,699,334</u>	<u>29,980,486</u>

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

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



Turkish Technic Inc. Footnotes of Independently Audited Financial Statements as of 31 December 2012

(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- 31 December 2012	1 January- 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 Kabinçi Sistemleri A.Ş.	944,319	218,619
Turbine 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 İkrım Hizmetleri A.Ş. ("Do & Co")	-	8,865
Bosna &Herzegovina Airlines D.O.O. (*)	-	2,111,715
	697,980,580	683,538,071

	1 January- 31 December 2012	1 January- 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
Turbine Teknik Gaz Türbinleri Bakım Onarım A.Ş.	146,619	-
Pratt & Whitney THY Teknik Uçak Motoru Bakım Merkezi Ltd. Şti. ("PW & TT")	66,832	321,606
	84,652,304	60,270,586

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).



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 through 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.

Turkish Technic Inc. Footnotes of Independently Audited Financial Statements as of 31 December 2012

(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

31 December 2011

	Trade Receivables			Other Receivables			Deposits at Banks
	Related Party	Third Party	Related Party	Third Party	Third Party		
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)	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	111,009,328	7,282,785	92,480	1,235,673	30,380,515	-	-
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-	-
C. Net book value of financial assets that are past due but not impaired	-	76,506,607	-	-	-	-	-
-The part under guarantee with collaterals etc.	-	(2,077,755)	-	-	-	-	-
D. Net book value of impaired assets	-	38,669,345	-	15,437	-	-	-
-Past due (gross carrying amount)	-	(38,669,345)	-	(15,437)	-	-	-
-Impairment (-)	-	-	-	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-
-Not past due (gross carrying amount)	-	-	-	-	-	-	-
-Impairment (-)	-	-	-	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-
E. Off balance sheet items with credit risk	-	-	-	-	-	-	-

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



Turkish Technic Inc. Footnotes of Independently Audited Financial Statements as of 31 December 2012

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

Prior period	<u>Trade</u> <u>Receivables</u>	<u>Other</u> <u>Receivables</u>	<u>Deposits</u> <u>in Banks</u>	<u>Derivative</u> <u>Instruments</u>	<u>Other</u>
Past due 1-30 days	15,509,504	-	-	-	-
Past due 1-3 months	8,317,326	-	-	-	-
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)	-	-	-	-



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.

Turkish Technic Inc. Footnotes of Independently Audited Financial Statements as of 31 December 2012

(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)

	31 December 2012				31 December 2011					
	TL Equivalent	TL	EUR	GBP	Other	TL Equivalent	TL	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	-	183,552	-	98,606	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	-	-	1,452,867	637,635	660,950	154,282	-
6. Total Non Current Assets (5)	6,766,827	402,210	6,364,617	-	-	1,452,867	637,635	660,950	154,282	-
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	-	-	-
10. Other Monetary Liabilities	212,354	87,238	125,116	-	-	400,120	-	332,147	67,973	-
11. Other Non Monetary Liabilities	33,859,221	33,760,523	98,698	-	-	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	-	-	-	-



Turkish Technic Inc. Footnotes of Independently Audited Financial Statements as of 31 December 2012

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

b.4) Interest rate risk

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



