



ANNUAL REPORT | 2016



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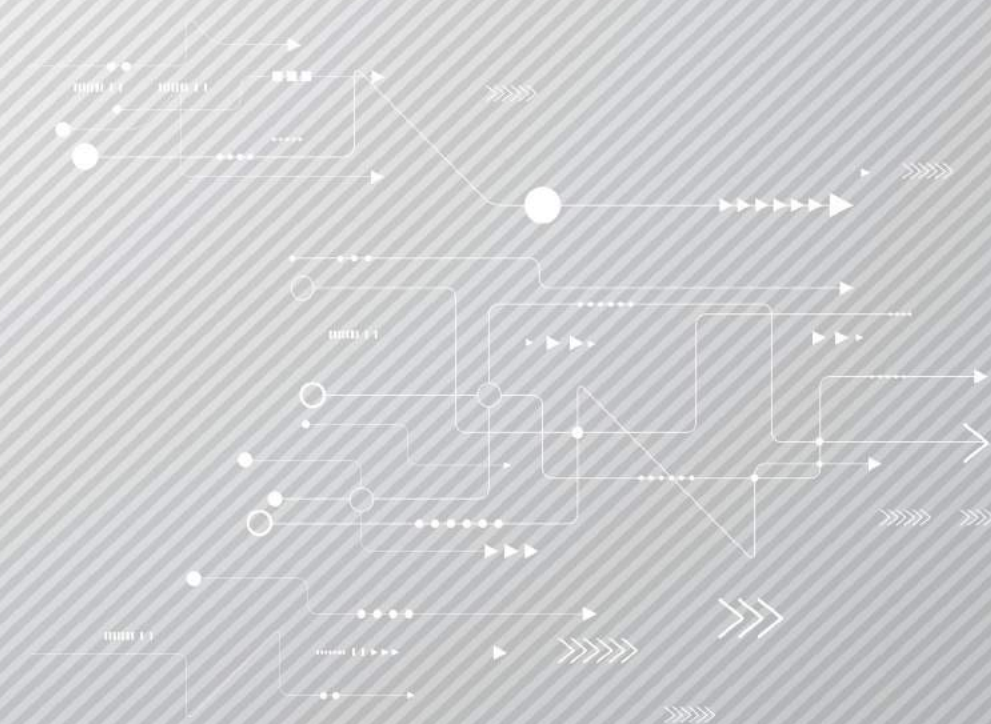
MISSION

Steer the sector in the area of maintenance repair and overhaul services of aircraft and components;

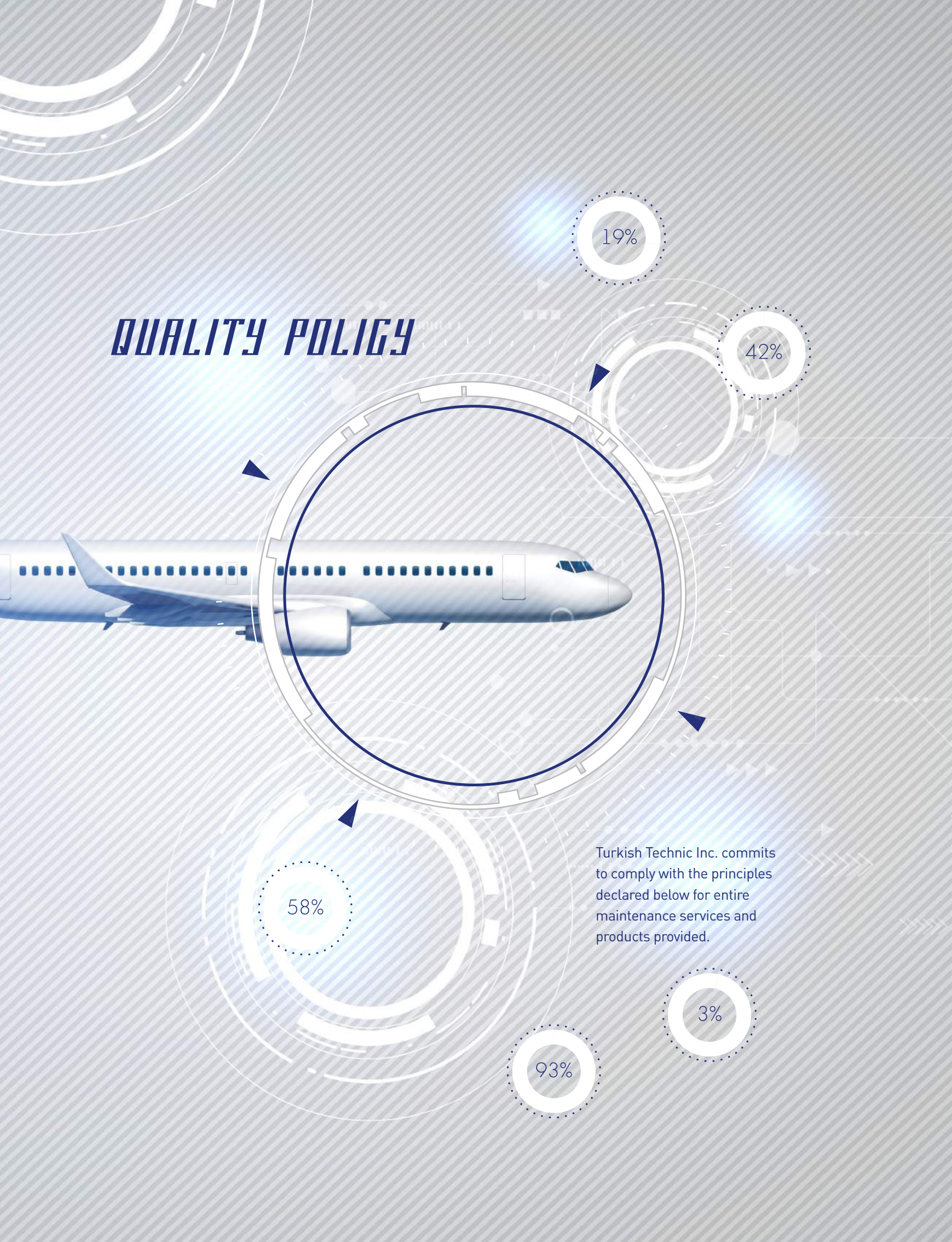
- in accordance with aviation regulations and standards,
 - in a way that meets the expectations of its stakeholders in the best possible way,
 - by constantly improving its capabilities through an optimum quality-price understanding,
- with the awareness of environmental and social responsibility.

VISION

To become a developing, safe and global company in the area of aviation technical services that makes its stakeholders proud.



QUALITY POLICY



Turkish Technic Inc. commits to comply with the principles declared below for entire maintenance services and products provided.

01 MAINTENANCE/ FLIGHT SAFETY

To offer reliable service and product as taking the maintenance and flight safety as a prime concern.

01

02 CUSTOMER FOCUS

To ensure customer satisfaction by offering products and services in accordance with customer expectations; in case of a customer complaint, to take all necessary measures in accordance with the principles of trust, openness, impartiality, confidentiality, accessibility, completeness, equitability and sensitivity for resolving this complaint objectively.

02

03 QUALITY MANAGEMENT SYSTEM

To ensure adoption and increase the effectiveness of Quality Management System by giving priority to quality of service.

03

04 EFFECTIVE MANAGEMENT

To achieve the missions of the company within the defined strategies by improving the communication, harmony and cooperation between the employees and with the awareness of responsibilities.

04

05 CONTINUOUS DEVELOPMENT AND PRODUCTIVITY

To be a continuously improving company by keeping corporate loyalty and team spirit at the highest level with planning, information and technology based approaches.

05

06 OCCUPATIONAL HEALTH AND SAFETY

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

06

07 ENVIRONMENTAL AWARENESS

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

07

08 COMPLIANCE TO STANDARTS AND REGULATIONS

To ensure absolute compliance and support of all personnel to national and international rules and regulations and company procedures with a good professional and technical application.

08

09 HUMAN FACTOR

To work in accordance with the principles of human factor.

09

10 COOPERATION WITH THE QUALITY AUDITORS

To provide the cooperation of all personnel with the quality auditors of Turkish DGCA, Turkish Technic, other authorities and operators/ customers.

10

REPORTING

To encourage personnel to report maintenance related errors/incidents.

11

12 CALIBRATION SERVICES

To offer calibration services in a quality, correct and reliable level in proper to conditions agreed with the customer and ISO17025 standards, by applying internationally accepted methods.

12



MESSAGE FROM THE CHAIRMAN OF THE BOARD

Dear shareholders,
I'd like to start by making a brief evaluation of 2016. 2016 was a tough year for the world and our country's economy. Global developments and the incidents that took place in our country has negatively affected firstly the tourism sector and also the aviation and transportation sector. Despite these developments nonetheless we've spent 2016 satisfying you with our operational successes and corporate operations and our customers with the quality MRO services we provided hence leaving behind a successful year. In 2006 with 100% of its shares belonging to our incorporated company Turkish Technic has been created and since its creation 10 years ago until now it has successfully completed great accomplishments. With our productive process management and high end service quality in the MRO sector; in the time span of our creation from 2006 until 2016; we reached an annual average growth rate of % 18. In this same period we've brought our third party revenue from 20 million dollars up to 167 million dollars. In our 10th anniversary having left behind our global competitors, our strategies and decisions taken have been proven right once again by being selected "MRO Company of the Year" by Air Transport News which has crowned our achievements and raised our motivation levels ever more.

We've increased our sales 15% from 919,1 million USD in 2015 to 1 billion 60 million USD in 2016 and increased our

net profit of 62 million dollars by 54% to 95,6 million dollars in net profits in 2016. In that same period the MRO market showed a 1% growth and rose to 67.7 billion dollar mark in 2016 compared to 67.1 billion the previous year. It is expected for the market to reach a growth of 84 billion dollars in 2020 and 101 billion dollars in the year 2025. In this ever more expanding global market we account for a 1.3% market share as of 2016. Respective of our goals we aim to increase this share to the 2% mark by the end of the year 2023.

After all the phases of construction finishes of the new airport in Istanbul which is rapidly continuing, it will be suitable for operation on all types of planes in 6 independent runways, 16 taxiways and with 500 plane park capacity it will be one of the most important aviation centers. As being one of the driving force for our motivation we are headiness waiting for the airport project to complete. In respect to our investment strategies which we conduct with our professional project teams in 2022 at the new airport we intent to bring about an MRO complex sitting on 455.000m2 of closed space capable of housing and maintaining 21 wide and 24 narrow body planes at the same time. As Turkish Technic in 2016 we've broke ground on effective operational success. With improvement in infrastructure and planning we've completed maintenance work on 3326 planes. Regarding component support services (Pool) we've shown 15% growth compared to the previous

year hence expanding our portfolio. At the end of the year excluding the Turkish Airlines fleet, worldwide we've gave service to 289 planes belonging to 13 different airlines. Besides from our main activities carried out in civil aviation we're also improving our existing services towards the defense industry. In the past years a maintenance support supply agreement for A400M planes signed with Airbus Defense and Space company and the ongoing maintenance operations of Boeing's Airborne Early Warning & Control aircraft has gone under way. Also this year on top of these developments we've signed an agreement with our Under secretariat for Defense Industries for overhaul and logistic support for 6 Cessna and Gulfstream brand Command Control Plane which are part of Turkish Air Force inventory.

By using our experience and capabilities towards the needs of our country and defense industry, we are increasing implementation and coverage by means of innovation and continuous improvement.

Setting out on this journey with the motto continuous improvement and innovation we believe that one of the most important factors that will lead us to achieve our goals is research and development. For this reason we put great importance to R&D. 2016 was the year where we've started collecting the fruits of our investment. Within this year; we've expanded our organizational certificate which we've previously acquired from SHGM and EASA, including IFE (inflight entertainment) systems and the expansion also includes electronic equipment production. We've implemented the Tablet IFE system that we developed on 107 Turkish Airlines planes to be of service to business class passengers. We have won the contract we entered with Wireless IFE systems which included equipping 44 Turkish Airlines planes with Wireless IFE system which we developed simultaneously with Tablet IFE systems.

As we are relatively new to this sector by putting forth such large-scale projects we've enhanced trust in ourselves and in our products. We have already started engaging in talks with the mentioned companies about having IFE systems that we produced to appear on the global product catalogue approved (linefit offerable) by the sectors important aircraft manufacturers Airbus and Boeing.

Secret to the success of Turkish Technic lies on the importance given to the value of human being. Having set out on the road holding the belief that the most important investment is the investment made on human beings we are bringing to life one by one our important projects in the field of education. In order to have a quality work force we believe relying solely on theoretical knowledge is not enough and we provide hands on, applied, practical training on the aircraft itself. In order to further advance theoretical and practical skills gained on the aircraft we've bought a B737-300 type training aircraft to provide the opportunity to our technician applicants

to improve their knowledge and skills. In order to supply our country's aviation sectors' licensed aircraft technician need our institution in 2015 on top of Part 147 Maintenance Training and Test Institution credentials we also acquired credentials for "Basic Training Category A1". By adding B.1.1 and B2 this year to our current authorizations we've successfully became the first and only institution in Turkey authorized in the area.

One of our partner firms Turkish Engine Center (TEC), in terms of operations witnessed its most productive year since creation by performing maintenance work on 125 engines in 2016 reaching its highest delivery figure.

Created by joint partnership between Zorlu O&M Power Plant Operation and Maintenance Inc. and Turkish Technic Inc. we've completed the selling process of all of our 50% shares in Turkbine Technic Inc. Our partner TSI (Turkish Seats Industry) whom operate in the seat production sector, has successfully completed their first line fit project by integrating the produced seats onto 5 Airbus A330 aircrafts belonging to the Turkish Airlines fleet.

Seat order as retrofit has been placed for 5 Airbus A330 aircraft belonging to the same fleet. Completing important projects on Airbus planes, TSI has also started working on Boeing planes and has completed installation of its first B777 seats it has produced within the scope of Boeing line fit project in Seattle. Another partner firm TCI (Turkish Cabin Interior) whose located in our Sabiha Gökçen Airport campus declared "line fit offerable" by Boeing and is one of 4 firms in the catalogue started working on 75 aircrafts belonging to Boeing 737 MAX galley project while at the same time working on cabin renewal projects of different types of aircraft part of Turkish Airlines fleet. Compared to competitors creating 15% lighter galley for one of the 2 widely used aircraft type Boeing 737 TSI, and to our other partner firms I believe to see new accomplishments in the future.

Throughout 2016 we completed successful projects. We are satisfied to have left behind a productive year. On the basis of feeling conscious responsibility towards our nation and people and under the banner of Turkish Airlines, to all our workers, executives, unions, customers and partner firms I feel liable to thank you all who make our successes possible sustainable. I believe with all my heart that in the future year with the same awareness we will continue our projects towards our aimed goals with a performance rising above sectorial indicators acquiring high revenue. I greet you all with love and respect.

M. İlker AYCI

Turkish Technic Chairman of the Board

TURKISH TECHNIC CHAIRMAN OF THE BOARD

TURKISH TECHNIC ORGANIZATION CHART

Mehmet İlker Aycı
Chairman of the Board



Assoc. Prof. Dr. Temel Kotil
Board Member



Ogün Şanlıer
Board Member



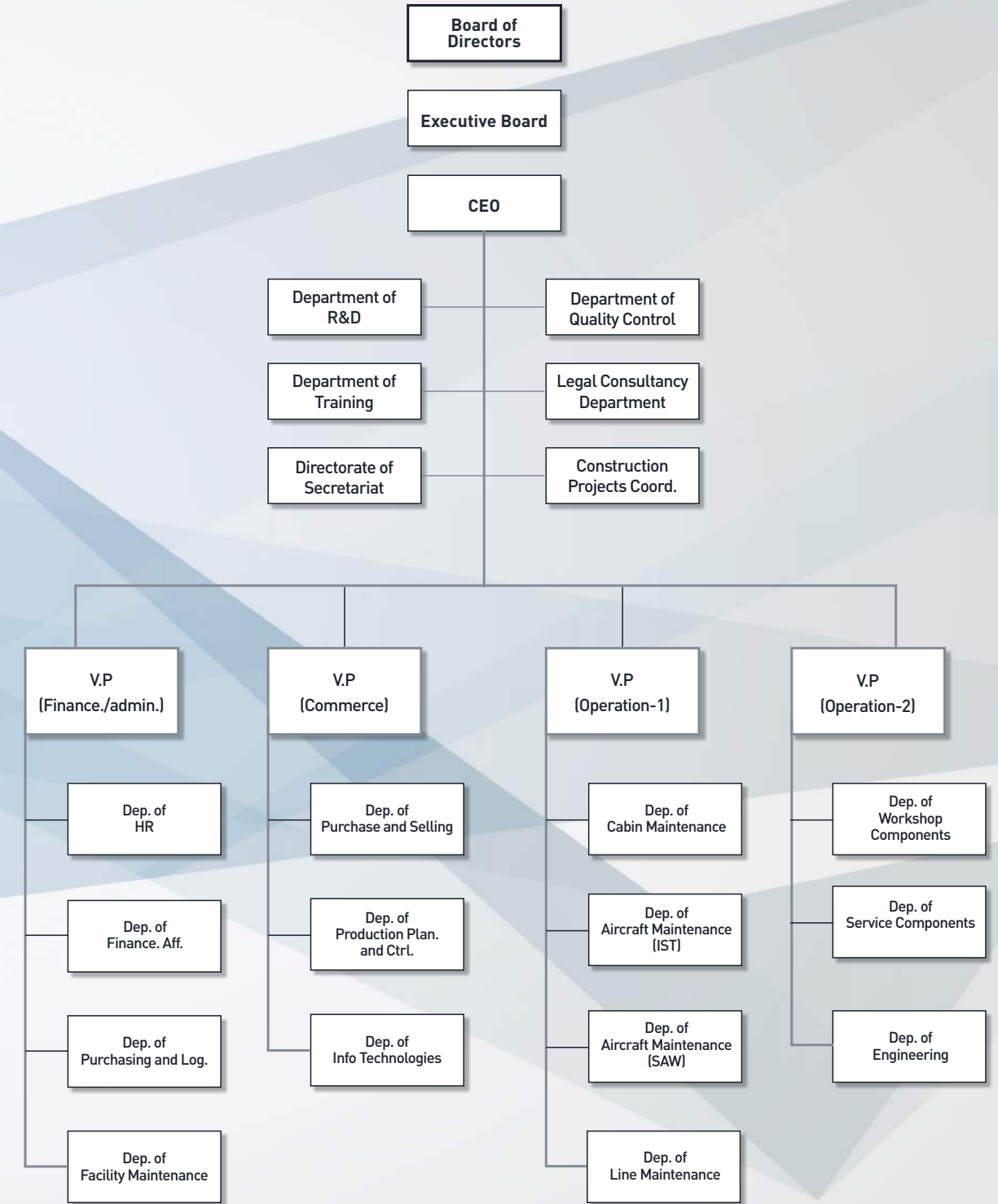
Prof. İsmail Demir
Board Member



Dr. Fuat Oktay
Board Member

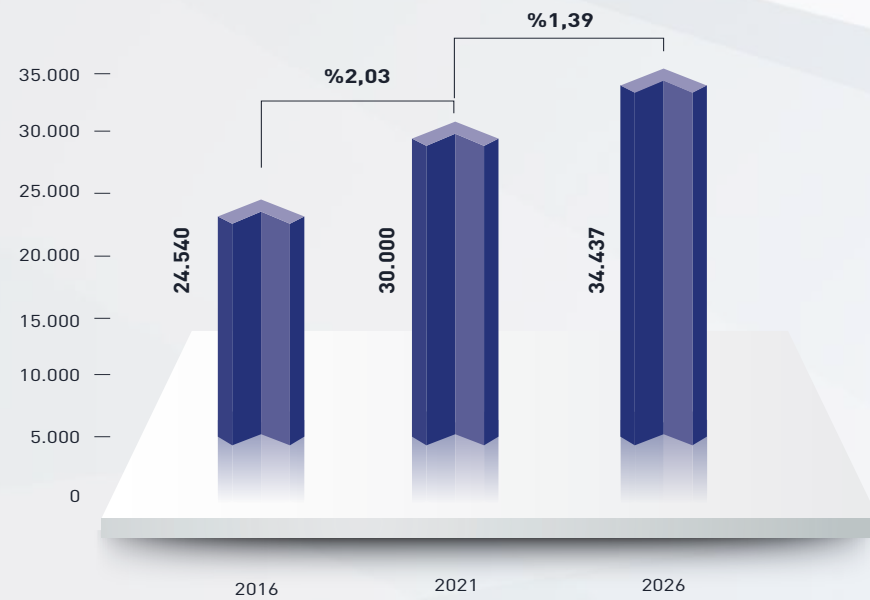


Mustafa Yılmaz
Board Member

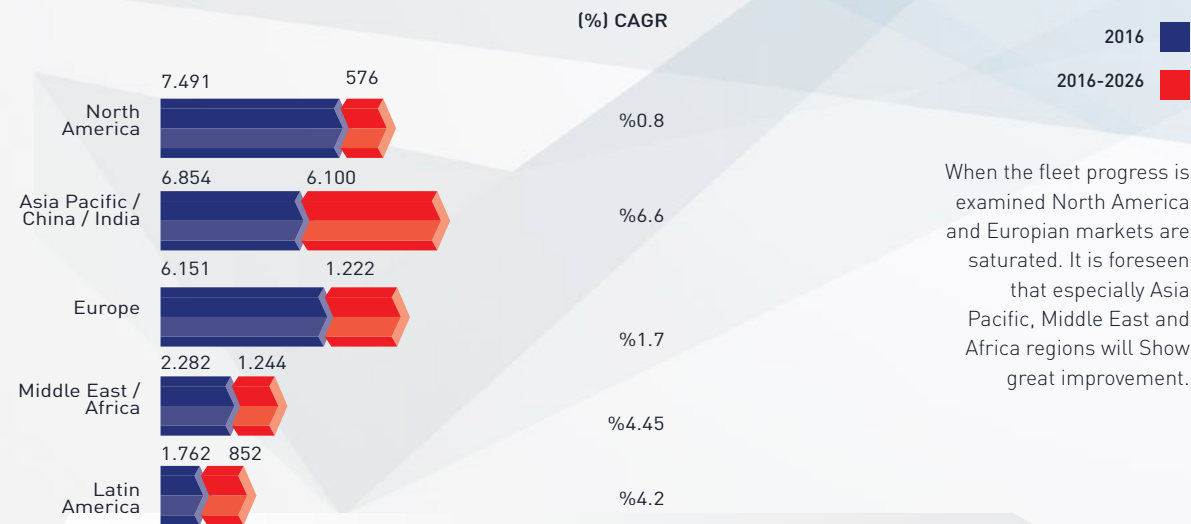


PROGRESS OF WORLD AIRCRAFT FLEET

Sectorial reports state that the number of aircrafts serving throughout the world was 25,540 in 2016. It is expected that the world's commercial airliner fleet will grow by 3.4% annually reaching to 30,000 aircrafts in the next 5 years, and by annually 3.4% in the subsequent 5 years reaching 34,437 planes. In the report "2016 – 2026 Global Fleet & MRO Market Forecast" published by Oliver Wyman consulting firm, it is regionally expected that while the growth rate of North America fleet will be 0.74% in the next decade by 2026, this rate for Asia Pacific / China / India region will be 6.6%, and for Middle East / Africa region to be 4.45%.



FLEET DEVELOPMENT BY REGIONS

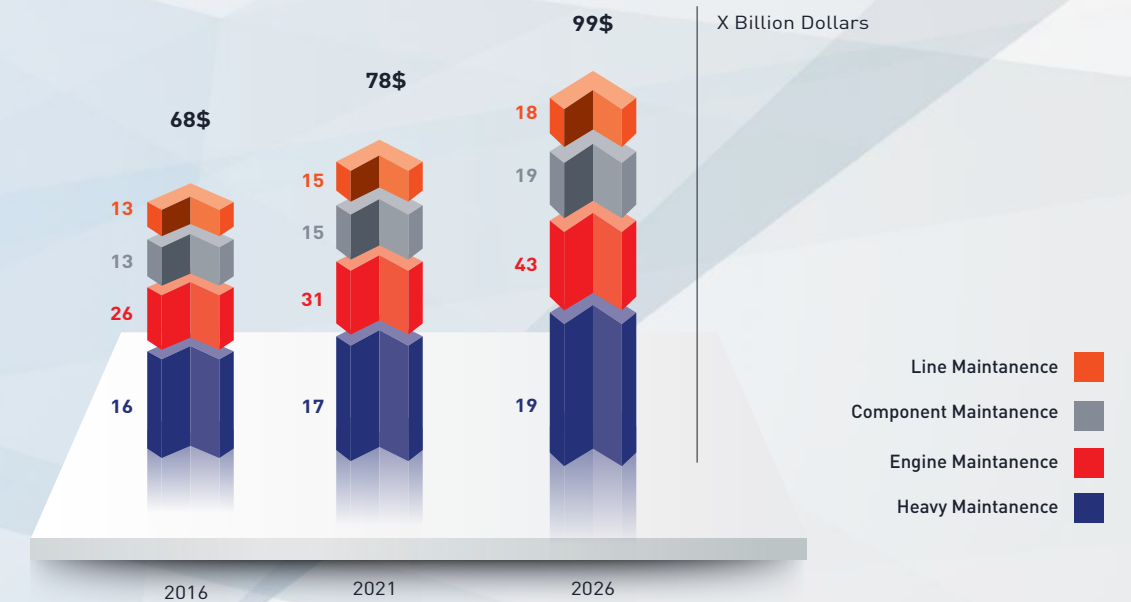


When the fleet progress is examined North America and European markets are saturated. It is foreseen that especially Asia Pacific, Middle East and Africa regions will Show great improvement.

WORLD MRO MARKET

In 2016 the global MRO market has grown 1,34% compared to the previous year reaching 68 billion dollars. In 2021 the MRO market is expected to reach the 78 billion dollar mark.

By the year 2026 MRO market size is expected to reach 99 billion dollars. America being the largest market in 2016 similar to its fleet growth data is expected leave its place to Asia in 2026.



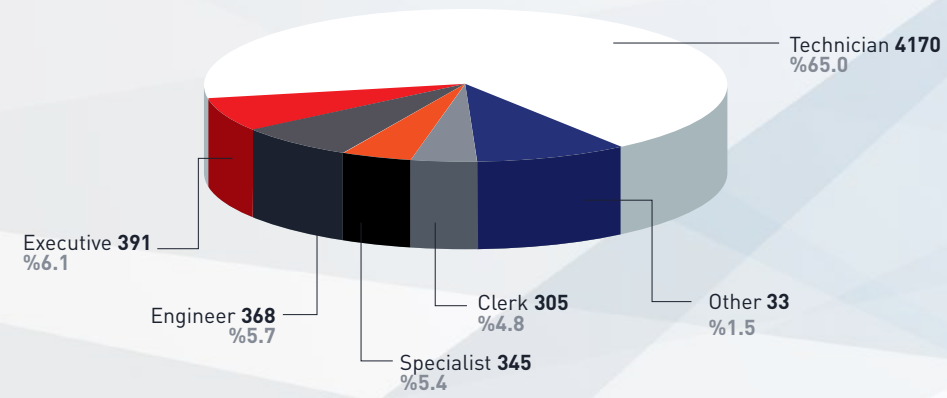
As of 31.12.2016 total number of personnel working at Turkish Technic is 6417.
Average age of employees is 32,73 and average employment work duration is 6,04 years.

While our personnel average count in 2016 is 6161 our cycle rate is at 3,13%
(This includes transfers from Turkish Airlines)

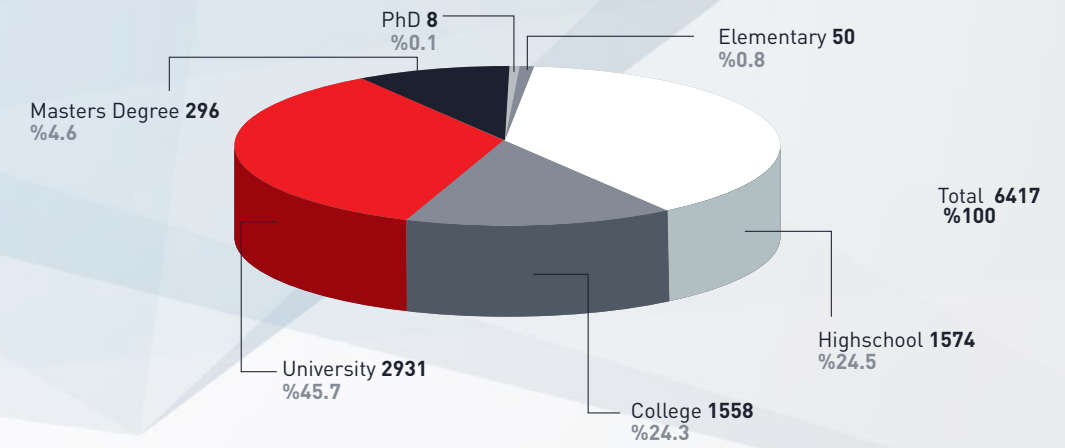
Position	Personelle Count	%
Technician	4170	65.0%
Other	838	13.0%
Clerk	305	4.8%
Specialist	345	5.4%
Engineer	368	5.7%
Executive	391	6.1%
Total	6417	100.0%



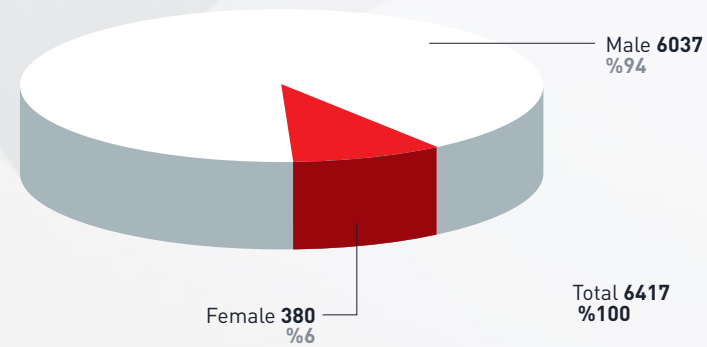
EMPLOYEE TITTLE DISTRIBUTION



EMPLOYEE DISTRIBUTION BY EDUCATION BACKGROUND



MALE / FEMALE RATIO



TECHNICAL PERSONNEL DISTRIBUTION BY CERTIFICATION



QUALITY DOCUMENTS

ISO 9001:2008 Quality Management System

ISO 14001:2004 Environmental Management

OHSAS 18001:2007 Occupational Health & Safety Management

TS EN ISO/IEC 17025:2012 Calibration Accreditation Certificate

TS ISO 10002:2006 Customer Satisfaction Management System

SHGM – EASA – FAA-USA DOT CERTIFICATES

SHGM SHY-145

Maintenance Organization

Certificate of Approval (TR.145.001)

EASA Part-145 Maintenance Organization

Certificate of Approval (EASA.145.0276)

SHGM SHY-21 Production Organization

Certificate of Approval (TR.21G.001)

EASA Part 21 Design Organization

Certificate of Approval (EASA.21J.418)

EASA Part 21 Production Organization

Certificate of Approval (EASA.21G.0043)

FAA-Approved Maintenance Center Certificate (TQKY144F)

DOT Compressed Vessel Test Center Approval Certificate (RIN D030)

OTHER COUNTRY AUTHORITY CERTIFICATES

ARUBA DCA

AZERBAIJAN CAA

UAE GCAA

BAHRAIN DCA

BERMUDA DCA

BOSNIA-HERZEGOVINA DCA

CAYMAN ISLANDS CAA

CHANNEL ISLANDS (GUERNSEY GUARDIANSHIP)

INDONESIA DGCA

MOROCCO DCA

SOUTH KOREA KOCA

INDIA DGCA

KUWAIT DGCA

MALAYSIA CAA

MOLDOVA CAA

NIGERIA CAA

PAKISTAN CAA

QATAR CAA

RUSSIA CAA

SAUDI ARABIA GACA

SENEGAL ANACIM

SINGAPORE CAA

TAJIKISTAN CAA

TUNISIA OACA

UKRAINE CAA

In the year 2016 accordance with national and international regulations all the necessary training has been given to all (including subcontract employees) personelle. Besides the mandatory training in relation towards personelle authorization; aircraft, engine and component task training has also been implemented.

To meet the needs of authorized personelle working on the aircraft, after the first type course necessary to complete; in the B1 and B2 categories aircraft type on-the-job training we've prepared a unique program for our company and formed an OJT system and through this we are able to meet the needs of training requests more quickly and efficiently.

Soon after these authorizations in 2016 training began for basic Category A1 training; 80 personelle has been trained in 4 newly opened courses, by conducting 972 tests a total of 162 certificates has been produced. Once again within the boundries of these authorizations; tests and training for Category B1.1 and B2 which will fill the wide gap and meet the technician need of our our nation, to take part in revenue making activities and to also fast forward our personells licensing duration, strategic plan and projections has been prepared for future operations in 2017 and later years. On the other hand, also within the authority boundries of conducting EASA Part-147 and SHY-147 type training; as well as personell's course needs who are in charge of maintenance of the aircraft in our fleet were absorbed, by marketing these training courses our company received additional revenue. In this prespective in 2016 a total of 1542 certificates has been produced.

A portion of type practical training being conducted in real life maintenance enviroment and another portion carried out on the maintenance simulator, solving malfuntion on aircraft using simulator, expertise has been ensured on the subjects of system diagnostics and usage of documentation, in this sphere practical training has been more efficient and productive.

Training courses activities conducted in the year 2016 has been summarized in the table below.

TURKISH TECHNIC INC. TRAINING DIRECTORATE 2016 SUMMARY OF TRAINING ACTIVITIES

Training Group	Training Type	Training Amount	Amount of Attendees		
			Turkish Airlines	Other Companies	Total
Approved Trainings	Category Type A Theory / Practical Trainings	18	137	0	137
	OJT Trainings	83	879	36	915
	Assessment Trainings	424	1.138	0	1.138
	Task	159	2.007	111	2.118
	145 Trainings	1.949	30.690	1271	31.961
	Total	2.633	34.851	1418	36.269
Basic Trainings	Category A1 Basic Training	4	80	-	80
	Total	4	80	-	80
Type Trainings	A320Type Training	60	550	40	590
	A330Type Training	75	700	40	740
	B737Type Training	50	400	20	420
	B777Type Training	14	140	5	145
	Total	199	1790	105	1895



ISTANBUL ATATURK AIRPORT

ISTANBUL 1

HANGAR-1

Built on an area of 26,000 m²

Total closed area capacity: 37,000 m²

Hangar dimensions: 178m length x 55m width x 16m height

HANGAR-2

Built on an area of 23,240 m²

Total closed area capacity: 77,325 m²

Hangar dimensions: 160m length x 85m width x 26.5 m height

ISTANBUL ATATURK AIRPORT



ISTANBUL SABIHA GOKCEN AIRPORT



ISTANBUL 2

HANGAR-1

Built on an area of 65,000 m²

Total closed area capacity: 57,200 m²

HANGAR 1-4

89m length x 84m width x 24m height

HANGAR 1-1 / HANGAR 1-2

72m length x 73m width x 24m height

BUSINESS JET HANGAR

Built on an area of 1500 m²

Total closed area capacity: 15,000 m³

Hangar dimensions: 50m length x 30m width x 10m height

HANGAR 1-3

72m length x 84m width x 24m height

Built on an area of 200,000 m²

Total closed area capacity: 380,000 m²

HANGAR-1

Total closed area capacity: 57,200 m²

HANGAR-2

155m length x 97m width x 27m height

ANKARA
ESENBOGA
AIRPORT



ESB/VIP
HANGAR

Built on an area of 21,000 m²

{Hangar A: 8019 m² + Hangar B: 8730 m²}

Total closed area capacity: 24,000 m²

Hangar A

99m length x 81m width x 33.3m height

Hangar B

97m length x 90m width x 33.3m height

ESB/HANGAR-1

Built on an area of
5,640 m²

Total closed area capacity: 7670 m²

Hangar dimensions: 103.5m length x
54.5m width x 17.40m height

AYDIN CILDIR
AIRPORT

ANNEX 600 m²

Total closed area capacity: 2.520 m²

Hangar dimensions: 42 m x 60 mx 10 m height

TURKISH TECHNIC INC. LIST OF CAPABILITIES

Aircraft Manufacturer	Aircraft Type	Heavy Maintenance	Line Maintenance
Airbus	Airbus A300	✓	✓
	Airbus A310	✓	✓
	Airbus A319 / A320 / A321	✓	✓
	Airbus A330	✓	✓
	Airbus A340	✓	✓
Boeing	Boeing 737 CL & NG	✓	✓
	Boeing 757	✓	✓
	Boeing 767	✓	✓
	Boeing 777	✓	✓
Gulfstream	Gulfstream G IV Series	✓	✓
	Gulfstream GV-SP Series	✓	✓

APU Models	Maintenance
Honeywell GTCP131-9B	✓
Hamilton Sundstrand APS3200	✓

Landing Gears Capabilities	Maintenance
Airbus A310	✓
Airbus A320 Series	✓
Airbus A330	✓
Airbus A340	✓
Boeing 737 CL	✓
Boeing 737 NG	✓

ENGINE SHOP

Engine Shop has the authority for performing partial repair and maintenance on the engine types CFM56-3/5C/7B, V2500, CF6-80E1 & GE90. In 2016 a total of 228 partial maintenance work has been performed.

Important capabilities/projects aquired in 2016;

Changing of QEC/LRU on GE90 engines

Important Shop Capabilities:

1. Changing AGB/TGB, changing QEC/LRU and Top Casing of CFM56-3 engines.
2. Changing AGB/TGB, changing QEC/LRU and Top Casing of CFM56-5C engines.
3. Changing AGB/TGB, changing QEC/LRU, VSV Bushing treatment and Top Casing of CFM56-7B engines
4. Changing QEC/LRU of V2500 engines.
5. GE90 Fan Stator assemble/dissassemble procedure.
6. Changing blade of GE90 Stg 6 LPT
7. Changing QEC/LRU of GE90
8. Changing QEC/LRU of CF6-80E1

ENGINE TESTCELL

The engine testcell shop in relation to part number has the capability to test 4 types of engines. Having increased 16% compared to 2015, 121 engines has been tested in 2016.

APU SHOP

Apu Shop has the overhaul capacity of type GTCP131-9B APU on Boeing 737-700/800/900 planes and type APS3200 on Airbus A319/320/321 planes and the manintance capacity of 8 internal pieces belonging to these APU's. In 2016 64 APU maintanece has been performed. Initiative started in 2015 to aquire overhaul capability of GTCP331-350C APU used on Airbus A330/A340 planes has been canceled after having realised its capabilities to not be feasible. New APU Test Cell to be constructed in Sabiha Gokcen Airport Facilities has been tendered for contract and the company decided on is CEL Aerospace.

FUEL COMPONENTS SHOP

Fuel Components Shop has the test/repair, and overhaul capability for 241 componets on the basis of part numbers. In 2016, approximately 2042 components were maintained and activated.

Important Shop Capabilities

1. CFM56-7B HMU O/H Capability (Honeywell Authorized Repair Station)
2. V2500 FMU O/H Capability (Woodward Authorized Repair Station)
3. CFM56-5A/-5B/-5C HMU O/H Capability
4. CFM56-3/-5/-7 Main Fuel Pump O/H Capability
5. V2500 Main Fuel Pump O/H Capability
6. CFM56-7B HPT/LPT Valve O/H Capabilities
7. CFM56-7B VBV Actuator O/H Capability
8. CFM56-7B VSV Actuator O/H Capability
9. V2500 ACC Actuator Capability
10. A320 Series and B737-800 Booster Pump Capabilities
11. GTCP131-9B and GTCP331-350C APU Fuel System Component Capabilities.



Capabilities of (PN: 568-1-28300-100/101/102/103) INS, TEST, REPAIR, MOD and OHC fuel booster pumps used on A330 and A340 has been aquired. Capabilities of (PN: FRH340004 and FRH340005)'s INS, TEST, REPAIR and OHC Water Drain Valves also used on A330 have been aquired.

ATE SHOP

ATE Shop performs the maintenance of 596 different avionics components, by means of automatic test devices (4 ATEC Series 6, 1 CTS, 1 TS1650S, and 2 ATEC5000 devices) and other special test devices in the service area.

Important Shop Activities:

1. Order has been placed for ATEC Series 6 RF automatic test device which made possible for components tests working on Radio Frequency produced by Honeywell. Capabilities will be aquired in 2017. Having completed revision work of ATEC Series 6 #1 automatic test device, the revised ATEC Series 6 was set up in Sabiha Gokcen Airport facilities. It has been taken into service after admission tests.
2. Order has been placed for B777-300 FADEC ECU ATEC Series 6 TPS (Test Program Set)
3. Order has been placed for 15 different TPS (Test Program Set) belonging to A320 series, B777, B737NG's.
4. In 2016, 96 additional piece numbers was added to capabilities.
5. By signing CTS Support agreement, CTS test device and related programs have been kept updated.

HARNESS SHOP

Harness Shop has the control/test/repair/overhaul capability for 237 componets on the basis of part numbers.

Important Shop Activities:

1. Engine Harnesses for CFM56-5C (A340), CFM56-7B (B737NG), V2500-A5 (A320 Family), CF6-80E1 (A330), GE90-115B (B777)
2. B737-700/800 and A320 Family APU Harnesses.
3. A330, A340 and A320 Family Landing Gear Harnesses are seeing control/test/repair/overhaul treatment within the extent of Part-145.
4. Within the extent of project Part-21 Wireless IFE, Harness and kits have been produced for modification treatment on 44 aircrafts in our fleet.

BATTERY SHOP

Battery Shop has the test/repair/overhaul capability for 39 components on the basis of part numbers. Seeing a 31.8% increase compared to 2015, circulation of the given components in 2016 were 2684 peices. Also in 2016 Battery shop gained capability for 3 new p/n.

Important Shop Capabilities:

1. Ni-Cd Main Batteries
2. Battery Packs
3. Lead Acid Batteries



ELECTRIC SHOP

Electric Shop has the test/repair/overhaul capability for 625 components on the basis of part numbers. Circulation of given components in 2016 were 5766 pieces which is a 3.7% increase from 2015.

In 2016 Electric Shop earned capabilities for new 168 p/n.

Important Shop Capabilities:

1. Steam & Convection Ovens
2. Coffee Makers & Water Boilers & Espresso Makers
3. Ignition System Components
4. Retractable Landing Lights, Logo Lights, Anticollision Lights, Strobe Lights
5. Recirculation, Cargo and Extraction Fans
6. A/T Switchpack
7. Drain Masts
8. Hot Cups



IDG & GENERATOR SHOP

IDG & Generator Shop has the test/repair/overhaul capability for 33 components on the basis of part numbers. In 2016, the circulation of these components was around 469 units, and increased by 57% in comparison to the year 2015. In IDG & Generator Shop In 2016 capability application has been filed for other part numbers not available at our shop in A330 APU Generator inspection/test and A320 NG, A330 IDG capability. Training agreement has been made for acquiring A320 and A330 APU Generator repair capability.

Important Shop Capabilities:

1. IDG IDG (B777, B737-800, A340, A330, A320NG, A320 CLASSIC, A310)
2. CSD (B737-400)
3. APU STARTER & GENERATOR (B737-800)
4. APU GENERATOR (B737-400, B737-800, A320)



RADIO SHOP

In July 2016 Radio & IFE Shop separated into two separate shops as Radio Shop and IFE Shop. Radio shop has the test/repair/overhaul capability for 219 components on the basis of part numbers. In the second half of 2016 circulation of given components is 1400 pieces.

RFT-1000 automatic test device acquired from Rockwell Collins in 2016 has been activated and component capabilities that have training has started to be tested. In addition, PTS-3500 automatic test device component trainings have been completed and capability applications has been filed.

IFE SHOP

IFE shop has been separated from RADIO shop in July 2016. IFE Shop has the test/repair/overhaul capability for 453 components on the basis of part numbers. In 2016 circulation of given components has been 3374 pieces resulting in a 35% increase in 2016 compared to the previous year 2015.

In 2016 L3 Communication and Honeywell FDR & CVR capability activities have been performed. Having been tested with MATE automatic test device capability activities have been performed for Teledyne components. Capability activities have been performed for THALES IFE and Panasonic IFE. Resulting from these practice in 2016 a total 303 PN capabilities has been acquired.

TOOLS SHOP

Tools Shop has the test/repair/overhaul capability for 917 components on the basis of part numbers. Circulation of these given components in 2016 has been 4296 pieces resulting in a 7% increase compared to 2015.

Important Shop Capabilities:

1. Window/Pitot Heat Module
2. Stdbby Attitude Indicator
3. Ice Detector
4. Rate Of Climb Indicator
5. Angle Of Attack Sensor
6. Cargo Smoke Detector
7. Fuel Qty Indicator
8. Stdbby Alt. / As. Indicator
9. Standby Altimeter



CALIBRATION LABORATORY

Our Calibration lab is managing the calibration process of 16,917 pieces of tools. In 2016, calibration services were given to 18,407 tools. 1,979 devices were sent out of the shop for calibration services. In 2016 on top of the 5 accreditation coverages we already possess, works have started to add 10 more coverages, device orders have been given and preparation has gone underway for accreditation inspection planned for 04/2017. Meetings have taken place with international companies (HYCOM, ROHDE & SCHWARZ, DMS, SNAP-ON, PROTO) with the purpose of being a maintenance hub and initiatives have started to certify our repairing capabilities. In order to meet the criteria of EASA-UG all calibration devices found in our inventory has started to be examined and devices that can be taken in to capability with low cost have been determined.

The list of devices, through a detailed operation within our scope and capability, in coverage of accreditation in any laboratory and which can only be produced by the manufacturer has been delivered to the Maintenance Tracking Directorate. In respect to strength coverage, works have gone underway to set-up our own shop.

Important Shop Capabilities

1. Electrical Calibrations (General test and measuring devices, and specific test sets)
2. Temperature & humidity Calibrations
3. Mechanical Calibrations (Pressure and Torque (Accredited); Strength, Size, Mass-Scale)



LANDING GEARS SHOP

Landing Gears Shop has the test/repair/overhaul capability for 1232 components or parts on the basis of part numbers. The shop has the overhaul capability for the landing gears of B737 CLASSIC, B737 NEXT GENERATION, A320 FAMILIES, and A330 & A340.

Important projects and new capabilities acquired in 2016:

1. A total of 155 Components in 2016 (Including A330 Enhanced landing gear) and/or Part taken into capability.
2. A330 Test Rig counter has been bought.
3. 75 leg in 2015 and in 2016 a total of 128 leg overhaul has been conducted. Compared to 2015 70% increased have been ensured in the the amount of landing gear overhauls.
4. We are one of the top three MRO's in the world who successfully operates A330 Enhanced landing gear overhaul.



LANDING GEAR COORDINATION GENERAL

Operating under the structure of I/T and Mechanic Shops Directorate, at the Landing Gear Shop, preparation of documents used in maintenance/repair operations for Landing Gears under procedure, controlling and keeping it updated as well as transaction process, inventory managing, man-hour managing, including process managing in order for detailed management and coordination, 9 engineers, 6 technicians whom left the Landing Gear Shop and 1 subcontracted personell whom formed in July 2016 the Landing Gear Coordination General.

All of the processes of I/T O/H in terms of parts and station have started to be tracked and managed and the operations have take a more visible and observable state compared to before. Processes related to singular repairs who are on O/H duration have been assigned 'goal completion time' by means of piece by piece which has been closely examined and the 'real-time lapse' information recorded resulting in start of collection of workable data. Here the time loss between processes will be analyzed and with necessary modification/ preventive measures/ revisions, declared legal TAT information will be improved.

This process management and coordination will enable:

- 1) During the O/H process succesfully repairing of extra 46 pieces worth approximately 1,100,000 USD within the coverage of TAT's, without being given to the customers as "FOC change type" were secured in the inventory.
- 2) During the O/H process, the necessary over time man hour ratio has been reduced 40% and the financial equivalent of this action is approximately 320,000,000 USD.

WHEELS & RIM SHOP

In Wheels & Rim Workshop, a total of 20,500 components were launched in 2016; 12,000 for Turkish Airlines and 8500 for other customers.

BREAKS SHOP

In Brakes Workshop, a total of 1,600 components were launched in 2016; 1,300 for Turkish Airlines and 300 for other customers.

WHEEL & RIM AND BREAK SHOPS CAPABILITIES

Within the capabilities of Wheel & Rim and Break Shop, the fleets of Turkish Airlines and other customers which include B737-400/500/800/900, A300, A310, A319/320/321, A330/340, B777 and Gulfstream G450/G500 VIP planes' necessary test, repair, modification and overhaul maintenance for Break and Rim Assy's take part.

MECHANICAL SHOP

Mechanical Shop has the test/repair/overhaul capability for 951 components on the basis of part numbers. In 2016, the circulation of these components was around 3070 units, an increase by 19% in comparison to the year 2015. Hydraulic Pressure Test Stand arrived from MNG technic which was in an idle position has been modified according to needs and put into use.

Important Shop Capabilities:

1. Horizontal Stabilizer Actuator,
2. IDG – Fuel/Oil – Air/Oil – APU Oil Coolers,
3. Heat Exchanger – Condenser - Precooler,
4. Boeing Cockpit Seats,
5. Cockpit Windows,
6. Cargo Compartment Latches,
7. Boeing TE Flap Transmission Assemblies.



ELECTROMECHANIC SHOP

Electromechanical Shop has test / repair /overhaul capability for 270 components. In 2016, for the given components the maintenance work is 2508 units which is an 18% increase compared to 2015. To increase shop's capabilities the order placed for Linear & Rotary Test Stand has arrived at the end of 2016. The set up and putting in use of the stand will be in beginning of 2017. Outflow Valve Proof Pressure & Leakage Tester has been put into use which is used in Outflow Valve's proof and leakage tests

Important Shop Capabilities:

1. Airbus Pilot & Co-pilot Seat,
2. Skin Air Valve,
3. Outflow Valve,
4. Ram Air Actuator,
5. Wiper Converter,
6. Linear & Rotary Actuator,
7. Power Drive Unit,
8. Position Pick of Unit & Command Sensor Unit.



WELDING & PLASMA SPRAYING SHOP

The shop comprises of three parts; plasma, welding, and thermal treatment

WELDING DIVISION

By utilization of 4 TIG welding machines in the shop, weldings on aluminum, steel, titanium, etc. materials are possible.

PLASMA SPRAY DIVISION

Our inventory at IST1 shop include 1 Manual Thermal Table, 1 Flame Spray (dust and wire) System and 1 unit of sandblasting table used as preparation before thermal treatment. 1 unit of Robotic Thermal Table and 1 unit of sandblasting table used as preparation before thermal treatment all in use at our Sabiha Gokcen Airport facility.

THERMAL PROCESS DIVISION

1 unit of large atmospheric thermal processing oven is present at IST1 shop. 2 units of small atmospheric thermal processing oven has been moved to Sabiha Gokcen Airport facility.

SPECIAL OPERATIONS SHOP

For Sabiha Gokcen Airport Facility Sandblasting Shop,

- 1 unit of dry sandblasting cabin
- 1 unit of sandblasting room
- 1 unit of plastic sandblasting cabin
- 1 unit of sandblasting room
- 1 unit of robotic shot-peen table
- 1 unit of glass bead table
- 1 unit of mobile sand blasting

has been received and shops made operational.

For Sabiha Gokcen Airport Facility washing shop,

- Aquired 18 units of new washing boilers.
- With 10 boilers in narrow-body hangar, and 8 boilers in the Shops Building, 2 units of

Washing Shops set-up has been completed and Shops Building Washing Shop made operational.

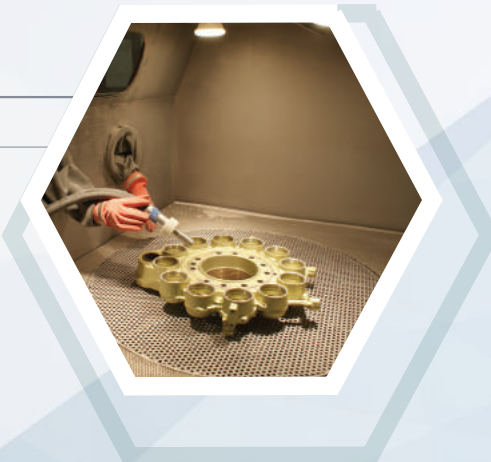
Our shops, having seen no signs of improperness during inspection by EASA and SHGM has successfully started production.

At IST 1 Facility Sandblasting Shop;

- 1 unit of dry sandblasting table
- 2 units of plastic sandblasting table
- 1 unit of manual glass beads table
- 1 unit of NC Shotpeen table

At IST 1 Facility Washing Shop,

- 10 units of boilers currently present



METAL PLATING SHOP

Turkish Technic Sabiha Gokcen Airport shops and chemistry labs, having been completed appropriate tank configuration and analysis opened for service.

For Metal Plating Shop at Turkish Technic Inc. Sabiha Gökçen Airport facilities; in line with our increasing capacity needs, 1 new plating furnace was purchased under the Law of Incentives for Domestic Industry, and started to be used.

For the new Chemistry Laboratory at Turkish Technic Inc. Sabiha Gökçen Airport facilities; 1 atomic spectroscopy was purchased in order to increase analysis capability. New instruments shall be purchased to increase of capabilities of fuel and hydraulic analyses.

For Chemistry Lab at our Turkish Technic Sabiha Gokcen Airport facilities; the project of a new Chemistry Lab equipped with fuel hydraulic analyses is underway.

For Metal Plating Shop at Turkish Technic Inc. Sabiha Gökçen Airport facilities; increasing of Cd - Ti plating capability is targeted.

In plating division, the following plating processes are performed on aircraft parts:

- Cadmium,
- Chrome,
- Nickel,
- Chromic Acid Anodizing,
- Alodine 1200 /Alodine 1500,
- Etching& Passivation.

The division predominantly working on the parts of landing gears has the equipment and experience to perform plating works of all the components within the Landing Gears Shop capabilities, including A330/340 series. In the division, where chrome and Cadmium plating stripping is also performed, plasma stripping of engine parts are performed, as well. Additionally, the shop inventory includes the modern local plating instrument for local cadmium plating generally needed on aircrafts.

On the other hand, in laboratory division, chemical analyses of plating and washing baths, aircraft fuel microbiological analysis, and aircraft hydraulics analyses are performed.

OXYGEN SHOP

Oxygen Shop has the test/repair/overhaul capability for 371 components on the basis of part numbers. In 2015, 15,000 active Form-1s were given. Manufacturing of mask test bench are underway by R & D department.

Important Shop Capabilities:

1. Slide reservoir
2. Fire extinguisher
3. Crew mask
4. Oxygen bottle



MACHINING SHOP

In the Machining Shop, production, machining, grinding, and leveling works on aircraft parts and components are performed under given authorities.

Machining Shop currently renders technical services at the facilities both at Atatürk and Sabiha Gökçen Airports.

List of Machining Shop Capabilities:

1. CNC Processing Center with up to 7 axes for processing complex parts
2. CNC Processing Center, that may process composite materials in complex forms
3. CNC Lathe Workbenches
4. CNC Grinding Machines in Various Capacities
5. Various Manuel Lathe, Milling, and Grinding Workbenches
6. Diving Erosion Workbench
7. CAD CAM program for Production & Design of Complex Parts



HYDRAULICS SHOP

Hydraulics Shop has the test/repair/overhaul capability for 475 components on the basis of part numbers. In 2016, approximately 3,563 components were activated, a 14% increase compared to previous year. 60% of active given components belong to Turkish Airlines and 40% to third party customers. This year with the modernization and set up of 5000 psi 50 gpm AMS brand Hydraulic Test Table we are especially executing pump tests in much better conditions. Active given components Utilization of new Test Console and Ultrasonic Cleaning has been added into the shop capacity and increased the maintenance quality.

Important Shop Capabilities:

1. Landing Gear LRU's
2. Flight Control Actuators
3. Engine Driven/AC Driven Pumps
4. Thrust Reverser Actuators
5. Engine/APU Lubrication Pumps
6. Pressure/Flow Control Modules
7. Door Actuators and Snubbers
8. Accumulators
9. Pressure Switch



PNEUMATICS SHOP

Pneumatics Shop capabilities has 554 Part Numbers. In 2016, 5518 work orders were activated.

Pneumatics Shop Capabilities:

1. Pressurization and Air Conditioning system components
2. Air Cycle Machines
3. Flow control valves
4. Engine Bleed System components, required to be tested with hot air (400 °C)
5. Pressure Regulation Valves, Shutoff Valves, Check Valves, Safety Valves, Trim air valves, and Anti ice valves
6. Pneumatic Engine Starters, Pneumatic Thrust Reverser Actuators (CDU)
7. Air Chillers
8. Thermostats that control hot air flow, transducers, and sensors



SANITARY SHOP

Sanitary Shop holds capabilities for 111 Part Numbers. In 2016, 2,094 work orders were activated.

Sanitary Shop Capabilities:

1. Toilet Assemblies
2. Rinse Valves, Drain Stop Valves, Ball Valves
3. Flush Control Units / Modules
4. Vacuum blowers, generators, and Separators

SLIDE SHOP

Slide Shop has the test/repair/overhaul capability for 298 components on the basis of part numbers. In 2016, 1430 active Form-1's were given. An increase of 27 % was reached in comparison to the year 2015.

Important Shop Capabilities:

1. A310 slide
2. A320 slide
3. A330/340 slide
4. B777 slide
5. B737-800 slide

CARGO EQUIPMENTS SHOP

Maintenance data for Cargo Equipments Shop in 2016 can be found below. Compared to 2015 an approximate 11% increase is observed.

Work Definition	Annual Maintenance (Qty)
AKE Container	7114
AKH Container	5773
PALET	2512
AKE Assembly	540
AKH Assembly	-
Total	15939

GALLEY EQUIPMENTS SHOP

Maintenance data for Galley Equipments Workshop in 2015 can be found below. Compared to 2015 a 45% increase can be observed.

Work Definition	Annual Maintenance (Qty)
Full Size Trolley	4025
Half Size Trolley	1384
Teker Fren Ayarı Trolley	10
Folding Trolley	55
Full Size Waste Trolley	187
Half Size Waste Trolley	90
Total	5751

Airline	Country	Continent	Region
Aercap	USA	North America	North America
Aeroflot Russian Airlines	Russia	Europe	Commonwealth of Independent States
Afriqiyah Airways	Libya	Africa	North Africa
Air Arabia	United Arab Emirates	Middle East	Middle East
Air Arabia Maroc	Morocco	Africa	North Africa
Air Astana	Kazakhstan	Europe	Commonwealth of Independent States
Air Berlin	Germany	Europe	West Europe
Air Bulgaria (& Hemus Air)	Bulgaria	Europe	East Europe
Air France	France	Europe	West Europe
Air India	India	Asia	Indian Peninsula
Air Moldova	Moldova	Europe	Commonwealth of Independent States
Air Via	Bulgaria	Europe	East Europe
Airblue	Pakistan	Asia	Indian Peninsula
Alitalia	Italy	Europe	West Europe
Ariana Afghan Airlines	Afghanistan	Asia	Indian Peninsula
Astra Airlines	Greece	Europe	South Europe
AtlasJet Ukraine	Ukraine	Europe	Commonwealth of Independent States
Aviation Link	Saudi Arabia	Middle East	Middle East
Avion Express	Lithuania	Europe	East Europe
Azerbaijan Airlines	Azerbaijan	Europe	Commonwealth of Independent States
BBAM	Ireland	Europe	West Europe
Berkut Air	Kazakhstan	Europe	Commonwealth of Independent States
Blue Air Transport Aerian	Romania	Europe	East Europe
Brussels Airlines	Belgium	Europe	West Europe
Buraq Air	Libya	Africa	North Africa
Citilink Indonesia	Indonesia	Asia	Indian Peninsula
DHL	Germany	Europe	West Europe
Dubai Aerospace	United Arab Emirates	Middle East	Middle East
Eastok Avia	United Arab Emirates	Middle East	Middle East
Ethiopian Airlines	Ethiopia	Africa	East Africa
Fly Dubai	United Arab Emirates	Middle East	Middle East
Fly Nas	Saudi Arabia	Middle East	Middle East
Fly Niki	Austria	Europe	West Europe
GECAS	Ireland	Europe	West Europe
Germanwings	Germany	Europe	West Europe
Go Airlines	India	Asia	Indian Peninsula
Gulf Air	Bahrain	Middle East	Middle East
Hak Air	Nigeria	Africa	Africa
HI FLY	Portugal	Europe	West Europe
Iberia	Spain	Europe	West Europe
Iberworld	Spain	Europe	West Europe
IndiGo	India	Asia	Indian Peninsula
Iraqi Airways	Iraq	Middle East	Middle East
Iran Air	Iran	Middle East	Middle East

Airline	Country	Continent	Region
Japan Transocean Air	Japan	Asia	Asia
Jet Airways	India	Asia	Indian Peninsula
Jordan Aviation	Jordan	Middle East	Middle East
Kenya Airways	Kenya	Africa	East Africa
KLM Royal Dutch Airlines	Netherlands	Europe	West Europe
Kolavia	Russia	Europe	Commonwealth of Independent States
Libyan Airways	Libya	Africa	North Africa
Lufthansa Airlines	Germany	Europe	West Europe
Mahan Airlines	Iran	Middle East	Middle East
MAS Cargo	Malaysia	Asia	Asia
Meridianafly	Italy	Europe	West Europe
Midex Cargo	United Arab Emirates	Middle East	Middle East
NeoS.p.A	Italy	Europe	West Europe
Nordwind	Russia	Europe	Commonwealth of Independent States
Novus Aviation (lessor)	United Arab Emirates	Middle East	Middle East
Oren Air (Orenburg Airlines)	Russia	Europe	Commonwealth of Independent States
PIA-Pakistan International Airlines	Pakistan	Asia	Indian Peninsula
Privat Air	Qatar	Middle East	Middle East
Qatar Airways	Iran	Middle East	Middle East
Qeshm Air	Morocco	Africa	North Africa
Royal Air Maroc	United Arab Emirates	Middle East	Middle East
Royal Jet	Jordan	Middle East	Middle East
Royal Jordanian	Belgium	Europe	West Europe
Sabena Technic	Afghanistan	Asia	Indian Peninsula
Safi Airways	Pakistan	Asya	Hint Altkitası
Serene Air	Senegal	Africa	West Africa
Senegal Airlines	Pakistan	Asia	Indian Peninsula
Shaheen Air	Japan	Asia	East Asia
Sojitz Aircraft Leasing (lessor)	Tajikistan	Europe	Commonwealth of Independent States
Somon Air	India	Asia	Indian Peninsula
Spice Jet	Switzerland	Europe	West Europe
Sr Technics	Germany	Europe	West Europe
SunExpress Deutschland	Russia	Europe	Commonwealth of Independent States
Transaero Airlines	Hungary	Europe	East Europe
Travel Services Hungary	Turkmenistan	Europe	Commonwealth of Independent States
Turkmenistan Airlines	Russia	Europe	Commonwealth of Independent States
Ural Airlines	Portugal	Europe	West Europe
White Airways	Ukraine	Europe	Commonwealth of Independent States
Windrose	Russia	Europe	Commonwealth of Independent States
Yakutia Airlines	Yemen	Middle East	Middle East
Yemen Airways	Iraq	Middle East	Middle East
Zagros Jet			

Airline

ACT Airlines
 ATP Havacılık
 ATS Global
 Atlasjet
 Borajet
 Ciner Havataşımacılığı
 Corendon Airlines
 Freebird (Hürkuş Havayolları)
 Genel Havacılık
 İHY İzmir Hava Yolları
 MNG Airlines
 MNG Jet
 Onur Air
 Pegasus
 Prima Aviation Services
 REC Havacılık
 Sky Airlines
 SunExpress
 Tailwind Airlines
 Turkish Airlines
 ULS Kargo
 Zorlu Air Havacılık

**Aircraft
Maintenance**

AIRBLUE A320
 AirArabia A320
 AirArabia Maroc A320
 ATS-Havacilik Teknik A.S. A320
 AviationLink B777
 AWAS A321
 Ciner Havacılık G550
 BBAM (WellsFargo) B737
 DAE (Dubai Aerospace) A330
 DHL A300F
 Donbassaero A320
 Kenya B777
 MNG A300-600
 Onur Air A330
 Pegasus B737
 RoyalAirMaroc B767-700
 Serene Air B737-800
 SunExpress Deutschland B737-800
 Turkish Airlines A300, A320, A330, A340, B737, B777
 Turkish Airlines Gulfstream G450/550
 Ukraine International Airlines B767
 Ukraine International Airlines B767

**Component
Pool**

Ariana Afghan B737-400
 Citilink A320
 Onur Air A320
 Pegasus A320 NEO
 Pegasus B737-800
 Royal Jordanian
 SPICEJET B737NG
 SunExpress Deutschland
 ULS Airlines A310

**Landing
Gear**

Air Manas B737-800
 Atlas Global A320
 Atlas Global A321
 GO Airlines A320
 INDIGO A320
 Onur Air A330
 SunExpress B737-800
 SunExpress Deutschland B737-800
 Yemen Airways A330

APU

Anex Tour GTCP 131-9B
 Brussels Airlines APS3200
 Global Jet APS2000
 Onur Air APS 3200
 Tailwind GTCP 131-9B
 Yakutia GTCP 131-9B

Check Type	Turkish Airlines	Check Type	Third Party
	2016		2016
A	3.089	A	6
B	35	B	0
C	139	C	41
D	0	D	0
S	16	S	0
PAINT	34	PAINT	19
Total	3.313	Total	66



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Turkish Airlines	1485	1541	1479	1726	1905	2077	2251	2434	2655	2970	3313
Third Party	51	57	36	43	97	88	75	102	121	128	66
Total	1536	1598	1515	1769	2002	2165	2326	2536	2776	3098	3379



Istanbul New Airport

Aircraft Maintenance Center Project

Turkish Technic from now is doing the necessary planning to increase revenue and to take advantage of new job opportunities that will surface after the completion of "Istanbul New Airport Project" which is planned to be opened for service as the worlds largest airport in 2018.

In attempts to serve this purpose, in the area reserved at the New Airport for construction of facilities necessary for MRO services throughout the year initial analysis and planing works of investments have continued. With the New Airport operational in 2018, as priority, moving of line maintenance from Atatürk Airport to New Airport will take place. After this, as facilities become ready for use other operations are planned to be moved to New Airport phase by phase.

2016: Viewpoint of Our Affiliates

Turkish Engine Center

Turkish Engine Center (TEC) which was founded in partnership with Pratt & Whitney experienced a very productive year. Within this year a total of 115 engine maintenance operations have been conducted and also this year TEC successfully completed and delivered its 500th engine maintenance job.

Goodrich Turkish Technic Service Center

Goodrich Turkish Technic Service Center, founded as a partnership with UTC Aerospace Systems, has conducted more than 75 maintenance operation in 2016. Also in 2016 compared to previous year it increased revenues by 10%..

Turkish Cabin Interior

Another affiliate of ours founded as a partnership with TAI, TCI Turkish Cabin Interior, which is located at our Sabiha Gökçen Facilities, aside from being the company that produced the first Turkish galley, it was declared as "Global Offerable" for new generation aircrafts, Boeing 737, one of two aircraft types most commonly used around the world, and achieved to be one of four producer company included in the catalog. Having reached to the status of producing the lightest galleys in the world for Boeing 737 aircrafts, TCI Turkish Cabin Interior is able to produce 15 % lighter galleys in its projects in comparison to its competitors. In the upcoming years the company aims to diversify its product range with innovative products like "Smart Galley".

Turkish Seats Industry

Founded as a partnership with Assan Hanil, Turkish Seat Industry is Turkey's first and only aircraft seats producer. In 2016, facilities which were in İzmit have been moved to Turkish Technic Sabiha Gökçen facilities. Working with domestic suppliers, Turkish Seats Industry has an 80% domestic product rate. The company continues efforts of producing Business Class seats in the upcoming years.

Turkbine Technic

In December of 2016, Turkish Technic sold its 50% share of Turkbine Technic to its other partner Zorlu O/M Energy Facilities Operation and Maintenance Services Inc. and removed itself from partnership.

The numbers of aircrafts included in (Phase-In) and excluded from (Phase-Out) the Turkish Airline fleet under the coordination of Engineering Directorate are given by years in the following graphic.



Important and large scale completed projects are listed below.

- Contracting works have been completed for APU maintenance on CFM56-5C, CFM56-7B and V2500-A5 type engines found in A340-300, B737, A320 aircrafts and for GTCP331-350C and GTCP331-500B series found in A330, A340 and B777 fleets in coverage of Time & Material (T&M) and Not-To-Exceed (NTE)
- Together with Turkish Airlines, configuration assignment works have been completed for 92 units A321NEO and 75 units of B737MAX aircrafts which will be delivered to Turkish Airlines between 2018-2023.
- As a result of joint venture between Boeing, Jeppesen and Turkish Airlines Flight Operation regarding Turkish Airlines B737NG planes, earning of RNP-AR capability works have been completed that will result in a easy before landing approach for certain risky aerodromes and was presented to SHGM for approval.
- The project of replacing old generation Weather Radar systems with new generation Weather radar systems which can identify meteorological incidents more correctly and in detail on 8 aircrafts in Turkish Airlines fleet has been completed.
- As a mutual product of our R&D Directorate and Havelsan and again having acquired certificates from R&D directorate, the Wireless IFE System's (SKYFE) works of application towards non-AVOD B737 aircrafts in Turkish Airlines fleet has been executed.
- Installation of Panasonic GCD (inflight internet and live TV) under the coordination Engineering on A330 aircrafts has started and in 2016 out of 17 planes 7 were moded.
- Working in partner with companies Airbus and Safran, the project of installing break cooling fan (Universal Brake Cooling Fan-UBCF) on 21 A330 type aircrafts from Turkish Airlines fleet has been completed and UBCF installations has started on these planes.
- Encountered on Turkish Airlines A321 fleet, in attempts to eliminate the problem of cabin being cooled non-proportionally, TC-JSL, JSJ, JRU planes have been modified to eliminate mistakes during Airbus modification application. During flights, modification's efficiency has been observed using measurements and was decided to be implemented on other aircraft in the fleet.
- Cabin and IFE modernization works on 3 units of A340-300, 8 units of A330, 12 units of B737-800, 12 units of B777-300 and 3 units of A320 aircrafts found in Turkish Airlines fleet has been completed under the coordination of Engineering Directorate.
- WEBTR application was implemented for online management of maintenance program temporary revision processes.
- In order to establish configuration management of new planes that will be delivered, Config Portal was put into use.
- Digital and physical archive service was brought into use for Component Shops Directorate's technic documentation.
- In order to prevent human caused delays, a new module has been added to TDS and is included in automation for component maintenance document's index controls.
- Aircraft Documentation System (ADS) has been put into use to establish online up-to-dateness and instantaneous tracing of aircraft operation documents and as part of these documents Airworthiness Directives.

In 2016, our company has been involved in the following activities in the R&D Center.

Completed Projects

- APU Starter Test Device Project
- Automatic Helmholtz Coil Test Device Project
- Flash Counter Light Box Project
- Structural Shop Chemical RFID Project
- Cabin Interface Controller Project
- Universal Air Flow Test Device Project
- Outflow Valve Pressure Test Device Project
- TPED (Transmitting Portable Electronics Device) Project
- Tablet IFE

Projects in Progress

- Wireless Cabin Entertainment System (No.3120903 TEYDEB project)
- Design and Prototype Manufacturing of Full Automatic Test System for Crew Oxygen Masks (TEYDEB project No. 3130518)
- Cabin RFID (Radio-Frequency Identification) Project
- Aircraft Health and Condition Monitoring Project (WQAR) (3150223 No.lu TEYDEB Projesi)
- Power Drive Unit Test System Project
- Integradet Drive Generators Rotor Test System Project
- Multi Purpose Process Controller Project
- Wired Cain Entertainment System (IFE) Project
- Floor Disconnection Box Project
- Seat Electronic Box Project
- Smart Display Unit Project
- Business Class Smart Display Unit Project
- Passenger Control Unit Project
- Wireless Access Point Project
- Tray (4MCU LRU) Project
- Shops Chemical RFID Tracing Project
- Wired IFE Panel Project
- Conduction Cooled ATR Box project
- Structural Damage Detection Project
- First Aid Kit Box Project
- Pressure-Time Tester



- Doctor Box Project
- Aircraft Engine Wash Vehicle Surface System's Development Project (Phase 2)
- Aircraft Security Barrier Design Project
- A330/340 Main Landing Gear Dismantle/Assemble Device Project

Industry and University Collaborates

- Within the coverage of TEYDEB, arising from academic assistance needs on projects, support was aquired from Istanbul Şehir University faculty members.
- Wireless Cabin Entertainment System and Aircraft Health and Situation Monitor projects are being conducted jointly with HAVELSAN Inc.
- Along with Aselsan, application for project request was made for "Converting Aircraft Cockpit overhead panel into Touch Screen control panel"
- Along with Aselsan, request was made for the "LI-FI data transfer using light" themed project call.



Exhibitions Attended

Event	Date	Location
MRO Latin America	January 21-22	Lima Peru
MRO Middle East	February 3-4	Dubai
Aviation Iran	March 2-3	Dubai
MRO Network China East Asia	March 9	Hong Kong
MRO Africa Conference & Exhibition	March 14-16	Casablanca
Aircraft Cabin Interiors Expo	April 5-7	Hamburg
MRO Americas	April 5-7	Dallas
Aviation MRO Indonesia	April 20-21	Jakarta
MRO Network Middle East	April 26-27	United Arab Emirates
IFTE	May 6-8	Istanbul
APM Expo	June 1-2	London
MRO Asia	September 27-29	Singapore
Istanbul Airshow	October 6-9	Istanbul
MRO Europe	October 18-20	Amsterdam
High-Tech Port	November 9-12	Istanbul
Iran Airshow	November 16-19	Kish Island
MEBAA Show	December 6-8	Dubai
MRO India	December 12-13	Delhi



Conferences Attended

Event	Date	Location
IATP / 113TH	March 12-16	Hong Kong
ALTA CCMA	May 15-18	Puerto Rico
Iran Conference	May 24-25	Istanbul
IATP / 114TH	October 15-19	Okinawa
MRO Network CEE	November 9-10	Zagreb



A hand in a blue sleeve points at a laptop screen. The background is a blurred office setting. Overlaid on the image is a complex digital interface with white lines, circles, and arrows. A central circular graphic features a colorful, multi-layered ring. The overall aesthetic is futuristic and data-driven.

FINANCIAL INFORMATION

AUDIT REPORTS

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Board Directors of Turkish Technic Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Turkish Technic Inc. (the "Company"), which comprise the balance sheet as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Independent Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended, in accordance with Turkish Accounting Standards.

Emphasis of Matter

We draw attention to Note 8 to the financial statements which describes the large-scale operations with related parties of the Company. For the period 1 January – 31 December 2016; 88% of sales are realized with the related companies. Our opinion is not qualified in respect of this matter.

Reports on Responsibilities of Independent Auditor Specified in Other Regulations

1) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities, financial statements for the period 1 January - 31 December 2016 are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

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

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

Hatice Nesrin Tuncer, SMMM
Partner
10 March 2017
İstanbul, Türkiye



TURKISH TECHNIC INC.
BALANCE SHEET AS OF 31 DECEMBER 2016

	Notes	Audited 31 December 2016	Audited 31 December 2015
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	5.756.721	5.883.476
Trade Receivables		932.827.864	590.306.557
- Trade Receivables From Related Parties	8	839.319.793	502.834.122
- Trade Receivables From Non-Related Parties	9	93.508.071	87.472.435
Other Receivables		2.627.763	20.065.397
- Other Receivables From Related Parties	8	1.207.351	19.172.512
- Other Receivables From Non-Related Parties	11	1.420.412	892.885
Inventories	12	1.886.698.985	1.478.367.928
Prepaid Expenses	13	14.821.757	29.839.071
Other Current Assets	19	70.709	54.406
TOTAL NON-CURRENT ASSETS		2.842.803.799	2.124.516.835
Non-Current Assets			
Financial Investments	6	1.485.025	5.025
Equity Accounted Investees	4	161.353.283	88.969.887
Property and Equipment	14	1.393.760.449	1.209.996.235
Intangible Assets		23.375.346	32.312.594
-Other Intangible Assets	15	23.375.346	32.312.594
Prepaid Expenses	13	15.929.419	14.952.575
TOTAL NON-CURRENT ASSETS		1.595.903.522	1.346.236.316
TOTAL ASSETS		4.438.707.321	3.470.753.151

The accompanying notes are an integral part of these financial statements.
[All amounts are expressed in Turkish Lira ("TL") unless otherwise stated.]

TURKISH TECHNIC INC.
BALANCE SHEET AS OF 31 DECEMBER 2016

	Notes	Audited 31 December 2016	Audited 31 Aralık 2015
Current Liabilities		1.127.547.754	1.007.726.095
Other Financial Liabilities	7	102.253	11.125.057
Trade Payables		335.235.920	309.725.551
- Trade Payables to Related Parties	8	78.977.536	56.565.614
- Trade Payables to Non-Related Parties	9	256.258.384	253.159.937
Payables Related to Employee Benefits	10	84.127.784	58.346.943
Other Payables		266.642.046	234.973.626
- Other Payables to Related Parties	8	175.514.016	153.116.353
- Other Payables to Non-Related Parties	11	91.128.030	81.857.273
Deferred Income	13	400.230.551	329.871.498
Current Tax Liabilities	28	8.022.432	29.195.620
Short-term Provisions		31.225.734	30.105.835
- Provisions for Employee Benefits	16	18.746.312	13.033.930
- Other Short-term Provisions	16	12.479.422	17.071.905
Other Current Liabilities		1.961.034	4.381.965
Non-Current Liabilities		778.711.179	653.999.740
Other Financial Liabilities		-	172
Other Payables		476.905.783	446.585.028
- Other Payables to Related Parties	8	476.905.783	446.585.028
Deferred Income	13	598.695	3.268.946
Long-term Provisions		98.117.311	80.049.351
- Long-term Provisions for Employee Benefits			
Vadeli Karşılıklar	18	91.515.272	73.189.555
- Other Long-term Provisions	16	6.602.039	6.859.796
Deferred Tax Liabilities	28	203.089.390	124.096.243
SHAREHOLDER'S EQUITY			
Equity Attributable to Equity Holders of the Parent		2.532.448.388	1.809.027.316
Share Capital	20	960.850.000	960.850.000
Adjustments to Share Capital		84.081	84.081
Items That Will Never Be Reclassified to Profit or Loss		5.381.036	(1.216.164)
- Tanımlanmış Fayda Planları Yeniden Ölçüm Kazanç ve Kayıpları		5.381.036	(1.216.164)
Items That Are or May Be Reclassified to Profit or Loss		1.148.978.860	716.459.868
- Foreign Currency Translation Differences		1.148.978.860	716.459.868
Restricted Profit Reserves		13.084.833	10.925.693
(Accumulated Losses) Retained Earnings		119.764.698	(49.933.881)
Net Profit (Loss)		284.304.880	171.857.719
TOTAL LIABILITIES AND EQUITY		4.438.707.321	3.470.753.151

The accompanying notes are an integral part of these financial statements.
[All amounts are expressed in Turkish Lira ("TL") unless otherwise stated.]

TURKISH TECHNIC INC.
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT
FOR THE YEAR ENDING 31 DECEMBER 2015

	Notes	Audited 1 January - 31 December 2016	Audited 1 January - 31 December 2015
Revenue	21	3.204.366.274	2.529.703.793
Cost of Sales (-)	21	(2.532.310.015)	(1.974.310.132)
GROSS PROFIT		672.056.259	555.393.661
General Administrative Expenses (-)	22	(304.802.474)	(268.764.933)
Marketing and Sales Expenses (-)	22	(12.374.905)	(11.865.902)
Research and Development Expenses (-)	22	(10.386.539)	(9.698.102)
Other Operating Income	23	28.408.057	28.140.589
Other Operating Expenses (-)	23	(22.720.453)	(25.201.976)
OPERATING PROFIT		350.179.945	268.003.337
Loss from Investment Activities	24	(2.257.510)	(72.396)
Share of Investments' Profit (Losses) Accounted by Using the Equity Method	4	51.358.957	10.477.181
OPERATING PROFIT/ (LOSS) BEFORE FINANCIAL INCOME		399.281.392	278.408.122
Financial Income	26	35.955.994	17.263.323
Financial Expenses (-)	26	(36.622.533)	(33.799.267)
PROFIT/ (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		398.614.853	261.872.178
Tax Expense of Continuing Operations		(114.309.973)	(90.014.459)
- Current Tax Expense	28	(65.054.623)	(34.326.909)
- Deferred Tax Expense	28	(49.255.350)	(55.687.550)
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		284.304.880	171.857.719
OTHER COMPERHENSIVE INCOME			
Not To Be Reclassified Profit or Loss		6.597.200	(2.967.432)
Actuarial Losses /(Gain) From Defined Pension Plans	18	8.246.500	(3.709.290)
Tax Benefit /(Expense) of Actuarial Losses From Defined Pension Plans	28	(1.649.300)	741.858
To Be Reclassified To Profit or Loss		432.518.992	338.659.263
Currency Translation Differences		381.863.823	312.983.220
Currency Translition Differences of Equity Accounted Investees		50.655.169	25.676.043
OTHER COMPERHENSIVE INCOME		439.116.192	335.691.831
TOTAL COMPERHENSIVE INCOME		723.421.072	507.549.550

The accompanying notes are an integral part of these financial statements.
[All amounts are expressed in Turkish Lira ("TL") unless otherwise stated.]

TURKISH TECHNIC INC.
STATEMENT OF CHANGES IN EQUITY
FOR THE ACCOUNTING PERIOD ENDING ON 31 DECEMBER 2016

	Total Equity	1.122.253.364	179.224.402	1.301.477.766	507.549.550	1.809.027.316	1.809.027.316	723.421.072	2.532.448.388
	Effect of Business Combination Under Common Control	-	267.850.000	267.850.000	(267.850.000)	-	-	-	-
Retained Earnings	Net Profit/ (Loss) for the Period	(40.455.626)	-	(40.455.626)	40.455.626	171.857.719	171.857.719	(171.857.719)	284.304.880
	Retained Earnings/ (Accumulated Losses)	92.928.213	(101.398.084)	(8.469.871)	(41.464.010)	(49.933.881)	(49.933.881)	169.698.579	119.764.698
	Restricted Profit Reserves	9.504.301	413.008	9.917.309	1.008.384	10.925.693	10.925.693	2.159.140	13.084.833
Accumulated Other Comprehensive Income of Expenses Not to be Reclassified to Profit or Loss	Currency Translation Differences	365.139.211	12.661.394	377.800.605	-	716.459.868	716.459.868	432.518.992	1.148.978.860
Accumulated Other Comprehensive Income of Expenses Not to be Reclassified to Profit or Loss	Actuarial Losses From Defined Pension Plans	2.137.265	(385.997)	1.751.268	(2.967.432)	(1.216.164)	(1.216.164)	6.597.200	5.381.036
	Adjustment to Share Capital	-	84.081	84.081	-	84.081	84,081	-	84,081
	Paid Share Capital	-	-	-	-	-	-	-	-
Balances as at 1 January 2015									
Effect of Business Combination Under Common Control (Note 3)									
Restated balances as at 1 January 2015									
Transfers									
Total Comprehensive Share Capital Increase (Note 3)									
Balances as at 31 December 2015									
Balances as at 1 January 2016									
Transfer									
Total Comprehensive Income									
31 Aralık 2016 itibariyle bakiyeler									

The accompanying notes are an integral part of these financial statements.
[All amounts are expressed in Turkish Lira ("TL") unless otherwise stated.]

TURKISH TECHNIC INC.
**FOOTNOTES REGARDING THE FINANCIAL
 STATEMENTS FOR THE ACCOUNT PERIOD
 ENDING 31 DECEMBER 201**

	Notes	Audited 1 January - 31 December 2016	Audited 1 January - 31 December 2015
Profit (Loss) Before Tax		284.304.880	171.857.719
Adjustments to reconcile cash flow generated from operating activities:			
Adjustments for depreciation and amortisation	12, 14, 15	345.384.261	286.920.612
Adjustments for provisions, net	16	778.868	13.818.098
Adjustments for provisions for employee benefits	18	30.827.478	11.763.960
Adjustments for provisions for doubtful receivables	11, 32	9.370.330	5.218.199
Adjustments for discount for receivables and payables	26	36.474.745	33.073.339
Adjustments for Unrealized foreign currency exchange differences	23	32.409	[20.319]
Adjustments for Unrealized foreign currency exchange differences		211.816.105	137.378.387
Loss from sale of fixed asset	24	81.227	72.396
Adjustments for losses resulting from parting with affiliates	24	2.176.283	-
Share of Investment's loss accounted by using the equity method	4	[51.358.957]	[10.477.181]
Adjustments for deferred tax expense	28	49.255.350	55.687.550
Adjustments for tax expense	28	65.054.623	34.326.909
Cash flows before changes in operating capital		984.197.602	739.619.669
Adjustments for increase in inventories		[607.619.237]	[663.378.431]
Adjustments for increase in trade receivables		[351.924.046]	[189.333.899]
Adjustments for decrease/ (increase) in other receivables		17.437.634	5.145.869
Adjustments for decrease in other current assets		[16.303]	2.428.775
Adjustments for increase in trade payables and due to related parties		25.510.369	58.803.730
Adjustments for increase in other payables		9.270.757	11.232.767
Adjustments for increase in prepaid expenses		14.040.470	19.131.377
Adjustments for increase in deferred income		67.688.802	139.804.861
Adjustments for increase in payables related to employee benefits		25.780.841	11.596.684
Adjustments for increase in other current liabilities		[2.420.931]	2.701.206
Cash Flows Used in Investing Activities		181.945.958	137.752.608
Interest payment	26	147.788	725.928
Change in other payables to related parties		[102.581.922]	[6.761.747]
Decrease in financial non-borrowing non-borrowings	18	[4.255.261]	[1.425.466]
Net Cash Generated From / Used In) Operating		75.256.563	130.291.323
Cash Flows Generated From Investing			
Proceeds from sale of property and equipment		12.628.372	66.245
Purchase of property and equipment	14	[92.889.343]	[142.058.848]
Purchase of intangible assets	15	[3.506.949]	[6.734.252]
Cash inflow arising from capital decrease in		4.400.000	-
Cash outflow arising from capital increase in		[3.980.000]	[3.450.000]
Cash Flows		[83.347.920]	[152.176.855]
Cash Flows			
Interest payment		[33.730.840]	[31.440.777]
Change in other payables to related		52.718.418	51.641.732
Decrease in financial non-borrowing		[11.022.976]	[240]
Increase in financial		-	2.004.405
Net Cash From Financing		7.964.602	22.205.120
NET INCREASE / (DECREASE) IN CASH EQUIVALENTS		[126.755]	318.588
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE	5	5.883.476	5.564.888
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	5.756.721	5.883.476

The accompanying notes are an integral part of these financial statement.
 [All amounts are expressed in Turkish Lira ("TL") unless otherwise stated.]

TURKISH TECHNIC INC.
**FOOTNOTES REGARDING THE FINANCIAL
 STATEMENTS FOR THE ACCOUNT PERIOD
 ENDING 31 DECEMBER 2016**

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

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

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

Total average number of employees working for the company as at 31 December 2016 is 6.161 (31 December 2015: 5.317). Total number of employees working for the company as at 31 December 2016 is 6.417 (31 December 2015: 5.646).

	31 December 2016	31 December 2015
Administrative staff	1.763	1.635
Production staff	4.654	4.011
Total	6.417	5.646

The company is registered in Turkey and its head office address is as follows:
 Sanayi Mh.Havaalanı İçyolu Cd. S.G. Havaalanı Sit.Grş.Kp.N.1/1 Pendik/İSTANBUL

Associates

As at 31 December 2015 and 31 December 2014, associates accounted by using equity method and participation

rate of the Company in these associates are as below:

Company Name	Principal Activity	Participation Rate		Country of Registratio
		31 December 2016	31 December 2015	
Turkbine Teknik Gaz Turbinleri Bakım Onarım Anonim Şirketi ("Turkbine Teknik")	Technical Maintenance	-	50%	Türkiye
P&W T.T. Uçak Bakım Merkezi Limited Şirketi ("TEC")	Technical Maintenance	49%	49%	Türkiye
Goodrich THY Teknik Servis Merkezi Limited Şirketi ("Goodrich")	Technical Maintenance	40%	40%	Türkiye
TCI Kabin içi Sistemleri Sanayi ve Ticaret Anonim Şirketi ("TCI")	Cabin Interiori	20%	20%	Türkiye

(*On December 7th 2016, all of the 50% shares in Turkbine Technic was sold.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Preparation

Preparation of the Financial Statements

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

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

The accompanying notes are an integral part of these financial statements.
 [All amounts are expressed in Turkish Lira ("TL") unless otherwise stated.]

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**2.1 Basis of Presentation (continued)****Adjustment of Financial Statements in Hyperinflationary Periods**

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

Basis of Measurements

All financial statements have been prepared on cost basis principal. Methods used for fair value measurement are given in Note: 2.5.7.

Functional and Reporting Currency**Functional Currency**

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

Translation to the presentation currency

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

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

Basis of the Consolidation

The company has four associates (Note: 1). Company's associates are economic activities dependent on joint control that require declarations of strategic, financial and management policy by unanimous vote of the company and other partners. The businesses that are controlled by the company collectively, are recognized with sharing the owners' equity method.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**Comparative information**

In the financial tables attached within, in order to identify tendencies in company's financial status, performance and cashflow was prepared comparatively with the previous period. To be in accordance with the fiscal year comparative information will be reseted and relative differences will be explained in the notes section. Various categories were made in the company's financial statement. Various categories of profit or loss and other comprehensive income statement for financial statement for the account period ending in 31 December 2015 are shown below.

In the company's previous year profit or loss consolidation tables, categorized within "Other Expenses from Main Operations" 14.666.333 Turkish Liras worth of equipment sales revenue are categorized under "Sales Expense".

2.2 Statement of Compliance with TAS

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

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

Financial statements have been approved by the Company board on March 10th 2017. The Board of Directors reserve the rights to edit the financial reports.

2.3 Changes in Accounting Policies

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

2.4 Changes and Errors in Accounting Estimates

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

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

The significant estimates and assumptions used in preparation of these financial statements as of 31 December 2016 are same with those used in the preparation of the Company's financial statements as of and for the year ended 31 December 2015.

2.5 Summary of Significant Accounting Policies

The summary of significant accounting policies which were applied during the preparation of financial statement are as follows:

2.5.1 Revenue

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**2.5 Summary of Significant Accounting Policies (CONTINUED)****2.5.1 Revenue (CONTINUED)**

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

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

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

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

2.5.2 Inventories

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

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

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

	Useful Life (Years)
Components	7
Repairable spare parts (R Material)	7
Repairable spare parts (X Material)	3
Repairable spare parts (V Material)	7

2.5.3 Tangible Assets

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**2.5 Summary of Significant Accounting Policies (CONTINUED)****2.5.3 Tangible Assets (CONTINUED)**

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

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

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

The useful lives of tangible assets are as follows:

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

2.5.4 Intangible Assets

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

2.5.5 Impairment on Assets

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

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

2.5.6 Borrowing Costs

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

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All of the other borrowing costs are recognized in the statement of income in the period in which they occur. As of the period 31 December 2016 and 2015, the Company does not have any capitalized borrowing costs.

2.5.7 Financial Instruments**Financial Assets**

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

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

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriates a shorter period.

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

Financial assets at fair value through profit or loss

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

Held-to-maturity investments

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

2.5.8 Effects of Foreign Currency Transactions

Transactions in foreign currencies are translated into US Dollar at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date. Gains and losses arising on settlement and translation of foreign currency items are included in profit or loss.

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

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

	Closing Rate	Average Rate
December 31st 2016	3,5192	3,0181
December 31st 2015	2,9076	2,7270

"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.

2.5.10 Events Subsequent to Balance Sheet Date

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

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

2.5.11 Provisions, Contingent Liabilities and Contingent Assets

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

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

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

2.5.12 Related Parties

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.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**2.5 Önemli Muhasebe Politikalarının Özeti (devamı)****2.5.13 Taxation and Deferred Tax**

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

Current tax

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

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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**2.5 Summary of Significant Accounting Policies (CONTINUED)****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.

2.5.14 Employee Benefit / Retirement Pay Provision

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard 19 (Revised) "Employee Benefits" ("IAS 19"). The retirement benefit obligation recognized in the balance sheet have been measured as the net current value of the liabilities that are expected to emerge from the retirements of all employees and disclosed as such on the financial statements. Any actuarial gains and losses calculated are carried on the income statement.

2.5.15 Statement of Cash Flow

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

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

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

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

2.5.16 Share Capital and Dividends

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

2.6 Critical Accounting Estimates and Assumptions**2.6.1 Useful Lives of Inventories**

Components and repairable spare parts are subject to depreciation and their useful lives are explained in Note 2.5.2.

2.6.2 Provision for Doubtful Receivables

The Company makes a provision for trade receivables which are overdue and whose ability to be collected is assessed to be lower based on the past collectability experience, by taking letters of guarantees received into consideration. As explained in Note 9, the provision for doubtful trade receivables amounts to 112.855.047 TL as of 31 December 2016 (31 December 2015: TL 89.848.198).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**2.6 Critical Accounting Estimates and Assumptions (CONTINUED)****2.6.3 Deferred Tax**

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

2.7 New and Revised Standards and Interpretation**New standards and interpretations not yet adopted as of 31 December 2016**

In accounting policies considered in preparation of financial statements as at and for the year ended 31 December 2016, the Company applied all Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations that are effective as of 1 January 2016. A number of new standards, amendments to standards and interpretations explained below are not yet effective as at 31 December 2016, and have not been applied in preparing these financial statements of the Company.

TFRS 9 Financial Instruments - Classification and measurement

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

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

The amendments to TAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments to TAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. The amendments are effective for annual periods beginning on after 1 January 2017, and are to be applied prospectively. Early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

TFRS 11 - Accounting for acquisition of interests in joint operations

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**2.7 New and Revised Standards and Interpretation (CONTINUED)****TFRS 14 Regulatory Deferral Accounts**

IASB has started a comprehensive project for Rate Regulated Activities in 2012. As part of the project, IASB published an interim standard to ease the transition to IFRS for rate regulated entities. The standard permits first time adopters of IFRS to continue using previous GAAP to account for regulatory deferral account balances. The interim standard is effective for financial reporting periods beginning on or after 1 January 2017, although early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

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

The amendments address the conflict between the existing guidance on consolidation and equity accounting. The amendments require the full gain to be recognized when the assets transferred meet the definition of a "business" under TFRS 3 Business Combinations. The amendments apply prospectively for annual periods beginning on or after 1 January 2017. Early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

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

The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures, but also for subsidiaries. The amendments apply retrospectively for annual periods beginning on or after 1 January 2017. Early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

Disclosure Initiative (Amendments to TAS 1)

The narrow-focus amendments to TAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing TAS 1 requirements. In most cases the amendments respond to overly prescriptive interpretations of the wording in TAS 1. The amendments relate to the following: materiality, order of the notes, subtotals, accounting policies and disaggregation. The amendments apply for annual periods beginning on or after 1 January 2017. Early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**2.7 New and Revised Standards and Interpretation (CONTINUED)****Improvements to TFRSs**

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

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

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

TFRS 7 “Financial Instruments: Disclosures”

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

TAS 19 “Employee Benefits”

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

TAS 34 “Interim Financial Reporting”

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

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**2.7 New and Revised Standards and Interpretation (CONTINUED)****IFRS 9 Financial Instruments (2014)**

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

IFRS 15 Revenue from Contracts with customers

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

2.8 Determination of Fair Values

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

Evaluation methods in terms of levels are described as follows:

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

TURKISH TECHNIC INC.

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

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

The merger is a business combination under common control, since the Company and THY Habom are controlled by ultimate parent, named THY A.O, both before and after the combination. The Company has consolidated the financial statements of THY Habom beginning from 1 January 2014 according to "Accounting Principles of Merger of Entities Under Common Control" stated in third resolution of application of Turkish Accounting Standards ("TAS") by Public Oversight Authority ("POA"). The merger is assumed to be realized at 1 January 2014 and according to the related resolution, 1 January 2014 and 31 December 2014 financial statements are restated.

4. SHARES IN OTHER SUBSIDIARIES

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

	December 31 2016	December 31 2015
TEC	153.198.850	77.475.957
Goodrich	4.171.649	2.098.846
TCI	3.982.784	2.652.413
Turbine Teknik (*)	-	6.742.671
	161.353.283	88.969.887

(*) Company sold all of its 50% share in Turbine Teknik on December 7th 2016 for 4.400.00 TL

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

TURKISH TECHNIC INC.

FOOTNOTES REGARDING THE FINANCIAL
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As at 31 December financial informations for TEC are as follows:

	December 31 2016	December 31 2015
Current assets	468.735.298	333.650.217
Non-current assets	121.630.474	105.645.573
Current liabilities	205.567.582	227.363.339
Non-current liabilities	72.147.475	53.818.254
Equity	312.650.715	158.114.197
Company's share in equity (49%)	153.198.850	77.475.957
	1 January – 31 December 2016	1 January – 31 December 2015
Revenue	1.032.065.269	655.502.093
Profit for the period	103.504.841	28.018.291
Company's share in profit for the period (49%)	50.717.372	13.728.960

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

	31 December 2016	31 December 2015
Current assets	-	10.232.740
Non-current assets	-	3.585.221
Current liabilities	-	188.751
Non-current liabilities	-	143.867
Equity	-	13.485.343
Company's share in equity	-	6.742.671
	1 January – 31 December 2016	1 January – 31 December 2015
Revenue	-	2.359.271
Profit/(loss) for the period	-	649.121
Company's share in profit/ (loss) for the period	-	324.560

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

	31 Aralık 2016	31 Aralık 2015
Current assets	16.484.162	11.055.512
Non-current assets	2.372.799	1.843.355
Current liabilities	8.427.840	6.487.618
Non-current liabilities	-	1.164.135
Equity	10.429.122	5.247.115
Company's share in profit for the period (40%)	4.171.649	2.098.846

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

TURKISH TECHNIC INC.

FOOTNOTES REGARDING THE FINANCIAL
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As at 31 December details of cash and cash equivalents are as follows:

	31 December 2016	31 December 2015
Banks (demand deposits)	2.932.723	5.771.676
Banks (time deposits)	2.823.998	111.800
	5.756.721	5.883.476

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

Capital	Currency	Opening Date	Interest Rate	Maturity	31 December 2016
350.000	TL	30 Aralık 2016	%8,74	2 Ocak 2017	350.000
703.000	ABD Doları	30 Aralık 2016	%0,50	2 Ocak 2017	2.473.998
					2.823.998

Capital	Currency	Opening Date	Interest Rate	Maturity	31 December 2015
111.800	TL	31 Aralık 2015	%10,97	4 Ocak 2016	111.800
					111.800

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

TURKISH TECHNIC INC.

FOOTNOTES REGARDING THE FINANCIAL
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As at 31 December details of financial investments are as follows:

	31 December 2016	Share %	31 December 2015	Share %
Uçak Koltuk Üretimi Sanayi Ticaret Anonim Şirketi ("Uçak Koltuk")[*]	1.485.005	10	5.005	10
Türk Hava Yolları Opet Havacılık Yakıtları Anonim Şirketi ("THY Opet")	20	<1	20	<1
	1.485.025		5.025	

[*] On June 8th 2016 after a decision by the General Assembly, equity of Uçak Koltuk was increased 1.480.000TL..

7. DİĞER FİNANSAL YÜKÜMLÜLÜKLER

31 Aralık tarihleri itibariyle diğer finansal yükümlülüklerin detayı aşağıdaki gibidir:

	31 December 2016	31 December 2015
Payables to Banks	102.253	11.125.057
	102.253	11.125.057

31 Aralık tarihleri itibariyle diğer finansal yükümlülüklerin detayı aşağıdaki gibidir:

31 December 2016	Maturity	Original Amount	Currency	Amount
Bank Name				
Finansbank	3 January 2017	75.384	TL	75.384
Finansbank	2 January 2017	26.869	TL	26.869
				102.253

31 Aralık 2015	Maturity	Original Amount	Currency	Amount
Banka Adı				
Ziraat Bankası	4 January 2016	11.086.290	TL	11.086.290
Finansbank	4 January 2016	38.471	TL	38.471
Bank Asya	4 July 2016	296	TL	296
				11.125.057

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

8. RELATED PARTY TRANSACTIONS

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

	31 December 2016	31 December 2015
Türk Hava Yolları Anonim Ortaklığı ("THY A.O.")	816.921.097	474.990.736
TEC	11.849.688	8.960.020
Güneş Express Havacılık A.Ş. ("Sun Ekspres")	8.846.879	15.784.227
TGS Yer Hizmetleri A.Ş. ("TGS")	890.948	598.160
TCI	428.656	1.202.352
Goodrich	137.924	1.249.661
Other	244.601	48.966
	839.319.793	502.834.122

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

TURKISH TECHNIC INC.

FOOTNOTES REGARDING THE FINANCIAL
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As at 31 December short term trade receivables from related parties are as follows:

	31 December 2016	31 December 2015
THY A.O.	1.207.351	19.172.512
	1.207.351	19.172.512

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

	31 December 2016	31 December 2015
THY A.O.	75.020.632	51.387.303
Goodrich	1.955.901	3.497.925
TGS	1.166.848	1.572.906
Uçak Koltuk	710.185	-
THY Opet	101.820	89.215
Other	22.150	18.265
	78.977.536	56.565.614

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

	31 December 2016	31 December 2015
THY A.O.	175.514.016	153.116.353
	175.514.016	153.116.353

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

	31 December 2016	31 December 2015
THY A.O.	476.905.783	446.585.028
	476.905.783	446.585.028

As at 31 December, transactions with related parties in respect to advanced orders received are as follows:

	31 December 2016	31 December 2015
THY A.O.	359.952.538	280.683.467
	359.952.538	280.683.467

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

	1 January - 31 December 2016	1 January - 31 December 2015
Sales		
THY A.O.	2.692.032.649	1.996.620.219
Sun Express	81.280.012	76.309.060
TEC	33.902.907	37.906.385
Goodrich	1.475.295	889.259
Uçak Koltuk	648.482	-
TGS	258.977	545.650
Turkbine Teknik	117.686	452.642
Other	374.753	265.013
	2.810.090.761	2.112.988.228

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

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FOOTNOTES REGARDING THE FINANCIAL
STATEMENTS FOR THE ACCOUNT PERIOD
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Purchases	1 January - 31 December 2016	1 January - 31 December 2015
THY A.O.	107.670.533	128.902.982
Goodrich	18.469.938	18.255.389
TGS	10.762.642	10.196.248
THY Opet	850.738	978.633
Uçak Koltuk	802.403	1.079.694
TCI	766.316	88.484
Sun Express	32.189	50.030
Other	127.502	26.705
	139.482.261	159.578.165

Interest Expenses	31 December 2016	31 December 2015
THY A.O.	34.022.226	31.440.777
	34.022.226	31.440.777

For the years ended 31 December 2016, total amount of salaries and other benefits provided to key management personnel is TL 4.180.788 (31 December 2014: TL 3.152.756).

9. TRADE RECEIVABLES AND PAYABLES

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

	31 December 2016	31 December 2015
Trade receivables	185.231.934	170.970.211
Notes receivables	21.176.011	6.366.631
Discount on receivables	(44.828)	(16.209)
Provision for doubtful receivables (*)	(112.855.047)	(89.848.198)
	93.508.071	87.472.435

(*) Provision for doubtful receivables has been determined based on last experiences for uncollectible receivables. Details for credit risk, foreign currency risk and impairment for trade receivables are explained in Note 32.

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

	31 December 2016	31 December 2015
Trade payables	221.481.850	218.107.151
Accrued expenses	34.893.668	35.162.626
Discount on payables	(117.134)	(109.840)
	256.258.384	253.159.937

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

TURKISH TECHNIC INC.

FOOTNOTES REGARDING THE FINANCIAL
STATEMENTS FOR THE ACCOUNT PERIOD
ENDING 31 DECEMBER 2016**10. PAYABLES RELATED TO EMPLOYEE BENEFITS**

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

	31 December 2016	31 December 2015
Salary accruals (*)	52.079.448	44.926.825
Social security premiums payable	31.966.236	13.391.247
Personnel credit card payables	66.898	16.312
Payables to personnel	15.202	12.559
	84.127.784	58.346.943

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

11. OTHER RECEIVABLES AND PAYABLES

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

	31 December 2016	31 December 2015
Other receivables	460.102	441.039
Receivables from personnel	322.254	246.826
Deposits and guarantees given	227.518	149.892
Receivables from foreign technical suppliers	410.540	55.128
Doubtful receivables	-	1.305
Provision for doubtful receivables (-)	-	(1.305)
	1.420.412	892.885

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

	1 January - 31 December 2016	1 January - 31 December 2015
Provision at the beginning of the year	1.305	1.041
Foreign currency exchange difference	-	264
Collections during year	(1.305)	-
Provision at the end of the year	-	1.305

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

	31 December 2016	31 December 2015
Taxes and funds payable	77.984.130	61.177.886
Deposits and guaranteed received	9.407.338	20.222.458
Other payables	3.736.562	456.929
	91.128.030	81.857.273

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

TURKISH TECHNIC INC.

FOOTNOTES REGARDING THE FINANCIAL
STATEMENTS FOR THE ACCOUNT PERIOD
ENDING 31 DECEMBER 2016**12. INVENTORIES**

As at 31 December inventories are as follows:

	31 December 2016	31 December 2015
Components and repairable spare parts	1.878.131.034	1.429.381.547
Technical equipment inventories	659.645.399	485.817.859
Scrap equipment inventories	67.790.879	57.137.122
Technical equipment inventories in transit	63.353.219	47.041.643
Accumulated depreciation of components and repairable spare parts (-)	(714.430.667)	(493.468.201)
Provision for impairment of inventories (-)	(67.790.879)	(47.542.042)
	1.886.698.985	1.478.367.928

As of December 31 2016 insurance cost on inventory is 879.800.000 TL (December 31 2015: 726.900.000 TL)

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

	1 January - 31 December 2016	1 January - 31 December 2015
Provision at the beginning of the year	47.542.042	27.106.828
Foreign currency translation	10.887.244	8.144.434
Current year provision	9.361.593	12.290.780
Provision at the end of the year	67.790.879	47.542.042

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

Cost	Components and repairable spare parts
Opening balance January 1st 2016	1.429.381.547
Foreign currency exchange difference	300.663.689
Additions	385.657.276
Disposals	(237.571.478)
Closing balance 31 December 2016	1.878.131.034
Accumulated depreciation	
Opening balance 1 January 2016	493.468.201
Foreign currency exchange difference	120.482.156
Current charge for the year	199.288.180
Disposals	(98.807.870)
Closing balance 31 December 2015	714.430.667
Net book value 31 December 2016	1.163.700.367

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

TURKISH TECHNIC INC.

FOOTNOTES REGARDING THE FINANCIAL
STATEMENTS FOR THE ACCOUNT PERIOD
ENDING 31 DECEMBER 2016**12. INVENTORIES (CONTINUED)**

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

Cost	Components and repairable spare parts
Opening balance 1 January 2014	800.829.359
Foreign currency exchange difference	203.306.847
Additions	495.023.500
Disposals	(69.778.159)
Closing balance 31 December 2015	1.429.381.547
Accumulated depreciation	
Opening balance 1 January 2015	307.874.719
Foreign currency exchange difference	84.831.626
Current charge for the year	163.398.361
Disposals	(62.636.505)
Closing balance 31 December 2015	493.468.201
Net book value 31 December 2015	935.913.346

13. PRE-PAID EXPENSES AND DEFERRED INCOME

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

	31 December 2016	31 December 2015
Advances given for orders (*)	8.269.258	25.990.495
Short-term prepaid expenses (**)	6.552.499	3.848.576
	14.821.757	29.839.071

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

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

	31 December 2016	31 December 2015
Advances given for fixed asset purchases	1.516.736	1.568.688
Long-term prepaid expenses (**)	14.412.683	13.383.887
	15.929.419	14.952.575

(**) TL 16.120.371 of prepaid expenses comprise costs related with Kıyı Emniyeti Genel Müdürlüğü ("KEGM") in order to hire the land of Devlet Hava Meydanları İşletmesi Genel Müdürlüğü ("DHMI") (31 December 2015: TL 15.115.584).

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

	31 December 2016	31 December 2015
Advances received	360.296.572	285.957.195
Short-term deferred income	39.933.979	43.914.303
	400.230.551	329.871.498

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

TURKISH TECHNIC INC.

FOOTNOTES REGARDING THE FINANCIAL
STATEMENTS FOR THE ACCOUNT PERIOD
ENDING 31 DECEMBER 2016**13. PRE-PAID EXPENSES AND DEFERRED INCOME (CONTINUED)**

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

	31 December 2016	31 December 2015
Long-term deferred income	598.695	3.268.946
	598.695	3.268.946

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

TURKISH TECHNIC INC.

FOOTNOTES REGARDING THE FINANCIAL
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14. PROPERTY AND EQUIPMENT

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

Cost	Plant, Machinery and Equipment	Vehicles	Furniture and Fixtures	Other Tangible Assets	Construction in Progress	Leasehold Improvement	Total
Opening balance 1 January 2016	337.835.456	19.526.736	81.990.962	6.076.390	3.774.002	1.190.959.785	1.640.163.331
Foreign currency exchange difference	71.054.074	4.115.392	17.246.396	1.278.140	793.844	250.512.795	345.000.641
Additions	41.679.082	3.193.745	8.767.570	3.021.803	8.899.059	27.328.084	92.889.343
Disposals	(12.719.169)	(353.438)	(543.640)	(142.263)	-	(34.398)	(13.792.908)
Transfers (*)	27.074.972	18.463	(7.645.935)	146.673	(5.325.874)	(16.638.177)	(2.369.878)
Closing balance 31 December 2016	464.924.415	26.500.898	99.815.353	10.380.743	8.141.031	1.452.128.089	2.061.890.529
Accumulated depreciation							
Opening balance 1 January 2016	177.563.007	13.282.487	47.023.642	3.457.927	-	188.840.033	430.167.096
Foreign currency exchange difference	44.088.890	3.174.837	10.592.415	857.770	-	52.769.913	111.483.825
Current charge for the period	36.132.553	2.566.035	9.372.783	874.930	-	78.616.167	127.562.468
Disposals	(238.250)	(276.436)	(449.710)	(89.563)	-	(29.350)	(1.083.309)
Transfer	4.699.779	-	(4.699.853)	74	-	-	-
Closing balance 31 December 2016	262.245.979	18.746.923	61.839.274	5.101.138	-	320.196.763	668.130.080
Net book value 1 January 2016	160.272.449	6.244.249	34.967.320	2.618.463	3.774.002	1.002.119.752	1.209.996.235
Net book value 31 December 2016	202.678.436	7.753.975	37.976.076	5.279.605	8.141.031	1.131.931.326	1.393.760.449

(*) As at 31 December 2015, construction in progress amounting to TL 2.369.878 is transferred to intangible assets.

As of December 31st 2016, tangible assets of the Company has been insured for 300.391.450TL in case of earthquake, fire, flood and similar disasters (December 31st 2015: 226.271.089TL)

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

TURKISH TECHNIC INC.

FOOTNOTES REGARDING THE FINANCIAL
STATEMENTS FOR THE ACCOUNT PERIOD
ENDING 31 DECEMBER 2016

14. PROPERTY AND EQUIPMENT (CONTINUED)

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

Maliyet	Plant, Machinery and Equipment	Vehicles	Furniture and Fixtures	Other Tangible Assets	Construction in Progress	Leasehold Improvement	Total
Opening balance 1 January 2016	206.236.246	13.517.293	57.721.712	4.272.293	2.917.193	911.074.136	1.195.738.873
Foreign currency exchange difference	52.357.998	3.431.640	14.653.110	1.084.608	740.589	231.294.728	303.562.673
Additions	79.631.963	2.670.869	7.754.949	709.298	2.679.538	48.612.231	142.058.848
Disposals	(475.423)	(93.066)	(485.847)	(7.350)	-	(21.310)	(1.082.996)
Transfers (*)	84.672	-	2.347.038	17.541	(2.543.318)	-	(114.067)
Closing balance 31 December 2015	337.835.456	19.526.736	81.990.962	6.076.390	3.774.002	1.190.959.785	1.640.163.331
Accumulated depreciation							
Opening balance 1 January 2016	120.289.322	8.999.035	29.630.356	2.205.673	-	91.656.300	252.780.686
Foreign currency exchange difference	32.198.806	2.408.712	8.134.559	602.944	-	27.858.776	71.203.797
Current charge for the period	25.473.721	1.942.113	9.716.307	649.884	-	69.344.943	107.126.968
Disposals	(398.842)	(67.373)	(457.580)	(574)	-	(19.986)	(944.355)
Closing balance 31 December 2015	177.563.007	13.282.487	47.023.642	3.457.927	-	188.840.033	430.167.096
Net book value 1 January 2015	85.946.924	4.518.258	28.091.356	2.066.620	2.917.193	819.417.836	942.958.187
Net book value 31 December 2015	160.272.449	6.244.249	34.967.320	2.618.463	3.774.002	1.002.119.752	1.209.996.235

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

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

TURKISH TECHNIC INC.

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15. INTAGIBLE ASSETS

For the year ended 31 December 2016, the movement of other intangible assets is as follows:

	Rights
Cost	
Opening balance 1 January 2016	61.788.915
Foreign currency exchange difference	12.997.007
Additions	3.506.949
Transfers	2.369.878
Closing balance 31 December 2016	80.662.749
Accumulated depreciation	
Opening balance 1 January 2016	29.476.321
Foreign currency exchange difference	9.277.468
Current charge for the period	18.533.613
Closing balance 31 December 2016	57.287.403
Net book value 31 December 2016	23.375.346

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

	Rights
Cost	
Opening balance 1 January 2015	43.820.857
Foreign currency exchange difference	11.124.503
Additions	6.734.252
Disposals	[4.764]
Transfers	114.067
Closing balance 31 December 2015	61.788.915
Accumulated depreciation	
Opening balance 1 January 2015	9.570.843
Foreign currency exchange difference	3.514.959
Current charge for the period	16.395.283
Disposals	[4.764]
Closing balance 31 December 2015	29.476.321
Net book value 31 December 2015	32.312.594

16. PROVISIONS, CONTINGENT AND LIABILITIES

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

(a) Short-term provisions for employee benefits

	31 December 2016	31 December 2015
Provisions for unused vacation	18.746.312	13.033.930
	18.746.312	13.033.930

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

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16. PROVISIONS, CONTINGENT AND LIABILITIES (CONTINUED)

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

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

	1 January - 31 December 2016	1 January - 31 December 2015
Provision at the beginning of the period	13.033.930	11.006.065
Foreign currency exchange difference	1.043.628	[1.382]
Current period charge	5.756.966	4.256.794
Provision no longer required	[1.088.212]	[2.227.547]
Provision at the end of the period	18.746.312	13.033.930

(b) Other short-term provisions

	31 December 2016	31 December 2015
Provision for legal claims	12.479.422	17.071.905
	12.479.422	17.071.905

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

	1 January - 31 December 2016	1 January - 31 December 2015
Current period charge	17.071.905	7.203.388
Provision at the beginning of the period	[969.296]	585.680
Foreign currency exchange difference	2.479.701	11.941.316
Provision no longer required (Note 23)	[6.102.888]	[2.658.479]
Provision at the end of the period (*)	12.479.422	17.071.905

(*) As of 31 December 2016, provision for legal claims amounting to TL 6.094.884 is related with reinstatement cases (31 December 2015: TL 9.046.986).

(c) Other long-term provisions

	31 December 2016	31 December 2015
Provisions for other long term provision (*)	6.602.039	6.859.796
	6.602.039	6.859.796

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

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

	1 January - 31 December 2016	1 January - 31 December 2015
Provision at the beginning of the period	6.859.796	3.537.327
Foreign currency exchange difference	8.942	816.455
Provision no longer required	[266.699]	-
Current period charge	-	2.506.014
Provision at the end of the period	6.602.039	6.859.796

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

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FOOTNOTES REGARDING THE FINANCIAL
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ENDING 31 DECEMBER 2016**17. COMMITMENTS AND CONTINGENCIES****Company as lessee****Leasing Agreements:**

Leasing duration is 20 years and is related to the land which the aircraft hangar is constructed on.

As at 31 December 2016 leasing payment amounting to 12.588.211 TL (31 December 2014: 11.059.416 TL) is accounted as rent expense in income statement.

Commitments related to operating leasing that can not be cancelled	31 December 2016	31 December 2015
Within one year	15.528.138	13.702.343
One- five years	69.323.380	61.523.431
After five years	102.309.766	107.282.413
	187.161.284	182.508.187

18. EMPLOYEE BENEFITS

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

	31 December 2016	31 December 2015
Provision for employee benefits	91.515.272	73.189.555
	91.515.272	73.189.555

Provision for employment termination benefits is made within the frame of following explanations:

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

Retirement pay liability is subject to an upper limit of monthly TL 4.426 as of 1 January 2017 (1 January 2016: TL 4.093).

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. IAS 19 ("Employee Benefits") stipulates the development of company's liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows:

Main assumption is that maximum liability amount increases in accordance with the inflation rate for every service year. So, provisions in the accompanying financial statements as of 31 December 2016 are calculated by estimating present value of contingent liabilities due to retirement of employees. Provisions in the relevant balance sheet dates are calculated with the assumptions of 7,00% annual inflation rate (31 December 2015: 7,00%) and 11,00% interest rate. (31 December 2015: 11,00%). Estimated amount of retirement pay not paid due to voluntary leaves and retained in the Company is also taken into consideration as 3,74% (31 December 2015: 3,74%). Ceiling for retirement pay is revised semi-annually. Ceiling amount of TL 4.426 which is in effect since 1 January 2017 is used in the calculation of Company's provision for retirement pay liability. The movements of provision for employee benefits are as follows:

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

TURKISH TECHNIC INC.

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	1 January - 31 December 2016	1 January - 31 December 2015
Provisions at the beginning of the year	73.189.555	59.141.771
Service charge for the year	28.091.420	9.553.053
Interest charges	2.736.058	2.210.907
Payments	(4.255.261)	(1.425.466)
Actuarial loss (gain)/ loss	(8.246.500)	3.709.290
Provisions at the end of the year	91.515.272	73.189.555

19. OTHER ASSET AND LIABILITIES

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

	31 December 2016	31 December 2015
Job advances	68.953	15.252
Personnel advances	1.756	39.154
	70.709	54.406

20. SHAREHOLDERS' EQUITY

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

	%	31 December 2016	%	31 December 2015
THY A.O.	100	960.850.000	100	960.850.000
		960.850.000		960.850.000

As at 31 December 2016, the Company's share capital is comprised of 960.850.000 shares issued with par value of TL 1 each (2015: 960.850.000 shares with par value of TL 1 each). These shares are written to the name. The Company is not included in the registered capital system.

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

Restricted Profit Reserves

Restricted reserves assorted from profit consist of legal reserves.

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

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

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FOOTNOTES REGARDING THE FINANCIAL
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ENDING 31 DECEMBER 2016**20. SHAREHOLDERS' EQUITY (CONTINUED)****Foreign Currency Exchange Differences**

Method for consolidation purpose is, according to TAS 21, monetary items in statutory financial statements is converted to USD using year-end exchange rates, non-monetary items in balance sheet, income/expenses and cash flow are translated to USD by using the exchange rate of the transaction date (historic rate), and currency translation differences are presented under equity. Translation profit/loss from foreign currency transactions is presented under foreign currency exchange losses item under financial expenses in profit or loss and translation profit/loss from trading operations is presented under foreign exchange losses item in operating expenses.

The items of shareholders' equity of the Company as of 31 December 2016 are as follows:

	31 December 2016	31 December 2015
Share capital	960.850.000	960.850.000
Adjustments to share capital	84.081	84.081
Items that will never be reclassified to profit or loss	5.381.036	(1.216.164)
Foreign currency exchange difference	1.148.978.860	716.459.868
Restricted profit reserves	13.084.833	10.925.693
Retained earnings	119.764.698	(49.933.881)
Net profit/ (loss)	284.304.880	171.857.719
	2.532.448.388	1.809.027.316

21. REVENUE AND COST OF SALES

For the years ended 31 December revenue is as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Aircraft maintenance income	1.002.550.585	848.525.353
Line maintenance income	685.626.072	539.159.426
Pool income	629.565.876	519.752.618
Component maintenance income	472.567.705	358.131.620
Equipment sales income	179.858.932	106.902.903
Engine maintenance income	136.857.154	93.062.593
Other	97.339.950	64.169.280
Revenue	3.204.366.274	2.529.703.793
Cost of sales (-)	(2.532.310.015)	(1.974.310.132)
Gross profit	672.056.259	555.393.661

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

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

	1 January - 31 December 2016	1 January - 31 December 2015
Equipment expenses	786.105.256	533.437.022
Personnel expenses	762.572.616	603.511.097
Maintenance expenses	311.990.530	272.732.230
Service expenses	283.008.188	248.062.132
Depreciation and amortization expenses	260.443.327	205.109.637
Transportation expenses	65.933.018	59.766.437
Rent expenses	15.744.583	13.516.720
Utilization expenses	9.412.583	9.556.166
Other	37.099.914	28.618.691
	2.532.310.015	1.974.310.132

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

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

	1 January - 31 December 2016	1 January - 31 December 2015
Personnel expenses	118.646.558	94.984.370
Depreciation and amortisation expenses	84.769.905	81.753.812
Service expenses	35.920.936	36.496.904
Equipment expenses	11.658.954	10.739.108
Utilization expenses	9.075.790	8.996.328
Rent expenses	9.094.567	7.656.769
Other	35.635.764	28.137.642
	304.802.474	268.764.933

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

	1 January - 31 December 2016	1 January - 31 December 2015
Personnel expenses	7.098.941	5.893.908
Equipment expenses	803.022	638.679
Service expenses	747.727	1.395.815
Depreciation and amortisation expenses	33.641	41.694
Other	3.691.574	3.895.806
	12.374.905	11.865.902

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

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DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES (CONTINUED)**

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

	1 January - 31 December 2016	1 January - 31 December 2015
Personnel expenses	8.268.019	7.202.980
Service expenses	549.986	668.254
Depreciation and amortisation expenses	137.388	10.705
Other	1.431.146	1.816.163
	10.386.539	9.698.102

23. OTHER OPERATING INCOME AND EXPENSES

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

	1 January - 31 December 2016	1 January - 31 December 2015
Provisions no longer required for legal claims (Note 16)	6.102.888	2.658.479
Provisions no longer required for uncertain commercial and other claims (Note 32)	4.032.438	6.426.694
Insurance, indemnities and penalties income	3.493.449	6.190.684
Plant maintenance income	3.380.456	2.286.058
Foreign exchange gain from trade operations, net	2.354.114	1.582.599
Late payment interest income of trade receivables	1.228.138	3.905.945
Other	7.816.574	5.090.130
	28.408.057	28.140.589

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

	1 January - 31 December 2015	1 January - 31 December 2015
Provision for doubtful receivables	13.402.768	11.644.893
Work set back compensation	2.786.814	1.303.776
Provision for legal claims (Note 16)	2.479.701	11.941.316
Other	4.051.170	311.991
	22.720.453	25.201.976

24. ?

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

	1 January - 31 December 2015	1 January - 31 December 2015
Sales loss on equity accounted investees	2.176.283	-
Loss on sales of fixed assets	81.227	72.396
	2.257.510	72.396

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

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Expenses for the years ended 31 December are presented in Note 21 and Note 22 according to their functions.

26. FINANCIAL INCOME AND EXPENSES

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

	1 January - 31 December 2016	1 January - 31 December 2015
Foreign exchange gains	35.808.206	16.537.395
Interest income	147.788	725.928
	35.955.994	17.263.323

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

	1 January - 31 December 2016	1 January - 31 December 2015
Interest expenses on loans	33.730.840	31.440.777
Seniority compensation interest expense (Note 18)	2.736.058	2.210.907
Bank expenses	155.635	147.583
	36.622.533	33.799.267

27. ANALYSIS OF OTHER COMPREHENSIVE INCOME COMPONENTS

For the year ended 31 December 2016, the Company's other comprehensive income which is not to be reclassified to profit or loss is TL 6.597.200 as income (31 December 2015: 2.967.432 TL as expense), other comprehensive income to be reclassified to profit or loss is TL 432.518.992 as income (31 December 2015: 338.659.263 TL as income).

28. TAX ASSET AND LIABILITIES

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

	31 December 2016	31 December 2015
Current corporate tax provision	81.408.734	34.097.135
Prepaid taxes and funds	(73.386.302)	(4.901.515)
Current tax liabilities	8.022.432	29.195.620

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

	1 January - 31 December 2016	1 January - 31 December 2015
Current period tax expense	(65.054.623)	(34.326.909)
Deferred tax expense	(49.255.350)	(55.687.550)
	(114.309.973)	(90.014.459)

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

28. TAX ASSET AND LIABILITIES (CONTINUED)**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 2016 is 20%

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2015 is 20%. Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

Furthermore, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding tax is in use since 22 July 2006. Commencing from 22 July 2006, the rate has been changed to 15% from 10% upon the Council of Ministers' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

Deferred Tax

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

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

28. TAX ASSET AND LIABILITIES (CONTINUED)

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

	31 December 2016	31 December 2015
Inventories	(135.930.942)	(96.995.609)
Fixed assets	(123.865.962)	(82.954.899)
Provision for employment termination indemnity	18.303.054	14.637.911
Provision for inventories	13.558.176	9.508.408
Provision for doubtful receivables	9.206.449	8.752.758
Provision for vacation pay	3.749.262	2.606.786
Provision for legal claims	2.152.177	3.414.381
Advances taken for orders	-	13.002.428
Other	9.738.396	3.931.593
	(203.089.390)	(124.096.243)

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

	1 January - 31 December 2016	1 January - 31 December 2015
Deferred tax liability at the beginning of the period	124.096.243	52.102.813
Foreign currency exchange difference	28.088.497	17.047.738
Deferred tax expense	49.255.350	55.687.550
Tax income of actuarial losses from defined pension plans	1.649.300	(741.858)
Deferred tax liability at the end of the period	203.089.390	124.096.243

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

	1 January - 31 December 2016	1 January - 31 December 2015
Reconciliation of current tax provision:		
Profit (loss) from operations before tax	398.614.853	261.872.178
%20 tax rate	(79.722.971)	(52.374.436)
Taxation effects on:		
-currency exchange rate differences	(36.001.908)	(31.576.694)
-deductions	1.255.493	468.045
- non-deductible expenses	(10.112.378)	(8.626.810)
- equity method	10.271.791	2.095.436
	(114.309.973)	(90.014.459)

29. EARNINGS PER SHARE

There is not an 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 are as follows:

	1 January – 31 December 2016	1 January – 31 December 2015
Number of total outstanding shares as of January 1st (in full)	960.850.000	960.850.000
Amount of new shares released	-	-
Number of outstanding shares as of December 31st (in full)	960.850.000	960.850.000
Weighted Average number of shares outstanding during the period (in full)	960.850.000	960.850.000
Net income/ (loss) for the period	284.304.880	171.857.719
Earnings/(loss) per share (Kır)	29,59	17,89

30. EFFECT OF EXCHANGE RATE CHANGES

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

31. REPORTING IN HYPERINFLATIONARY ECONOMIES

The Company has terminated the application of being inflation accounting effective from 1 January 2005 based on the decision of CMB on 17 March 2005.

32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS

a) Capital risk management

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

The capital structure of the Company consists of debt which includes the borrowings including financial loans and in order of cash and cash equivalents, equity comprising issued capital, reserves and retained earnings.

b) Financial risk factors

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

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

b) Financial risk factors (CONTINUED)

	Receivables		Deposits in Banks		
	Other Receivables				
	Trade Receivables	Third Party			
	Related Party	Third Party	Related Party	Third Party	
31 December 2016					
Maximum Credit Risk as of balance sheet date (*)	839.319.793	93.508.071		1.420.412	5.756.721
- The part of maximum risk under guarantee with collateral etc.	-	5.151.466		-	-
A. Net book value of financial assets that are neither past due nor impaired	839.319.793	16.705.923		1.420.412	5.756.721
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.	-	76.802.148		-	-
- the part under guarantee with collateral etc	-	5.151.466		-	-
D. Net book value of impaired assets	-	112.855.047		-	-
- Past due (gross carrying amount)	-	(112.855.047)		-	-
- 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.

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

b) Financial risk factors (CONTINUED)

	Receivables				Deposits in Banks
	Trade Receivables		Other Receivables		
	Related Party	Third Party	Related Party	Third Party	
31 December 2015	502.834.122	87.472.435 7.041.421	19.172.512	892.885	5.883.476
	502.834.122	11.750.623	19.172.512	892.885	5.883.476
Maximum Credit Risk as of balance sheet date (*) - The part of maximum risk under guarantee with collateral etc.					
A. Net book value of financial assets that are neither past due nor impaired					
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired					
C. Net book value of financial assets that are past due but not impaired. - the part under guarantee with collateral etc.		75.721.812 7.041.421			
D. Net book value of impaired assets - Past due (gross carrying amount) - 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.		89.848.198 (89.848.198)		1.305 (1.305)	
E. Off balance sheet items with credit risk (*) The factors that increase credit reliability such as guarantees received are not considered in the balance.					

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

b) Financial risk factors (CONTINUED)

Credit risk management

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

The Company's credit risk is basically related to its receivables. The balance shown in the balance sheet is formed by the net amount after deducting the doubtful receivables arisen from the Company management's forecasts based on its previous experience and current economical conditions.

Because there are so many customers, the Company's credit risk is dispersed and there is not an important credit risk concentration.

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

31.12.2016	Trade Receivables	Other Receivables	Deposits in Banks	Others	Total
Past due 1-30 days	17.292.933	-	-	-	17.292.933
Past due 1-3 months	17.749.790	-	-	-	17.749.790
Past due 3-12 months	20.811.536	-	-	-	20.811.536
Past due 1-5 years	20.947.889	-	-	-	20.947.889
Total past due receivables	76.802.148	-	-	-	76.802.148
The part under guarantee with collateral etc.	5.151.466	-	-	-	5.151.466

31.12.2015	Trade Receivables	Other Receivables	Deposits in Banks	Others	Total
Past due 1-30 days	16.025.763	-	-	-	16.025.763
Past due 1-3 months	29.232.081	-	-	-	29.232.081
Past due 3-12 months	12.680.506	-	-	-	12.680.506
Past due 1-5 years	17.783.462	-	-	-	17.783.462
Total past due receivables	75.721.812	-	-	-	75.721.812
The part under guarantee with collateral etc.	7.041.421	-	-	-	7.041.421

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 5.151.466 (31 December 2015: TL 7.041.421).

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

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Provisions for doubtful trade receivables consist of provisions for receivables in legal dispute and provisions calculated based on experiences on uncollectible receivables. Changes in provisions for doubtful receivables for the years ended 31 December 2016 and 2015 is as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Provision at the beginning of the year	89.848.198	67.681.847
Foreign currency exchange difference	13.636.519	16.948.152
Current year charge	13.402.768	11.644.893
Collections during year	(4.032.438)	(6.426.694)
Provision at the end of the year	112.855.047	89.848.198

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

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

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

Liquidity risk tables

31 December 2016						
Due date on contract	Book value	Total cash outflow according to the contract	Less than 3 months	3-12 months	1-5 years	More than 5 years
Non-derivative financial liabilities						
Financial borrowings	102.253	102.253	102.253	-	-	-
Trade payables	335.235.920	335.353.054	335.353.054	-	-	-
Other payables	266.642.046	266.642.046	266.642.046	-	-	-
Total	601.980.219	602.097.353	602.097.353	-	-	-

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

32. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (CONTINUED)**b) Financial risk factors (CONTINUED)****Liquidity risk management (CONTINUED)****Liquidity risk tables (CONTINUED)**

31 December 2015						
Due date on contract	Book value	Total cash outflow according to the contract	Less than 3 months	3-12 months	1-5l years	More than 5 years
Non-derivative financial liabilities						
Financial borrowings	11.125.057	11.125.057	11.125.057	-	-	-
Trade payables	309.725.551	309.835.391	309.835.391	-	-	-
Other payables	234.973.626	234.973.626	234.973.626	-	-	-
Total	555.824.234	555.934.074	555.934.074	-	-	-

Market risk management

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

Foreign Currency Risk Management

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

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

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

b) Financial risk factors (CONTINUED)

Foreign Currency Risk Management (CONTINUED)

As at 31 December 2016 and 2015 foreign currency positions of the company are as follows:

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

b) Financial risk factors (CONTINUED)

Foreign Currency Risk Management (CONTINUED)

Foreign currency sensitivity

The Company is exposed to foreign currency risk due to TL, Euro and GBP (2015: TL, Euro and GBP) exchange rate fluctuations. The following table details the Company's sensitivity to a 10% increase and decrease in TL, Euro and GBP exchange rates. 10% is used in, the reporting of currency risk to the key management and it represents the management's expectation on the potential exchange currency fluctuations. Sensitivity analysis can only made on the year-end outstanding foreign currency denominated monetary items and it shows the year end effects of the 10% of currency exchange fluctuation on the related items. The analysis includes foreign loans as well as loans that are denominated other than the creditors' functional currency and used for the Company's foreign operations. Positive value represents an increase in profit/loss and other equity items.

	31 December 2016 Profit (Loss) Before Tax	
	If foreign currency Appreciated by 10 %	If foreign currency depreciated by 10 %
1-TL net asset / liability	(3.594.055)	3.594.055
2-Part of hedged from TL risk (-)	-	-
3-TL net effect (1+2)	(3.594.055)	3.594.055
4-Euro net asset / liability	(1.096.941)	1.096.941
5-Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	(1.096.941)	1.096.941
7-GBP net asset / liability	(158.733)	158.733
8-Part of hedged from GBPrisk (-)	-	-
9-GBP net effect (7+8)	(158.733)	58.733
10-Other net asset / liability	(107.546)	107.546
11-Part of hedged from Other risk (-)	-	-
12-Other net effect (10+11)	(107.546)	107.546
Total (3+6+9+12)	(4.957.275)	4.957.275

	31 December 2016				31 December 2015				
	TL Equivalent	TL	Euro	GBP	Other	TL	Euro	GBP	Other
1. Trade Receivables	16.443.179	6.124.683	9.966.324	242.409	109.763	3.382.295	16.240.198	440.547	-
2. Monetary Financial Assets	3.237.530	708.426	2.522.833	6.270	-	486.759	3.833.419	622.561	-
2b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-	-
3. Others	4.151.830	516.938	3.295.594	339.298	-	3.277.924	4.567.262	37.532	-
4. Total Current Assets (1+2+3)	23.832.539	7.350.047	15.784.752	587.977	109.763	7.146.978	24.640.879	1.100.640	-
5. Trade Receivables	-	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-	-
5. Others	-	-	-	-	-	24.785	-	-	-
6. Total Non-Current Assets (5)	-	-	-	-	-	-	24.785	-	-
7. Total Assets (4+6)	23.832.539	7.350.047	15.784.752	587.977	109.763	7.146.978	24.665.664	1.100.640	-
8. Trade Payables	66.635.843	40.156.047	23.458.566	1.836.008	1.185.223	35.953.467	28.638.944	2.392.628	1.682.550
9. Financial Borrowings	102.253	102.253	-	-	-	11.124.762	-	-	-
10. Other Monetary Liabilities	2.515.359	2.515.359	-	-	-	-	-	-	-
11. Other Non-Monetary Liabilities	221.986.497	218.752.830	2.933.202	95.429	205.037	185.662.304	2.015.880	2.150	118.452
12. Total Short-Term Liabilities	291.239.953	261.526.489	26.391.768	1.931.436	1.390.260	232.740.532	30.654.823	2.394.778	1.801.002
14. Trade Payables	-	-	-	-	-	-	-	-	-
15. Financial Borrowings	-	-	-	-	-	-	-	-	-
16a. Other Monetary Liabilities	-	-	-	-	-	-	-	-	-
16b. Other Non-Monetary Liabilities	98.117.311	98.117.311	-	-	-	80.049.351	-	-	-
17. Total Long-Term Liabilities (14+15+16)	98.117.311	98.117.311	-	-	-	80.049.351	-	-	-
13. Total Liabilities (12+17)	389.357.264	359.643.800	26.391.768	1.931.436	1.390.260	312.789.884	30.654.823	2.394.778	1.801.002
14. Net Foreign Currency Asset/ (Liability) Position (7-13)	(365.524.725)	(352.293.753)	(10.607.016)	(1.343.459)	(1.280.497)	(305.642.906)	(5.989.159)	(1.294.138)	(1.801.002)
15. Net Foreign Currency Asset/ (Liability) Position of Monetary Items (1+2-8-9-10)	(49.572.747)	(35.940.550)	(10.969.409)	(1.587.328)	(1.075.460)	(43.209.175)	(8.565.327)	(1.329.520)	(1.682.550)

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Foreign currency sensitivity (CONTINUED)	31 December 2015 Vergi Öncesi Kar / (Zarar)	
	If foreign currency Appreciated by 10 %	If foreign currency Appreciated by 10 %
1-TL net asset / liability	(4.320.918)	4.320.918
2-Part of hedged from TL risk (-)	-	-
3-TL net effect (1+2)	(4.320.918)	4.320.918
4-Euro net asset / liability	(856.533)	856.533
5-Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	(856.533)	856.533
7-GBP net asset / liability	(132.952)	132.952
8-Part of hedged from GBPrisk (-)	-	-
9-GBP net effect (7+8)	(132.952)	132.952
10-Other net asset / liability	(168.255)	168.255
11-Part of hedged from other risk (-)	-	-
12-Other net effect (10+11)	(168.255)	168.255
Total (3+6+9+12)	(5.478.658)	5.478.658

c) Interest rate risk management

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

33. FINANCIAL INSTRUMENTS**Fair values of financial instruments**

31 December 2016	Loans and receivables	Financial liabilities at amortized costs	Book value	Note
Financial assets				
Cash and cash equivalents	5.756.721	-	5.756.721	5
Trade receivables	932.827.864	-	932.827.864	8,9
Other receivables	2.627.763	-	2.627.763	8,11
Financial liabilities				
Financial borrowings	-	102.253	102.253	7
Trade payables	-	335.235.920	335.235.920	8,9
Other payables to related parties	-	175.514.016	175.514.016	8
31 December 2015				
Financial assets				
Cash and cash equivalents	5.883.476	-	5.883.476	5
Trade receivables	590.306.557	-	590.306.557	8,9
Other receivables	20.065.397	-	20.065.397	8,11
Financial liabilities				
Financial borrowings	-	11.125.057	11.125.057	7
Trade payables	-	309.725.551	309.725.551	8,9
Other payables to related parties	-	153.116.353	153.116.353	8

34. EVENTS AFTER THE BALANCE SHEET DATE

None.

