

Annual Report

2017

TURKISH
TECHNIC 





TURKISH
TECHNIC 



ANNUAL REPORT

2017

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To direct the sector by continuously improving competency through product variety, service quality and competitive position in aviation maintenance repair sector.

MISSION



VISION



To become one of the top 3 global maintenance centers by introducing innovative solutions in the field of aviation technical services.

Strategies

During the year 2017, our company's Strategic Plan for 2017-2023 was formed with the collaborative work and contribution of all of our managers. Our Strategic Plan consists of Strategic Objectives, Goals, Strategies and projects that will serve to actualize these Strategies.



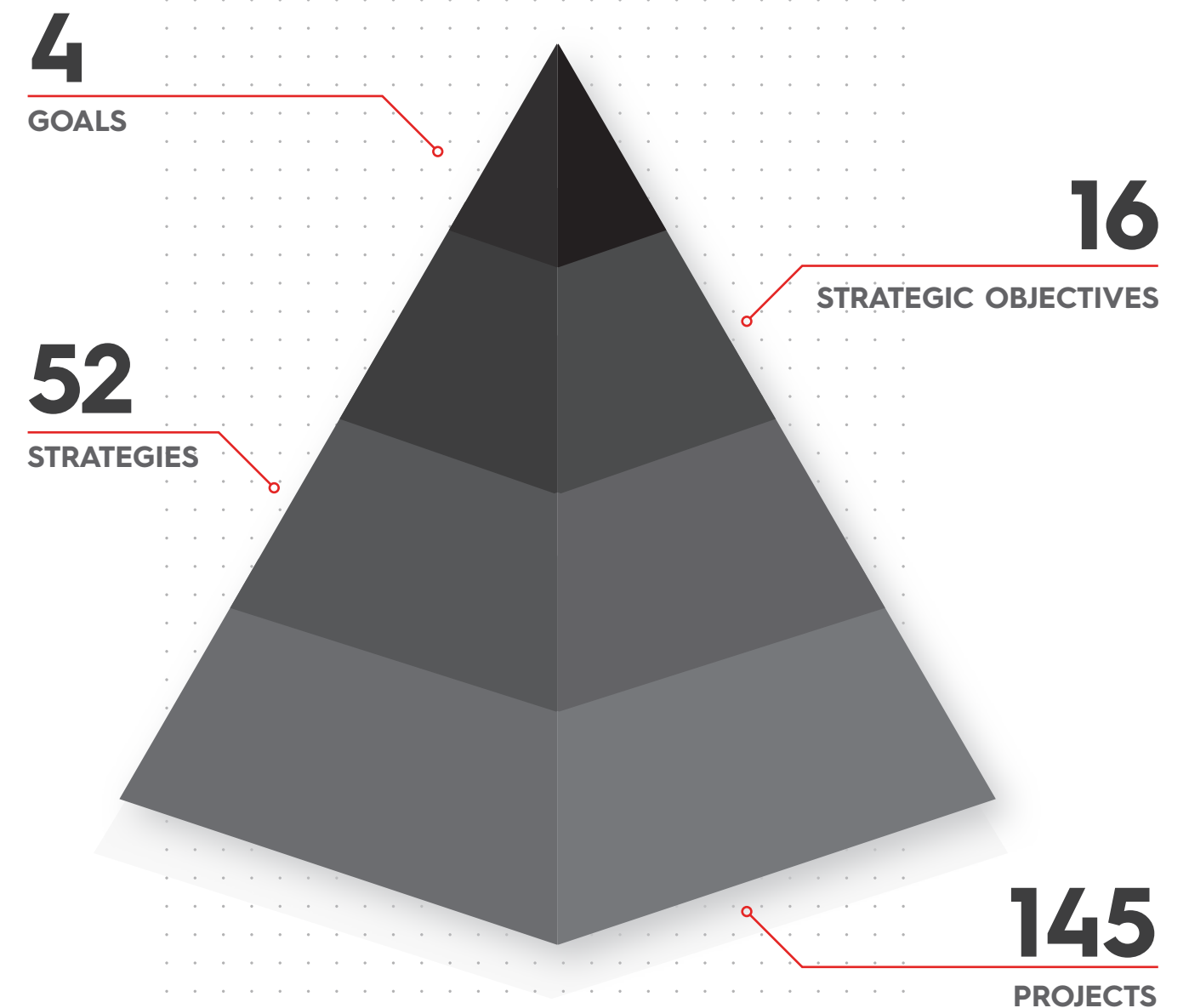
The 4 goals designated in our Strategic Plan are as follows:

- | | |
|--|--|
| <p>01 TO BE AMONGST THE WORLD'S TOP 5 MRO's</p> | <p>02 INNOVATION and INFORMATION TECHNOLOGY ORIENTED</p> |
| <p>03 BECOME A CONTINUOUSLY IMPROVING INSTITUTION</p> | <p>04 CREATING VALUE FOR MAN, ENVIRONMENT and COMMUNITY</p> |

In order to track Strategic Projects, Strategic Plan Tracking System was created by the collaboration of Strategic Planning and Projects Management and Information Technologies Directorate. Trainings regarding the use of the system have been presented to all senior managers and related managers within the company. With the attendance of senior managers, Objective Revision meetings will take place quarterly with senior managers in attendance to review the current status of projects and reports attained from Strategic Plan Tracking System will be used in the related reviews.

Strategic Plan in Numbers 2017 - 2023

Scope of our Strategic Plan includes 4 goals and 16 strategic objectives tied to these goals, 52 strategies and 145 projects are designated.



Quality Policy

TURKISH TECHNIC IS COMMITTED TO ABIDE BY THE PRINCIPLES BELOW FOR ALL MAINTENANCE SERVICES AND PRODUCTS PROVIDED.

01 SAFETY FIRST

As a result of prioritizing maintenance and flight safety and exercising risk management techniques we always provide trustworthy service and products. We ensure that all personnel work accordingly with human factor principles and encourage them to report feedback in subjects pertaining to safety.

02 CUSTOMER ORIENTED

In order keep customer satisfaction at a high level we provide goods and services meeting customer expectations and encourage them to send their feedback. In case of a customer complaint in order for the problem to be eliminated objectively we act upon principles of trust, transparency, fairness, secrecy, accessibility and equality to rapidly take precautions providing a viable solution and finally encourage employee input during this process.

03 ACCORDANCE OF STANDARDS AND REGULATIONS

Professional and technical implementations along with support are provided to all employees in consistent with standards and regulations. Moving quality service understanding to the forefront we ensure to embrace occupational health, security, environmental awareness and quality management systems. And by increasing communication, harmony and collaboration amongst all employees with authority and responsibility consciousness we strive to reach effective management principles in the direction of our goals and objectives.

04 CONTINUOUS IMPROVEMENT

In order to become a developing organization, by accepting the continuous improvement approach as a principle and keeping team chemistry at an upmost level and finally having planning, information and technology as our foundational approach we constantly revision the system and create improvement opportunities.

05 COLLABORATION WITH SHAREHOLDERS

To establish collaboration with shareholders, we ensure that all personnel work in harmony with national and international aviation authorities, customers' quality inspectors and also including suppliers.

Message From the Chairman



We have increased our revenue by %4 compared to 2016 from 1 billion 60 million USD to 1 billion 106 million USD in 2017, totaling 85.5 million USD in net profits. The current 2016 global MRO market is worth 67.7 billion USD and it is expected to grow in 2021 to 85.1 billion USD and to 109.2 billion USD in 2027.

Dear Shareholders,

As one of the largest aircraft maintenance, repair and modification centers in the world showing continuous growth, the most valuable element behind our success is to be collectively different. Negative effects of global crises abrupting in 2016 on our countries economy and tourism sector has certainly taken a toll on our Turkish Airlines family. Uttering 'with every hardship comes ease', on the road we walk together we have prevailed over adversities alongside all of our colleagues productiveness working in belief and solidarity. Making out of this process successfully, we have managed to increase our revenue and profits.

We have increased our revenue by %4 compared to 2016 from 1 billion 60 million USD to 1 billion 106 million USD in 2017, totaling 85.5 million USD in net profits. The current 2016 global MRO market is worth 67.7 billion USD and it is expected to grow in 2021 to 85.1 billion USD and to 109.2 billion USD in 2027. As Turkish Technic we plan to increase our current share in the market from %1.3 to %2 in the direction of our 2023 objectives.

Istanbul Grand Airport, the single greatest investment project of the Republic to date will have the capacity to accommodate 200 million passengers when the final phase is complete. Figure above will establish Istanbul as an important global aircraft maintenance repair center as well as a transit hub. We currently have the hangar capacity to service 10 wide and 30 narrow body aircrafts simultaneously. Upon completion of facilities located inside New Istanbul Airport, we will be operating a maintenance repair center capable of servicing 21 wide and 24 narrow body aircrafts simultaneously. In order to meet technical service needs of Turkish Airlines and all of our other customers, we are rigorously working to have Line Maintenance and A Maintenance services be readily available simultaneously with the transfer of flight operations on October 29th to the new airport.

With successful maintenance operations on 3,640 aircrafts in 2017, we have increased our numbers by 9% compared to 2016 making the year highest maintenance count to date. By adding 2 new airlines to our Component support service (Pool) portfolio, as of the end of the year the number of aircrafts

belonging to customers domestically and internationally combined has reached 650. In 2016 Turkish Technic was preferred by the Undersecretariat for Defense Industries to process the maintenance and logistic support of 6 Cessna and Gulfstream Command Control aircrafts found inside the inventory of The Turkish Air Force. This year, memorandum of understanding has been signed for long term logistic support services and maintenance repair services for 4 more Boeing Airborne Early Warning and Control aircrafts. As a flagship brand in civil aviation, the services provided to defense industry and service coverage that is expanding with each passing day has risen us to a position of national supplier in our area and it is a great honor to have the oppurtunity to adequately serve our country's defense industry.

During the last period we have been authorised through EASA and SHGM regarding aircraft technician training and licensing hence becoming the first verified institution in the country. Recognized in the aviation maintenance repair sector as a pioneer, Turkish Technic has become the first Continuing Airworthiness Management Organization in Turkey. Our R&D activities are gaining a continious and sustainable momentum through our ever increasing engineering capabilities and experience which has lead to minimizing foreign dependency in the sector by conducting major and minor aircraft modifications within our facilities and the improved test systems and completed projects bring us to a self sufficient position as an MRO. In respects to cost and performance all of the other global competitors were left behind in the bidding to install wireless IFE systems on 44 aircrafts within the Turkish Airlines fleet. The integration of these internally

designed domestic systems were executed in a short amount of time proving of R&D's current situation.

The year 2017 was also the year of our affiliates successes. One of our affiliates Turkish Engine Center (TEC) which operates in aircraft engine maintenance and repair services has increased its sales in 2017 with a record high %48 accounting 525 million USD. The amount of engines maintained has increased %10 reaching 126. In 2017 a brand new agreement was inked with Turkish Airlines to provide maintenance services for CFM56-7B and V2500-A5 type engines. TEC

Acquiring our own commercial identity in 2006 it has been 11 years since the establishment of our company. In 2006 our revenue was 241 million USD and with an average of %13.5 annual growth our revenue today has reached 1 billion 106 million USD.

being one of the few verified maintenance institutions by the manufacturer of V2500-A5 engines and in proportional to its increase in engine maintenance count towards foreign customers TEC's out of corporative sales has a reached a record high of %48 of total sales.

Our Affiliate TSI (Turkish Seat Industries) operating in aircraft seat production sector has been declared as 'linefit offerable' by Boeing and has entered the catalouge of B777 series aircrafts. Creating its own R&D department in 2017, TSI has started operations towards production of Business Class seats and created its first prototype. By aquiring Part Manufacturer Approval (PMA) TSI has reached a position where they can now produce certified parts for all aircraft seats. The sale of these parts as a new revenue item will increase profits in future terms. On its way to becoming a global company, our aircraft cabin and kitchen (galley) production company TCI (Turkish Cabin Interior) has inked new agreements with companies like Jet Airways, SpiceJet, Azerbaijan Airlines (AZAL) and SunExpress and signed sales contracts for a total of 351 aircrafts. As a result of these agreements TCI has filled its production capacity until 2023. Other than galley's, TCI has also completed prototype production of overhead bin, aircraft side panels and service cart (trolley) and started the certification process of related items.

Acquiring our own commercial identity in 2006 it has been 11 years since the establishment of our company. In 2006 our revenue was 241 million USD and with an average of %13.5 annual growth our revenue today has reached 1 billion 106 million USD. In this short amount of time we became the 7th largest company in the MRO market. I truly believe that we will

continue this trend of growth in 2018 and by the year 2023 we will reach 2 billion USD in revenue and be amongst the worlds top 5 MRO companies. I express my gratitudes to all of our personnel, business associates and customers for achieving this success possible. My wishes are towards many many jointly persistent successes to come, I salute you with love and respect.

M. Ilker AYCI

Turkish Technic Chairman of Board

Members of Board of Directors



Mehmet İlker Ayıcı

Chairman of the Board of Directors

Mehmet İlker AYCI was born in Istanbul in 1971. Having graduated from Bilkent University's Department of Political Science and Public Administration in 1994, Mr. AYCI undertook research work at the U.K.'s Leeds University in the field of Political Science in 1995.

He obtained his Master's Degree from Marmara University's International Relations program in 1997.

Having begun his professional career in 1994, Mr. AYCI held a variety of positions at Kurtisan İlaçları Inc., Universal Dış Ticaret Inc. and Istanbul Metropolitan Municipality. Ayıcı became General Manager of Başak Sigorta between 2005-2006, General Manager of Güneş Sigorta Inc. between 2006-2011, President of Turkey Investment Support and Publicity Agency, Vice President and President of World Investment Agency Unity between 2013-2015 and finally since April 2005 he has been appointed as Turkish Airlines Head of Board of Directors and Executive Committee.

At the same time Ayıcı was appointed to positions such as Board of Directors Member and President for institutions like Turkey Insurance and Reassurance Companies Association, DEIK Turkish-Chinese Council, Vakıf Emeklilik Inc., VakıfBank Güneş Insurance Sports Club (2008 European Challenge Cup Champions) and Turkish Airlines Sports Club, Mr. Ayıcı can speak English and Russian.



Ogün Şanlıer

Member of the Board and Deputy Chairman

Ogün Şanlıer was born in 1974 and graduated from Marmara University Faculty of Economics and Administrative Sciences Department of French Public Administration. Between 1999-2001 he served as an export specialist at Anadolu Holding, Anadolu Isuzu Otomotiv San. Tic. Inc. and between 2002-2007 he took the position of Regional Manager at Feniş Holding, Feniş Foreign Trade Inc.

Between 2007-2013 he served as Commerce Manager at Istanbul Municipality Affiliates Department of Halk Ekmek Inc. and later Vice President and finally served as Chairman of the Board of Istanbul Media Academy Inc. Ogun Sanlier knows French, English and German and is married with 2 children.



Dr. Fuat Oktay

Board of Directors Member

Born in Yozgat-Çekerek in 1964. After graduating from Çukurova University, Department of Business in 1985 we worked at the university as a research assistant. In 1990 he received his masters degree in business and manufacture engineering and later his doctorate degree in industrial engineering from Wayne State University in Detroit, center of the automotive sector in the U.S.. Oktay specialized in industries of automotive and aviation by receiving his doctorate degree in Industrial Engineering from the same university.

During his stay in U.S, Oktay served as Process Management Counselor and Project Leader for various companies and had studies in automotive industry in companies such as; Ford, General Motors and Chrysler. At these companies he executed product improvement and simple production projects. Oktay provided consultancy services to companies operating in the public as well as the private sector. He has also provided consultancy services to small and medium-sized enterprises including KOSGEB. He took the positions of CEO, VP and Board Member in some of these companies. During the Turkish economic crisis in early 2000's, Oktay specialized in crisis management in respects to businesses at the same time serving as Business Department Director and Associate Dean of Beykent University.

Between 2008-2012 he concentrated in the aviation sector. Working at Turkish Technic, Oktay served as VP responsible for Strategy Planning and Business Development, Production Planning and Information Technologies and Sales and Marketing. During his days with Turkish Technic Oktay successfully brought about 5 different joint ventures in areas of maintenance-repair, design and production.

Furthermore, in the Foreign Economic Relations Committee he served as a member for Turkish-British, Turkish-German and Turkish-Spanish Business Councils Executive Committee. Fuat Oktay was also the president of Republic of Turkey Prime Ministry AFAD between 2012-2016.



Prof. Dr. İsmail Demir

Board of Directors Member

İsmail Demir was born in 1960 in Elazığ. In 1982 he graduated from Istanbul Technical University as an Aircraft Engineer. After becoming a research assistant for one year each at Uludağ University and Istanbul Technical University, he moved to the U.S. in 1985 to complete his masters and doctorate degrees.

He received his master degrees of Applied Mechanics from Michigan University and Aircraft Engineering from Purdue University as well as a doctorate degree in Mechanical Engineering from Washington State University.

From 1992-2003, Demir served as research associate and lecturer at various universities and research institutions in Saudi Arabia, U.S. and Canada.

In 1997 Demir became an associate professor in Aircraft Personnel and Materials. In 2003 he started working in Turkish Airlines as a Training Director. In 2015 he was assigned as Chief Technical Officer. In May 2016 after establishing its own legal entity, Demir was appointed General Manager of Turkish Technic as well as serving as Deputy President of Board of Directors and Executives. 2013 he attained the title of Professor. He is the Chairman of the Board for Turkish Airlines affiliate companies; Turkish Engine Center (TEC), Goodrich Turkish Technic Service Center (GTTSC), Turkish Seat Industries (TSI), Aircraft Engine and Gas Turbine Service Center (TURKBINE). Demir who is a Member of the Board of Turkish Cabin Interior (TCI) has been appointed as Undersecretary for Defense Industries by The Ministry of National Defence as it was declared on official gazette dated 12-04-2014 issue 28970.

In various international magazines and conferences Demir has many articles in subjects of composite materials, crack mechanics, theoretical and numeric elastic modelling and mikro electromechanics. İsmail Demir is married and is a father of four kids.



Doç. Dr. Temel Kotil

Board of Directors Member

Born in 1959, Kotil graduated from Istanbul Technical University department of Aircraft Engineering in 1983. He received his masters degree on aircraft engineering from University of Michigan located in Ann Arbor, U.S and in 1987 he received his 2nd masters degree on mechanical engineering from the same university and in 1991 he received his doctorate degree on mechanical engineering from University of Michigan. Between 1991-1993, Kotil founded and administered Aviation and Advanced Composites Laboratory in Istanbul Technical University (İTÜ) Faculty of Aeronautics and Astronautics. Serving as assistant professor and associate professor at İTÜ Faculty of Aeronautics and Astronautics, Kotil was also the assistant of the head of the department and between 1993-1994 he served as associate dean for the same faculty.

After serving as Istanbul Municipality Research, Planning and Coordination Department Head, in 2001 he served as visiting professor at Illinois University, U.S and later on as head of research and engineering department at AIT Inc. in New York.

Kotil started his career at Turkish Airlines in 2003 as Turkish Technic VP and was appointed General Manager of Turkish Airlines in 2005. He was chosen to be a Board Member of IATA in 2006. He was selected to become a Board Member of Association of European Airlines in 2010 and between 2012-2013 he was VP and finally he was appointed president in 2014 for the same organization.



Mustafa Yılmaz

Board of Directors Member

Mustafa Yılmaz was born in Nizip province of Gaziantep in 1966. He attended middle-school in Nizip and later on graduated from Istanbul University Faculty of Law between 1984-1988.

In 1989 Yılmaz started working as a freelance lawyer. During the years 1993-2004 he worked in the energy sector as a lawyer.

During this period he has contributed to works of various non governmental organizations.

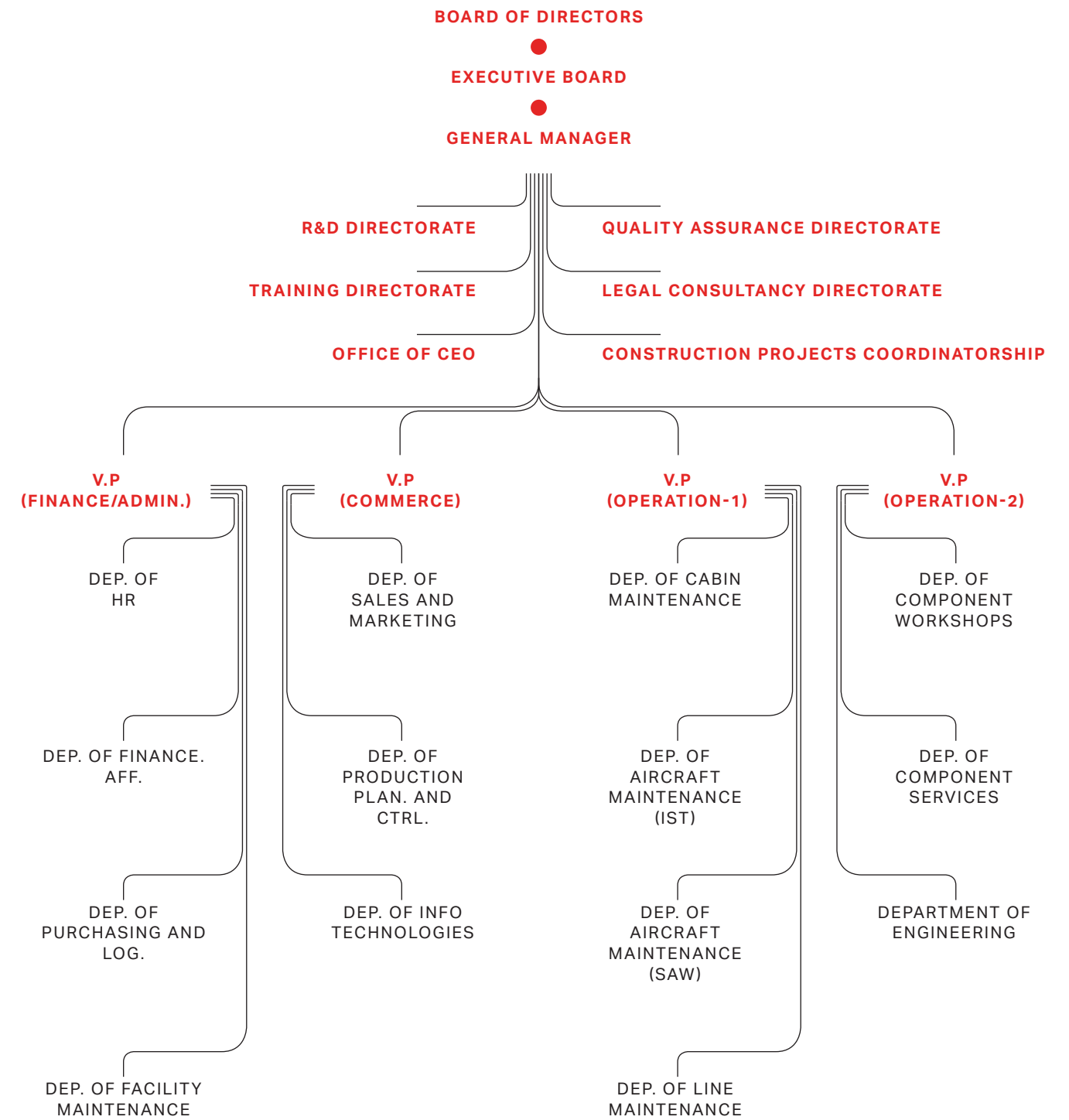
Mustafa Yılmaz was appointed to EPDK Board Member by The Council of Ministers Declaration published in Official Gazette on 21 February 2004. On January 2010 he was appointed to EPDK Vice President.

As published in the Official Gazette on February 20, 2014, Yılmaz was appointed President of EPDK through The Council of Ministers Declaration and was appointed for a second term on March 1, 2016.

During Mustafa Yılmaz's presidency, the ongoing efforts of increasing EPDK's effectiveness in international platforms took a giant leap. During the period, EPDK hosted 6th World Forum on Energy Regulation which took place in Istanbul and as an already member of Energy Regulators Regional Association ERRA and Mediterranean Energy Regulators MedReg EPDK became an active member.

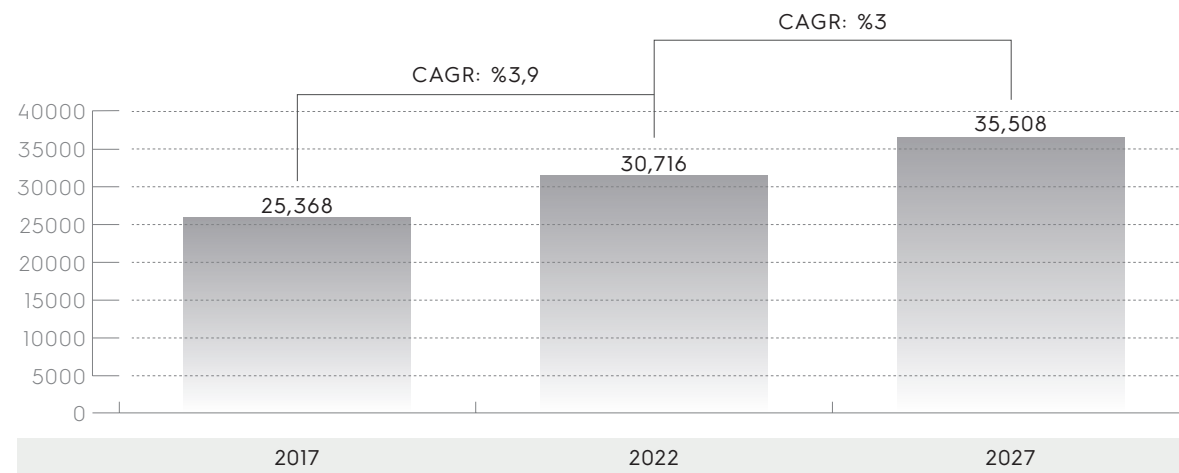
TURKISH TECHNIC INC.

Organization Chart



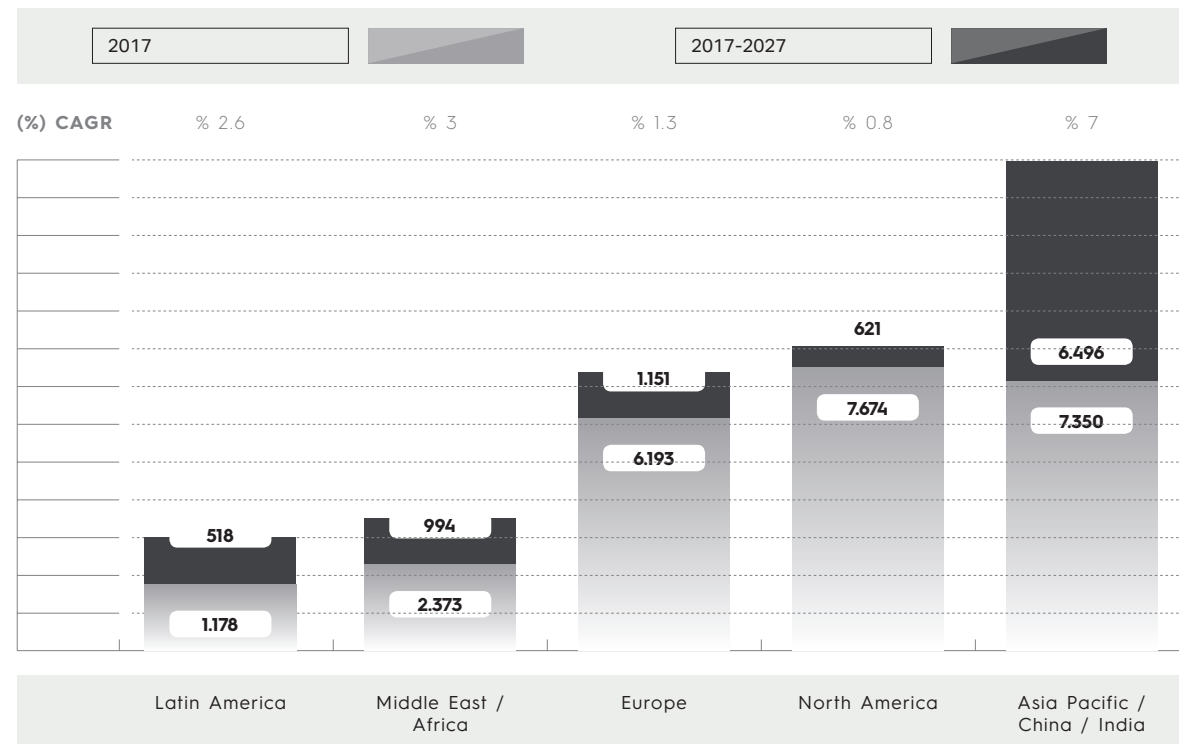
Progress of World Aircraft Fleet

Sectorial reports state that the number of aircrafts in service throughout the world in 2017 is 25,368. It is expected that the world's commercial airliner fleet will grow by 3.9% annually reaching to 30,716 aircrafts in the next 5 years, and by 3% annually in the subsequent 5 years reaching 35,508 aircrafts. In the "2017 – 2027 Global Fleet & MRO Market Forecast" report published by Oliver Wyman consultancy firm, it is regionally expected that while the growth rate of North America fleet will be 0.8% in the next decade by 2027, this rate for Asia Pacific / China / India region will be 7%, and for Middle East / Africa region it is expected to be 3%.



Fleet Development by Regions

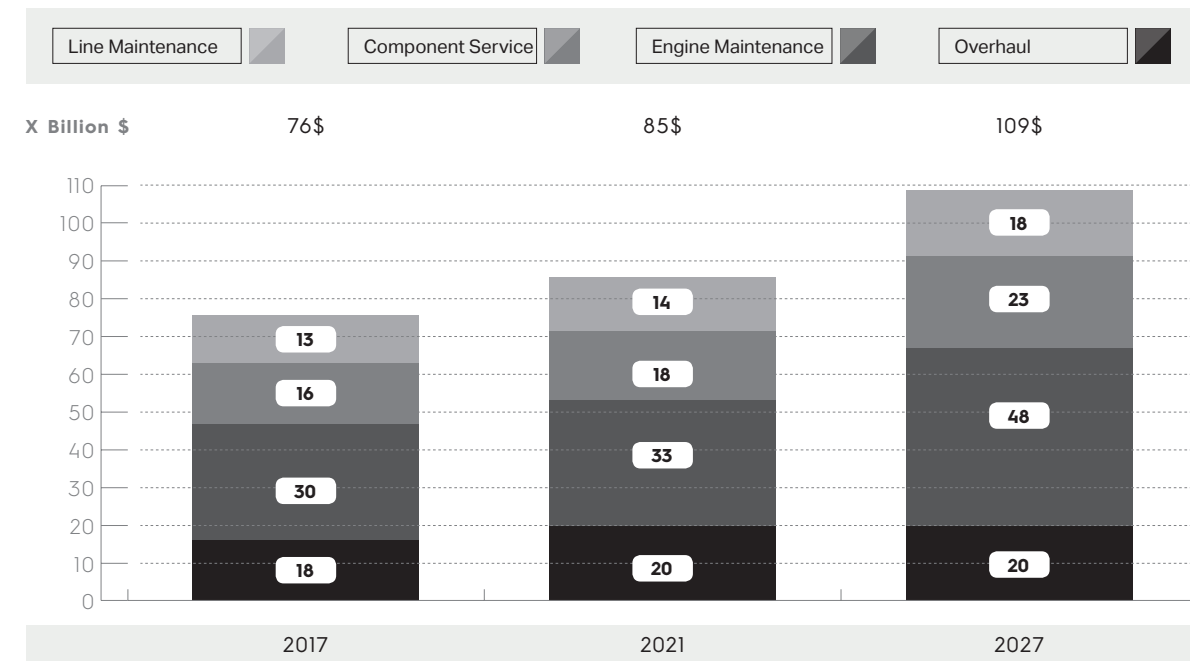
Monitoring of world fleet growth reveals North America and Europe as saturated markets. It is foreseen that especially the markets of Asia Pacific, Middle East and Africa regions will see tremendous growth.



World MRO Market

The global MRO market has grown from 68 billion USD in 2016 to 75.6 billion USD in 2017. In 2021 the MRO market is expected to reach the 85.1 billion USD mark.

By the year 2027 MRO market size is expected to reach 109.2 billion USD. America being the largest market in 2017 similar to its fleet growth data is expected leave its place to Asia in 2027.



Total personnel
count of Turkish
Technic as of
31.12.2017

7435

Median age of
personnel

31,84

Average **duration**
of employment in
years

5,63

While our average
personnel count
in **2017** is **6799**
our cycle rate is at
3,74%.

(This includes transfers to Turkish
Airlines)





Employee Distribution by Title

Title	Personnel Count	%
Technician	4473	%60,2
Technical Support Pers.	1267	%17,0
Manager	420	%5,6
Specialist	419	%5,6
Clerk	339	%4,6
Engineer	324	%4,4
Other	193	%2,6
Total	7435	%100,0

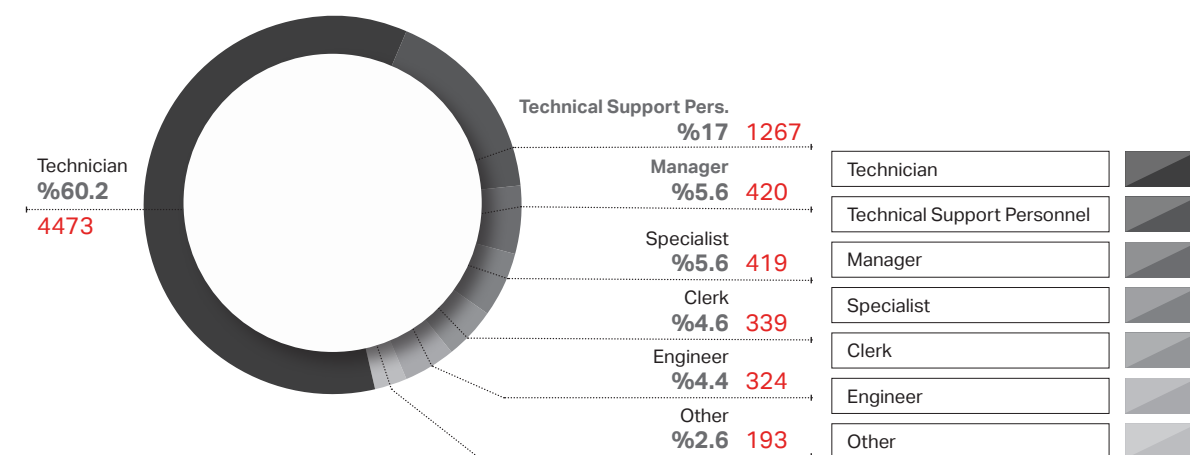
Employee Subgroup	Total
General Manager	1
C-Level Manager	4
SVP	17
Manager	86
Coordinator	1
Chief	298
Project Coordinator (TT)	13
Lawyer	5
Doctor	6
Chief Engineer	21
Project Engineer	6

Senior Engineer	17
Engineer	280
Teacher	43
Specialist	375
Specialist (56)	1
Medical Assistant	8
Clerk	331
Chief Technician	330
Technician	4143
Technical Supprt Pers.	1267
Labourer	182
Total	7435

As of 31.12.2017, total number of personnel employed at Turkish Technic is 7435.

Average age of employees is 31,84 and average employment duration is 5,63 years. While our average personnel count in 2017 is 6799 our cycle rate is at 3,74% (This includes transfers to Turkish Airlines).

Employee Distribution by Title

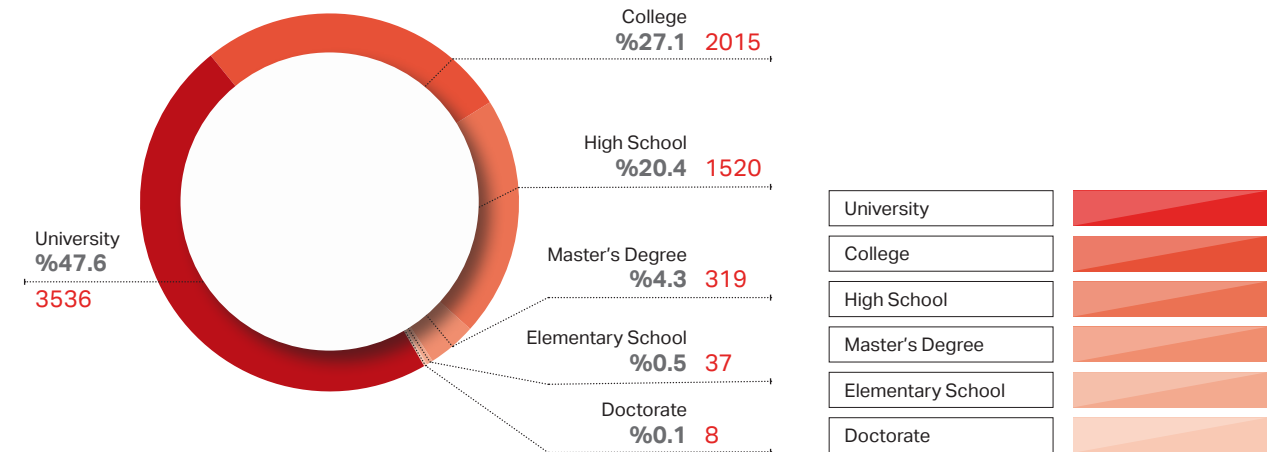




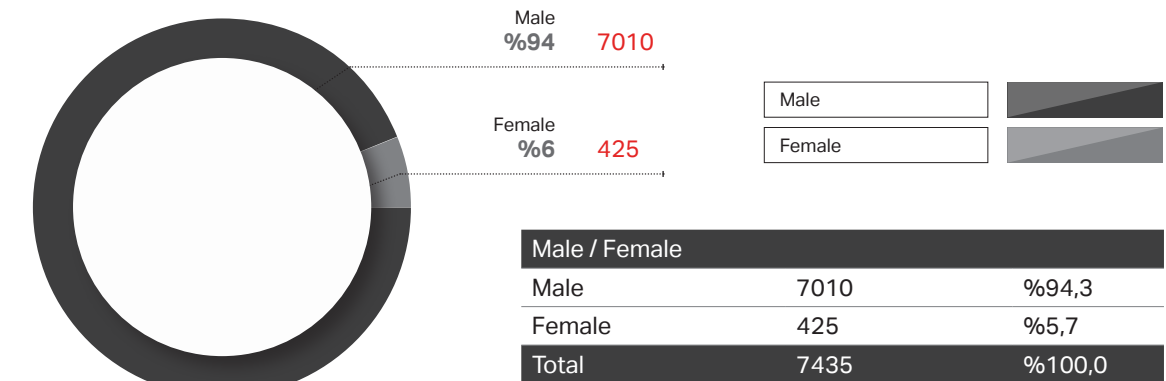
Employee Distribution by Education

University	3536	%47,56	Master's Degree	319	%4,29
College	2015	%27,10	Elementary School	37	%0,50
High School	1520	%20,44	Doctorate	8	%0,11
Toplam			7435	%100,00	

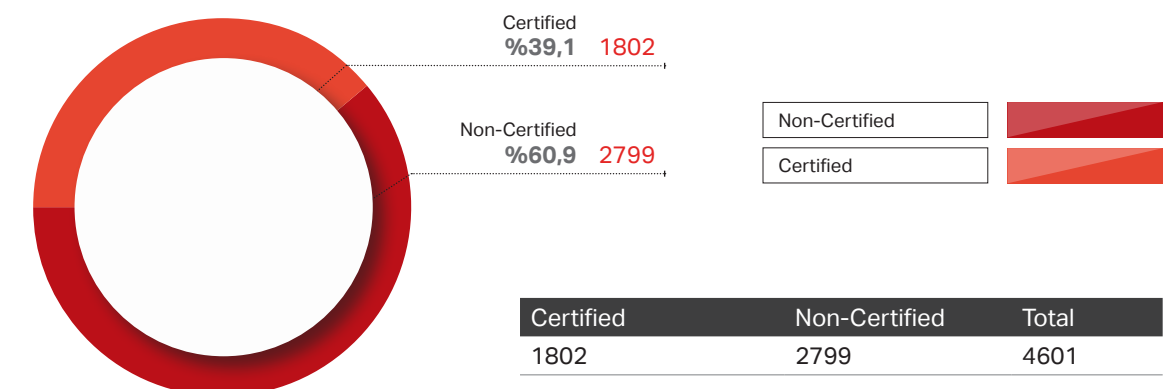
Personnel Education Status



Male/Female



Certified Technician/Chief Distribution



Quality Documents

- AS 9110 Rev.C Aviation Maintenance Organization Quality Management System
- Aviation, Space and Defense Organization Quality Management System
- Quality Management System
- Environmental Management System
- Occupational Health and Safety Management System
- Calibration Accreditation Certificate
- Customer Satisfaction Management System
- Information Security Management System
- Verified Supplier Institutions Quality 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 Certification (TQKY144F)
- DOT Pressure Tube Test Center Document of Approval – IST (RIN D030)
- DOT Pressure Tube Test Center Document of Approval – SAW (RIN I789)

Certificates of Authority From Other Countries

	ARUBA DCA	AZERBAIJAN CAA	UAE GCAA	BAHRAIN DCA
BERMUDA DCA	BOSNIA AND HERZEGOVINA DCA	CAYMAN ISLANDS CAA	CHANNEL ISLANDS (GUERNSEY)	MOROCCO DCA
SOUTH KOREA KOCA	INDIA DGCA	JORDAN	QATAR CAA	KENYA
KUWAIT DGCA	KYRGYZ REPUBLIC	LIBYA	EGYPT	MOLDOVA CAA
NIGERIA CAA	PAKISTAN CAA	RUSSIA CAA	SENEGAL ANACIM	SINGAPORE CAA
SAUDI ARABIA GACA	TAJIKISTAN CAA	TUNISIA OACA	UKRAINE CAA	

Training

In the year 2017 in compliance with national and international regulations all necessary trainings have been provided to all (including subcontract employees) personnel. Aiming to advance personelle authorization and development; aircraft, engine, component, task and personal development trainings have been implemented.

For personnel wanting to add the initial aircraft type course they've completed to their aircraft maintenance license, requests regarding On the Job (OJT) for B1 and B2 category has been effectively and rapidly met.

Within the boundaries of EASA Part-147 and SHY-147 authorizations our company is Turkey's first and only institution verified through EASA and SHGM and has this year for the first time accepted students from outside beginning courses for B1.1 Basic Trainings. This program will drastically contribute to the rising technician need for the sector by accepting students every year.

Again within the stated boundaries; in efforts to venture into profitable activities and to expediate our own personnels licensing process; Category A1, B1.1 and B2 trainings and tests were conducted with a high attendance.

Furthermore, within the boundaries of EASA Part-147 and SHY-147 authorization and to the extend of type trainings; course necessities has been met of personnel conducting maintenance work on aircrafts found in our fleet as well providing an extra revenue to our company by marketing these trainings.

Type practical trainings are conducted part in real life circumstances and part through maintenance simulator. Through the simulator expertise has been ensured in identifying malfunctions on the aircraft, system tests and documentation use hence practical trainings becoming more effective and productive.

Training activities conducted in 2017 are summarized in tables below.

PART 145 TRAININGS

Training Type / Group	Training Count	Participant Count				Total
		Turkish Technic	Contractor Company	Turkish Airlines	Foreign Customer	
Category-A Training	11	80	0	0	0	80
OJT Assesment Training	393	1.097	0	0	0	1.097
Part 145 Class Trainings	3.126	33.910	10.510	280	1	44.701
Task Trainings	326	3.222	624	21	0	3.867
Engine-RunUP Trainings	34	122	0	0	0	122
Component/Testbench Trainings	81	771	0	0	0	771
OJT Applied Trainings	461	1.345	13	0	0	1.358
Total	4.432	40.547	11.147	301	1	51.996

Online Trainings	31	33.854	1.596	215	6	35.671
Trainings Sold	292	0	0	7	1.273	1.280
Trainings Bought	173	1.412	430	1	0	1.843

PART 147 BASIC TRAINING AND MODULE TESTS

Training Type / Group	Training Count	Participant Count		
		Within Company	Out of Company	Total
B1/B2 Module Trainings	125	1.648	0	1.648
Basic Aircraft/Engine Trainings	4	0	74	74
Part 147 Basic Training Course	1	0	21	21
Total	130	1.648	95	1.743

License Module Tests	6.060
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PART 147 TYPE TRAININGS

Training Type / Group	Total Training Count	Participant Count		
		Within Company	Out of Company	Total
A320 Aircraft Type	76	559	73	632
A330 Aircraft Type	65	563	36	599
B373 Aircraft Type	33	287	23	310
B777 Aircraft Type	18	124	18	142
Total	192	1.533	150	1.683

PERSONAL DEVELOPMENT TRAININGS

Training Type / Group	Training Count	Participant Count
Personal Development Trainings	41	566

ISTANBUL ATATURK AIRPORT

ISTANBUL 1

HANGAR 1

Built on 26.000 m2 of space.

Total enclosed capacity: 37.000 m2
Hangar size: 178m length x 55m width x 16m height

HANGAR 2

Built on 23.240 m2 of space.

Total enclosed capacity: 77.325 m2
Hangar size: 160m length x 85m width x 26.5m height.

ISTANBUL 2

HANGAR 1

Built on 65.000 m2 of space.

Total enclosed capacity: 57.200 m2

HANGAR 1-1 / 1-2

72m length x 73m width x 24m height

HANGAR 1-3

72m length x 84m width x 24m height

HANGAR 1-4

89m length x 84m width x 24m length

BUSINESS JET HANGAR

Built on 1.500 m2 of space.

Total enclosed capacity: 15.000m2
Hangar size: 50m length x 30m width x 10m height

ISTANBUL SABIHA GOKCEN AIRPORT

Built on 200.000 m2 of space.

Total enclosed capacity: 380.000 m2

HANGAR 1

Total enclosed capacity 57.200 m2

HANGAR 2

155M length x 97m width x 27m height

ANKARA ESENBOGA AIRPORT

ESB/HANGAR 1

Built on 5.640 m2 of space.

Total enclosed capacity 7.670 m2
Hangar Size: 103.5m length x 54.5m width x 17.40m height

ESB/VIP HANGAR

Built on 21.000 m2 of space.

(A Hangar: 8019 m2 + B Hangar 8730 m2)
Total enclosed 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

AYDIN CILDIR AIRPORT

Built on 2.400 m2 of space.

Total enclosed capacity: 2.400 m2
Hangar Size: 40m length x 60m width x 10m height



CAPABILITY LIST

Aircraft Manufacturer	Aircraft Type	Base Maintenance	Line Maintenance
Airbus	Airbus A300	✓	✓
	Airbus A310	✓	✓
	Airbus A318/ A319 / A320 / A321	✓	✓
	Airbus A330	✓	✓
	Airbus A340	✓	✓
Boeing	Boeing 737 CI & NG	✓	✓
	Boeing 757	✓	✓
	Boeing 767	✓	✓
	Boeing 777	✓	✓
Gulfstream	Gulfstream G IV Series	✓	✓
	Gulfstream GV-SP Series	✓	✓
Cessna	Cessna 172	✓	✓
Diamond	Diamond DA40	✓	✓
	Diamond DA42	✓	✓

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

Landing Gear Capabilities	Capability
Airbus A320 Series	✓
Airbus A330	✓
Airbus A340	✓
Boeing 737 NG	✓

Component Maintenance Activities and Maintenance Counts

Every single one of component maintenance - repair and test operations are conducted according to their component group where expertise maintenance takes place through maintenance shops and locations stated below.

In Mechanic, Weld & Thermal Spray, Special Operations and Metal Casting Workshops; CNC Engraving, lathe and levelling operations, precision grinding, electrolyte coating, shotpeeing and glassbead operations are conducted.

In addition, calibration operations of calibration measurement devices used in aircraft and component maintenance are conducted in TÜRKAK accredited Calibration Laboratory.

WORKSHOP	LOCATION OF OPERATION
HARNES WORKSHOP	SAW
IDG GENERATOR WORKSHOP	SAW
IFE WORKSHOP	SAW
TOOLS WORKSHOP	SAW
ELECTRICAL WORKSHOP	SAW
CALIBRATION LABORATORY	AHL & SAW
BATTERY WORKSHOP	SAW & CII
ATE WORKSHOP	SAW
RADIO WORKSHOP	SAW
GALLEY WORKSHOP	SAW
ENGINE WORKSHOP	AHL
ENGINE TEST CELL	AHL
APU TEST CELL	AHL
APU WORKSHOP	SAW
FUEL WORKSHOP	SAW
EMERGENCY EQUIPMENT WORKSHOP	SAW
REGULATOR AND TUBE FILLING WORKSHOP	AHL & SAW
HYDRAULICS WORKSHOP	SAW
PNEUMATICS WORKSHOP	AHL
SANITARY WORKSHOP	AHL
SPECIAL OPERATIONS WORKSHOP	AHL & SAW
MACHINEERY WORKSHOP	AHL & SAW
COATING WORKSHOP	SAW
LANDING GEAR WORKSHOP	SAW
TIRE AND RIM WORKSHOP	AHL & SAW
BRAKE WORKSHOP	AHL & SAW
CONTAINER WORKSHOP	AHL
TROLLEY WORKSHOP	AHL
MECHANICS WORKSHOP	SAW
WELDING AND THERMAL SPRAYING WORKSHOP	AHL & SAW
ELECTROMECHANICS WORKSHOP	SAW

Basic Maintenance Indicators

- In the year 2017 a total of 89.364 counts of Form-1 was printed; conducting 99.364 counts of component maintenance. In comparison to 2016 there has been a %4 increase.
- A/S production increased by %9 becoming 1.172.719 A/S in total.
- Overtime has seen a %26.6 decrease and actualized at 53.236 hours.

Landing Gear - APU - Engine Test - Tire&Rim Maintenance Counts

- 144 counts of landing gear maintenance, 58 counts of APU maintenance.
- 134 counts of engine tests.
- 21.621 counts of tire-rim services.

Capability Gains

- In 2017, 1.042 part numbers was acquired into capability. Parts numbers found in capability increased by %13. 5.3 million USD added to revenue annually by acquired capabilities.

Significant Instances

- Fuel Workshop, Regulator % Tube Filling Workshop and Emergency Equipment Workshop operating in AHL was moved to SAW facilities under Phase-3 and has acquired EASAI FAA and SHGM authorities. In addition, Regulator & Tube Filling Workshop was identified by DOT as Hydrostatic Test Station with the number RIN I789.

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

Airline	Country	Continent	Region
İran Air	İran	Middle East	Middle East
Japan Transocean Air	Japan	Asia	Asia
Jet Airways	India	Asia	Indian Sub-Continent
Jordan Aviation	Jordan	Middle East	Middle East
Kenya Airways	Kenya	Africa	E.Africa
KLM Royal Dutch Airlines	Netherlands	Europe	W.Europe
Kolavia	Russia	Europe	CIS
Libyan Airways	Libya	Africa	N.Africa
Lion Air(Thai Lion)	Thailand	Asia	Asia
Lufthansa Airlines	Germany	Europe	W.Europe
Mahan Airlines	İran	Middle East	Middle East
MAS Cargo	Malasia	Asia	Asia
Meridianafly	Italy	Europe	W.Europe
Neos S.p.A	Italy	Europe	W.Europe
NokAir	Thailand	Asia	Asia
Nordwind	Russia	Europe	CIS
Novus Aviation (lessor)	UAE	Middle East	Middle East
Oren Air (Orenburg Airlines)	Russia	Europe	CIS
PIA-Pakistan International Airlines	Pakistan	Asia	Indian Sub-Continent
Privat Air	Germany	Europe	W.Europe
Royal Jordanian	Jordan	Middle East	Middle East
Qatar Airways	Qatar	Middle East	Middle East
Qeshm Air	İran	Middle East	Middle East
Royal Air Maroc	Morocco	Africa	N.Africa
Royal Jet	United Arab Emirates	Middle East	Middle East
Royal Jordanian	Jordan	Middle East	Middle East
Sabena Technic	Belgium	Europe	W.Europe
Saudia	Saudi Arabia	Middle East	Middle East
Serene Air	Pakistan	Asia	Indian Sub-Continent
Senegal Airlines	Senegal	Africa	W.Africa
Shaheen Air	Pakistan	Asia	Indian Sub-Continent
Sojitz Aircraft Leasing (lessor)	Japan	Asia	E. Asia
Somon Air	Tajikistan	Europe	CIS
Spice Jet	India	Asia	Indian Sub-Continent
Sr Technics	Switzerland	Europe	W.Europe
SunExpress Deutschland	Germany	Europe	W.Europe
Travel Services Hungary	Hungary	Europe	E.Europe
Turkmenistan Airlines	Turkmenistan	Europe	CIS
Ukraine Intenational Airlines	Ukraine	Europe	CIS
Ural Airlines	Russia	Europe	CIS
White Airways	Portugal	Europe	W.Europe
Windrose	Ukraine	Europe	CIS
Yakutia Airlines	Russia	Europe	CIS
Yemen Airways	Yemen	Middle East	Middle East

Domestic Customers			
ACT AIRLINES	ATP HAVACILIK TİC. A.Ş.	ATS GLOBAL	AZUR HAVACILIK A.Ş.
CİNER HAVA TAŞIMACILIĞI A.Ş.	CORENDON AIRLINES	FREEBIRD (HÜRKUŞ HAVA YOLLARI)	GENEL HAVACILIK A.Ş.
IHY İZMİR HAVA YOLLARI A.Ş.	MNG AIRLINES	MNG JET	ONUR AIR
PEGASUS HAVA TAŞIMACILIK A.Ş.	PRIMA AVIATION SERVICES INC.	REC HAVACILIK TAŞIMACILIK TURİZM VE TİCARET A.Ş.	SUNEXPRESS
TAILWIND AIRLINES	TÜRK HAVA YOLLARI A.O	ULS KARGO	ZORLU AIR HAVACILIK A.Ş.

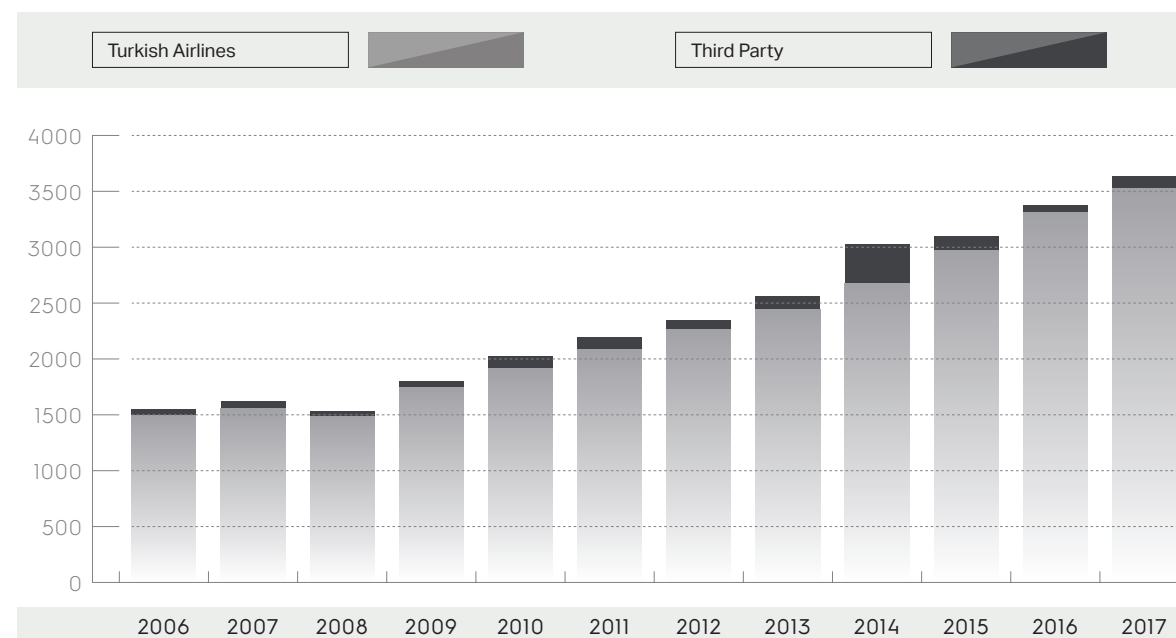
Aircraft Maintenance and Aircraft Paint		
		SAUDIA ARABIAN AIRLINES A320
		ATLASJET A320
PEGASUS B737-800	SHAHEEN AIR A330	HIFLY A340
SAUDIA ARABIAN AIRLINES B777	ROYALAIR-MAROC B767	TURKMENISTAN B777-200
IKAR B767	AIRBLUE A320	TURKMENISTAN B737-800
SAUDIA ARABIAN AIRLINES A320	PEGASUS B737-800	CİNER G550
AIRBLUE A321	PEGASUS A320	FLYNAS A320 CHECK
ATLASJET A320	ONUR AIR A330	MNG AIRLINES A330F
ATP HAVACILIK G450	NORDWIND B737-800	ATP HAVACILIK G450
CSA A330	IFLY A330	NİLE AIR A320

Component Pool		
		ONUR AIR A330 POOL
		CİTILINK A320NEO POOL
CİTILINK A320 POOL	ATLASJET A320 POOL	ATLASJET UKRAINE A320 POOL
MNG AIRLINES A330F POOL	NORDWIND A330 COMPONENT POOL	AVENTURE EXCHANGE POOL
ROYAL JORDANIAN POOL V2500 LRU		
Landing Gear and APU		
		PEGASUS LDG LEASE A320
		ATLASJET LDG LEASE A320 NLG
INDIGO LDG MAINTENANCE REPAIR AND OVERHAUL	ANEX TOUR (AZUR AIRLINES) LDG LEASE B737-800	TURKMENISTAN LDG OVERHAUL B737NG
NOKAIR LDG OVERHAUL B737-800	ATS TEAM GTCP 131-9B APU SERVICE AGREEMENT	

Maintenance Count	Turkish Airlines
	2017
A + L	3.284
B	47
C	131
D	0
S	27
PAINT	36
Total	3.525

Maintenance Count	Third Party
	2017
A + L	40
B	0
C	58
D	0
S	2
PAINT	15
Total	115

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Turkish Airlines	1497	1559	1483	1744	1912	2083	2262	2443	2677	2.970	3313	3.525
Third Party	52	60	53	55	115	110	85	117	353	128	66	115
Total	1549	1619	1536	1799	2027	2193	2347	2560	3030	3098	3379	3640



Istanbul New Airport

Aircraft Maintenance Hub Project

Turkish Technic has concluded its necessary planning for "Istanbul New Airport Project" to increase revenue and exploit business opportunities that will arise from the completion of the world's largest airport which will be operational in 2018.

To serve this purpose, at the New Airport in the area that is reserved MRO services the pre-analysis and planning works of investments of the necessary construction of facilities have continued on to this year. In 2018, simultaneously with opening of the New Airport initially Line Maintenance operations will be transferred from Ataturk Airport to the New Airport. Later, through method of phases and facilities becoming readily available other operations are planned to be moved to the New Airport. Construction of Line Maintenance hangar and offices have begun and is planned to start operating on October 29, 2018 and finally all phases are planned to be completed in the year 2022. After all phases are opened for service there will be a total of 440 thousand m2 of enclosed area at our New Airport Facilities. Our company will have the capacity to provide maintenance services to 62 aircrafts.

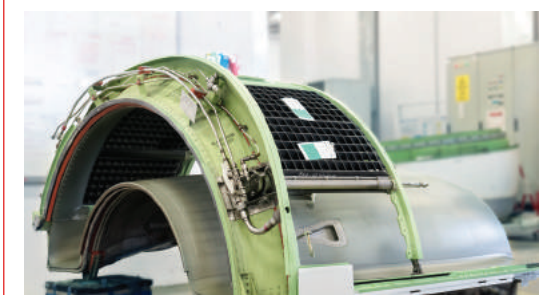
Affiliates



Turkish Engine Center

Created in partner with Pratt&Whitney, Turkish Technic (TEC) had a very productive year in 2017. Throughout the year 126 engines we delivered, 45 of these were third party customers. Whether its total delivery or total third party engine delivery 2017 was the highest rate since its creation.

GOODRICH TURKISH TECHNIC
SERVICE CENTER



Goodrich Turkish Technic Service Center

Created in partner with UTC Aerospace Systems, Goodrich Turkish Technic Service Center has completed more the 150 maintenance operations in 2017. In 2017 the company compared to yesteryear increased revenues by %47 and third party rate reached %34.



TCI - Turkish Cabin Interior

Created in partner with TAI, Turkish Cabin Interior (TCI) besides carrying the title of the first domestic aircraft cabin design and production company has also been verified as "Global Offerable" for new generation aircraft galleys found on one of the 2 most common aircraft types in use today that is Boeing 737 and successfully found its place on the catalogue amongst one of the 4 manufacturing companies.

TCI, besides its success in design and production, in 2017 by receiving large quantity orders from companies like Jet Airways, Spice Jet and Azerbaijan Airlines, consolidated its commercial success. TCI simultaneously manages multiple contracts and is on its way to become suppliers of cabin products of Airbus A320 and A350 aircraft family.

With its innovative designs TCI is able to produce %10 lighter products than standard products found in the sector and in the near future will expand its product options by introducing new products such as; overhead compartment, lavatory, service vehicle, cargo pallet.



Turkish Seats Industry

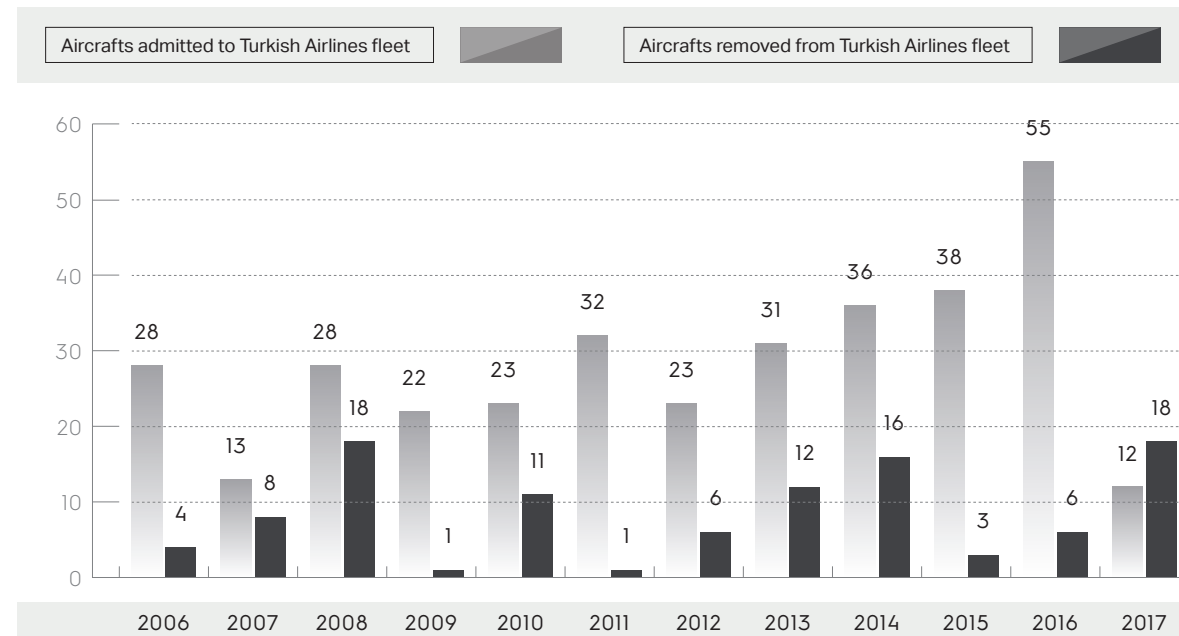
Created in partner with Assan Hanil, Turkish Seat Industries is the first and only aircraft seat manufacturer in Turkey and works with domestic suppliers in production and %80 materials used are procured domestically.

In 2017; TSI has been named "Global Offerable" for B737MAX and aircraft seat named "Epianka" produced for A320NEO and B737MAX aircrafts, delivered its first B777 linefit, has been verified as R&D Center by Ministry of Industry and Technology and finally inks B737MAX agreement with Azerbaijan for 10 aircrafts.

TSI in 2017 has increased its revenue by %48 compared to yesteryear.

Engineering Activities

Aircrafts admitted to Turkish Airlines fleet (Phase-In) and removed from fleet (Phase-Out) under the coordination of Engineering Directorate are shown below with respect to years.



Significant and major projects completed;

- Turkish Technic has been verified as Continuing Airworthiness Management Organization (CAMO) by SHGM and has acquired its UEGG authority.
- Bid works conducted within the scope of Time & Material (T&M) and Not-To-Exceed (NTE) has been concluded by choosing an MRO for maintenance works of CFM56-5C, CFM56-7B, V2500-A5 type engines found on A340-300, B737, A320 aircrafts and GTCP331-350C, GTCP331-500B series APU's found on A330, A340, B777 fleets.
- FOAM Wash method newly developed by GE company which is expected to longer the engine hang time on wings and the engine wash attempt was for the first time implemented on Turkish Airlines fleet amongst operators of Non-Severe Environment and within this project 10 units of GE90 engine have been washed with GE On-Wing Support Team.
- With the purpose of Best Practice, fan blade inunction training (OJT) has been conducted on Trent 700 engines with RR Company On-Wing Support Team.
- In coordination with SSM, Turkish Technic in extent to storage level maintenance of Air Force Commandership Command Control Aircraft engine and APU signs contract and begins to provide service for 1 unit of APU and 1 unit of engine.
- Seat, galley programs (ITCM, PDR, CDR) and configuration works of 92 A321NEO and 75 B737MAX aircraft which will be acquired by Turkish Airlines between the years 2018-2023 was conducted with related departments of Turkish Airlines.
- Configuration assignment works of 5 B777F cargo aircraft acquired in 2017-2018 by Turkish Airlines was conducted with related departments of Turkish Airlines.

- IFE modernization of 4 A330's, 7 B737-800 and 6 A320's found in Turkish Airlines fleet was conducted in coordination of Engineering Directorate.
- TTMP software designed to prepare maintenance programs and revision works has been completed, it will be in use as of 2018.
- STC portal has been activated for tracking aircraft's STS Status.
- Archive and scanning services have been expanded in throughout KAB workshops.
- As part of realibility service provided to Pool customers, Websuite Reliability module was activated.
- Out of A330 aircraft between TC-JNA and TC-JNE Cabin and IFE modernization of 4 out of 5 aircraft was completed in coordination of Engineering Directorate. Mod of 1 unit is currently underway.
- As a joint product with our R&D Directorate and Havelsan and the certificate which has been actualized within R&D Directorate, the Wireless IFE Systems has been applied and mounted on a total of 44 aircraft 13 of them being B737-800 and 31 A320FAM all found in Turkish Airlines fleet.
- The current Panasonic eFX IFE systems have been modded and upgraded to eX1 IFE systems belonging to Panasonic on 24 A321 type aircraft found in Turkish Airlines fleet.
- 10 more of A330 aircraft has been equipped with Panasonic GCS (cabin internet and live TV) in coordination of Engineering and 17 A330 aircraft has been modded. Also, aircraft TC-CAN belonging to the Prime Ministry has been with GCS.
- On A320 DMPES mod TC-JUG, TC-JUI, TC-JML, TC-JUE aircraft mod has been completed (TC-JUF mod is still underway). A total of 5 aircraft will be modded.
- During "Cabin reconfiguration" project, in our aircraft between TC- JNA, TC- JNE, Guide U-1000 "photoluminescent path markig" application has been implemented belonging to company Lufthansa Technic.
- In our B737-800 fleet an in depth analysis has been conducted for the chronic malfunction of "ELEC LIGHT". SPCU's (Standby Power Control Unit) and Static Inverter's have been modded. Also to increase reliability of SPCU, "assembly installation" odification work has concluded on 25 of our aircraft and is currently on the stage of application.
- In A330, A320FAM and B737NG fleet and in TC-CAN aircraft in order to install the EFB system, STC works have been completed and on 11 A330, 26 A320, 24 B737NG and on TC-CAN aircraft EFV mod has been completed.
- In A330, A320FAM and B737NG fleets STC operations have been concluded in order install E2E system and E2E mod has been completed on 15 A330's, 1 A320 and 9 B737NG aircraft.

2017 R&D Activities

Completed Projects

- APU Starter Test Device Project
- Automatic Helmholtz Coil Test Device Project
- Flash Counter Light Box Project
- Structural Workshop 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 Based Flight Entertainment System
- Tray (4MCU LRU) Project
- Wireless In-Flight Entertainment System
- Arinc429 Signal Generator
- Safety Barrier (A320-A321-A330-B737-B777)
- Water Fuel Take Device Project
- Oil Pressure Sensor Test Equipment
- Wheel Brake Cooling Fan Removal Tool
- Pressure Switch Test Adapter
- Cabin RFID (Radio-Frequency Identification) Project
- Firing Circuit Test Tool
- Aircraft Engine Washing System Narrow Body
- Aircraft Engine Washing System Narrow&Wide Body

Ongoing Projects

- Full automatic for Cabin Crew Oxygen Masks, Smart Test System Design and Prototype Production (3130518 numbered TEYDEB project)
- Flight Health and Wireless Quick Access Recorder Project (WQAR) (No. 3150223 TEYDEB Project)
- Power Drive Unit Test System Project
- Integrated Power Sources Rotor Test System Project
- Multi Purpose Process Controller 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
- Workshops Chemical RFID Tracking Project
- Conduction Cooled ATR Boc Project
- Structure Damage Detection via Drone Project

- First Aid Kit Box Project
- Pressure-Time Tester
- Doctor Box Project
- Aircraft Safety Barrier Design Project
- A330/340 Main Landing Gears Dismantle/Build Device Project
- IFE Server
- Seat-Back IFE (Narrow Body)
- Data Loader
- Tapping Unit
- VCC Panel
- Overhead Monitor
- Integrated Processing Unit (IPU) Technology Advancement Project

Industry and University Collaborations

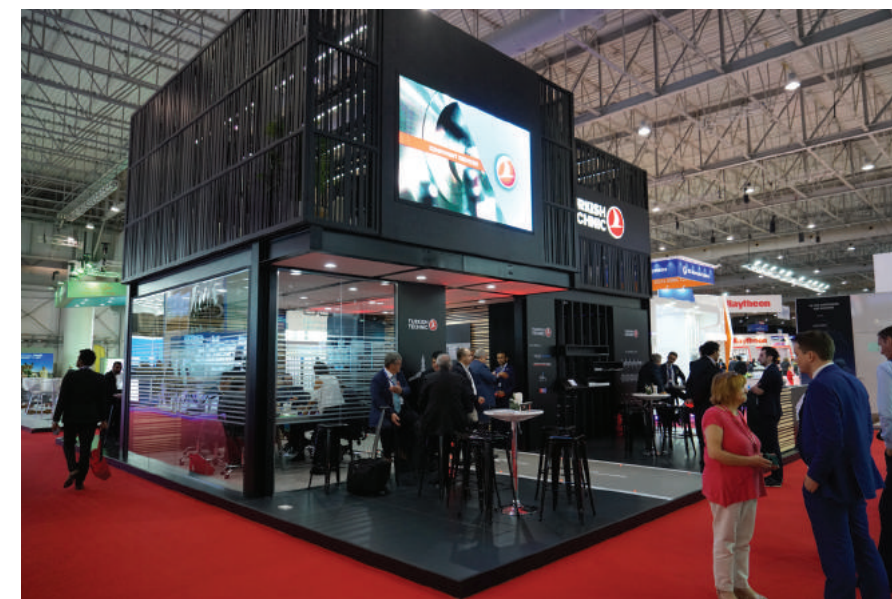
- Wireless In-Flight Entertainment System and Aircraft Health and Condition Tracking projects are jointly conducted with HAVELSAN.
- Application has been made with Aselsan for project call of "Aircraft Cockpit Overhead panel conversion to Touch Screen control panel". (Clean Sky 2)
- Application has been made with Aselsan for project call of "data transfer through LI-FI light". (Clean Sky 2)
- A joint project team was established with Airbus for the purpose of mounting cabled in-flight entertainment system on aircraft at Airbus facilities.

Expositions Attended

Event	Date	Location
MRO Middle East	08-09 February	Dubai, UAE
African Aviation Conference	22-23 February	Kigali, Rwanda
MRO Russia	02-03 March	Moscow, Russia
MRO Network Asia & China	08-09 March	Seoul, South Korea
MRO Africa	13-15 March	Johannesburg, South Africa
Aircraft Cabin Interiors Expo	04-06 April	Hamburg, Germany
Iranian Aviation Confex	17-18 April	Tehran, Iran
MRO Americas	25-27 April	Orlando, America
R&D Collaboration Summit and Fair	3-5 May	İstanbul
13th International Defense Industry Expo (IDEF)	9-12 May	İstanbul
MRO BEER (Baltics, Eastern Europe & Russia)	10-11 May	Sofia, Bulgaria
2nd World Technology, Innovation and Entrepreneurship Conference	12-14 May	İstanbul
Airlines Purchasing Expo	31 May-01 June	London, UK
2nd R&D Innovation Conference and Exhibition	6-7 September	İstanbul
MRO Indonesia	13-14 September	Jakarta, Indonesia
MRO Europe	03-05 October	London, UK
MRO Asia Pasific	31 Ekim - 02 Nov.	Singapore
Dubai Air Show	12-16 November	Dubai, UAE

Conferences Attended

Event	Date	Location
IATP 115	11-15 March	Dublin, Ireland
ISTAT (Europe)	24-26 September	Edinburgh, Scotland
Arab Aviation Summit	6 October	Dubai, UAE
IATP 116	14-18 October	Shanghai, China
African Airshow	24-26 October	Ghana
AMC 2017 Avionics Maintenance Conference	1-4 May	Milwaukee, USA



Independent Auditor's Report

To the Board of Directors of Turkish Technic Inc.

A) Independent Auditing of Financial Tables

Opinion

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.

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.

Basis for Opinion

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.

Drawing Attention to Subject Matter

We draw attention to Note 7 of the financial statement which describes the large-scale operations with related parties of the Company. For the period 1 January – 31 December 2017; 88% of sales are realized with the related companies. Our independent auditor's opinion is not effected in respect to this matter.

Management's Responsibility related to 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.

While preparing the financial tables, management; from assessment of Company's capability to resume continuity, to express matters related to continuity when necessary and is responsible to use the fundamental of continuity of the establishment unless there is an intention or a necessity of liquidation or to end commercial activities. Upper management is responsibility for observing the Company's financial reporting process.

Independent Auditor's Responsibility on Independent auditing of Financial Tables

We the independent auditors responsibility on an indepenent audit are as follows: 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.

B) 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 2017 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.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member of KPMG International Cooperative



Hatice Nesrin Turker, SMMM
Auditor
5 March 2018
Istanbul, Turkey

TURKISH TECHNIC INC.**Balance Sheet as of December 31, 2017**

Assets	Notes	Audited 31 December 2017	Audited 31 December 2016
Current Assets			
Cash and Cash Equivalent	4	11.410.411	5.756.721
Trade Receivables		1.282.615.818	932.827.864
- Trade Receivables from Related Parties	7	1.143.125.609	839.319.793
- Trade Receivables from Non-Related Parties	8	139.490.209	93.508.071
Other Receivables		1.802.756	2.627.763
- Other Receivables from Related Parties	7	1.341.909	1.207.351
- Other Receivables from Non-Related Parties	10	460.847	1.420.412
Inventories	11	1.689.692.781	1.886.698.985
Prepaid Expenses	12	44.733.022	14.821.757
Other Current Assets	18	15.837	70.709
Total Current Assets		3.030.270.625	2.842.803.799
Non-Current Assets			
Non-Current Assets	5	1.485.025	1.485.025
Equity Accounted Investments	3	220.562.603	161.353.283
Property and Equipment	13	1.499.185.819	1.393.760.449
Intangible Assets		14.409.324	23.375.346
- Other Intangible Assets	14	14.409.324	23.375.346
Pre-Paid Expenses	12	12.904.891	15.929.419
Total Non-Current Assets		1.748.547.662	1.595.903.522
TOTAL ASSETS		4.778.818.287	4.438.707.321

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 December 31, 2017**

	Notes	Audited 31 December 2017	Audited 31 December 2016
Current Liabilities		1.320.198.413	1.127.547.754
Other Financial Liabilities	6	240.946	102.253
Trade Payables		367.807.757	287.411.868
- Trade Payables to Related Parties	7	58.781.800	31.153.484
- Trade Payables to Non-Related Parties	8	309.025.957	256.258.384
Payables Related to Employee Benefits	9	151.894.550	84.127.784
Other Payables		258.076.242	314.466.098
- Other Payables to Related Parties	7	94.400.926	223.338.068
- Other Payables to Non-Related Parties	10	163.675.316	91.128.030
Deferred Income	12	445.256.585	400.230.551
Current Tax Liabilities	27	46.738.166	8.022.432
Short-term Provisions		48.066.614	31.225.734
- Provisions for Employee Benefits	15	19.816.701	18.746.312
- Other Short-term Provisions	15	28.249.913	12.479.422
Other Current Liabilities		2.117.553	1.961.034
Non-Current Liabilities		411.628.730	778.711.179
Other Financial Liabilities		174.087.689	476.905.783
- Other Financial Liabilities to Related Parties	7	174.087.689	476.905.783
Deferred Income	12	-	598.695
Long-term Provisions		107.328.996	98.117.311
- Long-term Provisions for Employee Benefits	17	107.328.996	98.117.311
Deferred Tax Liabilities	27	130.212.045	203.089.390
SHAREHOLDER'S EQUITY			
Equity Attributable to Equity Holders of the Parent		3.046.991.144	2.532.448.388
Share Capital	19	960.850.000	960.850.000
Adjustments to Share Capital		84.081	84.081
Items That Will Be Reclassified to Profit or Loss		15.143.884	5.381.036
- Re-evaluating Profit and Losses of Specified Benefit Plans		15.143.884	5.381.036
Items That Will Never Be Reclassified to Profit or Loss		1.350.230.063	1.148.978.860
- Foreign Currency Exchange Differences		1.350.230.063	1.148.978.860
Limited Substitutes Separated from Profit		27.152.358	13.084.833
Past Annual Profits		390.002.053	119.764.698
Term Profit		303.528.705	284.304.880
TOTAL LIABILITIES AND EQUITY		4.778.818.287	4.438.707.321

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 2017**

	Notes	Audited 1 January - 31 December 2017	Audited 1 January - 31 December 2016
Revenue	20	4.040.510.743	3.204.366.274
Cost of Sales (-)	20	(3.346.510.650)	(2.532.310.015)
Gross Profit		694.000.093	672.056.259
Overall Administrative Expenses (-)	21	(314.016.203)	(304.802.474)
Sales and Marketing Expenses (-)	21	(19.764.960)	(12.374.905)
Research and Development Expenses (-)	21	(12.851.307)	(10.386.539)
Other Operating Income	22	55.224.440	28.408.057
Other Operating Expenses (-)	22	(34.712.869)	(22.720.453)
Operating Profit		367.879.194	350.179.945
Loss from Investment Activities	23	(236.743)	(2.257.510)
Share of Investments' Profit Accounted by Using the Equity Method	3	45.370.888	51.358.957
Operating Profit Before Financial Loss		413.013.339	399.281.392
Financial Income	25	22.237.769	35.955.994
Financial Expenses (-)	25	(39.915.165)	(36.622.533)
Profit Before Tax From Continuing Operations		395.335.943	398.614.853
Tax Expense From Continuing Operations		(91.807.238)	(114.309.973)
- Fiscal Tax Expenses	27	(178.584.404)	(65.054.623)
- Prolonged Tax Income/ (Expense)	27	86.777.166	(49.255.350)
Profit For The Period From Continuing Operations		303.528.705	284.304.880
OTHER COMPERHENSIVE INCOME			
Not To Be Reclassified Profit or Loss		9.762.848	6.597.200
- Actuarial Losses /(Gain) From Defined Pension Plans	17	12.516.471	8.246.500
- Tax Benefit /(Expense) of Actuarial Losses From Defined Pension Plans	27	(2.753.623)	(1.649.300)
To Be Reclassified To Profit or Loss		201.251.203	432.518.992
Currency Exchange Differences		172.045.866	381.863.823
Currency Translition Differences of Equity Accounted Investees		29.205.337	50.655.169
OTHER COMPERHENSIVE INCOME		211.014.051	439.116.192
TOTAL COMPERHENSIVE INCOME		514.542.756	723.421.072

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 2017**

	Paid Share Capital	Adjust- ment to Share Capital	Actuarial Losses From Defined Pensi- on Plans	Accumulated Other Com- prehensive Income of Expenses Not to be Reclasi- fied to Profit or Loss	Currency Exchange Differences	Restrict- ed Profit Reserves	Profit from Past Years	Net Profit from Period	Total Equity	Accumulated Profits
Balances as at 1 January 2016	960.850.000	84.081	(1.216.164)	716.459.868	10.925.693	(49.933.881)	171.857.719	1.809.027.316		
Transfers	-	-	-	2.159.140	169.698.579	(171.857.719)	-	723.421.072		
Total Comperhen- sive Income	-	-	6.597.200	432.518.992	-	-	284.304.880	2.532.448.388		
Balances as at 31 December 2016	960.850.000	84.081	5.381.036	1.148.978.860	13.084.833	119.764.698	284.304.880	2.532.448.388		
Balances as at 1 January 2017	960.850.000	84.081	5.381.036	1.148.978.860	13.084.833	119.764.698	284.304.880	2.532.448.388		
Transfers	-	-	-	14.067.525	270.237.355	(284.304.880)	-	514.542.756		
Total Comperhen- sive Income	-	-	9.762.848	201.251.203	-	-	303.528.705	3.046.991.144		
Balances as at 31 December 2016	960.850.000	84.081	15.143.884	1.350.230.063	27.152.358	390.002.053	303.528.705	3.046.991.144		

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 2017**

	Notes	Audited 1 January - 31 December 2017	Audited 1 January - 31 December 2016
Profit from Period		303.528.705	284.304.880
Adjustments to reconcile cash flow generated from operating activities:			
Adjustments for depreciation and amortisation	11, 13, 14	546.015.420	345.384.261
Adjustments for provisions, net	15	13.825.464	1.045.567
Adjustments of Stock Provisions	11	22.006.001	9.361.593
Adjustments for provisions for employee benefits	17	34.326.836	30.827.478
Adjustments for provisions for doubtful receivables	10, 31	(16.962.983)	9.370.000
Adjustments for discount for receivables and payables	25	39.789.520	36.474.745
Adjustments of rediscount income and expenses		(48.622)	32.409
Adjustments for Unrealized foreign currency exchange differences		101.681.891	202.187.811
Loss from sale of fixed asset	23	236.743	81.227
Adjustments for losses resulting from parting with affiliates	23	-	2.176.283
Share of Investment's loss accounted by using the equity method	3	(45.370.888)	(51.358.957)
Adjustments for deferred tax expense	27	(86.777.166)	49.255.350
Adjustments for tax expense	27	178.584.404	65.054.623
Cash Flows Before Changes In Operating Capital		1.090.835.325	984.197.270
Adjustments for increase in inventories		(189.901.622)	(607.619.237)
Adjustments for increase in trade receivables		(332.776.349)	(351.924.046)
Adjustments for decrease/ (increase) in other receivables		825.007	17.437.634
Adjustments for decrease in other current assets		54.872	(15.971)
Adjustments for increase in trade payables and due to related parties		80.395.889	25.510.369
Adjustments for increase in other payables		72.547.286	9.270.757
Adjustments for increase in prepaid expenses		(26.886.737)	14.040.470
Adjustments for increase in deferred income		44.427.339	67.688.802
Adjustments for increase in payables related to employee benefits		67.766.766	25.780.841
Adjustments for increase in other current liabilities		156.519	(2.420.931)
Cash Flows Used In Investing Activities		807.444.295	181.945.958

Interest payment	25	125.645	147.788
Tax payments	27	(146.855.172)	(102.581.922)
Paid seniority	17	(12.598.680)	(4.255.261)
Net Cash Generated From Operations		648.116.088	75.256.563
Cash Flows Generated From Investing			
Proceeds from sale of property and equipment		82.183	12.628.372
Purchase of property and equipment	13	(173.838.214)	(92.889.343)
Purchase of intangible assets	14	(8.562.239)	(3.506.949)
Sale from Affiliates share		-	4.400.000
Capital addition to Affiliates		-	(3.980.000)
Cash Flows From Financial Activities		(182.318.270)	(83.347.920)
Cash Flows Generated From Financial Activities			
Interest Paid	27	(28.527.585)	(33.730.840)
Adjustment towards related parties for increase in other expenses		(431.755.236)	52.718.418
Cash output attained from loan		-	(11.022.976)
Cash input attained from loan		138.693	-
Net Cash From Financing		(460.144.128)	7.964.602
NET INCREASE / (DECREASE) IN CASH EQUIVALENTS		5.653.690	(126.755)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	4	5.756.721	5.883.476
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	11.410.411	5.756.721

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 2017

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.

Total number of employees working for the company as at 31 December 2017 is 6.799 (31 December 2016: 5.317). Total number of employees working for the company as at 31 December 2017 is 7.435 (31 December 2016:5.646).

	31 December 2017	31 December 2016
Administrative Personnel	1.928	1.763
Production Personnel	5.507	4.654
Total	7.435	6.417

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

Sanayi Mh.Havaalanı İÇyolu Cd. Sabiha Gökçen Havalimanı E Kapısı No:3 Pendik/İSTANBUL

Affiliates

As at 31 December 2017 and 31 December 2016, affiliates accounted by using equity method and participation are as follows:

Company Name	Area of Activity	Affiliation Rate		Country of Registration
		31 December 2017	31 December 2016	
P&W T.T. Uçak Bakım Merkezi Limited Şirketi ("TEC")	Technical Maintenance	49%	49%	Turkey
Goodrich THY Teknik Servis Merkezi Limited Şirketi ("Goodrich")	Technical Maintenance	40%	40%	Turkey
TCI Kabiniçi Sistemleri Sanayi ve Ticaret Anonim Şirketi ("TCI")	Cabin Maintenance Services	20%	20%	Turkey

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.)

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

Valid currency

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

Exchange to 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

As of 31 December 2017 the company has three associates (Note: 1). Company's associates are economic activities dependent on joint control that require declarations of strategical, 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).

2.2 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 5th of 2018. 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.

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

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 2017 are same with those used in the preparation of the Company's financial statements as of and for the year ended 31 December 2016.

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,
- 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:

	Economic Life
Components	7
Repairable spare parts (Material R)	7
Repairable spare parts (Material V)	7

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

2.5.3 Tangible Assets

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

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

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

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

The useful lives of tangible assets are as follows:

	Economic Life
Facility, devices and equipment	3-15
Fixtures	3-15
Vehicles	4-7
Other tangible assets	4-15
Private expenses	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.

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 2017 and 2016, the Company does not have any capitalized borrowing costs.

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

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.

Investments held-to-maturity

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.

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

	Closing Rate	Average Rate
31 December 2017	3,7719	3,6445
31 December 2016	3,5192	3,0181

2.5.9 Earnings Per Share

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

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

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

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.

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.

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

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.

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 103.820.029 TL as of 31 December 2017 (31 December 2016: TL 112.855.047).

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

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 Published standards that or not yet enforced and are not in early practice

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 2017. A number of new standards, amendments to standards and interpretations explained below are not yet effective as at 31 December 2017, and have not been applied in preparing these financial statements of the Company.

TFRS 15 Revenue from Customer Contracts

New revenue standards published by KGK in September 2016 has changed the current TFRS directory and brought a new model for contracts made with customers on control basis. This new standard foresee, 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.

TFRS 9 Financial Instruments - (2017 Version)

As the latest version is published in January 2017, 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.

TFRS Comment 22 - Foreign Currency Transactions and Advanced Loan

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.

Changes in Share Based Payment Standards -Measuring and Classification of Share Based Payment 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.

Transfer of Realty for Purpose of Investment

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

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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 2018, 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.

Annual Improvements to TFRSs

The IASB issued Annual Improvements to IFRSs - 2012–2014 Cycle. The amendments are effective as of 1 January 2018. 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.

Annual Improvements - 2014-2016 Period

TFRS 1 "First Application of Turkey Financial Reporting Standards"

For those implementing TFRSs for the first time explanation for financial instruments, benefits provided to employees and relation to consolidation of investment institutions the removal of short term exemptions within the coverage of 2012-2014 period annual improvements. TMS 28 "Investments in Affiliates and Business Partners".

Investments in affiliates and business partnerships whether direct or indirectly risk capital stock initiative, investment fund, assets or in case of likes of insurance funds for the purpose of investment found in institutions, for investments in affiliates or business partners according to TFRS 9 providing means of fair value management application.

New and modified standards and amendments published by International Accounting Standards Board (IASB) but not yet published by KGK

New standards listed below, amendments and changes in current International Financial Reporting Standards ("IFRS") have been published by International Accounting Standards Board ("IASB") but these new standards, amendments and changes have not been adapted/published by TFRS and for this reason cannot be a part of TFRS. In relation to this, standards published by UMSK but currently not published by KGK are referenced as UFRS or UMS. Company, will make necessary changes in financial tables and footnotes after these standards and comments are enforced in TFRS.

UFRS 16 Rentals

UFRS "Renting" Standards have been published by UMSK on 13 January 2016. This Standard of renting transaction alligns to recognition the current UMS 17 " Renting Transactions" Standards', UFRS Amendment 4 "Determination of existene of renting in an agreement" and UMS Amendment 15 "Activity Rentals - Incentives" are replaced and in standard of UMS 40 "Realty for the purpose of Investment" caused to make changes. UFRS 12, removes from existence dual accounting model which is the current appliciation of financial renting transactions in statements and obligation related to actvity rentals being analyzed out of balance sheet which concerns the renter. In place of this, for all rentals, current financial rental accounting in a similar way a single accounting model is proposed as the balace sheet as the basis. Accounting for the lessor has reamined similar to the current practice. UFRS is valid for the accounting period year starting and continuing after 1 January 2019 as wel as for companies started practicing UFRS 15 "Customer Agreement Revenue" standards early practice is allowed. Company evaluates the possible effects of UFRS 16 practice on financial tables.

UFRYK 23 Uncertainty in Income Tax Process

On 17 June 2017 UMSK has published the amendment UFRYK 23 "Uncertainty in Income Tax Transactions" for the purpose of showing how the uncertainty in accounting income tax will be reflected on the tables. In a certain transaction or situation how the tax adjustments will be practiced or the uncertainty of tax authority can find a company's tax transaction as acceptable or not. UMS 12 "Income Tax" sheds light on how the current and deferred tax will be calculated but does not provide guidance in the effects of calculation of these taxes will have on financial statements. UFRYK 23, in recognition of income taxes and to shed light on effect of uncertainty of income taxes on financial tables and how it will be reflected, the verdicts on UMS 12 including the amendments bring additional necessities. The closing date of this Amendment is 1 January 2019 and reporting period starting after, early practice is allowed. Company evaluates the possible effects of practice of UFRYK 23 on financial tables.

The accompanying notes are an integral part of these financial statements.
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Annual Improvements - 2015-2017 Period

Improvements on UFRS

"Annual UFRS Improvements / 2015-2017 Period" published for standard applications are shown below. Changes are effective as of 1 January 2019 and are not permitted for early application. These amendments will not have a significant impact on the financial position or performance of the Company.

UFRS 3 Corpportae mergers and UFRS 11 Joint Agreements

UFRS 3 and UFRS 11 has been adjusted in order to clarify the recognition of an increased share meeting the definition of a corporate in a joint operation. 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 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.

UMS 12 Income Taxes

Income taxes resulting from UMS 12 dividends (including payments made to financial instruments classified as eamountquity) in accordance with transactions of the institutions shareable profit amount (for example; profit or loss, within other comprehensive income elements or in equity), has been changed to clarify accounting recognition.

UMS 23 Borrowing Costs

The objective of UMS 23 is to prescribe the accounting treatment for borrowing costs. Borrowing costs include interest on bank overdrafts and borrowings, finance charges on finance leases and exchange differences on foreign currency borrowings where they are regarded as an adjustment to interest costs. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset and, therefore, should be capitalised. Other borrowing costs are recognised as an expense.

Changes in UMS 28 - Long term investments on Affiliates and Business partners

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 2018. 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.

Changes in UFRS 9 - Early payments resulting in negative compensation

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.

UFRS 17 Insurance Contracts

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

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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.

3) Shares in Other Enterprises

As of 31 December shares in other enterprises are shown below:

	31 December 2017	31 December 2016
TEC	210.445.886	153.198.850
Goodrich	5.722.120	4.171.649
TCI	4.394.597	3.982.784
	220.562.603	161.353.283

TEC's Financial information relating 31 December is shown below:

	31 December 2017	31 December 2016
Liquid assets	488.370.193	468.735.298
Fixed assets	125.120.121	121.630.474
Short term liabilities	98.490.888	205.567.582
Long term liabilities	85.518.026	72.147.475
Equities	429.481.400	312.650.715
Company's share of equity (%49)	210.445.886	153.198.850

	1 Jan. - 31 Dec. 2017	1 Jan. - 31 Dec. 2016
Revenue	488.370.193	468.735.298
Term profit/ (loss)	125.120.121	121.630.474
Company's share (49%) in term profit	44.039.621	50.717.372

GTTSC's Financial information relating 31 December is shown below:

	31 December 2017	31 December 2016
Liquid assets	25.063.720	16.484.162
Fixed assets	3.002.449	2.372.799
Short term liabilities	13.267.029	8.427.840
Long term liabilities	493.840	-
Equities	14.305.300	10.429.122
Company's share of equity (%49)	5.722.120	4.171.649

	1 Jan. - 31 Dec. 2017	1 Jan. - 31 Dec. 2016
Revenue	54.582.444	30.730.738
Term profit/ (loss)	2.972.542	3.497.573
Company's share (40%) in term profit	1.189.017	1.399.029

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TCI's Financial information relating 31 December is shown below:

	31 December 2017	31 December 2016		1 January - 31 December 2017	1 January - 31 December 2016
Liquid assets	27.541.207	33.773.844			
Fixed assets	8.885.272	1.440.205			
Short term liabilities	14.453.495	15.300.128			
Long term liabilities	-	-			
Equities	21.972.985	19.913.922			
Company's share of equity (%20)	4.394.597	3.982.784			
			Revenue	25.250.475	20.198.191
			Term profit/ (loss)	711.251	(3.787.218)
			Company's share (20%) in term profit/ (loss)	142.250	(757.444)

Shares in other enterprises relating shares within profit / (loss) are shown below:

	31 December 2017	31 December 2016
TEC	44.039.621	50.717.372
TCI	142.250	(757.444)
Goodrich	1.189.017	1.399.029
	45.370.888	51.358.957

4) Cash and Cash Equivelant

As of 31 December cash and cash equivalants are shown below:

	31 December 2017	31 December 2016
Banks (checking account)	1.604.137	2.932.723
Banks (savings account)	9.806.274	2.823.998
	11.410.411	5.756.721

As of 31 December information regarding savings account are shown below:

Capital	Currency	Opening Date	Interest Rate	Term	31 December 2017
4.232.000	TL	29 December 2017	%13,42	2 January 2018	4.232.000
405.000	Euro	29 December 2017	%0,25	2 January 2018	1.828.778
993.000	US Dollar	29 December 2017	%0,50	2 January 2018	3.745.496
					9.806.274

Capital	Currency	Opening Date	Interest Rate	Term	31 December 2016
350.000	TL	30 December 2016	%8,74	2 January 2017	350.000
703.000	US Dollar	30 December 2016	%0,50	2 January 2017	2.473.998
					2.823.998

The accompanying notes are an integral part of these financial statements.
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5) Financial Investment

As of 31 December details of financial investment are shown below:

	31 December 2017	Share Percentage %	31 December 2016	Share Percentage %
Uçak Koltuk Üretimi Sanayi Ticaret Anonim Şirketi ("Uçak Koltuk")	1.485.005	10	1.485.005	10
Türk Hava Yolları Opet Havacılık Yakıtları Anonim Şirketi ("THY Opet")	20	<1	20	<1
	1.485.025		1.485.025	

6) Other Financial Liabilities

As of 31 December details of other financial liabilities are shown below:

	31 December 2017	31 December 2016
Debt to banks	240.946	102.253
	240.946	102.253

As of 31 December details of other financial liabilities are shown below:

31 December 2017				
Banks Name	Term Date	Initial Cash	Currency	Tutar
Finansbank	2 January 2018	218.330	TL	218.330
Finansbank	3 January 2018	22.616	TL	22.616
				240.946
31 Aralık 2016				
Banks Name	Term Date	Initial Cash	Currency	Tutar
Finansbank	3 January 2017	75.384	TL	75.384
Finansbank	2 January 2017	26.869	TL	26.869
				102.253

Debt to banks are provision and are one day termed financial sources for social security institution and bill payments hence interest is not applied.

The accompanying notes are an integral part of these financial statements.
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7) Related Party Statements

As of 31 December details of short term commercial dues from related parties are shown below:

	31 December 2017	31 December 2016
Türk Hava Yolları Anonim Ortaklığı ("THY A.O.")	1.125.361.065	816.921.097
Güneş Express Havacılık A.Ş. ("Sun Ekspres")	10.086.667	8.846.879
TEC	6.367.710	11.849.688
TGS Yer Hizmetleri A.Ş. ("TGS")	1.099.134	890.948
Goodrich	115.717	137.924
TCI	76.949	428.656
Other	18.367	244.601
	1.143.125.609	839.319.793

As of 31 December details of other short term dues from related parties are shown below:

	31 December 2017	31 December 2016
THY A.O.	1.341.909	1.207.351
	1.341.909	1.207.351

As of 31 December details of other short term dues from related parties are shown below:

	31 December 2017	31 December 2016
THY A.O.	42.840.034	27.196.580
TCI	5.735.976	-
Uçak Koltuk	4.528.206	710.185
Goodrich	3.936.939	1.955.901
TGS	1.584.531	1.166.848
THY Opet	114.557	101.820
Other	41.557	22.150
	58.781.800	31.153.484

As of 31 December details of other short term loans to related parties are shown below:

	31 December 2017	31 December 2016
THY A.O.	94.400.926	223.338.068
	94.400.926	223.338.068

As of 31 December details of other long term loans to related parties are shown below:

	31 December 2017	31 December 2016
THY A.O.	174.087.689	476.905.783
	174.087.689	476.905.783

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

As of 31 December details of advance loan orders received from related parties are shown below:

	31 December 2017	31 December 2016
THY A.O. (Not 12)	396.199.062	359.952.538
	396.199.062	359.952.538

Transactions with related institutions in accounting period ending in 31 December are shown below:

Sales	1 January - 31 December 2017	1 January - 31 December 2016
THY A.O.	3.405.375.559	2.692.032.649
Sun Express	97.546.805	81.280.012
TEC	36.275.565	33.902.907
Goodrich	1.568.922	1.475.295
TCI	1.131.700	374.753
Uçak Koltuk	1.089.548	648.482
TGS	988.393	258.977
Other	192.677	-
	3.544.169.169	2.809.973.075

Purchasing	1 January - 31 December 2017	1 January - 31 December 2016
THY A.O.	188.367.861	130.140.748
Goodrich	41.890.995	22.205.844
Uçak Koltuk	36.430.793	11.770.543
TGS	19.198.691	12.831.332
TCI	17.226.609	5.036.878
THY Opet	1.475.766	1.039.839
THY Aydın Çıldır	773.803	821.897
TEC	200.482	248.923
Sun Express	140.290	333.391
Havaalanları Yer Hizmetleri A.Ş.	138.479	67.645
	305.843.769	184.497.040

Interest Income	31 December 2017	31 December 2016
THY A.O.	28.375.080	34.022.226
	28.375.080	34.022.226

In the accounting period ended on 31 December 2017, funds allocated to senior executives for benefits and services is accumulate to 4.134.486 TL (31 December 2016: 4.180.788 TL).

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

8) Commercial Loans and Debts

As of 31 December details of commercial loans from non-related parties are as shown below:

	31 December 2017	31 December 2016
Commercial loans	221.228.422	185.231.934
Loan notes	22.204.014	21.176.011
Loan rediscount	(122.198)	(44.827)
Doubtful loan provision (*)	(103.820.029)	(112.855.047)
	139.490.209	93.508.071

(*) Doubtful loan provision has been determined through past experiences of collection. Details relating to company's commercial receivables credit risk, currency risk and decreased value are explained in Note 31.

As of 31 December details of commercial debt from non-related parties are shown below:

	31 December 2017	31 December 2016
Commercial debt	277.943.782	221.481.850
Expense assessments	31.329.267	34.893.668
Loan rediscount	(247.092)	(117.134)
	309.025.957	256.258.384

9) Loans covering employee benefits

As of 31 December loans covering employee benefits are shown below:

	31 December 2017	31 December 2016
Salary assessments (*)	62.505.007	52.079.448
Payable SGK premiums	45.713.067	31.966.236
Personnel premiums (**)	43.617.919	-
Personnel credit card debts	58.557	66.898
Debts to personnel	-	15.202
	151.894.550	84.127.784

(*) Salary assessments are made up of salary expenses relating to the month of December.

(**) Personnel premiums include annual premiums paid to Company personnel. Amounts belonging to 2017 has been paid in 2018 within the month February.

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

10) Other Loans and Debts

As of 31 December short term loans from non-related parties are shown below:

	31 December 2017	31 December 2016
Endowed deposits and assurances	230.045	227.518
Other receivables	142.244	460.100
Receivables from personnel	88.558	322.254
Technical supply receivables from abroad	-	410.540
Doubtful receivables	37.115	-
Doubtful receivable provisions (-)	(37.115)	-
	460.847	1.420.412

In accounting period ended in 31 December related doubtful receivable provisions are shown below:

	1 Jan. - 31 Dec. 2017	1 Jan. - 31 Dec. 2016
Provisions at opening balance	-	1.305
Current period expense	37.115	-
Collected receivables	-	(1.305)
Provisions at the end of accounting period	37.115	-

As of 31 December details of other short term loans to non-related parties are shown below:

	31 December 2017	31 December 2016
Payable tax, fee and other deductions	94.412.729	77.984.130
Other loans	58.300.082	3.736.562
Received deposits and assurances	10.962.505	9.407.338
	163.675.316	91.128.030

11) Stocks

As of 31 December details of stocks are shown below:

	31 December 2017	31 December 2016
Components and repairable spare parts	1.975.288.095	1.764.194.845
Technical supply stocks	689.446.523	773.581.588
Technical supply stocks on the way	100.895.629	63.353.219
Salvage supply stocks	94.234.469	67.790.879
Accumulated amortisation of components and repairable spare parts (-)	(1.075.937.466)	(714.430.667)
Decreased stock value provisions (-)	(94.234.469)	(67.790.879)
	1.689.692.781	1.886.698.985

As of 31 December 2017 insurance on stocks amount to 942.975.000 TL (31 December 2016: 879.800.00 TL).

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

Table showing decreased stock value for accounting period ending in 31 December is below:

	1 January - 31 December 2017	1 January - 31 December 2016
Beginning period seperated provision	67.790.879	47.542.042
Foreign currency exchange difference	4.437.589	10.887.244
During period seperated provision	22.006.001	9.361.593
End of period seperated provision	94.234.469	67.790.879

Component and repairable spare part movement table for accounting period ended in 31 December 2017 is shown below:

Cost	Component and Repairable Spare Parts
Opening balance 1 January 2017	1.764.194.845
Foreign currency exchange difference	126.679.935
Additions	270.365.318
Removals	(185.952.003)
31 December 2017 closing balance	1.975.288.095

Accumulated Amortisation	Component and Repairable Spare Parts
Opening balance 1 January 2017	714.430.667
Foreign currency exchange difference	61.781.249
Current period wear toll	364.901.825
Removals	(65.176.275)
31 December 2017 closing balance	1.075.937.466
31 December 2017 net book value	899.350.629

Component and repairable spare parts movement table for accounting period ending in 31 December 2016 is shown below:

Cost	Component and Repairable Spare Parts
Opening balance 1 January 2016	1.383.119.414
Foreign currency exchange difference	290.932.671
Additions	306.435.139
Removals	(216.292.379)
31 December 2016 closing balance	1.764.194.845

Accumulated Amortisation	Component and Repairable Spare Parts
Opening balance 1 January 2016	493.468.201
Foreign currency exchange difference	120.482.156
Current period wear toll	199.288.180
Removals	(98.807.870)
31 December 2016 closing balance	714.430.667
31 December 2016 net book value	1.049.764.178

The accompanying notes are an integral part of these financial statements.
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12) Paid in Advance Expenses and Delayed Incomes

As of 31 December details of short term paid in advance expenses are shown below:

	31 December 2017	31 December 2016
Advance of orders (*)	29.833.497	8.269.258
Expenses for future months (**)	14.899.525	6.552.499
	44.733.022	14.821.757

(*) Advance orders given consists of given advanced order amount for components, commercial supplies and consumables.

As of 31 December details of long term paid in advance expenses are shown below:

	31 December 2017	31 December 2016
Current asset advances given	-	1.516.736
Expenses belonging to future years (**)	12.904.891	14.412.683
	12.904.891	15.929.419

(**) 14.910.481 TL of future months and years expenses is made up of expenses in the name of Directorate General of Coastal Safety (KEGM) used to rent the lot belonging to General Directorate of State Airports (DHMI) (31 December 2016: 16.120.371 TL).

As of 31 December details of short term prolonged income are shown below:

	31 December 2017	31 December 2016
Advances of orders received (*)	406.871.440	360.296.572
Income belonging to future years	38.385.145	39.933.979
	445.256.585	400.230.551

(*) 396.199.062 TL of advances of orders received are orders received from Turkish Airlines Inc. (31 December 2016: 359.952.538 TL) (Note 7).

As of 31 December details of long term prolonged income are shown below:

	31 December 2017	31 December 2016
Income belonging to future years	-	598.695
	-	598.695

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

13) Fixed Assets

Table showing movements of fixed assets for the year ending in 31 December 2017 is shown below:

Expense	Facility Ma- chines and Equipments	Vehicles	Fixtures	Other Fixed Assets	Ongoing Invest- ments	Private Expenses	Total
Opening balance 1 January 2017	464.924.415	26.500.898	99.815.353	10.380.743	8.141.031	1.452.128.089	2.061.890.529
Foreign currency exchange differences	33.384.406	1.902.927	7.167.351	745.400	584.576	104.271.644	148.056.304
Additions	38.921.534	2.225.945	10.094.727	1.651.363	51.504.156	69.440.489	173.838.214
Removals	(315.467)	(418.110)	(1.461.168)	-	-	-	(2.194.745)
Transfers	2.608.826	300.892	5.060	(201.170)	(3.355.617)	54.351	(587.658)
31 December 2017 closing balance	539.523.714	30.512.552	115.621.323	12.576.336	56.874.146	1.625.894.573	2.381.002.644
Accumulated Amortisation							
Opening balance 1 January 2017	262.245.979	18.746.923	61.839.277	5.101.138	-	320.196.763	668.130.080
Foreign currency exchange differences	20.504.398	1.452.252	4.824.789	420.720	-	26.372.441	53.574.597
Current period amortisation	48.094.383	3.372.681	12.289.151	1.561.358	-	96.670.394	161.987.967
Removals	(235.174)	(343.071)	(1.297.574)	-	-	-	(1.875.819)
Transfers	-	4.845	-	(4.845)	-	-	-
31 December 2017 closing balance	330.609.586	23.233.630	77.655.640	7.078.371	-	443.239.598	881.816.825
1 January 2017 net book value	202.678.436	7.753.975	37.976.076	5.279.605	8.141.031	1.131.931.326	1.393.760.449
31 December 2017 net book value	208.914.130	7.278.922	37.965.683	5.497.965	56.874.146	1.182.654.975	1.499.185.819

As of 31 December 2017 ongoing investment amount of 587.658 TL has been transferred to non-tangible fixed assets. 31 Aralık 2017 tarihi As of December 2017 the Company's tangible fixed assets have been insured against earthquake, fire, flood and other natural disasters for 330.568.430 TL (31 December 2016: 300.391.450 TL)

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

For the year ended in 31 December 2016 tangible fixed assets movement table is shown below:

Expense	Facility Ma- chines and Devices	Vehicles	Fixtures	Other Tangible Fixed Assets	Ongoing Invest- ments	Private Expenses	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 differences	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
Removals	(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)
31 December 2016 closing balance	464.924.415	26.500.898	99.815.353	10.380.743	8.141.031	1.452.128.089	2.061.890.529
Accumulated Amortisation							
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 period Amortisation	36.132.553	2.566.035	9.372.793	874.930	-	78.616.167	127.562.468
Removals	(238.250)	(276.436)	(449.710)	(89.563)	-	(29.350)	(1.083.309)
Transfers	4.699.779	-	(4.699.853)	74	-	-	-
Closing balance as of 31 December 2016	262.245.979	18.746.923	61.839.277	5.101.138	-	320.196.763	668.130.080
1 January 2016 net book value	160.272.449	6.244.249	34.967.320	2.618.463	3.774.002	1.002.119.752	1.209.996.235
31 December 2016 net book value	202.678.436	7.753.975	5.279.605	5.279.605	8.141.031	1.131.931.326	1.393.760.449

(*) As of 31 December 2016 investments amounting to 2.369.878 TL have been transferred to non-tangible fixed assets.

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

14) Non-tangible Fixed Assets

Table showing movement of non-tangible fixed assets for the year ending at 31 December 2017 is shown below:

	Rights
Cost	
Opening balance 1 January	80.662.749
Foreign currency exchange differences	5.792.077
Additions	8.562.239
Transfers	587.658
31 December closing balance	95.604.723
Accumulated Amortisation	
Opening balance 1 January	57.287.403
Foreign currency exchange difference	4.782.368
Current period redeem share	19.125.628
31 December closing balance	81.195.399
31 December net book value	14.409.324

Table showing movement of non-tangible fixed assets for the year ending at 31 December 2016 is shown below:

	Rights
Cost	
Opening balance 1 January	61.788.915
Foreign currency exchange differences	12.997.007
Additions	3.506.949
Transfers	2.369.878
31 December closing balance	80.662.749
Accumulated redeem share	
Opening balance 1 January	29.476.321
Foreign currency exchange difference	9.277.469
Current period redeem share	18.533.613
31 December closing balance	57.287.403
31 December net book value	23.375.346

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15) Provisions, Conditional Asset and Liability

As of 31 December details of short term provisions are shown below:

(a) Short term provisions related to benefits provided to employees

	31 December 2017	31 December 2016
Unused absence provision	19.816.701	18.746.312
	19.816.701	18.746.312

For the accounting period ended in 31 December 2017 and 2016 details of unused absence provisions are shown below:

	1 January - 31 December 2017	1 January - 31 December 2016
Beginning of period seperated provision	18.746.312	13.033.930
Foreign currency exchange difference	2.288.996	1.043.628
Current period expense	1.080.920	5.756.966
Provision no longer relative	(2.299.527)	(1.088.212)
Provision seperated end of period	19.816.701	18.746.312

(a) Short term provisions related to benefits provided to employees

	31 December 2017	31 December 2016
Litigation	28.249.913	12.479.422
	28.249.913	12.479.422

For the accounting period ended in 31 December 2017 and 2016 details of unused absence provisions are shown below:

	1 January - 31 December 2017	1 January - 31 December 2016
Provision seperated at beginning of period	12.479.422	17.071.905
Foreign currency exchange difference	726.420	(969.296)
Current period expense (Note 22)	18.601.089	2.479.701
Provision no longer relative	(3.557.018)	(6.102.888)
Provision seperated end of period	28.249.913	12.479.422

(*) As of 31 December 2017 17.735.274 TL of litigations are made up of cases of returning to work (31 December 2016: 6.094.844 TL).

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

16) Commitments and Obligations

Company as Renter

Rental Agreements:

Rental agreements, rental period is 20 years and it concerns the hangar lot.

In period ending in 31 December 2017 payment of 13.521.757 TL has been added to income bracket as rental expense (31 Aralık 2016: 12.588.211 TL).

Commitments regarding irrevocable activity rentals	31 December 2017	31 December 2016
Within one year	16.697.583	15.528.138
Between one through five years	76.497.324	69.323.380
After five years	85.579.317	102.309.766
	178.774.224	187.161.284

17) Benefits Provided to Employees

As of 31 December details of long term provisions are shown below:

	31 December 2017	31 December 2016
Seniority compensation provision	107.328.996	98.117.311
	107.328.996	98.117.311

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 5.002 as of 1 January 2018 (1 January 2017: TL 4.426).

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 2017 are calculated by estimating present value of contingent liabilities due to retirement of employees. Provisions

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in the relevant balance sheet dates are calculated with the assumptions of 7,00% annual inflation rate (31 December 2016: 7,00%) and 12.00% interest rate. (31 December 2016: 11,00%). Estimated amount of retirement pay not paid due to voluntary leaves and retained in the Company is also taken into consideration as 4,67% (31 December 2016: 3,74%). Ceiling for retirement pay is revised semi-annually. Ceiling amount of TL 5.002 which is in effect since 1 January 2018 is used in the calculation of Company's provision for retirement pay liability. The movements of provision for employee benefits are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Provision seperated at begining of period	98.117.311	79.791.594
Current period service expenses	23.163.671	28.091.420
Interest expense	11.163.165	2.736.058
Payments	(12.598.680)	(4.255.261)
Actuarial profit	(12.516.471)	(8.246.500)
Provision seperated as at end of period	107.328.996	98.117.311

18) Other Assets and Obligations

As of 31 December details of other current assets are shown below:

	31 December 2017	31 December 2016
Job advances	13.765	68.953
Personnel advances	2.072	1.756
	15.837	70.709

19) Equity

AS of 31 December Company's capital investment structure is as shown below:

	%	31 December 2017	%	31 December 2016
THY Inc.	100	960.850.000	100	960.850.000
		960.850.000		960.850.000

31 Aralık 2017 tarihi itibarıyla Şirket'in çıkarılmış sermayesi her biri 1 TL nominal değerli 960.850.000 adet hisseden oluşmaktadır (2016: 1 TL nominal değerli 960.850.000 adet hisse). Bu hisseler nama yazılıdır. Şirket kayıtlı sermaye sistemine dahil değildir.

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.

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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.

As of 31 December cost of equity items are shown below:

	31 December 2017	31 December 2016
Paid equity	960.850.000	960.850.000
Equity adjustment differences	84.081	84.081
Accumulated other comprehensive income and expenses that cannot be classified as profit or loss	15.143.884	5.381.036
Foreign currency exchange differences	1.350.230.063	1.148.978.860
Limited substitutes seperated from profit	27.152.358	13.084.833
Profits from yesteryears	390.002.053	119.764.698
Net period profit	303.528.705	284.304.880
	3.046.991.144	2.532.448.388

20) Revenue and Sales Expense

Revenue details for periods ended in 31 December are shown below:

	1 January - 31 December 2017	1 January - 31 December 2016
Aircraft maintenance income	1.466.339.056	1.002.550.585
Pool income	766.566.196	629.565.876
Component maintenance income	693.457.366	472.567.705
Line maintenance income	645.324.323	685.626.072
Equipment sales income	202.856.511	179.858.932
Engine maintenance income	156.627.239	136.857.154
Other	109.340.052	97.339.950
Revenue	4.040.510.743	3.204.366.274
Sales expense (-)	(3.346.510.650)	(2.532.310.015)
Gross profit from commercial activities	694.000.093	672.056.259

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Sales expense for periods ended in 31 December are shown below:

	1 Jan.- 31 Dec. 2017	1 Jan.- 31 Dec. 2016
Equipment expense	1.086.779.843	786.105.256
Personnel expense	925.500.949	762.572.616
Amortisation expense	462.756.607	260.443.327
Maintenance expense	411.545.660	311.990.530
Service expense	316.707.333	283.008.188
Transportation expense	83.765.759	65.933.018
Rental expense	17.606.649	15.744.583
Lighting, heating and water expenses	10.410.692	9.412.583
Other	31.437.158	37.099.914
	3.346.510.650	2.532.310.015

21) Research and Development Expenses, Marketing Sales Distribution Expenses and General Management Expenses

For accounting period ended in 31 December details of general management expenses are shown below:

	1 Jan.- 31 Dec. 2017	1 Jan.- 31 Dec. 2016
Personnel expense	122.136.724	118.646.558
Amortisation expenses	82.336.115	84.769.905
Service expenses	38.981.667	35.920.936
Supply expense	12.829.827	11.658.954
Lighting, heating and water expenses	7.927.512	9.075.790
Rent expenses	9.031.024	9.094.567
Other	40.773.334	35.635.764
	314.016.203	304.802.474

For the accounting period ended in 31 December details of marketing, sales and distribution expenses are shown below:

	1 Jan.- 31 Dec. 2017	1 Jan.- 31 Dec. 2016
Personnel expense	9.286.239	7.098.941
Advertisement and promotion expenses	3.840.700	1.843.300
Service expenses	3.224.412	747.727
Amortisation expenses	635.432	33.641
Supply expense	545.768	803.022
Other	2.232.409	1.848.274
	19.764.960	12.374.905

For the accounting period ended in 31 December details of research and development expenses are shown below:

	1 Jan.- 31 Dec. 2017	1 Jan.- 31 Dec. 2016
Personnel expense	9.693.647	8.268.019
Service expenses	1.889.134	549.986
Amortisation expenses	287.266	137.388
Other	981.260	1.431.146
	12.851.307	10.386.539

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22) Other Income/Expense from Main Activities

For the accounting period ended in 31 December details of other income from main activities are shown below:

	1 Jan.- 31 Dec. 2017	1 Jan.- 31 Dec. 2016
Provisions for doubtful receivables commercial and other (Note 31)	25.519.100	4.032.438
Late interest income from trade receivables	11.511.413	1.228.138
Provisions no longer required (Note 15)	3.557.018	6.102.888
Facility maintenance income	3.377.708	3.380.456
Insurance, compensation and penalty income	2.238.827	3.493.449
Currency variation income from commercial activities, net	1.151.278	2.354.114
Other	7.869.096	7.816.574
	55.224.440	28.408.057

For the period ended in 31 December details of other expenses from main activities are shown below:

	1 Jan.- 31 Dec. 2017	1 Jan.- 31 Dec. 2016
Litigation provision expenses (Note 16)	18.638.204	2.479.701
Doubtful receivables provision expenses (Note 10, 31)	8.556.117	13.402.768
Other	7.518.548	6.837.984
	34.712.869	22.720.453

23) Income and Expense from Investment Activities

For accounting period ended in 31 December details of expenses from investment activities are shown below:

	1 Jan.- 31 Dec. 2017	1 Jan.- 31 Dec. 2016
Sales deficit on investments valued by equity method	-	2.176.283
Fixed asset sales deficit	236.743	81.227
	236.743	2.257.510

24) Expenses classified in respect of variety

For accounting period ended in 31 December expenses are shown through its function in detail on Note 20 and 21.

25) Financing Income and Expenses

For accounting period ended in 31 December details of financial income are shown below:

	1 Jan.- 31 Dec. 2017	1 Jan.- 31 Dec. 2016
Currency variation income	22.112.124	35.808.206
Interest income	125.645	147.788
	22.237.769	35.955.994

The accompanying notes are an integral part of these financial statements.
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For accounting period ended in 31 December details of financial expenses are shown below:

	1 Jan.- 31 Dec. 2017	1 Jan.- 31 Dec. 2016
Credit interest expenses	28.527.585	33.730.840
Severance pay expenses	11.163.165	2.736.058
Bank costs	224.415	155.635
	39.915.165	36.622.533

26) Analysis of Other Comprehensive Income Elements

For the accounting period ended in 31 December 2017 Company's other comprehensive income that will not be reclassified in profit or loss amounts to 9.762.848 TL income (31 December 2016: 6.597.200 TL amount of income), other comprehensive income that will be reclassified is 201.251.203 TL income (31 December 2016: 432.518.992 TL income).

27) Tax Presence and Obligation

For accounting period ended in 31 December details of investment activities expenses are shown below:

	1 Jan.- 31 Dec. 2017	1 Jan.- 31 Dec. 2016
Corporation tax provision	185.570.906	81.408.734
Period profit tax obligation	(138.832.740)	(73.386.302)
Term profit tax obligation	46.738.166	8.022.432

For the accounting period ended in 31 December details of tax expenses are shown below:

	1 Jan.- 31 Dec. 2017	1 Jan.- 31 Dec. 2016
Current period corporation tax expense	(178.584.404)	(65.054.623)
Delayed tax income/(expense)	86.777.166	(49.255.350)
Tax expense of continuing activities	(91.807.238)	(114.309.973)

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.

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2017 is 21%. 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.

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Income Withholding Tax and Deferred 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.

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.

Deferred tax asset/(obligations)calculated at 31 December are shown below:

	31 December 2017	31 December 2016
Stocks	(42.439.496)	(122.372.766)
Fixed assets	(132.849.183)	(123.865.962)
Severance pay provision	23.612.379	18.303.054
Doubtful commercial receivables provision	7.072.697	9.206.449
Absence provision	4.359.674	3.749.262
Litigation provision	6.214.981	2.152.177
Other	3.816.903	9.738.396
	(130.212.045)	(203.089.390)

Accounted delayed tax obligations movements as of 31 December are shown below:

	1 Jan.- 31 Dec. 2017	1 Jan.- 31 Dec. 2016
Delayed tax obligation in beginning of period	203.089.390	124.096.243
Foreign currency exchange differences	11.146.198	28.088.497
Delayed tax (income)/expense	(86.777.166)	49.255.350
Tax expense of actuarial loss in identified pension share	2.753.623	1.649.300
End of period identified tax obligation	(130.212.045)	203.089.390

For accounting periods ended in 31 December tax reconciliation is as below:

	1 Jan.- 31 Dec. 2017	1 Jan.- 31 Dec. 2016
Tax provision reconciliation:		
Profit earned from activities before tax	395.335.943	398.614.853
Tax calculated with 20% tax rate	(79.067.189)	(79.722.971)
Tax effects:		
- Currency difference	(21.780.162)	(36.001.908)
- Discounts	10.335.165	1.255.493
- Expense non recognized by law	(10.369.230)	(10.112.378)
- Accounting of taking share from equity	9.074.178	10.271.791
	(91.807.238)	(114.309.973)

The accompanying notes are an integral part of these financial statements.
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28) Profit Per Share

Equity item for profit per share is not present for dilutive equity instruments.

Tax reconciliation for accounting periods ended in 31 December are shown as below:

	1 Jan.- 31 Dec. 2017	1 Jan.- 31 Dec. 2016
Total share count as of 1 January (exact amount)	960.850.000	960.850.000
Count of new shares issued (exact amount)	-	-
Share count as of 31 December (exact amount)	960.850.000	960.850.000
weighted average of total share count in current period (exact amount)	960.850.000	960.850.000
Period net profit	303.528.705	284.304.880
Profit per share (Kr)	31,59	29,59

29) Effects of Currency Rates

Analysis of effects of currency rate for 31 December 2017 and 2016 are available in Note 31.

30) Reporting in High Inflation Economy

Though the decision of Company SPK's taken on 17 March 2005 valid as of 1 January 2005 inflation accounting practice has been terminated.

31) 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.

The accompanying notes are an integral part of these financial statements.
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	Receivables				
	Commercial Receivables		Other receivables		
	Related Party	Other Party	Related Party	Other Party	Deposits in Banks
31 December 2017					
Maximum credit risk exposed as of date of reporting (*)	1.143.125.609	139.490.209	1.341.909	460.847	11.410.411
Guarantee of maximum risk, vs part that is assured	-	4.917.184	-	-	-
A. Net book value of financial assets that are not expired or has not lost value	1.143.125.609	46.528.472	1.341.909	460.847	11.410.411
B. Book value of financial assets whose condition was reviewed otherwise will be considered overdue or experienced decreased value.	-	-	-	-	-
C. Net book value of assets that are overdue but not depreciated	92.961.737	-	-	-	-
Part that is secured through guarantee etc.	4.917.184	-	-	-	-
D. Net book value of assets that are depreciated	-	103.820.029	-	(37.115)	-
Overdue (gross book value)	-	(103.820.029)	-	37.115	-
Part of net value that is secured through guarantee or etc.	-	-	-	-	-
Maturity date not overdue (gross book value)	-	-	-	-	-
Depreciation (-)	-	-	-	-	-
Part of net value that is secured through guarantee or etc.	-	-	-	-	-
E. Off-balance sheet elements holding credit risk	-	-	-	-	-

Like received guarantees, elements that result in increase of credit security has been taken into consideration whilst determining the amount.

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

	Receivables				
	Commercial Receivables		Other receivables		
	Related Party	Other Party	Related Party	Other Party	Deposits in Banks
31 December 2016					
Maximum credit risk exposed as of date of reporting (*)	839.319.793	93.508.071	1.207.351	1.420.412	5.756.721
Guarantee of maximum risk, vs part that is assured	-	5.151.466	-	-	-
A. Net book value of financial assets that are not expired or has not lost value	839.319.793	16.705.923	1.207.351	1.420.412	5.756.721
B. Book value of financial assets whose condition was reviewed otherwise will be considered overdue or experienced decreased value.	-	-	-	-	-
C. Net book value of assets that are overdue but not depreciated	76.802.148	-	-	-	-
Part that is secured through guarantee etc.	5.151.466	-	-	-	-
D. Net book value of assets that are depreciated	-	112.855.047	-	-	-
Overdue (gross book value)	-	(112.855.047)	-	-	-
Part of net value that is secured through guarantee or etc.	-	-	-	-	-
Maturity date not overdue (gross book value)	-	-	-	-	-
Depreciation (-)	-	-	-	-	-
Part of net value that is secured through guarantee or etc.	-	-	-	-	-
E. Off-balance sheet elements holding credit risk	-	-	-	-	-

Like received guarantees, elements that result in increase of credit security has been taken into consideration whilst determining the amount.

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

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.

Maturity analysis of overdue receivables of the Company as of 31 December 2017 and 31 December 2016 is shown below.

31.12.2017	Commercial Debts	Other Receivables	Bank Deposit	Other	Total
1-30 days overdue	40.450.648	-	-	-	40.450.648
1-3 months overdue	22.517.500	-	-	-	22.517.500
3-12 months overdue	12.150.063	-	-	-	12.150.063
1-5 years overdue	17.843.526	-	-	-	17.843.526
Total overdue receivables	92.961.737	-	-	-	92.961.737
Total overdue receivables	4.917.184	-	-	-	4.917.184

31.12.2016	Commercial Debts	Other Receivables	Bank Deposit	Other	Total
1-30 days overdue	17.292.933	-	-	-	17.292.933
1-3 months overdue	17.749.790	-	-	-	17.749.790
3-12 months overdue	20.811.536	-	-	-	20.811.536
1-5 years overdue	20.947.889	-	-	-	20.947.889
Total overdue receivables	76.802.148	-	-	-	76.802.148
Total overdue receivables	5.151.466	-	-	-	5.151.466

As of balance date the total amount of cash guarantees and guarantee letters for company's overdue commercial receivables related to not separated provisions is 4.917.184 TL (31 December 2016: 5.151.466 TL)

As of balance sheet date, there are no guarantees for overdue commercial receivables related for separated provision.

Impairment

Doubtful receivable provision separated for commercial receivables, provisions separated for litigation receivables and resulting from past failed collection experiences are made up of accounted provisions. Doubtful receivable provisions changed of Company's accounting period ended in 31 December 2017 and 2016 is shown as below:

	1 Jan.- 31 Dec. 2017	1 Jan.- 31 Dec. 2016
Provison seperated at beginning of period	112.855.047	89.848.198
Foreign currency exchange difference	7.965.080	13.636.519
Current period expense (Note 22)	8.519.002	13.402.768
Collected receivable	(25.519.100)	(4.032.438)
End of period balance	103.820.029	112.855.047

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Liquidated risk management

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

The tables below demonstrate the maturity distribution of 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.

Liquidated risk charts

31.12.2017	Expected Maturity Date	Book Value	Total Cash Outflow as per Contract	Less than 3 Months	3-12 months	1-5 years	more than 5 years
	Non-Derivative Financial Obligations						
	Financial debts	240.946	240.946	240.946	-	-	-
	Commercial debts	367.807.757	368.054.849	368.054.849	-	-	-
	Other debts	432.163.931	432.163.931	171.032.393	87.043.849	174.087.689	-
	Total	800.212.634	539.328.188	539.328.188	87.043.849	174.087.689	-

31.12.2016	Expected Maturity Date	Book Value	Total Cash Outflow as per Contract	Less than 3 Months	3-12 months	1-5 years	more than 5 years
	Non-Derivative Financial Obligations						
	Financial debts	102.253	102.253	102.253	-	-	-
	Commercial debts	287.411.868	287.658.960	287.658.960	-	-	-
	Other debts	791.371.881	791.371.881	152.041.479	162.424.619	476.905.783	-
	Total	1.078.886.002	439.802.692	439.802.692	162.424.619	476.905.783	-

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:

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

Maturity analysis of overdue receivables of the Company as of 31 December 2017 and 31 December 2016 is shown below:

	31 December 2017					31 December 2016				
	TL Provision	TL	Euro	GBP	Other	TL Provision	TL	Euro	GBP	Other
1. Commercial Receivables	47.670.674	24.224.355	23.379.872	19.998	46.449	16.443.179	6.124.683	9.966.324	242.409	109.763
2a. Monetary Financial Assets	6.409.878	4.450.585	1.841.074	118.220	-	3.237.530	708.426	2.522.833	6.270	-
2b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
3. Other	16.899.489	2.833.407	12.891.611	1.174.472	-	4.151.830	516.938	3.295.594	339.298	-
4. Total of Current Assets (1+2+3)	70.980.041	31.508.347	38.112.557	1.312.689	46.449	23.832.539	7.350.047	15.784.751	587.977	109.763
5. Commercial Receivables	-	5.151.466	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	5.151.466	-	-	-	-	-	-	-	-
6b. Non-monetary Financial Assets	-	5.151.466	-	-	-	-	-	-	-	-
7. Other	-	5.151.466	-	-	-	-	-	-	-	-
8. Total of Fixed Assets	-	-	-	-	-	-	-	-	-	-
9. Total Assets (4+6)	70.980.041	31.508.347	38.112.557	1.312.689	46.449	23.832.539	7.350.047	15.784.751	587.977	109.763
10. Commercial Debts	79.957.822	50.273.923	25.092.318	3.366.439	1.225.142	66.635.843	40.156.047	23.458.566	1.836.008	1.185.223
11. Financial Obligations	240.946	240.946	-	-	-	102.253	102.253	-	-	-
12a. Non-monetary Financial Obligations	-	-	-	-	-	2.515.359	2.515.359	-	-	-
12b. Other Monetary Obligations	336.789.408	333.155.571	3.347.986	7.866	277.985	221.986.497	218.752.830	2.933.202	95.429	205.037
13. Total of Other Short Term Obligations (10+11+12)	416.988.176	383.670.440	28.440.304	3.374.305	1.503.127	291.239.952	261.526.489	26.391.768	1.931.437	1.390.260
14. Commercial Debts	-	-	-	-	-	-	-	-	-	-
15. Financial Obligations	-	-	-	-	-	-	-	-	-	-
16a. Other Monetary Obligations	-	-	-	-	-	-	-	-	-	-
16b. Other Non-monetary Obligations	107.328.996	107.328.996	-	-	-	98.117.311	98.117.311	-	-	-
17. Total of Long Term Obligations (14+15+16)	107.328.996	107.328.996	-	-	-	98.117.311	98.117.311	-	-	-
18. Total Obligations (13+17)	524.317.172	490.999.436	28.440.304	3.374.305	1.503.127	389.357.263	359.643.800	26.391.768	1.931.437	1.390.260
19. Net Foreign Currency Asset / (Obligation) Position (9-13-17)	453.337.131	(459.491.089)	9.672.253	(2.061.616)	(1.456.678)	(365.524.724)	(352.293.753)	(10.607.017)	(1.343.460)	(1.280.497)
20. Monetary Items Net Foreign Currency Asset / (obligation) position (1+2-8-9-10)	(26.118.216)	(21.839.929)	128.627	(3.228.221)	(1.178.693)	(49.572.747)	(35.940.550)	(10.969.409)	(1.587.328)	(1.075.460)

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Foreign currency sensitivity

The Company is exposed to foreign currency risk due to TL, Euro and GBP (2017: 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 be 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 2017 Profit / (Loss) Before Tax	
	Foreign Currency 10% increased value	Foreign Currency 10% decreased value
TL net asset / obligation	(2.183.993)	2.183.993
TL protected from risk (-)	-	-
TL net effect (1+2)	(2.184.493)	2.184.493
Euro net asset / obligation	12.863	(12.863)
Euro protected from risk (-)	-	-
Euro net effect (4+5)	12.863	12.863
GBP net asset / obligation	(322.822)	322.822
GBP protected from risk (-)	-	-
GBP net effect (7+8)	(322.822)	322.822
Other net asset / obligation	(117.869)	117.869
Other protected from risk (-)	-	-
Other net effect (10 +11)	(117.869)	117.869
TOTAL (3+6+9+12)	(2.611.822)	2.611.822

	31 December 2016 Profit / (Loss) Before Tax	
	Foreign Currency 10% increased value	Foreign Currency 10% decreased value
TL net asset / obligation	(3.594.055)	3.594.055
TL protected from risk (-)	-	-
TL net effect (1+2)	(3.594.055)	3.594.055
Euro net asset / obligation	(1.096.941)	1.096.941
Euro protected from risk (-)	-	-
Euro net effect (4+5)	(1.096.941)	1.096.941
GBP net asset / obligation	(158.733)	158.733
GBP protected from risk (-)	-	-
GBP net effect (7+8)	(158.733)	158.733
Other net asset / obligation	(107.546)	107.546
Other protected from risk (-)	-	-
Other net effect (10 +11)	(107.546)	107.546
TOTAL (3+6+9+12)	(4.957.275)	4.957.275

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

c) Risk of interest rate

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

Fair Value of Financial Tools

31 December 2017	Credits and Dues	Financial obligations shown from reimbursed values	Registered Value	Note
Financial assets				
Cash and cash equivalent	11.410.411	-	11.410.411	4
Commercial dues	1.282.615.818	-	1.282.615.818	7, 8
Other dues	1.802.756	-	1.802.756	7, 10
Financial obligations				
Financial dues	-	240.946	240.946	6
Commercial dues	-	367.807.757	367.807.757	7, 8
Other dues	-	432.163.931	432.163.931	7

31 December 2016	Credits and Dues	Financial obligations shown from reimbursed values	Registered Value	Note
Financial assets				
Cash and cash equivalent	5.756.721	-	5.756.721	4
Commercial dues	932.827.864	-	932.827.864	7, 8
Other dues	2.627.763	-	2.627.763	7, 10
Financial obligations				
Financial dues	-	102.253	102.253	6
Commercial dues	-	287.411.868	287.411.868	7, 8
Other dues	-	791.371.881	791.371.881	7

33) Incidents after date of Balance Sheet

None.