TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ

Convenience Translation to English of
Financial Statements
As At and For The Period Ended
31 December 2017 with
Independent Auditors' Report
(Originally Issued in Turkish)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of THY Teknik Anonim Şirketi

A) Audit of the Financial Statements

Opinion

We have audited the financial statements of THY Teknik Anonim Şirketi ("the Company"), which comprise the statement of financial position as at 31 December 2017, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards ("TAS").

Basis for Opinion

We conducted our audit in accordance with Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We declare that we are independent of the Group in accordance with the Code of Ethics for Auditors issued by POA ("POA's Code of Ethics") and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 7 to the financial statements 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 opinion is not qualified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with TAS, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing issued by POA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

B) Other Legal and Regulatory Requirements

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 for the period 1 January - 31 December 2017, the Company's bookkeeping activities and financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

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

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

Hatice Nesrin Tuncer, SMMM
Sorumlu Denetçi
5 March 2018

İstanbul, Türkiye

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

	Notes	Audited 31 December 2017	Audited 31 December 2016
ASSETS			
Current Assets			
Cash and Cash Equivalents	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			
Financial Investments	5	1.485.025	1.485.025
Equity Accounted Investees	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*
Prepaid 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.)

	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 Payables		174.087.689	476.905.783
- Other Payables 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 Never Be Reclassified to Profit or Loss		15.143.884	5.381.036
- Actuarial Losses from Defined Pension Plans		*15.143.884*	*5.381.036*
Items That Are or May Be Reclassified to Profit or Loss		1.350.230.063	1.148.978.860
- Foreign Currency Translation Differences		*1.350.230.063*	*1.148.978.860*
Restricted Profit Reserves		27.152.358	13.084.833
Retained Earnings		390.002.053	119.764.698
Profit for the period		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.

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ
Statement of Profit or Loss and Other Comprehensive Income For The Period Ended 31 December 2017
(All amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

	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**
General Administrative Expenses (-)	21	(314.016.203)	(304.802.474)
Marketing and Sales 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 EXPENSE		**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)**
- Current Tax Expense	27	(178.584.404)	(65.054.623)
- Deferred Tax Expense / (Benefit)	27	86.777.166	(49.255.350)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**303.528.705**	**284.304.880**
OTHER COMPREHENSIVE INCOME			
Not To Be Reclassified to Profit or Loss		**9.762.848**	**6.597.200**
Actuarial Gain From Defined Pension Plans	17	12.516.471	8.246.500
Tax Effect 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 Translation Differences		172.045.866	381.863.823
Currency Translation Differences of Equity Accounted Investees		29.205.337	50.655.169
OTHER COMPHERENSIVE INCOME		**211.014.051**	**439.116.192**
TOTAL COMPHERENSIVE INCOME		**514.542.756**	**723.421.072**

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

TÜRK HAVA YOLLARI TEKNİK ANONİM ŞİRKETİ
Statement of Changes in Shareholders' Equity For The Period Ended 31 December 2017
(All amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

			Accumulated Other Comprehensive Income or Expenses Not to be Reclassified to Profit or Loss	Accumulated Other Comprehensive Income or Expenses to be Reclassified to Profit or Loss		Retained Earnings		
	Paid Share Capital	**Adjustment to Share Capital**	**Actuarial Gain From Defined Pension Plans**	**Currency Translation Differences**	**Restricted Profit Reserves**	**Retained Earnings**	**Net Profit for the Period**	**Total Equity**
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)	-
Total Comprehensive Income	-	-	6.597.200	432.518.992		-	284.304.880	723.421.072
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)	-
Total Comprehensive Income	-	-	9.762.848	201.251.203	-	-	303.528.705	514.542.756
Balances as at 31 December 2017	**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.)

	Notes	Audited 1 January- 31 December 2017	Audited 1 January- 31 December 2016
Profit for the period		303.528.705	284.304.880
Adjustments to reconcile cash flow generated from operating activities:			
Adjustments for depreciation and amortization	11, 13, 14	546.015.420	345.384.261
Adjustments for provisions, net	15	13.825.464	1.045.567
Adjustments for inventory provisions	11	22.006.001	9.361.593
Adjustments for provisions for employee benefits indemnity	17	34.326.836	30.827.478
Adjustments for provisions for doubtful receivables	10, 31	(16.962.983)	9.370.000
Adjustments for interest income and expenses	25	39.789.520	36.474.745
Adjustments for discount for receivables and payables		(48.622)	32.409
Unrealized foreign exchange loss and translation differences		101.681.891	202.187.811
Loss from sale of fixed asset	23	236.743	81.227
Loss from sale of equity accounted investees	23	-	2.176.283
Adjustments for share of investment's profit accounted by using the equity method	3	(45.370.888)	(51.358.957)
Adjustments for deferred tax expense / (benefit)	27	(86.777.166)	49.255.350
Adjustments for tax expense	27	178.584.404	65.054.623
Operating Profit Before Working Capital Changes		**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 in other receivables		825.007	17.437.634
Adjustments for (decrease)/ increase 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/ (decrease) 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/ (decrease) in other current liabilities		156.519	(2.420.931)
Cash Flows Generated From Operating Activities		**807.444.295**	**181.945.958**
Interest received	25	125.645	147.788
Taxes paid		(146.855.172)	(102.581.922)
Employee benefits indemnity paid	17	(12.598.680)	(4.255.261)
Net Cash Generated From Operating Activities		**648.116.088**	**75.256.563**
Cash Flows Generated From Investing Activities			
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)
Proceeds from sale of investment		-	4.400.000
Cash outflow arising from capital increase in investments		-	(3.980.000)
Cash Flows Used in Investing Activities		**(182.318.270)**	**(83.347.920)**
Cash Flows Generated From Financing Activities			
Interest payment		(28.527.585)	(33.730.840)
Change in other payables to related parties		(431.755.236)	52.718.418
Proceeds from borrowings		-	-
Repayment of borrowings		138.693	(11.022.976)
Net Cash (Used in)/ Generated From Financing Activities		**(460.144.128)**	**7.964.602**
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		**5.653.690**	**(126.755)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE 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 integral part of these financial statements.

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

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

Türk Hava Yolları Teknik Anonim Şirketi ("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 average employees working for the company as at 31 December 2017 is 6.799 (31 December 2016: 6.161). Total number of employees working for the company as at 31 December 2017 is 7,435 (31 December 2016: 6,417).

	31 December 2017	31 December 2016
Administrative staff	1.928	1.763
Production staff	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

Associates

As at 31 December 2017 and 31 December 2016, associates accounted by using equity method and participation rate of the Company in these associates are as below:

		Participation Rate		
Name of the Company	**Principal Activity**	**31 December 2017**	**31 December 2016**	**Country of Registration**
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 Interior	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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.1 Basis of Preparation *(continued)*

Adjustment of Financial Statements in Hyperinflationary Periods

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

Basis of Measurements

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

Functional and Reporting Currency

Functional Currency

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

Translation to the presentation currency

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

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

Basis of the Consolidation

As at 31 December 2017, the company has three associates (31 December 2016: 3 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. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

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 were approved by the Company management on 5 March 2018. The Company's General Assembly has the right to amend the financial statements.

2.3 Changes in Accounting Policies

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

2.4 Changes and Errors in Accounting Estimates

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

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

The significant estimates and assumptions used in preparation of these financial statements as at 31 December 2017 are same with those used in the preparation of the Company's financial statements as at 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 sales returns and sales discounts.

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

- The company has transferred to the buyer all the significant risks and rewards of ownership,
- The company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will flow to the entity,
- 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 reflected in the financial statement on an 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. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.5 Summary of Significant Accounting Policies *(continued)*

2.5.2 Inventories

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

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

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

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

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:

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

2.5.4 Intangible Assets

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.5 Summary of Significant Accounting Policies *(continued)*

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

2.5.7 Financial Instruments

Financial Assets

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

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

Income related to financial assets other than financial assets at fair value through profit or loss are calculated using the effective interest method.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.5 Summary of Significant Accounting Policies *(continued)*

2.5.7 Financial Instruments (continued)

Financial Assets *(continued)*

Financial assets at fair value through profit or loss

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

Held-to-maturity investments

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

2.5.8 Foreign Currency Transaction

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.

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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.5 Summary of Significant Accounting Policies *(continued)*

2.5.11 Provisions, Contingent Liabilities and Contingent Assets (continued)

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

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

2.5.13 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. The carriying amount at deferred tax assets 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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.5 Summary of Significant Accounting Policies *(continued)*

2.5.13 Taxation and Deferred Tax (continued)

Deferred tax (continued)

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. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.6 Significant 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 TL 103.820.029 as at 31 December 2017 (31 December 2016: TL 112.855.047).

2.6.3 Deferred Tax

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

2.7 New and Revised Standards and Interpretation

New standards and interpretations not yet adopted as of 31 December 2017

New standards, interpretations and amendments to existing standards are not effective at reporting date but earlier application is permitted; however the Company has not early adopted are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, after the new standards and interpretations become in effect.

TFRS 15 Revenue from Contracts with Customers

As issued in September 2016 by POA, the new standard replaces existing TFRS guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which companies to be entitled, rather than fair value and new guidance have been introduced on separating performance obligations for goods and services in a contract and recognition of revenue over time. TFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Company is assessing the potential impact on its financial statements resulting from the application of TFRS 15.

TFRS 9 Financial Instruments (2017 version)

TFRS 9 *Financial Instruments*, has been published by POA in January 2017, replaces the existing guidance in TAS 39 *Financial Instruments: Recognition and Measurement*. It also carries forward the guidance on recognition, classification, measurement and derecogniton of financial instruments from TAS 39 to TFRS 9. The last version of TFRS 9 includes a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements and also includes guidance issued in previous versions of TFRS 9. The Standard is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is assessing the potential impact on its financial statements resulting from the application of TFRS 9.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.7 New and Revised Standards and Interpretation *(continued)*

TFRS Interpretation 22 – Foreign Currency Transactions and Advance Consideration

TFRS Interpretation 22 "*Foreign Currency Transactions and Advance Consideration*" has been published by POA in December 2017 to clarify the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. This Interpretation is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Company is assessing the potential impact on its financial statements resulting from the application of TFRS Interpretation 22.

Amendments to TFRS 2 – Classification and Measurement of Share-based Payment Transactions

POA has issued amendments to TFRS 2 Share-Based Payment in December 2017to improving consistency and resolve some long-standing ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement of cash-settled share-based payments as equity-settled share-based payments. If certain conditions are met, share-based payments settled net of tax withholdings are accounted for as equity-settled share-based payments. The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted. The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to TFRS 2.

TAS 40 – Transfers of Investment Property

Amendments to IAS 40 - Transfers of Investment Property issued by POA in December 2017 have been made to clarify uncertainty about that provide evidence of transfer of /from investment property to other asset groups. A change in management's intentions for the use of property does not provide evidence of a change in intended use. Therefore, when an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognized (eliminated from the statement of financial position) and does not reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to TAS 40.

Annual Improvements to TFRSs 2014-2016 Cycle

Improvements to TFRSs

POA has issued Annual Improvements to TFRSs - 2014–2016 Cycle for applicable standards. The amendments are effective as of 1 January 2018. Earlier application is permitted. The Company does not expect that application of these improvements to TFRSs will have significant impact on its financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.7 New and Revised Standards and Interpretation *(continued)*

Annual Improvements to TFRSs 2014-2016 Cycle *(continued)*

TFRS 1 "First Time Adoption of Turkish Financial Reporting Standards"

TFRS 1 is amended to removing of the outdated short-term exemptions for first-time adopters within the context of 'Annual Improvements to TFRSs 2012-2014 Cycle' related to disclosures for financial instruments, employee benefits and consolidation of investment entities.

TAS 28 "Investments in Associates and Joint Ventures"

The amendment enable when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with TFRS 9.

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

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

IFRS 16 Leases

On 13 January 2016, IASB issued the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to IAS 40 *Investment Properties*. IFRS 16 *Leases* eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15 Revenue from Contracts with Customers. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

IFRIC 23 –Uncertainty Over Income Tax Treatments

On 17 June 2017, IASB issued IFRIC 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. The Interpretation is effective from 1 January 2019 with earlier application is permitted. The Company is assessing the potential impact on its financial statements resulting from the application of IFRIC 23.

Annual Improvements to IFRSs 2015-2017 Cycle

Improvements to IFRSs

IASB issued Annual Improvements to IFRSs - 2015–2017 Cycle. The amendments are effective as of 1 January 2019. Earlier application is permitted. The Company does not expect that application of these improvements to IFRSs will have significant impact on its financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.7 New and Revised Standards and Interpretation *(continued)*

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

Annual Improvements to IFRSs 2015-2017 Cycle *(continued)*

Improvements to IFRSs *(continued)*

IFRS 3 Business Combinations and *IFRS 11 Joint Arrangements*

IFRS 3 and IFRS 11 are amended to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.

IAS 12 Income Taxes

IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income (OCI) or equity.

IAS 23 Borrowing Costs

IAS 23 is amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool.

Amendments to TAS 28- Long-term *interests in Associates and Joint Ventures*

On December 2017, POA has issued amendments to TAS 28 to clarify that entities also apply TFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity’s net investment in an associate or joint venture. An entity applies IFRS 9 to such long-term interests before it applies related paragraphs of TAS 28. In applying TFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying TAS 28. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to TAS 28.

Amendments to IFRS 9 - Prepayment features with negative compensation

On December2017, POA has issued amendments to TFRS 9 to clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of TFRS 9. Under TFRS 9, a prepayment option in a financial asset meets this criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include ‘reasonable additional compensation’ for early termination of the contract. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to TFRS 9.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.7 New and Revised Standards and Interpretation *(continued)*

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

IFRS 17 –Insurance Contracts

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly globally accepted standard for insurance contracts will help investors and others better understand insurers’ risk exposure, profitability and financial position. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. IFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 17.

3. SHARES IN OTHER SUBSIDARIES

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

	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**

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

	31 December 2017	31 December 2016
Current assets	488.370.193	468.735.298
Non-current assets	125.120.121	121.630.474
Sort-term liabilities	98.490.888	205.567.582
Long-term liabilities	85.518.026	72.147.475
Equity	429.481.400	312.650.715
Company’s share in equity (% 49)	**210.445.886**	**153.198.850**

	1 January - 31 December 2017	1 January - 31 December 2016
Revenue	1.917.544.276	1.032.065.269
Profit for the period	89.876.777	103.504.841
Company’s share in profit for the period (% 49)	**44.039.621**	**50.717.372**

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

3. SHARES IN OTHER SUBSIDARIES *(continued)*

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

	31 December 2017	31 December 2016
Current assets	25.063.720	16.484.162
Non-current assets	3.002.449	2.372.799
Sort-term liabilities	13.267.029	8.427.840
Long-term liabilities	493.840	-
Equity	14.305.300	10.429.122
Company's share in equity (% 40)	**5.722.120**	**4.171.649**

	1 January - 31 December 2017	1 January - 31 December 2016
Revenue	54.582.444	30.730.738
Profit for the period	2.972.542	3.497.573
Company's share in profit for the period (% 40)	**1.189.017**	**1.399.029**

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

	31 December 2017	31 December 2016
Current assets	27.541.207	33.773.844
Non-current assets	8.885.272	1.440.205
Sort-term liabilities	14.453.495	15.300.128
Long-term liabilities	-	-
Equity	21.972.985	19.913.922
Company's share in equity (% 20)	**4.394.597**	**3.982.784**

	1 January - 31 December 2017	1 January - 31 December 2016
Revenue	25.250.475	20.198.191
Profit / (Loss) for the period	711.251	(3.787.218)
Company's share in profit/ (loss) for the period (% 20)	**142.250**	**(757.444)**

Shares of investment's profit (losses) accounted by using equity method are as follows:

	1 January - 31 December 2017	1 January - 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**

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

4. CASH AND CASH EQUIVALENTS

As at 31 December details of cash and cash equivalents are as follows:

	31 December 2017	31 December 2016
Banks (demand deposits)	1.604.137	2.932.723
Banks (time deposits)	9.806.274	2.823.998
	11.410.411	**5.756.721**

As at 31 December 2017 and 2016, details of the time deposits are as follows:

Capital	Currency	Opening date	Interest rate	Maturity	31 December 2017
4.232.000	TL	29 December 2017	%13,42	2 January 2018	4.232.000
405.000	EUR	29 December 2017	%0,25	2 January 2018	1.828.778
993.000	USD	29 December 2017	%0,50	2 January 2018	3.745.496
					9.806.274

Capital	Currency	Opening date	Interest rate	Maturity	31 December 2016
350.000	TL	30 December 2016	%8,74	2 January 2017	350.000
703.000	USD	30 December 2016	%0,50	2 January 2017	2.473.998
					2.823.998

5. FINANCIAL INVESTMENTS

As at 31 December details of financial investments are as follows:

	31 December 2017	Share %	31 December 2016	Share %
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 at 31 December details of other financial liabilities are as follows:

	31 December 2017	31 December 2016
Payables to banks	240.946	102.253
	240.946	**102.253**

As at 31 December details of other financial liabilities are as follows:

31 December 2017

Name of Bank	Maturity	Original amount	Currency	Amount
Finansbank	2 January 2018	218.330	TL	218.330
Finansbank	3 January 2018	22.616	TL	22.616
				240.946

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

6. OTHER FINANCIAL LIABILITIES *(continued)*

31 December 2016

Name of Bank	Maturity	Original amount	Currency	Amount
Finansbank	3 January 2017	75.384	TL	75.384
Finansbank	2 January 2017	26.869	TL	26.869
				102.253

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

7. RELATED PARTY TRANSACTIONS

As at 31 December short term trade receivables from related parties are as follows:

	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 Ekspress")	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 at 31 December short term trade receivables from related parties are as follows:

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

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

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

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

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

7. RELATED PARTY TRANSACTIONS *(continued)*

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

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

As at 31 December advances received from related parties are as follows:

	31 December 2017	31 December 2016
THY A.O. (Note 12)	396.199.062	359.952.538
	396.199.062	**359.952.538**

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

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**

Purchases	**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 expenses	**31 December 2017**	**31 December 2016**
THY A.O.	28.375.080	34.022.226
	28.375.080	**34.022.226**

For the years ended 31 December 2017, total amount of salaries and other benefits provided to key management personnel is TL 4.134.486 (31 December 2016: TL 4.180.788).

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

8. TRADE RECEIVABLES AND PAYABLES

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

	31 December 2017	31 December 2016
Trade receivables	221.228.422	185.231.934
Notes receivables	22.204.014	21.176.011
Discount on receivables	(122.198)	(44.828)
Provision for doubtful receivables (*)	(103.820.029)	(112.855.047)
	139.490.209	**93.508.071**

(*) Provision for doubtful receivables has been determined based on last experiences for uncollectible receivables. Details for credit risk, foreign currency risk and impairment for trade receivables of the company are explained in Note 31.

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

	31 December 2017	31 December 2016
Trade payables	277.943.782	221.481.850
Accrued expenses	31.329.267	34.893.668
Discount on payables	(247.092)	(117.134)
	309.025.957	**256.258.384**

9. PAYABLES RELATED TO EMPLOYEE BENEFITS

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

	31 December 2017	31 December 2016
Salary accruals (*)	62.505.007	52.079.448
Social security premiums payable	45.713.067	31.966.236
Premiums (**)	43.617.919	-
Personnel credit card payables	58.557	66.898
Payables to personnel	-	15.202
	151.894.550	**84.127.784**

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

(**) Premiums comprise of annual premium payment to the employees. The premium amount of the year 2017 is paid in February 2018.

10. OTHER RECEIVABLES AND PAYABLES

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

	31 December 2017	31 December 2016
Deposits and guarantees given	230.045	227.518
Other receivables	142.244	460.102
Receivables from personnel	88.558	322.254
Receivables from foreign technical suppliers	-	410.540
Doubtful receivables	37.115	-
Provision for doubtful receivables (-)	(37.115)	-
	460.847	**1.420.412**

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

10. OTHER RECEIVABLES AND PAYABLES *(continued)*

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

	1 January - 31 December 2017	1 January - 31 December 2016
Provision at the beginning of the period	-	1.305
Foreign currency translation	37.115	-
Collections during year	-	(1.305)
Provision at the end of the period	**37.115**	**-**

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

	31 December 2017	31 December 2016
Taxes and funds payable	94.412.729	77.984.130
Other payables	58.300.082	3.736.562
Deposits and guaranteed received	10.962.505	9.407.338
	163.675.316	**91.128.030**

11. INVENTORIES

As at 31 December inventories are as follows:

	31 December 2017	31 December 2016
Components and repairable spare parts	1.975.288.095	1.764.194.845
Technical equipment inventories	689.446.523	773.581.588
Technical equipment inventories in transit	100.895.629	63.353.219
Scrap equipment inventories	94.234.469	67.790.879
Accumulated depreciation of components and repairable spare parts (-)	(1.075.937.466)	(714.430.667)
Provision for impairment of inventories (-)	(94.234.469)	(67.790.879)
	1.689.692.781	**1.886.698.985**

As at 31 December 2016, inventories were insured to the extent of TL 942.975.000 (31 December 2016: TL 879.800.000).

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

	1 January - 31 December 2017	1 January - 31 December 2016
Provision at the beginning of the period	67.790.879	47.542.042
Foreign currency translation	4.437.589	10.887.244
Current period provision	22.006.001	9.361.593
Provision at the end of the period	**94.234.469**	**67.790.879**

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

11. INVENTORIES (*continued*)

For the year ended 31 December 2017, the movement of components and repairable spare parts are as follows:

Cost	**Components and repairable spare parts**
Opening balance as at 1 January 2017	1.764.194.845
Foreign currency translation	126.679.935
Additions	270.365.318
Disposals	(185.952.003)
Closing balance as at 31 December 2017	**1.975.288.095**
Accumulated depreciation	
Opening balance as at 1 January 2017	714.430.667
Foreign currency translation	61.781.249
Current charge for the period	364.901.825
Disposals	(65.176.275)
Closing balance as at 31 December 2017	**1.075.937.466**
Net book value as at 31 December 2017	**899.350.629**

For the year ended 31 December 2016 the movement of components and repairable spare parts are as follows:

Cost	**Components and repairable spare parts**
Opening balance as at 1 January 2016	1.383.119.414
Foreign currency translation	290.932.671
Additions	306.435.139
Disposals	(216.292.379)
Closing balance as at 31 December 2016	**1.764.194.845**
Accumulated depreciation	
Opening balance as at 1 January 2016	493.468.201
Foreign currency translation	120.482.156
Current charge for the period	199.288.180
Disposals	(98.807.870)
Closing balance as at 31 December 2016	**714.430.667**
Net book value as at 31 December 2016	**1.049.764.178**

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

12. PRE-PAID EXPENSES AND DEFERRED INCOME

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

	31 December 2017	31 December 2016
Advances given for orders (*)	29.833.497	8.269.258
Short-term prepaid expenses (**)	14.899.525	6.552.499
	44.733.022	**14.821.757**

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

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

	31 December 2017	31 December 2016
Advances given for fixed asset purchases	-	1.516.736
Long-term prepaid expenses (**)	12.904.891	14.412.683
	12.904.891	**15.929.419**

(**) TL 14.910.481 of prepaid expenses comprise costs related with Kıyı Emniyeti Genel Müdürlüğü ("KEGM") in order to hire the land of Devlet Hava Meydanları İşletmesi Genel Müdürlüğü ("DHMİ") (31 December 2016: TL 16.120.371).

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

	31 December 2017	31 December 2016
Advances received (*)	406.871.440	360.296.572
Short-term deferred income	38.385.145	39.933.979
	445.256.585	**400.230.551**

(*) Advances received consist of order advances received from THY A.O. amounting to TL 396.199.062 (31.12.2016: TL 359.952.538). (Note 7)

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

	31 December 2017	31 December 2016
Long-term deferred income	-	598.695
	-	**598.695**

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

13. PROPERTY AND EQUIPMENT

For the year ended 31 December 2017, the movement of property and equipment are as follows:

	Plant, Machinery and Equipment	Vehicles	Furniture and Fixtures	Other Tangible Assets	Construction in Progress	Leasehold Improvements	Total
Cost							
Opening balance as at 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 translation	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
Disposals	(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)
Closing balance as at 31 December 2017	**539.523.714**	**30.512.552**	**115.621.323**	**12.576.336**	**56.874.146**	**1.625.894.573**	**2.381.002.644**
Accumulated depreciation							
Opening balance as at 1 January 2017	262.245.979	18.746.923	61.839.277	5.101.138	-	320.196.763	668.130.080
Foreign currency translation	20.504.398	1.452.252	4.824.789	420.720	-	26.372.441	53.574.597
Current charge for the period	48.094.383	3.372.681	12.289.151	1.561.358	-	96.670.394	161.987.967
Disposals	(235.174)	(343.071)	(1.297.574)	-	-	-	(1.875.819)
Transfers	-	4.845	-	(4.845)	-	-	-
Closing balance as at 31 December 2017	**330.609.586**	**23.233.630**	**77.655.640**	**7.078.371**	**-**	**443.239.598**	**881.816.825**
Net book value as at 1 January 2017	**202.678.436**	**7.753.975**	**37.976.076**	**5.279.605**	**8.141.031**	**1.131.931.326**	**1.393.760.449**
Net book value as at 31 December 2017	**208.914.130**	**7.278.922**	**37.965.683**	**5.497.965**	**56.874.146**	**1.182.654.975**	**1.499.185.819**

(*) As at 31 December 2017, construction in progress amounting to TL 587.658 is transferred to intangible assets.

As at 31 December 2017, property and equipment were insured amounting to TL 330.568.430 against earthquake, fire, flood and similar disasters (31 December 2016: TL 300.391.450).

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

13. PROPERTY AND EQUIPMENT (*continued*)

For the year 31 December 2016, the movement of property and equipment are as follows:

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

(*) As at 31 December 2016, construction in progress amounting to TL 2.369.878 TL is transferred to intangible assets.

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

14. INTAGIBLE ASSETS

For the year ended 31 December 2017, the movement of other intangible assets is as follows:

	Rights
Cost	
Opening balance as at 1 January 2017	80.662.749
Foreign currency translation	5.792.077
Additions	8.562.239
Transfer	587.658
Closing balance as at 31 December 2017	**95.604.723**
Accumulated depreciation	
Opening balance as at 1 January 2017	57.287.403
Foreign currency translation	4.782.368
Current charge for the period	19.125.628
Closing balance as at 31 December 2017	**81.195.399**
Net book value as at 31 December 2017	**14.409.324**

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

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

15. PROVISIONS, CONTINGENTS AND LIABILITIES

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

(a) Short-term provisions for employee benefits

	31 December 2017	**31 December 2016**
Provisions for unused vacation	19.816.701	18.746.312
	19.816.701	**18.746.312**

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

15. PROVISIONS, CONTINGENTS AND LIABILITIES (*continued*)

(a) Short-term provisions for employee benefits *(continued)*

For the periods ended 31 December 2017 and 2016 the movements of provision for unused vacation are as follows:

	1 January – 31 December 2017	1 January – 31 December 2016
Provision at the beginning of the period	18.746.312	13.033.930
Foreign currency translation	2.288.996	1.043.628
Current period charge	1.080.920	5.756.966
Provision no longer required	(2.299.527)	(1.088.212)
Provision at the end of the period	**19.816.701**	**18.746.312**

(b) Other short-term provisions

	31 December 2017	31 December 2016
Provision for legal claims	28.249.913	12.479.422
	28.249.913	**12.479.422**

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

	1 January – 31 December 2017	1 January – 31 December 2016
Provision at the beginning of the period	12.479.422	17.071.905
Foreing currency translation	726.420	(969.296)
Current period charge (Note 22)	18.601.089	2.479.701
Provision no longer required	(3.557.018)	(6.102.888)
Provision at the end of the period (*)	**28.249.913**	**12.479.422**

(*) As at 31 December 2017, provision for legal claims amounting to TL 17.735.274 is related with reinstatement cases (31 December 2016: TL 6.094.844).

16. COMMITMENTS AND CONTINGENTIES

Company as lessee

Leasing Agreements:

Leasing period is 20 years and is related to the construction in progress of aircraft hangar land.

As at 31 December 2017 leasing payment amounting to TL 13.521.757 (31 December 2016: TL 12.588.211) is accounted as rent expense in income statement.

Commitments related to operating leasing that can not be cancelled	31 December 2017	31 December 2016
Within one year	16.697.583	15.528.138
One- five years	76.497.324	69.323.380
After five years	85.579.317	102.309.766
	178.774.224	**187.161.284**

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

17. EMPLOYEE BENEFITS

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

	31 December 2017	31 December 2016
Provision for employee benefits	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 at 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 at 31 December 2017 are calculated by estimating present value of contingent liabilities due to retirement of employees. Provisions in the relevant balance sheet dates are calculated with the assumptions of 7,00% annual inflation rate (31 December 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
Provisions at the beginning of the period	98.117.311	79.791.594
Service charge for the period	23.163.671	28.091.420
Interest charges	11.163.165	2.736.058
Payments	(12.598.680)	(4.255.261)
Actuarial gain	(12.516.471)	(8.246.500)
Provisions at the end of the period	**107.328.996**	**98.117.311**

18. OTHER ASSET AND LIABILITIES

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

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

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

19. SHAREHOLDERS' EQUITY

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

	%	31 December 2017	%	31 December 2016
THY A.O.	100	960.850.000	100	960.850.000
		960.850.000		**960.850.000**

As at 31 December 2017, the Company's share capital is comprised of 960.850.000 shares issued with par value of TL 1 each (2016: 960.850.000 shares with par value of TL 1 each). These shares are written to the name. The Company is not included in the registered capital system.

Restricted Profit Reserves

Restricted reserves assorted from profit consist of legal reserves.

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.

Foreign Currency Translation Differences

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

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

	31 December 2017	31 December 2016
Share capital	960.850.000	960.850.000
Adjustments to share capital	84.081	84.081
Items that will never be reclassified to profit or loss	15.143.884	5.381.036
Foreign currency translation	1.350.230.063	1.148.978.860
Restricted profit reserves	27.152.358	13.084.833
Retained earnings	390.002.053	119.764.698
Net profit for the period	303.528.705	284.304.880
	3.046.991.144	**2.532.448.388**

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

20. REVENUE AND COST OF SALES

For the periods ended 31 December revenue is as follows:

	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
Others	109.340.052	97.339.950
Revenue	**4.040.510.743**	**3.204.366.274**
Cost of sales (-)	(3.346.510.650)	(2.532.310.015)
Gross profit	**694.000.093**	**672.056.259**

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

	1 January - 31 December 2017	1 January - 31 December 2016
Equipment expenses	1.086.779.843	786.105.256
Personnel expenses	925.500.949	762.572.616
Depreciation and amortization expenses	462.756.607	260.443.327
Maintenance expenses	411.545.660	311.990.530
Service expenses	316.707.333	283.008.188
Transportation expenses	83.765.759	65.933.018
Rent expenses	17.606.649	15.744.583
Utilization expenses	10.410.692	9.412.583
Others	31.437.158	37.099.914
	3.346.510.650	**2.532.310.015**

21. RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTUION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

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

	1 January - 31 December 2017	1 January - 31 December 2016
Personnel expenses	122.136.724	118.646.558
Depreciation and amortization expenses	82.336.115	84.769.905
Service expenses	38.981.667	35.920.936
Equipment expenses	12.829.827	11.658.954
Utilization expenses	7.927.512	9.075.790
Rent expenses	9.031.024	9.094.567
Others	40.773.334	35.635.764
	314.016.203	**304.802.474**

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

21. RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTUION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES (*continued*)

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

	1 January - 31 December 2017	1 January - 31 December 2016
Personnel expenses	9.286.239	7.098.941
Advertising and promotion expense	3.840.700	1.843.300
Service expenses	3.224.412	747.727
Depreciation and amortization expenses	635.432	33.641
Equipment expenses	545.768	803.022
Others	2.232.409	1.848.274
	19.764.960	**12.374.905**

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

	1 January - 31 December 2017	1 January - 31 December 2016
Personnel expenses	9.693.647	8.268.019
Service expenses	1.889.134	549.986
Depreciation and amortization expenses	287.266	137.388
Others	981.260	1.431.146
	12.851.307	**10.386.539**

22. OTHER OPERATING INCOME AND EXPENSES

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

	1 January - 31 December 2017	1 January - 31 December 2016
Reversal of provision for doubtful receivables (Note 31)	25.519.100	4.032.438
Late payment interest income of trade receivables	11.511.413	1.228.138
Reversal of provision for law suits (Note 15)	3.557.018	6.102.888
Plant maintenance income	3.377.708	3.380.456
Insurance, indemnities and penalties income	2.238.827	3.493.449
Foreign exchange gain from trade operations, net	1.151.278	2.354.114
Others	7.869.096	7.816.574
	55.224.440	**28.408.057**

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

	1 January - 31 December 2017	1 January - 31 December 2016
Provision for law suits (Note 16)	18.638.204	2.479.701
Provision for doubtful receivables (Note 10,31)	8.556.117	13.402.768
Others	7.518.548	6.837.984
	34.712.869	**22.720.453**

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

23. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

For the periods ended 31 December income and expenses from investing activities are as follows:

	1 January - 31 December 2017	**1 January - 31 December 2016**
Loss on sale of equity accounted investees	-	2.176.283
Loss on sales of fixed assets	236.743	81.227
	236.743	**2.257.510**

24. EXPENSES RECALASSIFIED ON THE BASIS OF LINE

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

25. FINANCIAL INCOME AND EXPENSES

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

	1 January - 31 December 2017	**1 January - 31 December 2016**
Foreign exchange gains	22.112.124	35.808.206
Interest income	125.645	147.788
	22.237.769	**35.955.994**

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

	1 January - 31 December 2017	**1 January - 31 December 2016**
Interest expenses on loans	28.527.585	33.730.840
Cost of employee termination benefits interest (Note 17)	11.163.165	2.736.058
Bank expenses	224.415	155.635
	39.915.165	**36.622.533**

26. ANALYSIS OF OTHER COMPHERENSIVE INCOME COMPONENTS

For the period ended 31 December 2017, the Company's other comprehensive income which is not to be reclassified to profit or loss is TL 9.762.848 as income (31 December 2016: TL 6.597.200 as income), other comprehensive income to be reclassified to profit or loss is TL 201.251.203 as income (31 December 2016: TL 432.518.992 as income).

27. TAX ASSET AND LIABILITIES

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

	31 December 2017	**31 December 2016**
Current corporate tax provision	185.570.906	81.408.734
Prepaid taxes and funds	(138.832.740)	(73.386.302)
Current tax liabilities	**46.738.166**	**8.022.432**

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

	1 January- 31 December 2017	**1 January- 31 December 2016**
Curent period tax expense	(178.584.404)	(65.054.623)
Deferred tax expense / (benefit)	86.777.166	(49.255.350)
Tax expense from continuing operations	**(91.807.238)**	**(114.309.973)**

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

27. TAX ASSET AND LIABILITIES (*continued*)

Corporate Tax

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

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

In accordance with Article 91 of the "Law on Amendments to Certain Tax Laws and Other Laws" numbered 7061 and published in the Official Gazette dated 5 December 2017, corporate tax rate for the years 2018, 2019 and 2020 has increased from 20 % to 22 % and then the tax rate will continue as 20 %. Therefore, deferred tax assets and liabilities as of 31 December 2017 are calculated with 22 percent tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20 percent tax for those which will be realized after 2021 and onwards. (2016: 20 %).

Corporations are required to pay advance corporation tax quarterly at the rate of 20 percent on their corporate income. Tax payments that are made in advance during the year are being deducted from the total final tax liability of the fiscal year. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government. With the amendment made in the law, this ratio was set at 22% for the years 2018, 2019 and 2020.

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.

Deferred Tax

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

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017,"Bazı Vergi Kanunları İle Diğer Bazı Kanunlarda Değişiklik Yapılmasına Dair Kanun", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20 percent to 22 percent. Therefore, deferred tax assets and liabilities as of 31 December 2017 are calculated with 22 percent tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20 percent tax for those which will be realized after 2021 and onwards. (2016: 20 %).

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

	31 December 2017	**31 December 2016**
Inventories	(42.439.496)	(122.372.766)
Fixed assets	(132.849.183)	(123.865.962)
Provision for employment termination indemnity	23.612.379	18.303.054
Provision for doubtful receivables	7.072.697	9.206.449
Provision for vacation pay	4.359.674	3.749.262
Provision for legal claims	6.214.981	2.152.177
Others	3.816.903	9.738.396
	(130.212.045)	**(203.089.390)**

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

27. TAX ASSET AND LIABILITIES (*continued*)

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

	1 January - 31 December 2017	1 January - 31 December 2016
Deferred tax liability at the beginning of the period	203.089.390	124.096.243
Foreign currency translation	11.146.198	28.088.497
Deferred tax (benefit) / expense	(86.777.166)	49.255.350
Tax loss of actuarial losses from defined pension plans	2.753.623	1.649.300
Deferred tax liability at the end of the period	**130.212.045**	**203.089.390**

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

	1 January - 31 December 2017	1 January - 31 December 2016
Reconciliation of current tax provision		
Profit from operations before tax	395.335.943	398.614.853
%20 tax rate	(79.067.189)	(79.722.971)
Taxation effects on:		
- foreign exchange rate translation loss	(21.780.162)	(36.001.908)
- deductions	10.335.165	1.255.493
- non-deductible expenses	(10.369.230)	(10.112.378)
- equity accounted investees	9.074.178	10.271.791
	(91.807.238)	**(114.309.973)**

28. EARNINGS PER SHARE

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

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

	1 January – 31 December 2017	1 January – 31 December 2016
Number of total outstanding shares as of 1January (in full)	960.850.000	960.850.000
Number of outstanding shares as of 31 December (in full)	960.850.000	960.850.000
Weighted Average number of shares outstanding during the period (in full)	960.850.000	960.850.000
Net income for the period	303.528.705	284.304.880
Earnings per share (Kr)	**31,59**	**29,59**

29. EFFECT OF EXHANGE RATE CHANGES

Analysis of effects of exchange rate changes as at 31 December 2017 and 2016 is presented in Note 31.

30. REPORTING IN HYPERINFLATIONARY ECONOMIES

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

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 optimization 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.

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

31. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (*continued*)

(b) Financial risk factors (continued)

	Receivables				
	Trade Receivables		Other Receivables		
31 December 2017	**Related party**	**Third party**	**Related party**	**Third party**	**Deposits in banks**
Maximum Credit Risk as of balance sheet date (*)	1.143.125.609	139.490.209	1.341.909	460.847	11.410.411
- The part of maximum risk under guarantee with collateral etc.	-	*4.917.184*	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	1.143.125.609	46.528.472	1.341.909	460.847	11.410.411
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-
C. Net book value of financial assets that are past due but not impaired					
- the part under guarantee with collateral etc.	-	92.961.737	-	-	-
D. Net book value of impaired assets	-	*4.917.184*	-	-	-
- Past due (gross carrying amount)					
- Impairment (-)	-	103.820.029	-	(37.115)	-
- The part of net value under guarantee with collateral etc.	-	*(103.820.029)*	-	*37.115*	-
- Not past due (gross carrying amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-
E. Off balance sheet items with credit risk	-	-	-	-	-

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

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

31. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (*continued*)

(b) Financial risk factors (continued)

	Receivables				
	Trade Receivables		Other Receivables		
31 December 2016	**Related party**	**Third party**	**Related party**	**Third party**	**Deposits in banks**
Maximum Credit Risk as of balance sheet date (*)	839.319.793	93.508.071	1.207.351	1.420.412	5.756.721
- The part of maximum risk under guarantee with collateral etc.	-	*5.151.466*	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	839.319.793	16.705.923	1.207.351	1.420.412	5.756.721
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-
C. Net book value of financial assets that are past due but not impaired					
- the part under guarantee with collateral etc.	-	76.802.148	-	-	-
D. Net book value of impaired assets	-	*5.151.466*	-	-	-
- Past due (gross carrying amount)					
- Impairment (-)	-	112.855.047	-	-	-
- The part of net value under guarantee with collateral etc.	-	*(112.855.047)*	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-
E. Off balance sheet items with credit risk	-	-	-	-	-

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

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

31. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (*continued*)

(b) Financial risk factors (continued)

Credit risk management

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

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

The company's aging of past due receivables as at 31 December 2017 and 2016 are as follows:

31.12.2017	**Trade Receivables**	**Other Receivables**	**Deposits in Banks**	**Others**	**Total**
Past due 1-30 days	40.450.648	-	-	-	40.450.648
Past due 1-3 months	22.517.500	-	-	-	22.517.500
Past due 3-12 months	12.150.063	-	-	-	12.150.063
Past due 1-5 years	17.843.526	-	-	-	17.843.526
Total past due receivables	92.961.737	-	-	-	92.961.737
The part under guarantee with collateral etc.	4.917.184	-	-	-	4.917.184

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

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

31. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (*continued*)

(b) Financial risk factors (continued)

Credit risk management (continued)

As of balance sheet date, total amount of cash collateral and letter of guarantees which are received by the Company for past due but not impaired receivables amounts to TL 4.917.184 (31 December 2016: TL 5.151.466).

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

Impairment

Provisions for doubtful trade receivables consist of provisions for receivables in legal dispute and provisions calculated based on experiences on uncollectible receivables. Changes in provisions for doubtful receivables for the years ended 31 December 2017 and 2016 is as follows:

	1 January - 31 December 2017	**1 January - 31 December 2016**
Provision at the beginning of the period	112.855.047	89.848.198
Foreign currency translation	7.965.080	13.636.519
Current period charge (Note 22)	8.519.002	13.402.768
Collections during period	(25.519.100)	(4.032.438)
Provision at the end of the period	**103.820.029**	**112.855.047**

Liquidity risk management

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

The tables below demonstrate the maturity distribution of non-derivative financial liabilities 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.

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

31. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (*continued*)

(b) Financial risk factors (continued)

Liquidity risk management (continued)

Liquidity risk tables

31.12.2017

Due date on contract	Book value	Total cash outflow according to the contract	Less than 3 months	3-12 months	1-5 years	More than 5 years
Non-derivative financial liabilities						
Financial borrowings	240.946	240.946	240.946	-	-	-
Trade payables	367.807.757	368.054.849	368.054.849	-	-	-
Other payables	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

Due date on contract	Book value	Total cash outflow according to the contract	Less than 3 months	3-12 months	1-5 years	More than 5 years
Non-derivative financial liabilities						
Financial borrowings	102.253	102.253	102.253	-	-	-
Trade payables	287.411.868	287.658.960	287.658.960	-	-	-
Other payables	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:

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

31. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk factors (continued)

Foreign currency risk management (continued)

As at 31 December 2017 and 2016 foreign currency positions of the company are as follows:

Foreign Currency Position Table

	31 December 2017					**31 December 2016**				
	TL Equivalent	**TL**	**Euro**	**GBP**	**Others**	**TL Equivalent**	**TL**	**Euro**	**GBP**	**Others**
1. Trade 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
2. 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 Current Assets (1+2+3)	**70.980.041**	**31.508.347**	**38.112.557**	**1.312.690**	**46.449**	**23.832.539**	**7.350.047**	**15.784.751**	**587.977**	**109.763**
5. Trade Receivables	-	-	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-	-	-
8. Total Non-Current Assets (5)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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. Trade Payables	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 Borrowings	240.946	240.946	-	-	-	102.253	102.253	-	-	-
12. Other Monetary Liabilities	-	-	-	-	-	2.515.359	2.515.359	-	-	-
13. Other Non-Monetary Liabilities	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
14. Total Short-Term Liabilities (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**
15. Trade Payables	-	-	-	-	-	-	-	-	-	-
16. Financial Borrowings	-	-	-	-	-	-	-	-	-	-
17a. Other Monetary Liabilities	-	-	-	-	-	-	-	-	-	-
17b. Other Non-Monetary Liabilities	107.328.996	107.328.996	-	-	-	98.117.311	98.117.311	-	-	-
18. Total Long-Term Liabilities (14+15+16)	**107.328.996**	**107.328.996**	**-**	**-**	**-**	**98.117.311**	**98.117.311**	-	-	-
19. Total Liabilities (3+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**
20. Net Foreign Currency Asset/ (Liability) 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)**
21. Net Foreign Currency Asset/ (Liability) Position of Monetary Items (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)**

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

31. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS (*continued)*

(b) Financial risk factors (continued)

Foreign currency risk management (continued)

Foreign currency sensitivity

The Company is exposed to foreign currency risk due to TL, Euro and GBP (2016: TL, Euro and GBP) exchange rate fluctuations. The following table details the Company's sensitivity to a 10% increase and decrease in TL, Euro and GBP exchange rates. 10% is used in, the reporting of currency risk to the key management and it represents the management's expectation on the potential exchange currency fluctuations. Sensitivity analysis can only made on the year-end outstanding foreign currency denominated monetary items and it shows the year end effects of the 10% of exchange currency fluctuation on the related items. The analysis includes foreign loans as well as loans that are denominated other than the creditors' functional currency and used for the Company's foreign operations. Positive value represents an increase in profit/loss and other equity items.

	31 December 2017 Profit (Loss) Before Tax	
	If foreign currency appreciated 10 %	If foreign currency depreciated 10 %
1-TL net asset / liability	(2.183.993)	2.183.993
2-Part of hedged from TL risk (-)	-	-
3-TL net effect (1+2)	(2.184.493)	2.184.493
4-Euro net asset / liability	12.863	(12.863)
5-Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	12.863	(12.863)
7-GBP net asset / liability	(322.822)	322.822
8-Part of hedged from GBP risk (-)	-	-
9-GBP net effect (7+8)	(322.822)	322.822
10-Other net asset / liability	(117.869)	117.869
11-Part of hedged from Other risk (-)	-	-
12-Other net effect (10+11)	(117.869)	117.869
TOTAL (3+6+9+12)	**(2.611.822)**	**2.611.822**

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

31. NATURE AND LEVEL OF RISK DERIVED FROM FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk factors (continued)

Foreing currency risk management (continued)

Foreign currency sensitivity (continued)

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

c) Interest rate risk management

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

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

32. FINANCIAL INSTRUMENTS

Fair values of financial instruments

31 December 2017	**Loans and receivables**	**Financial liabilities at amortized costs**	**Book value**	**Note**
Financial assets				
Cash and cash equivalents	11.410.411	-	11.410.411	4
Trade receivables	1.282.615.818	-	1.282.615.818	7, 8
Other receivables	1.802.756	-	1.802.756	7, 10
Financial liabilities				
Financial borrowings	-	240.946	240.946	6
Trade payables	-	367.807.757	367.807.757	7, 8
Other payables to related parties	-	432,163,931	432,163,931	7

31 December 2016	**Loans and receivables**	**Financial liabilities at amortized costs**	**Book value**	**Note**
Financial assets				
Cash and cash equivalents	5.756.721	-	5.756.721	4
Trade receivables	932.827.864	-	932.827.864	7, 8
Other receivables	2.627.763	-	2.627.763	7, 10
Financial liabilities				
Financial borrowings	-	102.253	102.253	6
Trade payables	-	287.411.868	287.411.868	7, 8
Other payables to related parties	-	791.371.881	791.371.881	7

33. EVENTS AFTER THE BALANCE SHEET DATE

None.