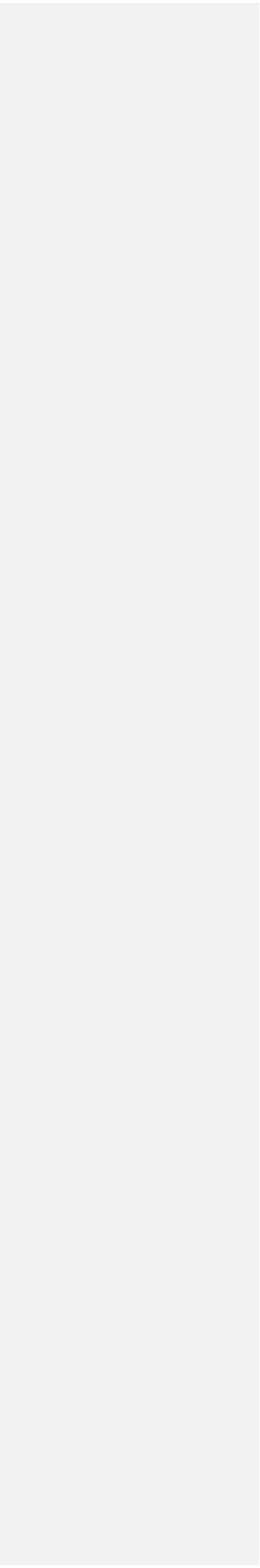




**TURKISH  
TECHNIC**





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## Mission

To direct the industry, meeting the expectations of its stakeholders in the best manner, developing constantly its capabilities with the optimum quality and price understanding, actualizing with the environmental and social responsibility awareness in accordance with the aviation rules and standards in any and all maintenance, repair, modification and design services of aircraft and components.



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





## Quality Policy

### > MAINTENANCE /FLIGHT SAFETY 01

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

### > BEING CUSTOMER ORIENTED 02

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

### > QUALITY MANAGEMENT SYSTEM 03

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

### > EFFECTIVE MANAGEMENT 04

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

### 05 > CONTINUOUS DEVELOPMENT & EFFICIENCY

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

## > İŞ SAĞLIĞI & GÜVENLİĞİ 06

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

## > ENVIRONMENTAL AWARENESS 07

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

## > COMPLIANCE WITH THE STANDARDS & RULES 08

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

## > HUMAN FACTOR 09

To work in line with the human factor principles.

## > COOPERATION WITH AUDITORS 10

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

## > REPORTING 11

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

## > CALIBRATION SERVICES 12

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



Message from  
Chairman

As Turkish Technic Inc. we have made investments in related business fields which would increase our brand recognition and provide us competitive superiority to put ourselves among the major players of this sector.

Dear Colleagues,  
Considered among the most important sectors to lead the future, aviation is growing at a great pace. Being the flagship of the aviation sector in our country as Turkish Airlines Inc., we are taking sure steps towards bigger targets by renewing and developing ourself continuously. With the global scaled advertising and promotion activities as well as rapidly growing flight network, we feel the right proud of carrying our flight to the far states and becoming a global brand.

Turkish Technic Inc. has a great share in this success of Turkish Airlines with the high quality technical maintenance and repair service it offers. Upon proper analysis of the sector's today and future, Turkish Technic Inc. takes firm steps forward in line with the target of becoming one of players that will direct the sector in the future in the field of repair. As Turkish Technic Inc. we have made investments in related business fields which would increase our brand recognition and provide us competitive superiority to put ourselves among the major players of this sector.

In addition to 5 affiliates we have established in the last four years, we are aiming to become effective in research and development activities with the R&D center we have established under the roof of Turkish Technic Inc. It is clear that such investments will provide added value to Turkish Technic Inc. and our country' 2023 vision in the middle and long-run.

World MRO market with a market size of USD 56,3 billion in 2013 is expected to grow at an annual rate of 3.1% and to reach to 76 billion USD until 2023. The positive indicators of the sector gave inspiration to us to expand the product range and for growth. Turkish Technic Inc. has adopted a new generation MRO approach, which may direct the sector and place competitive products on its display, moving away from traditional MRO pattern. With the addition of "Production" approach at the end of "Maintenance Repair and Overhaul" term, which is abbreviated as MRO until now, it, in fact, progressed in the course of becoming MROP with the producer identity taken over in addition to maintenance and repair activities.

Turkish Airlines HABOM Inc. (Turkish Airlines Aviation Maintenance Repair and Modification Center Inc.) is one of the best examples of this change. The project which is still under construction in Istanbul Sabiha Gökçen International Airport is described as the excellence center and substantially progressed in 2013. This integrated facility will provide maintenance, repair and overhaul services in a closed area of 380,000 m2 for 11 narrow body and 3 wide body aircraft simultaneously. The facilities in the value of approximately 500 million US Dollars were designed by employing latest technologies and configures as a modern campus with social facilities. As one of the affiliates of Turkish Airlines Inc. Turkish Airlines Inc. and MNG Teknik A.Ş. which was acquired in May 2003 were merged under the name of Turkish Airlines HABOM Inc. Thus Turkish Airlines HABOM Inc. has added Sabiha Gökçen Airport to its operations at Atatürk Airport. As the first aircraft subjected to maintenance in narrow body aircraft hangar located at Sabiha Gökçen campus of Turkish Airlines HABOM Inc., release of Airbus 320 Kuşadası with TC-JPR tail registry from the hangar was performed with a ceremony on November 20, 2013. Narrow bodied aircraft maintenance capacity of the Sabiha Gökçen campus is estimated to increase to 4 and 8 in the first and second half of the following year. Wide body hangar located in the same campus is planned to be opened in the second half of 2014. Established in 2011, Turkish Seats Industries, in line with the plans it has established, continued its works for certification from European Aviation Safety Agency (EASA) and has obtained Production Organization Approval (POA) certificate and Type Approval Certificates (ETSO) for 2 types of seat as economy and convertible seat (ADOA) in addition to Design Approval Certificate (ADOA) which was obtained before. All preparations concerning seat renewal project for 25 aircrafts awarded by Turkish Airlines were completed and mass production commenced as of December.

Also, the company participated in tender for new aircraft as initiated by Turkish Airlines and processes for becoming certified subsidiary industry for Boeing and Airbus companies for the airplanes to be delivered in 2016. It is planned to complete the design of Long Distance Economy seat which commenced in 2013 and to obtain certifications in 2014. Another manufacturer affiliate namely, TCI -Turkish Cabin Interior Inc. commenced its activities in the last quarter of 2010 and commenced production in the second half of 2013 upon certification, testing and examination procedures. TCI commenced its first mass production activity for total 10 pieces of 737-800 aircraft to be procured by Turkish Airlines from Boeing and the initial delivery of the galleys that are manufactured to Boeing was carried out in December. TCI, with this delivery has been listed in the preferential manufacturer list of Boeing. With regard to Airbus A330 aircraft galleys, production planning and technical preparation of the company for 5 aircrafts to be delivered to Turkish Airlines in 2015 have commenced in 2013.

Established by Zorlu O&M which is a Zorlu Holding company and Turkish Technic Inc., Turkbine Teknik obtained SHY 145 and EASA 145 certifications required for CF6-80 aircraft engine maintenance in 2013 and was granted with FAR145 maintenance certificate through our company.

With the increase of hangar capacity of Turkish Technic Inc. being aware of the geographical location of Turkey as the most important advantage in civil aviation, İstanbul became a regional aircraft maintenance center. It has realized important advancements in R&D and VIP Aircraft Modification fields with its innovative approaches that provide continuous development by transforming its advantages into opportunity. In 2013, cabin design and revision project was realized on a Gulfstream GIV "Business Jet" airplane operation and overhaul of which were carried out by Turkish Technic Inc. to improve cabin comfort, meet new demands, improve aircraft performance by employing state-of-the-art electronics and other products. All cabin units were revised and the latest technology flight information and entertainment systems were employed within scope of this project. With this project, which is a breakthrough for Turkish Technic Inc. and Turkish Civil Aviation, it was proven that Business Jet/VIP cabin modification can be performed in our hangars with our own engineers and technicians and a significant step was taken to implement EASA Part 21 STC authorization which was granted in June, in new projects.

Turkish Technic Inc. carries out important projects adopting an innovative approach in R&D field. It is working on various projects supported by TEYDEB in the R&D center. Wired and wireless IFE systems development and Aircraft Health and Status Monitoring projects are among the leading ones. Also, cooperative projects are being carried out at the R&D center together with national and international universities and leading OEMs of the aviation sector and TÜBİTAK. With its initiatives supporting Turkey's 2023 vision directly or indirectly, Turkish Technic Inc. freed itself from the philosophy of progressing with only commercial concerns and embraced the national concerns as well. Turkish Technic Inc. standing behind the vision of becoming one of the preferred maintenance centers in global MRO market with its investments, restructuring activities and continuous employment policies, achieved its 2013 targets successfully. It is taking sure steps towards carrying out its leading position in the national market to the global market with its focus on innovation and sustainable perfectionism. I express my gratitude to everyone who contributed to our achievements until now and wish that 2014 becomes a successful year for our company and greet you with respect.

Hamdi TOPÇU  
Turkish Technic Inc. Chairman and CEO



## Members of Board of Directors



**Hamdi Topçu**  
Board of Directors and CEO



**Ass. Prof. İsmail Demir**  
Vice President of Board of  
Directors / General Manager



**Metin Kilci**  
Member of Board of Directors

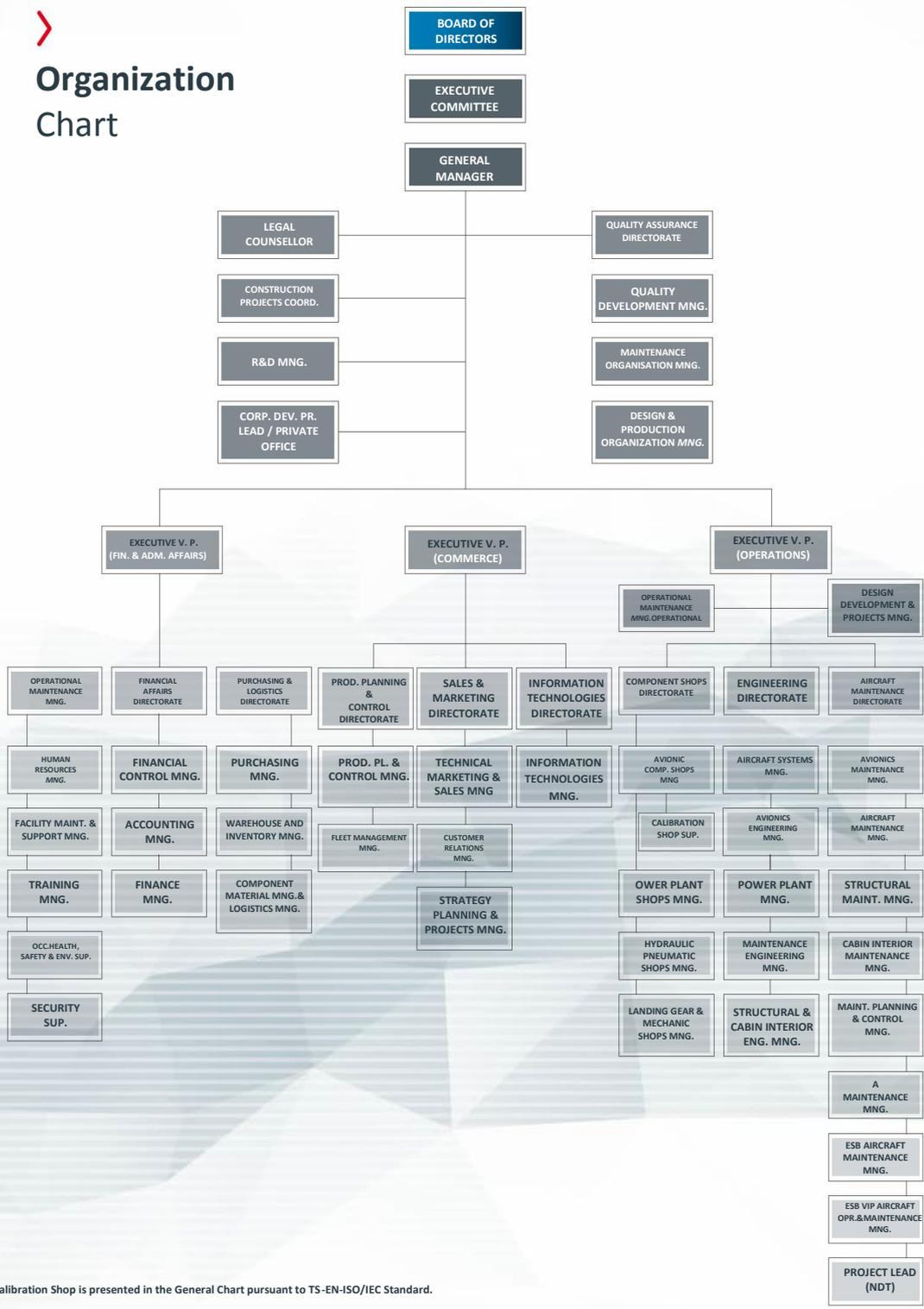


**Faruk Çizmeçiođlu**  
Member of Board of Directors



**Dr. Fuat Oktay**  
Member of Board of Directors

# Organization Chart

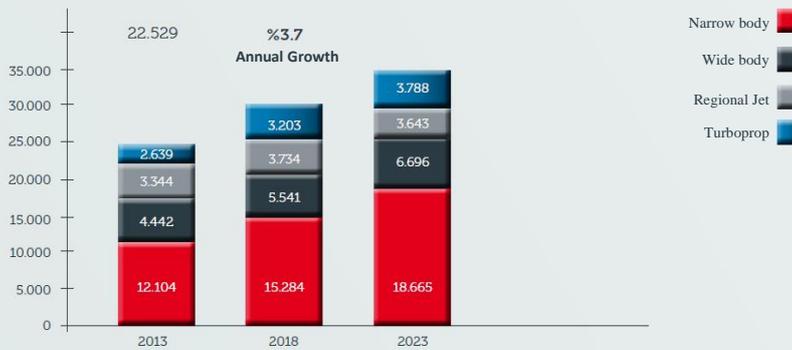


Calibration Shop is presented in the General Chart pursuant to TS-EN-ISO/IEC Standard.

# World Aircraft Fleet Development

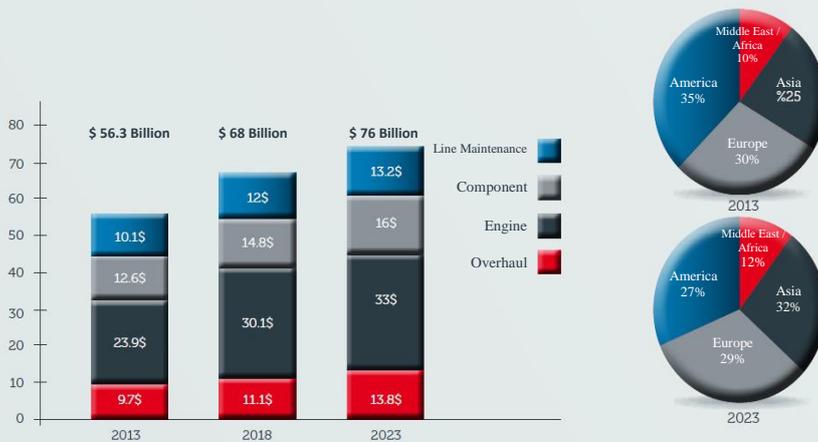
## WORLD AIRCRAFT FLEET DEVELOPMENT

The number of aircraft providing service throughout the world is expected to be 22,529 in 2013. In the next ten years, the number of aircraft is expected to grow by 3.7% annually. The number of aircraft providing service in 2023 is expected to reach 32,792 in 2023 according to this growth. According to these estimations, approximately 6,000 aircrafts from the available aircraft fleet throughout the world will be retired. It is estimated that nearly 16,000 aircrafts will be delivered in the period of 10 years.



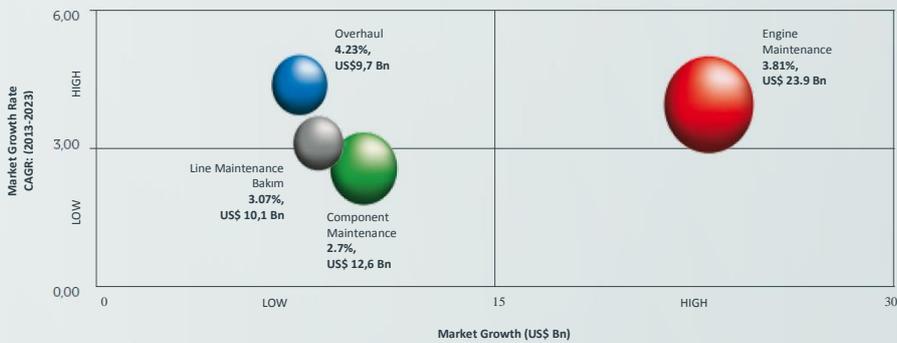
## MRO MARKET GROWTH ACCORDING TO MAINTENANCE SEGMENT

The global MRO market in 2013 grew by 3.1% year over year, amounting to 56.3 billion dollars. In the next five years, the MRO market is expected to achieve a figure of 68 billion dollars. And in the following five years, the growth is projected to reach 76 billion dollars. A significant rise is expected to occur in engine maintenance field in 2018 and 2023. It is anticipated that American market which is the largest market in 2023 will give its place to Asia in 2013.





When growth trend of MRO market is analyzed according to maintenance segment, it is seen that Engine Maintenance segment is the largest segment. It is observed that overhaul segment is the first and engine maintenance segment is the second in terms of growth speed between 2013-2023.



## Employee Profile

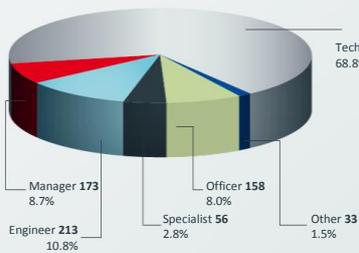


Employee sub group	Total
GENERAL MANAGER	1
ASSISTANT GENERAL MANAGER	2
CHAIRMAN	10
MANAGER	33
COORDINATOR	1
SUPERVISOR	108
PROJECT MANAGER (TT)	17
CONSULTANT	1
TRAX CONSULTANT	2
PROGRAMMER	1
ATTORNEY	5
PHYSICIAN	1
CHIEF ENGINEER	24
PROJECT ENGINEER	7
SENIOR ENGINEER	22
ENGINEER	160
TEACHER	12
SPECIALIST	39
HEALTH OFFICER	4
OFFICER	154
CHIEF TECHNICIAN	118
TECHNICIAN	1244
MASTER / CHARGEMAN	1
WORKER	14
<b>TOTAL</b>	<b>1981</b>

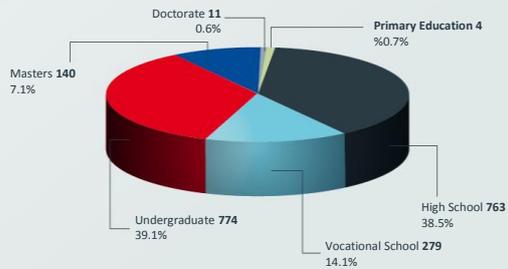
Total employee number of Turkish Technic Inc. is 1981 as of 31.12.2013. Average age of the employees is 36.8 and average employment period is 11.4 years. While our average employee count was 2012 in 2013 employee turnover rate was 4.25%. (Including transfers to Turkish Airlines Inc.)



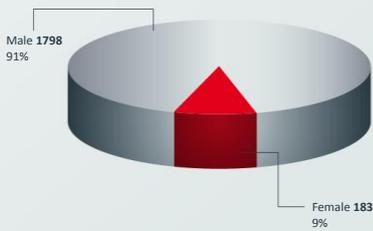
#### EMPLOYEE TITLE DISTRIBUTION



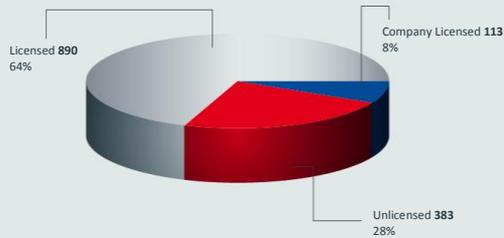
#### EMPLOYEE EDUCATIONAL STATUS



#### EMPLOYEE MALE/FEMALE RATE



#### TECHNICIAN/SUPERVISOR DISTRIBUTION ACCORDING TO LICENSE STATUS



## > Quality Documents and Certificates

### > QUALITY CERTIFICATES

ISO 9001:2008 Quality Management System  
AS 9100:2009, Rev. C Aviation Quality Management System  
ISO 14001:2004 Environmental Management  
OHSAS 18001:2007 Occupational Health and Safety Management  
Green Company Certificate  
TS EN ISO/IEC 17025:2012 Calibration Accreditation Certificate  
TS ISO 10002:2006 Customer Satisfaction Management System

### > SHGM - EASA – FAA-USA DOT CERTIFICATES

SHY-145 Approval Certificate (TR-00001)  
EASA Part-145 Approval Certificate (EASA.145.0276)  
EASA Part-21 Approval Certificate (EASA.21J.418)  
FAA Maintenance Repair Center Certificate (TQKY 144F)  
Dot Cylinder Filling Plant Approval Certificate (2012030427)



## Certificates from Other Authorities

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### CERTIFICATES FROM OTHER AUTHORITIES

Aruba DCA Approval Certificate

Bahrain DCA Approval Certificate

Bermuda CAA Approval Certificate

Bosnia-Herzegovina DCA Approval Certificate

Egypt CAA Approval Certificate

South Korea CAA Approval Certificate

India DGCA Approval Certificate

Libya CAA Approval Certificate

Tajikistan CAA Approval Certificate

Pakistan CAA Approval Certificate

Qatar CAA Approval Certificate

Russia CAA Approval Certificate

Kuwait CAA Approval Certificate

BAE GCAA Approval Certificate

Mauritania CAA Approval Certificate

Senegal CAA Approval Certificate

## Training in Turkish Technic Inc.

3 thousand 26 training courses were organized by Training Directorate and training of 38 thousand 878 participants was ensured. Employees from subcontractor companies providing service, Turkish Airlines Inc. Line Maintenance, Technical Chairmanship and our affiliates participated to the organized trainings in addition to employees from Turkish Technic Inc.

Domestic and foreign participants were accepted to Aircraft Type Hands-on trainings 2013 organized by Training Directorate and 3rd party training revenue was achieved through such participations.

Within scope of training/employment project realized by our Human Resources department in cooperation with İŞKUR, hands-on training facility was offered to the participants elected for training.

Nearly 20 classes of training course were organized for 350 participants to improve English language level of our personnel and 350 people benefited from training facilities. 263 of the participants were awarded with an achievement certificate indicating their achievement level in the course. In addition to the courses, for the certification of language speaking levels of the authorized technical personnel through examinations which are recognized by national and international authorities, our company ensured that 730 people attended to exams; while Europe common language criteria are taken as basis, it is determined that 561 people were successful in the exams, it was ensured that 141 participants who continue to the courses achieve linguistic skills above the established level.

Month	Number of Trainings Organized	Turkish Technic Inc. Number of Participants	Number of External Company Participants		Total Number of Participants
			Turkish Airlines Inc.	Other Companies	
JANUARY	283	3967	293	55	4315
FEBRUARY	262	2780	198	47	3025
MARCH	317	3843	177	66	4086
APRIL	313	4352	153	52	4557
MAY	308	3091	416	39	3546
JUNE	254	3610	295	47	3952
JULY	221	2269	287	27	2583
AUGUST	133	1520	144	18	1682
SEPTEMBER	274	2400	127	22	2549
OCTOBER	195	2467	139	45	2651
NOVEMBER	210	2520	145	20	2685
DECEMBER	256	3072	150	25	3247
<b>TOTAL</b>	<b>3026</b>	<b>35891</b>	<b>2524</b>	<b>463</b>	<b>38878</b>
			2987		

# Hangar – 1



35,000 m<sup>2</sup> Closed Area  
10,000 m<sup>2</sup> Hangar Area

- Landing Gears <
- Brake <
- Paint <
- NDT <
- Engine, APU and Fuel Systems <
- Structural Repair, Cabin Interior <
- Machine, Coating and Welding <
- Hydraulic, Mechanic and Pneumatic <
- Oxygen and Filling <
- Avionics <

The capacity to serve 2 wide-body and 3 narrow-body aircraft at the same time...





## Hangar – 2

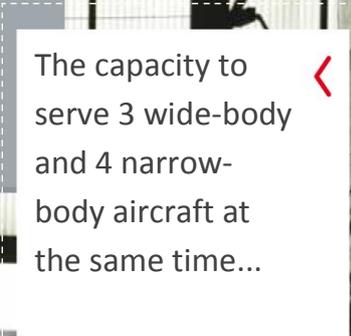


75,000 m<sup>2</sup> Closed Area  
13,600 m<sup>2</sup> Hangar Area

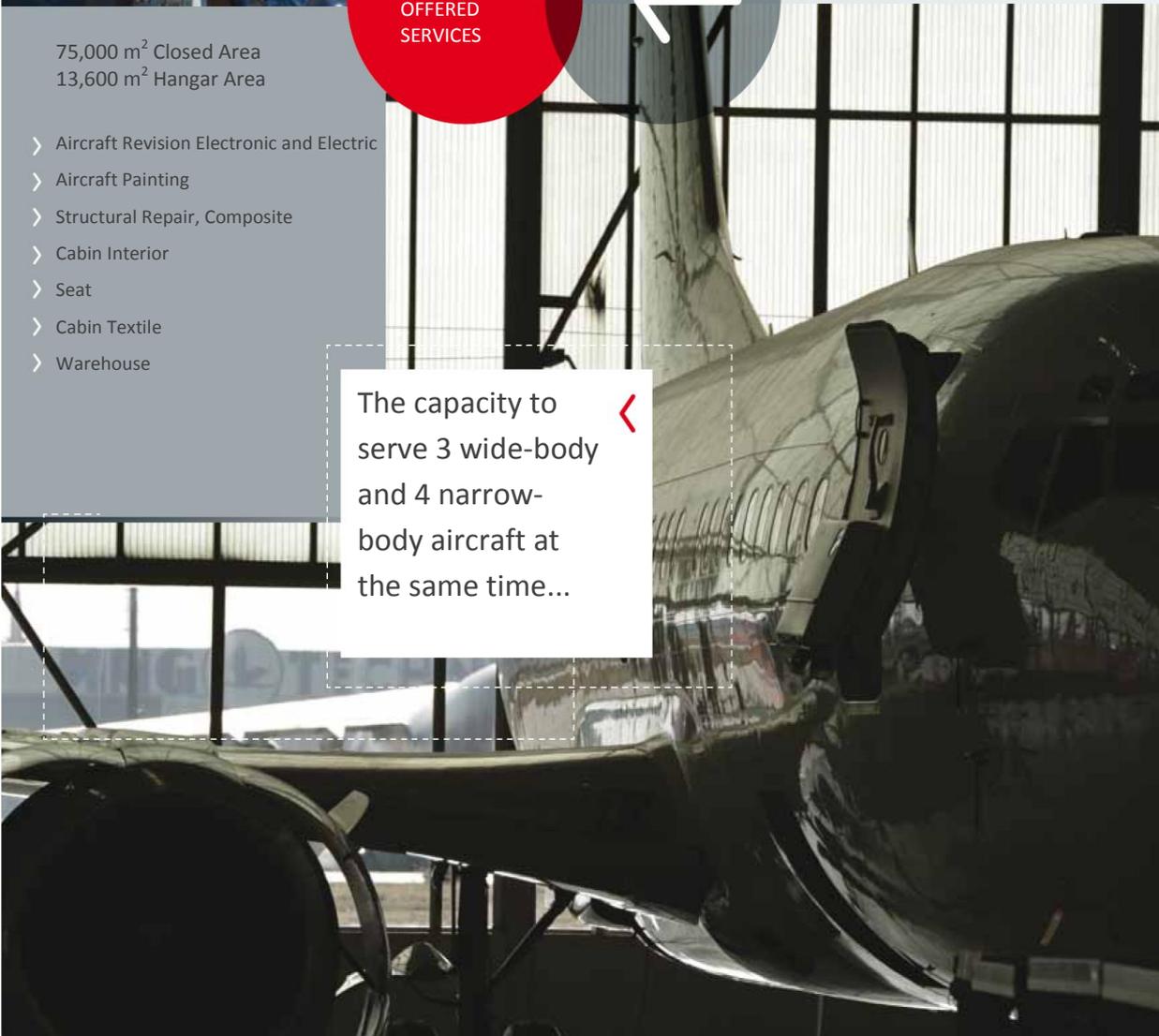
- › Aircraft Revision Electronic and Electric
- › Aircraft Painting
- › Structural Repair, Composite
- › Cabin Interior
- › Seat
- › Cabin Textile
- › Warehouse



FEATURES AND  
OFFERED  
SERVICES



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



## VIP Aircraft : Hangar



1,500 m<sup>2</sup> Closed Area

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

## Other Facilities



4.000 m<sup>2</sup> Closed Area

## Esenboğa Hangar



7,750 m<sup>2</sup> Closed Area

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

**Comment [91]:** Burada bir hata olabilir. Nerenin alanı belli değil?

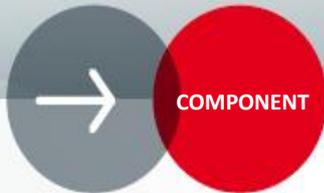


## Overhaul and Line Maintenance Capabilities

Aircraft Manufacturer	Aircraft Type	Overhaul	Line Maintenance
Airbus	Airbus A300	✓	✓
	Airbus A310	✓	✓
	Airbus A318	✓	✓
	Airbus A319 / A320 / A321	✓	✓
	Airbus A330	✓	✓
	Airbus A340	✓	✓
Boeing	Boeing 737 CL & NG	✓	✓
	Boeing 757	✓	✓
	Boeing 767	✓	✓
	Boeing 777	✓	✓
Gulfstream	Gulfstream G IV Series	✓	✓
	Gulfstream GV-SP Series	✓	✓
McDonald Douglas	MD 80 Series		✓
Bae Systems	AVRO 146-RJ70/RJ85/RJ100		✓

APU Models	Check
Honeywell GTCP331-250F	✓
Honeywell GTCP331-250H	✓
Honeywell GTCP85-129H	✓
Honeywell GTCP85-129K	✓
Honeywell GTCP131-9B	✓
Hamilton Sundstrand APS2000	✓
Hamilton Sundstrand APS3200	✓

Landing Gear Capabilities	Check
Airbus A300-B4	✓
Airbus A310	✓
Airbus A320 Series	✓
Airbus A330	✓
Airbus A340	✓
Boeing 737 CL	✓
Boeing 737 NG	✓



## Activities and Capacities of Component Shops

### ATE SHOP

ATE Shop is equipped with 3 pieces of ATEC Series 6 and 2 pieces of ATEC 5000 manufactured by Cassidian Test b Services and 1 piece of TS1650S automatic testing device manufactured by Testek. In addition to these systems, CTS (Common Test System) purchased from Teradyne in 2013 was introduced to service and testing on 14 different components manufactured by BAE systems were commenced. These components are

#### **B737NG :**

P5-1, PSEU, EAU, FSEU, SMYD, IHC

#### **B777:**

RTP, QSDM, SZMU, EPAS, CSC, PDCU, SOEU, FSEU-2

Capabilities of the avionic components which are employed in our Airbus A330 and A320 aircraft are tested in ATEC Series 6 automatic testing devices were obtained in 2013. These components are FWC, FCSC, SDCU, ZC, PHC, PTR, LGCIU, MCDU

Maintenance of various electronic components of aircraft systems is performed with special manual testing devices in addition to different TPS (Test Program Set) as 162 different in ATEC Series 6, 14 pieces in CTS and 7 pieces in TS1650S in ATE Shop.



### RADIO & IFE SHOP

There are total 472 part numbers in our capability list as Radio b IFE Shop as test/ check, repair and revision.

Maintenance work was carried out on 5755 pieces of components in 2013. The number of components that are maintained increased at the rate of 6% year over year.

#### **RADIO & IFE SHOP CAPABILITY LIST**

- Panasonic System 30001, MPES, EX2 System components
- Teledyne WQAR
- Honeywell Weather Radar System components, DME, VOR, ADF, EGPWC
- Collins HF and VHF Communication System components, DME, Radio Altimeters, ILS, VOR, ADF
- Thales Radio Altimeter
- Gables Control Panels
- Radio & IFE Shop is Level 1 Service Center for KANNAD, ARTEX, ELTA and TECHTEST ELTs . ELT Programmings are also performed.
- CVR (Cockpit Voice Recorder) ve FDR (Flight Data Recorder) download, test and repair tasks.



## > Activities and Capacities of Component Shops

### **INSTRUMENTS SHOP**

There are total 926 part numbers in our capability list as Instruments Shop as test/check, repair and revision. Within Instruments Shop, 6583 components were maintained in 2013 which 3181 of them were released as serviceable. The number of components that are released serviceable increased at the rate of 29% year over year.

#### **INSTRUMENTS SHOP CAPABILITY LIST**

- Temperature Sensors and Indicators
- Air Data components (Stby.Altimeters, Airspeed Altimeters, Pitot/Static Tubes etc..)
- Modules & Control Units (Air con.control modules, Window&Pitot Heat Controllers etc..)
- Gyroscopes
- Smoke Detector
- Electronic Clocks
- Fuel Components (Tank Units, Quantity Indicators, Preselectors etc..)



- Pressure Components (Pressure Switches, Transmitters, Indicators etc..)
- Fire Detectors
- Joysticks
- Hydraulic & Fuel Components (Sensors, Transmitters, Indicators etc..)
- Display Units
- Proximity Sensors
- Steering Feedback Sensors
- AOA Sensors
- RMIs & DDRMIs
- Water Components
- Speed Sensors
- Vibration Sensors & Vibration Control Units
- Engine Display units



## ELECTRICAL SHOP

Electrical Shop has the maintenance capability of 575 pieces of part numbers. In 2013, maintenance was performed on total number of 5514 components, 401 of which are customer components and 3999 pieces of components were rendered operable. The number of components that are maintained increased at the rate of 8.4% compared to the same period of the previous year.

Our test device which is being manufactured within scope of Starter Torque Bench project realized by Design Development and Projects Directorate.

### ELECTRICAL SHOP CAPABILITIES

- Temperature Selector,
- Recirculation Fan,
- Extraction Fan,
- Avionic Fan,
- Air Conditioning Accessory Unit,
- A/T Switchpack Assy,
- Transformer Rectifier,
- Current Transformer,
- Contactor, Relay,
- RCCB,
- Anticollision Light,
- Navigational Light,
- Retractable Landing Light,
- Logo Light,
- Strobe Light,
- Map Light,
- Take Off Light,
- Taxi Light,
- Steam Oven, Dry Oven, Coffee Maker, Espresso Maker, Water Boiler, Bun Warmer,
- Drain Mast,
- APU Starter/Generator,
- APU Starter,
- APU/Engine Ignition Lead,

- APU/Engine Exciter,
- Shaker,
- Trim Module,
- Electrical Box,
- Brake Cooling Fan



## > Activities and Capacities of Component Shops

### BATTERY SHOP

Battery Shop has the maintenance capability of 19 pieces of part numbers. In 2013, maintenance was performed on total number of 1755 components, 84 of which are customer components and 1557 pieces of components were rendered operable. The number of components that are maintained increased at the rate of 12% compared to the same period of the previous year.

- We have increased our capacity with new 2 pieces of charge/analysis device.

#### BATTERY SHOP CAPABILITIES

- Aircraft main batteries
- Emergency battery pack



### IDG AND GENERATOR SHOP

IDG and Generator Shop has the capability of 20 pieces of part numbers. In 2013, maintenance was performed on total number of 229 components, 14 of which are customer components and 190 pieces of components were rendered operable. The number of components that are maintained increased at the rate of 12% compared to the same period of the previous year.

We have become a center not only for our parts but also for lapping needs of the entire company with the 22" Lapping bench which is recently introduced to our inventory and with the training we received.

With our procured Schenck Pasio balance bench, we will commence to perform both IDG and Generator; and Electrical Shop balance task precisely and accurately.

#### IDG AND GENERATOR SHOP CAPABILITIES

- Integrated Drive Generator (IDG)
- Constant Speed Drive (CSD)
- APU and AC Generators



## CALIBRATION LABORATORIES

Being the leading maintenance company of Civil Aviation Sector, Turkish Technic Inc. continues its leadership in calibration services as in other fields. Providing calibration service since 1970s, the laboratory continued to offer accredited calibration service to its customers since February 2012. Calibration Laboratory extended the scope of accreditation and included electrical and temperature/humidity calibrations as of July 2013 in addition to pressure and torque calibrations.

Adopting high customer satisfaction as principle in calibration services, the laboratory keeps extending its service portfolio even more. It continues its efforts to offer fast and high quality services accordingly with its advanced technological infrastructure and experienced staff.

Certificates we hold: ISO17025, AS9100, ISO9001, ISO10012

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

Electrical	Mechanical
DC/AC Voltage DC/AC Current DC b AC AF Power Resistance, Capacity, Inductance, Frequency, Phase Temperature & Relative Humidity	Pressure Force/Torque Mass/Scale Dimensional





**FUEL COMPONENT SHOP**

Fuel Component Shop capability list contains total 501 pieces of part numbers. The total of 2918 work orders including 2417 from Turkish Airlines and 504 from customers were closed in 2013. An increase of 8% was realized when compared to 2012. Additional Gear Motor Test Chart was performed in addition to CFM56 Engines, VBV Gear Motors, Main Fuel Pump test bench and included in the capability. Testing, Repair, Modification and Overhaul tasks for engine, APU and Fuel System Components of A310, A319/320/321, A340, B737-400, B737-800 aircraft are being performed.

**WORKSHOP CAPABILITIES**

- CFM56-5B/-5C/-7B HMU (Hydromechanical Unit) O/H Capability
- CFM56-7B HMU (Honeywell's authorized repair station)
- V2500 Fuel Meetering Unit (Woodward Governor Authorized Repair Station) (O/H Capability)
- CFM56-3A/-3B/-3C, CF6-80C2, CF6-80A3 Main Engine Control (O/H Capability)
- CFM56-3C, 5B /5C / 7B and V2500 Main Fuel Pumps (O/H Capability)
- CFM56-3C, 5B/5C/7B VSV and VBV Actuators (O/H Capability)
- All Fuel Booster Pumps belonging to A310, A340, B737-400, B737-800 and RJ100 aircraft (O/H Capability)
- CFM56-3C/-5C/-7B, CF6-80C2, CF6-80A3 and LF507-1F Engine Fuel nozzles and APU fuel nozzles (Testing Capability)
- GTCP131-9B, GTCP331-250H, GTCP85-129H, APS3200 / 2000 Fuel Control Units (O/H Capability)
- CFM56-3 T, CFM56-7B Turbine Clearance Control Valve (O/H Capability)
- CFM56-5B/-5C HPTACC, LPTACC and RACC Valve (O/H Capability)

**APU SHOP**

Ultrasonic Bearing Cleaning Bench commenced to be use for washing APU and engine bearings. Negotiations with concerned companies commenced for installing new APU test cell at Turkish Airlines HABOM Inc. facilities.

**APU SHOP CAPABILITY LIST**

APU shop which is both FAA and EASA certified, is Authorized repair station of Hamilton Sundstrand and licensed repair station of Honeywell. In 2013, Epoxy and RTV repair capabilities of APU Composite parts were achieved. Established in 1980, the Shop consists of four main sections as "Dismantling/Mounting, Part Control, Balance and Test Cell".

APU Shop performs maintenance of 100 pieces of APUs per year with its current capacity.

- Capabilities
- APS3200
  - APS2000
  - GTCP131-9B
  - GTCP331-250H
  - GTCP 85-129H





## ENGINE SHOP

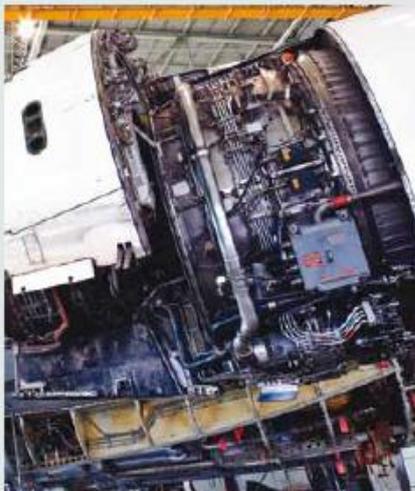
Engine shop can perform top case, QEC/LRU & AGB/TGB replacements of CFM56 series engines and QEC/LRU replacements of V2500 series engines.

In 2013, top case replacement of 3 pieces of CFM56-3C engine, AGB/TGB replacement of 2 pieces of CFM56-7B series engines, QEC dismantling/mounting of 53 pieces of CFM56 and V2500 engines.

Capability studies are ongoing for QEC / LRU Replacement Tasks of TRENT 700 and CF6-80E1 engines, Fan Stator / Propulsor separation and combination works of GE90-100 engines.

### CAPABILITY AUTHORIZATIONS OF THE ENGINE SHOP

- CFM56-3 Top Casing, AGB/TGB Replacement, QEC/LRU Replacement
- CFM56-5B Top Casing, AGB/TGB Replacement, QEC/LRU Replacement
- CFM56-5C Top Casing, AGB/TGB Replacement, QEC/LRU Replacement
- CFM56-7B Top Casing & VSV Bushing, AGB/TGB Replacement, QEC/LRU Replacement
- QEC/LRU Replacements of V2500 engines



## > Activities and Capacities of Component Shops

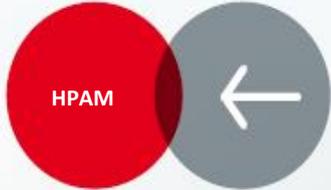
### ENGINE TESTCELL SHOP

Testing capability for 6 different engines is available at Engine Testcell Shop. In 2013, testing of total 89 engines was performed 27 among which are from other customers. There is an increase of 27% in the total number of tested engine when compared to 2012.

#### LIST OF CAPABILITIES OF ENGINE TESTCELL SHOP

- CFM56-3 Series
- V2500-A5 Series
- CFM56-7B Series
- CF6-80C2A2 Type Engines
- CFM56-5C Series
- CF6-80A3 Type Engines





## HYDRAULIC SHOP

Test bench was procured to test Lubrication and Scavenge pumps. The new test bench ensures capability of Lubrication and Scavenge pumps of APU and Engines of Airbus A320, A330, A340 and Boeing 737-800-777 aircraft types. Also, semi-automatic test bench with minimize TAT and repair prices.

Test Console for acquiring sensor signals (pressure, flow rate, revolution, torque, load, path, current etc.) for Vickers (3000 psi) hydraulic test bench and evaluating the results graphically is designed and manufactured.

3988 work orders were carried out in 2013 as 1487 customer work orders, and 2501 Turkish Airlines Inc. and Pool work orders.

Hydraulic shop gives maintenance and repair services for the aircraft hydraulic system components, flight control actuators, landing gear hydraulic components and Engine and APU lubrication system components with 3 Skydrol, 1 JetOil, 1 RedOil test benches up to 5000 psi operation pressure. Servo Valves are also being tested with a semi automatic electro hydraulic servo valve test bench.



### SOME OF THE COMPONENTS WHICH ARE WITHIN CAPABILITY OF THE HYDRAULIC SHOP ARE AS FOLLOWS:

ATA Chapter	Some Components Within our Capability
27	Spoiler Actuators, Servo Control Actuators, Rap/Slat Actuators
29	Engine Driven Pumps, AC Pumps, Reservoirs, Hoses
32	Retraction Actuators, lip/Down Locks, Steering Valves, Dampers, Brake System Components, Servo Valves
49	Oil pumps, Lube Pumps
52	Snubbers, Manual Selector Valves, Cargo Door Actuators
78	Thrust Reverser Actuation System Components

## Activities and Capacities of Component Shops

### EMERGENCY EQUIPMENT AND HYDROSTATIC SHOP

In the Oxygen Shop with a capability of 391 part numbers, 12314 work orders was closed totally in 2013. There is an increase of 10% in the number of closed work orders compared to 2012. DOT certificate is valid until 2017. In the Slide Shop with a capability of 195 part numbers, 800 work orders was closed totally in 2013. There is an increase of 20% in the number of closed work orders compared to 2012.

Slide, oxygen cylinder, regulator, valve, aspirator, fire extinguisher and pilot masks are included among the capabilities of the shop.



### SANITARY SHOP

124 pieces of part numbers are within the capability. 1366 work orders as 386 from third party were closed in 2013, an increase of 7.2% was realized compared to 2012.

#### CAPABILITIES OF SANITARY SHOP

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

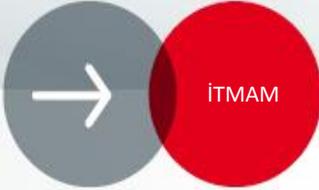
### PNEUMATIC SHOP

Pneumatic Shop has 587 pieces of part number capability. 5417 work orders as 1501 from third party were closed in 2013, an increase of 32.3% was realized compared to 2012.

#### CAPABILITIES OF PNEUMATIC SHOP

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





## COATING SHOP

Studies were commenced to become the first NADCAP accredited unit under Turkish Technic Inc. Detailed literature search and expert meetings are completed. New facility design and coating tank configuration are designed and manufactured according to NADCAP requirements.

The state-of-the-art Brush Coating device was purchased. On-the-job trainings were received for brush cadmium and anodizing. Brush coating was rendered more efficient, faster and reliable. In the coating shop, the following coating processes are applied on the aircraft parts.

- Cadmium, Chromium, Nickel, Chromic Acid, Alodine, Passivation.

This division, focusing on the parts of landing gears, has the equipment and experience to provide coating services to all components included in the capabilities of Landing Gear Shop, including A330/340 series. In the unit, where chromium and cadmium coating is removed, the coating-removal of engine parts is also performed. The state-of-the-art local coating device for local cadmium coating which is generally required on the aircraft is also included shops inventory.

In the laboratory division, it is performed chemical analyses of coating and washing baths, microbiological analysis for aircraft fuel and aircraft hydraulics analyses.



## SPECIAL PROCESSES SHOP

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

**BLASTING SECTION:** In blasting section, there are two shot peen benches. One of them is capable of semi-automatic / manual shot peen, whereas the other one can only be operated manually. The shot peen process is based on spraying steel media on the part via pressurized air (3-7 bars).

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



### For Turkish Airlines HABOM Inc. Facilities Blasting Shop

- 1 robotic shot-peen bench,
- 1 glass bead bench,
- 1 dry blasting chamber,
- 1 plastic blasting chamber,
- 1 blasting chamber,
- 1 plastic blasting chamber,
- 1 mobile blasting machine orders were placed,

### For Turkish Airlines HABOM Inc. Facilities Cleaning Shop

- 18 new cleaning tanks were received.

## > Activities and Capacities of Component Shops

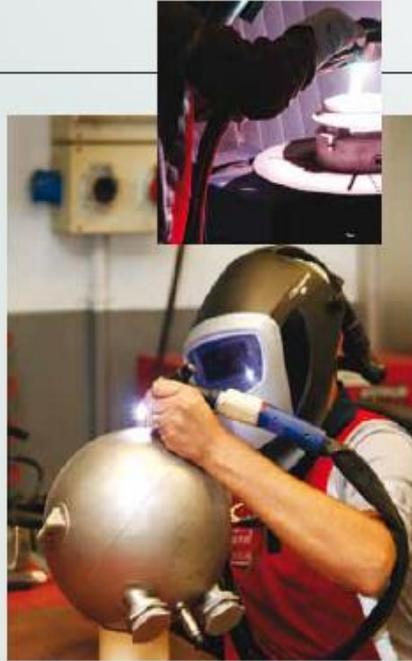
### **WELDING AND PLASMA SHOP**

The shop consists of 3 sections, namely Plasma, Welding and Heat Treatment sections.

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

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

**HEAT TREATMENT SECTION:** There are 1 vacuum heat treatment furnace, 1 atmospheric big heat treatment furnace and 1 atmospheric small heat treatment furnace in the shop.



### **TIRE, WHEEL & BRAKE SHOPS**

Within Tire&Wheel Shop, totally 16684 ea components maintenance were performed in 2013, including 8826 ea components from Turkish Airlines Inc. and 7858 ea components from the other customers. The number of components delivered in working condition has increased by 15% compared to 2012. Within Brake Shop, totally 2155 ea components maintenance were performed in 2013, including 1523 ea components from Turkish Airlines Inc. and 632 ea components from the other customers. The number of components delivered in working condition has increased by 15% compared to 2012.

#### **CAPABILITIES OF TIRE, WHEEL & BRAKE SHOPS**

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



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## LANDING GEAR SHOP

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Landing Gear Shop has the capability of Boeing B737 Classic, B737 Next-Generation series, Airbus A300 (-B4 and -600 variants), A310 (-200 and -300 variants), A320 Family, A330 and A340 series landing gears overhaul. Within this scope, EASA ve FAA certified service is offered by the shop for landing gears. The shop has commenced studies for obtaining overhaul capability for B777 landing gears. It is aimed to achieve B777 LG Overhaul capability in 2014.

The shop consists of dismantling section where initial examinations are performed and landing gears are dismantled to the smallest component, part control section where all parts are checked for damage and corrosion and reported, bushing installation section where bushing measurements are made and bushings are punched, paint section where parts are painted, Harness shop where harnesses of landing gears are tested, repaired and overhauled, assembly section where all parts are combined to construct the entire landing gears and test section where final tests are performed by



Landing Gear Shop is working together with other shops under Turkish Technic Inc. due to the tasks it assumes. The shop issues work to Special Processes Shop for cleaning, blasting and shot-peen processes and Machinery Shop for macining and grinding operations, Coating Shop for coating processes and NDT shop for non-destructive examination processes.

Landing Gear Shop has performed total 98 leg overhauls as 2 pieces of A310, 21 pieces of A320, 3 pieces of A330, 6 pieces of A340, 5 pieces of B737CL, 28 pieces of B737NG in addition to individual landing gear parts. The shop aims to increase this figure in the following years within Turkish Airlines HABOM Inc. campus plan.”

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## MACHINERY SHOP

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Repair and production is performed on aircraft, engine or component parts in this shop using machining. Machinery Shop consists of milling, turning, grinding, erosion and levelling sections.

**MILLING SECTION:** Milling section consists of 1 piece of 7 axis CNC machining station, 1 piece of 6 axis CNC machining station, 1 piece of 4 axis CNC machining station and 3 pieces of conventional milling machines.

**TURNING SECTION:** Turning Section consists of 2 pieces of CNC turning lathe 5 pieces of conventional turning lathes.

**GRINDING SECTION:** Grinding Section consists of 1 piece of CNC grinding bench, 1 piece of conventional cylindrical grinding bench and 1 piece of conventional surface grinding bench.

**EROSION SECTION:** Erosion Section consists of 1 piece of CNC branch erosion machine.

## Activities and Capacities of Component Shops

**LEVELING SECTION:** Leveling processes are performed with miscellaneous hand tools on the aircraft and components in this section.

**Turkish Airlines HABOM Inc. Facilities Machinery Shop:** Machinery Shop has two locations as narrow body hangar and shop building.

**Benches recently purchased for Machinery Shop in Narrow Body Hangar of Turkish Airlines HABOM Inc.:**

- 2 pieces of conventional milling benches,
- 2 pieces of conventional turning lathes,
- 1 piece of band saw,
- 1 piece of jigsaw bench.



**Benches recently ordered for Machinery Shop in Narrow Body Hangar of Turkish Airlines HABOM Inc. and to be delivered in 2014:**

- 1 piece of CNC machining station,
- 1 piece of Composite machining CNC Machining Station

**Turkish Airlines HABOM Inc. Shop Building Machinery Shop:**

- 1 piece of 4100 Danobat CNC Cylindrical Grinding Bench was installed in the Shop building,
- 1 piece of conventional cylindrical grinding bench order was placed.

## MECHANICAL SHOP

Mechanical Shop has the maintenance capability of total 1093 pieces of mechanical component part numbers. The total of 3195 work orders including 1090 from customers were closed in 2013. There is an increase of 5% in the number of closed work orders from Turkish Airlines compared to 2012.

### MECHANICAL SHOP CAPABILITIES

- B737-400/-800 Stabilizer Trim Actuator,
- Ballscrews,
- B737-800 TE Flap Transmissions,
- Heat Exchangers/Reheaters/Consensers,
- Oil Coolers/Oil Temperature Ragulators/ Fuel-Oil Heat Exchangers,
- Vibration Isolations/Flexible Shafts/ VBV Actuators,
- Flap Actuators,
- BOEING Cocpit Seats,
- Latches,
- Windshileds/Sliding Windows.





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## ELECTROMECHANICAL SHOP

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Electromechanical Shop has the maintenance capability of total 324 pieces of electromechanical components part numbers. The total of 3031 work orders including 640 from customers were closed in 2013. There is an increase of 10% in the number of closed work orders compared to 2012.

### ELECTROMECHANICAL SHOP CAPABILITIES

- Outflow valves,
- AIRBUS Cockpit Seats,
- Various Linear Actuators,
- Various Rotary Actuators,
- Position Pick Off Units,
- Valves (Shut Off, Skin Air valves. Fill Drain Valves and etc),
- Electrical Boxes,
- Trash Compactors.



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## CARGO EQUIPMENTS SHOP

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The Cargo Equipment Shop maintains pallettes and AKE / AKH type containers included in the fleet.

The Cargo Equipments Shop repaired 3243 AKE type containers, 3835 AKH type containers and 621 Pallets in 2013. In addition to these maintenances, 800 AKE type containers and 450 AKH type containers were newly assembled. The total number of works done in 2013 is 8849. There is 2% rise in the number of maintained cargo equipments when compared to 2012.

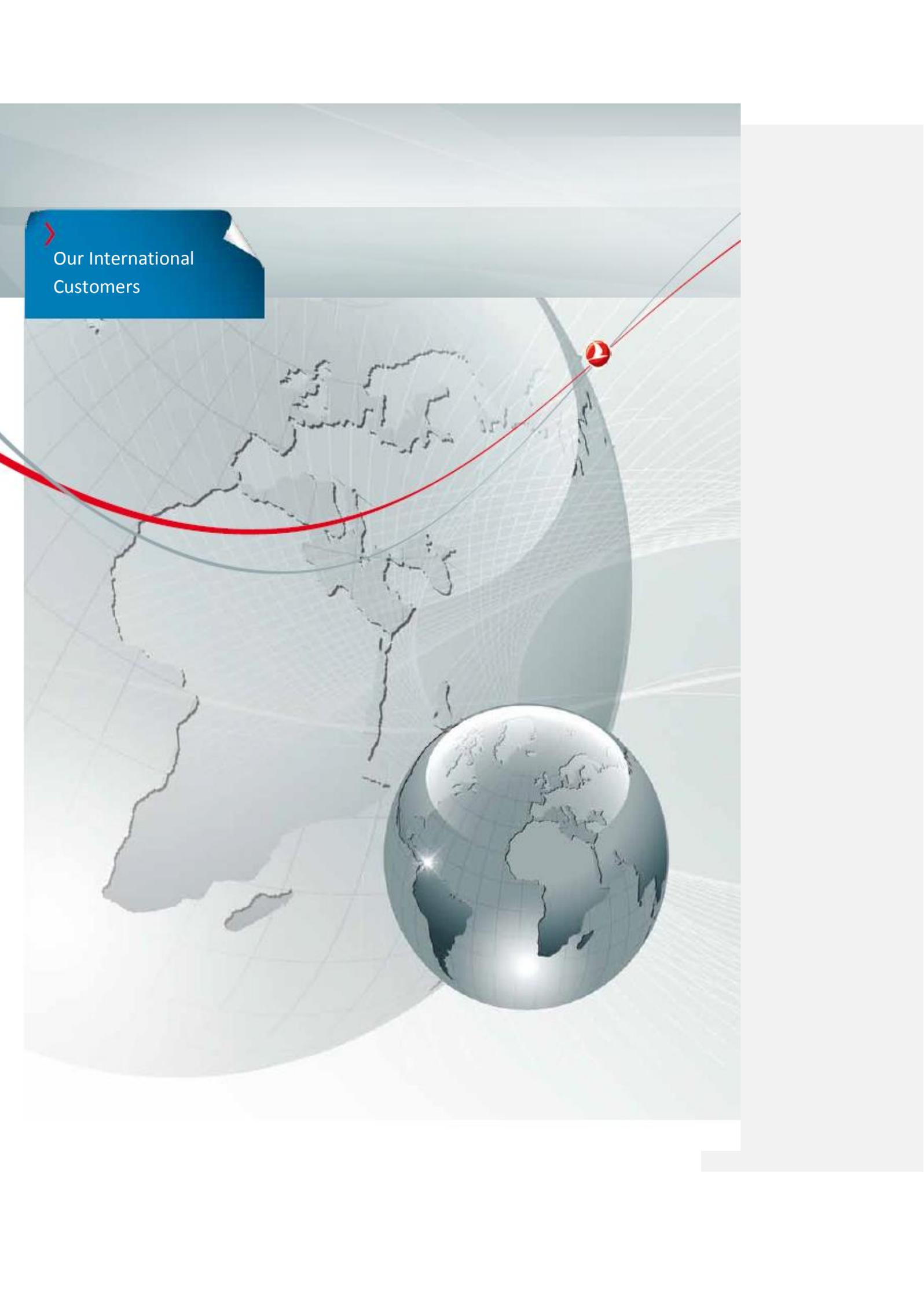
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## GALLEY EQUIPMENTS SHOP

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The Galley Equipments Shop performs maintenance of galley equipment such as Full Size Trolley, Half Size Trolley, Foldable Trolley, Waste Trolley, Hut Cups (1L, 2L), Standard Unit, Ice Unit. Maintenance work was carried out on 9135 pieces of galley equipment in 2013. There is 6% rise in the number of maintained galley equipments when compared to 2012.



The background features a light gray world map with a grid of latitude and longitude lines. A prominent red line curves across the map, starting from the left edge and ending at a red circular marker with a white downward-pointing arrowhead. In the lower right foreground, a 3D-rendered globe of the Earth is shown, reflecting light. The overall aesthetic is clean and professional, with a focus on global connectivity.

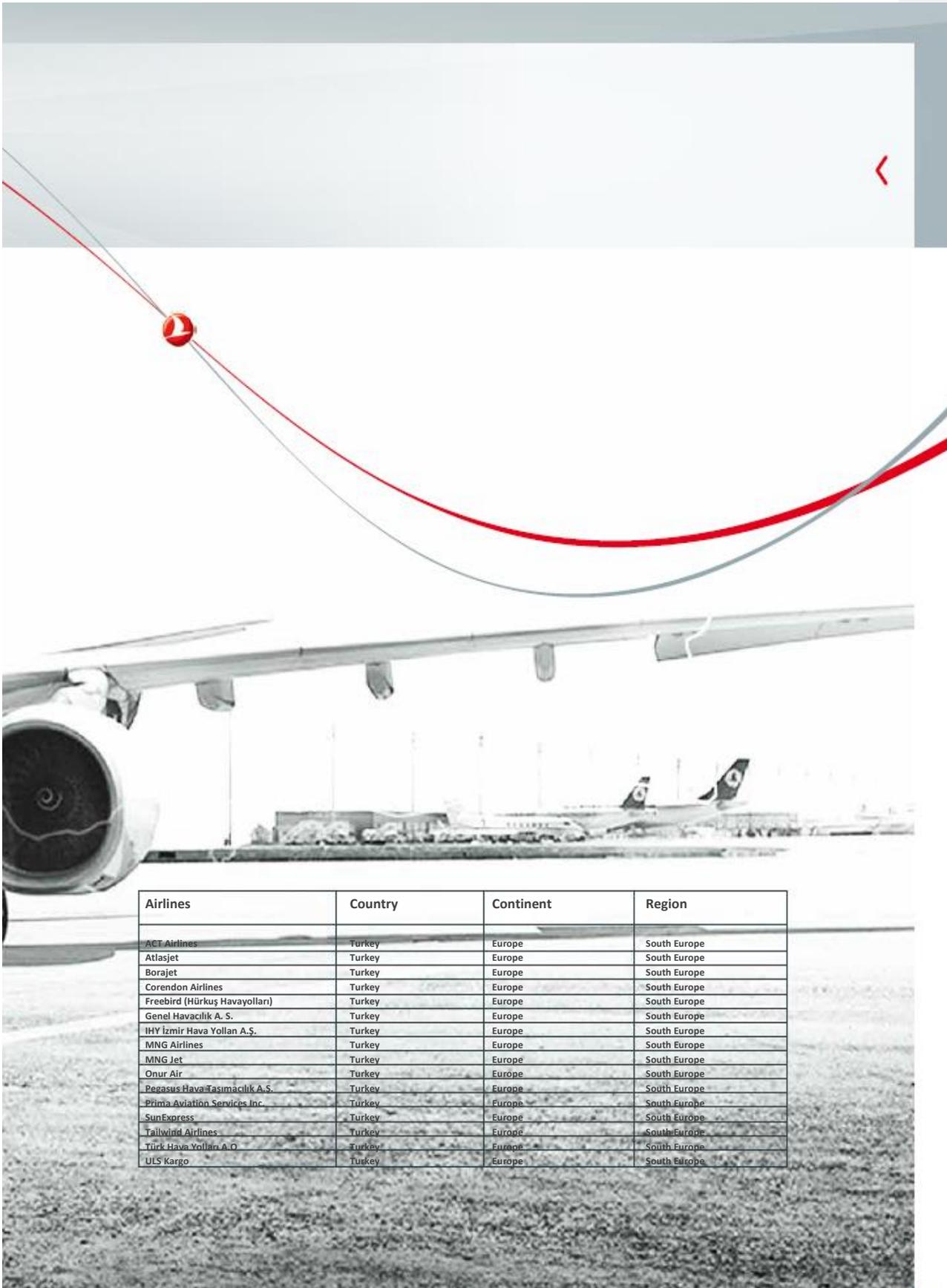
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Our International  
Customers

Airlines	Country	Continent	Region
Aeroflot Russian Airlines	Russia	Europe	Commonwealth of Independent States
Afriqiyah Airways	Libya	Africa	North Africa
Air Astana	Kazakhstan	Europe	Commonwealth of Independent States
Air Berlin	Germany	Europe	West Europe
Air Bulgaria (&Hemus Air)	Bulgaria	Europe	East Europe
Air France	France	Europe	West Europe
Air India	India	Asia	India Subcontinent
Air Moldova	Moldova	Europe	Commonwealth of Independent States
Air Via	Bulgaria	Europe	East Europe
Airblue	Pakistan	Asia	India Subcontinent
Alitalia	Italy	Europe	West Europe
Ariana Afghan Airlines	Afghanistan	Asia	India Subcontinent
Astra Airlines	Greece	Europe	South Europe
Avion Express	Lithuania	Europe	East Europe
Azerbaijan Havayollari	Azerbaijan	Europe	Commonwealth of Independent States
Berkut Air	Kazakhstan	Europe	Commonwealth of Independent States
BH Air Ltd.	Bulgaria	Europe	East Europe
Blue Air Transport Aerian	Romania	Europe	East Europe
Brussels Airlines	Belgium	Europe	West Europe
Buraq Air	Libya	Africa	North Africa
Eastok Avia	United Arab Emirates	Middle East	Middle East
Ethiopian Airlines	Ethiopia	Africa	East Africa
Fly Dubai	United Arab Emirates	Middle East	Middle East
Fly Niki	Austria	Europe	West Europe
Germanwings	Germany	Europe	West Europe
Gulf Air	Bahrain	Middle East	Middle East
HI FLY	Portugal	Europe	West Europe
Iberia	Spain	Europe	West Europe
Iberworld	Spain	Europe	West Europe
Iran Aseman	Iran	Middle East	Middle East
Iraqi Airways	Iraq	Middle East	Middle East
Jet Airways	India	Asia	India Subcontinent
KLM Royal Dutch Airlines	Netherlands	Europe	West Europe
Kolavia	Russia	Europe	Commonwealth of Independent States
Lufthansa Airlines	Germany	Europe	West Europe
Mahan Air	Iran	Middle East	Middle East
Meridiana fly	Italy	Europe	West Europe
Midex Cargo	United Arab Emirates	Middle East	Middle East
Neos S.p.A	Italy	Europe	West Europe
Nordwind Airlines	Russia	Europe	Commonwealth of Independent States
Oren Air (Orenburg Airlines)	Russia	Europe	Commonwealth of Independent States
PIA-Pakistan International Airlines	Pakistan	Asia	India Subcontinent
Privat Air	Germany	Europe	West Europe
Qatar Airways	Qatar	Middle East	Middle East
Royal Jet	United Arab Emirates	Middle East	Middle East
Royal Jordanian	Jordan	Middle East	Middle East
Safi Airways	Afghanistan	Asia	India Subcontinent
Sabena Technic	Belgium	Europe	West Europe
Senegal Airlines	Senegal	Africa	West Africa
Shaheen Air	Pakistan	Asia	India Subcontinent
Sr Technics	Switzerland	Europe	West Europe
Spice Jet	India	Asia	India Subcontinent
SunExpress Deutschland	Germany	Europe	West Europe
Swiftair	Spain	Europe	West Europe
Transaero Airlines	Russia	Europe	Commonwealth of Independent States
Travel Services Hungary	Hungary	Europe	East Europe
Turkmenistan Airlines	Turkmenistan	Europe	Commonwealth of Independent States
Ural Airlines	Russia	Europe	Commonwealth of Independent States
White Airways	Portugal	Europe	West Europe
Windrose	Ukraine	Europe	Commonwealth of Independent States
Yakutia Airlines	Russia	Europe	Commonwealth of Independent States
Yemen Airways	Yemen	Middle East	Middle East

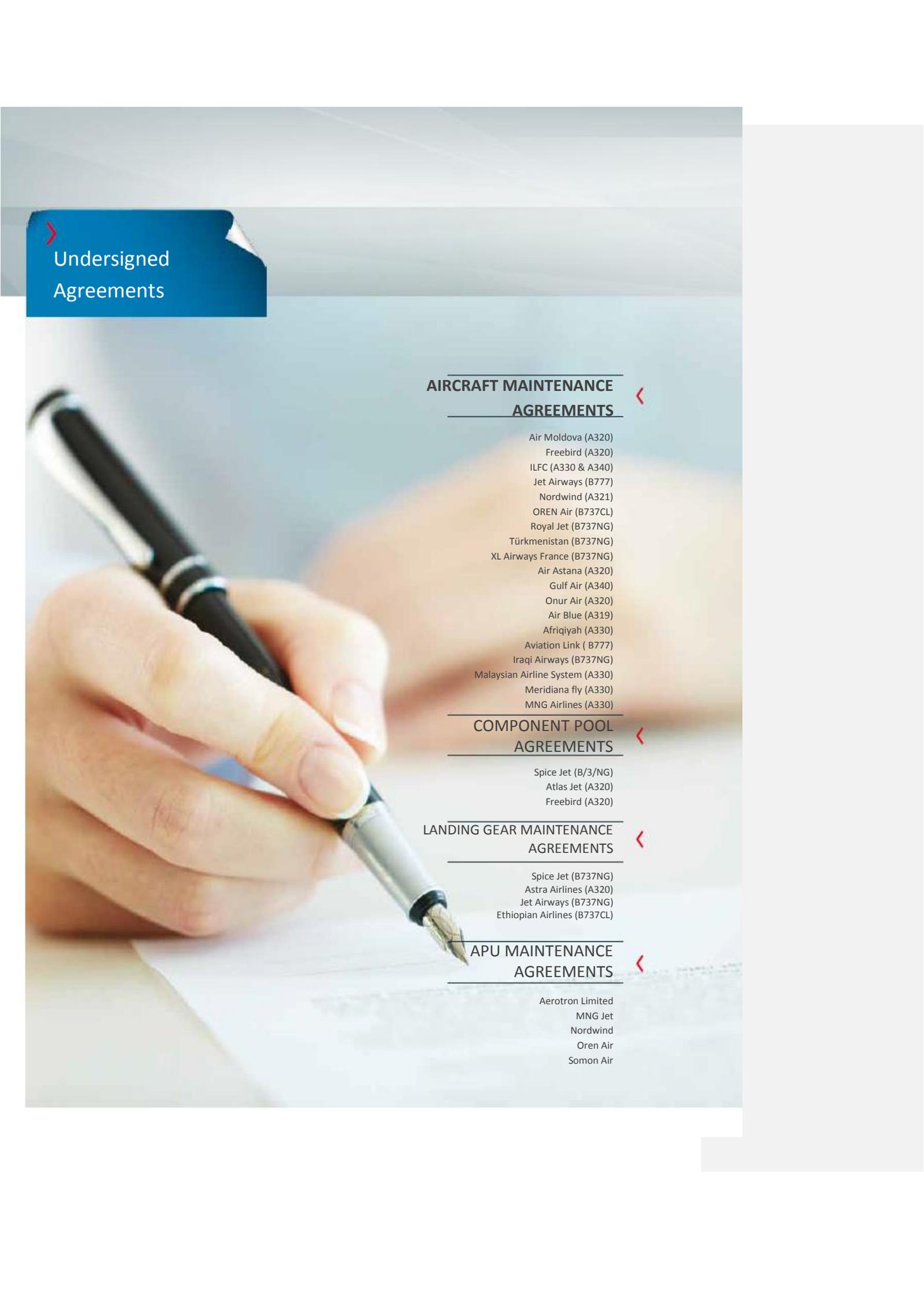


**National**  
Customers





Airlines	Country	Continent	Region
ACT Airlines	Turkey	Europe	South Europe
Atlasjet	Turkey	Europe	South Europe
Borajet	Turkey	Europe	South Europe
Corendon Airlines	Turkey	Europe	South Europe
Freebird (Hürkuş Havayolları)	Turkey	Europe	South Europe
Genel Havacılık A. S.	Turkey	Europe	South Europe
IHY İzmir Hava Yolları A.Ş.	Turkey	Europe	South Europe
MNG Airlines	Turkey	Europe	South Europe
MNG Jet	Turkey	Europe	South Europe
Onur Air	Turkey	Europe	South Europe
Pegasus Hava Taşımacılık A. S.	Turkey	Europe	South Europe
Prima Aviation Services Inc.	Turkey	Europe	South Europe
SunExpress	Turkey	Europe	South Europe
Tallwind Airlines	Turkey	Europe	South Europe
Türk Hava Yolları A.Ö.	Turkey	Europe	South Europe
ULS Kargo	Turkey	Europe	South Europe



Undersigned  
Agreements

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**AIRCRAFT MAINTENANCE  
AGREEMENTS**

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Air Moldova (A320)  
Freebird (A320)  
ILFC (A330 & A340)  
Jet Airways (B777)  
Nordwind (A321)  
OREN Air (B737CL)  
Royal Jet (B737NG)  
Türkmenistan (B737NG)  
XL Airways France (B737NG)  
Air Astana (A320)  
Gulf Air (A340)  
Onur Air (A320)  
Air Blue (A319)  
Afriqiyah (A330)  
Aviation Link ( B777)  
Iraqi Airways (B737NG)  
Malaysian Airline System (A330)  
Meridiana fly (A330)  
MNG Airlines (A330)

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**COMPONENT POOL  
AGREEMENTS**

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Spice Jet (B/3/NG)  
Atlas Jet (A320)  
Freebird (A320)

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**LANDING GEAR MAINTENANCE  
AGREEMENTS**

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Spice Jet (B737NG)  
Astra Airlines (A320)  
Jet Airways (B737NG)  
Ethiopian Airlines (B737CL)

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**APU MAINTENANCE  
AGREEMENTS**

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Aerotron Limited  
MNG Jet  
Nordwind  
Oren Air  
Somon Air

## Exhibitions and Conferences

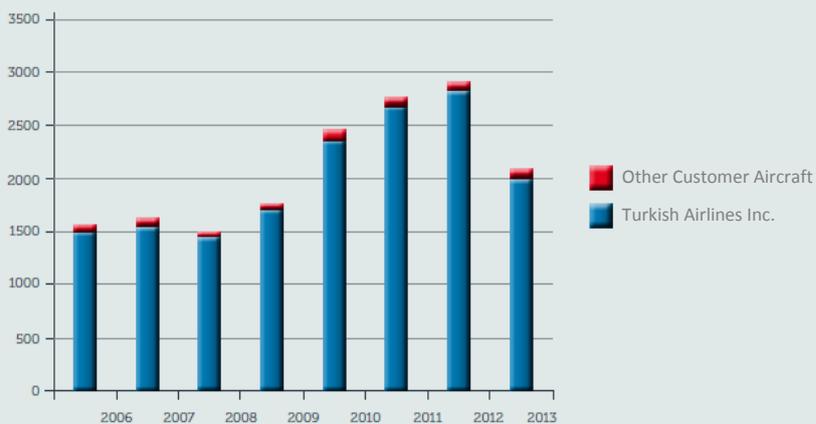
Exhibition	Date	Place
MRO Middle East 2013	January 22-23	Dubai
AC Maintenance Russia & CIS	February 20-21	Moscow
107. IATP Conf.	March 02-06	Dubai
Airline E&M: Chine & East Asia Conf.	March 20-21	Hong Kong
MRO Americas	April 16-18	Atlanta
Airline Eng. & Maint. India	April 23-27	Mumbai
AP & M Expo	May 08-09	London
MRO Eastern Eur., Baltics, Russ. Conf.	May 14-15	Lithuania
MRO Africa Conferance & Exhibition	May 25-27	Ethiopia
Paris Air Show	June 17-23	Paris
Airline Carrier Purch. Conf.	August 17-20	Orlando
MRO Europa	September 25-26	London
Aviation Outlook Asia	October 21-22	Singapore
MRO Asia	October 30-31	Singapore
MRO India	November 07-09	Mumbai
Dubai Air Show	November 17-21	Dubai
Airline E&M: Central & Eastern Europe	November 20-22	Kiev

## The Numbers of Aircraft Maintenance

Maintenance Numbers	Turkish Airlines Inc.								Other Customers' Aircraft							
	2006	2007	2008	2009	2010	2011	2012	2013	2006	2007	2008	2009	2010	2011	2012	2013
A	791	743	748	827	1952	2286	1000	772	14	11	-	-	18	11	9	32
B	55	48	40	16	22	20	53	69	-	1	-	1	8	8	-	-
C	55	50	63	64	86	92	69	78	37	45	31	40	71	66	64	68
D	4	15	1	3	-	-	-	-	-	-	2	1	-	2	1	2
S	5	3	4	6	1	10	14	13	-	-	3	1	-	1	1	-
L	575	682	623	810	306	279	1704	1066								
<b>Total</b>	<b>1485</b>	<b>1541</b>	<b>1479</b>	<b>1726</b>	<b>2367</b>	<b>2687</b>	<b>2840</b>	<b>1998</b>	<b>51</b>	<b>57</b>	<b>36</b>	<b>43</b>	<b>97</b>	<b>88</b>	<b>75</b>	<b>102</b>

	2006	2007	2008	2009	2010	2011	2012	2013
<b>Turkish Airlines Inc.</b>	1485	1541	1479	1726	2367	2687	2840	1998
<b>Other Customers' Aircraft</b>	51	57	36	43	97	88	75	102
<b>Total</b>	<b>1536</b>	<b>1598</b>	<b>1515</b>	<b>1769</b>	<b>2464</b>	<b>2775</b>	<b>2915</b>	<b>2100</b>

### NUMBERS OF AIRCRAFT MAINTENANCE





## Component Maintenance in Numbers

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### NUMBER OF LETTER CHECKS PLANNED

---

Approximately 2100 pieces (L+A+B+C+S) + 3900 pieces Ramp check package, total 6000 pieces

---

### TOTAL NUMBER OF MAINTENANCE PACKAGES PREPARED

---

Approximately 8850 pieces

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### NUMBER OF EO's + COMP. REMOVALS PLANNED

---

App. 10.200 pieces (AD. Aircraft and Component)

---

### NUMBER OF HARD TIME OF LIFE LIMITED COMPONENTS TRACKED

---

App. 75,318 LLPs (Life Limited Part)  
App. 77,109,000 Hard Time (including sub-assy)  
15.5260 Hard Time (including sub-assy) realized planned disassembly

---

### CONSUMABLE MATERIALS PALANNED/MANAGED

---

7,517,978 pieces of consumables, for app. TL 297 m.

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### POWER SYSTEMS & LANDING GEAR PLANNING

---

App. 444 Engines - (App. \$ 4.4 billion)  
App. 624 Landing gears - (App. \$ 1.07 billion)  
App. 232 APUs- (App. \$ 235 million)

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### CUSTOMER (OTHER CUSTOMER)

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Prepared for approximately 149 Different Operators;  
Approximately 1794 pieces of Maintenance Offers (including offers made for Turkish Airlines HABOM Inc.)  
Approximately 247 pieces of Maintenance Packages (not including preliminary study made for Turkish Airlines HABOM Inc. campus)

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## Our Investments and Projects

Constructions works for Turkish Airlines HABOM Inc which is the maintenance and repair center project of Turkish Technic Inc. continued in 2013 at full pace and narrow body hangar construction was completed. Airbus 320 Kuşadası with tail registration of TC-JPR was the first aircraft to be taken to the hangar for maintenance and hangar release ceremony of the plane upon maintenance was held on November 20th, 2013. 2013 became a year that dreams come true for Turkish Airlines HABOM Inc. project. Being able to provide service to 11 narrow and 3 wide body aircraft at the same time in a closed area of 380,000 m<sup>2</sup>, Turkish Airlines HABOM Inc. facility has taken the first steps to become a campus where maintenance, repair and production is performed in aviation field upon movement of Turkish Cabin Interior Systems Industries Inc. to the same location in 2013. Wide body maintenance hangar and shops are planned to become active in 2014. Established through partnership with Zorlu O&M; TURKBINE Teknik Gaz Türbinleri A.Ş. obtained SHY 145 and EASA 145 certifications required for CF6-80 aircraft engine maintenance in 2013 and was granted with FAR 145 maintenance certificate to enable our company to conduct business. TCI -Turkish Cabin Interior Inc. which is established together with TUSAŞ has completed its supplier process of Boeing company and became a Boeing certified supplier company in December. The first nationally produced galley manufactured by TCI will be installed to B737-800 aircraft to be delivered to Turkish Airlines Inc. in February, 2014. Having established a partnership with Annal Hassan company, TSI-Turkish Seats Industry Inc. obtained ADOA, POA and ETSO certifications which are obligatory for seay design and production within 2013 and became ready for production. The first seats by TSI company will be retrofitted to 25 aircraft of Turkish Airlines Inc. in 2014, and the first aircraft with national seats is planned to be released from Turkish Airlines Inc. facilities by February.



## ACTIVITIES OF ENGINEERING DIRECTORATE

Within scope of fleet extension and rejuvenation project of Turkish Airlines Inc., work was performed in procurement commission of total 252 aircraft as 137 from Airbus company and 115 from Boeing company. Feasibility studies were carried out for establishing the features of such aircraft and to meet the future demands according to the latest technology. The first 85 aircraft, selection procedures of which have been commenced are being introduced to Turkish Airlines Inc. fleet and will be completely delivered until 2017.

\*20 pieces of A330, 117 pieces of A320FAM/NEO, 20 pieces of B777, 95 pieces of B737NG/MAX.



Aircraft is now being equipped with EFB system with displays installed to cockpit for digital access to documents and maps used by the flight crew and also for performing some performance calculations required for flight electronically.

Required system to ensure written communication between the aircrafts and the tower in addition to audial communication is being installed to aircraft of Turkish Airlines Inc. to meet Eurocontrol and North Atlantic Datalink rules.

TCAS Change 7.1 rule arising with the development of TCAS Change 7.0 system used for preventing mid-air collision of aircraft will be obligatory in European aerospace as of December 2015. Studies for upgrading TCAS Change 7.0 which is available in Turkish Airlines fleet to TCAS Change 7.1 have been commenced.

## Engineering Activities



### RNP AR Operation Project for Turkish Airlines Inc. Fleet A330 Aircraft

In the study performed for ensuring that Turkish Airlines Inc. A330 aircraft can perform RNP AR Operation, cost calculation and feasibility studies are being carried out for determining operational technical requirements, ensuring system competences for aircraft in the fleet.

### Library Automation Software Project

It is a project which was commenced in June 2013 and implemented in July 2013 upon being prepared within 1 month. Software for lending out and tracking reference publications on aviation and engineering available in the Engineering Library is filling a significant gap in this field. Besides, it is ensured that publications at the departments and personnel are kept at one source and opened to the use of other departments and personnel. With the software where pdf publication archives of 41 different magazines are kept in addition to the books, it is possible to read the magazines online besides downloading them in pdf format and previous issues are also available. Project was developed to ensure that integration with universities is ensured in the further phases and to provide access to digital books. Thus, it is aimed to ensure that personnel can access to more resources faster.

### Courses at İstanbul Technical University

Our engineers who are expert and experienced in their field teach courses at İstanbul Technical University which is one of the leading universities of our country in the field of engineering. In these courses aircraft systems are explained, extensive and applied information on aircraft maintenance and maintenance management is provided. The aim is to train the students on both theoretical and applied information.

### Part Repair and Production Project Carried out in Cooperation with TÜBİTAK

Within scope of the cooperation between Turkish Technic Inc. and TÜBİTAK, studies for determining manufacturing methods for turbine parts which are installed to aircraft engines and establishing required process parameters have commenced. The aim is to ensure performance of repair and production tasks which require advanced technology, in our country.

**Part 21 Design Organization** has achieved STC privilege by improving its Minor level authority for cabin interior to Major level. **Part 21 Design Organization** has achieved STC certification from EASA in 2013. 2 new STC projects as one for avionics and the other for cabin interior have commenced. Also, various minor level changes were carried out.

Entire engineering and application process has been completed successfully with VIP cabin interior modification performed by Turkish Technic Inc. on G4 aircraft of the prime ministry.

## R&D MANAGEMENT ACTIVITIES

### Carried out Projects

- Aircraft Maintenance Processes ( Networked MRO) Automation (TEYDEB project numbered 3120965),
- Development of Aircraft Engine Cleaning System (TEYDEB project numbered 3130162),
- Wireless Cabin Interior Entertainment System (TEYDEB project numbered 3120903),
- Full Automatic, Smart Test System Design and Prototype Production for Crew Oxygen Masks (TEYDEB project numbered 3130518),
- Vacuum Aircraft Toilet System Digital Test Device Design and Prototype Production (TEYDEB project numbered 3130641),
- Cabin interior RFID (Radio-Frequency Identification) Project,
- Aircraft Health and Condition Monitoring Project (WQAR),
- MRO Process Management Software Project,
- Aircraft Cable Development Project,
- Load Bank (AC and DC) Production Project,

### Recent Projects

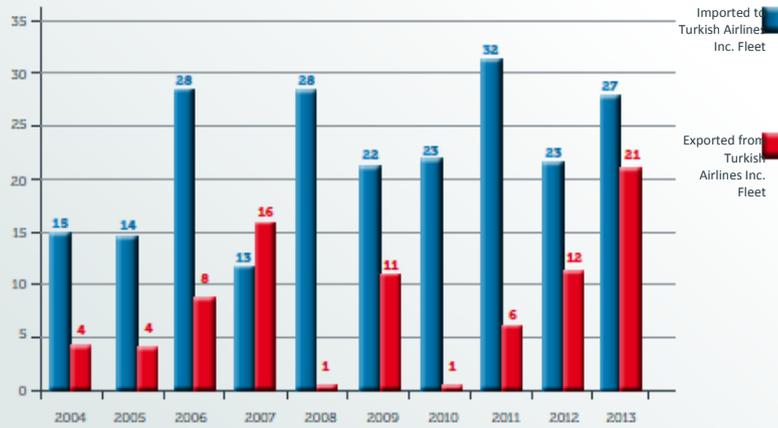
- Aircraft Toilet Production Project,
- Aircraft Trolley Production Project,
- Aircraft LED Lighting Project,
- Aircraft Windows and Sunshield Production Project,
- Aircraft Lifejacket Development and Production Project,
- Use of Bio-fuel in Aircraft Engines Project,
- Aircraft Chemicals Production Project,
- Aircraft Tire Coating Project,
- Container Production Project,
- Aircraft Safety Belt Production Project,

### Industry and University Cooperations

- Within scope of Teydeb projects, support is provided by İTÜ Faculty of Aeronautics and Astronautics, Yıldız Technical University Faculty of Mechanical Engineering and İstanbul Commerce University academic staff with regard to academic support required for the projects,
- Aircraft cable development project is carried out together with İTÜ,
- R&D office supported by Turkish Airlines Inc. - Turkish Technic Inc. R&D center is established at İTÜ Faculty of Aeronautics and Astronautics,
- Wireless Cabin Interior Entertainment System and Aircraft Health and Condition Monitoring projects are being carried out together with Havelsan Inc.,
- Negotiations with Boeing for carrying out joint R&D projects have reached to the final stage.

### FLEET ASSET MANAGEMENT

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



### TOTAL SUPPORT SERVICES GIVEN BY TURKISH TECHNIC INC. TO OTHER OPERATORS WITH TOTAL CARE COORDINATION IN 2013

Customer	Aircraft type	Number of Aircraft	Contract Type	RAMP	A Maintenance	B Maintenance	C Maintenance	S Maintenance	Line Maintenance
Ariana Afgan Airlines	A310	2	Maintenance Services and Engineering	-	7	4	1	1	-
			Additional Service						
			Brake Maintenance Services						
			Line Maintenance						
			Component Supply Facilities						
Iraki Airways	B737-700	2	Maintenance Services and Engineering	96	2	-	-	-	6
			Line Maintenance						
			Brake Maintenance Services						
			Component Supply Facilities						
			Wheel and Tire Maintenance Services						
Somon Airlines			Additional Services	292	30	-	4	-	43
			Line Maintenance						
			Brake Maintenance Services						
			Maintenance Services and Engineering						
			Wheel and Tire Maintenance Services						



Financial Information

Audit Reports



## Independent Audit Report

To Turkish Technic Inc. Board of Directors

We have audited the accompanying consolidated financial statements of Turkish Technic Inc. (the "Company"), which comprise the balance sheet as at 31 December 2013, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

Company Management is responsible for the preparation and fair presentation of these financial statements in accordance with Turkish Accounting Standards ("TAS") promulgated by Public Oversight Accounting and Auditing Standards Authority ("POA"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Independent Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our independent audit in accordance with independent audit standards published by Capital Market Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements reflect the reality accurately and honestly.

Our independent audit involves using independent audit techniques to obtain independent audit evidence about the amounts and disclosures in the financial statements. Selection of independent audit techniques depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud and/or error and irregularity. In making this risk assessment, internal control system of the entity is taken into consideration. However, our purpose is not to provide opinion with regard to the effectiveness of the internal control system but to provide fair presentation of the relationship between financial statements prepared by Company management and the internal control system in order to design independent audit techniques according to the conditions. Our independent audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of material accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

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

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### Opinion

In our opinion, present financial statements, in all material respects, reflects the financial position of the Company as of 31 December 2013, and its financial performance and its cash flows for the year then ended, in accordance with TAS (Note 2).

### Other Matters

The financial statements of the Company as at and for the year ended 31 December 2012 were independently audited by another independent auditor. Former independent auditor expressed a positive opinion for the financial statements as of 31 December 2013, in independent audit report dated 6 March 2013.

### Reports on Responsibilities of Independent Auditor Specified in Other Regulations

According to the 402<sup>nd</sup> clause of Turkish Commercial Code numbered 6102, Board of Directors made necessary explanations within the context of audit and provided us the requested documents, besides nothing has come to our attention that causes us to believe that The Company's bookkeeping system in the fiscal period 1 January-31 December 2013 is not appropriate, in all material respects, in accordance with the Law and the clauses related to the financial reporting in the Company's articles of association.

According to the 378th clause of Turkish Commercial Code numbered 6102, the Early Risk Detection Committee is founded in the companies whose shares that are not quoted in stock exchange provided that auditor considers necessary and declares in writing to the Board of Directors. According to subclause 4 of clause 398 of the same Law, independent auditor should prepare a separate report and present it to Board of Directors together with audit report in accordance with the basis determined by POA, whether the Board of Directors has founded the system and the authorized committee defined in the 378th clause, in case there exists such a system to timely diagnose any risks which threatened or may threaten the company, explain its structure and applications of the committee. Since secondary regulations with respect to work to be performed by auditor on early risk detection and the basis of the report have not been announced as of the balance sheet date, accordingly, no work was performed to form a conclusion whether the foundation of the early risk detection committee is necessary and a separate report for this purpose was not prepared.

Istanbul, March 13<sup>th</sup>, 2014

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
Hatice Nesrin Tuncer, Independent Financial Consultant and Public Accountant Responsible Partner, Chief Auditor



## TURKISH TECHNIC INC.

### Balance sheet as of December 31st, 2013

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

ASSETS	Footnote References	Independently Audited December 31 <sup>st</sup> , 2013	(Re-issued) (* ) Independently Audited December 31 <sup>st</sup> , 2010
Current Assets			
Cash and Cash Equivalents	4	2.046.901	17858.412
Trade Receivables		161.423.303	143.972.995
-Trade Receivables From Related Parties	7	111.221.498	91.563.793
-Trade Receivables from Non-Related Parties	8	50.201.805	52.409.202
Other Receivables		9.857.621	581.103
-Other Receivables From Related Parties	7	4.958.461	493.583
-Other Receivables From Non-Related Parties	10	4.899.160	87.520
Inventories	11	650.689.705	462.543.729
Prepaid Expenses	12	5.926.652	27747270
Current Income Tax Assets	27	1.716.795	2.279.343
Other Current Assets	18	84.265.205	55.831.353
<b>TOTAL CURRENT ASSETS</b>		<b>915.926.182</b>	<b>710.814.205</b>
Non-Current Assets			
Financial Investments	5	5.025	5.025
Equity Accounted Investments	3	56.306.699	62.098.144
Tangible Fixed Assets	13	701.744.956	441.164.187
Intangible Fixed Assets		7.323.887	3.386.097
- Other Intangible Fixed Assets	13	7.323.887	3.386.097
Prepaid Expenses	12	49.188.535	7.008.598
<b>TOTAL FIXED ASSETS</b>		<b>814.569.102</b>	<b>513.662.051</b>
<b>TOTAL ASSETS</b>		<b>1.730.495.284</b>	<b>1.224.476.256</b>

(\* ) Refer to Note 2 for reissue.



	Footnote References	Independently Audited December 31st, 2013	(Re-issued) (*) Independently Audited December 31 <sup>st</sup> , 2012
<b>Short Term Liabilities</b>		<b>359.397.392</b>	<b>253.046.607</b>
Other Financial Liabilities		3.992.929	4.638.257
Commercial Liabilities	6	125.386.041	107.902.625
-Commercial Liabilities to Related Parties	7	27.463.485	36.699.334
-Commercial Liabilities to Non-Related Parties	8	97.922.556	71.203.291
Payables Related to Employee Benefits	9	22.463.709	21.051.545
Other Liabilities		70.557.339	25.644.615
-Other Liabilities to Related Parties	7	49.569.338	4.946.452
-Other Liabilities to Non-Related Parties	10	20.988.001	20.698.163
Deferred Incomes	12	129.508.367	84.987.235
Short-Term Provisions		6.418.125	8.250.329
-Short-Term Provisions For Employee Benefits	15	4.106.669	1.503.632
- Other Short-Term Provisions	15	2.311.456	6.746.697
Other Short Term Liabilities		1.070.882	572.001
<b>Long Term Liabilities</b>		<b>314.497.814</b>	<b>49.735.662</b>
Other Liabilities		228.440.942	-
- Other Liabilities to Related Parties	7	228.440.942	-
Deferred Incomes		177.055	851.354
Long-Term Provisions For Employee Benefits	17	42.515.141	39.368.431
Deferred Tax Liability	27	43.364.676	9.515.877
<b>EQUITIES</b>			
<b>Equities Attributable to Equity Holder of the Parent</b>		<b>1.056.600.078</b>	<b>921.693.987</b>
Paid-in Capital	19	693.000.000	693.000.000
Accumulatd Other Extensive Incomes and Expenses that Will Be Reclassified to Profit or Loss		( 2.785.745)	( 2.449.729)
- Actuarial Losses from Defined Pension Plans		( 2.785.745)	( 2.449.729)
Accumulatd Other Extensive Incomes and Expenses that Will Be Reclassified to Profit or Loss		263.953.309	86.841.809
- Foreign Exchange Translation Differences		263.953.309	86.841.809
Restricted Profit Reserves		9.277.564	8.080.406
Profits of Previous Years		135.024.343	120.647.508
Net Term Profit / (Loss)		( 41.869.393)	15.573.993
<b>TOTAL EQUITIES</b>		<b>1.730.495.284</b>	<b>1.224.476.256</b>

(\*) Refer to Note 2 for reissue.

**TURKISH TECHNIC INC.****Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2013**

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

	Note	Independently Audited January 1 <sup>st</sup> – December 31 <sup>st</sup> , 2013	(Re-issued) (*) Independently Audited January 1 <sup>st</sup> – December 31 <sup>st</sup> , 2012
Revenue	20	986.249.916	803.823.249
Cost of Sales (-)	20	( 871.866.035)	( 678.919.691)
<b>GROSS PROFIT</b>		<b>114.383.881</b>	<b>124.903.558</b>
General Management Expenses (-)	21	( 96.509.979)	( 81.246.093)
Marketing and Sales Expenses (-)	21	( 9.066.201)	( 9.265.926)
Research and Development Expenses (-)	21	( 9.904.785)	( 801.361)
Other Operating Incomes	22	18.303.658	16.177.395
Other Operating Expenses (-)	22	( 15.432.692)	( 19.199.374)
<b>OPERATIONAL PROFIT</b>		<b>1.773.882</b>	<b>30.568.199</b>
Income from Investment Activities	23	( 351.512)	12.274
Share of Investments' Losses Accounted by Using the Equity	3	( 17.612.894)	( 20.470.232)
<b>OPERATING (LOSS) / PROFIT BEFORE FINANCIAL INCOME / EXPENSE</b>		<b>( 16.190.524)</b>	<b>10.110.241</b>
Financial Incomes	25	5.597.118	3.152.442
Financial Expenses (-)	25	( 1.591.366)	( 833.672)
<b>(LOSS) / PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>( 12.184.772)</b>	<b>12.429.011</b>
Tax Income (Expense) of Continuing Operations		( 29.684.621)	3.144.982
- Current Tax Expense	27	-	( 8.378.749)
- Deferred Tax (Expense)/Income	27	( 29.684.621)	11.523.731
<b>(LOSS) / PROFIT FROM CONTINUING OPERATIONS</b>		<b>( 41.869.393)</b>	<b>15.573.993</b>
<b>OTHER COMPREHENSIVE INCOMES</b>			
Items That Will Never Be Reclassified to Profit or Loss		( 336.016)	( 2.449.729)
Actuarial Losses From Defined Pension Plans			
Actuarial Losses		( 420.020)	( 3.062.161)
Actuarial Losses From Defined Pension Plans			
Tax Impact of Actuarial Losses		84.004	612.432
<b>Items That Will Be Reclassified to Profit or Loss</b>		<b>177.111.500</b>	<b>( 46.810.200)</b>
Foreign Exchange Translation Differences		177.111.500	( 46.810.200)
<b>OTHER COMPREHENSIVE INCOME</b>		<b>176.775.484</b>	<b>( 49.259.929)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>134.906.091</b>	<b>( 33.685.936)</b>

(\*) Refer to Note 2 for reissue.

**Equity Change Statement for the Year Ended 31 December 2013**  
(All amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

	Accumulated Other Extensive Incomes and Expenses that Will Never Be Reclassified to Profit and Loss		Accumulated Other Extensive Incomes and Expenses that Will Be Reclassified to Profit and Loss	Restricted Profit Reserves	Accumulated Profits	Net Term Profit / (Loss)	Total Equity
	Paid-in Capital	Acturial Losses From Defined Pension Plans	Foreign Exchange Translation Differences				
Balance sheets as of December 31 <sup>st</sup> , 2012	<b>693.000.000</b>	-	<b>86.841.809</b>	<b>8.080.406</b>	<b>120.647.508</b>	<b>13.124.264</b>	<b>921.693.987</b>
Adjustments related to Change in Accounting Policy (*)	-	(2.449.729)	-	-	-	2.449.729	-
Reissued balance sheet as of January 1 <sup>st</sup> , 2013	<b>693.000.000</b>	<b>(2.449.729)</b>	<b>86.841.809</b>	<b>8.080.406</b>	<b>120.647.508</b>	<b>15.573.993</b>	<b>921.693.987</b>
Transfers	-	-	-	1.197.158	14.376.835	(15.573.993)	-
Total Comprehensive Income	-	(336.016)	177.111.500	-	-	(41.869.393)	134.906.091
Balance sheets as of December 31 <sup>st</sup> , 2013	<b>693.000.000</b>	<b>(2.785.745)</b>	<b>263.953.309</b>	<b>9.277.564</b>	<b>135.024.343</b>	<b>(41.869.393)</b>	<b>1.056.600.078</b>
Balance sheets as of January 1 <sup>st</sup> , 2012	<b>543.006.000</b>	-	<b>133.652.009</b>	<b>5.126.685</b>	<b>106.756.329</b>	<b>16.844.900</b>	<b>805.385.923</b>
Transfers	-	-	-	2.953.721	16.844.900	(16.844.900)	2.953.721
Capital Increase	149.994.000	-	-	-	(2.953.721)	-	147.040.279
Total Comprehensive Income	-	-	(46.810.200)	-	-	13.124.264	(33.685.936)
Balance sheets as of December 31 <sup>st</sup> , 2012	<b>693.000.000</b>	-	<b>86.841.809</b>	<b>8.080.406</b>	<b>120.647.508</b>	<b>13.124.264</b>	<b>921.693.987</b>
Adjustments related to Change in Accounting Policy (*)	-	(2.449.729)	-	-	-	2.449.729	-
Reissued	-	-	-	-	-	-	-
Balance sheets as of December 31 <sup>st</sup> , 2012	<b>693.000.000</b>	<b>(2.449.729)</b>	<b>86.841.809</b>	<b>8.080.406</b>	<b>120.647.508</b>	<b>15.573.993</b>	<b>921.693.987</b>

(\*) Refer to Note 2 for reissue.

**TURKISH TECHNIC INC.**  
**Cash Flow Statement for the Year Ended 31 December 2013**  
 (All amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

	Note	Independently Audited January 1 <sup>st</sup> – December 31 <sup>st</sup> , 2013	Re-issued (*) Independently Audited January 1 <sup>st</sup> – December 31 <sup>st</sup> , 2012
<b>A. Cash Flows From Operating Activities:</b>			
Loss for the Period		(41.869.393)	15.573.993
<b>Adjustments to Reconcile Net (Loss) / Profit for the Period:</b>			
Adjustments for depreciation and amortisation	11, 13, 14	76.809.128	65.137.093
Adjustments for provisions	15	(2.338.142)	3.784.505
Adjustments for provisions for employee benets	17	6.153.470	5.374.366
Adjustments for provisions for doubtful receivables	8, 10	6.478.570	5.235.889
Adjustments for interest income and expenses		2.399.582	4.019.659
Adjustments for rediscount expenses	22	417.589	37.118
Adjustments for rediscount incomes	22	(89.845)	(306.307)
Adjustments for unrealized foreign exchange loss and translation differences		(39.943.765)	(14.761.963)
Share of Investment's loss accounted by using the equity method	3	17.612.894	20.470.232
Adjustments for deferred tax (Income) / expense	27	29.684.621	(11.523.731)
Adjustments for incomes from sale of fixed assets	21	351.512	(12.274)
<b>Cash Flows Before Working Capital Changes</b>		<b>55.314.709</b>	<b>93.028.580</b>
<b>Working Capital Changes:</b>			
Adjustments for increase in inventories		(113.277.474)	2.864.210
Adjustments for (increase)/ decrease in trade receivables		(30.866.033)	39.655.116
Adjustments for increase in other receivables		(9.276.518)	(2.383.159)
Adjustments for decrease / (increase) in other current and non current assets		(46.190.134)	(31.987.594)
Adjustments for increase/(decrease) in trade payables and due to related parties		17.573.263	(9.102.902)
Adjustments for increase/(decrease) in other payables and due to related parties		273.323.666	(33.148.036)
Adjustments for decrease in other short and long-term liabilities		45.757.876	(1.076.757)
<b>Cash Flows Generated From Operating Activities</b>		<b>192.389.355</b>	<b>57.849.458</b>
Received Interest		(2.399.582)	(4.019.659)
Tax Payments	27	(1.716.795)	(10.658.092)
Employee severance payment	17	(3.426.780)	(1.996.277)
<b>Net Cash Flows Generated From Operating Activities</b>		<b>184.846.198</b>	<b>(12.247.205)</b>
<b>B. Cash Flows From Investment Activities</b>			
Cash Input from Sales of Tangible Fixed Assets	13	517.851	(39.948)
Cash Output from Purchase of Tangible Fixed Assets	13	(197.761.259)	(203.581.428)
Cash Output from Purchase of Intangible Fixed Assets	14	(1.229.578)	(2.149.412)
Capital Contribution to Affiliates		(1.539.395)	-
<b>Cash Flows Used for Investment Activities</b>		<b>(200.012.381)</b>	<b>(205.690.892)</b>
<b>C. Cash Flows From Financing Activities:</b>			
Cash Inputs from Indebtedness		-	(1.999.359)
Cash Outputs for Debt Payments		(645.328)	-
Capital Increase		-	(149.994.000)
<b>Cash Flows (Used) / from Financing Activities</b>		<b>(645.328)</b>	<b>151.993.359</b>
<b>Net Decrease in Cash and Cash Equivalents</b>		<b>15.811.511</b>	<b>(12.522.105)</b>
<b>E. Cash and Cash Equivalents at the Beginning of the Period</b>			
<b>Cash and Cash Equivalents at the End of the Period</b>		<b>2.046.901</b>	<b>17.858.412</b>

(\*) Refer to Note 2 for reissue.

**Footnotes for Financial Statements for the Year Ended 31 December 2013**  
(All amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

## 1. ORGANIZATION AND OPERATIONS OF THE COMPANY

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

The average number of employees working for the company as at 31 December 2013 is 2,012 (31 December 2012: 2.139).

Total number of employees working for the company as at 31 December 2013 is 1.981 (31 December 2012: 2.022).

	December 31st, 2013	December 31st, 2012
Administrative Staff	619	632
Production Staff	1.362	1.390
<b>Production Staff</b>	<b>1.981</b>	<b>2.022</b>

The company is registered in Turkey and its head office address is as follows:  
Istanbul Bakirkoy-Yesilkoy Atatürk Airport Gate B.

### Affiliates

As at 31 December, affiliates accounted for by using equity method and participation rate of the Company in these affiliates are as below;

Company title	Field of activity	Participation Rate		Country of registration
		2013	2012	
Turkbine Teknik Gaz Turbinleri Bakım Onarım Anonim Şirketi ("Turkbine Teknik")	Technical Maintenance	50%	50%	
P&W T.T. Uçak Bakım Merkezi Limited Şirketi ("TEC")	Technical Maintenance	49%	49%	
Goodrich THY Teknik Servis Merkezi Limited Şirketi ("Goodrich")	Technical Maintenance	40%	40%	
TCI Kabin içi Sistemleri Sanayi ve Ticaret Anonim Şirketi ("TCI")	Cabin Interior Maintenance Service	21%	21%	

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

### 2.1 Basis of Presentation

#### Preparation of the Financial Statements

As of December 31<sup>st</sup>, 2013, the financial statements and footnotes have been prepared in accordance with the communique numbered II-14.1 "Communique on the Principles of Financial Reporting In Capital Markets" ("the Communique") announced by the Capital Markets Board ("CMB") on 13 June 2013 which is published on Official Gazette numbered 28676.

The accompanying consolidated financial statements have been presented in accordance with formats announced by CMB on 7 June 2013. A number of changes made at the Group's previous consolidated financial statements in the current period in order to comply with formats announced by CMB on 7 June 2013. (Refer to Note: 49).

## **2.1 Basis of Presentation**

### **Adjustment of Financial Statements in Hyperinflationary Periods**

As per the 17 March 2005 dated, 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" numbered 29 ("LAS 29") was no longer applied henceforward.

### **Basis of Measurements**

All financial statements, except for investment property and derivative financial instruments, have been prepared on cost basis principal. Methods used for fair value measurement are given in Note: 2.5.8 and Note: 2.5.14.

### **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 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.
- c) All differences are recognized as a separate equity item under exchange differences.

#### **Basis of the Consolidation**

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

According to the equity method, joint ventures are stated as the cost value adjusted as deducting the impairment in joint venture from the change occurred in the joint venture's assets after the acquisition date that is calculated by the Company's share in the consolidated balance sheet. Joint venture'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 joint venture).

#### **2.2 Statement of Compliance with TAS**

The Company maintain their books of account and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code and Tax Legislation.

The annexed financial statements have been prepared in accordance with Turkish Accounting Standards (TAS) announced by Public Oversight Accounting and Auditing Standards Authority ("POA") with regard to the communique numbered II-14.1 "Communique on the Principles of Financial Reporting In Capital Markets" ("the Communique") announced by the Capital Markets Board ("CMB") on 13 June 2013 which is published on Official Gazette numbered 28676. TAS is comprised of Turkish Accounting Standards, Turkish Financial Reporting Standards (TFRS), appendixes and interpretations.

#### **2.3 Changes in Accounting Policies**

Turkish Accounting Standards 19 ("TAS 19"), Employee Benefits, has been revised effective from the annual period beginning after 1 January 2013. According to that, the actuarial gain/loss related to allowance for retirement pay must be reflected under other comprehensive income.

The Company used to recognize the actuarial gain/loss related to employee benefits in profit or loss until 31 December 2012. Due to amendment of the respective standard, the Company applied the change in accounting policy retrospectively as the standard stated and actuarial gains/losses reported under consolidated profit or loss in prior periods have been represented in Actuarial Losses in Defined Pension Plans under equity.



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- The Company has reclassified TL 2,633,206 from cost of sales, TL 387,991 from general administrative expenses and TL 40,964 from sales and marketing expenses with the deferred tax effect of TL 612.432 to "Actuarial losses from defined benefit plans" in the statement of other comprehensive income for the year ended 31 December 2012.
  - The Company has reclassified actuarial gains from defined pension plans amounting to TL 2,449,729 to adjustments for provisions for employee benefits which was disclosed under net loss for the period in the statement of cash flows for the year ended 31 December 2012.
  - The Company has reclassified actuarial losses from defined pension plans amounting to TL 2,449,729 net off the deferred tax, to actuarial losses from defined benefit plans, which was disclosed under net profit for the year in the shareholders' equity for the year ended 31 December 2012.

#### **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 consolidated financial statements as at 31 December 2013 are same with those used in the preparation of the Group's consolidated financial statements as at and for the year ended 31 December 2012.

#### **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 against the invoices issued upon provision of service.

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

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

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 (year)**

- Components
- Repairable spare parts (R Equipment)
- Repairable spare parts (X Equipment)
- Repairable spare parts (V Equipment)



### 2.5.3 Tangible Fixed 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 (year)
• Plant, machinery and devices	3-15
• Fixtures	4-15
• Vehicles	4-7
• Other tangible fixed assets	4-15
• Leasehold improvements	5

### 2.5.4 Intangible Fixed Assets

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

### 2.5.5 Impairment on Assets

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

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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 such 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 2013 and 2012, the Company does not have any capitalized borrowing costs.

#### **2.5.7 Financial Instruments**

##### **Financial assets**

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

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

##### **Effective interest method**

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

### **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 Group 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 Group 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.

### **Available for sale financial assets**

Gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period. Impairment losses recognized in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognized in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

### **Sale and repurchase agreements**

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

### **Loans and receivables**

Trade and other loans and receivables, which are not traded in the market, with fixed and determinable payments are classified in this category. Loans and receivables are measured at amortized cost using the effective interest method.

### **Impairment of financial assets**

Financial assets, other than those at fair value through profit or loss are assessed for indicator of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For loans and receivables the amount of the impairment is the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously recognize written of fare credited against the allowance account are recognized in profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of available for sale equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

### **Cash and cash equivalents**

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

### **Finance liabilities**

The Company's financial liabilities and equity instruments are classified in accordance with the contractual arrangements and recognition principles of a financial liability and equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The significant accounting policies for financial liabilities and equity instruments are described below:

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

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

#### 2.5.8 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 periods are as follows:

	Closing Rate	Average Rate
31 December 2013		
31 December 2012		
31 December 2011		

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

	Closing Rate	Average Rate
31 December 2013		
31 December 2012		
31 December 2011		

#### 2.5.9 Earnings per share

Earnings / (losses) 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 the Balance Sheet Date**

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

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

#### **2.5.11 Provisions, Contingent Liabilities and Contingent Assets**

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

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

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

#### **2.5.12 Related Parties**

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 and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

#### **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.

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In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over cost. Taxes on financial statements contain changes in current period taxes and deferred tax. The Company calculates current period tax and deferred tax based on period results.

#### **2.5.14 Employee Benefit/Retirement Pay Provision**

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

#### **2.5.15 Statement of Cash Flow**

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

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

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

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

#### **2.5.16 Share Capital and Dividends**

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

## **2.6 Critical Accounting Estimates and Assumptions**

### **2.6.1 Useful Lives of Inventories**

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

### **2.6.2 Provision for Doubtful Trade Receivables**

The Company makes a provision for trade receivables which are overdue and whose ability to be collected is assessed to be lower based on the past collectability experience, by taking letters of guarantees received into consideration. As explained in Note 8, the provision for doubtful trade receivables amounts to TL 51.009.539 as at 31 December 2013 (31 December 2012: TL 38,007,632).

## **2.6 Critical Accounting Estimates and Assumptions**

### **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**

In accounting policies considered in preparation of financial statements as at and for the year ended 31 December 2013, the Company applied all Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations that are effective as of 1 January 2013.

### **New standards and interpretations not yet adopted as of 31 December 2013**

A number of new standards, amendments to standards and interpretations explained below are not yet effective as at 31 December 2013, and have not been applied in preparing these financial statements of the Company:

- TFRS 9 Financial Instruments could change the classification and measurement of financial assets and becomes effective for annual periods beginning on or after 1 January 2015.
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• TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended): The amendments clarify the meaning of-currently has a legally enforceable right to set-off and also clarify the application of the TAS 32 offsetting criteria to settlement systems which apply gross settlement mechanisms that are not simultaneous. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2014.

The Company does not plan to adopt these standards early and the extent of the impact has not been determined yet.

Resolutions promulgated by POA

#### **2013-1 Illustrative Financial Statement and User Guide**

The POA promulgated "illustrative financial statement and user guide" on 20 May 2013 in order to ensure the uniformity of financial statements and facilitate their audit. The financial statement examples within this framework were published to serve as an example to financial statements to be prepared by companies obliged to apply TAS, excluding financial institutions established to engage in banking, insurance, private pensions or capital market. According to fulfill requirements of these regulations, the company have done the reclassification changes in Note 35.

#### **2013-2 Accounting of Combinations under Common Control**

In accordance with the resolution it has been decided that i) combination of entities under common control should be recognized using the pooling of interest method, ii) and thus, goodwill should not be included in the financial statements and iii) while using the pooling of interest method, the financial statements should be prepared as if the combination has taken place as of the beginning of the reporting period in which the common control occurs and should be presented comparatively from the beginning of the reporting period in which the common control occurred. This resolution did not have an impact on the consolidated financial statements of the Company.

#### **2013-3 Accounting of Redeemed Share Certificates**

Clarification has been provided on the conditions and circumstances where the redeemed share certificates shall be recognized as a financial liability or equity based financial instruments. These resolutions did not have an impact on the financial statements of the Company.

#### **2013-4 Accounting of Cross Shareholding Investments**

If a subsidiary of a parent entity holds shares of the parent, then this is defined as cross shareholding investment and accounting of this cross investment is assessed based on the type and different recognition principles adopted. With the subject resolution, this topic has been assessed under three main headings as explained below and the recognition principles have been determined for each of them.

- i) The subsidiary holding the equity based financial instruments of the parent,  
ii) The associates or joint ventures holding the equity based financial instruments of the parent,  
iii) The parent's equity based financial instruments are held by an entity, which is accounted as an investment within the scope of TAS 39 and TFRS 9 by the parent.

This resolution did not have an impact on the consolidated financial statements of the Company.

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### 3. SHARES IN OTHER SUBSIDIARIES

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As at 31 December the details of investments accounted for using equity method are as follows:

	2013	2012
TEC	46.355.553	53.595.752
Turbine Teknik	8.632.686	7.373.945
Goodrich	758.407	411.724
TCI	560.053	716.723
	<b>56.306.699</b>	<b>62.098.144</b>

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

	2013	2012
Circulating Assets	216.278.145	112.091.482
Non-Current Assets	93.660.172	113.743.215
Short Term Liabilities	188.258.946	87.860.004
Long Term Liabilities	30.021.169	29.683.500
Equities	94.603.169	109.379.086
Company Share in Equity	46.355.553	53.595.752
	<b>January 1<sup>st</sup> - December 31<sup>st</sup>, 2013</b>	<b>January 1<sup>st</sup> - December 31<sup>st</sup>, 2012</b>
Revenue	246.765.163	163.637.539
Loss for the Period	(32.421.795)	(34.593.458)
Company's share in loss for the period	(15.886.680)	(16.950.794)

As at 31 December financial information for Turbine Teknik is as follows:

	2013	2012
Assets	15.108.110	15.325.079
Liabilities	(2.157.261)	577.189
Equities	17.265.372	14.747.890
Company Share in Equity	8.632.686	7.373.945
	<b>January 1<sup>st</sup> - December 31<sup>st</sup>, 2013</b>	<b>January 1<sup>st</sup> - December 31<sup>st</sup>, 2012</b>
Revenue	1.705.776	1.252.656
Loss for the Period	(349.776)	(707.764)
Company's share in loss for the period	(174.888)	(353.882)

As at 31 December financial information for Goodrich is as follows:

	2013	2012
Assets	9.064.019	7.284.016
Liabilities	7.168.001	6.254.706
Equities	1.896.018	1.029.310
Company Share in Equity	758.407	411.724
	<b>January 1<sup>st</sup> - December 31<sup>st</sup>, 2013</b>	<b>January 1<sup>st</sup> - December 31<sup>st</sup>, 2012</b>
Revenue	14.404.840	13.581.638
Loss for the Period	(1.311.524)	(3.103.680)
Company's share in loss for the period	(524.609)	(1.241.472)

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

	2013	2012
Assets	10.585.548	4.404.188
Liabilities	7.918.628	991.221
Short Term Liabilities	2.666.920	3.412.967
Company Share in Equity	560.053	716.723
	<b>January 1<sup>st</sup> – December 31<sup>st</sup>, 2013</b>	<b>January 1<sup>st</sup> – December 31<sup>st</sup>, 2012</b>
Revenue	2.155.586	1.133.385
Loss for the Period	(4.889.128)	(9.162.301)
Company's share in loss for the period	(1.026.717)	(1.924.084)

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

	January 1 <sup>st</sup> – December 31 <sup>st</sup> , 2013	January 1 <sup>st</sup> – December 31 <sup>st</sup> , 2012
TEC	(15.886.680)	(16.950.794)
TCI	(1.026.717)	(1.924.084)
Goodrich	(524.609)	(1.241.472)
Turbine Teknik	(174.888)	(353.882)
	(17.612.894)	(20.470.232)

#### 4. CASH AND CASH EQUIVALENTS

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

	2013	2012
Banks- demand deposits	796.901	771.024
Banks- time deposits	1.250.000	17.087.388
	2.046.901	17.858.412

As at 31 December 2013, details of the time deposits are as follows:

Capital	Currency	Opening Date	Interest rate	Maturity	31 December 2013
1.250.000	TL	31 December 2013	%9,00	2 January 2014	1.250.000
					1.250.000



As at 31 December 2012, details of the time deposits are as follows:

Capital	Currency	Opening Date	Interest rate	Maturity	31 December 2013
7005.154	USD	31 December 2012	%3,55	2 January 2013	12.487.388
4.600.000	TL	31 December 2012	%8,40	2 January 2013	4.600.000
					17.087.388

## 5. FINANCIAL INVESTMENTS

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

	2013	Share Rate %	Share Rate %	2012	Share Rate %
Uçak Koltuk Üretimi Sanayi ve Ticaret Anonim Şirketi ("Aircraft Seat")	5.005	10		5.005	10
Türk Hava Yolları Opet Havacılık Yakıtları Anonim Şirketi ("THY Opet")	20	<1		20	<1
	5.025			5.025	

## 6. OTHER FINANCIAL LIABILITIES

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

	2013	2012
Payables to banks	3.992.929	4.638.257
	3.992.929	4.638.257

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

2013				
Bank Name	Due Date	Original Currency	Currency	Amount
Finansbank	1 Ocak 2014	3.992.929	TL	3.992.929
				3.992.929
2012				
Bank Name	Due Date	Original Currency	Currency	Amount
Finansbank		4.577.714	TL	4.577.714
Garanti Credit card	-	56.063	TL	56.063
Garanti Credit card	-	2.514	USD	4.480
				4.638.257

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:

	2013	2012
Turkish Airlines Inc.	87053.022	70.852.498
Güneş Express Havaçılık Anonim Şirketi ("Sun Ekspres")	10.244.685	5.791.128
TEC	6.924.681	13.151.595
Turkish Airlines Habom Inc. ("THY Habom")	6.428.887	6.109
TCI	321.177	452.486
TGS Yer Hizmetleri Anonim Şirketi ("TGS")	140.511	121.050
Goodrich	108.535	1.184.209
THY Opet	-	3.281
Turkbine Teknik	-	1.437
	111.221.498	91.563.793

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

	2013	2012
THY Inc.	3.269.930	485.052
TCI	1.687.847	7959
Aircraft Seat	115	96
Turkbine Teknik	569	476
	4.958.461	493.583

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

	2013	2012
Turkish Airlines Inc.	13.835.192	27.010.044
THY Habom	9.880.096	7.624.571
Goodrich	2.216.403	1.474.021
TEC	193.647	415.254
TGS	196.399	130.359
THY Opet	253.073	38.276
TCI	888.675	4.696
Turkbine Teknik	-	2.113
	27.463.485	36.699.334



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

	2013	2012
Turkish Airlines Inc.	49.552.430	4.946.452
THY Habom	16.908	-
	49.569.338	4.946.452

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

	2013	2012
Turkish Airlines Inc.	228.440.942	-
	228.440.942	-

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

Sales	2013	2012
Turkish Airlines Inc.	709.274.662	640.043.832
Sun Express	63.207.815	40.979.823
THY Habom	9.071.428	151.935
TEC	7524.787	12.565.842
TGS	959.027	1.000.161
TCI	156.768	944.319
Goodrich	123.925	1.890.294
Turbine Teknik	51.652	360.275
THY Opet	22.547	14.868
Aircraft Seat	690	29.231
	<b>790.393.301</b>	<b>697.980.580</b>
Purchases	2013	2012
THY A.O.	41.415.553	45.946.245
THY Habom	38.225.663	27.855.303
TGS	1.435.372	1.195.094
THY Opet	1.052.511	871.168
TEC	96.564	66.832
TCI	64.900	-
Sun Express	-	421.649
Goodrich	-	8.149.394
Turbine Teknik	-	146.619
	<b>82.290.563</b>	<b>84.652.304</b>

For the year ended 31 December 2013, total amount of salaries and other benefits provided to key management personnel is TL 2.082.232,45 (31 December 2012: TL 585,147).

## 8. TRADE RECEIVABLE AND PAYABLES

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

	2013	2012
Trade receivables	99.326.325	89.347.665
Notes receivables	1.890.990	1.111.970
Discount on receivables	(5.971)	(42.801)
	(51.009.539)	(38.007.632)
	<b>50.201.805</b>	<b>52.409.202</b>

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

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

	2013	2012
Commercial Liabilities	84.659.926	65.480.122
Accrued Expenses	13.318.566	6.130.837
Discount on payables	(55.936)	(407.668)
	<b>97.922.556</b>	<b>71.203.291</b>

## 9. PAYABLES RELATED TO EMPLOYEE BENEFITS

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

	2013	2012
Salary accruals*	18.316.055	17.081.038
Social security premiums payable	4.142.635	3.823.155
Personnel credit card payables	4.124	60.543
<b>Payables to personnel</b>	<b>895</b>	<b>86.809</b>
	<b>22.463.709</b>	<b>21.051.545</b>

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

## 10. OTHER RECEIVABLES AND PAYABLES

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

	2013	2012
Receivables from foreign technical suppliers	4.594.612	-
Deposits and guarantees given	23.618	18.343
Receivables from personnel	14.159	5.491
Receivables from tax office	7.570	5.452
Doubtful receivables	2.539	6.310
Provision for doubtful receivables (-)	(2.539)	(6.310)
Other receivables	259.201	58.234
	<b>4.899.160</b>	<b>87.520</b>



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

	2013	2012
Provision at the beginning of the period	6.310	15.437
Current year charge	-	11.655
Collections	(4.473)	(19.957)
Foreign currency translation	702	(825)
Provision at the end of the period	<b>2.539</b>	<b>6.310</b>

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

	2013	2012
Taxes and funds payable	9.093.050	10.931.252
Deposits and guarantees taken	8.834.803	9.766.911
Other Liabilities	3.060.148	-
	20.988.001	20.698.163
Provision at the end of the period	<b>2.539</b>	<b>6.310</b>

## 11. INVENTORIES

As at 31 December inventories are as follows:

	2013	2012
Components and repairable spare parts	560.821.195	373.795.361
Technical equipment inventories	293.511.456	227.729.530
Scrap equipment inventories	18.831.939	16.567.627
Technical equipment inventories in transit	12.211.174	7.282.974
Accumulated depreciation of components and repairable spare parts	(220.355.668)	(145.803.609)
Provision for impairment of inventories	(14.330.391)	(17.701.999)
Other	-	673.845
	<b>650.689.705</b>	<b>462.543.729</b>

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

	2013	2012
Provision at the beginning of the period	17.701.999	17.555.587
Current period provision	-	1.134.372
Reversal of provision for impairment	(6.121.222)	-
Foreign currency translation	2.749.614	(987.960)
Provision at the end of the period	<b>14.330.391</b>	<b>17.701.999</b>



For the year ended 31 December 2013, the movement of components and repairable spare parts are as follows:

<b>Cost</b>	<b>Components and repairable spare parts</b>
Opening Balance 1 January 2013	373,795,361
Additions	152,508,047
Disposals	(39,230,573)
Foreign currency translation	73,748,360
<b>Closing balance 31 December 2013</b>	<b>560,821,195</b>
<b>Accumulated Depreciation</b>	
Opening Balance 1 January 2013	145,803,609
Current charge for the period	57,206,510
Disposals	(16,376,405)
Foreign currency translation	33,721,954
Closing balance 31 December 2013	220,355,668
<b>Net book value 31 December 2013</b>	<b>340,465,527</b>

For the year ended 31 December 2012, the movement of components and repairable spare parts are as follows:

<b>Cost</b>	<b>Components and repairable spare parts</b>
Opening Balance 1 January 2012	399,120,534
Additions	107,991,879
Disposals	(110,856,089)
Foreign currency translation	(22,460,963)
<b>Closing balance 31 December 2012</b>	<b>373,795,361</b>
<b>Accumulated Depreciation</b>	
Opening Balance 1 January 2013	185,035,832
Current charge for the period	49,368,776
Disposals	(78,187,897)
Foreign currency translation	(10,413,102)
<b>Closing balance 31 December 2012</b>	<b>145,803,609</b>
<b>Net book value 31 December 2012</b>	<b>227,991,752</b>



## 12. PRE-PAID EXPENSES AND DEFERRED INCOME

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

	2013	2012
Advances given for purchases	4.089.174	26.100.497
Expenses for the future months	1.837.478	1.644.468
Other	-	2.305
	<b>5.926.652</b>	<b>27.747.270</b>

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

	2013	2012
Advances given for fixed assets	48.887.877	6.652.888
Long-term prepaid expenses	300.658	355.710
	<b>49.188.535</b>	<b>7.008.598</b>

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

	2013	2012
Advances received	128.653.668	84.249.235
Unearned bank protocol income	854.699	738.000
	<b>129.508.367</b>	<b>84.987.235</b>

## 13. TANGIBLE FIXED ASSETS

As at 31 December 2013, details of the tangible fixed assets are as follows:

	Plant, Machinery and Devices	Vehicles	Fixtures	Other tangible fixed assets	Ongoing Investments	Special Costs	Total
<b>Cost</b>							
Opening Balance 1 January 2013	106.750.096	9.129.541	10.747.618	1.924.393	390.270.847	25.161.531	543.984.026
Additions	22.342.211	783.647	1.476.176	502.252	171.231.638	1.425.335	197.761.259
Disposals	(1.945.163)	(1.180.829)	(22.630)	-	-	-	(3.148.622)
Transfers	-	-	-	-	(4.020.125)	-	(4.020.125)
Foreign currency translation	21.061.376	1.801.223	2.120.463	379.676	76.998.910	4.964.271	107.325.919
<b>Closing balance 31 December 2013</b>	<b>148.208.520</b>	<b>10.533.582</b>	<b>14.321.627</b>	<b>2.806.321</b>	<b>634.481.270</b>	<b>31.551.137</b>	<b>841.902.457</b>
<b>Accumulated Depreciation</b>							
Opening Balance 1 January 2013	69.754.869	6.024.281	7.143.928	1.126.974	-	18.769.787	102.819.839
Current year depreciation	10.043.697	912.105	1.668.113	243.744	-	4.969.280	17.836.939
Disposals	(1.594.282)	(1.019.493)	(16.996)	-	-	-	(2.630.771)
Foreign currency translation	14.787.852	1.175.533	1.609.862	251.931	-	4.306.316	22.131.494
<b>Closing balance 31 December 2013</b>	<b>92.992.136</b>	<b>7.092.426</b>	<b>10.404.907</b>	<b>1.622.649</b>	<b>-</b>	<b>28.045.383</b>	<b>140.157.501</b>
<b>Net book value 31 December 2013</b>	<b>55.216.384</b>	<b>3.441.156</b>	<b>3.916.720</b>	<b>1.183.672</b>	<b>634.481.270</b>	<b>3.505.754</b>	<b>701.744.956</b>
<b>Net book value 31 December 2012</b>	<b>36.995.227</b>	<b>3.105.260</b>	<b>3.603.690</b>	<b>797.419</b>	<b>390.270.847</b>	<b>6.391.744</b>	<b>441.164.187</b>

As at 31 December 2012, details of the tangible fixed assets are as follows:

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

#### 14. OTHER INTANGIBLE FIXED ASSETS

As at 31 December 2013, details of the intangible fixed assets are as follows:

	<b>Rights</b>
<b>Cost</b>	
Opening Balance 1 January 2013	5 252.928
Additions	1 229.578
Transfer	4 020.125
Foreign currency translation	1 036.382
<b>Closing balance 31 December 2013</b>	<b>11 539.013</b>
<b>Accumulated Depreciation</b>	
Opening Balance 1 January 2013	1 866.831
Current period redemption	1 765.679
Foreign currency translation	582.616
Closing balance 31 December 2013	4 215.126
<b>Net book value 31 December 2013</b>	<b>7 323.887</b>
<b>Net book value 31 December 2012</b>	<b>3 386.097</b>

As at 31 December 2013, details of the intangible fixed assets are as follows:

	<b>Rights</b>
<b>Cost</b>	
Opening Balance 1 January 2012	3 288.584
Additions	2 149.412
Foreign currency translation	(185.068)
<b>Closing balance 31 December 2012</b>	<b>5 252.928</b>
<b>Accumulated Depreciation</b>	
Opening Balance 1 January 2012	1 133.509
Current period redemption	797 111
Foreign currency translation	(63 789)
Closing balance 31 December 2012	1 866.831
<b>Net book value 31 December 2012</b>	<b>3 386.097</b>
<b>Net book value 31 December 2011</b>	<b>2 155.075</b>



## 15. PROVISIONS, CONTINGENTS ASSETS AND LIABILITIES

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

(a) Short-term provisions for employee benefits

	2013	2012
Provisions for unused vacation	4.106.669	1.503.632
	<b>4.106.669</b>	<b>1.503.632</b>

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

	2013	2012
Provision at the beginning of the period	1.503.632	1.334.872
Current year charge	2.056.752	245.195
Foreign currency translation	546.285	(76.435)
<b>Provision at the end of the period</b>	<b>4.106.669</b>	<b>1.503.632</b>

(b) Other short-term provisions

	2013	2012
Provisions for legal claims	2.311.456	6.746.697
	<b>2.311.456</b>	<b>6.746.697</b>

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

	2013	2012
Provision at the beginning of the period	6.746.697	3.418.323
Current year charge	1.075.604	3.539.310
Provisions no longer required	(5.470.498)	-
Foreign currency translation	(40.347)	(210.936)
<b>Provision at the end of the period (*)</b>	<b>2.311.456</b>	<b>6.746.697</b>

(\*) As at 31 December 2013, provision for legal claims amounting to TL 233,758 is related with reinstatement cases (31 December 2012: TL 5,395,492).

## 16. COMMITMENTS AND CONTINGENCIES

### Company as lessee

#### Leasing Agreements:

Leasing period is 20 years and is related to the construction in progress of aircraft hangar land. The Company does not have the right to buy the asset at the end of the leasing period.

As at 31 December 2013 leasing payment amounting to TL 2.369.600 (31 December 2012: TL 5,574,829) is accounted as rent expense in income statement.

Commitments related to operating leasing that can not be cancelled	2013	2012
Within one year	3.278.285	2.081.088
One- five years	16.937.805	16.417.472
After five years	56.855.733	49.973.307
	<b>77.071.823</b>	<b>68.471.867</b>

## 17. EMPLOYEE BENEFITS

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

	2013	2012
Provision for employee benefits	42.515.141	39.368.431

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 3,438 as of 1 January 2014 (1 January 2013: TL 3,129).

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees.

IAS 19 ("Employee Benefits") stipulates the development of company's liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows:

Main assumption is that maximum liability amount increases in accordance with the inflation rate for every service year. So, provisions in the accompanying financial statements as of 31 December 2013 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 6.00% annual inflation rate (31 December 2012: 5.00%) and 10.20% discount rate. (31 December 2012: 7.63%). Estimated amount of retirement pay not paid due to voluntary leaves and retained in the Company is also taken into consideration as 3.96% (31 December 2012: %2.50). Ceiling for retirement pay is revised semi-annually, ceiling amount of TL 3,438 which is in effect since 1 January 2014 is used in the calculation of Group's provision for retirement pay liability. Change under severance payment obligation is as follows:

	2013	2012
Provision at the beginning of the period	39.368.431	32.928.181
Service charge for the period	4.593.589	4.547.334
Interest charges	1.559.881	827.032
Payments	(3.426.780)	(1.996.277)
Actuarial loss	420.020	3.062.161
<b>Provision at the end of the period</b>	<b>42.515.141</b>	<b>39.368.431</b>

## 18. OTHER ASSETS AND LIABILITIES

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

	2013	2012
Deferred VAT	84.226.480	55.731.154
Advances Paid to Employees	35.339	98.686
Work advances	3.386	1.513
	<b>84.265.205</b>	<b>55.831.353</b>

## 19. EQUITIES

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

	%	2013	%	2012
Turkish Airlines Inc.	100	693.000.000	100	693.000.000
		<b>693.000.000</b>		<b>693.000.000</b>

As at 31 December 2013, the Company's share capital is comprised of 693,000,000 shares issued with par value of TL 1 each (2012: 693000.000 shares with par value of TL /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.

As per the Turkish Commercial Code, 5% of the legal net profit is allocated as the legal reserve, until it reaches 20% of the Company's paid-in capital. Moreover, without being subject to 20%-limit, in case of profit distribution at a rate exceeding 5% of the paid-in capital, legal reserve at the rate of 10% of the exceeding part is spared. As per the Turkish Commercial Code, where the legal reserve does not exceed half of the capital, it may only be used to cover the losses, to sustain the business or to prevent unemployment, when things are not going well and to take the measures suitable for mitigating the consequences. Public companies make dividend distribution as stipulated by CMB.

#### Foreign Exchange 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 in the statutory accounts as of 31 December 2013 are as follows:

	2013	2012
Paid-in capital	693.000.000	693.000.000
Items that will never be reclassified to profit or loss	(2.785.745)	(2.449.729)
Restricted profit reserves	9.277.564	8.080.406
Foreign currency translation	263.953.309	86.841.809
Profits of Previous Years	135.024.343	120.647.508
Net term profit / (loss)	(41.869.393)	15.573.993
	<b>1.056.600.078</b>	<b>921.693.987</b>



## 20. REVENUE AND COST OF SALES

For the years ended 31 December revenue is as follows:

	2013	2012
Aircraft maintenance incomes	286.414.214	286.371.376
Component maintenance incomes	197.013.656	160.461.721
Pool incomes	209.855.434	159.135.829
Equipment sales income	110.686.185	84.171.164
Engine maintenance incomes	33.208.066	27.367.284
Line maintenance incomes	9.137.456	4.025.345
Bfe&Retrofit incomes	2.004.228	136.916
Other	137.930.677	82.153.614
<b>Revenue</b>	<b>986.249.916</b>	<b>803.823.249</b>
Cost of Sales (-)	(871.866.035)	(678.919.691)
<b>Gross Profit</b>	<b>114.383.881</b>	<b>124.903.558</b>

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

	2013	2012
Equipment expenses	308.939.684	207.306.946
Personnel expenses	215.357.159	217.770.336
Repair expenses	138.036.679	81.034.449
Depreciation Expenses	71.281.281	58.331.488
Shipping expenses	24.907.643	19.478.092
Provision for employee termination benefit	3.823.778	3.910.960
Other	109.519.811	91.087.420
	<b>871.866.035</b>	<b>678.919.691</b>

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

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

	2013	2012
Personnel expenses	46.820.854	41.191.368
Service expenses	25.404.038	18.298.293
Depreciation Expenses	5.460.038	6.780.376
Rent Expenses	5.273.356	5.767.323
Equipment expenses	3.179.663	2.720.794
Lighting, heating and water expenses	1.782.216	1.649.531
Provision for employee termination benefit	723.591	601.243
Other expenses	7.866.243	4.237.165
	<b>96.509.979</b>	<b>81.246.093</b>

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

	2013	2012
Staff costs	4.790.583	5.515.946
Provision for employee termination benefit	44.667	35.131
Depreciation Expenses	34.452	25.229
Other expenses	4.196.499	3.689.620
	<b>9.066.201</b>	<b>9.265.926</b>

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

	2013	2012
Personnel expenses	8.572.102	801.361
Service expenses	1.089.734	-
Depreciation Expenses	33.357	-
Provision for employee termination benefit	1.553	-
Other expenses	208.039	-
	<b>9.904.785</b>	<b>801.361</b>



## 22. OTHER OPERATING INCOME AND EXPENSES

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

	2013	2012
Provisions no longer required (Note 15)	5.470.498	-
Insurance, indemnities and penalties income	3.957.166	9.494
Plant maintenance income	2.416.280	2.003.189
Late payment interest income of trade receivables	2.399.582	4.019.659
Reversal of provision for doubtful receivables	1.201.759	5.065.965
Income from discount of payables	89.845	306.307
Other incomes and profits	2.768.528	4.772.781
	<b>18.303.658</b>	<b>16.177.395</b>

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

	2013	2012
Provision for doubtful receivables	6.478.570	5.247.544
Other equipment sales income	4.517.925	-
Provision for the legal claims	1.075.604	3.539.310
Expense of discount of receivables	417.589	37.118
Foreign exchange losses on trade operations, net	249.115	7.682.193
Other	2.693.889	2.693.209
	<b>15.432.692</b>	<b>19.199.374</b>

## 23. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

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

	2013	2012
Gain (loss) on sale of fixed assets	(351.512)	12.274
	<b>(351.512)</b>	<b>12.274</b>

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## 24. EXPENSES RECLASSIFIED ON THE BASIS OF LINE

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Expenses for the years ended 31 December are presented in Note 20 and Note 21 according to their functions.

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## 25. FINANCING INCOMES AND EXPENSES

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

	<b>2013</b>	<b>2012</b>
Foreign exchange incomes	5.358.228	1.934.539
Interest Incomes	238.890	1.217.903
	<b>5.597.118</b>	<b>3.152.442</b>

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

	<b>2013</b>	<b>2012</b>
Cost of employee termination benefits interest	1.559.881	827.032
Bank expenses	31.485	6.640
	<b>1.591.366</b>	<b>833.672</b>

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## 26. ANALYSIS OF OTHER COMPREHENSIVE INCOME COMPONENTS

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For the year ended 31 December 2013, the Company's other comprehensive income which is not to be reclassified to profit or loss is TL 336.016 as expense (31 December 2012: TL 2,449,729 as income), other comprehensive income to be reclassified to profit or loss is TL 177,111,500 as income (31 December 2012: TL 46,810,200 as expense).

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## 27. TAX ASSET AND LIABILITIES

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

	<b>2013</b>	<b>2012</b>
Prepaid taxes and funds	1.716.795	2.279.343
	<b>1.716.795</b>	<b>2.279.343</b>

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

	<b>2013</b>	<b>2012</b>
Current year tax charge	-	(8.378.749)
Deferred tax income (expense)	(29.684.621)	11.523.731
<b>Tax income (expense)</b>	<b>(29.684.621)</b>	<b>3.144.982</b>

### **Corporate Tax**

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

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

The effective tax rate in 2013 is 20% (2012: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2013 is 20%. Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

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

### **Income Withholding Tax**

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

### **Deferred Tax**

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

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

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

	<b>2013</b>	<b>2012</b>
Inventories	(46.341.533)	(28.682.250)
Fixed assets	(22.861.836)	(4.360.384)
Advances taken for orders	9.544.325	7.971.568
Provision for employee benefits	9.324.362	7.873.687
Bad debt commercial receivables provision	4.338.963	3.768.748
Provisions for legal claims	462.292	1.349.339
Other	2.168.751	2.563.415
	<b>(43.364.676)</b>	<b>(9.515.877)</b>

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

	<b>2013</b>	<b>2012</b>
Deferred tax liability at the beginning of the period	9.515.877	21.632.331
Deferred tax expense (income )	29.684.621	(11.523.731)
Tax income of actuarial losses from defined pension plans	(84.004)	(612.432)
Foreign currency translation	4.248.182	19.709
<b>Deferred tax liability at the end of the period</b>	<b>43.364.676</b>	<b>9.515.877</b>

For the years ended 31 December, the movements of deferred tax benefit (expense) are as follows:

	<b>2013</b>	<b>2012</b>
Profit (loss) from operations before tax	(12.184.772)	12.429.011
20% tax rate	(2.436.954)	2.485.802
<b>Taxation effects on:</b>		
- translation differences	28.090.035	(12.818.279)
- equity method	3.522.579	4.094.046
- non-deductible expenses	222.702	2.056.253
- other	286.259	1.037.196
<b>Tax charge in profit or loss</b>	<b>29.684.621</b>	<b>(3.144.982)</b>



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## 28. EARNINGS PER SHARE

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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:

	2013	2012
Number of total outstanding shares as of 1 January (in full)	693.000.000	693.000.000
Number of total outstanding shares as of 31 December (in full)	693.000.000	693.000.000
Weighted Average number of shares outstanding during the period (in full)	693.000.000	693.000.000
Net term (loss) / profit	(41.869.393)	15.573.993
<b>Earnings per share (Kr)</b>	<b>(6,04)</b>	<b>2,25</b>

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## 29. EFFECTS OF EXCHANGE RATE CHANGES

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Analysis of effects of exchange rate changes as at 31 December 2013 and 2012 is presented in Note 31.

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## 30. REPORTING IN HYPERINFLATIONARY ECONOMIES

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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.

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

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### (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.

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## Credit risk management

	Receivables		Deposits in bank		
	Trade Receivables	Other Receivables			
<b>31 December 2013</b>	Related Party	Other party	Related Party	Other party	
Maximum Credit Risk as of balance sheet date (*)	111.221.498	50.201.805	4.958.461	4.899.160	2.046.901
- The part of maximum risk under guarantee with collateral etc.	-	3.897.210	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	111.221.498	29.177.711	4.958.461	4.899.160	2.046.901
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	-	21.024.094	-	-	-
-the part under guarantee with collateral etc.	-	3.897.210	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
- Past due (gross carrying amount)	-	51.009.539	-	2.539	-
- Impairment (-)	-	(51.009.539)	-	(2.539)	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-
- Before 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



	Receivables				Deposits
	Trade Receivables		Other Receivables		
31 December 2012	Related Party	Other party	Related Party	Other party	
Maximum Credit Risk as of balance sheet date (*)	91.563.793	52.409.202	493.583	87.520	17858.412
- The part of maximum risk under guarantee with collateral etc.	-	4.623.957	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	91.563.793	20.469.816	493.583	87.520	17858.412
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	-	31.939.386	-	-	-
-the part under guarantee with collateral etc.	-	4.623.957	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
- Past due (gross carrying amount)	-	38.007.632	-	6.310	-
- Impairment (-)	-	(38.007.632)	-	(6.310)	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-
- Before 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

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 managements forecasts based on its previous experience and current economical conditions. Because there are so many customers, the Company's credit risk is dispersed and there is not important credit risk concentration.

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

31 December 2013	Trade Receivables	Other Receivables	Bank Deposits	Other	Total
Past due 1-30 days	3.625.754	-	-	-	3.625.754
Past due 1-3 months	662.920	-	-	-	662.920
Past due 3-12 months	2.918.713	-	-	-	2.918.713
Past due 1-5 years	13.816.707	-	-	-	13.816.707
Total past due receivables	21.024.094	-	-	-	21.024.094
The part under guarantee with collateral etc.	3.897.210	-	-	-	3.897.210
31 December 2012	Trade Receivables	Other Receivables	Bank Deposits	Other	Total
Past due 1-30 days	5.934.813	-	-	-	5.934.813
Past due 1-3 months	11.833.216	-	-	-	11.833.216
Past due 3-12 months	10.285.865	-	-	-	10.285.865
Past due 1-5 years	3.885.492	-	-	-	3.885.492
Total past due receivables	31.939.386	-	-	-	31.939.386
The part under guarantee with collateral etc.	4.623.957	-	-	-	4.623.957

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 3.897.210 (31 December 2012: TL 4.623.957).

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 o provisions on receivables in legal dispute an provisions calculated based on experiences on uncollectible receivables. Changes in provisions for doubtful receivables for the years ended 31 December 2013 and 2012 IS as follows:



	2013	2012
Provision at the beginning of the period	38.007.632	38.669.345
Current year charge	6.478.570	5.235.889
Collections	(1.197.286)	(5.046.008)
Foreign currency translation	<b>7.720.623</b>	<b>(851.594)</b>
	<b>51.009.539</b>	<b>38.007.632</b>

### 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 nonderivative financial liabilities and are prepared based on the earliest date on which the Group can be required to pay. The interests that will be paid on the future liabilities are included in the related maturities. The company manages liquidity risk by keeping under control estimated and actual cash flows and by maintaining adequate funds and borrowing reserves through matching the maturities of financial assets and liabilities.

### Liquidity risk tables

#### 31.12.2013

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	3.992.929	3.992.929	3.992.929	-	-	-
Trade payables	125.386.041	125.386.041	125.386.041	-	-	-
Other payables	70.557.339	70.557.339	70.557.339	-	-	-
<b>Total</b>	<b>199.936.309</b>	<b>199.936.309</b>	<b>199.936.309</b>	-	-	-

#### 31.12.2012

Due date on contract	Defter Değeri	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	4.638.257	4.638.257	4.638.257	-	-	-
Trade payables	107.902.625	107.902.625	107.902.625	-	-	-
Other payables	25.644.615	25.644.615	25.644.615	-	-	-
<b>Total</b>	<b>138.185.497</b>	<b>138.185.497</b>	<b>138.185.497</b>	-	-	-



#### **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:

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### Foreign Currency Position Table

31 December 2013

31 December 2012

	TL Equivalent	TL	Euro	GBP	Other	TL Equivalent	TL	Euro	GBP	Other
1. Trade Receivables	17710922	8.808.845	8.825.934	76.144	-	17745.682	7721.020	10.005.861	18.801	-
2. Monetary Financial assets	1.530.556	1.419.798	101.187	9.571	-	5.025.438	4.729.270	145.426	150.742	-
3. Other	10.409.021	8.890.817	1.270.341	71.315	176.548	22.427.418	1.478.597	20.790.931	10.463	147.427
4. Total Current Assets (1+2+3)	29.650.499	19.119.459	1.371.528	157.030	176.548	45.198.538	13.928.887	30.942.218	180.006	147.427
5. Other	48.502.221	526.136	47.200.849	451.847	323.389	6.766.827	402.210	6.364.617	-	-
6. Total Non Current Assets (5)	48.502.221	526.136	47.200.849	451.847	323.389	6.766.827	402.210	6.364.617	-	-
7. Total Assets (4-6)	78.152.720	19.645.595	48.572.377	608.877	499.937	51.965.365	14.331.097	37.306.835	180.006	147.427
8. Commercial Liabilities	68.219.594	53.397.437	13.857.573	835.872	128.712	35.629.064	26.482.010	8.366.951	397.916	382.187
9. Finance Borrowings	3.992.929	3.992.929	-	-	-	4.633.777	4.633.777	-	-	-
10. Other Monetary Liabilities	8.077.450	8.304.674	(227.224)	-	-	212.354	87.238	125.116	-	-
11. Other Non-Monetary Liabilities	7.527.621	6.252.282	1.275.340	-	-	33.859.221	33.760.523	98.698	-	-
12. Total Short-Term Liabilities (8+9+10+11)	87.817.595	71.947.323	14.905.688	835.872	128.712	74.334.416	64.963.548	8.590.765	397.916	382.187
14. Commercial Liabilities	-	-	-	-	-	-	-	-	-	-
15. Finance Borrowings	-	-	-	-	-	-	-	-	-	-
16a. Other Monetary Liabilities	695.787	618.467	77.319	-	-	-	-	-	-	-
16b. Other Non-Monetary Liabilities	-	-	-	-	-	-	-	-	-	-
17. Total Long Term Liabilities (14+15+16)	695.787	618.467	77.319	-	-	-	-	-	-	-
13. Total Liabilities (12)	87.817.595	71.947.323	14.905.688	835.872	128.712	74.334.416	64.963.548	8.590.765	397.916	382.187
14. Net Foreign Currency Asset / (Liability) Position (7-13)	(9.664.874)	(52.301.727)	33.666.689	(226.995)	371.225	(22.369.051)	(50.632.451)	28.716.070	(217.910)	(234.760)
15. Net Foreign Currency Asset / (Liability) Position of Monetary Items (1+2-8-9-10)	(61.048.495)	(55.466.398)	(4.703.227)	(750.157)	(128.712)	(17704.075)	(18.752.735)	1.659.220	(228.373)	(382.187)

### Foreign currency sensitivity

The Company is exposed to foreign currency risk due to TL, EUR and GBP (2012: TL, EUR and GBP) exchange rate fluctuations. The following table details the Company's sensitivity to a 10% increase and decrease in TL, EUR and GBP exchange rates. 10% is used in the reporting of currency risk to the key management and it represents the management's expectation on the potential exchange currency fluctuations. Sensitivity analysis can only be 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. Positive value represents an increase in profit/loss and other equity items.

<b>31 December 2013</b>		
<b>Pretax Profit / (Loss)</b>		
	If foreign currency appreciated 10%	If foreign currency depreciated 10%
1- TL net asset / liability	(5.546.640)	5.546.640
2- Part of hedged from TL risk (-)	-	-
3- TL net effect (1+2)	(5.546.640)	5.546.640
4- Euro net asset / liability	(470.323)	470.323
5- Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4+5)	(470.323)	470.323
7- GBP net asset / liability	(75.016)	75.016
8- Part of hedged from GBP risk (-)	-	-
9- GBP net effect (7+8)	(75.016)	75.016
10- Other net asset / liability	(12.871)	12.871
11- Part of hedged from other risk (-)	-	-
12- Other net effect (10+11)	(12.871)	12.871
<b>TOTAL (3+6+9+12)</b>	<b>(6.104.850)</b>	<b>6.104.850</b>



	31 December 2012	
	Pretax Profit / (Loss)	
	If foreign currency appreciated 10%	If foreign currency depreciated 10%
1- TL net asset / liability	(1.875.274)	1.875.274
2- Part of hedged from TL risk (-)	(1.875.274)	1.875.274
3- TL net effect (1+2)		
	165.922	(165.922)
4- Euro net asset / liability	-	-
5- Part of hedged from Euro risk (-)	165.922	(165.922)
6- Euro net effect (4+5)		
	(22.837)	22.837
7- GBP net asset / liability	-	-
8- Part of hedged from GBP risk (-)	(22.837)	22.837
9- GBP net effect (1+2)		
	(38.219)	38.219
10- Other net asset / liability	-	-
11- Part of hedged from other risk (-)	(38.219)	38.219
12- Other net effect (10+11)		
	(1.770.408)	1.770.408
TOTAL (3+6+9+12)		

#### Interest rate risk

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

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## 32. FINANCIAL INSTRUMENTS

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### Fair Values of Financial Instruments

31 December 2013	Loans and Receivables	Financial liabilities at amortized costs	Book value	Note
Financial assets				
Cash and cash equivalents	2.046.901	-	2.046.901	4
Trade receivables	161.423.303	-	161.423.303	7,8
Other receivables	9.857.621	-	9.857.621	7,10
Finance liabilities				
Financial borrowings	-	3.992.929	3.992.929	6
Trade payables	-	125.386.041	125.386.041	7,8
Other payables	-	49.569.338	49.569.338	7,10
31 December 2012	Loans and Receivables	Financial liabilities at amortized costs	Book value	Note
Financial assets				
Cash and cash equivalents	17.858.412	-	17.858.412	4
Trade receivables	143.972.995	-	143.972.995	7,8
Other receivables	581.103	-	581.103	7,10
Finance liabilities				
Financial borrowings	-	4.638.257	4.638.257	6
Trade payables	-	107.902.625	107.902.625	7,8
Other payables	-	4.946.452	4.946.452	7,10

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## 33. EVENTS AFTER THE BALANCE SHEET DATE

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None.

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### 34. OTHER ISSUES AFFECTING FINANCIAL STATEMENTS MATERIALLY OR NECESSARY TO MAKE FINANCIAL STATEMENTS SOUND, INTERPRETABLE AND UNDERSTANDABLE

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Financial statements of the Company have been prepared comparatively with the prior period in order to give information about financial position and performance. In order to maintain consistency, with current year financial statements, comparative information is reclassified and significant changes are disclosed if necessary. In the current year, the Company has made several reclassifications in the prior year financial statements in order to maintain consistency, with current year financial statements.

Based on the decision taken on 7 June 2013 by the CMB at its meeting numbered 20/670, a new illustrative financial statement and guidance to it has been issued effective from the interim periods ended after 31 March 2013, which is applicable for the companies that are subject to Communique on the Principles of Financial Reporting in Capital Markets. Based on these new illustrative financial statements, a number of changes made at the Company's financial statements.

As a result of preparation of the condensed interim financial statements in accordance with the communique numbered II-14.1 "Communique on the Principles of Financial Reporting In Capital Markets" ("the Communique") announced by the Capital Markets Board ("CMB") on 13 December 2013 which is published on Official Gazette numbered 28676, significant classifications in the prior year financial statements have been indicated in following paragraphs as a summary on the basis of financial statements and items.

#### **Reclassifications in Balance Sheet as of 31 December 2012:**

- Prepaid taxes amounting to TL 2.279.343 which was disclosed under "Other Current Asset" is reclassified and disclosed under "Current Income Tax Assets".
- Advances given for orders amounting to TL 26.100.497, prepaid expenses amounting to TL 1.644.464 and income accruals amounting to TL 2.305 which were disclosed under "Other Current Asset" are reclassified and disclosed under "Prepaid expenses".
- Advances given for tangible assets amounting to TL 6.652.888 and prepaid expenses amounting to TL 355.710 which were disclosed under "Other Non Current Asset" are reclassified and disclosed under "Prepaid expenses".
- Name of Financial Borrowings account was changed as "Other Financial Liabilities".
- Vacation pay liability amounting to 1.503.632 TL which was disclosed under "Provisions for Employee Benefits" is reclassified and disclosed under "Short-Term Provisions" as "Provision for Employee Benefits".
- Salary accruals amounting to TL 17.141.580 which was disclosed under "Employee Benefits", social security premiums payables amounting to TL 3.823.155 and due to personnel amounting to TL 86.810 which were disclosed under "Other Receivables and Payables" are reclassified and disclosed under "Payable Related to Employee Benefits".

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- Provision for legal claims amounting to TL 6.746.697 which was disclosed under "Provisions, Contingent Assets and Liabilities" is reclassified and disclosed under "Short Term Provisions" as Other Short Term Provisions".
  - Provision for employee termination benefits amounting to TL 39.368.431 which was disclosed under "Employee Benefits" is reclassified and disclosed under "Long Term Provisions" as "Provision for Employee Benefits".
  - Other advances received amounting to TL 84,249,235 which was disclosed under "Other Receivables and Payables" and deferred revenue amounting to TL 738.000 which was disclosed under "Other Assets and Liabilities" are reclassified and disclosed under "Deferred Income".
  - Deferred revenue amounting to TL 851.800 which was disclosed under "Other Assets and Liabilities" are reclassified and disclosed under "Deferred Income".
  - Expense accruals amounting to TL 6.130.837 which was disclosed under "Other Current Assets" is reclassified and disclosed under "Trade Payables to Non Related Parties".
  - Foreign currency translation differences amounting to TL 86.841.809 which were disclosed under "Shareholder's Equity" is reclassified and disclosed under "Other Comprehensive Income or Expenses to be Reclassified to Profit or Loss".

**Reclassifications in the Statement of Profit and Loss and Other Comprehensive Income for the Year Ended 31 December 2012**

- Name of sales incomes item is changed as "Revenue".
- Foreign exchange loss amounting to TL 7.682.193 and discount interest expense amounting TL 37.118 related to trade operations of the Company, is disclosed under "Other Operating Expense".
- Late payment interest income amounting to TL 4.019.659 and discount interest income amounting TL 306.307 related to trade operations of the Company, which was disclosed under "Financial Income" is disclosed under "Other Operating Income".
- Gain on sale of fixed assets amounting to TL 12.274 which was disclosed under "Other Operating Income" is disclosed under "Income from Investment Activities".

**Reclassifications in the Statement of Changes in Equity for the Year Ended 31 December 2012**

Required changes as per the new "Statements of Changes in Equity" format published with the effects of the regulations as per the provisions of the "Communique for Conditions of Reporting In the Capital Market" announced by the Capital Markets Board with serial II and numbered 14.1 were reclassified and completed in the "Statements of Changes in Equity" for the year ended 31 December 2013.

Other disclosures are given in Note 2.3 "Changes in Accounting Policies" related to the restatements in statement of changes in equity.

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