2016 ANNUAL REPORT

OVERVIEW

AKFEN HOLDING and GROUP COMPANIES in 2016

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

HAPPINESS at work

40

40th YEAR akfen

FOR THE SAKE OF FORTY YEARS...

People draw their happiness from the endeavor to create a lasting legacy, despite the transitory nature of life. On any journey they take, they brave through challenges, encounter crossroads that demand them to choose their path meticulously.

A work that comes to life through the efforts of people needs not be an individual piece of art such as a painting, a musical composition, or a novel; it may just as well be a company or an organization that encapsulates an effort, a passion. The only measure: how lasting the resulting work is.

Having begun its life in 1976 as a heating equipment manufacturer under the leadership of Hamdi Akın, Akfen is now a deep-rooted company with **forty years of experience** under its belt.

The journey that began **forty years** ago in Ankara with a mere handful of people continues today with thousands of people across various continents.

Every achievement Akfen has accomplished in these **forty years** is the fruit of the creative energy, hard work, and sweat on the brows of thousands who dedicate at least eight hours of their day to their duties.

With this creative energy in its veins, for the past **forty years** Akfen has pioneered innovative investments in areas that play a role in people's lives.

Growing with its employees, partners and investors since day one, Akfen is proud and delighted to celebrate its **fortieth anniversary** together.

Akfen Holding: Turkey's Infrastructure Developer

Operating with a mission of creating value in all segments of business, Akfen Holding is a leading infrastructure developer contributing to the economic and social development of Turkey by paving the way for the establishment of new lines of business, thanks to its pioneering investments in areas showing high and sustainable growth potential in the long term.

Established in 1976, Akfen Holding brings its deep-rooted knowledge and experience into sectors in which it specializes, such as airport management and operations, construction, port operations, energy, real estate, marine transportation, water distribution and wastewater services.

In line with its growth plans, Akfen Holding places great emphasis on creating new lines of business, and takes an active approach in managing its portfolio accordingly. Thanks to its extensive experience in asset trade, the Company uses the resources obtained through sales to both enter into new sectors and to create funding for its existing investments.

Group companies continue their trend of rapid organic and inorganic growth, and complement this with investments funded by the effective use of financing instruments. In this context, the operational leverage gained through the growth of its subsidiaries also boosts the Company's profitability.

As in the past, Akfen Holding is committed to carry this vision into the future by developing new lines of business with new investments, as part of its efforts to create employment and contribute to the development of Turkey's economy while creating value to its shareholders.

With an innovative approach and its focus on accountability in all levels of operation, both within the Company itself and in its subsidiaries, Akfen forms strategic partnerships with the leading names in their respective fields to bring in foreign investments, playing a leading role in the development of the region.

A major factor in Akfen Holding's success, besides the solid financial structure of the Company and its subsidiaries, is its strong human capital. In addition to the qualified workforce trained by its well-established management team, Akfen has been taking part in the social development of Turkey with its focus on social responsibility for the last 40 years, particularly through its affiliate, TIKAV, alongside its contribution to the country's economy.

A reliable business partner for local and international markets thanks to its success in risk management, dedication and commitment to deliver, Akfen continues its course of strong growth.

Group Structure - 31.12.2016*

AKFEN HOLDİNG A.Ş.

Akfen REIT

Akfen Thermal Energy

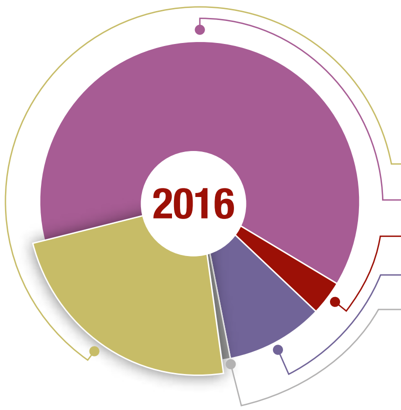
Investments accounted for by the equity method:

- MIP
- TAV Airports
- Akfen Renewable Energy
- IDO
- TAV Investment
- Akfen Water
- PSA Akfen Liman İşletmeciliği ve Yönetim Danışmanlığı A.Ş.

* *In line with the Board of Directors decisions of June 1 and June 20, 2016; it has been decided to determine the feasibility of a demerger via the transfer of shares in Akfen Thermal Energy, IDO, Akfen Water, TAV Investment, Akfen REIT, Adana Ipekyolu, Akfen Enerji Gaz, Akfen Enerji Üretim, Akfen Rüzgar Enerji, Akfen Karaköy, Akfen Water Güllük, Akfensu-Arbiogaz Dilovası, Akfen Güneş Enerji and Batı Karadeniz Elk. Dağ. ve Sis. A.Ş. to Akfen Mühendislik A.Ş. as capital in kind.*

The demerger that ensued was completed on February 16, 2017. After the demerger, Akfen Holding A.Ş.' affiliate portfolio now consists of MIP, TAV Airports, Akfen Renewable Energy, and PSA Akfen Liman İşletmeciliği.

Shareholding Structure - 31.12.2016*



(%)	Group	Shareholder	Share Capital
23.26%	A	Hamdi Akın	155,129,946
62.55%	B	Hamdi Akın	417,235,220
3.47%	B	Selim Akın	23,173,707
9.87%	B	Akfen Altyapı Danışmanlık	65,828,933
0.86%	B	Other	5,712,880
100.00%		**Total**	**667,080,686**

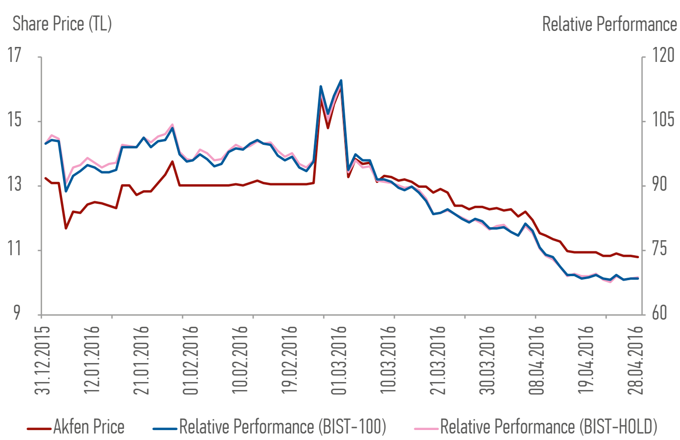
Share capital consists of Class A (registered) and Class B (bearer) shares. As of December 31, 2016, Class A shares have an aggregate nominal value of TL 155,129,946, representing 23.26% of paid-in capital. Class A shares are privileged shares that confer voting rights at General Assembly meetings, with three votes per share. Class B shares have an aggregate nominal value of TL 511,950,740, representing 76.74% of paid-in capital. Class B shares have no privileges.**

* *The Company's paid-in capital was reduced to TL 72,492,580 following the demerger on February 16, 2017, with no change in shareholders' stake in paid-in capital.*

** *As of February 16, 2017, Class A shares have an aggregate nominal value of TL 16,858,186, representing 23.26% of paid-in capital. Class B shares have an aggregate nominal value of TL 55,634,394, representing 76.74% of paid-in capital.*

SHARE PERFORMANCE

Source: Matriks



Share Price (TL)*	Akfen Holding
Ticker	*AKFEN*
January 4, 2016 Opening Price	13.09
January 4, 2016 Opening Market Capitalization (mn)	3,234
April 28, 2016 Closing Price	10.81
April 28, 2016 Closing Market Capitalization (mn)	2,671
Highest Closing Price in 2016	16.10
Lowest Closing Price in 2016	10.81
Average Closing Price in 2016	12.66
Average Daily Trading Volume in 2016 (TL mn)	2.32

* *Upon CMB's approval, trade of Akfen Holding shares ceased on April 28, 2016 with the completion of the "Sell-Out and Squeeze-Out Rights" process.*

1976
Hamdi Akın lays the foundation for Akfen by establishing Akınısı.

1977
Hamdi Akın's first company, Akfen Mühendislik Müşavirlik Müteahhitlik ve Mümessillik is founded.

1980
Akfen wins its first public tender from İller Bankası to manufacture forged parts and molds.

1986
Akfen Construction is established.

1990
First contract with DHMI, regarding the renovation of Antalya Airport Terminal, is signed.

1992
Construction of runways and aprons at DHMI's Isparta Airport begins.

1993
Akfen Construction enters the housing sector with the Ankara Oran Çarşı residences.

1997
The BOT tender for Istanbul Airport International Terminal is won, leading to the establishment of TAV Istanbul, and laying the foundation for TAV Airports.

1999
- With the establishment of Akfen Holding, all Akfen subsidiaries are reorganized under the Holding structure.
- TIKAV is founded

2000
TAV Airports commence operations at Istanbul Atatürk Airport International Terminal.

2003
- TAV Construction is established.
- Tender for the privatization of the Kusadası cruise port is won in a joint venture with Royal Caribbean.

2004
- Akfen Holding sells its stake in Kusadası cruise port to other shareholders.
- TAV Construction secures the contract for the Cairo Airport project in Egypt.

2005
- Akfen Holding wins the tender for the privatization of vehicle inspection stations, leading to the establishment of TÜVTURK as an equal stake partnership between Akfen, Dogus Group and TÜV SÜD.
- PSA-Akfen joint venture wins the tender for the privatization of Mersin Port.
- TAV Airports assumes the construction and operation of Izmir Adnan Menderes International Terminal.
- TAV Airports wins the tender for Georgia's Tbilisi and Batumi International Airports.
- Akfen Holding and Accor sign a framework agreement for cooperation.

2006
- Izmir Adnan Menderes Airport International Terminal and Esenboga Airport Domestic and International Terminals begin operations.
- Akfen Water wins the tender for the Water and Sewage Concession Project of Güllük Municipality and the facility begins its operations.
- Aksel Turizm Yatırımları ve Isletmecilik is restructured into Akfen REIT.
- TAV Construction is awarded the tender for the Doha Airport Project in Qatar.

2007

- TAV Airports' initial public offering is completed.
- Batumi International Airport commences operations.
- TAV Airports wins the tenders for Monastir and Enfidha Airports in Tunisia.
- TAV Airports wins the tender for the operation of Antalya Gazipasa Airport.
- AkfenHES Yatırımları ve Enerji Üretim A.S. is established as a 100% subsidiary of Akfen.
- Mersin Port is taken over from TCDD.
- Four hotels belonging to Akfen REIT commence operations.

2008

- The BOT tender for the Wastewater Treatment Project at Dilovası Organized Industrial Zone is won.
- TÜVTURK Istanbul Tasıt Muayene Istasyonları Isletim A.S. commences operations.
- The company applies to EMRA for a generation license to build a natural gas power plant in Mersin.
- TAV Airports assumes the operation of Monastir Airport, Tunisia.
- TAV Airports wins the tender for the operation of Skopje and Ohrid airports, as well as the construction of the Shtip Cargo Airport, which it retains as an optional right to operate, the related concession contracts are signed.
- One hotel belonging to Akfen REIT becomes operational.

2009

- Akfen Holding sells its stake in TÜVTURK to Bridgepoint Capital Limited.
- Akfen's first renewable HEPP project is commissioned.
- TAV Gazipasa begins its operations in Antalya Gazipasa Airport.
- TAV Construction and its partner win the tender for Muscat Airport MC1 package.

2010

- Akfen Holding offers 28.3% of its shares to the public.
- Akfen Holding undertakes its first bond issuance of TL 100 million, the first and biggest real sector bond issuance in Turkey.
- Akfen sells the 22.5 MW Pirinçlik HEPP under its HEPP Group.
- TAV Airports assumes the operation of Skopje and Ohrid airports.
- Havas purchases 50% of the shares of North Hub Services, which provides ground services at Latvia's Riga International Airport.
- Akfen Water commences wastewater treatment operations at Dilovası Organized Industrial Zone.
- Five hotels belonging to Akfen REIT commence operations.

2011

- A consortium comprising Akfen Holding, Tepe Insaat, Souter and Sera wins the privatization tender for IDO.
- 29.41% of Akfen REIT shares were offered to the public in May.
- Four HEPPs and one hotel commence operations.
- Akfen Holding successfully issues TL 80 million in bonds to the public.

2012

- The sale of Akfen Holding's 18% stake in TAV Airports and 20.325% stake in TAV Investment, and Akfen Construction's 0.5% stake in TAV Investment, to ADP Group, is completed.
- Akfen Holding finalizes the sale of 40% stake in five power plants in Karasular to Aquila.
- TAV Airports assumes the operation of the Medinah Airport in which it has a 50% stake.
- A joint venture of TAV Construction wins the tender for the Midfield terminal in Abu Dhabi.
- Akfen Holding issues TL 200 million in bonds to the public.
- Two HEPPs and two hotels become operational.

2013

- MIP issues US$450 million in bonds to be listed on the Irish Stock Exchange for qualified foreign investors.
- Akfen Construction wins the tender for the Isparta City Hospital PPP.
- Akfen Construction commences development of the Incek Loft residence in Ankara.
- Akfen Holding finalizes the sale of its remaining 60% stake in Ideal A.S., which operates 5 power plants in Karasular, to Aquila.
- Two HEPPs and three hotels commence operations.
- Generation license for the Mersin Natural Gas Combined Cycle Power plant is revised to 1,148 MW.
- Akfen Thermal Energy acquires 50% stake in Adana Ipekyolu.
- TAV Construction wins the tender for the construction of the terminal building at Riyadh Airport in Saudi Arabia, and signs a contract for the "Damac Towers by Paramount" project in Dubai.
- The consortium including TAV Airports assumes the operations of Zagreb International Airport.

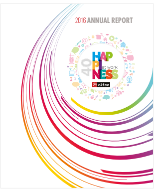
2014

- Akfen Holding issues bonds worth TL 400 million in total, and completes a share buyback program in April.
- MIP launches a new berth and harbor deepening investment worth US$170 million.
- TAV Airports takes over the Domestic Terminal at Milas-Bodrum Airport.
- TGS, 50% affiliate of HAVAS (subsidiary of TAV Airports), wins the ground services tender lodged for eight THY airports.
- Engineering News Records magazine selects TAV Construction as the "World's Biggest Airport Construction Company".
- Akfen Construction submits the highest bid in the Eskisehir City Hospital auction, and participates in the guesthouse project to be established within Hacettepe University with 45% stake.
- One HEPP and one hotel become operational.

2015

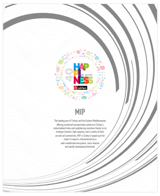
- Investors became eligible to exercise their sell-out rights in the period from December 23, 2015 to March 22, 2016 as a group of partners including Hamdi Akın, acting in concert, became the controlling shareholder of the company.
- A consortium of TAV Airports, ADP and Metro Pacific Investments Corporation passed preliminary qualification in the PPP tender for five local airports in the Philippines.
- ATU acquired operating rights of the duty-free stores at Houston George Bush Intercontinental Airport.
- EBRD signed a US$100 million partnership agreement for 20% stake in Akfen Renewable Energy.
- ENR named TAV Construction the "World's Biggest Airport Construction Company" for the second consecutive year.
- One HEPP and one hotel become operational.

AKFEN HOLDING



- Akfen Holding reduced its capital in January 2016 by cancelling the shares it acquired as part of its second share buyback program.
- In February 2016, the company acquired 100% stake in Karine Enerji Üretim ve Sanayi A.Ş.
- As a group of partners acting in concert, including Hamdi Akın, became the controlling shareholder of the company in December 2015 with an aggregate stake of above 97%, investors became eligible to exercise their sell-out rights at TL 13.07 per share in the period from December 23, 2015 to March 22, 2016.
- Upon CMB's approval, trading of Akfen Holding shares ceased on April 29, 2016, and the company's shares were delisted as of May 12, 2016.
- In June 2016, the company's Board of Directors ruled for the demerger of the company. Accordingly, it has been determined that all assets excluding MIP, TAV Airports and Akfen Renewable Energy will be transferred to Akfen Engineering. The demerger was concluded in February 2017.
- TIKAV continued its activities in 2016 with the ongoing Personal Development Program at Elazığ Fırat University, TIKAV Career Workshop Mentee-Mentor Program, the "We Repair for You to Study" project financed by MIP in Mersin, as well as the Duke of Edinburgh's International Award for Young People program.

MIP



- On March 30, 2016, MIP distributed TL 58.9 million in cash dividends. In addition, on June 10, 2016, the company distributed advance dividends of TL 40.8 million.
- MIP completed the first phase of its port expansion project on August 8, 2016. The expansion increased MIP's berth capacity to 2.6 million TEU, and its yard capacity to 2.2 million TEU.
- On May 18, 2016, MIP signed a Collective Labor Agreement for the period from January 1, 2016 to December 31, 2018.
- On September 1, 2016, Fitch Ratings confirmed MIP's credit rating as "BBB-" stable. In addition, on September 26, 2016, Moody's Investors Service affirmed MIP's long-term credit rating and senior unsecured bond rating as an above country average Baa3, and its outlook as "stable".
- MIP won the "Port of the Year" award by Logitrans Logistics for the sixth consecutive time.

TAV AIRPORTS

- On February 15, 2016, BTA Yiyecek İçecek Hizmetleri A.Ş., a subsidiary of TAV Airports, was awarded the tender for the operating rights of food courts at New Muscat International Airport, in Muscat, capital of Oman.
- In March 2016, the company distributed TL 347.6 million in gross cash dividends.
- As of August 1, 2016, BTA Yiyecek İçecek Hizmetleri A.Ş. has begun providing in-flight catering services by taking over the operation of the food courts at the Zagreb International Airport.
- Atatürk Airport international terminal expansion investments have been largely completed as of the end of 2016.
- On August 5, 2016, TAV Airports announced that it, along with its business partners Aéroports de Paris and Bouygues Bâtiment International, was invited to negotiate for a concession contract involving the operation and development rights of the José Marti and San Antonio de los Banos airports in Cuba, and that they signed a memorandum of understanding for exclusive discussions in 4Q16.
- On September 6, 2016, TAV Airports announced that it had initiated discussions for the purchase of half of Saudi Oger Ltd's 33.3% stake in Tibah Airports, in which TAV Airports also has 33.3% stake.

AKFEN RENEWABLE ENERGY

- As part of the restructuring of Akfen Holding's energy group, Akfen HEPP and Akfen WPP merged into Akfen Yenilenebilir Enerji A.Ş. (Akfen Renewable Energy), Akfen Wholesale was transferred to Akfen Renewable Energy, and Akfen Renewable Energy subsidiary Laleli Enerji Elektrik Üretim A.Ş. was transferred to Akfen Termik Enerji Yatırımları A.Ş. in January 2016. Karine SPP and Akfen Renewable Energy's merger was finalized in March 2016.
- In June 2016, Akfen Holding signed partnership agreements with EBRD and IFC, selling 16.667% stake in Akfen Renewable Energy to each for US$100 million. With the registration of the capital increase on July 12, 2016, EBRD and IFC transferred US$44.4 million to Akfen Renewable Energy for an initial 5% stake each in the company.
- Solentegre SPP project, with 8 MW installed capacity became operational in October 2016.
- Akfen Renewable Energy offered the winning bid of TL 1.25 billion in the Directorate of Privatization Administration's tender of November 2016 for operating rights of the 124-MW Menzelet and 54-MW Kılavuzlu hydroelectric power plants and related properties owned by EUAS for a period of 49 years.

AKFEN REIT

- Novotel İstanbul Bosphorus became operational on February 16, 2016.
- In 2016, a total of 2,409,000 Akfen GYO A.Ş. shares were repurchased as part of the "Share Buyback Program" approved in the May 2016 General Assembly. The repurchased shares represent 1.31% of the company's paid-in capital.

IDO

- In the second half of 2016, IDO expanded its all-inclusive offering on Eskihisar-Topçular ferries with the addition of new services such as complimentary buffet and playground areas.
- The company continued its digital infrastructure investments. In addition, it commenced the revision of its customer relations management and loyalty programs.
- On January 31, 2016, UKOME introduced a 9% increase on Sirkeci-Harem ferry line vehicle fares, and a 10% increase on passenger fares on inner-city sea bus lines.
- As part of the Istanbul Metropolitan Municipality Council's decision to provide free public transport after July 15, IDO offered free of charge transportation on the inner-city sea bus lines and Sirkeci-Harem line until July 31, and again on the Sirkeci Harem ferry line between August 1 and August 10 from 20:00 to 06:00.

TAV INVESTMENT

- On January 25, 2016, TAV Construction and its partner Arabtec won a tender worth US$1.1 billion for the construction of the Bahrain International Airport's new terminal building and associated works (TAV Construction's stake: 40%).
- In 2016, the Engineering News Record magazine, which lists the top 250 construction companies worldwide, named TAV Construction the "World's Largest Airport Contractor" for the third consecutive year.

AKFEN WATER

- Akfen Water started providing solid waste management services to MIP.
- Upon signing of relevant contracts, Akfen Water began preparations for providing solid waste management services at Yozgat City Hospital, Mersin Integrated Healthcare Campus, and Isparta City Hospital.

PSA: PSA, one of the largest port operators in the world, was established in Singapore in 1972. Serving at 40 ports in 16 countries, PSA handled a total of 67.6 million TEU of containers in all its ports around the world in 2016.

ADP: Established as a public corporation in 1945 and offered to public in 2005, ADP currently provides its services at 23 airports worldwide in partnership with TAV Airports.

SOUTER INVESTMENTS: With investments in a variety of fields including environment, healthcare, financial services and energy, Souter Investments mainly engages in transportation and operates bus lines around the UK through Stagecoach Group it established back in 1980. In addition, the Company undertakes railway operations in certain areas in the UK. Furthermore, it has transport services investments in many countries.

ALRAJHI: Alrajji renders its services in the UAE and the Middle East and North Africa in the fields of industry, and infrastructure and housing development.

TEPE İNŞAAT: Established in Ankara in 1969 by the Hacettepe University Foundation, Tepe Insaat completed its restructuring in 1986 to become part of Bilkent Holding, where it continues its operations today. Through housing projects, shopping malls, hospitals, educational facilities, industrial plants and infrastructure developments it has completed since the day it was established, Tepe Insaat has left its mark in every aspect of life.

LEIGHTON GROUP: Established in 1949, Leighton Group is one of the leading construction companies around the world with operations in 22 countries. The company's areas of activity include construction, mining, PPP developments and engineering projects.

ACCOR: Established in 1967, the French Accor Group provides its services in 95 countries in five continents at 4,144 hotels with a combined room capacity of over 583,000 comprising budget, standard, first class and luxury accommodations.

KARDAN N.V.: In addition to the real estate developments in Southeast Europe, Kardan N.V. has entered the Chinese market in 2005 and now delivers housing and shopping mall development and management services. Furthermore, the Company provides water and wastewater management services across the globe since 1952. Moreover, the Company offers financial services and products in Bulgaria, Romania, and Ukraine.

TAISEI: Established in 1873, the Japan-based Taisei has undertaken major construction projects in Japan and all around the world. Today, the company renders services in a variety of areas including airport, highway, power plant and residential real estate development.

GEBR. HEINEMANN: Having opened its first duty-free store back in 1969, Gebr. Heinemann launched its Travel Value brand in 1999. The company currently operates 300 Travel Value/Duty-Free stores at 78 international airports in 28 countries.

CCC: Established in 1952, CCC is one of the leading construction companies in the Middle East and was listed among the top 25 companies of the world in 2013. The Company undertakes major projects in more than 40 countries around the world.

EBRD: The London-based European Bank for Reconstruction and Development is an international financial institution established in 1991 with the mission of guiding the new, post-Cold War era in Central and Eastern Europe. It is currently active in more than 30 countries in Central Europe, Central Asia and Southern and Eastern Mediterranean.

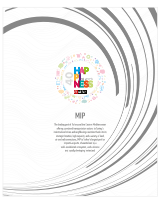
IFC: The International Finance Corporation was established in 1956 as the private sector arm of the World Bank Group. Based in Washington, D.C., the organization provides investment, advisory, and asset management services to encourage private sector development in developing countries, and aims to reduce poverty through projects that will create jobs and improve living standards by promoting private enterprise.

Areas of Activity and 2016 Operational Performance

Driven by a solid experience of 40 years and a visionary and innovative approach, in 2016 Akfen Holding continued to contribute to the economy of Turkey and other countries in which it operates through high-growth potential investments.

Port Operations

Domestic Market Position



Mersin Uluslararası Liman İşletmeciliği A.Ş.
Share **50.00%**

Partner **PSA**

PSA Akfen Liman İşletmeciliği ve Yönetim Danışmanlığı A.Ş.

Container Handling Volume: 1.5 million TEU

MIP handled approximately 1.5 million TEU of containers in 2016, maintaining its position as the largest import & export port of Turkey.

Airport Concessions

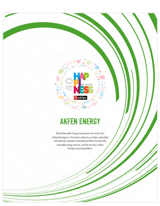
TAV Havalimanları Holding A.Ş.
Share **8.12%**

Partner **ADP, Tepe İnşaat, Sera**

Number of Passengers Exceeds 104 Million

The total number of passengers who used the 14 TAV Airports in seven countries increased to 104.4 million with a 2.0% growth, while the total number of commercial flights reached 808,000, growing by 3.7%.

Energy*



Akfen Yenilenebilir Enerji A.Ş.*
Share **90%****

Partner **EBRD, IFC**

Akfen Termik Enerji Yatırımları A.Ş.***
Share **99.64%**

Adana İpekyolu Enerji Üretim A.Ş.
Share **40%**

11 Hydroelectric and 9 Solar Power Plants Generating 600 GWh

Boasting one of Turkey's largest renewable energy portfolios, the company continued its operations at 11 HEPP and 9 SPP plants with a combined installed capacity of 219.4 MW. In July 2016, EBRD and IFC became partners of Akfen Renewable Energy.

* *As part of the restructuring of the Energy Group, Akfen WPP merged into Akfen HEPP without liquidation and as a whole on January 19, 2016, following which Akfen HEPP changed its company title into Akfen Yenilenebilir Enerji A.Ş. (Akfen Renewable Energy). Akfen Electricity Wholesale was transferred over to Akfen Renewable Energy as of January 25, 2016. On February 22, 2016 Akfen Holding acquired 100% stake in Karine Energy, which was later merged into Akfen Renewable Energy as of March 9, 2016.*

** *In June 2016, EBRD and IFC signed partnership agreements, each acquiring 16.667% stake in Akfen Renewable Energy for US$100 million. As the first stage of the share transfer, Akfen Renewable's paid-in capital was increased from TL 634,500,000 to TL 705,000,000 at a premium, and EBRD and IFC paid US$44.4 million for an initial 5% stake each, in the company.*

*** *Akfen Termik Enerji A.Ş. is one of the companies included in the scope of the demerger.*

Companies within the Scope of the Demerger

Real Estate Investments

Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.
Share **56.88%**

3,628 Rooms in 20 Hotels

Akfen REIT reached a total room capacity of 3,628 in 20 hotels, maintaining its position in 2016 as a major player in the budget hotel industry. The hotels leased by Akfen REIT recorded an occupancy rate of 59.1%.

Maritime Transport

İDO Deniz Otobüsleri Sanayi ve Ticaret A.Ş.
Share **30.00%**

Partners **Tepe İnşaat, Souter, Sera**

Number of Passengers Reached 43.8 Million

IDO transported 43.8 million passengers and 8 million vehicles in 2016.

Water Concessions

Akfen Çevre ve Su Yatırım Yapım İşletme A.Ş.
Share **50.00%**

Partner **Kardan N.V.**

Increase in the Number of Subscribers of Güllük: 5.4%

In 2016, the number of Akfen Water Güllük subscribers grew by 5.4% to reach 7,228, and the volume of water sold increased to 591,555 m^3 with 11.1% growth.
In 2016, the volume of water treated at Akfen Water Dilovası increased by 20.5% to reach 2,398,625 m^3.

Construction

International Position

TAV Yatırım Holding A.Ş.
Share **21.68%**

Partners **ADP, Tepe İnşaat, Sera**

TAV Investment: Total Volume of Ongoing Projects: US$14.8 Billion

As of the end of 2016, the backlog of TAV Investment's ongoing projects stood at US$1.6 billion. With a total contract value of US$19 billion to date, TAV Investment was named the World's Top Contractor in the airports category by Engineering News Record magazine for the third consecutive year.

Hydroelectric Power Plant (HEPP) Investments (In Operation)

- Sırma HEPP / Aydın
- Demirciler HEPP / Denizli
- Çamlıca III HEPP / Kayseri
- Otluca HEPP / Mersin
- Kavakçalı HEPP / Muğla
- Saraçbendi HEPP / Sivas
- Yağmur HEPP / Trabzon
- Gelinkaya HEPP / Erzurum
- Sekiyaka II HEPP / Muğla
- Doğançay HEPP / Sakarya
- Doruk HEPP / Giresun
- Menzelet/Kılavuzlu HEPP / Kahramanmaraş*

Hydroelectric Power Plant Investments (Under Construction)

- Çalıkobası HEPP / Giresun
- Çiçekli I-II HEPP / Artvin

Hydroelectric Power Plant Investments (Under Development)

- Çatak HEPP / Rize

Solar Power Plant (SPP) Projects (In Operation)

- Denizli SPP Projects (7 SPP Projects)
- Yaysun SPP / Konya
- Solentegre SPP / Elazığ

Solar Power Plant Projects (Ready for Construction/Under Development)

- Van Projects
- IOTA SPP / Malatya
- Konya Projects
- Amasya SPP
- Tokat Projects

Thermal Power Plant Investments (Under Development)

- Mersin Natural Gas Combined Cycle Power Plant / Mersin

Airport Concessions (TAV Airports) (In Operation)

- Atatürk Airport / Istanbul
- Esenboğa Airport / Ankara
- Adnan Menderes Airport / Izmir
- Gazipaşa Airport / Antalya
- Milas-Bodrum Airport / Muğla

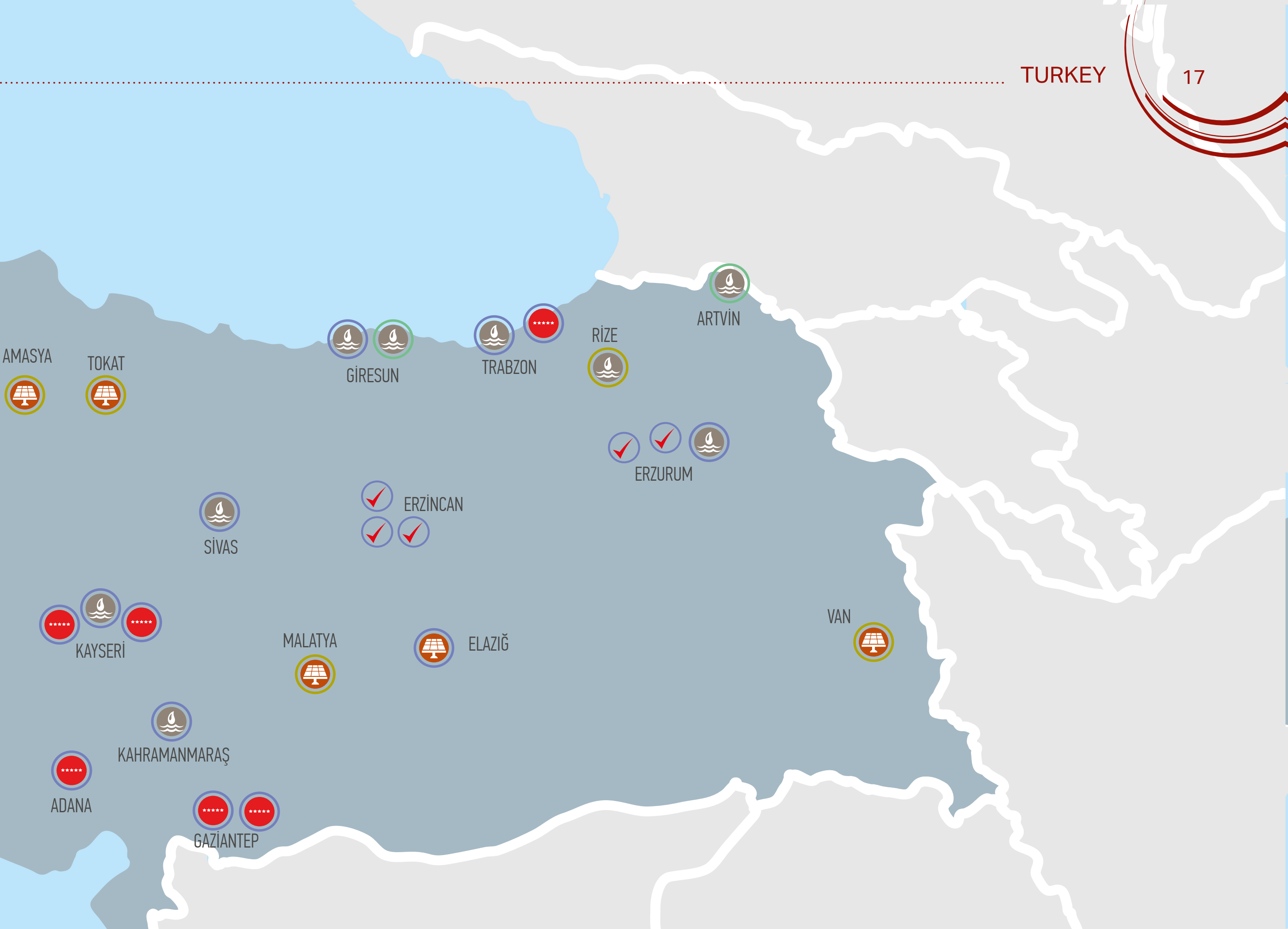
Maritime Transport (IDO)

- European Side: 9 terminals
- Asian Side: 12 terminals
- Marmara Region: 14 terminals

Hotel Investments (Akfen REIT) (In Operation)

- Novotel Zeytinburnu / Istanbul
- Novotel Istanbul Bosphorus
- Novotel Trabzon
- Novotel Gaziantep
- Novotel Kayseri
- Ibis Hotel Zeytinburnu / Istanbul
- Ibis Hotel Esenyurt / Istanbul
- Ibis Hotel Eskişehir
- Ibis Hotel Gaziantep
- Ibis Hotel İzmir
- Ibis Hotel Kayseri
- Ibis Hotel Bursa
- Ibis Hotel Adana
- Ibis Hotel Esenboğa / Ankara
- Ibis Hotel Tuzla / Istanbul**

* *The winning bid of TL 1.25 billion was offered in the reverse auction tender on November 3, 2016 for the Menzelet and Kılavuzlu hydroelectric power plants in Kahramanmaraş. The tender process will be finalized upon the receipt of permits from relevant agencies and the payment of the tender price.*



Water and Wastewater Projects (Akfen Water) (In Operation)

- Güllük Municipality Water and Wastewater Concession Project / Muğla
- Dilovası Organized Industrial Zone Wastewater BOT Project / Kocaeli
- IDO Solid Waste Services / Istanbul
- MIP Solid Waste Services / Mersin
- Yozgat City Hospital Solid Waste Services
- Mersin Integrated Healthcare Campus Solid Waste Services
- Isparta City Hospital Solid Waste Services

Port Concessions (MIP) (In Operation)

- Mersin International Port / Mersin

Contracted Projects (TAV Construction) (Completed)

- Ankara Esenboğa Airport Domestic and International Terminals / Ankara
- İstanbul Atatürk Airport Terminal Building and Multi-Story Car Park Project / Istanbul
- İstanbul Atatürk Airport Renovation Project / Istanbul
- İzmir Adnan Menderes Airport International Terminal / Izmir
- İzmir Adnan Menderes Airport Domestic Terminal (Additional Works) / Izmir
- İstanbul Atatürk Airport Expansion and Development Project / Istanbul
- İstanbul Atatürk Airport Investments 2010-2011 / Istanbul
- Alanya Gazipaşa Airport / Antalya

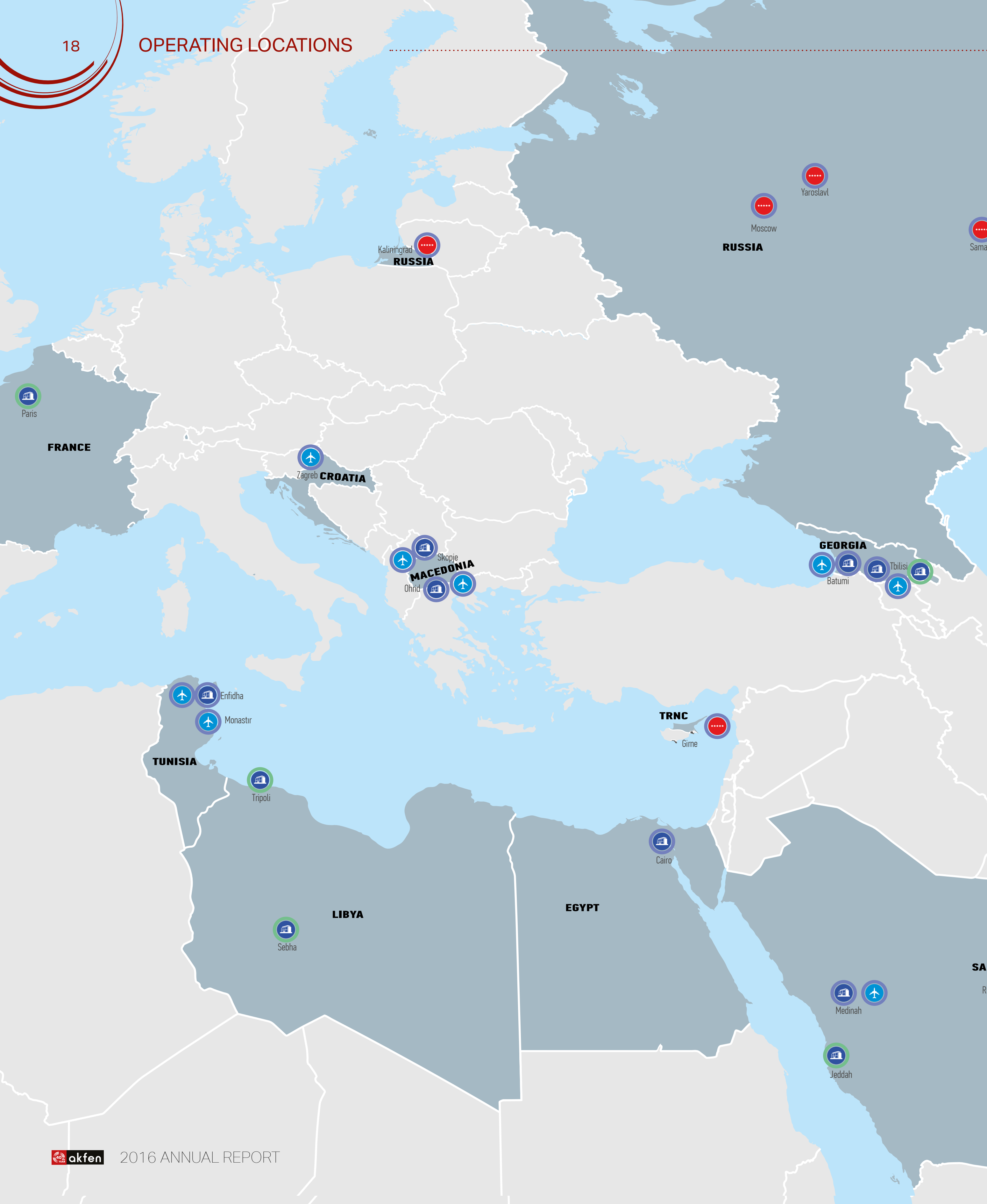
Contracted Projects (TAV Construction) (Under Construction)

- Emaar Square North - Structural Works
- Emaar Phase 3
- İstanbul Atatürk Airport Expansion Project - Phase 3

Exited Investments

- TUV Türk Vehicle Inspection Stations
- Kuşadası Passenger Port
- Karasu-1 HEPP / Erzurum
- Karasu-2 HEPP / Erzurum
- Karasu-4.2 HEPP / Erzincan
- Karasu-4.3 HEPP / Erzincan
- Karasu-5 HEPP / Erzincan
- Pirinçlik HEPP / Karabük

** *The construction of the Ibis Hotel Tuzla has been completed, and the hotel is expected to enter into service in the second quarter of 2017.*


Yaroslavl
Moscow
RUSSIA
Kaliningrad
RUSSIA
Paris
FRANCE
Zagreb
CROATIA
Skopje
MACEDONIA
Ohrid
GEORGIA
Batumi
Tbilisi
Enfidha
Monastır
TUNISIA
Tripoli
TRNC
Girne
Cairo
LIBYA
EGYPT
Sebha
Medinah
Jeddah

Hotel Investments (Akfen REIT)
(In Operation)

- Ibis Hotel Kaliningrad / Russia
- Ibis Hotel Yaroslavl / Russia
- Ibis Hotel Samara / Russia
- Ibis Hotel Moscow / Russia
- Merit Park Hotel Girne / TRNC

Contracted Projects (TAV Construction)
(Completed)

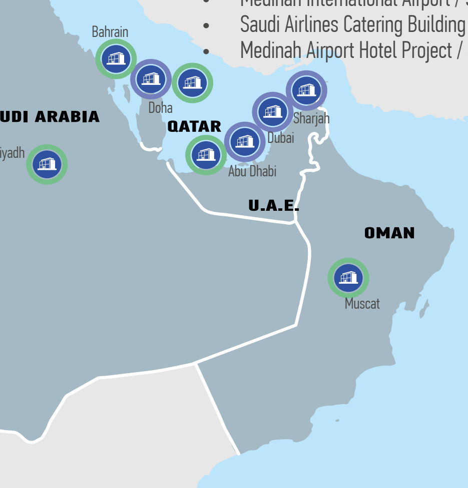
- Emirates Airlines A380 Maintenance Hangar Steel Door Construction Project, Dubai / UAE
- Al Sharaf Shopping Mall, Dubai / UAE
- Towheed Iranian School, Dubai / UAE
- Emirates Financial Towers, Dubai / UAE
- Sulafa Tower, Dubai / UAE
- Abu Dhabi Airport Midfield Terminal Pile Cap, Abu Dhabi / UAE
- Majestic Tower, Sharjah / UAE
- Batumi Airport, Batumi / Georgia
- Tbilisi Airport, Tbilisi / Georgia
- Skopje Airport, Skopje / Macedonia
- Ohrid Airport, Ohrid / Macedonia
- New Enfidha Airport, Enfidha / Tunisia
- Cairo Airport TB3 Passenger Terminal Project, Cairo / Egypt
- Doha International Airport Facility Management Works, Doha / Qatar
- Medinah International Airport / Saudi Arabia
- Saudi Airlines Catering Building / Saudi Arabia
- Medinah Airport Hotel Project / Saudi Arabia

Contracted Projects (TAV Construction)
(Under Construction)

- Abu Dhabi International Airport / UAE
- Marina 101 Hotel and Residence / UAE
- Damac Towers / UAE
- Riyadh KKIA Terminal 5 Airport / Saudi Arabia
- King Abdul Aziz Airport / Saudi Arabia
- Doha International Airport / Qatar
- Oman Muscat International Airport / Oman
- Libya-Tripoli International Airport / Libya
- Libya-Sebha International Airport / Libya
- Aéroports de Paris Headquarters & Social Building / France
- Tbilisi International Airport Rehabilitation Works / Georgia
- Bahrain International Airport Works

Airport Concessions (TAV Airports)
(In Operation)

- Medinah Airport / Saudi Arabia
- Monastir Airport / Tunisia
- Enfidha Hammamet Airport / Tunisia
- Tbilisi International Airport / Georgia
- Batumi International Airport / Georgia
- Skopje Airport / Macedonia
- Ohrid Airport / Macedonia
- Zagreb Airport / Croatia



Dear Shareholders,

We have closed a year characterized with extraordinary developments both in Turkey and the world, with some of these developments certain to have a longterm impact on our country and the world. As unity and solidary gain more prevalence for our country, we see new balances being struck across the globe.

In terms of the global economy, 2016 was a year of reduced global trade due to the falling commodity and oil prices slowing economic growth in exporter countries, continuing a trend that started back in 2015.

The end of 2016 was marked with uncertainties affecting all major economies, stronger expansionist policies in the U.S. following the presidential elections, and an increase in fund outflows from developing markets such as Turkey due to expectations of interest rate hikes in developed countries. The volatility in interest and exchange rates increased near the end of the year, necessitating monetary tightening in developing countries.

Global growth concerns arising from China, the Brexit, continuing low growth and low inflation in the EU, the rapid expansionist fiscal policies promoted by President Trump of the U.S. since his candidacy and their effects on inflation and interest rates remained the key agenda items of 2016, and these developments need close attention as well in 2017.

From Turkey's perspective, 2016 was a year of certain exceptional developments as well as growing geopolitical risks. Adding to the negative developments around the world, factors such as the coup attempt of July 15 that threatened the unity and solidarity and the atmosphere of trust and stability of our country; a series of terror attacks that hit various parts of Turkey, including one of our Holding's valuable assets, Istanbul Airport; growing tension and conflict in Syria and Iraq; the political and economic relations with Russia coming to a halt for the majority of the year; and the rising foreign exchange rates have reduced the investment appetite of the private sector, causing Turkey to fall short of its inflation target once again and become unable to achieve a price stability. Another key indicator in 2016 was the downgrading of Turkey's credit rating to non-investment grade.

Turkey's economic performance in 2016 will be remembered as a period of recovery in the first half of the year, followed by a time where the country drifted away from its targets due to political developments, both global and in Turkey's surrounding region. Despite all these negative developments, we are hopeful and optimistic for the future, thanks to our economy that once again proved its durability, our strong banking system, political stability, robust domestic demand, and the reform and incentive initiatives announced by the government.

2017 expectations

Global economic growth is expected to remain under 3 percent in 2017 as well for the sixth consecutive year. While Asia is the region that promises the fastest growth in 2017, developing countries show signs of recuperation due to the recovering oil and commodity prices, which indicates a positive outlook.

In 2017, a close eye must be kept on the protectionist policies by the U.S. led by President Trump and their effects on global trade. These measures are planned for deployment against countries such as China and Mexico, which the U.S. openly points the finger at, and their scale and the reactions they will receive from effected countries represent a significant source of uncertainty and risk. In addition, FED's interest rate hikes in 2017 and the consequent appreciation of dollar are certain to affect the currency and interest rate policies of all countries, Turkey included. Infrastructure and construction developments in the U.S. and the ECB's decision to extend its quantitative easing program until the end of 2017 signify positive developments for the global economy. We will be following closely the interaction between and the impacts of the fiscal policies of the Trump administration and the monetary policies FED will adopt. Another development that demands our attention is Brexit's effect on the economy of the UK and Europe. For the EU, the upcoming elections in France and Germany, and the policies newly elected leaders will adopt will play as important a role as the economic outlook for the coming period.

It is imperative for Turkey to maintain its structural reforms. We have to make progress on significant structural changes that have the potential to reduce our current account deficit, such as increasing the weight of high-added-value goods, alleviating the lack of deposits –the crucial weakness of our banking system–, improving the investment environment for both domestic and foreign investors in line with the Medium-Term Economic Program, and developing sectors that can help set Turkey apart from a global standpoint.

Our country's outlook for 2017 is the preservation, or even the improvement of the current situation. The main sources of optimism are expectations of continued political stability in the coming term, restabilization in the neighboring countries, enhanced investment and consumption through reform and incentive policies, increased tourism revenues and higher demand in our export markets.

In light of these expectations, in 2016 Akfen Holding completed its delisting process that was initiated in December 2015 by ceasing the trade of our company stocks in the stock market in May 2016 upon the CMB's approval and subsequently redeeming the shares we had bought back as part of our second buyback program.

The most important development in 2016 concerning the Holding, however, was the board's decision in June for a demerger, involving the reorganization of our areas of activity and partnerships. In this context, Akfen Holding maintained its stake in MIP, TAV Airports, and Akfen Renewable Energy, all companies with optimal capital structure, capacity for strong cash flows, and high dividend yield, while transferring to the group company Akfen Engineering its stake in other companies that engage in airport construction, maritime transportation, hotel investment, thermal energy generation and water distribution, whose investment needs and development is still ongoing, thereby completing the reorganization.

2016 marks our 41st anniversary, and was a year of restructuring for further enhancing our companies' competitive edge. For 2017, we have set our eyes on infrastructure development opportunities our country offers to sustain Akfen Holding's growth in sectors like energy. As we watch TAV Airports, the veritable hub of the region, expand its activities across the globe through service companies, we are also closely following how our other companies such as IDO, Akfen REIT and Akfen Water position themselves in line with the status quo.

As in the previous periods, Akfen Holding will remain committed to contribute to our country's economy and create new employment opportunities. In addition, we will continue in the coming period our social responsibility efforts through our foundation, TIKAV.

Akfen, a company that began its life 41 years ago as a heating equipment manufacturer, flourished hand in hand with its affiliates and stakeholders. For that, I would like to thank all employees, affiliates and stakeholders who have contributed to our success for the past 40 years; this unity will remain the source of our strength in the coming period as we endeavor to create value for Turkey.

Sincerely,

HAMDİ AKIN
Chairman of the Board of Directors

Dear Stakeholders,

2016 saw Akfen Holding continue its operation and investment programs despite all the negative geopolitical developments affecting Turkey and neighboring countries. In 2017, we are continuing our investment plans unabated. We will maintain our focus on new areas of activity characterized by high yields and low implementation risks.

The leading port of Turkey in terms of import & export container volume, the **Mersin International Port (MIP),** aims to become the international transfer hub of the Eastern Mediterranean with its port expansion project. The project was launched in 2014, and with the completion of its first phase in 2016, the port has achieved a berth capacity of 2.6 million TEU, and a yard capacity of 2.2 million TEU for an investment of around TL 450 million. We are planning to complete the second phase of MIP's expansion in 2017, which will further increase the port's yard capacity to 2.6 million TEU. With the expansion project, we aim to progress towards our mid- to long-term goal of consolidating MIP's position as the market leader of its region, and increase the company's profitability through operational leverage.

TAV Airports continues its growth across the world with its products and services, driven in particular by the growth in its service companies. Most recently, the company signed a memorandum of understanding with the Cuban government for the operation and development of the José Marti International Airport in Cuba's capital, Havana, and the development of the San Antonio de los Baños Airport. With operations in 14 airports in seven countries across three continents, TAV Airports also has affiliates rendering their services in 69 airports around the world.

TAV Construction ranked first in the "Airport Construction" category of ENR's 2016 rankings, being named the world's largest company for the third consecutive year. At the same time, the company expanded its in-development project portfolio with the addition of the Bahrain International Airport, which has a contract value of over US$1 billion.

Meanwhile, we continue our investments to diversify the HEPP, SPP and WPP projects in **Akfen Renewable Energy**'s portfolio in order to meet Turkey's growing energy demand.

Following the partnership agreement signed with EBRD in December 2015, IFC also expressed its interest in a partnership; accordingly, in June 2016, EBRD and IFC signed partnership agreements with Akfen Holding, each acquiring 16.667% stake in our subsidiary Akfen Renewable Energy for US$100 million.

As part of the restructuring of Akfen Holding's energy group, in the first quarter of 2016, our subsidiaries that engage in renewable energy generation, namely Akfen HEPP, Akfen WPP, Akfen Wholesale and Karine SPP were merged into Akfen Renewable Energy. In November 2016, we offered the winning bid of TL 1.25 billion in the Directorate of Privatization Administration's tender for operating the Menzelet and Kılavuzlu hydroelectric power plants, which have a combined capacity of 178 MW. These power plants will add base and peak-load HEPP to our portfolio. The total installed capacity of our operational HEPP and SPPs has reached 219 MW, with an additional 90 MW under construction and 80 MW in development. In the first stage, we aim to reach a renewable energy generation capacity of 650 MW. In mid- to long-term, however, our goals is to establish a brand new platform with an installed capacity of 1,000 MW, comprised fully of renewable sources and generating sustainable power.

Our subsidiary **Akfen REIT** continues its operations with its portfolio of 20 hotels in Turkey, TRNC, and Russia. In 2016, Akfen REIT has managed to increase its turnover despite all the challenges affecting the sector. We aim to open in the second quarter of 2017 the 200-room Ibis Hotel Tuzla, the investment for which is already completed. In doing so, all the hotels in our portfolio will be operational, increasing the number of operational hotels to 20 and rooms to 3,628. After all the hotels in our portfolio become operational, Akfen REIT's main goal will be to ensure that all hotels reach a target performance level.

As one of the world's largest maritime transportation companies, **IDO** managed to display a notable performance this year thanks to its all-inclusive service offering. We expect IDO to maintain this performance in 2017, driven by the ongoing investments in digital infrastructure.

Bringing its experience in water distribution and wastewater investments to solid waste management and environmental management services, **Akfen Water** expanded upon the success it has achieved through the waste management services it has been providing to IDO since 2012 by adding to its portfolio the Mersin International Port, Yozgat City Hospital, Mersin Integrated Health Campus, and Isparta City Hospital projects. The company is also set to render waste management services in Tekirdağ and Eskişehir city hospitals after they become operational in 2018.

In the mid to long-term, the Group companies' focus will remain on increased income, as well as new employment opportunities and more value for our country's economy. In terms of growth, we expect to see the continuation of our growth trend in revenues driven by sustained organic and inorganic growth and by our new investments going operational.

Akfen Holding continued its support for social responsibility projects, an area to which we attach particular emphasis. We place great importance to creating social and economic benefit for the communities in which we operate. It gives us great pride to see the local, national and international projects and events we deliver through the Turkey Human Resources Foundation (TIKAV) reach a wide audience.

I would like to take this occasion to thank once again all our employees, affiliates and stakeholders who have been the greatest source of our success for the past 40 years, for their dedicated efforts, their energy, and their commitment.

Sincerely,

İBRAHİM SÜHA GÜÇSAV
CEO

2016 Financial Results for Akfen Holding A.Ş. and Subsidiaries

Two developments played a key role on Akfen Holding's 2016 financial results: the sale of Akfen Renewable Energy shares in July 2016, and the demerger process that was initiated in 2016 and concluded in February 2017. The effects of these two developments on 2016 financials are summarized as follows:

- *The effect of the sale of shares in subsidiaries:*

  - Akfen Holding has signed a partnership agreement with EBRD and IFC regarding Akfen Renewable Energy, and its stake in Akfen Renewable Energy reduced to 90% after the transfer of shares in July 2016. According to the share sale contract, Akfen Holding, EBRD and IFC will assume joint control of Akfen Renewal Energy; accordingly the transaction has been categorized as a sale of shares in a subsidiary resulting in a loss of control right, and the Company's stake in Akfen Renewable Energy has been accounted for at its actual value.
  - Accordingly, in terms of the 2016 financials, Akfen Renewable Energy was consolidated until June 30, 2016 (as the share transfer occurred on June 12, 2016), and accounted for using the equity method after this date.

- *The effect of the demerger process:*

  - The demerger process, which was initiated upon the Board of Directors decisions of 2016, concluded on February 16, 2017. Accordingly, as of December 31, 2016, all assets and liabilities involving Akfen REIT, TAV Investment, IDO, Akfen Water and Akfen Thermal Energy have been accounted for under "assets/ liabilities held for sale".
  - Profit and loss associated with Akfen REIT, whose assets and liabilities are accounted for since December 31, 2016 as part of assets and liabilities held for sale, are listed under "discontinued operations".

In 2016, Akfen Holding posted TL 136 million in revenues, indicating 7% drop over the previous year. The main cause of this drop is the sale of Akfen Renewable Energy shares to EBRD and IFC on July 12, and the subsidiary, which was previously consolidated, being accounted for using the equity method after this date.

In 2016, TAV Airports and MIP provided dividends amounting to TL 28 million and TL 30 million, respectively. In addition, in 2016, MIP provided advance dividends of TL 20 million.

Following the share sale in 2016, Akfen Renewable Energy, previously a subsidiary, became a Joint Venture of the Holding; accordingly, it was accounted for at its actual value, resulting in gains from fair value accounting arising from the sale of stake in a subsidiary amounting to TL 897 million, bringing the net profit for 2016 to TL 359 million.

As of December 31, 2016, Akfen Holding's consolidated gross financial debt fell by 29% to TL 1.1 billion. This reduction in financial debt was a result of Akfen REIT's debt, which amounted to TL 839 million, being reported under "available-for-sale financial liabilities". Consolidated gross financial debt is composed of 82% short-term, and 18% mid-term debt*. The Holding's consolidated net debt stood at TL 984 million at end of 2016. The Holding's solo net debt increased to TL 984 million as of the end of 2016, up from TL 820 million on December 31, 2015.

Consolidated shareholders' equity amounted to TL 1,964 million at the end of 2016. Net debt/equity ratio for 2016 stood at 0.5.

Akfen Holding's investments continued in 2016 as well, with its subsidiaries making investments worth TL 30 million in total. These investments comprise ongoing hydroelectric power plant investments amounting to TL 3 million, and Akfen REIT investments amounting to TL 23 million.

* *In this context, the company issued TL 300 million in 3-year bonds on January 9, 2017, in place of previously issued TL 140 million in bonds, which had a maturity that fell on the same date.*

Main Financial Indicators

(TL million)	2016	Restated 2015	Change (%)
Summary Income Statement			
Revenue	**136**	**146**	**-7%**
Gross Profit	70	66	7%
Operating Profit	-117	147	n.m.
(Loss)/Profit Before Tax	635	-112	n.m.
Net (Loss)/Profit for the Period	**359**	**3**	**13407%**
Non-Controlling Interest	-126	-27	n.m.
Share of the Parent	485	29	1562%
Summary Cash Flow Statement			
Net Cash Flow from Operations	41	-288	n.m.
Net Cash from Investment Operations	-23	-144	n.m.
Net Cash Used in Financing Operations	-16	317	n.m.
Net increase/(decrease) in cash and cash equivalents	24	-36	n.m.
Cash and cash equivalents at opening of the period	22	59	-62%
Cash and cash equivalents at closing of the period	46	22	106%
Summary Balance Sheet			
Total Non-Current Assets	2,385	2,981	-20%
Intangible Assets	0	34	-99%
Property, Plant and Equipment	5	65	-92%
Investment Property	0	1,459	-100%
Equity Accounted Investments	1,978	864	129%
Other	402	559	-28%
Total Current Assets	1,634	1,308	25%
Financial Assets Held for Sale	1,521	1,159	31%
Cash and Cash Equivalents	46	22	106%
Trade Receivables	0	18	n.m.
Financial Investments	61	0	n.m.
Other	6	109	-94%
Total Assets	**4,019**	**4,289**	**-6%**
Total Equity Attributable to Equity Holders of the Parent	1,709	1,401	22%
Non-Controlling Interest	254	371	-31%
Shareholders' Equity	**1,964**	**1,772**	**11%**
Financial Debt	1,091	1,530	-29%
Other Short-Term Liabilities	8	37	-77%
Liabilities Associated with Financial Assets Held for Sale	944	840	12%
Other Long-Term Liabilities	12	111	-89%
Total Shareholders' Equity and Liabilities	**4,019**	**4,289**	**-6%**
Financial Indicators			
Gross Profit Margin	51.9%	45.0%	6.9 pp
Current Ratio	0.9	1.1	-0.3
Liquidity Ratio	0.9	1.1	-0.3
Net Debt/Shareholders' Equity	0.5	0.8	-0.3
Financial Leverage	0.5	0.6	-0.1

* *Within the framework of the Board of Directors decisions of June 1 and June 20, 2016 concerning the demerger, all assets belonging to Akfen REIT and Akfen Thermal Energy have been accounted for under 'financial assets held for sale', while their liabilities are recorded under 'liabilities associated with financial assets held for sale'.*

** *The financial statements provided for comparison, dated December 31, 2015 have been restated.*

2016 Financial Results as per Proportional Consolidation*

The following are the proportionally consolidated analyses of TAV Investment, Akfen REIT, Akfen Water and IDO, which are recorded as "financial assets held for sale", and TAV Airports, MIP, and Akfen Renewable Energy, which are recorded as "investments accounted for by the equity method" in the Company's consolidated financial statements.

The combined total of the investments by our affiliates in 2016 reached TL 940 million. The part of these investments that is consolidated to Akfen Holding in proportion to its stake amounted to TL 361 million.

The consolidated revenues obtained by Akfen Holding from its activities in 2016, including consolidated revenues of the affiliates controlled by Akfen Holding as proportional to its stake, stood at TL 1,641 million with a growth of 3% over 2015. The affiliates with the highest revenue growth in 2016 were, in order, Akfen Renewable Energy, Akfen Water, TAV Airports, and MIP. The largest share in the consolidated revenue of 2016 belonged to TAV Investment with 32%, whereas Mersin Port had a share of 25% and TAV Airports had a share of 17%.

The adjusted EBITDA for Akfen Holding stood at TL 513 million in 2016, with an EBITDA margin of 31%. Affiliates that recorded an EBITDA growth in 2016 over the previous year were MIP, TAV Airports and Akfen Water.

The total assets of Akfen Holding stood at TL 8.3 billion at the end of 2016, indicating 20% growth. Affiliates with comprehensive ongoing investments, namely MIP (22%), Akfen Renewable Energy (15%), and Akfen REIT (14%) had the highest share in Akfen Holding assets.

Shareholders' equity amounted to TL 2.1 billion at the end of 2016.

As of December 31, 2016, Akfen Holding's proportionally consolidated gross financial debt increased by 19% to reach TL 4.7 billion, out of which 30% represents short-term debt, 40% medium-term debt and the remaining 30% long-term debt.

As of the end of 2016, the Holding has a consolidated net debt of TL 3.9 billion. Consolidated net debt/equity ratio for 2016 stood at 1.9.

* *2016 financial statements on this page were calculated by reversing the effects of IFRS 11 and IFRIC 12 standards.*

2016 Summary Financial Information on Subsidiaries and Equity-Accounted Joint Ventures

2016 (TL million)	TAV Investment	Akfen REIT	A. Renew. Energy	MIP	Akfen Water	TAV Airports	IDO	Other*	Elim.	Total
Share %	21.7%	56.9%	90.0%	50.0%	50.0%	8.1%	30.0%	-	-	-
Revenue	536	54	201	411	8	280	171	4	-25	1,641
Adjusted EBITDA	-5	37	87	258	5	121	64	-56	2	513
Adjusted EBITDA Margin	n.m.	68.5%	43.3%	63.4%	52.4%	40.7%	37.7%	n.m.	n.m.	31.0%
Net Profit (parent shares)	-32	-257	-137	124	-0.3	34	-95	810	36	484
Investments	3	23	86	199	0.4	29	16	4	0	361
Number of Employees	2,115	21	191	1,446	44	29,231	1,814	57	-	34,919
Total Assets	846	1,193	1,205	1,789	53	934	568	2,406	-735	8,260
Shareholders' Equity	59	256	234	734	23	243	3	1,249	-690	2,112
Gross Financial Debt	253	839	815	838	18	374	523	1,091	-	4,751
Net Financial Debt	189	775	717	527	13	229	522	983	-	3,957
Net Debt/EBITDA	n.m.	20.9	8.2	2.0	2.5	1.9	8.1	n.m.	-	7.7
Net Debt/Shareholders' Equity	3.2	3.0	3.1	0.7	0.6	0.9	187.1	0.8	-	1.9

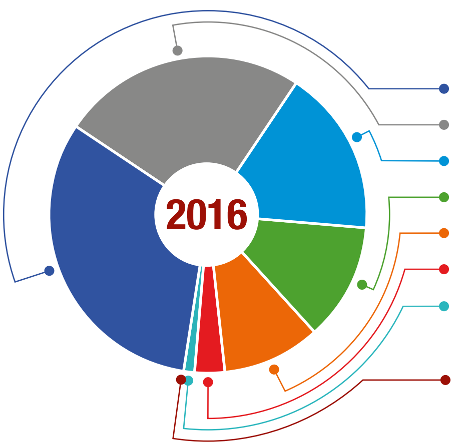
Financial data on the subsidiaries and affiliates given in the table above are calculated by reversing the effects of IFRS 11 and IFRIC 12 standards. It is indicated in the proportions of shares owned by Akfen.

* *The number of employees and financial debt of Akfen Holding, Akfen Thermal Energy are also shown under the "other" group. Akfen Holding's solo gross financial debt and net financial debt – both indicated under "other" – amount to TL 1,091 million and 984 million, respectively. EBITDA on the table above was calculated by deduction of general administrative expenses from gross profit and adding of depreciation and amortization expenses. Adjusted EBITDA is calculated (in accordance with IFRIC 12) to take into account guaranteed income and construction income/expenses of TAV Airports, Akfen Water, and MIP.*

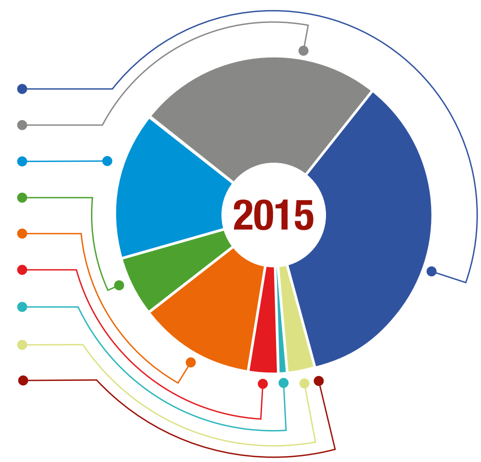
Financial Indicators

(TL million)	2016	2015	Change (%)
Revenue	1,641	1,590	3.2%
Adjusted EBITDA	513	567	-9.5%
Adjusted EBITDA Margin	31.0%	35.5%	-4.5 pp
Total Assets	8,260	6,893	19.8%
Shareholders' Equity	2,112	1,787	18.2%
Gross Financial Debt	4,751	4,003	18.7%
Net Financial Debt	3,957	3,414	15.9%
Net Debt/Adjusted EBITDA	7.7	6.0	1.7x
Net Debt/Shareholders' Equity	1.9	1.9	0.0x
Investment Expenditures	361	691	-47.8%
Number of Employees	34,919	38,104	-8.4%

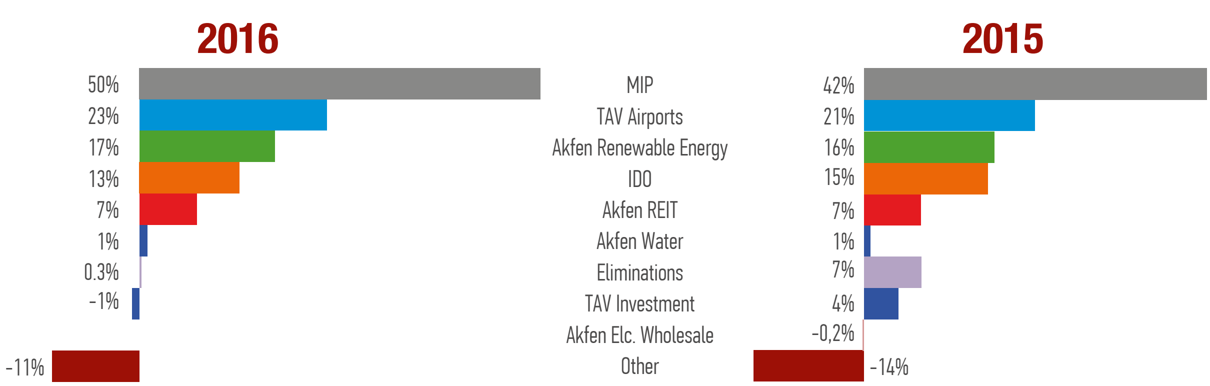
Distribution of Consolidated External Revenue



	2016	2015
TAV Investment	32%	36%
MIP	25%	25%
TAV Airports	17%	15%
Akfen Renewable Energy	12%	6%
IDO	10%	12%
Akfen REIT	3%	3%
Akfen Water	0,5%	0,4%
Akfen Elc. Wholesale	-	3%
Other	0,1%	0,2%



Distribution of Consolidated Adjusted EBITDA



MIP

The leading port of Turkey and the Eastern Mediterranean offering combined transportation options to Turkey's industrialized cities and neighboring countries thanks to its strategic location, high capacity, and a variety of land, air and rail connections, MIP is Turkey's largest port for import & exports, characterized by a well-established ecosystem, and a diverse and rapidly developing hinterland.

MIP: Turkey's Gateway to Bilateral Trade with 190 Countries

Directly connected to the neighboring, 836,322 m^2 Mersin Free Zone, MIP is Turkey's gateway to bilateral trade with 190 countries, and among the top 100 largest container ports in the world thanks to its high-quality infrastructure, qualified human resources, and strong connections with customers and maritime companies. MIP plays a crucial role in the international trade of industrialized Turkish cities, primarily Adana, Ankara, Gaziantep, Kayseri, Kahramanmaraş, and Konya, as well as that of Syria, Iraq and Iran, which are located in Turkey's hinterland.

Mersin International Port

Shareholding Structure

Akfen Holding	50.0%
PSA Turkey Pte Ltd.	50.0%

Subsidiaries and Affiliates

Mersin Denizcilik Faaliyetleri ve Ticaret A.Ş.	99.99%

Turkey's largest multi-purpose import & export container port, MIP is the main container port of the Mediterranean, and the primary import & export gateway of Turkey and neighboring countries, thanks to its land, air and rail connections, and its proximity to the Mersin Free Zone. PSA-Akfen joint venture won the operating right for the Mersin International Port for a period of 36 years in the Directorate of Privatization Administration's tender in 2007.

Today, with 6,200 regular customers worldwide and a comprehensive offering of 32 services, MIP holds 17.4% market share among container ports in Turkey and 25% market share in terms of import & export container business volume.

On August 8, 2016, Mersin International Port completed the first phase of the EMH project, which was launched in 2014 with a view to expanding the port's capacity to accommodate 400-meter vessels.

The expansion increased the berth capacity to 2.6 million TEU, and the yard capacity to 2.2 million TEU, enabling it to serve ships with a draft of 15.5 meters, and length of 400 meters. The second phase of the EMH project, which will boast the yard capacity to 2.6 million, is expected to be completed by the end of 2017. The EMH project will allow MIP to handle higher transhipment volumes. Mersin

International Port's EMH Terminal welcomed its first megaship in June 2016. The port's handling volume is expected to increase gradually over the next 10 years to 4.6 million TEU.

MIP's already strong position in the Mediterranean Basin has been further enhanced with a 500-meter dock, cutting-edge green equipment, a 15,500-volt transformer feeding the facility, and a back field of 106,000 m^2.

Holder of the Turkey's largest container, conventional, Ro-Ro and maritime services port title with its 110-hectare port area, MIP invested a total of US$152.8 million for the first phase of the EMH Project, out of which US$52.5 million has been invested in equipment, and US$100.3 million in infrastructure.

In accordance with the Concession Agreement, from 2007 to 2016, MIP invested US$88.7 million for operational efficiency, and US$235 million for capacity development, reaching a total capital expenditure of US$323.7 million. Taking into account the concession fee of US$755 million, MIP has attained a total investment volume of over US$1.2 billion. The investments in 2016 alone amounted to US$132 million. These investments increased the port's capacity from 900,000 TEU in 2007 to 2,600,000 TEU in 2016.

The start of direct container shipping to Middle East, America and the Far East in the coming period is set to position MIP as the main port of trade for the neighboring Northern Iraq, as well as for the Commonwealth of Independent States members such as Uzbekistan, Turkmenistan, and Kyrgyzstan with the reduced transit times to these countries taking effect. In addition to investments in infrastructure, technology and human resources, MIP makes significant contributions to the economy of the city and the country through the ecosystem it created in the region.

Thanks to all these investments, MIP has now become a port that handles 1.5 million TEU of containers and 9 million tons of conventional cargo per year, boasting a total handling volume of over 30 million tons. MIP also consolidated its position among the world's leading ports serving 33 container shipping lines with connections to over 100 ports across the globe. In the years ahead, MIP will continue to drive business plans to enhance the quality of its services, and sustain its stable growth via new goals that will also benefit its customers and Turkish economy.

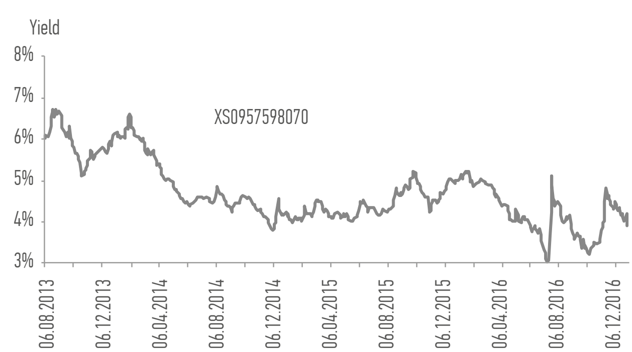
The US$450 million in bonds, mediated by international banks and issued in 2013 by MIP were rated investment-grade Baa3 by Moody's and BBB- by Fitch. On June 17 and September 27, 2016 Moody's confirmed MIP's Baa3 rating (above the country's credit rating) with a stable outlook. Likewise, on July 11, 2016 Fitch also confirmed the BBB- rating with a stable outlook. As of December 30, 2016, the bond was valued at US$104.4 with a yield of 4.53% (midswap + 224 bps).

MIP distributed TL 58.9 million in cash dividends in March 2016, followed by an advance dividend distribution of TL 40.8 million in June.

Turkey's largest import & export port with
1.5 million TEU
of containers handled in 2016

MIP BOND PERFORMANCE

Source: Bloomberg



Highlights of 2016

Continued conflict in Iraq and Syria in 2016, political tension with Russia, low oil prices and a general slowdown in global trade resulted in weak growth in MIP's hinterland. Consequently, MIP saw a slight 1% decline in container handling volume, and a 3% decline in foreign trade. Another factor that negatively affected MIP's progress in 2016 was the slowdown in China's procurement and growth. As a result, MIP's container volume decreased by 0.9% over the previous year, falling from 1.47 million TEU to 1.45 million TEU, particularly due to shrinking demand from Iraq and Syria, falling citrus fruit shipments due to the crisis with Russia, and reduced ore exports. In addition the adverse weather affecting Mersin in December 2016 and the resulting flood has also hampered operations, contributing to the drop in volume.

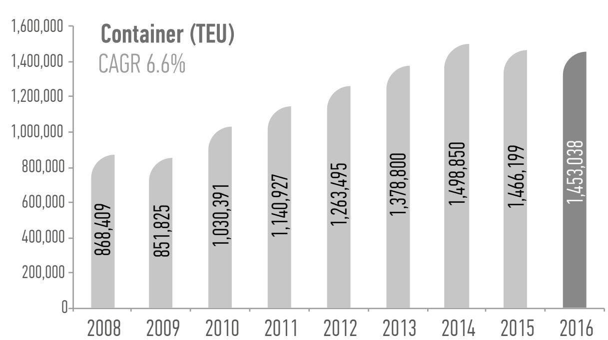
On the conventional cargo side, tonnages dropped by 5.3% in 2016, going down from 7.7 million tons to 7.3 million tons. The main factors behind this decline were the political tension in neighboring countries, falling cereal/pulse/oil imports as a result of abundant harvest, and a slowdown in ore and fertilizer trade due to low commodity prices.

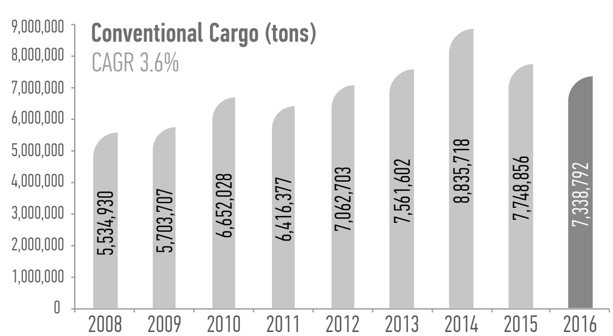
Throughout 2016, the number of Ro-Ro's (loaded and discharged vehicles) declined by 7.7% to 65,714 vehicles. The drop in Ro-Ro business volume is mainly caused by the political turmoil in Iraq and Syria reducing transit volume, affecting passenger car shipments.

As of December 31, 2016 MIP employs 1,446 personnel. The Port Labor Union has an active presence in the port, and the collective labor agreement for the January 1, 2016 - December 31, 2018 period signed on May 18, 2016.

In 2016, MIP's revenue grew by 4% to reach TL 822 million, EBITDA increased by 7% to TL 516 million, and net profit rose by 4% to TL 248 million.

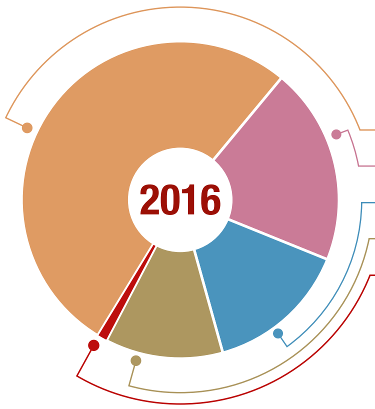
CONTAINER & CONVENTIONAL CARGO DEVELOPMENT



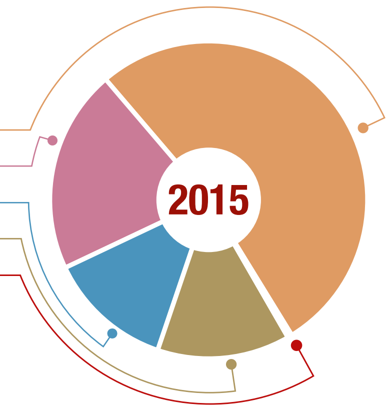


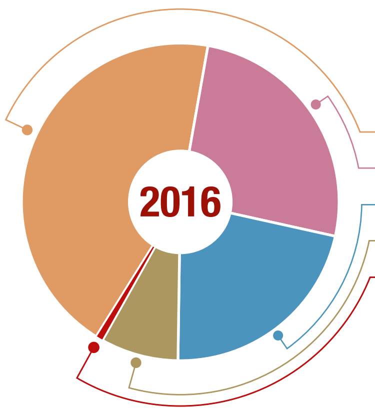
Containers Handled

Source: Mersin Chamber of Shipping

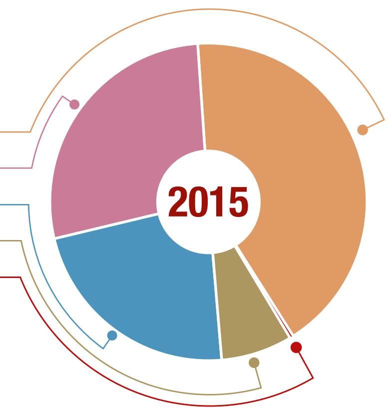


Imports by Region (%)	2016	2015
Asia	52.3%	52.5%
Europe	20.1%	20.8%
Africa	14.6%	12.8%
America	12.0%	13.5%
Other	1.0%	0.4%

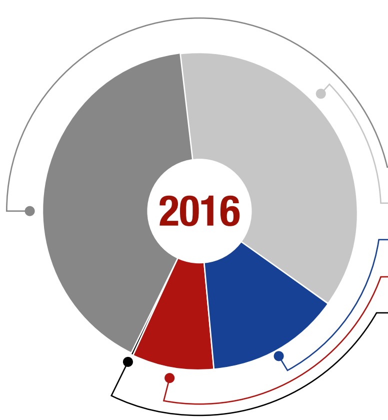




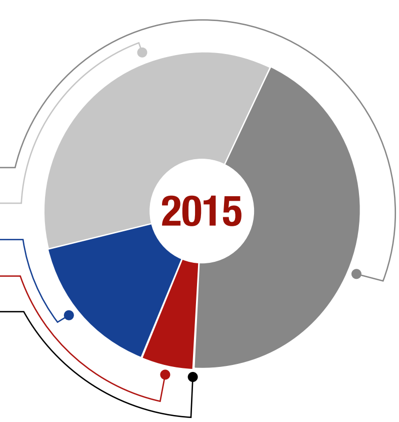
Exports by Region (%)	2016	2015
Asia	43.9%	42.1%
Europe	25.7%	27.6%
Africa	21.8%	22.6%
America	7.9%	7.3%
Other	0.7%	0.4%



Container Regime Breakdown



	2016	2015
Export	41.2%	43.5%
Import	36.8%	36.1%
Transit	13.6%	15.0%
Transshipment	8.4%	5.4%
Cabotage	0.004%	0.03%



Investments Throughout the Year

- The first phase of the EMH project, which was launched on March 18, 2014, was completed, and the new terminal became operational on August 8, 2016. Accordingly, MIP became able to accommodate vessels of up to 400 meters in length and 18,000 TEU in container capacity, and achieved a berth depth of 15.5 meters. Alongside expansion investments, MIP invested in 4 quay cranes (STS), 8 rubber-tired gantry cranes (E-RTG), 15 terminal tractors, and two, 60-ton bollard pull tugboats.
- The reclaimed land of 106,000 m² was turned into a storage/terminal site area by being paved with stone blocks, and is now used as the EMH Terminal Storage Area.
- A new, 15,500-volt transformer center was built to supply power to the equipment assigned to the EMH Terminal.
- The number of reefer connectors was increased to 1,250 in order to make a bigger contribution to Mersin and the Çukurova region, Turkey's leading exporters of citrus and produce.

Port Development 2016-2007

	2016	2007
Capacity	2,600,000 TEU	900,000 TEU
Container Berths	9	6 allocated, 3 multipurpose
Max. Vessel Capacity	18,000 TEU	5,000 TEU
Gantry Crane	11	5
Mobile Crane (MHC)	7	1
Container Stacking Site	38 ha	20 ha
- RTG	8	7
- E-RTG	25	0
- Reach Stacker	14	10
- Empty Container Handler (ECH)	12	13
Container Slots	11,901	7,000
Crane Efficiency (moves per hour)	57	18-20

Source: MIP

EMH (East Med Hub) / Mersin Port

Corporate Social Responsibility

MIP Children's Music Academy

The MIP Children's Music Academy was launched in 2014 to offer basic music training to children of MIP employees for subsequent enrollment into the to-be-established MIP Children's Choir, Children's Polyphonic Choir, and the Percussion Group. The Academy provides musical instrument training to 20 children of 6 to 14 years, and choir and percussion training to 40 children of the same age group.

TIKAV, We Repair for You to Study Project, September 2016

We Repair for You to Study Project

As part of its social responsibility efforts, since 2012 MIP, in partnership with TIKAV, renovated and modernized seven public schools, helping to establish a healthier learning environment for students. In 2016, MIP renovated Kuvai Milliye Primary School and Kıbrıs Primary School in Toroslar and Akdeniz districts of Mersin, delivering the schools to the students on the first day of the academic year.

The International Maritime Organization's World Maritime Day events, which take place in a different country each year, were hosted by Turkey in 2016 in the Haliç Kongress Center under the auspices of the Ministry of Transportation, Maritime Affairs and Communications. MIP, as a sponsor of the World Maritime Day, attended and provided its support to this key event of the maritime industry.

MIP sponsored the Student's Workshop of the Mersin University's Maritime Vocational School.

The company sponsored Toros University's Logistics Congress.

MIP sponsored a documentary on loggerhead sea turtles (Caretta caretta), a vulnerable species, in order to raise awareness among primary school children in particular. The documentary was made available to students for viewing at their schools.

MIP employees collected used clothes for donating to the Mersin University's clothing bank. The funds raised through the donations were used to provide scholarships to disadvantaged university students.

Awards

In 2016, MIP moved up in Capital magazine's "Turkey's Top 500 Private Companies" list to the 296^{th} place, and ranked 226^{th} in Fortune magazine's "Turkey's Top 500 Private Companies" list.

MIP won the "Port of the Year" award by Logitrans Lojistik for the sixth consecutive time in 2016. The company was first granted the title in 2011.

MIP ranked 91^{st} in the "World's Top 120 Container Ports" list by the Container Management magazine.

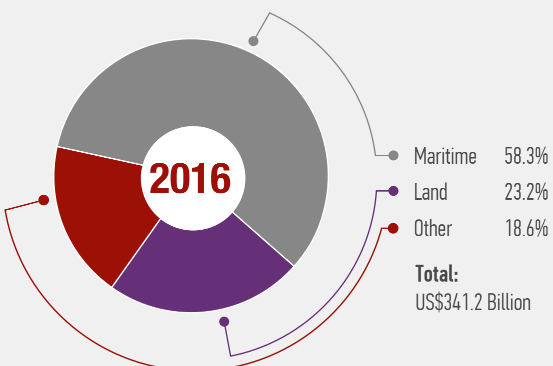
The Most Economic and Efficient Method of Global Trade

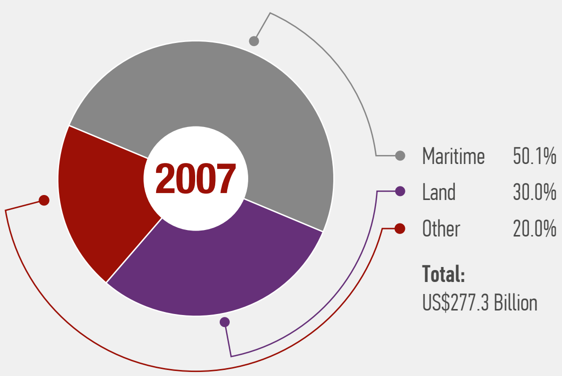
With transportation costs 20 times lower than air, 7 times lower than land and 3 times lower than rail, maritime is the world's most popular method of transportation in international trade. Both affordable and efficient, maritime transport is the most essential contributor to the development of global trade. The constant increase in freight volume throughout the years has raised port operations industry, already a key link to logistics chain, to a strategic position in international trade.

Today, mega vessels have a bigger market share in maritime transportation, offering significant advantages in terms of logistic costs, and contributing to the containerization trend in maritime commerce. Container transportation is both affordable and reliable, two important factors of its appeal in international transportation. While containerization rate in Turkey is still behind that of Europe and the world at large, increasing weight of automotive, petrochemicals and electronics in Turkey's exports has brought about an increase in containerization rates in the port industry.

At the same time, maritime transportation of bulk cargo in Turkey is increasingly heading towards containerization in recent years. As a peninsula with many natural ports, Turkey shows great potential to become a key logistics hub. Turkey boasts a coastline of over 8,333 kilometers, featuring 175 ports and terminals in total. Turkish port industry made significant headway with the privatization of ports, and subsequent investments into infrastructure provided important improvements to port capacities. The railroads are expected to be privatized in the coming period. The improvements that will follow the privatization will contribute to the development of intermodal transportation, enabling Turkey to achieve its goal of becoming a logistics hub between Europe, the Middle East, Asia, and the Mediterranean.

International Trade by Mode of Transport





Source: TurkStat

Maritime transportation is the most important mode of international trade transportation due to high costs of alternative modes of transportation and lack of a widespread rail network. In 2016, 55.0% of exports and 60.6% of imports were made via maritime transport. The share of maritime transportation in international trade moved up from 49.3% in 2006 to 58.3% in 2016; during the same period air transport's share increased from 8.3% to 11.9%, while land transportation fell from 30.1% to 23.2% and rail transport from 1.4% to 0.6%. Average growth rate of international trade volume in the last decade was 4.2% while maritime trade grew by 6.0% during the same period.

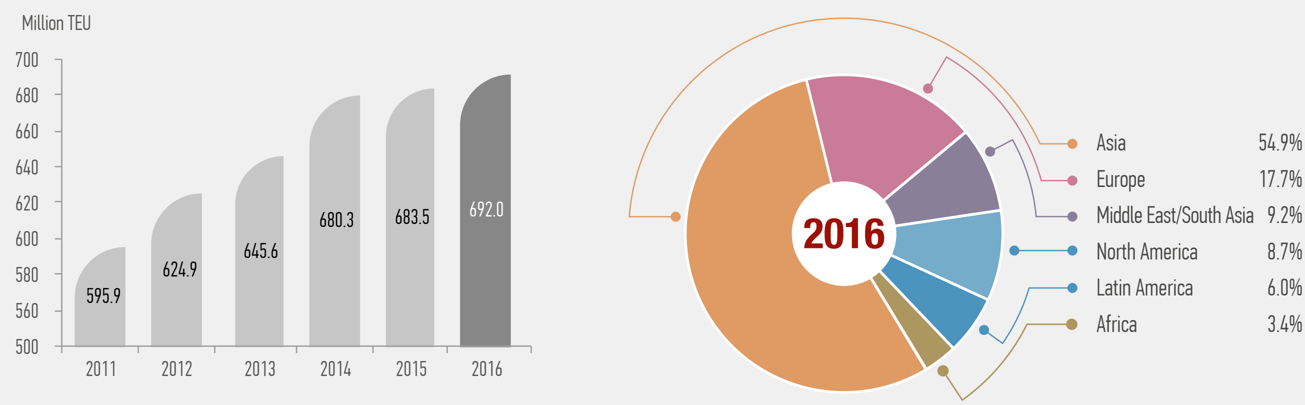
One of the key factors of the increasing weight of maritime transport in international trade is post-privatization rehabilitation of public ports in Turkey, which brought about a more robust infrastructure and international standards.

The Privatization Law in Turkey was adopted in 1994, paving the way for the privatization of public ports; from 1997 to 2003, 13 out of 19 public ports operated by TDI were privatized through transfer of operating rights to the private sector for a period of 30 years.

The privatization of TCDD ports began in 2005 with the Mersin Port, one of Turkey's key export gateways, and so far, five TCDD ports have been privatized. Following the tender in 2007, PSA-Akfen joint venture was granted operating rights of the port for a period of 36 years, marking the first time for a global port operator to launch its activities in Turkey.

Despite the recent challenges in market conditions, global container handling volumes sustained their growth. The growth rate of container handling volume fell to single digits in the aftermath of the terrorist attacks that hit the U.S. in 2011 but recovered quickly in 2002. Container handling growth rates dropped to negative for the first time during the global recession in 2009 before displaying a rapid recovery in 2010, but nevertheless failed to reach its previous level.

World Container Volume Development and Regional Distribution



Source: Drewry December 2016 Report

According to the 2016 Drewry Maritime Research Report, global container handling volumes grew by around 3.0% in the 2011-2016 period, while achieving a growth of 3.1% in Europe and Asia, two of MIP's highest-volume markets. In 2016, container handling volumes are expected to grow by 1.3% to reach 692 million TEU, indicating that maritime trade has felt the impact of the challenges that faced global economies in 2016, bringing about a weak performance in global port sector. Meanwhile Turkey, an important transit hub between Europe and Asia, sustained its container handling growth (including transshipment), attaining a growth rate of 8.0% over the previous year. The average annual growth in the last 10 years is 8.6%. The report also forecasts a 2.1% growth in global container handling in 2017 to 706 million TEU. The growth predictions by region are as follows: Europe 1.6%, North America 2.0%, Asia 2.0%, Middle East and Southern Asia 3.6%, Latin America 2.7%, Africa 0.8%.

Changes in container handling volumes parallel economic growth. Globally and at the long term, container volumes have a 98% correlation with economic growth. From 1990 to 2005, global container growth was around three to four-times the economic growth; this correlation was less apparent after the shrinkage in 2009 and particularly until 2012, and remained weak in developed economies in particular. Containerization rates of general cargo went up as production activities relocated from developed to developing countries, and the production of packaged goods increased. Global container trade matured from

2010 onwards; package trade multiplier fell, while maritime trade maintained its strong growth. 2015 was a relatively weak year with the maritime trade lagging behind economic growth. The main causes behind the slowdown were the weakening demand from major economies, and the decrease in China's raw material imports.

2015 and 2016 saw significant drops in the profitability of shipping lines, and companies were forced to remodel their business through partnerships, mergers, and vessel sharing. While the first strategic merger took place in mid 90s, many more followed as a result of the adverse market conditions from 2015 onwards. Sector experts believe that the reorganization in container shipping services will continue with new partnerships, vessel sharing agreements and mergers on the horizon.

Major shipping companies invested in larger vessels in an effort to enhance ship capacity, reduce per-item shipping costs, and increase their market share. Accordingly, ports invested in equipment and infrastructure development in order to accommodate the next generation of mega vessels. Despite the increase in ship sizes, demands were low in 2015 and 2016 due to the global stagnation in container shipping, and companies that invested in large ships opted for new partnership and vessel sharing agreements with other lines, thereby reforming the sector.

The negative course of the sector drove certain major players in the maritime transport industry to the brink of bankruptcy. Given the impact of rising oil prices on shipping companies, the sector's 2017 outlook remains uncertain.

According to the World Trade Organization's report, global trade grew by 2.7% in 2015, and it is expected to grow at 2.8% in 2016 due to such factors as the presidential elections in the U.S., OPEC's decision to cut oil production, the United Kingdom's Brexit decision, upcoming elections in Germany and France, and the economic slowdown in China.

According to the World Bank's analysis of 160 countries, which takes into account the efficiency of customs and border procedures, quality of trade and transportation infrastructure, ease of competitive pricing, adequacy of logistic services, and the accuracy of shipment timings and monitoring & tracking systems, Turkey has moved up in ranking from 39th place in 2010 to 34th in 2016, landing in the top 20 percentile.

Despite the terror attacks that hit Turkey in 2016, the coup attempt of July 15 and the consequent atmosphere of uncertainty, ongoing conflict and instability in Iraq and Syria, and the disruption of port operations due to the adverse weather conditions and the flood that affected Mersin at the last months of the year, and in contrast to the 3% contraction in Turkey's trade volume, MIP's hinterland recorded 1% growth.

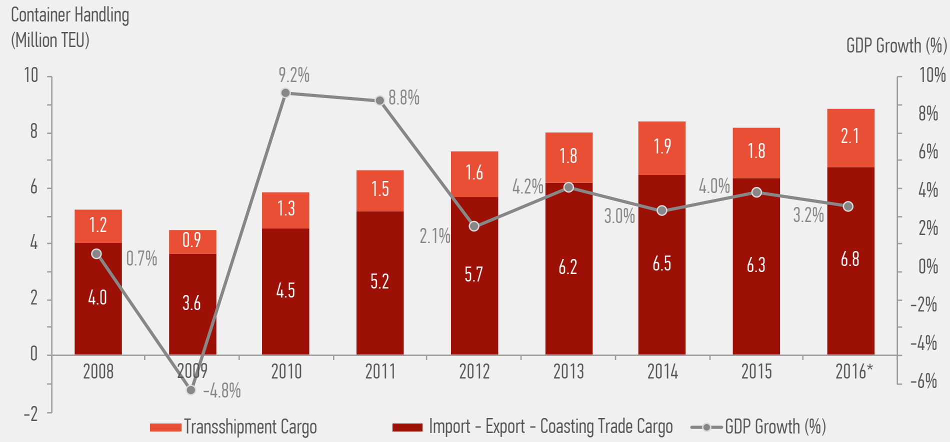
According to Turkish Statistical Institute data, in 2016, provinces in MIP's hinterland had a 13.5% share in Turkey's imports, 17.2% share in Turkey's exports, and 15.1% in Turkey's total foreign trade. In addition, in the last 10 years, provinces in MIP's hinterland outpaced Turkish average in terms of export and import growth. More specifically, MIP hinterland provinces recorded an annual growth of 7.0% in imports and 8.9% in exports against Turkey's averages of 3.6% and 5.2%, respectively.

There are 23 ports in Turkey engaged in container handling, 14 of which handle less than 300,000 TEU per year. The aggregate handling volume (including transshipment) in these 14 ports was approximately 1.7 million TEU, while the remaining nine ports handled 7.1 million TEU in total. According to TURKLIM (Port Operators Association of Turkey) data, the container handling volume in Turkey was 8.8 million TEU in 2016, up from 3.9 million TEU in 2006. This represents an 8.0% increase in handling volume over 2015 despite the shrinking trade in Turkey and the world. In the last decade (2006-2016), the TEU handling volume rose by 8.6% per year on average, while the average annual GDP growth is expected to be 3.4% on average. This shows that the growth of annual container handling is

CONTAINER VOLUME DEVELOPMENT IN TURKEY

Source: TURKLIM – TurkStat

* *2016 GDP growth taken from mid-term plan.*



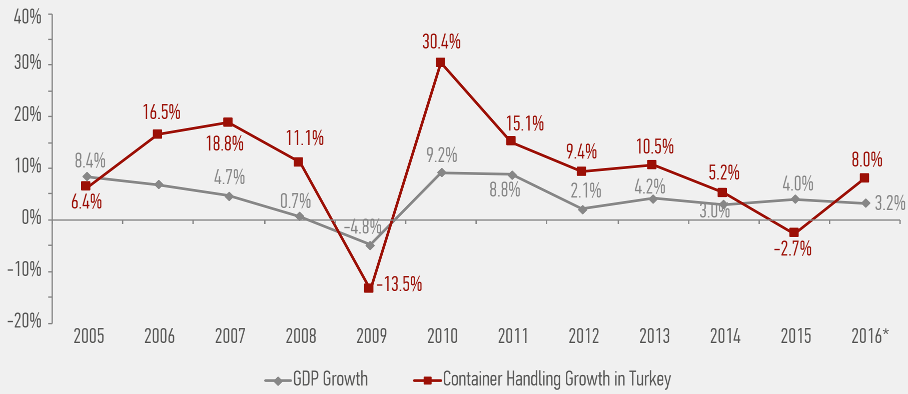
two-and-a-half times that of GDP. In the 2008-2016 period the growth of container handling rates, excluding transshipment, is 6.8%. The main drivers of container handling in Turkey are import-export cargoes. In addition, Turkey, a crucial transit hub due to its location, fails to fully utilize its ports for connections, a fact that explains why the share of transshipment handling has remained at around 22% in the last eight years.

Mersin International Port

CONTAINER HANDLING VOLUME AND GDP GROWTH IN TURKEY

Source: TURKLIM – TurkStat

** 2016 GDP growth taken from mid-term plan.*

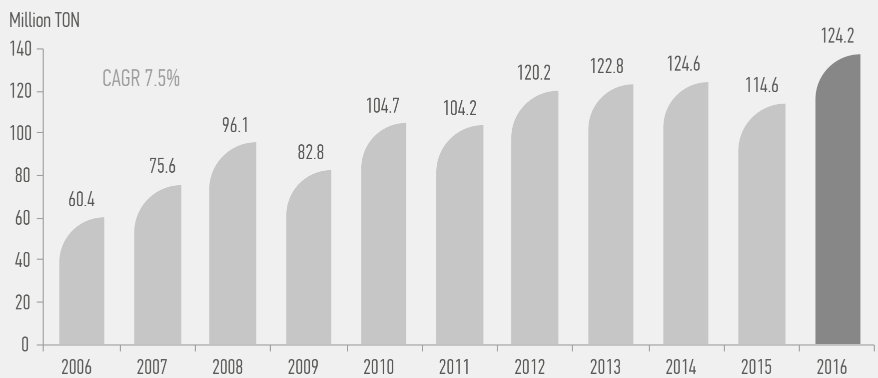


A comparison of Turkey's container handling volumes with the country's foreign trade volume in the 2009-2016 period indicates a multiplier effect of 2.0 between annual container (excluding transshipment) handling rate and foreign trade growth (as Turkey aggregate foreign trade, excluding gold, recorded an average annual growth of 4.0%).

CONVENTIONAL CARGO DEVELOPMENT IN TURKEY

Source: TURKLIM

Turkey's conventional cargo volumes increased in 2016.



Turkey's conventional cargo volume recovered in 2016 to attain an 8.4% growth.

According to TURKLIM data, the amount of conventional cargo handled in Turkey in 2006 was 124.2 million tons in 2016, up from 60.4 million tons in 2006. The growth over the previous year takes into account the conventional cargo handling volumes of the two new member ports of TURKLIM (the growth is 2.3% if these two ports are not included in the calculation). In addition, the recovery in the steel industry over the previous year has also driven a growth in conventional cargo volumes. Over the last 10 years, conventional cargo volumes exhibited an average annual growth of 7.5%.

TAV AIRPORTS

Turkey's leading airport management company, TAV Airports is present in 69 airports across 15 countries in four continents, rendering operational services such as ground handling, information technologies, security, and operation services, as well as duty-free and food and beverages.

TAV Airports: Globally Integrated Services

As the leading airport operator in the industry thanks to its diversified portfolio and integrated structure, TAV Airports served around 808 thousand flights and over 104 million passengers in 2016.

Shareholding Structure

ADP	38.0%
Tepe İnşaat	8.1%
Akfen Holding	8.1%
Sera Yapı Endüstri A.Ş.	2.0%
Other (non-public)	3.2%
Other (public)	40.6%

TAV Airports was founded in 1997 in Turkey under the name of Tepe Akfen Vie Yatırım Yapım ve İşletme A.Ş. after winning the BOT tender for the reconstruction of the Istanbul Atatürk Airport's International Terminal.

TAV Airports was established in 1997 for the reconstruction and operation of the Istanbul Atatürk Airport's International Terminal, introducing the "Airport Management" concept in Turkey. TAV Airports became a global brand in the brand new area of airport operations thanks to its know-how and experience, unique business model, transparent and people-oriented governance approach, highly competent human resources, and advanced technology.

TAV Airports boasts an unmatched integrated business model that integrates airport operations. As Turkey's leading airport management company, TAV Airports carries out airport operations including duty-free, food and beverage services, ground services, information technologies, security and operation services through its own companies.

Esenboğa Airport / Ankara

Relying on this business model, TAV Airports created a vertically integrated and powerful value chain. This enabled TAV Airports to secure a position where today, affiliates of TAV Airports serve in 69 airports in 15 countries around the world. Having achieved organic and inorganic growth since its establishment, TAV Airports has recently started to obtain significant growth results, driven by its service companies in particular.

Joining forces with the French Aéroports de Paris Group (Groupe ADP) after the latter's acquisition of 38% stake in the company in May 2012, TAV became one of the biggest airport operators in the world, serving 240 million passengers in 23 airports.

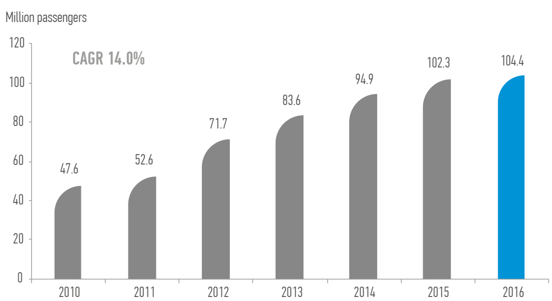
In 2013, a tender was held for the construction of Istanbul New Airport, and another joint venture placed the winning bid. DHMI (General Directorate of State Airports Authority) has pledged to reimburse all loss of profit that may arise during the period of overlap if Istanbul New Airport enters into service before the end of TAV Istanbul's concession period, and that independent expert companies will be consulted for the computation of the total reimbursement amount.

Total number of passengers grew by 2% to reach

104.4 million.

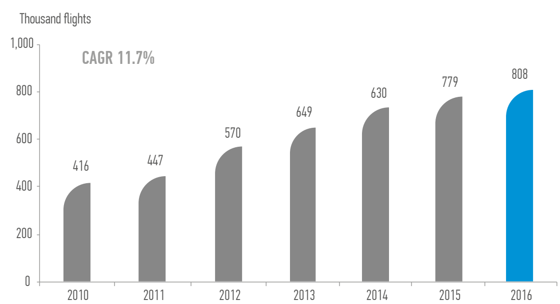
TOTAL PASSENGER TRAFFIC AT TAV AIRPORTS

The number of passengers at TAV Airports increased by 2% in 2016.



TOTAL COMMERCIAL FLIGHTS AT TAV AIRPORTS

The number of commercial flights grew by 3.7% in 2016.



In 2016, the number of passengers who used the airports served by TAV Airports reached 104.4 million with a 2.0% increase, while commercial flights rose to 808 thousand, growing by 3.7%. The number of passengers served by TAV's airports in Turkey grew by 0.3% to reach 89.1 million.

Compared to the previous year, in 2016 TAV Airports saw a 2.7% increase in domestic passengers, and a 1.5% increase in international passengers. During the same period, TAV's airports in Turkey recorded 2.6% growth in domestic passengers, while the number of international passenger dropped by 1.9%.

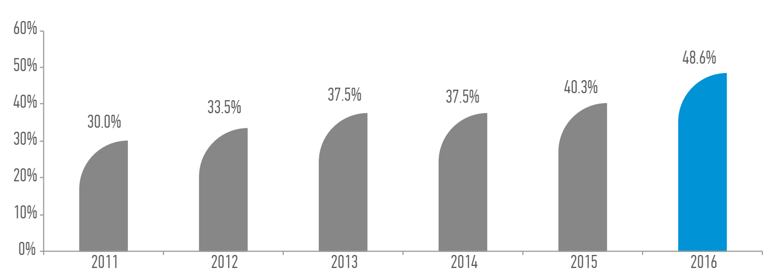
In 2016, all TAV's airports outside Turkey recorded growth, with 13.2% in Tunisia, 12.7% in Saudi Arabia, 23.9% in Georgia, 15.0% in Macedonia, and 6.9% in Croatia.

As of December 31, 2016, TAV Airports employed 29,231 people.

TAV Airports recorded 14% increase in revenue in 2016 and achieved an EBITDA growth of 1%. The company's net profit was TL 399 million.

SHARE OF ATATÜRK AIRPORT INTERNATIONAL TRANSFER PASSENGERS AMONG ALL INTERNATIONAL PASSENGERS

Share of international transfer passengers has increased in 2016.



TAV Affiliates

Duty free / ATU (50%)

- Turkey's biggest duty-free operator
- Partners with (Travel Value) Heinemann, Germany's leading travel retailer owned by Unifree
- Operates in Turkey, Georgia, Tunisia, Macedonia, Latvia, Oman and Medinah
- Began operating the duty free stores at the Houston George Bush International Airport in April 2016

Food & Beverage / BTA (67%)

- Operates in Turkey, Georgia, Macedonia, Tunisia, Medinah, Croatia and Oman
- Operates the Istanbul Airport Hotel (131 rooms) and Izmir Airport Hotel (81 rooms)
- Total seat capacity of 21,000 at 300 service points including BTA, IDO and UNIQ
- A bakery and pastry factory in Turkey
- BTA Maritime Lines (50%) provides catering services for IDO
- Food-court (33,000 m²) at Uniq shopping mall in Maslak, Istanbul
- Commenced operations in Bodrum Airport's International Terminal, Zagreb International Airport, and Riga Extension Terminal
- Set to commence operations at the New Muscat International Airport in 2017

Ground Handling / HAVAS (100%)

- Turkey's leading ground services company with a market share of around 65%
- Operates in 32 airports in Turkey, including Istanbul, Ankara, Izmir and Antalya
- TGS (50%) is active in Istanbul (AHL&SGA), Ankara, Izmir, Antalya, Adana, Bodrum and Dalaman
- 100% owner of Havas Europe, which operates in Riga and at three airports in Germany
- Signed ground handling service contracts in 2016 with Gulf Air in Medinah, Corendon, Tailwind, Freebird, Azerbaijan Airlines and Badr Airlines

Other Business Lines

- **TAV Operations Services (100%)**
  Management of commercial areas and lounges, travel agency services
- **TAV IT (100%)**
  Airport IT products and services
- **TAV Private Security (100%)**
  Provides security services at Istanbul, Ankara, Izmir and Gazipaşa airports
- **TAV Latvia (100%)**
  Manages the commercial area at Riga Airport
- **TAV Academy (100%)**

Highlights of 2016

BTA Airports won the tender for the operating rights of food and beverage courts at the New Muscat International Airport in Muscat, capital of Oman, for a period of 10 years starting from 2017.

ATU's main duty free store at the Houston Airport in the U.S. became operational in April 2016.

In June 2016, ground was broken for the new terminal of the Tbilisi Airport in Georgia. The airport's runway and taxiway renovation works were completed in July 2016.

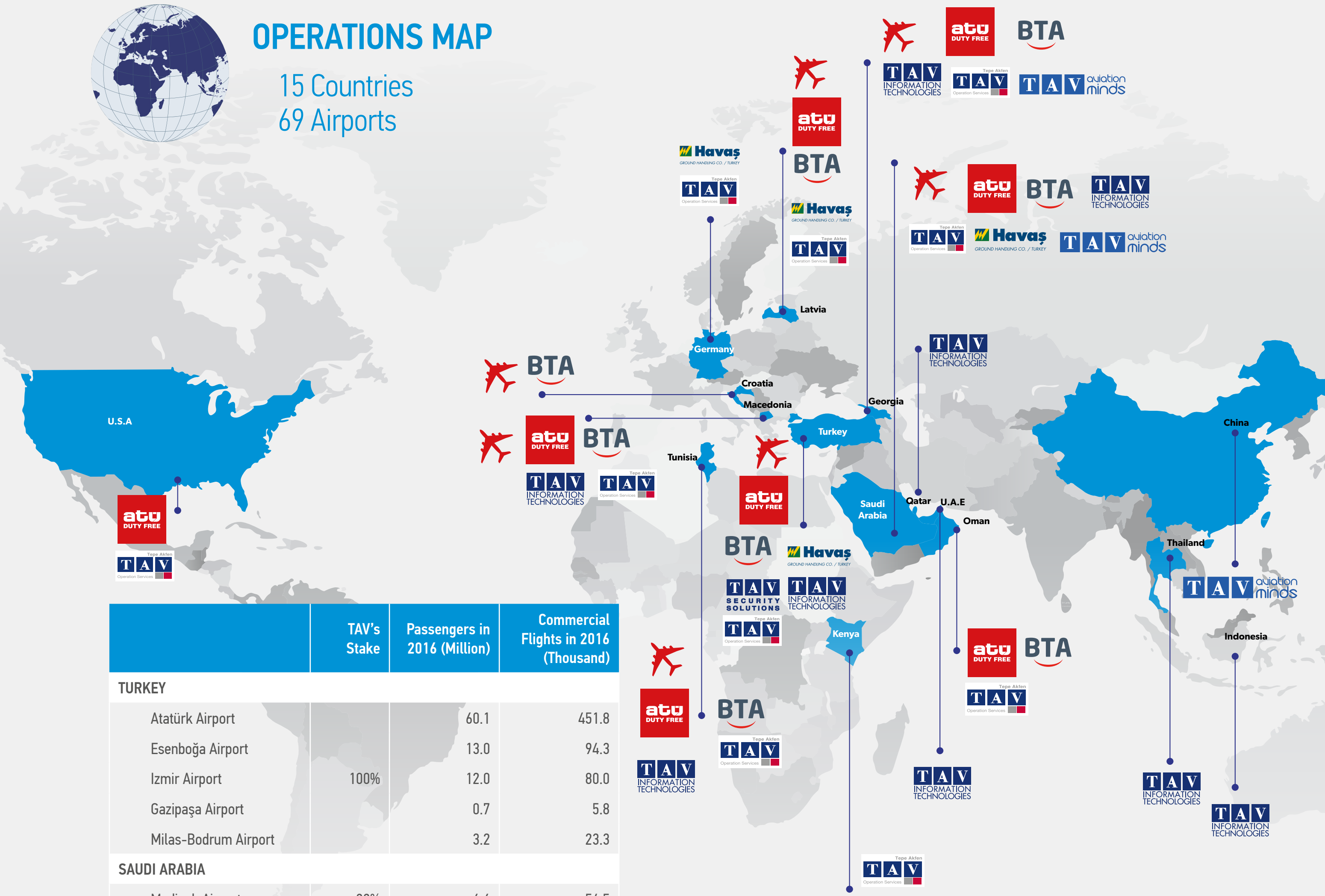
On June 28, 2016, a terrorist attack hit Istanbul Atatürk Airport, killing 45 people. In the aftermath of the attack and with disregard to their own suffering, the airport's personnel mobilized to reopen the airport, driven by the responsibility of public service, and resumed normal operations in a record time of eight hours.

On August 1, 2016, BTA Airports began operating the food & beverage courts and providing inflight catering services at Zagreb Airport in Croatia's capital, Zagreb, for a period of 13 years. BTA renders its services at 16 points within the airport, and its inflight catering services to around 90 airlines using the airport, including Croatia's flag carrier airline, Croatia Airlines. TAV Airports holds 15% stake in the consortium that has been operating the airport since 2013. Zagreb Airport served around 2.6 million passengers in 2015, and with the upcoming completion of the new terminal in 2017, this figure is expected to rise to 8 million per annum.

TAV Airports and its partners ADP and Bouygues Bâtiment International began negotiations with the government of Cuba for a concession agreement involving the operation and development rights of José Marti Airport, Havana. The concession contract also involves the expansion rights of the airport. The project is set to increase the passenger capacity of José Marti Airport from around 5 million in 2015 to 10 million in 2020. With the recent steps towards liberalization of air traffic from and to the U.S., the airport has a significant potential for growth. The scope of the concession agreement also includes the development of San Antonio de los Banos Airport situated in the west of the country.

OPERATIONS MAP

15 Countries
69 Airports



	TAV's Stake	Passengers in 2016 (Million)	Commercial Flights in 2016 (Thousand)
TURKEY			
Atatürk Airport		60.1	451.8
Esenboğa Airport		13.0	94.3
Izmir Airport	100%	12.0	80.0
Gazipaşa Airport		0.7	5.8
Milas-Bodrum Airport		3.2	23.3
SAUDI ARABIA			
Medinah Airport	33%	6.6	54.5
TUNISIA			
Monastir Airport	67%	1.6	12.6
Enfidha Airport			
GEORGIA			
Tbilisi Airport	80%	2.6	27.8
Batumi Airport	76%		
MACEDONIA			
Skopje Airport	100%	1.8	16.9
Ohrid Airport			
CROATIA			
Zagreb Airport	15%	2.8	40.8
LATVIA			
Riga	100%		

Airport Operations

Due to its constant focus on improvement in the implementation of corporate governance principles, as of August 19, 2016, TAV Airports' corporate governance rating was revised to 95.38 (9.54 out of 10), improving upon the August 21, 2015 result of 95.19 (9.52 out of 10) by SAHA Corporate Governance and Credit Rating Services, which is accredited to rate companies in Turkey as per the CMB's Corporate Governance Principles.

TAV Airports began negotiations for the acquisition of half of Saudi Oger Ltd's 33.3% stake in Tibah Airports Development Company Limited, an enterprise in which TAV Airports also holds 33.3% stake. Since 2012, the consortium that includes the company has been operating Medinah International Airport. The operating rights for the airport, which served 5.8 million passengers in 2015, extend into 2037.

Share Price (TL)	TAV AIRPORTS
Ticker	*TAVHL*
January 4, 2016 Opening Price	16.64
January 4, 2016 Opening Market Capitalization (mn)	6,045
December 30, 2016 Closing Price	14.03
December 30, 2016 Market Capitalization (mn)	5,097
Highest Closing Price in 2016	18.30
Lowest Closing Price in 2016	10.55
Average Closing Price in 2016	14.16
Average Daily Trading Volume in 2016 (TL mn)	33.69

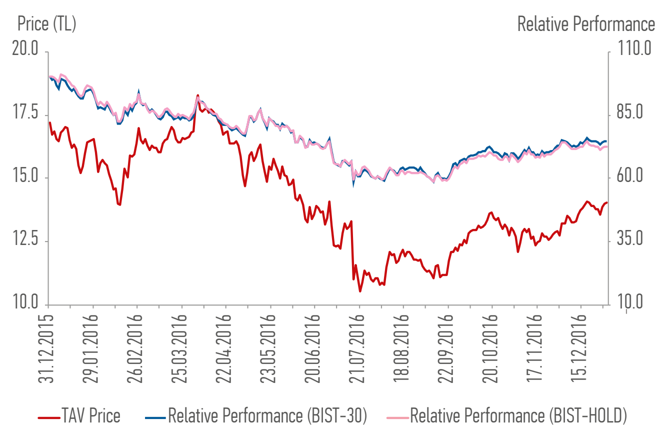
ATU / Duty-Free Spend Per Passenger – Euro		
	TAV	İstanbul
2016	14.4	15.4
2015	14.3	15.3

BTA / Food and Beverage Spend Per Passenger – Euro	
2016	1.3
2015	1.3

HAVAS / Number of Flights Served (Thousand)		
	HAVAS	HAVAS+TGS+HVS E
2016	123	487
2015	128	496

TAV AIRPORTS SHARE PERFORMANCE

Source: Matriks



BTA - TAV Airport Hotel /Istanbul

Concessions Overview (December 31, 2016)[1]

Airport	Type/Operating Period	TAV Share	Scope	Fee/Passenger International	Fee/Passenger Domestic	Guaranteed Passengers	Concession/Lease
Istanbul Atatürk	Concession Lease (January 2021)	100%	Terminal	US$15 €2.5 (Transfer)	€3	-	US$140 mn/year + VAT
Ankara Esenboğa	Build-Operate-Transfer (BOT) (May 2023)	100%	Terminal	€15 €2.5 (Transfer)	€3	0.6 mn Domestic, 0.75 mn International (2007)+ 5% per annum	-
Izmir A. Menderes	BOT+Concession Lease (December 2032)	100%	Terminal	€15 €2.5 (Transfer)	€3		€29mn from 2013 onwards (6)
Alanya - Gazipaşa	Concession Lease (May 2034)	100%	Airport	€10(5)	TL7.5(5)	-	US$50,000+VAT(4)
Milas Bodrum (8)	Concession Lease (December 2035)	100%	Terminal	€15	€3	-	€28.7mn+VAT(9)
Tbilisi	BOT (February 2027)	80%	Airport	US$22	US$6	-	-
Batumi	BOT (August 2027)	76%	Airport	US$12	US$7	-	-
Monastir&Enfidha	BOT+Concession (May 2047)	67%	Airport	€9	€1	-	11-26% of revenue from 2010 to 2047
Skopje & Ohrid	BOT+Concession (March 2030)	100%	Airport	€17.5 Skopje, €16.2 Ohrid	-	-	4% of gross annual revenue(1)
Medinah	BOT+Concession 2037	33%	Airport	SAR 87(2)	-	-	54.5% (3)
Zagreb	BOT+Concession (April 2042)	15%	Airport	€15(7), €4(transfer)	€7	-	€2.0 - €11.5mn fixed 0.5% (2016) - 61% (2042) variable

1) Concession lease fee is 15% of annual revenue until the total number of passengers of the two airports reaches 1 million, and afterwards a variable rate of 2% to 4% based on the number of passengers.
2) A fee of 87 SAR is charged per inbound and outbound passenger. The fee per passenger will increase every three years according to the cumulative Consumer Price Index.
3) The concession lease will be reduced to 27.3% for a two-year period following the completion of construction.
4) TAV Gazipaşa will make an annual fixed payment of US$50,000+VAT until the end of the operating period, and transfer 65% of its net profit to DHMI at the end of every operating year.
5) Per passenger tariffs are revised as of December 1, 2015.
6) Based on cash.
7) Prior to April 2014, international, domestic and transfer passenger service fees were €10, €4, and €4, respectively.
8) TAV assumed operations of Milas Bodrum Airport's International Terminal on October 22, 2015.
9) TAV paid in cash 20% of the tender price for Milas Bodrum Airport, which amounted to €143mn, in August 2014.

Investments Throughout the Year

In 2016, TAV Airports continued the capacity expansion of Istanbul Atatürk Airport's International Terminal and the construction of an additional parking lot, which were initiated upon signing of a supplemental agreement between TAV Airports with DHMI in November 2014. Investments at Istanbul Atatürk Airport comprised €45 million out of TAV Airports' total investment volume of €108 million in 2016 (adjusted to exclude the effects of the amendments to IFRIC12).

The project has increased the terminal capacity of Istanbul Atatürk Airport to meet the increase in passenger traffic, improved passenger comfort and service quality, and ensured optimal use of resources. With the completion of the project, the number of check-in locations at the terminal has been increased from 224 to 256. In addition, the capacity of the baggage-handling system has been increased, and the passenger traffic area has been expanded by transferring the mezzanine from landside to airside.

The existing cargo terminal was demolished to make room for the new, 27,000 m^2 passenger lounges of the International Terminal. Eight new passenger boarding bridges were added to the existing 26 of the International Terminal, allowing the bridges to be used alternatively as needed.

Moreover, aircraft stands will be allocated depending on aircraft fuselage size, with eight stands for single-aisle and four for twin-aisle aircraft, thereby increasing the number of boarding bridges at the International Terminal from 26 to 34.

In addition, TAV completed runway and taxiway renovations in Georgia's Tbilisi Airport in 2016 for a total investment of €30 million. Investments for terminal expansion at the airport are expected to follow in 2017.

Corporate Social Responsibility

- TAV Airports believes that customer satisfaction is only possible through employee satisfaction, and defines its social impact through these two main stakeholder groups.
- Creating a significant amount of local employment in countries it operates in, TAV develops its human resources policy guided by international standards, and always strives to become a preferred employer. TAV's human resources policy is based on occupational safety, extensive opportunities for professional and personal development of employees, and equal opportunity. Offering diverse and comprehensive training programs aimed at professional development, TAV Academy partners with universities and academic institutions, and it is one of ACI's global training centers. TAV Aviation Minds, an offshoot of the Academy, was incorporated with the goal of utilizing the know-how of the company for the development of airports around the globe.
- TAV Workshop provides arts & crafts training courses for the personal development of employees. TAV Cup organizes sporting tournaments around the year to promote team spirit in employees as they compete in various disciplines.
- TAV has adopted customer satisfaction as a strategic goal, and strives to provide a fast, comfortable and safe travel experience to its guests. Safety is one of the top

Istanbul Atatürk Airport

priorities of aviation, and TAV is committed to ensuring full compliance with national and international requirements in coordination with relevant authorities. TAV implemented the Directorate General of Civil Aviation's "Accessible Airport Project", which calls for full accessibility of all airport terminals for passengers with special needs.

- Contributing to sustainable growth in all its operating regions, TAV embraces an approach of corporate social responsibility, and provides its support to variety of projects, particularly in education, sports, and culture.

ATÜ, Istanbul Atatürk Airport

Awards

- TAV Airports ranked second in Corporate Governance Association of Turkey's awards. TAV has been placing in the top three for the six consecutive years.
- Izmir Adnan Menderes Airport has managed to minimize its carbon emissions through efficient use of energy, and offset the remaining emissions. In doing so, the airport managed to become the second airport in Turkey after Ankara Esenboğa to achieve carbon neutrality. Consequently, Izmir Adnan Menderes Airport was listed among Europe's 20 greenest airports. Operated by TAV, Ankara Esenboğa and Izmir Adnan Menderes airports have been certified at the highest level of 3+ as part of the ACI Europe's Airport Carbon Accredited Reduction program.
- Ankara Esenboğa and Izmir Adnan Menderes airports' "accessible airport" practices were audited and certified by GlobalGROUP for compliance with the World Disability Union's USTAD 2011:2015 Environment and Building Standard. Last year, TAV became the first organization in Turkey to receive the certificate with Atatürk Airport, and was subsequently cited as a "model practice" by the United Nations.

- TAV Mobile applications provides to passengers real-time information about the services rendered at TAV's 12 airports in five countries. Developed by TAV Information Technologies, TAV Mobile facilitates travel planning while providing current information and offers from airports. Available on iOS, Android and Blackberry, the app was downloaded more than 500 thousand times to date.
- TAV Airports published the results of its environmental, social and corporate governance results via its Sustainability Report. TAV's Istanbul Atatürk, Ankara Esenboğa and Izmir Adnan Menderes airports are listed among world's greenest airports. Offering its products and services through airports and serving more than 102 million passengers each year, TAV Airports disclosed its sustainability performance in the report, which was prepared in line with international standards. The report, which is in line with the Global Reporting Initiative's G4 standards, was published online, while the brochure that provided brief information about the company was printed on recycled paper in an effort to limit carbon emissions associated with its print and distribution.

Resilience in the Sector Despite Increased Risk Perception

Intense competition growing in parallel with technological advances has perpetuated the global development of the aviation industry, paving the way for new business models. With the emergence of the budget airline concept in the 1990s, air transport quickly rose to prominence, raising its share among other modes of transport.

In general, mobility increases with purchasing power, and thanks to lower ticket prices around the globe as a result of high competition, and the characteristic speed, reliability and safety of air travel compared to other transport methods, there has been a constant growth in the number of air passengers. Another reason behind the growth is increasing globalization, which makes it easier for people to travel to other countries. Low fuel prices being reflected on ticket fees by airlines is yet another factor in the increasing passenger numbers.

According to IATA's 2016 Annual Report, there has been a 7.2% increase in passenger demand in 2015 due to the falling ticket prices, despite the challenging conditions affecting global economy during the year. This increase, which outpaced the average 10-year growth of 5.2%, has been the sharpest since the global crisis of 2010. The forecasted growth for 2016 is around 5.7% despite limited growth in passenger numbers as a result of a variety of developments, including Brexit and discussions about the fate of the EU, the ongoing civil wars in Middle East countries and the resulting immigrant crisis, global economy taking a hit as a result of uncertainties and reliability issues, and the increased concern for safety across the globe caused by escalating terrorism in Europe and Middle East in particular.

HAVAS, Istanbul

RPK Growth Rate Estimations* (2016 - 2035)

	Boeing	Embraer	Airbus
Middle East	5.9%	6.0%	5.7%
Latin America	5.8%	5.4%	4.8%
Africa	6.1%	5.1%	4.8%
Europe	3.7%	3.8%	3.7%
Commonwealth of Independent States	3.7%	4.5%	4.1%
North America	3.1%	2.7%	2.9%
Asia-Pacific	6.0%	5.8%	5.7%

* *According to the market outlook reports by Embraer, Boeing and Airbus for the 2016 – 2035 period*

Source: Embraer-Boeing-Airbus

International agencies and major aircraft manufacturers expect this current growth trend to continue, albeit at a slower pace than the levels they forecasted in 2015. In this context, according to the market reports issued by Embraer, Boeing and Airbus for the period from 2016 to 2035, Middle East and Asia-Pacific will exhibit the highest growth in global air transport.

Middle East, one of TAV Airports' regions, is expected to outpace others in terms of growth with a projected annual average growth rate of 5.9% in the 2016-2035 period followed by Asia-Pacific with 5.8%, and Latin America with 5.3%.

Growth rates around the world felt the impact and weakened significantly due to political and economic instability in 2016. IMF's World Economic Outlook Report forecasts a global growth of around 3.1%, which is expected to pick up the pace again in 2017, especially in developing countries. Likewise, IATA's report expects a passenger growth of 5.7% in 2016, and 4.9% in 2017. According to the report, the aviation industry will maintain its course of strong growth, particularly in the Middle East, despite the global political and economic concerns.

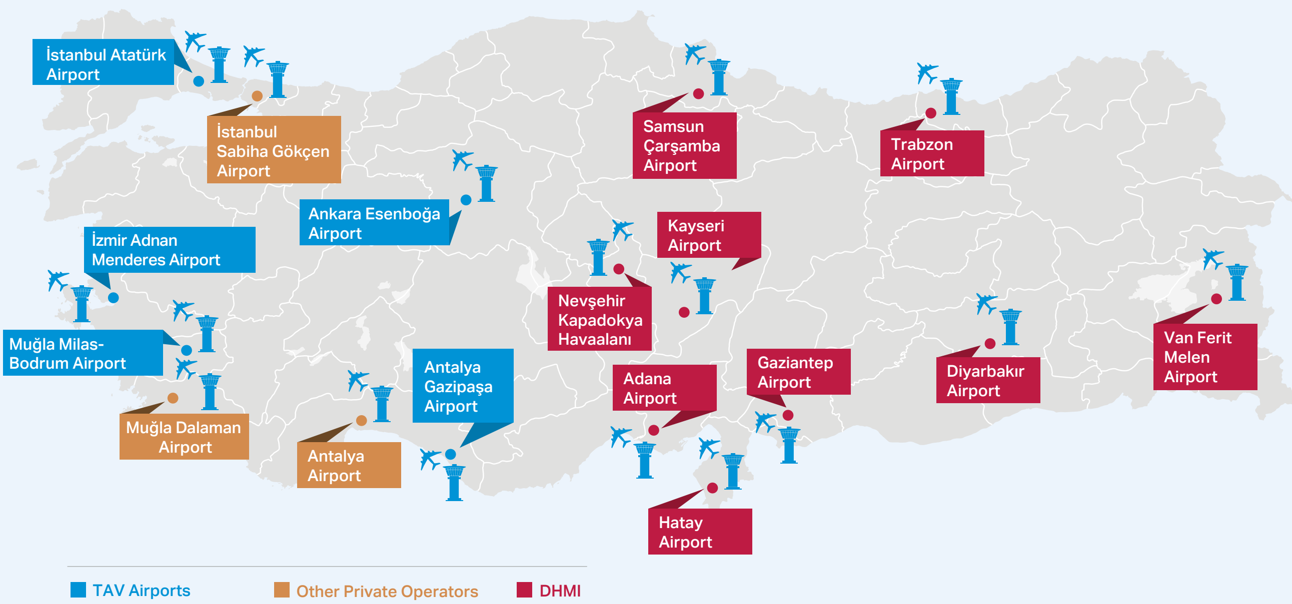
Thanks to its favorable geographical location with 52 countries within three to four hours of flight, Turkey has reached an influential and advantageous position in the aviation industry, especially in recent years, driven by investments in infrastructure and fleet capacity, increased number of connections, and adjustments to ticket prices. The number of airplanes operated by airlines in the country has increased to 540, up from 259 in 2006.

In addition, Turkey's regional aviation policy, launched in 2003, has paved the way for significant progress, bringing about advances in aviation infrastructure and technology. Turkey's goals for 2023 call for 350 million air passengers, an air fleet of 750 wide-body aircraft, and flights to 500 destinations across the globe.

With the motto of "No Place Left Untraveled!", Turkish civil aviation increased its number of international destinations from 60 in 2003 to 282 in 2016, becoming the country with the widest flight network in the world.

In 2016, 55 airports around Turkey served 174 million passengers, a significant increase over the 38 airports and 34 million passengers in 2003. In parallel with this growth, total flights increased from 375 thousand in 2003 to 1.5 million in 2016, indicating an average annual growth of 11%.

Major Airports in Turkey



The total number of passengers in 2003 stood at 34.4 million, with 9.1 million domestic and 25.3 million international passengers. With a 13.3% compound annual growth rate, the total number of passengers reached 173.6 million in 2016, comprising 102.7 million domestic and 71.0 million international passengers.

DHMI's estimates suggest that the current growth trend in Turkey will be sustained in the 2017-2019 period with an average annual growth rate of 9.6%, bringing the total number of passengers in 2019 to 226.2 million, comprising 126.1 million domestic and 100.1 million international passengers. The growth estimate for the number of flights for the 2017-2019 period is 9.0%, which will bring the number of flights to 1.9 million.

According to ACI's report, despite the terror attacks and the consequent increase in security concerns in 2016, air passengers in

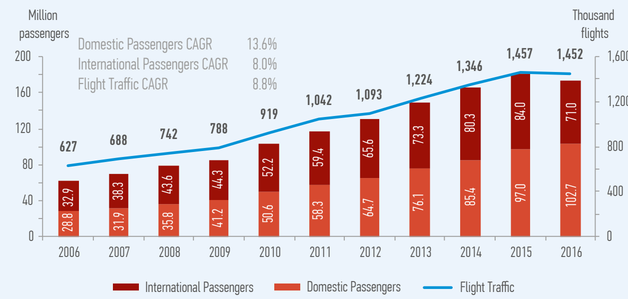
Europe grew by 5.1%, driven in particular by the significant boost in passenger traffic in December.

From Turkey's perspective, the ongoing instability in the country's neighbors, the 2016 Atatürk Airport attack and other terrorist attacks across the country, the coup attempt, political uncertainty in neighboring countries and the crisis with Russia have all played a role in harming Turkey's image abroad, resulting in a decrease in tourist arrivals over the previous year. The number of international passengers suffered a 15.5% drop compared to 2015, and taking into account the 5.8% increase in the number of domestic passengers, the total number of passengers saw a 4.1% decrease in 2016.

NUMBER OF PASSENGERS and FLIGHTS IN TURKEY

Source: DHMI

International passenger and flight traffic figures saw a decline in 2016



A breakdown of air passenger numbers by region shows that the most notable drops occurred in Aegean and Mediterranean regions, which are generally characterized by their significant touristic attraction. According to DHMI data, annual air passenger arrivals to Black Sea, Eastern Anatolia, Southeastern Anatolia and Central Anatolia regions increased by 16.9%, 10.3%, 9.7% and 6.3%, respectively over the previous year while Mediterranean, and Aegean regions saw a decline of 24.9% and 10.2%, and the Marmara region saw a limited growth of 0.4%. The freight (luggage, cargo and mail) traffic data for the same period shows that Black Sea, Southeastern Anatolia, Eastern Anatolia, and Marmara regions recorded an increase of 11.0%, 7.5%, 5.2%, and 1.7% respectively, while the Mediterranean, Aegean, and Central Anatolia regions saw 28.9%, 20.9%, and 3.7% drops, respectively.

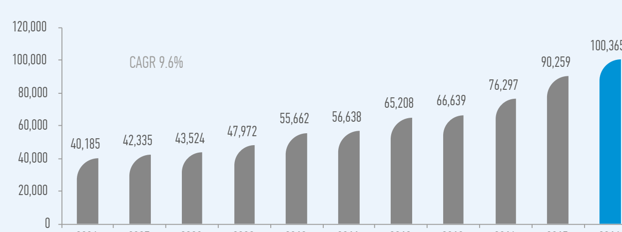
Turkey's biggest and one of the world's most rapidly growing airline companies, Turkish Airlines has been recognized by Skytrax as the "Europe's Best Airline" for the past six years, and is today one of the most prestigious brands in global aviation. The number of passengers carried by Turkish Airlines reached 62.8 million with a compound annual growth rate of 14.0% in the period between 2006 and 2016. In 2016, approximately 60% of the passengers served by TAV Airports travelled with Turkish Airlines. Turkish Airlines is renowned for having the highest number of destinations worldwide; in 2016, the Turkish Airlines flew to 119 countries and 295 destinations, 246 international and 49 domestic. As of 2016, the airline's fleet reached 334 aircraft, with plans to expand the fleet further to 421 aircraft in 2023.

Having secured rapid growth with its budget airline model, Pegasus is another leading carrier in Turkey. Pegasus recorded 8.1% growth in passengers, reaching 24.1 million in 2016. The Pegasus fleet expanded from 67 aircraft in 2015 to 82 at the end of 2016. Today, Pegasus flies to 40 countries and 101 destinations, 32 domestic and 69 international.

TOTAL SEAT CAPACITY IN TURKEY

Source: Directorate General of Civil Aviation

Total seat capacity of airlines in Turkey reached 100,365 by the end of 2016.



AKFEN ENERGY

Akfen Renewable Energy has become one of the most influential players in the sector, driven by a modern, diversified and optimally-situated sustainable portfolio of exclusively renewable energy sources, and the services it offers through a growing platform.

Akfen Energy Group

Energy remains the primary determinant of Turkey's goals. Leveraging its partnership with EBRD and IFC to generate the capital for its ongoing projects, Akfen Renewable Energy aims for rapid growth in the Turkish energy sector, which is characterized by low per-capita energy consumption, and increasing energy demand due to growing rate of population and urbanization.

Yeşil Vadi SPP / Denizli

Akfen's investments in the energy sector largely predate the growing interest in Turkish electricity market of recent years.

Restructured through the 2016 merger of Akfen Holding's subsidiaries in the energy group, Akfen Renewable Energy signed a partnership agreement with EBRD, which would acquire 20 percent stake in the company for US$100 million. The agreement was later amended on June 23, 2016, with EBRD and IFC each acquiring 16.667% stake in Akfen Renewable Energy for US$100 million. Upon the fulfillment of closure conditions, on July 12, 2016, EBRD and IFC paid US$44.4 million for an initial 5% stake each in the company as the first stage of the share transfer.

Thanks to the partnership with EBRD and IFC, the largest capital investment in the Turkish energy sector in 2016, Akfen is poised to become one of the key players in the sector. The company is also set to become one of the sector's leaders in terms of corporate governance and environmental & social standards. Akfen is present in all aspects of the renewable energy sector, and continues its efforts to diversify its HEPP, WPP, and SPP projects in particular to achieve a sustainable generation portfolio.

Akfen Energy stepped into the industry with the HEPP Group in 2007 with the goal of meeting Turkey's energy needs, which grow in parallel with the country's economic development, thereby making a significant contribution to the reduction of its current account deficit. Akfen Energy has completed 16 HEPP projects so far, contributing to Turkey's energy generation.

Currently, Akfen Renewable Energy's portfolio comprises 14 HEPPs with a total installed capacity of 238.2 MW, with 204.1 MW operational, 24.1 MW under construction, and 10 MW at the development stage. Furthermore, on November 3, 2016, Akfen Renewable Energy offered the winning bid of TL 1.25 billion in the privatization tender, acquiring the operating rights of the 178 MW Menzelet and Kılavuzlu hydroelectric power plants and related properties owned by EUAS for a period of 49 years. The transfer procedure for the two plants is still underway. Menzelet and Kılavuzlu stand to significantly improve the installed capacity of the portfolio.

In the past, Akfen sold certain of its self-developed assets during their operational phase in order to generate capital for future projects. One such example is Ideal Energy, which was established and operated during 2012 and 2013 before being sold to the Acquila Group.

Complementing Akfen's HEPP projects is the company's SPP portfolio with its solar power plants that have a total installed capacity of 151.3 MW, out of which 15.3 MW is in operation, 66 MW is under construction, and 70 MW is under development. The company's WPP portfolio includes 14 WPP projects with a combined capacity of 984 MW, the pre-license applications for which were approved by TEIAS for inclusion in the 3,000-MW TEIAS tender, as well as an additional 10 WPP projects with a total installed capacity of 560 MW in the preliminary application/measurement phase for the 2,000-MW capacity expansion announced by TEIAS in 2016.

In addition to its existing power plants, Akfen Renewable Energy has positioned its new solar and wind power plants in the most productive locations across Turkey.

The Energy group's projects also include a licensed natural gas combined cycle power plant project with 1,150 MW installed capacity.

As of December 31, 2016, the energy group has 193 employees.

In 2016, Akfen Renewable Energy's consolidated revenues grew by 41% to reach TL 209 million, and its EBITDA reached TL 88 million. The company recorded a loss of TL 155 million due to the net foreign exchange loss driven by the depreciation of the Turkish lira.

Akfen Renewable Energy*

Shareholding Structure*

Akfen Holding	90%
EBRD	5%
IFC	5%

* *On June 23, 2016, EBRD and IFC signed partnership agreements, each acquiring 16.667% stake in Akfen Renewable Energy for US$100 million.*

Operations

- 12 HEPP SPV
- 15 WPP SPV
- 41 SPP SPV
- Electricity Wholesale

Akfen Thermal Energy*

Shareholding Structure

Akfen Holding	99.64%
Hamdi Akın	0.36%

Subsidiaries and Affiliates

Akfen Enerji Üretim ve Ticaret A.Ş	99%
Adana İpekyolu Enerji Üretim Sanayi ve Tic. A.Ş.	99.77%**

* *Upon the demerger on February 16, 2017, Akfen Holding transferred its shares in Akfen Thermal Energy to Akfen Mühendislik A.Ş.*

** *Adana İpekyolu's shareholding structure was included in the financial statement in accordance with the rights granted through the partnership contract.*

Kavakçalı HEPP / Muğla

Akfen Yenilenebilir Enerji A.Ş.

HEPP GROUP

Akfen has already developed a significant renewables portfolio. It is also capable of creating a similar portfolio again through acquisitions and new projects.

The modern assets of Akfen Renewable that entered in the service in the last five years are characterized by their high service lives, compared to the existing hydroelectric power plants in Europe that have a service life of 80 to 100 years. The company's hydroelectric power plants feature advance technologies, offering excellent reliability and on-demand availability. The assets boast a high load factor of 41% (22% for solar power), above the Turkish average.

As of 2016, the HEPP Group operates 11 hydroelectric power plants with an installed capacity of 204.1 MW, and an annual power generation capacity of 852.6 GWh.

Two projects that feature a total installed capacity of 24.1 MW and an annual power generation capacity of 64.2 GWh are currently under construction, with completion rates of 70.9% for Çalıkobası HEPP and 62.8% for Çiçekli I-II HEPP as of end-2016.

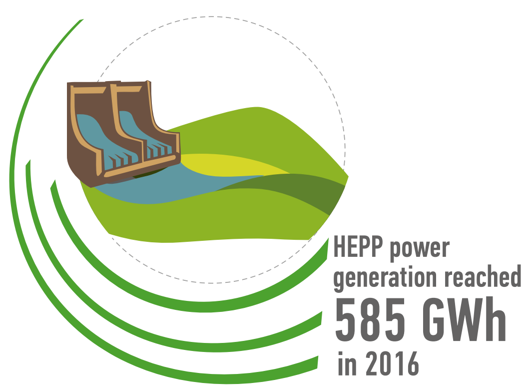
The Çatak HEPP project, which will have an installed capacity of 10.0 MW and an annual power generation capacity of 42.5 GWh, is still under development.

In 2016, the entire generation capacity of the HEPP Group was utilized through the Renewable Energy Sources Support Mechanism (Feed-in Tariff / FIT) using the feed-in tariff 7.3 US$ cents/kWh (with the sole exception of Gelinkaya HEPP, which sold power at 8.4 US$ cents/kWh due to local generation incentives). The generation capacity of all operational plants will also be utilized through FIT in 2017.

The HEPP Group's total power generation in 2015 stood at 584.8 GWh with a 17% decline over the previous year. The most important factor behind this drop was the scarcity of rainfall in 2016 compared to 2015.

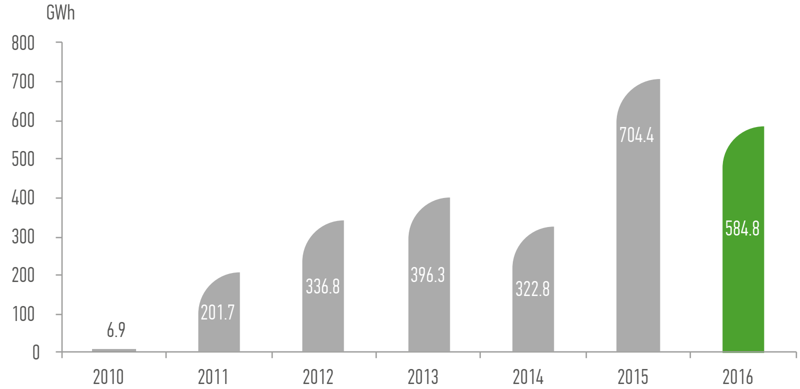
Akfen Renewable Energy's affiliate Akörenbeli Hidroelektrik Santral Yatırımları Yap. ve İşl. A.Ş. offered the winning bid of TL 1.25 billion in the tender for the 49-year operating rights of the 124-MW Menzelet and 54-MW Kılavuzlu HEPP, two dam-type hydroelectric power plants located on the Ceyhan River in Kahramanmaraş. The tender and transfer process will conclude upon the issuance of relevant permits and the payment of the tender price. The Menzelet and Kılavuzlu hydroelectric power plants will increase Akfen Renewable Energy's installed capacity to 406.2 MW, increase supply reliability of the portfolio thanks to the base load capacity and enhance the growth of the wholesale company.

Çamlıca HEPP III / Kayseri



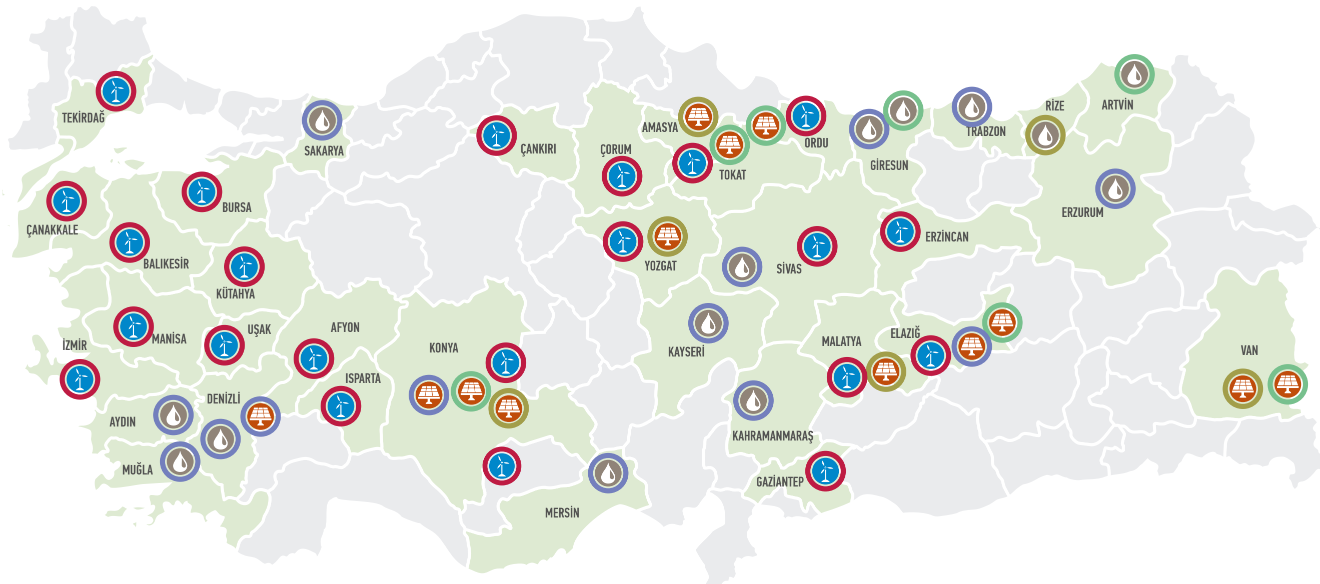
HEPP GROUP – GENERATION OUTPUT BY YEAR*

** As of November 30, 2012, 40% stake of Karasular Enerji Üretimi ve Tic. A.Ş. was transferred to Aquila HydropowerINVEST Investitions GmbH & Co KG. With the remaining 60% taken over by Aquila in June 2013, 5 power plants with 26 MW installed capacity were removed from the portfolio. The graph indicates the data excluding Karasular.*



Sırma HEPP / Aydın

Akfen Renewable Energy Power Plants



TOTAL CAPACITY OF HYDROELECTRIC POWER PLANTS (MW)

- OPERATIONAL* 382
- UNDER / READY FOR CONSTRUCTION 24
- UNDER DEVELOPMENT 10

TOTAL CAPACITY OF SOLAR POWER PLANTS (MW)

- OPERATIONAL 16
- UNDER / READY FOR CONSTRUCTION 66
- UNDER DEVELOPMENT 70

TOTAL CAPACITY OF WIND POWER PLANTS (MW)

- OPERATIONAL
- UNDER / READY FOR CONSTRUCTION
- UNDER DEVELOPMENT
- UNDER ASSESSMENT 1.544

OVERALL CAPACITY (MW)

- OPERATIONAL 398
- UNDER / READY FOR CONSTRUCTION 90
- UNDER DEVELOPMENT 80
- UNDER ASSESSMENT 1.544

* *The winning bid of TL 1.25 billion was offered in the reverse auction tender on November 3, 2016 for the Menzelet and Kılavuzlu hydroelectric power plants in Kahramanmaraş, which are listed as operational. The tender process will be finalized upon the receipt of permits from relevant agencies and the payment of the tender price.*

Yaysun SPP / Konya

Operational Power Plants

Company	HEPP	Installed Capacity (MW)	Generation Capacity (GWh/year)	Commercial Operation Date	Realized Generation Output (GWh) 2016	Realized Generation Output (GWh) 2015
Beyobası	Otluca	47.7	224.0	April 2011	146.1	167.0
	Sırma	6.0	23.2	June 2009	16.5	29.6
	Sekiyaka II	3.4	17.1	January 2014- August 2015	16.5	16.2
Çamlıca	Çamlıca III	27.6	104.5	April 2011	51.6	78.7
	Saraçbendi	25.5	100.5	May 2011	68.3	70.8
Pak	Demirciler	8.4	34.5	August 2012	19.9	37.1
	Kavakcalı	11.1	44.3	March 2013	24.2	45.1
	Gelinkaya	6.9	25.8	June 2013	12.0	11.5
BT Bordo	Yağmur	9.0	31.5	November 2012	35.8	26.1
Elen	Doğançay	30.2	171.7	August-Semtember 2014	126.3	152.4
Yenidoruk	Doruk	28.3	75.5	September 2014	67.6	69.9
Total		**204.1**	**852.6**		**584.8**	**704.4**

Power Plants Under Construction

Company	HEPP	Installed Capacity (MW)	Generation Capacity (GWs/yıl)	Construction Progress (%)
H.H.K. Enerji	Çalıkobası	17.4	42.3	70.9%
Kurtal	Çiçekli 1-II	6.7	21.9	62.8%
Total		**24.1**	**64.2**	

Power Plants In Planning

Company	HEPP	Installed Capacity (MW)	Generation Capacity (GWh/year)
Zeki	Çatak [1]	10.0	42.5
Total		**10.0**	**42.5**

(1) The region that includes the power plant site has been classified as a protected area. A lawsuit filed to revoke the protected status resulted in the Rize Administrative Court verdict (2010/487 E, 2011/661 Kr), which ruled that the area affected by the ÇATAK HEPP project is not a protected area. The defendant appealed the ruling, which was subsequently reversed by the 14th Chamber of the Council of State. The request for the revision of this reversal was rejected upon the 14th Chamber of the Council of State's investigation of the case file (2015/388 E), and the case file has been registered to the Rize Administrative Court records (2017/199), and necessary inspections will be carried out as part of the reversion of the ruling.

HEPP Portfolio

	Installed Capacity (MW)	Generation Capacity (GWh/year)
Operational Power Plants	204.1	852.6
Power Plants Under Construction	24.1	64.2
Power Plants In Planning	10.0	42.5
Newly Acquired Projects*	178.0	645.3
Overall Total	**416.2**	**1,604.6**

** The winning bid of TL 1.25 billion was offered by our company in the auction tender on November 3, 2016 for the Menzelet and Kılavuzlu hydroelectric power plants. The tender process will be finalized upon the receipt of permits from relevant agencies and the payment of the tender price.*

SPP GROUP

Due to technological advances and increasing generation capacity across the globe, energy prices have dropped to decade-low levels, and are continuing to fall.

In addition to the existing 15.3 MW operational solar power plant, SPP project development efforts have created a portfolio with a total installed capacity of 151.3 MW, comprising licensed (69.7 MW) and unlicensed (66.4 MW) projects across the most productive regions of Turkey.

The portfolio includes projects under development or construction corresponding to a total installed capacity of 66.4 MW, 16.4 MW of which is currently undergoing pre-construction phase with a projected completion date in 2017. The remaining 50 MW of projects currently offer limited potential for development, and their feasibility will be evaluated as part of the new solar power licensing tenders.

Licensed projects

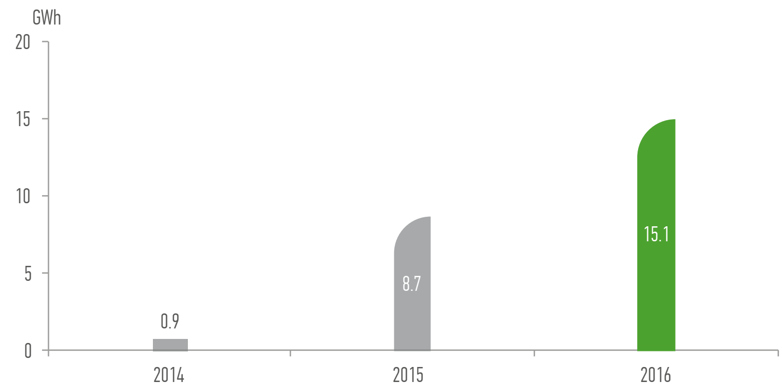
- As part of the capacity expansion tenders by TEIAS in 2015, the SPP group obtained licensing for eight projects with a total capacity of 78 MW (Elazığ: 1 project, 8 MW; Konya: 3 projects, 30 MW in total; Van: 3 projects, 30 MW in total; Malatya, 1 project, 10 MW), becoming the holder of the highest number of licenses in Turkey.
- Of those projects, relevant permits were obtained for the 8 MW Solentegre SPP in Elazığ, and the provisional acceptance was given on October 14, 2016, marking the first licensed solar power generation in Turkey. From its date of operation to the end of 2016, the project generated 1.6 GWh of power.

Unlicensed projects

- Provisional acceptance for the unlicensed projects were obtained in February 2014 for the 0.5 MW Yaysun SPP in Konya, which is one of Turkey's first solar power projects, and in May 2015 for the 6.76 MW projects in Denizli, and the plants commenced operations. The projects in Denizli were Turkey's largest unlicensed solar power plants at the date of operation, bringing the total installed capacity of the SPP Group in to 7.3 MW in eight operational projects. From their date of operation to the end of 2015, the projects generated 8.7 GWh in total, with a generation of 7.8 GWh in Denizli and 0.9 GWh in Yaysun. These two projects generated 13.5 GWh in 2016.

SPP GROUP – GENERATION OUTPUT BY YEAR

As of the end of 2016, the SPP Group reached a total installed capacity of 15.3 MW



Solar Power Plants - Licensed & Unlicensed Projects

		Project	Installed Capacity (MW)	Location
Licensed	In Operation	Solentegre SPP	8.0	Elazığ
	Total		**8.0**	
	Tender Won-Ready for Construction	Yaysun - 1	10.0	Konya
		MT Doğal	10.0	Konya
		ME-SE	9.9	Konya
		PSİ	10.0	Van
		Omicron Engil	10.0	Van
	Tender Won	IOTA	10.0	Malatya
		Omicron Erciş	10.0	Van
	Total		**69.7**	
	Potential: Under Development*	Yaysun - 2	10.0	Konya
		Yaysun - 3	5.0	Konya
		Akfen Yen. Enerjİ	10.0	Konya
		Komsun	10.0	Konya
		Beyan	10.0	Konya
	Total		**45.0**	
Unlicensed	In Operation	Yaysun 500 kW	0.5	Konya
		Murel	0.8	Denizli
		Farez	1.0	Denizli
		Günova	1.0	Denizli
		Yeşildere	1.0	Denizli
		Yeşilvadi - A	1.0	Denizli
		Yeşilvadi - B	1.0	Denizli
		Yeşilvadi - C	1.0	Denizli
	Total		**7.3**	
	In Acceptance Process	Solentegre SPP**	0.5	Elazığ
	Ready for Construction	Karine SPP	0.5	Elazığ
		Amasya SPP	10.4	Amasya
		Tokat Projects	5.0	Tokat
	Potential: Under Development	Yozgat SPP	5.0	Yozgat
	Total		**21.4**	
	Licensed + Unlicensed Overall Capacity		**151.3**	

* *A licensed project of 45 MW is planned for submission as part of the newly announced capacity extension in Konya. Accordingly, solar radiation measurements have been completed at the relevant sites, and works for the development plans have begun. Unlicensed projects will be preferred as long as the new regulation permits.*

** *Provisional acceptance for the unlicensed Solentegre project (0.5 MW) was received on February 15, 2017, and the commercial operations at the plant began on February 16, 2017.*

WPP GROUP

Preliminary works have been completed for 14 projects that have an estimated installed capacity of 984 MW. EMRA application procedures for these projects were completed on April 28, 2015; the companies' capitals were increased and letters of guarantee submitted to EMRA. These 14 projects were approved by EMRA and included in the list of projects undergoing evaluation and are expected to be put out to tender in the first half of 2017.

In 2016, TEIAS declared an additional capacity of 2,000 MW for wind-based generation. EMRA announced that it will start receiving applications for pre licensing with regard to the capacity expansion in April 2017. With the commencement of project development phase, agreements were reached with three consulting companies, and contracts were signed for 10 projects. Wind measurement masts for these projects were approved by the Turkish State Meteorological Service, and wind measurements are underway.

Turkey still has a significant untapped potential for both solar and wind-based power generation.

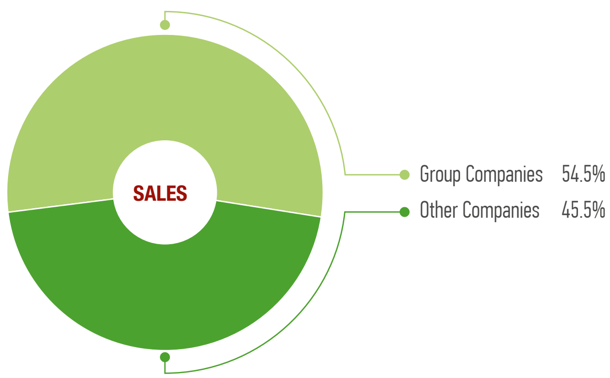
AKFEN ELEKTRİK ENERJİSİ TOPTAN SATIŞ A.Ş.

As of December 31, 2016, Akfen Electricity Wholesale has a gauge portfolio of 376. These include 247 commercial, 43 industrial, 86 residential subscribers. The sales volume between January 1, 2016 and December 31, 2016 reached 249.5 GWh with a 28.9% increase year-over-year.

In 2016, Akfen Electricity Wholesale procured the entirety of the electricity from the market (74.4% through bilateral agreements, 25.6% through EPIAS)

Akfen Electricity Wholesale will attain a more reliable and balanced generation portfolio as new renewable power plants become operational in the future and thereby enhance its sales volume.

Akfen Electricity Wholesale (2016)*



In 2016, Akfen Electricity Wholesale procured the entirety of the electricity from other companies.

Company within the Scope of the Demerger:

Akfen Termik Enerji Yatırımları A.Ş.

Akfen Holding had plans to develop thermal energy investments through Akfen Thermal Energy to reinforce its presence in Turkey's energy infrastructure and to diversify power generation resources in a balanced manner in order to ensure sustainable electricity production.

Accordingly, in 2016, the company continued its efforts towards the Mersin CCGT. The 1,150 MW Mersin CCGT has obtained generation license; its EIA report has been approved and relevant capital commitments have been fulfilled as of January 13, 2014. The finished transformer station was put into service by TEIAS. The 380 kV CCGT – Konya Ereğli TM Power Transmission Line, which will be developed by TEIAS as part of the project, received "EIA Affirmative" letter. The projects and nationalization plans for the 380 kV power transmission lines were approved by TEIAS as well.

The old fuel-oil plant at the site was deconstructed and the site was cleaned as of October 2015. EIA studies were completed. The project's landside zoning plans were approved, while the approval process is still underway for maritime structures.

However, the surplus in supply, ongoing economic slowdown and shrinking demand that affected electricity prices in recent years necessitated the suspension of investments in Mersin CCGT. As such, The EPC contract process was also suspended.

The pre license application for the EIA-approved Sedef II, a 600 MW thermal energy power plant in Adana that would fire imported coal, was rejected by EMRA on July 28, 2016.

Highlights of 2016

- The energy group's restructuring was completed in the first quarter of 2016. Accordingly;
  - As per the Board of Directors' decision made on January 14, 2016, Akfen WPP merged into Akfen HEPP without liquidation and as a whole on January 19, 2016, following which Akfen HEPP officially changed its company title into Akfen Yenilenebilir Enerji A.Ş. (Akfen Renewable Energy).
  - Akfen Electricity Wholesale's transfer to Akfen Renewable Energy was completed as of January 25, 2016.
  - Laleli Enerji Elektrik Üretim A.Ş., a subsidiary of Akfen Renewable Energy, was transferred to Akfen Thermal Energy as of January 25, 2016.
  - The transfer procedures for 100% shares of Karine Energy to Akfen Holding were completed on February 22, 2016, and the merger of Karine Energy with Akfen Renewable Energy without liquidation and as a whole was completed on March 9, 2016.
- As Hamdi Akın did not exercise his pre-emptive rights at the capital increase of Akfen Thermal Energy, the stake of Akfen Holding in Akfen Thermal Energy increased to 99.64% as of May 27, 2016.
- Upon the fulfillment of closing conditions, Akfen Renewable's paid-in capital was increased from TL 634.5 million to TL 705 million including share premium and EBRD and IFC paid US$44.4 million for an initial 5% stake each in the company.
- Turkey's first licensed SPP project, the 8-MW Solentegre SPP commenced generation activities on October 14, 2016.
- In the privatization tender held on November 3, 2016, Akfen Renewable Energy offered the winning bid of TL 1.25 billion, acquiring 49-year operating rights of the Menzelet and Kılavuzlu hydroelectric power plants, which have a total installed capacity of 178 MW. The transfer procedure is still underway.

Doğançay HEPP / Sakarya

Corporate Social Responsibility

In 2016, Akfen Renewable Energy signed an agreement with TIKAV for the "Home School" social responsibility project, which will be implemented at all Akfen Renewable facilities.

The project commenced in January 2017, with a planned completion date in the same year.

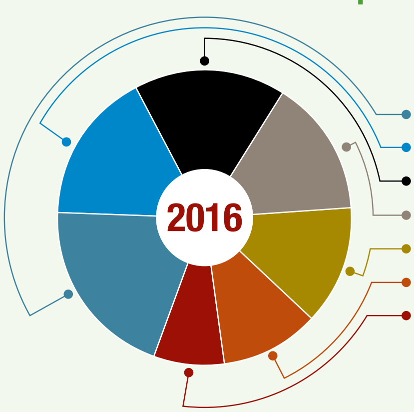
Renewable Energy Growing in Prevalence

As economic growth brings about development and improved living standards, the increasing demand for products and services drive the need for more and more energy. For the last 30 years, global economic growth has been led by non-OECD countries. With their rapid growth and increasing population, developing non-OECD countries are the primary drivers of the growing energy demand. The world's population, which stood at 7.3 billion in 2015, is expected to rise to 9.0 billion by 2040. The rate of urbanization is expected to rise from 54% in 2015 to 66% in 2040, bringing with it an ever-increasing demand in energy. Turkey recorded an annual growth of 4.4% in energy demand from 2006 to 2015, compared to 0.2% in OECD countries for the same period.

Global warming and climate change have made reliable, affordable and clean power generation one of the top agenda items of the world. While coal and natural gas maintain their top position among energy sources, there has been a significant growth in the share of renewable energy since 2010. In many countries, renewable energy sources, particularly wind and solar, continue to exhibit a rapid growth due to their benefits, such as reduced foreign dependence and minimal environmental impact. Moreover, there is a rapid growth in installed renewable capacities, thanks to technological advances driving down costs. According to the World Energy Outlook 2016 report by the International Energy Agency, by 2040, the renewable share of generation will increase to 37% from 23% today.

In November 2016, the Paris Agreement has entered into force, signed by over 190 countries, including Turkey, and ratified by 97, including the world's largest greenhouse gas emitters China and the U.S. The Agreement aims to take action to keep global temperature rise below 2 degrees Celsius as part of a global response to climate change. As such, the growth of renewables is expected to accelerate at the global level.

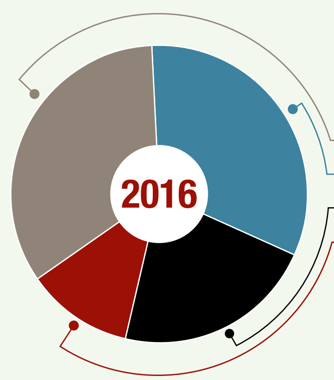
Breakdown of Installed Capacity in the EU



	GW	
Natural Gas	186	20.3%
Wind	154	16.8%
Coal	152	16.6%
Hydro	136	14.8%
Nuclear	120	13.1%
Solar	101	11.0%
Other	69	7.5%
Total	**918**	

Source: Wind Europe

Breakdown of Installed Capacity in Turkey

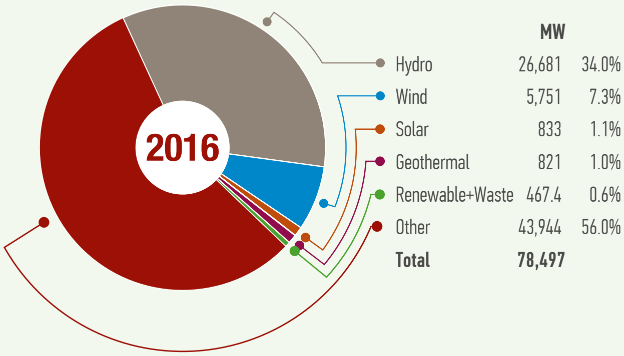


	MW	
Hydro	26,681	34.0%
Natural Gas	25,510	32.5%
Coal	17,316	22.1%
Other	8,990	11.5%
Total	**78,497**	

Source: TEIAS

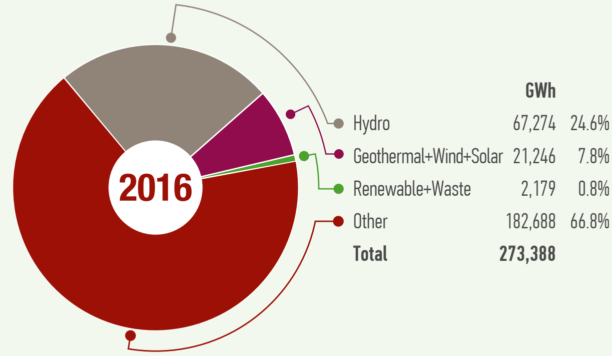
By 2030, Turkey is required to comply with the climate and energy policies framework for 2030, which was officially ratified by the European Council in 2014. The framework prescribes a 40% reduction in greenhouse gas emissions from the 1990 levels, increase renewables share of generation, and enhance energy efficiency by a minimum of 27%.

Share of Renewable Energy Sources in Total Installed Capacity



Source: TEIAS

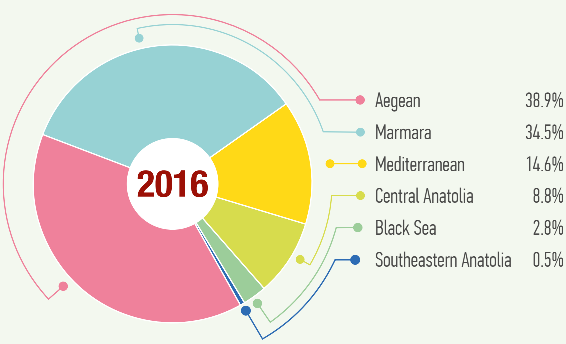
Share of Renewable Energy Sources in Total Generation



Source: TEIAS

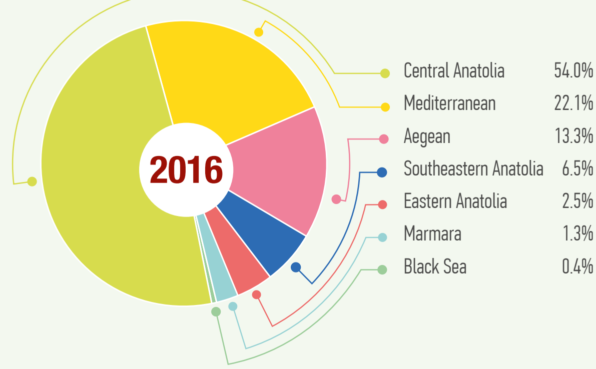
From Turkey's standpoint, especially in recent years, the topics of energy independence and reduced current account deficit have become increasingly important, with state incentives and action for lowering energy costs. Accordingly, the share of renewables in total installed capacity has been on a rapid increase, driven by significant investments in renewable energy sources. In 2016, the renewable share of total installed capacity has increased to 43.4% from 32% in 2006. Among renewables, hydropower had 32.2% share in 2006 total capacity followed by geothermal with 0.2%, while the shares of wind and solar were negligible. In 2016, however, hydropower's share has climbed to 34.0% of total installed capacity, followed by wind by 7.3%, solar by 1.1%, and geothermal by 1.0%.

Operational WPPs by Region



Source: TUREB, Wind Power Statistics, January 2017

Operational SPPs by Region

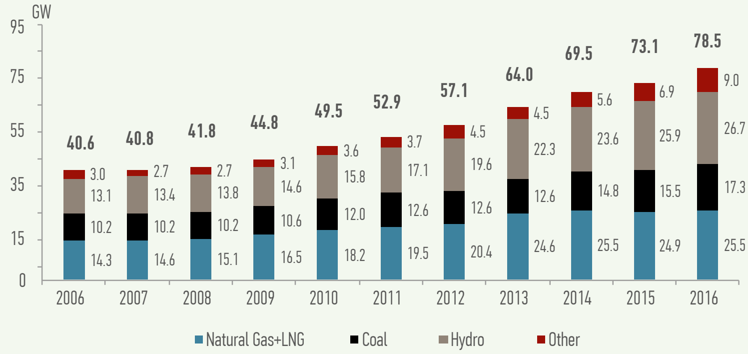


Source: EMRA

DEVELOPMENT OF INSTALLED CAPACITY BY SOURCE

Source: TEIAS

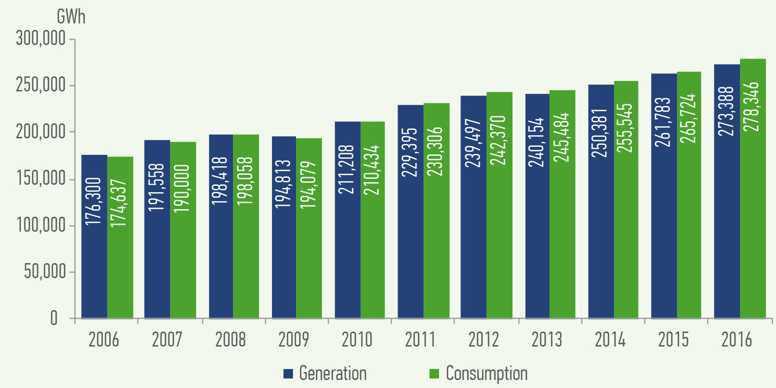
The share of hydropower among total installed capacity reached 34% in 2016.



In 2016, Turkey's total installed power capacity increased by 7% on a year-over-year basis to reach 78,497 MW. Total installed capacity nearly doubled in the last decade, growing by 94% since 2006. An examination of the progress of installed power by source type shows that hydroelectric power plants have the largest share among total installed capacity with 34%, followed by natural gas+LNG, coal power, wind and other power plants (geothermal-solar-renewable waste or liquid fuel) with shares of 32%, 22%, 7% and 4%, respectively. Despite bringing only a meager contribution to installed capacity, the capacity of solar power plants grew by 235% over the previous year to reach 833 MW. 98.5% of all solar power plants are categorized as unlicensed.

TURKEY GENERATION – CONSUMPTION

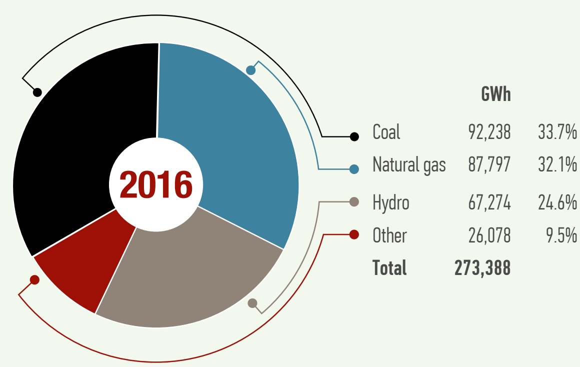
Source: TEIAS



In 2016, power generation increased by 4.4% over 2015 to 273,388 GWh, while consumption increased by 4.7% over 2015, reaching 278,346 GWh.

A breakdown of generation in 2016 by source type shows that coal-fired power plants have the highest share with 34%, followed by natural gas power plants with 32%, hydroelectric power plants with 25%, wind-solar-geothermal power plants with 8% and renewable-waste power plants with 1%. Renewable energy exhibited significant growth in 2016 over 2015, with 32% of all power generated from renewable sources.

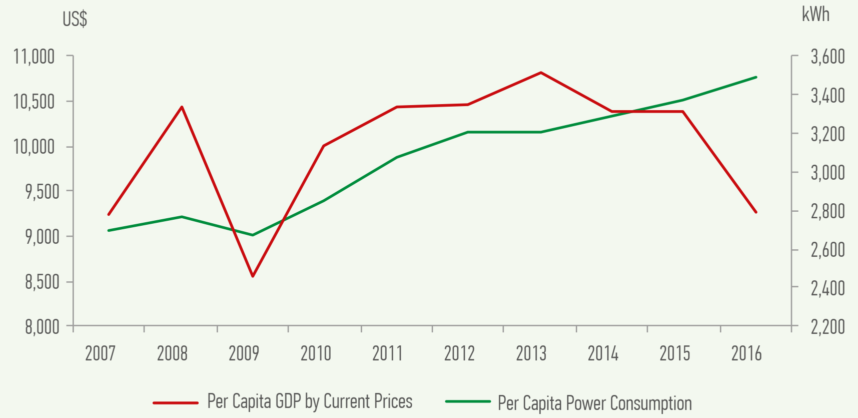
Breakdown of Power Generation by Source



Source: TEIAS

TURKEY GDP PER CAPITA - POWER CONSUMPTION

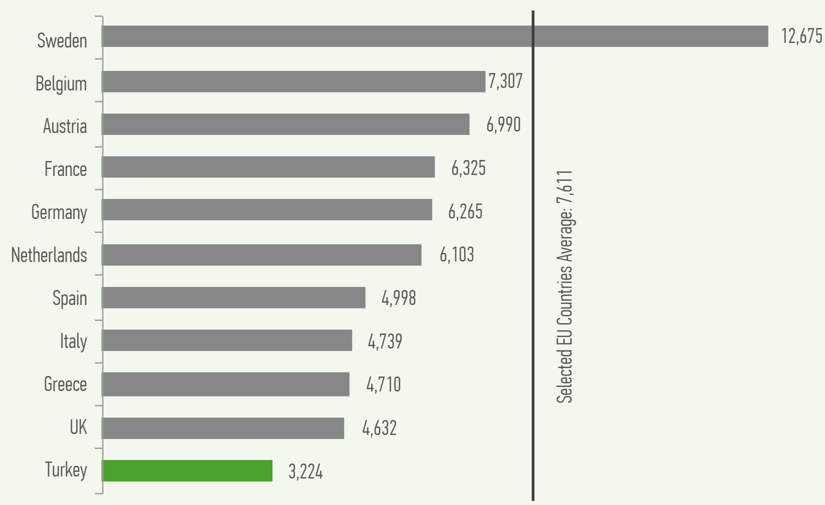
Source: TURKSTAT, TEIAS



Despite an annual average GDP growth of 3.4% and an annual average energy demand growth of 4.8% over the last decade, Turkey still lags significantly behind OECD countries in terms of per-capita energy consumption.

SELECTED EU MEMBER STATES – COMPARISON OF PER CAPITA POWER CONSUMPTION (kWh)

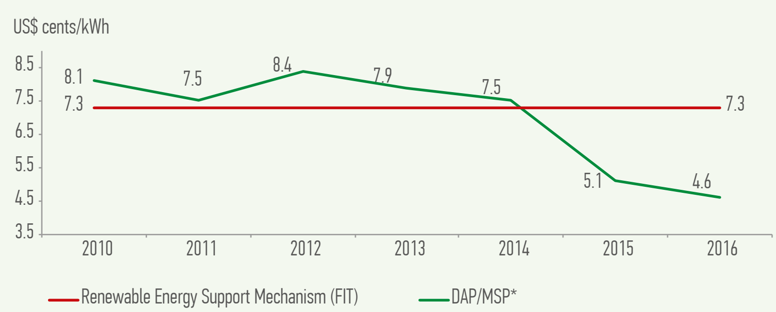
Source: EUROSTAT



ACTUAL ELECTRICITY SALE PRICES

Source: EMRA, PMUM

** Since 2012. the term Market Swap Price (MSP) has replaced Day-Ahead Price (DAP)*



An evaluation of the sector from the actual electricity sales standpoint indicates that the demand is on an upward trend. The 5-year Generation Capacity Projection by TEIAS focuses on three distinct demand scenarios for the 2016-2025 period. According to the high-demand scenario for the period, energy demand will grow by 6.5% on an annual basis, while in low-demand scenario it will grow by 3.1%. According to these estimations, power consumption will reach 353 TWh in 2020 and 483 TWh in 2025 in the high-demand scenario, and 310 TWh in 2020 and 360 TWh in 2025 in the low demand scenario.

On the supply side, the total installed capacity projection for 2020 is 100,591 MW in the high-supply scenario, and 94,182 MW in the low-supply scenario. In the former, 23.7% of the installed capacity in 2020 will be owned by the public sector with the remaining 76.3% owned by private sector, while in the second scenario the shares of public and private sectors will be 25.3% and 74.7%, respectively.

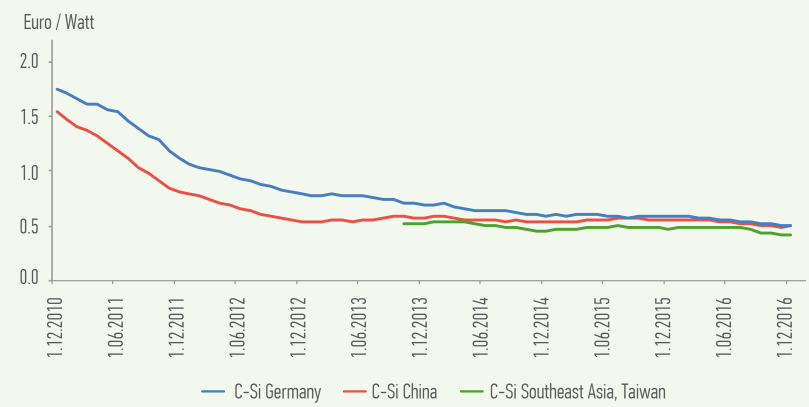
Since 2000, the share of the private sector in both total installed capacity and total generation has been growing steadily. Public sector's share in Turkey's total installed capacity has receded from 78% in 2000 to 25.6% in 2016 (37.4% with the inclusion of power plants using BO, BOT, and those whose operating rights have been transferred), while its share in total power generation fell from 75% in 2000 to 17.2% in 2016 (38.7% with the inclusion of power plants using BO, BOT, and those whose operating rights have been transferred).

The privatization of distribution companies owned by TEIAS started in 2006 within the framework of the Electrical Energy Sector Reforms and Privatization Strategy Document, and all distribution companies were transferred to the private sector through the privatization of public companies in distribution regions and the transfer of the operational rights of their facilities. Based on the same document, the privatization of generation facilities of EUAS are underway, with plans to transfer EUAS plants with a combined installed capacity of 1,000 MW to the Turkish Wealth Fund. On the other hand, the public sector remains the sole provider of transmission services.

SOLAR PANEL PRICES

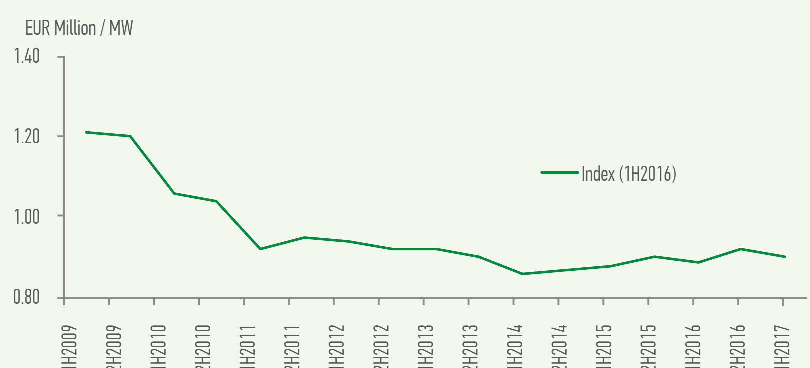
Source: pvXchange spot market

** C-Si: Crystalline silicon photovoltaic panel*



WIND TURBINE PRICES BY DELIVERY DATE

Source: Bloomberg



AKFEN REIT

The first and only real estate investment trust focused on urban hotels, Akfen REIT is one of the leading companies in the sector with the world-class "Contemporary City Hotels" project developed in Turkey.

AKFEN REIT: Successful Business Model with a European Leader

Building upon its pioneering "Contemporary City Hotel" project, Akfen REIT established a portfolio of 20 hotels within 10 years, becoming one of the leading hotel investors in Turkey.

Shareholding Structure

Akfen Holding*	51.71%
Hamdi Akın	16.41%
Other	2.28%
Public	29.60%

* *Akfen Holding has 9,500,447 listed shares (5.17%) within the free-float, bringing its total stake in the company to 56.88%.*

Subsidiaries and Affiliates

Akfen Gayrimenkul Ticareti ve İnşaat A.Ş.	100.00%
Russian Hotel Investment BV	97.72%
Russian Property Investment BV	95.15%
Hotel Development Investment BV	100.00%
Akfen Karaköy Gayrimenkul Yatırımları ve İnşaat A.Ş.	69.99%

Established in 1997 as "Aksel Turizm Yatırımları ve İşletmecilik A.Ş." before the status change in 2006, Akfen Real Estate Investment subsequently directed its efforts towards meeting the demand for three and four-star hotels, particularly in cities other than Istanbul, under an international brand.

Akfen REIT successfully completed its public offering in 2011, and its shares have been listed on Borsa Istanbul since May 11, 2011. The company's shares have a free-float rate of 29.6%.

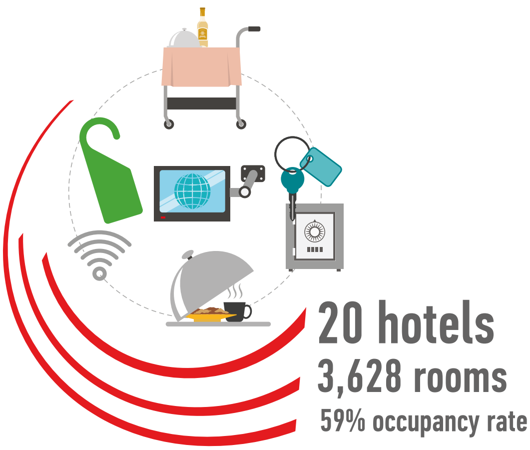
Highly specialized in its field of business and having expanded outside the Turkish market with its entrance into Russia with its strategic partner, the international hotel chain operator Accor, Akfen REIT has obtained steady and predictable lease revenues through long-term lease contracts. This strategic partnership represents a unique business model for Turkey. The framework agreement signed in this direction in 2005 was followed by two supplementary contracts in April 2010 and December 2012. Akfen REIT is exposed to minimal operational risk in its operations.

Novotel Istanbul Bosphorus

Akfen REIT's contracts with Accor for hotels in Russia (outside Moscow) contain provisions for a minimum annual guarantee for Akfen REIT's lease revenues. For hotels in Turkey, the lease fees are the higher of the specified share of revenue and a specified percentage of the adjusted gross profit of the hotel, thereby providing both a guaranteed source of revenue and a potential for premium through the performance of the hotel.

The business model entails the development of city hotels under the Novotel and Ibis brands through the strategic agreement between

Akfen REIT and Accor. The company's investments in Turkey focus on deriving maximum benefit from the steadily increasing activity of Turkish business in the sector, improving standards of living in the country, and the potential of its growing middle-class.



Akfen REIT's new strategy involves the completion of ongoing investments, a phase of assimilation following rapid growth, and a selective approach to potential hotel projects. Thus, the company aims to reduce its financial debt, reveal its actual value and achieve a financial structure that allows for dividend distribution.

As of the end of 2016, Akfen REIT's portfolio comprises 20 hotels, with 19 hotels currently in operation in Turkey, TRNC and Russia, and 1 hotel nearing completion. Once all hotels become operational, the number of hotels in the company's portfolio will increase to 20, and the number of rooms will rise from 3,428 to 3,628. The number of rooms sold in 2016 at the 18 operational hotels excluding Cyprus stood at 674,271 with an increase of 5.7%.

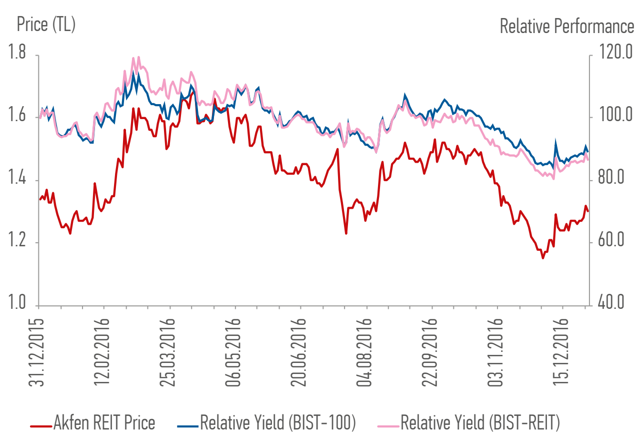
Since early 2013, the casino and hotel sections of the five-star Merit Park Hotel in Kyrenia, which is listed under the portfolio of Akfen REIT subsidiary Akfen Trade, have been operated by Voyager, a Net Holding group company, for a period of 20 years. The rental fee obtained from the Merit Park Hotel in 2016 was €4,750,000.

As of December 31, 2016, Akfen REIT has 21 employees.

Share Price (TL)	Akfen REIT
Ticker	*AKFGY*
January 4, 2016 Opening Price	1.33
January 4, 2016 Opening Market Capitalization (mn)	245
December 30, 2016 Closing Price	1.30
December 30, 2016 Market Capitalization (mn)	239
Highest Closing Price in 2016	1.68
Lowest Closing Price in 2016	1.15
Average Closing Price in 2016	1.42
Average Daily Trading Volume in 2016 (TL mn)	1.89

AKFEN REIT SHARE PERFORMANCE

Source: Matriks



Highlights of 2016

On February 16, 2016, Novotel Istanbul Bosphorus (Karaköy), a 200-room, five-star hotel investment in Karaköy by Akfen REIT subsidiary Akfen Karaköy Gayrimenkul Yatırımları ve İnşaat A.Ş. entered into service.

As part of a Buyback Program launched upon Akfen REIT General Assembly decision on May 24, 2016, in 2016 the company bought back 2,409,000 Akfen REIT shares, bringing the total ratio of bought back shares to 1.3% of the company's paid-in capital.

Investments in 2016

A total investment of €35.4 million was made for the 200-room Karaköy Novotel, which began its commercial activities on February 16, 2016.

The 200-room Tuzla Ibis Hotel, which has a total investment cost of €17.2 million, was completed on December 31, 2016. The hotel is expected to enter into service in the second quarter of 2017.

Hotel Operational Performance

Hotels	Number of Rooms*	Occupancy Rate		Revenue Per Room (EUR)**		Total Revenue Per Room (EUR)***	
		2016	2015	2016	2015	2016	2015
Turkey Total	2,277	59%	67%	23	31	31	40
Russia Total	865	58%	52%	21	19	30	26
Overall Total	**3,142**	**59%**	**63%**	**23**	**28**	**30**	**37**

* *The list does not include the 286-room Merit Park Hotel in the TRNC.*
** *Revenue Per Room = Average Room Rate x Occupancy Rate*
*** *Total revenue per room also includes miscellaneous revenues (food & beverage, seminar-congress fees, banquet revenues).*

Ibis Hotel, Esenboğa / Ankara

Novotel / Gaziantep

Measures Taken Create Positive Outlook for 2017

In 2016, the global tourism sector stayed on its course of robust growth despite a variety of challenges, those associated with security risks in particular. According to UNWTO estimations, the number of global tourists grew by 3.9% in 2016 to reach 1.2 billion. This figure is expected to rise to 1.8 billion by 2030. The negative developments in 2015 and 2016 failed to hamper the growth of tourism and the projections indicate a similar growth of 3% to 4% in 2017 as well.

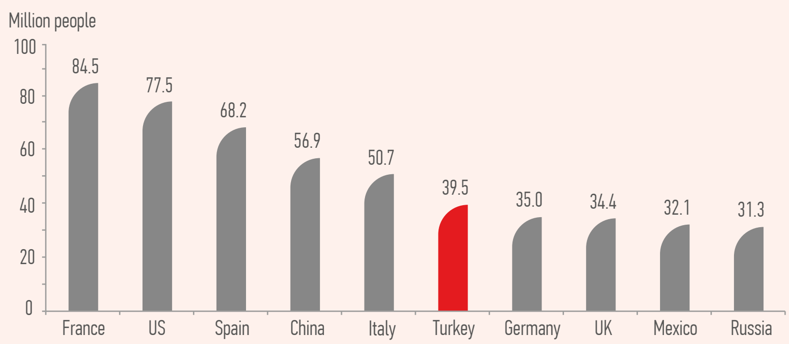
With its continuous growth, Turkish tourism sector creates direct and indirect contribution to the country's economy. The number of tourists visiting the country has increased to around 31 million in 2016, up from around 10 million in the 2000s.

The terror attacks in 2016 in Turkey, France, Egypt and Tunisia resulted in drops in the number of tourist arrivals. On the other hand, Spain, Greece, Portugal and Italy saw a growth in the number of tourists in 2016. Greece in particular managed to achieve a significant growth in tourism thanks to the promotions and campaigns implemented in the tourism sector in 2016 following the economic crisis, despite the immigrant crisis affecting certain regions of the country.

Since 2015, geopolitical developments in Turkey's region, the political crisis with Russia, and the problems in neighboring

COMPARISON OF VISITOR FIGURES (2015)

Source: UNWTO Tourism Highlights



countries such as Syria have significantly affected tourism in Turkey, limiting the growth in tourist arrivals compared to 2014. In 2016, the continued high political tension with Russia, a series of terror attacks across Turkey, the coup attempt that occurred in the tourist season and the airport attack exacerbated safety concerns, resulting in a dramatic drop of 24.6% in tourist arrivals over the previous year. Consequently, this drop led to a 29.7% decrease in tourism revenues on a year-over-year basis.

According to data from Atatürk and Sabiha Gökçen airports and from Haydarpaşa, Pendik, Zeytinburnu and Karaköy ports, there is a 26% decrease in the number of tourist arrivals in Istanbul compared to the previous year. The breakdown by mode of transport shows a 23% decrease in arrivals by airport and an 89% decrease in arrivals by seaport over the previous year.

The tourism sector has borne the brunt of the challenging period Turkey is going through, urging the authorities to draw up a nine-item Tourism Action Plan, which they issued in February 2016. Aiming to alleviate the issues affecting the sector, the plan introduces a series of measures including loan restructuring for companies in the tourism sector and convenient payment options for their financial obligations to the state. In addition, the plan calls for support to tourism agencies that attract foreign tourists into the country, brings incentives aimed at marine tourism enterprises, complements the existing energy incentives offered to environmentally-conscious companies with minimal tariffs for water, wastewater and solid water charges and reclassifies accommodation and marine tourism facilities as exporters. These measures have been well-received by tourism companies and are expected to help revitalize the sector in 2017.

The number of tourist arrivals dropped by 24.6% in 2016 to 31.4 million. In 2016, 80.6% of tourist arrivals in Turkey were foreign nationals, and 19.4% were Turkish nationals residing abroad.

Tourism revenues, on the other hand, fell by 29.7% over the previous year to reach US$22.1 billion. Foreign nationals accounted for 72.8% of tourism revenues, while Turkish nationals residing abroad accounted for 27.2%

In 2016, average spending per capita in 2016 was US$705; foreign tourists spent an average of US$633, while Turkish citizens residing abroad spent US$978.

TURKEY – TOURISM REVENUES AND TOURIST ARRIVALS

Source: TURKSTAT

There was a marked decrease in tourist arrivals and tourism revenues in 2016.

IDO

One of the world's largest maritime transport operators with its large fleet and high transport capacity for passengers and vehicles, IDO aims to provide affordable, comfortable, fast, and safe transport services in all its lines.

IDO: Integrated Services in Maritime Transport

With a fleet of 55 ships, IDO provides its services across 35 piers and 16 lines to minimize Bosphorus, Marmara Sea and Izmit Bay crossing, enabling passengers to save time and fuel, and thereby contributing to the economy as well as to the environment.

Shareholding Structure

Akfen Holding	30%
Tepe İnşaat	30%
Souter Capital LLP	30%
Sera Gayrimenkul Yatırım ve İşletmeleri A.Ş.	10%

Subsidiaries and Affiliates

Zeytinburnu Liman İşletmeleri San. ve Ticaret A.Ş.	20%
BTA Denizyolları Yiyecek ve İçecek Hizmetleri A.Ş.	50%

One of the world's largest maritime transport operators, IDO boasts a passenger capacity of 37,000 and a vehicle capacity of around 3,000. Committed to offering affordable, comfortable, fast and safe transport services in all lines it serves, in 2016 IDO also provided food & beverage services to 9 million passengers at 75 sales points.

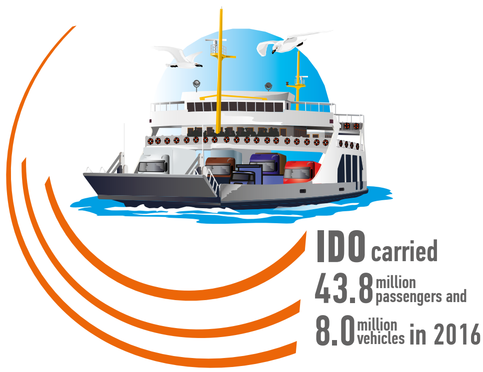
In addition to carrying passengers and vehicles to key destinations around the Marmara Sea and Istanbul, IDO embraces a holistic service approach, providing food & beverage and other services at its terminals and landside facilities.

IDO handles passenger and vehicle transportation across the Marmara Sea with a modern fleet of 55 vessels (24 sea buses, 20 conventional ferries, 9 fast ferries and 2 service ships) operating on 16 lines, comprising 9 sea bus, 3 conventional ferry, and 4 fast ferry lines. As of December 31, 2016, the sea buses, fast ferries and conventional ferries have an aggregate passenger capacity of 36,433 in the summer season and 30,115 in the winter season, and a vehicle capacity of 2,869 in both seasons.

Established as an equal share partnership of TAV Airports subsidiary BTA and IDO, the catering service provider BTA Sealines represents one of the best examples of how Akfen Holding leverages its know-how and experience and utilizes the group synergy towards the creation of new areas of business. In 2016, BTA Sealines rendered its services from 75 sales points on sea buses, fast ferries, conventional ferries and their respective piers. Having almost no revenues from food & beverage services before the establishment of BTA Sealines, IDO served 9 million passengers via the joint venture in 2016, reaching an average revenue of TL 7.50 per passenger.

As of December 31, 2016, IDO has 1,814 employees. The most recent collective bargaining agreement with the Seafarers' Union of Turkey was signed for the period of 2015-2017.

Highlights of 2016



- In addition to cost reduction measures such as restructuring, line optimizations and improved efficiency of repair and maintenance operations, a series of steps were taken in 2016 to ensure adaptation to the competitive market and for increasing revenues. The most significant development to this end was the implementation of winter tariff vehicle fares on the Eskihisar–Topçular line as of January 4, 2016. In May 2016, IDO management raised passenger and vehicle fares for intercity fast ferry and sea bus lines, boosting profitability. In addition, the intra-city fare raises effective from January 31, 2016 onwards and the line improvements that continued through 2016 helped reduce the loss recorded by intra-city sea bus lines over previous years by a significant margin.
- Line improvement efforts continued in 2016.
- The Osman Gazi Bridge over the Izmit Bay entered into service on June 30, 2016, and remained toll-free for the duration of the bayram holiday. Toll collections began on July 11, 2016. In line with the Istanbul Metropolitan Municipal Council's decision of "free public transport" in the aftermath of July 15, no fare was collected in the second half of July on the intra-city sea bus lines or on the Sirkeci-Harem line, and likewise on the Sirkeci-Harem conventional ferry line from August 1 to August 10 from 20:00 to 06:00.
- The Eurasia Tunnel was opened on December 20, 2016, consolidating Yenikapı's position as a transport hub.

Cost-Saving Measures: The company takes a variety of measures to reduce its vessels' fuel consumption, which represents one of its key expense items. In this regard, changes were made to underwater hull coating of ships; high-speed vessels in the company's fleet were placed in dry dock and applied an advanced silicone hydrogel coating with antifouling capabilities. Regular cleaning of the underwater hulls of other ships continued as well. These practices and measures made a significant impact on fuel saving, delivering a 3.02% decrease in fuel consumption per mile in 2016 over the previous year. The decline in TL-based fuel costs in 2016 compared to the previous year also provided a significant advantage for the company.

Other Income-Generating Developments: Projects launched in previous years and continued in 2016 were the Ro-Ro Transportation (November 2015), Corporate Sales (August 2015), advertisement partnership with TEB (June 2015), Hazardous Vehicle Transportation (November 2014), Filoido Corporate Card (November 2014), and franchising.

A series of new projects were also put in effect in 2016, such as the IDO Customer Relations Management (November 2016), IDO TV Relaunch (April 2016), E-Ticket (March 2016), and Increased Advertisement and Commercial Area Revenues (March 2016). In addition, from July 1 to December 31, 2016, IDO provided all-inclusive services on its Eskihisar-Topçular ferry line.

A relaunch project has been initiated to change the name, scope, and setup of the existing IDOmiral Loyalty Program. The renovation of the company's ticket sale and reservation system will be commenced in 2017.

Sirkeci Terminal / Istanbul

Corporate Social Responsibility

Avşa Summer Camp for the Disabled: As in 2015, IDO continued to provide no-fare travel for disabled citizens attending the Disability-Free Summer Camp in 2016 organized by Turkish Association for the Disabled. Around 400 passengers travelled with IDO as a group for 12 weeks between June 29 and September 20, 2016.

TURMEPA-IDO "April 23rd Children's Festival": In partnership with the Turkish Marine Environment Protection Association (TURMEPA), IDO organized a trip to the Marmara Sea on April 23 for children who had not seen the sea before. Attending the trip were around 350 children, who received entertaining instructions on the preservation of environment as they cruised on a sea bus on the Istanbul-Yalova line as part of the project's theme "Getting to Learn and Protect the Marmara Sea". Children who attended the event took part of various activities at the Yalova Museum of Paper and visited the Walking Villa.

IDO Eskihisar Pier / Kocaeli

Number of Passengers and Vehicles Transported	2016	2015	Change
Total Number of Passengers	**43,843,871**	**47,377,389**	**-7.5%**
Fast Ferry	6,909,213	7,464,089	-7.4%
Sea Bus	5,943,349	5,835,290	1.9%
Conventional Ferry*	30,991,309	34,078,010	-9.1%
Total Number of Vehicles	**7,964,188**	**8,604,468**	**-7.4%**
Fast Ferry**	1,340,874	1,471,909	-8.9%
Conventional Ferry	6,623,314	7,132,559	-7.1%

* *A coefficient based on vehicle-type was used to calculate the number of in-vehicle passengers traveling on Eskihisar-Topçular conventional ferries, as provided below.*

Vehicle Class	Automobile	Minivan	SUV/Light Truck/ Minibus	Midibus	Truck /Two-axle Bus	Three-axle Bus/ Three-axle Trailer Truck	Four+ Axle Trailer Truck	Motorcycle
In-vehicle Passenger Coefficient	3	3	6	9	26	26	2	1

** *The number of vehicles carried on fast ferries is given as a Vehicle Unit Measurement (VUM), which provides automobile equivalents of vehicles of other classes. The coefficients for vehicle classes on fast ferry lines are provided below.*

Vehicle Class	Motorcycle	Automobile	Accessible Automobile	Minivan	Minibus (12-person)	SUV	Minibus (19-person)	Midibus	Light Truck 0-2,000 kg	Light Truck 2,001-2,500 kg	Light Truck 2.501-3.500 kg	Bus	Towed
Coefficient	0.25	1	1	1	1.25	1.25	1.5	2	1.5	2	2	5	1.5

Yenikapı Terminal / Istanbul

Awards

- IDO received three awards: one platinum, one gold and one bronze medal at the "2015 Vision Awards" by the League of American Communication Professionals, one of the world's most prestigious communications platforms.

- IDO won an award in the Cabotage Ro-Ro Transportation Category at the Maritime News Agency's 11th International Golden Anchor Maritime Excellence Awards, which are regarded as the Oscars of the maritime industry.

- IDO's 2015 Annual Report and Sustainability Report received the Silver Stevie and ranked second in EMEA in the 13th Stevie International Business Awards, which saw the competition of over 3,800 projects from 60 countries.

Major Infrastructure Projects Affecting the Sector

Although maritime is a fast, economic and environmentally friendly mode of transport with a significant potential for growth in terms of both cargo and passengers in Turkey, a country surrounded by three seas, it nevertheless has the lowest share among all modes of passenger movement.

In the Ottoman Empire, regular public transport by sea began upon Sultan Abdulmejid's decree in 1841. Until 1950, rail and maritime remained the most heavily relied upon method for passenger and freight movement. However, with the increasing support for roads and investments in road infrastructure, roads became the most popular method of transportation. Today, although having been somewhat revitalized by incentives such as excise duty exemption on fuel, maritime transport still has a comparatively low share among other modes.

Advanced motorways, high speed rail and falling airfares in recent years have delivered a negative impact on maritime transport. 2016 witnessed the completion of the Osmangazi Bridge, Yavuz Sultan Selim Bridge and Eurasia Tunnel projects, with plans for a new, three-story road and rail tunnel that will connect the Europe and Asia under the Marmara Sea.

The contract with the operator of the Osmangazi Bridge, which was opened to traffic in June 2016, guarantees a daily vehicle usage of 40,000. However, since its opening, daily usage figures have been falling significantly of this threshold by a large margin with an average daily traffic of around 13,000 as the bridge toll is deemed expensive by drivers. Likewise, the Yavuz Sultan Selim Bridge, which began its operations in August 2016, provides a daily guaranteed usage of 135,000 vehicles, yet failed to reach this mark. The same is also true for the Eurasia Tunnel that opened late December 2016 with a guarantee of 68,000 vehicles per day.

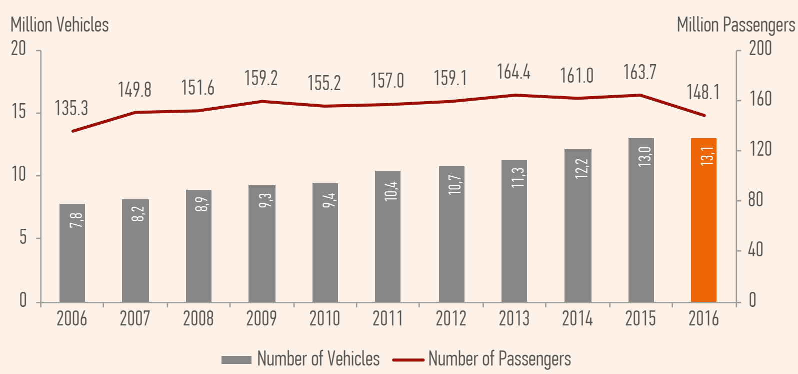
These projects have delivered a significant blow on maritime transport. In 2016, the number of passengers carried on Turkey's cabotage lines dropped by 9.5% over the previous year to 148.1 million, while the number of vehicles carried increased slightly by 0.1% to 13.1 million. The number of passengers on cabotage lines grew by an average 0.9% per year in the last 10 years, and the number of vehicles grew by 5.3%.

Marmara and Aegean seas accounted for almost the entirety of cabotage passenger traffic in 2016, with the lines crossing the Marmara Sea corresponding to 90.2% and Izmir to 9.8% of all maritime passenger transport, while Antalya and Lake Van accounting for a mere 0.02%. 92.5% of all passenger traffic on the Marmara Sea took place in the Marmara Basin, followed by 7.1% in the Canakkale region, and 0.4% in Izmit.

Regional distribution of vehicle traffic is similar to that of passenger traffic, with 94.0% of all vehicle traffic taking place on the Marmara Sea, 5.9% in Izmir, and only 0.1% on Lake Van. 75.1% of vehicle traffic on the Marmara Sea took place in the Marmara Basin, and 24.9% in the Canakkale region.

TURKISH CABOTAGE LINES PASSENGERS AND VEHICLES CARRIED

Source: Turkish Ministry of Transportation, Maritime Affairs and Communications



TAV INVESTMENT

TAV Construction was named the "World's Largest Airport Contractor" in Engineering News Record's list of top 250 construction companies worldwide in 2016 for the third consecutive year.

Expert in Airport Construction

TAV Construction's expertise in airport construction is reflected on delivered and ongoing projects in UAE, Qatar, Saudi Arabia, Tunisia, Oman, Egypt, Georgia and Macedonia.

Shareholding Structure

ADP	49.0%
Tepe İnşaat	24.2%
Akfen Holding	21.7%
Sera Yapı	5.1%

Subsidiaries and Affiliates

TAV Construction	99.99%
Riva İnşaat Turizm Ticaret İşletme Pazarlama A.Ş.*	99.99%
TAV Park Otopark Yatırım ve İşletmeleri A.Ş.*	100.00%
TAV Construction Muscat LLC*	70.00%
TAV Construction Qatar LLC*	49.00%
TAV Al Rajhi Construction Co.*	50.00%

** Includes TAV Construction's stake in affiliates.*

Doha International Airport / Qatar

Reaching a total contract value of US$19 billion to date, TAV Investment built upon its success in 2014 and 2015, being named the world's largest contractor in the airport construction category by the ENR for the third consecutive year in 2016.

In 2012, ADP Group became a partner of TAV Investment by acquiring 49% stake in the company. TAV Investment develops its domestic and international projects through its flagship company, TAV Construction. Currently, group companies account for only 2.8% of the ongoing projects of TAV Construction, with the remaining 97.2% corresponding to airport projects, particularly in the Middle East and the Gulf Region.

Airport projects represent 91.2% of all ongoing projects by TAV Construction, while other projects have a share of 8.8%. The preferred business model of TAV Construction in its projects is to work with business partners.

As of 2016, the total value of TAV Construction's delivered projects has reached US$4.2 billion. The total size of TAV Construction's ongoing projects stands at US$14.8 billion in 2016, with TAV Construction's share in these projects amounting to US$5.9 billion. TAV Construction's backlog of ongoing projects is US$1.6 billion.

As of December 31, 2016, TAV Investment has 2,115 employees.

Highlights of 2016

In January 2016, TAV Construction and its partner Arabtec won a tender worth US$1.1 billion for the construction of Bahrain International Airport's new terminal building and associated works. In addition to the new terminal with a capacity of 14 million passengers, the contract also includes construction of a main service building, airside and landside infrastructure works and a multi-story car park. The new terminal, which will cover an area of 220,000 m^2, will be completed in 51 months.

The Saudi Airlines Catering Building, built by TAV Construction at Medinah Prince Mohammad Bin Abdulaziz International Airport, began commercial operations on March 1, 2016.

Riyadh King Khaled International Airport's Terminal 5 building, a US$431 million investment by the TAV - Al Arrab joint venture that features an indoor area of 106,000 m^2 and an annual passenger capacity of 14 million, began serving passengers on May 22, 2016.

Total volume of ongoing projects in 2016

US$ 14,752 million

On June 8, 2016, the provisional acceptance for Medinah Prince Mohammad Bin Abdulaziz International Airport Hotel, which was developed by the TAV-ACC joint venture for an investment of US$31 million, was submitted to the employer.

Ongoing Projects

Project	Location	Employer	TAV Construction's Share	Total Contract Value (US$ million)	TAV Construction's Share in Total Contract Value (US$ million)	Backlog (US$ million)	Physical Progress as of December 31, 2016
Dubai-Marina 101	United Arab Emirates	M/S Sheffield Holding	100%	212	212	0	94.1%
Damac Towers	United Arab Emirates	DAMAC Development	100%	354	354	35	83.5%
Abu Dhabi Midfield Terminal Building	United Arab Emirates	ADAC	33%	3,304	1,101	370	77.7%
Aéroports de Paris Head Quarters & Social Building	France	Aéroports de Paris	50%	102	51	20	69.5%
Tbilisi International Airport Rehabilitation Works	Georgia	TAV Urban Georgia LLC	100%	55	55	24	64.0%
Doha International Airport	Qatar	State of Qatar	35%	4,324	1,513	0	100.0%
King Abdulaziz Airport Maintenance Hangars - Jeddah	Saudi Arabia	Saudia Aerospace Engineering Industries	40%	808	323	141	55.2%
King Khaled Airport Terminal 5 - Riyadh	Saudi Arabia	General Authority of Civil Aviation (GACA)	50%	431	215	0	100.0%
Emaar Square North Structural Works	Turkey	EMAAR Turkey	60%	70	42	0	100.0%
Emaar Square Phase 3	Turkey	EMAAR Turkey	60%	428	257	102	55.0%
Istanbul Atatürk Airport Expansion Project - Phase 3	Turkey	TAV İstanbul Terminal İşletmeciliği A.Ş.	100%	61	61	0	98.8%
Oman Muscat International Airport	Oman	Sultanate of Oman Ministry of Transport and Communications	50%	1,256	628	33	93.9%
Bahrain International Airport	Bahrain	Bahrain Airport Company	40%	1,016	406	389	5.3%
Libya-Tripoli International Airport	Libya	Libyan Civil Aviation Authority	25%	2,103	526	332	36.9%
Libya-Sebha International Airport	Libya	Libyan Civil Aviation Authority	50%	229	115	109	7.0%
Total				**14,752**	**5,860**	**1,554**	

Construction of Tbilisi Shota Rustavelli International Airport's new terminal began on June 27, 2016. TAV Construction plans to deliver the new terminal in September 2017, which will boost the airport's annual capacity to around 4 million passengers. The airport's runway and taxiway renovation works were completed on September 2, 2016.

TAV Construction and its partners Arabtec and CCC continued the construction of Abu Dhabi International Airport's Midfield Terminal Complex. The project is expected to be delivered in October 2018.

TAV Construction was forced to suspend its airport projects in Libya indefinitely due to the political instability in the country.

The company commenced arbitration procedures for collecting its receivables and obtaining legal redress in relation to the aforementioned projects, and the proceedings are still underway.

On October 11, 2016, TAV Construction signed a memorandum of understanding with Aramco, the national oil and energy company of Saudi Arabia. Saudi Aramco aims to invest over US$300 billion in the next 10 years, with a projected 70% of this investments taking place within Saudi Arabia. With this agreement, TAV Construction will be able to bid directly in the tenders for these investments.

Corporate Social Responsibility

The Yazıbeydilli Village Primary School in Adıyaman, which lists TAV Construction among its sponsor, was completed and entered into service.

TAV Construction completed and donated to the Ministry of National Education the first Turkish school in Qatar, which began receiving students in the 2016/2017 academic year.

As part of the Abdullah Gül University's Construction Club activities, TAV Construction organized a technical trip to the Abu Dhabi International Airport Midfield Terminal and the Damac Towers by Paramount project sites.

TAV Construction sponsored the "Design Together" contest by the ITU Engineering Preparation Club, and in partnership with Autodesk, offered building information modelling training to all participating university students.

The company also sponsored the 4th Project and Building Management Congress (PYKK 2016), which took place at Eskişehir Anadolu University.

Another sponsorship activity of TAV Construction was the International Architecture Students Meeting (UMOB 15.5) in Gaziantep.

Awards

TAV Construction was named the "World's Largest Airport Contractor" in ENR's 2016 listing of top 250 construction companies worldwide for the third consecutive year. The company also ranked 81st in the ENR's "World's Top 250 International Contractors 2016" rankings.

Developed by the TAV-ACC Joint Venture Medinah Prince Mohammad Bin Abdulaziz International Airport received the "Airport Project of the Year" award at the "MEED Quality Awards for Projects" by the MEED magazine.

Designed and constructed by TAV Construction, the Domestic Terminal of Izmir Adnan Menderes Airport became the first of its kind in Turkey to receive "LEED Silver" in Green Design Excellence by the U.S. Green Building Council.

Sani Şener, TAV Group CEO, was ranked 9th among Construction Week's top 100 influential businesspeople of the Gulf Region, becoming the only Turkish businessperson to enter the top 10 in 2016 as was in 2015.

Domestic Market Recovering

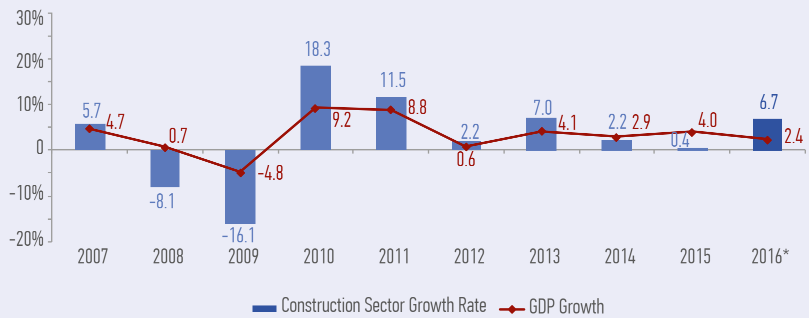
In 2016, many negative developments exacerbated uncertainties and pessimism at the global scale. Dropping global trade volume, presidential elections in the U.S., the United Kingdom's Brexit, OPEC's decision to cut oil production, the ongoing conflict in Syria and geopolitical turmoil in the Middle East and the ongoing refugee problem in Europe and a series of terrorist attacks in the world's major cities are all factors that affected economic progress. In addition to this negative course of events, Turkey faced an intense pressure in 2016 due to the political crisis with Russia, continued tension in the region, the coup attempt, terrorist attacks and rating downgrades by international finance organizations, and the construction sector, the driving force of the economy, was one of the industries that felt the impact.

Despite all adverse events, development of major infrastructure projects continued in 2016 with Osmangazi Bridge, Yavuz Sultan

DEVELOPMENT OF THE TURKISH CONSTRUCTION SECTOR

Source: TURKSTAT, TMB

** 2016 figures show the first nine months of the year.*



Skopje Alexander the Great Airport / Macedonia

Selim Bridge and Eurasia Tunnel entering into service. Next to follow 2017 are city hospital projects and the Third Airport. The tender process for the Çanakkale Bridge was concluded early 2017, and a new, three-story road and rail tunnel project was launched, which, when complete will connect the Europe and Asia under the Marmara Sea.

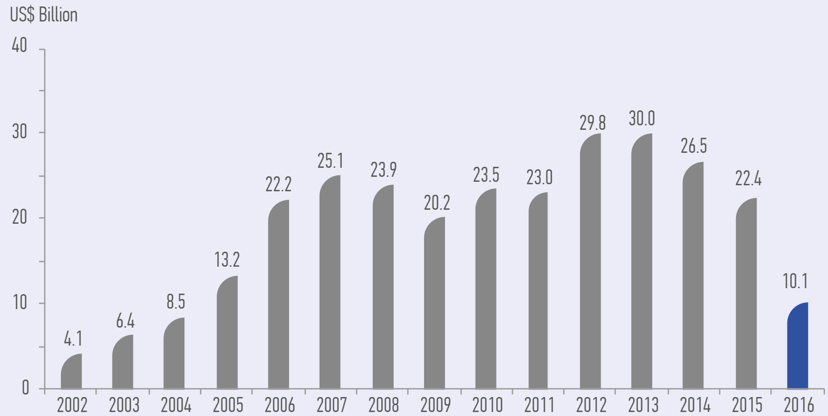
Housing sales saw a sharp drop after the coup attempt of July 2016, but the housing campaigns led by Emlak Konut and GYODER, as well as the reduction of interest rates on housing loans managed to turn the tide and sales figures achieved a 4.0% growth in 2016 over the previous year to reach 1.3 million.

In general, the housing sector recovered significantly in the first three months of 2016, and recorded 7.4% growth in the first nine months of the year.

TURKISH CONTRACTING OPERATIONS ABROAD BY YEAR

Source: Turkish Ministry of Economy

Total project value dropped to US$10 billion in 2016.



In 2016, the amount of projects awarded to Turkish contractors outside Turkey dropped to US$10.1 billion from around US$25 billion in 2014 and 2015. A breakdown of projects by country shows that Russia has left its top position in 2016 due to the dwindling number of projects awarded to Turkish contractors as a result of the political crisis. Accordingly, Qatar has become the top market for Turkish contractors with a share of 20.8%, followed by Uzbekistan with 8.5%, Bahrain with 7.8%, UAE with 6.3%, and Kuwait with 5.9%.

This current trend is expected to change and provide for a more positive year in 2017 compared to 2016 with the improving relations with Russia and Turkey's search for new markets.

Industry's leading publication ENR's "World's Top 250 International Contractors 2016" list includes 40 Turkish firms as the second highest number of entries after China with 65, with the U.S. coming in third with 39 companies. International construction industry bore the brunt of the global uncertainties, as is shown by the aggregate market volume of the Top 250 International Contractors, which dropped by 4.1% to US$500 billion in 2015. Nevertheless, Turkish contractors have actually managed to increase their market share from 4.3% in 2014 to 4.6% in 2015.

Turkish contractors received 8,830 projects in 113 countries from 1972 to the end of 2016 for a total project value of US$335 billion.

Tbilisi Airport / Georgia

AKFEN WATER

The first private sector company to engage in water and wastewater management, traditionally the responsibility of municipal governments and organized industrial zones, Akfen Water has expanded the scope its operations with the addition of solid waste management.

Expert in Water and Wastewater Management

Akfen Water is Turkey's first private enterprise to engage in water distribution, grid management and wastewater treatment. Providing its services through concession, BOT and PPP models, Akfen Water expanded its successful service portfolio with a series of solid waste management projects in 2016.

Shareholding Structure

Akfen Holding	50%
Kardan N.V.	50%

Subsidiaries and Affiliates

Akfen Güllük Çevre ve Su Yatırım Yapım İşletme A.Ş	100%
Akfensu Arbiogaz Dilovası Atıksu Arıtma Tesisi Yapım ve İşletim A.Ş.	75%

Akfen Water's 50% partner Kardan N.V. is an international investment company founded in the Netherlands, and one of the leading companies in the world with over 1,000 engineers and water and wastewater infrastructure investments in across Europe, Africa, Asia, South America and the Mediterranean Basin.

Akfen Water was established in 2005. Aiming to develop projects in water and wastewater grid construction, grid rehabilitation, municipal water distribution from underground and ground sources, water reserve preservation and improvement, water treatment system construction and wastewater and solid waste management systems, the company was granted the Potable and City Water Supply Facility and Waste Water Treatment Plant Construction and Operation Concession work of Güllük Municipality in 2006 for a period of 35 years.

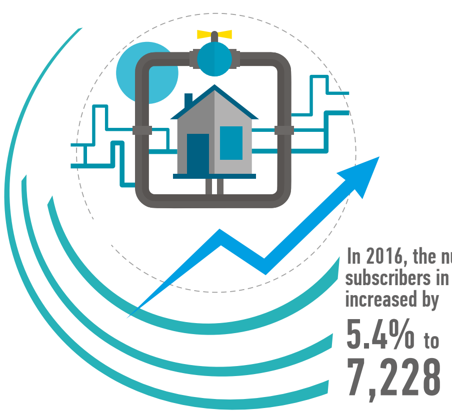
Dilovası / Kocaeli

In addition to the Güllük concession project, as part of a BOT contract signed with the Dilovası Organized Industrial Zone Administration on August 3, 2007, Akfen Water offers wastewater treatment services to the plants and businesses of Dilovası Organized Industrial Zone as well as to the general population of the Dilovası Municipality. As part of the 29-year BOT contract, the company started providing its services on July 1, 2010 from its Wastewater Treatment Plant with a daily capacity of 21,144 m^3 (current operational capacity: 11,000 m^3), a Sludge Drying Plant, and Wastewater Collection Lines. This project has made Akfen Water the contractor in the first BOT project in Turkey with an explicit aim to address wastewater treatment challenges of organized industrial zones. The 27-year operational contract of Akfen Water Dilovası guarantees a tariff of EUR 1.3/m^3 in the first 11 years, and 0.8/m^3 for the remainder of the term, effective after July 2021.

The company's priority goal is to utilize the correct infrastructure and advanced technologies to protect and ensure the sustainability of water resources. Accordingly, automation and monitoring equipment was installed at wells and lift stations in 2014, and subsequently improved in 2016 to cover water storage tanks and other grid facilities as well, thus increasing usage efficiency of water resources.

Meanwhile, Akfen Water continues successfully to provide its services under the Waste and Environmental Management contract, which it signed with IDO in 2012. Under the contract, Akfen Water is responsible for identifying, sorting, collecting, separating, temporarily storing, transporting, recovering, and disposing all hazardous and non-hazardous waste generated by IDO activities in vessels, landside vehicles and operations, offices and other port areas, and for operating and maintaining the 150 m^3/day Biological Domestic Wastewater Treatment Plant at IDO's Topçular Terminal.

In 2016, Akfen Water began providing Waste Management Services at Turkey's first three PPP city hospitals: the 1,253-bed Mersin Integrated Healthcare Campus, the 750-bed Isparta City Hospital, and the 475-bed Yozgat City Hospital. In addition to hospital waste management projects, in 2016 Akfen Water also started rendering Hazardous and Non-hazardous Waste Disposal and Recycling services to MIP.



Akfen Water works to duplicate the success it achieved in Solid Waste and Environmental Management services for IDO in new firms and facilities such as hospitals, ports and airports and to attain its organic and inorganic growth targets in the solid waste and recycling industry.

Akfen Water Dilovası and Güllük successfully completed ISO 14001:2004 Environmental Management, OHSAS 18001:2007 OHS Management, and ISO 9001:2008 Quality Management Systems procedures in the previous years and received its certificates in 2016.

As of December 31, 2016, Akfen Water has 44 employees.

Highlights of 2016

Akfen Water launched three new projects involving Solid Waste Management at the 1,253-bed Mersin Integrated Healthcare Campus, the 750-bed Isparta City Hospital, and the 475-bed Yozgat City Hospital, all developed through the public-private partnership model. As part of the projects, Akfen Water has assumed full responsibility for all stages of waste management, from development of waste management systems to investments in suitable equipment and machinery, and establishment of professional waste management teams to the final disposal and recycling of waste.

In addition to the hospital waste projects, in September 2016, Akfen Water launched its Mersin International Port Waste Project.

In 2016, the total amount of water bills charged by Akfen Water Güllük increased by 11.1% year-over-year to 591,555 m^3.

During the year, the company installed solar panels with an aim to reducing its power consumption, achieving 30% savings.

The total amount of wastewater treated at Akfen Water Dilovası facilities during the year was 2,395,595 m^3, a 20% increase over 2015. Guaranteed wastewater flow rate for 2016 was 3,450,000 m^3, whereas the guaranteed tariff was EUR 1.3/m^3.

Corporate Social Responsibility

Employees of Akfen Water Güllük took part in the Güllük Coastline Cleaning event by the City Council and opened a stand outside the office, offering food and beverages to participants.

Another corporate social responsibility project of Güllük in 2016 was the financial support provided for the book "The Encyclopedia of Milas Civilizations from Antiquity to Today".

Growing Importance of the Sector

The rapid growth of the economy, urbanization and population has increased the importance of recycling of wastewater and solid waste through well-organized, professional and holistic waste management systems in a sustainable and economically advantageous manner for Turkey.

Increasing population and industrial production continue to drive up the demand for sustainable and environmentally conscious wastewater treatment services, which in turn increase the pressure on municipal governments. The need for new investments and technical and financial challenges associated with operating existing ones in recent years have necessitated a close partnership among national and international stakeholders, and sparked discussion for new and comprehensive policies.

The problems encountered in the water and wastewater market, where public bodies shoulder almost the entirety of investment and operational obligations, are not limited to the burden of new investments on public budget as the financial limitations and insufficient technical capabilities of local administrations lead to technical and financial challenges in the operation of existing plants and ultimately in a lack of efficiency in terms of management of facilities in a way that is productive while also beneficial to public health and ecological balance.

In Turkey, solid waste management is an area of growing importance and an obligation due to the harmonization of law with the EU.

Also growing in importance in Turkey is the management and improvement of water resources through a regime of wastewater and solid water management, which offers a significant potential for growth as outlined in the Ministry of Development's Tenth Development Plan.

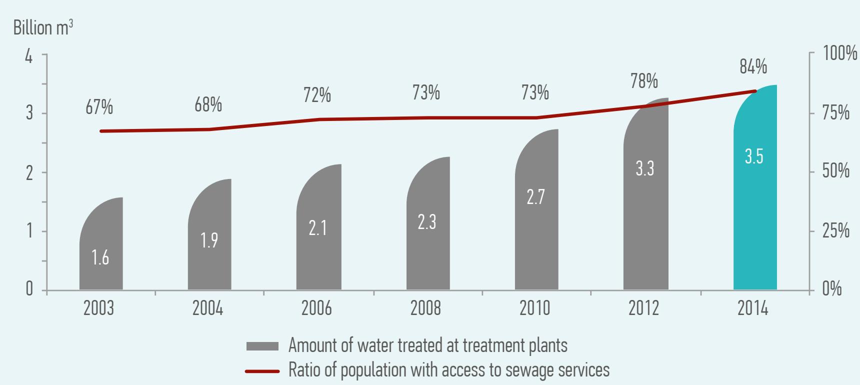
With an urbanization rate of 92.3%, Turkey is served by 604 wastewater treatment plants with a total capacity of 5.9 billion m^3 in 2014, a remarkable growth from 172 plants of 3.4 billion m^3 in 2004. The ratio of population with access to a sewage system has also increased from 68% in 2004 to 84% in 2014, which the Ministry of Environment and Urbanization aims raise to 100% by 2023. On the other hand, there is a clear need for more investments in solid waste disposal and recycling in order to drive the development of the sector. The share of population that live in areas with access to solid waste disposal and recycling services accounted for 65% of all municipal population in 2014, compared to 32% in 2004.

According to TurkStat data, environment-related expenditures of public bodies and special provincial administrations grew from TL 1.1 billion in 2005 to TL 2.2 billion in 2015. During the same period, expenditures in wastewater and solid water management increased from TL 0.5 billion to TL 0.9 billion. Likewise, environment-related municipal expenditures rose considerably from the 2005 level of TL 4.4 billion to TL 17.4 billion in 2015. Out of these, wastewater and solid waste expenditures accounted for TL 2.0 billion in 2005 and showed a significant increase in parallel with environmental expenditures to reach TL 9.1 billion.

Despite the developments in recent years, Turkey still remains a developing market in terms of water and wastewater management.

WASTEWATER TREATED AND THE RATIO OF POPULATION WITH TREATMENT PLANT CONNECTION

Source: TURKSTAT



CORPORATE GOVERNANCE

Corporate Values and Future Outlook

OUR GOAL

We aim to take advantage of growth opportunities and new areas of business in all our sectors inside and outside Turkey, and to add value to all of our stakeholders, especially our employees and our partners as strive to sustain our achievements in our areas of expertise to become a sustainable "national corporation."

OUR CORPORATE VALUES

The following are the foundation stones that make us a sustainable national corporation:

- All tasks are important, all employees are valuable.
- We are dynamic and enterprising.
- Integrity is the sign of our quality.
- Our investments have both tangible and intangible value.
- We walk off the beaten path.
- We stand by our business and learn something every day.
- Our identity is our reputation.

OUR STRATEGY

- To build robust domestic and international strategic partnerships in the infrastructure sector, our core business, guided by our successful history of obtaining and managing concessions and business development.
- To further solidify our leading position in our main sectors of operation and engage in new infrastructure investments by focusing on concessions and sectors with high growth potential, monopolistic market structures and sustainable cash flows via long-term maximum revenue guarantees.
- To create and maximize shareholder value.
- To manage our assets actively.
- To achieve revenue growth, improved profitability, and an optimal capital structure.

OUR PRINCIPLES

- To bring together a dynamic, competent and participatory workforce under Akfen Holding that assigns importance to continuous improvement and to adding value.
- To maintain our understanding of quality and ethical values at the forefront of all of our business and management processes.
- To fulfill all our business commitments promptly and at the highest quality.
- To fulfill our promises to our employees, business partners, shareholders and social stakeholders and to protect their interests.
- To maintain the sustainability of transparency and our approach to doing honest business.
- To manage risks with an inventive and innovative approach to business when undertaking new initiatives and exploring opportunities.
- To invest in people and the community through social responsibility projects.

Akfen Holding recognizes that success and a promising future lie in the hands of employees. With a principle that states "All tasks are important, all people are valuable", Akfen Holding aims at developing a working environment that cares about the opinions of its employees, encourages their involvement, and provides equal opportunities for all.

Akfen strongly believes that it is a basic criterion for sustainable success to ensure a working environment where tangible and intangible rights are protected and human rights are respected for Akfen employees, who adopted the principle of collaboration under Akfen roof based on love, respect and tolerance, as well as contractors' and sub-contractors' employees and treasures those efforts of collaboration in which corporate values and ethical principles are shared.

Based on this foundation, our Human Resources Policy adopts approaches which protect employee rights and cultivate an understanding of "Akfen Family" both within the company and before all stakeholders.

To serve that end, emphasis is laid on planning, selecting, placing, developing human resources that match the requirements of the business and the skills and competencies of employees; carrying out job analyses and formulating job descriptions to accommodate to changing conditions; performance and career planning, boosting job satisfaction and establishment of corporate culture.

Human Resources Management implements Human Resources practices, reviewed according to daily circumstances and constantly developed in a dynamic fashion in line with the strategic plans and goals of the company. To serve that end, emphasis is laid on planning, selecting, placing, developing human resources that match the requirements of the business and the skills and competencies of employees; carrying out job analyses and formulating job descriptions to accommodate to changing conditions; performance and career planning, boosting job satisfaction and establishment of corporate culture.

ORGANIZATIONAL DEVELOPMENT

In an effort to ensure sustainable success and innovation; organization, human resources, business processes and job descriptions are structured according to necessities and are systematically revised. Activities include those with an aim to sustain, improve and generalize goal and competence oriented human resources systems that uphold a culture of high performance and constant development.

Distribution of Employees by Gender (2016)

	Companies	Employees	Number of Female Employees	Number of Male Employees
Holding and Subsidiaries	Holding	55	19	36
	REIT	21	10	11
	Energy	2	0	2
	Total	**78**	**29**	**49**
Jointly-Managed Companies	TAV Airports	29,231	7,716	21,515
	TAV Investment	2,115	186	1,929
	MIP	1.446	87	1,359
	IDO	1.814	234	1,580
	Akfen Water	44	5	39
	Akfen Renewable Energy	191	12	179
	Total	**34,841**	**8,240**	**26,601**
Grand Total		**34,919**	**8,269**	**26,650**

SELECTION AND PLACEMENT

Akfen Holding's Human Resources Management strives to recruit and retain dynamic, swift, flexible employees that add value to the Holding and are responsible toward the environment, society and human beings; who are able to take initiatives and are open to innovation and change and aim to improve themselves and their work. The department also determines the required functional competencies in job descriptions and recruits the candidates who are best fit to the job descriptions in the Company departments.

TRAINING MANAGEMENT

Akfen Holding regards continuous training an essential factor in creating sustainable values and an integral part of its corporate culture. To that end, the Holding offers various training opportunities to improve staff qualifications and enhance their intellectual capital.

In addition to the know-how trainings, orientation programs and on the job training, the Holding also provides a training program on soft skills and technical knowledge, offered either by internal experts or external consultants. Training programs are determined with the participation of employees and are revised each year in line with demands and necessities.

PERFORMANCE MANAGEMENT

In order to reward workforce who adds value and identify points for improvement, a performance appraisal system comprised of basic, functional, professional, process and management competence stages where success is assessed on the basis of measurable criteria is currently under development. Efforts are in place to define development programs that support career paths for employees in line with feedback from managers while communicating expectations from employees concretely.

CAREER MANAGEMENT

In an effort to offer personal development opportunities to our staff while catering to corporate needs, employees are offered promotions in lateral or vertical transfers within the company or across subsidiaries. Labor force competencies are enhanced by job enrichment practices.

EMPLOYEE PROFILE

Akfen Holding's employees are open to change and development, are highly motivated for success, believe in teamwork and team spirit, use their time and resources efficiently, and have a high sense of social responsibility.

Distribution of Employees by Educational Background (2016)

	Companies	Educational Background		
		Undergraduate / Postgraduate	Middle School / High School	Primary School
Holding and Subsidiaries	Holding	37	16	2
	REIT	16	5	0
	Energy	2	0	0
	Total	**55**	**21**	**2**
Jointly-Managed Companies	TAV Airports	12,591	12,130	4,510
	TAV Investment	920	368	827
	MIP	331	617	498
	IDO	817	867	130
	Akfen Water	15	17	12
	Akfen Renewable Energy	78	99	14
	Total	**14,752**	**14,098**	**5,991**
Grand Total		**14,807**	**14,119**	**5,993**

Hamdi AKIN

Chairman of the Board

Hamdi Akın, born in 1954 in Istanbul, graduated from Gazi University, Department of Mechanical Engineering and founded Akfen Holding, active in the construction, tourism, trade and service sectors, in 1976. In addition to serving as the Chairman of the Board of Directors at Akfen Holding, in 2005, he also became Chairman of TAV Airports of which he is a founder and a shareholder. Mr. Akın also took his dynamism and hard work in business to volunteer efforts and non-governmental organizations as a manager and founder of many societies, foundations, chambers of commerce. He has served as Vice President of Fenerbahçe Sports Club (2000-2002), MESS-Metal Industrialists' Union President of Ankara Regional Representatives Council (1992-2004), President of TUGIAD (Turkish Young Businessmen's Association) (1998-2000), on the Board of Directors of TISK-Turkish Confederation of Employers' Associations (1995-2001), the Board of Directors of TUSIAD (Turkish Industry and Business Association) and has also served as the President of Information Society and New Technologies Commission (2008- 2009). Mr. Akın has been serving as a Board Member of the Turkish Marine Environment Protection Association (TURMEPA) since 2011.

Mr. Akın is a founder of the Contemporary Turkish Studies Chair at the London School of Economics. He is also the Founding Member and Honorary President of TIKAV, founded in 1999 to provide Turkey with well-trained human resources. He is also the Vice Chairman of the Board of Trustees at Kayseri Abdullah Gül University.

İrfan ERCİYAS

Board Member / Executive Member

İrfan Erciyas graduated from Economics and Finance department of Gazi University in 1977, and started his career in Türkiye Vakıflar Bankası. After having worked as inspector and Branch manager in Türkiye Vakıflar Bankası, he continued to work as Vice General Manager between 1996 and 2002 and as General Manager between 2002-2003. Erciyas who joined Akfen Holding in 2003 as Vice Chairman of the Board of Directors, worked especially on privatization of Vehicle Inspection Stations, Mersin International Port and IDO and also during the foundation and investment processes of Akfen REIT and Akfen Energy, for the public offering of Akfen Holding and Akfen REIT and on the subjects of the share sales of the shareholdings and long term finance. İrfan Erciyas has been serving as an Executive Board Member of Akfen Holding since March 2010, and he is also the Chairman, Vice Chairman and Board Member of several subsidiaries and affiliates of Akfen Holding.

Selim AKIN

Vice Chairman of the Board

In 2006, Selim Akın graduated from the Business Administration Department at University of Surrey in the United Kingdom and served as the President of the Turkish Association during his years in university. He later became a Member of the Turkish Young Businessmen's Association upon his return to Turkey and currently acts as the chairman of its trade committee. He is also a member of TUSIAD and of TAV Airports Holding's Early Risk Detection Committee. Mr. Akın started his professional career in the Akfen Holding Accounting Department and later served in the Project Development and Finance Departments.

The main projects in which he participated are the privatization and financing of Vehicle Inspection Stations, the privatization and financing of the Mersin Port and Akfen Holding's public offering and bond issuance. Mr. Akın currently serves as Chairman of the Board of Akfen Construction, Vice Chairman of the Board of Directors at Akfen Holding and Board Member at subsidiaries of Akfen Holding.

Pelin AKIN ÖZALP

Board Member

Pelin Akın graduated from the Business Administration and Spanish Department of Surrey University in the United Kingdom in 2010; she started her professional career in the Strategy section of Deutsche Bank Finance Department in Madrid. After returning to Turkey, she started working for TAV Airports and was included in the Management Trainee Program for training as a future director.

Today, she is a member of the Corporate Governance Committee at TAV Airports Holding, member of the Corporate Governance Committee and the Board of Akfen Holding, and member of the Board of Directors at IBS Insurance and Reinsurance Brokerage and Akfen REIT.

Pelin Akın Özalp currently takes part in various working groups in DEIK (Foreign Economic Relations Board) including Spanish Business Council and DEIK English Business Council, while being actively involved in TIKAV (Turkish Human Resources Education and Health Foundation) founded by Akfen Holding in 1999, as member of the Board of Trustees and member of the Board of Directors. Ms. Akın serves as Deputy Chairperson at Duke of Edinburgh International Award Turkey Program and also as Head of the Advisory Board at the Contemporary Turkish Studies chair at London School of Economics (LSE) since 2010.

Until 2017, Pelin Akın Özalp served as the organizer of the Tatlıdil Forum, which was established in 2011 to enhance political, economic and cultural relations between Turkey and the UK. She is also a member of TURKONFED, PODEM, TAIDER, and TOBB Young Entrepreneurs Advisory Board. She was also the youngest Associate Member of the Board of Directors of TUSIAD for two consecutive years from 2015.

İbrahim Süha GÜÇSAV

General Manager / CEO

Güçsav graduated from Istanbul University, Department of Economics in 1992; he later received his MA from Gazi University, Institute of Social Sciences, Department of Business Administration. Beginning his professional career in 1992 at Alexander & Alexander joined Akfen Holding in 1994, where he served as Financial Group President and CEO. He has assumed important duties and responsibilities in the privatizations of Vehicle Inspection Stations, Mersin International Port and IDO, and also during the foundation and investment stages of Akfen REIT, the public offering of Akfen Holding and Akfen REIT, and in the processes of share sales of subsidiaries, and long term project financing. Currently serving as Chairman of the Foreign Economic Relations Board (DEIK) Turkish- Singapore Business Council, Güçsav served as Vice Chairman of the Board of Directors of Akfen Holding from 2003 to March 2010. CEO of Akfen Holding since March 2010, Güçsav served as member of the Board of Directors of Akfen Holding between 2010-2012 and at TAV Airports Holding A.Ş. between 2000-2012. In addition to his duties as Akfen Holding's CEO since March 2010, Güçsav is Chairman of the Board of Directors at Akfen REIT and Akfen Water and serves as a member to the Board of Directors at subsidiaries, including primarily Mersin International Port and Akfen Renewable Energy. As of October 2014, Akfen Holding CEO Güçsav was additionally named Turkish Honorary Business Representative of the International Enterprise Singapore (IE Singapore), an agency of the Singapore Ministry of Industry and Trade.

Sıla CILIZ İNANÇ

Assistant General Manager – Legal Affairs / CLO

Sıla Cılız İnanç, graduated from Marmara University, Faculty of Law in 1995, joined Akfen Holding in 1997 upon having carried out law internship in 1996. She took part in Public Private Partnership projects (PPP) in Turkey, mergers and acquisitions, worked in concern with construction, energy and competition law. She took an active role in secondary legislation of Public Tender Law. She worked at every stage of build-operate-transfer projects, transfer of rights/concession and all process of privatizations implementations including tenders and transfers in which Akfen and its subsidiaries participated, also dealt with establishment of financial structures, facility agreements and public offering of Akfen Holding and Akfen REIT and bond issue transactions. She conducted company and holding structure works. She is now Deputy General Manager of Akfen Holding A.Ş. and also Board Member of various Akfen Holding subsidiaries, Akfen Altyapı Danışmanlık A.Ş. and Akfen Construction and its affiliates.

Hüseyin Kadri SAMSUNLU

Assistant General Manager – Financial Affairs / CFO

Hüseyin Kadri Samsunlu joined Akfen Holding in 2009. He served as Assistant General Manager for Business Development until 2011. The same year he was named Assistant General Manager of Financial Affairs, a position he's been holding since then. Between 2009 and 2012, he served as Board of Directors and Internal Audit Committee Member of TAV Airports. He managed structuring and implementation in a series of loan, stocks, financing and capital market transactions in Akfen Holding and its various subsidiaries. Samsunlu launched his career in the Industrial Development Bank of Turkey and served in various positions between 1995 and 2006. Before joining Akfen Holding, he consulted in investment and corporate finance areas in Romania and Turkey. Samsunlu is a Member of the Board of Directors of MIP and Akfen Renewable Energy.

Meral ALTINOK

Budget, Reporting and Risk Management Coordinator

Meral Altınok graduated from Istanbul University, Department of Economics in 1979. She began her professional career in 1977 and joined Anadolu Kredi Kartı Turizm ve Ticaret A.Ş. (Anadolu Credit Card Tourism and Trade) in 1980. Ms. Altınok crossed over to the finance sector by joining The First National Bank of Boston in 1984. From 1993 to 2000, she worked at Toprakbank Holding A.Ş. and from 2001 until 2008 as Assistant General Manager in charge of Financial Affairs at Çalık Holding A.Ş. She joined Akfen Holding in 2008, where she currently serves as Budgeting, Reporting and Risk Management Coordinator.

Rafet YÜKSEL

Accounting Coordinator

Rafet Yüksel graduated from Anadolu University, Department of Economics in 1987. He served as an accountant in the Accounting Department of PEG A.Ş. under the Profilo Holding A.Ş. umbrella for five years. In 1990, Mr. Yüksel began work at Akfen Müh. Müş. Müt. Ve Müm. A.Ş. (Akfen Engineering Consultancy Construction and Representation) as Accounting Specialist. In 1998, he became a Certified Public Accountant. He was authorized as an Independent Auditor upon receiving his Independent Auditor's Certificate on January 13, 2014. Yüksel held management positions in Akfen Holding's Accounting Department. He currently serves as accounting Coordinator of Akfen Holding A.Ş.

Gülbin UZUNER BEKİT

Finance Coordinator

Gülbin Uzuner Bekit graduated from Hacettepe University, Faculty of Economics and Administrative Sciences, Department of Economics in 1990. She went on to earn her MA in International Finance from Webster University, London in 1992. The same year, she began her professional career in the Financing and Budget Department at STFA Enerkom and joined Garanti Bank in 1995, where she served as a Manager in Financial Analysis, Marketing and Corporate Loans. Mrs. Bekit joined Akfen Group in 1998, where she currently serves as the Finance Coordinator.

Frans JOL

Managing Director, MIP

With an over 40 years of experience in maritime and terminal operations, Frans Jol has extensive knowledge of terminal planning and electronic data interchange. Jol began his career, during which he would later work with numerous computer systems, at Shell Tankers. He moved forward as General Manager for Continental Europe at P&O Containers, Rotterdam, Holland and as Managing Director at various terminals in Italy for years. Most recently, he worked as Operations Director and Board Member at TIL (Terminal Investment Limited), where he directed eight terminals around the world at once. Throughout his career, Jol served as Board Member at PSA's various joint ventures, including PSA Sines in Portugal, ITL in Argentina, MPET in Belgium, and MPAT in Singapore. On January 15, 2016, he joined the Mersin International Port crew as Managing Director. Frans Jol and his team build on MIP's achievements over the past decade and lead many important projects, chiefly the East Med Hub project still at the development phase.

Metin YILDIRAN

General Manager, Akfen Enerji Üretim

Mr. Yıldıran graduated from Istanbul Technical University in 1979 and has ample national and international experience and numerous publications in the environment and energy sector spanning thirty five years. He started his career as an engineer at Turkish Electricity Authority in 1979. Between 1982 and 1985 he worked at Oak Ridge National Laboratory in the United States. From 1985 until he retired from the public sector in 2005, he served in different positions at Turkish Electricity Transmission Company and Electricity Generating Company including engineering and head of department. Between 2005 and 2011, he served as consultant to various organizations on the environment and energy including Akfen Holding. He joined Akfen Holding as a professional member of staff in 2011. Metin Yıldıran currently serves as General Manager of Akfen Enerji Üretim ve Ticaret A.Ş., Adana İpekyolu Enerji Üretim Sanayi ve Ticaret A.Ş. and Laleli Enerji Elektrik Üretim A.Ş.

Mustafa Sani ŞENER

CEO/Executive President, TAV Airports/TAV Investment

He was appointed as Member of the Board of Directors of TAV Airports and Chairman of the Executive Committee in 1997. Mustafa Sani Şener graduated from Karadeniz Technical University, Department of Mechanical Engineering in 1977, and earned his Master's degree in financial mechanics in 1979 from the University of Sussex (UK). He received an honorary doctorate in engineering from Karadeniz Technical University, Faculty of Mechanical Engineering for his contributions to the development of Turkish engineering on an international level. He was also awarded an Honorary Doctorate in business administration by the Hellenic American University for his achievements in project and risk management in his position at TAV Airports.

Before joining TAV Airports, Mr. Şener assumed various positions from project manager to general manager in many domestic and international projects. He has also received training on the management of complex systems at Massachusetts Institute of Technology. Mr. Şener serves as a Board Member of the Airports Council International (ACI) Europe, and in 2012 he was elected Chairman of the Turkish-French Business Council of DEIK (Foreign Economic Relations Board). Şener was awarded the order of "Légion d'honneur"for his contribution to bilateral relations between Turkey and France.

He won first place in Thomson Extel's poll casted among domestic and foreign financial corporations in "Best CEO" category in Turkey in 2010, 2011, 2014, 2015 and 2016 and third place in European Transportation Sector in 2014.

Mustafa Kemal GÜNGÖR

General Manager, Akfen Renewable Energy

Mustafa Kemal Güngör graduated from Middle East Technical University Electrical and Electronic Engineering in 1998 and obtained his master's degree in the same department of the same university in 2003. Mr. Güngör specialized in Energy Systems in his senior year as an undergraduate as well as in his postgraduate studies. Since the completion of his studies, he has spent his entire working life in the energy business. Mr. Güngör started his career in energy transmission in 1998 and worked in high-voltage transmission line and transformer station projects. Later in his career he worked in companies investing in power plants. He was involved in the entire process of the building of the first private sector wind turbine in Turkey, from its construction until the end of its first operating year. He is one of the first members of the team that constructs and runs the hydroelectric power plants in the portfolio of Akfen Holding to which he joined in July 2007. Güngör also carries out the development of wind projects in the holding as well as contributing to the development of wholesale electricity sales and solar power projects. He currently serves as General Manager of HEPP and WPP companies in the Holding.

F. Sertac KARAAĞAOĞLU

General Manager, Akfen REIT

Sertac Karaağaoğlu launched his professional career as Portfolio Manager in Toprakbank in 1996. Between 2000-2001, he served as Portfolio Manager in Kentbank. In March 2001, he joined Fortis Bank (Dışbank) where he served in different managerial positions until 2011 as Portfolio Manager, Branch Manager, SME Director of Anatolian Region, Eastern Mediterranean Regional Director and Director of Loans, respectively. Between 2011 and 2012, he served as Loans Allocation Director in TEB BNP Paribas. Between 2012-2016, he worked in Istanbul Stock Exchange as Listing and Special Market Group Manager in corporate finance for public listing, bond issues and company acquisitions.

Sertac Karaağaoğlu obtained his Political Science and Public Administration degree in Faculty of Economic and Administrative Sciences of Middle East Technical University (METU) in 1996. He obtained a postgraduate degree in Business Management at Maltepe University in 2015. Mr. Karaağaoğlu speaks English fluently.

Emre SEZGİN

General Manager, Akfen Water

Mr. Sezgin graduated from the International Relations Department of Bilkent University Faculty of Economic and Administrative Sciences in 2000. He started his career the same year at ABN Amro Yatırım Menkul Değerler A.Ş. In 2002, Sezgin received his MBA in the UK and served as senior reinsurance specialist expert at IBS Insurance & Reinsurance Brokerage in 2004-2007. He took office in the Akfen Holding Business Development Department in 2008 and took part in project development, privatization tenders, mergers and acquisitions, public offering and bond issuances. Emre Sezgin who served as Acting General Manager at Akfen Çevre ve Su Yatırım Yapım İşletme A.Ş. since March 2014, has been the General Manager as of August 2015.

Ufuk TUĞCU

General Manager, IDO

Ufuk Tuğcu graduated from High Maritime School in 1980 and received training at Southampton Warsash Maritime Academy in 1983. Mr. Tuğcu holds Tanker Safety, Inertgas System and Crude Oil Washing certificates and is currently the General Manager of IDO. Ufuk Tuğcu started his business life as "Captain" at Deniz Nakliyatı (Turkish Cargo Lines) A.Ş. in 1980 and served in the same position for nine years. He was then transferred to Petrol Ofisi Head Office in 1989 where he served as captain for the first three years. He was later appointed to managerial positions in 1992 and took office as Inspector and Ship Operating Manager between 1992 and 2000. Following the privatization of Petrol Ofisi in 2000, Mr. Tuğcu was appointed Ship Coordinator at Türkiye İş Bank and Doğan Group Consortium and joined İstanbul Deniz Otobüsleri A.Ş. (IDO) in November 2000. Tuğcu took office and served as Assistant General Manager at IDO until the privatization tender in 2011. He later worked as Deputy General Manager for Operations. He was appointed as the Acting General Manager in April 2014, and has been appointed as General Manager in December 2014, a position he still holds. Tuğcu also serves as Chairman of the Board of BTA Denizyolları and Deputy Chairman of the Board of Directors at Zeytinburnu Liman İşletmeleri A.Ş. (Zeyport). He is married with two children.

Mesut Coşkun RUHİ

General Manager, Akfen Construction

Coşkun Mesut Ruhi graduated from Middle East Technical University, Faculty of Engineering, Department of Civil Engineering in 1992. After working for Güriş İnşaat A.Ş. for a short term, he joined Akfen the same year. Mr. Ruhi has served in various capacities at Akfen Construction, from Site Engineer to Project Manager. He has been the General Manager of Akfen İnşaat Turizm ve Ticaret A.Ş. since 2005 and has also been serving as a Board Member as of January 2016.





SOCIAL RESPONSIBILITY

One cannot seek meaning in a world without people. Therefore, in addition to economic support, sustainable welfare requires investment in raising healthy and educated individuals and in creating a dynamic society. With that in mind, Akfen lays emphasis on social responsibility projects that propose solutions to all sorts of educational, health, environmental and global issues, with particular focus on projects aimed at the young population, who represent the future of our country.

Hence, 2016 was a year marked with growing prevalence of "youth" and "health" related matters.

Corporate Social Responsibility

TIKAV BPG XI. Group Scholarship Holders' Graduation

Assuming that sustainable welfare is only possible with investments in people and the society as well as economy, Akfen Holding delivers its corporate social responsibility under the Turkish Human Resources Education and Health Foundation (TIKAV) founded in 1999 by Akın family.

TİKAV adopts an innovative approach in today's rapidly changing world of information, carrying out national and international activities to aid society's adaptation to change, to integrate into the society leaders of development, and to spearhead the propagation of social responsibility awareness.

Through long-term social responsibility projects it runs to this end, TIKAV aims to improve the knowledge base, manners and experience of the young generations and contribute to the elimination of today's environmental problems.

Thanks to projects launched so far, TIKAV has reached various segments of the society including university students, members of the business world, young people, children in mountain villages, women, mukhtars, relatives of the disabled, children under treatment in hospitals and mothers accompanying them. TIKAV also undertook the renovation of numerous schools.

2016 was a year marked with periodic results from TIKAV's social responsibility projects as well as youth activities including conferences and summits organized in different cities across Turkey as part of "Support for Youth and Entrepreneurs" initiatives with direct participation by Akfen managers.

Human investment

TIKAV's projects aim at creating a benefit for the society in an effort to raise individuals who adapt to innovations of the constantly-evolving information age, are respectful towards social and universal values, are environmentally-conscious and demonstrate a sense of social responsibility.

TIKAV's projects are divided into three categories: Local, National, and International.

LOCAL PROJECTS

Personal Development Program

Personal Development Program is one of the leading projects implemented locally by TIKAV. The goal of the program is to create equal opportunities, in particular for university students with limited access to educational, cultural and personal development opportunities due to socioeconomic reasons.

To this end, the foundation provides scholarship to students from freshman year to the senior year to help them enrich their knowledge and skills through a variety of personal development and foreign language and computer training programs, culture & arts and community service programs as well as national and international projects, talks, and professional programs.

TIKAV Scholarship Holders and Hamdi Akın

The program was launched in 1999 for the students of Elazığ Fırat University. It was later applied in Van Yüzüncü Yıl University in 2003, Middle East Technical University, Hacettepe University, Ankara University and Eskişehir Osmangazi University in 2006.

Adopting the goal of providing equal opportunities in access to educational resources, TIKAV focused on universities older than a decade in Eastern and Southeastern Anatolian Regions in 2009 and launched the project in educational institutions such as Elazığ Fırat University, Şanlıurfa Harran University, Kahramanmaraş Sütçü İmam University and Erzurum Atatürk University. Continued at Fırat University students since 2014, the Personal Development Program has reached out to approximately 300 young people since its inception in 1999. In 2016, a total of 36 students received scholarship.

Career Workshop – Mentee-Mentor Program

Career Workshop Mentee-Mentor Program aims to help students of the TIKAV Personal Development Program who are set to become the “Leaders of the Future”, as they take their first steps towards professional life and develop a sense of social responsibility in the business world. The program brings together Akfen Holding managers and staff (as mentors) and senior TIKAV scholarship holders (as mentees).

Volunteers receive an “E-Mentorship Training” in the program and share their professional experiences with mentees, giving them ideas about how to devise their own career plans. As part of the program, mentors and mentees hold weekly talks over the internet, on telephone, or via email about topics specified in advance.

Career Workshop Mentee-Mentor Program was launched in the 2012-2013 academic year and has been carried out each year since then, including the 2016-2017 academic year. Since its inception, a total of 52 mentors joined 52 mentees. In 2016 alone, 11 TIKAV scholarship holders and 11 mentors attended the program.

NATIONAL PROJECTS

TIKAV aims to launch sustainable projects for the education and development of individuals in order to offer permanent solutions to problems it has addressed since 2010. To serve that end, TIKAV runs joint projects with various organizations in different parts of Turkey, reaching various segments of the society including university students, members of the business world, young people, children in mountain villages, women, mukhtars, relatives of the disabled, children under treatment in hospitals and mothers accompanying them. TIKAV also undertook the renovation of numerous schools.

We Repair for You to Study

We Repair for You to Study

Projects Carried Out in Cooperation with MIP

Since 2010, TIKAV has been coordinating various social responsibility projects for different target groups financed by Mersin International Port (MIP), an affiliate of Akfen Holding.

As part of a project entitled "New Customs to Old Villages" launched in 2010, nearly 150 students of ages 7 to 14 living in mountain villages of Mersin received training on computer use and hygiene/personal care. In 2011 and 2012, 470 mothers received training on hygiene, reproductive health, and breath therapy within the scope of the "School for Mothers" Project. Those who benefited from the project in 2011 were mothers of kindergarten students in the Akdeniz district while mothers from Toros district villages joined in 2012. In 2013, 100 mukhtars in Mersin received trainings on Communication Techniques, Effective Leadership, Rules for Official Correspondence and Computer Use through the "Hand in Hand with Mukhtars" project. In 2014, 1,000 relatives of persons with disabilities received training as part of the "Disabilities Within" project. In 2015, panels were organized on "Work Life and Women" and "Domestic Communication" in order to create a social benefit. Furthermore, through the "We Repair for You to Study" program launched in 2012 in Kazanlı Primary School, Kindergarten of Dikilitaş Primary Shool in 2013, Halil Akgün Primary School in 2014, Vali Sabahattin Çakmakoğlu Middle School and Mimar Sinan Middle School, Kuvayi Milliye and Kıbrıs Primary School in 2016, the said schools were repaired and renovated to provide better conditions of study for students.

INTERNATIONAL PROJECTS

The Duke of Edinburgh's International Award for Young People

The international social responsibility project applied by TIKAV is The Duke of Edinburgh's International Award for Young People. The Award Program is run by The Duke of Edinburgh's International Award-Turkey National Authority under support by Akfen Holding and the representation of TIKAV.

The Duke of Edinburgh's International Award for Young People was first launched in the UK back in 1956 under

the name 'The Duke of Edinburgh's Award' with the support of Prince Philip, the Duke of Edinburgh, based on the educational philosophy of Kurt Hahn, a German educator.

Regardless of their gender, culture, language, religion, race, political orientation, mental or physical disability, all young people between the ages of 14 and 24 can attend the Award Program, which is implemented in more than 140 countries around the world and considered to be one of the world's leading youth development programs.

Solely run on a voluntary basis, the award program intends to support young people in self-discovery and self- development and in acquiring self-confidence and discipline. The project is specifically considered as a selection criterion in acceptance to universities in the UK. In Turkey, the Award Program is run in 15 provinces in 70 different schools, universities and non-governmental organizations approved by the Ministry of National Education.

Receiving applications from about 2,000 new participants every year, the Duke of Edinburgh's International Award for Young People has been attended by more than 12,000 young people so far. The Award Program comprises three categories, namely Bronze, Silver, and Gold.

Receiving applications from about 2 thousand new participants every year, the Duke of Edinburgh's International Award for Young People has been attended by more than 12 thousand young people so far. The Award Program has a total of 3 separate categories, namely Bronze, Silver and Gold.

Under these categories setting the duration of completing the program (6 months, 12 months, 18 months), there are specific sections on Community Service, Physical Recreation, Skills Development and Adventurous Journey and Expedition. The participants complete their tasks by setting aside at least one-hour every week for each section. For the Gold category, in addition to the activities they deliver under other sections, the participants are asked to live with others under the same conditions in an unfamiliar environment for at least five days within the scope of a "Residential Project".

More than 3 thousand young people graduated from the Duke of Edinburgh's International Award for Young People Program so far, with the total number of young people attending the program from Turkey expected to reach 20,000 until 2020. As part of the initiative, the Duke of Edinburgh's International Award for Young People Program hosted Prince Edward, Earl of Wessex, KG, GCVO of the United Kingdom as guest of honor at the 11th National Gold Award Ceremony on October 14, 2015. A total of 21 Gold Awardees received certificates at the ceremony.

Two separate award ceremonies were organized for the Award Program in 2016, with XXII. National Bronze, XVIII. National Silver and XII. National Gold Awards distributed to winners on December 13 and 14, 2016. In 2016, a total of 307 participants received attendance certificates in 28 Gold, 156 Silver and 123 Bronze categories.

The Duke of Edinburgh's International Award for Young People Program has reached more than 13,000 young people so far. Globally, the program has reached more than eight million young people.

Also in 2016 Turkish Human Resources Education and Health Foundation (TIKAV) was named "Star of HR" in the "Highest Contribution to Employment by a Company this Month" category as part of the "Stars of HR Awards" organized quarterly by human resources website secretcv.com. The award acknowledges TIKAV's contribution to employment with the Duke of Edinburgh's International Award for Young People Program.

INVESTING IN TURKEY'S FUTURE

Abdullah Gül University

As of 2011, Akfen Holding has contributed to Abdullah Gül University Support Foundation to help the university reach the position laid down in its vision as soon as possible, and to contribute to the public sector in the field of education.

London School of Economics

Akfen Holding is a permanent member of the Advisory Board of the "Contemporary Turkish Studies" chair founded with the initiative of Ministry of Foreign Affairs of the Republic of Turkey in London School of Economics, one of the most prestigious academic institutions worldwide. Pelin Akın Özalp, Board Member, fulfills this duty on behalf of the Holding.

Our Schools

Ülkü Akın Secondary School

The school takes its name from Akfen Holding Chairman Mr. Hamdi Akın's late spouse Ülkü Akın, who passed away at a young age due to a sudden illness. The school was opened in Ankara at the beginning of the academic year 1993-1994 upon signing of a protocol between the Governorship of Ankara and Hamdi Akın. The school comprises 24 classrooms, two preschool classrooms, a laboratory, a multipurpose room and a library, and currently has 330 students.

Hikmet Akın Secondary School

Hikmet Akın Secondary School opened its doors at the beginning of the 2004-2005 academic year in Hamidiye Neighborhood of Düzce. Mr. Hamdi Akın, Chairman of the Board of Directors of Akfen Holding, commissioned the construction of Hikmet Akın Secondary School in the memory of his mother, the late Mrs. Hikmet Akın. The school currently has 355 students.

SOCIAL RESPONSIBILITY

Turkish-English Tatlıdil Forum was founded in 2011 in an effort to extend political and economic relations between Turkey and the UK in other areas, primarily in business and trade.

In 2016, The Turkish branch of Tatlıdil Forum was run by Pelin Akın Özalp, member of DEIK (Foreign Economic Relations Board) English Business Council and member of the Board of Directors of Akfen Holding. The fifth meeting of Turkish-English Tatlıdil Forum was held in Bath (UK) on March 11-13, 2016.

WOMEN

Turkish Businesswomen Association (TIKAD)

A member of the Board of Directors of the Turkish Businesswomen Association (TIKAD) and of the Board of Directors of Akfen Holding at the same time, Pelin Akın Özalp supports projects run by TIKAD which observes a mission to assume responsibility in the democratization of Turkey and the integration of the country with the modern world.

HeForShe Project

Hamdi Akın, Chairman of the Board of Directors of Akfen Holding, and Pelin Akın Özalp, Member of the Board of Directors of Akfen Holding, are supporters of HeForShe, a global movement of solidarity for gender equality. Hamdi Akın and Pelin Akın Özalp attended as speakers to the HeForShe panel organized at the Vodafone Turkey Foundation Premier. The panel, moderated by television presenter Beyazıt Öztürk, saw directors of Akfen Holding share their experiences about gender equality, and women's position in professional and social life.

Turkish Enterprise and Business Confederation (TURKONFED)

A member of the Board of Directors of the Turkish Enterprise and Business Confederation (TURKONFED) and of the Board of Directors of Akfen Holding at the same time, Pelin Akın Özalp works at the Committee of Women in Business World and extends support to the project on the Multidimensional Empowerment of Women. Pelin Akın Özalp maintained her support for Turkish Enterprise and Business Confederation and participated in meetings held in Samsun as part of Multidimensional Women's Empowerment Project.

Akfen Holding Signs the Women's Empowerment Principles (WEPs)

Established in 2010 as a result of collaboration between the UN Global Compact and the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women), the WEPs platform offers the private sector key areas to consider in workplaces, markets and within the society as a whole in order to ensure gender equality.

Akfen Holding is the first holding in Turkey to sign the Women's Empowerment Principles (WEPs) which intends to raise awareness to strike a gender balance in the business world established under the collaboration of the UN Global Compact and the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women). Signed by more than 900 companies around the world, the initiative has 47 signatories in Turkey.

YOUTH

Support to Youth and Young Entrepreneurs

In an effort to contribute to the economic growth of Turkey and inspire young entrepreneurs and managers, Akfen Holding Executives, specifically Hamdi Akın, Chairman of the Board of Directors of Akfen Holding, delivered speeches in conferences and summits across different cities of our country in 2016.

Following are some of the events attended by executives of Akfen Holding:

- EBRD 2016 Meeting and Business Forum in London – "Investment Schedule 2016" panel
- TOBB Economy and Technology University "Leadership Camp '16"

Selim Akın's speech at Koç University Leadership Camp

- Panel on Consumer Expectations and Trends in Housing Industry at the 4th Construction and Housing Conference
- Panel entitled "İzmir Must Become Turkey's 2nd Biggest Business Hub" organized by the Aegean Branch of TUGIAD (Young Businessmen Association of Turkey)
- "Gala Dinner of 2016 Fair" organized by 12th CNR IMOB MOSFED (Furniture Association Federation)
- Panel entitled "Private Sector in Turkey: Sustainable Development" on the occasion of the 30th anniversary of IFC Turkey
- TURKONFED "İzmir Enterprise and Business Summit"
- Turkish Public Relations Association (TUHID) "Selection Committee Chairmanship for Golden Compass Turkish Public Relations Awards"
- "Economy Summit" in Uludağ, Bursa
- "Second Generation Board of Directors Panel" at the Crystal Apple Festival
- TUKONFED's Panel on "Multidimensional Women's Empowerment Project" in Samsun
- PPP Health Summit "Public Private Partnership Health Investments Panel"
- "These Young People have the Potential" Project by TUSIAD
- Bloomberg HT "Turkey Will Do Good" Conference

Crystal Apple Festival "Second Generation Board of Directors Panel"

FOREIGN ECONOMIC RELATIONS BOARD

Foreign Economic Relations Board (DEİK) is in charge of carrying out foreign economic relations of the Turkish private sector, primarily in foreign trade, international investments, services, contracting and logistics. The board also engages in looking into national and international investment opportunities, contributing to raising exports by Turkey and coordinating similar business development activities.

Founded in 1986, DEİK acquired a new and consolidated status following Law No. 6552 adopted on September 11, 2014, thereby completely taking over the responsibility "to carry out the foreign economic relations of the Turkish private sector."

As of July 2016, DEİK has 101 founding organizations, and 134 Business Councils, 127 of which are national, with more than 1,000 member companies.

Europe

In 2014, senior managers of Akfen Holding continued their representation of Turkey in various working groups of DEİK. Accordingly, Pelin Akın Özalp, Member of the Board of Directors of Akfen Holding, continued to serve in the Turkish-Spanish Business Council and the Turkish-English Business Council while Mustafa Sani Şener, Member of the Board of Directors of TAV Airports and Chairman of the Executive Board, continued to serve as Chairman of the Turkish-French Business Council of the Foreign Economic Relations Board (DEİK).

Far East

Süha Güçsav, Akfen Holding CEO, is the Chairman of the DEİK Turkish-Singapore Business Council. As of October 2014, Güçsav was additionally named Turkish Honorary Business Representative of the International Enterprise Singapore (IESingapore), an agency of the Singapore Ministry of Industry and Commerce, and continued to serve in this position in 2016.

SPONSORSHIPS

- Public-Private Partnership Healthcare Summit
- EBRD Business Forum / London, May 2016

A Friend of AKUT (Search and Rescue Association)

Through donations under the scope of its AKUT Friendship Program, Akfen Holding has become a Friend of AKUT, the first and leading volunteer search and rescue group of Turkey, which relies on its own resources as it mobilizes to carry out operations in Turkey and abroad in response to natural disasters such as earthquakes, floods and landslides, and accidents at mountains, sea, and traffic. Providing its services based on the principle of voluntary altruism, AKUT has saved 1,428 lives in 1,055 operations since its founding.

PRINCIPLES OF GLOBAL COMPACT

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labor

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labor;

Principle 5: the effective abolition of child labor; and

Principle 6: the elimination of discrimination in respect of recruitment and employment.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: support any initiative and organization to pro- mote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

A - GENERAL INFORMATION

Prepared in accordance with the Capital Markets Board Communiqué (Series II, No. 14.1). Figures are in Turkish lira ("TL") thousands unless otherwise stated.

1) Accounting Period

This report covers the accounting period from January 1, 2016 to December 31, 2016.

2) Company Information

The Company's Trade Name: Akfen Holding A.Ş. Trade Registry Number: 145672 Head Office: Koza Caddesi No:22 GOP/ANKARA 06700
Tel: 0312 408 10 00 Fax: 0312 441 07 82
Istanbul Office: Büyükdere Caddesi No:201 Levent/İSTANBUL 34394
Tel: 0212 319 87 00 Fax: 0212 319 87 10
Website: www.akfen.com.tr

3) Company Organization, Capital and Shareholding Structures, and Changes within the Accounting Period

Shareholding Structure– December 31, 2016

Trade Name/ Name of Partner	Share in Capital (TL)	Share in Capital (%)	Group
Hamdi AKIN	155,129,946	23.25%	A
Hamdi AKIN	417,235,220	62.55%	B
Selim AKIN	23,173,707	3.47%	B
Akınısı Makina Sanayi ve Ticaret A.Ş.	2,856,440	0.43%	B
Akfen Turizm Yatırımları ve İşletmecilik A.Ş.	2,856,440	0.43%	B
Akfen Altyapı Danışmanlık A.Ş.	65,828,933	9.87%	B
TOTAL	**667,080,686**	**100.00%**	

4) Privileged Shares

Each Group A share has three votes in General Assemblies, and there is a privileged share system in place.

5) Board of Directors

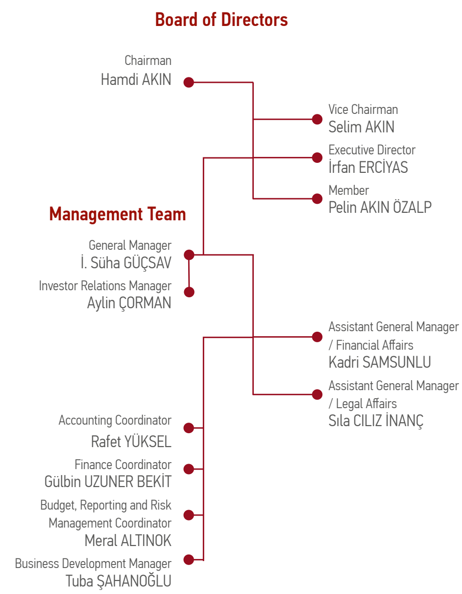
Board Members appointed in the Akfen Holding Ordinary General Assembly of May 11, 2016 for a term of one year are listed below:

Name	Position	Independent Membership
Hamdi AKIN	Chairman	Non-Independent Member
İrfan ERCİYAS	Board Member/ Executive Director	Non-Independent Member
Selim AKIN	Board Member/ Vice Chairman	Non-Independent Member
Pelin AKIN ÖZALP	Board Member	Non-Independent Member

Authority and Limitations of the Board of Directors

The Chairman and members of the Board of Directors represent and manage the Company in accordance with the provisions of the relevant articles of the TCC and Articles 9 and 10 of the Company's Articles of Association.

Organizational Structure



Management Team

Name	Position	Positions held in the Company in the last 5 years
İbrahim Süha GÜÇSAV	General Manager	Board Member / General Manager
Sıla CILIZ İNANÇ	Assistant General Manager/Legal Affairs	Legal Affairs Coordinator
Hüseyin Kadri SAMSUNLU	Assistant General Manager/Financial Affairs	Advisor to the Chairman, Assistant General Manager/ REIT Business Development
Meral Necmiye ALTINOK	Budget, Reporting and Risk Management Coordinator	Akfen Infrastructure Investments Holding Assistant General Manager
Rafet YÜKSEL	Accounting Coordinator	Accounting Manager
Gülbin UZUNER BEKİT	Finance Coordinator	Finance Coordinator

General Managers of Affiliates and Subsidiaries

Company	General Manager
Mersin Uluslararası Liman İşletmeciliği A.Ş./ PSA Akfen Liman İşletmeciliği ve Yönetim Danışmanlığı A.Ş.	Frans Jol
TAV Havalimanları Holding A.Ş./ TAV Yatırım Holding A.Ş.	Mustafa Sani Şener
Akfen Yenilenebilir Enerji A.Ş.	Mustafa Kemal Güngör
İstanbul Deniz Otobüsleri Sanayi ve Ticaret A.Ş.	Ufuk Tuğcu
Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.	Sertac Karaağaoğlu
Akfen Çevre ve Su Yatırım Yapım İşletme A.Ş.	Emre Sezgin
Akfen Enerji Üretim ve Ticaret A.Ş.	Metin Yıldıran

6) Information Regarding Board Members' Transactions with the Company on Behalf of Themselves or a Third Party, and Activities that Fall Under the Scope of Non-Competition

All transactions conducted by Board Members or managerial personnel within the 2016 operating period that might result in a conflict of interest between their obligations to the Company and their personal interests and other duties have been carried out with prior permission of the General Assembly in accordance with Articles 395 and 396 of the Turkish Commercial Code as well as other relevant laws and regulations, with explanations for such transactions and activities provided in line with legal obligations.

B - REMUNERATION OF BOARD MEMBERS AND SENIOR EXECUTIVES

During the period that ended on December 31, 2016, short-term benefits provided to senior executives of Akfen Holding and its subsidiaries has amounted to full TL 15,101 thousand (December 31, 2015: full TL 6,577 thousand). These provisions are in line with statutory statements, and in accordance with the Company's remuneration policy.

Staff and Worker Movements

As of December 31, 2016, Akfen Holding employs 78 (December 31, 2015: 265) while its subsidiaries employ 34,841 (December 31, 2015: 37,839) people in total.

Employee Benefits

Employee benefits, which comprise vacation pay liabilities and reserve for employee severance indemnity for the December 31, 2016 and December 31, 2015 period are as follows.

Employee benefits as of December 31 are as follows:

(TL thousand)	2016	2015
Vacation pay liability – short term	3,001	2,053
Employee severance indemnity – long term	1,410	1,441

C - THE COMPANY'S RESEARCH AND DEVELOPMENT EFFORTS

Information on the Company's prospective projects has been provided in the "Akfen Holding and Group Companies" section of this report.

D - COMPANY ACTIVITIES AND IMPORTANT DEVELOPMENTS

The sectors in which Akfen Holding operates, its main subsidiaries and joint ventures accounted for by the equity method are listed below.
The Capital magazine's "Turkey's Top 500 Companies" ranking has included eight joint ventures of Akfen (four of which are subsidiaries and affiliates of TAV Airports, a joint venture of Akfen) in 2016. The list comprises TAV Airports, TAV Construction, ATU, TAV Istanbul, MIP, IDO and HAVAS and BTA Airports.
Moreover, in 2015, Akfen entered the "Fortune 500" list in Turkey with seven joint ventures (including four subsidiaries and affiliates of TAV Airports), namely TAV Construction, ATU, TAV Istanbul, MIP, IDO, HAVAS and BTA Airports.
Akfen Holding subsidiaries are autonomous in terms of management; however, in line with the principles of centralized coordination and audit, the subsidiaries are directed and audited in terms of financing, financial coordination, audit, legal affairs, management information systems, human resources, promotion, training and organization. Joint ventures accounted for by the equity method are supported at the board of directors' level, and Akfen Holding Internal Audit Department conducts regular audits of such ventures on behalf of the Holding.

1) IMPORTANT DEVELOPMENTS DURING THE PERIOD

Akfen Holding:

January 20, 2016, Extraordinary General Assembly Results: The Extraordinary General Assembly held on January 20, 2016 has approved the amendment to the Articles of Association with respect to reducing the Company's capital from TL 261,900,000 to TL 247,080,686 and the Board of Directors Report on Capital Reduction. The Extraordinary General Assembly was registered at Ankara Trade Registry on January 20, 2016.

January 27, 2016, Fair Sell-Out Price and Exercise of Sell-out Rights: With respect to transactions regarding sell-out rights to be exercised as per the CMB's Communiqué on Sell-out and Squeeze-out Rights, our Company signed an agreement with Ünlü Menkul Değerler A.Ş. to receive brokerage and valuation services.

Following the first request for exercise of sell-out rights submitted to our Company on December 28, 2015, the sell-out fair price of an Akfen Holding A.Ş. share with a TL 1 nominal value has been determined as TL 13.0723, according to the Valuation Report issued by Ünlü Menkul Değerler A.Ş., assigned to establish the fair value regarding the exercise of sell-out right. In this context, shareholders who would like to exercise their sell-out rights are requested to fill out the related form and have their own brokerage company deliver it to Ünlü Menkul Değerler A.Ş. by 17:00 on March 22, 2016 at the latest, and to have their shares transferred to their asset account related to the share through CRA.

January 27, 2016, Capital Reduction Date: The amendment to Article 6 of the Articles of Association was approved on January 20, 2016 by the Extraordinary General Assembly, which was registered at Ankara Trade Registry on the same date. Accordingly, the capital reduction will only involve shares repurchased as part of the Company's "Share Buyback Program", accounting for 5.66% of the Company's paid-in capital with a nominal value of TL 14,819,314, which will be redeemed in line with CMB's procedures on capital reductions not requiring fund outflow. Other Akfen Holding A.Ş. shares will not be cancelled as a result of this transaction. Necessary information regarding the cancellation of shares representing a nominal value of TL 14,819,314 was submitted to the CRA and BIAS for readjustment of share price. The share cancellation has been carried out on January 28, 2016, reducing the company capital from TL 261,900,000 to TL 247,080,686.

February 22, 2016, Acquisition of Fixed Assets: In accordance with Akfen Holding's board decision no. 2015/16 of July 13, 2015, the transaction to purchase 100% of Karine Enerji Üretim ve Sanayi A.Ş., owned by Company's Board Member Selim Akın, at a value of USD 24,000,000 was completed as of February 22, 2016. In addition, as part of the Group's ongoing structuring in the renewable energy portfolio and pursuant to Articles 136 and 138 of the Turkish Commercial Code and Articles 19 and 20 of the Corporate Tax Law, the boards of Karine Energy and Akfen Renewable Energy resolved on February 22, 2016 to merge Karine Energy, without liquidation as a whole, with Akfen Renewable Energy, and the Group initiated the related transactions.

March 23, 2016, Completion of Sell-out Rights: The three-month foreclosure following December 23, 2015 when the sell-out rights could be exercised within the framework of the Communiqué on Sell-out and Squeeze-out Rights expired on March 22, 2016. Summary information on shareholders that exercised their sell-out rights between December 23, 2015 and March 22, 2016 is provided below.

Requests for Exercise of Sell-out Rights

Number of Requests for Exercise of Sell-out Rights	Total Number of Lots (Nominal TRY)	Share in Capital	Total Value of Sell-out Rights
169	5,927,970	2.3992%	77,492,202.23

March 24, 2016, Squeeze-out Right Process: Hamdi Akın applied to our Company on March 24, 2016 in order to exercise his squeeze-out rights for total shares with a nominal value of TL 1,203,851, for which the sell-out rights were not exercised as per Article 5(6) of the Communiqué over TL 10.9998, the price set pursuant to Article 6(2) of the Communiqué, and to take due action in relation to other applications within the framework of the Communiqué.

March 24, 2016, Capital reduction and capital increase within the framework of squeeze-out: Under the Company's board resolution No. 2016/19 of March 24, 2016, it is resolved that;

- The shares with a total nominal value of TL 1,203,851 held by shareholders other than the controlling shareholders exercising the right to squeeze-out, namely Hamdi Akın, Selim Akın, Akınısı Makina Sanayi ve Ticaret A.Ş., Akfen Turizm Yatırımları ve İşletmecilik A.Ş. and Akfen Altyapı Danışmanlık A.Ş., be cancelled and the capital be thus reduced,
- As a provision for such cancelled shares, the capital be simultaneously increased with a nominal value of TL 13,242,120.23 over TL 10.9998 for the shares with a nominal value of TL 1 earmarked for Hamdi Akın, who exercised his right to squeeze-out, and the capital of our Company be increased to TL 247,080,686 once again,
- Article 6 of the Articles of Association titled "Capital" be amended as attached,
- Applications be submitted to the CMB for the approval of the certificate of issuance and the amendment text pertaining to the shares to be issued through an increase of the issued capital, and to Borsa Istanbul for the delisting of our Company's shares.

March 24-25, 2016, Applications within the framework of squeeze-out right process: On March 25, 2016, applications were submitted to the CMB for the approval of the certificate of issuance and the amendment text pertaining to the shares to be issued through an increase of the issued capital, and to Borsa Istanbul for the delisting of our Company's shares.

April 21, 2016, Application for Voluntary Delisting: In relation to Akfen Holding A.Ş., which placed an application to the Board and Borsa Istanbul under the Communiqué on Sell-out and Squeeze-out Rights, Borsa İstanbul A.Ş. announced through the approval of the General Directorate of the Exchange on April 20, 2016 that the trading of Company shares would be suspended once Borsa Istanbul was informed that the certificate of issuance to be approved by the Board was actually approved by the Board, the Company shares would be taken off BIST indices once their trading was suspended, and the Company shares would be delisted starting from the first working day following the PDP announcement by Borsa Istanbul after the CRA process was completed.

April 28, 2016, Trading Suspension: In an announcement, Borsa İstanbul A.Ş. stated that Akfen Holding's certificate of issuance had been approved by the Board as indicated in the weekly bulletin No. 2016/14 of April 28, 2016 by CMB published on the PDP and thus the Company shares traded on BIST Stars under the symbol AKFEN.E would be suspended starting from April 29, 2016.

May 6, 2016, Certificate of Issuance: Akfen Holding announced that the CMB approved the certificate of issuance drafted for a squeeze-out, by Hamdi Akın, the controlling shareholder, of the shareholders that did not exercise their sell-out right, for the cancellation of such shareholders' shares with a total nominal value of TL 1,203,851, and for a capital increase earmarked for Hamdi Akın over TL 10.9998, the squeeze-out fee, to be issued as provision for the said shares, and that the CMB-approved certificate of issuance and the amendment to the Articles of Association were registered by Ankara Trade Registry on May 6, 2016.

May 11, 2016, Exercise of Rights: The Central Registry Agency (CRA) announced that, as a result of the application they received from Akfen Holding A.Ş., the shares to be squeezed out were cancelled, and the squeeze-out payment over 1,099.98% for each share with a nominal value of TL 1 was made to the accounts of the related members at Takasbank A.Ş. on May 11, 2016. In addition, the CRA announced that, as a provision for the cancellation of the shares of squeezed-out shareholders, earmarked shares with a nominal value of TL 1,203,851 were issued on May 11, 2016.

May 11, 2016, Voluntary Delisting: Since the CRA process under the Communiqué on Sell-out and Squeeze-out Rights for Akfen Holding A.Ş., the shares of which were traded on BIST Main but had been suspended from trading since April 29, 2016, was completed on May 11, 2016, it was announced that Company shares would be delisted on May 12, 2016.

May 13, 2016, Ordinary General Assembly: The 2015 Ordinary General Assembly of Akfen Holding was held on May 11, 2016.

May 30, 2016, Extraordinary General Assembly Result: The Extraordinary General Assembly of May 27, 2016 adopted unanimously that Article 6 titled "Capital" in Akfen Holding A.Ş. Articles of Association be amended and the capital of the Company be amended and increased in line with Akfen Holding A.Ş. Articles of Association. Our Company's capital, which stood at TL 247,080,686, was increased by TL 420,000,000 to TL 667,080,686 through provisions from internal resources and this transaction was registered on May 27, 2016.

June 1, 2016, Board Resolution on Demerger: Pursuant to Article 390(4) of Turkish Commercial Code, it is resolved unanimously through our Company's Board Resolution No. 2016/26 of June 1, 2016 that;

1. In order to retain the shares of companies that have a positive impact on our Company's assets, have reached an optimal shareholding structure in consideration of the current business plans, create and have the potential to create strong cash flows for equity, and have an increasing dividend yield; and to spin-off the shares of companies with ongoing investment needs and development efforts, thus rearrange the field of activity and subsidiaries of our Company;

The shares held by our Company in Akfen Termik Enerji Yatırımları A.Ş., İdo İst. Deniz Otobüsleri San.ve Tic. A.Ş., Akfen Çevre Ve Su Yatırım Yapım İşle. A.Ş., Tav Yatırım Holding A.Ş., Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. be spin-off pursuant to Articles 19 and 20 of the Corporate Tax Law No. 5520 and the provisions on demerger in the Turkish Commercial Code No. 6102, and in Akfen Termik Enerji Yatırımları A.Ş. and Adana İpekyolu Enerji Üretim San Ve Tic. A.Ş. be demerged pursuant to the provisions on demerger in the Turkish Commercial Code and be invested as in-kind capital in Akfen Mühendislik A.Ş., which is registered in Ankara Trade Registry with the number 396277,

2. Shares representing the increased capital be given to the shareholders of Akfen Holding A.Ş.,
3. The demerger transaction take place over the interim balance sheets of May 31, 2016,
4. In relation to the demerger, DRT Yeminli Mali Müşavirlik ve Bağımsız Denetim A.Ş. be authorized to carry out the required audits,
5. The demerger agreement be drafted,
6. Our Company's General Assembly be summoned to convene in order to complete all required transactions after the said matters are finalized, authorize the Board of Directors, and approve the demerger agreement.

June 20, 2016, Rearrangement in the Board Resolution No. 2016/26 of June 1, 2016: It is resolved that the Board Resolution No: 2016/26 of June 1, 2016 made by our Company's Board of Directors be rearranged as follows. In Article 1 of the said resolution, it is resolved that our Company shares to be divided and invested as in-kind capital in Akfen Mühendislik A.Ş. be added with the shares held in Akfen Enerji Gaz Santrali Yat.Ve Tic. A.Ş., Akfen Enerji Üretim Ve Ticaret A.Ş., Akfen Rüzgar Enerjisi Ve Tic.A.Ş., Akfen Karaköy Gayrimenkul Yatırımları Ve İnş. A.Ş., Akfen Güllük Çevre Ve Su Yatırım Yapım İşlt.A.Ş., Akfensu Arbiogaz Dilovası Atık Su Ar.Yap.İşl.A.Ş., Akfen Güneş Enerjisi Yatırım Ve İşletme A.Ş. and Batı Karadeniz Elk.Dağ.Ve Sis. A.Ş. before being divided and that all matters determined for the demerger also apply to the said shares.

June 30, 2016, Announcement of the Right to Examine the Demerger: The Division Agreement, Division Report, the financial statements and annual reports as well as interim balance sheets prepared by the Board of Directors for the last three years in line with the Board Resolutions of June 1, 2016 and June 20, 2016 as announced on the Public Disclosure Platform will be submitted to the Company Head Office at least 2 (two) months before their submission to the general assembly for information and approval and starting from July 1, 2016, and be made available for the examination of our shareholders.

November 1, 2016, Launching the Notification Process on the Protection of Creditors during Demerger: On the basis of our Company's Board Resolution No. 2016/26 of June 1, 2016 and No. 2016/28 of June 20, 2016, which are both published on the Public Disclosure Platform, a notice will be made as per Article 174 of the Turkish Commercial Code to invite creditors to notify their receivables and make requests for the provision of guarantees. Pursuant to Article 175 of the Turkish Commercial Code, creditors are given a period of three months starting from the date of last notice (November 15, 2016). No applications were submitted to our Company in this period.

November 25, 2016, Board Resolution on Bond Issuance: Through our Company's Board Resolution No. 2016/37 of November 25, 2016 and pursuant to Article 7 of our Company's Articles of Association, it is unanimously resolved that the Company issues TL 600,000,000 in floating-rate corporate bonds with a term of up to 5 years and coupon payments every 3 or 6 months, that the issuance be performed through sales to qualified investors without public offering, that the Company Head Office be authorized to determine all other terms and conditions regarding the issuance, and that İş Yatırım Menkul Değerler A.Ş. and other authorized organizations be appointed as intermediary agencies in line with needs. The statutory application seeking the approval of the Republic of Turkey Prime Ministry Capital Markets Board for issuance was filed before the Board on November 25, 2016.

Investments

In 2016, the Company's investments amounted to full TL 30.1 million. A significant portion of these investments was made by Akfen REIT (full TL 22.9 million) and Akfen Renewable Energy (full TL 3.2 million)

Internal Control Mechanism

Internal Audit Department is the internal control mechanism of the company that fulfills duties assigned by the Board of Directors. On behalf of the Holding, the Internal Audit Department audits all subsidiaries on behalf of the Holding at regular intervals.

Equity and stakes in subsidiaries and affiliates:

Trade names, ownership interests (sum of direct and indirect ownership interests) and methods of consolidation for the Company's primary subsidiaries and affiliates are as follows.

Trade Name	Stake as of December 31, 2016 (%)	Consolidation
Mersin Uluslararası Liman İşletmeciliği A.Ş.	50.00	Equity method
TAV Havalimanları Holding A.Ş.	8.12	Equity method
Akfen Yenilenebilir Enerji A.Ş.	90.00	Equity method
PSA Akfen Liman İşl. ve Yönetim Dan. A.Ş.	50.00	Equity method
TAV Yatırım Holding A.Ş.	21.68	Equity method
İstanbul Deniz Otobüsleri Sanayi ve Ticaret A.Ş.	30.00	Equity method
Akfen Termik Enerji Yatırımları A.Ş.	99.64	Fully consolidated
Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.	56.88	Fully consolidated
Akfen Çevre ve Su Yatırım Yapım İşletme A.Ş.	50.00	Equity method

Private and Public Audits Conducted During the Accounting Period

Private and public audits during 2016: A partial tax audit has been realized for the 2010, 2011, and 2012 accounting periods of Akfen Enerji Üretim A.Ş., a subsidiary of our subsidiary Akfen Thermal Energy. The audit for 2010-2011-2012 was completed.
In addition, audition of the 2011 and 2012 accounting periods for Beyobası Enerji Üretim A.Ş., a subsidiary of our subsidiary Akfen HEPP, was completed.

Lawsuits

As stated in the financials dated March 13, 2017, as of December 31, 2016, the Company does not have any short-term or long-term provisions for litigation costs.

Sanctions imposed on the Company and its management

No administrative or judicial sanctions have been imposed on the Company, or its management due to regulatory violations.

Donations

During 2016, Akfen Holding's individual donations to various foundations and associations amounted to full TL 233,680.88 (2015: full TL 2,396,279).

Corporate Social Responsibility

Information on Corporate Social Responsibility Projects Akfen Holding took part in during 2016 can be found in the "Corporate Social Responsibility" section of this report.

Related Party Statements

Related party balances

Short term receivables and payables balance for the December 31, 2016 and December, 31, 2015 period are as follows:

(TL thousand)	December 31, 2016	December 31, 2015
Other receivables	5,611	99,587
	5,611	**99,587**
Trade payables	1,019	3,783
Other payables	-	1,603
	1,019	**5,386**

Long term receivables and payables balance for the December 31, 2016 and December 31, 2015 period are as follows:

(TL thousand)	December 31, 2016	December 31, 2015 2015
Other receivables	401,092	431,387
	401,092	**431,387**
Other payables	10,581	9,066
	10,581	**9,066**

All transactions between Company and subsidiaries not explained in related party disclosures are eliminated during consolidation. Related party balances between the Group and other related parties are explained in the following pages.

Between December 31, 2016 and December 31, 2015 the Group had the following short term trade receivables from its related parties

Short term other receivables from related parties: (TL thousand)	December 31 2016	December 31 2015
Akfen Altyapı Danışmanlık	5,571	99,308
Other	40	279
	5,611	**99,587**

The Group had the following long term trade receivables from its related parties during the December 31, 2016 and December, 31, 2015 period:

Short term other receivables from related parties: (TL thousand)	December 31, 2016	December 31, 2015
Akfen Construction	279,520	425,334
Akfen Renewable Energy	96,934	-
Akfen Enerji Dağıtım	16,637	-
Akfen Water	7,213	5,455
IDO	86	66
Other	702	532
	401,092	**431,387**

Akfen Holding's payables to TAV Investment constituted the entirety of the short term other payables to related parties between December 31, 2016 and December 31, 2015.

Related party transactions

As of December 31, services provided to related parties are as follows:

Services provided to related parties: (TL thousand)	December 31, 2016		December 31, 2015	
Company	Amount	Transaction	Amount	Transaction
Akfen Construction	55,938	Financial Income	8,583	Financial Income
Akfen Renewable Energy	4,898	Financial Income	-	-
Akfen Renewable Energy	3,080	Other	-	-
MIP	2,244	Rental Income	-	-
Akfen Construction	1,041	Other	-	-
Akfen Water	729	Revenue from Electricty Sales	727	Revenue from Electricity Sales
TAV Airports	-	Revenue from Electricty Sales	27,346	Revenue from Electricity Sales
MIP	-	Revenue from Electricty Sales	6,816	Revenue from Electricity Sales
IDO	-	Revenue from Electricty Sales	3,075	Revenue from Electricity Sales
IDO	-	Financial Income	738	Financial Income
Hacettepe Teknokent	-	Financial Income	536	Financial Income
Akfen GYT	-	Financial Income	-	Financial Income
Other	240	Financial Income	-	Financial Income
	68,170		**47,821**	

As of December 31, services received from related parties are as follows:

Services received from related parties: ('000 TL)	December 31, 2016		December 31, 2015	
Company	Amount	Transaction	Amount	Transaction
IBS Sigorta ve Reasürans Brokerliği A.Ş.	1,011	Procurements	4,704	Procurements
	1,011		**4,704**	

E – FINANCIAL SITUATION

Details on the financial situation of the Company have been provided in the sections of this report entitled "Financial Results for 2016".

Dividend Policy

Our Company determines the resolutions for distribution of profit by considering the Turkish Commercial Code, Capital Market Legislation, Capital Markets Board Regulations and Decisions, Tax Laws, the provisions of the other relevant legislations and articles of incorporation of our Company.

There is no privilege among share groups with respect to dividend distribution.

Article 18 of our Company's Articles of Association states that after the first legal reserves have been set aside the donations during the year, if they exist, will be added to the remaining amount and the resulting figure will be used to determine the first dividend in accordance with the Turkish Commercial Code and the capital markets regulations. Following these deductions, the General Assembly has the right to decide on dividend distribution to Board members, employees and workers, various foundations and similar persons and corporates and after the first dividend distribution to shareholders 1% of the remaining distributable profits to be distributed to Turkey Human Resources Foundation.

When making the dividend distribution decision, long term strategies of the Holding, the Group company's capital requirements, investment and finance policies, profitability and cash situation are taken into consideration.

The distribution method and time of the distributable profit is determined by the General Assembly upon the proposal of the Board of Directors.

Depending on the decision of the General Assembly, the profit may be distributed fully in cash or fully in bonus shares, or as a mix of cash and bonus shares.

Dividend distribution can be made in equal or unequal installments provided that it is authorized by the General Assembly. Number of the installments are determined by the General Assembly or the Board of Directors provided that the Board has been clearly authorized.

Dividend distribution is expected within a month following the General Assembly Meeting at the latest, the General Assembly decides the date of the dividend distribution..

F – RISKS AND THE ASSESSMENT OF THE BOARD OF DIRECTORS

Risk Management and Internal Control Mechanism

In December 2012, implementation of the Risk Management Guide Book was finalized as a result of the efforts of the Corporate Governance Committee –which also carries out the duties of the Nomination Committee, Early Determination of Risk Committee and Remuneration Committee– within the framework of Early Determination of Risk, and approved by the Board of Directors of the Company.

Risk Management activities are performed by the Budget, Planning and Risk Management Coordinatorship, an affiliate of the Financial Affairs Assistant General Management Department.

In 2012, the Holding received risk management consultancy in order to ensure the systematic operation of corporate risk management activities and to establish a risk management culture within the Group.

The Company formed risk inventories within the Holding and its subsidiaries. In addition, the Company defined risk maps to comprise all processes in the Holding and its subsidiaries Akfen Construction, Akfen Energy, Akfen HEPP and Akfen REIT and control activities related to the processes as well as the actions required to be taken. Implementation of such actions has been initiated and this process is ongoing.

In this context, the Company established and implemented a management reporting system in 2014. In addition, Akfen HEPP Group's Occupational Health and Safety Directive has been updated in line with the constantly developed policies and procedures on occupational health and safety. In order to ensure maximum readiness in case of emergencies, a business continuity (disaster recovery) plan has been drawn up and issued on December 18, 2014.

Internal Control Mechanism:

The Internal Control Mechanism operates efficiently to perform duties delegated to it by the Board of Directors.

Risk Management:

Akfen Holding categorizes its risks as financial, operational, and capital risks. Detailed information about the Holding's Financial Risk Management can be found under Section 33 of the Independent Audit Report, titled "Risks Arising from Financial Instruments".

1) FINANCIAL RISKS

Credit Risk: Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate has an influence on credit risk.

Liquidity Risk: Liquidity risk is the risk of default in meeting future financial obligations. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and crisis conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Group entities mitigate their current and potential liquid risk through the presence financial institutions that are able to provide financing when necessary.

Foreign Currency Risk: The Group is exposed to foreign currency risk due to various revenue and expense items incurred with foreign currency as well as borrowings, receivables and financial loans resulting from these items. The group arranges medium and long-term loans in the same currency as the one it receives project revenues in. For short-term loans, borrowings are balanced in TL, Euro and US$ within a pool/portfolio model.

Interest Rate Risk: The activities of the Group are exposed to fluctuations in interest rates due to the fact that Akfen Holding and subsidiaries incur floating-rate bank borrowings. The objective of risk management is to adjust interest rates in the market to the business policies of the Group, thereby optimizing net interest revenues.

2) OPERATIONAL RISKS

Operational risk is the risk of suffering direct or indirect damage due to a wide variety of causes related to the Group's processes, employees, technology and infrastructure. The causes include direct or indirect loss risk stemming from external factors such as legal and regulatory requirements excluding credit risk, market risk and liquidity risk and generally accepted legal entity standards. Operational risks arise from all of the Group's operations. The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. Improvement and implementation of operational risk avoidance is primarily the responsibility of senior managers in each company.

Capital Risk Management

The Group's capital management objective is to maintain the capacity for activities in the Group to sustain the optimal capital structure in order to create revenues for the partners, benefits for other shareholders and to reduce capital costs. In order to maintain or readjust the capital structure, the Group decides on the amount of dividends to be paid out to the partners, issues new shares and sells assets to mitigate borrowing. The group monitors the capital by using the net rate of financial liabilities to equities.

G – OTHER MATTERS

1) IMPORTANT DEVELOPMENTS AFTER THE PERIOD

Akfen Holding

January 2, 2017, CMB Approval for Debt Instrument Issuance Limit: Our Company's application to the CMB on November 25, 2016 for a debt instrument issuance limit was approved via the CMB decision No. 37/1300 of December 29, 2016, and the certificate of issuance in relation to debt instruments which the Company may issue domestically up to a nominal amount of TL 600,000,000 without public offering was published on PDP.

January 6, 2017, Completion of Bond Sales: The Company completed the issuance of bonds with a nominal value of TL 300,000,000 with a maturity start date of January 9, 2017 through sales to qualified investors as brokered by İş Yatırım Menkul Değerler A.Ş..

January 9, 2017, Coupon and Redemption Payment: An interest of TL 4,031,998.97 and a principal of TL 140,000,000 were paid on January 9, 2017 in relation to the coupon payment period 12 for the bond issued by the Company at TL 140,000,000.

February 3, 2017, Announcement for General Assembly for Demerger: The General Assembly on the demerger transaction launched on the basis of the Company's Board Resolution No. 2016/26 of June 1, 2016 and No. 2016/28 of June 20, 2016, which are both published on the Public Disclosure Platform, will be held at the Company Head Office at 10.00 am on January 16, 2017.

February 16, 2017, Extraordinary General Assembly Result: The Extraordinary General Assembly of Akfen Holding Anonim Şirketi, which was held at the company head office at 10:00 am on February 16, 2017 unanimously resolved that the Company demerged partially by transferring some subsidiary shares among its assets and the liabilities related thereto to Akfen Mühendislik A.Ş., which has the same shareholding structure as the Company, over their registered and illustrative value as per Articles 19 and 20 of the Corporate Tax Law No. 5520 and the provisions on demerger in the Turkish Commercial Code No. 6102 and within the framework of universal succession; the "Certified Public Accountant Report No. YMM 34105055/62-47 of June 29, 2016 on Determining the Conformity of Partial Division with Statutory and Secondary Legislation, Determining the Values of Shares to be Partially Divided, Determining the Amount of Capital Reduction to be performed at the Divided Company and of the Shareholding Structure Following Capital Reduction, Determining the Increased Capital of the Transferee Company and of the Shareholding Structure Following Capital Increase, and Determining whether the Receivables of the Creditors of Companies Party to Partial Division are under Risk" and the "Certified Public Accountant Report No. YMM 34105055/68-53 of October 27, 2016 on Determining whether the Receivables of the Creditors of Companies Party to Partial Division are under Risk"; the shares to be issued by Akfen Mühendislik A.Ş. due to partial demerger be given to the shareholders of the partially demerging company Akfen Holding A.Ş., namely Hamdi Akın, Akınısı Makine Sanayi ve Ticaret A.Ş., Akfen Turizm Yatırımları ve İşletmecilik A.Ş., Akfen Altyapı Danışmanlık A.Ş. and Selim Akın; the Division Agreement prepared and signed by the Company's Board of Directors as per Article 166 and so on of the Turkish Commercial Code in order for the said partial demerger to take place; the Board of Directors Resolution on Partial Division prepared and signed by the Board of Directors of the Company as per Article 169 of the Turkish Commercial Code; the Balance Sheet of May 31, 2016 of the Company as the basis of partial demerger;

the fact that Article 6 titled "Capital" in Articles of Association, amended as approved by the Republic of Turkey Ministry of Customs and Trade since the capital of the Company will be reduced. The Extraordinary General Assembly was registered at Ankara Trade Registry on February 16, 2017.

Akfen REIT

January 17, 2017, Selection of Valuation Company: Pursuant to Article 35 of the CMB's Communiqué of Principles Governing Real Estate Investment Trusts Serial III, N 48.1, it is resolved that TSKB Gayrimenkul A.Ş. be selected as the valuation company to deliver valuation services for the assets in the portfolio, and, in addition, TSKB Gayrimenkul Değerleme A.Ş. and Smart Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş. be selected as the valuation companies to deliver valuation services for potential assets in 2017 which would require valuation.

February 18, 2017, Share Transfer: The shares of some affiliates including Akfen REIT, which are held under the assets of Akfen Holding A.Ş., the parent company for Akfen REIT, were transferred to Akfen Mühendislik A.Ş. through partial demerger and the said partial demerger transactions were completed on February 16, 2017.

TAV Airports

February 17, 2017, Notification on Dividend Distribution: TAV Airports Board of Directors has resolved to submit to the approval of the General Assembly the decision to distribute TL 0.6825341 (68.25341%) gross cash dividend per share with a nominal value of TL 1, starting from March 22, 2017. The total proposed gross cash dividend to be distributed is TL 247,951,822.

2) GOVERNMENT INCENTIVES AND GRANTS

According to the Investment Incentive Code No.47/2000, Akfen REIT has a 100% investment incentive on any investments made by Akfen REIT until December 31, 2008 in Turkish Republic of Northern Cyprus, without any time limitation.

Based on the Cabinet decree dated July 1, 2003 and numbered 2003/5868, it is resolved that the ratio of the private consumption tax on the fuel oil supplied to any vessels, commercial yachts, service and fishing vessels, which are registered in the Turkish International Ship Registry and National Ship Registry and carry cargo and passengers exclusively in coastal routes, to be reduced to zero as of the beginning of the year 2004, provided that the fuel oil quantity is determined with regards to technical specifications of and registered in journal of the vessel to consume such fuel oil. IDO benefits from this private consumption tax deduction since 2004.

According to the Cabinet decree dated December 2, 2004 and numbered 2004/5266, any revenues obtained from operation and transfer of any vessels and yachts registered in the Turkish International Ship Registry are exempted from income and corporate taxes as well as funds. Purchase and sales, mortgage, registration, loan and freight agreements for any vessels and yachts registered in the Turkish International Ship Registry are not subject to stamp tax, duties as well as banking and insurance taxes and funds. IDO makes use of discounts of corporate tax and income tax in this scope.

Between December 31, 2015 and December 31, 2016, TAV Esenboğa and TAV İzmir had investment grants.

There are VAT and customs duty exemptions with respect to the investments made in HEPP projects through various investment incentive certificates.

Furthermore, with the Communiqué No: 2016/2 on the amendment to the "Communiqué on the Implementation of the Resolution on Government Incentives for Investments" (Communiqué No: 2012/1) published in the Official Gazette No. 28329 on June 25, 2016, solar panels to be imported from foreign countries were excluded from incentive and VAT exemption. Our solar power plant projects that had not applied for or benefited from VAT exemption and investment incentives before the publication of the said Communiqué, do not benefit from VAT exemption and customs tax immunity for solar panels to be imported from foreign countries.

3) CAPITAL MARKET INSTRUMENTS

The number of repurchased shares as part of the Company's "Share Buyback Program", approved at the Extraordinary General Assembly of January 15, 2015 has reached 6,829,508 upon purchase of 13,853 Akfen Holding A.Ş. shares on July 29, 2015. As the Company already holds 7,989,806 Akfen Holding A.Ş. shares acquired within the previous share buyback program, total number of shares repurchased has reached 14,819,314 shares, accounting for 5.66% of the Company's paid-in capital. The Extraordinary General Assembly on January 20, 2016 approved the cancellation of these shares, which have a total nominal value of TL 14,819,314 to reduce the Company capital from TL 261,900,000 to TL 247,080,686. The related capital reduction was carried out on January 28, 2016.

With the shares of Akfen Holding A.Ş. traded in the Regular Market of Istanbul Stock Exchange delisted as of April 29, 2016 and with the finalization of the Central Securities Depository Process for Akfen Holding A.Ş. Communiqué No: II-27.2 on the Exercise of the Right to Squeeze-out and Right to Sale dated 12.11.2014, the shares of the Company were delisted from the Stock Exchange as of 12.05.2016.

On January 9, 2014, the Company issued the first series of TL 140,000,000 in floating-rate corporate bonds (ISIN code TRSAKFH11710) with a term of three years and coupon payments every three months. The bonds have an annual spread of 3.25%. The interest rate effective for the twelfth coupon payment, which will be made on January 1, 2017, was announced as 2.88% (annual compound interest rate: 12.06%). The principle amount of the bonds were paid back at their maturity on January 9, 2017. As part of the issuance, the Company was authorized to issue bonds up to a limit of TL 200,000,000 in nominal value, based upon the CMB resolution no. 29833736-105.03.01-3 of January 2, 2014. The CMB's permission for the remaining TL 60 million was valid until December 31, 2014.

On March 27, 2014, the Company issued TL 200,000,000 in floating-rate corporate bonds (ISIN code TRSAKFH31718) with a term of three years and coupon payments every six months. The bonds have an annual spread of 3.50%. The interest rate effective for the sixth coupon payment, which will be made on March 23, 2017, was announced as 6.0954% (annual compound interest rate: 12.5990%).

The bonds of our company sold to qualified investors on January 5, 2017 (ISIN Code "TRSAKFH12015") with a TL 300,000,000 nominal value, a maturity in 3 years and with quarterly coupon payments have started to trade as of January 10, 2017.

APPENDICES: MINUTES OF THE 2015 ORDINARY GENERAL ASSEMBLY

- It was put to vote and resolved unanimously to regard the Board of Directors' Annual Report of the Company's January 1, 2015 - December 31, 2015 fiscal period as having been read and understood. The 2015 Annual Report of the Board of Directors was put to vote and approved unanimously.
- Financial statements for the 2015 fiscal period were approved unanimously.
- It was resolved unanimously to release all Board Members from any liability arising from the affairs of the Company during 2015.
- Upon the Republic of Turkey Ministry of Customs and Trade's permission no. 50035491-431.02 of May 10, 2016, it was approved unanimously to amend the following Articles of Association in line with the Draft Amendments to the Akfen Holding A.Ş. Articles of Association provided below: Article 3 "Purpose and Scope", Article 4 "Headquarters and Branches of the Company", Article 6 "Capital", Article 7 "Sale and Transfer of Shares", Article 8 "Issuance of Capital Market Instruments", Article 9 "Election, Duties and Term of Office of the Board of Directors and Board of Directors Meetings", Article 11 "Committees of the Board of Directors", Article 13 "Auditors and Their Duties", Article 14 "General Assembly", Article 16 "Announcement", Article 18 "Distribution of Profit", Article 19 "Advance Dividend", Article 20 "Public Disclosure and Submittal of Financial Statements and Reports to the Capital Markets Board", Article 21 "Amendments to the Articles of Association", and Article 22 "Compliance with Legal Provisions and Corporate Governance Principles"
- As per the Turkish Commercial Code and relevant legislation and the Articles of Association provisions on board of directors elections, it was resolved unanimously to elect 4 people to serve as the Board of Directors for a period of 1 year, and to appoint Hamdi Akın as member of the Board of Directors, İrfan Erciyas as member of the Board of Directors, Selim Akın as member of the Board of Directors, and Pelin Akın as member of the Board of Directors, who were all present and/or announced their candidacy.
- It was decided unanimously to justify all decisions taken by the Board of Directors as well as all businesses and transactions carried out by the Company's authorized signatories after their term of office to the day of the General Assembly.
- It was discussed and resolved unanimously that no dividend distribution shall be made for the period, as the Company's financial statements for the January 1, 2015 - December 31, 2015 period do not fulfill the requisitions for statutory dividend distribution.
- Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Ernst&Young) was appointed unanimously to serve as the independent auditor for the 2016 fiscal period and carry out related tasks as part of the relevant legislation.
- The remuneration of Board Members was determined in line with the Company's Remuneration Policy, and accordingly, it has been resolved unanimously that a monthly net fee of US$100,000 shall be paid to Hamdi Akın until the date of January 1, 2017, and that no remuneration shall be provided the other board members.
- Board Members were authorized to participate in business activities that fall under the scope of the provisions laid down in Articles 395 and 396 of the Turkish Commercial Code.

EXTRAORDINARY GENERAL ASSEMBLY

RESOLUTIONS OF THE AKFEN EXTRAORDINARY GENERAL ASSEMBLY OF MAY 27, 2016

It was resolved unanimously to amend the Article 6 "Capital" of the Company's Articles of Association for increasing the Company's capital in line with the Draft Amendments to the Akfen Holding A.Ş. Articles of Association.

Accordingly, it was resolved unanimously to increase the Company's capital of TL 247,080,686 by TL 420,000,000 to TL 667,080,686, and this transaction was registered on May 27, 2016.

RESOLUTIONS OF THE AKFEN EXTRAORDINARY GENERAL ASSEMBLY OF NOVEMBER 24, 2016

It was decided unanimously to amend Article 7 "Sale and Transfer of Shares and Issue of Capital Markets Instruments" of the Company's Articles of Association pursuant to the Republic of Turkey Ministry of Customs and Trade's permission no. 20463468 of November 24, 2016, and in line with the Draft Amendments to the Akfen Holding A.Ş. Articles of Association.

RESOLUTIONS OF THE AKFEN EXTRAORDINARY GENERAL ASSEMBLY OF FEBRUARY 16, 2017

Regarding the matter of the Company's transfer its stake in certain subsidiaries along with all liabilities therein to Akfen Mühendislik A.Ş., which has the same shareholding structure as the Company, over their registered and illustrative value as per Articles 19 and 20 of the Corporate Tax Law No. 5520 and the provisions on demerger in the Turkish Commercial Code No. 6102 and within the framework of universal succession, the following matters were put to vote and approved unanimously:

The "Certified Public Accountant Report No. YMM 34105055/62-47 of June 29, 2016 on Determining the Conformity of Partial Division with Statutory and Secondary Legislation, Determining the Values of Shares to be Partially Divided, Determining the Amount of Capital Reduction to be performed at the Divided Company and of the Shareholding Structure Following Capital Reduction, Determining the Increased Capital of the Transferee Company and of the Shareholding Structure Following Capital Increase, and Determining whether the Receivables of the Creditors of Companies Party to Partial Division are under Risk" and the "Certified Public Accountant Report No. YMM 34105055/68-53 of October 27, 2016 on Determining whether the Receivables of the Creditors of Companies Party to Partial Division are under Risk";

The matter of the transfer of shares to be issued by Akfen Mühendislik A.Ş. due to partial demerger to the shareholders of the partially demerging company Akfen Holding A.Ş., namely Hamdi Akın, Akınısı Makine Sanayi ve Ticaret A.Ş., Akfen Turizm Yatırımları ve İşletmecilik A.Ş., Akfen Altyapı Danışmanlık A.Ş. and Selim Akın;

The Division Agreement prepared and signed by the Company's Board of Directors as per Article 166 and so on of the Turkish Commercial Code in order for the said partial demerger to take place; the Board of Directors Resolution on Partial Division prepared and signed by the Board of Directors of the Company as per Article 169 of the Turkish Commercial Code; the Balance Sheet of May 31, 2016 of the Company as the basis of partial demerger; the amendments of Article 6 "Capital" in Articles of Association as approved by the Republic of Turkey Ministry of Customs and Trade since the capital of the Company will be reduced.

AKFEN HOLDING A.Ş. ARTICLES OF ASSOCIATION

ARTICLE 1 – FOUNDERS

A Joint Stock Company is hereby incorporated by and between the founders whose Full Names, Residences and Nationalities are specified herein, pursuant to the provisions of the Turkish Commercial Code on immediate incorporation of joint stock companies:

1. HAMDİ AKIN .... Turkish Citizen
   Koza Sokak No: 22 GOP/ANKARA
2. HASAN AKIN .... Turkish Citizen
   Koza Sokak No: 22 GOP/ANKARA
3. HİKMET AKIN .... Turkish Citizen
   Koza Sokak No: 22 GOP/ANKARA
4. ŞAFAK AKIN .... Turkish Citizen
   Koza Sokak No: 22 GOP/ANKARA
5. FATMA MERAL KÖKEN .... Turkish Citizen
   Koza Sokak No: 22 GOP/ANKARA
6. NİHAL KARADAYI .... Turkish Citizen
   Koza Sokak No: 22 GOP/ANKARA

ARTICLE 2 - TRADE NAME OF THE COMPANY

Trade Name of the Company is "AKFEN HOLDİNG ANONİM ŞİRKETİ".

The Company shall be referred to as "Holding" and/or "Company" hereinafter in these Articles of Association

ARTICLE 3 - PURPOSE AND SCOPE

A. The main purposes of the Holding are as follows:

1. The Holding, by participating in the capital and management of the companies that were or will be established by itself or by others: develops solutions for issues of investment, financing, organization, management, and engineering through a unified structure and within the framework of the modern business management principles; distributes risks; and ensures the continuity of the investments in a safe manner, thereby ensuring sustainability of the companies' development.
2. Provided that it does not represent a violation of the Capital Markets Law and relevant legislation, carries out major investments by pooling small savings and the capital, and supports the companies that were established or will be established by itself or by others in securing funds through capital market.
3. It pools and developes the funds within its structure, and utilizes these to establish new equity companies for creating new investment areas, or participates in existing ones to enhance or renovate their technological capacity.
4. Strives for the betterment of its members and of the society through internal and external social responsibility efforts.

B. In order to fulfill the aforementioned goals and provided that it does not represent a violation of the Capital Markets Law, the Holding may participate as a founding shareholder in any and all domestic or foreign industrial, commercial, financial, agricultural, or other enterprises, participate in the management of such existing or newly established enterprises, and become their shareholder by acquiring their stocks/shares, on condition that such activities do not constitute investment services or activities.

1. The Holding may buy, sell, exchange, pledge, or receive as pledge securities, on condition that such activities do not constitute investment services or activities.
2. The Holding takes decisions and implements such decisions by taking into account new investments of all enterprises in which it participates in the capital and/or in the management, and in line with the financial, economic and technical capabilities of the group companies.
3. The Holding organizes and carries out the financing, management and operations of its group companies; audits these companies, and develops their future plans.
4. In line with the relevant legislation, the Holding may provide guarantees, sureties, collaterals, or pledge rights, including liens, on behalf of itself or a third party.
5. On condition that such activities do not represent brokerage services, the Holding intermediates stock/share and debt instrument issuance of enterprises in which it participates in the capital and/or in the management, guarantees the result of such issuances to issuing companies and buyers, and ensures their repurchase. It takes necessary steps to maintain the issuances and their value.
6. It takes over any and all receivables arising from the sale of companies in which it participates in the capital and management, and transfers and assigns these to the other companies it participates in, insures by itself or via a third party the loans extended by these companies to their sellers and customers.
7. The Holding organizes and carries out the financial and legal advisory of enterprises in which it participates in the capital and/or in the management, provided that such activities do not represent financial audit, rationality, business administration, import, export, customs, storage, insurance, transportation, collection, and investment consulting services.
8. The Holding establishes partnerships and affiliates with domestic and foreign companies, and participates in contracts that are based on the distribution of financial liability.
9. In areas where it is appropriate for its given scope and field of activity and in order to fulfill its establishment purposes, the Holding buys, sells, leases, takes on lease movable and immovable property, and create and discharge mortgages, pledges, any take legal and financial action on its own immovable properties.
10. On condition that such activities do not represent brokerage services, the Holding may serve as a guarantor in all financing of enterprises in which it participates in the capital and/or in the management, and provide all types of in-kind or individual assurance in this regard.
11. It may task individuals and/or special committees under its organization to create a single point of solution for all forms of legal, financial or other issues facing enterprises in which it participates in the capital and/or in the management, and when necessary, obtain the services of external specialists for a determined or an undetermined amount of time for addressing such issues.

12. Through the aforementioned specialists, it may follow-up and conclude any type of financial and legal transactions of the enterprises it participates in, and when necessary, utilize their services in following-up on the administrative, financial and legal disputes before administrative and judicial authorities.
13. It may collect a fee on a per-work basis or through annual subscriptions to perform such services.
14. Ensures the central performance of financial, economic and technical services, such as planning, project development, and surveys by enterprises in which it participates in the capital and/or in the management. Accordingly, it may prepare tender projects and offers, participate in tenders in behalf and on account of its subsidiaries or in behalf of itself but on account of its subsidiaries, or assign any such tenders it participated in behalf and on account of itself to its subsidiaries. In return for these services, it may generate revenues through definite or indefinite, per-work or subscription-based contracts with its subsidiaries, or charge a sum for tender transfers.
15. It may organize the accounting and legal affairs of enterprises in which it participates in the capital and/or in the management, through its own internal resources or by contracting such services to external assistance, and may charge a fee for these services.
16. It may organize courses for a definite or an indefinite period of time for providing basic or specialist training to all levels of employees of enterprises in which it participates in the capital and/or in the management, and may charge a fee for such services.
17. On condition that such activities do not represent brokerage services, it may provide services regarding to commercial activities between its subsidiaries, or between its subsidiaries and a third natural or legal person. It may charge a fee to facilitate commercial contracts between parties, and mediate the execution thereof. In particular, it may facilitate the trading of movable and immovable property, finished and semi-finished goods or raw material, use the power it was granted through such contracts to collect the price of such goods, and may transfer the goods on behalf of the parties.
18. In behalf of itself and on account of its subsidiaries, it may serve as an intermediary in the trade of all forms of movables, finished and semi-finished goods and raw material. It may establish all legal relations with subsidiaries or third parties as stated in the Code of Obligations, provided that such an act does not violate the provisions of the relevant legislation.
19. Without prejudice to the provisions on concealed income transfer, it may participate in domestic and or international tenders by the Privatization Administration, official and private bodies, and other relevant entities, either by itself or through a partnership with third parties.
20. It may engage in the wholesale and retail trade, transportation, marketing, export, import, trusteeship and transit trade of goods that fall under its scope, take part in tenders, auctions and reverse auctions, and conduct relevant customs transactions as long as these do not fall within the scope of customs brokerage.
21. It may create, purchase either in part or in full, lease, use, sell, take on lease, grant usufruct and pledge rights on or take any other similar legal action on domestic and foreign licenses, patent rights, trademarks, licenses, privileges, copyrights, brands, models, images, trade names, and intangibles such as know-how and technical information that it deems useful or mandatory for performing its purpose.
22. In order to perform its purpose, fulfill its needs or to utilize its resources, the Holding may purchase and sell all kinds of movable or immovable assets and rights; execute sales pledge contracts, lease or take on lease either in part or in full, and register real estate land registry. In relation real estate registered to its name, the Holding may conduct apply for land registry operations such as classification, partition, allotment, parceling; offer such real estate gratis to public agencies or municipal governments when it is deemed necessary to fulfill its purpose, or waiver its rights on such real estate for the development of road infrastructure or landscaping. With regard to real estate belonging to the Holding itself or other parties, it may create any type of mortgage and other real and personal rights –in its own favor, or in the favor of others– on the immovable properties that are in its possession or in the possession of others, may discharge mortgage, may create right of retention, right of redemption, underground and surface rights, discharge these rights, may create any type of real and personal rights on the surface rights which are acquired, may sell partially or fully the surface right within the framework of the surface rights duration, may lease the surface rights to domestic and foreign real entities. In order to achieve its purpose and for the assurance of the Holding's debts, it may create mortgage, pledge, real estate encumbrances, commercial enterprise pledges, and usufruct, servitude, residence rights and any type of real or personal rights on Holding's movable or immovable properties and may accept the aforementioned rights created on its receivables by third parties or on the movable and immovable properties of third parties. It may accept surety bonds, may receive and give real and personal collaterals for all its rights and receivables, may hypothecate its immovable properties and may pledge its movable properties for the debts of third parties, may give guaranty and surety in the favor of third parties, may sign guaranty and surety ship agreements. For the assurance of Holding's debts and receivables, in accordance with the Civil Code, may perform any type of borrowing and asset disposal transactions regarding tangible and intangible rights. With or without encumbrance, may dispose of any of its immovable properties, and if necessary may perform conveyance transactions on these issues, may accept the conveyance transactions which are performed, may create, accept deed restriction, and may execute and conclude other title deed transactions.
23. In order for the achievement its purposes, the Holding may purchase, sell, lease, and import all necessary equipment and facilities, and may enter into financial leasing agreements.
24. The Holding may open branches, liaison offices, agencies, dealerships and representative offices inside and outside the country.
25. In a manner that will not hinder its own operations and the fulfilment of its purpose, the Holding may provide donations and aid to public offices included in the general budget, provincial private administrations, social foundations, associations, national and international organizations, institutions engaged in research and development activities, universities, educational institutions and similar entities; become member to associations; and take part in foundations.
26. It may organize insurance services in partnership with authorized organizations.
27. It may carry out activities in the organization and service sectors within the scope of the various business and service models, and provide consultancy and supervisions services in areas relevant to its field of activity.
28. It may establish R&D centers within its own organization in areas relevant to its field of activity.

In case the Holding plans to engage in other businesses than the ones described above, the matter will be submitted to the approval of the general assembly. Any resolution in favor of such a plan shall be regarded as an amendment to the Articles of Association, and as such, shall be subject to the approval of the Republic of Turkey Ministry of Customs and Trade.

ARTICLE 4 - HEADQUARTERS AND BRANCHES OF THE COMPANY

The headquarters of the Company is in Ankara at the address of Koza Sokak No: 22 GOP/ANKARA. The Company may open branches inside and outside the country by notifying the Republic of Turkey Ministry of Customs and Trade. In case of a change in address, the new address shall be registered in the Trade Registry, published in the Turkish Trade Registry Gazette, and notified to the Ministry of Customs and Trade. All notifications to the registered and announced address shall be deemed valid. Relocation of the Company from its registered and announced address without registering its new address within the legal time shall be grounds for dissolution of the Company.

ARTICLE 5 - HOLDING'S DURATION

The Holding is established for an indefinite period of time.

ARTICLE 6 – CAPITAL

The share capital of the Company consists of TL 72,492,580.00, divided into 72,492,580 registered shares with a nominal value of TL 1.00 each.

The previous capital of TL 667.080.686.00 has been fully paid as stated in Certified Public Accountant Gündoğan Durak's Report No. YMM34105055/57-42 of June 16, 2016 on Determining whether the Capital is Paid in Full. This time, the Company's paid-n capital was reduced by TL 594,588,106.00 to TL 72,492,580.00 by the transfer of affiliate shares and associated liabilities listed under the Company's assets to Akfen Mühendislik A.Ş. through a partial demerger as per Articles 19 and 20 of the Corporate Tax Law and Article 159 of the Turkish Commercial Code, and the shares issued by Akfen Mühendislik A.Ş. as a result of this transfer being handed to the Company's shareholders instead of the Company itself. The value of the transferred assets is given below.

Affiliate	Amount	Payables
Akfen Termik Enerji Yatırımları A.Ş.	308,013,740.06	5,812,420,00
Akfen GYO A.Ş.	202,340,904.36	50,590,893,00
İDO İstanbul Deniz Otobüsleri A.Ş.	100,026,351.20	15,644,642,00
TAV Yatırım Holding A.Ş.	21,783,500.00	
Akfen Çevre ve Su Yat.Yap.İşl.A.Ş.	25,900,234.23	
Adana İpekyolu Enerji Üretim San.ve Tic.A.Ş.	6,491,200.00	
Akfen Enerji Gaz Santrali Yat.Ve Tic.	500	
Akfen Enerji Üretim Ve Ticaret A.Ş.	580,000.00	
Akfen Rüzgar Enerjisi Ve Tic.A.Ş.	500	
Akfen Karaköy Gayrimenkul Yatırımları Ve İnş.A.Ş	344	
Akfen Güllük Çevre Ve Su Yatırım Yapım İşlt.A.Ş.	751	
Akfensu Abriogaz Dilovası Atık Su Ar.Yap.İşl.A.Ş	2	
Akfen Güneş Enerjisi Yatırım Ve İşletme A.Ş.	4,750.00	
Batı Karadeniz Elk.Dağ.Ve Sis.A.Ş.	1,231,711.69	
Batı Karadeniz Elk.Dağ.Ve Sis.A.Ş.(2003 Enf)	233,495.75	
Batı Karadeniz Elk.Dağ.Ve Sis.A.Ş.(2004 Enf)	53,076.71	
Batı Karadeniz Elk.Dağ.Ve Sis.A.Ş.(Sermaye Taahhüdü)	-25,000.00	
TOTAL	**666,636,061.00**	**72,047,955.00**

As stated in Certified Public Accountant Gündoğan Durak's Report No. YMM34105055/62-47 of June 29, 2016, the value of affiliate shares minus all associated liabilities nets the value of transferred assets at (666,636,061.00 – 72,047,955.00 =) TL 594,588,106.00.

The post-demerger shareholding structure of the company is provided below:

AKFEN HOLDİNG A.Ş.	CAPITAL	CAPITAL	CAPITAL
PARTNER	**(GROUP A)**	**(GROUP A)**	**(TL)**
Hamdi Akın	16,858,186	45,341,528	62,199,714.00
Selim Akın		2,518,319	2,518,319.00
Akınısı Makine San. ve tic. A.Ş.		310,413	310,413.00
Akfen Turizm Yatırımları ve İşletmecilik A.Ş.		310,413	310,413.00
Akfen Altyapı Danışmanlık A.Ş.		7,153,721	7,153,721.00
Value Per Share: TL 1.00	**16,858,186**	**55,634,394**	**72,492,580.00**

ARTICLE 7 - SALE AND TRANSFER OF SHARES AND ISSUANCE OF CAPITAL MARKET INSTRUMENTS

Transfer of shares is subject to the provisions of the Turkish Commercial Code.

Only the individuals registered in the share ledger are regarded as shareholders or as holders of usufructuary right on shares.

According to the provisions of Turkish Commercial Code, Capital Markets Law and relevant legislation and within the scope of the powers of the Board of Directors, the Holding may issue commercial bills, profit and loss sharing certificates, profit-participating bonds, convertible bonds and other capital market instruments as approved by the Capital Markets Board, debt instruments, and other securities that can be issued upon Board of Directors resolutions. The power to issue dividend right certificates is exclusive to the General Assembly. The provisions of the Capital Markets Law and relevant legislation are applicable in issuances.

ARTICLE 8 - ELECTION, DUTIES AND TERM OF OFFICE OF THE BOARD OF DIRECTORS, AND BOARD OF DIRECTORS MEETINGS

The Board of Directors, composed of at least 1 member who possesses the qualifications stipulated in the Turkish Commercial Code and Capital Markets Legislation, governs the Company and represents and binds the Company against third parties.

In case a legal person is elected as a member of the Board of Directors, a natural person determined by the legal person shall be registered and announced on behalf of the legal person. In addition, if legally necessary, the registration and announcement shall be immediately disclosed from the Company website, if available. The select representative of the legal person shall be the sole responsible party to take part in and vote at meetings on behalf of the legal person. The members of the Board of Directors and the natural person registered on behalf of the legal person must be fully competent. Reasons for termination of board membership also prevent being elected.

The Board of Directors shall elect a Chairman from among its members to chair meetings of the Board of Directors, and a Deputy Chairman to chair the meetings in the absence of the Chairman. The Deputy Chairman shares the power granted to the Chairman under the Turkish Commercial Code regarding calls for calls for meeting and information requests by the members of the Board of Directors.

Members of the Board of Directors can be elected for maximum term of three years, and may be reelected after the end of their term of office. In case a member's position becomes vacant for any reason, the Board of Directors shall temporarily appoint a person with the qualifications as stipulated in the Turkish Commercial Code, and submits the appointment for approval at the earliest General Assembly. The member elected in this manner continues to perform his/her tasks until the General Assembly, and if approved, completes the term of office of his/her predecessor.

The Board of Directors carries out tasks assigned to it by the provisions of the Turkish Commercial Code, Company's Articles of Association, General Assembly resolutions and other relevant legislation. The Board of Directors is authorized to take decisions on all matters except those for which the General Assembly is granted exclusive authority by law and the Articles of Association.

Members of the Board of Directors may be dismissed by the General Assembly at any time.

The Board of Directors convenes when the Company's affairs and transactions necessitate.

Calls for a meeting of the Board of Directors are made via fax, provided that one copy of the invitation is delivered via courier with written confirmation of receipt, or via certified mail.

Each member of the Board of Directors has one vote at meetings. The right to vote is used personally. Unless there has been a call for meeting by one of the members, any proposal by a Board of Directors member can be resolved by written approval of the majority of members. The proposal must be submitted to all members of the Board of Directors in order to be resolved as such. The approvals do not have to be on the same letter; however, for the validity of the resolution, all letters bearing the approvals and signatures must be attached to the Board of Directors' resolution book, or converted into a resolution that contains the signatures of the approving members, and registered in the resolution book.

The Board of Directors convenes with at least more than half of the total number of members, and takes decisions with a majority vote of those present.

Those who are entitled to attend the Company's Board of Directors meetings can attend these meetings electronically as per Article 1527 of the Turkish Commercial Code. As per the provisions of the "Communiqué on the Assemblies Conducted in Business Companies via Electronic Means" by the Ministry of Customs and Trade, the Company may decide to establish an Electronic Meeting System itself or receive such services externally to enable entitled parties to attend the meetings and cast their votes electronically. In such meetings, the Company shall ensure that entitled individuals are able to exercise their rights under relevant legislation through the electronic system utilized in line with this provision of the Articles of Association.

The meeting agenda of the Board of Directors shall be determined by the Chairman. The agenda may be amended upon a Board of Directors decision. The meeting shall take place at the Company Headquarters. However, the meeting location may also be changed upon the decision of the Board of Directors.

The members of the Board of Directors shall receive monthly or annual remuneration or an allowance for each meeting as determined by the General Assembly.

ARTICLE 9 - EXECUTIVE COMMITTEES

As per the provisions of the Turkish Commercial Code and other relevant legislation, the Board of Directors may, when deemed necessary, establish committees and commissions that can also include the members of the Board of Directors to ensure the healthy performance of Board of Directors in fulfilling its duties and responsibilities, conduct internal audits, identify risks, and monitor the budget. The responsibilities, working principles and members are determined by the Board of Directors in accordance with the Turkish Commercial Code and other relevant legislation.

ARTICLE 10 - EXECUTIVE DIRECTOR AND GENERAL MANAGER

The Board of Directors is authorized prepare an internal directive for assign the management, either partially or in full, to one or multiple members of the Board of Directors or to a third party. This internal directive regulates the management of the Company, identifies and distributes tasks, establishes a hierarchy, and determines reporting relations. Upon request, the Board of Directors provides written information to shareholders as well as creditors who provide convincing proof of their interest in the Company.

The Executive Director, whose duties and responsibilities are detailed in the internal directive, shall be responsible from the administration and monitoring of the Company's business purposes and the performances of its management, while the General Manager shall be responsible for governing the Company with prudence in line with the Board of Directors decisions and the principles of profitability and efficiency, and shall be held accountable for actions to the contrary.

The Executive Director, General Manager and Assistant General Managers shall be appointed and dismissed via Board of Directors resolutions.

The terms of offices of the General Manager, Assistant General Managers and other authorized signatories of the Company are not limited to the term of office of Board of Directors.

ARTICLE 11- COMMITTEES OF THE BOARD OF DIRECTORS

As per the Turkish Commercial Code, the Capital Markets Law and the CMB's regulations regarding corporate governance and other relevant legislation, the Board of Directors may elect to establish internal committees for ensuring its healthy performance in fulfilling its duties and responsibilities as necessary. The responsibilities, working principles and members are determined and disclosed by the Board of Directors in accordance with the provisions of the Turkish Commercial Code, the Capital Markets Law and the CMB's regulations regarding corporate governance and other relevant legislation.

The Board of Directors may establish any number of committees from among its members for a variety of purposes, such as to monitor the progress of business, prepare for tasks that will be assigned to it, prepare budgets by taking into account all important factors, and follow-up implementation of resolutions.

ARTICLE 12 - REPRESENTATION AND BINDING OF THE COMPANY

The Board of Directors, Executive Director, and other authorized signatories have the power to represent and bind the company. In order for any document provided or contract signed by the Company to be valid, these documents must bear under the company title the signatures of individuals, who are identified, registered and declared by the company through a list of authorized signatories.

In cases where the Board of Directors delegates the management of the Company, the transfer of the right to represent shall not be valid unless a notarized copy of the resolution specifying the persons authorized to represent the Company and their responsibilities is registered and published in the trade registry. Limitation of the authority to represent is not enforceable against third parties acting in good faith, but is applicable in registered and announced restrictions on the power of representation when it is associated with the operations of the headquarters or an individual branch. Provisions of Articles 371, 374 and 374 of the Turkish Commercial Code apply.

In case the power to represent the Company is delegated to a single individual, the individual in question must be a member of the Board of Directors, and in case the power to represent the Company is delegated to a manager, at least one member of the Board of Directors must also be authorized to represent the Company.

ARTICLE 13 - AUDIT

The provisions of the Turkish Commercial Code on audits shall apply.

ARTICLE 14 - GENERAL ASSEMBLY

The following principles apply to General Assembly meetings.

Calls for General Assembly: The General Assembly convenes for ordinary and extraordinary meetings.

Ordinary General Assembly meetings are held for each accounting period in order to elect the functional bodies of the Company, review its financial statements, approve the annual report of the Board of Directors, assess how the Company's profits are utilized, determine profit distribution and dividend ratios, determine the remuneration, bonus and honorarium provided to the members of the Board of Directors, release them from liability, and discuss and decide upon other matters that concern the operating period.

Extraordinary General Assembly, on the other hand, convenes when necessary due to an important or urgent matter affecting the Company, and the reason for the meeting constitutes its main agenda item.

The General Assembly is summoned for the meeting as specified in the Articles of Association, via the Company's website if available, and by an announcement on the Turkish Trade Registry Gazette. The call is made at least two weeks before the meeting date, not including the date of the announcement and the meeting itself. Shareholders who are registered in the share ledger or those who have already certified their shareholder status by providing an applicable document are notified via certified mail of the meeting date as well as the newspapers that will announce meeting's agenda.

The information regarding General Assembly meetings are provided to the required authorities in compliance with the provisions of the Turkish Commercial Code and relevant legislation.

Meeting Date: The ordinary General Assembly convenes at least once a year within the first three months after the end of a fiscal year, while the extraordinary General Assembly convenes at any time the Company affairs necessitate.

Meeting Location: General Assembly convenes at the Company's Headquarters, or at any location as determined by the Board of Directors within the provincial borders of Ankara or Istanbul.

Proxies: Shareholders may be represented by other shareholders or by an outside proxy. Proxies who are shareholders of the Company are entitled vote for the shareholders they represent in addition to their own votes. The format of the Power of Attorney is determined in accordance with the relevant legislation

Voting Rights: Group A shareholders have three votes per share and Group B shareholders have one vote per share at Ordinary and Extraordinary General Assembly Meetings. The voting process is carried out in accordance with the provisions of the Turkish Commercial Code and other relevant legislation.

Discussions and Quorum: Turkish Commercial Code's provisions apply in all general assemblies and quorums.

Electronic Attendance to the General Assembly: Those who are entitled to attend the Company's General Assembly meetings can attend these meetings electronically as per Article 1527 of the Turkish Commercial Code. As per the provisions of the "Communiqué on the Assemblies Conducted in Business Companies via Electronic Means" by the Ministry of Customs and Trade, the Company may decide to establish an Electronic Meeting System itself or receive such services externally to enable entitled parties to attend the meetings and cast their votes electronically. In such meetings, the Company shall ensure that entitled individuals are able to exercise their rights under relevant legislation through the electronic system utilized in line with the provisions of the aforementioned Communiqué.

ARTICLE 15 - ATTENDANCE OF COMMISSARY AT THE MEETINGS

The provisions of Article 407(3) of the Turkish Commercial Code are applicable regarding the attendance of a ministry representative at ordinary and extraordinary General Assembly meetings.

ARTICLE 16 - ANNOUNCEMENT

The announcements of the Company shall be made via the Company's website, if available, and via the Turkish Trade Registry Gazette when necessary, in compliance with the conditions and times specified in the Turkish Commercial Code and other regulations

ARTICLE 17 - ACCOUNTING PERIOD

The accounting year for the Company begins on the first day of January and ends on the last day of December. The first accounting year begins on the exact date the Company is established and ends on the last day of December.

ARTICLE 18 - DISTRIBUTION OF PROFIT

The Company's profit is determined in line with the Turkish Commercial Code and generally accepted accounting principles.

The amount of profit for the period is calculated by deducting from the Company's revenues for the period any liabilities that the Company must pay or reserve, such as overhead and depreciation as well as tax duties. The previous year's losses, if any, are then deducted to provide the net profit for the fiscal year, which is then allocated as below:

General Legal Reserve:

a) 5% of the profit is set aside as legal reserve.

First Dividend:

b) In accordance with the Turkish Commercial Code, a first dividend is set aside from the amount calculated by adding the amount of donations during the year to the remaining net profit.

c) After the aforementioned deductions, the General Assembly may opt to distribute the profit to board members, employees, auxiliary personnel, workers, foundations, and similar persons and organizations.

d) After the distribution of the first dividend to shareholders, the 1% of the remaining distributable profit is given to the Human Resources Development Foundation of Turkey.

Second Dividend:

e) After the deduction of items (a), (b), (c), and (d) from net profit, the General Assembly may decide to distribute the remaining amount either partially or in full as a second dividend, or set it aside as a voluntary reserve as per Article 521 of the Turkish Commercial Code.

Unless statutory reserves are set aside and the dividends are distributed as specified in the Articles of Association, no other reserve can be set aside, no profit can be transferred over to the next year, and no profit can be shared with board members, employees, auxiliary personnel, workers, foundations, and similar persons and organizations.

Dividends are distributed equally on to all existing shares, regardless of their date of issuance and acquisition.

The General Assembly decides on the method and schedule of dividend distribution upon the proposal of the Board of Directors.

As per the provisions of this Articles of Association, decisions taken by the General Assembly to distribute dividends cannot be withdrawn.

There is no privilege among share groups with respect to dividend distribution.

ARTICLE 19 - ADVANCE DIVIDEND

The General Assembly may resolve to distribute an advance dividend to the shareholders within the framework of the Turkish Commercial Code and relevant legislation.

ARTICLE 20 - AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Amendments to the Articles of Association are decided upon by the General Assembly within the scope of the provisions stipulated in relevant legislation and the Articles of Association and upon the approval of the Republic of Turkey Ministry of Customs and Trade, and announced after being duly registered at the trade registry.

In case an amendment to the Articles of Association violates the rights of privileged shareholders, the decision of the General Assembly must be approved by the board of privileged shareholders, with the exception of the conditions stated in the Article 454/4 of the Turkish Commercial Code.

ARTICLE 21- LEGAL PROVISIONS

In matters not covered in this Articles of Association, the provisions of the Turkish Commercial Code and other relevant legislation shall apply.

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Güney Bağımsız Denetim ve SMMM A.Ş.
Maslak Mahallesi Eski Büyükdere Cad. Orjin Plaza No: 27 Kat: 2-3-4
Daire: 54-57-59 34485
Sarıyer / İstanbul - Türkiye

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No : 479920
Mersis No: 0-4350-3032-6000017

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the Board of Directors of
Akfen Holding Anonim Şirketi

Report on the Audit of the Annual Report of the Board of Directors in accordance with the Independent Auditing Standards

We have audited the annual report of Akfen Holding A.Ş. and its subsidiaries and joint ventures (together referred to as "the Group") for the year ended 31 December 2016.

The responsibility of the Board of Directors on the Annual Report

In accordance with Article 514 of the Turkish Commercial Code 6102 ("TCC") and the provisions of the Communiqué II-14.1 on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") of the Capital Markets Board ("CMB"), the management of the Group is responsible for the preparation and fair presentation of the annual report consistent with the consolidated financial statements and for the internal controls considered for the preparation of a report of such quality.

Responsibility of the Independent Auditor

Our responsibility is to express an opinion, based on the independent audit we have performed on the Group's annual report in accordance with article 397 of the TCC and the Communiqué, on whether the financial information provided in this annual report is presented fairly and consistent with the Group's consolidated financial statements there on which auditor's report dated 13 March 2017 has been issued.

Our independent audit has been performed in accordance with the Independence Auditing Standards as endorsed by CMB and Independent Auditing Standards ("ISA") which are a part of Turkish Auditing Standards promulgated by the Public Oversight, Accounting and Auditing Standards Authority of Turkey. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the financial information provided in the annual report is free from material misstatement and consistent with the consolidated financial statements. This independent audit involves the application of auditing procedures in order to obtain audit evidence on the financial information. The selection of these procedures is based in the professional judgment of the independent auditor. We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial information provided in the annual report of the Board of Directors is presented fairly and consistent with the audited consolidated financial statements in all material respects.

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Independent auditor's responsibilities arising from other regulatory requirements

In accordance with paragraph 3 of Article 402 of the Turkish Commercial Code ("TCC") 6102, within the framework of the Independent Auditing Standards 570 "Going Concern", no material uncertainty has come to our attention which causes us to believe that the Company will not be able to continue as a going concern in the foreseeable future.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Seda Akkuş Tecer, SMMM
Partner

13 March 2017
Istanbul, Turkey

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Akfen Holding Anonim Şirketi and its Subsidiaries

Consolidated financial statements as of and for the year ended December 31, 2016 with the independent auditor's report

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Güney Bağımsız Denetim ve SMMM A.Ş.
Maslak Mahallesi Eski Büyükdere Cad. Orjin Plaza No: 27 Kat: 2-3-4 Daire: 54-57-59 34485
Sarıyer / İstanbul - Türkiye

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No : 479920
Mersis No: 0-4350-3032-6000017

(Convenience translation of a report and consolidated financial statements originally issued in Turkish)

Independent auditors' report on the consolidated financial statements

To the Board of Directors of Akfen Holding Anonim Şirketi;

We have audited the accompanying consolidated balance sheet of Akfen Holding A.Ş. ("Akfen" or "the Company") and its Subsidiaries (together will be referred to as the ''Group'') as at December 31, 2016 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the financial statements

Group's management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with the Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") and for such internal controls as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to error and/or fraud.

Independent auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey and standards on auditing issued by POA. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Independent audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The independent audit procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments, the Company's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design independent audit procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Group and its internal control system. Our independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Akfen Holding A.Ş. and its Subsidiaries as at December 31, 2016 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards.

Other matter

The consolidated financial statements of Akfen Holding A.Ş. and its Subsidiary prepared in accordance with Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA"), as of December 31, 2015 were audited by another audit firm whose independent auditor's report thereon dated February 29, 2016 expressed an unqualified opinion.

Reports on other responsibilities arising from regulatory requirements

1) In accordance with subparagraph 4, Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period January 1 – December 31, 2016 and financial statements are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

2) In accordance with subparagraph 4, Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Additional paragraph for convenience translation to English:

In the accompanying consolidated financial statements, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) differ from International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board with respect to the application of inflation accounting which ceased to apply one year earlier than IFRS and the presentation of the basic financial statements and the notes to them. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Seda Akkus, SMMM
Partner

March 13, 2017
İstanbul, Türkiye

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JANUARY 1 - DECEMBER 31, 2016

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(Convenience Translation to English of Consolidated Financial Statements Originally Issued in Turkish)

Consolidated Balance Sheet as of December 31, 2016

(All amounts are expressed in thousand Turkish Liras ("TRY") unless otherwise specified.)

ASSETS	*References*	*Audited* December 31, 2016	*Audited Restated* December 31, 2015	*Audited Restated* January 1, 2015
Current Assets				
Cash and cash equivalents	6	46,132	22,424	74,310
Financial investments		60,938	--	--
-Restricted bank balances	*7*	*60,938*	--	--
Trade receivables		--	17,867	115,405
-- Due from related parties		--	--	*888*
--Due from third parties	*9*	--	*17,867*	*114,517*
Other receivables		5,611	99,734	1,402
-- Due from related parties	*10-32*	*5,611*	*99,587*	*652*
-- Due from third parties	*10*	--	*147*	*750*
Inventories		--	--	252,387
Prepaid expenses	22	308	8,119	7,805
Current income tax assets		93	885	7,732
Other current assets		--	25	115,959
SUB-TOTAL		**113,082**	**149,054**	**575,000**
- Assets held for sale	**12**	**1,520,583**	**1,159,369**	**--**
TOTAL CURRENT ASSETS		**1,633,665**	**1,308,423**	**575,000**
Non-Current Assets				
Long-term financial investments	7	--	47,664	--
Trade receivables		--	--	135,964
- Due from third parties		--	--	*135,964*
Other receivables		401,359	448,730	65,327
- Due from related parties	*10-32*	*401,092*	*431,387*	*51,690*
- Due from third parties	*10*	*267*	*17,343*	*13,637*
Investments accounted using the equity method	13	1,978,045	864,249	631,082
Investment properties	14	--	1,459,489	1,379,533
Property, plant and equipment	15	4,848	64,624	922,057
Intangible assets		308	33,649	97,670
-Goodwill		--	*3,309*	*3,309*
-Other intangible assets	*16*	*308*	*30,340*	*94,361*
Prepaid expenses	22	--	11,797	14,064
Deferred tax assets	30	--	6,364	69,073
Other non-current assets	21	870	44,445	103,244
TOTAL NON-CURRENT ASSETS		**2,385,430**	**2,981,011**	**3,418,014**
TOTAL ASSETS		**4,019,095**	**4,289,434**	**3,993,014**

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience Translation to English of Consolidated Financial Statements Originally Issued in Turkish)

Consolidated Balance Sheet as of December 31, 2016

(All amounts are expressed in thousand Turkish Liras ("TRY") unless otherwise specified.)

LIABILITIES	References	*Audited* December 31, 2016	*Audited Restated* December 31, 2015	*Audited Restated* January 1, 2015
Current Liabilities				
Short term borrowings	8	4,504	42,728	31,809
Short term portion of long-term borrowings	8	884,961	224,119	331,719
Trade payables		2,736	19,316	39,558
-Due to related parties	*9-32*	*1,019*	*3,783*	*9,963*
-Due to third parties	*9*	*1,717*	*15,533*	*29,595*
Other payables		2,298	14,371	45,271
-Due to related parties	*10-32*	--	*1,603*	*25,911*
-Due to third parties	*10*	*2,298*	*12,768*	*19,360*
Employee benefit obligations		175	547	574
Deferred income		--	402	278,723
Current provisions		3,001	2,053	3,655
-Provision for employee benefits	*18-20*	*3,001*	*2,053*	*3,655*
Other current liabilities		***50***	--	1,452
SUB-TOTAL		**897,725**	**303,536**	**732,761**
Liabilities related to assets held for sale	**12**	**944,445**	**839,927**	**--**
TOTAL CURRENT LIABILITIES		**1,842,170**	**1,143,463**	**732,761**
Non-Current Liabilities				
Long term borrowings	8	201,430	1,262,779	1,423,549
Trade payables		--	--	8,875
-Due to related parties		--	--	***483***
-Due to third parties		--	--	***8,392***
Other payables		10,581	39,467	36,029
-Due to related parties	*10-32*	*10,581*	*9,066*	*7,293*
-Due to third parties	*10*	--	*30,401*	*28,736*
Deferred tax liabilities	30	--	69,795	77,558
Non-current provisions		1,410	1,441	10,848
-Long term provisions for employee benefits	*18-20*	*1,410*	*1,441*	*2,797*
-Other long term provisions		--	--	*8,051*
TOTAL NON-CURRENT LIABILITIES		**213,421**	**1,373,482**	**1,556,859**
TOTAL LIABILITIES		**2,055,591**	**2,516,945**	**2,289,620**
EQUITY		**1,963,504**	**1,772,489**	**1,703,394**
Equity attributable to equity holders of the parent		**1,709,188**	**1,401,402**	**1,305,315**
Issued capital	23	667,081	261,900	291,000
Adjustment to share capital		(7,257)	(7,257)	(7,257)
Share premiums (discounts)		(131,785)	157,694	211,695
Treasuary shares (-)		(1,899)	(76,029)	(167,264)
Effect of bussiness combinations under common control		6,236	18,046	6,474
Other accumulated comprehensive income that will not be reclassified to profit or loss		187,732	133,279	78,697
Gains on revaluation and remeasurement		*187,732*	*133,279*	*78,697*
-Increases on revaluation of property, plant and equipment		*192,431*	*137,068*	*81,192*
-Losses on remeasurement of defined benefit plans		*(4,699)*	*(3,789)*	*(2,495)*
Other accumulated comprehensive income that will be reclassified to profit or loss		373,492	177,897	63,106
-Currency translation difference	*23*	*388,923*	*199,902*	*81,679*
-Losses on hedge	*23*	*(15,431)*	*(22,005)*	*(18,573)*
Restricted reserves appropriated from profits		20,479	96,508	187,743
Retained earnings		110,028	610,178	641,121
Net profit for the period		485,081	29,186	--
Non-controlling interests	**23**	**254,316**	**371,087**	**398,079**
TOTAL LIABILITIES AND EQUITY		**4,019,095**	**4,289,434**	**3,993,014**

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience Translation to English of Consolidated Financial Statements Originally Issued in Turkish)

Consolidated Statement of Profit or Loss and Other Comprehensive Income For The Year Ended December 31, 2016

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

PROFIT OR LOSS FROM CONTINUING OPERATIONS	References	Audited December 31, 2016	Audited Restated December 31, 2015
Revenue	24	135,586	146,344
Cost of sales (-)	24	(65,226)	(80,524)
GROSS PROFIT		**70,360**	**65,820**
General administrative expenses (-)	25	(66,357)	(47,310)
Other income from operating activities	26	8,405	22,894
Other expenses from operating activities (-)		(643)	(2,227)
Share of profit/(loss) from investments accounted using the equity method	13	(128,345)	107,324
OPERATING PROFIT/(LOSS) FROM OPERATING ACTIVITIES		**(116,580)**	**146,501**
Income from investment activities	27	897,726	966
Expense from investment activities	27	(29,960)	(1,891)
PROFIT BEFORE FINANCE INCOME/(EXPENSES)		**751,186**	**145,576**
Finance income	28	90,518	42,573
Finance expenses	29	(206,348)	(300,200)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**635,356**	**(112,051)**
Tax (Expense)/ Income, Continuing Operations		**(3,915)**	**10,375**
Current period tax expenses	30	(5,407)	(4,162)
Deferred tax income / (expense)	30	1,492	14,537
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		**631,441**	**(101,676)**
PROFIT/(LOSS) AFTER TAX FOR THE PERIOD FROM DISCONTINUED OPERATIONS			
Period (loss)/profit from discontinued operations	12	(272,142)	104,336
PROFIT FOR THE PERIOD		**359,299**	**2,660**
Attributable to			
Non-controlling interests		(125,782)	(26,526)
Equity holders of the parent		485,081	29,186
Net profit for the period		**359,299**	**2,660**
Earnings/(Losses) Per Share			
Earnings/(losses) per share from continued operations		1.14	(0.12)
(Losses)/earnings per share from discontinued operations		(0.41)	0.16
Diluted Earnings Per Share (TRY in full)	31	**0.73**	**0.04**

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience Translation to English of Consolidated Financial Statements Originally Issued in Turkish)

Consolidated Statement of Profit or Loss and Other Comprehensive Income For The Year Ended December 31, 2016

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

STATEMENT OF OTHER COMPREHENSIVE INCOME	References	Audited December 31, 2016	Audited Restated December 31, 2015
PROFIT/(LOSS) FOR THE PERIOD		**359,299**	**2,660**
Other Comprehensive income that will not be reclassified to Profit or Loss		**54,453**	**54,583**
Losses on remeasurement of defined benefit plans		--	151
hare of other comprehensive income of investments accounted r using the equity method that will not be reclassified to profit or loss		54,453	54,461
Tax (expense income) related to other comprehensive income that will not be reclassified to profit or loss	34	--	(29)
Other comprehensive income that will be reclassified toprofit or loss		**203,484**	**113,335**
Currency translation difference		18,649	(2,805)
Share of other comprehensive income of investments accounted using the equity method that will be reclassified to profit or loss		184,835	116,140
OTHER COMPREHENSIVE INCOME		**257,937**	**167,918**
TOTAL COMPREHENSIVE INCOME		**617,236**	**170,578**
Distribution of Total Comprehensive Income			
Non-controlling interests		(117,893)	(27,981)
Equity holders of the parent		735,129	198,559
Total Comprehensive Income		**617,236**	**170,578**

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience Translation to English of Consolidated Financial Statements Originally Issued in Turkish)

Consolidated Statement of Changes in Equity for the Year Ended December 31, 2016

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

						Other Accumulated Comprehensive Income and Expenses That Will Be Reclassified in Profit or Loss		Other Accumulated Comprehensive Income and Expenses That Will Not Be Reclassified in Profit or Loss			Retained Earnings				
	Issued capital	*Adjustments to share capital*	*Treasury shares*	*Share premiums or discounts*	*Effects of combinations of entities or businesses under common control*	*Currency translation differences*	*Other gains or losses on hedge*	*Increases/(Revaluation fund*	*Gains/(Losses) on remeasure-ments of defined benefit plans*	*Restricted reserves appropriated from profits*	*Retained earnings*	*Net profit for the period*	*Total*	*Non-controlling interests*	*Total Equity*
Balances as of January 1, 2015 (reported previously)	**291,000**	**(7,257)**	**(167,264)**	**211,695**	**6,236**	**81,679**	**(18,573)**	**81,192**	**(2,495)**	**187,743**	**632,889**	**--**	**1,296,845**	**374,865**	**1,671,710**
Other restatements (Note 3)	**--**	**--**	**--**	**--**	**238**	**--**	**--**	**--**	**--**	**--**	**8,232**	**--**	**8,470**	**23,214**	**31,684**
Restated balances as of January 1, 2015	**291,000**	**(7,257)**	**(167,264)**	**211,695**	**6,474**	**81,679**	**(18,573)**	**81,192**	**(2,495)**	**187,743**	**641,121**	**--**	**1,305,315**	**398,079**	**1,703,394**
Total comprehensive income/ (expense) total	**--**	**--**	**--**	**--**	**--**	**118,223**	**(3,432)**	**55,876**	**(1,294)**	**--**	**--**	**29,186**	**198,559**	**(27,981)**	**170,578**
Profit (loss) for the period	--	--	--	--	--	--	--	--	--	--	--	29,186	29,186	(26,526)	2,660
Other comprehensive income/(expense)	--	--	--	--	--	118,223	(3,432)	55,876	(1,294)	--	--	--	169,373	(1,455)	167,918
Capital decrease	(29,100)	--	29,100	--	--	--	--	--	--	--	--	--	--	--	--
Increase / (decrease) through share-based payment transactions	--	--	104,641	(54,001)	11,572	--	--	--	--	(91,235)	(11,961)	--	(40,984)	989	(39,995)
Dividends paid	--	--	--	--	--	--	--	--	--	--	(18,982)	--	(18,982)	--	(18,982)
Increase / (decrease) through share-based payment transactions	--	--	(42,506)	--	--	--	--	--	--	--	--	--	(42,506)	--	(42,506)
Balances as of December 31, 2015	**261,900**	**(7,257)**	**(76,029)**	**157,694**	**18,046**	**199,902**	**(22,005)**	**137,068**	**(3,789)**	**96,508**	**610,178**	**29,186**	**1,401,402**	**371,087**	**1,772,489**

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience Translation to English of Consolidated Financial Statements Originally Issued in Turkish)

Consolidated Statement of Changes in Equity for the Year Ended December 31, 2016

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

						Other Accumulated Comprehensive Income and Expenses That Will Be Reclassified in Profit or Loss		Other Accumulated Comprehensive Income and Expenses That Will Not Be Reclassified in Profit or Loss			Retained Earnings				
	Issued capital	*Adjustments to share capital*	*Treasury shares*	*Share premiums or discounts*	*Effects of combinations of entities or businesses under common control*	*Currency translation differences*	*Other gains or losses on hedge*	*Increases/(Revaluation fund*	*Gains/(Losses) on remeasure-ments of defined benefit plans*	*Restricted reserves appropriated from profits*	*Retained earnings*	*Net profit for the period*	*Total*	*Non-controlling interests*	*Total Equity*
Opening balances as of January 1, 2016 (reported previously)	**261,900**	**(7,257)**	**(76,029)**	**157,694**	**6,236**	**199,902**	**(22,005)**	**137,068**	**(3,789)**	**96,508**	**600,501**	**37,464**	**1,388,193**	**347,621**	**1,735,814**
Other restatements (Note 3)	**--**	**--**	**--**	**--**	**11,810**	**--**	**--**	**--**	**--**	**--**	**9,677**	**(8,278)**	**13,209**	**23,466**	**36,675**
Restated balances January 1, 2016	**261,900**	**(7,257)**	**(76,029)**	**157,694**	**18,046**	**199,902**	**(22,005)**	**137,068**	**(3,789)**	**96,508**	**610,178**	**29,186**	**1,401,402**	**371,087**	**1,772,489**
Total comprehensive income/(expense)	**--**	**--**	**--**	**--**	**--**	**189,021**	**6,574**	**55,363**	**(910)**	**--**	**--**	**485,081**	**735,129**	**(117,893)**	**617,236**
Profit (loss) for the period	--	--	--	--	--	--	--	--	--	--	--	485,081	485,081	(125,782)	359,299
Other comprehensive income / (expense)	--	--	--	--	--	189,021	6,574	55,363	(910)	--	--	--	250,048	7,889	257,937
Transfers	--	--	--	--	--	--	--	--	--	--	29,186	(29,186)	--	--	--
Capital increase	420,000	--	--	(299,189)	--	--	--	--	--	--	(120,811)	--	--	--	--
Capital decrease (*)	(14,819)	--	14,819		--	--	--	--	--	--	--	--	--	--	--
Effects of business combinations under common control	--	--	--	--	(76,074)	--	--	--	--	--	4,753	--	(71,321)	1,122	(70,199)
Increase / (decrease) through share-based payment transactions (*)	--	--	61,210	12,038	--	--	--	--	--	(76,029)	2,781	--	--	--	--
Increase/decrease through other changes(Note 4)	--	--	--	--	--	--	--	--	--	--	(351,384)	--	(351,384)	--	(351,384)
Acquisition or disposal of subsidiaries (Note 4)	--	--	--	(2,328)	64,264	--	--	--	--	--	(64,675)	--	(2,739)	--	(2,739)
Increase / (decrease) through share-based payment transactions (**)	--	--	(1,899)	--	--	--	--	--	--	--	--	--	(1,899)	--	(1,899)
Balances as of December 31, 2016	**667,081**	**(7,257)**	**(1,899)**	**(131,785)**	**6,236**	**388,923**	**(15,431)**	**192,431**	**(4,699)**	**20,479**	**110,028**	**485,081**	**1,709,188**	**254,316**	**1,963,504**

(*) For shares bought back as per Article 520 of the Law No. 6102, contingency reserves at an amount that meets the acquisition value are earmarked. The Group annulled reserves for 14,819,000 shares constituting the basis for the capital reduction on January 28, 2016.

(**) As of December 31, 2016, Akfen purchased 2,409,000 shares of Akfen REIT worth TRY 3,339 within the framework of the "Share Buyback Program" as decided during the Ordinary General Assembly Meeting of Akfen REIT on May 24, 2016.

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience Translation to English of Consolidated Financial Statements Originally Issued in Turkish)

Consolidated Cash Flow Statement for the Year Ended December 31, 2016

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

	References	*Audited December 31, 2016*	*Audited December 31, 2015 (Restated)*
A. Cash Flows from Operating Activities		**63,046**	**(209,333)**
Profit/loss for the period		**359,299**	**2,660**
Profit/(loss) from continued operations		631,441	(101,676)
Net (loss)/profit from discontinued operations		(272,142)	104,336
Adjustments to reconcile (loss)/profit		**(302,358)**	**100,485**
Adjustments for depreciation and amortization	24-25	17,375	32,577
Adjustments for provisions related with employee benefits		580	3,563
Adjustments for impairment loss		29,468	--
Adjustments for impairment loss on intangible assets	27	29,468	--
Adjustments for the undistributed profits of investments accounted using the equity method	13	128,345	(99,984)
Adjustments for unrealized foreign exchange		376,385	98,289
Adjustments for (gain) loss caused by sale or changes in share of associates, joint ventures and financial investments	27	(897,162)	--
Adjustments for interest income and expenses	28-29	38,736	76,415
Adjustments for tax expenses	30	3,915	(10,375)
Changes in working capital		**(97,876)**	**(390,684)**
Adjustments for decreases/ (increases) in trade receivables		--	(125,969)
Adjustments for increases in other receivables related with operations		(94,123)	(105,345)
Other adjustments for other increase (decrease) in working capital		(198)	(123,758)
Adjustments for decreases in inventories		--	(97,888)
Adjustments for increases in trade payables		(1,470)	51,087
Adjustments for decreases/(increases) in other payables from operations		(2,085)	11,189
Cash flows from operations		**(40,935)**	**(287,539)**
Tax payments		(5,501)	(402)
Payments related with provisions for employee benefits		(175)	(315)
Dividends paid		--	(18,982)
Dividends received	13	77,901	56,194
Net cash flows on discontinuing operations		31,756	41,711

The accompanying notes form an integral part of these consolidated financial statements.

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Consolidated Cash Flow Statement for the Year Ended December 31, 2016

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

	References	December 31, 2016	December 31, 2015 Readjusted
B. Cash Flows from Investment Operations		**(23,171)**	**(144,271)**
Interest received		686	42,557
Purchase of property, plant, equipment and intangible assets		(4,009)	(83,959)
Proceeds from sales of property, plant, equipment and intangible assets		3	--
Cash outflows from purchase of additional shares of subsidiaries		--	(4,500)
Cash outflows arising from purchase of shares or capital increase of associates and/or joint ventures		--	(36,756)
Net cash flows from discontinued operations		(19,851)	(61,613)
C. Cash Flows from Financing Activities		**(16,167)**	**317,315**
Proceeds from borrowings		388,682	650,002
Repayments of borrowings		(233,006)	(223,607)
Interest paid		(151,527)	(116,414)
Other Cash Inflows (Outflows)		--	27,813
Payments to purchase entity's own shares or other equity instruments		--	(42,506)
Net cash flows from discontinued operations		(20,316)	22,027
Net increase/(decrease) in cash and cash equivalents		23,708	(36,289)
Cash and cash equivalents at the beginning of the period	6	22,424	58,713
Cash and cash equivalents at the end of the period	6	**46,132**	**22,424**

The accompanying notes form an integral part of these consolidated financial statements.

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(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY

Akfen Holding A.Ş. ("Akfen Holding" or the "Company") was established in Turkey in 1999. Having established its first company in 1976, Akfen Holding operates to invest in, administer and coordinate its subsidiaries and affiliates operating in industries such as airport management and operations, construction, seaport management and operations, marine transportation, water distribution and wastewater services, energy and real estate. Akfen Holding, together with its subsidiaries and joint ventures, will be hereinafter referred to as the "Group".

Akfen Holding transferred its contracting operations in infrastructure construction projects that it had been performing since its establishment to a new sphere outside contracting when it was awarded the Build-Operate-Transfer ("BOT") model for Istanbul Atatürk Airport in 1997, transposing the investment planning models it applied for airports to many infrastructure projects in Turkey as an investor and thus transforming into one of Turkey's infrastructure investment holdings.

As of December 31, 2016, Akfen Holding has 2 direct subsidiaries (December 31, 2015:6) and 7 joint ventures (December 31, 2015:6). Consolidated financial statements of the Group as of December 31, 2016 and for the year ended includes the share of Akfen Holding and subsidiaries and of the Group in affiliates and the equity accounted joint ventures. Akfen Holding controls all subsidiaries of the Group through shares it holds directly or indirectly. The Company has joint management rights in TAV Havalimanları Holding A.Ş. ("TAV Airports"), TAV Yatırım Holding A.Ş. ("TAV Investment"), Akfen Yenilenebilir Enerji A.Ş. ("Akfen Renewable Energy"), Mersin Uluslararası Liman İşletmeciliği A.Ş. ("MIP"), PSA Akfen Liman İşletmeciliği ve Yönetim Danışmanlığı A.Ş. ("PSA Port"), Akfen Çevre ve Su Yatırım Yapım İşletme A.Ş. ("Akfen Water") ve İstanbul Deniz Otobüsleri Sanayi ve Ticaret A.Ş. ("İDO").

The Group manages partnerships with nationally and internationally reputed partners such as Tepe İnşaat Sanayi A.Ş. ("Tepe Construction"), PSA International ("PSA"), Souter Investments LLP ("Souter"), Kardan N.V., Aéroports de Paris Management, European Bank for Reconstruction and Development ("EBRD") and International Finance Corporation ("IFC"). The Group also has a framework agreement with ACCOR S.A. ("Accor"), one of the world's leading hotel chains, for hotel brands Novotel and Ibis, which will have additional hotels constructed in Turkey.

Akfen Holding shares had been traded in Borsa Istanbul A.Ş. ("BİAŞ") under the code "AKFEN" since May 14, 2010 but were de-listed as of May 12, 2016.

Under the "Communique on the Rights to Squeeze-Out and Sell-Out" by the Capital Markets Board of Turkey ("CMB"), it was declared that the rights to sell-out and squeeze-out would be exercised since the total shares, in Akfen Holding, of share holders acting in concert (Hamdi Akın, Selim Akın, Akınısı Makina Sanayi A.Ş., Akfen Turizm Yatırımları ve İşletmecilik A.Ş. and Akfen Altyapı Danışmanlık A.Ş. ("Akfen Infrastructure")) reached 97.11% of the Company's total share/vote ratio, and the 3-month period of prescription after December 23, 2015, the date when the rights to sell-out could be exercised, elapsed on March 22, 2016. In addition, the controlling shareholders of the Company exercised their right to squeeze-out other shareholders, which did not exercise their right to sell-out, following the lapse of the 3-month period of prescription (between December 23, 2015 and March 22, 2016) at a cost of TRY 10.9998, the arithmetic mean of weighted average prices in the stock exchange within thirty days preceding December 22, 2015, when it was publicly declared that the status of controlling shareholder had been attained within the framework of the provisions of the Communique. After the CMB approval was obtained on April 28, 2016, the trading of AKFEN.E shares pertaining to the Company was closed by Borsa Istanbul as of April 29, 2016. CSD (Central Securities Depository of Turkey) cancelled those shares that were subject to squeeze-out, and the payment of the squeeze-out fee was performed on May 11, 2016.

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(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY *(continued)*

In the resolutions of Board of Direcktors of Akfen Holding dated June 1, 2016 and June 20, 2016 by the Board of Directors of Akfen Holding, the Board decided that it is determined whether it would be convenient to spin-off the shares of the Group in Akfen Termik Enerji Yatırımları A.Ş. ("Akfen Thermal Energy"), İDO, Akfen Water, TAV Investment, Akfen Gayrimenkul Yatırım Ortaklığı A.Ş., Adana İpekyolu Enerji Üretim Sanayi ve Ticaret A.Ş. ("Adana İpekyolu"), Akfen Enerji Gaz Santrali Yatırımları ve Ticaret A.Ş. ("Akfen Energy Gas"), Akfen Enerji Üretim ve Ticaret A.Ş, ("Akfen Power Generation"), Akfen Rüzgar Enerjisi ve Ticaret A.Ş. ("Akfen Wind Power"), Akfen Karaköy Gayrimenkul Yatırımları ve İnşaat A.Ş. ("Akfen Karaköy"), Akfen Güllük Çevre ve Su Yatırım Yapım İşletme A.Ş. ("Akfen Water Güllük"), Akfensu-Arbiogaz Dilovası Atıksu Arıtma Tesisi Yapım ve İşletim A.Ş. ("Akfensu-Arbiogaz Dilovası"), Akfen Güneş Enerjisi Yatırım ve İşletme A.Ş. ("Akfen Solar Power") and Batı Karadeniz Elk. Dağ. Ve Sis. A.Ş. and be invested as in-kind capital in Akfen Mühendislik A.Ş. ("Akfen Engineering") in order to maintain the shares of companies which have a positive impact on the Group's assets, attained an optimal capital structure in consideration of the existing business plans, are able to and have the potential to create strong cash flows for shareholders' equity and have an increasing dividend yield, and to exclude the shares of those companies the investment needs of and development work for which continue, and the fields of operation and partnerships of which are re-arranged accordingly. The process of publishing a notice regarding the procedure of spin-off based on such resolution as per Article 174 of the Turkish Commercial Code was completed, and a General Assembly meeting was held on February 16, 2017 in relation to this spin-off. The process was completed when the General Assembly resolutions were approved and registered on February 16, 2017.

As of December 31, 2016 and December 31, 2015, the shareholders holding the shares of Akfen Holding and their respective percentage of shares are provided below:

	December 31, 2016		December 31, 2015	
	Amount	%	Amount	%
Hamdi Akın(*)	572,365	85.80	198,500	68.21
Selim Akın	23,174	3.47	-	-
Akfen Infrastructure	65,829	9.87	-	-
Akfen Holding A.Ş.(**)	-	-	7,990	2.75
Other Shareholders	5,713	0.86	2,278	0.78
Publicly traded(***)	-	-	53,132	28.26
Paid-in capital (nominal) ****	**667,081**	**100**	**261,900**	**100**

* As of December 31, 2015, Hamdi Akın transformed 50 million shares of Akfen Holding in a way that they can be traded on BİAŞ.
** Publicly offered as of December 31, 2015.
*** As of December 31, 2015, there are 6,829,508 publicly-held shares in Akfen Holding portfolio which constitute 2.61% of the Company's capital. Thus, the total number of Akfen Holding shares in Akfen Holding portfolio stands at 14,819,314 (5.66% of the Company's capital).
**** Following the spin-off procedure of February 16, 2017, the Company's capital decreased to TRY 72,492,580 but the shareholder's shares in capital remained unchanged.

Akfen Holding's legal residence address is as follows:

Koza Sokak No:22
Gaziosmanpaşa
06700 / Ankara-Türkiye
Tel: 90 312 408 10 00 - Fax: 90 312 441 07 82
Web: http://akfen.com.tr
As of December 31, 2016, the number of employees employed by the Company and the Group is 78 (December 31, 2015: 265) and 34,841 (December 31, 2015: 37,839) respectively.

Subsidiaries and joint ventures of Akfen Holding are listed below:

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1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY *(continued)*

i) Subsidiaries

Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.

Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. ("Akfen REIT") was incorporated when the trade name of Aksel Turizm Yatırımları ve İşletmecilik A.Ş. ("Aksel") was changed and the latter was transformed into and restructured as a real estate investment trust. Aksel was first incorporated on June 25, 1997 as a partnership of Hamdi Akın and Yüksel İnşaat A.Ş. to make domestic tourism investments. Akfen Holding then purchased Yüksel İnşaat A.Ş. shares in Aksel in 2006 and Akfen REIT became a subsidiary of Akfen Holding. The restructuring was registered on August 25, 2006 through the resolution of the CMB No. 31/894 of July 14, 2006 following the board resolution of April 25, 2006, thus transforming Akfen REIT into a" Real Estate Investment Trust".

The acquisition of the trade name of Real Estate Investment Trust and the change in field of business were published on the Trade Registry Gazette of August 31, 2006.

The main field of business for Akfen REIT is to invest in real estate-based capital market instruments, establish and develop a real estate portfolio and engage in business for the purposes and subjects stated in Articles 23 and 25 of the CMB Communique on Principles Governing Real Estate Investment Trusts (Serial VI, No: 11). Akfen Holding, the controlling shareholder in Akfen REIT, signed a framework agreement with Accor, one of the world's leading hotel chains, to develop hotel projects in Turkey under the brand names Novotel and Ibis Hotel. Akfen REIT mainly develops hotel projects under brand names Novotel and Ibis Hotel and leases this out to Tamaris Turizm A.Ş. ("Tamaris"), a 100% affiliate of Accor operating in Turkey.

Akfen REIT shares have been traded on BİAŞ under the share code "AKFGY" since May 11, 2011.

On February 21, 2007, the shares of Akfen Gayrimenkul Ticareti ve İnşaat A.Ş. ("Akfen Trade"), an associate of Akfen Holding, were transferred to Akfen REIT over their nominal value. The main field of business for Akfen Trade is to make real estate-based investments, and establish and develop a real estate portfolio.

On May 31, 2011, Akfen REIT incorporated a subsidiary called Akfen Karaköy Gayrimenkul Yatırımları ve İnşaat A.Ş. in order to develop a hotel project in Karaköy, Istanbul. 70% of Akfen Karaköy shares belong to Akfen REIT.

Akfen Trade holds 97.72% and 95% shares respectively in Russian Hotel Investment BV ("Russian Hotel" or "RHI"), which was incorporated in the Netherlands on September 21, 2007, and in Russian Property Investment BV ("Russian Property" or "RPI"), which was incorporated in the Netherlands on January 3, 2008. The main field of business for the Russian Hotel is to develop hotel investments to be operated by Accor in the Ukraine and Russia. The main field of business of the Russian Property, on the other hand, is to carry out office projects in Russia.

On March 18, 2011, Akfen REIT incorporated a 100% subsidiary under the trade name Hotel Development and Investment BV ("HDI") in the Netherlands in order to develop hotel projects in Russia. A share sales agreement signed between HDI and Beneta Limited on September 4, 2013 to take over the shares of Russia-based Severnyi Avtovokzal Limited Company ("Severnyi"). Severnyi holds the rights for the project designed in the center of Moscow on a 2,010-m2 land as a 317-room hotel, the building licence for which is already acquired. Ibis Hotel Moscow build under this project has started operations on July 16, 2015.

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(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY *(continued)*

i) Subsidiaries (continued)

As of December 31, 2016, the total number of rooms in the 19 hotels owned by Akfen REIT is 3,428 while the total number of beds corresponding to such number of rooms is 6,714. The total number of rooms at a hotel under construction and about to be completed is 200, with 400 beds corresponding to the room number. Once the hotel that is currently under construction becomes operational, the total number of hotels will rise to 20, while the number of rooms and the corresponding number of beds will increase to 3,628 and 7,114 respectively.

Following the spin-off procedure of Akfen Holding on February 16, 2017, the shares held in Akfen REIT were transferred to Akfen Engineering.

Akfen Termik Enerji Yatırımları A.Ş. ("Akfen Thermal Energy")

In addition to hydroelectric power plant investments, Akfen Holding plans other energy investments under Akfen Termik Enerji Yatırımları A.Ş.. The trade name of Akfen Enerji Yatırımları Holding A.Ş., a subsidiary of Akfen Holding, was changed as Akfen Termik Enerji Yatırımları A.Ş. during the Extraordinary General Assembly Meeting held on December 19, 2014.

Affiliated to Akfen Thermal Energy, Akfen Power Generation obtained the power generation licence for a natural gas power plant in Mersin with an installed capacity of 450 MW on March 8, 2012.

On December 18, 2012, an application for amendment was filed to EMRA for increasing the installed capacity of Mersin Combined Natural Gas Power Plant from 570 MW to 1,148.4 MW, and the Environmental Impact Assessment ("EIA") Report issued was adopted as final. In addition to this, a capital increase took place and amendments to the licence were completed on January 13, 2014. In addition, the construction of the substation by the Group which will be transferred to Türkiye Elektrik İletim A.Ş. ("TEİAŞ") free of charge was completed, and the substation become operational on April 7, 2013 following its temporary admission. Disassembly and cleaning works in the field are completed and a letter certifying was obtained from the Ministry of Environment and Urbanization.

The EIA Application File submitted to the Ministry in relation to the 380 kV Mersin Combined Natural Gas Power Plant - Konya Ereğli Substation Power Transmission Line project that is planned for construction by Akfen Power Generation was examined and found appropriate in line with Article 8 of the EIA Regulation. The EIA process for the project was then completed.

Akfen Thermal Energy participated, at a rate of 50%, in Adana İpekyolu, which was incorporated in order to develop an import coal-fueled power plant with a power generation capacity of 615 MWm-600 MWe in Adana-Yumurtalık. As of October 30, 2015, 40% of Adana İpekyolu shares that are held by Selim Akın were taken over. Following the capital increase by Akfen Thermal Energy, Hamdi Akın did not exercise his call option and the share of Akfen Holding in Akfen Thermal Energy ,ncrease to 99.64% as of May 27, 2016.

Following the spin-off procedure of Akfen Holding on February 16, 2017, the shares held in Akfen Thermal Energy were transferred to Akfen Engineering.

Akfen Enerji Dağıtım ve Ticaret A.Ş.

The main field of business of Akfen Enerji Dağıtım ve Ticaret A.Ş.'nin ("Akfen Power Distribution") is energy investments. Akfen PowerGas, Akfen Uluslararası Enerji Faaliyetleri ve Ticaret A.Ş., Akfen Wind Power and Akfen Solar Power companies, which are currently non operational and are under, Akfen Power Distribution.

As of December 29, 2016, Akfen Holding transferred all of its shares in Akfen Power Distribution to Akfen Engineering.

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(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY *(continued)*

i) Subsidiaries (continued)

Akfen İnşaat Turizm ve Ticaret A.Ş. ("Akfen Construction")

In accordance with the resolution of by the Board of Directors of the Company dated July 13, 2015 and within the framework of Akfen Holding's growth strategies, it is decided that Akfen Construction shares be transferred due to Akfen Construction's obligation to invest in high amounts and the possibility that the need for shareholder's equity negatively affects the Company's dividend distribution, and that the shares of companies investing in solar and thermal power investments be acquired instead in order to expand the current energy investment portfolio of the Company. Based on this resolution, Akfen Holding's 99.85% share in Akfen Construction, a subsidiary of the Holding, was transferred to Akfen Infrastructure, an affiliate of the Company, for a fee of USD 58,911,500 on October 30, 2015. Since Akfen Holding's and its subsidiaries' operations in the construction sector ceased following the transfer of Akfen Construction shares, Akfen Construction income and expenditures until October 30, 2015 when the transfer procedure took place are indicated and included in the item for post-period profit/(loss) for discontinued operations.

ii) Joint Ventures

TAV Airports

TAV Airports was incorporated with the trade name Tepe Akfen Vie Yatırım Yapım ve İşletme A.Ş. in 1997 in Turkey for the reconstruction of the International Terminal of Istanbul Atatürk Airport. The purpose of incorporation of TAV Airports is to reconstruct the International Terminal Building at Istanbul Atatürk International Airport and operate the terminal for 66 months. The main field of business at TAV Airports is to construct terminal buildings and operate airports or terminals.

On June 3, 2005, TAV İstanbul Terminal İşletmeciliği A.Ş. ("TAV İstanbul") signed a concession agreement with the General Directorate of State Airports Authority ("DHMİ") in order to operate the International Terminal at Atatürk International Airport and the Domestic Terminal at Atatürk International Airports until 2021 for a period of 15.5 years.

A tender process was held on May 3, 2013 for the construction of Istanbul New Airport. As concerns the tender process, which was held pursuant to the tender specifications for Istanbul New Airport that would be constructed under a BOT model within the framework of the procedures and principles to be set by the DHMİ in line with the Law No. 3996 and the Resolution No 2011/1807 by the Council of Ministers, it was announced that the best bid was placed by another joint venture. The opening of Istanbul New airport may cause Istanbul Atatürk International Airport to close before the expiry of the concession contract and lead to a change in expected amortization period of prepaid rent and leasehold assets. However, in a letter that DHMİ sent to TAV Istanbul and TAV Holding on January 22, 2013, it was stated that DHMİ would compensate for all losses of profit the company which would incur in relation to the overlapping period of operations if the new airport on the European side of Istanbul would be commissioned before the expiry of TAV Istanbul's Rental Agreement where independent organizations could be brought in to calculate the reimbursement amount. Considering the uncertainty as to when Istanbul Atatürk International Airport would definitely cease operations and the fact that the carrying amount of assets could be recovered if the closing date would be earlier than the expiry date of the concession contract, TAV Airports calculates the amortisation date for the prepaid rent as well as for leasehold improvements by taking into account the year 2021 when the concession contract period will expire..

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(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY *(continued)*

ii) Joint Ventures (continued)

TAV Airports (continued)

BOT contracts were signed between TAV Esenboğa Yatırım Yapım ve İşletme A.Ş. ("TAV Esenboğa") and TAV İzmir Terminal İşletmeciliği A.Ş. ("TAV İzmir") and DHMİ; between TAV Urban Georgia LLC and State Airports Authority of Georgia ("JSC"); between TAV Batumi Operations LLC and the Georgian Ministry of Economic Development ("GMED"); between TAV Tunisie SA ("TAV Tunisia") and the State Airports Authority of Tunisia ("OACA") and the Ministry of Transport ("MOT"); between TAV Macedonia Dooel Petrovec and the Macedonian Ministry of Transport ("MOTC") while a BTO contract was signed for the Madinah Airport in Saudi Arabia between Tibah Airports Development Company CJSC, a joint venture among TAV Airports, Al Rajhi Holding Group and Saudi Oger Ltd., and the Saudi Arabian State Airports Authority ("GACA"). In addition, TAV Ege Terminal Yat. Yap. ve İşl. A.Ş., TAV Milas Bodrum Terminal İşletmeciliği A.Ş. and TAV Gazipaşa Alanya Havalimanı İşletmeciliği A.Ş. signed a concession agreement with DHMİ. These contracts and agreements require that TAV Airports constructs, reconstructs or manages airports within the time periods set and, in return, acquires the right to operate the said airports for time periods set previously. At the end of contract terms, TAV Airports will transfer the ownership of the constructed buildings to the relevant organization (DHMİ, JSC, GMED, OACA, MOT, MOTC and GACA). In addition, the Group signs individual agreements pertaining to airport operations.

A concession agreement was signed on April 11, 2012 between ZAIC-A Limited ("ZAIC–A") and the Republic of Croatia for the new passenger terminal to be constructed at Zagreb Airport. Aviator Netherlands B.V. ("Aviator Netherland") was incorporated and became 15% shareholder in ZAIC-A. TAV Airports hold 100% of shares in Aviator Netherlands. Handover procedures were completed on December 6, 2013 and TAV Airports took over the construction and operation works in which TAV Holding has a share of 15%. The concession period will end in April 2042.

In addition, TAV Airports signs individual agreements pertaining to airport operations. TAV Airports also provides other airport operation services via ATÜ Turizm İşletmeciliği A.Ş. ("ATÜ"), Havaş Havaalanları Yer Hizmetleri A.Ş., BTA Havalimanları Yiyecek ve İçecek Hizmetleri A.Ş. ("BTA"), TAV İşletme Hizmetleri A.Ş., TAV Bilişim Hizmetleri A.Ş., TAV Özel Güvenlik Hizmetleri A.Ş. and TAV Akademi Eğitim ve Danışmanlık Hizmetleri A.Ş., all being its direct subsidiaries and affiliates delivering duty-free, catering, ground, IT, security and management services.

Based on the rental agreement dated December 16, 2011, TAV Ege rented the international terminal at Izmir Adnan Menderes Airport on January 10, 2015, thus acquiring operating rights until December 31, 2032. TAV İzmir was legally closed down, with all its assets and liabilities being transferred to TAV Ege.

An agreement was signed on July 11, 2014 between TAV Milas Bodrum Terminal İşletmeciliği A.Ş. and DHMİ for the concession of the operating rights of Milas-Bodrum Airport's current international terminal, CIP / General Aviation Terminal and domestic terminal as well as their supplements. This agreement covers the operating rights for the international terminal from October 22, 2015 until December 31, 2035 and for the domestic terminal from July 2014 until December 31, 2035.

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1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY *(continued)*

ii) Joint Ventures (continued)

TAV Airports (continued)

ATÜ has acquired the operating rights for the duty-free stores at Houston George Bush Airport in Texas, U.S. for a period of 10 years. The airport served approximately 41 million passengers in 2014 and the total area of duty-free stores operated is 700 square meters. Following the relevant tender, BTA is awarded the operating rights for catering areas at the New Muscat International Airport in Muscat, capital city of Oman. The term of the operating rights will commence in 2017 and covers a period of 10 years. As of August 1, 2016, BTA has started to operate catering areas at Zagreb International Airport in Zagreb, capital city of Croatia, and deliver in-flight catering services. The term of the operating rights is 13 years. TAV Airports shares were publicly offered on February 23, 2007 and have been traded at BIAŞ under the symbol "TAVHL" since then.

TAV Investment

TAV Investment was incorporated on July 1, 2005 to make investments in aviation and construction sectors. The main fields of business for TAV Investment are construction and car park operations. TAV Investment's subsidiary is TAV Tepe Akfen Yatırım İnşaat ve İşletme A.Ş. ("TAV Construction"). TAV Construction has branch offices in Cairo, Egypt; Dubai and Abu Dhabi, UAE; Doha, Qatar; Jeddah, Saudi Arabia and Paris, France in addition to Libya, Bahrain and Georgia. TAV Construction has subsidiaries operating under trade names TAV Park Otopark Yatırım ve İşletmeleri A.Ş, TAV Construction Muscat LLC, Riva İnşaat Turizm Ticaret İşletme ve Pazarlama A.Ş, TAV Construction Qatar LLC and TAV – Alrajhi Constructions Co., in which it has 100%, 70%, 99.99%, 49% and 50% shares, respectively. TAV Construction also has ordinary partnerships named TAV Sera Adi Ortaklığı and TAV Sera Libadiye Adi Ortaklığı, which it holds 50% of shares in each.

Following the spin-off procedure of Akfen Holding on February 16, 2017, the shares held in TAV Investment were transferred to Akfen Engineering.

MIP

MIP was incorporated on May 4, 2007 by PSA-Akfen Holding Joint Venture Group, which submitted the highest bid and was awarded the contract on the transfer of operating rights for Mersin Port, which is owned by the Republic of Turkey State Railways ("TCDD"), for a period of 36 years during the tender held by the Republic of Turkey Presidency of Privatization Administration ("ÖİB"). Through the concession agreement signed with ÖİB and TCDD on May 11, 2007, MIP took over Mersin Port from TCDD to operate the port for a period of 36 years. Akfen Holding and PSA have joint control over MIP, in which each has 50% of shares.

Mersin Port is a key port not only for Turkey but also for the Middle East and the Eastern Mediterranean thanks to its geographical location, capacity, extensive hinterland and the advantages brought by the ease of multi-modal connections both domestically and abroad. The first phase of the port expansion project ("EMH") that started at MIP in 2014 in order to enable the port to serve vessels with a capacity of 10,000 TEU and over and emerge as the international transshipment port for the Eastern Mediterranean was completed on August 8, 2016. Thus, the berth capacity has reached 2.6 million TEU while the yard capacity has reached 2.2 million TEU. Once the EMH project is complete, MIP will be able to handle more transshipment cargo.

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1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY *(continued)*

ii) Joint Ventures (continued)

Akfen Yenilenebilir Enerji A.Ş. ("Akfen Renewable Energy")

Under restructuring efforts for the renewable energy portfolio, the process of absorption merger for Akfenres Rüzgar Enerjisi Yatırımları A.Ş. ("Akfen WPP"), a subsidiary of the Company, into AkfenHES Yatırımları ve Enerji Üretim A.Ş. ("Akfen HEPP") completely (universally) and without liquidation and of changing the trade name of Akfen HEPP to Akfen Yenilenebilir Enerji A.Ş. were completed and registered as of January 19, 2016.

Under the said restructuring, the transfer of Akfen Elektrik Enerjisi Toptan Satış A.Ş. ("Akfen Elektricity Wholesale"), a subsidiary of the Company, to Akfen Renewable Energy was completed on January 25, 2016.

In addition to this, Laleli Enerji Elektrik Üretim A.Ş., a subsidiary of Akfen Renewable Energy, was transferred to Akfen Termik Enerji Yatırımları A.Ş., a subsidiary of the Company, for a fee of full TRY 6,764,178.95 on January 25, 2016.

The transaction for the Company's purchasing the 100% shares of Selim Akın, Board Member at the Company, in Karine Enerji Üretim ve Sanayi A.Ş. ("Karine SPP") for a fee of USD 24,000,000 was completed as of February 22, 2016 (Note 4). Subsequently, the process of absorption merger for Karine SPP into Akfen Renewable Energy completely (universally) and without liquidation was completed and registered as of March 9, 2016.

On December 15, 2015, Akfen Holding signed a shareholders' agreement with the EBRD worth USD 100 million for a total of 20 percent stake in the renewable energy company which will be incorporated through restructuring by a merger of renewable energy subsidiaries, namely Akfen HEPP, Akfen WPP, Akfen Electricity Wholesale and Karine SPP, following the transfer of the latter to the Holding, under the same roof. On June 23, 2016, the previous agreement signed with the EBRD was amended, and a new agreement was signed with the EBRD and the IFC in order for them to become shareholders in Akfen Renewable Energy, each subscribing for 16.667% of shares on a fee of USD 100 million. Following the fulfillment of closing requirements, the capital of Akfen Renewable Energy was increased, on premium, to TRY 705,000 from TRY 634,500, with the EBRD and the IFC transferring USD 44,444,444 for 5% of shares each to Akfen Renewable Energy. The capital increase was registered on July 12, 2016. The share transfer agreement stipulates that Akfen Renewable Energy be managed jointly by Akfen Holding, the EBRD and the IFC, and unanimous decisions of the parties be sought in relation to operations which significantly impact on Akfen Renewable Energy's returns. Therefore, Akfen Holding considered this transaction to be a sale of shares in a subsidiary which gives rise to a loss of control, and the equity accounting of the Company's shares in Akfen Renewable Energy started.

HEPP Companies

Through its subsidiaries, Akfen Holding has been making hydroelectric power plant investments since January 2007. As of December 31, 2016, the renewable hydroelectric power plant portfolio of Akfen Holding is placed under Akfen Renewable Energy.

As of December 31, 2016, the HEPP Companies have a total of 14 projects with a total installed capacity of 238.2 MW and an annual power generation capacity of 959.3 GWh, with generation operations going on in 11 power plants with a total installed capacity of 204.1 MW and an annual power generation capacity of 852.6 GWh. Having a total installed capacity of 24.1 MW and an annual generation capacity of 64.2 GWh, the construction of Çalıkobası HEPP project under HHK Enerji Elektrik Üretim A.Ş. and of Çiçekli I-II HEPP project under Kurtal Elektrik Üretim A.Ş. continues. In addition, plans are in place for a hydroelectric power plant with an installed capacity of 10.0 MW and an annual power generation capacity of 42.5 GWh.

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1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY *(continued)*

ii) Joint Ventures (continued)

As of December 31, 2016; Akfen Renewable Energy has 12 subsidiaries it owns directly and via companies within the same controlling structure under HEPP Companies, namely Akörenbeli Hidroelektrik Santral Yatırımları Yapım ve İşletim A.Ş., ("Akörenbeli"), Beyobası Enerji Üretim A.Ş. ("Beyobası"), Bt Bordo Elektrik Üretim Dağıtım Pazarlama Sanayi ve Ticaret A.Ş. ("Bt Bordo"), Çamlıca Elektrik Üretim A.Ş. ("Çamlıca"), Elen Enerji Üretimi Sanayi ve Ticaret A.Ş. ("Elen"), HHK Enerji Elektrik Üretim A.Ş. ("HHK"), Kurtal Elektrik Üretim A.Ş. ("Kurtal"), Memülü Enerji Elektrik Üretim A.Ş., ("Memülü"), Pak Enerji Üretimi Sanayi ve Ticaret A.Ş. ("Pak"), Rize İpekyolu Enerji Üretim ve Dağıtım A.Ş. ("Rize İpekyolu"), Yeni Doruk Enerji Elektrik Üretim A.Ş. ("Yeni Doruk"), and Zeki Enerji Elektrik Üretim Dağıtım Pazarlama Sanayi ve Ticaret A.Ş. ("Zeki"). Of these companies, Akörenbeli, Memülü and Rize İpekyolu are still not operational. HEPP projects under HHK Kurtal are currently being constructed, with the HEPP projects under Zeki being developed yet.

WPP Companies

To establish a proper structure for WPP Companies, Sim-Er Enerji Üretim Sanayi ve Ticaret Ltd. Şti. of Akfen Holding was transformed into Akfen WPP as of February 6, 2014. Seven special-purpose entities are established under Akfen Renewable Energy to erect the wind measurement masts and carry out wind measurements. Out of the companies which have already erected measurements masts and started measurement activities, four were incorporated on February 10, 2014, one on September 26, 2014 and three on August 6, 2015.

As of December 31, 2016; Akfen Renewable Energy has 15 subsidiaries it owns directly and via companies within the same controlling structure under WPP Companies, namely Ela RES Elektrik Üretim A.Ş., EMD Enerji Üretim Sanayi ve Ticaret A.Ş., İmbat Enerji A.Ş., Kanat Enerji A.Ş., Kavança Elektrik Üretim A.Ş., Kontra Elektrik Üretim A.Ş., Mares Elektrik Üretim A.Ş., Nesim Elektrik Üretim A.Ş., Orçaner Elektrik Üretim A.Ş., Pruva Enerji A.Ş., Ruba Elektrik Üretim A.Ş., Seyir Elektrik Üretim A.Ş., Sisam Elektrik Üretim A.Ş., Trim Elektrik Üretim A.Ş. and Uçurtma Elektrik Üretim A.Ş.

The WPP development process has already started, with preliminary work for 14 projects with an estimated installed capacity of 984 MW being completed. For these projects, applications were filed before the Energy Market Regulatory Authority on April 28, 2015, the capitals of the companies were increased and letters of guarantee were submitted to the EMRA. 14 applications by 12 subsidiaries were evaluated and approved by the EMRA.

Furthermore, development work for 10 new projects by 3 subsidiaries started under an additional wind power generation capacity of 2,000 MW as stated by TEİAŞ. To this end, wind measurement work currently continues.

SPP Companies

As of December 31, 2016, SPP Companies continued operations for a portfolio with a total installed capacity of 151.3 MW consisting of licensed (69.7 MW) and unlicensed (66.4 MW) generation projects under development in addition to 7.3 MW of unlicensed and 8 MW of licensed generation projects (15.3 MW in total) currently operational. There are 41 project companies, with Akfen Renewable Energy holding 100% of shares in all but two (Me-Se Elektrik Üretim A.Ş. ("Me-Se") - 80%, Solentegre Enerji Yatırımları Tic. A.Ş. ("Solentegre") - 90%).

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1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY *(continued)*

ii) Joint Ventures (continued)

All projects by HEPP Companies fall within the scope of the Law on the Use of Renewable Energy Resources for Power Generation. Projects falling within this scope have the right to enjoy a purchasing guarantee by the state over 7.3 US cents/kWh for 10 years starting from the date the project is commissioned if they obtain a Renewable Energy Resources Certificate and complete their investments by December 31, 2020. Under the previously-stated incentive mechanism, WPP portfolio can benefit a purchasing guarantee over 7.3 US cents/kWh while the SPP portfolio can enjoy a purchasing guarantee of 13.3 US cents/kWh. Under the very same law, various domestic contributions could be added as an incentive if domestically-made equipment is used for generation at the power plant. To this end, Gelinkaya HEPP, which is under Pak, one of the companies under Akfen Renewable Energy, is eligible for an additional domestic contribution of 1.17 US cents/kWh.

Akfen Water

Akfen Water Güllük started operations on August 24, 2006. Akfen Water Güllük completed all relevant investments and serves 7,228 subscribers as of December 31, 2016. Akfen Water-Arbiogaz Dilovası was incorporated on July 19, 2007. The company completed its investments on July 1, 2010 and started operations. It continues serving Dilovası district, which has an approximate population of 40,000, via the factories and plants currently operational at Dilovası Organized Industrial Zone. Akfen Water employs new technologies in line with the needs of its customers to develop and manage sustainable and environmentally-friendly Solid Waste Management systems. Concluding its first contract on Solid Waste Services with İDO, Akfen Water provides İDO with the services of identifying, collecting, sorting, temporarily storing, transporting, recovering and disposing of hazardous and non-hazardous wastes from operations in all vessels, land vehicles, land enterprises, offices and other port areas. Akfen Water also started to provide waste management services for City Hospitals projects run by the Republic of Turkey Ministry of Health within a Public-Private Partnership model. To this end, Akfen Water signed its first contract with Isparta Şehir Hastanesi Yapım ve İşletme A.Ş. and provides the services of managing waste management processes, establishing an appropriate staff structure, procuring the tools and equipment in accordance with regulations, and following up and reporting the types and quantities of wastes. Subsequently, Akfen Water also started to provide waste management services to Mersin Integrated Health Campus and Yozgat City Hospital projects. Furthermore, it began to provide hazardous and non-hazardous waste disposal and recycling services to MIP during 2016.

Following the spin-off procedure of Akfen Holding on February 16, 2017, the shares held in Akfen Water were transferred to Akfen Engineering.

İDO

The tender held by Istanbul Metropolitan Municipality ("IBB"), the former controlling shareholder of İDO, for the block selling of İDO on June 16, 2011 was awarded to Tepe Construction, Akfen Holding, Souter and Sera Gayrimenkul Yatırım ve İşletme A.Ş. Joint Venture Group. İDO carries passengers and vehicles under the name "Sea Bus and Fast Ferry Lines" on intracity and intercity sea routes. Having a modern fleet of 55 vessels (24 sea buses, 20 ferryboats, 9 fast ferries and 2 service ships), İDO carries passengers and vehicles in Marmara Sea on a total of 16 lines comprised of 9 sea bus lines, 3 ferryboat lines and 4 fast ferry lines. As of December 31, 2016, sea buses, fast ferries and ferryboats have a total capacity of 36,433 passengers in summer season and 30,115 passengers in winter season while presenting a vehicle capacity of 2,869 in both seasons.

Following the spin-off procedure of Akfen Holding on February 16, 2017, the shares held in İDO were transferred to Akfen Engineering.

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2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation of Financial Statements

Declaration of conformity

Akfen Holding companies operating in Turkey employ the Uniform Chart of Accounts as well as the accounting principles set by the CMB in keeping accounting records and drafting TRY-denominated financial statements.

Akfen Holding companies operating abroad keep their accounting records and issue their financial statements in accordance with the widely-acknowledged accounting principles and legislation in the countries they operate in.

The consolidated financial statements attached are issued in line with the provisions of the "Communique on Principles Pertaining to Financial Reporting in the Capital Market" Serial II, No. 14.1 ("Communique") by the CMB, which was published in the Official Gazette No. 28676 of June 13, 2013.

The Group applies the Turkish Accounting Standards ("TAS") published by the Public Oversight, Accounting and Auditing Standards Authority as per Article 5 of the Communique. The TAS is comprised of the Turkish Financial Reporting Standards ("TFRS") and the appendices and comments pertaining thereto.

The consolidated financial statements of the Group are approved by the Company's Board of Directors on March 13, 2017. The General Assembly and relevant regulatory authorities have the right to adjust the financial statements issued in accordance with the legislation in addition to these consolidated financial statements.

Adjusting financial statements during periods of high inflation

On March 17, 2005, the CMB made a decision and announced that the application of inflation accounting by public companies operating in Turkey was terminated starting from January 1, 2005. Therefore, the attached consolidated financial tables are prepared within the framework of this decision.

Principles of measurement

The consolidated financial statements are issued over historical costs except for the investment properties recognized by their fair values.

Applicable currency and reporting currency

Akfen Holding, its subsidiaries operating in Turkey and its affiliates under joint control keep their accounting records and financial statements in TRY in accordance with the Turkish Commercial Code and the Tax Procedure Code. Subsidiaries and joint ventures incorporated abroad keep their accounting records in accordance with the laws and practices of the countries they operate in. The attached consolidated financial statements are presented in TRY, the Company's reporting currency, and are issued in accordance with the TAS by taking legal accounting records as basis and creating the required adjustment and classification records.

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

2.1 Basis of Presentation of Financial Statements (continued)

As of December 31, 2016, the applicable currencies for the subsidiaries and joint ventures are as follows:

Company	Functional Currency
Akfen REIT	TRY
Akfen Thermal Energy	TRY
Akfen Renewable Energy	TRY
TAV Airports	EUR
TAV Investment	USD
MIP	USD
PSA Akfen Liman İşletme ve Yönetim Danışmanlığı A.Ş.	TRY
Akfen Water	TRY
İDO	TRY

As of December 31, 2015, the functional currencies for the subsidiaries and joint ventures are as follows:

Company	Functional Currency
Akfen Construction (*)	TRY
Akfen REIT	TRY
Akfen Thermal Energy	TRY
Akfen HEPP	TRY
Akfen WPP	TRY
Akfen Power Distribution	TRY
Akfen Electricity Wholesale	TRY
TAV Airports	EUR
TAV Investment	USD
MIP	USD
PSA Akfen Liman İşletme ve Yönetim Danışmanlığı A.Ş.	TRY
Akfen Water	TRY
İDO	TRY

(*) Akfen Construction's construction income and expenditures until October 30, 2015 are indicated within the profit/(loss) after tax account for the period from discontinued operations.

Principles for consolidation

The attached consolidated financial statements, which are all prepared in consistence with the principles set in the consolidated financial statements for the accounting period that ended on December 31, 2016, include the accounts for investments in equity-accounted joint ventures by Akfen Holding, the parent company, and its subsidiaries that are consolidated via the full consolidation method.

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

2.1 Basis of Presentation of Financial Statements *(continued)*

Subsidiaries and joint ventures are consolidated using the following methods:

Subsidiaries

If the Group has the authority to exercise more than 50% of its voting rights in companies as a result of the shares it holds directly and/or indirectly or if, although it does not have the power to exercise more than 50% of votes, it has the power and authority to control the financial and operational policies in line with the Group2s interests by exercising its actual control impact on financial and operational policies, the company concerned is then included in consolidation.

The rates for shareholding and voting rights of the subsidiaries subject to consolidation as of December 31, 2016 and December 31, 2015 are as follows:

	Akfen Holdings shareholding rate		Direct and indirect voting rights of Akfen Holding		Voting rights of members of Akın Family		Total voting rights		Main Operations
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015	
Akfen REIT	56.88	56.88	56.88	56.88	16.41	16.41	73.29	73.29	Real estate investment
HEPP Group (*)	--	100.00	--	100.00	--	--	--	100.00	Energy
Akfen Power Distribution (**)	--	100.00	--	100.00	--	--	--	100.00	Energy
Akfen Electricity Wholesale (*)	--	100.00	--	100.00	--	--	--	100.00	Electricity sales
Akfen Thermal Power	99.64	70.25	99.64	70.25	0.36	29.75	100.00	100.00	Energy
Akfen WPP (*)	--	100.00	--	100.00	--	--	--	100.00	Energy

In the consolidated financial statements, the interests corresponding to the shares held by Akın Family are indicated within the non-controlling interests.

(*) Taken over by Akfen Renewable Energy as of March 25, 2016
(**) As of December 29, 2016, Akfen Holding transferred all its shares in Akfen Power Distribution to Akfen Engineering.

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

2.1 Basis of Presentation of Financial Statements (continued)

Joint agreements

Joint ventures are established through an agreement for the Company and its subsidiaries to undertake an economic activity in a way to be jointly managed by one or more enterprising partners. The "TFRS 11 Joint Agreements" standard, which entered into force for application to annual accounting periods starting on or after January 1, 2013 and repealed the "TAS 31 Shares in Joint Ventures" standard, stipulates the accounting of shares in joint ventures with the equity method as per "TAS 28 Investments in Affiliates and Joint Ventures" standard.

In the equity method, the joint venture investment is initially recognized via the acquisition cost. Following the date of acquisition, the share of the investor in the profits or losses of the invested enterprise is reflected in the financial statements by increasing or decreasing the carrying amount of the investment. The share the investor will get from the profits or losses of the invested enterprise is recognized as the profit or loss of the investor. Any distributions (of dividend, etc.) received from an invested enterprise reduce the carrying amount of the investment. The carrying amount of the invested enterprise needs to be adjusted in a way to correspond to the share the investor gets from the changes in the other comprehensive income of the enterprise. The details of the Company's direct joint ventures as of December 31, 2016 and December 31, 2015 are as follows:

	December 31, 2016		December 31, 2015		
	Shareholding rate (%)	Voting right rate (%)	Shareholding rate (%)	Voting right rate (%)	Main operation
TAV Airports	8.12	8.12	8.12	8.12	Airport Management
TAV Investment (*)	21.68	21.68	21.68	21.68	Investment, construction and management in aviation
MIP	50.00	50.00	50.00	50.00	Seaport Management
Akfen Water (*)	50.00	50.00	50.00	49.98	Construction and Management of Water Treatment Plants
Akfen Renewable Energy (**)	90.00	90.00	-	-	Energy
İDO (*)	30.00	30.00	30.00	30.00	Marine Transportation

* Following the spin-off procedure of Akfen Holding on February 16, 2017, the shares held in TAV Investment, Akfen Water and İDO were transferred to Akfen Engineering.
** Note 4.

Combinations of businesses under joint control

Business combinations arising from the transfer of the shares of companies under the control of the shareholder that controls the Group are recognized like they took place at the beginning of the earliest comparative period offered, and, if it took place later, on the date the joint control is established. To this end, comparative periods are restated. Acquired assets and liabilities are recorded over the carrying amount registered in the consolidated financial statements of the shareholders under the Group's control. The shareholders' equity items for the acquired companies are added to the same items in the Group's equity except for the capital and the resulting profit or loss is recognized within equity.

Adjustment transactions in consolidation

Intra-group transactions and balances among the companies included in the consolidation are written off during consolidation. Unrealized profits and losses arising from transactions between the company and its consolidated subsidiaries and joint ventures are adjusted to the extent of the Group's share in the joint venture.

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

2.1 Basis of Presentation of Financial Statements *(continued)*

Business combinations for purchasing from third persons

Purchasing from third persons are recognized by using the purchasing method. Purchasing cost is calculated as the total of the fair values of assets, of the liabilities that arise or are assumed, and of the equity capital instruments issued to acquire the control of the affiliate as well as the total of other costs directly attributable to acquisition. In accordance with TFRS 3, identifiable assets, liabilities and conditional liabilities which meet the registration requirements are registered over their fair values.

Foreign currency

Foreign currency transactions

Foreign currency transactions are translated into the functional currencies of the relevant Group companies over the exchange rate on the date when the transaction took place. Foreign currency-denominated monetary assets and liabilities are translated into the functional currency over the exchange rate on the reporting date. Foreign currency-denominated non-monetary assets and liabilities that could be measured by their historical costs are translated over the exchange rate on the transaction date. Exchange differences due to translation are recorded in the consolidated other comprehensive income statement.

Group companies prefer to use USD, EUR or TRY as the functional currency since they are widely used or have a significant impact on the operations of the relevant Group companies and reflect the key economic events and developments pertaining to such companies. All currencies except for the currency used to measure the items in financial statements are called a foreign currency. As per the relevant provisions of TAS 21 (Effects of Changes in Foreign Exchange Rates) standard, transactions and balances not calculated over the functional currencies are re-calculated over the relevant currencies. The Group adopts TRY as the reporting currency.

The assets and liabilities of Group companies that employ a functional currency other than the Group's reporting currency are translated into the Group's reporting currency over the exchange rate on the balance sheet date. The income and expenditures or such Group companies are translated into the reporting currency over the average exchange rate for the period. Equity capital items are reported over their cost value. Foreign currency translation differences are indicated in the equity capital under the item "Foreign currency translation difference". When the relevant Group companies are disposed of partially or fully, the relevant amount under "foreign currency translation difference" is classified into consolidated profit or loss.

End-of-period exchange rates and average exchange rates as of December 31, 2016 and December 31, 2015 are as follows:

	Average Exchange Rate		Exchange Rate at Period end	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
USD	3.0181	2.7191	3.5192	2.9076
EUR	3.3375	3.0187	3.7099	3.1776
Georgian Lari ("GEL")	1.2753	1.1978	1.3278	1.2142
Macedonian Denar ("MKD")	0.0541	0.0489	0.0605	0.0515
Tunisian Dinar ("TND")	1.4058	1.3865	1.5266	1.4321
Swedish Krona ("SEK")	0.3528	0.3227	0.3881	0.3479
Saudi Riyal ("SAR")	0.8040	0.7245	0.9386	0.7753
Croatian Kuna ("HRK")	0.4446	0.3961	0.4923	0.4140
Russian Ruble ("RUB")	0.0451	0.0445	0.0573	0.0396

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(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

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

2.1 Basis of Presentation of Financial Statements *(continued)*

Foreign Currency *(continued)*

Foreign operations

Assets and liabilities from operations abroad including fair value adjustments due to acquisition as well as goodwill are translated into TRY over the exchange rates on the reporting date. Income and expenditures from operations abroad are translated into TRY over the average rates for the relevant period.

Foreign currency translation differences are recorded under foreign currency translation differences under equity. In the event that operations abroad are sold out partially or fully, the relevant amount in the foreign currency translation difference is transferred to the profit or loss.

Comparative information and the adjustment of consolidated financial statements from previous periods

The attached consolidated financial statements are compared to the previous period in order to identify trends in the financial position, performance and cash flow of the Group. In order to ensure comparability if the way the items in the consolidated financial statements are represented or classified changes, consolidated financial statements from the previous periods are also re-classified accordingly and explanations are provided on such matters.

Restatements in 2015 financial statements

Re-classifications and restatements in the Group's consolidated financial position statements as of December 31, 2015 and January 1, 2015 and in the Group's profit/loss statements for the year ending on December 31, 2015 are explained in Note 3.

2.2 Summary of Significant Accounting Policies

Financial instruments

Non-derivative financial assets

The Group records its loans and receivables and deposits on the date they arise. All other financial assets including financial assets the fair value difference of which is indicated in profit/loss are recorded on the transaction date when the Group becomes a party to the contractual conditions of the relevant financial instrument.

The Group removes the relevant financial asset from its records when its rights pertaining to cash flows as per the relevant agreement on financial assets expire or it transfers its relevant rights through a trading transaction in which it transfers the ownership of all risks and returns related to such financial asset.

The Group's non-derivative financial assets include cash and cash equivalents, loans and receivables and available-for-sale financial assets.

Cash and cash equivalents

Cash and cash equivalents are comprised of effects, current deposits and time deposits with a maturity of less than 3 months.

Deposits that the Group provides as a guarantee for bank loans are indicated within the restricted bank balances item in the consolidated balance sheet.

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

2.2 Summary of Significant Accounting Policies (continued)

Financial instruments (continued)

Non-derivative financial assets (continued)

Loans and receivables

Loans and receivables are financial assets that are not listed in the active market and are subject to fixed or variable payments. Such assets are initially recognized by adding the transaction costs that can directly be related to their fair values. Following their first recording, loans and receivables are indicated by reducing their impairment over their reduced values, using the effective rates of interest of future principal and interest cash flows.

Loans and receivables are generally comprised of cash equivalents, trade and other receivables and receivables from related parties.

The Group accounts financial assets arising from a concession agreement when it has the right to unconditional agreement to acquire, from the concessionaire, cash or any other financial assets for improving the services delivered or for construction procedures. Such financial assets are initially measured over their fair value. Following their first recording, financial assets are indicated over their reduced values.

If the Group receives payments for construction procedures that are partly comprised of financial assets and partly comprised of intangible fixed assets, each asset that is acquired or to be acquired is recognized separately, and specifically over their fair value initially.

Other

Other non-derivative financial instruments are valued by deducting impairments from their amortized cost using the effective rate of interest.

Non-derivative financial liabilities

The Group accounts its debt securities and secondary liabilities as of the date they initially arose.

Once the Group's contractual commitments regarding the financial liability expire, are performed or cancelled, the Group removes the relevant financial liability from its records.

The Group offsets its financial assets and liabilities only when it has a legal right to offset and it intends to carry out the transaction on a net basis or simultaneously realize the asset and perform the liability, and the net amount is indicated in financial statements.

The Group's non-derivative financial liabilities are borrowings, debts to related parties, trade payables and other payables.

Such financial liabilities are initially recognized by deducting the transaction costs that can directly be related to their fair values. Following their initial recording, financial liabilities are indicated over their reduced values using the effective rate of interest.

Capital

Common stocks are classified as shareholders' equity.

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

2.2 Summary of Significant Accounting Policies (continued)

Financial instruments (continued)

Derivative financial instruments

The Group uses derivative financial instruments as a safeguard from foreign currency and interest rate hedging.

During the first recording of hedging, the Group documents the relationship between hedging instruments and hedged instruments, the hedging purposes and strategies of the relevant hedging transaction, and the methods to be employed in measuring the effectiveness of hedging. On the date of first recording of hedging and in the subsequent process, the Group measures the effectiveness of the hedging method on the expected fair values of the relevant instruments during the application of the method or on changes in cash flows or whether the effectiveness on the actual results of each method remains within the range of 80 - 125%. In hedging the cash flow pertaining to the estimated transaction, the transaction needs to have a high likelihood to take place and be open to cash flow variations that would impact on the final net profit that is reported.

Derivative financial instruments are initially recorded by their fair values, and the relevant transaction costs attributed to derivatives are registered as profit or loss on the date they arise. Following their initial recording, derivatives are measured with their fair values and the changes are recognized as follows:

Cash flow hedge

When a derivative instrument is designed as a hedging instrument for cash flow variations of a risk concerning a highly possible, estimated transaction that would impact on a registered asset, liability or profit/(loss), the effective portion of the change in the fair value of the derivative instrument is recognized within other comprehensive income and is indicated under shareholders' equity and within hedging reserves.

An amount recognized within other comprehensive income is taken out of the latter and added to profit or loss during the period when the hedged cash flows impact on profit or loss under the same accounting item as the hedged instrument in the comprehensive income statement. The ineffective portion within the fair value of the derivative is directly recognized in profit or loss.

If hedging instruments no longer fulfill the hedge accounting criteria, are overdue or are sold, are terminated or exhausted, hedge accounting is ceased prospectively. Cumulative profits or losses which are previously registered within other comprehensive income and are indicated within a hedging fund under equity are kept there until the performance of the estimated transaction. If the hedged instrument is not a financial asset, the amount registered in other comprehensive income is transferred to the registered value of the asset when that asset is registered. If the estimated transaction is unlikely, the amount registered to other comprehensive income is immediately registered in profit or loss. In other cases, the amount registered in equity is immediately transferred to profit or loss when the hedged item impacts on profit or loss..

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

2.2 Summary of Significant Accounting Policies *(continued)*

Tangible fixed assets

Accounting and measurement

Tangible fixed assets purchased until December 31, 2004 are adjusted for inflation in TRY denomination as of December 31, 2004 in compliance with TAS 29. Accordingly, tangible fixed assets are indicated by deducting accumulated depreciation and permanent losses in value from the historical costs under inflation. Tangible fixed assets purchased starting from January 1, 2005, on the other hand, are indicated by deducting accumulated depreciation and permanent losses in value from their historical costs.

The cost reflects those expenditures that are directly related to the acquisition of the asset concerned. The cost of the assets constructed by the Group includes the material costs, labor costs and the costs directly related with making that asset available for the use of the Group as well as the costs for disassembly and replacement of parts and the costs for the restoration of the space such parts are in. Any software purchased in order to use the relevant equipment is capitalized as a part of that equipment. Items constituting tangible fixed assets are recognized as separate items (basic components) of tangible fixed assets if they have different economic lives.

Profits or losses regarding the disposal of tangible fixed assets are determined by comparing the disposal fee and the registered value of the asset concerned, and are registered in the consolidated comprehensive income statement under "income and profits/(expenditures and losses) from investment operations".

Subsequent expenditures

Expenses that arise from replacing any part of tangible fixed assets and include research, repair and maintenance costs are capitalized if they can increase the future economic benefit of the said tangible fixed asset. The registered values of the replaced parts are removed from records. All other expenses are recognized under profit or loss as they arise.

Depreciation

Tangible fixed assets are depreciated and registered under profit or loss after the estimated surplus value is deducted by using the straight-line method of depreciation on the basis of the date of purchasing or installation according to the estimated useful lives of assets. Terrain and land are not depreciated.

Economic lives in the current period and previous periods are as follows:

Description	Years
Buildings	2-50
Furniture and fixtures	2-15
Machinery and Equipment	3-40
Vehicles	5
Special costs	1-15

Special costs are depreciated with straight-line method of depreciation over their relevant rental periods or economic lives, whichever is shorter.

Depreciation methods, economic lives and residual values are reviewed at the end of each accounting period.

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

2.2 Summary of Significant Accounting Policies *(continued)*

Intangible fixed assets

Licenses and other intangible fixed assets

Intangible fixed assets that are acquired by the Group and have a limited economic life are reflected after the accumulated amortization and accumulated impairments are deducted from historical cost.

Subsequent expenditures

Other subsequent expenditures may be capitalized if they can increase the future economic benefit of the said intangible fixed asset. All other expenses within the enterprise including those related to goodwill and trade-marks are indicated under profit or loss as they arise.

Amortization

During their economic lives, intangible fixed assets are registered under profit or loss through the straight-line method of amortization starting from the date when they become available for use. Out of intangible fixed assets, Licenses are amortized within a range of 3-49 years while other intangible fixed assets are amortized within a range of 3-5 years.

Investment properties

Active investment properties

The fair value of investment properties is set by adding up the current value of free cash flows they would generate in the upcoming years. Mark-to-market valuation is performed, where applicable, in consideration of the credibility of lessees or those who are responsible for making operational payments, the distribution between the lessor and the lessee of the maintenance and insurance costs of investment properties and the economic lives of investment properties. The fair value of active investment properties owned by the Group is calculated once a year by a real estate valuation company included on the list of "Real Estate Valuation Companies" by the CMB. It is assumed that all required information was timely conveyed in reconduction periods. Income or losses from changes in the fair value of investment properties are included in profit or loss in the period when they arise.

The Group classifies its rights pertaining to the land it leased in order to develop investment properties as investment property. In such a case, the rights pertaining to the land concerned are recognized the way it is the case with leasing and, in addition, the fair value accounting method is employed for the land concerned that is recognized. Since the fair value appraisal for investment properties of the Group that are developed on the leased land is performed by deducting the lease fees to be paid for such land from the estimated cash flows, the reduced values for the lease fees to be paid in relation to the land concerned are mutually recognized in investment property and other payables accounts.

Investment properties under construction

Out of the borrowing costs directly related to the investment properties under construction, financing costs are included within the cost of the asset concerned. Investment properties under construction are investment properties which are being constructed in order to reap lease fee, capital gains or both in the future. Just like active investment property, investment property under construction are recognized over their fair value. The fair value of investment property under construction is determined by offsetting the current value of the free cash flows they will generate in upcoming years with the costs required in order to complete the project.

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

2.2 Summary of Significant Accounting Policies (continued)

Leasing transactions

The Group as a Lessor

The rental procedure in which a significant portion of the proprietary risks and gains belong to the lessee is classified as financial lease. All other types of leasing are classified as operating lease. In financial lease, the amount of receivables from lessees are registered as receivables at an amount that corresponds to the amount of investment the company makes in net leases.

Operating lease income is registered in profit or loss through the straight-line method during the lease period. The initial direct costs arising while arranging the operational lease and agreeing on the lease are added to the carrying amount of the leased asset and are reflected in profit or loss through the straight-line method during the lease period.

The Group as a Lessee

Financial lease expenditures are registered in the consolidated comprehensive income statement through the straight-line method during the lease period. The benefits received or to be received as an incentive to enter an operating lease are also distributed through the straight-line method during the lease period.

Since the rights pertaining to the land leased in order to develop investment property are also classified as investment property, the rights pertaining to such land are recognized within the framework of the method adopted in financial lease. Therefore, the reduced values of lease fees to be paid for such land are recognized under the other payables account in the consolidated financial statements.

Inventories

Inventories are indicated in costs and net realizable value, whichever is less. Costs also include other costs that are borne in order to render direct materials and inventories marketable. Inventory costs are calculated via the weighted average method. The net realizable value is calculated by deducting the estimated sales costs and costs to be borne in order to render the materials and inventories marketable from the estimated sales price to arise under normal operating conditions.

Impairment of assets

Financial assets

Impairment of a financial asset the fair value difference of which is not reflected in profit or loss is evaluated at the end of each reporting period using objective evidence that is believed to be an impairment. If objective evidence points out to one or more incidents indicating that the financial asset concerned has a negative impact on future cash flows, it is considered that the financial asset concerned is impaired.

The objective evidence leading to the impairment of financial assets might include the default of the debtor, the restructuring of an amount on terms that the Group would not consider otherwise, the emergence of a possibility of bankruptcy of the debtor, and the disappearance of an active market for a security. In addition, the decline of the fair value of a security below its cost significantly and permanently is an objective evidence for impairment.

The Group considers the evidence for impairment in receivables and held-to-maturity investments both in terms of the asset concerned and collectively. All individually significant receivables and held-to-maturity investments are assessed separately for impairment. Out of all individually significant receivables and held-to-maturity investments, those that are separately found to be not impaired are assessed on whether they were subject to an impairment that happened collectively later but has not been defined yet. Individually insignificant receivables and held-to-maturity investments are grouped into similar risk characters and assessed collectively for impairment.

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(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

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

2.2 Summary of Significant Accounting Policies (continued)

Impairment of assets (continued)

Financial assets (continued)

The Group makes its collective assessment of impairment by updating the possibility of default, collection timing and the past trend of the loss that arose in accordance with the judgment of the management on the current economic position.

An impairment loss in respect of a financial asset is calculated as the difference between its carrying amount and the present value of the receivables from cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit / loss and receivables are reflected in a reserve account. Interest on the impaired asset continues to be recognized. When an event occurring after the balance sheet date causes the amount of impairment to decrease, such decrease is reversed through profit/loss.

Non-financial assets

The Group reviews at the end of each reporting period whether there is any indication of impairment pertaining to each financial asset other than inventories and deferred tax assets. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount for intangible fixed assets which have an indefinite economic life or are not yet ready for use in addition to goodwill is estimated at the same period during the year.

The recoverable amount of an asset or a cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets ("cash generating unit") that generates cash flows from continuing use that are largely independent of the cash flows of other assets. For the purpose of impairment testing, the goodwill from a business combination is apportioned among cash generating units that are expected to benefit the combination synergy. If the carrying amount of an asset or a cash generating unit exceeds the recoverable amount through use or sales, this indicates an impairment loss. Impairment losses are recognized in profit or loss. Impairment losses from cash generating units that are recognized are first discounted on a pro-rata basis from the carrying amounts of the goodwill apportioned to such units and then from the carrying amounts of other assets within the units.

Employee benefits

Provision for severance pay

In accordance with existing labor law in Turkey, the Group is required to make payments of certain amounts to employees who have completed one year of service and who quit due to causes such as retirement and military service or who die. Provision for severance pay represents the present value of future probable obligation of the Group arising from the retirement of employees on a 30-day basis. Provision for severance pay is calculated on the assumption that all employees will receive such payment, and it is recognized in the consolidated financial statements on an accrual basis. Provision for severance pay is calculated in accordance with the severance pay cap announced by the Government. As of December 31, 2016, the severance pay cap stood at a full TRY 4,297 (December 31, 2016: full TRY 3,838).

All actuarial gains and losses are recognized under other comprehensive income.

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

2.2 Summary of Significant Accounting Policies *(continued)*

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation because of past events, it is probable that an outflow of resources involving economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are calculated by discounting the estimated future cash flows at a pre-tax discount rate to be computed in consideration of the impact of time value of money and the risks associated with such obligation.

Discontinued operations

A discontinued operation is a part of the Group's work and constitutes a unit that can clearly be distinguished from other units of the Group and covers cash flows, and;

- It represents a separate main line of business or the geographical area of operations;
- It is a part of the selling of a separate main line of business or the geographical area of operations within the framework of an individually coordinated plan; or
- It is a subsidiary that is acquired exclusively for the purpose of resale.

Classification as a discontinued operation is possible if the operation fulfills the criteria of being an asset held for sale after or before the selling of the operation.

If an operation is classified as a discontinued operation, the profit or loss and other comprehensive income statement is presented once again on the assumption that this operation is discontinued at the beginning of the period.

Assets held for sale

Fixed assets which will possibly be disposed of in priority rather than being used or an asset group which is comprised of assets and liabilities and will be disposed are classified for the purpose of selling or distribution. Such assets or asset group to be disposed of are accounted for at the lower of their carrying amount and fair value less costs to sell. Any impairment in the asset group to be disposed of is first allocated to the goodwill and then apportioned to the remaining assets and liabilities on a pro-rata basis on the condition that no impairment loss is apportioned to the inventories, financial assets, deferred tax assets, assets of employee benefits, investment property or biological assets of the Group that are valued in line with accounting policies. Impairments on the date of initial classification and profits and losses in subsequent measurements in relation to the fixed assets held for sale or distribution are accounted for in profit or loss.

Intangible fixed assets or tangible fixed assets are not subject to depreciation or amortization once they are classified as assets held for sale or distribution.

Revenue

Rental revenues

Yatırım amaçlı gayrimenkullerden alınan kira gelirleri kira sözleşmesi müddetince doğrusal yöntem kullanılarak konsolide kapsamlı gelir tablosuna alınır.

Real estate sales

Profits or losses from real estate sales are recognized in the consolidated comprehensive income statement after the carrying amount of the real estate and other expenses incurred for sales are discounted from the sales price if risks and benefits are transferred to the buyer.

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

2.2 Summary of Significant Accounting Policies (continued)

Revenue (continued)

Other businesses

Income from sales of goods is recognized after returns and provisions, sales discounts and turnover premiums are deducted from the fair value of the money or receivable to be collected. Income is recognized in cases when risks and benefits are taken over by the buyer, collection is possible, relevant costs and potential returns are reliably measured and the Group has no relationship left with the goods sold. The transfer or risks and rewards vary according to the terms of each sales contract.

Income from delivered services is recognized in the consolidated comprehensive income statement in line with the completion rate of the transaction by the end of the reporting period.

State incentives

State incentives are recognized when a reasonable guarantee is in place that the required conditions will initially be satisfied and the incentive may be obtained by the Group. In return for the expenses incurred, the incentives obtained are accounted for in profit or loss after being discounted from the relevant expenses.

Lease payments

Payments made under operating leases are charged to the consolidated profit or loss statement on a straight-line basis over the period of the lease. Lease fee incentives obtained are recognized over the period of the lease as an integral part of the total lease fee expenses. Payments made under operating leases are accounted for in the consolidated profit or loss statement on a straight-line basis over the period of the lease.

Minimum lease fee payments made as per the lease contract are apportioned between the financing expenses and the reduction of residual obligation. Financing expenses are distributed to each period over the period of the lease in order to produce a fixed-term interest rate for the residual balance of the obligation. Conditional lease fee payments are accounted for by changing the minimum lease fee payments over the remaining period of the lease.

Financing income and expenses

Financing income includes interest income, exchange rate difference income, dividend income and gains from derivative instruments accounted for in profit or loss. Interest income is recognized in profit or loss on an accrual basis using the effective interest method.

Financing expenses include the interest expenses from bank loans, impairments accounted for in relation to financial assets (except for trade receivables), and the losses from ineffective portions of derivative hedge instruments accounted for in profit or loss. Borrowing costs which cannot be directly related to the acquisition, construction or production of an asset are recognized in profit or loss by using the effective rate of interest.

Rediscount and exchange rate difference income/expenses pertaining to trade transactions are recognized in other real operating income and expenses.

Earnings per share

Earnings per share disclosed in the consolidated profit or loss statement are determined by dividing net income for the period from parent company shares by the weighted average number of shares outstanding during the period concerned.

In Turkey, companies can increase their share capital through a pro-rata distribution of shares (bonus shares) to existing shareholders from retained earnings and inflation adjustment. Such distribution of bonus shares is treated as issued shares in the calculation of earnings per share. Accordingly, the weighted average number of shares used in such calculations are determined by giving the said distribution of shares a retroactive effect.

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(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

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

2.2 Summary of Significant Accounting Policies (continued)

Taxes on income

Taxes include current period income tax liabilities and deferred tax liabilities. Current tax is recognized in consolidated comprehensive income statement except for the taxes of items recognized directly in profit or loss.

Current tax is calculated over the taxable part of the income for the period. The current tax liability of the Group is calculated using the tax rates enacted at the reporting date.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for the differences of non-tax deductible goodwill, and assets and liabilities that are not accountable and taxable and are recognized for the first time. Deferred tax is not recognized in the initial recognition of goodwill, the initial recognition of assets and liabilities that impact on neither financial profit nor commercial profit in transactions other than business combinations, and in differences pertaining to associates and joint ventures which are unlikely to be reversed in the near future. Deferred tax is calculated on the basis of laws applicable by the end of the reporting period and over the tax rates that are expected to be applied once temporary differences are reversed.

When the deferred tax assets and deferred tax liabilities are levied by the same taxation authority and there is a legally enforceable right to set off current tax assets against current tax liabilities and in the event that the acquisition of deferred tax assets and the performance of deferred tax liabilities are simultaneous, deferred tax assets and deferred tax liabilities can be offset.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax assets are reviewed at each reporting period and their carrying amount is reduced to the extent that it is not probable that the relevant tax advantage will be available.

Deferred taxes arising from the fair value measurement for available-for-sale assets and their cash flow hedging is recognized in profit or loss before being recognized in consolidated comprehensive income statement together with other deferred gains that are previously recognized.

Out of the investment incentives the Group enjoys, those that ensure a corporate tax rebate are recognized under TAS 12.

The current tax amounts to be paid are offset with the prepaid tax amounts since they are related to corporate tax. Deferred tax asset and liability are also offset individually for each company.

Tax arrangements in Turkey do not allow a parent company and its subsidiaries to submit consolidated tax statements. Therefore, tax provisions are calculated on a company basis as reflected in the consolidated financial statements attached.

Segment reporting

Operating segments are segments of the Group which engage in operating activities from which the Group can reap revenues and through which it can make expenditures, the operating results of which are regularly reviewed by the chief operating decision maker of the Group for allocating resources and assessing performance of the operating segments, and for which there are separate financial information.

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

2.3 Amendments to the Turkish Financial Reporting Standards

Accounting policies taken as basis for the preparation of consolidated financial statements for the accounting period of January 1 - December 31, 2016 are applied in consistence with the financial statements prepared as of December 31, 2015 except for the new and amended TAS/TFRS standards stated below which are valid as of January 1, 2016 and the interpretations of the Turkish Financial Reporting Interpretation Committee ("TFRYK").

The new standards, amendments and interpretations applicable starting from January 1, 2016:

- TFRS 11 - Acquisition of Shares in Joint Activities (Amendments)
- TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to TAS 16 and TAS 38)
- TAS 16 - Tangible Fixed Assets and TAS 41 - Agricultural Activities: Bearer Plants (Amendments)
- TAS 27 - Equity Method in Separate Financial Statements (Amendments to TAS 27)
- TFRS 10 and TAS 28 - Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture - Amendments
- TFRS 10, TFRS 12 and TAS 28 - Investment Entities: Applying the Consolidation Exception (Amendments to TFRS 10 and TAS 28)
- TAS 1 - Disclosure Initiative (Amendments to TAS 1)
- Annual Improvements to TFRS - 2012-2014 Cycle

The said amendments did not have any significant impact on the financial position or performance of the Group.

Standards, amendments and improvements issued but not yet effective and early adopted:

- TFRS 15 - Revenue from Contracts with Customers
- TFRS 9 - Financial Instruments

The potential impact of the said standards, amendments and improvements on the Group's financial position and performance is assessed.

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

- IFRS 10 and IAS 28 - Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture - Amendments
- Annual Improvements - 2010-2012 Cycle
- IFRS 16 - Leases
- IAS 12 - Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)
- IAS 7 - Statement of Cash Flows (Amendments)
- IFRS 2 - Classification and Measurement of Share-Based Payment Transactions (Amendments)
- IFRS 4 - Insurance Contracts (Amendments)
- IAS 40 - Investment Property: Transfers of Investment Property (Amendments)
- IFRS Interpretation 22 - Foreign Currency Transactions and Advance Consideration
- Annual Improvements to IFRS - 2014-2016 Cycle

The potential impact of the said standards, amendments and improvements on the Group's financial position and performance is assessed.

2.4 Convenience translation into English of financial statements originally issued in Turkish

As at December 31, 2016, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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Notes to the Consolidated Financial Statements as of December 31, 2016

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

3 RESTATEMENT OF PREVIOUS YEAR FINANCIAL STATEMENTS

Impact of business combinations

On February 22, 2016, the Company acquired 100% of the shares of Karine SPP from Selim Akın, member of the board of Akfen Holding, for a fee of USD 24,000,000 (Note: 4). Furthermore, the process of absorption merger for Karine SPP into Akfen Renewable Energy completely (universally) and without liquidation was completed as of March 9, 2016. This acquisition transaction was considered as a «Business Combination of Jointly Controlled Entities» and was recognized via the «Combination of Rights» method. Therefore, the balance sheets of December 31, 2015 and January 1, 2015 in addition to the profit or loss statement for the year ended December 31, 2015 were rearranged. Since the Renewable Energy segment, which includes Karine SPP, was classified on December 31, 2015 as an asset and liability held for sale, the combination impact was recognized under the same items.

Adjustments for previous period

Reference A – The compensating time deposit amount equal to TRY 47,664, the details of which are provided under "Long-term investments" in the note for "Cash and Cash Equivalents" in Note 6 and which is classified within "Restricted bank balances" under "Current assets" in the consolidated financial position statement of the Group as of December 31, 2015, is now classified as "Long-term investments" under "Current assets".

Reference B – Since the fair value appraisal for investment properties of Akfen REIT that are developed on the leased land is performed by deducting the lease fees to be paid for such land from the estimated cash flows, the reduced values for the lease fees to be paid in relation to the land concerned are mutually recognized in investment property and other payables accounts.

Reference C – Those amounts within the non-capitalized exchange rate differences pertaining to the loans Akfen Renewable Energy utilized in the past for its investments that could be capitalized as per the TAS 23 Borrowing Cost standard are recognized in the tangible fixed assets account. Furthermore, the amounts which Akfen Renewable Energy is liable to pay as per the purchasing contracts of some of its plants but it has not paid yet are recognized mutually in intangible fixed assets and other payables accounts.

Reference D – In order to correct the difference in non-controlling interest account, a classification in the amount of TRY 23,177 was made between the accounts for losses from last year and non-controlling interests.

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3 RESTATEMENT OF PREVIOUS YEAR FINANCIAL STATEMENTS *(continued)*

Impact of business combinations (continued)

ASSETS	*Reference*	*Previously reported December 31, 2015*	*Adjustments for previous period*	*Impact of business combinations*	*Restated December December 31, 2015*
Current Assets					
Cash and cash equivalents		22,424	--	--	22,424
Trade receivables		17,867	--	--	17,867
- Due from third parties		17,867	--	--	17,867
Other receivables		99,734	--	--	99,734
-Due from related parties		*99,587*	--	--	*99,587*
-Due from third parties		*147*	--	--	*147*
Restricted bank balances	A	47,664	(47,664)	--	--
Prepaid expenses		8,119	--	--	8,119
Current income tax assets		885	--	--	885
Other current assets		25	--	--	25
SUB-TOTAL		**196,718**	**(47,664)**	**--**	**149,054**
Assets of disposal groups classified as held for sale	**C**	**1,071,328**	**44,682**	**43,359**	**1,159,369**
TOTAL CURRENT ASSETS		**1,268,046**	**(2,982)**	**43,359**	**1,308,423**
Non-Current Assets					
Long-term financial investments	A	--	47,664	--	47,664
Other receivables		448,730	--	--	448,730
-Due from related parties		*431,387*	--	--	*431,387*
-Due from third parties		*17,343*	--	--	*17,343*
Investments accounted using the equity method		864,249	--	--	864,249
Investment properties	B	1,428,361	31,128	--	1,459,489
Property, plant and equipment		63,210	1,414	--	64,624
Intangible assets		35,063	(1,414)	--	33,649
-Goodwill		*3,309*	--	--	*3,309*
- Other intangible assets		*31,754*	*(1,414)*	--	*30,340*
Prepaid expenses		11,797	--	--	11,797
Deferred tax assets		6,364	--	--	6,364
Other non-current assets		44,445	--	--	44,445
TOTAL NON-CURRENT ASSETS		**2,902,219**	**78,792**	**--**	**2,981,011**
TOTAL ASSETS		**4,170,265**	**75,810**	**43,359**	**4,289,434**

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3 RESTATEMENT OF PREVIOUS YEAR FINANCIAL STATEMENTS *(continued)*

LIABILITIES **Current Liabilities**	*Reference*	*Previously reported* *December 31, 2015*	*Adjustments for previous period*	*Impact of business combinations*	*Restated* *December 31, 2015*
Short term borrowings		42,728	--	--	42,728
Short term portion of long-term borrowings		224,119	--	--	224,119
Trade payables		19,316	--	--	19,316
-Due to related parties		*3,783*	--	--	*3,783*
-Due to third parties		*15,533*	--	--	*15,533*
Other payables		10,022	4,349	--	14,371
-Due to related parties		*1,603*	--	--	*1,603*
-Due to third parties	B	*8,419*	*4,349*	--	*12,768*
Employee benefit obligations		547	--	--	547
Deferred income		402	--	--	402
Current provisions		2,053	--	--	2,053
-Provisios for employee benefits		*2,053*	--	--	*2,053*
SUB-TOTAL		**299,187**	**4,349**	**--**	**303,536**
Liabilities related to assets held for sale	C	**788,561**	**15,353**	**36,013**	**839,927**
TOTAL CURRENT LIABILITIES		**1,087,748**	**19,702**	**36,013**	**1,143,463**
Non-Current Liabilities					
Long-term borrowings		1,262,779	--	--	1,262,779
Other payables		12,688	26,779	--	39,467
-Due to related parties		*9,066*	--	--	*9,066*
-Due to third parties	B	*3,622*	*26,779*	--	*30,401*
Deferred tax liability		69,795	--	--	69,795
Long-term provisions		1,441	--	--	1,441
-Long term provisions for employee benefits		*1,441*	--	--	*1,441*
TOTAL NON-CURRENT LIABILITIES		**1,346,703**	**26,779**	**--**	**1,373,482**
EQUITY		**1,735,814**	**29,329**	**7,346**	**1,772,489**
Equity attributable to equity holders of the parent Company Equity		**1,388,193**	**6,151**	**7,058**	**1,401,402**
Issued capital		261,900	--	--	261,900
Adjustment to share capital		(7,257)	--	--	(7,257)
Share premium (discounts)		157,694	--	--	157,694
Treasury shares (-)		(76,029)	--	--	(76,029)
Effect of bussiness combinations under common control		6,236	--	11,810	18,046
Other accumulated comprehensive income that will not be reclassified to profit or loss		133,279	--	--	133,279
Gains on revaluation and remeasurement		*133,279*	--	--	*133,279*
-Increases on revaluation of property, plant and equipment		*137,068*	--	--	*137,068*
-Losses on remeasurement of defined benefit plans		*(3,789)*	--	--	*(3,789)*
Other accumulated comprehensive income that will be reclassified to profit or loss		177,897	--	--	177,897
-Currency translation difference		*199,902*	--	--	*199,902*
-Losses on hedge		*(22,005)*	--	--	*(22,005)*
Restricted reserves appropriated from profits		96,508	--	--	96,508
Retained earnings	C,D	600,501	9,677	--	610,178
Net profit fot the period	C	37,464	(3,526)	(4,752)	29,186
Non-controlling interests	D	347,621	23,178	288	371,087
TOTAL LIABILITIES AND EQUITY		4,170,265	75,810	43,359	4,289,434

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3 RESTATEMENT OF PREVIOUS YEAR FINANCIAL STATEMENTS *(continued)*

ASSETS	*Reference*	*Previously reported January 1, 2015*	*Adjustments for previous period*	*Impact of business combinations*	*Restated January 1, 2015*
Current Assets					
Cash and cash equivalents		63,736	--	10,574	74,310
Trade receivables		115,043	(89)	451	115,405
-Due from related parties		822	--	66	888
-Due from third parties		114,221	(89)	385	114,517
Other receivables		2,190	(788)	--	1,402
-Due from related parties		652	--	--	652
-Due from third parties		1,538	(788)	--	750
Inventories		252,387	--	--	*252,387*
Prepaid expenses		7,805	--	--	7,805
Current income tax assets		7,732	--	--	7,732
Other current assets		115,959	--	--	115,959
SUB-TOTAL		**564,852**	**(877)**	**11,025**	**575,000**
CURRENT ASSETS TOTAL		**564,852**	**(877)**	**11,025**	**575,000**
Non-Current Assets					
Trade receivables		135,624	--	340	135,964
-Due from third parties		135,624	--	340	135,964
Other receivables		66,726	(955)	(444)	65,327
-Due from related parties		51,690	--	--	51,690
-Due from third parties		15,036	(955)	(444)	13,637
Investments accounted using the equity method		631,082	--	--	631,082
Investment properties	**B**	1,351,891	27,642	--	1,379,533
Property, plant and equipment	**C**	875,349	42,812	3,896	922,057
Intangible assets		86,872	8,385	2,413	97,670
-Goodwill		3,309	--	--	3,309
- Other intangible assets		83,563	8,385	2,413	94,361
Prepaid expenses		14,333	(269)	--	14,064
Deferred tax assets		77,457	(8,384)	--	69,073
Other non-current assets		103,244	--	--	103,244
TOTAL NON-CURRENT ASSETS		**3,342,578**	**69,231**	**6,205**	**3,418,014**
TOTAL ASSETS		**3,907,430**	**68,354**	**17,230**	**3,993,014**

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3 RESTATEMENT OF PREVIOUS YEAR FINANCIAL STATEMENTS *(continued)*

LIABILITIES	Reference	Previously reported January 1, 2015	Adjustments for previous period	Impact of business combinations	Restated January 1, 2015
Current Liabilities					
Short term borrowings		31,809	--	--	31,809
Short term portion of long-term borrowings		331,706	--	13	331,719
Trade payables		30,815	(69)	8,812	39,558
-Due to related parties		1,530	--	8,433	9,963
-Due to third parties		29,285	(69)	379	29,595
Other payables		41,820	3,451	--	45,271
-Due to related parties		25,911	--	--	25,911
-Due to third parties	B	15,909	3,451	--	19,360
Employee benefit obligations		574	--	--	574
Deferred income		278,772	(49)	--	278,723
Current provisions		3,655	--	--	3,655
-Provision for employee benefits		3,655	--	--	3,655
Other current liabilities		1,452	--	--	1,452
SUB-TOTAL		**720,603**	**3,333**	**8,825**	**732,761**
TOTAL CURRENT LIABILITIES		**720,603**	**3,333**	**8,825**	**732,761**
Non-Current Liabilities					
Long-term borrowings		1,414,551	--	8,998	1,423,549
Trade payables		8,411	--	464	8,875
-Due to related parties		39	--	444	483
-Due to third parties		8,372	--	20	8,392
Other payables		12,408	24,065	(444)	36,029
-Due to related parties		7,737	--	(444)	7,293
-Due to third parties	B	4,671	24,065	--	28,736
Deferred tax liabilities		76,828	247	483	77,558
Non-current provisions		2,919	7,929	--	10,848
-Long term provisions for employee benefits		2,797	--	--	2,797
-Other long term provisions	C	122	7,929	--	8,051
TOTAL NON-CURRENT LIABILITIES		**1,515,117**	**32,241**	**9,501**	**1,556,859**
EQUITY		**1,671,710**	**32,780**	**(1,096)**	**1,703,394**
Equity attributable equity holder of the parent		**1,296,845**	**9,603**	**(1,133)**	**1,305,315**
Issued capital		291,000	--	--	291,000
Adjustment to share capital		(7,257)	--	--	(7,257)
Share premium (discounts)		211,695	--	--	211,695
Treasuary shares (-)		(167,264)	--	--	(167,264)
Effect of bussiness combinations under common control		6,236	--	238	6,474
Other accumulated comprehensive income that will not be reclassified to profit or loss		78,697	--	--	78,697
Gains on revaluation and remeasurement		78,697	--	--	78,697
- Increases on revaluation of property, plant and equipment		81,192	--	--	81,192
- Losses from remeasurement for defined benefit pension plans		(2,495)	--	--	(2,495)
Other accumulated comprehensive income that will be reclassified to profit or loss		63,106	--	--	63,106
-Currency translation difference		81,679	--	--	81,679
-Losses on hedge		(18,573)	--	--	(18,573)
Restricted reserves appropriated from profits		187,743		--	187,743
Retained earnings	C	632,889	9,603	(1,371)	641,121
Non-controlling interests	D	**374,865**	**23,177**	**37**	**398,079**
TOTAL LIABILITIES AND EQUITY		**3,907,430**	**68,354**	**17,230**	**3,993,014**

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3 RESTATEMENT OF PREVIOUS YEAR FINANCIAL STATEMENTS *(continued)*

Adjustments for previous period

As of December 31, 2016, the profit and loss statement items of Akfen REIT, the assets and liabilities of which are classified as assets and liabilities held for sale and are considered as a separate segment, are indicated under discontinued operations as of December 31, 2016. As per TFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations, Akfen REIT's profit and loss statement items for the previous period are also classified comparatively under discontinued operations.

	Previously reported December 31, 2015	*Adjustments for previous period*	*Restatements (Reference C)*	*Impact of business combinations*	*Restated* December 31, 2015
Revenue	197,060	(53,980)	--	3,264	146,344
Cost of sales (-)	(83,713)	7,469	(1,578)	(2,702)	(80,524)
GROSS PROFIT	**113,347**	**(46,511)**	**(1,578)**	**562**	**65,820**
General administrative expenses (-)	(51,962)	6,921	--	(2,269)	(47,310)
Other income from operating activities	45,984	(23,264)	170	4	22,894
Other expenses from operating activities(-)	(2,266)	155	(116)	--	(2,227)
Share of profit/(loss) from investments accounted using the equity method	107,324	--	--	--	107,324
OPERATING PROFIT/(LOSS) FROM OPERATING ACTIVITIES	**212,427**	**(62,699)**	**(1,524)**	**(1,703)**	**146,501**
Investment activity income	966	--	--	--	966
Investment activity expenses	(1,891)	--	--	--	(1,891)
PROFIT BEFORE FINANCING INCOME/(EXPENSES)	**211,502**	**(62,699)**	**(1,524)**	**(1,703)**	**145,576**
Finance income	99,776	(57,200)	(2,524)	2,521	42,573
Finance expenses	(461,465)	167,089	(185)	(5,639)	(300,200)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**(150,187)**	**47,190**	**(4,233)**	**(4,821)**	**(112,051)**
Tax (Expense) Income, Continuing Operations	12,850	(3,250)	724	51	10,375
Current period tax expenses	(4,162)	--	--	(0)	(4,162)
Deferred tax income	17,012	(3,250)	724	51	14,537
PROFIT/(LOSS) CONTINUING OPERATIONS	**(137,337)**	**43,940**	**(3,509)**	**(4,770)**	**(101,676)**
PROFIT/(LOSS) AFTER TAX FOR THE PERIOD FROM DISCONTINUED OPERATIONS					
Period (loss)/profit from discontinued operations	148,276	(43,940)	--	--	104,336
PROFIT/(LOSS) FOR THE PERIOD AFTER DISCONTINUED OPERATIONS	**10,939**	**--**	**(3,509)**	**(4,770)**	**2,660**
Attributable to non-controlling interests					
Non-controlling interests	(26,525)	--	17	(18)	(26,526)
Equity holders of the parent	37,464	--	(3,526)	(4,752)	29,186
Net Profit / (Loss) for the Period	**10,939**	**--**	**(3,509)**	**(4,770)**	**2,660**

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3 RESTATEMENT OF PREVIOUS YEAR FINANCIAL STATEMENTS *(continued)*

Due to the restated above, the cash flow statement for the year ended December 31, 2015 is restated.

	Previously reported			*Restated*
	January 1 – December 31, 2015	*Adjustments for previous period*	*Readjustment and combination impact*	*January 1 – December 31, 2015*
(Loss)/profit from continued operations	(137,337)	43,956	(8,295)	(101,676)
(Loss)/profit from discontinued operations	148,276	(43,940)	--	104,336
Cash Flows from management operations	(217,431)	--	8,098	(209,333)
Net cash flows from investment operations	(104,797)	--	(39,474)	(144,271)
Net cash used in financing operations	296,513	--	20,802	317,315
Net increase/(decrease) in cash and cash equivalents	**(25,715)**	**--**	**(10,574)**	**(36,289)**
Cash and cash equivalents at the beginning of the period	**48,139**	**--**	**10,574**	**58,713**
Cash and cash equivalents at the end of the period	**22,424**	**--**	**--**	**22,424**

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4 BUSINESS COMBINATIONS AND SALE OF SHARES IN SUBSIDIARIES

Business combinations

The transaction for the Company's purchasing the 100% shares of Selim Akın, Board Member at the Company, in Karine SPP for a fee of USD 24,000,000 (TRY 71,179) was completed as of February 22, 2016. This transaction, which is considered as a combination of businesses under joint control, is accounted for via the "Combination of Rights" method as per resolution No. 2013-2 of the POA. Therefore, the assets and liabilities of Karine SPP were recognized with their cost values and the difference between the amount paid and the net amount of assets was accounted for in the account "impact of combination involving businesses under joint control". Furthermore, the process of absorption merger for Karine SPP into Akfen Renewable Energy completely (universally) and without liquidation was completed and registered as of March 9, 2016.

Net assets acquired	Net Book Value
Current assets total	6,394
Fixed assets total	35,848
Short-term liabilities	(12,218)
Long-term liabilities	(23,364)
Net assets total	**6,660**
Non-controlling interests (-)	(255)
Total of net assets acquired	**6,915**
Purchasing fee	(71,179)
Impact of combination involving businesses under joint control	**(64,264)**

Sale of subsidiary shares

An agreement was signed by and between Akfen Holding and the EBRD and the IFC in order for them to become shareholders in Akfen Renewable Energy, each subscribing for 16.667% of shares on a fee of USD 100 million. Following the fulfillment of closing requirements, the capital of Akfen Renewable Energy was increased, on premium, to TRY 705,000 from TRY 634,500, with the EBRD and the IFC each transferring USD 44,444,444 for 5% of shares to Akfen Renewable Energy. The capital increase was registered on July 12, 2016.

Following share transfer, Akfen Holding's share in Akfen Renewable Energy declined to 90%. The share transfer agreement stipulates that Akfen Renewable Energy be managed jointly by Akfen Holding, the EBRD and the IFC, and unanimous decisions of the parties be sought in relation to operations which significantly impact on Akfen Renewable Energy's returns. Therefore, Akfen Holding considered this transaction to be a sale of shares in a subsidiary which gives rise to a loss of control, and the Company's shares in Akfen Renewable Energy were recognized by their fair value. Therefore, it is fully consolidated until July 12, 2016 the date of share transfer of Akfen Renewable Energy, and is recognized with the equity share method after this date. The fair value is determined in consideration of the stock value calculated as per the shareholders' agreement the Company concluded with the IFC and the EBRD.

Joint Venture recognized by fair value	1,168,560
De-recognized net asset	(271,398)
Gains from recognition of fair values (Note 27)	**897,162**

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4 BUSINESS COMBINATIONS AND SALE OF SHARES IN SUBSIDIARIES *(continued)*

Since Akfen Renewable Energy is de-recognized from consolidation and was subject to equity accounting method, the balance of TRY 64,264 in the "Impact of combinations involving entities or businesses under joint control" account was classified into the "Retained earnings" account.

Partial spin-off

Under the resolutions by the Board of Directors meeting dated June 1, 2016 and June 20, 2016, it was decided that it be determined whether it would be convenient to split the shares of Akfen Thermal Energy, İDO, Akfen Water, TAV Investment, Akfen REIT, Adana İpekyolu, Akfen Energy Gas, Akfen Power Generation, Akfen Wind Power, Akfen Karaköy, Akfen Water Güllük, Akfensu-Arbiogaz Dilovası, Akfen Solar Power and Batı Karadeniz Elk. Dağ. Ve Sis. A.Ş. and be invested as in-kind capital in Akfen Engineering. The process of publishing a notice regarding the procedure of spin-off based on such resolution as per Article 174 of the Turkish Commercial Code was started. The process was completed when the General Assembly resolutions were approved and registered on February 16, 2017. Under this transaction, the financing liability of TRY 72,047 will also be transferred to Akfen Engineering as well as the relevant partnerships, and a capital decrease in the amount of the difference between the contributory value of the partnership to be transferred and the amount of relevant financing liability will be carried out.

To this end, the assets and liabilities of partnerships to be transferred to Akfen Engineering are recognized as assets and liabilities held for sale within the scope of the standard "TFRS 5 - Assets Held for Sale and Discontinued Operations". Furthermore, the carrying amounts of Akfen REIT and TAV Investment are reduced by TRY 351,384 since their net asset values carried forward are higher than their contributory values due to the fact that the relevant partnerships would be transferred over the contributory values in statutory records (Note 12).

5 SEGMENT REPORTING

For management purposes, the Group is organized in three separate segments. Performance is measured on the basis of the operating profit for the segment as it is the case in internal management reports examined by the Group management.

Results for each segment reported concern Akfen REIT and Akfen Renewable Energy. Following Akfen Construction's transfer to Akfen Infrastructure, an affiliate of the Company, on October 30, 2015, Akfen Construction was de-recognized from consolidation together with all its subsidiaries and affiliates.

Subsidiaries in other segments are Akfen Thermal Power and Akfen Power Distribution. Akfen Holding is also indicated among other segments.

Results for TAV Airports, TAV Investment, MIP, PSA Port, Akfen Water and İDO, the Company's direct joint ventures subject to equity accounting method, are available under the section other equity accounted investments.

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5 SEGMENT REPORTING *(continued)*

January 1 – December 31, 2016	*Akfen REIT*	*Renewable Energy*	*Other*	*Other equity-accounted investments*	*Intersegment eliminations*	*Consolidation Adjustment*	*Total*
Out-of-segment revenue	--	196,461	4,304	--	--	(65,179)	135,586
Intersegment revenue	--	4,649	38	--	(4,687)	--	--
Total revenue	**--**	**201,110**	**4,342**	**--**	**(4,687)**	**(65,179)**	**135,586**
Cost of sales	--	(132,035)	--	--	--	66,809	(65,226)
Gross profit/(loss)	**--**	**69,075**	**4,342**	**--**	**(4,687)**	**1,630**	**70,360**
General administrative expenses	--	(15,947)	(60,665)	--	103	10,152	(66,357)
Other operating income	--	2,020	82,927	--	(75,255)	(1,287)	8,405
Other operating expenses	--	(3,155)	(1,088)	--	564	3,036	(643)
Share of profit/(loss) from investments accounted using the equity method	--	--	--	31,003	--	(159,348)	(128,345)
Operating profit/(loss)	**--**	**51,993**	**25,516**	**31,003**	**(79,275)**	**(145,817)**	**(116,580)**
Investment activity income (*)	--	--	897,726	--	--	0	897,726
Investment activity expenses	--	--	(29,960)	--	--	--	(29,960)
Finance income	--	6,148	82,091	--	6,216	(3,937)	90,518
Finance expenses	--	(183,461)	(165,490)	--	(5,328)	147,931	(206,348)
(Loss)/profit before tax from continuing operations	**--**	**(125,320)**	**809,883**	**31,003**	**(78,387)**	**(1,823)**	**635,356**
Tax expenses for the period	--	(11,823)	1,048	--	--	6,860	(3,915)
(Loss)/profit after tax from continuing operations	**--**	**(137,143)**	**810,931**	**31,003**	**(78,387)**	**5,037**	**631,441**
Period Loss After Tax from Discontinued Operations	**(272,142)**	**--**	**--**	**--**	**--**	**--**	**(272,142)**
(Loss)/profit for the period	**(272,142)**	**(137,143)**	**810,931**	**31,003**	**(78,387)**	**5,037**	**359,299**
Profit/(loss) for the period from parent company shares	(256,909)	(136,733)	810,130	31,003	37,590	--	485,081
Depreciation and amortization expenses	26	33,859	547	--	--	(17,057)	17,375
Tangible and intangible fixed asset, investment property and other investments (**)	22,870	3,230	4,009	--	--		30,109
December 31, 2016							
Segment assets	1,193,465	1,009,327	2,406,096	1,046,884	(1,636,677)	--	4,019,095
Segment liabilities	937,224	--	1,157,120	--	(38,753)	--	2,055,591

(*) The difference between the fair value and net book value of Akfen Renewable Energy on the date of share transfer as a result of sales of subsidiary shares by Akfen Holding in a way to give rise to a loss of control is recognized as a gain from sales of subsidiary shares (Note 4).

(**) As of December 31, 2016, out of investments, TRY 22,834 is comprised of the purchasing of investment properties, TRY 3,263 is comprised of the purchasing of tangible fixed assets, and TRY 316 is comprised of the purchasing of intangible fixed assets.

(***) Akfen Renewable Energy's income and expense items, are fully consolidated until July 12, 2016, the date of share transfer, and its profit or loss after this date is reflected on a pro-rata basis (90%) in the reporting note according to segments (Note 4).

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5 SEGMENT REPORTING *(continued)*

January 1 – December 31, 2015	Akfen Construction	Akfen REIT	HEPP Group	Akfen Electricity Wholesale	Other	Equity accounted investments	Intersegment eliminations	Total
Out-of-segment revenue	--	--	88,819	54,261	3,264	--	--	146,344
Intersegment revenue	--	--	29,675	164		--	(29,839)	--
Total revenue	**--**	**--**	**118,494**	**54,425**	**3,264**	**--**	**(29,839)**	**146,344**
Cost of sales	--	--	(55,971)	(55,007)	(2,702)	--	33,156	(80,524)
Gross profit/(loss)	**--**	**--**	**62,523**	**(582)**	**562**	**--**	**3,317**	**65,820**
General administrative expenses	--	--	(8,854)	(334)	(78,800)	--	40,678	(47,310)
Other operating income	--	--	19,707	6	63,295	--	(60,114)	22,894
Other operating expenses	--	--	(1,985)		(242)	--	--	(2,227)
Share of profit/(loss) from investments accounted using the equity method	--	--	--	--	--	107,324	--	107,324
Operating profit/(loss)	**--**	**--**	**71,391**	**(910)**	**(15,185)**	**107,324**	**(16,119)**	**146,501**
Investment activity income	--	--	728	37	201	--	--	966
Investment activity expenses	--	--	(1,891)	--	--	--	--	(1,891)
Finance income	--	--	226	112	69,766	--	(27,531)	42,573
Finance expenses	--	--	(218,181)	(184)	(120,777)	--	38,942	(300,200)
Profit/(loss) before tax from continuing operations	**--**	**--**	**(147,727)**	**(945)**	**(65,995)**	**107,324**	**(4,708)**	**(112,051)**
Tax income/(expense) for the period	--	--	5,070	147	(4,115)	--	9,273	10,375
Period profit/(loss) after tax from discontinued operations	**--**	**--**	**(142,657)**	**(798)**	**(70,110)**	**107,324**	**4,565**	**(101,676)**
(Loss)/Profit After Tax from Discontinued Operations (*)	**(102,243)**	**(53,901)**	**--**	**--**	**255,075**	**--**	**5,405**	**104,336**
Profit/(loss) for the period	**(102,243)**	**(53,901)**	**(142,657)**	**(798)**	**184,965**	**107,324**	**9,970**	**2,660**
Profit/(loss) for the period from parent company shares	(102,243)	(46,983)	(145,532)	(798)	191,663	107,324	25,755	29,186
December 31, 2015								
Depreciation and amortization expenses	1,216	39	34,100	32	627	--	(3,437)	32,577
Tangible and intangible fixed asset, investment property and other investments (**)	245,820	61,612	47,497	50	39,452	--	--	394,431
Segment assets	--	1,585,858	1,063,990	9,629	2,138,174	864,249	(1,372,466)	4,289,434
Segment liabilities	--	781,751	923,528	10,194	1,072,037	--	(270,565)	2,516,945

(*) Since the Company transferred all the shares it held in Akfen Construction on October 30, 2015, Akfen Construction's period loss until the date of transfer is recognized in period loss/profit from discontinued operations under Akfen Construction segment. Akfen Holding's profits from sales of subsidiary after the transfer of Akfen Construction shares are also recognized in the segment "Other" under the item "period loss/profit from discontinued operations".

(**) As of December 31, 2015, out of investments, TRY 147,087 is comprised of Isparta City Hospital project, TRY 98,337 is comprised of Incek Loft project, TRY 61,509 is comprised of the purchasing of investment properties, TRY 80,489 is comprised of the purchasing of tangible fixed assets, and TRY 7,012 is comprised of the purchasing of intangible fixed assets.

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6 CASH AND CASH EQUIVALENTS

The details for cash and cash equivalents as of December 31, 2016 and December 31, 2015 are as follows:

	December 31, 2016	December 31, 2015
Cash on hand	150	66
Banks	45,982	22,337
-Demand deposits	*3,209*	3,365
-Time deposits	*42,773*	18,972
Other cash and cash equivalents	--	21
Cash and cash equivalents	**46,132**	**22,424**

As at December 31, 2016 and December 31, 2015, the distribution of cash and cash equivalents of the Group on a company basis is as follows:

	December 31, 2016	December 31, 2015
Akfen Holding	46,132	5,229
Akfen REIT	--	16,239
Other	--	956
Total	**46,132**	**22,424**

As at December 31, 2016 and December 31, 2015, the distribution of demand deposits, foreign currency and Turkish Lira of the Group is as follows:

Currency	December 31, 2016	December 31, 2015
EUR	2,229	1,103
TRY	794	1,901
USD	186	255
Other	--	106
	3,209	**3,365**

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6 CASH AND CASH EQUIVALENTS *(continued)*

As at December 31, 2016 and December 31, 2015, the details of time deposits, maturities and interest rates for the Group are as follows:

Currency	Maturity	Interest rate %	December 31, 2016
EUR	January 2017	0.01 - 1.95	42,648
TRY	January 2017	11.16	125
			42,773

Currency	Maturity	Interest rate %	December 31, 2015
TRY	January 2016	10.00	2,050
EUR	January 2016	1.25 – 7.20	16,185
Other	January 2016	11.50	737
			18,972

The currency and interest rate risks and sensitivity analyses pertaining to the financial assets and liabilities of the Group are provided in Note 33. As of December 31, 2016 and December 31, 2015, the Group has no blocked cash within cash and cash equivalents.

7 FINANCIAL INVESTMENTS

Short-term financial investments

As at December 31, 2016, short-term financial investments are comprised of the Group's restricted bank deposits (December 31, 2015: None):

Currency	December 31, 2016
USD	60,938
	60,938

Long-term financial investments

None as of December 31, 2016

As of December 31, 2015, the TRY equivalence of long-term financial investments of the Group on a currency and bank basis is as follows:

Bank	Currency	Maturity	Interest Rate	December 31, 2015
Credit Europe Bank(1)	EUR	July 2025	7.20%	47,664
Total				**47,664**

(1) As of December 31, 2015, long-term financial investments are the portion of the loan in the amount of EUR 30,000,000 obtained by Akfen Real Estate Trade (Akfen RET) from Credit Europe Bank, the details of which is explained in Note 8: Financial Borrowings, kept in the blocked time deposit account in the amount of EUR 15,000,000 as the collateral of the loan obtained by the companies HDI and RPI from the same bank. This amount is kept in the time deposit account over the same interest rate as the loan, and the amount of blocked collateral and the loan balance will proportionately decrease as the companies HDI and RPI perform the principal repayments. The interest income obtained is offset against interest expenses. As of December 31, 2016, the deposit amount of TRY 55,648 is classified as "Assets held for sale" in the financial statement (Note 12).

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8 SHORT-TERM AND LONG-TERM BORROWING

This footnote includes information on the contractual terms of financial borrowings that are measured in line with the discounted cost method. The interest, foreign currency and liquidity risks as well sensitivity analyses of the Group are provided in Note 33.

As at December 31, 2016, the details of the Group's financial liabilities are as follows:

Short-term financial liabilities	**Nominal Value**	**Carrying Amount**
Short-term collateralized bank loans	4,500	4,504
	4,500	**4,504**
Short term portion of long-term financial liabilities		
Short term portion of long-term collateralized bank loans	455,793	473,990
Short term portion of long-term bonds	400,000	410,971
	855,793	**884,961**
Long-term financial liabilities		
Long-term collateralized bank loans	208,274	201,430
	208,274	**201,430**

As at December 31, 2015, the details of the Group's financial liabilities are as follows:

Short-term financial liabilities	**Nominal Value**	**Carrying Amount**
Short-term collateralized bank loans	42,506	42,728
	42,506	**42,728**
Current portion of long-term financial liabilities		
Current portion of long-term collateralized bank loans	157,591	211,884
Current portion of long-term bonds	--	12,235
	157,591	**224,119**
Long-term financial liabilities		
Long-term collateralized bank loans	908,159	862,779
Long-term bonds	400,000	400,000
	1,308,159	**1,262,779**

As of December 31, 2016, total liabilities of the Group consisting of bank loans and issued bonds are as follows:

	Nominal Value	**Carrying Amount**
Bank loans	668,567	679,924
Bond	400,000	410,971
	1,068,567	**1,090,895**

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8 SHORT-TERM AND LONG-TERM BORROWINGS *(continued)*

As of December 31, 2015, total liabilities of the Group consisting of bank loans and issued bonds are as follows:

	Nominal Value	Carrying Amount
Bank loans	1,108,256	1,117,391
Bond	400,000	412,235
	1,508,256	**1,529,626**

As of December 31, 2016, the segmental breakdown of bank loans and issued bonds of the Group are as follows:

Carrying Amount	Short-term liabilities	Long-term liabilities	Total
Akfen Holding	889,465	201,430	1,090,895
	889,465	**201,430**	**1,090,895**
Nominal Value	**Short-term liabilities**	**Long-term liabilities**	**Total**
Akfen Holding	860,293	208,274	1,068,567
	860,293	**208,274**	**1,068,567**

As of December 31, 2015, the segmental breakdown of bank loans and issued bonds of the Group are as follows:

Carrying Amount	Short-term liabilities	Long-term liabilities	Total
Akfen Holding	222,117	603,492	825,609
Akfen REIT	44,730	659,287	704,017
	266,847	**1,262,779**	**1,529,626**
Nominal Value	**Short-term liabilities**	**Long-term liabilities**	**Total**
Akfen Holding	200,097	609,087	809,184
Akfen REIT	--	699,072	699,072
	200,097	**1,308,159**	**1,508,256**

The repayment schedule for the Group's bank loans and issued bonds in accordance with their original maturities as of December 31, 2016 and December 31, 2015 is as follows:

	Nominal Value		Carrying Amount	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Less than a year	860,293	200,097	889,465	266,847
1 to 2 years	208,274	548,228	201,430	579,585
2 to 3 years	--	110,284	--	130,394
3 to 4 years	--	43,046	--	58,877
5 years and beyond	--	606,601	--	493,923
	1,068,567	**1,508,256**	**1,090,895**	**1,529,626**

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8 SHORT-TERM AND LONG-TERM BORROWINGS *(continued)*

Terms and repayment schedules

As of December 31, 2016 and December 31, 2015, the breakdown of bank loans and issued bonds for foreign currencies is as follows:

	Nominal Value		Carrying Amount	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
TRY	404,500	442,506	415,475	454,963
EUR	370,693	923,092	374,653	930,194
USD	293,374	142,658	300,767	144,469
	1,068,567	**1,508,256**	**1,090,895**	**1,529,626**

Most of the financial payables are floating-interest loans, a factor that exposes the Group to an interest rate risk. As of December 31, 2016 and December 31, 2015, the minimum and maximum interest rates for the loans the Company utilized are as follows:

December 31, 2016(*)				December 31, 2015(*)			
Fixed-Interest Loans	**TRY**	**U.S. Dollar**	**EUR**	**Fixed-Interest Loans**	**TRY**	**U.S. Dollar**	**EUR**
Minimum	%14.00	%3.75	%3.80	Minimum	%14.00	%3.75	%3.85
Maximum	%14.00	%6.00	%5.50	Maximum	%14.00	%6.00	%7.20
Floating-Interest Loans	**TRY**	**U.S. Dollar**	**EUR**	**Floating-Interest Loans**	**TRY**	**U.S. Dollar**	**EUR**
Minimum	%3.00	%5.25	%5.50	Minimum	%2.15	%5.25	%5.50
Maximum	%3.50	%5.25	%5.50	Maximum	%3.50	%5.25	%5.50

(*) These are the interest rates paid for floating-interest loans in addition to the Euribor, Libor, Benchmark Interest rates and the overnight lending rates at Takasbank Money Market.

Details of borrowings for rach subsidiary are provided below.

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8 SHORT-TERM AND LONG-TERM BORROWINGS *(continued)*

Akfen Holding

As of December 31, 2016, the details of financial liabilities are as follows:

	Currency	Nominal Interest rate	Maturity	Nominal value	Carrying amount
Collateralized bank loans(1)	USD	6.00	2017	50,549	50,593
Collateralized bank loans(2)	USD	3.75	2017	175,960	182,455
Collateralized bank loans(2)	USD	4.50	2017	24,634	24,642
Collateralized bank loans(1)	USD	Libor+5.25	2017	21,115	21,599
Collateralized bank loans(1)	USD	5.60	2017	21,115	21,479
Collateralized bank loans(2)	EUR	5.1	2017	32,276	32,577
Collateralized bank loans(2)	EUR	Euribor+5.50	2017	33,389	33,523
Collateralized bank loans(2)	EUR	4.75	2017	16,324	16,526
Collateralized bank loans(2)	EUR	4.60	2017	55,649	56,234
Collateralized bank loans(2)	EUR	4.6	2018	60,100	60,572
Collateralized bank loans(2)	EUR	4.15	2018	64,923	65,848
Collateralized bank loans(2)	EUR	4.00	2018	24,708	24,793
Collateralized bank loans(2)	EUR	4.70	2018	24,708	24,769
Collateralized bank loans(2)	EUR	3.80	2018	25,969	26,458
Collateralized bank loans(2)	EUR	5.50	2018	32,648	33,351
Collateralized bank loans(2)	TRY	14.00	2017	4,500	4,504
Bond(3)	TRY	DIBS(*) + 3.25	2017	140,000	143,678
Bond(4)	TRY	DIBS(*) + 3.50	2017	200,000	206,765
Bond(5)	TRY	DIBS(*) + 3.00	2017	60,000	60,529
				1,068,567	**1,090,895**

(1) The collateral of this is Akfen Holding shares held by Hamdi Akın.

(2) The collateral of this is the surety of Akfen Construction.

(3) This indicates the liability arising from the issuance of floating-rate bond in the amount of TRY 140,000 on January 13, 2014 on a 3-year maturity with a quarterly coupon payment. The date for the coupon payment for period 12 is January 9, 2017. In line with the additional yield rate finalized, the coupon interest to be allocated in relation to the coupon payment period 12 is 2.88%.

(4) This indicates the liability arising from the issuance of floating-rate bond in the amount of TRY 200,000 on March 27, 2014 on a 3-year maturity with a semi-annual coupon payment. The date for the coupon payment for period 6 is March 23, 2017. In line with the additional yield rate finalized, the coupon interest to be allocated in relation to the coupon payment period 6 is 6.09%.

(5) This indicates the liability arising from the issuance of floating-rate bond in the amount of TRY 60,000 on December 11, 2014 on a 3-year maturity with a quarterly coupon payment. The date for the coupon payment for period 9 is March 9, 2017. In line with the additional yield rate finalized, the coupon interest to be allocated in relation to the coupon payment period 9 is 3.34%.

(*) The "Benchmark Interest" rate of Government Domestic Debt Securities ("GDDS") bonds that sets the basis for annual compound rate of return is calculated as the weighted arithmetic mean of weighted average annual compound interest rates arising in BIAŞ Outright Purchases and Sales Market for Bonds and Securities within the last three working days for the discounted benchmark government bond that is issued by the Republic of Turkey Undersecretariat of Treasury ("Treasury") and has the highest number of days to maturity.

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8 SHORT-TERM AND LONG-TERM BORROWINGS *(continued)*

As of December 31, 2015, the details of financial liabilities are as follows:

	Currency	Nominal Interest rate	Maturity	Nominal value	Carrying amount
Collateralized bank loans(1)	USD	6.00	2016	41,764	42,089
Collateralized bank loans(2)	USD	3.75	2016	20,353	20,553
Collateralized bank loans(2)	USD	4.85	2016	28,204	28,477
Collateralized bank loans(3)	USD	Libor+5.25	2017	34,891	35,604
Collateralized bank loans(3)	USD	5.60	2017	17,446	17,746
Collateralized bank loans(2)	EUR	3.85	2016	28,598	29,142
Collateralized bank loans(2)	EUR	Euribor+5.50	2017	28,598	28,713
Collateralized bank loans(2)	EUR	4.60	2017	47,664	48,166
Collateralized bank loans(2)	EUR	4.15	2018	55,608	56,413
Collateralized bank loans(2)	EUR	4.00	2018	31,776	31,885
Collateralized bank loans(2)	EUR	4.70	2018	31,776	31,859
Collateralized bank loans(4)	TRY	14.00	2017	29,998	30,214
Collateralized bank loans(5)	TRY	16.80(*)	2017	12,508	12,513
Bond(6)	TRY	DİBS(**) + 3.25	2017	140,000	144,249
Bond(7)	TRY	DİBS(**) + 3.50	2017	200,000	207,503
Bond(8)	TRY	DİBS(**) + 3.00	2017	60,000	60,483
				809,184	**825,609**

(1) The collateral of this is Akfen Holding shares held by Hamdi Akın.
(2) The collateral of this is the surety of Akfen Construction.
(3) The collateral of this is Akfen Holding shares held by Hamdi Akın and Akfen Holding.
(4) This is a share purchase loan. As a collateral, Akfen Holding shares are kept in the warehouse account. The maturity of the loan will persist for as long as the shares are in the warehouse account.
(5) This is a share purchase loan. As a collateral, Akfen Holding and Akfen REIT shares are kept in the warehouse account. The maturity of the loan will persist for as long as the shares are in the warehouse account.
(6) This indicates the liability arising from the issuance of floating-rate bond in the amount of TRY 140,000 on January 13, 2014 on a 3-year maturity with a quarterly coupon payment. The date for the coupon payment for period 8 is January 11, 2016. In line with the additional yield rate finalized, the coupon interest to be allocated in relation to the coupon payment period 8 is 3.41%.
(7) This indicates the liability arising from the issuance of floating-rate bond in the amount of TRY 200,000 on March 27, 2014 on a 3-year maturity with a semi-annual coupon payment. The date for the coupon payment for period 4 is March 24, 2016. In line with the additional yield rate finalized, the coupon interest to be allocated in relation to the coupon payment period 4 is 7.19%.
(8) This indicates the liability arising from the issuance of floating-rate bond in the amount of TRY 60,000 on December 11, 2014 on a 3-year maturity with a quarterly coupon payment. The date for the coupon payment for period 5 is March 10, 2016. In line with the additional yield rate finalized, the coupon interest to be allocated in relation to the coupon payment period 5 is 3.33%.
(*) This is the simple overnight interest rate for share purchase loan as of December 31, 2015.
(**) The "Benchmark Interest" rate of Government Domestic Debt Securities ("GDDS") bonds that sets the basis for annual compound rate of return is calculated as the weighted arithmetic mean of weighted average annual compound interest rates arising in BİAŞ Outright Purchases and Sales Market for Bonds and Securities within the last three working days for the discounted benchmark government bond that is issued by the Republic of Turkey Undersecretariat of Treasury ("Treasury") and has the highest number of days to maturity.

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8 SHORT-TERM AND LONG-TERM BORROWINGS *(continued)*

The repayment schedules of financial liabilities are as follows:

	Nominal Value		Carrying Amount	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Less than a year	860,293	200,097	889,465	222,117
1 to 2 years	208,274	532,380	201,430	532,214
2 to 3 years	--	76,707	--	71,278
	1,068,567	**809,184**	**1,090,895**	**825,609**

Akfen REIT:

Financial liabilities are indicated under assets held-for-sale as of December 31, 2016.

As of December 31, 2015, the details of financial liabilities are as follows:

	Currency	Nominal Interest rate	Maturity	Nominal value	Carrying amount
Collateralized bank loans(1)	EUR	7.20	2025	368,602	371,970
Collateralized bank loans(2)	EUR	7.20	2025	95,328	96,315
Collateralized bank loans(3)	EUR	7.20	2025	47,664	48,134
Collateralized bank loans(4)	EUR	7.20	2025	187,478	187,598
				699,072	**704,017**

(1) In order to be utilized in the refinancing of all current loans of Akfen REIT and for the investment expenditures of ongoing investment projects within Akfen REIT portfolio, a loan agreement of EUR 116,000,000 with 2 years of grace period for principal on a 10-year maturity was signed, and the loan was utilized on March 18, 2015. Loans utilized under the agreement are collateralized within the framework of the points stated below:

- Rights of construction for hotels in Gaziantep, Kayseri, Trabzon, Bursa and Zeytinburnu; the lands in Ankara Esenboğa, Esenyurt and Adana on which hotels are constructed, together with their buildings and appurtenant structures; and the land in Tuzla on which a building is constructed are provided as a mortgage in favor of creditors,
- The income from operating leases of the hotels concerned are assigned in favor of creditors,
- Deposit accounts opened at banks and financial institutions under the projects concerned are pledged in favor of creditors,
- Akfen Construction, a shareholder of the company, provided a completion bond for Tuzla Ibis Hotel project, which is currently under construction,
- Some of the non-public shares of Akfen Holding, a shareholder of the company, in Akfen REIT are pledged in favor of creditors.

(2) In order to be utilized in the refinancing of all current loans of Akfen RET, a subsidiary of Akfen REIT, a loan agreement of EUR 30,000,000 with 2 years of grace period for principal on a 10-year maturity was signed, and the loan was utilized on November 6, 2015. A portion in the amount of EUR 15,000,000 of the loan utilized was used as the collateral of the loan obtained by the companies HDI and RPI from the same bank. This amount is kept in the time deposit account over the same interest rate as the loan, and the amount of blocked collateral will proportionately decrease as the companies HDI and RPI perform the principal repayments. Loans utilized under the agreement are collateralized within the framework of the points stated below:

- Some of the non-public shares of Akfen Holding in Akfen REIT are pledged in favor of creditors,
- Akfen REIT's shares in Akfen RET are pledged in favor of the creditor,
- All shares of Akfen Karaköy are pledged in favor of the creditor,
- Akfen Construction provided a surety equal to the amount of loan,
- All lease income from Merit Park Hotel is assigned in favor of the bank,
- Merit Park Hotel is given as a first mortgage in favor of creditors.

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8 SHORT-TERM AND LONG-TERM BORROWINGS *(continued)*

(3) In order to be utilized in the refinancing of all current loans of Akfen Karaköy, a subsidiary of Akfen REIT, a loan agreement of EUR 15,000,000 with 2 years of grace period for principal on a 10-year maturity was signed, and the loan was utilized on November 6, 2015. Loans utilized under the agreement are collateralized within the framework of the points stated below:

- Some of the non-public shares of Akfen Holding in Akfen REIT are pledged in favor of creditors,
- Merit Park Hotel is given as a second mortgage in favor of creditors,
- Income from operating lease of Karaköy Novotel once it becomes operational is assigned in fsvor of the creditor,
- Akfen Construction provided a completion bond for Karaköy Novotel project, which is currently under construction,
- Akfen Construction provided a surety equal to the amount of loan.

(4) In order to be utilized in the refinancing of all current loans of HDI, a subsidiary of Akfen REIT, and of RHI and RPI, both subsidiaries of Akfen RET, a loan agreement of EUR 59,000,000 with 2 years of grace period for principal on a 10-year maturity was signed, and the loan was utilized on November 6, 2015 and November 17, 2015. Loans utilized under the agreement are collateralized within the framework of the points stated below:

- Some of the non-public shares of Akfen Holding in Akfen REIT are pledged in favor of creditors,
- Shares of HDI, RHI and RPI are pledged in favor of the creditor,
- Akfen RET provided a surety equal to the amounts of loan utilized by RHI and RPI,
- Akfen REIT provided a surety equal to the amounts of loan utilized by HDI,
- An EUR 15,000,000 portion of the loan utilized by Akfen RET is kept as a cash collateral,
- The lands which belong to the Group and on which Yaroslavl Ibis Hotel, Samara Ibis Hotel, Samara Office, Kaliningrad Ibis Hotel and Moscow Ibis Hotel are constructed as well as the hotel buildings are given as mortgage in favor of creditors,
- The income from operating leases is assigned in favor of the creditor.

	Nominal Value		Carrying Amount	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Less than a year	--	--	--	44,730
1 to 2 years	--	15,848	--	47,370
2 to 3 years	--	33,577	--	59,116
3 to 4 years	--	43,046	--	58,877
5 years and beyond	--	606,601	--	493,924
	--	**699,072**	**--**	**704,017**

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9 TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables

The short-term trade receivables of the Group as of December 31, 2016 and December 31, 2015 are as follows:

	December 31, 2016	December 31, 2015
Trade receivables due from thirdparties	--	17,867
	--	**17,867**

As of December 31, 2016 and December 31, 2015, trade receivables due from third parties are comprised of the following items:

	December 31, 2016	December 31, 2015
Customers	--	17,179
Income accruals	--	688
	--	**17,867**

As of December 31, 2016 and December 31, 2015, the distribution of trade receivables due from third parties on a company basis is as follows:

	December 31, 2016	December 31, 2015
Akfen REIT	--	17,867
	--	**17,867**

Changes in the provision for doubtful trade receivables during periods ended on December 31, 2016 and December 31, 2015 are as follows:

	2016	2015
Opening balance	--	1,034
Impact of change in the Group structure (*)	--	(1,066)
Exchange rate difference	--	32
Closing balance	**--**	**--**

(*) This is the impact of the fact that assets of Akfen Construction are indicated among fixed assets held for sale in financial statements of December 31, 2015 since it was decided that the shares of Akfen Construction held by Akfen Holding be transferred based on Akfen Holding Board of Directors resolution of July 13, 2015.

Short-term trade payables

The short-term trade payables of the Group as of December 31, 2016 and December 31, 2015 are as follows:

	December 31, 2016	December 31, 2015
Due to related parties (Note 32)	1,019	3,783
Due to third parties	1,717	15,533
	2,736	**19,316**

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9 TRADE RECEIVABLES AND PAYABLES *(continued)*

Short-term trade payables (continued)

As of December 31, 2016 and December 31, 2015, trade payables to third parties are comprised of the following items:

	December 31, 2016	December 31, 2015
Sellers	1,717	14,060
Expense accruals	--	1,473
	1,717	**15,533**

As of December 31, 2016 and December 31, 2015, the distribution of the Group's trade payables to third parties among subsidiaries is as follows:

	December 31, 2016	December 31, 2015
Akfen Holding	1,717	3,187
Akfen Thermal Energy	--	8,910
Akfen REIT	--	3,436
	1,717	**15,533**

Foreign currency and liquidity risk exposure of trade payables of the Group is explained in Note 33.

As at December 31, 2016 and December 31, 2015, the repayment schedule for short-term trade payables of the Group to third parties (except for expense accruals) is as follows:

	December 31, 2016	December 31, 2015
0 - 3 months maturity	1,588	4,958
3 months - 1 year maturity	129	9,102
	1,717	**14,060**

10 OTHER RECEIVABLES AND PAYABLES

Other short-term receivables

As of December 31, 2016 and December 31, 2015, other short-term receivables are comprised of the following items:

	December 31, 2016	December 31, 2015
Other receivables due from related parties (Note 32)	5,611	99,587
Other receivables due from third parties	--	147
	5,611	**99,734**

Other long-term receivables

The other long-term receivables of the Group as of December 31, 2016 and December 31, 2015 are as follows:

	December 31, 2016	December 31, 2015
Other receivables due from related parties (Note 32)	401,092	431,387
Other receivables due from third parties	267	17,343
	401,359	**448,730**

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10 OTHER RECEIVABLES AND PAYABLES *(continued)*

Other long-term receivables *(continued)*

As of December 31, 2016 and December 31, 2015, the breakdown of other long-term receivables due from tthird parties on a company basis is as follows:

	December 31, 2016	December 31, 2015
Akfen Holding	267	--
Akfen REIT	--	17,075
Other	--	268
	267	**17,343**

Other short-term payables

The other short-term payables of the Group as of December 31, 2016 and December 31, 2015 are as follows:

	December 31, 2016	December 31, 2015
Other payables to related parties (Note 32)	--	1,603
Other payables to third parties	2,298	12,768
	2,298	**14,371**

As of December 31, 2016 and December 31, 2015, the breakdown of other short-term payables to thirdparties on a company basis is as follows:

	December 31, 2016	December 31, 2015
Akfen Holding	2,298	4,383
Akfen REIT	--	6,427
Akfen Thermal Power	--	1,958
	2,298	**12,768**

As of December 31, 2016 and December 31, 2015, other payables to third parties are comprised of the following items:

	December 31, 2016	December 31, 2015
Tax and social liabilities to be paid	2,298	6,834
Other payables	--	5,934
	2,298	**12,768**

Other long-term payables

	December 31, 2016	December 31, 2015
Other payables to related parties (Note 32)	10,581	9,066
Other payables to third parties	--	30,401
	10,581	**39,467**

As of December 31, 2015, TRY 3,601 out of the other payables of Akfen REIT to third parties is comprised of Akfen REIT's land lease payables at a balance amount from lease expense accruals (Note 14).

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11 INVENTORIES

As at December 31, 2016, there are no inventories belonging to Akfen Holding.

12 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Under the resolutions of June 1, 2016 and June 20, 2016 by the Board of Directors, it was decided that it be determined whether it would be convenient to split the shares of Akfen Thermal Energy, İDO, Akfen Water, TAV Investment, Akfen REIT, Adana İpekyolu, Akfen Energy Gas, Akfen Power Generation, Akfen Wind Power, Akfen Karaköy, Akfen Water Güllük, Akfensu-Arbiogaz Dilovası, Akfen Solar Power and Batı Karadeniz Elk. Dağ. Ve Sis. A.Ş. and be invested as in-kind capital in Akfen Engineering. The process of publishing a notice regarding the procedure of spin-off based on such resolution as per Article 174 of the Turkish Commercial Code was started. The process was completed when the General Assembly resolutions were approved and registered on February 16, 2017.

Therefore, as of December 31, 2016, all assets pertaining to Akfen REIT, Akfen Thermal Power, TAV Investment, Akfen Water and İDO are indicated under assets held for sale and all liabilities thereof are indicated under liabilities on assets held for sale.

Assets held for sale

As of December 31, 2016, assets held for sale are as follows:

	REIT	Thermal Power	TAV Investment	Akfen Water	IDO	December 31, 2016
ASSETS						
Current Assets	**49,382**	**477**	--	--	--	**49,859**
Cash and cash equivalents	7,827	325	--	--	--	8,152
Trade receivables	26,677	--	--	--	--	26,677
Due from related parties	7,414	--	--	--	--	7,414
Other trade receivables	19,263	-	--	--	--	19,263
Other receivables	139	150	--	--	--	289
Other non-trade receivables	139	150	--	--	--	289
Prepaid expenses	8,234	2	--	--	--	8,236
Current income tax assets	430	--	--	--	--	430
Other current assets	6,075	--	--	--	--	6,075
Non-Current Assets	**1,454,904**	**285,729**	**59,038**	**16,338**	**2,790**	**1,818,799**
Other receivables	18,626	208,922	--	--	--	227,548
Due from related parties	--	208,918	--	--	--	208,918
Other non-trade receivables	18,626	4	--	--	--	18,630
Investments accounted using the equity method	--	--	59,038	16,338	2,790	78,166
Financial investments	55,648	--	--	--	--	55,648
Investment property	1,337,994	--	--	--	--	1,337,994
Property, plant and equipment	144	66,660	--	--	--	66,804
Intangible assets	51	2,756	--	--	--	2,807
Deferred tax assets	3,755	575	--	--	--	4,330
Prepaid expenses	8,767	--	--	--	--	8,767
Other non-current assets	29,919	6,816	--	--	--	36,735
Total Assets	**1,504,286**	**286,206**	**59,038**	**16,338**	**2,790**	**1,868,658**
Contributory value-carrying amount difference (*)	(314,130)	-	(37,254)	-	-	(351,384)
Goodwill written off at Group level	3,309	-	-	-	-	3,309
Assets held for sale	**1,193,465**	**286,206**	**21,784**	**16,338**	**2,790**	**1,520,583**

(*) Note 4.

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12 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS *(continued)*

On December 15, 2015, Akfen Holding signed a shareholders' agreement with the European Bank for Reconstruction and Development (EBRD) worth USD 100 million for a total of 20 percent stake in the renewable energy company which will be incorporated through restructuring by a merger of renewable energy subsidiaries, namely Akfen HEPP, Akfen WPP, Akfen Electricity Wholesale and Karine SPP, following the transfer of the latter to the Holding, under the same roof. Since the Akfen Renewable Energy is to be managed as a partnership under joint management and be consolidated via equity method on the basis of this agreement, all assets pertaining to the HEPP Group, WPP Group and Electricity Wholesale are indicated under assets held for sale and all liabilities thereof are indicated under liabilities on assets held for sale as of December 31, 2015.

As of December 31, 2015, assets held for sale are as follows:

	HEPP Group	WPP Group	Akfen Electricity	SPP Group	Total
Current Assets	**50,990**	**1,073**	**4,926**	**6,394**	**63,383**
Cash and cash equivalents	9,234	295	2,250	5,111	16,890
Trade receivables	14,263	--	2,545	719	17,527
-Due from related parties	36	--	1,859	--	1,895
-Other trade receivables	14,228	--	686	719	15,633
Other receivables	181	--	--	260	441
-Other non-trade receivables	181	--	--	260	441
Prepaid expenses	7,841	--	123	294	8,258
Current income tax assets	60	--	8	10	78
Other current assets	19,410	778	--	--	20,188
Non-Current Assets	**1,019,978**	**38,107**	**935**	**36,966**	**1,095,986**
Trade receivables	12,380	32,899	--	--	45,279
-Due from related parties	5,735	32,899	--	--	*38,634*
-Other trade receivables	6,645	--	--	--	*6,645*
Other receivables	724	10	277	1	1,012
-Other non-trade receivables	724	10	277	1	*1,012*
Financial investments	--	--	100		100
Property, plant and equipment	826,816	5,164	2	33,348	865,330
Intangible assets	66,099	20	217	2,158	68,494
Deferred tax assets	55,566	13	339	--	55,918
Prepaid expenses	5,103	1	--	--	5,104
Other non-current assets	53,290	--	--	1,459	54,749
Total Assets	**1,070,968**	**39,180**	**5,861**	**43,360**	**1,159,369**

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12 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS *(continued)*

As of December 31, 2016, liabilities regarding assets held for sale are as follows:

LIABLITIES	Akfen REIT	Thermal Power	December 31, 2016
Current Liabilities	**96,931**	**6,442**	**103,373**
Short term borrowings	84,240	--	84,240
Trade payables	3,233	4,139	7,372
Due to related parties	--	4,134	4,134
Other trade payables	3,233	5	3,238
Other payables	7,586	2,284	9,870
Other non-trade payables	7,586	2,284	9,870
Employee benefit obligations	55	5	60
Current provisions	260	14	274
Other current liabilities	1,557	--	1,557
Non-Current Liabilities	**840,293**	**779**	**841,072**
Long term borrowings	754,455	--	754,455
Trade payables	--	235	235
Due to related parties	--	235	235
Other payables	29,772	--	29,772
Other non-trade payables	29,772	--	29,772
Non-current provisions	--	--	0
Long term provisions for employee benefits	109	27	136
Deferred tax liabilities	52,453	517	52,970
Other non-current liabilities	3,504	--	3,504
Total Liabilities	**937,224**	**7,221**	**944,445**

As of December 31, 2015, liabilities regarding assets held for sale are as follows:

	HEPP Group	WPP Group	Akfen Electricity Wholesale	SPP Group	Total
Current Liabilities	**126,241**	**3,329**	**3,041**	**12,217**	**144,828**
Short term borrowings	112,043	--	--	1,127	113,170
Trade payables	11,284	3,092	2,493	11,029	27,898
-Due to related parties	4,934	--	--	6,550	11,484
-Other trade payables	6,350	3,092	2,493	4,479	16,414
Other payables	2,085	237	542	--	2,864
-Other non-trade payables	2,085	237	542	--	2,864
Employee benefit obligations	270	--	3	43	316
Deferred income	280	--	--	18	298
Current provisions	279	--	3	--	282
		--			
Non-Current Liabilities	**671,284**	**--**	**19**	**23,796**	**695,099**
Long term borrowings	642,647	--	--	23,313	665,960
Trade payables	1,566	--	--	49	1,615
-Due to related parties	1,566	--	--	--	1,566
-Other trade payables	0	--	--	51	51
Other payables	16,086	--	--	--	16,086
-Other non-trade payables	16,086	--	--	--	16,086
Non-current provisions	375	--	--	--	375
Non-current provision for employee benefits	983	--	19	--	1,002
Deferred tax liabilities	9,627	--	--	432	10,059
Total Liabilities	**797,525**	**3,329**	**3,060**	**36,013**	**839,927**

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12 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS *(continued)*

Discontinued operations

As of December 31, 2016, since Akfen REIT, one of the subsidiaries recognized in the assets held for sale group, is considered to be one of the segments of the Group, profit or loss statements for 2016 and 2015 are presented under discontinued operations on a comparative basis. To this end, cash flows for Akfen REIT are also mutually provided under cash flows from discontinued operations.

Based on the Company Board of Directors' resolution of July 13, 2015, Akfen Holding's 99.85% shares in Akfen Construction, a subsidiary thereof, were transferred to Akfen Infrastructure, an affiliate of the Company, on October 30, 2015.

Akfen Construction's income and expenses until December 31, 2015 are recognized under the period profit after tax from discontinued operations.

As of December 31, 2016, the details of period loss after tax from discontinued operations are as follows:

December 31, 2016:

	Akfen REIT	Total
Revenue	54,180	54,180
Cost of sales	(9,504)	(9,504)
Gross profit	**44,676**	**44,676**
General administrative expenses	(7,581)	(7,581)
Other income from operating activities	143	143
Other expenses from operating activities (-)	(239,364)	(239,364)
Profit from operating activities	**(202,126)**	**(202,126)**
Investment activity expenses	--	--
Finance income	1,345	1,345
Finance expenses	(82,201)	(82,201)
(Loss) from continuing operations	**(282,982)**	**(282,982)**
Tax income	**10,840**	**10,840**
(Loss) from discontinued operations	**(272,142)**	**(272,142)**

As of December 31, 2015, the details of period loss after tax from discontinued operations are as follows:

December 31, 2015:

	Akfen Construction	Akfen REIT	Total
Revenue	147,695	53,980	201,675
Cost of sales	(135,643)	(7,469)	(143,112)
Gross profit	**12,052**	**46,511**	**58,563**
General administrative expenses	(21,481)	(6,921)	(28,402)
Other income from operating activities	7,238	23,264	30,502
Other expenses from operating activities (-)	(745)	(155)	(900)
Share of profit/(loss) from investments accounted using the equity method	(7,341)	--	(7,341)
Profit/(Loss) from operating activities	**(10,277)**	**62,699**	**52,422**
Finance income	3,023	57,201	60,224
Finance expenses	(110,482)	(167,091)	(277,573)
(Loss)/profit from continuing operations, before tax	**(117,736)**	(47,191)	**(164,927)**
Tax income/(expense)	10,937	3,251	14,188
(Loss)/profit for the period	**(106,799)**	**(43,940)**	**(150,739)**
Profit from sales of subsidiary (Akfen Construction)	255,075	--	255,075
Profit/(loss) from discontinued operations	**148,276**	**(43,940)**	**104,336**

	2015
Akfen Construction's net assets as of October 30, 2015	(84,567)
Sales Price	170,508
Profit from sales of subsidiary	**255,075**

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13 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD

The carrying amounts of investments accounted using the equity method of the Group as of December 31, 2016 and December 31, 2015 are as follows:

	Shareholding Rates (%)	December 31, 2016	Shareholding Rates (%)	December 31, 2015
MIP	50.00	734,024	50.00	536,906
TAV Airports	8.12	234,696	8.12	199,634
TAV Investment (*)	21.68	59,038	21.68	76,021
İDO(*)	30.00	2,790	30.00	37,851
Akfen Water (*)	50.00	16,338	50.00	13,837
Akfen Renewable Energy (Note 4)	90.00	1,009,327	--	--
		2,056,213		**864,249**
Transfer to assets held for sale		(78,168)		--
		1,978,045		**864,249**

(*) Transferred to assets held for sale.

The Group's shares in the profits of its investments accounted using the equity method in the profit or loss statement for years ended on December 31 are as follows:

	2016	2015
MIP	124,250	119,323
TAV Airports	34,453	51,387
TAV Investment	(32,135)	8,403
İDO	(95,226)	(70,085)
Akfen Water	(339)	(1,704)
Akfen Renewable Energy (Note 4)	(159,348)	--
	(128,345)	**107,324**

As of December 31, 2016, the movements in investments accounted using the equity method are as follows:

	January 1, 2016	Joint venture recognized by fair value	Period profit/loss	Other equity movements	Dividend distribution	December 31, 2016
MIP	536,906	--	124,250	122,550	(49,682)	734,024
TAV Airports	199,634	--	34,453	28,828	(28,219)	234,696
TAV Investment	76,021	--	(32,135)	15,152	--	59,038
İDO	37,851	--	(95,226)	60,165	--	2,790
Akfen Renewable Energy	--	1,168,560	(159,348)	115	--	1,009,327
Akfen Water	13,837	--	(339)	2,840	--	16,338
	864,249	**1,168,560**	**(128,345)**	**229,650**	**(77,901)**	**2,056,213**

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13 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD *(continued)*

As of December 31, 2015, the movements in investments accounted using the equity method are as follows:

	31 Aralık 2014	Period profit/loss	Capital increase	Impact of change in the	Other equity movements	Dividend distribution	December 31, 2015
MIP	354,423	119,323	--	--	94,505	(31,345)	536,906
TAV Airports	158,129	51,387	--	--	14,967	(24,849)	199,634
TAV Investment	52,838	8,403	--	--	14,780	--	76,021
İDO	26,310	(70,085)	36,756	--	44,870	--	37,851
Akfen Water	13,984	(1,704)	--	--	1,557	--	13,837
Hacettepe Technopolis (*)	25,398	(7,340)	--	(18,058)	--	--	--
	631,082	**99,984**	**36,756**	**(18,058)**	**170,679**	**(56,194)**	**864,249**

Hedging agreements concluded by joint ventures and the equity impact from functional currency differences between Akfen Holding and its joint ventures are recognized under other comprehensive income items.

(*) Hacettepe Technopolis' profit for the period is recognized in the period loss after tax from discontinued operations.

MIP:

Summary financial information on MIP is provided below:

	December 31, 2016	December 31, 2015
Assets Total	3,578,428	2,768,195
Liabilities Total	2,110,380	1,694,384
Net Assets	1,468,048	1,073,811
Group's share in MIP's net assets	**734,024**	**536,906**

	2016	2015
Revenue	822,302	792,498
Gross profit/(loss)	476,989	453,424
General administrative expenses	(66,977)	(59,605)
Other operating (expense)/income, (net)	(5,873)	394
Operating profit	404,139	394,213
Profit before tax	322,230	311,236
Profit after tax	248,498	238,647
Profit for the period from parent company shares	248,498	238,647
Group's share in MIP's profit for the period	**124,250**	**119,323**
Depreciation and amortization expenses	105,634	86,620

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13 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD *(continued)*

TAV Airports:

Summary financial information on TAV Airports is provided below:

	December 31, 2016	December 31, 2015
Assets Total	11,505,470	10,506,371
Liabilities Total	8,511,246	7,940,218
Net Assets (*)	2,994,224	2,566,153
Group's share in TAV Airports' net assets	**234,696**	**199,634**
	2016	**2015**
Revenue	3,450,223	3,026,180
Gross profit/(loss)	1,378,080	1,354,963
General administrative expenses	(601,849)	(491,626)
Other operating income (net)	349,934	381,450
Operating profit	1,183,151	1,307,469
Profit before tax	702,051	845,672
Profit after tax	399,379	604,732
Profit for the period from parent company shares	424,341	632,912
Group's share in TAV Airports' profit for the period	**34,453**	**51,387**
Depreciation and amortization expenses	351,465	257,512

(*) As of December 31, 2016, the share of the Group in the net assets of TAV Airports includes a negative goodwill in the amount of TRY 8,716 (December 31, 2015: TRY 8,716). In addition, net assets of TAV Airports include non-controlling interests in the amount of TRY 387 (December 31, 2015: TRY 1,514).

In the financial statements of December 31, 2016, ATÜ Turizm İşletmeciliği A.Ş., ATÜ Georgia Operation Services LLC, ATÜ Tunisie SARL, ATÜ Macedonia Dooel, AS Riga Airport Commercial Development, TAV Gözen Havacılık İşletme ve Ticaret A.Ş., Cyprus Airport Services Ltd., TGS Yer Hizmetleri A.Ş., SAUDI HAVAS Ground Handling Services Limited, BTU Lokum Şeker Gıda San. ve Tic. A.Ş., BTU Gıda Satış ve Paz. A.Ş., BTA Denizyolları ve Limanları Yiyecek ve İçecek Hizmetleri Tic. A.Ş. ("BTA Maritime Lines"), Tibah Airports Development Company Limited, Tibah Airports Operation Limited, Medunarodna Zračna Luka Zagreb d.d., Upraviteli Zračne Luke Zagreb d.o.o and ZAIC-A companies are consolidated by TAV Airports through the equity accounting method.

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13 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD *(continued)*

TAV Investment:

Summary financial information on TAV Investment is provided below:

	December 31, 2016	December 31, 2015
Assets Total	3,901,566	3,032,811
Liabilities Total	3,629,250	2,682,082
Net Assets	272,316	350,729
Group's share in TAV Investment's net assets	**59,038**	**76,021**
	2016	**2015**
Revenue	2,473,210	2,673,482
Gross profit/(loss)	(22,445)	113,200
General administrative expenses	(58,842)	(54,049)
Other operating income/expense (net)	(50,274)	(2,382)
Operating (loss)/profit	(122,599)	56,769
(Loss)/profit before tax	(198,374)	31,231
(Loss)/profit after tax	(148,259)	38,775
(Loss)/profit for the period from parent company shares	(148,259)	38,775
Group's share in the (loss)/profit of TAV Investment for the period	**(32,135)**	**8,403**
Depreciation and amortization expenses	32,641	25,521
Letter of guarantee commission expenses within the cost of sales	27,491	24,532

İDO:

Summary financial information on İDO is provided below:

	December 31, 2016	December 31, 2015
Assets Total	1,893,358	1,785,292
Liabilities Total	1,884,058	1,659,121
Net Assets	9,300	126,171
Group's share in İDO's net assets	**2,790**	**37,851**
	2016	**2015**
Revenue	568,372	611,163
Gross profit/(loss)	186,366	264,726
General administrative expenses	(56,304)	(50,811)
Other operating income/expense (net)	2,329	(1,928)
Operating profit/(loss)	132,391	213,994
Profit/(loss) before tax	(316,755)	(232,980)
Profit/(loss) after tax	(317,420)	(233,618)
Profit/(loss) for the period from parent company shares	(317,420)	(233,618)
Group's share in İDO's profit/loss for the period	**(95,226)**	**(70,085)**
Depreciation and amortization expenses	84,067	75,177

As of December 31, 2016, Zeytinburnu Liman İşletmeleri San. ve Tic. A.Ş. and BTA Maritime Lines are consolidated by İDO through the equity-accounting method.

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

13 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD *(continued)*

Akfen Water:

Summary financial information on Akfen Water is provided below:

	December 31, 2016	December 31, 2015
Assets Total	105,307	87,775
Liabilities Total	72,631	60,101
Net Assets	32,676	27,674
Group's share in the net assets of Akfen Water (*)	**16,338**	**13,837**
	2016	**2015**
Revenue	16,202	13,689
Gross profit/(loss)	8,881	7,151
General administrative expenses	(3,490)	(3,456)
Other operating expense, (net)	(1,016)	(4,503)
Operating profit	4,375	(809)
Profit before tax	2,557	(1,030)
Profit after tax	708	(2,137)
(Loss)/profit for the period from parent company shares	(677)	(3,409)
Group's share in Akfen Water's profit for the period	**(339)**	**(1,704)**
Depreciation and amortization expenses	495	517
Guaranteed income	4,638	4,229
Construction revenues(**)	901	573
Construction costs(**)	819	(521)

(*) As of December 31, 2016, net assets of Akfen Water include non-controlling interests in the amount of TRY 6,623 (December 31, 2015: TRY 5,013).
(**) This is the portion pertaining to the TFRYK 12 implementation of Akfen Water's revenues.

Akfen Renewable Energy:

Summary financial information on Akfen Renewable Energy is provided below:

	December 31, 2016
Assets Total	1,339,227
Liabilities Total	1,078,977
Net Assets	260,250
Group's share in Akfen Renewable Energy's net assets	**234,225**
Goodwill carried at Group level	**775,102**
Carrying amount	**1,009,327**

After the transfer of 10% of Akfen Renewable Energy shares are considered as a transaction giving rise to a loss of control, the Company's remaining shares in Akfen Renewable Energy were recognized by their fair value and are accounted for by the equity method. No impairment is expected in the goodwill carried forward at a Group level as of the end of 2016.

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13 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD *(continued)*

	Total Profit/Loss Items (*)	Fully-Consolidated Profit/Loss Items (**)	Shares from Profits of Equity-Accounted Investments (***)
	January 1, 2016 - December 31, 2016	*Until the Purchasing Date*	*After the Purchasing Date*
Revenue	208,869	131,282	77,587
Gross profit/(loss)	69,411	66,056	3,355
General administrative expenses	(17,075)	(5,795)	(11,280)
Other operating expense, (net)	(1,330)	614	(1,944)
Operating profit	51,006	60,875	(9,869)
Loss before tax	(142,306)	27,556	(169,862)
Loss after tax	(154,891)	22,593	(177,484)
(Loss)/profit for the period from parent company shares	(154,438)	22,615	(177,053)
Group's share in Akfen Renewable Energy's profit for the period	**(136,733)**	**22,615**	**(159,348)**
Depreciation and Amortization Expenses	35,754	16,802	18,952

(*) Represents all income and expense figures for Akfen Renewable Energy in 2016.
(**) Represents all income and expense figures for Akfen Renewable Energy until the purchasing date.
(***) These are the figures calculated in accordance with the shareholding rate (90%) over the income and expenditure items of Akfen Renewable Energy after the date of purchasing.

Hacettepe Technopolis:

Summary financial information on Hacettepe Technopolis is provided below:

	December 31, 2016	December 31, 2015
Assets Total	--	--
Liabilities Total	--	--
Net Assets	--	--
Group's share in the net assets of Hacettepe Technopolis	**--**	**--**

	2016	2015
Revenue	--	24
Gross loss	--	(1,441)
General administrative expenses	--	(2,435)
Other operating income, (net)	--	(2)
Operating loss	--	(3,877)
Loss before tax	--	(16,559)
Loss after tax	--	(16,313)
Loss for the period from parent company shares	--	(16,313)
Group's share in the period loss of Hacettepe Technopolis	**--**	**(7,340)**
Depreciation and amortization expenses	--	(7,340)

Hacettepe Technopolis, an affiliate of Akfen Construction, is not included in the Group's financial statements as of October 30, 2015 since Akfen Construction shares held by Akfen Holding were transferred on that date. The Group's share in Hacettepe Technopolis' loss for the period as of December 31, 2015 is indicated under discontinued operations.

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14 INVESTMENT PROPERTY

The details of active investment properties as well as investment properties under construction as of December 31, 2016 and December 31, 2015 are as follows:

	December 31, 2016	December 31, 2015
Active investment properties	--	1,195,378
Investment properties under construction (*)	--	232,983
	--	**1,428,361**
Lease Fees for Land		31,128
Total (*)	**--**	**1,459,489**

(*) As of December 31, 2016, all assets pertaining to Akfen REIT are indicated under assets held for sale and all liabilities thereof are indicated under liabilities on assets held for sale.

The movements in active and under-construction investment properties as of December 31, 2016 and December 31, 2015 are as follows:

	2016	2015
Net book value at period beginning - January 1	1,428,361	1,351,891
(Decrease)/increase in carrying amount, net	(237,390)	22,840
Additions	22,834	61,509
Disposals	(10,058)	--
Foreign currency translation difference	99,747	(7,879)
Classification of assets held for sale	(1,303,494)	--
Net book value at period end - December 31	**--**	**1,428,361**

Classification of assets held for sale	2016	2015
Active and under-construction investment properties	1,303,494	--
Lease fees for land	34,500	--
Total	**1,337,994**	**--**

Additions

Additions of December 31, 2016 and December 31, 2015 are comprised of additions by Akfen REIT. As of December 31, 2016, TRY 7,449 of additions concerns active investment property and TRY 15,385 concerns investment properties under construction.

Lease fees for land

Akfen REIT classifies its rights pertaining to the land it leased in order to develop investment properties as investment property. In such a case, the rights pertaining to the land concerned are recognized the way it is the case with leasing and, in addition, the fair value accounting method is employed for the land concerned that is recognized. Since the fair value appraisal for investment properties of Akfen REIT that are developed on the leased land is performed by deducting the lease fees to be paid for such land from the estimated cash flows, the reduced values for the lease fees to be paid in relation to the land concerned are mutually recognized in investment property and other payables accounts.

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15 PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment and related accumulated depreciation for the period ended December 31, 2016 are as follows:

	Land and buildings	Plants machinery and equipment	Vehicles	Furnishings and fixtures	Ongoing investments	Special costs	Total
Cost value							
Opening balance on January 1, 2016 (previously reported)	**213**	**172**	**129**	**2,789**	**62,168**	**649**	**66,120**
Adjustments	--	--	67	(69)	1,414	--	1,412
Opening balance on January 1, 2016 (following classification)	**213**	**172**	**196**	**2,720**	**63,582**	**649**	**67,532**
Additions	--	--	--	189	3,540	--	3,729
Impact of change in the Group structure (*)	--	--	--	--	3,598	--	3,598
Transfers (**)	--	(5)	(196)	(374)	(66,649)	--	(67,224)
Disposals	--	--	--	(2)	--	--	(2)
Closing balance on December 31, 2016	**213**	**167**	**-**	**2,533**	**4,071**	**649**	**7,633**
Minus: Accumulated depreciation							
Opening balance on January 1, 2016	**(22)**	**(164)**	**(117)**	**(2,231)**	**--**	**(374)**	**(2,908)**
Depreciation for the current year (***)	(4)	(3)	(1)	(190)	--	(99)	(297)
Transfers (**)	--	3	118	299	--	--	420
Closing balance on December 31, 2016	**(26)**	**(164)**	**--**	**(2,122)**	**--**	**(473)**	**(2,785)**
Net book value							
Net book value as of December 31, 2015	**191**	**8**	**79**	**489**	**63,582**	**275**	**64,624**
Net book value as of December 31, 2016	**187**	**3**	**--**	**411**	**4,071**	**176**	**4,848**

(*) This is the impact of the transfer of shares of Laleli, which was being consolidated under the HEPP Group, to Akfen Thermal Energy as of December 31, 2015.

(**) As of December 31, 2016, all assets pertaining to Akfen REIT, Akfen Thermal Energy and Akfen Power Distribution are indicated under assets held for sale and all liabilities thereof are indicated under liabilities on assets held for sale.

(***) The depreciation expenses for the current year do not include the depreciation expenses of Akfen Renewable Energy for the current year since they were recognized under Akfen Renewable Energy's assets and liabilities held for sale in the statements of December 31, 2015.

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15 PROPERTY, PLANT AND EQUIPMENT *(continued)*

The movements in property, plant and equipment and related accumulated depreciation for the period ended December 31, 2015 are as follows:

	Land and buildings	Plants machinery and equipment	Vehicles	Furnishings and fixtures	Other intangible fixed assets	Ongoing investments	Special costs	Total
Cost value								
Opening balance on January 1, 2015 (before classification)	*159,136*	*681,401*	*2,732*	*11,298*	*62*	*82,768*	*3,100*	*940,497*
Adjustments (Note 4)	*11,844*	*37,262*	--	*94*	--	*767*	3	*49,970*
Opening balance on January 1, 2015 (following classification)	**170,980**	**718,663**	**2,732**	**11,392**	**62**	**83,535**	**3,103**	**990,467**
Transfers to assets held for sale (*)	**(177,068)**	**(745,242)**	**(2,448)**	**(9,309)**	**(62)**	**(57,973)**	**(2,662)**	**(994,764)**
Additions	5,405	1,866	0	640	0	72,370	208	80,489
Transfers	5,983	28,367	-	-	-	(34,350)	-	-
Disposals	(5,087)	(3,482)	(88)	(3)	0	0	0	(8,660)
Closing balance on December 31, 2015	**213**	**172**	**196**	**2,720**	**0**	**63,582**	**649**	**67,532**
Minus: Accumulated depreciation								
Opening balance on January 1, 2015	**(4,907)**	**(48,468)**	**(774)**	**(10,046)**	**(62)**	**--**	**(891)**	**(65,148)**
Adjustments (*)	(538)	(2,687)	(10)	(19)	--	--	(8)	**(3,262)**
Opening balance on January 1, 2015 (following classification)	(5,445)	(51,155)	(784)	(10,065)	(62)	0	(899)	**(68,410)**
Depreciation for the current year	(888)	(28,188)	(339)	(400)	0	0	(545)	(30,360)
Transfers to assets held for sale (*)	6,311	78,562	918	8,234	62	0	1,070	95,157
Disposals	--	617	88	--	--	--	--	705
Closing balance on December 31, 2015	(22)	(164)	(117)	(2,231)	--	--	(374)	**(2,908)**
Net book value								
Net book value as of January 1, 2015	165,535	667,508	1,948	1,327	0	83,535	2,204	**922,057**
Net book value as of December 31, 2015	191	8	79	489	0	63,582	275	**64,624**

(*) Impact of the classification of assets belonging to Akfen Construction, HEPP Group, WPP Group and Electricity Wholesale under assets held for sale.

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16 INTANGIBLE ASSETS

The movements in intangible fixed assets and related accumulated amortization for the period ended December 31, 2016 are as follows:

	Licenses	Other intangible assets	Total
Cost value			
Opening balance on January 1, 2015	**62,177**	**32,098**	**94,275**
Classifications made (*)	2,558	8,617	11,175
Opening balance on January 1, 2015 (following classification)	**64,735**	**40,715**	**105,450**
Transfers to assets held for sale (****)	(64,010)	(16,855)	(80,865)
Additions	20	6,992	7,012
Closing balance on December 31, 2015	745	30,852	31,597
Opening balance on January 1, 2016	**745**	**30,852**	**31,597**
Impact of change in the Group structure (**)	2,569	--	2,569
Transfers to assets held for sale (***)	(3,317)	--	(3,317)
Additions	3	312	315
Impairment of intangible fixed assets	--	(29,468)	(29,468)
Closing balance on December 31, 2016	--	**1,696**	**1,696**

	Licenses	Other intangible assets	Total
Amortization			
Opening balance on January 1, 2015	**(8,755)**	**(1,960)**	**(10,715)**
Classifications made (*)	(145)	(230)	(375)
Opening balance on January 1, 2015 (following classification)	**(8,900)**	**(2,190)**	**(11,090)**
Impact of change in the Group structure (*)	181	1,214	1,395
Current amortization expense	(1,567)	(651)	(2,218)
Transfers to assets held for sale (****)	10,146	510	10,656
Closing balance on December 31, 2015	**(140)**	**(1,117)**	**(1,257)**
Opening balance on January 1, 2016	**(140)**	**(1,117)**	**(1,257)**
Impact of change in the Group structure (**)	(365)	--	(365)
Transfers to assets held for sale (***)	510	--	510
Current amortization expense	(5)	(271)	(276)
Closing balance on December 31, 2016	**--**	**(1,388)**	**(1,388)**
Net book value			
Net book value as of December 31, 2015	**605**	**29,735**	**30,340**
Net book value as of December 31, 2016	**--**	**308**	**308**

(*) This is the impact of the fact that assets of Akfen Construction are indicated among fixed assets held for sale in financial statements of December 31, 2015 since it was decided that the shares of Akfen Construction held by Akfen Holding be transferred based on Akfen Holding Board of Directors resolution of July 13, 2015.

(**) This is the impact of the transfer of shares of Laleli, which was being consolidated under the HEPP Group, to Akfen Thermal Energy as of December 31, 2015.

(***) This is the impact of the classification of Akfen REIT, Thermal Power and Power Distribution companies under assets held for sale as of December 31, 2016.

(****) This is the impact of the classification of assets belonging to HEPP Group, WPP Group and Electricity Wholesale under assets held for sale.

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17 GOVERNMENT INCENTIVES AND GRANTS

In accordance with the Investment Incentives Law No. 47/2000, Akfen REIT has a 100% investment incentive without any time restrictions for its investments in the TRNC until December 31, 2008.

The Council of Ministers decided in its resolution No. 2003/5868 of July 1, 2003 that the special consumption tax rate for the fuel to be given to ships exclusively carrying cargo and passengers on the cabotage line, commercial yachts, service and fishing boats, which are all registered in the Turkish International Register of Ships and the National Register of Ships on the condition that the amount of such fuel be determined in line with the technical specifications of each individual ship and this be recorded in the journal of the ship which will use such fuel be reduced to zero percent starting from the beginning of 2004. İDO has been enjoying a special consumption tax discount in this scope since 2004.

The resolution of the Council of Ministers No. 2004/5266 of December 2, 2004 provides that the revenues from the operation and transfer of ships and yachts registered in the Turkish International Register of Ships are exempt from income and corporate taxes and funds. Therefore, purchasing, sales, mortgage, registration, loan and freight contracts pertaining to ships and yachts to be registered in the Turkish International Register of Ships are not subject to stamp duty, levies, banking and insurance transactions tax and funds. To this end, İDO enjoys corporate tax and income tax discounts.

As of December 31, 2016 and December 31, 2015, TAV Esenboğa and TAV Izmir have investment incentives.

For HEPP investments, the Group has investment incentives in the form of VAT exemption and customs duty exemption that it has obtained by submitting various documents.

Moreover, solar panels to be imported are removed from the scope of incentives and VAT exemption through the "Communique (Communique No: 2016/2) on Amending the Communique (Communique No: 2012/1) on the Implementation of the Decision on State Aid for Investments", which was published in the Official Gazette No. 28329 of June 25, 2016. Out of our SPP projects, those that have not applied for or received VAT exemption and investment incentive before the date of publication of the Communique cannot benefit the VAT exemption and customs duty exemption for the solar panels they will import.

18 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions for short term liabilities

As of December 31, 2016 and December 31, 2015, the provisions for current liabilities are as follows:

	December 31, 2016	December 31, 2015
Employee benefits (Note 20)	3,001	2,053
	3,001	**2,053**

Provisions for long term liabilities

	December 31, 2016	December 31, 2015
Non-current provisions for employee benefits	1,410	1,441
	1,410	**1,441**

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19 COMMITMENTS

(a) Letters of guarantee, pledges and mortgages given

As at December 31, 2016 and December 31, 2015, the Group's statements on its position related to letters of guarantee/pledges/mortgages are as follows:

GPM given by the Group	December 31, 2016	December 31, 2015
A. Total Amount of GPM Given on Behalf of Own Legal Entity	1,473,002	1,133,896
B. Total Amount of GPM Given in Favor of Partnerships which are Fully Consolidated	1,544,089	1,330,923
C. Total Amount of GPM Given for Assurance		
of Third Parties Debts in Order to Conduct Usual Business Activities	--	--
D. Total Amount of Other GPM Given	17,797	16,400
i. Total Amount of GPM Given in Favor of the Parent Company	--	--
ii. Total Amount of GPM Given in Favor of Other Group Companies		
which B and C do not comprise	17,797	16,400
iii. Total Amount of GPM Given in Favor of Third Parties which C does not comprise	--	--
Total	**3,034,888**	**2,481,219**

The ratio of other GPM the Group has given to the equity of the Group is 1% as of December 31, 2016 (December 31, 2015: 1%).

The breakdown, in foreign currency, of the GPM the Group has given is as follows:

	December 31, 2016(*)			December 31, 2015(*)		
	TRY	EUR	US Dollar	TRY	EUR	US Dollar
GRM given on behalf of the Group's own legal entity	217,055	1,140,792	115,154	127,531	954,319	52,046
GPM given in favor of companies under full	245,233	416,288	882,568	240,233	349,536	741,154
Total of other GPMs given	--	17,798	--	--	16,400	--
	462,288	**1,574,878**	**997,722**	**367,764**	**1,320,255**	**793,200**

(*) All amounts are TRY denominated.

(b) Letters of guarantee and sureties received

Akfen Holding and subsidiaries thereof received letters of guarantee, checks and promissory notes in the total amount of TRY 79,693 from the companies and subcontractors they contracted as of December 31, 2016 (December 31, 2015: TRY 52,755). As of December 31, 2016, out of the collaterals received, TRY 27,614 are comprised of letters of guarantee (December 31, 2015: TRY 9,367), TRY 37,170 are comprised of checks (December 31, 2015: TRY 31,284) and TRY 14,910 are comprised of promissory notes (December 31, 2015: TRY 12,103). As of December 31, 2016, out of the total amount of promissory notes received, TRY 7,121 are promissory notes given to Akfen Holding and Renewable Energy group companies (December 31, 2015: Akfen Holding, HEPP Companies and WPP Companies - TRY 5,404), TRY 4,224 are promissory notes given to Thermal Power group companies (December 31, 2015: TRY 3,038) and TRY 3,564 are promissory notes given to Akfen REIT (December 31, 2015: TRY 3,662).

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20 EMPLOYEE BENEFITS

As of December 31, 2016 and December 31, 2015, employee benefits are comprised of the provisions for unused vacation and provisions for employee termination benefits. Employee benefits for the periods ended on December 31, 2016 and December 31, 2015 are as follows:

	December 31, 2016	December 31, 2015
Provision for unused vacation - short-term	3,001	2,053
Provision for employee termination benefits - long-term	1,410	1,441
	4,411	**3,494**

21 OTHER ASSETS AND LIABILITIES

Other non-current assets

As of December 31, 2016 and December 31, 2015, other non-current assets are as follows:

	December 31, 2016	December 31, 2015
VAT receivables	--	42,295
Advances given to subcontractors	--	1,478
Other	870	672
	870	**44,445**

22 PREPAID EXPENSES

As of December 31, 2016 and December 31, 2015, the short-term prepayments are as follows:

	December 31, 2016	December 31, 2015
Prepaid expenses	147	1,021
Advances given for orders	25	6,640
Advances given to employees	126	134
Work advances	10	324
	308	**8,119**

As of December 31, 2016 and December 31, 2015, the long-term prepayments are as follows:

	December 31, 2016	December 31, 2015
Prepaid expenses	--	11,597
Advances given	--	200
	--	**11,797**

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23 EQUITY

As of December 31, 2016, Akfen Holding has 667,080,686 shares at a nominal value of full TRY 1 each. As of December 31, 2016, the capital in the amount of TRY 667,081 is fully paid.

	December 31, 2016	December 31, 2015
Registered capital cap	--	1,000,000
Issued capital	667,081	261,900

155,129,946 shares held by Hamdi Akın, a shareholder of the company, are Group A registered shares while 511,950,740 Group B shares are entirely bearer shares.

	December 31, 2016		December 31, 2015	
	Share Amount	Shareholding Rate %	Share Amount	Shareholding Rate %
Hamdi Akın(*)	572,365	85.80	198,500	75.79
Selim Akın	23,174	3.47	-	-
Akfen Infrastructure	65,829	9.87	-	-
Akfen Holding A.Ş.(**)	-	-	7,990	3.05
Other shareholders	5,713	0.86	2,278	0.87
Free-float(***)	-	-	53,132	20.29
Issued capital (nominal) ****	**667,081**	**100.00**	**261,900**	**100.00**

* As of December 31, 2015, Hamdi Akın transformed 50 million shares of Akfen Holding in a way that they can be traded on BİAŞ.

** Publicly held as of December 31, 2015.

*** As of December 31, 2015, there are 6,829,508 publicly-held shares in Akfen Holding portfolio which constitute 2.61% of the Company's capital. Thus, the total number of Akfen Holding shares in Akfen Holding portfolio stands at 14,819,314 (5.66% of the Company's capital).

**** Following the spin-off transaction of February 16, 2017, the capital of the Company decreased to TRY 72,492,580, with the shares of the shareholders remaining unchanged. As of February 16, 2017, the total nominal value of Group A shares is TRY 16,858,186, and their ratio to capital is 23.26%. The total nominal value of Group B shares is TRY 55,634,394, and their ratio to capital is 76.74%.

Through the letter of the CMB dated December 15, 2014, the required CMB approval was obtained in terms of decreasing the issued capital of Akfen Holding by the cancellation of the shares bought back during the Holding's first buyback program. The act of cancelling shares with a nominal value of TRY 29,100 in an effort to decrease the Company capital from TRY 291,000 to TRY 261,900 was approved during the Extraordinary General Assembly Meeting of January 15, 2015, and the said capital decrease was performed on January 22, 2015.

Through the letter of the CMB dated December 18, 2015, the required CMB approval was obtained in terms of decreasing the issued capital of Akfen Holding by the cancellation of the shares bought back during the Holding's second buyback program. The act of cancelling shares with a nominal value of TRY 14,819 in an effort to decrease the Company capital from TRY 261,900 to TRY 247,081 was approved during the Extraordinary General Assembly Meeting of January 20, 2016, and the said capital decrease was performed on January 28, 2016. As of May 27, 2016, the Company capital standing at TRY 247,081 was increased by TRY 420,000 to TRY 667,081 through provisions from internal resources.

Privileges pertaining to the 155,129,946 Group A shares of the Company are as follows:

Each Group A share is a voting share and has the right to three votes in the General Assembly.

As of December 31, 2016; 48,542,992 shares of Akfen Holding held by Hamdi Akın (December 31, 2015: 22,245,490) were submitted as a collateral for the loans Akfen Holding and Akfen Construction utilized.

Dividend Payment

As a result of the Ordinary General Assembly meeting of April 16, 2015, the Company decided that a gross TRY 20,000 be distributed as dividend for retained earnings in 2014 and previous years. The distribution of cash dividend to shareholders in the amount of full, gross TRY 0.076365 for each share with a nominal value of full TRY 1 started on April 28, 2015 and was completed on April 30, 2015 (December 31, 2016: None)..

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23 EQUITY *(continued)*

Treasuary shares

When the shares that were recognized as paid-in capital are bought back, the amount paid is deducted from equity in a way to include the amount resulting from the deduction of the tax impact of costs attributable to buyback. Shares bought back are indicated as a reduction in shareholders' equity. When the shares concerned are sold or re-issued, the amount obtained is registered as capital increase and the resulting transaction surplus/(deficit) is transferred to retained earnings.

As of December 31, 2015, Akfen Holding purchased 6,829,508 shares of Akfen Holding worth TRY 42,506 within the framework of the "Share Buyback Program" as decided during the Extraordinary General Assembly Meeting of the Company on January 15, 2015. The Company holds 7,989,806 Akfen Holding shares purchased during the previous buyback program. As of December 31, 2015, the total number of Akfen Holding shares bought back is 14,819,314, and their ratio to capital is 5.66%. As of December 31, 2015, the total value of shares bought back is TRY 76,029. As of January 28, 2016, these shares were deducted from the capital of Akfen Holding through a capital decrease.

When the shares that were recognized as paid-in capital are bought back, the amount paid is deducted from equity in a way to include the amount resulting from the deduction of the tax impact of costs attributable to buyback. Shares bought back are indicated as a reduction in shareholders' equity.

As of December 31, 2016, Akfen REIT purchased 2,409,000 shares of Akfen REIT worth TRY 3,339 within the framework of the "Share Buyback Program" as decided during the Ordinary General Assembly Meeting of Akfen REIT on May 24, 2016. As of December 31, 2016, the ratio of Akfen REIT shares that are bought back to the capital of Akfen REIT is 1.31%.

Exchange differences on translation

Exchange differences on translation worth TRY 388,923 reflected in equity as of December 31, 2016 includes the foreign currency translation difference from the translation of USD and EUR, the functional currencies in the financial statements of MIP, TAV Investment, Akfen Water, Akfen REIT and TAV Airports, into TRY, the reporting currency (December 31, 2015: TRY 199,902; TAV Investment, MIP, Akfen Water, Akfen Construction, Akfen REIT and TAV Airports). .

Restricted reserves appropriated from profits

For shares bought back as per Article 520 of the Law No. 6102, contingency reserves at an amount that meets the acquisition value are earmarked. The Group allocated reserves in the amount of TRY 76,029 for buyback shares within the amount of reserves on retained earnings included in the consolidated financial statements as of December 31, 2015. Following the capital decrease of January 28, 2016, the reserves allocated were cancelled.

Losses on hedge

Hedging reserve is comprised of the effective portion of cumulative changes in the net fair value of cash flow hedging instruments in relation to the transaction hedged against a potential risk. As of December 31, 2016, a hedging reserve of TRY 15,431 concerning the interest rate and cross rate swap agreements TAV Airports concluded and the interest rate swap agreements İDO concluded (TAV Airports: TRY 8,322, İDO: TRY 7,109) (December 31, 2015: TRY 22,005 - TAV Airports: TRY 9,692; İDO: TRY 12,313) is reflected in equity.

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23 EQUITY *(continued)*

Effect of bussiness combinations under common control

Shares bought from entities under joint control are recognized over their carrying amount. The difference between the amount paid and the carrying amount of the net asset obtained is recognized in equity.

Increases on revaluation of property, plant and equipment

Vessels owned by İDO were revalued during 2015 and the relevant increase in value is indicated in the financial statements under revaluation increases for tangible fixed assets.

As of December 31, 2016 and December 31, 2015, consolidated financial statements include the share in revaluation increase fund of the Group.

Share premium (discounts)

Since Company shares were sold at a price higher than their nominal value during the IPO of Akfen Holding on May 14, 2010 and the private placement for corporate investors on BİAŞ Wholesale Market on November 24, 2010, differences in the amount of TRY 90,505 and TRY 364,277 were recognized respectively as share premiums. Such premiums are indicated under equity and cannot be distributed but can be used during capital increases in the future.

On April 10, 2013, Akfen Holding increased its paid-in capital by bonus issue to TRY 291,000 from TRY 145,500. This increase was entirely performed on provisions from share premium.

On May 27, 2016, the Company increased its paid-in capital by bonus issue to TRY 667,081 from TRY 247,081. A TRY 120,810 portion of this increase was performed on provision from special funds and a TRY 299,190 portion on provision from premiums on capital stock.

Profits and losses from share sales and purchases regarding subsidiaries in which the controlling interest does not change are also recognized in this account. Akfen REIT increased its capital by TRY 46,000 through the Board of Directors resolution of January 24, 2011. On May 11, 2011, a total of 54,117,500 Akfen REIT shares with a nominal value of TRY 54,118, comprised of 46,000,000 shares corresponding to such increase and 8,117,500 shares of Akfen REIT, a subsidiary of Akfen Holding, corresponding to TRY 8,118, were publicly offered. In the following days, Akfen Holding bought back a total of 8,040,787 shares in order to strike a price stability for Akfen REIT shares. These transactions which change the shareholding power without losing control are recognized under share premiums in equity together with the offsetting of transaction costs.

As of December 31, 2016 and December 31, 2015, the Company's Group share in Akfen REIT capital stood at 56.88%. Following the purchases, Akfen Holding's shares in Akfen REIT increased to a total of 104,656,831, with 9,500,447 (ratio in capital: 5.16%) being traded on BİAŞ.

Non-controlling interests

Out of the net assets of subsidiaries, the portions corresponding to the shares out of direct and/or indirect control of the parent company are classified within the item "Non-controlling interest" in the consolidated balance sheet.

As of December 31, 2016, Akfen Holding subsidiaries that are subject to minority interest accounting are Akfen Thermal Power (0.36%) and Akfen REIT (43.12%).

As of December 31, 2016 and December 31, 2015, the amounts classified within "Non-controlling interests" in the balance sheet are TRY 254,316 and TRY 371,087 respectively. Similarly, out of the net profits or losses of subsidiaries for the period, the portions corresponding to the shares out of direct and/or indirect control of the parent company are classified within "Non-controlling interests" in the consolidated comprehensive income statement. Losses for non-controlling interests in periods ended December 31, 2016 and December 31, 2015 are TRY 125,782 and TRY 26,542 respectively.

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24 SALES AND COST OF SALES

24.1 Sales

The breakdown of revenue for the years ended December 31 is as follows:

	2016	2015
Electricity sales income	131,024	146,334
Other	4,562	10
	135,586	**146,344**

24.2 Cost of sales

The breakdown of the cost of sales for the years ended December 31 is as follows:

	2016	2015
Outsourced benefits and services	37,126	29,675
Depreciation and amortization expenses	16,736	31,936
Personnel costs	5,060	8,953
Insurance expenses	3,481	4,509
Other	2,823	5,451
	65,226	**80,524**

25 GENERAL ADMINISTRATIVE EXPENSES

The breakdown of general administrative expenses for the years ended December 31 is as follows:

	2016	2015
Personnel costs	38,626	22,489
Consultancy costs	8,922	5,478
Rental/lease costs	3,460	3,495
Litigation expenses	3,060	493
Taxes, levies and duties	2,969	5,964
Travelling expenses	2,292	1,726
Office materials expenses	1,182	864
General office expenses	1,134	981
Depreciation and amortization expenses	384	2,714
Donations	639	641
Insurance expenses	210	210
Advertising expenses	87	60
Other expenses	3,392	2,195
	66,357	**47,310**

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26 OTHER INCOME FROM OPERATING ACTIVITIES

The breakdown of other income from operating activities for the years ended December 31 is as follows:

	2016	2015
Rental income	2,244	1,606
Foreign exchange difference income from trade receivables and trade payables	221	3,287
Insurance benefits for damage (*)	--	15,170
Other	5,940	2,831
	8,405	**22,894**

(*) As of December 31, 2015, all insurance benefits for damage are comprised of insurance benefits for damage that HEPP Group companies obtained from the insurance company for any damages occurring in hydroelectric power plants.

27 INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

Investment activity income:

The breakdown of investment activity income for the years ended December 31 is as follows:

	2016	2015
Gains from fair value accounting (Note 4)	897,162	--
Other	564	966
	897,726	**966**

Investment activity expenses::

The breakdown of investment activity expenses for the years ended December 31 is as follows:

	2016	2015
Impairment of intangible fixed assets (Note 16)	29,468	--
Other	492	1,891
	29,960	**1,891**

28 FINANCE INCOME

The breakdown of finance income for the years ended December 31 is as follows:

	2016	2015
Interest income	90,518	42,573
	90,518	**42,573**

29 FINANCE EXPENSES

31 Aralık tarihlerinde sona eren yıllara ait finansman giderlerinin dökümü aşağıdaki gibidir:

	2016	2015
Interest expenses	129,254	118,988
Foreign exchange difference losses	74,964	174,041
Other	2,130	7,171
	206,348	**300,200**

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30 TAX ASSETS AND LIABILITIES

Corporate tax:

The corporate tax rate in Turkey that applies to the statutory tax base which is calculated by adding the expenses, the discount of which cannot be accepted as per tax laws, to the commercial earnings of corporations and deducting exemptions specified in tax laws is 20%.

As of December 31, 2016, tax rates (%) employed in deferred tax calculations in consideration of the tax legislation in force in each respective country are as follows:

Country	Tax Rate
Tunisia	25
Georgia	15
Egypt	25
Macedonia	10
Latvia	15
Libya	20
Qatar	10
Oman	12
Cyprus	23.5
Saudi Arabia	20
Russia	20
Netherlands	20

There is no corporate tax in Dubai and Abu Dhabi.

The corporate tax rate in Northern Cyprus that applies to the statutory tax base which is calculated by adding the expenses, the discount of which cannot be accepted as per tax laws, to the commercial earnings of corporations and deducting exemptions specified in tax laws is 23.5%. Akfen Trade and Akfen Construction have branch offices in Northern Cyprus and thus pay such tax rates due to their operations.

As per Georgian laws, the taxable corporate revenues was reduced to 15% from 20% as of January 1, 2008. A deferred tax of 15% is calculated over the assets and liabilities items that are the subject of deferred tax as of December 31, 2009.

As per Tunisian laws, the taxable corporate revenues are calculated as 25% over the remaining tax base after the legally deductible expenses are deducted. The concession agreement TAV Tunisia signed provides that TAV Tunisia is exempt from corporate tax for 5 years starting from the date of entry into force of the concession agreement.

A withholding liability applies to dividend distributions and such withholding liability is accrued in the period when dividend payment is made. Dividend payments except those that are made to a business in Turkey or limited taxpayer corporations obtaining revenues via a permanent representative and corporations based in Turkey are subject to a 15% withholding tax. In the application of withholding rates pertaining to dividend distributions made to limited taxpayer corporations and real persons, withholding rates provided in the relevant Agreements on the Prevention of Double Taxation are also considered. The allocation of retained earnings to capital does not count as dividend distribution. Therefore, it is not subject to withholding tax.

The Corporate Tax Law (CTL) provides that 75% of revenues from the sales of affiliates and tangible fixed assets owned for at least two years enjoy a tax exception if they are recognized in equity accounts for use in capital increase within five years following the date of sales. The remaining 25% is subject to corporate tax.

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30 TAX ASSETS AND LIABILITIES *(continued)*

Corporate tax *(continued)**:***

Provisions on transfer pricing are stated in Article 13 of the CTL under the heading "Dividend distribution concealed via transfer pricing". General communique of November 18, 2007 on dividend distribution concealed via transfer pricing include provisions on implementation. If a taxpayer trades goods or services with related corporations and if prices are not set in a way both parties are independent and do not dominate each other, it is assumed that relevant dividends are distributed by concealed means through transfer pricing. Such concealed dividend distributions cannot be deducted from tax in the calculation of corporate tax.

The tax legislation in Turkey does not allow the parent companies and the subsidiaries thereof to submit a consolidated tax statement. Therefore, the tax provisions reflected in consolidated financial statements are calculated separately for each company that is consolidated.

The Turkish tax legislation provides that financial losses may be carried forward for five years in order to be set off from the future corporate revenues. However, financial losses cannot be set off from retained earnings.

In Turkey, agreement with the tax administration on taxes to be paid is not a common practice. Corporate tax returns are submitted within four months following the month when the accounting period is closed. Tax audit bodies may audit the tax returns and the accounting records setting a basis for such returns for a period of five years following the accounting period and make a new assessment in line with their findings.

Article 5/1 (d)(4) of the CTL No. 5520 provides that revenues from real estate investment trusts are exempted from Corporate Tax. Such exemption also applies to Provisional Tax for interim periods.

Income tax withholding:

In addition to corporate tax, it is required to calculate income tax withholding separately over the dividends except for those that are distributed to fully responsible corporations which obtains a dividend if they distribute dividends and include such dividends in corporate revenues and declare them. Income tax withholding rate is 10% for all companies starting from April 24, 2003. This rate is set at 15% in Article 15 of the Law No. 5520 in order to be effective from June 21, 2006. Through the Council of Ministers resolution published in the Official Gazette on July 23, 2006, Income Tax Withholding is increased from 10% to 15% starting from July 23, 2006. Dividends which are not distributed but added to capital are not subject to income tax withholding.

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30 TAX ASSETS AND LIABILITIES *(continued)*

Transfer pricing arrangements:

In Turkey, transfer pricing arrangements are stated in article 13 of the CTL headed "distribution of concealed gains via transfer pricing". Communique of November 18, 2007 on the distribution of concealed gains via transfer pricing regulates practical details.

If a taxpayer trades goods or services with related persons over the fee or price that it sets in breach of the arm's length principle, the gains are considered to be partly or entirely distributed by concealed means via transfer pricing. Such distribution of concealed gains via transfer pricing is considered as non-deductible expenses for corporate tax.

30.1 Tax income/(expense)

The details of tax income/expenses for the years ended December 31 is as follows:

	2016	2015
Current corporate tax expense	(5,407)	(4,162)
Deferred tax income / (expense)	1,492	14,537
Tax income/(expense) recognized under continued operations	**(3,915)**	**10,375**
Tax income from discontinued operations	10,840	14,188
Tax income/(expense) recognized under Profit or Loss	**6,925**	**24,563**
Deferred tax expenses recognized in comprehensive income statement	--	858
Total	**6,925**	**25,421**

30.2 Deferred tax asset and liability

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for the differences of non-tax deductible goodwill, and assets and liabilities that are not accountable and taxable and are recognized for the first time.

Recognized and deferred tax asset and liability

Items attributed to deferred tax assets and deferred tax liabilities as of December 31 are comprised of the following:

	Assets		*Liabilities*		*Net*	
	December 31, 2016 (*)	December 31, 2015	December 31, 2016 (*)	December 31, 2015	December 31, 2016 (*)	December 31, 2015
Tangible and intangible fixed assets	--	294	--	(7,401)	--	(7,107)
Investment incentive	--	11,104	--	--	--	11,104
Investment properties	--	--	--	(71,588)	--	(71,588)
Carry forward tax losses	--	5,676	--	--	--	5,676
Other temporary differences	--	35	--	(1,551)	--	(1,516)
Subtotal	**--**	17,109	**--**	**(80,540)**	**--**	**(63,431)**
Recognizable tax amount	--	(10,745)	--	10,745	--	--
Total deferred tax asset/(liability)	**--**	**6,364**	**--**	**(69,795)**	**--**	**(63,431)**

(*) The Group's deferred assets and liabilities are classified under assets and liabilities held for sale.

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30 TAX ASSETS AND LIABILITIES *(continued)*

30.2 Deferred tax asset and liability (continued)

Tax Procedure Code stipulates that financial losses may be carried forward by a maximum of five years. Thinking that it will obtain taxable gains in and after 2016, the Group management reflected in consolidated financial statements a deferred tax asset in the amount of TRY 5,676 for the financial losses it deemed usable as of December 31, 2015. As of December 31, 2016, there are no deferred tax assets recognized among tax losses carried forward.

De-recognized and deferred tax asset and liability

By the end of the reporting period, the Company and its subsidiaries have an unused financial loss worth TRY 267,709 (December 31, 2015: TRY 243,021) that they could set off against deferred income. A deferred tax asset in the amount of TRY 53,542 (December 31, 2015: TRY 48,604) in relation to accumulated losses that are thought to be not taxable by the Group is not recognized.

The maturity of accumulated losses not recognized in the calculation of deferred tax asset will expire in the following manner:

	December 31, 2016	December 31, 2015
2016	35,367	36,586
2017	1,789	5,740
2018	26,324	50,005
2019	33,811	63,027
2020	54,954	97,732
2021	155,589	-
	307,834	**253,090**

Deferred tax asset and deferred tax liability can be set off in the event that there is a statutory right on the setting off of tax assets and tax liabilities, and if deferred taxes are affiliated to the same financial authority.

31 EARNINGS PER SHARE

Since the capital increase by the Company during the period ended December 31, 2016 was covered from equity, such bonus shares are considered as preferred shares while calculating the monthly revenue. Therefore, the weighted average shares employed in the calculation of earnings per share are obtained by retrospectively considering the bonus shares issued.

	2016	2015
Net profit/(loss) for the period from continued operations belonging to the shareholders of the parent company	757,223	(75,150)
Net profit/(loss) for the period from discontinued operations belonging to the shareholders of the parent company	(272,142)	104,336
Net profit for the period belonging to the shareholders of the parent company	485,081	29,186
Average number of shares available during the period	667,080,686	667,080,686
Earnings/(losses) per share from continued operations (full TRY)	1.14	(0.12)
(Losses)/earnings per share from discontinued operations (full TRY)	(0.41)	0.16
Earnings per share (full TRY)	0.73	0.04

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32 RELATED PARTY DISCLOSURES

In the consolidated financial statements, shareholders, key management staff and members of the board of directors, their families and the subsidiaries controlled by them or affiliated to them, and affiliates and joint ventures are adopted as related parties. Various transactions were carried out with the related parties during the normal functioning of the entity. Such transactions were carried out generally in line with market conditions during the normal functioning of the entity.

32.1 Related party balances

The short-term receivables and payables concerning related parties as of December 31, 2016 and December 31, 2015 are as follows:

	December 31, 2016	December 31, 2015
Other receivables	5,611	99,587
	5,611	**99,587**
Trade payables	1,019	3,783
Other payables	--	1,603
	1,019	**5,386**

The long-term receivables and payables concerning related parties as of December 31, 2016 and December 31, 2015 are as follows:

	December 31, 2016	December 31, 2015
Other receivables	401,092	431,387
	401,092	**431,387**
Other payables	10,581	9,066
	10,581	**9,066**

All other transactions carried out between the Company and its subsidiaries and joint ventures that are not stated in this note are eliminated during consolidation. The details of balances between the Group and other related parties are available on the following page.

The other short-term receivable balances concerning related parties as of December 31, 2016 and December 31, 2015 are as follows:

Other short-term receivables due from related parties:	December 31, 2016	December 31, 2015
Akfen Infrastructure	5,571	99,308
Other	40	279
	5,611	**99,587**

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32 RELATED PARTY DISCLOSURES *(continued)*

32.1 Related party balances *(continued)*

The other long-term receivable balances of the Group concerning related parties as of December 31, 2016 and December 31, 2015 are as follows:

Other long-term receivables due from related parties:	December 31, 2016	December 31, 2015
Akfen Construction	279,520	425,334
Akfen Renewable Energy	96,934	--
Akfen Power Distribution	16,637	--
Akfen Water	7,213	5,455
IDO	86	66
Other	702	532
	401,092	**431,387**

Other long-term payables to related parties:

As of December 31, 2016 and December 31, 2015, all balances of other short-term payables to related parties are fully comprised of Akfen Holding's payables to TAV Investment.

32.2 Related party transactions

As of December 31, 2016 and December 31, 2015, the services delivered to related parties are as follows:

Services delivered to related parties:	2016		2015	
Company	Amount	Transaction	Amount	Transaction
Akfen Construction	55,938	Financing income	8,583	Financing income
Akfen Renewable Energy	4,898	Financing income	--	--
Akfen Renewable Energy	3,080	Other	--	--
MIP	2,244	Rental revenues	--	--
Akfen Construction	1,041	Other	--	--
Akfen Water	729	Electricity Sales Income	727	Electricity Sales Income
TAV Airports	--	Electricity Sales Income	27,346	Electricity Sales Income
MIP	--	Electricity Sales Income	6,816	Electricity Sales Income
İDO	--	Electricity Sales Income	3,075	Electricity Sales Income
İDO	--	Financing income	738	Financing income
Hacettepe Technopolis	--	Financing income	536	Financing income
Akfen REIT	--	Financing income	--	Financing income
Other	240	Financing income	--	Financing income
	68,170		**47,821**	

As of December 31, 2016 and December 31, 2015, the services received due from related parties are as follows:

Services received due from related parties:	December 31, 2016		December 31, 2015	
Company	Amount	Transaction	Amount	Transaction
Ibs Sigorta ve Reasürans Brokerliği A.Ş.	1,011	Procurement	4,704	Procurement
	1,011		**4,704**	

32.3 Benefits to senior executives

Total short-term benefits provided to senior managers for Akfen Holding and subsidiaries for the year ended on December 31, 2016 is TRY 15,101 (December 31, 2015: TRY 6,577).

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33 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS

Credit risk

The carrying amounts of financial assets indicate the maximum credit risk exposure. Maximum credit risk exposure as of the reporting date is as follows:

December 31, 2016	Receivables				
	Trade receivables		Other receivables		Bank Deposits (*)
	Related Party	Other Party	Related Party	Other Party	
Maximum credit risk exposure as of the reporting date (A+B+C+D+E)	**--**	**--**	**406,703**	**267**	**106,920**
- Portion of the maximum risk that is guaranteed with a collateral, etc.	--	--	--	--	--
A. Net book value of financial assets that are not overdue or not impaired	--	--	406,703	267	106,920
B. Book value of financial assets, the terms of which are re-negotiated, and which will otherwise be considered to be overdue or impaired	--	--	--	--	--
C. Net book value of assets that are overdue but not impaired	--	--	--	--	--
- Portion guaranteed with a collateral, etc.	--	--	--	--	--
D. Net book value of impaired assets	--	--	--	--	--
- Overdue (gross book value)	--	--	--	--	--
- Impairment (-)	--	--	--	--	--
- Not overdue (gross book value)	--	--	--	--	--
- Impairment (-)	--	--	--	--	--
E. Elements including off-balance-sheet financing	--	--	--	--	--

December 31, 2016	Receivables	
	Trade receivables	Other receivables
0-3 months overdue	--	--
3-12 months overdue	--	--
1-5 years overdue	--	--
More than 5 years overdue	--	--
Total receivables overdue	--	--
Total provisions reserved	--	--
Portion guaranteed with a collateral, etc.	--	--

(*) As of December 31, 2016, restricted bank balances in the amount of TRY 60,938 are indicated in bank deposits.

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33 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS *(continued)*

Credit risk *(continued)*

December 31, 2015	Receivables				
	Trade receivables		Other receivables		Bank Deposits (*)
	Related Party	Other Party	Related Party	Other Party	
Maximum credit risk exposure as of the reporting date (A+B+C+D+E)	**--**	**17,867**	**530,974**	**17,490**	**70,022**
- Portion of the maximum risk that is guaranteed with a collateral, etc.	--	--	--	--	--
A. Net book value of financial assets that are not overdue or not impaired	--	17,867	530,974	17,490	70,022
B. Book value of financial assets, the terms of which are re-negotiated, and which will otherwise be considered to be overdue or impaired	--	--	--	--	--
C. Net book value of assets that are overdue but not impaired	--	--	--	--	--
- Portion guaranteed with a collateral, etc.	--	--	--	--	--
D. Net book value of impaired assets	--	--	--	--	--
- Overdue (gross book value)	--	--	--	--	--
- Impairment (-)	--	--	--	--	--
- Not overdue (gross book value)	--	--	--	--	--
- Impairment (-)	--	--	--	--	--
E. Elements including off-balance-sheet financing	--	--	--	--	--

December 31, 2015	Receivables	
	Trade receivables	Other receivables
0-3 months overdue	--	--
3-12 months overdue	--	--
1-5 years overdue	--	--
More than 5 years overdue	--	--
Total receivables overdue	--	--
Total provisions reserved	--	--
Portion guaranteed with a collateral, etc.	--	--

(*) As of December 31, 2015, long-term financial investments in the amount of TRY 47,664 are indicated within bank deposits.

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33 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS *(continued)*

Liquidity risk

The maturities of financial liabilities of the Group including estimated interest payments that are set according to the repayment schedule as of December 31, 2016 are as follows:

			December 31, 2016				
	Note	Carrying amount	Contractual cash outflows total	Less than 3 months	03 - 12 months	1 - 5 years	More than 5 years
Financial liabilities							
Borrowings	8	679,924	(707,939)	(15,775)	(477,421)	(214,744)	--
Bonds	8	410,971	(424,239)	(358,227)	(66,012)	--	--
Trade payables	9	1,717	(1,717)	(1,588)	(129)	--	--
Payables to related parties	9-10-32	11,600	(11,600)	(48)	(970)	(10,581)	--
Other payables (*)		2,298	(2,298)	(2,298)	--	--	--
Total		**1,106,510**	**(1,147,793)**	**(377,936)**	**(544,532)**	**(225,325)**	**--**

(*) Non-financial liabilities such as security deposits and advances taken are not included within other payables.

The maturities of financial liabilities of the Group including estimated interest payments that are set according to the repayment schedule as of December 31, 2015 are as follows:

			December 31, 2015				
	Note	Carrying amount	Contractual cash outflows total	Less than 3 months	03 - 12 months	1 - 5 years	More than 5 years
Financial liabilities							
Borrowings	8	1,117,391	(1,478,294)	(67,098)	(200,200)	(531,000)	(679,996)
Bonds	8	412,235	(482,974)	(21,146)	(34,689)	(427,139)	--
Trade payables	9	15,533	(15,533)	(5,477)	(10,056)	--	--
Payables to related parties	9-10-32	14,452	(14,452)	(24)	(5,362)	(9,066)	--
Other payables (*)		43,169	(43,170)	(8,433)	(4,357)	(15,457)	(14,923)
Total		**1,602,780**	**(2,034,423)**	**(102,178)**	**(254,664)**	**(982,662)**	**(694,919)**

*) Non-financial liabilities such as security deposits and advances taken are not included within other payables.

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33 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS *(continued)*

Foreign currency risk

Exchange risk exposure

The Group's foreign currency position as of December 31, 2016 is based on the foreign currency-based assets and liabilities indicated in the statement below:

	December 31, 2016			
	TRY Equivalent	USD	EUR	Other (*)
1. Trade receivables	--	--	--	--
2a. Monetary Financial Assets (including safe and bank accounts)	106,140	17,389	12,111	14
2b. Non-Monetary Financial Assets	--	--	--	--
3. Other	5,350	1,513	7	--
4. Current Assets (1+2+3)	**111,490**	**18,902**	**12,118**	**14**
5. Trade Receivables	--	--	--	--
6a. Monetary Financial Assets	--	--	--	--
6b. Non-Monetary Financial Assets	--	--	--	--
7. Other	15,365	4,205	153	--
8. Non-Current Assets (5+6+7)	**15,365**	**4,205**	**153**	**--**
9. Total Assets (4+8)	**126,855**	**23,107**	**12,271**	**14**
10. Trade Payables	1,728	378	108	--
11. Financial Liabilities	473,990	85,465	46,691	--
12a. Other Monetary Liabilities	--	--	--	--
12b. Other Non-Monetary Liabilities	44	1	--	39
13. Current Liabilities (10+11+12)	**475,762**	**85,844**	**46,799**	**39**
14. Trade Payables	--	--	--	--
15. Financial Liabilities	201,430	--	54,296	--
16a. Other Monetary Liabilities	--	--	--	--
16b. Other Non-Monetary Liabilities	--	--	--	--
17. Non-Current Liabilities (14+15+16)	**201,430**	**--**	**54,296**	**--**
18. Total Liabilities (13+17)	**677,192**	**85,844**	**101,095**	**39**
19. Net Asset/(Liability) Position of Foreign Currency-Denominated Derivatives Excluded from Financial Position Statement (19a-19b)	**--**	**--**	**--**	**--**
19a. Amount of Foreign Currency-Denominated Derivatives of an Active Nature Excluded from the Financial Position Statement	**--**	**--**	**--**	**--**
19b. Amount of Foreign Currency-Denominated Derivatives of a Passive Nature Excluded from the Financial Position Statement	**--**	**--**	**--**	**--**
20. Net Foreign Currency Asset/(Liability) Position (9-18+19)	**(550,337)**	**(62,737)**	**(88,824)**	**(25)**
21. Monetary Items Net Foreign Currency Asset / (Liability) Position (TFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(571,008)**	**(68,454)**	**(88,984)**	**14**
22. Total Fair Value of Financial Instruments Employed for Foreign Exchange Hedge	**--**	**--**	**--**	**--**
23. Amount of the Hedged Portion of Foreign Exchange Assets	**--**	**--**	**--**	**--**
24. Amount of the Hedged Portion of Foreign Exchange Liabilities	**--**	**--**	**--**	**--**

(*) Assets and liabilities in other currencies are indicated in TRY denomination.

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33 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS *(continued)*

Foreign currency risk *(continued)*

Exchange risk exposure *(continued)*

The Group's foreign currency position as of December 31, 2015 is based on the foreign currency-based assets and liabilities indicated in the statement below:

December 31, 2015	TRY Equivalent	USD	EUR	Other (*)
1. Trade receivables	11,475	--	--	11,475
2a. Monetary Financial Assets (including safe and bank accounts)	64,977	93	20,331	106
2b. Non-Monetary Financial Assets	--	--	--	--
3. Other	539	1	62	337
4. Current Assets (1+2+3)	**76,991**	**94**	**20,393**	**11,918**
5. Trade Receivables	--	--	--	--
6a. Monetary Financial Assets	--	--	--	--
6b. Non-Monetary Financial Assets	--	--	--	--
7. Other	16,616	23	5,208	--
8. Non-Current Assets (5+6+7)	**16,616**	**23**	**5,208**	**--**
9. Total Assets (4+8)	**93,607**	**117**	**25,601**	**11,918**
10. Trade Payables	3,659	301	875	5
11. Financial Liabilities	211,884	37,933	31,971	--
12a. Other Monetary Liabilities	105	36	--	--
12b. Other Non-Monetary Liabilities	1,808	--	94	1,510
13. Current Liabilities (10+11+12)	**217,456**	**38,270**	**32,940**	**1,515**
14. Trade Payables	--	--	--	--
15. Financial Liabilities	862,779	11,754	260,764	--
16a. Other Monetary Liabilities	--	--	--	--
16b. Other Non-Monetary Liabilities	3,517	1,209	--	--
17. Non-Current Liabilities (14+15+16)	**866,296**	**12,963**	**260,764**	**--**
18. Total Liabilities (13+17)	**1,083,752**	**51,233**	**293,704**	**1,515**
19. Net Asset/(Liability) Position of Foreign Currency-Denominated Derivatives Excluded from Financial Position Statement (19a-19b)	**--**	**--**	**--**	**--**
19a. Amount of Foreign Currency-Denominated Derivatives of an Active Nature Excluded from the Financial Position Statement	**--**	**--**	**--**	**--**
19b. Amount of Foreign Currency-Denominated Derivatives of a Passive Nature Excluded from the Financial Position Statement	**--**	**--**	**--**	**--**
20. Net Foreign Currency Asset/(Liability) Position (9-18+19)	**(990,145)**	**(51,116)**	**(268,103)**	**10,403**
21. Monetary Items Net Foreign Currency Asset / (Liability) Position (TFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(1,001,975)**	**(49,931)**	**(273,279)**	**11,576**
22. Total Fair Value of Financial Instruments Employed for Foreign Exchange Hedge	**--**	**--**	**--**	**--**
23. Amount of the Hedged Portion of Foreign Exchange Assets	**--**	**--**	**--**	**--**
24. Amount of the Hedged Portion of Foreign Exchange Liabilities	**--**	**--**	**--**	**--**

(*) Assets and liabilities in other currencies are indicated in TRY denomination.

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33 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS *(continued)*

Foreign currency risk *(continued)*

Sensitivity analysis

The Group's foreign exchange risk is generally comprised of TRY's changing value against EUR and USD.

The basis of the sensitivity analysis which is carried out to measure the foreign exchange risk is to bring in the total currency explanation within the entity. Total foreign currency position includes all foreign currency-denominated short-term and long-term purchasing agreements and all such assets and liabilities. The analysis does not cover net foreign currency investments.

The Group delivers its medium-term and long-term loans over the currency of the project revenues it obtains. For short-term loans, on the other hand, borrowings are made in TRY; EUR and USD in a balanced manner under a pool/portfolio model.

Exchange Rate Sensitivity Analysis Statement December 31, 2016				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In the event that USD appreciates/depreciates by 10% against TRY				
1- US Dollar net asset/liability	(22,078)	22,078	--	--
2- Portion hedged for USD (-)	--	--	--	--
3- USD Net Impact (1+2)	(22,078)	22,078	--	--
In the event that EUR appreciates/depreciates by 10% against TRY				
4- Net asset/liability in Euro	(32,953)	32,953	--	--
5- Portion hedged for EUR (-)	--	--	--	--
6- Euro Net Impact (4+5)	(32,953)	32,953	--	--
In the event that other foreign currencies appreciate/depreciate by 10% against TRY				
7- Other foreign currency net asset/liability	(2)	2	--	--
8- Portion hedged for other foreign currency (-)	--	--	--	--
9- Other Foreign Currency Assets Net Impact (7+8)	--	--	--	--
TOTAL (3+6+9)	(55,031)	55,031	--	--

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33 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS *(continued)*

Foreign currency risk (continued)

Sensitivity analysis (continued)

Exchange Rate Sensitivity Analysis Statement December 31, 2015				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In the event that USD appreciates/depreciates by 10% against TRY				
1- US Dollar net asset/liability	(14,862)	14,862	--	--
2- Portion hedged for USD (-)	--	--	--	--
3- USD Net Impact (1+2)	(14,862)	14,862	--	--
In the event that EUR appreciates/depreciates by 10% against TRY				
4- Net asset/liability in Euro	(85,192)	85,192	--	--
5- Portion hedged for EUR (-)	--	--	--	--
6- Euro Net Impact (4+5)	(85,192)	85,192	--	--
In the event that other foreign currencies appreciate/depreciate by 10% against TRY				
7- Other foreign currency net asset/liability	--	--	1,040	(1,040)
8- Portion hedged for other foreign currency (-)	--	--	--	--
9- Other Foreign Currency Assets Net Impact (7+8)	--	--	1,040	(1,040)
TOTAL (3+6+9)	(100,054)	100,054	1,040	(1,040)

Interest risk

Profile

The interest structure of financial items of the Group having an interest component on the reporting date is as follows:

	December 31, 2016	December 31, 2015
Fixed-interest items		
Financial assets	42,773	66,657
Financial liabilities	624,801	1,040,561
Floating-interest items		
Financial assets	--	--
Financial liabilities	466,094	489,065

Fair value risk of fixed-interest items:

The Group does not have any financial asset or liability the fair value of which is recognized in profit / loss. Therefore, changes in interest rates do not have a direct impact on shareholders' equity items on the reporting date.

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33 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS *(continued)*

Interest risk *(continued)*

Cash flow risk of floating-interest items:

When the Group's borrowing profile is taken as basis, it is expected that an increase of 100 basis points in TRY Benchmark Interest Rate, Euribor or Libor would cause an approximate increase of TRY 4,661 (December 31, 2015: TRY 4,891) before tax in the annual interest expenses of the Group's floating-interest payables.

As of December 31, 2016 and December 31, 2015, if interest rates increase by 1 basis point, the consolidated comprehensive income statement would be affected as follows. While performing the analysis, it is assumed that all other variables, chiefly the foreign exchange rates, remained fixed.

Interest Position Statement

		December 31, 2016	December 31, 2015
Fixed-Interest Financial Instruments			
Financial assets	Assets the fair value of which is recognized in profit/loss	--	--
	Financial assets available for sale	--	--
Financial liabilities		--	--
Floating-Interest Financial Instruments		--	--
Financial assets		--	--
Financial liabilities		(4,661)	(4,891)

Capital Risk Management

The Group's objectives in managing the capital is to yield returns for shareholders and benefits for other shareholders, and maintain the Group's operability in order to sustain the most appropriate shareholding structure to reduce cost of capital.

To maintain or rearrange the shareholding structure, the Group determines the dividends to be paid to shareholders, issues new shares and sells assets to reduce borrowing.

The Group monitors the capital by using the net financial liability/equity ratio. Net financial liability is calculated by deducting cash and cash equivalents from the total amount of financial liability.

The ratios of net liability/invested capital as of December 31, 2016 and December 31, 2015 are as follows:

	December 31, 2016	December 31, 2015
Total financial liabilities	1,090,895	1,529,626
Cash reserves and banks (*)	(107,070)	(70,088)
Net financial liability	983,825	1,459,538
Equity	1,963,504	1,772,489
Net financial liability / equity ratio	**0.50**	**0.82**

(*) As of December 31, 2016, amounts of cash reserves and banks include cash and cash equivalents in addition to the restricted total bank balance of TRY 60,938 the Group owns as well as its long-term financial investments (December 31, 2015: TRY 47,664).

As of December 31, 2015, Akfen Holding shares worth TRY 76,029, which are purchased by Akfen Holding within the framework of the "Buyback Program", are not indicated within cash reserves and banks.

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34 OTHER MATTERS WHICH MAKE A SIGNIFICANT IMPACT ON FINANCIAL STATEMENTS OR NEED TO BE EXPLAINED IN ORDER TO RENDER THE FINANCIAL STATEMENTS CLEAR, INTERPRETABLE AND UNDERSTANDABLE

Under the resolutions of June 1, 2016 and June 20, 2016 by the Board of Directors, it was decided that it be determined whether it would be convenient to split the shares of Akfen Thermal Energy, İDO, Akfen Water, TAV Investment, Akfen REIT, Adana İpekyolu, Akfen Energy Gas, Akfen Power Generation, Akfen Wind Power, Akfen Karaköy, Akfen Water Güllük, Akfensu-Arbiogaz Dilovası, Akfen Solar Power and Batı Karadeniz Elk. Dağ. Ve Sis. A.Ş. and be invested as in-kind capital in Akfen Engineering. The notice period was started as per article 174 of the Turkish Commercial Code in relation to the spin-off transaction initiated on the basis of this resolution.

35 SUBSEQUENT EVENTS

Akfen Holding and subsidiaries:

Akfen Holding

The Company's application to the CMB on November 25, 2016 for a debt instrument issuance limit was approved via the CMB decision No 37/1300 of December 29, 2016, and the certificate of issuance in relation to debt instruments which the Company may issue domestically up to a nominal amount of TRY 600,000,000 without public offering was published on PDP. Bond issuance on a nominal value of TRY 300,000,000 with a maturity starting date of January 9, 2017 was completed on January 6, 2017 via İş Yatırım Menkul Değerler A.Ş. and using the method of sales to qualified investors.

An interest of TRY 4,031,998.97 in relation to the 12th coupon payment period and a principal of TRY 140,000,000 were paid on January 9, 2017 for the bond issued by the Company amounting to TRY 140,000,000.

Extraordinary General Assembly Meeting pertaining to the spin-off procedure launched on the basis of the Board Resolution No. 2016/26 of June 1, 2016 and Board Resolution No. 2016/28 of June 20, 2016 was held at Company headquarters at 10:00 am on February 16, 2017. The spin-off procedure was completed when the minutes of the Extraordinary General Assembly Meeting were registered by Ankara Trade Registry Directorate as of February 16, 2017.

TAV Airports

During the Board meeting on February 17, 2017, TAV Airports Board of Directors decided in its resolution no. 2017/1 to distribute, in cash, an amount of TRY 247,952 from the consolidated profit for 2016 period. The amount of dividend per share will be a full TRY 0.68. This resolution will be submitted to the General Assembly for approval on March 20, 2017.

Abbreviation	Definition
AAIP	Annual All-Inclusive Price
Accor	ACCOR S.A.
Adana İpekyolu	Adana İpekyolu Enerji Üretim Sanayi ve Ticaret A.Ş.
Administration	Republic of Turkey Ministry of Health Department of Public-Private Partnerships
ADP	Aéroports de Paris Management
ADR	Average Daily Rate
AGOP	Adjusted Gross Operating Profit
Akfen Commerce	Akfen Gayrimenkul Ticareti ve İnşaatı A.Ş.
Akfen Construction	Akfen İnşaat Turizm ve Ticaret A.Ş.
Akfen Electricity Wholesale	Akfen Elektrik Enerjisi Toptan Satış A.Ş.
Akfen Energy Production	Akfen Enerji Üretim Ve Ticaret A.Ş.
Akfen GYT	Akfen Gayrimenkul Yatırımları ve Ticaret A.Ş.
Akfen HEPP/ HEPP Group	Akfen HES Yatırımları ve Enerji Üretim A.Ş.
Akfen Holding / Akfen / Group / Holding / Company	Akfen Holding A.Ş.
Akfen REIT	Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.
Akfen Renewable Energy	Akfen Yenilenebilir Enerji A.Ş.
Akfen Thermal Energy	Akfen Termik Enerji Yatırımları A.Ş.
Akfen Water	Akfen Çevre ve Su Yatırım Yapım İşletme A.Ş.
Akfen Water Dilovası	Akfensu Arbiogaz Dilovası Atıksu Arıtma Tesisi Yapım ve İşletim A.Ş
Akfen Water Güllük	Akfen Güllük Çevre ve Su Yatırım Yapım İşletme A.Ş.
Akfen WPP	Akfenres Rüzgar Enerjisi Yatırımları A.Ş.
Aquila	Aquila Capital Wasserkraft Invest GmbH and Aquila HydropowerINVEST Investitions GmbH & Co. KG
ATU	ATÜ Turizm İşletmeciliği A.Ş.
BIAS	Borsa İstanbul A.Ş.
BO	Build-Operate
BOT	Build-Operate-Transfer
BTA Airports	BTA Havalimanları Yiyecek ve İçecek Hizmetleri A.Ş.
BTA Maritime	BTA Denizyolları Yiyecek ve İçecek Hizmetleri A.Ş.

Abbreviation	Definition
CAGR	Compound Annual Growth Rate
CGP	Corporate Governance Principles
CMB	Capital Markets Board
CML	Capital Markets Law
CPE	Consumer Price Index
CRA	Merkezi Kayıt Kuruluşu A.Ş.
DAM	Day-Ahead Market
DEIK	Foreign Economic Relations Board
DHMI	General Directorate of State Airports Authority
E-RTG	Electrified Rubber-tyred Gantry Crane
EBRD	European Bank for Reconstruction and Development
EBITDA	Earnings Before Interest Tax Depreciation and Amortization
EIA	Environmental Impact Assessment
EIA	U.S. Energy Information Administration
EMH	East Mediterranean Hub
EMRA	Energy Markets Regulatory Authority of the Republic of Turkey
EPC	Engineering-Procurement-Construction
EPIAS	Enerji Piyasaları İşletme A.Ş.
EU	European Union
Eurostat	The Statistical Office of the European Union
EUAS	Elektrik Üretim A.Ş.
FIT	Renewable Energy Sources Support Mechanism (Feed-in Tariff)
GDP	Gross Domestic Product
GYODER	Association of Real Estate and Real Estate Investment Companies
GWh	Gigawatt hours
HAVAS	Havaalanları Yer Hizmetleri A.Ş.
Hacettepe Teknokent	Hacettepe Teknokent Eğitim ve Klinik Araştırma Merkezi Sağlık AR-GE Danışmanlık Proje Sanayi ve Ticaret A.Ş.
HDI	Hotel Development and Investment BV

Abbreviation	Definition
HEPP	Hydroelectric Power Plant
HGS	High-Speed Toll System
HVSE	HAVAS Europe
IATA	International Air Transport Association
IDO	İstanbul Deniz Otobüsleri Sanayi ve Ticaret A.Ş.
IFC	International Finance Corporation
IMF	International Monetary Fund
Karine	Karine Enerji Üretim ve Sanayi A.Ş.
MENA	Middle East and North Africa
Mersin CCGT	Mersin Natural Gas Combined Cycle Power Plant
MIP	Mersin Uluslararası Liman İşletmeciliği A.Ş.
MW	Megawatts
OECD	Organisation for Economic Cooperation and Devel-opment
OIZ	Organized Industrial Zone
PA	Privatization Administration
Pak	Pak Enerji Üretimi Sanayi ve Ticaret A.Ş.
PDP	Public Disclosure Platform
Pegasus	Pegasus Hava Taşımacılığı A.Ş.
PPP	Public-Private Partnership
PSA	PSA International PTE Ltd.
PTF	Market Trading Price
PMUM	Market Financial Settlement Center
QC	Quay Crane
RPI	Russian Property Investment BV
RPK	Revenue Passenger Kilometers
SGK	Republic of Turkey Social Security InstitutionSDAP
T.R.	Republic of Turkey
TAV Airports	TAV Havalimanları Holding A.Ş.

Abbreviation	Definition
TAV Construction	TAV Tepe-Akfen Yatırım İnşaat ve İşletme A.Ş.
TAV Istanbul	TAV İstanbul Terminal İşletmeciliği A.Ş.
TAV Investment	TAV Yatırım Holding A.Ş.
TCC	Turkish Commercial Code No 6102
Tepe	Tepe İnşaat Sanayi A.Ş.
TDI	Türkiye Denizcilik İşletmeleri A.Ş.
TEIAS	Türkiye Elektrik İletim A.Ş.
TEPP	Thermoelectric Power Plant
TEU	Twenty Feet Equivalent Unit
TGS	Turkish Ground Services
THY	Turkish Airlines
TMB	Turkish Contractors' Association
TOR	Transfer of Operating Rights
TRNC	Turkish Republic of Northern Cyprus
TSKB	Industrial Development Bank of Turkey
TURMEPA	Turkish Marine Environment Protection Association
TurkStat	Turkish Statistical Institute
TURKLIM	Port Operators Association of Turkey
UAE	United Arab Emirates
UKOME	Transportation Coordination Center
UNWTO	United Nations World Tourism Organisation
USA	United States of America
YOK	Council of Higher Education
YPK	Higher Council of Planning